



1Q2019 Earnings Release

PHD achieve New Sales of EGP2.2 billion in 1Q2019, a growth of 5% YoY. Management maintains its bullish New Sales target for 2019

Cairo/London (June 11, 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 March 31, 2019.

Key Highlights

- The Company's 40% owned subsidiary Arkan Palm for Real Estate Investment inked a co-development agreement with the New Urban Communities Authority ("NUCA") on a revenue sharing basis for an innovative mixed-use development in Sheikh Zayed City, overlooking 26th of July Axis, adjacent to Nile University. The project is expected to encompass residential components (high rise multi-tenant buildings and standalone units) and commercial facilities including medical, administrative, hospitality and recreational components.
- PHD concluded securitization and discounting of receivables portfolio of EGP760 million, in relation to 670 handed over units in Golf Views, Golf Extension, Palm Hills Katameya (1 & 2), Hacienda Bay and Hacienda White 2. The transactions proceeds were utilized entirely in the partial repayment of existing debt.
- New Sales (Residential and Commercial) amounted to EGP2.2 billion, an increase of 5% YoY with 374 units sold. Said growth in New Sales resulted mostly from continued uptake of launched units in Palm Hills Alexandria, yet offset by limited launches in West and East Cairo projects, as opposed to strong demand in Palm Hills New Cairo and some other key project during the same period last year.
- In May 2019, the Company launched Golf Central spreading 48,038 sqm of land, PHD's first dedicated business complex in West Cairo, adjacent to Bamboo and Bamboo extension. The project is expected to offer 188 offices and 69 commercial units.
- Revenue declined by 35% YoY to EGP958 million, largely driven by lower handed over residential units, despite that PHD had c.440 units released from construction during 1Q2019, yet in non-livable zones. Furthermore, top line seen limited contribution from sales of standalone units, as Palm Hills Alexandria's impact is yet to be reflected during coming quarters. Gross Profit stood at EGP356 million, translating into a margin of 37%.
- Net Profit after Tax and Minority Interest stood at EGP141 million, a Net Profit margin of 15%.
- Despite the drop in top line, profitability margins remained stable YoY with a Gross Profit of 37%, an EBITDA margin of 23% and Net Profit margin of 15%.
- The Company spent EGP309 million on construction activities during the period, largely on Palm Hills New Cairo, Capital Gardens, Palm Valley and Woodville.
- PHD handed over 215 units, on track to achieve the full year target of 1,350 units in FY2019. The majority of handed over units were in Palm Parks, Golf Views, Golf Extension, Woodville, Hacienda Bay, and Hacienda White 2. Notably, PHD continued to deliver units in Palm Valley in West Cairo ahead of schedule.

Yasseen Mansour, Chairman & Group CEO Comments:

During 1Q2019, we maintained our market share with mild sales growth and 374 units sold, nevertheless we are planning several launches which will take place during the coming quarters especially the summer season, allowing us to sustain our leading position.

Our P&L demonstrated slowdown in 1Q2019 mostly due to limited handovers, although we completed the construction of c.440 units yet in unlivable zones, and the mild 5% YoY growth in New Sales resulted in Revenue of EGP958 million, Gross Profit margin of 37%, EBITDA margin of 23%, Net Profit after Tax & Minority Interest of EGP141 million.

Looking at our Net Debt position, it stood at EGP2.2 billion by end of 1Q2019, solidifying our Balance Sheet where receivables cover Net Debt 7.8 times. Net Debt/EBITDA stood at 2.5x by end of 1Q2019.

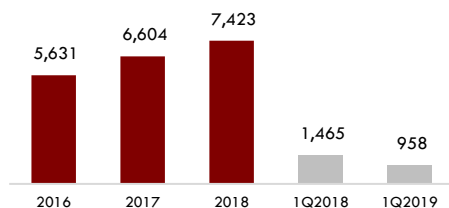
We intend to engage in further securitization and discounting transactions in FY2019 as the interest rate environment improves further complemented by conclusion of projects under developments.

