



## Calgro M3 – 1H FY24 Results

**Key message:** *Relatively steady state earnings are expected for future years off a well-developed pipeline.*

- Calgro released 1H FY24 results. HEPS increased 38% to 78.9c on a 14% increase in revenue. The gross profit margin remained in the target range of 20-25% at 22.2%. Cash resources increased 11% to R192m.
- 949 units were completed, and 2118 units are under construction. Revenue per unit increased by 43% to R705k as more open market units were sold (construction in lower-income market units has been slowed as customers are under pressure). While units sold will be down in FY24 revenue should grow due to higher unit prices. 3398 opportunities are being serviced in the 2024 financial year. The pipeline comfortably allows steady unit sales in the next few years.
- The development revenue pipeline is R15 billion (more than 22 000 opportunities), excluding the addition of Frankenwald (with an anticipated minimum 20 -30 000 opportunities) that will add onto this pipeline by March 2024 if Calgro exercises the land acquisition option. This will bring the total pipeline to in excess of 40 000 opportunities (R30bn). Efficient design layouts added more than 1 600 units to the pipeline at no additional capital cost.
- 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. Electricity and infrastructure are secured for the project which reduces initial capital requirements.
- The Memorial Parks business saw a strong recovery in cash receipts (+34%) with sales shifting top the lay-by offering. The GP margin remains over 40%.
- Calgro remains in a strong development position, with cash investment in top structures being converted into unit sales at a steady pace through the year. Infrastructure and land have largely been fully funded.
- 22.6m share were repurchased in the period at an average price of R2.63 per share. A dividend is under consideration.
- We adjust our Target Price for Calgro to R8.00, placing Calgro on a forward 4.4 times PE multiple. Calgro is trading at a significant discount to realisable NAV.

Date: 23 October 2023

### Analyst

Rowan Goeller  
082 801 2071

[rowan@chronuxresearch.com](mailto:rowan@chronuxresearch.com)

### Associate Analyst

Karabo Langa

[karabo@chronuxresearch.com](mailto:karabo@chronuxresearch.com)

Price (23/10/2023): R4.50  
Target Price: R8.00  
Dividend yield: 0%  
Total return: 78%

Market cap R530m  
Shares in issue 98.8mn

### Financial summary

ZARmn (year to February)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	1322	1525	1656	1876	2146
EBITDA	190	254	273	324	382
Net income	132	186	189	219	263
<b>Headline EPS (diluted)</b>	<b>103</b>	<b>147</b>	<b>182</b>	<b>218</b>	<b>261</b>
PE Ratio	3.3	1.7	2.5	2.1	1.7
Dividend	0	0	0	0	0
Dividend yield (%)			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	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Per share data</b>					
Earnings (diluted)	105.7	147.4	181.9	217.7	261.2
<b>Headline earnings (diluted)</b>	<b>102.8</b>	<b>147.2</b>	<b>181.9</b>	<b>217.7</b>	<b>261.2</b>
NAV	7.73	9.14	11.07	11.62	11.51
Dividend	0	0	0	0	0
<b>Valuation ratios</b>					
P/E ratio	3.3	1.7	2.5	2.1	1.7
EV/EBITDA	5.7	4.0	3.7	3.2	2.7
P/B	0.46	0.28	0.41	0.39	0.39
Dividend yield			0.0%	0.0%	0.0%
<b>Income Statement (ZARmn)</b>					
Sales	1,322	1,525	1,656	1,876	2,146
<i>Sales growth</i>		<b>15.4%</b>	<b>8.5%</b>	<b>13.3%</b>	<b>14.4%</b>
Cost of Goods Sold (COGS)	1,040	1,168	1,283	1,449	1,658
<b>Gross Income</b>	<b>282</b>	<b>358</b>	<b>373</b>	<b>427</b>	<b>488</b>
<i>Gross margin</i>	<b>21.3%</b>	<b>23.5%</b>	<b>22.5%</b>	<b>22.8%</b>	<b>22.7%</b>
SG&A Expense	(90)	(102)	(105)	(109)	(112)
Other Operating Income/Expense	2	2	9	10	10
<b>EBITDA</b>	<b>190</b>	<b>254</b>	<b>273</b>	<b>324</b>	<b>382</b>
<i>EBITDA margin</i>	<b>14.4%</b>	<b>16.6%</b>	<b>16.5%</b>	<b>17.3%</b>	<b>17.8%</b>
Depreciation & Amortisation	4	4	4	4	4
<b>EBIT (Operating Income)</b>	<b>194</b>	<b>258</b>	<b>277</b>	<b>328</b>	<b>386</b>
<i>EBIT margin</i>	<b>14.7%</b>	<b>16.9%</b>	<b>16.7%</b>	<b>17.5%</b>	<b>18.0%</b>
Nonoperating Income - Net	6	9	12	15	18
Net Interest Expense	(24)	(11)	(27)	(39)	(39)
Equity in Earnings of Affiliates	10	5	6	8	9
<b>PBT</b>	<b>185</b>	<b>261</b>	<b>269</b>	<b>312</b>	<b>374</b>
Income Taxes	(47)	(66)	(67)	(77)	(93)
<i>Tax rate</i>	<b>25.5%</b>	<b>25.3%</b>	<b>24.8%</b>	<b>24.8%</b>	<b>24.8%</b>
Consolidated Net Income	132	186	190	220	264
Minority Interest	(0)	(0)	(0)	(0)	(1)
<b>Net Income</b>	<b>132</b>	<b>186</b>	<b>189</b>	<b>219</b>	<b>263</b>
<b>Cash flow statement (ZARmn)</b>					
Changes in working capital	(54)	(214)	(68)	(55)	(55)
<b>Cash from operating activities</b>	<b>130</b>	<b>2</b>	<b>94</b>	<b>136</b>	<b>179</b>
Capital expenditure	(1)	(1)	(1)	(1)	(1)
Other	27	(51)	(70)	(70)	(70)
<b>Investing cash flow</b>	<b>26</b>	<b>(53)</b>	<b>(71)</b>	<b>(71)</b>	<b>(71)</b>
Changes in borrowings	(107)	35	(37)	(12)	(140)
Dividend paid	0	0	0	0	0
Other	(11)	(3)	(60)	0	0
<b>Financing cash flow</b>	<b>(119)</b>	<b>32</b>	<b>(96)</b>	<b>(12)</b>	<b>(140)</b>
Change in cash	37	(19)	(74)	54	(32)
<b>Balance sheet (ZARmn)</b>					
<b>Total assets</b>	<b>2,439</b>	<b>2,659</b>	<b>2,787</b>	<b>3,058</b>	<b>3,108</b>
Cash and equivalents	191	173	99	153	120
Other current assets	1,957	2,197	2,256	2,376	2,503
Non-current assets	292	290	432	530	485
<b>Total liabilities</b>	<b>1,476</b>	<b>1,505</b>	<b>1,634</b>	<b>1,887</b>	<b>1,948</b>
Long-term liabilities	214	268	291	291	291
Current liabilities	1,262	1,238	1,343	1,596	1,657
<b>Total shareholders' funds</b>	<b>964</b>	<b>1,154</b>	<b>1,153</b>	<b>1,171</b>	<b>1,160</b>
Net debt/(cash)	648	704	901	1,047	1,080

