RAYA Contact Center

البورصة المصرية

قطاع الشركات المقيدة

إدارة الافصاح

الأستاذة / هبة الصيرفي – نائب رئيس قطاع الشركات المقيدة،

تحية طيبة وبعد،

مرفق لسيادتكم بيان نتائج الاعمال باللغه الانجليزيه عن الفتره المنتهيه فى 31 من ديسمبر 2020.

و تفضلوا بقبول وافر الاحترام و التقدير،،،

كريم سعودى
مدير اداره الاستثمار و علاقات المستثمرين
التوقيع:
Karim Seoudy

RAYA Contact Center س.ت ١٢٩٩٩٦ الجيزة

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RAYA CONTACT CENTER REPORTS FY 2020 RESULTS

REVENUES
EGP 733.8 MN
▼ (10%) y-o-y

GROSS PROFIT
EGP 240.5 MN
▼ (20.6%) y-o-y

EBITDA
EGP 75.3 MN
▼ (50.4%) y-o-y

NET PROFIT
EGP 36.4 MN
▼ (68.1%) y-o-y

Raya Contact Center (RACC.CA on EGX), Egypt's largest provider of comprehensive business process outsourcing (BPO) services, announced its consolidated FY2020 results, reporting revenue of EGP 733.8 million. The largest contributor to revenue was the Outsourcing segment (57%), followed by HR Outsourcing services (24%) and Hosting services (19%). Gross profit margin for the period recorded 32.8% down from 37% in FY2019 while net profit recorded EGP 36.4 million, reflecting a net profit margin of 5.0% compared to EGP 114.5 million, and 14% in FY 2019, respectively.

Summary Income Statement

EGP	FY 2019	FY 2020	% Change
Revenue	**815,632,120**	**733,805,280**	***(10.00%)***
Outsourcing	*504,587,630*	*415,689,926*	*(17.60%)*
Insourcing	*146,824,850*	*175,321,683*	*19.40%*
Hosting	*164,219,640*	*142,793,671*	*(13.00%)*
Gross Profit	**302,919,703**	**240,524,865**	***(20.60%)***
Gross Profit Margin	*37.14%*	*32.78%*	*(4.36 pts)*
EBITDA	**152,058,344**	**75,354,884**	***(50.40%)***
EBITDA Margin	*18.64%*	*10.27%*	*(8.37 pts)*
Net Profit	**114,574,906**	**36,486,952**	***(68.20%)***
Net Profit Margin	*14.05%*	*4.97%*	*(9.08 pts)*

Note from the CEO

With the end of quite challenging 2020, We are pleased to announce our FY 2020 earnings release, and despite the unprecedented decline in performance due to the various challenges, and operational downfalls that were diligently and transparently discussed since the start of the year, I am thrilled with the rapid progression of our turnaround strategy, and will be delighted to share with you a few outcomes that took place in this first half of the year, which serves a s testament to our commitment to steering the Company back to the right direction, and boost its financial and operational performance.

Revenues have recorded EGP 733.8 million for the period, down 10% Y-o-Y. The decline is mainly due to a drop in business from one of our top clients who is being served from our facilities in Egypt and the UAE, who had been forced to take part of the operations captive, due to a newly imposed law by the UAE government. Gross Profit has recorded EGP 240.5 million, reflecting a gross profit margin of 32.7%, while on the EBITDA level the Company recorded EGP 75.3 million, reflecting an EBITDA margin of 10%. Net Profits for the period have recorded EGP 36.4 million and a 5% Net Profit Margin.

