

Prime Holding [EGX: PRMH]
Earnings Release
Q3 FY22





Prime Holding Announces Q3 FY22 Results

- Total Fees & Commission Revenues exhibited a 6% YoY increase and a 31% QoQ upsurge in Q3 FY22, chalking up EGP24.7m; whereas 9M FY22 Total Fees & Commissions decreased 15% to EGP61.8mn
- Q3 FY22 Consolidated Revenues showed a 6% increase YoY and a 27% growth QoQ, reading EGP27.6mn; declined 14% on a YTD basis to EGP69.3mn
- Operating losses narrowed 76% YoY and shrank 66% QoQ to EGP3.2mn; contracted by 26% on a 9M basis to EGP23.1mn
- Q3 FY22 Net Earnings were a negative EGP20.9mn as opposed to a negative EGP12.9mn a year ago and a negative EGP10.3mn in the previous quarter, while 9M FY22 Net Earnings came in at a negative EGP48.7mn, 39% wider than the comparable period level, as Provisions were calculated with extra precautionary measures.

Key Financial Highlights

I. Revenue Analysis

- Quarterly revenues witnessed a significant improvement, coming in at their highest level since Q1 FY21, propped up by substantial growth across most activities. Nevertheless, the revenue drop seen in the first six months of the year weighed down on YTD Consolidated Revenues.
- Total Fees & Commission Revenues added 6% YoY and 31% QoQ, recording EGP24.7mn in Q3 FY22 versus EGP23.3mn in Q3 FY21 and EGP18.9mn in Q2 FY22, while 9M FY22 Total Fees & Commissions came in 15% lower than the comparable period figure, reading EGP61.8mn as opposed to EGP72.8mn.
- The quarterly Brokerage Revenues decreased 23% YoY to EGP11.9mn, due to an exceptionally high Q3 FY21 figure at EGP15.4mn. However, on a quarterly basis, Brokerage Revenues gained a solid 30%, as execution value picked up, exhibiting a triple-digit growth rate. As far as YTD performance is concerned, Brokerage Revenues dropped 30% to EGP28.2mn in 9M FY22 compared with EGP40.1mn a year ago.
- The financial advisory activity generated EGP2.8mn of revenues in Q3 FY22, corresponding to a 45% YoY spike and a 134% QoQ expansion. Meanwhile, 9M FY22 Financial Advisory Revenues slumped 20% to EGP5.7mn versus EGP7mn a year earlier.
- The asset management arm delivered EGP2.5mn of revenues in Q3 FY22, hiking 274% YoY yet declining 17% QoQ. On a 9M basis, Asset Management Revenues dropped 27% to EGP8.9mn versus EGP12.2mn a year ago, on the heels of lackluster stock market performance that took its toll on performance fees, while management fees moved in the north direction.

