

RESULTS PRESENTATION

for the six month period ended 31 August 2019



Balwin
PROPERTIES

AGENDA



OPERATIONAL OVERVIEW



FINANCIAL OVERVIEW



LOOKING FORWARD



ANNEXURES



OPERATIONAL OVERVIEW

Steve Brookes

Chief Executive Officer

OPERATIONAL HIGHLIGHTS



1 309 apartments handed over (H1FY19: 1 058) – **24% increase**



Cash resources improving by **R211 million**



Dividend declared of 11.70 cents per share



Registration of over **16 000** apartments as **EDGE** certified



Launch of first “**6 Star**” **Green rated** Lifestyle Centre at The Reid



Four awards for the exceptional quality of the developments and creative design recognised at the Africa and Arabia Property awards

OPERATIONAL REVIEW

- Continued strong demand for Balwin product – 24% increase in apartments recognised in revenue
- Pleasing results recorded in cash management – increase of R211 million in cash resources
- Rate of sale across developments in line with management expectation – strong sales continue at The Blyde (Tshwane East), Ballito Hills (Ballito) and Kikuyu (Waterfall)
- Reduced rate of sale at elite model developments – elite model developments not to be continued in the current market
- Strong demand for one- and two-bedroom apartments
- 982 apartments pre-sold for H2FY20 and beyond and thus not recorded in revenue



MODIFICATION OF “GREEN” PROJECT STRATEGY

- “Green” projects previously identified for sale to strategic investor – Balwin Rentals Pty Limited with right of first refusal signed for approximately 4 500 apartments
- Balwin agreed with Balwin Rentals to allow modification to the sales strategy on certain apartments
- Modification of sales strategy provides Balwin with flexibility to sell to market or sell to individual investor to maximise returns
- Sales strategy at Green Park modified to convert to built-for-sale to the public market
- Three further “Green” projects planned for Gauteng – approximately 6 000 “Green” apartments form part of the group’s pipeline



