

A nighttime photograph of a modern residential complex. The scene features a paved walkway in the foreground, lined with lush greenery and palm trees. In the background, multi-story apartment buildings with balconies are illuminated by warm interior and exterior lighting. The sky is dark, suggesting dusk or night.

Expect more
Experience more

**RESULTS
PRESENTATION**

For the 6 months ended 31 August 2020

AGENDA



OPERATIONAL OVERVIEW



OPERATING MODEL, GOVERNANCE & FINANCIAL OVERVIEW



LOOKING FORWARD



ANNEXURES



OPERATIONAL OVERVIEW

Steve Brookes
Chief Executive Officer

OPERATIONAL HIGHLIGHTS



Designation of **Mooikloof Mega City** and **Greencreek** as **Strategic Integrated Projects**



Successful launch of **online sales** platform




Healthy **sales of 2 466** apartments during six month period



Launch of **six new developments**



Expansion of **pipeline** in Tshwane East



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

OPERATIONAL REVIEW

- Results reflective of unprecedented and evolving market conditions brought about by coronavirus pandemic
- Construction activity adversely impacted for approximately 3 months
- Healthy sales recorded during six month period (2 466 apartments sold) with sales complimented by the launch of an online sales platform
- Continued strong demand for one- and two-bedroom apartments (74% of total sales)
- 1 667 apartments pre-sold for future financial years and thus not recorded in revenue



COVID 19 CONSIDERATION

OPERATIONAL RESPONSE TO COVID-19

- 🌿 **Managing the impact of COVID-19** to assess risks and opportunities to the business
- 🌿 Implemented measures to **manage risk to all staff** and personnel
- 🌿 Careful management of **supply chain**
- 🌿 **Contingency plans** formulated to deal with any operational disruptions
- 🌿 **Continued sales demand** during lockdown
- 🌿 Launch of **online sales platform**

FINANCIAL RESPONSE TO COVID-19

- 🌿 **Prioritisation of cash and liquidity**
 - Responsive to planned development programme
 - Leverage off developments with strong pre-sales
- 🌿 Implemented **cost saving measures** in developments
- 🌿 **Multiple cash flow forecast** scenarios stress tested

MONTHLY SALES



MONTHLY SALES SUMMARY (AUGUST 2019 - AUGUST 2020)



