Raya Contact Center Reports FY2017 Results

Stellar Financial & Operational performance, Dividend Payout of EGP0.62 / Share

Revenues
EGP 760.6 MN
▲ 44.0% y-o-y

Gross Profit
EGP 323.8 MN
▲ 31.5% y-o-y

EBITDA
EGP 204.7 MN
▲ 14.0% y-o-y

Net Profit
EGP 158.5 MN
▲ 33.8% y-o-y

Raya Contact Center (RACC.CA on EGX), Egypt's largest provider of comprehensive business process outsourcing (BPO) services, announced its consolidated results for the fiscal year ending December 31st, 2017, reporting revenue of EGP 760 million, up an impressive 44% y-o-y. The largest contributor to revenue was the outsourcing segment (75%), followed by hosting services (14%) and insourcing services (11%). Net profit for the year grew by 34% to reach EGP 159 million in FY17, compared to FY16 figure of EGP 118 million, with a net profit margin of 20.9%.

Summary Income Statement

EGP	FY2017	FY2016	% Change
Revenue	**760,601,822**	**528,044,423**	***44.00%***
Outsourcing	*570,537,757*	*427,914,878*	*33.30%*
Insourcing	*85,574,253*	*46,969,850*	*82.20%*
Hosting	*104,489,812*	*53,159,695*	*96.60%*
Gross Profit	**323,815,783**	**246,321,991**	***31.50%***
Gross Profit Margin	*42.60%*	*46.70%*	*(4.1 pts)*
EBITDA	**204,710,385**	**179,563,770**	***14.00%***
EBITDA Margin	*27.00%*	*34.10%*	*(7.1 pts)*
Net Debt (Cash) / EBITDA	*-1.15*	*-0.14*	
Net Profit	**158,524,927**	**118,454,684**	***33.80%***
Net Profit Margin	*20.90%*	*22.50%*	*(1.6 pts)*

Note from the CEO

We are pleased to announce stellar and an all-time record performance for the fiscal year ending December 31st, 2017. Despite the challenging macroeconomic trends in our region and the countries we are currently operating-in, our prudent management initiatives continue to demonstrate continuous enhancements in the operational and financial strength of our company. We closed FY2017 having delivered 43% increase in revenue y-o-y to EGP759 million, while on a quarterly basis revenue grew by 82% y-o-y to record the highest quarterly top-line in the Company's history at EGP202 million. Top-line growth was dual-pronged as we continue to push through with the organic expansion of our business and capitalize on our price-competitiveness as a uniquely positioned service exporter.

We were also successful in soliciting 17 new clients during FY2017, six of which are offshore contracts. Noting that the biggest FY17 offshore contract pertains to services rendered to the previously disclosed GCC telecom operator, with services rendered out of our Hurghada facility, which started operations in 2H2017 with 80 FTEs. Now, we are servicing this client with over c.140 FTEs in less than 6 months from project's kick-off. We still perceive considerable upselling and growth prospects with such client, with opportunities to grasp additional BPO Lines of Business as the relationship evolves overtime.

We continue to target expanding our foreign-currency sources in our revenue composition, with over 77% of our top-line in FY2017 generated from offshore accounts, with a robust double-digit growth in the offshore revenue of 16% y-o-y in constant-currency terms. We remain in-line to our stated goal of increasing contribution from foreign markets with our operations in Dubai and Poland together contributing 21% to our top-line in FY17 up from only 11% in the previous year. Furthermore, we were successful in acquiring three strategic offshore BPO contracts during 1Q18, with a total combined offering of c.150 FTEs, with expectations to grow-on further in the upcoming period, with services towards EU & GCC markets, and to be rendered from both Egypt and Poland facilities.

