

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

ODE delivers record-breaking top-line and bottom-line results with revenue crossing EGP 10.3 billion and net profit of EGP 1.9 billion in FY 2022, the highest since inception.

Key Highlights of FY 2022 vs. FY 2021

- Total revenues increased by 45.6% to EGP 10.3 billion, with strong growth in recurring income business.
- Adj. EBITDA up 57.3% to EGP 3.9 billion with a margin of 38.1%
- Net profit up 45.2% to EGP 1.9 billion
- Our hotels surpasses pre-pandemic levels, with revenues up 80.6% to EGP 1.6 billion
- Net real estate sales for FY 2022 up 20.7% to EGP 11.1 billion, the highest yearly sales figure in ODE's history.
- The offer received to acquire Orascom for Real Estate, the owner of O West project from Sixth of October Development & Investment Company (SODIC) is currently amidst the due diligence process.
- Signed Master Agreement with the Egyptian Authorities unlocking additional value from our flagship project El Gouna.

Key Highlights of Q4 2022 vs. Q4 2021

- Total revenues increased by 66.7% to EGP 3.6 billion
- Adj. EBITDA up 119.3% to EGP 1.4 billion with a margin of 38.9%
- Net profit up 274.5% to EGP 377.1 million
- Net real estate sales for Q4 2022 increased by 28.6% to EGP 3.8 billion

Cairo, 19 March 2023 – ODE demonstrated robust business execution across all segments, and our revenues, Adj. EBITDA and net profit continued to beat our last year all-time record as planned. The strength in margins, which are in line with our short and medium-term trajectory, demonstrates the quality of our underlying portfolio, and improving revenue mix. Despite challenging market conditions, ODE underwent a major financial, operational, and organizational transformation to become more financially resilient and operationally agile. This was made possible thanks to our commitment to enhancing our operating and business activities while optimizing costs to further drive efficiencies agility and boost resilience.

Financial Review:

FY 2022:

During 2022, total revenues reached EGP 10.3 billion, up 45.6% y-o-y compared to EGP 7.1 billion in FY 2021. Gross profit increased by 57.2% to EGP 3.8 billion with a margin of 36.7%. The boost in revenues and gross profit resulted from the acceleration of our construction activities, with real estate revenues reaching EGP 7.3 billion, an increase of 41.5% compared to FY 2021, in addition to the enhanced business performance of the hotels and town management segments. The company also posted the highest ever Adj. EBITDA of EGP 3.9 billion, a 57.3% increase vs. EGP 2.5 billion in FY 2021. Other gains and losses reported a loss of EGP 885.5 million vs. a loss of EGP 276.0 million in FY 2021. The increase in other gain and losses is mainly attributed to the FX loss related to the portion of foreign currency debt as a result of the devaluation of the EGP. Interest expense increased by 44.0% to EGP 388.2 million (FY 2021: EGP 269.5 million) due to the increase in interest rates. This operational excellence was reflected in our bottom-line figures with net income up 45.2% to EGP 1.9 billion (FY 2021: EGP 1.3 billion).

A very solid credit profile with very comfortable net debt-to-equity and debt coverage:

ODE continued to preserve a healthy balance sheet and monitor its cash balances and liquidity. During FY 2022, our cash and cash equivalent balance reached EGP 3.8 billion. Total debt stood at EGP 5.6 billion in FY 2022, with bank debt to equity standing at 0.8x as of end of December 2022 and the net debt reaching EGP 1.8 billion and net debt to Adj. EBITDA of 0.5x. We continued to generate positive cash flow from operations, recording EGP 1.9 billion up 16.6% vs. same period last year.

Q4 2022:

Our fourth quarter results demonstrated strong sequential and y-o-y revenue growth, Adj. EBITDA and net profit, driven by growth in the real estate segment and the improvement of our hospitality segment. Revenues increased by 66.7% to EGP 3.6 billion in Q4 2022 compared to Q4 2021. Gross profit increased by 122.3% to EGP 1.4 billion in Q4 2022 with a gross margin of 37.8% vs. EGP 610.2 million and a margin of 28.3% in Q4 2021. Our enhanced margins signal our operational excellence despite global challenging market conditions in 2022. Adj. EBITDA reached EGP 1.4 billion, up 119.3% in Q4 2022 and a margin of 38.9%. In line with this background, net profit increased by 274.5% to reach EGP 377.1 million (Q4 2021: EGP 100.7 million).

