



**Price**  
**EGP14.32**  
close of 17 Mar 2021

**Fair Value**  
**EGP15.4**  
set on 22 Dec 2020

**12M PT**  
**EGP17.7** (+24%)  
set on 22 Dec 2020

Investment Rating **Overweight** ★ ★ ★  
Risk Rating **Medium** ! ! !

## Challenging Year, Yet Growth Continues

Overweight and 12M PT maintained

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**Four years of consecutive growth:** EFG Hermes Holding [HRHO] achieved net revenue growth for the fourth year in a row, reaching EGP5.4bn (+12% y/y). Yet, earnings slipped to EGP1.3bn (-5% y/y) which offset revenue growth, nudging ROAE down to a single-digit rate of 9%. The investment banking platform dominated 75% of revenues and 80% of earnings. Meanwhile, the NBFS platform is steadily growing with all its constituents now generating positive earnings. We see HRHO's 2020 results as positive overall due to a resilient revenue growth in a puzzling year in which we had expected both lines to show weaker performance.

**Investment banking platform stands on solid ground:** Although expected to feel the brunt of the COVID-19-driven retreats in capital markets, the IB platform produced revenue growth of 13% y/y. We attribute this growth to HRHO's ability to keep heads above water, mainly resting on (1) its Vortex exit in Q3 2020 with a capital gain of GBP1.6mn reflecting in the platform's income statement, (2) an increase in asset management's AUMs to USD3.3bn (+32% y/y) and a consequential y/y surge of 46% in revenues, and (3) the solid performance of Treasury on the back of higher realized gains which increased revenues to EGP1.9bn (37% y/y).

**Progressing gradually:** The NBFS platform has been growing steadily since its inception in 2015. The year 2020 saw ValU turn profitable starting Q1 2020 and booking profits of EGP13mn in 2020 (vs. a loss of EGP40mn a year earlier). Also, EFG's factoring business broke even in H1 2020 and turned profitable in H2 2020 after being merged with EFG Leasing to become EFG Corp. Solutions. EFG Leasing almost doubled its market share to 8.96% in 2020, securing a spot in the top five leasing companies in Egypt. Meanwhile, Tanmeyah's ROAE fell to 32% from 72% in 2019 as bottom line plunged to EGP229mn (-44% y/y) on account of booking provisions of EGP160mn, although net revenues grew at 3% y/y to EGP1.07bn.

**Overweight and 12M PT maintained:** HRHO currently trades at a P/E of 8.5x and a P/BV of 0.8x. In view of 2020 results, we maintain our 12M PT at EGP17.7/share (+24%).

### KEY STOCK STATISTICS

Shares outstanding (mn)	769
Free float	65.5%
Market Cap (EGPmn)	11,074
Market Cap (USDmn)	704
52w range	EGP16.1-6.54
EGP100 invested 5y ago	EGP293
TTM EPS	EGP1.7
TTM P/E	8.5x
TTM P/B	0.8x
2021e P/E	8.0x
2021e P/B	0.7x
Last fiscal year's DPS	EGP0
Dividend yield	0%
5Y beta	1.12
3Y Proj. EPS CAGR	12%



## Summary Financials

<i>All figures in EGPmn</i>	Net Revenues				
	2019a	2020a	% chg.	Prime est.	% var.
<b>Total</b>	<b>4,812</b>	<b>5,406</b>	<b>12%</b>	<b>4,849</b>	<b>11%</b>
<b>IB Platform</b>	<b>3,570</b>	<b>4,062</b>	<b>14%</b>	<b>3,555</b>	<b>14%</b>
Holding & Treasury	1,410	1,938	37%	1,693	14%
Investment Banking	328	237	-28%	172	37%
Asset Management	283	413	46%	244	69%
Brokerage	1,208	1,007	-17%	935	8%
Private Equity	341	468	37%	511	-8%
<b>NBFS Platform</b>	<b>1,240</b>	<b>1,397</b>	<b>13%</b>	<b>1,293</b>	<b>8%</b>
Leasing	157	184	17%	176	5%
Microfinance	1,048	1,077	3%	1,006	7%
Consumer Finance	25	111	344%	85	31%
Factoring	9	25	179%	27	-5%
<b>Adjustments</b>	<b>2</b>	<b>(54)</b>			