Our people are our most valuable asset; after all, we are in the people management business. We continue to invest in our staff, with our total headcount now exceeding six thousand and nine hundred employees. Our employee average monthly attrition levels have improved significantly to reach 5% per month compared to 6% & 6.6% in FY16 & FY15 respectively, on the back of our continuous exerted efforts on working environment enhancements, providing hands-on training, development and career progression, and emerging to be an employer of choice in the regional BPO front. Moreover, FY17 witnessed over c.450 job-promotions across the board, offering genuine career-advancements to our stars and top-achievers.

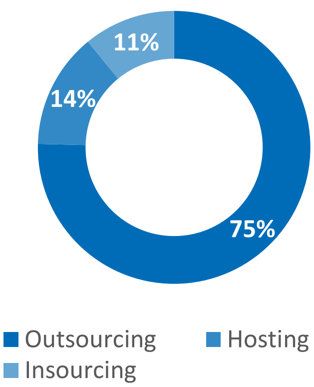
We also expanded our operational capacities remarkably with the addition of 845 new workstations during FY17 (doubling our historical run-rate), reaching an all-time-high of 5,715 seat capacity, with an average billable capacity-utilization of 80%, allowing the company to better serve demand for the more lucrative professional offerings while growing our core contact center services. With a minor shift in our revenue mix during FY17 towards professional and back office service – now constituting 31% of revenues versus 25% in FY16. Nonetheless, FY17 witnessed contraction in profitability margins, driven by inflationary consequences following the EGP flotation as previously disclosed, including rental cost hikes (especially for those quoted in FCY), pricing concessions, regional expansions, and salary adjustments. Yielded margins are still ahead of our international peer-group, and are expected to normalize in the coming period.

On the other hand, our international presence contributed positively to our effective tax rate (ETR), bringing it to 20.4% in FY17, down from 24.2% last year. Such efficiencies were successful to curb the decline witnessed on FY17 EBITDA margin y-o-y resulting from the uncontrollable inflationary pressures post EGP flotation. We closed FY17 with a net profit of EGP159 million, yielding a satisfactory 20.9% net profit margin and EPS of EGP 1.32 per share (net-of-appropriations). Our cash flows from operations remain resilient growing more than two-folds annually, recording EGP 232 million during FY17 versus EGP91 million during the same period last year. Our Board of Directors recommended a cash dividend payout of EGP0.62 per share (EGP65.8 million in total, representing 47% payout ratio, and 4.4% dividend yield), and also recommended an additional stock dividend; subject to final approval and ratification by Co.'s AGM and regulatory authorities.

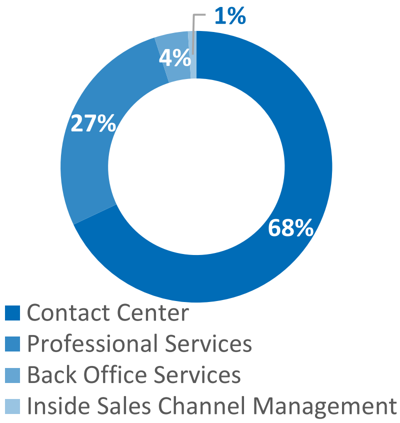
FY2017 was quite an eventful year in the history of RCC, we took the company public, enhancing corporate sustainability, best-practice governance, and openness to global opportunities. RCC is now well geared to be the leading provider of business process outsourcing services in the MEA region.

Reem Asaad
Chief Executive Officer

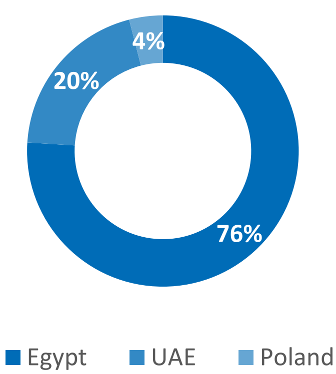
Revenue by Segment
(FY17)



Revenue by Service
(FY17)



Revenue by Geography
(FY17)



