

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 PERIOD ENDED 31 AUGUST 2024**

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 and headline earnings per share for the period ended 31 August 2024 is expected to decrease by between 54% and 59% over the prior corresponding period, translating into a decrease from the prior financial period's 37.93 cents per share to a range of between 15.55 and 17.45 cents per share respectively.

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 period ended 31 August 2024 ("the reporting period") on or about Monday, 28 October 2024.

### **Business update**

Activity in the residential property sector remained under significant pressure during the interim period owing predominantly to the prolonged high-interest rate environment. While market sentiment traded positively following the announcement of the Government of National Unity (GNU) and the improvement in macro-economic conditions in the period, this encouraging trend did not flow materially into the residential property market due to the over-arching high borrowing costs for prospective customers.

The recent 25 bps reduction in the prime interest rate announced on 19 September 2024 is the first positive step for an anticipated recovery in the residential property market. The reduction was, however, post the reporting period and accordingly had no impact on the results presented. The board is aligned with the general market consensus that the prime interest rate will continue to reduce gradually over the course of the next few Monetary Policy Committee meetings, provided that the macro-economic environment remains stable. These expected reductions are likely to materially improve the demand in the residential housing market.

Owing to Balwin's conservative construction approach in response to the challenging trading conditions, the group expects to recognise approximately 640 apartments in revenue for the reporting period (August 2023: 834). The annuity business portfolio has continued its pleasing performance and increased its contribution to group revenue to approximately 8% (August 2023: 4.7%).

The company anticipates its gross profit margin derived from the sale of apartments to marginally reduce to 23% (February 2024: 24%). The group's gross profit margin, however, is

expected to increase to approximately 32% (February 2024: 28%) owing to the increased contributions from the annuity businesses.

Operating expenses were well-contained during the reporting period with the company recording another reduction in overhead costs. At a group level, overhead costs are expected to reduce by circa 5% from the prior interim period.

The contribution of the annuity businesses to operating profit is expected to increase to approximately 22% of group operating profit (August 2023: 9.3%) on the back of an anticipated 15% operating profit growth within the annuity businesses.

Approximately 743 apartments have been forward sold beyond year end (February 2024: 529 apartments) and are not included in the results. This improved forward sales position provides a solid base for the remainder of the financial year where construction activity is expected to significantly increase due to the healthy forward sales together with the forecasted improved trading conditions.

Balwin closed the interim period with a healthy positive cash position, complying with all funding covenants and thresholds set by lenders and the board. Debt levels at interim period-end remained comfortably within the Board's and lenders' thresholds.

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

Johannesburg  
03 October 2024  
Sponsor: Investec Bank Limited