

**Prime Holding [EGX: PRMH]**  
**Earnings Release**  
**Q1 FY22**





## Prime Holding Announces Q1 FY22 Results

- Total Fees & Commission Revenues exhibited a 14% QoQ growth and a 34% YoY decline, registering EGP18.4mn
- Consolidated Revenues showed 1% QoQ rise and a 38% YoY decrease, recording EGP20.1mn
- Operating losses came in 18% narrower than the previous quarter at EGP10.5mn; 36% wider on an annual basis
- Bottom-line losses shrank by 19% QoQ, reading EGP17.5mn; widened by 54% YoY

### Key Financial Highlights

#### I. Revenue Analysis

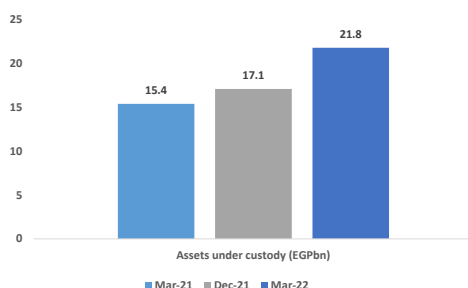
- Total Fees & Commission Revenues exhibited a 14% increase QoQ, chalking up EGP18.4mn in Q1 FY22 versus EGP16.2mn in Q1 FY21. On a YoY basis, they dropped 34% as opposed to EGP EGP27.9mn a year ago.
- Brokerage Revenues demonstrated a 21% quarterly decrease to EGP7.1mn down from EGP9mn in the previous quarter, driven by plummeting market turnover. Similarly, and for the same reason, Brokerage Revenues lost 46% as compared with the Q1 FY21 figure of EGP13.2mn.
- The asset management arm generated EGP3.4mn of revenues in the first quarter of the year, corresponding to an 8% QoQ decrease from EGP3.7mn, and a YoY 48% drop from EGP6.6mn.
- The financial advisory business, delivered EGP1.7mn of revenues in Q1 FY22 compared with a negative EGP1.5mn in Q4 FY21, as the previous quarter was burdened by the reversal of unrealized revenues. On a YoY basis, Financial Advisory Revenues declined 62% from EGP4.6mn a year ago.
- Custodian Revenues recorded a solid quarterly growth of 117%, as they chalked up EGP2.7mn versus EGP1.2mn in the previous quarter. Moreover, they displayed a 35% hike on an annual basis from the Q1 FY21 figure of EGP2mn. The aforementioned growth is partially attributable to a parallel expansion in the size of assets under custody, rising by 27% QoQ and 42% YoY.

#### Consolidated Revenues

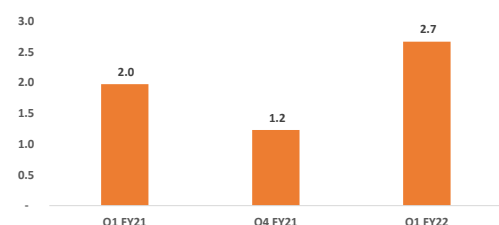
**EGP20.1mn**

Brokerage	EGP7.1mn
Asset Mgt.	EGP3.4mn
Custody	EGP2.7mn
Fin. Advisory	EGP1.7mn
Capital Mkts	EGP1.7mn
Mgt. Services	EGP238k
NBF	EGP3.2mn

