

Prime Holding [EGX: PRMH]
Earnings Release
Q2 FY21





Prime Holding Announces Q2 FY21 Results

- Total Fees & Commission Revenues exhibited a 55% YoY increase in H1 FY21, chalking up EGP49.5mn; whereas Q2 FY21 Total Fees & Commissions remained unchanged YoY at EGP21.6mn; decreased 23% QoQ
- Consolidated Revenues showed a 67% YoY growth, recording EGP54.7mn in H1 FY21, while Q2 FY21 consolidated revenues declined 24% YoY and 30% QoQ, reading EGP22.6mn
- Year-to-date Operating Profits recorded a negative EGP17.7mn, 49% wider than the negative figure of the comparable period, whilst Q2 FY21 Operating Profits read a negative EGP14.3mn vs. a positive EGP5.3mn a year ago, and a negative EGP3.5mn in the previous quarter
- H1 FY21 Net Earnings were a negative EGP22.1mn as opposed to a negative EGP13.9mn a year ago, while Q2 FY21 Net Earnings came in at a negative EGP14.4mn, vs. previous quarter losses of EGP7.2mn and compared with a positive EGP3.6mn a year earlier
- The newly launched NBF activities chalked up EGP4.6mn of revenues and EGP18.6mn of bottom-line losses in H1 FY21

Key Financial Highlights

I. Revenue Analysis

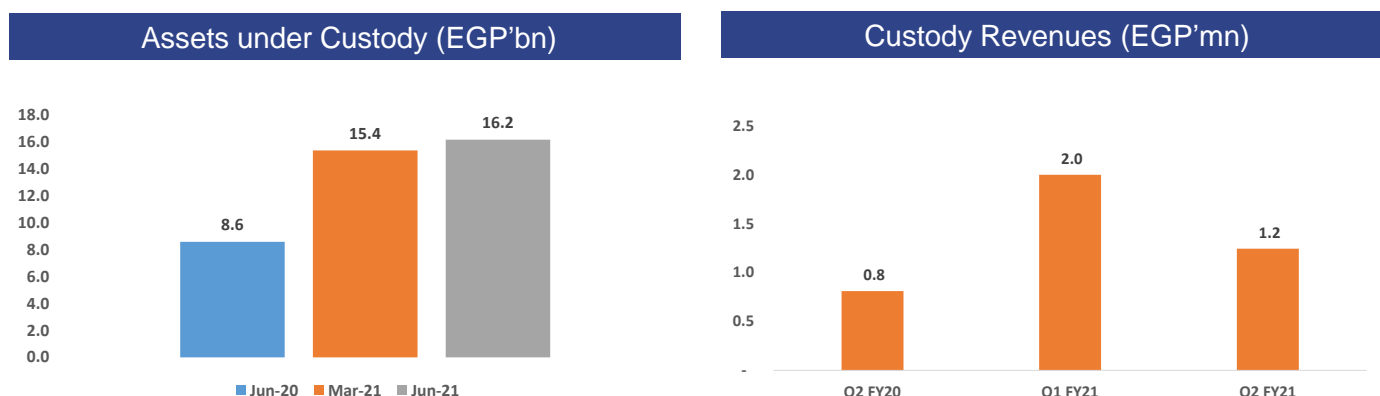
- Prime Holding witnessed a significant improvement in Revenues during the first six months of the year, driven by a double-digit growth across the majority of the investment bank activities in addition to the generation of the foremost revenue stream by the NBF platform. Meanwhile, during the second quarter of the year, revenues slipped YoY on lower Financial Advisory Revenues coupled with declining Capital Markets & Treasury Revenues. Also, On a QoQ basis, revenues exhibited a decline triggered by a general slow down in investment bank activities, whilst revenues delivered by NBF activities displayed a QoQ growth.
- Total Fees & Commission Revenues added a solid 55% YoY, recording EGP49.5mn in H1 FY21 versus EGP32mn in H1 FY20, while Q2 FY21 Total Fees & Commissions remained unchanged at their year-ago level of EGP21.6mn. On a quarterly basis, they slipped 23%.
- The brokerage activity was very dynamic, fueling a 62% hike in Brokerage Revenues, evolving to EGP24.7mn in H1 FY21 up from EGP15.2mn a year earlier, on the heels of higher execution value. Likewise, Q2 FY21 Brokerage Revenues demonstrated a 32% YoY rise, chalking up EGP11.5mn compared with EGP8.7mn in the respective quarter. On a quarterly basis, Brokerage Revenues decreased 13%.
- The asset management exhibited an impressive 87% growth in Revenues, registering EGP11.5mn in H1 FY21 versus EGP6.2mn in H1 FY20, mainly due to higher performance fees. Also, Q2 FY21 Asset Management Revenues rose 12% YoY, advancing to EGP4.9mn compared with EGP4.4mn, whereas throughout the quarter, they exhibited a 26% QoQ decline.
- The financial advisory business generated EGP5.2mn of revenues in H1 FY21, 33% down from EGP7.7mn a year earlier, on smaller executed transaction size. With regards to Q2 FY21 Financial Advisory Revenues, they came in at EGP0.6mn, corresponding to a 93% YoY drop and an 88% QoQ decrease.

