

RAYA CONTACT CENTER REPORTS H12019 RESULTS

CONSISTENT FINANCIAL & OPERATIONAL PERFORMANCE, EARNING PER SHARE 0.52 EGP

REVENUES

EGP 427.4 MN

▼ (1.5) % y-o-y

GROSS PROFIT

EGP 164.8 MN

▼ (1.5) % y-o-y

EBITDA

EGP 85.0 MN

▼ (17.8 %) y-o-y

NET PROFIT

EGP 64.3 MN

▼ (28.8) % 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 H1 2019, reporting revenue of EGP 427 million. The largest contributor to revenue was the outsourcing segment (62%), followed by hosting services (21%) and insourcing services (17%). Gross profit for the period recorded 39% keeping the same margin compared to H1 2018 while net profit for the half recorded 15.04% to reach EGP 64.3 million in 1H19, compared to 1H18 figure of EGP 90.3 million, with a net profit margin of 20.81%, a decline due to EGP appreciation impact on our topline and pre-operating expenses of our new facility expansions.

Summary Income Statement

EGP	H1 2018	H1 2019	% Change
Revenue	433,839,776	427,418,484	(1.50%)
<i>Outsourcing</i>	<i>310,523,130</i>	<i>264,195,858</i>	<i>(14.90%)</i>
<i>Insourcing</i>	<i>60,130,566</i>	<i>74,624,518</i>	<i>24.10%</i>
<i>Hosting</i>	<i>63,186,080</i>	<i>88,598,108</i>	<i>40.20%</i>
Gross Profit	167,293,008	164,776,624	(1.50%)
<i>Gross Profit Margin</i>	<i>38.56%</i>	<i>38.55%</i>	<i>(0.01 pts)</i>
EBITDA	103,340,159	84,989,506	(17.80%)
<i>EBITDA Margin</i>	<i>23.82%</i>	<i>19.88%</i>	<i>(3.94 pts)</i>
Net Profit	90,281,638	64,294,339	(28.80%)
<i>Net Profit Margin</i>	<i>20.81%</i>	<i>15.04%</i>	<i>(5.77 pts)</i>

Note from the CEO

Despite many unforeseen challenges in 2019 due to the appreciation of the EGP which negatively affected the value of our offshore revenues, GCC noticeable economic recession which impacted our transactions/call volumes answered, a trend increase for in-country workforce nationalization policies, coupled with a delay of new business in the sales pipeline, we closed 2nd Q 2019 with recorded revenues of EGP199.5 million consolidating H1 2019 revenues at EGP427.5 million comparable to H1 2018 revenues at EGP433.8.

Foreign-currency (FCY) sources in our revenue mix accounted for 73% of our top-line in H1 2019 with a recorded organic growth in FCY revenue of 1% year-over-year (y-o-y) in constant-currency terms. Despite the appreciation of EGP during H1 2019 with a negative FX impact affecting our top-line negatively by 4%, we still delivered a healthy GP margin of 39%.

During H1 2019, we increased our capacity by adding 331 new workstations across our centers, while divesting 110 workstations in Poland site to lower the burden of unneeded capacity. We are currently working on our new facility in Smart Village, the prominent business park in West Cairo. The new facility is expected to house c. 1,460 seats and would be ready for operation during the fourth quarter of 2019. These expansions are aligned with our strategy for sustainable growth.

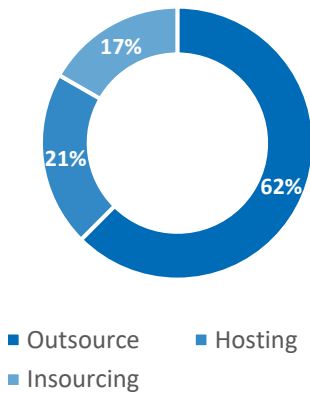
Our portfolio management efforts helped to maintain a healthy EBITDA margin in line with our guidance of 20%. EBITDA recorded EGP 85.0 million during H1 2019 with a decrease in EBITDA margin of 3% y-o-y due to the appreciation of EGP and pre operating costs of our new facility in Smart Village. We closed H1 2019 with a net profit of EGP64 million and net profit margin of 15%.

RCC CAPEX investments during H1 2019 recorded EGP33million spent on building additional capacities, new digital services, and upgrading our core infrastructure. In addition to these investments, our general assembly declared and paid a cash dividend payout of EGP0.85 per share, or EGP90 million in total payout to shareholders, representing a 50% payout ratio from recorded consolidated 2018 net profit and a 6.3% dividend yield on the current share price. Our balance sheet remains resilient, with a healthy cash balance generated from operations, and recording EGP180 million by end of Q2 2019, which will be partially used to fund our ongoing expansion and digital initiatives.

