

SODIC (“Sixth of October Development & Investment Company”) (EGX OCDI.CA) has released its consolidated financial results for the full year ended 31<sup>st</sup> of December 2018

## SODIC reports full year results, announces intention to distribute dividends of EGP 0.5 per share

### Full Year 2018 Highlights

- Revenues amounted to EGP 3,726 million up 62% and achieving guidance
- Gross profit reached EGP 1,226 million up 39% and recording a gross profit margin of 33%
- Operating profit amounted to EGP 336 million reflecting the impact of SODIC West settlement. **Adjusted** operating profit, excluding the effect of the settlement amounted to EGP 728 million, up 52%
- Net profit of EGP 449 million was recorded. **Adjusted** net profit amounted to EGP 815 million up 37%
- Net contracted sales reached EGP 5,174 million, down 10%
- Timely delivery of 1,079 units across our projects versus 1,151 units delivered during 2017.
- Cash collections up 12% to reach EGP 4.3 billion

### Fourth Quarter 2018 Highlights

- Revenues amounted to EGP 1,766 million up 230%
- Gross profit reached EGP 367 million up 69%
- Operating losses amounted to EGP 196 million reflecting impact of the non-recurring settlement of SODIC West. Adjusted operating profit amounted to EGP 195 million up 513%
- Net losses for the quarter amounted to EGP 161 million. Adjusted net profits amounted to EGP 204 million, up 195%.
- Net contracted sales reached EGP 1,410 million down 47%
- Timely delivery of 432 units across our projects, up 80%
- Cash collections remained flat at EGP 1.1 billion

### Income statement highlights

EGP in mn	2017	2018	Impact of SODIC West settlement	2018 (adjusted)	YoY growth	YoY growth (adjusted)
Revenue	2,293	3,726		3,726	62%	62%
COGS	(1,410)	(2,500)	(33)	(2,467)	77%	75%
<b>Gross Profit</b>	<b>883</b>	<b>1,226</b>	<b>(33)</b>	<b>1,259</b>	<b>39%</b>	<b>43%</b>
<b>Gross Profit Margin</b>	<b>39%</b>	<b>33%</b>		<b>34%</b>	<b>-15%</b>	
SG&A	(503)	(662)		(662)	32%	32%
Other	98	(227)	(358)	131	-333%	34%
<b>Operating Profits</b>	<b>478</b>	<b>336</b>	<b>(391)</b>	<b>728</b>	<b>-30%</b>	<b>52%</b>
<b>Operating Profits Margin</b>	<b>21%</b>	<b>9%</b>		<b>20%</b>		
Net Interest	321	402		402	25%	25%
<b>Net Profit Before Tax</b>	<b>799</b>	<b>738</b>	<b>(391)</b>	<b>1,129</b>	<b>-8%</b>	<b>41%</b>
Taxes	(200)	(287)	25	(312)	43%	56%
Minority Interest	(2)	(2)		(2)	34%	34%
<b>Net Profit After Tax</b>	<b>597</b>	<b>449</b>	<b>(366)</b>	<b>815</b>	<b>-25%</b>	<b>37%</b>
<b>Net Profit Margin</b>	<b>26%</b>	<b>12%</b>		<b>22%</b>		

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### Corporate Developments

#### Dividends proposal:

- SODIC’s Board of Directors has proposed a cash dividend distribution of EGP 0.5 per share subject to the approval of the Ordinary General Assembly. The proposed dividend is supported by SODIC’s liquid balance sheet, solid financial performance and strong cash flows.

#### Land bank expansion:

2018 was an eventful year for SODIC with respect to its land bank expansion, having added circa 4 million square metres of land to the development pipeline. This was achieved via the replenished our land bank in West Cairo and the Mediterranean North Coast and having received the rezoning letter of Al Yosr. Below highlights the key events for the year.

- **February:** SODIC announced that it has signed two revenue sharing agreements for two adjacent plots with a total land area of 1.3 million square metres 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. The 1.3 million square metre plot is expected to generate total sales of over EGP 15 billion over a period of seven years. This comes in line with SODIC’s growth strategy and expansion plans in second home markets
- **September:** SODIC received the official award letter for a 500 acre plot allocated by the New Urban Communities Authority (NUCA). The plot, which was offered on a partnership basis, is located in the Sheikh Zayed Extension area and adds eight years of sales to our inventory in West Cairo.. Management expects the signature of the revenue share agreement with NUCA in March 2019.
- **November:** Al Yosr for Projects and Agricultural Development (“Al Yosr”), SODIC’s fully owned subsidiary, has received a letter from the NUCA with respect to its 300 acre plot located in the Sheikh Zayed city extension. . The letter outlined NUCA’s decision regarding the change of land usage from agricultural to residential in return for an in kind payment of 50% of the land. NUCA is committed to deliver the required infrastructure in line with increase in the plot’s density associated with the higher built up area. The plot now has an allowable footprint of 20% and allowable heights of G+2.. This development will enable us to progress with the planning and launch of the project with the aim of bringing the inventory into our sales pipeline in 2019.

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### Operational Review

#### Full Year 2018

Net contracted sales for the period reached EGP 5.2 billion, down 10% versus the same period last year.

