



RESULTS PRESENTATION

for the year ended 28 February 2017



AGENDA



INTRODUCTION



HIGHLIGHTS



OPERATIONAL OVERVIEW



FINANCIAL OVERVIEW



LOOKING FORWARD



ANNEXURE

INTRODUCTION



- Founded in 1996
- Listed on the JSE in 2015
- Secured development pipeline of 33,786 apartments
- Build to sell model
 - Success built on selling 20 - 25 apartments per location, per month in diverse locations
- Pre-dominantly develop in Gauteng, Western Cape and KwaZulu-Natal
- Mid-market 1,2 and 3 bedroom sectional title apartments
- Typical pricing from R699,900-R1,799,900

FINANCIAL HIGHLIGHTS

R2.7 bn **30%** ▲

Revenue

R661 m **18%** ▲

Profit after tax

141c **7%** ▲

Earnings per share

140c **7%** ▲

Headline earnings per share

42c **18%** ▲

Total dividend



OPERATIONAL HIGHLIGHTS



2 711 apartments handed over, 2 234 registered (2016: 2087 registered/handed over)



13 developments under construction



6 developments launched during the financial year



Average selling price R995 000

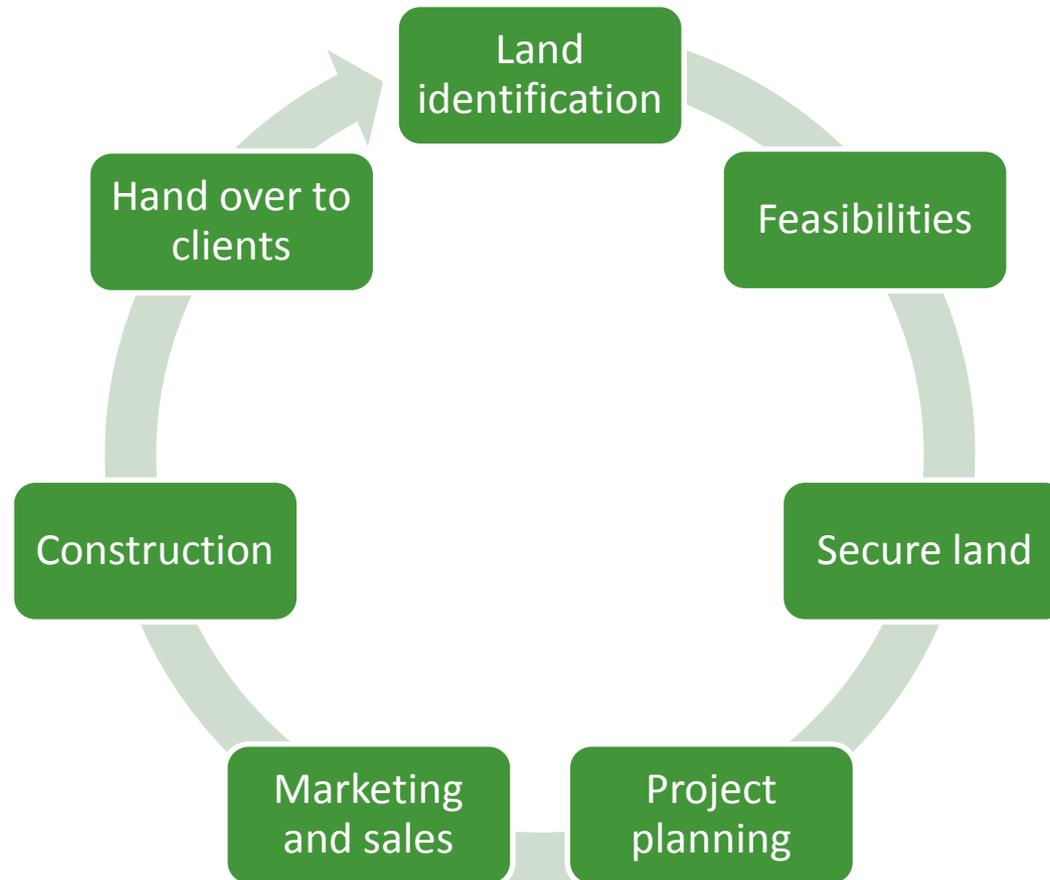


5 developments sold out: Grove Lane (PTA East), Greenstone Crest and Greenstone Ridge (JHB East), De Velde (Somerset West), Stanley Park (JHB South)