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



OPERATING MODEL, GOVERNANCE & FINANCIAL OVERVIEW

Jonathan Weltman
Chief Financial Officer

OPERATING MODEL

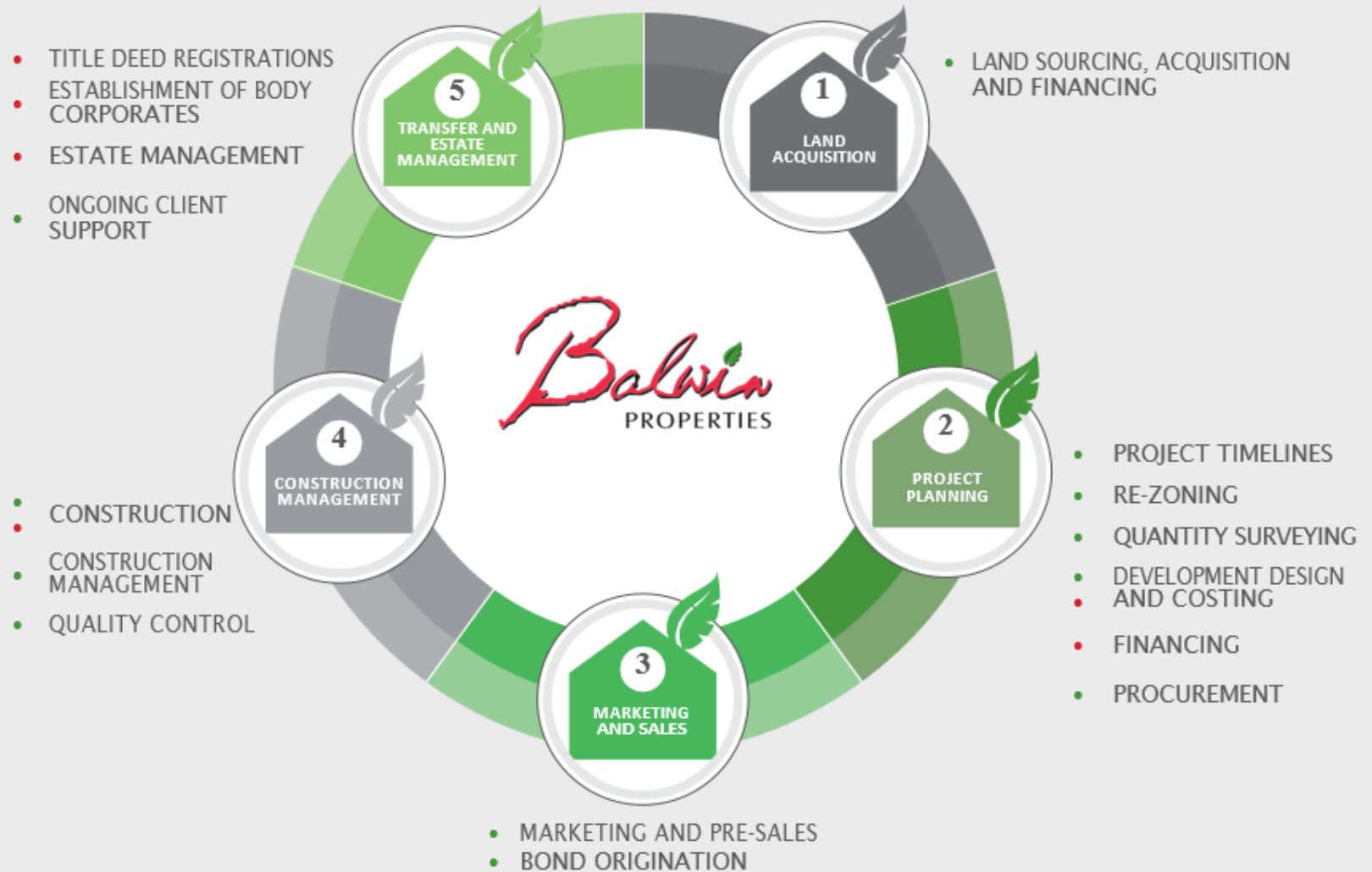
FINANCIAL AND OPERATIONAL SUCCESS DEPENDS ON CONTINUOUS DEVELOPMENT



- ✔ 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 10 year development **pipeline of 55 095 apartments**
- ✔ Execute on existing pipeline (in key target locations)
- ✔ Focus on **environmental management**

TURNKEY DEVELOPMENT MODEL

• IN-HOUSE • OUTSOURCED



GOVERNANCE PROCESS

DEVELOPMENT OPPORTUNITIES

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



FINANCIAL OVERVIEW



896

32%

Apartments handed over (H1FY20: 1 309) ▼



R427.7 mil

56%

Cash resources (H1FY20: R273.9 mil) ▲



R929.6 million

35%

Revenue ▼



R116.3 million

55%

EBITDA ▼



R81.2 million

56%

Profit for the period ▼



17.33 cents

56%

Basic & headline earnings per share ▼



648.61 cents

9%

Net asset value per share ▲



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



	Unaudited Six months ended 31 August 2020 R'000	Unaudited Six months ended 31 August 2019 R'000	Audited 12 months ended 29 February 2020 R'000
Revenue	929 578	1 419 353	2 914 453
Cost of sales	(701 826)	(1 071 202)	(2 124 703)
Gross profit	227 752	348 151	789 750
Other income	2 811	11 059	19 847
Operating expenses	(121 014)	(107 134)	(235 613)
Operating profit	109 549	252 076	573 984
Interest income	7 329	7 093	13 673
Finance costs	(4 062)	(2 613)	(12 643)
Share of profit of associate	75	-	322
Profit before taxation	112 891	256 556	575 336
Taxation	(31 653)	(71 188)	(163 976)
Profit for the period/year	81 238	185 368	411 360
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	-	(5)	36
Total comprehensive income for the period/year	81 238	185 363	411 396
Gross profit margin	25%	25%	27%
Total comprehensive income/revenue	9%	13%	14%
Effective tax rate	28%	28%	29%

APARTMENTS HANDED OVER H1FY2021

Johannesburg 443

The Reid	92
Amsterdam	88
Greenlee	86
Kikuyu	78
Greenpark	52
The Polofields	47

KwaZulu-Natal 72

Ballito Hills	72
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Tshwane 72

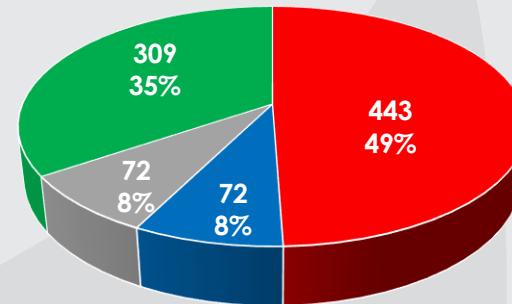
The Blyde Riverwalk	72
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Western Cape 309

