

Doing Business in Egypt & Algeria

Webinar

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Agenda

- ✓ Who is Juniper
- ✓ Knowing Egypt & Algeria
- ✓ Economics of Egypt & Algeria
- ✓ Customers in Egypt & Algeria
- ✓ Interactions and Experience with Customers
- ✓ Small Exercise
- ✓ Key Takeaways

Introduction to Juniper



Industry: Networking Equipment

Revenue: ~ \$5 Billion USD

Employees: ~ 10,000



Vision:

“To be worldwide leader of network innovation”

Mission:

“Connect Everything. Empower Everyone”

Products:

Routing



MX Series
Edge Routers



PTX Series
Packet Transport Routers



ACX Series
Access Routers

Switching



QFX Series
Data center Switches



EX Series
Enterprise Switches



OCX Series
White-box Switches

Security



SRX Series
Service Gateways

Egypt

Key Facts

- ❑ Head of State: President Abdel Fattah EL-SISI
- ❑ Capital: Cairo
- ❑ Time Zone: GMT +02-00
- ❑ Official Language: Arabic
- ❑ Population (millions): 97.6
- ❑ GDP (USD billions): 194.5
- ❑ GDP per Capita (USD): 1,994
- ❑ Life Expectancy (years): 71.2
- ❑ Literacy (% of adult pop.): 75.8
- ❑ Surface area (sq. km): 995,450



Economics of Egypt

Overall country Risk is VERY HIGH

| | | |
|------------------------------|--|-----------------|
| ❖ Core Outlook |  | ❖ Stable |
| ❖ Credit Environment Outlook |  | ❖ Improving |
| ❖ Political Outlook |  | ❖ Deteriorating |
| ❖ Regional Comparisons |  | ❖ Stable |
| ❖ Trade Terms |  | ❖ Deteriorating |
| ❖ Credit Conditions |  | ❖ Deteriorating |

Customers in Egypt

Major Business Models



Trading terms

- ❖ Minimum Terms → Letter of Credit
- ❖ Recommended terms → Cash In Advance

FX Efficiency

There has been a significant jump in FX conversion in the last two years. FX has jumped from 8 EGP to 17 EGP between 2016 & 2018.

Case Study - 1

Issue:

A prominent partner operating out of Egypt & being with us for the last 15 years had ordered a kit worth \$3M. Although the partner had long standing relationship, their financials along with the currency issue in Egypt created risk for the company. Upon thorough risk assessment it was agreed that the partner will pay 25% in advance and balance in 4 equal installment with net 90 day terms. The partner promptly paid the 1st installment and product was shipped. There were subsequent delays in receiving payments.

Resolution:

The seller had visible impact to their cash numbers. Therefore, it was agreed mutually that the below options should be explored.

- A – Can the partner open-up a letter of credit.
- B – Can the partner be provided a more flexible payment plan.
- C – Can the partner pay the EGP equivalent to USD.

Result:

The buyer chose to pay in EGP since it was easy to transact. Although the EGP rate was higher than when the product was purchased, it still made sense to transact & pay in EGP.

Case Study - 2

Issue:

A prominent partner operating out of Egypt & being with us for the last 3 years had ordered a kit worth \$500K. The partner did not have any issues with paying their debts. While placing the order the partner wanted the kit to be delivered to another location. Upon delivery the partner paid through a different entity with who we did not have any contractual relationship. Therefore, this money was to be investigated to see if this was a legit payment & was not being used to cover-up anti-money laundering (AML) activities in the region.

Resolution:

The customer had to explain why they chose to pay through a different customer. Therefore, it was agreed mutually that the below was required to accept the payment.

- A – The partner to explain why this method was chosen.
- B – The customer who made a payment was to be investigated.

Result:

After thorough investigation it was found out that the entity which paid on behalf of the customer was not entitled to pay and therefore, the payment was rejected.

Algeria

Key Facts

- ❑ Head of state: President Abdelaziz BOUTEFLIKA
- ❑ Capital: Algiers
- ❑ Time zone: GMT +01-00
- ❑ Official language: Arabic, Berber
- ❑ Population (millions): 41.3
- ❑ GDP (USD billions): 141.3
- ❑ GDP per capita (USD): 3,419
- ❑ Life expectancy (years): 75.70
- ❑ Literacy (% of adult pop.): 79.60
- ❑ Surface area (sq. km): 2,381,740



Economics of Algeria

Overall country Risk is High

| | | |
|------------------------------|---|-----------------|
| ❖ Core Outlook | → | ❖ Deteriorating |
| ❖ Credit Environment outlook | → | ❖ Deteriorating |
| ❖ Political Outlook | → | ❖ Deteriorating |
| ❖ Regional Comparisons | → | ❖ Deteriorating |
| ❖ Trade Terms | → | ❖ Deteriorating |
| ❖ Credit Conditions | → | ❖ Deteriorating |

Customer in Algeria

Major Business Models



Trading terms

- ❖ Minimum Terms → Letter of Credit
- ❖ Recommended terms → Cash In Advance

FX Efficiency

There is a stability in FX conversion in the last two years. FX was 108 DZD to 116 DZD between 2016 & 2018.

Case Study

Issue:

A prominent partner operating out of Algeria who has been a partner of ours for the last 10 years ordered a kit worth \$3M. Although the partner had a long-standing relationship, however, their financials along with the local banking regulations in Algeria created high risk in getting the payment. It is very difficult to get the payments out from Algeria & still customer is negotiating with their banks on the feasibility of paying our invoices on time.

Resolution:

The seller had visible impact to their cash numbers. Therefore, it was agreed mutually that the below options should be explored.

A – Can the partner open-up a letter of credit.

B – Can the partner be provided a more flexible payment plan.

Result:

The buyer chose to pay through their sister company in France since it was easier for them to process the payment. Although this is considered to be a high risk as the payment processing country & the billing country are different.

Exercise

1. What options would you recommend in order to minimize your credit risk if your customer refuses to issue letter of credit?
 - A. Seeking cash in advance payment for value of the order
 - B. Provide open terms for 100% value of the order
 - C. Request portion of prepayment with remaining on open terms
 - D. Provide installment billing payment plan
 - E. All the above

2. What is the best approach to manage your FX exposure in Egypt?
 - A. Invoice in local currency
 - B. Set a predetermined exchange rate
 - C. All the above

Key Takeaways

- Know Your Customer (KYC) / Anti Money Laundering / Third Party Payments
- Understand Local Banking Regulations
- Manage Foreign Exchange Risk
- Conservative approach for new customers
- Limit overall exposure with security options if possible

Thank you!

For any clarifications please reach out to

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