We expect to complete a number of projects during the year including Palm Valley, Golf Extension and Woodville in West Cairo, as well as Palm Hills Katameya extension 2 in East Cairo. Notably, we commenced site mobilization, earthworks and construction activities of Badya's phase 1A during 2Q2019.

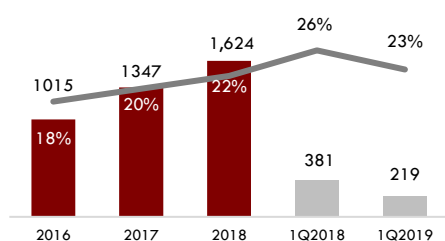
We remain confident about our Company's ability to catch up with the full year targets during the coming quarters. Accordingly, we maintain our FY2019 guidance with New Sales target of EGP14 billion, which should lead to Revenue in the range of EGP7.5 billion, resulting in a Gross Profit margin of 38%, and Net Profit in the range of EGP1 billion.

We expect a minor impact of c.5% on the cost of construction from the hike in electricity and foreseen increase in fuel prices associated with subsidy cuts, thus we remain confident about our ability to achieve Gross Profit margin of 38% during FY2019.

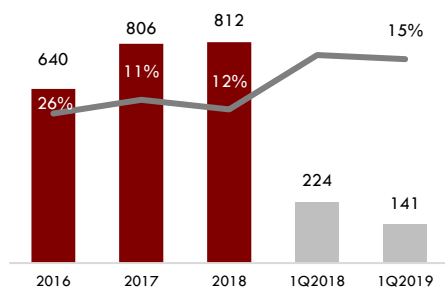
Revenue (2016-1Q2019, EGP Million)



EBITDA & EBITDA Margin (2016-1Q2019, EGP Million)



Net Profit after Tax & Minority Interest (2016-1Q2019, EGP Million)



Financial Review

EGP Million	1Q2019	1Q2018	Change
Revenue	958	1,465	(35%)
Gross Profit	356	547	(35%)
Gross Profit margin	37%	37%	-
EBITDA	219	381	(43%)
EBITDA margin	23%	26%	(3pp)
Net Profit before Tax & Minority Interest	155	242	(36%)
Net Profit after Tax & Minority Interest	141	224	(37%)
Net Profit margin	15%	15%	-
New Sales	2,236	2,130	5%

Revenue for the quarter amounted to EGP958 million, a decrease of 35% YoY, largely due to lower handovers YoY as many constructed units are in non-livable zones with ongoing site works and hence can't be delivered to its owners. Furthermore, top line seen minor contribution from New Sales given the limited launches and the fact that sales of Palm Hills Alexandria are yet to be reflected in coming quarters.

Gross Profit also decreased 35% YoY. Gross Profit margin stood at 37%, at par with last year and in line with targeted levels, supported by the handover of high margin units. EBITDA stood at EGP219 million, an EBITDA margin of 23%. Net Profit after Tax and Minority Interest amounted to EGP141 million, a decrease of 37% YoY.

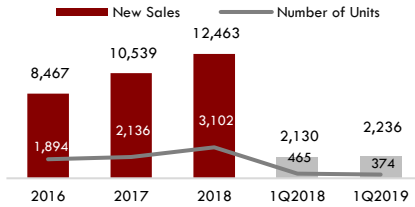
Net Debt/EBITDA stood at 2.6x in 1Q2019, increasing from 1.2x in FY2018. By end of 1Q2019, Receivables recorded EGP17.4 billion, compared to EGP15.8 billion in FY2018, covering Net Debt by 7.8 times.

