

RESULTS PRESENTATION

FEBRUARY 2021

heartwood[®] 
PROPERTIES

INTRODUCTION



Heartwood continues to be
**focused on becoming a
relevant, exceptional
developer** by developing space
with a strong emphasis on the
future of work in offices and
warehouses



Since the listing of Heartwood
in March 2018 **we have grown
the net asset value consistently
by 24% per year.** Our focused
development approach will
**continue to deliver strong
returns** going forward



THE YEAR IN REVIEW



Portfolio value: R248m
Growth of 21%



Net asset value: R114m
Growth 26%



Net asset value per share: R0.89
25% increase



Loan to value: 45%



Weighted average lease expiry: 4.8 years

OVERVIEW AND STRATEGY



Heartwood develops high quality, sustainable buildings, underpinned by solid property fundamentals to achieve superior returns for shareholders.



Heartwood is focused on the office and warehouse sectors; in the greater Cape Town area and Gauteng



A policy of selling some assets after a 4-5 year initial period has been implemented. Cash generated from sales will either be returned to shareholders in the form of a special dividend or invested into the development pipeline



WHAT WE ACHIEVED IN 2021



New Developments – Started the Buildit super store development in Somerset West R40m and set up the Sunvlei development to start in the last quarter of 2021



Completed Developments – Completed the Soleil development in Bryanston which was delayed due to the hard lockdown, all tenants moved in successfully. Development was within budget



Recycling of capital – sale of section of Soleil and a sectional title office in Willow Wood office park at a value above the book value



TIMELINE



2011

APRIL 2011

Incorporation of private development company



2012

DECEMBER 2012

Completion of Willow Wood Office Park Block A for the Business Centre



2013

DECEMBER 2013

Completion of Willow Wood Office Park Block C for Cronimet SA



2015

SEPTEMBER 2015

Completion of Warehouse and office for The Media Connection in Lanseria Corporate Estate



2017

SEPTEMBER 2017

Completion of Willow Wood
Office Park Block B



2018

MARCH 2018

Heartwood Properties Limited listed
on the 4AX Exchange



2018

NOVEMBER 2018

Completion of warehouse and office for
D4 Electrical in Lanseria Corporate Estate



2019

MARCH 2019

Completion of Willow Wood Office Park
Block D with Genesys as the anchor tenant



2019

OCTOBER 2019

Investment into Blythswood Quarter development in Glasgow, UK



2020

MARCH 2020

Completion of Soleil multi tenanted Office in Bryanston



2021

JUNE 2021

Started construction of BuildIt Somerset West to be completed in June 2021



OUR DEVELOPMENTS



OUR DEVELOPMENTS

- Our vision is to develop high quality, sustainable buildings underpinned by solid property fundamentals to achieve superior returns for shareholders
- The Buildit development in Somerset West is on track for completion at the end of June 2021
- The Sunvlei office development is due to start in the final quarter of 2021, this is an exciting new concept of co-working space combined with traditional office space. This concept will be rolled out to various suitable sites
- The development pipeline remains strong for warehouse tenants within our target market.



DEVELOPMENT IN PROGRESS



BUILD IT DEVELOPMENT

OFFICE BUILDING

Description	Retail and distribution development for Build it in Somerset West
Physical Address	Somerset West
Development cost	R40 million
GLA (m ²)	2 600m ²
Year of completion	On track for completion end June 2021
Features	Centrally located, long lease with established tenant



