

PHD records new sales of EGP19.6 billion in 1H2023, an increase of 84% YoY. Revenues stood at EGP 6.9 billion while Net Profit After Tax & Minority Interest amounted to EGP608 million in 1H2023

Cairo on August 23, 2023 - Palm Hills Developments S.A.E. ("PHD" or "the Company"), a leading real estate developer in Egypt, announce its consolidated financial and operating results for the financial period ended June 30, 2023.

Financial Highlights

- Revenue stood at EGP6.9 billion in 1H2023, stable YoY, on sales mix during the period, as majority of new sales were apartments.
- Gross Profit stood at EGP2.3 billion in 1H2023, flat YoY, translating into a gross profit margin of 34%. EBITDA increased 2% YoY to record EGP1.4 billion, implying a margin of 20%.
- Net Profit After Tax & Minority Interest amounted to EGP608 million in 1H2023, an increase of 9% YoY, with a Net Profit margin of 9%.
- Net Debt increased to EGP3.1 billion by the end of 1H2023, reflecting the progress in construction activities spending in 1H2023 to record EGP3.8 billion, exceeding total construction spending in FY2022 of EGP3.7 billion, as the company concluded early on several bulk deals to secure highly exposed USD components and alleviate inflation cost impact. Also, contractors' payments were expedited, and down payments percentage was increased to ensure accelerated infrastructure works.
- During 1H2023, the company concluded EGP 472.5 million securitized bond as part of the EGP5 billion issuance program.

Operational Highlights

- New sales grew 84% YoY to record EGP19.6 billion in 1H2023, mainly driven by higher new sales in Badya, Palm Hills New Cairo, Palm Hills Alexandria, Hacienda West, and The Crown.
- New sales for 2Q2023 recorded EGP12.9 billion, the highest quarter in the company's history, showing an increase of 150% YoY.
- Badya continues to witness record new sales, surpassing EGP10 billion mark in 1H2023, a growth of 229% YoY, boosted by strong demand in 2Q2023 to record EGP7.1 billion compared to EGP1.1 billion in 2Q2022.
- PHNC's new sales amounted to EGP2.2 billion during 1H2023, a growth of 15% YoY, driven by strong sales momentum in 2Q2023.
- During 1H2023, construction spending grew 115% YoY to reach EGP3.8 billion, which reflects the acceleration of construction pace across all projects.
- The Company delivered 538 units during 1H2023, a decline of 16.3% YoY. Released from construction by end of 1H2023 reached 873 units compared to 600 units in 1H2022, while Ready to Move Inventory stood at c. EGP 3 billion, representing 140 units.

Yasseen Mansour, Executive Chairman comments:

I am pleased with the announcement of our results for the period ended June 30, 2023, where we delivered a healthy set of financial and operational results despite the challenging dynamics.

The Company achieved another record new sales in 1H2023 of EGP19.6 billion, a growth of 84% YoY. Badya, The Crown, Palm Hills New Cairo, Palm Hills Alexandria, and Hacienda West accounted for 86% of total new sales in 1H2023. Performance of the second quarter came in strong amidst the current macro circumstances, booking EGP12.9 billion new sales in 2Q2023, the highest quarter in the company's history, driven by our resilient projects' portfolio and strategic measures taken since the beginning of FY2022 to introduce unparalleled offerings across all of our projects, while maintaining growth momentum and profitability margins.

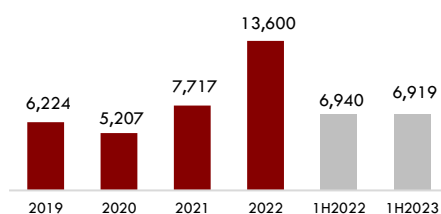
Badya continues to grow in terms of sales, construction, and deliveries momentum, as new sales in Badya increased remarkably by 229% YoY crossing the EGP10 billion mark by the end of 1H2023.

In July 2023, the Company successfully concluded the second securitization transaction during the year of EGP472 million via the issuance of securitized Bonds as part of our EGP5 billion issuance program to diversify our funding sources.

