

**Prime Holding [EGX: PRMH]
Earnings Release
Q2 FY22**





Prime Holding Announces Q2 FY22 Results

- Total Fees & Commission Revenues recorded a 3% QoQ increase, chalking up EGP18.9mn in Q2 FY22; whereas on a YoY basis, they decreased 13%. On a semi-annual basis, Total Fees & Commission Revenues declined 25% to EGP37.3mn
- Consolidated Revenues showed a 9% QoQ growth, recording EGP21.8mn in Q2 FY22; while on a YoY basis, they slid 3%. Meanwhile, H1 FY22 Consolidated Revenues dropped 24%, reading EGP41.8mn
- Q2 FY22 Operating Losses narrowed by 12% QoQ and 35% YoY, as they read EGP9.3mn, whilst year-to-date Operating Losses widened 11%, as they came in at EGP19.8mn
- Net Losses were a negative EGP10.3mn in Q2 FY22; 42% lower QoQ and 31% narrower YoY; H1 FY22 Net Losses came in at EGP27.8mn, 26% larger than the comparable period

Key Financial Highlights

I. Revenue Analysis

Q2 FY22 Consolidated Revenues

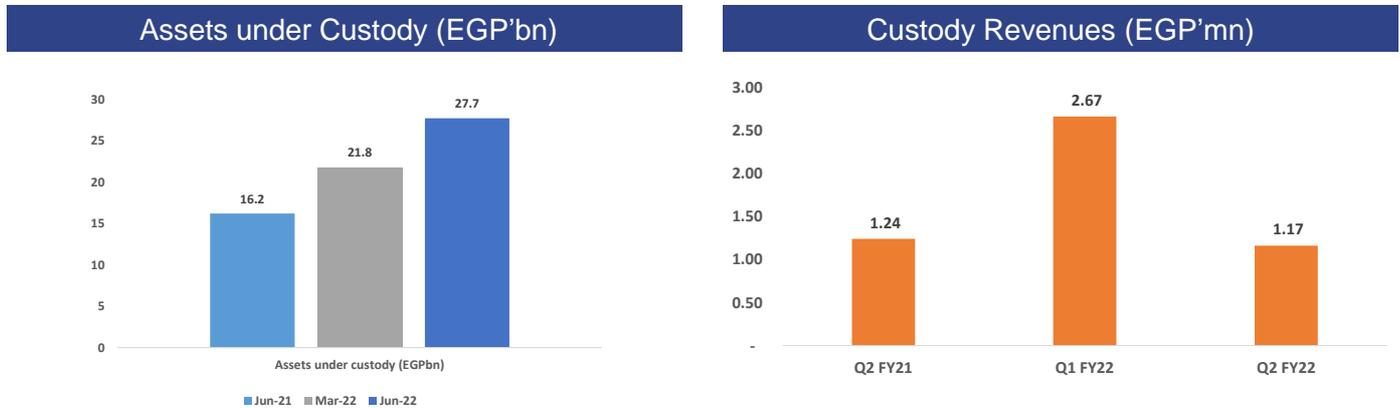
EGP21.8mn

Brokerage	EGP9.2mn
Asset Mgt.	EGP3mn
Fin. Advisory	EGP1.2mn
Custody	EGP1.2mn
Capital Mkt&Tr.	EGP2.9mn
Mgt. Services	EGP229k
NBF	EGP4.1mn

- Throughout the quarter, Prime Holding saw a significant improvement in Consolidated Revenues, stemming from rising Brokerage Revenues and NBF Revenues. However, on a YoY basis, Consolidated Revenues witnessed a slight decline, as save for the Financial Advisory activity, the investment bank activities showed a general revenue decline. Meanwhile, year-to-date Consolidated Revenues came in lower than the comparable period, with the bulk of the plummet witnessed in the first quarter of the year.
- Total Fees & Commission Revenues added 3% QoQ, recording EGP18.9mn in Q2 FY22 versus EGP18.4mn in Q1 FY22, while on a YoY basis, they slid 13%. Also, H1 FY22 Total Fees & Commissions slumped 25% to EGP37.3mn compared with EGP49.5mn a year ago.
- The brokerage activity reported a 29% QoQ hike in Brokerage Revenues, evolving to EGP9.2mn in Q2 FY22 up from EGP7.1mn in the previous quarter. On the other hand, quarterly Brokerage Revenues displayed a 20% YoY decrease. On a semi-annual basis, Brokerage Revenues decreased 34% to EGP16.3mn as opposed to EGP24.7mn a year earlier on the back lower execution value driven by declining market turnover.
- The Asset Management Revenues dropped 12%, registering EGP3mn in Q2 FY22 versus EGP3.4mn in the previous quarter, while on a YoY basis, Asset Management Revenues decreased 39%. Additionally, in H1 FY22, they registered a 44% drop to 6.4mn compared with EGP11.5mn in H1 FY21.
- The financial advisory business generated EGP1.2mn of revenues in Q2 FY22, 32% down from EGP1.7mn in Q1 FY22 and 112% higher than the Q2 FY21 figure. With regards to H1 FY22 Financial Advisory Revenues, they came in at EGP2.9mn, corresponding to a 44% decrease from the comparable period figure of EGP5.2mn.



