



CALGRO M3
Group

Results Presentation

Interim unaudited results for the six months ended 31 August 2016

www.calgrom3.com

Building legacies. Changing lives

Agenda

- Introduction and highlights
- Business model
- Financial review
- Operational review and prospects
- Challenges and risks

Introduction and highlights

1



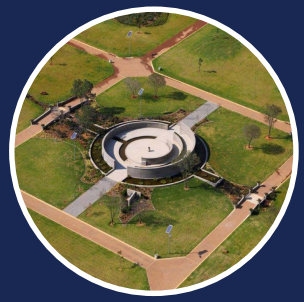
Calgro M3



Integrated Developments



Professional Services



Memorial Parks

Property development

Through a cost effective turnkey solution

**** A Real Estate Investment Trust (REIT) is a new initiative, results of which are not included in this set of results, however this will be a segment going forward***

Results highlights

Revenue

25.7% to
R720.2 million

EBIT

11.4% to
R119.6 million

HEPS

1.7% to
65.13 cps

Cash
(generated from operations)

195% to
R94.2 million

Combined revenue

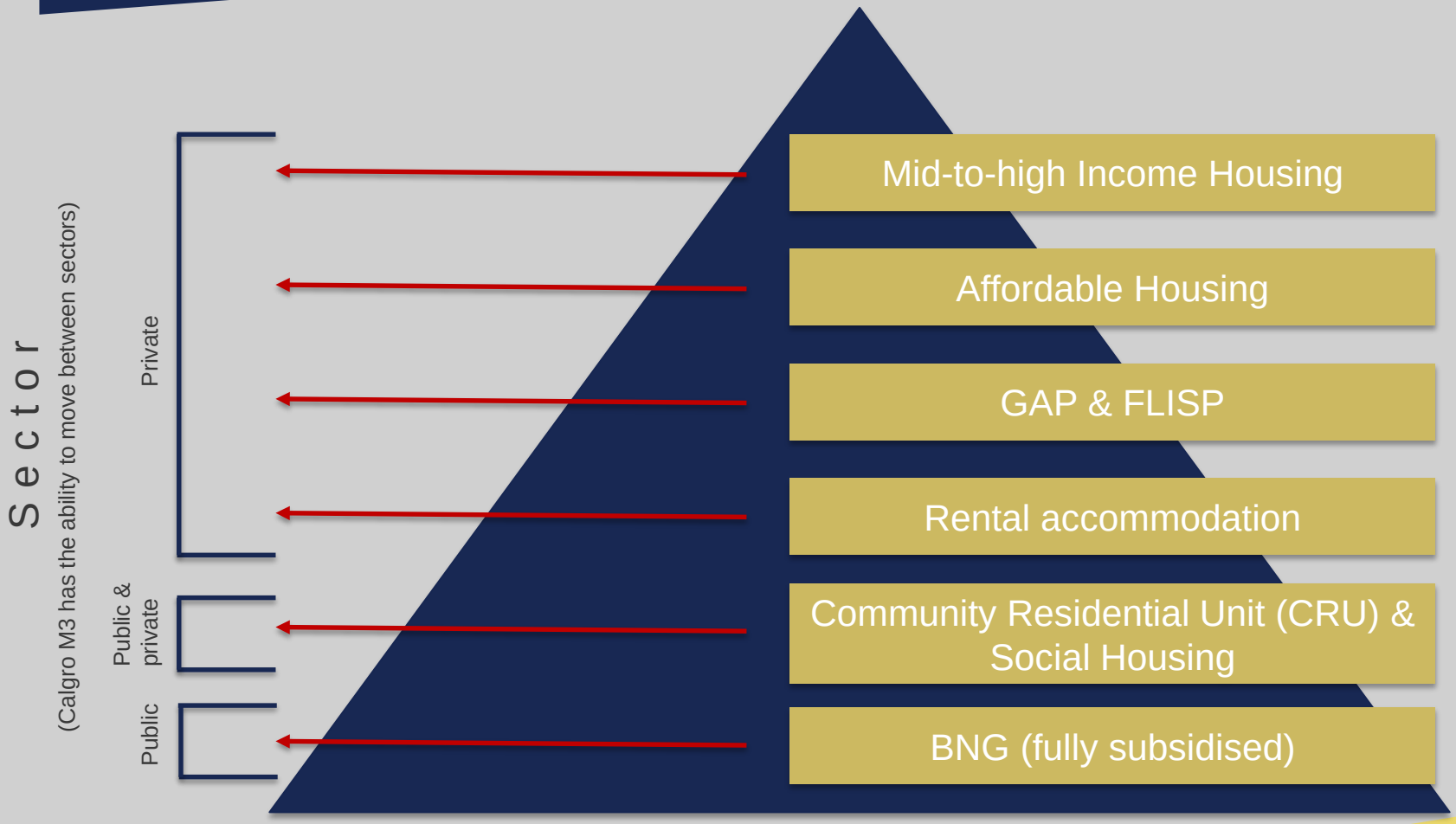
9.9% to
R924.7 million

Net debt:equity

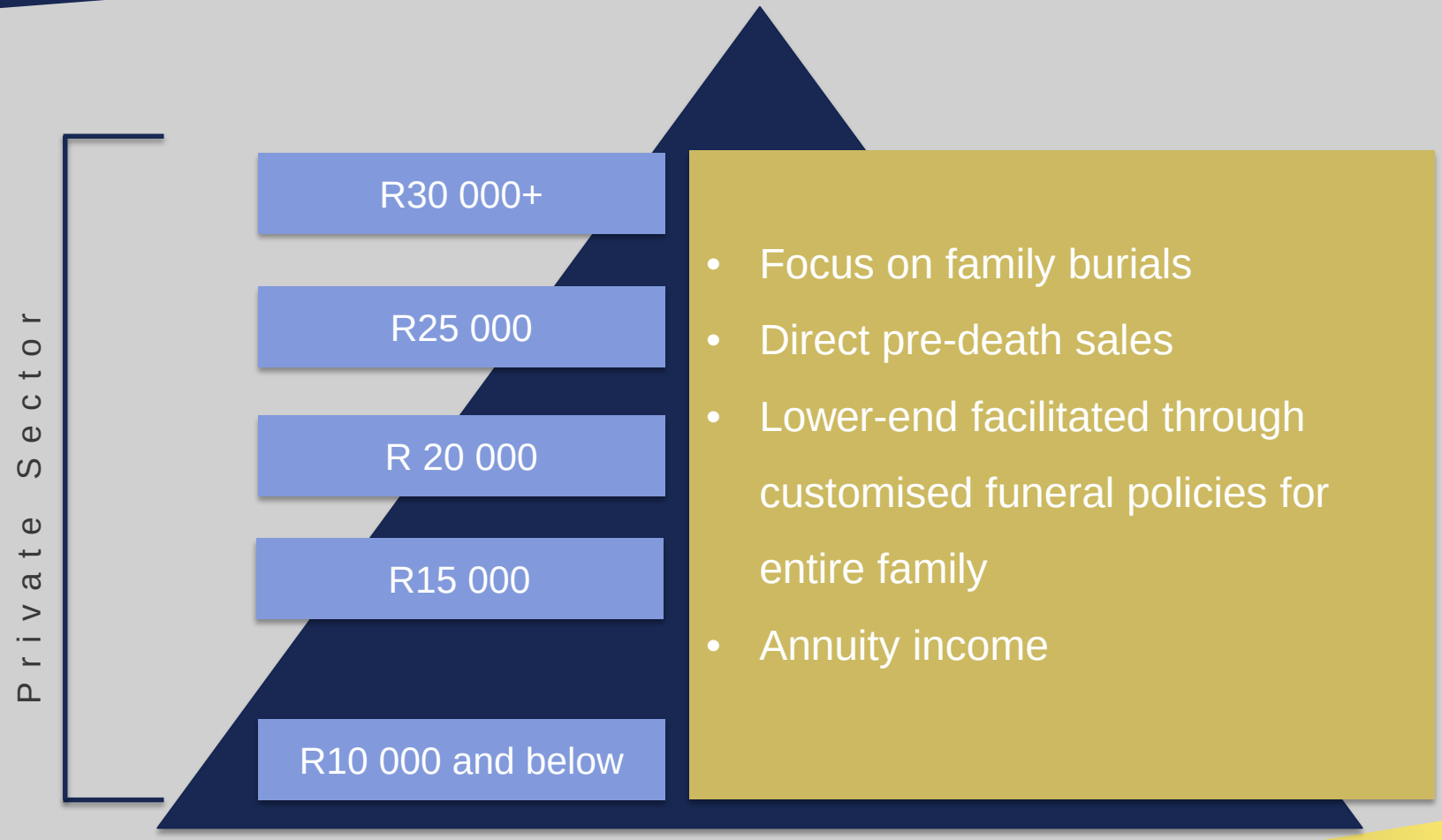
0.53
(Feb 2016: 0.59)

