



**PALM HILLS**  
DEVELOPMENTS

## 1Q2017 Earnings Release

### **Palm Hills Developments achieves the highest quarterly Sales ever of EGP3.1 billion, and grows Net Profit after Tax & Minority Interest by 101% YoY to EGP212 million, a record bottom line for a first quarter**

**Cairo/London (May 10, 2017)** - Palm Hills Developments S.A.E. ("PHD" or "the Company") (EGX: PHDC.CA, PHDC.LI), a leading real estate developer in Egypt, announce its consolidated financial and operating results for the financial period ended March 31, 2017.

#### **Key Highlights**

- In line with our strategy to replenish the land bank, during February 2017, the Company inked a co-development agreement of an integrated community in Alexandria spreading 135 feddan, positioning PHD as the first major developer to enter Egypt's second largest governorate.
- The Company has successfully concluded the first securitization of receivables transaction in January 2017 with net proceeds of EGP404 million, and expects to finalize the second transaction within the second quarter of 2017 for receivables portfolio of c. EGP500 million.
- All construction works in the Village Gate project were concluded during the first quarter of 2017, contractors are no longer onsite.

#### **1Q2017**

- During the period, we continued our steady focus on enhancing the Company's profitability while maintaining the quality for which we are well-known, which translated into profitability margins' improvements with growth in Gross Profit margin to reach 31%, EBITDA margin of 20% and Net Profit margin of 13%. These efforts were complemented by our successful sales strategy and marketing campaigns to enhance performance across all projects.
- Net New Sales recorded a growth of 58% YoY reaching EGP3.1 billion, compared to EGP1.9 billion for the same period last year. Growth in New Sales was fueled by 53% YoY growth in the number of units sold reaching 792 units, compared to 519 units in 1Q2016, backed by the continued strong demand for primary housing in Palm Hills New Cairo, coupled with the YoY increase in selling prices.
- Cash inflows from operations recorded EGP1.0 billion, a growth of 37% YoY. Construction spend stood at EGP676 million.
- The Company delivered 418 units, surpassing 1Q2016 handovers of 377 units, driven by the ongoing accelerated construction program targeting to conclude all projects currently under developments during FY2017/2018. The bulk of handed over units were in Village Gate, Hacienda Bay, Palm Hills Katameya and Hacienda White 2.
- The increased pace of handovers in East Cairo and North Coast coupled with the YoY increase in New Sales resulted in Revenue growth of 48% YoY to EGP1.6 billion.
- Gross Profit stood at EGP488 million, a margin of 31%. While EBITDA remarkably grew by 70% YoY to record EGP324 million. Net Profit after Tax and Minority Interest increased 101% to reach EGP212 million, the highest bottom line ever realized during a first quarter, as earnings normally reach its highest levels during the third quarter.

### **Yasseen Mansour, Chairman Comments:**

I am very pleased to share with you our first quarter 2017 financial results, another record quarter for the Company in terms of New Sales, profitability and handovers, driven by robust demand for our product offerings, the continued accelerated pace of construction, supported by our strong management team and healthy financial position.

Since our strategy was unveiled more than three years ago, we have been focusing on product quality, expediting construction and profitable growth, thus creating shareholder value and putting the brand name at its strongest position. This strategy has resulted in the significant improvement in operations and financial results witnessed during the first quarter of 2017.

The first quarter marked the highest quarterly New Sales in the Company's history in terms of value and volume with Net New Sales recording EGP3.1 billion. While the market is still strong, we believe we have been gaining market share with 792 units sold during the quarter. We handed over 418 homes, spent EGP676 million on construction and generated EGP1.0 billion in cash from operations.

Our financial results for the first quarter of 2017 reflected our operational excellence with record Revenue of EGP1.6 billion and EBITDA of EGP324 million, a growth of 48% and 70% respectively. Net Profit after Minority Interest doubled to reach EGP212 million. Our Balance Sheet maintained its strong position with receivables of EGP12.6 billion covering Net Debt four times. One of the key performance matrices we are eyeing for this year is Return on Equity; we are expecting improvements to happen over the year.