De Zicht	133
Fynbos	99
The Huntsman	44
Paardevelei Lifestyle Estate	32
The Jade	1

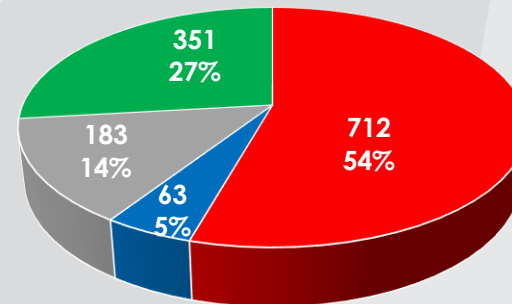
Total 896

Apartments handed over H1FY21 by region



■ Johannesburg
 ■ KwaZulu-Natal
 ■ Tshwane
 ■ Western Cape

Apartments handed over H1FY20 by region



■ Johannesburg
 ■ KwaZulu-Natal
 ■ Tshwane
 ■ Western Cape

FINANCIAL REVIEW

REVENUE

- Decreased by 35% - due to national lockdown of approximately 3 months, and delay in construction activities. 896 apartments handed over (H1FY20: 1 309)
- Slight reduction in average selling price per apartment as compared to prior interim period, continued focus on marketing campaigns to drive sales in challenging macro-economic conditions

GROSS PROFIT

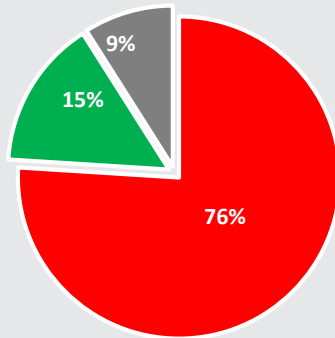
- Gross profit margin of 25% (H1FY20: 25%) – Signature Collection developments continue to negatively impact the margin
- GP margin excl. Signature Collection developments is 29%
- The contraction is as a result of:
 - Reduced profitability realised on Signature Collection developments
 - Increased marketing/incentive campaigns in response to continued depressed economic conditions

SOURCES OF REVENUE (MODEL/REGION)



Source of revenue by brand H1FY21

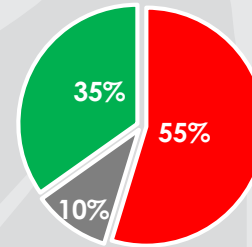
(based on apartments included in revenue)



■ Classic Collection ■ Green Collection ■ Signature Collection

Source of revenue by region H1FY21

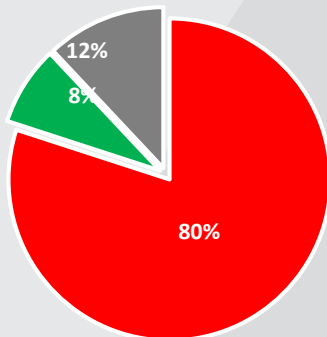
(based on revenue (R value))



■ Gauteng ■ KwaZulu-Natal ■ Western Cape

Source of revenue by brand H1FY20

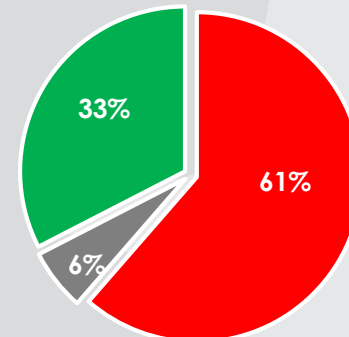
(based on apartments included in revenue)



■ Classic Collection ■ Green Collection ■ Signature Collection

Source of revenue by region H1FY20

(based on revenue (R value))