Q2 FY21 Consolidated Revenues

EGP22.6mn

Brokerage	EGP11.5mn
Asset Mgt.	EGP4.9mn
Fin. Advisory	EGP0.6mn
Custody	EGP1.2mn
Capital Mkts	EGP1mn
Mgt. Services	EGP119k
NBF	EGP3.3mn

- Custody Revenues added 22%, recording EGP3.2mn in H1 FY21 versus EGP2.6mn a year ago, driven by an 88% YoY upsurge in the size of assets under custody, reading EGP16.2bn. Similarly, Q2 FY21 Custody Revenues showed a 54% YoY enhancement, increasing to EGP1.2mn, while on a QoQ basis, they slipped 37%.

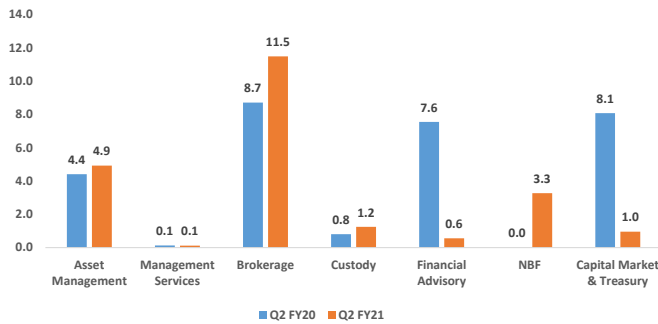


- As far as other Capital Market & Treasury Revenues are concerned, they jumped 575%, registering EGP5.2mn in H1 FY21, versus EGP0.8mn in H1 FY20, as H1 FY21 financial asset Fair Value through Profit or Loss (FVPL) came in at a nil figure compared with a negative EGP5.7mn in H1 FY20. During the quarter, Capital Markets & Treasury Revenues slumped 88% YoY and 77% QoQ, reading EGP1mn, on the heels of a negative FVPL booked in the respective quarter.
- The NBF arm, Prime FinTech, which commenced operation at the end of February 2021, through its first operating company, Endorse, generated EGP4.6mn of revenues in H1 FY21, and EGP3.3mn Q2 FY21 revenues, implying a 141% QoQ spike.
- The abovementioned developments sparked a 67% YoY growth in Consolidated Revenues, chalking up EGP54.7mn in H1 FY21 compared with from EGP32.8mn in the comparable period. On the other hand, Q2 FY21 Consolidated Revenues recorded EGP22.6mn, corresponding to a 24% YoY decrease and a 30% YoY drop.

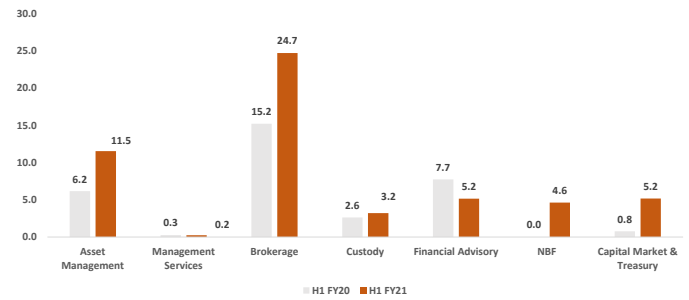
All figures are in EGP'000 unless otherwise stated	Q2 FY21	Q1 FY21	Q2 FY20	QoQ	YoY	H1 FY20	H1 FY21	YoY
Asset Management Revenues	4,927	6,615	4,408	-26%	12%	6,161	11,542	87%
Management Service Revenues	119	120	133	-1%	-11%	267	239	-10%
Brokerage Revenues	11,497	13,236	8,724	-13%	32%	15,237	24,733	62%
Custody Revenues	1,244	1,976	810	-37%	54%	2,633	3,220	22%
Financial Advisory Revenues	555	4,600	7,554	-88%	-93%	7,742	5,155	-33%
Total Investment Bank Fees & Commissions	18,342	26,547	21,629	-31%	-15%	32,040	44,889	40%
NBF Revenues	3,274	1,359	-	141%	NA	-	4,633	NA
Total Fees & Commission Revenues	21,616	27,906	21,629	-23%	0%	32,040	49,522	55%
Capital Market & Treasury Revenues	956	4,228	8,081	-77%	-88%	768	5,184	575%
Consolidated Revenues	22,572	32,134	29,710	-30%	-24%	32,808	54,706	67%



