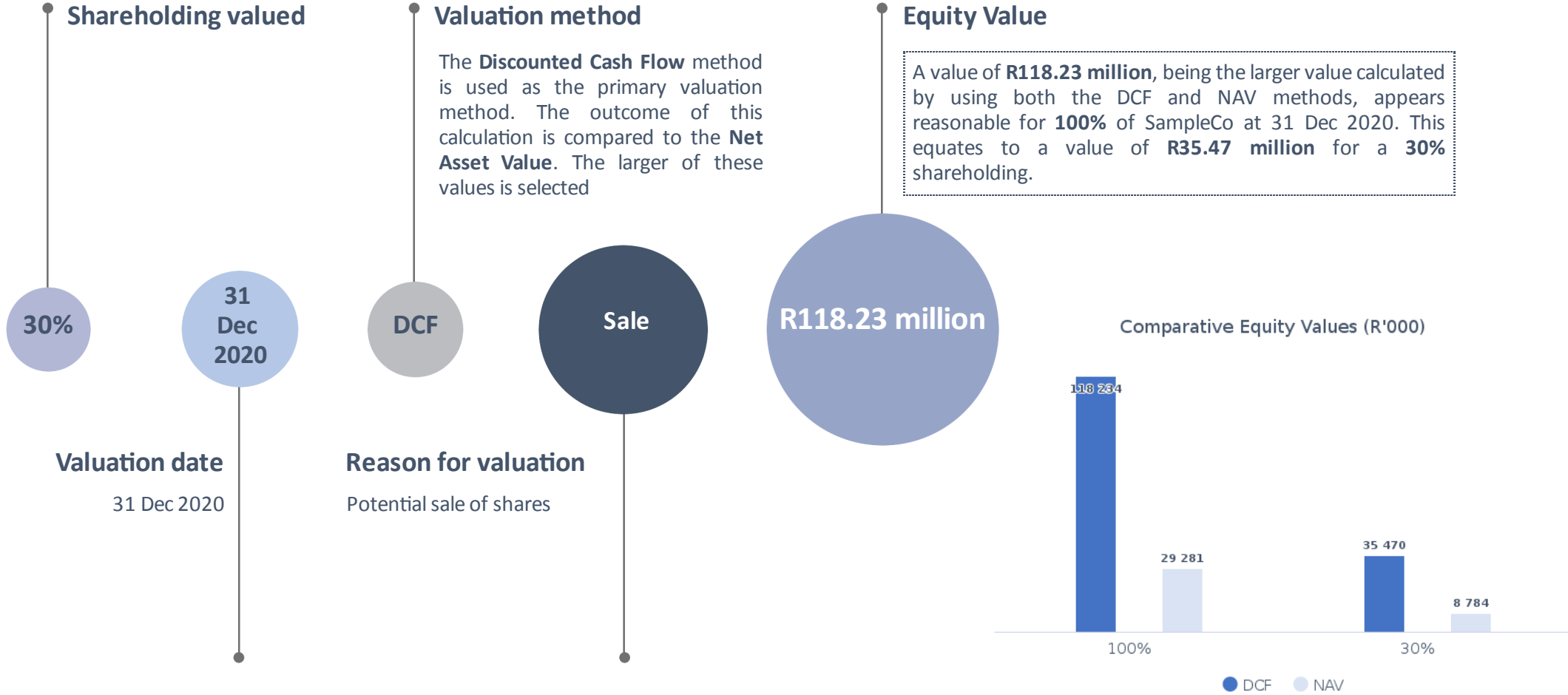


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Executive Summary



Please note

This summary is not a valuation report and as such the sources and reasons for selecting the underlying assumptions are not discussed herein. The purpose of the summary is to illustrate how the value of the business is calculated and which assumptions were used in those calculations. Readers of this summary are encouraged to obtain explanations from the valuer. This summary is not intended for any other purpose other than the specific reason stated above. It should be noted that any valuation is based on the information presented, which has not necessarily been verified. The outcome of negotiations between a willing buyer and willing seller under ordinary circumstances ultimately determines a final value.

