



Key Macroeconomic indicators (2022)

POPULATION	104 million
GDP	\$469 billion
GDP PER CAPITA	\$4,504
GDP GROWTH	6.6%
LABOR FORCE	30 million⁴
FDI	\$5.12 billion⁵

Country Overview

Egypt is a lower middle-income and transcontinental country situated in Northeastern Africa and the Sinai Peninsula in Western Asia (Middle East). It is the twelfth largest country in Africa and covers a total area of 1,001,449 square kilometers¹. Egypt is the second largest economy in Africa after Nigeria (overtaking South Africa) with a gross domestic product of around US\$469 billion, as of 2022². It is home to more than 104 million people according to the country's Central Agency for Public Mobilization and Statistics (CAPMAS), making it the most populous country in North Africa and in the Middle East, with a per capita income of USD 4,504 according to IMF³. With the world's longest river (the Nile) and a strategic location, Egypt has always been a hub for trade routes between Africa, Europe, and Asia. This natural advantage was enhanced in 1869 by the opening of a long artificial waterway, the Suez Canal, which helps Egypt expand its reach from the Mediterranean Sea toward the Red Sea. Egypt's strategic location has encouraged the signing of multiple trade agreements (pan-African and global), including AfCFTA, EU-Egypt Association Agreement, GATT, and GATS. Egypt's diversified economy presents opportunities in several sectors and is one of Africa's industrial heavyweights.

Economic Outlook

The International Monetary Fund (IMF) conservatively projected the real GDP growth for Egypt at 4.0% in the year 2023. However, the IMF shows confidence towards the country's medium-term prospects, which remain favorable provided macroeconomic stability, a durable move to a flexible exchange rate, and meaningful progress on structural reforms to improve non-price competitiveness and the business environment. This is expected to boost private investment and exports, and unleash untapped growth potential. In this framework, the IMF expects Egypt's GDP Growth to reach 5.3% in 2024. Indeed, Egypt has shown its resilience in the face of the COVID-19 crisis by being one of the first countries on the continent to rebound and maintain positive GDP growth; thus, demonstrating the effectiveness of its government reforms. However, the fallout from the Russia-Ukraine war had a significant impact on the Egyptian economy as one of the largest wheat importers. This geopolitical crisis exerted adverse effects across various market segments, including surging commodity prices and dwindling purchasing power in the goods market, plummeting employment rates in the labor market, soaring inflation, and weakening Egyptian pound prices in the money market.

Despite the adverse impacts of the Russia-Ukraine war, the Egyptian Government and Central Bank have put in place policies to strengthen the resilience of the economy. More specifically, the CBE adjusted the exchange rate and monetary policy in March 2022, to suppress imports, restrain black markets activity and alleviate foreign currency shortages. Meanwhile, the Egyptian government not only released social mitigation measures to try to restore macroeconomic stability but also sought help from the IMF by signing a new loan for support. Egypt remains among the top attractive investment destination in Africa in 2022.

Business Environment

The Egyptian government continues to make progress on economic and regulatory reforms. And while there are still significant challenges, Egypt's investment and business environment are improving. The Government of Egypt completed a series of macroeconomic reforms between 2016 and 2019, and announced in 2021 plans for a second round of economic reforms. These reforms aim at stabilizing its economy and stimulating sustainable economic growth, as well as increasing the role of the private sector and attracting foreign direct investment (FDI). It has also passed several regulatory reform laws, including a new investment law in 2017 which aims to improve Egypt's business and investment climate and help the economy realize its full potential⁶. The amendments of this law which consolidates investment rules, streamlines procedures, and includes more incentives and guarantees for investors (such as a preferential tax regime under double-tax treaties with 57 countries, tax exemptions applicable to specific returns on investment, right to remit income earned in Egypt and repatriate capital), have been an important signal demonstrating the importance the government places on attracting and facilitating private investment.

Furthermore, aiming at improving the domestic investment environments, the Egyptian government has been consistently implementing sector-targeted policies, which range from the FinTech sector and green finance, to upcoming incentives in the renewable energy sector.

