KAUFMAN & BROAD

RESULTS FOR THE FIRST NINE MONTHS OF FISCAL YEAR 2020

- ✓ **Overall backlog: €3.7 billion (+67.0%)**
- ✓ **Still a very solid balance sheet:**
  - **net financial debt reduced to €27.5 million[1]**
  - **financing capacity of €374.0 million**
- ✓ **Confirmation of outlook announced on July 9 2020**

◆ **Key components of sales activity (9M 2020 vs. 9M 2019)**

- **Total orders:**
- €M2,175.7 (+72.0%) incl. VAT
  - Housing: €M1,077.4 (-6.0%) incl. VAT i.e. 4,700 units (-16.5%)
  - Commercial Property: €M1,098.3
- **Take-up period[2] for Housing:** 3.0 months vs. 5.7 months (-2.7 months)

◆ **Key financial data (9M 2020)**

- **Overall revenue:** €M657.4
  Of which Housing: €M585.7
- **Gross margin:** €M121.6
- **EBIT:** €M30.3
- **Attributable net income:** €M10.6
- **Net financial debt[1]:** €M27.5
- **Financing capacity:** €M374.0

◆ **Key growth indicators (9M 2020 vs. 9M 2019)**

- **Overall backlog:** €M3,697.0 (+67.0%)
  Of which Housing: €M2,389.5 (+19.3%)
- **Housing property portfolio:** 35,594 units (+6.4%)

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

"Overall economic activity may have contracted sharply in the first half of fiscal year 2020, but Kaufman & Broad saw activity at its construction sites pick up in the third quarter, as expected.

However, beyond the public health crisis, the Housing market has been penalized to date by a very steep drop in the number of building permits granted along with their associated administrative authorizations. The property supply decreased as a direct result of this, as did the number of orders, even though we can still see that investors, institutional and individuals have a great deal of appetite for all our programs.

We continue to roll out our land planning strategy by redeveloping brownfield sites and derelict business districts. Our redevelopment plans include the A7A8 project in the Austerlitz district of Paris, for which the public consultation was completed in late July.

We can see that institutional investors are increasingly interested in housing assets, including managed housing, which shows that they are placing more value on the sector's investment quality; the solid performances delivered by residential property companies are testament to this, as their revenues have been affected very little by the public health crisis.

As per our strategy, therefore, we continue to develop serviced housing programs in our capacity as a developer-investor-operator thanks to Kaufman & Broad's solid balance sheet, which includes net financial debt reduced to €27.5(1) million and financing capacity of €374 million.

As such, we are able to reiterate all our guidance targets on the back of Kaufman & Broad's solid financial structure as well as its historically large backlogs in both the Business Property and Housing segments.

For fiscal year 2020, we see revenue reaching around €1 billion, with an EBIT margin of close to 6% and virtually no net debt.
Going further forward, the backlog at end-August 2020 points to revenue growth of around 30% in 2021. This increase will be higher if the A7A8 Austerlitz project gets the full green light from the authorities in 2021.

This outlook assumes that our construction sites are able to make progress in the current economic and social circumstances, and that the pace at which building permits are granted rapidly returns to normal. "

[1] Based on net debt excluding lease liabilities under IFRS 16
[2] Based on the first nine months of the year

♦ Sales activity

✓ Housing

Orders for housing in the first nine months of 2020 amounted to €1,077.4 million (including VAT) in value terms, down 6.0% on the first nine months of 2019. In volume terms, this corresponded to 4,700 units, a 16.5% decrease compared with the same period in 2019.

The take-up period for programs was 3.0 months over the 9-month period, an improvement of 2.7 months compared with the same period in 2019 (5.7 months).

With 96% of programs located in high-demand, low-supply areas (zones A, A-bis, and B1), property supply totaled 1,558 housing units at end-August 2020 (vs. 3,569 units at end-August 2019).

Breakdown of the customer base

In the first nine months of 2020, orders from first-time buyers were down in value terms (including VAT) compared with the same period in 2019 and corresponded to 7% of sales. Second-time buyers accounted for 5% of sales, compared with 9% for the same period in 2019. Orders from investors accounted for 23% of sales (of which 19% under the Pinel incentive scheme alone). The proportion of block sales increased by 52% and corresponded to 65% of sales in the first nine months of 2020, i.e. €610.7 million.

