

Orascom Development Egypt (ODE) (EGX: ORHD.CA) has released its consolidated financial results for 9M 2021. ODE maintains its growth momentum recording a revenue growth of 50.1% y-o-y to EGP 4.9 billion for the 9M 2021, and net profits soaring by 239.5% to EGP 1.2 billion.

Key Highlights 9M 2021 vs. 9M 2020

- Total revenues up 50.1% to EGP 4.9 billion
- Adj. EBITDA up 106.4% to EGP 1.8 billion with a margin of 37.8%
- Net profit up 239.5% to EGP 1.2 billion
- Cash flow from operations up 197.6% to EGP 1.15 billion
- Real estate sales for the 9M 2021 reaches EGP 6.2 billion, an increase of 43.4% y-o-y
- Real estate cash collection up 53.6% to EGP 3.1 billion

Key Highlights Q3 2021 vs. Q3 2020

- Total revenues up 42.0% to EGP 1.9 billion
- Adj. EBITDA up 107.3% to EGP 696.8 million with a margin of 36.5%
- Net profit up 148.0% to EGP 468.8 million
- Real estate sales for the Q3 2021 reaches EGP 2.2 billion, an increase of 50.3% y-o-y

Cairo, 15 November 2021 – Pursuing the same momentum since the beginning of 2021, ODE once again delivers strong and positive results for the 9M 2021. The company, which managed to keep its solid performance despite the pandemic, continues to see deliver on its strategy and growth pattern. ODE’s diversified lines of business accounts for this resilience and thus confirms the company’s strong positioning in the industry as well as its viability across any future crisis.

Financial Review:

9M 2021:

ODE reported strong nine-month results with significant growth across all its three major business segments. With the world slowly moving back to normalcy, workplaces reopening, sporting events resuming, and travelers finally getting back to the sky, all helped to positively contribute to our operational performance. For the 9M 2021, total revenue reached EGP 4.9 billion, namely an increase of 50.1% compared to last year’s EGP 3.3 billion. Gross profit reached EGP 1.8 billion with a margin of 36.4% in 9M 2021 vs. EGP 954.6 million and a margin of 29.2% in 9M 2020. If we compare ODE’s figures to the pre-pandemic levels of 9M 2019, the company actually saw a strong growth of 46.6% in total revenues. The Group also continued to manage its costs successfully as SG&A expenses decreased by 13.1% to EGP 98.1 million in 9M 2021. Adj. EBITDA grew by a solid 106.4% to EGP 1.8 billion compared to EGP 896.7 million last year and EBITDA, also increased by 118.6% to EGP 1.95 billion compared to EGP 890.5 million in 9M 2020. Finance costs decreased by 14.7% to EGP 201.5 million in 9M 2021. This overall operational excellence is reflected in our bottom-line figures with a net profit of EGP 1.2 billion in 9M 2021 up 3.4x vs. EGP 357.4 in 9M 2020.

Solid Balance Sheet

ODE continued its prudent cash management and business optimization initiatives, further fortifying the Group’s balance sheet and maintaining an enhanced liquidity stance. Total cash and cash equivalent balance reached EGP 2.9 billion during 9M 2021. Total outstanding debt amounted to EGP 3.5 billion, with bank debt to equity standing at 0.71x at end of September 2021 and net debt of EGP 581.4 million as 9M 2021. While debt to equity was 0.97x at year-end 2020, with EGP 3.6 billion outstanding debt and a net debt of EGP 1.5 billion as of end of 2020. We also generated EGP 1.15 billion in cash flow from operations, a 197.6% increase over the same period last year.

Q3 2021:

Our third quarter results demonstrated strong sequential and year-over-year growth in revenue, Adj. EBITDA and net profit, driven by growth in the real estate segment and the improvement of our hospitality segment. ODE recorded a total revenue of EGP 1.9 billion, an increase of 42.0% compared to the EGP 1.3 billion reported for Q3 2020. Gross profit increased by 80.7% to EGP 671.3 million with a gross margin of 35.2% in Q3 2021 vs. EGP 371.5 million with a gross margin of 43.2% in Q3 2020. Adj. EBITDA was up by 107.3% to EGP 714.8 million with a 36.5% margin vs. EGP 336.1 million and a margin of 19.5% in Q3 2020. In line with this background net profit was up 148.0% to EGP 468.8 million in Q3 2021 with a margin of 24.6% (Q3 2020: EGP 189.0 million and a margin of 14.1%).

Group Real Estate: Net real estate sales for 9M 2021 reached EGP 6.2 billion, a growth of 43.4% over last year, the highest nine-month sales figures in ODE's history.

