# Results Presentation

## Final Results for the Year Ended 29 Feb 2016

May 2016



CALGRO M3

Building Legacies, Changing Lives



# Agenda

- Introduction and Highlights
- Business Model
- Financial Review
- Operational Review
- Risks
- Market Trends
- Prospects

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# Calgro M3 Introduction

Calgro M3 – what do we do?

- Property developer
- Primary focus on lower end of residential market and private memorial parks
  - Specifically integrated projects
  - To assist South Africa mend traditional social structures
- And have
    - In-house professional services
    - In-house marketing capability
    - Does bulk of its own construction

**In an endeavour to provide a cost effective turnkey solution**



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# Highlights

## Financial highlights

- Operating Profit 91.2% to R160.2 m
- EPS 33.3% to 152.77 cps
- Profit after tax 32.7% to R193.2 m

## Key ratios

- Gross profit margin 20.89%
- Return on Equity 32.5%
- Return on Net Tangible Assets 29.2%

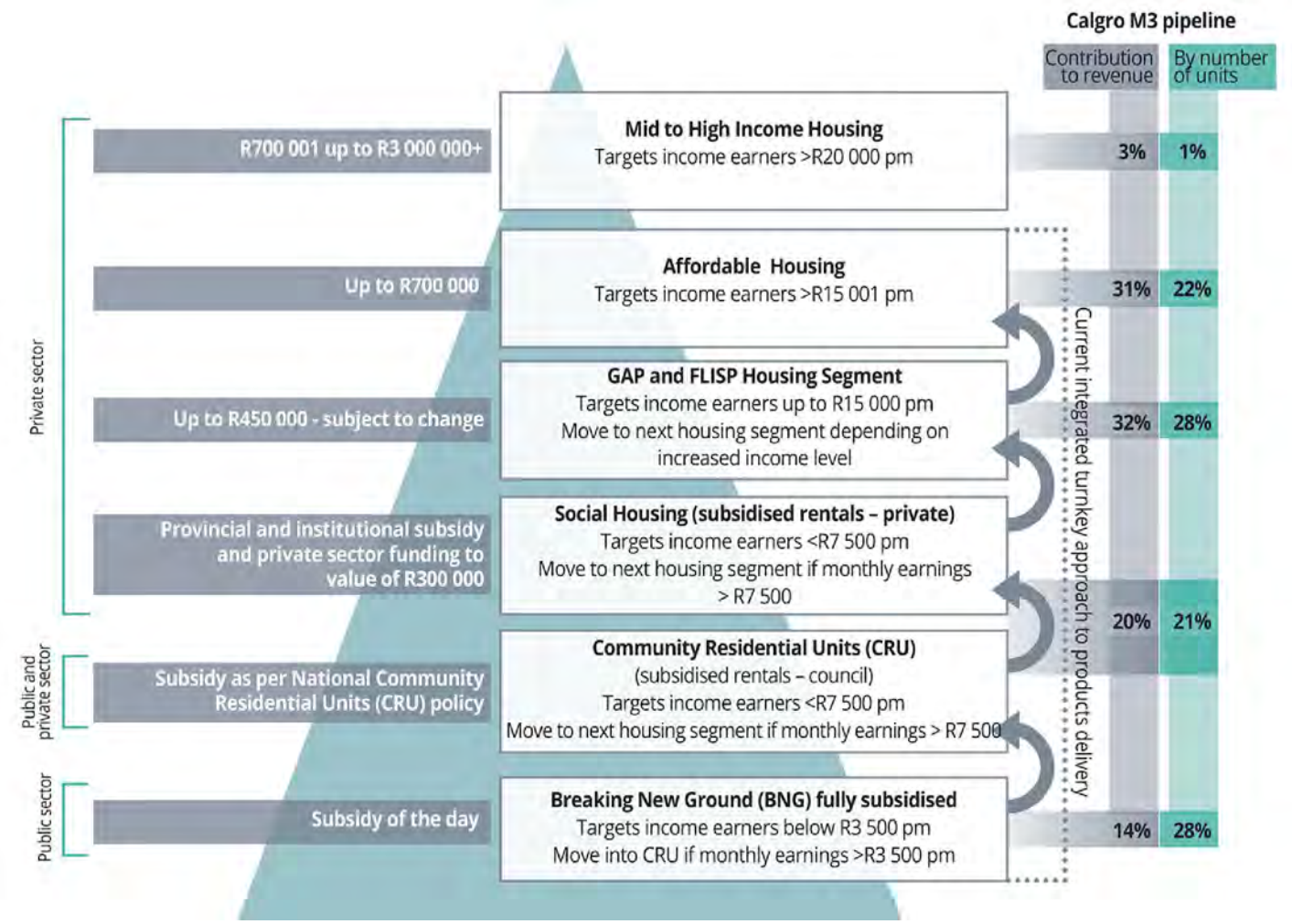
## Cash flow and debt

- No dividend payment
- Net Debt/Equity ratio 0.59 vs 0.62 (2015)



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# Products: Property Development





# TYPICAL CALGRO M3 INTEGRATED DEVELOPMENT




# Calgro M3 Integrated Development

Fleurhof, Johannesburg, Gauteng



# Calgro M3 Integrated Development

Fleurhof, Johannesburg, Gauteng



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# Calgro M3 Integrated Development

