

## CONTACT FINANCIAL ANNOUNCES 1H-2023 RESULTS

*Contact continued to successfully navigate challenging macroeconomic conditions to deliver strong operational and financial growth in the first six months of 2023*

**Cairo, 15<sup>TH</sup> of August 2023**

Contact Financial Holding SAE (CNFN.CA), Egypt's largest non-bank financial services provider, announced today its consolidated financial results for the quarter and six-month period ending 30 June 2023, reporting solid year-on-year operating income growth across its financing and insurance divisions of 47% and 53%, respectively in 2Q-2023, as well as 37% and 48%, respectively in 1H-2023. Financing net income rose by 71% year-on-year in 2Q-2023 and 21% year-on-year in 1H-2023, while insurance net income was up 21% year-on-year during the quarter, and 30% versus the same six months of last year. On a consolidated basis, normalized net income<sup>1</sup> rose by 57% year-on-year to EGP 206 million in 2Q-2023, and reached EGP 384 million in 1H-2023, representing a 26% year-on-year expansion.

### 1H-2023 and 2Q 2023 Key Financial and Operational Highlights

	1H-2022	1H-2023	Change	2Q-2022	2Q-2023	Change
<b>Financing Division</b>						
Total Portfolio (EGP bn)	12.4	18.1	46%	12.4	18.1	46%
Financing Operating Income (EGP mn)	681	932	37%	320	470	47%
Financing Net Income (EGP mn)	238	287	21%	97	166	71%
<b>Insurance Division</b>						
Gross Written Premiums (EGP mn)	504	832	65%	252	395	57%
Insurance Operating Income (EGP mn)	105	155	48%	48	73	53%
Insurance Net Income (EGP mn)	29	38	30%	11	14	21%
<b>Consolidated Results</b>						
Total Operating Income (EGP mn)	787	1,092	39%	368	544	48%
Net Income (EGP mn)	258	308	19%	104	172	65%
Annualized Return on Average Equity	22.3%	25.3%	3.0 pts	18.4%	28.5%	10.1 pts
<b>Normalized Net Income (EGP mn)</b>	<b>304</b>	<b>384</b>	<b>26%</b>	<b>132</b>	<b>206</b>	<b>57%</b>

In 2Q-2023, new financing extended at Contact's financing division rose by 45% y-o-y to EGP 3.8 billion, and bringing the year-to-date figure up to EGP 7.9 billion, a 55% year-on-year increase. New financing growth was primarily driven by Contact's Consumer Finance, Auto, and Commercial Trucks segments. Backed by the solid expansion in new financing, the division's operating income increased 47% year-on-year in 2Q-2023 to EGP 470 million, driving a 37% year-on-year in 1H-2023 to EGP 932 million. The robust growth in financing operating income supported a 71% year-on-year increase in the division's net income to EGP 166 million during the second quarter of the year. This drove a 21% year-on-year increase in the division's net income to EGP 287 million for the six-month period ended 30 June 2023. Meanwhile, Contact's insurance division witnessed strong results across both of its subsidiaries, Sarwa Life and Sarwa Insurance. Total gross written premiums (GWP) across both insurance companies reached EGP 395 million in 2Q-2023 and EGP 832 million in 1H-2023, up by 57% and 65% year-on-year, respectively. Accordingly, insurance operating income was up 53% year-on-year to EGP 73 million in 2Q-2023 and 48% year-on-year to EGP 155 million in 1H-2023. Meanwhile, the segment's net income also delivered solid increases for the two reporting periods, rising

<sup>1</sup> Normalized net income adjusts for the following: Net effect of new rent standard, Tech investments, Non-recurring marketing expense, Effect of discounting provision on income tax, and the effect of ECL consumer provision on income tax

21% year-on-year to EGP 14 million and 30% year-on-year to reach EGP 38 million in 2Q-2023 and 1H-2023, respectively.

**Commenting on the results, management said:** “We are pleased to report that despite the difficult operating conditions faced since the start of the year, both of our divisions reported another strong set of financial and operational results, further showcasing the effectiveness of our growth, value creation, and mitigation strategies. Taking a more detailed look at our results, the past six months saw us achieve robust growth at our Auto and Truck segments, with the Auto segment in particular witnessing strong year-on-year growth. The segments partially benefitted from a gradual recovery of their respective markets following the easing of import restrictions earlier in the year. In parallel, our Consumer Financing segment once again reported impressive growth on the back of a growing merchant network, a broader product offering, and increased market penetration. On the digital front, we were particularly happy to note the continued ramp up of our revamped ContactNow app. The app, which witnessed a more than two-fold increase in average daily registrations during the first half of 2023, is enabling us to reach a larger customer base, boost engagement and retention rates, and deliver an increasingly tailored user experience to new and existing customers. Similarly, our insurance division is expanding at a remarkable pace, achieving steady growth on the back of increased market penetration and cross-selling, while also continuing to benefit from the new product launches completed throughout 2022. Finally, during the first six months of the year, our debt capital markets division completed several landmark issuances, demonstrating an unmatched ability to tap into capital markets notwithstanding of the prevailing market conditions, continuing to safeguard the Group’s liquidity requirements.”

