Results Note
21 August 2023

Astoria Investments Ltd
Durable Performance & Cautionary Issued

Share Code: ARA – Market Cap: R604m – Discount to NAV: 24%

12m Target Price	**1440cps**
Share Price	**1080cps**
Implied Return	**33%**

Financials | South Africa | Commissioned Research

Q2:23 Results: Currency and Market Headwinds

- Astoria reported Net Asset Value of $0.748ps (FY 22: $0.827ps) or R14.08ps (FY 22: R14.06ps) with growth in Outdoor Investment Holdings (OIH) offset by lower RACP (i.e. Goldrush) & Leatt Corp share prices. A weaker Rand offset this in the Rand-based NAV but detracted against the USD-based NAV.
- Unlisted valuations are conservative with multiples unchanged.

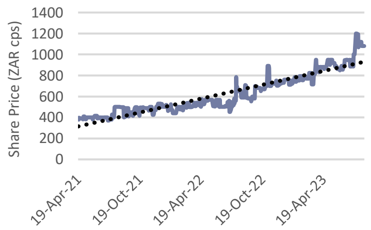
Commentary: Businesses Robust & Investments Degearing

- Importantly—given its 48% of NAV—OIH is trading well, growing both footprint and store-level trading density.
- Broadly, underlying businesses are performing &, even those facing headwinds, are trading resiliently and offer upside the moment the broader economy/ies improve.
- Along with existing businesses growing their profits, other potential future fair value moves include both the Family Pet Centre (FPC) and Vehicle Care Group's (VCG) refined business models showing success. Likewise, Trans Hex Marine's historic cost should be fairly valued in future results.
- During H1:23, Astoria paid back some of its investment-level debt (we expect this to continue). This adds to NAV & lowers financial risk while freeing capacity to regear for another acquisition (see the cautionary noted below).

Valuation, 12m TP & Implied Return: Under Cautionary…

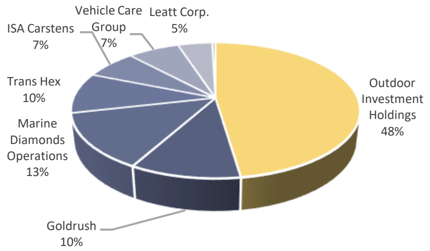
- Updating Astoria's NAV to current prices, the share price is trading at a c.24% discount to current NAV (Previously: 34%).
- If we take out our calculated "HoldCo discount" of c.14.5% (Previously: 14.0%) from this NAV, we arrive at a fair value for Astoria's shares of c.1213cps (Previously: 1192cps) or c.11% *higher* than the current share price.
- Rolling this fair value forward at our Cost of Equity, we arrive at a 12m TP of c.1440cps (Previously: 1422cps) that implies a potential return of c.33% from the current share price.
- **Note**: The share is currently trading under a cautionary announcement due to a potential acquisition.

Astoria Investments – JSE-listed Share Price



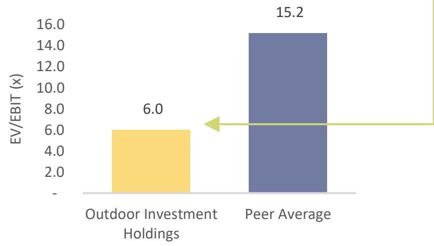
Source: Profile Media

Astoria – Portfolio Major Weightings



Sources: Astoria & Blue Gem Research workings

Outdoor Retailers' EV/EBIT Multiples (x)



Sources: Refinitiv, Various company reports & Blue Gem Research workings & assumptions

Financial Summary (Year-end December):	FY 19*	FY 20*	FY 21	FY 22	H1:23**	Current Estimate***
Net Asset Value (USD)	$0.169*	$0.466*	$0.622s	$0.827	$0.748**	$0.747***
Growth in NAV (%)	*-84%*	*176%*	*34%*	*33%*	*-10%*	*-10%*
Net Asset Value (ZAR cps)	235.7cps*	682.8cps*	992.0cps	1,406.0cps	1,408cps**	1,419cps***
Growth in NAV (%)	*-*	*190%*	*45%cps*	*42%*	*0%*	*1%*
Share Price (ZAR cps)	237cps	1,259cps	500cps	760cps	1,080cps	1,080cps
Discount to NAV (%)	*-1%*	*-84%*	*50%*	*46%*	*23%*	*24%*

*Sources: Astoria reports & Blue Gem Research assumptions & workings; *Current management only took active control of portfolio from 1 December 2020; ** USD/ZAR of R18.84 as at closing 30 June 2023; *** USD/ZAR of R19.00 as at closing 18 August 2023*

