

SODIC (“Sixth of October Development & Investment Company”) (EGX OCDI.CA) has released its consolidated financial results for the full year ended 31st of December 2020

Gross contracted sales set a new company record of EGP 7.4 billion despite COVID-19 challenges; BoD proposes distributing dividends of EGP 0.55 per share

FY2020 Operational & Financial Highlights

- Record gross contracted sales of EGP 7.4 billion, up 2% YoY;
- Residential sales accounted for EGP 7.2 billion of gross contracted sales, up 19% YoY;
- Cancellations of 14% of gross sales;
- Cash collections reached EGP 4.3 billion;
- Timely delivery of 1,163 units across our projects exceeding our guidance of 1,150 unit deliveries;
- Revenues amounted to EGP 5.6 billion;
- Gross profit reached EGP 1.8 billion, recording a gross profit margin of 32%;
- Operating profit amounted to EGP 1 billion, reflecting an operating profit margin of 18%;
- Net profit after tax and non-controlling interests recorded EGP 820 million, delivering a net profit margin of 15%.

Commenting on the results Magued Sherif SODIC’s Managing Director said “it has been a challenging year for everyone, we are especially happy this year to report a solid set of results for the year 2020 showing strong growth in our residential sales and profitability. Once again the challenges have come to set SODIC apart for its ability to weather uncertainties and its commitment to delivering to its stakeholders. We continue steady with our strategy to grow our portfolio of prime assets for future recurring revenues and launching next generation projects in new urban communities. Our dividends proposal attests to our commitment to our shareholders. Our targeted growth for 2021 echoes our confidence in the Egyptian real estate market and reiterates SODIC’s commitment to delivering value.”

FY2020 Corporate Developments

Dividends proposal:

SODIC’s Board of Directors has proposed the distribution of a cash dividend of EGP 0.55 per share, subject to the approval of the Ordinary General Assembly. The proposal to distribute dividends for the third year in a row despite the uncertainty caused by the ongoing COVID19 pandemic is a testament to the confidence of the management in the future prospects of the company and the resilience of the sector, and demonstrates the company’s commitment to have a sustainable distribution to shareholders backed by SODIC’s liquid balance sheet, solid financial performance, and strong cash flows.

Debt:

During the year SOREAL For Real Estate Investment, SODIC’s fully owned subsidiary, signed a medium-term facility package in the amount of EGP 2.57 billion with Arab African International Bank under a developer finance scheme. The facility is geared towards financing the development of SODIC’s signature project “Villette” in New Cairo, including the construction and finishing of Villette’s sports club as well as the residential buildings earmarked for rent.

New project launches:

During the year SODIC launched Karmell, the second development to be launched on our 500 acre plot in New Zayed. Karmell contributed 6% to our 2020 contracted sales despite being launched towards the end of December 2020. Karmell’s launch follows the successful launch of VYE, our first development on the 500 acre plot, which has since its launch in December 2019 generated some EGP 3.6 billion in gross contracted sales as of year-end 2020.

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Malaaz Update:

Due to permitting delays in the North Coast region, SODIC was unable to launch Malaaz during 2020. Despite postponement of the launch to 2021, the project has witnessed a number of positive developments, namely the transfer of the jurisdiction of the plot to NUCA. The project was targeted to contribute circa EGP 1 billion to our initial sales guidance for 2020.

EAS/ IFRS Early adoption & reclassifications:

Management has chosen the early adoption of EAS/IFRS amendments to be applied on the FY2020 accounts. The amendments will be mandatory in 2021. In addition, some reclassifications and changes in presentation on the financial statements were introduced to provide a better representation of our liabilities to our clients, decreasing total liabilities to enhance leverage ratios.

Changes to the board of directors:

During the year SODIC announced the appointment of Ex-Minister Osama Saleh as Non-Executive Chairman of the Board of Directors effective April 1st 2020. Mr. Saleh succeeded Dr. Hani Sarei El Din, who served as SODIC's non-executive chairman for six years. In addition, Mr Hussein Choukri resigned as independent member of the board earlier this year.

2021 Guidance

SODIC is targeting gross contracted sales of EGP 8.8 billion, which represents a growth of 19% over 2020 sales. The company expects to deliver some 1,200 units and generate a total revenue of some EGP 7 billion, while expenditure on construction is expected at EGP 3.9 billion.



