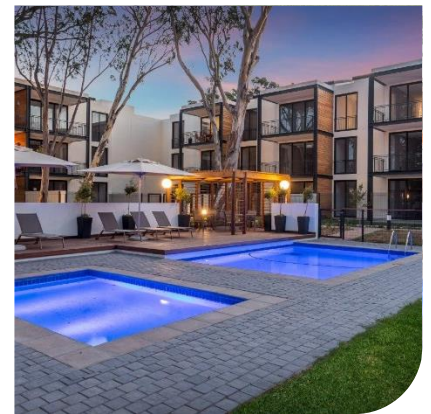
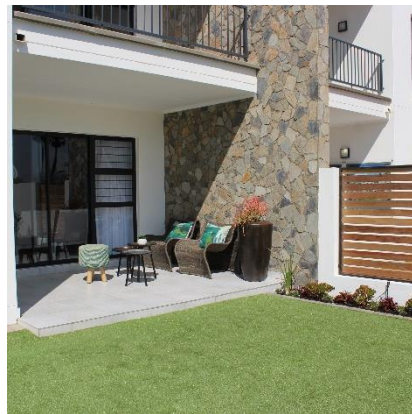


**ANNUAL
RESULTS 2018
PRESENTATION
MAY 2018**





IN REVIEW



R2.5 bn
REVENUE **9%** ▼

R491 m
PROFIT **26%** ▼

104 c
HEPS **26%** ▼

R2.3 bn
NAV **15%** ▲

21 c
DIVIDENDS **32%** ▼

GROUP PROFILE



- Listed on the JSE in **2015**
- Founded in **1996**
- Secured development pipeline of **39 951** apartments
- Build to sell model
- Predominantly develop in **Gauteng, Western Cape and KwaZulu-Natal**
- Mid-market **1, 2 and 3 bedroom** sectional title apartments
- Typical pricing from **R599 900 - R1 799 900**



OPERATING MODEL

FINANCIAL AND OPERATIONAL SUCCESS DEPENDS ON CONTINUOUS DEVELOPMENT

- **Executing on land acquisition strategy** (in key target locations)
- Selling **20 - 25 apartments** per development each month, in diverse locations
- Targeting an **average gross profit margin of 35%** over the lifecycle of each project
- **Maintaining costs**