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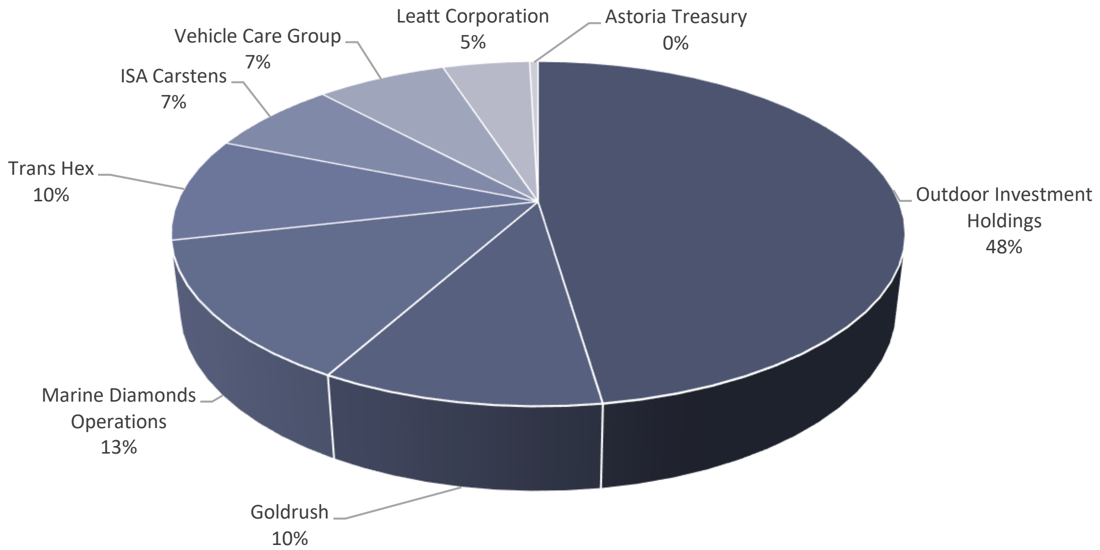
Table 1: Investment	Description	Ownership or # shares	Valuation Methodology	Valuation** (Rands)	Valuation* (USD)	% of NAV
USD/ZAR Exchange Rate Used				**R19.00**	**$1.00**	
Outdoor Investment Holdings	Integrated outdoor retailing group	40.0%	6.0x EBIT multiple	R374,032,742	$19,685,934	48%
Goldrush (RAC Preference Shares)	Alternative gaming; see breakdown below:	7,510,225	Listed share price (which includes the below 26% discount to NAV)	R82,011,657	$4,316,403	10%
	RACP Share Price		**Listed share price**	**1,092cps**		
	Discount to NAV (%)		-	*26%*		
	Net Asset Value (1 + 2 + 3)/# RACP shares		**Sum of below portfolio / shares**	**1,466cps**		
	(1) Goldrush Group	58.8%	7.0x EV/EBITDA	R1,019,500,000		
	(2) Other & cash	-	Taken from balance sheet	R46,000,000		
	(3) CGT & liabilities	-	Taken from balance sheet	-R336,700,000		
Marine Diamonds Operations	Marine diamond miner	25.1%	Original Cost (acquired < 12m earlier)	R104,500,000	$5,500,000	13%
Trans Hex	Land diamond miner	25.1%	0.68x Price-to-Book	R76,333,222	$4,017,538	10%
ISA Carstens	Domestic health & skincare educational group	49.0%	Equity: 6.0x Price Earnings Property: 9% Capitalisation Rate	R54,600,000	$2,873,684	7%
Vehicle Care Group	Financier in the (used) car market	87.5%	Equity: Fully impaired; Debt: Book value less loss allowance	R53,900,000	$2,836,842	7%
Leatt Corporation	Globally-branded biking and outdoor protective clothing group	139,000	Listed share price	R35,917,600	$1,890,400	5%
Astoria Treasury	Internal lending book	100.0%	Book value less 31% loss allowance	R3,500,000	$184,211	0%
Gross Investment Value				**R784,795,221**	**$41,305,012**	**100 %**
Cash & equivalents	-	-	Taken from balance sheet	R12,900,000	$678,947	
Liabilities	-	-	Taken from balance sheet	-R3,000,000	-$157,895	
Other assets & liabilities				**R9,900,000**	**$521,053**	
Net Asset Value (Rands/$'s)				**R794,695,221**	**$41,826,064**	
Net Asset Value (Rand/USD)				**R14.19**	**$0.75**	
HoldCo Discount (c.14.5%)		Based on a perpetuity with HoldCo costs %-of-NAV		-R115,496,430	-$6,078,759	
Fair Value (Rands/$'s)				**R679,198,791**	**$35,747,305**	
Number of issued shares				*56,000,000*	*56,000,000*	
Fair value (ZAR cps / USD cps)				**1,213cps**	**$0.64**	
Share price discount to fair value (%)				***11%***	***11%***	
12m TP (ZAR cps / USD cps)				**1,440cps**	**$0.76**	
12m Implied Return (%)				***33%***	***33%***	



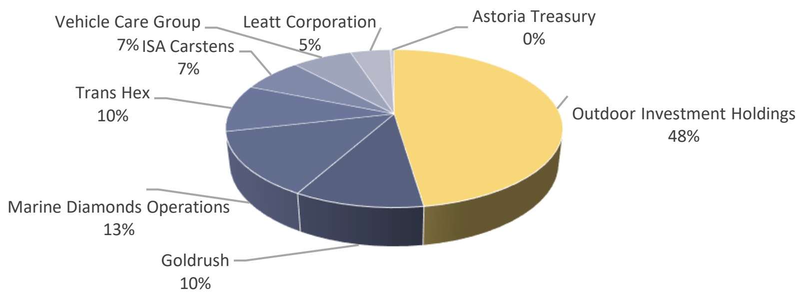
*Sources: Astoria Investment's various reports, Bloomberg, Profile Media, JSE & LSE share prices, & Blue Gem Research workings & assumptions (all spot and share prices based on 18 August 2023 Closing Price); * USD/ZAR spot closing 18 August 2023; ** Management updated valuations for unlisted investments. Refer to Initiation of Coverage for risks to our valuation, key assumptions & views on Astoria and its underlying (including comments on unlisted valuations & methodologies).*