Acquired Waterfall development rights and two land parcels in the Western Cape

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

OPERATING MODEL



FINANCIAL AND OPERATIONAL SUCCESS DEPENDS ON CONTINUOUS DEVELOPMENT

- Selling **20-25 apartments** per location per month;
- In diverse locations;
- Targeting an average profit **margin of 35% - 40%** over the lifecycle of each project
- Maintaining costs and ;
- Execute on land acquisition strategy (in key target locations).

KEY ASPECTS OF BALWIN'S BUSINESS MODEL:

- Keeping 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 selling points are lifestyle, quality and brand;
- Continuous focus on keeping up with international standards and best practice in the design and marketing of Balwin developments ;
- **Target areas are JHB North, JHB South, JHB East, Pretoria, Western Cape and Kwa Zulu Natal.**



MARKET DEMAND FOR THE BALWIN PRODUCT



Tough conditions in residential property market

- Cumulative effect of higher taxes, depressed consumer and business confidence; rising unemployment

But a large, untapped market still exists:

- **Increased urbanisation**
- Underestimated cost of stand-alone home maintenance and security
- Government's drive to integrate high-density societies
- **Need for safety and convenience including lifestyle facilities**
- Traditional means of wealth preservation
- Over the last 20 years, apartments and townhouses has made up 27% of newly completed buildings in SA
 - Only 12% of SA registered property comprises sectional title units, another 5.3% being estate developments

MARKET DEMAND FOR THE BALWIN PRODUCT



- Strong demand sustained during the reporting period
- Some evidence of lower bond approval rates on average but no impact on sales volumes
- Buyers opt to **“buy down”**
- Strong demand for especially one and two-bedroomed units maintained
- Flexible block configuration depending on local market conditions **(more one and two-bedroom units per block)**

APARTMENTS HANDED OVER IN FY17

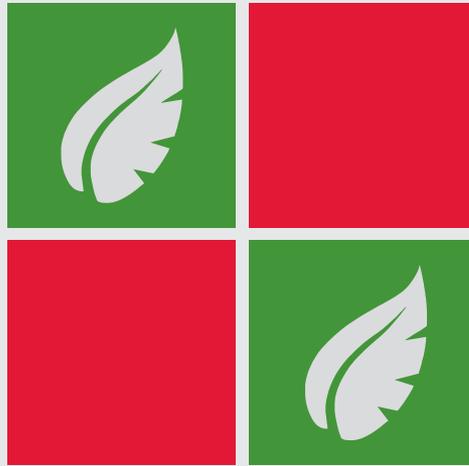
Johannesburg North	Total: 683
Cambridge	320
Amsterdam	342
The William	21
Johannesburg East	Total: 876
Greenstone Crest	341
Greenstone Ridge	36
Malakite	193
Westlake	306
Johannesburg South	Total: 556
Balboa Park	186
Stanley Park	370
Pretoria East	Total: 135
Grove Lane	135
Western Cape	Total: 461
De Velde	296
The Sandown	165
GRAND TOTAL	2711

WATERFALL

- Kikuyu, the first development in Waterfall Fields had launched for sales
- Sales in excess of **200 apartments** had been achieved at **Kikuyu**
- Sales in excess of **300 apartments** had been achieved at **The Polo Fields**
- Building permits had been received for both the Polo Fields and Kikuyu, therefore construction had commenced
- The first phase of the Polo Fields to be handed over within H1 FY18
- R170 m up-front payments per the development rights agreement had been paid
- Proclamation for The Polo Fields expected to be received in June 2017
- The first phase of Kikuyu is expected to be handed over within the FY18 financial year
- New **“PwC”** and **“Deloitte”** head offices to be located in Waterfall

THE POLO FIELDS





FINANCIAL REVIEW

Jonathan Weltman (CFO)



REVENUE RECOGNITION

- New estimate of revenue recognition timing:
 - Revenue to be recognised at the earlier of registration in the deeds office and occupation
 - Provided that guarantees are placed for the full purchase price
 - Risk and rewards transfer on occupation date

All 277 apartments (Malakite, Grove Lane and Amsterdam) which had been delayed for registration at the interim results had registered at the deeds office and all the cash had been received.

