

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 2018

## Solid start for the year with exceptionally strong profitability and land bank developments shaping the quarter

### First Quarter 2018 Highlights

- Revenues amounted to EGP 512 million
- Gross profit reached EGP 266 million recording a gross profit margin of 52%
- Operating profit amounted to EGP 193 million with operating profit margin recorded at 38%
- Net profit of EGP 212 million was recorded delivering a net profit margin of 41%
- Net contracted sales were EGP 1.2 billion strongly driven by non-residential products
- Cancellations remained low at 4% of gross contracted sales
- Timely delivery of 167 units across our projects

### Message from the Managing Director

“We begin the year with exciting developments on our land bank as we continue to deliver on our expansion and diversification strategy. During the quarter we signed a 1.3 million square meter revenue share deal bringing over 15 billion of potential sales on the Mediterranean north coast and providing 7 years of sales visibility in this highly active market. In addition SODIC was announced as the highest bidder on a 500 acre revenue share plot in West Cairo, pending final allocation of the plot. The addition of this plot would bring our land bank to 8 million sqm putting over 10 years of inventory visibility in all our markets.

We have recently also announced that we will initiate talks with Madinet Nasr Housing & Development “MNHD” on a potential strategic transaction. A prospective deal would leverage on the strengths of the two companies in their respective target markets and accelerate the monetization of a consolidated land bank of 14 million square meters. SODIC would potentially combine its well diversified land bank of 6 million square meters<sup>1</sup> in East, West Cairo as well as the North Coast with MNHD’s over 7 million square meters of prime located land in East Cairo, including 1.6 million square meters of commercial land.

On the operational front SODIC delivered another excellent quarter on track to achieving our annual targets. Revenues reflect on schedule deliveries across our projects, in addition to 1Q18 marking the delivery of the first units in Caesar ahead of schedule. Profitability remained robust despite the back drop of inflationary pressures. Contracted sales were mainly driven by sales of non-residential products, with the launch of Eastown District New Cairo being the highlight of the quarter.

We look forward to an eventful year for SODIC and reiterate our guidance for 2018 with a strong outlook of the Egyptian property sector and continued demand for our products that remains driven by our credibility and solid brand equity.”

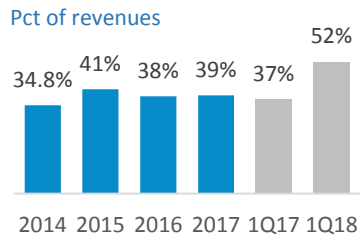
Magued Sherif  
**Managing Director**

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 2018

### Financial Review

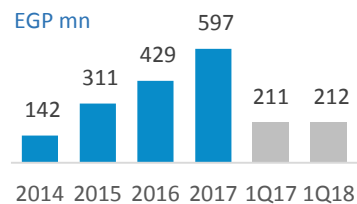
#### Gross Profit Margin

Pct of revenues



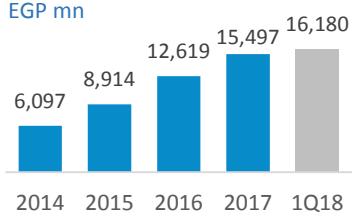
#### Net Profit

EGP mn



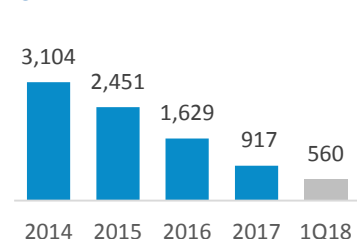
#### Client Deposits

EGP mn



#### Land liabilities to NUCA

EGP mn



### Income Statement

SODIC recorded revenues of EGP 512 million during the quarter, this compares to EGP 703 million recorded for the same period last year. Revenues during 2017 were exceptionally front loaded towards the first quarter in which we delivered circa 35% of the units for the year.

Gross profit was up 26% to reach EGP 266 million, delivering a solid gross profit margin of 52%. Our projects recorded exceptionally high profitability during the quarter with almost all of our projects achieving a gross margin of over 40%. In addition gross profit was buoyed by one off sale of land for sub-development in SODIC West. Excluding the effect of this deal gross profit margin from our developments was a solid 43%. Operating profits came in at EGP 193 million reflecting a healthy operating margin of 38%, representing a marked improvement of 712 bps over same period last year.

