



RESULTS PRESENTATION

for the six months ended 31 August 2018



AGENDA



FINANCIAL HIGHLIGHTS



GROUP PROFILE



OPERATIONAL OVERVIEW



FINANCIAL OVERVIEW



LOOKING FORWARD



ANNEXURE

FINANCIAL HIGHLIGHTS



R 1 193 million

33%

Revenue



R 246 million

14%

Operating profit



R 178 million

9%

Profit for the year



38 cents

9%

Basic and headline earnings per share



509 cents

18%

Net asset value per share



OPERATIONAL HIGHLIGHTS



1 058 apartments handed over (H1FY18: 734)



11 developments currently under construction



4 new developments launched during the period



Average selling price R1 125 488



Launch of the first ever Crystal Lagoon in Sub-Saharan Africa at The Blyde



Opening of the award winning The Polo Fields Lifestyle Centre

OPERATING MODEL

FINANCIAL AND OPERATIONAL SUCCESS DEPENDS ON CONTINUOUS DEVELOPMENT

Build to sell model

- Selling 30 - 35 apartments per location per month.
- Targeting an average profit margin of 35% and higher over the lifecycle of each project.
- Secured approximate 12 year development pipeline of 40 461 apartments
- Maintaining costs.
- Execute on existing pipeline (in key target locations).



