

FIRST MUTUAL PARK



FIRST MUTUAL

PROPERTIES

Go Beyond

First Mutual Properties Limited

Unaudited Financial Results Presentation for the six months ended

30 June 2018

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

Property Market Overview

The property market is characterized by:

- ☐ Space absorption continues to increase in retail and office parks sectors
- ☐ Continued weak demand for CBD office and specialized industrial sectors;
- ☐ Limited requests for rental reduction
- ☐ Stagnant rentals
- ☐ High demand for properties
- ☐ Increased partially speculative developments

Broad Property Portfolio Overview

93

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

**\$145
million**

- Property portfolio value at 30 June 2018
- Invested in industrial, office, retail and residential sectors

\$54 million

- Market Capitalization
- 63% discount to NAV

FIRST MUTUAL

PROPERTIES

Go Beyond

Financial Performance Highlights



Property investments **+6** YTD



Shareholder equity **+3%** YTD



Operating profit **+21%** YoY

FIRST MUTUAL
PROPERTIES

Go Beyond

Financial Performance Highlights

 Rental Income **+7%** YoY

 Net Property Income **+15%** YoY

 Admin. expenses **+8%** YoY

Financial Performance Highlights



Rental yield **+7%** YoY



Occupancy level **+1%** YoY



Income Return **+5%** YoY



REVIEW OF OPERATIONS

FIRST MUTUAL
PROPERTIES
Go Beyond

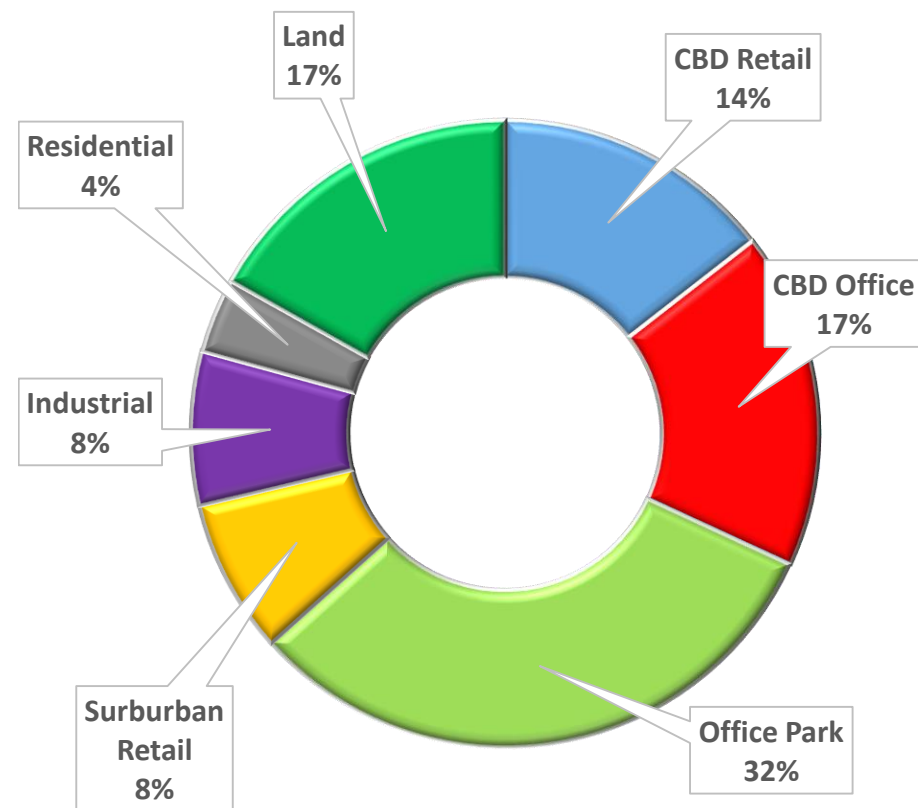
Sector Performance Overview

	CBD Retail	CBD Office	Office Park	Suburban Retail	Industrial	Total Excluding Land & Res	Land	Resi.
Value (US\$ 000)	20,990	25,300	45,760	11,530	11,530	115,110	24,520	5,630
Portfolio weight by value	14.45%	17.42%	31.50%	7.94%	7.94%	79.25%	16.88%	3.87%
Rental income contribution	20.27%	20.04%	31.14%	11.33%	13.52%	96.29%	-	3.71%
("GLA") m ²	20,327	32,514	25,761	7,723	38,068	124,395	-	-
Average rental per m ²	8.34	9.43	8.49	9.67	2.89	7.11	-	-
Occupancy level at period end	78.77%	42.87%	93.83%	99.87%	80.80%	74.44%	-	-
Rental yield	7.63%	6.26%	5.38%	7.76%	9.27%	6.76%	-	5.20%

FIRST MUTUAL
PROPERTIES
Go Beyond

Property Values

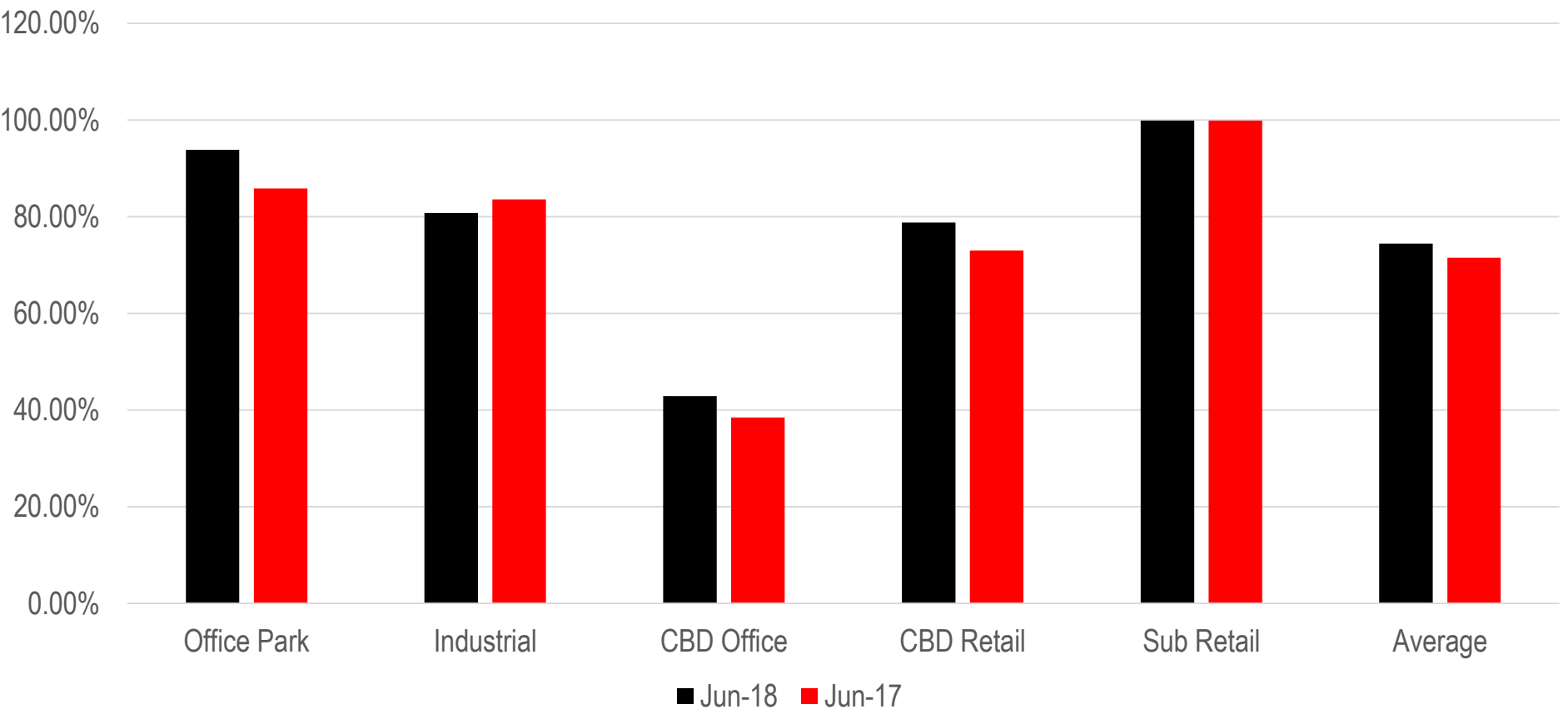
Sector	June 2018 Valuation US\$000's	Dec 2017 Valuation US\$000's	Change %
CBD Retail	20,090	19,700	2%
CBD Office	25,400	24,480	4%
Office Park	45,760	45,960	(0.44%)
Surburban Retail	11,530	10,930	6%
Industrial	11,530	11,630	(0.86%)
Residential	5,630	4,350	29%
Land	24,520	20,607	19%
Total	143,560	137,132	5%
Acquisitions	1,700	170	900%
Total	145,260	137,302	6%



