

Iran: Untapped Potential

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Executive Chairman Noorin Industrial Holdings

Member of Board DigiKala.com

President Iran Electrical Industry Association

Member of Board Tehran Chamber of Commerce

Vice Chairman Tehran Chamber of Commerce Trade Promotion Committee



Attractive Demographics

- Population: 78 million
- 73% urbanised
- 0.8% urbanisation rate
- Young and educated
- 64% under 35 years old
- Literacy rate > 90%

Developed Infrastructure

- TSE established in 1967
- 70% bank account penetration
- 130% mobile phone penetration
- 100% of households have electricity
- 330 airports – 54 with scheduled flights
- 220,000 km roads
- 13,000 km railroad



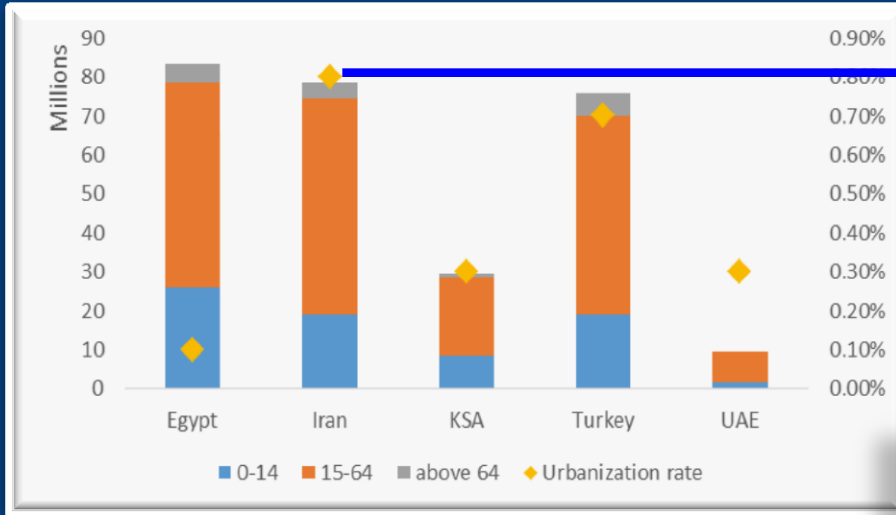
Diversified and Resilient Economy

- GDP (PPP basis) = \$ 1.3 trn
- Improving macro conditions
- Healthy government finances: \$110 bn reserves, \$10 bn external liabilities
- Extremely rich in natural resources
- Diversified Economy: oil accounts for 10% of GDP

Vibrant Capital Markets

- Tehran Stock Exchange with 314 listed companies and market capitalization of \$81 bn
- Farabourse for smaller listings valued at \$ 16 bn
- 35 sectors represented

Attractive Demographics



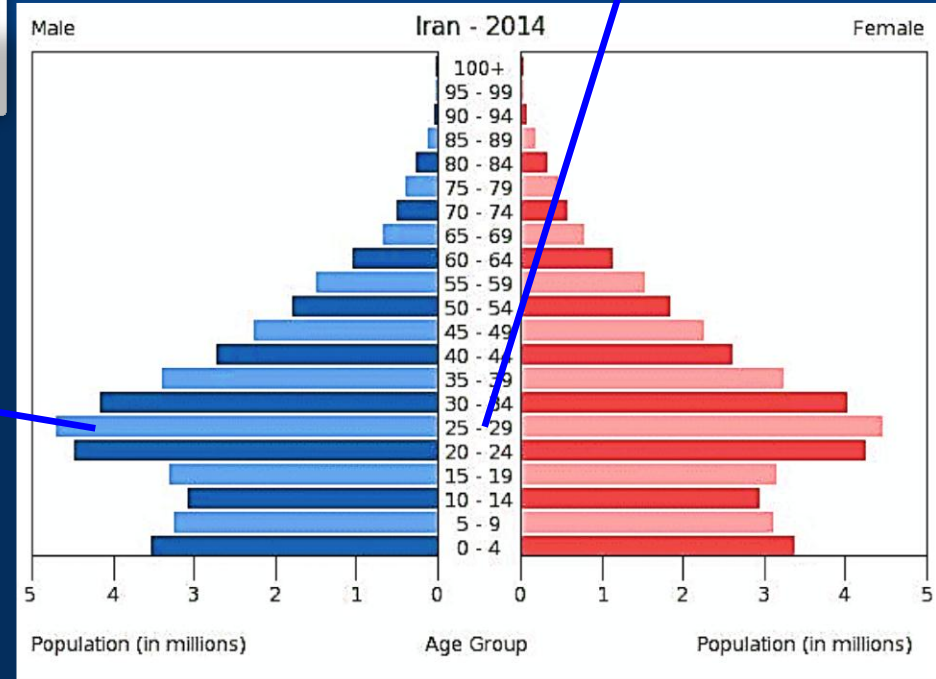
Highest rate in MENA

Open minded and tolerant

Highly aspirational

Consumerism is taking off

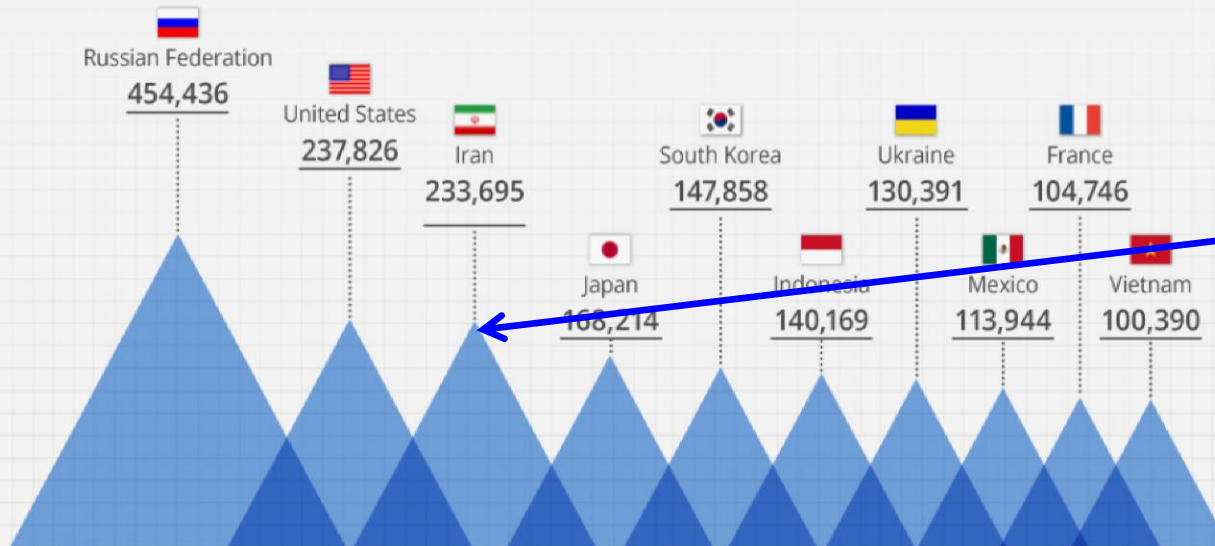
Many have postponed entering the jobs market





The Countries With The Most Engineering Graduates

Top countries for graduates in engineering, manufacturing and construction*



* 2015 rank out of 124 economies. No data available for China, India



@StatistaCharts

Sources: World Economic Forum 2015/UNESCO
Institute for Statistics

statista

- 3.7 million Iranians in tertiary education
- 800,000 graduates a year
- As many engineering graduates as the US
- 70% of science and engineering graduates are female!!!!

