**Egypt - MENA’s growth driver**

Expected to be the only economy in the Middle East and North Africa (MENA) region to achieve growth in 2020, Egypt is reassuring itself as one of the region’s most dynamic economies. The country’s GDP will grow by 3.5% in 2020 according to International Monetary Fund forecasts, while the rest of MENA is expected to slip into recession due to the coronavirus pandemic and related lockdowns. The most populous country in the Arab World, with a market of nearly 100 million people, Egypt benefits from its demographic strengths as well as its location between Africa, Asia, and Europe, and its diversified economy.

Despite the global economic crisis triggered by covid-19, Egypt’s food exports grew by 2% in the first nine months of 2020, to $2.6bn, according to official figures. Processed food exports account for 14% of non-oil exports, a key revenue source including the United States and Saudi Arabia. Among Egypt’s top five food export markets is Turkey. One of the companies driving the growth of exports is Obourland for Food Industries, established in 1999 by Ashraf Hamed Sherif, just three years after he graduated. Originally focused on ice-cream, the company switched to producing a wide range of cheese products and in 2005 formed a partnership with global packaging leader Tetra Pak. Established as a brand of quality and value in Egypt, Obourland is now looking to expand into new markets in the Gulf and Africa.

"We already export to five countries, and we’re going to Tanzania in April," says Sherif. "We are open to new ideas and opportunities, and we’re looking for distribution partners that can help us grow our business in Africa and the Middle East.”

Today, Obourland has diversified beyond its traditional white cheese products over the past three years, and has added products including milk and processed cheese juice to its portfolio. In the first nine months of 2020, Obourland’s revenues grew 6% to $130m, with gross profit rising 14% to $51.6m. The company achieved a gross profit margin of 24%, up 22% on the same period of 2019, partly thanks to the installation of three new production lines at the beginning of the year, lower packaging costs, and sourcing of cheaper raw materials, taking advantage of falling commodity prices. Thus Obourland continues to be an attractive proposition for investors, with an ROI of 28.66% in the twelve months to September 2020. The company was listed on the Egyptian Exchange in one of the most successful IPOs of recent years, with the family retaining a 60% stake.

"After a tumultuous decade for Egypt, Sherif is ready to expand his brand, and his country, globally. "It is very important, particularly at this time, to promote Egypt and Obourland, as a brand,” he says. Obourland is associated with the best Egyptian cheese; now with new projects abroad, it will not only be local.”

**Evergrow Partner for Growth**

The worldwide covid-19 pandemic and associated lockdowns have hit the global economy hard in 2020. But as the international economy recovers, it is becoming clear that countries that reacted quickly and decisively to support economic activity will be strongly-placed to take advantage of the next round of growth. One of these is Egypt, where the government announced a $6.4bn stimulus package and a range of measures designed to power business through the crisis. As noted by KPMG in a September 2020 overview, these included a 9% cut in electricity tariffs for industry, the central bank allocating $1.2bn to support the stock exchange; and immediate financing for the import of key commodities.

**Obourland for Food Industries**

Launched regional expansion

The company is open to a range of investment partners to power this expansion. "We are very keen on acquiring private equity and we are preparing the company for a PE partnership,” says El Kheshen. "It depends on what the partner can offer.”

Evergrow’s leadership will prioritise investors with knowledge of the fertiliser sector, financial investors capabilities, or those with strategic market knowledge in Asia, where the company intends to grow. Partners will tap into not only Evergrow’s strengths, but Egypt. "We have low labour costs, climate and resources to produce quality fertilisers, ports on the Mediterranean and Red Sea, and a strategic market position,” El Kheshen says. "Through our quality, we represent Egypt as well.”

M. F. Hamed Sherif, President of Obourland

A. F. Al-Sisi, President of Egypt
Palm Hills Developments
From strength to strength

Egypt’s unbelievable recent growth trajectory was impacted by Covid-19, but the country has weathered the storm much better than most others. GDP had already soared in recent years, rising from 2.9% in 2014 to hit 4.4% in 2015, 5.3% in 2018, and 5.6% in 2019. While expansion will moderate as a result of the pandemic, Egypt is one of the world’s few large economies expected to avoid a recession in 2020, with GDP growth forecast to hit 3.5% this year.