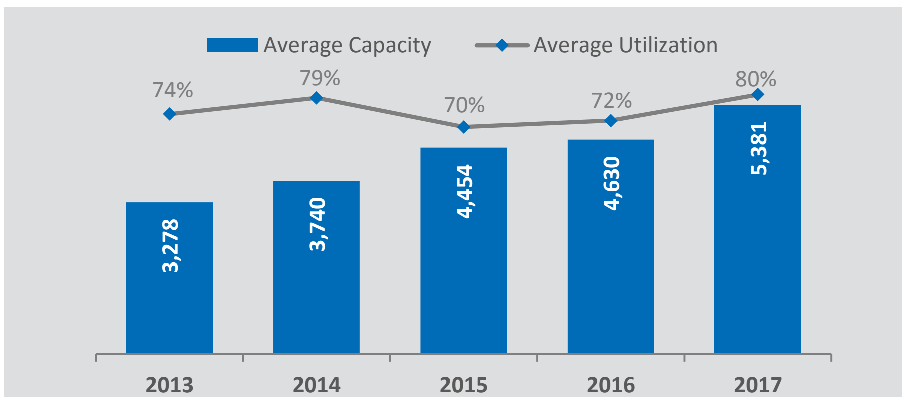
Operational Review

During the fiscal year ended 31 December 2017, RCC added 845 new workstations across its centers, bringing its total capacity to 5,715 compared to 4,870 as at year-end 2016, up 17.3% y-o-y. RCC's total CAPEX as a percentage of sales recorded 6.5% in FY17 versus 2.8% in the same period last year.

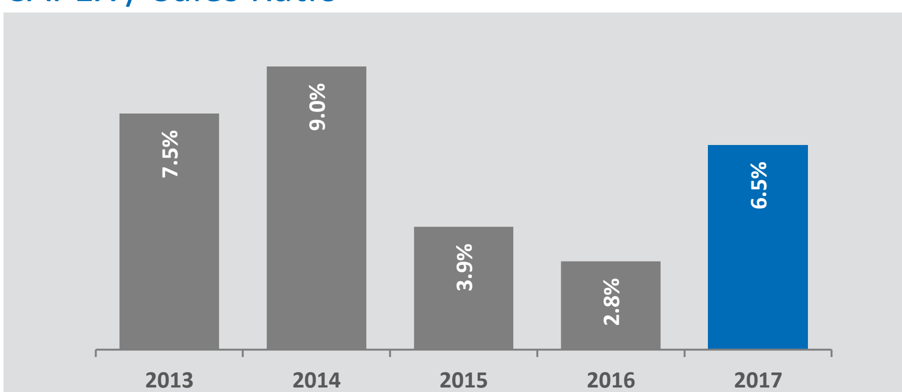
Over 72% of RCC's revenue for the year were generated from clients who have been in contract with the company for over five years, while client retention rate was at a healthy c.90%.

RCC prides itself on the quality, reliability and security of its service, a key competitive strength that is a function of its continued investment in human resources development and quality assurance programs. In FY17, RCC extended 825,343 hours of operational training to its advisors across its onboarding, ongoing and client-specific programs. In parallel, the company successfully renewed its operational quality accreditation certificates, including upgrading its COPC accreditation for performance management to the higher-tier version 6, the ITIL information technology framework, and the PCI-DSS e-payment security accreditation. Moreover, RCC follows best practices as (ISMS) Information Security Management system, which is mapped by NIST and SANS institute. As well, we have the SOC Audit performed on annual basis.

