



PALM HILLS
DEVELOPMENTS

3Q2017 Earnings Release

Palm Hills Developments realizes record Revenue of EGP4.8 billion, Net Profit of EGP467 million in 9M2017. New Sales grew 44% YoY to reach EGP8.1 billion

Cairo/London (November 2, 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 September 30, 2017.

Key Highlights

- The Company concluded one of the most important milestones in its long term history of achievements by signing the co-development agreement of the Oasis project with NUCA, spreading 12.6 million sqm in West Cairo, which is a quantum leap for the Company moving it from developing integrated communities to developing small cities and expanding its land bank to 41 million sqm. The Company expects to launch sales of the first phase during 1H2018.
- The Company concluded discounting transaction of Receivables portfolio of EGP124.5 million with Arab African International Bank, with net proceeds of EGP89.1 million. The proceeds were utilized mainly in debt repayment and partial refinancing of the related projects.
- The North Coast had a strong summer season supported by the launch of Hacienda West in June 2017, the project booked sales of EGP979 million since launch and until end of 3Q2017.

9M2017

- New Sales for 9M2017 reached EGP8.1 billion, a growth of 44% YoY, of which EGP7.6 billion were generated from residential sales and EGP519 million from the sale of units in non-core commercial assets. More than 64% of new residential sales were generated by Palm Hills New Cairo, The Crown and Hacienda West. The number of units sold (residential and commercial) grew 23% YoY to 1,709 units, up from 1,385 units sold during the same period last year.
- Cash inflow from operations recorded EGP3.5 billion, a growth of 65% YoY. Construction earned value stood at EGP1.7 billion.
- The Company handed over 1,340 units, on track to realize FY2017 target of 1,600 units, 86% of handed over units was in Palm Parks, Golf Extension, Palm Hills Katameya, Village Gate, Hacienda Bay and Hacienda White 2.
- Revenue grew 30% YoY to EGP4.8 billion, while Gross Profit grew 32% YoY to record EGP1.5 billion, a margin of 31%. EBITDA improved 34% YoY reaching EGP938 million, with a margin of 20%. Net Profit after Tax and Minority Interest increased 16% YoY to EGP467 million, a margin of 10%. Bottom line was negatively impacted by EGP116 million one offs associated with securitization and discounting of Receivables during 1Q & 3Q 2017, and YoY increase in land liabilities.

3Q2017

- New Sales decreased 6% YoY to EGP1.9 billion (365 units) mainly due to an early start for the summer season with a portion of North Coast sales booked during June 2017 and the halt of additional commercial units' sales during the quarter.
- The Company handed over 455 units, mostly in Hacienda Bay, Hacienda White 2, Village Gate, Golf Extension and Palm Parks.
- Revenue and Gross Profit seen a minor growth of 3% YoY with a flat Gross Profit margin of 35%, due to the change in mix of units/projects sold which were mostly apartments, chalets and cabanas. While EBITDA witnessed a drop of 16% YoY to EGP309 million, on the back of higher SG&A expenses YoY in absolute terms due to the increase in sales incentives and commissions resulting from strong sales performance driven by the conversion of pending reservations into contracts during the quarter (42% growth YoY), alongside costs associated with the preparations for the launch of Oasis project.
- Net Profit was negatively impacted by the YoY increase in land liabilities, minority interest, interest charges coupled with the EGP25 million one off hit related to the discounting of Receivables transaction, leading to a bottom line of EGP118 million.

Yasseen Mansour, Chairman Comments:

I am very pleased to share with you our third quarter 2017 financial results, a period in which we have seen healthy residential sales, stable profitability margins and solid handovers, supported by the ongoing demand and uptake of our products offerings across all operating regions, backed by our strong management team and healthy financial position.

During 9M2017, New Sales grew 44% YoY to reach EGP8.1 billion supported by growth in volume and value of units sold in recently launched projects. While the market is still going strong, we believe we are still gaining market share with 1,663 residential units sold during the period. Despite the challenging market conditions post the floatation of Egyptian Pound and the resulting inflation, we still expect sales growth during the rest of FY2017, mainly buoyed by launched inventory in Palm Hills New Cairo, Hacienda West and The Crown, keeping us on track to achieve our full year target of EGP9.5 billion in New Sales.

