



Alert on Q3 2013 Earnings

Sector: Real Estate

Country: Egypt

Date: December 26, 2013

Share Price (EGP): 23.02

Target Price (EGP): 26.80

Upside: 16.4%

Recommendation: ACCUMULATE

Risk: Medium-to-High

Maintaining an ACCUMULATE rating with a target price of EGP 26.80 per share on potential price appreciation

Quarterly revenues surge as deliveries begin to recover

SODIC reported a 35.3% y-o-y rise in Q3 revenues to EGP 300 million following total deliveries of 131 units worth EGP 258 million, mainly from Allegria and Kattameya Plaza. As for Q3 net sales, it decreased by 8.9% y-o-y to EGP 325 million with Eastown and Westown Residences accounting for 65% and 23% of total sales, respectively. During the first nine months of 2013, revenues dropped by 12.2% y-o-y to EGP 757 million as the recent political and economic instability caused delay in deliveries. On a positive note, net sales increased 44.9% to EGP 1,965 million up to September with cancellations remaining low at 9% of gross sales. We expect deliveries to pick up during Q4, resulting in 2013 revenues of EGP 1,432 million. SODIC affirmed the delivery of its targeted 600 units for FY 2013, which indicates that 257 units will be delivered in the fourth quarter.

Lower sales and higher income taxes hurt earnings

SODIC's gross profit declined by 12.2% y-o-y up to September to EGP 253 million, in line with the fall in revenues mainly during the first quarter. Gross profit margin remained stable at 33%, while net profit margin decreased to 11% compared to 15% a year earlier as a result of higher income tax expense after the end of a tax-holiday period as at December 2012. Likewise, net profit dropped from EGP 131 million to EGP 80 million. We estimate 2013 earnings to come below 2012 level at EGP 226 million.

Positive clarity on SODIC's legal complications

On the legal front, SODIC successfully obtained an injunction from the State Council suspending NUCA's latest attempt to terminate Eastown contract. The injunction confirms the company's right to continue construction works on site. SODIC already sold out units and awarded construction contracts worth over EGP 100 million for the first phases of Eastown Residences. We expect the company to continue with its development plans on the land.

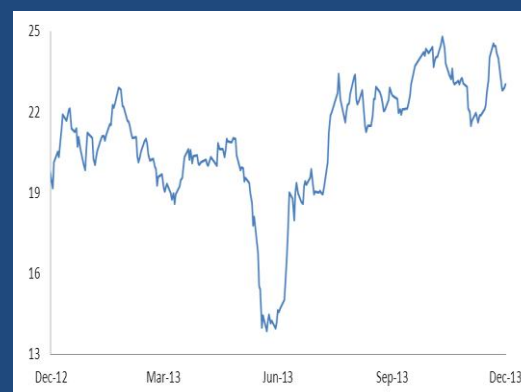
Maintaining an ACCUMULATE on lower political and legal uncertainties

We raise our target price on SODIC to EGP 26.80 per share, maintaining our ACCUMULATE rating. Despite the challenging macro and political environment faced in 2013, SODIC's long-term business fundamentals remained intact and the company invested EGP 650 million on execution across projects in the East and West of Cairo. Yet, we expect SODIC stock price to remain highly sensitive to any intensifying legal disputes. The company's shares followed gains in the Egyptian stock market, surging by more than 57% in the past six months as positive political signals revived investors' appetite. However, the depreciation of the EGP and the decline of the Central Bank Foreign Reserves still persist as an obstacle against the desired performance for Egyptian equities.

Share Data

Bloomberg Symbol	OCDI EY
Reuters Symbol	OCDI.CA
Market Cap (EGP)	2,087,369,531
Number of Shares	90,676,348
Free Float	59.30%
Price-to-Earnings 2013e	9.32
Price-to-Book 2013e	1.18

Share Performance



Source: Reuters

1 Month Return	4.1%
3 Month Return	1.8%
6 Month Return	57.2%
12 Month Return	17.9%
52 Week Range	13.85 – 24.79

Source: Reuters

Performance and Forecasts

In EGP millions	2010	2011	2012	2013e
Revenues (EGP millions)	520	542	1,426	1,432
Net Income (EGP millions)	135	(193)	257	226
EPS (EGP)	3.85	-	2.81	2.47
BVPS (EGP)	68.95	21.58	23.88	19.45
ROA (%)	2.0%	-3.0%	3.7%	2.9%
ROE (%)	5.9%	-10.1%	12.2%	13.2%

Source: Ezz Steel, Blominvest

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QUARTERLY INCOME STATEMENT

<i>In EGP million</i>	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Total Revenues	312	336	222	555	130	327	300
Net Income	36	49	47	125	6	43	31
Gross Sales	753	322	397	347	684	1,130	346
Cancellations	(38)	(38)	(41)	(84)	(133)	(41)	(22)
Net Sales	715	284	356	263	551	1,089	324

Source: SODIC

ANNUAL INCOME STATEMENT

<i>In EGP million</i>	2010	2011	2012	2013e
Revenues from Real Estate Sales	468	516	1,402	1,405
Revenue from Services	51	26	24	34
Total Revenues	520	542	1,426	1,432
Cost of Real Estate Sold	(207)	(506)	(872)	(857)
Costs Associated with Services	(59)	(55)	(57)	(63)
Total Costs	(266)	(561)	(929)	(920)
Gross Profit (Loss)	253	(19)	497	512
Other Operating Revenues	62	66	59	60
Selling & Marketing Expenses	(70)	(71)	(91)	(93)
General & Admin. Expenses	(129)	(132)	(125)	(129)
Other Operating Expenses/Income	(17)	(9)	(53)	(50)
Operating Profit (Loss)	132	(189)	288	300
Finance Income	85	46	40	51
Finance Expenses	(27)	(43)	(60)	(49)
Net Finance Income (Expense)	58	3	(20)	2
Income Tax Expense	(55)	(7)	(11)	(75)
Net Profit (Loss)	135	(193)	257	226

Source: SODIC, Blominvest

BALANCE SHEET

<i>In EGP million</i>	2010	2011	2012	Q3 2013
Cash at banks & on hand	853	506	320	457
Trades & notes receivables	859	802	1,012	1,036
Debtors & other debit balances	471	412	408	429
Works in process	2,704	2,886	2,845	2,894
Other Current Assets	182	166	153	165
Total Current Assets	5,069	4,771	4,738	4,981
Fixed assets	88	233	213	136
Investment properties	420	414	391	371
Trade & notes receivables	1,260	923	1,549	2,326
Other Long-Term Assets	63	24	25	27
Total Long-Term Assets	1,832	1,594	2,178	2,859
Total Assets	6,901	6,365	6,916	7,840
Current Portion of LT Debt	3	5	143	227
Provisions for completion	128	142	131	96
Provisions	7	7	23	19
Bank - Credit facilities	87	51	36	141
Customers deposits	3,653	3,332	3,528	4,460
Contractors, suppliers, & notes payable	116	111	141	156
Creditors & other credit balances	310	311	416	420
Other Current Liabilities	3	0	1	1
Total Current Liabilities	4,308	3,959	4,419	5,521
Long Term Loans	42	335	256	130
Notes payable	122	97	74	49
Other Long Term Liabilities	23	18	2	4
Total Long Term Liabilities	186	450	332	183
Total Liabilities	4,494	4,409	4,751	5,704
Total Equity	2,407	1,956	2,165	2,136
Total Liabilities & Equity	6,901	6,365	6,916	7,840

Source: SODIC

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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

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