Results Note
8 April 2024

Astoria Investments Ltd

Discount Appears Too Wide

Share Code: ARA – Market Cap: R498m – Discount to NAV: 42%

12m Target Price	**1420cps**
Share Price	**802cps**
Implied Return	**77%**

Financials | South Africa | Commissioned Research

FY 23 Results: A Mixed Bag of Results

- Astoria's USD Net Asset Value (NAV) felt pressure and slipped marginally to $0.7947 per share (FY 22: $0.8266 per share), though the Rand NAV was slightly up at 1454cps (FY 22: 1406cps) as the Rand weakened over the period.
- A decline in diamond prices was a headwind on diamond interests, loadshedding hurt Goldrush's LPM performance & Leatt's share price followed its sales down over an extra-ordinary trading period.
- On the other hand, Outdoor Investment Holdings (OIH) traded (really) strongly, ISA Carstens saw +10% enrolment growth & Vehicle Care Group (VCG) is proving its model nicely.

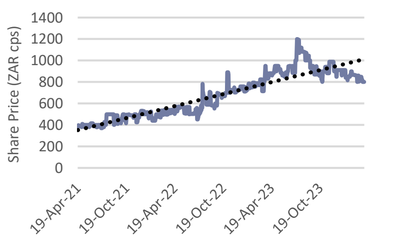
Commentary: Conservative NAV & Upside Optionality

- Other than valuing A-Tec in OIH separately as a Norwegian asset and lifting ISA Carsten's Academy multiple from 6.0x to 7.0x (but it remains well below other listed educational stock multiples), Astoria's unlisted valuations remain largely consistent with history and, arguably, conservative.
- A FY 24E normalisation in diamond prices & in Leatt Corp's trading environment could point to upside in Astoria's NAV (Leatt & diamond interests are a third of the Group's NAV).

Valuation, 12m TP & Implied Return: Above Average Discount

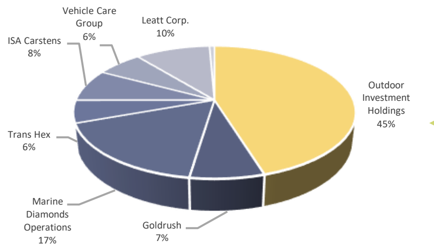
- Updating Astoria's NAV to current prices, the share is trading at an above-sector-average c.42% discount to current NAV (Previously: 34%) despite its strong growth in NAV (+32.4% y/y CAGR in Rand-NAV since management took over on 1 December 2020)
- If we take out our calculated "HoldCo discount" of c.13.9% (Previously: 15.0%) from this NAV, we arrive at a fair value for Astoria's shares of c,1192cps (Previously: 1152cps) or c.49% *higher* than the current share price.
- Rolling this fair value forward at our Cost of Equity, we arrive at a 12m TP of c.1420cps (Previously: 1365cps) that implies a potential return of c.77% from the current share price.

Astoria Investments – JSE-listed Share Price



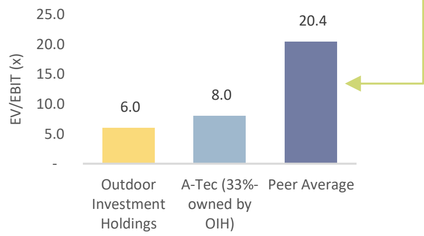
Source: Profile Media

Astoria – Portfolio Major Weightings



Sources: Astoria & Blue Gem Research workings

Outdoor Retailers' EV/EBIT Multiples (x)

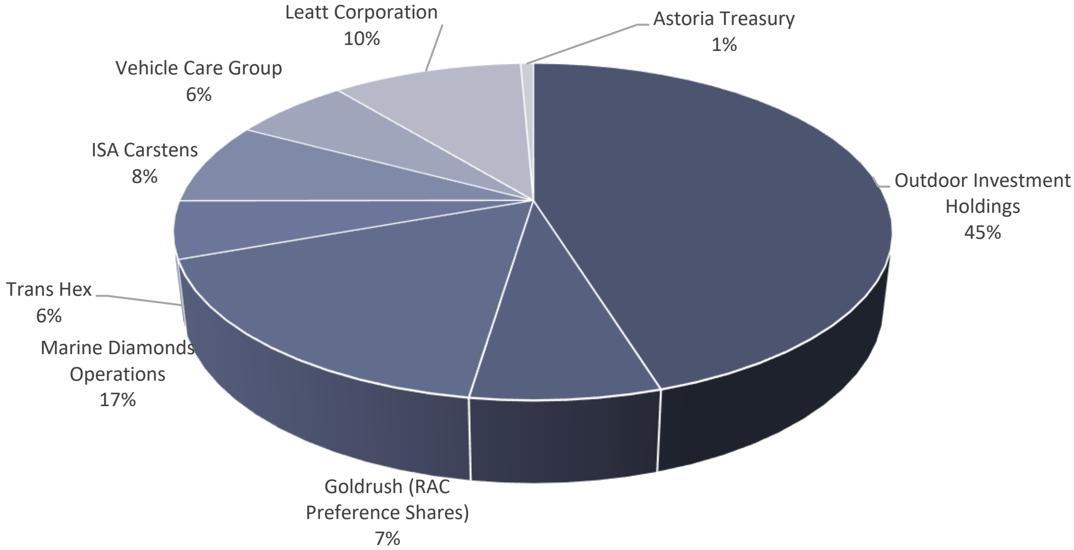


Sources: Refinitiv, Various company reports & Blue Gem Research workings & assumptions

Financial Summary (Year-end December):	FY 19*	FY 20*	FY 21	FY 22	FY 23**	Current Estimate^
Net Asset Value (USD cps)	$0.169	$0.466	$0.622	$0.827	$0.795**	$0.742^
Growth in NAV (%)	*-84%*	*176%*	*34%*	*33%*	*-4%*	*-7%^*
Net Asset Value (ZAR cps)	236cps	683cps	992cps	1,406cps	1,454cps**	1,386cps^
Growth in NAV (%)	*-*	*190%*	*45%*	*42%*	*3%*	*-1%*
Share Price (ZAR cps)	237cps	1,259cps	500cps	760cps	802cps	802cps
Discount to NAV (%)	*-1%*	*-84%*	*50%*	*46%*	*45%*	*42%*

