

EFG Hermes reports a strong start to 2019, with net profits expanding 51% Y-o-Y to EGP 374 million in 1Q19, on the back of 42% Y-o-Y in top-line growth to EGP 1.3 billion

Robust growth in the first quarter of the year was driven by both the Investment Bank and the NBFi platforms, which posted solid revenue growth, up 35% and 65% Y-o-Y respectively

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(Cairo, Egypt) — EFG Hermes, the leading financial services corporation in Frontier Emerging Markets (FEM), reported today its financial results for the first quarter of 2019. The Group's revenues increased 42% Y-o-Y to reach EGP 1.3 billion. Robust top-line growth for the quarter was supported by a 58% Y-o-Y rise in fees and commissions revenue, which recorded EGP 1.0 billion, underpinned by Private Equity's and Tanmeyah's results during the quarter.

The Firm's Investment Bank platform witnessed a positive start for the year, with its operating revenue and net profit rising 35% Y-o-Y and 48% Y-o-Y, respectively. The strong Investment Bank performance in 1Q19 was largely driven by the arm's buy-side revenues.

EFG Hermes' buy-side businesses – encompassing the Group's asset management and private equity divisions – reported a 199% Y-o-Y rise in revenues to EGP 348 million in 1Q19. The remarkable top-line expansion came on a more 996% Y-o-Y increase in Private Equity revenues, which recorded EGP 265 million in 1Q19, on the back of performance fees realized from the Wind portfolio exit (Vortex I & II).

“The sale of Vortex Energy's wind assets once again demonstrates our ability to acquire, manage and exit renewable energy investments on a global scale. In just over four years, we managed to aggregate and grow our wind portfolio through two landmark investments to become one of the most sizeable wind portfolios in Europe,” said EFG Hermes Holding's Group CEO, Karim Awad.

The Group' sell-side businesses witnessed a 2% Y-o-Y increase in revenues to EGP 322 million in 1Q19, supported by growth in the Brokerage business, which rose 7% Y-o-Y to EGP286 million in 1Q19.

The Group's NBFIs platform continued its stellar growth trajectory, having completed the first quarter of 2019 on the same positive note on which it ended 2018, posting a 65% Y-o-Y rise in revenues to EGP 375 million, supported by an impressive 95% Y-o-Y growth in Tanmeyah's revenues to EGP 253 million and 23% Y-o-Y growth in Leasing revenues to EGP 118 million in 1Q19. The NBFi platform's net profit after tax also grew by 65% Y-o-Y to EGP 82 million during the quarter.

“The management's focus to continue to diversify our product offering has allowed us to create a more sustainable business model that can weather the adverse impacts of volatility in capital markets and increase the Firm's ability to consistently post strong top- and bottom- line results, setting us on the right path for yet another successful year,” Awad added. “While we are yet to see the full impact of our ever-growing NBFIs business, the platform continues to deliver rapid growth and increasing contribution to the Group's profitability. Our more established Investment Banking platform

continues to benefit from our geographic expansion initiatives, which now sees us present in twelve countries across four continents.”

Capital markets & treasury operations contributed 22% to total Group’s revenues in the first quarter of 2019, with its revenues expanding 5% Y-o-Y to EGP 300 million. This was largely driven by a capital gain realized from Vortex I&II exit and an increase in net interest mainly earned from treasury operations.

Group operating expenses increased 45% Y-o-Y to EGP 878 million in 1Q19, driven by a higher employee headcount related to Tanmeyah’s expansion and higher employee compensation, as well as an increase in other operating expenses largely related to growth in the NBFIs platform. Nonetheless, employee expenses to operating revenues came well below the management’s 50% threshold, recording 45% in the first quarter of 2019.

With the Group’s revenue growth surpassing the increase in expenses, EFG Hermes reported a net operating profit of EGP 466 million, representing a 37% Y-o-Y increase in 1Q19, and translating to a net operating profit margin of 35%. Accordingly, net profit after tax and minority interest grew 51% Y-o-Y to EGP 374 million in 1Q19.

“This year will see us continue diversifying our product offering and expanding our geographical reach as we look to solidify our presence in existing markets and explore new, fast-growth opportunities across other Frontier Emerging Markets. EFG Hermes is committed to further growing its NBFIs platform aiming to capture the still unrealised potential of our newly launched Factoring and valU businesses, with the first reporting a very promising start to operations and the latter being recognised as ‘Fintech Innovation of the Year’ at Terrapin’s 2019 Seamless Awards. All in all, I am confident that we are ideally positioned to build on the strong results reported for the first quarter of 2019 and deliver solid results for the remainder of year,” concluded Awad.

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EFG Hermes’ 1Q2019 financial results and management’s commentary on them are now [available here](#).

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.

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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.