

# RESULTS FOR THE 1<sup>ST</sup> HALF OF 2018

- ✓ Overall backlog up 27.9%, to more than €2 billion
- ✓ Transition from a net financial debt to a positive cash position
- ✓ Upwards revision of the annual outlook

## ◆ Key components of sales activity (H1 2018 vs H1 2017)

- **Overall orders:**  
€1,210.5 million including VAT (+54.1%)  
Housing: €864.2 million including VAT (+10.1%)  
4,149 units (+1.2%)  
Business property: €346.2 million
- **Marketing period for housing:**  
5.1 months vs 6.3 months in H1 2017 (-1.2 months)

## ◆ Key financial data (H1 2018 vs H1 2017)

- **Revenues:**  
€776.9 million (+23.8%)  
Of which housing: €608.8 million (+13.2%)
- **Gross margin:**  
€150.0 million (+25.1%)
- **Adjusted EBIT:**  
€77.6 million (+48.9%)
- **Attributable net income:**  
€37.8 million (+87.4%)
- **Net debt:**  
€(24.4) million vs € 33.1 million at end-2017
- **Financing capacity: €376.7 million**  
(€289.4 million at end-May 2017)

## ◆ Key growth indicators (H1 2018 vs H1 2017)

- **Overall backlog:**  
€2,088.6 million (+27.9%)  
Of which Housing €1,784.7 million (+19.9%)
- **Housing property portfolio:**  
28,035 units (+2.7 %)

Kaufman & Broad SA announced today its results for the 1<sup>st</sup> half of the 2018 financial year (from 1 December, 2017 to 31 May, 2018). Nordine Hachemi, Chairman and Chief Executive Officer of Kaufman & Broad, made the following comments:

*"The results for the 1<sup>st</sup> half of 2018 have confirm the quality of Kaufman & Broad's fundamentals. They highlight the ability of its growth model, which generates profitability and cash flow, to sustain its distribution capacity while reinforcing its financial strength and growth prospects.*

*With overall orders up of 54.1% in value terms (+10.1% for housing alone) and the marketing period down again to 5.1 months, the trading results demonstrate the ability of our commercial offer to meet demand in a market that is still expected to contract over the year. Maintenance of our high level of marketing continues to rely on our ability to offer our customers transactions at selling prices that match their financial capacity.*

*The business property segment also continued to perform extremely well, with orders of €346.2 million (including VAT).*

*The strong growth in the overall backlog of nearly 28% has substantially increased our visibility. In the Housing segment alone, the backlog grew by 20%, enabling us to continue to rigorously manage our land reserve, which represents more than three years of business.*

*Our policy of controlling prices and operating expenses resulted in growth of 48.9% in adjusted EBIT. The working capital requirement was once again managed in an environment of strong growth in turnover and the order backlog. This resulted in a reduction in debt of nearly €85 million in the last 12 months and a positive net cash position of €24.4 million at the end of May.*

*All of these factors led to an increase in shareholders' equity, which stood at over €240 million at the end of May 2018, as well as our financing capacity, which reached nearly €380 million.*

*The group believes that its revenue growth for the full financial year should be more than 10%. Gross margin is expected to remain at about 19%, while adjusted EBIT is expected to increase to about 9%.*

*In this context, and according to our dividend policy, the dividend will increase in the same proportions."*

## Sales activities

### ✓ Housing segment

In the 1<sup>st</sup> half of 2018, orders for housing unit orders amounted to €864.2 million (including VAT) in value terms, representing an increase of 10.1% compared with the 1<sup>st</sup> half of 2017. In terms of volume, they increased to 4,149 housing units, up 1.2% over the same period in 2017.

The marketing period for projects was 5.1 months in the 1<sup>st</sup> half of 2018, an improvement of 1.2 months compared with the 1<sup>st</sup> half of 2017 (6.3 months).

The commercial offer, 93% of which is located in areas of strong demand (A, Abis and B1), amounted to 3,527 housing units at the end of May 2018 (4,294 housing units at the end of May 2017).

