



**PALM HILLS**  
DEVELOPMENTS

## 3Q2019 Earnings Release

### **PHD achieve New Sales of EGP8.1 billion in 9M2019, supported by the best September sales ever in the Company's history, on track to exceed the full year target of EGP14 billion, maintaining a positive Cash Flow from Operations**

**Cairo/London (November 17, 2019)** - Palm Hills Developments S.A.E. ("PHD" or "the Company") (EGX: PHDC.CA, PHDC.LI), a leading real estate developer in Egypt, announced its consolidated financial and operating results for the financial period ended September 30, 2019.

#### **Key Highlights**

- New Sales (Residential and Commercial) amounted to EGP8.1 billion in 9M2019, translating into 1,797 units. Palm Hills Alexandria accounted for c.55% of 9M2019 New Sales or EGP4.5 billion (711 Units). While Palm Hills New Cairo recorded New Sales of EGP609 million in 9M2019. New Sales was 18% lower YoY when compared with 9M2018, as the latter witnessed the launch of Badya's Phase 1A and the sale of PK2 Mall. In 9M2019, Commercial New Sales reached EGP458 million, largely driven by the sale of office space in Golf Central for EGP279 million. While the Lane Mall and Hale Town contributed EGP77 million and EGP66 million respectively. New Sales grew 2% YoY in 3Q2019, to reach EGP2.1 billion, supported by the best September sales ever in the Company's history, which followed the "Ready to Move" campaign.
- In October 2019, the Company concluded a securitization transaction for a gross receivables portfolio of EGP776 million, as part of the Company's plans to optimize leverage via monetization of receivables associated with handed over residential units. Said receivables portfolio included 582 delivered units. The Company paid EGP484 million to local banks (principle and interest) out of the EGP601 million net proceeds.
- Revenue amounted to EGP3.6 billion in 9M2019, a decrease of 36% YoY, mostly due to lower handed over residential units YoY as most projects currently under development are nearing completion, noting that PHD had c.658 units released from construction by end of 3Q2019, some of which are in non-livable zones with ongoing site development or not yet received by the respective home owner. While Revenue for the quarter stood at EGP1.1 billion. PHD maintained a healthy Gross Profit margin of 40% in 9M2019 compared to 38% in 9M2018, mainly driven by the YoY growth in the value of units delivered as well as land sales related to standalone units sold.
- Net Profit after Tax and Minority Interest amounted to EGP544 million in 9M2019, a decrease of 15% YoY, implying a Net Profit margin of 15%, a growth of 4pp YoY.
- The Company achieved positive Cash Flows from Operations of EGP573 million in 9M2019, on track to maintain a positive balance moving forward.
- The Company spent EGP1.5 billion on construction activities during 9M2019, mainly on Palm Hills New Cairo, Hacienda Bay, Golf Extension, Capital Gardens, Golf Views, Palm Valley, Woodville and The Crown.
- PHD continued its efforts with regards to expediting projects' deliveries with a number of phases completed in projects currently under development including the completion of Palm Valley and Hacienda Bay, c.95% of Golf Extension and completed phase 9 in PK2 extension. The Company commenced construction in Badya and The Crown.
- On the commercial front, some of the tenants in Palm Central concluded the interior finishing and started to move in already.
- PHD handed over 680 residential and commercial units during 9M2019 with most of the handed over units in the following projects: Woodville, Golf Extension, Golf Views, Palm Parks, Hacienda Bay, and Hacienda White 2. The Company delivered 98 units in Palm Valley in West Cairo ahead of schedule starting 2Q2019. PHD is planning to deliver c.200 units in Capital Gardens during 4Q2019, a couple of quarters ahead of planned handover schedule.

### **Yasseen Mansour, Chairman & Group CEO Comments:**

I am pleased to share with you our 9M2019 financial and operational results. We continued our steady focus on generating positive Cash Flows from Operations, which resulted in EGP573 million during 9M2019, in line with our target as announced by the beginning of the year, which is further solidifying our financial position.

New Sales stood at EGP8.1 billion during 9M2019, mostly on the back of strong uptake in Palm Hills Alexandria and Palm Hills New Cairo, translating into 1,797 sold units. New Sales during 3Q2019 grew 2% YoY to EGP2.1 billion, supported by the launch of the “Ready to Move” campaign which took place during September for units that are available for immediate delivery once the client sign the contract, with various payment schemes. Said campaign generated New Sales of c.EGP0.5 billion.

