

SODIC (“Sixth of October Development & Investment Company”) (EGX OCDI.CA) has released its consolidated financial results for the nine months ended 30<sup>th</sup> of September 2017

## SODIC’s net profit up 98% on the back of strong growth in revenues and improved operating profitability

### Nine Months 2017 Highlights

- Revenues of EGP 1,757 million, up 52% YoY
- Gross profit of EGP 666 million, up 62% YoY representing a margin of 38% an increase of 233bps YoY
- Operating profit of EGP 446 million, up 64% YoY
- Net profit of EGP 507 million up 98% YoY, net profit margin of 29% up 669bps
- Net Cash Flow from operations of EGP 415 million up 40%
- Cash and cash equivalents balance of EGP 3.3 billion
- Receivables of EGP 9.8 billion with delinquencies at a low of 3%
- Strong backlog of unrecognized revenues with advances from customers reaching EGP 13.6 billion
- Net contracted sales of EGP 3 billion, down 7% YoY
- Cancellations remained low at 3%
- Timely delivery of 911 units up 55%

### Third Quarter 2017 Highlights

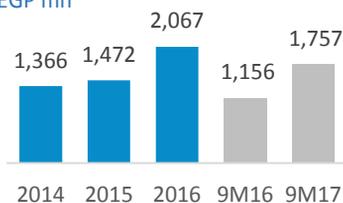
- Revenues of EGP 584 million, up 10% YoY
- Gross profit margin 40% up 576 bps
- Operating profit of EGP 120 million up 10% YoY
- Net profit of EGP 167 million up 54% YoY, net profit margin of 29%
- Net contracted sales of EGP 1 billion
- Cancellations at a low of 1%
- Timely delivery of 297 units

Commenting on the results Managing Director Magued Sherif said “SODIC continues to deliver strong growth and healthy profitability. With gross margins for the quarter hitting the 40% mark in such an inflationary backdrop we are once again demonstrating our ability to generate superior profitability on our developments. Our sales performance was very much in line with our expectations, given the limited inventory on the Mediterranean north coast and we remain on track to meet our 2017 financial and operational goals. The fourth quarter will mark the launch of SODIC East, our 655 acre co-development in East Cairo. The project is expected to contribute significantly to our sales in the last quarter of 2017. “

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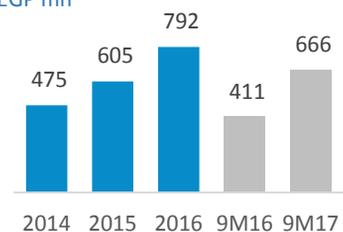
### Revenues up 52%

EGP mn



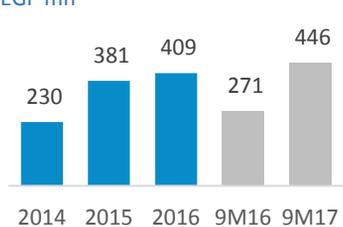
### Gross profit up 62%

EGP mn



### Operating profit up 64%

EGP mn



### Net profit up 98%

EGP mn



## Financial Review Income Statement

### Nine Months 2017

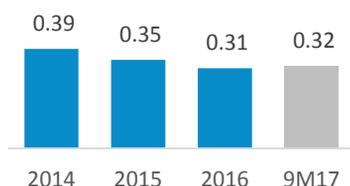
- Revenues rose by a solid 52% YoY to reach EGP 1,757 million for the period. The growth was mainly driven by on schedule deliveries in Easttown Residences and Westtown Residences. The two projects represented respectively 57% and 24% of the delivered value.
- Gross profit for the period was EGP 666 million reflecting a strong margin of 38%. This represents a margin expansion of 233 bps over the same period last year and comes on the back of the higher profitability across our residential offering as we deliver on more mature phases of the developments.
- Operating profit increased by 64% to reach EGP 446 million up from EGP 271 million for the same period last year. Operating profit margins were recorded at 25% an improvement of 173bps as revenue growth outstrips growth in SG&A.
- Net profit almost doubled coming in at EGP 507 million, mainly driven by improved operating profitability as well as higher interest income. Net profit margin came in at 29% compared to 22% for the comparable period last year reflecting a margin expansion of 669bps.

