

SODIC ("Sixth of October Development & Investment Company") (EGX OCDI.CA) has released its consolidated financial results for the nine months ended 30th of September 2020

SODIC releases nine months 2020 results; YTD Sales of EGP 5 billion up 21%*; 9M Deliveries of 786 units on track to annual target as COVID-19 impact subsides

Third Quarter 2020 Highlights

- Revenues amounted to EGP 2.08 billion, up 50% YoY;
- Gross profit reached EGP 772 million, up 125% YoY, and recording a gross profit margin of 37%;
- Operating profit amounted to EGP 581 million, up 211% YoY, with operating profit margin recorded at 28%;
- Net profit after tax and non-controlling interests recorded EGP 468 million, up 179% YoY, reflecting a net profit margin of 23%;
- Gross contracted sales were EGP 2.21 billion, up 174% YoY;
- Cancellations of 22% of gross sales;
- Timely delivery of 530 units across our projects versus 311 units delivered in the third quarter last year;
- Cash collections reached EGP 1.25 billion.

Nine Months Ended 30th of September 2020 Highlights

- Revenues amounted to EGP 3.15 billion, down 7% YoY;
- Gross profit reached EGP 1.1 billion, up 13% YoY, and recording a gross profit margin of 35%;
- Operating profit amounted to EGP 681 million, up 33% YoY, with operating profit margin recorded at 22%;
- Net profit after tax and non-controlling interests recorded EGP 536 million, up 6% YoY, delivering a net profit margin of 17%;
- Gross contracted sales were EGP 4.1 billion, up 23% YoY;
- Cancellations of 20% of gross sales;
- Timely delivery of 786 units across our projects versus 752 units delivered in the same period last year;
- Cash collections reached EGP 3.1 billion.

Company Developments

- SOREAL For Real Estate Investment, SODIC's fully owned subsidiary, signed in September 2020 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. The signature of the facility comes in line with SODIC's goal to prudently increase its leverage to enhance shareholder returns and serves as a testament to SODIC's solid financial performance, strong cash flows, and liquid balance sheet.
- The Company is planning early adoption of the amendments to the Egyptian Accounting Standards (EAS) to be implemented as of Q4 2020 and FY2020 financial statements. The company is specifically preparing to implement the amendments to EAS 47, 48, and 49, which correspond to IFRS 9, 15, and 16 respectively.

* represents gross contracted sales for the period 1/1/2020 to 31/10/2020 and the comparable period in 2019

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Operational Review

Third Quarter 2020

Gross contracted sales for the quarter were EGP 2.21 billion representing 393 units sold, an increase of 174% from EGP 808 million of sales for the third quarter of last year. Residential sales recorded EGP 2.13 billion, up 264% YoY.

Cancellations of EGP 479 million were recorded during Q3 2020, 22% of the quarter's gross sales. Cancellations were negatively affected by the cancellation of a bulk transaction amounting to EGP 270 million, excluding the effect of this, cancellations would stand at 9% of the quarter's gross contracted sales.

Net cash collections reached EGP 1.25 billion during the quarter, compared to EGP 1.1 billion during the same quarter last year.

SODIC delivered some 530 units during the quarter of which 335 units were in East Cairo and 162 units were in West Cairo. This compares to 311 units delivered during the third quarter last year. The quarter witnessed the delivery of the first units in One16 in SODIC West, with some 21 units delivered during the quarter.

CAPEX spend on construction during the quarter amounted to EGP 828 million, this compares to EGP 680 million spent during the third quarter of 2019.

Nine Months Ended 30th of September 2020

SODIC sold 776 units during the period bringing gross contracted sales to EGP 4.1 billion, a YoY increase of 23% from EGP 3.34 billion. Residential sales amounted to EGP 3.96 billion, up 62% from EGP 2.45 billion recorded during the same period in 2019. The positive momentum was maintained as we entered the fourth quarter with some EGP 933 million of gross contracted sales recorded during October 2020 bringing our 10 months total to over EGP 5 billion.

West Cairo accounted for 60% of our gross contracted sales during the period driven by the strong performance on our next generation projects VYE, with a contribution of 37%, and the Estates, which contributed 10%. East Cairo made up 39% of the period's gross contracted sales, with Villette generating 24% and SODIC East contributing 10%.

Cancellations of EGP 799 million were recorded during the first nine months of the year, representing 20% of the period's gross contracted sales. Cancellations were negatively affected during the first quarter by exceptionally high cancellations due to the COVID-19 outbreak in Egypt, and in September due to the cancellation of a bulk sale transaction; excluding the effect of the cancellation of the bulk transaction, cancellations for the period would amount to 13% of gross contracted sales. Cancellations continue to trend downwards, recording 7% of gross contracted sales for October 2020.

