



FIRST MUTUAL PARK

FIRST MUTUAL
PROPERTIES
Go Beyond

First Mutual Properties Limited

Audited financial results presentation for the year ended

31 December 2018 at Meikles Hotel, Tuesday 16 April 2019

Agenda

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

The property market is characterized by:

- ☐ An occupiers market - Subdued space absorption with CBD Office and industrial sectors struggling to attract occupiers
- ☐ During the period, rental rates largely remain flat
- ☐ New entrants seeking space – SME occupiers due to the structural changes in the economy
- ☐ Default rates remain high increasing cash flow risk to landlords
- ☐ Transactions within the property market were concentrated around the residential sector, with limited commercial transactions due to volatile currency pressures and uncertainty
- ☐ Aging stock and limited availability of new product offering
- ☐ Property values remained relatively stagnant in USD

Broad Property Portfolio Overview

93

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

US\$146
million

- Property portfolio value at 31 December 2018
- Invested in industrial, office, retail and residential sectors

\$90 million

- Market Capitalization

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Financial Performance Highlights



Investment properties **+6%** YoY



Shareholder's equity **+3%** YoY

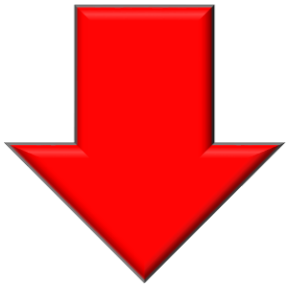


Operating profit **-3%** YoY

Financial Performance Highlights



Rental Income **+9%** YoY



Net Property Income **-2%** YoY



Admin. expenses **+28%** YoY

Financial Performance Highlights



Rental yield **+0.57%** YoY



Occupancy level **+5%** YoY



Average rental per sqm **+7%** YoY

REVIEW OF OPERATIONS

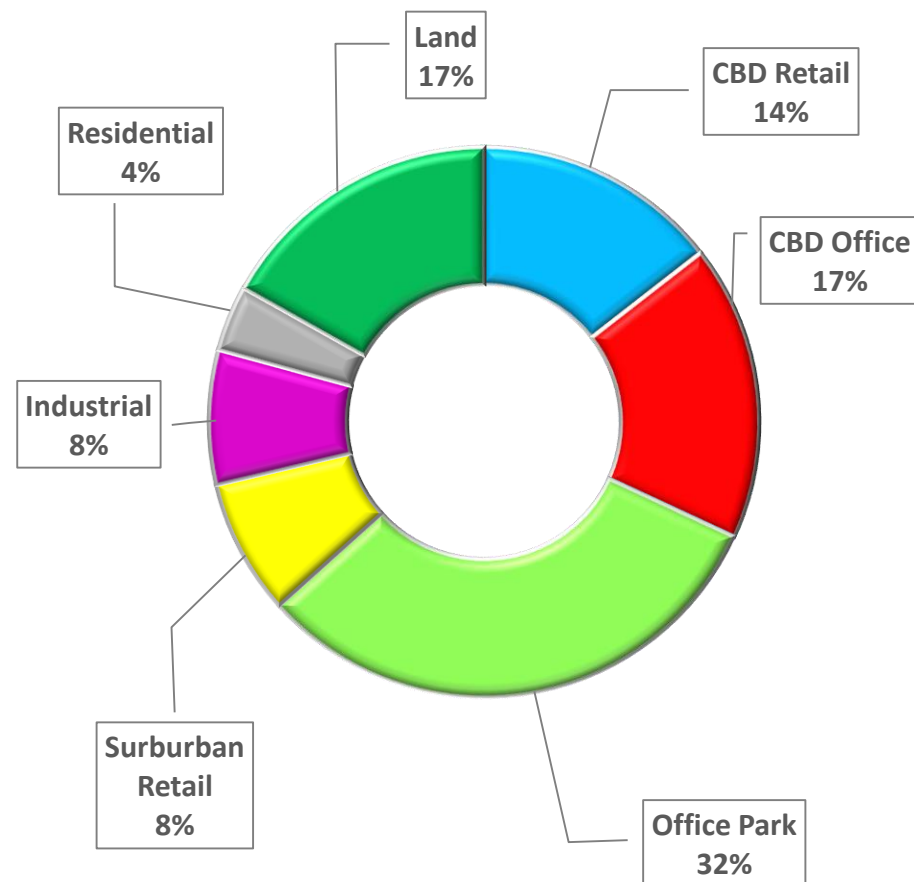
Sector Performance Overview

	CBD Retail	CBD Office	Office Park	Suburban Retail	Industrial	Total	Resi.	Land	Total
Value (US\$ 000)	20,600	25,050	46,960	11,560	11,630	115,800	5,560	24,790	146,150
% Portfolio weight by value	14.10%	17.14%	32.13%	7.91%	7.96%	79.24%	3.80%	16.96%	100.00%
GLA m²	21,240	31,603	25,769	7,723	38,069	124,405	-	-	124,405
Land bank area (m²)	-	-	-	-	-	-	-	643,100	643,100
Average rental (US\$) per m² / Unit	7.78	8.77	8.49	9.63	2.97	6.79	637.00	-	-
Occupancy level at period end	80.07%	50.55%	95.45%	99.88%	77.40%	76.09%	100%	-	76.09%
Rental yield	7.71%	6.71%	5.34%	7.71%	9.03%	6.91%	5.36%	-	6.88%