Cancellations of EGP 443 million were recorded of which EGP 223 million were attributed to the cancellation of a large sale in the Polygon. Excluding the effect of this, cancellations stood at 3.9% of our gross sales below our historical averages.

Net cash collections increased by 12% to reach EGP 4.3 billion during the year, while delinquencies remained low at 4%.

SODIC delivered some 1,079 units during the period, versus 1,151 units delivered in 2017. Easttown Residences and the Courtyards were the largest contributors, together constituting 64% of the delivered units. The year also witnessed the delivery of the first units in Villette and Caesar which contributed to 18% and 15% of the delivered units respectively.

#### Fourth Quarter 2018

Net contracted sales for the quarter were EGP 1.4 billion, down 47% compared to the same quarter last year. 4Q17 was an exceptionally strong quarter in terms of contracted sales, as it witnessed the launch of EGP 1.8 billion of inventory representing the first phase of SODIC East. 4Q18 sales were dominated by our projects in East Cairo with the release of additional inventory in EDNC, ready for delivery single family homes in Villette and the introduction of Prive, our fully finished apartment offering in Villette.

Cancellations of EGP 84 million were recorded during the quarter representing 5.6% of our gross contracted sales.

Net cash collections remained flat at EGP 1.1 billion during the quarter.

Some 432 units were delivered during the quarter, up 80% versus 240 units delivered during the same period last year. 38% of the delivered units came from Villette, while Easttown, the Courtyards and Caesar accounted for 26%, 19% and 16% of the units delivered respectively.

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### Financial Review: Income Statement

#### Full Year 2018

Revenues of EGP 3,726 million were recorded during the full year period compared to EGP 2,293 million recorded during the same period last year, reflecting a strong growth of 62% mainly driven by deliveries in new projects, namely in Caesar and Villette that together amounted to 45% of the delivered value during the period.

Gross profit reached EGP 1,226 million growing by a solid 39% and recording a gross profit margin of 33%, with deliveries in the first phases of Villette weighing down on the margins.

The operating profits were negatively impacted by the SODIC West settlement signed in December increasing the project costs by some EGP 800 million, of which EGP 391 million were expensed in 2018 as follows:

- EGP 33 million were allocated to the cost of goods sold to account for the share of SODIC West units delivered during the year.
- EGP 358 million were added to other operating expenses in relation to total revenues that have been recognized over the period 2002 to 2017.

Operating profit amounted to EGP 336 million while **adjusted** operating profit, excluding the effect of the SODIC West settlement, amounted to EGP 728 million, up 52% and reflecting a healthy operating margin of 20%.

Net profits attributable to equity holders amounted to EGP 449 million for the year, while **adjusted** net profit to exclude the impact of the settlement amounted to EGP 815 million, up 37%.

#### Fourth Quarter 2018

Revenues of EGP 1,766 million were recorded during the quarter representing a 230% increase versus the same period last year boosted by deliveries in Villette which accounted for almost 50% of the delivered value for the quarter.

Gross profit margin for the quarter was recorded at 21% with first phase deliveries in Villette impacting the profitability of the quarter. This is in addition to an increase of EGP 33 million in the cost of land for the SODIC West units delivered during this year reflecting the impact of the settlement signed in 4Q18.

Operating losses for the quarter amounted to EGP 196 million reflecting impact of the non-recurring settlement of SODIC West. Adjusted operating profit amounted to EGP 195 million showing triple digit growth of 513% versus the same period last year.

Net losses of EGP 161 million were recorded during the quarter, while adjusted net profit amounted to EGP 204 million, a solid growth of 126% versus the same quarter last year.

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### Financial Review: Balance Sheet

Total cash and cash equivalents amounted to EGP 4.2 billion reflecting a very liquid balance sheet supporting the execution of our projects as well as our growth endeavors.

Bank leverage remained low with bank debt to equity at 0.31x. SODIC’s total bank debts outstanding stood at EGP 1.5 billion out of the total available bank facilities of EGP 3.2 billion.

The balance of land installments outstanding to NUCA as of yearend 2018 was EGP 428 million having fully repaid the installments due on Villette land during 2018. The remaining installments represent payments due on Eastown land, the last installment due on October Plaza to be paid in 2019.

Receivables of EGP 11.6 billion provide strong cash flow visibility, with delinquency rates remaining low at 4%.

Client deposits represent 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 reached EGP 16.6 billion, providing strong revenue visibility for the company.

### Financial Review: Cash Flow

Net cash flows from operations for the full year ended 31<sup>st</sup> of December 2018 remained positive and amounted to EGP 277 million, despite the EGP 250 million payment made on the SODIC West settlement in December. This compares to EGP 549 million of net operating cash flows in 2017.

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### Summary Consolidated Income Statement

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### Selected Consolidated Balance Sheet Items

EGP in mn	2017	2018
<b>Assets</b>		
Total Assets	24,671	26,887
Work In Process	8,011	8,772
Long Term & Short Term Net Trade and Notes Receivable	11,223	11,635
Cash and cash equivalent	3,596	4,165
<b>Liabilities &amp; Shareholder Equity</b>		
Bank Credit Facilities & Long Term Loans	1,497	1,520
Advances from Customers	15,497	16,596
Total Equity	4,443	4,907

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### 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

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