Competitive
labor costs

Liberal labor
practices

English
widely
spoken

Iran's Minimum Wage - 2014

Italy	1779
USA	1305
Saudi Arabia	800
Argentina	512
Turkey	462
China	325
Malaysia	230
Iran	216
Egypt	153
Vietnam	142

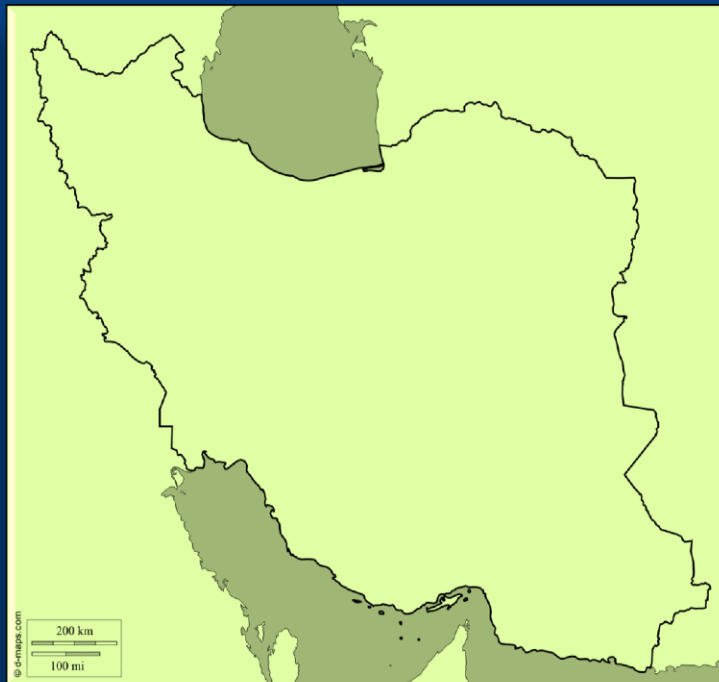
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Diversified and Resilient Economy

Larger than Perceived

	GDP PPP USD 1 trn	Population 1 Million	Median Age Years	Unemployment Rate %	Inflation %
US	17.4	319	37	6	1.9
Russia	3.5	144	39	6	1.7
Brazil	3.2	206	31	5	6.5
UK	2.5	65	41	5	7.5
Turkey	1.5	76	28	9.4	9
Iran	1.3	78	27	13.5	16
KSA	1.6	31	24	5.6	3
Egypt	0.9	90	22	13.6	9.6
UAE	0.5	9	30	NA	1.7
Qatar	0.3	2.1	31	NA	3
Kuwait	0.2	3.8	26	NA	3.3
Israel	0.2	8.2	29	7	1
South Africa	0.7	54	25	25.5	6
Nigeria	1.04	178	19	NA	9.5

Sources: Bloomberg, IMF, Economist, Investors Chronicle, World Bank

Low Gearing, Healthy Economy

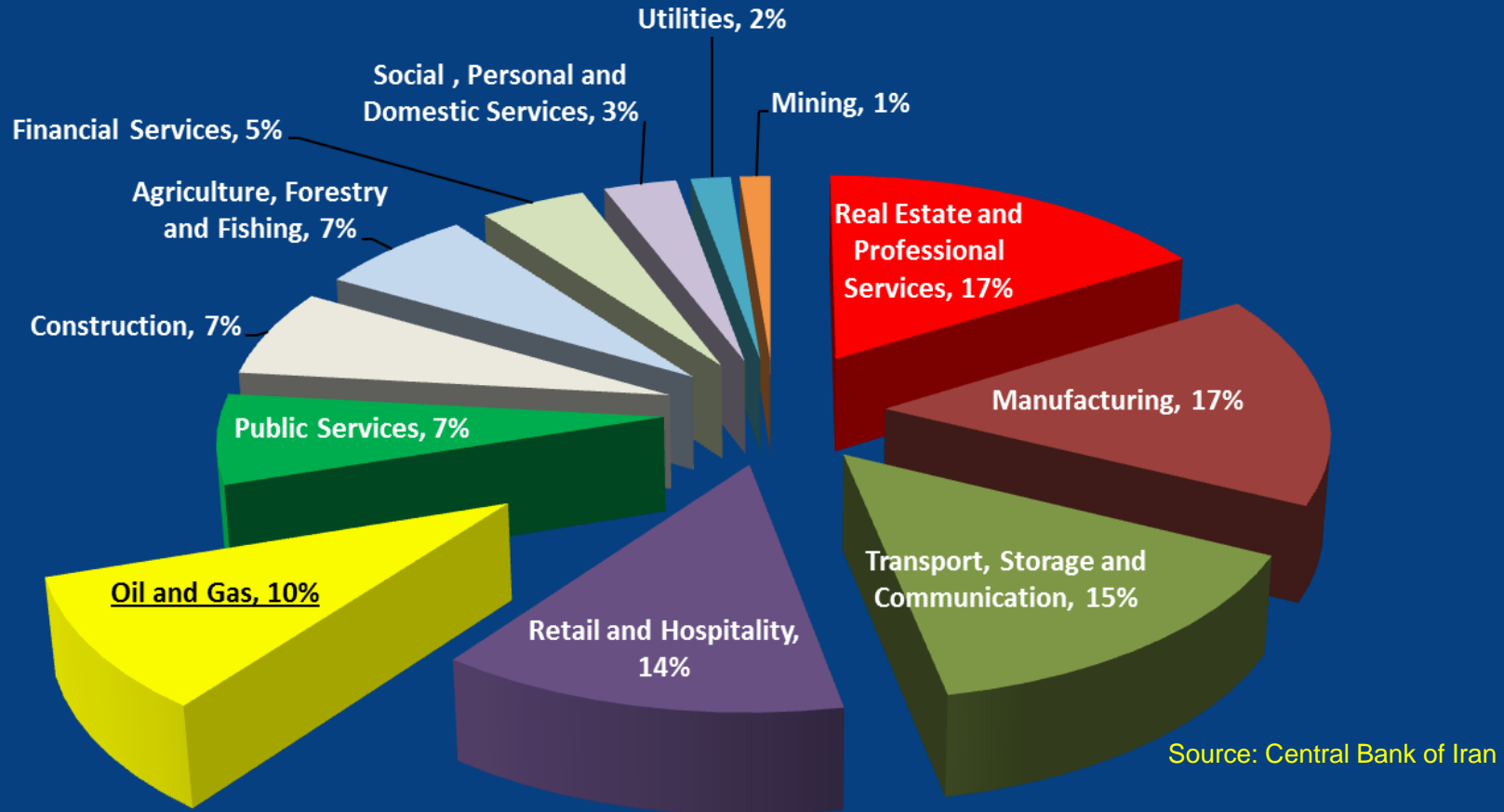
	National Debt (Public and Private)	Current Account Balance	Budget Deficit
	% GDP	% GDP	% GDP
US	250-275	-2.5	-2.9
UK	350-375	-3.9	-4.5
Brazil	150-175	-3.7	-3.8
Russia	50-75	3.3	0
Turkey	100-150	-5.8	-2.6
Iran	30-60	8	0

