Site Visit Presentation

January 2022

CALGRO M3 Group

#sustainableactions

www.calgrom3.com

Building legacies. Changing lives

Information contained in this site visit presentation refers, unless otherwise stated, to the interim results as at 31 August 2021

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.

Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

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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CALGRO M3 Group

Continued implementation of:

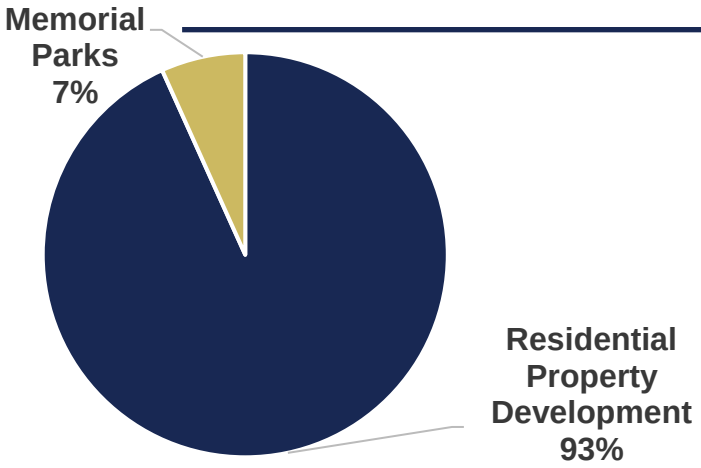
- Optimal capital allocation
- Increase open market sales and complete opportunities in Residential Property Development business
- Grow market share and sales through product enhancement and increase footprint of Memorial Parks business
- Ensuring liquidity and reducing debt

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Endeavour to ensure decisions and actions are taken so that we remain sustainable while supporting *Building legacies. Changing lives*.

Improved diversification

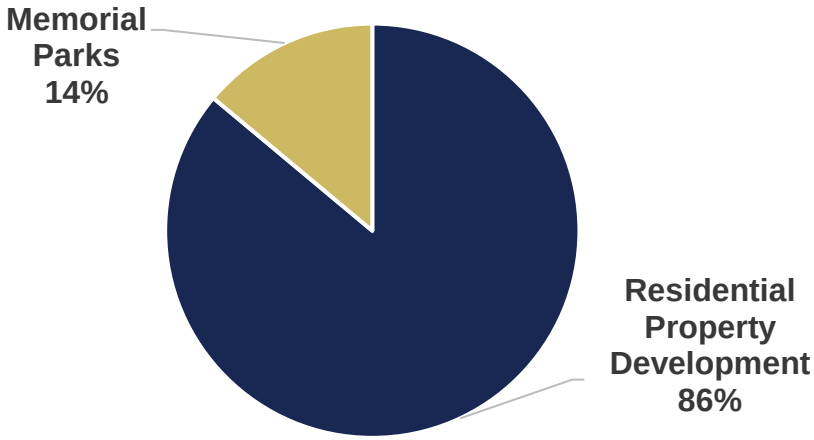
Revenue



Total cash receipts generated from Memorial Parks R39.4 million, sufficient to cover Group's administrative expenses R36 million during the period

Objective: grow cash receipts from Memorial Parks to support all Group overheads and interest obligations

Profit after tax



Scale and activity







Increased opportunities in these three developments to >3 900

Construction activity (Video)







Significant amount of construction taken place





Memorial Parks

CALGRO M3 Group

Durbanville – Western Cape



NASREC MEMORIAL PARK

FOURWAYS MEMORIAL PARK

ENOKUTHULA MEMORIAL PARK

DURBANVILLE MEMORIAL PARK

BLOEMFONTEIN MEMORIAL PARK

Memorial Parks

- Operational in Gauteng, Western Cape and Free State
- Total cash receipts increased by 52,7% to R39.4 million
- Revenue increased by 58.2% to R30.5 million
- Increased GP margin to 59,5%
  - On target GP margin
- Four parks producing revenue



