

H1 2019 RESULTS

- ✓ **Significant increase in Backlog (+7.9%), to more than €2.2bn, and in the housing property portfolio (+14.5%)**
- ✓ **A solid financial structure with a financing capacity of €454.4m**
- ✓ **Projected 2019 dividend of at least €2.50 per share**

◆ Key sales data (H1 2019 vs. H1 2018)

- **Orders:**
 - Housing: 4,177 units (+0.7%)
€807.8m incl. tax (- 6.5%)
 - Commercial property: €118.6m
- **Take-up period for Housing:**
5.1 months (stable vs. H1 2018)

◆ Key financial data (H1 2019 vs. H1 2018)

- **Revenue:**
Housing: €610.9M (+0.3%)
Overall: €703.8m (- 9.4%)
- **Gross margin:**
€135.6m, 19.3% of revenue
- **Adjusted EBIT:**
€67.7m, 9.6% of revenue
- **Attributable net income:**
€38.5m (+1.9%)
- **Net cash:**
€54.6m vs. €50.0m at end 2018
- **Financing capacity:**
€454.4m (€353.4m at end 2018)

◆ Key growth indicators (H1 2019 vs. H1 2018)

- **Overall backlog:**
€2,253.1m (+7.9%)
Of which Housing: €2,026.4m (+13.5%)
- **Housing property portfolio:**
32,109 units (+14.5%)

Today, Kaufman & Broad SA announced its results for the first half of the 2019 fiscal year (from December 1, 2018 to May 31, 2019). Nordine Hachemi, Chairman and Chief Executive Officer of Kaufman & Broad, made the following comments:

"Kaufman & Broad's H1 2019 results are in line with our expectations. The new housing market should be in decline overall for the year, at around 115,000 housing units. This decline is primarily due to the decrease in the number of building permits issued.

"Conversely, demand for housing is still high, which is visible through a stable take-up period for Kaufman & Broad's programs, at less than six months.

"Sales performance in H1 was stable, as anticipated. Nevertheless, the generally slower pace in building permit issuance could lead to a decrease in new programs opening in the second half.

"On top of this, the increases in the land reserve (+14.5%) and in overall Backlog (+7.9%) confirm our strong long-term growth capacity. The 13.5% increase in Housing Backlog, now more than €2bn, allow a good visibility for our business.

"In Business Property, the building permit for block A7A8 in the Austerlitz district was filed in May. This 92,000 sq.m project is made up of offices, retail space, housing, and a hotel. It seems reasonable to expect that the building permit will come through in late 2020 / early 2021.

"In this context, Kaufman & Broad sets the following projections for the current year: revenue should stand at around €1.5bn, with an around 5% increase in Housing and a decline in Commercial business, in line with expectations.

"The gross margin ratio is expected to hold at around 19% and the adjusted EBIT ratio should remain above 9%. Attributable net income should be at least equal to 2018 levels. Given the expected financial structure and results, a dividend of at least €2.50 per share should be proposed to the Board of Directors for the 2019 fiscal year."

Sales activities

✓ Housing

In H1 2019, in value terms, housing orders totaled €807.8m including tax, a 6.5% decrease compared with H1 2018. In volume, 4,177 units were ordered, a 0.7% increase compared with the same period in 2018.

The take-up period for projects was 5.1 months in the first half of 2019, stable compared with H1 2018 (5.1 months).

The commercial offer, 97% of which is located in high-demand, low-supply areas (A, Abis and B1), amounted to 3,575 housing units at the end of May 2019 (3,527 housing units at the end of May 2018).

Breakdown of the customer base

For the first half of 2019, orders in value (excl. tax) from first-time buyers were down by 23% and represented 15% of sales. Orders from second-time buyers decrease by 16%, making up 9% of sales. Orders from investors accounted for 32% of sales (26% just for the Pinel Scheme). Block sales made up 43% of housing orders, up by 10% compared with H1 2018, when they represented 37% of orders. Moreover, around 52% of block orders were for managed housing (for tourists, students, business travelers, and seniors).

