

SODIC ("Sixth of October Development & Investment Company") (EGX OCDI.CA) has released its consolidated financial results for the three months ended 31<sup>st</sup> of March 2020

## SODIC releases 1Q20 results, residential sales up 25% despite limited new launches

### Message from the Managing Director

"The world entered 2020 with a new challenge to respond to the ongoing COVID19 pandemic. Across the globe, governments, businesses, and individuals took action to prevent and manage the spread of the virus, and to protect health and livelihoods of themselves and their communities.

Our first and foremost priority during this crisis is the safety and wellbeing of our staff, their families, and our over 20,000 residents, all while ensuring business continuity to deliver to all our stakeholders. We created a cross-functional response team that works around the clock to address these issues. The process has accelerated our plans for digitization both internally and on client interactions. It allowed for a speedy and smooth deployment of our work from home policy, where we put the safety and health of our people first, while maintaining full operations. Construction has resumed fully after ensuring the appropriate measures were put in place by our contractors on site. Accordingly, at this time, we continue to operate at normal levels while enforcing preventative measures and monitoring the situation very closely to proactively respond to new developments.

The effect of the outbreak on the business thus far is reflected in the lower number of deliveries, as lockdowns and mobility restrictions decrease the urgency for customers to come in for handovers, postponing these visits to when the situation improves. The effect on sales has been less pronounced in the first quarter as residential sales increased by 25% despite the cancellation of major marketing events and the postponement of a number of launches to later in the year due to the outbreak. We have maintained our residential sales successfully, aided by the launch of our online virtual sales platform to reach our clients but despite our efforts our initial sales guidance of EGP 8.4 billion now looks challenging, namely due to uncertainty around the planned launch of our North Coast project Malaaz this year on the back of further permitting delays.

Our commitment to contribute to addressing the crisis goes beyond our operations. SODIC has allocated some 5 million EGP in initiatives related to the COVID19 crisis. We have redirected all marketing resources to creating awareness about the virus, utilising all SODIC's outdoor billboards and digital platforms. We have donated ventilators and monitors to Sheikh Zayed Specialised Hospital, Sheikh Zayed General Hospital and Imbaba General Hospital. We have also coordinated with the Ministry of Health to commission portable quarantine units for Abbassia Fever Hospital and Mansoura Chest Hospital, as well as to equip hospital rooms in Mahala Fever Hospital to serve as complete isolation units, better equipping these healthcare facilities to receive COVID19 patients. Furthermore, we have distributed protection packages in Ezebt Khairallah, providing the community with immunity boosters, sanitisation material and hygiene instructions. We are all in this together.

We believe that while the ongoing outbreak presents significant challenges, it also provides an opportunity to stand out and distinguish ourselves. The strength and liquidity of our balance sheet strongly support us but more importantly, we believe that it is our credibility and track record of strong performance in turbulent times as well as our customer centric approach to the crisis that make us stand out in these times.

We are lucky to operate in a sector with very strong local demand fundamentals and we continue to believe in the long-term drivers of growth in our market. We are looking forward to a challenging but rewarding year ahead as we continue to invest in our brand and ensure we distinguish ourselves in this market."

Magued Sherif  
**Managing Director**

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### First Quarter 2020 Highlights

- Revenues amounted to EGP 429 million
- Gross profit reached EGP 114 million recording a gross profit margin of 26%
- Operating profit amounted to EGP 36 million with operating profit margin recorded at 8%
- Net profit of EGP 28 million was recorded reflecting a net profit margin of 6%
- Gross contracted sales were EGP 865 million
- Cancellations of 22% of gross sales
- Timely delivery of 100 units across our projects
- Net cash collections reached EGP 986 million

### Operational Review

#### Gross Contracted Sales

Total gross contracted sales for the period were down 14% recording EGP 865 million versus EGP 1.01 billion for the same period last year. While gross contracted sales from residential units grew 25% over 1Q2019 to reach EGP 842 million, up from EGP 672 million during 1Q2019. This comes in line with the company's strategy to largely retain prime non-residential assets to contribute to our recurring income in the future. Commercial sales contributed only 2.6% to our gross contracted sales during 1Q2020 versus 33% of gross contracted sales during the same period last year.

West Cairo contributed 70% of our sales for the quarter driven by the strong performance of VYE, our newest project in our home market of West Cairo. VYE represented 45% of our sales during the period. On the other hand, 30% of our sales came from our projects in East Cairo, mainly from Vilette which generated 20% of the quarter's gross contracted sales.