Key Outcomes

Equity Value - DCF approach	R '000
Enterprise value ¹	138 263
Non-operating assets/(liabilities) ^{2 3}	22 381
Equity value - Non-marketable	160 644
Marketability discount (13.6%) ⁴	(21 848)
Minority discount (12.8%) ⁵	(20 562)
Equity value ⁶	118 234
x Shareholding valued	30%
30% of SampleCo	35 470

Multiples	Current	Forward
EV/EBITDA multiple ⁷	6.39	5.70
EV/EBIT multiple ⁷	6.84	6.00
Normalised PE multiple ⁸	8.12	7.13

Net Asset Value ⁹	29 281
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Weighted Average Cost of Capital ("WACC") ¹⁰	17%
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Investment Recovery	Within 8 years
The forecast on which the Enterprise Value is based indicates an investment recovery within 8 years.	

Ability to finance	Within 4 years
The forecast on which the Enterprise Value is based indicates that a loan financing such a purchase can be fully repaid within 4 years if null% of the Enterprise Value is financed at an interest rate of null per annum.	

Explanations

1. Enterprise: The operation of the business is referred to as its enterprise and comprise all operating assets (including goodwill and other relevant intangible assets) and liabilities necessary to operate the business.

2. Non-operating assets: Assets that are not essential for the operation of the business, e.g. excess cash, property that can be rented, non-core investments, etc.

3. Non-operating liabilities: Mostly non-current liabilities as they can be redeemed without affecting the operations of the business.

4. Marketability discount: This discount is provided as the marketability of shares can be impacted by the size of the shareholding to be sold and if those shares are not listed on a securities exchange.

5. Minority discount or Control premium: The minority discount normally applies when a minority shareholding valued has less control over the operations of the business. Similarly, a control premium may apply when a majority stake is valued.

6. Equity: The shares held in the company by its shareholders.

7. EV/EBITDA or EV/EBIT multiple: The value of the Enterprise relative to its EBITDA or EBIT respectively. This should be compared to the company's peers.

8. Normalised PE multiple: The value of the equity relative to net profit after tax. This should be compared to the company's peers.

9. Net Asset Value: Fair value of tangible assets less liabilities.

10. WACC: The cost of finance supplied by shareholders and long-term lenders. WACC = the return required by shareholders if there are no long-term loans.

11. Discounted Cash Flow ("DCF") method: The Enterprise Value is calculated by applying the DCF method, which is based on the net present value of forecast free cash flows but allowing for adjustments for non-operating assets and liabilities. The net present value of future cash flows is determined by discounting them at the WACC. The accuracy of this method is dependent on the certainty of forecast free cash flows and reasonableness of the WACC. A minority discount or control premium, as well as a marketability discount, are also taken into account, depending on the size of the shareholding being valued and the presence of certain circumstances.

Financial Overview

Financial Overview (R '000)	FY2016	FY2017	FY2018	FY2019	FY2020	F2021	F2022	F2023	F2024	F2025
Revenue	39 156	41 330	43 220	48 001	53 232	57 491	61 515	65 206	68 466	71 889
Gross Profit	21 457	23 148	24 339	26 992	28 666	31 620	33 833	35 863	37 656	39 539
Other Income	80	95	108	128	160	115	123	130	137	144
Overhead costs (excl dpr)	5 897	6 484	6 759	7 179	7 536	7 490	7 789	8 101	8 425	8 762
EBITDA	15 640	16 759	17 688	19 941	21 290	24 245	26 167	27 893	29 368	30 921
EBIT	14 337	15 443	16 344	18 558	19 895	23 042	24 914	26 577	27 977	29 443
Revenue growth rate		6%	5%	11%	11%	8%	7%	6%	5%	5%
Overhead costs growth rate		10%	4%	6%	5%	(1%)	4%	4%	4%	4%
Gross Profit %	55%	56%	56%	56%	54%	55%	55%	55%	55%	55%
Overhead % of Revenue	15%	16%	16%	15%	14%	13%	13%	12%	12%	12%
EBIT%	36.6%	37.4%	37.8%	38.7%	37.4%	40.1%	40.5%	40.8%	40.9%	41.0%
Stock on hand	389	345	302	315	337	354	379	402	422	443
Trade debtors	4 878	5 281	5 384	5 827	5 952	6 340	6 783	7 191	7 550	7 928
Trade creditors	(2 262)	(2 323)	(2 413)	(2 684)	(3 139)	(3 260)	(3 489)	(3 698)	(3 883)	(4 077)
Other receivables/payables	(270)	(181)	(223)	(263)	(255)	(287)	(308)	(326)	(342)	(359)
Net working capital	2 735	3 122	3 050	3 195	2 895	3 147	3 365	3 569	3 747	3 935
Stock days in cost of sales	8	7	6	5	5	5	5	5	5	5
Trade debtors days in sales	40	41	40	39	35	35	35	35	35	35
Trade creditors days in cost of sales	41	41	41	41	41	40	40	40	40	40
Net working capital days in sales	26	28	26	24	20	20	20	20	20	20
Capital expenditure	100	250	350	102	460	1 415	1 538	1 671	1 816	1 973
Depreciation	1 303	1 316	1 344	1 383	1 395	1 203	1 253	1 316	1 391	1 478
Book value	10 462	9 396	8 402	7 541	6 606	6 818	7 103	7 458	7 882	8 377