Real estate is an especially popular sector for investors, as Egypt is one of the few countries in the region to offer off-plan sales. Recent currency devaluation has also improved the foreign investment case, meaning companies like Palm Hills Developments, an undisputed leader in Egyptian real estate, will continue to play an important role in the country’s development.

As an innovative, fully integrated developer with a deep history and long track record of successful project delivery, Palm Hills has been driving Egypt’s economic growth since it was established 21 years ago. The company has gone from strength to strength over the years, cementing its brand and reputation as a top player in the industry with investments in residential, hospitality, commercial, and mixed-use projects.

Yaseen Mansour, chairman and CEO of Palm Hills, has a very clear understanding of what sets his company apart from the competition: “We have put a lot of effort in strengthening our brand. At the end of the day you must look at every developer and see which one is more efficient and has more added value, and we’re working on both these fronts. We’re working on being efficient in our buildings, we’re working on design, marketing and the brand we have, and implementing new technologies, such as artificial intelligence.”

At the same time, a wave of government investment in infrastructure in the years since 2013 has created the perfect conditions for new projects and projects. Billions were channeled into new projects that increased employment and incomes, and had the added benefit of reducing travel times to areas just outside of Cairo, further bolstering Palm Hills’ activities.

“We’ve created unbelievable infrastructure projects recently, the likes of which haven’t been seen for the last 50-65 years in Egypt. Infrastructure is the key to boosting employment, so we were able to employ a lot of people very quickly to solve this big unemployment problem. All the new infrastructure has also helped developers realize the ‘closeness of land’—what was once two hours away in 2012 is maybe now 15-20 minutes away, which has created appetite for real estate to develop areas outside of Cairo,” Mansour explained.

Palm Hills is the developer of choice for both Egyptians and foreign investors, and a trusted government partner, collaborating closely with public officials to ensure value-added offerings including foreign residency for its buyers. It has risen to the top through successful delivery of dozens of world-class projects.

The company began building its massive portfolio with the launch of Palm Hills October and its extension, followed by Palm Hills Bamboo, marking the beginning of a series of niche, high-end offerings that continued with an expansion into eastern Cairo with the Palm Hills Katameya project. With a clear view in mind to diversify its offerings beyond luxury real estate, Palm Hills turned its attention to new growth areas and a host of diverse real estate products, developing affordable units for new families with the launch of The Village, Village Gate, Village Gardens, and Village Avenue in eastern Cairo, as well as Palm Parks and Casa in the west.

From there the company expanded to the Mediterranean Sea and Red Sea with projects including Hacienda Bay, Hacienda White, and Tawaya. More residential

More recently, Palm Hills launched the first Palm Hills located outside of Cairo, the Palm Hills Alexandria, as well as Hale Town, a flagship wellness and medical hub, and Gulf Central, the company’s first office development, which was announced in 2019. It is also moving to develop the first Egyptian boutique hotels on the North Coast, Mazara, and Le Siba.

Today the company’s portfolio spans more than 13.3 million sq m. All told, these projects are home to nearly 6000 residential units varying in size from 150 to 2000 sq m, while 70% of their land has been allocated to lush greenery and multifaceted landscapes. Projects in west Cairo have nearly 200,000 sq m of dedicated service and retail facilities serving residents and visitors. Palm Hills employs more than 600,000 people directly and indirectly, making it a pillar of the Egyptian economy.

The company’s financial track record has also been stellar in recent years: in 2018, the total number of units sold rose by 45% y-o-y to 3102, while sales revenues rose by 18% y-o-y to hit $800 million. Commercial sales surged by a remarkable 168%, and the company was also able to cut its debt by 45% in 2018.

Growth continued last year, with new sales rising by 20% y-o-y to hit a record $950 million, while cash flow operations hit an all-time high of $110 million. Net profits rose by 4% in the same year to hit $54.1 million, while the company’s net profit margin rose by three percentage points to hit 14%.

Perhaps most significantly, Palm Hills retained record-breaking sales in the three months to December 2020, despite the challenges brought on by the pandemic. Its Q3 earnings report tells an equally positive story: new sales rose by 42% y-o-y to hit $190 million, putting the company on track to meeting its annual sales target of $770 million.