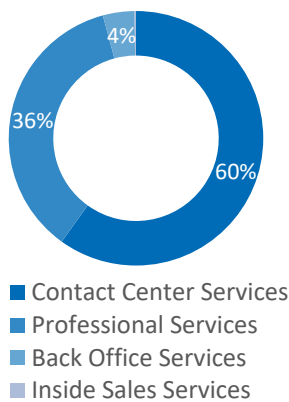
We remain confident that by focusing on growth, innovation of services, and managing our expenses we will be able to overcome the existing macro-economic challenges and be well positioned to resume our double digit growth for years to come.

Reem Asaad
Chief Executive Officer

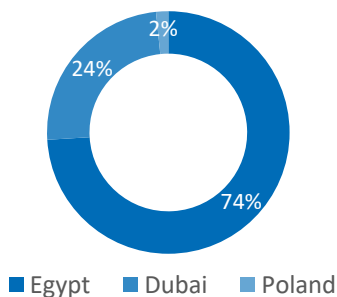
Revenue by Segment (1H19)



Revenue by Service (1H19)



Revenue by Geography (1H19)



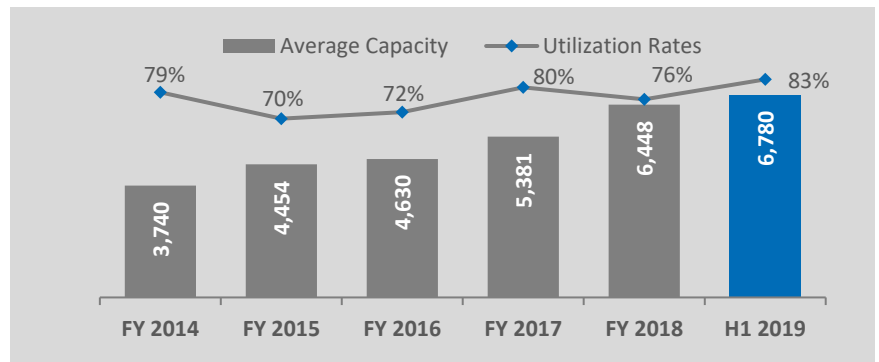
Operational Review

During the half ended 30 Jun 2019, RCC added 331 new workstations across its centers, while divesting 110 workstations to lower the burden of unutilized capacity at Poland site, bringing its total capacity to 6,909 compared to 6,688 as at year-end 2018, up 3.3% growth. RCC's total CAPEX as a percentage of sales recorded 7.9% in 1H19 versus 3.9% in the same period last year.

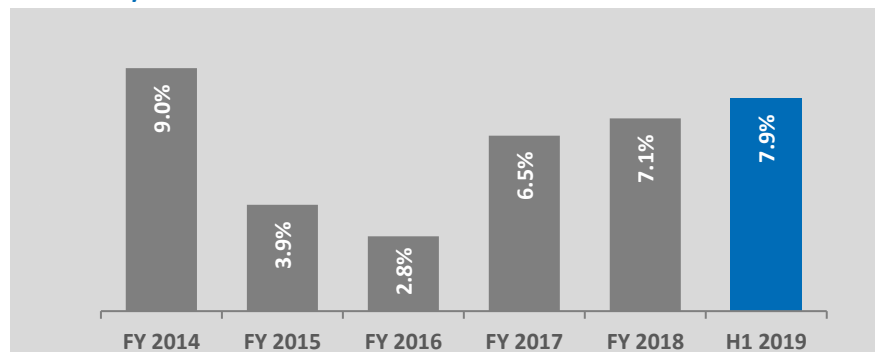
Over 82% of RCC's revenue for the year were generated from clients who have been in contract with the company for over five years, while client retention rate was at a healthy c.86%.

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 1H19, RCC extended over 88k hours of operational training to its advisors across its onboarding, ongoing and client-specific programs. In parallel, the company successfully renewed and maintained 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.

