

CALGRO M3
Group

Results Presentation

Interim unaudited results for the six months ended 31 August 2017

www.calgrom3.com

Building legacies. Changing lives

Agenda

- The world today
- Introduction and operational overview
- Financial review
- Prospects
- Appendix

The world today

1



The world and South Africa



South Africa

- Low growth
- Exchange rate
- Political pressure
- Gap in State budget
- Potential downgrade

Our market

- Housing shortfall will not disappear in the near future - in fact it may increase
  - Government funding GAP
  - Population growth
- Consumer will most likely come under even more financial pressure
  - Real household disposable income at very low levels
  - Bad debts are rising
  - Credit raising ability is challenged
  - Unemployment on the rise
- General perception on the street

Results highlights

Revenue

40.24% to
R1.0 billion

Core HEPS

18.38% to
77.10 cps

HEPS

26.74% to
47.71 cps

Net debt:equity

61.58%
(Feb 2017:
41.82%)

NAV

6.97% to
854.00 cps

Fatality free, despite growth in both employees and sub-contractors

Theme

How we adapt to a changing South Africa and world

Calgro M3 has:

- Diversified the business
- Positioned for more annuity income
- Appointed separate senior management team for each business
- Investigating possible sales or exit of non-core strategic land parcels and projects
- Taken account of water shortages with sustainable solutions
- Identified new private sector projects
- Investigating technological efficiencies
- International funding - €25 million

Practical challenges

- Economic and political landscape
- Effect of shift in focus
- Who is our client
  - What does our client want
- How do we assist public sector without reliance
- Transformation
- How do we create the most efficient team and business
  - How do we retain that team
- How do we create modularity
- How do we become the benchmark
- How do we fund and how do we control funding risk

Introduction and operational overview

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Calgro M3

Contributed 3.2% to Group profit



Integrated Residential Property Developments *



Real Estate Investments (rental units)



Memorial Parks

Turnkey property development

Through a cost effective turnkey solution

Integrated developments

42.5%	Sales increase year-on-year	21.5%	Sales increase from previous 6 months ending 28 Feb 2017

7 473	Houses under construction	1 057	Handed to customers	8 000	Opportunities serviced

Projects in operation

- Fleurhof
- South Hills
- Witpoortjie
- La Vie Nouvelle
- Summerset
- Jabulani Hostels
- Jabulani CBD (A/C)
- Jabulani CBD (K)
- Scottsdene
- Belhar
- Brandwag
- Otjomuise
- Bridge City

Projects delayed

- Tanganani
- Leratong

Projects ready to commence

- Vista Park
- Kwa Nobuhle

Our mantra

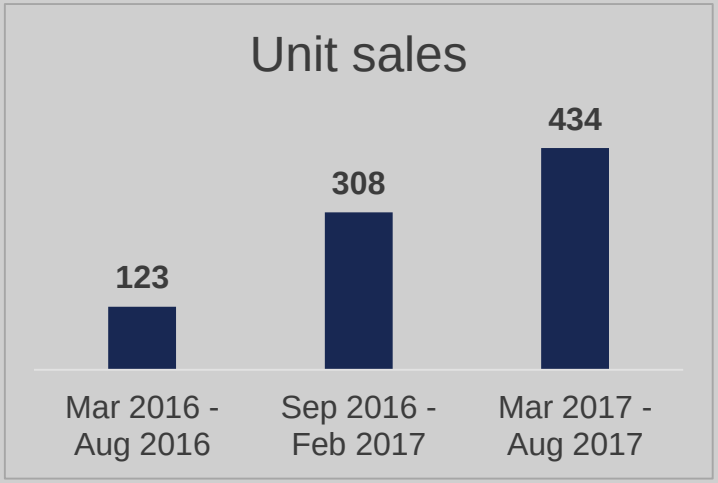
Calgro M3 provides homes, not merely houses, in a constant drive to change lives and provide South Africans with an asset and a lifestyle to support economic dignity