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Operational Review

Full Year 2020

SODIC sold 1,361 units during the year generating gross contracted sales of some EGP 7.4 billion, an increase of 2% over EGP 7.3 billion of gross contracted sales in 2019. Delivering on the company's strategy to grow residential sales while retaining prime commercial assets for lease, non-residential sales only accounted for 3% of SODIC's gross contracted sales in 2020 versus 17% in 2019. Residential sales amounted to EGP 7.2 billion, up 19% from EGP 6 billion recorded during 2019.

SODIC's strong legacy in West Cairo drove solid sales in our next generation projects namely The Estates, VYE and the most recently launched Karmell, with West Cairo accounting for 61% of gross contracted sales in 2020. East Cairo projects contributed 39% of the year's gross contracted sales, mainly driven by Vilette and SODIC East,

Cancellations of 14% of our gross contracted sales were recorded during the year. Cancellations were negatively affected by clients' initial response to COVID19 outbreak in addition to the cancellation of a bulk transaction in Q3. Excluding the effect of this transaction, the cancellation rate for the year would stand at 10% of gross contracted sales.

Net cash collections reached EGP 4.3 billion for year with delinquencies at 8%. This compares to collections of EGP 4.6 billion and a delinquency rate of 6% recorded during 2019. Delinquencies increased during the first half of the year as a result of COVID-19, but continued to trend downwards as the situation stabilized and economic activity resumed.

SODIC delivered some 1,163 units during the year, compared to 1,176 units delivered in 2019. East Cairo projects, namely Eastown Residences and Vilette, accounted for 678 of the delivered units, while our West Cairo projects accounted for 424 of our deliveries. During the year the company started delivery of a number of projects in our flagship development SODIC West. Deliveries started on residential project One16, with 71 units delivered, and on commercial projects The Portal, The Strip II, and Westown Medical Center (WMC), with 27, 5, and 54 units delivered respectively. Deliveries also started on West Cairo project October Plaza, with 152 units delivered in 2020.

CAPEX spent on construction during the year amounted to EGP 3.4 billion, this compares to EGP 3.1 billion spent during 2019.

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Financial Review

Income Statement

Full Year 2020

Revenues of EGP 5.6 billion were recorded during 2020, mainly driven by East Cairo projects Eastown Residences and Villette, representing 33% and 25% of the period’s delivered value respectively. On the other hand our West Cairo projects contributed a further 35%. It is worth noting that revenues from real estate sales for the year were impacted by the introduction of the amendments to EAS/IFRS and include an amount of EGP 547 million representing the significant financial component on instalments collected from customers of units delivered during the year accrued for the period from collecting the instalment until the unit handover date in compliance with the EAS No. 48.

Similarly cost of real estate sales includes an amount of EGP 547 million representing the capitalized interest on instalments collected from customers of units delivered during the year.

Gross profit amounted to some EGP 1.8 billion, implying a gross profit margin of 32%. Excluding the impact of EAS gross margins would be 34% compared to 27% in 2019. Gross profit margins were supported by margin improvement on Villette as we continue to deliver more advanced phases of the project; in addition to a better delivery mix, as our mature project Eastown Residences led the year in terms of delivered value.

Operating profit of EGP 1 billion was recorded for the year, reflecting an operating profit margin of 18%. Excluding the impact of EAS operating margins would be 20% compared to 13% in 2019. The improvement comes on the back of higher gross profits margins, in addition to the increase in other revenues namely from penalties from delays.

Net profit after tax and non-controlling interests came in at EGP 820 million. Net profit margins improved to record 15% as a result of the increase in operating profitability, but was negatively impacted by a 68% decline in net finance income due to the sharp decline in interest rates following CBE rate cuts during the year. Excluding the impact of EAS net profit margins would be 16% compared to 13% in 2019



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Balance Sheet

Total cash and cash equivalents amounted to EGP 2.2 billion. It is important to note that this excludes some EGP 1.3 billion related to customer maintenance deposits. Historically the cash and cash equivalents account on the company's balance sheet showed the total cash and cash equivalents balance, including amounts related to customer maintenance deposits. On the full year 2020 financial statements, the company has reclassified customer maintenance deposits from the cash and cash equivalents account to the debtors & other debit balances.

Bank leverage remains low with bank debt to equity at 0.37x. Bank debts outstanding were recorded at EGP 2.3 billion. During the year SODIC has signed a EGP 2.57 billion facility on Vilette through one of its subsidiaries. SODIC has been gradually increasing leverage mainly to finance investment in recurring income assets.

