H1 2020 RESULTS

- ✓ **Robust sales activity with institutional investors:**
  - **Overall orders in value terms: €1.95bn (+110.7%)**
  - **Housing orders: €872m incl. VAT (+7.9%)**
- ✓ **Work resumed on all sites on May 31, 2020**
- ✓ **Continued strong business performance:**
  - **Overall backlog: €3.8bn (+68.2%)**
  - **Housing property portfolio: +8.6% to 34,864 units**
  - **Financing capacity: €326.4m**
- ✓ **2020-2021 outlook**

Key sales data
(H1 2020 vs. H1 2019)

- **Total orders:**
- €1,951.9m incl. VAT (+110.7%)
  - Housing: €872m incl. VAT (+7.9%)
  - Commercial property: €1,079.9m incl. VAT (x9.1)
- **Take-up period [1] for Housing:** 3.1 months (-2 months)

Key financial data
(H1 2020 vs. H1 2019)

- **Overall revenue:** €385.0m vs. €703.8m
  Of which Housing: €352.3m vs €610.9m
- **Gross margin:** €73.5 vs. €140.7m
- **EBIT:** €12.3m vs €69.8m
- **Attributable net income:** €2.1m vs €39.3m
- **Net financial debt[2] :** €78.6m vs. €56.0m at end 2019
- **Financing capacity:** €326.4m vs. €458.1m at end 2019

Key growth indicators
(H1 2020 vs. H1 2019)

- **Overall backlog:** €3,788.8m (+68.2%)
  Of which Housing: €2,464.2m (+21.6%)
- **Housing property portfolio:** 34,864 units (+8.6%)

Today, Kaufman & Broad SA announced its results for the first half of the 2020 fiscal year (from December 1, 2019 to May 31, 2020). Nordine Hachemi, Chairman and Chief Executive Officer of Kaufman & Broad, made the following comments:

"At the end of a first half of 2020 marked by the strikes of December 2019 and the sharp contraction in the broader economy for two months, from mid-March to mid-May, Kaufman & Broad's results attest to the soundness of its business model. This means financial balances will be preserved in the short term while keeping our momentum in preparing for the future.

The sales activity in the first half enjoyed order growth in value terms, both overall (doubling to nearly €2 billion) and for the Housing business (+7.9%).
This was boosted by keen interest from institutional buyers, both private and public, and in particular from CDC Habitat. Their orders rose 69% from one half-year to the next, accounting for two-thirds of total Housing orders in value terms.

In addition, 4,144 units totaling €842.6 million (including VAT) have been ordered for projects that could obtain a building permit in 2021. These orders will be recognized according to the time frame for obtaining building permits and therefore do not appear in the backlog.

This strong momentum, which is in line with our strategy, significantly increases the visibility of our business over 2021. It also confirms that our commercial offering is in tune with current societal issues.

The overall backlog was up 68.2% year-on-year at the end of May to €3.8 billion. The Housing property portfolio recorded continued growth (+8.6% at end-May).

Finally, in Business Property, a sale-before-completion (VEFA) was signed post-closing with GCI/Crédit Suisse on June 19 for the c.10,000 sq.m "Blue Bird" office building in Montrouge. Meanwhile, the public consultation on the A7-A8 Austerlitz project (around 92,000 sq.m in offices, retail space and a hotel) began on June 29.

The stoppage of activity during the lockdown period has resulted in an increase in net debt, which will be gradually reduced as work resumes at all sites.
The financial structure remains extremely solid, with a financing capacity of €326.4 million at the end of May.

[1] On the basis of the first six months of the year
[2] On the basis of net debt excluding IFR16 lease debt

As regards the market, there was a sharp drop in supply due to delays in processing building permits on account of the municipal elections in France, further compounded by the postponement of the second round. We can therefore expect a drop in orders in 2020, with a corresponding impact on new construction projects in 2021.

For fiscal 2020 as a whole, we are looking for revenue of around €1 billion, EBIT close to 6% and virtually no net debt.
For 2021, the backlog at end-May 2020 allows us to forecast revenue growth of around 30%. This increase would be significantly higher should the A7-A8 Austerlitz project get full green light in 2021.

This outlook is based on a stabilization of the health situation. "

♦ Sales activities

✓ Housing

In H1 2020, in value terms housing orders totaled €872.0m (incl. VAT), a 7.9% increase compared with H1 2019. In volume terms, 3,635 units were ordered, a 13% decrease compared with the same period in 2019.