- Custody Revenues plummeted 56% over the quarter, recording EGP1.2mn in Q2 FY22 versus EGP2.7mn in the first quarter of the year, on the back of a seasonality factor, while on a YoY basis, quarterly Custody Revenues slipped 6%. In H1 FY22, Custody Revenues inched up 19% to EGP3.8mn up from EGP3.2mn in H1 FY21. It is noteworthy that the size of assets under custody substantially grew 27% QoQ and 71% YoY, to a high of EGP27.7bn.

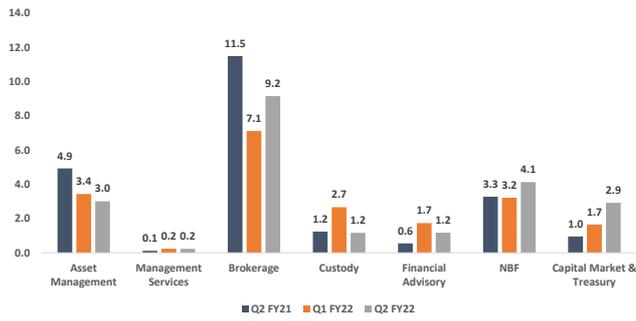


- As far as other Capital Market & Treasury Revenues are concerned, they jumped 77% QoQ, to EGP2.9mn in Q2 FY22, mainly in view of dividend collection. Additionally, they gained 205% YoY, on higher interest income. With regard to semi-annual performance, Capital Markets & Treasury Revenues dropped 12% on the back of nil realized capital gains from sale of investments and lower dividends.
- The NBF arm, Prime FinTech, reported EGP4.1mn of revenues during the quarter, implying a 28% QoQ increase and a 26% YoY rise. Likewise, H1 FY22 NBF Revenues gained 59%, registering EGP7.3mn up from EGP4.6mn a year ago.
- The abovementioned developments triggered a 9% QoQ growth in Consolidated Revenues, recording EGP21.8mn in the respective quarter as opposed to EGP20.1mn in Q1 FY22, whereas YoY Consolidated Revenues slid 3%. In H1 FY22, Consolidated Revenues declined 24% to EGP41.8mn versus EGP54.7mn in H1 FY21.

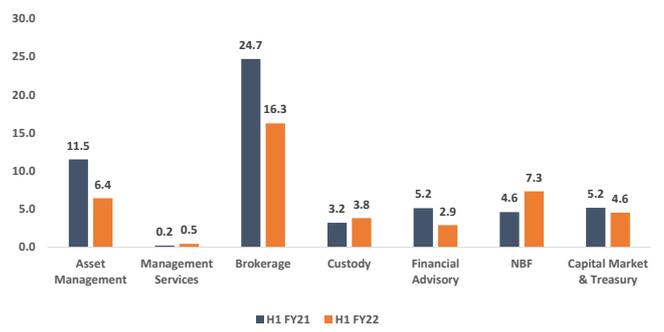
All figures are in EGP'000 unless otherwise stated	Q2 FY22	Q1 FY22	Q2 FY21	QoQ	YoY	H1 FY21	H1 FY22	YoY
Asset Management Revenues	3,016	3,431	4,927	-12%	-39%	11,542	6,447	-44%
Management Service Revenues	229	238	119	-4%	92%	239	467	95%
Brokerage Revenues	9,153	7,114	11,497	29%	-20%	24,733	16,267	-34%
Custody Revenues	1,165	2,667	1,244	-56%	-6%	3,220	3,832	19%
Financial Advisory Revenues	1,174	1,734	555	-32%	112%	5,155	2,908	-44%
Total Investment Bank Fees & Commissions	14,737	15,184	18,342	-3%	-20%	44,889	29,921	-33%
NBF Revenues	4,131	3,218	3,274	28%	26%	4,633	7,349	59%
Total Fees & Commission Revenues	18,868	18,402	21,616	3%	-13%	49,522	37,270	-25%
Capital Market & Treasury Revenues	2,916	1,652	956	77%	205%	5,183	4,568	-12%
Consolidated Revenues	21,784	20,054	22,572	9%	-3%	54,705	41,838	-24%