Zero fatalities during the period

Integrated Developments



Memorial Parks



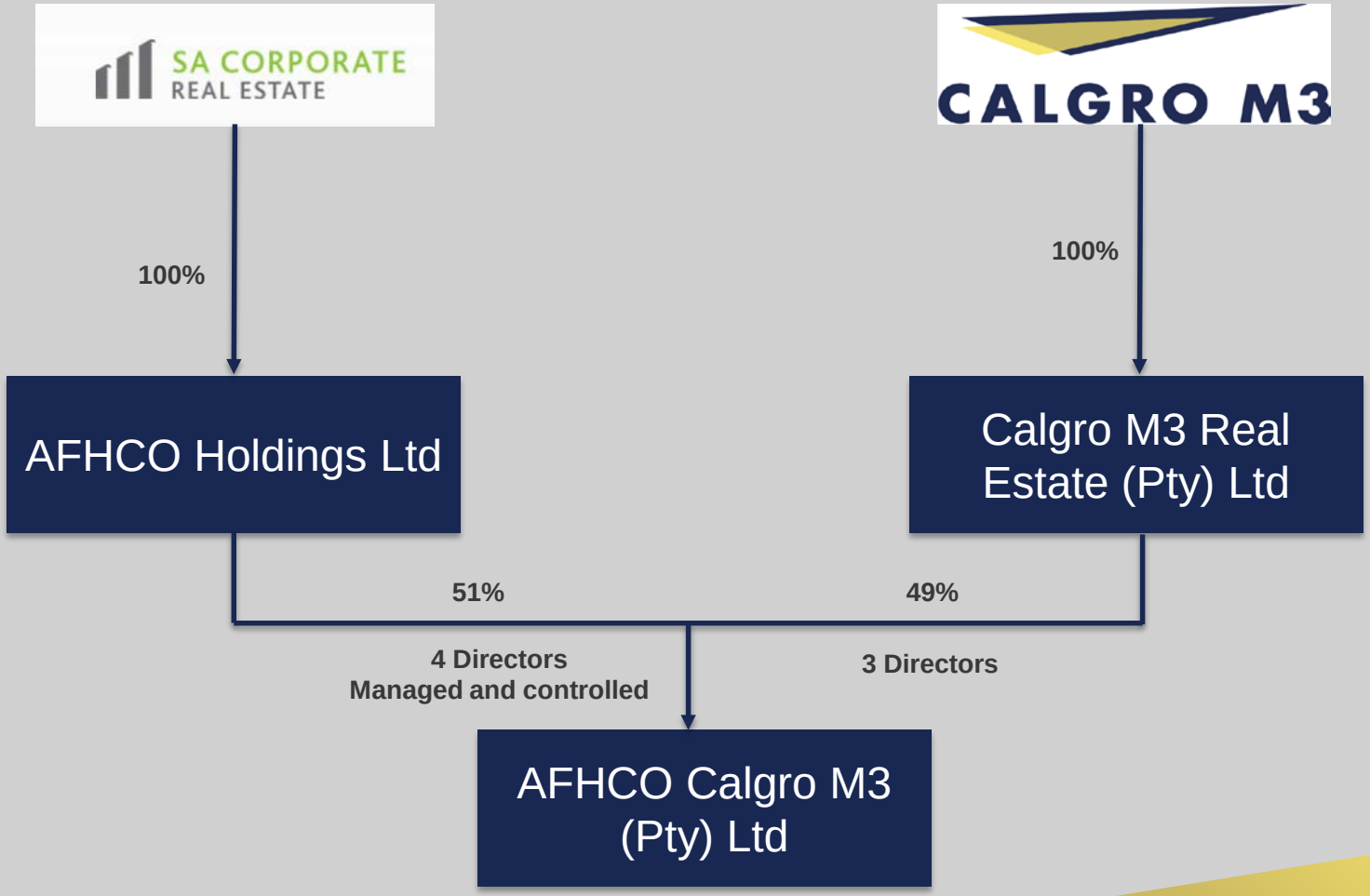
Residential portfolio market

- Housing shortage compounded by absence of Public Sector infrastructure budget
- Lack of sufficient rental opportunities in metropolitan areas
- High barrier to entry into property development
- Government commitment to eradicating housing shortfalls, but unable to do so without assistance of private sector
- Lack of competition in segment, global exposure to residential sector in REIT market is 17.1% compared to less than 2% in South Africa
- Calgro's ability to enhance yields and ensure sustainable growth through turnkey approach

SA Housing Shortage

- 2.1m subsidised opportunities
- 0.7m bonded opportunities
- 1.5m rental opportunities

REIT structure



REIT phases

Phase 1	Acquisition of property portfolio from Calgro M3, valued at R1.6 billion
Phase 2	Future acquisitions from Calgro M3's pipeline, other developer and acquiring established portfolios
Target	Portfolio of R10 billion to R15 billion