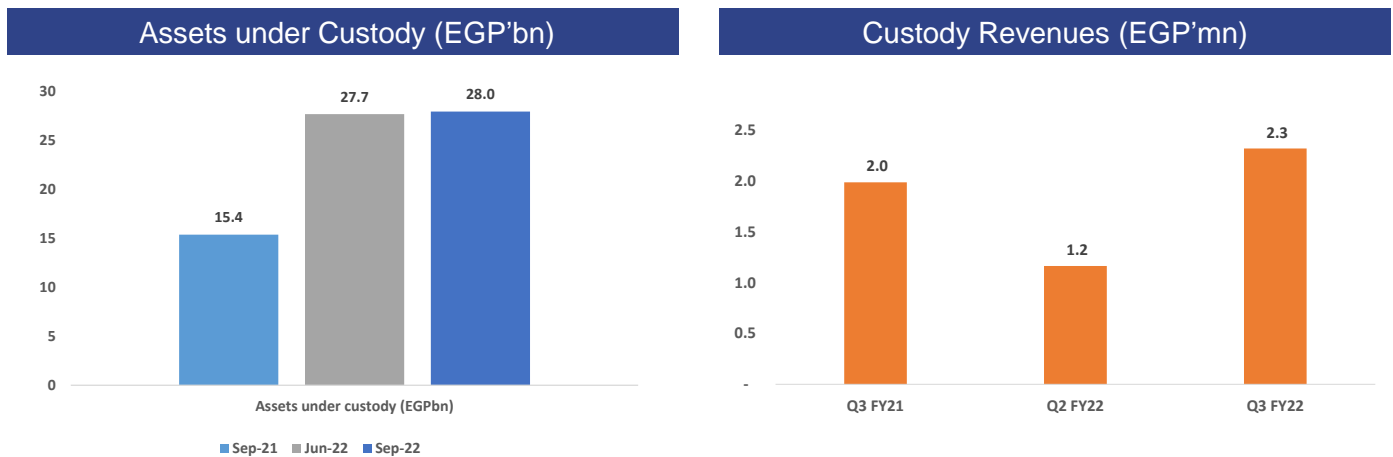
Q3 FY22 Consolidated Revenues

EGP27.6mn

Brokerage	EGP11.9mn
Fin. Advisory	EGP2.8mn
Asset Mgt.	EGP2.5mn
Custody	EGP2.3mn
Capital Mkt &Tr.	EGP2.9mn
Mgt. Services	EGP159k
NBF	EGP5.1mn



- Custody Revenues grew 17% YoY and 99% QoQ, chalking up EGP2.3mn in Q3 FY22 versus EGP2mn and EGP1.2mn in Q3 FY21 and Q2 FY22, respectively. Similarly, Custody Revenues showed a positive performance in 9M FY22, as they registered EGP6.2mn compared with EGP5.2mn in 9M FY21, implying an 18% growth. It is worthy to mention that assets under custody rose 82% YoY and 1% QoQ to a record high of EGP28bn.

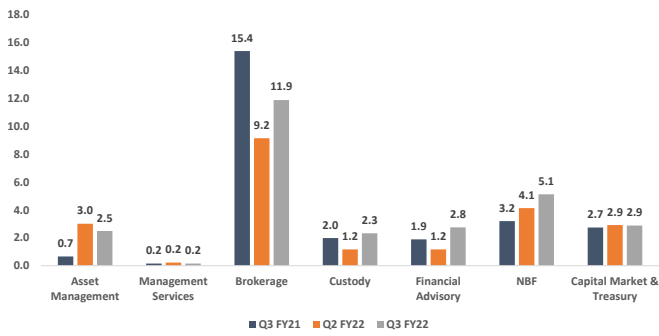


- As far as Capital Market & Treasury Revenues are concerned, they advanced 5% YoY and almost remained unchanged QoQ, as they recorded EGP2.9mn in Q3 FY22 as opposed to EGP2.7mn EGP2.9mn in Q3 FY21. Moreover, in 9M FY22, Capital Market & Treasury Revenues inched down 6% to EGP7.4mn from EGP7.9mn in the comparable period.
- The NBF arm, Prime FinTech, reported EGP5.1mn of revenues during the quarter, implying a 60% YoY increase and a 24% QoQ rise. Additionally, 9M FY22 NBF Revenues gained 57%, registering EGP12.3mn up from EGP7.8mn a year earlier.
- The abovementioned developments triggered a 6% YoY increase and a 27% QoQ growth in Q3 FY22 Consolidated Revenues, reading EGP27.6mn compared with EGP26mn in Q3 FY21 and EGP21.8mn in Q2 FY22. With regards to YTD Consolidated Revenues, they decreased 14% to EGP69.3mn down from EGP80.7mn in the comparable period.