DEVELOPMENT IN PLANNING



SUNVLEI, PAARDEVLEI, SOMERSET WEST

OFFICE BUILDING

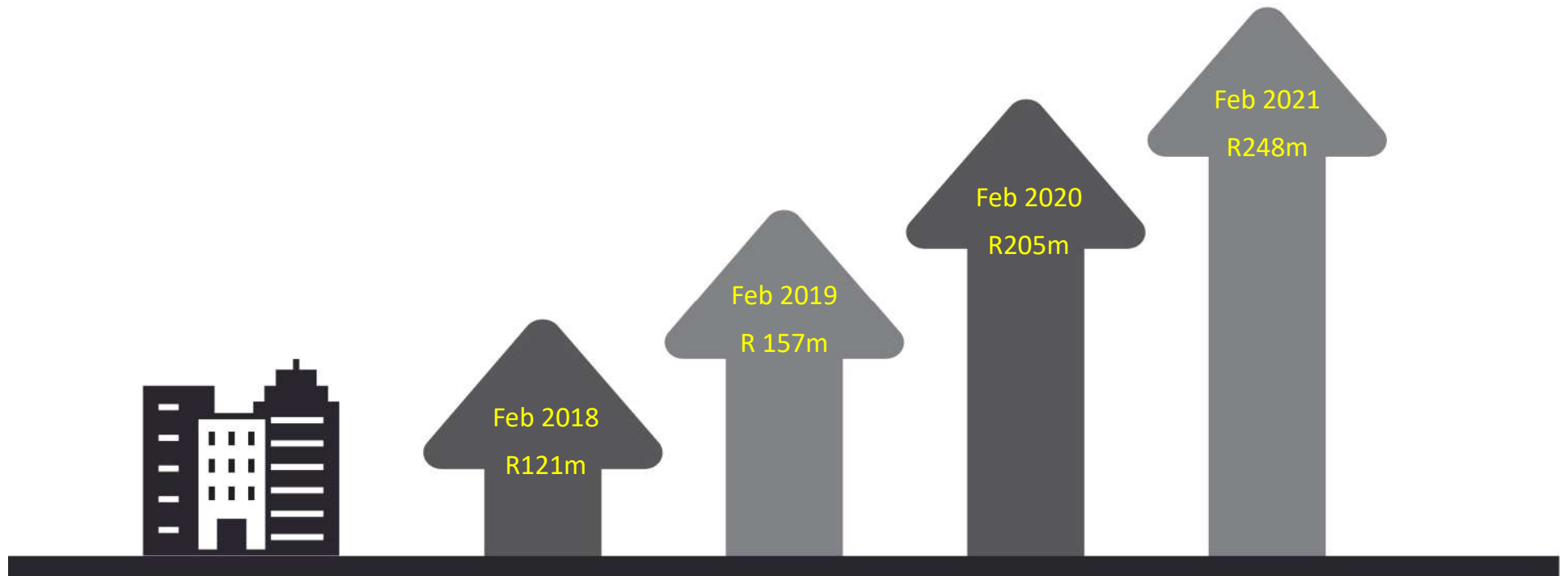
Description	Future of work office development which includes co-working and traditional office space in a prime location
Physical Address	Paardevelei Somerset West
Development cost	R57m
GLA	2000m2
Marketing strategy	Super efficient space for users targeting companies who require prime space at a great price and location
Start of construction	Last quarter 2021



OPERATIONAL HIGHLIGHTS



PORTFOLIO VALUE



OPERATIONAL HIGHLIGHTS



Number of
properties: 8



Occupancy
rate: 97%



Weighted average
lease expiry:
4.8 years



Weighted average
lease escalation:
7,46%



Growth in net
asset value 26%



Portfolio value:
R248m



DEVELOPMENT PIPELINE

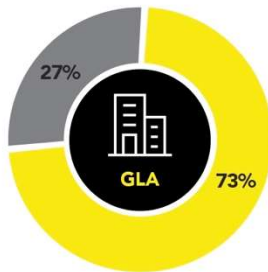
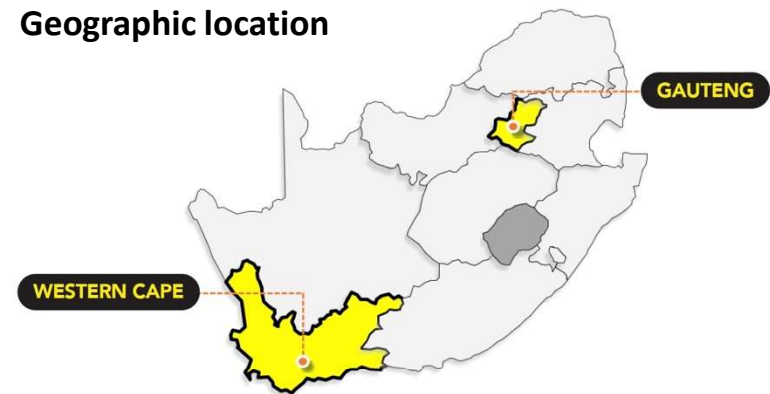
- One of our primary goals is to continue to find exceptional value enhancing developments that align with our strategy of achieving superior returns, within our target sectors
- Our risk driven development approach focuses on our tenants requirements and limited commitments are made before tenants are in place.
- Land is only purchased when we have a clear top structure strategy with tenant take off in place.
- Heartwood does not take any land rezoning risk and any land purchased must be fully zoned and ready for construction.
- The focus is on successful, medium sized businesses with excellent track records within the warehouse sector. We do envisage more tenant joint venture developments in future.