Real Estate Investments

- First Investment - Partnership with SA Corporate
- Initial sale of 3 852 units of which 1 372 is near completion with hand over before February 2018
- 95% of the remaining balance will be handed over in first 6 months of next financial year
- Next phase negotiations well underway
- Further investments also investigated
  - Low level of the mid-tier market
  - Non-deposit rentals
- Investigating portfolio growth acceleration

Memorial Parks

- Contributed 3.2% to Group profits
- Grave sales up 41%
- Expansion to two new provinces being finalised

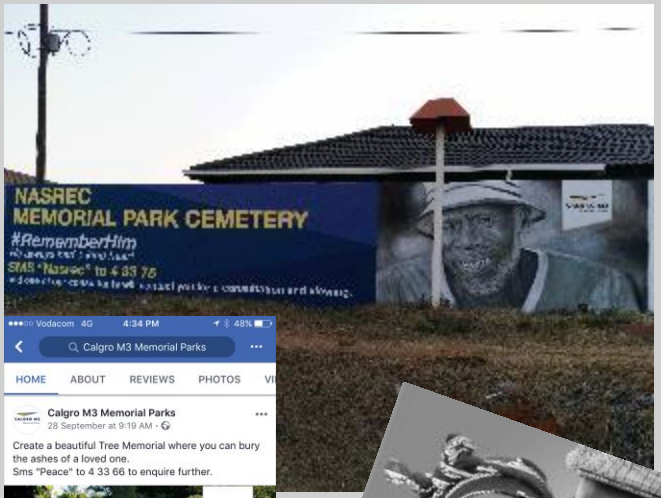


Nasrec Memorial Park

Fourways Memorial Park

Enokuthula Memorial Park

Brand awareness











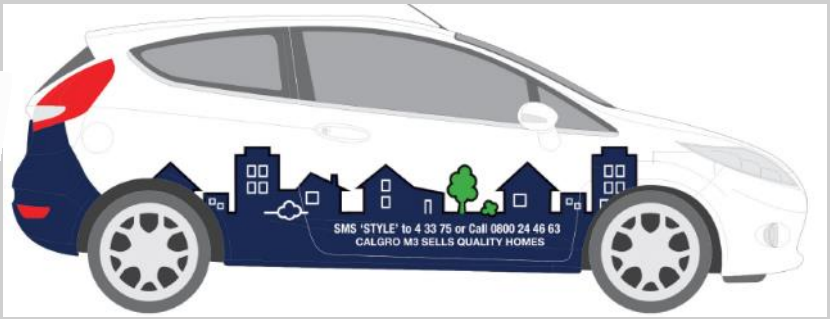


Brand awareness









Making a difference

CALGRO M3 Group



Making a difference

CALGRO M3
Group



The difference we can make



Making a difference









Making a difference











Financial review

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Comprehensive income

R'000	Change %	Unaudited 6 months 31 Aug 2017	Unaudited 6 months 31 Aug 2016	Audited Year end 28 Feb 2017
Revenue	40.24	**1 010 069**	720 233	**1 554 680**
Cost of sales	62.41	**(875 940)**	(539 331)	**(1 220 517)**
Gross profit		**134 129**	180 902	**334 163**
Gross profit margin		***13.3%***	*25.1%*	***21.5%***
Other income	358.88	**5 346**	1 165	**16 600**
Admin and other expenses	13.10	**(58 796)**	(67 654)	**(118 098)**
Share of profit of JV's & Associates	6.25	**5 524**	5 199	**6 269**
Profit before tax	(28.30)	**85 035**	118 601	**233 309**
Taxation	31.44	**(24 317)**	(35 469)	**(63 176)**
Profit after taxation	(26.96)	**60 718**	83 132	**170 133**
Combined revenue	40.84	**1 302 297**	924 680	**1 989 921**