Workstation Evolution & Utilization[1]

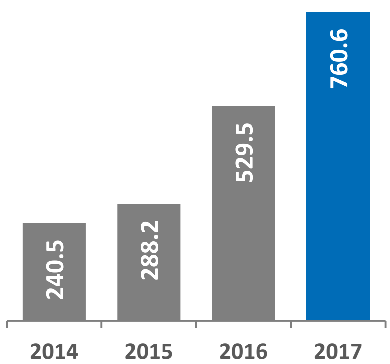


CAPEX / Sales Ratio

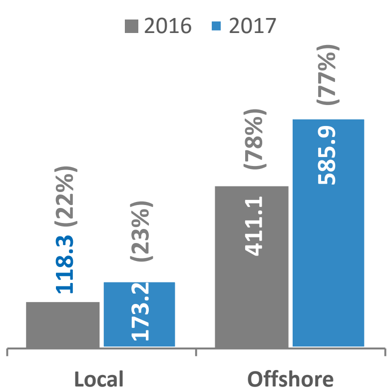


[1] Utilization is calculated as the average productive workstations' utilization by the average total workstations.

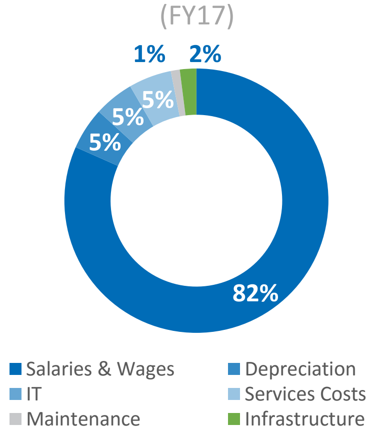
Revenue Progression
(EGP mn)



Revenue Progression by Location
(EGP mn)



COGS Breakdown
(FY17)



Financial Review

Consolidated revenues in FY17 recorded EGP 760.6 million, up 44% y-o-y driven by both organic growth — securing new clients and increasing services to existing clients — as well as the effect of translating the company's foreign-currency denominated revenue streams onto the company's EGP financials post the float of the Egyptian Pound in November 2016.

Analyzing FY17 revenue by ***currency***, *offshore* revenue (USD pegged) recorded EGP 586 million, representing 77% from total revenue for FY17, posting an increase in absolute value of 43% y-o-y. *Onshore* (*local*) revenue accounted for the balance. When it comes to FY17 revenue by ***service segment***, RCC's core function, *contact center outsourcing* revenue recorded EGP 569 million, representing 75% of total revenue, and posting 33% y-o-y growth. *Insourcing* (*HR outsourcing*) recorded EGP 86 million, representing 11% of total revenue, and posting 82% growth y-o-y. *Hosting segment (workstation leasing*) recorded EGP 104 million, representing 14% of revenue, and growing 97% y-o-y.

Analyzing FY17 revenue by ***geographical location***, **Egypt** operated facilities generated revenue for EGP 577 million, representing 76% from total revenue, and posting 23% annual increase. **UAE** operated facility generated EGP 154 million revenue, representing 20% from total revenue, and posting a remarkable 308% annual increase. **Poland** operated facility generated revenue for EGP 29 million, posting 21% annual increase, and representing 4% from total FY17 revenue.

Overall, FY17 witnessed contraction in profitability margins, driven by inflationary consequences following the EGP flotation as previously explained, including rental cost hikes (especially for those quoted in FCY), pricing concessions, regional expansions, and salary adjustments. Yielded margins are still ahead of RCC's international peer-group, and are expected to normalize in the coming period.

At the ***costs of goods sold*** (COGS) level, RCC recorded EGP 437 million in FY17, up 55% y-o-y, which is a slightly higher rate than revenue growth and comes on the back of the inflationary pressures on the company's cost base. Constituting the largest share of COGS at 82%, employees' salaries and wages recorded EGP 356.5 million in FY17, up 59% compared to FY16.

Management team's ability to minimize the effect of cost inflation saw it deliver a ***gross profit*** of EGP 324 million in FY17, up 31% y-o-y and yielding a slight 4.1 percentage-point contraction in gross profit margin to 42.6% affected by inflation.

Meanwhile, ***selling, general and administrative*** (SG&A) expenses recorded a 54% y-o-y increase to EGP 78.5 million in FY17. However, as a percentage of sales, SG&A stood at 10.3% during FY2017 slightly higher than 9.7% in FY16, driven by the inflationary pressures affecting such expenses.