We are still eyeing further improvement towards year end from our efficiency program, which we adopted by the beginning of 2019 and led to a decrease of 12% YoY in SG&A Expenses, along with expectations for further interest rates cut by the MPC, noting that the 450 bps interest rate cuts which took place during 2019 yields total saving of c.EGP300 million per annum in Interests, Financing Cost and Land Liabilities.

There is a negative correlation between interest rates and real estate sales, which will not only lead to a reduction in PHD’s costs but will also result in higher demand for our product offerings, which was evidenced by the stellar sales performance during September 2019, although our Company did not launch any new projects.

Looking at our Net Debt position, it amounted to EGP2.7 billion by end of 9M2019, with Receivables of EGP17.8 billion, where Receivables cover Net Debt 6.6 times. Net Debt/EBITDA stood at 2.4 times by end of 9M2019.

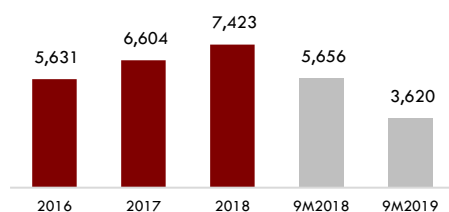
We have successfully completed a securitization of receivables transaction during October 2019 for a gross receivables portfolio of EGP776 million, and spent most of the net proceeds on prepaying some of the existing bank debt and related interest charges. We are planning to engage in further securitization and discounting transactions with a gross receivables portfolio of up to c.EGP1.5 billion during 1H2020, as the interest rate environment improve further complemented by conclusion of projects currently under developments.

With existing debt balance being settled gradually, we are in discussions with a number of local and foreign lending institutions regarding the long term financing of Badya in the range of c.EGP1.5-2 billion, whereby we plan to maintain our current net debt position and leverage ratio.

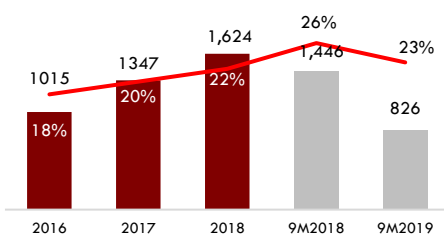
We see some improvements in the property market conditions and appetite for first homes with the easing inflationary environment, evidenced by the strong uptake of our residential offerings on the back of some recent marketing campaigns launched during 4Q2019, allowing us to confidently exceed the full year sales target of EGP14 billion.

### Financial Review

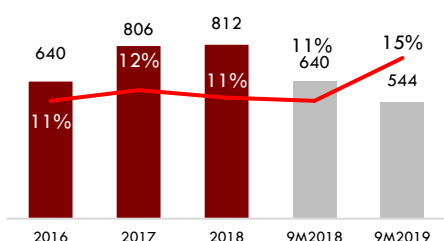
**Revenue**  
(2016-9M2019, EGP Million)



**EBITDA & EBITDA Margin**  
(2016-9M2019, EGP Million)



**Net Profit after Tax & Minority Interest**  
(2016-9M2019, EGP Million)



EGP Million	3Q2019	3Q2018	Change	9M2019	9M2018	Change
Revenue	1,105	2,282	(52%)	3,620	5,656	(36%)
Gross Profit	437	836	(48%)	1,445	2,147	(33%)
Gross Profit margin	40%	37%	3pp	40%	38%	2pp
EBITDA	177	544	(68%)	826	1,446	(43%)
EBITDA margin	16%	24%	(8pp)	23%	26%	(3pp)
Net Profit before Tax & Minority Interest	118	359	(67%)	656	987	(34%)
Net Profit after Tax & Minority Interest	93	200	(54%)	544	640	(15%)
Net Profit margin	8%	9%	(1pp)	15%	11%	4pp
New Sales	2,066	2,031	2%	8,116	9,843	(18%)

In 9M2019, Revenue amounted to EGP3.6 billion, a decrease of 36% YoY, due to lower handed over residential units YoY, noting that PHD had c.658 units released from construction, some of which are in non-livable zones with ongoing site development or not yet collected by the respective home owner. Palm Hills Alexandria contributed largely to Revenue and Gross Profit. Gross Profit stood at EGP1.4 billion, translating into a Gross Profit margin of 40%, mostly due to the handover of high margin units.