- 2711 apartments were handed over in FY17 and 2234 were registered
 - Over 400 of the handed over but unregistered apartments have been registered

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME



R'000	GROUP	
	12 months ended 28 February 2017	12 months ended 29 February 2016
Revenue	2 702 152 763	2 083 512 353
Cost of sales	(1 691 128 627)	(1 188 400 247)
Gross profit	1 011 024 136	895 112 106
Other income	22 459 378	13 095 888
Operating expenses	(130 145 268)	(140 614 970)
Operating profit	903 338 246	767 593 024
Net finance income	13 845 863	10 545 941
Profit before tax	917 184 109	778 138 965
Tax	(256 443 533)	(219 572 328)
Profit for the year	660 740 576	558 566 637
Other comprehensive income	-396 845	603 237
Total comprehensive income	660 343 731	559 169 874
Key ratios:		
Gross profit/revenue	37%	43%
Total comprehensive income/revenue	24%	28%
Dividend pay-out ratio	30%	30%
Effective tax rate	28%	28%

SUMMARISED STATEMENT OF FINANCIAL POSITION

R'000	GROUP	
	28 February 2017	29 February 2016
Non-current assets	48 042	46 485
Current assets	3 222 631	1 845 396
Developments under construction (land, building cost, capitalised interest, etc.)	2 011 324	1 342 793
Cash and cash equivalents	546 969	462 288
Other current assets	664 338	40 315
Total assets	3 270 673	1 891 880
Shareholders' equity	2 013 509	1 502 191
Non-current liabilities	610 677	80 957
Current liabilities	646 487	308 732
Development finance	490 203	161 242
Other current liabilities	156 284	147 490
Total equity and liabilities	3 270 673	1 891 880

SUMMARISED STATEMENT OF CASH FLOWS



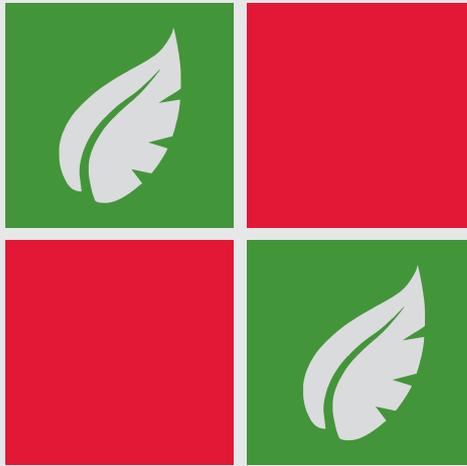
R'000	GROUP	
	12 months ended 28 February 2017	12 months ended 29 February 2016
Cash generated from/(used in) operating activities	(593 487)	81 238
Cash generated from/(used in) operations	(316 600)	267 997
Interest Income	15 221	10 797
Tax paid	(290 733)	(197 305)
Finance costs	(1 375)	(251)
Cash generated from/(used in) investing activities	(31 488)	14 239
Cash generated from/(used in) financing activities	709 656	236 884
Total cash movement for the year	84 680	332 360
Cash at the beginning of the year	462 288	129 928
Total cash at the end of the year	546 969	462 288

FUNDING STRUCTURE



R'000	12 months ended 28 February 2017
Total liabilities	1 257 164
Non-current liabilities	610 677
Current liabilities*	646 487
Equity	2 013 509
Debt to equity ratio	30%
Average cost of borrowing	10.5%

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



LOOKING FORWARD

Steve Brookes (CEO)



