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First Mutual Properties Limited

Reviewed Financial Results Presentation for the half year ended
30 June 2020

Agenda

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

Property Market Overview

The property market is characterized by:

- ❑ CBD office and specialised industrial sectors remain worst affected, retail and office parks demand remains strong;
- ❑ Periodic repricing of rentals in line with exchange rate movements and inflation
- ❑ High demand for properties to acquire
- ❑ Increased owner occupied developments
- ❑ Aging stock with limited new product

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Broad Property Portfolio Overview

93

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

ZWL 7.195
billion

- Property portfolio value at 30 June 2020
- Invested in industrial, office, retail and residential sectors
- Valuation in USD is USD 112,880,000

ZWL 2.538
billion

- Market Capitalisation at 30 June 2020
- Discount to NAV of 56%

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737%

- Y-o-Y Inflation

776%

- Y-o-Y Official Exchange Rate Movement

Financial Performance Highlights



Investment properties **+417%** YoY



Shareholder's equity **+398%** YoY



Operating profit **+138%** YoY

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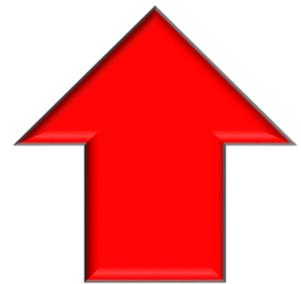
Financial Performance Highlights



Rental Income **+500%** YoY



Net Property Income **+397%** YoY



Admin. expenses **+700%** YoY

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Financial Performance Highlights



Rental yield **-3%** YoY



Occupancy level **+7%** YoY



Average rental per sqm **+497%** YoY

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REVIEW OF OPERATIONS

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Sector Performance Overview

	CBD Retail	CBD Office	Office Park	Suburban Retail	Industrial	Total / Average	Resi.	Land	Total
Value (ZWL\$ millions)	996.56	1,321.53	1,894.66	488.93	671.85	5,373.53	265.81	1,556.35	7,195.72
Portfolio weight by value	14%	18%	26%	7%	9%	74%	4%	22%	100%
GLA m²	20,334	31,694	25,769	7,723	37,931	123,451	-	-	123,451
Land bank area (m²)	-	-	-	-	-	-	-	643,100	643,100
Average rental per m² / Unit @30 June 2020	52.35	42.28	122.24	123.97	24.72	62.29	4,860		62.32
Occupancy level at period end	93.33%	67.54%	87.75%	99.81%	81.60%	88.52%	100%	-	88.52%
Forward rental yield	1.25%	0.79%	1.76%	2.35%	1.62%	1.46%	0.79%	0.00%	1.12%

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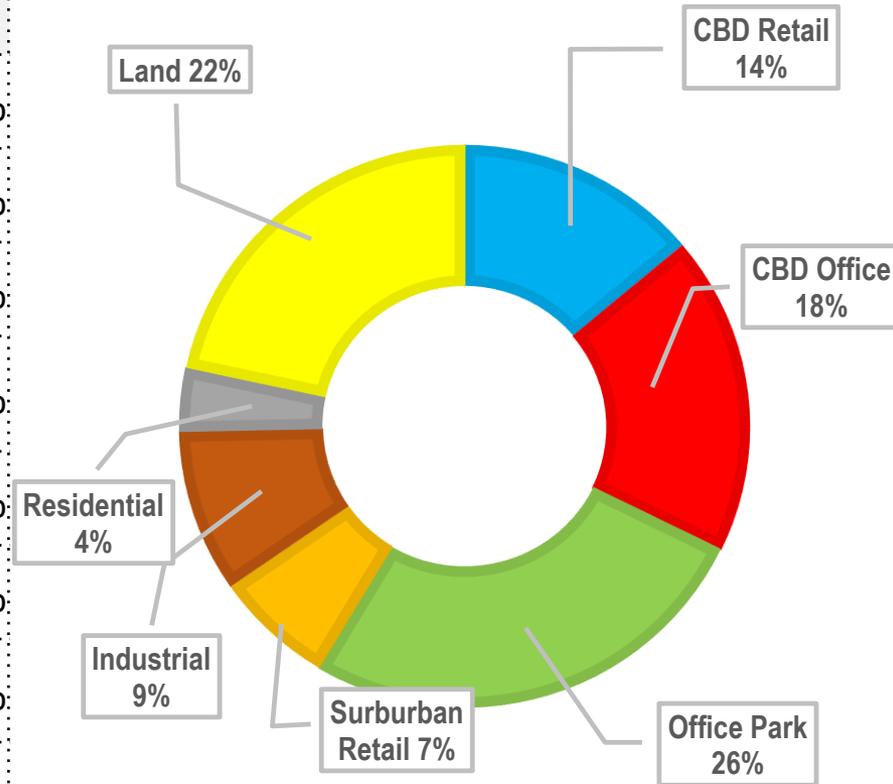
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Property Values