OPERATING MODEL

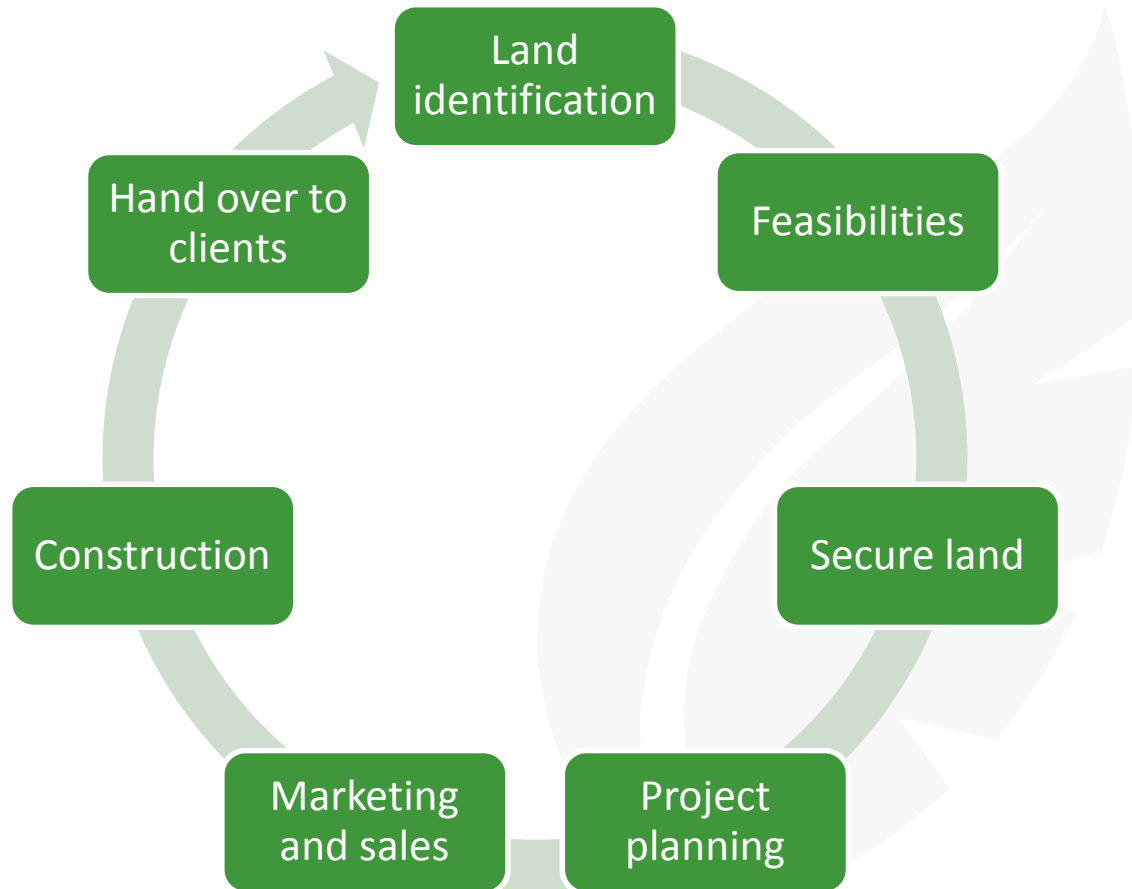
KEY ASPECTS OF BALWIN'S BUSINESS MODEL

- Maintaining 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 features are **lifestyle, quality and brand**
- Continuous focus on maintaining **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 KwaZulu-Natal





OPERATING MODEL (TURNKEY APPROACH)



All elements of the sourcing, financing, planning, construction management, 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



DELAYS IN APPROVAL OF DEVELOPMENTS

- **Delays experienced in obtaining town planning and local authority approvals** for the commencement of construction at **5 developments**:
The Whisken (Kyalami), The Blyde (Tshwane), Ballito Hills (KwaZulu-Natal), The Jade (Somerset West) and Green Park (Boksburg)
- **Approvals for construction of these developments have now been received**
- **696 apartments** affected by the delays will **only reflect in the sales for FY19**
- These delays impact **the initial phases** of a development
- Management is placing an increased focus on **acquiring zoned land** as part of its land acquisition strategy



PROGRESS IN DEVELOPMENTS

JOHANNESBURG

- Construction and sales at **Amsterdam, Kikuyu and The Polo Fields** progressed according to schedule, with Kikuyu in particular receiving exceptional demand
- The approval to commence construction at **The Whisken** in Kyalami was received at the end of the financial year
- **Westlake** in Modderfontein was mostly sold out by year-end. **The Reid** in Linbro Park, Sandton was released for sale post the end of the financial year to replenish the pipeline in the Modderfontein/Linbro Park area

TSHWANE

- **The Blyde** commenced construction at the end of the financial year. The first phase of units is planned for handover in H1 FY19



PROGRESS IN DEVELOPMENTS

WESTERN CAPE

- Construction of **The Sandown** in Milnerton was completed ahead of schedule with the apartments mostly handed over by year end
- Construction at **De Zicht** and **Paardevlei Lifestyle** remained on track with the first phase of De Zicht handed over at the end of the financial period and the first phase of Paardevlei Lifestyle to be handed over in FY19
- Approval to commence construction of **The Jade** was received after year end with the first phase expected to be handed over in H1 FY19

KWAZULU-NATAL

- Construction of **Ballito Hills** commenced post the end of the reporting period. The first phase is expected to be handed over in FY19



THE BLYDE (TSHWANE)

- 142 apartments had been sold as at the end of the financial year with 21 apartments handed over
- New apartment block design introduced and well-received
- Construction of Sub-Saharan Africa's first Crystal Lagoon remains on track with the launch in September 2018





KIKUYU (WATERFALL)

- 363 apartments had been sold as at the end of the financial year with 215 apartments handed over
- The lifestyle centre was launched on the 31st of March 2018
- Construction remains on track with phase 4 being the next phase to be handed over on 30 June 2018





