



# INVESTOR PRESENTATION

May 2019

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For any queries or comments relating to this presentation or ERC, please contact Ayman Taha, Head of Investor Relations at: [ayman.taha@erc-egypt.com](mailto:ayman.taha@erc-egypt.com)





# The Growth Story

# An Integrated Developer With Clear Growth Strategies

ERC is a fully-integrated real estate developer, covering the entire value chain including real estate, master and infrastructure development, facility and community management



# Key Operational Developments



## Collections

- Newly formed credit and collections committee to oversee implementation of unified collections policy
- Negotiating the settlement of outstanding receivables worth EGP 600 mn owed to ERC
- Management shifting emphasis towards unit sales which have much lower delinquency rates and more consistent sales patterns than land plot sales

## Hospitality

- Integrating serviced apartments into all of ERC's residential projects which would provide rental yield returns to potential buyers in addition to increasing footfall throughout commercial areas all year round
- Third party developers have added 150 hotel rooms to Sahl Hasheesh's inventory in 2018 with an additional 1,500 rooms expected to come online in 2019. This will drive significant growth in the number of touristic visitors in 2019

## Residential and Land Bank

- Launched Bay Village with more than 100 units sold/reserved in first few months
- Limit the release of land to select developers to drive growth in land prices over the next five years resulting in significant value enhancement of ERC's land bank
- Upcoming inventory estimated at 600 units to be launched in 2019

## Community and Retail

- Launched a shuttle bus service connecting the various hotels and residential projects in addition to Uber and TUKTUK services
- Adopted more stringent measures in the selection of commercial tenants with an eye to ensuring the quality of the goods and services provided
- Hosted triathlon, motor festival, New Year's parties that were attended by thousands

EGP **275** mn

**100** Units  
Sold/Reserved

EGP **108** mn

**3.4** mn Sqm

**1.4** mn Sqm

**0.9** mn Sqm

Tawaya total contracted & reserved sales  
c. 84% of total

Bay Village sales since  
launch in October

2018 revenue from  
recurring service streams  
including retail areas

Total Land Bank

Residential BUA

Hospitality BUA



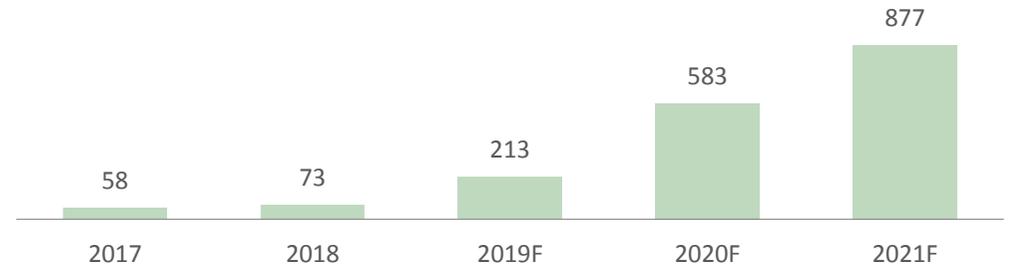
# Strength Through the Years

## Contracted Unit Sales | EGP mn



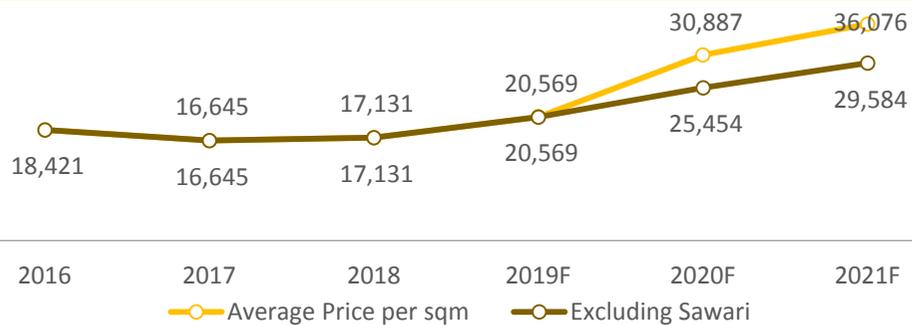
ERC has exhibited solid growth in contracted sales

## Unit Collections | EGP mn



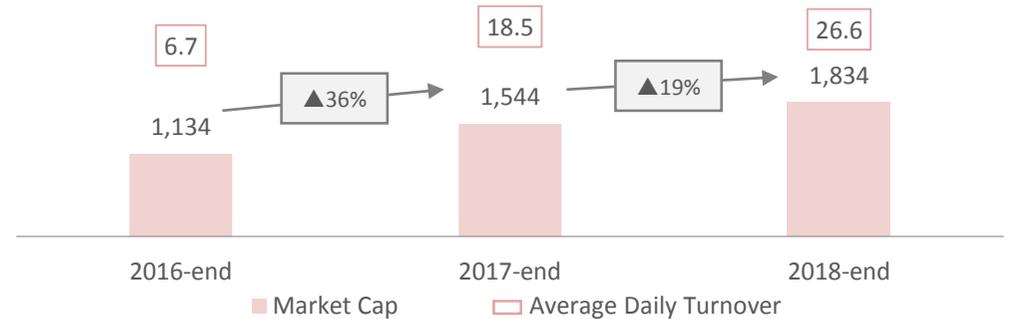
.... Unit cash collections have also remained strong

## Property Appreciation | Average EGP/sqm



Property values are expected to remain on an upward trajectory....

## Market Cap | EGP mn



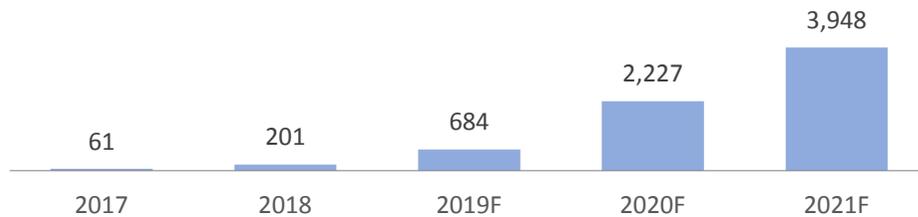
.... driving value for ERC's shareholders.



# Delivering on Restructuring Strategy Across Business Lines

## Real Estate Development

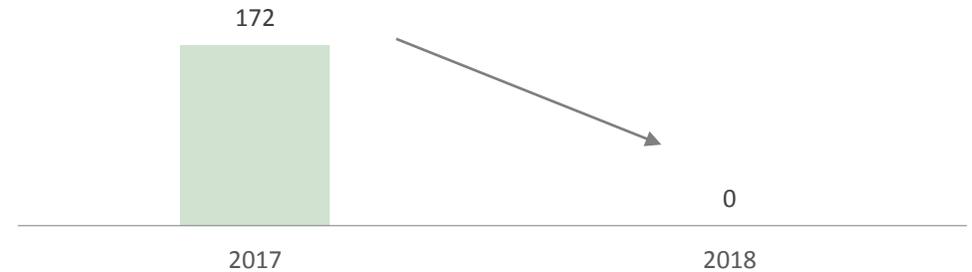
Backlog | EGP mn



Backlog doubled between 2017 and 2018 and is expected to grow exponentially

## Land Sales and Development

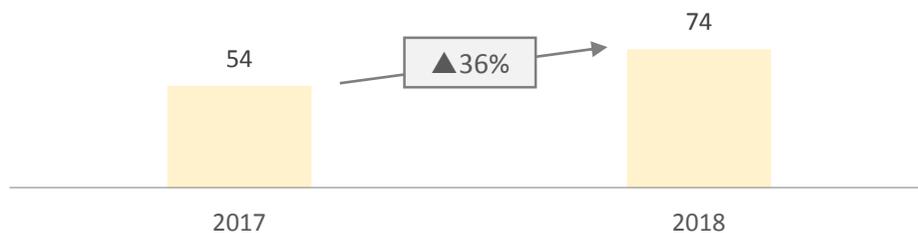
Land Sales | EGP mn



Land sales were halted in 2018 order to restrict supply to enhance prices/land bank value and adopt a more careful approach to the selection of developers