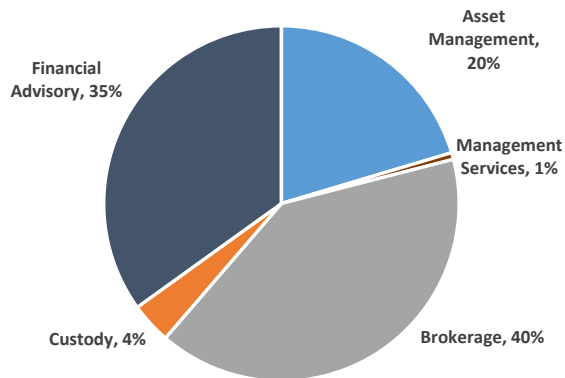
Q2 FY21 Revenues by Activity (EGP'mn)



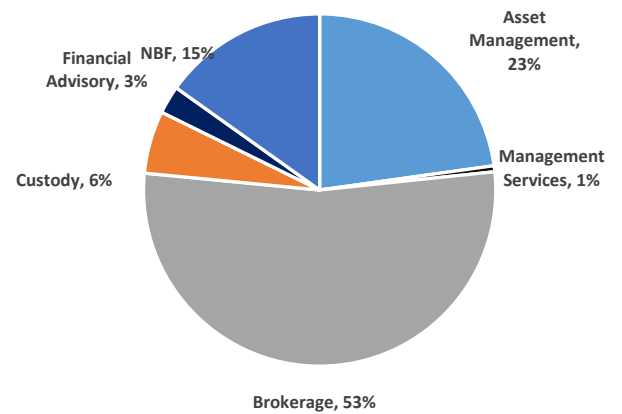
H1 FY21 Revenues by Activity (EGP'mn)



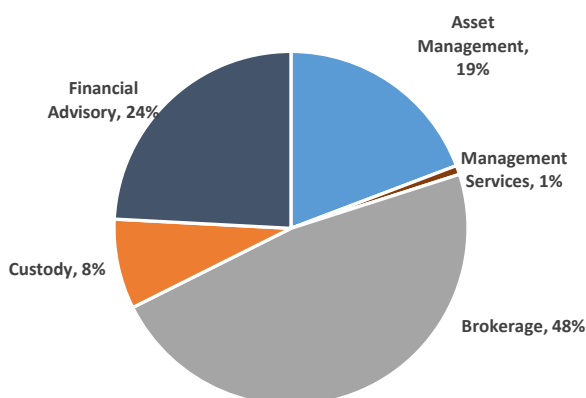
Q2 FY20 Fees & Commission Breakdown



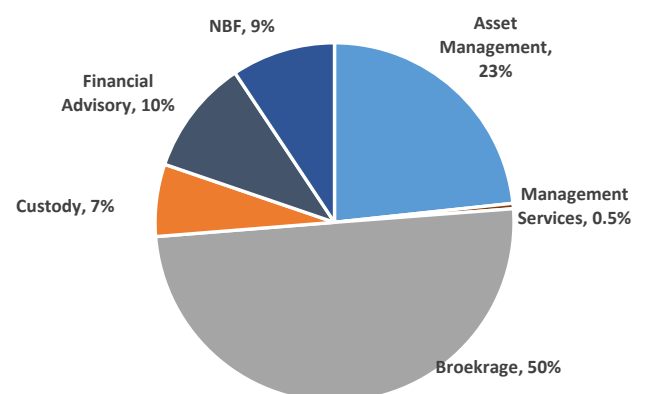
Q2 FY21 Fees & Commission Breakdown



H1 FY20 Fees & Commission Breakdown



H1 FY21 Fees & Commission Breakdown



II. Cost Analysis

- In Q2 FY21, Prime Holding incurred Operating Expenses totaling EGP36.8mn, 34% of which was contributed by the NBF operations. The aggregate figure is slightly above the previous quarter's Operating Expenses. On the other hand, the operating expenses related to Prime FinTech led to significant YoY increase in quarterly expenses and annual growth in H1 FY21 expenses. The aforementioned resulted in wider operating and bottom-line losses. It is noteworthy that Prime FinTech Q1 FY21 Operating Expenses were restated to reflect different accounting treatment for the IT personnel payroll.

