



## Calgro M3 – FY22 Results

Date: 19 May 2022

**Key message:** A steady performance going back to the basics. A healthy well-funded development pipeline provides medium-term growth visibility. Book value remains understated with developments valued at cost.

- Calgro released FY22 results. HEPS recovered to 106c after a loss in FY21 on a 50% increase in revenue.
- The gross profit margin increased into the target range of 20-25% at 21.3%. The Development business is targeted to achieve +20% and the Memorial Parks 60%. Costs were maintained at close to FY21 levels despite the significant revenue increase. The Memorial Parks business now covers 72% of the Group administrative expenses.
- 2686 residential units were completed through the year with 4583 units under construction. The income statement treatment of the developments is conservative – revenue is recorded on transfer and therefore profit is booked late in the development cycle. Revenue growth into FY23 should be boosted by the development pipeline already under construction.
- Debt reduction continues with net debt to equity at 0.71 below the 0.75 target. The cash balance at YE was R191m. Calgro has recovered from a period of balance sheet pressure and the simplification of the business model has allowed the business to stabilise and start to grow again.
- On the current development pipeline earnings into FY23 should be able to grow HEPS by at least 30% for the next three years with minimal land and bulk infrastructure costs. Calgro continues to manage its pipeline conservatively to allow steady growth without stressing cash balances.
- The Frankenwald property provides exciting long-term growth should it proceed. Calgro's 50% portion of the initial development cost is approx. R250-300m. This would be required in FY24/25.
- Proposed changes to government's provision of free basic housing to financial support and land grants is positive for Calgro – and may result in government funding of land and bulk infrastructure again (as is the case potentially for Frankenwald). Calgro does not rely on government funding for its developments and assumes all costs need to be covered internally.
- We increase our Target Price for Calgro to R8.63 (from R8.06). Calgro is trading at a significant discount to realisable NAV.

### Analyst

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Price (19/05/2022): R3.90

Target Price: R8.06

Market cap R533m

Shares in issue 121.4mn

### Financial summary

ZARmn (year to February)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	879	1322	1409	1655	1945
EBITDA	63	190	239	306	370
Net income	19	132	164	212	259
<b>Headline EPS (diluted)</b>	<b>-15</b>	<b>103</b>	<b>132</b>	<b>170</b>	<b>208</b>
PE Ratio	12.2	3.7	2.9	2.2	1.8
Dividend	0	0	0	0	0
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Factset, Company data, Chronux Research estimates

***Sponsored Research:** Chronux Research is compensated by certain corporates to produce objective and impartial research. A Recommendation is not provided. Earnings forecasts and a Target Price are the independent view of the analyst, based on his/her view of all factors that could influence earnings and peer comparisons. Management has no editorial input.*

Figure 1 Financial summary

Financial year to February	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Per share data</b>					
Earnings (diluted)	14.6	105.7	131.8	169.8	207.7
<b>Headline earnings (diluted)</b>	<b>(14.9)</b>	<b>102.8</b>	<b>131.8</b>	<b>169.8</b>	<b>207.7</b>
NAV	6.32	7.94	6.92	5.77	6.83
Dividend	0	0	0	0	0
<b>Valuation ratios</b>					
P/E ratio	12.2	3.7	2.9	2.2	1.8
EV/EBITDA	37.5	5.2	4.2	3.3	2.7
P/B	0.28	0.48	0.55	0.66	0.56
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Income Statement (ZARmn)</b>					
Sales	879	1,322	1,409	1,655	1,945
<i>Sales growth</i>		<b>50.3%</b>	<b>6.7%</b>	<b>17.4%</b>	<b>17.5%</b>
Cost of Goods Sold (COGS)	771	1,040	1,090	1,266	1,490
<b>Gross Income</b>	<b>108</b>	<b>282</b>	<b>319</b>	<b>389</b>	<b>456</b>
<i>Gross margin</i>	<b>12.3%</b>	<b>21.3%</b>	<b>22.7%</b>	<b>23.5%</b>	<b>23.4%</b>
SG&A Expense	(87)	(90)	(92)	(95)	(98)
Other Operating Income/Expense	46	2	16	16	17
<b>EBITDA</b>	<b>63</b>	<b>190</b>	<b>239</b>	<b>306</b>	<b>370</b>
<i>EBITDA margin</i>	<b>7.1%</b>	<b>14.4%</b>	<b>16.9%</b>	<b>18.5%</b>	<b>19.0%</b>
Depreciation & Amortisation	5	4	4	4	4
<b>EBIT (Operating Income)</b>	<b>67</b>	<b>194</b>	<b>243</b>	<b>310</b>	<b>374</b>
<i>EBIT margin</i>	<b>7.7%</b>	<b>14.7%</b>	<b>17.2%</b>	<b>18.7%</b>	<b>19.2%</b>
Nonoperating Income - Net	3	6	9	12	15
Net Interest Expense	(45)	(24)	(22)	(25)	(25)
Equity in Earnings of Affiliates	3	10	12	14	17
<b>PBT</b>	<b>29</b>	<b>185</b>	<b>241</b>	<b>311</b>	<b>381</b>
Income Taxes	(8)	(47)	(67)	(87)	(106)
<i>Tax rate</i>	<b>26.1%</b>	<b>25.5%</b>	<b>27.9%</b>	<b>27.9%</b>	<b>27.9%</b>
Consolidated Net Income	18	132	165	212	260
Minority Interest	0	(0)	(0)	(0)	(1)
<b>Net Income</b>	<b>19</b>	<b>132</b>	<b>164</b>	<b>212</b>	<b>259</b>
<b>Cash flow statement (ZARmn)</b>					
Changes in working capital	72	(54)	(33)	(33)	(32)
<b>Cash from operating activities</b>	<b>(3)</b>	<b>130</b>	<b>95</b>	<b>140</b>	<b>185</b>
Capital expenditure	(1)	(1)	(1)	(1)	(1)
Other	(51)	27	0	0	0
<b>Investing cash flow</b>	<b>(52)</b>	<b>26</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>
Changes in borrowings	(7)	(107)	(195)	(283)	(54)
Dividend paid	0	0	0	0	0
Other	(39)	(11)	0	0	0
<b>Financing cash flow</b>	<b>(46)</b>	<b>(119)</b>	<b>(195)</b>	<b>(283)</b>	<b>(54)</b>
Change in cash	(101)	37	(101)	(143)	131
<b>Balance sheet (ZARmn)</b>					
<b>Total assets</b>	<b>2,468</b>	<b>2,439</b>	<b>2,293</b>	<b>2,248</b>	<b>2,431</b>
Cash and equivalents	155	191	91	(52)	79
Other current assets	2,004	1,957	2,006	2,062	2,124
Non-current assets	309	292	196	238	228
<b>Total liabilities</b>	<b>1,640</b>	<b>1,476</b>	<b>1,430</b>	<b>1,527</b>	<b>1,580</b>
Long-term liabilities	209	214	214	214	214
Current liabilities	1,431	1,262	1,216	1,314	1,366
<b>Total shareholders' funds</b>	<b>828</b>	<b>964</b>	<b>863</b>	<b>720</b>	<b>851</b>
Net cash/(debt)	790	648	659	852	721

Source: Factset, Company data, Chronux Research estimates

## Valuation

- We value Calgro M3 on a Sum-of-the-Parts basis, using a combination of NAV (residential property development portfolio) and EBITDA multiples (Memorial Parks) to value the operational divisions.