## Infrastructure Development

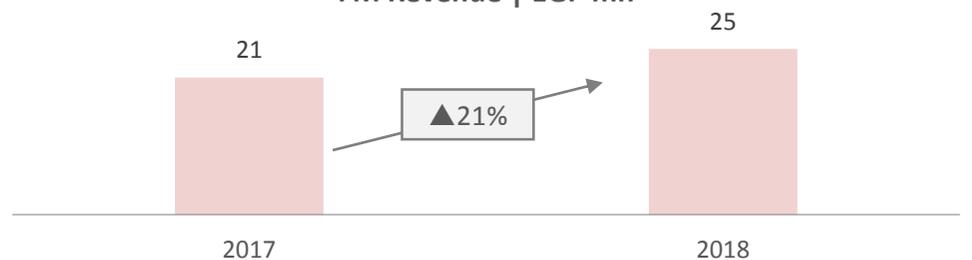
Utilities Revenue | EGP mn



Revenues from utilities grew almost 36% y-o-y driven by volume and price growth

## Facility & Community Development

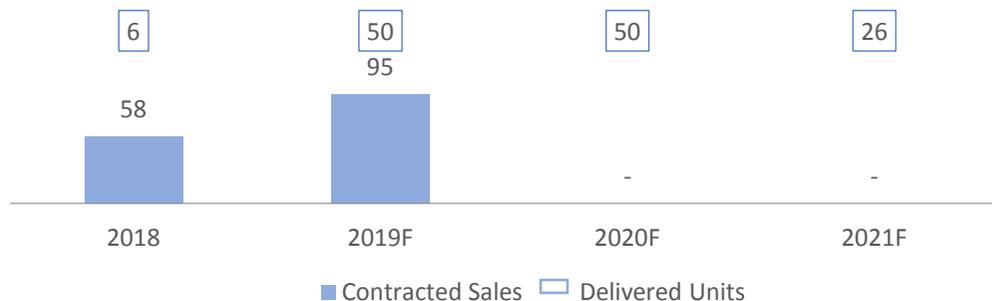
FM Revenue | EGP mn



FM revenues are growing, but collections remain challenging

# Tawaya – Key Highlights

## Contracted Unit Sales | EGP mn



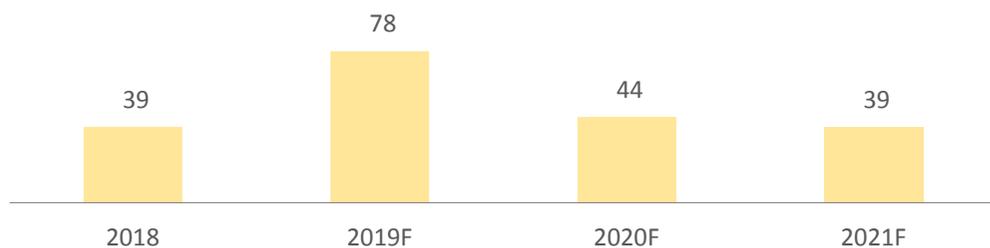
With 79% of Tawaya now sold, ERC expects contracted unit sales to ramp up in 2019 and sell out by year-end

## Recognized Revenue | EGP mn



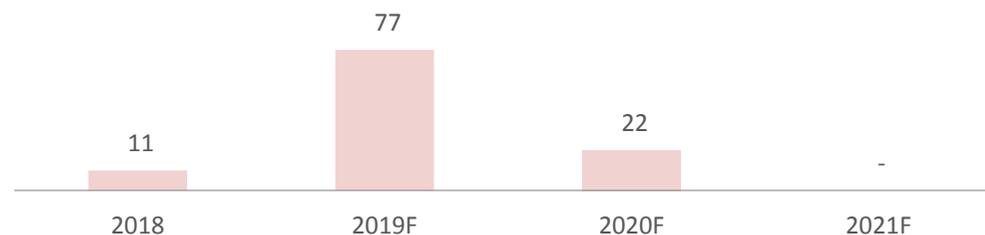
The rate of revenue recognitions will be expedited in the medium-term, driven by further delivery of its units

## Collections | EGP mn



Collections are expected to stabilize going forward once the project's remaining inventory is sold in 2019

## Project Cost | EGP mn

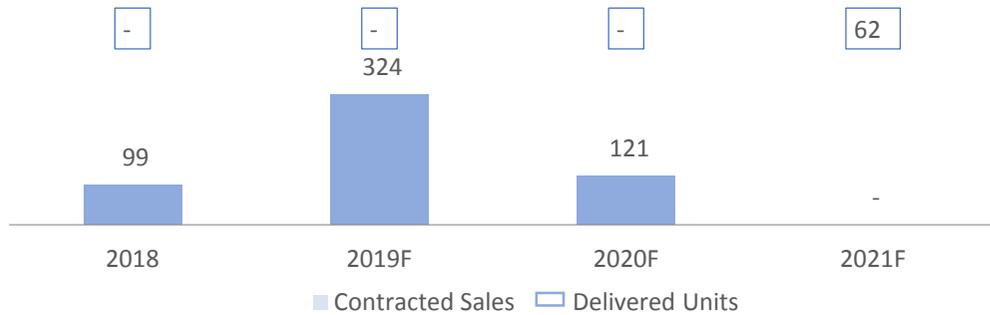


While costs will drop as deliveries press ahead, improving the project's cash flows



# Bay Village – Key Highlights

## Contracted Unit Sales | EGP mn



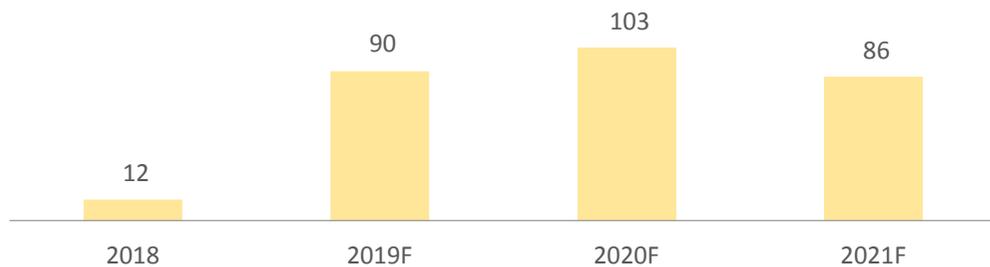
After its successful launch in October 2018, unit sales are expected to continue over the next two years with deliveries starting in 2021

## Recognized Revenue | EGP mn



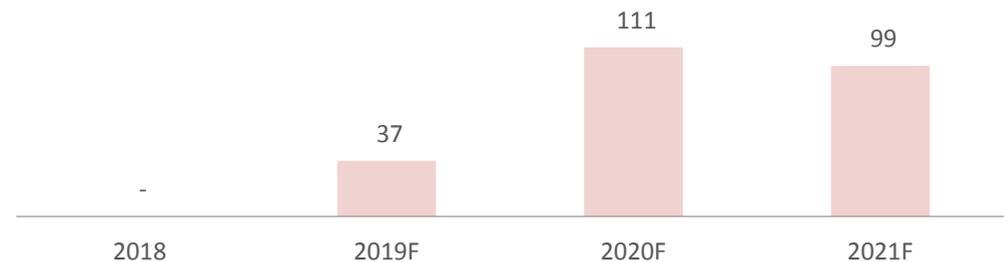
Which in turn will translate into revenue recognition beginning 2021

## Collections | EGP mn



Growth in contracted unit sales will ramp up cash collections as new phases of the project are launched over the next two years

## Project Cost | EGP mn



Project costs are also expected to grow over the medium term as project development progresses