Group Real Estate: Strong and sustained demand was witnessed for our real estate products pushing our sales to EGP 11.1 billion, a 20.7% increase over FY 2021.

New sales for Q4 2022 reached EGP 3.8 billion, up 28.6% from EGP 3.0 billion in Q4 2021. That brings our FY 2022 net sales value to the highest sales figures in ODE's history at EGP 11.1 billion, a 20.7% increase over FY 2021. The increase in sales across all destinations was a factor of our ability to increase the average selling prices across all destination. Our solid construction pace kept us on track with our planned unit delivery for FY 2022. We managed to deliver 533 units in El Gouna and Makadi Heights. O West became the group's largest contributor to new sales (52%), followed by El Gouna (40%), and Makadi Heights (8%). Revenues from real estate rose by 41.5% to EGP 7.3 billion (FY 2021: EGP 5.2 billion). Total deferred revenue from real estate that is yet to be recognized until 2027 increased by 24.7% to EGP 15.2 billion (FY 2021: EGP 12.2 billion). Total real estate portfolio receivables also increased by 16.3% to EGP 21.5 billion (FY 2021: EGP 18.5 billion). Real estate cash collections during FY 2022 increased by 18.8% to EGP 5.3 billion (FY 2021: EGP 4.5 billion). The outstanding sales result of FY 2022 and the Group's ability to beat its own already unprecedented sales record is a solid testimony to its unchallenged market leadership, underpinned by its unmatched track record, brand equity, and trust in the quality of its developments and state-of-the-art urban communities extended by its clientele. This sales result is also a solid testimony to the accuracy of the Group's sales and pricing strategy and well-tailored diversification of its real estate product portfolio, ranging from smaller and affordable multi-tenant units to ultra-luxury serviced villas available across multiple distinct geographical locations surrounded by quality infrastructure.

Group Hotels: The Group's hotel portfolio continued its impressive growth trajectory, with revenues up 80.6% to EGP 1.6 billion supported by the increase in international guests.

The Group's proven business model once again delivered impressive quarterly results, despite a challenging global economic environment. Our hotels exhibited solid growth during the quarter, primarily driven by strong average daily rates and enduring leisure demand. With further room for occupancy to increase, we look forward to it growing steadily in the future. As expected, we continue to see outperformance relative to pre-pandemic metrics, with our Gouna ARRs increasing by 38.3% when compared to FY 2019. Q4 2022 revenues increased by 43.1% to EGP 486.7 million (Q4 2021: EGP 340.1 million) pushing our GOP to EGP 263.3 million, a 46.9% increase (Q4 2021: EGP 179.2 million). Accelerating TRevPAR growth expanded our operating leverage and led us to generate EGP 185.3 million of Adj. EBITDA up 52.1% (Q4 2021: EGP 121.8 million). Revenues for the hotels during FY 2022 increased by 80.6% to EGP 1.6 billion (FY 2021: EGP 865.7 million), GOP also increased by 114.7% to EGP 727.4 million (FY 2021: EGP 338.8 million). The segment Adj. EBITDA increased by 131.3% to EGP 547.1 million (FY 2021: EGP 236.5 million) on the back of further improvements in operational efficiencies.

Group Destination Management: Maintained its improved operational performance, with revenues up 36.4% to EGP 1.4 billion.

The destination management segment continued to grow in a very healthy way, both from a margin perspective as well as from a revenue perspective reaping the benefits of the successful restructuring implementation. Revenues in Q4 2022 increased by 31.0% to EGP 442.9 million (Q4 2021: EGP 338.0 million) and Adj. EBITDA increased by 195.9% to EGP 173.1 million (Q4 2021: EGP 58.5 million). Revenues for the town management segment during FY 2022 increased by 36.4% to EGP 1.4 billion (FY 2021: EGP 1.0 billion) with an Adj. EBITDA of EGP 396.8 million in FY 2022, up 111.2% vs. FY 2021.

