



# Fictitious Sample Company

## Valuation of WB Technology Supplies SA (Pty) Ltd

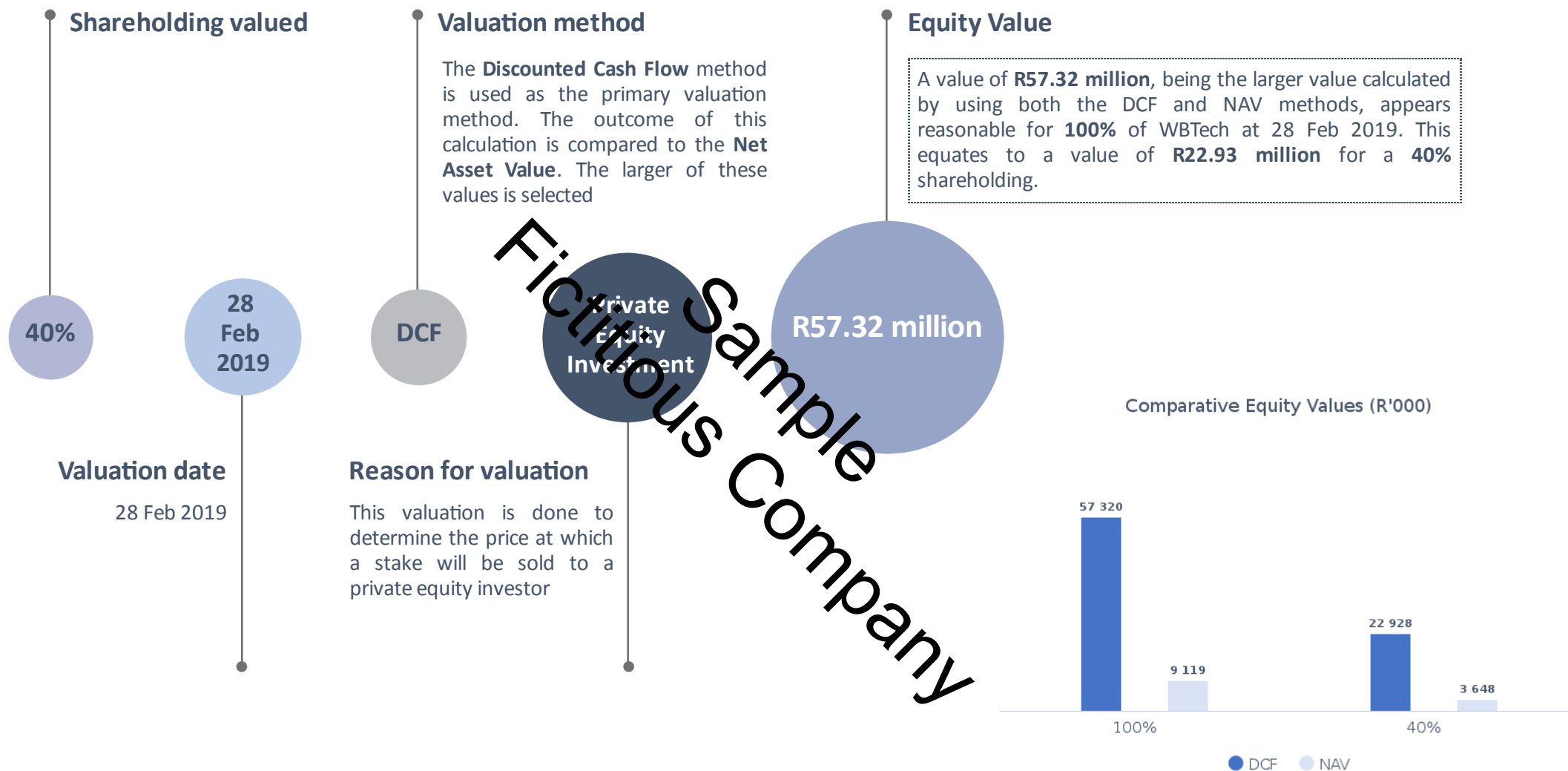
as at 28 February 2019

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# Executive Summary

Valuation of WB Technology Supplies SA (Pty) Ltd



*It should be noted that any valuation is based on the information presented, which has not necessarily been verified. The outcome of negotiations between an informed willing buyer and an informed willing seller under ordinary circumstances ultimately determines a final value.*

# Approach

## Scope

The nature and scope of our work does not constitute an audit. Our report, therefore, does not express an opinion on the financial position, financial performance and cash flows of the entity, its subsidiaries and/or divisions. We also do not express an opinion on any forecasts or assumptions supplied to us. We have also not verified the accuracy and authenticity of any data and information provided by Management, as this is their sole responsibility. We did not conduct a physical examination of the assets or a detailed review of the income and expenditure.

## Basis

The calculations supporting the valuation, based on the selected valuation method, are discussed in this report. Reliance was placed on the information provided by Management as a basis for this valuation. Any notes and discussions regarding the financial overview have been supplied by Management and are included for the purpose of background information and analysis for the readers of this report. It is assumed that the overall economy, market and industry trends were considered by Management when communicating their expectation of the future performance of the business.

## Restrictions

No other party may place any reliance on the contents of this report, neither should any reliance be placed thereon for any other purpose than the specific reason for this valuation.

## Sources

The sources of information, supplementing Management's forecasts, assumptions and explanations, are listed at the end of this report.

## Explanation

Historical financial years are referred to as FY(year) and forecast financial years as F(year).