Q2 FY21 Operating Expenses

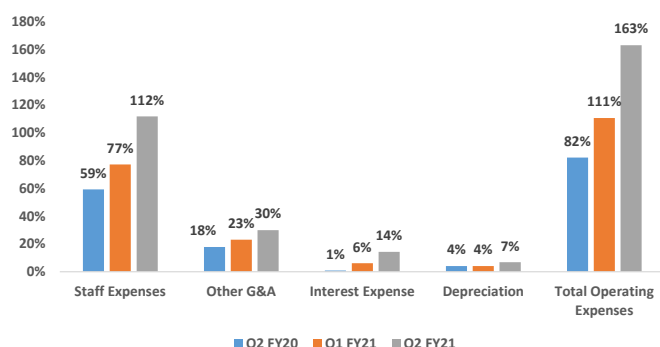
EGP36.8mn

Staff	EGP25.3mn
Other G&A.	EGP6.8mn
Interest Expense	EGP3.3mn
Depreciation	EGP1.6mn

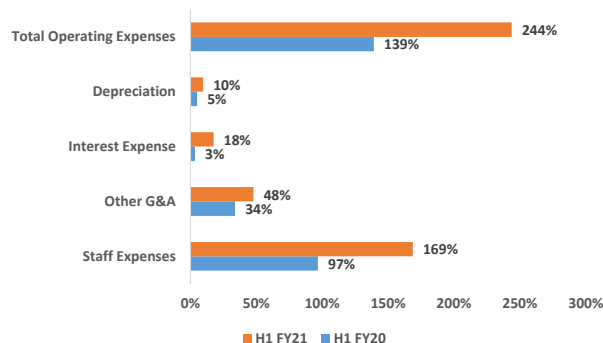
- Standing at EGP72.4mn in H1 FY21, Operating Expenses showed a YoY increase of 62% over the H1 FY20 figure of EGP44.7mn. This was reflected in the Operating Expenses/Revenues ratio ramping up from 139% in H1 FY20 to 244%. It is noteworthy that excluding the NBF Operating Expenses, the annual increase is a subtle 11%.
- With respect to quarterly comparison, Operating Expenses rose 3% QoQ to 36.8mn as compared with the Q1 FY21 figure of EGP35.6mn. Accordingly, the Operating Expenses/Revenue ratio advanced 5200 bps to 163%. Moreover, Operating Expenses grew 51% YoY.
- Staff Expenses added 61% YoY, reading EGP50.1mn in H1 FY21 versus EGP31.1mn in the comparable period, corresponding to a rise in the Staff Expenses/Revenues, reading 169% up from 97%. As for quarterly Staff Expenses they came in at EGP25.3mn, implying a 43% YoY growth and 2% QoQ hike. The aforementioned was mirrored in an increase in the Staff Expenses/Revenues ratio to 112% as opposed to 59% and 77% in Q2 FY20 and Q1 FY21, respectively.
- As far as Other G&A are concerned, they exhibited a 30% YoY increase, registering EGP14.2mn in H1 FY21 up from EGP10.9mn a year ago, triggering an increase in the Other G&A/Revenues ratio, reading 48% as opposed to 34% a year earlier. Throughout the second quarter, Other G&A recorded EGP6.8mn, representing a 28% rise over the Q2 FY20 Other G&A figure of EGP5.3mn, and a 9% slump from the Q1 FY21 figure of EGP7.4mn. As such, Other G&A/Revenues rose to 30% up from 18% a year ago and 23% in the previous quarter.

All figures are in EGP'000 unless otherwise stated	Q2 FY21	Q1 FY21	Q2 FY20	QoQ	YoY	H1 FY20	H1 FY21	YoY
Staff Expenses	(25,258)	(24,856)	(17,610)	2%	43%	(31,086)	(50,114)	61%
Other SG&A	(6,773)	(7,427)	(5,296)	-9%	28%	(10,893)	(14,200)	30%
Interest Expense	(3,250)	(1,986)	(294)	64%	1005%	(1,102)	(5,236)	375%
Depreciation	(1,555)	(1,325)	(1,227)	17%	27%	(1,639)	(2,880)	76%
Operating Expenses	(36,836)	(35,594)	(24,427)	3%	51%	(44,720)	(72,430)	62%

Operating Expenses/Revenues (Qs)



Operating Expenses/Revenues (H1)



III. A Glimpse at the Balance Sheet

- In light of the kickstart of operation by Endorse, Net Loans Receivables chalked up a total EGP83.9mn, of which EGP0.8mn is contributed by the consumer finance business, and the balance is made up by leasing.
- Shareholders' Equity stood at EGP356mn (EGP1.02/Share) at the end of the quarter, signaling that the stock is traded at a 4% discount to its book value.
- Cash & Cash Equivalents stood at EGP61.2mn at the end of the respective period.