OPERATING MODEL

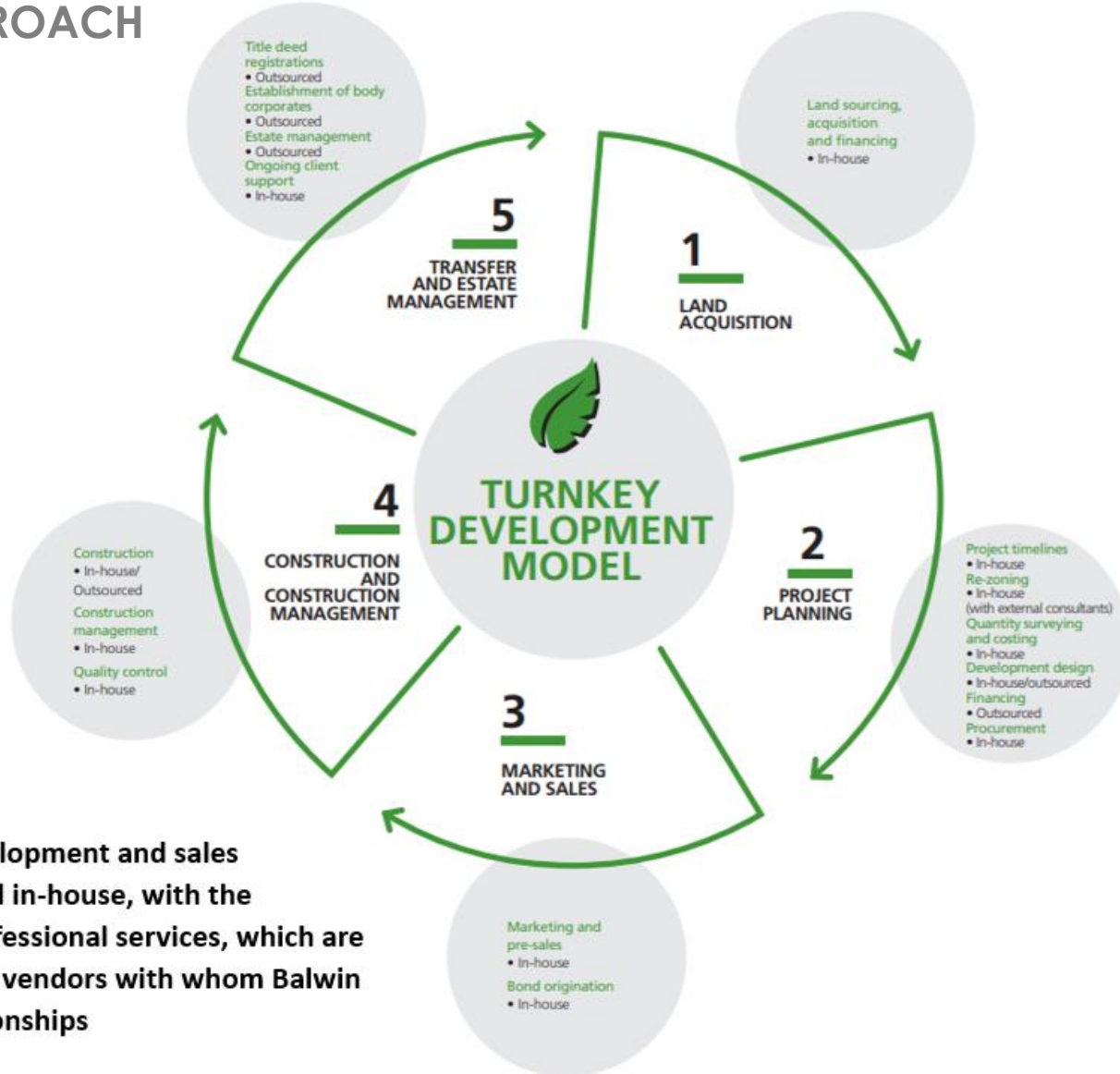
KEY ASPECTS OF BALWIN'S BUSINESS MODEL

- Keeping a constant rate of construction (continuous development) subject to demand – to retain contractors, maintain quality, support build to sell model.
- Focuses on the mid-market segment in terms of the pricing and location of developments. Key selling points are lifestyle, quality and brand.
- Continuous focus on keeping up with international standards and best practice in the design and marketing of Balwin developments.
- Target areas are JHB North, JHB South, JHB East, Tshwane, Western Cape and Kwa Zulu Natal.



OPERATING MODEL

TURNKEY APPROACH



All elements of the development and sales processes are performed in-house, with the exception of certain professional services, which are outsourced to approved vendors with whom Balwin has long-standing relationships

OPERATING MODEL



GOVERNANCE

- Development opportunities identified
- Internal due diligence process followed:
 - Costs
 - Infrastructure
 - Zoning
 - Independent review of nodal residential demand
- Presented for management review and recommendation
- Presented to the Transactions Committee for review and recommendation
- Presented to the board for final approval and implementation

PROGRESS ON DEVELOPMENTS



WATERFALL

- Kikuyu continues to receive consistent demand – all 215 previously handed over apartments have registered.
- Increase in demand at The Polo Fields since the launch of the award winning lifestyle centre.

JOHANNESBURG

- Construction currently underway at four developments.
- The first phase at The Reid, Sandton was successfully handed over in the period.
- The upgrade of the external road at The Whisken, Kyalami was completed.
- Introduction of the new 12 unit block configuration – adapting to market demand. Encouraging demand for new configuration.

PROGRESS ON DEVELOPMENTS



TSHWANE

- Launch of the first Crystal Lagoon in sub-Saharan Africa in September 2018.
- Demand experienced beyond expectations, positive price revision.

