

FIRST MUTUAL PARK



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Audited Abridged Financial Results Presentation

for year ended 31 December 2017

Agenda

1. Introduction
2. Property Market Overview
3. Financial Performance Highlights
4. Review of Operations
5. Review of Financial Performance
6. Outlook
7. Our Strategic Focus
8. Discussions

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Introduction

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- Properties in Zimbabwe,
- Diversified by location - in Harare, Bulawayo, Gweru, Mutare, Kwekwe, Kadoma, Zvishavane, Chivhu and Nyanga

**US\$137
million**

- Property portfolio value at 31 December 2017
- Invested in industrial, office, retail and residential sectors

**US\$62
million**

- Market capitalisation at 31 December 2017
- 52% discount to NAV of \$127.7 million

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Property Market Overview - 2017

The property market is characterized by:

☐ Stagnating occupancy levels;

- Improving absorption of space in the retail and office parks sectors
- Continued weak demand especially CBD office and specialised industrial sectors;

☐ Pressure on rentals

☐ High demand for properties to buy

- Strategy to preserve value both at individual and corporate level
- 3 tier pricing system and valuation disparities

☐ Limited developments

☐ High default rates

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Financial Performance Highlights



Property Investments **+0.11** YoY



Earnings per share **+49%** YoY



Profit after tax **+49%** YoY

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Financial Performance Highlights



Rental Income **-4.73%** YoY



Net property income **-0.81%** YoY

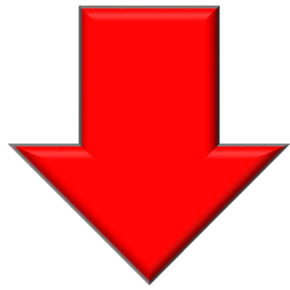


Administration expenses **-7.18%** YoY

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Financial Performance Highlights



Rental yield **-0.35%** YoY



Occupancy level **-0.28%** YoY



Total return **+0.68** YoY

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How We Created Value

Acquire or develop Real Estate

Acquire or develop real estate at competitive entry yields

Acquired two properties at a total price of **\$2.025 million.**

Income from Leases

Bill and collect rent from tenants and improve lease tenures

Total rental income for the year amounted to **\$7.36 million** with leases now averaging **5 years**

Reposition properties for improved space absorption

Actively increase space absorption through leasing and remodelling space

Reinvested **\$1.314 million** into upgrading space contributing to the leasing of 6,646 sqm

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REVIEW OF OPERATIONS

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Key Property Performance Indicators

KPI	FY2017	FY2016	Change
Income return	4.59%	4.58%	0.01%
Capital return	(1.00%)	(1.68%)	0.68%
Total return	3.59%	2.91%	0.68%
Occupancy level	70.94%	71.77%	(0.28%)
Rental yield	6.87%	7.22%	(0.35%)
Average rental per m ²	\$7.74	\$7.27	6.46%