We handed over 1,340 units, spent EGP1.7 billion on construction and generated EGP3.5 billion in cash flows from operations. We have completed all construction works in the Village Gate, Village Avenue and Casa during the first half of 2017 and expect to conclude Hacienda White 2 before year end, as we previously promised.

Our financial results for 9M2017 reflected our operational excellence with Revenue of EGP4.8 billion, Gross Profit of EGP1.5 billion and EBITDA of EGP938 million, a growth of 30%, 32%, 34% YoY respectively. Net Profit after Minority Interest grew 16% YoY to EGP467 million. Our Balance Sheet maintained its strong position with receivables of EGP14.4 billion, covering Net Debt 4.4 times.

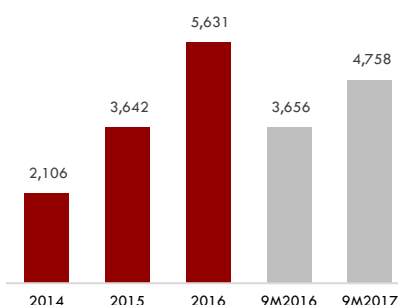
We continue to closely monitor our construction cost which increased 20% since beginning of FY2017, in comparison to our selling prices which recorded a YoY growth of 40% for land, 60% and 36% for Built Up Area of standalone units and apartments respectively.

With regards to our recurring income and commercial real estate portfolio, the segment contributed 17% to Net Profit, in line with our strategy to generate 25% in Net Profit from recurring income by FY2020.

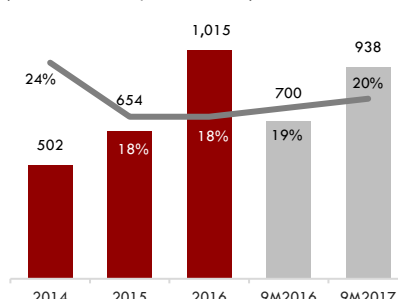
We successfully concluded a discounting transaction of receivables portfolio worth EGP124.5 million related to handed over units, with Arab African International Bank, at a discount rate of 19.8% translating to EGP24.7 million during the third quarter of 2017 with the proceeds mainly utilized in debt repayment, as part of the Company's commitment to deleverage the Balance Sheet through its Securitization of Receivables Program.

Following the closing of the co-development agreement of the Oasis project, spreading 12.6 million sqm in West Cairo, which we consider as a quantum leap for the Company moving it from development integrated communities to developing small cities, we are finalizing the project's master plan in anticipation of launching the first phase during 1H2018.

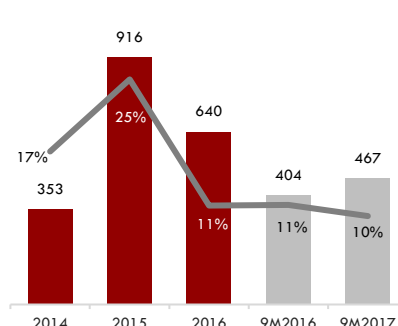
Revenue
(2014-9M2017, EGP Million)



EBITDA & EBITDA Margin
(2014-9M2017, EGP Million)



Net Profit after Tax & Minority Interest
(2014-9M2017, EGP Million)



Financial Review

EGP Million	3Q2017	3Q2016	Change	9M2017	9M2016	Change
Revenue	1,529	1,485	3%	4,757	3,656	30%
Gross Profit	531	517	3%	1,476	1,118	32%
Gross Profit margin	35%	35%	-	31%	31%	-
EBITDA	309	366	(16%)	938	700	34%
EBITDA margin	20%	25%	(5pp)	20%	19%	1pp
Net Profit before Tax & Minority Interest	174	343	(49%)	718	682	5%
Net Profit after Tax & Minority Interest	118	235	(50%)	467	404	16%
Net Profit margin	8%	16%	(8pp)	10%	11%	(1pp)
New Sales	1,926	2,042	(6%)	8,154	5,677	44%

During 9M2017, Revenue grew 30% YoY to reach EGP4.8 billion, driven by the increased pace of handovers, 59% of which was in Hacienda Bay (27% of handovers), Village Gate (21% of handovers) and Golf Extension (11% of handovers), coupled with growth in standalone units sold in new projects namely in Palm Hills New Cairo (12% of top line), Hacienda West (1% of top line), The Crown (4% of top line) as well as handed over commercial units (Village Gate Katameya Mall in East Cairo), coupled with EGP110 million contribution from core commercial assets (3 Hotels & Palm Club in West Cairo). The number of units sold in 9M2017 stood at 1,709 units, a growth of 23% YoY.

