



Alert on Q3 2014 Earnings

Sector: Real Estate
Country: Egypt
Date: December 16, 2014

Share Price (EGP): 14.45
Target Price (EGP): 15.94
Upside: 10.3%
Recommendation: ACCUMULATE
Risk: Medium

Maintaining an ACCUMULATE rating with a higher target price of EGP 15.94 per share on sturdy growth potential

We maintain our ACCUMULATE rating on SODIC as we believe the company is in a strong position to attract promising growth opportunities. As well, we value the company's shares at EGP 15.94 per share after our previous target price of EGP 17.19 was reached at the end of September, shortly following the record date for the new rights issue.

During Q3 2014, SODIC offered 250 million shares at a par value of EGP 4 with each existing shareholder having the right to subscribe to 2.75 new shares for every underlying share. 248,233,225 shares have been subscribed increasing the company's paid-in-capital from EGP 362.7 million to EGP 1.35 billion. We believe the 99.3% subscription reflects the increasing appetite of shareholders to take part of SODIC's growth momentum. Hence, we expect the upside potential to remain as the resolution of all legal disputes, the replenishment of SODIC's land bank, the company's strong effort to launch new projects on top of the capital increase will definitely boost fundamentals in the future.

Solid growth in 9M revenues led by higher delivery units

SODIC registered a strong performance during the first nine months of 2014 with revenues surging by 18.5% y-o-y to reach EGP 897 million following robust deliveries worth EGP 904 million compared to EGP 672 million a year earlier. Similarly, SODIC recorded strong new contracted sales of EGP 2 billion, further supported by the launching of Eastown Residences Phase VII in Q3. As for cancellations, they declined significantly to EGP 136.7 million compared to EGP 194.9 million up to September 2013. On a more positive note, net cash collections rose from EGP 925 million to EGP 1.5 billion in the first nine months, indicating SODIC's effort to improve the quality of the receivables portfolio with significant collections on some overdue installments for units contracted in Allegria. Going forward, the company is targeting EGP 3 billion in net new sales in 2014 following the launching of Villette (301 Acre Plot) phase I in Q4. Hence, we expect SODIC's 2014 revenues to reach EGP 1.4 billion with solid deliveries, healthy cash collection, low cancellations and record new contracted sales figures.

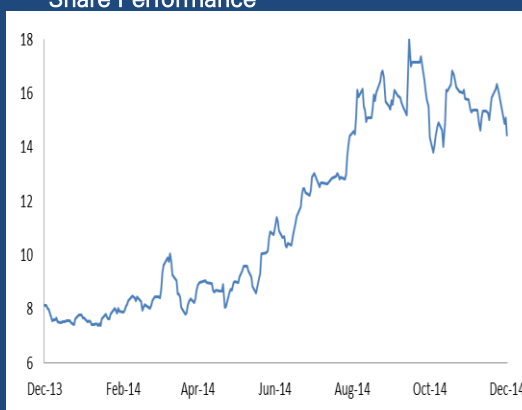
Bottom-line helped by sales pick-up

SODIC's gross profit edged up by 23% y-o-y to reach EGP 309 million up to September 2014, while gross margin increased from 33.3% to 34.5%, mainly led by solid growth in revenues. Similarly, net income surged to EGP 110 million compared to EGP 80 million recorded a year earlier with a net margin of 12.2% as opposed to 10.6% up to September 2013. Looking forward, we expect SODIC to register a profit of EGP 172 million in 2014, mainly supported by ongoing impressive results during the fourth quarter.

Share Data

Bloomberg Symbol	OCDI EY
Reuters Symbol	OCDI.CA
Market Cap (EGP)	5,114,145,457
Number of Shares	338,909,573
Free Float	59.30%
Price-to-Earnings 2014e	28.46
Price-to-Book 2014e	2.40

Share Performance



Source: Reuters

1 Month Return	-8.4%
3 Month Return	-8.1%
6 Month Return	33.1%
12 Month Return	77.6%
52 Week Range	7.38 – 18.03

Source: Reuters

Contact Information:

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

Head of Equities: Maya Mantach, CFA
maya.mantach@blominvestbank.com

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

Performance and Forecasts

In EGP millions	2011	2012	2013	2014e
Revenues (EGP millions)	542	1,426	1,324	1,413
Net Income (EGP millions)	(191)	250	(447)	172
EPS (EGP)	(2.11)	2.78	(4.93)	0.51
BVPS (EGP)	21.58	23.88	20.41	6.03
ROA (%)	-3.0%	3.8%	-5.9%	1.4%
ROE (%)	-10.1%	12.2%	-25.3%	8.9%