GOVERNANCE PROCESS

DEVELOPMENT OPPORTUNITIES

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



OPERATING MODEL



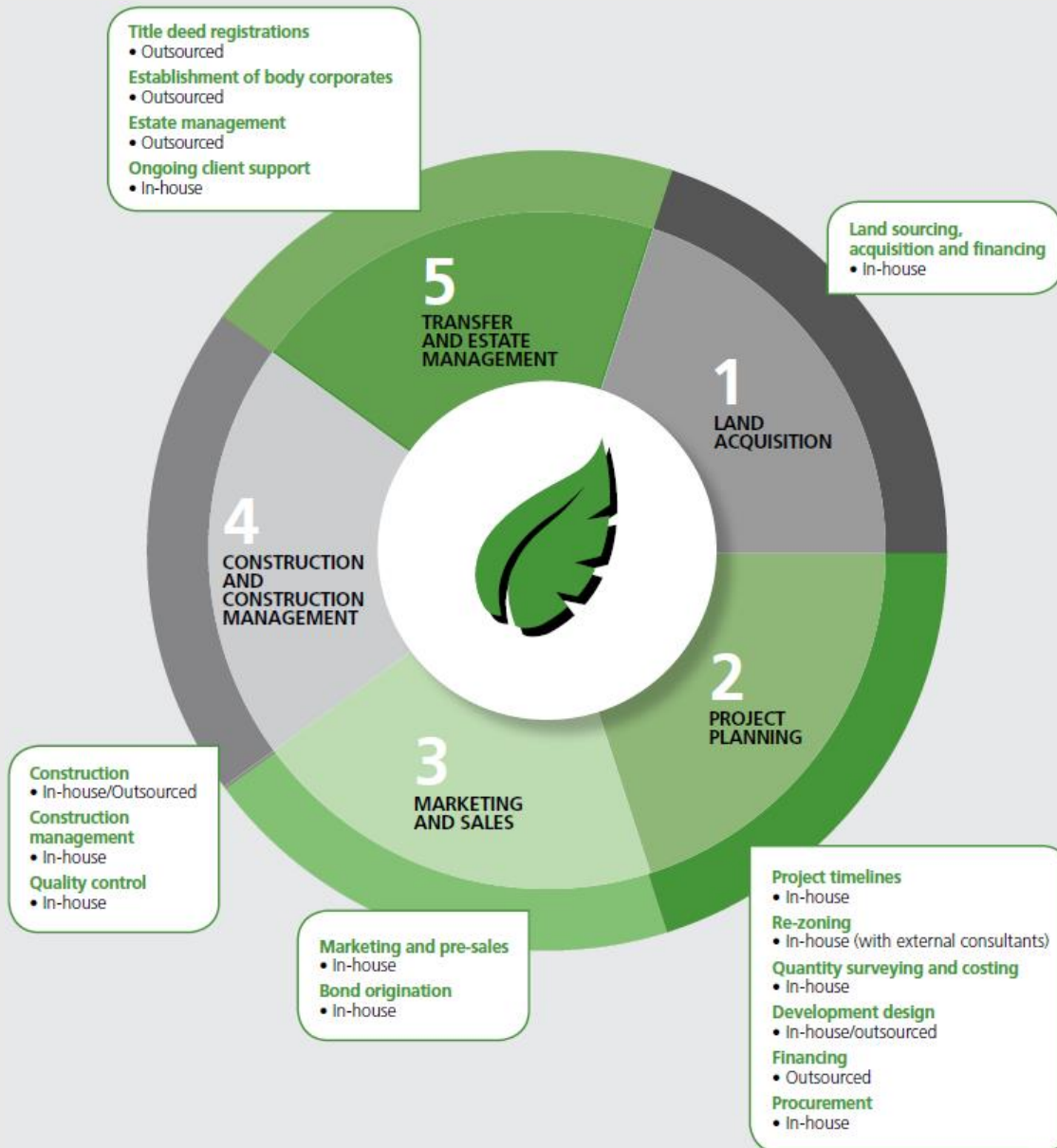
FINANCIAL AND OPERATIONAL SUCCESS DEPENDS ON CONTINUOUS DEVELOPMENT



- Development of large-scale residential estates in key target nodes
- Selling approximately 25 apartments per location per month
- Targeting an average profit margin of approximately 35% over the lifecycle of each project
- Drive efficiencies through turnkey approach to development
- Maintaining costs and cash preservation
- Secured approximate 8 year development pipeline of 28 127 apartments
- Execute on existing pipeline (in key target locations)
- Focus on environmental management

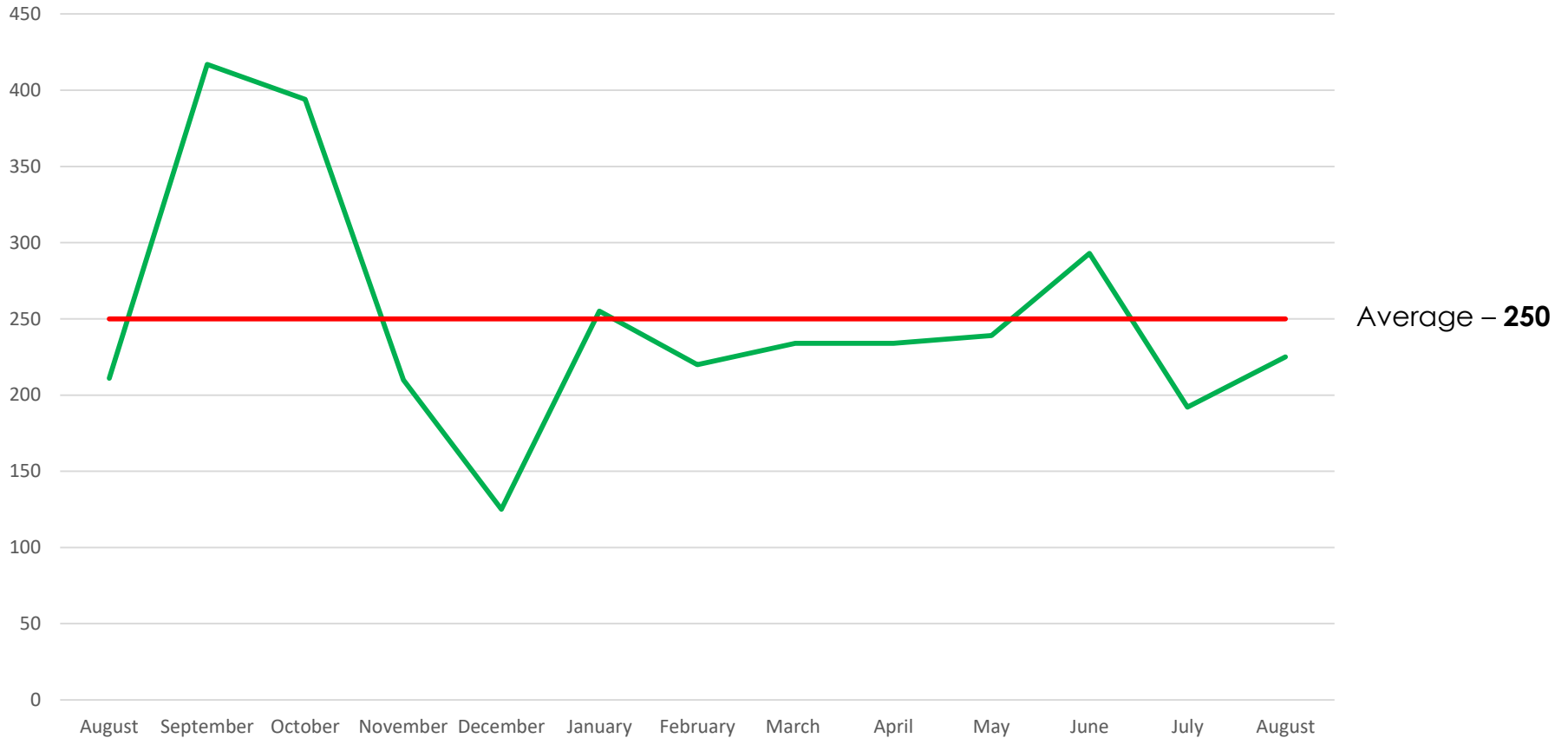
OPERATING MODEL

TURNKEY APPROACH



MONTHLY SALES

Monthly Sales Rate (August 2018 – August 2019)



