

Egyptian-American Enterprise Fund

INAUGURAL IMPACT REPORT



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Published February 2020

Photos:

Cover: *(large)* Aerial shot of Cairo and Gezira Island

(small) Great Pyramids at Giza

Right Page: *(top)* Colorful Nubian village in Aswan, Egypt

(bottom) Citadel of Saladin, Cairo, Egypt



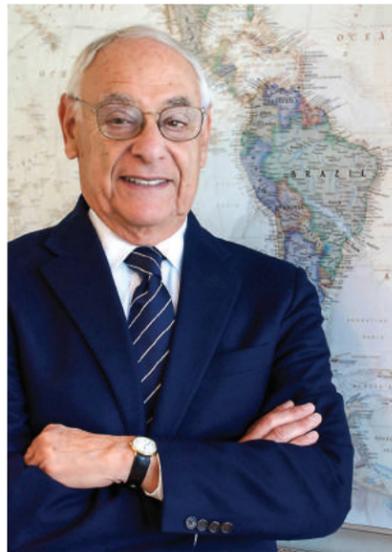
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A Message from James A. Harmon

CHAIRMAN, EAEF



In September 2012, on my first trip to Cairo as the Chairman of EAEF, Egypt was in crisis. Having just emerged from a year of violent protests and political instability following the 2011 revolution, Egypt's new government faced significant challenges, including an economic crisis that witnessed a precipitous drop in Egypt's foreign reserves and international investment.

Protests continued against the new regime. Who would invest in Egypt under these circumstances? The United States had never attempted to introduce an enterprise fund in as tough an environment as Egypt in 2012. Despite these challenges, the U.S. Agency for International Development (USAID) executed a grant agreement with EAEF in March 2013. Shortly thereafter, I returned to Cairo to assess the business climate and interview Egyptian candidates to help manage the fund.

The decision to seed Lorax Capital Partners (LCP) as our asset manager and investment advisor was the first and most important step we made in EAEF's early years. We were fortunate to invest in 2015 in Fawry, Egypt's largest electronic payments network, and Sarwa Capital, a pioneer of consumer and structured finance solutions in Egypt. Both companies held successful initial public offerings (IPO) within four years of our investment. In recent years, we shifted to investing in smaller, growing companies, and focused on seeding other private equity (PE) and venture capital (VC) firms.

EAEF's mission is to help the private sector become the "leading engine of growth" in Egypt. If the reader of our inaugural impact report focuses on anything, I suggest the case studies, which tell the story of EAEF's developmental impact in Egypt.

EAEF is an impact investor at its core. We invest in private enterprises that contribute to long-term, inclusive and sustainable economic growth, with the dual mandate to generate financial returns and promote socioeconomic development. We seek investments that create jobs, promote financial inclusion and improve Egyptians' quality of life. EAEF's current portfolio value is estimated to be approximately \$450 million inclusive of remaining USAID grant funds. This compares to the original \$300 million USAID grant, only \$200 million of which has been invested

to date. The internal rate of return of approximately 20%, along with the developmental progress detailed in this report, raises an important question: can this model be replicated in other frontier markets?

We are only halfway through the EAEF journey. The early years were difficult, but now with an established organization and trusted relationships, we can make an even greater difference that long outlives our fund. Egypt represents an exciting investment destination that offers significant financial and developmental returns. Egypt's decision in 2016 to enact an ambitious economic reform agenda paved the way for a \$12 billion International Monetary Fund (IMF) agreement, which led to one of the biggest turnaround stories in emerging markets in recent years.

We firmly believe in the public-private sector partnerships inherent in the enterprise fund model. We support the model of investing in growing companies that reach small and medium-sized enterprises (SME) and increase job creation. Including Egyptians and Egyptian-Americans on the fund's Board and management has been critical to our success. In a world that does not always agree with the United States, it is important to create partnerships.

We are proud of our impact to date and pleased to present this inaugural impact report to our stakeholders. We are appreciative of USAID and the U.S. Department of State's support in ensuring that EAEF advances its mandate in Egypt. Ultimately, we believe that our developmental impact will be more meaningful than our financial success.

Sincerely,

A handwritten signature in black ink that reads "J. A. Harmon".

James A. Harmon, Chairman, EAEF

HISTORY OF EAEF

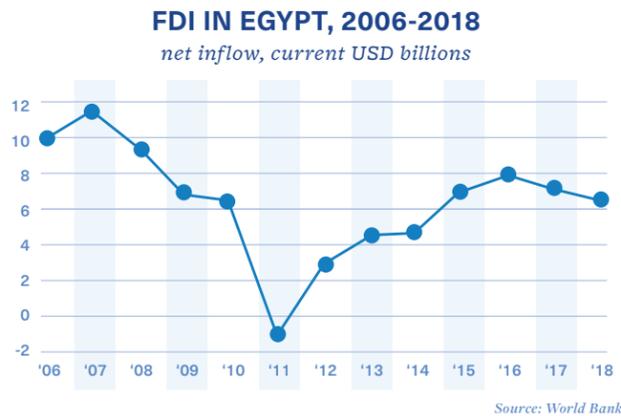
A Valuable Strategic Partner for Egypt's Growth

In May 2011, less than six months after anti-government demonstrations erupted across the Middle East and North Africa (MENA) as part of the Arab Spring, President Barack Obama announced that he would seek authority to create two new enterprise funds in Egypt and Tunisia. In December 2011, the U.S. Congress passed legislation authorizing the creation of EAEF, whose purpose would be to strengthen the economy of one of the United States' most important allies.

we faced objections from members of Congress, who were concerned about EAEF's viability given protracted political and economic instability in Egypt.

Despite these challenges, Congress seeded EAEF with up to \$300 million to deliver on our dual mandate to generate financial returns and promote socioeconomic development in Egypt.

Since 2015, we have invested slightly more than \$200 million in seven companies and three funds, attracted \$311 million in FDI and enabled LCP to become one of the leading PE firms in Egypt. Our initial investments in Fawry and Sarwa Capital focused on products enabling financial inclusion. We have expanded our portfolio to include sectors that improve Egyptians' access to vital social services, such as education, healthcare and agriculture. Finally, our role in seeding other PE and VC firms has both amplified our impact through indirect investments in more than 50 companies and strengthened Egypt's PE and VC landscape.



Following the January 2011 revolution, Egypt experienced over three years of political unrest, economic instability and violent uprisings, which created an unfavorable investment climate. Foreign direct investment (FDI) plummeted by more than \$4 billion from 2010 to 2011, and today remains well below its high of \$11.58 billion in 2007. In the United States,

Our investees and fund managers consider EAEF to be a valuable, strategic partner because we prioritize long-term growth over short-term profits. Our strategies to boost private sector development and attract foreign capital into the country aim to create a sustainable investment climate that will continue to fuel economic growth in Egypt long after EAEF liquidates in 2028.

Photo: Giza Pyramids in the distance.

EGYPT'S PRIVATE SECTOR REMAINS UNDERDEVELOPED,

which results in underserved markets, high poverty and unemployment rates and low access to traditional financial services.

