

Orascom Development Egypt (ODE) (EGX: ORHD.CA) has released its consolidated financial results for 1H 2021. ODE achieves real estate sales of EGP 4.0 billion in 1H 2021, a 40% growth from last year, total revenue increased by 55.8% to EGP 3.0 billion. Net profit reached EGP 744.6 million, an increase of 342.2% y-o-y.

Key Highlights 1H 2021 vs. 1H 2020

- Revenues up 55.8% to EGP 3.0 billion
- Adj. EBITDA more than doubled to EGP 1.15 billion, with a 38.6% margin
- Net profit up 342.2% to EGP 744.6 million
- Net real estate sales up 40% to EGP 4.0 billion, while deferred revenue balance grew by 27.5% to EGP 10.2 billion
- Real estate cash collection up 63% to EGP 2.1 billion

Key Highlights Q2 2021 vs. Q2 2020

- Total revenues up 50.7% to EGP 1.5 billion
- Adj. EBITDA up 64.1% to EGP 563.4 million, with a 36.7% margin
- Net profit up by 300.1% to EGP 306.1 million
- Net real estate sales up 43.1% to EGP 1.9 billion vs. EGP 1.3 billion in Q2 2020

Cairo, 15 August 2021 – Orascom Development Egypt (ODE) continued to achieve good results in the first half-year of 2021 supported by a solid performance of the real estate segment and efficient cost management. The Group’s top line revenue growth was enabled by improved market sentiments, supported by expectations of a gradual economic recovery, and a healthy housing demand for our real estate products. The momentum driven by our real estate segment led to a net profit of EGP 744.6 million, despite the ongoing headwinds from Covid-19 affecting the hospitality business.

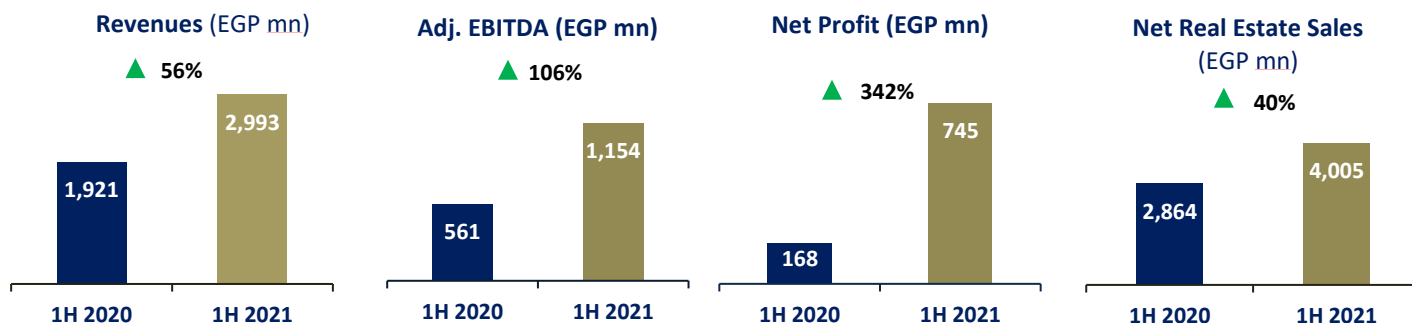
Financial Review:

1H 2021:

Revenues reached EGP 3.0 billion, up 55.8% y-o-y. Gross profit also increased by 90.9% to EGP 1.1 billion. We were not only able to maintain our healthy gross profit margins, but increase it to 37.2%, (1H 2020: 30.4%). The Group continued to manage its costs successfully during the period with smart spending initiatives across the board. SG&A expenses decreased by 10.0% to EGP 54.6 million in 1H 2021. Adj. EBITDA more than double to EGP 1.15 billion in 1H 2021, with a 38.6% margin vs. EGP 560.6 million and a margin of 29.2%. EBITDA also increased by 136.6% to EGP 1.23 billion in 1H 2021. Interest expense decreased by 16.8% to EGP 134.9 million in 1H 2021 due to the decrease in Libor and Corridor rates. Net profit for the period surged by 342.2% to EGP 744.6 million in 1H 2021. 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 2.6 billion, while total debt reached EGP 3.5 billion and net debt reached EGP 866.7 million. We continued to generate positive cash flows from operations, recording a 109.4% increase to EGP 813.2 million in 1H 2021.

