

**Orascom Development Egypt (ODE) (EGX: ORHD.CA) has released its consolidated financial results for Q1 2021. ODE grows its total revenues by 61.5% to EGP 1.46 billion and its net profit by 377.1% to EGP 438.5 million, with real estate sales reaching EGP 2.1 billion.**

**Key Highlights Q1 2021**

- Revenues up 61.5% to EGP 1.46 billion, despite the tourism industry halt from Covid 19
- Operating EBITDA more than doubled to EGP 590.9 million, with a 40.5% margin
- Net profit up 377.1% to EGP 438.5 million compared to EGP 91.9 million in Q1 2020
- Net real estate sales up 37.0% to EGP 2.1 billion vs. EGP 1.5 billion in Q1 2020, which included EGP 301.4 million of commercial land sales
- Total deferred revenue from real estate increased by 21.0% to EGP 9.6 billion in Q1 2021
- Total real estate portfolio receivables increased by 35.0% to EGP 12.8 billion in Q1 2021
- Cash balance increased by 22.4% to EGP 2.5 billion in Q1 2021 from EGP 2.0 billion in FY 2020, signaling a strong liquidity position
- Cash flows from operations reached EGP 396.3 million, a 26.8% increase from EGP 312.5 million in Q1 2020

**Cairo, 10 May 2021** – Orascom Development Egypt (ODE) started the year on solid grounds with strong operational and financial results, despite the headwinds from the prevailing Covid-19 affecting our hospitality segment. The strong growth during the first quarter of the year was driven by significant increase in our real estate segment performance.

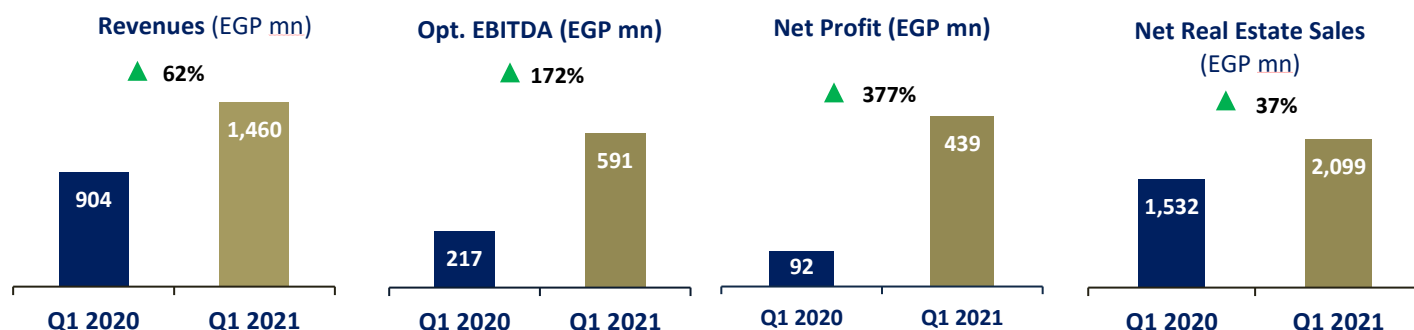
**Financial Review:**

**Q1 2021:**

Revenues reached EGP 1.46 billion, up 61.5% y-o-y compared to EGP 903.8 million in Q1 2020. The boost in revenues resulted from the acceleration of our construction activities across all our projects, with real estate revenues reaching EGP 1.2 billion, an increase of 156.2% y-o-y compared to Q1 2020. Gross profit increased by 152.9% to EGP 574.9 million in Q1 2021 (Q1 2020: EGP 227.3 million) with a gross margin of 39.4%. Operating EBITDA was up 171.8% to EGP 590.9 million in Q1 2021, with a 40.5% margin compared to EGP 217.4 million and a margin of 24.1%. EBITDA also increased by 174.6% to EGP 694.0 million (Q1 2020: EGP 252.7 million).