# Background

## Business Overview

WBTech is a provider of Information Technology and Communications infrastructure which is supported by customised network design and support services. Its head office and warehouse are both in Wynberg, Sandton. It sources its network components and technology from suppliers in South Korea. The business was established in 2003 by Johann de Lange to address the growing need of corporate clients for sophisticated communication networks that create a platform for employees to collaborate remotely with one another. Today the business has a wide range of communication platforms that are applied according to the specific needs of clients. It has also built up a workforce of highly skilled engineers and technicians to support the implementation and maintenance of these platforms. Their clients are mostly medium to large sized companies in South Africa, operating in most sectors. They have some clients in Europe and Asia.

## Industry Overview

Management considers WBTech to trade in the Information, Communications and Technology industry. It is a large sector in the South African economy and has grown steadily over a long period as the dependence on information technology does not abate. This increase in demand largely offsets the softer trading conditions in South Africa. South African ICT companies are very competitive internationally as their cost base is in Rands whilst revenue is a hard currency earner. The outlook for the ICT industry is steady to positive.

## Economic Overview

South Africa has a Gross Domestic Product of US\$350bn per annum. It has an annual inflation rate of 4.6%, last measured in February 2020. The inflation rate varied between 7% and 3.5% in the last five years, but mostly in the 4% to 5% range in the last two years. The repo rate varied between 7% and 6.25% in the last five years but was cut by 100 basis points to 5.25% recently. The Rand/Dollar exchange rate is highly volatile, having lost ground from R14/\$ to R17.62 to the dollar in this year alone. GDP growth has been modest in the last year and South Africa is currently in recession. Low business confidence, uncertainty about electricity supply and the slow pace of economic reforms contribute to a very challenging trading environment in South Africa.

# Financial Overview

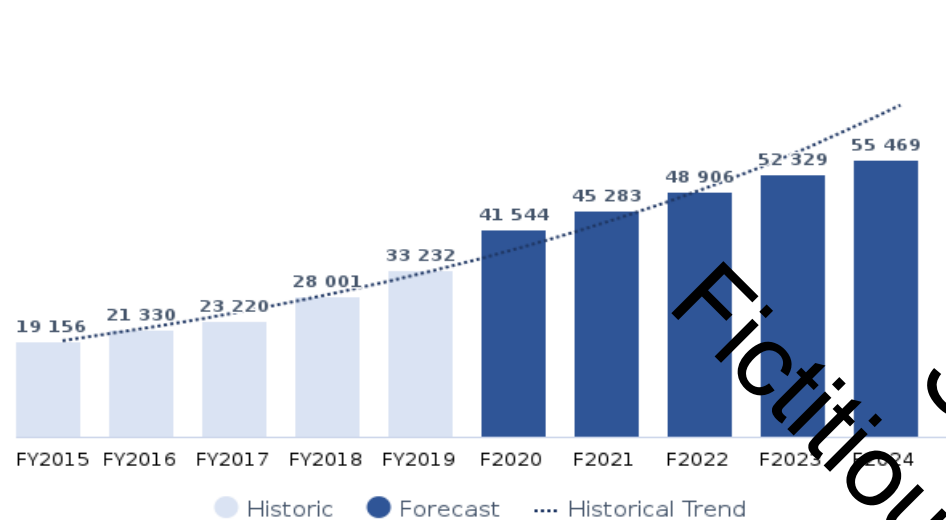
Financial Overview (R '000)	FY2015	FY2016	FY2017	FY2018	FY2019	F2020	F2021	F2022	F2023	F2024
Revenue	19,156	21,330	23,220	28,001	33,232	41,545	45,284	48,907	52,330	55,470
Gross Profit	11,457	13,148	14,339	16,992	18,666	22,850	24,906	26,899	28,781	30,508
Other Income	80	95	108	128	160	83	91	98	105	111
Overhead costs (excl dpr)	7,060	7,644	7,923	9,453	9,559	9,261	9,817	10,406	11,030	11,692
EBITDA	4,477	5,599	6,524	7,667	9,267	13,672	15,180	16,591	17,856	18,927
EBIT	4,337	5,443	6,344	7,458	9,004	13,083	14,472	15,757	17,360	18,294
Revenue growth rate		11%	9%	21%	19%	25%	9%	8%	7%	6%
Overhead costs growth rate		8%	4%	19%	1%	(3%)	6%	6%	6%	6%
Gross Profit %	60%	62%	62%	61%	56%	55%	55%	55%	55%	55%
Overhead % of Revenue	37%	36%	34%	34%	29%	22%	22%	21%	21%	21%
EBIT%	22.6%	25.5%	27.3%	26.6%	27.1%	31.5%	32.0%	32.2%	33.2%	33.0%
Stock on hand	550	603	743	789	924	1,280	1,396	1,507	1,613	1,710
Trade debtors	4,105	4,290	4,820	5,301	5,802	7,854	8,561	9,245	9,893	10,486
Trade creditors	(1,368)	(1,420)	(1,626)	(1,800)	(2,150)	(2,945)	(3,210)	(3,467)	(3,710)	(3,932)
Other receivables/payables	40	40	40	80	80	415	453	489	523	555
<b>Net working capital</b>	<b>3,327</b>	<b>3,513</b>	<b>3,977</b>	<b>4,270</b>	<b>4,656</b>	<b>6,604</b>	<b>7,200</b>	<b>7,774</b>	<b>8,319</b>	<b>8,819</b>
Stock days in cost of sales	26	27	31	26	23	25	25	25	25	25
Trade debtors days in sales	68	64	66	60	55	60	60	60	60	60
Trade creditors days in cost of sales	56	55	58	55	47	50	50	50	50	50
<b>Net working capital days in sales</b>	<b>63</b>	<b>60</b>	<b>62</b>	<b>56</b>	<b>51</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>
Capital expenditure	100	250	350	522	460	561	595	630	668	708
Depreciation	140	156	180	209	263	589	708	834	496	633
Book value	660	754	924	1,237	1,434	1,406	1,293	1,089	1,262	1,337