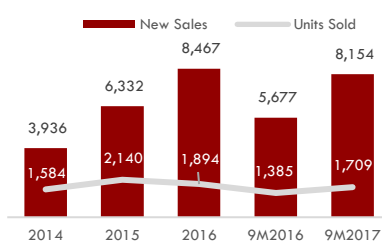
Gross Profit edged up to EGP1.5 billion, a growth of 32% YoY. However, Gross Profit margin remained relatively flat at 31% in 9M2017. SG&A/Revenue stood at 11.3% in 9M2017 (11.4% in 9M2016), yet decreased as a percentage of New Sales to 6.6% (7.4% in 9M2016). EBITDA grew 34% YoY to record EGP938 million, with an EBITDA margin of 20% in 9M2017, up from 19% during the same period last year.

Net Profit after Tax & Minority Interest increased 16% YoY to reach EGP467 million during 9M2017, despite the Company witnessing an increase in Minority Interest, negative impact of higher finance cost YoY and one offs associated with discounting and securitization of Receivables.

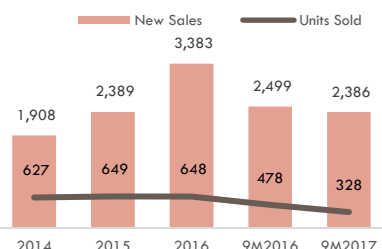
Looking into the third quarter of 2017, Revenue and Gross Profit seen a minor growth of 3% YoY with a flat Gross Profit margin of 35%, due to the change in mix of units/projects sold which were mostly apartments, chalets and cabanas, coupled with 27% YoY decrease in handed over units to 455 homes as FY2017 target is 1,600 units versus 2,049 units handed over during FY2016.

EBITDA for the third quarter of 2017 decreased 16% YoY mainly on the back of higher SG&A in absolute terms due to the increase in sales incentives and commissions resulting from strong sales performance driven by the conversion of pending reservations into contracts during the quarter (42% growth YoY), alongside costs associated with the preparations for the launch of Oasis project. Net Profit for the quarter was negatively impacted by the YoY increase in land liabilities, higher interest charges coupled with the EGP25 million hit relating to the recent discounting of Receivables transaction.

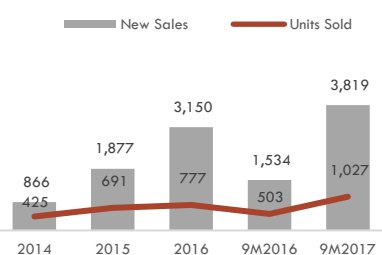
New Sales, All Regions¹ (2014-9M2017, EGP Million)



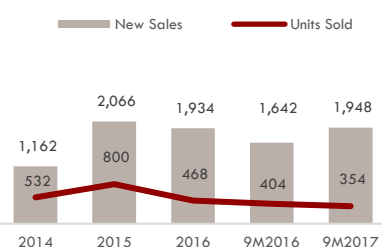
New Sales, West Cairo¹ (2014-9M2017, EGP Million)



New Sales, East Cairo¹ (2014-9M2017, EGP Million)



New Sales, North Coast¹ (2014-9M2017, EGP Million)



Net Debt/EBITDA stood at 2.6 times, down from 2.8 times in FY2016. By the end of 9M2017, Receivables reached EGP14.4 billion compared to EGP11.3 billion by end of FY2016, driven by the strong sales growth, covering Net Debt 4.4 times.

Operational Review

On track to achieve EGP9.5 billion of sales in FY2017

New Sales for 9M2017 reached EGP8.1 billion, a growth of 44% YoY, of which EGP7.6 billion were generated from residential sales and EGP519 million from the sale of commercial units in The Lane (formerly known as Palm Valley Mall), Palm Central and Village Gate Katameya Mall. Palm Hills New Cairo project continues to be the largest contributor to residential sales, followed by strong uptake of secondary homes with the launch of Hacienda West in June 2017.