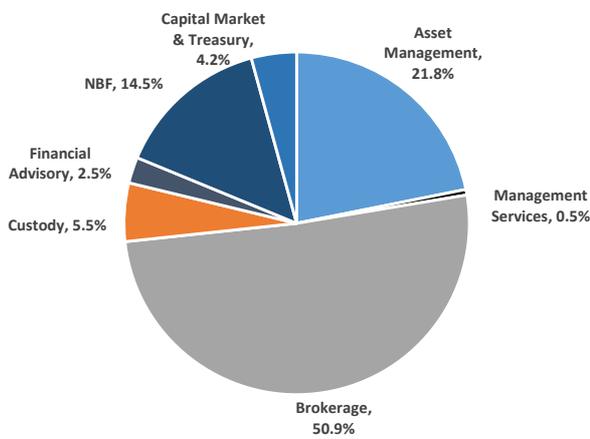
Quarterly Revenues by Activity (EGP'mn)



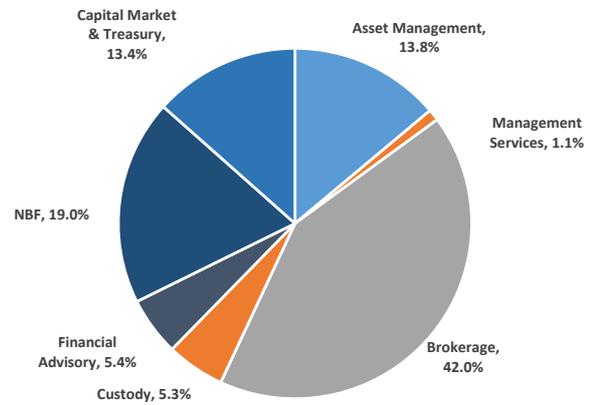
H1 Revenues by Activity (EGP'mn)



