

## 2018 1ST QUARTER RESULTS

- ✓ **Strong results in line with forecasts**
- ✓ **Annual growth of main financial indicators confirmed**

### ◆ **Key components of sales activity (Q1 2018 vs Q1 2017)**

- **Overall orders in value terms:**  
€M408.9 including VAT (+21.5%)  
Of which housing units:  
€M345.3 including VAT (+2.6%)  
In volume terms: 1,824 units (+1.3%)
- **Marketing period for housing**  
4.5 months compared with 6.1 months (-1.6 months)

### ◆ **Key financial data (Q1 2018 vs Q1 2017)**

- **Revenues:**  
€M328.0 (+14.0%)  
Of which housing units:  
€M285.1 (+15.4%)
- **Gross margin:**  
€63.4 million (+15.8%)
- **Adjusted EBIT:**  
€M30.6 (+47.9%)
- **Attributable net income:**  
€M13.7 (+85.1%)
- **Net financial debt:**  
€M0.5 vs. €M33.1 at the end of 2017

### ◆ **Key growth indicators (Q1 2018 vs Q1 2017)**

- ✓ **Overall backlog:**  
€M1,873.5 (+17.7%)  
Of which housing:  
€M1,677.2 (+19.8%)
- ✓ **Housing property portfolio:**  
28,138 units (+2.0%)

Kaufman & Broad SA today announced its results for the first quarter of the 2018 fiscal year (from December 1, 2017 to February 28, 2018). Nordine Hachemi, Chairman and Chief Executive Officer of Kaufman & Broad, made the following comments:

*"Results of the 1st quarter 2018 are in line with 2017 performances.*

*Housing orders in value are growing by 2.6% in a market expected to wane slightly. The take up period of our operations continued to improve to 4.5 months. It confirms the compatibility and the adaptability of our commercial offer to the demand.*

*Also, the Commercial activity has confirmed its development with orders amounting to €63.5 million including VAT for the first quarter in a still steady market.*

*The global Backlog continues its solid development, with almost 18% and 20% for the Housing activity only, confirming our growth momentum.*

*This strong visibility given by the high level of our Backlog allow us to manage rigorously our housing property portfolio increasing by 2% which today represents more than three years of activity. It allow us to offer to our clients operations with a selling price matching their financial capacity and therefore to keep a fast take-up period.*

*During the 1st quarter, our policy to manage sale prices, land and building costs as well as operating costs leads to a 48% growth in adjusted Ebit, i.e. more than 9% of total revenue. In the same time, working capital requirement remains stable, allowing a reduction of the net debt close to zero.*

*In this context, and based on unchanged anticipated interest rates, Kaufman & Broad confirms its outlook, announced last January, for the full-year 2018. Thus, revenue growth should be in the range of 8% to 10%. The gross margin ratio is expected to remain at around 19%, while the adjusted EBIT ratio is expected to stand between 8.5% and 9%."*

## Sales activities

### ✓ Housing segment

Orders for housing units in value terms amounted to €345.3 million (including VAT) for the first quarter of the 2018 fiscal year, representing an increase of 2.6% compared with 2017.

In volume terms, orders for housing units amounted to 1,824 homes, up 1.3% compared with 2017.

The marketing period for projects was 4.5 months, down 1.6 months compared with 2017 (6.1 months).

The commercial offer, 95% of which is located in areas where there is a shortfall (A, Abis and B1), amounted to 3,395 housing units at the end of February 2018 (4,195 housing units at the end of February 2017).

### Breakdown of the customer base

Orders from first-time buyers accounted for 15% of sales in volume terms, while those from second-time buyers accounted for 5%. Orders from investors accounted for 31% of sales (26% for the Pinel scheme alone), while block sales accounted for 49%, of which more than 60% is managed housing (tourism, student, business or senior).

### ✓ Business property segment

The business property segment registered net orders of €63.5 million, including VAT, in the first quarter of 2018, corresponding to a logistical platform for an European investor.