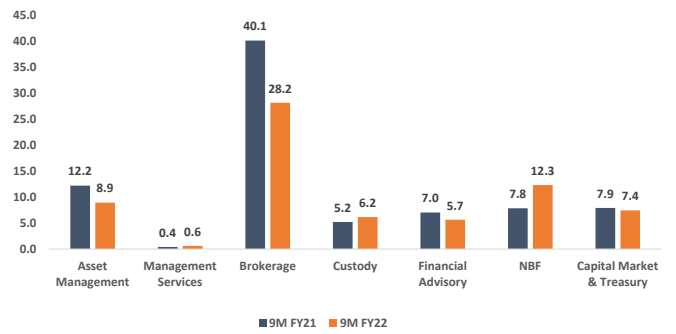
All figures are in EGP'000 unless otherwise stated	Q3 FY22	Q2 FY22	Q3 FY21	QoQ	YoY	9M FY21	9M FY22	YoY
Asset Management Revenues	2,489	3,016	666	-17%	274%	12,208	8,936	-27%
Management Service Revenues	159	229	160	-31%	0%	398	626	57%
Brokerage Revenues	11,892	9,153	15,401	30%	-23%	40,134	28,159	-30%
Custody Revenues	2,322	1,165	1,989	99%	17%	5,208	6,154	18%
Financial Advisory Revenues	2,750	1,174	1,891	134%	45%	7,046	5,658	-20%
Total Investment Bank Fees & Commissions	19,612	14,737	20,106	33%	-2%	64,994	49,533	-24%
NBF Revenues	5,128	4,131	3,200	24%	60%	7,833	12,300	57%
Total Fees & Commission Revenues	24,740	18,868	23,306	31%	6.15%	72,827	61,833	-15%
Capital Market & Treasury Revenues	2,881	2,916	2,737	-1%	5%	7,919	7,449	-6%
Consolidated Revenues	27,621	21,784	26,043	27%	6%	80,746	69,282	-14%



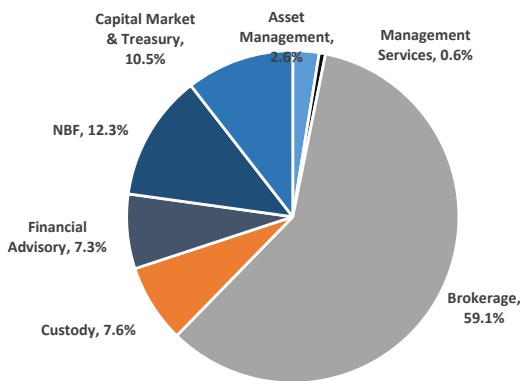
Quarterly Revenues by Activity (EGP'mn)



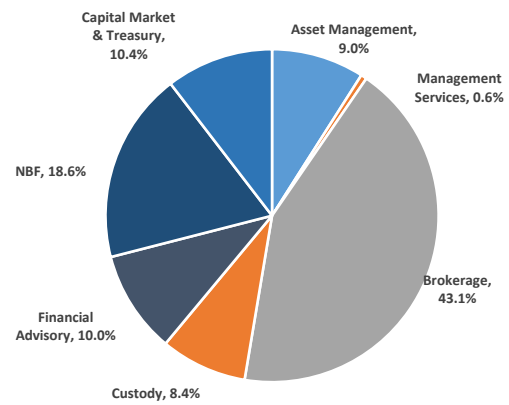
9M Revenues by Activity (EGP'mn)