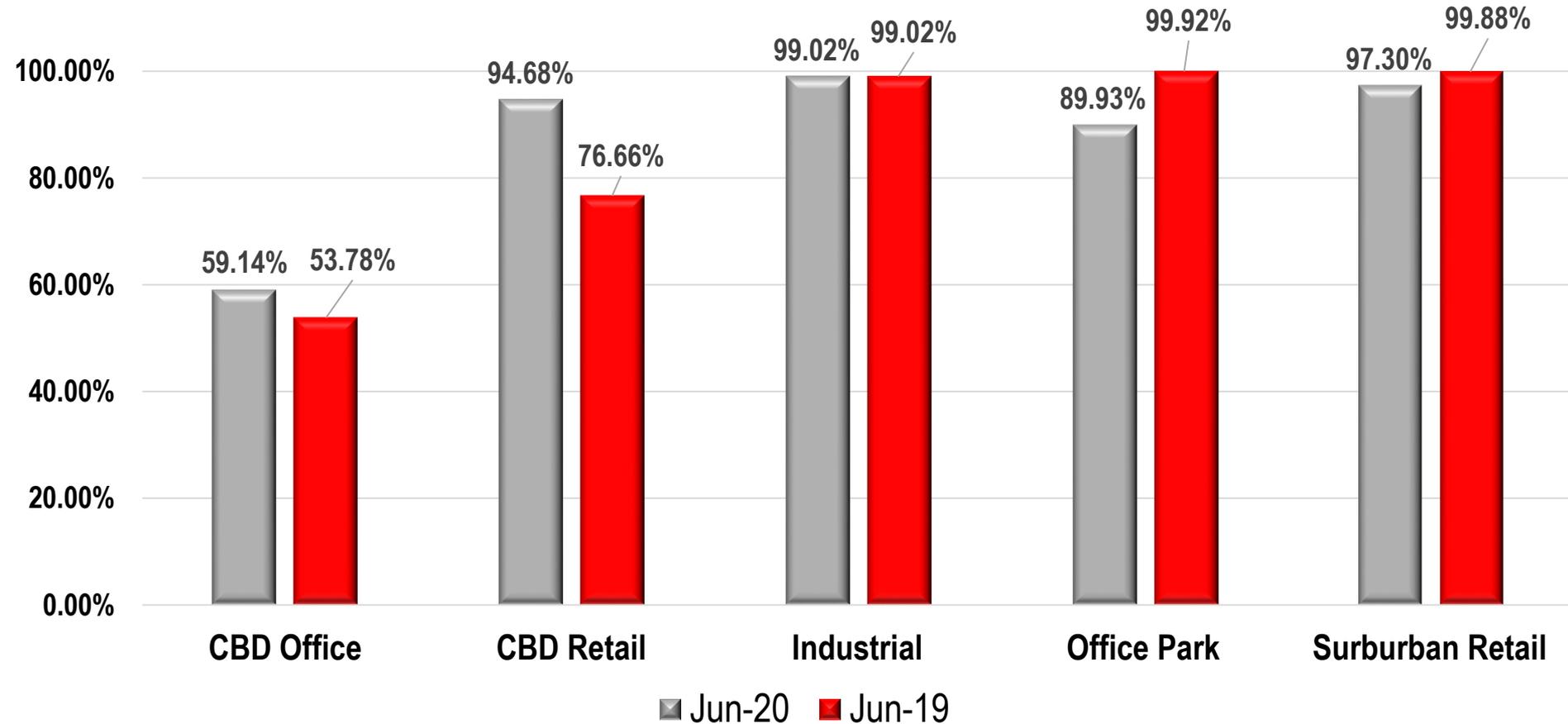
Sector	Jun 2020 Valuation ZWL 000's	Dec 2019 Valuation ZWL 000's	Change %
CBD Retail	996,560	135,439	636%
CBD Office	1,321,532	196,512	572%
Office Park	1,894,661	427,091	344%
Suburban Retail	488,929	67,200	628%
Industrial	671,850	85,500	685%
Residential	265,810	68,670	287%
Land	1,556,380	411,720	278%
Total	7,195,722	1,392,132	417%