Breakdown of the customer base

Over H1 2020 as a whole, buyers' orders in value terms (incl. VAT) fell by 47% (first-time buyers) and 53% (second-time buyers) and accounted for 11% of sales compared with 24% in the first half of 2019.
Orders from investors accounted for 22% of sales (19% for the Pinel Scheme alone), down 29% from one half-year to the next.
Block sales made up 67% of housing orders, i.e. €581.1m. They rose by 69% compared with H1 2019, when they represented 43% of orders.

Take-up period and sales offer

The take-up period for programs was 3.1 months in the first half of 2020, down from 5.1 months in H1 2019.

The commercial supply, 98% of which is located in high-demand, low-supply areas (A, Abis and B1), amounted to 1,850 housing units at the end of May 2020 (3,484 housing units at the end of May 2019, i.e. 97% in high-demand, low-supply areas).

✓ Commercial Property

In H1 2020, the Commercial Property segment recorded net orders of €1,079.9m (incl. VAT).

A sale before completion (VEFA) was signed on 19 June on the c.10,000 sq.m Blue Bird office building in Montrouge with GCI/Crédit Suisse. Meanwhile, the public consultation on the A7-A8 Austerlitz project (about 92,000 sq.m in offices, retail and hotel) began on June 29.

Kaufman et Broad currently has around 150,000 sq.m in office space and around 75,000 sq.m in logistics space under marketing or under study. It is currently building nearly 73,000 sq.m in office space and more than 36,000 sq.m in logistics space. Lastly, it has around 120,000 sq.m of office space to be finalized.

At the end of May 2020, the commercial backlog amounted to €1,324.5m.

✓ **Forward-looking sales and development indicators**

On May 31, 2020, the housing backlog amounted to €2,464.2m (excl. VAT), i.e. 27.1 months of business. At the same date, Kaufman and Broad had 156 housing programs on the market, representing 1,881 housing units (compared with 200 programs representing 3,575 housing units at the end of May 2019).

The Group's total backlog amounts to nearly €3.8bn, of which 36.5% of the revenue still to be recognized is based on land already acquired. Of the remainder to be acquired, 56.3% is related to projects for which a building permit has either been filed, obtained or under review and so being cleared. Finally, within the share of projects for which the permit has only been filed, the Commercial operations of Austerlitz A7/A8 and Galion Puteaux alone represent nearly 30% of the Group's total backlog as of May 31, 2020.

The Housing property portfolio represents 34,864 units. It is up 8.6% compared with the end of May 2019, corresponding to potential revenue of around four years of business.

♦ **Financial results**

✓ **Business volumes**

Overall revenues totaled €385.0m (excl. VAT), down 45.3% compared to H1 2019, mainly due to the sharp contraction in general business for two months, from mid-March to mid-May.

Revenue from Housing amounted to €352.3m (excl. VAT), versus €610.9m (excl. VAT) in H1 2019. This represents 91.5% of group revenue. Revenue from Apartments was down by 43.7% compared to H1 2019 and stood at €319.1m (excl. VAT). Revenue from Single-family homes in communities amounted to €33.2m (excl. VAT), versus €44.3m (excl. VAT) in H1 2019.

Revenue from Commercial Property amounted to €30.0m (excl. VAT), compared with €89.8m (excl. VAT) in H1 2019.

✓ **Profitability highlights**

Gross margin for H1 2020 amounted to €73.5m, compared with €140.7m in H1 2019.

Current operating expenses amounted to €61.2m (15.9% of revenue), versus €70.9m in H1 2019 (10.1% of revenue).

Current operating income stood at €12.3m, versus €69.8m in H1 2019. The current operating margin ratio was 3.2%, compared with 9.9% in H1 2019.

Attributable net income for H1 2020 was €2.1m (compared with €39.3m in H1 2019).

✓ **Financial structure and liquidity**

During the Covid-19 pandemic, most of the Group’s construction sites were totally or partially shut down, and sales activity slowed dramatically. This had a significant negative impact on the Group’s financial position, with virtually no cash inflows during this period, even though settlement of work carried out in Q1 became due.

Kaufman & Broad did not request deferral or suspension of payment of its tax and social security charges or apply for the government-backed bank loans introduced as one of the measures to support the economy. In March 2020, as a precaution, the group drew down €150 million of the €250 million available under the revolving credit facility set up in January 2019, in order to further strengthen its sound cash position and ensure funding for its general needs during the current situation. This amount is repayable over periods of one, three and six months.