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



FINANCIAL OVERVIEW

Jonathan Weltman
Chief Financial Officer

FINANCIAL OVERVIEW



R 1 419 million

19%

Revenue



R 258 million

2%

EBITDA



R 185 million

4%

Profit for the period



40 cents

4%

Basic earnings per share



40 cents

5%

Headline earnings per share



593 cents

17%

Net asset value per share



11.70 cents per share

Dividend declared



SUMMARISED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



	GROUP	
	6 months ended 31 August 2019 R'000	6 months ended 31 August 2018 R'000
Revenue	1 419 353	1 193 150
Cost of sales	(1 071 202)	(867 563)
Gross profit	348 151	325 587
Other income	11 059	1 049
Operating expenses	(107 134)	(80 195)
Operating profit	252 076	246 441
Interest income	7 093	2 613
Finance costs	(2 613)	(2 427)
Profit before tax	256 556	246 627
Taxation	(71 188)	(68 727)
Profit for the period	185 368	177 900
Other comprehensive income	(5)	144
Total comprehensive income for the period	185 363	178 044
Basic and diluted earnings per share		
Basic	(cents) 39.50	37.85
Diluted	(cents) 39.26	37.68
Key ratios:		
Gross profit margin	25%	27%
Total comprehensive income/revenue	13%	15%
Effective tax rate	28%	28%

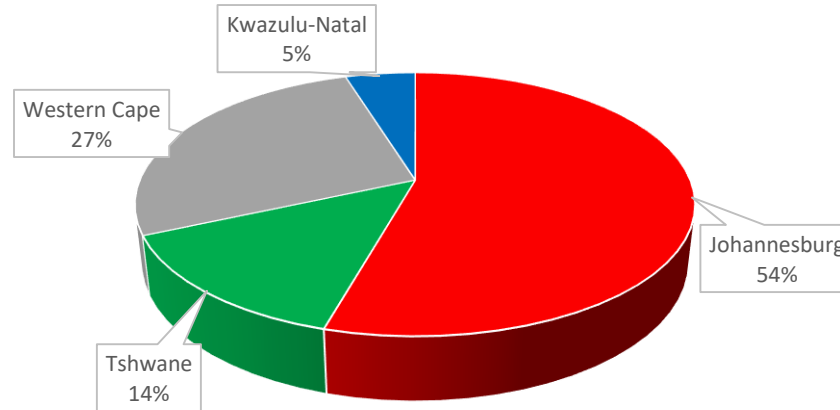
APARTMENTS HANDED OVER IN H1FY20



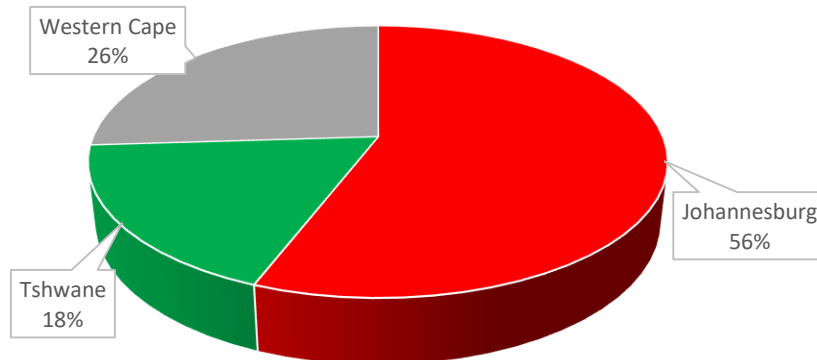
Johannesburg	Total: 712
Kikuyu	177
The Whisken	84
The Polofields	87
The Reid	144
Greenpark (Rental)	109
Amsterdam	110
Malakite	1
Tshwane	Total: 183
The Blyde	183
Western Cape	Total: 351
De Zicht	152
The Jade	132
Paardevlei Lifestyle Estate	53
The Sandown	1
Paardevlei Square	13
Kwazulu-Natal	Total: 63
Ballito Hills	63
TOTAL	1309

APARTMENTS HANDED OVER BY REGION

Apartments handed over H1FY20 by region



Apartments handed over H1FY19 by region



FINANCIAL REVIEW



REVENUE

- Increased by 19% - due to increase in the number of apartments handed over to 1 309 (H1FY19: 1 058)
- Average selling price per apartment reduced in line with expectations due to different product mix as well as inclusion of revenue from the “Green” project apartments sold to Balwin Rentals
- Forecast continued reduction in selling price due to an increase in the number of “Green” project apartments sold