Fleurhof, Johannesburg, Gauteng



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# Calgro M3 Integrated Development

Fleurhof, Johannesburg, Gauteng



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# Calgro M3 Integrated Development

Jabulani Hostels re-development, Soweto, Gauteng





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# Calgro M3 Integrated Development

South Hills, Johannesburg, Gauteng



# Calgro M3 Integrated Development

Scottsdene, Cape Town, Western Cape



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# Calgro M3 Integrated Development

Belhar, Cape Town, Western Cape

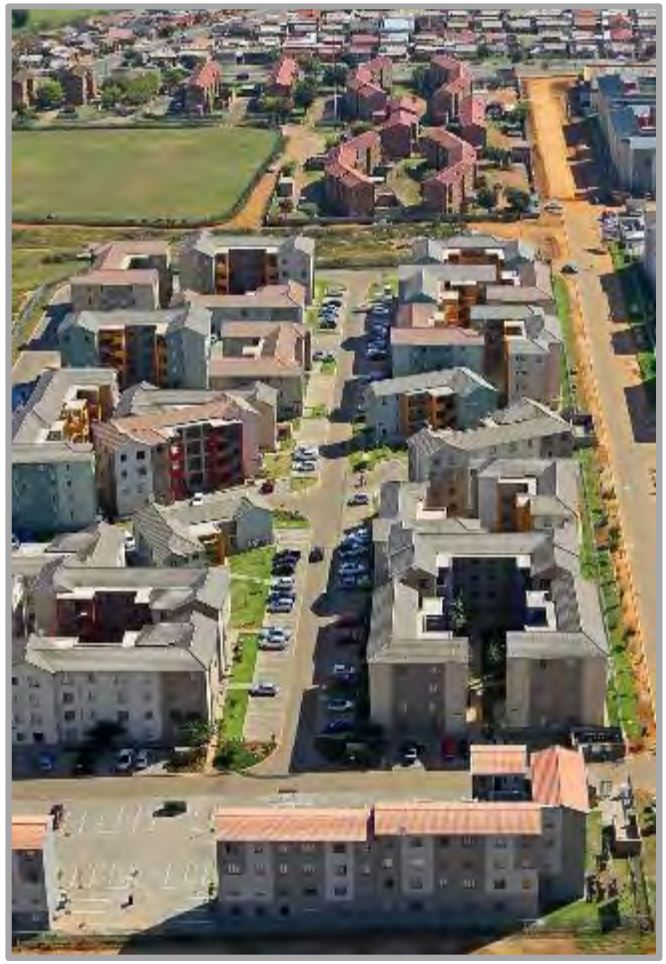


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# Calgro M3 Integrated Development

Jabulani CBD Development



Scottsdene Development



# Affordable Housing Development

Summerset Development, Midrand, Gauteng









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# Retirement & Lifestyle Estate