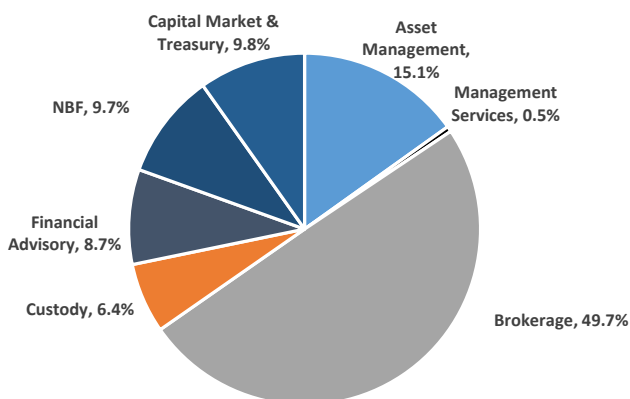
Q3 FY21 Revenue Breakdown



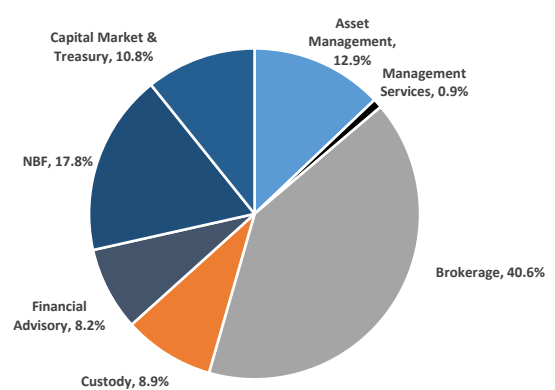
Q3 FY22 Revenue Breakdown



9M FY21 Revenue Breakdown



9M FY22 Revenue Breakdown





II. Cost Analysis

- In reflection of Prime Holding's cost cutting endeavors, Operating Expenses witnessed a substantial improvement, as Staff Expenses exhibited a decline on both YoY and QoQ bases as well as year to date.
- Standing at EGP30.8mn in Q3 FY22, Operating Expenses showed a YoY decrease of 22% from the Q3 FY21 figure of EGP39.4mn. This was reflected in the Operating Expenses/Revenues ratio evolving to 112% versus 151% a year earlier. On a QoQ basis, Operating Expenses declined 1%, corresponding to a 31 pp shrinkage in the Operating Expenses/Revenue ratio.
- With respect to year-to-date comparison, Operating Expenses declined 17%, recording EGP92.4mn in 9M FY22 as opposed to EGP111.8mn in 9M FY21, leading to a decrease in the Operating Expenses/Revenues ratio to 133% down from 138%
- Staff Expenses tumbled down 38% YoY, reading EGP15.4mn in Q3 FY22 versus EGP24.9mn in the respective quarter, reflecting in a decrease in the Staff Expenses/Revenues ratio, reading 56% down from 96%. Furthermore, Staff Expenses exhibited a 13% drop QoQ, implying a 26 pp improvement in the Staff Expenses/Revenues ratio. As for 9M FY22 Staff Expenses, they came in 30% lower at EGP52.2mn as opposed to EGP75mn in 9M FY21, mirroring in a drop in the Staff Expenses/Revenues ratio to 75% in 9M FY22 down from 93% a year ago.
- As far as Other G&A are concerned, they almost remained unchanged YoY at EGP7.1mn, whereas on QoQ basis they advanced 27%. The resultant was an Other G&A/Revenues ratio of 26% compared to 27% a year ago and 25% in the previous quarter. Throughout the first nine months of the year, Other G&A decreased 10% to EGP19mn compared with EGP21.2mn in 9M FY21. However, in view of the revenue decrease, the improvement did not culminate in a better Other G&A/Revenues ratio, as the latter inched up to 27% from 26%.