LOOKING FORWARD

Developments	Launch Date	Pre-sales
<p data-bbox="92 339 272 382">The Jade</p> 	<p data-bbox="765 339 1002 382">March 2017</p>	<p data-bbox="1190 339 1267 382">>50</p>
<p data-bbox="92 699 349 742">The Whisken</p> 	<p data-bbox="765 699 1002 742">March 2017</p>	<p data-bbox="1190 699 1292 742">>130</p>
<p data-bbox="92 1048 227 1090">Kikuyu</p> 	<p data-bbox="765 1048 1002 1090">March 2017</p>	<p data-bbox="1190 1048 1292 1090">>200</p>

LOOKING FORWARD



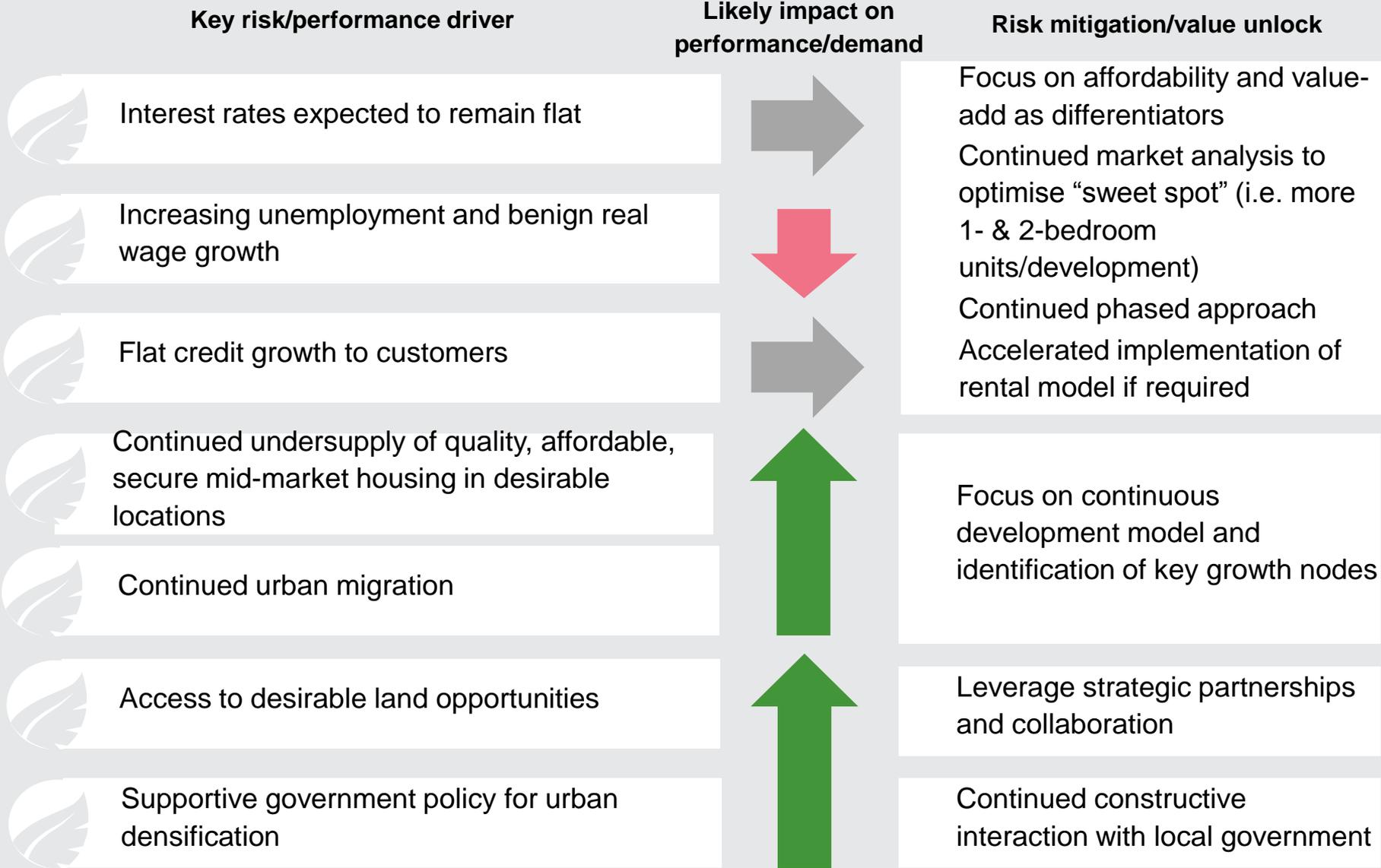
- **1283 apartments pre-sold for FY18**
- First Crystal Lagoon in sub-Saharan Africa at “The Blyde” is expected to be completed in **Dec 2017**.
- Land purchased for the **Ballito Hills** development in KZN for R160m. First phase expected to be handed over within the 2018 financial year. Competition commission approval has been obtained for the acquisition.
- Acquired new **regional office in Umhlanga Ridge KZN** which earmarks the commencement of operations into the new region.
- Land purchased for the Green Park development.
- **Green Park** will be the first **Balwin rental** development. Further details to be provided in due course. The build to sell model will remain the primary business of Balwin.

