

3Q2010: Results: Land Sales Continue to Suffer, Utilities Revenue Beats Expectations



RESULTS REVIEW

REAL ESTATE | EGYPT

Jan Pawel Hasman

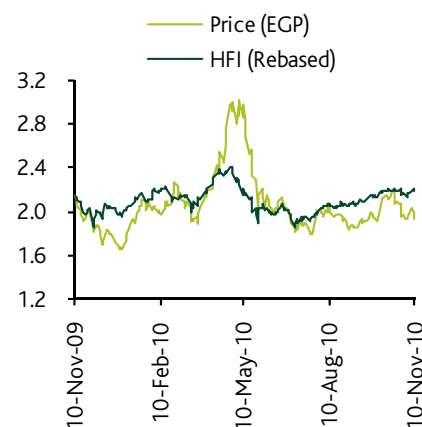
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STOCK DATA

Price	EGP1.9*
Fair Value	EGP2.2
Last Div./ Ex Date	N/A
Mkt. Cap / Shares (mn)	EGP2,037 / 1,050
Av. Mthly Liqdy (mn)	EGP577
52-Week High / Low	EGP3.01 / EGP1.66
Bloomberg / Reuters	EGTS EY / EGTS.CA
Est. Free Float	39%

SHARE PRICE PERFORMANCE RELATIVE TO HFI REBASED



Results In-Line , No Near-Term Catalysts; Reiterate Neutral

Egyptian Resorts Company (ERC) reported its 3Q2010 results today. The results came in broadly in line with our conservative expectations as the company did not book any new land sales in 3Q2010. It also recorded further losses due to delays in installment collection. Utilities revenue came in stronger-than-expected, at EGP5.6 million versus our forecast of EGP4.4 million.

Balance Sheet Remains Strong, Infrastructure Projects Speed Up

The company collected over EGP110 million of receivables during 3Q2010. It also recorded significant progress in its infrastructure projects execution, probably related to new electricity infrastructure within Sahl Hasheesh, in our view, and recorded an increase of EGP82 million in its 'Projects Under Construction' account. ERC closed 3Q2010 with a total cash balance of EGP264 million, and used a net amount of EGP14 million during the quarter.

Net loss greater-than-expected

SG&A expenses reached EGP5.9 million in 3Q2010 compared to our EGP4.5 million forecast and the same amount booked in 2Q2010. The company booked FX losses of EGP1.8 million (not incorporated into our forecast due to low visibility). Net interest income also came in lower-than-expected at EGP2 million versus our EGP4 million forecast. ERC closed 3Q2010 in the red again, reporting EGP9.1 million in net losses versus our expected net loss of EGP1.6 million.

KEY FINANCIAL HIGHLIGHTS

December Year End (EGP mn)	2009a	2010e	2011e	2012e
Revenue	26	19	140	253
Net Income	(4)	(28)	26	75
EPS (EGP)	(0.00)	(0.03)	0.02	0.07
BVPS	1.10	1.07	1.10	1.17
Net Debt (Cash)	(309)	(445)	(489)	(499)
Net Debt (Cash) - inc Ind. Liabilities	(118)	(278)	(346)	(379)
P/BV* (x)	1.8	1.8	1.8	1.7

\*Price as at 10 November 2010

Source: Egyptian Resorts Company (ERC), EFG Hermes estimates



## HIGHLIGHTS OF 3Q2010 RESULTS

## ERC QUARTERLY INCOME STATEMENT HIGHLIGHTS

In EGP million, unless otherwise stated

	1Q09	2Q09	3Q09	4Q09	FY09a	1Q10a	2Q10a	3Q10a	3Q10e	FY10e
Land Sales Revenue	5	7	3	1	16	2	3	(3)	1	6
Service Revenue	2	3	3	3	10	3	3	6	4	13
Total Revenues	7	9	6	4	26	4	6	3	6	19
Other Revenue	0	0	0	0	1	0	0	-	-	1
<b>Gross profit</b>	<b>5</b>	<b>6</b>	<b>4</b>	<b>(2)</b>	<b>12</b>	<b>(0)</b>	<b>0</b>	<b>(5)</b>	<b>(1)</b>	<b>(3)</b>
Total Gross Profit Margin	68%	65%	62%	-55%	47%	-9%	0%	-183%	-10%	-16%
SG&A	(5)	(4)	(5)	(5)	(18)	(6)	(7)	(6)	(5)	(19)
Net Interest	6	3	9	6	24	4	6	2	4	16
Other Income / Expense	4	(3)	(8)	(15)	(6)	(1)	5	(2)	(0)	(21)
<b>Net Income</b>	<b>10</b>	<b>2</b>	<b>(0)</b>	<b>(16)</b>	<b>(4)</b>	<b>(2)</b>	<b>5</b>	<b>(9)</b>	<b>(2)</b>	<b>(28)</b>

Source: Egyptian Resorts Company (ERC), EFG Hermes estimates

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