

SODIC ("Sixth of October Development & Investment Company") (EGX OCDI.CA) has released its consolidated financial results for the full year ended 31st of December 2019

Record contracted sales of EGP 7.3 billion up 32%, SODIC announces intention to distribute dividends of EGP 0.55 per share;

Full Year 2019 Highlights

- Revenues amounted to EGP 5,329 million up 42%
- Gross profit reached EGP 1,466 million up 20% and recording a gross profit margin of 27%
- Operating profit amounted to EGP 702 million up 109% with operating profit margin recorded at 13%
- Net profit of EGP 719 million, a growth of 60% and reflecting a net profit margin of 13%
- Record gross sales of EGP 7.3 billion up 32%
- Cancellations of 8.32% of gross sales versus 8% in 2018
- Timely delivery of 1,176 units across our projects versus 1,079 in 2018
- Cash collections up 7% to reach EGP 4.6 billion

Fourth Quarter 2019 Highlights

- Revenues amounted to EGP 1.9 billion up 9%
- Gross profit reached EGP 492 million up 34% and recording a gross profit margin of 26%
- Operating profit amounted to EGP 191 million versus a loss of 196 million in the same period last year with operating profit margin recorded at 10%
- Net profit of EGP 215 million, versus a loss of 163 million in the same period last year delivering a net profit margin of 11%
- Record quarter of gross sales were EGP 3.8 billion up 171% from EGP 1.4 billion
- Cancellation rate of 4.2% compared to 5.9%
- Timely delivery of 424 units across our projects versus 432 units delivered in the same period last year
- Cash collections up 9% to reach EGP 1.2 billion

Guidance:

Management is targeting gross contracted sales EGP 8.4 billion a growth of 15%. This includes sales from Malaaz and excludes any non-residential sales in line with the company's strategy to largely retain prime non-residential assets to contribute to our recurring income in the future. This targeted sales in 2019 represents a 38% increment on our 2019 residential sales.

The company expects to deliver some 1,150 units with an estimated value of EGP 5 billion, while expenditure on construction is expected at EGP 3.7 billion.

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Corporate Developments

Dividends proposal:

SODIC’s Board of Directors has proposed a cash dividend distribution of EGP 0.55, a 10% increase over 2018 dividend per share subject to the approval of the Ordinary General Assembly. The proposed dividend is a testament to the company’s commitment to have a sustainable distribution to our shareholders supported by SODIC’s liquid balance sheet, solid financial performance, and strong cash flows.

New project launches:

During the year SODIC launched two new projects, inaugurating New Zayed, adding over 10 years of sales visibility to our development pipeline in West Cairo, SODIC’s stronghold core market.

The Estates: launched in September 2019, two months following the signature of the agreement with NUCA to rezone the 150 acre Al-Yosr land plot. The Estates is SODIC’s newest signature project, and the debut of a series of projects to be developed in the new and upcoming area of New Zayed, which is set to become the natural extension to the upscale neighbourhood of Sheikh Zayed. Spanning over 630,000 sqm the project is expected to generate over EGP 7.7 billion of sales, with gross margins expected to come in at over 60%. The Estates contributed over 12% to SODIC’s contracted sales in 2019.

VYE: the first of three distinct neighborhoods that make up the company’s new 500-acre plot in New Zayed. The plot was acquired through a partnership agreement signed with NUCA in Q1 2019. VYE was launched to strong demand in December 2019 contributing 17% to the Company’s contracted sales and expected to generate over EGP 43 billion of sales over a 10-year period.

Also in West Cairo, SODIC introduced Allegria Residences, the first fully finished apartment offering to be launched in SODIC West since Forty West. Launched in March 2019, the project contributed 11% to our 2019 contracted sales.

In East Cairo, SODIC launched the first phase of Azailya, multifamily apartment buildings in the Company’s 655 acre mixed-use development in East Cairo, SODIC East. The project is expected to generate in excess of EGP 55 billion of sales over a 10-year period.

The success of the launches comes as a testament to SODIC’s ability to swiftly monetize its land bank building on its solid track record and deep knowledge of the market.

