Results Presentation

Unaudited interim results
for the six months ended 31 August 2019

CALGRO M3
Group

www.calgrom3.com

Building legacies. Changing lives

Agenda



1. Overview of the period | 2. Operations | 3. Financial review

4. Looking forward | 5. Appendix



1

OVERVIEW OF THE PERIOD

The last six months – Challenges faced

- The period under review continued to be negatively impacted by the unstable economic and political landscape with an impact on the Income Statement
- Started the six months with a continuation of the previous six months with:
  - Informal settlement on the Scottsdene sidewalk – Site closed
  - No power in Fleurhof – Site closed
- Cash flow pressures due to the above and other delays, holding costs, security costs, direct damages, other slow paying debtors - a general diminished position of the business
- Further town planning delays also deferred the start of our first KZN Project: Bridge City
  - units are sold out, with only construction to commence
- A strategic decision was taken to also close other sites and restrict output on operational sites to preserve the limited available cash and to determine the best way forward under the current climate
  - South Hills – operations suspended
  - Operations on Belhar were slowed down by more than 50%
  - Jabulani Hostels – operations suspended
  - Jabulani Parcel K – operations suspended
  - All other operational sites slowed down to a bare minimum
- Retrenchments and right-sizing of the Group underway

The last six months – It has turned

- Fleurhof substation under construction with estimated completion date in August 2020
- Scottsdene informal settlement dispute resolved and site re-opened
- Settled R111 million debt that has matured
- Cash on hand increased by 67,5% to R205,4 million
- Already confirmed the roll-over of R40 million of the R46 million debt maturity for November 2019, with only one further maturity of R38 million before 31 August 2020
- All sites re-opened on a staggered basis from August with:
  - over 3,000 units either under construction or completed,
  - 1,000 new units sold with construction to commence,
  - 2,700 student housing beds with construction to commence in January 2020
- Actions to decrease fixed operational running costs from circa January 2020 to approximately R19 million per month, including interest and all holding costs (including security costs-which has been a major expense of late) across all businesses

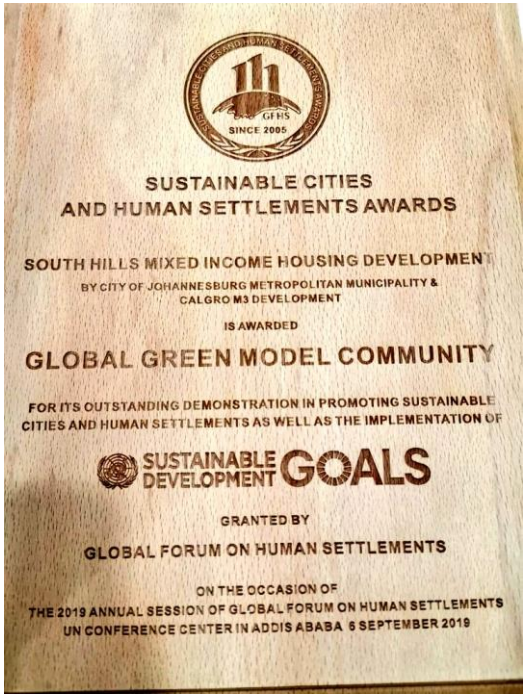
Other Successes during the period

Top empowerment award received in recognition of contribution to growth and sustainability

Level 1 B-BEE Contributor



Calgro M3 and the City of Johannesburg won the United Nations Sustainable City's and Human Settlements award for the
South Hills Development



Other Successes during the period

Secured Frankenwald development (current rights of 10,000 residential units with an estimated final yield of between 40,000 and 50,000 residential units after densification) on a 4-year option agreement



Our focus during the period under review

Cash flow generation **AND** **Cash preservation**

- Additional pipeline projects added with no impact on current operations and cash flow
- Various, transfers, debtor and claim recoveries initiated
- Possible sale of a large portion of current residential developments pipeline

- Closure of various developments, re-opened after cashflow was stabilised
- Reduced monthly expenses
- Early settlement of maturing debt
- Reduced operations to low levels
- Refocused business to exposure in only three/four provinces

Cash generated from operations: R449.5 million

Achievements











- Fleurhof first 900 units proceeding
- Balance of units unlocked



None of our developments or completed units are illegally occupied



2

OPERATIONAL OVERVIEW

Residential Property Developments

CALGRO M3 Group

Fleurhof



Residential Property Developments

- Total available opportunities excluding Frankenwald – 38,475 or R19bn
- Under construction and completed – 3,317 or R1,2bn approximate revenue
- 1,000 new units and 2,700 student bed units to commence in January 2020 with R1bn approximate revenue
- Further 7,837 serviced opportunities for development over the next 2 years
- Further 1,516 opportunities being serviced
- From a revenue perspective, approximately 76,5% of all opportunities are private sector opportunities