Key Property Performance Indicators			
KPI	HY2018	HY2017	YoY % Mvt
Income return	4.35%	4.15%	5%
Occupancy level	74.44%	73.54%	1%
Rental yield	6.76%	6.34%	7%
Average rental per m²	\$7.11	\$6.94	2%
<div> <div>FIRST MUTUAL</div> <div>PROPERTIES</div> <div>Go Beyond</div> </div>			

Occupancy Level Movements by Sector

Occupancy Level
June 2018 - 74.44%
June 2017 - 73.54%



ARUNDEL OFFICE PARK EXPANSION

- ❑ Approved by the Board to develop additional blocks
- ❑ Professional team assembled
- ❑ Size – 2500 square metres of lettable area
- ❑ Funding – Long term debt
- ❑ Estimated cost (Phase 1) - \$6 million
- ❑ Commencing Q4 2018





FINANCIAL PERFORMANCE REVIEW

Consolidated Income Statement			
All figures in USD	30-Jun-18	30-Jun-17	Change
	Actual	Actual	%
Revenue	3,980,804	3,715,477	7%
Property expenses	(805,261)	(655,507)	(23%)
Allowance for credit losses	8,549	(286,074)	103%
Net Property Income (NPI)	3,184,091	2,773,896	15%
Administration expenses	(1,356,249)	(1,259,396)	(8%)
NPI after Admin expenses	1,827,843	1,514,499	21%
Finance costs	(38,896)	(76,298)	49%
Finance income	98,601	177,974	(45%)
Other income	130,180	104,994	24%
Fair value adjustment	5,619,188	(389,633)	1542%
Profit before tax	7,636,915	1,331,536	474%
Taxation	(2,567,037)	(502,513)	(411%)
Profit for the period	5,069,878	829,023	512%

Analysis Of Property Expenses

All figures in USD	30-Jun-18	30-Jun-17	Y-o-Y % Mvt
Maintenance costs	465,814	275,246	(69%)
Property security and utilities	21,221	16,775	(27%)
Valuation fees	8,300	16,825	51%
Operating cost under recoveries	309,926	346,661	11%
Total	805,261	655,507	(23%)

Administration Expenses Highlights

All figures in USD	June-18	June-17	Y-o-Y % Mvt
Directors fees -for services as directors	24,427	20,043	(22%)
Audit fees	31,752	23,814	(33%)
Information communication and technology expenses	61,889	27,413	(126%)
Fees and other charges	62,589	39,428	(59%)
Depreciation	12,623	16,230	22%
Office costs	107,273	82,929	(29%)
Group shared services	305,347	342,924	11%
Employee related expenses	697,202	630,486	(11%)

Key Performance Indicators			
All figures in USD	June-18	June-17	% Mvt
	Actual	Actual	Y-o-Y
Arrears	18.17%	24.22%	(6%)
Admin costs /Revenue	33.73%	32.92%	0.81%
Staff costs/Revenue	17.51%	16.97%	0.54%
Total cost/Revenue	53.77%	58.27%	(5%)

