



FULL YEAR UPDATE FOR 2012

Sector: Real Estate
Country: Egypt
Date: March 23, 2013

Share Price (EGP): 19.58
Target Price (EGP): 23.32
Upside: 19.1%
Recommendation: ACCUMULATE
Risk: Medium-to-High

Maintaining an ACCUMULATE rating with a target price of EGP 23.32 per share to account for revised forecasts

Top-line hits record high as unit deliveries surge

SODIC reported a surprising Q4 with revenues doubling over Q3 to reach EGP 555 million, bolstering the company's annual performance and resulting in a peak year with revenues of EGP 1,426 million compared to EGP 542 million in 2011. This considerably surpassed expectations driven by increased unit deliveries in its flagship project, Allegria. We expect SODIC's phenomenal 2012 performance to continue into 2013 estimating revenues around EGP 1,310 million.

SODIC swings back to annual profit on lower cancellations

Following 2011's devastating results caused by high cancellations, SODIC reversed its dim prospects as it reported a profit of EGP 257 million in 2012 compared to a loss of EGP 193 million a year earlier. The jolt of cancellations enabled the company to clear its balance sheet of doubtful receivables and strengthen its position going forward. We estimate 2013 earnings at EGP 241 million, as cancellations remain low and deliveries in Allegria continue. Liquidity in 2012 slightly regressed with the launch of Westown Residences pushing its cash balance to EGP 320 million from EGP 506 million a year earlier due to outflows related to construction.

Eastown land reclaimed on condition of fast-track development

On the 18th of Feb 2013, the Conflict Resolution Committee (CRC) cancelled the decision taken on the 8th of Jan 2012 to revoke SODIC's Eastown land contract, and gave the company a 3-year period to develop the land. SODIC will have to pay a fee calculated as a percentage of the difference between the price of the land at time of allocation and current land prices, taking into account all expenses incurred on the plot. The Eastown land, which represents 11% of the company's land bank, will give SODIC an opportunity to launch new projects in the short-term.

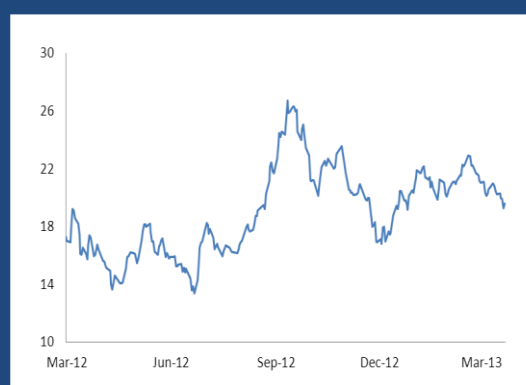
Maintain a favorable rating as SODIC trades at discount to peers

We revised our target price on SODIC to EGP 23.32 per share, maintaining an ACCUMULATE after incorporating the Eastown land in our valuation. Although 2012 was a record year strengthened with an improvement in the legal position, we await to see the company's strategy to replenish their land portfolio. We used a Sum-Of-The-Parts methodology, where projects under construction were valued using a DCF model with a WACC of 15.3%, contributing EGP 14.28 to the share price, while raw land accounts for EGP 6.86. SODIC is trading at a P/E of 6.97, considerably undervalued compared to the MENA average of 11.86 as the uncertainty surrounding the ongoing political situation and the devaluation of the EGP continues taking its toll on Egyptian equities.

Share Data

Bloomberg Symbol	OCDI EY
Reuters Symbol	OCDI.CA
Market Cap (EGPm)	1,775,442,894
Number of Shares	90,676,348
Free Float	59.30%
Price-to- Earnings 2012	6.97
Price-to-Book Value 2012	0.82

Share Performance



Source: Reuters

1 Month Return	-11.8%
3 Month Return	-4.3%
6 Month Return	-20.2%
12 Month Return	12.8%
52 Week Range	13.34 – 26.71

Source: Reuters

Performance and Forecasts

Contact information:

Equity Analyst: Malak Hawa
malak.hawa@blominvestbank.com

Head of Equities: Issa Frangieh
issa.frangieh@blominvestbank.com

Head of Research: Marwan Mikhael
marwan.mikhael@blominvestbank.com

Year	2011	2012	2013e	2014f	2015f
Revenues (EGP millions)	542	1,426	1,310	1,138	1,026
Net Income (EGP millions)	(193)	257	241	213	201
EPS (EGP)	(2.11)	2.81	2.63	2.33	2.20
BVPS (EGP)	21.6	23.9	15.2	22.3	25.8
ROA (%)	-3.0%	3.7%	3.4%	3.0%	2.7%
ROE (%)	-10.1%	12.2%	18.1%	10.8%	8.8%