### Breakdown of the customer base

Orders by first-time buyers increased by 7.0% in value terms (excluding VAT) over the 1<sup>st</sup> half of 2018 as a whole, representing 18% of sales. Orders by second-time buyers grew by 33.0%, representing 10% of sales. Orders from investors accounted for 34% of sales (28% only under the Pinel Law tax scheme). The proportion of block sales increased to 37% (26% in the 1<sup>st</sup> half of 2017). Managed accommodation (tourism, students, business and seniors) accounted for more than 64% of block sales.

### ✓ Business property segment

In the 1<sup>st</sup> half of 2018, the business property segment registered net orders of €346.2 million, including VAT for one logistics platform and two office property.

Kaufman & Broad also signed:

- a sale before completion agreement for the construction of an office building covering approximately 7,000 sq.m at Eurasanté, a health industry cluster developed by the Lille metropolitan authority (municipality of Loos). The building will accommodate the new offices of the l'Établissement Français du Sang, with which Kaufman & Broad had earlier signed a lease before completion.
- a sale before completion agreement for a business campus at Courbevoie of 24,000 sq.m, organised into three buildings, including a high-rise tower.
- a sale before completion agreement to build a new-generation XXL logistics platform with a total surface area of 74,000 sq.m at MER for DWS (Deutsche Bank Asset Management) after signing a lease before completion with the LAPEYRE Group.

Kaufman & Broad is currently marketing or studying approximately 205,000 sq.m of office premises and approximately 185,000 sq.m of logistics premises. In addition, more than 90,000 sq.m of office premises are currently under construction (including SNI Paris 13, ORA Paris 17, EDF Bordeaux and Polaris in Nantes) and 180,000 sq.m of logistics premises.

The business property backlog amounted to €302.1 million (excluding VAT) at the end of May 2018.

## ✓ **Forward-looking indicators for the sales and development activity**

The housing backlog amounted to €1,784.7 million (excluding VAT) at 31 May, 2018, i.e. 16.7 months of business. Kaufman and Broad had 217 home programmes on the market at the same date, representing 3,527 housing units, compared with 225 programmes representing 4,294 housing units at the end of May 2017.

The housing property portfolio represents 28,035 units, up 2.7% compared with the end of May 2017, and corresponds to potential revenues of more than four years of business.

The group is planning to launch 86 new programmes in the 2<sup>nd</sup> half of 2018, including 31 in the Île-de-France Region, which represent 3,322 units, and 55 programmes in the French Regions representing 4,119 units.

## ◆ **Financial results**

### ✓ **Business volumes**

Total revenues amounted to €776.9 million (excluding VAT), representing an increase of 23.8% compared with the 1<sup>st</sup> half of 2017.

Housing revenues amounted to €608.8 million (excluding VAT), compared with €537.9 million (excluding VAT) in the 1<sup>st</sup> half of 2017. They accounted for 78.4% of the group's revenues. Revenues from the Apartments business were up 10.3 % compared with the 1<sup>st</sup> half of 2017, and amounted to €573.7 million (excluding VAT). Revenues from single family homes in communities amounted to €35.2 million (excluding VAT), compared with €18.0 million (excluding VAT) in the 1<sup>st</sup> half of 2017.

The business property segment's revenues amounted to €163.9 million (excluding VAT) in the 1<sup>st</sup> half of 2018, compared with €87.0 million (excluding VAT) in the 1<sup>st</sup> half of 2017.

### ✓ **Profitability highlights**

The gross margin amounted to €150.0 million in the 1<sup>st</sup> half of 2018, compared with €119.9 million in the 1<sup>st</sup> half of 2017. The gross margin ratio was 19.3%, or slightly higher than the level in the 1<sup>st</sup> half of 2017 (19.1 %).

Current operating expenses amounted to €78.5 million (10.1% of revenues), compared with €71.2 million in the 1<sup>st</sup> half of 2017 (11.3% of revenues).