Also, Kaufman & Broad has signed an off-sales contract (VEFA) to carry out the development of approximately 7 000 sq.m of office premises at Eurasanté, which is a specialized center focused around the health industry and develop by the Lille metropolitan area (city of Loos). The building will be welcoming the new offices of the French blood Institute, with whom Kaufman & Broad already signed a commercial lease in the future state of completion (BEFA).

Kaufman & Broad is commercializing or having under study around 150,000 sq.m of office premise and around 200,000 sq.m of logistic platform.

Otherwise, more than 60,000 sq.m of office premise are currently under construction (SNI Paris 13<sup>th</sup> , ORA Paris 17<sup>th</sup> , EDF Bordeaux, Polaris in Nantes ...).

The business property backlog amounted to €194.2 million (excluding VAT) at the end of February 2018.

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

The housing backlog amounted to €1,677.2 million (excluding VAT) at February 28, 2018, i.e. 13.4 months of business. Kaufman and Broad had 202 home programs on the market at the same date, representing 3,395 housing units, compared with 215 programs representing 4,195 housing units at the end of February 2017.

The housing property portfolio represents 28,138 units, up 2.0% compared with the end of February 2017, and corresponds to potential revenues of more than three years of business.

The Group plans to launch 40 new programs in the second quarter of 2018, including 13 in Île-de France (1,466 units), 27 programs in the other French regions (1,917 units).

#### ◆ **Financial results**

##### ✓ **Business volumes**

Total revenues amounted to €328.0 million (excluding VAT), up 14.0% compared with 2017.

Housing revenues amounted to €285.1 million (excluding VAT), compared with €247.0 million (excluding VAT) in 2017. They accounted for 86.9% of the group's revenues.

Revenues from the apartments business were up 12.2% compared with 2017, and amounted to €270.1 million (excluding VAT).

The business property segment's revenues amounted to €40.7 million (excluding VAT), compared with €39.6 million (excluding VAT) in 2017.

The other businesses generated revenues of €2.3 million (excluding VAT), compared with €1.2 million in 2017.

##### ✓ **Profitability highlights**

The gross margin for the 1<sup>st</sup> quarter of 2018 year amounted to €63.4 million, compared with €54.7 million in 2017. The gross margin ratio was 19.3%, slightly higher than the level of the 1<sup>st</sup> quarter of 2017 (19.0%).

Current operating expenses amounted to €36.0 million (11.0% of revenues), compared with €35.5 million for 2017 (12.3% of revenues).

Current operating profit amounted to €27.4 million, compared with €19.2 million in 2017. The current operating margin ratio was 8.3%, compared with 6.7% in 2017.

The group's adjusted EBIT amounted to €30.6 million in 2018 (compared with €20.7 million in 2017). The adjusted EBIT margin was 9.3% (compared with 7.2% in 2017).

Attributable net income for 2018 is €13.7 million compared with €7.4 million in 2017.

##### ✓ **Financial structure and liquidity**

Net financial debt amounted to €0.5 million at February 28, 2018, down €32.6 million compared with €33.1 million at the end of 2017. Cash assets (available cash and investment securities) amounted to €255.0 million, compared with €221.1 million at November 30, 2017. The group's financing capacity was €355.0 million (€321.1 million at November 30, 2017).

The working capital requirement amounted to €133 million (9.3% of revenues), compared with €147.6 million at November 30, 2017 (10.6 % of revenues), and €140.7 million at the end of February 2017 (10.9% of revenues). The tight control over working capital primarily relies on the very short marketing period for the Group's programs.

## ◆ 2017 dividend

The meeting of the Board of Directors of Kaufman & Broad SA of March 7, 2018 resolved to propose the distribution for the 2017 fiscal year (ended November 30, 2017) of a dividend of €2.10 per share, up 13.5% compared with the dividend paid for 2016 (€1.85 per share), subject to approval by the Shareholders Meeting, which will take place on May 3, 2018. A proposal will also be made to this Shareholders' Meeting to give Kaufman & Broad's shareholders the option to receive this dividend in cash, in shares, or in cash and shares.

