our lifestyle Our focus

JSE SMALL-CAP WEBINAR 25 August 2021





OUR WHY



- For the past **25 years** we have been building **a brand synonymous with quality and innovation** in the large-scale development of **sectional title apartments** in South Africa
 - 🖉 KwaZulu-Natal
 - 6 Gauteng
 - 🖉 Western Cape
- Everything we do is aimed at providing our customers and their families with a better lifestyle, balanced with generating sustainable, above-average returns for our investors
- Our business is founded on environmentally responsible building practices and the delivery of high-quality apartments to our valued clients while ensuring best of breed ESG compliance
- We value our long-term relationships with our clients, suppliers, contractors, debt funders and investors
- Our apartments are designed to be inclusive, appealing to a wide range of home buyers, including first-time, move-up, active adult, young professional, young family, older family, retirees as well as buy-to-let

HOW WE DO IT



- We focus on high quality, affordable apartments with an innovative and all-inclusive lifestyle offering for clients
- Our development pipeline comprises a 15-year horizon of 62 288 apartments across
 28 developments
- Currently we are developing 2 000 to 3 500 apartments per year with a total capacity of approximately 5 000 apartments per year
- Our business model is based on selling approximately 25 apartments per development per month, targeting an average profit margin of c.35% over the lifecycle of each project
- Estates typically consist of between 1 000 and 2 000 apartments
- We focus strictly on high-density, high-growth nodes across key metropolitan areas in Johannesburg, Tshwane, Western Cape and KwaZulu-Natal

OUR BUSINESS MODEL



- One-, two-, and three-bedroom, four storey walk-up apartments
- Ø Developed on a phase-by-phase basis
- Benefits from economies of scale, in-house construction and management
- Ø Dynamic product allows for block configuration change to respond to market demand
- Exclusive lifestyle offering to clients as an all inclusive, value-added service

GREEN COLLECTION BRAND

- Model targets a lower LSM market than the Classic Collection
- Apartments priced from R499 900 to R999 900 providing access to a growing customer base
- Distinctive architecture that is different to the Classic Collection but synonymous with Balwin quality

CLASSIC COLLECTION BRAND

- Prices range from R699 900 to R1 999 900 focusing on the middle income population
- Comprises the bulk of Balwin's developments

SIGNATURE COLLECTION BRAND

- Two developments, The Polo Fields (Waterfall) and Paardevlei Lifestyle Estate (Somerset West)
- Apartments built to higher specifications
- Prices range from R1 999 900 to R2 999 900

OUR BUSINESS MODEL ANNUITY INCOME



- Leverage off asset base and expanding service offering to clients
- Partnerships established to provide high-speed fibre connectivity and solar installation which generates renewable energy
- Complementary to Balwin's business model and enhance the lifestyle offering to clients
- Limited additional construction costs necessitated to generate annuity returns



WHY WE DO IT BETTER



- We strongly focus on cost control, cash preservation and environmental management.
- Proven business model with successful track record managed by senior executives with collectively 100 years' experience, aligned with shareholders
- Our continuous development model, drives efficiencies through a turnkey approach and we buy local. This has led to numerous industry firsts, driving and sustaining demand for our brand:
 - The introduction of 6-star Green Star rated lifestyle centres and 20 269 IFC EDGE Advanced certified homes
 - The first company to launch Balwin green bond home loans
 - The introduction if the first Crystal Lagoons in Tshwane, with a second being developed in Jhb
- All developments are architecturally designed with best-in-class interiors
- Economies of scale keep levies affordable
- Access to amenities & facilities are at a fraction of the cost, e.g. appliances, concierge, Training Science gym, pools, spa, cinema, playschool, restaurants & meeting facilities
- We are introducing Montessori schools at the Kikuyu (open), The Polofields, Fynbos and The Huntsman developments
- We have the ability and know-how to leverage perpetual income streams such as Balwin Fibre
- We believe in supporting skills development and sector sustainability through the Balwin Foundation

FINANCIAL PERFORMANCE RESULTS FOR THE YEAR ENDED 28 FEB 2021



- Strong demand notwithstanding construction activity adversely impacted for approximately three months (25% of year)
- Healthy sales recorded with sales complemented by the launch of an online sales platform
- Continued strong demand for one- and two-bedroom apartments (77% of total sales)
- Revenue of R2.7 billion (pre-Covid, FY20: R2.9 billion)
- **EBITDA** of R477 million (pre-Covid, FY20: R586 million)
- Profit for the year of R336 million (pre-Covid, FY20: R411 million)
- Long-term debt to equity ratio at 29% (FY21: 27%)
- Pre-close update on the six months ended 31 August 2021 to be published at month-end

INVESTMENT CASE



- Balwin has the ability to deliver a high gross margin for a listed residential property developer due to in-house construction management, in-house sales and strong budget controls
- We have a long-term development pipeline in key strategic locations
- The sector has high barriers to entry. Our low levies and efficiencies are obtained through economies of scale
- We mitigate risk through phased developments where the rate of construction is matched to the rate of sales
- We have a proven and flexible business model for large-scale developments
- Balwin has strong management with more than 100 years' collective experience, management are the founding directors and significant shareholders, aligned to the interests of other shareholders
- We value and develop long-term relationship with suppliers and sub-contractors nationally which results in cost savings and high quality homes
- We have a proven ability and brand-strength to sell through the cycle, notwithstanding the pandemic
- We are well positioned to address the undersupply of quality, affordable housing in the middle income market

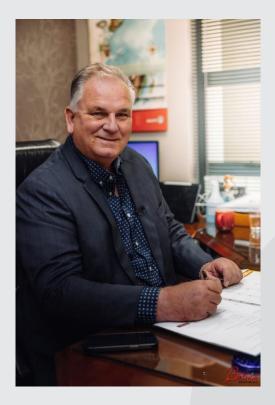
THE FUTURE



- We will continue to focus on cash management, capital allocation and debt management
- Our distribution policy of 30% of profits will be maintained (Covid-19 dependent)
- Focus on core development model within Classic, Signature and Green Collection brands
- Constant improvement of construction quality, customer experience and affordability
- Increased roll out of the Green development brand, including the Strategic Integrated Projects
- Factors that will continue to drive performance include:
 - The strength and resilience of the Balwin brand
 - The sustained demand for Balwin's product which has been confirmed even during the pandemic
 - Growth in online sales as demonstrated during the hard economic lockdowns
 - Strong pre-sales and long-term development pipeline
 - Ongoing low interest rates
- Ongoing focus on development of existing development pipeline
- Optimization of funding resources that will lead to lower cost of capital

CONTACT DETAILS

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QUESTIONS