



PALM HILLS
DEVELOPMENTS

2Q2019 Earnings Release

PHD achieve positive Cash Flows from Operations of EGP0.5 billion, New Sales of EGP6.0 billion during 1H2019, on track to close the year with positive Cash Flows from Operations

Cairo/London (September 4, 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 June 30, 2019.

Key Highlights

- The Company achieved positive Cash Flows from Operations of EGP0.5 billion in 1H2019, a trend that we are confident to continue throughout the rest of 2019.
- In 1H2019, New Sales (Residential and Commercial) amounted to EGP6.0 billion, translating into 964 units sold. Palm Hills Alexandria contributed the lion's share with EGP3.8 billion (598 units), of which EGP2.8 billion were booked during 2Q2019. While Palm Hills New Cairo recorded EGP502 million in 1H2019. New Sales came 23% lower YoY as 1H2018 seen the launch of Badya on May 3, 2018, and the sale of PK2 Mall in East Cairo during June 2018. Commercial New Sales stood at EGP363 million, supported by the launch of PHD's first dedicated business complex in West Cairo Golf Central adjacent to Bamboo and Bamboo Extension, which booked New Sales of EGP224 million in 1H2019.
- Revenue amounted to EGP2.5 billion in 1H2019, a decrease of 25% YoY, mostly due to lower handed over residential units YoY as most projects currently under development are nearing completion, noting that PHD had c.449 units released from construction until end of 2Q2019, 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 EGP1.6 billion. In 1H2019, PHD maintained a healthy Gross Profit margin of 40% compared to 39% in 1H2018, 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 EGP451 million in 1H2019, an increase of 3% YoY, implying a Net Profit margin of 18%, a growth of 5pp YoY. In 2Q2019, Net Profit grew 44% YoY to record EGP310 million, a Net Profit margin of 20%, an improvement of 9 pp over 2Q2018.
- The Company spent EGP1.1 billion on construction activities during 1H2019, mainly on Palm Hills New Cairo, Golf Extension, Capital Gardens, Golf Views, Palm Valley, Woodville and The Crown.
- As the Company aims to conclude several projects during the year, a number of phases were completed in projects currently under development including the completion of Palm Valley where some home owners already commenced their interior finishing. In Woodville, Phases 1-3 were completed with ambitious plans to conclude Phase 4 by December 2019. Hacienda Bay was 100% completed, except for the phase of Water Villas.
- On the commercial front, Lakeyard was fully renovated and became operational with the beginning of summer season offering 54 F&B, entertainment and retail outlets. Furthermore, the Company witnessed the soft opening of 2 five stars boutique hotels Le Sidi in Hacienda Bay and Mazeej in Hacienda White. Palm Hills Katameya Club commenced soft operations during August 2019.
- PHD handed over 452 units during 1H2019 with most of the handed overs units in the following projects: Woodville, Golf Extension, Golf Views, Palm Parks, Hacienda Bay, and Hacienda White 2. The Company delivered 49 units in Palm Valley in West Cairo ahead of schedule. Notably, PHD plans to deliver c.100 units in Capital Gardens during 4Q2019, a couple of quarters ahead of planned handover schedule.

Yasseen Mansour, Chairman & Group CEO Comments:

During 2Q2019, we were keen on reporting quality set of results where we managed to generate positive Cash Flows from Operations of EGP505 million in line with our target as announced by the beginning of 2019, which is further solidifying our Balance Sheet position.

Our geographical expansion strategy in the untapped real estate markets started to bear fruit during 1H2019 with cumulative sales to date of EGP4.7 billion booked from the recent launch in Egypt's second largest governorate, Alexandria.

Despite the lower handovers YoY, our P&L showed modest growth in earnings of 3%, although we completed the construction of c.449 units in phases that still has ongoing development activities, coupled with the impact of 23% YoY decrease in New Sales. Gross Profit margin came higher than our target of 40% in 1H2019 and 42% in 2Q2019, given the impact of low margin units and easing of old backlog.

We are still eyeing further improvement towards the end of year coming from our efficiency program, which we adopted by the beginning of 2019 and led to a decrease of 13% YoY in SG&A Expenses, along with the anticipation of further interest rates cut in the upcoming MPC meetings during 2019, noting that the 150 bps cut that took place on August, 22, is expected to yield total saving of c.EGP70-80 million per annum in Interests, Financing Cost and Land Liabilities.