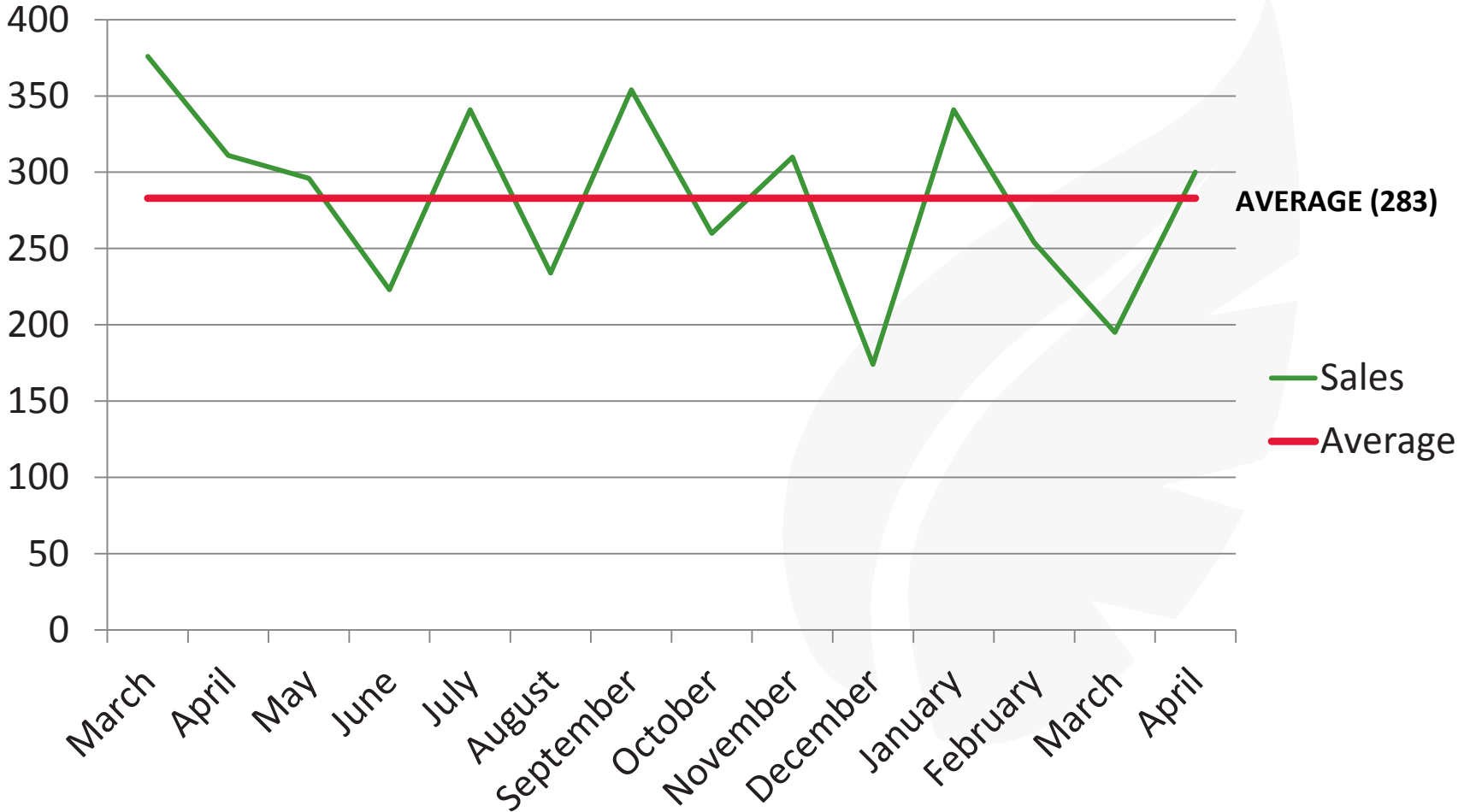
BALLITO HILLS (KWAZULU-NATAL)

- Maiden development in KwaZulu-Natal, new operating region
- Well received with 220 apartments sold by year end
- Approval to commence construction has been received
- Earthworks commenced with the first phase to be handed over during FY2019





MONTHLY SALES (MARCH 2017 – APRIL 2018)



NB: Sales include all apartments contracted and do not necessarily relate to the financial period or next financial period

AVERAGE SELLING PRICES



Apartment type	Average Price Ex VAT
1 Bedroom	R 720 000
2 Bedroom	R1 173 000
3 Bedroom	R1 347 000

