



PALM HILLS
DEVELOPMENTS

1Q2018 Earnings Release

PHD beat market consensus on all matrices coupled with strong profitable growth across the board and realize EGP224 million in Net Profit after Tax & Minority Interest during 1Q2018.

Cairo/London (May 15, 2018) - 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, 2018.

Key Highlights

- As part of its steady focus on profitable growth, profitability margins witnessed remarkable improvements across the board while maintaining the quality PHD is known for. Gross Profit margin reached 37%, up from 31% in 1Q2017, while EBITDA margin recorded 26%, a strong growth from 20% same period last year. Net Profit margin reached 15% up from 13% a year earlier.
- PHD concluded the second securitization of receivables transaction in May 2018, in line with its deleveraging plans. The Company received net proceeds of EGP261 million, and expects to finalize the third transaction during the third quarter for receivables portfolio of c. EGP400 million.
- New Sales (Residential and Commercial) amounted to EGP2.1 billion, compared to EGP3.5 billion in 1Q2017. The YoY drop in New Sales resulted from a comparison with high base since 1Q2017 witnessed remarkable demand for primary offerings in Palm Hills New Cairo following its successful launch by end of FY2016.
- PHD commenced sales in Palm Hills Medical in West Cairo and witnessed an uptake in the demand for commercial units in The Lane Mall in West Cairo, recording EGP55 million and EGP159 million respectively.
- The Company handed over 301 units mainly in Hacienda Bay, Hacienda White 2, Palm Parks, Golf Views and Palm Hills Katameya, in line with its full year target of delivering 1,500 homes.
- Revenue was relatively flat at EGP1.5 billion on the back of lower New Sales due to limited product launches and fewer handed over units. Gross Profit increased 12% YoY to EGP547 million, a margin of 37%. EBITDA grew 17% YoY to EGP381 million, a margin of 26%. Net Profit after Tax and Minority Interest grew 6% YoY to EGP224 million, a margin of 15%.

Yasseen Mansour, Chairman comments:

I am delighted to share with you our 1Q2018 financial results, another successful period on all fronts, in which we continued to witness profitable growth.

During the quarter, our focus was to freeze the master plan of the 3,000 feddan project (known as “Badya” which means the beginning in Arabic) in terms of units’ types, sizes, design optimization alongside ongoing discussions with potential operators of various educational, leisure and commercial facilities, as we aim to develop a signature creative city in West Cairo.

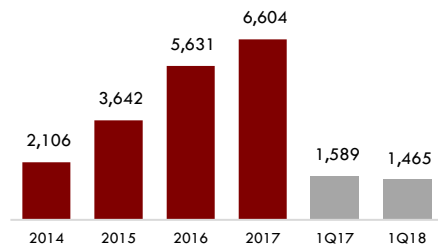
Our financial results continued to reflect our operational excellence with Revenue of EGP1.5 billion, Gross Profit of EGP547 million, EBITDA of EGP381 million and Net Profit of EGP224 million. This quarter demonstrated healthy growth in profitability margins across the board as we continue to focus on improving our ROE. Profitability margins witnessed remarkable improvements across the board. Gross Profit margin reached 37%, up from 31% in 1Q2017, while EBITDA margin recorded 26%, a strong growth from 20% same period last year. Net Profit margin reached 15% up from 13% a year earlier. Our Balance Sheet maintained its strong position with receivables of EGP15.8 billion, covering Net Debt 4.2 times.

New Sales were relatively slow YoY during the first quarter of 2018 as the Company didn’t offer any new products or projects with all concentration on Badya ahead of its launch, while the same period last year witnessed the launch of Palm Hills New Cairo. New Sales amounted to EGP2.1 billion in 1Q2018.

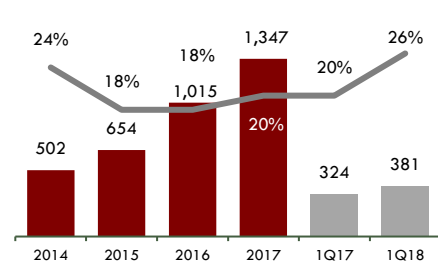
The Company remains committed to deleverage the Balance Sheet through the securitization of receivables program. In May 2018, we concluded the second securitization transaction with net proceeds of EGP261 million, which will be utilized in paying down existing debt. We are currently preparing for the third transaction which is expected to address receivables of c. EGP400 million.