Residential Property Developments

Aug 2019	Subsidised	GAP/FLISP	Student Housing	Mid to high
Completed and partially completed units – Under construction	756	1,136	-	21
Partially completed units – construction stopped (to recommence)	-	1,204	-	-
Construction being recommenced	401	810	2,700	-

8 Projects re-commenced

- **South Hills**
- **Fleurhof**
- **Witpoortjie**
- **La Vie Nouvelle**
- **Jabulani Hostels**
- **Jabulani Parcel K**
- **Belhar**
- **Scottsdene**

Multiple projects in operation - **for risk mitigation**

Residential Property Developments

- Focused on rolling out current pipeline in the most efficient and effective manner possible
- Although our focus is on the private sector, Calgro M3 is well positioned to assist Government with the housing shortfall
  - Shortfall estimated to be between 5,2 million – 6,3 million
- Consistent focus towards an advanced product offering
- Keep selling prices affordable
- Risks directly associated with property development have been mitigated to acceptable levels
  - No need to service additional new opportunities at this time
  - Sub-contracting of construction to reputable contractors on a turnkey basis
- No material financial commitments on Frankenwald project until option is exercised – 4 year option take period (last remaining large-scale property development project in the greater Sandton area)

Integrated Residential Developments

Focus:

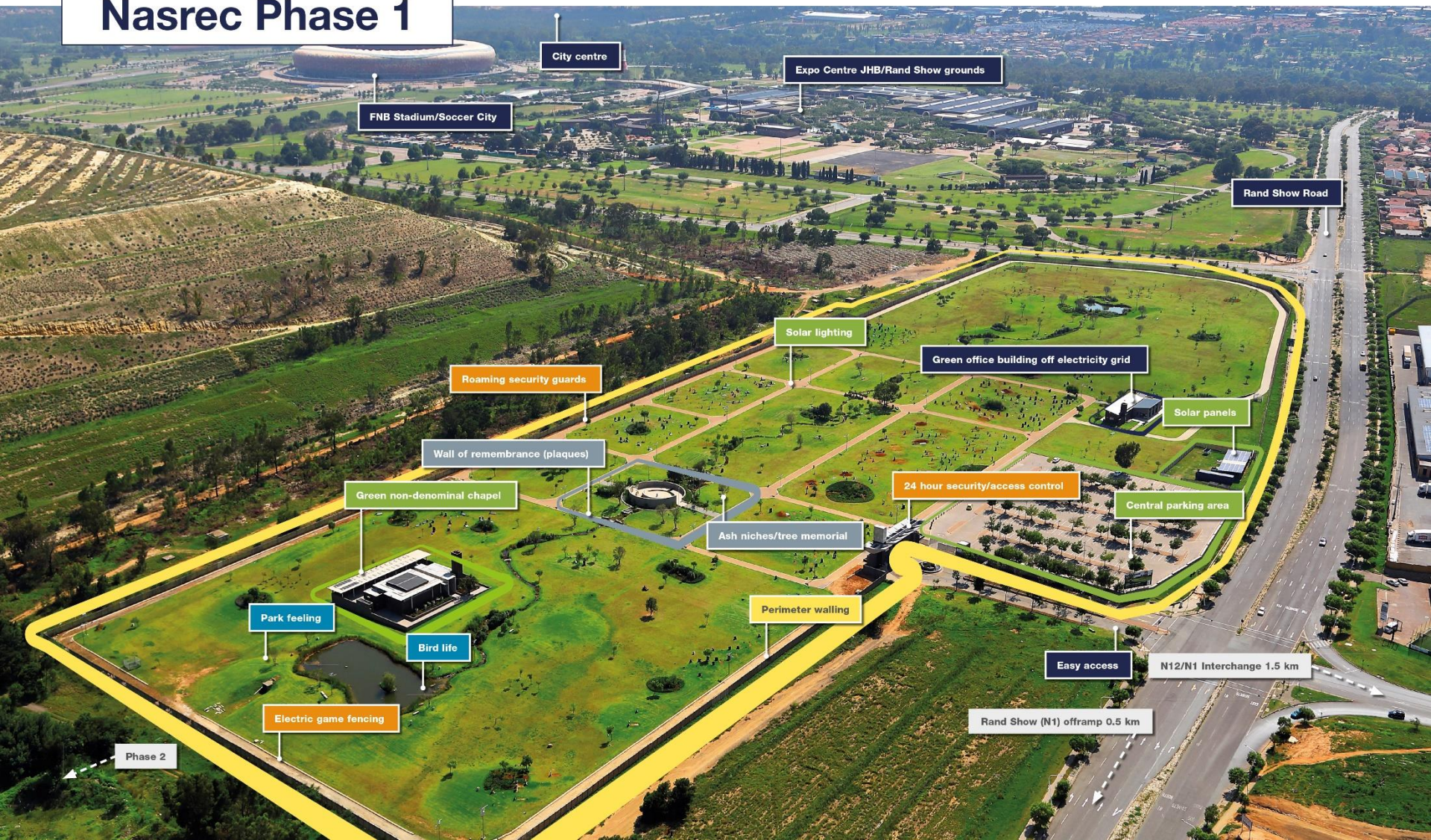
- Continue to trade with caution in current uncertain environment
- Cash preservation and management
- Increased focus on pipeline roll-out while unlocking value in balance sheet
- Balance exposure between client service and project roll-out
- Realising financial value of retail, commercial and industrial sites within current developments
- Provincial focus - Gauteng, Western Cape, KwaZulu-Natal and Free State
- Variable costing model and improved efficiencies



