INVESTMENT DEVELOPMENT AUTHORITY OF **LEBANON**

Presidency of the Council of Ministers

THE LEBANESE IT SECTOR: OVERVIEW AND INVESTMENT OPPORTUNITIES

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IDAL

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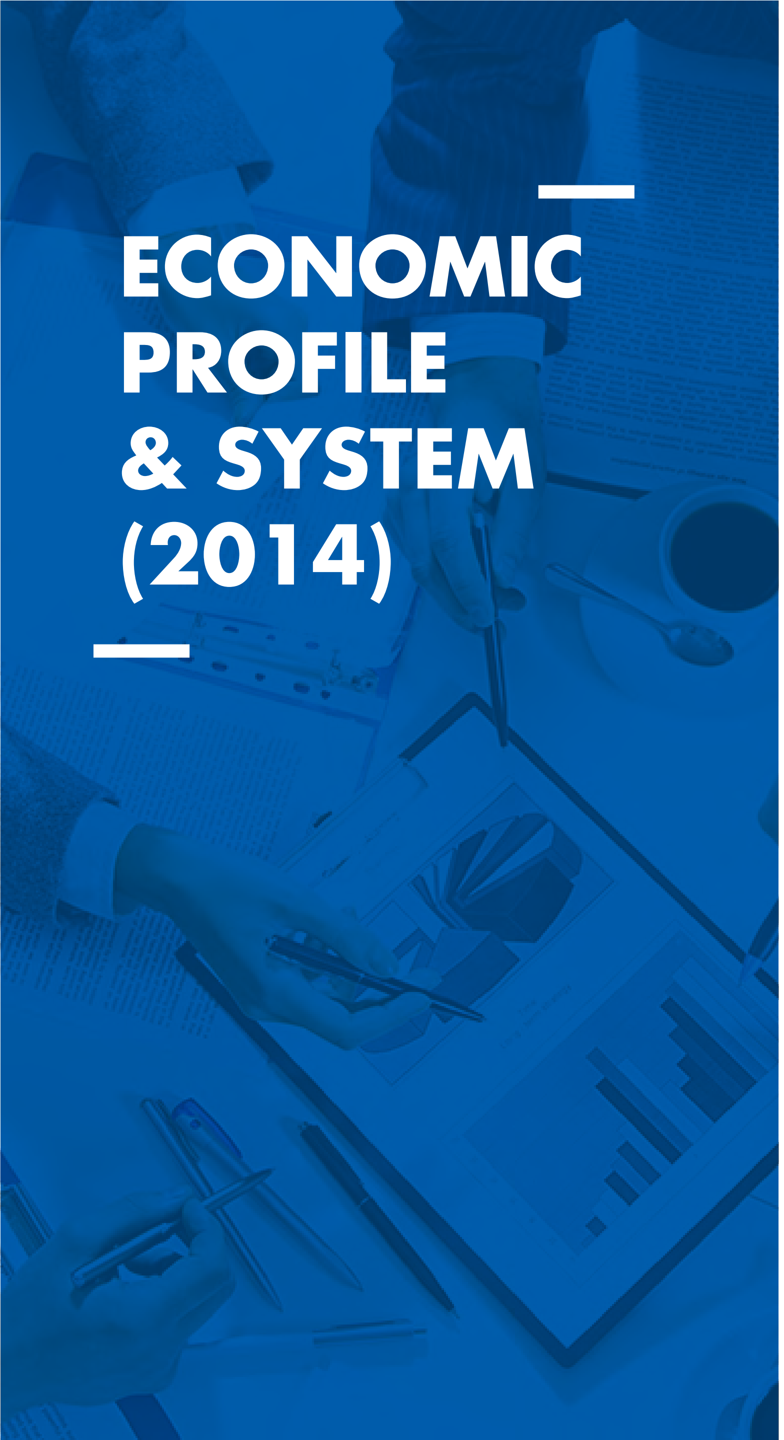
HEADLINES



ECONOMIC PROFILE & SYSTEM (2014)

- FREE MARKET ECONOMY
- NON-INTERVENTIONIST STANCE TOWARD PRIVATE INVESTMENTS
- ONE OF THE MOST LIBERAL INVESTMENT CLIMATES IN THE MIDDLE EAST
- GDP AT CURRENT PRICES (USD BILLION): **49.9**
- GDP/CAPITA (CURRENT USD): **11,067**
- REAL GDP GROWTH: **2.0%**
- AVERAGE INFLATION RATE: **1.9%**
- TRADE BALANCE (USD MILLION): **-17,181**
- FDI INFLOWS (USD BILLION): **3.01**
- UNEMPLOYMENT RATE (AVG.%): **20%**

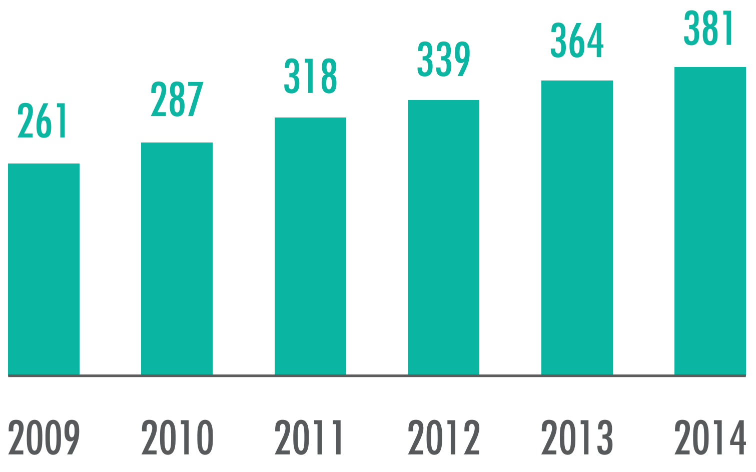
HEADLINES

LEBANON'S ICT SECTOR GREW BY AN AVERAGE ANNUAL RATE OF **7.9%** OVER THE PERIOD 2009-2014 AND IS EXPECTED TO GROW AT A CAGR OF **7.24%** FROM 2015 TO 2018

- In 2014 was estimated at, the Lebanese ICT market size was of **USD 381 million** and is expected to reach **USD 530 million** by 2017.

- ICT's impact on GDP is forecast to be greater than **USD 6 billion by 2017**, and its employment impact is estimated to be around **6000** new jobs.

LEBANESE ICT MARKET VALUE (2009-2014) |USD MILLION



Source: Business Monitor International

ICT'S IMPACT ON **GDP** IS FORECAST TO BE GREATER THAN **USD 6 BILLION BY 2017**, AND ITS EMPLOYMENT IMPACT IS ESTIMATED TO BE AROUND **6000 NEW JOBS**.