La Vie Nouvelle Retirement & Lifestyle Estate, Broadacres, Gauteng









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# Calgro M3 Mid-to-High

Mid-to-High Market Segment

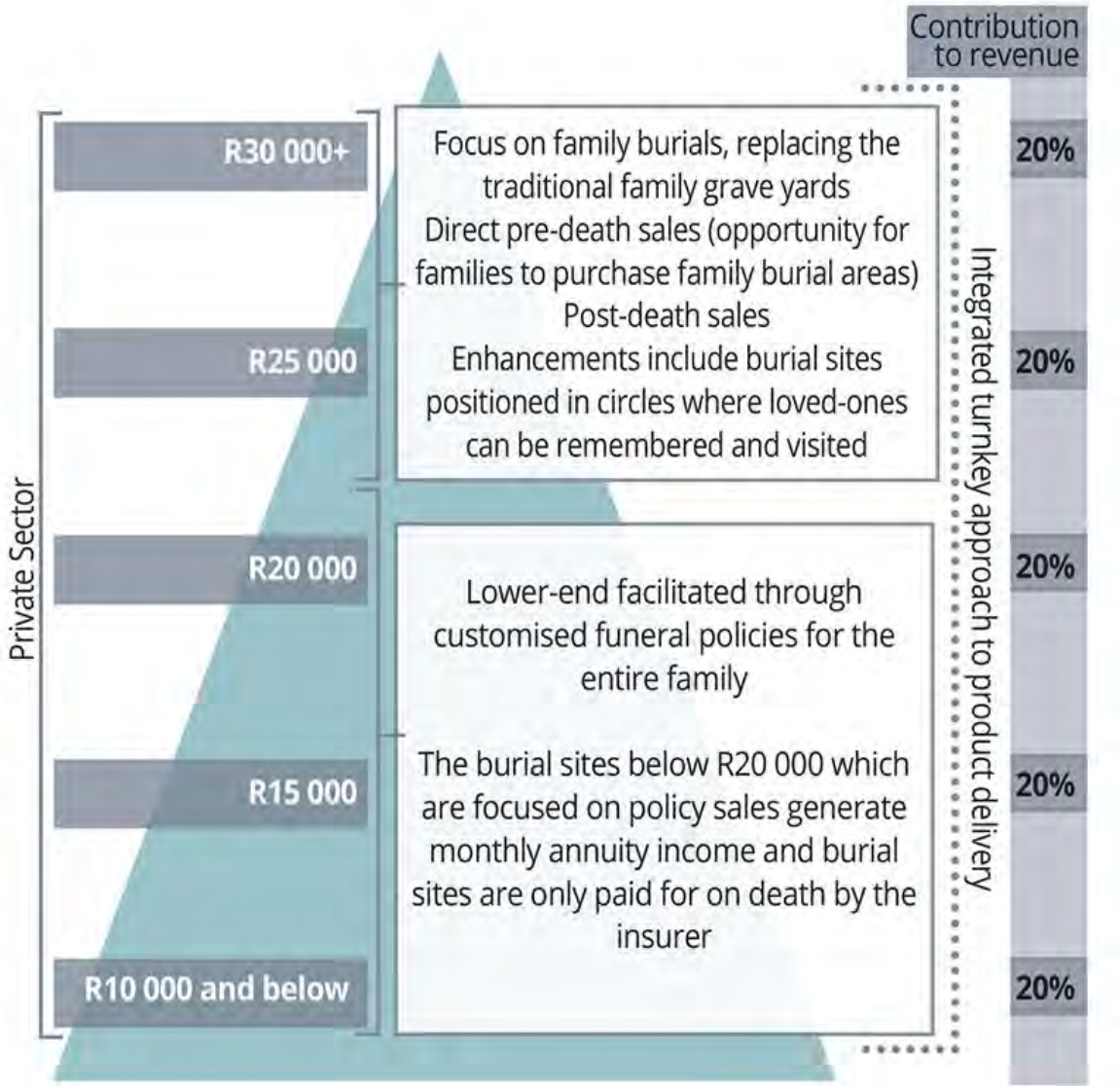






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# Products: Memorial Parks



# Calgro M3 Memorial Parks

Nasrec Private Memorial Park, Johannesburg, Gauteng



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# Calgro M3 Memorial Parks

Nasrec Private Memorial Park, Johannesburg, Gauteng



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# Calgro M3 Memorial Parks

Nasrec Private Memorial Park, Johannesburg, Gauteng





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# Product Integration

| Segment: | Contribution to revenue: |
| --- | --- |
| Property Development | 98.3% |
| Professional Services | 1.7% |
| Memorial Parks | 0.1% |

