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FINAL TRANSCRIPT

Genesis Land Development Corp.

2014 Year-End Financial Results Conference Call

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CORPORATE PARTICIPANTS

Bruce Rudichuk
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CONFERENCE CALL PARTICIPANTS

William Meyers
Miller Asset Management — Analyst

Lee Matheson
Broadview Capital Management — Analyst

Jimmy Shan
GMP Securities — Analyst

PRESENTATION

Operator

Good morning, and welcome to the Genesis Land Development Corp. 2014 Year-End Financial Results Conference Call.

At this time, all participants are in a listen-only mode.

The format of the call is a question-and-answer session for analysts and investors after a brief introduction by management.

Media may monitor this call in a listen-only mode. They are free to quote any members of management, but are asked not to quote remarks from any participants without that participant's permission.

If you would like to ask a question during the question-and-answer session, simply press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press *, then the number 2. If anyone has any trouble hearing the conference, please lift the handset and press *, 0 for Operator assistance.

I advise participants that this conference is being recorded today, March 27, 2015. This call is also being webcast, and will be available on the company's website at www.genesisland.com.

I will now turn the call over to Mr. Bruce Rudichuk, President and CEO of Genesis. Please go ahead.

Bruce Rudichuk — President and Chief Executive Officer, Genesis Land Development Corp.

Thank you, Chris (phon), and thank you to everybody for joining us today. With me are members of my management team, including Mr. Mark Scott, EVP and CFO; Mr. Rauf Muhammad, our Corporate Controller; and Mr. Virat Reddy (phon), our Manager of Financial Reporting.

Before we start, I'd like to remind listeners that certain statements made in this call are considered forward looking in nature as outlined by securities regulations. Actual results may differ from expected future results due to various risk factors associated with our business.

Accordingly, the forward-looking caveat contained in our March 26th news release is applicable to discussions and comments made during this call. I would refer you to the cautions appearing in our news release and in our annual and interim reports.

Yesterday we released our results for 2014. I'm extremely pleased to report that it was the best overall year of operating results since our inception.

We realized a turnaround in our home building business and continued improvement in our overall financial position throughout the year, achieving rapid growth in home sales, strengthening profitability, strong cash flow, and a reduction in debt levels.

Our asset base and balance sheet strength allow us to better withstand the current market challenges, consider opportunistic investments, and shareholder distributions.

Our performance was largely driven by two factors: strong general economic conditions in Alberta over the majority of 2014 and the successful execution of our strategic plan. Our team drove that success, demonstrating that we have the strength, ability, and focus to deliver on our promises and position the company for future financial success.

From a financial standpoint, we had an exceptionally strong year. Consolidated revenue increased by 40 percent to 134.2 million from 96.1 million, primarily due to large gains in our home building businesses.

Gross margins on housing increased to 16.7 percent in 2014 from 14.2 percent in 2013, the increase being driven by the combination of strong economic environment and our volumes. Gross margins on lands decreased a little bit in 2014 to 34.4 percent from 41.2 percent in 2013.

After removing the impact of the sale of the noncore Acheson land parcel, which was sold at close to no margin, our overall land margins improved slightly to 44.1 percent.

Earnings rose by 205 percent to 17.4 million from 5.7 million in 2013. Amounts drawn on loans and credit facilities declined by 53 percent to 23.9 million. As a result, we have significant unutilized debt capacity to support the continued execution of our strategic plan, further grow our business, and to provide support during the current economic uncertainty.

At year-end 2014, we had an 87 percent increase in our cash on hand compared to 2013, largely due to strong cash flows from operations and the sale of the noncore Acheson land parcel. Our cash on hand even exceeded our total loans and credit facilities drawn, as I mentioned a moment ago.

We have continued to manage our costs and improve our efficiencies in 2014. I'm pleased to report that in addition to these financial achievements, we met or surpassed the majority of the targets we set for ourselves in 2014.