Sources: Historical financial information – In grey shaded areas for columns with FY(years) headings<sup>1</sup> | Forecast<sup>2 & 3</sup>

# Financial Overview

(continued)

Revenue (R'000)

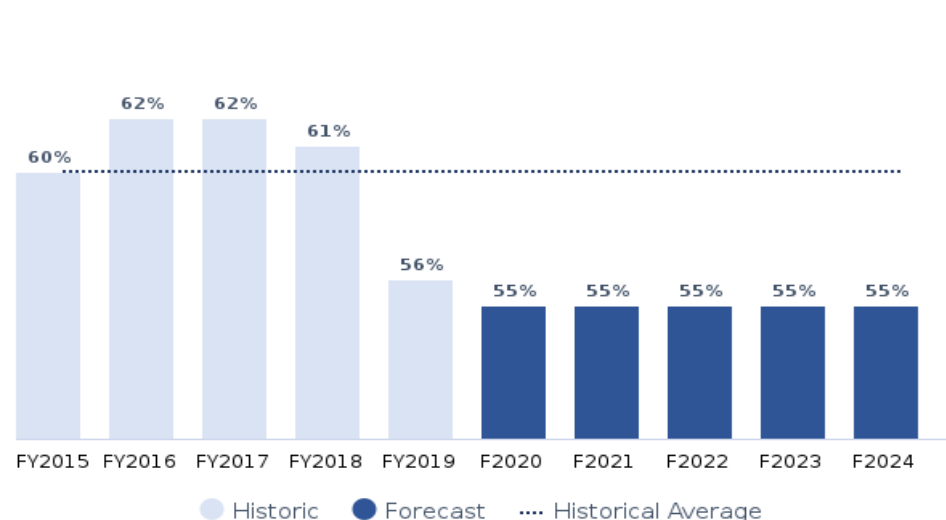


## Revenue

Revenue increased at a double-digit growth rate from FY2015 to FY2019 as a result of a successful market penetration strategy, as well as the expansion of technologies that WBTech mad available to clients. This also generated additional demand for support and maintenance services.

New technologies launched in FY2019 proves to be very popular and the order book for F2020 indicates substantial revenue growth. Management believes that steady growth will be recorded after this, declining slightly over the next 4 years as the market gets saturated.

Gross Profit %

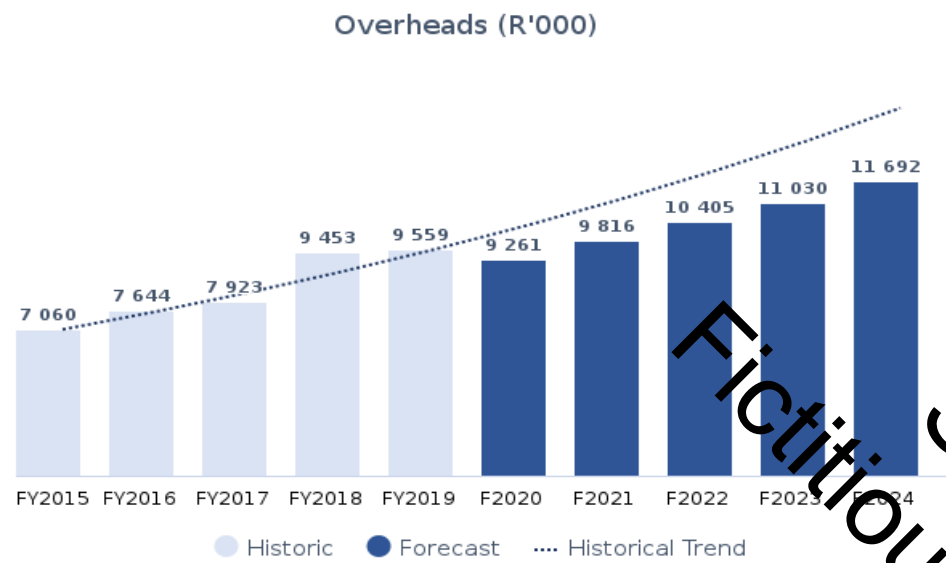


## Gross Profit

The Gross Profit margin (GP%) remained fairly consistent for the last 5 years, except for the last year when a lower margin technology was introduced to and ordered in large volumes by clients. Management expects a sustainable GP%, based on the last year, for the forecast period.

# Financial Overview

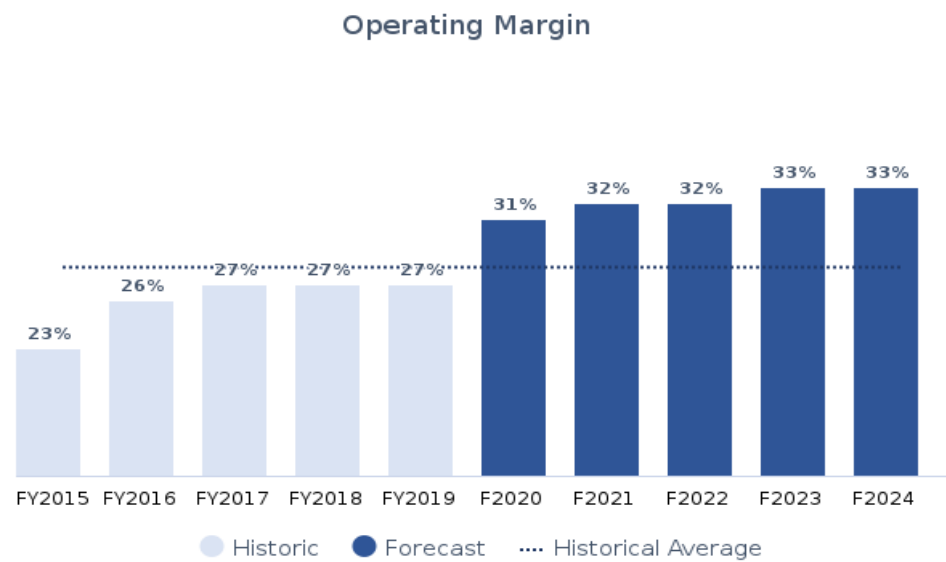
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## Overheads

The growth in overhead expenses had previously been much less than the growth of revenue, due to the fixed nature of overheads. Management controls costs tightly, which is evident in the modest increases over the past five years. The exception is FY2018, when a new team of engineers were employed to roll out a new technology from FY2019.