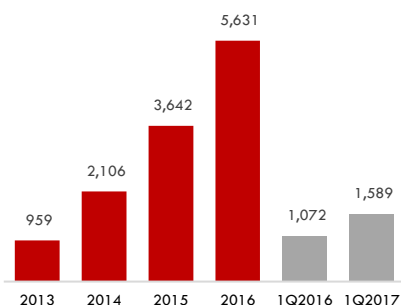
Post the floatation of Egyptian Pound and the resulting inflation, we still expect sales growth in FY2017, driven by our new launches in Palm Hills New Cairo, Capital Gardens, the Crown (190 feddan in West Cairo) and Hacienda West, in addition to New Sales from our older projects which cater to clients who want to move in within 1-2 years. Accordingly, the Company has increased its 2017 full year New Sales target from the previously announced EGP8.5 billion to EGP9.5 billion, as we are not seeing any slowdown in demand for primary housing.

The Company remains committed to deleverage the Balance Sheet (Previous loans and credit facilities) through its c. EGP2.5 billion securitization of receivables program over 2-3 years. During the first quarter of 2017, we concluded the first securitization transaction with net proceeds of EGP404 million, which was utilized in paying down existing debt. The securitization program is completely non-recourse to the Company and was concluded at a lower interest than existing debt, which will be fixed over the program's tenor. We are currently preparing for the second securitization transaction which is expected to address receivables of c. EGP500 million with closing expected during the second quarter of 2017.

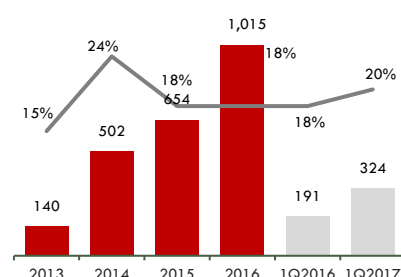
We have completed all construction works in the Village Gate project during the first quarter of 2017 and expect to conclude a number of projects during the year, as we previously promised, including Palm Hills Katameya, Palm Hills Katameya Extension, Casa and Hacienda White 2.

We continue to replenish our land bank as older projects comes to completion in FY2017/2018, with the latest addition in Alexandria, 135 feddan on co-development basis, positioning the Company as the first major developer to enter the country's second largest city. The Company is still in negotiations with the Egyptian Ministry of Housing for the co-development of 6,000 feddan in West Cairo and hopes to reach a definitive agreement soon.

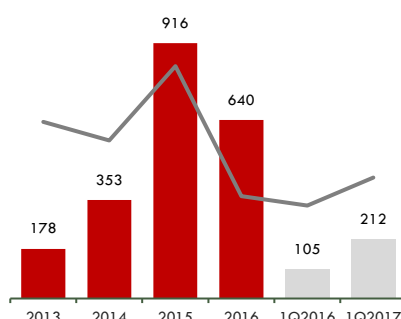
**Revenue**  
(2013-1Q2017, EGP Million)



**EBITDA & EBITDA Margin**  
(2013-1Q2017, EGP Million)



**Net Profit after Tax & Minority Interest**  
(2013-1Q2017, EGP Million)



### Financial Review

EGP Million	1Q2017	1Q2016	Change
Revenue	1,589	1,071	48%
Gross Profit	488	308	59%
Gross Profit margin	30.7%	28.7%	2.0pp
EBITDA	324	191	70%
EBITDA margin	20.4%	17.8%	2.6pp
Net Profit before Tax & Minority Interest	294	196	50%
Net Profit after Tax & Minority Interest	212	105	101%
Net Profit margin	13.4%	9.8%	3.5pp
Net New Sales	3,066	1,935	58%

Revenue stood at EGP1.6 billion, a growth of 48% YoY. The growth in top line is mainly attributed to the strong quarterly New Sales of EGP3.1 billion, ongoing accelerated construction program where the Company handed over 418 homes with an increase of 11% YoY, coupled with the strong increase in selling prices of built up area of standalone units and apartments, as well as growth in average selling prices of land.

Gross Profit in absolute terms increased to EGP488 million, a growth of 59% YoY alongside 2pp improvement in Gross Profit margin which stood at 31%. SG&A/Revenue decreased to 10% in 1Q2017, as opposed to 11% during the same period last year. As part of our focus on cost control, EBITDA grew 70% YoY to record EGP324 million, coupled with an improvement in EBITDA margin, which stood at 20% in 1Q2017, a remarkable growth compared to the 16% achieved in 4Q2016.

Growth in top line trickled down to earnings as Net Profit after Tax & Minority Interest for the quarter doubled YoY to record EGP212 million, with a Net Profit margin of 13%, an increase of 3.5pp YoY. Net Profit after Tax & Minority Interest after excluding discount/Interest expenses applied to the net present value of securitized receivables portfolio of EGP539 million would have exceeded the EGP300 million mark.

