Results Presentation

Unaudited interim results for the six months ended 31 August 2018

CALGRO M3 Group

www.calgrom3.com

Building legacies. Changing lives

Agenda

- Difficulties experienced
- Operational overview
- Financial review
  - IFRS 15 implications
- Looking forward
- Appendix

Calgro M3 is a property and property related investment company

that is a market leader in the development of Residential Developments, Residential Rental Investments as well as the development and management of Memorial Parks

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Difficulties experienced

2019 theme:

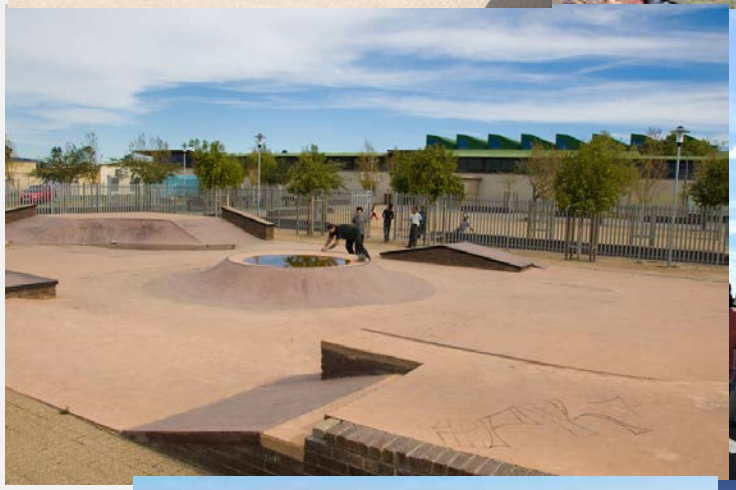
Maturing our current businesses to deliver consistent results which enable and support the Group to diversify further.

We will be defined by how well we adapt and embrace the ever-changing needs of the people we serve.



