



RESULTS PRESENTATION

for the year ended 28 February 2019

AGENDA



OPERATIONAL OVERVIEW



FINANCIAL OVERVIEW



LOOKING FORWARD



ANNEXURES



OPERATIONAL OVERVIEW

Steve Brookes
Chief Executive Officer

OPERATIONAL HIGHLIGHTS



2 437 apartments handed over (FY18: 2 084)



Rationalisation of **development pipeline** by 29%



Dividend declared of 14.51 cents per share



4 new developments launched during the period



Successfully implemented **strategic objective** by introducing purpose-built product for sale to a large-scale residential property fund



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



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

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 low to mid-market segment
- 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

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



BUSINESS MODEL

Purpose-built product for sale to property funds

- Balwin responsible for design and construction of developments
- Developed on a phase-by-phase approach
- Balwin will market and secure lease agreements before selling the apartments to property funds (such as Balwin Rentals Pty Limited)
- Distinctive architecture that is different to the core business model but synonymous with Balwin quality
- Monthly leases range from R5 100 to R9 500
- Tenants have access to lifestyle features associated with Balwin brand



GREENPARK
BOKSBURG

BUSINESS MODEL

Annuity income

- Leverage off asset base and expanding service offering to clients
- Balwin Fibre - provision of high speed fibre connectivity within Balwin estates
- Balwin Solar - solar installations which generates renewable energy
- Complimentary to Balwin's business model and enhance the lifestyle offering to clients
- Limited additional construction costs necessitated



OPERATIONAL REVIEW

- Rate of sale across developments in line with management expectation
- Exceptional sales at The Blyde (Tshwane East) and Ballito Hills (Ballito)
- Success at The Blyde based on opening of the Crystal Lagoon
- Reduced sales rate at Elite model developments
- Rationalisation of development pipeline from 39 951 to 28 419
- Adverse cash flow affect from council delays preventing timeous registrations with 864 apartments not registered at year end - 798 apartments registered post year end
- 1 224 apartments pre-sold for the 2020 financial year
- Strong demand for one- and two-bedroom apartments
- Introduction of product for sale to residential property fund on non-speculative basis (such as Balwin Rentals)



