

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 29 FEBRUARY 2024

Trading statement

In terms of the Listings Requirements of the JSE Limited ("JSE"), companies are required to publish a trading statement as soon as they are 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 29 February 2024 is expected to decrease by between 47% and 53% over the prior corresponding period, translating into a decrease from the prior financial year's 93.74 cents per share to a range of between 44.06 and 49.68 cents per share.
- Consolidated headline earnings per share for the year ended 29 February 2024 is expected to decrease by between 45% and 51% over the prior corresponding period, translating into a decrease from the prior financial year's 91.49 cents per share to a range of between 44.83 and 50.32 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 29 February 2024 ("the reporting period") on or about Monday, 20 May 2024.

Business update

Activity in the residential property sector remained under significant pressure during the reporting period, impacted by high interest rates and market expectations of a "higher for longer" interest rate environment. Rising living costs, increases in fuel prices and ongoing load-shedding continued to place consumers under pressure with the political uncertainty ahead of the country's national elections on 29 May 2024 further dampening homebuyers' confidence.

The group expects to recognise approximately 1 890 apartments in revenue for the reporting period (2023: 2 788). The annuity business portfolio has experienced strong growth off a low base and increased its contribution to group revenue to approximately 5.5% (2023: 2.5%).

The company has experienced gross profit margin pressure in the current period and expects the gross profit margin to reduce to 25% from the sale of apartments (2023: 27%). The total gross profit margin of the group, however, is expected to be materially in line with the prior year gross profit margin owing to the increased contributions from the annuity businesses.

Operating expenses were well-contained during the reporting period with the company recording a strong reduction in costs as the overhead structures were streamlined. The annuity businesses' operating costs are expected to increase in line with the growth in operational activity, with Balwin Annuity expected to report an operating profit margin of approximately 50%.

Approximately 530 apartments have been forward sold beyond year end (FY23: 870 apartments) and are not included in the results. This forward sales position provides a solid base for the new financial year as the group continues to navigate a complex trading environment.

Balwin closed the financial year with a healthy positive cash position, complying with all funding covenants and thresholds set by lenders and the board.

Debt levels at financial year-end remained comfortably within the Board's and lenders' thresholds, with a targeted and current loan-to-value within the 35% - 45% range.

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

Corlett Drive
27 March 2024
Sponsor: Investec Bank Limited