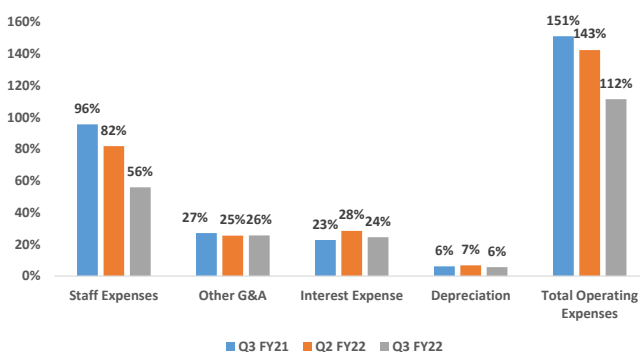
Q3 FY22 Operating Expenses

EGP30.8mn

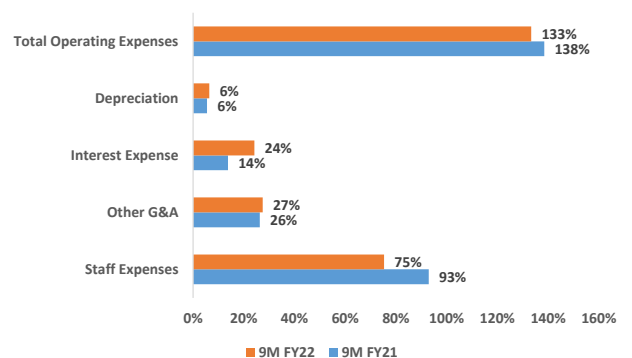
Staff	EGP15.4mn
Other G&A	EGP7.1mn
Interest Expense	EGP6.7mn
D&A	EGP1.5mn

All figures are in EGP'000 unless otherwise stated	Q3 FY22	Q2 FY22	Q3 FY21	QoQ	YoY	9M FY21	9M FY22	YoY
Staff Expenses	(15,441)	(17,831)	(24,902)	-13%	-38%	(75,016)	(52,199)	-30%
Other SG&A	(7,065)	(5,553)	(7,033)	27%	0%	(21,231)	(19,006)	-10%
Interest Expense	(6,748)	(6,205)	(5,895)	9%	14%	(11,131)	(16,741)	50%
Depreciation & Amortization	(1,549)	(1,458)	(1,569)	6%	-1%	(4,449)	(4,455)	0%
Operating Expenses	(30,803)	(31,047)	(39,399)	-1%	-22%	(111,827)	(92,401)	-17%

Operating Expenses/Revenues (Qs)



Operating Expenses/Revenues (9M)





- ECL was calculated according to IFRS standards at EGP12.7mn in Q3 FY22 and EGP14.4mn in 9M FY22, while Provisions came in at EGP5mn in the quarter and EGP12.1mn year to date.

III. A Glimpse at the Balance Sheet

- Net Loans Receivables came in at a total EGP119.4mn. The leasing business dominated the portfolio, contributing EGP109mn, while the factoring activity accounted for EGP9.9mn and the consumer finance made up the balance of EGP0.5mn.
- Shareholders' Equity stood at EGP272.5mn (EGP0.78/Share) at the end of the quarter.
- Cash & Cash Equivalents stood at EGP715.9mn at the end of the respective period, temporarily puffed up by the high level of a credit account associated with a block trade customer.



Activities In Focus

I. Brokerage (Prime Securities)

- Stellar performance:** The brokerage business demonstrated an upbeat performance in Q3 FY22, as executed turnover surged 123% QoQ and 32% YoY, chalking up EGP5,543mn. The aforementioned growth significantly outpaces the change in market execution, as the latter rose 14% QoQ and declined 24% YoY.

Q3 FY22 KPIs

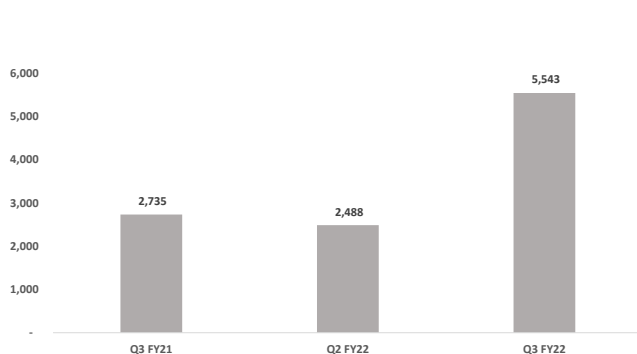
EGP5.5bn
Executed
Value

5.5%
Market
Share

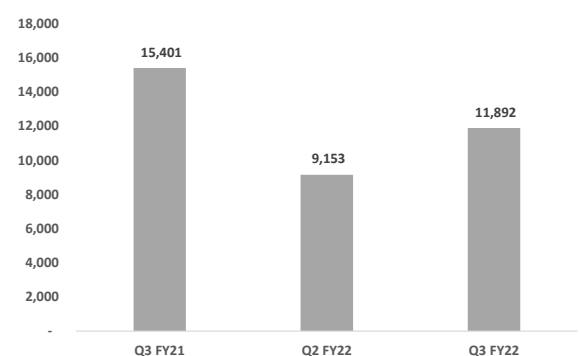
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EGX
Ranking