During 3Q2017, New Sales decreased 6% YoY to EGP1.9 billion (365 units) mainly due to fewer launched inventory in West Cairo when compared with last year, coupled with an early start of the summer season with a portion of North Coast sales booked during June 2017 and the halt of additional commercial units' sales.

The number of units sold during 9M2017 increased 23% YoY to 1,709 units, compared to 1,385 units during the same period last year. Since the beginning of 2017, the Company increased its average selling prices by 60% and 36% YoY for BUA of standalone units and apartments, and 40% YoY for land.

In West Cairo, New Sales recorded EGP2.4 billion during 9M2017, driven by demand for residential units in The Crown coupled with commercial units' sales in The Lane and Palm Central. New Sales for 3Q2017 decreased 28% YoY to EGP376 million, of which EGP175 million were generated by The Crown. The drop in New Sales resulted from lower available for sale inventory in West Cairo during 3Q2017.

In East Cairo, New Sales grew by a remarkable 149% YoY to record EGP3.8 billion by end of 9M2017. Growth was driven by stellar sales performance in Palm Hills New Cairo where Cumulative New Sales since the project launch to date reached EGP4.3 billion (1,031 units). New Sales for 3Q2017 grew 151% YoY to EGP573 million, mostly from sales in Palm Hills New Cairo and Capital Gardens. The Company sold commercial units worth EGP14 million in Village Gate Katameya Mall during 3Q2017.

In the North Coast, New Sales stood at EGP1.9 billion during 9M2017, an increase of 19% YoY. The region witnessed solid performance during the summer season supported by the launch of Hacienda West in June 2017 which booked aggregate sales of EGP979 million by end of 9M2017. New Sales decreased 24% YoY to EGP976 million during 3Q2017, as a result of early summer season starting in June 2017 and hence some shift in secondary homes sales to 2Q2017.

In 9M2017, the Company handed over 1,340 units including 455 units during the third quarter, on track to meet FY2017 target of 1,600 delivered units. Construction activities are progressing on schedule, recording an earned value of EGP1.7 billion in 9M2017, a growth of 11% YoY.

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



3Q2017 Earnings Release

Our recurring income portfolio from three hotels and commercial real estate segment contributed 17% to 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 2,582 memberships by end of 9M2017.

Outlook

The Company will postpone the monetization of receivables of up to c. EGP700 million to 1H2018 instead of 2H2017, once the interest rate environment improves. PHD is on track to meet the previously announced FY2017 targets in terms of new sales of EGP9.5 billion, construction spend of EGP2.3 billion, and to deliver 1,600 units.

With regards to projects to be launched, the co-development project in Alexandria has been postponed from 4Q2017 to 1Q2018 due to regulatory reasons. As the Oasis project's master plan is nearing completion, the Company expects to launch the first phase of residential units during 1H2018.

Consolidated Income Statement ² (Egyptian Accounting Standards)