EAEF MILESTONES

● Historical Context



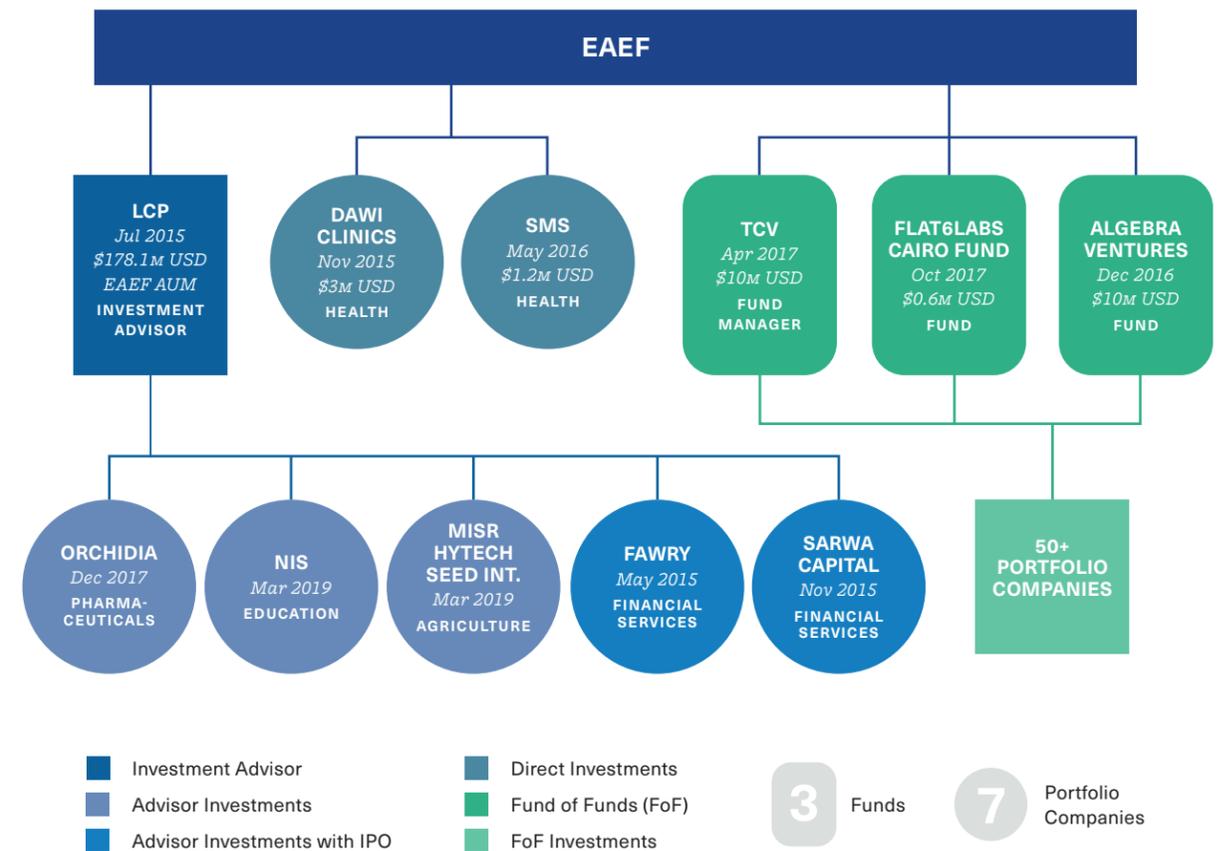
HISTORY

EAEF AT A GLANCE

\$202.9M

Invested

We invest directly in enterprises, as well as through our fund manager, LCP, plus additional PE and VC funds to amplify our impact across Egypt.



WHAT IS AN ENTERPRISE FUND?

The enterprise fund model was originally created following the collapse of the former Soviet Union to support newly independent states in their transition from centrally-planned to market-based economies. USAID provides seed capital for enterprise funds, which are intended to facilitate economic growth by making investments in a diverse array of businesses in line with host countries' developmental needs. In 2011, the Arab Spring sparked renewed interest in applying the enterprise fund model to the MENA region for countries experiencing political and economic transitions.

IMPACT STRATEGY

Our Strategy for Economic Growth

We invest in private enterprises in Egypt contributing to long-term, inclusive and sustainable economic growth. We deploy capital with the dual mandate to deliver financial returns and promote socioeconomic development in Egypt. The chart to the right illustrates how our resources and activities, set against the backdrop of global human capital development, technological advancement and growing capital flows, boost private sector growth, create lasting social impact and leverage U.S. capital to attract foreign investment in Egypt.



EAEF INVESTMENT CRITERIA

It is at the center of our mission to work closely with our fund managers and portfolio companies to develop an impact-driven investment approach in which socioeconomic impact and financial returns are aligned. EAEF considers the following criteria during its investment process:

- 1 A need for growth capital or capital to restructure operations
- 2 Investees' primary country of operation must be Egypt
- 3 Expectations for the profitability and/or development returns of the company and EAEF's investment

HOW TO READ OUR IMPACT STRATEGY



Key global trends of human capital development, technological advancement and growing capital flows enable our impact strategy



Resources outline the inputs we provide, including human and financial capital



Approach and activities show concrete actions we, our portfolio manager LCP and our investee companies and funds take to produce specific outcomes

