

EARNINGS RELEASE – First Quarter 2019

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ERC Announces Consolidated Results for the first quarter of 2019

ERC sees rapid growth in Bay Village, its latest real estate offering, in addition to substantial growth in recurring service revenues amidst broad push for strategic realignment towards real estate development and service provision

Q1-2019 Financial and Operational Highlights

- Net revenues in 1Q 2019 declined by 12% y-o-y to record EGP 29.1 million against EGP 33.0 million during 1Q 2018
- Net loss for the period stood at EGP 5.5 million against a net profit of EGP 0.7 million during 1Q 2018
- Total contracted real estate sales amounted to EGP 82.7 million during 1Q 2019, a y-o-y increase of 181%
- Contracted unit sales at Bay village, launched in October 2018, climbed to EGP 139.3 million
- Recurring revenue from services rendered grew 24% y-o-y to EGP 20.9 million in 1Q 2019 against EGP 16.8 million in 1Q 2018

Egyptian Resorts Company (EGX: EGTS.CA), one of Egypt's leading master and real estate developers, announced today its consolidated results for the quarter ending 31 March 2019. ERC booked net revenues of EGP 29.1 million for 1Q 2019, representing a decline of 12% y-o-y from the EGP 33.0 million recorded during the same quarter a year previously. This decline in revenues comes one year into the company's drive to realign its business model away from master development and the associated reliance on contracted land sales, which had constituted the bulk of ERC's top line in previous years. The company is pushing to embed core real estate activities, including development and service provision, as its primary generators of top-line growth, and generated 100% of its revenue from real estate projects and services rendered in 1Q 2019.

ERC generated EGP 82.7 million in contracted unit sales in 1Q 2019, an increase of 181% on the intake recorded during the same quarter in 2018. It should be noted, however, that revenue recognition of contracted unit sales occurs upon delivery of the unit, with an average development cycle of 3-4 years. Management thus expects recognition of its undelivered contracted sales backlog to begin having a material impact on its income statement from late 2019 onward, so that ERC's strategic realignment should begin to bear tangible fruit during the year.

On the operational front, the quarter saw ERC continue to make progress in its efforts to expand its direct and indirect sales network. ERC has invested heavily in augmenting its sales, marketing and customer service functions, constructing a robust platform from which to effectively promote planned and existing offerings. ERC's sales team doubled in size during the past few months, and the company is preparing to launch a new showroom in Cairo. Multiple in-house projects have further augmented ERC's capabilities with an IT and software infrastructure appropriate to the company's new focus, which will require a more automated approach. The quarter saw progress in the renovation and restructuring of ERC's community websites, which will soon offer residents a comprehensive suite of services options and the ability to transact directly.

Management views such investments as an integral component of ERC's wider realignment strategy, with its implied transition away from the company's traditional business-to-business (B2B) focus and towards business-to-consumer (B2C) activities, namely commercial and residential real estate. This move has implied a major organizational restructuring at ERC. In 1Q19 ERC established a number of new internal departments, while overhauling or consolidating several existing functions. ERC embarked on this internal restructuring with an eye to maximizing



ERC

Egyptian Resorts Company

efficiency in the company's transition to a more consumer-focused setup, optimizing operational performance moving forward and providing a robust framework to support the company's strategic goals.

Real Estate Contracted Sales

ERC recorded contracted unit sales of EGP 139.3 million at its most recent real estate development, Bay Village. Launched in October 2018, Bay Village is an 11,000 sqm multipurpose development with a total built-up area of c.18,500 sqm, located in Sahl Hasheesh's Old Town district. It consists of nine residential complexes with 202 residential units overlooking two swimming pools, a restaurant and a shopping complex. Five months into its launch, around 38% of Bay Village's total planned contracted sales is achieved. This rapid uptake of offerings at Bay Village reflects both Management's emphasis on contracted real estate sale as the primary driver of ERC's top-line growth going forward and its focus on refining and expanding the company's marketing channels. Developments at Bay Village indicate robust demand for ERC's competitive offering in the second-home market, as well as ERC's ability to effectively capture and maintain that demand through intensive marketing efforts. Management estimates that Bay Village will be completely delivered by 2023.

Meanwhile, ERC has now contracted 134 of 163 units at its Tawaya development. Contracted sales at this exclusive waterfront apartment complex in the Old Town district stood at EGP 275.9 million by the end of 1Q 2019, with about 84% of the project sold. With ERC intensifying its joint efforts with Palm Hills Development to market and sell upscale units at the development, the company aims to sell the remaining units at Tawaya by year-end 2019.

At Jamaran, ERC's exclusive in-house offering of seaside villas along the Sahl Hasheesh coast, unit sales were up by 16% y-o-y to record EGP 4.7 million in 1Q 2019 while contracted sales reached EGP 6 million. This comes as ERC intensifies marketing efforts to sell the remaining units in the project in 2019.

Infrastructure and Facility Management Revenues

The first quarter of 2019 saw ERC records revenues of EGP 20.9 million from infrastructure services rendered by the company, up by 24% y-o-y from the EGP 16.9 million collected during 1Q 2018. This increase in recurring service revenues was broad-based, with receipts from each category of service rendered climbing during the period. Revenues from electricity services and community management fees were the primary drivers of growth in overall service revenue, reflecting rising demand on the back of rising hotel occupancy and unit deliveries. Sustained and enhanced recurring revenue streams from service provision are a core component of ERC's strategic transformation, and will provide an important platform from which to pursue expansion and the development of new offerings over the coming years.

Looking Ahead

ERC will continue to launch distinctive new real estate offerings with the aim of delivering on its strategic realignment as a leading real estate developer and maximizing value from its assets. The company is in the final stages of launching a number of new real estate projects that will further diversify its project offering. Management expects that these new offerings will allow the company to target a broader segment of the market, with the planned launch of 600 units in 2019.

Meanwhile, ERC will continue working to enhance the value of its c3.4 million sqm land bank through the continuous development of community amenities and the selective supply and sale of land to hospitality sub-developers.

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About ERC

Egyptian Resorts Company S.A.E. (EGX: EGTS.CA) is a real estate and master developer of international standard communities on a fully-integrated management basis. The company is incorporated in Egypt and headquartered in Cairo. ERC is developing multiple recurring revenue streams that include the supply of utilities (water, electricity, communications) through its project partners, as well as community management and maintenance fees and revenues generated by its subsidiary, Sahl Hasheesh Company.

Capital Structure

Authorized Capital	EGP 2,000,000,000
Issued and Paid-In Capital	EGP 1,050,000,000 (1,050,000,000 shares @ EGP 1.00 / share)
Shareholder Structure (as of March 31 st , 2019)	
Red Sea Hotels Holding & Related Parties	20.96%
First Arabian Company	10.00%
Misr Insurance	8.05%
Misr for Life Insurance	6.96%
Rowad Tourism Company	5.53%
Ashraf Soliman & Related Parties	14.97%
Others	33.53%

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