Portfolio weights by value



Occupancy Level Movements by Sector

June 2020 – 88.52%
June 2019 – 76.64%



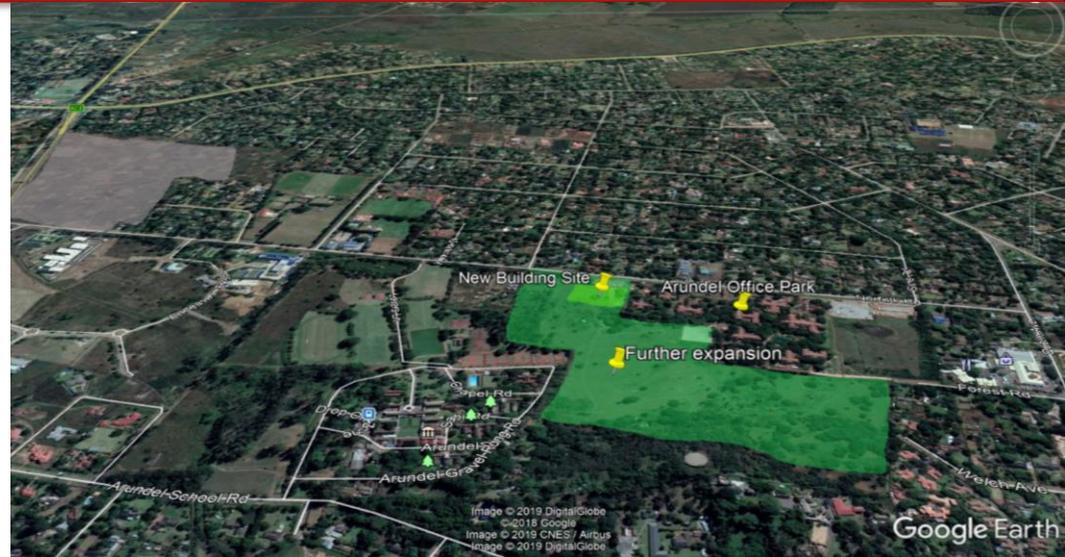
Property Developments

ARUNDEL OFFICE PARK EXPANSION: Pre-construction Stage

- Sketch plans completed
- Cost plan being further optimised
- Entering further design development to facilitate tendering
- Pre-purchasing bricks completed and delivered to site
- Fundraising ongoing

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ARUNDEL OFFICE PARK PHASE 2: HARARE

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M
M-ARCHITECTS

01/10/2020



FINANCIAL PERFORMANCE REVIEW

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Abridged Consolidated Income Statement

All figures in ZWL	30-Jun-20	30-Jun-19	Change
	Actual	Actual	%
Revenue	40,810,569	6,748,353	505%
Property expenses	(13,084,706)	(1,305,403)	902%
Allowance for credit losses	(1,060,243)	(77,993)	1,259%
Net Property Income (NPI)	26,665,621	5,364,957	397%
Administration expenses	(19,769,927)	(2,470,187)	700%
NPI after Admin expenses	6,895,694	2,894,770	138%
Finance costs	-	(441)	-
Finance income	376,482	107,589	250%
Other income	55,866,280	1,338,008	4,075%
Fair value adjustment	5,803,590,000	273,062,000	2,026%
Profit before income tax	5,866,728,456	277,401,926	2,015%
Income Tax	(1,248,670,935)	(34,462,144)	3,523%
Profit for the year	4,618,058,521	242,939,782	1,801%

Analysis Of Rental Income

All figures in ZWL	30-Jun-20	30-Jun-19	Y-o-Y Mvt
ZWL Rental Income (Excl. turnover)	25,611,326	4,081,994	527%
Turnover Rental	3,538,775	580,285	510%
Total ZWL Rental	29,150,101	4,662,279	525%
USD Rental Income converted	11,125,548	2,048,143	443%
Total Rental Income	40,275,649	6,710,422	500%

Analysis Of Property Expenses

All figures in ZWL	30-Jun-20	30-Jun-19	Y-o-Y Mvt
Maintenance costs	7,990,411	777,615	928%
Property utilities and valuation fees	613,211	25,209	2,332%
Operating cost under recoveries	4,481,084	502,578	792%
Total	13,084,705	1,305,403	902%

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PROPERTIES

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Administration Expenses Highlights