The above averages are for the typical Balwin product and do not include the luxury developments of the Polo Fields, Paardevlei Square, Paardevlei Crescent Houses and Paardevlei duplexes





APARTMENTS HANDED OVER IN FY18

Johannesburg North	Total: 914
The Cambridge	61
Kikuyu	215
Amsterdam	285
The Polo Fields	311
The Whisken	42
Johannesburg East	Total: 481
Malakite	85
Greenstone Crest	10
Westlake	386
Johannesburg South	Total: 90
Balboa Park	90
Tshwane East	Total: 22
Grove Lane	1
The Blyde	21
Western Cape	Total: 577
De Velde	32
The Sandown	400
Paardevelei Square	54
Paardevelei Crescent Houses	4
Paardevelei Duplexes	6
De Zicht	81
GRAND TOTAL	2084



NEW VERSUS OLD BLOCK CONFIGURATION

OLD BLOCK DESIGN



NEW BLOCK DESIGN



Old Block	New Block
10 apartments	12 apartments
4 one beds, 2 two beds & 4 three beds	6 one beds (2 smaller, 33m ²), 4 two beds (2 smaller, 77m ²) & 2 three beds
One bed, one bath entry price R699,900	Smaller one bed, one bath entry price R599,900
Two bed, two bath entry price R1,199,900	Smaller two bed, two bath entry price R999,900

BALWIN THROUGH TIME



IVORY COURT 1996



THE REID 2018



ANNUITY INCOME



BALWIN FIBRE

- Balwin Fibre has agreed **preferential rates** for fibre services with approved internet service providers to offer a **value-added service** to residents
- R10m invested in fibre infrastructure by year end
- Fibre has been installed in Malakite (JHB East), The Whisken (JHB North), De Zicht (WC) and Paardevlei Lifestyle (WC)
- Balwin Fibre is expected to be profitable in FY19 however, it will take up to four years to make a meaningful contribution as the business builds scale



ANNUITY INCOME



SOLAR

- In partnership with Solar Africa, solar infrastructure has been installed at Kikuyu (Waterfall) and The Whisken (Kyalami)
- The solar infrastructure will result in a **lower installation cost and a lower electricity tariff** for residents
- The solar division is expected to be profitable in FY19 however, the income received will be insignificant for the group until sufficient scale has been reached



FINANCIAL REVIEW : JONATHAN WELTMAN (CFO)



FINANCIAL REVIEW



REVENUE

- Revenue declined by 9% to R2.5 billion. This decline was largely due to the delays in obtaining town planning and local authority approval for certain developments
- The average selling price per apartment was in line with the prior year, highlighting the impact of the tough macro-economic conditions on Balwin's target consumer market

GROSS PROFIT

- The gross profit margin declined to 33% (2017: 37%)
- This is due to the higher number of new developments being launched and handed over and recognised in revenue during the period
- The gross profit margin percentage is lower during the initial phases of a development

FINANCIAL REVIEW



OPERATING EXPENSES

- Increased by 7% over the prior period
- Inflationary increase due to good cost management across the business to improve operating efficiencies
- Additional costs were incurred in the opening of the KwaZulu-Natal division. Revenue will start to flow from this new division in the 2019 financial year

EARNINGS

- Earnings per share and headline earnings per share declined by 26% to 104 cents (2017: 140 cents) for the period, in line with the group's trading statement issued on 28 February 2018

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME



R'000	GROUP	
	12 months ended 28 February 2018	12 months ended 29 February 2017
Revenue	2 454 635	2 702 152
Cost of sales	(1 649 406)	(1 691 128)
Gross profit	805 229	1 011 024
Other income	6 587	22 460
Operating expenses	(140 995)	(130 145)
Operating profit	670 821	903 339
Net finance cost	11 714	13 845
Profit before taxation	682 535	917 184
Taxation	(191 190)	(256 444)
Profit for the year	491 345	660 740
Other comprehensive income	651	(397)
Total comprehensive income	491 996	660 740
Key ratios:		
Gross profit margin/revenue	33%	37%
Total comprehensive income/revenue	20%	24%
Dividend payout ratio	30%	30%
Effective tax rate	28%	28%

