

# FIRST QUARTER 2017 RESULTS

- ✓ **Solid sales and financial performance**
- ✓ **Annual targets confirmed in a new-housing market that remains buoyant**

## ◆ **Key components of sales activity (Q1 2017 vs Q1 2016)**

- ✓ **Housing Orders**  
Volume: 1,800 housing units (+19.0 %)  
Value: €336.6 million, incl. VAT (+18.5 %)

## ◆ **Key financial highlights (Q1 2017 vs. Q1 2016)**

- ✓ **Revenues:**  
€287.7 million (+25.2 %)  
Of which, Housing units: €247.0 million (+19.4 %)
- ✓ **Gross margin:**  
€54.7 million (+25.1 %)
- ✓ **Adjusted EBIT:**  
€20.7 million (+7.9 %)
- ✓ **Attributable net income:**  
€7.4 million (+14.9 %)
  
- ✓ **Net financial debt:**  
€85.0 million at end-February 2017 vs  
€85.1 million at end of 2016

## ◆ **Key growth indicators**

- ✓ **Total backlog:**  
€1,592.0 million (+23.9 % vs Q1 2016)  
Of which Housing units:  
€1,400.4 million (+24.3 % vs Q1 2016)
- ✓ **Housing property portfolio:**  
27,580 units (+25.9 % vs Q1 2016)

Kaufman & Broad SA duly reviewed the unaudited results for the first quarter of fiscal year 2017 (December 1, 2016, to February 28, 2017).

Commenting on these results, Nordine Hachemi, Chairman and Chief Executive Officer of Kaufman & Broad, said:

*"The first-quarter 2017 results reflect the strong growth dynamic that started three years ago.*

*Housing orders are up, in both volume and value, by almost 20 %. The volume increase was driven mainly by the growth of first-time buyers (+45 %) and block sales (+53 %). Although, this steady first quarter growth can't be projected for the whole year.*

*The significant increases in the land reserve (+26 %) and backlog (+24 %) confirm the strength of our development and our ability to transform it into business activity.*

*In the Business property segment, Kaufman & Broad maintained robust activity. In Logistics, we signed two lease-before-completion contracts and in Offices, we won two tenders: one organized by EPA Bordeaux Euratlantique for the completion of a 26,000 sq.m building at the foot of the future TGV train station, and the other in Lille for a 7,000 sq.m project in the Eurasanté complex.*

*The New-housing market remains very dynamic, buoyed by balanced incentives, as well as still-low interest rates. Against this backdrop, Kaufman & Broad is very mindful of maintaining stable sales prices to stay within close reach of its customers' purchasing power.*

*With a stable tax environment and a moderate increase in interest rate, we forecast a 2017 market at least equivalent to 2016.*

*Kaufman & Broad's outlook for 2017 remains strong. Revenues are expected to grow by 8 % to 10 %, with a gross margin rate of about 19% and an adjusted EBIT margin of 8.5 %. Net financial debt will remain close to €100 million."*

## Marketing and sales activity

### ✓ Housing segment

During the first quarter of 2017, housing orders by volume totaled 1,800 housing units, up 19.0 % compared to the same period in 2016.

In value, housing orders totaled €336.6 million (incl. VAT), up 18.5 % compared to the same period in 2016.

In Q1 2017 1,748 apartments were ordered for €325.2 million (incl. VAT), or an increase of 18.5 % by volume and 19.1 % by value.

### Distribution of customers

Overall in the first quarter of 2017, the number of orders by first-time buyers displayed strong momentum, with a 45 % increase whereas block sales were up 53.0 %. Otherwise, Investors rose 13% compared to the same period of 2016, and represent 48 % of orders in Q1 2017.

### ✓ Business property segment

In February 2017, Kaufman & Broad won the tender organized by EPA Bordeaux Euratlantique for the completion of a 26,000 sq.m building at the foot of the future TGV train station. The Group also won a tender in Lille for a 7,000 sq.m project in the Eurasanté complex.

Work was begun on the Polaris building in Nantes (6,500 sq.m), sold before completion in 2016, and on the new EDF headquarters of the Aquitaine commercial branch in Bordeaux (5,000 sq.m)

Finally, in Logistics, Kaufman & Broad signed three lease-before-completion contracts.

### ✓ Leading indicators of marketing and sales activity and growth

As of February 28, 2017, the Housing backlog totaled €1,400.4 million (excl. VAT), i.e., almost 13 months of business activity. As of the same date, Kaufman & Broad had 215 housing programs on the market, representing 4,195 housing units, compared to 189 programs, for 4,126 housing units as of end of February 2016.