Looking at our Net Debt position, it stood at EGP2.6 billion by end of 1H2019, with Receivables of EGP18 billion solidifying our Balance Sheet where Receivables cover Net Debt 6.9 times. Net Debt/EBITDA stood at 2 times by end of 1H2019.

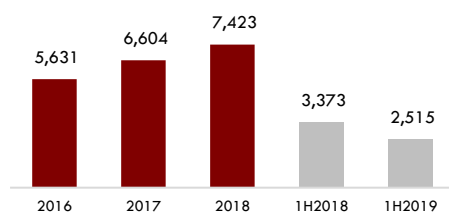
We intend to engage in further securitization and discounting transactions of gross receivables portfolio of c.EGP1 billion during 4Q2019 as the interest rate environment improves further complemented by conclusion of projects under developments.

Despite the current challenging market conditions and continuous pressure on disposal income, our residential and commercial offerings remained compelling and we are still confident about our ability to conclude the year with strong financial and operational performance.

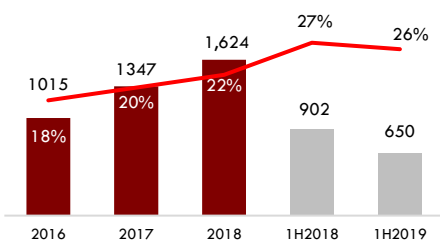
Financial Review

EGP Million	2Q2019	2Q2018	Change	1H2019	1H2018	Change
Revenue	1,557	1,908	(18%)	2,515	3,373	(25%)
Gross Profit	651	764	(15%)	1,007	1,312	(23%)
Gross Profit margin	42%	40%	2pp	40%	39%	1pp
EBITDA	431	521	(17%)	649	902	(28%)
EBITDA margin	28%	27%	1pp	26%	27%	(1pp)
Net Profit before Tax & Minority Interest	345	324	7%	538	628	(14%)
Net Profit after Tax & Minority Interest	310	216	44%	451	440	3%
Net Profit margin	20%	11%	9pp	18%	13%	5pp
New Sales	3,813	5,682	(33%)	6,050	7,811	(23%)

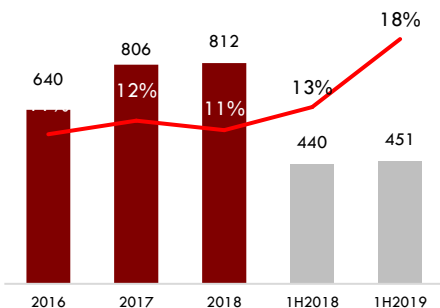
Revenue
(2016-1H2019, EGP Million)



EBITDA & EBITDA Margin
(2016-1H2019, EGP Million)



Net Profit after Tax & Minority Interest
(2016-1H2019, EGP Million)



In 1H2019, Revenue amounted to EGP2.5 billion, a decrease of 25% YoY, due to lower handed over residential units YoY, noting that PHD had c.449 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 billion, translating into a Gross Profit margin of 40%, mostly due to the handover of high margin units.

EBITDA stood at EGP649 million, an EBITDA margin of 26%. Net Profit after Tax and Minority Interest amounted to EGP451 million, a Net Profit margin of 18%.

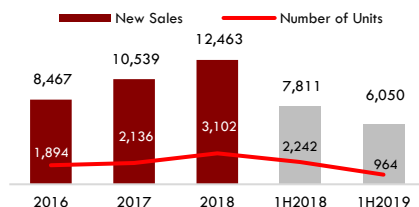
Net Debt amounted to EGP2.6 billion by end of 1H2019, with Receivables of EGP18 billion solidifying our Balance Sheet where Receivables cover Net Debt 6.9 times. Net Debt/EBITDA stood at 2 times by end of 1H2019.

Operational Review

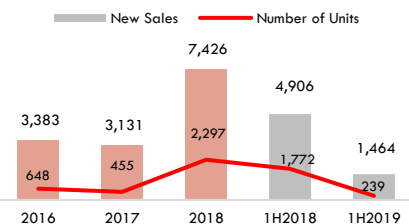
New Sales amounted to EGP6.0 billion in 1H2019, of which EGP5.7 billion was generated from residential sales and EGP363 million from the commercial segment. Palm Hills Alexandria was the largest contributor to Residential New Sales, followed by Palm Hills New Cairo, The Crown and Badya.