GOVERNANCE

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



OPERATING MODEL



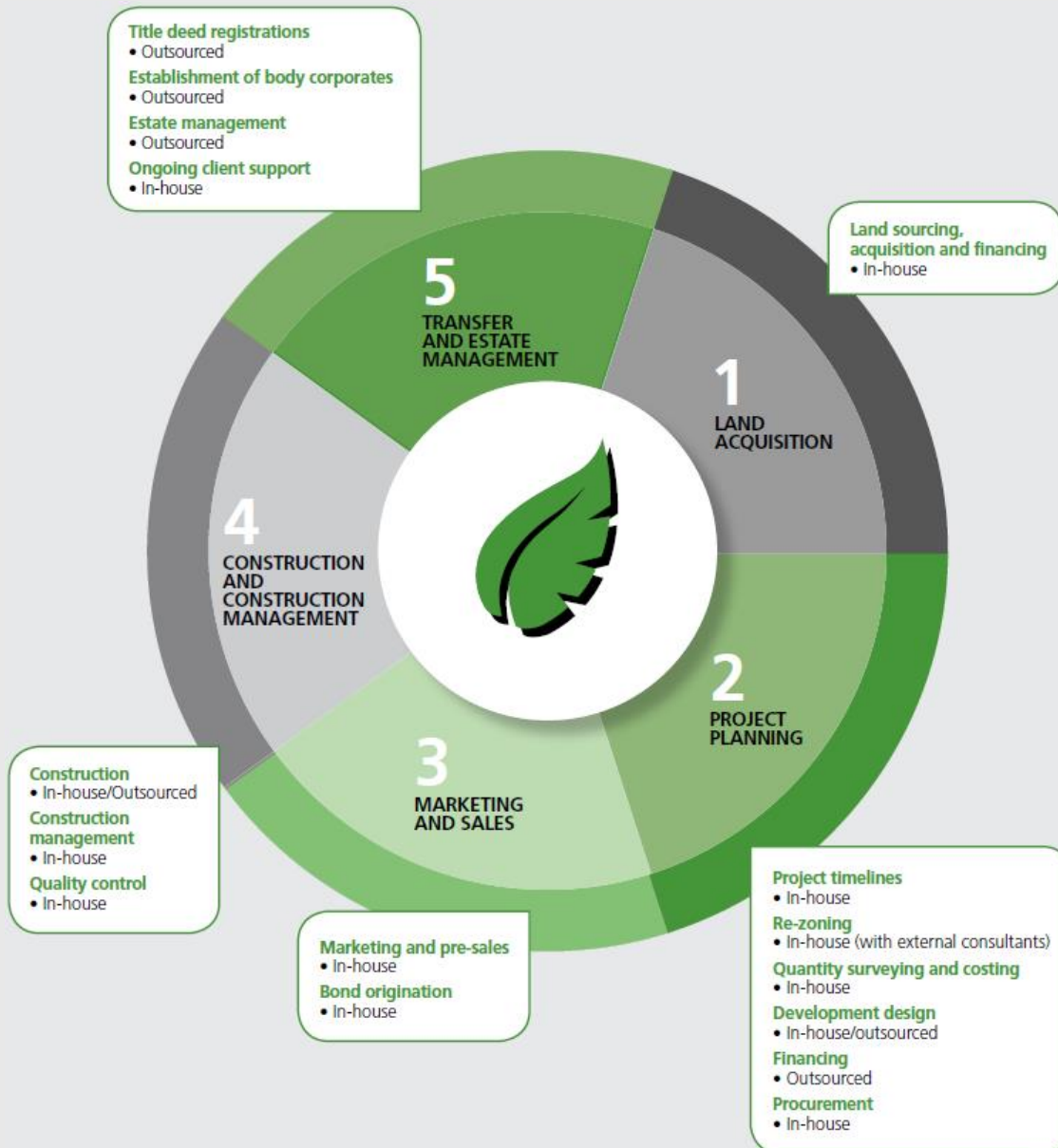
FINANCIAL AND OPERATIONAL SUCCESS DEPENDS ON CONTINUOUS DEVELOPMENT



- 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 28 419 apartments
- Execute on existing pipeline (in key target locations)

