EFG HERMES REPORTS FIRST QUARTER 2020

GROUP EARNINGS OF EGP90 MILLION; ON OPERATING REVENUE OF EGP965 MILLION

Cairo, May 21st, 2020 – EFG Hermes reports first quarter 2020, with Group earnings of EGP90 million on operating revenues of EGP965 million. The Group's total assets stood at EGP39.5 billion at the end of 1Q20.

Key Highlights

1Q20

- EFG Hermes took a very prudent approach to its first quarter numbers. Preparing for unforeseen risks, the company took significant provision charges for its NBFIs portfolio that do not reflect a deterioration in the credit quality of its book. We feel that this precautionary measure in response to the proliferation of the COVID-19 virus, while on the conservative side, puts us in a stronger position for the rest of the year where uncertainties are expected to heighten and the economic outlook remains weak;
- Additionally and despite the FRA postponing its implementation to year-end after the outbreak of the COVID-19 virus, EFG Hermes decided to proceed with an early adoption of IFRS 9 (Financial Instruments) in 1Q20 financial statements to showcase the resilience of the company's financial statements during these challenging times. Consequently, the movement of seed capital/investments to FVTPL from FVTOCI, in such volatile capital market conditions, had a negative impact on the P&L;
- EFG Hermes NBFIs revenues continued to increase, adding 19% Y-o-Y in 1Q20; however, EFG Hermes Group revenues declined 24% Y-o-Y to EGP965 million in 1Q20 as the comparable quarter included exceptionally strong incentive fees of EGP236 million from the Private Equity's wind portfolio exit;
- Sell-side revenues lost 29% Y-o-Y to EGP229 million in 1Q20, mainly on lower Brokerage revenues, which declined 26% Y-o-Y to EGP213 million, largely on losses, recorded by the Fixed Income desk of EGP44 million in 1Q20; and on lower revenue reported by Egypt as the margin book contracted. Investment Banking revenues decreased 54% Y-o-Y to EGP17 million in 1Q20, on lower advisory fees;
- Buy-side revenues declined 70% Y-o-Y to EGP106 million in 1Q20, as 1Q19 included Private Equity's incentive fees from Vortex I & II exit. The division recorded revenues of EGP44 million, lower by 83% Y-o-Y; however, 1Q20 included incentive fees of EGP16 million booked by TDF II from Vezeeta's exit. Meanwhile, Asset Management revenues declined 31% Y-o-Y to EGP61 million in 1Q20, on lower management fees booked by our Regional asset manager;
- NBFIs revenues continued its upward trend, with its revenues increasing 19% Y-o-Y to EGP362 million in 1Q20. This was triggered by an increase in Tanmeyah's revenues, which rose 17% Y-o-Y to EGP296 million in 1Q20, on a larger portfolio Y-o-Y; and on valU's strong revenue growth, which skyrocketed more than six times Y-o-Y to reach EGP20 million;
- Capital markets & treasury revenues slipped 8% Y-o-Y to EGP268 million in 1Q20; mainly on unrealized losses developing from the move of seed capital/Investments from Investments at fair value through OCI (FVTOCI) to Investment at fair value through profit & loss (FVTPL); and despite higher interest income and capital gains;
- Group operating expenses came broadly unchanged Y-o-Y; inching up 2% Y-o-Y to EGP827 million in 1Q20, as the increase of provisions taken by the NBFIs platform was off-set by lower bonus provisions booked by the Group;

- Group net operating profit and the net profit after tax and minority interest declined 70% Y-o-Y and 76% Y-o-Y; respectively, to EGP139 million and EGP90 million, in 1Q20; on declining Investment Bank revenues and higher NBFIs provisions;
- The NBFIs net profit after tax and minority interest reported a loss of EGP22 million in 1Q20, mainly on exceptional provisions taken by the Platform which reached EGP138 million for the quarter. It is important to once again note that, those provisions do not reflect a deterioration in the credit quality of the NBFIs book, but is rather a precautionary measure in the face of the COVID-19 virus;
- As the economic situation in Lebanon continued to worsen in 1Q20, with potential additional defaults on debt, an overvalued currency, an economy that is contracting by double digits even before the ongoing public health crisis necessitated a further assessment of the fair value of the remaining stake that we hold in Lebanese bank Credit Libanais. Accordingly, the management took a decision, to write-down 100% of the remaining investment during the quarter.

For full report and financial statements, please click on the links on top of the page.

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