EBITDA stood at EGP826 million, an EBITDA margin of 23%. Net Profit after Tax and Minority Interest amounted to EGP544 million, a Net Profit margin of 15%.

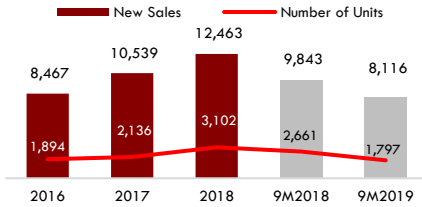
Net Debt amounted to EGP2.7 billion by end of 9M2019, with Receivables of EGP17.8 billion solidifying our Balance Sheet where Receivables cover Net Debt 6.6 times. Net Debt/EBITDA stood at 2.4 times by end of 9M2019.

### Operational Review

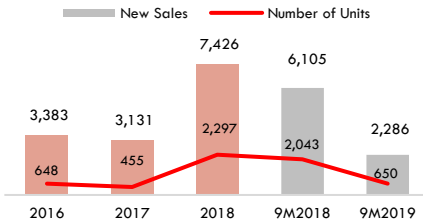
New Sales amounted to EGP8.1 billion in 9M2019, of which EGP7.6 billion was generated from residential sales and EGP458 million from the commercial segment. Palm Hills Alexandria was the largest contributor to Residential New Sales, followed by Palm Hills New Cairo, The Crown and Badya.

Commercial sales were lower YoY since 9M2018 had seen a one-off transaction related to the sale of PK2 Mall for EGP720 million. Golf Central seen major uptake following its successful launch in May 2019 with New Sales of EGP279 million. While the Lane Mall and Hale Town contributed EGP77 million and EGP66 million respectively.

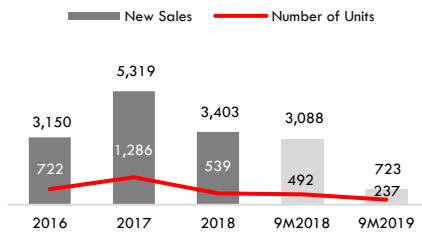
### New Sales, All Regions<sup>1</sup> (2016-9M2019, EGP Million)



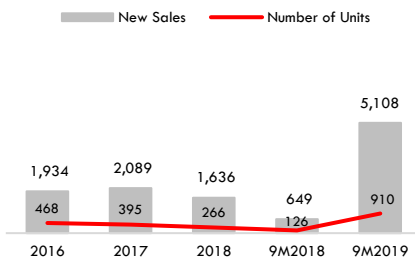
### New Sales, West Cairo<sup>1</sup> (2016-9M2019, EGP Million)



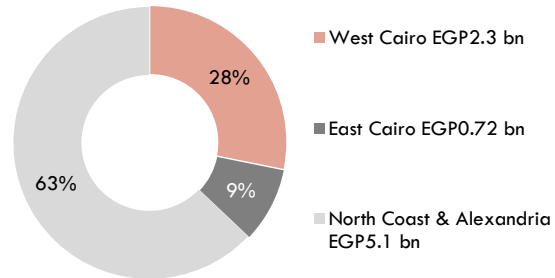
### New Sales, East Cairo<sup>1</sup> (2016-9M2019, EGP Million)



### New Sales, North Coast & Alexandria<sup>1</sup> (2016-9M2019, EGP Million)



The following chart shows percentage contribution of each operating region to New Sales during 9M2019:



In West Cairo, New Sales amounted to EGP2.3 billion, of which EGP1.8 billion were generated from the sale of residential units across all the projects, with the balance generated by the commercial segment. Commercial sales were driven by the recently launched business complex Golf Central, generating EGP279 million.

In East Cairo, New Sales stood at EGP722 million in 9M2019, mainly driven by Palm Hills New Cairo, bringing the project's cumulative New Sales to EGP8.4 billion.

North Coast and Alexandria recorded New Sales of EGP5.1 billion during 9M2019, fueled by demand for Palm Hills Alexandria followed by Hacienda Bay project.