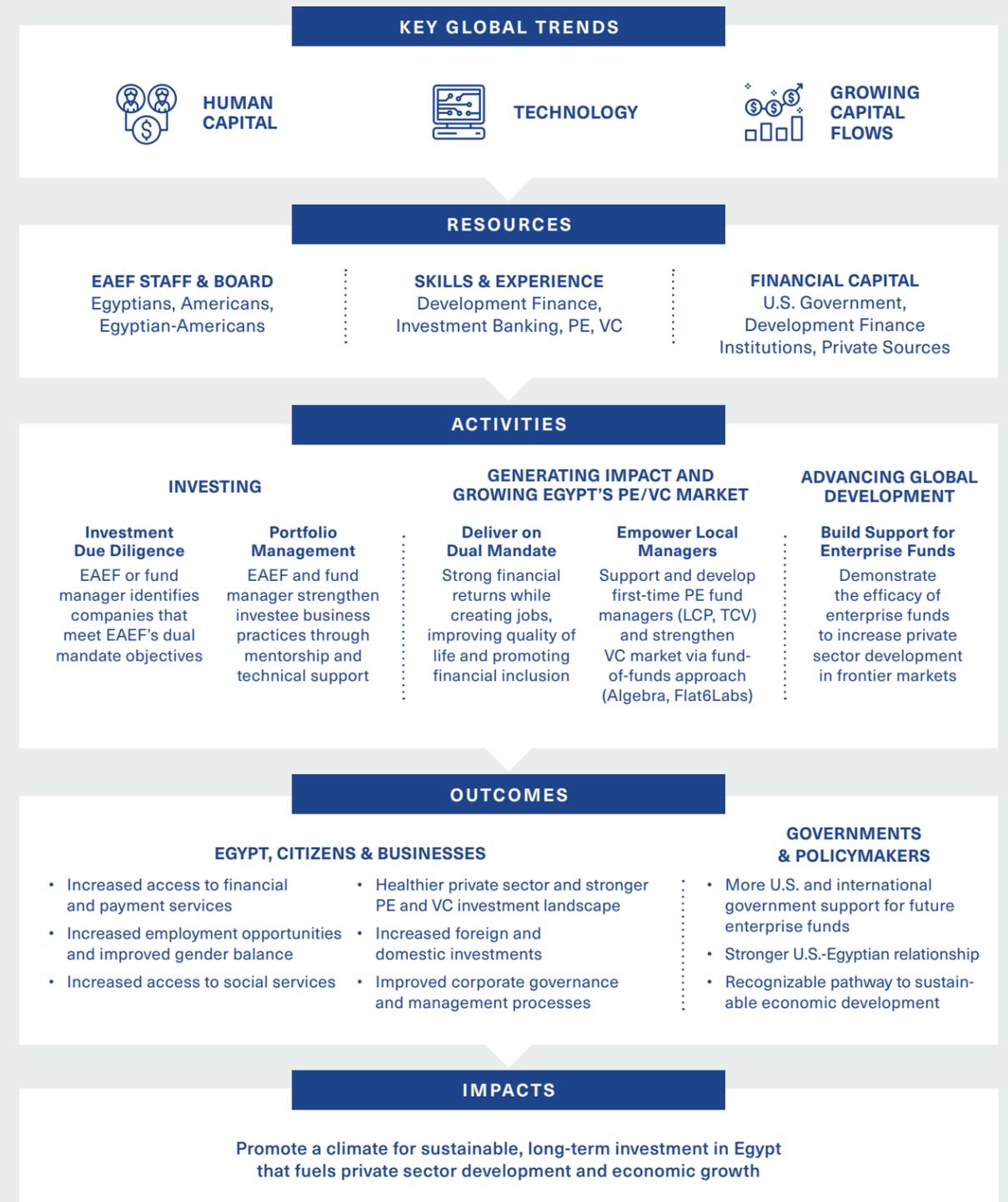


Outcomes represent short- and medium-term effects of our activities



Impacts refer to the longer-term effects of our activities

EAEF'S ECONOMIC GROWTH STRATEGY





MEASURING OUR IMPACT

Capturing the Impact of our Portfolio Companies and Fund Managers

Our fund has a diverse portfolio of investments. Impact metrics collected demonstrate how our fund managers and portfolio companies create socioeconomic development in Egypt while delivering financial returns in line with our impact strategy. Our fund managers are TCV, Flat6Labs and Algebra Ventures; our portfolio companies include Dawi Clinics, SMS and investments made with LCP. Metrics shown throughout the report illustrate our portfolio's impact as of June 30, 2019 unless otherwise noted. Sector spotlights show the impact of specific portfolio companies.

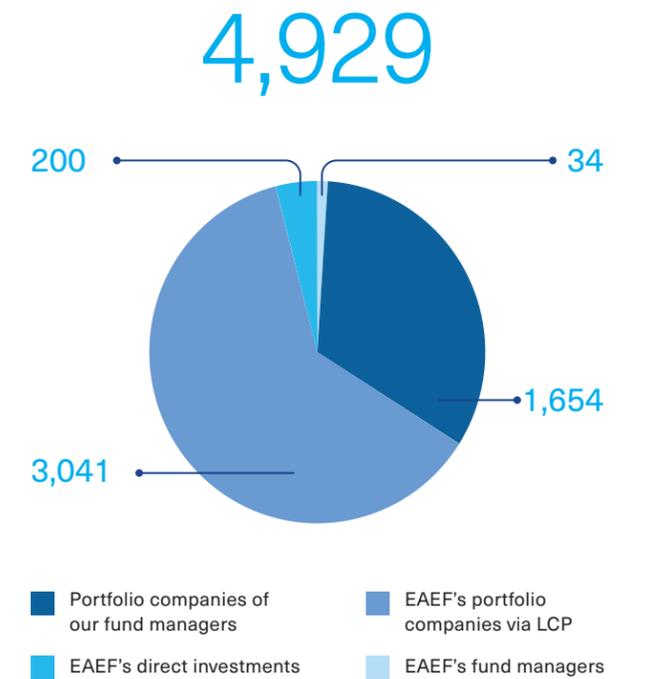


\$311M

in FDI attracted to investees

Foreign investors in EAEF portfolio companies and fund managers include PE investment firms, such as Helios Investment Partners, development-focused asset managers, including responsAbility, and development finance institutions, such as the IFC. In addition to the already attracted FDI by EAEF's investees, LCP is currently raising its first PE fund with \$200 million of anticipated FDI alongside EAEF's \$50 million investment.