#### Assets under Custody (EGP'bn)



#### Custodian Revenues (EGP'mn)

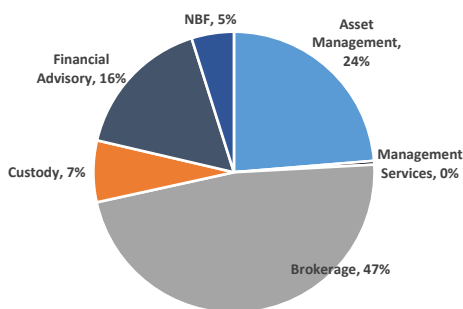




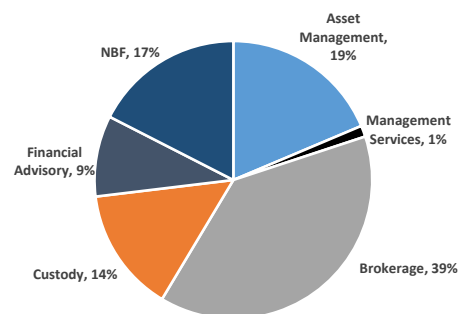
- As far as other Capital Market & Treasury Revenues are concerned, they reached EGP1.7mn in Q1 FY22, implying a 55% contraction from the Q4 FY21 figure of EGP3.6mn. On annual basis, Capital Markets & Treasury Revenues showed a 61% drop as compared with EGP4.2mn in Q1 FY21.
- The NBF company, Prime FinTech, registered EGP3.2mn of revenues in Q1 FY22, increasing 137% on a YoY, and declining 7% throughout the quarter.
- The abovementioned developments were reflected in Consolidated Revenues inching up 1% on a quarterly basis, evolving to EGP20.1mn up from EGP19.8mn in the comparable quarter. On the other hand, Consolidated Revenues slid 38% YoY as opposed to EGP32.1mn in Q1 FY21.

All figures are in EGP'000 unless otherwise stated	Q1 FY22	Q4 FY21	Q1 FY21	QoQ	YoY
Asset Management Revenues	3,431	3,736	6,615	-8%	-48%
Management Service Revenues	238	233	120	2%	98%
Brokerage Revenues	7,114	8,992	13,236	-21%	-46%
Custody Revenues	2,667	1,229	1,976	117%	35%
Financial Advisory Revenues	1,734	(1,431)	4,600	na	-62%
<b>Total Investment Bank Fees &amp; Commissions</b>	<b>15,184</b>	<b>12,759</b>	<b>26,547</b>	<b>19%</b>	<b>-43%</b>
NBF Revenues	3,218	3,450	1,359	-7%	137%
<b>Total Fees &amp; Commission Revenues</b>	<b>18,402</b>	<b>16,209</b>	<b>27,906</b>	<b>14%</b>	<b>-34%</b>
<b>Capital Market &amp; Treasury Revenues</b>	<b>1,652</b>	<b>3,637</b>	<b>4,228</b>	<b>-55%</b>	<b>-61%</b>
<b>Consolidated Revenues</b>	<b>20,054</b>	<b>19,846</b>	<b>32,134</b>	<b>1%</b>	<b>-38%</b>

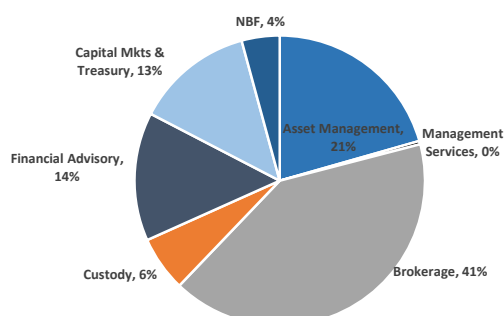
Q1 FY21 Fees & Commission Breakdown



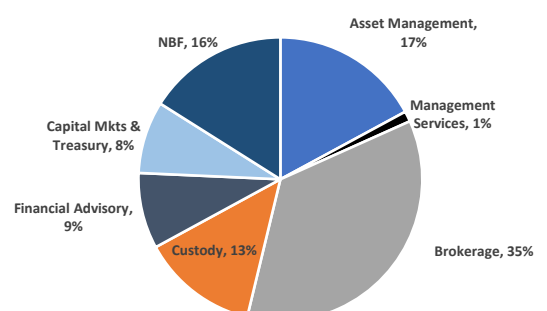
Q1 FY22 Fees & Commission Breakdown



Q1 FY21 Revenue Breakdown



Q1 FY22 Revenue Breakdown





## II. Cost Analysis

- In reflection of the cost cutting endeavors initiated by Prime Holding in 2021, total expenses witnessed a substantial improvement, as both Staff Expenses and Other G&A dropped on both YoY and QoQ bases. 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 26% of Total Operating Expenses.