### Third Quarter 2017

- Revenues grew by 10% to reach EGP 584 million, with Easttown Residences representing 63% of the delivered value for the quarter.
- Gross profit margin for the quarter came in at 40% up from 34% for the same period last year. The significant improvement was driven by Easttown Residences as the project recorded a gross margin of 37% in 3Q17, compared to 18% for the early phases delivered in 3Q16.
- Operating profit increased by 10% to reach EGP 120 million with a healthy operating margin of 21%.
- Net profit came in at EGP 166 million, an increase of 53% while recording a net profit margin of 29%.

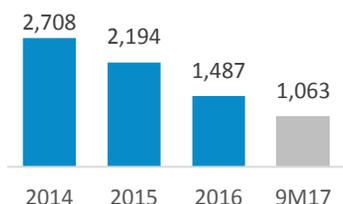
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### Bank debt to equity 0.3x



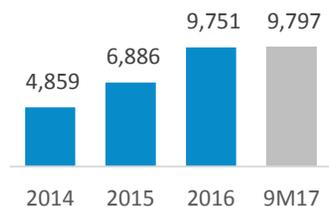
### Land liabilities

EGP mn



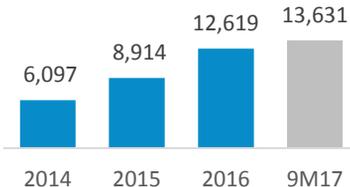
### Receivables

EGP mn



### Advances from Customers

EGP mn



### Financial Review Balance Sheet

#### Net cash position and low leverage supporting growth and boosting profitability

- Our cash and cash equivalents balance stood at EGP 3.3 billion as of 30<sup>th</sup> of September 2017, up 27% from year end 2016. Half of these balances have been invested into treasury bills optimizing income earned.
- Bank debt to equity ratio remained low at 0.32x. Out of our EGP 3.2 billion bank facilities our outstanding bank debt stood at EGP 1.4 billion.
- Land liabilities continue to retract as we as we remain committed to the timely settlement of our land payments to NUCA. As of 30<sup>th</sup> of September 2017 land liabilities to NUCA stood at EGP 1 billion.
- Our liquid balance sheet continues to support our long term goals in executing our existing development projects as well as our land bank expansion plans. In addition our net cash position has mitigated any negative impact from the recent hikes in the Central Bank of Egypt’s base lending rates.

#### Strong cash flow visibility with consistently low delinquency rates

- As of 30<sup>th</sup> of September 2017 receivables stood at EGP 9.8 billion. The quality of our receivables provides strong visibility for our cash inflows as delinquency rates remain low at 3%

#### Backlog of EGP 13.6 billion to be recognized over the coming 3-4 years

- Advances from customers stood at EGP 13.6 billion as at 30<sup>th</sup> of September 2017. The amount represents the value of units sold and currently under development to be delivered in the coming years. 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 and provides strong visibility for revenue growth.

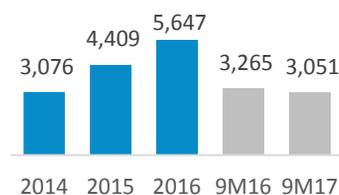
### Financial Review Cash Flow

- Net Cash flow from Operations grew 40% to reach EGP 415 million during the nine months period. The growth comes on the back of strong collections of EGP 2.7 billion for the period, up 29%