✓ Commercial Property

In H1 2019, the Commercial Property segment recorded net orders of €118.6m including tax.

The building permit for block A7A8 in the Austerlitz district was filed in May. This 92,000 sq.m project is made up of offices, retail space, housing, and a hotel. Given the upcoming elections, it seems reasonable to expect that the building permit will come through in late 2020 / early 2021.

Kaufman & Broad is currently marketing or studying around 293,000 sq.m of office space and around 126,000 sq.m of logistics and industrial space.

It is also currently building around 63,000 sq.m in office space.

Two XXL logistics platforms with a total surface area of 150,000 sq.m were also delivered in the first half, to a subsidiary of the Casino group and to Lapeyre (Saint Gobain group).

At the end of May 2019, the commercial backlog amounted to €226.7m.

✓ Forward-looking sales and development indicators

At May 31, 2019, the housing backlog amounted to €2,026.4m (excl. tax), i.e. 18.8 months of business. At the same date, Kaufman and Broad had 200 housing programs on the market, representing 3,575 housing units (compared with 217 programs representing 3,527 housing units at the end of May 2018).

The housing property portfolio represents 32,109 units, up 14.5% compared with the end of May 2018, corresponding to potential revenue of around four years of business.

◆ Financial results

✓ Business volumes

Total revenues amounted to €703.8m (excl. tax), down 9.4% compared to H1 2018.

Revenue from Housing amounted to €610.9m (excl. tax), versus €608.8m (excl. tax) in H1 2018. This represents 86.8 % of group revenue. Revenue from Apartments was down by 1.2% compared to H1 2018 and stood at €566.6m (excl. tax). Revenue from Single-family homes in communities amounted to €44.3m (excl. tax), versus €35.2m (excl. tax) in H1 2018.

Revenue from Commercial Property amounted to €89.8m (excl. tax), compared with €163.9m (excl. tax) in H1 2018.

✓ Profitability highlights

Gross margin for H1 2019 amounted to €135.6m, compared with €150.0m in H1 2018. The gross margin ratio was 19.3%, stable compared with H1 2018 (19.3%).

Current operating expenses amounted to €72.9m (10.4 % of revenue), versus €78.5m in H1 2018 (10.1% of revenue).

Current operating income stood at €62.7m, versus €71.5m in H1 2018. The current operating margin ratio was 8.9%, compared with 9.2% in H1 2018.

The group's adjusted EBIT amounted to €67.7m in H1 2019 (compared with €77.6m in H1 2018). The adjusted EBIT margin was 9.6% (compared with 10.0% in H1 2018).

Attributable net income for H1 2019 was €38.5m (compared with €37.8m in H1 2018). At May 31, 2019, in accordance with IFRS IAS12, this attributable net income includes a reduction in tax liability worth €3.8m, due to the provisions voted on under the 2018 finance law that gradually reduces the normal tax rate on companies from 33.3% to 26.5% in 2021, and to 25.0% starting in 2022. If these tax provisions change in the future, the company will have to increase its tax liability accordingly.

✓ Financial structure and liquidity

The net cash position was €54.6m at May 31, 2019, compared with net cash of €50.0m at the end of 2018, a €4.6m improvement. Cash assets (available cash and investment securities) amounted to €204.4m, compared with €253.4m at November 30, 2018. The group's financing capacity was €454.4m (€353.4m at November 30, 2018).

The working capital requirement amounted to €105.9m (7.1% of revenue, over 12 consecutive months), compared with €110.8m at November 30, 2018 (7.1% of revenue); restated for the 2018 dividend paid on June 14, 2019, it would have been €159.5m, i.e. 10.7% of revenue. The tight control over working capital primarily relies on the very short take-up period for the Group's programs.

On May 6, 2019, Kaufman & Broad SA decreased its capital by canceling 210,732 treasury shares worth a value of €7.2m, bringing the number of shares in its capital from 21,864,074 to 21,653,342 shares.