- Expanding market share; advanced ranking:** Prime Securities' market share substantially grew to 5.5% in Q3 FY22 as opposed to 2.8% in the previous quarter. This was mirrored in Prime Securities' ranking moving five notches up, standing at the 7th position. Likewise, Prime Securities showed an improved market positioning on a YoY basis, as compared with Q3 FY21 market share of 3.2% and market rank #16.

Executed Turnover (EGP'mn)



Brokerage Revenues (EGP'000)



- Major block trades:** Block trades played a major role in the dynamic performance. In Q3 FY22, Prime Securities executed seven block trades, involving the sale of significant stakes in the firms hereunder:
 - Alexandria Medical Services (AMES)
 - National Bank of Kuwait
 - BICC Cables
 - Ibn Sina Touristic Development
 - Egyptian Drilling Company
 - Arabian Food Industries (Domty)
 - Cairo Investment & Real Estate Development (CIRA)

- Expanding research coverage with a close follow-up on the market's main topics:** In Q3 FY22, Prime Research initiated coverage on Arabian Food Industries (Domty) [[DOMT](#)], bringing core coverage to 22 stocks. In addition to the regular daily newsletters, Prime Research published 12 notes during the quarter, covering equity, technical, and economy. These included one thematic note on [EGYPTBanks](#), where we analyzed EGX-listed banks' H1 2022 results with an emphasis on Q2 2022, putting the spotlight on top performers. Furthermore, we published a [TAKEStock](#) note that was first-to-market, reflecting on the implications of the Central Bank of Egypt's decision to raise the required reserve ratio and what it meant for EGX-listed banks. We also summarized our view on [PRIMETalk](#) podcast Episode No. 7.



- **Launching STOCKPick:** During Q3 FY22, Prime Research launched **STOCKPick**, a new product catering to our institutional and high-net-worth clients. In this new research product, we pick a stock(s) that we think is (are) worth taking a closer look at. This could be a long and/or a short investment idea on (a) an absolute basis (i.e. cheap/dear valuation) and/or (b) from a relative valuation point of view (i.e. a higher/lower risk-adjusted return).
- **Our January technical call of local market weakness evidenced by global market volatility:** During Q3 FY22, our local market suffered from global markets violent fluctuations, especially the U.S. market (namely Dow Jones Industrial Average “DJIA”). [In the technical analysis brief during our morning meeting dated 9 January 2022](#) (click to listen), we at Prime Research had expected the local market to fall in line with DJIA. Indeed, we had warned our clients from the DJIA witnessing a strong violent correction wave of 18-25%, which started from the major resistance level of 37,000, targeting the first support level of 30,000. We note that DJIA hit a 52-week low of 28,667 in intraday trading on 13 October 2022, closing down 21% since our call, while EGX 30 had fallen 19% over the same time horizon. We continue to follow up with our clients to gauge the possible negative impact of such global markets gyrations on our local market.



II. Financial Advisory (Prime Capital)

- **Sealed landmark transaction:** Prime Capital acted as the exclusive financial advisor to the LimeVest-Tawasol Consortium that acquired a majority stake in Alexandria Medical Services (AMES) in a deal worth EGP928.7mn, bringing the consortium's stake in AMES to 96%.