SUMMARISED STATEMENT OF FINANCIAL POSITION

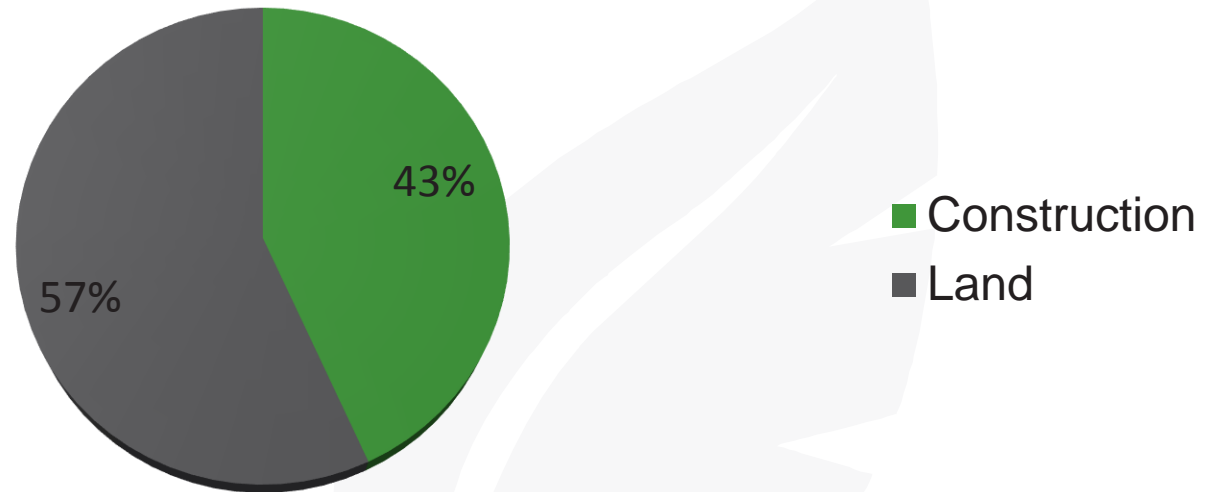


R'000	GROUP	
	28 February 2018	29 February 2017
Non-current assets	74 785	48 042
Current assets	3 556 337	3 222 631
Developments under construction (land, building cost, capitalised interest, etc.)	2 587 088	2 011 324
Cash and cash equivalents	100 033	546 969
Other current assets	869 216	664 338
Total assets	3 631 122	3 270 673
Shareholders' equity	2 311 906	2 013 509
Non-current liabilities	579 628	610 677
Current liabilities	739 588	646 487
Development finance	672 050	490 203
Other current liabilities	67 538	156 284
Total equity and liabilities	3 631 122	3 270 673

WORK IN PROGRESS (LAND VERSUS TOP STRUCTURES)



WORK IN PROGRESS



	R'000
Construction	1 116 800
Land	1 469 017
Total	2 585 817

SUMMARISED STATEMENT OF CASH FLOWS



R'000	GROUP	
	12 months ended 28 February 2018	12 months ended 29 February 2017
Cash generated from/(used in) operating activities	(390 238)	(593 487)
Cash generated from/(used in) operations	(129 913)	(316 600)
Interest Income	15 273	15 221
Tax paid	(196 636)	(290 733)
Finance costs	(78 862)	(1 375)
Cash generated from/(used in) investing activities	(13 897)	(31 488)
Cash generated from/(used in) financing activities	(42 801)	709 656
Total cash movement for the year	(446 936)	84 680
Cash at the beginning of the year	546 969	462 288
Total cash at the end of the year	100 033	546 969

FUNDING STRUCTURE



	GROUP
R'000	12 months ended 28 February 2018
Total liabilities	1 319 216
Non-current liabilities	579 628
Current liabilities*	739 588
Equity	2 311 906
Debt to equity ratio	25%
Average cost of borrowing	10,25%

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

LOOKING FORWARD: STEVE BROOKES (CEO)



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
- **Consistent record of paying dividends** since listing, highlighting the board's confidence in the company's prospects despite the challenging trading environment
- **High barriers to entry** - low levies and efficiencies obtained through economies of scale

INVESTMENT CASE



- Phased development where the rate of **construction is matched to the rate of sales**
- **Strong management with more than 21 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 income market