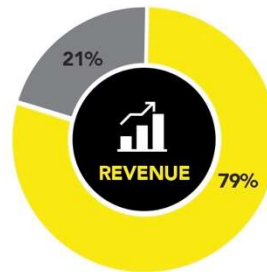
HEARTWOOD AT A GLANCE

NUMBER OF PROPERTIES	8
PORTFOLIO VALUE	R248 million
WEIGHTED AVERAGE LEASE EXPIRY ("WALE")	4.8 years
AVERAGE PROPERTY VALUATION PER M ²	R21 042 m ²
AVERAGE ESCALATIONS	7,46%
GROSS AVERAGE YIELD	10%
OCCUPANCY RATE	97%
RENTABLE AREA ("GLA")	11 665 m ²

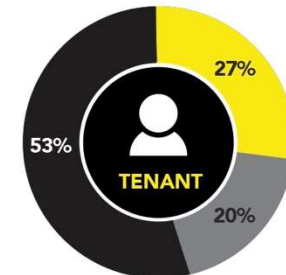
Geographic location



COMMERCIAL WAREHOUSE



COMMERCIAL WAREHOUSE



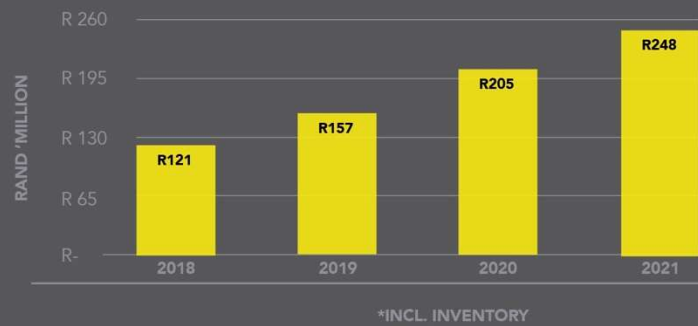
LARGE MEDIUM SMALL

FINANCIAL PERFORMANCE



KEY FINANCIAL METRICS

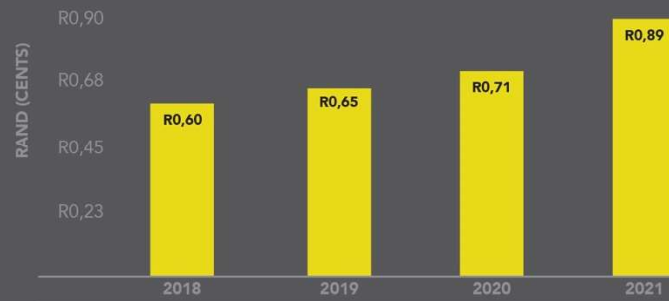
PORTFOLIO VALUE



NET ASSET VALUE

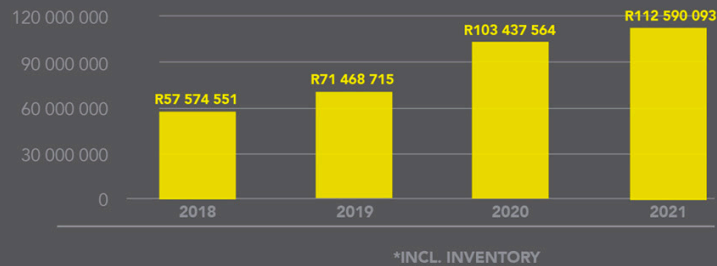


NET ASSET VALUE PER SHARE

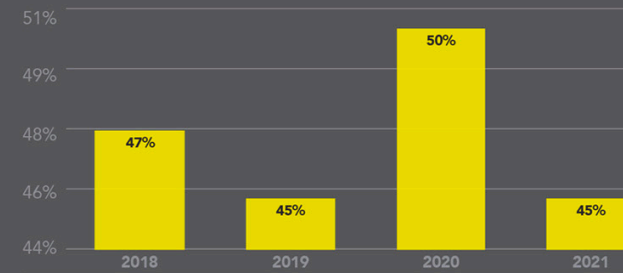


DEBT FUNDING PROFILE

TOTAL BORROWINGS



LOAN TO VALUE RATIO



DEBT EXPIRY PROFILE

	Less than 1 year	1-2 years	2-5 years	Over 5 years
Borrowings	10 638 404	10 522 409	106 202 037	6 903 608