Details on the Destinations

El Gouna:

New real estate sales during Q4 2022 grew by 23.8% to EGP 1.2 billion vs. Q4 2021. That brings our FY 2022 sales value to EGP 4.4 billion, up 9.5% compared to FY 2021. We managed to increase the average selling prices by 17.7% to EGP 72,039/sqm vs. FY 2021. Throughout 2022, we launched several new real estate projects "The nines", "Pearl", "Caspian", "Kamaraan" and "Miramar Residences" with a total inventory of USD 199.0 million. Our solid construction pace kept us on track noting that we successfully delivered all 285 planned units for FY 2022. Real estate revenues were up by a 38% to EGP 3.9 billion (FY 2021: EGP 2.8 billion).

El Gouna hotels' revised business model which demonstrated a special focus on direct business conversions at higher average daily rates delivered good quarterly results, benefiting from the destination's leading local and regional market positioning. Revenues increased by 52.8% to EGP 486.7 million (Q4 2021: EGP 318.6 million). Hotels' occupancy levels increased from 69% to 73% in Q4 2022. For FY 2022, El Gouna hotels' revenue increased by 70.1% to EGP 1.4 billion (FY 2021: EGP 810.0 million) and occupancy rates for FY 2022 reached 70% (FY 2021: 45%). GOP, on the other hand, increased by 88.2% to EGP 694.3 million (FY 2021: EGP 369.0 million). Foreigners represented 85% of our total hotels' occupancy during Q4 2022 and 80% for FY 2022. Moving to the hotel's development side, we are progressing with the renovation process across three hotels, with plans to be finalized during Q1 2023, whereas we have opened "The Chedi El Gouna" in December 2022. Town management continued its positive momentum with revenues up 36.1% to EGP 1.3 billion (FY 2021: EGP 956.3 million). Total revenues for El Gouna were up by 43.3% to EGP 6.5 billion (FY 2021: EGP 4.6 billion).

O West, Egypt:

O West continues to affirm its leading position in West Cairo. New real estate sales during Q4 2022 reached EGP 2.3 billion, a 36.3% increase vs. Q4 2021. That brings the FY 2022 sales value to EGP 5.7 billion, a 44.3% increase vs. FY 2021. We managed to increase our average selling prices by 24.8% to EGP 38,252/sqm vs. FY 2021. On the development side, we are speeding up our construction pace, whereby we completed the construction of 444 villas and are progressing with the construction of 1,015 apartments and 236 townhouses, with plans to start delivering 710 units in Q1 2023. We started the construction of 119 units in the O West Business District. The construction work at O West Club is progressing and is expected to be partially open by Q3-2023. Furthermore, club membership fees increased 40% from EGP 180k in FY 2021 to EGP 250k in FY 2022. Total revenues of O West increased by 68.9% to EGP 2.9 billion (FY 2021: EGP 1.7 billion).

Makadi Heights, Egypt:

In Makadi Heights, real estate sales started to pick up during the second half of 2022, with real estate sales increasing by 3.7% to EGP 340.4 million (Q4 2021: EGP 328.4 million). While FY 2022 real estate sales reached EGP 949.8 million (FY 2021: EGP 1,188.4 million), as we purposefully slowed sales until we resolved the land concern issue with the TDA in June 2022. We managed to increase our average selling prices by 17.1% to EGP 35,536/sqm vs. FY 2021. Furthermore, we launched a new real estate project "Ledge" with total inventory value of EGP 2.8bn. With the speeding up of construction progress, revenues are expected to kick in more over the coming quarters. Total revenues from Makadi Heights reached EGP 635.0 million (FY 2021: EGP 691.0 million).

Taba Heights, Egypt:

The continuous efforts to regain the destination's position on the international travel map have started to show positive effects supported by cost control measures and an increase from the local and regional businesses, which afforded an increase in occupancy, revenues, and GOP. Taba witnessed an improved winter season, reporting a 30% occupancy rate during Q4 2022 vs. 14% in Q4 2021. The overall FY 2022 occupancy rate reached 29%, up from 11% in FY 2021. For the first time since 2019, the hotels reported a positive GOP of EGP 33.1 million vs. a negative EGP 29.1 million in FY 2021. To date, only two hotels out of the six hotels are open with 929 rooms. We plan to open another hotel by 2023. Total revenues from Taba Heights increased by 224.6% to EGP 203.9 million (FY 2021: EGP 62.8 million).