Property Portfolio Performance Overview by Sector

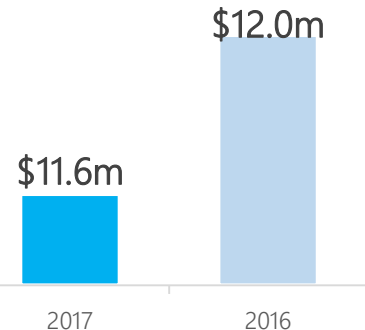
Industrial

Rental -7.52% YoY

\$1.1m

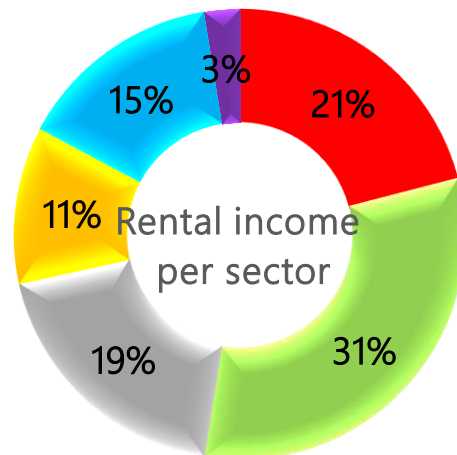
From 2016's \$1.2m

Occupancy level
-4.50%



Property Values
-3.33%

Rental Income contribution by Sector



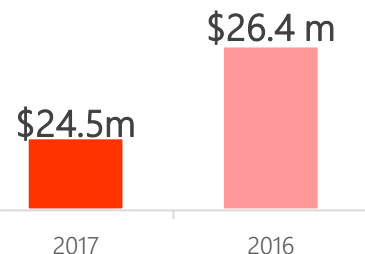
CBD Offices

Rental -20.2% YoY

\$1.6m

From 2016's \$1.9m

Occupancy level
+1.74%



Property Values
+0.33%

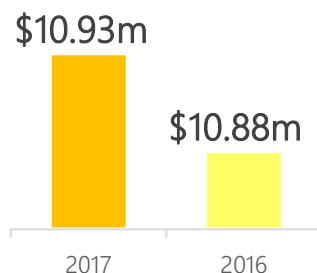
Suburban retail

Rental +7.38% YoY

\$0.83m

From 2016's \$0.77m

Occupancy level
0.00%



Property Values
+0.46%

CBD Retail

Rental +30.6% YoY

\$1.4m

From 2016's \$1.1m

Occupancy level
+9.24%



Property Values
+0.74%

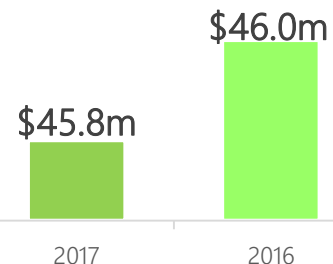
Office Park

Rental -13.9% YoY

\$2.3m

From 2016's \$2.7m

Occupancy Level
-5.51%



Property Values
-0.44%

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CBD Retail



	2017	2016	Change
Value (US\$ 000)	19,700	19,555	0.74%
% Portfolio weight by value	14.33%	14.24%	0.09%
Gross lettable area ("GLA") m ²	19,253	19,164	0.46%
GLA as % of total portfolio	15.87%	15.80%	0.07%
Average rental (US\$) per m ²	7.43	7.98	(6.88%)
Average occupancy	81.64%	78.54%	3.10%
Year-end occupancy level	89.33%	80.09%	9.24%
Rental yield	7.17%	5.65%	1.52%
Rent Arrears (US\$000)	669	473	41.44%

Suburban Retail



	2017	2016	Change
Value (US\$ 000)	10,930	10,880	0.46%
% Portfolio weight by value	7.95%	7.92%	0.03%
Gross lettable area ("GLA") m ²	7,723	7,656	0.87%
GLA as % of total portfolio	6.37%	6.31%	0.91%
Average rental (US\$) per m ²	8.97	8.90	0.80%
Average occupancy	99.73%	94.79%	4.94%
Year-end occupancy level	99.88%	99.88%	0.00%
Rental yield	7.62%	8.19%	(0.57%)
Rent Arrears (US\$000)	31	40	(22.50%)

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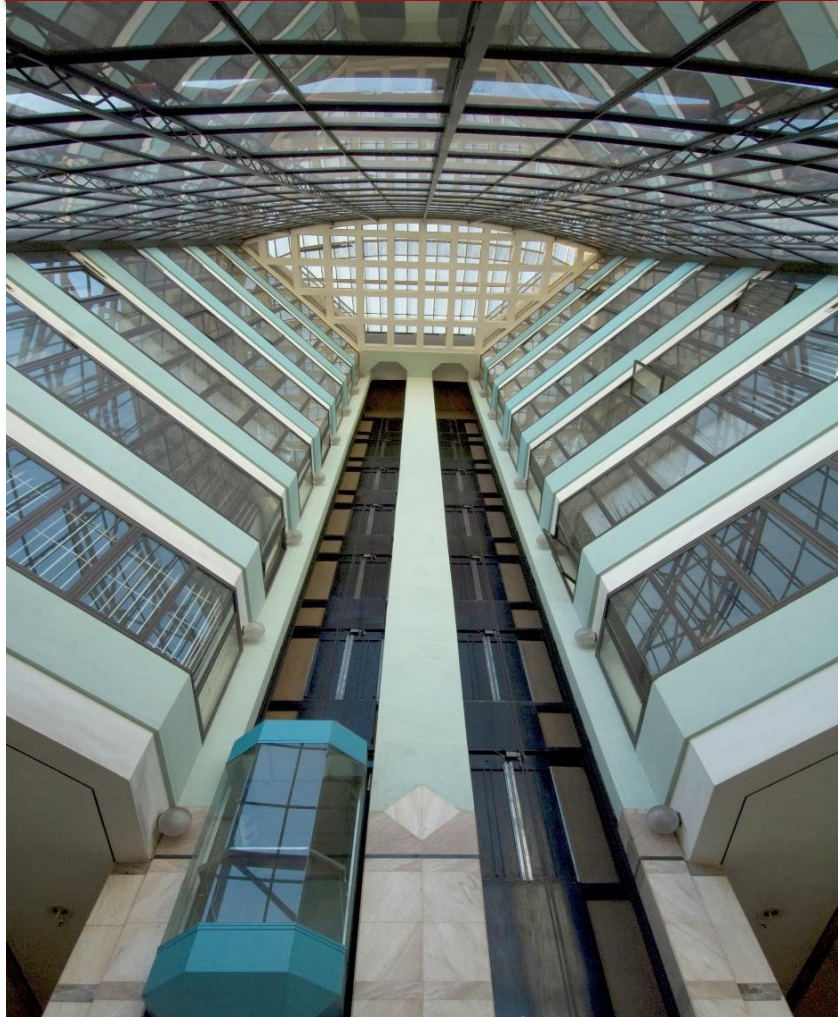
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Office Parks