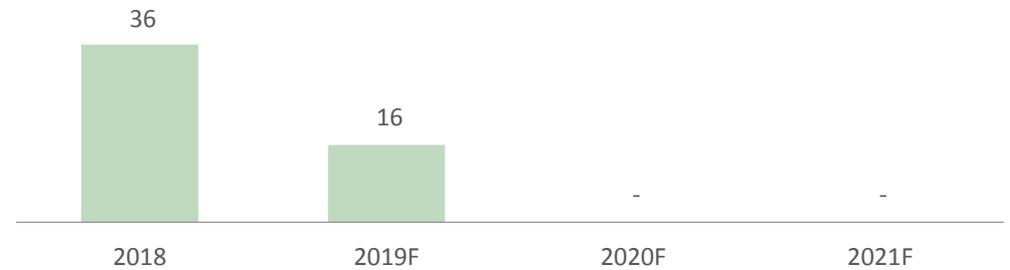
# Jamaran – Key Highlights

## Contracted Unit Sales | EGP mn



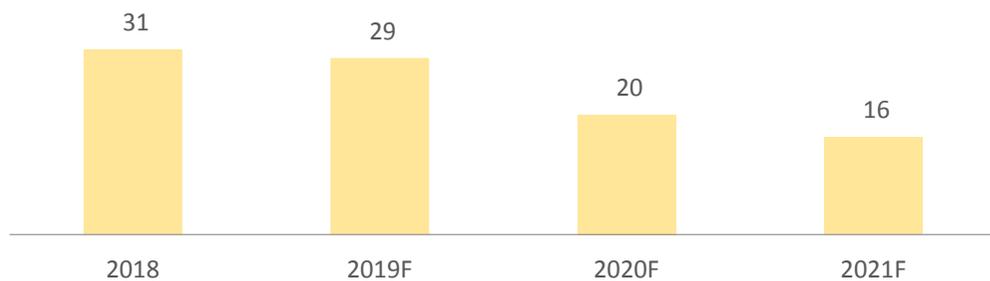
Intensified marketing saw ERC speed up sales at its Jamaran development, with sales completion and delivery on schedule

## Recognized Revenue | EGP mn



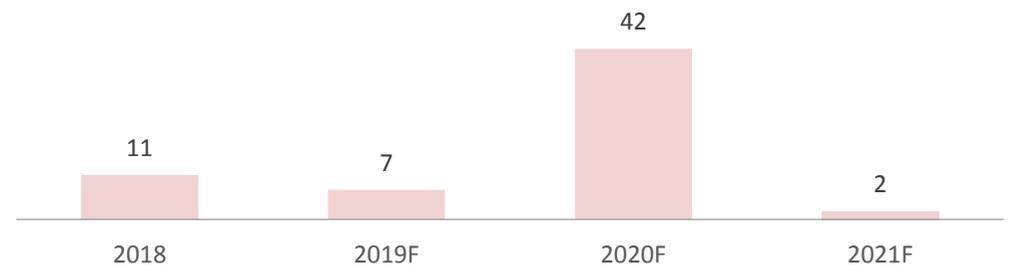
With its recognized revenues expected to be fully realized by year-end

## Collections | EGP mn



With Jamaran expected to be fully sold in 2019, cash collections from the project will fall gradually over the medim-term

