



## Genesis Reports 2019 Second Quarter Results

For Immediate Release

**CALGARY, August 7, 2019** – Genesis Land Development Corp. (TSX: GDC) (the “Corporation” or “Genesis”) reported its financial and operating results for the three months (“Q2”) and six months (“YTD”) ended June 30, 2019. Genesis is a land developer and residential home builder operating in the Calgary Metropolitan Area (“CMA”), holding and developing a significant portfolio of well-located, entitled and unentitled residential, commercial and mixed-use lands and serviced lots in the CMA.

### 2019 Q2 Highlights:

- Positive cash flow from operating activities of \$5.2 million in Q2 2019 and \$9.8 million in YTD 2019;
- Genesis had net loss attributable to equity shareholders of (\$357,000) or (\$0.01 loss per share - basic and diluted) in Q2 2019 and (\$283,000) or (\$0.01 loss per share - basic and diluted) in YTD 2019, which included a \$1.4 million increase of income tax expense (and a corresponding decrease in deferred income tax assets) in Q2 and YTD 2019 due to decreases in the Alberta corporate income tax rate from 12% to 8%;
- Solid financial position maintained with \$19.1 million in cash and cash equivalents and \$17.9 million in loans and credit facilities (being 7% of total assets) as at June 30, 2019; and
- In July 2019, Genesis made a \$1.85 million investment in a 224-acre property development near its NE Calgary Saddlestone development through the purchase of 5% of a limited partnership, including the right to purchase up to 25% of the single-family lots developed.

### Selected financial results and operating data:

(\$000s, except for per share items or unless otherwise noted)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>Key Financial Data</b>				
Total revenues	16,533	18,955	29,230	33,324
Net (loss) earnings attributable to equity shareholders	(357)	540	(283)	1,227
Net (loss) earnings per share - basic and diluted	(0.01)	0.01	(0.01)	0.03
Cash flows from (used in) operating activities	5,211	(1,336)	9,794	(139)
Cash flows from (used in) operating activities per share - basic and diluted	0.12	(0.03)	0.23	0.00
<b>Key Operating Data</b>				
<b>Land Development</b>				
Total residential lots sold (units)	37	64	70	101
Residential lot revenues	6,554	12,141	11,930	17,592
<b>Home Building</b>				
Homes sold (units)	33	24	59	57
Revenues <sup>(1)</sup>	15,486	10,859	26,572	24,264
New home orders at period end (units)			49	37

<sup>(1)</sup> Includes revenues of \$5,507,000 for 33 lots in Q2 2019 and \$9,272,000 for 59 lots in YTD 2019 purchased by the Home Building division from the Land Development division (\$4,045,000 and 24 in Q2 2018; \$8,532,000 and 57 in YTD 2018) and sold with the home. These amounts are eliminated on consolidation.

<i>(\$000s, except for per share items or unless otherwise noted)</i>	<b>As at Jun. 30, 2019</b>	<b>As at Dec. 31, 2018</b>
<b>Key Balance Sheet Data</b>		
Cash and cash equivalents	<b>19,144</b>	24,042
Total assets	<b>262,493</b>	278,156
Loans and credit facilities	<b>17,865</b>	31,696
Shareholders' equity	<b>191,818</b>	191,970
Loans and credit facilities (debt) to total assets	<b>7%</b>	11%

Overall revenues for Q2 2019 were \$16,533,000, down \$2,422,000 (13%) from \$18,955,000 in Q2 2018. Home sales revenue was higher by \$4,627,000 (43%) with 33 units sold (\$15,486,000) in Q2 2019 compared to 24 (\$10,859,000) in Q2 2018 while residential lots sales to third party builders decreased to 4 lots (\$1,047,000) in Q2 2019 from 40 lots (\$8,096,000) in Q2 2018, a decrease of \$7,049,000 or 87%. Due to the lower sales, direct cost of sales was also lower by \$2,292,000 from \$14,302,000 in Q2 2018 to \$12,010,000 in Q2 2019. Overall gross margins of \$4,523,000 (27.4%) for Q2 2019 were comparable to gross margins of \$4,653,000 in Q2 2018 (24.5%).

Overall revenues for YTD 2019 were \$29,230,000, down \$4,094,000 (12%) from \$33,324,000 in YTD 2018. Home sales revenue was higher by \$2,308,000 (10%) with 59 units sold (\$26,572,000) in YTD 2019 compared to 57 (\$24,264,000) in YTD 2018 while residential lots sales to third party builders decreased to 11 lots (\$2,658,000) in YTD 2019 from 44 lots (\$9,060,000) in YTD 2018, a decrease of \$6,402,000 or 71%. Due to the lower sales, direct cost of sales was also lower by \$3,636,000 from \$24,245,000 in YTD 2018 to \$20,609,000 in YTD 2019. Overall gross margins were \$8,621,000 (29.5%) for YTD 2019 compared to gross margins of \$9,079,000 in YTD 2018 (27.2%).