FULL-TIME EMPLOYEES SUPPORTED ACROSS EAEF PORTFOLIO



FEMALE EMPLOYEES SUPPORTED¹

STAKEHOLDER REACH ACROSS EGYPT



8,200
PATIENTS
SERVED



22M
END USERS⁵



8.8M
UNITS
OF EYE CARE
PRODUCTS SOLD



123K
SUBSCRIBERS
AND 97 CLIENTS

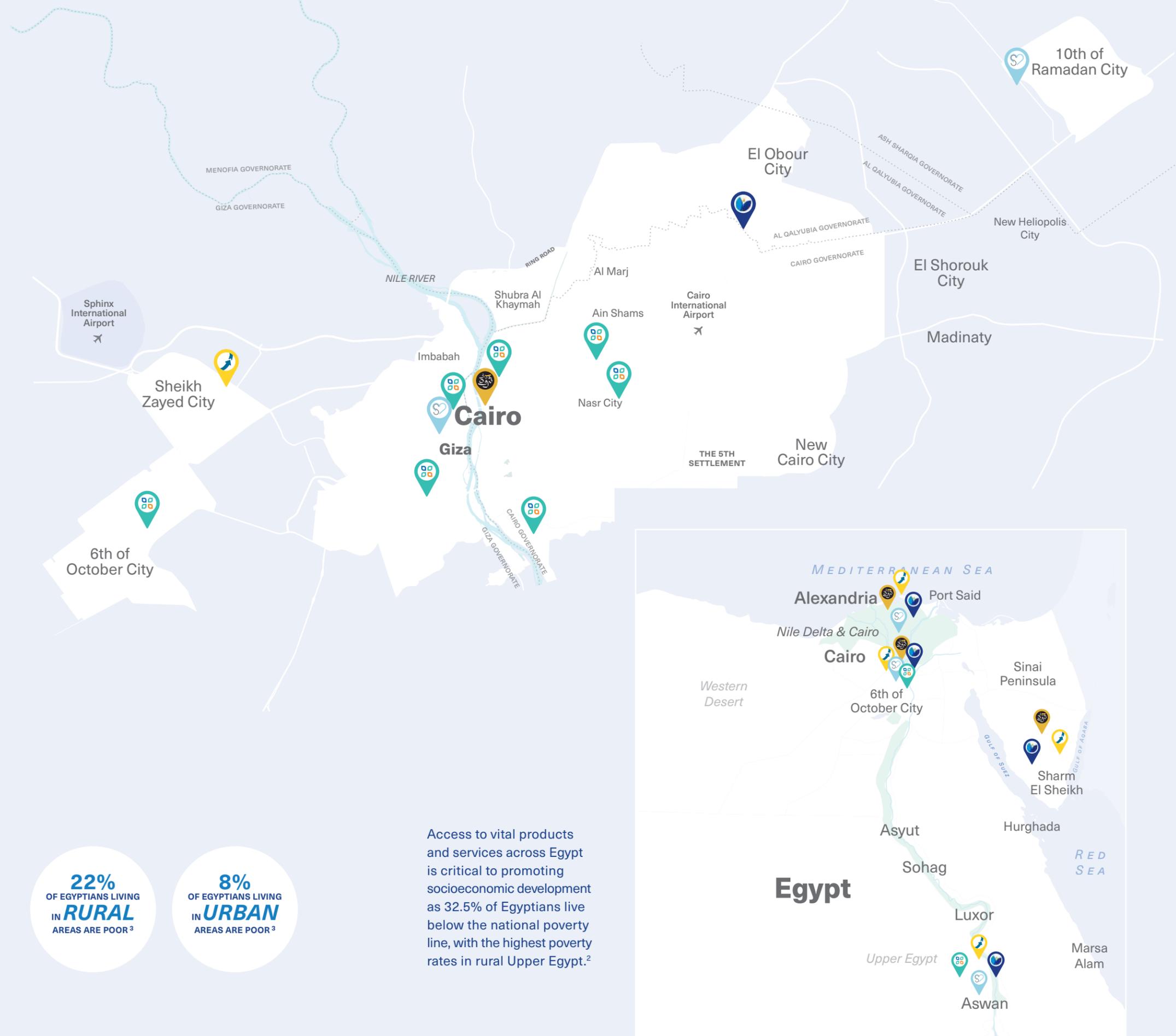


100K
CLIENTS
50% ACCESSING
FINANCING FOR
THE FIRST TIME

22%
OF EGYPTIANS LIVING
IN **RURAL**
AREAS ARE POOR³

8%
OF EGYPTIANS LIVING
IN **URBAN**
AREAS ARE POOR³

Access to vital products and services across Egypt is critical to promoting socioeconomic development as 32.5% of Egyptians live below the national poverty line, with the highest poverty rates in rural Upper Egypt.²



EMPOWERING LOCAL FUND MANAGERS

Building Egypt's PE and VC Markets

PE brings long-term equity capital to growing businesses, often from foreign sources, which in turn attracts strategic investors. Our model of empowering local fund managers has been the key to our success to date, catalyzing the growth of Egypt's PE and VC markets and playing a critical role in ensuring the long-term viability of a thriving investment ecosystem in Egypt.

SEEDING LCP

In 2013 and 2014, it became clear that we would have a stronger chance of success if local Egyptians were put in charge of managing our investments concurrent with an appropriate incentive structure. In 2015, we seeded LCP, a PE firm, that was built by a group of Egyptian investment bankers. Through LCP, EAEF has invested and committed capital amounting to \$178 million. LCP advises us on potential investments, which then go to our Investment Committee and Board for approval. Post-investment, LCP helps us monitor and support portfolio companies. Our partners at LCP share our goal of making smart investments that contribute to Egypt's growth and have a positive impact on local communities.

Our ongoing relationship with LCP has contributed to the growth of a more robust PE market in Egypt, attracted foreign capital and developed new relationships for Egypt that will be sustained long into the future. In 2019, LCP initiated fundraising for its first independent PE fund with the European Bank for Reconstruction and Development (EBRD), IFC and European Investment Bank (EIB) alongside EAEF as key target investors for its first closing (currently scheduled to take place in Q1 2020). The fund has a target size of \$250 million and aims to have its second closing alongside other global investors within 12 months of its first closing.

*Photo: The Peace Bridge, Suez Canal, Egypt.
One of the world's most important shipping lanes.*



industry

PRIVATE EQUITY

\$220M

*Capital committed
by EAEF as of 2020*

5

*Number of investments
as of July 2019*

2 IPOs

*Sarwa Capital (2018)
Fawry (2019)*

3,041 JOBS

*Supported by
portfolio companies
(11% Female)*



Algebra Ventures Team



industry
VENTURE CAPITAL

\$53.6M
Fund size

\$10M
EAEF investment

15
Number of investments

20%
Female-led portfolio companies

610
Jobs supported by portfolio companies? (53% female)

\$43.6M
in FDI attracted following EAEF's investment

OUR FUND-OF-FUNDS APPROACH

Since our critical decision to seed LCP, we have invested in other PE and VC firms to boost private sector growth and amplify our socioeconomic impact across Egypt: Algebra Ventures, TCV and Flat6Labs. These local funds invest in SMEs, startups and entrepreneurs, representing the next wave of job creators in Egypt. Additional information on Flat6Labs, a regional start-up accelerator, is provided on the next page and the sector spotlight on education and youth on page 28.

Algebra Ventures

In 2016, we collaborated with the IFC, EBRD and Cisco to seed Algebra Ventures, which provides Series A and Series B funding, technical support and mobilization of private capital to technology startups. Through our \$10 million investment, we helped Algebra Ventures close its first \$40 million fund. We continue to support the fund's growth by maintaining an active seat on the advisory board, strengthening its governance practices and referring investment opportunities. As of July 2019, Algebra Ventures has invested in 15 start-ups, including those increasing opportunities for women and other traditionally underserved groups.

TCV

In 2017, we partnered with EFG Hermes to seed TCV, a PE firm that invests in and supports Egyptian SMEs. Through our initial \$10 million investment, TCV has been able to deploy capital to growing companies and promote employment opportunities in Egypt. In addition to building TCV's capacity to identify and grow SMEs in need of private capital, we have been working with TCV to attract local sources of capital. Local investors have partnered



TCV Partners



industry
PRIVATE EQUITY

\$40M
EAEF investment as of December 2019: \$10M contribution in TCV1 and \$30M standalone allocation under same TCV1 mandate

3
Number of investments

119%
More jobs supported by portfolio companies since TCV investment

744
Jobs supported by portfolio companies (30% female)

\$6M
attracted to TCV Fund 1 since EAEF's first investment (domestic)

with TCV on launching their first fund, TCV1, and continue to work on attracting additional capital for possible future investment vehicles. We recently allocated an additional \$30 million to TCV. Like LCP, we intend to help TCV grow into one of Egypt's top PE firms.

AMPLIFYING OUR IMPACT: EMPOWERING WOMEN IN UPPER EGYPT

Upper Egypt is one of the country's more impoverished regions, where 56.8% of residents are unable to meet their basic needs.⁸ Women, especially young women, are excluded from the workforce due to conservative norms: only 13.5% of female youth participate in the labor force versus 76.6% of male youth.⁹ In 2018, Flat6Labs invested EGP 1.33 million (\$80,000) in Brimore, and in 2019, Flat6Labs and Algebra Ventures co-led an \$800,000 pre-Series A seed funding round for Brimore. Brimore is an end-to-end distribution platform where manufacturers can list their products. Currently, an interconnected network of 10,000 women, housewives and employees distribute those products in their local circles by creating individual points of sale or by managing local trade shops. Nearly half of Brimore's activity is in Upper Egypt, where the platform is enabling women to increase their earning potential, scale their businesses while raising families and reduce their dependence on male relatives for financial support.



Photo: Brimore Training Session

Photo Credit: Brimore

FINANCIAL INCLUSION

*Increasing Access to Capital
for Entrepreneurs and SMEs*

In 2014, when we were looking for our first investment opportunity in Egypt, only 14% of Egyptians had access to basic financial services compared to the global average of 60%.¹⁰ The World Bank sees financial inclusion, defined as providing individuals and businesses with access to useful and affordable financial products and services, as key to reducing poverty and enabling economic prosperity. Financial access is critical to individuals and businesses, particularly SMEs. Financial inclusion enables individuals and businesses to invest in their future and improve their quality of life by engaging in financial planning to help them expand their businesses, weather financial shocks and invest in health and education.

Improving access for households and entrepreneurs has been a cornerstone of our strategy. Not only does Egypt suffer from low consumer financial inclusion, but SMEs—the vast majority of which are informal, micro-enterprises¹¹—lack adequate access to financing, which is one of the top barriers to growth for SMEs in Egypt.

