

Balwin Properties Limited
(Incorporated in the Republic of South Africa)
Registration number 2003/028851/06
Share code: BWN
ISIN: ZAE000209532
("Balwin" or "the company" or "the group")

VOLUNTARY OPERATIONAL UPDATE AND FURTHER TRADING STATEMENT FOR THE SIX MONTHS ENDED 31 AUGUST 2022

Highlights

- Approximately 1 360 apartments sold and recognised in revenue in the period (H1FY22: 1 261 apartments).
- Approvals have been issued by the City of Tshwane and construction has commenced at Mooikloof Smart City.
- Launch of De Kuile development in the Western Cape, comprising 883 apartments.
- Filling of the Crystal Lagoon commenced at Munyaka, Waterfall, Gauteng.
- Continued enhancement to the capital structure with conversion of certain short-term debt facilities to term-debt funding in a cost effective and sustainable manner.
- Received a further six awards at the 2022-2023 Africa and Arabia Property Awards.

Operational update

Home buyers continued to reward Balwin for its unique product offering in the South African residential property sector, with another pleasing performance for the six months ended 31 August 2022. The construction and handover of quality apartments in developments with modern lifestyle centres continued to be a key differentiator in the market. Balwin's drive towards energy efficiency and green living, whilst not only environmentally responsible, is also proving to be financially rewarding for the group and its clients. Market dynamics such as semigration have played a prominent role in boosting demand for Balwin apartments in the Western Cape and KwaZulu-Natal regions.

Sustained strong demand resulted in an approximate 8% increase in apartments recognised in revenue for the period. Despite the challenging macro-economic factors and most notably the construction price inflation experienced in the industry, the group expects to record a moderate improvement in its gross profit margin when compared to the prior corresponding period.

Whilst the group continues to maintain a healthy sales rate, rising interest rates and general economic pressures on clients are expected to temper the rate at which sales volumes have increased in recent years. This will be largely mitigated by the healthy pre-sales position of the group, with approximately 1 700 apartments forward sold beyond the reporting period.

To further address the anticipated challenging economic environment, Balwin will continue to dynamically optimise its apartment mix based on demand, whilst ensuring appropriate alignment of the rate of construction to the rate of sales. The group will also continue to focus on improving margins by flattening the yield curve between the first and last phase of each development under construction to increase returns, a discipline that has generated positive results to date.

The board will continue to place emphasis on appropriate cash management and capital structure optimisation. In this regard, an additional unsecured term funding facility was concluded during the period under review as part of the continued exercise to broaden the group's funding base in a cost-effective manner. To provide some certainty in the current market, interest rate hedging facilities have been obtained on a portion of long-term debt to mitigate the risk of further interest rate hikes.

Balwin's annuity businesses are steadily progressing with the majority contribution to revenue coming from the established fibre and bond origination businesses. The balance of the remaining early-stage annuity businesses is not expected to contribute materially to the group's results in the current financial year.

Outlook

The board remains positive about the prospects for the core business and leveraging Balwin's brand in the development of complementary, annuity-based revenue streams.

The board, however, notes expected increasing macro-economic headwinds in the near-to-medium term, particularly with respect to cost price inflation and rising interest rates. Whilst these factors continue to be closely monitored and managed, it is expected to place moderate pressure on margins and the sales rate.

As consistently advised, the Board will continue to place an emphasis on appropriate cash management and cost containment throughout the business, including funding measures.

Any forward-looking statements are the responsibility of the board and have not been reviewed nor reported on by the company's auditors.

Further Trading Statement

In accordance with paragraph 3.4(b) of the JSE Limited Listings Requirements and further to the trading statement released by Balwin on SENS on 25 August 2022, shareholders are advised that there is further certainty regarding the group's financial results for the period as follows:

Consolidated earnings per share and headline earnings per share for the period are expected to increase by between 45% and 50% over the prior corresponding period, translating into an increase from the prior financial period's 24.95 cents to a range of between 36.18 and 37.43 cents per share.

The financial information which this trading statement is based on has not been reviewed and reported on by the Company's external auditors.

It is expected that Balwin will release its results for the six-month period ended 31 August 2022 on or about 31 October 2022.

Corlett Drive

14th September 2022

Sponsor: Investec Bank Limited