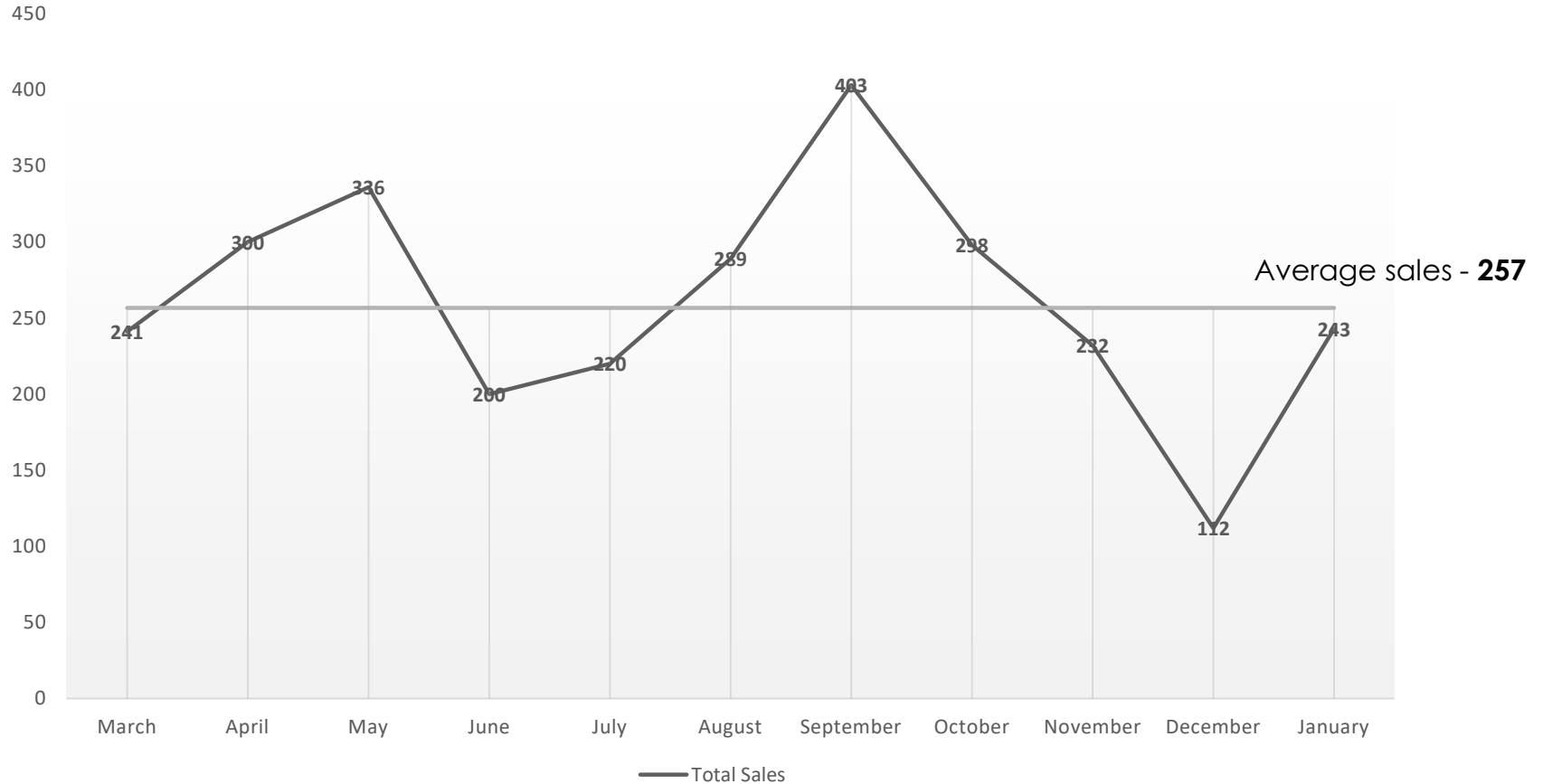
OPERATING MODEL

TURNKEY APPROACH



MONTHLY SALES

Sales Summary
1 March 2018 – 28 February 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 2 614 million

6% ▲

Revenue



R 630 million

6% ▼

Operating profit



R 452 million

8% ▼

Profit for the period



96 cents

8% ▼

Basic and headline earnings per share



14.51 cents per share

49% ▼

Dividend declared



568 cents

15% ▲

Net asset value per share



SUMMARISED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



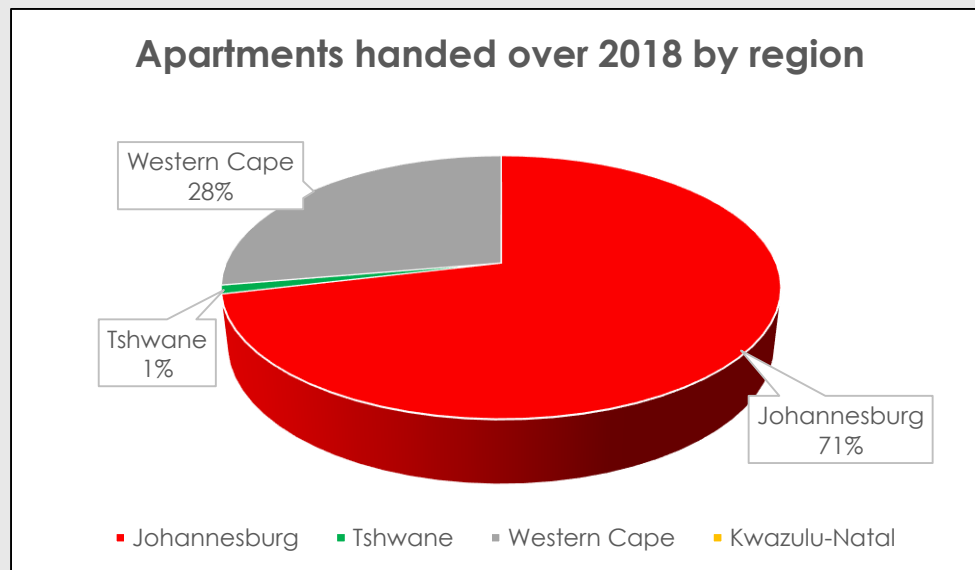
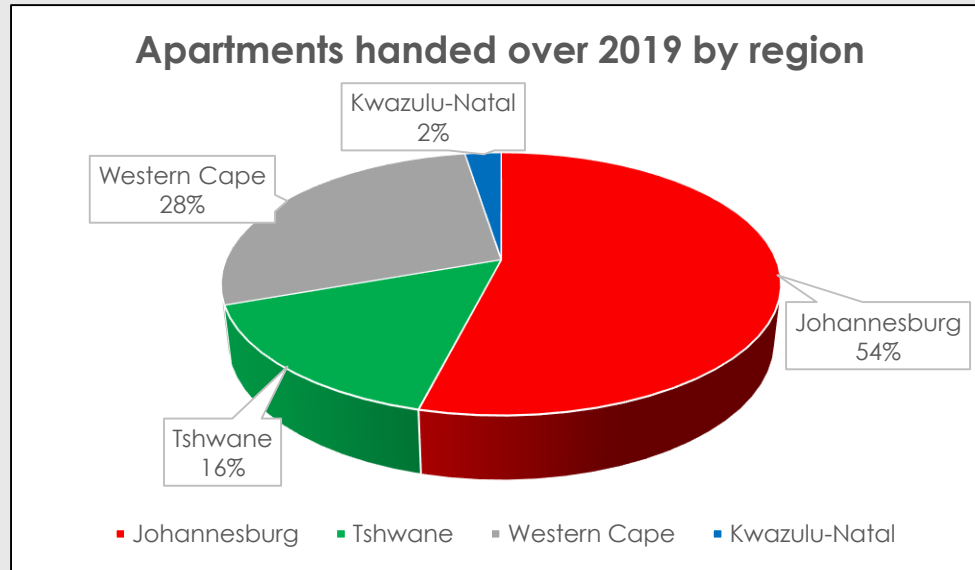
	GROUP	
	For the year ended 28 February 2019 R'000	For the year ended 28 February 2018 R'000
Revenue	2 613 905	2 454 635
Cost of sales	(1 826 024)	(1 649 406)
Gross profit	787 881	805 229
Other income	16 002	6 587
Operating expenses	(173 808)	(140 995)
Operating profit	630 075	670 821
Investment revenue	4 590	15 273
Net finance income	(6 176)	(3 559)
Profit before tax	628 489	682 535
Taxation	(176 106)	(191 190)
Profit for the year	452 383	491 345
Other comprehensive income	103	651
Total comprehensive income	452 486	491 996
Basic and diluted earnings per share		
Basic	(cents) 95.82	105.56
Diluted	(cents) 95.80	104.06
Key ratios:		
Gross profit margin	30.14%	32.80%
Total comprehensive income/revenue	17.31%	20.04%
Effective tax rate	28.02%	28.01%