Business model

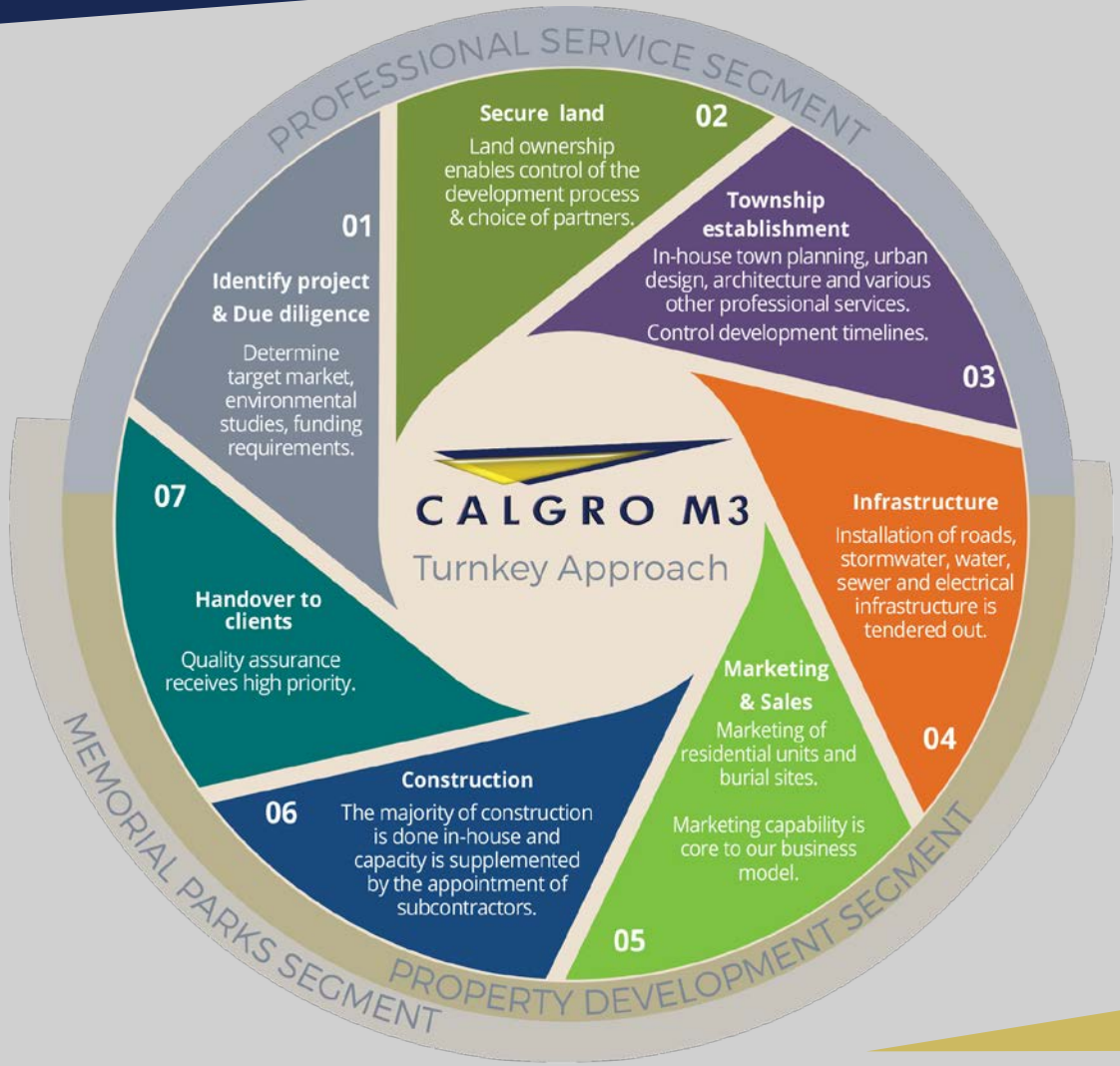
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Culmination of initiatives

- Underlying theme of property development
- Diversification
- Annuity income
- Trapped margin in turnkey model
- Supporting the eradicating of housing shortage
- Making a difference in the lives of stakeholders

Turnkey Approach



Residential Pipeline as at Feb 2016

Gauteng	Total no. of units in project	Total no. of units still to be completed and /or in progress	Revenue to completion - Rm
Fleurhof - Jhb	10 411	4 133	2 235
Jabulani CBD – Parcels A,B,C & D – Soweto	2 460	1 160	401
Jabulani CBD - Parcel K - Soweto	1 410	1 410	562
Jabulani Hostels - Phase 2	663	663	208
Witpoortjie - Jhb West	3117	3 117	948
South Hills - Jhb	6 204	6 204	2 300
Tanganani Ext. 14 - Jhb North	8 822	8 822	3 503
Leratong - Mogale City	12 000	12 000	5 747
La Vie Nouvelle - Jhb North	330	297	267
Somerset Place - Midrand	280	182	319
Balance of mid-to-high	330	330	297
Eastern Cape			
Kwa Nobuhle - Port Elizabeth	14 000	14 000	5 013
Western Cape			
Scottsdene - Cape Town	2 897	1 171	434
Belhar - Cape Town	3 616	2 989	1 044
Free State			
Brandwag - Bloemfontein	1 051	51	17
Vista Park Ext. 3 - Bloemfontein	5 320	5 304	1 905
Namibia			
Otjomuise - Phase 1	2 523	2 073	797
Residential Total	**75 434**	**63 906**	**25 997**

Memorial Park Pipeline as at Feb 2016

Gauteng	Total no. of burial plots in project	Total no. of units still to be completed and /or in progress	Revenue to completion Rm
Nasrec - Gauteng	46 271	46 036	1 241
Fourways – Gauteng	36 000	12 000	420
Memorial Park Total	**82 271**	**58 036**	**1 661**

Residential Total	75 434	63 906	25 997
Memorial Park Total	46 271	46 036	1 661
Grand Total			**27 658**

Financial review

3



Reminder

Purchased remaining 30% shareholding in Fleurhof

As from 29 February 2016, Fleurhof Ext 2 accounted for as subsidiary and no longer as a joint venture

Effect is an increase in revenue, cost of sales and gross profit of the Group, and a decrease in share of profits from joint ventures and associates