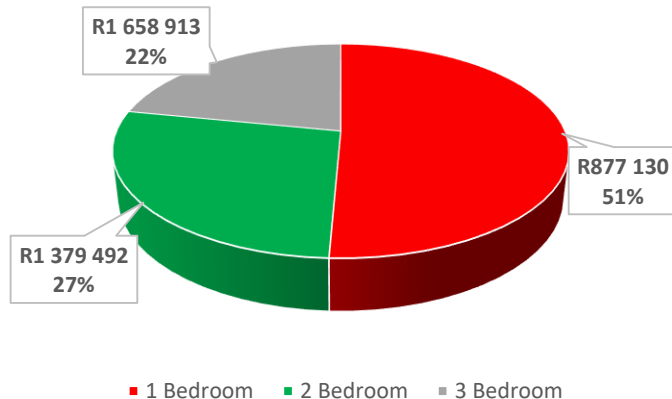
GROSS PROFIT

- Gross profit margin of 25% (H1FY19: 27%)
- The contraction is as a result of:
 - Reduced profitability realised on elite model developments
 - Inclusion of 96 apartments sold at Green Park to Balwin Rentals
 - Increased marketing campaigns in response to continued depressed economic conditions

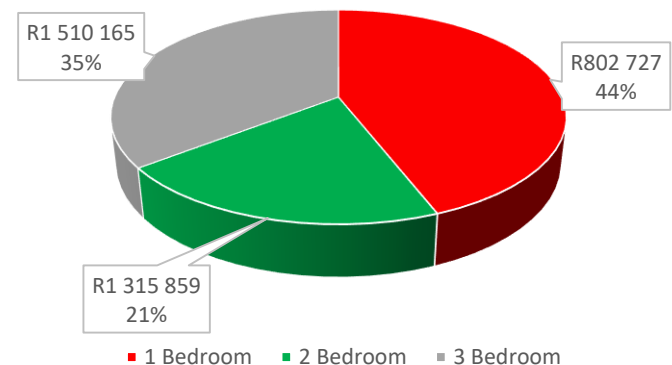
AVERAGE SELLING PRICE

Core business model				
31 August 2019			31 August 2018	
Apartment type	Average price	Number of apartments	Average price	Number of apartments
1 Bedroom	R877 130	517	R802 727	363
2 Bedroom	R1 379 492	280	R1 315 859	169
3 Bedroom	R1 658 913	223	R1 510 165	292
TOTAL		1 020		824

Revenue analysis (Core business model)
Year ending 31 August 2019



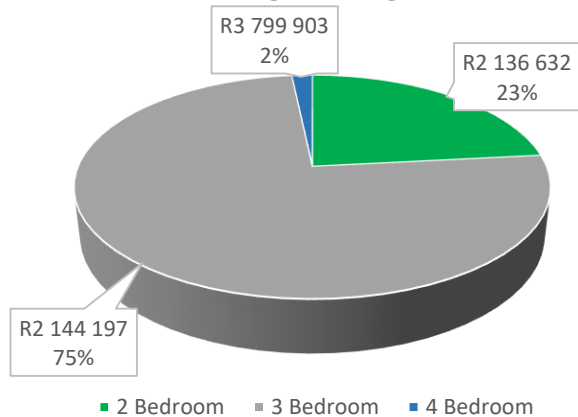
Revenue analysis (Core business model)
Year ending 31 August 2018



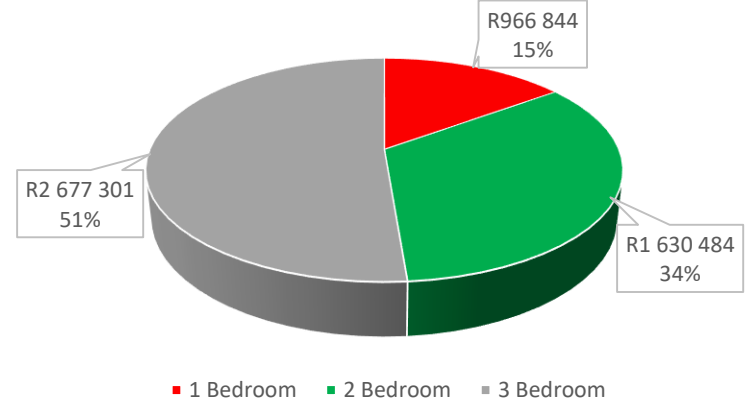
AVERAGE SELLING PRICE

Elite model				
31 August 2019			31 August 2018	
Apartment type	Average price	Number of apartments	Average price	Number of apartments
1 Bedroom	-	-	R966 844	35
2 Bedroom	R2 136 632	42	R1 630 484	79
3 Bedroom	R2 144 197	135	R2 677 301	120
4 Bedroom	R3 779 903	3	-	-
TOTAL		180		234