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 FY24 EBITDA)**

ZARm	Comment	FY24 EBITDA	EV/EBITDA Multiple	Enterprise Value
Memorial parks	3-5X multiple for annuity-type income	17	4.0x	69
<b>Enterprise Value</b>		<b>17</b>	<b>4.0</b>	<b>69</b>
		<b>NAV</b>	<b>Discount</b>	
Residential Property	NAV	1890	40%	1134
Kwanobuhle & other properties	NAV	375	40%	225
Other investments	From balance sheet			98
Minorities	From balance sheet			-1
Net (debt)/cash	From balance sheet			-717
<b>Equity value</b>				<b>808</b>
Number of shares ('m)				100.8
<b>Valuation (ZAR per share)</b>				<b>8.02</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**

	Discount applied in line with group financial ability	Total Number of opportunities	JV share	Effective number of opportunities	Selling price external Party (Excluding Vat)	Value
Serviced integrated and affordable housing opportunities	30%	4745		3930	119670	470,303,100
Mid to High portfolio (Serviced and partially serviced)	40%	732		722	349326	252,353,102
Partially and non serviced land - where development is under way	40%	17505	-2554	14951	48000	717,636,000
Frankenwald - Option value	0%	30000		30000	15000	450,000,000
Partially and unserviced land - where development have had limited progress or no start yet	50%				15000	-
						<b>1,890,292,202</b>
Expected value of commercial and retail land at 50% - 60% discounted prices						200,000,000
Kwanobuhle and Umhlanga Hills land						175,000,000
<b>Total value in property portfolio</b>						<b>2,265,292,202</b>
Construction contracts - Value of land in the construction contract part of the financial statements						(562,399,654)
FW land purchase price still payable						(100,000,000)
Inventories excluding Memorial Parks						(331,880,845)
Investment in joint ventures (excluding Residential Rental Investments)						(62,137,651)
Loans to joint ventures and associates						(343,104,392)
<b>Management estimated additional value not yet accounted for, locked in the Balance Sheet</b>						<b>865,769,660</b>
Current Equity value						1,184,257,263
Minus intangible assets						(159,650,534)
Added valuation difference based on the above estimates						865,769,660
<b>Fair asset value:</b>						<b>1,890,376,389</b>

Source: Company data, Chronux Research estimates

- We believe that a 40% discount to the market-adjusted NAV of R1.89bn is appropriate for Calgro's property portfolio. The option value of Frankenwald is valued at R450m.
- The Kwanobuhle and other KZN property is included at a 40% discount to the book value of R375m.

- On a PE basis Calgro is trading at very low levels. On a forward PE multiple of less than two times Calgro is substantially undervalued. We believe an appropriate PE multiple range to be 4-5 times.

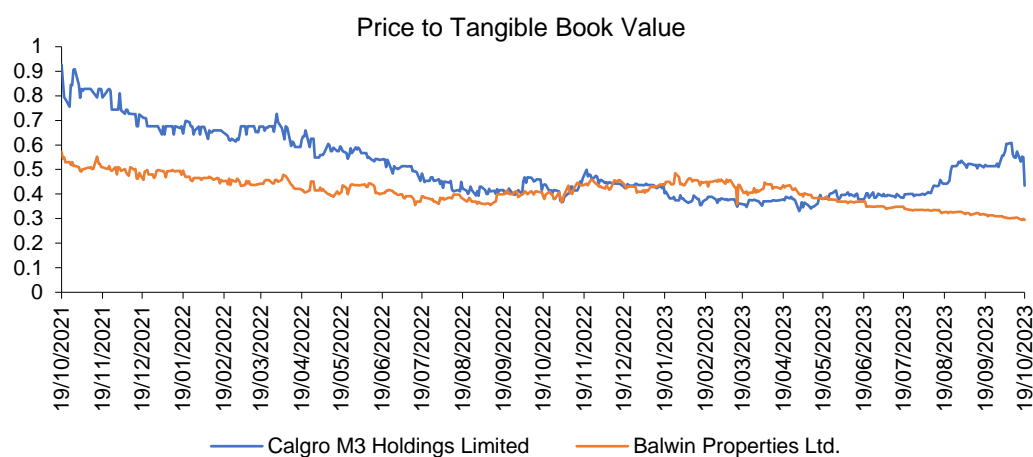
**Figure 4 Price to Earnings Ratio**

	<u>2023A</u>	<u>2024E</u>	<u>2025E</u>
<b>Diluted HEPS</b>	147	182	218
<b>CGR PE</b>	3.1	2.5	2.1
<b>TP exit PE</b>	5.4	4.4	3.7