The decline in our profitability margins is attributable to;

- The change in revenue mix where we witnessed the contribution of the Insourcing business increase to 24% of total revenue on the back of the Outsourcing and the Hosting businesses that carry much lower HR cost. This increase has started with the rise of the COVID-19 Pandemic, as there was a higher demand from local banks to meet the rising traffic especially during the lockdown phase.
- The newly imposed social insurance law that took effect during the first half of 2020 which amounted to a hit of c. EGP 40 million. However, going forward the increase in social insurance will be factored in in our pricing and passed on to clients.
- The annual increase in salaries that was not unmatched on the top line, especially with the partial termination in our Dubai's Office, mentioned previously.
- an interest expense as we started utilizing part of the medium term USD dominated debt to develop the mega facility in Smart Village, which hasn't started generating revenues yet, and is expected to kick off its operations in January 2021.
- The continuous appreciation of the EGP that still carried a negative impact on our annual figures.

However, we have witnessed a growth in margins on both the EBITDA and the Net Profit levels in our Egypt and Poland operations, and we are confident about our guidance and optimistic about our 2021 trajectory, with revenues kicking in from the business we landed this year, and the commencing of operations of the Smart Village facility.

On the commercial side, our pipeline is quite robust, with over EGP 360 million of awarded contracts, with all of the new business offering a very healthy net profit margin ranging between 15% to 20%. However, less than half of these contracts have been recognized in FY 2020 revenues due to the project integration period that usually take around 3-4 months.
On another note, I have communicated with you preciously, that easing client concentration is a top priority, thanks to our commercial efforts we have reduced concentration of our top clients by at least 50% this year.

Moreover, our work from home operations has been very successful and we have started blending it in our services and offering to our clients, and going forward we are targeting to allocate 25% of our total headcount as WFH agents.

Utilization also plays a major role in our transformational strategy, and our efforts to ensure optimized operations. Our workstation utilization currently stands at 55%, due to the triggering of the work from home since the start of the Pandemic, and even though we it had never reached that point, it gives us room to fully utilize our capacity without further investment in the local market, and allocate our expansion investments into foreign markets, in line with our acquisition strategy.

From an Internal Development perspective, we have done a lot of effort into our account cleansing exercise, and we have successfully managed through contract negotiations, operation optimization, and in some cases, downsizing, to enhance losing account profitability by almost 50%.

Our product development has also witnessed an important milestone, by initiating a complete Customer Experience "CX" Automation offering. CX automation is considered a leap forward towards digitalizing our offerings and keeping up with progressive industry shifts, where Omni-channel, Analytics, and Artificial Intelligence have become the go to type of services for the large global players.

On the expansion front, we have disclosed that we have submitted a Nonbinding Offer to acquire a majority stake in a BPO player located in the GCC, and we are glad to update you that we are currently concluding the due diligence phase, and expecting to finalize the acquisition by April 2021. The transaction is expected is strengthen our position in the GCC region, and establish a solid presence for us in the KSA Market. It will also deliver a range of post integration synergies and is expected to contribute significantly to our consolidated margins.

Moreover, we are happy to announce that in 2020, we have been awarded a few respectable awards, including;

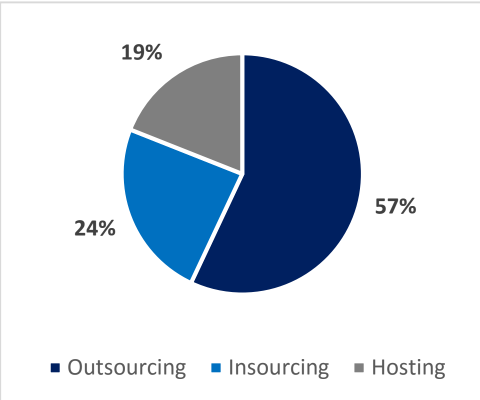
- The best BPO provider for the Automotive Sector in the GCC;
- Silver award for the CX in times of Crisis, and the Golden award for the CX Team of the year by the GCXA;

Our balance sheet remains resilient, with a healthy cash balance standing at EGP 216.1 million in FY 2020, which will be partially used to revive and fund our expansion strategy through acquisitions, and investing in upgrading our digital initiatives.