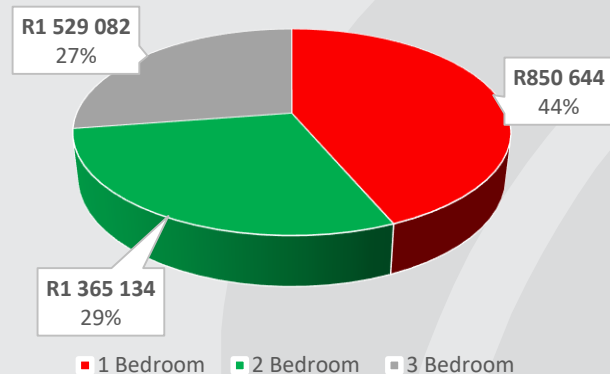


■ Gauteng ■ KwaZulu-Natal ■ Western Cape

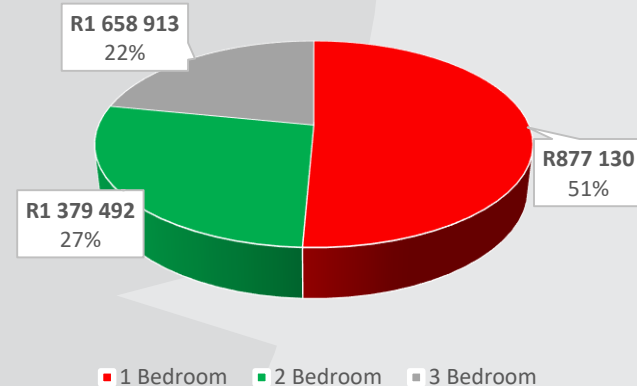
AVERAGE SELLING PRICE ANALYSIS (CLASSIC COLLECTION)

Classic collection						
31 August 2020			31 August 2019		29 February 2020	
Apartment type	Average price	Number apartments	Average price	Number apartments	Average price	Number apartments
1 Bedroom	R850 644	296	R877 130	517	R860 973	1 071
2 Bedroom	R1 365 134	197	R1 379 492	280	R1 376 112	607
3 Bedroom	R1 529 082	186	R1 658 913	223	R1 615 868	513
TOTAL		679		1 020		2 191

Revenue analysis (Classic Collection)
Year ending 31 August 2020



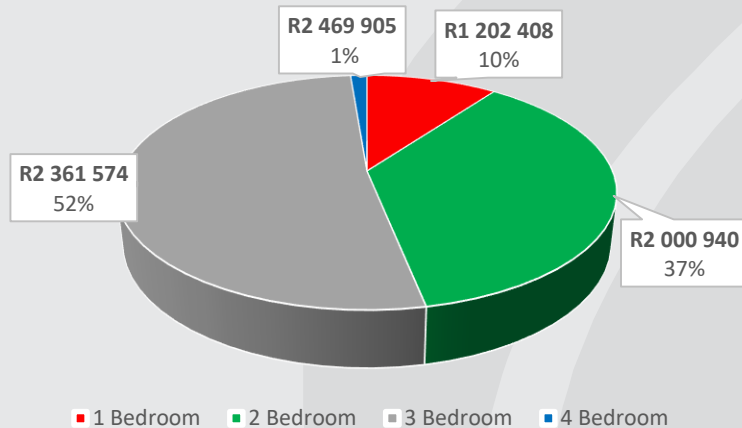
Revenue analysis (Classic Collection)
Year ending 31 August 2019



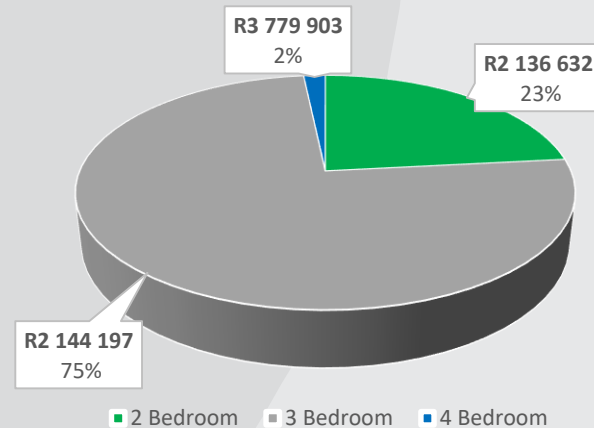
AVERAGE SELLING PRICE ANALYSIS (SIGNATURE COLLECTION)

Signature collection						
31 August 2020			31 August 2019		29 February 2020	
Apartment type	Average price	Number apartments	Average price	Number apartments	Average price	Number apartments
1 Bedroom	R1 202 408	8	-	-	-	-
2 Bedroom	R2 000 940	29	R2 136 632	42	R1 853 296	71
3 Bedroom	R2 361 574	41	R2 144 197	135	R2 163 929	159
4 Bedroom	R2 469 905	1	R3 779 903	3	R4 034 928	4
TOTAL		79		180		234