APARTMENTS HANDED OVER IN FY19



Johannesburg	Total: 1 315
Kikuyu	300
The Whisken	296
The Polo Fields	193
The Reid	190
Greenpark (Rental)	144
Amsterdam	79
Westlake	77
Balboa Park	24
Malakite	12
Tshwane	Total: 380
The Blyde	380
Western Cape	Total: 681
De Zicht	258
The Jade	247
Paardevlei Lifestyle Estate	87
The Sandown	68
Paardevlei Square	21
Kwazulu-Natal	Total: 61
Ballito Hills	61
TOTAL	2 437

APARTMENTS HANDED OVER BY REGION



FINANCIAL REVIEW



REVENUE

- Increased by 6% - result of increase in the number of apartments to 2 437 (2018: 2 084)
- Average selling price per apartment reduced in line with expectations due to different product mix as well as inclusion of revenue from apartments sold to Balwin Rentals at a lower selling price
- Forecasted continued reduction in selling price due to an increase in the number of apartments sold to a residential property investors.

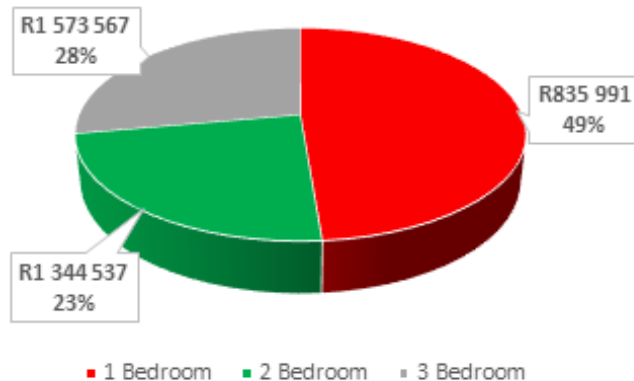
GROSS PROFIT

- Gross profit margin of 30.1% (2018: 32.8%)
- The decline is a result of:
 - absorption of increase in the VAT rate into the selling price.
 - Increase in the sales mix of apartments from Western Cape that derive a lower gross profit
 - large number of early stage developments included in sales mix.
 - Inclusion of revenue recognised from the sale of apartments to Balwin Rentals which returned a lower margin than groups targeted gross profit