Memorial Parks

CALGRO M3 Group

Nasrec Phase 1



Memorial Parks

Current status of provinces

Johannesburg

City Parks in Johannesburg is encouraging residents to consider other options of committal. Of Johannesburg's **35 cemeteries, 28 are full**

Ekurhuleni

Investigating alternatives with grave space becoming scarce



Bloemfontein

Only three of the **12 cemeteries** in Bloemfontein and Botshabelo still have burial space

eThekwini

Three of the city's cemeteries are already full and the expectation is that they will run out of burial space soon

Cape Town

Opening two new cemeteries:

Metro South-East Cemetery in Mfuleni with a capacity of **24 800 graves**

New cemetery located between Somerset West and Firgrove with a capacity of **26 000 graves**

Memorial Parks

Sales for the period were under pressure:

- Total revenue for the period decreased by 7,3% to R11,0 million (2018: R11,9 million)
- Total grave sales declined by 15,4% to 473 graves (Aug 2018: 559 graves)
- Extended payment options are also offered to clients (at no interest or additional fees), with up to 12 months to pay
- 62 graves, totaling R2 million sold on deferred payment terms, for which no revenue is recognised (Aug 2018 – no deferred payment sales)

Memorial Parks

Memorial Parks pipeline

Project	Region – City	Region – Province	Number of units	Anticipated project turnover (Rand)
Nasrec	City of Joburg	Gauteng	41 649	1 036 429 719
Fourways	City of Joburg	Gauteng	13 043	429 162 685
Enokutula	Springs	Gauteng	12 103	140 600 435
Avalon	Bloemfontein	Free State	46 422	503 958 333
Durbanville	City of Cape Town	Western Cape	20 490	203 746 122
Total			**133 707**	**2 313 897 294**

Witpoortjie, Fleurhof and KwaNobuhle Memorial Parks are not included above due to the product offering still being finalised.

- Additional sales agents and sales managers were appointed
- New Group Head of Marketing and Sales was seconded to work exclusively on the Memorial Parks business
- Total branding overhaul
- A major marketing campaign was launched on 15 October 2019 through various mediums

Memorial Parks

Focus:

- Target short to medium-term revenue growth of ±100%
- Future roll-out of Witpoortjie (16,000 graves), Fleurhof (22,000 graves) and KwaNobuhle (48,000 graves)
- National roll-out plan developing rapidly – short to medium term target:
  - Tshwane
  - KwaZulu-Natal
- Increased marketing and sales campaigns
- Innovative use of big data analytics
- Annuity income model - insurance based