The diversity of our current land allows us to spread our future sales across all our main markets while offering differentiated products addressing different market needs, this mitigates concentration risks and allows the company as a whole be more resilient to interruptions in any specific market

In addition to our newly launched residential projects, SODIC launched its new sports arm, Club S, introducing a one of a kind upscale club experience that aims to promote a healthy lifestyle for residents in all SODIC’s developments. The first of a series to be launched by SODIC over the coming period, “Club S” opened its doors in Allegria in 3Q2019 to serve the needs of over 15,000 current residents of Allegria and SODIC West.

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Financial Review

Income Statement

Full Year 2019

Revenues of EGP 5,329 million were recorded during the full year period compared to EGP 3,726 million recorded during 2018, reflecting a strong growth of 42%. This was mainly driven by deliveries in East Cairo projects Villette and Eastown, amounting to 44% and 21% of the delivered value during the period respectively

Gross profit reached EGP 1,466 million, up 20% and recording a gross profit margin of 27% compared to 33% in 2018. The decline in gross margins is mainly due to the early phases of Villette being the largest contributor to revenues having accounted for 44% of total delivered value.

Operating profit increased 109% to EGP 702 million, recording an operating profit margin of 13% for 2019 versus 9% for 2018

Net profits attributable to equity holders grew 60% to EGP 719 million in 2019 reflecting a margin of 13% and an EPS of 2.06 EGP

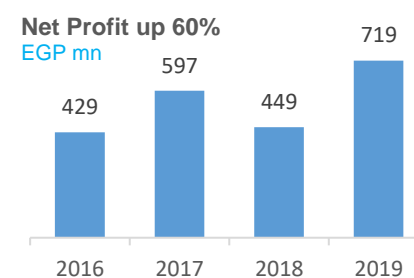
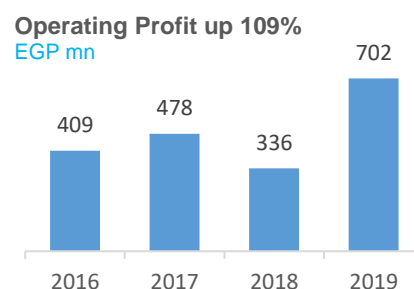
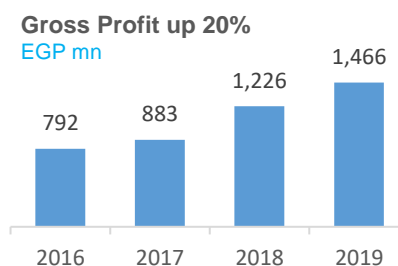
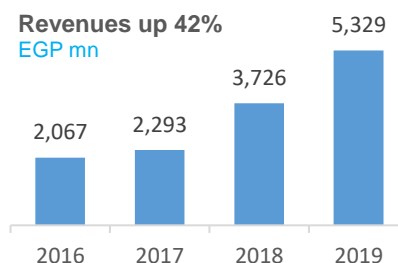
Fourth Quarter 2019

Revenues of EGP 1,924 million were recorded during the quarter representing a 9% increase over the same period last year

Gross profit grew 34% over the same period last year, reaching EGP 492 million and recording a gross profit margin of 26%

Operating profit for the period amounted to EGP 191 million versus an operating loss of EGP 196 million in the same period last year, with 4Q18 impacted by the settlement on SODIC West

Net profit of EGP 215 million was recorded during the period reflecting a margin of 11% versus a net loss of EGP 163 million in the same period last year also attributed to the settlement on SODIC West



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Financial Review: Balance Sheet

SODIC continues to maintain a strong liquidity position with total cash and cash equivalents amounting to EGP 4.0 billion.

Bank leverage stood at 0.34x debt to equity with EGP 1.9 billion of debt outstanding. During the year the company signed several new facilities including EGP 1 billion to partially finance the construction of EDNC, SODIC’s flagship commercial asset in East Cairo. The increase in debt exposure comes on the back of the company’s strategy to create a sizable investment portfolio of prime assets that will contribute to our recurring income in the future.

Receivables reached EGP 13.1 billion up 12% providing strong cash flow visibility, with delinquency rates at a low at 6%.

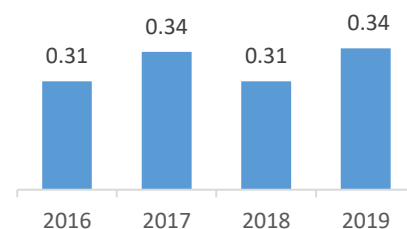
Client deposits represents the backlog of unrecognized revenues from contracted sales of units that are to be delivered over the coming three to four years. Client deposits as at the end of the quarter amounted to EGP 17.7 billion providing strong revenue visibility for the company.