Revenue analysis (Elite model)
Year ending 31 August 2019



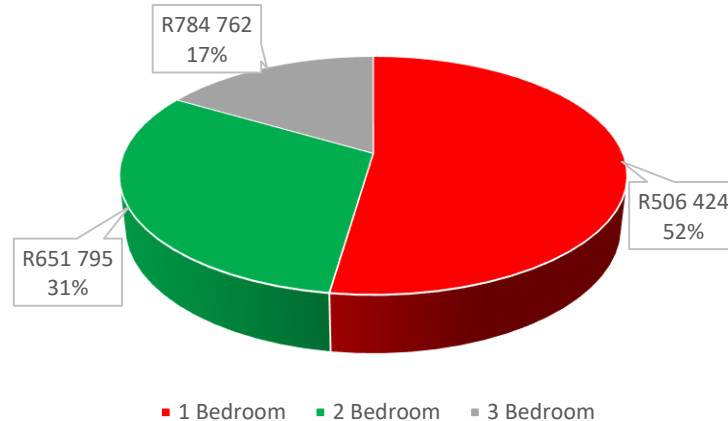
Revenue analysis (Elite model)
Year ending 31 August 2018



AVERAGE SELLING PRICE

"Green" Projects				
31 August 2019			31 August 2018	
Apartment type	Average price	Number of apartments	Average price	Number of apartments
1 Bedroom	R506 424	57	-	-
2 Bedroom	R651 795	34	-	-
3 Bedroom	R784 762	18	-	-
TOTAL		109		-

Revenue analysis (Product for sale to property fund)
Year ending 31 August 2019



FINANCIAL REVIEW



OPERATING EXPENSES

- Operating costs increased by R27 million from the prior period mainly due to:
 - Increase in head count and salary related costs to grow middle to top management team
 - Increase in marketing costs in order to drive sales
- Cost management remains a key focus area for management

EARNINGS PER SHARE

- 4% increase from prior period to 40 cents (H1FY19: 38 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
- Top structure funding obtained at an approximate loan to cost of 70%
- Land funding obtained at a value of 50% to 70% of cost
- Focus on funding of infrastructure costs
- Debt to equity ratio at 12% (H1FY19: 15%)

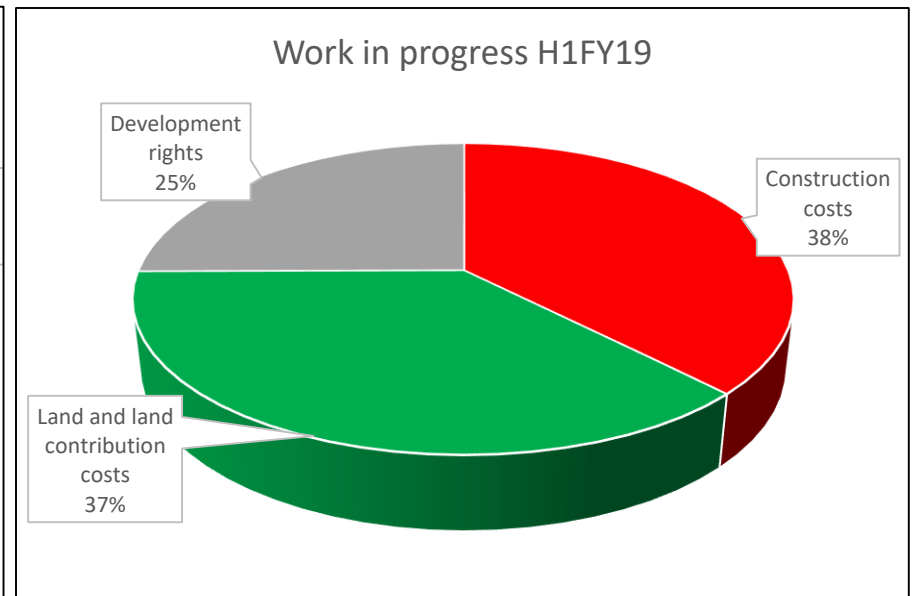
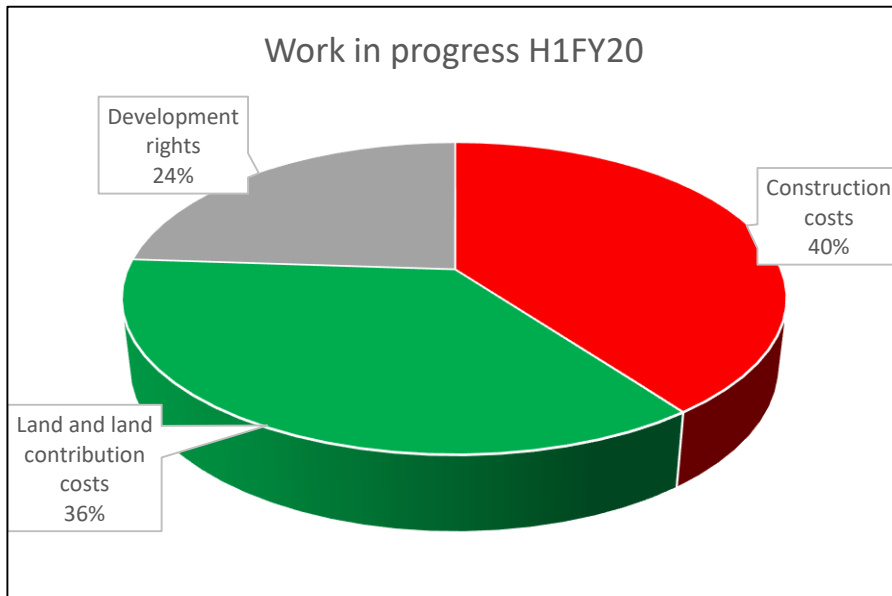
SUMMARISED STATEMENT OF FINANCIAL POSITION