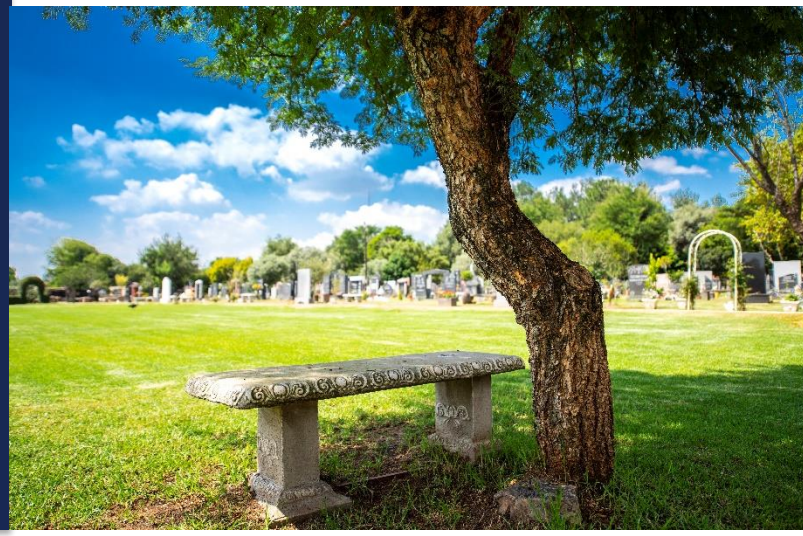
BLOEMFONTEIN MEMORIAL PARK by CALGRO

DURBANVILLE MEMORIAL PARK by CALGRO

ENOKUTHULA MEMORIAL PARK by CALGRO

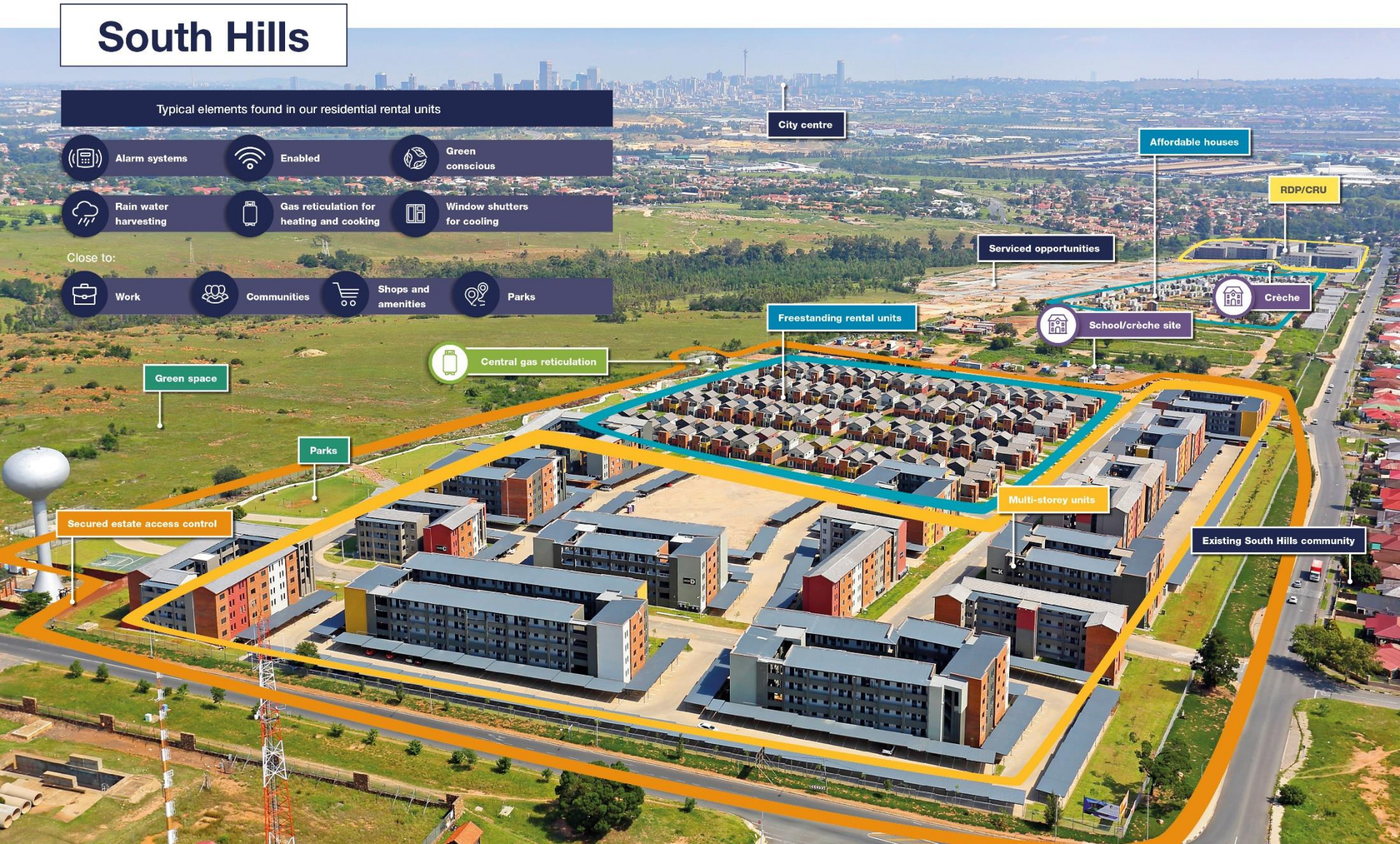
FOURWAYS MEMORIAL PARK by CALGRO

NASREC MEMORIAL PARK by CALGRO



Residential Rental Investments

CALGRO M3 Group



Residential Rental Investments

- The Group is considering the sale of its rental portfolio in the short-term
- Growing the Residential Rental business, which is extremely capital intensive, restricts the deployment of available capital in the Residential Property Development business and Memorial Parks business in the current depressed economic climate
- The Group is still committed to the strategy, but given the present circumstances, we believe that the timing for the establishment and growth of such a business unit is not appropriate
- The sale of the rental portfolio could generate approximately R500 million (net proceeds)
- The proceeds from the sale of the properties will be used to settle future debt maturities - for the next 24 months, and will free up more working capital



3

FINANCIAL REVIEW

Statement of Cashflows

CALGRO M3 Group

R'000	Unaudited August 2019	Audited February 2019
Cash generated from/(utilised in) operating activities		
Cash generated from operations	**449 468**	298 290
Finance income received	**10 377**	10 647
Finance cost paid	**(63 703)**	(115 459)
Tax (paid)/refunded	**(20 660)**	8 605
Net cash generated from/(utilised in) operating activities	**375 482**	202 083
Cash flows invested in investing activities		
Purchase of investment property	**–**	(51)
Purchase of property, plant and equipment	**(684)**	(2 803)
Purchase of intangible assets	**–**	(39)
Investments in joint venture and associates	**–**	(119 794)
Acquisition of business	**(8 250)**	(25 500)
Loans advanced to joint ventures and associates	**(148 733)**	(149 974)
Loans repaid by joint ventures and associates	**14 865**	–
Net cash invested in investing activities	**(142 802)**	(298 161)
Cash flows (repaid in)/from financing activities		
Proceeds from borrowings	**–**	273 000
Repayment of borrowings	**(111 000)**	(193 000)
Loans received from joint ventures and associates	**–**	23 000