In 2014, we built a sustainable and highly profitable home building business, accelerating home building profitability, and achieving performance improvements. As a result, revenues, gross margins, earnings, and volumes were up significantly during the year.

The turnaround in this business saw record home sales of 220 from 164 and new home orders rose to 239 from 189 in 2013. As anticipated, home sales were slightly lower than our initial 230 target, primarily due to our focus on profitability versus volume.

Favourably, new home orders with firm sales contracts increased by 16 percent to 137 at the end of 2013 compared to 118 in 2013.

We realized strong and improving performance in our land development business with increased revenue, gross margins, and profitability. Revenues for 2014 were higher than 2013, due to higher residential lot sales and the sale of the noncore Acheson land parcel, as well as a small multifamily parcel.

Gross margin on single family lots was higher at 44.1 percent for 2014 compared to 41.9 percent in 2013.

We substantially met our land development business goal with 271 lot sales versus a budget target of 277, which represents an increase of 4 percent over 2013. Volumes were slightly lower than anticipated due to the timing of sales, which are usually higher when new subdivisions are brought on stream, and are also impacted by the pace at which unallocated lots are picked up by partner builders.

In 2014, we completed the sale of the majority of our noncore lands. Our noncore land holdings now represent less than 4 percent of our total land assets, and we expect that the remainder will be sold in the normal course of business.

We reconceptualized our Sage Hill Town Centre site and are in the midst of marketing the property for sale or joint venture.

We provided some liquidity to our shareholders by implementing a return of capital of $0.12 per share through the payment of our first special dividend.

We made progress in capitalizing on new opportunities by growing our land development operations. In late 2014, we acquired a rarely available midterm land for future development, the previously announced 350-acre acquisition in Southeast Calgary. This beautiful river view site provides medium- and long-term growth potential in one of the most sought-after regions in Calgary, and shows the company's ability to be opportunistic to support future operations and value.

And finally, we rolled out investor relations program, increasing communication with our shareholders and conducting a series of meetings across Canada with potential investors.

Turning towards 2015, we'll continue to implement our strategic plan to further strengthen the company and adjust for fluctuations in the market. With our continual focus on improvement, both the Board and management have been working on refining the plan, building on its core strategies as we continue its execution going forward.

We expect a more competitive and challenging market in 2015 and possibly into 2016. The softening economic fundamentals in Alberta during the second half of 2014 has continued thus far into 2015, and there is a fair amount of uncertainty as to whether this will last into 2016.

The depth of any potential impact will be highly dependent on changes to the economy and more specifically to the oil and gas industry in Alberta in the second half of 2015.

As mentioned, I believe our strong financial position will allow us to manage our business and capitalize on significant opportunities.

Specific to 2015 results, approximately two-thirds of our expected 200-unit home building sales are firm sales, providing us with a strong base of committed revenue for the year.

Looking beyond 2015, we have never been in a stronger position. Genesis is on solid footing with new financial strength, a wealth of excellent developable assets, and a strong team. We're well situated to withstand potential challenges, or seize potential growth opportunities.

We've delivered results, adding value for the company and its shareholders. I'm very proud of our accomplishments and where we are today and excited about the company's future.

In closing, I'd like to thank you for your attention today, your support, and your continued belief in the potential for Genesis. I look forward to reporting on our accomplishments as the year progresses.

At this time, I'd like to open the call to questions from the investment community. Our team will be pleased to answer any questions that you may have. Thanks.

Q&A

Operator

Thank you. We will now conduct the question-and-answer session. At this time, I would like to remind everyone in order to ask a question, please press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press *, followed by 2. We'll pause for just a moment to compile the Q&A roster.

Your first question is from William Meyers, Miller Asset Management. William, please go ahead.

William Meyers — Miller Asset Management

Hi. Thanks for taking the questions. Could you give us some more colour on how the housing market looks right now? Is it weakening from a strong market and still a good market? Or are you seeing—just how would you describe it in more detail? Thanks.