Comprehensive Income

R'000	Change %	Unaudited 6 months 31 Aug 2016	Unaudited 6 months 31 Aug 2015	Audited Year end 29 Feb 2016
Revenue	25.7	**720 233**	573 195	1 204 064
Cost of sales	18.7	**(539 331)**	(454 175)	(952 517)
Gross profit	52.0	**180 902**	119 020	251 547
Gross profit margin		***25.1%***	*20.8%*	*20.9%*
Other income	94.5	**1 165**	599	19 466
Admin and other expenses	23.0	**(67 654)**	(54 988)	(105 089)
Share of profit of Joint ventures and Associates	(88.4)	**5 199**	44 676	67 234
Profit before tax	9.2	**118 601**	108 646	239 275
Taxation	45.0	**(35 469)**	(24 458)	(46 090)
Profit after taxation	(1.3)	**83 132**	84 188	193 185
Combined revenue	(9.9%)	**924 680**	1 026 701	2 293 208

- ***Ten out of 12 Group projects contributed to period results***

Financial position - assets

R'000	Change %	Unaudited 6 months 31 Aug 2016	Audited Year end 29 Feb 2016
Non-current assets	**2.1**	**186 649**	**182 734**
Property, plant & equipment		3 854	3 827
Intangible assets		159 016	159 039
Investment in joint ventures & associates		11 279	6 080
Other		12 500	13 788
Current assets	**5.4**	**1 855 023**	**1 759 766**
Inventories		363 424	453 093
Construction contracts & work in progress		1 151 033	923 521
Trade & other receivables		235 670	285 893
Other current assets		34 351	17 188
Cash & cash equivalents		70 545	80 071
Total assets	**3.7**	**2 014 672**	**1 942 500**

Financial position – Equity & liabilities

R'000	Change%	Unaudited 6 months 31 Aug 2016	Audited Year end 29 Feb 2016
Total Equity	**11.8**	**916 262**	**819 789**
Total liabilities	**1.1**	**1 125 410**	**1 112 711**
Borrowings		525 503	538 463
Other liabilities		599 907	574 248
Total equity and liabilities	**5.1**	**2 041 672**	**1 942 500**
Net asset value per share – cents		720.90	645.00
Tangible net asset value per share – cents		595.79	519.87

Cash flow

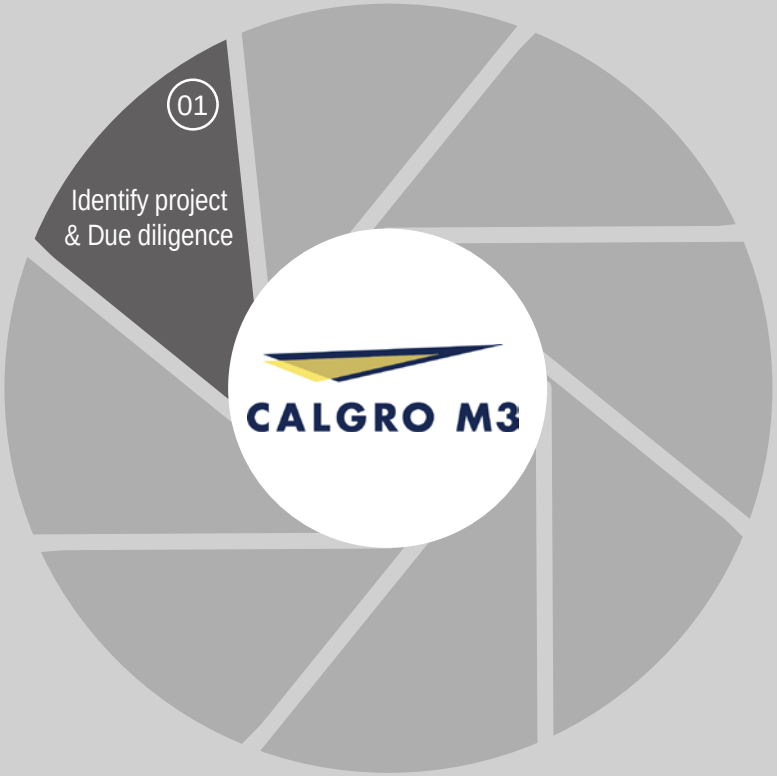
R'000	Change %	Unaudited 6 months 31 Aug 2016	Unaudited 6 months 31 Aug 2015	Audited Year end 29 Feb 2016
Net cash generated from operating activities	194.9	94 224	31 951	35 511
Net cash utilised in investing activities		(97 194)	(1 304)	(140 533)
Net cash (utilised in)/from financing activities		(6 556)	(8 500)	54 528
Net (decrease)/increase in cash and cash equivalents		(9 526)	22 147	(50 494)
Cash and cash equivalents at the beginning of the period		80 071	130 565	130 565
Cash and cash equivalents at the end of the period	**(53.8)**	**70 545**	**152 712**	**80 071**

**** No interim dividend has been declared***

Capital expenditure

Item	R'000
Cash generated from operations	**130 953**
Investment	**67 696**
Witpoortjie	10 123
La Vie Nouvelle	14 125
Fleurhof	14 579
Belhar	15 765
Summerset	13 104
Adjusted cash generated from operations	**198 649**