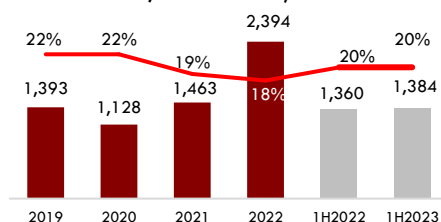
On the development side, we are accelerating construction and execution pace in our major projects, as we spent EGP3.8 billion in 1H2023 on construction, surpassing what we have done in terms of construction spending in FY2022, to conclude, early on, bulk deals to secure highly exposed USD components namely building and finishing materials, also higher down payments were granted to contractors to accelerate infrastructure works. As a result of construction spending progress, a total of 873 units were released from construction in 1H2023 and 2,350 units planned to be released from construction by year end, complemented by Ready to Move inventory balance of 140 units worth EGP3 billion.

We expect 3Q2023 to maintain strong sales momentum, evidence seen after several successful launches in the North Coast and steady sales pace across the rest of our projects since the beginning of the quarter, and we remain confident in the ability of our company to accommodate the current uncertainties.

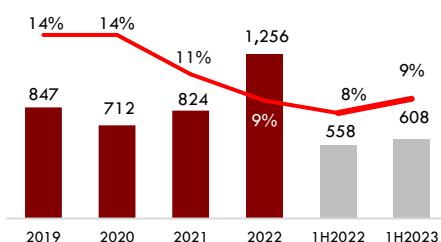
Revenue (2019-1H2023, EGP Million)



EBITDA & EBITDA Margin (2019-1H2023, EGP Million)



Net Profit after Tax & Minority Interest (2019-1H2023, EGP Million)



Financial Review

EGP Million	1H2023	1H2022	Change
Revenue	6,919	6,940	(0.3%)
Gross Profit	2,343	2,334	0.4%
Gross Profit margin	34%	34%	0.2pp
EBITDA	1,384	1,360	2%
EBITDA margin	20%	20%	0.4pp
Net Profit before Tax & Minority Interest	860	892	(4%)
Net Profit after Tax & Minority Interest	608	558	9%
Net Profit margin	9%	8%	1pp

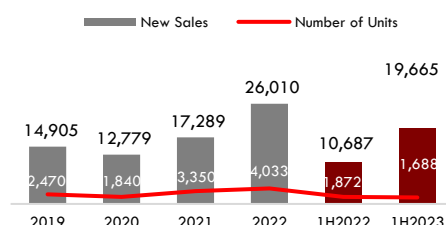
Revenue stood at EGP6.9 billion in 1H2023, stable YoY due to the sales mix, as majority of sales in 1H2023 were apartments that will be recognized as revenue once delivered.

Gross Profit stood at EGP2.3 billion in 1H2023, slightly up by 0.4% YoY, with gross profit margin of 34% at par with comparable period last year. EBITDA amounted to EGP1.4 billion, an increase of 2% YoY, implying an EBITDA margin of 20%.

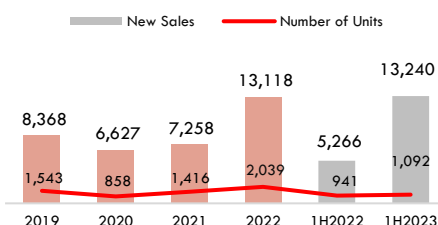
Net Profit After Tax & Minority Interest amounted to EGP608 million in 1H2023, an increase of 9% YoY, with a Net Profit margin of 9%.

Net Debt increased to EGP3.1 billion by the end of 1H2023, reflecting the progress in construction activities spending in 1H2023 to record EGP3.8 billion compared to EGP1.7 billion in 1H2022, reflecting the increase in construction activities spending during 1H2023 across all projects, as we had concluded, early on, several bulk deals to secure highly exposed USD components. Also, contractors' payments were expedited, and the down payments percentage was increased to ensure accelerated infrastructure works. Receivables stood at EGP34 billion, covering Net Debt 11x.