“When Covid happened, in Egypt, like everywhere else, it was difficult. We had a very difficult April for example. But in the real estate sector we’ve seen a very good recovery beginning in May, and things were even better in June 2020. In fact this year was probably the best June ever for the company as far as sales,” Mansour recounted.

Palm Hills’ strong focus on customer satisfaction also helped it mount an extremely effective response to the first wave of the Covid-19, as Mansour described: “Regarding Covid19 we did a pretty good job as a company, we wanted to ensure our customers were safe and satisfied. We also felt we had to give back to the country, so we donated to the Ministry of Health, we gave them a 200-bedroom hotel we own in Cairo for free, with food and everything included. For our clients we offered on-call doctors and maintained space in the donated hotel for those who needed it. We also supplied masks, gloves, sanitizers to homes, and we sanitized their homes for free. It created a family feeling with our clients and community.”

As the company looks to the future and post-Covid recovery, Mansour has his sights set on its biggest and most ambitious project yet Badaya, the Creative City. Stretching across 3000 acres, Badaya is a fully integrated smart city and the jewel in the Palm Hills portfolio. Although it is one of Egypt’s most innovative real estate developments, it has been designed with affordability in mind.

Architects incorporated urban planning principles that maximize natural features and reduce exposure to the elements, significantly bringing down the cost of air-conditioning. Units are also designed for maximum water efficiency, with the end result of both these measures being a 40% reduction in the cost of living. Smart sensors enable maintenance crews to detect problems immediately, and the city will also include renewable energy components such as solar panels. Because of this, Badaya is the first “new city” in the Middle East that will be in full compliance with UN sustainability principles.

“Badaya is a dream,” said Mansour, “We’ve gained so much experience since we first started decades ago, and it is this experience that makes Badaya possible. We’re creating an integrated community, but one that also offers exclusivity, including facial recognition security systems and face entry. As it is a cognitive city, we also have plans to build two universities, and an unmatched sporting club. We’ve put a lot of effort and our knowledge and know-how into this project, and I think it is the future of Palm Hills.”

A company evolving from strength to strength.

Yaseen Mansour
CEO - Palm Hills Developments
Egypt's economic growth could surge to 5.4% in 2022, according to a November 2020 review by ratings agency Standard&Poor's, as the competitive advantages of Egypt's young population and growing household income are coming to the fore. S&P forecasts solid growth of 2.5% in the 2020/21 fiscal year, despite the setbacks of the coronavirus pandemic and associated global recession. The agency reaffirmed its "stable" outlook for Egypt's credit rating. Egyptian Minister of Finance Mohamed Maait noted that S&P praised the government's reform programme, and its rapid response to the economic consequences of the covid crisis.

New Momentum

Banque du Caire

Banco du Caire was perceived as a participant in the global financial system as early as the 19th century, leveraging a brand with strong recognition from the 21st century. The new leadership has committed to economic reform. It also reflects the sentiment of the government's strength is driving the country's economic growth of 5%-plus per year. Foreign investors were ready to launch our IPO in 2020 due to the covid crisis, is keenly anticipated by international investors. "The sentiment is very positive," CEO Tarek Fayed. "The government and Central Bank of Egypt, Egyptian banks' total financial position reached $430bn in August 2020, up 4.2% year-on-year. Deposits, loans, investments, and assets abroad all increased."

The new leadership leverages Egypt's strengths in economic growth, as rising incomes, and as the opportunities for bank lending and growth thanks to flourishing businesses and a growing number of Egypt's exports. According to the Central Bank of Egypt, Egyptian banks' total financial position reached $430bn in August 2020, up 4.2% year-on-year. Deposits, loans, investments, and assets abroad all increased.

This is the strong environment in which Banque du Caire, one of the country's top ten banks, expects to launch its Initial Public Offering (IPO). The offering by the state-owned bank, postponed from 2020 due to the covid crisis, is keenly anticipated by international investors. "We were ready to launch our IPO in March, and we had meetings with the world's largest investors abroad," says Tarek Fayed. "We've managed to increase our card business, we were named the number one bank in terms of growth by Mastercard last year, and have been recognized by the best bank in Egypt in this business."