Interest expense decreased by 11.9% to EGP 70.1 million in Q1 2021 (Q1 2020: EGP 79.6 million) due to the decrease in Libor and Corridor rates. Net income increased almost 4.8x to EGP 438.5 million in Q1 2021 and with a net profit margin of 30.0% vs. EGP 91.9 million in Q1 2020 with a margin of 10.2%. During Q1 2021, we were able to increase our cash balance by 22.4% to EGP 2.5 billion, compared to the EGP 2.0 billion in FY 2020.

Total debt reached EGP 3.5 billion while net debt stood at EGP 1.0 billion (FY 2020: EGP 1.5 billion). We continued to generate positive cash flows from operations, recording a 26.8% increase to EGP 396.3 million in Q1 2021 (Q1 2020: EGP 312.5 million).



### **Group Real Estate: Sales of EGP 2.1 billion in Q1 2021, a 37% growth compared to Q1 2020 coupled with accelerated construction across all destinations, boosting our segment's revenues to EGP 1.2 billion**

Real estate segment continued its outstanding operational and financial results. Growth in sales was supported by the general recovery of the home buyers' market in addition to the increased demand on secondary homes especially in Red Sea area. We sold 355 unit during the quarter, an increase of 47.9% compared to same period last year. Thus, generating net real estate sales of EGP 2.1 billion, an increase of 37.0% over EGP 1.5 billion reported in Q1 2020. It is worth mentioning that Q1 2020 sales figures included EGP 301.4 million of commercial sales from the sale of the school development agreements in O West. Excluding the commercial sales, our real estate net sales would have increased by 70.6% to EGP 2.1 billion in Q1 2021 vs. EGP 1.2 billion in Q1 2020. El Gouna was the group's largest contributor to new sales (48%), followed by O West (37%) and Makadi Heights (15%). We continued to increase our average selling prices across all destinations. El Gouna's average selling prices increased by 12.5%, O West by 24.8% and Makadi Heights by 69.6% vs. Q1 2020.

Real Estate revenues increased by 156.2% to EGP 1.2 billion (Q1 2020: EGP 461.0 million). Operating EBITDA also increased by 287.4% to EGP 591.6 million in Q1 2021 (Q1 2020: EGP 152.7 million). The increase in real estate revenues was driven by the accelerated construction pace across all projects since the beginning of the year. Total deferred revenue from real estate that is yet to be recognized until 2025 increased by 21.0% to EGP 9.6 billion (Q1 2020: EGP 7.9 billion). Real estate cash collections for the period increased by 50.0% to EGP 1.1 billion in Q1 2021 vs. EGP 718.3 million in Q1 2020. Our total real estate portfolio receivables also increased by 35.0% to EGP 12.8 billion (Q1 2020: EGP 9.5 billion). It is important to highlight that cancellations remained low, reaching only 4% of gross sales and delinquencies stood at 3%.

### **Group Hotels: Although the Segment's results was still impacted by the global pandemic, the Group was able to swiftly resort to the necessary cost saving initiatives, mitigating liquidity disruptions**

Operational and financial results of the company's hotel segment during Q1 2021 were still significantly impacted by the outbreak of Covid-19 pandemic which started in early-March 2020. Pressure on the segment's operational performance is still being witnessed in 2021 on the back of weak international travel. Currently, our hotel business is highly dependent on local tourism. The company has responded to these conditions with a resolute plan to temporarily lower hotel operating costs, which mitigated the impact of disruptions on the liquidity position of these assets. Operationally, we implemented heightened cleanliness standards across our hotels to enhance the safety and wellbeing of our associates and guests. Revenues of the segment came in at EGP 95.2 million in Q1 2021, compared to EGP 265.0 million in Q1 2020.

We are currently developing our distribution and sales approach, as we re-focus on the domestic market. While lockdowns remain in effect in some of our main European source markets, it is challenging to give short-term guidance on the segment's performance. Nonetheless, we are optimistic and confident that the acceleration of vaccine rollouts will lead to the return of travel.