Loans repaid to joint ventures and associates	**(23 000)**	–
Equity paid back	**–**	(25 112)
Transactions with non-controlling interest	**(15 900)**	(15 900)
Net cash (repaid in)/from financing activities	**(149 900)**	61 988
Net increase/(decrease) in cash and cash equivalents	**82 780**	(34 090)
Cash and cash equivalents at the beginning of the year	**122 633**	156 723
Cash and cash equivalents at the end of the period/year	**205 413**	122 633

Covenants

	Unaudited six months ended 31 August 2019	Audited year ended 28 February 2019
Net debt to equity ratio	1.13	1.09
Covenant	1.5	1.5
Debt service cover ratio (“DSCR”)	2.46	1.47
Covenant	1.2	1.2

Statement of Financial Position - Assets

R'000	Unaudited August 2019	Audited February 2019
Assets		
Non-current assets		
Investment property	**14 037**	14 020
Property, plant and equipment	**29 550**	12 173
Intangible assets	**159 665**	159 677
Investments	**11 915**	11 090
Investment in joint ventures and associates	**154 033**	153 006
Deferred income tax asset	**57 195**	43 355
	426 395	393 321
Current assets		
Loans to joint ventures and associates	**265 107**	311 393
Inventories	**810 087**	568 498
Current tax receivable	**1 507**	2 538
Construction contracts	**893 461**	1 279 073
Trade and other receivables	**87 526**	233 818
Cash and cash equivalents	**205 413**	122 633
	2 263 101	2 517 953
Total assets	**2 689 496**	2 911 274

Statement of Financial Position - Equity and Liabilities

R'000	Unaudited August 2019	Audited February 2019
Equity and liabilities		
Equity		
Equity attributable to owners of the parent		
Stated capital	**116 256**	116 256
Share-based payment reserve	**1 310**	–
Retained income	**687 242**	690 054
	804 808	806 310
Non-controlling interests	**(648)**	277
Total equity	**804 160**	806 587
Liabilities		
Non-current liabilities		
Deferred income tax liability	**178 088**	214 300
	178 088	214 300
Current liabilities		
Borrowings	**962 822**	969 195
Loans from joint ventures and associates	**–**	23 000
Current income tax liabilities	**35 723**	1 913
Trade and other payables	**708 703**	896 279
	1 707 248	1 890 387
Total liabilities	**1 885 336**	2 104 687
Total equity and liabilities	**2 689 496**	2 911 274