The Company handed over 680 residential and commercial units during 9M2019 with most of handed overs units in the following projects: Woodville, Palm Valley, Golf Extension, and Hacienda Bay. Noteworthy, the company aims to deliver c.200 units in Capital Gardens, a couple of quarters ahead of planned delivery schedule.

Number of memberships in Palm Hills Club stood at 3,366 memberships by end of 9M2019.

1- New Sales represent Gross New Sales which includes residential and commercial segments.

### Consolidated Income Statement <sup>2</sup> (Egyptian Accounting Standards)

In EGP 000's	3Q2019	3Q2018	%	9M2019	9M2018	%
<b>Revenue</b>	<b>1,104,945</b>	<b>2,282,521</b>	<b>(52%)</b>	<b>3,620,020</b>	<b>5,656,015</b>	<b>(36%)</b>
Cost of Revenue	(667,609)	(1,446,757)	(54%)	(2,175,103)	(3,508,530)	(38%)
<b>Gross Profit</b>	<b>437,336</b>	<b>835,764</b>	<b>(48%)</b>	<b>1,444,917</b>	<b>2,147,485</b>	<b>(33%)</b>
<i>Gross Profit Margin</i>	40%	37%	3pp	40%	38%	2pp
General Administrative, Selling and Marketing Expenses	(260,646)	(291,874)	(11%)	(618,452)	(701,826)	(12%)
<b>EBITDA</b>	<b>176,690</b>	<b>543,891</b>	<b>(68%)</b>	<b>826,465</b>	<b>1,445,659</b>	<b>(43%)</b>
<i>EBITDA Margin</i>	16%	24%	(8pp)	23%	26%	(3pp)
Administrative Depreciation	(20,678)	(15,409)	34%	(62,204)	(46,112)	35%
<b>Operating Profit</b>	<b>156,012</b>	<b>528,482</b>	<b>(70%)</b>	<b>764,260</b>	<b>1,399,547</b>	<b>(45%)</b>
Less:						
Finance Cost & Interests	(23,192)	(100,921)	(77%)	(127,874)	(207,735)	(38%)
Securitization of Notes Receivables	3,014	(28,644)	(111%)	(41,001)	(114,003)	(64%)
Interest on Land Purchase Liabilities	(53,838)	(72,196)	(25%)	(154,418)	(190,442)	(19%)
Provisions	(214)	(3,020)	(93%)	67,749	(12,189)	NA
Add:						
Interest Income - Amortization of Discount on Notes Receivables	22,359	20,131	11%	67,076	60,394	11%
Gain from Held for Trading Investment	2,861	2,187	31%	8,293	6,143	35%
Interest Income on Held to Maturity Investments	11,122	13,433	(17%)	72,029	45,746	57%
<b>Net Profit Before Income Tax &amp; Minority Interest</b>	<b>118,123</b>	<b>359,452</b>	<b>(67%)</b>	<b>656,115</b>	<b>987,461</b>	<b>(34%)</b>
Income Tax Expense	6,686	(123,576)	NA	(60,553)	(275,855)	NA
Deferred Tax	(274)	(184)	49%	(544)	(453)	-
<b>Net Profit After Tax</b>	<b>124,536</b>	<b>235,692</b>	<b>(47%)</b>	<b>595,018</b>	<b>711,152</b>	<b>(16%)</b>
Non-Controlling Interest	(31,703)	(35,374)	(10%)	(50,707)	(70,933)	(29%)
<b>Net Profit After Tax &amp; Minority Interest</b>	<b>92,833</b>	<b>200,318</b>	<b>(54%)</b>	<b>544,311</b>	<b>640,219</b>	<b>(15%)</b>
<i>Net Profit After Tax &amp; Minority Interest Margin</i>	8%	9%	(1pp)	15%	11%	4pp

2- The Company's consolidated financial statements for the period ended September 30, 2019, prepared in accordance with Egyptian Accounting Standards ('EAS'), can be downloaded from our Company's website: [www.palmhillsdevelopments.com](http://www.palmhillsdevelopments.com)

