

SODIC ("Sixth of October Development & Investment Company") (EGX OCDI.CA) has released its consolidated financial results for the six months ended 30th of June 2021

SODIC releases 1H21 results, record Q2 and 1H for gross contracted sales and strong performance with growth across financial and operational KPIs

Second Quarter 2021 Operational & Financial Highlights

- Gross contracted sales of EGP 1.91 billion, up 87% YoY;
- Cancellations of 10% of gross contracted sales;
- Cash collections reached EGP 1.3 billion;
- Timely delivery of 146 units across our projects;
- Revenues amounted to EGP 1.02 billion, up 39% YoY;
- Gross profit increased 60% YoY to reach EGP 370 million, reflecting a gross profit margin of 36%;
- Operating profit grew 140% YoY, coming in at EGP 163 million, implying an operating profit margin of 16%;
- Net profit after tax and non-controlling interests recorded EGP 122 million, up 190% YoY, delivering a net profit margin of 12%.

Six Months Ended 30th of June 2021 Operational & Financial Highlights

- Gross contracted sales of EGP 3.76 billion, up 99% YoY;
- Residential sales accounted for EGP 3.67 billion of gross contracted sales, up 101% YoY;
- Cancellations of 9% of gross contracted sales;
- Cash collections reached EGP 2.47 billion;
- Timely delivery of 264 units across our projects;
- Revenues amounted to EGP 1.87 billion, up 48% YoY;
- Gross profit increased 63% YoY to reach EGP 652 million, reflecting a gross profit margin of 35%;
- Operating profit grew 169% YoY, coming in at EGP 292 million, implying an operating profit margin of 16%;
- Net profit after tax and non-controlling interests recorded EGP 223 million, up 209% YoY, delivering a net profit margin of 12%.



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Second Quarter 2021 Operational Review

Gross Contracted Sales

Gross contracted sales for the quarter recorded EGP 1.91 billion, representing 288 units sold, an increase of 87% over EGP 1.02 billion, which represented 178 units, for the second quarter of 2020.

East Cairo flagship project SODIC East had the most significant contribution to gross contracted sales, generating some 29% of the quarter's sales, while other East Cairo projects, primarily Vilette, contributed a further 20%. West Cairo projects, led by The Estates and Karmell, represented 52% of our gross contracted sales during the quarter.

Cancellations

Cancellations of EGP 185 million were recorded during Q2 2021, representing 10% of the quarter's gross contracted sales. This compares to a cancellation rate of 13% during the second quarter of 2020.

Collections

Net cash collections reached EGP 1.3 billion for the quarter compared to net cash collections of EGP 868 million recorded for the same quarter in 2020.

Deliveries

SODIC delivered some 146 units during the second quarter of the year, compared to 156 units delivered across our projects during Q2 2020. West Cairo projects accounted for 91 of the delivered units, with 47 units delivered in October Plaza. On the other hand, our East Cairo and North Coast projects accounted for 53 and 2 of the delivered units, respectively. During the quarter, the company started delivery on EDNC, the commercial component of East Cairo project Eastown and the company's flagship commercial project on the east side, delivering 8 units amounting to 34% of the quarter's deliveries by value. It is worth noting that while the company delivered a smaller number of units in Q2 2021 compared to Q2 2020, the units delivered in Q2 2021 were of higher value, resulting in a 57% YoY increase in the quarter's delivered value.

CAPEX

CAPEX spent on construction during the second quarter amounted to EGP 705 million, compared to EGP 630 million spent during the same quarter last year.

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Six Months Ended 30th of June 2021 Operational Review

Gross Contracted Sales

SODIC sold 621 units during the first six months of 2021, generating gross contracted sales of EGP 3.76 billion, an increase of 99% over EGP 1.89 billion of gross contracted sales during the first half of 2020.

West Cairo accounted for 57% of our gross contracted sales during the period driven by the strong performance of our next-generation projects Karmell and The Estates. On the other hand, East Cairo projects, led by SODIC East and Vilette, contributed 43% of the period’s gross contracted sales.

Cancellations

Cancellations of EGP 332 million were recorded during 1H 2021, representing 9% of the period’s gross contracted sales. This compares to a cancellation rate of 17% during the same period in 2020.

Collections

Net cash collections reached EGP 2.47 billion for the period, with delinquencies at 10%. This compares to collections of EGP 1.85 billion and a delinquency rate of 13% recorded during the same period in 2020.

Deliveries

SODIC delivered some 264 units during the period, of which 141 were in our West Cairo projects, while our East Cairo and North Coast projects accounted for 113 and 10 of the delivered units respectively. This compares to 256 units delivered during the first six months of the previous year.

CAPEX

CAPEX spent on construction during the period amounted to EGP 1.48 billion, compared to EGP 1.58 billion spent during the same period last year.

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Financial Review

Income Statement

Second Quarter 2021

Revenues grew 39% YoY to record EGP 1.02 billion during the quarter. Revenues were mainly driven by deliveries in EDNC and our other East Cairo projects, with East Cairo contributing 59% of the quarter's delivered value. On the other hand, our West Cairo projects accounted for a further 40% of the quarter's delivered value.

