

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

A solid start for 2017 with triple digit growth in revenues and profits driven by a strong and disciplined operational performance

Revenues up 275%



Gross profit up 241%



Operating profit up 330%



Net profit up 312%



Highlights

- Revenues of EGP 703 million, up 275% YoY
- Operating profit of EGP 215 million up 330%
- Net profit of EGP 211 million up 312% YoY, net profit margin of 30%
- Net contracted sales of EGP 1.2 billion, up 71% YoY
- Cancellations remained low at 5%
- Timely delivery of 399 units up 295% YoY

Commenting on the results Managing Director Magued Sherif said “Our results for the quarter reflect our continuing growth momentum. The strong trust of our clients in the SODIC brand has driven sales growth despite economic headwinds. Driven by our unwavering commitment to delivery, our financial performance is reaping gains. Our excellence in execution is reflected in the strong revenue growth and is solidified by our healthy profitability. ”

Financial Review

Triple digit growth in revenues driven by handovers in Eastown Residences and Westown Residences

- Revenues of EGP 703 million, up 275% YoY reflecting the ramp up in delivered units. Revenues were bolstered by deliveries in Eastown Residences and Westown Residences that combined accounted to more than 80% of the delivered value.

Gross profit at a healthy 37% set back by early phases of Eastown Residences

- Gross profit increased by 240% YoY to reach EGP 259 million, reflecting a gross profit margin of 37%. The gross margin declined against a strong comparator last year of 41% reflecting the impact of the delivery of the early phases of Eastown Residences that began in May of 2016 and accordingly does not impact the comparable figures in 1Q16.

Operating profitability improved as revenue growth outpaces growth in operating expenses

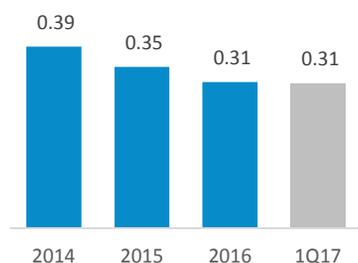
- Operating profit for the quarter rose to EGP 215 million up 330% from the same period last year. Operating margins improved by 300bps to 31% as revenues growth outpaced growth in operating expenses.

Net profit of EGP 211 million, 4x growth YoY and solid profitability of 30%

- Solid profitability was delivered with net income at EGP 211 million, up 314% YoY. Net profit margin of 30% recorded an improvement of 300bps over the same period last year.

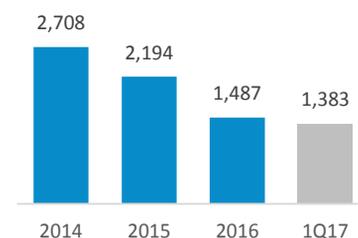
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Bank debt to equity 0.3x



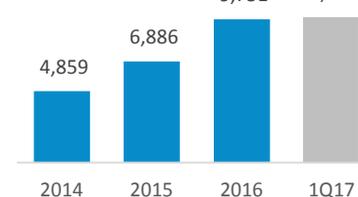
Land liabilities

EGP mn



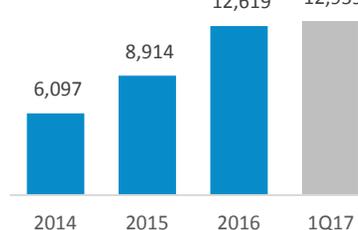
Receivables

EGP mn



Advances from Customers

EGP mn



Financial Review

New EGP 1.3 billion facility secured on SODIC West, bank debt to equity remains low at 0.3x

- As of the 31st of March 2017 our bank debt to equity ratio remained low at 0.3x with outstanding bank debt at EGP 1.2 billion. This reflects a utilization rate of 45% for our bank facilities totaling EGP 2.7 billion. These financing lines include a medium term facility package in the amount of EGP 1.3 billion with Arab African International Bank signed in March 2017. With a tenor of 6 years, this new facility is expected to expedite the construction of our commercial developments in SODIC West. This will enable the growth of our recurring income portfolio while preserving our balance sheet liquidity to pursue our land bank expansion ambitions.

Timely repayment of land liabilities

- Land liabilities retracted to EGP 1.4 billion as we remain committed to the timely settlement of our land payments to NUCA.

Cash balances at EGP 2.8 billion, up 9%

- We continue to optimize the returns generated on our cash balances. As of 31st of March 2017, our cash and cash equivalents balance stood at EGP 2.8 billion. We have purchased over EGP 1 billion of treasury bills during the quarter securing higher returns on these balances.

Prudently managed receivable pool of EGP 10 billion

- With delinquency rates remaining low at 5%, our receivables balance provides strong visibility for our cash inflows for the coming five years. As of 31st of March 2017 receivables stood at EGP 9.9 billion.

A backlog of EGP 13 billion providing strong earnings visibility for the coming three years.

- The amount represents the value of units sold and are currently under development. The balance stems from the strong growth in contracted sales that SODIC has delivered over the past three years supported by our diligent land bank expansion. Since 2014 SODIC has added 4 plots of land to its land bank, the sales from which account for over 42% of our backlog today.