### Consolidated Balance Sheet (Egyptian Accounting Standards)

EGP Thousand	September 30, 2019	December 31, 2018
<b>Long-Term Assets</b>		
Investments in Associates	156,214	97,447
Investment Property	388,432	769,612
Notes Receivable - Long Term	12,024,434	12,991,366
Projects Under Construction	111,170	106,030
Advance Payments for Investments Acquisitions	194,598	194,598
Fixed Assets (net)	1,371,595	1,427,791
Deferred Tax Asset	3,922	4,469
Employee Stock Ownership Plan	83,070	-
Other Long-Term Assets	1,391	1,391
<b>Total Long-Term Assets</b>	<b>14,334,827</b>	<b>15,592,705</b>
<b>Current Assets</b>		
Works in Process	9,965,300	9,091,530
Held to Maturity Investments	955,189	1,750,819
Cash	694,709	955,738
Notes Receivable - Short Term	4,626,562	4,235,390
Investments at Fair Value	86,948	75,867
Accounts Receivable	1,201,050	1,061,705
Suppliers - Advance Payments	512,327	494,373
Debtors & Other Debit Balances	1,357,462	984,451
Due from Related Parties	379,822	359,633
<b>Total Current Assets</b>	<b>19,779,370</b>	<b>19,009,505</b>
<b>Total Assets</b>	<b>34,114,197</b>	<b>34,602,210</b>
<b>Current Liabilities</b>		
Banks - Credit Balances	126,057	57,736
Banks - Overdraft	1,052,121	897,807
Advances from Customers	11,796,849	11,484,809
Completion of Infrastructure Liabilities	95,083	95,083
Provisions	183,018	251,706
Current Portion of Land Purchase Liabilities	227,130	158,982
Notes Payable - Short Term	827,758	1,586,918
Current Portion of Term Loans	1,411,320	1,101,130
Suppliers & Contractors	797,140	704,440
Income Tax Payable	58,812	251,569
Creditors & Other Credit Balances	573,463	617,219
Due to Joint Arrangements Partners	846,091	749,683
Due to related Parties	30,159	28,188
<b>Total Current Liabilities</b>	<b>18,025,001</b>	<b>17,985,272</b>
<b>Working Capital</b>	<b>1,754,368</b>	<b>1,024,234</b>
<b>Total Investment</b>	<b>16,089,196</b>	<b>16,616,938</b>
<i>Financed as Follows:</i>		
<b>Shareholders' Equity</b>		
Issued and Paid-In Capital	6,235,199	6,157,199
Legal Reserve	734,920	708,524
Special Reserve	176,513	476,064
ESOP Re-measurement Reserve	5,070	-
Retained Earnings	1,038,554	556,922
Net Profit for the period	544,311	811,742
<b>Equity Attributable to Equity Holders of Parent Co.</b>	<b>8,734,568</b>	<b>8,710,451</b>
Non-Controlling Interest	546,008	505,090
<b>Total Shareholders' Equity</b>	<b>9,280,576</b>	<b>9,215,541</b>
<b>Long Term Liabilities</b>		
Land Purchase Liabilities	150,258	298,280
Notes Payable / Long-Term	2,111,087	1,660,457
Other Long-Term Liabilities - Residents' Association	2,069,951	1,671,536
Loans	1,885,127	2,657,712
Due to Joint Arrangements Partners	592,197	1,113,414
<b>Total Long-Term Liabilities</b>	<b>6,808,620</b>	<b>7,401,399</b>
<b>Total Equity &amp; Long-Term Liabilities</b>	<b>16,089,196</b>	<b>16,616,938</b>



## 3Q2019 Earnings Release

### Cash Flow Statement

(Egyptian Accounting Standards)

