

A Fine Bargain

Retail conglomerate Majid Al Futtaim's \$1.3 billion investment plan in Egypt was announced when economic growth was still fledgling. But two years from then, the company and its CEO Alain Bejjani's commitment seems to have paid off as Egypt's economy surges.

For Alain Bejjani, the reason for Majid Al Futtaim's sizeable presence in Egypt is quite clear.

"Egypt is one of the largest economies in the region," says the CEO of Majid Al Futtaim Holding, highlighting the retail conglomerate's 15 years of operation in the country. "The attractiveness of the Egyptian market is driven by value of population growth and the local demand is actually quite strong. In addition, the majority of population is below 25 so it's a very strong consumer market. That is one of the pillars of Egypt."

Majid Al Futtaim has been quite committed to the North African market as it put in place an EGP 23 billion (\$1.3 billion) investment plan two years ago. The company's \$722 million Mall of Egypt, a project that falls under its signature brand 'Mall of', just opened its doors to a healthy response in Cairo.

"We have had a fantastic response from the Egyptian consumers, as well as from the big groups. A lot of the space is being fitted out by international brands coming into the market or existing in the market but are expanding into Mall of Egypt," says Bejjani. He notes that it makes sense for retailers to be present in Egypt as long they are able to commit for a longer term while localizing their business. "It actually has a lot of local resources, a lot of strength and you have to be localized as much as possible, in order to be able to succeed."

Majid Al Futtaim, which saw both its group revenues and profits jump by 4% in the first half of this year, might take a while to replicate the stellar figures that its Mall of the Emirates and other mega malls in the region generate. Egypt, unlike the other Gulf markets where Majid Al Futtaim operates, has seen bouts of depressed economic sentiments that have constricted the consumer spending power. Bejjani is not immune to such possibilities. "We think that today Egypt is in the cuff of taking off again. It is not going to be without challenges, there are a lot of challenges, but the fundamentals of Egyptian economy continue to be the right one."

There could, perhaps, not be a better person than Bejjani to navigate such a complex market as Egypt. While being responsible for the company's branding before taking on the post of the CEO, he held the position of Vice President of Legal and head of Business Development for Properties, which was company's largest operating business. He also served on the board of directors for many Majid Al Futtaim joint ventures such as the Wave in Oman, the Waterfront City in Lebanon, and Sharjah Holding in the U.A.E. In Egypt, Bejjani's previous experience might come in handy as he has picked on the general investor sentiment within the Arab country.

Many investors are now returning to Egypt, thanks to a raft of reforms introduced by the government to boost its foreign reserves. In 2016, Egypt took a well appreciated step to

devalue the Egyptian pound while tax breaks were announced for businesses willing to develop certain areas of the country. Investors are returning to take advantage of Egypt's large economic potential.

Amidst this, Majid Al Futtaim is continuing its retail projects. City Centre Al Maza, a project worth EGP 4 billion (\$226 million), is expected to open by the second quarter of 2019 and is set to create about 22,000 direct and 14,000 indirect job openings. It will feature 103,455 square metres of retail space, 23 restaurants, 18 food court outlets and nine cafes. In addition, City Centre Almaza will include a 13,040 square metre Carrefour, 16 VOX cinema screens, a 1,800 square metre Magic Planet family entertainment centre and 4,000 parking spaces. Bejjani says: "City Center Almaza is under construction and we have another project that will start after the completion of City Center Almaza in addition to expanding our retail business with our Carrefour brand in Egypt."

But aside from Majid Al Futtaim's major retail projects, Bejjani also sees a potential for the company's cinema and leisure business to flourish within Egypt. "We believe that the leisure entertainment sector is a very good sector, we are working on expanding our VOX Cinema as well as our family entertainment Magic Planet in Egypt." The company is, for now, putting on hold plans to develop mixed use communities in Egypt, clarifies Bejjani. "This is actually something that we contemplated for a while but that opportunity didn't arrive yet. It could happen but this is more opportunistic."

Even as Egypt's economy seems to be gaining steam, Bejjani does not lose sight of some challenges that might create ripples within the business climate. One of his top concerns are the supply chain in Egypt and red tape in some circles of the government but he firmly believes that the government is headed in the right direction with the reforms.

"Egypt acknowledges that there are a lot of reforms that need to happen and there is apparently a program that the government is putting in place. I think a lot of reforms have been put in place and are actually starting to bear fruit. It's very important for us to give it the time it needs; more issues in my opinion are being sorted out and a number of challenges in the Egyptian market/economy needs time as well as a strong will to reform."

Bejjani is confident about Egypt's economic revival and the government's will to reform. "The government has displayed some serious commitment to improve the economy as well as the industrial climate. For the past year and a half, you couldn't, for example transfer money out of Egypt. This has been lifted now and this has had a big impact on brands wanting to come in and be able to go back to the market. So, I think the brands that continue to be there and who continue to be committed to the Egyptian market are very well placed as we are capable of attracting new brands into the market."

For Majid Al Futtaim, Egypt is definitely on its investment radar.

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