Current operating profit amounted to €71.5 million, compared with €48.8 million in the 1<sup>st</sup> half of 2017. The current operating margin was 9.2%, compared with 7.8% in the 1<sup>st</sup> half of 2017.

The group's adjusted EBIT amounted to €77.6 million in the 1<sup>st</sup> half of 2018 (compared with €52.1 million in the 1<sup>st</sup> half of 2017). The adjusted EBIT margin was 10.0% (compared with 8.3% in the 1<sup>st</sup> half of 2017). Attributable net income amounted to €37.8 million in the 1<sup>st</sup> half of 2018 (compared with €20.2 million in the 1<sup>st</sup> half of 2017).

## ✓ **Financial structure and liquidity**

The net cash position was €24.4 million at 31 May, 2018, compared with net financial debt of €33.1 million at the end of 2017, representing an improvement of €57.5 million. Cash assets (available cash and investment securities) amounted to €276.7 million, compared with €221.1 million at 30 November, 2017. The group's financing capacity was €376.7 million (€321.1 million at 30 November, 2017).

The working capital requirement amounted to €141.5 million (9.2% of revenues on a 12-month rolling basis), compared with €147.6 million at 30 November, 2017 (10.6% of revenues). The tight control over working capital primarily relies on the very short marketing period for the group's programmes.

## ◆ **Dividend**

Kaufman & Broad paid out a dividend of €2.10 per share on 30 May, 2018, in respect of the financial year ended 30 November, 2017, with an option of payment in shares of all or part of the dividend. The issue price for these new shares was set at €37.60, which corresponds to 90% of the average prices quoted for Kaufman & Broad shares on the Euronext Paris regulated market during the 20 trading sessions prior to the day of said Shareholders' Meeting, minus the net amount of the dividend of €2.10 per share, rounded up to the next euro cent.

The option period was opened between 9 May and 22 May, 2018 inclusive. At the close of the period, shareholders who had opted for payment of the dividend in shares represented 67.3% of Kaufman & Broad S.A. shares. 790,539 new shares were issued in order to pay the share-based dividend, representing 3.75% of the share capital and 3.60% of the voting rights of Kaufman & Broad S.A. on the basis of the share capital and voting rights at 30 April, 2018. Settlement and delivery of the shares, and their admission to trading on the Euronext Paris regulated market, occurred on 30 May, 2018.

The overall cash dividend payable to shareholders who did not choose to have their dividends paid in shares or opted for partial payment in shares amounted to €13.9 million, and was paid on 30 May, 2018.

## ◆ **2018 outlook**

For the 2018 financial year, the group believes that its revenue growth should be more than 10%. Gross margin is expected to remain at about 19%, while adjusted EBIT is expected to increase to about 9%.

This press release is available on the [www.kaufmanbroad.fr](http://www.kaufmanbroad.fr) website

◆ **Next regular publication date:**

- ✓ 28 September, 2018: Results for the 3rd quarter of 2018 (after the market close)

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**About Kaufman & Broad** - Kaufman & Broad has been designing, building and selling single-family homes in communities, apartments, and offices on behalf of third parties for 50 years. Kaufman & Broad is one of the leading French Property Development & Construction companies due to the combination of its size and profitability, and the strength of its brand.

*The Kaufman & Broad Registration Document was filed with the French Financial Markets Authority ("AMF") under No. D.18 0226 on 29 March, 2018. It is available on the AMF ([www.amf-france.org](http://www.amf-france.org)) and Kaufman & Broad ([www.kaufmanbroad.fr](http://www.kaufmanbroad.fr)) websites. It contains a detailed description of Kaufman & Broad's business activities, results, and outlook, as well as the associated risk factors. Kaufman & Broad specifically draws attention to the risk factors set out in Chapter 1.2 of the Registration Document. The occurrence of one or more of these risks may have a material adverse effect on the Kaufman & Broad group's business activities, net assets, financial position, results, and outlook, as well as on the price of Kaufman & Broad's shares.*

*This press release does not amount to, and cannot be construed as amounting to a public offering, a sale offer or a subscription offer, or as intended to seek a purchase or subscription order in any country.*

## ◆ Glossary

**Backlog:** also known as the order book, is a summary at a given time that enables future revenues over the coming months to be estimated.