Sources: Bloomberg, IMF, Economist, CBI, World Bank

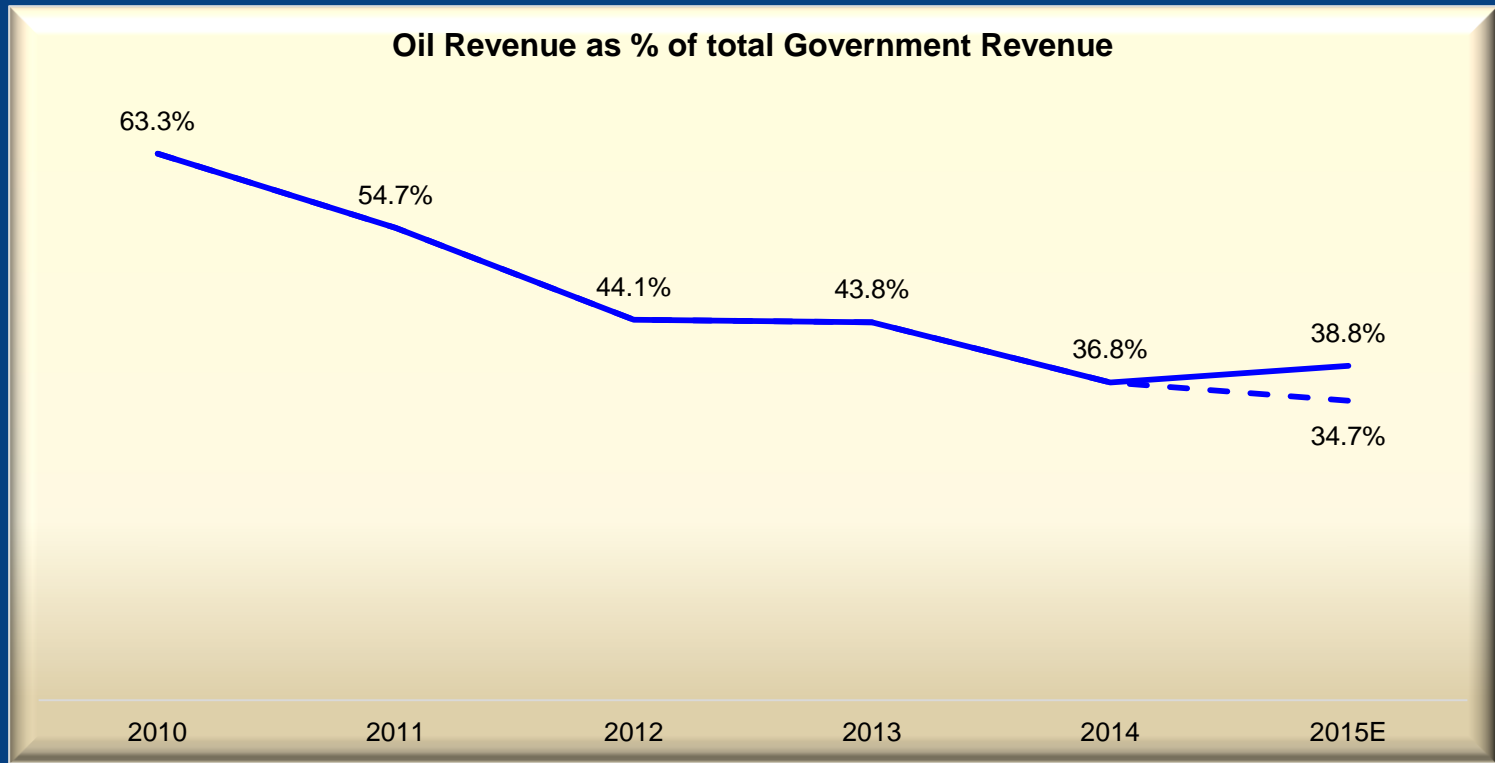
Incredible Resources

- World's largest combined oil and gas reserves
 - World's second largest gas reserves – Over 1100 trillion cubic feet
 - World fourth largest oil reserves – 150 billion barrels
- Mineral resources valued at USD 27 trillion
 - No. 1 in Zinc
 - 5% of global copper reserves – current production 250,000 MT per annum
 - Ranked 9th in iron ore production – 33 million MT per annum
 - Ranked 14th in steel production – 16.3 million MT per annum
 - 75 million MT per annum cement – Ranked 4th
 - World's 2nd producer of gypsum

More diversified than perceived



Iran has a well-developed industrial base and a diversified economy with oil accounting for 10% of the GDP