- ***11 out of 13 projects contributed to period revenue***

Unrealised profit impact

R'000	Change %	Unaudited 6 months 31 Aug 2017	Unaudited 6 months 31 Aug 2016
Revenue	40.24	**1 010 069**	720 233
Reversal of unrealised profit adjustment		**47 078**	-
Adjusted revenue	46.78	**1 057 147**	720 233
Profit attributable to owners of parent		**61 144**	82 754
Unrealised profit (net of Tax and share of profits of JV's)		**37 663**	-
Core earnings	19.40	**98 807**	82 754
Basic EPS (cents per share)	(26.72)	**47.71**	65.11
HEPS (cents per share)	(26.74)	**47.71**	65.13
Core EPS (cents per share)	18.42	**77.10**	65.11
Core HEPS (cents per share)	18.38	**77.10**	65.13

Financial Position - Assets

R'000	Change %	31 Aug 2017	28 Feb 2017
Non-current assets	**5.93**	**211 028**	**199 211**
Property, plant and equipment		5 800	5 806
Intangible assets		159 673	159 691
Investment in joint ventures & associates		17 872	12 348
Deferred income tax asset		21 164	14 847
Investment property		6 519	6 519
Current assets	**3.46**	**2 633 673**	**2 545 544**
Inventories		509 347	595 989
Construction contracts & work in progress		1 717 732	1 387 537
Trade and other receivables		290 122	276 198
Other current assets		59 073	45 055
Cash & cash equivalents		57 399	240 765
Total assets	**3.64**	**2 844 701**	**2 744 755**

Financial Position – Equity & Liabilities

R'000	Change %	31 Aug 2017	28 Feb 2017
Total Equity	**6.97**	**1 094 400**	**1 023 081**
Total liabilities	**1.66**	**1 750 301**	**1 721 674**
Borrowings		585 751	571 646
Deferred income tax liability		327 314	302 358
Trade and other payables		837 236	847 670
Total equity and liabilities	**3.64**	**2 844 701**	**2 744 755**
Net asset value per share – cents	6.97	854.00	798.35
Tangible net asset value per share – cents	8.26	729.40	673.73

Cash flow

R'000	Unaudited 6 months 31 Aug 2017	Unaudited 6 months 31 Aug 2016	Audited Year end 28 Feb 2017
Net cash generated from operating activities	(186 446)	94 224	238 183
Net cash utilised in investing activities	(10 925)	(97 194)	(116 891)
Net cash from financing activities	14 005	(6 556)	39 401
Net (decrease)/increase in cash and cash equivalents	(183 366)	(9 526)	160 694
Cash and cash equivalents at the beginning of the year	240 765	80 071	80 071
Cash and cash equivalents at the end of the year	**57 399**	**70 545**	**240 765**



No dividend policy

Cash from operations

Negative cash generated from operations due to:

- Private sector units (turnkey)
- Construction of units for the REIT JV
- Limited infrastructure spend

International funding



€25 million



6 years



Final contracts to be signed



Formal announcement 26 October



First disbursement anticipated December 2017

Prospects

4



What makes Calgro M3 different

Integrated Developments

- 8 000 available, serviced opportunities
- More than 1 500 units sold still not comenced construction on
- Focus on development for rental stock as well as open market sales
- Continued focus on marketing and education (Captain Calgro)

Real Estate Investment

- Increase footprint
- Focus on annuity income

Memorial Parks

- Enter two additional provinces
- Increase footprint
- Increase momentum in sales

The difference we can make



Take away

1. Diversification and flexibility
2. Promotion and enhancement of social principles
3. Agility and hands-on approach
4. Underlying theme of property development
5. Sustainability and responsibility
6. Understanding public sector
7. Building annuity income