### **Group Destination Management - Continued growth thanks to successful restructuring**

Destination management segment started the year with a solid set of results, securing a recurring revenue stream to the group, despite the ups and downs of the tourism cycles. Revenues in Q1 2021 increased by 3.2% to EGP 183.5 million (Q1 2020: EGP 177.8 million) while operating EBITDA reached EGP 34.2 million in Q1 2021. The enhanced performance of the segment resulted from the successful restructuring implementation. A crucial element of our focus during the second half of the year will be put towards streamlining our segment's recurring revenues stream. Ensuring the consistent and predictable flow of revenue from this segment is part of our forward-looking strategy.

#### **Details on the Destinations**

##### **El Gouna, Red Sea - Continues to withhold its stance as being the «destination of choice»**

Net real estate sales increased by 124.1% to EGP 1.0 billion compared to EGP 448.9 million in Q1 2020 with 87 contracted units compared to 52 units in Q1 2020. We continued to increase our average selling prices by 12.5% to reach EGP 60,856 per sqm (Q1 2020: EGP 54,105 per sqm). The double-digit growth in sales was driven by our efforts to capture the continued demand from the concentration of extended-stay during the lock-down. In the reported quarter, we added new inventory of USD 64.3 million in "Shedwan" and "Ancient Sands Villas" and we are also planning to add new inventory in Cyan project, capitalizing on the great success this project witnessed when it was launched in 2019.

We are planning to deliver 238 units this year, with main deliveries happening in Tawila, Ancient Sands and Cyan committing to meeting our contractual delivery obligations. 119 units were handed over to clients in Q1 2021. Real estate revenues continued its uptrend with an 83.2% increase to EGP 707.9 million in Q1 2021 (Q1 2020: EGP 386.5 million).

El Gouna hotels segment remains to be impacted by the pandemic and the hotels are still operating at 50% of their total capacity since June 2020 with locals representing more than 95% of the guests. With the slowdown of the business activity in the winter months, which are less attractive to the locale clientele Management swiftly proceeded to right sizing the business by a temporary full closure of 3 more hotels. The decision afforded a positive GOPPAR of EGP 44. While GOP remained positive and reached EGP 9.7 million compared to EGP 96.7 million in Q1 2020. The ARR's continued to increase reaching EGP 1,157 in Q1 2021 compared to EGP 1,077 in Q1 2020. Occupancy rates were down by 60.2% to reach 26% in Q1 2021 (Q1 2020: 64%). It is worth mentioning that hotels started 2020 on a positive note, recording higher revenues and occupancy rates for the months of January and February. However, starting in early-March, Covid-19 pandemic began to affect our hotels operations significantly. Today, El Gouna is operating at only 40% of its room capacity. Strong interest from local business events is being witnessed in the 2Q21 following our intensive local campaigns. In April, all El Gouna Hotels were audited by TÜV Nord Egypt for compliance with local regulations and the international best practices of food safety and culinary supply standards.

Destination management continued its positive momentum with revenues up by 5.6% in Q1 2021 to EGP 177.7 million (Q1 2020: EGP 168.3 million). Total revenues for El Gouna were up 23.8% to EGP 976.2 million in Q1 2021 compared to EGP 788.6 million in Q1 2020.

**O West, Egypt – A good start for the first home market**

We sold 160 units during Q1 2021, an increase of 8.1% compared to the 148 units in Q1 2020. Net real estate sales reached EGP 774.4 million, compared to the EGP 981.6 million in Q1 2020. It is worth mentioning that Q1 2020 sales figures included EGP 301.4 million of commercial sales as a result of the sale of the school development agreements in O West. Excluding those commercial sales, our real estate net sales would have increased by 13.8% to EGP 774.4 million in Q1 2021 vs. EGP 680.2 million in Q1 2020. Our newest launch was in February 2021, “Qemet”, a real estate project with a total inventory of EGP 7.5 billion. The launched phase included only EGP 1.7 billion. We are also planning to add more inventory in “Qemet” during Q2 2020, capitalizing on the huge product demand.