✓ Commercial Property

The Commercial Property segment recorded net orders of €1,098.3 million (including VAT) in the first nine months of 2020.

Kaufman & Broad is currently in the process of marketing or studying around 150,000 sq.m of office space and around 75,000 sq.m of logistics space. It is also currently building nearly 30,000 sq.m of office space and more than 32,500 sq.m of logistics space. Lastly, it has around 120,000 sq.m of office space transactions yet to sign.

At the end of August 2020, the Commercial Property backlog totaled €1,307.5 million.

✓ Forward-looking sales and development indicators

The Housing backlog at August 31, 2020 amounted to €2,389.5 million (excluding VAT), i.e. 28.7 months of activity. At the same date, Kaufman & Broad had 150 housing programs on the market, representing 1,558 housing units (compared with 208 programs representing 3,569 housing units at the end of August 2019).

The Housing property portfolio represents 35,594 units. It has increased by 6.4% since the end of August 2019 and corresponds to more than 4 years of sales activity.

♦ Financial results

✓ Business volumes

Total revenue amounted to €657.4 million (excluding VAT), down 36.2% compared with the same period in 2019.

Housing revenue totaled €585.7 million (excluding VAT), versus €920.1 million (excluding VAT) in the first nine months of 2019. This represents 89.1% of group revenue. Revenue from the Apartments business was down 37.7%, compared with the first nine months of 2019, and amounted to €529.7 million (excluding VAT). Revenue from the Single-family Homes in Communities business totaled €56.1 million (excluding VAT), versus €69.4 million (excluding VAT) for the same period in 2019.

Revenue from the Commercial Property segment totaled €67.4 million (excluding VAT), compared with €104.7 million for the same period in 2019.

✓ Profitability highlights

The gross margin for the first nine months of 2020 totaled €121.6 million, compared with €206.3 million in 2019. The gross margin ratio was 18.5%, which is 41.1% lower than in the same period of 2019.

Current operating expenses amounted to €91.3 million (13.9% of revenue), compared with €106.8 million for the same period in 2019 (10.4% of revenue).

Current operating income totaled €30.3 million, compared with €99.6 million in the first nine months of 2019. The current operating margin ratio was 4.6%, compared with 9.7% in the same period in 2019.

Consolidated net income amounted to €19.6 million in the first nine months of 2020 (versus €67.2 million in the same period in 2019). Non-controlling equity interests (minority interests) totaled €9.0 million, compared with €11.8 million for the same period in 2019.

Attributable net income amounted to €10.7 million (versus €55.3 million for the first nine months of 2019).

In accordance with IAS 12, attributable net income at August 31, 2020 included a reduction in the tax liability due to the provisions stipulated in the 2018 Finance Law that gradually reduces the normal corporate tax rate from 33.3% to 26.5% in 2021, and to 25.0%

starting from 2022. If these tax provisions were to change in the future, the Company would have to increase its tax liability accordingly.

✓ Financial structure and liquidity

During the Covid-19 pandemic, work on most of the group's construction sites was halted or scaled back, and sales activity was extremely sluggish. This situation had a material adverse impact on the group's financial position as cash inflows were virtually zero during this period (since no new calls for funds were issued) while payments for work performed in the first quarter became due.

Kaufman & Broad did not request deferral or suspension of payment of its tax and social security charges, nor did it 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 from its revolving credit facility in order to further strengthen its already sound cash position and secure funding for its general needs given the circumstances.

Net financial debt (excluding liabilities under IFRS 16) totaled €27.5 million at August 31, 2020, compared with a positive net cash position of €3.6 million at the end of August 2019. Cash assets (available cash and investment securities) amounted to €162.0 million, compared with €154.4 million at August 31, 2019. Financing capacity totaled €374.0 million, compared with €404.4 million at end-August 2019 (and €458.1 million at end-November 2019).

The working capital requirement amounted to €201.8 million (i.e. 18.3% of revenue on a 12-month rolling basis), compared with €150.1 million at November 30, 2019 (10.2% of revenue). The group's tight control over its working capital requirement relies primarily on the very short take-up period for its programs. At August 31, 2019, the working capital requirement totaled €174.6 million, corresponding to 11.7% of revenue.

