Results Presentation

Final audited results for the year ended February 2018

CALGRO M3 Group

www.calgrom3.com

Building legacies. Changing lives

Agenda

- The 2018 environment
- Operational overview
- Financial review
- Looking forward
- Appendix

Calgro M3 is a property and property related investment company

that is the 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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THE 2018 ENVIRONMENT

2018 theme:

The challenge for business in the economic world we live in, is compounded by an unstable and changing political landscape.

How we adapt to the times will define us going forward.



How Calgro M3 adapted in 2018

The Group has:

- Diversified the business
- Private sector focused
- Positioned for annuity income
- Exited projects where risk profile changed
- Identified new private sector projects
- Acquired new Memorial Parks
- Enhanced true empowerment
- Split management teams – retain hands-on approach
- Managed water shortages
- Invested in technological efficiencies
- Progressing with additional debt raising to sustain working capital until 2020

Level 1 BEE Contributor



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OPERATIONAL OVERVIEW

Typical Integrated Development

CALGRO M3 Group



Typical Integrated Development (continued)

CALGRO M3 Group



Integrated Developments

Units under construction	8 564
Handed over to customers	3 426
Serviced opportunities completed and in progress	9 000
Sold to commence construction	3 500
New infrastructure to commence	3 000

Supports strong **pipeline**

Projects in operation	• South Hills • Fleurhof • Witpoortjie • La Vie Nouvelle • Summerset • Jabulani Hostels • Jabulani CBD • Belhar • Scottsdene

Multiple projects in ground for **risk mitigation**

Projects discontinued	Leratong Nelmapius
Projects disposed	Otjomuise (Namibia)

Effective **risk** management

Integrated Developments

- Successful transition from public to increasing private sector
- Marketing and sales drive gained momentum
  - Open market sales increased by 16,7%
- South Hills surpasses Fleurhof as largest contributor to revenue
- Two projects secured in KZN with imminent commencement
- Capacity building progressing well with 8 564 units under construction
- Appointment of managers with deep industry knowledge



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



Witpoortjie project won the Gauteng Govan Mbeki award for Best Affordable Project

Integrated Developments

CALGRO M3 Group

Challenges

- Continued slowdown in public sector spend
- Cash flow constraints resulting from increased exposure to private sector
- Changing political landscape
- Challenging South African labour market
- Regulatory changes in the development space (new Town Planning Act)
- Community unrest
- Attempted illegal land grabs

Brand awareness









Residential Rental Investments

CALGRO M3 Group



Residential Rental Investments

- 648 of the 3 852 units in first phase completed and handed to Consortium in November 2017
- Remaining staggered over coming months
- Acquisition in Ruimsig
- Further acquisitions and expansions negotiated
- Green, top security, technologically advanced



Residential Rental Investments

Challenges

- Lack of available properties in well located metropolitan areas
- Remaining at the forefront of innovative product offerings
- Diversification across markets and geographic locations
- Balancing yield targets with escalating costs



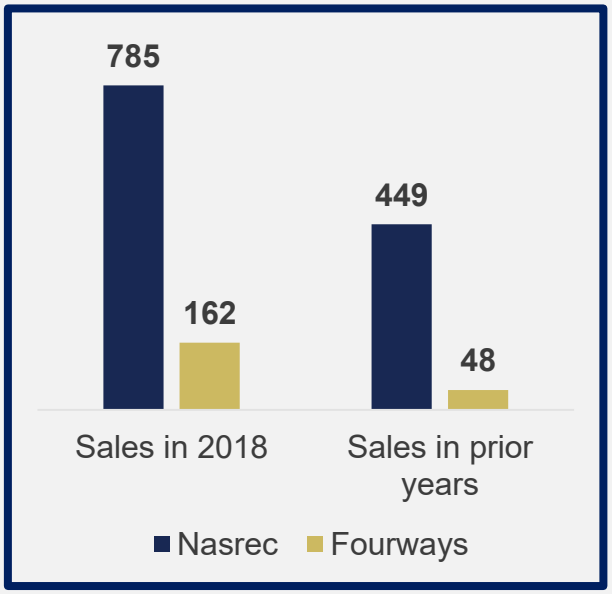
Memorial Parks

CALGRO M3 Group



Memorial Parks

- Target >10% contribution for 2019 financial year
- Large sums revenue delayed due to:
  - Perpetuity maintenance and security
  - A deferred sale is only accounted for when all money received
- 127 425 burial sites available