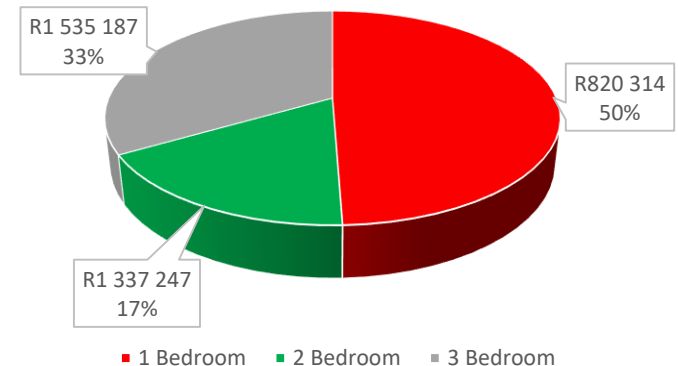
AVERAGE SELLING PRICE

Core business model				
28 February 2019			28 February 2018	
Apartment type	Average price	Number apartments	Average price	Number apartments
1 Bedroom	R835 991	971	R820 314	845
2 Bedroom	R1 344 537	467	R1 337 247	295
3 Bedroom	R1 573 567	555	R1 535 187	570
TOTAL		1993		1710

Revenue analysis (Core business model)
Year ending 28 February 2019



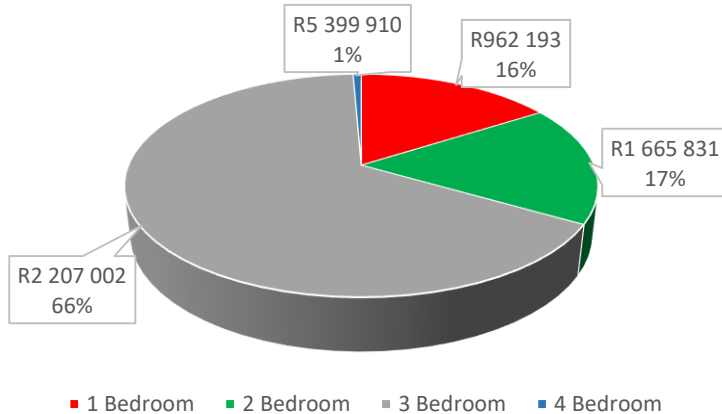
Revenue analysis (Core business model)
Year ending 28 February 2018



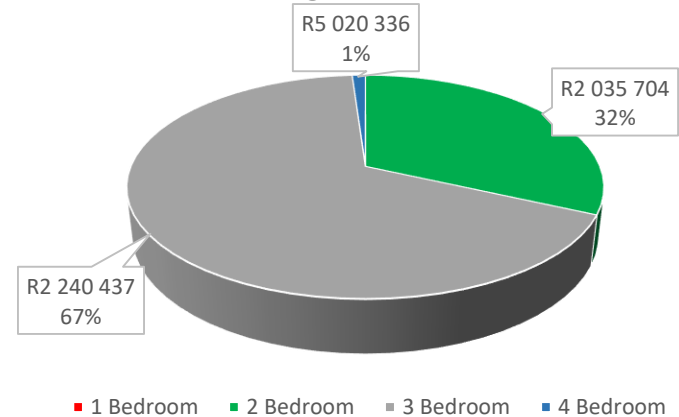
AVERAGE SELLING PRICE

Elite model				
28 February 2019			28 February 2018	
Apartment type	Average price	Number apartments	Average price	Number apartments
1 Bedroom	R962 193	48	-	-
2 Bedroom	R1 665 831	52	R2 035 704	119
3 Bedroom	R2 207 002	198	R2 240 437	251
4 Bedroom	R5 399 910	2	R5 020 336	4
TOTAL		300		374