*Sources: Astoria reports & Blue Gem Research assumptions & workings; *Current management only took active control of portfolio from 1 December 2020; ** USD/ZAR of R18.30 as at closing 30 June 2023; ^ USD/ZAR of R18.67 as at closing 5 April 2024*

Table 1: Investment	Description	Ownership or # shares	Valuation Methodology**	Valuation (ZAR)	Valuation (USD)	% of NAV
USD/ZAR				**R18.67***	**$1.00***	
Outdoor Investment Holdings	Integrated outdoor retailing group	40.0%	8.0x PBIT for Norwegian business (A-Tec) + 6.0x PBIT for rest of Group	R388,677,481	$20,813,497	45%
Goldrush (RAC Preference Shares)	Alternative gaming; see breakdown below:	7,510,225	Listed share price (which includes the below 33% discount to NAV)	R61,583,845	$3,297,786	7%
	RACP Share Price	-	**Listed share price**	**820cps**		
	Discount to NAV (%)	-	-	*33%*		
	Net Asset Value (1 + 2 + 3)/# RACP shares	-	**Sum of below portfolio divided by issued shares**	**1,223cps**		
	(1) Goldrush Group	58.8%	7.0x EV/EBITDA	R891,400,000		
	(2) Other & cash	-	Taken from balance sheet	R24,500,000		
	(3) CGT & liabilities	-	Taken from balance sheet	-R307,900,000		
Marine Diamonds Operations	Marine diamond miner	25.1%	0.695x Price-to-Book	R146,802,594	$7,861,210	17%
Trans Hex	Land diamond miner	25.1%	0.68x Price-to-Book	R47,339,070	$2,534,985	6%
ISA Carstens	Domestic health & skincare educational group	49.0%	Equity: 7.5x Price Earnings Property: 9% Capitalisation Rate	R67,700,000	$3,625,303	8%
Vehicle Care Group	Financier in the used car market	81.7%	Equity: Fully impaired; Debt: Book value less loss allowance	R53,900,000	$2,886,320	6%
Leatt Corporation^	Globally-branded biking & outdoor protective clothing group	527,762^	Listed share price	R87,714,715^	$4,697,082^	10%
Astoria Treasury	Internal lending book	100.0%	Book value less 31% loss allowance	R5,900,000	$315,942	1%
Gross Investment Value				**R859,617,705**	**$46,032,125**	**100%**
Cash & equivalents			Balance sheet less LEATT acquisition^	R4,013,588^	$214,926^	
Liabilities			Taken from balance sheet	(R3,600,000)	($192,778)	
Other assets & liabilities				**R413,588**	**$22,147**	
Net Asset Value (Rands/$'s)				**R860,031,293**	**$46,054,272**	
Net Asset Value (Rand/USD)				**R13.86**	**$0.74**	
HoldCo Discount (c.13.9%)			Based on a perpetuity with HoldCo costs as a % of NAV	(R119,666,874)	($6,408,105)	
Fair Value (Rands/$'s)				**R740,364,419**	**$39,646,167**	
Number of issued shares (including LEATT issue^)				*62,062,275^*	*62,062,275^*	
Fair value (ZAR cps / USD cps)				**1,193cps**	**$0.64**	
Share price discount to fair value (%)				***33%***	***33%***	
12m TP (ZAR cps / USD cps)				**1,420cps**	**$0.76**	
12m Implied Return (%)				***77%***	***77%***	



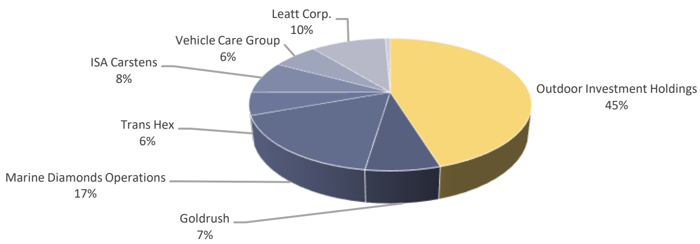
*Sources: Astoria Investment's various reports, Bloomberg, Profile Media, JSE & LSE share prices, & Blue Gem Research workings & assumptions (all spot and share prices based on 5 April 2024 Closing Price); * USD/ZAR spot closing 5 April 2024; ** Management updated valuations for unlisted investments. Refer to Initiation of Coverage for risks to our valuation, key assumptions & views on Astoria and its underlying (including comments on unlisted valuations & methodologies); ^Post-results, Astoria acquired a further 388,762 LEATT shares in exchange for 6,062,275 Astoria shares & a cash payment of $840,000. We have taken this post-results period transaction into account in the above NAV, though assumed zero transaction costs.*

Astoria's FY 23 Results

Astoria Investments published its FY 23 results for the year ended December 2023:

- Rand depreciation of 7.7% during FY 23 put the Group's USD Net Asset Value (NAV) under pressure and saw it slip marginally by -3.9% y/y to $0.7947 per share (FY 22: $0.8266 per share), though the Rand NAV was slightly up at 1454cps (FY 22: 1406cps).
- Underlying investment performance was a mixed bag due to a challenging environment characterized by high inflation, pandemic after-effects and consumer pressure building while loadshedding and port & railway problems persisted:
  - Outdoor Investment Holdings (OIH) traded strongly & its fair value followed suite (+14.4% y/y),
  - Diamond interests operated well but the steep drop in diamond prices hurt profits & NPVs,
  - Goldrush (held by RECM and Calibre) felt the effects loadshedding through lost trading hours that was reflected in a lower share price over this period,
  - Healthy demand for ISA Carstens outstripped its capacity while it launched a skincare range,
  - Vehicle Care Group remains conservatively run with cherry-picked credit, &
  - Leatt Corporation (successfully) navigated the tail-end of supply chain & route-to-market chaos that put significant pressure on its share price. Post-period, Astoria acquired a further 6.25% stake in the company in exchange for 6m Astoria shares and $840,000 in cash.