Property Values

Sector	Dec 2018 Valuation US\$000's	Dec 2017 Valuation US\$000's	Change %
CBD Retail	19,630	19,700	-0.36%
CBD Office	25,050	24,480	2.33%
Office Park	46,160	45,760	-0.87%
Surburban Retail	11,560	10,930	5.76%
Industrial	11,630	11,630	0.00%
Residential	5,560	4,350	27.82%
Land	24,790	20,607	20.30%
Total	144,380	137,457	5.04%
Acquisitions	1,770	-	100%
Total	146,150	137,457	6.32%

Portfolio weights by value



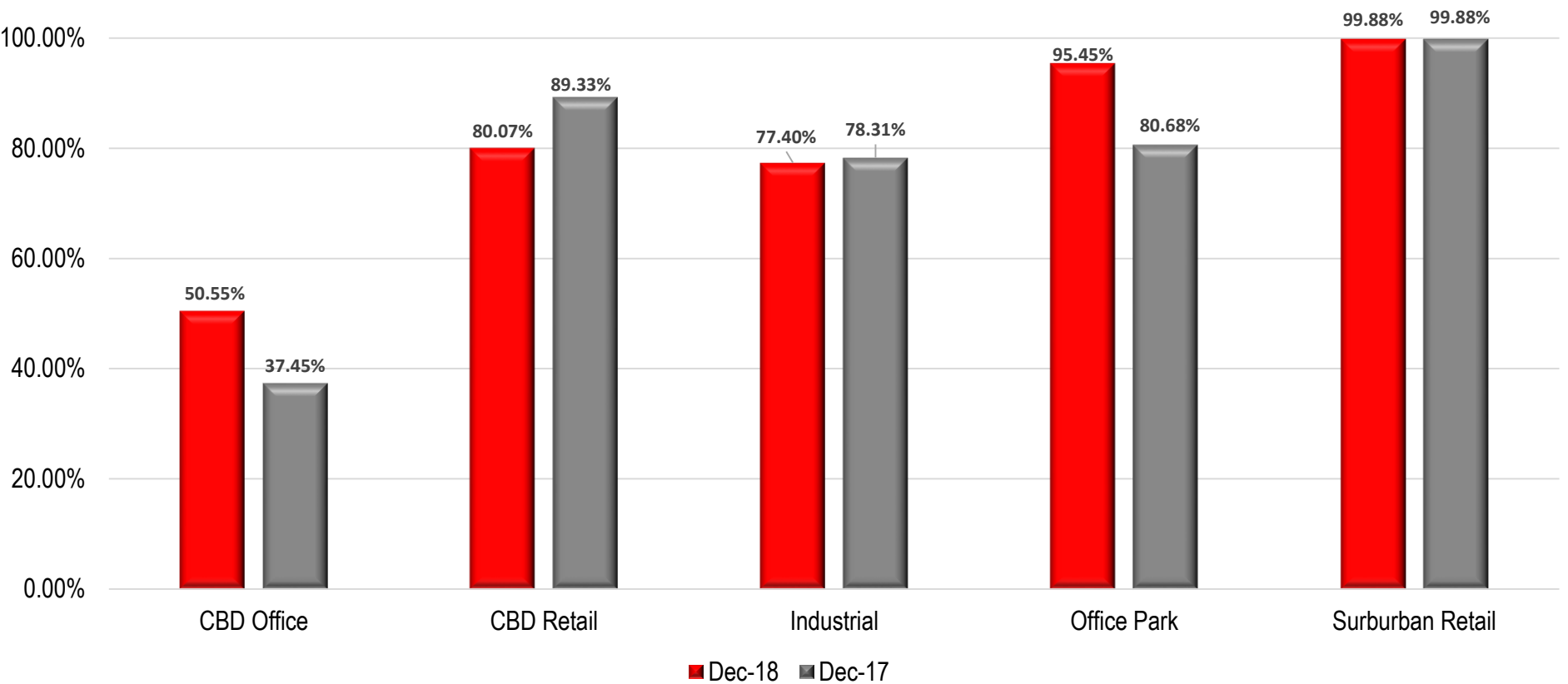
Key Property Performance Indicators			
KPI	FY2018	FY2017	YoY % Mvt
Occupancy level	76.09%	70.94%	+5%
Rental yield	6.88%	6.31%	+0.57%
Average rental per m ²	US\$6.79	US\$6.32	+7%
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Occupancy Level Movements by Sector