We continued to speed up our construction pace in the destination with 406 villa skeleton keys already being visible and planning to start construction for the 185 sold apartments mid-May 2021. Construction of the three schools has also started in Q1 2021. The Schools are expected to be operational with the start of the academic year of September 2022. We are finalizing the development of O West Club masterplan, which will be a main add-on to the destination. In Q1 2021, a total of 160 new memberships were added to O West Club (membership fee is EGP 150,000), bringing the total number of memberships in the club to 1,642 memberships, securing a steady recurring income flow. We hosted several events on-site allowing our homeowners and prospective clients a chance to witness the live construction process. Events included O West Rally, Tough Mudder and a collaboration with Art D'Egypte where artists and designers worked on installations and designs that are to be integrated within O West for our future homeowners. Total revenues of O West increased by 462.8% to EGP 360.2 million (Q1 2020: EGP 64.0 million).

**Makadi Heights, Egypt – Bringing the destination to live with robust sales growth**

Makadi Heights kicked the year with net sales of 314.1 million, 3.5x the sales of Q1 2020 which were EGP 90.7 million. 106 units were sold in Q1 2021 vs. only 35 units in Q1 2020. We were able to increase our average selling prices per sqm by 69.6% to EGP 28,311/sqm from an average of EGP 16,688/sqm in Q1 2020.

The increase in sales was driven by our strategy to capture the demand with a tailored product mix suited for today's market dynamics. The recent launch of Makadi Heights' newest cluster “Cape”, with a total inventory of c. EGP 400 million witnessed very compelling demand. We also added EGP 70 million of inventory in “Topio”. We are planning to expand the Cape cluster by adding EGP 514 million in inventory in Q2 2021, capitalizing on the huge success of the project. We are continuing to speed up the construction of Phase 2 of the project with plans to deliver 244 units in 2022. Real estate revenues increased by 19.4x to EGP 109.6 million (Q1 2020: EGP 5.6 million).

With a full team present in the destination, a lot of effort was put into reviving its livelihood to ramp-up occupancy rates and accommodate real estate prices, such as launching mega events, closing deals with anchor tenants, kick starting resale and rental services, and revamping public landscaping and services. We started monthly sports programs to homeowners. In March 2021, we successfully hosted “Makadi Heights Football Tournament” the first mega event in 2021. The tournament witnessed great success in raising awareness about the destination, while offering the chance for all age groups and genders to showcase their talent. Destination management segment revenues increased by 20.9% to EGP 5.2 million in Q1 2021. Total revenues from Makadi destination increased by 750.4% to EGP 114.8 million (Q1 2020: EGP 13.5 million).

#### **Taba Heights, Egypt Cash burn rate reduction with several cost savings initiatives in place**

Taba Heights continues to struggle due to Covid-19 impact and remains the most challenging destination to the group. Borders are still closed since March 2020. Accessibility from within Egypt has always been, and continues to be, a major challenge. During Q1 2021, only Strand Beach & Golf Resort has been opened with 163 rooms out of the existing 503 rooms and is filled by local business. We will continue to reduce our cash burn rate and implement several cost savings initiatives while making sure to have Taba Heights ready to re-open at full capacity when circumstances improve, and tourists return. During Q1 2021, total revenues reached EGP 3.3 million (Q1 2020: EGP 27.1 million). Occupancy rate reached 4% compared to 28% in Q1 2020. Taba Heights GOP loss narrowed down to EGP 7.6 million compared to a loss of EGP 13.5 million in Q1 2020.

#### **Outlook 2021: Path towards a sustained recovery**

Looking into 2021, visibility remains limited as demand may still be impacted by the ongoing fluid circumstances resulting from the pandemic and the timing of the vaccine roll-out. Accordingly, ODE still stands with its earlier position and abstains from providing full-year guidance on its 2021 results; however, we remain diligent in providing updates of the evolving situation during all our quarterly results calls and market communications as needed.