Q2 2021:

Topline performance remained strong, benefitting primarily from the robust growth in our real estate segment in addition to the slight recovery in the hotel’s business. Revenues increased by a solid 50.7% to reach EGP 1.5 billion in Q2 2021. While gross profit also increased by 51.2% to EGP 538.0 million in Q2 2021 with a gross margin of 35.1% (Q2 2020: EGP 355.8 million and a margin of 35.0%). Adj. EBITDA was up in Q2 2021 by 64.2% to 563.4 million with a margin of 36.7% vs. EGP 343.2 million and a margin of 33.7%. EBITDA also surged by 100.7% to EGP 537.8 million in Q2 2021. In line with this background net profit was up 4.0x to EGP 306.1 million in Q2 2021 (Q2 2020: EGP 76.5 million).



Group Real Estate: Achieved new sales of EGP 4.0 billion in 1H 2021, a growth of 40% y-o-y, translating into revenue growth of 112.7% coupled with accelerated construction activities across all destinations.

New net sales amounted to EGP 4.0 billion in 1H 2021, a growth of 40% y-o-y, translating into 647 units sold. The surge in new sales was supported by the steady improvements in home buying transactions across all projects. It is worth mentioning that 1H 2020 sales figures included EGP 509.1 million of commercial sales. Excluding commercial sales, net sales would have increased by 68.7% vs. EGP 2.3 billion in 1H 2020. El Gouna was the largest contributor to new sales (51%), O West (34%) and Makadi Heights (15%). Real estate revenues increased by 112.7% to EGP 2.3 billion and Adj. EBITDA increased by 164.9% to EGP 1.1 billion in 1H 2021. Real estate deferred revenue that is yet to be recognized until 2026 increased by 27.5% to EGP 10.2 billion in 1H 2021. Total real estate portfolio receivables increased by 38.4% to EGP 14.2 billion in 1H 2021. While real estate cash collections increased by 63% to EGP 2.1 billion in 1H 2021.

Group Hotels: Demand has improved during the second quarter and expects the positive momentum to continue

The results for 1H 2021 are not entirely comparable to the results for 1H 2020 given that operations of our hotels were suspended starting mid-March 2020; until almost end of Q2 2020. Like the global hospitality industry, our hospitality business remains the hardest hit segment due to widespread travel restrictions and lockdowns. While the global economic activity continues to recover from depressed levels as many governments partially ease lockdown restrictions, resurgent covid-19 outbreaks in some countries pose downside risks. We have seen signs that there is a significant amount of pent-up demand, and we look forward to welcoming travelers in increasing numbers to our 24 hotel properties. As we did in 2020, ODE continues to keep a close eye on protecting its cash and lower hotel operating costs, which mitigated the impact of disruptions on the liquidity position of these assets. As vaccine deployment accelerated and lockdowns eased across the nation, our portfolio continued to gather revenue momentum through Q2 2021 whereby revenues were up by 68.6% to EGP 160.5 million compared to the EGP 95.2 million in Q1 2021 and managed to report a positive Adj. EBITDA of EGP 36.4 million vs. the negative EGP 6.6 million in Q1 2021. During 1H 2021 revenues of the segment were down by 8.0% to EGP 255.7 million, while Adj. EBITDA increased by 117.4% to EGP 26.3 million.

Group Destination Management - Enhanced performance resulted from the successful restructuring implementation

Destination management continued with its positive performance since the beginning of the year and managed to report a solid set of results, securing a recurring revenue stream to the group, despite the ups and downs of the tourism cycles. Revenues during 1H 2021 increased by 29.3% to EGP 410.1 million (1H 2020: EGP 317.2 million) while Adj. EBITDA also increased by 76.1% to EGP 75.9 million in 1H 2021 vs. EGP 43.1 million in 1H 2020. The enhanced performance of the segment resulted from the successful restructuring implementation.

Details on the Destinations

El Gouna

Net real estate sales increased by 66.1% to EGP 2.0 billion (1H 2020: EGP 1.2 billion). Average selling prices were up by 9.8% to reach EGP 60,945/sqm in 1H 2021. We added new inventory of USD 22 million in "Cyan" a real estate project offering a mix of standalone villas and townhouses. We continued to meet all our contractual delivery dates and handed over 193 units to date out of the planned 278 units during 2021. Real estate revenues increased by 37.8% to EGP 1.35 billion in 1H 2021 (1H 2020: EGP 979.5 million).