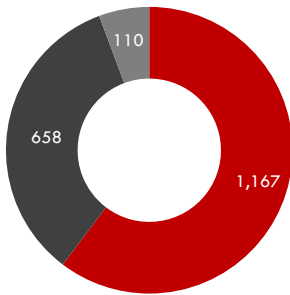
Net Debt/EBITDA decreased to 2.4x down from 2.6x in FY2016. By the end of 1Q2017, Receivables reached EGP12.6 billion compared to EGP11.3 billion by end of 2016, supported by the strong YoY growth in New Sales.

## Operational Review

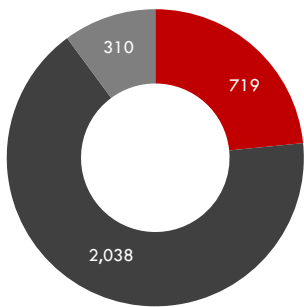
### Continued healthy demand for primary housing

Net New Sales for the quarter amounted to EGP3.1 billion, outstripping 1Q2016 historical record of EGP1.9 billion, a growth of 58% YoY. Growth in New Sales was not only driven by the YoY increase number of units sold reaching 792 units, compared to 519 sold units in 1Q2016, but also the YoY increase in selling prices.

1Q2016 Net New Sales by Region  
(EGP Million)

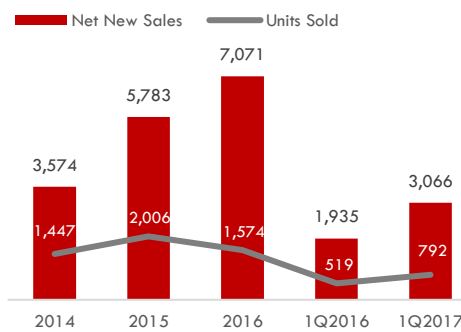


1Q2017 Net New Sales by Region  
(EGP Million)

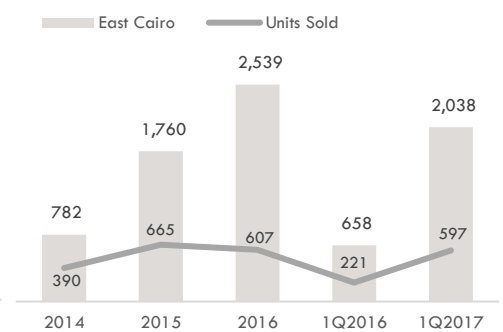


■ West Cairo  
■ East Cairo  
■ North Coast

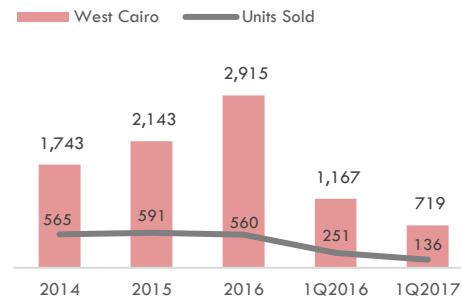
Net New Sales, All Regions<sup>1</sup>  
(2014-1Q2017, EGP Million)



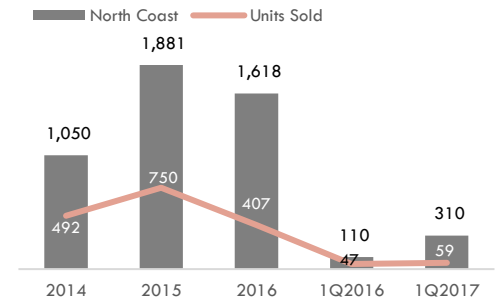
Net New Sales, East Cairo  
(2014-1Q2017, EGP Million)



Net New Sales, West Cairo  
(2014-1Q2017, EGP Million)



Net New Sales, North Coast  
(2014-1Q2017, EGP Million)



In West Cairo, the YoY decrease in New Sales resulted from the depletion of inventory and the absence of the new launches, which will be compensated by the planned launch of The Crown project due during the current quarter.

Net New Sales grew 210% YoY in East Cairo to EGP2 billion. Cumulative Net New Sales since Palm Hills New Cairo was launched back in November 2016 recorded EGP2.9 billion, translating into 731 units. In April 2017, the Company launched the second phase of Capital Gardens project, and is currently witnessing a strong uptake for offered apartments.

By end of 1Q2017, the Company handed over 418 units, a growth of 11% YoY, in comparison to 377 units for the same period last year. Our construction activities are progressing on schedule, recording an earned value of EGP676 million in 1Q2017, an increase of 16% YoY.