*Source: Company data, Chronux Research estimates*

- The Price/Tangible Book Value for Calgro and peer Balwin Properties is shown in the following chart. 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. The share buyback has caused the Price to Tangible Book Value to decline as the share price has not yet adjusted to the 18% share buyback.

**Figure 5 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 R717m, with management comfortable at current levels.
- **Available cash:** Calgro has an undrawn facility of US\$20m with OPIC and a R100m overdraft facility.

#### 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.

## Notes from the Results

### Residential Property Developments

- 949 units were handed over in 1H, with 2118 under construction (half should be handed over by YE). Calgro has slowed construction in the lower-income market as consumers are under pressure and sales conversions are down (bank approvals are flat but customers are opting not to buy – there has been a switch to rental).
- The average price per unit jumped 43% to R705k as more open market units were sold. This should maintain for the full years and while units sold will be down revenue should grow.
- Calgro is trying to reduce the exposure to Fleurhof (44% of sales) and look to grow sales at Jabulani, Southfields and Belhar. Extra land may be added to Fleurhof and Belhar and potential new sites are being investigated (generally small infill/parking lot land). The strategic plan is to have 3-4 large projects underway with smaller infill sites.
- Frankenwald has a R100m option fee (payable by March 2024), with infrastructure costs of approx. R250m (to be shared with the development partner). This cash requirement will be internally funded.
- Sales are being done on a steadier basis, removing some of the seasonality of the past.

### Memorial Parks

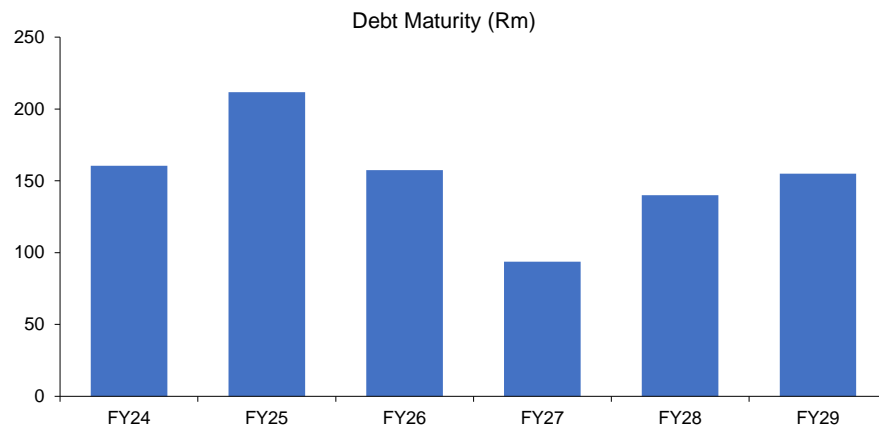
- After encountering customer affordability issues, the division has started to offer 6–24-month credit (lay-by) on an interest-free basis (largely to avoid being regulated as a credit provider).
- This has improved the affordability of grave sites and sales have picked up strongly. The average period of credit is 12 months, with a 7-8% default rate.
- The Bloemfontein site (46 000 opportunities) has secured burial rights and provides growth to the division. Some high visibility political burials have taken place post YE at the site providing some good marketing. However, sales remain slower than expected at the site.
- The aim is for the Memorial Parks to cover group overheads and interest on group debt.

### Cash flow

- Debt should stabilise at R1.2bn as the development pipeline is constructed. The current R850m of debt will be added to by the R350m DFC loan.
- Frankenwald should be funded internally.
- The Proparco loan has been settled and replaced with local lending.
- Debt: Equity of 0.65-0.7:1 is planned.
- Infrastructure costs for the FY24 pipeline have already been expensed and current project spending is for the FY25 pipeline.

### Debt

- Debt levels are reducing, with net debt: equity of 0.61 times – the lowest in 10 years. The DSCR is 2.27 – well above the required 1.2 times.

**Figure 6 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.
- Calgro will maintain debt levels of approx. R1.2bn to be able to fund the development pipeline.

### Residential Developments

**Figure 7 Residential Developments**

Project	Municipality	Region	Government /private	Progress	Units under construction	Total remaining units	Anticipated turnover (Rm)	Life
Belhar	Cape Town	Western Cape	Private/public	Under development	210	1687	1217	5 yrs
Fleurhof	JHB	Gauteng	Private/public	Under development	243	5208	4048	5 yrs
Jabulani	JHB	Gauteng	Private/public	Under development	392	748	730	5 yrs
La Vie Nouvelle	JHB	Gauteng	Private	Under development	4	77	197	5 yrs
Scottsdene	Cape Town	Western Cape	Private/public	Under development	573	293	336	5 yrs
South Hills	JHB	Gauteng	Private/public	Under development	668	4790	3223	
Umhlanga Hills	eThekwini	KwaZulu-Natal	Private	Land to be sold	0	720	563	
Vredehoek	Cape Town	Western Cape	Private	Awaiting approval	0	263	819	
Mid-to-high					28	350	1100	
Witpoortjie	JHB	Gauteng	Private/public	Under development	0	6103	3063	
KwaNobuhle	Port Elizabeth	Eastern Cape	Private/public	To be sold	0	0	165	
<b>Total</b>					<b>2118</b>	<b>20239</b>	<b>15461</b>	
Frankenwald	JHB	Gaiteng	Private/public	To be developed	0	20000	15000	
<b>Total (incl. Frankenwald)</b>					<b>2118</b>	<b>40239</b>	<b>30461</b>	