## Project Cost | EGP mn

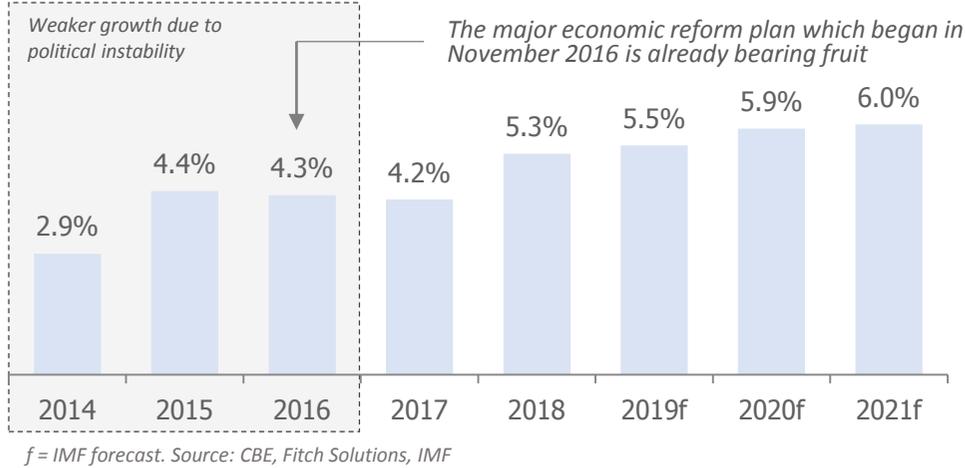


With the bulk of remaining construction works to be complete in 2020

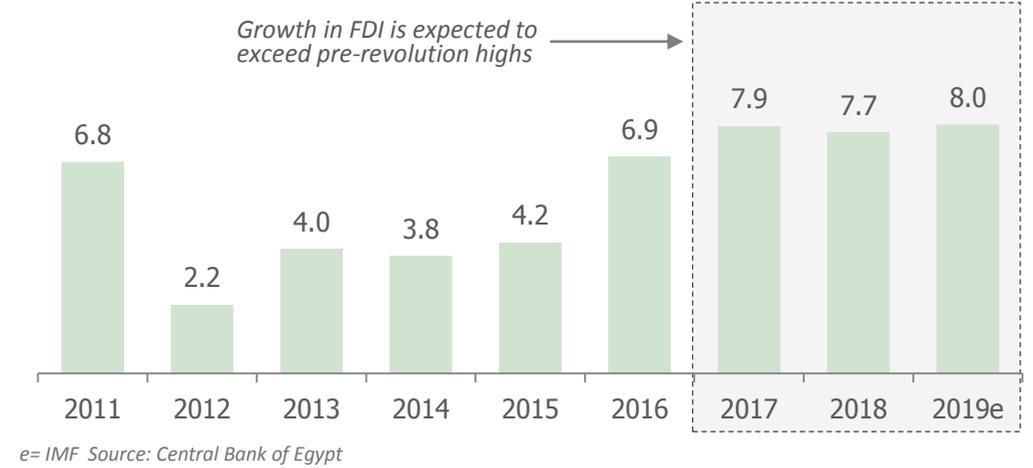


# Supported By Strong Macroeconomic Recovery

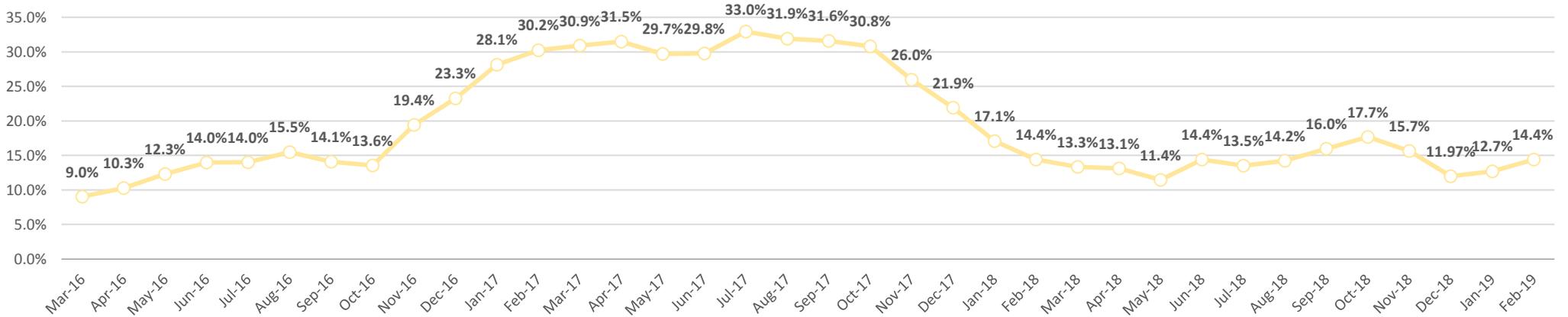
## Accelerating Real GDP Growth



## Net Foreign Direct Investment on the Rise | USD Billion



## Inflation Levels Receding to Normal Ranges (Y-o-Y)



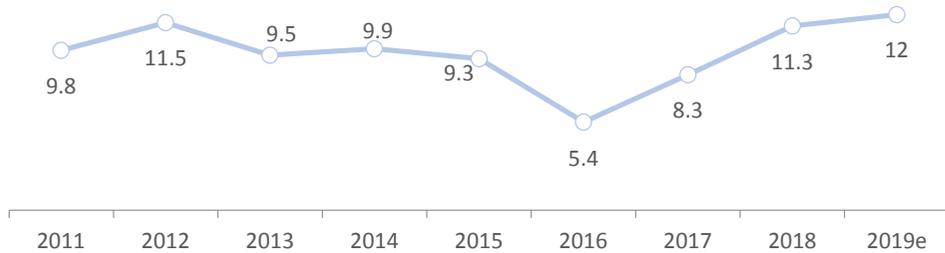
Source: Central Bank of Egypt



# Supported by Favorable Tourism Market Trends

## Continued Recovery in the Tourism Industry

Tourist Arrivals | Millions

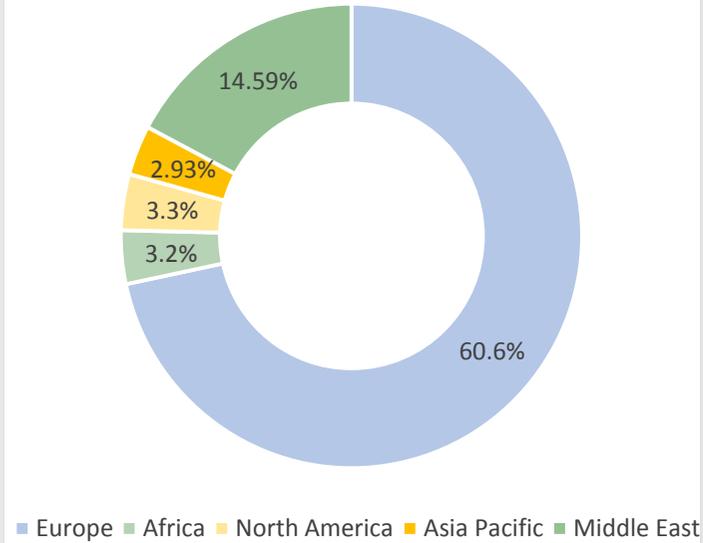


After a period of uncertainty, tourist arrivals continue to recover with Egypt becoming the destination of choice among UK, Central and Eastern European markets

Tourist arrivals during 2018 increased by 36% Y-o-Y

Source: CAPMAS, Al Mal

## Profile of Tourists



Europeans represent the majority of tourists to Egypt, accounting for c. 60% of the total number of arrivals:

**40%**

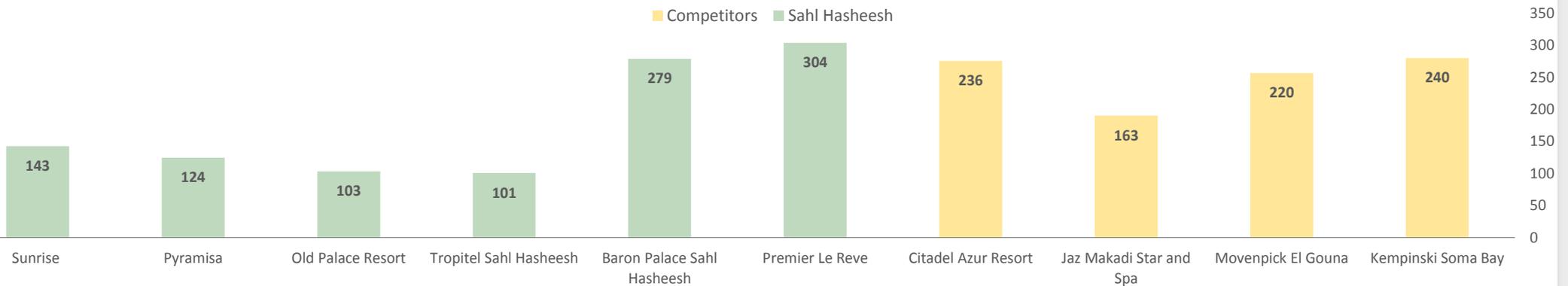
Western Europe

**20%**

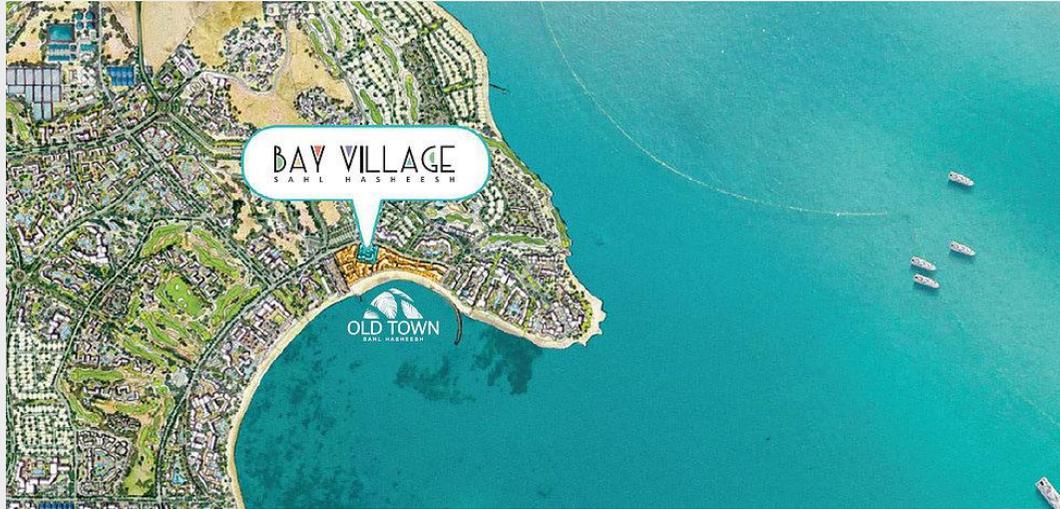
Central & Eastern Europe

## Average Room Rates | USD

Competitors | Sahl Hasheesh



# Projects Portfolio: Bay Village



October **2018**

**202** Units

**2023**

**40-140** Sqm

**18,518** Sqm

Sales window opened

# of units

Expected full project completion

Unit sizes

Sellable BUA



# Projects Portfolio: Tawaya



October **2015**

**168** Units

**2020**

**60-294** Sqm

**18,017** Sqm

Sales window opened

# of units (including roofs)

Expected full project completion

Unit sizes

Sellable BUA



# Projects Portfolio: Jamaran



**36** Units

# of units

**2020**

Expected full project completion

**318 - 380** Sqm

Unit sizes

**10,880** Sqm

Residential BUA



# Water & Irrigation

Management of ERC's desalination plant and water treatment equipment is subcontracted for a fixed fee, while water is sold at market rates



## Water & Irrigation

14,000 m<sup>3</sup> / day desalination plant

Water network of 31,283m

Water storage capacity of 12,000 m<sup>3</sup>

Main irrigation network of 16,994m

Surface irrigation network of 113,317m

Irrigation water storage capacity of 6,000m<sup>3</sup>

Pumps facility of 19,200 m<sup>3</sup>/day

## Sewage Treatment

7,500 m<sup>3</sup> / day waste water treatment facility

8 operative lift pump stations

The main network of 14,085 m and gravity network of 26,069 m



# Electricity

ERC is a licensed electricity generator and distributor with an electricity sub-station in the design phase

## Key Facts

20 MVA capacity

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5 electrical networks (128,478 m) were established to serve phases 1 and 2

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74,207 m of power cables were installed for internal road lighting

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## Operational Update

A contract was signed with Canal Company to supply 20 MVA of electricity

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An approval was received to establish a 22/66 KV substation with production capacity of 100 MVA to cover phases 1 and 2 future requirements

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ERC's IT equipment and fiber optic networks support high-speed internet, video on demand, internet protocol television among other services

## Key Facts

13,000 m fiber optic network

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4,500 m sub-fiber optic network

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ERC's revenue share = 10%-40% of revenues

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13 cellular towers: TEVOTECH/Vodafone & Orange, Noor, and Etisalat selected as business partners

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## Key Facts (Continued)

iBAHN, leading IPTV, Video on Demand (VOD) service provider, serving all projects

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TEVOTECH offering triple-play broadband services to sub-developers