WESTERN CAPE

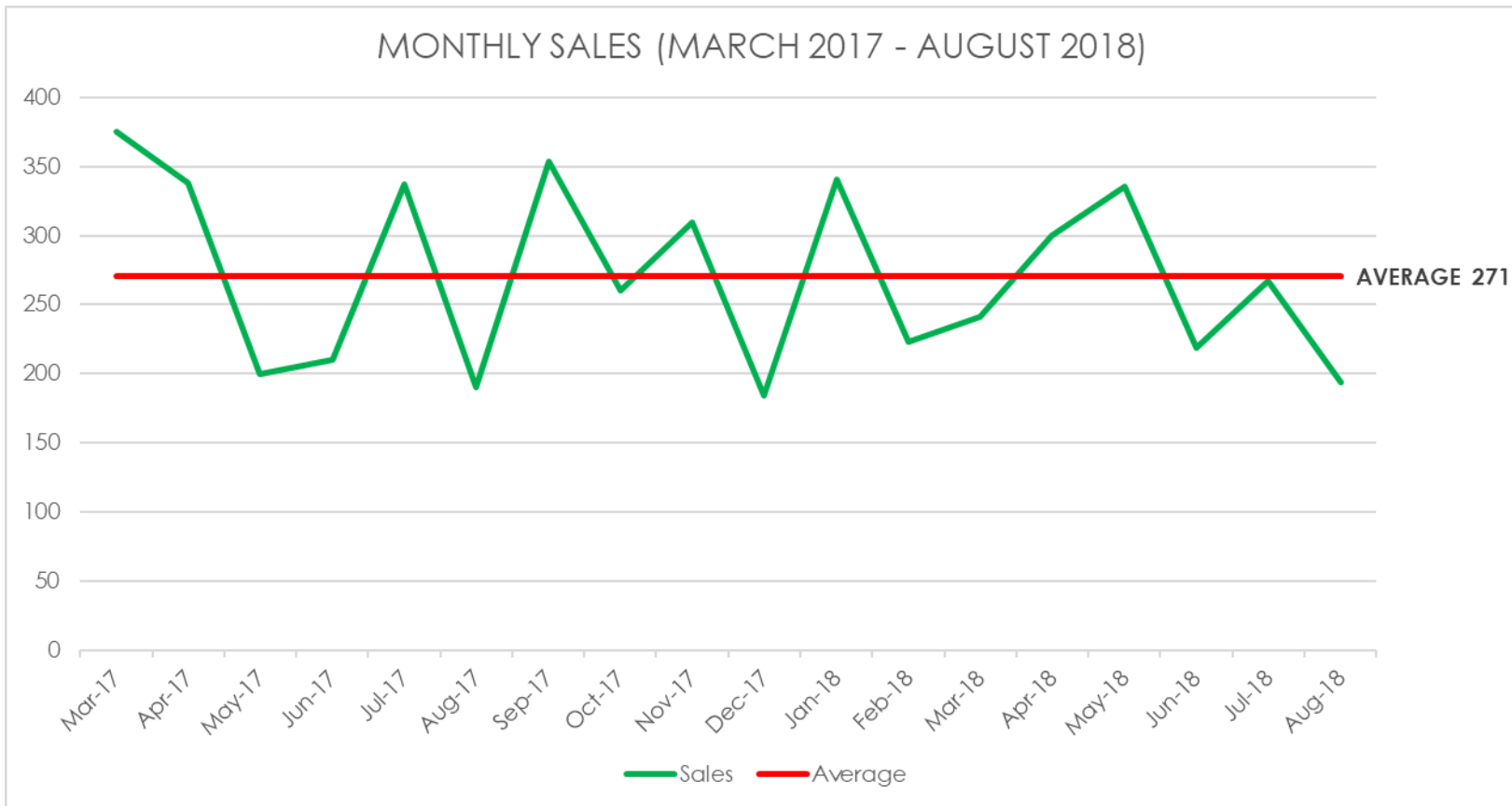
- Construction currently underway at three developments.
- The Jade, Somerset West continues to enjoy sustained demand with approximately 70% of the development already sold.
- Registration achieved of the first two phases of De Zicht, Durbanville.
- Won the “Apartment, For South Africa” award for its Paardevlei Square development.

KWA-ZULU NATAL

- Construction commenced in the period with strong interest.
- First five phases are sold out and the first phase is expected to be handed over in the 2019 financial year.

MONTHLY SALES

MONTHLY SALES (MARCH 2017 - AUGUST 2018)



Note - sales include all apartments contracted and do not necessarily relate to the financial period or the next financial period.

ANNUITY INCOME



- **Balwin Rentals Proprietary Limited**

- Commitment to deliver the rental model through strategic alliances.

- **Balwin Fibre Proprietary Limited**

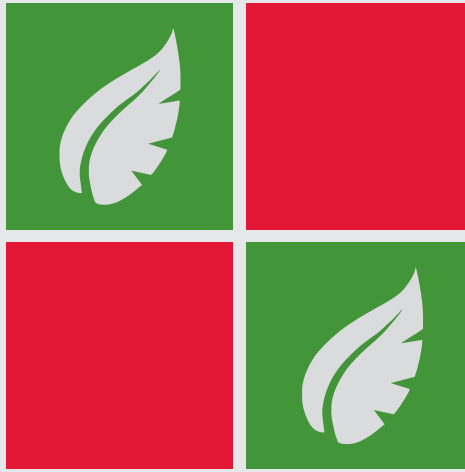
- Fibre network provider.
- The business is intended to operate in all Balwin developments with a mandate to protect the interests of all Balwin clients while earning an attractive return.
- Income will be generated by line rental to ISPs and tower rental.