Revenue analysis (Elite model)
Year ending 28 February 2019

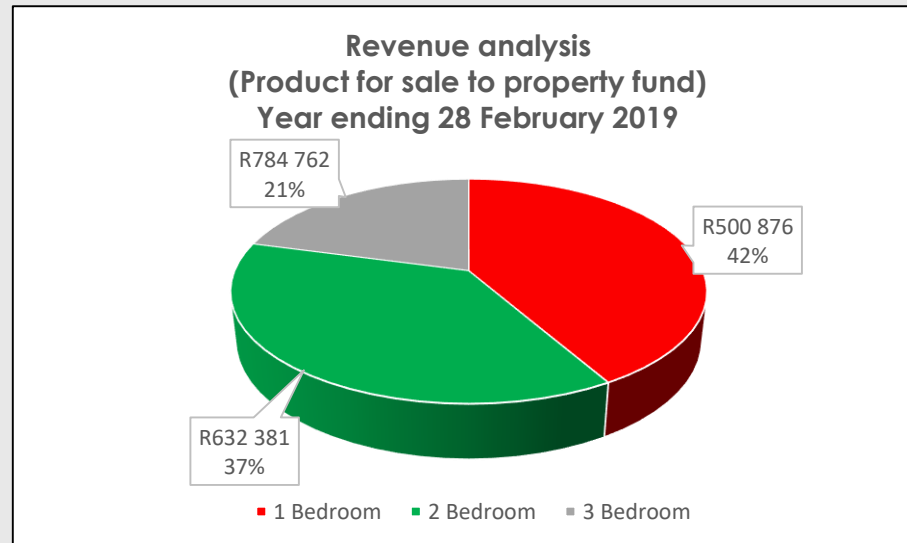


Revenue analysis (Elite model)
Year ending 28 February 2018



AVERAGE SELLING PRICE

Product for sale to property fund				
28 February 2019			28 February 2018	
Apartment type	Average price	Number apartments	Average price	Number apartments
1 Bedroom	R500 876	60	-	-
2 Bedroom	R632 381	54	-	-
3 Bedroom	R784 762	30	-	-
TOTAL		144		-



FINANCIAL REVIEW



OPERATING EXPENSES

- Operating costs grew by R32.8 million from the prior year with two main contributors
 - Inclusion of core network operating costs of Balwin Fibre Pty Limited in group results for full year (R8.4 million)
 - Employee related costs from increase in headcount, executive bonuses and growth in management team (R23.1 million)
- Cost remained fairly flat year on year except for the factors noted above
- Cost management remains a key focus area for management

EARNINGS PER SHARE

- 8% decrease from prior year to 96 cents (2018: 104 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
- Long term debt to equity ratio at 23% (2018: 25%)

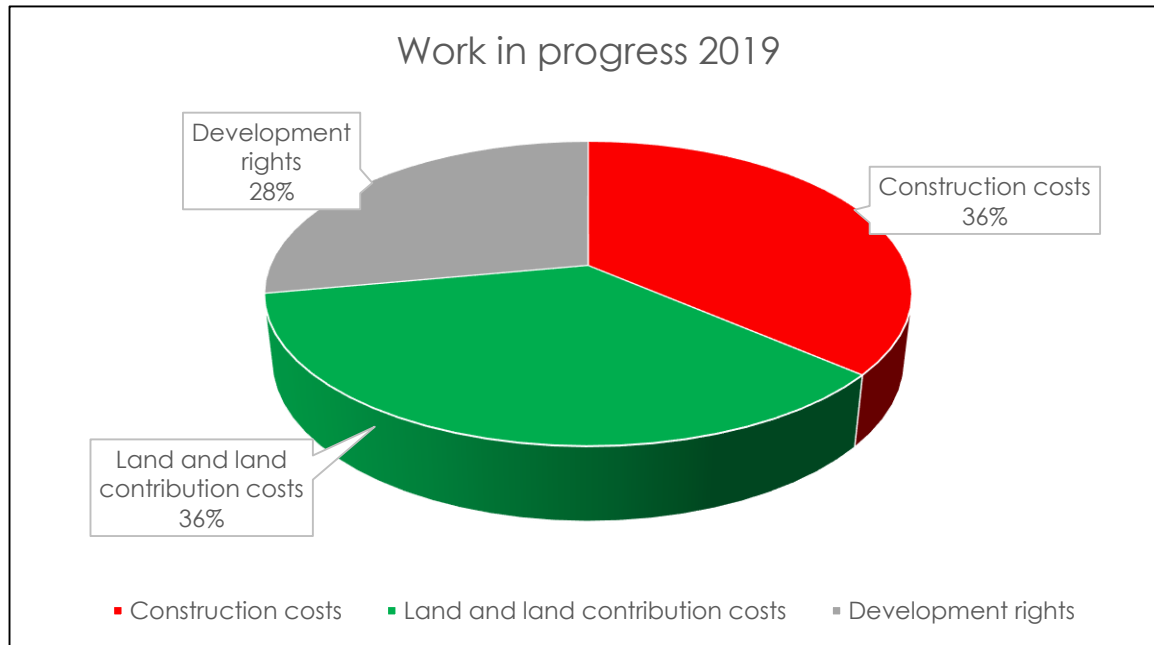
SUMMARISED STATEMENT OF FINANCIAL POSITION



	GROUP	
	For the year ended	For the year ended
	28 February 2019 R'000	28 February 2018 R'000
Non-current assets	101 185	74 785
Current assets	4 298 926	3 556 337
Developments under construction	3 042 919	2 588 472
Cash and cash equivalents	329 382	100 033
Other current assets	926 625	867 832
Total assets	4 400 111	3 631 122
Shareholders' equity	2 653 856	2 311 906
Non-current liabilities	375 473	579 628
Current liabilities	1 370 782	739 588
Development finance	1 148 208	672 050
Other current liabilities	222 574	67 538
Total equity and liabilities	4 400 111	3 631 122