Borrowings

CALGRO M3 Group

	Bond	Capital repayment	Interest payment
Bond exchange			
September 2019			26 608 475
October 2019			5 953 300
November 2019	CGR27	46 000 000	6 839 525
December 2019			3 587 125
January 2020			5 953 300
February 2020			5 561 875
March 2020			26 608 475
April 2020			5 953 300
May 2020			5 561 875
June 2020			3 587 125
July 2020	CGR 32	38 000 000	5 953 300
August 2020			5 561 875
September 2020	CGR 33	59 000 000	26 608 475
Total		143 000 000	134 338 025

Segmental - Statement of Comprehensive Income

	Residential Property Development	Memorial Parks	Residential Rental Investments	Total August 2019	Total August 2018	%
August 2019						
Total segment revenue	**508 037 182**	**10 999 483**	**1 743 698**	**520 780 363**	628 612 488	(17.75)
Fleurhof	**293 245 725**	**–**	**–**	**293 245 725**	245 060 150	
Jabulani	**18 098 394**	**–**	**–**	**18 098 394**	31 998 446	
Witpoortjie	**12 901 940**	**–**	**–**	**12 901 940**	28 910 012	
South Hills	**37 132 313**	**–**	**–**	**37 132 313**	216 426 717	
Belhar	**107 178 160**	**–**	**–**	**107 178 160**	66 975 240	
Other smaller	**39 480 650**	**10 999 483**	**1 743 698**	**52 223 831**	39 241 922	
Combined revenue*	**566 734 019**	**10 999 483**	**1 743 698**	**579 477 201**	787 339 370	(26.40)
Total segment revenue	**508 037 181**	**10 999 483**	**1 743 698**	**520 780 363**	628 612 488	
Revenue of joint ventures and associates	**58 696 838**	**–**	**–**	**58 696 838**	158 726 882	
Witpoortjie	**16 744 384**	**–**	**–**	**16 744 384**	13 395 362	
South Hills	**41 952 454**	**–**	**–**	**41 952 454**	145 331 520	
Cost of sales	**(475 349 458)**	**(4 733 357)**	**(926 845)**	**(481 009 659)**	(524 331 088)	
Gross profit	**32 687 723**	**6 266 126**	**816 854**	**39 770 703**	104 281 400	
GP margin	**6.43%**	**56.97%**		**7.64%**	16.59%	

Statement of Comprehensive Income (continued)

R'000	Unaudited August 2019	Unaudited August 2018
Revenue	**520 781**	628 612
Cost of sales	**(481 010)**	(524 331)
Gross profit	**39 771**	104 281
Other income	**8 936**	30 522
Administrative expenses	**(52 667)**	(110 117)
Impairment gain/(losses) on financial and contract assets	**29 746**	(1 436)
Operating (loss)/profit	**25 786**	23 250
Finance income	**14 993**	25 652
Finance costs	**(44 835)**	(29 898)
Share of profit of joint ventures and associates – net of tax	**923**	8 211
(Loss)/profit before tax	**(3 133)**	27 215
Taxation	**333**	2 497
(Loss)/profit after taxation	**(2 800)**	29 712
(Loss)/earnings per share (cents)	**(1.46)**	23.78
Headline (loss)/earnings per share (cents)	**(3.24)**	3.11



4

LOOKING FORWARD

Where we are

- Completion of Fleurhof substation
- Return all projects to capacity - while still retaining risk capital and remaining cautious
- **Management of debt capital redemption and profile risk**
  - The sale of various commercial and retail stands within our developments - transfer of which is expected by end April 2020
  - Refinancing of debt through current and new debt providers
  - Sale of the residential rental portfolio
  - Partnering with third-party developers to fast track cash conversion on the mid-to-high cluster portfolio
- Increase cash resources to be able to weather future “storms”
- Continued focus on reducing and managing our monthly fixed expenditure
- Guiding the Group back to profitability

Take away

- The key focus areas for the next six months to 29 February 2020 will be to:
  - manage liquidity and the downside risks; and
  - ensuring optimal capital application on projects
- Careful consideration is being given to best use of cash on each project to ensure sustainable long-term returns and value
- Emphasis is being placed on cash flow extraction from various residential development projects
- Development at full capacity only possible once a more stable economic environment returns
- Continued focus placed on Memorial Parks to ensure return to growth
- Continue to work towards ensuring the correct capitalisation from a liquidity point of view and right-sizing overhead structures
- The Group remains confident in the long-term growth and potential in the South African market