A normalisation adjustment is taken into account for F2020, eliminating a once-off cost for a new ERP system incurred in FY2019. The growth in overhead expenses are forecast to be loosely correlated to forecast revenue growth, but taking into account minimum inflationary increases.



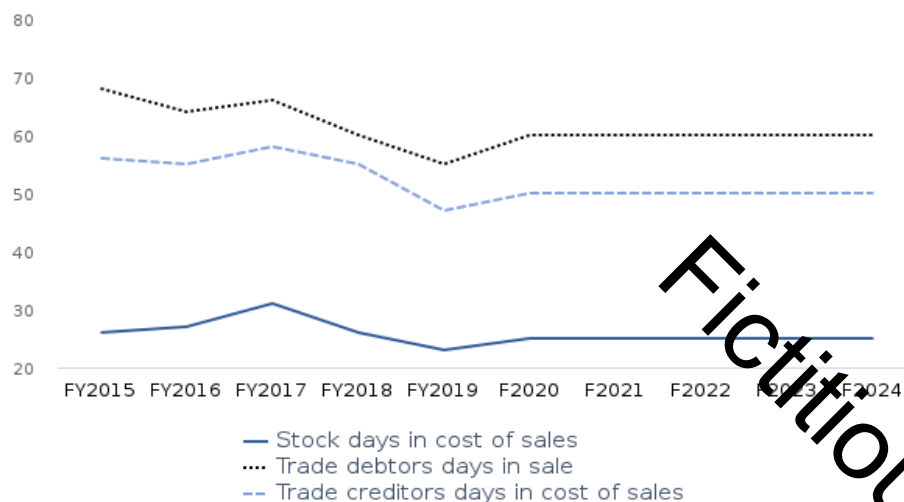
## Operating margin

The operating margin increased steadily for the last five years as a result of Revenue growth, stable Gross profit margins and tightly controlled overheads. It is expected to increase in the forecast period as a result of a lower growth in overheads than growth in revenue, i.e. operating leverage.

# Financial Overview

(continued)

## Working Capital



## Inventory

Stock days on hand remained fairly stable from FY2015 as the procurement and warehousing policies are applied consistently over this period. Stock days on hand are forecast to remain at a level similar to the last year.

## Trade debtors

Trade debtors days in sales decreased from FY2015 as a result of an improvement in the debt collection practices. The debtors days were exceptionally low in FY2019 as a large client settled debts early in the last month of the financial year. Trade debtors days on hand is forecast to remain at a level similar to the historic average.

## Trade creditors

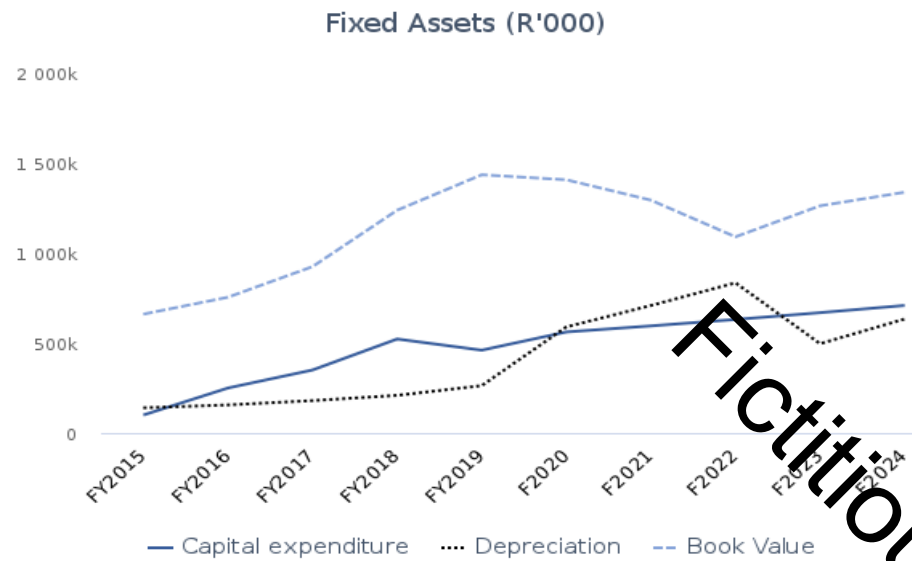
Trade creditors days decreased slightly from FY2015. This is because key suppliers tightened their credit terms due to a deterioration of the economy. WB Tech is dependent on these key suppliers and had to accept revised terms. Terms are currently being re-negotiated and Management expects trade creditors days on hand to remain at a level similar to the historic average for the forecast period.

## Other debtors and creditors

Other debtors and creditors comprise deposits paid, staff loans and other sundry loans, whereas other creditors include provisions and accruals. The net balance of other debtors and creditors is forecast to increase substantially in F2020 as a staff loan scheme is being implemented for wage earners. The combined level of other debtors and creditors are forecast on the basis of 1% of revenue.

