

Price
EGP12.91
at close of 16 Nov 2021

Fair Value
EGP12.8
set on 22 Dec 2020

12M PT
EGP14.8 (+15%)
set on 22 Dec 2020

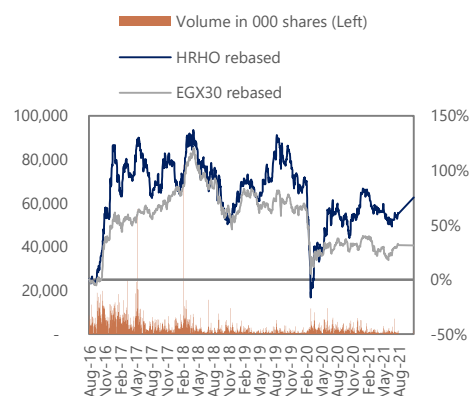
Investment Rating **Overweight** ★ ★ ★
Risk Rating **Medium** ! ! !

Earnings Growth Skyrocketing ex-One-Offs

Overweight and 12M PT maintained

Sherif El Etr

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



Concrete performance, ex-one-offs: EFG Hermes Holding [HRHO] reported a net profit of EGP356mn (-16% y/y, -12% q/q) in Q3 2021. This was mainly due to a high comparable base in the year-ago quarter which included the Vortex Energy exit, without which HRHO's normalized earnings and net revenues would have grown 387% and 9%, respectively. Otherwise, net revenues reached EGP1.2bn (-18% y/y, -26% q/q) in Q3 2021, with the investment banking (IB) platform contributing 57%. TTM ROAE continues to remain in the low double-digit zone at 11%. We expect further ROAE improvement in the long term once **aiBank's** acquisition is finalized and financials are consolidated.

IB platform growth muted by lower treasury operations

revenues: Already past COVID-19 consequences, the IB platform (ex-private equity and treasury operations) saw very positive indicators during the quarter versus the year-ago quarter.

- **Brokerage** saw revenues growing 23% y/y to EGP299mn in Q3 2021 on the back of higher executions value of c.USD13.1bn (+63% y/y), a clear sign of recovery in the business.
- **Investment banking** concluded nine transactions, marking the division's highest number of concluded transactions in a single quarter, with a total value of USD2.6bn (13x vs. a year ago). This drove revenues higher to EGP107mn (+184% y/y).
- **Asset management's** AUMs grew to c.EGP61bn (+37% y/y), while revenues surged to EGP86mn (+32% y/y) in Q3 2021. Revenue growth was due to higher management and incentive fees.

NBFS growth accelerates: Non-banking financial services (NBFS) platform showed a stellar growth with its financing portfolio surging to EGP10.9bn (+30% y/y).

- **Leasing** activities contributed the most (38%) to the platform's portfolio growth, ending Q3 2021 with a leasing portfolio of EGP5.2bn (+22% y/y). HRHO's leasing had a market share of 9.4% of new contracts in 8M 2021 ended August.
- **Microfinance** (Tanmeyah) contributed 16% of the platform's financing portfolio growth to reach EGP3.5bn—the highest since inception. Tanmeyah reported a bottom line of EGP126mn in Q3 2021 (+76% y/y) as revenues jumped to EGP422mn (+23% y/y).
- **Consumer finance** (ValU) recorded its highest value of loans issued in a single month during August, reaching EGP200mn. ValU's outstanding portfolio reached EGP1.4bn (+106% y/y). ValU's earnings grew to EGP79mn in 9M 2021 (+526% y/y), underlining the segment's growth potential.
- **Factoring** activities bottom line turned positive in Q3 2021, reporting EGP5mn vs. a loss of EGP2mn in H1 2021. Factoring portfolio reached EGP814mn.

KEY STOCK STATISTICS

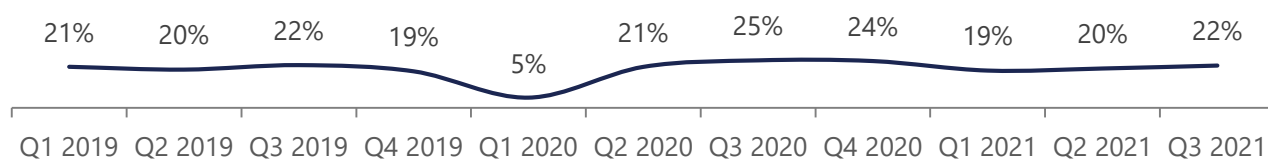
Shares outstanding (mn)	922
Free float	65.5%
Market Cap (EGPmn)	11,907
Market Cap (USDmn)	758
52w range	EGP13.4-10.63
EGP100 invested 5y ago	EGP175
TTM EPS	EGP1.65
TTM P/E	7.8x
TTM P/B	0.8x
2021e P/E	8.9x
2021e P/B	0.8x
Last fiscal year's DPS	EGP0
Dividend yield	0%
5Y beta	1.2
3Y Proj. EPS CAGR	14%