**Figure 2 Valuation (using FY22 EBITDA)**

ZARm	Comment	FY23 EBITDA	EV/EBITDA Multiple	Enterprise Value
Memorial parks	3-5X multiple for annuity-type income	36	4.0x	144
<b>Enterprise Value</b>		<b>36</b>	<b>4.0</b>	<b>144</b>
		<u>NAV</u>	<u>Discount</u>	
Residential Property	NAV	2214	40%	1328
Kwanobuhle & other properties	NAV	375	40%	225
Other investments	From balance sheet			80
Minorities	From balance sheet			-1
Deferred land payouts	From balance sheet			-53
Net (debt)/cash	From balance sheet			-648
<b>Equity value</b>				<b>1,076</b>
Number of shares ('m)				124.7
<b>Valuation (ZAR per share)</b>				<b>8.63</b>

Source: Company data, Chronux Research estimates

- **Residential Property Developments:** we value this division on a NAV basis given the nature of the property development model. Calgro is traditionally very conservative on accounting for book value – everything is on the balance sheet at cost, and this does undervalue the property portfolio by almost 50%.
- Management does provide their market-adjusted valuation for the property portfolio. We believe that the values provided are realistic and based on recent sales experience.

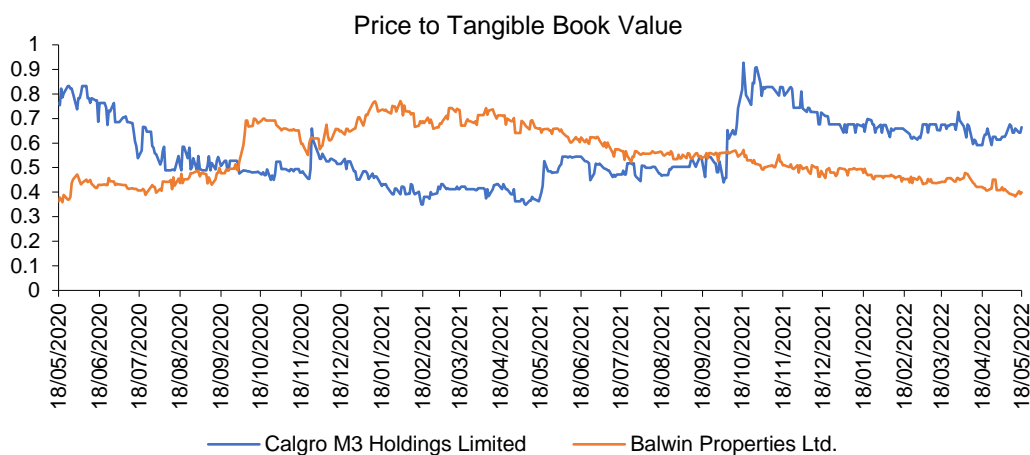
**Figure 3 Residential Property Development NAV**

Opportunities	Total No.	Effective No.	Market Value (ZAR)	Total (ZAR)
Mid to high-end portfolio - serviced and unserviced land	761	761	349,326	259,688,948
Low to mid-end portfolio - serviced opportunities	9670	9088	119,670	795,925,170
Partially serviced and unserviced opportunities				
- projects underway	13337	11040	48,000	708,166,800
- projects not started	0	0	-	-
Frankenwald option value				450,000,000
<b>Total</b>	<b>23768</b>	<b>20889</b>	<b>516,996</b>	<b>2,213,780,918</b>
Expected value of commercial and retail land at 50-60% discount				200,000,000
KwaNobuhle and KZN development land to be sold				175,000,000
<b>Total property portfolio</b>				<b>2,588,780,918</b>
Construction contracts				554,524,318
Frankenwald land purchase payable				100,000,000
Inventories excluding Memorial Parks				439,016,764
Investment in joint ventures (excluding Residential Rental Investments)				46,604,624
Loans to JV's and associates				220,495,612
<b>Balance sheet costs of property portfolio</b>				<b>1,360,641,318</b>
<b>Additional value not in balance sheet</b>				<b>1,228,139,600</b>
<b>Discount to real NAV</b>				<b>-47%</b>

Source: Company data, Chronux Research estimates

- We believe that a 40% discount to the market-adjusted NAV of R2.6bn is appropriate for Calgro's property portfolio. The market adjusted NAV has increased from R2.1bn to R2.6bn mainly due to the addition of the option value of Frankenwald of R450m.
- The Kwanobuhle and other KZN property is included at a 40% discount to the book value of R375m.
- The adjusted property portfolio valuation adds R1,228m to the book value of Calgro of R1.36bn.
- The Price/Tangible Book Value for Calgro and peer Balwin Properties is shown in the following chart. Calgro's price/NAV has recovered but we do believe that the understatement of NAV on the balance sheet means that Calgro could easily trade at a price/NAV of over 1 times.

**Figure 4 Price to Tangible Book Value**



Source: Company data, Chronux Research estimates

- **Memorial Parks:** we value the Memorial Parks on an EBITDA multiple basis as the business follows a simpler inventory/sales model. We believe that the relatively stable and growing revenue stream should attract at least a 4x EBITDA multiple.
- **Net debt:** net debt is currently R648m.

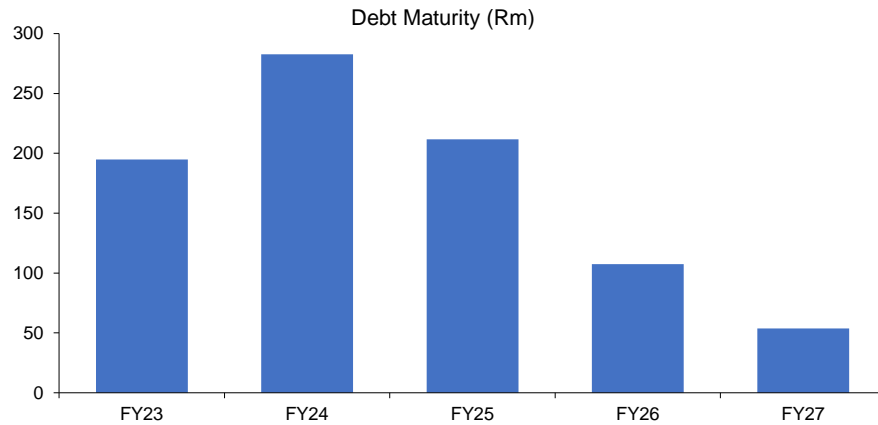
#### Key Risks to Valuation

- **Upside:** increased government use of private sector to deliver subsidised housing and land/infrastructure funding assistance, converting current pipeline to sales with minimal extra development costs, Memorial Park growth.
- **Downside:** further land invasions, locking up cash in property and infrastructure for too long, government inactivity in housing.

## Debt

- Debt levels are reducing, with net debt: equity of 0.71 times on 28 February 2022 (down from 0.99 in FY21). The DSCR has increased to 2.15 (from 1.4 times).
- Calgro has a mix of corporate debt and two loans from development agencies Proparco and the NHFC.
- Corporate debt makes up 40% of debt, with a Proparco loan (R215m) and NHFC facility (R215m) making up the remainder. Post YE a further R77m of the Proparco debt was settled. All debt is variable.
- Near term debt maturities relate mainly to the Proparco loan which is due to be restructured.