The Housing property portfolio included 27,580 lots, up 25.9 % compared to end-November 2016. This represents a potential revenue of approximately four years of business.

In the second quarter of 2017, the group is planning to launch 42 new programs representing about 2,581 units.

The Business property backlog totaled €190.0 million as of end of February 2017.

**◆ Financial results****✓ Business activity**

Total revenues amounted to €287.7 million (excl. VAT), up 25.2 % compared to Q1 2016.

Housing revenues totaled €247.0 million (excl. VAT), versus €206.8 million (excl. VAT) in Q1 2016. This represents 85.8% of group revenues.

Revenues from the Apartments business were up 20.6 % to €199.5 million (excl. VAT) compared to Q1 2016. Revenues from Single-family homes in communities totaled €6.3 million (excl. VAT) versus €7.3 million (excl. VAT) in Q1 2016.

Revenues from the Business property segment totaled €39.6 million (excl. VAT), compared to €21.6 million (excl. VAT) in the same period of 2016.

Other activities generated revenues of €1.2 million (excl. VAT).

**✓ Elements of profitability**

The gross margin for the first quarter of 2017 totaled €54.7 million, compared to €43.7 million in the same period of 2016. The gross margin rate came to 19.0 %, unchanged year-over-year.

Current operating expenses for the first quarter of 2017 totaled €35.5 million (12.3% of revenues), versus €26.1 million for the same period in 2016 (11.4% of revenues).

Current operating income for the period totaled €19.3 million, versus €17.6 million in Q1 2016. The current operating mark-up ratio amounted to 6.7 % versus 7.7 % for Q1 2016.

Adjusted EBIT<sup>1</sup> for the group totaled €20.7 million in Q1 2017 (vs €19.2 million in the same period of 2016). The adjusted EBIT margin amounted to 7.2 % versus 8.3 % for Q1 2016.

Attributable net income stood at €7.4 million, up 14.9 % compared to Q1 2016 (€6.5 million).

**✓ Financial structure and liquidity**

As of February 28, 2017, net financial debt totaled €85.0 million, compared with €85.1 million at the end of November 2016.

Active cash flow (cash and marketable securities) totaled €115.9 million, compared with €118.1 million at end of November 2016.

Working capital requirements totaled €140.7 million (10.9 % of revenues over 12 consecutive months), versus €129.2 million at end of November 2016 (10.4% of revenues).

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<sup>1</sup> The adjusted EBIT represents the current operating income of €19.3 million adjusted for capitalized borrowing costs of €1.4 million as of February 28, 2017, versus a current operating income of €17.6 million adjusted for capitalized borrowing costs of €1.6 million as of February 28, 2016.

## ◆ Dividend

As announced in 2016, a dividend of €1.85 per share will be paid in 2017 for the 2016 fiscal year (ended November 30, 2016), subject to the approval of the Shareholders' Meeting to be held on May 11, 2017.

The Shareholders' Meeting will also vote on giving Kaufman & Broad shareholders the option of receiving their entire dividend in cash or shares. Following the dividend payout, and in order to maintain the same number of shares on a fully diluted basis, the Company will cancel the same number of treasury shares as those that will have been created to meet shareholder demand.

## ◆ Guidance for 2017

In fiscal year 2017, the group estimates that revenues will grow by 8% to 10%, with a gross margin rate of about 19 % and an adjusted EBIT margin of 8.5 %. Net financial debt will remain close to €100 million.

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

## ◆ Next periodical reporting date:

- ✓ May 11, 2017 Annual Shareholders' Meeting
- ✓ July 11, 2017 First half 2017 results (after market close)

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**About Kaufman & Broad** - For nearly 50 years, Kaufman & Broad has been designing, developing, building and selling single-family homes in communities, apartments, and offices on behalf of third parties. Its size and profitability, combined with its strong brand name, have made Kaufman & Broad one of France's leading developer-homebuilders.