Astoria's Q2:23/H1:23 Results

Astoria Investments' published its Q2:23/H1:23 results showing:

- Net Asset Value of $0.748 per share (FY 22: $0.827 per share) or R14.08 per share (FY 22: R14.06 per share):
    - Excellent growth in the Group's major Outdoor Investment Holdings (OIH) was offset by lower RECM and Calibre preference share (i.e. Goldrush) and Leatt Corp share prices trading lower, while
    - A weaker closing Rand exchange rate (H1:23's $1.00/R18.84 versus FY22's year-end's R17.00 rate) offset this in the Rand-based NAV but detracted against the USD-based NAV (when translating Rand investments into USD's).
    - Per our workings, a nice clip of debt at respective business *and* investment levels has been paid off, bolstering equity uplift, lowering financial risk & increase acquisitive capacity.
- Beyond the transient noise of short-term exchange rates and share prices, fundamentally each business either grew (e.g. OIH) or held its own against headwinds (e.g. Goldrush), though some faced tougher trading conditions that others (e.g. the diamond businesses and Leatt Corporation). All appear in good financial shape and, thus, we expect longer-term upside as various headwinds dissipate.

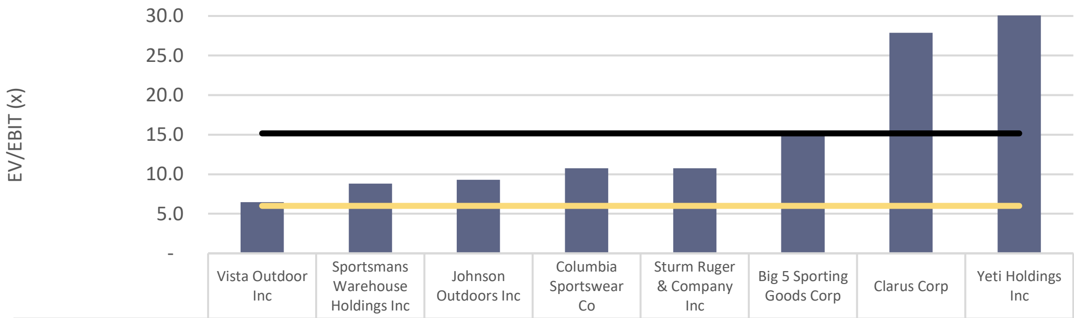
Figure 1: Astoria Investment's Portfolio (18 August 2023)



Sources: Astoria Investments, Iress, Profile Media, various company reports, & Blue Gem Research workings & assumptions

- Updating our Sum-of-the-Parts (SOTP) for Astoria shows that OIH remains dominant in the Group NAV and we highlight the consistent multiple used in valuing OIH (unchanged at 6.0x). This multiple tracks *far* below our constructed global peer set average multiple (Figure 2).

Figure 2: Global Hunting Peer Valuations versus Outdoor Investment Holdings' Valuation in Astoria's NAV



	Vista Outdoor Inc	Sportsmans Warehouse Holdings Inc	Johnson Outdoors Inc	Columbia Sportswear Co	Sturm Ruger & Company Inc	Big 5 Sporting Goods Corp	Clarus Corp	Yeti Holdings Inc
Company Name	6.5	8.8	9.3	10.7	10.8	15.0	27.9	41.5
Ave. EV/EBIT (x)	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2
OIH EBIT Valuation	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0

Sources: Refinitiv, Various company reports & Blue Gem Research workings & assumptions

- We estimate that Astoria's share price is tracking a c.24% discount to our updated NAV for the Group. A recovery in diamond prices, fair valuing Trans Hex Marine, better trading by Goldrush, a recovery in Leatt Corporation's wholesale volumes, growth in OIH/FPC and measured growth in VCG all point towards upside levers in Astoria's forward NAV. Astoria's share is currently trading under a cautionary announcement due to a potential acquisition, which also adds optionality to its prospects.

Outdoor Investment Holdings (OIH) – Website

Valuation Summary	H1:22	H1:23
%-held	*40%*	*40%*
EBIT Multiple	*6.0x*	*6.0x*
Investment*	**R232.9m**	**R374m**

** Investment represented in the respective currency that we update our SOTP model in for each investment (ZAR-driven investments are updated in ZAR and converted to USD, USD-driven investments are updated in USD and converted to ZAR).*

Business:

OIH has six main businesses:

1. **A-Tec – website:** With a collaboration agreement with Heckler & Koch GmbH, A-Tec is a Norwegian manufacturer of branded and well-known range of suppressors/silencers.
2. **Adventure Brands:** A distribution brand-house focused on mainstream outdoor living and sports. It is focused on the high(er) LSM segment of the market.
3. **Formalito – website**: Servicing nearly a thousand domestic customers, Formalito is a leading South Africa wholesaler for the outdoor sector with a strong emphasis on firearms, optics and ammunition.
4. **Inyathi Sporting Supplies – website:** Focussing on international brands, Inyathi is a domestic wholesaler in the firearms, optics and ammunition space.
5. **Safari Outdoor – website**: From one store in Stellenbosch, Safari Outdoor has grown into Africa's largest hunting, shooting, conservation and related goods focussed retailer. The business has five megastores with >80,000 square feet of high-end retail space (focussing on where the customers *live* and not where they hunt) and one smaller-format store ('Safar Country') in Nelspruit.
6. **Family Pet Centre (FPC) – website**: An early-stage "big box" pet shop retailing concept (currently with three stores) with a national footprint that leans into the "theatre of retail" experience as it aims to offer consumers a single-stop for all their pet requirements.

