

RESULTS FOR THE FIRST NINE MONTHS OF 2019

- ✓ **Growth in overall backlog of 5.8%, i.e. €2.2 billion**
- ✓ **Full-year guidance confirmed:**
 - **Growth in net income**
 - **The aim is to submit a proposal to the Board of Directors to pay a dividend of at least €2.50 per share for fiscal year 2019**

◆ **Key sales data**
(9m 2019 vs. 9m 2018)

- **Housing orders:**
€1,146 million (-7.1%)
5,626 units (-5.9%)
- **Commercial orders:** €118.7 million
- **Take-up period for Housing*:**
5.7 months vs. 6.2 months, i.e. -0.5 months

◆ **Key financial data**
(9m 2019 vs. 9m 2018)

- **Revenue:**
€1,029.7 million (-6.1%)
Of which Housing: €920.1 million (+3.7%)
- **Gross margin:**
€198.4 million (19.3% of revenue)
- **Adjusted EBIT:**
€96.6 million (9.4% of revenue)
- **Attributable net income:**
€54.0 million (+4.2%)
- **Cash net of financial debt:**
€3.6 million vs. €36.7 million at end-August 2018

◆ **Key growth indicators**
(9m 2019 vs. 9m 2018)

- **Overall backlog:** €2,213.5 million (+5.8%)
Of which Housing: €2,002.5 million (+9.9%)
- **Property portfolio:** 33,511 units (+12.4%)

Kaufman & Broad SA today announced its results for the first nine months of fiscal year 2019 (from December 1, 2018 to August 31, 2019). Nordine Hachemi, Chairman and Chief Executive Officer of Kaufman & Broad, made the following statement:

"The results for the first nine months of 2019 are in line with our expectations and with our first-half performance. They confirm that Kaufman & Broad's business model has the capacity to deliver solid shareholder returns over the long term. This capacity is based on its cash-generating profitability, shoring up its financial strength and growth prospects.

The new housing market continues to enjoy solid demand, as reflected in take-up rates which remain healthy.

However, as we had predicted at the end of the first half, the issuance of building permits is slowing down due to the upcoming elections and this took a toll on new project launches in the third quarter. This is set to continue over the coming months, resulting in a decrease in orders of about 10% in the market over the full year; this is also likely to be the case at Kaufman & Broad.

Despite such unfavorable conditions, Kaufman & Broad delivered another set of solid economic and financial performances in the first nine months of the fiscal year.

The increase in our land reserve (+12.4%) and in our overall backlog (+5.8%) is evidence of our ability to generate sustainable growth and give us a good view of the years to come.

In these circumstances, Kaufman & Broad's revenue for the current year should amount to around €1.5 billion, with about 5% growth in the Housing segment and a decline in the Commercial Property segment in line with expectations.

The gross margin ratio is expected to hold at around 19% and the adjusted EBIT ratio should remain above 9%.

Last of all, the expected growth in attributable net income combined with a still healthy financial structure should result in a proposal being submitted to the Board of Directors to pay out a dividend of at least €2.50 per share for fiscal year 2019."

*Calculated on the basis of 9 months of each year

Sales activity

✓ Housing segment

Housing orders in the first nine months of 2019 amounted to €1,146.4 million (including VAT) in value terms, which is 7.1% lower than in the first nine months of 2018. In volume terms, they corresponded to 5,626 housing units, which is 5.9% lower than in the same period in 2018.

The take-up period for projects was 5.7 months during the first nine months of the year, which is 0.5 months better than in the same period in 2018 (6.2 months).

Housing supply, 98% of which concerns programs located in high-demand / low-supply areas (A, Abis and B1), totaled 3,569 units at end-August 2019 (4,142 housing units at end-August 2018).