<sup>1</sup> - Net New Sales represent Gross New Sales after deducting the related period's cancellations.

Our recurring income from three hotels and commercial real estate segment came in at 14% of Net Profits, in line with our strategy to achieve 25% in Net Profits from recurring income by FY2020. The number of memberships in Palm Club stood at 2,409 memberships by end of 1Q2017.

### Outlook

The Company will continue throughout FY2017 to implement its accelerated construction program with the aim of increasing handovers and is targeting to complete a number of projects currently under development during the current fiscal year namely Palm Hills Katameya, Palm Hills Katameya Extension, Casa and Hacienda White 2.

In April 2017, the Company launched New Sales and reservations in two of its commercial projects in West Cairo, namely Palm Valley Mall and Office 8 building. The Company is currently experiencing strong demand for launched commercial space. Palm Valley Mall is a mixed use development adjacent to Palm Valley residential compound, which is currently under development. Palm Valley Mall is expected to be completed during 2019. Office 8 Building is a mixed-use multitenant building adjacent to phase 8 of Palm Hills October. Office 8 will be completed during 2018.

The Company expects strong sales performance during the rest of the year to be driven by new launches including Hacienda West in the North Coast, the Crown in West Cairo, and new phases of Palm Hills New Cairo and Capital Gardens. The Company expects to monetize receivables of up to c. EGP500 million during 2Q2017, in line with the planned securitization of receivables program, with a strategic objective to deleverage the Balance Sheet.

With these impressive set of results for the quarter, the Company increased its full year New Sales target from EGP8.5 billion to EGP9.5 billion, backed by the healthy market conditions and strong demand for the Company's products offering.

The Company is still in active negotiations with the Egyptian government with regards to the finalization of all the terms and conditions relating to the co-development of a mega integrated community spreading over 6,000 feddan in West Cairo, and management expects to reach a definitive agreement during 2017.



## 1Q2017 Earnings Release

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

EGP Thousand	1Q2017	1Q2016	%
<b>Revenue</b>	<b>1,588,961</b>	<b>1,071,535</b>	<b>48%</b>
Cost of Revenue	(1,100,546)	(763,539)	44%
<b>Gross Profit</b>	<b>488,415</b>	<b>307,996</b>	<b>59%</b>
Gross Profit margin %	31%	29%	2pp
General administrative, selling and marketing expenses	(164,257)	(117,355)	40%
<b>EBITDA</b>	<b>324,157</b>	<b>190,641</b>	<b>70%</b>
EBITDA margin %	20%	18%	2.6pp
Administrative depreciation	(4,781)	(2,641)	81%
<b>Operating Profit</b>	<b>319,376</b>	<b>188,001</b>	<b>70%</b>
Less:			
Finance costs & interests	(35,567) <sup>3</sup>	(5,123)	NA
Securitization of Notes Receivables	(91,726) <sup>4</sup>	-	NA
Interest on land purchase liabilities	(10,171)	(25,151)	NA
Provision	(2,985)	(607)	NA
Add:			
Recoverable interest on land purchase liabilities	82,824	-	NA
Gains on investments in fair value through profit or loss	1,544	1,415	9%
Interest income - amortization of discount on NR	16,798	11,515	46%
Interest income	13,601	25,748	(47%)
<b>Net Profit Before Income Tax</b>	<b>293,694</b>	<b>195,798</b>	<b>50%</b>
Income tax expense	(59,929)	(45,908)	31%
Deferred tax	(72)	-	
<b>Net Profit after Tax</b>	<b>233,693</b>	<b>149,890</b>	<b>56%</b>
Non-controlling interest	(21,385)	(44,464)	(52%)
<b>Net Profit after Tax &amp; Minority Interest</b>	<b>212,308</b>	<b>105,426</b>	<b>101%</b>
Net Profit after Tax & Minority Interest margin %	13%	10%	3.6pp

2- The Company's consolidated financial statements for the period ended March 31, 2017, prepared in accordance with Egyptian Accounting Standards ('EAS'), can be downloaded from our Company's website: [www.palmhillsdevelopments.com](http://www.palmhillsdevelopments.com)

3- Finance Cost & Interest includes Capital Lease Interest of EGP19 million and Finance Cost by EGP16 million.

4- Discounted Notes Receivables as part of the securitization transaction concluded in January 2017.