Activities In Focus

I. Brokerage (Prime Securities)

- Robust performance:** In Q2 FY21, Prime Securities maintained its healthy growth, as it chalked up a record-high executed turnover, amounting EGP5,913mn. The aforementioned turnover represents a stellar growth of 105% over the Q2 FY20 executed turnover of EGP2,889mn and a vigorous 68% expansion from the first quarter's figure of EGP3,518mn.

As total market turnover grew substantially, Prime Securities market share slightly shrank to 2.9% versus 3.2% in the previous quarter; yet, on a YoY basis it gained 20 bps. It is important to highlight that Prime Securities' H1 FY21 market share stood at 3%.

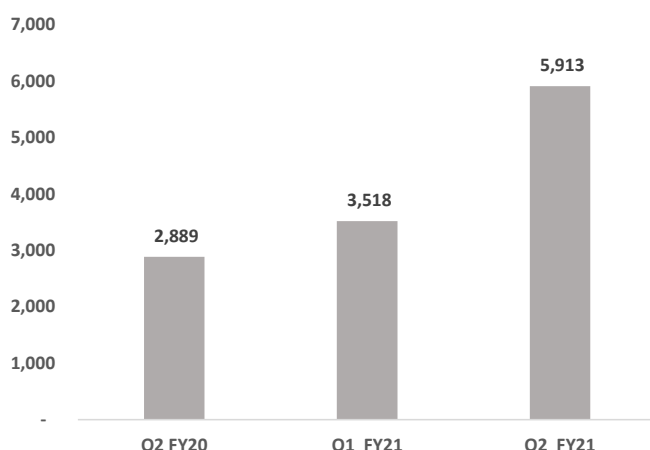
Q2 FY21 KPIs

EGP6bn
Executed
Value

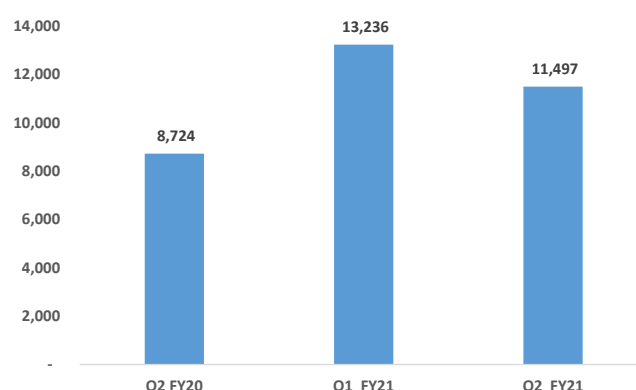
2.9%
Market
Share

17
EGX
Ranking

Executed Turnover (EGP'mn)



Brokerage Revenues (EGP'000)



- Major block trades:** : In Q2 FY21, Prime Securities executed four block trades, involving the sale of significant stakes in the firms hereunder:

- Landmark Real Estate Development
- Bavarian Auto Trading
- Egyptian Company for Importation & Exportation
- Egyptian Group for Medical Industries

- Continued to expand fundamental research coverage:** By end of Q2 FY21, Prime Research coverage included 41 stocks, including both core and basic coverage. During the quarter, Prime Research added three companies to its Core Coverage universe, namely Orascom Construction [[ORAS](#)], Crédit Agricole Egypt [[CIEB](#)], and B Investments Holding [[BINV](#)]. Furthermore, Prime Research launched a new research series called [TAKEStock](#) that includes analyst reflections on certain events in the market. By end of June 2021, Prime Research Core Coverage universe spanned nine companies with a total market cap exceeding EGP140 billion or around 20% of Egypt's total market cap. Meanwhile, Prime Research published in Q2 FY21 a total of 27 notes covering equity, technical, and economy.



