



## Genesis Reports 2014 Second Quarter Results – Dramatic Turnaround Accelerates

For Immediate Release

**CALGARY, August 7, 2014** – Genesis Land Development Corp. (TSX: GDC) (the "Corporation" or "Genesis") is pleased to report its financial and operating results for the three and six months ended June 30, 2014.

### CORPORATE HIGHLIGHTS

Our key financial results and operating data are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
<i>(\$000s, except for per share items or unless otherwise noted)</i>				
<b>Key Financial Data</b>				
Total revenues	34,765	22,402	72,752	50,012
Gross margin	14,465	5,313	22,303	14,065
Recovery (write-down) of real estate held for development and sale	4,361	(986)	4,361	(986)
Gross margin before recovery (write-down) <sup>(1)</sup>	10,104	6,299	17,942	15,051
Gross margin before recovery (write-down) (%) <sup>(1)</sup>	29.1%	28.1%	24.7%	30.1%
Net earnings attributable to equity shareholders	7,231	1,697	10,171	5,377
Net earnings per share – basic and diluted	0.16	0.04	0.23	0.12
Adjusted earnings per share – basic and diluted <sup>(1)</sup>	0.14	0.05	0.21	0.14
Cash flows from operating activities	9,918	709	31,056	50,939
Cash flows from operating activities per share <sup>(2)</sup>	0.22	0.02	0.69	1.14
<b>Key Operating Data</b>				
Residential lots sold to third parties (units)	39	29	100	71
Residential lots sold through the home building business segment (units)	74	16	99	35
Development land sold (acres)	-	1.56	121.91	11.28
Average revenue per lot sold to third parties	207	180	196	186
Average revenue per acre	-	1,100	115	591
Homes sold (units)	65	42	92	82
Average revenue per home sold	409	366	422	366
New home orders (units)	63	15	158	54

	As at June 30,	
	2014	2013
Homes with firm sale contracts (units)	180	85

<sup>(1)</sup> Non-GAAP financial measure

<sup>(2)</sup> Basic and diluted amounts per share

<b>Key Balance Sheet Data</b> (\$000s, except for per share items or unless otherwise noted)	<b>As at</b>	<b>As at December</b>
	<b>June 30, 2014</b>	<b>31, 2013</b>
Cash and cash equivalents	<b>10,126</b>	17,678
Total assets	<b>302,236</b>	313,846
Loans and credit facilities	<b>19,873</b>	50,373
Total liabilities	<b>77,139</b>	95,920
Shareholders' equity	<b>200,438</b>	195,483
Total equity	<b>225,097</b>	217,926
Net asset value per share <sup>(1)</sup>	<b>8.58</b>	7.18
Debt to total assets	<b>6.6%</b>	16.1%

<sup>(1)</sup> Non-GAAP financial measure

"We are very pleased with our financial results and strategic plan implementation," said Bruce Rudichuk, President and Chief Executive Officer. "In a short time our people have managed a dramatic turnaround in the company's operations, resulting in significant across-the-board increases in overall earnings, cash flow, home sales, new home orders and profitability of our home building business segment. The economy in Calgary is thriving and land prices are rising rapidly. I am proud of our team and extremely optimistic about our company's future."

Over the last nine months the board has focused on aligning the board and management with shareholder objectives. Board Chair Stephen Griggs stated, "We are having a transformational year, and we are pleased that results from these efforts are becoming evident. The full impact in our work will take time and we are committed to seeing this process through." Board Vice Chair and Chair of the Corporation's strategy committee, William Pringle, stated "Stephen Griggs has worked hard to build consensus, enhance governance practices, guide management and focus everyone on building shareholder value. I am confident that the market will recognize the steady progress that the company is making."

## Highlights

We continue to successfully implement our strategic plan with both our land development and home building business segments performing very well. We have experienced a dramatic turnaround in our business prospects and in our financial situation, taking advantage of a strong land and housing market in the Calgary Metropolitan Area. These factors have resulted in rapidly growing home sales, strong cash flow and a balance sheet poised to support potential growth.