### Consolidated Balance Sheet (Egyptian Accounting Standards)

EGP Thousand	March 31, 2017	December 31, 2016
<b>Long-Term Assets</b>		
Investments in Associates	78,512	79,226
Investment Property	888,069	888,506
Notes Receivable - Long Term	8,951,999	7,300,040
Projects Under Construction	875,339	877,767
Advance Payments for Investments Acquisitions	184,336	184,336
Fixed Assets (net)	348,887	351,608
Deferred Tax Asset	10,202	10,302
Other Long Term Assets	1,391	1,391
Employee stock ownership plan (ESOP)	78,176	81,287
<b>Total Long-Term Assets</b>	<b>11,416,910</b>	<b>9,774,462</b>
<b>Current Assets</b>		
Works in Process	8,571,015	6,410,746
Held to Maturity Investments	209,712	153,328
Cash & Cash Equivalents	747,557	808,517
Notes Receivable - Short Term	2,860,341	3,295,528
Investments at Fair Value	48,081	58,471
Accounts Receivable	826,639	757,057
Suppliers - Advance Payments	524,239	489,064
Debtors & Other Debit Balances	300,889	218,477
Due from Related Parties	248,100	244,125
Minimum Guaranteed Payments - Co-Development Projects	48,331	40,000
<b>Total Current Assets</b>	<b>14,384,905</b>	<b>12,475,312</b>
<b>Total Assets</b>	<b>25,801,815</b>	<b>22,249,774</b>
<b>Current Liabilities</b>		
Banks - Credit Balances	141,208	42,176
Banks - Overdraft	178,309	79,410
Advances from Customers	8,820,983	7,744,755
Completion of Infrastructure Liabilities	95,083	95,083
Provisions	172,922	169,387
Current Portion of Land Purchase Liabilities	70,130	60,651
Investment Purchase Liabilities	44,257	44,257
Notes Payable - Short Term	1,006,729	974,302
Current Portion of Term Loans	259,161	541,015
Suppliers & Contractors	370,973	448,466
Income Tax Payable	185,426	126,629
Creditors & Other Credit Balances	618,893	522,256
Minimum Guaranteed Payments - Co-Development Projects	428,009	160,424
Due to related Parties	120,401	131,333
<b>Total Current Liabilities</b>	<b>12,512,485</b>	<b>11,140,145</b>
<b>Working Capital</b>	<b>1,872,420</b>	<b>1,335,168</b>
<b>Total Investment</b>	<b>13,289,330</b>	<b>11,109,629</b>
<i>Financed as Follows:</i>		
<b>Shareholders' Equity</b>		
Issued and Paid-In Capital	4,617,899	4,617,899
Legal Reserve	679,716	630,142
Special Reserve	524,213	524,213
ESOP Re-measurement Reserve	32,198	31,493
Retained Earnings (Deficit)	277,589	(222,479)
Net Profit for the Period/Year	212,308	639,795
<b>Equity Attributable to Equity Holders of Parent Co.</b>	<b>6,343,924</b>	<b>6,221,064</b>
Non-controlling Interest	427,120	412,152
<b>Total Shareholders' Equity</b>	<b>6,771,044</b>	<b>6,633,215</b>
<b>Long Term Liabilities</b>		
Land Purchase Liabilities	154,727	169,800
Notes Payable - Long Term	2,076,775	612,701
Other Long Term Liabilities - Residents' Association	820,438	736,444
Loans	3,466,347	2,957,470
<b>Total Long Term Liabilities</b>	<b>6,518,286</b>	<b>4,476,414</b>
<b>Total Equity &amp; Long Term Liabilities</b>	<b>13,289,330</b>	<b>11,109,629</b>

### About Palm Hills Developments

Palm Hills Developments, a leading real estate developer in Egypt, is a joint stock company established in 1997. Palm Hills builds integrated communities and has one of the most diversified land bank portfolios, spreading over 28.4 million square meters ("sqm") in Egypt, including 5 million sqm in Saudi Arabia. The Company'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 1Q2017, PHD delivered more than 6,769 units within its developments, including more than 1,739 units in 11 completed projects. Today, PHD has 12 projects under development, 6 projects in West Cairo, 4 projects in East Cairo and 2 projects in North Coast, translating into a sales backlog exceeding EGP11.1 billion. In addition, the Company has 5 new projects in the pipeline, including 4 co-developments. 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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### Disclaimer

This presentation contains statements that could be construed as forward looking. These statements appear in a number of places in this presentation 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 presentation, which is not intended to reflect Palm Hills Developments business or acquisition strategy or the occurrence of unanticipated events.