Commercial sales were lower YoY since 1H2018 had seen a bulk 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 EGP224 million. While Hale Town (the medical clinics in West Cairo) achieved New Sales of EGP59 million and The Lane Mall booked EGP51 million.

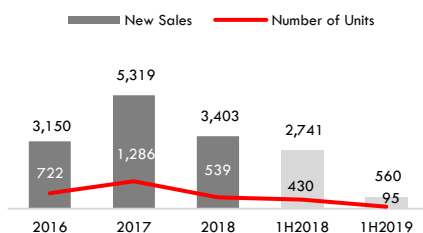
New Sales, All Regions¹ (2016-1H2019, EGP Million)



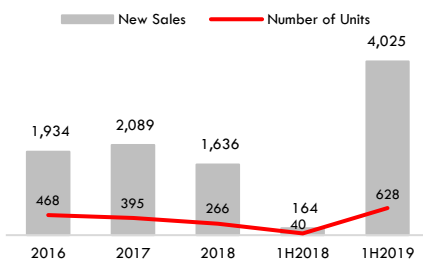
New Sales, West Cairo¹ (2016-1H2019, EGP Million)



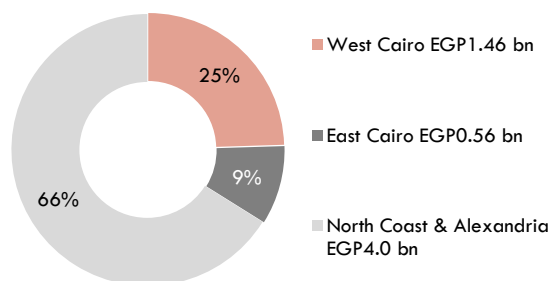
New Sales, East Cairo¹ (2016-1H2019, EGP Million)



New Sales, North Coast & Alexandria¹ (2016-1H2019, EGP Million)



The following chart shows percentage contribution of each operating region to New Sales during 1H2019:



In West Cairo, New Sales amounted to EGP1.5 billion, of which EGP1.1 billion was generated from the sale of residential units, with the balance generated by the commercial segment. New Sales in West Cairo were complemented by demand for units in The Crown and Badya projects. While commercial sales were driven by the launch of Golf Central - the recently launched business complex located in Palm Hills October attached with retail including F&B outlets. The project booked New Sales of EGP224 million (23 units).

In East Cairo, New Sales stood at EGP560 million in 1H2019, mainly driven by Palm Hills New Cairo, bringing the project's cumulative New Sales to EGP7.8 billion.

North Coast and Alexandria recorded New Sales of EGP4.0 billion during 1H2019, fueled by robust demand for Palm Hills Alexandria. During 2Q2019, PHD commenced conversion of Expressions of Interests into Sales resulting in EGP3.8 billion (598 units).

The Company handed over 452 units during 1H2019 with most of handed overs units in the following projects: Woodville, Golf Extension, Golf Views, Palm Parks, Hacienda Bay, and Hacienda White 2. The Company delivered 49 units in Palm Valley in West Cairo ahead of schedule. Notably, PHD plans to deliver c.100 units in Capital Gardens during 4Q2019, a couple of quarters ahead of planned handover schedule.

It is worthy to highlight that number of memberships in Palm Club stood at 3,332 memberships by end of 1H2019.

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

Consolidated Income Statement ² (Egyptian Accounting Standards)