Investor Relations contacts

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Thank you



Disclaimer

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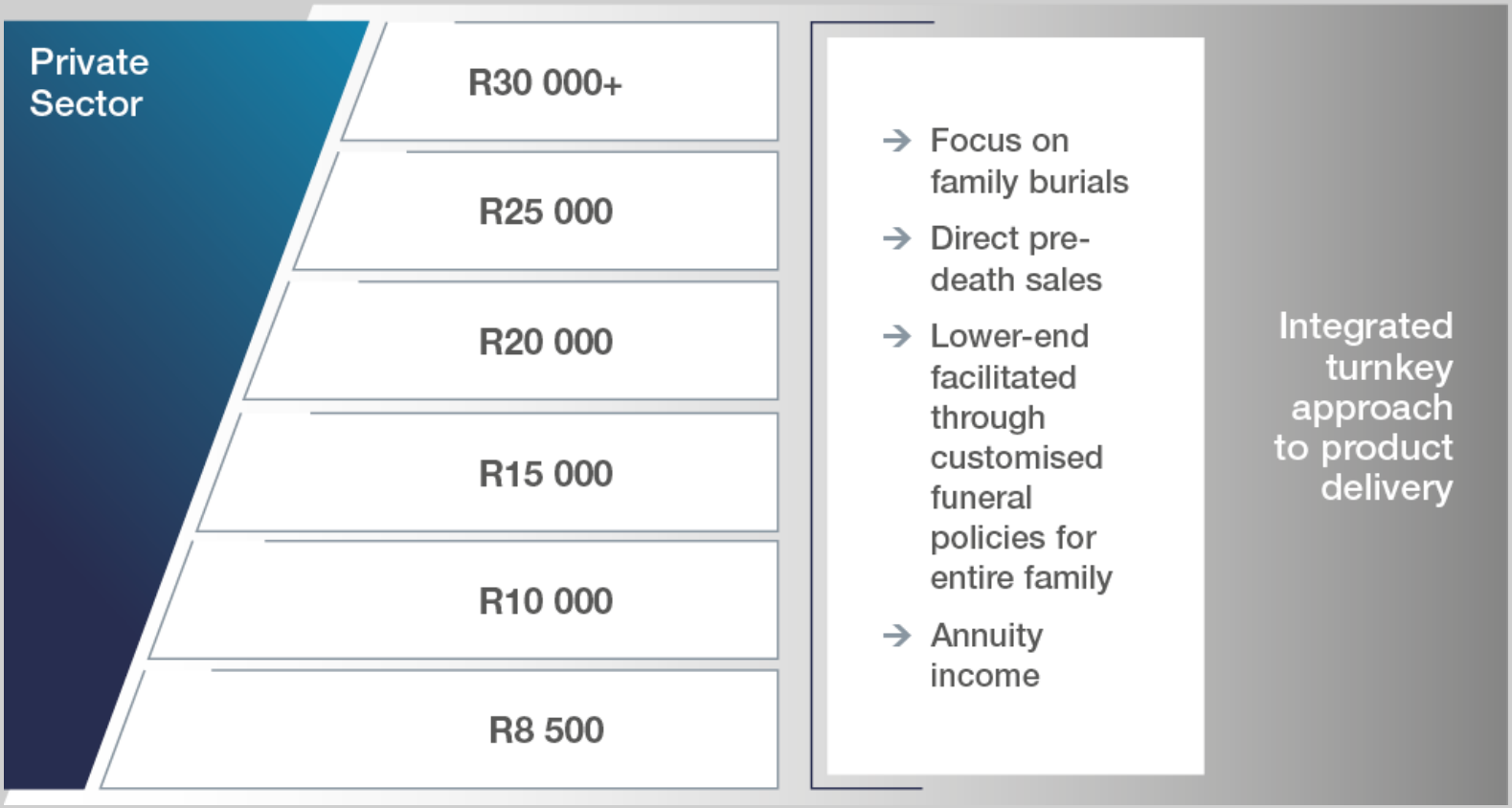
Appendix

