

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 2024

FINANCIAL OVERVIEW

Revenue	Decrease of 28% to R852.7 million
Profit for the period	Decrease of 57% to R76.9 million
Earnings per share	Decrease of 57% to 16.34 cents per share
Headline earnings per share	Decrease of 57% to 16.26 cents per share
Net asset value per share	Increase of 3% to 875.05 cents per share

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.

Group revenue totalled R852.7 million (August 2023: R1.2 billion), a reduction of 28% over the prior period, reflecting the challenging operating conditions. The lower group revenue was largely attributable to the decline in apartment sales where 640 apartments were recognised in revenue, down 23% on the 834 apartments for the prior period. The group further experienced moderate sales price pressure in the period where sales incentives continued to be utilised to support demand, most notably in the Gauteng node.

The annuity business portfolio continued to show robust growth and increased its revenue by 17% to R65.8 million (August 2023: R56.3 million). On the back of this growth, its contribution to the total group revenue increased to 7.7% (August 2023: 4.7%).

The gross profit margin of the group remained materially consistent with the prior period at 32% (August 2023: 33%). Pleasingly, this represents growth from the gross profit reported for the financial year ended 29 February 2024 of 28%. The gross margin reported was strongly supported by the increased contributions from the annuity businesses, with the gross profit margin from the sale of apartments experiencing pressure in the period owing to the challenging trading environment, reducing to 23% (August 2023: 28%). While the margin showed a decline from the prior interim period, it remained materially flat with the margin recorded for the 2024 financial year of 24%.

Consolidated operating expenditure incurred by the group amounted to R155.1 million, a 7% reduction from the prior interim period as the group continued its focus on cost optimisation.

The group recorded a profit after taxation of R76.9 million, a decrease of 57% over the prior period.

Cash management and prudent capital allocation remain a priority for the group. The group closed the period with a cash balance of R242.8 million. The cash and cash equivalents on hand exceed the minimum funding covenants and thresholds set by the board.

The board actively manages the group's debt exposure relative to debt covenants and the treasury policy. The group's loan-to-value ratio reduced marginally to 40.2% (February 2024: 40.5%).

DIVIDEND

Following due consideration, the board has resolved not to declare a dividend for the period (August 2023: no dividend declared). The board's primary consideration on capital allocation is to reduce the group's debt exposure.

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 is a summary of the full announcement in respect of the group's unaudited results for the six-month period ended 31 August 2024 and as such does not contain full or complete details pertaining to the group's results. The full announcement was released on the JSE's website at:

<https://senspdf.jse.co.za/documents/2024/jse/isse/BWNE/HY24.pdf>

Any investment decisions should be based on the full announcement. A copy of the full announcement is available for viewing on the group's website at www.balwin.co.za

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

Corlett Drive
28 October 2024

Sponsor:
Investec Bank Limited