Revenue analysis (Signature Collection)
Year ending 31 August 2020



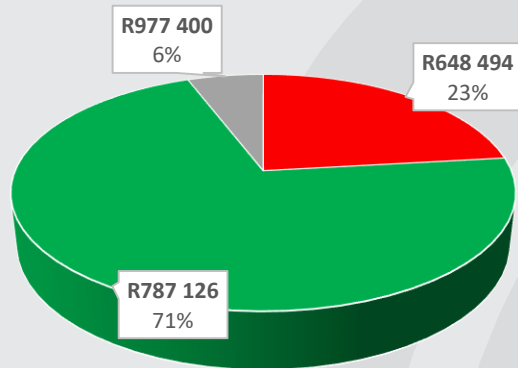
Revenue analysis (Signature Collection)
Year ending 31 August 2019



AVERAGE SELLING PRICE ANALYSIS (GREEN COLLECTION)

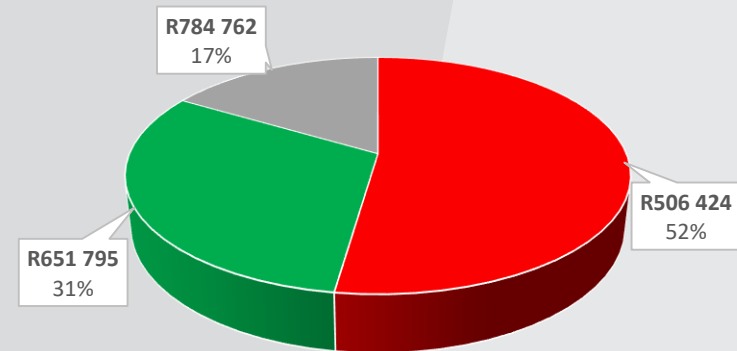
Green collection						
31 August 2020			31 August 2019		29 February 2020	
Apartment type	Average price	Number apartments	Average price	Number apartments	Average price	Number apartments
1 Bedroom	R648 494	32	R506 424	57	R538 170	107
2 Bedroom	R787 126	98	R651 795	34	R720 744	158
3 Bedroom	R977 400	8	R784 762	18	R819 001	25
TOTAL		138		109		290
Total Apartments		896		1 309		2 715

Revenue analysis (Green Collection)
Year ending 31 August 2020



■ 1 Bedroom ■ 2 Bedroom ■ 3 Bedroom

Revenue analysis (Green Collection)
Year ending 31 August 2019



■ 1 Bedroom ■ 2 Bedroom ■ 3 Bedroom

FINANCIAL REVIEW

OPERATING EXPENSES

- 🌱 Operating costs increased by R13.9 million from the prior corresponding period mainly due to improved activity in Balwin Fibre
- 🌱 Cost management remains a key focus area for management

EARNINGS PER SHARE

- 🌱 56% decrease from prior corresponding period to 17.33 cents (H1FY20: 39.50 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
- 🌱 Continued focus on funding of infrastructure costs
- 🌱 Long-term debt to equity ratio at 25% (H1FY20: 23%)

SUMMARISED STATEMENT OF FINANCIAL POSITION



	Unaudited As at 31 August 2020 R'000	Unaudited As at 31 August 2019 R'000	Audited As at 29 February 2020 R'000
Non-current assets	108 683	102 534	100 026
Current assets	4 689 024	3 979 825	4 507 714
Developments under construction	3 487 816	3 221 589	3 369 972
Cash and cash equivalents	427 726	273 916	476 532
Other current assets	773 482	484 320	661 210
Total assets	4 797 707	4 082 359	4 607 740
Shareholders' equity	3 036 980	2 774 371	2 951 640
Non-controlling interest	(170)	-	(250)
Non-current liabilities	153 357	257 369	252 639
Other non-current liabilities (#)	133 808	67 163	102 805
Current liabilities	1 473 732	983 456	1 300 906
Development loans and facilities	1 320 986	846 229	1 167 057
Other current liabilities	152 746	137 227	133 849
Total equity and liabilities	4 797 707	4 082 359	4 607 740

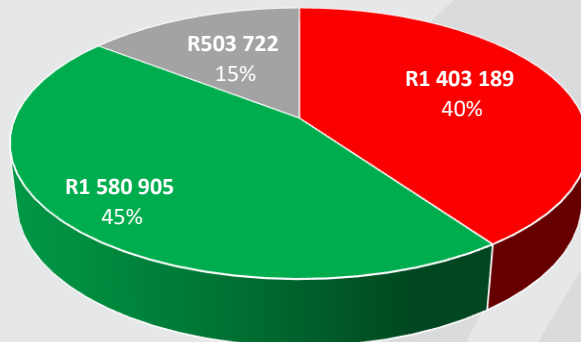
Other non-current liabilities relates to deferred tax and the long-term portion of the lease liability