New sales for the 3Q 2021 reached EGP 2.2 billion, a 50.3% increase from EGP 1.5 billion reported during 3Q 2020. That brings our 9M 2021 sales value to EGP 6.2 billion, a 43.4% increase over same period last year. The increase in sales across all destinations was a factor of both, our ability to increase the average selling prices and the number of units sold, which increased by 48.3% to 979 units in 9M 2021. It is worth mentioning that 9M 2020 sales figures included EGP 613.3 million of commercial sales. Excluding commercial sales, net sales would have increased by 67.0% vs. EGP 3.7 billion in 9M 2020. El Gouna was the largest contributor to new sales (49%), followed by O West (37%) and Makadi Heights (14%). Real estate revenues increased by 92.9% to EGP 3.7 billion in 9M 2021 (9M 2020: EGP 1.9 billion). Adj. EBITDA also increased by 150.7% to EGP 1.7 billion (9M 2020: EGP 674.7 million). Total deferred revenue from real estate that is yet to be recognized until 2026 increased by 29.7% to EGP 10.9 billion in 9M 2021, while total real estate portfolio receivables increased by 35.5% to EGP 14.8 billion. Real estate cash collections also increased by 53.5% to EGP 3.1 billion during 9M 2021.

Group Hotels: Results improved during Q3 2021 with travel demand returning strongly as vaccines continues to roll out.

The appetite for travel accelerated further during Q3 21 and the travel momentum was strongly visible through the months of October and November. While the speed of recovery continued to differ from one destination to the other, we are mostly content with the growth in the overall occupancy levels and TRevPARs. It has been such a positive sight to see our teams welcome more guests back into our hotels, with domestic leisure bookings leading our occupancies, followed by MICE (Meetings, Incentives, Conferences and Exhibitions) business events and slight uptick from our foreign tourists returning back to our destinations. Q3 2021 results improved with revenues increasing by 169.1% to EGP 269.9 million (Q3 2020: EGP 100.3 million) and also GOP reached EGP 106.4 million in Q3 2021 vs. negative EGP 3.4 million in Q3 2020. Although leisure travel continues to lead the recovery, we are also very optimistic regarding the influence of the continual improvements in business transient and in the growing number of tour operators' groups. Accelerating TRevPAR growth expanded our operating leverage and led us to generate a positive EGP 88.4 million of Adj. EBITDA vs. negative EGP 12.1 million in Q3 2020. Revenues for the hotels during the 9M 2021 increased by 39.0% to EGP 525.6 million (9M 2020: EGP 378.0 million), GOP also reached EGP 159.6 million in 9M 2021, while Adj. EBITDA reached EGP 114.7 million in 9M 2021 vs. EGP 0.04 million in 9M 2020.

Group Destination Management: Continued with its enhanced operational performance, benefiting from the successful restructuring implementation and the recovery in the hospitality sector.

Town Management continued to grow significantly and thus securing more recurring revenue streams despite the headwinds caused by the pandemic. Revenues during 9M 2021 were up by 38.4% to EGP 662.5 million up from EGP 478.7 million in 9M 2020, while Adj. EBITDA increased by 262.2% to reach EGP 129.3 million in 9M 2021 (9M 2020: EGP 35.7 million). The notable increase in revenues was a consequence of the implementation of a rich calendar of events in the different destinations, which improved the quality and profitability of our services and amenities. Additionally, during October 2021, we were able to successfully host the 5th edition of El Gouna Film Festival from the 14th till the 22nd of October 2021 at El Gouna Conference and Culture Centre with more than 1,000 attendees from media, local and international celebrities. Our hotel's occupancy at the time reached 100%.

Details on the Destinations

El Gouna, Red Sea

El Gouna continues to affirm its position as the «destination of choice» and records a 62.9% increase in net real estate sales to EGP 3.1 billion in 9M 2021 vs. EGP 1.9 billion in 9M 2020. We continued to increase our average selling prices to reach EGP 60,504/sqm, an 8.7% increase vs. 9M 2020 and kept our original 5 years payment plan. During Q3 2021, we added new inventory of USD 42.4 million to "Cyan" and "Ancient Sands", our two real estate projects offering a mix of standalone units. Our solid construction pace keeps us on track with our planned delivery of 278 units for the FY 2021. Real estate revenues benefited from the accelerated construction and increased by 32.1% to EGP 2.1 billion in 9M 2021 (9M 2020: EGP 1.6 billion). For Q4, we are planning to launch two new real estate projects, "Ancient Hill" and "Fanadir Signature", with a total inventory of c. USD 170 million.