	GROUP	
	31 August 2019 R'000	31 August 2018 R'000
Non-current assets	102 534	82 694
Current assets	3 979 825	3 691 163
Developments under construction	3 221 589	3 027 910
Cash and cash equivalents	273 916	62 339
Other current assets	484 320	600 914
Total assets	4 082 359	3 773 857
Shareholders' equity	2 774 371	2 390 790
Non-current liabilities	324 532	352 912
Current liabilities	983 456	1 030 155
Development finance	846 229	901 697
Other current liabilities	137 227	128 458
Total equity and liabilities	4 082 359	3 773 857

DEVELOPMENTS UNDER CONSTRUCTION (LAND VS TOP STRUCTURES)

	31 August 2019 R'000	31 August 2018 R'000
Construction costs	R1 285 613	R1 139 389
Land and land contribution costs	R1 165 051	R1 128 244
Development rights	R770 925	R760 277
TOTAL	3 221 589	3 027 910



SUMMARISED STATEMENT OF CASH FLOWS



	GROUP (R'000)	
	6 months ended 31 August 2019 R '000	6 months ended 31 August 2018 R '000
<u>Cash flow from operating activities</u>		
Cash generated from operations	543 440	185 370
Interest Income	7 093	2 613
Finance costs	(60 575)	(26 313)
Taxation paid	(43 180)	(93 852)
Net cash generated from operating activities	446 778	67 818
Net cash used in investing activities	(13 646)	(8 244)
Net cash used in financing activities	(488 598)	(97 268)
Total cash movement for the period	(55 466)	(37 694)
Cash at the beginning of the period	329 382	100 033
Total cash at the end of the period	273 916	62 339

FUNDING STRUCTURE



	6 months ended 31 August 2019 R'000	6 months ended 31 August 2018 R'000
Total liabilities	1 307 988	1 383 067
Non-current liabilities	324 532	352 912
Current liabilities*	983 456	1 030 155
Equity	2 774 371	2 390 790
Debt to equity ratio	12%	15%
Average cost of borrowing	10.00%	10.00%

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



LOOKING FORWARD

Steve Brookes

Chief Executive Officer

THE FUTURE



- Focus on executing on existing pipeline – remain alert to strategic land opportunities in identified nodes to be contracted in a manner that is not onerous on cash resources
- Focus on operational performance and execution across all developments
- Emphasis on cash preservation, prudent capital allocation and cost containment
- Leverage marketing campaigns to drive sales in depressed market – costs of these campaigns are absorbed in the healthy margins of the Group
- Intention and commitment to maintain an attractive and consistent dividend pay-out ratio of 30% of profit after tax
- Confidence in the Group's ability to deliver growth in the sales of the “Green” projects in a manner most beneficial to shareholders
- The Group is focused on transformation and empowering previously disadvantaged communities
- Grow revenue and profitability through annuity income businesses
- Commitment to unique lifestyle offering and the opportunity to expand on relationship with Crystal Lagoons to bring the beach life to clients
- Green ratings from GBCSA for lifestyle centres and net zero certification

Core Focus

01

EDUCATION:

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

02

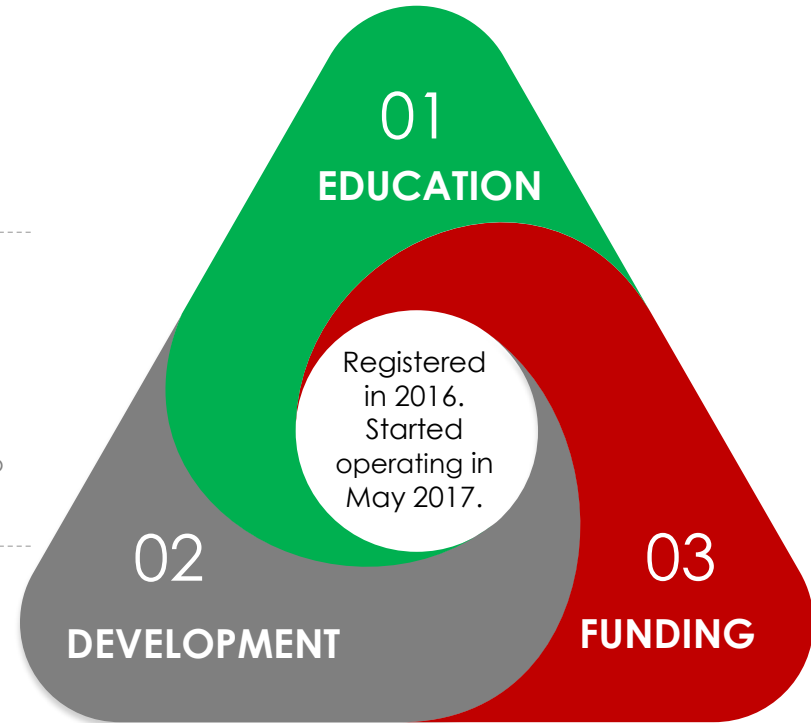
DEVELOPMENT:

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.



BALWIN FOUNDATION



2019/20 KEY ACHIEVEMENTS TO DATE

Programme Update: March - August 2019:

The Balwin Foundation NPC continues to run programmes with a focus on education and development. These include learnerships, youth environmental education and hosting, bursary student funding and development programmes.



16 Learners

6 Balwin Employees

10 Unemployed

4 (Persons with Disabilities)

Balwin PROPERTIES
Learnership Programme

Business Practice

Project Management



30 Unemployed

Balwin FOUNDATION
Programme Management & Host Org Funding

Education Learnership Programme

ATFACG
FOUNDATION Funder

WESSA
PEOPLE DRIVING FOR THE BATHO
Training & Host Org

Johannesburg City Parks
Green. Connected. Smart.
Host Org

Bursary Programme:

The Balwin Foundation NPC administers a bursary programme on behalf of Balwin Properties Ltd. Our bursaries for tertiary students include full funding, mentorship, development, practical work experience and skills training as well as critical life skills.

16 Tertiary Students

Scholars

2+2

Driving lessons



CPR & First Aid



Excel



BALWIN FOUNDATION



2019/20 KEY ACHIEVEMENTS TO DATE

Training & Skills Development Update: March - August 2019:



Months



Courses



Training Days



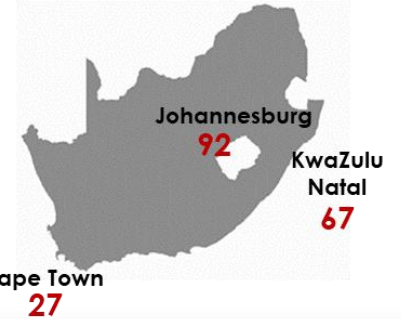
Skills Trainees



Total People trained
Including Learnerships



55% 45%



In April 2019 the Balwin Foundation expanded its footprint to the Cape, providing accredited SME Construction, Site Admin, Contracting and Legal Compliance training.

During Women's month in August 2019 an all female 100% black training team conducted our SME tender and entrepreneurship training course at Heartlands Baby Sanctuary in Somerset West. During this training we launched our first Vollar (Volunteer Dollar) incentive for training attendees.

Q3 also saw the Balwin Foundation launching the Balwin Lifestyle Centre Community Development Programme on behalf of Balwin Properties Ltd. This programme optimizes Balwin Lifestyle Centres as a training platform for community members to gain an understanding of opportunities in Balwin Lifestyle Centre related industries.



LAUNCHED: Vollar Incentives for trainees to spend at black owned local community SMEs



ANNEXURES

DEVELOPMENT PIPELINE



Development	Expected commencement date of construction	Expected date of completion of construction	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	Balwin pipeline
Waterfall										
Kikuyu	Commenced	Mar 2022	A	1 270	786	625	684	102	484	586
The Polofields	Commenced	Jun 2023	A	1 512	639	596	602	37	873	910
Munyaka	TBC	TBC	I	4 882	-	-	-	-	4 882	4 882
Total				7 664	1 425	1 221	1 286	139	6 239	6 378
Johannesburg East										
The Reid	Commenced	May 2022	A	1 294	372	272	334	38	922	960
Westlake 2	TBC	TBC	I	312	-	-	-	-	312	312
Total				1 606	372	272	334	38	1 234	1 272
Johannesburg North										
Amsterdam	Commenced	Complete	C	1 040	867	782	816	51	173	224
The Whisken	Commenced	Jun 2022	A	1 490	422	422	422	-	1 068	1 068
Total				2 530	1 289	1 204	1 238	51	1 241	1 292
Johannesburg South										
Majella Park	TBC	TBC	I	280	-	-	-	-	280	280
Total				280	-	-	-	-	280	280
KwaZulu Natal										
Ballito Hills	Commenced	Feb 2024	A	1 320	423	124	124	299	897	1 196
Ballito Creek	TBC	TBC	I	1 872	-	-	-	-	1 872	1 872
Marshall Dam	TBC	TBC	I	1 092	-	-	-	-	1 092	1 092
Total				4 284	423	124	124	299	3 861	4 160