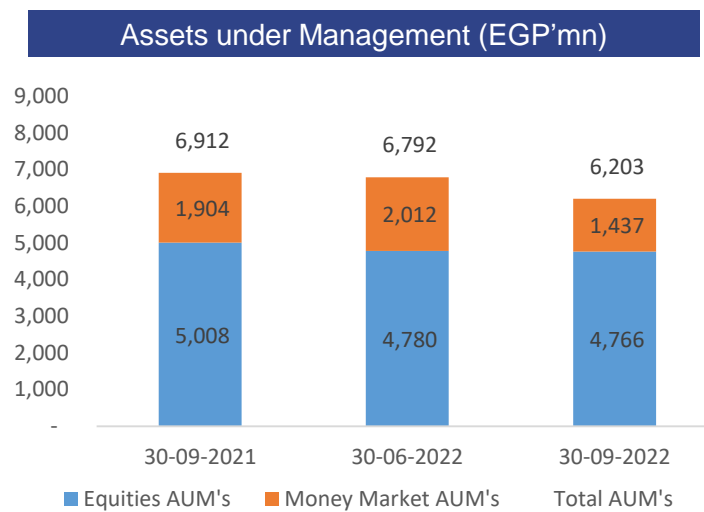
- **Other buy-side advisory:** Furthermore, Prime Capital acted as a buy-side advisor in transactions involving the sale of significant stakes in the firms hereunder.
 - i. National Bank of Kuwait (delisting)
 - ii. BICC Cables
 - iii. Ibn Sina Touristic Development
 - iv. Egyptian Drilling Company
 - v. Arabian Food Industries (Domty)
 - vi. Cairo Investment & Real Estate Development (CIRA)

- **Solid backlog:** Prime Capital has a healthy backlog of which two important transactions are expected to be concluded in Q4 FY22 and Q1 FY23.



III. Asset Management (Prime Investments)

- **Sizeable AUM's:** In Q3 FY22, Equity AUMs remained unchanged at their previous quarter level, hinging on the EGP4.8bn mark, while money-market AUMs dropped 29% QoQ to EGP1.4bn, as high-interest-rate CDs continued to lure in retail investors and big corporates benefited from high bank overnight rates. The said developments were reflected in a 9% QoQ decline in total AUMs, recording EGP6.2bn as of September 30, 2022. On a YoY basis, total AUMs exhibited a 10% decline, as money-market funds dropped for the abovementioned reasons, while the negative stock market performance casted its shadows on the equity AUMs



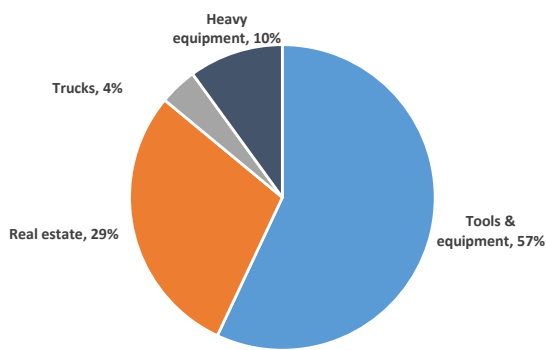
- **New funds launched :** 9M FY22 witnessed the launch of two fresh money-market funds by Prime Investments:
 - On July 1, 2022, Prime Investments launched a new money market fund, Amman Youm bi Youm, with Amman Micro Finance. The aforementioned fund was fully subscribed on July 19, 2022.
 - In Q1 FY22, 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.



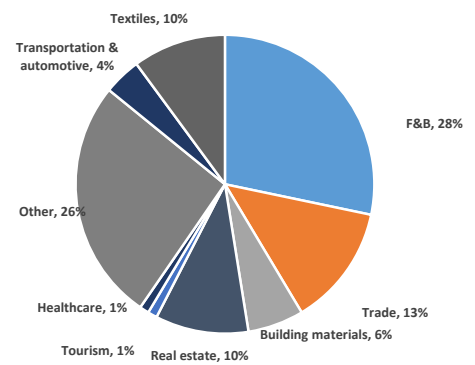
IV. Non-Banking Financial Services (Prime FinTech)

- **Diverse leasing portfolio:** As of September 2022, tools & equipment made up the bulk of the leasing portfolio with a 57% 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 constituting 13%, and the real estate and textiles sectors each representing 10%.