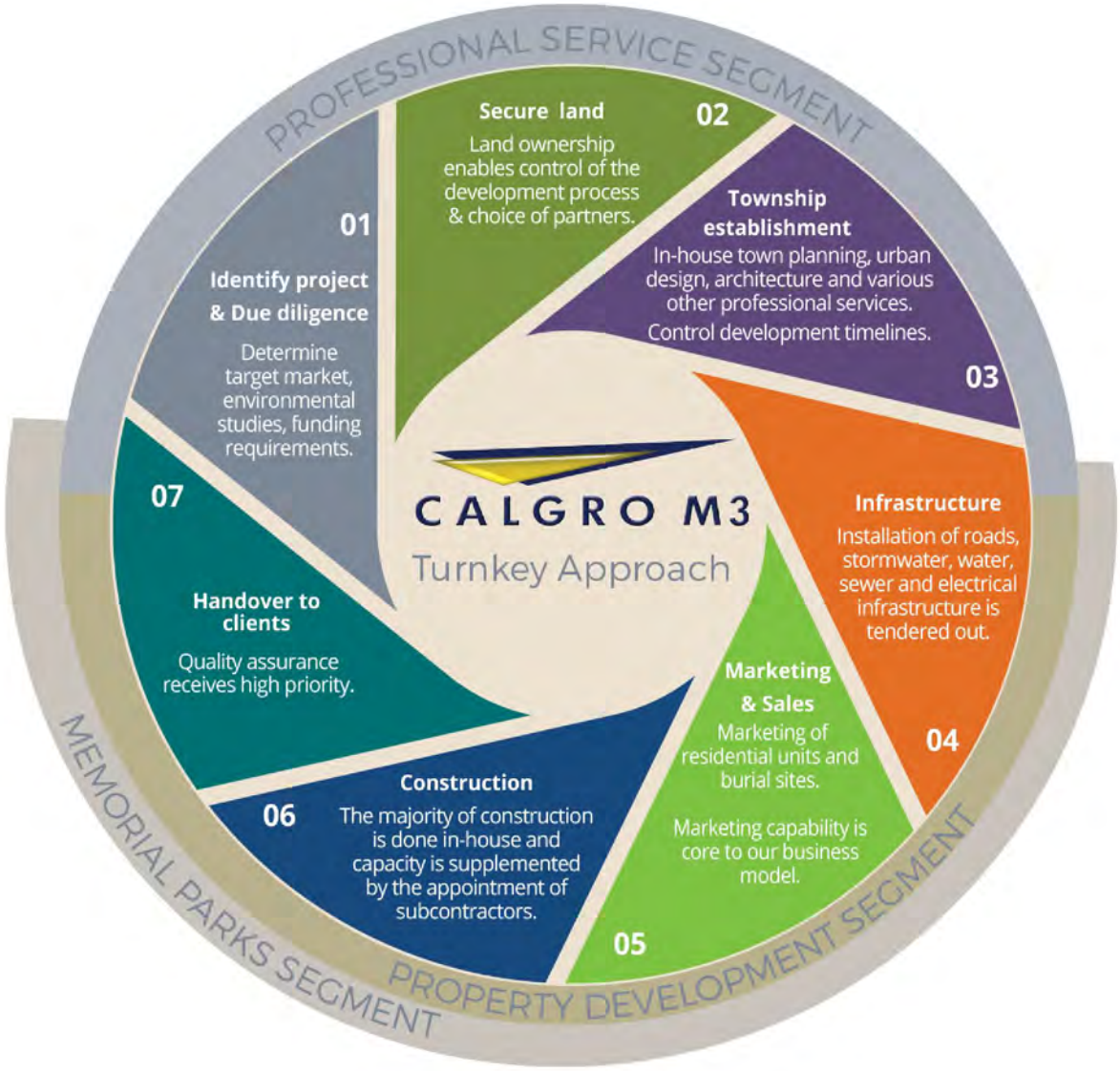
Growth area



# BUSINESS MODEL




# Business Model





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# Project Pipeline Growth

2015 **R19bn** → 2016 **R27bn**

**Attributable to:**

| | |
|---|---|
| • Fleurhof (Joburg) | +220 units |
| • South Hills (Joburg) | +877 units |
| • Tanganani Ext 14 (Joburg North) | +1,889 units |
| • Leratong (Mogale City) | +12,000 units |
| • La Vie Nouvelle (Joburg North) | +38 units |
| • Scottsdene (Cape Town) | + 12 units |

| | |
|---|---|
| • Memorial Parks (Nasrec) | +46,271 burial sites |



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# Project Pipeline

A solid pipeline in place to support the sustainability of Calgro M3

| Project | Total no of units in project | Total no of units still to be completed and/or in progress | Unit typology | | | | | Revenue to completion Rm |
|---|---|---|---|---|---|---|---|---|
| | | | BNG Housing | CRU & Social Housing | GAP, FLISP, Rental & Student Housing | Affordable Housing | Mid-to-high | |
| **Residential Pipeline** | | | | | | | | |
| **GAUTENG** | | | | | | | | |
| Fleurhof - Joburg | 10 411 | 4 133 | 3 236 | 1 334 | 3 719 | 2 122 | 0 | **2 235** |
| Jabulani CBD - Parcels A, B, C & D - Soweto | 2 460 | 1 160 | 0 | 300 | 2 160 | 0 | 0 | **401** |
| Jabulani CBD – Parcel K - Soweto | 1 410 | 1 410 | 705 | 705 | 0 | 0 | 0 | **562** |
| Jabulani Hostels Phase 2 – Soweto | 663 | 663 | 663 | 0 | 0 | 0 | 0 | **208** |
| Witpoortjie – Joburg West | 3 117 | 3 117 | 938 | 779 | 300 | 1 100 | 0 | **948** |
| South Hills – Joburg | 6 204 | 6 204 | 1 904 | 457 | 2 397 | 1 446 | 0 | **2 300** |
| Tanganani Ext 14 – Joburg North | 8 822 | 8 822 | 2 596 | 3 159 | 2 492 | 575 | 0 | **3 503** |
| Leratong - Mogale City | 12 000 | 12 000 | 4 200 | 2 400 | 2 400 | 3 000 | 0 | **5 747** |
| La Vie Nouvelle – Joburg North | 330 | 297 | 0 | 0 | 0 | 0 | 330 | **267** |
| Summerset Place – Midrand | 280 | 182 | 0 | 0 | 0 | 280 | 0 | **319** |
| Balance of Mid-to-high | 330 | 330 | 0 | 0 | 0 | 0 | 330 | **297** |
| **EASTERN CAPE** | | | | | | | | |
| Kwa Nobuhle – Port Elizabeth | 14 000 | 14 000 | 4 960 | 2 333 | 2 333 | 4 374 | 0 | **5 013** |
| **WESTERN CAPE** | | | | | | | | |
| Scottsdene – Cape Town | 2 897 | 1 171 | 549 | 1 141 | 997 | 210 | 0 | **434** |
| Belhar – Cape Town | 3 616 | 2 989 | 0 | 627 | 2 973 | 16 | 0 | **1 044** |
| **FREE STATE** | | | | | | | | |
| Brandwag – Bloemfontein | 1 051 | 51 | 0 | 1 051 | 0 | 0 | 0 | **17** |
| Vista Park Ext 3 – Bloemfontein | 5 320 | 5 304 | 1 596 | 1 500 | 1 045 | 1 179 | 0 | **1 905** |
| **NAMIBIA** | | | | | | | | |
| Otjomuise - Phase 1 | 2 523 | 2 073 | 0 | 0 | 0 | 2 523 | 0 | **797** |
| **Residential Total** | **75 434** | **63 906** | **21 347** | **15 786** | **20 816** | **16 825** | **660** | **25 997** |

| Project | Total no of burial plots in project | Total no of units still to be completed and/or in progress | Typology | | | | | Revenue to completion Rm |
|---|---|---|---|---|---|---|---|---|
| | | | Burial sites | Interment | Wall of remember-ance plagues | | | |
| **Memorial Park pipeline** | | | | | | | | |
| **GAUTENG** | | | | | | | | |
| Nasrec | 46 271 | 46 036 | 39 271 | 2 000 | 5 000 | | | **1 241** |
| **Memorial Park Total** | **46 271** | **46 036** | **39 271** | **2 000** | **5 000** | **0** | **0** | **1 241** |

| **Grand Total** | | | | | | | | **27 238** |
|---|---|---|---|---|---|---|---|---|



