

**Transcription**  
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## Presentation

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### Operator

Ladies and gentlemen, welcome to the PHD Q3 2019 Results conference call. I will now hand over the call to Mr. Omar El-Menawy, CI Capital Cairo Analyst. Sir, please go ahead.

### Omar El-Menawy

Good morning and good afternoon ladies and gentlemen. This is Omar El-Menawy from CI Capital. I would like to welcome you all to PHD's Q3 2019 Results conference call.

Joining us from Palm Hills, Mr. Yasseen Mansour, the Chairman and the Group CEO, Mr. Mohamed Fahmy, the COO, Mr. Ali Thabet, the CFO, and Mr. Mamdouh Abdelwahab, IR Investments EVP. I would like to thank management for devoting their time for us today.

As usual, we will have a presentation, followed by a Q&A session, so I will pass the floor now to Mr. Yasseen. Please go ahead.

### Yasseen Mansour

Thank you, Omar. Thank you very much. Good afternoon ladies and gentlemen and thank you for joining our third quarter 2019 earnings conference call. On today's call, I will briefly present to you the key highlights of the period and then we will open the floor for questions and hopefully answers.

We continued our steady focus on generating positive cash flows from operations, which resulted in 573 million during the nine months 2019, in line with our target as announced by the beginning of the year. New sales stood at 8.1 billion during the first nine months of 2019. New sales during third quarter grew 2% year-over-year to reach EGP 2.1 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 signs the contract with various payment schemes. This has led to the sales in September of 1.3 billion, which makes it the best September ever in the company's history.

In nine months 2019, commercial new sales reached 458 million, largely driven by the sale of office space in Golf Central, while the Lane Mall and Hale Town also continued to these figures. We see some improvements in the property market conditions and appetite for first homes, with the easing inflationary environment evidenced by the strong uptake on our residential offerings on the back of some recent marketing campaigns launched during the fourth quarter 2019, allowing us to confidently exceed the full year target of EGP 14 billion.

We spent 1.5 billion on construction activities during nine months 2019, mainly on Palm Hills New Cairo, Hacienda Bay, Golf Extension, Capital Gardens, Golf Views, Palm Valley, Woodville, and The Crown. We continued our steady efforts with regards to expediting project delivery, with several phases completed in projects under development, including the completion of Palm Valley, Phase 9 in PK2 extension and Hacienda Bay, in addition to 95% construction finished in Golf Extension and Woodville,.

Notably, the company commenced construction in the new projects Badya and The Crown.

We handed over 680 residential units and commercial units during the nine months of 2019, 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 the West of Cairo ahead of schedule, starting from second quarter 2019. We are planning to deliver up to 200 units in Capital Gardens during the fourth quarter of 2019, six months earlier than the planned handover schedule.

On the commercial front, some of the tenants in Palm Central concluded their interior finishing and started to move in already. The number of membership in Palm Hills Club stood at 3,366 members until end of September. We are currently assessing the feasibility of developing a boutique hotel in Palm Hills October given the shortage in hotel rooms supply, specifically to the East side of Cairo.

Looking at our P&L, revenue amounted to 3.6 billion; a decrease of 36% year-over-year, mostly due to lower handed over residential units, as most projects currently under development are nearing completion.

Noting that PHD has 658 units released from construction by the end of third quarter 2019, and will be in livable zones in the coming quarter or two. While revenue of the third quarter stood at 1.1 billion, PHD maintained a healthy gross profit of 40% compared to 38% up to September 2018, mainly driven by year-over-year growth in value of units delivered.

Gross profit stood at 1.4 billion and EBITDA amounted to 826 million for the nine months of 2019, a margin of 40% on gross profit and 23% as EBITDA margin.

Net profit after tax and minority interest amounted to 544 million in the nine months ending September, a decrease of 15% year-over-year, implying a net profit margin of 15%, which represents a growth of four percentage points year-over-year.

We are still enjoying further improvement towards yearend from our efficiency program, which was adapted late last year and led to a decrease of 12% year-over-year in SG&A expenses, along with expectations for further interest rate reduction by the MPC, noting that the 450 bps interest rate cuts, which took place until September will give Pal Hills a total savings of EGP 300 million per annum in interest, financing costs and land liabilities.

We feel that there is a very strong negative correlation between interest rates and real estate sales, which will not only lead to a reduction in PHD's cost, but will also result in higher demand for real estate projects in general, which was evidenced by the stellar sales performance during September 2019, although there was no new launch during that period.

Looking at our net debt position, it amounted to 2.7 billion by end of September, with receivables covering that debt with 17.8 billion in receivables, where the receivables cover our net debt by 6.6 times. Net debt/EBITDA stood at 2.4 times by end of September 2019.

We have fully successfully completed a securitization of receivables transaction during October 2019 for a gross receivables portfolio of 776 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 1.5 billion during the first half of 2020, as the interest rate environment improves, further complemented by conclusion of projects currently under development.

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 1.5-2 billion, whereby we plan to maintain our current net debt position and leverage ratio.

With that, I open the floor for Q&A.

Thank you very much.

## Q&A

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### Operator

*[Operator instructions]*

### Omar El-Menawy

Hi, this is Omar. Could I ask a couple of questions while we wait for any other questions? I just wanted to ask with the target now set to be met – the 14 billion target set to be met this year, I just wanted to know if you could shed any light on sales going forward starting 2020, or at least 2020, if you believe this level would be sustainable or if we could see growth from here. That is my first question.

Secondly, with 14 billion being achieved, that implies at least 6 billion of sales in the fourth quarter, so I just wanted some kind of breakdown for that, what would be the largest contributor and how much came from Badya. That is it from my end. Thank you.

### Yasseen Mansour

I think, just to answer you, as management, we cannot give details, but as I said, we are on target to exceed the 14 billion. By saying that, I think, the maths can be easily done, but yes, we are on target to achieve the 14 billion.

As far as next year, we haven't yet finished our plans and our forecast for next year, so it is too early for me to give figures now or to give any indication now, but all what I can say is that the 14 billion will be achieved.

And if we had felt otherwise, we would have definitely told you and announced to the market that we are not going to reach our sales target.

**Omar El-Menawy**

Yes, of course. Thank you very much.

**Operator**

*[Operator instructions]*

It seems that we have no questions. Back to you for the conclusion.

## Conclusion

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**Yasseen Mansour**

Thank you. If there are no more questions, thank you very much.

Thank you, Omar. Thank you, operator. Bye.