Gross profit reached EGP 370 million, up 60% YoY to deliver a gross profit margin of 36% compared to 31% for the second quarter in 2020. Gross profit margins on our real estate development operations increased 500bps YoY, to come in at 40%, supported by continued margin improvement across our projects as we deliver more advanced phases.

Operating profit grew on the back of improved gross profit to reach EGP 163 million, reflecting an operating profit margin of 16%. This represents a growth of 140% over EGP 68 million of operating profit and an operating profit margin of 9% recorded during the second quarter last year.

Net profit after tax and non-controlling interests increased 190% YoY to record EGP 122 million, implying a net profit margin of 12% for the quarter. This compares to EGP 42 million and a net profit margin of 6% recorded during Q2 2020.

Six Months Ended 30th of June 2021

Revenues of EGP 1.87 billion were recorded during the first six months of 2021, representing a 48% increase compared to EGP 1.26 billion recorded during the same period last year. Revenues were mainly driven by deliveries in our East Cairo projects which contributed 59% of the period's delivered value, led by Villette and EDNC, which respectively contributed 27% and 20% of the period's delivered value. Furthermore, our West Cairo and North Coast projects contributed 38% and 3% of the delivered value during the six months period respectively.

Gross profit increased 63% YoY on the back of higher revenues to record EGP 652 million, implying a gross profit margin of 35%. This compares to a gross profit of EGP 399 million and a gross profit margin of 32% recorded during the same period in 2020. The improvement in gross profit margins comes on the back of continued margin improvement across our projects as we continue to deliver later phases. Gross margins on East Cairo project Villette improved 1300 bps increasing from 17% in 1H 2020 to 30% in 1H 2021. Gross profit margins on West Cairo project October Plaza, which made up 12% of the period's delivered value, improved 900 bps, increasing from 21% during the initial deliveries on the project in 1H 2020 to 30% during 1H 2021.

Operating profit for the six months period amounted to EGP 292 million, reflecting an operating profit margin of 16%. This represents a 169% growth over an operating profit of EGP 108 million and an operating profit margin of 9% recorded during the same period last year. The improvement comes on the back of higher revenues coupled with SG&A to revenues retracting 430 bps during the period compared to 1H 2020.

Net profit after tax and non-controlling interests came in at EGP 223 million, growing 209% from the EGP 72 million recorded during the first half of 2020. Net profit margin improved 600 bps from 6% in 1H 2020, to reach 12% in 1H 2021, on the back of the increase in operating profitability despite the steep drop in net finance income due to the sharp decline in interest rates.

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Balance Sheet

Total cash and cash equivalents amounted to EGP 2 billion. This amount excludes some EGP 1.3 billion related to customer maintenance deposits, following the reclassification of some of the accounts on the balance sheet implemented as of year-end 2020.

Bank leverage remains low, with bank debt to equity standing at 0.4x. Bank debt outstanding amounted to EGP 2.4 billion as of 30 June 2021. SODIC has been gradually increasing leverage mainly to finance investment in recurring income assets. Debt to equity amounted to 0.37x at year-end 2020, with EGP 2.3 billion outstanding.

We continue to invest in our assets portfolio in line with the company's strategy to build a sizeable portfolio of prime leasable assets. Investment Property & Investment Property under Development balance amounted to EGP 2.5 billion on 30 June 2021.

Total receivables stood at EGP 15.9 billion, of which EGP 4.4 billion are short term receivables 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. On the other hand, some EGP 13.9 billion of receivables related to undelivered units are disclosed in the footnotes.

Our total backlog of unrecognized revenue stood at EGP 21.7 billion as of 30 June 2021, providing strong revenue visibility for the company. Following the reclassification implemented as of year-end 2020, our backlog can be calculated as the sum of the advances from customers account and the off-balance sheet post-dated checks related to undelivered units.

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Selected Consolidated Income Statement Items

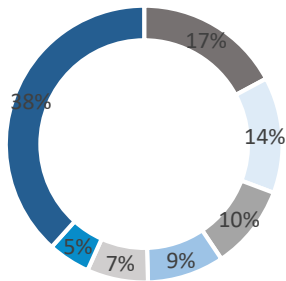
EGP in million	1H21	1H20
Total Revenue	1,872	1,265
Cost of Revenue	(1,220)	(866)
Gross Profit	652	399
Gross Profit Margin	35%	32%
Operating Profit	292	108
Operating Profit Margin	16%	9%
Net Profit Before Tax	302	160
Taxes	(76)	(86)
Non-Controlling Interests	(3)	(2)
Net Profit After Tax and Non-Controlling Interests	223	72
Net Profit Margin	12%	6%

Selected Consolidated Balance Sheet Items

EGP in million	Jun-21	Dec-20
Assets		
Investment Properties	160	138
Investment Properties Under Development	2,351	2,103
Work In Process	15,449	14,375
Long Term & Short Term Net Trade and Notes Receivable (on-balance sheet)	1,973	2,013
Cash and Cash equivalent	1,990	2,210
Total Assets	25,928	24,748
Liabilities & Shareholder Equity		
Bank Credit Facilities & Long Term Loans	2,436	2,256
Advances from Customers	8,491	7,619
Total Liabilities	19,802	18,675
Total Equity	6,126	6,072
Total Liabilities & Equity	25,928	24,748

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Shareholding Structure as at 30/06/2021



- 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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