Hotels' occupancy levels increased from 33% at a TRevPAR of EGP 690 in Q2 2021, to 52% at a TREVPAR of EGP 1,095 in Q3 2021. While conversion continued to be driven by the transient local business, demand from the international market did gain momentum and we see a strong come back from our main source market particularly West Europe. During Q3 2021, the share of international business represented 40%. A number of B2C and B2B marketing campaigns is currently running or in the making to capitalize on the hype. During Q3 2021, we achieved a meaningful sequential increase in revenue, Q3 revenues increased by 175.8% to EGP 246.3 million. 9M 2021 hotels revenue increased by 46.8% to EGP 491.4 million (9M 2020: EGP 334.7 million).

The continuous implementation of cost saving, and cash preservation measures resulted in an overall positive GOP of EGP 181.0 million in 9M 2021 up 445.2% (9M 2020: EGP 33.2 million). While occupancy rates reached 37% in 9M 2021 up from 27% in 9M 2020. Town management revenues were up by 40.7% in 9M 2021 to EGP 642.6 million (9M 2020: EGP 456.7 million). Total revenues for El Gouna were up 31.3% to EGP 3.2 billion in 9M 2021 (9M 2020: EGP 2.4 billion).

O West, Egypt

O West new sales for the Q3 2021 reached EGP 926.1 million, a 54.2% increase from EGP 600.4 million in Q3 2020. That brings our 9M 2021 sales value to EGP 2.3 billion, a 9.3% increase over the EGP 2.1 billion reported in 9M 2020, which included EGP 509.1 million of land sales. Excluding those land sales, net sales would have increased by 43.9% to 2.3 billion for the 9M 2021 compared to EGP 1.6 billion in 9M 2020. We also managed to increase our average selling prices by 25.2% to EGP 29,950/sqm. To date, we launched EGP 3.0 billion of new inventory in "Hill Side" & "Club Residence" projects. We are continuing to accelerate our construction pace and have completed the construction of 432 villas and started the construction of 645 apartments with plans to deliver some of the units ahead of schedule. Additionally, the foundation stone has been laid for the construction of O West Club with plans to start construction during Q2 2022. Total revenues of O West increased by 86.3% to EGP 1.2 billion (9M 2020: EGP 684.4 million).

Makadi Heights, Egypt

Makadi Heights, our rising star destination on the Red Sea, has continued to deliver excellent sales performance since the beginning of 2021. Net sales increased by 153.6% to EGP 854.7 million from EGP million in 9M 2020 and Real Estate revenues increased by 333.1% to EGP 436.1 million in 9M 2021 thanks to the continuous acceleration in construction pace. We also managed to increase the average selling prices/sqm by 79.2% to EGP 29,929/sqm during 9M2021. At the end of Q3 2021, we launched a new Real Estate project, "Ria", which offers a mix of standalone units. Destination management segment revenues also increased by 38.6% to EGP 15.8 million in 9M 2021. As a result, total revenues of the destination increased by 281.8% to EGP 441.8 million in 9M 2021 (9M 2020: EGP 115.7 million).

Taba Heights

Taba Heights continues to struggle due to Covid impact and remains the most challenging destination to ODE. To date, only Strand hotel and Mosaique hotel are open out of the six existing hotels. Taba Heights witnessed a boost in its performance in Q3 due to the increased demand from the local and regional markets. The Hotels reported a 22% occupancy, up from 5% only in Q2 2021. Total revenues decreased by 16.0% to EGP 34.1 million in 9M 2021. Nevertheless, the cash burn rate reduction with several cost savings initiatives in place narrowed the GOP losses down by 45.9% to EGP 20.9 million in 9M 2021. Our short-medium term strategy for Taba remains focused on developing and promoting existing and potential business opportunities with local operators in addition to Russian and several European tour operators for securing a steady flow of business to the Hotels.

Update on compensation claim of the Egyptian Ministry of Environment

On September 2nd, 2021, a decision was issued by the Egyptian Prime Ministry Office to form a committee to study the dispute file. Then, on October 18th, 2021, the company submitted all technical and supporting documents related to this matter. However, to date, the company has not received any response from the committee.

Outlook 2021: Path towards a sustained recovery

With the world returning to normalcy and hotels operations picking up, we enter Q4 with more optimism and expect a positive pick up from our hospitality segment. We are continuing to accelerate our real estate construction, ultimately increasing the real estate segment's revenues. We will also leverage on our town management's operation and steady growth. Further expanding the number of residents, demonstrating our successes in disciplined deliveries and correct targeting across all destinations.

We expect demand from our traditional source markets that feed into El Gouna, to increase further during Q4 2021 and 2022. The German speaking markets, being our most important source markets traditionally, showed steady increase of demand and in spite of the booking pattern being still quite last minute we are able to drive the targeted yield per customer. The strong comeback of Russian business to the Hurghada region helps us to unlock higher package rates across El Gouna's Hotels in general. Furthermore, we continue campaigning strongly on the local market to balance the uncertainty of Covid related demand pattern internationally.