Workstation Evolution & Utilization¹



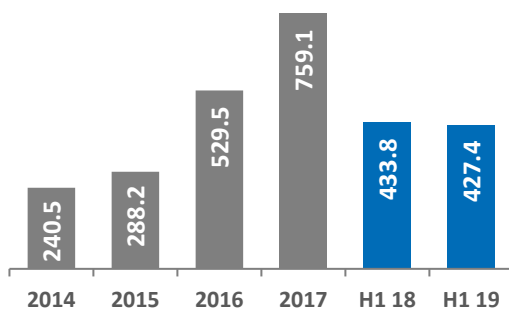
CAPEX / Sales Ratio



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

Revenue Progression

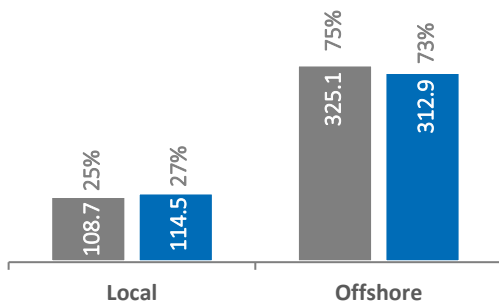
(EGP mn)



Revenue Progression by Location

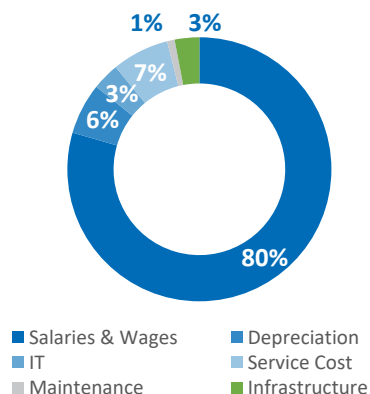
(EGP mn)

■ H1 2018 ■ H1 2019



COGS Breakdown

(1H19)



Financial Review

Consolidated revenues in 1H19 recorded EGP 427.4 million, up 2% y-o-y organic growth — driven by securing new clients and increasing services to existing clients — as well as the Company’s increasing footprint in the region to satisfy growing demand for its high-quality BPO service offerings.

Analyzing 1H19 revenue by **currency**, **offshore** revenue (USD pegged) recorded EGP 312.9 million, representing 73% from total revenue for 1H19. **Onshore (local)** revenue accounted for the balance. When it comes to 1H19 revenue by **service segment**, RCC’s core function, **contact center outsourcing** revenue recorded EGP 264.2 million, representing 62% of total revenue. **Hosting segment** recorded EGP 88.6 million, representing 21% of revenue, and growing 40% y-o-y. **Insourcing (HR outsourcing)** recorded EGP 74.6 million, representing 17% of total revenue, and posting 24% growth y-o-y.

Analyzing 1H19 revenue by **geographical location**, **Egypt** operated facilities generated revenue for EGP 316.5 million, representing 74% from total revenue. **UAE** operated facility generated EGP 104.0 million revenue, representing 24% from total revenue. **Poland** operated facility generated revenue for EGP 6.9 million, posting 41% annual decline, and representing 2% from total 1H19 revenue.

At the **costs of goods sold** (COGS) level, RCC recorded EGP 262.6 million in 1H19, down 2.2% y-o-y. Constituting the largest share of COGS at 80%, employees’ salaries and wages recorded EGP 208.2 million in 1H19.

Management’s efforts to curb the effect of cost inflation saw it deliver a **gross profit** of EGP 164.8 million in 1H19, down 1.5% y-o-y, and yielding a GP margin of 38.60%. Despite the appreciation of EGP, GP margin witnessed consistency with the same period last year.

Meanwhile, **selling, general and administrative** (SG&A) expenses recorded 40.0 million in 1H19. As a percentage of sales, SG&A recorded 9.4% during 1H19 keeping same ratio as the same period last year.

EBITDA for 1H19 recorded EGP 85.0 million. EBITDA margin recorded a 3.94 percentage-point decline y-o-y to record 19.9% driven by Pre-operating expenses for our new sites and EGP appreciation.

RCC’s international diversification contributed positively to its **Effective Tax Rate (ETR)**, bringing it to 19.2% in 1H19. **Net profit** for the period recorded EGP64.3 million in 1H19 with net profit margin 15.04%, down 5.8 percentage-point compared to the 20.81% posted in the same period last year.

As at the period ending Jun 30th 2019, the company’s financial position remained liquid with a healthy **cash balance** of EGP180 million or c.31% of total assets.

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 1H2019*, Raya Contact Center operated nine top-of-the-line facilities, spanning seven facilities in various locations around Egypt, one facility in Dubai, UAE, and one in Warsaw, Poland, with over 6,909 seats capacity and 5,911 employee. RCC serves a diversified clientele base of over 100 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,
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Raya Contact Center

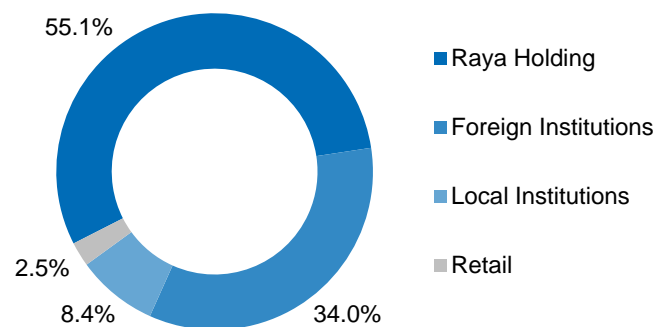
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RACC.CA on the EGX

