

Balwin Properties Limited

(Incorporated in the Republic of South Africa)

(Registration number:2003/028851/06)

Share code: BWN

ISIN: ZAE000209532

("Balwin" or "the group" or "the company")

Unaudited results for the six months ended 31 August 2023

FINANCIAL HIGHLIGHTS

Revenue	Decrease of 25% to R1.2 billion
Profit for the period	Increase of 3% to R177.4 million
Earnings per share	Increase of 3% to 37.93 cents per share
Headline earnings per share	Increase of 4% to 37.93 cents per share
Net asset value per share	Increase of 10% to 849.16 cents per share

Balwin is South Africa's leading national residential property developer of large-scale, sectional title estates with a focus on high quality, environmentally efficient, affordable apartments with an innovative lifestyle offering for residents.

Balwin's results for the six-months ended 31 August 2023 are reflective of the macro-economic conditions experienced over the period, characterised by rising interest rates, inflationary increases and prolonged stages of loadshedding. These factors adversely impacted consumer demand, loan affordability and investment in fixed property in general.

Group revenue for the reporting period amounted to R1.2 billion (H12023: R1.6 billion), a reduction of 25% over the prior comparative period, reflecting the challenging conditions in the residential housing market. As a result of ongoing macro-economic headwinds and reduced consumer demand, Balwin recognised 834 apartments in revenue for the period, a 39% reduction from the 1 360 apartments recognised in revenue for the prior comparative six-month period.

Despite the contraction in apartment sales, management's focus on improving gross margins over the past number of reporting periods is gaining traction. Balwin generated a gross profit margin of 33% for the reporting period, compared to 26% in the prior corresponding period and 29% for the 12 months ended 28 February 2023. The group reported an increase in the gross profit margin on the sale of apartments which increased to 28% (H12023: 24%) due to focused cost containment measures, design efficiencies as well as careful price adjustments to cover increased costs where possible.

Balwin's annuity businesses showed robust volume growth. The annuity businesses increased its revenue contribution to 4.7% (H12023: 2.5%) of group revenue for the period. The majority of revenue is derived from infrastructure assets such as fibre networks and estate support services. Other contributors included fee-based income such as mortgage origination as well as rental income from the modest rental property portfolio and head office.

The group closed the period with a cash position of R442.6 million, a loan-to-value ratio of 42% and 3.3 times interest cover at period end, exceeding the requirements of the bank covenants and thresholds as set by the board.

In managing group liquidity, the relationship between the rate of construction and the rate of sales is paramount and ensuring the appropriate alignment of these factors is managed at an executive level.

DIVIDEND

Following careful consideration of current market conditions compounded by a potential protracted period of higher interest rates and a suppressed market as well as the board's objective to reduce the group's debt exposure, the board concluded to not declare a dividend for the period.

A dividend of 9.9 cents per share was declared in the prior corresponding period. The board will reconsider the declaration of a dividend when reviewing the results for the full financial year.

SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the board of directors of Balwin. It contains a summary of the information in the full announcement and does not contain full or complete details. The full announcement can be found at:

<https://senspdf.jse.co.za/documents/2023/jse/isse/BWNE/HY23.pdf>

Copies of the full announcement, is available for viewing on the group's website at www.balwin.co.za or may be requested in person at the group's registered office or the office of the sponsor, Investec Bank Limited, 100 Grayston Drive, Sandown, at no charge, during office hours.

Any investment decisions by shareholders should be based on consideration of the full announcement.

The financial information contained in this announcement has not been reviewed or reported on by the company's external auditor.

26 October 2023
Sponsor
Investec Bank Limited