# Financial Overview

(continued)



## Capital Expenditure

We calculated the replacement of assets during the forecast period by considering the base year cost (adjusted for inflation) and the useful lives of each asset class, as per the depreciation periods provided by management. We are satisfied that the capital expenditure so calculated approximates the capital expenditure in the past.

Depreciation was also calculated based on these useful lives.

Fictitious Sample Company

# Valuation Method

## Basic Valuation Principle

The valuation of any business depends on the returns that will be generated for its owners in the future. These future returns can only be estimated on the basis of information available at present. The net present value of such future returns represents the value of the particular business. The circumstances or context in which the business is valued needs to be taken into account when the appropriate valuation method is selected. Certain market norms need to be considered when a valuation is performed. Values and implied ratios of other similar businesses can be compared in order to assess the reasonableness of a particular value, where such information is readily available.

### Income approach - Discounted Cash Flow Method (DCF)

Free cash flows arise from the operations of an enterprise as well as the necessary investments in working capital and capital expenditure required to generate such cash flows. The DCF valuation methodology is based on the rationale that the enterprise value of an investment equates the net present value of cash returns over the long term. These cash flows are to be discounted at the weighted average cost of capital ("WACC"), considering the risks and capital structure of the business over the forecast period. Excess cash held in the business (i.e. cash reserves regarded as surplus to the business's operational needs to sustain the forecast level of earnings and cash flows) as well as other non-core assets (such as property) are added and the market value of any non-current liabilities are deducted from the enterprise value of the business in calculating the market value of the ordinary shares on a marketable majority basis. Such a value should be reduced by an appropriate discount factor when a minority interest is valued and consider a marketability discount to acknowledge the illiquidity in the trading of the equity. There may also be circumstances where a control premium should be considered when a controlling interest is valued.

### Income approach - Discounted Dividend Method (DDM)

The discounted dividend method is based on the net present value of forecast dividends and perpetuity of dividend flows to the investor. This method is normally applied for minority shareholders that have no control over the management of the business. The accuracy of this method is dependent on the certainty of predicted dividends in the future. The net present value of future dividends is determined by discounting those at the cost of equity, as expected by investors for similar businesses.

The DDM was not applied as sustainable dividends cannot be reasonably forecast.

# Valuation Method

(continued)

## Market approach (Earnings multiples)

This method of valuation applies certain information emanating from transactions for similar businesses. Typically market multiples from comparable companies are applied to the earnings of the company being valued. Such multiples may include Enterprise Value relative to Earnings before Taxation, Depreciation and Amortisation (EV/EBITDA), Enterprise Value Relative to Earnings before Interest and Taxation (EV/EBIT) and Price relative to Earnings (P/E). The determination of two key variables is thus essential when applying the capitalisation of earnings valuation methodology:

- Sustainable earnings: This level of earnings is normally determined by the last year of trading results, adjusted for any abnormal and non-recurring events.
- Objective multiples: This can be determined by comparing the company to its competitors and peers. Necessary adjustments need to be made for known differences with such companies including different perceived risks and growth prospects. Higher expected growth will normally translate into higher earnings multiple as the market already discounts future increased earnings into the share price. Conversely the presence of known risk factors or uncertainties decrease the earnings multiple as the market requires a higher rate of return. The above variables are subjectively estimated as the valuer can only apply the information available on a rational basis at the time of the valuation.

The Market approach has not been used as the primary valuation method to value the business, as the level of subjectivity would be too substantial in determining earnings multiples comparable to other competitors or peers. We did, however, consider the implied earnings multiples of the business to gauge the reasonableness of its calculated value when the Income approach is used as the primary valuation method. This is done in conjunction with other reasonableness tests.

## Cost approach - Net Asset Value (NAV)

The Cost approach is a reflection of the current cost to replace the assets and liabilities of a business. This is best represented by its net asset value, adjusted for obsolescence and current market prices (to the extent available and applicable). This is commonly referred to as the Net Asset Value (NAV) method. This method of valuation is normally applied in the case of a pure investment company or where the operations can be easily ceased and the underlying assets realised. It is also used where it derives a higher value than other valuation methods, the rationale being that a business can be asset-stripped and proceeds distributed if this will yield a higher value than selling a business outright.

We considered the NAV in this valuation and compared this to the value as per the Discounted Cash Flow ("DCF") Method.

*The Discounted Cash Flow method is used as the primary valuation method. The outcome of this calculation is compared to the Net Asset Value. The larger of these values is selected*

# Valuation Formulas

The valuation method applied takes the following into account:

## Discounted Cash Flow (DCF) method

### Enterprise value

The net present value of the forecast free cash flows of WBTech for the forecast period. The net present value of the terminal value, which is the value of the free cash flows (after the forecast period) into perpetuity. The forecast free cash flows are discounted by applying a Weighted Average Cost of Capital ("WACC") as discussed in this report.

### +/- Non-operating assets and liabilities

#### - Marketability discount

A marketability discount for a lack of share trading liquidity.