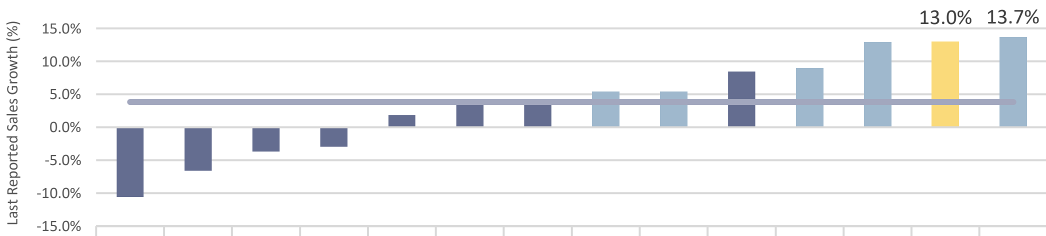
Figure 1: Astoria Investment's Portfolio (5 April 2024)



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

- OIH remains dominant in the Group NAV (**Figure 1**), thus the relevance of its underlying performance:
  - In **Figure 2**, Safari & Outdoor (i.e. OIH) FY 23 +13% y/y growth in sales compares well versus global sports, outdoor and hunting retailers, *and* versus local (more general) retailers.
  - Admittedly, the former peer set are outside of South African and less comparable for this reason while the local retailers focus on different retail markets domestically (from staples to discretionary and fashion).
  - Still, this relative picture does reveal *context* for how well OIH performed during FY 23.

Figure 2: Global Sports, Outdoor & Hunting + South African Listed Retailers + OIH comparison - Last reported sales growth (% y/y)



	Vista Outdoor	Sportsmans Warehouse	Clarus Corp	Columbia Sportswear	Johnson Outdoors	American Outdoor Brands	Sturm Ruger & Co.	Pick N Pay Stores	Woolworths	Yeti Holdings	Truworths	Foschini Group	Safari & Outdoor	Shoprite Holdings
Last Reported Sales Growth (%)	-10.6%	-6.6%	-3.7%	-2.9%	1.9%	3.5%	4.2%	5.4%	5.4%	8.4%	9.0%	12.9%	13.0%	13.7%
Average (%)	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%

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

- We estimate that Astoria's share price is currently trading at a c.42% discount to our updated NAV for the Group (which includes the recent incremental investment in the Leatt Corporation).
- Particularly as Goldrush & diamond prices recover, we expect upside to the Group's forward NAV.

Outdoor Investment Holdings (OIH) – Website

Valuation Summary	H1:22	FY 22	H1:23	FY 23
%-held	*40%*	*40%*	*40%*	*40%*
EBIT Multiple	*6.0x*	*6.0x*	*6.0x*	*6.0x + 8.0x for A-Tec (33%-held by OIH)*
Investment*	**R232.9m**	**R339.7m**	**R374m**	**R388.7m**

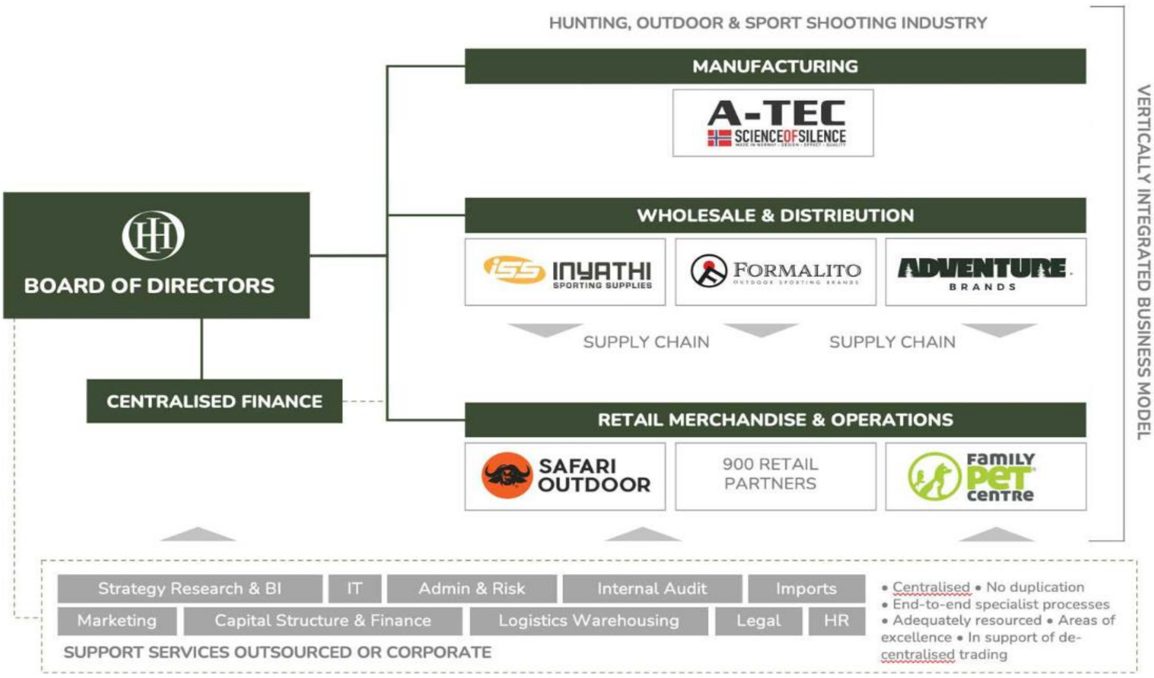
** Investment represented in the respective currency that we update our SOTP model in for each investment (ZAR-driven investments are updated in ZAR and converted to USD, USD-driven investments are updated in USD and converted to ZAR).*

Group Businesses, Detail & Structure:

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. Given the vastly different Cost of Capital in Norway versus the southern tip of Africa, Astoria decided to change A-Tec's fair value multiple to 8.0x from 6.0x (Norway's 10-year Government Bond Yield is 3.68% versus South African's equivalent that is 10.79%).
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 ('Safari Country') in Nelspruit that has proven that the smaller store footprint does work satisfactorily.
6. **Family Pet Centre (FPC) – website**: An early-stage "big box" pet shop retailing concept 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.

Figure 3: Group Structure



Source: Outdoor Investment Holdings (6 April 2024)

Financial Results & Commentary:

OIH performed well during the FY 23 year with its key business, Safari & Outdoor (S&O), growing revenue +13% (see **Figure 2** for context) with minimal store growth (hence, this growth came from increased trading density in-store). OIH's EBIT followed topline and grew +13% to R192.4m (FY 22: R170m). Astoria received R14.5m of dividends from OIH during the period (implying a Dividend Yield of 3.7%).

