

# HEARTWOOD PROPERTIES LIMITED

Half Year Results Presentation for the 6 months ending 31 August 2018



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# HEARTWOOD PROPERTIES LIMITED

Heartwood is a **R130 million** property development company listed on the **4 Africa Exchange (4AX)** focusing on the **warehouse and office** sectors.

We develop **high quality sustainable buildings** underpinned by solid property fundamentals to achieve **superior long term returns** for our shareholders.

Shareholders benefit from both **property development returns** and **long term portfolio returns**.

# HEARTWOOD PROPERTIES LIMITED



## QUALITY PORTFOLIO

- Development of high quality buildings
- Experienced executives and directors
- Low vacancies and long-term leases
- Passion and commitment

## RELATIONSHIPS

- Banks
- Shareholders
- Tenants
- Joint venture partners

## RETURNS

- Growth of net assets
- Development pipeline
- Joint venture development strategy

# INVESTMENT CASE

- Ability to produce high quality property assets at excellent returns
- Experienced management team
- Development returns, plus long term portfolio returns
- Capital growth over a long term period
- Focused on asset class



# DIFFERENTIATING HEARTWOOD FROM REITS

- Development returns and long term portfolio returns
- Growth in net asset value
- Long term capital preservation
- Focused development and growth of property portfolio
- Wealth creation for individuals
- Joint venture developments with selected tenants
- Dividends reinvested into new developments

## EXECUTION OF STRATEGY FOR THIS PERIOD

- Listing on the 4 Africa Exchange – 20 March 2018
- Renegotiating of existing debt facility, plus additional development loan facility with Standard Bank
- Increase in contracted revenue D4 International (R1 458 000 pa, 10 year lease) and Genesys (R1 1070 160 pa, 5 year lease)
- Renewal of a major tenant for a further 3 years - Crominet
- D4 International development completed at below budget

## EXECUTION OF STRATEGY FOR THE PERIOD

- Construction of Willow Wood Block D started on target for completion by March 2019
- Development pipeline - Soleil office development (R45m) and Northriding warehouse and showrooms (R80m)
- Solar panels installed on Willow Wood Block A and B



## DEVELOPMENT PIPELINE

- D4 Electrical Lanseria - on track and under budget  
Cost R17m
- Willow Wood Block D – construction started, currently letting,  
completion March 2019  
Cost R31m
- Soleil Office Development – redesigned and relaunched into market,  
sale of one floor, letting ongoing, expected start early 2019  
Cost R45m
- Northriding warehouse and showroom – rezoning in progress,  
one tenant secured, expected start mid-2019  
Cost phase 1 & 2 R80m
- Total development pipeline - R 173m (133% of current asset value)

## 4 AFRICA EXCHANGE LISTING

- Listing date: 20 March 2018
- Listing price – 100 000 005 shares at R0.59 per share
- Total number of shareholders **13 Shareholders**
- Major shareholders
  - **Montagu Commercial Developments (Pty) Ltd** **26%**
  - **Champagne One Holdings (Pty) Ltd** **24%**
  - **Cornop Properties (Pty) Ltd** **18%**
  - **Cape Gannet Properties (Pty) Ltd** **12%**

## 4AX LATEST TRADES – HEARTWOOD SHARES

DATE	VOLUME	PRICE (CENTS)	VALUE (RANDS)
Monday, June 18, 2018 11:12:20 AM	300	73	219.00
Wednesday, May 23, 2018 11:55:02 AM	50	73	36.50
Tuesday, May 22, 2018 12:51:12 PM	100	73	73.00
Monday, May 14, 2018 2:36:43 PM	100	73	73.00
Tuesday, May 8, 2018 10:02:43 AM	100	73	73.00
Friday, May 4, 2018 10:53:11 AM	100	73	73.00
Wednesday, May 2, 2018 1:41:06 PM	100	70	70.00
Monday, April 30, 2018 11:19:13 AM	100	70	70.00
Wednesday, April 25, 2018 2:08:58 PM	100	70	70.00
Tuesday, April 24, 2018 11:52:39 AM	100	70	70.00