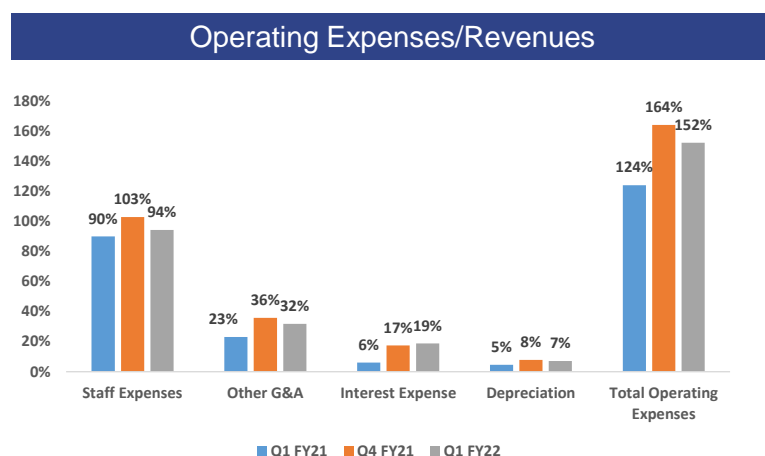
### Operating Expenses

**EGP30.6mn**

Staff	EGP18.9mn
Other G&A.	EGP6.4mn
Interest Expense	EGP3.8mn
Depreciation	EGP1.4mn

- Operating Expenses came in at EGP30.6mn in Q1 FY22, corresponding to a YoY slide of 23% from the Q1 FY21 figure of EGP39.9mn. Furthermore, on a quarterly basis, Operating Expenses showed a 6% decline from the previous quarter figure of EGP32.6mn. This was mirrored in the Operating Expenses/ Revenues ratio registering 152% compared with 124% and 164% in Q1 FY21 and Q4 FY21, respectively.
- Staff Expenses plummeted a significant 35% YoY, reading EGP18.9mn in Q1 FY22 versus EGP28.9mn in the comparable quarter, whereas on a QoQ basis, Staff Expenses shrank by 7% from EGP20.4mn in Q4 FY21. As a percentage of revenues, Staff Expenses recorded 94% compared with 90% and 103% in Q1 FY21 and Q4 FY21, respectively.
- As far as Other G&A are concerned, they exhibited a 14% YoY drop and a 10% QoQ decrease, recording EGP6.4mn in Q1 FY22 compared with EGP7.4mn and EGP7.1mn in Q1 FY21 and Q4 FY21, respectively. The said figures correspond to an Other G&A/Revenues ratio of 32% in the respective quarter versus 23% a year ago and 36% in the previous quarter.

All figures are in EGP'000 unless otherwise stated	Q1 FY22	Q4 FY21	Q1 FY21	QoQ	YoY
Staff Expenses	(18,927)	(20,421)	(28,928)	-7%	-35%
Other SG&A	(6,388)	(7,125)	(7,427)	-10%	-14%
Interest Expense	(3,788)	(3,471)	(1,986)	9%	91%
Depreciation	(1,449)	(1,578)	(1,513)	-8%	-4%
<b>Operating Expenses</b>	<b>(30,552)</b>	<b>(32,594)</b>	<b>(39,854)</b>	<b>-6%</b>	<b>-23%</b>



- Provisions for the quarter were calculated at EGP6.5mn.



### III. A Glimpse at the Balance Sheet

- Net Loans Receivables chalked up a total EGP107.6mn. The leasing business dominated the portfolio, contributing EGP96.5mn, while the first sealed factoring transaction accounted for EGP10.4mn and the consumer finance in its pre-launch phase made up the balance of EGP0.8mn.
- Shareholders' Equity stood at EGP303.9mn (EGP0.87/Share) at the end of the quarter, signaling that the stock is traded at a deep 37% discount to its book value.
- Cash & Cash Equivalents stood at EGP88.2mn at the end of the respective period.