Fibre Installed to date:

Total Homes Passed:	2301
Total Homes installed:	1548
Total Homes Connected:	721

- **Solar Africa Proprietary Limited**

A partnership agreement in which Balwin Properties earns a 33% profit share.



FINANCIAL REVIEW

Jonathan Weltman
Chief Financial Officer



APARTMENTS HANDED OVER IN H1 FY19

Johannesburg	Total: 591
The Polo Fields	170
Kikuyu	128
Westlake	73
The Whisken	69
The Reid	67
Amsterdam	61
Malakite	1
Balboa Park	22
Tshwane	Total: 192
The Blyde	192
Western Cape	Total: 275
De Zicht	99
The Jade	60
The Sandown	52
Paardevelei Lifestyle Apartments	48
Paardevelei Square	11
Paardevelei Duplex Houses	5
TOTAL	1 058

FINANCIAL REVIEW



REVENUE

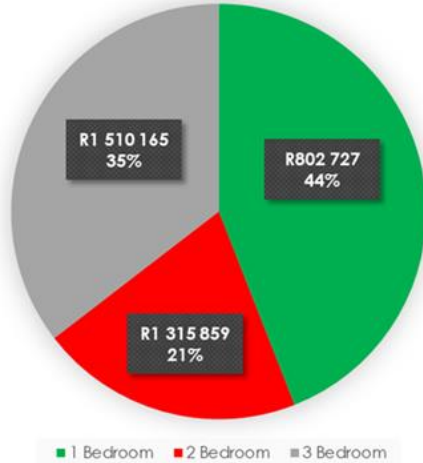
- Increased by 33% - result of increase in the number of apartments to 1 058 (H1FY18: 734)
- The average selling price per apartment reduced marginally due to different product mix
- Forecasted continued reduction in selling price due to configuration of block in response to market demand – no impact on the gross profit margin

Classic Model				
August 18			August 2017	
Apartment type	Average price	Number apartments	Average price	Number apartments
1 Bedroom	R802 727	363	R876 686	271
2 Bedroom	R1 315 859	169	R1 317 968	114
3 Bedroom	R1 510 165	292	R1 481 154	218
TOTAL		824		603

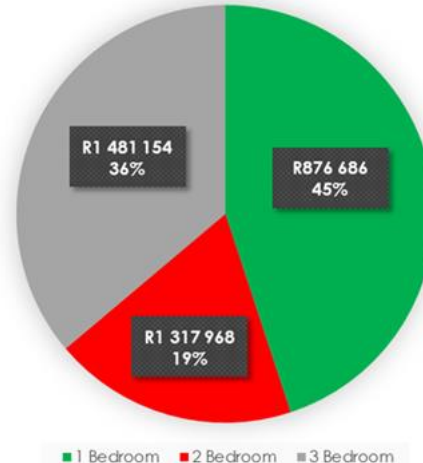
Elite Model				
August 18			August 2017	
Apartment type	Average price	Number apartments	Average price	Number apartments
1 Bedroom	R966 844	35	-	-
2 Bedroom	R1 630 484	79	R1 964 902	36
3 Bedroom	R2 677 301	120	R2 432 445	95
TOTAL		234		131

AVERAGE SELLING PRICE (*)

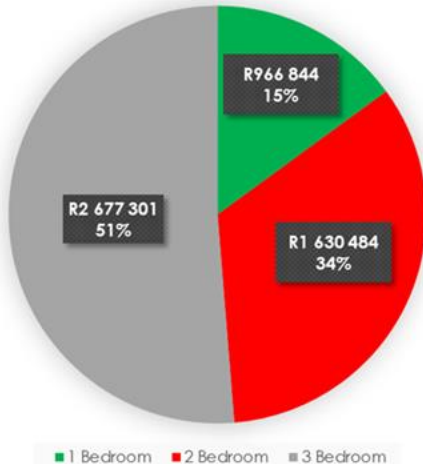
Revenue Analysis (Classic model)
Period ending 31 August 2018



