Initiation of Coverage
20 April 2023

Astoria Investments Ltd
Unique & Growing Businesses, Discounted

Share Code: ARA – Market Cap: R492m – Discount to NAV: 36%

12m Target Price	**1381cps**
Share Price	**880cps**
Implied Return	**57%**

Financials | South Africa

Astoria: Structure, Aim & Portfolio

- A tax-advantaged, Mauritian "HoldCo" that is listed on both the JSE and the SEM, Astoria Investments' aim is to grow its hard currency (i.e. USD) NAV per share at a high real rate over time.
- Having permanent capital & an aligned investment manager (see below), Astoria has invested in a range of unique, unlisted, growing businesses with strong, aligned management teams.
- The largest of these is Outdoor Investment Holdings (a well-run retailer, wholesaler & manufacturer focussing on the outdoor, hunting and safari markets) with other notable investments in diamond mining (land & marine), tertiary educational (health & skincare), vehicle finance & IP-led protective biking equipment.
- The Group does invest in the listed space when value is present, for example, their investment into RAC Preference shares as a discounted entry-point into Goldrush (amongst the largest domestic alternative gaming business in South Africa).
- These investments are relatively conservatively valued in NAV.

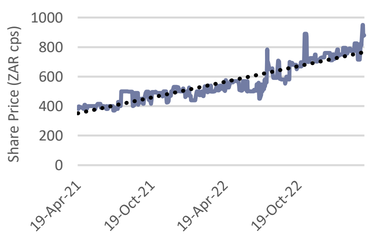
Investment Manager & Alignment: RECM Global

- Investment manager, RECM Global, offers an efficient investment manager that aligns interest with other shareholders through its association with key directors that *also* personally hold c.22% of Astoria's ordinary shares.

Valuation, 12m TP & Implied Return: Discounted & Growing

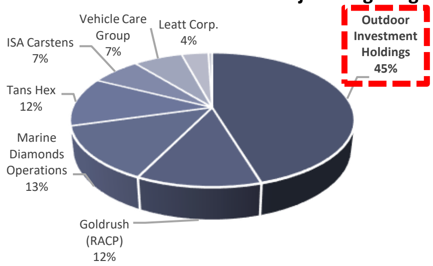
- Updating Astoria's NAV to current prices, the share price is trading at a relatively large c.36% discount to it.
- If we take out our calculated "HoldCo discount" of c.14.6% from this NAV, we arrive at a fair value for Astoria's shares of c.1170cps or c.25% higher than the current share price.
- Rolling this fair value forward at our Cost of Equity (18.1%), we arrive at an 12m TP of c.1381cps that implies a significant potential return of c.57% from the current share price.
- Astoria is invested in unique & growing businesses that it values conservatively, which implies a material component driving future returns is likely to be collective earnings growth of these businesses combined with their high discount rates unwinding.

Astoria Investments – JSE-listed Share Price



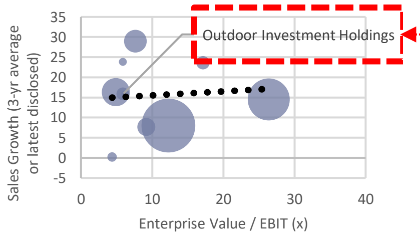
Source: Profile Media

Astoria – Portfolio Major Weightings



Sources: Astoria & Blue Gem Research workings

Outdoor Retailers Revenue Growth vs. EV/EBIT



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

Financial Summary (Year-end December):	**FY 19***	**FY 20***	**FY 21**	**FY 22**	**Current Estimate**
Net Asset Value (USD cps)	16.9cps*	46.6cps*	62.2cps	82.7cps	75.1cps
Growth in NAV (%)	*-84%**	*176%**	*34%*	*33%*	*-9%*
Net Asset Value (ZAR cps)	235.7cps*	682.8cps*	992.0cps	1,406.0cps	1,370.2cps
Growth in NAV (%)	-	*190%*	*45%*	*42%*	*-3%*
Share Price (ZAR cps)	237cps	1,259cps	500cps	760cps	880cps
Discount to NAV (%)	*-1%*	*-84%*	*50%*	*46%*	*36%*

*Sources: Astoria reports & Blue Gem Research assumptions & workings; *Current management only took active control of portfolio from 1 December 2020*

