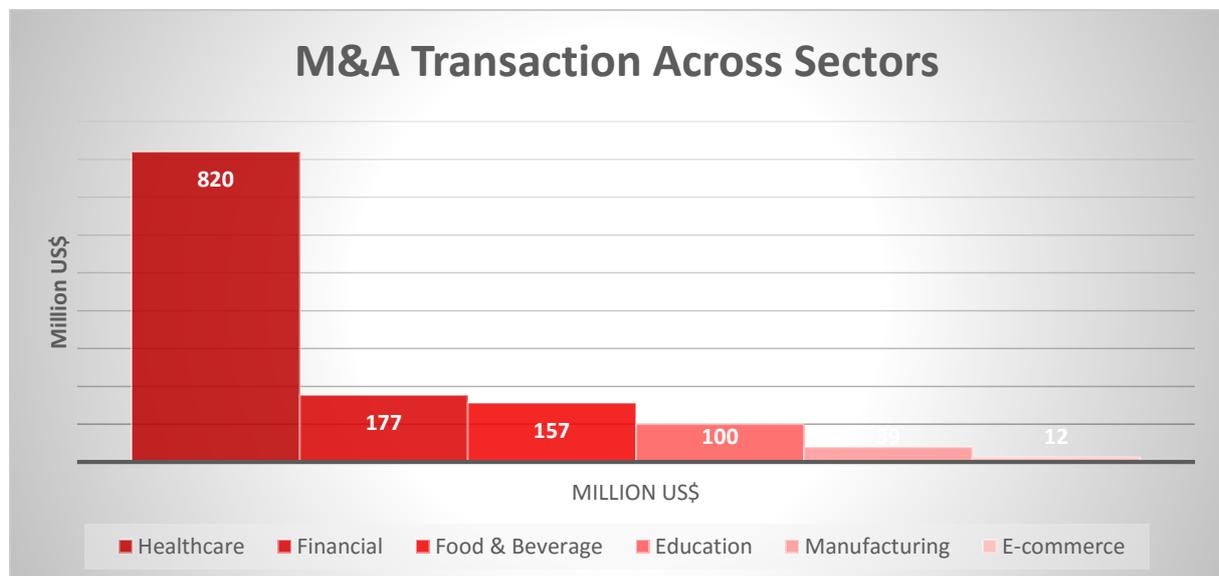


M&As in Egypt, the Good, the Bad, and the Ugly

One of the economists' key indicators of business optimism is the foreign direct investment inflows into the country. The flavour of the month for 2015 has been M&As as global giants seeking to enter the Egyptian market acquired attractive & successful local players. During 2015 more than 40 transactions worth well in excess of EGP 20 billion executed or announced; of which around 28 were executed. This was part of a larger global investment and consolidation phenomena as M&As reached its highest level since pre-2007 financial crisis.

The key FDI transactions were distributed among 6 sectors with the largest inflows dedicated to pharma & healthcare, followed by financial services and food & beverage.



The most prominent of these acquisitions was Canadian giant's Valeant's acquisition of Amoun pharmaceuticals, followed by the Kellogg's acquisition of Bisco Misr, AXA's acquisition of CIL and finally the highly publicised Fawry acquisition.

The acquisitions were undertaken by 6 US players, 2 French Companies (Danone & AXA) and 2 Saudi Arabian companies. The remaining transactions were fragmented among various countries or investor clusters.

In terms of volume rather than value, food & beverage was the most active sector in Egypt as Kellogg's, Danone, ADM and others sought to establish their footprint in the region, overtake pesky local players and grow their manufacturing capabilities.



Transactions not covered in our analysis include Egyptian companies whom have acquired other Egyptian companies or foreign investors whom bought out the stake of other foreign investors on Egyptian soil. This analysis also does not address all Sawiris family investments abroad including their acquisition of Euronews.

During 2016 there are some key trends to look out for:

- © OTMT continues on its crusade to dominate the financial services industry in Egypt through acquiring and consolidating the top players
- © Abraaj will continue to grow its healthcare portfolio in Egypt which now includes scan centers, laboratories and hospitals.
- © Qalaa seems to be downsizing its Gezour portfolio in Egypt as well as some of its heavier manufacturing investments. It will be interesting to see what they sell off next as well as track what they decide to invest in.
- © M&As will continue to dominate the investment scene in Egypt for most foreign direct investments happening outside the newly formed Special Economic Zones.