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

DEVELOPMENT PIPELINE



Development	Expected commencement date of construction	Expected date of completion of construction	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	Balwin pipeline
Tshwane										
The Blyde	Commenced	Feb 2028	A	3 580	654	495	582	72	2 926	2 998
Total				3 580	654	495	582	72	2 926	2 998
Western Gape										
De Zicht	Commenced	Jul 2020	A	876	546	437	491	55	330	385
Paardevele Lifestyle Estate	Commenced	Feb 2021	A	388	273	145	150	123	115	238
Paardevele Square	Commenced	Complete	C	87	87	87	87	-	-	-
The Jade	Commenced	Complete	C	432	396	359	379	17	36	53
The Sandown	Commenced	Complete	C	636	636	636	636	-	-	-
The Huntsman	Jun 2019	Nov 2023	I	1 044	68	-	-	68	976	1 044
Gordons Bay (De Anker)	TBC	TBC	I	1 272	-	-	-	-	1 272	1 272
Fynbos	Commenced	Feb 2024	A	1 116	87	-	-	87	1 029	1 116
Zevenwacht	TBC	TBC	I	696	-	-	-	-	696	696
Paarl	TBC	TBC	I	336	-	-	-	-	336	336
Total				6 883	2 093	1 664	1 743	350	4 790	5 140
Rentals										
Greenlee	Commenced	Oct 2024	A	1 940	-	-	-	-	1 940	1 940
Greenpark	Commenced	May 2022	A	1 288	286	240	253	33	1 002	1 035
Greencreek	Commenced	Sep 2025	A	1 872	-	-	-	-	1 872	1 872
Greenwood	July 2025	Jul 2031	I	1 760	-	-	-	-	1 760	1 760
Total				6 860	286	240	253	33	6 574	6 607
Grand Total				33 687	6 542	5 220	5 560	982	27 145	28 127

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

CORPORATE OVERVIEW



- Specialist, national **residential property developer** of large-scale sectional title estates
- Focus on high **quality, affordable** apartments with an innovative and all inclusive **lifestyle** offering for clients
- Currently developing **2 000** to **3 500** apartments per year – capacity is approximately **5 000** apartments per year
- Estates typically consist of between **500** and **1 500** apartments – larger estates developed where market demand and infrastructure allow
- Focus on high-density, high-growth nodes across key metropolitan areas in **Johannesburg, Tshwane, Western Cape** and **Kwa-Zulu Natal**
- Approximate 8 year development pipeline of **28 127** apartments
- **Lifestyle centres** typically include free Wi-Fi, a wellness spa, restaurant, gym, squash court, running track, action sports field, games room, cinema room, swimming pools, playgrounds, laundromat and a concierge

BUSINESS MODEL

CORE BUSINESS MODEL

- Quality, affordable build-to-sell product
- One-, two-, and three-bedroom four storey walk up apartments
- Prices range from R599 900 to R1 999 900 focusing on the middle income population
- Developments located in high density, high growth nodes across key metropolitan areas
- Benefits from economies of scale, in-house construction and management
- Developed on phase-by-phase basis
- Dynamic product allows for block configuration change to respond to market
- Exclusive lifestyle offering to clients as an all inclusive value-added service



BUSINESS MODEL

“GREEN” PROJECT MODEL

- Model targets a lower LSM market than the core model
- Offers flexibility to determine preferential sales strategy (sell to market or sell to individual investor) to maximise returns
- Balwin responsible for design and construction of developments
- Developed on a phase-by-phase approach
- Distinctive architecture that is different to the core business model but synonymous with Balwin quality
- Residents have access to lifestyle features associated with Balwin brand



GREEN PARK
BOKSBURG

BUSINESS MODEL

ELITE MODEL DEVELOPMENTS

- Two elite model developments, The Polo Fields (Waterfall) and Paardevlei Lifestyle Estate (Somerset West)
- Apartments built to higher specifications
- Prices range from R1 999 900 to R2 999 900
- Developments built on existing land in selected nodes and follow the same phase-by-phase approach
- Balwin does not intend to continue the elite model developments in the current market



BUSINESS MODEL

ANNUITY INCOME

- Leverage off asset base and expanding service offering to clients
- Partnerships established to provide high-speed fibre connectivity and solar installation which generates renewable energy
- Complimentary to Balwin's business model and enhance the lifestyle offering to clients
- Limited additional construction costs necessitated to generate annuity returns



INVESTMENT CASE



- High gross margin for a listed residential property developer due to in-house construction management, in-house sales and strong budget controls
- Long-term development pipeline in key strategic locations
- 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
- Proven and flexible business model for large-scale developments
- 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
- Well positioned to address the undersupply of quality, affordable housing in the middle market income market
- Differentiation to market through Balwin's innovative approach to environmental management

CONTACT DETAILS

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