

Price
EGP18.28
at close of 24 March 2022

12MPT
EGP20.0 (+10%)
set on 24 March 2022

Investment Rating **Neutral** ★ ★ ★
Risk Rating **Medium** ! ! !

The Best Is Yet to Come

Raising 12MPT on proposed deal; rating cut to Neutral

Research Team

research@egy.primegroup.org

Specular turnaround in recurring earnings: EFG Hermes Holding [HRHO] reported a net profit of EGP402mn (-14% y/y, +13% q/q) in Q4 2021. This was mainly due to a high comparable base in the year-ago quarter, coupled with holding & treasury activities revenues, which halved y/y on reported realized and unrealized losses on investments/seed capital. Group operating revenues during the quarter recorded EGP2.0bn (+19% y/y, +70% q/q). The quarter witnessed the consolidation of its 51%-owned **aiBank** during the last two months of 2021. Hence, aiBank contributed only EGP38mn to HRHO's bottom line in 2021, counting in only November and December. From an annual perspective, HRHO's bottom line grew to EGP1.5bn (+12% y/y) on 12% growth in total group revenues to EGP6.1bn. Furthermore, opex growth was slower at 9% y/y due to lower other operating expenses. If we were to normalize for the one-offs witnessed in 2020, HRHO's bottom line would have been higher 51% y/y in 2021. That said, TTM ROAE came in at c.10%.

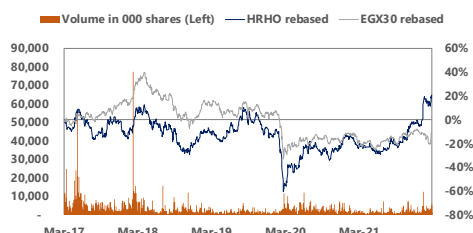
IB platform growth muted by lower treasury operations

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 28% y/y to EGP419mn in Q4 2021 on the back of higher executions value of USD23.9bn (+63% q/q) on higher executions in Abu Dhabi, Dubai, and Kuwait—a clear sign of recovery in the business.
- **Investment banking** concluded 15 transactions, up from nine transactions in Q3 2021, with a total value of USD3.8bn. This drove revenues higher to EGP184mn (+48% y/y).
- **Asset management's** AUMs grew to EGP23.5bn (+23% y/y), while revenues surged to EGP262mn (+31% y/y) in Q4 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 EGP12.1bn (+29% y/y).

- **Leasing** activities contributed the most (39%) to the platform's portfolio, ending Q4 2021 with a leasing portfolio of EGP4.7bn (excluding securitized portfolio principal amount of EGP748mn). HRHO's leasing had a market share of 10.4% of new contracts in 2021, ranked as the third largest by market share. Leasing reported a top line of EGP67mn in Q4 2021 (+20% y/y).
- **Microfinance** (Tanmeyah) contributed 30% to the platform's portfolio to EGP3.7bn—the highest since inception. Tanmeyah reported a top line of EGP372mn in Q4 2021 (+25% y/y).



Source: Bloomberg.

KEY STOCK STATISTICS

Shares outstanding (mn)	973
Free float	65.5%
Market Cap (EGPmn)	17,788
Market Cap (USDmn)	972
52w range	EGP18.80-10.63
EGP100 invested 5y ago	EGP120
TTM EPS	EGP1.5
TTM P/E	12.0x
TTM P/B	1.0x
Last fiscal year's DPS	EGP0
Dividend yield	0%
5Y beta	1.2
3Y EPS CAGR	13%

Source: Bloomberg, Prime Research.

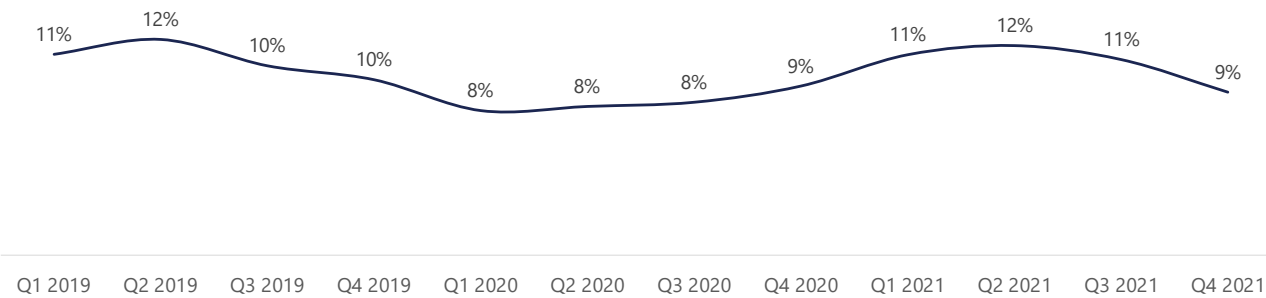


- Consumer finance** (ValU) outstanding portfolio reached EGP1.9bn (+118% y/y). ValU’s revenues grew to EGP84mn in Q4 2021 (+89% y/y), underlining the segment’s growth potential. The segment had a market share of 23.8%, ranked as second in 2021.
- Factoring** activities more than doubled its outstanding portfolio q/q in Q4 2021, closing the year with a portfolio of EGP1.9bn (+132% y/y). Top line for the segment grew to EGP27mn (+152% y/y).
- Commercial banking** (aiBank) performance only covered a short period during 2021 (namely November and December), with net earnings of EGP38mn, implying a slim annualized ROE of 5%. We think it is still too early to judge aiBank’s profitability, given that it is still subject to various restructuring efforts. Regardless, the bank’s geographical presence will definitely help HRHO’s NBFS activities while undertaking better integration amongst its different business lines.

12MPT raised to EGP20.0/share, rating cut to Neutral: 2021 results (ex-one-offs) clearly show HRHO standing on concrete grounds with growth backed by solid operations. HRHO is currently trading at a TTM P/E of 12x and a P/BV of 1.0x. In view of 2021 results, we raise our 12MPT to EGP20.0/share (from EGP14.8/share) to account for a 75% probability of success of **First Abu Dhabi Bank’s (FAB)** attempted acquisition of HRHO at an FX-adjusted EGP22/share (USD1.2/share offer adjusted for the new USD/EGP FX rate). With an upside of 10%, we cut our investment rating from Overweight to Neutral.

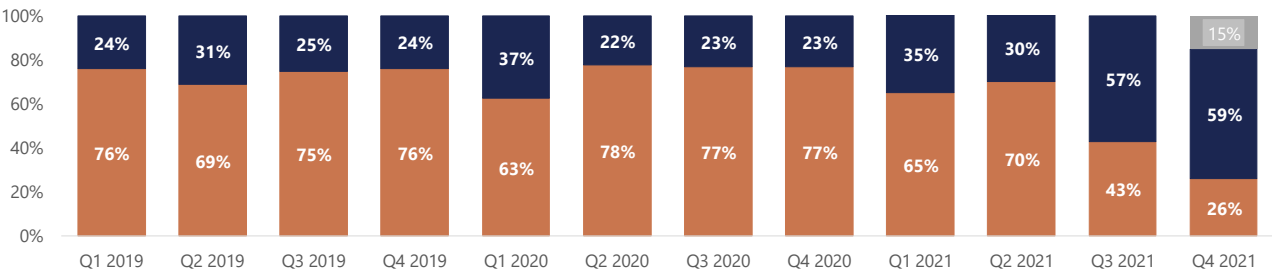
Results in Charts

Group ROAE



Net Revenues Contribution % by Platform

IB NBFI aiBank



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

Website

www.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 © 2022, 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.