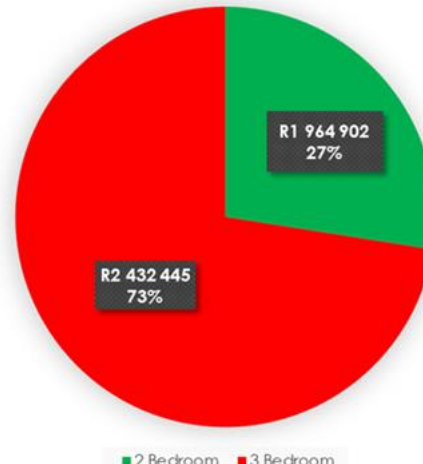
Revenue Analysis (Classic model)
Period ending 31 August 2017



Revenue Analysis (Elite model)
Period ending 31 August 2018



Revenue Analysis (Elite model)
Period ending 31 August 2017



FINANCIAL REVIEW

GROSS PROFIT

- Gross profit margin of 27.2% (H12018: 32.4%).
- The decline is a result of:
 - absorption of increase in the VAT rate into the selling price.
 - sales promotions - contributed to the strong demand for the apartments.
 - large number of early stage developments included in sales mix.

OPERATING EXPENSES

- Inflationary based increase in operating costs.
- Cost management remains a focus area for management.



FINANCIAL REVIEW

EARNINGS PER SHARE

- 9% increase from prior period to 38 cents (2017: 35 cents).

FUNDING STRUCTURE AND COSTS

- Development finance is obtained on a phase-by-phase basis.
- Secured against the pre-sales of the specific phase being financed.
- Obtained at an approximate loan to value of 70% with the remainder of the construction costs financed through equity.
- Debt to equity ratio as at end of the reporting period is 15%.



SUMMARISED STATEMENT OF COMPREHENSIVE INCOME



	GROUP (R'000)		
	6 months ended 31 August 2018	6 months ended 31 August 2017	
Revenue	1 193 150	894 077	
Cost of sales	(867 563)	(604 226)	
Gross profit	325 587	289 851	
Other income	1 049	2 162	
Operating expenses	(80 195)	(75 238)	
Operating profit	246 441	216 775	
Investment revenue	2 613	10 416	
Net finance income	(2 427)	(419)	
Profit before tax	246 627	226 772	
Taxation	(68 727)	(63 694)	
Profit for the year	177 900	163 078	
Other comprehensive income	144	686	
Total comprehensive income	178 044	163 764	
Basic and diluted earnings per share			
Basic	(cents)	37.85	34.70
Diluted	(cents)	37.68	34.54
Key ratios:			
Gross profit margin		27%	32%
Total comprehensive income/revenue		15%	18%
Effective tax rate		28%	28%

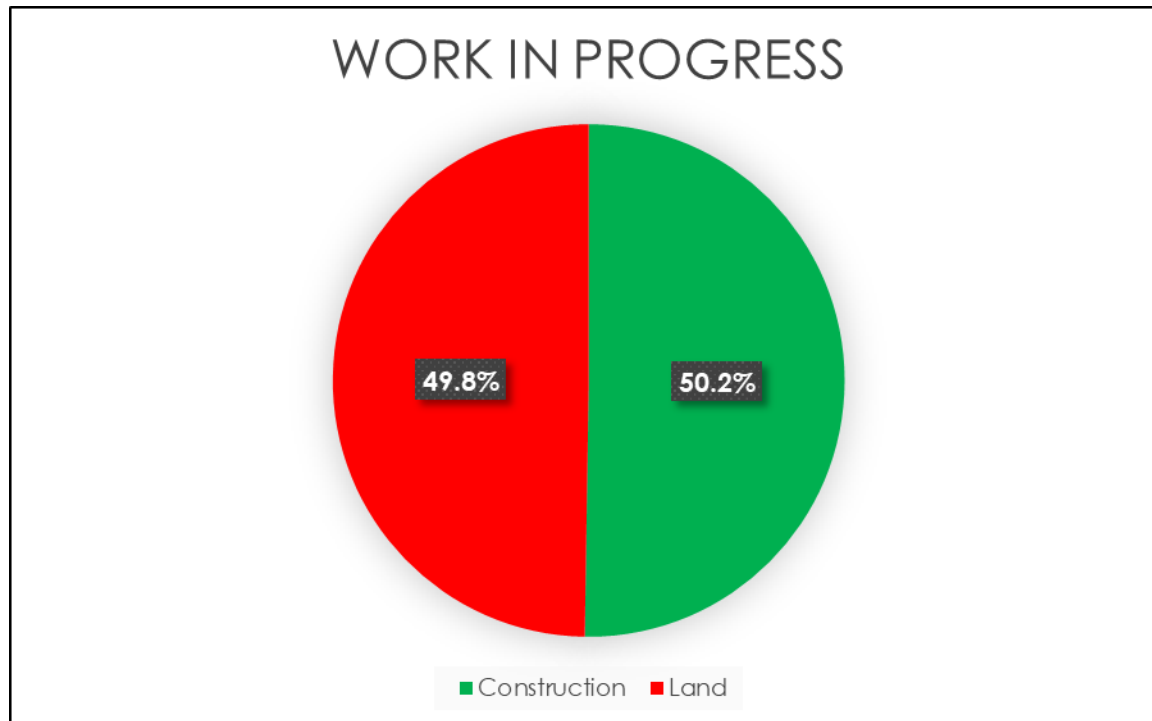
SUMMARISED STATEMENT OF FINANCIAL POSITION