	2017	2016	Change %
Value (US\$ 000)	45,760	45,960	(0.44%)
% Portfolio weight by value	33.29%	33.47%	(0.18%)
Gross lettable area ("GLA") m ²	25,852	25,869	(0.07%)
GLA as % of total portfolio	21.32%	21.33%	(0.07%)
Rental (US\$) per m ²	8.88	9.89	(10.22%)
Average occupancy	84.20%	89.49%	(5.29%)
Year-end occupancy level	80.73%	86.24%	(5.51%)
Rental yield	5.05%	5.74%	(0.69%)
Rent Arrears (US\$000)	330	292	13.11%

CBD Offices



	2017	2016	Change %
Value (US\$ 000)	24,480	24,400	0.33%
% Portfolio weight by value	17.81%	17.77%	0.04%
Gross lettable area ("GLA") m ²	32,839	31,976	2.70%
GLA as % of total portfolio	27.08%	26.37%	2.68%
Average rental (US\$) per m ²	10.25	10.78	(4.92%)
Average occupancy	38.28%	38.33%	(0.05%)
Year-end occupancy level	37.45%	35.71%	1.74%
Rental yield	6.34%	7.33%	(0.99%)
Rent Arrears (US\$000)	417	617	(32.50%)

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Industrial



	2017	2016	Change %
Value (US\$ 000)	11,630	12,030	(3.33%)
% Portfolio weight by value	8.46%	8.76%	(0.30%)
Gross lettable area ("GLA") m ²	36,616	36,616	0.00%
GLA as % of total portfolio	30.19%	30.19%	0.00%
Average rental (US\$) per m ²	3.03	3.21	(5.67%)
Average occupancy	81.21%	82.18%	(0.97%)
Year-end occupancy level	78.31%	82.81%	(4.50%)
Rental yield	8.98%	9.33%	(0.35%)
Rent Arrears (US\$000)	1,001	918	9.06%

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Property Acquisitions

In pursuit of the strategic goal to preserve value and grow the property portfolio, two acquisitions were concluded post year end.

Location	Belgravia, Harare	Chivhu Town Centre
Acquisition price	US\$1,000,000	US\$1,025,000
Entry yield	6%	7%
Lease tenure	9 years with an option to renew for a further 9 years	9 years with an option to renew for a further 9 years
Use	Offices / Services	Retail





FINANCIAL PERFORMANCE REVIEW

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CONSOLIDATED INCOME STATEMENT

All figures in US\$000	31-Dec-17	31-Dec-16	Change
Revenue	7,415	7,983	(7.13%)
Property expenses	(1,591)	(1,480)	7.53%
Allowance for credit losses	336	(295)	(213.92%)
Net property income (NPI)	6,159	6,209	(0.81%)
Administration expenses	(2,815)	(3,033)	(7.18%)
NPI after admin expenses	3,344	3,176	5.28%
Fair value adjustment	(594)	(1,530)	(61.20%)
Finance income	288	378	(23.75%)
Other income	238	304	(21.77%)
Finance costs	(126)	(296)	(57.29%)
Profit before income tax	3,150	2,032	55.01%
Income tax expense	(1,455)	(893)	63.00%
Profit for the period	1,695	1,139	48.75%

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ANALYSIS OF PROPERTY EXPENSES

