

SODIC (“Sixth of October Development & Investment Company”) (EGX OCDI.CA) has released its consolidated financial results for the twelve months ended 31st of December 2017

SODIC delivers 39% growth in EPS on the back of strong revenues and improved operating profitability

Full Year 2017 Highlights

- Revenues of EGP 2.3 billion, up 11% YoY
- Gross profit of EGP 883 million, up 11% YoY representing a margin of 39%
- Operating profit of EGP 478 million, up 17% YoY
- Net profit of EGP 597 million up 39% YoY, net profit margin of 26%
- Net Cash Flow from operations of EGP 549 million
- Cash and cash equivalents balance of EGP 3.6 billion
- Receivables of EGP 11.2 billion with delinquencies at a low rate of 2%
- Strong backlog of unrecognized revenues with advances from customers reaching EGP 15.5 billion
- Net contracted sales of EGP 5.7 billion
- Cancellations remained low at 2.6%
- Timely delivery of 1,151 units

Fourth Quarter 2017 Highlights

- Revenues of EGP 536 million
- Gross profit margin 40%
- Operating profit of EGP 32 million
- Net profit of EGP 90 million, net profit margin of 17%
- Net contracted sales of EGP 2.7 billion
- Cancellations at a low rate of 2%
- Timely delivery of 240 units

Guidance for 2018

- Net contracted sales EGP 8.7 billion
- Deliveries of 1,048 units
- Revenues of EGP 3.9 billion in revenues

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Message from the Managing Director

“I am pleased to report another solid year of performance for SODIC having met all our key financial and operational targets in 2017. This has demonstrated the strength of our business model and the resilience of our organisation, despite dynamics imposed by the devaluation on the marketplace and the economy at large.

SODIC has delivered significant growth in earnings with EPS increasing by 39% in 2017. The growth was driven by our strong operating profitability, attesting to our disciplined approach to construction and prudent control of our expenses in this remarkably inflationary environment. In addition, our solid balance sheet has mitigated the impact of the interest rate hikes, having generated significant interest income on our cash balances.

2017 witnessed the launch of several new projects including SODIC’s first revenue share co-development SODIC East and Villette’s Sky Condos in East Cairo as well as October Plaza and One16 in West Cairo. Combined, these four projects have given SODIC circa EGP 70 billion of inventory expected to be sold over the coming 10 years. The solid performance of these launches has been the main driver for achieving our stated guidance for sales in 2017.

With the strong tailwinds of increasing demand for our products we continue to pursue growth opportunities. Our quality and disciplined approach to land bank expansion continually ensures securing high-margin plots in attractive locations.

During the year we have had advanced negotiations on several plots on the Mediterranean north coast with the aim of replenishing our second home offering towards the summer of 2018. We have also participated in the government’s auction of several large plots in West Cairo. In addition our 300 acre plot in West Cairo (Al Yosr) has taken a large leap forward towards monetization following the rezoning of the land in early 2017. These developments serve our aim of further diversifying our land bank and complementing our product offering.

We view 2018 with confidence, backed by positive outlooks for all our markets. The eminent drop in interest rate will act as another strong catalyst for growth.

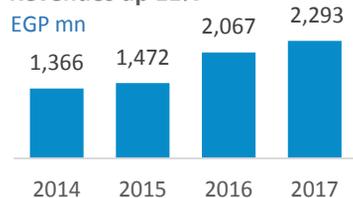
With a substantial year end net cash balance, revenue visibility and an improved macroeconomic backdrop we are confident in the strong fundamentals of the housing sector and have set ambitious growth targets for 2018.”

Magued Sherif, Managing Director

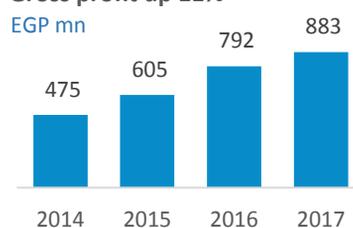
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Financial Review

Revenues up 11%



Gross profit up 11%



Operating profit up 17%



Net profit up 39%



Income Statement

Full Year 2017

- Revenues grew 11% to EGP 2.3 billion as we continue on-schedule deliveries across all our projects. Deliveries in Eastown Residences have contributed to 55% of the delivered value. The year also witnessed the commencement of deliveries in the Courtyards which contributed to 12% of the delivered value.
- Gross profit increased circa 11% to EGP 883 million reflecting a healthy gross margin of 39% versus 38% recorded in 2016. The resilience of our gross margins during such a remarkably inflationary environment attests again to our disciplined approach to construction and commitment to timely delivery. Moreover margins achieved on Eastown Residences have improved markedly to reach 35% compared to 23% in 2016.
- Operating profit increased by 17% to EGP 478 million reflecting a healthy operating margin of 21%. This reflects our prudent control of our operating expenses despite the inflationary backdrop the country suffered post the devaluation in November 2016.
- Net profit post minority interest for the year came in at EGP 597 million, with a margin of circa 26%, versus 21% in 2016. SODIC delivered an EPS of 1.74 EGP per share in 2017, a 39% growth driven by resilient operating profitability as well as higher interest income generated on our cash balances that have been mainly invested into treasury bills during the year to benefit from the high interest rate environment.