FORECAST CONTRIBUTION OF THE ICT SECTOR TO THE ECONOMY BY 2017

DIRECT IMPACT OF ICT ON GDP

Direct impact on GDP due to ICT spend

USD ~3.2-3.4 bn

INDIRECT IMPACT OF ICT ON GDP

Indirect impact on GDP due to synergies with key economic sectors

USD ~3-3.3 bn

INDIRECT NON-ICT IMPACT ON GDP

Implicit impact on GDP from capital expenditures, due to capital deepening and high Total Factor Productivity (TFP)

USD 0.8 - 1.0 bn

EMPLOYMENT IMPACT

Additional direct and indirect jobs created in the ICT sector and other key economic sectors

+ ~6,000 jobs

SOCIAL IMPACT

Social benefits stemming from ICT adoption, measured by Gallup-Healthways's Well-Being Index Uplift

+4%

GOVERNMENT PROCEEDS

ICT proceeds via revenue share, VAT, corporate tax, privatization, spectrum fees, and savings on national debt

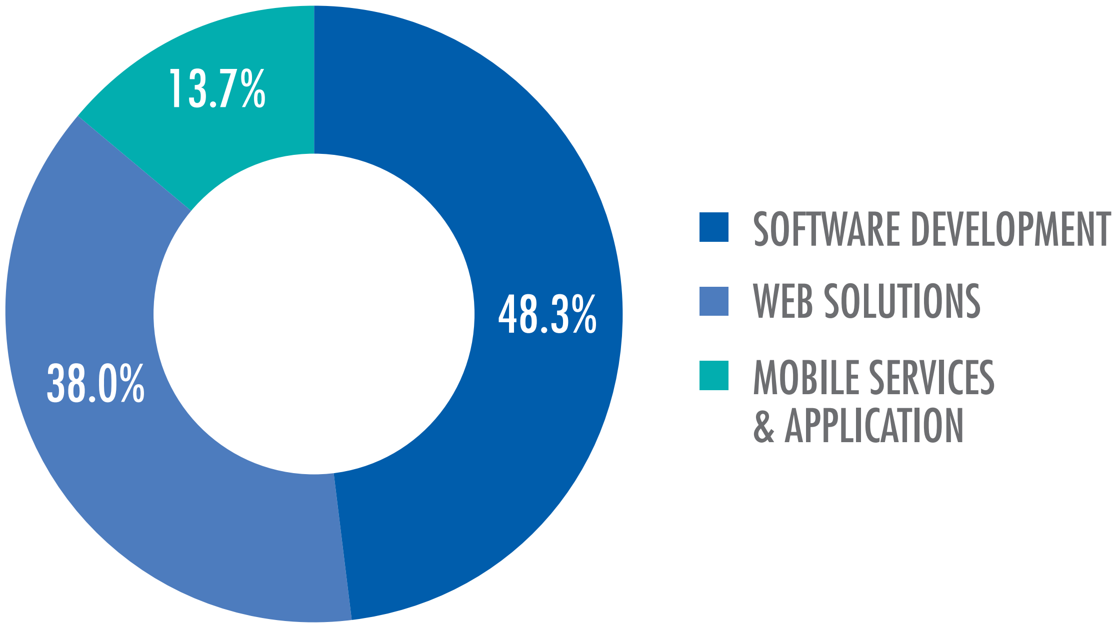
USD ~9 bn

Source: Ministry of Telecommunications Progress Report 2013; Booz & Co. Analysis

THE SECTOR HAS BEEN PROGRESSIVELY MOVING FROM RETAIL AND WHOLESALE ACTIVITIES INTO **INNOVATION AND CONTENT GENERATION**

- The Lebanese Software industry is comprised of around **211 companies** and employs around **5000 individuals**. It is mostly dominated by small and medium size businesses and operate across **three major activities:**
  - **Software Development** for vertical industries, mainly for the healthcare, education and banking sectors.
  - **Web Solutions** companies mainly involved in web hosting, web design and development as well as e-services
  - **Mobile Services and Applications**

DISTRIBUTION OF IT COMPANIES BY TYPE OF ACTIVITY 2015

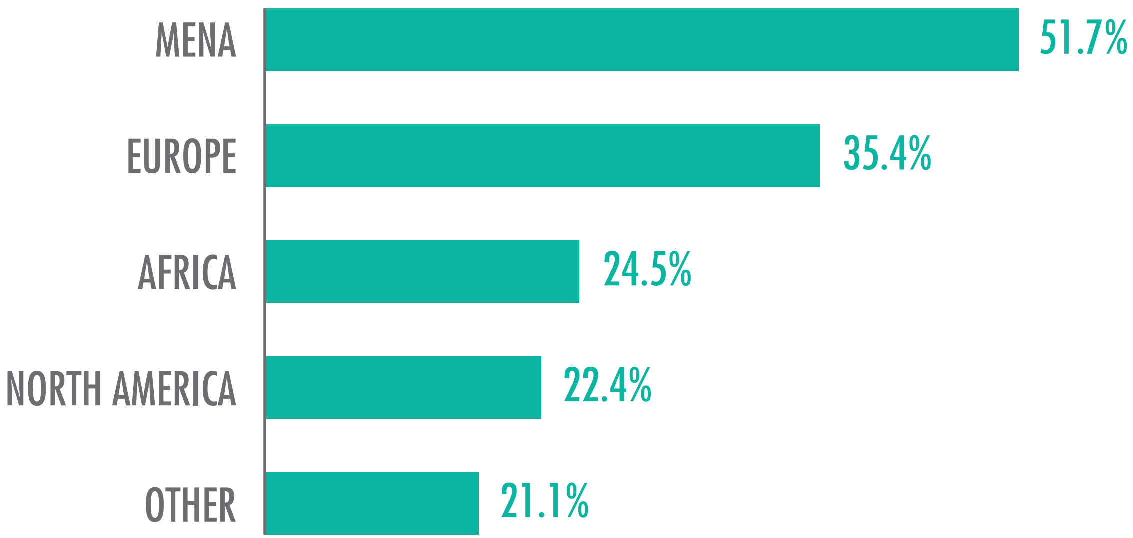


Source: Investment Development Authority of Lebanon (IDAL), 2015

MORE THAN **70% OF FIRMS** ENGAGED IN ICT ACTIVITIES ARE EXPORT ORIENTED

- **76%** of Software Development companies, **67%** of Web Development companies and **66%** of Mobile Application Development companies export their products to one or more international markets.
- **European markets** are an important export for Lebanese ICT products, with around **35%** of Lebanese IT products exported to the European markets with France at the top of the list.
- **An interest in African markets** is now increasing among Lebanese IT firms to explore the potential and wealth of opportunities of emerging African markets.

TOP EXPORT MARKETS FOR IT COMPANIES (%) (2015)