Source: Company data, Chronux Research estimates

Figure 8 Divisional Forecast

Total Segment Revenue	FY20	FY21	FY22	1H23	2H23	FY23	1H24	2H24	FY24	1H25	2H25	FY25	1H26	2H26	FY26
Fleurhof	379497	231378	402934	292353	295466	587819	297337								
	15%	-39%	74%	79%	23%	46%	2%								
Jabulani	28379	96104	67020	28293	133592	161885	89689								
	-45%	239%	-30%	-12%	283%	142%	217%								
Scottsdene							73299	32032							
Witpoortjie	41230	22024	26728	1373	-1373	0									
	34%	-47%	21%	-93%	-117%										
South Hills	88632	107800	219562	64412	137527	201939	103665								
	-72%	22%	104%	-54%	76%	-8%	61%								
Belhar	229038	315941	464443	104963	97472	202435	108438								
	62%	38%	47%	-28%	-69%	-56%	3%								
Bridge City							139817								
Third parties	183566	55854	88640	95853	26726	122579	37798								
	63.9%	-69.6%	58.7%	117.9%	-40.2%	38.3%	-60.6%								
<b>Total Residential</b>	<b>950342</b>	<b>829101</b>	<b>1269327</b>	<b>587247</b>	<b>902526</b>	<b>1489773</b>	<b>668959</b>	<b>947445</b>	<b>1616404</b>	<b>608418</b>	<b>1224907</b>	<b>1833325</b>	<b>696517</b>	<b>1402273</b>	<b>2098791</b>
% change	-2.6%	-12.8%	53.1%	7.6%	24.7%	17.4%	13.9%	5.0%	8.5%	-9.0%	29.3%	13.4%	14.5%	14.5%	14.5%
Memorial parks	25692	42452	52268	19832	15712	35544	19945	19153	39098	21940	21069	43008	24133	23176	47309
% change	22.8%	65.2%	23.1%	-34.9%	-28.0%	-32.0%	0.6%	21.9%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Residential Rental	8096	7593													
<b>Total</b>	<b>984130</b>	<b>879146</b>	<b>1321595</b>	<b>607079</b>	<b>918238</b>	<b>1525317</b>	<b>688904</b>	<b>966598</b>	<b>1655502</b>	<b>630358</b>	<b>1245975.6</b>	<b>1876333</b>	<b>720651</b>	<b>1425449</b>	<b>2146100</b>
% change	-1.3%	-10.7%	50.3%	5.4%	23.2%	15.4%	13.5%	5.3%	8.5%	-8.5%	28.9%	13.3%	14.3%	14.4%	14.4%
Point in time	395698	277944	349917	153640	304136	457776	242495	-242495			0				0
Over time	588432	551158	971676	433606	603935	1037541	426464	-426464			0				0
	984130	829102	1321593	587246	908071	1495317	668959	-668959	0	0	0	0	0	0	0
Gross revenue	958752	820536	1320785	607079	918238	1525317	688904	966598	1655502	630358	1245976	1876333	720651	1425449	2146100
Reversal of unrealised profit	25378	8566	808	0	0	0	0	0	0	0	0	0	0	0	0
	984130	829102	1321593	607079	918238	1525317	688904	966598	1655502	630358	1245976	1876333	720651	1425449	2146100
<b>Cost of sales</b>	<b>883521</b>	<b>771123</b>	<b>1039747</b>	<b>472911</b>	<b>694712</b>	<b>1167623</b>	<b>536109</b>	<b>746581</b>	<b>1282690</b>	<b>484439</b>	<b>964908</b>	<b>1449347</b>	<b>554143</b>	<b>1104202</b>	<b>1658346</b>
Residential Property	866920	741807	1007090	461216	683713	1144929	524784	736011	1260795	474566	955427	1429994	543283	1093773	1637057
	1%	-14%	36%	2%	22.8%	13.7%	13.8%	7.6%	10.1%	-9.6%	29.8%	13.4%	14.5%	14.5%	14.5%
Memorial parks	11840	22451	32657	11695	10999	22694	11325	10570	21895	9873	9481	19354	10860	10429	21289
	70%	90%	45%	-5%	-45.9%	-30.5%	-3.2%	-3.9%	-3.5%	-12.8%	-10.3%	-11.6%	10.0%	10.0%	10.0%
Residential Rental	4761	6865													
<b>Revenue</b>	<b>984130</b>	<b>879146</b>	<b>1321595</b>	<b>607079</b>	<b>918238</b>	<b>1525317</b>	<b>688904</b>	<b>966598</b>	<b>1655502</b>	<b>630358</b>	<b>1245976</b>	<b>1876333</b>	<b>720651</b>	<b>1425449</b>	<b>2146100</b>
Residential Property	950342	829101	1269327	587247	902526	1489773	668959	947445	1616404	608418	1224907	1833325	696517	1402273	2098791
Memorial parks	25692	42452	52268	19832	15712	35544	19945	19153	39098	21940	21069	43008	24133	23176	47309
Residential Rental	8096	7593													
<b>Gross Profit</b>	<b>100609</b>	<b>108023</b>	<b>281848</b>	<b>134168</b>	<b>223526</b>	<b>357694</b>	<b>152795</b>	<b>220017</b>	<b>372812</b>	<b>145919</b>	<b>281067</b>	<b>426986</b>	<b>166507</b>	<b>321247</b>	<b>487754</b>
Residential Property	83422	87294	262236	126031	218813	344844	144175	211434	355609	133852	269480	403332	153234	308500	461734
Memorial parks	13852	20001	19611	8137	4713	12850	8620	8583	17203	12067	11588	23655	13273	12747	26020
Residential Rental	3335	728	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Gross profit margin</b>	<b>10.2%</b>	<b>12.3%</b>	<b>21.3%</b>	<b>22.1%</b>	<b>24.3%</b>	<b>23.5%</b>	<b>22.2%</b>	<b>22.8%</b>	<b>22.5%</b>	<b>23.1%</b>	<b>22.6%</b>	<b>22.8%</b>	<b>23.1%</b>	<b>22.5%</b>	<b>22.7%</b>
Residential Property	8.8%	10.5%	20.7%	21.5%	24.2%	23.1%	21.6%	22.3%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
Memorial parks	53.9%	47.1%	37.5%	41.0%	30.0%	36.2%	43.2%	44.8%	44.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%
Residential Rental	41.2%	9.6%													

