

**Price**  
**EGP14.4**  
at close of 19 May 2021

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

**12M PT**  
**EGP17.7** (+23%)  
set on 22 Dec 2020

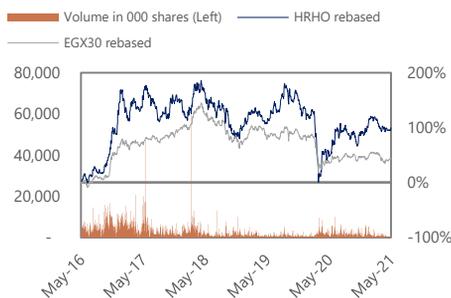
Investment Rating **Overweight** ★ ★ ★  
Risk Rating **Medium** ! ! !

## Recovery Signs; Back on Track

Overweight and 12M PT maintained

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**Group's recovery backed by healthy financials:** EFG Hermes Holding [HRHO] reported a net profit growth of 223% y/y to EGP292mn in Q1 2021. Results clearly show signs of recovery from a weaker comparable period affected by the COVID-19 outbreak and burdened by precautionary provisions. The group's net revenues grew to EGP1.2bn (+30% y/y), with the investment banking (IB) platform back on track. Meanwhile, growth at the non-banking financial services (NBFS) platform progressed, contributing 48% to the group's bottom line. Recovery and solid financials nudged ROAE higher into double digits at 11%.

**IB platform on track, once again:** Although all IB platform constituents felt the brunt of COVID-19 in 2020, we could see the platform in Q1 2021 starting to recover backed by stronger capital markets performance, posting double-digit revenue growth to EGP819mn (+36% y/y). This was driven by: **(1) holding and treasury** segment's unrealized gains, boasting revenue growth of 45% y/y to EGP389mn, **(2) asset management's** AUMs growth of c.47% y/y to EGP57.5bn, leading revenue growth of 62% y/y to EGP99mn, thanks to higher management and incentive fees, and **(3) investment banking** revenues surging 152% as a result of stronger advisory fees after concluding eight transaction worth of USD516mn.

**Growth continues at NBFS:** The NBFS platform contribution to the group's net profits hit 48%, the highest in a single quarter. NBFS growth continued with all segments showing profitability; NBFS platform's bottom line reached EGP148mn vs. EGP8mn a year ago. The low comparable base was due to the precautionary provisions booked last year, which was not the case this year. Meanwhile, **EFG Corp. Solutions** continued to grow, with its **leasing** portfolio jumping 39% y/y to EGP5.2bn. While its **factoring** portfolio grew to EGP816mn (+151% y/y), HRHO's factoring business ranked third in the FRA Quarterly Report with a market share of 15.7%. Moreover, **Tanmeyah** (HRHO's microfinance arm) showed a y/y revenue growth of 9% and a bottom line of EGP103mn (vs. EGP3mn a year before) due to the high provisions booked in Q1 2020. Tanmeyah kicked off the digital payments services to its customers with around 5,000 transactions taking place in Q1 2021. Lastly, **ValU's** revenues (+189% y/y to EGP66mn) and earnings (+729% y/y to EGP22mn) surged. Also, the number of merchants spiked 49% to 973, while its outstanding portfolio surged to EGP951mn (+115% y/y)—are all signs of a growing business and a promising segment.

**Overweight and 12M PT maintained:** HRHO currently trades at a TTM P/E of 7.4x and a P/BV of 0.8x. In view of Q1 2021 results, we maintain our 12M PT at EGP17.7/share (+23%).