Fourth Quarter 2017

- Revenues for the quarter were recorded at EGP 536 million, with Eastown Residences representing 49% of the delivered value for the quarter, followed by the Courtyards contributing to 37% of the delivered value.
- Gross profit margin for the quarter came in at a solid 40% driven by Eastown Residences as the project recorded a gross margin of 50% in 4Q17, compared to 28% for the same period last year.
- Net profit came in at EGP 90 million recording a net profit margin of 17%.

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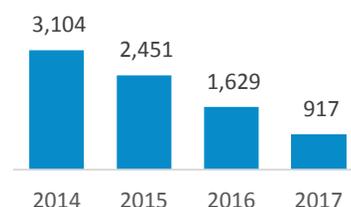
Financial Review

Bank debt to equity 0.34x



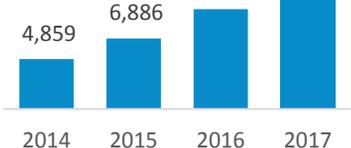
Land liabilities

EGP mn



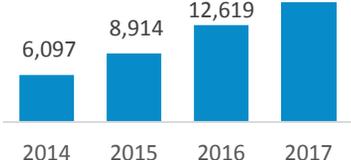
Receivables

EGP mn



Advances from Customers

EGP mn



Balance Sheet

- Total cash and cash equivalents balance stood at EGP 3.6 billion, reflecting the strength of the balance sheet and supporting our construction pipeline as well as our land bank expansion plans.
- Of our EGP 3.3 billion of bank facilities circa 45% were utilized reflecting a bank debts outstanding balance of EGP 1.5 billion. Debt to equity ratio remained low at 0.34x.
- During the year SODIC and its subsidiaries have signed several Medium Term Facility agreements with two of the country’s leading private sector banks increasing its available bank facilities by EGP 1.1 billion. The facilities are arranged to finance the construction of selective projects, namely SODIC West, Villette and October Plaza.
- Land liabilities to NUCA continued to decline, having repaid circa 80% of the land costs of Villette, Eastown and October Plaza. Land liabilities currently stand at EGP 917 million.
- Receivables continued to grow reaching circa EGP 11.2 billion at the end of 2017 providing strong visibility into our future cash inflows as delinquency rates continue to hover at a low rate of 2%.
- Client Deposits stood at EGP 15.5 billion, reflecting the backlog of revenue to be recognised over the coming three to four years and represents units that have been sold and yet to be delivered.

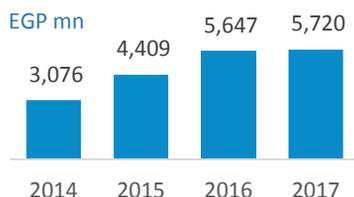
Financial Review Cash Flow

- Net Cash flow from Operations remained positive generating EGP 549 million during the twelve months period.

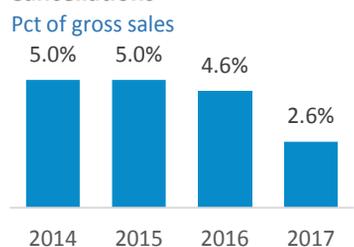
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Operational Review

Net Contracted Sales



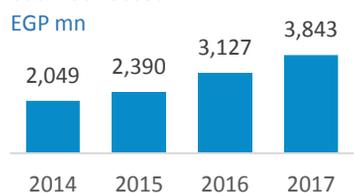
Cancellations



Deliveries



Cash Collected



Operational KPI's

Full Year 2017

- Net contracted sales from our projects was EGP 5.7 billion with our developments in East Cairo showing particular strength, growing by 24% and 17% in values and volumes respectively.
- 2017 witnessed the launch of several new projects including SODIC East and Sky Condos in Villette, both in East Cairo as well as October Plaza and One16 in West Cairo. Combined these four projects have given SODIC circa EGP 70 billion of inventory expected to be sold over the coming 10 years. The strong performance of these launches has enabled us to achieve our stated guidance for sales in 2017.
- Cancellations have declined significantly to 2.6%, almost half of that recorded in the previous three years. This reflects the strong trust our clients have in SODIC honouring its commitment to timely delivery and the significant value appreciation of the sold units realized by our clients in this inflationary backdrop.
- Cash Collections were EGP 3.8 billion an increase of 23% over the same period last year, thanks mainly to our efficient management of the collection process.
- Delinquencies remained low at 2% during the year. Despite financial pressures faced by Egyptian households as a result of the government reforms undertaken, our clients have continued to pay their instalments in a timely manner recognizing the strong value creation that our developments have delivered safeguarding their investment against the inflation.
- Deliveries of some 1,151 units took place in 2017 achieving our target for the year and reinforcing our commitments to timely delivery. The handovers came across 9 projects with Eastown Residences constituting circa 62% of the delivered units for the year.