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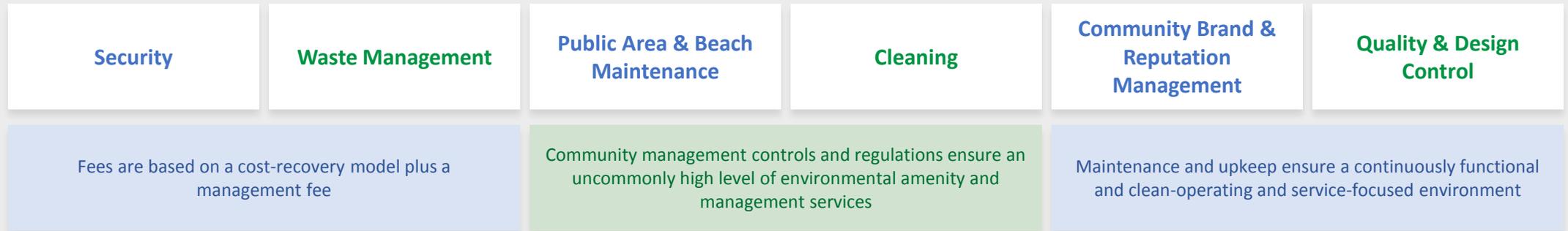
TEVOTECH, Orange, Noor and Etisalat offering high-speed internet services to sub-developers

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# Facilities Management

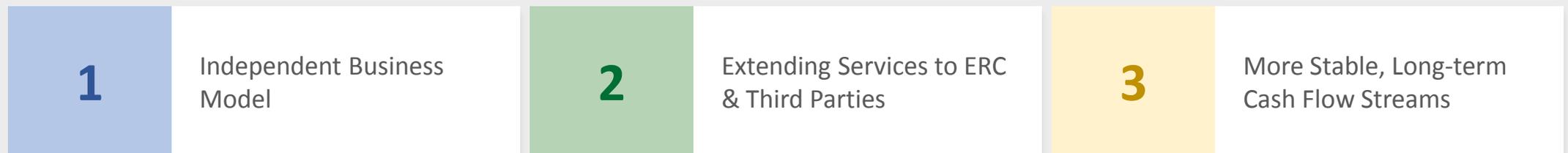
ERC provides a comprehensive range of maintenance and facility management services

## Facility Management Capabilities



## Facility Management Capabilities

As part of ERC's growth strategy, the Company has plans to spin off of its Facilities Management division into an independent entity:





# Sahl Hasheesh: ERC's Flagship Master Development

# Sahl Hasheesh: ERC's Flagship Master Development



Sahl Hasheesh is a unique, purpose-built Red Sea destination 18 km south of Hurghada International Airport and approximately 470 km from Cairo. The year-round development is situated on a bay long renowned as a world-class diving and seaside destination and includes a 12.5 km shoreline.

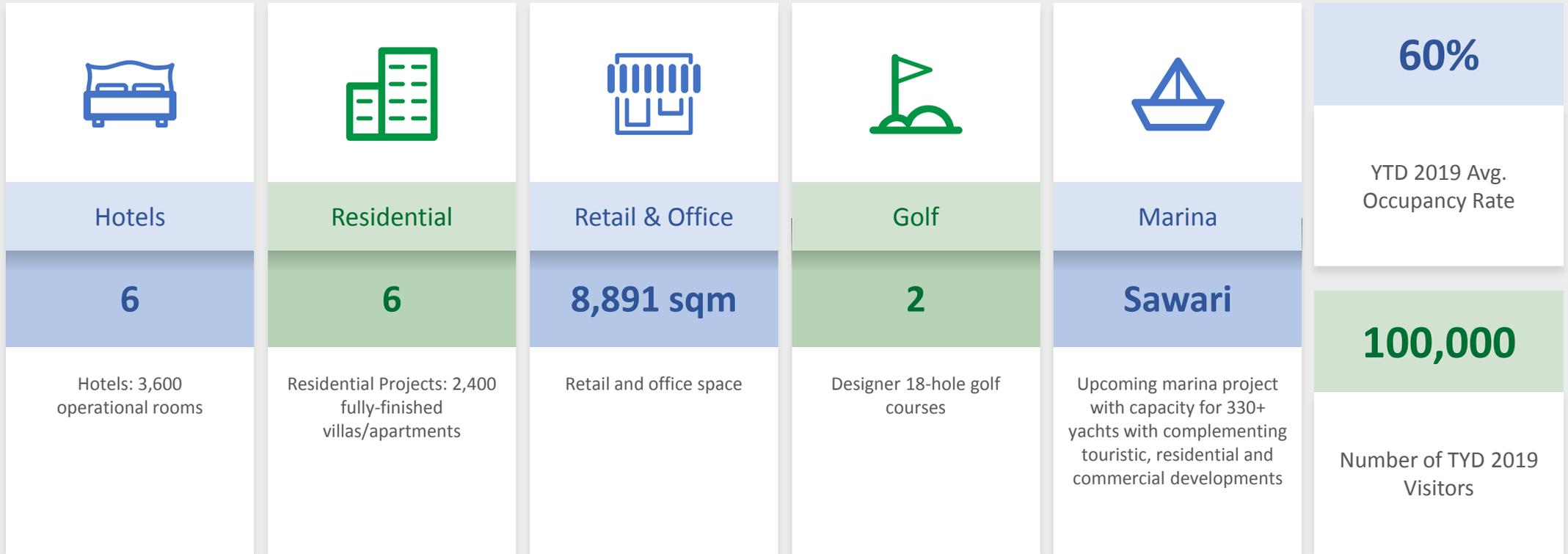
Investors & Sub-Developers			Tourists & Residents
<b>Controlled Supply</b>	<b>Superior Infrastructure</b>	<b>One-Stop-Shop</b>	<b>Community Management in an Upscale Development</b>
Strategically-released land phases based on development and ROI protection	“Plug-and-Play”: full-fledged infrastructure with developers simply “plugging” in upon project completion	Investors and developers deal only with ERC, while ERC secures licenses, approvals, building permits and land registration	<ul style="list-style-type: none"> <li>• Architectural integrity and cohesion</li> <li>• Community management controls and regulations</li> <li>• Maintenance and upkeep</li> <li>• Full services and amenities</li> </ul>

## Planning Partners



# Sahl Hasheesh By Numbers

Phases I and II of Sahl Hasheesh are currently home to around 3,600 hotel rooms and suites managed by brands including Premier Le Rêve, Sunrise Romance, Pyramisa, Tropitel, Old Palace and Baron, and Azzurra Boutique Hotel in addition to almost 2,400 residential units. Five of our hotels are among the top 10 picks on Trip Advisor.



## Key Developers



## Events in 2018



Sahl Hasheesh hosted the **bi-annual triathlon with Trifactory** during 2018, an event which has been held at Sahl Hasheesh every spring and winter over the last four years, with more than 1000 athletes from Egypt and across the world competing in a variety of exciting races, and the seventh annual Sahl Hasheesh Triathlon endurance festival, featuring athletes from more than 30 different countries



Sahl Hasheesh recently hosted the first edition of its Motor Festival, which featured five different races alongside a vintage car show



In March 2018, ERC hosted “Sahl Hasheesh 1st Hybrid Electric Car Challenge”. In April 2018, ERC hosted a major Equestrian competition and Easter Holidays activity on Sailors beach and Bus Stop

As part of ERC’s efforts to promote Sahl Hasheesh as a destination of choice, we hosted the “K, bye!” mini festival organized by byGanz, one of the top event-organizers in the country. The festival featured a line up of some of the tech-house music renowned DJ’s, including its headliner, world-renowned DJ Solomun. The two-day festival, which took place on December 28-30, brought together DJs and electronic sounds from Egypt, Spain, France, Germany, Lebanon and several others from all over the world and was attended by thousands of guests from various countries.