Source: SODIC, Blominvest



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	Q3 2014
Total Revenues	312	336	222	555	130	327	300	568	301	334	262
Net Income	36	49	47	125	6	43	31	(527)	40	50	19
Gross Sales	753	322	397	347	684	1,130	346	571	758	916	482
Cancellations	(38)	(38)	(41)	(84)	(133)	(41)	(22)	(57)	(52)	(37)	(48)
Net Sales	715	284	356	263	551	1,089	324	513	706	879	434

Source: SODIC

ANNUAL INCOME STATEMENT

<i>In EGP million</i>	2011	2012	2013	2014e
Revenues from Real Estate Sales	516	1,402	1,284	1,369
Revenue from Services	26	24	40	88
Total Revenues	542	1,426	1,324	1,413
Cost of Real Estate Sold	(506)	(872)	(916)	(863)
Costs Associated with Services	(55)	(37)	(53)	(100)
Total Costs	(561)	(906)	(969)	(913)
Gross Profit (Loss)	(19)	517	355	501
Other Operating Revenues	66	59	85	87
Selling & Marketing Expenses	(71)	(91)	(102)	(106)
General & Admin. Expenses	(132)	(141)	(150)	(155)
Other Operating Expenses/Income	(9)	(52)	(331)	(70)
Operating Profit (Loss)	(189)	292	(142)	256
Finance Income	46	40	35	43
Finance Expenses	(43)	(56)	(310)	(82)
Net Finance Income (Expense)	3	(16)	(275)	(39)
Share in profits in associates	-	(8)	(5)	-
Net profit (loss) before income tax	(186)	268	(423)	217
Income Tax Expense	(7)	(11)	(25)	(43)
Net Profit (Loss)	(193)	257	(447)	174
Net profit attributable to:				
Equity holders of the company	(191)	250	(447)	172
Minority share in profits & losses of subsidiaries	(2)	7	0	2

Source: SODIC, Blominvest



BALANCE SHEET

<i>In EGP million</i>	2011	2012	2013	Q3 2014
Cash at banks & on hand	506	320	453	1,034
Trades & notes receivables	802	1,012	1,116	1,306
Debtors & other debit balances	412	425	342	327
Works in process	2,886	2,983	2,965	6,268
Other Current Assets	166	238	62	48
Total Current Assets	4,771	4,977	4,938	8,983
Fixed assets	233	198	125	117
Investment properties	414	103	-	-
Trade & notes receivables	923	1,549	2,487	2,761
Other Long-Term Assets	24	25	35	37
Total Long-Term Assets	1,594	1,875	2,647	2,916
Total Assets	6,365	6,851	7,586	11,899
Current Portion of LT Debt	5	107	223	-
Provisions for completion	142	131	87	63
Provisions	7	23	10	9
Bank - Credit facilities	51	36	107	169
Customers deposits	3,332	3,504	4,294	5,283
Contractors, suppliers, & notes payable	111	141	141	746
Creditors & other credit balances	311	411	730	508
Other Current Liabilities	0	1	3	-
Total Current Liabilities	3,959	4,354	5,596	6,778
Long Term Loans	335	256	88	1,039
Notes payable	97	74	49	3,045
Other Long Term Liabilities	18	2	3	3
Total Long Term Liabilities	450	332	140	4,087
Total Liabilities	4,409	4,686	5,736	10,865
Total Equity	1,956	2,165	1,851	2,034
Total Liabilities & Equity	6,365	6,851	7,586	12,899

Source: SODIC

BLOMINVEST BANK s.a.l.

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

Tel: +961 1 743 300
research@blominvestbank.com

For your Queries:

Marwan Mikhael, Head of Research
marwan.mikhael@blominvestbank.com
+961 1 743 300 Ext: 1234

Maya Mantach, Head of Equities
maya.mantach@blominvestbank.com
+961 1 1 743 300 Ext: 1240

Malak Hawa, Equity Analyst
malak.hawa@blominvestbank.com
+961 1 1 743 300 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 Blom Invest 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 2014 BLOM Invest 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 Blom Invest SAL.