

Orascom Development Egypt (ODE) (EGX: ORHD.CA) has released its consolidated financial results for FY 2021. ODE reports EGP 7.1 billion of revenues and EGP 1.3 billion of profits and closes the year with EGP 9.2 billion of net real estate sales, the highest value in ODE's history.

Key Highlights FY 2021 vs. FY 2020

- Total revenues increased by 41.4% to EGP 7.1 billion
- Adj. EBITDA up 82.0% to EGP 2.5 billion with a margin of 35.3%
- Net profit up 130.0% to EGP 1.3 billion
- Cash flow from operations up 40.0% to EGP 1.7 billion
- Real estate sales for FY 2021 reaches EGP 9.2 billion, an increase of 48.8% y-o-y
- Real estate cash collection up 46.4% to EGP 4.5 billion

Key Highlights Q4 2021 vs. Q4 2020

- Total revenues up 25.0% to EGP 2.1 billion
- Adj. EBITDA up 35.3% to EGP 636.3 million with a margin of 29.6%
- Net profit of EGP 100.7 million
- Real estate sales during Q4 2021 reached EGP 3.0 billion, a 61.4% increase.

Cairo, 20 March 2022 – Q4 was a great finish to a great year. We generated another year of strong free cash flow, solid margin rate improvement, and strong operational and financial results across all of our business segments, delivering the highest full-year real estate sales, revenues, and net profits in the company's history.

Financial Review:

FY 2021:

Total revenue reached EGP 7.1 billion, an increase of 41.4% compared to EGP 5.0 billion in FY 2020. Gross profit also increased by 69.3% to EGP 2.4 billion with a margin of 33.9% in FY 2021 vs. EGP 1.4 billion and a margin of 28.4% in FY 2020. If we compare ODE's figures to the pre-pandemic levels of FY 2019, the company witnessed 51.4% growth in revenues and 78.7% growth in gross profits. The company also posted the highest ever Adj. EBITDA of EGP 2.5 billion, an 82.0% increase vs. EGP 1.4 billion in 2020. EBITDA also increased by 81.5% to EGP 2.3 billion compared to EGP 1.3 billion in FY 2020. Finance costs decreased by 16.9% to EGP 269.5 million in FY 2021 as we decided to pay back all leases in El Gouna and thus generated more savings. Net profits reached EGP 1.3 billion in FY 2021 up 2.3x compared to EGP 571.3 million in FY 2020.

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 3.1 billion in FY 2021, a 51.3% increase y-o-y. Total outstanding debt reached EGP 3.4 billion and net debt was EGP 322.8 million. Net debt to Adj. EBITDA reached 0.1x in FY 2021 down from 1.1x in FY 2020. We also managed to generate EGP 1.7 billion in cash flow from operations, a 40.0% increase over the same period last year.

Q4 2021:

Total revenue reached EGP 2.15 billion, an increase of 25.0% vs. EGP 1.72 billion in Q4 2020. Gross profit increased by 32.7% to EGP 610.2 million in Q4 2021 with a gross margin of 28.3% vs. EGP 459.8 million and a margin of 26.7% in Q4 2020. Adj. EBITDA was up by 35.3% to EGP 636.3 million with a 29.6% margin vs. EGP 470.2 million and a margin of 27.3% in Q4 2020. Net profit reached EGP 100.7 million vs. EGP 213.9 million in Q4 2020.

Group Real Estate: Strong and sustained demand witnessed for our real estate products pushing our sales to EGP 9.2 billion, the highest value in ODE's history.

New sales for Q4 2021 reached EGP 3.0 billion, a 61.4% increase from EGP 1.8 billion in Q4 2020. That brings our FY 2021 sales value to EGP 9.2 billion, a 48.8% increase over FY 2020 and and 32.9% over FY 2019. Our operations continued to progress during Q4 2021. We had a robust quarter with strong demand for secondary homes, complemented by solid sales momentum in O West and Makadi. The increase in sales across all destinations was a factor of both, our ability to increase the average selling prices and the number of units sold, which increased by 53.5% to 1,455 units in FY 2021 vs. 948 units in FY 2020. Our solid construction pace kept us on track with our planned unit delivery for FY 2021. ODE delivered 278 units in El Gouna, meeting all our contractual delivery dates. El Gouna continued to be the Group's largest contributor to new sales (44% of sales), followed by O West (43% of sales), and Makadi Heights (13% of sales).

Real estate revenues increased by 56.2% to EGP 5.2 billion (FY 2020: EGP 3.3 billion). The segments' Adj. EBITDA increased by 86.9% to EGP 2.2 billion. Total deferred revenue from real estate that is yet to be recognized until 2026 increased by 39.7% to EGP 12.2 billion, while total real estate portfolio receivables increased by 57.8% to EGP 18.5 billion. Real estate cash collections also increased by 46.4% to EGP 4.5 billion during FY 2021.

Group Hotels: Revenues up 73.5% to EGP 865.7 million supported by the return of international travel during 2H 2021.

