

Orascom Development Egypt (ODE) (EGX: ORHD.CA) has released its consolidated financial results for Q1 2022.

ODE reports solid Q1 2022 results recording revenues of EGP 1.9 billion and a net profit of EGP 463.7 million.

Key Highlights Q1 2022

- **Total revenues increased by 32.3% to EGP 1.9 billion**
- **Adj. EBITDA up 22.0% to EGP 721.1 million with a margin of 37.3%**
- **Net profit up 5.7% to EGP 463.7 million**
- **Cash flow from operations reached EGP 224.2 million**
- **Net real estate sales for Q1 2022 reached EGP 2.0 billion**
- **Total deferred revenue from real estate increased by 32.9% to EGP 12.7 billion in Q1 2022**
- **Real estate cash collection up 27.6% to EGP 1.4 billion**

Cairo, 18 May 2022 – Orascom Development Egypt started the year on solid grounds with strong operational and financial results, despite the headwinds from the Russian/Ukrainian conflict and the economic backdrop in Egypt, especially after the Central Bank of Egypt's (CBE) decision to float the EGP against foreign currencies. The strong growth during the first quarter of the year was driven by significant increase in the real estate segment's performance and enhanced business performance of the hotels and town management segments.

Financial Review:

Q1 2022:

Revenues reached EGP 1.9 billion, up 32.2% y-o-y compared to EGP 1.46 billion in Q1 2021. Gross profit increased by 18.5% to EGP 681.1 million in Q1 2022 (Q1 2021: EGP 574.9 million) with a gross margin of 35.3%. The boost in revenues and gross profit resulted from the acceleration of our construction activities, with real estate revenues reaching EGP 1.4 billion, an increase of 18.1% compared to Q1 2021, in addition to the enhanced business performance of the hotels and town management segments. Adj. EBITDA was up 22.0% to EGP 721.1 million in Q1 2022, with a 37.3% margin compared to EGP 590.9 million and a margin of 40.5% in Q1 2021. Other gains and losses reported a loss of EGP 108.2 million vs. a gain of EGP 82.4 million in Q1 2021. The FX translation loss is mainly related to the devaluation of the EGP in March 2022. Interest expense increased by 7.3% to EGP 75.2 million in Q1 2022 (Q1 2021: EGP 70.1 million) due to the increase in interest rates in March 2022. This operational excellence was reflected in our bottom-line figures with net income up 5.7% to EGP 463.7 million in Q1 2022 (Q1 2021: EGP 438.5 million). It is worth mentioning that adjusted net income excluding one-offs (which includes forex losses or gains along with any non-operational one-off transactions) increased by almost 60.6% from EGP 356.0 million in Q1 2021 to EGP 571.9 million in Q1 2022.

The Group continued to preserve a healthy balance sheet and monitor its cash balance and liquidity. During Q1 2022, we were able to increase our cash balance by 4.1% to EGP 3.2 billion. Total debt stood at EGP 3.8 billion in Q1 2022 (FY 2021: EGP 3.4 billion). The increase in debt amounts is mainly a result of the depreciation of EGP against foreign currencies. We continued to generate positive cash flows from operations, recording EGP 224.2 million in Q1 2022 (Q1 2021: EGP 396.3 million).

Group Real Estate: Net real estate sales of EGP 2.0 billion in Q1 2022, coupled with accelerated construction, boosting our segment's revenues to EGP 1.4 billion

New real estate sales for Q1 2022 reached EGP 2.0 billion, almost flat when compared to the same period last year. O West was the group's largest contributor to new sales (50%), followed by El Gouna (43%) and Makadi Heights (7%). We continued to increase our average selling prices per m² across all destinations, whereby El Gouna's average selling prices increased by 27.1%, O West's prices increased by 21.6% and Makadi Heights prices increased by 17.7% vs. Q1 2021. Real Estate revenues increased by 18.1% to EGP 1.4 billion (Q1 2021: EGP 1.2 billion). Adj. EBITDA also increased by 0.6% to EGP 595.2 million in Q1 2022 (Q1 2021: EGP 591.6 million). The increase in real estate revenues was driven by the accelerated construction pace across all projects. Total deferred revenue from real estate that is yet to be recognized until 2026 increased by 32.9% to EGP 12.7 billion (Q1 2021: EGP 9.6 billion). Total real estate portfolio receivables also increased by 34.2% to EGP 17.2 billion (Q1 2021: EGP 12.8 billion). Real estate cash collections for the period increased by 27.6% to EGP 1.4 billion in Q1 2022 vs. EGP 1.1 billion in Q1 2021.