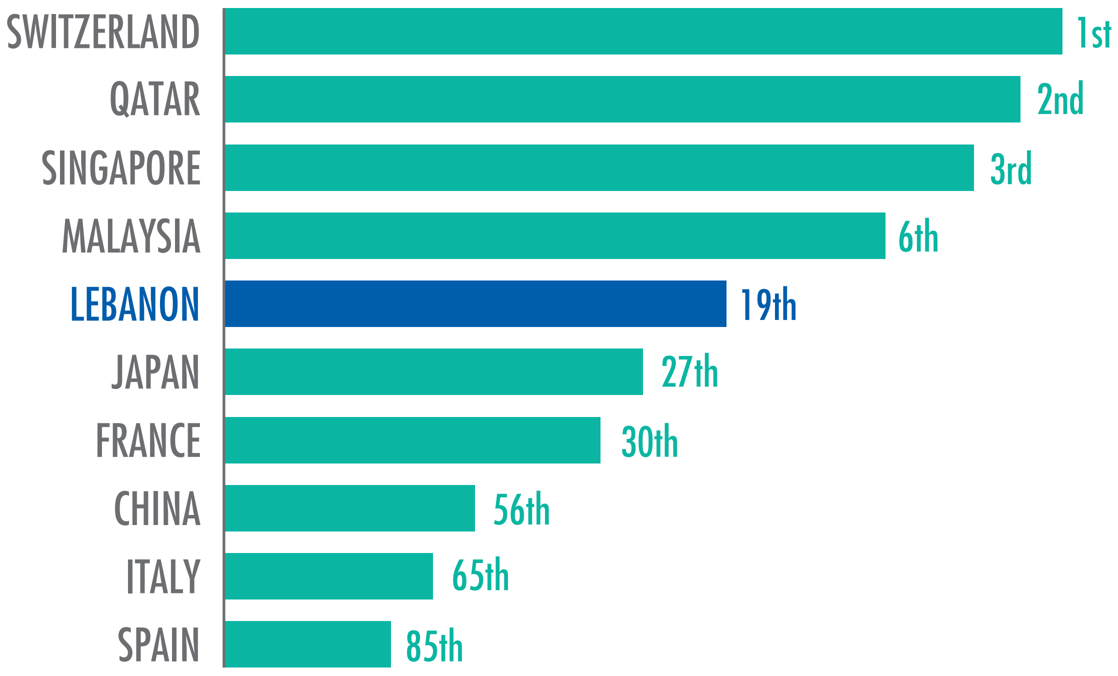


Source: IDAL's computations

HEADLINES

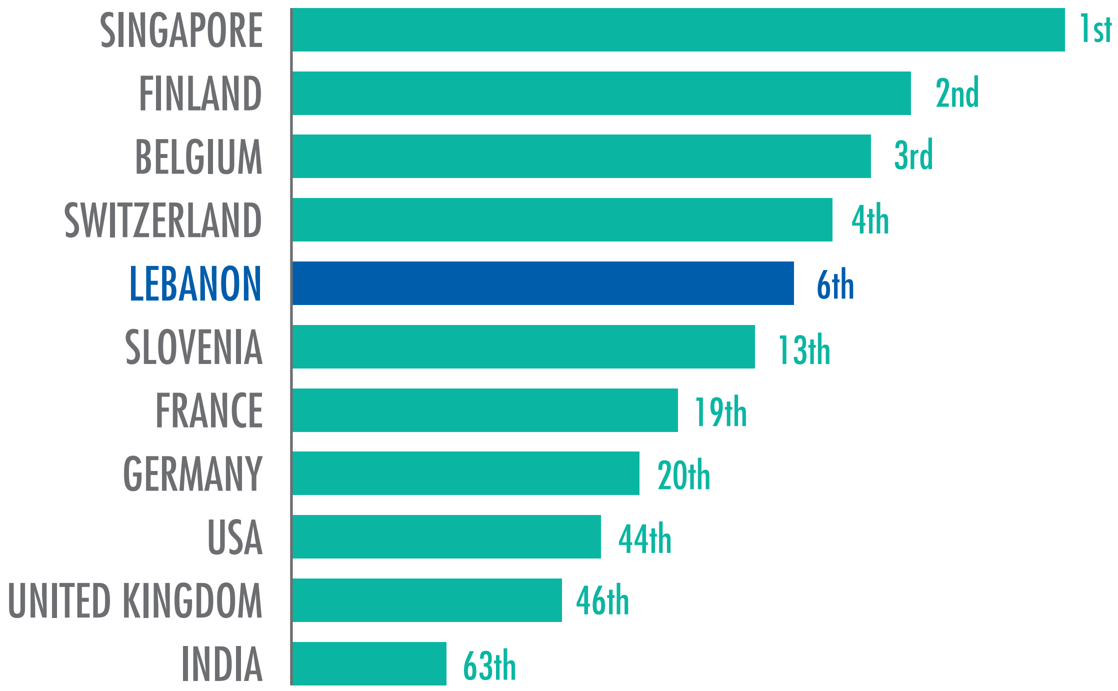
LEBANON'S WORLD CLASS EDUCATIONAL SYSTEM, RESULTING IN A TRILINGUAL AND HIGHLY QUALIFIED WORKFORCE, IS AT THE BASIS OF THE SECTOR'S HIGH GROWTH

OVERALL QUALITY OF EDUCATION (2015-2016)



Source: World Competitiveness Report 2015-2016

QUALITY OF MATH & SCIENCE EDUCATION INDEX (2015-2016)



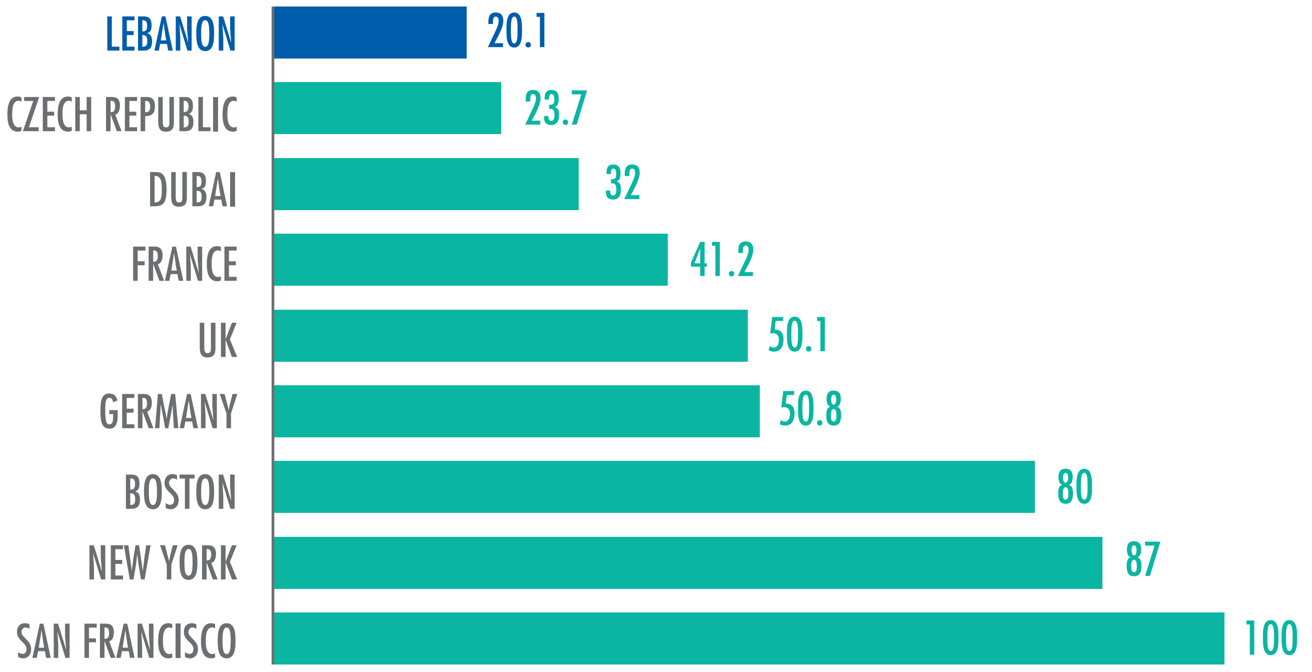
Source: World Competitiveness Report 2015-2016

THE LEBANESE WORKFORCE IS NOT ONLY ADEQUATELY SKILLED, BUT HIGHLY COST COMPETITIVE AS WELL

- The labor base is relatively cheaper than the US, Europe and GCC countries, with the average wage of a software engineer nearly **37%** lower than in the GCC and **50%** lower than in selected developed economies.