Financial Results & Commentary:

OIH enjoyed good performance over the six-month period.

The largest business in the Group, Safari Outdoor (S&O), saw growth in their trading density in all stores and the inclusion of the new, smaller-format Nelspruit Safari Country store. Rand-weakness saw imported products (many S&O's products) repriced upwards to maintain margins.

Likewise, the wholesale division (Adventure Brands, Formalito and Inyathi) experienced strong growth from their superior stock levels (consciously invested in due to the supply disruptions experienced, particularly in ammunition, following the Ukraine war) and the first-year inclusion of exclusive rights to a major non-lethal self-defence brand.

Finally—and importantly from a downside/upside perspective—the underperforming start-up, the Family Pet Centre (FPC), showed a strong improvement in the period as management solved the business model challenges. In conversations with Astoria management, FPC has three stores, is now profitable (with optimal mix and range of products, correct density of stock and price points) and OIH management have the luxury of deciding how best to realize value here through (1) Rolling out more stores, (2) Selling FPC, &/or (3) A combination of both. This turnaround of FPC removes a downside risk from OIH's earnings and valuation (and Astoria's NAV) and, arguably, adds some upside optionality (that is not yet really reflected in the valuation).

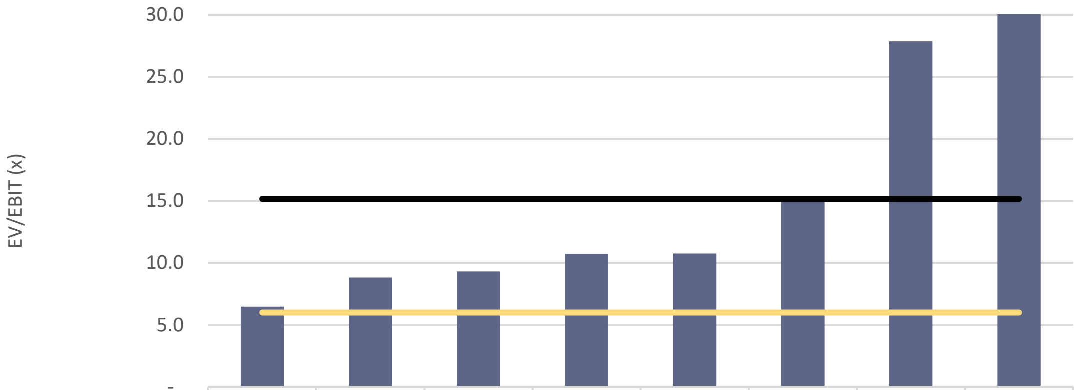
After the end of the current reporting period, Astoria received a R6.9m dividend from OIH.

Valuation:

Three things give us comfort in Astoria's valuation of OIH:

1. The single-digit multiple used is reasonably discounted against its global, outdoor-speciality retailer peer group average (Figure 3), even after we have taken a generous size, country and unlisted discount out of it,
2. The multiple used has not change across periods (consistency), &
3. The FPC performance improvement removes a downside risk (and, arguably, adds an upside risk, depending on how management decide to realize the potential in this business).

Figure 3: Global Hunting Peer Valuations versus Outdoor Investment Holdings' Valuation in Astoria's NAV



	Vista Outdoor Inc	Sportsmans Warehouse Holdings Inc	Johnson Outdoors Inc	Columbia Sportswear Co	Sturm Ruger & Company Inc	Big 5 Sporting Goods Corp	Clarus Corp	Yeti Holdings Inc
Company Name	6.5	8.8	9.3	10.7	10.8	15.0	27.9	41.5
Ave. EV/EBIT (x)	15.2	15.2	15.2	15.2	15.2	15.2	15.2	15.2
OIH EBIT Valuation	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0

Sources: Refinitiv, Various company reports & Blue Gem Research workings & assumptions

RECM and Calibre Preference Shares (code: RACP) – Website

Valuation Summary	H1:22	H1:23	Currently
Number of RAC Preference Shares Held	*7.5m*	*7.5m*	*7.5m*
EV/EBITDA Multiple of Goldrush	*7.0x*	*7.0x*	*7.0x*
Market Value per JSE share price of RACP*	**R105m**	**R83.3m**	**R82.0m**

** Investment represented in the respective currency that we update our SOTP model in for each investment (ZAR-driven investments are updated in ZAR and converted to USD, USD-driven investments are updated in USD and converted to ZAR).*

Business:

Essentially, RACP is has a single material underlying asset, Goldrush (website), which is a South African alternative gaming group with Electronic Bingo Terminals ("EBTs"), Limited Pay-out Machines ("LPMs"), Retail Sports Betting shops and Online Betting. The Group's brands are the *Goldrush* (Bingo, LPM and Online Betting), *Bingo Royale* (Bingo), *Crazy Slots* (LPM) and *www.goldrush.co.za* and *www.gbets.co.za* (Retail Sports Betting and Online Betting) brands.

Financial Results & Commentary:

In RECM and Calibre (preference shares, "RACP") FY 23 results—if we take the equivalent value of 88cps worth of Astoria shares distributed during the period—the Group's NAV growth equalled +7.3% y/y. Excluding this distribution from year-end NAV, RACP totalled 1466cps (FY 22: 1403cps).