El Gouna hotels are still impacted by covid-19, nevertheless occupancy levels increased from 26% at a TREVPAR of EGP 407 in Q1 2021, to 33% at a TREVPAR of EGP 690 in Q2 2021. While conversion continues to be mainly driven by the transient local business, demand from the international market did gain momentum It is worth mentioning that the government had allowed hotels to operate with 70% of their capacity starting July 4, 2021. During Q2, we achieved a meaningful sequential increase in revenue, despite the decrease in travel due to Covid-19 whereby Q2 2021 revenues increased by 70.6% to EGP 154.5 million and occupancy of 33% vs. EGP 90.6 million in Q1 2021 and occupancy of 26%. 1H 2021 hotels revenue remained stable reaching EGP 245.1 million. Nevertheless, immediate implementation of cost saving, and cash preservation measures resulted in an overall positive GOP of EGP 67.4 million in 1H 2021 up 163.3% (1H 2020: EGP 25.6 million). While occupancy rates reached 29% in 1H 2021.

Destination management continued its positive momentum backed by increase in extended-stay from El Gouna homeowners in addition to the successful restructuring implementation, whereby revenues increased by 31.7% in 1H 2021 to EGP 398.5 million (1H 2020: EGP 302.6 million). Total revenues for El Gouna were up 22.1% to EGP 2.0 billion in 1H 2021 (1H 2020: EGP 1.6 billion).

O West

Net real estate sales reached EGP 1.35 billion in 1H 2021 vs. EGP 1.5 billion in 1H 2020. It is worth mentioning that 1H 2020 sales figures included EGP 509.1 million of commercial sales. Excluding those commercial sales, net sales would have increased by 34.5% to EGP 1.35 billion in 1H 2021 vs. EGP 1.0 billion in 1H 2020. We also managed to increase our average selling prices by 21.3% to EGP 28,345/sqm. Speeding up construction pace of which 423 skeleton keys are already being visible. While construction of O West apartments (185 units) started early June 2021. During the quarter a total of 118 new memberships were added to O West Club (membership fee is EGP 180,000), securing a steady recurring income flow to ODE. Total revenues of O West increased by 219.4% to EGP 731.0 million (1H 2020: EGP 228.9 million).

Makadi Heights

Makadi Heights continued to record stellar operational and financial results with net sales of 583.9 million, 402.1% increase over the EGP 116.3 million reported in 1H 2020. We also continued to increase our average selling prices by 69.6% to EGP 28,311/sqm in 1H 2021. Real estate revenues increased by 29.7x to EGP 243.3 million in 1H 2021 (1H 2020: EGP 8.2 million) benefiting from continuous increase in construction pace across the project. Outstanding commercial leasing progress is being witnessed in the destination with signing multiple agreements, all planning to begin operations in Q3 2021. Destination management segment revenues also increased by 36.5% to EGP 10.1 million in 1H 2021. Total revenues from Makadi destination increased by 13.2x to EGP 253.4 million (1H 2020: EGP 19.2 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 hotels are open out of the six existing hotels. Total revenues decreased by 68.3% to EGP 9.2 million in 1H 2021 as a result of the limited occupancy rates which reached 5% during 1H 2021. Nevertheless, the cash burn rate reduction with several cost savings initiatives in place narrowed the GOP losses down by 49.6% to EGP 14.2 million in 1H 2021.

Update on compensation claim of the Egyptian Ministry of Environment

On 3 August 2021, ODE announced that it had received a notice from the Environment Protection Agency of Egypt's Ministry of Environment of a claim for environmental compensation in relation to the group's El Gouna destination without further substantiating the claim or its basis. The Ministry of Environment has provided no further information or supporting documentation since and has failed to respond to ODE's repeated requests for further information and clarification. ODE will continue to make appropriate inquiries and take any required action and will provide updates in case of any relevant developments.

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.

We enter the second half of the year with strong momentum and are positioned to grow and continue to deliver strong returns. For the remainder of the year, we are planning to continue accelerating our real estate construction, ultimately increasing the real 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 will also provide attractive offerings for start-ups and entrepreneurs, encouraging them to come set ground in our destinations.