Breakdown of the customer base

During the first nine months of 2019, orders (excluding VAT) placed by first-time buyers were lower in value terms than in the same period in 2018 and corresponded to 16% of sales. Second-time buyers accounted for 9% of sales vs. 11% in the same period in 2018. Orders placed by investors accounted for 34% of sales (of which 27% under the Pinel Scheme alone). The portion of block sales increased by 6%, representing 41% of sales in the first nine months of 2019; over 44% of these sales were of managed housing (for tourists, students, business travelers and seniors).

✓ Commercial Property segment

The Commercial Property segment recorded net orders of €118.7 million (including VAT) in the first nine months of 2019.

Kaufman & Broad is currently marketing or studying around 300,000 sq.m of office space and around 125,000 sq.m of logistics and industrial space. It is also currently building around 71,000 sq.m of office space.

The APAVE head office for the South-West region in Toulouse was delivered recently and will be inaugurated soon.

Earlier in the year the group delivered the POLARIS building in Nantes (6,500 sq.m) whose user is the Nantes metropolitan council.

Last of all, work is still underway on the following buildings: Highlight in Courbevoie (31,000 sq.m, of which 24,000 sq.m of office space and 7,000 sq.m of hotel accommodation), Green Oak in Arcueil (10,700 sq.m of office space with a mixed wood / concrete structure), as well as buildings in Bordeaux (27,000 sq.m of office space for Caisse des Dépôts) and Lille (7,000 sq.m, EFS head office).

The Commercial Property backlog at end-August 2019 amounted to €210.9 million.

✓ **Leading sales and development indicators**

The Housing backlog at August 31, 2019 amounted to €2,002.5 million (excluding VAT), i.e. 18.1 months of business. At the same date, Kaufman and Broad had 208 housing programs on the market, corresponding to 3,569 housing units (compared with 220 programs representing 4,142 housing units at end-August 2018).

The Housing property portfolio amounts to 33,445 units. This is 12.4% higher than at end-August 2018 and corresponds to over 3 years of sales activity.

◆ **Financial results**

✓ **Business volumes**

Total revenues amounted to €1,029.7 million (excluding VAT), down 6.1% compared with the same period in 2018.

Revenue from Housing came to €920.1 million (excluding tax) vs. €886.9 million (excluding tax) in the first nine months of 2018. This accounts for 89.4% of group revenue. Revenues from the Apartments business were up just 1.8% compared with the first nine months of 2018 and amounted to €850.7 million (excluding VAT). Revenue from Single-family Homes in Communities totaled €69.4 million (excluding VAT) vs. €51.0 million (excluding VAT) in the same period in 2018.

Revenues from the Commercial Property segment totaled €104.7 million (excluding VAT), compared with €202.8 million for the same period in 2018.

✓ **Profitability highlights**

The gross margin for the first nine months of 2019 totaled €198.4 million compared with €211.8 million in 2018. The gross margin ratio was 19.3%, holding steady compared with the same period in 2018.

Current operating expenses amounted to €109.7 million (10.7% of revenues), compared with €113.6 million for the same period in 2018 (10.4% of revenues).

Current operating income totaled €88.7 million, compared with €98.3 million in the first nine months of 2018. The current operating margin ratio was 8.6%, compared with 9.0% for the same period in 2018.

The Group's adjusted EBIT amounted to €96.6 million in the first nine months of 2019 (vs. €106.3 million in the same period in 2018). The adjusted EBIT margin ratio was 9.4% (compared with 9.7% for the same period in 2018).

Attributable net income came to €54.0 million (vs. €51.8 million for the first nine months of 2018). At August 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 stood at €3.6 million at August 31, 2019, compared with positive net cash of €36.7 million at end-August 2018. Cash assets (available cash and investment securities) amounted to €154.4 million, compared with €253.4 million at November 30, 2018. Financing capacity stood at €404.4 million, compared with €353.4 million at end-November 2018 (and €389.7 million at end-August 2018).

Working capital requirement amounted to €176.4 million, i.e. 11.8% of revenues over 12 consecutive months, compared with €110.8 million at November 30, 2018 (7.1% of revenues). The tight control over working capital was largely attributable to the very rapid take-up of the group's programs.