With regards to our recurring income and commercial real estate portfolio, the segment contributed 16% to Net Profit, in line with our strategy to generate 25% in Net Profit from recurring income by FY2020.

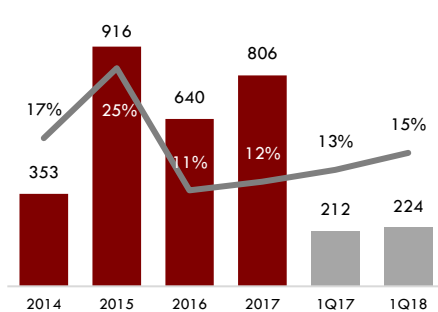
Revenue
(2014-1Q2018, EGP Million)



EBITDA & EBITDA Margin
(2014-1Q2018, EGP Million)



Net Profit after Tax & Minority Interest
(2014-1Q2018, EGP Million)



Financial Review

EGP Million	1Q2018	1Q2017	%
Revenue	1,465	1,589	(8%)
Gross Profit	547	488	12%
Gross Profit margin	37%	31%	6pp
EBITDA	381	324	17%
EBITDA margin	26%	20%	6pp
Net Profit before Tax & Minority Interest	242	234	4%
Net Profit after Tax & Minority Interest	224	212	6%
Net Profit margin	15%	13%	2pp
New Sales	2,129	3,513	(39%)

Revenue for the quarter was relatively flat at EGP1.5 billion compared to EGP1.6 billion in 1Q2017. The Company handed over 301 units compared to 418 units delivered during the same period last year.

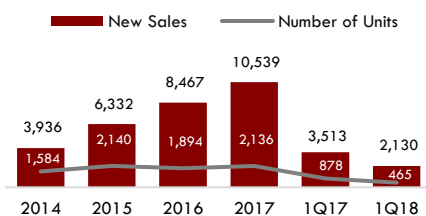
Gross Profit increased 12% YoY to reach EGP547 million, a margin of 37%, a remarkable improvement of 6pp, on the back of sales of standalone units in Palm Hills New Cairo alongside growth in the number of delivered units mainly in Golf Views and Hacienda Bay. EBITDA grew 17% YoY to EGP380 million, illustrating a margin of 26% compared to 20% in 1Q2017.

Net Profit after Tax & Minority Interest grew 6% YoY to reach EGP224 million, due to lower Minority Interest during the quarter coupled with the trickledown effect of improvements in profitability margins despite the hike in financing cost and land liabilities.

Net Debt/EBITDA dropped to 2.4 times, down from 2.7 times in 1Q2017. By the end of 2018, Receivables reached EGP15.8 billion compared to EGP15.3 billion by end of FY2017, covering Net Debt by 4.2 times.

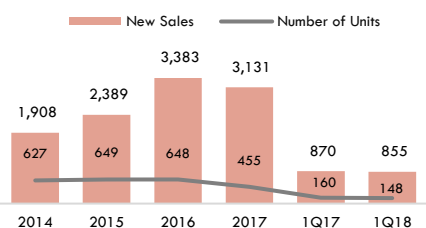
New Sales, All Regions¹

(2014-1Q2018, EGP Million)



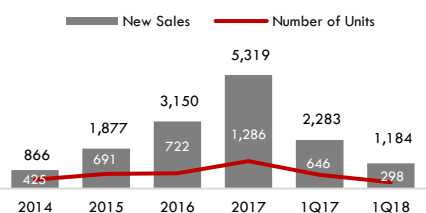
New Sales, West Cairo¹

(2014-1Q2018, EGP Million)



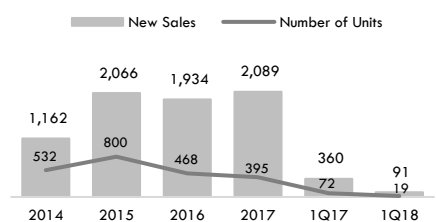
New Sales, East Cairo¹

(2014-1Q2018, EGP Million)