Occupancy Levels

December 18 – 76.10%

December 17 – 70.94%



ARUNDEL OFFICE PARK EXPANSION

- ❑ Professional team appointment concluded
- ❑ Geotechnical and topographical surveys completed
- ❑ Design brief concluded
- ❑ Urban design for the remaining 24 hectares commenced
- ❑ Fundraising commenced





FINANCIAL PERFORMANCE REVIEW

Reporting Currency and Legislation

Consolidated Income Statement

All figures in USD	31-Dec-18	31-Dec-17	Change
	Actual	Actual	%
Revenue	8,076,571	7,414,502	9%
Property expenses	(1,987,615)	(1,590,996)	-25%
Allowance for credit losses	(54,732)	335,524	116%
Net Property Income (NPI)	6,034,224	6,159,030	-2%
Administration expenses	(3,589,704)	(2,815,269)	28%
NPI after Admin expenses	2,444,521	3,343,761	-27%
Finance costs	(52,635)	(126,479)	58%
Finance income	189,084	287,868	-34%
Other income	296,946	237,953	25%
Fair value adjustment	6,265,127	(593,552)	100%
Profit before income tax	9,143,043	3,149,551	190%
Income Tax	(5,083,332)	(1,454,945)	249%
Profit for the year	4,059,711	1,694,606	140%

Analysis Of Property Expenses

All figures in USD	31-Dec-18	31-Dec-17	Y-o-Y % Mvt
Maintenance costs	1,256,950	736,019	71%
Property utilities and valuation fees	55,950	58,026	-4%
Operating cost under recoveries	674,714	796,951	-15%
Total	1,987,615	1,590,996	25%

Administration Expenses Highlights

All figures in USD	31-Dec-18	31-Dec-17	Y-o-Y Mvt
Directors fees -for services as directors	55,972	40,000	40%
Audit fees	67,186	55,566	21%
Information communication and technology expenses	116,124	95,510	22%
Fees and other charges	76,536	64,673	18%
Depreciation	27,757	27,364	1%
Office costs	197,903	166,446	19%
Group shared services	610,693	859,599	-29%
Employee related expenses	1,541,059	1,415,597	9%

Key Performance Indicators			
All figures in USD	31-Dec-18	31-Dec-17	% Mvt
	Actual	Actual	Y-o-Y
Occupancy level	76.09%	70.94%	+5%
Rental yield	6.88%	6.31%	+0.57%
Average rental per m2	US\$6.79	US\$6.32	+7%
Admin costs /total income	44.45%	37.97%	7%
Staff costs/total income	19.08%	19.09%	0%
Total cost/total income	69.73%	54.90%	15%

Abridged Financial Position Review

All figures in USD	31-Dec-18	31-Dec-17	Y-o-Y Mvt
Investment properties	146,150,000	137,457,000	6%
Other non-current assets	936,892	1,111,882	-16%
Current assets	2,237,715	5,945,599	-62%
Total Assets	149,324,607	144,514,481	3%
Shareholders' equity	131,073,845	127,744,134	3%
Non-current liabilities	16,710,582	13,268,406	26%
Current liabilities	1,540,180	3,501,941	-56%
Equity and Liabilities	149,324,607	144,514,481	3%

Investment Property Reconciliation		
All figures in USD	31-Dec-18	31-Dec-17
At 1 January	137,457,000	137,302,000
Property acquisitions	2,158,228	170,000
Improvements to existing properties	269,646	578,552
Fair value adjustments	6,265,127	(593,552)
Closing Balance	146,150,000	137,457,000

Abridged Statement Of Cash Flows

All figures in USD	31-Dec-18	31-Dec-17	Y-o-Y Growth
Profit before income tax	9,143,043	3,149,551	190%
Cash generated from operations	3,891,806	2,023,584	92
Interest paid	(52,634)	(126,479)	-58%
Tax paid	(1,178,886)	(959,736)	23%
Net cash generated from operations	2,660,286	937,369	184%
Net cash flows (used)/generated from investing activities	(2,341,185)	463,626	-605%
Net cash outflows from financing activities	(1,830,000)	(1,523,038)	20%
Net decrease in cash and cash equivalents	(1,510,899)	(122,043)	1138%
Opening cash and cash equivalents	2,072,088	2,194,131	-6%
Cash and cash equivalents	561,189	2,072,088	-73%

□ Your Board resolved to declare a final dividend of RTGS\$0.730 million from the profits for the year ended 31 December 2018.