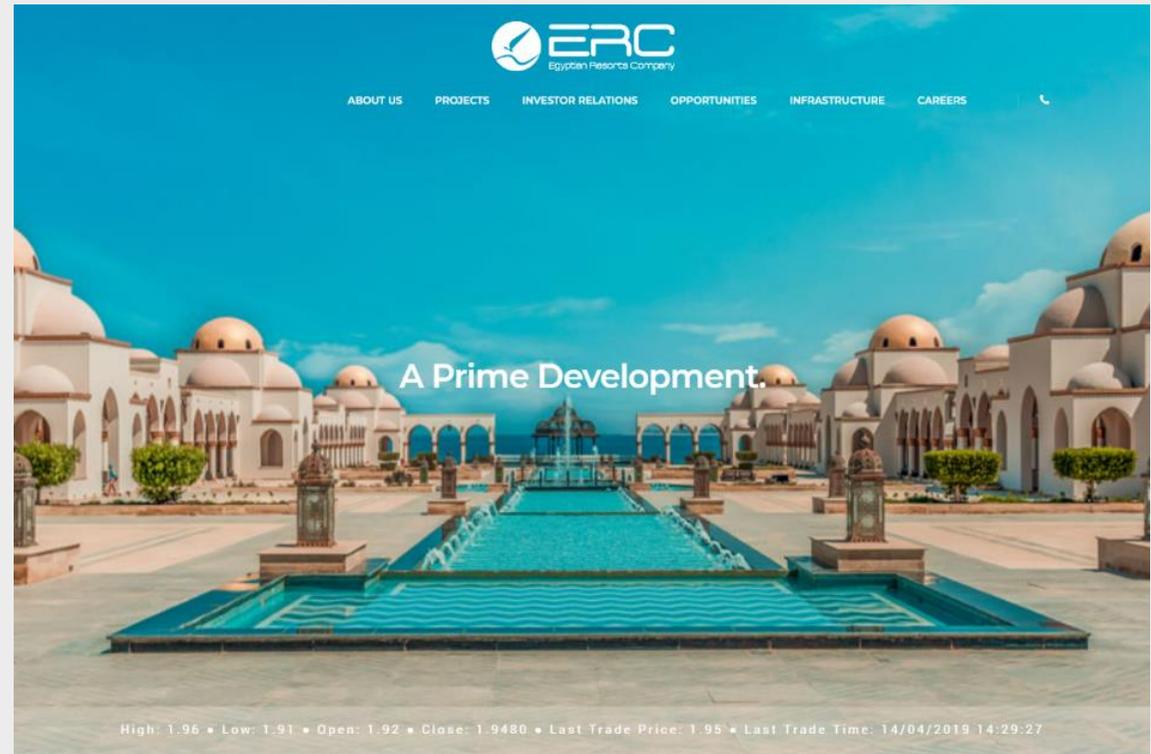
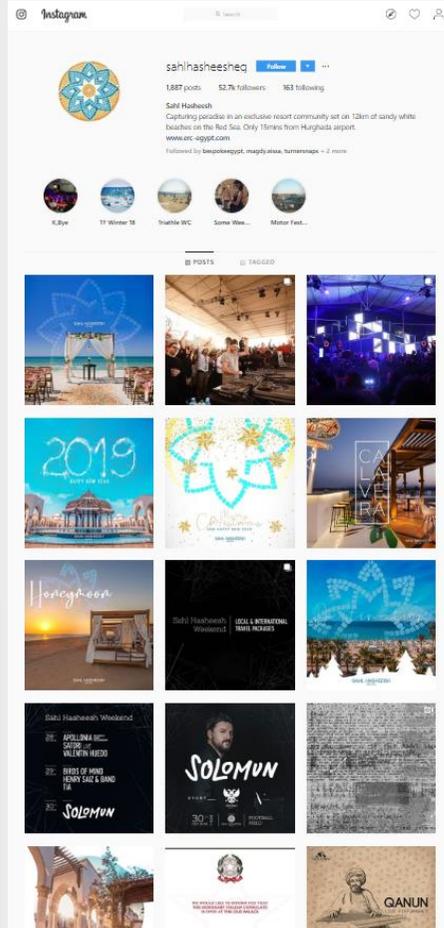
## Community Development in 2018



Sahl Hasheesh and Uber Egypt launched a collaboration on the Tuk Tuk service where residents and guests can use Uber to hail rides within Sahl Hasheesh



# Community Development



We are continuing to expand our digital marketing footprint. Our social media following has grown considerably over the past year and we are preparing for the revamp of our community website and are adding to our online media channels.

 **70 K**  
Followers

 **53 K**  
Followers



Internationally, Sahl Hasheesh is continuing to position itself as a competitive destination in Egypt with strong participation in tourism trade shows (ITB Berlin and WTM London) as well as promoting destination weddings in Sahl Hasheesh with the European market.

A balcony with a view of a coastal city and the ocean. The balcony features a white balustrade and a large white vase with a plant. The view includes a beach, palm trees, and a pier extending into the turquoise sea under a clear blue sky. The text "Financial Performance" is overlaid in the center.

# Financial Performance

# Consolidated Income Statement

EGP	FY-2017	FY-2018	Change
<b>Sales</b>			
Operating Revenue	206,593,285	60,193,554	-71%
Sales Return	( 780,847)	(32,805,643)	
2 Revenue from rendered services	75,255,074	98,917,800	31%
1 <b>Total Revenues</b>	<b>281,067,512</b>	<b>126,305,711</b>	<b>-55%</b>
<b>COGS</b>			
Cost of Sales	( 63,733,480)	(47,077,509)	-26%
Cost of returned sold land	236,077	10,390,619	
Operating cost of rendered services	(115,401,193)	(132,686,165)	15%
<b>Gross Operating profit (loss)</b>	<b>(178,898,596)</b>	<b>(169,373,055)</b>	<b>-142%</b>
Other Income	6,113,823	10,461,535	71%
Selling and Marketing Expenses	(30,672,320)	(30,705,110)	0.1%
General and Administrative Expenses	(42,002,997)	(41,905,130)	-0.2%
Other Expenses	(5,135,933)	(40,589,249)	690%
3 <b>Operating profit (loss)</b>	<b>30,471,489</b>	<b>(145,805,298)</b>	<b>-578%</b>
Deferred Interest	39,951,851	55,313,509	38%
Net Finance Income (Cost)	9,996,346	4,685,796	-53%
<b>EBT</b>	<b>80,419,686</b>	<b>(85,805,993)</b>	<b>-207%</b>
Income tax	(23,681,961)	0	-100%
Deferred tax	12,725,057	10,573,199	-17%
4 <b>Net Income</b>	<b>69,462,782</b>	<b>(75,232,794)</b>	<b>-208%</b>
Attributed to the Holding Company	62,585,787	(71,987,185)	-215%
Minority Interest Share	6,876,995	(3,245,609)	-147%

1

- The decrease in total revenue reflects the company's decision to halt land sales during 2018 as part of its strategy to expand its business model beyond master development and increasingly focus on residential and commercial real estate development as the primary growth driver going forward. This was coupled with a decrease in sales returns as ERC cancelled several contracts one of which is a sales contract of EGP 23 million for land sold in 2015.
- Factoring out revenue from land sales in FY 2017, the company's top-line would record an 11% y-o-y increase in FY 2018

2

- This rise in service revenue ( up 31% y-o-y) in 2018 reflects marked growth in demand for infrastructure and facility management services on the back of rising hotel occupancy and unit deliveries.

3

- ERC has also taken significant steps in reaching settlement agreements with delinquent accounts and collecting past dues as it seeks to clean up legacy A/R.
- These efforts have resulted in non-recurring expenses of EGP 73 million, consisting of EGP 23 million in land cancellations related to land purchased in 2015, EGP 13 million in exchange rate related losses and EGP 37 million in bad debt provisions on the back of the company's new credit policy.