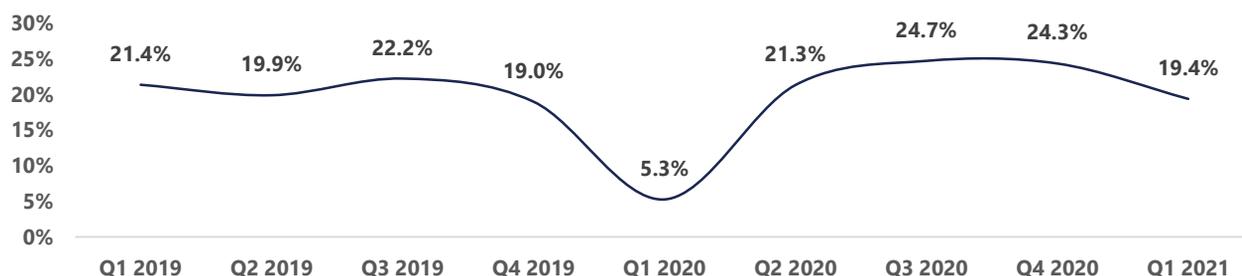
### KEY STOCK STATISTICS

Shares outstanding (mn)	769
Free float	65.5%
Market Cap (EGPmn)	11,088
Market Cap (USDmn)	706
52w range	EGP16.1-10.59
EGP100 invested 5y ago	EGP200
TTM EPS	EGP1.96
TTM P/E	7.4x
TTM P/B	0.8x
2021e P/E	8.3x
2021e P/B	0.8x
Last fiscal year's DPS	EGP0
Dividend yield	0%
5Y beta	1.06
3Y Proj. EPS CAGR	13%

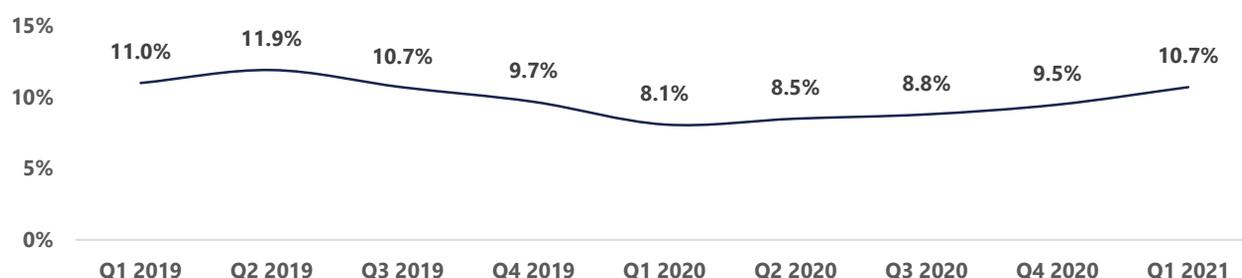


## Results in Charts

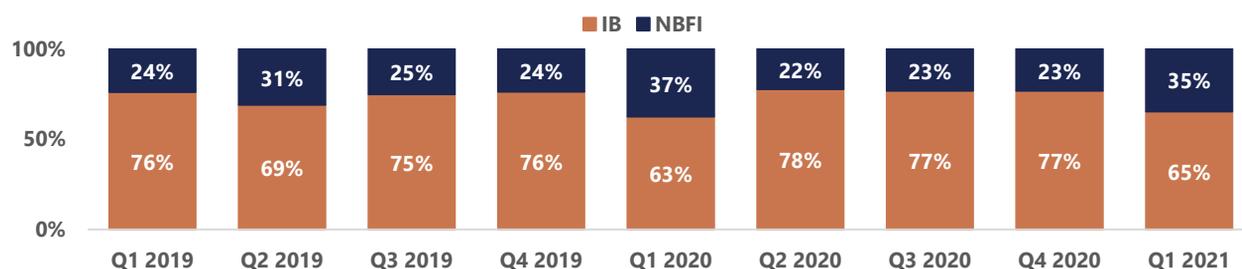
### Group NPM



### Group ROAE



### Net Revenues Contribution % by Platform



## Operational KPIs

Figures as stated separately	Q1 2020a	Q1 2021a	% chg.
<b>IB Platform</b>			
Investment Banking Number of Transactions	3	8	167%
Asset Management AUMs (Split by region)			
Egypt (EGPbn)	15.5	19.8	28%
Regional (USDbn)	1.4	2.4	71%
Brokerage Group Executions (USDbn)	9.2	11.6	25%
<b>NBFS Platform</b>			
Leasing O/S Portfolio (EGPmn)	3,741	5,210	39%
Microfinance O/S Portfolio (EGPmn)	3,259	3,195	-2%
Consumer Finance O/S Portfolio (EGPmn)	443	951	115%
Factoring O/S Portfolio (EGPmn)	325	816	151%

Source: Company reports, Prime Research.

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