Cash flow cycle



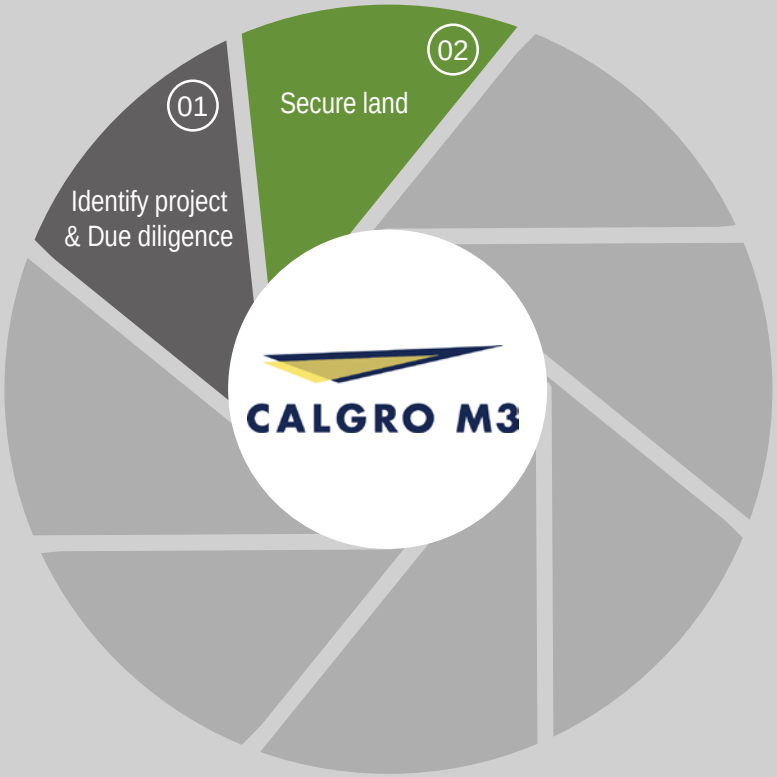
01 Identify project & Due diligence

Determine target market, environmental studies, funding requirements

0 - 6 months

R0 – R2m

Cash flow cycle



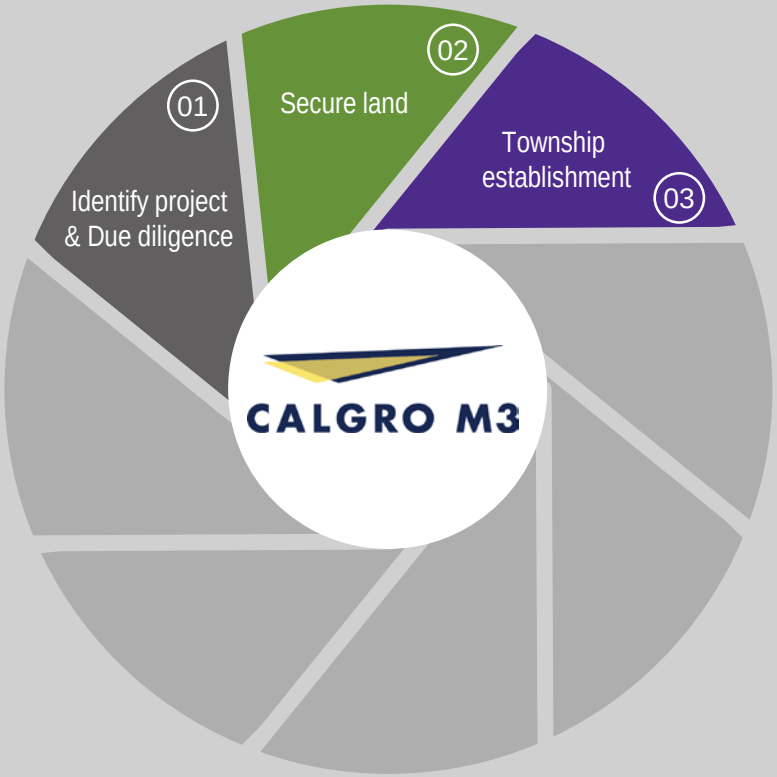
02 Secure land

Land ownership enables control of the development process & choice of partners

6 months

R0 - R50m

Cash flow cycle



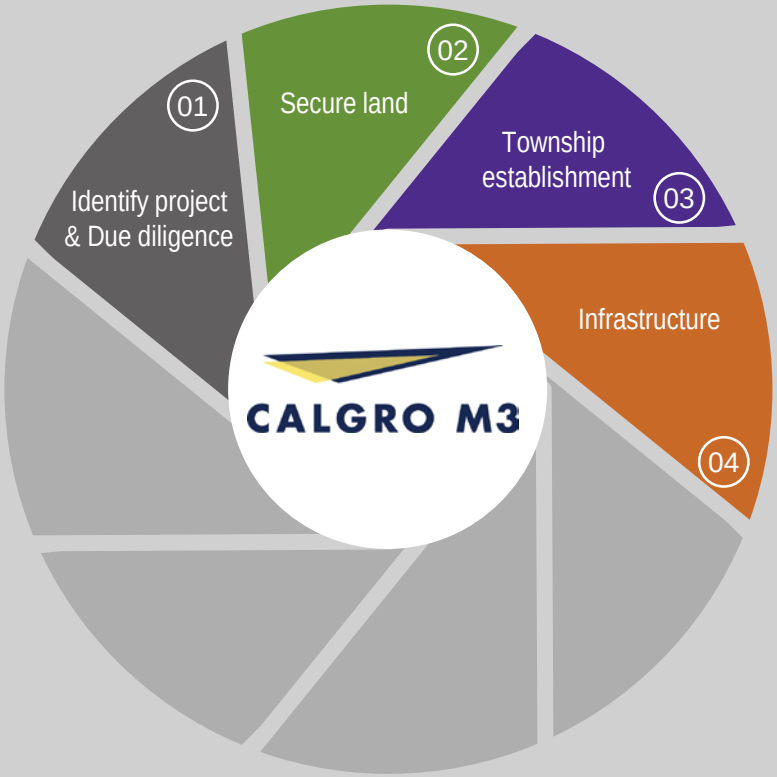
03 Township establishment

In-house town planning, urban design, architecture and various other professional services.
Control development timelines