	GROUP (R'000)	
	31 August 2018	31 August 2017
Non-current assets	82 694	56 978
Current assets	3 691 162	3 057 020
Developments under construction	3 027 910	2 413 677
Cash and cash equivalents	62 339	266 671
Other current assets	600 913	376 672
Total assets	3 773 856	3 113 998
Shareholders' equity	2 390 790	2 030 893
Non-current liabilities	352 912	583 992
Current liabilities	1 030 154	499 113
Development finance	901 696	389 528
Other current liabilities	128 458	109 585
Total equity and liabilities	3 773 856	3 113 998

DEVELOPMENTS UNDER CONSTRUCTION (LAND VS TOP STRUCTURES)

	R'000
Construction costs	1 521 396
Land and land contribution costs	1 506 514
TOTAL	3 027 910



SUMMARISED STATEMENT OF CASH FLOWS



	GROUP (R'000)	
	6 months ended 31 August 2018	6 months ended 31 August 2017
<u>Cash flow from operating activities</u>		
Cash generated from operations	185 370	103 868
Interest Income	2 613	10 416
Finance costs	(26 313)	(23 334)
Taxation paid	(93 852)	(128 136)
Net cash generated from/(used in) operating activities	67 818	(37 186)
Net cash (used in)/from investing activities	(8 244)	7 713
Net cash used in financing activities	(97 268)	(250 825)
Total cash movement for the period	(37 694)	(280 298)
Cash at the beginning of the period	100 033	546 969
Total cash at the end of the period	62 339	266 671

FUNDING STRUCTURE



	GROUP (R'000)	
	6 months ended 31 August 2018	6 months ended 31 August 2017
Total liabilities	1 383 066	1 083 105
Non-current liabilities	352 912	583 992
Current liabilities*	1 030 154	499 113
Equity	2 390 790	2 030 893
Debt to equity ratio	15%	29%
Average cost of borrowing	10.0%	10,5%

*Development finance is funded on a phase-by-phase basis secured against pre-sales



LOOKING FORWARD

Steve Brookes
Chief Executive Officer



THE FUTURE



- 1 789 apartments pre-sold for H2FY19 and beyond
- Management is focusing on executing on its existing pipeline
- Focus on operational performance and execution across all developments
- Careful capital allocation and cash flow management remain priorities
- Board will reconsider the dividend policy at year end
- The group is focused on transformation and empowering previously disadvantaged communities
- Address market dynamics (configuration, pace, pricing) to maintain healthy level of sales – complimented to adaptability of the new block configuration
- Drive annuity income opportunities

INVESTMENT CASE



- Highest gross margin for a listed residential property developer globally due to in-house construction management, in-house sales and strong budget controls
- Low operating expenses provide sufficient margin of safety, gross margin needs to decline significantly before a loss is incurred
- High barriers to entry – low levies and efficiencies obtained through economies of scale
- Phased development where the rate of construction is matched to the rate of sales
- Strong management with more than 22 years experience, management are the founding directors and the majority shareholders, therefore management is aligned to the interests of other shareholders
- Long term relationship with suppliers and sub-contractors nationally which results in cost savings and high quality homes
- Long term development pipeline in key strategic locations
- Well positioned to address the undersupply of quality, affordable housing in the middle market income market

Core Focus

01

EDUCATION:

Scholarships, Bursaries and Learnerships to support and empower the youth in areas related to the building industry.