In EGP 000's	3Q2017	3Q2016	%	9M2017	9M2016	%
Revenue	1,529,553	1,485,231	3%	4,757,805	3,656,251	30%
Cost of Revenue	(999,020)	(968,529)	3%	(3,282,016)	(2,538,654)	29%
Gross Profit	530,532	516,702	3%	1,475,788	1,117,596	32%
Gross Profit Margin	35%	35%	-	31%	31%	-
General Administrative, Selling and Marketing Expenses	(221,135)	(150,343)	47%	(537,530)	(418,022)	29%
EBITDA	309,397	366,397	(16%)	938,258	699,575	34%
EBITDA Margin	20%	25%	(5pp)	20%	19%	1pp
Administrative Depreciation	(5,230)	(3,278)	60%	(15,074)	(8,662)	74%
Operating Profit	304,167	363,081	(16%)	923,184	690,913	34%
Less:						
Finance Cost & Interests	(82,302)	(16,756)	NA	(157,156) ³	(33,355)	NA
Securitization of Notes Receivables	(24,715)	-	NA	(116,441) ⁴	-	NA
Interest on Land Purchase Liabilities	(56,598)	(31,164)	82%	(109,724)	(87,480)	25%
Provisions	72	650	(89%)	(4,670)	(1,204)	NA
Add:						
Recoverable Interest on Land Purchase Liabilities	-	-		82,824	-	NA
Interest Income - Amortization of Discount on Notes Receivables	16,798	11,515	46%	50,393	34,546	46%
Gain from Held for Trading Investment	15,102	14,523	4%	45,071	74,025	(39%)
Interest Income	1,665	1,511	10%	4,589	4,221	9%
Net Profit Before Income Tax & Minority	174,189	343,360	(49%)	718,072	681,666	5%
Income Tax Expense	(18,142)	(76,567)	(76%)	(116,234)	(156,685)	(26%)
Deferred Tax	(261)	(204)	28%	798	(566)	NA
Net Profit After Tax	155,785	266,589	(42%)	602,636	524,415	15%
Non-Controlling Interest	(38,129)	(31,613)	21%	(135,641)	(120,107)	13%
Net Profit After Tax & Minority Interest	117,656	234,977	(50%)	466,995	404,308	16%
Net Profit After Tax & Minority Interest Margin	8%	16%	(8pp)	10%	11%	(1pp)

2- The Company's consolidated financial statements for the period ended September 30, 2017, 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 EGP59 million and Finance Cost of EGP96 million.

4- Discounted Notes Receivables as part of the securitization and discounting transactions concluded during 1Q2017 and 3Q2017 respectively.

Consolidated Balance Sheet (Egyptian Accounting Standards)

EGP Thousand	September 30, 2017	December 31, 2016
Long-Term Assets		
Investments in Associates	83,837	79,226
Investment Property	887,193	888,506
Notes Receivable - Long Term	9,844,674	7,300,040
Projects Under Construction	883,052	877,767
Advance Payments for Investments Acquisitions	184,336	184,336
Fixed Assets (net)	346,571	351,608
Deferred Tax Asset	11,072	10,302
Other Long Term Assets	1,391	1,391
Employee stock ownership plan (ESOP)	75,539	81,287
Total Long-Term Assets	12,317,664	9,774,462
Current Assets		
Works in Process	8,962,210	6,410,746
Held to Maturity Investments	310,797	153,328
Cash & Cash Equivalents	590,713	808,517
Notes Receivable - Short Term	3,759,571	3,295,528
Investments at Fair Value	45,356	58,471
Accounts Receivable	792,769	757,057
Suppliers - Advance Payments	542,350	489,064
Debtors & Other Debit Balances	362,478	218,477
Due from Related Parties	262,580	244,125
Guaranteed Payments – Joint Arrangements Partners	50,000	40,000
Total Current Assets	15,678,823	12,475,312
Total Assets	27,996,487	22,249,774
Current Liabilities		
Banks - Credit Balances	103,070	42,176
Banks – Overdraft	196,936	79,410
Advances from Customers	9,739,910	7,744,755
Completion of Infrastructure Liabilities	95,083	95,083
Provisions	174,606	169,387
Current Portion of Land Purchase Liabilities	144,884	60,651
Investment Purchase Liabilities	44,257	44,257
Notes Payable - Short Term	1,056,505	974,302
Current Portion of Term Loans	803,014	541,015
Suppliers & Contractors	444,099	448,466
Income Tax Payable	116,464	126,629
Creditors & Other Credit Balances	511,082	522,256
Due to Joint Arrangements Partners	180,388	160,424
Due to related Parties	104,045	131,333
Total Current Liabilities	13,714,343	11,140,145
Working Capital	1,964,480	1,335,168
Total Investment	14,282,144	11,109,629
<i>Financed as Follows:</i>		
Shareholders' Equity		
Issued and Paid-In Capital	4,617,899	4,617,899
Legal Reserve	680,728	630,142
Special Reserve	524,213	524,213
ESOP Re-measurement Reserve	30,160	31,493
Retained Earnings (Deficit)	127,280	(222,479)
Net Profit for the Period/Year	466,995	639,795
Equity Attributable to Equity Holders of Parent Co.	6,447,276	6,221,064
Non-Controlling Interest	541,743	412,152
Total Shareholders' Equity	6,989,019	6,633,215
Long Term Liabilities		
Land Purchase Liabilities	353,834	169,800
Notes Payable - Long Term	2,108,893	612,701
Other Long Term Liabilities - Residents' Association	1,004,572	736,444
Loans	3,214,046	2,957,470
Due to Joint Arrangements Partners	611,780	-
Total Long Term Liabilities	7,293,125	4,476,414
Total Equity & Long Term Liabilities	14,282,144	11,109,629

