

SODIC ("Sixth of October Development & Investment Company") (EGX OCDI.CA) has released its consolidated financial results for the three months ended 31<sup>st</sup> of March 2019

## **SODIC releases its 1Q19 results showing revenue growth of 84%, sales driven by limited new launches with Allegria Residences fully booked**

### **First Quarter 2019 Highlights**

- Revenues amounted to EGP 941 million increasing by 84%
- Gross profit reached EGP 270 million recording a gross profit margin of 29%
- Operating profit amounted to EGP 149 million with operating profit margin recorded at 16%
- Net profit reached EGP 161 million delivering a net profit margin of 17%
- Net contracted sales were EGP 881 million
- Cancellations were recorded at 12% of gross contracted sales
- Timely delivery of 201 units across our projects versus 167 units in 1Q18

### **Operational Review**

#### **Net Contracted Sales**

SODIC recorded EGP 881 million of net contracted sales on the back of limited new launches. During the quarter SODIC launched the first phase of Allegria Residence, a fully finished apartments complex in SODIC West which was fully sold year to date. The quarter also witnessed the launch of the second phase of Eastown District New Cairo "EDNC" our strategically located office complex in East Cairo. The total value of both launches was EGP 1 billion.

#### **Cancellations**

Cancellations were recorded at 12%. While we continue to monitor our cancellations closely, the exceptionally high cancellations rate reported this quarter was mainly on the back of large cancellations in the month of January. Monthly cancellations are trending downwards reverting to less than 4% in March and April, remaining below historical average.

#### **Collections**

Net cash collections was at EGP 1.1 billion during the first quarter 2019, while delinquencies were recorded at 7%. This compares to EGP 1.1 billion collected in 1Q18.

#### **Deliveries**

The company continues its strong commitment to timely deliveries, with 201 units delivered on schedule across our projects during the quarter. This compares to 167 units that were delivered during the same period last year.

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## Financial Review

### Income Statement

SODIC recorded revenues of EGP 941 million during the quarter expanding by 84% compared to EGP 512 million recorded for the same period last year. The strong growth in revenues was driven mainly by Vilette which contributed to circa 50% of the delivered value.

Gross profit was recorded at EGP 270 million, with a gross profit margin of 29%, this compares to EGP 266 million recorded during the same period last year reflecting a margin of 52%. The exceptionally high profitability recorded in the comparative period in 1Q18 was on the back of a one off sale of land for sub-development in SODIC West, this is in addition to the early phases of Vilette dominating the delivered value in 1Q19 impacting gross profit margins.

Operating profits came in at EGP 149 million versus EGP 193 million during the same period last year and reflecting an operating profit margin of 16%.

Net profit amounted to EGP 161 million during the quarter recording a net profit margin of 17%. This compares to EGP 211 million recorded in 1Q18 reflecting a net profit margin of 41%

### Balance Sheet

Total cash and cash equivalents amounted to EGP 4.3 billion, reflecting the strength of our balance sheet supporting our land bank expansion plans and our projects execution.

Bank leverage remains low with bank debt to equity at 0.35x. As of 31<sup>st</sup> of March 2019 our bank debts outstanding were EGP 1.8 billion reflecting a 56% utilization rate for our available bank facilities of EGP 3.2 billion.

Receivables of EGP 11.4 billion provide strong cash flow visibility, with delinquency rates at 7%.

Client deposits represents the backlog of unrecognized revenues from contracted sales of units that are to be delivered over the coming three to four years. Our client deposits as of the end of the quarter were EGP 16.5 billion providing strong revenue visibility for the company.