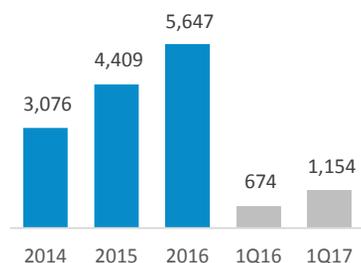
Highly liquid position supporting growth and execution

- The liquidity SODIC enjoys places us on solid ground to pursue land opportunities as they arise, ensures our ability to deliver on our commitments to all our stakeholders and avails the financial strength to invest in our recurring income portfolio.

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Net Contracted Sales

EGP mn



Operational Review

Net contracted sales of EGP 1.2 billion were recorded, up 71%.

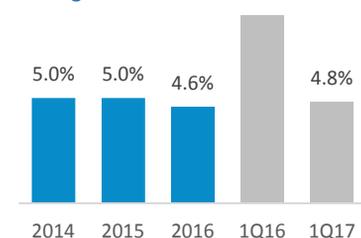
- This reflects the twofold effect of volume and price increases. 340 units were contracted compared to 227 for the same period last year, reflecting an uptick of 50%. In addition to the growth in volumes, a 20%-30% increase in pricing across our projects boosted sales for the quarter. SODIC increased its selling prices in 4Q16, allowing the company to fully pass on the inflation in construction costs on new sales.

Three new launches worth EGP 1.7 billion

- The strong performance of sales was driven mainly by three launches with EGP 1.7 billion of inventory introduced during the quarter. We have seen continued momentum for our offering in Eastown, with over 80% of the inventory released sold to date. In addition, the roll-out of two new projects namely One16 and October Plaza allowed us to diversify our portfolio further. One16 replenishes our premium offering in West Cairo providing exclusive apartments in our now vibrant flagship destination SODIC West. While the launch of October Plaza marks the inauguration of our second site in West Cairo and extends our apartment offering in the area.
- The positive performance of these three launches reaffirms our confidence in the depth of demand for quality housing supplied by reputable developers, it also echoes the markets trust in SODIC’s solid reputation for delivery.

Cancellations

Pct of gross sales

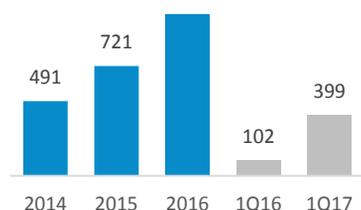


Cancellations at bay below 5%

- Cancellation rates persisted at less than 5%, attesting to the market’s resilience in the face of inflation and affordability concerns, as well as the unwavering trust in the SODIC brand.

Deliveries

of units

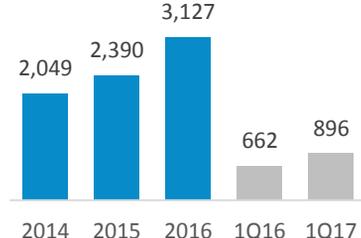


Cash collections rise by 35% to reach 896 million

- Net cash collections reached EGP 896 million during the quarter, c.35% increase over the same period last year. Delinquency remained at a low rate of 5%.

Cash Collected

EGP mn



Timely delivery of 399 units

- Building on our legacy of honoring stakeholder commitments, 399 units were handed over in 1Q17. These timely deliveries represent an increase of 295% YoY, with Eastown Residences and Westown Residences accounting for more than 90% of the units delivered.

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Summary Consolidated Income Statement

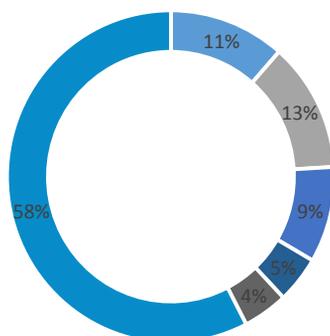
EGP in mn	1Q17	1Q16
Total Revenue	703	187
Cost of Goods Sold	(445)	(111)
Gross Profit	259	76
Gross Profit Margin	37%	41%
Operating Profit	215	50
Operating Profit Margin	31%	27%
Net Profit Before Tax	281	72
Taxes	(69)	(17)
Minority Interest	(1)	(3)
Net Profit After Tax and Minority Interest	211	51
Net Profit Margin	30%	27%

Selected Consolidated Balance Sheet Items

EGP in mn	Mar-17	Dec-16
Assets		
Total Assets	21,360	20,776
Work In Process	7,269	7,194
Long Term & Short Term Net Trade and Notes Receivable	9,888	9,751
Cash and cash equivalent	2,802	2,571
Liabilities & Shareholder Equity		
Bank Credit Facilities & Long Term Loans	1,249	1,196
Advances from Customers	12,959	12,619
Total Equity	4,033	3,821

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

Shareholding Structure as at 31/03/2017



- Abanumay Family
- Olayan Saudi Investment Company
- Ripplewood Advisors L.L.C.
- Rashed Al Rashed & Sons Co
- EFG Hermes Holding
- 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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