

# Opportunities Created by the “ Global Financial Crisis”

## The Middle East is Likely To Prove Resilient

- The credit crisis is affecting the Middle East but not as much as other regions
  - The IMF forecasts only a slight moderation of GDP growth to 6.0% in 2009 (vs. 6.5% in 2008)
- Nevertheless, the credit crisis in the West has precipitated a regional liquidity contraction
  - Foreign banks in the region have stopped lending money
  - Regional stock markets have posted dramatic declines
  - Local banks are generally healthy
- This cloud has a silver lining
  - The credit down-cycle and falling food and energy prices are moderating inflationary pressures

**David Rubenstein, Co-Founder  
Super Return Dubai October 15,2008**

# Crisis Effects on M.E Region

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## Key Predictions

- M.E likely to prove resilient
- Private equity activity may moderate but will remain strong
- Demand for investment capital from companies in the region will rise
- Local private equity firms will be the most active investors
- Some new global players will enter the market
- Minority state transactions will predominate
- Investment opportunities will be better than before
- Sovereign wealth funds in the region will focus more of their attention on the region

**David Rubenstein, Co-founder  
Super Return Dubai October  
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# Private Equity in the Region

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## Key Prediction

- Lower Stock Market Valuation
- Key Conclusions

## State of SME's in Egypt

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SME's constitute the bulk of corporate companies in Egypt

- They are the drivers of Growth in the Economy
- Psychological barriers exist creating a barrier to wider participation in family companies
- Low transparency, poor capital adequacy no corporate governance this definitely leads to lack of access to credit market that see it as high risk to extend credit.
- Little attractiveness due to capital size and return to Regional Players.

# Solutions

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- Eligible companies can use the Nile Stock exchange to be able to off set the impediments as a prelude to local and regional consolidations.
- Listing provides transparency to attract prospective partners and solves evaluation issues.

# The Role of the Sponsor

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- Strategic advisor to the issuer
- Promoter of the company and acts as Investment Relationship Manager
- Responsible for corporate government
- Acts as under writer for the issue providing liquidity
- Responsible for finding future partners such as:
  - Strategic Investor
  - Regional P/E's
  - Regional M+A deals
  - Others

# Local M+A's and Listed companies

## Crisis effect on local stock exchange in the GCC

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- Melt down in Major local stock exchange
- Contraction in daily volumes
- Failed IPO's

## Crisis effect on local stock exchange in the GCC (Cont's)

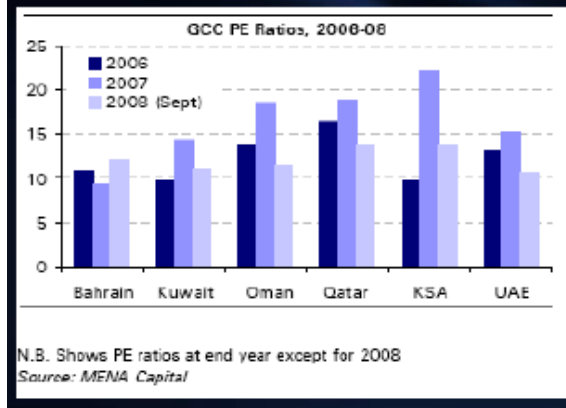
### Lower stock Market Valuation could Be A boon For Private Equity Investors

- Regional stock markets have fallen because they were previously over-inflated
  - Investors had pushed up valuations to unsustainable levels
  - Many of them have withdraw capital because the credit crisis has increased risk aversion and demand for cash

#### GCC Stock Market Performance



#### GCC P/E Ratios



# State of Listed Companies

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- Low free floats resulting in company being controlled by a major promoter
- Credit drying up from foreign institutions to those companies resulting in the need to replace those debts at maturity.
- Most of these corporate are trading below their par values and are profitable corporations growing at reasonable growth rates
- Most local investors have lost confidence in local markets Due volatility and are unwilling to participate in new IPO's or capital increase.

- **Consolidation**

Cross border mergers and acquisitions in the area to substitute lack of liquidity to overcome barriers to growth

- **2<sup>nd</sup> Listings**

Listing companies in regional markets to benefit from

- Being present in new markets that could be interested in new opportunities

- Being covered by more research on listing

- Being able to

- **Listing subsidiaries to Listed Holding Company**

Listed company can access liquidity by creating local listed subsidiaries that would provide opportunities for investors previously available to investors