18 - 36 months

R0
(Included in overheads)

Cash flow cycle



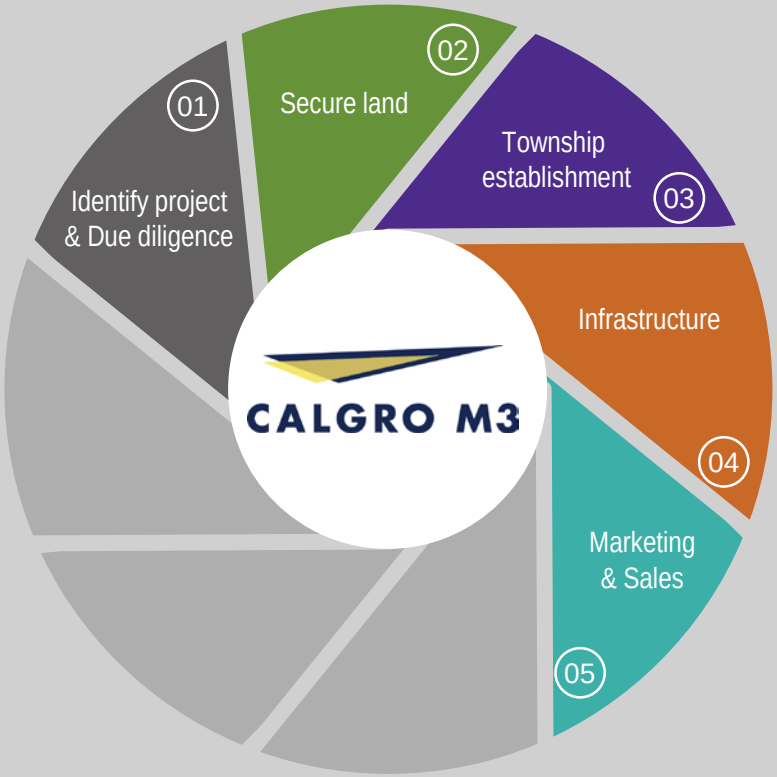
04 Infrastructure

Installation of roads, stormwater, water, sewer and electrical infrastructure are all tendered out

6 - 9 months

R50 - R100m
(Depending on phase & size)

Cash flow cycle



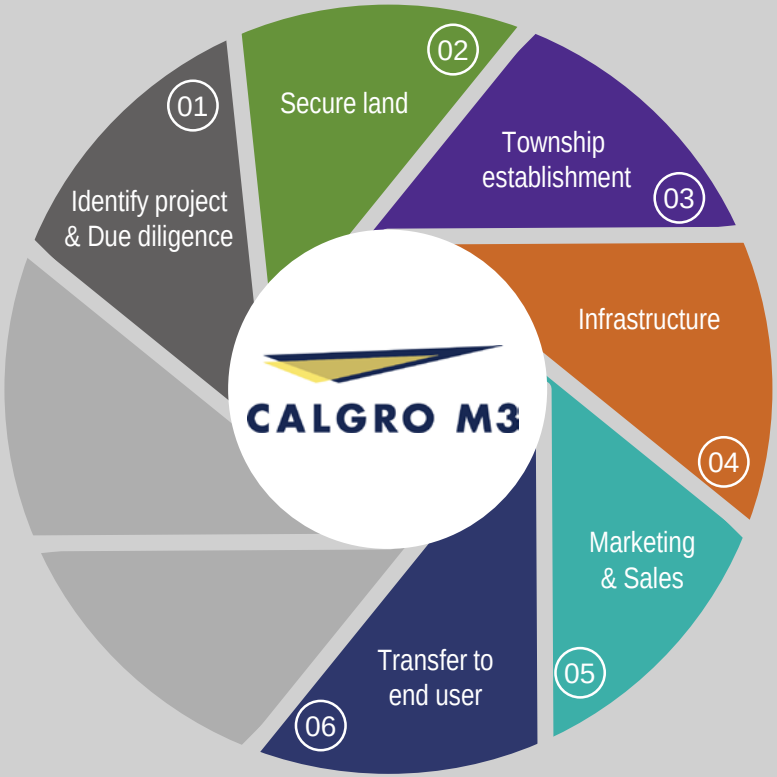
05 Marketing & Sales

Marketing of residential units and burial sites.
Core to our business model

6 - 9 months

R5m - R10m
(Depending on phase & size)