Enokuthula Memorial Park

Fourways Memorial Park

Nasrec Memorial Park

Durbanville Memorial Park

Avalon Memorial Park

Memorial Parks

CALGRO M3 Group

Challenges

- Market acceptance (as alternative to traditional cemeteries)
- Market education
- Ensuing greater brand awareness and aspiration
- Policy sales

Nasrec Memorial Park won the "Landscape Construction" and the "Landscape and Turf Maintenance" Water-Wise Awards at the 2017 South African Landscapers Institute Awards. The Group will continue to develop and implement water-saving initiatives throughout the project cycle.

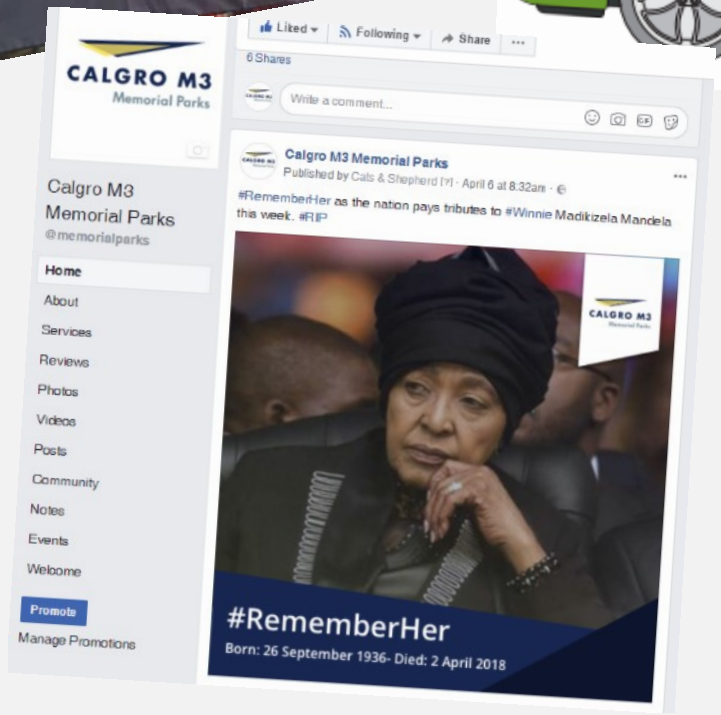


Brand awareness

CALGRO M3
Group





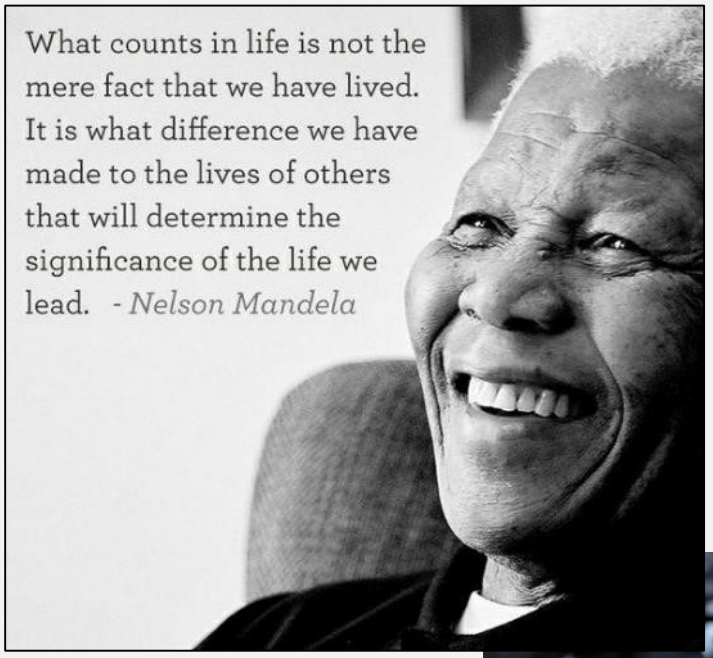


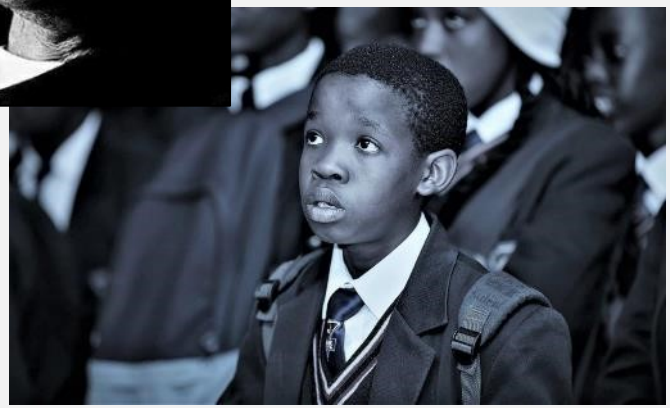


Making a difference – education









Making a difference - schooling