Source: Company data, Chronux Research estimates

Figure 9 Detailed Divisional Data

	<u>FY19</u>	<u>1H FY20</u>	<u>2H FY20</u>	<u>FY20</u>	<u>1H FY21</u>	<u>2H FY21</u>	<u>FY21</u>	<u>1H FY22</u>	<u>2H FY22</u>	<u>FY22</u>	<u>1H FY23</u>	<u>2H FY23</u>	<u>FY23</u>	<u>1H FY24</u>
<b>Revenue</b>	<b>949102</b>	<b>519037</b>	<b>431144</b>	<b>950181</b>	<b>392112</b>	<b>479441</b>	<b>871553</b>	<b>573419</b>	<b>748173</b>	<b>1321592</b>	<b>607081</b>	<b>918236</b>	<b>1525317</b>	<b>688904</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>	<b>587247</b>	<b>902526</b>	<b>1489773</b>	<b>668959</b>
Infrastructure	440224	84749	88716	173465	140362	68921	209283	194290	252634	446924	268517	201352	469869	291979
Fully and partially subsidised units	414116	361023	135019	496042	146318	331641	477959	291256	394383	685639	174947	264653	439600	294653
Non-subsidised units	33622	43763	178563	222326	13008	32354	45362	51286	72925	124211	85629	382731	468360	60913
Service land sales	50233	18502	26858	45360	73173	23324	96497	6131	6420	12551	3154	53790	56944	21414
Commercial land sale											55000	0	55000	0
<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>	<b>19834</b>	<b>15710</b>	<b>35544</b>	<b>19945</b>
Burial rights	9538	9277	1394	10671	16068	18938	35006	25096	17169	42265	16918	18626	35544	19945
Maintenance	398	771	-266	505	1192	1584	2776	1462	2125	3587	2032	-2032	0	0
Burial services	971	952	860	1812	1991	2679	4670	3898	2517	6415	884	-884	0	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>	<b>461213</b>	<b>683747</b>	<b>1144960</b>	<b>524784</b>
Infrastructure	288917	70930	47889	118819	115708	40556	156264	152083	171689	323772	185468	72449	257917	208805
Fully and partially subsidised units	424908	339414	154778	494192	141364	277083	418447	223628	312026	535654	129262	173903	303165	215213
Non-subsidised units	89091	50246	196233	246479	45336	60873	106209	68944	70007	138951	105178	405065	510243	84365
Service land sales	53638	14759	8214	22973	49757	11130	60887	2805	5777	8582	4109	32330	36439	16401
Commercial land sale											37196	0	37196	0
<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>	<b>11698</b>	<b>10966</b>	<b>22664</b>	<b>11325</b>
Burial rights	3607	3288	709	3997	4350	6657	11007	7315	16664	23979	8149	-453	7696	11325
Maintenance	37	718	1615	2333	3222	3420	6642	3413	4008	7421	3029	11939	14968	0
Burial services	381	728	-561	167	2123	2679	4802	1612	-224	1388	520	-520	0	0
<b>Gross Profit</b>	<b>88523</b>	<b>38954</b>	<b>22267</b>	<b>61221</b>	<b>30252</b>	<b>77043</b>	<b>107295</b>	<b>113619</b>	<b>168226</b>	<b>281845</b>	<b>134170</b>	<b>223523</b>	<b>357693</b>	<b>152795</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>	<b>126034</b>	<b>218779</b>	<b>344813</b>	<b>144175</b>
Infrastructure	151307	13819	40827	54646	24654	28365	53019	42207	80945	123152	83049	128903	211952	83174
Fully and partially subsidised units	-10792	21609	-19759	1850	4954	54558	59512	67628	82357	149985	45685	90750	136435	79440
Non-subsidised units	-55469	-6483	-17670	-24153	13008	-28519	-60847	-17658	2918	-14740	-19549	-22334	-41883	-23452
Service land sales	-3405	3743	18644	22387	23416	12194	35610	3326	643	3969	-955	21460	20505	5013
Commercial land sale											17804	0	17804	0
<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>	<b>8136</b>	<b>4744</b>	<b>12880</b>	<b>8620</b>
Burial rights	5931	5989	685	6674	11718	12281	23999	17781	505	18286	8769	19079	27848	8620
Maintenance	361	53	-1881	-1828	-2030	-1836	-3866	-1951	-1883	-3834	-997	-13971	-14968	0
Burial services	590	224	1421	1645	-132	0	-132	2286	2741	5027	364	-364	0	0
<b>Gross Profit Margin</b>	<b>9.3%</b>	<b>7.5%</b>	<b>5.2%</b>	<b>6.4%</b>	<b>7.7%</b>	<b>16.1%</b>	<b>12.3%</b>	<b>19.8%</b>	<b>22.5%</b>	<b>21.3%</b>	<b>22.1%</b>	<b>24.3%</b>	<b>23.5%</b>	<b>22.2%</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>	<b>21.5%</b>	<b>24.2%</b>	<b>23.1%</b>	<b>21.6%</b>
Infrastructure	34.4%	16.3%	46.0%	31.5%	17.6%	41.2%	25.3%	21.7%	32.0%	27.6%	30.9%	64.0%	45.1%	28.5%
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%	26.1%	34.3%	31.0%	27.0%
Non-subsidised units	-165.0%	-14.8%	-9.9%	-10.9%	100.0%	-88.1%	-134.1%	-34.4%	4.0%	-11.9%	-22.8%	-5.8%	-8.9%	-38.5%
Service land sales	-6.8%	20.2%	69.4%	49.4%	32.0%	52.3%	36.9%	54.2%	10.0%	31.6%	-30.3%	39.9%	36.0%	23.4%
Commercial land sale											32.4%			
<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>	<b>41.0%</b>	<b>30.2%</b>	<b>36.2%</b>	<b>43.2%</b>
Burial rights	62.2%	64.6%	49.1%	62.5%	72.9%	64.8%	68.6%	70.9%	2.9%	43.3%	51.8%	102.4%	78.3%	43.2%
Maintenance	90.7%	6.9%	707.1%	-362.0%	-170.3%	-115.9%	-139.3%	-133.4%	-88.6%	-106.9%	-49.1%	687.5%		
Burial services	60.8%	23.5%	165.2%	90.8%	-6.6%	0.0%	-2.8%	58.6%	108.9%	78.4%	41.2%	41.2%		