FUNDING BY BANKS



SUMMARY STATEMENT OF PROFIT OR LOSS

HEARTWOOD PROPERTIES LIMITED AND ITS SUBSIDIARIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group Audited 28-Feb-21	Group Audited 29-Feb-20	Variance	Variance %
Revenue	24 382 662	21 845 084	2 537 578	10%
Profit on sale of inventory	4 129 922	0	4 129 922	100%
Other operating income	62 816	102 695	-39 879	-63%
Fair value gains	22 987 624	6 139 317	16 848 307	73%
Other operating expenses	-14 550 880	-11 769 242	-2 781 638	19%
Operating profit (loss)	37 012 144	16 317 854	20 694 290	56%
Finance income	324 169	176 464	147 705	46%
Finance costs	-7 086 444	-6 861 024	- 225 420	3%
Profit before tax	30 249 869	9 633 294	20 616 575	68%
Income tax expense	-7 259 714	-2 587 673	- 4 672 041	64%
Profit and total comprehensive income for the year	22 990 155	7 045 621	15 944 534	69%
Profit and total comprehensive income for the year attributable to:				
Owners of the parent	22 912 745	7 037 804		
Non-controlling interest	77 410	7 817		

Commentary:

- * The increase in revenue can be ascribed to the rental income of new tenants at Erf20 Lyme Park. During the year rental discounts of R2.6million was provided to existing tenants as COVID concessions.
- * Profit on sale of inventory relates to a floor sold in the Erf20 Lyme Park development.
- * As mentioned above, the fair value uplift in the portfolio is due to the Erf20 Lyme Park project completion and revaluation as well as an increase in the values of 2 buildings at the Willow Wood Office Park.



SUMMARY STATEMENT OF FINANCIAL POSITION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group Audited 28-Feb-21	Group Audited 29-Feb-20	Variance	%
ASSETS	258 987 561	217 122 584	41 864 977	16%
Non-current assets	245 521 637	199 339 341		
Fair value of investment property portfolio	241 307 866	195 112 611	46 195 255	19%
Goodwill	19 110	19 110	0	0%
Property, plant and equipment	157 861	196 300	-38 439	-24%
Investment - Glasgow	4 036 800	4 011 320	25 480	1%
Current Assets	13 465 924	17 783 243		
Investment Property Held for Sale	6 400 000	0	6 400 000	100%
Trade and other receivables	1 933 526	2 848 660	-915 134	-47%
Inventories	0	9 861 569	-9 861 569	-100%
Cash and cash equivalents	5 132 398	5 073 014	59 384	1%

Commentary:

- * The fair value uplift in the portfolio is due to the Erf20 Lyme Park project completion and revaluation as well as an increase in the values of 2 buildings at the Willow Wood Office Park.
- * Investment property held for sale relates to a unit in the Willow Wood Office Park which was transferred in April 2021.
- * The decrease in trade receivables is due to a VAT refund being included in the prior year balance.



SUMMARY STATEMENT OF FINANCIAL POSITION

HEARTWOOD PROPERTIES LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group Audited 28-Feb-21	Group Audited 29-Feb-20	Variance	Variance %
EQUITY AND RESERVES	258 987 561	217 122 584	41 864 977	16%
Equity and Reserves	114 727 724	91 665 071	23 062 653	20%
Equity attributable to the parent	114 541 876	91 062 914	23 478 962	20%
Non-controlling interest	185 848	602 157	-416 309	-224%
Liabilities	144 259 837	125 457 513	18 802 324	13%
Loans and borrowings	112 590 093	103 437 564	9 152 529	8%
Deferred Tax	21 282 196	14 022 740	7 259 456	34%
Trade and other payables	10 387 548	7 997 209	2 390 339	23%

Commentary:

- * Equity increased due to the value uplift in the portfolio.
- * Non-controlling interest decreased due to the acquisition of the minority interest of one of the group's subsidiaries.
- * Loans and borrowings increased due to the completion of the development at Erf 20 Lyme Park and the commencement of a development in Somerset West.
- * The increase in trade payables is due to progress payments due on the construction project in Somerset West as well as deposits received from new tenants on the completed Erf20 Lyme Park development.



PROSPECTS





PROSPECTS

Heartwood will continue to build a quality resilient portfolio

- 📍 Focusing on our core strengths and experience as developers
- 📍 Aligning with our tenants by building strong, long term tenant relationships
- 📍 Conserving cash and maintaining a very strong balance sheet
- 📍 Adapting our new office development to the “future of work” creating a sustainable advantage over existing office buildings



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