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# National Footprint




| Namibia | Western Cape | Free State | Eastern Cape |
|---|---|---|---|
| Otjomuise 2 523 units | Scottsdene 2 897 units | Brandwag 1 051 units | Kwa Nobuhle 14 000 units |
| | Belhar 3 616 units | Vista Park 5 320 units | |

| Gauteng | |
|---|---|
| Fleurhof 10 411 units | Residential Units |
| South Hills 6 204 units | |
| Jabulani CBD 3 870 units | |
| Witpoortjie 3 117 units | |
| La Vie Nouvelle 330 units | |
| Summerset Place 280 units | |
| Jabulani Hostels 663 units | |
| Tanganani Ext 14 8 822 units | |
| Leratong 12 000 units | |
| Balance (mid-high income) 330 units | |
| Nasrec 46 271 burial opportunities | Memorial Parks |



# FINANCIAL REVIEW



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# Non-standard Transactions

**Purchase remaining 30% of Fleurhof**

- R243 million
- Unlock synergies
- All income accrues to Calgro M3 (not to JV partners)

**Share scheme restructure**

- Settlement of old cash settled SAR
- Executive share scheme



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# Share Scheme's

| R'000 | Summary of Future Expenses | | | | | |
|---|---|---|---|---|---|---|
| | 2016 FY | 2017 FY | 2018 FY | 2019 FY | 2020 FY | 2021 FY |
| Previous SAR (variable) | 966 | 924 | 924 | 416 | - | - |
| Executive Scheme (fixed) | 26 682 | 26 682 | 23 392 | 21 199 | 18 204 | 7 185 |
| SAR Settlement (fixed) | 12 190 | 4 579 | 3 385 | - | - | - |
| **Total** | **39 838** | **32 185** | **27 701** | **21 615** | **18 204** | **7 185** |



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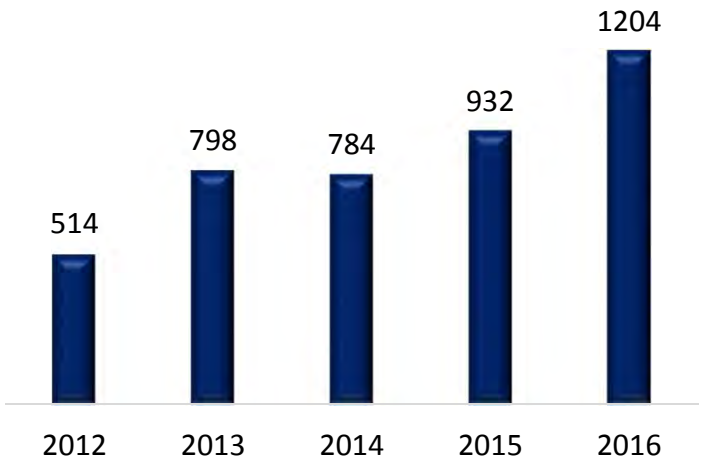
# Comprehensive Income

| R'000 | Change % | Audited Year-ended 29 Feb 2016 | Audited Year-ended 29 Feb 2015 |
|---|---|---|---|
| Revenue | 29.2 | **1 204 064** | 932 205 |
| Cost of sales | 25.8 | **(952 571)** | (757 334) |
| Gross profit | 43.8 | **251 547** | 174 871 |
| *Gross profit margin* | | ***20.89%*** | *18.76%* |
| Other income | 128.5 | **19 466** | 8 521 |
| Admin and other expenses | 11.3 | **(110 846)** | (99 591) |
| Operating profit | 91.1 | **160 167** | 83 801 |
| Profit before taxation | 42.3 | **239 275** | 168 149 |
| Taxation | 104.7 | **(46 090)** | (22 520) |
| Profit after taxation | **32.7** | **193 185** | 145 629 |