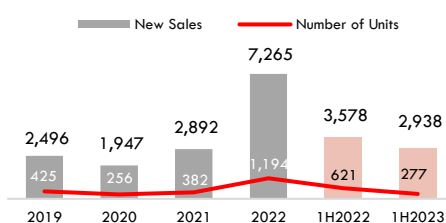
New Sales, All Regions (2019-1H2023, EGP Million)



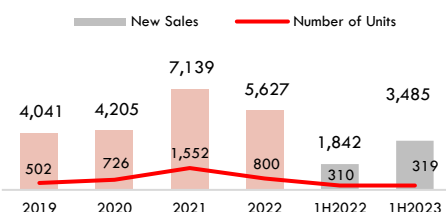
New Sales, West Cairo (2019-1H2023, EGP Million)



New Sales, East Cairo (2019-1H2023, EGP Million)



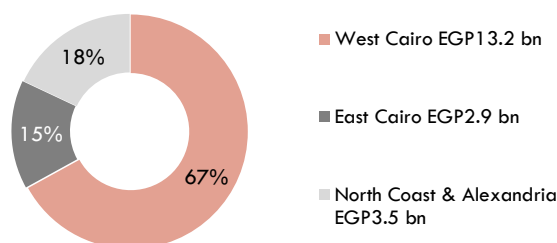
New Sales, North Coast & Alexandria (2019-1H2023, EGP Million)



Operational Review

New sales remarkably increased 84% YoY to record EGP 19.6 billion in 1H2023, supported by strong sales momentum during the period, mainly in Badya, Palm Hills New Cairo, Palm Hills Alexandria, Hacienda West and The Crown.

The following chart illustrates percentage contribution of each operating region to new sales (residential & commercial) during 1H2023:



In West Cairo, new sales of the region grew 151% to record EGP13.2 billion in 1H2023, driven by strong sales momentum in Badya (77% of the region's sales) to record EGP10.1 billion in 1H2023 compared to EGP3 billion in the comparable period last year, boosted by strong sales momentum in 2Q2023 of EGP7.1 billion, up 521% YoY. Sales growth in Badya was a function of higher average selling prices and number of units sold, with number of units sold increasing 85% YoY to 460 units in 2Q2023, bringing 1H2023 units sold to 902 units compared to 677 units sold in 1H2022.

In East Cairo, new sales came in at EGP2.9 billion. PHNC's new sales amounted to EGP2.2 billion during 1H2023, a growth of 15% YoY, driven by strong sales momentum in 2Q2023.

In the North Coast and Alexandria region, new sales increased to EGP3.5 billion by end of 1H2023, an increase of 89% YoY driven mainly by strong sales momentum in Palm Hills Alexandria and Hacienda West in 2Q2023.

The Company spent EGP3.8 billion on construction activities during 1H2023, a growth of 115% YoY, compared to EGP1.7 billion during the same period last year. Construction spending during the 1H2023 was mostly in Badya, Palm Hills New Cairo, Palm Hills Alexandria, North Coast projects, Hacienda West, Palm Hills New Alamein and the newly opened school Kings Schools.

A total of 873 residential & commercial units were released from construction within livable zones as of 1H2023, in addition, 538 units were handed over to clients in 1H2023 and the remaining units are scheduled to be delivered by year end.

Consolidated Income Statement ²

EGP Thousand	1H2023	1H2022	%
Revenue	6,919,046	6,940,217	(0.3%)
Cost of Revenue	(4,575,742)	(4,606,043)	1%
Gross Profit	2,343,310	2,334,174	(0.4%)
<i>Gross Profit margin</i>	<i>34%</i>	<i>34%</i>	<i>0.23pp</i>
General Administrative, Selling and Marketing Expenses	(959,614)	(973,812)	(1%)
EBITDA	1,383,690	1,360,362	(1%)
<i>EBITDA margin</i>	<i>20%</i>	<i>20%</i>	<i>0.0pp</i>
Administrative Depreciation	(86,103)	(87,131)	(1%)
Operating Profit	1,297,587	1,273,231	2%
Less:			
Finance Cost & Interests ³	(627,712)	(315,297)	99%
Provisions	4,000	(135,881)	(97%)
Estimated Credit Loss	(1,944)	(563)	NA
Add:			
Interest Income - Amortization of Discount on Notes Receivables	70,151	39,271	79%
Gain on Investment in Fair Value through Profit or Loss	6,407	3,071	109%
Interest Income on Held to Maturity Investments	119,316	28,238	323%
Net Profit Before Income Tax & Minority Interest	859,810	892,070	(4%)
Income Tax Expense	(220,650)	(329,894)	(33%)
Deferred Tax	(325)	(382)	(15%)
Net Profit After Tax	638,835	561,794	14%
Non-Controlling Interest	(30,781)	(3,305)	831%
Net Profit After Tax & Minority Interest	608,054	558,488	9%
<i>Net Profit After Tax & Minority Interest margin</i>	<i>9%</i>	<i>8%</i>	<i>1pp</i>

2- The Company's Consolidated Financial Statements for the period ended June 30, 2023, prepared in accordance with Egyptian Accounting Standards ("EAS"), can be downloaded from our Company's website: www.palmhillsdevelopments.com

3- Finance Cost & Interests includes Finance Cost, Interest on Land Purchase Liabilities and rebates related to Land Liabilities.