Given that the major (and in due course, only) investment is the Goldrush Group (Goldrush), we will focus our commentary on the performance of this business (which management kindly allowed shareholders and investors to interact with at RACP's latest AGM).

Goldrush had a strong start to the FY 23 year before heightened loadshedding negatively impacted trading (existing operations were positioned to weather Level 4 loadshedding, but Level 6 was reached repeatedly during the period). Much as we have seen across the domestic economy, loadshedding drove downtime that resulted in lost revenues. Management did manage to offset some of these using generators, albeit at the incremental cost of the diesel burnt to power them. This added cost is not compensated for by additional margin and, thus, H2 saw some margin erosion. Management estimate that the lost revenue and the additional cost to run generators collectively costs the business c.R50m in FY 23 (or c.+14% y/y to EBITDA).

Despite this context, Goldrush grew revenue +18% y/y to R1.64bn, Operational EBITDA +2% to R351m. (Actual EBITDA was +9% but included a one-off early-termination payment of R23m; note that for purposes of RACP valuation, the adjusted, lower EBITDA is used.) Diesel costs ate up the difference between revenue growth and EBITDA over the period, but excellent degearing saw profits rise +30% y/y to R134m and a dividend of R50m (+67% y/y) was declared. R43m of debt has been repaid and net interest-bearing debt of R613m remains.

Goldrush's relevant segments:

- **Bingo**: Revenue grew +22% y/y and average revenue per machine grew +5% y/y; all properties have backup power and solar/battery setups will also be installed as part of capex; one more license was awarded and a further two were acquired in the period (subject to regulatory approval) while some relocation and refurbishments were done to improve portfolio yield.
- **LPM**: Revenue grew +16% y/y and average revenue per machine grew +7% y/y with number of machines growing +7% y/y too; due to sports bars and restaurants limiting trading hours to windows of power availability, trading hours of machines was negatively impacted; management will focus on supporting operators where they can, or moving machines to better trading venues, and no new machines will be added until the existing portfolio is yielding adequately.
- **Sports Betting**: Gaming revenue rose +6% y/y, shop revenue +5% y/y and online revenue +7% y/y.

At present, Goldrush is currently trading in line with the prior year's 3m's (and, worth noting, that the H1:23 period was stronger than Goldrush's H2:23 period). Thus, this bodes well for the full-year and, following the above noted AGM interaction with management, we have confidence that they have a handle on extracting increasing efficiencies and yield from the existing and growing portfolio of gaming positions (Table 2).

On the latter note, see Goldrush's growing operational footprint. Importantly, note that growth in physical gaming positions that—once you add in inflation and improved yield from optimising the portfolio's physical locations and uptimes—all translate directly into increase revenue at very little incremental cost.

Table 2: Goldrush Operational Growth – Licenses, Machines & Physical Gaming Positions

		Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	***CAGR (%)***
Bingo	Licenses owned	33	35	35	35	35	36	+1.5%
	Licenses active	25	27	31	34	35	35	+5.8%
	EBT's in operation	**3112**	**3543**	**3865**	**4105**	**4270**	**4491**	**+6.3%**
	Average EBT's per active license	124	131	124	121	122	128	+0.5%
Limited Payout Machines (LPM)	Route licenses	6	6	6	6	7	7	+2.6%
	Machines approved	4200	4200	4200	4200	5200	5200	+3.6%
	Machines in operation	**1671**	**1882**	**2198**	**2412**	**2665**	**2854**	**+9.3%**
Sports Betting	Licenses owned	36	33	33	33	33	45	+3.8%
	Licenses in operation	28	33	31	29	30	29	+0.6%
	Gaming positions/terminals	458	488	468	515	535	561	+3.4%
	Average gaming positions per active license	16	15	13	18	18	19	+2.9%
Total Physical Gaming Positions		**5241**	**5913**	**6531**	**7032**	**7470**	**7906**	**+7.1%**

Sources: RECM and Calibre, Goldrush & Blue Gem Research workings

Finally, we believe it is important to highlight that RACP's annual management fee has *changed* from 1% of assets to 1% of enterprise value (market capitalisation plus outstanding debt). This is a wonderful change that further aligns management (who are both large investors in RAC/RACP and Astoria itself) with the growth of RACP on the JSE.

We applaud such positive alignment and believe it adds significant value to minorities here.

Valuation:

Three things give us comfort in Astoria's valuation of RAC Preference shares in the Group's NAV:

1. The multiple used by RECM & Calibre to value Goldrush (its major asset) is reasonably discounted against major global casino and gaming stocks. Its small premium to domestic listed gaming groups appears reasonable given its lack of legacy fixed-cost casinos & hotels (Table 3),
2. The multiple referred to in (1) above has not change across periods (consistency), &
3. Astoria furthermore values its investment in the preference shares at the current JSE *market* price (which we update in our model) and, thus, there is a further discount against this NAV on an arms-length basis that the market has calculated.