Firstly, the government has put strong emphasis on the Financial Technology (FinTech) industry, keeping pace with the global trend; while the CBE (Central Bank of Egypt) designed an innovative FinTech strategy⁷ in its effort to elevate the efficiency of financial services. Specifically, a FinTech Law (issued in 2020) regulates and develops the use of Financial Technology in Non-Banking Financial Activities, and new legislation (passed in 2021) endows the Central Bank with provisions to allocate banking licenses to FinTech and digital commerce firms, making Egypt's banking regulations more favourable towards FinTech. The objective is to promote Egypt's FinTech ecosystem, accelerate Egypt towards becoming a leading Fintech hub in the long term and equip the Egyptian youth with some 'future-ready' skills in both business and technology sectors.

Green Finance was also a strong focus of the governments *Egypt Vision 2030* which among other things aims to diversify its market and reduce greenhouse gases. Also, through releasing Sovereign Green bonds and the Sovereign Fund of Egypt, the government is determined to create a beneficial green business climate by providing support to green initiatives. Egypt's advocacy for climate action was also seen at an international level. As host of COP27 in November 2022, Egypt used the opportunity to demonstrate its global leadership in financing efforts against climate change and to highlight Africa's position on, and role in, energy access and just energy transition globally⁸.

Finally, the renewable energy sector is promising for Egypt due to the country's abundance of sunny weather, land, as well as high wind speeds, which makes it an optimal place for conducting renewable energy projects, according to the International Trade Administration⁹. Putting forward the Egypt Energy Strategy 2035, which aims to increase the use of renewable energy in its electricity to 42% by 2035, with an intermediate goal of 20% by 2022, the Egyptian government demonstrates its determination in addressing the increasing demand for electricity and promoting sustainable economic development.

Private Capital Activity

Egypt Profile in the Private Capital Ecosystem (2012-2022)



Sources: AVCA, *Preqin as of 2022

2022 Private Capital in Egypt: Key Facts

US\$877mn

US\$877mn invested in **76** deals, a double historical record

Venture Capital

Venture capital deals reached records high, concentrating **89%** of the total deal volume and **62%** of the total deal value

Large Deals

Large deals (US\$100-250mn) reached a record high, accounting for **31%** of the total deal value

Financials

Financials was the **most active sector** by volume (26%) and attracted the largest share of deal value (23%)

US\$10.7mn

US\$10.7mn invested on average in venture capital deals

US\$65mn

US\$65mn invested on average in private equity deals

Figure 1: Share of Volume of Private Capital Deals in North Africa, by Country, 2012-2022