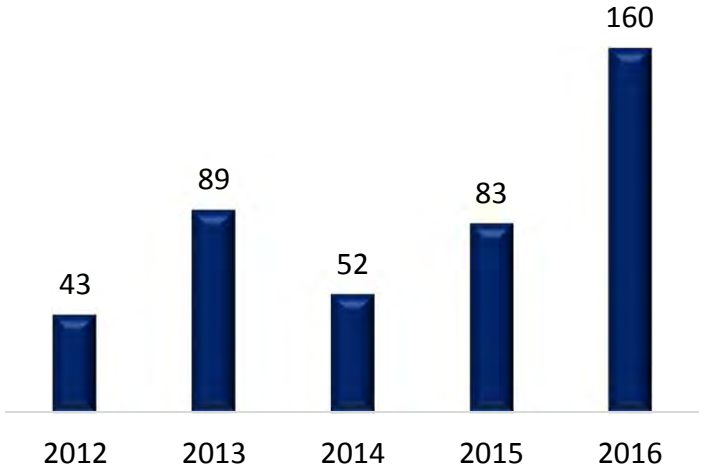



# 5 Year Performance

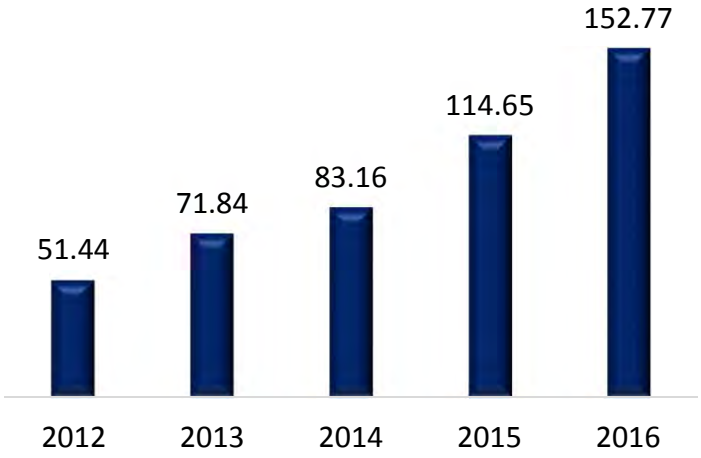
## Revenue (R'm)



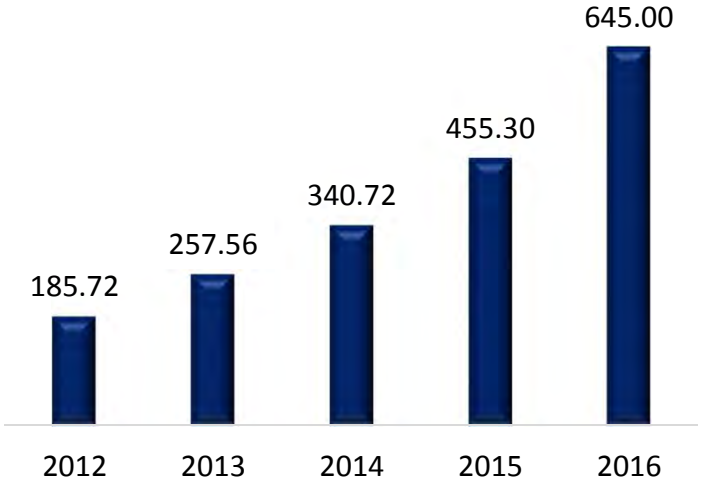

## Operating Profit (R'm)




## Basic EPS (Cents)




## NAV per share (Cents)





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# Financial Position

| R'000 | Change % | Audited Year-ended 29 Feb 2016 | Audited Year-ended 29 Feb 2015 |
|---|---|---|---|
| | | | |
| Non-Current assets | | | |
| Other | | 17 615 | 21 323 |
| Intangible assets | | 159 039 | 40 971 |
| Investment in joint ventures and associates | | 6 080 | 229 567 |
| | **-37.39%** | **182 734** | **291 861** |
| | | | |
| Current assets | | | |
| Other | | 110 043 | 171 203 |
| Inventories | | 453 093 | 498 089 |
| Construction contracts | | 910 737 | 198 212 |
| Trade and other receivables | | 285 893 | 171 100 |
| | **69.44%** | **1 759 766** | **1 038 604** |
| **Total assets** | **46.00%** | **1 942 500** | **1 330 465** |
| | | | |
| Equity and liabilities | | | |
| | | | |
| **Total equity** | **41.66%** | **819 789** | **578 682** |
| **Total liabilities** | **49.34%** | **1 122 711** | **751 783** |
| **Total equity and liabilities** | **46.00%** | **1 942 500** | **1 330 465** |