**Off-plan lease (BEFA):** an off-plan lease involves a customer leasing a building before it is even built or redeveloped.

**Financial Capacity:** is equal to the active cash flow plus non used credit lines up to date

**Marketing period:** The inventory marketing period is the number of months required for the available housing units to be sold, if sales continue at the same rate as for the previous units, or the number of housing units (available supply) per quarter divided by the orders for the previous quarter, and divided by three in turn.

**Adjusted EBIT:** corresponds to current operating profit restated for capitalised "IAS 23 revised" borrowing costs, which are deducted from the gross margin.

**EHU:** The EHUs (Equivalent Housing Units) delivered are a direct reflection of business volumes. The number of EHUs is obtained by multiplying (i) the number of housing units in a given programme for which notarised sale deeds have been signed by (ii) the ratio between the group's property expenses and construction expenses incurred on said programme and the total expense budget for said programme.

**Gross margin:** corresponds to revenues less cost of sales. Cost of sales consists of the price of land, the related property costs, and the construction costs.

**Commercial offer:** is represented by the total inventory of housing units available for sale at the relevant date, i.e. all housing units that have not been ordered on that date (minus the sales tranches that have not been released for marketing).

**Property portfolio:** represents all of the land for which any commitment (contract of sale, etc.) has been signed.

**Orders:** measured in volume (units) and in value terms; orders reflect the group's sales activity. Their inclusion in revenues is conditional on the time required to turn an order into a signed and notarised deed, which is the triggering event for booking the income. In addition, in the case of multi-occupancy housing programmes that include mixed-use buildings (apartments, business premises, retail space, and offices), all of the floor space is converted into housing unit equivalents.

**Take-up rate:** the take-up rate represents the percentage of the initial inventory that is sold on a monthly basis for a property programme (sales per month divided by the initial inventory), i.e. net monthly orders divided by the ratio between the opening inventory and the closing inventory, divided by two.

**Units:** units are used to define the number of housing units or equivalent housing units (for mixed programmes) in a given programme. The number of equivalent housing units is calculated as a ratio between the surface area by type (business premises, retail space, or offices) and the average surface area of the housing units previously obtained.

**Sale before completion:** a sale before completion is an agreement via which the vendor transfers its rights to the land and its ownership of the existing buildings to the purchaser immediately. The future structures will become the purchaser's property as they are completed: the purchaser is required to pay the price of these structures as the works progress. The vendor retains project owner powers until the works are accepted.

## NOTES

### ◆ Financial data

#### Key consolidated data

€ 000s	H1 2018	H1 2017
Revenue	776,864	627,676
· Of which Housing	608,821	537,935
· Of which Business Property	163,864	87,016
· Of which Other	4,179	2,725
Gross margin	150,036	119,903
Gross margin ratio (%)	19.3%	19.1%
Current operating profit	71,542	48,750
Current operating margin (%)	9.2%	7.8%
Adjusted EBIT*	77,552	52,099
Adjusted EBIT margin (%)	10.0%	8.3%
Attributable net income	37,770	20,151
Attributable net earnings per share (€/share)**	€ 1.73	€ 0.97

\* Adjusted EBIT corresponds to current operating profit restated for capitalised "IAS 23 revised" borrowing costs, which are deducted from the gross margin.

\*\*Based on the number of shares that make up Kaufman & Broad's share capital, i.e. 20,837,039 shares at 31 May, 2017, and 21,864,074 shares at 31 May, 2018 following the issue of 790,539 shares for the payment of dividends for the year ended 30 November, 2017.