Net financial debt was €78.6m on May 31, 2020 (excluding the effect of lease obligations under IFRS 16), compared with net cash of €56.0m at end 2019 and €54.6m on May 31, 2019. Net financial debt to May 31, 2020 takes into account a residual drawdown of €118.0m on the “RCF” line to address deterioration of the balance sheet caused by the pandemic.
Cash assets (available cash and investment securities) amounted to €194.4m, compared with €208.1m as of November 30, 2019.
The group’s financing capacity was €326.4m (€458.1m as of November 30, 2019).

The working capital requirement amounted to €245.4m (21.3% of revenue, over 12 consecutive months), compared with €150.1m as of November 30, 2019 (10.2% of revenue); restated for the 2019 dividend paid on June 10, 2020, it would have been €283.4m, i.e. 24.6% of revenue.

♦ **Dividend**

On June 10, 2020, Kaufman & Broad paid a dividend of €1.75 per share for the year ended November 30, 2019. The total cash dividend paid to shareholders amounted to €38.0m.

2020 outlook

With respect to the outlook for 2020, Kaufman & Broad forecasts full-year sales of about €1bn, an EBIT ratio of about +6% and net financial debt close to zero.
These prospects are based on a return to a normal level of productivity for the sites, which have fully restarted at May 31, 2020, on the assumption of a stabilization of the health situation, without a new period of containment, and without significant social movements, which could have an unfavorable impact on the progress of work on construction sites.
For 2021, the backlog at end-May 2020 allows us to forecast revenue growth of around 30%. This increase would be significantly higher should the A7-A8 Austerlitz project get full green light in 2021.

This press release is available at www.kaufmanbroad.fr

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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 builder-developers due to the combination of its size and profitability, and the strength of its brand.

♦ Glossary

Backlog: a summary that, at any given moment, makes it possible to estimate revenue for the coming months.

EBIT: corresponds to current operating income, i.e. gross margin less current operating expenses.

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: 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.

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

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

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.

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

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).

Sale-before-completion (VEFA): Sale before completion is a contract whereby the seller immediately transfers to the buyer its land rights and ownership of existing buildings. 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.

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 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 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.

NOTES

♦ Financial data

Key consolidated data

€ thousands	**Q2 2020**	**H1 2020**	**Q2 2019 Restated***	**H1 2019 Restated***
Revenue	85,750	384,964	375,677	703,751
· *Of which housing*	80,109	352,268	324,900	610,915
· *Of which Commercial Property*	4,819	30,016	48,771	89,782
· *Of which other*	821	2,680	2,006	3,054
Gross margin	16,394	73,492	74,507	140,679
Gross margin ratio (%)	19.1%	19.1%	19.8%	20.0%
Current operating income	-13,079	12,275	39,220	69,783
Current operating margin (%)	-15.3%	3.2%	10.4%	9.9%
Attributable net income	-11,053	2,145	24,902	39,264
Attributable net earnings per share (€/share)**	-0.50	0.10	1.14	1.80

** Restatement following the end of the capitalization of financing costs following the change in interpretation of the IAS 23 standard and a reclassification of the CVAE expense from the operating expenses item to the income tax item.*
*** Based on the number of shares that make up Kaufman & Broad SA's share capital, i.e. 21,864,074 shares at Friday, May 31, 2019 and 22,088,023 shares at May 31, 2020.*

Consolidated income statement*

€ thousands	**Q2 2020**	**H1 2020**	**Q2 2019 restated****	**H1 2019 restated****
Revenue	**85,750**	**384,964**	**375,677**	**703,751**
Cost of sales	-69,356	-311,472	-301,170	-563,072
Gross margin	**16,394**	**73,492**	**74,507**	**140,679**
Sales expenses	-4,432	-9,319	-7,171	-14,768
Administrative expenses	-12,205	-25,556	-15,412	-30,000
Technical and customer service expenses	-4,078	-9,465	-5,743	-11,150
Development and program expenses	-8,757	-16,878	-6,962	-14,978
Current operating income	**-13,079**	**12,275**	**39,220**	**69,783**
Other non-recurring income and expenses	0	0	0	0
Operating income	**-13,079**	**12,275**	**39,220**	**69,783**
Cost of net financial debt	-2,838	-5,416	-3,578	-6,456
Other financial income and expense	0	0	0	0
Income tax	5,730	1,058	-7,346	-17,580
Share of income (loss) of equity affiliates and joint ventures	260	450	710	1,674
Net income of the consolidated entity	**-9,927**	**8,366**	**29,006**	**47,421**
Non-controlling equity interests	1,126	6,221	4,104	8,157
Attributable net income	**-11,053**	**2,145**	**24,902**	**39,264**