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

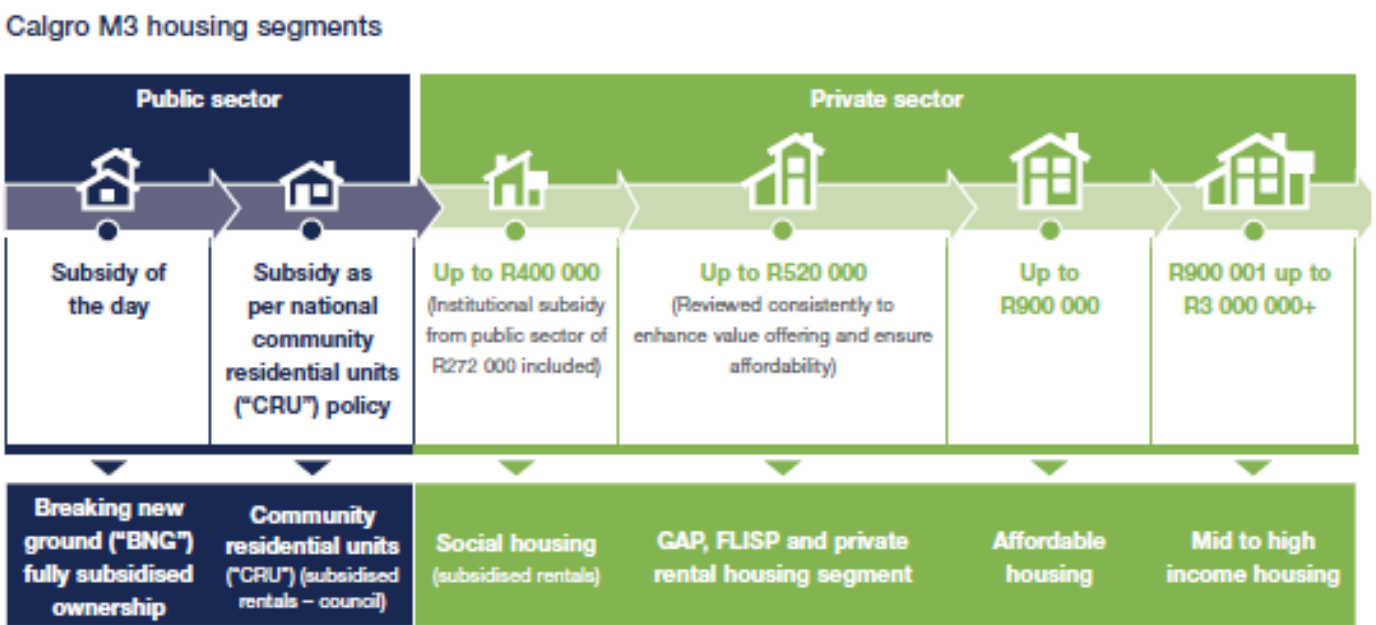
- Calgro has benefitted from government subsidies, infrastructure grants and purchases of units. This has varied over time and recent years has seen a reduction in government contribution, which has had an impact on Calgro's balance sheet as more of the development is now funded privately.
- However, 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. 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.
- Notwithstanding, 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. R500k.
- 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 10 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 11 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, which 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 12 Income Statement - Forecast**