As mentioned, S&O traded well during this period as its higher-end target market was likely somewhat insulated from consumer headwinds during the period. The business has expanded in store offerings, apparel and services, and proven its pilot "small format" store in Nelspruit during the period.

In our conversation with Astoria management, we believe it unlikely in the near-term that S&O will roll-out many more stores. Management sees better returns on capital from the Group's wholesaling businesses, while likely trying to grow store trading densities higher and benefiting from aspects of the Group's wholesale side. There may also be opportunities in private label (both here, in wholesale and in its manufacturing side).

Wholesalers—Inyathi and Formalito—both grew strongly during the period as global ammunition shortages benefitted their strong supply chains and supplier relationships (the latter of which we now appreciate to be a strong competitive advantage in their respective industries). The continuance of the Russia-Ukraine conflict and the emergence of the Israel-Palestine conflict have both exasperated these general challenges to the sector and, thus, aided in the value that Inyathi and Formalito can bring to clients (i.e. they have stock and they have close supplier relationships that end-customers do not). This naturally benefits S&O too.

Norwegian manufacturer, A-Tec, had a disappointing year with flat sales. Well stocked (raw material) inventory, though, may offer a good base for sales growth in the next year as it is converted into end-product. OIH's valuation of A-Tec is now below its acquisition price (-26%) but should follow sales & profits as they recover.

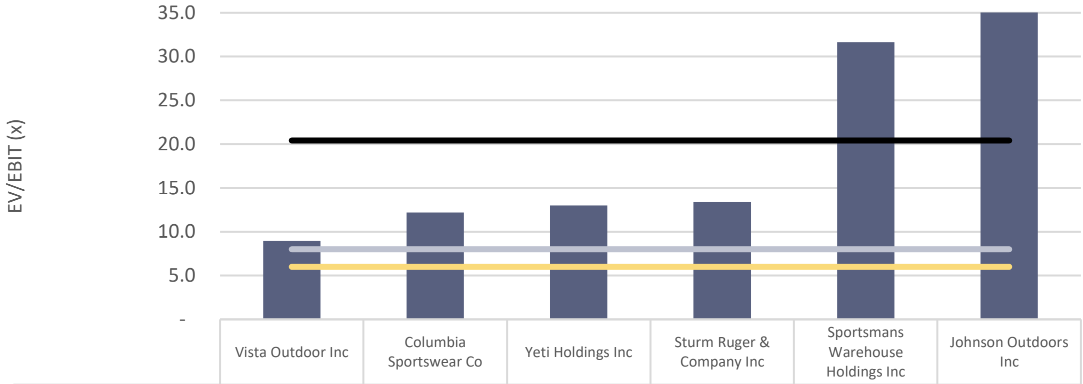
Finally, Family Pet Centre (FPC) trading has improved on last year but remains both below par and relatively small in OIH. Particularly given its lack of clear synergies and the recent raft of large competitors moving into this space (e.g. Woolworth's acquisition of Absolute Pets last week, and Shoprite's drive for a stand-alone Pet Store), we increasingly believe that the future of this business lies outside of OIH.

Valuation:

Several facts give us comfort in Astoria's valuation of OIH:

1. How well the Group is performing with sales growth strongly within the retail context illustrated by **Figure 2** and this sales growth being of the quality that it translates into equivalent bottom-line growth (+13% sales growth ~ +13% EBIT growth ~ +14% Investment Valuation growth),
2. The single-digit multiple used is reasonably discounted against its global, outdoor-speciality retailer peer group average (**Figure 4**), even after we have taken a generous size, country and unlisted discount out of it,
3. The multiple used has not change across periods (consistency), though we do note the separate valuation of A-Tec in Norway (see earlier comparison between "risk-free" rates in Norway versus South Africa that justifies a difference in multiple), &
4. There was a minority shareholder transaction between arms-length parties (neither was Astoria) during the period that saw OIH shares exchanged at 20~25% premium to Astoria's fair value of OIH (2% of OIH was sold at an implied valuation of R1.2bn versus Astoria's implied valuation of R972m).

Figure 4: Global Sports/Hunting Peer Valuations versus Outdoor Investment Holdings' & A-Tec Valuations in Astoria's NAV



	Vista Outdoor Inc	Columbia Sportswear Co	Yeti Holdings Inc	Sturm Ruger & Company Inc	Sportsmans Warehouse Holdings Inc	Johnson Outdoors Inc
EV/EBIT (x)	9.0	12.2	13.0	13.4	31.7	57.7
Ave. EV/EBIT (x)	20.4	20.4	20.4	20.4	20.4	20.4
OIH EBIT Valuation	6.0	6.0	6.0	6.0	6.0	6.0
A-Tec EBIT Valuation	8.0	8.0	8.0	8.0	8.0	8.0

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

Trans Hex & Marine Diamond Operations – Website

TRANS HEX GROUP

Valuation Summary	H1:22	FY 22	H1:23	FY 23
%-held	*25.1%*	*25.1%*	*25.1%*	*25.1%*
Investment*	**$6.4m (Land)**	**$4.9m (Land) + $5.5m (Marine)**	**$4.0m (Land) + $5.5m (Marine)**	**$2.5m (Land) + $7.9m (Marine)**

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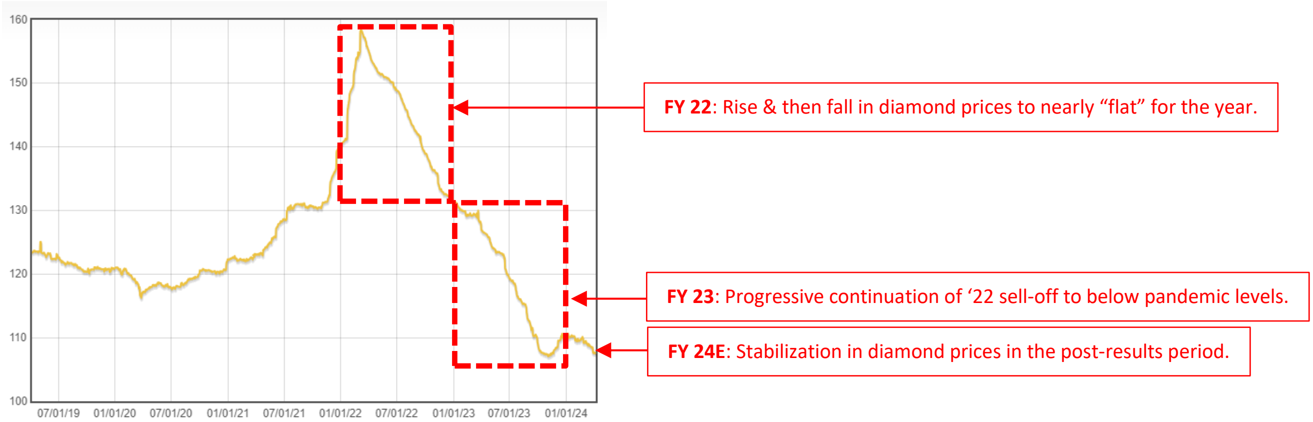
Business:

- **Land (Trans Hex)**: This is traditional sedimental and alluvial diamond deposits that are mined by conventional land mining techniques. The main underlying asset is in Angola (a 33% shareholding in the Somiluana diamond mine).
- **Marine Diamond Operations**: Marine has a fleet of vessels that are deployed in various operations off the West Coast of Africa.

Financial Results & Commentary:

The continued collapse of diamond prices (**Figure 5**) across all grades and sizes has had a profound effect on both Land and Marine revenues, profits, cash flows and Astoria's resulting valuation of these investments.

Figure 5: Diamond Price Index – Two Years of Significant Downwards Movement *May* Be Over



Source: Idex Online (http://www.idexonline.com/diamond_prices_index)

It appears that this fall in diamond prices was driven by declining demand in Asia, gains in market share by lab-grown diamonds and (perhaps harder to quantify but likely more impactful in the short-term) the flooding of the market by illicit Russian diamonds. That said, in **Figure 5**, it does appear that post-2023, diamond spot prices have stopped falling (but not necessarily started rising).

Anecdotal note: *While this writer must caution against extrapolating anecdotal samples to being representative of the population, this writer will make an anecdotal observation here. Likely pent-up demand due to pandemic-induced delays in marriages has seemingly caused a spike in the number marriages that the writer is currently invited to. Each one of these engaged couples has an engagement ring and most of these engagement rings are, in fact, made out of platinum (presently less than half the price of gold per ounce), showing the substitutability of the precious metals involved. Despite the substitution of the precious metals, each one of these rings has (at least one) diamond in it. While the ability to forecast consumer fashion is well beyond this writer's scope, this anecdotal evidence does lend itself to the continued resilience of underlying diamond demand. As with most commodity markets, today's low prices tend to breed tomorrow's higher prices. This writer sees no reason why the diamond market should be different this time round.*

Despite the pressure that poor diamond prices created on revenues, Land and Marine operations performed remarkably well:

Trans Hex Land Operations (i.e. Somiluana Mine in Angola) remained profitable during this period. Its production was stable, and its costs controlled. Low diamond prices impacted its Life of Mine (LoM), but this is more academic as the carrots remain in the resource and, when diamond prices recover, so too will the LoM.

The first full year under new management, Trans Hex Marine Operations also remarkably operated profitably, proving both the operational advantage of marine diamond mining (more logistically flexible than land-based resources) and the cost advantage of their operations.

Post-year end, both Trans Hex land and marine conducted a rights issue (South African Shoprite billionaire returns to diamond-hunting ventures) that Astoria did not participate (as it is fully invested across its portfolio). This resulted in its effective shareholding in the two businesses dropping to 14% (FY 23: 25.1%).

Valuation:

In aggregate, Land and Marine's fair value in Astoria's NAV was static at $10.4 (FY 22: $10.4) but there was a large drop Land's fair value ($4.9m to $2.5m) as Marine's valuation shifted from Historic Cost to Net Present Value (NPV) less 30.5% discount (for the first time) and rose from $5.5m to $7.9m. Land's fair value still embeds a 32% discount to its NPV. In both Land and Marine, these discounts are significant we would argue perhaps too conservative.

While Marine's fair value reflects a shift from Historic Cost to NPV (less Discount) that distorts any historical comparison, Land's fair value has seen a concomitant drop with diamond prices which appears logical.

We do think it unlikely that diamond prices will remain at these lows (**Figure 5** – Note the FY24E period) and, thus, now that Land and Marine are both being valued on an NPV basis, this implies forward upside in their valuation that should trace any diamond price upside.

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

Valuation Summary	H1:22	FY 22	H1:23	FY 23	Currently
Number of RAC Preference Shares Held	*7.5m*	*7.5m*	*7.5m*	*7.5m*	*7.5m*
EV/EBITDA Multiple of Goldrush	*7.0x*	*7.0x*	*7.0x*	*7.0x*	*7.0x*
Market Value of RACP*	**R105m**	**R111.2m**	**R83.3m**	**R67.6m**	**R61.5m**

** 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 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:

For the H1:24 period (ended September 2023), Goldrush grew revenue +6% y/y and +4% versus the prior six month period but 12m-rolling EBITDA (relevant for its 7.0x valuation RACP's NAV) slipped -9%. Despite this, the Group's cash generation remained strong (EBITDA approximates the cash generated from operations) and capital expenditure (capex) decreased materially, thus boosting free cash flows to the business.

Loadshedding was a key driver of lost trading time on machines while also depressing consumer confidence. This translated into a weaker result for the Limited Payout Machines (LPM) segment, Bingo was less effected and this, ironically, likely partially drove the growth in online over the period.

Most of the premises where LPMs reside are smaller entertainment businesses and these were badly effected by loadshedding as they do not necessarily have capital for alternative power solutions. For this reason, Goldrush removed 7% of their LPMs (c.200 machines – **Table 2**) to relocate them to better premises. While this depressed LPM revenues (and, indeed, inflate costs from diesel generators where applicable), it did mean that the Group did not need to spend much on capex (a positive for free cash flows). The active management, redeployment of LPMs and capex spent on power solutions here should increase up-time, availability, and yield of existing LPMs that translates into better H2:24E~FY 25E revenues from this segment.