02

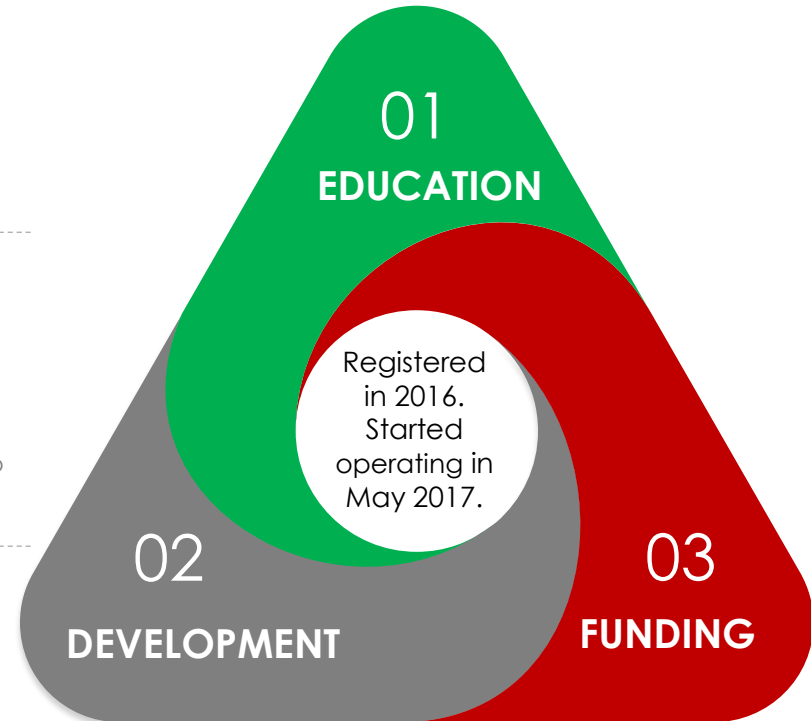
DEVELOPMENT:

Building related trade training skills development and short courses to increase employability for the unemployed from local communities, as well as development of SMMEs in order to promote job creation.

03

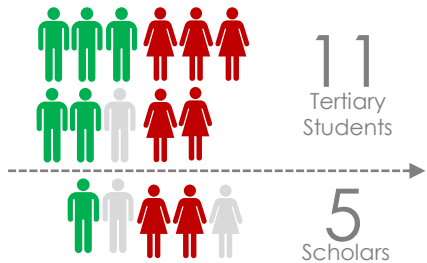
FUNDING:

Obtain various sources of sustainable funding in order to fund various causes and develop local communities, schools, sportsgrounds etc.



Education & Development

Bursary Programme



Accredited Trade Skills Training



Learnership Programmes

86 Learners managed on
4 Learnership programmes



Construction



Supervision of Construction Processes

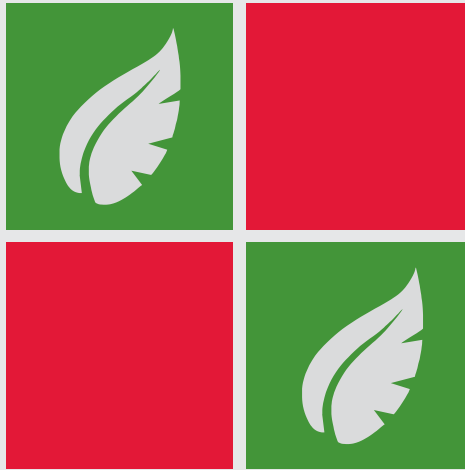


Business Management



Gardening, Horticulture & New Venture Creation





ANNEXURE



GROUP PROFILE



- Listed on the JSE in 2015.
- Founded in 1996.
- Balwin operates a build-to-sell model, currently developing and selling between 2 000 – 3 000 residential apartments each year with capacity to scale up to 5 000 apartments in the current nodes.
- Success built on selling 30 - 35 apartments per location, per month in diverse locations.
- Develop predominantly in key target nodes in the Western Cape (Somerset West and Milnerton) , Johannesburg (South, East, North and Waterfall), Tshwane (East only) and KwaZulu-Natal (Ballito and Umhlanga).
- Mid-market 1, 2 and 3 bedroom sectional title apartments.
- Typical pricing from R599 900 - R1 999 900.