### Land value turnaround and growth acceleration:

- **Substantial 19.5% increase in net asset value to \$8.58 per share, after payment of a \$0.12 special dividend, from \$7.18 at December 31, 2013.**
  - Our net asset value is supported by Calgary's strong economy, and a housing market and policy framework designed to manage growth in the City of Calgary. This has contributed to constraints on the industry's capacity to bring a sufficient supply of developed building lots to market, leading to price increases in both serviced lots and, to a lesser extent, on home prices. In our view, the increase in our net asset value over the past six months reflects the initial impact on this trend. We expect the influence of the current policy framework to continue for at least the next several years and, in combination with strong demand, cause even further increases in lot and home prices.
  - Management is closely monitoring the demand for and the price of land, lots and homes with the objective of optimizing the price and pace of sales. Our objective is to exceed appraised value on land sales, since these values, which are based on historical transactions, often lag actual market prices in a fast rising market.
  - It is important to note that the value of housing projects under development used in the calculation of net asset value is the value of the work in progress and no additional value has been added for the profitable home building business.

Earnings and earnings per share (EPS) reflect improved operations and market conditions:

- Earnings rose 326% and 89.2% for the three and six months ended June 30, 2014 to \$7,231 (2013 - \$1,697) and \$10,171 (2013 - \$5,377) respectively, compared to the same periods in 2013.
- A 300% and 91.7% increase in EPS for the three and six months ended June 30, 2014 to \$0.16 and \$0.23 respectively compared to \$0.04 and \$0.12 in the same periods in 2013.
- Total revenues grew by 55.2% and 45.5% to \$34,765 (2013 - \$22,402) and \$72,752 (2013 - \$50,012) respectively for the three and six months ended June 30, 2014 compared to the same periods in 2013.

Home building breaks through to profitability:

- Dramatic performance improvement in the home building business segment with revenues, gross margins, earnings and volumes up significantly during the three and six months ended June 30, 2014 compared to the same periods in 2013.
- Improved efficiencies and higher sales volumes have produced higher gross margins with these translating into a profitable home building business segment.

Sharply higher increase in new home orders and firm sale contracts:

- New home orders for the three and six months ended June 30, 2014 were 63 and 158 compared to 15 and 54 in the same periods in 2013, an increase of 320% and 193% respectively.
- Homes with firm sale contracts increased to 180 at June 30, 2014 compared to 85 at June 30, 2013, a 112% increase.
- Home sales for the three and six months ended June 30, 2014 were 65 and 92 compared to 42 and 82 in the same periods in 2013.

Land sales experience surge:

- Land development segment's residential lot sales for the three and six months ended June 30, 2014 were 113 and 199 compared to 45 and 106 in the same periods in 2013, an increase of 151% and 87.7% respectively.
- Recovery of write-downs previously made to real estate held for development and sale of \$4,361 during the three months ended June 30, 2014 (2013 - write-down of \$986). Recovery of \$1,030 (2013 - write-down of \$986) relates to lands held by the Corporation and recovery of \$3,331 (2013 - \$Nil) relates to lands held by Limited Partnerships.

Continuing strong cash flows from operations:

- Cash flow from operating activities for the three and six months ended June 30, 2014 was \$9,918 (\$0.22 per share) and \$31,056 (\$0.69 per share) compared to \$709 (\$0.02 per share) and \$50,939 (\$1.14 per share) in the same periods in 2013.

Balance sheet strength:

- Significantly reduced Loans and Credit Facilities from \$50,373 at December 31, 2013 to \$19,873 at June 30, 2014
  - This was largely due to strong cash flows from operating activities and the sale of the non-core Acheson development land parcel.
  - Debt to total assets dropped to 6.6% at June 30, 2014 from 16.1% at December 31, 2013. We have significant unutilized debt capacity to execute our strategic plan and further grow our business.
  - Reduced total interest expense by 45.8% to \$1,096 from \$2,022 for the six months ended June 30, 2014 compared to the same period in 2013.

Successfully executing program to sell all non-core assets:

- Completed sale of the non-core Acheson development land parcel near Edmonton, the largest non-core asset for gross proceeds of \$14,000. This sale was completed at close to the Corporation's book value, which reduces the overall strong margin on land sales.
- Remaining non-core assets represent only 3.7% (December 31, 2013 – 3.3%) of Genesis' real estate portfolio with a carrying value of \$5,843 (December 31, 2013 – \$5,843)

### **Market Overview**

Alberta's strong market dynamics provide a continued healthy environment for development and growth of our core land positions, sale of lots and expansion of our home building activities. In addition to the strong market dynamics, the policy framework, designed to manage growth in the City of Calgary, is contributing to constraints in the industry's capacity to bring supply of developed building lots to market. Such constraints generally contribute to price increases and we see such increases not only continuing but perhaps escalating.