Q1 2021 was a great quarter for ODE, and a strong start to our fiscal year. We believe that we are well-positioned to accomplish our strategic initiatives and have the right team in place to continue to build on our legacy of success. These rapidly improving results highlight the diversity of ODE’s resilient business model. We have seen solid growth across our real estate and town management segments that has helped us compensate the drop in our hotels segment, as Covid-19 ramifications continue to weigh on the segment’s performance.

For the remainder of the year, we are planning to continue accelerating our real estate construction to meet contractual dates, ultimately increasing the real segment’s revenues. We will 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 are also planning on providing attractive offerings for start-ups and entrepreneurs, encouraging them to come set ground in our destinations. For the hotels segment, the 50% capacity is still in place, and lockdowns remain in effect in some of our main European source markets, it is challenging to give short-term guidance on the segment’s performance. Nonetheless, we are optimistic and confident that the acceleration of vaccine rollouts will lead to the return of travel.

The Group has sustained its healthy balance sheet and a strong capital position that we believe will help us navigate the challenges of the current evolving environment.

**Key Figures for the Q1 2021/20:**

Revenue by Segment (EGPmn)	Q1 2021	Q1 2020
Hotels	95.2	265.0
Real Estate	1,181.3	461.0
Town Management	183.5	177.8
<b>ODE Group</b>	<b>1,460.0</b>	<b>903.8</b>

(EGPmn)	Q1 2021	Q1 2020
<b>Revenue</b>	<b>1,460.0</b>	<b>903.8</b>
Cost of sales	(885.1)	(676.5)
<b>Gross profit</b>	<b>574.9</b>	<b>227.3</b>
<i>Gross profit margin</i>	39.4%	25.1%
Investment income	41.0	20.1
Administrative expenses	(25.0)	(30.0)
<b>Opt. EBITDA</b>	<b>590.9</b>	<b>217.4</b>
<i>Adj. EBITDA margin</i>	40.5%	24.1%
Other gains/losses	82.4	8.3
Share of associates gains/losses	20.7	27.0
<b>EBITDA</b>	<b>694.0</b>	<b>252.7</b>
Depreciation	(43.7)	(45.8)
Finance costs	(70.1)	(79.6)
Income tax expense	(141.7)	(35.4)
<b>Net Profit for the period</b>	<b>438.5</b>	<b>91.9</b>
<b>ODE shareholders</b>	<b>408.9</b>	<b>97.1</b>
Non-controlling interest	29.6	(5.2)
<b>Basic EPS (EGP)</b>	<b>0.37</b>	<b>0.09</b>

(EGPmn)	31.03.21	31.12.20
Property, plant, and equipment	4,716.2	4,709.6
Inventory	7,921.0	7,721.9
Receivables	3,083.7	2,836.7
Cash and bank balances	2,504.5	2,046.6
Investments in associates	244.2	285.0
Other assets	1,333.8	1,295.1
<b>Total assets</b>	<b>19,803.4</b>	<b>18,894.9</b>
Borrowings	3,534.4	3,551.5
Payables	6,410.8	6,367.4
Provisions	402.0	383.5
Other Liabilities	5,343.5	4,922.3
<b>Total liabilities</b>	<b>15,690.7</b>	<b>15,224.7</b>
Non-controlling interests	749.0	719.4
Equity attributable to ODE shareholders	3,363.7	2,950.8
<b>Total liabilities and equity</b>	<b>19,803.4</b>	<b>18,894.9</b>

## **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 Pharos Research on May 10, 2021 at 3:00 pm Cairo Local Time (CLT).***

A telephone conference for analysts and investors hosted by Pharos Research will be held in English on Monday, 10<sup>th</sup> of May 2021: at 3:00 PM Cairo Local Time. Chief Executive Officer, Omar El Hamamsy, Chief Financial Officer, Ashraf Nessim, Head of Investor Relations and Strategic Projects Management, Sara El Gawahery will present the Q1 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

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 4,950 rooms within four operating destinations. El Gouna, on the Egyptian Red Sea Coast in Hurghada, Taba Heights, on the Sinai Peninsula, Makadi 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 6<sup>th</sup> of October City.

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