

# Leading Transformation

2017 EARNINGS RELEASE

March 2018



بن تون المالية  
BELTONE FINANCIAL

Beltone Financial reports strong sets of operational results in 2017. Reported earnings after minority came in at EGP9 million in 2017, versus EGP44 million in 2016. However, excluding the one-off FX gain of EGP87 million in 2016, the company would have reported a loss of EGP43 million in 2016. On a standalone basis Beltone earnings are EGP55 million in 2017.

At the operational level, total revenue reached EGP700 million in 2017 versus EGP231 million in 2016, and this was mainly driven by the acquisition of Auerbach Grayson (AG) in the US. If we exclude AG from Beltone operations in 2017 and the one-off FX gain in 2016, Beltone standalone revenue still doubled year-on-year to EGP276 million, versus EGP144 million in 2016.

On a standalone basis, Beltone Brokerage witnessed robust year-on-year growth of 114% and was the main contributor to total revenue (65%), followed by Investment Banking (24% of revenue) whose revenue more than tripled year-on-year, driven by the successful closure of the initial public offering of MTI and Ibsina, while Asset Management (11% of revenue) was down 10% y-o-y.

At the cost level, total expenses reached EGP704 million in 2017, versus EGP164 million in 2016, mainly due to the acquisition of Auerbach Grayson (AG). On a standalone basis, Beltone expenses were up 29% year-on-year in 2017.

**Chief Executive Officer, Bassem Azab, says,** “2017 was an exceptional year for Beltone Financial. We have managed to grow our topline by over 200% and capture market share across multiple fronts.

Our brokerage franchise has gained significant market share resulting in better ranking in the local market. Leveraging our US brokerage business, Auerbach Grayson, we are able to provide more access to international clients while enhancing the level of service.

Our investment banking team has executed several landmark transactions, including two of the best performing initial public offerings since 2011. We continue to serve our clients with best-in-class capabilities in mergers and acquisitions, debt financing, and equity capital markets, and strive to maintain a leading advisory and capital markets franchise.

Furthermore, our asset management team has maintained its position as the largest asset manager in Egypt in terms of AUMs. We continue to see opportunities in the market, which offers room to capture more market share. We will pursue these opportunities by providing our clients with a broad range of innovative products and comprehensive advice to better serve their needs.

We undertook various restructuring actions at Auerbach Grayson, which lead to significant improvement in operating expenses. This improved structure will build a path for better performance in numbers and market share.

Our people continue to be the foundation of our success and our most important competitive advantage. We continue to remain committed to attract and retain the most talented professionals in the industry, which is vital to the growth and success of our business.

Going forward, our strategy will be to continue focusing on enhancing our placement power, leveraging Auerbach Grayson’s global reach in over 125 markets around the world.

We will continue to manage our business with discipline and agility to be prepared for any market moves. This will keep us ready to capture opportunities as markets conditions or regulatory environments change while making sure we are in the best position to serve our clients and create value for our shareholders.

## Summary of Financial Performance

Operating revenue	2016	2017	y-o-y
Brokerage	76	163	114%
Investment Banking	18	61	238%
Asset Management	31	28	-10%
<b>Beltone operating revenue</b>	<b>125</b>	<b>252</b>	<b>116%</b>
Brokerage AG	-	423	n/m
<b>Total Operating revenue</b>	<b>125</b>	<b>675</b>	<b>442%</b>

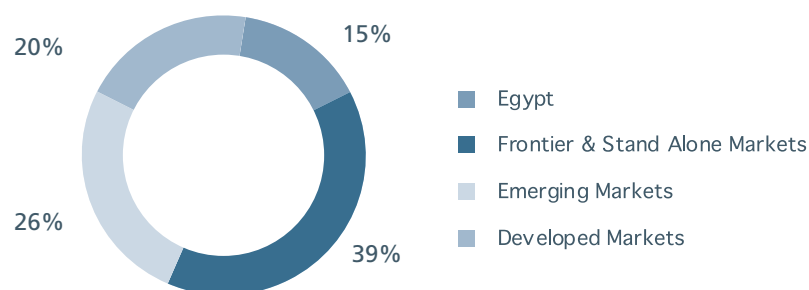
Operating expenses	2016	2017	y-o-y
Beltone Compensation	(90)	(110)	22%
Other expenses	(73)	(100)	37%
<b>Beltone expenses</b>	<b>(164)</b>	<b>(210)</b>	<b>28%</b>
AG Compensation	-	(193)	n/m
Other expenses (AG)	-	(301)	n/m
<b>Total expenses</b>	<b>(164)</b>	<b>(704)</b>	<b>329%</b>

During 2017, the concentration was on refocusing Auerbach Grayson on its unparalleled core international business, which led to nonrecurring expenses. However, the management's efforts were rewarded in Q4 2017 when equity trading commissions were at their highest levels in over almost ten years. Auerbach Grayson's efforts led to a reduction of approximately 25% in operating expenses since the first quarter of 2017. Management continues to work on creating greater operating efficiencies and capitalizing on group synergies.