Visibility for Taba Heights is still uncertain as Charter operations between Russia and Taba haven't eventuated yet. We anticipate the first aviation program to start prior to year-end. We've welcomed the first German guests in Taba in November and are about to sign a contract with a Tour Operator from Ukraine which should support the winter business immediately. Additionally, the Group will continue to keep a close eye on protecting its cash balance and monitoring its costs. Our efforts are still focused on the recovery of the tourism sector. With global business trends improving across the world, we are optimistic and confident that tourism is now on its path to normality.

Key Figures for the 9M/Q3 2021/20:

Revenue by Segment (EGPmn)	Q3 2021	Q3 2020	9M 2021	9M 2020
Hotels	269.9	100.3	525.6	378.0
Real Estate	1,384.9	830.5	3,712.4	1,924.7
Land	–	250.7	–	482.7
Town Management	252.4	161.4	662.5	478.7
ODE Group	1,907.2	1,342.9	4,900.5	3,264.1

(EGPmn)	Q3 2021	Q3 2020	9M 2021	9M 2020
Revenue	1,907.2	1,342.9	4,900.5	3,264.1
Cost of sales	(1,235.9)	(971.4)	(3,116.4)	(2,309.5)
Gross profit	671.3	371.5	1,784.1	954.6
<i>Gross profit margin</i>	35.2%	27.7%	36.4%	29.2%
Investment income	69.0	16.8	165.0	55.0
Administrative expenses	(43.5)	(52.2)	(98.1)	(112.9)
Opt. EBITDA	696.8	336.1	1,851.0	896.7
<i>Adj. EBITDA margin</i>	36.5%	25.0%	37.8%	27.5%
Other gains/losses	(24.8)	(8.5)	8.7	(86.4)
Share of associates gains/losses	43.3	42.4	87.3	80.2
EBITDA	715.3	370.0	1,947.0	890.5
Depreciation	(43.8)	(48.8)	(131.3)	(140.7)
Finance costs	(66.6)	(74.2)	(201.5)	(236.3)
Income tax expense	(136.1)	(58.0)	(400.8)	(156.1)
Net Profit for the period	468.8	189.0	1,213.4	357.4
ODE shareholders	434.7	162.8	1,120.9	343.8
Non-controlling interest	34.1	26.2	92.5	13.6
Basic EPS (EGP)	0.39	0.15	1.01	0.31

(EGPmn)	30.09.21	31.12.20
Property, plant, and equipment	4,966.8	4,709.6
Inventory	8,243.4	7,721.9
Receivables	3,698.3	2,836.7
Cash and bank balances	1,713.1	1,671.7
Treasury bills	1,178.8	374.9
Investments in associates	310.8	285.0
Other assets	1,538.9	1,295.1
Total assets	21,650.1	18,894.9
Borrowings	3,473.3	3,551.5
Payables	6,778.3	6,367.4
Provisions	451.7	383.5
Other Liabilities	6,054.1	4,922.3
Total liabilities	16,757.4	15,224.7
Non-controlling interests	811.9	719.4
Equity attributable to ODE shareholders	4,080.8	2,950.8
Total liabilities and equity	21,650.1	18,894.9

Presentation:

The associated presentation and financial statements can be found on Orascom Development Egypt's website <https://www.orascomde.com/investor-relations> under the Investor Relations section.

Telephone conference hosted by CI Capital Research on November 15, 2021, at 3:00 pm Cairo Local Time (CLT).

A telephone conference for analysts and investors hosted by CI Capital Research will be held in English on Monday, 15th of November 2021: at 3:00 PM Cairo Local Time. Chief Executive Officer, Omar El Hamamsy, Chief Financial Officer, Ashraf Nessim, Head of Investor Relations, Sara El Gawahery will present the 9M 2021 results and will be available to answer questions. A registration is not required.

Dial-in details are as follows:

Click [here](#) for webinar link
Event number: 976 3952 7697
Event password: 553092

A call recording will be available after the call

About Orascom Development Egypt (ODE):

Orascom Development Egypt (ODE) is the largest subsidiary of Orascom Development Holding (ODH). ODE is an integrated developer of resort towns in Egypt, with a vertically integrated business model involving the development of residential units, hotels, and recreational facilities such as golf courses, town centers, and marinas, in addition to supporting infrastructure, such as hospitals, schools, and utilities. ODE currently owns a land bank of 49.9 million square meter and 24 hotels with a total of 4,945 rooms within four operating destinations. El Gouna, on the Egyptian Red Sea Coast in Hurghada, Taba Heights, on the Sinai Peninsula, Makadi Heights in Hurghada and Byoum in Fayoum. ODE also launched O West, the latest addition to its portfolio and its first project in Cairo, Egypt, located in 6th of October City.

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