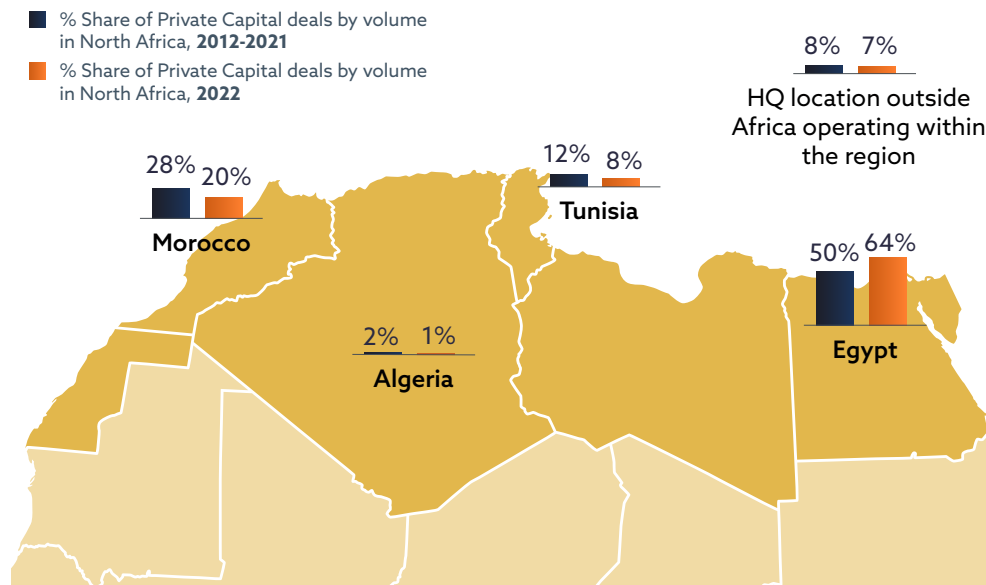
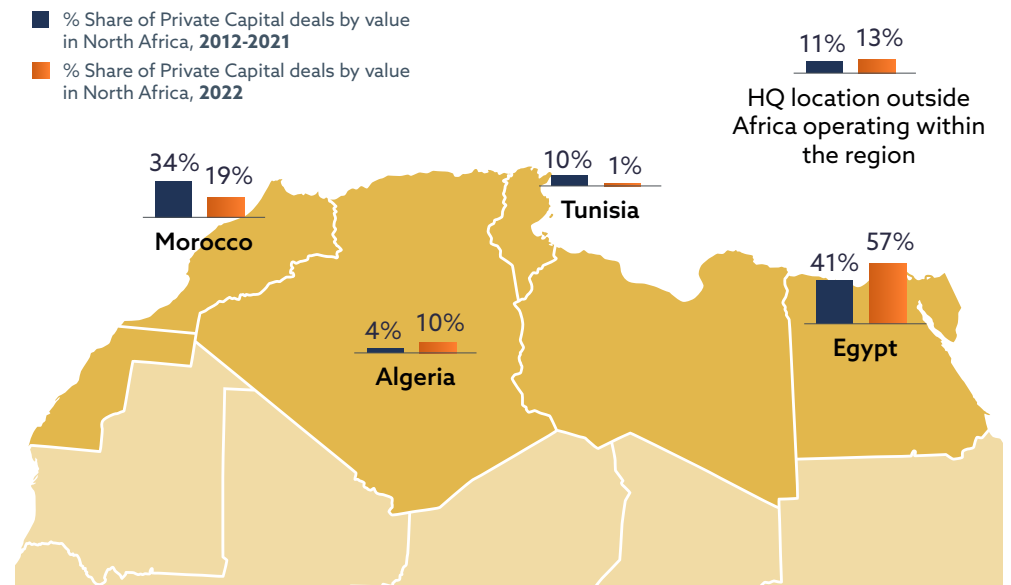
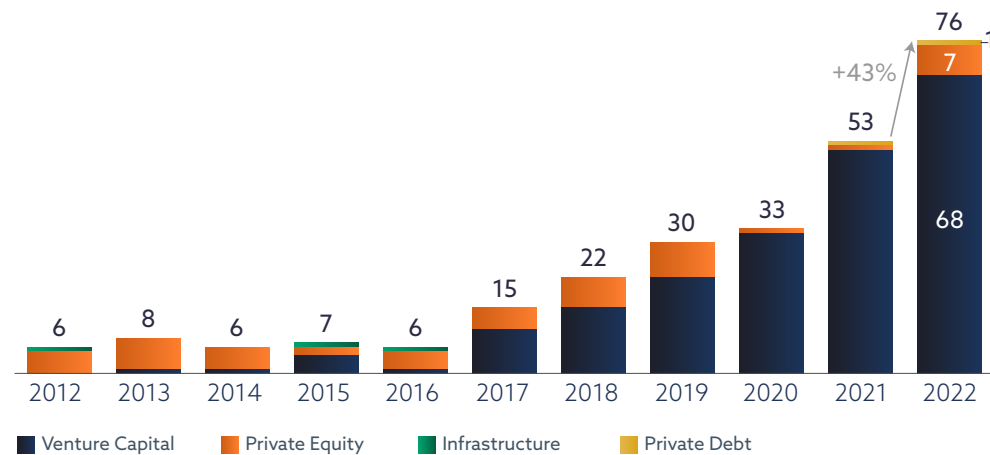


Figure 2: Share of Value of Private Capital Deals in North Africa, by Country, 2012-2022



Despite the extremely challenging global macroeconomic environment in 2022, Egypt remained an attractive destination for private capital activity in Africa and maintained its leading position in North Africa. The country's relatively robust and stable economic condition has made it appealing to investors worldwide, securing its top-ranked position in both deal volume (64%) and deal value (57%) in North Africa in 2022; and widening the gap with other countries in the region, as evidenced by its increased weight compared to the historical average over the past 10 years.

