

**CI CAPITAL**

**Moderator: Jan Pawel Hasman  
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Operator: This is Conference # 63227600

Ladies and gentlemen, thank you for standing by and welcome to SODIC's second quarter 2016 results conference call hosted by CI Capital. At this time all participants are in a listen only mode. There will be a presentation followed by a question-and-answer session, at which time if you wish to ask a question, you will need to press star one on your telephone. I must advise you this conference is being recorded today, Tuesday, 16 of August, 2016. I would now like to hand the conference over to your speaker today. Jan, thank you, please go ahead.

Jan Pawel Hasman: Thank you. Good morning and good afternoon ladies and gentlemen, it's Jan Pawel Hasman from CI Capital in Egypt. I would like to welcome you all to Sodic second quarter 2016 results conference call. Thank you for your participation in this event. From Sodic we have with us today Mr. Magued Sherif Managing Director, Mr. Omar Elhamawy Chief Financial Officer, and Mr. Mahmoud Badran Finance Director. Gentleman, first of all, allow me to congratulate you on a very strong set of results released by your company yesterday, and we thank you for your time devoted to us today to discuss these results in greater detail. As is usually the case, we will have a presentation followed by a Q&A session so I will leave the floor to Sodic's management team. Please proceed.

Magued Sherif: Thank you very much Jan, this is Magued Sherif, Thank you very much for joining us today, and for showing interest in the company. I'll make a very

short and brief presentation because I believe that most of the information has been already forwarded to yourselves. And I'll open the floor for any questions, and I'm more than happy to respond to all of them. We had a great second quarter - second quarter was a great quarter for us. Our contracted sales during the quarter amounted to EGP1.2 billion of net contracted sales, and that represents a 90 percent growth over the same period of last year.

This mainly has been a result of launching a number of projects in Villette Eastown, Courtyards on the west side and Forty West. Year to date, or H1 of this year contracted sales amounts rights now to - I'm sorry - end of June amounts to EGP1.9 billion. Cash collection for the second quarter amounted to EGP692 million, representing a 19 percent increase over the same period of last year and ending at the quarter with a cash balance off EGP2 billion, while our cash collections for H1 amounted to EGP1.354 billion.

Our deliveries for the second quarter amounted to 201 units compared to 166 units for the same - during the same period of next year. We started delivering units in Eastown last May and about 75 units have been delivered until the end of the second quarter. Our year to date - I'm sorry, to end of June - number of units that delivered amount to 302 units. In terms of cancellations, our cancellations for the period for Q2 amounted to 7 percent of the gross contracted sales, and this figure appears to be a bit on the high side, but it's basically attributed to the fact that the cancellations were a huge villa in Caesar. I think the ticket was around EGP17 million, and this has already been sold at a higher margin and high price, higher margin in Q3.

We also, you know, we had a cancellation of four units in Villette units. These units also were sold in Q3 at a higher price. So because, you know, of those of five cancellations that have already been resold, the number appears to be a bit on the high side, and I believe the distortion is basically because of the ticket size of those five units

Generally speaking, our consolidated revenues for all activities in Q2 of 2016 amounted to EGP435 million compared to EGP301 million for the same period of 2015. Our gross profit margin amounted to 36 percent. Our net income amounted to EGP103 million and our net income amounted - I'm

sorry - net profit margin amounted to 24 percent. Generally speaking, we are on target to achieving our numbers. Throughout the end of the year our targeted number of units to be delivered during the period is 935 units and it has always been the norm that most of the units are delivered in Q3 and Q4 of the year.

We're also on track to deliver our sales target of 4.9 billion, and we are on target as I mentioned earlier, because you have a number of launches and this has been known to us since the beginning of the year, that a big weight of our sales is expected to be achieved in Q3 and Q4. As a result of rolling out a number of new launches during this period. We are also on track in achieving our CAPEX around the 2.0 billion and getting to a gross profit margin of 35 percent.

I believe this provides just an overall you know, 35,000 feet view of the market - I'm sorry - of the company. In terms of the market and what's, you know, what has been going on, we still believe we are in the market. We're very bullish about the market. We still see the effect of the devaluation of the Egyptian Pound as a positive function in increasing our sales figures. People still love real estate, they believe that real estate is a very good, safe way to store value against devaluation. So we are bullish about the market. We continue to seek opportunities to acquire land and grow our operations, and we've been looking at the number of acquisitions both the on the North coast and the Red Sea, and also in East Cairo. I'm more than happy to walk you through any, or to respond to any questions, should you have any. Thank you so much.

Operator: Thank you and as a reminder, if you wish to ask a question, please press star one in your telephone and wait for your name to be announced. If you wish to cancel your request please press the hash key. And we have a question coming from the line of Patrick Gaffney, please ask your question.

Patrick Gaffney: Hi, thanks for taking my call, Just two quick questions. First, can you just talk a little bit more about the land purchases you're possibly making, and there was a report in the media about you potentially purchasing 250 Feddans from Dreamland. Is that accurate and is that something you'd look to do? Just trying

to get a sense of where these plan purchases would happen and how big they would be.

And then my second question is just generally how are sales going in the third quarter, especially in Caesar, since this is the season when people buy up on the North coast, thanks.