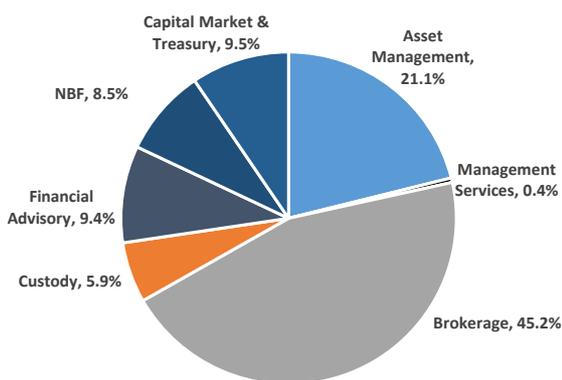
Q2 FY21 Revenue Breakdown



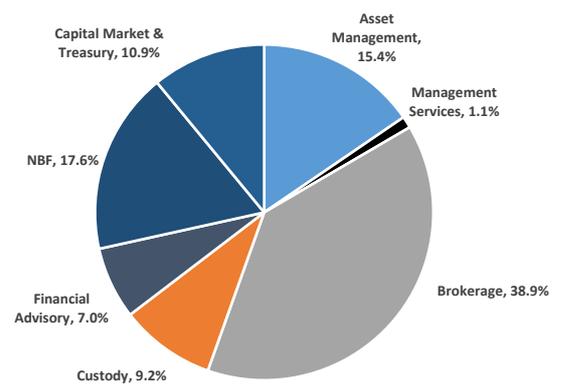
Q2 FY22 Revenue Breakdown



H1 FY21 Revenue Breakdown



H1 FY22 Revenue Breakdown





II. Cost Analysis

- In reflection of the cost cutting endeavors initiated by Prime Holding in 2021, Operating Expenses witnessed a substantial improvement, as both Staff Expenses and Other G&A dropped on YoY and QoQ bases as well as semiannually. On the other hand, Interest Expense witnessed an upward movement in line with the growing size of the NBF activity. It is noteworthy that NBF-related expenses made up 30% of Total Operating Expenses in the first half of FY22.
- Standing at EGP31mn in Q2 FY22, Operating Expenses showed a slight QoQ increase of 2% over the Q1 FY22 figure of EGP30.6mn. Meanwhile, YoY, they plummeted 16%. This was reflected in the Operating Expenses/Revenues ratio declining to 143% in Q2 FY22 versus 152% and 163% in Q1 FY22 and Q2 FY21, respectively.
- With respect to semi-annual comparison, Operating Expenses dropped 15%, reading EGP61.6mn in H1 FY22 compared with EGP72.4mn a year earlier.
- Staff Expenses inched down 6% QoQ and narrowed by 29% YoY, reading EGP17.8mn in the respective quarter versus EGP18.9mn and EGP25.3mn in Q1 FY22 and Q2 FY21, respectively. This corresponds to a decrease in the Staff Expenses/Revenues, reading 82% down from 94% in the first quarter of the year and 112% in Q2 FY21. As for year-to-date Staff Expenses, they came in 27% lower, registering EGP36.8mn as opposed to EGP50.1mn in the comparable period. The aforementioned was mirrored in a decrease in the Staff Expenses/Revenues ratio to 88% in H1 FY22 down from 92% in H1 FY21.
- With regard to Other G&A, they exhibited a 13% QoQ decline and an 18% YoY drop, registering EGP5.6mn in Q2 FY22, triggering a slide in the Other G&A/Revenues ratio, reading 25% in Q2 FY22 as opposed to 32% in the previous quarter and 30% a year earlier. In H1 FY22, Other G&A recorded EGP11.9mn, representing a 16% decline from the H1 FY21 Other G&A figure of EGP14.2mn. However, due to the revenue decrease, Other G&A/Revenues advanced 258bps to 29%.

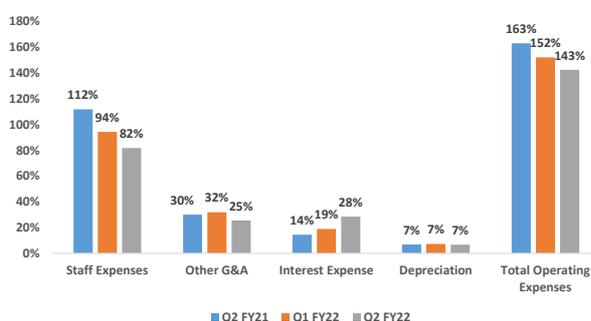
Q2 FY22 Operating Expenses

EGP31mn

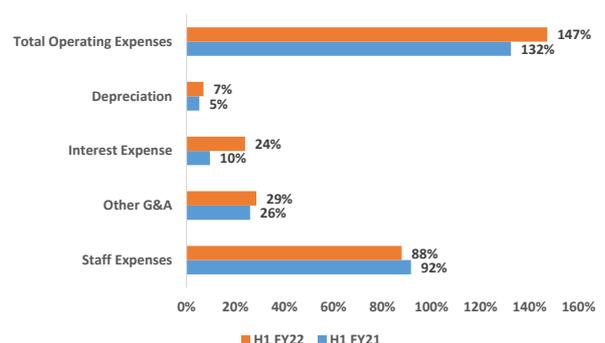
Staff	EGP17.8mn
Other G&A	EGP5.6mn
Interest Expense	EGP6.2mn
Depreciation	EGP1.5mn

All figures are in EGP'000 unless otherwise stated	Q2 FY22	Q1 FY22	Q2 FY21	QoQ	YoY	H1 FY21	H1 FY22	YoY
Staff Expenses	(17,831)	(18,927)	(25,258)	-6%	-29%	(50,114)	(36,758)	-27%
Other SG&A	(5,553)	(6,388)	(6,773)	-13%	-18%	(14,200)	(11,941)	-16%
Interest Expense	(6,205)	(3,788)	(3,250)	64%	91%	(5,236)	(9,993)	91%
Depreciation	(1,458)	(1,449)	(1,555)	1%	-6%	(2,880)	(2,907)	1%
Operating Expenses	(31,047)	(30,552)	(36,836)	2%	-16%	(72,430)	(61,599)	-15%