Investment properties under development have also been reclassified during the year, previously accounted for in Work in Process. As of year-end 2020 a total of EGP 2.1 billion had been invested in properties under development for lease reflecting our strategy to build a sizable recurring income portfolio.

Our year-end figures for 2020 reflect a new presentation of our Advances from customers account, offsetting uncollected post-dated checks received from customers of undelivered units (off balance sheet post-dated checks) from Advances from customers accounts, to enhance the presentation of this liability by showing only the amounts collected, amounting to EGP 7.6 billion. Our total backlog of unrecognized revenue stood at EGP 21.4 billion as of 31st of December 2020 providing strong revenue visibility for the company. This can now be estimated as the sum of the advances from customers account and the off balance sheet post-dated checks of EGP 13.8 billion.

Total receivables stood at EGP 15.8 billion of which EGP 4.4 billion are short term receivables (reflecting both on and off balance sheet post-dated checks), providing strong cash flow visibility for the company. The new presentation of our receivables reports a total of EGP 2 billion of on balance sheet receivables, reflecting only those relating to delivered units already recognized as revenue. The value of the receivables on hand relating to undelivered units will continue to be disclosed in the footnotes of the balance sheet as off balance sheet post-dated checks. This amounted to EGP 13.8 billion at the end of the reporting period



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Selected items from SODIC consolidated financial statements

The Company has chosen early adoption of EAS/IFRS amendments; In addition, some reclassifications and changes in presentation on the financial statements were introduced to provide a better representation of our liabilities to our clients. Selected items on the 2020 income statement are presented below before and after applying the amendments and reclassifications to highlight the impact of the changes and to enable a direct comparison with 2019 figures.

Selected Consolidated Income Statement Items

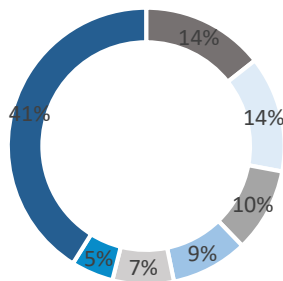
(In EGP Millions)	2019	YoY change	2020 pre amendments and reclassifications	Effect of Reclassification	EAS 47	EAS 48	EAS 49	2020 post amendments and reclassifications
Revenues	5,329	(7%)	4 932	76	-	565	-	5 573
COGS	(3,864)	(16%)	(3 246)	-	-	(547)	-	(3 793)
Gross Profit	1 466	15%	1 686	76	-	18	-	1 781
Gross Profit Margin	27%		34%					32%
Operating Profit	702	42%	999	-	(2)	18	2	1 017
Operating Profit Margin	13%		20%					18%
Net Finance Income	228	(65%)	79				(5)	73
Net Profit Before Taxes and NClS	930	16%	1 078		(2)	18	(3)	1 091
Taxes	(209)		(265)					(265)
Non-Controlling Interests			(3)			(4)		(6)
Net Profit After Tax and Non-Controlling Interests	719	13%	811		(2)	14	(3)	820
Net Profit Margin	13%		16%					15%

Selected Consolidated Balance Sheet Items

(In EGP Millions)	2020 Balance Before Reclassifications	Effect of Reclassifications	2020 Balance after Reclassifications Before EAS	EAS 47	EAS 48	EAS 49	2020 Balance After Reclassifications & EAS
Trade and Notes Receivable (LT)	11,376	(10 589)	787	-	7	-	794
Investments Properties Under Development	-	2 103	2 103	-	-	-	2 103
Works In Process	15 470	(2 031)	13 439	-	936	-	14 375
Trade and Notes Receivable (ST)	4 405	(3 195)	1 210	(2)	10	-	1 218
Debtors and Other Debit Balances	1 726	1 272	2 998	(0)	-	(3)	2995
Cash and Cash Equivalents	2 808	(1 272)	1 536	(0)	-	-	1 536
Total Assets	37 529	(13 784)	23 745	(2)	953	52	24 748
Total Equity	6 066	-	6 066	(2)	18	(10)	6 072
Advances - From Customers	19 704	(13 020)	6 684	-	936	-	7 619

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Shareholding Structure as at 31/12/2020



- ACT Financial Consortium
- Olayan Saudi Investment Company
- Abanumay Family
- Ripplewood Advisors L.L.C.
- RIMCO
- Ekuity Holding
- Others

About SODIC

Building on a history of 25 years 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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