DEVELOPMENTS UNDER CONSTRUCTION (LAND VS TOP STRUCTURES)

	31 August 2020 R'000	31 August 2019 R'000	29 February 2020 R'000
Construction costs	R1 403 189	R1 285 613	R1 307 511
Land and land contribution costs	R1 580 905	R1 408 694	R1 560 221
Development rights	R503 722	R527 282	R502 240
TOTAL	R3 487 816	R3 221 589	R3 369 972

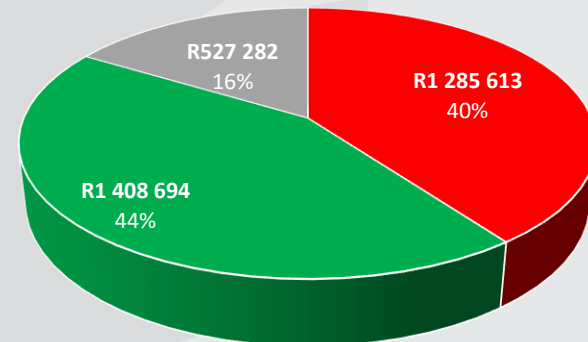
Developments under construction overview

31 August 2020



Developments under construction overview

31 August 2019



■ Construction costs
 ■ Land and land contribution costs
 ■ Development rights
 ■ Construction costs
 ■ Land and land contribution costs
 ■ Development rights

SUMMARISED STATEMENT OF CASH FLOWS



	Unaudited As at 31 August 2020 R'000	Unaudited As at 31 August 2019 R'000	Audited As at 29 February 2020 R'000
<u>Cash flows from operating activities</u>			
Cash generated used in operations	(39 262)	543 440	581 724
Interest received	7 329	7 093	12 680
Finance costs	(25 671)	(60 575)	(95 258)
Taxation paid	(30 521)	(43 180)	(104 514)
Net cash used in operating activities	(88 125)	446 778	394 632
Net cash (used in)/generated from investing activities	(15 328)	(13 646)	(19 735)
Net cash generated from/(used in) financing activities	54 647	(488 598)	(227 747)
Total cash and cash equivalents movement for the period	(48 806)	(55 466)	147 150
Cash and cash equivalents at the beginning of the year	476 532	329 382	329 382
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	427 726	273 916	476 532

FUNDING STRUCTURE



	Unaudited As at 31 August 2020 R'000	Unaudited As at 31 August 2019 R'000	Audited As at 29 February 2020 R'000
Total liabilities	1 760 897	1 307 988	1 656 350
Non-current liabilities	153 357	257 369	252 639
Other non-current liabilities (#)	133 808	67 163	102 805
Current liabilities (*)	1 473 732	983 456	1 300 906
 Equity	 3 036 980	 2 774 371	 2 951 640
 All land and infrastructure debt to equity ratio	 25%	 23%	 27%
Debt to equity ratio	5%	9%	9%

Other non-current liabilities relates to deferred tax and the long-term portion of the lease liability