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Memorial Parks

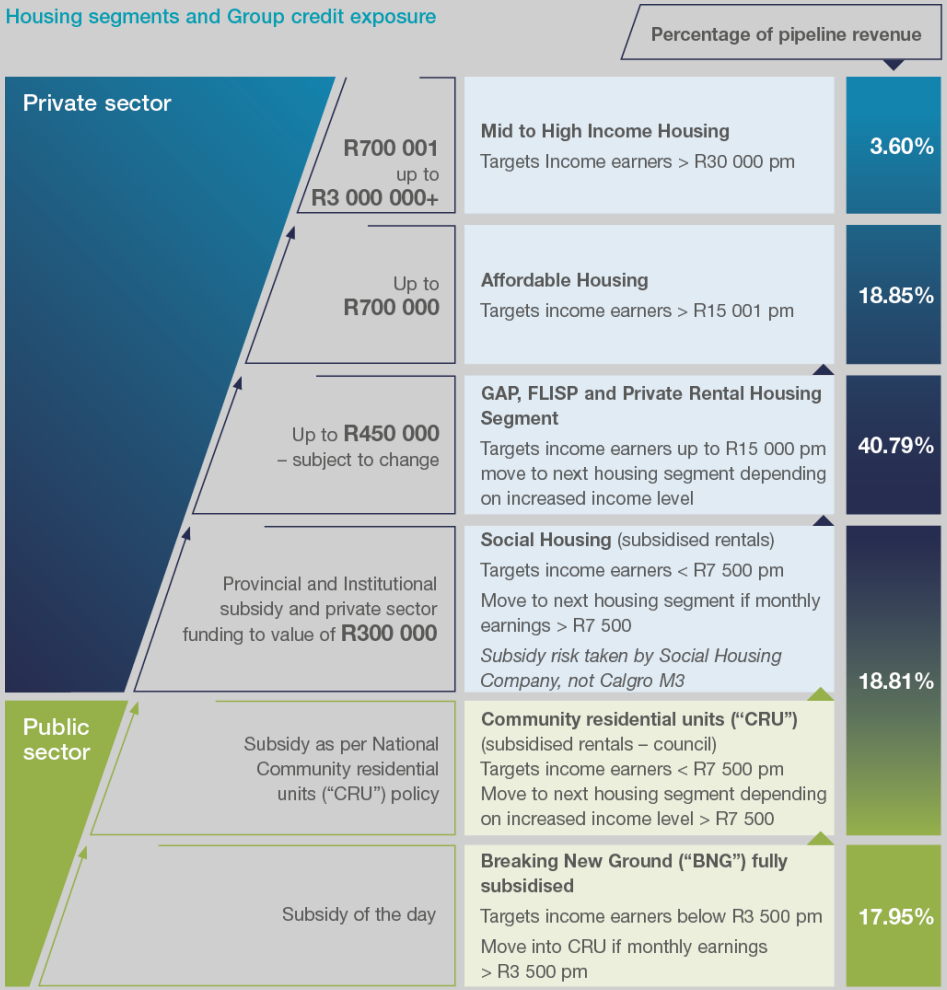
Memorial Parks selling prices



Integrated Developments

CALGRO M3 Group

Housing segments and Group credit exposure



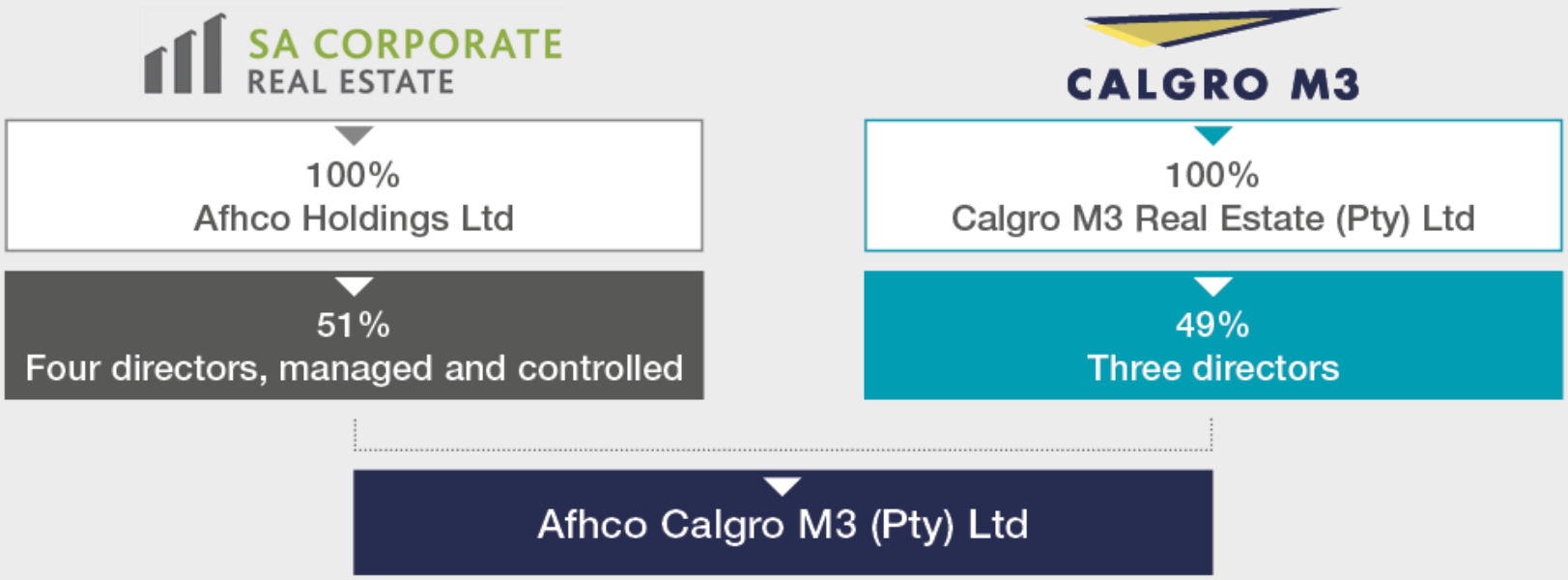
Residential portfolio market

- 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

Initial Phase	Future Phases	Target
Acquisition of property portfolio from Calgro M3 – valued at R1.6 billion	Future acquisitions from Calgro M3's pipeline, other developments and the acquisitions of established portfolios	Portfolio of R10 billion to R15 billion