Operating Expenses/Revenues (Qs)



Operating Expenses/Revenues (H1)





III. A Glimpse at the Balance Sheet

- Net Loans Receivables chalked up a total EGP136.5mn. The leasing business dominated the portfolio, contributing EGP115.9mn, while factoring activity accounted for EGP20mn and the consumer finance made up the balance of EGP0.6mn.
- Shareholders' Equity stood at EGP293.3mn (EGP0.84/Share) at the end of the quarter.
- Cash & Cash Equivalents stood at EGP101.4mn at the end of the respective period.



Activities In Focus

I. Brokerage (Prime Securities)

- **Better rank; decent market share:** Prime Securities managed to improve its ranking on the Egyptian brokerage firm chart, standing at #12 in Q2 FY22 compared with #13 in Q1 FY22 and #17 in Q2 FY21. Execution value registered EGP2.5bn as opposed to EGP2.7bn in the previous quarter and EGP2.4bn a year ago. Market share remained in the vicinity of 3%.

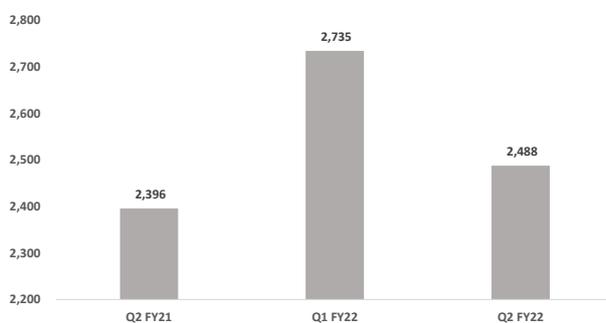
Q2 FY22 KPIs

EGP2.5 bn
Executed
Value

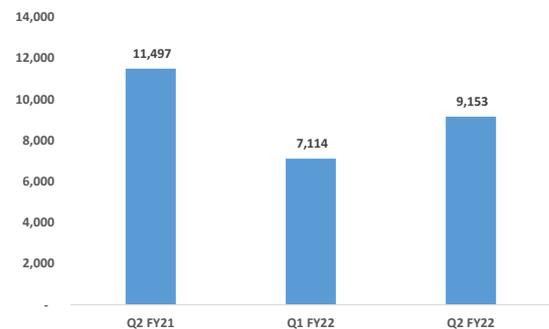
2.8%
Market
Share

12
EGX
Ranking

Executed Turnover (EGP'mn)



Brokerage Revenues (EGP'000)



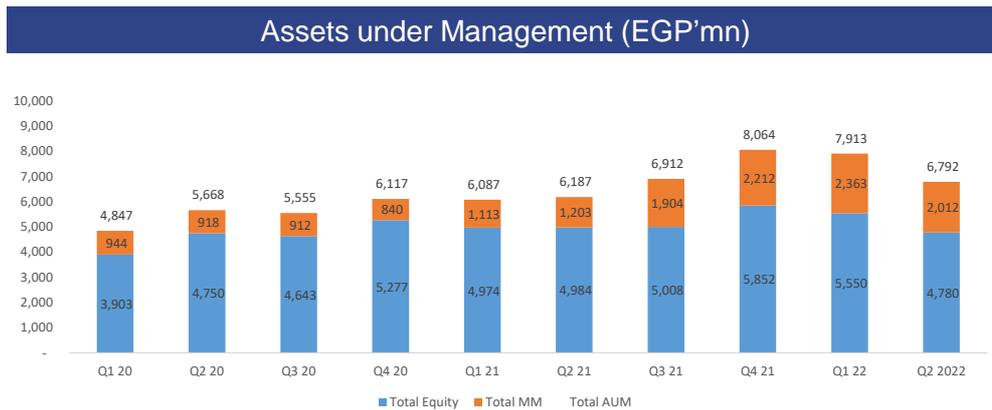
- **Major block trades:** : In Q2 FY22, Prime Securities executed five block trades, involving the sale of significant stakes in the firms hereunder:
 - Future Tourism Investment
 - Bavarian Auto Trading
 - Minapharm Pharmaceuticals
 - Dover American School for Education Services
 - United Oil Crops & Related Services
- **Expanding research coverage:** In Q2 FY22, Prime Research initiated coverage on Cairo for Investment & Real Estate Development [[CIRA](#)], bringing core coverage to 21 stocks. Also, Prime Research published a pre-IPO note on [Ghazl El-Mahalla Football Co.](#), introducing the region's first football club to be listed on an exchange and highlighting the IPO details. In addition to the regular daily newsletters, Prime Research published 21 notes during the quarter, covering equity, technical, and economy. These included four event-driven TAKEStock notes on EFG Hermes Holding [[HRHO](#)], the [Egyptian Cement Industry](#), Orascom Financial Holding [[OFH](#)], and Delta Sugar [[SUGR](#)].
- **Launching PRIMEMorning, a new podcast service:** Prime Research launched PRIMEMorning, a new Arabic-only podcast service available now on both [Apple](#) and [Google](#). Covering both fundamental and technical analysis on a daily basis, the podcast was launched on 23 May 2022 and is broadcast on the different podcast channels two hours after it is made available to Prime clients.
- **Technical calls impacted by market slowdown:** Prime Research published only eight technical recommendations during Q2 FY22 vs. 44 in Q1 FY22. This can be attributed to the market's negative performance with its main index EGX 30 falling 18% in Q2 FY22, triple the negative performance seen in Q1 FY22.