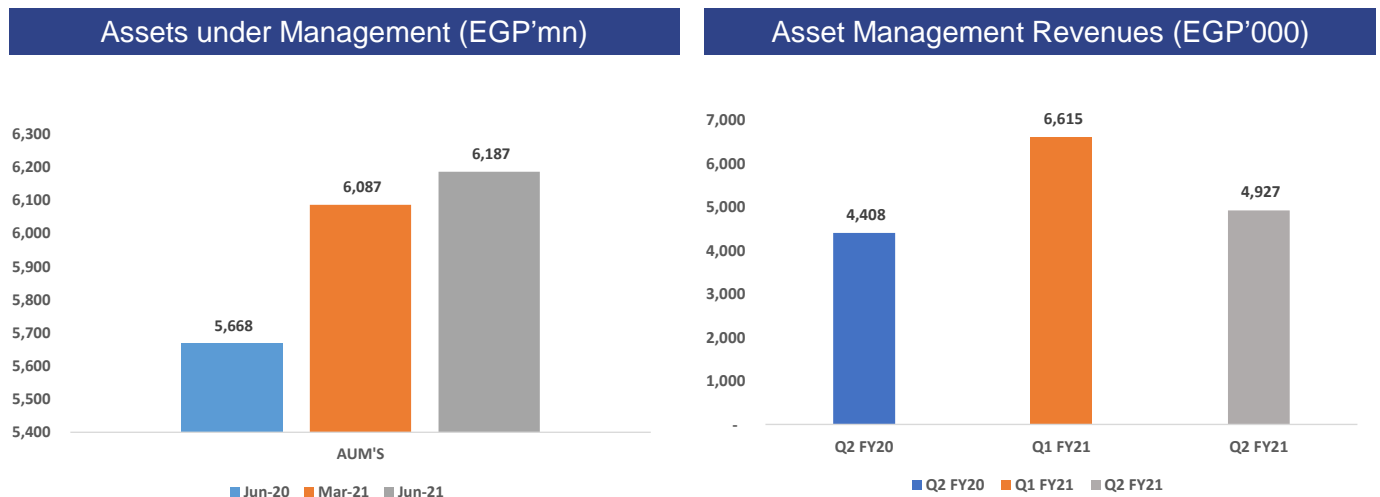
- **Kept abreast of a dynamic market through technical analysis coverage:** In Q2 FY21, Prime Research published a technical analysis note under the TECHView series, titled [“What Goes Up Must Come Down”](#), highlighting five stocks that have achieved unprecedented price spikes over a short period of time, thus increasing the chances of a violent correction waves. Indeed, four of those five stocks fell by an average of c.37% with an average holding period of around 1.5 months, marking an 80% success rate. Meanwhile, a new section titled “Near-Term Recommendation” was added to TECHTalk, Prime Research’s daily technical analysis newsletter, providing clients with more trading ideas over 1-5 trading sessions.



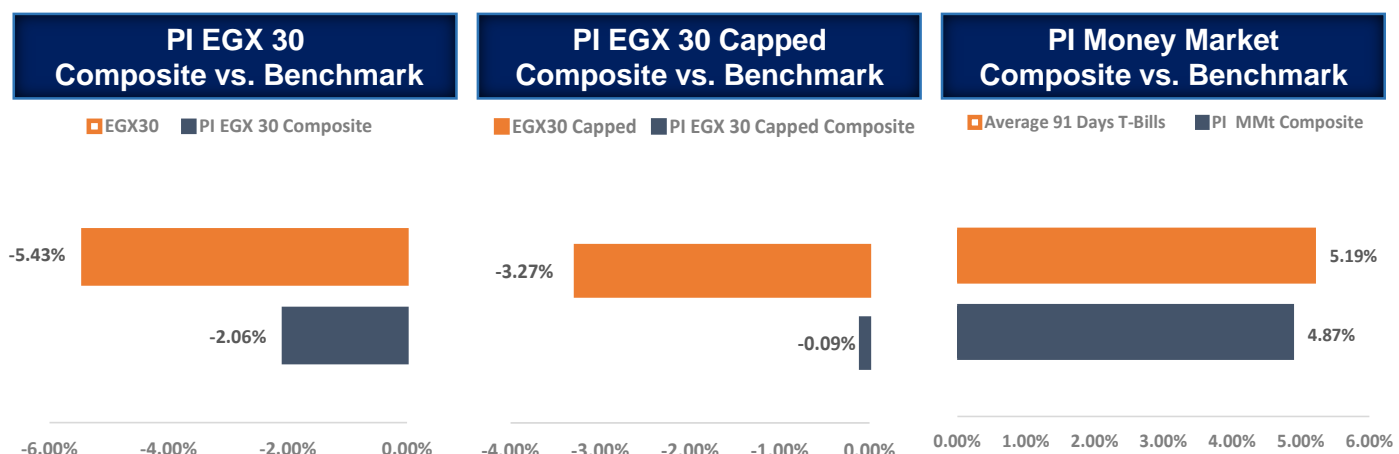
II. Asset Management (Prime Investments)

- **Sizeable AUM's:** AUM's grew 9% YoY, reaching EGP6,187mn as of June 30, 2021 compared to EGP5,668mn a year earlier.