On June 28, 2019, legislation was enacted to decrease the Alberta corporate income tax rate from 12% to 8% with a 1% reduction effective July 1, 2019 and further 1% reductions on each of January 1, 2020, 2021 and 2022. As a result, deferred income tax assets were reduced by \$1,387,000 which was recognized as an increase in deferred income tax expense in Q2 2019. Increased income tax expense resulted in Genesis' net loss attributable to equity shareholders in Q2 2019 and in YTD 2019. Net loss attributable to equity shareholders in Q2 2019 was (\$357,000) (\$0.01 loss per share - basic and diluted) compared to net earnings attributable to equity shareholders of \$540,000 (\$0.01 earnings per share - basic and diluted) in Q2 2018. Net loss attributable to equity shareholders in YTD 2019 was (\$283,000) (\$0.01 loss per share - basic and diluted) compared to net earnings attributable to equity shareholders of \$1,227,000 (\$0.00 earnings per share - basic and diluted) in YTD 2018.

Genesis generated positive cash flows from operating activities of \$5,211,000 (\$0.12 per share - basic and diluted) in Q2 2019, compared to cash flows used in operating activities of (\$1,336,000) (\$0.03 per share - basic and diluted) in Q2 2018. Genesis generated cash flows from operating activities of \$9,794,000 (\$0.23 per share - basic and diluted) in YTD 2019, compared to cash flows used in operating activities of (\$139,000) (\$0.00 per share - basic and diluted) in YTD 2018.

Genesis had \$19,144,000 in cash and cash equivalents at June 30, 2019 compared to \$24,042,000 as at December 31, 2018 with the reduction due primarily to Genesis making an \$8,000,000 payment on a vendor-take-back mortgage payable in the first quarter of 2019 and the reduction of other debts, offset by positive overall cash flows. Total loans and credit facilities outstanding at June 30, 2019 were \$17,865,000, 7% of the total book value of assets, compared to \$31,696,000 or 11% of the total book value of assets at December 31, 2018.

## **Outlook**

Genesis continues to implement its strategy focused on developing its assets in a prudent manner and actively marketing lots, parcels and homes while controlling costs with the goal of maximizing cash flow and maintaining its solid financial position. Additionally, Genesis continues to seek opportunities to acquire new lands for residential development within the CMA. As mentioned above, Genesis made an investment of \$1,850,000 in a 224-acre property development near its NE Calgary Saddlestone development through the purchase of 5% of a limited partnership, including the right to purchase up to 25% of the single-family lots developed.

With the expected substantial completion in 2019 of the development programs for the four new phases started in 2018, and with no additional phases undertaken in 2019, Genesis expects to have sufficient lot inventory to meet market needs. Genesis will continue to actively pursue servicing and zoning approvals to maximize the value of its land holdings. The strong land base, integrated approach, solid financial position and experienced team positions Genesis to take advantage of opportunities that may arise in this environment.

## **Additional Information**

The information contained in this press release should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months and six months ended June 30, 2019 and 2018 and the related Management's Discussion and Analysis ("MD&A") dated August 7, 2019 which have been filed with Canadian securities regulatory authorities. Copies of these documents may be obtained via [www.sedar.com](http://www.sedar.com) or our website at [www.genesisland.com](http://www.genesisland.com).

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## **ADVISORIES**

### **Cautionary Note Regarding Forward-Looking Statements**

*This news release contains certain statements which constitute forward-looking statements or information ("forward-looking statements") within the meaning of applicable securities legislation, including Canadian Securities Administrators' National Instrument 51-102 'Continuous Disclosure Obligations', concerning the business, operations and financial performance and condition of Genesis. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "seeks", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".*

*Although Genesis believes that the anticipated future results, performance or achievements expressed or implied by forward-looking statements are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements because they involve assumptions, known and unknown risks, uncertainties and other factors many of which are beyond the Corporation's control, which may cause the actual results, performance or achievements of Genesis to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Accordingly, Genesis cannot give any assurance that its expectations will in fact occur and cautions that actual results may differ materially from those in the forward-looking statements.*

*Forward-looking statements are based on material factors or assumptions made by us with respect to, among other things, opportunities that may or may not be pursued by us; changes in the real estate industry; fluctuations in the Canadian and Alberta economy; changes in the number of lots sold and homes delivered per year; and changes in laws or regulations or the interpretation or application of those laws and regulations. Forward-looking statements in this news release include, but are not limited to, the expected completion dates of various projects that the Corporation is currently engaged in, plans and strategies surrounding the acquisition of additional land, the proposed purchase of additional lands for future development in the CMA, the exercise of Genesis' right to purchase lots in the new development adjacent to its Saddlestone community, anticipated general economic and business conditions, the Alberta real estate cycle, expectations for lot and home prices, construction starts and completions, anticipated expenditures on land development activities, being able to increase home sales process and construction margins, the timing of the annual meeting and the ability to continue to renew or repay financial obligations.*

*Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include, but are not limited to: the impact of contractual arrangements and incurred obligations on future operations and liquidity; local real estate conditions, including the development of properties in close proximity to Genesis' properties; the uncertainties of real estate development and acquisition activity; fluctuations in interest rates; ability to access and raise capital on favourable terms; not realizing on the anticipated benefits from transactions or not realizing on such anticipated benefits within the expected time frame; labor matters, governmental regulations, stock market volatility and other risks and factors described from time to time in the documents filed by Genesis with the securities regulators in Canada available at [www.sedar.com](http://www.sedar.com), including in the Corporation's MD&A under the heading "Risks and Uncertainties" and the AIF under the heading "Risk Factors". Furthermore, the forward-looking statements contained in this news release are made as of the date of this news release and, except as required by applicable law, Genesis does not undertake any obligation to publicly update or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise.*