#### - Minority discount or + Control premium

A Minority discount is taken into account where a minority shareholding is valued. Similarly, a control premium is added where a majority shareholding is valued. = Equity Value

COMPARISON FOR  
HIGHEST VALUE

## Net Asset Value (NAV) method

### Net Asset Value

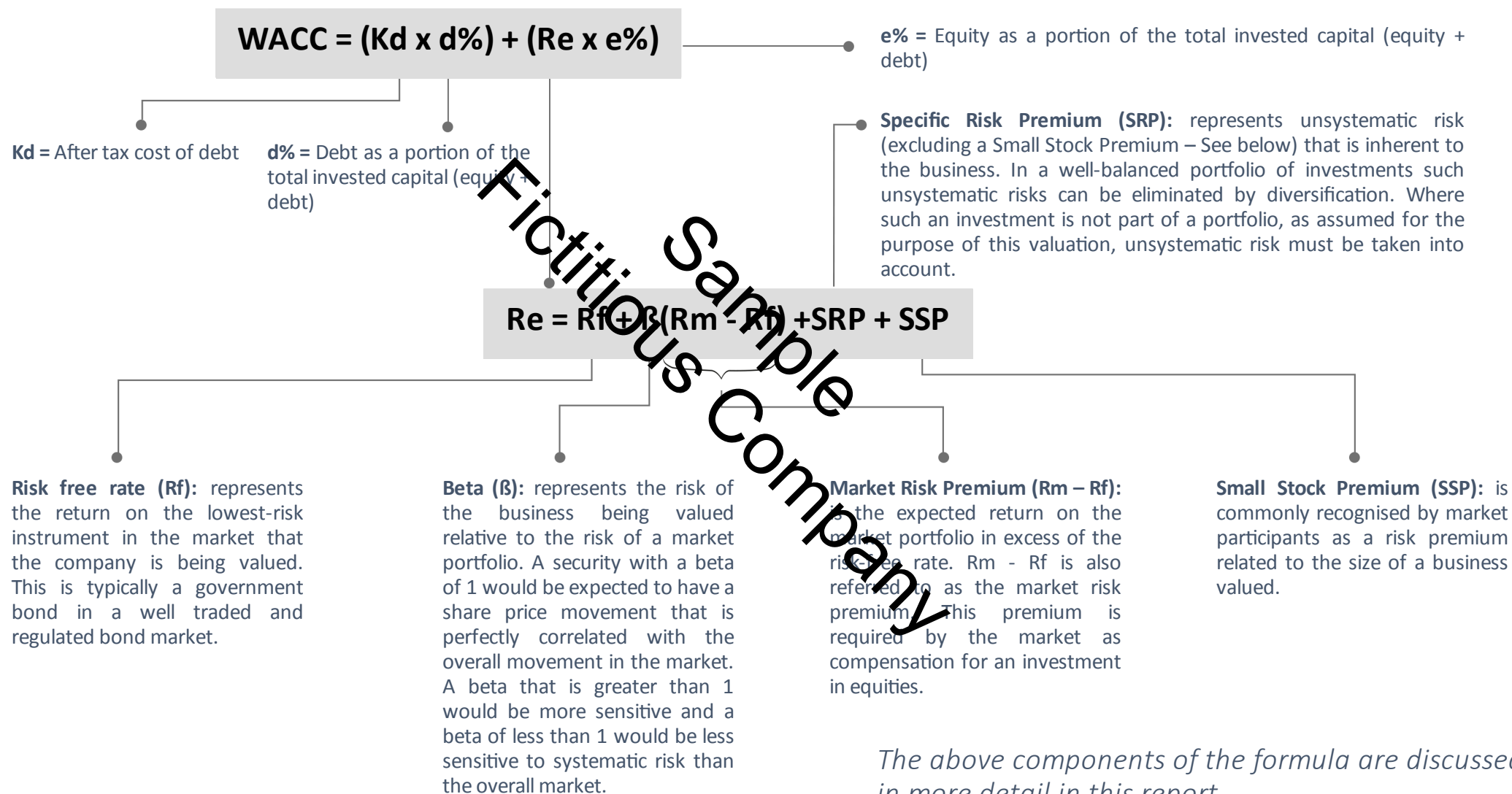
Assets less liabilities on the face of the balance sheet on the valuation date

### +/- Fair value adjustments

### = Equity Value

# Weighted Average Cost of Capital (WACC) Overview

WACC comprises the weighted cost of debt and the weighted cost of equity



# WACC Calculation

WACC of 20% applied, calculated as follows:

$$\text{WACC} = (11\% \times (1-28\%) \times 30\%) + (25.6\% \times 70\%) = 20.3\% \Rightarrow 20\%$$

**Kd** = The interest rate is based on the average lending rate, after allowing for a tax deduction of 28%

**d%** = The Debt: Enterprise value (gearing) ratio of a firm provides an indication of the different sources of financing used and as such we need to calculate the weighted cost of capital and the weighted cost of debt. We need to consider a market participants view, which can refer to the gearing ratios of peers or a reasonable level of debt which falls well within gearing levels granted by banks. We have assumed a gearing ratio of **30%**. This falls within a gearing ratio level of 30.0% (loan to EBITDA ratio of **1.6**), which is considered as the limit at which debt-funding can be obtained.

**Re** = The Cost of equity, based on the Capital Asset Pricing Model, is calculated as follows:

$$\text{Re} = 7.8\% + (1.0 \times 6.0\%) + 5.5\% + 6.3\% = 25.6\%$$

# Cost of Equity (Re) Calculation

Cost of Equity (Re) of 25.6% applied in WACC, calculated as follows:

**Risk free rate (Rf):** Government security representative of risk-free rates. The risk-free rate is assumed to be similar to the market yield on a suitable Government security that best matches the entire cash flow stream being valued. We have therefore selected the R2023 government bond<sup>5</sup>, maturing on 28 Feb 2023. The market yield on the valuation date, being 7.8%, is applied<sup>5</sup>. The period to maturity mirrors our expectation of a minimum remaining life expectancy of the business. This expectation is based on the age of its existence and longevity of its business model, client base and operational sustainability.

**Beta (β):** The business is not listed and as such share price volatility is irrelevant. Furthermore, it is assumed that the economic and industry factors that affect the market as a whole will also be applicable to the Business in the long-term. We have assumed a Beta of 1.0 in our valuation.