Over the second quarter of FY21, Prime Investments' AUM's increased 2% above the first quarter figure of EGP6,087mn.



- **Superior performance in equity markets:** Equity Funds managed by Prime Investments managed to outperform the underlying benchmarks, while money market funds' performance was almost the same as the benchmark



III. Financial Advisory (Prime Capital)

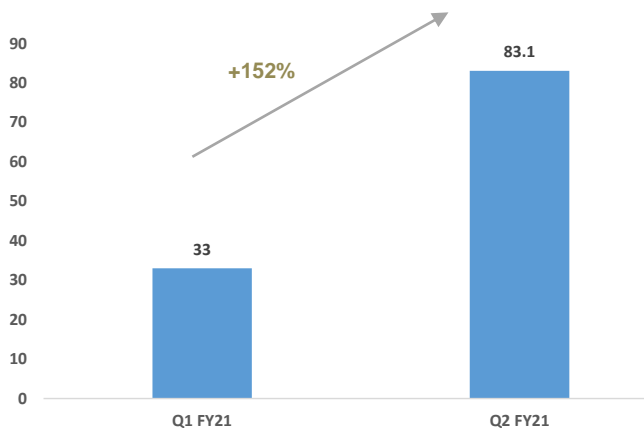
- **The COVID effect delaying closures; affecting revenues:** The second quarter was quiet challenging with a general slow down in activity, as the COVID backdrop took its toll on the financial advisory business, triggering significant slides in Financial Advisory Revenues on both YoY and QoQ bases. It is also expected to cause a delay in the closure of the transactions hereunder:
 - I. Egypt's first IPO of a football club, Ghazl El Mehalla; previously expected to close in Q3 FY21, is now expected to close in Q4 FY21.
 - II. The acquisition of Abu Dhabi Commercial Bank (ADCB)'s 51.5% stake in the Alexandria-based hospital, Alexandria Medical Services (AMES), in which Prime Capital is advising a consortium consisting of Tawasol Holdings, LimeVest, and Speed Medical, previously expected to be completed in Q2 FY21, is stalled, awaiting some regulatory approvals.

Nevertheless, it is noteworthy that Prime Capital is still expected to close the year with record revenues in light of the strong pipeline.
- **An important transaction sealed:** In Q2 FY21, Prime Capital concluded an important transaction, advising on the buy-side of the USD800mn acquisition of Amoun Pharmaceuticals by the Abu Dhabi- based ADQ and Egypt Sovereign fund.
- **Other Buy-side advisory:** Other equity transactions executed in Q2, in which Prime Capital advised the buy side involve the companies hereunder:
 - i. Landmark Real Estate Development
 - ii. Bavarian Auto Trading
 - iii. Egyptian Company for Importation & Exportation
 - iv. Egyptian Group for Medical Industries
- **Expanding client base:** As Prime Capital continues to increase its backlog, it was awarded first-time advisory contracts by two new multinational clients and is continuing to enlarge its client base.

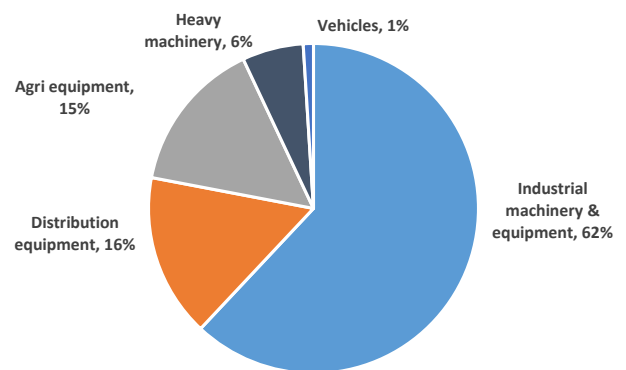
IV. Non-Banking Financial Services (Prime FinTech)

- Growing leasing portfolio; targeting diverse sectors:** In Q2 FY21, Prime FinTech's subsidiary, Endorse, managed to expand its net leasing portfolio by 152% QoQ, registering EGP83.1mn, as opposed to EGP33mn as of March 31, 2021. Industrial machinery & equipment makes up the bulk of the portfolio with a 62% contribution, followed by distribution equipment (16%) and agri equipment (15%).

