

Sabvest Capital Ltd New Investments & Strong Trading Update

Share Code: SBP – Market Cap: R2.4bn – Dividend Yield: 0.6%

12m Target Price	8000cps*
Share Price	6015cps
Implied Return	33%*

Financials | [South Africa](#)

New Investment: ARB Holdings Ltd

- Masimong Electrical (49.9%-held by Sabvest & 50.1% by [Masimong](#)) has offered minority shareholders in [ARB Holdings](#) 800cps. Along with the Burke Family (62.9%-shareholding in ARB), the deal aims to take the electrical & lighting wholesaler private. The total consideration will be c.R697m, & Masimong and Sabvest have each committed R223.5m funding (Sabvest's share is c.9.3% of its market cap & c.6.5% of published NAV).
- Irrevocable undertakings to vote in favour of the deal have been received from 69.4% of eligible shareholders, thus, we believe that this deal's successful outcome is quite likely.
- Refer to our [notes on ARB Holdings](#) for detail on the Group.

New Investment: Apex Acquires Ascendis Medical

- Sabvest's 44.8%-held investment, [Apex Partners](#), has acquired a stable of [Ascendis Health](#) medical devices businesses for R550m (less c.R200m catch-up capex & up to R25m excess rental). See the [full announcement here](#).
- Ascendis Medical's FY 21 revenue was R983m but bottom-line expectations vary given Ascendis' neglect of the businesses.

Trading Update: Growth in NAV Better than Expected

- Sabvest expects its FY 21 Net Asset Value (NAV) to be *more* than +19%/y (>8858cps) while also hiking its dividend >80%.

Valuation*, 12m TP* & Implied Return*: Awaiting FY 21 Results

- We have left our fair value (6826cps*) & 12m TP (8000cps*) unchanged & will update these after the FY 21 results. Given the trading update, though, we expect to upgrade our views.
- While we do not expect ARB Holdings to materially change Sabvest's NAV in the short-term, in the long-term the Group is an excellent, cash-generative & well-positioned business that is likely to contribute positively to NAV growth. Likewise with Ascendis Medical's optionality. Perhaps, more subtly, these new investments further entrench Sabvest as a *unique* listed entry-point into a portfolio of *unlisted* companies.
- See [H1:21 Results Note](#) & our [Initiation](#) for more background.

* Under review until post-FY 21 results

Financial Summary	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	H1:21
Net Asset Value (cps)	1,120	1,855	2,358	2,683	3,719	3,646	5,085	5,852	6,648	7,444	8,240
Growth (%)	21%	66%	27%	14%	39%	-2%	39%	15%	14%	12%	24%
HEPS (cps)	178	308	608	445	1,004	9	1,517	531	917	709	793
Growth (%)	16%	73%	97%	-27%	126%	-99%	>100%	-65%	73%	-23%	>100%
DPS (cps)	24	32	40	43	50	55	61	68	75	25	20
Growth (%)	41%	33%	25%	8%	16%	10%	11%	11%	10%	-67%	100%

Sources: Sabvest various reports & Blue Gem Research assumptions & workings



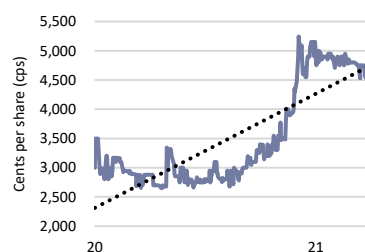
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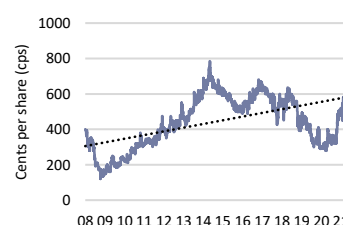
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Sabvest Capital – Share Price (cps)



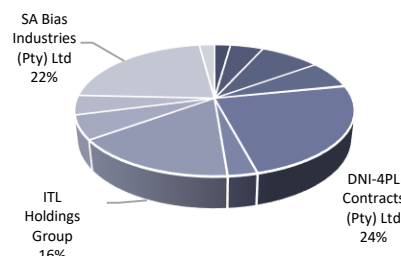
Source: Profile Media

ARB Holdings – Share Price (cps)