The board has put an emphasis on investment in both human capital and technology, the two crucial elements for success in banking in the 21st century. It has strengthened relationships with both retail and corporate clients, and revamped many of its departments, including its Debt and Structured finance department. As a state-owned bank, Banque du Caire is well positioned as a financial partner for foreign investors in Egypt. "The government and Central Bank have embarked upon a very bold and comprehensive reform programme," he says. "Since this reform programme we’ve seen very strong and stable economic growth of 5%-plus per year. Foreign investments have positive sentiment about the Egyptian economy."

"Egypt has mobilised nearly $16bn in financing from a range of sources since the beginning of the covid-19 crisis, according to the World Bank, reflecting increasing investor confidence after a tumultuous decade. In its overview of the Egyptian economy, the World Bank noted that the International Monetary Fund has extended a $5.2bn standby agreement package plus a $2.8bn stopgap loan, while Egypt has tapped international markets for a $5bn sovereign Eurobond, a $0.75bn sovereign green bond, and a $2bn loan from a consortium of banks led by UAE lenders. This support during the global recession has been secured thanks to Egypt’s improving fiscal and macroeconomic position after several years of reforms.

The future of renewables

Egypt has its population nearing 100m and growing at 2% per year, and is expected to overtake new economic power in 2022. Its huge installed capacity of 23.5 GW and capacity, according to African Energy, a consultancy. Egypt is expected to soar over the next 15 years, requiring another 50GW of capacity, according to African Energy, a consultancy.

The government aims to expand the country’s electricity from renewable sources by 2030, providing a huge opportunity for renewable investors and the country's leading renewables company, Infinity. It is a leading partner of the Benban Solar Plant, widely considered to be the world’s largest solar power complex.

"Infinity is a partner of choice for foreign investors in Egypt," Mansour notes. "It opens the doors to many other future investors.

The investment comes alongside a joint venture between Infinity and Abu Dhabi's renewable energy company Masdar, which will see Masdar invest in Infinity's projects and support its expansion in Africa and the Middle East. Having received these votes of confidence from major international investors and acknowledging the Egyptian government's commitment to reform and supporting businesses, Infinity's value proposition is a direct testimony of the growth potential Egypt has to offer."

"Over the past eight years, an industry has been created that was not previously there," says Mansour. "What I say to foreign investors is that the legal framework is in place, and the demand is there, and will continue to grow. The fundamentals are here, and the sky is the limit."
Eastern Company 100 years of excellence

The Egyptian economy has been remarkably resilient in the face of major external headwinds in 2020, supported by a robust and growing export base. The United Nations Conference on Trade and Development reports that merchandise exports more than doubled between 2005 and 2019 to end the year at $29 billion, and exports are expected to resume a steady growth path as the world emerges from the worst of the Covid-19 pandemic.

Manufactured items accounted for nearly half of total exports in 2019, and the country’s vast and diverse manufacturing base has played a crucial role in supporting rapid recent economic expansion. The sector accounts for nearly 20% of economic output, and it will remain an important economic pillar in the years to come. This leaves Eastern Company well-positioned to maximize new investment as it moves to expand its new high-growth business. Eastern Company’s history is rich and deep. It was first incorporated in Egypt a century ago under a decree issued by Sultan Ahmed Fouad, and stands today as the country’s leading cigarette manufacturer and distributor. Eastern Company was the first state-owned enterprise to launch a governmental initial public offering in March 2019, raising $119 million by selling a 4.5% stake to investors on the Egyptian Exchange, and investors have been flocking to its stock ever since. Hany Aman, CEO of Eastern Company, explained how important the company is to Egypt’s economy: “We are the biggest company in the Egyptian stock market, we are the biggest contributor to the government tax and budget, and we are the company that Egypt could not do without. We have a 72% market share in the country. The company itself is an installation force and a beacon for small and medium-sized enterprises. All of them hold our stocks and never sell them. Even during the pandemic, we managed to deliver to our investors dividends that were 42% higher than the year before.”