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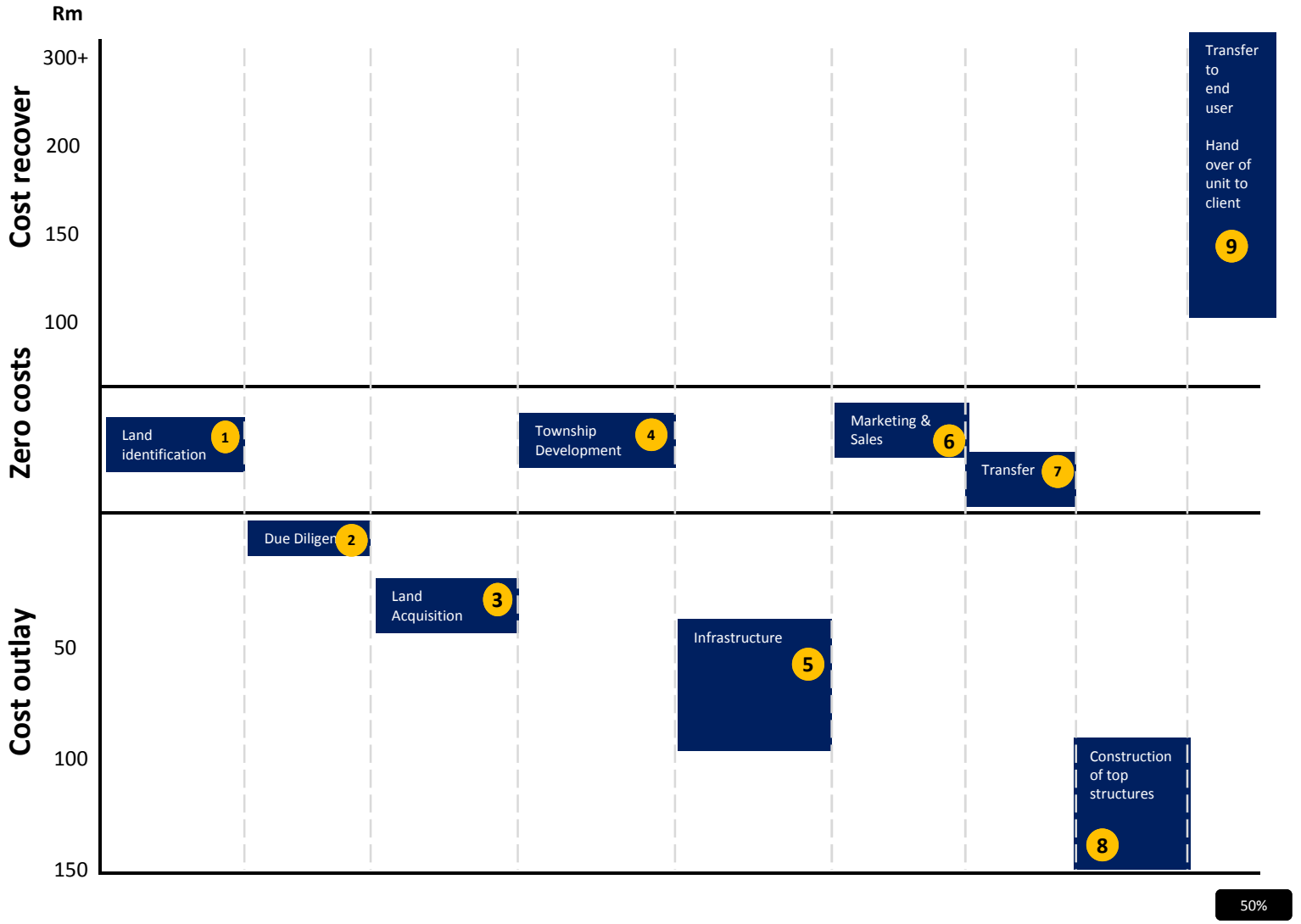
# Cash Flow

| R'000 | Change % | Audited Year-ended 29 Feb 2016 | Audited Year-ended 29 Feb 2015 |
|---|---|---|---|
| Net cash generated from operating activities | (55.1) | **35 511** | 79 177 |
| Net cash utilised in investing activities | +440 | **(140 533)** | (25 576) |
| Net cash from financing activities | +287 | **54 528** | 14 072 |
| Net cash in cash and cash equivalents | (25.4) | **(50 494)** | (67 673) |
| Cash and cash equivalents (beginning of year) | 107.6 | **130 565** | 62 893 |
| Cash and cash equivalents (end of year) | (38.7) | **80 071** | 130 565 |



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# Cash Flow Utilisation




Cashflow breakeven



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# Capital Expenditure

**Capital Management**

| | |
|---|---|
| Cash generated from operations | R102m |
| Total investments | R155m |
| Normalised/Adjusted cash generated from operations | R257m |

**Total Investments**

- La Vie Nouvelle R21,3m
- Witpoortjie R27,8m
- Memorial Parks R39,8
- Fleurhof: R66,1 m



# OPERATIONAL REVIEW



# Residential Developments

- Fleurhof remains flagship project
- Jabulani Hostels Redevelopment will contribute more positively during year ahead
- Infrastructure installation completed at Witpoortjie, South Hills, Summerset and La Vie Nouvelle in 2016
    - Revenue and cash flow contributions expected in 2017
- Scottsdene units sold and constructed but payment received late
- Belhar - 629 units being built and future phases expected to commence in latter part of 2017 financial year
- Brandwag nearing completion
- Vista Park received regulatory approvals, infrastructure installation imminent
- Building recommenced in Nambia in March 2016

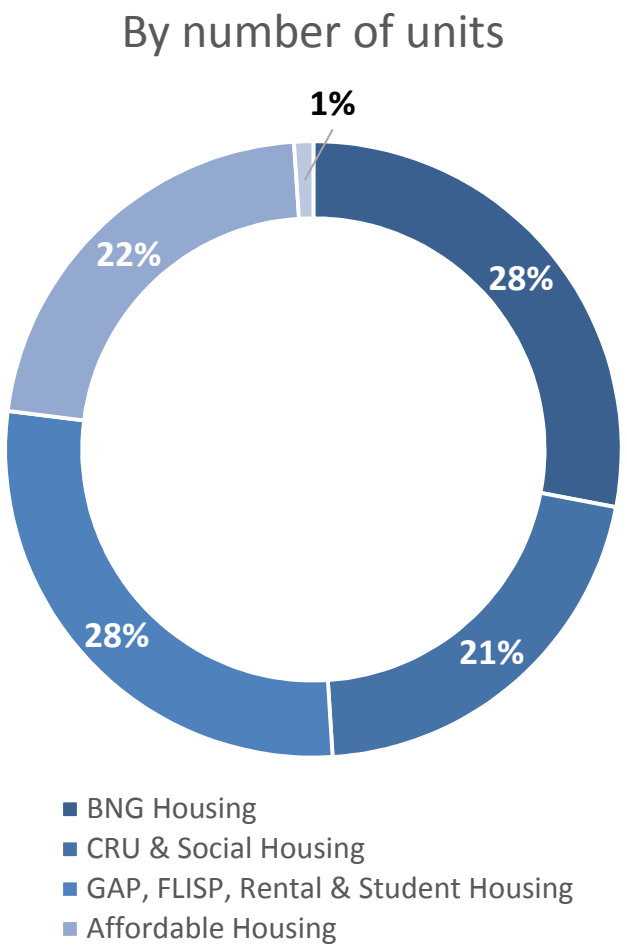
**5,837 houses constructed and 3,575 additional opportunities serviced in 2016**