Most SMEs rely on business profits (73%) and private savings (66%) to expand their businesses while only 13% are able to access a bank loan and 12% VC funding.¹² Women and youth-owned enterprises face additional barriers accessing capital. In Egypt, women-owned SMEs face a credit gap¹³ of \$283 million.¹⁴

SMEs also provide over 80% of private sector employment in Egypt.¹⁵ As unemployment continues to climb and afflict youth¹⁶ (the official unemployment rate is 12.8% but 30% for youth),¹⁷ investing in Egyptian SMEs is critical. This means increasing access to financing and removing bureaucratic barriers to opening and running an SME so that they can grow and hire more of the 800,000 job seekers entering the Egyptian labor market annually.¹⁸



800K
EGYPTIAN JOB
SEEKERS ANNUALLY

FAWRY



Shop owner using Fawry POS system.
Photo credit: Oliver Weiken, IFC

“I’ve been pleased with Fawry’s partnership with LCP and EAEF—they are practical investors that know what it takes to expand our services and create impact for Egypt.”

— Ashraf Sabry, CEO, FAWRY

Fawry provides financial services to consumers and businesses. Before Fawry launched, most Egyptians waited hours in line to pay bills in cash or access basic services in-person. Through Fawry’s digital platform, Egyptians now have access to a mobile wallet and over 250 payment services, including for utility bills, insurance and education fees, which may be paid through either an online website or 110,000 points-of-service (POS) at small and medium-sized retail merchants and ATMs around the country.

The company seeks to support these merchants by creating an alternative source of income for them and financing their working capital. Through the Heya Fawry Initiative, Fawry is also promoting women’s economic empowerment by training women-run kiosks and providing them with POS machines.

Fawry is building Egypt’s digital financial ecosystem by enabling Egypt’s large unbanked population to access financial services and bringing SMEs, including female-run SMEs, into the formal economy.

Since EAEF’s investment in 2015, Fawry has grown from serving 13 to 22 million¹⁹ Egyptians (nearly a quarter of the country’s population) and had an IPO in August 2019 that was 30x oversubscribed, making it one of the most successful IPOs in the history of the Egyptian stock market. Moving forward, Fawry hopes to expand its offerings and strengthen Egypt’s digital financial services ecosystem.

SPOTLIGHT ON FAWRY



POS SYSTEMS
Fawry services offered at small and medium-sized retail merchants throughout Egypt and Fawry kiosks



ATMs
All Fawry services are offered at ATMs of banks integrated with Fawry



MOBILE WALLETS
Electronic and mobile wallet services provided by Fawry and locally available banks and mobile network operators



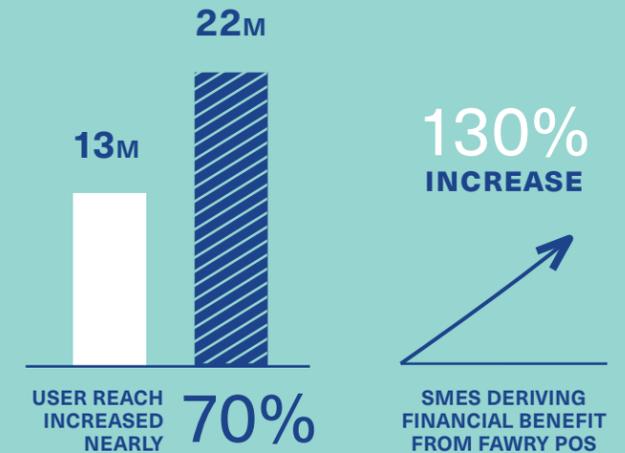
ONLINE
Online terminal offering Fawry’s services

▲ 130% **REVENUE INCREASE**
FROM EAEF INVESTMENT TO FAWRY IPO²⁰

110K **POS AT SME RETAIL MERCHANTS**

2.5M **TRANSACTIONS PER DAY**

STAKEHOLDER REACH
2015-2018



727 **SME CLIENTS THAT RECEIVED MICROLENDING**

6700* **AVERAGE LOAN AMOUNT**
EGP

* Similar to the average microloan amount (\$480 USD) from the National Bank for Development (6,700 EGP=\$416 USD). This program was noted for its targeted efforts to reach poor Egyptians.²¹

SARWA CAPITAL



As early as the 1990s, Sarwa Capital’s CEO, Hazem Moussa, identified a gap in the consumer finance market in Egypt—banks provided limited products for consumers and small business owners.



Hazem Moussa, CEO of Sarwa Capital

Sarwa offers consumer and structured finance solutions for individuals and SMEs in Egypt and targets unbanked and low-income populations to expand financial inclusion and support the growth of SMEs.

- **Consumer Finance:** Sarwa began by providing car loans and expanded to consumer finance services.
- **Insurance:** We facilitated the entry of Prudential Financial, one of the largest U.S. insurers, into the Egyptian market, which is in the process of finalizing an acquisition of a minority stake in Sarwa’s newly established life insurance business, an underdeveloped market in Egypt.
- **Securitization:** Sarwa created Egypt’s securitization market and issued its first bond in 2005. Thirty bonds have been issued since.
- **SME Leasing:** Sarwa aims to improve access to financing for SMEs by providing vendor-level financing for businesses looking to purchase equipment and other productive assets. The company also offers a vehicle leasing program.

Moving forward, the company plans to expand its offerings to meet the needs of consumers and SMEs in Egypt. Since our 2015 investment, Sarwa completed a successful IPO (October 2018), in which we sold 30% of our investment at a significant premium. We continue to hold 43% of Sarwa with a value of \$112 million.²²

SPOTLIGHT ON SARWA CAPITAL



CONSUMER FINANCE
50% of clients were unbanked before working with Sarwa



INSURANCE
Sarwa established two greenfield operations; life and non-life insurance products



SECURITIZATION
A founder of Egypt’s bond market, Sarwa has issued 30 since 2005



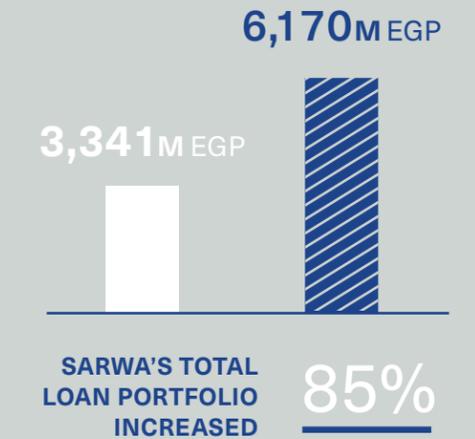
SME LEASING
Sarwa improved access to financing for equipment and other productive assets

110% **REVENUE INCREASE**
FROM EAEF INVESTMENT TO SARWA IPO²⁰

140K **LOANS APPROVED**

843 **SME LEASING CONTRACTS FINANCED**
TOTAL VALUE OVER 877M EGP

LOAN PORTFOLIO GROWTH
2016-2018



“Working with EAEF has provided us with strong institutional backing, enhancing our visibility and credibility. Furthermore, both EAEF and LCP have been helpful as we’ve grown Sarwa—whether by providing resources, offering connections or leading the IPO process.”