For the hotels segment, in July the Russian government announced that airlines can resume charter flight operations to the Egyptian resorts. The resumption of flights is expected in August 2021. While the Russians were not the typical guests in El Gouna, nevertheless, the return of Russian guests is expected to support occupancy rates at competing destinations (including Hurghada, a typical market for the Russians), which should have a positive spillover effect on both occupancy and room rates at El Gouna, hence, indirectly supporting the destination. That said, we are planning to start a more focused approach to target Russian tourists to capitalize on their return, until other core markets are actively back. Moreover, this step should also encourage less stringent travel restrictions from other countries, further supporting occupancy levels over the medium-term. Additionally, the Group will continue to keep a close eye on protecting its cash balance and monitoring its costs. Today, all our efforts are focused on the recovery of the tourism sector. With global business trends improving slightly now with the ramp-up of the vaccine. We are optimistic that tourism will return to some level of normalcy.

Key Figures for the 1H/Q2 2021/20:

| Revenue by Segment (EGPmn) | Q2 2021 | Q2 2020 | 1H 2021 | 1H 2020 |
|----------------------------|----------------|----------------|----------------|----------------|
| Hotels | 160.5 | 12.8 | 255.7 | 277.8 |
| Real Estate | 1,146.2 | 633.2 | 2,327.5 | 1,094.2 |
| Land | – | 232.0 | – | 232.0 |
| Town Management | 226.6 | 139.4 | 410.1 | 317.2 |
| ODE Group | 1,533.3 | 1,017.4 | 2,993.3 | 1,921.2 |

| (EGPmn) | Q2 2021 | Q2 2020 | 1H 2021 | 1H 2020 |
|----------------------------------|----------------|----------------|----------------|----------------|
| Revenue | 1,533.3 | 1,017.4 | 2,993.3 | 1,921.2 |
| Cost of sales | (995.3) | (661.6) | (1,880.4) | (1,338.1) |
| Gross profit | 538.0 | 355.8 | 1,112.9 | 583.1 |
| <i>Gross profit margin</i> | 35.1% | 35.0% | 37.2% | 30.4% |
| Investment income | 55.1 | 18.1 | 96.0 | 38.2 |
| Administrative expenses | (29.7) | (30.7) | (54.6) | (60.7) |
| Opt. EBITDA | 563.4 | 343.2 | 1,154.3 | 560.6 |
| <i>Adj. EBITDA margin</i> | 36.7% | 33.7% | 38.6% | 29.2% |
| Other gains/losses | (48.9) | (86.1) | 33.5 | (77.8) |
| Share of associates gains/losses | 23.3 | 10.8 | 44.0 | 37.8 |
| EBITDA | 537.8 | 267.9 | 1,231.8 | 520.6 |
| Depreciation | (43.8) | (46.1) | (87.4) | (91.9) |
| Finance costs | (64.8) | (82.5) | (134.9) | (162.1) |
| Income tax expense | (123.1) | (62.8) | (264.9) | (98.2) |
| Net Profit for the period | 306.1 | 76.5 | 744.6 | 168.4 |
| ODE shareholders | 277.3 | 83.9 | 686.2 | 181.0 |
| Non-controlling interest | 28.8 | (7.4) | 58.4 | (12.6) |
| Basic EPS (EGP) | 0.25 | 0.08 | 0.62 | 0.16 |

| (EGPmn) | 30.06.21 | 31.12.20 |
|---|-----------------|-----------------|
| Property, plant, and equipment | 4,796.1 | 4,709.6 |
| Inventory | 8,087.8 | 7,721.9 |
| Receivables | 3,431.0 | 2,836.7 |
| Cash and bank balances | 1,905.9 | 1,671.7 |
| Treasury bills | 746.5 | 374.9 |
| Investments in associates | 267.5 | 285.0 |
| Other assets | 1,409.3 | 1,295.1 |
| Total assets | 20,644.1 | 18,894.9 |
| Borrowings | 3,519.1 | 3,551.5 |
| Payables | 6,516.5 | 6,367.4 |
| Provisions | 428.7 | 383.5 |
| Other Liabilities | 5,757.5 | 4,922.3 |
| Total liabilities | 16,221.8 | 15,224.7 |
| Non-controlling interests | 777.8 | 719.4 |
| Equity attributable to ODE shareholders | 3,644.5 | 2,950.8 |
| Total liabilities and equity | 20,644.1 | 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 August 16, 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, 16th of August 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 1H 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: 974 1175 3964
Event password: 024914

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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