Bruce Rudichuk

Great question. Thank you. I would say—we came off of mid to late 2014 it was an extremely buoyant market, and I think what we saw was a gradual cooling throughout late Q3 and Q4 and a very soft start to 2015. January and February were particularly modest, both in terms of sales and traffic.

I think there's a couple of things happening in the marketplace. When you look at the range of pricing, the more affordable end of the market, which is where we operate, I think is a little more resilient than the higher end of the marketplace. And when I say higher end, I'm talking about homes around the $0.75 million mark and higher. We don't operate in that market, and we understand it's particularly soft right now.

We have seen a general improvement as the year has progressed, but it's still below levels last year, both in terms of traffic and sales, and I think it's being driven primarily as a result of hesitancy. As you can appreciate, there's some uncertainty in the marketplace, which translates to uncertainty about people's job expectations. And when they're uncertain about their jobs they're uncertain about buying durable goods, and so we're seeing that hesitancy as they step on the sales floor.

I think the good news is we are getting traffic on the sales floor. Traffic is improving, and we are doing sales.

William Meyers

Okay. And then just one more question; have you seen any actual cancellations of sales?

Bruce Rudichuk

We have—not cancellations of firm contracts. People have done conditional sales arrangements and then not waived conditions. That's fairly typical in any marketplace, but we've not had any defaults. And I think just one further point. March—although January and February were quite slow, March was at our budget number.

William Meyers

Okay. Great. Thank you.

Bruce Rudichuk

We're encouraged by that.

William Meyers

Okay. Thank you.

Operator

Thank you. Your next question is from Lee Matheson, Broadview Capital Management. Lee, please go ahead.

Lee Matheson — Broadview Capital Management

Thanks. Good morning, gentlemen.

Bruce Rudichuk

Hi.

Lee Matheson

Congratulations on the results. I guess a couple things. I mean given you guys have printed a NAV that's obviously a little bit rearward looking, but continues to trend higher. The stock price is doing the opposite. Given the dynamics that are going on at the Board level, I mean what levers do you guys really have here to pull to try to narrow that gap between stock price and NAV?

Mark Scott — Executive Vice President and Chief Financial Officer, Genesis Land Development Corp.

I think, Lee, that the stock price is going to be more responsive to the general economic conditions. It responds faster, as you pointed out, than do appraisals. That's not to say that there's necessarily a big drop in appraisals because there just haven't been any transactions to reflect what's happening in the market.

And if you look, if you compare our stock with what oil's done, there's a pretty close correlation. So I don't think you're going to see the stock come back until you see oil come back, despite...

Lee Matheson

Well, I guess this hits on the gist of it is, I mean given that the gap is so wide between price and NAV, I mean there are the obvious mechanisms to close to that gap. It obviously has nothing to do with operational things like capital allocation, and there's obviously an inefficiency there that's not getting closed. And I'm wondering if there's any progress on that front, whether it's a substantive issuer bid or something like that that's going to at least allow the shareholders to take advantage of the gap between price and NAV?

Mark Scott

Capital allocation is something the Board continues to look at and discuss, and I think there’s just been a bit of a delay as we react to what's happened in the market. And I would expect we'll be addressing that in the coming quarters.

Lee Matheson

I mean I guess from our perspective there's two ways to react to this. There's turtling and then doing nothing and hoarding cash, and then there's getting out there and taking advantage of the fact that clearly you think there's a disconnect between price and value. And I guess where do you—I mean I know you guys have some influence on the Board, but you're obviously not the majority, but what's the general view? I mean what's your view?

Bruce Rudichuk

Well, I think it's—I think the challenge here is there is uncertainty here. And we do have a strong cash position. I mean it's all out there. And to be frank, the challenge is there's a disconnect between the share price and NAV, and there's an opportunity to create value there.