— Hazem Moussa, CEO, SARWA CAPITAL

EDUCATION AND YOUTH

*Investing in Innovation
for Youth Across Egypt*

From driving economic growth to spurring innovation, investing in education develops the human capital needed to end extreme poverty.²⁴ While education access continues to improve globally, two-thirds of the 750 million illiterate adults across the world are women,²⁵ and rural children often lack equitable opportunities for quality education.²⁶ Egypt provides near universal access to primary education with girls and boys attending school at nearly equal rates. However, increasing enrollment fueled by rapid population growth is eroding education quality.²⁷ One-third of Egypt's population is under the age of 15, and the country currently lacks the infrastructure, teacher supply and training necessary to support its students.²⁸ This drives Egyptian families to allocate 39% of total education expenditure (EGP 16.6 billion) to private tutoring and after-school courses.²⁹

Egypt's current youth³⁰ population also suffers from high unemployment, which plagues young women even more: 30% of youth and 49.8% of young women are unemployed.³¹ Promoting entrepreneurship and growing SMEs as sources of job creation can help reduce unemployment. Entrepreneurship can be a successful path for youth to enter the labor market with documented societal benefits—youth are likely to hire workers and pay taxes, contributing to the formal economy.³² Entrepreneurship signals a vibrant private sector, which supports job creation and addresses developmental challenges.³³

We take a long-term approach to our investments in education and youth, recognizing that education should promote lifelong opportunities for all individuals and the development of a robust private sector that fosters innovation. We invest in companies that increase access to education while taking an innovative approach to teaching and learning. We also invest in companies that foster entrepreneurial talent and create a culture of innovation to solve the social and environmental challenges Egypt faces.

Investing in education and lifelong learning supports economic growth, spurs innovation and seeks to improve outcomes related to health, gender equality, peace and stability.³⁴

Photo: Egyptian school children posing in front of the camera on the Corniche, Alexandria, Egypt

NERMIEN ISMAIL SCHOOLS GROUP



Founded in 1999, NIS³⁵ is one of the leading private school systems in Egypt providing high quality, affordable education to lower-middle and middle-income students.



NIS Students

NIS integrates innovative online tools with a traditional classroom experience serving students in Greater Cairo. By offering four education systems, integrating technology, promoting patriotism and advancing global citizenship, NIS develops leaders who can contribute to Egypt's economy.

- **Four different education systems:** NIS offers its curriculum in the Egyptian National, American, British and French education systems.
- **Learning Management System (LMS) technology:** NIS built a customized technology platform to support teachers and students in and out of the classroom for a fully-blended online and in-class learning experience. Since its 2015 introduction, student SAT scores and grades have improved.
- **Patriotism:** Patriotism is one of NIS's three core pillars and is designed to celebrate individualism and responsibility to one's community.
- **Global reach and citizenship:** NIS has a student exchange program in Denmark and is in discussions with school districts in the United States to allow American students to use its curriculum.

In 2020, NIS plans to leverage its school's online curriculum to expand access to education to 20 million underserved students throughout Egypt. NIS also aims to grow its student body from 9,000 to 25,000 in the next five years, add schools in Upper Egypt, partner with Egyptian schools interested in adopting the blended learning program and support new cross-cultural learning experiences.

SPOTLIGHT ON NIS



4 EDUCATION SYSTEMS



LMS TECHNOLOGY



PATRIOTISM



GLOBAL CITIZENSHIP



9 SCHOOLS (3 CAMPUSES)



9,145 STUDENTS

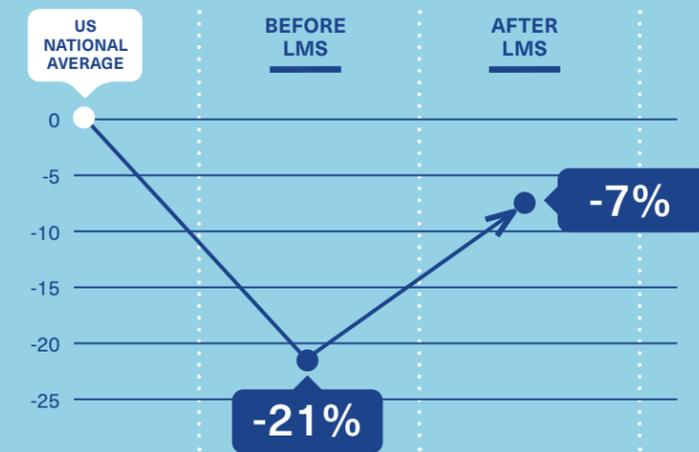


SERVING K-12



4 TO 1 RATIO STUDENT TO FACULTY AND STAFF

NIS STUDENT SAT SCORE GAP 2018-2019



“Our goal is to be a benchmark of education globally. We are working to prepare our students for jobs that haven’t been created yet.”

— Dr. Mohamed Abdel Latif, CEO, NIS

FLAT6LABS



Flat6Labs is a regional startup accelerator and investor that provides seed funding, entrepreneurship-focused business training and strategic mentorship for its startups. As young, innovative entrepreneurs continue to be excluded from traditional financing networks, especially female entrepreneurs, organizations like Flat6Labs are critical to supporting founders tackling problems across sectors in Egypt.

- **Company registration support:** Guidance through the company registration process to help founders navigate the bureaucratic steps associated with incorporating a legal entity in Egypt so that they can receive investments.
- **16-week accelerator program:** Workshops, training sessions, one-on-one technical assistance, a network of mentors to support the founders as they focus on product and customer growth, scaling their businesses and expanding into new markets.
- **Demo day:** Flat6Labs-hosted demo day with investors and media to help the entrepreneurs secure follow-on funding.
- **Post-accelerator support:** Post-accelerator investor introductions, mentorship and networks to ensure the entrepreneurs are supported as their companies grow. This is Flat6Lab's distinguishing feature from other MENA accelerators.



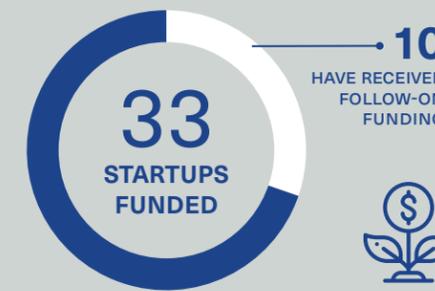
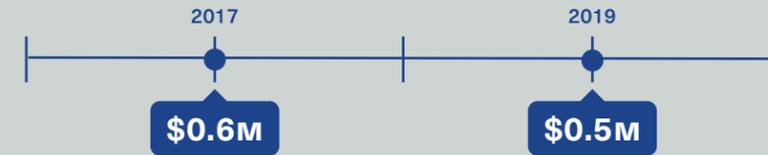
Flat6Labs Cairo Demo Day, Photo credit: Flat6Labs Cairo

“EAEF attends all our events, speaks to ecosystem partners about our work, advocates for us with all the big players and is always responsive. This is critical as we work together to seed the entrepreneurial ecosystem in Egypt.”

— Marie-Therese Fam, **MANAGING PARTNER, FLAT6LABS CAIRO**

SPOTLIGHT ON FLAT6LABS³⁶

EAEF INVESTS IN FLAT6LABS: **\$1.1M**



INVESTMENT SPOTLIGHT

HARMONICA
June 2019

Flat6Labs concluded its first exit from Harmonica, a culturally competent matchmaking app

1.5
YEAR INVESTMENT

16x
EXIT MULTIPLE

JOBS CREATED AT STARTUPS THAT RECEIVED FLAT6LABS FUNDING



300
FULL-TIME JOBS
100 Female
289 Youth³⁷



7150
INDIRECT JOBS
6793 Female



78
FOUNDERS
10 Female
75 Youth

Flat6Labs fosters the growth of Egypt's young entrepreneurial talent by providing mentorship, training and access to capital. These innovative individuals provide employment opportunities for Egyptians and create products and services that tackle environmental and social challenges prevalent in Egypt. By supporting these companies' successes, Flat6Labs helps support Egypt's development and economic growth.