Covid-19 continues to have an impact on our business, especially on our hospitality industry. However, the recovery of both global demand and ARR during the year – more specifically during the second half – was led primarily by robust leisure demand. We began to see improving trends for business transient demand again at the start of the fourth quarter. International demand for the hospitality segment started to improve during 2H 2021 and particularly in Q4 2021, as vaccine deployment accelerated, and lockdowns eased across the EMEA region. With domestic leisure bookings leading our occupancies, followed by stronger demand from international markets as well as local MICE business, our portfolio continued to gather revenue momentum as the government decree increased the operational capacity of the hotels from 70% to 100%. Overall, the tourism recovery has been stronger and quicker, and our hotels has seen significant improvement in performance. Q4 2021 revenues increased by 181.1% to EGP 340.1 million (Q4 2020: EGP 121.0 million) and GOP reached EGP 178.7 million in Q4 2021 (Q4 2020: EGP 7.7 million). Accelerating TRevPAR growth expanded our operating leverage and led us to generate a positive Adj. EBITDA of EGP 121.8 million in Q4 2021 vs. only EGP 3.7 million in Q4 2020. Total revenues for the hotels segment during FY 2021 increased by 73.5% to EGP 865.7 million (FY 2020: EGP 499.0 million), while GOP increased by 103x to EGP 338.3 million and Adj. EBITDA reached EGP 236.5 million vs. only EGP 3.7 million in FY 2020.

Group Destination Management: Sustaining its enhanced operational performance and reaping the benefits of the successful restructuring implementation.

The town management segment continued to sustain its enhanced operational performance with the recovery of the hospitality sector. Destination management grew substantially, securing more recurring revenue streams despite the headwinds caused by the pandemic. Revenues in FY 2021 increased by 46.1% to EGP 1.0 billion (FY 2020: EGP 684.9 million). Adj. EBITDA increased by 241.6% to EGP 187.9 million vs. EGP 55.0 million in FY 2020. 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 improved the quality and profitability of our services and amenities.

Details on the Destinations

El Gouna:

El Gouna continues to affirm its position as the «destination of choice» and records its highest real estate sales since inception. Real estate sales grew by 75.5% to EGP 4.05 billion vs. EGP 2.31 billion in FY 2020. The increase in sales continued to be a factor of both, our ability to increase the average selling prices and the number of units. We increased the average selling prices to EGP 61,193/sqm, an 8.2% increase vs. FY 2020. We continued to accelerate our real estate construction activity, keeping our delivery schedule on track, and delivered all 278 planned units during FY 2021. We added c. USD 300 million of new inventory in “Shedwan”, “Cyan”, “Ancient Sands Villas”, “Ancient Hill” and Fanadir Signature” projects in 2021. Real estate revenues increased by 29.1% to EGP 2.8 billion up from EGP 2.2 billion in FY 2020.

In Egypt, as per the governmental decree, hotels increased their operational capacity to 100% since the end of October 2021. Our hotels in El Gouna have benefited from this uptick with occupancies for Q4 2021 reaching 69% vs. 25% in Q4 2020, and foreigners represented c. 57% of our total occupancy in Q4 2021 and 42% for FY 2021. Q4 2021 revenues increased by 181.9% to EGP 318.6 million vs. EGP 113.0 million in Q4 2020. GOP reached EGP 187.5 million up 23.3x compared to same period last year. While FY 2021 hotels revenue increased by 80.9% to EGP 810.0 million (FY 2020: EGP 447.7 million). The continuous implementation of cost saving, and cash preservation measures resulted in an overall positive GOP of EGP 368.5 million up 646.7% (FY 2020: EGP 49.4 million). FY 2021 total occupancy rate reached 45% vs. 27% at an Average Room Rate (“ARR”) of EGP 1,477. This ARR represents a 24.7% increase compared to pre-pandemic levels in 2019. Town management revenues were up by 45.0% in FY 2021 to EGP 956.3 million (FY 2020: EGP 659.7 million). Total revenues for El Gouna were up 36.0% to EGP 4.56 billion in FY 2021 (FY 2020: EGP 3.35 billion).

O West:

O West recorded EGP 4.0 billion in residential sales for FY 2021, a growth of 41.4% vs. EGP 2.8 billion in FY 2020. New sales for Q4 2021 reached EGP 1.7 billion, a 38.0% increase from EGP 1.2 billion in Q4 2020. We also managed to increase our average selling prices by 19.9% to EGP 30,651/sqm. During 2021, we launched EGP 4.1 billion of new inventory in “Hill Side” & “Club Residence” projects. We are speeding up our construction pace and completed the construction of 432 villas and started the construction of 645 apartments.

We are also planning to deliver several units ahead of schedule by Q4 2022. Total revenues of O West increased by 29.9% to EGP 1.7 billion (FY 2020: EGP 1.3 billion) on the back of the accelerated construction progress.

