

SODIC ("Sixth of October Development & Investment Company") (EGX OCDI.CA) has released its consolidated financial results for the six months ended 30<sup>th</sup> of June 2020

### **SODIC releases first half 2020 results; sales pick up in July bring 7 month gross sales to 2019 levels despite COVID – 19 impact, while revenues impacted by lower deliveries**

#### **Second Quarter 2020 Highlights**

- Revenues amounted to EGP 645 million
- Gross profit reached EGP 211 million recording a gross profit margin of 33%
- Operating profit amounted to EGP 64 million with operating profit margin recorded at 10%
- Net profit after tax and non-controlling interests recorded EGP 40 million reflecting a net profit margin of 6%
- Gross contracted sales were EGP 1.02 billion
- Cancellations of 13% of gross sales
- Timely delivery of 156 units across our projects
- Cash collections reached EGP 868 million

#### **Six Months Ended 30<sup>th</sup> of June 2020 Highlights**

- Revenues amounted to EGP 1.07 billion
- Gross profit reached EGP 325 million recording a gross profit margin of 30%
- Operating profit amounted to EGP 100 million with operating profit margin recorded at 9%
- Net profit after tax and non-controlling interests recorded EGP 68 million delivering a net profit margin of 6%
- Gross contracted sales were EGP 1.89 billion
- Cancellations of 17% of gross sales
- Timely delivery of 256 units across our projects
- Cash collections reached EGP 1.85 billion

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### Operational Review

#### Second Quarter 2020

Gross contracted sales for the quarter were EGP 1.02 billion representing 178 units sold, down 33% from EGP 1.53 billion representing 262 units sold for the same period last year. It is worth mentioning that gross sales were negatively affected by the COVID-19 lockdown measures but have since improved with as the measures were lifted with gross contracted sales reaching EGP 756 million in July 2020.

Sales during the quarter were driven by our projects on both East and West Cairo, contributing 49% and 51% to our gross contracted sales respectively.

Cancellations of EGP 130 million were recorded during Q2 2020, 13% of the quarter's gross sales, trending downwards from 22% of gross sales during Q1 2020. This compares a cancellation rate of 9% of gross sales during Q2 2019.

Net cash collections reached EGP 868 million during the quarter, compared to EGP 1.19 billion during the same quarter last year. The decrease in cash collection is mainly due to lower contracted sales during the quarter.

SODIC delivered some 156 units during the quarter of which 71% were in East Cairo and 27% were in West Cairo. The company spent EGP 950 million of CAPEX on construction during the quarter.

#### Six Months Ended 30<sup>th</sup> of June 2020

SODIC sold 383 units during the period bringing gross contracted sales to EGP 1.89 billion, down 26% from EGP 2.54 billion for the same period last year. Gross contracted sales from residential units were EGP 1.83 billion, almost flat compared to EGP 1.86 billion in the same period last year. Commercial sales contributed only 3.2% to our gross contracted sales during the first half of 2020 versus 27% of gross contracted sales during the same period in 2019, in line with the company's strategy to largely retain prime non-residential assets to contribute to our recurring income in the future. Strong sales performance in July has brought the seven month gross sales value to 2019 levels, despite the negative impact of COVID-19.

East Cairo represented 40% of the period's gross contracted sales, mainly from Villette which contributed 29%. West Cairo represented 60%, driven by our newest projects The Estates and VYE, which combined contributed 43% to our gross contracted sales during the period, with Allegría Residences contributing another 10%.

Cancellations of EGP 320 million were recorded during the period, representing 17% of the period's gross contracted sales. The cancellation rate was negatively affected by the exceptionally high cancellations during Q1 2020 due to the COVID-19 outbreak in Egypt and has been improving since then, reaching 10% during July 2020 and continuing to trend downwards.

Net cash collections reached EGP 1.85 billion during the period with delinquencies at 13%. This compares to collections of EGP 2.31 billion and a delinquency rate of 7% recorded during the same period last year. Delinquencies increased during the first half of the year as a result of COVID-19, but decreased in June compared to April and May as the situation stabilized and economic activity resumed.

SODIC delivered some 256 units during the period of which 67% were in our East Cairo projects, namely Eastown Residences and Villette. This compares to 441 units delivered during the same period in 2019; as the COVID-19 restrictions reduced client handover visits, as well as a majority of our expected unit deliveries for 2020 being scheduled for the second half of the year, with deliveries increasing in July to 161 units delivered during the month across our projects. The company spent EGP 1.58 billion on construction during the period.

