Arab World Banking & Finance Technology Focus

Friday October 7 2016

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Mohamed Younes, Chairman Concord International Investments

Since 1994, Concord has been a pioneer in Egyptian investment. Concord was the first firm to establish both closed- and open-end country funds.

eadquartered in New York, Concord manages approximately \$795 million as of December 31, 2015. Most of those funds are currently invested in Egyptian equities, emphasizing an unrivaled mastery of the Egyptian markets.

Over the past year, investment flows from public and private sector banks, multilateral institutions, development groups and high-net-worth individuals have increased significantly.

Concord attributes its continued success on being able to rely on the experience, diligence and rigorous fundamental requirements applied by its management team, as well as its market renowned in-house research department.

We sat down with Concord Chairman Mohamed Younes for a "Question and Answer" session to get his perspective on current financial and economic events and developments in Egypt.

Question: As Egypt continues to confront and address its economic challenges, a new three-year \$12 billion agreement with the IMF could help unleash the country's untapped economic potential with a focus on pro-growth reforms. What do you see as the keys to success of the IMF agreement?

Younes: Egypt's prospects for economic and financial recovery are significant, and the agreement between Egypt and the IMF sets the stage for success. But realizing the full positive impact of such an agreement can sometimes prove difficult. An important key to success will be in the implementation of these reforms that hold the potential to promote growth, create jobs and address foreign currency shortages. The burden is on both the government and private sector to adhere strictly to the conditions of the agreement so that the reforms can work and economic progress is sustainable. A strong commitment from both, unwavering in the face of any pressure for exemptions, will be needed to ensure proper implementation and maximum benefit.

Question: To make economic progress, Egypt needs Foreign Direct Investment (FDI). Do you believe that a managed currency float will be sufficient to attract FDI? Also, how might investor concern regarding the ability to repatriate profits be addressed?

Younes: It's too easy to use the use the uncertain currency outlook as an excuse to say no to direct investment. Currency fluctuations are often business risks, and they're dictated more by sentiment. As for repatriainting profits, it's not about having a better mechanism. It's more important to focus on the availability of funds than on rates. In the short run, an improvement in tourism, always a major source of foreign currencies, would help shortages. Over time, increased exports would help ease

readquartered in New York, Concord some pressure, as would less foreign borrowing. The recent gas discoveries will also provide, within 2 to 3 years, a very large inflow of foreign currency.

Question: What then would be your message to potential foreign direct investors studying the Egyptian market?

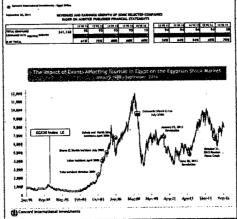
Younes: Foreign investors have to distinguish between the "perception" of Egypt and the "reality" of Egypt, because historical facts tell some interesting stories. As an example, I've included a chart here that we prepared at Concord showing the impact of events affecting tourism on the Egyptian stock market. After each event since 2004, the EGX30 Index has recovered to new highs in a short period.

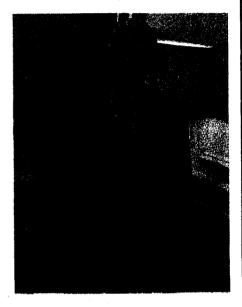
We also took a look at the revenue and earnings growth over the past four years of a large group of Egyptian companies. The table I've included summarizes the performance of close to 100 Egyptian companies in diverse sectors – from industrials to real estate to financials to consumer. Egyptian companies performed remarkably well, certainly better than most would've expected, during the very difficult years since the January 2011 Revolution.

Although Egypt has been going through some very difficult economic and financial times, investors can see in historical stock market performance and corporate statistics a strength and resilience that too often goes unnoticed in the negative news of any given day.

As a result, one of our private equity funds which has operated under the very difficult market environment since 2000, including a 50% devaluation, shows a 19% net compounded return in US Dollar terms to its shareholders.

The underlying strength of the Egyptian market was also evident when we were able to exit from two investments during 2015. Both were sold to international strategic investors in cash transactions worth in excess of \$1.1 billion US dollars, reflecting a positive outlook on Egypt by these two international institutions.





Question: Small- and medium-sized enterprises (SMEs) contribute a substantial portion of Egypt's productivity, but most operate outside the institutional banking system. Can government mandates help the SMEs to play a more substantial role in Egypt's economic recovery?

Younes: SMEs can certainly play a bigger role, but it will take some time. At this beginning stage of economic recovery, large projects are really the key to more immediate job creation. These would include Egypt's megaprojects, such as the new administrative capital, as well as the Suez Canal zone and the Golden Triangle for mining, which notably also support increased hard-currency exports. So it's currently more difficult for SMEs to be as impactful. For the banks, SME lending is administratively more intensive, thus more expensive, primarily because it requires new training of staff. New training and resources plus more incentives for lending will be needed to encourage and support SME expansion.

Question: Against the backdrop of current events, are there any new products or initiatives at

Younes: Yes, we're in the process of preparing to launch a new \$250 million private equity fund to be invested in Egypt. We will be investing in sectors that appeal to large populations, including medical, pharmaceutical, food and education. We see not only need, but opportunity because of attractive current valuations.

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