Group Hotels: Revenues up 173.7% to EGP 260.6 million supported by the return of international travel

A good start for our hotel segment recording more than double digit growth for all the main operational KPIs compared to the same period last year, despite the headwinds of Omicron variant during the first 2 months of Q1 2022 and then the Russian and Ukrainian conflict affecting the hospitality industry. Revenues increased by 173.7% from EGP 95.2 million in Q1 2021 to EGP 260.6 million in Q1 2022 pushing our GOP to EGP 103.4 million, a 42.2x increase compared to Q1 2021 with only EGP 2.5 million on the back of further improvements in operational efficiencies. The segment reported an Adj. EBITDA of EGP 68.1 million in Q1 2022 compared to a negative EGP 10.0 million in Q1 2021.

Group Destination Management - Continued growth, reaping the benefits of the successful restructuring implementation

The destination management segment continued to sustain its enhanced operational performance and started the year with a solid set of results, securing recurring revenue stream to the group. Revenues in Q1 2022 increased by 50.5% to EGP 276.1 million (Q1 2021: EGP 183.5 million) while Adj. EBITDA also increased by 128.4% to EGP 78.1 million in Q1 2022 (Q1 2021: EGP 34.2 million). The notable increase in revenues and Adj. EBITDA was a consequence of a rich calendar of events across destinations and signals our operational excellence as a result of the successful restructuring implementation which we started putting in motion early 2021, thereby improving the quality and profitability of our services and amenities.

Details on the Destinations

El Gouna:

Net real estate sales reached EGP 861.8 million (Q1 2021: EGP 1.0 billion). We continued to increase our average selling prices by 27.1% to EGP 77,335 per sqm (Q1 2021: EGP 60,856 per sqm). In the reported quarter, we added new inventory of USD 25.9 million in “Cyan” and “Shedwan”. In Q2 2022, we launched a new real estate project “The Nines” overlooking Ancient Sands Golf course with total inventory value of USD 60 million. We are planning to deliver 285 units this year, with main deliveries happening in Ancient Sands and Cyan committing to meeting our contractual delivery obligations of which already 58 units were delivered during Q1 2022. Real estate revenues continued its uptrend with a 7.9% increase to EGP 764.1 million (Q1 2021: EGP 707.9 million).

El Gouna hotels continued to maintain its successful performance since Q4 2021 and benefited from its leading market position and strong ties with leading European tour operators. Revenues increased by 177.8% to EGP 251.7 million in Q1 2022 (Q1 2021: EGP 90.6 million). The continuous implementation of cost saving, and cash preservation measures resulted in an overall positive GOP of EGP 110.0 million up 11.3x (Q1 2021: EGP 9.7 million). Our hotels continued to benefit from the pent-up demand of our traditional German-source markets in addition to the local market. Occupancy rate for Q1 2022 increased to 61% (Q1 2021: 26%) at an Average Room Rate (ARR) of EGP 1,313 in Q1 2022 (Q1 2021: EGP 1,157). Foreigners represented 54% of our total occupancy in Q1 2022. Moving to the hotel’s development side, we are progressing with the full renovation of turning Bellevue hotel into The Chedi hotel (86 rooms). The hotel is set to be operational during the second half of 2022. In addition, we are planning to start some renovation across some of the existing hotels in Q2 2022. Town management continued its positive momentum with revenues up 51.1% to EGP 268.5 million (Q1 2021: EGP 177.7 million). Total revenues for El Gouna were up 31.6% to EGP 1.3 billion in Q1 2022 (Q1 2021: EGP 976.2 million).

