

Summarised audited consolidated financial results for the year ended 28 February 2018

Calgro M3 Holdings Limited
(Incorporated in the Republic of South Africa) (Registration number: 2005/027663/06)
Share code: CGR ISIN: ZAE000109203



CALGRO M3
Group

Calgro M3 Holdings Limited ("Calgro M3" or "the Company") is a property and property-related investment company that is a market leader in the development of Integrated Residential Developments, Residential Rental Investments as well as the development and management of Memorial Parks.

Our performance over the past year was lower than our internal expectation due to weak economic conditions, market volatility and cash flow constraints.

New reporting metrics

The Group's financial performance was impacted by the construction of units for the REIT JV, in which Calgro M3 has a 49% shareholding. This unrealised profit is carried on the balance sheet until realised in future financial years, once the units are completed, tenanted and the portfolio is revalued. This further provides an indication of performance which is then consistent between periods.

- Core earnings per share ("Core EPS") – Earnings per share before elimination of unrealised profits from development of units for the REIT JV; and
- Core headline earnings per share ("Core HEPS") – Headline earnings per share before elimination of unrealised profits from development of units for the REIT JV.

We believe current core earnings and revenue growth, despite these challenges, are testament to the effectiveness and resilience of our strategy and proves that the variable operating model is efficient in uncertain times, as recently experienced during the financial year. Management of operational risks in each of the three businesses will continue to be a key focus for the management teams while at the same time investigating and executing on new opportunities to achieve the medium-term goal of equal profit contribution from each segment. We will, however, focus on maximising cash flows before investing in new opportunities.

During the year, 8 564 units and houses were under construction, of which 3 426 were completed and handed over to customers. Within the balance of 5 138, just over half are expected to be handed over before the end of July 2018. The Group has approximately 3 500 units already sold on which construction will commence as early in the 2019 financial year as possible. The total Residential Property Development pipeline consists of 54 376 opportunities with an unescalated revenue of R25.3 billion. 2 426 opportunities are currently being serviced that will bring the total number of serviced opportunities to excess of 9 000.

The Memorial Parks business continued its improved contribution to Group profit and even though small overall, growth prospects are exciting. A target of more than 10% contribution from Memorial Parks is set for the coming financial year. Our national roll-out plan is rapidly developing, supported through the acquisition of the Durbanville Memorial Park in Cape Town on 1 March 2018 and the Avalon Memorial Park in Bloemfontein, which will be effective 1 June 2018.

Of the 3 852 units in the first tranche of Rental Investments, 648 were completed and handed over to the Afico Calgro M3 Consortium (the "Consortium") starting in November 2017. The remaining units will be handed over in a staggered manner over the coming months, with Belhar delayed due to the slowdown associated with the water challenges in Cape Town. The Consortium is to target net property income yields in excess of 10.5% as well as a targeted rental escalation of 6% per annum that equates to a circa 20% return on equity in total (after gearing).

The Board resolved not to declare a final dividend, opting to retain the available cash to fund growth within the Group.

By order of the Board

WJ Lategan
CEO

WA Joubert
FD

11 May 2018

Core headline earnings increased by **6.97%** to **143.47** cents per share ("cps")

Headline earnings decreased by **32.28%** to **90.12** cps

Memorial Parks contributed **5.14%** of Group profit after tax

Level 1 B-BBEE verification received

Property Development and Memorial Parks Project pipeline of **R27.5 billion**

Basic earnings per share decreased by **29.42%** to **93.91** cps

This short-form announcement is the responsibility of the Directors of the Company. It is a summary of the full announcement released on SENS and published on the Company's website (www.calgrom3.com) on 14 May 2018, and does not contain the complete or full announcement details. Copies of the full announcement may also be requested at the Company's registered office during office hours at no charge. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement.

Directors

PF Radebe (Chairperson)*, BP Malherbe^o, WJ Lategan (Chief Executive Officer), FJ Steyn, WA Joubert (Financial Director), W Williams, V Klein*, Manda Nkuhlu, H Ntene*, R Patmore*, ME Gama*, HC Cameron**

* Independent Non-Executive ♦ Non-executive
Hugh Cameron passed away on 6 April 2018.

Registered office

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Transfer secretaries

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(PO Box 61051, Marshalltown 2107)

Sponsor

Grindrod Bank Limited

Auditors

PricewaterhouseCoopers Inc.