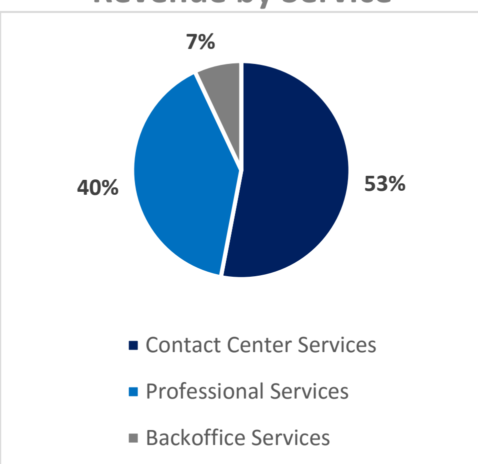
Despite that our financial figures still do not reflect the steps and the measures we have taken this year, we believe that has been achieved throughout the year concretes our position and proves that our turnaround journey is on the right path. We remain confident that by focusing on growth, innovation, products and services renewal, tackling our operational shortfalls, and managing our cost drivers we will be able to overcome the existing macro-economic challenges and be well positioned to resume our double digit growth for years to come.

Ahmed Refky
Chief Executive Officer

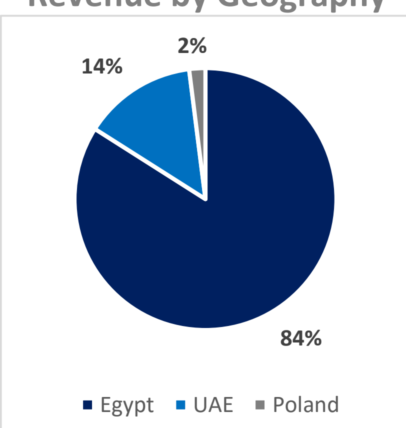
Revenue by Segment



Revenue by Service



Revenue by Geography

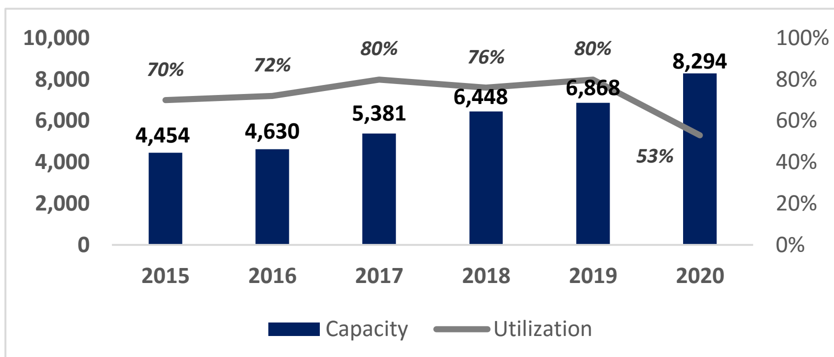


Operational Review

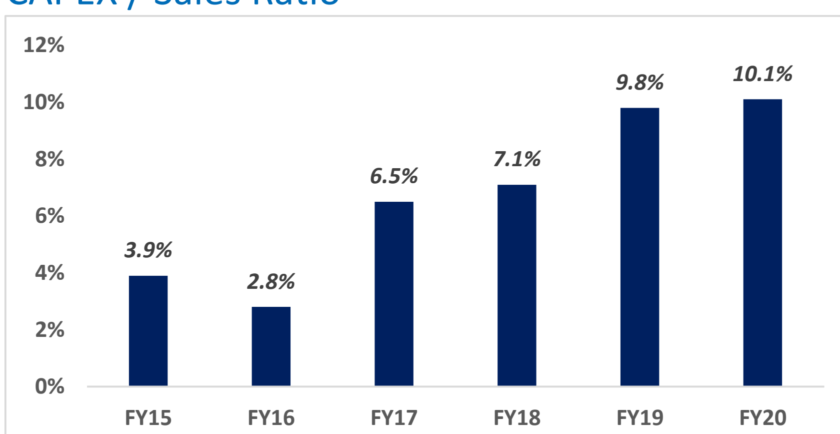
In FY 2020, RCC's total workstation capacity stood at around 8,300 compared to 6,909 in 2019, representing a 20.4% y-o-y growth. RCC's total CAPEX/Revenue recorded 10.1% for the period, versus 9.8% in 2019. The increase in CAPEX is mainly attributable to the development of our 1,500 workstation facility in Smart Village that was offered through a Hosting contract in March 2020.