O West, Egypt:

O West continues to affirm its leading position in West Cairo and recorded EGP 1.0 billion in sales for Q1 2022, a growth of 31.1% compared to EGP 774.4 million in Q1 2021. This brings cumulative sales in O West to EGP 12.6 billion from its launch date. We managed to increase our average selling prices in Q1 2022 by 21.6% to EGP 34,753/sqm vs. EGP 28,589/sqm in Q1 2021. Average selling prices increased by 13.4% YTD vs. EGP 30,651/sqm in FY 2021. We are speeding up our construction pace and completed the construction of 444 villas and progressing with the construction of 864 apartments. Additionally, the foundation stone has been laid for O West Club with plans to start construction during Q2 2022. The club will be partially open by Q3 2023. We increased O West Club membership fees by 22.2% to EGP 220,000 and added 152 new memberships during Q1 2022. To date, we have 2,476 members in the club, which will provide a steady recurring income stream to the group. We hosted several events on-site allowing our homeowners and prospective clients a chance to witness the live construction progress. Total revenues of O West increased by 48.6% to EGP 535.5 million (Q1 2021: EGP 360.2 million).

Makadi Heights, Egypt:

Net real estate sales reached EGP 147.3 million in Q1 2022 (Q1 2021: EGP 314.1 million). Construction works of Phase 2 of the project is progressing with plans to deliver 248 units during July 2022. Average selling prices have considerably grown at 17.7% to EGP 33,336/sqm. Real Estate revenues reached EGP 97.4 million in Q1 2022 (Q1 2021: EGP 109.6 million) With the speeding up of construction progress, revenues are expected to kick in more over the coming quarters. Destination management segment revenues also increased by 5.8% to EGP 5.5 million (Q1 2021: EGP 5.2 million). Total revenues from Makadi Heights destination reached EGP 102.9 million in Q1 2022.

Taba Heights, Egypt:

Taba Heights continues to struggle. Cost control measures, with one hotel only in operation, supported by an increase from the local and regional businesses afforded an increase in revenues and a decrease in GOP losses. Being a destination that heavily relies on East European charter business, the Russia-Ukraine War halted chances for the return of the tour operator business. Fortunately, flights from Poland have recently resumed to the Taba Airport in Q2 promising even better performance. We will continue to reduce our cash burn rate and implement several cost savings initiatives while simultaneously making sure to have Taba up and running at full capacity when circumstances improve, and tourists return. Nevertheless, during Q1 2022 total hotels revenues increased by 229.6% to EGP 8.9 million and we managed to contain GOP losses at EGP 6.5 million vs. EGP 7.6 million in Q1 2021. Occupancy rates reached 10% in Q1 2022 (Q1 2021: 4%). Total revenues from Taba Heights destination increased by 227.3% to EGP 10.8 million (Q1 2021: EGP 3.3 million).

Business Updates 2022:

The fiscal year 2022 started with challenging notes on both global and local fronts as global economic uncertainty intensified with the Russian and Ukrainian conflict. The global economic ramifications of the war have pushed the CBE to raise interest rates by 100 basis points. We also witnessed a 14% devaluation in the Egyptian Pound against the US Dollar.

While the situation still remains highly fluid, and the outlook is subject to extraordinary uncertainty. Energy and commodity prices have surged, adding to inflationary pressures from supply chain disruptions and the rebound from the Covid-19 pandemic. The sanctions on Russia will also have a substantial impact on the global economy and financial markets. ODE is closely monitoring the market developments. Despite the current uncertainties, there is neither an indication of a significant disruption of the Group's business nor signs of a material impact on its future operational performance. Nevertheless, we are continuing to abstain at the time being from providing guidance for 2022.