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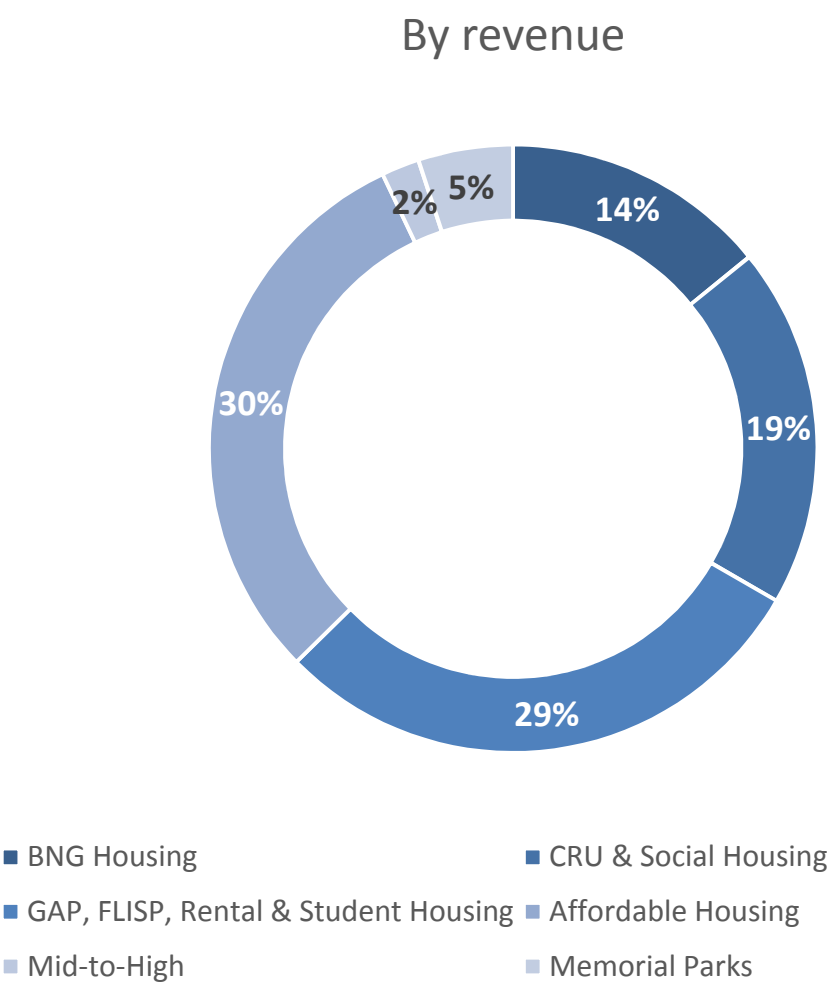
# Contribution From Pipeline





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# Contribution From Pipeline






# Professional Services

- Includes various in-house services consisting of identifying projects, due diligence, securing land, township establishment and town planning
- Adds and enhances value in turnkey business model
- Architectural department added during 2016



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# Memorial Parks

- Calgro M3 remains committed to current market segment
- Focused marketing efforts in place
- Sales increasing



# CHALLENGES AND RISKS



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# Challenges and Risks

- Macro environment and impact on projects
- BEE Compliance
- Exposure to Government
- Retention of staff
- Cash flow, uncontrolled growth and capacity
- Reputational damage due to sub-standard workmanship



# MARKETS




# Market and South African Politics

**Questions on every ones lips:**

- Exposure to Government
- Effect of interest rate hikes
- Effect of depreciating currency
- Increased competition
- Possible saving on supplies due to increased competition
- Effect of general economy down turn
- Political environment



# PROSPECTS



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# Our Drivers and Focus

**Residential Developments**

- Increased focus on diversification between
  - Contributing projects
  - Provinces
  - Paymasters
- Increased market penetration across all markets

**Memorial Parks**

- Creating a brand
- Building relationships with all role players in sector
- Enhancing insurance and annuity income products
- Sales (individual and bulk)



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# Take Away

- Solid strategy and in-depth industry knowledge
- Understanding of Government and how to interact with this strategic stakeholder
- Barriers to entry for mega and catalytic projects is high
- Established excellent reputation in the industry
- Flexibility to move between markets as economic conditions dictate
- Further diversification possible through rental market

Calgro M3 provides homes, not houses, in a constant drive to change lives and provide South Africans with a lifestyle




# Investor Relations Contacts

Ben Pierre Malherbe

E-mail: benpierre@calgrom3.com

Wikus Lategan

E-mail: wikus@calgrom3.com

Waldi Joubert

E-mail: waldi@calgrom3.com

Tel: +27 11 300 7500
www.calgrom3.com

Keyter Rech Investor Solutions – Vanessa Rech
Tel: 083-307-5600
Vrech@kris.co.za



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