HEALTH

Improving Access to Quality, Affordable Health Products and Services

Improving access to health coverage and quality, affordable health services results in a healthier and more productive society. While one-third to one-half of the world's population was covered by essential health services in 2017, large coverage gaps remain for poor and marginalized communities.³⁸ When entire segments of Egypt's population are left behind by health services, they cannot participate equitably in Egypt's growth and development.

Historically, Egypt's health challenges have disproportionately affected poor women and children. Poor Egyptian women are 20% less likely than wealthy Egyptian women to receive regular prenatal care. Egyptians also suffer from chronic malnutrition and have one of the highest rates of hepatitis C in the world.⁴⁰ These diseases affect youth and working-age individuals. Today, Egypt struggles with growing rates of non-communicable diseases, including type 2 diabetes, hypertension and obesity.⁴¹ Government health services often provide low-quality care while wealthier Egyptians pay expensive rates to access private healthcare.

Our investments in health seek to expand access to vital, affordable social services for Egyptians. We look for creative entrepreneurs across the healthcare ecosystem who use technology to amplify their impact, decrease costs and put forth innovative offerings. By expanding healthcare access, particularly for those often excluded from traditional networks, our portfolio companies help support a healthier workforce that can actively participate in Egypt's economy and strengthen the country's socioeconomic development.

In MENA, especially Egypt, the rural poor, women and youth carry a greater burden of health challenges.³⁹

Photo: Nurse speaking with a mother and her daughter during a checkup.



SMART MEDICAL SERVICES



SMS is a healthcare technology company providing more inclusive and higher quality healthcare access to Egyptians through patient-centered, cost effective and data-driven technology.

- **Enterprise solutions:** SMS offers several technology products to companies and health insurers to decrease the costs of providing insurance and thus include more people in the healthcare system. Products offered to companies, including SMEs, include traditional managed care and self-funded products that leverage a profit-sharing model.



Amr El-Tayeb, CEO of SMS

- **Consumer solutions:** SEHATY, SMS' direct consumer product, connects patients with healthcare providers, including clinics, diagnostic labs, hospitals and pharmacies providing price visibility, comparisons and cost savings. SMS also offers a card program to individuals and families via corporate partnerships that provides discounts of up to 65% at its network of healthcare providers.

SMS also supports the development of the Egyptian entrepreneurship and healthcare technology ecosystem to further increase access to healthcare in Egypt:

- **Healthcare Hackathon:** In collaboration with Health 2.0, a healthcare tech organization, SMS organized and participated in the first Healthcare Hackathon in Egypt.
- **Philips-Ashoka Globalizer Program:** Following CEO Amr El-Tayeb's selection as an Ashoka Fellow, SMS joined an international, multi-year collaboration, Accelerating Healthcare Access, that brings together leaders from Royal Philips and leading social entrepreneurs to increase the accessibility of quality healthcare in disinvested communities.
- **Endeavor:** El-Tayeb joined Endeavor Catalyst, an Endeavor program that advises entrepreneurs with their fundraising efforts and introduces them to potential investors. In collaboration with Endeavor Egypt, SMS has delivered design-thinking workshops at Falak Startups Incubator on revenue and business models.

SMS views EAEF as an important partner on this journey: from working with the U.S. Embassy to send El-Tayeb to the Global Entrepreneurship Summit in the Netherlands in June 2019, to providing consulting to SMS on important decisions, we have collaborated with El-Tayeb to drive the scalable and sustainable growth of SMS for the good of Egyptians.

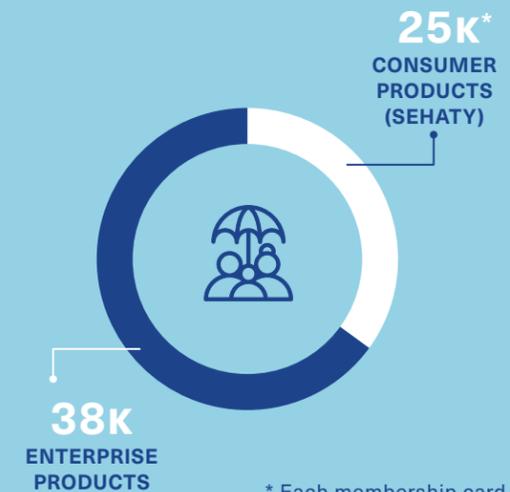
SPOTLIGHT ON SMS⁴²

\$1.2M EAEF INVESTMENT IN SMS, May 2016

120% GROWTH IN ENTERPRISE SUBSCRIBERS



63,000 SMS SUBSCRIBERS⁴⁷



* Each membership card serves 3-5 members.

ENTERPRISE PRODUCTS

10-25% CLIENT SAVINGS

Through enterprise solutions vs. comparable products



CONSUMER PRODUCTS (SEHATY CARD*)

250 EGP (\$15 USD) ANNUAL FEE

and
UP TO 65% IN PROVIDER DISCOUNTS

Comparable products have restrictions on number of family members, age, use and provider access, that Sehaty does not.



“EAEF believed in Egypt when no one else did. EAEF continued investing in Egypt during and after the IMF-directed currency devaluation, which helped boost confidence in the market. They are the right partner for a growing business and the Egyptian people because of their interest in the betterment of Egyptian society.”

— Amr El-Tayeb, CEO, SMS

DAWI CLINICS



Co-founder and CEO Magda Habib, who also co-founded Fawry eight years earlier, began Dawi Clinics to provide high-quality and affordable healthcare to the many middle-income Egyptians who cannot pay for private care but want better services than government-provided care.

Dawi's innovative outpatient clinics introduce primary care to the Egyptian market, offering internal medicine, pediatric and dental services and diagnostic support. This approach can improve individual and public health outcomes. Dawi further differentiates itself by focusing on the patient experience.



(left to right) Dr. Mairose Doss, Dawi COO, Magda Habib, Dawi CEO

- **High-quality care:** Dawi invests in physician training, has standardized clinical guidelines modeled after international best practice, implements electronic health records and sends patients personal reminders and follow-ups.
- **Efficient service:** Dawi promises its patients ease of scheduling, minimal waiting time and affordable pricing. For example, after patients make appointments through a call center, a doctor's consultation costs \$12. Patients are seen on time, which is unusual in Egypt where long waits are common.

Dawi aims to expand from Cairo to the Nile Delta in the next two years, providing services to those who don't have access at any price point outside of the city center. Our \$3 million investment in Dawi is a strategic step to advance our mission by improving healthcare access to expand quality services across Egypt. We hope to support additional female entrepreneurs like Habib and facilitate their access to financing in Egypt to foster a more inclusive and diverse entrepreneurial ecosystem.