Abridged Financial Position Review

All figures in USD	30-Jun-18	31-Dec-17	YTD Growth
Investment properties	145,260,000	137,457,000	6%
Other non-current assets	1,171,270	1,111,882	5%
Current assets	3,633,172	5,945,599	(39%)
Total Assets	150,064,443	144,514,481	4%
Shareholders' equity	131,957,959	127,744,134	3%
Non-current liabilities	15,362,274	13,268,406	16%
Current liabilities	2,744,210	3,501,941	(22%)
Equity and Liabilities	150,064,443	144,514,481	4%

Investment Property Reconciliation		
All figures in USD	30-Jun-18	31-Dec-17
At 1 January	137,457,000	137,302,000
Property acquisitions	2,158,228	170,000
Improvements to existing properties	25,584	578,552
Fair value adjustments	5,619,188	(593,552)
Closing Balance	145,260,000	137,457,000

Statement of Changes Equity - IFRS 9 Impact

All figures in USD	Attributable to owners of the parent		
	Ordinary Share Capital	Retained Earnings	Total Shareholders Equity
At 1 January 2017	1,218,148	125,561,380	126,779,528
Profit for the year	-	1,694,606	1,694,606
Dividend paid	-	(730,000)	(730,000)
At 31 December 2017	1,218,148	126,525,986	127,744,134
IFRS 9 Impact at 1 January 2018	-	(126,054)	(126,054)
Profit of the period	-	5,069,878	5,069,878
Dividend paid	-	(730,000)	(730,000)
At 30 June 2018	1,218,148	130,739,811	131,957,959

Abridged Statement Of Cash Flows

All figures in USD	June-18	June-17	Y-o-Y % Growth
Profit before tax	7,636,915	1,310,868	483%
Adjustment for non-cash items	(6,035,750)	609,571	(1090%)
Cash flows before working capital changes	1,601,165	1,920,439	(17%)
Working capital adjustments	1,485,093	(122,174)	1316%
Cash generated from operations	3,086,258	1,798,265	72%
Interest paid	(38,896)	(76,298)	(49%)
Tax paid	(372,534)	(526,716)	(29%)
Net cash generated from operations	2,674,828	1,195,251	124%
Net cash flows used in investing activities	(2,112,634)	(178,275)	1085%
Net cash outflows from financing activities	(1,280,000)	(1,280,000)	0%
Net (decrease) in cash and cash equivalents	(717,806)	(263,024)	173%
Opening cash and cash equivalents	2,072,087	2,194,131	(6%)
Cash and cash equivalents	1,354,281	1,931,107	(30%)

- ❑ Your Board resolved not to declare an interim dividend from the profits for the six months ended 30 June 2018.