DEVELOPMENTS UNDER CONSTRUCTION (LAND VS TOP STRUCTURES)

	R'000
Construction costs	R1 106 277
Land and land contribution costs	R1 086 425
Development rights	R850 217
TOTAL	3 042 919



SUMMARISED STATEMENT OF CASH FLOWS



	GROUP (R'000)	
	For the year ended 28 February 2019 R '000	For the year ended 28 February 2018 R '000
<u>Cash flow from operating activities</u>		
Cash generated from/(used in) operations	285 417	(129 913)
Interest Income	4 590	15 273
Finance costs	(43 443)	(78 962)
Taxation paid	(145 394)	(196 636)
Net cash generated from/(used in) operating activities	101 170	(390 238)
Net cash (used in)/from investing activities	(44 664)	(13 897)
Net cash generated form/(used in) financing activities	172 843	(42 801)
Total cash movement for the period	229 349	(446 936)
Cash at the beginning of the period	100 033	546 969
Total cash at the end of the period	329 382	100 033

FUNDING STRUCTURE



	For the year ended 28 February 2019 R '000	For the year ended 28 February 2018 R '000
Total liabilities	1 746 255	1 319 216
Non-current liabilities	375 473	579 628
Current liabilities*	1 370 782	739 588
Equity	2 653 856	2 311 906
Debt to equity ratio	14%	25%
Average cost of borrowing	10.25%	10.25

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



LOOKING FORWARD

Steve Brookes
Chief Executive Officer

THE FUTURE



- 1 224 apartments pre-sold for FY2020
- 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
- Balwin is confident on its ability to deliver growth in the sale of the purpose-built product for sale to property funds which maximise shareholder wealth
- The group is focused on transformation and empowering previously disadvantaged communities
- Drive annuity income opportunities to grow revenue and profitability
- Commitment to unique lifestyle offering and the opportunity to expand on relationship with Crystal Lagoons to bring the beach life to clients

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
- 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

Core Focus

01

EDUCATION:

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

02

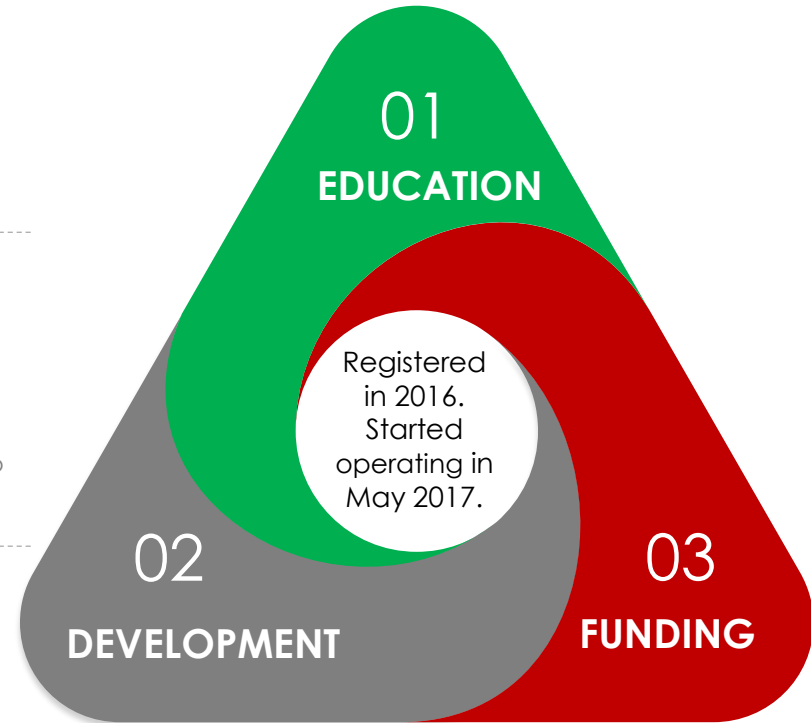
DEVELOPMENT:

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:

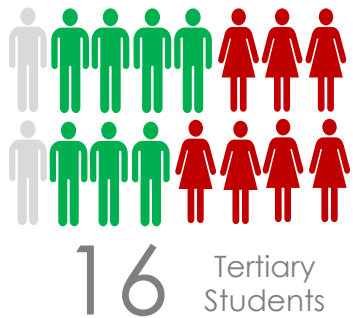
Obtain various sources of sustainable funding in order to fund various causes and develop local communities, schools, sportsgrounds etc.