CRYSTAL LAGOONS



PERFORMANCE DRIVERS AND RISK MITIGATORS

FY 2017



ATTRACTIVE AND SOLID INVESTMENT PROPOSITION



Strong, nationally recognised brand



Significant economies of scale, driving gross profit margins



Extensive development pipeline in desirable locations



Experienced management capable of reading the residential property market



Robust, proven strategy



Significant barriers to entry



Carefully considered project phasing provides adequate risk mitigation and operational flexibility



Attractive dividend yield



CONTACT US

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ANNEXURE



SECURED DEVELOPMENT PIPELINE

	Expected commencement date	Expected date of completion	Total units in development	Registered to date	Sold but not registered	Total remaining units to be sold	Total remaining units to be registered
Johannesburg North							
Cambridge	Commenced	17-May	440	384	32	24	56
The Whiskin	17-Jan	19-Apr	1350	0	139	1211	1350
Amsterdam	Commenced	18-Dec	1040	345	88	607	695
TOTAL			2830	729	259	1842	2101
Johannesburg East							
Greenstone Crest	Completed	17-Mar	620	613	7	0	7
Greenstone Ridge	Completed	16-Mar	986	986	0	0	0
Malakite	Commenced	17-Jun	290	208	35	47	82
The Clulee	17-Jan	20-Dec	1600	0	0	1600	1600
The Reid	17-Jan	20-Dec	1400	0	0	1400	1400
Westlake	Commenced	18-Mar	1010	382	98	530	628
TOTAL			5906	2189	140	3577	3717
Johannesburg South							
Balboa Park	Commenced	17-Jun	410	302	36	72	108
Majella Park	19-Jun	21-Jun	420	0	0	420	420
Stanley Park	Completed	17-Mar	480	480	0	0	0
TOTAL			1310	782	36	492	528
Pretoria							
River Walk	17-Jan	27-Dec	6200	0	103	6097	6200
Grove Lane	Completed	16-Jul	136	136	0	0	0
TOTAL			6336	136	103	6097	6200
Western Cape							
De Velde	Completed	16-Dec	1210	1192	18	0	18
Paardevlei Retirement	Commenced	19-Dec	307	0	18	289	307
Paardevlei Square	Commenced	17-Mar	87	0	38	49	87
The Jade	Commenced	20-Jan	360	0	39	321	360
The Sandown	Commenced	18-Mar	636	168	216	252	468
Paarl	18-Mar	20-Mar	1200	0	0	1200	1200
De Zicht	18-Mar	20-Mar	800	0	0	800	800
TOTAL			4600	1360	329	2911	3240
Waterfall							
Polo Fields	Commenced	TBA	1 500	0	305	1195	1500
Waterfall Fields	Commenced	TBA	6 500	0	205	6295	6500
Waterfall Ridge	TBA	TBA	7 500	0	0	7500	7500
TOTAL			15 500	0	510	14 990	15 500
Kwa Zulu Natal							
Balitto Hills	17-Jun	TBA	2 500	0	0	2 500	2 500
TOTAL			2 500	0	0	2 500	2 500
GRAND TOTAL			38 982	5 196	1 377	32 409	33 786