EGP Thousand	September 30, 2019	September 30, 2018
<b>Net Profit for the period (Before Income Tax &amp; Non-Controlling Interest)</b>	<b>656,116</b>	<b>987,461</b>
Interest on Land Purchase Liabilities	154,418	190,442
Administrative Depreciation	76,869	59,675
Provision Formed	2,391	12,189
Finance Costs & Interest	127,874	207,735
Interest on discounted receivables	41,001	114,003
Share of Profit/Loss of Associates	(8,767)	(7,695)
Gain (loss) on Disposal of fixed assets	(725)	(525)
Interest Income - Amortization of Discount on Notes Receivables	(67,076)	(60,394)
Gains on Investments in Fair Value through Profit or Loss	(8,293)	(6,143)
Interest Income on held to maturity investments	(72,030)	(45,746)
Provisions no Longer Required	(70,140)	-
<b>Operating Profit Before Changes in Working Capital Items</b>	<b>831,637</b>	<b>1,451,002</b>
Cash flow from operation activities		
Change in Work in Process	(754,354)	127,422
Change in Notes Receivables	795,630	(2,594,410)
Change in Investments in Fair Value through Profit or Loss	642,836	(14,614)
Change in Held-to-maturity Investments	(11,082)	(259,461)
Change in Accounts Receivable	(139,345)	(278,215)
Change in Suppliers - Advance Payments	(17,954)	36,453
Change in Debtors & Other Debit Balances	(373,011)	(626,606)
Change in Due from Related Parties	(50,179)	(56,144)
Change in Due to Joint Arrangement Partners	(424,809)	824,170
Change in Advances from Customers	312,040	1,581,221
Provisions	(940)	-
Change in Due to Related Parties	31,960	75,829
change in Notes payables	(462,948)	76,764
Change in Suppliers & Contractors	92,700	(42,752)
Income tax paid	(253,310)	(97,468)
Change in Creditors and Other Credit Balances	(43,756)	83,141
Change in Other Long Term - Residents' Association	398,416	438,741
Change in Guaranteed Payments - Joint Arrangements	-	50,000
<b>Net Cash (Used In) Operating Activities</b>	<b>573,533</b>	<b>775,073</b>
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets	(26,110)	(40,831)
Proceeds from Sale of Fixed Assets	889	590
Payments Advance for Investments	-	(9,160)
Payments for associates investment	(50,000)	-
Payments for projects under construction	(5,141)	(3,448)
Payment for real estate investment	(20,174)	(6,552)
Proceeds from investments in fair value through profit or loss	8,293	-
Proceeds from held-to-maturity investments	72,030	51,889
<b>Cash Flows from Investing Activities</b>	<b>(20,213)</b>	<b>(7,512)</b>
Cash Flows from Financing Activities		
Proceeds from Credit Balances	68,321	4,946
Banks - Overdraft	154,313	471,717
Adjustments to Retained Earnings	(260,872)	(340,863)
Proceeds from ESOP	-	40,404
Securitization of Receivables Interest	(41,001)	(114,003)
Non-Controlling Interest - Dividends	(9,789)	(85,302)
Deferred Tax	3	141
Proceeds from Loans	78,978	-
Repayment of Loans	(676,428)	(443,464)
Finance Costs & Interests	(127,874)	(207,735)
<b>Net Cash Provided by Financing Activities</b>	<b>(814,349)</b>	<b>(674,159)</b>
Net Cash Flow During the Period	(261,029)	93,403
Cash & Cash Equivalents at Beginning of the Period	955,738	562,030
<b>Cash &amp; Cash Equivalents as at September 30, 2019</b>	<b>694,709</b>	<b>655,433</b>



## 3Q2019 Earnings Release

### About Palm Hills Developments

Palm Hills Developments ("PHD"), a leading real estate developer in Egypt, is a joint stock company established in 1997. The Company builds integrated communities and has one of the most diversified land bank portfolios, spreading over 41.6 million square meters ("sqm") in Egypt, including 5 million sqm in Saudi Arabia. PHD's product offerings include primary homes on both West Cairo and East Cairo, as well as secondary homes by the Mediterranean Sea, North Coast.

As at end of 9M2019, PHD delivered 10,297 units within its developments, including more than 6,912 units in 15 completed projects. Today, PHD has 8 projects under development, 3 projects in West Cairo, 3 projects in East Cairo and 2 projects in the North Coast, in addition to 7 new projects including 6 co-developments, translating into a sales backlog of c.EGP15.5 billion. PHD is one of the most liquid and actively traded stocks on the Egyptian Stock Exchange, and is traded under the symbol "PHDC.CA". The Company has a GDR listing on the London Stock Exchange, and is traded under the symbol "PHDC.LI". For more information, please visit: [www.palmhillsdevelopments.com/](http://www.palmhillsdevelopments.com/)

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