All figures in US\$000	31-Dec-17	31-Dec-16	Change
Maintenance costs	736	516	43%
Other property expenses	58	35	66%
Property cost of sales	-	174	(100%)
Operating costs under recoveries	797	755	6%
Total property expenses	1,591	1,480	8%

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ADMINISTRATION EXPENSES HIGHLIGHTS

All figures in US\$000	31-Dec-17	31-Dec-16	Change
Employee related costs	1,416	1,515	(6.57%)
Directors fees for services as directors	40	48	(17.24%)
Auditors fees	56	61	(9.38%)
ICT expenses	96	60	59.27%
Depreciation	27	49	(43.78%)
Office costs	166	187	(10.85%)
Group shared services	860	797	7.91%

ACCOUNTING RATIOS

All figures in US\$	31-Dec-17	31-Dec-16	Change %
Arrears (% of collectables)	23.88%	21.51%	2.37%
Allowance for credit losses/Rental income	(4.56%)	3.81%	(8.37%)
Administration costs /Revenue	37.97%	37.99%	(0.02%)
Earnings per share (US cents)	0.14	0.09	49%

ABRIDGED FINANCIAL POSITION REVIEW

All figures in US\$000	31-Dec-17	31-Dec-16	Change
Investment properties	137,457	137,302	0.11%
Other non-current assets	1,112	1,658	(32.92%)
Current assets	5,946	4,511	31.80%
Total Assets	144,514	143,471	0.73%
Shareholders' equity	127,744	126,780	0.76%
Non-current liabilities	13,268	13,514	(1.82%)
Current liabilities	3,502	3,177	10.23%
Equity and Liabilities	144,514	143,471	0.73%

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INVESTMENT PROPERTY

All figures in US\$000	31-Dec-17	31-Dec-16
At 1 January	137,302	135,027
Improvements to existing properties	579	427
Reclassification from inventory	-	3,550
Additions to investment properties	170	-
Fair value adjustments	(594)	(1,702)
At 31 December	137,457	137,302

ABRIDGED STATEMENT OF CASH FLOWS

All figures in US\$000	31-Dec-17	31-Dec-16	Change
Profit/(Loss) before income tax	3,150	2,032	55.01%
Adjustment for non-cash items	347	1,478	(76.51%)
Cash flows before working capital changes	3,497	3,510	(0.38%)
Working capital adjustments	(1,473)	194	(860.02%)
Cash generated from operations	2,024	3,704	(45.37%)
Tax paid	(960)	(779)	23.24%
Interest paid	(126)	(296)	(57.29%)
Net cash flow from operating activities	937	2,629	(64.35%)
Net cash flows used in investing activities	464	(124)	472.48%
Net cash out flows from financing activities	(1,523)	(1,822)	(16.43%)
Net increase in cash and cash equivalents	(122)	682	(117.89%)
Opening cash and cash equivalents	2,194	1,512	45.12%
Cash and cash equivalents at 31 December	2,072	2,194	(5.56%)
Made up of: Bank and cash balances	306	1,701	(82.02%)
Short-term investments	1,766	493	258.02%

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Dividend

- ☐ Your Board resolved to declare final dividend of \$730,000 based on the dividend policy of 4 times cover
- ☐ The dividend reflects a dividend yield of 1.18%
- ☐ Dividend 0.059 cents per share
- ☐ Payable on or before 29 April 2018

Outlook

- ❑ The property market is envisaged to grow in response to the positive economic outlook and growing business confidence
- ❑ Absorption of space to improve on the back of growth in the productive sectors of the economy – agriculture and mining
- ❑ Medium to long term growth in aggregate demand for space is dependent on the success of economic reforms
- ❑ The property market to enter the recovery phase in the medium to long term.

Our Strategic Focus Areas

☐ **Acquisitions and Developments**

- ✓ Target opportunities on pre-let basis;
- ✓ Focus area:
 - Retail;
 - Students Accommodation; and
 - Office Parks

☐ **Property portfolio diversification by location and sector**

- ✓ Long-term strategy is to increase exposure in retail and office park sectors

☐ **Leveraged balance sheet growth**

- ✓ Utilise debt finance for acquisitions & developments.

☐ **Active Asset Management**

- ✓ Reposition existing assets
- ✓ Capital recycling

☐ **Long term sustainable earnings**

- ✓ Reinvest into existing properties to retain tenants & improve leasing potential of vacant space.
Focus on well positioned properties with growth prospects
- ✓ Sustainable renewable energy solutions for properties

Thank you