4

- The overall decline in revenues over a relatively stable operating cost-base, combined with the EGP 73 million in non recurring expenses, led to a net loss of EGP 75.2 million during FY18 against a net profit of EGP 69.5 million during FY17



# Consolidated Balance Sheet

EGP	31/12/2017	31/12/2018
Fixed Assets (net)	103,174,397	106,068,048
Real Estate Investments	148,040,655	134,887,436
Projects in Progress	12,532,922	12,883,727
4 Accounts and Notes Receivable (Net)	470,856,774	403,816,773
Long Term Time Deposits	43,585,500	43,953,000
1 <b>Total Long term Assets</b>	<b>778,190,248</b>	<b>701 608 984</b>
Work in progress	590,732,316	602,137,671
Assets Held for Sale	528,134	528,134
Inventory	2,712,995	3,347,892
Accounts and Notes Receivable (Net)	913,886,102	1,007,907,726
Various debtors and other debit balances	30,744,671	17,338,478
Cash on hand & at bank	122,116,103	97,071,407
2 <b>Total Current Assets</b>	<b>1,660,720,321</b>	<b>1,728,331,308</b>
<b>Total Assets</b>	<b>2,438,910,569</b>	<b>2,429,940,292</b>
Claims Provision	29,208,214	31,964,367
Receivables - Advance payments	175,671,520	281,677,369
Sundry creditors and other credit balances	282,467,453	281,548,288
Due to authority of touristic development	140,316,098	134,912,381
Estimated cost for development of sold land	164,405,149	157,244,970
Income tax	23,681,961	-
3 <b>Total Current Liabilities</b>	<b>815,750,395</b>	<b>887,347,375</b>
Issued and Paid in Capital	1,050,000,000	1,050,000,000
Legal Reserve	146,057,902	147,814,865
Retained Earnings (Losses)	(247,516,959)	(321,261,107)
<b>Holding Company's Shareholders' Equity</b>	<b>948,540,943</b>	<b>876,553,758</b>
Minority Interest	(16,555,726)	(19,801,335)
<b>Total Shareholders' Equity</b>	<b>931,985,217</b>	<b>856,752,423</b>
Deferred tax liability (Net)	69,860,819	59,287,620
Purchase of Land Creditors	621,314,138	626,552,874
<b>Total long term Liabilities</b>	<b>691,174,957</b>	<b>685,840,494</b>
<b>Total Liabilities &amp; Equity</b>	<b>2,438,910,569</b>	<b>2,429,940,292</b>

1

In terms of long-term assets as at FY18:

- A decline in long-term accounts and notes receivable due to increasing bad debts provisions.
- Management is in the process of resolving outstanding receivables due from ERC corporate costumers through a combination of rescheduling's, debt for equity/asset swaps and terminations/sales returns.

2

In terms of Current Assets as at FY18:

- Inventories increased y-o-y given the higher amount of works
- Receivables in general have increased due to increase in contracted sales.

3

In terms of Current Liabilities as at FY2018:

- Receivables-Advance Payments rose to c. EGP 281.7 Mn on the back of higher down payments recorded for Tawaya and Jamaran units in addition to lands contracted since year end 2017

4

Resolve outstanding receivables due from our corporate customers through a combination of rescheduling's, debt for equity/asset swaps and terminations/sales returns.



# Corporate Governance

ERC believes that a robust, proactive approach to corporate governance is vital to the interests of both the individual company — boosting investor confidence by protecting the value of their shares — and the business community by providing a regulatory framework for healthy competition.

## The Board

**Mr. Ahmed Abou-Hendia**  
Non-Executive Chairman

**Mr. Mohamed Kamel**  
Vice Chairman

**Mr. Wael El Hatow**  
Chief Executive Officer

**Dr. Hamza Al Kholi**  
First Arabian Development & Investment

**Mr. Hussein Abuseda**  
Rowad Tourism

**Mr. Mohamed El Saeed Ibrahim Taaema**  
Rowad Tourism

**Dr. Khaled Abdelaziz Moh'd Hegazy**  
Misr Life Insurance

**Mr. Mohamed Sherif**  
Misr Insurance

**Mr. Mohamed El Saeed Saad Daabis**  
Misr Insurance

**Mr. Mohamed Samir Abdel Fatah**  
Red Sea Hotels

**Mr. Tarek Samir Abdel Fatah**  
Red Sea Hotels

**Dr. Eskander Tooma**  
Independent Member

**Dr. Gamal Elsaeed**  
Independent Member

## Committees

### Audit and Governance Committee

Members

**Dr. Khaled  
Abdelaziz Hegazy**

**Mr. Mohamed  
Daabis**

**Mr. Maged Abd  
ElRazek**

### Nomination & Remuneration Committee

Members

**Mr. Mohamed  
Kamel**

**Mr. Ahmed  
Abu Hendia**

**Dr. Eskander  
Tooma**

**Mr. Mohamed  
El Saeed Ibrahim  
Taaema**



# Investor Information – Shareholders & Analyst Coverage

## EGTS.CA

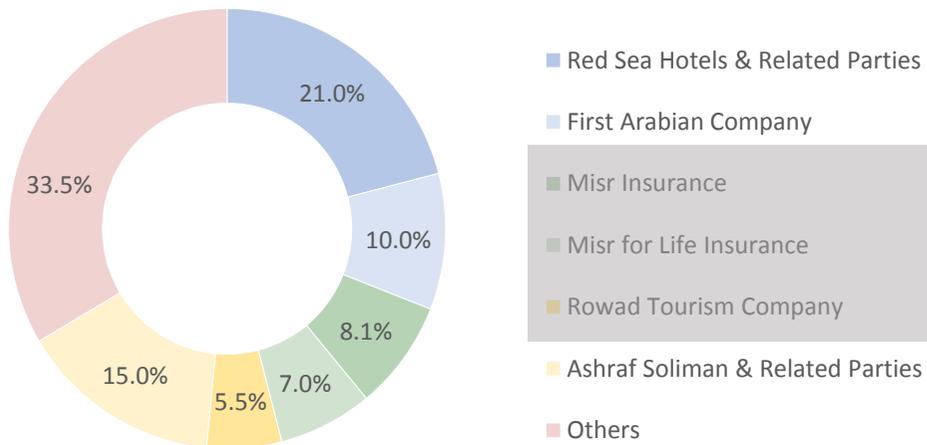
Authorized Capital **EGP 2,000,000,000**