There's an opportunity if uncertainty here continues and land prices tumble, which is one potential outcome, that we could be well positioned with a cash-horde to take advantage of that and catapult us as the market recovers.

And the third option is effectively the turtle approach, which is we muddle along from a very conservative standpoint and position ourselves to be safe and strong no matter what happens.

And quite frankly, we're very early in this environment, and there's not only discussion at the Board level, there's differing views, and we're evaluating them.

Lee Matheson

Right. Okay. Okay.

Bruce Rudichuk

It's really hard to be any more specific than that.

Lee Matheson

Yeah. Okay. Okay. Fair enough. I mean maybe we're at a juncture here where something needs to break to go one way or the other. And I'm just curious if you're going to get some—whether there is a consensus building on what there is to do, or ultimately does it make sense if there was the option to—you hoard cash to make opportunistic purchases then maybe a public company is not the right vehicle to do that. Maybe doing it under the adages of a well-funded, long-term patient investor is the right way to go. I'm just sort of thinking out loud.

But I get it. I think it's in the best interest of all shareholders for the Board to come to a conclusion sooner rather than later. And I realize that that's easy to say as an outside shareholder who's not necessarily dealing with the day-to-day uncertainty of the Calgary housing market, but...

Bruce Rudichuk

And that uncertainty is really, as you can appreciate, it was fairly unexpected. And it's been rapid and deep, at least in the press, and so everybody's taking a step back, including ourselves, looking at operations day to day.

Mark Scott

And then the Board is very focused on what the options are. The options are only a very few, and all of them are favourable. It's a matter of allocation, and the Board's talked about a balanced approach and that's, I think, where we're going to end up.

Lee Matheson

Okay. Okay. Well, we look forward to seeing some sort of tangible evidence of the progress the Board's making. But good job operationally, guys.

Bruce Rudichuk

Thank you.

Operator

Thank you. Ladies and gentlemen, again, if you would like to ask a question, please press *, then the number 1 on your telephone keypad.

Your next question is from Jimmy Shan, GMP Securities. Jimmy, please go ahead.

Jimmy Shan — GMP Securities

Thanks. Just a couple questions on the operation side; I noticed you sold three third party lots in the quarter versus 62 a year ago. So I'm just kind of thinking about 2015 what you're seeing so far what would be your expectation of third party lot sales this year?

Bruce Rudichuk

We don't...

Mark Scott

We don't set targets on our expected third party lots. I think we're in the range of last year. And that number that you're talking about of three is always a little bit deceiving because it really depends on the phase that happens to be rolled out at the time. And so you get fairly significant quarter-to-quarter changes.

Bruce Rudichuk

So what happened in—just so I can address that—in 2013 we were able to get a phase of lots registered late in the quarter. And as a result, the registration of those phases triggered the sales formally from an accounting perspective to our third party building partners.

In 2014, we did not have a registration of a phase in Q4; it was in the first quarter of 2015. So as a result, we couldn't record sales because we hadn't met the conditions. So there is a lot of timing issues that don't relate to the market on a quarter-by-quarter basis.

Jimmy Shan

Okay. Fair enough.

Bruce Rudichuk

And I tried to indicate that in the brief summary.

Jimmy Shan

Right. And so last year you did about 124 third party lots. So would your expectation be somewhere around there? Or you think it'll be, given what you're seeing so far and three months into the year that you think that's going to be tracking 50 percent of that, 75 percent of that?

Bruce Rudichuk

I would say we're going to be likely a little bit under last year. I mean right now we're projecting around a 10 percent decline in activity. So I would expect that's similar.

I mean part of the issue with our third party building partners is when a new phase comes on they'll take down a block of lots initially, and then they'll draw additional lots out of a pool as they sell off lots. And it'll be a function of their sales as well.

Jimmy Shan

Okay. So I guess what I'm really trying to get at is that if you—so let's assume 10 percent decline in those third party lots, and then let's assume you don't sell any additional home, other than the 137 that you have in the contract. Would those two combined be sufficient enough to break even on a cash flow basis for the year?