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



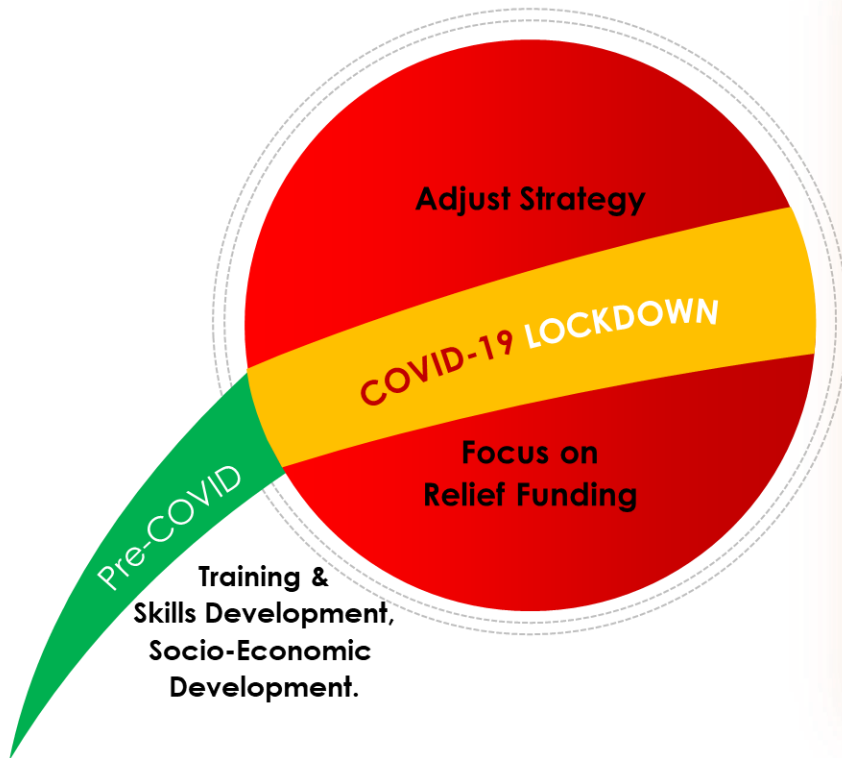
LOOKING FORWARD

Steve Brookes
Chief Executive Officer

THE FUTURE

- 🌱 Roll out of the **Strategic Integrated Projects**
- 🌱 Emphasis on **cash preservation and prudent capital allocation**
- 🌱 Focus on the opportunities and **growth of the Green Collection model**
- 🌱 Continued emphasis on responsible **environmental management**
- 🌱 Careful management and response to **COVID-19 uncertainty**
- 🌱 Commitment to unique lifestyle offering and the opportunity to expand on relationship with **Crystal Lagoons** to bring the beach life to clients

COVID-19 Strategy March to August 2020:



NPOs

To **allocate funds to Organisations** helping their local community members, including:

- Ward Councillors
- Community and Tribal leaders
- Community Organisations
- Non Profit & Religious Organisations

SMEs

To **support community based SMEs** through purchase of supplies such as:

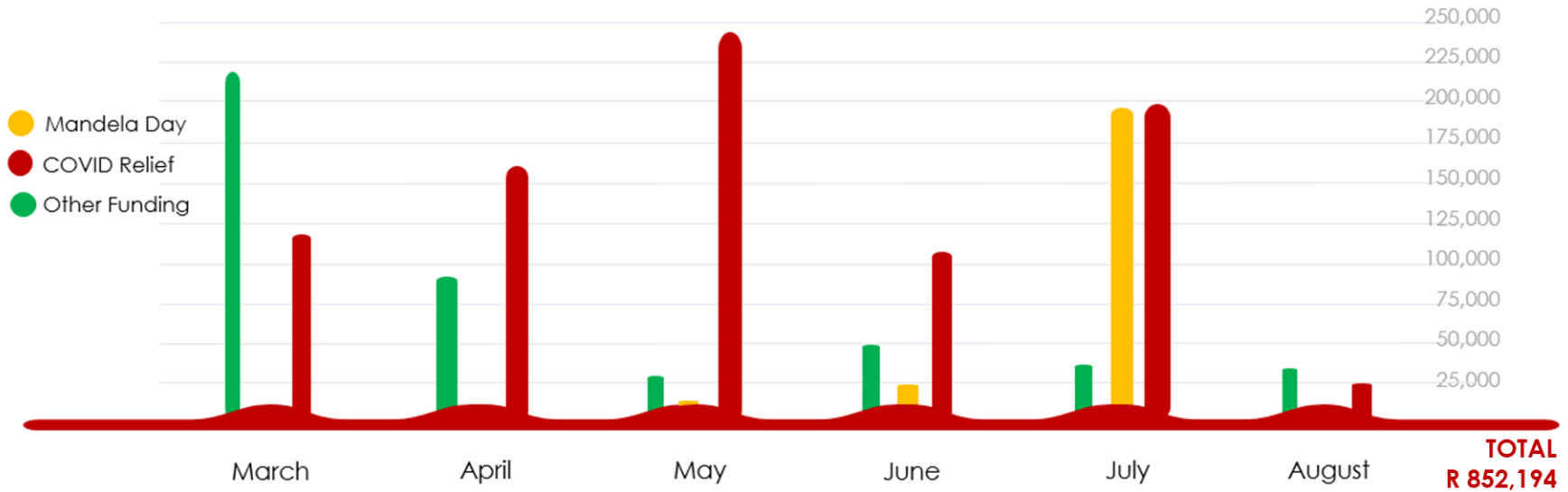
- Food & Vegetable Parcels
- Blankets
- Masks
- Cleaning Materials

Individuals

To **provide relief to individuals** in the form of:

- Pick & Pay Digital Food Vouchers
- Food and Vegetable Hampers
- Masks and Sanitary Supplies
- Textbooks