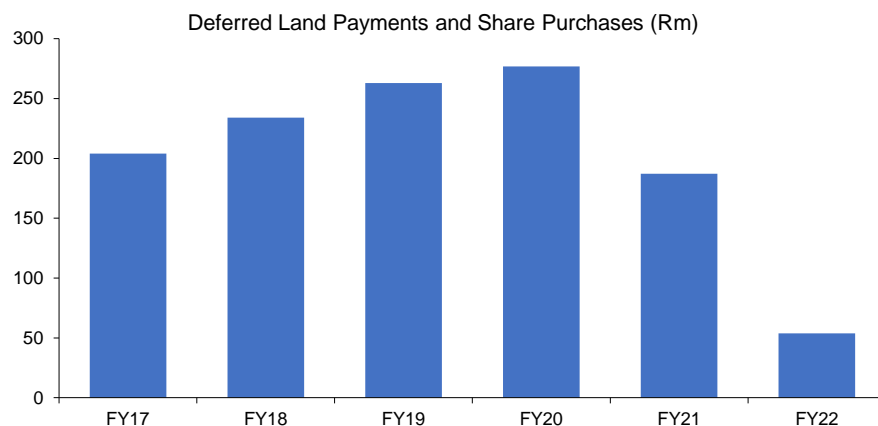
**Figure 5 Calgro Debt Maturity**



Source: Company data, Chronux Research estimates

- All debt is accounted for as a current liability due to the accounting treatment of the operating cycle (working capital, construction contracts and work in progress up to 10 years).
- Calgro is well within Net debt/ Equity and DSCR covenants with little risk of breach.
- Deferred land payments (accounted for in Trade and Other Payables) declined by R133 in FY22 and sits at R53m.

**Figure 6 Calgro Debt Maturity**



Source: Company data, Chronux Research estimates

Figure 7 Divisional Forecast

Total Segment Revenue	1H20	2H20	FY20	1H21	2H21	FY21	1H22	2H22	FY22	1H23	2H23	FY23	1H24	2H24	FY24	1H25	2H25	FY25
Fleurhof	293246	86251	379497	141748	89630	231378	163444	239490	402934	187961	275414	463374	225553	330496	556049	270663	396595	667259
	20%	3%	15%	-52%	4%	-39%	15%	167%	74%	15%	15%	15%	20%	20%	20%	20%	20%	20%
Jabulani	18098	10281	28379	3189	92915	96104	32160	34860	67020	36984	40089	77073	42532	46102	88634	48911	53018	101929
	-43%	-46%	-45%	-82%	804%	239%	908%	-62%	-30%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Witpoortjie	12902	28328	41230	9783	12241	22024	18514	8214	26728	22217	9857	32074	26660	11828	38488	31992	14194	46186
	-55%	1389%	34%	-24%	-57%	-47%	89%	-33%	21%	20%	20%	20%	20%	20%	20%	20%	20%	20%
South Hills	37132	51500	88632	65093	42707	107800	141308	78254	219562	162504	89992	252496	195005	107991	302996	234006	129589	363595
	-83%	-46%	-72%	75%	-17%	22%	117%	83%	104%	15%	15%	15%	20%	20%	20%	20%	20%	20%
Belhar	107178	121860	229038	141369	174572	315941	146348	318095	464443	131713	286286	417999	151470	329228	480699	174191	378613	552803
	60%	64%	62%	32%	43%	38%	4%	82%	47%	-10%	-10%	-10%	15%	15%	15%	15%	15%	15%
Third parties	39481	144085	183566	11679	44175	55854	43985	44655	88640	52782	53586	106368	60699	61624	122323	69804	70867	140672
	44.2%	70.3%	63.9%	-70.4%	-69.3%	-69.6%	276.6%	1.1%	58.7%	20%	20%	20%	15%	15%	15%	15%	15%	15%
<b>Total Residential</b>	<b>508037</b>	<b>442305</b>	<b>950342</b>	<b>372861</b>	<b>456240</b>	<b>829101</b>	<b>545759</b>	<b>723568</b>	<b>1269327</b>	<b>594161</b>	<b>755223</b>	<b>1349384</b>	<b>701919</b>	<b>887269</b>	<b>1589188</b>	<b>829568</b>	<b>1042876</b>	<b>1872443</b>
% change	-17.6%	23.1%	-2.6%	-26.6%	3.2%	-12.8%	46.4%	58.6%	53.1%	8.9%	4.4%	6.3%	18.1%	17.5%	17.8%	18.2%	17.5%	17.8%
Memorial parks	11000	14692	25692	19251	23201	42452	30456	21812	52268	35024	25084	60108	38527	27592	66119	42380	30351	72731
% change	-7.3%	62.2%	22.8%	75.0%	57.9%	65.2%	58.2%	-6.0%	23.1%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Residential Rental	1744	6352	8096	3717	3876	7593												
<b>Total</b>	<b>520781</b>	<b>463349</b>	<b>984130</b>	<b>395829</b>	<b>483317</b>	<b>879146</b>	<b>576215</b>	<b>745380</b>	<b>1321595</b>	<b>629185</b>	<b>780307</b>	<b>1409492</b>	<b>740446</b>	<b>914862</b>	<b>1655307</b>	<b>871947</b>	<b>1073227</b>	<b>1945174</b>
% change	-17.2%	25.8%	-1.3%	-24.0%	4.3%	-10.7%	45.6%	54.2%	50.3%	9.2%	4.7%	6.7%	17.7%	17.2%	17.4%	17.8%	17.3%	17.5%
Point in time	155135	240563	395698	170555	107389	277944	134146	215771	349917									
Over time	365646	222786	588432	225274	325884	551158	442068	529608	971676									
	520781	463349	984130	395829	483317	829102	576214	745379	1321593	0	0	0	0	0	0	0	0	0
Gross revenue	501275	457477	958752	391438	429098	820536	575487	745298	1320785	629185	780307	1409492	740446	914862	1655307	871947	1073227	1945174
Reversal of unrealised profit	19506	5872	25378	4391	4175	8566	728	80	808	0	0	0	0	0	0	0	0	0
	520781	463349	984130	395829	483317	829102	576215	745378	1321593	629185	780307	1409492	740446	914862	1655307	871947	1073227	1945174
<b>Cost of sales</b>	<b>481010</b>	<b>402511</b>	<b>883521</b>	<b>364572</b>	<b>406551</b>	<b>771123</b>	<b>462817</b>	<b>576930</b>	<b>1039747</b>	<b>483397</b>	<b>606660</b>	<b>1090056</b>	<b>562908</b>	<b>703107</b>	<b>1266015</b>	<b>664015</b>	<b>825584</b>	<b>1489598</b>
Residential Property	475349	391571	866920	352165	389642	741807	450476	556614	1007090	469387	596626	1066013	547497	692070	1239567	647063	813443	1460506
	-8%	14%	1%	-26%	-0.5%	-14%	28%	42.9%	35.8%	4.2%	7.2%	5.9%	16.6%	16.0%	16.3%	18.2%	17.5%	17.8%
Memorial parks	4734	7106	11840	9695	12756	22451	12341	20316	32657	14010	10034	24043	15411	11037	26448	16952	12141	29092
	-9%	302%	70%	105%	79.5%	90%	27%	59.3%	45.5%	13.5%	-50.6%	-26.4%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Residential Rental	927	3834	4761	2712	4153	6865	0											
<b>Revenue</b>	<b>520781</b>	<b>463349</b>	<b>984130</b>	<b>395829</b>	<b>483317</b>	<b>879146</b>	<b>576215</b>	<b>745380</b>	<b>1321595</b>	<b>629185</b>	<b>780307</b>	<b>1409492</b>	<b>740446</b>	<b>914862</b>	<b>1655307</b>	<b>871947</b>	<b>1073227</b>	<b>1945174</b>
Residential Property	508037	442305	950342	372861	456240	829101	545759	723568	1269327	594161	755223	1349384	701919	887269	1589188	829568	1042876	1872443
Memorial parks	11000	14692	25692	19251	23201	42452	30456	21812	52268	35024	25084	60108	38527	27592	66119	42380	30351	72731
Residential Rental	1744	6352	8096	3717	3876	7593												
<b>Gross Profit</b>	<b>39771</b>	<b>60838</b>	<b>100609</b>	<b>31257</b>	<b>76766</b>	<b>108023</b>	<b>113398</b>	<b>168450</b>	<b>281848</b>	<b>145788</b>	<b>173647</b>	<b>319435</b>	<b>177538</b>	<b>211755</b>	<b>389293</b>	<b>207933</b>	<b>247643</b>	<b>455576</b>
Residential Property	32688	50734	83422	20696	66598	87294	95282	166954	262236	124774	158597	283371	154422	195199	349621	182505	229433	411938
Memorial parks	6266	7586	13852	9556	10445	20001	18115	1496	19611	21015	15050	36065	23116	16555	39671	25428	18211	43639
Residential Rental	817	2518	3335	1005	-277	728	0	0	0	0	0	0	0	0	0	0	0	0
<b>Gross profit margin</b>	<b>7.6%</b>	<b>13.1%</b>	<b>10.2%</b>	<b>7.9%</b>	<b>15.9%</b>	<b>12.3%</b>	<b>19.7%</b>	<b>22.6%</b>	<b>21.3%</b>	<b>23.2%</b>	<b>22.3%</b>	<b>22.7%</b>	<b>24.0%</b>	<b>23.1%</b>	<b>23.5%</b>	<b>23.8%</b>	<b>23.1%</b>	<b>23.4%</b>
Residential Property	6.4%	11.5%	8.8%	5.6%	14.6%	10.5%	17.5%	23.1%	20.7%	21.0%	21.0%	21.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
Memorial parks	57.0%	51.6%	53.9%	49.6%	45.0%	47.1%	59.5%	6.9%	37.5%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Residential Rental	46.8%	39.6%	41.2%	27.0%	-7.1%	9.6%												