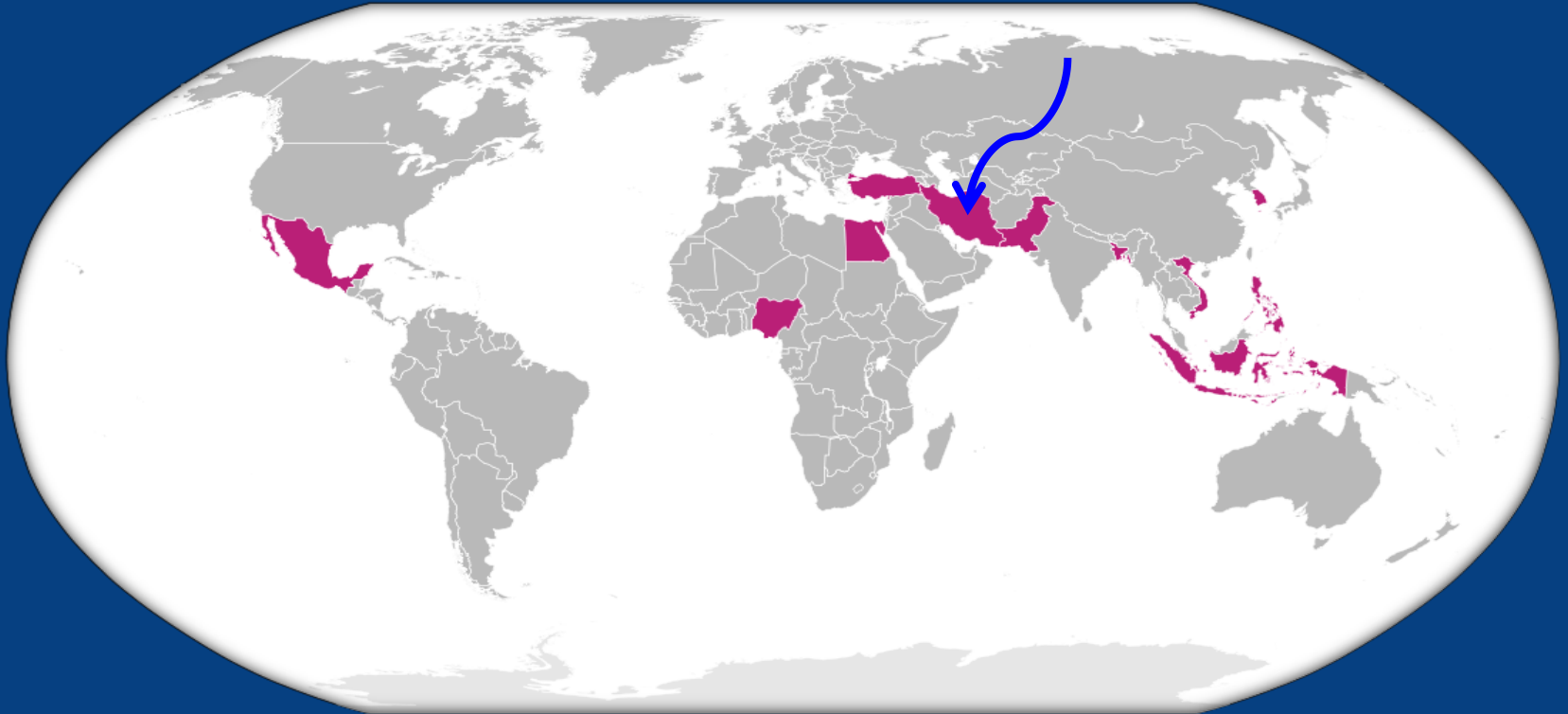


In 2015 the Iranian government's tax revenue exceeded oil revenue for the first time in more than half a century

The Next BRIC?

Iran has been identified as a member of the N-11, the Next 11 high potential economies by Goldman Sachs Economist Jim O'Neil

<http://www.bloomberg.com/news/articles/2012-08-07/goldman-sachs-s-mist-topping-brics-as-smaller-markets-outperform>
<http://blog.euromonitor.com/2008/02/the-next-11-emerging-economies.html>



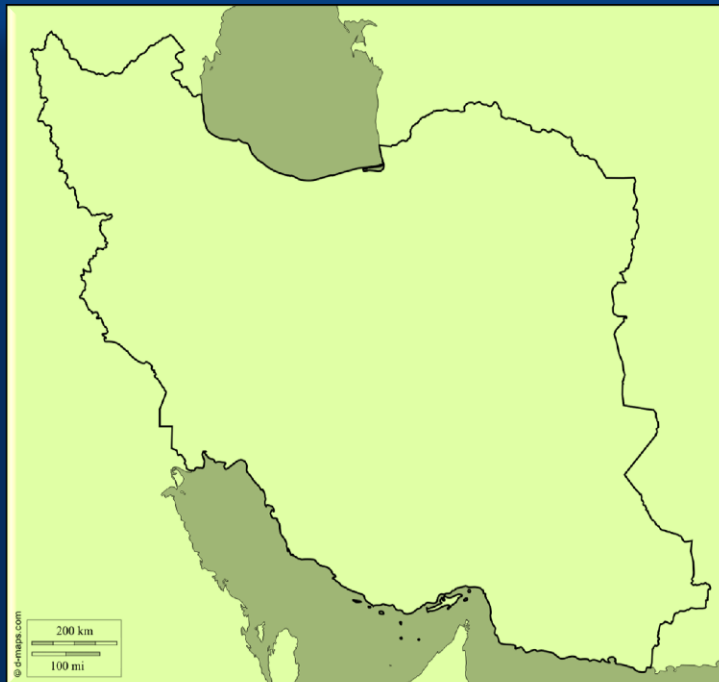
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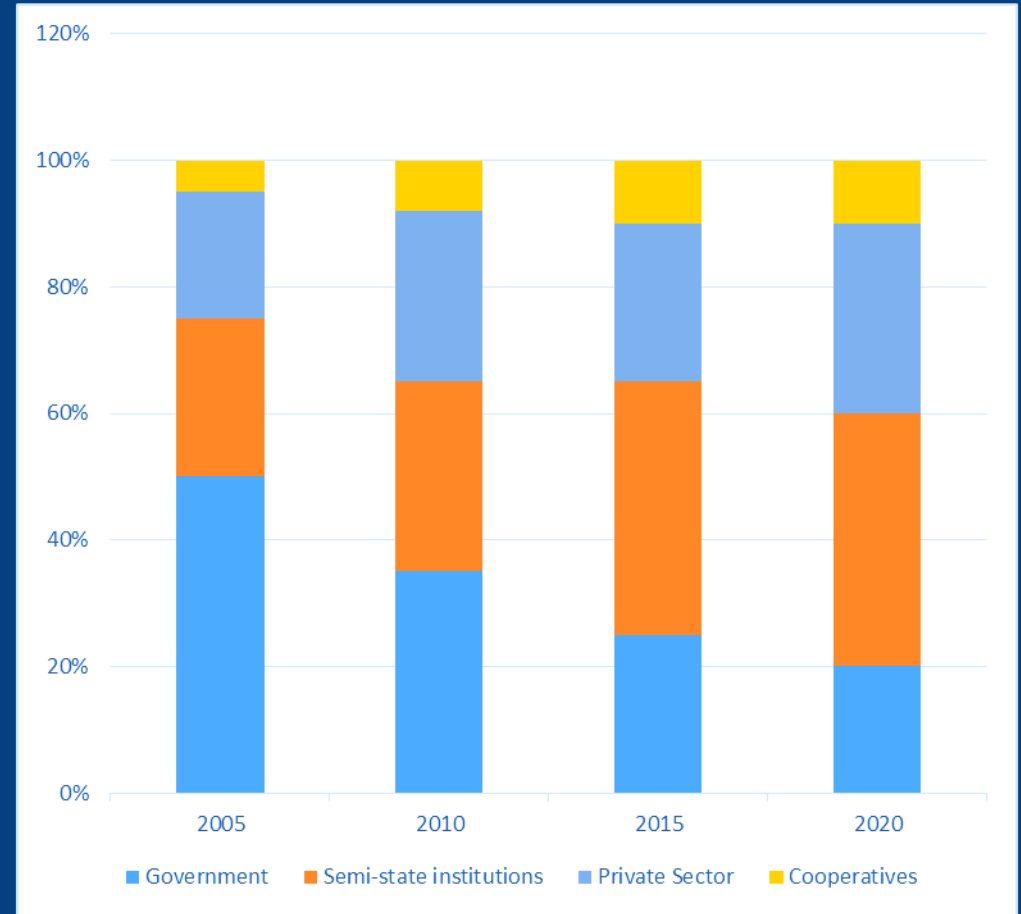