Thank you

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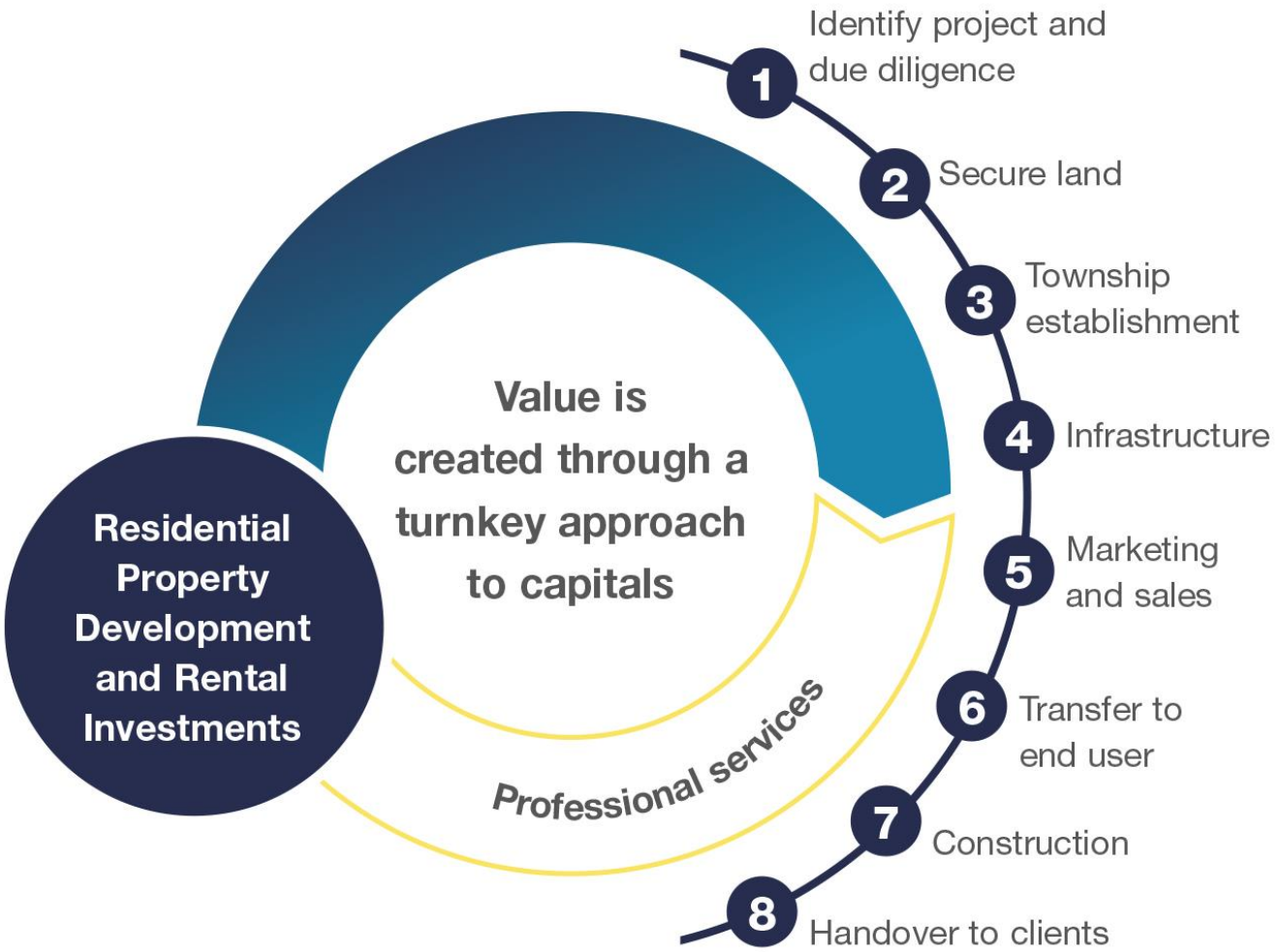
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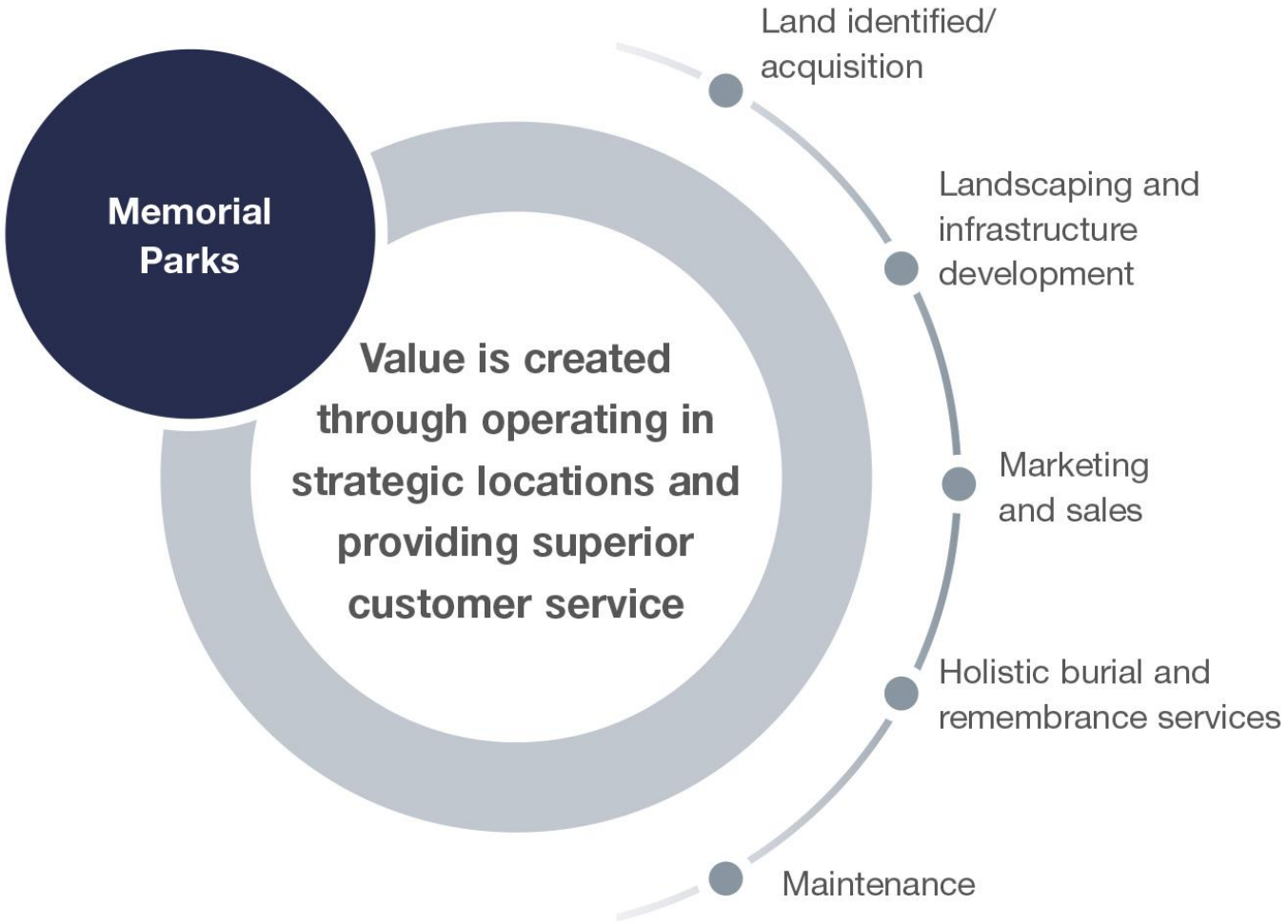
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APPENDIX

Business model



Business model



Value locked-up

Cash generated from operations (post interest of R115m)	**R 202m**
Units sold, construction to commence	**4 436 / R 1,7 bn (exc VAT)**
Management valuation (unlock in tangible assets in b/s ex-commercial / retail)	**R1,4 bn**

Opportunities	Total No.	Effective No.	Selling price to external party (including VAT)	Total Rand
Mid to high-end portfolio – serviced & unserviced land	640	640	373 729	239 186 560
Low to mid-market portfolio – serviced opportunities	11 029	10 006	119 670	1 197 418 020
Low to mid-market – partially serviced & unserviced	27 314	18 816	56 000	1 053 696 000
Total	**38 983**	**29 461**		**2 490 300 580**
KwaNobuhle development to be sold (BV R86m)				175 000 000
Total value in property portfolio			(A)	2 665 300 580
Less: Balance sheet costs of property (land) portfolio			(B)	1 275 230 395
Management estimate additional value (not account for / locked in balance sheet)			(A) – (B)	1 390 070 185

- Memorial Parks and Residential units at cost
- 630 000 m^2 retail, commercial and industrial land at R0 on balance sheet
- Fleurhof mine dump being processed and moved on balance sheet at R0, with potential further 8 000 units with minimal bulk requirements