Electronic Bingo Terminals (EBT) grew slightly to 4526 (**Table 2**) with revenue per machine flat. Sports Betting grew revenue +18% over the period, despite closing three unprofitable stores. Finally, Online Gaming grew strongly with revenue rising +51% y/y, albeit from a small base (current revenue is only R57m). Particularly this strong growth in online is in line with other operators reports and, potentially, reflects some degree of structure change and, thus, it is good to see Goldrush's proportional participation in this growth vector.

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

		Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Sep-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**	**4526**	**5.9%**
	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**	**2770**	**8.1%**
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	531	2.3%
	Ave. gaming positions per active license	16	15	13	18	18	19	27	8.4%
Total Physical Gaming Positions		**5241**	**5913**	**6531**	**7032**	**7470**	**7906**	**7827**	**6.4%**

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

Valuation:

Three things give us comfort in Astoria's valuation of Goldrush (i.e. 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. It is at a premium to domestic listed gaming groups but can be argued to be reasonable given Goldrush's lack of legacy fixed-cost casinos & hotels (**Table 3**) that translate into its superior profitability (& probably long-term free cash flows),
2. The multiple referred to in (1) 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; note how Goldrush's implied EV/EBITDA based on RACP's share price is reasonably in line with other domestic gaming stocks (**Table 3**).

Table 3: Domestic & Major Global Gaming Stock Valuations

	EV/EBITDA (x)	Revenue Growth (Last Reported % y/y)	(Adj.) EBITDA Margin (%)	Period
Sun International	4.8x	7.0%	28.1%	Year ended Dec. '23
Tsogo Sun	5.1x	7.0%	33.6%	Interim ended Sep. '23
Goldrush (market valuation)*	**c.5.6x***	**6.0%**	**37.1%**	**Interim ended Sep. '23**
Goldrush (directors valuation)	**7.0x**	**6.0%**	**37.1%**	**Interim ended Sep. '23**
Wynn Resorts	11.3x	N/A	N/A	-
Las Vegas Sands	13.2x	N/A	N/A	-

***Goldrush' implied market EV/EBITDA**	**Workings Below**
RAC Preference Share Market Cap. (MC)	R376,862,283
RAC Ordinary Shares implied MC	R28,430,240
Total market cap of RAC	**R405,292,523**
Less: Other Investments	-R16,300,000
Less: Cash & Receivables	-R8,200,000
Add: CGT	R34,700,000
Add: Net Debt (RAC-level)	R273,200,000
Add: Net Debt (58.8% of Goldrush's)	R352,938,793
Market-based EV of Goldrush	**R1,041,631,317**
12m-lagging EBITDA of Goldrush	R319,000,000
Less: Minority Portion of EBITDA (41.2%)	-R131,428,000
12m EBITDA Attributable to RACP	**R187,572,000**
Implied EV/EBITDA of Goldrush	**c.5.6x**

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

We (again) 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.

Leatt Corporation – Website

Valuation Summary	H1:22	FY 22	H1:23	FY 23	Current*
Shares Held	139,000	139,000	139,000	139,000	527,762*
Share Price ($ per share)	$22.75	$18.70	$11.40	$9.55	$8.90*
Market Value*	**$3.2m**	**$2.6m**	**$1.6m**	**$1.3m**	**$4.7m***

** 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); *Post-results, Astoria acquired a further 388,762 LEATT shares in exchange for 6,062,275 Astoria shares & a cash payment of $840,000. We have assumed zero transaction costs.*

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 the Group is public and listed in the USA market, Leatt Corp maintains a good quality Investor Relations website. We encourage you to peruse the resources on this website to better understand the company and its latest results (we will summarize the results below).

Financial Results & Commentary:

On 13 March 2024, Leatt released its Q4:23/FY 23 results (full results here) that reported revenues falling -38% to $47m (FY 22: $76m), gross profits following while operating leverage pushed the operating profit down to $1,4m (FY 22: $13m).

The FY 23 revenue decrease was driven by a sharp sales rise during the pandemic (2021/22) that resulted in surplus wholesale inventory existing in this sector globally just as the easing of the pandemic, returning to work and inflationary pressures saw consumer demand fall (2023). Basically, last year's revenue was unusually high and this year's was unusually low. From a range of similar performances and results—not just Leatt Corp—we have seen this work through the global retail sector, and we are likely near to the end of the period of surplus wholesale inventory.

That said, Leatt's management appear to have traded superbly over this period as they have protected their brand while being able to convert excess stock on Leatt's balance sheet into cash (although FY 23 profits were at break-even, cash from operations *doubled* from $3m to $6.7m) leaving net cash on the Group's balance of $10.2m (FY 22: $7.1m), or c.20% of the Group's entire market capitalisation is net cash on its balance sheet.

In fact, if Leatt's inventory can be readily converted into cash ($20.4m), debtors collected on ($7.0m) and creditors settled (-$5.2m) and we add this to net cash ($10.2m), $32.4m of Leatt's $55.4m market cap is covered by these balances, and only $23m value is being placed on the Group's operations.

Note: Subsequent to Astoria's year-end, management have announced the acquisition of a further 6.25% of Leatt or 388,762 LEAT shares (at $13.67, which was approximately the share price at the date the deal was agreed upon but not the price once all the conditions were fulfilled) in exchange for 6m Astoria shares (Astoria's approximate NAV at the date the deal was agreed upon) and $840,000 cash payment. We have taken this into account in constructing our view of Astoria's NAV and fair value at the date of this note.

Valuation:

Leatt's stock is separately listed, and 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 into Astoria's Rand-NAV).

Leatt Corp has a market cap of $55.4m (Previously: $81m) and, despite the short-term earnings headwinds noted above, we highlight that c.58% of the Group's entire market cap is underpinned by net cash and net working capital. We will not independently fair value this investment but Astoria's deal to invest further into Leatt makes lots of sense (particularly when you consider that the majority of this investment was made using Astoria's shares *at NAV*, thus with basically no NAV dilution at the date of deal).

ISA Carstens Holdings – Website

Valuation Summary	H1:22	FY 22	H1:23	FY 23
%-held	*49%*	*49%*	*49%*	*49%*
Price Earnings (x) – School	*6.0x*	*6.0x*	*6.0x*	*7.5x*
Capitalisation Rate (%) – Property	*9%*	*9%*	*9%*	*9%*
Investment*	**R45m**	**R50.2m**	**R54.6m**	**R67.7m**

** 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:

In FY 23, ISA Carstens student number grew strongly by +10% y/y and continued to grow into the FY 24 academic year by a further +2% y/y. Against this backdrop of strong demand, tuition and boarding fee increased during the year, although so did operating costs (including large rises in municipal and energy costs). For the first time since opening its Pretoria campus, ISA Carstens had a waiting list for this campus, although its residence remains only c.70% occupied. We expect this envious position to be captured by pricing power.