♦ Outlook

Kaufman & Broad's 2020 guidance targets include around €1 billion of revenue, an EBIT margin in the region of 6% and almost zero net debt.
Going further forward, the backlog at end-August 2020 points to revenue growth of around 30% in 2021. This increase will be higher if the A7A8 Austerlitz project gets the full green light from the authorities in 2021.

This outlook assumes that our construction sites are able to make progress in the current economic and social circumstances, and that the pace at which building permits are granted rapidly returns to normal.

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

Certain information included in this press release refers not to historical data but to forward-looking statements. These forward-looking statements are based on estimates, forecasts and assumptions, including assumptions about Kaufman & Broad's current and future strategy and about the economic environment in which Kaufman & Broad operates, which has been significantly affected by the current public health crisis. These forward-looking statements are only valid on the date of this press release. Actual results could differ materially from those expressed or implied by these forward-looking statements. Forward-looking statements and information are not guarantees of future performance and are subject to risks and uncertainties that are difficult to predict and generally beyond the control of Kaufman & Broad. Besides the current public health crisis, these risks and uncertainties include those identified and presented in Chapter 1.2 "Risk factors" of the Kaufman & Broad 2019 Universal Registration Document, which was filed with the French Financial Markets Authority (AMF) on March 31, 2020 under No. D.20-0231; it is available on the Company's website (www.kaufmanbroad.fr) and that of the AMF (www.amf-france.org). This press release includes only summarized information and does not purport to be complete.

Glossary

Backlog (order book): an overview 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: EHUs (Equivalent Housing Units delivered) 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.

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

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.

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

Orders: measured in volume terms (units) and in value terms; orders reflect the group's sales activity. Orders are recognized in revenue based on the time necessary to "convert" 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: this represents all of the land for which any commitment (contract for sale, etc.) has been signed.

Property supply: corresponds to 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 yet entered the marketing phase).

Sale before completion (VEFA): 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 and when they are completed: the purchaser is required to pay the price of these structures as work progresses. The seller retains the powers of the Project Owner until acceptance of the work.

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

Take-up rate: this 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: used to define the number of housing units or equivalent housing units (for mixed-use 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.

APPENDICES

♦ Financial data

Key consolidated data

in € thousands	Q3 2020	9M 2020	Q3 2019(1)	9M 2019(1)
Revenue	272,420	657,384	325,926	1,029,677
· *Of which Housing*	233,451	585,718	309,199	920,114
· *Of which Commercial Property*	37,390	67,406	14,876	104,658
· *Of which Other*	1,579	4,260	1,851	4,906
Gross margin	48,130	121,622	65,672	206,351
Gross margin ratio (%)	*17.7%*	*18.5%*	*20.1%*	*20.0%*
Current operating income	18,067	30,343	29,812	99,596
Current operating margin (%)	*6.6%*	*4.6%*	*9.1%*	*9.7%*
Attributable net income	8,502	10,647	16,076	55,340
Attributable net income per share (€/share)**	0.38	0.48	0.74	2.53

(1) Restated as financing costs are no longer capitalized following the change in interpretation of the IAS 23 standard and a reclassification of the CVAE tax 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 21,864 shares at August 31, 2019 and 22,088,023 shares at August 31, 2020.*

Consolidated income statement*

in € thousands	Q3 2020	9M 2020	Q3 2019**	9M 2019**
Revenue	**272,420**	**657,384**	**325,926**	**1,029,677**
Cost of sales	-224,290	-535,762	-260,254	-823,326
Gross margin	**48,130**	**121,622**	**65,672**	**206,351**
Marketing expenses	-4,697	-14,016	-6,968	-21,736
Administrative expenses	-13,163	-38,719	-15,742	-45,741
Technical and customer service expenses	-5,371	-14,835	-5,610	-16,760
Development and program expenses	-6,832	-23,710	-7,539	-22,518
Current operating income	**18,067**	**30,343**	**29,812**	**99,596**
Other non-recurring income and expenses	0	0	0	0
Operating income	**18,067**	**30,343**	**29,812**	**99,596**
Cost of net financial debt	-3,018	-8,434	-2,532	-8,989
Other financial income and expenses	0	0	0	0
Income tax	-4,713	-3,655	-8,234	-25,814
Share of income (loss) of equity affiliates and joint ventures	909	1,359	698	2,371
Consolidated net income	**11,246**	**19,612**	**19,744**	**67,164**
Non-controlling equity interests (P&L)	2,744	8,965	3,668	11,826
Attributable net income	**8,502**	**10,647**	**16,076**	**55,338**