AVERAGE ANNUAL WAGES OF SOFTWARE ENGINEERS IN SELECTED COUNTRIES

USD THOUSANDS | 2015



SALARY SCALE IN THE LEBANESE **IT INDUSTRY** IN USD

EXPERIENCE	FRESH GRADUATE	1 YR	2 YRS	3 YRS	5 YRS	7 YRS	10 YRS	15 YRS
BUSINESS ANALYST	750-900	900-1,000	1,000-1,300	1,300-1,700	1,700-2,000	2,000-2,500	2,500-3,200	4,000-4,000
SYSTEM ANALYST	PRIOR SYSTEM PROGRAMMER EXPERIENCE REQUIRED				2,100-3,100	3,100-3,500	Promoted to Web Developer/PM	
WEB DEVELOPER	700-900	900-1,000	1,000-1,400	1,400-1,700	1,700-1,900	1,900-2,000	2,000-2,600	2,600-3,300
NETWORK ENGINEER	900-1,000	1,000-1,100	1,100-1,400	1,400-1,700	1,700-1,800	1,800-2,200	Promoted to Senior Network Engineer	
SENIOR NETWORK ENGINEER	Prior Network Engineering experience required			1,400-1,700	1,700-1,800	1,800-2,200	2500 - 2,200	
TECHNICAL SUPPORT	600-800	800-900	900-1,100	1,100-1,400	1,400-1,700	1,700-1,800	Promoted to Project Manager / Network Engineer	
SYSTEM DEVELOPER	700-1,000	1,000-1,200	1,200-1,600	1,600-2,000	2,000-2,400	2,400-2,600	2800 - 2,600	

Source: InfoPro Survey April 2013

LEBANON'S ACCESS TO EXPANDING EMERGING MARKETS PRESENTS SIGNIFICANT OPPORTUNITIES FOR ICT COMPANIES TO SERVE THE REGION

- The number of Internet users in the Arab world is expected to reach **197 million** by 2017.
- The value of the Middle East mobile sector was estimated at **USD 15.65 billion** in 2013.
- The digital Arabic content market is predicted to hit **USD 28 billion** in 2015.
- In addition, a wave of e-government initiatives will result in a significant increase in regional ICT spending.

- The African market equally presents promising potential especially for software developers and mobile applications, with mobile penetration rates in Sub-Saharan Africa for people over the age of 15 at **69% in 2015.**
- Various advantages allow businesses to capture these opportunities from Lebanon, especially given the Lebanese international business culture and wide exposure to the Arab region, Africa, and Europe as well as the wide diaspora network which provides worldwide investment and business linkages opportunities.

HEADLINES

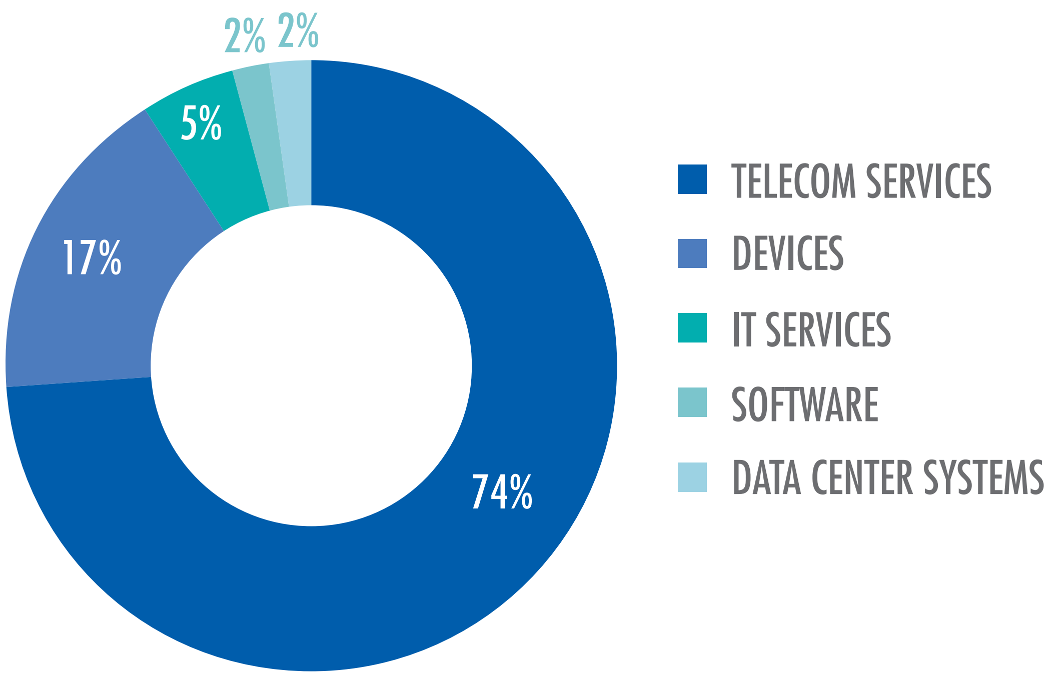
ICT SECTOR IN THE **MENA**

- The MENA region is an active player in the ICT sector: the region's ICT spending stood at **USD 214.7 billion in 2015**, a **5.20%** increase from 2014.

- The number of internet users is expected to reach **197 million by 2017.**

- It is projected to reach **USD 242.8 billion by 2018,** accounting for **5.6%** of worldwide ICT spending. This increase can be attributed to smart government, big data, and increased investments in vertical markets.

IT SPENDING (2015)



Source: Gartner, 2015

A NUMBER OF COMPETITIVE ADVANTAGES CHARACTERIZES THE LOCAL ICT SECTOR AND RESULTS IN A NUMBER OF BUSINESS OPPORTUNITIES IN KEY SUB-SECTORS:

SUB-SECTOR	OPPORTUNITIES
GAMING	**Biggest Markets For Gaming:** There are increased opportunities for gaming on tablets and smartphones; in fact, 78% of the 1.2 billion gamers worldwide play on tablets and smartphones.
E-HEALTH	ETobb and Sohati are the most well-known e-health portals in Lebanon.
AD TECH	**Biggest Markets For Ad Tech:** Lebanon presents a competitive advantage for the development of ad tech products, especially in three key areas: Mobile, Search, Video
ENTERPRISE SOFTWARE AS A SERVICE (SAAS)	**Biggest Markets For ENTERPRISE SAAS:** CRM/ERP/BPM, Government - public cloud offerings will grow through 2017 to account for more than 25% of government business services, Advertising - Cloud advertising
MEDIA STREAMING	**Biggest Markets For Media Streaming:** Online music and video revenues in MENA are expected to grow at a rapid pace, providing opportunities for entrepreneurs in Lebanon.
CONSUMER INTERNET (SOCIAL NETWORKS & APPS, SEARCH, CONTENT WEBSITES)	**There Is An Especially High Demand For Arabic Content Creation:** The number of active Arab Internet users is set to rise to 197 million by 2017. According to recent estimates, only 3% of online content is in Arabic, while more than 60% of users in the MENA region prefer Arabic content.
FINANCIAL AND E-PAYMENT SOLUTIONS	**In the MENA region**, mobile payments are gaining popularity, and the number of mobile banking users is expected to jump from 19.8 million in 2013 to 82.1 million users by 2017.

ENTERPRISE SOFTWARE AS A SERVICE (SAAS)

- **SaaS** should be viewed as a new business model for the delivery of services, and it gives Lebanese companies the possibility to overcome political instability and work around time-consuming export procedures by selling products over the cloud.
- The SaaS market in the Middle East is expected to hit **USD 307 million** by 2018.
- From 2014 to 2018, a total of **USD 4.7 billion** will be spent on public cloud services in the MENA region.