Egypt is the world’s 16th-largest market of tobacco consumers, and Eastern Company is the sole manufacturer of cigarettes in the country, and in addition to its own-brand market share, it also manufactures cigarettes for leading international tobacco companies. Its contract manufacturing business recorded a compound annual growth rate of 22% between 2017 and 2019. The company’s reputation as a trusted partner of choice is further cemented by its institutional investors, which include LOM Investments, Fundsmith, Coronation Fund Managers, Allen Gray, Franklin Templeton Investments, Ashmore, and Russell Investments. Strong domestic demand, particularly during the pandemic, has supported Eastern Company’s enviable financials. In the nine months to April 2020, earnings per share rose by 9.2% y-o-y, while net profit rose by 8.1% to EGP 201 million. But as Aman explained, his company is setting its sights beyond Egypt’s borders: “We have a great product to sell, and there’s a lot of people that appreciate our product, it is very competitive. We are looking to the future and to new export markets depending on the product. For cigarettes, we are targeting the Arab world, for the rest of the world we have Europe and the US, and there are many options for cigars. We’re turning to Africa as we believe there is big opportunity for our products there, and we are also examining the potential for diversification into e-cigarettes.”

Domestically, it is also active in rolling out new products and brands, most recently the Cleopatra Black Label cigarettes, Robusto and Mini Varona cigars, Cleopatra Queen soft and hard packs, and two new varieties of the Cool cigarette. As it celebrates its centennial anniversary, Eastern is committed to maintaining its leading role in the sector by maintaining a sharp focus on customer satisfaction, and shifting its attention to advanced technologies used in tobacco production to bolster the socio-economic benefits it already offers the Egyptian economy. With that in mind, Aman is open to new strategic partnerships and investment agreements that will help the company expand its international footprint. These could include distributors active in any of its target markets, or any new foreign investors looking for stable and profitable long-term ventures. “During the first 100 years of this company’s existence, we have been delivering more value for our investors year over year, especially over the last two years. We as a company have built a strong foundation of trust with many global firms and big investors, and we have never let them down. We don’t talk about what we do, we just do it. That is why we’ve thrived for 100 years, and we believe that we can do another 100, so we are preparing ourselves for the next century.” Aman concluded.

Hany Aman, MD & CEO - Eastern Company

Egypt Post
Diversifying the digital economy

New growth drivers are emerging in Egypt in the wake of the Covid-19 pandemic. With a domestic population of more than 100 million people, most of whom are still unbanked, Egypt offers huge opportunities to investors in the financial services sector. The Egyptian Postal Authority, or Egypt Post, is a key player in a drive to boost financial inclusion that is being spearheaded by the Central Bank of Egypt and Ministry of ICT. Together, these entities are set to transform the country’s economy through digital development.

One of the oldest government institutions in the country, Egypt Post was established in 1865, and renamed the Egyptian Postal Authority in 1982. Over the centuries it has played a critical role in the country’s development, and continues to do so today, most recently with the completion of a national postal code project in 2020. Dr. Sharif M. Farouk, chairman of Egypt Post, explained the importance the authority is making to adapt and innovate in unprecedented times: “We have more than 4000 branches in all of the governorates of Egypt, including 43 logistics centers, three of which are internal offices of exchange located in Cairo International Airport, Alexandria, and Rafah. This gives us the edge to serve our clients better.”

Digital transformation will definitely help us in bundling all products and services, and in making strategic deals with international firms, not only in banking sector, but also in logistic services. Logistics in particular has become fundamental after Covid-19.”

Egypt Post is playing a leading role in Egypt’s digital transformation, after the government partnered with the United Nations Conference on Trade and Development in 2017. Under plans with UNCTAD, the government hopes to increase e-commerce, after the 2021. Egypt Post has already proved that it can provide quality services, audits, and automation, with a promise of total transparency in security and cash as it moves to forge stronger partnerships. Wise investors should take note, he argued: “Egypt Post is opening its door to any international company that wants to reach a huge domestic customer base and the wider African continent. We’ve already launched e-commerce portal, and we are collaborating with some African nations. These efforts benefit from the support of the Prime Minister. We’re also working closely with stakeholders in Egypt, including government partners in customs, and at the Ministry of Finance. The next step is sharing hands with international firms and big names in Europe.”

Dr. Sharif M. Farouk
Chairman - Egypt Post

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