Source: Company data, Chronux Research estimates

Figure 8 Detailed Divisional Data

	FY19	1H FY20	2H FY20	FY20	1H FY21	2H FY21	FY21	1H FY22	2H FY22	FY22
<b>Revenue</b>										
<b>Residential Property Developments</b>	<b>938195</b>	<b>508037</b>	<b>429156</b>	<b>937193</b>	<b>372861</b>	<b>456240</b>	<b>829101</b>	<b>542963</b>	<b>726362</b>	<b>1269325</b>
Infrastructure	440224	84749	88716	173465	140362	68921	209283	194290	252634	446924
Fully and partially subsidised units	414116	361023	135019	496042	146318	331641	477959	291256	394383	685639
Non-subsidised units	33622	43763	178563	222326	13008	32354	45362	51286	72925	124211
Service land sales	50233	18502	26858	45360	73173	23324	96497	6131	6420	12551
<b>Memorial Parks</b>	<b>10907</b>	<b>11000</b>	<b>1988</b>	<b>12988</b>	<b>19251</b>	<b>23201</b>	<b>42452</b>	<b>30456</b>	<b>21811</b>	<b>52267</b>
Burial rights	9538	9277	1394	10671	16068	18938	35006	25096	17169	42265
Maintenance	398	771	-266	505	1192	1584	2776	1462	2125	3587
Burial services	971	952	860	1812	1991	2679	4670	3898	2517	6415
<b>Residential Property Rental</b>	<b>0</b>	<b>1744</b>	<b>1453</b>	<b>3197</b>	<b>3717</b>	<b>3876</b>	<b>7593</b>	<b>2795</b>	<b>-2795</b>	<b>0</b>
Rental income	0	1744	1453	3197	3717	3876	7593	2795	-2795	0
<b>Cost of sales</b>										
<b>Residential Property Developments</b>	<b>856554</b>	<b>475349</b>	<b>407114</b>	<b>882463</b>	<b>352165</b>	<b>389642</b>	<b>741807</b>	<b>447460</b>	<b>559499</b>	<b>1006959</b>
Infrastructure	288917	70930	47889	118819	115708	40556	156264	152083	171689	323772
Fully and partially subsidised units	424908	339414	154778	494192	141364	277083	418447	223628	312026	535654
Non-subsidised units	89091	50246	196233	246479	45336	60873	106209	68944	70007	138951
Service land sales	53638	14759	8214	22973	49757	11130	60887	2805	5777	8582
<b>Memorial Parks</b>	<b>4025</b>	<b>4734</b>	<b>1763</b>	<b>6497</b>	<b>9695</b>	<b>12756</b>	<b>22451</b>	<b>12340</b>	<b>20448</b>	<b>32788</b>
Burial rights	3607	3288	709	3997	4350	6657	11007	7315	16664	23979
Maintenance	37	718	1615	2333	3222	3420	6642	3413	4008	7421
Burial services	381	728	-561	167	2123	2679	4802	1612	-224	1388
<b>Residential Property Rental</b>	<b>0</b>	<b>927</b>	<b>641</b>	<b>1568</b>	<b>2712</b>	<b>4153</b>	<b>6865</b>	<b>3017</b>	<b>-3017</b>	<b>0</b>
Rental income	0	927	641	1568	2712	4153	6865	3017	-3017	0
<b>Gross Profit</b>										
<b>Residential Property Developments</b>	<b>81641</b>	<b>32688</b>	<b>22042</b>	<b>54730</b>	<b>20696</b>	<b>66598</b>	<b>87294</b>	<b>95503</b>	<b>166863</b>	<b>262366</b>
Infrastructure	151307	13819	40827	54646	24654	28365	53019	42207	80945	123152
Fully and partially subsidised units	-10792	21609	-19759	1850	4954	54558	59512	67628	82357	149985
Non-subsidised units	-55469	-6483	-17670	-24153	13008	-28519	-60847	-17658	2918	-14740
Service land sales	-3405	3743	18644	22387	23416	12194	35610	3326	643	3969
<b>Memorial Parks</b>	<b>6882</b>	<b>6266</b>	<b>225</b>	<b>6491</b>	<b>9556</b>	<b>10445</b>	<b>20001</b>	<b>18116</b>	<b>1363</b>	<b>19479</b>
Burial rights	5931	5989	685	6674	11718	12281	23999	17781	505	18286
Maintenance	361	53	-1881	-1828	-2030	-1836	-3866	-1951	-1883	-3834
Burial services	590	224	1421	1645	-132	0	-132	2286	2741	5027
<b>Residential Property Rental</b>	<b>0</b>	<b>817</b>	<b>812</b>	<b>1629</b>	<b>1005</b>	<b>-277</b>	<b>728</b>	<b>-222</b>	<b>222</b>	<b>0</b>
Rental income	0	817	812	1629	1005	-277	728	-222	222	0
<b>Gross Profit Margin</b>										
<b>Residential Property Developments</b>	<b>8.7%</b>	<b>6.4%</b>	<b>5.1%</b>	<b>5.8%</b>	<b>5.6%</b>	<b>14.6%</b>	<b>10.5%</b>	<b>17.6%</b>	<b>23.0%</b>	<b>20.7%</b>
Infrastructure	34.4%	16.3%	46.0%	31.5%	17.6%	41.2%	25.3%	21.7%	32.0%	27.6%
Fully and partially subsidised units	-2.6%	6.0%	-14.6%	0.4%	3.4%	16.5%	12.5%	23.2%	20.9%	21.9%
Non-subsidised units	-165.0%	-14.8%	-9.9%	-10.9%	100.0%	-88.1%	-134.1%	-34.4%	4.0%	-11.9%
Service land sales	-6.8%	20.2%	69.4%	49.4%	32.0%	52.3%	36.9%	54.2%	10.0%	31.6%
<b>Memorial Parks</b>	<b>63.1%</b>	<b>57.0%</b>	<b>11.3%</b>	<b>50.0%</b>	<b>49.6%</b>	<b>45.0%</b>	<b>47.1%</b>	<b>59.5%</b>	<b>6.2%</b>	<b>37.3%</b>
Burial rights	62.2%	64.6%	49.1%	62.5%	72.9%	64.8%	68.6%	70.9%	2.9%	43.3%
Maintenance	90.7%	6.9%	707.1%	-362.0%	-170.3%	-115.9%	-139.3%	-133.4%	-88.6%	-106.9%
Burial services	60.8%	23.5%	165.2%	90.8%	-6.6%	0.0%	-2.8%	58.6%	108.9%	78.4%
<b>Residential Property Rental</b>	<b>#DIV/0!</b>	<b>46.8%</b>	<b>55.9%</b>	<b>51.0%</b>	<b>27.0%</b>	<b>-7.1%</b>	<b>9.6%</b>	<b>-7.9%</b>	<b>-7.9%</b>	<b>#DIV/0!</b>
Rental income	#DIV/0!	46.8%	55.9%	51.0%	27.0%	-7.1%	9.6%	-7.9%	-7.9%	#DIV/0!