Interestingly, ISA Carstens launched its own range of skincare product during FY 23. While a minimal contribution to current results, this range offers both a long runway of revenues from its current and former student base (that should act as a wonderful distribution platform) and *recurring* revenue potential (as opposed one-off tuition revenue for the period of a student's studies). We think it is a clever initiative.

Extrapolating from Astoria disclosures, we estimate that ISA Carsten grew its profits mid-double digits during the period. Given 2024's enrolment, we expect this performance to continue.

Valuation:

Give the maturity of ISA Carstens' business, its strong profitability and growth—and, arguably, the overly large discount against listed peers in **Table 4**—management decided to lift Astoria's valuation of the Academy part of the Group from a 6.0x multiple to a 7.5x multiple. The Property valuation, though, has remained static at a 9% capitalisation rate.

Table 4: Domestic Educational Stocks

Gaming Group	Price Earnings
ISA Carstens Academy (School)	**7.5x**
Curro Holdings Ltd	14.2x
ADvTech Ltd	16.1x
Stadio Holdings Ltd	19.0x

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

Despite lifting the Academy multiple, three aspects give us comfort in Astoria's valuation of ISA Carstens Academy in the Group's NAV:

1. The overall quality and performance of the business as demonstrated by the surplus demand, pricing power and clever launch of an in-house skincare range,
2. The Academy's multiple remains 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.

Vehicle Care Group – Website

Valuation Summary	H1:22	FY 22	H1:23	FY 23
%-held	*85%*	*85%*	*87.5%*	*85%*
Investment*	**R38.1m**	**R50.0m**	**R53.9m**	**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 800 (FY 22: 560) 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. VCG Flexidrive also offers 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:

Stricter credit granting criteria throttled VCG Invest's loan book during the period with the loan book ending the year at R105m (Q1:23: R120m). Given how late in the interest rate cycle we are and how potentially fragile the consumer credit market is now, this is probably the appropriate move. Management also notes that most loans cycle through the book within 120 days and are be settled in cash.

Flexidrive's fleet grew to 800 vehicles (FY 22: 560 vehicles) as access to capital—particularly in the used car market—remains difficult for consumers. Much like VCG Invest's conservative strategy, Flexidrive is pursuing a controlled-growth strategy that feels appropriate for the current domestic environment.

In discussions with management, we get the sense that VCG is proving its two business models. The focus is shifting to corporatizing its model (luckily, following serval incidents in the vehicle finance market in South Africa, there are lots of top-quality potential employees available!). Once this is done, we would logically expect some degree of up-scaling to its size and related profitability.

Valuation:

Astoria still values its equity in VCG at zero while the shareholder loans are discounted to their face value. We noted previously that there was upside risk to the discounted loan being written up, and this has played out somewhat during this period. The discount to these loans has been decreased (but there does remain a discount in place, just a *smaller* one). Likewise, as the model proves itself, we do think that there may be upside in the equity value.

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 R5.9m (FY 22: R4.0m).

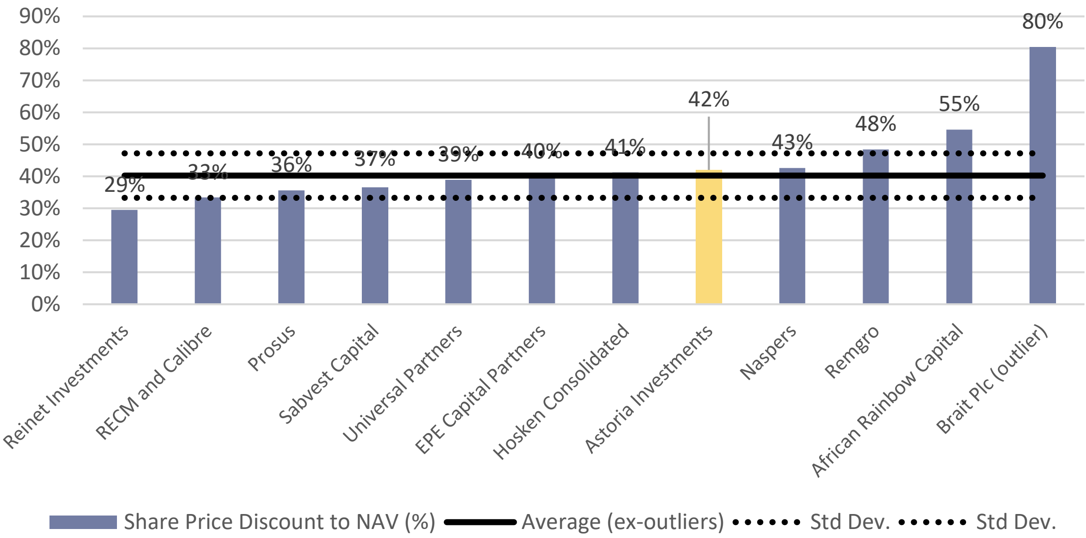
JSE-listed HoldCo Sector Snapshot

We encourage you to read our previous Astoria reports for more background on the JSE-listed HoldCo sector: LINK. These reports also contain reference to our general view of this sector and the key variables to compare one HoldCo against another (i.e. valuation of NAV, track record of NAV growth, HoldCo costs & share price discount to NAV).

We believe that comparing the actual underlying investments across the JSE-listed HoldCo sector would add little to this report and the prior written about cost structures and long-term track records remain relevant but largely unchanged.

Thus, we have decided to rather focus on the market's *pricing* of these HoldCo stocks. An interestingly heterogeneous mix of discounts and returns appears if we compare HoldCo's across the sector (**Figure 6**).