Net profit amounted to EGP 212 million during the quarter recording a net profit margin of 41%. Our bottom line continues to be positively impacted by the high interest rate environment. Excluding the impact of net interest income our net profit margin comes in at a solid 28%.

### Balance Sheet

Total cash and cash equivalents amounted to EGP 3.9 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 0.3x. As of 31<sup>st</sup> of March 2018 our bank debts outstanding were EGP 1.5 billion reflecting a 45% utilization rate for our EGP 3.3 billion facilities.

Land liabilities continued to decline to EGP 560 million as we remain committed to the timely repayment of NUCA installment.

Receivables of EGP 11 billion provide strong cash flow visibility, with delinquency rates remaining low at 4%.

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 billion providing strong revenue visibility for the company.

### Cash Flow

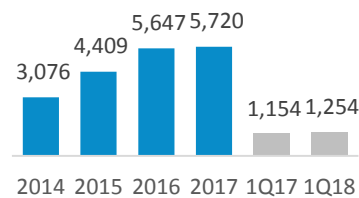
Net cash flows from operations were up 82% to reach EGP 241 million

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 2018

### Operational Review

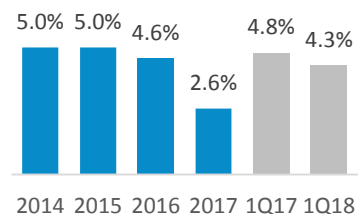
#### Net Contracted Sales

EGP mn



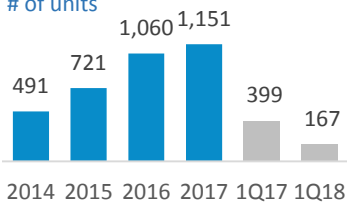
#### Cancellations

Pct of gross sales



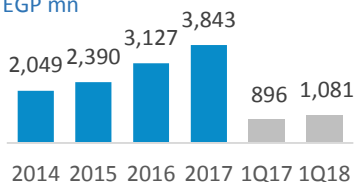
#### Deliveries

# of units



#### Cash Collected

EGP mn



### Net Contracted Sales

SODIC recorded EGP 1.2 billion of net contracted sales up 9% on the same period last year. With limited release of residential inventory, sales for the quarter were mainly driven by our non-residential developments which represented 78% of the net contracted sales for the period. The quarter witnessed the launch of Eastown District New Cairo “EDNC” marking the monetization of this prime located commercial development in the heart of New Cairo. With construction commencing this year, the project is slated for completion in 2021 and is expected to be the cornerstone of SODIC’s recurring income portfolio in the future.

### Cancellations

Cancellations remained low at 4.3% in line with historical averages and slightly below 4.8% recorded during the same period last year.

### Collections

Net cash collections increased by 20% to reach EGP 1.1 billion during the first quarter 2018, while delinquencies remained low at 4%.

### Deliveries

The company continues its strong commitment to timely deliveries, with 167 units delivered on schedule across our projects during the quarter including debut deliveries in Caesar. This compares to 399 units that were delivered on schedule during the same period last year. Deliveries during 2017 were exceptionally front loaded towards the first quarter in which we delivered circa 35% of the units for the year.

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 2018

### Summary Consolidated Income Statement

EGP in mn	1Q18	1Q17
Total Revenue	512	703
Cost of Goods Sold	(246)	(445)
<b>Gross Profit</b>	<b>266</b>	<b>259</b>
Gross Profit Margin	52%	37%
<b>Operating Profit</b>	<b>193</b>	<b>215</b>
Operating Profit Margin	38%	31%
<b>Net Profit Before Tax</b>	<b>282</b>	<b>281</b>
Taxes	(70)	(69)
Minority Interest	(0)	(1)
<b>Net Profit After Tax and Minority Interest</b>	<b>212</b>	<b>211</b>
Net Profit Margin	41%	30%

### Selected Consolidated Balance Sheet Items

EGP in mn	Mar-18	Dec-17
<b>Assets</b>		
Total Assets	25,484	24,671
Work In Process	8,354	8,011
Long Term & Short Term Net Trade and Notes Receivable	11,331	11,223
Cash and cash equivalent	3,897	3,596
<b>Liabilities &amp; Shareholder Equity</b>		
Bank Credit Facilities & Long Term Loans	1,535	1,497
Advances from Customers	16,180	15,497
Total Equity	4,655	4,443