Source: Company data, Chronux Research estimates

## Group History and Strategy

- Calgro is a developer of low- to middle income housing.
- Experience over the years has taught Calgro to operate on the following basic principles:
  - Don't buy expensive land
  - Don't rely on government subsidised housing

### RDP Housing and shift to private sector

- Calgro has benefitted from government subsidies, infrastructure grants and purchases of units. This has varied over time and recent years has seen a reduction in government contribution, which has had an impact on Calgro's balance sheet as more of the development is now funded privately.
- However, Calgro still sells a reasonable portion of units to government for the different social housing schemes and most Calgro developments incorporate affordable/social housing into the mix.
- This does allow Calgro to recover some of the infrastructure costs for the whole development. While profitability on the affordable/social housing may be low, it does absorb some of the project overheads and increases the profitability of the remaining units sold into the private market.
- The RDP housing program has been running for many years, providing free houses to people who qualify according to a means test.
- However, in December 2020 the Minister of Human Settlements announced changes to the RDP housing program, ordering provincial government to immediately scale down on free housing projects. This is apparently up for discussion at the ANC conference in December 2022.
- The focus will shift to handing out serviced sites where people can build their own homes.
- The Minister acknowledged failures and unintended consequences of the free housing program.
- Housing projects will now only be supported if they benefit the elderly, child-headed homes, people living with disabilities, and military veterans.
- Government will still buy houses from private developers for the various housing schemes.
- It does appear if the onus has shifted to the private sector to develop and fund housing projects, with government as a customer as opposed to a client.
- We believe that Calgro is well positioned for this. The company has built up strong relationships with local government and the type of development done by Calgro is in line with government housing requirements.
- However, Calgro should be seen as a private sector developer with government being a relatively small customer at the low end. Calgro's experience is to not rely on government grants or subsidies but to use them when available. Each development is sustainable as a private sector development and Calgro is now sustainable without public sector support.
- We do believe that sales to the public sector will maintain and there is a possibility that they increase as government winds down the RDP program (and associated direct tenders to construct RDP housing).

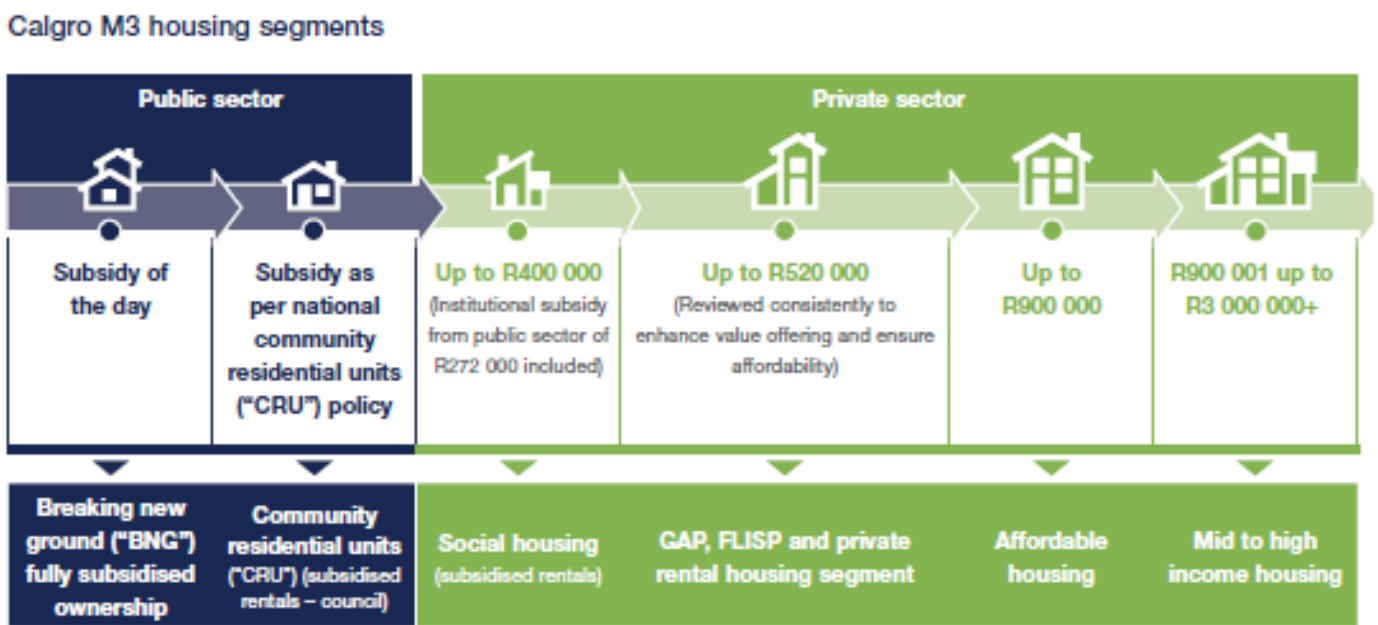


# Divisional Overview

## Residential Property Development

- This division is a developer of residential projects from land procurement to sales of units.
- Calgro operates primarily in the subsidised and affordable housing sector. This is the largest contributor to Calgro’s revenue.
- Calgro operates in the lower-to-middle segment of the residential property market. The average price of a Calgro home is approx. R450k.
- Calgro is effectively a private sector developer - public sector housing is a small and declining part of the business, although developments cater for government subsidised purchases and rentals.
- Calgro has shifted back to a simple development model that worked well previously. Development projects have been reduced from 15 to 7 over the past year, with a geographic focus will be on the faster growing Gauteng and Western Cape regions.
- Gross profit margin expectations are above 20% for this division.
- The price range that Calgro operates in is R250k – +R1m.
  - Average price is approx. R450k (this does depend on the mix sold)
  - Growth is being seen in the sub-R500k market