Sources: Bloomberg, Blue Gem Research

Sabvest Capital – Portfolio Major Weightings



Sources: Sabvest & Blue Gem Research workings



BLUE GEM RESEARCH

Table 1: Sabvest: Sum-of-the-Parts	Short Description	Shares / %-shareholding	Valuation Methodology / Comment on Calculation	Valuation	% of NAV
Listed Investments	-	-	-	R543,622,250	16%
Corero Network Security Plc	LSE-listed DDOS-focussed cyber security group.	36,250,000	Market price of shares (GBP10.50ps)	R79,322,250	2%
Metrofile Holdings Ltd	JSE-listed group offering secure & digital storage, document solutions & related services.	51,000,000	Market price of shares (322cps)	R164,220,000	5%
Transaction Capital Ltd	JSE-listed group offering taxi financing, credit services & has recently acquired WeBuyCars.	8,000,000	Market price of shares (3751cps)	R300,080,000	9%
Unlisted Investments	-	-	-	R3,069,296,000	90%
Apex Partners	An industrial holding company with a portfolio of controlling interests in distribution, manufacturing and infrastructure businesses in South Africa. The business may also offer advisory, investing and lending solutions which may include taking proprietary positions in distressed entities or group restructures.	44.8%	Valued by Apex management on Maintainable Earnings across their portfolio on 3.0~4.5x multiples (Previously: 4,0x~4,5x multiples).	R240,854,000	7%
Classic Food Brands (Pty) Ltd	A food manufacturer specializing in crumbed chicken products distributed through retail outlets.	25.0%	(Normalized EBITDA x 5,0x) - Net Debt & impairment	R7,730,000	0%
DNI-4PL Contracts (Pty) Ltd	A telcos-orientated group offering technology, logistics and distribution services to the telecoms and related industries and all network operators in RSA, including sim card starter packs, airtime and handset distribution, tower leasing and technology platforms.	19.1%	(Normalized EBITDA x 6,5x) - Net Debt (Previously: Unchanged)	R864,631,000	25%
Flexo Line Products (Pty) Ltd	A manufacturer of high-quality injection moulded plastic products primarily for the spice and food industries locally and internationally.	47.5%	(Normalized EBITDA x 4,5x) - Net Debt (Previously: Unchanged)	R104,525,000	3%
ITL Holdings Group	Intelligent Labelling Solutions (ITL) is an international designer, manufacturer & distributor of apparel labelling & identification products, & supply chain management solutions including RFID. It has factories & marketing offices in the USA, Canada, China, India, Sri Lanka, Turkey, Bangladesh, Vietnam, Hong Kong, Mexico, Ethiopia, Mauritius, Madagascar, Germany, UK & South Africa for supply to the clothing industry worldwide through multiple international retail group accreditations.	34.0%	(Normalized EBITDA x 9,0x) - Net Debt (Previously: Unchanged)	R588,003,000	17%
Masimong Group Holdings (Pty) Ltd	An empowered investment company holding investments in Seriti Coal and Lephalale Coal & Power, Mouton Citrus, Carmien Tea, Southern Cross Investment Holdings, Winfield United SA. It also holds several smaller diversified interests including Rolfes and Anchor Capital (both delisted off the JSE).	10.0%	Valued by Masimong management using a Discounted Free Cash Flow approach (Previously: Unchanged).	R213,493,000	6%
Rolfes Holdings (Pty) Ltd	A specialist provider of agricultural, food, industrial and water chemical solutions and services.	25.1%	(Normalized EBITDA x 6,0x) - Net Debt (Previously: Unchanged)	R172,988,000	5%
SA Bias Industries (Pty) Ltd	A Group that holds Flowmax & Narrowtex. In the UK and Europe, Flowmax engages in the manufacture, import, servicing & distribution of medium technology fluid handling equipment, consumables & measurement systems, and solutions for heat control. Narrowtex is a South African manufacturer and exporter of a range of narrow fabric products including webbings, strapping, tapes and braids, and a manufacturer of lingerie components, elastics and accessories.	85.1%	(Normalized EBITDA x Multiple) - Net Debt with Floxmax & Narrowtex on 6,0x & 4,5x (Previously: Unchanged)	R801,229,000	23%
Sunspray Food Ingredients (Pty) Ltd	Offers food ingredient solutions to South African manufacturers by supplying spray-dried & blended powdered food & drink products & services.	27.7%	(Normalized EBITDA x 5,0x) - Net Debt (Previously: Unchanged)	R75,843,000	2%
Other Items	-	-	-	-R193,828,000	-6%
Offshore Investment Funds	-	-	Per balance sheet disclosure	R63,567,000	2%
HoldCo Net Debt	-	-	Per H1:21 balance sheet disclosure	-R257,395,000	-8%
Net Asset Value	-	-	-	R3,419,090,250	100%
Less: "Investment Holding Discount"	The cost of maintaining & running Sabvest Capital Ltd	-	Net Present Value of estimated HoldCo costs	-R675,566,250	-20%
Sum-of-the-Parts (SOTP)	-	-	-	R2,743,524,000	
Ordinary shares	-	-	Net of share buy-backs	40,190,000	
Fair Value per share (cps)	-	-	SOTP divided by the issued shares	6,826cps	
Discount to share price (%)	-	-	-	14%	
12m Target Price (cps)	-	-	SOTP rolled forward by Cost of Equity	8,001cps	
12m Implied Return (%)	-	-	-	33%	

Sources: Sabvest various reports, Iress, Profile Media, JSE & LSE share prices, & Blue Gem Research workings & assumptions (all spot and share prices based on 20 August 2021 Closing Prices for NAV & 2 February 2022 for Sabvest Capital's own share price)

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