25 March 2018



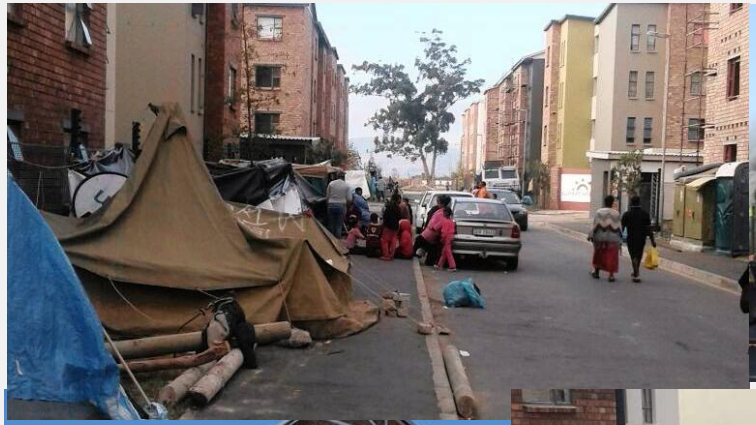









April to August 2018

















Most difficult conditions ever experienced

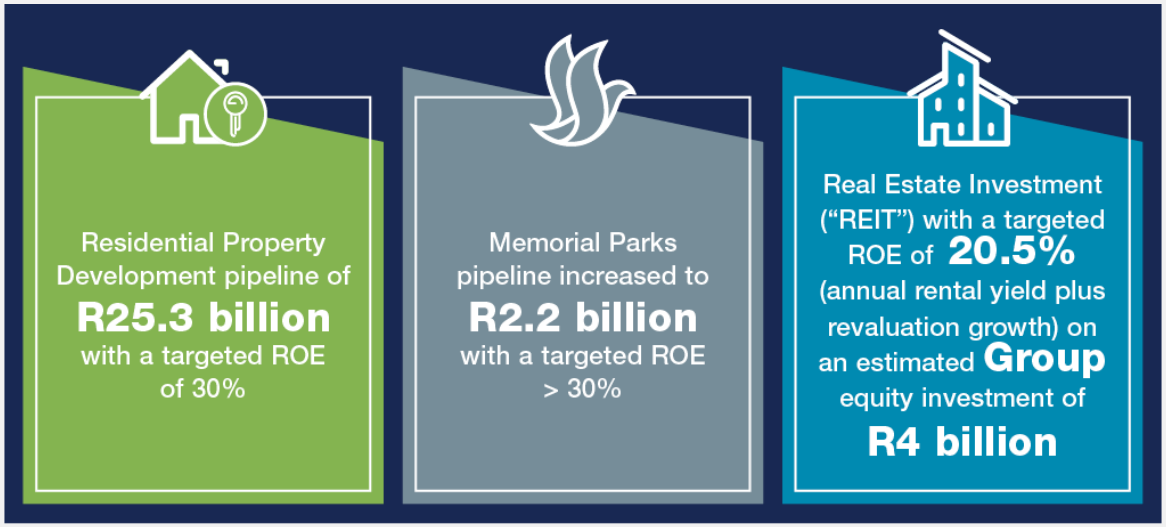
- Economic conditions
- Illegal occupations
- Fleurhof electrification
- IFRS 15
- Drought
- Cancellation of executive share scheme



Please note

Neither IFRS 15 nor the current short-term challenges in the operating environment, have a long-term impact on underlying fundamentals

Management's assessment (conservative) of the net tangible asset value of R3,6bn – has not changed





OPERATIONAL OVERVIEW

2

Calgro M3 Village concept - South Hills



Typical Integrated Development

CALGRO M3 Group



Integrated Developments

Units under construction as at 31 August 2018	3 377 (Feb 2018: 5 141)
Handed over to customers	1 843 (Feb 2018: 3 426)
Serviced opportunities completed and in progress	>9 500 (Feb 2018: 9 000)
Units sold – construction to commence	3 013 (Feb 2018:3 500)
New infrastructure ready for commencement	3 000

Supports strong **pipeline**

10 projects operational	• South Hills • Fleurhof • Witpoortjie • La Vie Nouvelle • Summerset • Jabulani Hostels • Jabulani CBD • Jabulani Parcel K • Belhar • Scottsdene

Multiple projects in ground for **risk mitigation**

Integrated Developments

- Variable cost model tested
  - Implementation more difficult than expected
  - … and costlier
  - Lessons learnt
- Commenced with new project management system roll-out
- Illegal occupants and informal dwellers mostly successfully relocated
- Commenced with bulk infrastructure on Vista Park (Free State)
- Confident that a solution to the Fleurhof electrification challenge is imminent



Level 1 BEE Contributor

Integrated Developments

Business specific challenges:

- Economic and political uncertainty
- Consumer spending power
- Public sector spend
- Uncertainty surrounding land expropriation
- Community unrest
- Electrification



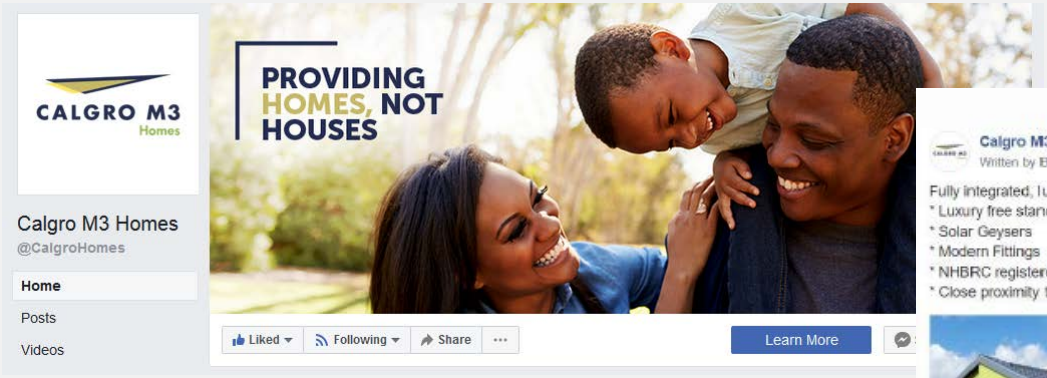
"One of the first JSE-listed companies to address the water shortage in the Western Cape back in mid-2017" *(Cape Business News, 12 Feb 2018)*