It is worth noting that Egyptians still represent more than 46% of our hotel's occupancy and we depend highly on the Western European markets, mainly Germany, Belgium, France, Netherland, UK, and Switzerland, as our main feeder source markets for foreign tourism. Management remains confident in the company's ability to uphold its leading market performance as one of the leading real estate and hospitality companies in Egypt, on both the operational and financial aspects, supported by its flexible balance sheet structure and prudent risk management, which would solidify ODE's position against any unforeseen market challenges. Our key areas of focus for the year include:

- 1) **Hospitality Segment:** Demand from our traditional German-source markets that feed into El Gouna is expected to increase. Moreover, we will continue campaigning staunchly in the local market to balance the international demand patterns by offering new products directed to multiple domestic segments. We are planning the renovation across some of our hotels in 2022 to attract higher ARR clients. Additionally, we will continue to keep a close eye on protecting our hotels' cash balance and monitoring our costs.
- 2) **Real Estate Segment:** We will continue fast-tracking our real estate construction to meet contractual dates or deliver before time, thus increasing the segment's revenues and mitigating any potential inflationary effect on cost. We will continue increasing the average selling prices across all destinations to absorb any expected escalation in raw materials prices, while closely examining construction and infrastructure costs to guarantee high-value engineering and procurement savings. We will also work on maximizing cross-selling synergies between our destinations.
- 3) **Town Management Segment:** Is a reliable source of cash flow, and an essential aspect to finance the group's growth and shield our operations from the cyclical slowdowns caused by any unpredictable events. Further expanding the number of residents, demonstrating our successes in disciplined deliveries and correct targeting across all destinations. We will also provide attractive offerings for startups and entrepreneurs, encouraging them to come settle in our destinations. We will remain focused on extra works (home renovation) strengthening our home offerings by introducing standard home renovation packages tailored for the owner's needs with better payment terms.

Key Figures for the Q1 2022/21:

Revenue by Segment (EGPmn)	Q1 2022	Q1 2021
Hotels	260.6	95.2
Real Estate	1,395.2	1,181.3
Town Management	276.1	183.5
ODE Group	1,931.9	1,460.0

(EGPmn)	Q1 2022	Q1 2021
Revenue	1,931.9	1,460.0
Cost of sales	(1,250.8)	(885.1)
Gross profit	681.1	574.9
<i>Gross profit margin</i>	35.3%	39.4%
Investment income	75.1	41.0
Administrative expenses	(35.1)	(25.0)
Adj. EBITDA	721.1	590.9
<i>Adj. EBITDA margin</i>	37.3%	40.5%
Other gains/losses	(108.2)	82.4
Share of associates gains/losses	22.6	20.7
EBITDA	635.5	694.0
Depreciation	(47.9)	(43.7)
Finance costs	(75.2)	(70.1)
Income tax expense	(48.7)	(141.7)
Net Profit for the period	463.7	438.5
ODE shareholders	420.1	408.9
Non-controlling interest	43.6	29.6
Basic EPS (EGP)	0.38	0.37

(EGPmn)	31.03.22	31.12.21
Property, plant, and equipment	5,216.6	5,133.8
Inventory	8,576.7	8,368.4
Receivables	4,428.2	4,028.0
Cash and bank balances	2,025.2	1,825.6
Treasury bills	1,198.9	1,271.1
Investments in associates	296.7	353.6
Other assets	1,974.6	1,660.4
Total assets	23,716.9	22,640.9
Borrowings	3,818.5	3,419.5
Payables	6,878.1	7,012.3
Provisions	941.8	966.4
Other Liabilities	6,641.7	6,248.2
Total liabilities	18,280.1	17,646.4
Non-controlling interests	864.2	824.7
Equity attributable to ODE shareholders	4,572.6	4,169.8
Total liabilities and equity	23,716.9	22,640.9

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 Pharos Research on May 18, 2022, at 2:30 pm Cairo Local Time (CLT).

A telephone conference for analysts and investors hosted by CI Capital will be held in English on Monday, 18th of May 2022: at 2:30 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 2022 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: 985 2338 1567

Event password: 300851

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 50.25 million square meter and 24 hotels with a total of 4,939 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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