RCC prides itself on the quality, reliability and security of its service, a key competitive strength that is a function of its continued investment in human resources development and quality assurance programs. In 2020, RCC successfully renewed and maintained its operational quality accreditation certificates, including its COPC accreditation for performance management for the 13th consecutive year, the ITIL information technology framework, and the PCI-DSS e-payment security accreditation. Moreover, RCC follows best practices as (ISMS) Information Security Management system, which is mapped by NIST and SANS institute.

Workstation Evolution & Utilization[1]



CAPEX / Sales Ratio



[1] Utilization is calculated as the average productive workstations' utilization by the average total workstations.

Financial Review

Consolidated revenues in FY 2020 recorded EGP 733.8 million, down (10%) y-o-y — The decline in our top line is mainly due to several factors as broken-down below;

- Downsizing by one of our large clients in the GCC on the back of a newly imposed telecom security law in the UAE;
- Account terminations triggered by Management to some of the legacy unprofitable accounts; and
- FX losses that were still carried on to 2020 topline.

Analyzing FY 2020 revenue by ***currency***, *offshore* revenue (USD) recorded EGP 453.2 million, representing 59% from total revenue, while locally generated revenue accounted for the balance. FY 2020 revenue by ***service segment***, our main revenue contributor, *contact center outsourcing* recorded EGP 415.6 million, representing 59% of total revenue. *Insourcing business* (*HR outsourcing*) recorded EGP 175.3 million, representing 24% of total revenue, while the *Hosting business* recorded EGP 142.7 million, representing 19% of revenue.

The change in revenue mix during the Pandemic that witnessed the Insourcing business, which delivers a relatively low profitability margin due its high HR cost, increase to reach 24% of total revenues, has played a major role in our declining profitability margins.

It is also worth mentioning that the Company was eligible for an export subsidy in past years that amounted to EGP 2 million and EGP 1 million in 2018 and 2019, respectively. In 2020, due to a change in the eligibility criteria related to the size of revenues, RCC has become ineligible for said subsidy.

Analyzing revenue by ***geographical location***, **Egypt's** facilities generated EGP 614.2 million of revenue, representing 84% from total revenue. **UAE's** operations contributed by EGP 189.7 million, representing 24% from total revenue, while our facility in **Poland** accounted for EGP 17.2 million.

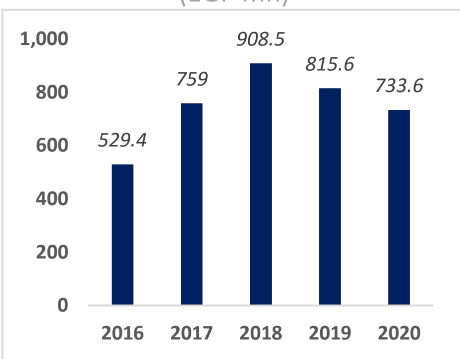
On the ***costs of goods sold*** (COGS) level, RCC recorded EGP 493.2 million in FY 2020. Salaries & wages constituted of the largest share of COGS standing at 80%, which is in line with our historical trends.

Despite Management's efforts to curb the effect of cost inflation ***gross profit recorded*** EGP 240.5 million, down 20.6% y-o-y, and yielding a GP margin of 32.7%. first and foremost, the decline in margins is due to a change in our revenue mix as we witnessed an increase in our Insourcing business, which offers the lowest margins due to the higher HR costs, on the expense of the Outsourcing and the Hosting businesses, both of which offer much higher margins. Furthermore, the newly imposed social insurance law that took effect during the first 2 quarters of 2020 have cost the Company c. EGP 40 million.