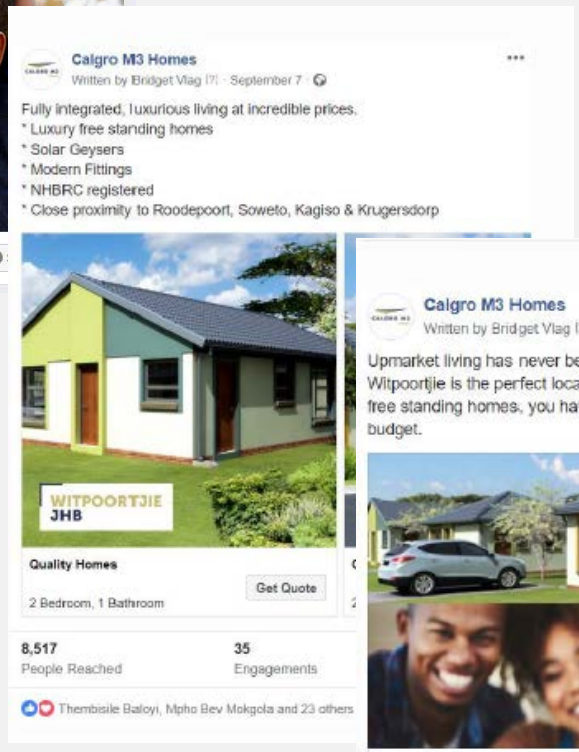
Our market

- Housing shortfall persists
- Consumer under financial pressure
  - House Price Index disappoints at 4,7% year-to-date
  - Purchase activity turnover down to 2,7%
  - Inflation
- Concerns of potential interest rate increases
- Consumer sentiment

Despite the desperate need for housing close to places of work, it is unlikely that over the next 12 months, government will be able to spend sufficiently to impact the housing gap

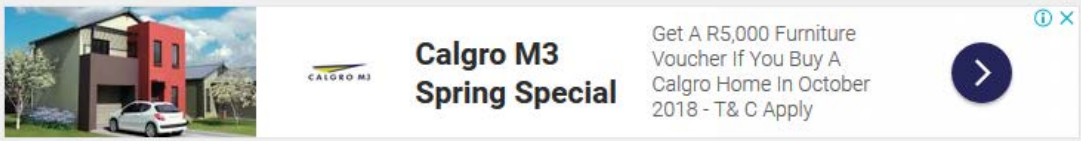
Brand awareness







Continued the shift to digital marketing



Residential Rental Investments

CALGRO M3 Group



Residential Rental Investments

- 696 units handed over to Consortium
- Take-up of units steadily increasing
- 40 of 480 units from external developer handed over

Business specific challenges:

- Slow rental take-up
- Remaining on the forefront of innovation in the market we serve
- Geographically diversified rental units available
- Municipal costs





Management confident that 10,5% targeted rental yield and 6% capital growth that gives rise to 10% capital growth on equity, is achievable

Memorial Parks

CALGRO M3 Group



Memorial Parks

- 649 grave and niche sales - average price R20 662 compared to 947 for the full previous year - average price of R15 733
- 347 installment sales not accounted for in revenue
- Target to grow sales a further 80% to 100% in next six-months
- 133 327 burial sites available
- National roll-out plan developing rapidly (not for this year)
- All interest capitalisation against this business has been discontinued