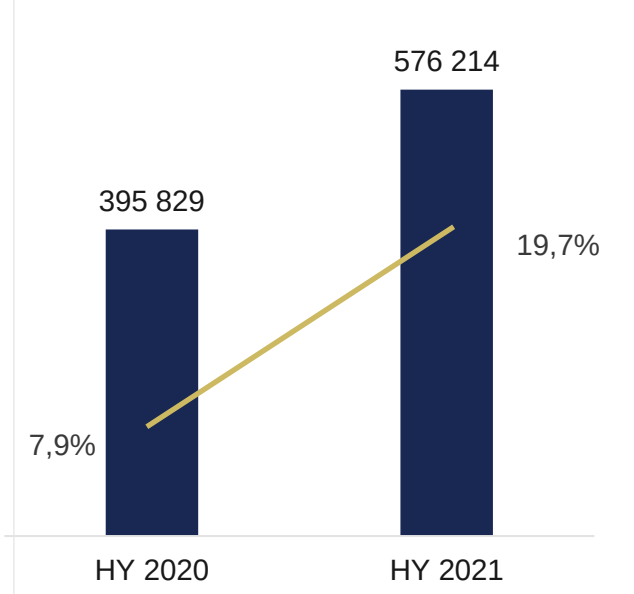


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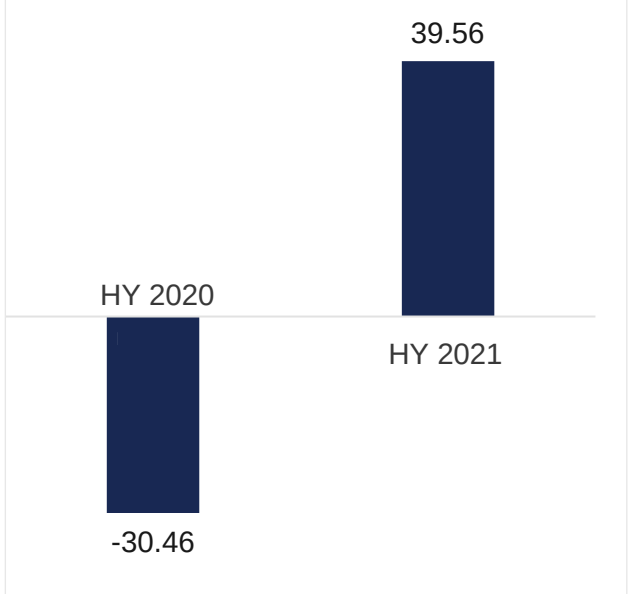
FINANCIAL UNDERSTANDING

Financial summary

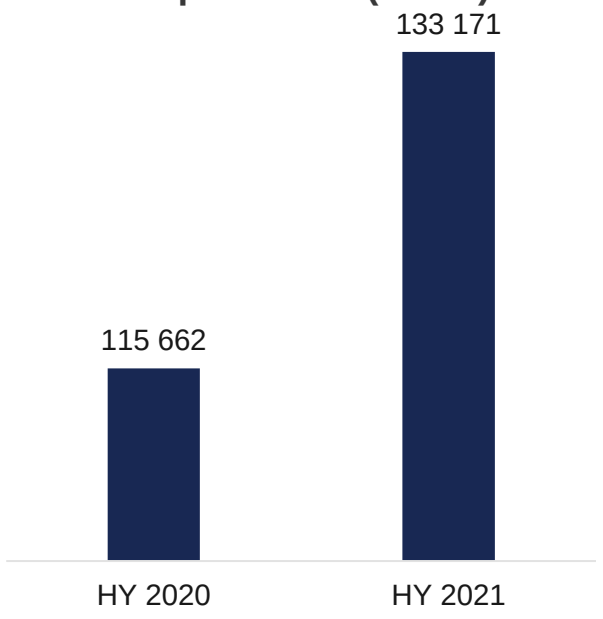
Revenue (R'000) & GP margin (%)



Earning/(loss) per share (cents)



Cash generated from operations (R'000)



Drive to sustain sales and improve margins to previous historical levels

Continued profitability

Ensure strong cash and diligent capital allocation in order to reduce debt

Understanding the balance sheet

1. Operating Cycle
    - Current vs Non-current

	Unaudited Aug 2021	Audited Feb 2021	Unaudited Aug 2020
Non-current assets	305 990	308 775	320 981
Current assets	2 520 764	2 467 804	2 692 540
Total assets	2 520 764	2 467 804	2 692 540
Total Equity	877 646	828 057	782 081
Non-current liabilities	200 444	208 617	211 004
Current liabilities	1 442 674	1 431 129	1 699 455
Total equities and liabilities	2 520 764	2 467 804	2 692 540

2. Inventory vs Construction contracts

Understanding Property Development accounting

1. Over time type units

- bulk deals, freestanding houses (Res 1), Fully subsidized (RDP) etc

Cashflow:

Received over time (monthly draws)

Accounting:

Over time revenue recognition (i.e percentage completion method)

Example:

Sales price = R1,000
Cost Price = R800

Month 1 total cost incurred = R200

Revenue: R250 (R200/R800 x R1,000)
Cost of sales: R200

1. Point in time type units

- Sectional title units (Res 3), bulk deals/clients

Cashflow:

Received at the end once unit is 100% complete

Accounting:

Recognised at the end in full (once unit is transferred to end-user)

Example:

Sales price = R1,000
Cost Price = R800

Month 1 total cost incurred = R200

Revenue: R0
Cost of sales: R0
Construction contracts (B/S): R200

Understanding Memorial Parks accounting

Revenue	Indicative amount (example)
Total sales price	24 500.00
Less VAT	3 195.65
Total ex VAT	21 304.35

Revenue	Indicative amount (example)
Burial service (open & close)	3 000.00
Maintenance	4 000.00
Burial rights (remaining)	14 304.35
Total	21 304.35

- Burial - Recognised immediately
- Reservation - Amortised over 8 years

- Amortised over 18 years (8+10 years)

- Recognised immediately

- Invest R4 000
- Return on R4 000 in finance income / investment returns
- Currently, CGR balance sheet and Property Development returns

Cost of sales	Explanation
Burial service (open & close)	Actual cost of opening & closing (grave excavation etc)
Maintenance	Actual maintenance cost incurred per park, irrespective of sales
Burial rights (remaining)	Land & infrastructure cost per unit (i.e. inventory transaction)

Debt / Funding

Types of debt:

- Debt capital markets (R336 million at August 2021)
- NHFC (R215 million)
- Proparco (R387million)
- OPIC/DFC ($20mil facility available)



Covenants

	31 Aug 2021	28 Feb 2021	31 Aug 2020	28 Feb 2020
Net debt to equity ratio	0.84	0.99	1.04	1.04
Debt service cover ratio	4.63	1.40	3.69	1.93



Maximum allowed net debt: equity ratio for the Group is 1.5 : 1

Minimum allowed DSCR ratio for the Group is 1.2

Date	Target
By 28 February 2022	0.90:1
By 28 February 2023	0.80:1
By 28 February 2024	0.75:1

Borrowing maturities

Detail	Rand (R'000)
Opening balance 1 March 2021 (gross)	958 000
New debt	-
Debt repaid	(20 000)
Closing balance – 31 August 2021	**938 000**

Maturity profile	Rand (R'000)
FY 2022	48 700
FY 2023	233 500
FY 2024	282 800

Maturity profile	Rand (R'000)
FY 2025	211 750
FY 2026	107 500
FY 2027	53 750



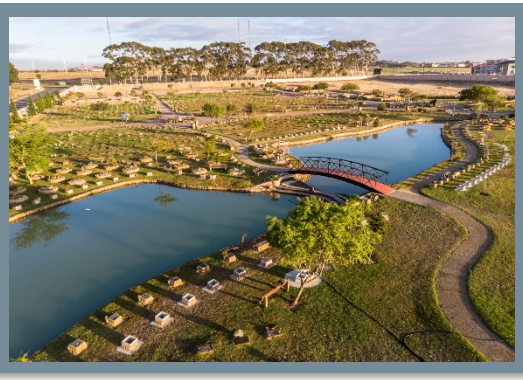
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LOOKING FORWARD

What does Calgro M3 have to work with?



- Housing shortage remains high
- Interest rate low and to remain low for a period of time
- 66,5% housing market in Gauteng and Western Cape
- Public sector budgets to increase
- Strong pipeline to capitalise on
- Range of housing from subsidised to >R1 million in value



- Strong demand for dignified and secure burial space
- Grave shortage for next 15 – 20 years ± 8 million
- Funeral insurance industry still growing rapidly
- Increasing Memorial Park's market share and consistency in cashflow

CALGRO M3

- Strong cashflow and cash from both business operations and sale of non-core projects
- Strong back up liquidity
- Well-located projects and risk-mix between projects and clients
- Lean business

Take away – what lies ahead?

- Well positioned to capitalise on market demand
- Liquidity to remain conservative
  - Higher cash balances
- Sale of non-core assets and rental property
  - Utilisation of proceeds:
    - Further settlement of debt
    - Free-up working capital and retain higher cash balance
    - Share buybacks
- Lazier balance sheet to weather future storms
- Growth
  - Increase market share in both businesses
  - Continued operational efficiency initiatives aimed at expanding volumes



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Valuation

Chronux Research
The crux of the matter

- To value Calgro we place the property portfolio on a 40% discount to the market-adjusted NAV
- We increase our Target Price for Calgro is R8.06 (from R7.06). Calgro is trading at a significant discount to realisable NAV