The brokerage division revenues realized lifetime record of EGP586 million in 2017, up almost eight folds over 2016 brokerage figures. This came after the successful acquisition of Auerbach Grayson that contributed almost EGP423 million to revenues. Meanwhile, the Egypt brokerage business recorded EGP163 million, growing the standalone Egypt business over 240% over 2016, and almost the highest ever seen in the firm.

- On the equities side, Beltone standalone brokerage executions reached EGP36.24 billion, up 84% from 2016, in addition to over EGP200 billion worth of global executions by Auerbach Grayson in over 100 international markets.
- The current setup for the brokerage business provides a very asset light exposure to all frontier, emerging, and developed global markets and significantly diversifies the revenue stream across different regions.
- Fixed income brokerage remained a strong contributor to the brokerage top line showing a healthy 48% growth year-on-year, contributing almost 7.5% of the Egypt brokerage numbers.
- Beltone Brokerage has managed the most successful placements of IPOs in Egypt during 2017, having MTI covered over 9.2x in the private placement and 19.3x in the public offering, in addition to Ibn Sina Pharma, which was covered over 17x in the private placement and over 18x in the public offering, raising over EGP2.5 billion, and alongside multiple private placements successfully closed by the brokerage arm.
- Moreover, Auerbach Grayson capital markets unit has managed to actively participate in global IPOs and Follow-on Offerings for over USD2 billion in 2017, spanning 14 countries across Africa, Latin America, Asia, and Europe. This resulted in successfully growing Equity Capital Markets fees by over four folds in comparison to the 2016 ECM fee income.
- The combined efforts of Beltone and Auerbach Grayson allowed us to grow our corporate access presence with four conferences in one year, in addition to hosting and partnering in over 24 global conferences, offering our clients consistent access to their investments in the international markets. The largest conference, held in New York, was the 2017 Auerbach Grayson Frontier and Emerging Markets Conference, which was attended by over 100 funds participating and over 50 companies from 27 countries around the world. Conferences further included one Egypt conference in Cairo, one Egypt and Africa conference in Cairo, and one South Asia conference in Dubai.
- The equity commission split by market type was as follows for 2017:

## Group Equities Revenue by region



## Brokerage KPIs

	EGP	EGP	%
	2016	2017	
Beltone Standalone Brokerage Executions	19.7bn	36.2bn	84%
Beltone Standalone Brokerage Revenues	76mn	163mn	114.5%
Auerbach Grayson Executions		200bn	
Auerbach Grayson Revenues		423mn	

- In 2017, Beltone Investment Banking revenues rose 219% year-on-year, recording EGP57.1 million. During that period, Beltone Investment Banking concluded three capital market transactions, including managing two initial public offerings on the Egyptian Exchange.
- In April, the firm acted as the Sole Global Coordinator and Bookrunner for the initial public offering of MM Group for Industry and Trade (MTI) on the Egyptian Exchange. The EGP708 million offering was oversubscribed 9.2x and 19.3x, for the institutional and retail tranches, respectively.
- In May, the firm acted as the Sole Financial Advisor for the delisting of Orascom Development Holdings (ODH) Egyptian Depository Receipts from the Egyptian Exchange in a deal worth EGP990 million.
- In December, the firm acted as the Sole Global Coordinator and Bookrunner for the initial public offering of Ibsina Pharma on the Egyptian Exchange. The EGP1,560 million offering was oversubscribed 17.1x and 18.2x, for the institutional and retail tranches, respectively.
- During 2017, Beltone Investment Banking has also advised on two debt raising and restructuring mandates in excess of EGP11 billion.

- Beltone’s Assets Under Management (AUMs) stood at EGP27.9 billion (USD1.6 billion) at the end of 2017, growing at 8% in the second half of 2017 and 48% for the full year. During that period, Beltone Asset Management maintained its leading position in the Egyptian market with a market share of 43% of the fund industry and representing 47% of the money market industry. Beltone Asset Management is also looking to expand both product offering and client base, and to cater to new clients across MENA and global markets.
- Egypt fixed income mandates, which totaled EGP20.8 billion, posted an increase of 6% in the second half of 2017 and 58% for the full year, despite the very challenging environment following the issuance of high interest rate CDs in November 2016, the continuing rise of short-term interest rates offered by banks, and the overall high interest rate environment.
- Egypt and MENA equity mandates stood at EGP6.7 billion in December 2017, a surge of 17% over June 2017 and an increase of 54% for the full year, representing 24% of total AUMs. Egypt equity mandates, both active and passive, were in demand as the Egyptian macroeconomic environment significantly improved following the EGP floatation in November 2016.
- On the business development side, the company launched its first offshore Africa Fixed Income Fund in October 2017. The fund aims to provide access to the Egyptian & African Fixed Income markets to qualified investors. In addition, and in line with the strategy to diversify the company’s client base, Beltone Asset Management won its first governmental institution discretionary equity portfolio, paving its way to substantial growth in the equity mandates and further improving the Asset Management fee structure.

## ASSET UNDER MANAGEMENT BREAKDOWN