BALWIN FOUNDATION



Bursary Programme



2 Scholars

The bursary programme is administered by the Balwin Foundation on behalf of Balwin Properties Ltd.

Our bursaries for tertiary students include full funding, mentorship, development, and practical work experience through the programme.



In the past year, the Balwin Foundation managed the first Balwin Properties Ltd Learnership programme in Construction and Business Administration. The Learnership concluded in February 2019 with a total of 16 previously disadvantaged learners, including eight unemployed and four disabled learners completing the programme.

The Balwin Foundation is currently running a Horticulture & Landscaping learnership on behalf of a large corporate sponsor, with a total of 70 learners concluding the programme in April 2019.

Learnership Programmes

86 Learners Managed on 4 Learnership programmes



Construction



Business Management



Supervision of Construction Processes



Gardening, Horticulture & New Venture Creation

16 Balwin Learners completed February 2019



Trade Skills Training



In 2018 the Balwin Foundation expanded its footprint by providing accredited trade training courses in KwaZulu-Natal. We trained previously disadvantaged individuals in Johannesburg and KZN in trades such as painting, plastering, bricklaying, as well as various construction management courses.

We will be conducting this training in Cape Town in 2019.



The Balwin Foundation implemented the "Off the Streets" pilot programme in 2018, sponsored by a corporate investor.

Through this programme we develop a few selected homeless previously disadvantaged participants, providing them with the necessary skills to become employable or potentially self-employed.





ANNEXURE

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	696	483	515	181	574	755
The Polofields	Commenced	Jun 2023	A	1 512	583	548	505	78	929	1 007
Munyaka	TBC	TBC	I	5 020	-	-	-	-	5 020	5 020
Total				7 802	1 279	1 031	1 020	259	6 523	6 782
Johannesburg East										
The Reid	Commenced	May 2022	A	1 294	237	-	190	47	1 057	1 104
Westlake	Commenced	Complete	C	820	820	820	820	-	-	-
Westlake 2	TBC	TBC	I	312	-	-	-	-	312	312
Total				2 426	1 057	820	1 010	47	1 369	1 416
Johannesburg North										
Amsterdam	Commenced	Aug 2019	A	1 040	720	705	706	14	320	334
The Whisken	Commenced	Jun 2022	A	1 490	422	-	338	84	1 068	1 152
Total				2 530	1 142	705	1 044	98	1 388	1 486
Johannesburg South										
Majella Park	TBC	TBC	I	280	-	-	-	-	280	280
Total				280	-	-	-	-	280	280
KwaZulu Natal										
Ballito Hills	Commenced	Jan 2024	A	1 320	398	-	61	337	922	1 259
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	398	-	61	337	3 886	4 223

(*) 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	Nov 2027	A	3 580	552	280	401	151	3 028	3 179
Total				3 580	552	280	401	151	3 028	3 179
Western Gape										
De Zicht	Commenced	Jul 2020	A	876	451	263	339	112	425	537
Paardevelei Lifestyle Estate	Commenced	Feb 2022	A	342	124	91	97	27	218	245
Paardevelei Square	Commenced	Complete	C	87	81	68	74	7	6	13
The Jade	Commenced	Sep 2019	A	432	336	245	247	89	96	185
The Sandown	Commenced	Complete	C	636	636	634	635	1	-	1
The Huntsman	Jun 2019	Oct 2023	I	1 044	-	-	-	-	1 044	1 044
Gordons Bay	TBC	TBC	I	1 272	-	-	-	-	1 272	1 272
Fynbos	TBC	TBC	I	1 116	-	-	-	-	1 116	1 116
Paarl	TBC	TBC	I	336	-	-	-	-	336	336
Total				6 141	1 628	1 301	1 392	236	4 513	4 749
Rentals										
Greenlee	May 2019	Aug 2023	I	1 728	-	-	-	-	1 728	1 728
Greenpark	Commenced	May 2022	A	1 200	240	144	144	96	960	1 056
Greencreek	June 2019	Jun 2025	I	1 760	-	-	-	-	1 760	1 760
Greenwood	July 2025	Jul 2031	I	1 760	-	-	-	-	1 760	1 760
Total				6 448	240	144	144	96	6 208	6 304
Grand Total				33 491	6 296	4 281	5 072	1 224	27 195	28 419

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

CONTACT DETAILS

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