2Q2023 Earnings Release

Balance Sheet

EGP Thousand	June 30, 2023	December 31, 2022
Long-Term Assets		
Investments in Associates	467,133	382,317
Investment Property	165,516	167,262
Fixed Assets (Net)	2,562,011	2,592,279
Projects Under Construction	555,909	212,133
Advance Payments for Investments Acquisitions	57,511	59,785
Other Long - Term Assets	1,087	1,170
Right of Use Assets	5,171	7,820
Notes Receivable - Long Term	14,841,021	13,457,192
Notes Receivables - Undelivered Units	5,178,427	6,608,405
Total Long - Term Assets	23,833,789	23,488,367
Current Assets		
Works in Process	6,634,778	6,286,291
Held to Maturity Investments	4,004,861	3,505,242
Cash	1,823,528	1,165,167
Notes Receivable - Short Term	6,742,332	5,897,552
Notes Receivable - Undelivered Units	2,293,800	2,548,927
Investments at Fair Value	86,633	86,052
Accounts Receivable	4,801,036	2,707,513
Suppliers - Advance Payments	2,878,568	1,603,207
Debtors & Other Debit Balances	2,466,689	1,858,626
Due from Related Parties	362,993	359,050
Total Current Assets	32,095,218	26,017,630
Total Assets	55,929,007	49,505,997
Current Liabilities		
Banks - Credit Balances	464,793	180,168
Banks - Overdraft	3,120,030	2,403,922
Clients' Checks	7,472,227	9,157,333
Advances from Customers	12,148,338	10,214,450
Provisions	187,075	183,375
Current Portion of Land Purchase Liabilities	12,821	81,839
Investments Purchase Credits	20,718	20,718
Notes Payable - Short Term	1,913,840	1,572,111
Current Portion of Term Loans	509,991	278,307
Suppliers & Contractors	1,814,870	1,268,463
Income Tax Payable	223,247	421,102
Creditors & Other Credit Balances	1,712,040	1,386,633
Due to Joint Arrangements Partners	-	90,952
Due to Related Parties	3,823	3,388
Lease Liabilities - Short Term	7,600	6,526
Total Current Liabilities	29,675,812	27,269,290
Working Capital	2,419,382	(1,251,659)
Total Investment	26,253,172	22,236,707
<i>Financed as Follows:</i>		
Shareholders' Equity		
Issued & Paid-In Capital	5,883,189	6,003,189
Legal Reserve	886,638	834,679
Treasury Shares	-	(90,146)
Retained Earnings	2,760,995	1,686,908
Net Profit for the Period	608,053	1,255,848
Equity Attributable to Equity Holders of Parent Co.	10,138,877	9,690,480
Non-Controlling Interest	505,148	481,106
Total Shareholders' Equity	10,644,025	10,171,586
Long Term Liabilities		
Loans-Long Term	3,720,870	2,697,476
Notes Payable - Long Term	1,336,339	1,329,707
Land Purchase Liabilities	57,597	22,488
Other Long-Term Liabilities - Residents' Association	6,752,713	5,651,066
Lease Liabilities - Long Term	1,296	3,124
Due to Joint Arrangements Partners - Long Term	2,526,398	1,673,994
Islamic Sukuk	1,213,937	687,264
Total Long-Term Liabilities	15,609,152	12,065,121
Total Equity & Long-Term Liabilities	26,253,171	22,236,707