BIGGEST MARKETS FOR ENTERPRISE SAAS:

- **CRM/ERP/BPM:** CRM sales, were estimated to grow by **49% in 2014** Through 2018, CRM is forecasted to contribute to **30%** of all spending on SaaS in the region. From 2014 to 2018, **USD 1.3 billion** will be spent on business process as a service (BPaaS).
- **GOVERNMENT:** In 2017, public cloud offerings will account for more than **25%** of government business services in areas other than national defense and security.
- **ADVERTISING:** The market is expected to grow from **USD 56.6 billion in 2012 to USD 192 billion in 2016.**

ADTECH

- In the **MENA region**, spending on digital advertising is on the rise, providing opportunities for entrepreneurs in Lebanon.
- **Ad tech spending in MENA** was forecast to expand by **37%** (compared to 13% globally) to reach **USD 1.35 billion in 2013**. Lebanon leads advertising spending in the Levant with **USD 463 million in 2013,** followed by Jordan with only **USD 140 million** in spending the same year.

BIGGEST MARKETS FOR AD TECH:

- **MOBILE,** will become the third-largest Internet advertising platform worldwide.
- **SEARCH,** will continue having the largest share of total advertising revenue. Its market size was estimated at **USD 49 billion in** 2013 and is expected to hit **74 million** in 2018
- **VIDEO,** will witness the sharpest growth, with global video Internet advertising revenue is expected to rise at a **24% CAGR** until 2018

E-HEALTH

- **The Global Healthcare IT Market** is expected to grow at a **CAGR of 5.7%** from 2013-2018.
- The healthcare sector in the **MENA region** is expected to grow at a **CAGR of 6.6%** to reach **USD 144 billion** by 2020 up from **USD 81 billion** in 2011
- The market for outpatient visits in the GCC is estimated at **115 million** visits annually, with a value of **USD 7 billion** and a projected growth of over **11%**

- The E-health market is growing in the **Arab world**, fueled by increasing demand for healthcare services in the GCC. Expenditure on healthcare services in the GCC hovered at **USD 44 billion in 2011**, and is projected to grow at around **15% until 2018.**
- E-health is a competitive subsector for **Lebanon**, due to availability of skilled talent, the right legal framework and synergies with other markets and industries.
- **ETobb** and **Sohati** are the most well-known e-health portals in Lebanon, and are now becoming global players.

eTobb
HEALTH BLOG

صحتي
www.sohati.com

GAMING

- The global CAGR for gaming is forcasted at **9%** for the period 2013-2017.
- In 2013, mobile gaming accounted for **23%** of the global gaming market, and is forecasted to reach **34% (USD 35 billion)** by 2017
- In the **MENA region**, digital game sales are set to rise at a **CAGR of 29%** to reach **USD 3.2 billion** in 2016, owing to the very young population of the Arab world.

BIGGEST MARKETS FOR GAMING:

78% of the 1.2 billion gamers worldwide play on tablets and smartphones.

- **TABLETS** gaming on tablets is expected to grow at a **48% CAGR** to reach **USD 10 billion** by 2016.

- **SMARTPHONES** gaming on smartphones is expected to grow at an **18.8% CAGR** over the period 2012-2016.

Competitive Edge: High ease of export / import resilience to security problems, synergies with other markets, industries and laborforce.

MEDIA STREAMING

- Online music and video revenues in **MENA** are expected to grow at a rapid pace, providing opportunities for entrepreneurs in Lebanon.

BIGGEST MARKETS FOR MEDIA STREAMING:

- **MUSIC:** in the MENA, online music revenues are expected to grow sharply at a **CAGR of 60%**, reaching **USD 33 million** in 2014.
- **VIDEO:** YouTube statistics place MENA as the second-highest regional consumer worldwide, where **285 million videos are viewed every day**, and two hours of video are uploaded every minute.

- Global digital music streaming revenues will grow at a CAGR of **13%** and electronic home video will grow **28%**

- Two of the most known players in this subsector in Lebanon are **Anghami**, a digital music streaming app, and **Cinemoz**, an on-demand video portal for Arabic movies and videos.

CONSUMER INTERNET (SOCIAL NETWORKS AND APPS, SEARCH, CONTENT WEBSITES)

- Demand for Arabic content still largely outweighs supply, indicating the potential for new products and Lebanese entrepreneurs to serve the consumer Internet market.

THERE IS AN ESPECIALLY HIGH DEMAND FOR ARABIC CONTENT CREATION:

- The number of active Arab Internet users is set to rise to **197 million** by 2017.
- Only **3%** of online content is in Arabic, while more than **60%** of users in the MENA region prefer Arabic content.
- **35%** of users search mainly in Arabic, while **24%** search mainly in English and only **19%** always search in English.

The only two company exits out of Lebanon thus far have been in consumer Internet:

- Online recipes portal **Shahiya** was acquired by Japan-based Cookpad for **USD 13.5 million** in December 2014,
- French company **Webedia** acquired a majority stake in digital content portal Diwanee for areported **USD 25 million** in March 2014.

- **Globally,** the mobile payments market is forecast to top **450 million users in 2017, with a CAGR of 18% for the period 2012-2017.**

- The **MENA region's** share of this market is expected to grow at a **CAGR of 80%** through 2017, when transactions are forecast to hit **USD 27.6 billion**.

- In the **MENA region,** mobile payments are gaining popularity, and the number of mobile banking users is expected to jump from **19.8 million in 2013 to 82.1 million users by 2017.**

HEADLINES

THE GOVERNMENT OF LEBANON, THROUGH IDAL, OFFERS INVESTORS A RANGE OF FACILITATION SERVICES AND FISCAL EXEMPTIONS

ABOUT US
The National Investment Promotion Agency of Lebanon

HISTORY
Established in 1994 with the aim of promoting Lebanon as a key investment destination and attracting, facilitating & retaining investments in the country

GOVERNANCE
IDAL reports to the Presidency of the Council of Ministers (who exercises a tutorial authority over it) and has financial andadministrative autonomy

LEGISLATION
Investment Law No. 360 was enacted in 2001 to regulate investment activities in Lebanon

OUR MANDATES

INVESTMENT PROMOTION

- Provide economic, commercial and legal information of relevance to investors
- Identifies business opportunities across various economic sectors
- Provide in depth analysis of sectors
- Grant fiscal exemptions and fees reduction to investment projects
- Facilitate issuance of permits and licenses
- Provide on-going support for investment projects
- Actively promotes Lebanon as key investment destination

EXPORT PROMOTION

- Provide data on external markets
- Support companies in accessing external markets
- Subsidize participation in foreign fairs

IDAL CURRENTLY HAS IN PLACE 3 EXPORT PROMOTION PROGRAMS:

1. AGRI PLUS (2012):
Which provides subsidies and support to exporters of agricultural products

2. AGRO MAP (2004):
Which subsidizes the participation of agro food companies in foreign fairs licenses

3. M LEB MAP (2015):
Which provides subsidies and support to exporters of Lebanese products to the Gulf countries and Jordan

IDAL OFFERS INVESTORS A RANGE OF SERVICES THROUGHOUT THEIR DIFFERENT STAGES OF OPERATION

1 PRE-INVESTMENT STAGE

MARKET INTELLIGENCE

Information on investment opportunities Data on economic sectors with growth potential Legal, financial, industrial information Data on investment climate. Business Matchmaking support

2 FINANCING STAGE

PACKAGE OF INCENTIVES

FISCAL INCENTIVES:
Exemptions from corporate income tax generated by the project which can go up to 100% exemption for 10 years

FINANCIAL INCENTIVES:
Fees reductions such as reduction on land registration fees

NON-FINANCIAL INCENTIVES:
Employees for the project are granted work permits with the support of IDAL

3 LICENSING AND AFTER-CARE STAGE

ONE STOP SHOP

IDAL serves as a One Stop Shop for Investors.We supersede all public administrations, authorities and municipalities in issuing administrative permits and licenses except those granted by the Council of Ministers.