Operational Review

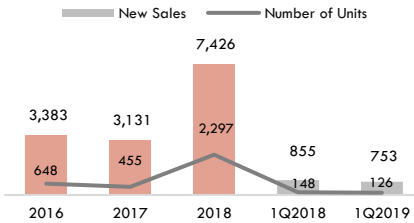
New Sales amounted to EGP2.2 billion in 1Q2019, a growth of 5% YoY, of which EGP2.1 billion was generated from residential sales and EGP71 million from the commercial segment. Palm Hills Alexandria was the largest contributor to Residential New Sales, followed by Badya and Palm Hills New Cairo.

Commercial sales came lower this quarter, due to limited launches coupled with lower inventory in East Cairo, North Coast and Alexandria regions. In West Cairo, The Lane and Palm Hills Medical had some positive momentum.

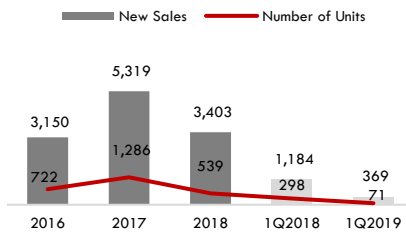
New Sales, All Regions¹ (2016-1Q2019, EGP Million)



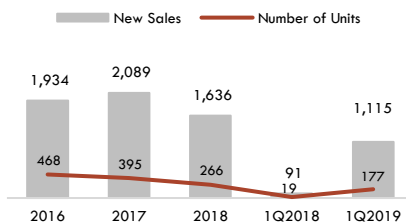
New Sales, West Cairo¹ (2016-1Q2019, EGP Million)



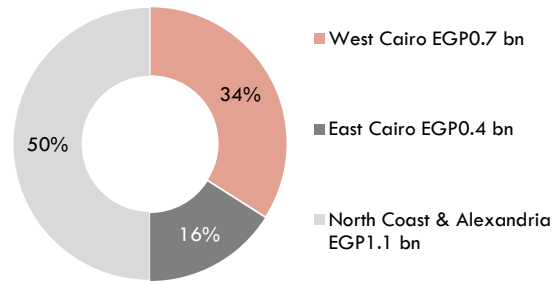
New Sales, East Cairo¹ (2016-1Q2019, EGP Million)



New Sales, North Coast & Alexandria¹ (2016-1Q2019, EGP Million)



The following chart shows percentage contribution of each operating region to New Sales during 1Q2019:



In West Cairo, New Sales amounted to EGP753 million. The region's biggest contributors to the New Sales were Badya and The Crown, bringing cumulative sales in those projects to EGP5 billion and EGP1.6 billion respectively followed by Golf Views and Palm Parks. Commercial sales stood at EGP62 million in Hale Town (the medical clinics) and Palm Central. New Sales were limited in Badya as the Company is still offering units in Phase 1A and didn't yet launch new phases.

In East Cairo, New Sales stood at EGP369 million in 1Q2019, largely driven by Palm Hills New Cairo, where aggregate sales amounted to EGP7.6 billion.

North Coast and Alexandria recorded New Sales of EGP1.1 billion during 1Q2019, supported by strong demand for Palm Hills Alexandria alongside a healthy uptake of secondary homes in Hacienda Bay. On the commercial front, Lake yard witnessed modest sales of only EGP10 million.

The Company handed over 215 units during 1Q2019. The Company currently has c.440 units released from construction units, which will be delivered once site activities of public areas and landscape are completed in said zones.

It is worthy to highlight that number of memberships in Palm Club stood at 3,297 memberships by end of 1Q2019.

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

Consolidated Income Statement ² (Egyptian Accounting Standards)

