

EARNINGS RELEASE – Full Year 2018

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ERC Announces Consolidated Results for the Full Year 2018

ERC books net revenues of EGP 126.3 million in FY 2018; makes progress on realigning its strategy to increasingly focus on real estate development and maximizing value from its land bank

Full Year Financial and Operational Highlights

- Net revenues in FY 2018 recorded EGP 126.3 million against EGP 281.1 million during FY 2017
- Net loss for the year reached EGP 75.2 million against a net profit of EGP 69.5 million during FY 2017
- Total contracted real estate sales stood at EGP 199.0 million in 2018, up by 70% y-o-y
- Contracted sales of Bay village, launched in October 2018, reached EGP 98.5 million
- Unit sales at Jamaran development grew to EGP 34.5 million in FY18 from EGP 9.2 million in FY17, approaching full sale of units at the development

Egyptian Resorts Company (EGX: EGTS.CA), one of Egypt's leading master and real estate developers, announced today its consolidated results for the full year ending 31 December 2018, recording net revenues of EGP 126.3 million in FY 2018, down 55% y-o-y from EGP 281.1 million recorded in FY 2017. Revenue contraction reflects the company's decision to halt land sales during 2018 as part of its strategy to expand its business model beyond master development and increasingly focus on residential and commercial real estate development as the primary growth driver going forward. In FY 2018, revenue from real estate projects contributed 22% of ERC's top-line (FY 2017: 14%), while ERC's land sales had contributed the bulk of the company's revenues in FY 2017 at 60% versus zero contribution in FY 2018. Factoring out revenue from land sales in FY 2017, the company's top-line would record an 11% y-o-y increase in FY 2018 driven entirely by ERC's real estate and recurring income activities.

With ERC's strategic realignment, management has allocated significant resources to help deliver on its objectives, including the build-up of the organizational capacity required to focus on a business-to-consumer (B2C) market as compared to its business-to-business (B2B) activities. To that end, ERC has focused on developing its sales, marketing and customer service capabilities to better market its existing and planned offerings and extend its customers with best-in-class services. In line with ERC's efforts, the company inaugurated its first sales showroom in Sahl Hasheesh in the Old Town commercial district, and is aggressively building its direct and indirect sales network.

ERC has also taken significant steps in rectifying legacy issues related to its master development business, including reaching settlement agreements with delinquent accounts and collecting past dues as it seeks to clean up its financials in parallel to pressing ahead with its new strategic direction. These efforts have resulted in non-recurring expenses of EGP 73 million, consisting of EGP 23 million in land cancellations related to land purchased in 2015, EGP 13 million in exchange rate related losses and EGP 37 million in bad debt provisions on the back of the company's new credit policy.

Real Estate Contracted Sales

Total contracted unit sales in FY 2018 recorded EGP 199.0 million, up an impressive 70% y-o-y compared to EGP 117.3 million in FY 2017. This growth was primarily driven by the launch of ERC's Bay Village development in October 2018. With its contracted sales only reflecting three months of marketing at the end of the year, annualizing the contracted sales generated from Bay Village's launch to twelve months would have resulted in a considerably more rapid rate of growth in total contracted unit sales. 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



ERC

Egyptian Resorts Company

complexes with 202 residential units overlooking two swimming pools, a restaurant and a shopping complex. Bay Village's first phase was launched in the first week of October 2018, with contracts and bookings of 86 units – 42% of the projected total – reflecting strong demand for ERC's competitive offering in the second-home market. Management estimates that Bay Village will be completely delivered by 2023.

Additionally, ERC continued its concerted efforts to market and sell upscale finished units at Tawaya, an exclusive waterfront apartment complex at the Old Town district, through its strategic partnership with Palm Hills Development. As a result of these efforts, contracted sales at Tawaya recorded EGP 58.3 million in 2018, with over 79% of the project now sold. Intensified marketing and promotion campaigns also saw ERC achieve its objective of speeding up sales at its Jamaran development. The company booked contracted sales of EGP 42.2 million, up an impressive 385% from EGP 8.7 million in 2017. It is also worth noting 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 2019 onward.

Infrastructure and Facility Management Revenues

In 2018, ERC booked revenues of EGP 98.9 million from services rendered at its various developments, up by 31% y-o-y from the EGP 75.3 million generated during the previous year. This rise reflects marked growth in demand for infrastructure and facility management services on the back of rising hotel occupancy and unit deliveries.

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 December 31, 2018)	
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	5.72%
Ashraf Soliman & Related Parties	14.76%
Others	33.55%

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