We follow up with investors after the start of their operations

EIGHT SECTORS ARE ELIGIBLE FOR OUR INCENTIVES

IDAL PROVIDES INCENTIVES TO EIGHT SECTORS WITH GROWTH POTENTIAL AND READINESS FOR DEVELOPMENT

THESE SECTORS WERE INCLUDED IN LAW N.360 IN 2001

TWO TYPES OF INCENTIVE SCHEMES:

1. REGION & SECTOR BASED INCENTIVE

• Also called Investment Projects by Zone (IPZ)

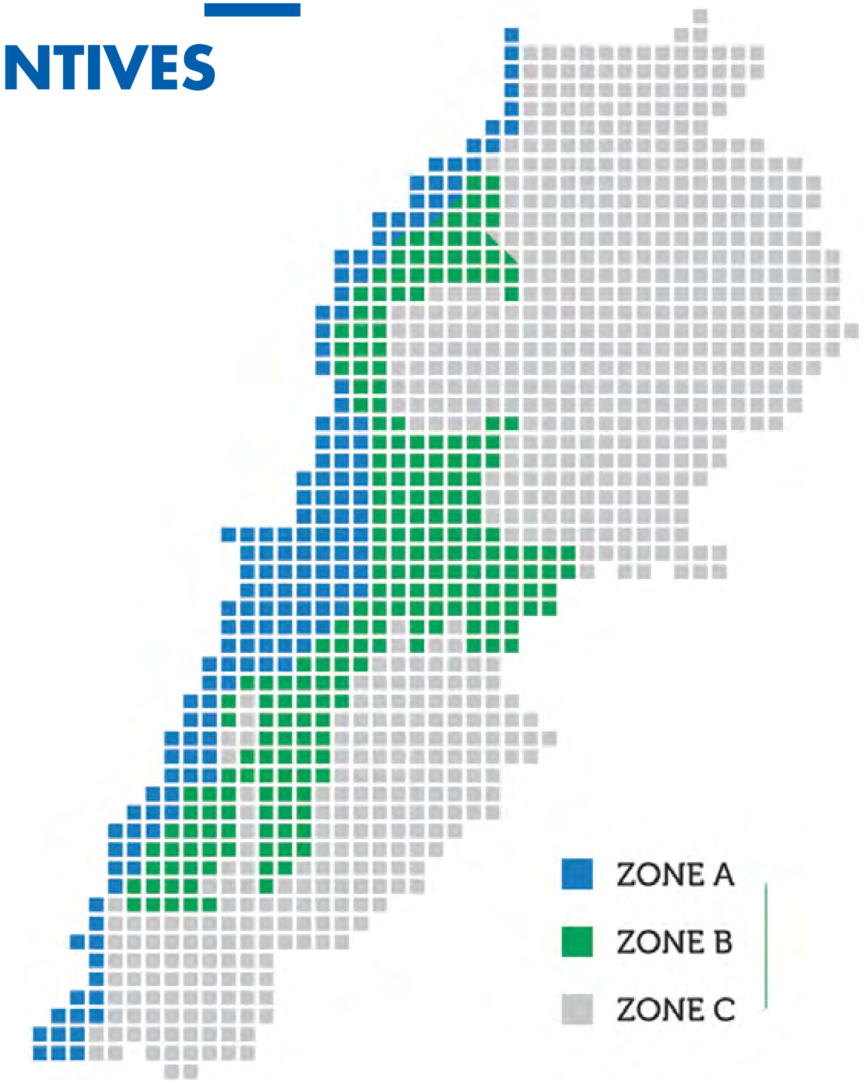
• Provided to projects based on:
(1) Geographical location across 3 Zones: A, B, C
(2) Investment size
(3) Sector

INCENTIVES PROVIDED

• Up to 100% tax exemptions for 10 years for projects located in remote areas (Zone C)

• Work Permits granted

OUR INCENTIVES



OUR INCENTIVES

TWO TYPES OF INCENTIVE SCHEMES:

2. JOB CREATION BASED INCENTIVE

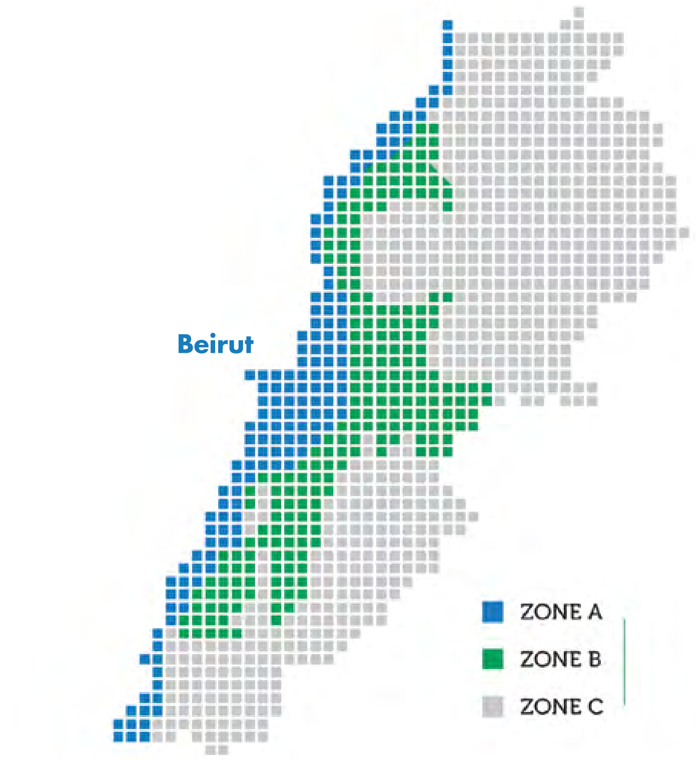
- Also called **Package Deal Contract (PDC)**
- Provided to projects based on:
  (1) Investment size
  (2) Number of jobs created
  (3) Sector

INCENTIVES PROVIDED

- 100% exemption of Income Tax
- 100 % exemptions on Taxes on Project Dividends for up to 10 years
- Up to a 50% reduction on Work and Residence Permit Fees
- Up to a 50% reduction on Construction Permit Fees
- Full exemption from Land Registration Fees

REGION BASED INCENTIVE
Investment Projects by Zone (IPZ)

EIGHTS SECTORS ARE ELIGIBLE FOR OUR INCENTIVES



INCENTIVES GRANTED BASED ON GEOGRAPHICAL DISTRIBUTION AND INVESTMENT SIZE

ZONE A	ZONE B	ZONE C
Work permits for all categories. Full exemption from corporate income tax for a two-year period provided that at least 40% of the company's shares are listed on the Beirut Stock Exchange.	Work permits for all categories. A 50% reduction on corporate income tax and taxes on project dividends for a five-year period. Full exemption from corporate income tax for two additional years provided that at least 40% of the company's shares are listed on the Beirut Stock Exchange.	Work permits for all categories. Full exemption from corporate income tax and taxes on project dividends for a ten-year period. Full exemption from income tax for two additional years provided that at least 40% of the company›s shares are listed on the Beirut Stock Exchange.