Table 3: Domestic & Major Global Gaming Stock Valuations

Gaming Group		EV/EBITDA (x)
Sun International		4.8x
Tsogo Gaming		5.4x
Goldrush (valued within RACP)		**7.0x**
Wynn Resorts		18.4x
Evolution Gaming		18.5x
Las Vegas Sands		28.3x

Sources: Refinitiv, Koyfin, RECM and Calibre, Goldrush & Blue Gem Research workings & assumptions

We do note the potential of a domestic smoking ban negatively affecting gaming revenues, but we also highlight that this is a well-published fact and, thus, likely reflected in all the listed gaming stock valuations (including RACP's share price). And, thus, from an Astoria perspective, we do not consider this likely to have a major effect on its future NAV.

Trans Hex & Trans Hex Marine – Website

Valuation Summary	H1:22	H1:23
%-held	*25.1%*	*25.1%*
Investment*	**$6.4m (Land)**	**$4.0m (Land) + $5.5m (Marine)**

** Investment represented in the respective currency that we update our SOTP model in for each investment (ZAR-driven investments are updated in ZAR and converted to USD, USD-driven investments are updated in USD and converted to ZAR).*

Business:

- **Land (Trans Hex)**: This is traditional sedimental and alluvial diamond deposits that are mined by conventional land mining techniques.
- **Marine (Trans Hex Marine)**: As a new venture from Trans Hex, Trans Hex Marine has a fleet of several vessels (and their equipment) all of which are deployed in various operations in offshore mineral, oil & gas exploration, and subsea mining areas.

Financial Results & Commentary:

Operationally, two key things influenced both Trans Hex Land (Trans Hex) and Trans Hex Marine (Trans Hex Marine) diamond businesses: (1) Diamond prices were weak, & (2) Production was at- or above-expectations/prior year. The weaker diamond prices (c.-20% y/y) more than offset higher production at Trans Hex while Trans Hex Marine was somewhat buffered by lower fuel prices (a major input cost into their shipping fleet).

While diamond spot prices will be volatile, maintaining and growing production in an efficient way is a key quality flag. In this respect, both Trans Hex and Trans Hex Marine achieved this.

Note that Trans Hex Marine, while less than a year old in the Group, is trading in line with pre-acquisition business plan.

Valuation:

The Trans Hex Marine valuation remains at cost given that it was made less than twelve months ago. We expect this to be revalued to fair value in coming periods and look forward to what that may look like. The Trans Hex valuation remains at a large (and consistent) discount (32%) to NAV that we find reasonable based on Sovereign risk, though note the R30m dividend declared during the period (Astoria received R7.5m of this).

ISA Carstens Holdings – Website

Valuation Summary	H1:22	H1:23
%-held	*49%*	*49%*
Price Earnings (x) – School	*6.0x*	*6.0x*
Capitalisation Rate (%) – Property	*9%*	*9%*
Investment*	**R45m**	**R54.6m**

** Investment represented in the respective currency that we update our SOTP model in for each investment (ZAR-driven investments are updated in ZAR and converted to USD, USD-driven investments are updated in USD and converted to ZAR).*

Business:

ISA Carstens Academy is recognized as a leader in tertiary education for the health and skincare industry. Astoria holds 49% of the holding company that holds the operating business and the two campuses (Pretoria and Stellenbosch—which includes two residences).

Financial Results & Commentary:

Applications (the leading indicator to enrolments) and enrolments (the leading indicator to revenue for the year) have been in line with those at this time last year. All these bode well for the coming financial year.

Valuation:

Three things give us comfort in Astoria's valuation of ISA Carstens Academy in the Group's NAV:

1. The multiple used by Astoria to value the School and the capitalization rate to value the Property are both unchanged across periods (consistency),
2. The School's multiple is at a significant discount to JSE-listed peers (Table 4), &
3. The Property's capitalisation rate is within the range of rates used by various listed Real Estate Investment Trusts (REITs) on the JSE for various portions of their domestic property portfolios.

Table 4: Domestic Educational Stocks

Gaming Group	Price Earnings
ISA Carstens Academy (School)	**9.0x**
ADvTech Ltd	13.7x
Curro Holdings Ltd	14.8x
Stadio Holdings Ltd	25.8x

Sources: Refinitiv, Koyfin, Iress, Goldrush & Blue Gem Research workings & assumptions

Vehicle Care Group – Website

Valuation Summary	H1:22	H1:23
%-held	*85%*	*87.5%*
Investment*	**R38.1m**	**R53.9m**

** Investment represented in the respective currency that we update our SOTP model in for each investment (ZAR-driven investments are updated in ZAR and converted to USD, USD-driven investments are updated in USD and converted to ZAR).*

Business:

Vehicle Care Group operates through two companies:

- **Vehicle Care Group (Pty) Ltd/Flexidrive**: With a fleet of 650 cars, Flexidrive offers a rent-to-buy option to individuals. As banks loans into the used car market (especially in the >5 years old end of the market) are difficult for many consumers to get, Flexidrive offers an alternative funding mechanism in this rent-to-buy offering. During this period, VCG Flexidrive successfully launched a hybrid model leasing out newer cars from a small number of approved dealers.
- **VCG Invest (Pty) Ltd**: Provides off-balance sheet working capital to used vehicle dealers as high-interest, short-term loans. This business effectively finances stock on independent car dealerships' show rooms.

Financial Results & Commentary:

VCG Invest's loan book grew +10% y/y while VCG Flexidrive's fleet grew +16% y/y to 650 vehicles. The former appears disciplined in its credit granting and is currently only incurring small credit losses while the latter has sourced a new route-to-market through some pre-approved dealerships. Both play into strained consumers' meeting increasingly restrictive bank funding in an economy where non-public transport is a non-discretionary.