**Not approved by the Board of Directors and not audited.*
** Restatement following the end of the capitalization of financing costs following the change in interpretation of the IAS 23 standard and a reclassification of the CVAE expense from the operating expenses item to the income tax item.*

Consolidated balance sheet*

€ thousands	May 31, 2020	November 30, 2019**
ASSETS		
Goodwill	68,661	68,661
Intangible assets	91,161	91,209
Property, plant and equipment	5,921	5,976
Right to use IFRS16	18,679	0
Equity affiliates and joint ventures	6,501	5,929
Other non-current financial assets	1,860	1,756
Deferred tax assets	4,002	4,002
Non-current assets	**196,784**	**177,533**
Inventories	451,051	455,976
Accounts receivable	425,956	511,907
Other receivables	151,032	189,731
Cash and cash equivalents	194,373	211,501
Prepaid expenses	599	1,435
Current assets	**1,223,011**	**1,388,921**
TOTAL ASSETS	**1,419,795**	**1,566,454**

	May 31, 2020	November 30, 2019**
LIABILITIES		
Share capital	5,743	5,743
Additional paid-in capital	231,693	198,527
Attributable net income	2,145	77,890
Attributable shareholders' equity	**239,581**	**282,160**
Non-controlling equity interests (balance sheet)	13,873	10,953
Shareholders' equity	**253,454**	**293,113**
Non-current provisions	38,270	37,706
Non-current financial liabilities (maturing in > 1 year)	148,853	148,900
IFRS 16 lease obligations (maturing >1 year)	11,560	0
Deferred tax liability	50,065	50,346
Non-current liabilities	**248,748**	**236,952**
Current provisions	3,860	2,529
Other current financial liabilities (maturing in < 1 year)	124,146	3,189
IFRS 16 lease obligations (maturing in < 1 year)	6,305	0
Accounts payable	671,394	907,498
Other payables	110,809	119,771
Prepaid income	404	126
Current liabilities	**917,593**	**1,036,389**
TOTAL LIABILITIES	**1,419,795**	**1,566,454**

*Not approved by the Board of Directors and not audited

** *Restatement following the end of the capitalization of financing costs following the change in interpretation of the IAS 23 standard and a reclassification of the CVAE expense from the operating expenses item to the income tax item.*

Operational data

Housing	Q2 2020	H1 2020	Q2 2019 restated*	H1 2019 restated*
Revenue (€ million, excluding VAT)	80.1	352.3	324.9	610.9
· *Of which apartments*	73.2	319.1	299.9	566.6
· *Of which single family homes in communities*	6.9	33.2	25.0	44.3
Deliveries (EHUs)	405	1,885	1,725	3,198
· *Of which apartments*	378	1,750	1,628	3,036
· *Of which single family homes in communities*	27	135	97	162
Net orders (number)	2,153	3,635	2,406	4,177
· *Of which apartments*	1,920	3,360	2,331	4,006
· *Of which single family homes in communities*	233	275	75	171
Net orders (€ million, including VAT)	545.5	872.0	450.5	807.8
· *Of which apartments*	475.9	789.8	428.7	754.3
· *Of which single family homes in communities*	69.5	82.2	21.8	53.6
Property supply at the end of the period (in number)	1,881		3,575	
End-of-period backlog				
· *In value terms (€m, excluding VAT)*	2,464.2		2,026.4	
- *Of which apartments*	2,315.9		1,904.4	
- *Of which single family homes in communities*	148.3		121.9	
· *In months of business*	27.1		18.8	
End-of-period land reserve (number)	34,864		32,109	

Commercial	Q2 2020	H1 2020	Q2 2019 restated*	H1 2019 Restated*
Revenue (€ million, excluding VAT)	4.8	30.0	48.8	89.8
Net orders (€ million, including VAT)	4.9	1,079.9	4.8	118.6
End-of-period backlog (€ million, excluding VAT)		1,324.5		226.7

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