## ◆ Governance

The Board of Directors planned to submit to the Shareholder meeting on the 3<sup>rd</sup> of May the nomination of Mrs Karine Normand as a Director representing employee shareholding, owing close to 14% of the shares.

During this meeting, it will also be submitted the nomination of Mrs Lucile Ribot as an independent Director in order to reinforce governance.

The number of Directors will thus amount to 10 members including 6 independent Directors.

## ◆ 2018 outlook

The Group considers that its revenue growth should range between 8% and 10% for the 2018 fiscal year. The gross margin ratio is expected to remain at around 19%, while the adjusted EBIT ratio is expected to be between 8.5% and 9%.

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

## ◆ Next regular publication date:

- ✓ May 3, 2018: Annual Shareholders' Meeting
- ✓ July 11, 2018: H1-2018 results (after 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 developers-builders 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 March 29, 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 might have a material adverse impact 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:** In the case of sales before completion, this covers orders for housing units that have not been delivered, and for which a notarized deed of sale has not yet been signed, and orders for housing units that have not been delivered for which a notarized deed of sale has been signed for the portion not yet recorded in revenues (in the case of a program for which an advance of 30% has been received, 30% of the revenues from a housing unit for which a notarized deal has been signed is recognized as revenues, while 70% is included in the backlog). The backlog is a summary at a given time, which enables the revenues yet to be recognized over the coming months to be estimated, thus supporting the Group's forecasts – with the proviso that there is an element of uncertainty in the transformation of the backlog into revenues, particularly for orders that have not yet been signed.

**Lease before completion:** a lease before completion involves a customer leasing a building before it is built or redeveloped.

**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 capitalized "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 program for which notarized sale 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:** The gross margin corresponds to revenues less cost of sales. The cost of sales consists of the price of the land, and the related property costs (levies, etc.), the commissions paid to developers and to Kaufman & Broad's sales staff, the fees and commissions included in the mandates issued by Kaufman & Broad in order to sell the real estate programs, construction costs, and the borrowing costs that can be directly allocated to the development of programs.

**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 franchises 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 notarized deed, which is the triggering event for booking the income. In addition, in the case of multi-occupancy housing programs that include mixed-use buildings (apartments, business premises, retail space, and offices), all of the floor space is converted into housing unit equivalents.

**Land reserve:** This includes land to be developed (which is alternatively called the "property portfolio"), i.e. land for which a deed or promise of sale has been signed, as well as land under review, i.e. land for which a deed or a contract of sale has not yet been signed.

**Take-up rate:** the take-up rate represents the percentage of the initial inventory that is sold on a monthly basis for a property program (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. NB: The inverse of the take-up rate (1/MPR) gives the expected timeframe (in months) for the marketing of a program, i.e. the marketing period. For instance, a take-up rate of 4.0% corresponds to an expected marketing period of 25 months.

**Units:** units are used to define the number of housing units or equivalent housing units (for mixed programs) in a given program. 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

<i>In € million</i>	<b>Q1 2018</b>	<b>Q1 2017</b>
Revenues	328.0	287.7
• Of which housing	285.1	247.0
• Of which business property	40.7	39.6
• Of which other	2.3	1.2
Gross margin	63.4	54.7
Gross margin ratio (%)	19.3%	19.0%
Current operating profit	27.4	19.2
Current operating margin (%)	8.3%	6.7%
Adjusted EBIT*	30.6	20.7
Adjusted EBIT margin (%)	9.3%	7.2%
Attributable net income	13.7	7.4
Attributable net earnings per share (€/share)**	0.65	0.36

\* Adjusted EBIT corresponds to current operating profit restated for capitalized "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 February 28, 2017, and 21,073,535 shares at February 28, 2018 following the issue of 236,496 shares for the capital increase reserved for employees at November 30, 2017.