Leasing Portfolio by Type of Asset



Leasing Portfolio by Sector





Consolidated Income Statement

All figures are in EGP'000 unless otherwise stated	Q3 FY22	Q2 FY22	Q3 FY21	9M FY21	9M FY22
Asset Management Revenues	2,489	3,016	666	12,208	8,936
Management Service Revenues	159	229	160	398	626
Brokerage Revenues	11,892	9,153	15,401	40,134	28,159
Custody Revenues	2,322	1,165	1,989	5,208	6,154
Financial Advisory Revenues	2,750	1,174	1,891	7,046	5,658
Total Investment Bank Fees & Commissions	19,612	14,737	20,106	64,994	49,533
NBF Revenues	5,128	4,131	3,200	7,833	12,300
Total Fees & Commission Revenues	24,740	18,868	23,306	72,827	61,833
Capital Market & Treasury Revenues	2,881	2,916	2,737	7,919	7,449
Consolidated Revenues	27,621	21,784	26,043	80,746	69,282
Staff Expenses	(15,441)	(17,831)	(24,902)	(75,016)	(52,199)
Other SG&A	(7,065)	(5,553)	(7,033)	(21,231)	(19,006)
Interest Expense	(6,748)	(6,205)	(5,895)	(11,131)	(16,741)
Depreciation & Amortization	(1,549)	(1,458)	(1,569)	(4,449)	(4,455)
Operating Expenses	(30,803)	(31,047)	(39,399)	(111,827)	(92,401)
Operating Profits	(3,182)	(9,263)	(13,356)	(31,081)	(23,119)
Provisions	(4,983)	(625)	(39)	(2,500)	(12,058)
Expected Credit Loss	(12,721)	(963)		(900)	(14,389)
Other Income (Expenses)	459	1,009	344	1,827	1,881
Net Profits before Tax	(20,427)	(9,842)	(13,051)	(32,654)	(47,685)
Taxes	(344)	(301)	273	(2,108)	(659)
Net Profits after Tax	(20,771)	(10,143)	(12,778)	(34,762)	(48,344)
Minority Interest	(74)	(117)	(85)	(191)	(302)
Net Profits after Unusual Items & Minority Interest	(20,845)	(10,260)	(12,863)	(34,953)	(48,646)



Consolidated Balance Sheet

All figures are in EGP 000	31-Dec-21	30-Jun-22	30-Sep-22
Cash & Cash Equivalents	68,992	101,404	715,924
Receivables	114,687	103,349	118,222
Loans Receivables	22,143	50,046	42,121
Sundry Current Assets	12,563	20,907	10,443
Total Current Assets	218,385	275,706	886,710
Loans Receivables	63,995	86,460	77,290
Net Fixed Assets	62,322	56,061	59,162
Goodwill	220,156	220,156	220,156
Contribution to Settlement Guarantee Fund	3,570	2,595	2,838
Investments	1,940	1,940	1,940
Total Non-Current Assets	351,983	367,212	361,386
Total Assets	570,368	642,918	1,248,096
Short-Term Loans	76,358	94,838	100,322
Customers Credit Accounts	49,494	89,466	703,481
Long-Term Loans	67,542	90,844	83,039
Lease Obligation	30,000	27,239	30,223
Sundry Liabilities	17,971	39,213	45,824
Total Liabilities	241,365	341,600	962,889
Provisions	5,506	6,044	10,705
Minority Interest	2,001	1,960	2,034
Total Shareholders' Equity	321,496	293,314	272,468
Total Liabilities & Shareholders' Equity	570,368	642,918	1,248,096



Share Information

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

Trading Information

Closing Price (October 30, 2022)	EGP0.5
52-week high	EGP0.72
52-week low	EGP0.45
Average daily volume	2.4mn shares
Average daily turnover	EGP1.3mn

Investor Relations Contacts

Gihane Halawa, CFA

Direct : +2 02 3300 5772

Mobile : +2 0100 125 8181

gshalawa@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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