Mark Scott

That situation you just described is quite unlikely because we're entering the year with 137 firm sale contracts. Those are homes we've contracted with purchasers; we're in the process of building for delivery in 2015. There'll be quite a number of sales that we will have early in this year and also spec homes that we're very carefully managing that will close later in the year. So we don't expect—our number is 200. We expect another 63.

Bruce Rudichuk

Sales that will close this year.

Jimmy Shan

Okay.

Mark Scott

Just in ours. So that's—you get sort of an indication. Last year we did 220. We think we're going to do 200 this year. I think if you assume that the third party builders are going to have a similar experience to us, that's roughly 10 percent down.

It really depends on the particular product those builders have whether they're able to achieve the sales targets they have.

Jimmy Shan

Okay. So it looks then, I guess to answer the question, is that yes your cash flow it should be at the very least neutral?

Mark Scott

I think from an operating point of view it'll be less than last year, and then we also have a capital expenditure budget, which is really an inventory item; it's to produce more lots. That's something we have to continue to do, and we'll decide on how much that is, but that will affect our cash flow as well.

Jimmy Shan

Okay. And then lastly, can you maybe provide an update on the Sage Hill? I think you made a brief reference to it, but is that something that you would anticipate having some sort of arrangement this year? Or given the market conditions you think that's probably going to be shelved at some point?

Mark Scott

Well, I think it's a little bit too early for us to decide whether we're proceeding or not with a sale this year. We are in the middle of the marketing process. RBC is out and talked to a wide range of investors. We've had strong interest in the property.

It's a great site. I think in the coming short little while we'll be sitting down and deciding how we proceed. But there's really not much more to report than that because we haven't decided exactly where we're headed on the project.

I mean you've got to expect that there's going to be softening and negotiating dynamics of change on such a large project. So it's a decision of how we proceed on that.

Bruce Rudichuk

I think given where we're at in the year now at the end of March, the likelihood of concluding and closing a deal this year is not remote, but it's low. I think this will be a fairly complex negotiation.

Jimmy Shan

Okay. Sorry, one last. In terms of lot values, so in the inventory that you have what are you seeing in terms of the prices? Are they—are you—a) from your standpoint and, b) from your competitors' standpoint are you seeing—are you starting to see some price drops or a little bit aggressive on the discounting? Or is that still too early to tell?

Bruce Rudichuk

No. I mean we're seeing a few things across the board. So let me start with lot pricing. No we're not seeing any declines in lot prices, nor are we offering either ourselves or our builder partners reduction in prices right now. And I think really let's not forget that notwithstanding some current uncertainty in the market place there is still a policy regime here that is constricting supply. So there's no need to adjust lot pricing at this juncture, nor do we foresee it any time soon not in the types of lots that we generate, which are primarily in the more affordable end of the marketplace.

In terms of housing, yeah, we're seeing there's negotiation out there. There's no question. There's even if you have somebody listen to the radio in Calgary there's a number of home builders that are offering typical market-based incentives for purchasers to come forward. There is very little prebuilt inventory in the marketplace in single family, but you're seeing negotiation on the sales floor. It's not extreme, but it's—there's flexibility on the floor.

Jimmy Shan

Okay.

Mark Scott

And the other thing is that the land developer community in Calgary is financially very strong. And we're not—those developers are not going to experience a kind of disruption that's going to cause a flood of land to come on the market, a flood of lots, even if the city was allowing it. So I think there's a pretty good strong supply/demand dynamic in Calgary.

Jimmy Shan

Okay. Great. Thank you.

Operator

Thank you. There are no further questions at this time. Mr. Rudichuk, I turn the call back over to you.

Bruce Rudichuk

Thanks, everyone. I'd like to thank you for attending today's call, and we look forward to reporting on our progress throughout the year.

Operator

Thank you. This concludes today's conference call. You may now disconnect.

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