#### Cancellations

Cancellations were recorded at 22% of our gross sales in 1Q2020, this compares to 12% recorded in 1Q2019. The exceptionally high cancellations rate is consistent with our past experience following historical macro level shocks. Cancellations increased as COVID19 started spreading in Egypt, before trending downwards to 15% during April and May.

#### Collections

Net cash collections reached EGP 986 million during the quarter with delinquencies at 11%. This compares to collections of 1.1bn and a delinquency rate of 7% recorded during the same period last year. Delinquency rates inched up during the month of March as a result of the current crisis; we continue to closely monitor collection performance, expecting delinquencies to trend downwards reverting to our historical averages as the situation stabilizes and economic activity restarts.

#### Deliveries

SODIC delivered some 100 units during the quarter. East Cairo projects accounted for 61 of the delivered units, while delivering 37 and 2 units in West Cairo and the North Coast respectively. This compares to 201 units delivered in 1Q2019, as a lower number of deliveries were planned for the period, with the majority of our expected unit deliveries for 2020 scheduled for later during the year.

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## Financial Review

### Income Statement

Revenues of EGP 429 million were recorded during the quarter compared to EGP 941 million recorded during the same period in 2019. Revenues were mainly driven by deliveries in East Cairo projects amounting to 60% of the delivered value during the period. West Cairo projects amounted to 38% of our delivered value during 1Q20,

Total gross profits reached EGP 114 million during 1Q20, implying a gross profit margin of 26% compared to EGP 270 million and a margin of 29% during 1Q19. While gross margins achieved on our real estate development operations improved slightly by 50 bps on the back of an improved delivery mix to reach 30%, our total gross margin was negatively affected by losses on our clubhouse and golf course operations.

Operating profits came in at EGP 36 million, reflecting an operating profit margin of 8% for the quarter versus EGP 149 million at an operating profit margin of 16% for the same period in 2019, with the decline mainly attributable to the decrease in revenues.

Net profits after tax and non-controlling interests amounted to EGP 28 million for 1Q20 reflecting a margin of 6%, this compares to EGP 161 million at a net profit margin of 17% during 1Q19. The decline in our net financing income as a result of 750bps cut in interest rate since January 2019, coupled with lower revenues have both pushed down our net profits for the period.

### Balance Sheet

SODIC continues to maintain a strong liquidity position with total cash and cash equivalents amounting to EGP 3.85 billion providing strong comfort for our operations in the face of the uncertainties presented by the current pandemic.

Bank leverage remains low with bank debt to equity at 0.38x. Our strong relationships with Egypt’s leading banks has allowed us to secure a total of EGP 4.2 billion in facilities of which EGP 2 billion are outstanding as of 31<sup>st</sup> of March 2020, and over EGP 1 billion remain available providing additional liquidity to ensure financing of our project executions.

Receivables remain at EGP 13.1 billion providing strong cash flow visibility, of which EGP 3.9 billion are short term receivables.

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 18.4, billion providing strong revenue visibility for the company.

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### Summary Consolidated Income Statement

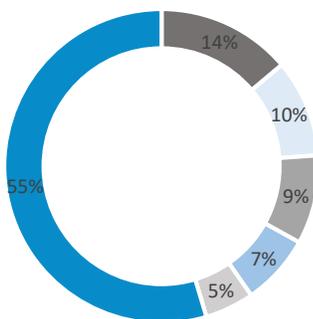
EGP in mn	1Q20	1Q19
Total Revenue	429	941
Cost of Revenue	(316)	(671)
<b>Gross Profit</b>	<b>114</b>	<b>270</b>
Gross Profit Margin	26%	29%
<b>Operating Profit</b>	<b>36</b>	<b>149</b>
Operating Profit Margin	8%	16%
<b>Net Profit Before Tax</b>	<b>64</b>	<b>231</b>
Taxes	(36)	(69)
Non-Controlling Interests	0	(1)
<b>Net Profit After Tax and Non-Controlling Interests</b>	<b>28</b>	<b>161</b>
Net Profit Margin	6%	17%

### Selected Consolidated Balance Sheet Items

EGP in million	Mar-20	Dec-19
<b>Assets</b>		
Total Assets	34,351	33,287
Work In Process	14,659	13,645
Long Term & Short Term Net Trade and Notes Receivable	13,144	13,123
Cash and Cash equivalent	3,850	3,974
<b>Liabilities &amp; Shareholder Equity</b>		
Bank Credit Facilities & Long Term Loans	2,006	1,874
Advances from Customers	18,361	17,744
Total Equity	5,290	5,452

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### Shareholding Structure as at 31/03/2020



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