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## Financial Review

### Income Statement

#### Second Quarter 2020

Revenues of EGP 645 million were recorded during the quarter compared to EGP 1.08 billion recorded during the same quarter in 2019. Revenues were mainly driven by Eastown Residence which contributed to 61% of delivered value during the quarter. The decline in revenues reflects the rollover of deliveries to the second half of the year as a majority of units planned for delivery in 2020 are in projects scheduled to be ready in the second half of year, as well as COVID-19 restrictions reducing clients' willingness to come in for handover visits.

Gross profit reached EGP 211 million during Q2 2020, implying a gross profit margin of 33%.

Operating profit amounted to EGP 64 million with an operating profit margin recorded at 10%.

Net profit after tax and non-controlling interests amounted to EGP 40 million for 2Q 2020 reflecting a margin of 6%

#### Six Months Ended 30<sup>th</sup> June 2020

Revenues of EGP 1.07 billion were recorded during the period compared to EGP 2.02 billion recorded during the same period in 2019. Revenues for the period were negatively affected by lower YoY deliveries and were mainly driven by East Cairo projects Eastown Residence and Villette, amounting to 49% and 19% of the delivered value respectively.

Gross profit reached EGP 325 million for the period, implying a gross profit margin of 30% compared to EGP 630 million and a margin of 31% during same period last year.

Operating profit amounted to EGP 100 million with an operating profit margin recorded at 9%, this compares to EGP 325 million and a margin of 16% during the same period, with the decline mainly attributable to the decline in revenues.

Net profit after tax and non-controlling interests amounted to EGP 68 million for the period, reflecting a margin of 6%, this compares to EGP 336 million at a net profit margin of 17% during the same period in 2019. Net profit was affected by a higher effective tax rate on a consolidated level, due to net losses in some legal entities in the group.

### Balance Sheet

Total cash and cash equivalents amounted to EGP 3.52 billion, of which, EGP 1.21 billion are related to customer maintenance deposits.

Bank leverage remains low with bank debt to equity at 0.38x. Bank debts outstanding were recorded at EGP 2 billion.

Receivables of EGP 13 billion provide 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 of the end of the period were EGP 18.6 billion providing strong revenue visibility for the company.

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### Summary Consolidated Income Statement

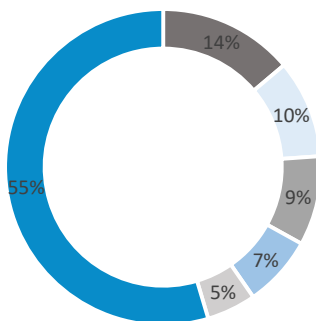
| EGP in mn   | 1H20       | 1H19       |
|---|------------|------------|
| Total Revenue   | 1,075      | 2,016      |
| Cost of Revenue   | (749)      | (1,386)    |
| <b>Gross Profit</b>                                       | <b>325</b> | <b>630</b> |
| Gross Profit Margin                                       | 30%        | 31%        |
| <b>Operating Profit</b>                                   | <b>100</b> | <b>325</b> |
| Operating Profit Margin                                   | 9%         | 16%        |
| <b>Net Profit Before Tax</b>                              | <b>155</b> | <b>466</b> |
| Taxes   | (86)       | (128)      |
| Non-Controlling Interests                                 | (1)        | (2)        |
| <b>Net Profit After Tax and Non-Controlling Interests</b> | <b>68</b>  | <b>336</b> |
| Net Profit Margin   | 6%         | 17%        |

### Selected Consolidated Balance Sheet Items

| EGP in million  | June-20 | Dec-19 |
|---|---------|--------|
| <b>Assets</b>   |         |        |
| Total Assets  | 34,414  | 33,287 |
| Work In Process                                       | 15,263  | 13,645 |
| Long Term & Short Term Net Trade and Notes Receivable | 13,043  | 13,123 |
| Cash and Cash equivalent                              | 3,522   | 3,974  |
| <b>Liabilities &amp; Shareholder Equity</b>           |         |        |
| Bank Credit Facilities & Long Term Loans              | 2,009   | 1,874  |
| Advances from Customers                               | 18,555  | 17,744 |
| Total Equity  | 5,310   | 5,452  |

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### Shareholding Structure as at 30/06/2020



- 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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