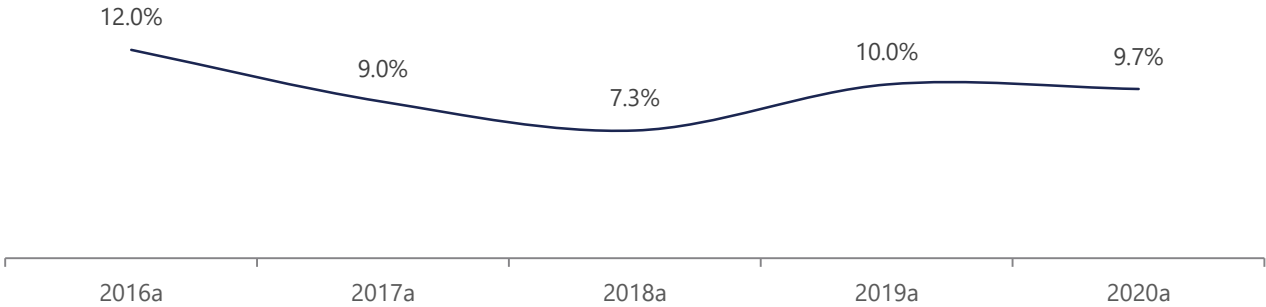
<i>All figures in EGPmn</i>	Net Profit				
	2019a	2020a	% chg.	Prime est.	% var.
<b>Total</b>	<b>1,378</b>	<b>1,306</b>	<b>-5%</b>	<b>1,194</b>	<b>9%</b>
<b>IB Platform</b>	<b>959</b>	<b>1,041</b>	<b>9%</b>	<b>922</b>	<b>13%</b>
Holding & Treasury	483	744	54%	377	97%
Investment Banking	141	59	-58%	72	-19%
Asset Management	49	78	58%	32	145%
Brokerage	75	(64)	na	34	na
Private Equity	211	224	6%	407	-45%
<b>NBFS Platform</b>	<b>438</b>	<b>300</b>	<b>-32%</b>	<b>289</b>	<b>4%</b>
Leasing	84	55	-34%	68	-19%
Microfinance	407	229	-44%	201	14%
Consumer Finance	(40)	13	-131%	16	-20%
Factoring	(12)	3	-129%	4	0%
<b>Minorities</b>	<b>(19)</b>	<b>(35)</b>		<b>(17)</b>	

<i>Figures as stated separately</i>	KPIs				
	2019a	2020a	% chg.	Prime est.	% var.
<b>Group</b>					
EPS (EGP/share)	1.8	1.7	-6%	1.6	6%
ROAE (%)	10%	9%	-10%	9%	0%
NPM (%)	21%	20%	-5%	20%	0%
<b>IB Platform</b>					
Investment Banking Transactions Value (USDbn)	3.4	1.7	-50%	1.6	5%
Asset Management AUMs (USDbn)	2.5	3.3	32%	2.8	18%
Brokerage Group Executions (USDbn)	33.7	49.9	48%	33.9	47%
<b>NBFS Platform</b>					
Leasing O/S Portfolio (EGPmn)	3,437	4,739	38%	4,621	3%
Microfinance O/S Portfolio (EGPmn)	3,199	3,009	-6%	3,162	-5%
Consumer Finance O/S Portfolio (EGPmn)	362	832	130%	724	15%
Factoring O/S Portfolio (EGPmn)	369	819	122%	1,114	-26%

