



## EARNINGS RELEASE – First Half 2018

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### ERC Announces Consolidated Results for the first half of 2018

*ERC delivers solid growth in recurring service revenue despite decreased revenue from land sales, demonstrating the company's successful leveraging of its asset base and operational capabilities to increase top-line contribution from sustainable recurring revenue sources.*

#### First Half Financial and Operational Highlights

- Net revenues in 1H 2018 fell by 53% y-o-y to EGP 63.0 million from EGP 133.1 million recorded in 1H 2017.
- Gross loss reached EGP 13.7 million in 1H 2018, versus a gross profit of EGP 65.6 million in 1H 2017.
- Operating loss stood at EGP 46.7 million in 1H 2018, compared to an operating profit of EGP 31.4 million in 1H 2017.
- Net loss for the period posted EGP 9.3 million in 1H 2018 against a net profit of EGP 47.5 million during 1H 2017.

Egyptian Resorts Company (EGX: EGTS.CA), one of Egypt's leading master and real estate developers, announced today its consolidated results for the first half of 2018, reporting consolidated revenues of EGP 63.0 million, which represented a 53% y-o-y decrease from EGP 133.1 million during the same period last year. The fall in revenue is due to the decrease in land and unit sales recorded during 1H 2018 compared to 1H 2017, when land and unit sales contributed 77% to consolidated revenues. Despite this, service revenue grew by 30% y-o-y to EGP 39.1 million, with growth primarily attributed to increase in electricity revenues. Selling and marketing expenses fell significantly to EGP 5.7 million from EGP 12.5 million, representing a y-o-y decrease of 54% while general and administrative expenses fell slightly by 2% y-o-y to EGP 19.6 million. Net loss came in at EGP 9.3 million in 1H 2018 compared to a net profit of EGP 47.5 million in 1H 2017. In 2018, management embarked on a cost-saving strategy which is expected to result in a reduction in annual operating expenses by EGP 30 million.

Cash receipts from sub-developers and retail buyers amounted to EGP 16.3 million, down from EGP 68.2 million in 1H 2017 due to the absence of land plot sales during the period. Despite falling cash receipts from the sale of land, cash receipts from community management services and utilities came in at EGP 27.2 million, representing a y-o-y increase of 84%. ERC's cash balance remained liquid at the end of the period, at EGP 85.7 million as at 30 June 2018, with a total cash balance of EGP 130 million inclusive of long-term deposits. Total receivables stood at EGP 1.4 billion by the end of the period.

#### Land Plot Sales

ERC did not generate any revenue from contracted land plot sales during the first half of 2018, a decision taken with the aim of controlling its land bank supply and carefully selecting new developers. ERC has entered active negotiations with several investors and developers who have expressed a serious interest in investing in Sahl

Hasheesh with negotiations expected to conclude positively in the coming period regarding a number of sizable plots.

### **Real Estate Projects**

ERC recorded EGP 23.9 million in real estate revenues during 1H 2018. Unit sales (including their share in the land) contributed the lion's share of total real estate revenues, at EGP 22.5 million, with EGP 12.3 million generated by unit sales of Tawaya, ERC's exclusive waterfront apartment complex in Old Town promoted in cooperation with Palm Hills. Total recurring revenue, which includes maintenance revenue, posted EGP 1.3 million in 1H 2018.

ERC continues in its efforts to market and sell upscale finished units at Tawaya through its strategic partnership with Palm Hills Development. These efforts have resulted in an increase in bookings and contracts to cover approximately 70% of all Tawaya inventory. After the addition of 12 units, the total number of units at Tawaya has risen from 152 to 164. Moreover, ERC expects to sell out its remaining inventory of villas in its Jamaran development by year-end.

ERC is in the process of building up and diversifying its project pipeline. The coming months will see the launch of a variety of projects which will cater to multiple segments across the real estate spectrum. To this end, ERC is currently completing the necessary studies and plans to launch a residential real estate project in the Old Town at Sahl Hasheesh comprising 150-160 units with a proximate built-up area projected at 19,000 sqm. The new project is expected to launch on a ground area of 11,000 sqm plot in the third quarter of 2018.

### **Infrastructure Revenues**

Utilities and services revenue came in at EGP 39.1 million in 1H 2018, up 30% y-o-y and contributed 62% to total revenue for the period. Utilities and services rendered included, among other items, power/electricity distribution (EGP 17.6 million), water (EGP 9.4 million), and community and facility management fees (EGP 10.9 million).

### **Events & Activities**

ERC continued to push forward with its promotional efforts to market Sahl Hasheesh as one of Egypt's top coastal destinations among foreigners and Egyptians alike, providing a sustainable, world class community which offers a diverse range of activities and hosts exciting events throughout the year. These include the organization of Easter Holiday activities at Sailor's Beach and Old Town's Bus Stop bar, including live rock shows, parties, pool tournaments and more. Sahl Hasheesh also played host to a number of equestrian tournaments featuring skilled riders competing for cash prizes and titles. For three days in April, hundreds of athletes took part in the annual Sahl Hasheesh triathlon, testing their abilities on a three-course track of swimming, cycling, and running. In May, ERC participated in the 2018 Abu Dhabi BRIDE Expo, the Middle East's leading wedding and lifestyle event. Later in the summer, Sahl Hasheesh welcomed football fans to share the excitement of the 2018 FIFA World Cup.

ERC has also launched a number of CSR initiatives as part of its commitment to give back to the communities where it does business. In April, the company sponsored the Hewayya School Camp for young children, offering science education activities, arts and crafts, sports, and more. This quarter also saw ERC donate a sum of EGP 50,000 to help organize a Citizens' Awareness Conference in Egypt's Red Sea Governorate, where Sahl Hasheesh is located.

### **Looking Ahead**

As part of its long-term strategy, ERC will continue to focus on diversifying and expanding its offerings across the real estate value chain to create sustainable, lasting growth. The company aims to maximize the value of its current land bank of almost 3.4 million square meters by both investing in new developments such as hotels, commercial and retail spaces, while also working towards optimizing the value of its existing assets. As such, ERC has devoted significant resources towards the development of its recurring income assets in the Old Town area, which is

considered Sahl Hasheesh's flagship commercial and residential district. ERC's efforts have also focused on further developing its state-of-the-art power distribution, water/sewage treatment and fiber optic communications facilities, which have positioned ERC as the exclusive utilities and services provider –a model that generates recurring cash flows.

On the financial side, we have begun to implement a cost-control policy which is expected to reduce operational expenses by around EGP 30 million per annum. ERC established a Credit and Collection Committee with the objective of increasing our collections over the coming period through the adoption of a unified credit policy. Management is in active negotiation with investors and developers with the goal to reach settlements with developers of up to EGP 600 million pounds.

While continuing to focus on developing new assets and increasing recurring revenue sources, as well as more effective collections and cutting operating expenditure, ERC also aims to capitalize on the recent recovery of the Egyptian tourism industry. ERC will intensify its marketing initiatives in order to position Sahl Hasheesh as a top holiday destination for both domestic and international tourists. By developing a vast array of off-plan residential offerings and commercial projects encompassing retail, hospitality, healthcare, education and offices, ERC aims to attract regular and new visitors looking to invest in a second-home amongst Sahl Hasheesh's dynamic and welcoming community.

## 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

Red Sea Hotels Holding	20.96%
First Arabian Company	10.00%
Misr Insurance	8.05%
Rowad Tourism Company	5.72%
Misr for Life Insurance	6.96%
Others	48.30%

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