On a **product basis**, the Auto Loans and Consumer Finance segments were the top performers during the period, delivering year-on-year new financing growth of 103% and 62%, respectively during 2Q-2023, as well as 91% and 112%, respectively in 1H-2023. Growth at the Consumer Finance segment was supported by enhanced customer acquisition capabilities including new physical touch points, a broader product offering, and the ramp up of the ContactNow app, which since the second half of 2022 has been under the management of Contact Creditech. New product roll outs since January have included new financing solutions for motorcycles, watercrafts, weddings, and events. Contact also secured partnerships with Vodafone Egypt and Telda to provide their customers with financing solutions, further enhancing its product portfolio. In parallel, Contact continues to reap the benefits on an expanded direct-to-consumer network, which now sees it boast a network of 94 branches including 79 full-fledged Contact branches and 15 strategically located Contact booths. Despite car sale volumes remaining well below values recorded in previous years, Contact’s Auto segment achieved notable year-on-year growth supported by widespread increases in car prices coupled with rising demand for automobile financing solutions. At Contact Trucks, new financing expanded by 25% and 17% year-on-year in 2Q-2023 and 1H-2023, respectively, on the back of a wider distribution network and a more diverse product offering. On the other hand, Contact’s working capital segment saw new financing extended drop 24% year-on-year in 2Q-2023 and 7% year-on-year in 1H-2023 on the back of a more conservative approach given current market conditions. Similarly, new financing extended at Contact’s Mortgage segment witnessed a 62% year-on-year decline in 2Q-2023, as well as a 50% year-on-year drop for the first six months of 2023 as the segment stopped offering its low- and middle-income mortgage initiative, which had previously been a significant driver of growth.

On the **digital** front, ContactNow, a rebranded and reworked version of the Contact App continued ramping up strongly. As the first comprehensive financial platform in the market, ContactNow offers a variety of services that cover the entire customer cycle, all complemented by a best-in-class user experience. In addition to offering instant credit limits and approvals to new customers using AI, the app also allows users to manage their accounts and purchases, complete loan installment repayments, settle utility and mobile bills, and conduct a variety of other payments. Operationally, the app’s total registered users stood at 458 thousand as of 30 June 2023, with over 154

thousand new registrations completed in 1H-2023. In parallel, the app also recorded a 65% year-on-year increase in the number of instant credit requests submitted during the six-month period.

At the **insurance division**, Sarwa Life's GWP rose by 83% year-on-year to EGP 212 million in 2Q-2023, driving a 92% year-on-year increase to EGP 471 million in 1H-2023. Growth was primarily driven by rising demand for Sarwa Life's medical insurance offering and was further supported by the continued ramp up of company's new SME life and health products. Meanwhile, Sarwa Insurance saw its GWP expand by 35% year-on-year to EGP 183 million in 2Q-2023, with an associated 39% year-on-year increase to EGP 361 million in 1H-2023. The company's expansion over the past period came on the back of an increased reach and greater market penetration.

Meanwhile, at the **Contactcars.com** platform, the average number of monthly users reached 1.3 million for 1H-2023, with the number of registered users rising an impressive 32% compared to the same period of last year. During the first half of the year, Contactcars.com continued to leverage its improved classifieds segment to successfully capitalize on the positive momentum enjoyed by Egypt's used car market. The service, which since the start of the year has been a key contributor to the platform's growth, underwent various updates during the period and in the second half of 2023 will be further enhanced through the addition of multiple new classified packages. Similarly, the portal's car dealer business witnessed robust growth in 1H-2023, with the number of subscribed dealers expanding threefold year-on-year and the revenue generated by subscribed dealers quadrupling compared to the previous year.

"With the first six months of the year now behind us, we are confident that despite the macroeconomic challenges that are likely to accompany us throughout the remainder of 2023, Contact remains well on track to deliver on both its shorter- and longer-term targets. At the consumer financing division, we see growth for the second half of the year being supported by our increasingly diversified product portfolio coupled with new product launches. On this front, during the first half of the year, the division launched another set of products, introducing financing services for social events, motorcycles, and watercrafts. These are just a sample of the multiple new products currently in our pipeline which we will look to bring online as the year progresses. In parallel, we will continue to expand and enhance our digital capabilities in order to deliver a best-in-class product offering and experience to our steadily-expanding user base. On this front, we are excited to be adding new saving and investment tools to our ContactNow app later in the year, further complementing an already rich offering. We are also looking forward to capturing the full potential offered by our Lending as a Service (LAAS) initiative, a recent addition to our digital solutions portfolio which saw Contact once again emerge as an innovator in the Egyptian market. In parallel, we remain on the lookout for attractive investment opportunities to provide new services to our customers and secure new growth avenues for the company. On the regional front, we are keen to make further progress on the ramp up of our Kenyan affiliate, Almasi, which will not only enable us to capitalize on the significant upside offered by the Kenyan market but will also act as a base from which to pursue further regional expansion in the coming years," **management concluded.**

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**About Contact Financial**

Contact Financial Holding SAE (CNFN.CA) is the largest non-bank financial services provider in Egypt changing the way people and business access finance and insurance. Operating since 2001, Contact adopts innovative approaches in extending its services, offering quality services with simple procedures and reaching a wide client base through its various subsidiaries, affiliates and partners. Contact's financing division offers market leading services including consumer financing for new and used passenger and commercial vehicles and an array of consumer durables through Contact Credit, home finishing through Contact Mortgages, as well as commercial finance through Contact Leasing and Contact Factoring. Contact operates in insurance through Sarwa Insurance and Sarwa Life Insurance. Contact also offers an array of corporate financing services including securitization, structured debt and debt investment management. Contact Financial Holding SAE is authorized and regulated by the Financial Regulatory Authority (FRA).

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