**Specific Risk Premium (SRP):** It is assumed that the beneficiaries of this report will not hold an interest in the business as part of a well-balanced and diversified investment portfolio. The Specific Risk inherent to this business is considered within a range<sup>4</sup> of 2.0% and 9.3%. We assumed a specific risk premium of 5.5%. This premium is the midpoint of the above range.

$$Re = 7.8\% + (1.0 \times 6.0\%) + 5.5\% + 6.3\% = 25.6\%$$

**Market Risk Premium (Rm – Rf):** The expected return on the market portfolio (Rm – Rf) is also referred to as the market risk premium. This premium is required by the market as compensation for additional risk taken when investing in equities. The premium for market risk relates to the difference required between the risk-free rate and the return on equity investments tradable in the market. This premium is generally considered<sup>4</sup> to be between 5.6% and 7.9%. We assumed a rate of 6.0%.

**Small Stock Premium (SSP):** The inherent risks faced by smaller companies as opposed to larger entities may include a smaller and less diversified client base, more difficulty to achieve economies of scale, more difficulty to attract and retain skills, etc. Furthermore, the reliance on a high growth forecasts as the basis for a valuation increases the risk of a shortfall in actual future profits and therefore adds to the risk of an investor. Market participants generally also consider a risk premium related to the smaller size of a business. A premium of 6.3% can be considered as the average market participant's view<sup>4</sup> for companies with a market capitalisation lower than R250 million. We assumed 6.3% as a suitable small stock premium.

# Enterprise Value

The value of the core operations of a business is considered as its enterprise value, calculated as follow:

Enterprise Value (R '000)	F2020	F2021	F2022	F2023	F2024
EBITDA	13,672	15,180	16,591	17,856	18,927
Less: Depreciation	(589)	(708)	(834)	(496)	(633)
EBIT	13,083	14,472	15,757	17,360	18,294
Taxes at 28%	(3,663)	(4,052)	(4,412)	(4,861)	(5,122)
Normalised operating profit after tax	9,420	10,420	11,345	12,499	13,172
Add back : Depreciation	589	708	834	496	633
Change in working capital	(1,948)	(596)	(574)	(545)	(500)
Capital expenditure	(561)	(595)	(630)	(668)	(708)
Free cash flows	7,500	9,937	10,975	11,782	12,597
Discount period ①	0.50	1.50	2.50	3.50	4.51
Discount factor based on WACC ②	0.91	0.76	0.63	0.53	0.44
Discounted free cash flows	6,825	7,552	6,914	6,244	5,543
Aggregate Of Free Cash Flows Over Forecast Period					33,078
Expected free cash flow for F2019 + 1 year			④	13,311	
÷ Difference: Re and assumed growth rate				15%	
WACC			②	20%	
Less: Assumed growth rate			③	(5%)	
Terminal value				88,740	
x Discount Factor at WACC			②	0.40	
Terminal value taken into account in valuation				35,496	35,496
Enterprise value					68,574

- Free cash flows are assumed to be generated evenly throughout each financial year-end or 1 period. The periods applied to discount the free cash flows to a Net Present Value (NPV) are thus based on mid-point period values for the forecast period.
- The WACC is applied to calculate a net present value of each forecast year's free cash flow, as well as the terminal value both after the forecast period and on the valuation date.
- A marginal revenue volume growth is assumed after the last forecast year. We have also assumed that price adjustments, in line with inflation, will take place. Our sustainable cash flow increase expectation is in line with our expectation of revenue growth. The combined anticipated price adjustment and sales volume growth is assumed to be 5% on a sustainable basis, which we correlate to the anticipated growth in cash returns in the future.
- The normalised free cash flow after the last forecast year, is calculated as follows:

	R '000
Normalised operating profit after tax	13,172
Depreciation	633
Capex	(708)
	<b>13,097</b>
x Assumed growth factor	105%
<b>Expected cash flow from above for + 1 year</b>	<b>13,752</b>
Working capital funded in F2024	(8,819)
x growth	5%
<b>Growth in working capital funded</b>	<b>(441)</b>
<b>Expected cash flow after F2024</b>	<b>13,311</b>

# Equity Value (DCF)

The Equity value of WB Technology Supplies SA (Pty) Ltd, based on the DCF method, is calculated as follows:

DCF Valuation on an open market principle		R '000
<b>Enterprise value</b>		<b>68,574</b>
Property	6,000	
Cash and cash equivalents	800	
Long-term liabilities	(4,600)	
Tax asset/(liabilities)	520	
<b>Other balances at fair value</b>	<b>2,720</b>	<b>2,720</b>
<b>Value of WBTech on a non-marketable majority basis</b>		<b>71,294</b>
Marketability discount (6.8%)	(4,840)	
Minority discount (12.8%)	(9,126)	
<b>Value of WBTech on a marketable minority basis</b>		<b>57,328</b>
× Shareholding valued	40%	
<b>40% of WBTech</b>		<b>22,931</b>

Sources : Non-operating assets and liabilities<sup>1</sup>

1 Certain balances are not included in the Enterprise Value of the business, as they are not necessary for the business to continue trading. These balances are stated at their fair values at the valuation date, after any adjustments (as discussed in the NAV valuation section of this report).

2 WB Tech is not a listed entity. There is thus a substantial difference in the liquidity of its shares when compared to the shares of a listed entity, as a shareholder cannot readily sell his shares by placing a sales instruction with a stockbroker (which will be the case when listed shares are owned). A marketability discount factor of 6.8% on a 40% shareholding is considered by market participants<sup>4</sup> as appropriate to compensate for the above factors. WACC is applied to calculate a net present value of each forecast year's free cash flow, as well as the terminal value both after the forecast period and on the valuation date.