Business Updates 2023:

Despite the economic and market headwinds, we continued to make good progress on our strategic transformation in FY 2022. The fiscal year 2023 started with challenging notes on both global and local fronts as global economic uncertainty intensified. The global economic ramifications have pushed most central banks to raise interest rates including the Central Bank of Egypt (CBE). In addition to that, as a part of the already announced flexible exchange rate regime the Egyptian pound started the year with c. 20% devaluation against the USD. While the current state of the global and local business environment is uncertain and poses some operational challenges, we are confident that our strategies and business fundamentals will carry us forward through the challenging times.

In 2023, we will continue to navigate the short-term challenges while striving to meet our long-term commitments. ODE 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.

As always, we will remain focused on expanding our operations, protecting our profitability, and unlocking new value for our shareholders. While the situation remains highly fluid, the outlook is subject to extraordinary uncertainty. The management is closely monitoring the market developments. Nevertheless, we are continuing to abstain, at least for the time being, from providing guidance for 2023.

Key Figures for FY 2022 and Q4 2022:

Revenue by Segment (EGPmn)	Q4 2022	Q4 2021	FY 2022	FY 2021
Hotels	486.7	340.1	1,563.2	865.7
Real Estate	2,659.3	1,475.0	7,341.4	5,187.4
Town Management	442.9	338.0	1,364.7	1,000.4
ODE Group	3,588.9	2,153.1	10,269.3	7,053.5

(EGPmn)	Q4 2022	Q4 2021	FY 2022	FY 2021
Revenue	3,588.9	2,153.1	10,269.3	7,053.5
Cost of sales	(2,232.7)	(1,542.9)	(6,504.6)	(4,659.2)
Gross profit	1,356.2	610.2	3,764.7	2,394.3
<i>Gross profit margin</i>	37.8%	28.3%	36.7%	33.9%
Investment income	110.9	82.5	364.0	247.6
Administrative expenses	(72.0)	(56.4)	(215.4)	(154.5)
Adj. EBITDA	1,395.1	636.3	3,913.3	2,487.4
<i>Adj. EBITDA margin</i>	38.9%	29.6%	38.1%	35.3%
Other gains/losses	(761.8)	(284.6)	(885.5)	(276.0)
Share of associates gains	60.4	42.8	135.0	130.1
EBITDA	693.7	394.5	3,162.8	2,341.5
Depreciation	(56.8)	(55.4)	(204.4)	(186.7)
Finance costs	(127.9)	(68.0)	(388.2)	(269.5)
Income tax expense	(131.9)	(170.4)	(662.3)	(571.2)
Net Profit for the period	377.1	100.7	1,907.9	1,314.1
ODE shareholders	289.1	87.9	1,672.0	1,208.8
Non-controlling interest	88.0	12.8	235.9	105.3
Basic EPS (EGP)	0.26	0.08	1.50	1.09

(EGPmn)	31.12.22	31.12.21
Property, plant, and equipment	6,271.1	5,133.8
Inventory	9,221.7	8,368.4
Receivables	6,233.5	4,028.0
Cash and bank balances	3,059.6	1,825.6
Treasury bills	766.3	1,271.1
Investments in associates	409.0	353.6
Other assets	2,309.8	1,660.4
Total assets	28,271.0	22,640.9
Borrowings	5,632.5	3,419.5
Payables	7,181.9	7,012.3
Provisions	1,226.2	966.4
Other Liabilities	7,415.6	6,248.2
Total liabilities	21,456.2	17,646.4
Non-controlling interests	1,056.4	824.7
Equity attributable to ODE shareholders	5,758.4	4,169.8
Total liabilities and equity	28,271.0	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 CI Capital on March 20th, 2023, at 2:00 pm Cairo Local Time (CLT).

A telephone conference for analysts and investors hosted by CI Capital will be held in English on Monday, 20th of March 2023; at 2:00 pm Cairo Local Time. **Chief Executive Officer, Omar El Hamamsy, Chief Financial Officer, Ashraf Nessim, and Director of Investor Relations, Ahmed Abou El Ella** will present FY 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: 910 7342 7592

Event password: 636537

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 4,932 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 and finally our first project in Cairo, Egypt, located in 6th of October City O West.

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