

Vantage Capital invests \$23 million in PickAlbatros Hotels



Cairo, Egypt – Vantage Capital, Africa’s largest mezzanine fund manager, announced today that it has provided \$23 million of mezzanine debt funding to PickAlbatros Hotels. The proceeds will be used to fund working capital and renovation work on several recently-acquired hotels.

PickAlbatros is a leading hotel owner and operator in Egypt, with a portfolio of 15 operating hotels and close to 10,000 rooms across the Red Sea resort towns of Hurghada, Sharm El Sheikh, Sahl Hasheesh and Marsa Alam. It also operates two hotels in Morocco. The Red Sea has become an increasingly popular tourist destination, especially amongst Europeans looking for an affordable beach holiday offering year-round sunshine, warm water and world-class diving and snorkelling. In fact, more than half of all tourists arriving into Egypt head directly to the Red Sea, and total tourist arrivals into the country have grown by over 140% from 2016 to 2019. PickAlbatros has played an important role in contributing to tourism growth in the region, through its ever-expanding portfolio of high-quality 4-star and 5-star hotels that include beachfront access, extensive networks of swimming pools and the largest water parks in the area. The hotel group has recently acquired five further hotels and part of Vantage’s funding will be used for renovations as the hotels are prepared for re-launch under the PickAlbatros brand.

Since the first PickAlbatros hotel opened its doors in Hurghada in 1992, Mr Kamel Abu Ali, the owner and CEO of PickAlbatros, has relentlessly pursued his vision of building a high-quality hospitality portfolio across the Red Sea. Thanks to his significant efforts, resort towns such as Hurghada are now firmly on the map as a popular destination for European sunseekers. *“We have always taken a long-term view on the growth potential for the hospitality market in the Red Sea and we have successfully delivered on this growth strategy, consistently expanding our hotel portfolio over the past three decades”,* he noted. *“Vantage shares our vision and has been willing to support our hotel group with funding that gives us the flexibility to invest in expansion and working capital as the business sees fit. They also successfully delivered on their commitment to meet very tight timelines for disbursement, and in the process showed themselves to be a highly professional firm and a trusted partner.”*

David Kornik, Partner at Vantage Capital, noted, *“While Covid-19 has created significant disruption to the global hospitality sector over the past year, we recognise that the longer-term growth potential for PickAlbatros Hotels remains firmly intact. The resilient performance delivered by the hotel group in recent months, despite widespread travel restrictions across its core European market, highlights the appeal of its high-quality, value-for-money offering across a broad range of markets. As vaccines become widely distributed, we expect international beach tourism to recover strongly and Egypt’s Red Sea is well-positioned to be an outsized benefactor over the years to come.”*

The transaction represents Vantage Capital’s 31st investment across three generations of mezzanine funds, with its portfolio now spread across eleven countries in Africa. **Warren van der Merwe**, Managing Partner at Vantage Capital, added, *“The transaction with PickAlbatros marks our inaugural investment into Egypt. With a population in excess of 100 million and an economy delivering robust growth, it is a country with significant potential and a valuable addition to our investment map.*

Tourism is a key sector within the economy and we are proud to back one of the leading local hospitality players.”

PickAlbatros represents Vantage’s third investment in the tourism sector after supporting the construction of new hotels in Uganda (141 beds) and Namibia (181 beds) by partnering with local hoteliers in those markets. The Vantage team believe in the long-term growth potential of tourism in Africa, which constitutes only 5% of the global tourism market today. According to the UN World Trade Organisation, some 67 million tourists visited Africa in 2018, constituting a 7% increase from a year earlier and making Africa the second-fastest growing region, after Asia Pacific. Brookings Institution, an American research group, projects tourist arrivals into Africa to reach 134 million by 2030, with consumer spending on tourism, hospitality and recreation reaching \$262 billion, a \$138 billion increase over 2015. This will have a significantly positive impact on the continent, generating millions of jobs and billions of dollars of foreign exchange earnings.

Zilla Capital acted as the financial advisor to PickAlbatros. Matouk Bassiouny & Hennawy (in Egypt) and Werksmans (in South Africa) acted as legal counsel.

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About Vantage Capital

Vantage Capital is an Africa-focused fund manager with offices in Johannesburg and Cape Town. The business was founded in 2001 and has raised funds of over \$1.1 billion. Since 2006, Vantage Capital’s Mezzanine division has made 31 investments across three funds into 11 African countries, making it the largest and most experienced independent mezzanine funder on the continent. In addition, Vantage Capital’s GreenX division has made 14 senior debt investments into South African solar and wind energy projects across two funds.

Vantage Capital targets mezzanine debt opportunities of US\$ 10-40m across 14 key African markets. Mezzanine debt is an intermediate form of risk capital, which is situated between senior debt, the least risky tranche of the capital structure, and equity, the most risky. It combines elements of both debt and equity thereby providing companies with long-term funding on terms which are less dilutive to shareholders than pure equity.

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