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

** Restated as financing costs are no longer capitalized following the change in interpretation of the IAS 23 standard and a reclassification of the CVAE tax expense from the operating expenses item to the income tax item.*

Consolidated balance sheet*

in € thousands	**August 31, 2020**	**November 30, 2019****
ASSETS		
Goodwill	68,661	68,661
Intangible assets	91,214	91,209
Plant, property and equipment	5,566	5,976
Right-of-use assets under IFRS 16	17,225	0
Equity affiliates and joint ventures	6,993	5,929
Other non-current financial assets	1,487	1,756
Deferred tax assets	4,002	4,002
Non-current assets	**195,148**	**177,533**
Inventory	408,561	455,976
Trade receivables	435,828	511,907
Other receivables	172,904	211,501
Cash and cash equivalents	161,996	208,102
Prepaid expenses	421	1,435
Current assets	**1,179,710**	**1,388,921**
TOTAL ASSETS	**1,374,858**	**1,566,454**

	August 31, 2020	**November 30, 2019****
EQUITY AND LIABILITIES		
Share capital	5,743	5,743
Additional paid-in capital	226,801	198,527
Attributable net income	10,647	76,272
Attributable shareholders' equity	**243,191**	**282,160**
Minority interests	13,991	10,953
Equity	**257,182**	**293,113**
Non-current provisions	38,226	37,706
Non-current financial liabilities (maturing in > 1 year)	148,948	148,900
Lease liabilities under IFRS 16 (maturing in > 1 year)	11,100	0
Deferred tax liabilities	53,709	50,346
Non-current liabilities	**251,983**	**236,952**
Current provisions	3,850	2,529
Other current financial liabilities (maturing in < 1 year)	40,592	3,189
Lease liabilities under IFRS 16 (maturing in < 1 year)	5,345	0
Trade payables	723,221	907,498
Other liabilities	92,265	123,047
Prepaid income	420	126
Current liabilities	**865,693**	**1,036,389**
TOTAL LIABILITIES	**1,374,858**	**1,566,454**

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***Restated as financing costs are no longer capitalized following the change in interpretation of the IAS 23 standard and a reclassification of the CVAE tax expense from the operating expenses item to the income tax item.*

Operational data*

Housing	Q3 2020	9M 2020	Q3 2019	9M 2019
Revenue (in € millions, excl. VAT)	233.5	585.7	309.2	920.1
· *Of which apartments*	*210.6*	*529.7*	*284.1*	*850.7*
· *Of which single-family homes in communities*	*22.9*	*56.1*	*25.1*	*69.4*
Deliveries (EHUs)	1,219	3,104	1,555	4,753
· *Of which apartments*	1,120	2,870	1,454	4,490
· *Of which single-family homes in communities*	99	234	101	263
Net orders (number)	1,065	4,700	1,449	5,626
· *Of which apartments*	996	*4,356*	*1,348*	*5,354*
· *Of which single-family homes in communities*	69	*344*	*101*	*272*
Net orders (in € millions, incl. VAT)	205.4	1,077.4	338.6	1,146.4
· *Of which apartments*	*186.3*	*976.1*	*311.7*	*1,065.9*
· *Of which single-family homes in communities*	*19.1*	*101.3*	*26.9*	*80.5*
Property supply at end of period (number)	1,558		3,569	
End-of-period backlog				
· *In value terms (in € millions, excl. VAT)*	2,389.5		2,002.5	
- *Of which apartments*	2,250.2		1,883.0	
- *Of which single-family homes in communities*	139.3		119.5	
· *In months of activity*	28.7		18.1	
End-of-period land reserve (number)	35,594		33,445	

Commercial Property	Q3 2020	9M 2020	Q3 2019	9M 2019
Revenue (in € millions, excl. VAT)	37.4	67.4	14.9	104.7
Net orders (in € millions, incl. VAT)	18.4	1,098.3	0.2	118.7
End-of-period backlog (in € millions, excl. VAT)	1,307.0		211.0	

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