In our discussion with management, confidence in VCG's model is emerging and the discussion is turning to how fast and how large to grow the operation within the confines of the Group's risk tolerance.

Valuation:

Astoria still values its equity in VCG at zero while the shareholder loans are discounted to their face value. Given the above view that the model is starting to work, there is upside risk to both this discounted loan being written up to face value and, perhaps, even the equity being given a value. At this point, though, we remain comfortable that Astroria's NAV contains a conservative view of the fair value of VCG.

Leatt Corporation – Website

Valuation Summary	H1:22	H1:23	Current
Shares Held	139,000	139,000	139,000
Share Price ($ per share)	$22.75	$11.40	$13.60
Market Value*	**$3.2m**	**$1.6m**	**$1.9m**

** Investment represented in the respective currency that we update our SOTP model in for each investment (ZAR-driven investments are updated in ZAR and converted to USD, USD-driven investments are updated in USD and converted to ZAR).*

Business:

USA-listed Leatt Corporation (code: LEAT) designs, develops, markets and distributes personal protective equipment for participants in various forms of motor sports and leisure activities, including riders of motorcycles, bicycles, snowmobiles and all-terrain vehicles (ATVs), as well as racing car drivers.

The Group sells its products to customers across the world, through a network of distributors and retailers. It also acts as the original equipment manufacturer for neck braces sold by other international brands.

Importantly, the Group's products are based on the Leatt-Brace® system, an injection moulded neck protection system, designed to prevent devastating injuries to the cervical spine and neck. Likewise, the Group has a strong research & development (R&D) function that is constantly focussing on developing its safety-orientated IP.

Given that Leatt Corp makes up only c.5% of Astoria's NAV *and* the fact that it is a separately listed entity with rich public sources of information on the Group, we do not want to spend a disproportionate amount of time focussing on this investment. For this reason, but for completeness-sake, we strongly encourage you to peruse Leatt Corp's maintained Investor Relations website.

Financial Results & Commentary:

Contextually, the apparel, cycling and motorsport industry has been through a period of extreme volatility. Early COVID disruptions saw stock levels fall just as demand pulled forward leading to shortages. This, naturally, then led to a ramp up in supply just as demand normalized that forced wholesalers to freeze order and run-down existing stock. Currently, the industry does appear to be coming out of the back of this as wholesale inventory approach normal levels, consumer demand has remained normal and a more predictable, seasonal stocking pattern can follow.

Unfortunately, Leatt's last quarter (ended March 2023) was caught in the middle of this and saw revenue fell c.-45% y/y with the Group reported a -76% y/y fall in Diluted EPS. Management managed this well and absolute stock levels lowered seeing $1.3m operating profit converted into $5.3m of operating cash flows (destocking +$2.8m and debtor payments of +$3.3m inflows).

As the industry normalizes, Leatt's working capital inflow should reverse with revenues and profits rising as the Group reinvests into stock and debtors meaningfully in coming quarters.

Despite the industry volatility, we do note that Leatt's R&D expenditure was maintained over this period at $584,991 (Q1:22 - $533,700). This is important as it provides product range pipeline and competitive advantages that will translate into either future growth or sustainability for the business. Likewise, the Group used its comfortable balance sheet (as opposed many of its competitors over-geared balance sheets) to improve its team. All this should stand it in good stead going forward and we remain optimistic on its prospects.

Valuation:

Leatt's stock is separately listed, and that Astoria has used this share price for a fair market value of the investment. We consider this reasonable and have only adjusted our fair value for the latest share price (and exchange rate for the Rand-conversion).

Leatt Corp has a market cap of $81m and Price Earnings (PE) of 17.2x. If we strip out the Group's net cash of $10.7m from the market cap, then the stock's PE is closer to c.15x. The share currently trades on a Price-to-Book of c.2.0x.

Astoria Treasury (100%-shareholding)
At less than 1% of Astoria's NAV, Astoria Treasury is a discretionary lender into select businesses in South Africa. Some of the loans are made to Astoria portfolio companies, offering a value-add across the Group's broader investment portfolio where capital is required by investees but equity may not be appropriate.

Astoria values Astoria Treasury at its NAV. This NAV is arrived at after providing for expected credit losses to each loan outstanding, which currently stands at R3.5m (H1:22 – R4.0m).

Sector Analysis: JSE-listed HoldCo's

While many aspects of HoldCo's are incomparable due to the diversity of their underlying investment portfolios, their legal structures and their management strategy, there *are* several criteria that we think are worth zooming into for the purposes of placing Astoria Investments into context on the JSE.

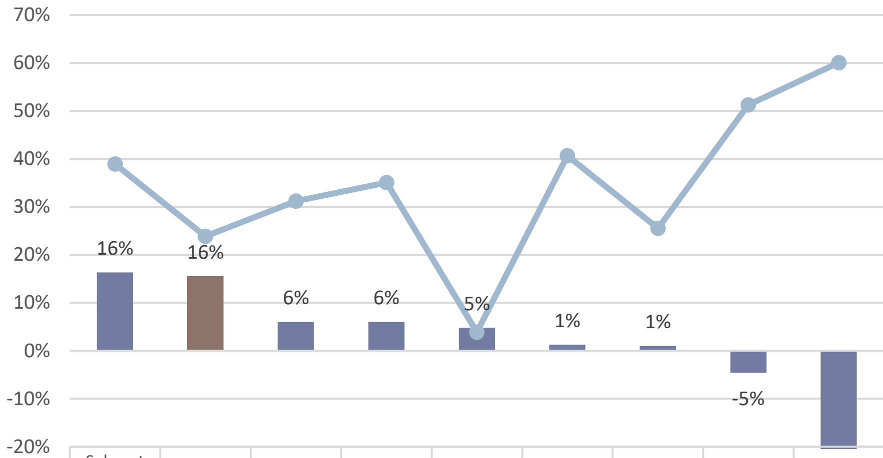
We believe that three key variables stand out as both important and comparable for the purposes of a HoldCo listed on the JSE:

1. **Cost**: The cost of the HoldCo structure relative to its size (i.e. Cost as % of NAV),

2. **Discount**: What discount the share price is trading relative to its underlying NAV, &
3. **Track record**: What track record management have in growing the NAV of the HoldCo.

Figure 4 attempts to (admittedly in some cases, crudely) track the NAV CAGR of each relevant JSE-listed HoldCo (including fair representation of their distributions over the period) across the last 5~6 years. It furthermore compares this against their current implied discounts to (latest reported) NAV.

Figure 4: JSE-listed HoldCo's Estimated Medium-term Growth in NAV (including distributions) & Discount Relative to NAV (%)



	Sabvest Capital	Astoria	Remgro	Reinet	HCI	ARC	RACP*	Ethos	Brait
5~6yr CAGR in NAV + Dividends	16%	16%	6%	6%	5%	1%	1%	-5%	-31%
Share Price Discount to NAV (%)	39%	24%	31%	35%	4%	41%	26%	51%	60%

*Sources: Various company results and reports, Refinitiv, Iress, Profile Media, and Blue Gem Research workings and assumptions (as per latest published data and/or closing prices on 18 August 2023 – we have kept this date static to provide better like-for-like comparisons, even though share prices and exchange rates are moving); Using latest published NAV and best estimate of costs, dividends and distributions for each HoldCo; * RACP NAV takes into account market values of Astoria shares distributed as of management disclosure (implied aggregate NAV would be 2941cps).*

While our use of the last 5~6 years for NAV growth is arguably arbitrary, it does provide some context against which to measure the growth Astoria has generated. The Group ranks well against its peers on this measure.

Finally, for a comparison of HoldCo's various structural fees, we refer you back to our Initiation of Coverage report on Astoria. In this regard, the Group is relatively efficiently managed, particularly once its smaller size is considered. Nothing has changed our view hereon.

Valuation and 12m TP

Methodology

Our selected valuation methodology is to build up an appropriate and fairly-valued Sum-of-the-Parts (SOTP) for Astoria Investments. The starting point of this is to update any listed investments to their current market price (in Rand-values which includes the latest exchange rates), and then to understand and assess the reasonableness of the unlisted investments and their respective valuations (adjusting where we believe appropriate). Given Astoria's Mauritian structure, we do not provide for deferred capital gains taxes in its investments. Likewise, we take out the Group's central net debt and/or add its net cash. Finally, we then calculate an appropriate discount (for the added HoldCo costs) to arrive at our view of *fair value* (i.e., not just NAV).

Net Asset Value of Astoria

Refer to Table 1 earlier in this report for a detailed breakdown of the Group's NAV, updated for current spot prices, post-period end transactions (net of any estimated costs and taxes).

We estimate Astoria Investments' current NAV to be $41.8m or $0.75 per share (in Rands this is R794m or 1419cps).

Appropriate "HoldCo Discount"

Refer to our Initiation of Coverage for our discount methodology and key inputs.

If we assume a Cost of Equity of 18.7% (SA 10-yr bond of 10.47%, Equity Risk Premium of 5.5% and a 1.5x beta to take into account risks *and* illiquidity of the stock) and (long-term average) inflation of c.5.5%, this implies that Astoria's HoldCo's perpetuity of its costs should demand a discount of c.14.5% of its NAV (=1.92% / (18.7% - 5.5%)).

Fairly Valued Sum-of-the-Parts (NAV less HoldCo Discount)

Astoria Investments' (updated) NAV less a 14.5% discount implies that the share is worth $35.8m or $0.64 per share (in Rands this is R679m or 1213cps). This is c.11% *higher* than the Group's current JSE-based share price of 1080cps.

12m TP and Implied Return

Using our assumed Cost of Equity and applying it to the post-discount fair value of $0.64 per share or R12.13 per share, we arrive at a 12m TP of $0.76 per share or R14.40 per share. This implies a +33% return from the current share price.

Key Risks to our Valuation

The key risks to our above valuation methodologies are:

- The accuracy, reasonableness and ongoing performance and growth of the Group's unlisted investments, including how this interacts with management's valuation of these investments,
- The performance of the Group's listed investments (particularly their share prices), which is logically correlated with the ongoing performance of these businesses,
- Any corporate actions across the Group's portfolio (buying/selling underlying investments, making new investments and/or buying back any shares in Astoria) – **Note**: The share is currently under cautionary due to a potential deal and, thus, *this* risk may be relevant, &
- The continuance of the current manager in managing Astoria's investments, administration and related activities (i.e. continuity of investment management, methodology and portfolio).

Disclaimer

Confused by this report? View our methodology, FAQ and this disclaimer.

** Except where noted otherwise, market prices in this report predominantly set to intra-day or closing prices on 18 August 2023*

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Astoria Investments Ltd	B

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