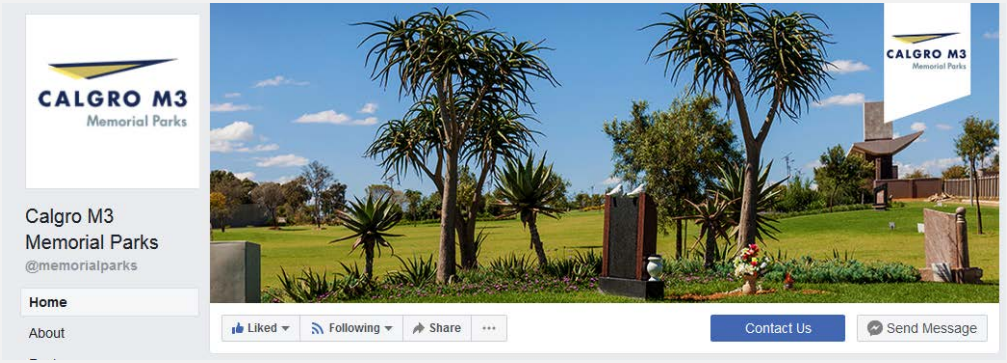
Business specific challenges:

- Policy sales
- Affordability – deferred payment product to launch in November 2018
- Greater brand awareness and client aspirations

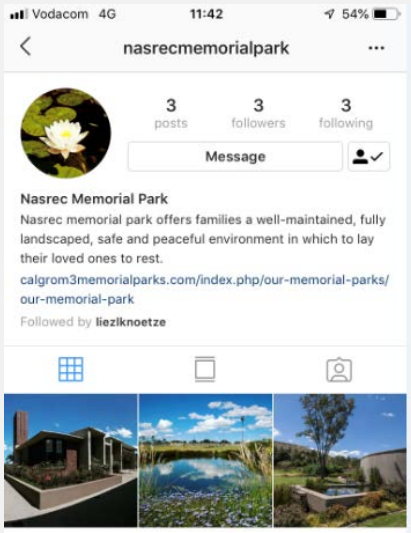
Bloemfontein Memorial Park
Durbanville Memorial Park
Enokuthula Memorial Park
Fourways Memorial Park
Nasrec Memorial Park

Brand awareness

Continued focussing on brand awareness through social media







Instagram

All Memorial Parks have Instagram pages to encourage users to tag our parks while visiting – leading to indirect marketing



Brand awareness

An updated and more simplistic look and feel was created for the Memorial Parks brand, focusing on the individual beauty of each of our parks







Making a difference – education, schooling and some fun

















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FINANCIAL REVIEW

IFRS 15 – Revenue from contracts with customers – 1 March 2018

The calculated increase/(decrease) on the Group's opening financial information is as follows:

	R'000
Investment in joint ventures and associates	(R17 225)
Deferred income tax asset	R2 042
Construction contracts	(R416 443)
Retained income	(R317 063)
Deferred income tax liability	(R114 562)

Statement of Comprehensive Income

CALGRO M3 Group

R'000	Unaudited six months 31 August 2018	Unaudited six months 31 August 2017	Audited year ended 28 February 2018
Revenue	**628 612**	1 010 069	1 742 602
Cost of sales	**(524 331)**	(875 940)	(1 472 513)
Gross profit	**104 281**	134 129	270 089
Other income	**30 522**	5 346	12 922
Administrative expenses	**(110 117)**	(58 796)	(131 775)
Net impairment losses on financial and contract assets	**(1 436)**	–	–
Other expenses	**–**	(1 210)	(1 310)
Operating profit	**23 250**	79 469	149 926
Net finance income/(cost)	**(4 246)**	42	12 269
Share of profit of joint ventures and associates – net of tax	**8 211**	5 524	9 561
Profit before tax	**27 215**	85 035	171 756
Taxation	**2 497**	(24 317)	(50 949)
Profit after taxation	**29 712**	60 718	120 807
Other comprehensive income	**–**	–	–
Total comprehensive income	**29 712**	60 718	120 807