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### Summary Consolidated Income Statement

EGP in mn	1Q19	1Q18
Total Revenue	941	512
Cost of Goods Sold	(671)	(246)
<b>Gross Profit</b>	<b>270</b>	<b>261</b>
Gross Profit Margin	29%	52%
<b>Operating Profit</b>	<b>149</b>	<b>193</b>
Operating Profit Margin	16%	38%
<b>Net Profit Before Tax</b>	<b>231</b>	<b>282</b>
Taxes	(69)	(70)
Minority Interest	(1)	(0)
<b>Net Profit After Tax and Minority Interest</b>	<b>161</b>	<b>211</b>
Net Profit Margin	17%	41%

### Selected Consolidated Balance Sheet Items

EGP in mn	Mar-19	Dec-18
<b>Assets</b>		
Total Assets	27,606	26,887
Work In Process	8,828	8,772
Long Term & Short Term Net Trade and Notes Receivable	11,418	11,635
Cash and cash equivalent	4,317	4,165
<b>Liabilities &amp; Shareholder Equity</b>		
Bank Credit Facilities & Long Term Loans	1,795	1,520
Advances from Customers	16,555	16,596
Total Equity	5,104	4,907

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### Land Bank Developments

#### **SODIC signs partnership agreement for the 500 acre plot with the New Urban Communities Authority ("NUCA").**

The plot is located in the Sheikh Zayed Extension area and is only 10 minutes away from SODIC West, our flagship mixed use community in West Cairo. The project is expected to comprise over 5,000 units generating an estimated total sales of circa EGP 43 billion. NUCA is entitled to a maximum total payment of EGP 15.3 billion over 11 years of which EGP 8.8 billion are fixed payments including a down payment of EGP 300 million, in addition to 15% of the annual collections. The projected payments imply a land cost per sqm capped at EGP 2,470 on a net present value basis discounted at 16%.

The addition of this plot brings SODIC's total undeveloped land<sup>1</sup> to circa seven million square meters from which SODIC is looking to generate over EGP 150 billion of potential future sales over the coming 10 years. This puts strong visibility into our development pipeline across all our key markets.

The project is slated for launch in the fourth quarter of 2019 and is set to be SODIC's second largest development in West Cairo reinforcing our strong position in this market and contributing to our ambitious growth plans.

### Guidance

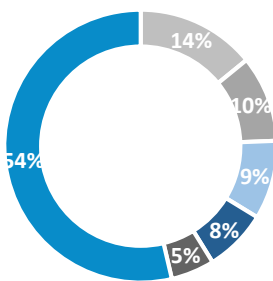
SODIC is targeting EGP 7.2 billion of contracted sales, expanding by circa 40%. We expect West Cairo to contribute heavily to our growth this year leveraging on the positive developments of Al Yosr coming into the pipeline for monetization and the addition of the 500 acre plot to our project portfolio in 2019.

In addition the company plans to deliver some 1,151 units across ten projects with an estimated value of EGP 5.1 billion reflecting a forecasted growth of circa 38% in revenues driven by deliveries in Vilette.

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### Shareholding Structure as at 31/03/2019



- Olayan Saudi Investment Company
- Abanumay Family
- Ripplewood Advisors L.L.C.
- RIMCO
- Ekuity
- Others

### About SODIC

Building on a history of almost two decades of successful operations in Egypt, SODIC is one of the country’s leading real estate development companies, bringing to the market award-winning large scale developments to meet Egypt’s ever-growing need for high quality housing, commercial and retail spaces.

Headquartered in Cairo and listed on the Egyptian stock exchange (EGX) under OCDI.CA, SODIC is one of the few non-family owned companies traded on the EGX, with a strong corporate governance framework.

### Forward Looking Statements

Statements contained in this document that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of SODIC. Such statements involve known and unknown risks, uncertainties and other factors; undue reliance should not be placed thereon. Certain information contained herein constitutes “targets” or “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “seek,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Actual events or results or the actual performance of SODIC may differ materially from those reflected or contemplated in such targets or forward-looking statements. The performance of SODIC is subject to risks and uncertainties. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, the economic and political climate of Egypt, the Middle East and changes in business strategy and various other factors.

### SODIC Investor Relations

Contact Information

Heba Makhoulf

hmakhoulf@sodic.com

(+202) 3827 0364

IR website

ir.sodic.com