Magued Sherif: Thank you for your question. On the acquisitions side, as I mentioned earlier, we are looking at a number of opportunities on the North coast. Title search is a process that is tedious in the North coast because of the complications of transferring prices of from one person or entity to another, so title search is a process that we're going through, and looking at the number of opportunities right now. We are very excited about growing our land bank on the North coast, because our experience with Caesar has been great. We had the second launch of - and the last launch of Caesar a couple of weeks ago, and fortunately it's been a sellers market. We're deciding on the terms; we're deciding on our clientele. We decide on who buys and who we sell to.

So it's been a very positive, you know, experience with Caesar and the North coast, and so accordingly, we continue to seek new acquisitions on the North coast, on a purchased form or revenue share form. On the Dreamland opportunity, this is one opportunity that we have been looking at and conducting discussions with Dreamland for months now. Other developers are doing the same. We are looking at other opportunities, or opportunities other than Dreamland as well.

It is not a formal process, it's done in an informal way, and as of yet, that's not being concrete. We are as lucky as any other developer, and it remains to be seen - what happens later remains to be seen. We would like of course, if we have the opportunity of acquiring the land or getting into any form of partnership with Dreamland. It's definitely a great value for us, and a great addition to our land bank.

Patrick Gaffney: The types of land or the sizes of the lands that you're looking at, or they small or large, are they around that 250 Feddan size, or are they smaller? How should we think of it?

Magued Sherif: You mean on the North coast or on Dreamland?

Patrick Gaffney: Anywhere. You know, you have a bunch of, Easttown is a very large plot of land. Villette is pretty large, Caesar is relatively large. The 655 Feddan with Heliopolis is also obviously very large. This 250 Feddan is large, but do you think of it in terms of, should we do small projects, large projects? How do you think of buying land?

Magued Sherif: Where we are comfortable, we seek either acquisitions of the small/medium-size or even bigger plots that can be master planned into an integrated community. Where ever we are less comfortable, we shoot for smaller plots. So we are comfortable with the North coast, so we are happy to do projects on 100 Feddans, 200, 400 Feddan. We are more than happy to work on those sizes, and these are sizes that we are looking at right now. On the Red Sea, because it's new to us, it's a new market to us, we are looking at smaller sizes to test the market, and once we are happy and comfortable, we can look at bigger acquisitions.

In the East and West of Cairo, we are being opportunistic. It really depends on what's being offered in terms of payment in the form of the engagement, so it is really dependent on the type of opportunity. We're definitely very comfortable doing work in Cairo and on the East or on the West. I know the government have plans to the release new plots of land, we are following that closely, and we will be definitely participating one way or another, in any offering, or any land that's offered by the government.

Patrick Gaffney: OK. And then in terms of sale so far in the third quarter?

Magued Sherif: Our sales in the third quarter have been very very attractive, especially on the Caesar project because we are focused on Caesar in Q3. But I cannot release of course numbers, but we're very impressed with the performance in Q3.

Operator: All right, thank you. If anyone wants to ask a question, please press star one in your telephone and wait for your name to be announced. If you wish to cancel your request, please press the hash key. Alright, there are no further questions at this time, please continue - I'm sorry, we have another question, coming from the line of Mehdi Kaoukabi; please ask your question.

Mehdi Kaoukabi: Hello, thank you very much for hosting this conference call. I have a couple of questions from my side in terms of the CAPEX. I think your target, you said your target spending is 2.2 billion - I mean is it end-loaded in terms of the year because I see a small spending so far in the first six months?

My second question has to do with the, I guess, the FX devaluation and the impact on terms of your cost base, so what are you seeing in terms of the contractor's behavior? Are they trying to increase prices or anything? Most importantly, what's going to be impacted in terms of your margin? Does the 35 percent target that you guys aim to achieve, is it based on count costs, or is it kind of including potential inflation? And I guess my last question--actually my last question was answered; thank you.

Magued Sherif: Yes, thank you Mehdi for your question. I'll just make a general comment and then ask Mahmoud Badran to comment on that. Generally in budgeting for our new projects, we allow for inflation and contingencies, and this is something that we have done in the past, and this is something that we take very seriously going forward. So to answer your question, do we foresee our margins to be affected as a result of the inflation? We have accounted for that and budgeted for it historically, and going forward. Maybe Mahmoud would like to comment on that as well?

Mahmoud Badran: OK regarding your question about the CAPEX, the EGP2 billion figure this is a construction CAPEX plus land, so it's basically broken down into one billion of technical spend excluding land, and one billion of spending, including for the land. Our first half, basically we spent EGP1 billion which is broken down into EGP425 million on land payments, and EGP 570 million on construction and infrastructure spending. So does that answer your question regarding CAPEX and land payments?

Operator: And the line of - his line has been – yes another question, we have Sindiso Mujaji; please ask your question.

Sindiso Mujaji: Good afternoon, and thank you very much for the call. Congratulations on the results. Actually the two questions I had, have been answered; so I'll sign back off.

Operator: All right, and we don't have any other questions at this time, please continue.

Jan Pawel Hasman: All right gentlemen if there is no more questions then I think we can conclude the call. Any final remarks?

Magued Sherif: Again, we're very excited about Q3, and we look forward to our earnings call, and hopefully we'll be reporting another exciting quarter for us. So I would like to thank everyone for joining us today, and talk to you to report the Q3. Thank you so much.

Jan Pawel Hasman: Thank you very much.

Operator: Thank you and this concludes our call transfer today, thank you for participating, you may all disconnect. Speakers please stand by.

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