New Sales, North Coast¹

(2014-1Q2018, EGP Million)

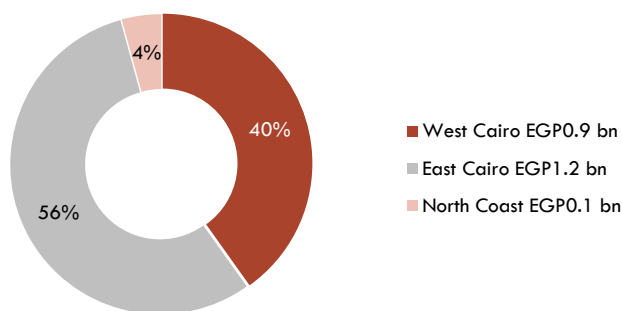


Operational Review

New Sales for the quarter amounted to EGP2.1 billion, a drop of 39% YoY. New Residential Sales during the first quarter of 2018 stood at EGP1.9 billion with the balance from the sale of commercial units. The YoY drop in New Sales resulted from fewer launched products and projects, ahead of the launch of Badya in West Cairo, coupled with higher comparable base for 1Q2017 which seen strong uptake of launched inventory in Palm Hills New Cairo.

In 1Q2018, PHD launched sales of Palm Hills Medical in West Cairo and witnessed an uptake in the demand for commercial units in The Lane Mall in West Cairo, recording EGP55 million and EGP159 million respectively. New Commercial Sales for the quarter recorded EGP225 million.

Since the beginning of 2018, the Company increased average selling prices by 34% and 21% YoY for BUA of standalone units and apartments, and 21% YoY for land. The following chart shows percentage contribution of each operating region to New Sales during 1Q2018:



In West Cairo, New Sales recorded EGP855 million mainly led by The Crown and Palm Parks followed by Woodville and commercial units sold in The Lane and Palm Medical. Total residential sales in the region stood at EGP642 million with the balance from commercial sales.

In East Cairo, New Sales amounted to EGP1.2 billion, mostly in Palm Hills New Cairo ("PHNC"). It is worthy to mention that Cumulative New Sales in PHNC amounted to EGP5.4 billion, since its launch in November 2016.

The North Coast had low New Sales which is normal due to the seasonality factor and limited products offering.

The Company handed over 301 units during 1Q2018, ahead of the schedule to deliver 1,500 units by the end of 2018. Construction activities for the quarter are progressing on schedule with an earned value of EGP0.5 billion in 1Q2018.

¹ - New Sales represent Gross New Sales which includes residential and commercial segments in West and East Cairo.



1Q2018 Earnings Release

Recurring income portfolio from three hotels and commercial real estate segment contributed 16% to Net Profits. The number of memberships in Palm Club stood at 2,859 memberships by end of 1Q2018.

Outlook

In 2H2018, PHD expects to conclude the third securitization of receivables transaction and monetize c.EGP400 million receivables portfolio.

The Company is currently discussing a number of potential partnership agreements for ventures in Badya project addressing educational, technological and retail fronts. Management expects to close those agreement before year end. In addition, PHD is in active discussions with a leading operator of commercial offerings to co-develop a mixed use commercial concept in Palm Hills New Cairo.

With regards to the 205 feddan mixed use development in West Cairo, the Company expects to reach a definitive agreement during 2H2018.