Figure 4: Total Volume of Private Capital Deals in Egypt, by Year and Asset class



Egypt's private capital activity has seen remarkable growth since 2012 and showed momentum in 2022, reaching high records by both deal volume and value: USD\$877 million invested in 76 deals. The total deal volume and value have more than doubled the average levels observed over the last five years (2017-2021), representing a growth of 2.45x and 2.55x respectively. The surge in deal volume was mainly driven by venture capital deals which saw a year-on-year increase of 33% and concentrated 89% of the total deal volume in 2022. Private equity also saw a notable increase of deal volume, reaching its pre-pandemic levels. In addition, the impressive YoY growth of the total deal value recorded in 2022

Figure 3: Evolution of North African Country Ranking by Deal Volume

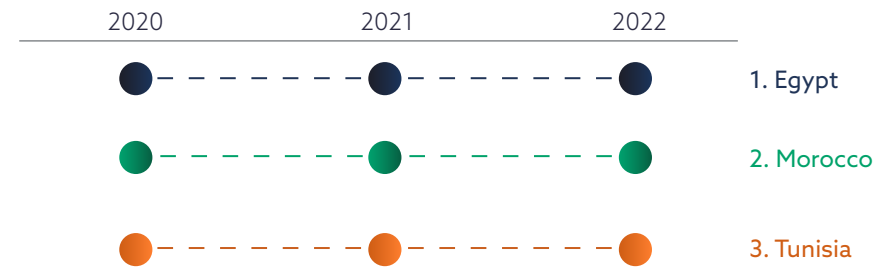
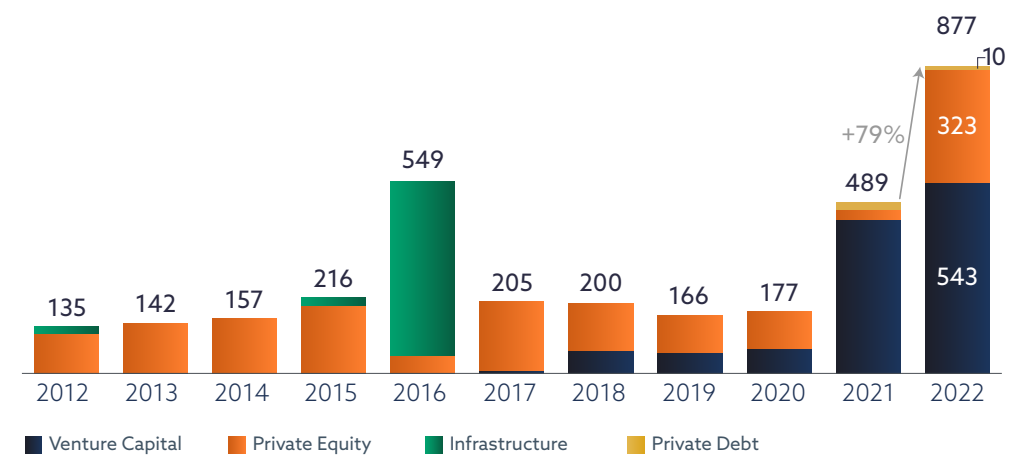


Figure 5: Total Value of Private Capital Deals in Egypt, by Year and Asset class, US\$m



(+79%) reflects the sizeable increase of venture capital and private equity deals sized between US\$10mn and US\$49mn, which have almost doubled, and the presence of large private equity deals (US\$100-250mn) which accounted for close to a third (31%) of the total deal value. Overall, the average deal size in venture capital was US\$10.7mn, while the one in private equity was US\$65mn.

It is worth mentioning that more than half (52%) of the total deal value in private equity was in Healthcare sector, followed by Industrials at 38%; while almost a third of the total deal value in venture capital was in Financials (31%), closely followed by Information Technology (29%).