### **Additional Information**

The information contained in this release should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2014 and 2013 and the related Management's Discussion and Analysis ("MD&A") 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).

### **2014 Second Quarter Conference Call**

Genesis will host a conference call and web cast on Friday, August 8, 2014 at 7:00 a.m. MDT (9:00 a.m. EDT) to discuss the Corporation's 2014 second quarter financial and operating results. The format of the call will be as a question and answer session for analysts and investors after a brief summary of results. To participate in the conference call, please contact the conference operator ten minutes prior to the call at 1-888-390-0605 or 1-416-764-8609. To participate in the web cast, please visit: [www.genesisland.com](http://www.genesisland.com). The web cast will be archived two hours after the presentation at the websites listed above for 90 days. For a replay of this call, please dial: 1-888-390-0541 or 1-416-764-8677 and enter access code #437422 until August 22, 2014.

### **About Genesis**

Genesis is an integrated, award-winning land developer and residential homebuilder, creating innovative and successful communities in the Calgary Metropolitan Area. Genesis is committed to supporting its communities through partnerships like the Genesis Centre of Community Wellness and Genesis Place Recreational Centre. Genesis owns a large portfolio of entitled residential and mixed-use land, which is exceptionally well positioned to benefit from the continued robust activity in the Alberta economy. The Corporation's common shares are listed on the Toronto Stock Exchange (TSX: GDC).

### **Contact Information**

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## ADVISORIES

### **Non-GAAP Financial Measures**

*Net asset value, gross margin before recovery or write-down and adjusted earnings per share are non-GAAP measures that do not have any standardized meaning as prescribed by IFRS and therefore they may not be comparable to similarly titled measures reported by other companies. These non-GAAP measures have been described and presented in this news release in order to provide shareholders and potential investors with additional information regarding the Corporation's performance, liquidity and value. Additional information on these measures can be found in the MD&A.*

### **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.*

*Forward-looking statements include, but are not limited to, statements with respect to the nature of development lands held and the anticipated inventory and development potential of such lands, ability to bring new developments to market, anticipated general economic and business conditions in 2014 and beyond including low unemployment and interest rates, low stable inflation rates, positive net migration, petroleum commodity prices and above average earnings in Alberta and the anticipated impact on Genesis' development and home building activities, the positive trend in the general economic conditions and the industry through 2014 and beyond; Genesis' business strategy, including the geographic focus of its activities in 2014 and beyond, the expected capital contribution of future earnings and cash flow from land holdings in the Calgary Metropolitan Area, the ability to meet the objective to increase the closing of home builds in 2014 as compared to 2013, including the ability to significantly increase home builds per year without substantial addition to costs to our production team or infrastructure so as to increase the effect on net margin and profitability, the timing and operation of new accounting and operating software, anticipated areas of focus for Genesis in 2014 and beyond; and the ability of Genesis to develop projects (and the nature of such projects). 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", "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 the 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.*

*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 or unanticipated impact of general economic conditions in Canada, the United States and globally; 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; timely leasing of newly-developed properties and re-leasing of occupied square footage upon expiration; dependence on tenants' financial condition; the uncertainties of real estate development and acquisition activity; the ability to effectively integrate acquisitions; fluctuations in interest rates; ability to raise capital on favourable terms; the impact of newly-adopted accounting principles on Genesis' accounting policies and on period-to-period comparisons of financial results; not realizing on the anticipated benefits from transactions or not realizing on such anticipated benefits within the expected time frame; 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 the MD&A under the heading "Risks and Uncertainties" and the Annual Information Form 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.*

*Caution should be exercised in the evaluation and use of the appraisal results. The appraisal is an estimate of market value at specific dates and not a precise measure of value, being based on subjective comparison of related activity taking place in the real estate market. The appraisal is based on various assumptions of future expectations and while the appraiser's assumptions are considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.*