Paid in Capital **EGP 1,050,000,000**

Issued Shares **1,050,000,000 Shares**

Listing Venue **The Egyptian Stock Exchange**

Listing Date **10/02/1999**



## Analyst Coverage



**Name: Mohamed Marei**  
Email: mmarei@egy.primegroup.org



**Name: Mai Attia**  
Email: maiattia@efg-hermes.com



**Name: Omar El-Menawy**  
Email: omar.elmenawy@cicapital.com.eg



**Name: Adham Hesham**  
Email: ahesham@beltonefinancial.com



**Name: Mayar El Ashry**  
Email: mayar.elashry@pharosholding.com



**Name: Mohammad Kamal**  
Email: mohammad.kamal@arqaamcapital.com



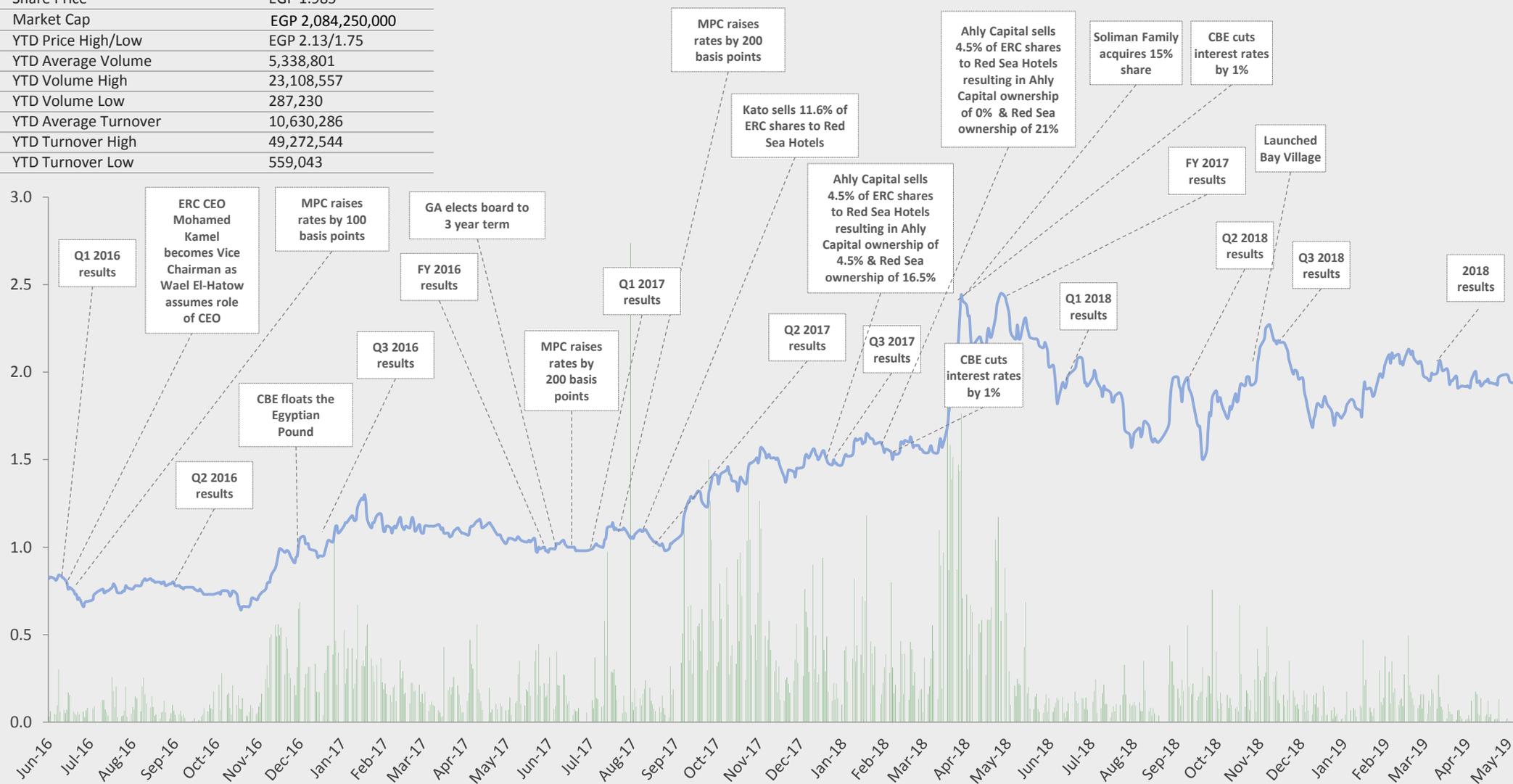
**Name: Amir Badran**  
Email: amir.badran@naeemholding.com



# Investor Information-Stock Information

Egyptian Resorts Co SAE (EGTS)	30/04/2019
Share Price	EGP 1.985
Market Cap	EGP 2,084,250,000
YTD Price High/Low	EGP 2.13/1.75
YTD Average Volume	5,338,801
YTD Volume High	23,108,557
YTD Volume Low	287,230
YTD Average Turnover	10,630,286
YTD Turnover High	49,272,544
YTD Turnover Low	559,043

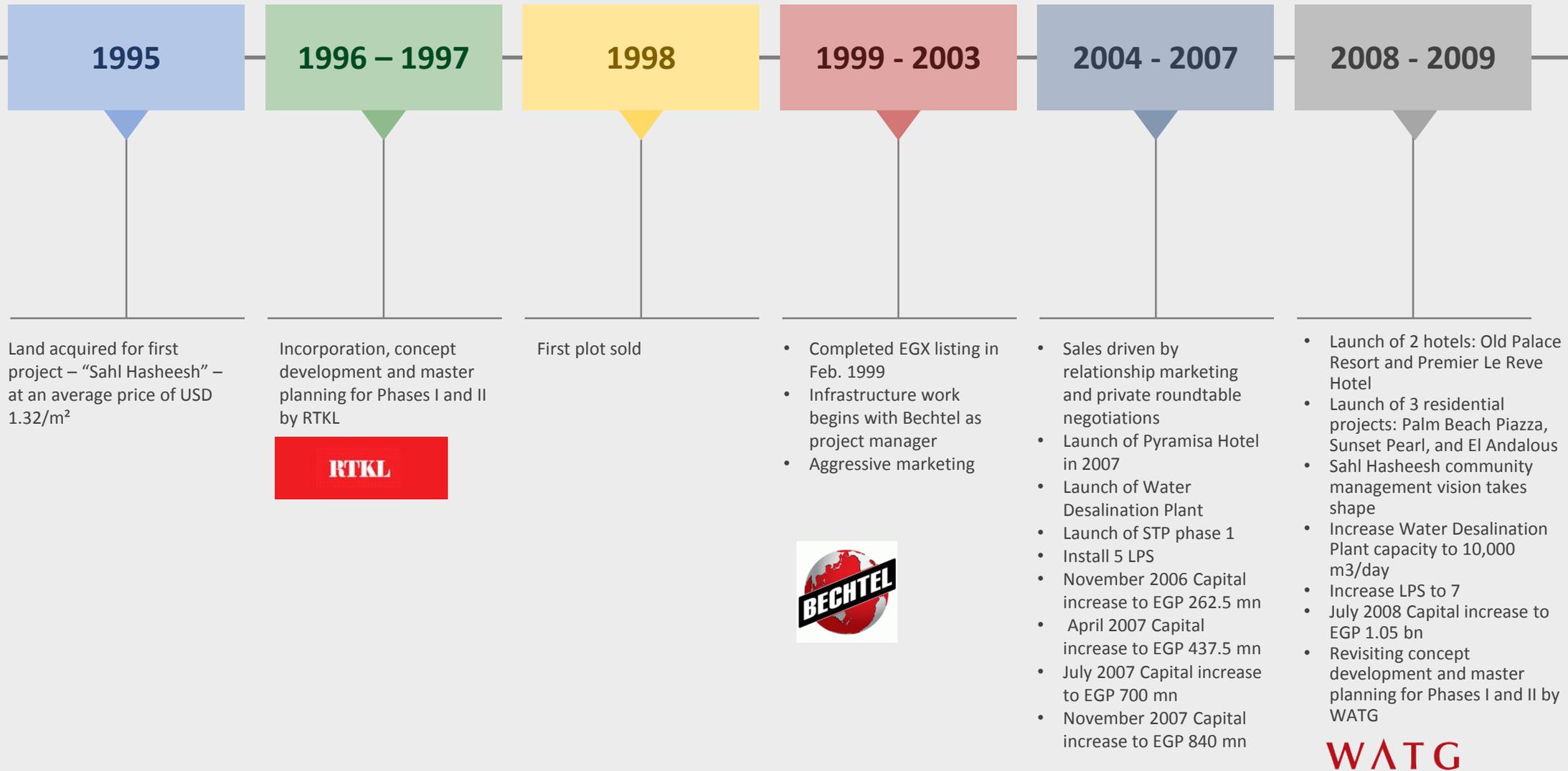
## Egyptian Resorts Co SAE – Stock Performance Chart





# Appendix

# ERC's History & Milestones



# ERC's History & Milestones

## 2010 - 2013

- Launch of 2 hotels: Premier Romance and Tropitel
- Launch of 3 residential projects: Ocean Breeze, Azzurra, and Veranda
- Launch of the Commercial Hub of the Old Town
- Launch of ERC's first real estate project: Jamaran villas on sea front land plot
- New management builds on internal structure, taking company to next level in its lifecycle – key support functions included in HR plan
- Detailed development of community services and utilities reticulation model
- ERC launches its CSR program and teams up with INJAZ Egypt to help improve education in Egypt
- Increase Water Desalination Plant capacity to 14,000 m3/day
- Launch of STP phases 2 and 3 production at a capacity of 7,500 m3/day



## 2014

- Launch of Baron Hotel
- Advertising and sales efforts to finalize Jamaran sales



## 2015

- ERC earns substantial profits from land sales to sub-developers
- Receiving TDA approval to redefine the boundaries of Sahl Hasheesh's Phase 2
- Launch of ERC's second real estate project: Tawaya, SHC's joint project with PHD, within 12-18 months



## 2016-2018

- New management moves forward with internal processes optimization, digitalization of operations and organizational restructuring to support ERC's enhanced business model as a master developer
- Launch of Premier Romance Suites Hotel
- Launch of Amaros seafront twin villas
- Launch of Bay Village
- Launch B2C customer service
- Install desalinated water reject pipelines in 2018



## 2019 onwards

- Plans to launch multiple real estate projects
- Continue process digitalization and optimization
- Launching TFM services
- Expansion of sales network and brand building
- Geographic diversification
- Managing high rates of growth