Figure 6: TOP 3 Sectors by VC Deal Value in Egypt, 2022

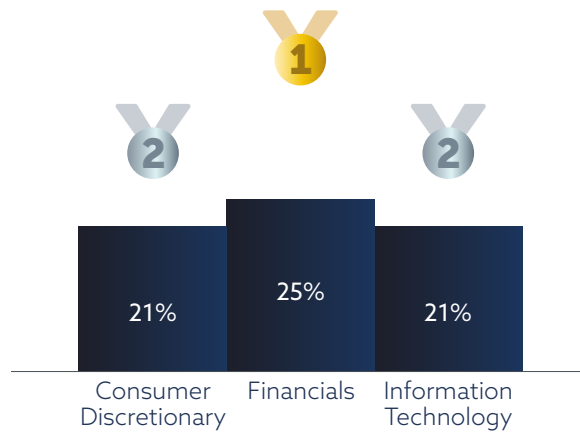
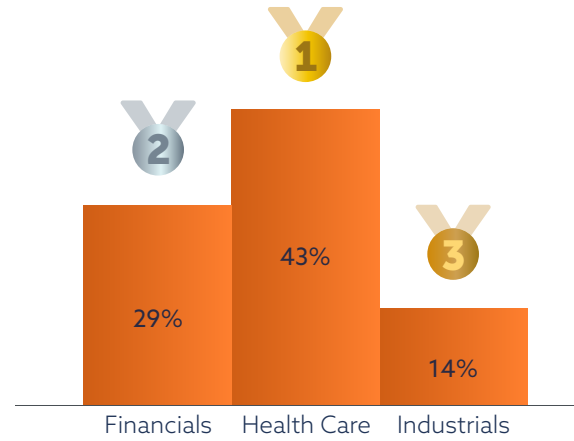


Figure 7: TOP 3 sectors by PE Deal Value in Egypt, 2022



The Financials sector gained prominence in Egypt's private capital landscape, overtaking the Consumer Discretionary sector which has historically dominated the country's private capital industry

From a sector perspective, the Financials sector gained prominence in Egypt's private capital landscape, accounting for 26% of the total deal volume and 23% of the total deal value, overtaking the Consumer Discretionary sector which has historically dominated the country's private capital industry. This remarkable shift in 2022 was certainly the direct effect of the recent FinTech laws and initiatives undertaken by both the government and the Central Bank of Egypt to promote Egypt's FinTech ecosystem and help Egypt establish itself as a leading FinTech hub. Some notable investments recorded in 2022 include deals in FinTech, specifically in PayTech and lending platforms. Examples of PayTech deals include the US\$50mn Series B investment round in *Paymob* from a consortium of investors including Helios Digital Ventures. Another is the US\$31mn Series B investment round in *MoneyFellows*, a money management and lending platform, from a consortium of investors including Sawari Ventures.

The Information Technology sector accounted for the second largest share of deals in Egypt in 2022 with a total of 14 private capital investments. The investments with the largest reported value in the information technology sector include the US\$46mn Series B investment round in *Instabug* (a bug-reporting company), the US\$40mn pre-series B investment round in *MaxAB* (an e-commerce platform of B2B food and grocery) from a consortium of investors including British International Investments, and the US\$38mn Series A investment round in *Khazna* (an App that provides financial services like budget-controlling).

Despite attracting a relatively low number of private capital deals in 2022, the Industrials and Healthcare sectors still managed to account for the second largest (26%) and third largest (21%) shares, respectively, of the total deal value reported in Egypt. Specifically, the largest deal was the acquisition of a 29% stake in *Cleopatra Hospital Group* for US\$148mn by a single asset continuation fund, which also secured an exit for Actis, DEG, EBRD and Proparco; the second largest private capital investment reported was the US\$121.5mn PIPE in *Swvl*, an App that customers can pay for rides on private buses.