EGP Thousands	1Q2019	1Q2018	Change
Revenue	958,083	1,465,453	(35%)
Cost of Revenue	(602,038)	(918,137)	(34%)
Gross Profit	356,045	547,315	(35%)
<i>Gross Profit Margin</i>	37%	37%	-
General Administrative, Selling and Marketing Expenses	(137,416)	(166,601)	(18%)
EBITDA	218,628	380,714	(43%)
<i>EBITDA Margin</i>	23%	26%	(3pp)
Administrative Depreciation	(20,764)	(5,640)	NA
Operating Profit	197,864	375,073	(47%)
Less:			
Finance Cost & Interests	(54,864)	(42,647)	29%
Securitization of Notes Receivables	(8,099)	-	-
Interest on Land Purchase Liabilities	(81,574)	(59,123)	38%
Provisions Formed	(1,476)	(2,117)	(70%)
Provision No Longer Required	70,139	-	NA
Add:			
Interest Income - Amortization of Discount on Notes Receivables	22,359	20,131	11%
Interest Income on Held to Maturity Investments	45,468	10,817	NA
Gain from Held for Trading Investment	2,947	1,938	52%
Net Profit Before Income Tax & Minority	192,764	304,073	(37%)
Income Tax Expense	(37,669)	(61,809)	(39%)
Deferred Tax	(119)	(131)	10%
Net Profit After Tax	154,977	242,133	(36%)
Non-Controlling Interest	(13,816)	(17,981)	23%
Net Profit After Tax & Minority Interest	141,161	224,151	(37%)
<i>Net Profit After Tax & Minority Interest Margin</i>	15%	15%	-

2- The Company's consolidated financial statements for the period ended March 31, 2019, 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 EGP46 million and Finance Cost of EGP8 million.



1Q2019 Earnings Release

Consolidated Balance Sheet

(Egyptian Accounting Standards)

EGP Thousand	March 31, 2019	December 31, 2018
Long-Term Assets		
Investments in Associates	145,741	97,447
Investment Property	770,893	769,612
Notes Receivable - Long Term	12,279,291	12,991,366
Projects Under Construction	107,056	106,030
Advance Payments for Investments Acquisitions	194,598	194,598
Fixed Assets (Net)	1,407,299	1,427,791
Deferred Tax Asset	4,348	4,469
Other Long-Term Assets	1,391	1,391
Total Long-Term Assets	14,910,617	15,592,704
Current Assets		
Works in Process	9,281,954	9,091,530
Held to Maturity Investments	862,516	1,750,819
Cash & Cash Equivalents	1,148,059	955,738
Notes Receivable - Short Term	4,033,165	4,235,390
Investments at Fair Value	70,705	75,867
Accounts Receivable	1,080,393	1,061,705
Suppliers - Advance Payments	479,352	494,373
Debtors & Other Debit Balances	1,234,412	984,451
Due from Related Parties	374,445	359,633
Total Current Assets	18,565,000	19,009,505
Total Assets	33,475,617	34,602,210
Current Liabilities		
Banks - Credit Balances	68,326	57,736
Banks - Overdraft	900,553	897,807
Advances from Customers	11,034,902	11,484,809
Completion of Infrastructure Liabilities	95,083	95,083
Provisions	182,145	251,706
Current Portion of Land Purchase Liabilities	136,619	158,982
Notes Payable - Short Term	1,191,540	1,586,918
Current Portion of Term Loans	919,938	1,101,130
Suppliers & Contractors	553,965	704,440
Income Tax Payable	289,288	251,569
Creditors & Other Credit Balances	593,739	617,219
Due to Joint Arrangements Partners	875,586	749,683
Due to Related Parties	28,595	28,188
Total Current Liabilities	16,870,280	17,985,272
Working Capital	1,694,720	1,024,234
Total Investment	16,605,337	16,616,939
<i>Financed as Follows:</i>		
Shareholders' Equity		
Issued and Paid-In Capital	6,157,199	6,157,199
Legal Reserve	734,920	708,524
Special Reserve	476,064	476,064
Retained Earnings	1,278,759	556,922
Net Profit for the Period/Year	141,161	811,742
Equity Attributable to Equity Holders of Parent Co.	8,788,103	8,710,451
Non-Controlling Interest	509,116	505,090
Total Shareholders' Equity	9,297,219	9,215,541
Long Term Liabilities		
Land Purchase Liabilities	298,280	298,280
Notes Payable - Long Term	1,816,193	1,660,457
Other Long-Term Liabilities - Residents' Association	1,746,253	1,671,536
Loans	2,428,423	2,657,712
Due to Joint Arrangements Partners	1,018,970	1,113,414
Total Long-Term Liabilities	7,308,118	7,401,399
Total Equity & Long-Term Liabilities	16,605,337	16,616,940

