

Your lifestyle
Our focus

JSE SMALL-CAP
WEBINAR

25 August 2021



OUR WHY

- For the past **25 years** we have been building **a brand synonymous with quality and innovation** in the large-scale development of **sectional title apartments** in South Africa
 - KwaZulu-Natal
 - Gauteng
 - Western Cape
- Everything we do is aimed at **providing our customers and their families with a better lifestyle**, balanced with generating **sustainable, above-average returns** for our investors
- Our business is founded on **environmentally responsible building practices** and the **delivery of high-quality apartments** to our valued clients while ensuring best of breed ESG compliance
- We value our **long-term relationships with our clients, suppliers, contractors, debt funders and investors**
- Our apartments are designed to be **inclusive**, appealing to a **wide range of home buyers**, including first-time, move-up, active adult, young professional, young family, older family, retirees as well as buy-to-let

HOW WE DO IT

- ✔ We focus **on high quality, affordable apartments** with an **innovative and all-inclusive lifestyle offering** for clients
- ✔ Our **development pipeline** comprises a **15-year horizon of 62 288 apartments** across **28 developments**
- ✔ Currently we are **developing 2 000 to 3 500 apartments per year** with a **total capacity** of approximately **5 000 apartments** per year
- ✔ Our business model is based on **selling approximately 25 apartments per development per month**, targeting an average **profit margin of c.35% over the lifecycle** of each project
- ✔ Estates typically consist of **between 1 000 and 2 000 apartments**
- ✔ We focus strictly on **high-density, high-growth nodes across key metropolitan areas** in Johannesburg, Tshwane, Western Cape and KwaZulu-Natal

OUR BUSINESS MODEL



- 🌿 One-, two-, and three-bedroom, four storey walk-up apartments
- 🌿 Developed on a phase-by-phase basis
- 🌿 Benefits from economies of scale, in-house construction and management
- 🌿 Dynamic product allows for block configuration change to respond to market demand
- 🌿 Exclusive lifestyle offering to clients as an all inclusive, value-added service

GREEN COLLECTION BRAND

- 🌿 Model targets a lower LSM market than the Classic Collection
- 🌿 Apartments priced from R499 900 to R999 900 providing access to a growing customer base
- 🌿 Distinctive architecture that is different to the Classic Collection but synonymous with Balwin quality

CLASSIC COLLECTION BRAND

- 🌿 Prices range from R699 900 to R1 999 900 focusing on the middle income population
- 🌿 Comprises the bulk of Balwin's developments

SIGNATURE COLLECTION BRAND

- 🌿 Two 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

OUR 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
- ✔ Complementary to Balwin's business model and enhance the lifestyle offering to clients
- ✔ Limited additional construction costs necessitated to generate annuity returns



WHY WE DO IT BETTER



- 🌱 We strongly **focus** on **cost control**, **cash preservation** and **environmental management**.
- 🌱 **Proven business model** with **successful track record** managed by senior executives with collectively **100 years' experience**, **aligned with shareholders**
- 🌱 Our **continuous development model**, drives **efficiencies** through a **turnkey approach** and we **buy local**. This has led to numerous industry firsts, driving and sustaining demand for our brand:
 - 🌱 The introduction of **6-star Green Star rated lifestyle centres** and **20 269 IFC EDGE Advanced certified homes**
 - 🌱 The first company to launch **Balwin green bond home loans**
 - 🌱 The introduction of the first **Crystal Lagoons** in Tshwane, with a second being developed in Jhb
- 🌱 **All developments are architecturally designed with best-in-class interiors**
- 🌱 **Economies of scale** keep levies affordable
- 🌱 **Access to amenities & facilities** are at a **fraction of the cost**, e.g. appliances, concierge, Training Science gym, pools, spa, cinema, playschool, restaurants & meeting facilities
- 🌱 **We are introducing Montessori schools** at the Kikuyu (open), The Polofields, Fynbos and The Huntsman developments
- 🌱 We have the ability and know-how to leverage **perpetual income streams** such as Balwin Fibre
- 🌱 We believe in **supporting skills development** and **sector sustainability** through the **Balwin Foundation**

FINANCIAL PERFORMANCE

RESULTS FOR THE YEAR ENDED 28 FEB 2021

- ✔ Strong demand notwithstanding construction activity adversely **impacted** for approximately **three months** (25% of year)
- ✔ Healthy sales recorded with sales complemented by the launch of an online sales platform
- ✔ **Continued strong demand** for one- and two-bedroom apartments (**77% of total sales**)
- ✔ **Revenue** of R2.7 billion (pre-Covid, FY20: R2.9 billion)
- ✔ **EBITDA** of R477 million (pre-Covid, FY20: R586 million)
- ✔ **Profit for the year** of R336 million (pre-Covid, FY20: R411 million)
- ✔ Long-term **debt to equity ratio** at 29% (FY21: 27%)
- ✔ **Pre-close update** on the six months ended 31 August 2021 to be published at month-end

INVESTMENT CASE

- ✔ Balwin has the ability to deliver **a high gross margin** for a listed residential property developer due to in-house construction management, in-house sales and strong budget controls
- ✔ We have a **long-term development pipeline** in key strategic locations
- ✔ The sector has **high barriers to entry**. Our low levies and efficiencies are obtained through economies of scale
- ✔ We mitigate risk through **phased developments** where the rate of construction is matched to the rate of sales
- ✔ We have a **proven and flexible business model** for large-scale developments
- ✔ Balwin has **strong management** with more than **100 years' collective experience**, management are the founding directors and significant shareholders, **aligned to the interests of other shareholders**
- ✔ We value and develop **long-term relationship with suppliers and sub-contractors nationally** which results in cost savings and high quality homes
- ✔ We have a **proven ability and brand-strength to sell through the cycle**, notwithstanding the pandemic
- ✔ We are well positioned to **address the undersupply of quality, affordable housing** in the **middle income market**

THE FUTURE

- 🌱 We will continue to focus on **cash management, capital allocation** and **debt management**
- 🌱 Our **distribution policy** of 30% of profits will be **maintained** (Covid-19 dependent)
- 🌱 **Focus on core development model** within Classic, Signature and Green Collection brands
- 🌱 **Constant improvement** of construction **quality**, customer **experience** and **affordability**
- 🌱 Increased roll out of the Green development brand, including the Strategic Integrated Projects
- 🌱 Factors that will continue to drive performance include:
 - 🌱 The strength and resilience of the Balwin brand
 - 🌱 The sustained demand for Balwin's product which has been confirmed even during the pandemic
 - 🌱 Growth in online sales as demonstrated during the hard economic lockdowns
 - 🌱 Strong pre-sales and long-term development pipeline
 - 🌱 Ongoing low interest rates
- 🌱 Ongoing **focus on** development of **existing development pipeline**
- 🌱 **Optimization of funding resources** that will lead to **lower cost of capital**

CONTACT DETAILS

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QUESTIONS