Calculations

Weighted Average Cost of Capital (WACC)	
Risk free rate	8.7%
Risk adjusted market risk premium	5.0%
Beta	0.9
× Market risk premium	5.6%
Unsystematic risk premium	9.3%
Small stock risk	6.3%
Specific risk premium	3.0%
Required return on equity (Re)	23.0%
× Portion attributable to Equity	65%
Weighted Re	15.0%
Weighted Cost of Debt	1.8%
Cost of Debt	7%
× After tax factor	72%
After tax cost of debt	5.0%
× Portion attributable to Debt	35%
	16.8%
Rounded WACC	17%

Terminal value cash flow	R '000
Normalised operating profit after tax	21 199
Depreciation	1 478
CapEx	(1 973)
Last forecast year	20 704
× Assumed growth factor	104%
	21 532
Growth in working capital	(157)
Balance - last forecast year	(3 935)
× growth	4%
Forecast free cash flow	21 375

Enterprise Value (R '000)	F2021	F2022	F2023	F2024	F2025
EBITDA	24 245	26 167	27 893	29 368	30 921
Less: Depreciation	(1 203)	(1 253)	(1 316)	(1 391)	(1 478)
EBIT	23 042	24 914	26 577	27 977	29 443
Taxes at 28%	(6 452)	(6 976)	(7 442)	(7 834)	(8 244)
Normalised operating profit after tax	16 590	17 938	19 135	20 143	21 199
Add back: Depreciation	1 203	1 253	1 316	1 391	1 478
Change in working capital	(252)	(218)	(204)	(178)	(188)
Capital expenditure	(1 415)	(1 538)	(1 671)	(1 816)	(1 973)
Free cash flows (first year partial from valuation date)	16 126	17 435	18 576	19 540	20 516
x Portion of cash flow forecast for remainder of year	100%				
Free cash flows	16 126	17 435	18 576	19 540	20 516
Discount period	0.50	1.50	2.50	3.50	4.51
Discount factor based on WACC	0.92	0.79	0.68	0.58	0.49
Discounted free cash flows	14 836	13 774	12 632	11 333	10 053
Aggregate Of Free Cash Flows Over Forecast Period					62 628
Expected free cash flow for +1 year					21 375
÷ Difference: WACC and assumed growth rate					13%
WACC					17%
Less: Assumed growth rate					(4%)
Terminal value					164 423
Discount Factor at WACC for 5 years					0.46
Discounted terminal value					75 635
Enterprise value					138 263

Calculations (Continued)

DCF Valuation on an open market principle		R '000
Enterprise value		138 263
Property	4 500	
Investments	4 230	
Cash and cash equivalents	18 312	
Long-term liabilities	(4 228)	
Tax asset/(liabilities)	(433)	
Other balances at fair value	22 381	22 381
Value of SampleCo on a non-marketable majority basis		160 644
Marketability discount (13.6%)		(21 848)
Minority discount (12.8%)		(20 562)
Value of SampleCo on a marketable minority basis		118 234
× Shareholding valued		30%
30% of SampleCo		35 470

Net Asset Fair Value		R '000
Net Asset Value		29 281
Tangible Net Asset Value (Fair value)		29 281
× Shareholding valued		30%
30% of SampleCo		8 784

EV/EBITDA multiple calculation	Current	Forward
Enterprise Value	138 263	138 263
÷ Normalised EBITDA	21 622	24 245
EBITDA for F2020	21 290	
Normalisation adjustment	332	
EBITDA Multiple	6.39	5.70

EV/EBIT multiple calculation	Current	Forward
Enterprise Value	138 263	138 263
÷ Normalised EBIT	20 227	23 042
EBIT for F2020	19 895	
Normalisation adjustment	332	
EBIT Multiple	6.84	6.00