SECTOR BASED INCENTIVE
Investment Projects by Zone (IPZ)

ELIGIBILITY CRITERIA

	MINIMUM INVESTMENT REQUIRED (USD)		
SECTORS	ZONE A	ZONE B	ZONE C
TOURISM	10.000.000	4.000.000	1.000.000
INDUSTRY	5.000.000	3.000.000	1.000.000
AGRO-INDUSTRY	2.000.000	1.500.000	1.000.000
AGRICULTURE	1.500.000	1.000.000	500.000
INFORMATION TECHNOLOGY	200.000	200.000	200.000
TECHNOLOGY	200.000	200.000	200.000
TELECOMMUNICATION	200.000	200.000	200.000
MEDIA	200.000	200.000	200.000

JOB CREATION & SECTOR BASED INCENTIVE
Package Deal Contract (PDC)

INCENTIVES GRANTED BASED ON JOB CREATION & SECTOR BASED

- 100% Exemption on Income Tax for up to 10 years
- Up to 50% Reduction on Construction Permit Fees
- Up to 50% Reduction on Work and Residence Permits
- Zero Land Registration Fees
- 100% Exemption on Taxes on Project Dividends for up to 10 years
- Obtaining Work Permits of all categories

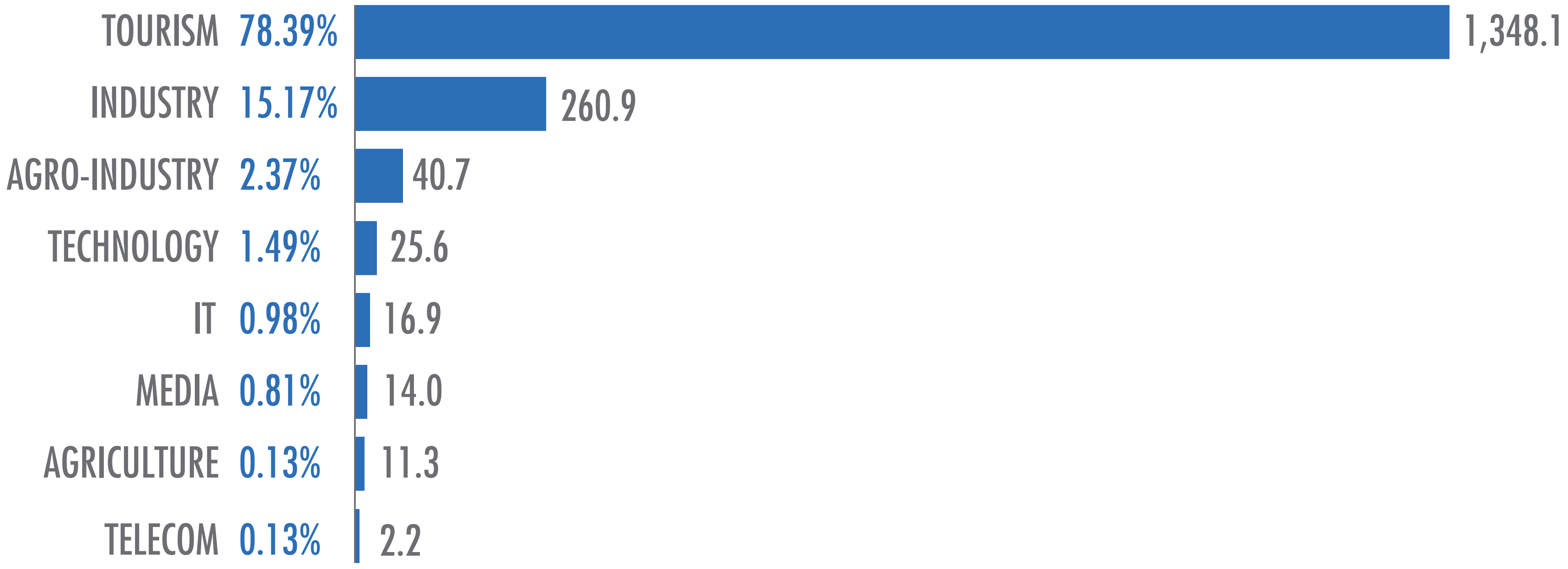
JOB CREATION & SECTOR BASED INCENTIVE
Package Deal Contract (PDC)

ELIGIBILITY CRITERIA

SECTORS	MINIMUM INVESTMENT REQUIRED (USD)	MINIMUM JOB CREATION
TOURISM	15.000.000	200
INDUSTRY	10.000.000	100
AGRO-INDUSTRY	3.000.000	60
AGRICULTURE	2.000.000	50
INFORMATION TECHNOLOGY	400.000	25
TECHNOLOGY	400.000	25
TELECOMMUNICATION	400.000	25
MEDIA	400.000	25

OUR ACHIEVEMENTS

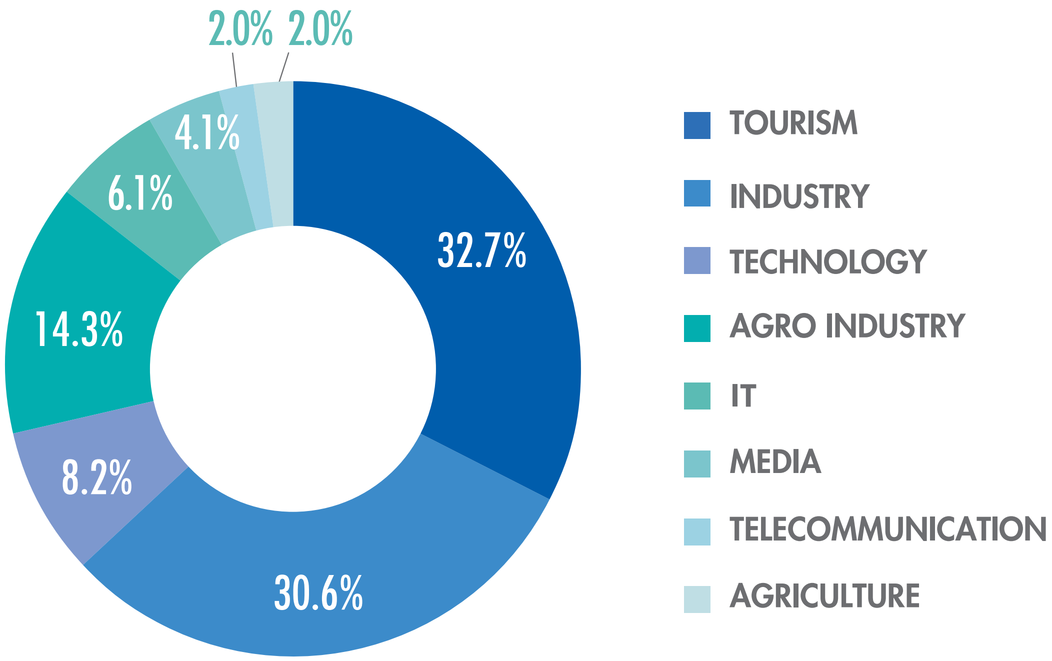
INVESTMENTS ATTRACTED THROUGH IDAL
(USD MILLION) (2003-2015)