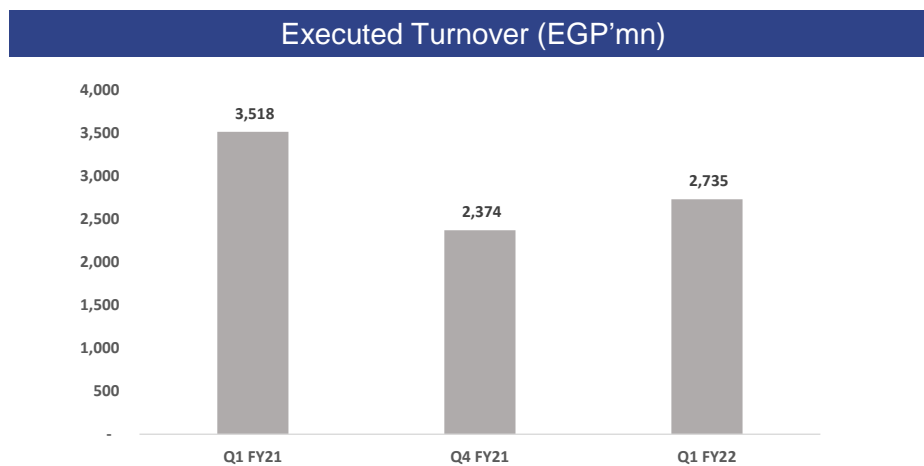
## Activities In Focus

### I. Brokerage (Prime Securities)

- Expanding market share; better rank:** In Q1 FY22, Prime Securities saw its market share ramp to 3.4% up from 3.22% a year ago and 1.88% in the previous quarter. It is important to highlight that executed turnover slumped 22% YoY, albeit at a slower pace than the market turnover, falling 26%. On a QoQ basis, Prime Securities' executed turnover rose 15% compared with a 36% decrease in market turnover.

Moreover, Prime Securities' ranking among Egyptian brokerage firms exhibited an improvement, as it stood at the 13<sup>th</sup> position in Q1 FY22 versus the 17<sup>th</sup> rank in both comparable quarters.

Q1 FY22 KPIs		
<b>EGP2.7bn Executed Value</b>	<b>3.4% Market Share</b>	<b># 13 EGX Ranking</b>



- Major block trades:** In Q1 FY22, Prime Securities executed three bloc trades in the firms hereunder:
  - National Bank of Kuwait Egypt (NBKE) (delisting)
  - Actojon for Textile Industries
  - A&H for Development & Trade
- Ramping up research production:** In Q1 FY22, Prime Research published its two annual strategy notes for 2022, covering both technical analysis and fundamental analysis:
  - The 2022 technical strategy note**, published on 10 January 2022 under the **TECHView** series, was titled **"How to Deal With Castles in the Air"**. The note presented some examples of such castles, specifically those that have formed between 2020 and 2021, the most volatile period in terms of stock price gyrations on the EGX. The note also included 14 top picks for the year 2022 along with 16 other "high-risk" stock picks for speculative traders.
  - The 2022 fundamental strategy note**, published on 30 January 2022 under the **STANDPoint** series, was titled **"Egypt Valuation Repertoire"**. The note laid down the equity outlook for 2022 under five key themes, namely higher inflation, weaker EGP, M&As, IPOs, and high dividend yield. Within these five themes, the note short-listed 15 stock picks.



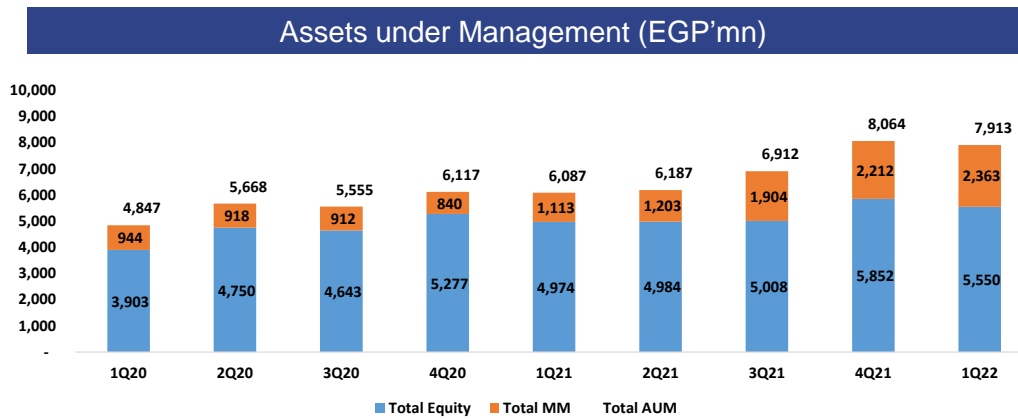
Meanwhile, during Q1 FY22, Prime Research published a total of 27 notes, covering equity, technical, and economy, in addition to the daily newsletters.