Cash flow cycle



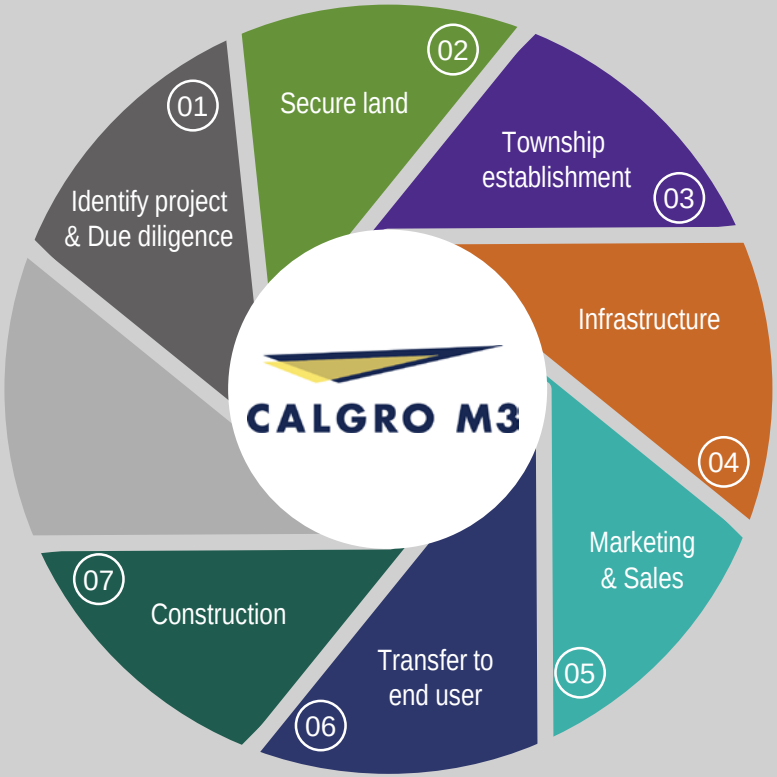
06 Transfer to end user

Full title transfer
Free-hold, affordable market

1 month

Conveyancing cost

Cash flow cycle



07 Construction

Majority of construction is done in-house and capacity is supplemented by the appointment of subcontractors

3 - 18 months

R50m+

Note: Before a project is 50% complete, funds are re-invested. Post 50% completion, project cash positive

Cash flow cycle



08 Handover to clients

Quality assurance receives high priority
Sectional title

1 month

In-house capacity

Note: Before a project is 50% complete, funds are re-invested. Post 50% completion, project cash positive

Operational review and prospects

4



Integrated Development during the 6 months under review

- 4 524 houses under construction
- 5 239 opportunities being serviced

Phase I & II completed	Top structure construction & infrastructure installation in various stages of completion	Projects delayed	Bulk infrastructure (design phase)
• Witpoortjie • La Vie Nouvelle	• South Hills • Summerset • Jabulani Hostels • Jabulani CBD • Scottsdene • Belhar • Brandwag • Otjomuise	• Vista Park • Leratong	• Tanganani • Kwa Nobuhle

- Awards for Fleurhof, Witpoortjie and Scottsdene

Professional Services

- Includes various in-house services to identify projects, due diligence, securing land, township establishment and town planning
- Contribution to Group and REIT structure
- Intention is not to grow division outside of internal requirements

Memorial Parks

- Burial site and funeral policy sales steadily increasing
- Marketing and insurance partnership with Constantia making impact
- Acquisition of Fourways Memorial Park
  - R24,5 million purchase consideration
  - Memorial park business and associated essential skills and experience
  - Effective 1 November 2016

Challenges and risks

5



Challenges and risks

Item	Integrated Developments	Memorial Parks	REIT
Macro environment	X		
BEE Compliance	X		
Exposure to Government	X		
Retention of staff	X	X	
Cash flow, uncontrolled growth and capacity	X	X	X
Reputational damage due to sub-standard workmanship	X	X	X

Markets

Market questions?
Exposure to Government
Effect of interest rate hikes
Effect of depreciating currency
Increased competition
Possible saving on supplies due to increased growth
Effect of general economic slow down
Political environment

Prospects

Integrated Developments

- Government remains committed to catalytic and mega housing projects
- REIT will assist with increasing scale in private sector (maximum sales of 50% to REIT)
- Continued focus on marketing and education
- Expect economy to remain subdued

Memorial Parks

- Increasing footprint
- Increased momentum in sales
- Marketing drive to private sector

Take away

- Diversification to ensure sustainability
- Underlying theme of property development
- Solid strategy and in-depth industry knowledge
- Understanding of Government and how to interact with this strategic stakeholder
- Excellent reputation established in industry
- Flexibility to move between markets as economic conditions dictate
- Building annuity income to enhance sustainability and counter lumpy conditions

Management changes

Changes in line with the Group's succession strategy announced May 2015 when;

- Manda Nkuhlu was appointed to Group Exco; and
- Wikus Lategan was appointed as Managing Director

Changes effective 1/3/2017

- Ben Pierre Malherbe step down as CEO to become Non-Executive director
- Wikus Lategan to be appointed CEO
- Manda Nkuhlu to be appointed Group Executive Director

Thank you

6



Investor relations contacts

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