Fourth Quarter 2017

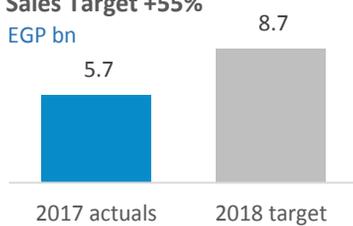
- SODIC signed contracts worth of EGP 2.7 billion during the quarter with our projects in East Cairo being the main contributor. The launch of the first phase of SODIC East in November marked a significant replenishment of our inventory in the highly active market of East Cairo. The project contributed to 63% of our contracted sales during the quarter.
- Cash collections during the quarter were recorded at EGP 1.1 billion, an increase of 11% over the same period last year.
- 240 units were delivered during the quarter with Eastown Residences accounting for 50% of the units delivered followed by the Courtyards accounting for 39%.

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Outlook 2018

Sales Target +55%

EGP bn

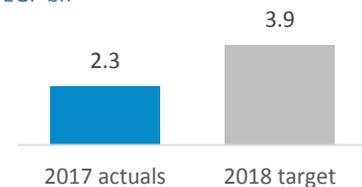


SODIC has announced its guidance for the year reflecting strong growth in contracted sales and revenues. The company targets EGP 8.7 billion of contracted sales, a 55% growth over the annual sales guidance of 2017. Some 1,048 units are scheduled for delivery in 2018, with an expected value of EGP 3.9 billion in revenues. The year will mark the commencement of deliveries in two new projects, namely Villette and Caesar contributing to the significant growth in projected revenues.

The ambitious targets we have set for the year echo our confidence in our brand and the depth of the Egyptian real estate market as we embark on yet another growth cycle for SODIC. We begin the year with a strong portfolio of projects and a solid balance sheet to support our expansion plans. The launch of SODIC East during the fourth quarter of 2017 has added circa EGP 57 billion of inventory to our sales pipeline. This in addition to the initiation of the rezoning process of Al Yosr, our 300 acre plot on West Cairo, has put strong visibility for our sales in our two primary markets. Our efforts to secure land on the North Coast are also advancing, with negotiations on a revenue share deal with a private land owner proceeding positively with the aim of replenishing our inventory of secondary homes by the summer season.

Revenues target +70%

EGP bn



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Summary Consolidated Income Statement

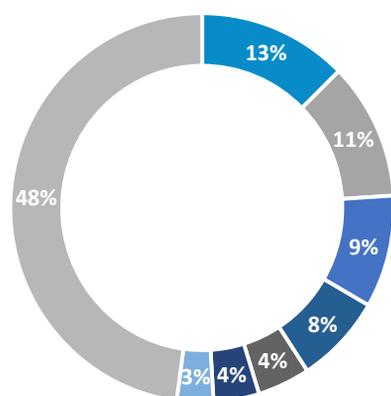
EGP in mn	12M17	12M16
Total Revenue	2,293	2,067
Cost of Goods Sold	(1,410)	(1,275)
Gross Profit	883	792
Gross Profit Margin	39%	38%
Operating Profit	478	409
Operating Profit Margin	21%	20%
Net Profit Before Tax	799	602
Taxes	(200)	(161)
Minority Interest	(2)	(12)
Net Profit After Tax and Minority Interest	597	429
Net Profit Margin	26%	21%

Selected Consolidated Balance Sheet Items

EGP in mn	Dec-17	Dec-16
Assets		
Total Assets	24,671	20,776
Work In Process	8,011	7,194
Long Term & Short Term Net Trade and Notes Receivable	11,223	9,751
Cash and cash equivalent	3,596	2,571
Liabilities & Shareholder Equity		
Bank Credit Facilities & Long Term Loans	1,497	1,196
Advances from Customers	15,497	12,619
Total Equity	4,443	3,821

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Shareholding Structure as at 31/12/2017



- Olayan Saudi Investment Company
- Abanumay Family
- Ripplewood Advisors L.L.C.
- RIMCO
- EFG Hermes Holding
- Norges Bank
- Juma Al Majid Group
- 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.

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