- **Launching PRIMETalk, a new podcast service:** Prime Research launched **PRIME**Talk, a new Arabic-only podcast service available on both [Apple](#) and [Google](#). The podcast, launched on 13 March 2022, aired with two episodes covering both the annual [technical](#) and [fundamental](#) strategy notes published earlier.
- **Fundamental stock picks beating the market over two months:** In the period from 30 January 2022 through end of Q1 FY22, Prime Research's 15 fundamentals-based stock picks delivered a good success rate of 67% with an average return of +2.9% per stock. Such performance beat both EGX 30 and EGX 70 EWI indices performance of -1.9% and -9.1%, respectively, over the same period.
- **Technical calls delivering above-average performance:** Prime Research published a total of 44 technical recommendations during Q1 FY22, 20 of which were closed with an average loss of 1.7% per trade, four were not triggered, and 20 were still open by end of quarter. However, with a total of 11 profitable recommendations averaging a positive return of 10.9% per trade, the success rate was above average at 55%.



## II. Asset Management (Prime Investments)

- **AUM's on the rise:** Mandated AUM's grew by an impressive 30% YoY, reaching EGP7,912mn as of March 31, 2022 compared to EGP6,087mn a year earlier. The increase is mostly attributed to new money market mandates, expanding money market AUM's by a stellar 112%. Also, equity mandates added a handsome 12%, demonstrating the strong confidence in Prime Investments' asset management skills.



- **New money market fund:** In Q1 FY22, Prime Investments was mandated a new money market fund with a size of EGP25mn from GIG insurance. The aforementioned fund was launched and fully subscribed in may 2022.





### III. Investment Banking (Prime Capital)

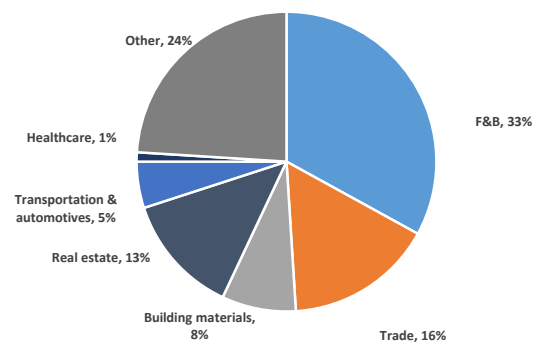
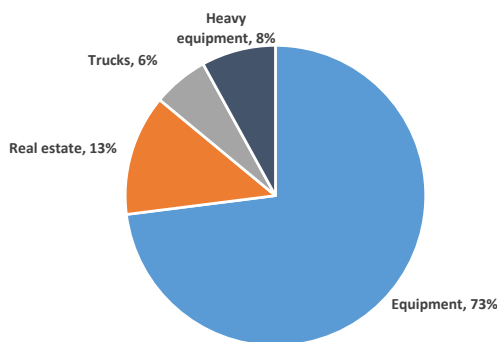
- **An illustrious transaction closed:** In Q1 FY22, Prime Capital sealed an important transaction, whereby LCP Fund II completed the acquisition of a significant minority stake in ECC Group. Prime Capital acted as the exclusive financial advisor to the seller. ECC Group is a specialized contract manufacturer and brand owner operating in the cosmeceutical and personal care industries, lead by two industry veterans with over 20 years of experience. ECC's product portfolio includes creams, lotions, gels, wax, and soaps used for skincare, haircare, bath and body, and cosmetics. ECC offers its customers a one-stop-shop, providing them with product development, product registration, product design, packaging and raw material sourcing, manufacturing, warehousing and filling. The group has been able to grow rapidly over the years, supported by longstanding relationships with leading cosmeceutical and personal care brands. ECC Group's brands include Infinity, one of the fastest growing cosmeceutical players in Egypt as well as Bobana and HairDo which focus on commercial haircare and skincare products.
- **Successful offering:** Prime Capital, the exclusive financial advisor on Egypt's first IPO of a football club, Ghazi El Mehalla, announced the successful closing of the private placement portion of the transaction. The private placement amounting to EGP37mn was fully subscribed by a diverse investor base comprising institutional and high-net-worth investors from Egypt, Saudi Arabia, and Kuwait. It is noteworthy that an additional stake worth EGP98mn is expected to be offered for public subscription in June 2022.
- **Expanding backlog:** In FY21, Prime Capital continued to boost its backlog, adding 5% to its strong pipeline. The increase is relatively small due to the closure of transactions.
- **Buy-side advisory:** Over the last year, Prime Capital acted as an advisor on the delisting of National Bank of Kuwait Egypt (NBKE). Also, it acted as a buy-side advisor in two transactions.