◆ Dividend

On June 14, 2019, Kaufman & Broad paid a dividend of €2.50 per share for the year ended November 30, 2018 with a full or partial stock dividend option. The issue price of these new shares was set at €32.23, representing 95% of the average price of Kaufman & Broad shares on the Euronext Paris regulated market over the 20 trading sessions preceding the date of said Shareholders' Meeting, less the net dividend of €2.50 per share, rounded up to the nearest euro cent.

The option was open for acceptance from May 17 to June 6, 2019 inclusive. At the end of this period, the shareholders who chose payment of the dividend in stock accounted for 8.96% of Kaufman & Broad SA shares. 150,690 new shares were issued for the purpose of paying the stock dividend, representing 0.70% of the share capital and 0.59% of the voting rights of Kaufman & Broad SA on the basis of the share capital and voting rights as of May 31, 2019. Settlement/delivery of the shares and their admission to trading on the Euronext Paris regulated market took place on June 14, 2019.

The total dividend in cash to be paid to those shareholders who did not accept the stock dividend option, or who opted for partial payment in shares, amounted to €48.7m and was paid on June 14, 2019.

◆ KB Actions 2019

In a press release published on May 13, 2019, Kaufman & Broad SA announced that it would set up a shareholding plan reserved for group employees, called "KB Actions 2019," through a capital increase.

In addition to the information given in the press release issued on May 13, 2019, the maximum number of shares that may be issued under the shareholding plan was set at 300,000 shares.

Through the "KB Actions 2019" shareholding plan, Kaufman & Broad marks its desire to get all employees more closely involved in the Group's performance, through an ambitious pay policy.

◆ 2019 outlook

For the entire current year, revenue should stand at around €1.5bn, with around 5% growth in the Housing segment, and a decline in Commercial property, in line with expectations. The gross margin ratio is expected to hold at around 19% and the adjusted EBIT ratio should remain above 9%. Attributable net income should be at least as high as in 2018, and as a result, a dividend of at least €2.50 per share for the 2019 fiscal year will be proposed to the Board of Directors.

This press release is available at www.kaufmanbroad.fr

◆ **Next regular publication date:**

- ✓ September 30, 2019: Q3 2019 results (after market close)

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About Kaufman & Broad - Kaufman & Broad has been designing, developing, building, and selling single-family homes in communities, apartments, and offices on behalf of third parties for more than 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.

Kaufman & Broad's 2018 Registration Document was filed with the French Financial Markets Authority ("AMF") under No. D.19-0228 on March 29, 2019. It is available on the AMF (www.amf-france.org) and Kaufman & Broad (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: a summary that, at any given moment, makes it possible to estimate revenue for the coming months.

Lease-before-completion (BEFA): a lease-before-completion involves a customer leasing a building before it is built or redeveloped.

Financing capacity: corresponds to cash assets plus lines of credit not yet drawn

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.

Adjusted EBIT: corresponds to income from current operations restated for capitalized "IAS 23 revised" borrowing costs, which are deducted from gross margin.

EHU: The EHUs (Equivalent Housing Units) are a direct reflection of business volumes. The number of EHUs is a function of multiplying (i) the number of housing units of 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 revenue less cost of sales. The cost of sales is made up of the price of land and any related costs plus the cost of construction.

Property supply: it is represented by the total inventory of properties available for sale as of the date in question, i.e. all unordered housing units as of this date (minus the programs that have not entered the marketing phase).

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. 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. 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.

Take-up rate: The take-up rate represents the percentage of the initial inventory for a property program that is sold on a monthly basis (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 the number of housing units or equivalent housing units (for mixed projects) for a given project. 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 (VEFA): a sale-before-completion is an agreement by 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 seller retains the powers of the Project Owner until the acceptance of the work.