Source: SODIC, Blominvest



PROJECTED INCOME STATEMENT

<i>In EGP million</i>	2010	2011	2012	2013e	2014f*	2015f*
Real Estate Sales	468	516	1,402	1,283	1,108	990
Revenue from Services	51	26	24	27	31	35
Total Revenues	520	542	1,426	1,310	1,138	1,026
Cost of Real Estate Sold	(207)	(506)	(872)	(770)	(642)	(555)
Costs Associated with Services	(59)	(55)	(57)	(53)	(46)	(53)
Total Costs	(266)	(561)	(929)	(823)	(688)	(607)
Gross Profit (Loss)	253	(19)	497	487	450	418
Other Operating Revenues	62	66	59	60	65	70
Selling & Marketing Expenses	(70)	(71)	(91)	(98)	(91)	(82)
General & Admin. Expenses	(129)	(132)	(125)	(124)	(114)	(103)
Other Operating Expenses/Income	15	(33)	(53)	(25)	(25)	(25)
Operating Profit (Loss)	132	(189)	288	299	285	278
Finance Income	85	46	40	34	30	31
Finance Expenses	(27)	(43)	(60)	(49)	(31)	(41)
Net Finance Income (Expense)	58	3	(20)	(15)	(1)	(10)
Income Tax Expense	(55)	(7)	(11)	(43)	(71)	(67)
Net Profit (Loss)	135	(193)	257	241	213	201

Source: SODIC, Blominvest

*Forecasts were made using SODIC's current land portfolio. As new projects/land are reported, forecasts will be revised



PROJECTED BALANCE SHEET

<i>In EGP million</i>	2010	2011	2012	2013e	2014f	2015f
Cash at banks & on hand	853	506	320	337	334	344
Trades & notes receivables	859	802	1,012	1,065	1,057	1,087
Debtors & other debit balances	471	412	408	430	427	439
Works in process	2,704	2,886	2,845	2,931	3,077	3,200
Other Current Assets	182	166	153	146	150	157
Total Current Assets	5,069	4,771	4,738	4,908	5,046	5,227
Fixed assets	88	233	213	234	258	283
Investment properties	420	414	391	367	345	325
Trade & notes receivables	1,260	923	1,549	1,560	1,481	1,457
Other Long-Term Assets	63	24	25	32	33	34
Total Long-Term Assets	1,832	1,594	2,178	2,193	2,117	2,099
Total Assets	6,901	6,365	6,916	7,102	7,163	7,325
Current Portion of LT Debt	3	5	143	130	110	90
Provisions for completion	128	142	131	121	111	102
Provisions	7	7	23	25	20	15
Bank - Credit facilities	87	51	36	46	58	72
Customers deposits	3,653	3,332	3,528	4,491	3,877	3,466
Contractors, suppliers, & notes payable	116	111	141	147	151	153
Creditors & other credit balances	310	311	416	533	673	840
Other Current Liabilities	3	0	1	1	1	1
Total Current Liabilities	4,308	3,959	4,419	5,494	5,001	4,740
Long Term Loans	42	335	256	150	50	150
Notes payable	122	97	74	83	92	100
Other Long Term Liabilities	23	18	2	0	0	0
Total Long Term Liabilities	186	450	332	233	142	250
Total Liabilities	4,494	4,409	4,751	5,726	5,143	4,990
Total Equity	2,407	1,956	2,165	1,375	2,021	2,336
Total Liabilities & Equity	6,901	6,365	6,916	7,102	7,163	7,325

Source: SODIC, Blominvest

BLOMINVEST BANK s.a.l

Research Department
Verdun, Rachid Karameh Street
POBOX 11-1540 Riad El Soloh
Beirut 1107 2080 Lebanon

Tel: +961 1 747 802
research@blominvestbank.com

For your Queries:

Marwan Mikhael, Head of Research
marwan.mikhael@blominvestbank.com
+961 1 747 802 Ext: 1234

Issa Frangieh, Head of Equities
issa.frangieh@blominvestbank.com
+961 1 1 747 802 Ext: 1208

Malak Hawa, Equity Analyst
malak.hawa@blominvestbank.com
+961 1 1 747 802 Ext: 1260

Equity Rating Key

Recommendations are based on the upside (downside) between our 12-month Fair Value estimate and the current Market Price.

- Buy:** Fair Value higher than Market Price by at least 20%
Accumulate: Fair Value higher than Market Price by 10% to 20%
Hold: Fair Value ranges between -5% to +10% in relation to Market Price
Reduce: Fair Value lower than Market Price by 5% to 15%
Sell: Fair Value lower than Market Price by at least 15%

Risks are based on share price volatility along with qualitative factors such as the nature of the business, the country risk and sensitivity to a single event, single product or single buyer. We've arranged the risk factor into 5 trenches:

- High Risk
- Medium-to-High Risk
- Medium Risk (similar to Market Risk)
- Medium-to-Low Risk
- Low Risk

IMPORTANT DISCLAIMER

This research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Blom Bank SAL or BlomInvest SAL can have investment banking and other business relationships with the companies covered by our research. We may seek investment banking or other business from the covered companies referred to in this research. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this research. Our asset management area, our trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research. We and our affiliates, officers, directors, and employees, excluding equity analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this research. This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances and, if appropriate, seek professional advice. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Copyright 2013 BlomInvest SAL.

No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior written consent of BlomInvest SAL.