Consolidated Income Statement ² (Egyptian Accounting Standards)

EGP Thousand	March 31, 2018	March 31, 2017	Change
Revenue	1,465,453	1,588,961	(8%)
Cost of Revenue	(918,137)	(1,100,546)	(17%)
Gross Profit	547,315	488,414	12%
<i>Gross Profit Margin</i>	37%	31%	6pp
General Administrative, Selling and Marketing Expenses	(166,601)	(164,257)	1%
EBITDA	380,714	324,157	17%
<i>EBITDA Margin</i>	26%	20%	6pp
Administrative Depreciation	(5,640)	(4,781)	18%
Operating Profit	375,073	319,375	17%
Less:			
Finance Cost & Interests	(42,647)	(35,567)	20%
Securitization of Notes Receivables Discounting Charges	-	(91,726)	NA
Interest on Land Purchase Liabilities	(59,123)	(10,171)	NA
Provisions	(2,117)	(2,985)	(29%)
Add:			
Recoverable Interest on Land Purchase Liabilities	-	82,824	NA
Interest Income - Amortization of Discount on Notes Receivables	20,131	16,798	20%
Gains on investments in fair value through profit or loss	1,938	1,544	25%
Interest Income on held-to-maturity investments	10,817	13,601	(20%)
Net Profit Before Income Tax & Minority	304,073	293,693	4%
Income Tax Expense	(61,809)	(59,929)	3%
Deferred Tax	(131)	(72)	83%
Net Profit After Tax	242,133	233,692	4%
Non-Controlling Interest	(17,981)	(21,384)	(16%)
Net Profit After Tax & Minority Interest	224,151	212,308	6%
<i>Net Profit After Tax & Minority Interest Margin</i>	15%	13%	2pp

2- The Company's consolidated financial statements for the period ended March 31, 2018, prepared in accordance with Egyptian Accounting Standards ('EAS'), can be downloaded from our Company's website: www.palmhillsdevelopments.com

3- Finance cost & Interest includes capital lease interest of EGP18 million and finance cost of EGP24 million.

Consolidated Balance Sheet (Egyptian Accounting Standards)

EGP Thousand	March 31, 2018	December 31, 2017
Long-Term Assets		
Investments in Associates	82,625	83,615
Investment Property	761,832	758,690
Notes Receivable - Long Term	11,290,051	11,356,555
Projects Under Construction	1,223,090	882,473
Advance Payments for Investments Acquisitions	184,336	184,336
Fixed Assets (net)	349,977	347,278
Deferred Tax Asset	5,212	5,485
Other Long-Term Assets	1,391	1,391
Employee stock ownership plan (ESOP)	-	83,414
Total Long-Term Assets	13,898,514	13,703,236
Current Assets		
Works in Process	9,089,902	9,193,761
Held to Maturity Investments	529,255	467,935
Cash & Cash Equivalents	607,150	562,030
Notes Receivable - Short Term	3,542,429	3,012,453
Investments at Fair Value	56,642	51,427
Accounts Receivable	920,159	883,344
Suppliers - Advance Payments	454,440	486,084
Debtors & Other Debit Balances	1,025,994	589,211
Due from Related Parties	273,084	251,408
Guaranteed Payments - Joint Arrangements Partners	50,000	50,000
Total Current Assets	16,549,053	15,547,652
Total Assets	30,447,568	29,250,888
Current Liabilities		
Banks - Credit Balances	48,671	50,561
Banks - Overdraft	687,969	374,696
Advances from Customers	10,495,558	10,132,168
Completion of Infrastructure Liabilities	95,083	95,083
Provisions	242,360	240,244
Current Portion of Land Purchase Liabilities	115,763	102,493
Investment Purchase Liabilities	-	-
Notes Payable - Short Term	1,385,911	1,239,625
Current Portion of Term Loans	1,042,835	979,574
Suppliers & Contractors	546,151	543,392
Income Tax Payable	223,468	162,100
Creditors & Other Credit Balances	561,230	523,428
Due to Joint Arrangements Partners	197,947	174,562
Due to related Parties	111,287	96,617
Total Current Liabilities	15,754,232	14,714,542
Working Capital	794,822	833,110
Total Investment	14,693,336	14,536,345
<i>Financed as Follows:</i>		
Shareholders' Equity		
Issued and Paid-In Capital	4,617,899	4,617,899
Legal Reserve	708,524	682,810
Special Reserve	476,064	476,064
ESOP Re-measurement Reserve	-	43,010
Retained Earnings (Deficit)	660,367	76,127
Net Profit for the Period/Year	224,151	805,638
Equity Attributable to Equity Holders of Parent Co.	6,687,005	6,701,549
Non-Controlling Interest	551,846	538,436
Total Shareholders' Equity	7,238,851	7,239,985
Long Term Liabilities		
Land Purchase Liabilities	322,709	335,844
Notes Payable - Long Term	1,876,156	1,912,929
Other Long-Term Liabilities - Residents' Association	1,169,679	1,083,208
Loans	3,119,264	3,228,805
Due to Joint Arrangements Partners	966,676	735,573
Total Long-Term Liabilities	7,454,483	7,296,360
Total Equity & Long Term Liabilities	14,693,335	14,536,345