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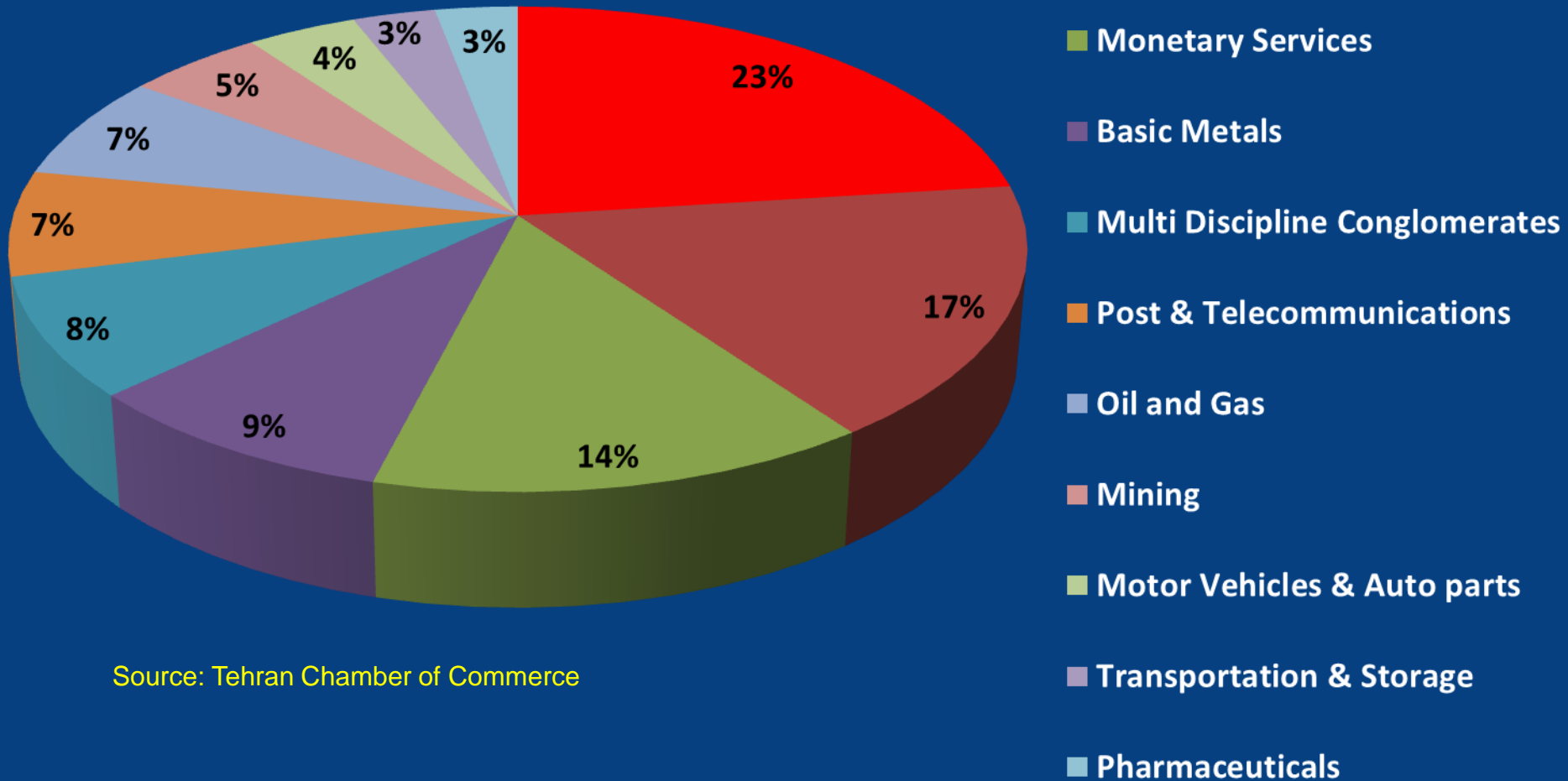
Vibrant Capital Markets