Financial summary

ZARmn (year to February)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	984	879	1468	1752	2023
EBITDA	43	63	226	311	378
Net income	5	19	148	211	261
Headline EPS (diluted)	**2**	**-15**	**122**	**174**	**215**
PE Ratio	72.9	12.2	3.3	2.3	1.9
Dividend	0	0	0	0	0
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Factset, Company data, Chronux Research estimates

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“A man is not a man until he has a house of his own”

Nelson Mandela

Thank you

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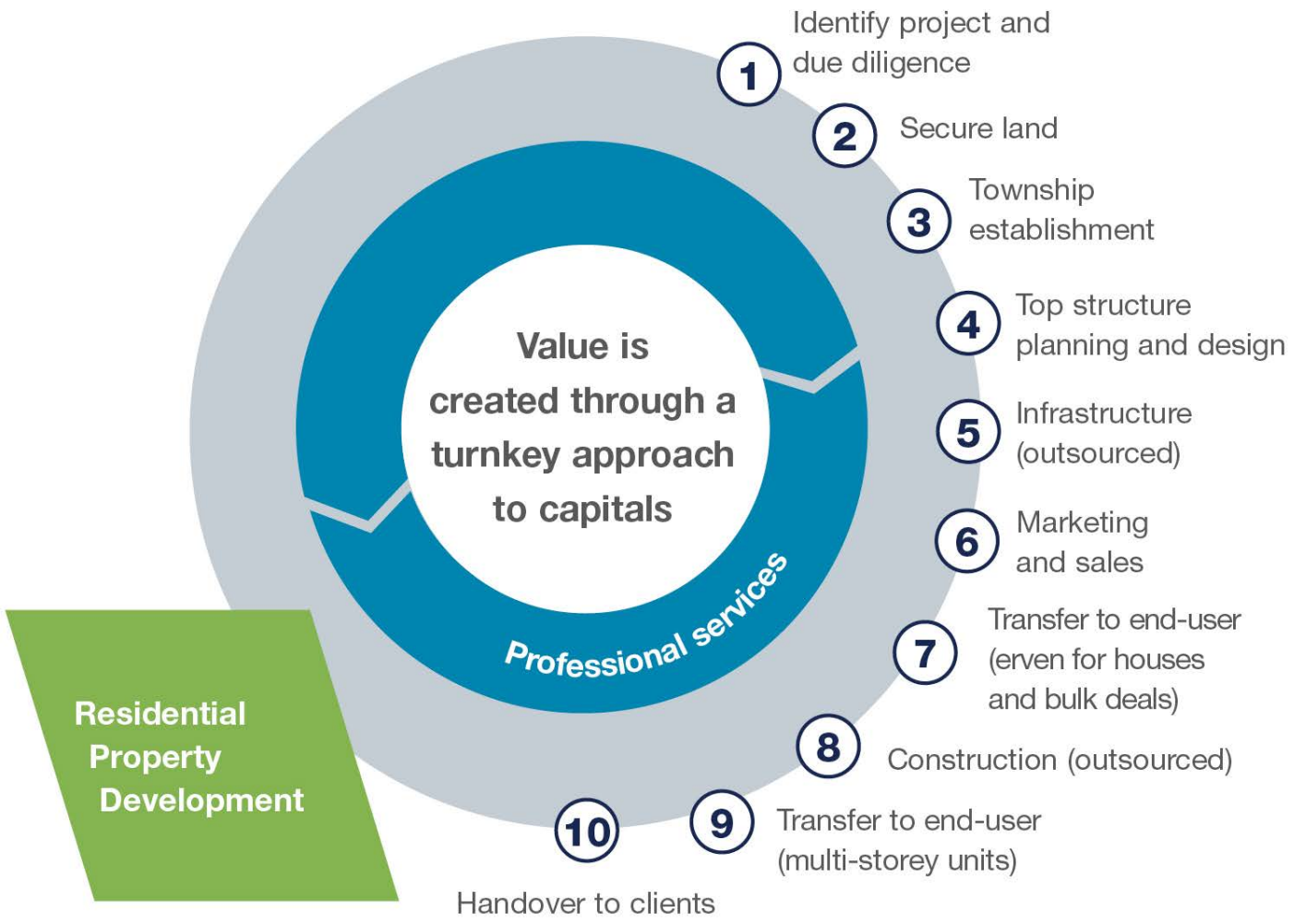
Keyter Rech Investor Solutions
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Available on website:

- 2021 Unaudited condensed consolidated interim financial results for the six months ended 31 August 2021
- Video of Calgro M3 operations



Business model



Business model

