

Price
EGP11.4
at adjusted close of 25 July 2021

Fair Value
EGP12.8
set on 22 Dec 2020

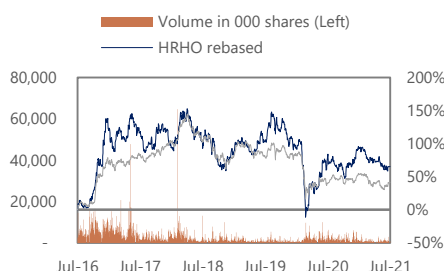
12M PT
EGP14.8 (+30%)
set on 22 Dec 2020

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

FV and 12MPT Adjustment to Bonus Share Action

Sherif El Etr

Equity Analyst
T +202 3300 5720
seletr@egy.primegroup.org



Bonus share action effective today: The FRA approved earlier this month the decision passed by EFG Hermes Holding's [HRHO] EGM regarding Employee Share of Profits Program (ESOP). The ESOP will be accomplished through a 20% distribution in stock dividends, which will see HRHO's paid-up capital increasing from EGP3.8bn to EGP4.6bn, using HRHO's retained earnings. The increase is amounted to EGP768.6mn, distributed over 153.7mn shares, at a par value of EGP5.0/share. Accordingly, HRHO's total number of outstanding shares will reach to 922.3mn. In light of the approved corporate action, we adjust our FV from EGP15.4/share to EGP12.8/share, while adjusting our 12-month price target (12M PT) from EGP17.7/share to EGP14.8/share.

What we see in the future: HRHO has seen some signs of recovery in 2021, as capital markets started to rebound post COVID-19 hit during 2020. We rely our positive call on the name given its solid growth progress depicted by 1) expanding NBFS platform with all NBFS activities being profitable and growing, where NBFS contributed 48% of the group's bottom line in Q1 2021, 2) HRHO has recently announced the acquisition on 51% of **aiBank** shares, which we see as a main catalyst for the stock, and a green light for HRHO to enter the commercial banking domain, and 3) Capital markets recovery, with investment banking platform getting back on track after COVID-19 implications. We note that, HRHO Q1 2021 showed a net profit of EGP292mn, which represent 22% of our 2021 bottom line projection of EGP1.3bn. HRHO is currently traded at a forward P/E of 7.9x, and forward P/B of 0.7x whereas 2021e ROAE is at 9%.

KEY STOCK STATISTICS

Shares outstanding (mn)	922
Free float	65.5%
Market Cap (EGPmn)	10,484
Market Cap (USDmn)	668
52w range	EGP13.42-9.92
EGP100 invested 5y ago	EGP165
TTM EPS	EGP1.63
TTM P/E	6.9x
TTM P/B	0.7x
2021e P/E	7.9x
2021e P/B	0.7x
Last fiscal year's DPS	EGP0.0
Dividend yield	0%
5Y beta	1.2
3Y Proj. EPS CAGR	13%

Prime Securities

Shawkat El Maraghy

Managing Director

T +202 3300 5622

SElmaraghy@egy.primegroup.org

Sales

Mohamed Ezzat

Head of Sales & Branches

T +202 3300 5784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

T +202 3300 5612

MAshmawy@egy.primegroup.org

Amr Alaa CFTe

Team Head –Institutional Desk

T +202 3300 5609

AAAlaa@egy.primegroup.org

Mohamed El Metwaly

Manager

T +202 3300 5610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

T +202 3300 5624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

T +202 3300 8130

SRaslan@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

T +202 3300 5173

NAbuelatta@egy.primegroup.org

Research

Amr Hussein Elalfy CFA

Head of Research

T +202 3300 5724

AElalfy@egy.primegroup.org

Head Office

Prime Securities S.A.E.

Regulated by FRA License No. 179.
Member of the Egyptian Exchange.

2 Wadi Elnil St, Liberty Tower, 7th Fl.
Mohandessin, Giza, Egypt

T +202 3300 5700 / 770 / 650 / 649

F +202 3760 7543

Branches

Heliopolis

7 Elhegazi Square

Heliopolis, Cairo, Egypt

T +202 2777 0600

F +202 2777 0604

Alexandria

7 Albert Al Awal St.

Smouha, Alexandria, Egypt

T +202 3300 8170

F +202 3305 4622

Website

www.primeholdingco.com

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