**EFG Hermes reports strong FY 2018 results, with net profits surpassing the EGP 1.0 billion mark on EGP 4.3 billion in revenues**

*The Firm’s Board of Directors proposed a cash dividend of EGP 0.65/share for the year. This is equivalent to c. 50% of the attributable profits and is pending the General Assembly’s approval.*

**19 March 2019**

(Cairo, Egypt) — EFG Hermes, a leading financial services corporation in Frontier Emerging Markets (FEM), reported today its financial results for the year ending 31 December 2018. The Group’s revenues grew 19% Y-o-Y in FY18 to EGP 4.3 billion, supported by the non-bank financial institutions (NBFIs) arm which posted revenues in excess of EGP 1.0 billion and top-line growth across all lines of business under the Investment Bank.

Revenue from core operations, which excludes gains related to investment and seed capital exits as well as other non-recurring revenues, grew 32% Y-o-Y in FY18, buoyed by the growth in revenue reported by all lines of business on the back of the Group strategy of expanding its product offerings, extending its geographical presence, and serving a wider client base.

In spite of capital gains being 34% less in 2018 versus 2017, the Group still reported a net operating profit of EGP 1.4 billion, down only 5% Y-o-Y in FY18 on the back of strong operational performance across the Group. Meanwhile, net profit after tax and minority interest for the year – which does not include fees and capital gains expected to be realized in 1Q19 on Vortex I and II exits – was down 16% Y-o-Y to EGP 1.0 billion.

Accounting for 71% of the Group’s revenues in FY18, fee and commission income grew 34% Y-o-Y to EGP 3.0 billion.

The Group’s NBFI platform reported strong top-line growth, with revenues growing 89% Y-o-Y to EGP 1.1 billion and contributing 25% of total Group revenues in FY18. This growth was driven by both microfinance provider Tanmeyah and EFG Hermes Leasing, which reported 125% and 48% Y-o-Y revenue growth, respectively. Furthermore, net profit after tax and minority interest for the Group’s NBFI platform came in at EGP 178 million in FY18, rising 128% Y-o-Y.

EFG Hermes’ sell-side businesses in the investment bank platform — encompassing securities brokerage, investment banking and research — grew its revenues 13% Y-o-Y to EGP 1.4 billion. The revenue growth was driven by the Brokerage division, which grew 15% Y-o-Y in FY18 to EGP 1.0 billion as it generated higher commissions on growing market shares and executions in new markets during the year. Investment banking advisory revenues grew 8% Y-o-Y in FY18 to record another strong year for the business, which successfully closed its largest number of transactions in a single year, with a record 19 equity, M&A, and debt transactions worth an aggregate USD 2.5 billion.

“Despite a challenging global investment climate, our product diversification strategy has enabled the Group to deliver profitability above the EGP 1.0 billion mark for the third consecutive year. Our NBFI platform’s performance continued to skyrocket, recording revenues of EGP 1.1 billion in FY18,” said EFG Hermes Group CEO Karim Awad. “The geographical expansion strategy that the Investment Bank division has adopted is starting to show positive results, further diversifying our revenue base and giving us access to more opportunities for our clients across a broader region,” he added.

The investment bank platform’s buy-side businesses had a strong year, with double digit growth across both the asset management and private equity divisions. Buy-side revenue grew 22% Y-o-Y to EGP 555 million, supported by higher revenues generated from asset manager FIM as well as higher revenues booked by the private equity division.

Revenue growth from merchant banking activities and treasury operations supported the capital markets and treasury division’s FY18 top-line which came in at EGP 1.3 billion. Although this represents a 7% Y-o-Y contraction, it is important to note that FY17 revenue figures included more gains related to exits and non-recurring gains.

“Notably, we continued diversifying our product offering in 2018 as we launched the EFG Hermes Egypt Education Fund, expanded our structured products offering, and established our fixed income desk, among other services,” Awad noted. “New ventures such as these, along with our expanding suite of products offered under the NBFI platform, which reported revenues in excess of EGP 1 billion for the first time, give the Group greater flexibility to navigate challenging market conditions and maintain profitability,” he added.

The Group operating expenses increased 35% Y-o-Y to EGP 2.9 billion in FY18 to support the continued expansion of the business across the Group. The rise in operating expenses includes the impact of a higher employee headcount compared to the previous year, the consolidation of FIM for the full year as opposed to two quarters in 2017, and higher compensation in line with revenue growth. Nonetheless, employee expenses as a share of operating revenues came in at 42.3% for FY18, which is below the 50% target set by management.

“Among our priorities for 2019 is the continued growth of our NBFI platform, where we look forward to the evolution of valU, our instalment sales services business, as well as our new Factoring arm,” said Awad, “and we will aim to further improve our market position across the Frontier Emerging markets in which we currently operate. Having successfully navigated the challenging macroeconomic, market, and liquidity conditions of 2018, we continue to actively screen new growth opportunities in other high-potential markets as we aim to maintain sustainable revenue streams and generate greater returns for our shareholders.”

**--Ends--**

EFG Hermes’ FY2018 financial results and management’s commentary on them are now [available here.](http://www.efghermes.com/en/InvestorRelations/Pages/Earnings-Releases.aspx)

**About EFG Hermes**

With a current footprint spanning twelve countries across four continents, EFG Hermes started in Egypt and has grown over 30 years of success to become a leading financial services corporation with access to emerging and frontier markets. Drawing on our proven track-record & a team of more than 4,455 talented employees, we provide a wide spectrum of financial services that include investment banking, asset management, securities brokerage, research and private equity to the entire region.

EFG Hermes launched the NBFI Platform, EFG Hermes Finance, which will overlook activities in the non-banking finance field through EFG Hermes Leasing, Tanmeyah Microfinance, valU and EFG Hermes Factoring. This comes in light of the Firm’s strategy to focus on product diversification and geographic expansion into frontier markets — which has seen the firm establish a physical presence in Pakistan, Kenya, Nigeria, Bangladesh & the United States.

For further information, please visit [www.efghermes.com](http://www.efghermes.com) & stay connected with us:    

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***Note on Forward-Looking Statements***

*In this press release, EFG Hermes may make forward looking statements, including, for example, statements about management’s expectations, strategic objectives, growth opportunities and business prospects. These forward-looking statements are not historical facts but instead represent only EFG Hermes’ belief regarding future events, many of which, by their nature are inherently uncertain and are beyond management’s control and include among others, financial market volatility; actions and initiatives taken by current and potential competitors; general economic conditions and the effect of current, pending and future legislation, regulations and regulatory actions. Accordingly, the readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made.*