Number of Shares	106,060,606
Share Price (15 Aug. '19)	EGP 12.65
Market Cap (15 Aug. '19)	EGP 1,341,666,666

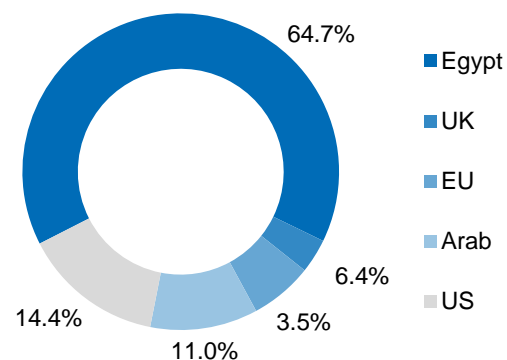
Shareholding Structure

(as at 30 Jun, 2019)



Shareholders by Geography

(as at 30 Jun, 2019)



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	H1 2019	H1 2018	Change
Revenue	427,418,484	433,839,776	(1.5%)
COGS	(262,641,860)	(266,546,768)	(1.5%)
Gross Profit	164,776,624	167,293,008	(1.5%)
General & Administrative Exp.	(37,440,494)	(38,107,040)	(1.7%)
Selling & Marketing Exp.	(2,593,386)	(2,755,357)	(5.9%)
Rent	(55,381,402)	(36,221,004)	52.9%
Provisions (No Longer Required)	48,000	(16,400)	
Impairments	(4,670,238)	(912,349)	
Impairments Reversal	3,610,609	2,108,298	
Operating Profit	68,349,713	91,389,156	(25.2%)
Interest Income (Expense)	12,538,412	17,575,735	
Gain on Sale of Fixed Assets	2,970	0	
FX Gain (Loss)	(1,319,988)	(698,519)	
EBT	79,571,107	108,266,372	(26.5%)
Tax	(15,276,768)	(17,984,734)	(15.1%)
Net Income	64,294,339	90,281,638	(28.8%)
<u>Distributed as follows:</u>			
Shareholders of the Parent Co.	63,520,662	89,509,383	(29.0%)
Minority Interest	773,677	772,255	0.2%
Earnings Per Share	0.52	0.73	(28.8%)

Consolidated Balance Sheet

	30-Jun-19	31-Dec-18
Assets		
Long Term Assets		
Fixed Assets	113,033,936	96,373,132
Intangible Assets	280,650	349,917
Deferred Tax Asset	3,040,103	2,818,185
Goodwill	26,582,777	26,582,777
Total Long term Assets	142,937,466	126,124,011
Current Assets		
Accounts Receivables	192,361,375	212,198,346
Advance Payment & Other Debit Balances	66,433,000	48,763,648
Due from Related Parties	6,162	6,162
Cash & Cash Equivalents	179,451,297	254,513,240
Total Current Assets	438,251,834	515,481,396
Total Assets	581,189,300	641,605,407
Equity		
Issued and Paid Capital	53,030,303	53,030,303
Additional Paid in Capital	75,306,925	75,306,925
Legal Reserve	31,060,282	31,060,282
Merger Reserves	(2,834,374)	(2,834,374)
FX Translation Reserve	2,109,160	10,634,932
Retained Earnings	171,525,149	100,534,016
Net Income Attributable to Majority Owners	63,520,662	178,957,499
Total Parent's Shareholders' Equity	393,718,107	446,689,583
Minority Interest	2,731,512	1,957,835
Total Equity	396,449,619	448,647,418
Liabilities		
Long Term Liabilities		
Deferred Tax Liability	8,993,682	7,022,702
Other long term Liabilities	7,148,493	6,730,992
Total long term Liabilities	16,142,175	13,753,694
Current Liabilities		
Bank Overdraft	4,545,528	4,121,156
Accounts Payable	74,667,055	62,363,947
Other Credit balance	58,771,694	64,680,789
Provisions	1,877,377	1,925,377
Due to Related Parties	4,957,354	8,740,911
Taxes Payable	7,640,124	28,899,457
Dividends Payable	16,138,374	8,472,658
Total Current Liabilities	168,597,506	179,204,295
Total Liabilities	184,739,681	192,957,989
Total Liabilities & Equity	581,189,300	641,605,407