II. Asset Management (Prime Investments)

- **Sizeable AUM's** : Mandated AUM's grew by 10% YoY, reaching EGP6,792mn as of June 30, 2022 compared to EGP6,187mn a year earlier. The increase is attributed to a stellar growth in money market mandates.

On a QoQ basis, the size of AUM's narrowed by 14%, in view of redemptions from money market funds due to the launch of 1-year CDs with an interest rate of 18%, which attracted retail investors to shift from money market funds to the CDs.



- **New money market fund launched:** On July 1, 2022, Prime Investments launched a new money market, Amman Youm bi youm, with Amman Micro Finance. The aforementioned fund was fully subscribed on July 19, 2022.



III. Financial Advisory (Prime Capital)

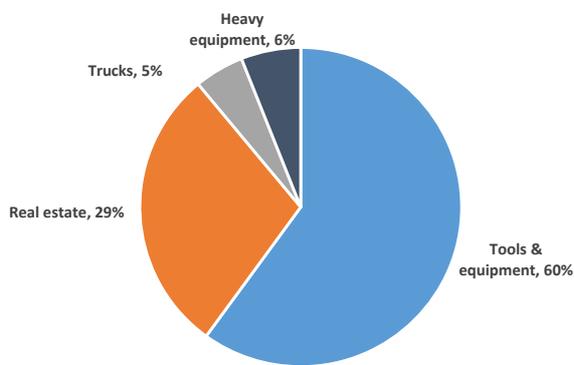
- **Noticeable activity in IFA reports:** Prime Capital was engaged by a handful of clients to provide IFA reports in Q2 FY22. The companies involved span the insurance and logistic sectors, which are covered for the first time by Prime Capital's IFA team, in addition to the real estate sector.
- **Expanding backlog:** In H1 FY22, Prime Capital continued to boost its backlog, adding 50% YoY to each of its M&A and DCM pipelines. The focus remains on transactions that are in line with Prime Capital strategy to fortify its strong presence, especially with regards to defensive industries.
- **Buy-side advisory:** Prime Capital acted as buy-side advisor with regard to the sale of significant stakes in the companies hereunder:
 - i. Future Tourism Investment
 - ii. Bavarian Auto Trading
 - iii. Minapharm Pharmaceuticals
 - iv. Dover American School for Education Services
 - v. United Oil Crops & Related Services



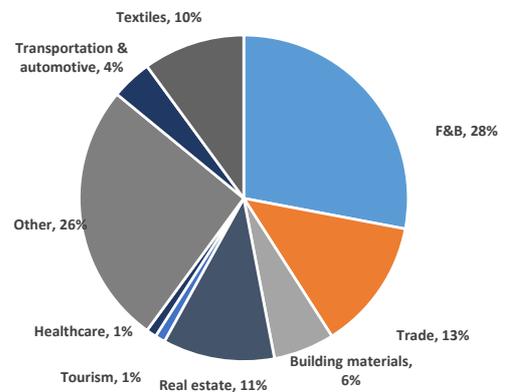
IV. Non-Banking Financial Services (Prime FinTech)

- **Diverse leasing portfolio:** As of June 2022, tools & equipment made up the bulk of the leasing portfolio with a 60% contribution, followed by real estate making up 29%. In terms of sector diversification, the food & beverages sector topped the list with a 28% contribution, followed by the trade sector and the real estate sector, constituting 13% and 11% of the portfolio, respectively.