Cash & Equivalents

EGP bn

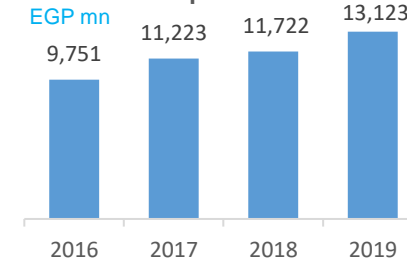


Bank Debt to Equity



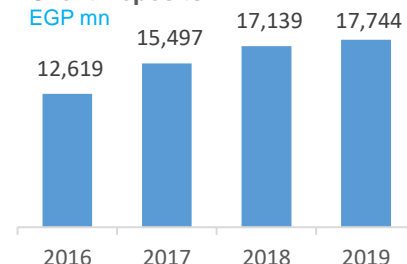
Receivables up 12%

EGP mn



Client Deposits

EGP mn



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Operational Review

Full Year 2019

Gross contracted sales for the period were up 32% delivering a record EGP 7.3 billion versus EGP 5.5 billion for the same period last year. Sales were mainly driven by the strong performance of our projects in our core markets of West & East Cairo. West Cairo projects contributed to 59% of our gross sales in 2019 with VYE & The Estates being the main engines of growth for the year. Commercial sales contributed to circa 17% of our gross sales during the year having generated circa EGP 1.2 billion.

Cancellations were recorded at 8.32% of our gross sales in 2019, this compares to 8% recorded in 2018. Due to delays in launching new phases of Malaaz as result of permitting delays in the North Coast, Malaaz had higher cancellations negatively affecting our cancellation rate. The project contributed c. 22% of cancellations in 2019, excluding the effect of Malaaz would bring the cancellation rate to 6.5%, in line with historical average.

Net cash collections increased by 7% to reach EGP 4.6 billion during the year with delinquencies at 6%

SODIC delivered some 1,176 units during the year, this compares to 1,079 units delivered in 2018. East Cairo projects accounted for 703 of the delivered units, while delivering 394 and 79 units in West Cairo and the North Coast respectively.

Fourth Quarter 2019

SODIC achieved record gross contracted sales during the quarter of EGP 3.8 billion, up 171%, this compares EGP 1.4 billion for the same period last year. The strong performance of our first launches of The Estates and VYE contributed heavily to this strong growth, accounting for 54% of the quarter’s sales.

Cancellations of EGP 165 million were recorded during the period, 4.2% of the period’s gross sales

Net cash collections increased by 9% to reach EGP 1.2 billion during the period

SODIC delivered some 424 units during the period compared to 432 units delivered during the same period last year.

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Summary Consolidated Income Statement

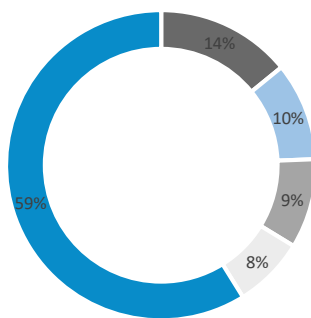
EGP in mn	2018	2019
Total Revenue	3,726	5,329
Cost of Goods Sold	(2,500)	(3,864)
Gross Profit	1,226	1,466
Gross Profit Margin	33%	27%
Operating Profit	336	702
Operating Profit Margin	9%	13%
Net Profit Before Tax	738	930
Taxes	(287)	(209)
Minority Interest	(2)	(2)
Net Profit After Tax and Minority Interest	449	719
Net Profit Margin	12%	13%

Selected Consolidated Balance Sheet Items

EGP in mn	Dec-18	Dec-19
Assets		
Total Assets	26,986	33,287
Work In Process	8,820	13,645
Long Term & Short Term Net Trade and Notes Receivable	11,722	13,123
Cash and cash equivalent	4,165	3,974
Liabilities & Shareholder Equity		
Bank Credit Facilities & Long Term Loans	1,520	1,874
Advances from Customers	17,139	17,744
Total Equity	4,907	5,452

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Shareholding Structure as at 31/12/2019



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

About SODIC

Building on a history of more than 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

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