3 A minority discount implies a lack of control over the operations and corporate policy of the business by its minority shareholders. Minority discounts are therefore usually applied when valuing a non-controlling stake. A minority discount factor of 12.8% on a 40% shareholding is considered appropriate by market participants<sup>4</sup> to recognize this lack of control. We selected a minority discount of 12.8%.

This minority discount mirrors a market participant's view.

# Reasonableness

## Market perspective - Earnings multiples

EV/EBITDA multiples comparison		
Smartco IOT		7.60
Network Velocity		9.20
Innovation Technologies		8.30
Average for comparable companies (Appendix 1)	1	8.37
Implied multiple in this valuation		5.49
Difference (multiple)	2	(2.88)
Difference (%)		(34%)

### 1 Enterprise value relative to EBITDA for comparable companies or industries

We considered the Enterprise Value to EBITDA (EV/EBITDA) multiples of comparable companies/industries for which market statistics were available. These companies/industries do not necessarily provide an exhaustive or representative sample and the average EV/EBITDA multiple calculated above may vary if another sample is selected. The average calculated above provides a reference point against which the implied EV/EBIT for this valuation is measured, in order to understand typical difference when compared to listed comparable companies, as well as specific differences inherent to WBTech's value drivers.

### 2 Deviation from market average

Large listed companies are generally valued at substantially higher EV/EBITDA multiples than smaller unlisted companies (all things being equal). This is because market participants assign a much lower WACC (more favourable gearing ratio, absence of small stock risk and specific risk premium) and marketability discount to large listed companies than their smaller unlisted peers. We believe that the 34% discount in multiple is a result of this difference. WBTech further appears to have a similar growth rate in its forecast and a similar expected terminal growth rate when considering growth expectations for the ICT industry. This means that, other than because WBTech is not a listed company, its EV/EBITDA should be in line with its peers.

*Financiers perspective: Ability to finance hypothetical leveraged buy-out*

There is a limit to funding that banks will provide to finance the acquisition of an enterprise. The total debt as a multiple of EBITDA is one of the main thresholds banks consider when such a limit is determined. We have assumed a gearing ratio (Debt/Enterprise value) of **30%** in the WACC, which means implies **1.6 x EBITDA**. We consider this as approaching the upper limit at which a bank will finance such a transaction. We calculated that such a loan will be repaid within **3** years if financed at an interest rate of **11%**. This means that, at the values determined, a private equity transaction should be viable and financeable.

*Buyers perspective: Period of investment recovery*

The recovery period of the Enterprise Value, if the forecast free cash flows are applied, is calculated to be within **7 years**.

*Having considered all the above, we regard the equity value calculated by us by applying the DCF method, to be reasonable*

# Net Asset Value

The net asset value is calculated as follows:

Net Asset Fair Value		R '000
Net Asset Value		6,619
Fixed assets (excluding Property)	1,000	
Property	1,500	
Adjustments	2,500	2,500
Tangible Net Asset Value (Fair value)		9,119
× Shareholding valued		40%
40% of WBTech		3,648

Sources : Net Asset Value<sup>1</sup> | Adjustments<sup>2</sup>

## Fixed assets

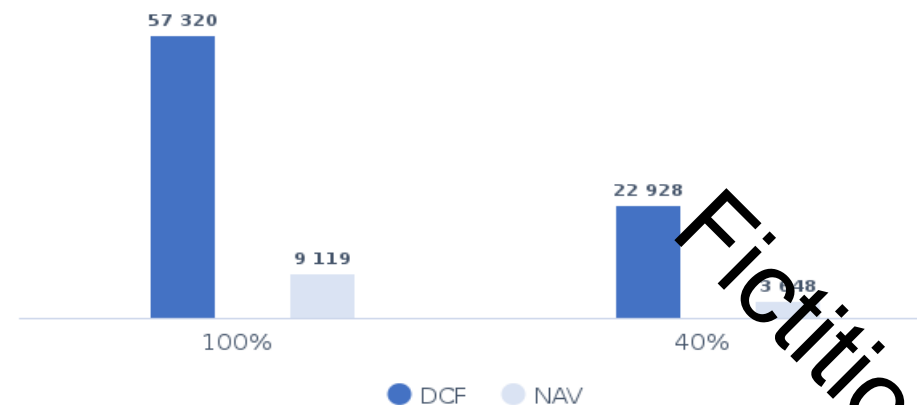
Fixed assets are adjusted upwards as the resale value of some of its equipment is much higher than its book value. This is because this equipment can only be imported and the Rand/Dollar exchange rate has deteriorated substantially since it was purchased.

## Property

The property was purchased 6 years ago and a substantial increase in industrial property values were recorded in the area where WBTech's warehouse is located. The increase is based on the value estimated by the directors of WBTech.

# Conclusion

Comparative Equity Values (R'000)



A value of **R57.32 million** appears reasonable for 100% of WBTech at 28 February 2019.

This equates to **R22.93 million** for **40%** of WBTech.

## Conclusion

A value of **R57.32 million** appears reasonable for 100% of WBTech at 28 February 2019.

*It should be noted that any valuation is based on the information presented, which has not necessarily been verified. The outcome of negotiations between an informed willing buyer and an informed willing seller under ordinary circumstances ultimately determines a final value.*

# Sources

- 1 *Historical Financial statements:  
FY2019: Audited Financial Statements for the year ended 28 February 2019*
- 2 *Management forecasts and/or assumptions.*
- 3 *Worth.Business calculations.*
- 4 *Closing the value gap. Valuation methodology survey 2016/2017. PriceWaterhouseCoopers South Africa.*
- 5 *South African Bond Exchange.*
- 6 *Ann Other*
- 7 *John B. Good*

Sample  
Fictitious Company