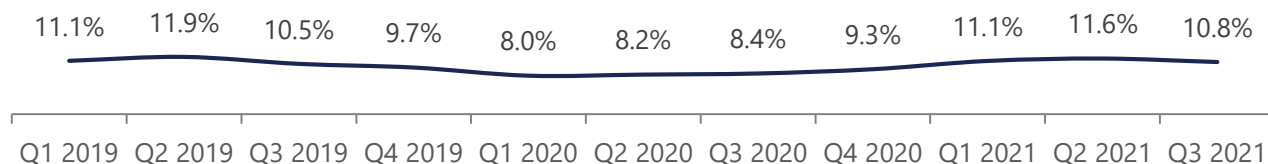
Overweight and 12M PT maintained: Q3 2021 results (ex-one-offs) clearly show HRHO standing on concrete grounds with financials growing backed by solid operations. HRHO is currently trading at a TTM P/E of 7.8x and a P/BV of 0.8x. In view of Q3 2021 results, which came more or less in line with our 2021 estimates (79% of our 2021e bottom-line estimate), we maintain our 12M PT at EGP14.8/share (+15%).

Results in Charts

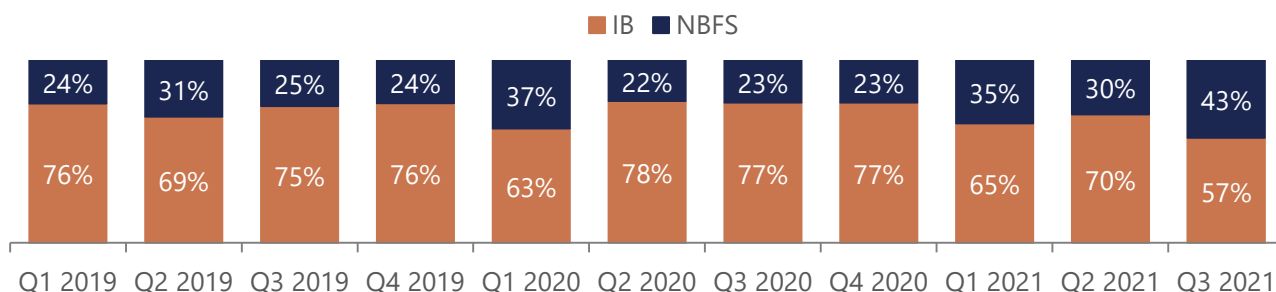
Group NPM



Group ROAE



Net Revenues Contribution by Platform



Operational KPIs

Figures as stated separately	Q3 2020a	Q3 2021a	% chg.
IB Platform			
Investment Banking Number of Transactions	6	9	50%
Asset Management AUMs (Split by Region)			
Egypt (EGPbn)	17.4	21.7	25%
Regional (USDbn)	1.7	2.5	47%
Brokerage Group Executions (USDbn)	8.1	13.1	63%
NBFS Platform			
Leasing O/S Portfolio (EGPmn)	4,220	5,168	22%
Microfinance O/S Portfolio (EGPmn)	2,929	3,487	19%
Consumer Finance O/S Portfolio (EGPmn)	672	1,382	106%
Factoring O/S Portfolio (EGPmn)	523	814	56%

Source: Company reports, Prime Research.

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 Elhegaz 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

Websitewww.primeholdingco.com**Disclaimer**

Information included in this report has no regard to specific investment objectives, financial situation, advices or particular needs of the report users whether they received them directly or through any research pool and other specialized websites. The report is published for information purposes only and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Unless specifically stated otherwise, all price information is only considered as indicator. No express or implied representation or guarantee is provided with respect to completeness, accuracy or reliability of information included in this report. Past performance is not necessarily an indication of future results. Fluctuation of foreign currency rates of exchange may adversely affect the value, price, or income of any products mentioned in this report. Information included in this report should not be regarded by report users as a substitute for the exercise of their own due diligence and analysis based on own assessment and judgment criteria. Any opinions given are subject to change without notice and may significantly differ or be contrary to opinions expressed by other Prime business areas as a result of using different assumptions and criteria. Prime Group is under no obligation responsible to update or keep current the information contained herein. Prime Group, its directors, officers, employees or clients may have or have had interests or long or short positions in the securities and/or currencies referred to herein, and may at any time make purchases and/or sales in them as principal or agent. Prime Group, its related entities, directors, employees, and agents accept no liability whatsoever for any loss or damage of any kind arising from the use of all or part of these information included in this report whether it is received directly or through research pools and other specialized websites. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall, in no way, constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Furthermore, Prime Group or any of the group companies may have or have had a relationship with or may provide or have provided other services, within its objectives to the relevant companies.

Copyrights © 2021, Prime Group, ALL RIGHTS RESERVED. You are hereby notified that distribution and copying of this document is strictly prohibited without the prior approval of Prime Group.