Net cash collections reached EGP 3.1 billion during the period with delinquencies at 9%. This compares to collections of EGP 3.4 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 continued to trend downwards as the situation stabilized and economic activity resumed.

SODIC delivered some 786 units during the period of which 507 units were in our East Cairo projects, namely Eastown Residences and Villette. This compares to 752 units delivered during the same period in 2019.

CAPEX spend on construction during the nine months period amounted to EGP 2.4 billion, this compares to EGP 2.1 billion spent during the same period in 2019.

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Financial Review

Income Statement

Third Quarter 2020

Revenues of EGP 2.08 billion were recorded during the quarter, an increase of 50% compared to EGP 1.39 billion recorded during the same quarter in 2019. Revenues were mainly driven by East Cairo projects Eastown Residences and Villette which contributed 39% and 25% of the delivered value during the quarter respectively, while our West Cairo projects contributed 28%.

Gross profit increased 125% YoY to reach EGP 772 million during the third quarter of the year, implying a gross profit margin of 37%, this compares to a 25% gross profit margin recorded in the same period last year. The significant improvement in gross profit margin comes on the back of notable margin improvement on Villette, as gross margins on the project improved 1,100 bps to 29% during the quarter from 18% during 3Q 2019, in addition to a better delivery mix, as our mature project Eastown Residences, carrying margins of 42%, make up 39% of the quarter's recorded revenues.

Operating profit grew 211% over Q3 2019 to record EGP 581 million, reflecting an operating profit margin of 28% versus 13% recorded in 3Q19.

Net profit after tax and non-controlling interests increased 179% YoY and amounted to EGP 468 million recording a net profit margin of 23%.

Nine Months Ended 30th September 2020

Revenues of EGP 3.15 billion were recorded, 7% lower than EGP 3.41 billion recorded during the same period in 2019. Revenues for the period were mainly driven by East Cairo projects Eastown Residences and Villette, amounting to 42% and 23% of the period's delivered value respectively, while our West Cairo projects contributed a further 28%.

Gross profit grew 13% to reach EGP 1.1 billion for the period, implying a gross profit margin of 35%. Gross profit margins expanded 600 bps YoY supported by a better delivery mix and margin improvement on Villette as we continue to deliver more advanced phases of the project.

Operating profit grew 33% YoY to amount to EGP 681 million, reflecting an operating profit margin of 22%, an improvement of 700 bps YoY on the back of higher gross profits and an increase in other revenues from cancellations.

Net profit after tax and non-controlling interests increased by 6% YoY to record EGP 536 million. Net profit margins improved 200 bps compared to the same period last year to record 17% as a result of the YoY increase in operating profitability, but was negatively impacted by a 64% decline in net finance income due to the sharp decline in interest rates following CBE rate cuts during the year.

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Financial Review

Balance Sheet

Total cash and cash equivalents amounted to EGP 3.67 billion, of which, EGP 1.2 billion are related to customer maintenance deposits.

Bank leverage remains low with bank debt to equity at 0.4x. Bank debts outstanding were recorded at EGP 2.2 billion.

Receivables of EGP 13.63 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 18.2 billion providing strong revenue visibility for the company.

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Summary Consolidated Income Statement

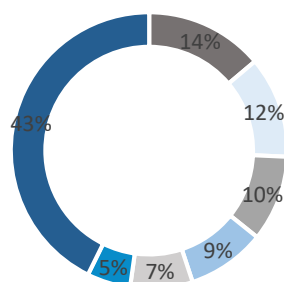
EGP in million	9M20	9M19
Total Revenue	3,151	3,406
Cost of Revenue	(2,054)	(2,432)
Gross Profit	1,097	974
Gross Profit Margin	35%	29%
Operating Profit	681	512
Operating Profit Margin	22%	15%
Net Profit Before Tax	748	698
Taxes	(210)	(192)
Non-Controlling Interests	(2)	(2)
Net Profit After Tax and Non-Controlling Interests	536	504
Net Profit Margin	17%	15%

Selected Consolidated Balance Sheet Items

EGP in million	Sept-20	Dec-19
Assets		
Total Assets	35,059	33,287
Work In Process	15,254	13,645
Long Term & Short Term Net Trade and Notes Receivable	13,632	13,123
Cash and Cash equivalent	3,669	3,974
Liabilities & Shareholder Equity		
Bank Credit Facilities & Long Term Loans	2,189	1,874
Advances from Customers	18,210	17,744
Total Equity	5,778	5,452

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Shareholding Structure as at 30/09/2020



- Olayan Saudi Investment Company
- ACT Financial Consortium
- 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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