2Q2023 Earnings Release

Cash Flow Statement

EGP Thousand	June 30, 2023	June 30, 2022
Net Profit for the Period (Before Income Tax & Non-Controlling Interest)	859,809	892,069
Interest on Land Purchase Liabilities	30,076	63,365
Administrative Depreciation	98,071	95,806
Provision Formed	68,392	135,881
Finance Costs & Interest	533,243	251,932
Gain (loss) on Disposal of Fixed Assets	(213)	(120)
Share of Profit/Loss of Associates	(19,398)	2,555
Interest Income - Amortization of Discount on Notes Receivables	(70,151)	(39,271)
Gains on Investments in Fair Value through Profit or Loss	(6,407)	(3,071)
Gains and losses on Held to Maturity Investments	(119,316)	(28,238)
Estimated Credit Loss	1,944	563
Operating Profit Before Changes in Working Capital Items	1,378,694	1,375,673
<i>Cash flow from Operating Activities</i>		
Change in Work in Process	(376,077)	1,510,933
Change in Held to Maturity Investments	(499,619)	138,225
Change in Notes Receivables	(581)	(13,675)
Change in Investments in Fair Value through Profit or Loss	1,685,106	(1,716,424)
Change in Accounts Receivable	(2,158,456)	(1,011,391)
Change in Suppliers - Advance Payments	(1,275,361)	(345,865)
Change in Debtors & Other Credit Balances	(608,376)	(19,454)
Change in Due from Related Parties	(3,952)	(15,430)
Change in Advances from Customers	1,933,905	104,375
Utilized Provisions	(299)	(3,106)
Change in Due to Related Parties	(1,685,106)	1,716,424
Change in Notes Payables	435	853
Change in Suppliers & Contractors	318,284	(1,009,488)
Income Tax Paid	546,406	(62,169)
Change in Creditors	(418,504)	(152,761)
Change in Other Long Term - Residents' Association	227,978	110,223
Change in Guaranteed Payments - Joint Arrangements	1,101,646	500,744
Leasing Contracts Liabilities - Short Term	858,881	(897,965)
Change in infrastructure commitments	-	(58,063)
Leasing Contracts Liabilities-Short Term	(754)	(1,516,033)
Net Cash (Used In) Operating Activities	(1,005,290)	(49,487)
<i>Cash Flows from Investing Activities</i>		
Payments for Purchase of Fixed Assets	(70,267)	(21,048)
Proceeds from Sale of Fixed Assets	373	119
Payments for Associate's Investment	2,648,727	(21,049)
Proceeds for Associate's Investments	(60,000)	(149,881)
Payments in Projects Under Construction	(343,775)	-
Proceeds from Other Assets	84	84
Gains on Investments in Fair Value through Profit or Loss	6,406	3,071
Credit Interests	119,315	28,237
Cash Flows from Investing Activities	(353,281)	(136,344)
<i>Cash Flows from Financing Activities</i>		
Credit Balance	284,626	19,863
Proceeds from Banks – Overdraft	716,108	465,635
Operating Lease Liability	(754)	(2,440)
Settlements on Retained Earnings	-	(9,640)
Dividends	(159,657)	(197,029)
Minority Interests	(6,739)	(7,956)
Deferred Tax	(325)	189
Repayment of Loans	(99,074)	(185,000)
Proceeds from Loans	1,354,153	326,695
Payment of Finance Cost & Interest	(597,635)	(251,932)
Sukuk	526,673	249,417
Cash Flows from Financing Activities	2,017,375	407,800
Net Cash Flow during the Period	658,797	221,968
Impact of Estimated Credit Losses	(443)	(19)
Cash & Cash Equivalents at Beginning of the Period	1,165,167	1,017,868
Cash & Cash Equivalents as of June 30, 2023	1,823,521	1,239,819



2Q2023 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 29 million square meters ("sqm"). PHD's product offerings include primary homes in West Cairo, East Cairo and Alexandria, as well as secondary homes on the North Coast (Mediterranean Sea).

As at end of 1H2023, PHD delivered more than 14,500 units within its developments. Today, PHD has several projects under development in West Cairo, East Cairo, North Coast and Alexandria, in addition to co-development projects, translating into a sales backlog of c.EGP27 billion. PHD is listed and traded on the Egyptian Stock Exchange under the symbol "PHDC.CA". For more information, please visit: <https://ir.palmhillsdevelopments.com/>

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Disclaimer

This report contains statements that could be construed as forward looking. These statements appear in several places in this report and include statements regarding the intent, belief or current expectations of the number of units to be delivered, construction spending, projects' timelines and estimates regarding future growth of the business, financial results and other aspects of the activity and situation relating to the Company. Such forward-looking statements are no guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. You are cautioned not to place undue reliance on those forward-looking statements, which speak only as of the date of this report, which is not intended to reflect Palm Hills Developments business or acquisition strategy or the occurrence of unanticipated events.