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### Net Contracted Sales

EGP mn



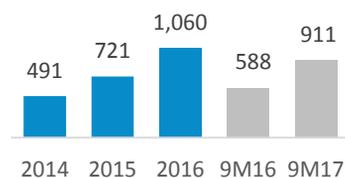
### Cancellations

Pct of gross sales



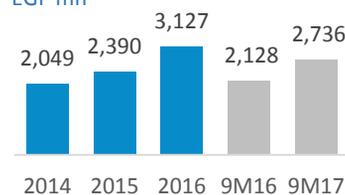
### Deliveries

# of units



### Cash Collected

EGP mn



## Operational Review

### Nine Months 2017

- Net contracted sales for the nine month period came in at EGP 3 billion, a decline of 7% versus the same period last year. The sales reflect the limited availability of inventory on the Mediterranean north coast that had contributed to 16% of the nine months 2016 sales.
- We remain on track to achieving our target for the year of EGP 5.6 billion, with significant contribution in 4Q17 sales expected to come from our East Cairo projects, namely SODIC East and Sky Condos Villette.
- 788 units were sold during the nine month period versus 833 units during the same period last year a decline of 5%.
- Cancellations declined to 3%, compared to 6% in 2016 reflecting the continuation of healthy demand.
- Collections during the nine month period grew by 29% to EGP 2.7 billion up from EGP 2.1 billion for the comparable period last year. Delinquencies came in at a low rate of 3%.
- 911 units were delivered across nine projects, compared to 588 units delivered in 9M16. The main contributor to deliveries remains Eastown Residences constituting 65% of the number of units delivered, followed by Westown Residences accounting 25% of the delivered units.

### Third Quarter 2017

- Net contracted sales for the quarter were EGP 1 billion a decline of 25% versus in 3Q16. The performance comes against a strong comparator of EGP 1.4 billion for the same period last year and reflects the limited availability of inventory on the Mediterranean north coast that had contributed to 27% of the 3Q16 sales. The third quarter is usually marked with seasonality whereby summer homes sales usually contribute significantly to the sales mix.
- 3Q17 sales were mainly driven by the continuing strong performance of Sky Condos, our multiple family product in Villette that contributed to 47% of the sales during the quarter.
- Cancellations for the quarter recorded c.1%, down from 4% during the comparable quarter last year.
- Collections remained strong growing by 21% during the quarter recording EGP 937 million. This compares to EGP 774 million collected in 3Q16.
- Deliveries during the quarter remained on schedule with 297 units delivered compared to 287 units delivered during the same period last year. The delivery mix continues to be dominated by Eastown Residences, while the quarter also witnessed the delivery of the first units in The Courtyards in SODIC West.

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### Summary Consolidated Income Statement

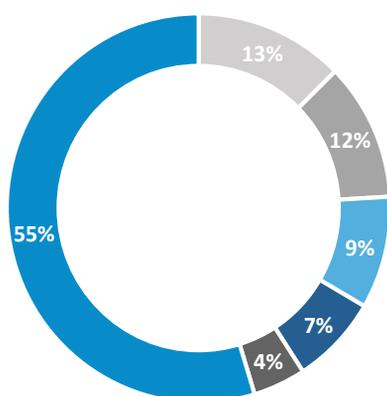
EGP in mn	9M17	9M16
Total Revenue	1,757	1,156
Cost of Goods Sold	(1,091)	(744)
<b>Gross Profit</b>	<b>666</b>	<b>411</b>
Gross Profit Margin	38%	36%
<b>Operating Profit</b>	<b>446</b>	<b>271</b>
Operating Profit Margin	25%	23%
<b>Net Profit Before Tax</b>	<b>675</b>	<b>351</b>
Taxes	(168)	(85)
Minority Interest	(1)	(10)
<b>Net Profit After Tax and Minority Interest</b>	<b>507</b>	<b>256</b>
Net Profit Margin	29%	22%

### Selected Consolidated Balance Sheet Items

EGP in mn	Sept-17	Dec-16
<b>Assets</b>		
Total Assets	22,266	20,776
Work In Process	7,622	7,194
Long Term & Short Term Net Trade and Notes Receivable	9,797	9,751
Cash and cash equivalent	3,274	2,571
<b>Liabilities &amp; Shareholder Equity</b>		
Bank Credit Facilities & Long Term Loans	1,395	1,196
Advances from Customers	13,631	12,619
Total Equity	4,343	3,821

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### Shareholding Structure as at 30/09/2017



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