Cash Flow Statement

(Egyptian Accounting Standards)

EGP Thousand	March 31, 2019	March 31, 2018
Net Profit for the period (Before Income Tax & Non-Controlling Interest)	192,764	304,073
Interest on Land Purchase Liabilities	81,574	59,123
Administrative Depreciation	25,540	10,043
Provision Formed	1,476	2,117
Securitization of Receivables Interest	8,099	-
Finance Costs & Interest	54,864	42,647
Gain (loss) on Disposal of fixed assets	(2)	2
Share of Profit/Loss of Associates	1,706	990
Gains on Investments in Fair Value through Profit or Loss	(2,947)	(1,938)
Interest Income on held to maturity investments	(45,468)	(10,817)
Recoverable Interest on Land Purchase liabilities	-	-
Interest Income - Amortization of Discount on Notes Receivables	(22,359)	(20,131)
Provision Reversal	(70,140)	-
Operating Profit Before Changes in Working Capital Items	225,108	386,109
Changes in Working Capital Items		
Change in Work in Process	(210,449)	(230,523)
Change in Notes Receivables	1,032,723	(443,342)
Change in Investments in Fair Value through Profit or Loss	5,162	(5,215)
Change in Held-to-maturity Investments	888,303	(61,320)
Change in Accounts Receivable	(18,688)	(36,815)
Change in Suppliers - Advance Payments	15,021	31,643
Change in Debtors & Other Debit Balances	(249,961)	(436,783)
Change in Due from Related Parties	(14,813)	(21,676)
Change in Advances from Customers	(449,907)	363,390
Provisions	(898)	-
Change in Due to Related Parties	407	14,670
Changes in Notes Payables	(321,215)	50,391
Change in Suppliers & Contractors	(150,475)	2,759
Income Tax Paid	51	(442)
Change in Creditors and Other Credit Balances	(23,480)	37,802
Change in Other Long Term - Residents' Association	74,717	86,471
Change in Guaranteed Payments - Joint Arrangements	(64,603)	254,488
Net Cash (Used In) Operating Activities	737,002	(8,393)
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets	(6,968)	(15,047)
Proceeds from Sale of Fixed Assets	21	-
Investments in sister companies	(50,000)	-
Payment for Investments Acquisition	-	-
Payments for Projects Under Construction	(1,026)	(3,360)
Payments for Real Estate Investments	(1,719)	(3,580)
Proceeds from Investments in Fair Value through Profit or Loss	2,947	1,938
Interest Received on Held to Maturity Investments	45,468	10,816
Cash Flows from Investing Activities	(11,277)	(9,233)
Cash Flows from Financing Activities		
Banks - Credit Balances	10,591	(1,890)
Banks - Overdraft	2,746	313,273
Adjustments to Retained Earnings	(63,509)	(195,684)
Proceeds from ESOP	-	40,404
Non-Controlling Interest - Dividends	(9,789)	(4,572)
Deferred Tax	3	141
Proceeds from Loans	49,634	12,013
Repayment of Loans	(460,115)	(58,294)
Finance Costs & Interests	(62,963)	(42,647)
Net Cash Provided by Financing Activities	(533,403)	62,745
Net Increase in Cash & Cash Equivalents during the Period	192,321	45,119
Cash & Cash Equivalents at Beginning of the Period	955,738	562,030
Cash & Cash Equivalents as at 31 March 2019	1,148,059	607,150

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 40.6 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 1Q2019, PHD delivered more than 9,860 units within its developments, including more than 4,968 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 of c.EGP1.4 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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