#### IV. Non-Banking Financial Services (Prime FinTech)

- **Diversified leasing portfolio:** As of March 2022, equipment made up the bulk of the leasing portfolio with a 73% contribution, followed by real estate (13%) and heavy equipment (8%). In terms of sector diversification, the food & beverages sector topped the list with a 33% contribution, followed by the trade sector and the real estate sector, constituting 16% and 13% of the portfolio, respectively.

Leasing Portfolio by Type of Asset      Leasing Portfolio by Sector



- **Kickoff of the factoring activity:** In Q1 FY22, Endorse sealed its first factoring contract with a total value of EGP10.4mn. The recourse factoring transaction was provided to a well-known player in the pharmaceutical sector.
- **Ready to launch the consumer finance business:** During the first quarter of the year, the stage was actively set for the official launch of the Esrefly app in Q2 FY22.



## Consolidated Income Statement

All figures are in EGP'000 unless otherwise stated	Q1 FY22	Q4 FY21	Q1 FY21
Asset Management Revenues	3,431	3,736	6,615
Management Service Revenues	238	233	120
Brokerage Revenues	7,114	8,992	13,236
Custody Revenues	2,667	1,229	1,976
Financial Advisory Revenues	1,734	(1,431)	4,600
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Other SG&A	(6,388)	(7,125)	(7,427)
Interest Expense	(3,788)	(3,471)	(1,986)
Depreciation	(1,449)	(1,578)	(1,513)
<b>Operating Expenses</b>	<b>(30,552)</b>	<b>(32,594)</b>	<b>(39,854)</b>
<b>Operating Profits</b>	<b>(10,498)</b>	<b>(12,749)</b>	<b>(7,720)</b>
Provisions	(6,450)	-	-
Expected Credit Loss	(704)	(8,713)	(2,834)
Other Income (Expenses)	235	132	1,174
<b>Net Profits before Tax</b>	<b>(17,417)</b>	<b>(21,329)</b>	<b>(9,380)</b>
Taxes	(14)	(232)	(1,987)
<b>Net Profits after Tax</b>	<b>(17,431)</b>	<b>(21,561)</b>	<b>(11,367)</b>
Minority Interest	(111)	(113)	(61)
<b>Net Profits after Unusual Items &amp; Minority Interest</b>	<b>(17,542)</b>	<b>(21,674)</b>	<b>(11,428)</b>



## Consolidated Balance Sheet

All figures are in EGP 000	31-Mar-21	31-Dec-21	31-Mar-22
Cash & Cash Equivalents	117,607	68,992	88,185
Receivables	119,076	114,687	114,411
Loans Receivables	9,710	22,143	35,605
Sundry Current Assets	25,357	12,563	12,549
<b>Total Current Assets</b>	<b>271,750</b>	<b>218,385</b>	<b>250,750</b>
Loans Receivables	22,859	63,995	71,979
Net Fixed Assets	49,255	62,322	61,079
Goodwill	220,156	220,156	220,156
Contribution to Settlement Guarantee Fund	3,076	3,570	2,544
Investments	1,992	1,940	1,940
<b>Total Non-Current Assets</b>	<b>297,338</b>	<b>351,983</b>	<b>357,698</b>
<b>Total Assets</b>	<b>569,088</b>	<b>570,368</b>	<b>608,448</b>
Short-Term Loans	81,769	76,358	95,653
Customers Credit Accounts	69,744	49,494	70,293
Long-Term Loans	23,463	67,542	73,486
Lease Obligation	-	30,000	28,641
Sundry Liabilities	16,447	17,971	22,667
<b>Total Liabilities</b>	<b>191,423</b>	<b>241,365</b>	<b>290,740</b>
<b>Provisions</b>	<b>7,831</b>	<b>5,506</b>	<b>11,919</b>
<b>Minority Interest</b>	<b>1,942</b>	<b>2,001</b>	<b>1,842</b>
<b>Total Shareholders' Equity</b>	<b>367,892</b>	<b>321,496</b>	<b>303,947</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>569,088</b>	<b>570,368</b>	<b>608,448</b>



## Share Information

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

## Trading Information

Closing Price (May 26, 2022)	EGP0.55
52-week high	EGP1.06
52-week low	EGP0.45
Average daily volume	1.7mn shares
Average daily turnover	EGP1.1mn

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## Disclaimer

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