Strategic Focus & Outlook

Business and Property Sector Outlook

❑ Property Sector Outlook

- ✓ The property market is expected to remain an occupier's market in the short term due to the excessive supply of space.
- ✓ Rental growth expected in the medium to long term , as property investors strive to preserve the value of property assets and cash flows.
- ✓ Development activity in the commercial sector expected to remain subdued as demand for new space remains limited.
- ✓ Residential development activity is expected to remain strong.

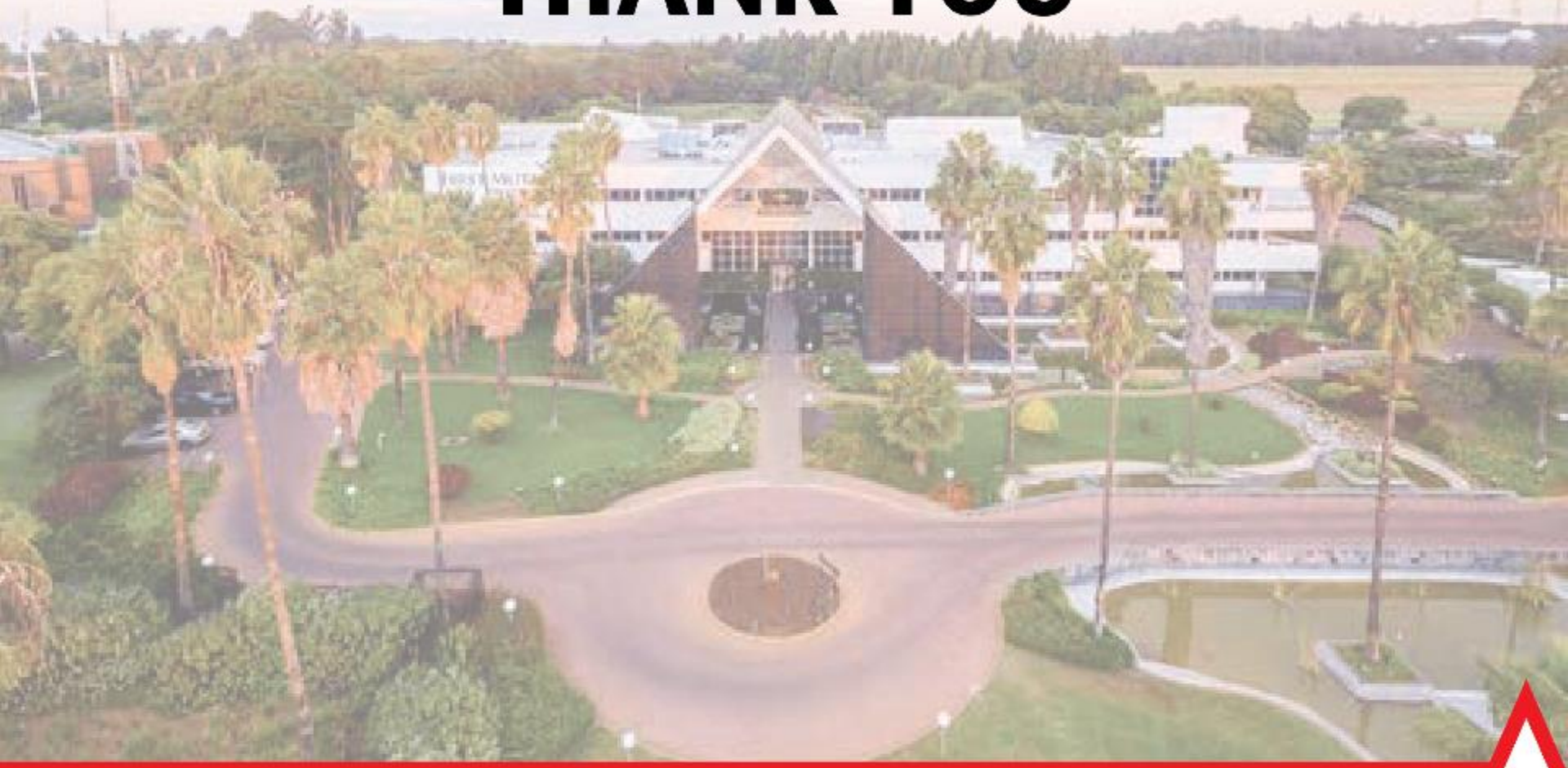
❑ Business Priorities

- ✓ Active asset management required to sustain and grow portfolio value:
 - Capital recycle and reallocate capital to areas with sustainable demand
 - Sustainable solutions – waste management, renewable energy
 - Provide new product offering to reposition and diversify the portfolio
 - Cost management and customer centric approach to ensure sustainable earnings

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