Unrealised profit impact

R'000	Unaudited six months 31 August 2018	Unaudited six months 31 August 2017	% movement
Revenue	**628 612**	1 010 069	(37.77%)
Reversal of (realised)/unrealised profit	**(22 033)**	47 077	
Adjusted revenue	**606 579**	1 057 146	(42.62%)
Combined revenue	**815 728**	1 302 297	(37.36%)
Profit attributable to shareholders	**30 473**	61 144	
Add: Unrealised profit (net of tax and share of profits of JVs)	**(13 298)**	37 663	
Core profit attributable to owners of parent ("core earnings")	**17 175**	98 807	(82.62%)
Basic earnings per share (cents per share)	**23.78**	47.71	(50.16%)
Headline earnings per share (cents per share)	**3.11**	47.71	(93.48%)
Core earnings per share (cents per share)	**13.40**	77.10	(82.62%)
Core headline earnings per share (cents per share)	**(7.27)**	77.10	(109.43%)

Statement of Comprehensive Income analysis

R'000	Unaudited six months 31 August 2018	Unaudited six months 31 August 2017	% movement
IFRS 15/IAS 11 adjustment	**20 880**	–	–
Illegal occupation – security and repair cost	**(65 170)**	–	–
Standing time – electricity – Fleurhof	**(14 550)**	–	–
Fleurhof variation order	**93 322**	–	–
Bargain purchases on acquisition of Memorial Parks	**26 489**	–	–
– Durbanville	**21 506**	–	–
– Bloemfontein	**4 983**	–	–
Administrative expenses			
Advertising	**(8 135)**	(5 221)	55.82%
Professional fees	**(6 602)**	(1 637)	303.31%
Employee costs	**(27 904)**	(22 322)	25.01%
Executive share scheme expense acceleration	**(43 992)**	(10 599)	315.05%

Statement of Financial Position

CALGRO M3 Group

R'000	Unaudited six months 31 August 2018	Unaudited six months 31 August 2017	Audited year ended 28 February 2018
ASSETS			
Non-current assets			
Investment property	**13 444**	6 519	8 879
Property, plant and equipment	**9 684**	5 800	6 163
Intangible assets	**159 690**	159 673	159 664
Financial assets at fair value through profit and loss	**10 607**	–	–
Investment in joint ventures and associates	**32 895**	17 872	41 909
Deferred income tax asset	**2 746**	21 164	23 999
	229 066	211 028	240 614
Current assets			
Loans to joint ventures and associates	**288 348**	36 174	143 422
Inventories	**644 484**	509 347	554 397
Current tax receivable	**16 207**	22 899	16 600
Construction contracts	**1 319 782**	1 713 842	1 820 974
Work in progress	**–**	3 890	–
Trade and other receivables	**281 053**	290 122	293 739
Cash and cash equivalents	**103 897**	57 399	156 723
	2 653 771	2 633 673	2 985 855
Total assets	**2 882 837**	2 844 701	3 226 469

Financial position – Equity and Liabilities

R'000	Unaudited six months 31 August 2018	Unaudited six months 31 August 2017	Audited year ended 28 February 2018
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the parent			
Stated capital	**116 256**	116 256	116 256
Share-based payment reserve	**–**	71 447	74 056
Retained income	**722 539**	907 224	977 015
	838 795	1 094 927	1 167 327
Non-controlling interests	**1 529**	(527)	355
Total equity	**840 324**	1 094 400	1 167 682
Liabilities			
Non-current liabilities			
Deferred income tax liability	**201 559**	327 314	354 283
	201 559	327 314	354 283
Current liabilities			
Borrowings	**1 052 585**	585 751	889 597
Current income tax liabilities	**632**	88	23
Trade and other payables	**787 737**	837 148	814 884
	1 840 954	1 422 987	1 704 504
Total liabilities	**2 042 513**	1 750 301	2 058 787
Total equity and liabilities	**2 882 837**	2 844 701	3 226 469