THE FUTURE



- **1 328 apartments pre-sold** for FY19
- Management is **focusing on acquiring zoned land** in future in order to avoid delays in development
- The group will **consider share buy-backs** as part of the capital management strategy to maximise shareholder value
- **Careful capital allocation** and **cautious cash flow management** remain priorities
- The group is focused on **transformation** and empowering the previously disadvantaged community
- The group is in discussions with interested parties in relation to the delivery of Balwin's **rental model**

RENTAL MODEL (GREEN PARK)





THE BALWIN FOUNDATION

- Balwin Foundation NPC was established to support and empower the youth and previously disadvantaged to acquire knowledge and skills through technical education and training
- Training is provided in building industry-related trades including tiling, painting, plastering, bricklaying and carpentry, all skills which are essential for the future of our business
- The foundation has trained over 200 previously disadvantaged individuals and funded bursaries for 16 university students



THE BALWIN FOUNDATION IN ACTION



TSHEPISO RAKGWALE

From a street corner in Sandton to a Balwin Employee



ANNEXURE



DEVELOPMENT PIPELINE



	Expected commencement date	Expected date of completion	Total units in development	Status *	Total revenue recognised to date	Sold but not recognised in revenue	Total remaining units to be sold	Total remaining units to be recognised in revenue
JHB North								
Cambridge	Complete	Complete	440	C	440	0	0	0
The Whiskin	Commenced	2020-02-28	1492	A	42	202	1248	1450
Amsterdam	Commenced	2019-06-30	1040	A	626	23	391	414
Kamasi	TBC	TBC	1452	I	0	27	1425	1452
TOTAL			4424		1108	252	3064	3316
JHB East								
Malakite	Complete	Complete	290	C	278	12	1	13
Green Lee	TBC	TBC	1728	I	0	0	1728	1728
The Reid	Commenced post year end	2021-10-01	1294	A	0	0	1294	1294
Westlake	Commenced	Complete 01/03/2018	1132	A	743	32	357	389
Green Park	Commenced	2021-06-01	1200	A	0	0	1200	1200
TOTAL			5644		1021	44	4580	3424
JHBSouth								
Balboa Park	Complete	Complete	410	C	386	13	11	24
Majella Park	TBC	TBC	420	I	0	0	420	420
Glenvista	TBC	TBC	900	I	0	0	900	900
TOTAL			1730		386	13	1331	1344
Waterfall								
Polo Fields	Commenced	2022-03-01	1 512	A	311	88	1113	1201
Waterfall Fields	TBC	TBC	6 744	I	0	0	6744	6744
Kikuyu	Commenced	2020-03-01	1 270	A	215	148	907	1055
Waterfall Ridge	TBC	TBC	11 630	I	0	0	11630	11630
TOTAL			21 156		526	236	20 394	20 630
TOTAL JHB			32 954		3 041	545	29 369	28 714

* A- ACTIVE ; I – INACTIVE ; C - COMPLETE



DEVELOPMENT PIPELINE

	Expected commencement date	Expected date of completion	Total units in development	Status *	Total revenue recognised to date	Sold but not recognised in revenue	Total remaining units to be sold	Total remaining units to be recognised in revenue
The Blyde	Commenced	TBC	3512	A	21	142	3349	3491
Green Creek	2018-08-01	TBC	1760	I	0	0	1760	1760
Green Wood	TBC	TBC	1760	I	0	0	1760	1760
TOTAL TSHWANE			7032		21	142	6869	7011
Ballito Hills	2017-06-17	TBC	1 366	A	0	220	1146	1366
TOTAL KWAZULU-NATAL			1 366		0	220	1 146	1 366
Paardevlei Retirement	Commenced	31/05/2020	341	A	10	19	312	331
Paardevlei Square	Commenced	01/02/2018	87	A	54	3	30	33
The Jade	Commenced	01/02/2020	432	A	0	256	176	432
The Sandown	Commenced	01/02/2018	636	A	567	22	47	69
Paarl	TBC	TBC	1200	I	0	0	1200	1200
De Zicht	Commenced	01/06/2020	876	A	81	121	674	795
TOTAL WESTERN CAPE			3572		712	421	2439	2860
GRAND TOTAL			44 924		3 774	1 328	39 823	39 951

A- ACTIVE ; I – INACTIVE ; C - COMPLETE

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