All figures in ZWL	30-Jun-20	30-Jun-19	Y-o-Y Mvt
Employee related costs	7,762,892	1,126,656	589%
Directors fees -for services as directors	614,938	48,516	1,168%
Audit fees	311,927	45,539	585%
ICT related expenses	885,167	138,758	538%
Fees and other charges	555,245	80,672	588%
Depreciation	37,480	21,187	77%
Office costs	915,083	372,056	146%
Group shared services	3,695,227	485,980	660%

Financial Performance Ratios

All figures in ZWL	30-Jun-20	30-Jun-19	Change
	Actual	Actual	Y-o-Y
Provisions/Rental income	2.63%	1.16%	4%
Property expenses / total income	32.06%	19.34%	13%
Admin costs /total income	37.00%	37.52%	1%
Staff costs/total income	15.54%	16.70%	1%
Collection rate	77%	87%	-10%
Basic and diluted earning per share	3.73	0.20	1,765%

Abridged Financial Position Review

All figures in ZWL	30-Jun-20	31-Dec-19	YTD Mvt
Investment properties	7,195,722,336	1,392,132,336	417%
Other non-current assets	1,064,349	1,060,137	-
Current assets	92,850,306	26,287,388	253%
Total Assets	7,289,636,992	1,419,479,861	414%
Shareholders' equity	5,778,830,103	1,160,772,583	398%
Non-current liabilities	1,494,553,326	250,378,797	497%
Current liabilities	16,253,562	8,328,481	95%
Equity and Liabilities	7,289,636,992	1,419,479,861	414%

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Investment Property Reconciliation

All figures in ZWL	30-Jun-20	31-Dec-19
At 1 January	1,392,132,336	146,150,000
Disposals	-	(1,086,000)
Improvements to existing properties	-	312,336
Fair value adjustments	5,803,590,000	1,246,756,000
Closing Balance	7,195,722,336	1,392,132,336

Abridged Statement Of Cash Flows

All figures in ZWL	30-Jun-20	30-Jun-19	Y-o-Y Growth
Profit/(loss) before tax	5,866,728,456	277,401,926	2,015%
Adjustment for non-cash items	(5,854,669,856)	(273,252,377)	2,043%
Cash flows before working capital changes	12,058,600	4,149,549	191%
Working capital adjustments	(9,318,416)	(1,507,771)	518%
Cash generated from operations	2,740,184	2,641,778	4%
Interest paid	-	(441)	-
Tax paid	(3,839,345)	(208,067)	1,745%
Net cash generated from operations	(1,099,161)	2,433,271	145%
Net cash flows used (generated) in investing activities	(46,620)	(128,020)	64%
Net cash outflows from financing activities	-	(821,667)	-
Net (decrease)/increase in cash and cash equivalents	(1,145,782)	1,483,585	177%
Opening cash and cash equivalents	56,783,335	561,189	10,018%
Cash and cash equivalents	55,637,553	2,044,773	2,621%

Interim Dividend

- ❑ Your Board resolved to declare a dividend of ZWL 6.597 million from the profits for the half year ended 30 June 2020.
- ❑ Interim dividend per share up 57% to ZWL 0.5334 cents per share from ZWL 0.3396 cents per share at FY2019



Property Sector Outlook & Business Priorities

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❑ Property Sector Outlook

- ✓ The property market is expected to remain an occupiers market due to the excessive supply
- ✓ The impact of COVID-19 on medium to long term commercial lease arrangements is still uncertain, until the full socio-economic impact is understood.
- ✓ Existing lease arrangements to remain in the short term as tenants adopt a mix of remote working and office presence
- ✓ Repricing models for rentals evolving to USD indexed reviews.
- ✓ Focus on non-traditional real estate asset classes increasing to diversify revenue streams.
- ✓ Increased investment in technology and health amenities in buildings to enhance attractiveness to the “New Normal”
- ✓ Residential development activity is expected to remain strong.

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Business Priorities

- ❑ **Property Portfolio Growth**
 - ✓ Focus on Arundel Office Park expansion and optimising development of land banks
- ❑ **Manage Occupancy Levels**
 - ✓ Focus on sustainable initiatives – waste management, renewable energy, hygiene driven spaces
 - ✓ Modify existing product offering to remain relevant in the “New Normal”
- ❑ **Sustainable earnings**
 - ✓ Cost management without affecting value addition to operations
- ❑ **Asset Management & Balance Sheet Preservation**
 - ✓ Capital recycling – replace aging stock
 - ✓ Repositioning assets
- ❑ **Talent Management**
 - ✓ Retain and develop performing team members

THANK YOU



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