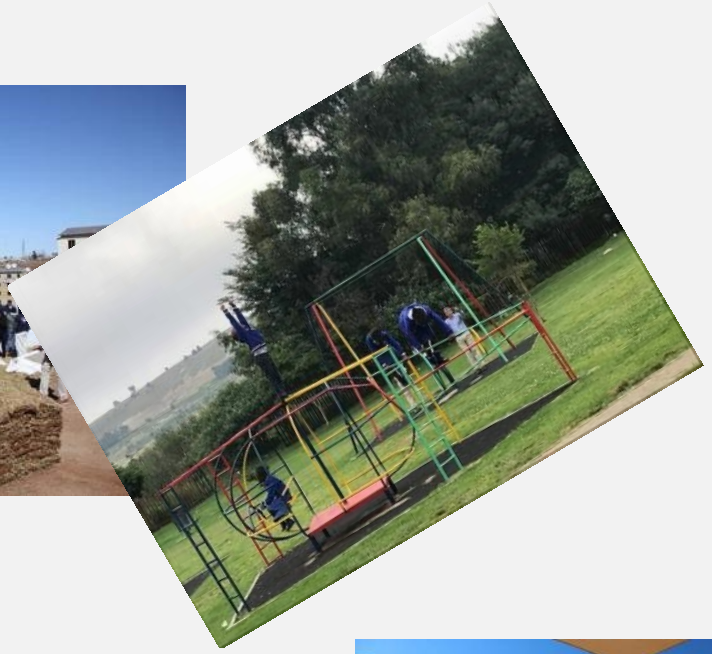


We invest in the development of shared public spaces for the community and in social, educational, sport and recreational facilities

Making a difference – fun time

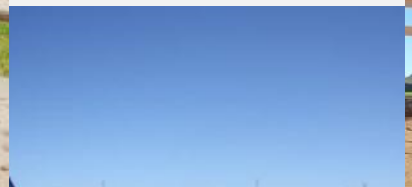
















Making a difference

CALGRO M3 Group



NELSON MANDELA INTERNATIONAL DAY























3

FINANCIAL REVIEW

New metrics

CALGRO M3 Group

Core earnings per share

"Core EPS"

Earnings per share before elimination of unrealised profits from development of units to the REIT JV

Core headline earnings per share

"Core HEPS"

Headline earnings per share before elimination of unrealised profits from development of units to the REIT JV

Core operating profit

Operating profit before elimination of unrealised profits from development of units to the REIT JV