STRATEGY (*)

CLASSIC BUSINESS MODEL

- Core business
- Focus on providing a quality product to the middle-income market
- Benefit from economies of scale, in-house construction and management whilst retaining flexibility throughout individual phases of large developments
- Price range: R599 000 to R1 999 900

ELITE BUSINESS MODEL

- Continuously tailoring developments to match market demand
- Upmarket developments in select nodes where higher selling price can be achieved
- Developments built to higher specifications
- Price range: R1 999 900 to R2 999 900

DEVELOPMENT PIPELINE



Development	Expected commencement date	Expected date of Completion	Status (*)	Total apartments in development	Total apartments sold	Total apartments registered	Total apartments recognised in revenue	Total apartments sold but not recognised in revenue	Total unsold apartments
Waterfall									
Kikuyu	Commenced	March 2022	A	1 270	545	336	342	203	725
The Polofields	Commenced	March 2022	A	1 512	558	478	480	78	954
Waterfall Fields	TBC	TBC	I	6 752	-	-	-	-	6 752
Waterfall Ridge	TBC	TBC	I	10 320	-	-	-	-	10 320
Total				19 854	1 103	814	822	281	18 751
Johannesburg East									
Malakite	Commenced	Complete	C	290	290	279	279	11	-
The Reid	Commenced	June 2022	A	1 294	171	-	8	163	1 123
Westlake 1 and 2	Commenced	TBC	A	1 132	820	814	815	5	312
Total				2 716	1 281	1 093	1 102	179	1 435
Johannesburg North									
Amsterdam	Commenced	October 2019	A	1 040	1 040	688	700	340	-
The Whisken	Commenced	November 2020	A	1 492	302	-	108	194	1 190
Total				2 532	1 342	688	808	534	1 190
Johannesburg South									
Balboa Park	Commenced	Complete	C	410	409	406	406	3	1
Majella Park	October 2019	October 2020	I	280	-	-	-	-	280
Total				690	409	406	406	3	281
KwaZulu Natal									
Ballito Hills	Commenced	TBC	A	3 500	297	-	-	297	3 203
Marshall Dam	TBC	TBC	I	1 092	-	-	-	-	1 092
Total				4 592	297	-	-	297	4 295

(*) A – Active, I – Inactive, C – Complete

DEVELOPMENT PIPELINE



Development	Expected Commencement date	Expected date of Completion	Status (*)	Total apartments in development	Total apartments sold	Total apartments registered	Total apartments recognised in revenue	Total apartments sold but not recognised in revenue	Total unsold apartments
Tshwane									
The Blyde	Commenced	TBC	A	3 544	276	-	197	79	3 268
Total				3 544	276	-	197	79	3 268
Western Gape									
De Zicht	Commenced	October 2020	A	876	314	179	180	134	562
Paardevelei Lifestyle Estate	Commenced	February 2021	A	342	80	15	41	39	262
Paardevelei Square	Commenced	Complete	C	87	65	64	64	1	22
The Jade	Commenced	August 2019	A	432	288	60	60	228	144
The Sandown	Commenced	Complete	C	636	629	610	615	14	7
The Huntsman	January 2019	June 2023	I	1 044	-	-	-	-	1 044
Gordons Bay	TBC	TBC	I	1 300	-	-	-	-	1 300
Fynbos	February 2019	TBC	I	1 116	-	-	-	-	1 116
Paarl	TBC	TBC	I	336	-	-	-	-	336
Total				6 169	1 376	928	960	416	4 793
Rentals									
Greenlee	November 2018	December 2023	I	1 728	-	-	-	-	1 728
Greenpark	Commenced	June 2021	A	1 200	-	-	-	-	1 200
Greencreek	TBC	TBC	I	1 760	-	-	-	-	1 760
Greenwood	TBC	TBC	I	1 760	-	-	-	-	1 760
Total				6 448	-	-	-	-	6 448
Grand Total				46 545	6 084	3 929	4 295	1 789	40 461

(*) A – Active, I – Inactive, C – Complete

CONTACT DETAILS

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