EBITDA for FY2017 recorded EGP 205 million, up 14% y-o-y despite the inflationary pressures affecting direct cost items. EBITDA margin consequently recorded a 7.1 percentage-point contraction to 27% in FY17.

RCC's international diversification contributed positively to its **Effective Tax Rate (ETR)**, bringing it to 20.4% in FY17, down from 24.2% last year, which was successful to curb the decline witnessed on FY17 EBITDA margin y-o-y resulting from the uncontrollable inflationary pressures post EGP flotation. ***Net profit*** for the period recorded EGP159 million in FY17, up 34% compared to the EGP118 million posted in the same period last year.

As at the fiscal year ending December 31st 2017, the company's financial position remained liquid with a healthy ***cash balance*** of EGP 244 million or c.46% of total assets due to increasing efficiency of collecting receivables, and the successful injection of EGP 100 M capital increase following the completion of RCC's IPO. ***Cash Flows from Operations*** remain resilient growing more than two-folds annually, recording EGP232 million during FY17 versus EGP91 million during the same period last year. ***Net debt to EBITDA*** recorded negative 1.15.

About Raya Contact Center

Raya Contact Center (RCC) is a world-class business process outsourcing (BPO) and contact center outsourcing (CCO) service provider offering contact center, professional, back office and inside sales channel management services to global clients, including Fortune 1000 companies in the Middle East, Europe, Africa, & North America in over 25 different languages. ***As at end of FY2017***, Raya Contact Center operated eight top-of-the-line facilities, spanning six facilities in various locations around Egypt, one facility in Dubai, UAE, and one in Warsaw, Poland, with over 5,715 seat capacity and 6,850 employee. RCC serves a diversified clientele base of over 104 clients operating in the EMEA region, focusing on high growth industries, namely telecom & media, technology & consumer electronics, travel & hospitality, banking, automotive, and retail industries.

Raya Contact Center is the number one BPO provider in Egypt boasting the largest market share by total FTEs (Full Time Equivalent), and aspires to be the leading BPO provider in the MENA region. Raya Contact Center is the only listed BPO player on the Egyptian Stock Exchange, and is currently trading under the symbol “RACC.CA”.

For further information, Please contact:

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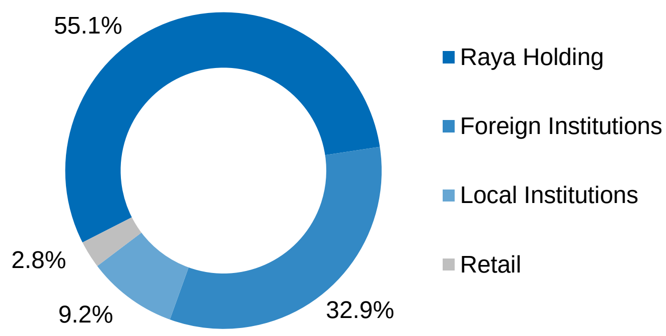
RACC.CA on the EGX	
Number of Shares	106,060,606
Share Price (25 Mar. ’18)	EGP 14.1
Market Cap (25 Mar. ’18)	EGP 1,495,454,544

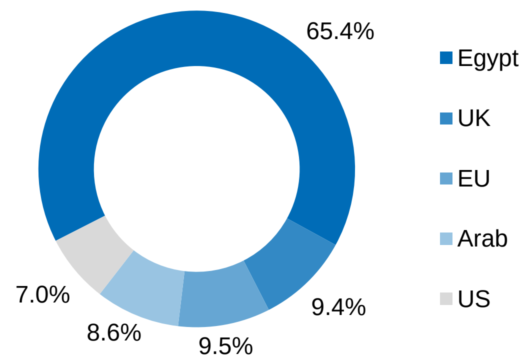
Shareholding Structure

(as at 31 December, 2017)



Shareholders by Geography

(as at 31 December, 2017)



Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as “according to estimates”, “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “intends”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, “should”, “to the knowledge of”, “will”, “would” or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management’s (“Management”) current views of future events, are based on Management’s assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. These risks include fluctuations in the prices of raw materials or employee costs required by our operations, its ability to retain the services of certain key employees, its ability to compete successfully, changes in political, social, legal or economic conditions in Egypt, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations and Management’s ability to timely and accurately identify future risks to our business and manage the risks mentioned above.