Statement of Comprehensive Income

CALGRO M3 Group

	Movement %	2018	2017
Revenue	12.09	1 742 602 162	1 554 679 657
Reversal of unrealised profit adjustment		88 012 186	1 176 383
Adjusted revenue	17.66	1 830 614 348	1 555 856 040
Combined revenue	16.71	2 322 494 424	1 989 920 938
Reversal of unrealised profit adjustment		88 012 186	1 176 383
Adjusted combined revenue	21.06	2 410 506 610	1 991 097 321
Operating profit		149 925 996	228 964 661
Reversal of unrealised profit adjustment		88 012 186	1 176 383
Adjusted operating profit	3.39	237 938 182	230 141 044
Core earnings per share ("Core EPS")	9.81	147.26	134.10
Core headline earnings per share ("Core HEPS")	6.97	143.47	134.12
Return on equity		10.99%	18.36%
Return on equity (including unrealised profit)		16.76%	18.42%
Unrealised profit*			
Unrealised profit before tax		88 012 186	1 176 383
Income tax at 28%		(24 643 412)	(329 387)
Unrealised profit after tax		63 368 774	846 996
Unrealised profit – share of profit of joint ventures and associates		4 999 225	475 276
Total post tax profit reversal		68 367 999	1 322 272

Statement of Comprehensive Income (continue)

CALGRO M3 Group

	2018	2017
Gross profit % reconciliation		
Gross profit	270 089 275	334 162 888
Reversal of unrealised profit adjustment	88 012 186	1 176 383
Adjusted gross profit	358 101 461	335 339 271
Gross profit %	15.50%	21.49%
Adjusted gross profit %	19.56%	21.55%
Gross profit	270 089 275	334 162 888
Other income	12 921 627	16 599 999
Administrative expenses	(131 774 832)	(118 097 814)
Other expenses	(1 310 074)	(3 700 412)
Operating profit	149 925 996	228 964 661
Finance income	28 956 566	19 994 575
Finance costs	(16 687 428)	(21 919 191)
Share of profit of joint ventures and associates – net of tax	9 560 505	6 269 280
Profit before tax	171 755 639	233 309 325
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in cents per share)		
– basic	93.91	133.06
– diluted	92.00	129.00

Finance cost analysis

	2018	2017
Total finance cost incurred	83 320 134	65 161 409
Less: Amounts capitalised on qualifying assets (inventory)	(24 567 250)	(21 397 723)
Less: Amounts capitalised on qualifying assets (construction contracts)	(42 065 456)	(21 844 495)
Finance cost per statement of comprehensive income	16 687 428	21 919 191
Total finance cost expensed in Statement of Comprehensive Income		
Finance cost expense	16 687 428	21 919 191
Capitalised to construction contracts – IAS 11: *Recognised in Cost of Sales*	42 065 456	21 844 495
Capitalised to inventory – IAS 18: *Recognised in Cost of Sales*	1 605 146	710 402
Total effectively expensed in statement of comprehensive income	60 358 030	44 474 088

Statement of Financial Position

CALGRO M3 Group

	2018	2017
ASSETS		
Non-current assets		
Investment property	**8 878 835**	6 518 700
Property, plant and equipment	**6 162 697**	5 805 870
Intangible assets	**159 663 860**	159 690 798
Investment in joint ventures and associates	**41 908 822**	12 348 966
Deferred income tax asset	**23 999 056**	14 846 951
	240 613 270	199 211 285
Current assets		
Loans to joint ventures and associates	**143 422 183**	26 450 965
Inventories	**554 397 497**	595 989 480
Current tax receivable	**16 599 506**	18 603 111
Construction contracts	**1 820 973 990**	1 383 647 602
Work in progress	**–**	3 889 550
Trade and other receivables	**293 739 145**	276 198 353
Cash and cash equivalents	**156 722 935**	240 765 157
	2 985 855 256	2 545 544 218
Total assets	**3 226 468 526**	2 744 755 503

Statement of Financial Position (continue)

CALGRO M3 Group

	2018	2017
Equity		
Equity attributable to owners of the parent		
Stated capital	**116 255 971**	116 255 971
Share-based payment reserve	**74 056 311**	60 847 268
Retained income	**977 014 965**	846 079 473
	1 167 327 247	1 023 182 712
Non-controlling interests	**355 011**	(101 281)
Total equity	**1 167 682 258**	1 023 081 431
Liabilities		
Non-current liabilities		
Deferred income tax liability	**354 283 263**	302 357 733
	354 283 263	302 357 733
Current liabilities		
Borrowings	**889 596 522**	571 645 578
Current income tax liabilities	**22 652**	9 069
Trade and other payables	**814 883 831**	847 661 692
	1 704 503 005	1 419 316 339
Total liabilities	**2 058 786 268**	1 721 674 072
Total equity and liabilities	**3 226 468 526**	2 744 755 503