✓ **Share offer reserved for employees**

Pursuant to the decision by its Board of Directors on May 2, 2019, Kaufman & Broad launched, from September 9 to 23 inclusive, a reservation period to a share offering reserved for group employees that the company may launch soon. According to the decision of the Board of Directors of July 9, this offering would be made by issuance of new shares representing a maximum of 1.37% of the share capital at August 31, 2019. Shares would be subscribed through the "KB Actions 2019" compartment of the corporate mutual fund (FCPE "KB Actions") and would be subject to lock-up until July 1, 2024 unless released early where permitted by applicable regulations.

The main objective is to get employees more closely involved in the company's future by allowing them to subscribe to shares on preferential terms. Employees currently hold close to 13.9% of their company's capital and, together, are now Kaufman & Broad's biggest shareholder. An active policy promoting employee share ownership is a guarantee of independence and stability for the company, as well as an opportunity for each employee to benefit from its growth.

◆ **2019 outlook**

For fiscal year 2019, Kaufman & Broad's revenue should stand at around €1.5 billion, with about 5% growth in the Housing segment and a decline in the Commercial Property segment in line with expectations.

The gross margin ratio is expected to hold at around 19% and the adjusted EBIT ratio should remain above 9%.

Last of all, the expected growth in attributable net income combined with a still healthy financial structure should result in a proposal being submitted to the Board of Directors to pay out a dividend of at least €2.50 per share for fiscal year 2019.

This press release is available at www.kaufmanbroad.fr

◆ **Next regular publication date:**

✓ January 30, 2020: 2019 annual results (after the 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 developer-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

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

Backlog: in the case of sales before completion (VEFA), 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 revenue (in the case of a program for which an advance of 30% has been received, 30% of the revenue from a housing unit for which a notarized deal has been signed is recognized as revenue, while 70% is included in the backlog). The backlog is an overview of the situation at a given time, which enables the revenue 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 revenue, particularly for orders that have not yet been signed.

EHU: EHUs (Equivalent Housing Units) are a direct reflection of business volumes. The number of EHUs is calculated by 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: 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.

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 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: represents all of the land for which any commitment (contract of 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): a sale-before-completion is an agreement by which the seller 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 acceptance of the work.

Take-up period: the take-up period is the number of months required for the available housing units to be sold, if sales continue at the same rate as in previous months, or the number of housing units (available supply) per quarter divided by the orders for the previous quarter, and divided by three in turn.

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.

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.

NOTES

◆ Financial data

Key consolidated data

€ thousands

	Q3 2019	9M 2019	Q3 2018	9M 2018
Revenue	325,926	1,029,678	319,473	1,096,337
• Of which Housing	309,199	920,114	278,093	886,914
• Of which Commercial Property	14,876	104,658	38,973	202,837
• Of which Other	1,852	4,906	2,408	6,587
Gross margin	62,814	198,445	61,807	211,843
Gross margin ratio (%)	19.3%	19.3%	19.3%	19.3%
Current operating income	26,017	88,702	26,731	98,273
Current operating margin (%)	8.0%	8.6%	8.4%	9.0%
Adjusted EBIT*	28,875	96,608	28,706	106,258
Adjusted EBIT margin (%)	8.9%	9.4%	9.0%	9.7%
Attributable net income	15,461	53,961	13,994	51,763
Attributable net earnings per share (€/share)**	€0.71	€2.47	€0.64	€2.37

* Adjusted EBIT corresponds to current operating income adjusted 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 shares at August 31, 2018 and 21,804,032 shares at August 31, 2019