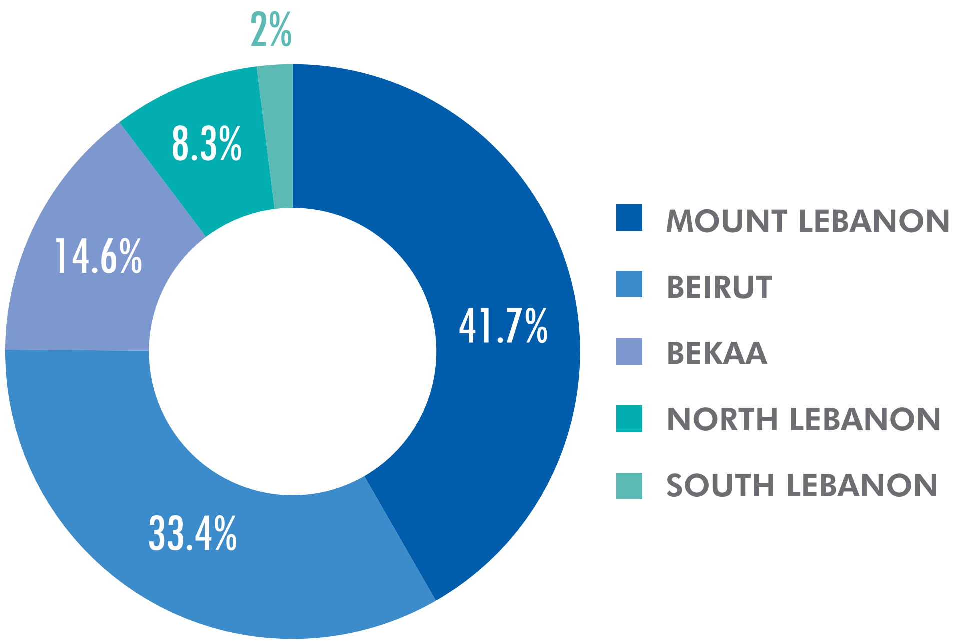
TOTAL: 1719.671023 USD
Source: IDAL's Calculations

OUR ACHIEVEMENTS

DISTRIBUTION OF PROJECTS BY SECTORS (%) (2003-2015)



DISTRIBUTION OF PROJECTS BY REGION (%) (2003-2015)

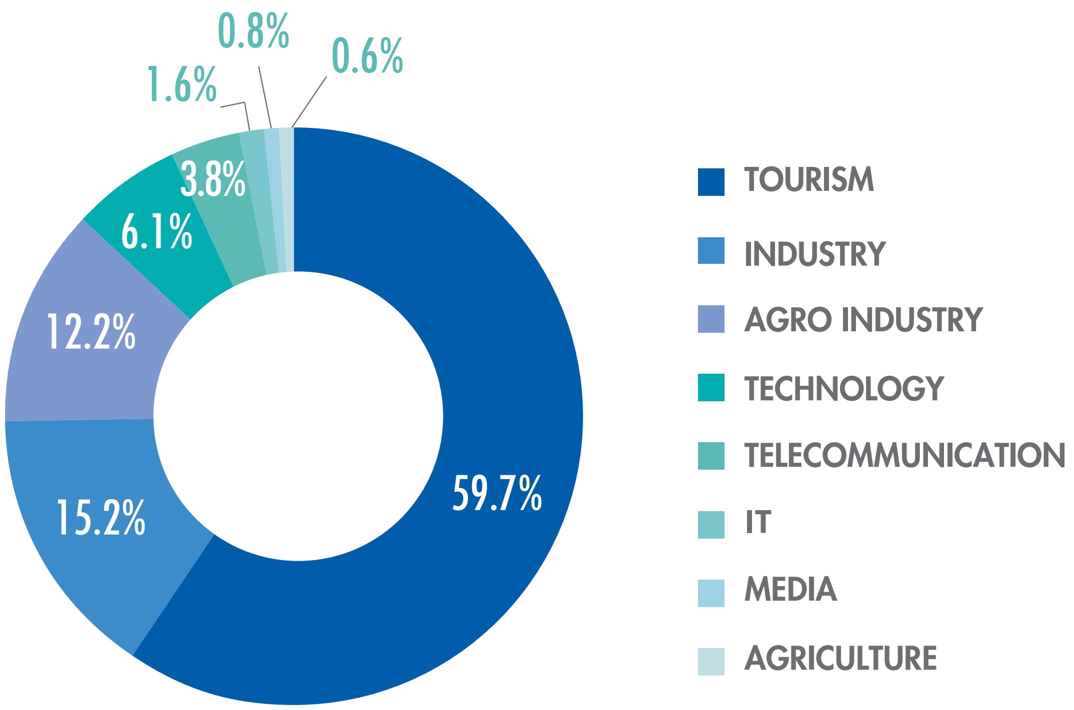


TOTAL: 48

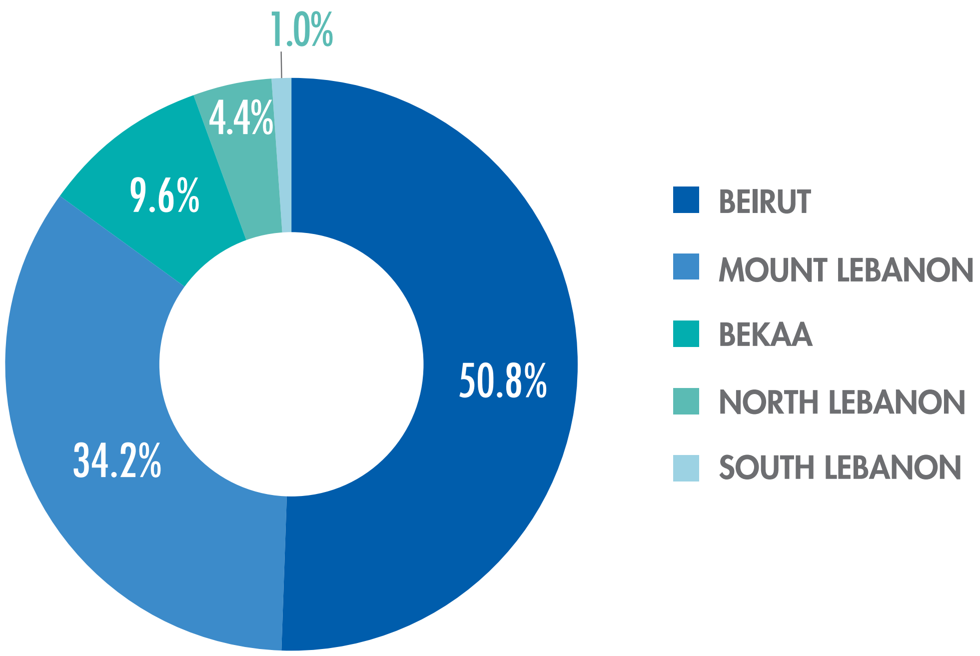
Source: IDAL's Calculations

OUR ACHIEVEMENTS

TOTAL JOBS CREATED BY SECTOR (%) (2003-2015)



TOTAL JOBS CREATED BY REGION (%) (2003-2015)



TOTAL: 5,872

Source: IDAL's Calculations

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