*Kaufman & Broad's Registration Document filed on March 31, 2017, with the French financial markets authority (Autorité des marchés financiers - AMF) under number D.17-0286 (the "Registration Document") on the AMF website ([www.amf-france.org](http://www.amf-france.org)) and Kaufman & Broad's website ([www.kaufmanbroad.fr](http://www.kaufmanbroad.fr)). It contains a detailed description of the business activity, results and outlook of Kaufman & Broad, in addition to the associated risk factors. In particular, Kaufman & Broad draws investors' attention to the risk factors described in Section 1.2 of the Registration Document. If one or more of these risks should materialize, it could have a significant negative impact on the business activities, assets, financial situation, results or outlook of the Kaufman & Broad group, and on the market price of Kaufman & Broad's shares.*

*This press release does not constitute and should not be construed as a public offering, an offer to sell or an offer to subscribe. Nor is it intended to solicit a purchase order or subscription in any country.*

## ◆ Glossary

**Adjusted EBIT:** corresponds to the current operating income adjusted for the "IAS 23 revised" borrowing costs which have been capitalized and removed in the gross margin.

**Backlog:** also called the order book, this is a summary of orders at any given time which can be used to estimate expected revenues in the coming months.

**Commercial offer:** The total inventory of housing units available for sale as of the date in question, i.e., all unordered housing units as of this date (less the programs that have not entered the marketing phase).

**EHU:** EHUs (Equivalent Housing Units delivered) directly reflect sales. The number of EHUs is a function of multiplying (i) the number of housing units in a given program for which notarized sales deeds have been signed by (ii) the ratio between the group's property expenses and construction expenses incurred on said program and the total expense budget for said program.

**Gross margin:** corresponds to revenues less the cost of sales. The cost of sales comprises, in particular, the price of the land, the associated property costs and the construction costs.

**Lease before completion:** Lease before completion is a contract whereby a user leases a building even before it has been built or remodeled.

**Orders:** measured by volume (in Units) and by value, these reflect the group's marketing and sales activity. Orders are recognized in revenue based on the time necessary for the "conversion" of an order into a signed and notarized deed, which is the point at which income is generated. Moreover, for multi-occupancy housing programs that include mixed-use buildings (apartments/business premises/retail space/offices), all floor space is converted into equivalent housing units.

**Property portfolio:** comprises all the land for which any commitment (such as a contract for sale, etc.) has been signed.

**Sale before completion:** Sale before completion is a contract whereby the seller immediately transfers to the buyer its land rights and ownership of existing buildings. Works to come become the property of the purchaser as and when they are executed, and the purchaser must pay the price as work progresses. The seller retains the powers of the project owner until the acceptance of the work.

**Take-up period:** The inventory take-up period is the number of months required for the available housing units to be sold if sales are maintained at the same pace as in previous months, i.e., housing units outstanding (offer available) per quarter divided by the number of orders per quarter ended and with orders in turn divided by three.

**Take-up rate:** The take-up rate ( $T_e$ ) represents the percentage of initial inventory sold per month in a real estate program (sales / month divided by initial inventory); i.e., net monthly orders divided by the beginning of the period inventory ratio plus the end of period inventory divided by two. NB: The reverse of the take-up ratio ( $1 / T_e$ ) gives the projected duration (in months) of a program's promotion and marketing, in other words the take-up period. For example, a 4.0% take-up ratio corresponds to a projected promotion and marketing of 25 months.

**Units:** Units are used to define the number of housing units or equivalent housing units (for mixed programs) of any given program. The number of equivalent housing units is determined by comparing the surface area by type (business premises/retail space/offices) to the previously obtained average surface area of housing units.

## NOTES

### ◆ Financial data

#### Key consolidated data

<i>In € thousands</i>	Q1 2017*	Q1 2016
Revenues	287,718	229,722
• Of which, Housing	246,957	206,812
• Of which, Commercial property	39,561	21,643
• Of which, Other	1,201	1,267
Gross margin	54,717	43,740
Gross mark-up ratio (%)	19.0%	19.0%
Current operating income	19,250	17,596
Current operating margin (%)	6.7%	7.7%
Adjusted EBIT **	20,669	19,157
Adjusted EBIT margin (%)	7.2%	8.3%
Attributable net income	7,426	6,465
Attributable net earnings per share (€/share) *	0.36	0.31

\* At its meeting on January 26, 2016, based on the number of shares which comprise the Company's authorized capital, the Board of Directors of Kaufman & Broad decided to cancel 747,619 treasury shares, reducing the number of Company shares from 21,584,658 to 20,839,037

\*\* Adjusted EBIT corresponds to the current operating income of the group adjusted for "IAS 23 revised" borrowing costs which have been capitalized and removed in the gross margin.