Consolidated income statement*

€ thousands

	Q3 2019	9M 2019	Q3 2018	9M 2018
Revenue	325,926	1,029,677	319,473	1,096,337
Cost of sales	-263,112	-831,232	-257,666	-884,494
Gross margin	62,814	198,445	61,807	211,843
Sales expenses	-6,968	-21,737	-8,736	-26,132
Administrative expenses	-16,679	-48,729	-13,906	-48,316
Technical and customer service expenses	-5,610	-16,762	-5,329	-16,432
Development and program expenses	-7,539	-22,518	-7,105	-22,691
Current operating income	26,017	88,702	26,731	98,273
Other non-recurring income and expenses	-	-	-	-
Operating income	26,017	88,702	26,731	98,273
Cost of net financial debt	-635	-3,245	-1,854	-6,998
Other financial income and expenses	-	-	-	-
Income tax	-6,973	-22,099	-7,313	-27,724
Share of income (loss) of equity affiliates and joint ventures	704	2,383	1,165	3,216
Net income of the consolidated entity	19,113	65,742	18,730	66,767
Minority interests	3,652	11,781	4,735	15,004
Attributable net income	15,461	53,961	13,994	51,763

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

Consolidated balance sheet*

€ thousands

	August 31, 2019	November 30, 2018
ASSETS		
Goodwill	68,661	68,661
Intangible assets	90,851	90,017
Property, plant and equipment	7,010	8,407
Equity affiliates and joint ventures	7,935	6,185
Other non-current financial assets	2,055	1,826
Deferred tax assets	4,233	4,233
Non-current assets	180,746	179,330
Inventories	444,123	396,786
Accounts receivable	404,864	406,309
Other receivables	172,374	172,173
Cash and cash equivalents	154,360	253,358
Prepaid expenses	1,456	1,100
Current assets	1,177,176	1,229,726
TOTAL ASSETS	1,357,922	1,409,056
LIABILITIES		
Share capital	5,669	5,685
Additional paid-in capital	192,900	168,816
Attributable net income	53,961	72,972
Attributable shareholders' equity	252,530	247,473
Minority interests	8,152	14,282
Shareholders' equity	260,681	261,755
Non-current provisions	33,341	33,402
Non-current financial liabilities (maturing > 1 year)	148,815	199,652
Deferred tax liability	64,723	42,692
Non-current liabilities	246,879	275,746
Current provisions	2,027	2,265
Other current financial liabilities (maturing < 1 year)	1,935	3,705
Accounts payable	739,441	705,958
Other payables	106,619	159,199
Current tax	-	-
Prepaid income	340	428
Current liabilities	850,362	871,555
TOTAL LIABILITIES	1,357,922	1,409,056

*Not approved by the Board of Directors and not audited

◆ Operational data

Housing	Q3 2019	9M 2019	Q3 2018	9M 2018
Revenue (€ million, excluding VAT)	309.2	920.1	278.1	886.9
• Of which apartments	284.1	850.7	262.2	835.9
• Of which single family homes in communities	25.1	69.4	15.8	51.0
Deliveries (EHUs)	1,555	4,753	1,581	5,180
• Of which apartments	1,454	4,490	1,520	4,963
• Of which single family homes in communities	101	263	61	217
Net orders (number)	1,449	5,626	1,832	5,981
• Of which apartments	1,348	5,354	1,736	5,704
• Of which single family homes in communities	101	272	96	277
Net orders (€ million, including VAT)	338.6	1,146.4	369.2	1,233.5
• Of which apartments	311.7	1,065.9	341.7	1,152.8
• Of which single family homes in communities	26.9	80.5	27.5	80.7
Property supply at end of the period (number)	3,569		4,142	
End-of-period backlog				
• In value terms (€ million, excl. VAT)	2,002.5		1,822.3	
- Of which apartments	1,883.0		1,727.0	
- Of which single family homes in communities	119.5		95.3	
• In months of business	18.1		17.1	
End-of-period land reserve (number)	33,445		29,766	

Commercial	Q3 2019	9M 2019	Q3 2018	9M 2018
Revenue (€ million, excluding VAT)	14.9	104.7	38.9	202.8
Net orders (€ million, including VAT)	0.2	118.7	-	346.2
End-of-period backlog (€ million, excl. VAT)	211.0		269.4	