Many government entities being privatized



Source: Griffon Capital

TSE Market Capitalisation



Source: Tehran Chamber of Commerce

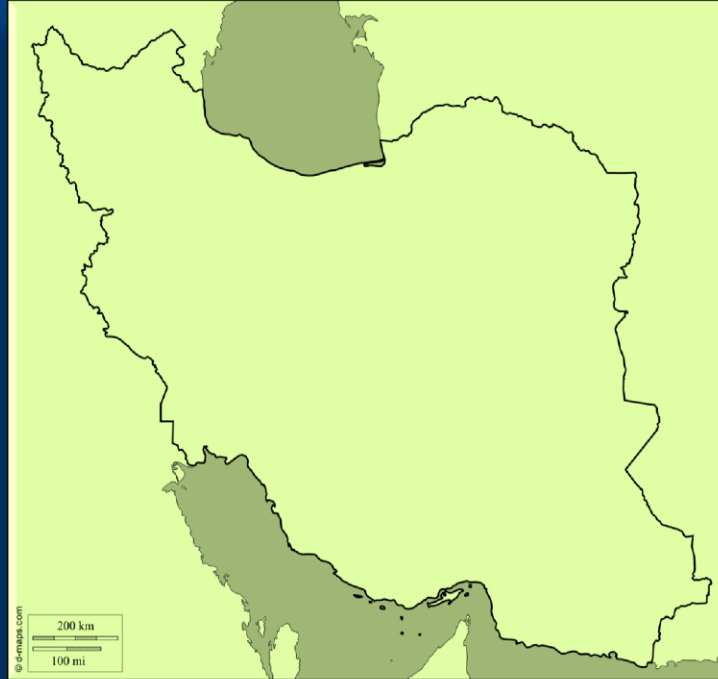
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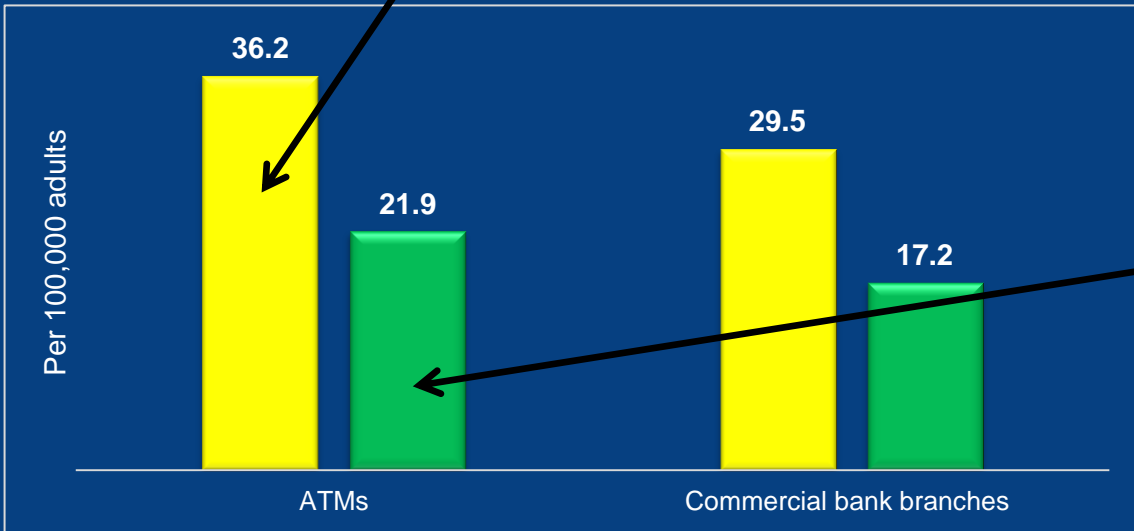
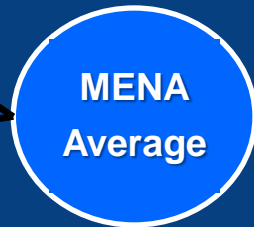
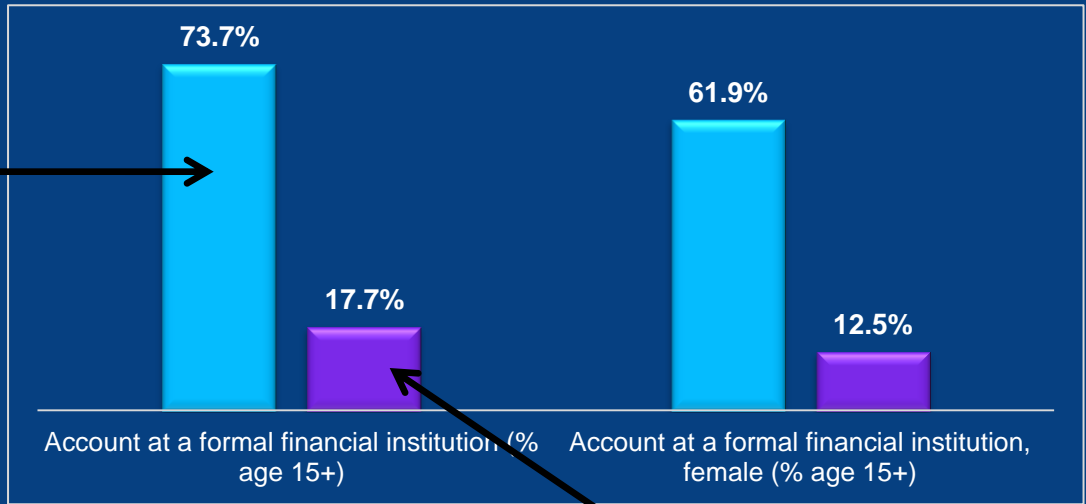


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Developed Infrastructure and Institutions



Source: Griffon Capital

World Bank

“Enforcement of contracts”

65 Canada

66 Iran

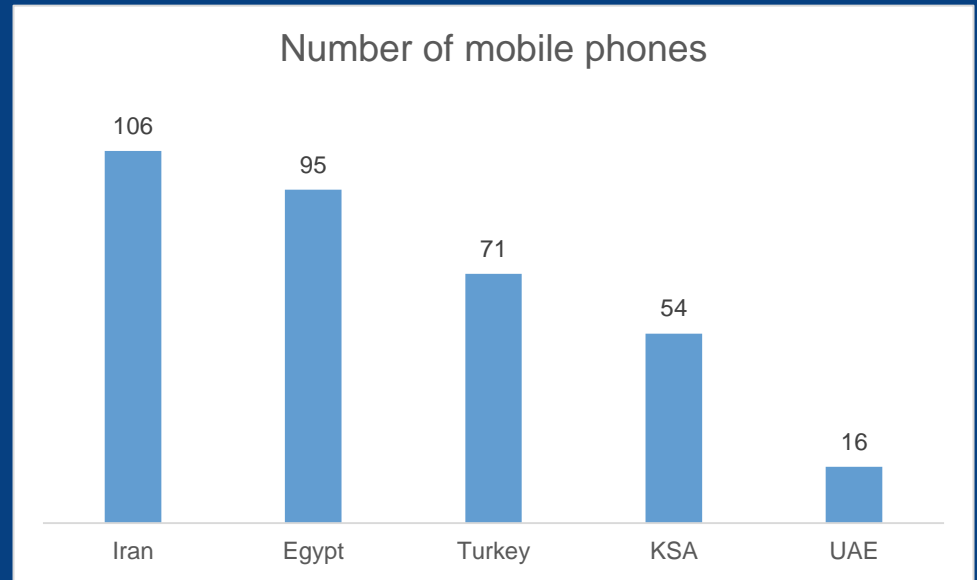
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69 Spain

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...