Consolidated Income Statement

EGP	FY2017	FY2016	*Change*
Sales	**760,601,822**	**528,044,423**	***44%***
COGS	(436,786,039)	(281,722,432)	*55%*
Gross Profit	**323,815,783**	**246,321,991**	***31%***
General & Administrative Exp.	(73,487,032)	(47,083,545)	*56%*
Selling & Marketing Exp.	(4,996,908)	(3,901,321)	*28%*
Rent	(63,918,643)	(33,590,916)	*90%*
Provisions (No Longer Required)	6,000	(718,000)	
Impairments	(2,534,886)	(3,639,878)	*(30%)*
Impairments Reversal	3,393,642	1,125,144	*202%*
Operating Profit	**182,277,956**	**158,513,475**	***15%***
Interest Income (Expense)	16,907,944	(2,304,082)	
Gain on Sale of Fixed Assets	44,850	4,490	*899%*
FX Gain (Loss)	(9,033)	6,933	*(230%)*
EBT	**199,221,717**	**156,220,816**	***28%***
Tax	(40,696,790)	(37,766,132)	*8%*
Net Income	**158,524,927**	**118,454,684**	***34%***
Distributed as follows:			
Shareholders of the Parent Co.	157,312,669	117,847,635	*33%*
Minority Interest	1,212,258	607,049	*100%*
Earnings Per Share	**1.32**	**0.96**	***38%***

Consolidated Balance Sheet

	31-Dec-17	31-Dec-16
Assets		
Long Term Assets		
Fixed Assets	57,538,373	30,621,052
Intangible Assets	160,446	135,648
Deferred Tax Asset	1,696,128	2,795,682
Goodwill	26,582,777	26,582,777
Total Long term Assets	**85,977,724**	**60,135,159**
Current Assets		
Accounts Receivables	167,988,981	135,888,406
Advance Payment & Other Debit Balances	34,300,958	20,087,774
Due from Related Parties	6,162	62,811,936
Cash & Cash Equivalents	243,841,269	25,997,450
Total Current Assets	**446,137,370**	**244,785,566**
Total Assets	**532,115,094**	**304,920,725**
Equity		
Issued and Paid Capital	53,030,303	50,000,000
Additional Paid in Capital	75,306,925	0
Legal Reserve	31,060,282	4,545,130
Merger Reserves	(2,834,374)	(2,834,374)
FX Translation Reserve	10,031,639	11,166,995
Retained Earnings	29,596,331	(2,042,322)
Net Income Attributable to Majority Owners	157,312,669	117,847,635
Total Parent's Shareholders' Equity	**353,503,775**	**178,683,064**
Minority Interest	1,532,869	899,901
Total Equity	**355,036,644**	**179,582,965**
Liabilities		
Long Term Liabilities		
Deferred Tax Liability	2,923,846	0
Other long term Liabilities	3,697,237	1,385,714
Total long term Liabilities	**6,621,083**	**1,385,714**
Current Liabilities		
Bank Overdraft	8,070,284	1,299,531
Accounts Payable	52,070,098	43,402,556
Other Credit balance	67,016,330	40,657,086
Provisions	1,908,977	1,914,977
Due to Related Parties	6,890,228	-
Taxes Payable	32,459,513	36,365,628
Dividends Payable	2,041,937	312,268
Total Current Liabilities	**170,457,367**	**123,952,046**
Total Liabilities	**177,078,450**	**125,337,760**
Total Liabilities & Equity	**532,115,094**	**304,920,725**