Cash Flow Statement

(Egyptian Accounting Standards)

EGP Thousand	September 30, 2017	September 30, 2016
Net Profit for the period (Before Income Tax & Non-Controlling Interest)	718,072	681,666
Administrative Depreciation	27,138	19,589
Provision Formed	4,670	1,204
Securitization of Receivables Interest	116,441	-
Interest on Land Purchase Liabilities	109,724	87,480
Finance Costs & Interest	157,156	33,355
Gain on Disposal of Property & Equipment	4	(37)
Share of Profit/Loss of Associates	(4,611)	1,574
Gains on Investments in Fair Value through Profit or Loss	(4,589)	(4,221)
Interest Income	(45,071)	(74,025)
Recoverable Interest on Land Purchase liabilities	(82,824)	-
Interest Income – Amortization of Discount on Notes Receivables	(50,393)	(34,546)
Operating Profit Before Changes in Working Capital Items	945,715	712,039
Changes in Working Capital Items		
Change in Work in Process	(2,033,231)	(132,578)
Change in Notes Receivables	(2,958,283)	(2,019,435)
Change in Investments in Fair Value through Profit or Loss	13,116	5,497
Change in Held-to-maturity Investments	(157,469)	499,345
Change in Accounts Receivable	(35,713)	(103,465)
Change in Suppliers - Advance Payments	(53,286)	37,763
Change in Debtors & Other Debit Balances	(144,002)	(153,757)
Change in Due to Related Parties	(18,455)	(61,602)
Change in Guaranteed Payments - Joint Arrangements	631,743	-
Change in Advances from Customers	1,995,155	926,664
Change in Completion of Infrastructure Liabilities	-	(87,565)
Provisions	549	(185)
Change in Due to Related Parties	(27,289)	(95,979)
Changes in Notes Payables	1,551,496	531,402
Change in Suppliers & Contractors	(4,366)	(20,841)
Income Tax Paid	(126,399)	(46,612)
Change in Creditors and Other Credit Balances	(11,174)	104,896
Change in Other Long Term - Residents' Association	268,128	166,897
Due to Joint Arrangements Partners	(10,000)	(90,000)
Net Cash (Used In) Operating Activities	(173,766)	181,483
Cash Flows from Investing Activities		
Payments for Purchase of Fixed Assets	(26,725)	(31,096)
Proceeds from Sale of Fixed Assets	-	44
Proceeds from Payments for Projects Under Construction	(5,285)	(87,651)
Proceeds from Investments in Fair Value through Profit or Loss	4,589	4,221
Interest Received on Held to Maturity Investments	45,071	74,025
Cash Flows from Investing Activities	17,650	(40,458)
Cash Flows from Financing Activities		
Banks - Credit Balances	60,894	706
Banks – Overdraft	117,526	8,008
Dividends	-	(368,630)
Adjustments to Retained Earnings	(239,450)	(271,591)
Proceeds from ESOP	4,415	-
Non-Controlling Interest – Dividends	(6,048)	(4,085)
Deferred Tax	28	43
Proceeds from Loans	568,903	583,134
Repayment of Loans	(294,358)	(92,627)
Securitization of Receivables Interest	(116,441)	-
Finance Costs & Interests	(157,156)	(33,351)
Net Cash Provided by Financing Activities	(61,688)	(178,396)
Net Increase in Cash & Cash Equivalents during the Period	(217,804)	(37,372)
Cash & Cash Equivalents at Beginning of the Period	808,516	965,669
Cash & Cash Equivalents as at 30 September 2017	590,713	928,298

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 41.1 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 3Q2017, PHD delivered more than 7,691 units within its developments, including more than 3,410 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 EGP11.5 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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