

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")

## **TRADING STATEMENT AND BUSINESS UPDATE FOR THE YEAR ENDED 28 FEBRUARY 2023**

### **Highlights**

- Approximately 2 780 apartments sold and recognised in revenue in the period (FY22: 2 962 apartments).
- Improvement in gross profit margin for the financial year.
- Strong cash position at financial year end with LTV (loan-to-value) well within the target range.
- Received six international awards at the Africa and Arabia Property Awards.
- Awarded best international social housing at the International Property Awards for our Greenbay development in the Western Cape.
- Achieved a milestone of over 14,000 apartments certified by the IFC (International Finance Corporation) as Edge Advanced (Excellence in Design for Greater Efficiencies).
- Awarded our first net-zero certification for carbon emissions at The Reid development (Linbro Park, Johannesburg).

### **Trading statement**

In terms of the Listings Requirements of JSE Limited ("JSE"), companies are required to publish a trading statement as soon as they become reasonably certain that the financial results for the period to be reported on will differ by more than 20% from that of the previous corresponding period.

Accordingly, shareholders are advised that:

- Consolidated earnings per share for the year ended 28 February 2023 is expected to increase by between 17% and 22% over the prior corresponding period, translating into an increase from the prior financial year's 77.24 cents to a range of between 90.4 and 94.2 cents per share.
- Consolidated headline earnings per share for the year ended 28 February 2023 is expected to increase by between 16% and 21% over the prior corresponding period, translating into an increase from the prior financial year's 75.88 cents to a range of between 88.0 and 91.8 cents per share.

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

It is expected that Balwin will release its results for the year ended 28 February 2023 ("the reporting period") on or about 22 May 2023.

## **Business update**

Despite the challenging macroeconomic conditions experienced in the year, highlighted by rising interest rates, inflationary increases, prolonged stages of load-shedding and general financial pressures on consumers, home buyers continued to reward Balwin for its unique product offering in the South African residential property sector, with another pleasing performance for the year ended 28 February 2023.

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 assists in mitigating the large increases being experienced by our clients in the cost of utilities and higher interest rates.

Balwin expects to recognise approximately 2 780 apartments in revenue for the period. Although a reduction from the prior year (2022: 2 962 apartments), management has adopted a slightly defensive strategy in the handover of apartments in the current year to ensure that the forward sales position remains robust. This is to provide sales protection into the new financial year, which is anticipated to present challenging trading conditions.

As communicated over the past year, a significant focus of management has been on improving the group's gross profit margin. As a result, the Board is pleased to guide an improvement in this regard for the period under review. Accordingly, whilst the number of apartments recognised in revenue has declined slightly, both revenue and gross profit margin are expected to increase over the prior financial year, resulting in a notable increase in expected net profit for the reporting period. Revenue growth has been buoyed by selling price growth together with an increased contribution from the annuity businesses.

Regional trends continue to favour the coastal regions, especially the Western Cape, where demand remains resilient. Gauteng remains the group's most significant revenue contributor, although this has been reduced by strong performances from the Western Cape and KwaZulu-Natal regions.

Approximately 900 apartments have been forward sold beyond the financial year-end. This number is lower than the prior financial year (2022: 1 900 apartments), mainly due to pent-up forward sales demand for developments launched during that period. The group believes that the current forward sales position provides a healthy buffer as the group continues to negotiate an increasingly complex trading environment.

In response to the macroeconomic environment, management has introduced compelling sales incentives for home buyers and investors, which have already shown encouraging results. This includes incentives for first-time homeowners, a CEO Loyalty Program, a referral fee, and a planned rental guarantee for investors.

Balwin continues to invest in various green innovations, including the installation of solar energy solutions at all our active developments. Energy security is an ongoing national crisis and management is implementing various solutions to address this, ranging from the installation of generators at some of our developments to battery backup solutions. The first battery backup solution is planned to go live in April at The Reid, Linbro Park.

Operating expenditure continues to be closely monitored and controlled, although costs associated with the newly formed annuities businesses had a marginally negative impact. The

annuities businesses continued to gain traction and contribute positively to the bottom line, albeit not materially at this stage.

Developments under construction continued to increase on the back of ongoing strategic investments in our development pipeline. These primarily relate to infrastructure investment at Mooikloof Smart City (Pretoria East) and the recently launched lifestyle centre and lagoon at Munyaka (Waterfall City, Johannesburg).

The business closed the year with a healthy favourable cash position and continues to closely monitor, manage and plan cash flows into the foreseeable future.

Debt levels and bank covenants at year-end were comfortably within the Board's thresholds, and management continues to target and achieve an LTV within the 35% - 45% range.

### **Outlook**

As we advance, key focus areas remain ongoing improvements in the group's gross profit margin through various cost control and efficiency measures and achieving selling price increases where possible.

Notwithstanding these objectives, the group anticipates margin pressure for at least the first half of the current financial year, considering the weak macroeconomic outlook, lower consumer spending, the ongoing impact of load-shedding and the need to adapt selling prices where appropriate to support the required sales volumes.

To address the current challenging economic environment, management has implemented several key measures, including:

- Continued vigilance in monitoring market demand and responding by appropriately adjusting the rate of construction to match to the rate of sales.
- Introduction of compelling sales incentives for home buyers and investors to drive sales.
- Strong attention is being given to managing operating costs sensibly, given the challenging economic environment.
- Continued roll-out and monetisation of solar energy installations at all our developments.

The Board remains optimistic about the prospects of the core business and Balwin's ability to leverage its brand in developing of complementary, annuity-based revenue streams.

As consistently advised, Balwin will continue to emphasise 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.

By order of the Board.

Corlett Drive  
17 March 2023  
Sponsor: Investec Bank Limited