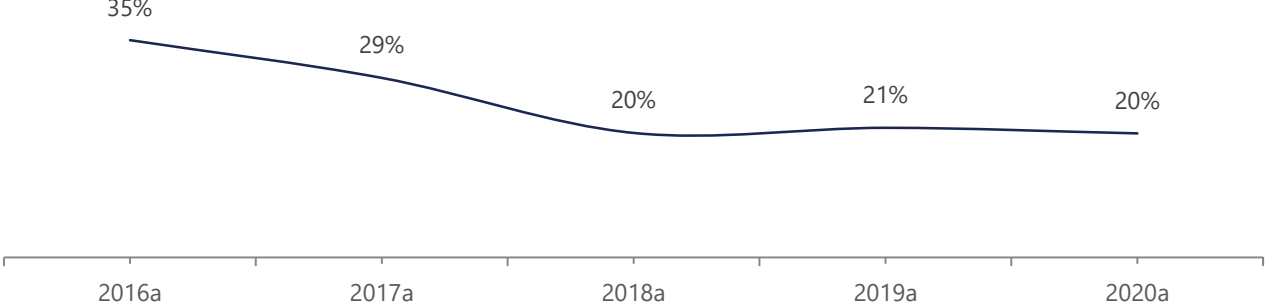


Results in Charts

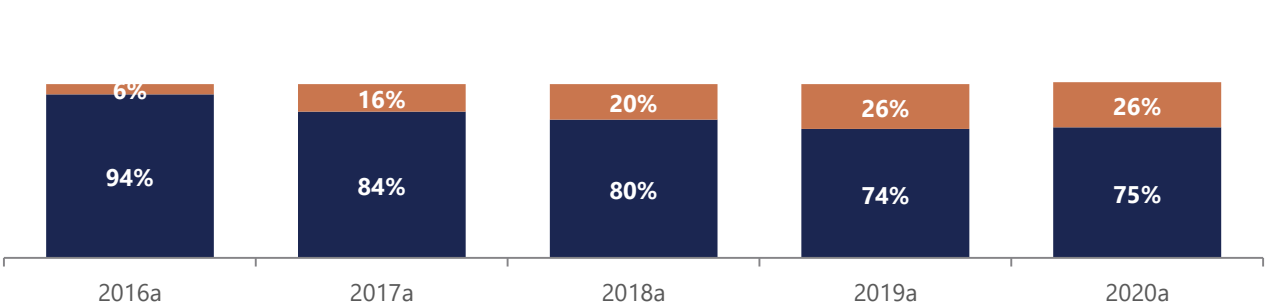
HRHO Group's ROAE



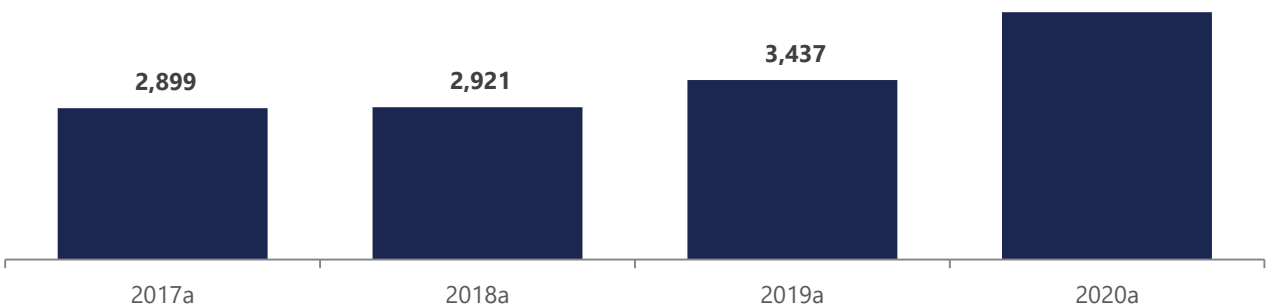
HRHO Group's NPM



Net Revenue Contribution % by Platform (EGPmn)



Leasing O/S Portfolio (EGPmn)



Source: Company reports, Prime Research.

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