147 Italy



100% of households electrified

Extensive natural gas distribution network

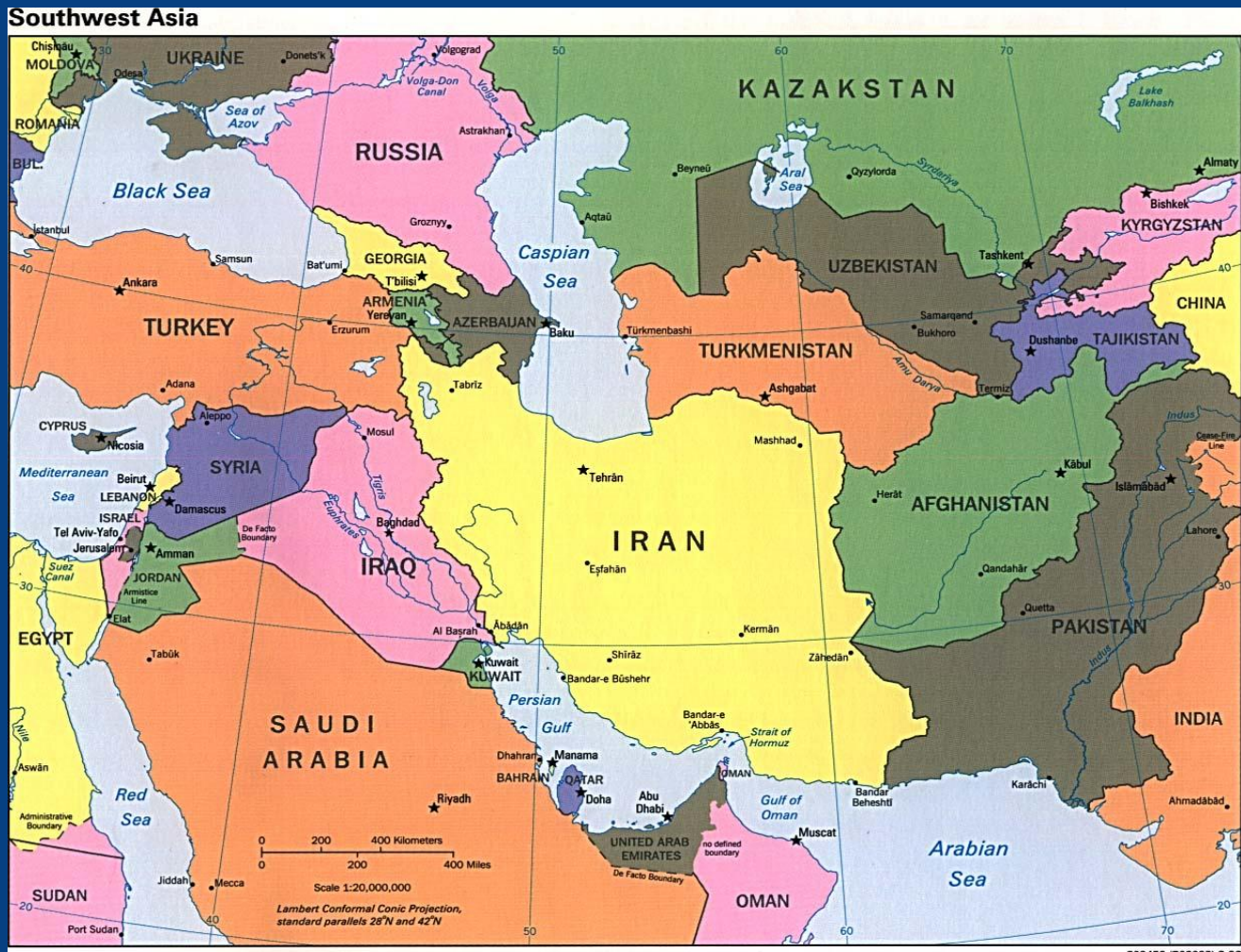
220,000 km roads

13,000 railroads

15 ports

330 airports

At the Cross Roads of East and West



Iran as a hub for the CIS/MENA market?

Country	Population	GDP
	Million	USD billion (PPP Basis)
Turkey	76	1500
Iraq	36	523
Kuwait	3.8	284
Saudi Arabia	31	1700
Bahrain	1.4	35
Qatar	2.16	299
UAE	9.4	644
Oman	3.2	164
Pakistan	210	928
Afghanistan	32.5	37
Turkmenistan	5	82
Kazakhstan	18	226
Russia	144	3500
Azerbaijan	9.6	226
Armenia	3	21
Total	587.26	10,169.00
% of Global	8%	12%

- Low effective rate of taxation
 - 25% flat corporate tax rate
 - Tax holidays
 - No tax on dividends or capital gains
- Quality infrastructure
- Cheap energy
 - Electricity @ 1.5 ¢ per kWh
 - Natural gas @ 3 ¢ per M³
- Affordable labor
- Abundant natural resources
- Export promotion incentives
 - Full tax exemption
 - Export prize
 - Duty refund on raw material imports
 - Soft loans

An Overview of the Iranian Electrical Industry

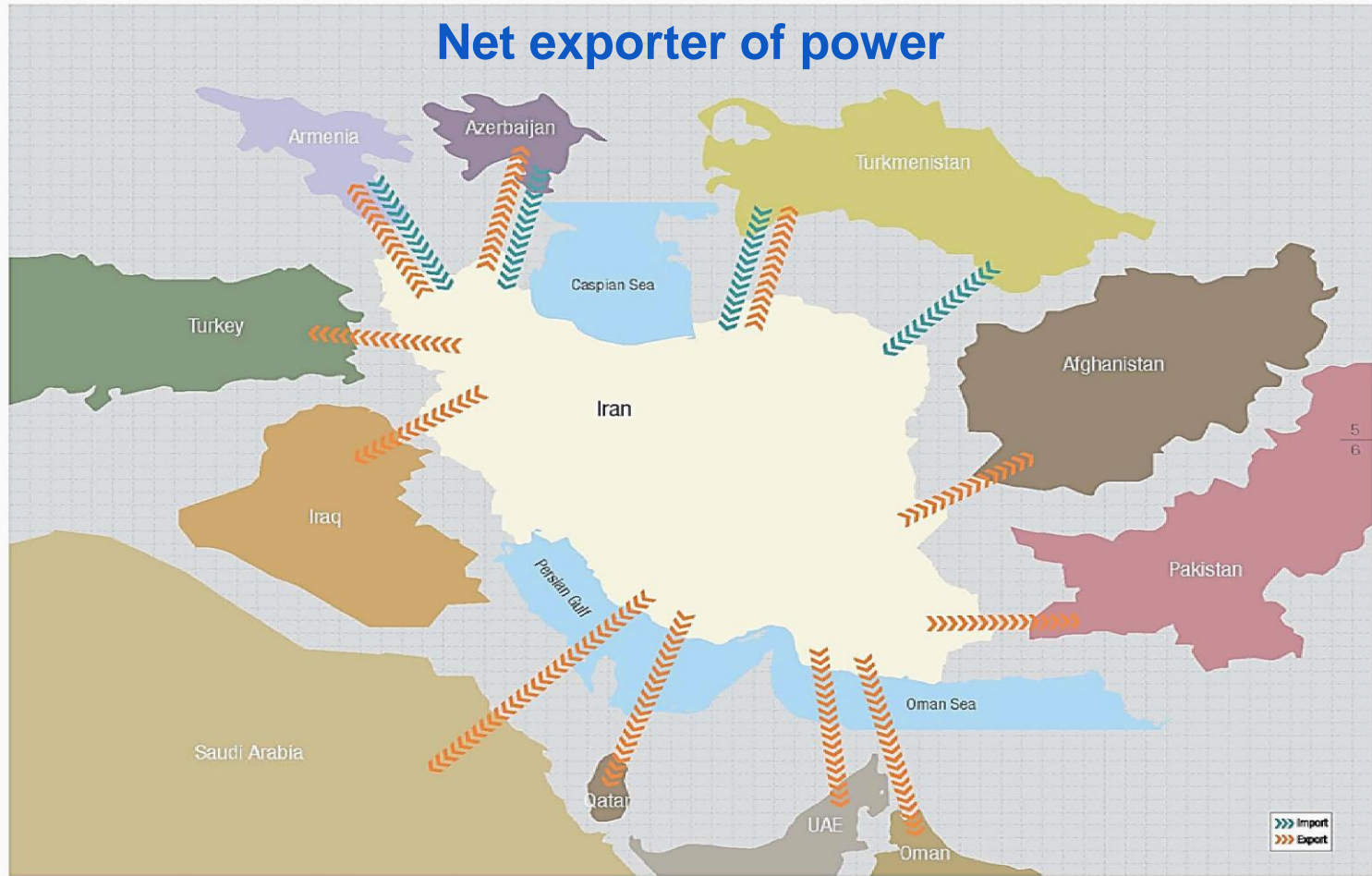
Advanced electrical sector

Local engineering and manufacturing capability

6000 MW of capacity added each year

Generation capacity of 74 GW – 14th in the world

Interconnections to 7 neighboring countries



Installed Capacity 73,7 GW

Gas
25.8

Combined
Cycle
18.5

Steam
15.8

Hydro
11.2

Nuclear
1

Renewable
0.2

DG/CHP
0.7

Diesel
0.4

- 31,000,000 connections
- 219 billion kWh total consumption
- 730,000 km distribution network
- 121,000 km transmission network
- 229,000 MVA Installed Substation Capacity