Leasing Portfolio by Type of Asset



Leasing Portfolio by Sector





Consolidated Income Statement

All figures are in EGP'000 unless otherwise stated	Q2 FY22	Q1 FY22	Q2 FY21	H1 FY21	H1 FY22
Asset Management Revenues	3,016	3,431	4,927	11,542	6,447
Management Service Revenues	229	238	119	239	467
Brokerage Revenues	9,153	7,114	11,497	24,733	16,267
Custody Revenues	1,165	2,667	1,244	3,220	3,832
Financial Advisory Revenues	1,174	1,734	555	5,155	2,908
Total Investment Bank Fees & Commissions	14,737	15,184	18,342	44,889	29,921
NBF Revenues	4,131	3,218	3,274	4,633	7,349
Total Fees & Commission Revenues	18,868	18,402	21,616	49,522	37,270
Capital Market & Treasury Revenues	2,916	1,652	956	5,183	4,568
Consolidated Revenues	21,784	20,054	22,572	54,705	41,838
Staff Expenses	(17,831)	(18,927)	(25,258)	(50,114)	(36,758)
Other SG&A	(5,553)	(6,388)	(6,773)	(14,200)	(11,941)
Interest Expense	(6,205)	(3,788)	(3,250)	(5,236)	(9,993)
Depreciation	(1,458)	(1,449)	(1,555)	(2,880)	(2,907)
Operating Expenses	(31,047)	(30,552)	(36,836)	(72,430)	(61,599)
Operating Profits	(9,263)	(10,498)	(14,264)	(17,725)	(19,761)
Provisions	(625)	(6,450)	(527)	(3,361)	(7,075)
Expected Credit Loss	(963)	(704)	-		(1,667)
Other Income (Expenses)	1,009	235	310	1,484	1,244
Net Profits before Tax	(9,842)	(17,417)	(14,481)	(19,602)	(27,259)
Taxes	(301)	(14)	(394)	(2,381)	(315)
Net Profits after Tax	(10,143)	(17,431)	(14,875)	(21,983)	(27,574)
Minority Interest	(117)	(111)	(44)	(106)	(228)
Net Profits after Unusual Items & Minority Interest	(10,260)	(17,542)	(14,919)	(22,089)	(27,802)



Consolidated Balance Sheet

All figures are in EGP 000	30-Jun-21	31-Mar-22	30-Jun-22
Cash & Cash Equivalents	61,216	88,185	101,404
Receivables	139,115	114,411	103,349
Loans Receivables	14,205	35,605	50,046
Sundry Current Assets	30,336	12,549	20,907
Total Current Assets	244,872	250,750	275,706
Loans Receivables	69,726	71,979	86,460
Net Fixed Assets	50,964	61,079	56,061
Goodwill	220,156	220,156	220,156
Contribution to Settlement Guarantee Fund	2,849	2,544	2,595
Investments	903	1,940	1,940
Total Non-Current Assets	344,598	357,698	367,212
Total Assets	589,470	608,448	642,918
Short-Term Loans	110,306	95,653	94,838
Customers Credit Accounts	40,013	70,293	89,466
Long-Term Loans	60,141	73,486	90,844
Lease Obligation	-	28,641	27,239
Sundry Liabilities	13,278	22,667	39,213
Total Liabilities	223,738	290,740	341,600
Provisions	7,895	11,919	6,044
Minority Interest	1,803	1,842	1,960
Total Shareholders' Equity	356,034	303,947	293,314
Total Liabilities & Shareholders' Equity	589,470	608,448	642,918



Share Information

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

Trading Information

Closing Price (August 10, 2022)	EGP0.58
52-week high	EGP0.99
52-week low	EGP0.45
Average daily volume	2mn shares
Average daily turnover	EGP1.1mn

Investor Relations Contacts

Gihane Halawa, CFA

Direct : +2 02 3300 5772

Mobile : +2 0100 125 8181

gahalawa@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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