SPOTLIGHT ON DAWI⁴³



\$3M
EAEF
INVESTMENT
IN DAWI
CLINICS

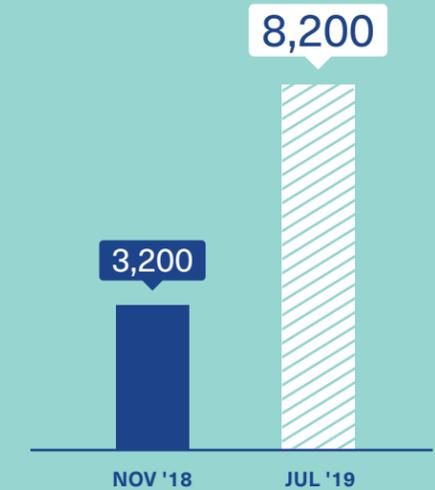


7
OUTPATIENT
CLINICS

UNIQUE
PATIENTS
SERVED

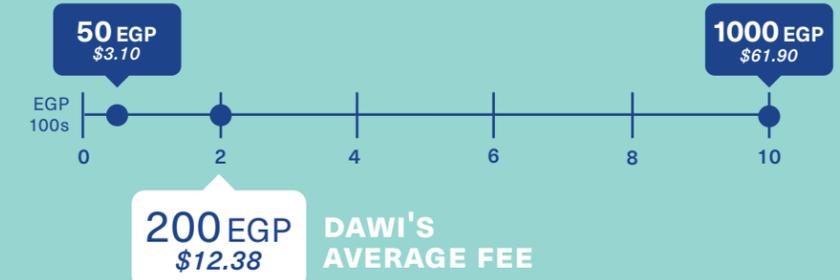


156%
9 MONTH
INCREASE



EGYPT'S RANGE OF MEDICAL FEES

Dawi offers a lower average price with a higher quality of service.



“We work with EAEF because we’re aligned on the impact we want for Egyptians. EAEF has put two women on our board who provide valuable advice and open doors to organizations, especially in international healthcare, that we wouldn’t have access to without them.”

— Magda Habib, CEO, DAWI CLINICS



CONCLUSION

LOOKING AHEAD

A Unique Opportunity to Scale Impact

We are pleased with the progress we have made over the last seven years, from seeding LCP and our first investments in Fawry and Sarwa Capital, to our more recent investments in NIS, Dawi and other growing companies. We expect to invest the remaining \$80 million of the original USAID \$300 million grant in 2020.

We were pleased to support the rebuilding of Egypt's private sector. From serving as a long-term strategic partner to our investees and fund managers, to pioneering a double-bottom line outlook in post-revolutionary Egypt, building trust in nascent PE and VC markets was critical.

EAEF presents a unique opportunity to improve the lives of Egyptians and create jobs, which are high priorities for the Egyptian government and vital to U.S. interests.

As the United States seeks to leverage the power of the private sector, enterprise funds represent a sustainable economic development model that should be further incorporated into the U.S. foreign policy apparatus.

Looking ahead, we have a unique opportunity to scale our socioeconomic impact by:

- **Supporting existing investees:** We are strengthening our efforts to support existing investees to maximize profit and connect them to international investors by leveraging EAEF staff and Board members' technical expertise and networks.

- **Increasing support to TCV and other PE firms.** We hope to replicate our success with LCP by seeding and funding new PE firms in Egypt, particularly those that invest in mid-size companies. In 2019, we allocated \$30 million for TCV to invest in growing Egyptian companies. Like LCP, we plan to help TCV grow into one of Egypt's top PE firms.
- **Strengthening our impact measurement and management processes.** We have become involved in initiatives that promote impact investing best practices, including becoming a signatory to the IFC's Operating Principles for Impact Management. This will help us strengthen our impact management and our efforts to attract private capital into Egypt.

"We like Egypt because it's a big market, so you can invest in businesses that have scale and are looking to expand across the continent. We see a lot of businesses in Egypt with strong management teams and growth potential. It's an interesting market and big focus at the firm."

— Sara Farrag, SENIOR VP,
HELIOS INVESTMENT PARTNERS

OUR PEOPLE

BOARD OF DIRECTORS

EAEF's independent Board of Directors, comprised of three Egyptian citizens and six U.S. citizens (three of whom are Egyptian-American), provides the guidance and stewardship necessary for the fund to execute its mandate. The Board's duty is to ensure (1) maintenance of the highest governance and ethical standards in all the fund's investment decisions and operations and (2) compliance with U.S. and Egyptian laws and all standards for enterprise funds set forth by USAID. Our members exhibit a deep-rooted commitment to EAEF's mission by going above and beyond their duties to manage the fund and add value to our investments.

BOARD COMMITTEES

EAEF's Investment Committee⁴⁴ is responsible for steering the fund's investment decisions in accordance with the EAEF's strategic objectives of delivering growth and promoting Egypt's sustainable economic development. EAEF also has a nominating⁴⁵ and an audit⁴⁶ committee.

ACKNOWLEDGMENTS

This report was developed in consultation with EAEF staff and Board members, our asset managers, portfolio companies, funds and other stakeholders who provided insight and context on key issues. We thank Pacific Community Ventures for their assistance with creating this report.



EAEF is a signatory to the IFC's Operating Principles for Impact Management

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OUR TEAM

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Nishan Seal

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Associate

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Associate

Fiona Mora

Executive Assistant

END NOTES

- Two Algebra portfolio companies did not report employee numbers by gender so the percent of female employees for the portfolio was extrapolated based on available data.
- "Overview: Egypt." World Bank, 2019, www.worldbank.org/en/country/egypt/overview.
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- Fawry completed a partial IPO in Aug 2019.
- Stakeholder data reported as of Dec 31, 2018.
- Sarwa completed a partial IPO in Oct 2018.
- Two Algebra portfolio companies did not report employee numbers by gender so the percent of female employees for the portfolio was extrapolated based on available data.
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- Youth is defined as individuals between the ages of 15 and 29.
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- Revenue reported as of Dec 31, 2018.
- World Bank Archives.
- As of Dec 31, 2018, Sarwa's share price was EGP 6.42.
- Revenue reported as of Dec 31, 2018.
- "Education Overview." World Bank, 2019, www.worldbank.org/en/opic/education/overview.
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- The Economic Research Forum defines youth as those persons between the ages of 15 and 29.
- Abdel Ghafar, Adel.
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- "Innovation & Entrepreneurship." World Bank, 2019, www.worldbank.org/en/topic/innovation-entrepreneurship.
- "Education Overview."
- EAEF invests in NIS in Mar 2019. Impact data for the Inaugural Impact Report was collected as of Jun 30, 2019 when NIS was new to EAEF's portfolio, so NIS is not included in summary metrics.
- Impact metrics shown from EAEF's first investment in Flat6Labs in Jul 2017 through Jun 30, 2019 unless otherwise noted.
- Flat6Labs defines youth as persons between the ages of 19-35.
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- Impact metrics shown as of Jun 30, 2019 unless otherwise noted.
- Impact metrics shown as of Jun 30, 2019 unless otherwise noted.
- EAEF's Investment Committee members include Harmon, El-Nazer, El Beih, and Shousha.
- EAEF's Nominating Committee members include Harmon, El-Nazer, Shousha, and El-Mohandes.
- EAEF's Audit Committee members include Harmon, El-Nazer, El Beih, El-Mohandes, and Celaya.
- SMS subscribers as of Dec 31, 2018.



(left) Obelisk of Thutmose I at Karnak Temple. Luxor, Egypt

(right) Egyptian Whirling Dervishes in front of Mohamed Ali Mosque. Cairo, Egypt

Guide to Abbreviations

EAEF	Egyptian-American Enterprise Fund	MENA	Middle East and North Africa
EBRD	European Bank for Reconstruction and Development	NIS	Nermien Ismail Schools Group
EGP	Egyptian pound	PE	Private equity
EIB	European Investment Bank	POS	Points-of-service
FDI	Foreign direct investment	SME	Small and medium-sized enterprise
IPO	Initial public offering	SMS	Smart Medical Services
IFC	International Finance Corporation	TCV	Tanmeya Capital Ventures
LCP	Lorax Capital Partners	USAID	U.S. Agency for International Development
LMS	Learning management system	VC	Venture capital



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