Figure 6: JSE-listed HoldCo Discounts – Astoria's Discount-to-NAV is Above Average

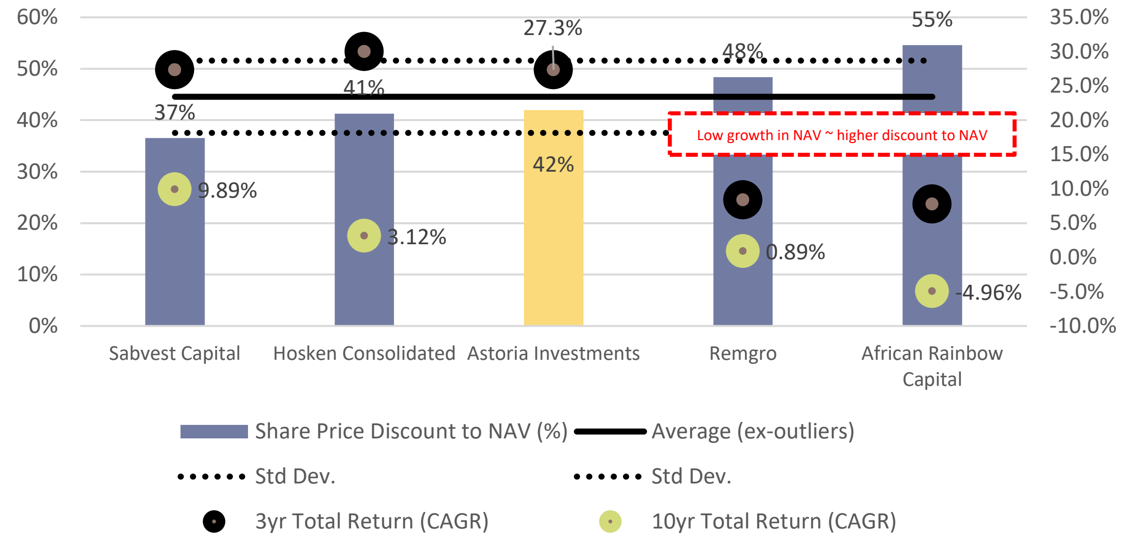


Sources: Various company reports, Iress, Profile Media and Blue Gem Research workings and assumptions (as of 1 April 2024)

We consider **Brait Plc (code: BAT)** an outlier given that it is in the process of being wound-up by **EPE Capital Partners (code: EPE)**/Ethos Private Equity, who in turn also is looking increasingly likely to "unlock" its own value in a similar fashion. **Reinet Investments SCA (code: RNI)** is really structured offshore with offshore investments and **RECM and Calibre (code: RACP)** holds predominantly a single asset (Goldrush Group) which makes its valuation less NAV-orientated and more operationally focussed on how the Goldrush Group is performing. **Naspers (code: NPN)** and **Prosus (code: PRX)** are just a convoluted vehicle that holds a significant stake in **Tencent (code: 0700)**. Finally, **Universal Partners (code: UPL)** stock's near complete lack of liquidity makes its share price deeply inefficient and hard to separate the liquidity discount from the HoldCo discount.

Thus, **Hosken Consolidated (code: HCI)**, **Remgro (code: REM)**, **African Rainbow Capital (code: AIL)** and **Sabvest Capital (code: SBP)** may be the more comparable HoldCo's for purposes of comparing to **Astoria Investments (code: ARA)**.

Figure 7: HoldCo Peer Group Set (also see Table 3)



Sources: Various company reports, Refinitiv, Iress, Profile Media and Blue Gem Research workings and assumptions; Astoria's significant management change and resulting change in strategy a few years ago makes its 10-year track record irrelevant for purposes of this comparison. Above chart only for illustration.

In **Figure 7**, there appears to be a slightly negative correlation between the return the market has rewarded shareholders with and the discount to the various HoldCo's Net Asset Values. The higher the return, the lower the discount. This correlation appears stronger once we look longer term (e.g. 10yr TR as per above).

Comparing some of these more comparable HoldCo's NAV CAGR to their share price CAGR, and a simple comparison between them reveals the long-term correlation between these data points (**Table 5**). (Note that Astoria's management only took over the vehicle from 1 December 2020 and African Rainbow Capital was only listed in 2017, thus neither can partake in such long-term peer analysis.)

Table 5: Long-term HoldCo NAV Growth & Share Price Growth

HoldCo:	Long-term NAV (CAGR %)	Long-term Price Return of Share (CAGR %)
Sabvest Capital	15-year NAV CAGR of +17%	15-year share price return of +18%
Hosken Consolidated Investments	14-year NAV CAGR of +14%	14-year share price return of +6%
Remgro Ltd	15-year NAV CAGR of +4%	15-year share price return of 6%

Sources: Various company reports, Refinitiv Total Return Function & Blue Gem Research workings and assumptions

Thus, it appears that the higher the HoldCo's NAV *growth*, the higher the Total Return the market has rewarded its shareholders with *and* the lower the discount the market demands on the HoldCo's NAV to form its share price. These factors are all related. Thus, when it comes to ultimate shareholder returns, a large starting discount to NAV may not, in the long-term, be as important as management's ability to *grow* NAV.

While in our "Valuation and 12m TP" section we attempt to present value a reasonable discount to NAV for Astoria, we do note the above correlation. Also—as per the above—we do highlight that Astoria's share price offers a discount that is above the JSE-HoldCo sector's average discount *despite* its strong growth in NAV (+32.4% y/y CAGR in Rand-NAV since management took over on 1 December 2020).

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** 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 $46.0m or $0.74 per share (in Rands this is R860m or 1386cps). This is after accounting for the further investment into Leatt Corporation. We also note our comfort in management's valuation of the unlisted investments and, in some instances, see potential upside risk to these valuations (or, "discounts" that may be unwound).

Appropriate "HoldCo Discount"

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

If we assume a Cost of Equity of 19.0% (SA 10-yr bond of 10.79%, 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.13.9% of its NAV (=1.88% / (19.0% - 5.5%)). This is slightly lower to our previous 14.5% discount due to a higher Risk-free Rate of Interest.

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

Astoria Investments' (updated) NAV less a 13.9% discount implies that the share is worth $39.7m or $0.64 per share (in Rands this is R740m or 1193cps). This is c.49% *higher* than the Group's current JSE-based share price of 802cps (i.e. the share price offers a c.33% discount to this implied fair value).

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 1193cps, we arrive at a 12m TP of $0.76 per share or 1420cps. This implies a rather large +77% 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), &
- 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 Closing Prices on 5 April 2024.*

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