Calgro M3 Holdings Limited	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	02/2026
<b>Sales</b>	785	932	1204	1555	1743	997	984	879	1322	1525	1656	1876	2146
Cost of Goods Sold (COGS) incl. D&A	674	759	954	1222	1474	870	888	776	1044	1172	1283	1449	1658
<b>Gross Income</b>	111	173	250	333	269	127	96	103	278	354	373	427	488
SG&A Expense	56	97	104	117	131	188	85	82	86	100	105	109	112
Other Operating Expense	4	1	0	0	0	0	-31	-2	3	2	0	0	0
<b>EBIT (Operating Income)</b>	51	75	147	216	138	-61	42	23	189	252	267	318	376
Nonoperating Income - Net	12	18	50	37	42	83	41	68	33	41	43	43	43
Interest Expense	14	12	19	22	17	59	65	73	47	44	60	72	72
Unusual Expense - Net	-	-	6	4	1	2	4	-4	6	2	0	0	0
Income Taxes	10	23	46	63	51	-25	8	8	47	66	67	77	93
Equity in Earnings of Affiliates	66	87	67	6	10	14	-1	3	10	5	6	8	9
<b>Consolidated Net Income</b>	106	146	193	170	121	1	5	18	132	186	190	220	264
Minority Interest	0	0	-1	1	0	-2	0	0	0	0	0	0	1
<b>Net Income</b>	106	146	194	169	120	3	5	19	132	186	189	219	263
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income available to Common	106	146	194	169	120	3	5	19	132	186	189	219	263
<b>Per Share</b>													
EPS (recurring)	0.83	1.15	1.54	1.31	0.93	0.03	0.06	0.13	1.09	1.49	1.84	2.22	2.66
EPS (diluted)	0.83	1.15	1.50	1.29	0.92	0.02	0.04	0.16	1.06	1.47	1.82	2.18	2.61
Earnings Persistence	59.80	83.65	73.25	89.17	71.35	84.05	88.53	91.04	95.81	81.50			
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	53	77	148	217	139	-59	46	28	193	256	281	332	390

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

Calgro M3 Holdings Limited	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	02/2026
Rental Expense	4	5	5	6	6	6	0	0	0	0			
Stock Option Comp Exp (Net of Tax)	-	-	19	21	17	32	3	6	3	3			
Foreign Currency Translation Gains/Losses	-	-	-	-	-	-	-	-	-	-			
Tax Rate	19.4	27.7	26.8	27.8	31.4	-	56.8	33.4	27.8	26.8	26.0	26.0	26.0
Headline EPS	0.83	1.10	1.39	1.33	0.90	-0.19	0.02	-0.15	1.06	1.53	1.84	2.22	2.66
Headline EPS (diluted)	0.83	1.10	1.37	1.29	0.88	-0.19	0.02	-0.15	1.03	1.47	1.82	2.18	2.61

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

Calgro M3 Holdings Limited	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	02/2026
Price / Sales	1.1	1.8	2.0	1.5	0.9	1.1	0.4	0.3	0.3	0.2	0.3	0.2	0.2
Price / Earnings	8.3	11.6	11.9	13.2	13.2	345.8	72.9	12.2	3.3	1.7	2.5	2.1	1.7
Price / Book Value	2.0	2.9	2.8	2.2	1.4	1.4	0.4	0.3	0.5	0.3	0.4	0.4	0.4
Price / Tangible Book Value	2.2	3.1	3.5	2.6	1.6	1.7	0.5	0.3	0.5	0.3	0.5	0.4	0.5
Price / Cash Flow	-3.0	21.3	66.1	9.6	-5.9	5.6	1.1	-76.7	3.5	159.9			
Price / Free Cash Flow	-	21.5	72.9	9.7	-	5.7	1.1	-	3.5	380.1			
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	25.1	27.2	18.9	11.9	16.8	-32.5	28.5	45.0	5.8	4.1	3.9	3.3	2.8
Enterprise Value / EBITDA	24.0	26.7	18.7	11.9	16.7	-33.2	25.6	37.5	5.7	4.0	3.7	3.2	2.7
Enterprise Value / Sales	1.6	2.2	2.3	1.7	1.3	2.0	1.2	1.2	0.8	0.7	0.6	0.6	0.5
EBIT / Interest Expense (Int. Coverage)	1.2	1.4	2.5	3.3	1.7	-0.4	0.3	0.2	2.1	2.7	4.5	4.4	5.2