**Figure 9 Calgro M3 Housing Segments**



Source: Company data, Chronux Research estimates

- Fully subsidised housing (RDP or BNG) cost approx. R195k with a R30k geotechnical allowance.
- Social and CRU housing is at levels of approx. R400k.
- Peer companies like Balwin Properties (who operate in the higher end – average price of Balwin units in FY20 was approx. R1.2m) have stated that they are moving down into the more affordable categories as that is where demand is strongest.

## Property segments

- BNG Subsidised New Housing

- In 2004 Cabinet approved the “Comprehensive Plan for the Development of Sustainable Human Settlements”.
- Also known as Breaking New Ground (BNG) - as the updated version of the Reconstruction and Development Programme (RDP housing), the policy seeks to refocus attention on the development of sustainable human settlements, rather than just on the delivery of subsidised housing units.
- This strategy seeks to alter the housing patterns in the country by integrating communities and placing them closer to areas with economic opportunities.
- Segment targets
  - Income earners below R3 500 pm. Move to the next market segment if monthly earnings exceed R3 500.
- CRU Housing
  - The Community Residential Unit (CRU) Programme comprises subsidised rental units owned by the public sector. This rental option caters for income earners between R3 500 and R7 500 pm and excludes individual ownership.
  - Segment targets
    - Income earners below R7 500 pm. Move to the next market segment if monthly earnings exceed R7 500
- Social Housing
  - Social Housing is a rental or co-operative housing option of subsidised rentals owned by Section 21 social housing institutions (SHI's).
  - This rental option caters for income earners between R3 500 and R7 500 pm and excludes individual ownership.
  - Segment targets
    - Provincial and institutional subsidy and private sector funding to the value of R300 000
    - Income earners below R7 500 pm. Move to the next market segment if monthly earnings exceed R7 500.
- FLISP Housing
  - Finance Linked Individual Subsidy Programme (FLISP).
  - The product was introduced when the affordability level of R3 500 pm income to qualify for subsidy housing was removed, allowing people previously disqualified based on income, to qualify for a partly subsidised home.
  - FLISP housing denotes the market earning up to R15 000 pm.
  - To qualify for the once-off state assisted subsidy, the prospective client will be required to qualify for a bond by one of the major financial institutions.
  - The subsidy of between R10 000 up to R87 000, depending on monthly income, is subject to certain qualifying criteria as set out by the Department of Human Settlements.
  - Segment targets
    - Income earners up to R15 000 pm. Then move on to the next market segment depending on income levels.
- GAP Housing
  - Grassroots Affordable Peoples (GAP) Homes cater for people excluded from the subsidised programme, but with incomes too low to qualify for traditional affordable homes.
  - Units in this market segment can be:
    - Freestanding
    - Full title units

- Sectional title units
  - Multi-storey sectional title apartments.
- Segment targets
  - Up to R450 000
  - Income earners up to R15 000 pm. Then move on to the next market segment depending on income levels.
- Affordable Housing
  - Full and sectional title residential units aimed at homeowners in the bonded market regulated by the FSC.
  - Affordable housing describes open market bonded homes with a sales value deemed 'affordable' to those that have a median income of R15,000+ pm.
  - This sector, where financial institutions provided user finance, typically comprises of unit sizes ranging from 40m<sup>2</sup> 2-bedroom units to 4-bedroom units more than 120m<sup>2</sup> in size, depending on clients' requirements and affordability.
  - Units in this market segment can be:
    - Freestanding
    - Full title units
    - Sectional title units
    - Multi-storey sectional title apartments.
  - Segment Targets
    - Sales values from R450 000 to R700 000
    - Income earners R15 001+
- Mid- to high income housing
  - Full and sectional title residential units aimed at homeowners in the bonded market, outside the Financial Services Charter (FSC).
  - Segment targets
    - Sales values from R620 001 up to R3 000 000+
    - Income earners R20 000+

## Memorial Parks

- The Memorial Parks act as a diversifier against the lumpy and cash intensive Residential Property Development division. Mature Parks are Nasrec, Fourways and Durbanville, with Enokuthula only in operation since March 2020.
- The land associated with the memorial parks is all full owned by Calgro (no debt). The cash revenue less operational costs therefore flows straight to the bottom line. Operational costs are relatively low and limited to security and park maintenance.
- Revenue is received on the sale of a grave site. Calgro offers a 12-month repayment period option – with the revenue only accounted for at the end of the 12-month period. This explains the difference between cash and accounting sales.
- There is no recurring cash flow in this division – the sale of a site generates a once-off cashflow.
- Grave sites are generally purchased on death (with funeral policies commonly being used to fund the purchase), but Calgro also offer family sites that are purchased upfront and used multiple times.
- Some revenue (15-20%) is deferred for ongoing maintenance (this is amortised over a 15-year period).
  - A maintenance fund is maintained for memorial park maintenance

- This is growing to be a self-supporting fund
- The land available at the memorial parks is sufficient for at least 20 years of sales.
- Other revenue includes rental of facilities at the memorial, parks (memorial plaques, church venues, function hire, office space for funeral businesses).
- Management expects steady growth in sales in the Memorial Parks division driven by a renewed marketing effort and word of mouth. Public facilities are becoming full and there are no other private memorial park developments at present.

## Accounting

### Contract assets

- The current ratio of sectional title: free-standing units is approx. 50:50, but Calgro is moving to a 90:10 model due to stronger demand in that segment.
  - Free-standing units are more profitable (approx. 50% margin on a R1m house – costs are roughly R250k land and R250k construction)
  - Cash is received for bonded free-standing units upfront for the land and on a draw-down basis through construction
  - Sectional title developments are more working capital intensive as cash is only received on sale and registration of the unit
- The accounting treatment for the different models is shown in the following table.
- Sectional title developments are more working capital intensive as all costs are borne by Calgro until the point of sale.
- Freestanding developments generate cash flow on the sale of the land and then on a draw-down basis during construction.

**Figure 10 Accounting Treatment of Residential Housing**

Income statement	Cash Flow
<b><u>Freestanding:</u></b>	<b><u>Freestanding:</u></b>
<b>Land</b> - revenue and associated costs recognised on registration	<b>Land</b> - cash received upfront before building
<b>Building</b> - % of completion method	<b>Building</b> - cash draw against bond
<b><u>Sectional Title:</u></b>	<b><u>Sectional Title:</u></b>
Accounting revenue and costs recognised on registration of unit (associated costs include construction, land, services etc)	Cash received only after full construction and registration of unit in clients name
Costs capitalised in Construction Contracts until registration	

Source: Company data, Chronux Research estimates

- Calgro is conservative in the way costs and revenue are allocated.
- The value of land and all improvements are accounted for in the Balance Sheet under Inventories and Construction Contracts.
- This accounting treatment undervalues the land and improvements significantly relative to the current realisable value.