#### Consolidated income statement\*

<i>€ thousands</i>	<b>Q1 2018</b>	<b>Q1 2017</b>
<b>Revenues</b>	<b>328,031</b>	<b>287,718</b>
Cost of sales	(264,666)	233,001
<b>Gross margin</b>	<b>63,365</b>	<b>54,717</b>
Selling expenses	(8,617)	(8,791)
General administrative expenses	(14,768)	(16,638)
Technical and after-sales service expenses	(5,376)	(5,415)
Development and program expenses	(7,218)	(4,623)
<b>Current operating profit</b>	<b>27,386</b>	<b>19,250</b>
Other non-recurring income and expenses	-	-
<b>Operating income</b>	<b>27,386</b>	<b>19,250</b>
Cost of net financial debt	(1,910)	(860)
Other financial income and expense	-	-
Income tax	(7,146)	(4,437)
Share of income (loss) of equity affiliates and joint ventures	769	(125)
<b>Net income of the consolidated entity</b>	<b>19,099</b>	<b>13,828</b>
Non-controlling equity interests	5,352	6,402
<b>Attributable net income</b>	<b>13,747</b>	<b>7,426</b>

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

## Consolidated balance sheet

€ thousands

**February 28  
2018**

**30 November  
2017**

### ASSETS

Goodwill	68,661	68,661
Intangible assets	89,580	89,442
Property, plant and equipment	8,253	7,699
Equity affiliates and joint ventures	18,257	14,815
Other non-current financial assets	2,411	2,311
Deferred tax assets	4,227	4,227
<b>Non-current assets</b>	<b>191,388</b>	<b>187,155</b>
Inventory	374,693	384,882
Trade receivables	334,837	340,142
Other receivables	159,110	198,968
Cash and cash equivalents	254,961	221,065
Prepaid expenses	1,456	1,079
<b>Current assets</b>	<b>1,125,057</b>	<b>1,146,136</b>
<b>TOTAL ASSETS</b>	<b>1,316,446</b>	<b>1,333,291</b>

### LIABILITIES

Share capital	5,479	5,479
Additional paid-in capital	190,673	132,670
Attributable net income	13,747	59,118
<b>Attributable shareholders' equity</b>	<b>209,899</b>	<b>197,268</b>
Non-controlling equity interests	21,266	18,174
<b>Shareholders' equity</b>	<b>231,165</b>	<b>215,442</b>
Non-current provisions	24,270	24,952
Non-current financial liabilities (maturing in > 1 year)	249,629	249,615
Deferred tax liabilities	66,962	60,105
<b>Non-current liabilities</b>	<b>340,862</b>	<b>334,672</b>
Current provisions	1,483	1,191
Other current financial liabilities (maturing in < 1 year)	5,823	4,541
Trade payables	651,366	652,012
Other payables	85,370	125,178
Deferred income	376	255
<b>Current liabilities</b>	<b>744,419</b>	<b>783,177</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,316,446</b>	<b>1,333,291</b>

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

## ◆ Operating data

<b>Housing</b>	<b>Q1 2018</b>	<b>Q1 2017</b>
Revenues (€ million, excluding VAT)	285.1	247.0
· Of which apartments	270.1	240.7
· Of which single family homes in communities	15.0	6.3
Deliveries (EHUs)	1,709	1,556
· Of which apartments	1,647	1,532
· Of which single family homes in communities	62	24
Net orders (number)	1,824	1,800
· Of which apartments	1,774	1,748
· Of which single family homes in communities	50	52
Net orders (€ million, including VAT)	345.3	336.5
· Of which apartments	328.5	325.2
· Of which single family homes in communities	16.8	11.3
End-of-period commercial offer (number)	3,395	4,195
End-of-period backlog		
· In value terms (€ million, excluding VAT)	1,677.2	1,400.4
- Of which apartments	1,599.7	1,349.4
- Of which single family homes in communities	77.5	51.0
· In months of business	13.4	15.3
End-of-period land reserve (number)	28,138	27,580
<b>Business property</b>	<b>Q1 2018</b>	<b>Q1 2017</b>
Revenues (€ million, excluding VAT)	40.7	39.6
Net orders (€ million, including VAT)	63.5	0.0
End-of-period backlog (€ million, excluding VAT)	194.2	190.0