Source: Factset, Company data, Chronux Research estimates

Figure 13 Balance Sheet and Cash Flow - Forecast

	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	02/2026
<b>Assets</b>													
Cash & Short-Term Investments	63	131	80	241	157	123	255	155	191	173	99	153	120
Short-Term Receivables	439	393	1212	1701	2185	1815	1353	1360	1340	1697	175	193	212
Inventories	390	512	466	600	554	568	719	644	616	499	1700	1790	1886
Other Current Assets	3	3	7	18	98	12	24	20	3	4	382	393	405
<b>Total Current Assets</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>2149</b>	<b>2373</b>	<b>2355</b>	<b>2528</b>	<b>2624</b>
Net Property, Plant & Equipment	3	2	4	6	6	12	27	23	20	17	15	15	15
Total Investments and Advances	148	235	6	19	51	178	178	70	80	87	98	98	98
Long-Term Note Receivable	0	-	-	-	-	-	-	-	-	-	0	0	0
Intangible Assets	33	41	159	160	160	160	160	160	160	160	160	160	160
Deferred Tax Assets	19	14	9	0	16	43	38	37	30	23	18	18	18
Other Assets	0	0	0	0	0	0	0	0	0	0	140	238	193
<b>Total Assets</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>2659</b>	<b>2787</b>	<b>3058</b>	<b>3108</b>
<b>Liabilities &amp; Shareholders' Equity</b>													
ST Debt & Curr. Portion LT Debt	471	492	538	177	193	157	290	124	209	294	1000	1200	1200
Accounts Payable	110	121	110	238	302	161	178	150	186	161	342	395	456
Income Tax Payable	0	0	231	137	199	123	124	118	84	128	1	1	1
Other Current Liabilities	46	101	233	610	513	758	458	319	222	188	0	0	0
<b>Total Current Liabilities</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>701</b>	<b>772</b>	<b>1343</b>	<b>1596</b>	<b>1657</b>
Long-Term Debt	0	0	0	395	697	812	794	837	644	594	0	0	0
Provision for Risks & Charges	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	37	38	10	165	155	94	96	91	130	140	291	291	291
Other Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Liabilities</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>1505</b>	<b>1634</b>	<b>1887</b>	<b>1948</b>
Common Equity	433	579	821	1023	1167	806	814	828	963	1153	1153	1170	1160
Total Shareholders' Equity	433	579	821	1023	1167	806	814	828	963	1153	1153	1170	1160
Accumulated Minority Interest	0	0	-1	0	0	0	1	0	1	1	1	1	1
Total Equity	433	579	820	1023	1168	807	815	828	964	1154	1153	1171	1160
<b>Total Liabilities &amp; Shareholders' Equity</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>2659</b>	<b>2787</b>	<b>3058</b>	<b>3108</b>
<b>Per Share</b>													
Book Value per Share	3.41	4.55	6.46	7.98	9.11	6.29	6.36	6.82	7.93	9.50	11.07	11.62	11.51
Tangible Book Value per Share	3.15	4.23	5.21	6.74	7.86	5.05	5.11	5.50	6.62	8.19	9.54	10.04	9.93
	02/2014	02/2015	02/2016	02/2017	02/2018	02/2019	02/2020	02/2021	02/2022	02/2023	02/2024	02/2025	02/2026
<b>Operating Activities</b>													
Net Income / Starting Line	115	168	239	233	172	-24	13	26	179	252	277	328	386
Depreciation, Depletion & Amortization	2	2	1	1	1	1	5	5	4	4	4	4	4
Other Funds	-100	-103	-107	-21	-62	-32	-111	-106	-73	-74	-118	-141	-156
<b>Funds from Operations</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>110</b>	<b>182</b>	<b>162</b>	<b>191</b>	<b>233</b>
Changes in Working Capital	-310	12	-98	25	-387	257	436	72	20	-180	-68	-55	-55
<b>Net Operating Cash Flow</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>2</b>	<b>94</b>	<b>136</b>	<b>179</b>
<b>Investing Activities</b>													
Capital Expenditures	-1	-1	-3	-1	-2	-3	-1	0	-1	-1	-1	-1	-1
Net Assets from Acquisitions	0	-25	-143	-98	-3	-41	-28	-23	-9	0	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	0	6	-18	-126	-270	-145	-50	27	-52	0	0	0
Other Funds	0	0	0	0	0	0	0	0	0	0	-70	-70	-70
<b>Net Investing Cash Flow</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>16</b>	<b>-53</b>	<b>-71</b>	<b>-71</b>	<b>-71</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	8	7	-2	-25	0	-14	0	0	0	0	0
Issuance/Reduction of Debt, Net	173	14	46	33	324	80	-12	-7	-107	35	-37	-12	-140
Other Funds	0	0	0	0	0	23	-23	0	0	0	0	0	0
<b>Net Financing Cash Flow</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>-110</b>	<b>32</b>	<b>-37</b>	<b>-12</b>	<b>-140</b>
Exchange Rate Effect	-	-	-	-	-	-	-	-	-	-	0	0	0
Net Change in Cash	-135	68	-50	161	-84	-34	132	-101	37	-18	-14	54	-32
<b>Free Cash Flow</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>1</b>	<b>93</b>	<b>136</b>	<b>178</b>
Free Cash Flow per Share	-2.30	0.62	0.25	1.81	-2.12	1.53	2.56	-0.03	1.03	0.01	0.90	1.35	1.77
Free Cash Flow Yield (%)	-33.4	4.7	1.4	10.3	-17.1	17.5	91.6	-1.5	28.4	0.3	19.9	30.0	39.3

Source: Factset, Company data, Chronux Research estimates



**Disclaimer:**

This report is not investment, financial, accounting or tax advice and is provided for information purposes only. In preparing this report we did not take your specific needs and investment objectives into account. Any prices or quotations provided are indicative only and may not be used or relied on for any purposes, including valuation purposes. Opinions expressed in this communication may change without any notice. This communication is not a solicitation to buy or sell any product. To the extent permitted by the law, Chronux Research Pty. Ltd. and/or the author(s) accept no responsibility or liability (in negligence or otherwise) for loss or damage resulting from the use of or relating to any error in the information provided. This information has been prepared in good faith and is based on information obtained from third party sources. Any modelling, scenario analysis past or simulated past performance (including back-testing) contained in this information is no indication of future performance. Analysts at Chronux Research might own direct exposure to companies they cover. This product may not be eligible for distribution in all jurisdictions and is directed at institutional investors who have professional experience as defined by the applicable law and/or regulation in the relevant jurisdiction. It is not for retail investors and may not be distributed into any jurisdiction where the information is not permitted. This communication is for the intended recipient only and if you have received this communication in error or in an unlawful manner the report must be destroyed, and the author notified immediately. These disclaimers and exclusions shall be governed and construed in accordance with South African law. If any provisions of these disclaimers and exclusions shall be unlawful, void or for any reason unenforceable then that provision shall be deemed severable and shall not affect the validity and enforceability of the remaining provisions. © Chronux Research Pty. Ltd. All rights of Chronux Research Pty. Ltd are reserved.