#### Consolidated income statement\*

€ 000s	H1 2018	H1 2017
<b>Revenues</b>	<b>776,864</b>	<b>627,676</b>
Cost of sales	-626,828	-507,773
<b>Gross margin</b>	<b>150,036</b>	<b>119,903</b>
Selling expenses	-17,396	-17,886
General administrative expenses	-34,409	-32,541
Technical and after-sales service expenses	-11,103	-10,590
Development and programme expenses	-15,585	-10,135
<b>Current operating profit</b>	<b>71,543</b>	<b>48,750</b>
Other non-recurring income and expenses	-	-
<b>Operating result</b>	<b>71,543</b>	<b>48,750</b>
Cost of net financial debt	-5,144	-2,131
Other financial income and expense	-	-
Income tax	-20,411	-13,366
Share of income (loss) of equity affiliates and joint ventures	2,051	-202
<b>Net income of the consolidated entity</b>	<b>48,039</b>	<b>33,051</b>
Non-controlling equity interests	10,269	12,900
<b>Attributable net income</b>	<b>37,770</b>	<b>20,151</b>

\* Not approved by the Board of Directors and unaudited.

## Consolidated balance sheet\*

€ 000s

**31 May,  
2018**

**30 November,  
2017**

### ASSETS

Goodwill	68,661	68,661
Intangible assets	89,522	89,442
Property, plant and equipment	9,133	7,699
Equity affiliates and joint ventures	11,507	14,815
Other non-current financial assets	2,662	2,311
Deferred tax assets	4,227	4,227
<b>Non-current assets</b>	<b>185,711</b>	<b>187,155</b>
Inventory	403,265	384,882
Trade receivables	365,671	340,142
Other receivables	188,443	198,968
Cash and cash equivalents	276,703	221,065
Prepaid expenses	1,598	1,079
<b>Current assets</b>	<b>1,235,680</b>	<b>1,146,136</b>
<b>TOTAL ASSETS</b>	<b>1,421,391</b>	<b>1,333,291</b>

### EQUITY AND LIABILITIES

Share capital	5,685	5,479
Additional paid-in capital	174,054	132,670
Attributable net income	37,770	59,118
<b>Attributable shareholders' equity</b>	<b>217,509</b>	<b>197,268</b>
Non-controlling equity interests	24,031	18,174
<b>Equity capital</b>	<b>241,540</b>	<b>215,442</b>
Non-current provisions	27,877	24,952
Non-current financial liabilities (portion maturing in >1 year)	249,651	249,615
Deferred tax liability	80,248	60,105
<b>Non-current liabilities</b>	<b>357,776</b>	<b>334,672</b>
Current provisions	1,898	1,191
Other current financial liabilities (portion maturing in <1 year)	2,681	4,542
Trade payables	686,231	652,012
Other payables	130,467	125,177
State - current taxes	42	-
Prepaid income	756	255
<b>Current liabilities</b>	<b>822,075</b>	<b>783,177</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,421,391</b>	<b>1,333,291</b>

\*Not approved by the Board of Directors and unaudited.

## ◆ Operating data

<b>Housing</b>	<b>H1 2018</b>	<b>H1 2017</b>
Revenues (€ million, excluding VAT)	608.8	537.9
· Of which apartments	573.6	519.9
· Of which single family homes in communities	35.2	18.0
Deliveries (EHUs)	3,599	3,471
· Of which apartments	3,443	3,389
· Of which single family homes in communities	156	82
Net orders (number)	4,149	4,100
· Of which apartments	3,968	4,005
· Of which single family homes in communities	181	95
Net orders (€ million, including VAT)	864.3	784.8
· Of which apartments	811.0	764.2
· Of which single family homes in communities	53.2	20.6
End-of-period commercial offer (number)	3,527	4,294
End-of-period backlog		
· In value terms (€ million, excluding VAT)	1,784.7	1,487.9
- Of which apartments	1,696.7	1,440.9
- Of which single family homes in communities	88.0	46.9
· In months of business	16.7	15.6
End-of-period land reserve (number)	28,035	27,296

<b>Business property</b>	<b>H1 2018</b>	<b>H1 2017</b>
Revenues (€ million, excluding VAT)	163.8	87.0
Net orders (€ million, including VAT)	346.2	-
End-of-period backlog (€ million, excluding VAT)	302.1	144.6