- The following excerpts are from the Accounting Policies in the Annual Financial Statements.
- **Inventories:**
  - Land owned by the Group which is being developed to get into a condition to start construction of the various projects is classified as inventory. The land may also be sold without any construction depending on the intention of management. Inventories are stated at the lower of cost or net realisable value. The cost of land under development held for sale comprises design costs, building materials, indirect labour, borrowing costs and other direct costs.
  - The amount of any write down of inventories to net realisable value is recognised as an expense in the year which the write down occurs. The amount of any reversal of any write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.
  - Individual units which do not form part of construction contracts are classified as inventory and are sold as a completed unit.
- **Construction contracts:**
  - Construction contracts consist of both contract assets and cost incurred to be allocated to future contract assets when the Group enters into an agreement with a customer.
  - Future costs to be allocated to contract assets are costs incurred on the development of land which includes costs such as direct labour, materials, professional/consulting services, commissions, and allocation of overhead costs which relate directly to the development of the land. These costs are only allocated to the individual units when a contract is entered into with a customer to purchase the relevant unit.
  - Contract assets arise on the basis that costs are incurred to satisfy performance obligations, the related payment and timing is determined based on each individual contract.
  - These costs include costs to fulfil a contract and includes costs such as direct labour, materials, professional/consulting services, commissions, and allocation of overhead costs which relate directly to satisfy performance obligations of the contract. Contract assets are recovered from the relevant customer when the relevant performance obligations are completed, and payment can be obtained from the customer.
  - If costs are incurred on a contract without a corresponding payment received it is shown as a contract asset at the reporting period, if the customer has paid in advance for performance obligations to be satisfied it is shown as a contract liability within trade and other payables.
  - The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).
  - Costs incurred in the year in connection with future activity on a contract are excluded from contract costs. They are presented as costs incurred to be allocated to future contract assets depending on their nature, that will be assessed on a case-by-case basis.
  - The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “trade and other receivables”.
  - The transaction price for each performance obligation is the contractually stipulated price and represents the stand-alone selling price at the time when the contract is entered into with the customer.

## Working capital cycle

- The operating cycle for inventory, construction contracts and work in progress is longer than 12 months.
- The operating cycle is generally between 1 and 10 years depending on the project size and type, which includes different typologies and infrastructure requirements.

- Accordingly, the associated liabilities are classified as current as they are expected to be settled within the same operating cycle as inventory, construction contracts and work in progress.

Figure 11 Income Statement - Forecast

Calgro M3 Holdings Limited	02/2012	02/2013	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024
<b>Sales</b>	515	798	785	932	1204	1555	1743	997	984	879	1322	1409	1655
Cost of Goods Sold (COGS) incl. D&A	438	653	674	759	954	1222	1474	870	888	776	1040	1090	1266
<b>Gross Income</b>	77	145	111	173	250	333	269	127	96	103	282	319	389
SG&A Expense	34	52	56	97	104	117	131	188	85	82	90	92	95
Other Operating Expense	0	5	4	1	0	0	0	0	-31	-2	11	0	0
<b>EBIT (Operating Income)</b>	43	88	51	75	147	216	138	-61	42	23	181	227	294
Nonoperating Income - Net	3	10	12	18	50	37	42	83	41	68	36	39	39
Interest Expense	2	10	14	12	19	22	17	59	65	73	47	45	48
Unusual Expense - Net	-	-	-	-	6	4	1	2	4	-4	0	0	0
Income Taxes	13	26	10	23	46	63	51	-25	8	8	47	67	87
Equity in Earnings of Affiliates	34	29	66	87	67	6	10	14	-1	3	10	12	14
<b>Consolidated Net Income</b>	65	91	106	146	193	170	121	1	5	18	132	165	212
Minority Interest	0	0	0	0	-1	1	0	-2	0	0	0	0	0
<b>Net Income</b>	65	91	106	146	194	169	120	3	5	19	132	164	212
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income available to Common	65	91	106	146	194	169	120	3	5	19	132	164	212
<b>Per Share</b>													
EPS (recurring)	0.51	0.72	0.83	1.15	1.54	1.31	0.93	0.03	0.06	0.13	1.09	1.35	1.74
EPS (diluted)	0.51	0.72	0.83	1.15	1.50	1.29	0.92	0.02	0.04	0.16	1.06	1.32	1.70
Earnings Persistence	82.55	78.90	59.80	83.65	73.25	89.17	71.35	84.05	88.53	91.04			
Dividends per Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>EBITDA</b>													
EBITDA	45	91	53	77	148	217	139	-59	46	28	198	247	314

All figures in millions of South African Rand except per share items.

Calgro M3 Holdings Limited	02/2012	02/2013	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024
Rental Expense	2	4	4	5	5	6	6	6	0	0			
Stock Option Comp Exp (Net of Tax)	-	-	-	-	19	21	17	32	3	6			
Foreign Currency Translation Gains/Losses	-	-	-	-	-	-	-	-	-	-			
Tax Rate	28.8	29.5	19.4	27.7	26.8	27.8	31.4	-	56.8	33.4	26.4	29.0	29.0
Headline EPS	0.51	0.72	0.83	1.10	1.39	1.33	0.90	-0.19	0.02	-0.15	1.06	1.35	1.74
Headline EPS (diluted)	0.51	0.72	0.83	1.10	1.37	1.29	0.88	-0.19	0.02	-0.15	1.03	1.32	1.70
<b>Calgro M3 Holdings Limited</b>													
Price / Sales	1.1	0.8	1.1	1.8	2.0	1.5	0.9	1.1	0.4	0.3	0.3	0.3	0.3
Price / Earnings	8.4	7.2	8.3	11.6	11.9	13.2	13.2	345.8	72.9	12.2	3.8	3.0	2.3
Price / Book Value	2.3	2.0	2.0	2.9	2.8	2.2	1.4	1.4	0.4	0.3	0.5	0.6	0.7
Price / Tangible Book Value	2.7	2.2	2.2	3.1	3.5	2.6	1.6	1.7	0.5	0.3	0.6	0.7	0.9
Price / Cash Flow	13.9	51.9	-3.0	21.3	66.1	9.6	-5.9	5.6	1.1	-76.7			
Price / Free Cash Flow	14.1	67.2	-	21.5	72.9	9.7	-	5.7	1.1	-			
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value / EBIT	15.7	8.6	25.1	27.2	18.9	11.9	16.8	-32.5	28.5	45.0	5.7	4.6	3.5
Enterprise Value / EBITDA	14.9	8.3	24.0	26.7	18.7	11.9	16.7	-33.2	25.6	37.5	5.2	4.2	3.3
Enterprise Value / Sales	1.3	0.9	1.6	2.2	2.3	1.7	1.3	2.0	1.2	1.2	0.8	0.7	0.6
EBIT / Interest Expense (Int. Coverage)	2.0	3.6	1.2	1.4	2.5	3.3	1.7	-0.4	0.3	0.2	3.8	5.0	6.1

