



## Trading of SODIC's 250 million rights issue to run from October 1 till 27

### Target Price of EGP 17.19 per share hit shortly after the record date for the new rights issue

Share Price (in EGP):	16.49
Target Price (in EGP)	17.19
Bloomberg / Reuters Symbol:	OCDI EY/ OCDI.CA

October 13, 2014

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#### Maintaining our favorable rating on SODIC following the listing of 250 million rights issue

As previously announced, on 01/10/2014, the Egyptian Stock Exchange (EGX) listed and started trading SODIC's 250 million rights at a par value of EGP 4 per share plus issue costs of EGP 0.06 per share. Each existing shareholder has the right to subscribe to 2.75 new shares for every underlying share. The rights issue was added to EGX database separately from the underlying shares and will run for one month till the end of 27/10/2014 trading session. We expect full participation from existing shareholders due to the substantial discount of 75% on the diluted share price of EGP 15.7<sup>1</sup>.

The listing resulted from SODIC's BOD approval to increase capital by EGP 1 billion to EGP 1,362,705,392 through subscription rights for the company's existing shareholders. The capital hike will be used as follow:

- Development of over 2,000 mixed-use units worth around EGP 700 million on the new 1.26 million sqm acquired land in New Cairo
- Construction of a mall in Al-Mansoura worth EGP 205 million through one of SODIC's subsidiaries on 36,000 sqm land
- Other possible investments worth around EGP 95 million, used if there are possible real estate investment opportunities or when the company needs more liquidity to cover additional operation expenses

In our last update, we valued SODIC at an adjusted price of EGP 17.19 per share, which represented a considerable upside on the company's diluted share price of EGP 15.7 per share. Shortly after September 28, the record date for the new rights issue, SODIC's shares reached our target price (September 30, 2014). We believe this upside potential will remain as the capital increase is expected to strengthen SODIC's balance sheet and widen liquidity. We maintain our favorable rating on SODIC ahead of our next update upon the release of Q3 financial results in November.

<sup>1</sup> This was derived from the share price of EGP 47.95 at the date of our last update on 02/09/2014. On September 28, the record date, the diluted share price was EGP 15.13.

## QUARTERLY INCOME STATEMENT

<i>In EGP million</i>	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014
<b>Total Revenues</b>	<b>312</b>	<b>336</b>	<b>222</b>	<b>555</b>	<b>130</b>	<b>327</b>	<b>300</b>	<b>568</b>	<b>301</b>	<b>334</b>
<b>Net Income</b>	<b>36</b>	<b>49</b>	<b>47</b>	<b>125</b>	<b>6</b>	<b>43</b>	<b>31</b>	<b>(527)</b>	<b>40</b>	<b>50</b>
Gross Sales	753	322	397	347	684	1,130	346	571	758	916
Cancellations	(38)	(38)	(41)	(84)	(133)	(41)	(22)	(57)	(52)	(37)
<b>Net Sales</b>	<b>715</b>	<b>284</b>	<b>356</b>	<b>263</b>	<b>551</b>	<b>1,089</b>	<b>324</b>	<b>513</b>	<b>706</b>	<b>879</b>

Source: SODIC

## ANNUAL INCOME STATEMENT

<i>In EGP million</i>	2011	2012	2013	2014e
Revenues from Real Estate Sales	516	1,402	1,284	1,517
Revenue from Services	26	24	40	44
<b>Total Revenues</b>	<b>542</b>	<b>1,426</b>	<b>1,324</b>	<b>1,561</b>
Cost of Real Estate Sold	(506)	(872)	(916)	(986)
Costs Associated with Services	(55)	(37)	(53)	(58)
<b>Total Costs</b>	<b>(561)</b>	<b>(906)</b>	<b>(969)</b>	<b>(1,044)</b>
<b>Gross Profit (Loss)</b>	<b>(19)</b>	<b>517</b>	<b>355</b>	<b>516</b>
Other Operating Revenues	66	59	85	85
Selling & Marketing Expenses	(71)	(91)	(102)	(120)
General & Admin. Expenses	(132)	(141)	(150)	(175)
Other Operating Expenses/Income	(9)	(52)	(331)	(45)
<b>Operating Profit (Loss)</b>	<b>(189)</b>	<b>292</b>	<b>(142)</b>	<b>262</b>
Finance Income	46	40	35	60
Finance Expenses	(43)	(56)	(310)	(68)
<b>Net Finance Income (Expense)</b>	<b>3</b>	<b>(16)</b>	<b>(275)</b>	<b>(8)</b>
Share in profits in associates	-	(8)	(5)	(5)
<b>Net profit (loss) before income tax</b>	<b>(186)</b>	<b>268</b>	<b>(423)</b>	<b>248</b>
Income Tax Expense	(7)	(11)	(25)	(37)
<b>Net Profit (Loss)</b>	<b>(193)</b>	<b>257</b>	<b>(447)</b>	<b>211</b>
<b>Net profit attributable to:</b>				
Equity holders of the company	(191)	250	(447)	207
Minority share in profits & losses of subsidiaries	(2)	7	0	4

Source: SODIC, Blominvest

## BALANCE SHEET

<i>In EGP million</i>	2011	2012	2013	Q2 2014
Cash at banks & on hand	506	320	453	762
Trades & notes receivables	802	1,012	1,116	1,412
Debtors & other debit balances	412	425	342	329
Works in process	2,886	2,983	2,965	3,682
Other Current Assets	166	238	62	52
<b>Total Current Assets</b>	<b>4,771</b>	<b>4,977</b>	<b>4,938</b>	<b>6,236</b>
Fixed assets	233	198	125	120
Investment properties	414	103	-	-
Trade & notes receivables	923	1,549	2,487	2,809
Other Long-Term Assets	24	25	35	36
<b>Total Long-Term Assets</b>	<b>1,594</b>	<b>1,875</b>	<b>2,647</b>	<b>2,964</b>
<b>Total Assets</b>	<b>6,365</b>	<b>6,851</b>	<b>7,586</b>	<b>9,200</b>
Current Portion of LT Debt	5	107	223	-
Provisions for completion	142	131	87	54
Provisions	7	23	10	10
Bank - Credit facilities	51	36	107	178
Customers deposits	3,332	3,504	4,294	5,126
Contractors, suppliers, & notes payable	111	141	141	128
Creditors & other credit balances	311	411	730	568
Other Current Liabilities	0	1	3	-
<b>Total Current Liabilities</b>	<b>3,959</b>	<b>4,354</b>	<b>5,596</b>	<b>6,064</b>
Long Term Loans	335	256	88	434
Notes payable	97	74	49	597
Other Long Term Liabilities	18	2	3	137
<b>Total Long Term Liabilities</b>	<b>450</b>	<b>332</b>	<b>140</b>	<b>1,168</b>
<b>Total Liabilities</b>	<b>4,409</b>	<b>4,686</b>	<b>5,736</b>	<b>7,232</b>
<b>Total Equity</b>	<b>1,956</b>	<b>2,165</b>	<b>1,851</b>	<b>1,968</b>
<b>Total Liabilities &amp; Equity</b>	<b>6,365</b>	<b>6,851</b>	<b>7,586</b>	<b>9,200</b>

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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