Makadi Heights:

Makadi Heights continued to deliver excellent sales performance since the beginning of 2021. Net real estate sales increased by 162.7% to EGP 1.2 billion (FY 2020: EGP 450.4 million). We managed to more than double the number of units sold from 164 in FY 2020, to 342 in FY 2021. Average selling prices have considerably grown at 63.7% to EGP 30,339 /sqm in FY 2021. We launched EGP 1.2 billion of inventory across “Cape”, “Topio” & “Ria” which were all sold out. We continued accelerating our construction progress and are planning to deliver 244 units by Q2 2022. Real estate revenues increased by 201.7% to EGP 665.6 million in FY 2021 (FY 2020: EGP 220.6 million). Total revenues of Makadi Heights increased by 194.9% to EGP 691.0 million in FY 2021 (FY 2020 EGP 234.3 million).

Taba Heights:

Taba Heights continues to struggle. Accessibility from within Egypt has always been and continues to be a major challenge in addition to Covid-19 impact. In FY 2021, only Strand Beach & Golf Resort was open and was mainly filled by local business. Our short-medium term strategy for Taba remains focused on developing and promoting existing and potential business opportunities with local operators, in addition to several European tour operators to secure a steady flow of business for the hotels. 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. In FY 2021, total revenues increased by 31.7% to EGP 62.8 million (FY 2020: EGP 47.7 million) and we managed to contain GOP losses at EGP 29.1 million in FY 2021 compared to EGP 46.6 million in FY 2020. Occupancy rate remained stable at 11% in FY 2021.

Business Updates 2022:

In February 2022, the Russian and Ukrainian conflict emerged. The situation is changing rapidly creating high volatility across the markets. ODE is closely monitoring the market developments however, it is too early to fully assess the impact of the conflict on our hospitality segment. 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.

It is worth noting that Egyptians still represent more than 50% of our hotel’s occupancy and we depend highly on the Western European markets, mainly Germany, Belgium, France and Switzerland, as our main feeder source markets for foreign tourism. In 2021, the Russian and Ukrainian guests represented only 3% of our total foreign occupancy.

While restrictions on international travel have begun to ease, there is still uncertainty in the market around the performance of hotels. Accordingly, ODE decided to abstain at the time being from providing guidance for 2022.

Our key areas of focus for the year include:

- 1) Hospitality Segment:** In Egypt, 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 FY 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:** 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. We will focus on leveraging upon 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 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 FY/Q4 2021/20:

Revenues by Segment (EGPmn)	Q4 2021	Q4 2020	FY 2021	FY 2020
Hotels	340.1	121.0	865.7	499.0
Real Estate	1,475.0	1,395.3	5,187.4	3,320.6
Land	–	–	–	482.2
Town Management	338.0	206.2	1,000.4	684.9
ODE Group	2,153.1	1,722.5	7,053.5	4,986.7

(EGPmn)	Q4 2021	Q4 2020	FY 2021	FY 2020
Revenue	2,153.1	1,722.5	7,053.5	4,986.7
Cost of sales	(1,542.9)	(1,262.7)	(4,659.2)	(3,572.2)
Gross profit	610.2	459.8	2,394.3	1,414.5
<i>Gross profit margin</i>	28.3%	26.7%	33.9%	28.4%
Investment income	82.5	31.8	247.6	86.7
Administrative expenses	(56.4)	(21.4)	(154.5)	(134.3)
Opt. EBITDA	636.3	470.2	2,487.4	1,366.9
<i>Adj. EBITDA margin</i>	29.6%	27.3%	35.3%	27.4%
Other gains/losses	(284.6)	(126.7)	(276.0)	(213.1)
Share of associates gains/losses	42.8	56.1	130.1	136.3
EBITDA	394.5	399.6	2,341.5	1,290.1
Depreciation	(55.4)	(43.8)	(186.7)	(184.5)
Finance costs	(68.0)	(88.2)	(269.5)	(324.5)
Income tax expense	(170.4)	(53.7)	(571.2)	(209.8)
Net Profit for the period	100.7	213.9	1,314.1	571.3
ODE shareholders	87.9	188.4	1,208.8	532.2
Non-controlling interest	12.8	25.5	105.3	39.1
Basic EPS (EGP)	0.08	0.17	1.09	0.48

(EGPmn)	31.12.21	31.12.20
Property, plant, and equipment	5,133.8	4,709.6
Inventory	8,368.4	7,721.9
Receivables	4,028.0	2,836.7
Cash and bank balances	1,825.6	1,671.7
Treasury bills	1,271.1	374.9
Investments in associates	353.6	285.0
Other assets	1,660.4	1,295.1
Total assets	22,640.9	18,894.9
Borrowings	3,419.5	3,551.5
Payables	7,012.3	6,367.4
Provisions	966.4	383.5
Other Liabilities	6,248.2	4,922.3
Total liabilities	17,646.4	15,224.7
Non-controlling interests	824.7	719.4
Equity attributable to ODE shareholders	4,169.8	2,950.8
Total liabilities and equity	22,640.9	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 March 20, 2022, 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 Sunday, 20th of March 2022: at 3:00 PM Cairo Local Time. Chief Executive Officer, Omar El Hamamsy, Chief Financial Officer, Ashraf Nessim, Head of Investor Relations, Sara El Gawahery will present the FY 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: 977 2693 8894

Event password: 637360

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 4,942 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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