Covenants

CALGRO M3 Group

	Movement %	2018	2017
Working capital invested (inventory, construction contracts, trade and other receivables)	18.32	**2 669 110 632**	2 255 835 435
Cash and cash equivalents	(34.91)	**156 722 935**	240 765 157
Borrowings	55.62	**889 596 522**	571 645 578
Net debt to equity ratio		**0.75**	0.42
Covenant (target below covenant)		**1.5**	1.5
Debt service cover ratio ("DSCR")		**1.57**	1.83
Covenant (target above covenant)		**1.2**	n/a
Current ratio		**1.75**	1.79

Statement of cashflows

	2018
Cash generated from operations	(205 838 542)
Total investment into REIT JV units at year-end	392 260 211
Adjusted cash generated from operations excluding REIT JV units	186 421 669

At 28 February 2018, the estimated cash flow upside on completion of all the first phase (3 852 units) REIT units, after the deduction of our equity contribution is illustrated below:

	2018
Total cost to complete units	(338 665 280)
Total funds to be received on completion	1 162 334 234
Less: Deposit	(177 027 026)
	646 641 928
Less: Equity contribution to the REIT JV	(384 451 436)
Total cash upside upon completion to be used for future working capital	262 190 492

Statement of Cashflows (continue)

CALGRO M3 Group

	2018	2017
Net cash (utilised in)/generated from operating activities	**(276 377 195)**	238 183 518
Net cash invested in investing activities	**(129 532 596)**	(116 890 703)
Cash flows from financing activities		
Proceeds of borrowings	516 000 000	239 809 420
Repayment of borrowings	(192 000 000)	(206 914 744)
Equity (paid back)/received in advance	(2 132 431)	6 506 861
Net cash from financing activities	**321 867 569**	39 401 537
Net (decrease)/increase in cash and cash equivalents	**(84 042 222)**	160 694 352
Cash and cash equivalents at the beginning of the year	240 765 157	80 070 805
Cash and cash equivalents at the end of the year	**156 722 935**	240 765 157

IFRS 15

CALGRO M3 Group

IFRS 15

Revenue from contracts with customers

Why is this important?

The new revenue recognition standard ("IFRS 15") is applicable to the Group from 1 March 2018. The accounting teams are working closely with technical experts to analyse the effect this will have on current revenue recognition patterns (revenue at a point in time or recognised over time).

The full impact of this new standard cannot be determined yet, but it is our view that it will have a substantial impact on the timing of revenue recognition on certain of our projects and contracts.



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Looking forward

Our expectations going forward

- Political and economic conditions to improve
  - Partial uncertainty both locally and internationally
    - Decreased unemployment
    - Retail and manufacturing improvement
    - Delayed recovery in property sector towards end-2019
- Government budget shortfall will take long time to recover
- More community and labour unrest expected as “man on the street” voices unhappiness and needs to be heard



Our market

- Housing and burial site shortfall
- Consumer under financial pressure
- Greater indebtedness in mid-income market
- New bad debts rising
- Expect no further interest rate changes (increase or decrease)

Despite the desperate need for housing close to places of work, it is unlikely that over the next 12 – 18 months government will be able to spend sufficiently to impact the gap in even a small way

Group operational challenges

- Economic and political landscape
- Illegal land grabs
- Effect of shift in focus
- Remain relevant to customers
- Modularity
- Most efficient and best in class team
  - How do we retain that team?
- How do we assist public sector without reliance?
- How do we source funding and control funding risk?

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.



What's in store for the coming year?

CALGRO M3 Group

Integrated Developments

- Continued focus on marketing and sales (stimulate private sector sales)
- Remain flexible in exposure between public and private sector
- Realise various retail, commercial and industrial sites on developments
- Strengthen management teams

Residential Rental Investment

- Capitalise on estimated 1.5 million residential rental units shortage
- Investigating developments for acquisition opportunities
- Ensure environmentally and technologically advanced units
- Diversification across markets and geographic locations

What's in store for the coming year?