Turnkey Approach



Cash Flow Cycle



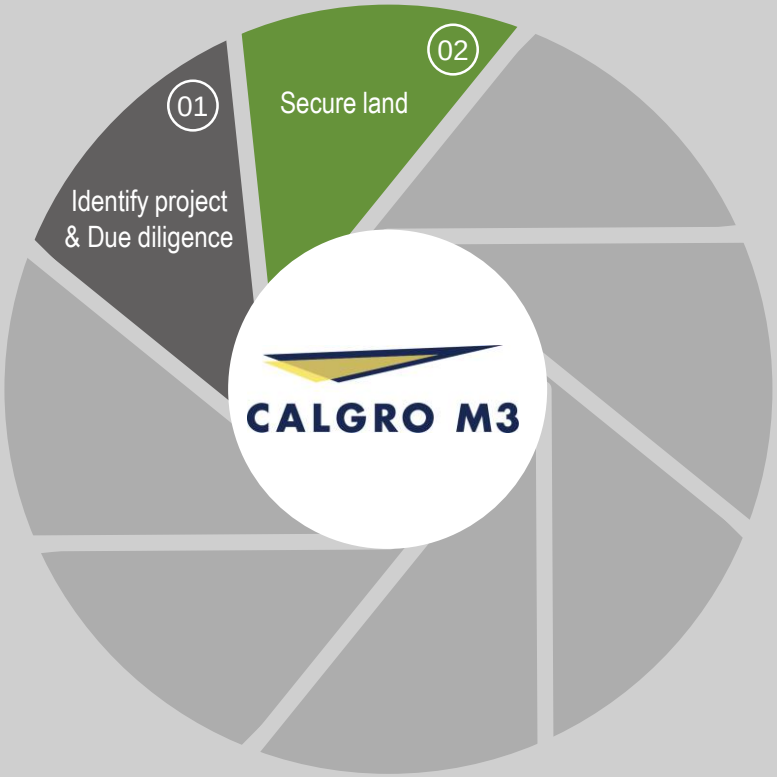
01 Identify project & Due diligence

Determine target market, environmental studies, funding requirements

0 - 6 months

R0 – R2m

Cash Flow Cycle



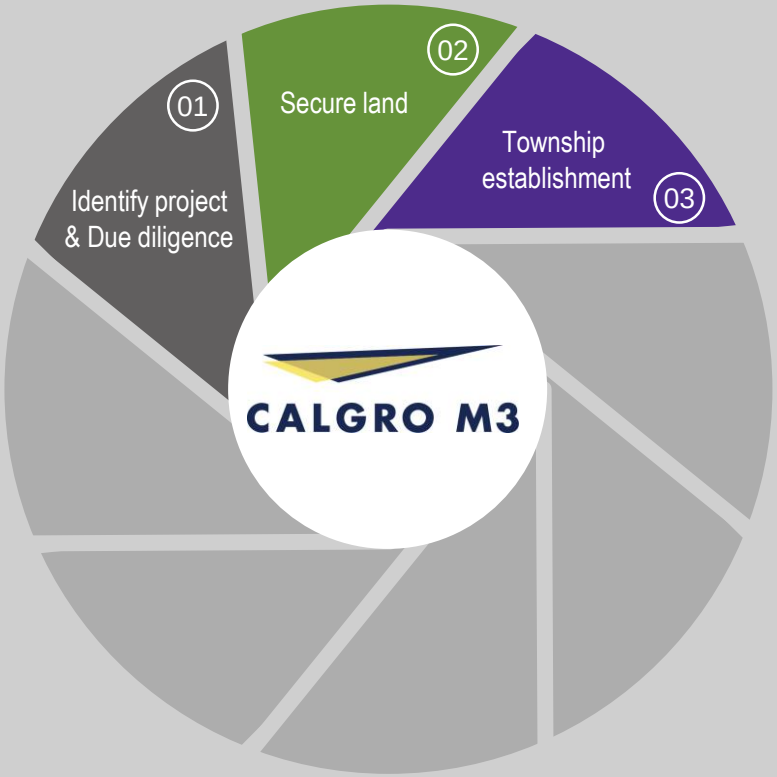
02 Secure land

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

6 months

R0 - R50m