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 2018

## Land Bank Developments

### Replenishment of land bank in the Mediterranean North Coast

On March 11<sup>th</sup> SODIC signed a revenue share agreement with a private land owner for two adjacent plots with a total land area of 1.3 million square meters on the Mediterranean North Coast of Egypt. The agreement provides the land owner with a 28% share of the project’s revenue generated from the sale of units, while the balance represents SODIC’s share with no minimum guarantee to the landlord. The project is expected to generate total sales of over EGP 15 billion over a period of seven years and comes in line with SODIC’s growth strategy and expansion plans in second home markets.

### Revenue share deal with NUCA for 2 million sqm in West Cairo

SODIC was announced as the highest bidder on a 2 million square meter plot in West Cairo. The plot was offered by the New Urban Communities Authority “NUCA” under a revenue share scheme back in December 2017. We are currently awaiting NUCA’s final decision regarding the award of the plot.

### Al Yosr rezoning aiming to launch in 4Q18

We continue our dialogue with the government with the aim of expediting the necessary regulatory approvals to increase the allowable built up area on this 1.2 million square meter plot. Al Yosr is strategically located on the Cairo – Alexandria highway only a 5 kilometer drive from SODIC West. SODIC is expecting to launch the project towards the fourth quarter in 2018.

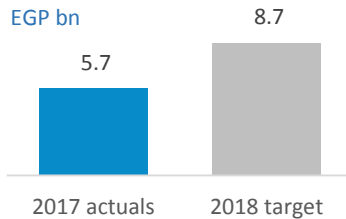
### Potential strategic transaction with MNHD

Complementing our achievements of organic growth, which saw the company’s market capitalization grow four folds over the past four years, SODIC is currently contemplating potential avenues for inorganic growth. To that end, the company announced on April 11<sup>th</sup> 2018 that it will enter into preliminary talks with Madinet Nasr Housing & Development “MNHD” to explore strategic alternatives for the two entities. A potential deal would leverage on the strengths of the two companies in their respective target markets and accelerate the monetization of a consolidated land bank of 14 million square meters. SODIC would potentially combine its well diversified land bank of 6 million square meters<sup>1</sup> in East, West Cairo as well as the North Coast with MNHD’s over 7 million square meters of prime located land in East Cairo, including 1.6 million square meters of commercial land.

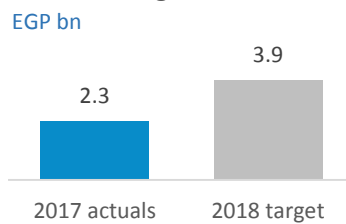
It is worth noting that any discussions to be held or due diligence conducted between the two parties at this stage would be non-binding, There can be no assurances that a definitive agreement between the parties will be reached or on what terms. Any final decision regarding the form and timing of any potential transaction would remain subject to approvals by the respective boards, general assemblies and respective regulatory authorities as applicable.

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 2018

### Sales Target +53%



### Revenues target +70%



### Guidance

We reiterate our guidance for 2018 with a strong outlook for the Egyptian property sector and continued demand for our products that remains driven by our credibility and solid brand equity.

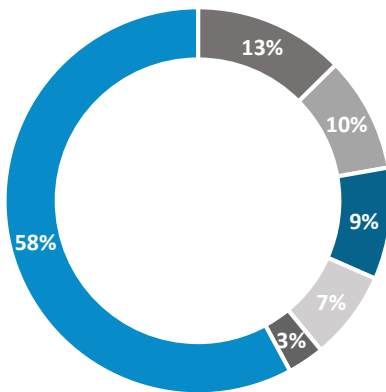
SODIC targets contracted sales of EGP 8.7 billion representing a 53% increase over 2017 levels supported by a more diversified portfolio of developments. We will continue to launch on our existing projects in East & West Cairo, complimented by the introduction of our new project on the North Coast. In addition we aim to launch a new project on Al Yosr land towards the fourth quarter.

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 Vilette and Caesar contributing to the significant growth in projected revenues.

-END-

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 2018

### Shareholding Structure as at 31/03/2018



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

### SODIC Investor Relations

Contact Information

Heba Makhoulouf

hmakhoulouf@sodic.com

(+202) 3827 0364

IR website

ir.sodic.com