COVID-19 Funding March to August 2020:



Beneficiaries:

Small Biz



41

Non-Profits



80

Individuals



17 396

Food



5 895

Masks



1 730

Goods Donated:

Sanitizers



205

Blankets



591

Textbooks



101



ANNEXURES

DEVELOPMENT PIPELINE AS AT 31 AUGUST 2020



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
Johannesburg Waterfall										
Kikuyu	Commenced	Aug 2021	A	1 270	1 001	938	960	41	269	310
The Polofields	Commenced	Oct 2024	A	1 512	730	651	702	28	782	810
Munyaka	Commenced	May 2028	A	5 106	623	–	–	623	4 483	5 106
Total				7 888	2 354	1 589	1 662	692	5 534	6 226
Johannesburg East										
The Reid	Commenced	May 2022	A	1 294	573	528	545	28	721	749
Greenlee	Commenced	Oct 2024	A	1 906	300	–	167	133	1 606	1 739
Greenpark	Commenced	Aug 2024	A	1 324	442	386	405	37	882	919
Westlake 2	TBC	TBC	I	324	–	–	–	–	324	324
Total				4 848	1 315	914	1 117	198	3 533	3 731
Johannesburg North										
Amsterdam	Commenced	Complete	C	1 040	1 038	992	1 021	17	2	19
The Whisken	Commenced	Jun 2025	A	1 490	422	422	422	–	1 068	1 068
Total				2 530	1 460	1 414	1 443	17	1 070	1 087
Johannesburg South										
Majella Park	TBC	TBC	I	280	–	–	–	–	280	280
Total				280	–	–	–	–	280	280
KwaZulu-Natal										
Ballito Hills	Commenced	Feb 2024	A	1 320	477	304	331	146	843	989
Izinga	Commenced	Nov 2028	A	3 000	104	–	–	104	2 896	3 000
Ballito Creek	TBC	TBC	I	2 985	–	–	–	–	2 985	2 985
Greenlake	TBC	TBC	I	5 076	–	–	–	–	5 076	5 076
Total				12 381	581	304	331	250	11 800	12 050

DEVELOPMENT PIPELINE AS AT 31 AUGUST 2020



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	3 489	883	766	833	50	2 606	2 656
Greencreek	Commenced	Jun 2024	A	3 762	–	–	–	–	3 762	3 762
Mooikloof Eco Estate [#]	Nov 2020	Nov 2030	I	4 468	–	–	–	–	4 468	4 468
Mooikloof Mega City [#]	TBC	TBC	I	16 052	–	–	–	–	16 052	16 052
Total				27 771	883	766	833	50	26 888	26 938
Western Cape										
De Zicht	Commenced	Oct 2020	A	876	871	739	808	63	5	68
Paardevelei Lifestyle Estate	Commenced	Nov 2021	A	388	223	185	200	23	165	188
The Jade	Commenced	Complete	C	432	432	432	432	–	–	–
The Huntsman	Commenced	Feb 2024	A	1 044	183	120	158	25	861	886
Fynbos	Commenced	Feb 2024	A	1 116	248	106	154	94	868	962
Greenbay	Commenced	Aug 2026	A	1 824	54	–	–	54	1 770	1 824
Zevenwacht	TBC	TBC	I	854	–	–	–	–	854	854
Total				6 534	2 011	1 582	1 752	259	4 523	4 782
Grand total				62 232	8 604	6 569	7 138	1 466	53 628	55 094

* A – active; I – inactive; C – complete

[#] The Balwin pipeline comprises all current and future developments on land contracted by the Group. Certain parcels of contracted land remain subject to the fulfillment of conditions precedent.

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 **1 000** and **2 000** 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 **KwaZulu-Natal**
- Approximate 8 year development pipeline of **55 094** 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

CLASSIC COLLECTION BRAND

- ✔ 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 COLLECTION BRAND

- ✔ Model targets a lower LSM market than the Classic Collection
- ✔ Offers flexibility to determine preferential sales strategy (sell to market or sell to individual investor) to maximise returns
- ✔ Developed on a phase-by-phase approach
- ✔ Distinctive architecture that is different to the Classic Collection but synonymous with Balwin quality
- ✔ Residents have access to lifestyle features associated with Balwin brand



BUSINESS MODEL

SIGNATURE COLLECTION BRAND

- 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 23 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

Stephen Brookes

Chief Executive Officer

Tel: +27 11 450 2818



Jonathan Weltman

Chief Financial Officer

Tel: +27 11 450 2818