Cash Flow Cycle



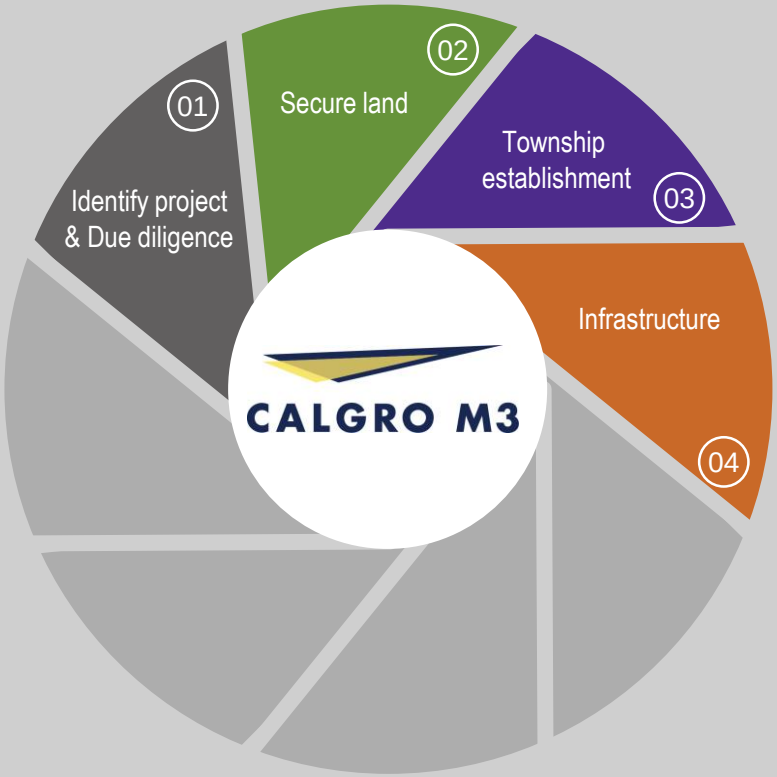
03 Township establishment

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



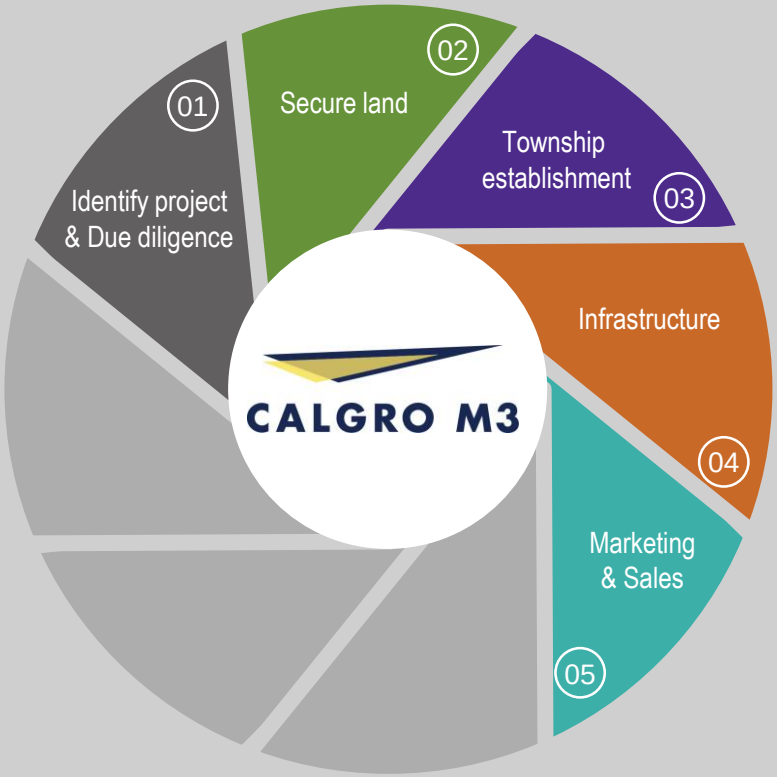
04 Infrastructure

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



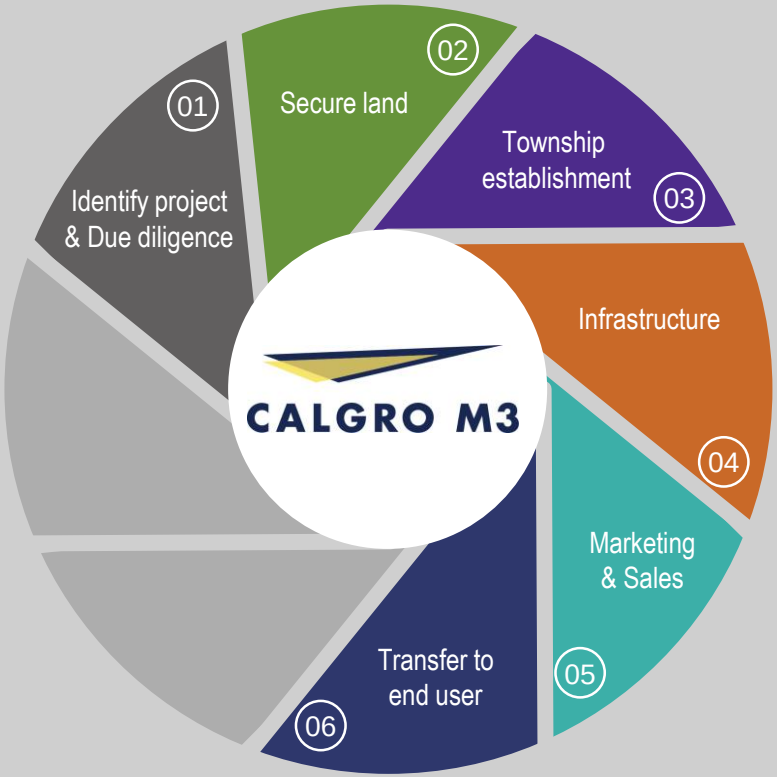
05 Marketing & Sales

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