NOTES

◆ Financial data

Key consolidated data

€ thousands	H1 2019	H1 2018
Revenue	703,751	776,864
· Of which housing	610,915	608,821
· Of which Commercial Property	89,782	163,864
· Of which other	3,054	4,179
Gross margin	135,631	150,036
Gross margin ratio (%)	19.3%	19.3%
Current operating income	62,685	71,543
Current operating margin (%)	8.9%	9.2%
Adjusted EBIT*	67,733	77,553
Adjusted EBIT margin (%)	9.6%	10.0%
Attributable net income	38,500	37,770
Attributable net earnings per share (€/share)**	€1.78	€1.73

* 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.A.'s share capital, i.e. 21,864,074 shares at May 31, 2018 and 21,653,342 shares at May 31, 2019

Consolidated income statement*

€ thousands	H1 2019	H1 2018
Revenue	703,751	776,864
Cost of sales	(568,120)	(626,828)
Gross margin	135,631	150,036
Sales expenses	(14,768)	(17,396)
Administrative expenses	(32,050)	(34,409)
Technical and customer service expenses	(11,150)	(11,103)
Development and program expenses	(14,978)	(15,585)
Current operating income	62,685	71,543
Other non-recurring income and expenses	-	-
Operating income	62,685	71,543
Cost of net financial debt	(2,609)	(5,144)
Other financial income and expense	-	-
Income tax	(15,126)	(20,411)
Share of income (loss) of equity affiliates and joint ventures	1,679	2,051
Net income of the consolidated entity	46,628	48,039
Minority interests	8,128	10,269
Attributable net income	38,500	37,770

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

Consolidated balance sheet*

€ thousands

May 31, 2019

November 30,
2018

ASSETS

Goodwill	68,661	68,661
Intangible assets	91,083	90,017
Property, plant and equipment	7,345	8,407
Equity affiliates and joint ventures	6,751	6,185
Other non-current financial assets	1,786	1,826
Deferred tax assets	4,233	4,233
Non-current assets	179,859	179,330
Inventories	456,691	396,786
Accounts receivable	405,862	406,309
Other receivables	166,663	172,172
Cash and cash equivalents	204,432	253,358
Prepaid expenses	1,537	1,100
Current assets	1,235,185	1,229,726
TOTAL ASSETS	1,415,045	1,409,056

LIABILITIES

Share capital	5,630	5,685
Additional paid-in capital	186,180	168,816
Attributable net income	38,500	72,972
Attributable shareholders' equity	230,309	247,473
Minority interests	16,748	14,282
Shareholders' equity	247,057	261,755
Non-current provisions	33,383	33,402
Non-current financial liabilities (maturing in > 1 year)	148,735	199,652
Deferred tax liability	57,676	42,692
Non-current liabilities	239,794	275,746
Current provisions	2,236	2,265
Other current financial liabilities (maturing in < 1 year)	1,146	3,705
Accounts payable	744,644	705,958
Other payables	178,776	159,199
Current tax	-	-
Prepaid income	1,392	428
Current liabilities	928,194	871,555
TOTAL LIABILITIES	1,415,045	1,409,056

*Not approved by the Board of Directors and not audited

◆ Operational data

Housing	H1 2019	H1 2018
Revenue (€m, excluding VAT)	610.9	608.8
· Of which apartments	566.6	573.6
· Of which single family homes in communities	44.3	35.2
Deliveries (EHUs)	3,198	3,599
· Of which apartments	3,036	3,443
· Of which single family homes in communities	162	156
Net orders (number)	4,177	4,149
· Of which apartments	4,006	3,968
· Of which single family homes in communities	171	181
Net orders (€ million, including VAT)	807.8	864.3
· Of which apartments	754.3	811.0
· Of which single family homes in communities	53.6	53.2
Property supply at the end of the period (in number)	3,575	3,527
End-of-period backlog		
· In value terms (€m, excluding VAT)	2,026.4	1,784.7
- Of which apartments	1,904.4	1,696.7
- Of which single family homes in communities	121.9	88.0
· In months of business	18.8	16.7
End-of-period land reserve (number)	32,109	28,035

Commercial	H1 2019	H1 2018
Revenue (€m, excluding VAT)	89.8	163.8
Net orders (€ million, including VAT)	118.6	346.2
End-of-period backlog (€ million, excluding VAT)	226.7	302.1