1Q2018 Earnings Release

Cash Flow Statement

(Egyptian Accounting Standards)

EGP Thousand	March 31, 2018	March 31, 2017
Net Profit for the period (Before Income Tax & Non-Controlling Interest)	304,073	293,693
Administrative Depreciation	10,043	8,619
Provision Formed	2,117	2,985
Securitization of Receivables Interest	-	91,726
Interest on Land Purchase Liabilities	59,123	10,171
Finance Costs & Interest	42,647	35,567
Gain (loss) on Disposal of fixed assets	2	-
Share of Profit/Loss of Associates	990	714
Gains on Investments in Fair Value through Profit or Loss	(1,938)	(1,544)
Interest Income on held to maturity investments	(10,817)	(13,601)
Recoverable Interest on Land Purchase liabilities	-	(82,824)
Interest Income - Amortization of Discount on Notes Receivables	(20,131)	(16,798)
Operating Profit Before Changes in Working Capital Items	386,109	328,708
Changes in Working Capital Items		
Change in Work in Process	(230,523)	(2,080,896)
Change in Notes Receivables	(443,342)	(1,199,973)
Change in Investments in Fair Value through Profit or Loss	(5,215)	10,390
Change in Held-to-maturity Investments	(61,320)	(56,384)
Change in Accounts Receivable	(36,815)	(69,483)
Change in Suppliers - Advance Payments	31,643	(35,175)
Change in Debtors & Other Debit Balances	(436,783)	(82,412)
Change in Due from Related Parties	(21,676)	(4,075)
Change in Guaranteed Payments - Joint Arrangements	-	(8,331)
Change in Advances from Customers	363,390	1,076,228
Provisions	-	550
Change in Due to Related Parties	14,670	(10,933)
Changes in Notes Payables	50,391	1,486,330
Change in Suppliers & Contractors	2,759	(77,493)
Income Tax Paid	(442)	(1,132)
Change in Creditors and Other Credit Balances	37,802	96,637
Change in Other Long Term - Residents' Association	86,471	83,993
Due to Joint Arrangements Partners	254,488	267,584
Net Cash (Used In) Operating Activities	(8,393)	(275,966)
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets	(15,047)	(7,603)
Proceeds from Payments for Projects Under Construction	(3,360)	2,428
Proceeds from real estate investments	(3,580)	-
Proceeds from Investments in Fair Value through Profit or Loss	1,938	1,544
Interest Received on Held to Maturity Investments	10,817	13,601
Cash Flows from Investing Activities	(9,232)	9,970
Cash Flows from Financing Activities		
Banks - Credit Balances	(1,890)	99,032
Banks - Overdraft	313,273	98,899
Adjustments to Retained Earnings	(195,684)	(90,154)
Proceeds from ESOP	40,404	3,817
Non-Controlling Interest - Dividends	(4,572)	(6,415)
Deferred Tax	141	28
Repayment of Loans	(46,281)	227,024
Finance Costs & Interests	(42,647)	(127,293)
Net Cash Provided by Financing Activities	62,745	204,936
Net Increase in Cash & Cash Equivalents during the Period	45,119	(61,059)
Cash & Cash Equivalents at Beginning of the Period	562,030	808,517
Cash & Cash Equivalents as at 31 March 2018	607,150	747,457



1Q2018 Earnings Release

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 40.6 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 1Q2018, PHD delivered more than 8,433 units within its developments, including more than 4,879 units in 12 completed projects. Today, PHD has 11 projects under development, 5 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 exceeding EGP12 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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