Net Leasing Portfolio (EGP'mn)



Leasing Portfolio by Sector



- Distribution leasing program introduced:** Q2 FY21 witnessed the launch of a new leasing program targeting transportation companies that aim at buying a distribution fleet or upgrading an existing one.
- Kickstart of the consumer finance business:** In Q2 FY21, Endorse introduced its consumer finance business, supported by an end-to-end digital cycle, as well as a unique digital customer onboarding journey, catering to customers in the Egyptian market. Partnerships were established with the organizations hereunder:
 - Ramsis International School
 - ADVA (previously known as Salamtak)
 - Fawry Insurance

The consumer finance portfolio amounted to EGP0.8mn as of June 30, 2021.

- Supply chain finance (Factoring) business ready to launch:** In Q2 FY21, Endorse completed and tested the digital platform that will be used for digital supply chain finance, setting the stage for factoring operations to commence in Q3 FY21.

Consolidated Income Statement

All figures are in EGP'000 unless otherwise stated	Q2 FY21	Q1 FY21	Q2 FY20	H1 FY20	H1 FY21
Asset Management Revenues	4,927	6,615	4,408	6,161	11,542
Management Service Revenues	119	120	133	267	239
Brokerage Revenues	11,497	13,236	8,724	15,237	24,733
Custody Revenues	1,244	1,976	810	2,633	3,220
Financial Advisory Revenues	555	4,600	7,554	7,742	5,155
Total Investment Bank Fees & Commissions	18,342	26,547	21,629	32,040	44,889
NBF Revenues	3,274	1,359	-	-	4,633
Total Fees & Commission Revenues	21,616	27,906	21,629	32,040	49,522
Capital Market & Treasury Revenues	956	4,228	8,081	768	5,184
Consolidated Revenues	22,572	32,134	29,710	32,808	54,706
Staff Expenses	(25,258)	(24,856)	(17,610)	(31,086)	(50,114)
Other SG&A	(6,773)	(7,427)	(5,296)	(10,893)	(14,200)
Interest Expense	(3,250)	(1,986)	(294)	(1,102)	(5,236)
Depreciation	(1,555)	(1,325)	(1,227)	(1,639)	(2,880)
Operating Expenses	(36,836)	(35,594)	(24,427)	(44,720)	(72,430)
Operating Profits	(14,264)	(3,460)	5,283	(11,912)	(17,724)
Provisions	(527)	(2,834)	-	-	(3,361)
Other Income (Expenses)	310	1,174	260	279	1,484
Net Profits before Tax	(14,481)	(5,120)	5,543	(11,633)	(19,601)
Taxes	(394)	(1,987)	(1,921)	(2,155)	(2,381)
Net Profits after Tax	(14,875)	(7,107)	3,622	(13,788)	(21,982)
Minority Interest	(44)	(61)	(63)	(114)	(105)
Net Profits after Unusual Items & Minority Interest	(14,919)	(7,168)	3,559	(13,902)	(22,087)

Consolidated Balance Sheet

All figures are in EGP 000	30-Jun-20	31-Mar-21	30-Jun-21
Cash & Cash Equivalents	151,947	117,607	61,216
Receivables	100,452	119,076	139,115
Loans Receivables	-	9,710	14,205
Sundry Current Assets	13,283	25,357	30,336
Total Current Assets	265,682	271,750	244,872
Loans Receivables		22,859	69,726
Net Fixed Assets	33,024	49,255	50,964
Goodwill	208,156	220,156	220,156
Contribution to Settlement Guarantee Fund	2,223	3,076	2,849
Investments	13,415	1,992	903
Total Non-Current Assets	256,818	297,338	344,598
Total Assets	522,500	569,088	589,470
Short-Term Loans	58,687	81,769	110,306
Customers Credit Accounts	55,009	69,744	40,013
Long-Term Loans	-	23,463	60,141
Sundry Liabilities	10,765	16,447	13,277
Total Liabilities	124,461	191,423	223,737
Provisions	5,597	7,831	7,895
Minority Interest	1,745	1,942	1,803
Total Shareholders' Equity	390,697	367,892	356,034
Total Liabilities & Shareholders' Equity	522,500	569,088	589,469



Share Information

Number of shares	350mn
Issued & paid-in capital	EGP350mn
Yearend	December
Reuters	PRMH.CA
Bloomberg	PRMH EY

Trading Information

Closing Price (August 9, 2021)	EGP0.98
52-week high	EGP1.29
52-week low	EGP0.63
Average daily volume	3.8mn shares
Average daily turnover	EGP3.6mn

Investor Relations Contacts

Gihane Halawa, CFA

Direct : +2 02 3300 5772

Mobile : +2 0100 125 8181

ghalawa@egy.primegroup.org

Mohamed Sayed Mostafa

Direct : +2 02 3300 5663

Mobile : +2 0122 922 4441

msayed@egy.primegroup.org

Investor Relations Department

ir@primegroup.org

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