



UPDATE FOR Q1 2013

Sector: Real Estate
Country: Egypt
Date: June 18, 2013

Share Price (EGP): 14.24
Target Price (EGP): 18.48
Upside: 29.8%
Recommendation: ACCUMULATE
Risk: Medium-to-High

Maintaining an ACCUMULATE rating with a target price of EGP 18.48 per share to account for revised forecasts

Revenues fall short of expectations due to lower deliveries

SODIC Q1 revenues came below our estimates, declining by more than half to reach EGP 130 million on lower deliveries of only 48 units worth EGP 122 million. Likewise, SODIC recorded net sales of EGP 551 million compared to EGP 715 million in Q1 2012. While still below previous results, real estate in general is benefitting from its position as a hedge against the current high inflation and a store for value against the devaluation of the Egyptian Pound. Kattameya Plaza accounted for 20% of sales with deliveries expected to start in 2013, while Westown Residences phase 7 captured 17% building on its previous successful launch. We expect sales to pick up in the second half of the year following the launching of the first phase of Eastown in May.

Bottom-line pressured by lower revenues and higher income taxes

SODIC's Q1 gross profit fell 50% q-o-q to EGP 43 million as a result of a considerable drop in revenues despite a significant improvement in gross profit margin that reached 33% compared to 27% reported a year earlier. Net profit followed suit, declining to EGP 6 million against EGP 36 million registered in Q1 2012 further pressured by an increase in income tax expense after the end of a tax-holiday period as at 31 December 2012. We estimate 2013 earnings at EGP 94 million.

SODIC launches its long awaited and highly disputed Eastown in May

On April 6, the State Council approved the suspension of the New Urban Communities Authority (NUCA)'s decision to revoke SODIC's control of the Eastown project. SODIC now has full legal ownership of the land, and the decision affirms the company's right to develop Eastown until the case is judged. Separately, on the 23rd of May 2013, NUCA's Board of Directors approved an extension of an additional ten and a half months for the development schedule of "SODIC West" to compensate for delays in previously issuing necessary approvals.

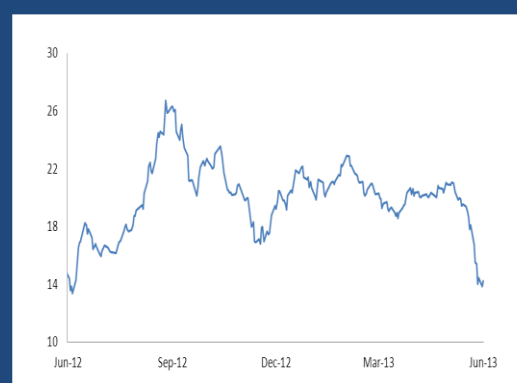
Maintain an ACCUMULATE on potential of stock price appreciation

We lower our target price on SODIC to EGP 18.48 per share from EGP 23.32 previously as Q1 results missed expectations. We maintain our ACCUMULATE rating despite the recent slump in share price as performance of Egyptian equities in general has been pressured by the unstable political environment in the country. However, SODIC's long-term business fundamentals remain intact and the company continues to launch new projects, most recently Eastown project. We believe slowly building a position in the stock presents an opportunity, anticipating a rally upon an improvement in the macro environment.

Share Data

Bloomberg Symbol	OCDI EY
Reuters Symbol	OCDI.CA
Market Cap (EGPm)	1,291,231,196
Number of Shares	90,676,348
Free Float	59.30%
Price-to- Earnings 2013	13.93
Price-to-Book Value 2013	0.70

Share Performance



Source: Reuters

1 Month Return	-28.85%
3 Month Return	-29.27%
6 Month Return	-22.97%
12 Month Return	-2.50%
52 Week Range	13.34 - 26.71

Source: Reuters

Performance and Forecasts

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Year	2010	2011	2012	2013e
Revenues (EGP millions)	520	542	1,426	742
Net Income (EGP millions)	135	(193)	257	94
EPS (EGP)	3.85	(2.11)	2.81	1.02
BVPS (EGP)	68.95	21.58	23.88	20.28
ROA (%)	1.96%	-3.03%	3.72%	1.68%
ROE (%)	5.85%	-10.10%	12.18%	5.21%

Source: SODIC, Blominvest

QUARTERLY INCOME STATEMENT

<i>In EGP million</i>	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Total Revenues	312	336	222	564	130
Net Income	36	49	47	125	6
Gross Sales	753	322	397	347	684
Cancellations	(38)	(38)	(41)	(84)	(133)
Net Sales	715	284	356	263	551

Source: SODIC

ANNUAL INCOME STATEMENT

<i>In EGP million</i>	2010	2011	2012	2013e
Revenues from Real Estate Sales	468	516	1,402	717
Revenue from Services	51	26	24	25
Total Revenues	520	542	1,426	742
Cost of Real Estate Sold	(207)	(506)	(872)	(430)
Costs Associated with Services	(59)	(55)	(57)	(51)
Total Costs	(266)	(561)	(929)	(481)
Gross Profit (Loss)	253	(19)	497	261
Other Operating Revenues	62	66	59	60
Selling & Marketing Expenses	(70)	(71)	(91)	(59)
General & Admin. Expenses	(129)	(132)	(125)	(96)
Other Operating Expenses/Income	(17)	(9)	(53)	(25)
Operating Profit (Loss)	132	(189)	288	140
Finance Income	85	46	40	19
Finance Expenses	(27)	(43)	(60)	(49)
Net Finance Income (Expense)	58	3	(20)	(30)
Income Tax Expense	(55)	(7)	(11)	(17)
Net Profit (Loss)	135	(193)	257	94

Source: SODIC, Blominvest

BALANCE SHEET

<i>In EGP million</i>	2010	2011	2012	Q1 2013
Cash at banks & on hand	853	506	320	347
Trades & notes receivables	859	802	1,012	887
Debtors & other debit balances	471	412	408	399
Works in process	2,704	2,886	2,845	3,008
Other Current Assets	182	166	153	167
Total Current Assets	5,069	4,771	4,738	4,808
Fixed assets	88	233	213	206
Investment properties	420	414	391	381
Trade & notes receivables	1,260	923	1,549	1,773
Other Long-Term Assets	63	24	25	28
Total Long-Term Assets	1,832	1,594	2,178	2,388
Total Assets	6,901	6,365	6,916	7,197
Current Portion of LT Debt	3	5	143	158
Provisions for completion	128	142	131	120
Provisions	7	7	23	19
Bank - Credit facilities	87	51	36	169
Customers deposits	3,653	3,332	3,528	3,719
Contractors, suppliers, & notes payable	116	111	141	135
Creditors & other credit balances	310	311	416	414
Other Current Liabilities	3	0	1	10
Total Current Liabilities	4,308	3,959	4,419	4,744
Long Term Loans	42	335	256	214
Notes payable	122	97	74	73
Other Long Term Liabilities	23	18	2	2
Total Long Term Liabilities	186	450	332	289
Total Liabilities	4,494	4,409	4,751	5,034
Total Equity	2,407	1,956	2,165	2,163
Total Liabilities & Equity	6,901	6,365	6,916	7,197

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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