Strategic Focus & Outlook

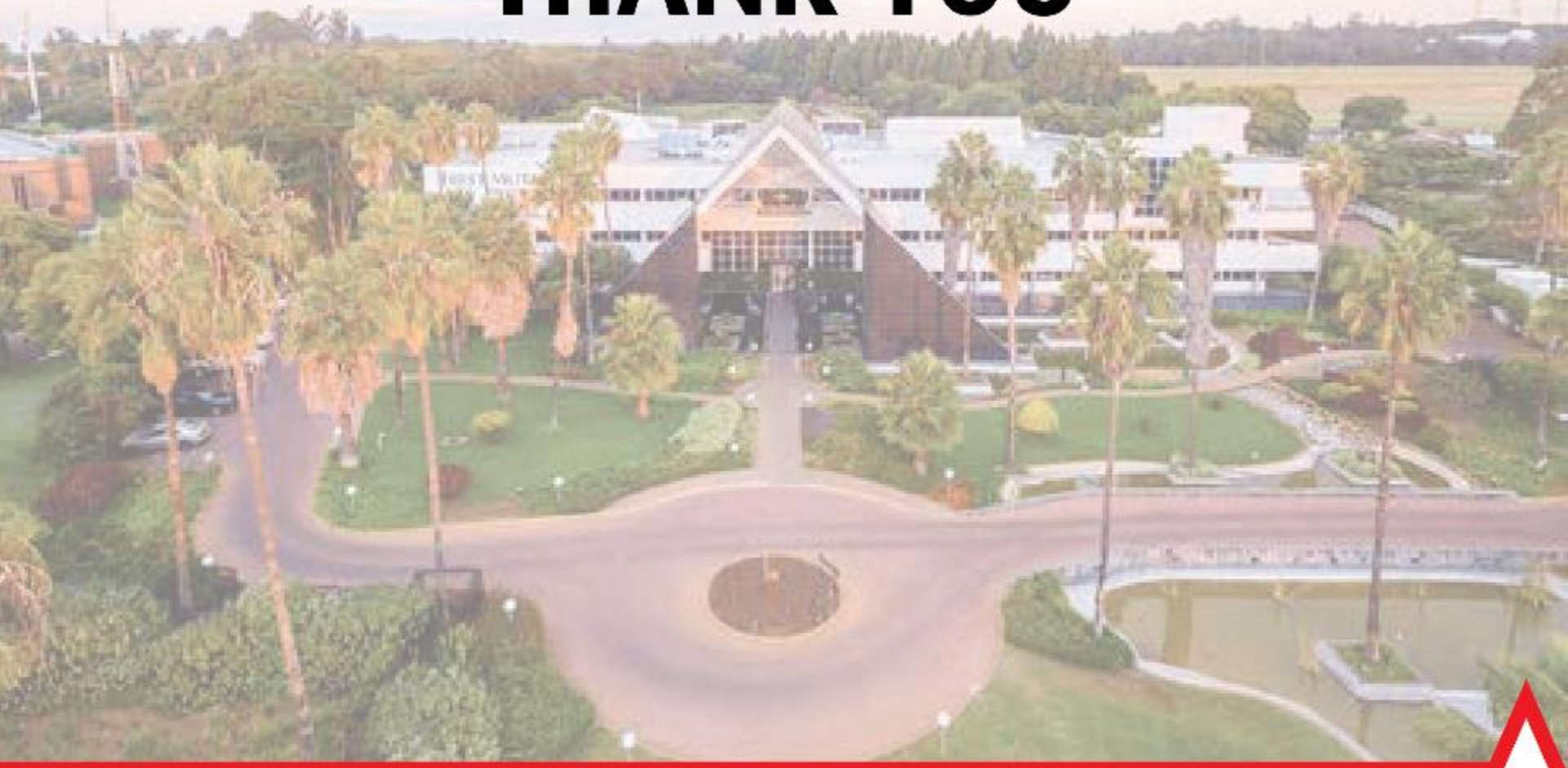
Our Strategic Focus Areas

- ❑ **Acquisitions and Developments**
 - ✓ Acquisitions on pre-let basis
 - ✓ Demand driven developments
- ❑ **Property portfolio diversification by location and sector**
 - ✓ Reduce exposure in CBD office over time/increase exposure in other sub-sectors, emerging sectors and locations
- ❑ **Cost Management**
 - ✓ Continued cost optimisation to ensure value addition of all expenditure
- ❑ **Active Asset Management**
 - ✓ Reposition existing assets to maintain and grow occupancy levels
 - ✓ Capital recycling
- ❑ **Leveraged balance sheet growth**
 - ✓ Increased focus on securing competitively priced long term debt for acquisitions & developments
- ❑ **Long term sustainable earnings**
 - ✓ Focus on well positioned properties with growth prospects
 - ✓ Sustainable renewable energy solutions for properties

Business and Property Sector Outlook

- ❑ An **improved operating environment** will increase demand for quality space
 - ✓ Economic fundamentals indicate a recovery period for the real estate sector in the short to medium term
- ❑ Continued **pressure on occupancy** level in the short term, especially in CBD Offices
 - ✓ Market expected to remain an occupiers market due to excess supply of space, mainly CBD Offices
- ❑ Space **absorption increasing** in office park and retail sectors
- ❑ Active **asset management** required to sustain and grow the existing occupancy levels
 - ✓ Focus on service quality and maintaining the existing product
 - ✓ Increase capital allocation towards refurbishments

THANK YOU



FIRST MUTUAL

PROPERTIES

Go Beyond