In EGP 000's	2Q2019	2Q2018	%	1H2019	1H2018	%
Revenue	1,556,993	1,908,042	(18%)	2,515,075	3,373,494	(25%)
Cost of Revenue	(905,457)	(1,143,636)	(21%)	(1,507,495)	(2,061,773)	(27%)
Gross Profit	651,536	764,406	(15%)	1,007,581	1,311,721	(23%)
Gross Profit Margin	42%	40%	2pp	40%	39%	1pp
General Administrative, Selling and Marketing Expenses	(220,389)	(243,351)	(9%)	(357,806)	(409,953)	(13%)
EBITDA	431,147	521,054	(17%)	649,775	901,768	(28%)
EBITDA Margin	28%	27%	1pp	26%	27%	(1pp)
Administrative Depreciation	(20,762)	(25,063)	(17%)	(41,527)	(30,703)	35%
Operating Profit	410,384	495,992	(17%)	608,248	871,065	(30%)
Less:						
Finance Cost & Interests	(49,817)	(64,167)	(22%)	(104,681)	(106,814)	(2%)
Securitization of Notes Receivables	(35,916)	(85,359)	(58%)	(44,015)	(85,359)	(48%)
Interest on Land Purchase Liabilities	(19,006)	(59,123)	(68%)	(100,580)	(118,246)	(15%)
Provisions	(700)	(7,053)	(90%)	(2,177)	(9,169)	NA
Provisions No Longer Required	-	-	-	70,140	-	NA
Add:						
Interest Income - Amortization of Discount on Notes Receivables	22,359	20,133	11%	44,718	40,263	11%
Gain from Held for Trading Investment	2,485	2,018	23%	5,432	3,956	37%
Interest Income on Held to Maturity Investments	15,440	21,496	(28%)	60,907	32,312	88%
Net Profit Before Income Tax & Minority Interest	345,228	323,938	7%	537,992	628,009	(14%)
Income Tax Expense	(29,571)	(90,470)	(67%)	(67,240)	(152,279)	(56%)
Deferred Tax	(151)	(138)	10%	(270)	(269)	-
Net Profit After Tax	315,506	233,329	35%	470,482	475,460	(1%)
Non-Controlling Interest	(5,189)	(17,577)	(70%)	(19,004)	(35,559)	(47%)
Net Profit After Tax & Minority Interest	310,317	215,750	44%	451,478	439,901	3%
Net Profit After Tax & Minority Interest Margin	20%	11%	9pp	18%	13%	5pp

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

Consolidated Balance Sheet (Egyptian Accounting Standards)

EGP Thousand	June 30, 2019	December 31, 2018
Long-Term Assets		
Investments in Associates	149,359	97,447
Investment Property	771,256	769,612
Notes Receivable - Long Term	12,173,626	12,991,366
Projects Under Construction	111,336	106,030
Advance Payments for Investments Acquisitions	194,598	194,598
Fixed Assets (net)	1,381,922	1,427,791
Deferred Tax Asset	4,196	4,469
Employee Stock Ownership Plan	92,040	-
Other Long-Term Assets	1,391	1,391
Total Long-Term Assets	14,879,724	15,592,705
Current Assets		
Works in Process	9,970,184	9,091,530
Held to Maturity Investments	890,110	1,750,819
Cash	852,973	955,738
Notes Receivable - Short Term	4,732,633	4,235,390
Investments at Fair Value	80,917	75,867
Accounts Receivable	1,190,629	1,061,705
Suppliers - Advance Payments	506,064	494,373
Debtors & Other Debit Balances	1,353,653	984,451
Due from Related Parties	397,072	359,633
Total Current Assets	19,974,234	19,009,505
Total Assets	34,853,958	34,602,210
Current Liabilities		
Banks - Credit Balances	88,191	57,736
Banks - Overdraft	1,023,495	897,807
Advances from Customers	11,685,304	11,484,809
Completion of Infrastructure Liabilities	95,083	95,083
Provisions	182,811	251,706
Current Portion of Land Purchase Liabilities	174,026	158,982
Notes Payable - Short Term	1,475,988	1,586,918
Current Portion of Term Loans	1,204,024	1,101,130
Suppliers & Contractors	830,016	704,440
Income Tax Payable	69,702	251,569
Creditors & Other Credit Balances	669,578	617,219
Due to Joint Arrangements Partners	766,027	749,683
Due to related Parties	29,145	28,188
Total Current Liabilities	18,293,390	17,985,272
Working Capital	1,680,844	1,024,234
Total Investment	16,560,568	16,616,938
<i>Financed as Follows:</i>		
Shareholders' Equity		
Issued and Paid-In Capital	6,235,199	6,157,199
Legal Reserve	734,920	708,524
Special Reserve	476,064	476,064
ESOP Re-measurement Reserve	14,040	-
Retained Earnings	1,226,356	556,922
Net Profit for the period	451,478	811,742
Equity Attributable to Equity Holders of Parent Co.	9,138,057	8,710,451
Non-Controlling Interest	514,305	505,090
Total Shareholders' Equity	9,652,362	9,215,541
Long Term Liabilities		
Land Purchase Liabilities	260,715	298,280
Notes Payable - Long-Term	1,589,919	1,660,457
Other Long-Term Liabilities - Residents' Association	1,943,644	1,671,536
Loans	2,149,724	2,657,712
Due to Joint Arrangements Partners	964,204	1,113,414
Total Long-Term Liabilities	6,908,206	7,401,399
Total Equity & Long-Term Liabilities	16,560,568	16,616,938