CALGRO M3 Group

Memorial Parks

- Overcrowding of traditional government cemeteries provides opportunities
- Increased marketing to ensure increased sales
- Increase policy sales to support annuity income
- Successfully integrate Western Cape and Free State
- Conclude possible acquisitions in at least one more province

Commitment to shareholders



Take away


Diversity and flexibility
Retains underlying theme of property development
Promotes and enhances social principles
Calgro M3
Building annuity income
Agile with a hands-on approach
Understands public sector
Sustainable and responsible citizen

Thank you

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Available on the Calgro M3 website today:

- 2018 Integrated Annual Report
- 2018 Sustainability Report
- GRI Index
- King IV application register



Disclaimer

Calgro M3 has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this presentation, including all information that may be defined as 'forward-looking statements'.

Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or its sector to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements.

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Calgro M3 does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party thereon.



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APPENDIX

Project pipeline

CALGRO M3 Group

Residential Property Development

Project	Municipality	Region – Province	Government/Private	Progress update	Number of units/ Remaining units	Anticipated project turnover for remaining units Rands
32-on-Pine Witkoppen Ext 142	City of Joburg	Gauteng	Private	Awaiting town planning approval	59	146 693 371
Belhar CBD	City of Cape Town	Western Cape	Private	Under development	3 558	1 235 536 601
Bridge City	eThekwini	KwaZulu-Natal	Private	Commence in three months	356	132 665 217
Fleurhof	City of Joburg	Gauteng	Private/Public	Under development	5 380	3 134 841 209
Jabulani CBD	City of Joburg	Gauteng	Private/Public	Under development	672	191 241 319
Jabulani Hostels	City of Joburg	Gauteng	Private/Public	Under development	325	119 071 102
Jabulani parcel K	City of Joburg	Gauteng	Private/Public	Under development	1 410	482 916 306
KwaNobuhle	Nelson Mandela Bay Metropolitan Council	Eastern Cape	Private/Public	Awaiting town planning approval	12 964	5 342 360 323
La Vie Novelle	City of Johannesburg	Gauteng	Private	Under development	193	403 284 175
Remaining Cluster portfolio/Storage units for sale	City of Joburg	Gauteng	Private	Awaiting town planning approval	255	313 000 000
Scottsdene	City of Cape Town	Western Cape	Private/Public	Under development	1 035	215 630 770
South Hills	City of Joburg	Gauteng	Private/Public	Under development	4 523	2 484 167 404
Summerset	City of Joburg	Gauteng	Private	Under development – near completion	32	19 521 951
Tanganani Ext 14	City of Joburg	Gauteng	Private/Public	Awaiting town planning approval	11 624	4 790 157 081
Umhlanga Hills	eThekwini	KwaZulu-Natal	Private	Awaiting town planning approval	1 376	1 206 880 947
Vista Park Ext 3	Mangaung Metropolitan Council	Free state	Private/Public	Awaiting town planning approval	5 320	1 781 194 737
Vredehoek	City of Cape Town	Western Cape	Private	Commencement towards end of 2019	260	734 929 201
Witpoortjie	City of Joburg	Gauteng	Private/Public	Under development	5 034	2 567 297 154
					54 376	25 301 388 868

