

EFG Hermes reports resilient results in 3Q20, with net profit up 18% Y-o-Y to EGP 422 million on revenues of EGP 1.4 billion, a 21% Y-o-Y increase

Performance for the period was bolstered by strong performance from EFG Hermes' Private Equity division as well as the NBFi platform and continued support from the Firm's capital markets and treasury operations

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(Cairo, Egypt) — EFG Hermes, the leading financial services corporation in Frontier Emerging Markets (FEM), reported today its third quarter results, with a net profit after tax and minority interest of EGP 422 million, gaining 18% Y-o-Y. Revenues for the quarter came in at EGP1.4 billion, up 21% Y-o-Y.

Revenues were buoyed by strong performance from EFG Hermes' buy-side platform on the back of strong revenues at the Private Equity division on realized incentive fees of EGP 349 million following the exit from Vortex Solar. NBFIs contributed EGP 335 million to the Group's top line, an increase of 12% Y-o-Y, while Capital Markets & Treasury operations continued to benefit from the recovery of regional capital markets and subsequent revaluation of seed capital and investments, with revenues up 22% Y-o-Y to EGP 372 million for the division.

“Despite global economic challenges pressuring all markets, quarter after quarter we continue to see our product diversification and geographic expansion strategy bearing fruit,” said EFG Hermes Holding Group CEO Karim Awad. “As we continue to navigate the impacts of the COVID-19 pandemic across our operations, I'm proud to report that we have continued to lead markets across our footprint and demonstrated the strength of our operations for the quarter.”

“On the Private Equity front, realized incentive fees of EGP 349 million from the strategic exit from our managing stake in Vortex Solar significantly contributed to the Group's performance for the period. Our NBFi platform also continues to bring in stellar results in a quarter that saw valU awarded a license from the FRA, thus bringing the entirety of the Group's operations under regulatory oversight. valU recorded its highest ever bookings since launch while the Firm's leasing business closed the quarter with 54% more bookings Y-o-Y. Our Brokerage business commanded leading market shares across our areas of operation and our Investment Banking division successfully concluded six equity, M&A and debt transactions worth an aggregate USD 193 million, displaying our growing ability to execute across a wider product spectrum and in extremely challenging conditions,” Awad added.

The 1537% Y-o-Y surge in Private Equity revenues offset an 11% Y-o-Y decline in Asset Management revenues, which recorded EGP 65 million, and lower sell-side performance. A lacklustre environment across the region saw the Group's sell-side revenues decline to EGP 281 million in 3Q20. Brokerage revenues fell by 24% Y-o-Y to EGP 243 million and Investment Banking revenues declined by 78% Y-o-Y to EGP 38 million on the back of lower advisory fees.

Revenues from NBFIs increased 12% to EGP 335 million, primarily driven by valU's stellar performance, which saw a top line increase of 410% Y-o-Y to EGP 27 million. Tanmeyah's top line reached EGP 261 million in 3Q20, an uptick of 3% Y-o-Y. Additionally, the Group's factoring operations reaped the rewards of cross-selling due to its recent merger with leasing, under EFG Hermes

Corp Solutions, and generated a four-fold year-on-year revenue increase to EGP 8 million in 3Q20. Meanwhile, leasing revenues came in flat Y-o-Y at EGP 39 million in 3Q20.

Revenues at the Group's Capital Markets & Treasury operations were supported by the recovery of regional capital markets and subsequent revaluation of seed capital and investments, which drove a 22% Y-o-Y increase in revenues to EGP 372 million in 3Q20.

The Group's operating expenses increased 19% Y-o-Y to EGP 878 million on the back of higher employee and other operating expenses in 3Q20, however, the increase in operating expenses was outpaced by the Group's top line growth for the period. The ratio of employee expenses to revenues stood at 45% and remained significantly below management's target of keeping it lower than 50%.

EFG Hermes' net profits after tax and minority interest increased 18% Y-o-Y to EGP 422 million in 3Q20 on the back of a robust performance by the Investment Bank, coupled with an optimal revenue to employee expenses ratio that stood well below the 50% mark.

“As regional and global challenges increasingly mount, EFG Hermes continues to be on the lookout for ways in which it can enhance its business model to further withstand future shocks and to improve value creation potential for our all stakeholders in the medium to long term,” Awad concluded.

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EFG Hermes' 3Q2020 financial results and management's commentary on them are now available [here](#).

About EFG Hermes

With a current footprint spanning thirteen countries across four continents, EFG Hermes started in Egypt and has grown over 35 years of success to become a leading financial services corporation with access to emerging and frontier markets. Drawing on our proven track record and a team of more than 5,500 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 MENA region.

In 2015, EFG Hermes launched the NBFi Platform, EFG Hermes Finance, which overlooks activities in the non-banking finance field through EFG Hermes Corp Solutions, Tanmeyah Microfinance, valU, as well as lines of business in the payment solutions, mortgage, and insurance spaces. This falls in line with the Firm's strategy to focus on two main pillars: product diversification and geographic expansion into non-MENA markets, which has seen the firm establish a physical presence in Pakistan, Kenya, Bangladesh, Nigeria, Vietnam¹, the United Kingdom and the United States.

Learn more about us at 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.

¹ EFG Hermes began operations in Vietnam through a partnership with ACBS in May, 2019