# FINANCIAL REVIEW: ACTUAL VS BUDGETED INCOME STATEMENT

<b>Detailed Statement of Comprehensive Income</b>	<b>Actual - 6 months ended Aug18</b>	<b>Projected 6 months ended Aug18</b>	<b>Variance</b>
<b>Revenue</b>			
Straight-lining accounting adjustment	1 179 368	-	1 179 368
Rental Income	5 569 640	5 498 667	70 973
<b>Other Income</b>			
Recoveries	1 186 877	1 257 893	-71 016
Investment Income	151 461	-	151 461
Fair value adjustment of investment property	-	4 356 521	-4 356 521
<b>Total Income</b>	<b>8 087 346</b>	<b>11 113 081</b>	<b>-3 025 735</b>
<b>Operating Expenses</b>	<b>4 461 182</b>	<b>3 819 998</b>	<b>641 184</b>
<b>Operating Profit</b>	<b>3 626 164</b>	<b>7 293 082</b>	<b>-3 666 919</b>
Finance Costs	2 569 257	2 380 991	188 266
Minority Interest	59 427	221 227	-161 800
<b>Profit before taxation</b>	<b>997 480</b>	<b>4 690 864</b>	<b>-3 693 385</b>

## **ACTUAL INCOME WAS LOWER DUE TO THE FOLLOWING REASONS:**

- No revaluation was done on the properties at 31 August 2018
- Certain expenses which were over budget (which was in part mitigated by savings on other expenses)
- The major expense that was over budget was the listing cost that is a once off cost

## KEY RATIOS

	31 August 2018	28 February 2018
Portfolio Value	R129 502 131	R123 888 733
Loan to Value Ratio	45%	46%
Net Asset Value	R68 922 214	R65 354 598
Interest Cover*	0.95	1.18
<i>*Excludes fair value adjustments and lease straight lining income</i>		
Bank Exposure:		
Standard Bank	R45 482 469	R46 082 446
Nedbank	<u>R13 170 140</u>	<u>R 8 524 923</u>
	<u>R58 652 609</u>	<u>R 54 607 369</u>



# PORTFOLIO KEY METRICS FOR EXISTING COMPLETED BUILDINGS

BUILDING	MARKET VALUE	LOCATION	SECTOR	GLA	TENANT PROFILE	VACANCY	YIELD	ESCALATION	MAJOR TENANT	LOAN TO VALUE RATIO	WALE
Willow Wood Block A	R58 300 000	Fourways	Commercial	2570	A	0%	8%	7,50%	Spaces	42%	4,87
Willow Wood Block B	R18 590 000	Fourways	Commercial	825	B	0%	8%	7% - 8.5%	Multi Tenanted	67%	0,42
Willow Wood Block C	R18 621 630	Fourways	Commercial	998	A	0%	11%	8%	Crominet Mining	47%	1,04
Lanseria Erf 661	R17 900 000	Lanseria Corporate Estate	Warehouse	1960	B	0%	9%	8%	The Media Connection	46%	1,66
<b>Totals</b>	<b>R113 411 630</b>			<b>6 353</b>			<b>9%</b>			<b>47%</b>	<b>7.98</b>
<u><b>In Progress:</b></u> Lanseria Erf 643	R9 302 851	Lanseria Corporate Estate	Warehouse	1 321	B	0%	9%* *Expected	8%	D4 Technologies	54%* *Loan to Cost	
Willow Wood Block D	R4 441 833	Fourways	Commercial	1 623	B	63%	10%* *Expected	8%	Multi Tenanted	0%	
<b>Totals</b>	<b>R127 156 314</b>									<b>46%</b>	

LOOKING AHEAD



## LOOKING AHEAD

Developments to be completed:

- Willow Wood Block D
- Soleil office development
- Northriding warehouse and showroom

Consistent growth of net asset value

Increasing shareholder numbers and share liquidity

Unit 8, Tonquani House, 6 Gardner Williams Avenue  
Paardevlei, Somerset West.,7130

T: +27 (0)21 035 1744

E: [john@heartwoodprop.co.za](mailto:john@heartwoodprop.co.za)

[www.heartwoodproperties.co.za](http://www.heartwoodproperties.co.za)