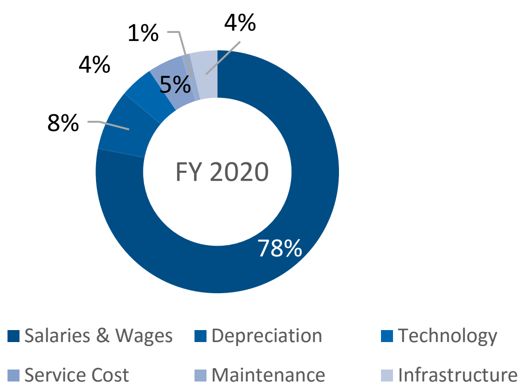
Meanwhile, ***selling, general and administrative*** (SG&A) expenses recorded 89.3 million in FY 2020, representing 12% from total revenue.

EBITDA recorded EGP 75.3 million, with a 10% EBITDA margin, reflecting a 50% decline y-o-y, due to the aforementioned increase in COGS and operating expenses.

Revenue Progression
(EGP mn)



COGS Breakdown



Net profit recorded EGP 36.4 million with a net profit margin 5.0%, down from EGP 114.5 million reflecting a 69% decline from the same period last year.

As of end FY 2020, the company's financial position remained liquid with a healthy ***cash balance*** of EGP 216.1 million or c.37% of total assets.

About Raya Contact Center

Raya Contact Center (RCC) is a world-class business process outsourcing (BPO) and contact center outsourcing (CCO) service provider offering contact center, professional, back office and inside sales channel management services to global clients, including Fortune 1,000 companies in the Middle East, Europe, Africa, & North America in over 25 different languages. ***FY 2020***, Raya Contact Center operated ten top-of-the-line facilities, spanning eight facilities in various locations around Egypt, one facility in Dubai, UAE, and one in Warsaw, Poland, with over 8,300 seats capacity and and average of 5,700+ employees. RCC serves a diversified clientele base of over 100 clients operating in the EMEA region, focusing on high growth industries, namely telecom & media, technology & consumer electronics, travel & hospitality, banking, automotive, and retail industries.

Raya Contact Center is the number one BPO provider in Egypt boasting the largest market share by total FTEs (Full Time Equivalent), and aspires to be the leading BPO provider in the MENA region. Raya Contact Center is the only listed BPO player on the Egyptian Stock Exchange, and is currently trading under the symbol "RACC.CA".

For further information,
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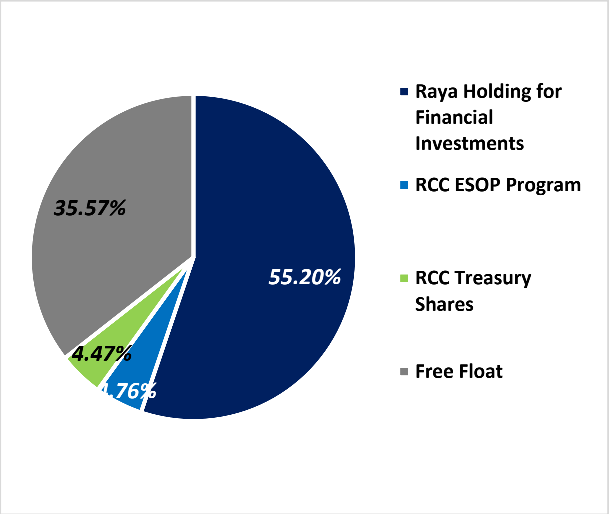
RACC.CA on the EGX	
Number of Shares	222,727,272
Share Price (March 7th)	EGP 4.13
Market Cap (March 7th)	EGP 920 Million

Shareholding Structure
(January 31st, 2021)



Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as “according to estimates”, “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “intends”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, “should”, “to the knowledge of”, “will”, “would” or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management’s (“Management”) current views of future events, are based on Management’s assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. These risks include fluctuations in the prices of raw materials or employee costs required by our operations, its ability to retain the services of certain key employees, its ability to compete successfully, changes in political, social, legal or economic conditions in Egypt, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations and Management’s ability to timely and accurately identify future risks to our business and manage the risks mentioned above.