Statement of Cashflows

CALGRO M3 Group

	Unaudited six months 31 August 2018	Unaudited six months 31 August 2017	Audited year ended 28 February 2018
Cash generated from/(utilised in) operations	**3 565**	(150 020)	(205 839)
Finance income	**3 904**	3 441	6 686
Finance cost	**(47 009)**	(34 664)	(75 747)
Tax refunded/(paid)	**(328)**	(5 203)	(1 478)
Cash (utilised in)/generated from operations	**(39 868)**	(186 446)	(276 378)
Other	**(24 914)**	(1 201)	(16 151)
Loans advanced to joint ventures and associates	**(136 145)**	(9 724)	(113 381)
Net cash utilised in investing activities	**(161 059)**	(10 925)	(129 532)
Proceeds of borrowings	**255 000**	57 005	516 000
Repayment of borrowings	**(91 000)**	(43 000)	(192 000)
(Repayment)/proceeds from issue of shares for Calgro M3 executive scheme	**–**	–	(2 132)
Transactions with non-controlling interest	**(15 900)**	–	–
Net cash from financing activities	**148 100**	14 005	321 868
Net (decrease)/increase in cash and cash equivalents	**(52 827)**	(183 366)	(84 042)
Cash and cash equivalents at the beginning of the year	**156 723**	240 765	240 765
Cash and cash equivalents at end of the year	**103 896**	57 399	156 723

Covenants

	Unaudited six months 31 August 2018	Audited year ended 28 February 2018
Net debt to equity ratio	1.16	0.75
Covenant	1.5	1.5
Debt service cover ratio (“DSCR”)	1.84	1.57
Covenant	1.2	1.2



4

Looking forward

Operational prospects

Residential Property Developments



- Roll-out of existing pipeline
- Capitalising on private sector sales drive
- Enhancing product offering
- Improving efficiencies

= Well positioned to assist Govt eradicate housing backlog

Memorial Parks



- New 12 month interest and fee free repayment plan to launch
- Eastern Cape, KwaZulu-Natal and Tshwane are targeted areas for expansion in the 2020 financial year

= Diversification and fulfills requirement for dignified burials

Residential Rental Investments



- Potential properties to be acquired and developed
- Maintain a focus on quick tenanting
- Affordable rental market has immense potential

= Assists Govt eradicate housing backlog without exposure to fluctuations in public sector spend

Areas of focus

- Fleurhof construction recommenced on certain phases
- Scottsdene recommenced, but conditions remain tense
  - Two blocks to be completed for hand over mid-November after the site was closed since Easter weekend
- Insurance claims to be finalised
- Cautious of capital liquidity
  - Repaid R62m debt post year-end
  - Certain debt providers have indicated appetite for new debt when required
  - Plan to hold back on new projects and infrastructure, and long-term investments

What does the future hold?

- Delayed effect due to current challenges
- Continue to drive strategy of ensuring diversified sources of revenue and profits
  - Improve operating profit mix
  - Annuity income
  - Operating expenses to be funded from other businesses rather than lumpy development cashflow – more detail to follow in future
- Optimal capital allocation across segments and own equity
- Ongoing empowerment initiatives beyond current Level 1 BBBEE



Making a difference



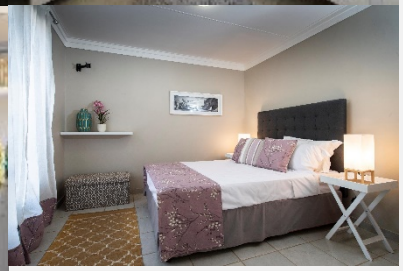
A typical Calgro M3 Home











A typical Calgro M3 apartment











Take away

Calgro M3 Group



Build a base of diversity within theme of property development



Geographic expansion



Mixed product offerings remains strategic advantage



Government spend will return in the medium to long-term



Critical housing shortfall requires quality products



Working capital and capital allocation is sensibly managed

Thank you

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