#### Consolidated income statement

<i>In € thousands</i>	Q1 2017 *	Q1 2016
<b>Revenues</b>	<b>287,718</b>	<b>229,722</b>
Cost of sales	233,001	(185,982)
<b>Gross margin</b>	<b>54,717</b>	<b>43,740</b>
Selling expenses	(8,791)	(6,545)
Administrative expenses	(16,638)	(11,746)
Technical and after-sales service expenses	(5,415)	(4,598)
Development and program expenses	(4,623)	(3,255)
<b>Current operating income</b>	<b>19,250</b>	<b>17,596</b>
Other non-recurring income and expenses	-	-
<b>Operating income</b>	<b>19,250</b>	<b>17,596</b>
Cost of net financial debt	(860)	(170)
Other financial expenses and income	-	-
Income tax	4,437	(4,530)
Share of income (loss) of equity affiliates and joint ventures	(125)	(158)
<b>Net income of consolidated companies</b>	<b>13,828</b>	<b>12,737</b>
Minority interests	6,402	6,272
<b>Attributable net income</b>	<b>7,426</b>	<b>6,465</b>

\* Not approved by the Board of Directors and not audited.

## Consolidated balance sheet

In € thousands

Feb. 28, 2017 \*

Nov. 30, 2016

**ASSETS**

Goodwill	68,661	68,661
Intangible Assets	87,448	87,570
Property, plant and equipment	8,033	7,449
Equity affiliates and joint ventures	13,039	5,634
Other non-current financial assets	1,771	2,504
<b>Non-current assets</b>	<b>178,951</b>	<b>171,818</b>
Inventories	352,820	371,381
Accounts receivable	361,693	375,669
Other receivables	133,908	159,772
Cash and cash equivalents	115,917	118,108
Prepaid expenses	1,172	1,345
<b>Current assets</b>	<b>965,511</b>	<b>1,026,275</b>
<b>TOTAL ASSETS</b>	<b>1,144,462</b>	<b>1,198,093</b>

**LIABILITIES**

Authorized capital	5,418	5,418
Premiums, reserves and other	127,487	79,119
Attributable net income	7,425	46,035
<b>Attributable shareholders' equity</b>	<b>140,330</b>	<b>130,571</b>
Minority interests	19,030	15,196
<b>Shareholders' equity</b>	<b>159,359</b>	<b>145,767</b>
Non-current provisions	23,280	23,229
Borrowings and other non-current financial liabilities (> 1 year)	191,540	191,362
Deferred tax liability	50,725	45,471
<b>Non-current liabilities</b>	<b>265,545</b>	<b>260,062</b>
Current provisions	1,261	1,499
Other non-current financial liabilities (< 1 year)	9,380	11,841
Trade payables	624,847	675,146
Other payables	83,499	97,382
Current tax situation	-	5,858
Deferred income	570	539
<b>Current liabilities</b>	<b>719,557</b>	<b>792,264</b>
<b>TOTAL LIABILITIES</b>	<b>1,144,462</b>	<b>1,198,093</b>

\* Not approved by the Board of Directors and not audited.

## ◆ Operational data

<b>Housing</b>	<b>First quarter 2017</b>	<b>First quarter 2016</b>
Revenue (€ millions, excl. VAT)	247.0	206.8
· Of which, Apartments	240.7	199.5
· Of which, Single-family homes in communities	6.3	7.3
Deliveries (EHU)	1,556	1,257
· Of which, Apartments	1,532	1,224
· Of which, Single-family homes in communities	24	33
Net orders (in number)	1,800	1,512
· Of which, Apartments	1,748	1,475
· Of which, Single-family homes in communities	52	37
Net orders (€ millions, excl. VAT)	336.6	284
· Of which, Apartments	325.2	273
· Of which, Single-family homes in communities	11.3	11
Commercial offer at end of period (by number)	4,195	4,126
Backlog at end of period		
· By value (€ million, excl. VAT)	1,400.4	1,126.8
- Of which, Apartments	1,349.4	1,077.5
- Of which, Single-family homes in communities	51.0	49.3
· In months of business activity	12.9	13.2
Land reserve at end of period (by number)	27,580	21,904

<b>Business property</b>	<b>First quarter 2017</b>	<b>First quarter 2016</b>
Revenue (€ millions, excl. VAT)	39.6	21.6
Net orders (€ millions, excl. VAT)	0.0	(0.1)
Backlog at end of period (€ millions, excl. VAT)	190.0	158.1