Consolidated Income Statement

EGP	2019	2020	% Change
Revenue	**815,632,120**	**733,805,280**	***(10.0%)***
COGS	(512,712,417)	(493,280,408)	***(3.8%)***
Gross Profit	**302,919,703**	**240,524,873**	***(20.6%)***
General & Administrative Exp.	(68,940,869)	(82,596,279)	*19.8%*
Selling & Marketing Exp.	(4,512,357)	(6,775,628)	*50.2%*
Rent	(111,317,071)	(115,588,867)	*3.8%*
Provisions (No Longer Required)	(88,830)		-
Impairments	(9,967,847)	(4,393,863)	*(55.9%)*
Impairments Reversal	7,973,530	4,252,900	*(46.7%)*
Operating Profit	**116,066,259**	**35,423,136**	***(69.5%)***
Interest Income (Expense)	23,164,480	12,338,652	-
Gain on Sale of Fixed Assets	0	(507,395)	-
FX Gain (Loss)	1,213,152	(865,167)	-
EBT	**140,443,891**	**46,389,225**	***(67.0%)***
Tax	(25,868,967)	(9,902,273)	-
Net Income	**114,574,924**	**36,486,952**	***(68.2%)***
Distributed as follows:			
Shareholders of the Parent Co.	113,212,391	35,638,175	*(68.5%)*
Minority Interest	1,362,533	848,777	*(37.7%)*
Earnings Per Share	**0.23**	**0.75**	***(67.4%)***

Consolidated Balance Sheet

	31-Dec-19	30-Dec-20
Assets		
Long Term Assets		
Fixed Assets	139,946,329	174,331,769
Intangible Assets	233,222	146,549
Deferred Tax Asset	95,561	63,731
Goodwill	26,582,777	26,582,777
Total Long term Assets	**166,857,889**	**201,124,826**
Current Assets		
Accounts Receivables	151,999,210	118,508,274
Advance Payment & Other Debit Balances	63,475,398	53,307,295
Due from Related Parties	6,162	6,162
Deferred Tax	-	-
Cash & Cash Equivalents	209,931,161	216,166,529
Total Current Assets	**425,411,931**	**387,988,260**
Total Assets	**592,269,820**	**589,113,086**
Equity		
Issued and Paid Capital	53,030,303	106,060,606
ESOP Program		5,303,030
Additional Paid in Capital	75,306,925	44,891,436
Legal Reserve	31,060,282	31,060,282
Merger Reserves	(2,834,374)	(2,834,374)
FX Translation Reserve	(3,229,718)	(6,203,963)
Treasury Stock	-	(50,239,412)
Retained Earnings	163,081,851	226,675,436
Net Income Attributable to Majority Owners	113,212,391	35,638,175
Total Parent's Shareholders' Equity	**429,627,660**	**390,351,216**
Minority Interest	1,752,450	1,238,694
Total Equity	**431,380,110**	**391,589,910**
Liabilities		
Long Term Liabilities		
Long Term Debt	-	52,138,725
Deferred Tax Liability	6,524,377	5,109,834
Other long term Liabilities	6,815,005	1,804,176
Total long term Liabilities	**13,339,382**	**59,052,735**
Current Liabilities		
Bank Overdraft	5,018,278	4,422,487
Accounts Payable	54,616,504	33,815,735
Other Credit balance	48,276,984	64,980,837
Provisions	2,014,207	2,014,207
Due to Related Parties	7,226,328	7,604,474
Long Term Debt	14,246,393	10,550,087
Taxes Payable	-	10,427,744
Dividends Payable	16,151,634	4,654,870

Total Current Liabilities	**147,550,328**	**138,470,441**
Total Liabilities	**160,889,710**	**197,523,176**
Total Liabilities & Equity	**592,269,820**	**589,113,086**