Source: Factset, Company data, Chronux Research estimates

Figure 12 Balance Sheet and Cash Flow - Forecast

	02/2012	02/2013	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024
<b>Assets</b>													
Cash & Short-Term Investments	104	198	63	131	80	241	157	123	255	155	191	91	-52
Short-Term Receivables	125	188	439	393	1212	1701	2185	1815	1353	1360	147	162	179
Inventories	251	267	390	512	466	600	554	568	719	644	1525	1587	1651
Other Current Assets	0	2	3	3	7	18	98	12	24	20	284	257	232
<b>Total Current Assets</b>	<b>480</b>	<b>656</b>	<b>895</b>	<b>1039</b>	<b>1765</b>	<b>2560</b>	<b>2994</b>	<b>2518</b>	<b>2351</b>	<b>2178</b>	<b>2148</b>	<b>2096</b>	<b>2009</b>
Net Property, Plant & Equipment	4	4	3	2	4	6	6	12	27	23	20	20	20
Total Investments and Advances	66	102	148	235	6	19	51	178	178	70	80	80	80
Long-Term Note Receivable	0	0	0	-	-	-	-	-	-	-	0	0	0
Intangible Assets	33	33	33	41	159	160	160	160	160	160	160	160	160
Deferred Tax Assets	13	14	19	14	9	0	16	43	38	37	32	32	32
Other Assets	0	0	0	0	0	0	0	0	0	0	0	-95	-53
<b>Total Assets</b>	<b>596</b>	<b>809</b>	<b>1098</b>	<b>1330</b>	<b>1942</b>	<b>2745</b>	<b>3226</b>	<b>2911</b>	<b>2755</b>	<b>2468</b>	<b>2439</b>	<b>2293</b>	<b>2248</b>
<b>Liabilities &amp; Shareholders' Equity</b>													
ST Debt & Curr. Portion LT Debt	227	300	471	492	538	177	193	157	290	124	839	750	800
Accounts Payable	77	118	110	121	110	238	302	161	178	150	422	465	513
Income Tax Payable	0	1	0	0	231	137	199	123	124	118	1	1	1
Other Current Liabilities	37	36	46	101	233	610	513	758	458	319	0	0	0
<b>Total Current Liabilities</b>	<b>340</b>	<b>455</b>	<b>627</b>	<b>714</b>	<b>1113</b>	<b>1161</b>	<b>1207</b>	<b>1199</b>	<b>1050</b>	<b>712</b>	<b>1262</b>	<b>1216</b>	<b>1314</b>
Long-Term Debt	0	0	0	0	0	395	697	812	794	837	0	0	0
Provision for Risks & Charges	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	19	27	37	38	10	165	155	94	96	91	214	214	214
Other Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>360</b>	<b>482</b>	<b>664</b>	<b>752</b>	<b>1123</b>	<b>1722</b>	<b>2059</b>	<b>2105</b>	<b>1940</b>	<b>1640</b>	<b>1476</b>	<b>1430</b>	<b>1527</b>
Common Equity	236	327	433	579	821	1023	1167	806	814	828	963	863	720
Total Shareholders' Equity	236	327	433	579	821	1023	1167	806	814	828	963	863	720
Accumulated Minority Interest	0	0	0	0	-1	0	0	0	1	0	1	1	1
Total Equity	236	327	433	579	820	1023	1168	807	815	828	964	863	720
<b>Total Liabilities &amp; Shareholders' Equi</b>	<b>596</b>	<b>809</b>	<b>1098</b>	<b>1330</b>	<b>1942</b>	<b>2745</b>	<b>3226</b>	<b>2911</b>	<b>2755</b>	<b>2468</b>	<b>2439</b>	<b>2293</b>	<b>2248</b>
<b>Per Share</b>													
Book Value per Share	1.86	2.58	3.41	4.55	6.46	7.98	9.11	6.29	6.36	6.82	7.94	6.92	5.77
Tangible Book Value per Share	1.60	2.32	3.15	4.23	5.21	6.74	7.86	5.05	5.11	5.50	6.63	5.64	4.49
	02/2012	02/2013	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024
<b>Operating Activities</b>													
Net Income / Starting Line	78	117	115	168	239	233	172	-24	13	26	278	239	306
Depreciation, Depletion & Amortization	2	3	2	2	1	1	1	1	5	5	4	4	4
Other Funds	-62	-59	-100	-103	-107	-21	-62	-32	-111	-106	-98	-115	-137
<b>Funds from Operations</b>	<b>18</b>	<b>61</b>	<b>18</b>	<b>67</b>	<b>134</b>	<b>213</b>	<b>111</b>	<b>-55</b>	<b>-93</b>	<b>-75</b>	<b>184</b>	<b>128</b>	<b>173</b>
Changes in Working Capital	22	-49	-310	12	-98	25	-387	257	436	72	-54	-33	-33
<b>Net Operating Cash Flow</b>	<b>39</b>	<b>13</b>	<b>-292</b>	<b>79</b>	<b>36</b>	<b>238</b>	<b>-276</b>	<b>202</b>	<b>343</b>	<b>-3</b>	<b>130</b>	<b>95</b>	<b>140</b>
<b>Investing Activities</b>													
Capital Expenditures	-1	-3	-1	-1	-3	-1	-2	-3	-1	0	-1	-1	-1
Net Assets from Acquisitions	0	0	0	-25	-143	-98	-3	-41	-28	-23	0	0	0
Sale of Fixed Assets & Businesses	0	0	0	0	-	0	0	0	0	0	0	0	0
Purchase/Sale of Investments	-15	11	-15	0	6	-18	-126	-270	-145	-50	0	0	0
Other Funds	0	0	0	0	0	0	0	0	0	0	27	0	0
<b>Net Investing Cash Flow</b>	<b>-16</b>	<b>8</b>	<b>-16</b>	<b>-26</b>	<b>-141</b>	<b>-117</b>	<b>-130</b>	<b>-314</b>	<b>-174</b>	<b>-74</b>	<b>26</b>	<b>-1</b>	<b>-1</b>
<b>Financing Activities</b>													
Cash Dividends Paid	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in Capital Stock	0	0	0	0	8	7	-2	-25	0	-14	0	0	0
Issuance/Reduction of Debt, Net	70	74	173	14	46	33	324	80	-12	-7	-110	-195	-283
Other Funds	0	0	0	0	0	0	0	23	-23	0	-9	0	0
<b>Net Financing Cash Flow</b>	<b>70</b>	<b>74</b>	<b>173</b>	<b>14</b>	<b>55</b>	<b>39</b>	<b>322</b>	<b>78</b>	<b>-37</b>	<b>-23</b>	<b>-119</b>	<b>-195</b>	<b>-283</b>
Exchange Rate Effect	-	-	-	-	-	-	-	-	-	-	0	0	0
Net Change in Cash	93	95	-135	68	-50	161	-84	-34	132	-101	37	-101	-143
<b>Free Cash Flow</b>	<b>39</b>	<b>10</b>	<b>-292</b>	<b>79</b>	<b>32</b>	<b>237</b>	<b>-278</b>	<b>199</b>	<b>343</b>	<b>-3</b>	<b>129</b>	<b>94</b>	<b>140</b>
Free Cash Flow per Share	0.31	0.08	-2.30	0.62	0.25	1.81	-2.12	1.53	2.56	-0.03	1.03	0.76	1.12
Free Cash Flow Yield (%)	7.1	1.5	-33.4	4.7	1.4	10.3	-17.1	17.5	91.6	-1.5	26.3	19.2	28.5

Source: Factset, Company data, Chronux Research estimates

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