Gas to **CC**
25.8

By 2020

**Installed
Capacity
110 GW**

**Renewable
5**

**DG/CHP
5**

- Expanded capacity
- Improving efficiency
- Distributed generation
- Renewables
- USD 50-60 billion to be invested in generation, transmission and distribution network

The Iranian Cable Industry

1964

First company founded in partnership with Bayka

1965

Tak Cable founded in partnership with IKO Sweden

1974

Phelps Dodge JV Founded

1976

Ericsson JV Founded

1979

Most foreign JVs as with many large local enterprises were nationalized

- The protectionist policies of the 1980s along with heavy subsidies saw a proliferation of players in many industries
- Copper priced at 10% of LME – 250 registered cable manufacturers
- Market dominated by low cost substandard products
- Largest player has 10% market share
- Top 5 – 30% market share

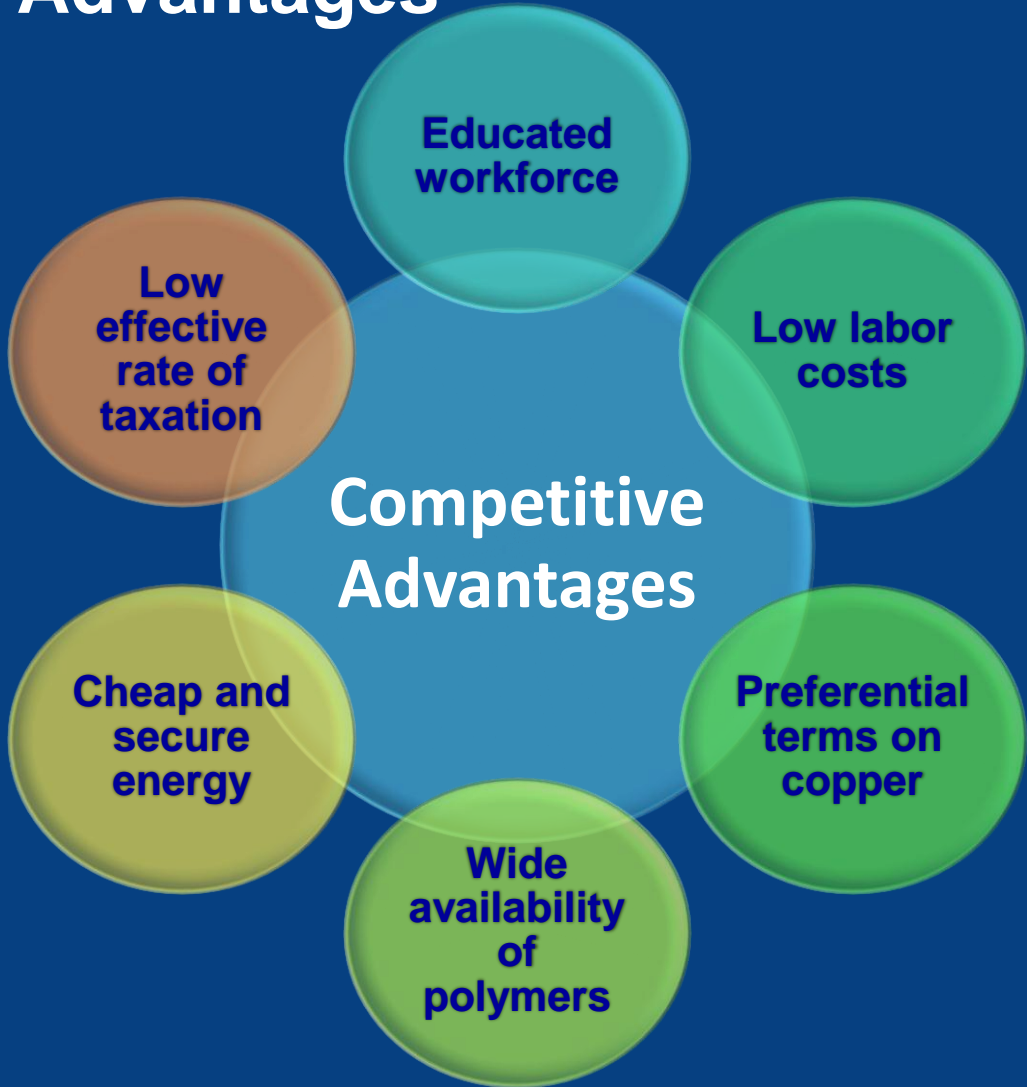
Iranian Cable Trade

Year	Exports	Imports
	USD 1 Million	
2010	146.4	78.8
2011	219.5	84.3
2012	132	66
2013	155.2	77.7
2014	147.7	75.6

Source: Trade Promotion Organisation Iran

- **Installed capacity 700,000 MT – Annual Production 200,000 MT**
- **50% Aluminum – ABC, LV and MV Distribution Cables**
- **Construction cables:**
 - **PVC insulated flex and light power cables**
 - **1 million square meters of housing needed per annum**
 - **3 million square meters of commercial real estate under construction**
- **Other major markets:**
 - **Infrastructure projects: railways, metros, power plants, substations, urban power transmission**
 - **Oil, gas and petrochemicals: upstream field development, offshore, pipelines, refineries, gas processing**
 - **Mines, metals and minerals**

Competitive Advantages



The Future of the Iranian Cable Industry?

Consolidation?

250 companies – how many in 5 years time?

M&A can be challenging

Government policy favors new capacity

Many plants old, over-staffed and badly managed

Expected growth:

Economic growth as a result of sanctions relief and reintegration into global economy

Increased investment in oil, gas and petrochemicals

Housing requirements for youthful population

Mandatory replacement of overhead lines in urban areas

Infrastructure development

Localization laws

Export development:

**Turkish cable exports =
USD 2.3 bn – Iran = USD
150 Million**

**Iranian government will
support value added
industries**

**Export of unprocessed
raw materials will be
discouraged**

**Large potential markets
in Iraq, Afghanistan and
CIS**

**Thank You for Your
Kind Attention**