Cash Flow Statement (Egyptian Accounting Standards)

EGP Thousand	June 30, 2019	June 30, 2018
Net Profit for the period (Before Income Tax & Non-Controlling Interest)	537,992	628,009
Administrative Depreciation	51,205	39,638
Provision Formed	2,177	9,169
Finance Costs & Interest	104,681	106,814
Interest of Discount of Notes Receivables	44,015	85,359
Interest Income - Amortization of Discount on Notes Receivables	(44,718)	(40,263)
Interest on Land Purchase Liabilities	100,580	118,246
Gain (loss) on Disposal of fixed assets	(114)	2
Share of Profit/Loss of Associates	(1,911)	(2,601)
Gains on Investments in Fair Value through Profit or Loss	(5,432)	(3,956)
Interest Income on held to maturity investments	(60,907)	(32,312)
Provisions no Longer Required	(70,140)	-
Operating Profit Before Changes in Working Capital Items	657,428	908,104
Cash flow from operation activities		
Change in Work in Process	(812,059)	(233,285)
Change in Notes Receivables	365,215	(1,300,294)
Change in Investments in Fair Value through Profit or Loss	(5,050)	(8,020)
Change in Held-to-maturity Investments	860,709	(121,841)
Change in Accounts Receivable	(128,924)	(192,949)
Change in Suppliers - Advance Payments	(11,691)	(13,347)
Change in Debtors & Other Debit Balances	(369,202)	(496,954)
Change in Due from Related Parties	(37,440)	(88,528)
Change in Minimum Guaranteed Payments - Joint Arrangements	-	50,000
Change in Advances from Customers	200,495	1,368,471
Provisions	(932)	-
Change in Due to Related Parties	957	9,966
change in Notes payables	(282,047)	131,141
Change in Suppliers & Contractors	125,576	38,207
Income tax paid	(249,107)	(152,704)
Change in Creditors and Other Credit Balances	52,359	33,789
Change in Other Long Term - Residents' Association	272,108	223,407
Change in Guaranteed Payments - Joint Arrangements	(132,865)	492,710
Net Cash (Used In) Operating Activities	505,530	647,873
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets	(9,169)	(35,058)
Proceeds from Sale of Fixed Assets	261	-
Payments Advance for Investments	-	(8,020)
Payments for associates investment	(50,000)	-
Payments for projects under construction	(5,306)	1,712
Payment for real estate investment	(2,519)	(5,021)
Proceeds from investments in fair value through profit or loss	5,432	3,956
Proceeds from held-to-maturity investments	60,907	32,312
Cash Flows from Investing Activities	(394)	(10,119)
Cash Flows from Financing Activities		
Banks - Credit Balances	30,455	1,215
Banks - Overdraft	125,687	286,363
Adjustments to Retained Earnings	(115,912)	(300,248)
Proceeds from ESOP	-	40,404
Securitization of Receivables Interest	(44,015)	(85,359)
Non-Controlling Interest - Dividends	(9,789)	(4,572)
Deferred Tax	3	141
Proceeds from Loans	11,670	-
Repayment of Loans	(501,320)	(248,730)
Finance Costs & Interests	(104,681)	(106,814)
Net Cash Provided by Financing Activities	(607,901)	(417,600)
Net Increase in Cash & Cash Equivalents during the Period	(102,765)	220,155
Cash & Cash Equivalents at Beginning of the Period	955,738	562,030
Cash & Cash Equivalents as at 30 June 2019	852,973	782,185

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 41.5 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 1H2019, PHD delivered 10,100 units within its developments, including more than 5,064 units in 13 completed projects. Today, PHD has 10 projects under development, 4 projects in West Cairo, 4 projects in East Cairo and 2 projects in the North Coast, in addition to 5 new projects including 4 co-developments, translating into a sales backlog of c.EGP13.4 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/

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