Figure 8: Share of Volume of Private Capital Deals in Egypt, by Sector, 2012 - 2021 vs 2022

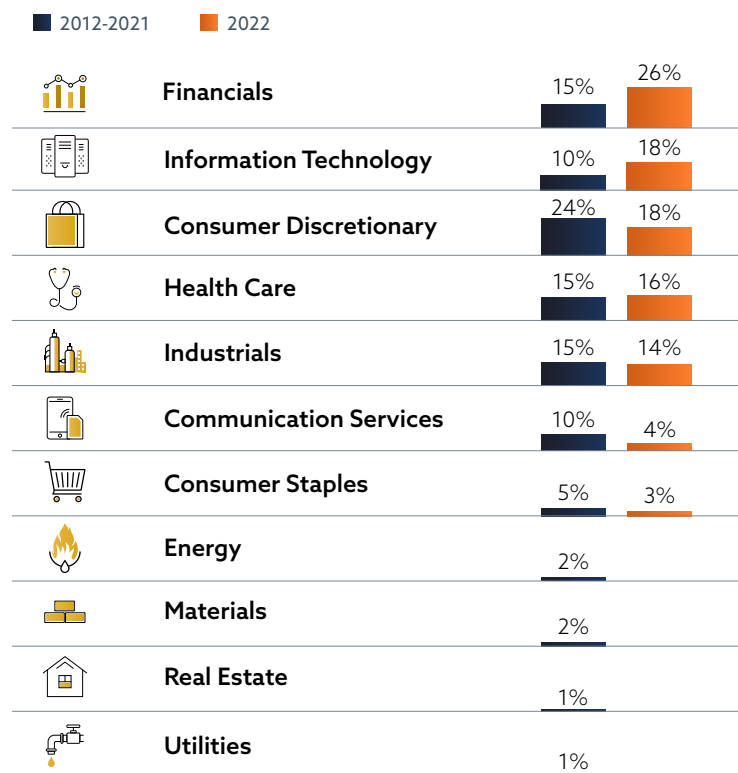
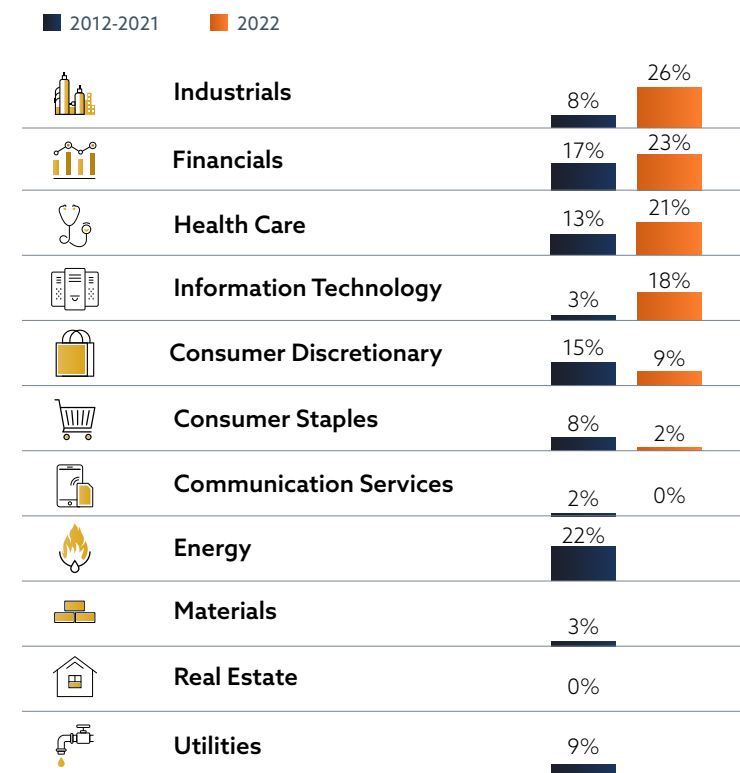


Figure 9: Share of Value of Private Capital Deals in Egypt, by Sector, 2012 - 2021 vs 2022



Endnotes

1 OECD, 2021, [Production Transformation Policy Review of Egypt](#)

2 IMF, 2022, [GDP per Capita](#)

3 IMF, 2022, [Gross GDP](#)

4 Total Labor force in 2021, World Bank

5 FDI in net inflows in 2021, World Bank

6 Trade Gov, 2022, [Investment Climate Statement Egypt](#)

7 Central Bank of Egypt (CBE), 2019, [FinTech and Innovation](#)

8 Carnegie Endowment for International Peace, 2022. *At COP27, Egypt Aims to Rebuild Its International Standing*

9 International Trade Administration, 2022, [Egypt – Country Commercial Guide](#)



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