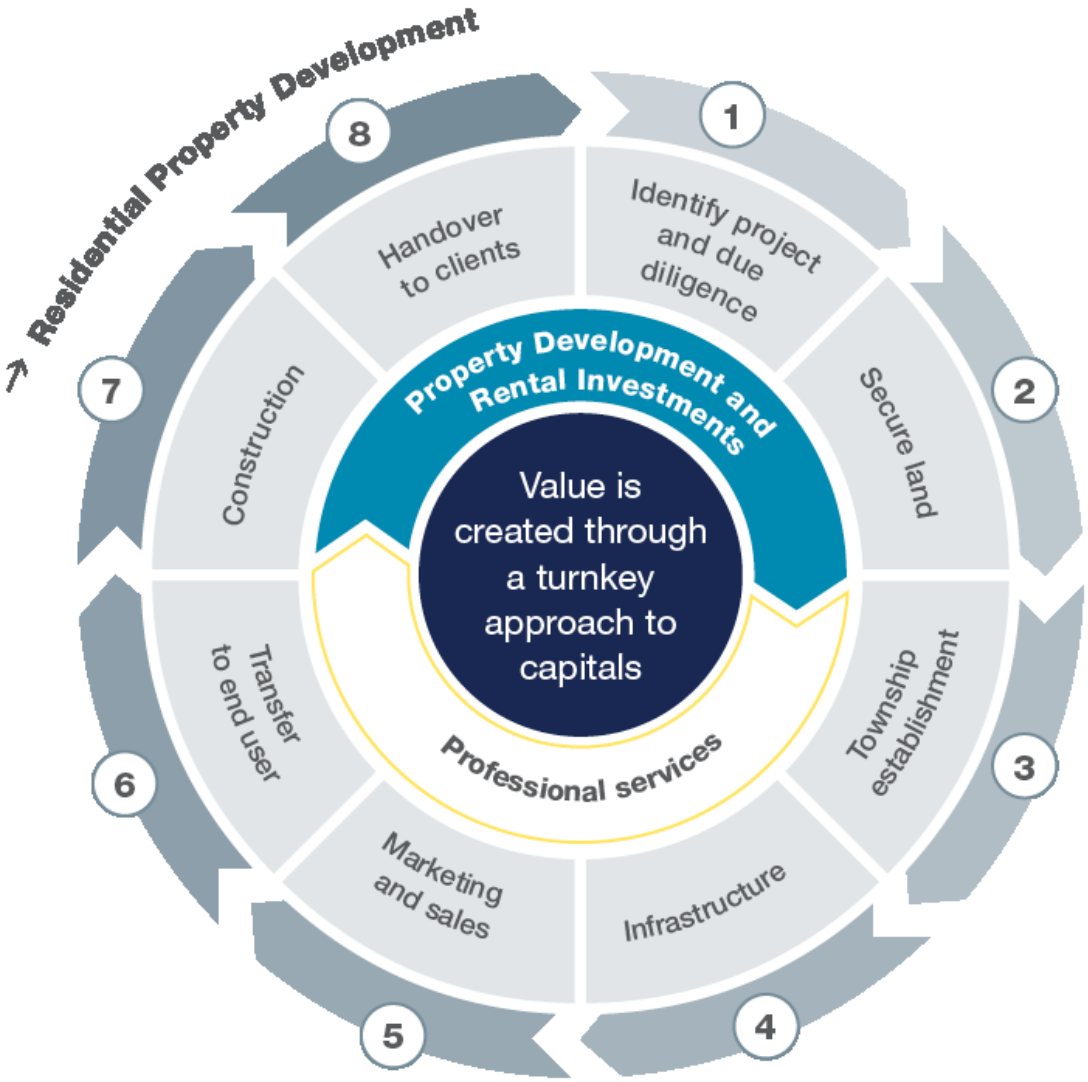
Memorial Parks

Project	Municipality	Region/Province	Number of units	Anticipated project turnover Rand
Nasrec	City of Joburg	Gauteng	41 832	942 544 835
Fourways	City of Joburg	Gauteng	13 247	396 126 404
Enokuthula	Springs	Gauteng	11 346	142 959 600
Avalon	Bloemfontein	Free State	46 500	504 385 965
Durbanville	City of Cape Town	Western Cape	14 500	171 271 930
			127 425	2 157 288 734

Residential Rental Investments

Project	Municipality	Region/ Province	Partner	Number of units	Anticipated project turnover Rand	Commencement date
Fleurhof	City of Joburg	Gauteng	AFHCO	828	318 242 400	Under construction
Jabulani CBD	City of Joburg	Gauteng	AFHCO	288	104 630 400	Under construction
South Hills	City of Joburg	Gauteng	AFHCO	892	485 835 640	Under construction
Belhar CBD	City of Cape Town	Western Cape	AFHCO	1 000	447 300 000	Under construction
Scottsdene	City of Cape Town	Western Cape	AFHCO	844	317 114 231	Under construction
Rulmslg	City of Joburg	Gauteng	To be determined	480	402 400 000	Under construction
				4 332	2 075 522 671	

Residential property development business model



Memorial Parks business model