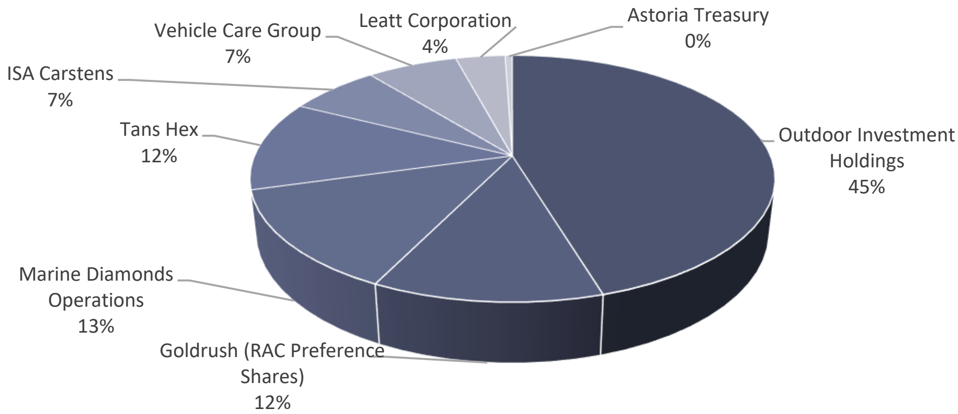
twitter.com/BlueGemResearch

facebook.com/BlueGemResearch

BLUE GEM RESEARCH

NOTE: THIS IS COMMISSIONED RESEARCH – www.BlueGemResearch.co.za – View our methodology and FAQ. Please refer to disclaimer at the end of this document & here

Table 1: Investment	Description	Ownership (%/shares)	Valuation Methodology	Valuation (Rands)	Valuation (USD)	% of NAV
USD/ZAR Exchange Rate Used				**R18.24***	**$1.00**	
Outdoor Investment Holdings	Integrated outdoor retailing group	40.0%	6.0x EBIT multiple	R339,687,430	$18,623,214	45%
Goldrush/RAC Preference Shares (code: RACP)	Alternative gaming; see breakdown below:	7,5m	Listed share price (which includes the below 30% discount to NAV)	R93,427,199	$5,122,105	12%
	RACP Share Price	**-**	**Listed share price**	**1,244**		
	Discount to NAV (%)	-	-	*29%*		
	Net Asset Value (1 + 2 + 3)/# RACP shares	**-**	**Sum of below portfolio divided by issued shares**	**1,764**		
	(1) Goldrush Group	58.8%	7.0x EV/EBITDA	R1,216,400,000		
	(2) Other & cash	-	Taken from balance sheet	R24,000,000		
	(3) CGT & liabilities	-	Taken from balance sheet	-R363,400,000		
Marine Diamonds Operations	Marine diamond miner	25.1%	Cost	R100,320,000	$5,500,000	13%
Tans Hex	Land diamond miner	25.1%	0.68x Price-to-Book	R89,261,197	$4,893,706	12%
ISA Carstens	Domestic health & skincare educational group	49.0%	Equity: 6.0x Price Earnings (PE) Property: 9% Capitalisation Rate	R50,200,000	$2,752,193	7%
Vehicle Care Group	Financier in the used car market	86.0%	Equity: Fully impaired Debt: Book value less loss allowance	R50,000,000	$2,741,228	7%
Leatt Corporation (code: LEAT)	Globally-branded biking and outdoor protective clothing group	139,000	Listed share price	R30,424,320	$1,668,000	4%
Astoria Treasury	Internal lending book	100.0%	Book value less 31% loss allowance	R4,000,000	$219,298	1%
Gross Investment Value				**R757,320,146**	**$41,519,745**	**100 %**
Cash & equivalents	-	-	Taken from balance sheet	R13,100,000	$718,202	
Liabilities	-	-	Taken from balance sheet	-R3,100,000	-$169,956	
Other assets & liabilities				**R10,000,000**	**$548,246**	
Net Asset Value (Rands/$'s)				**R767,320,146**	**$42,067,990**	
Net Asset Value (Rand/USD)				**R13.70**	**$0.75**	
HoldCo Discount (c.14.6%)		Based on a perpetuity with HoldCo costs as a % of NAV / (CoE – inflation)		-R112,280,336	-$6,155,720	
Fair Value (Rands/$'s)				**R655,039,810**	**$35,912,270**	
Number of issued shares				*56,000,000*	*56,000,000*	
Fair value (ZAR cps / USD cps)				**1,170cps**	**$0.64**	
Share price discount to fair value (%)				***25%***	***25%***	
12m TP (ZAR cps / USD cps)				**1,381cps**	**$0.76**	
12m Implied Return (%)				***57%***	***57%***	



*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 17 April 2023 Closing Price); * USD/ZAR spot intra-day 18 April 2023*

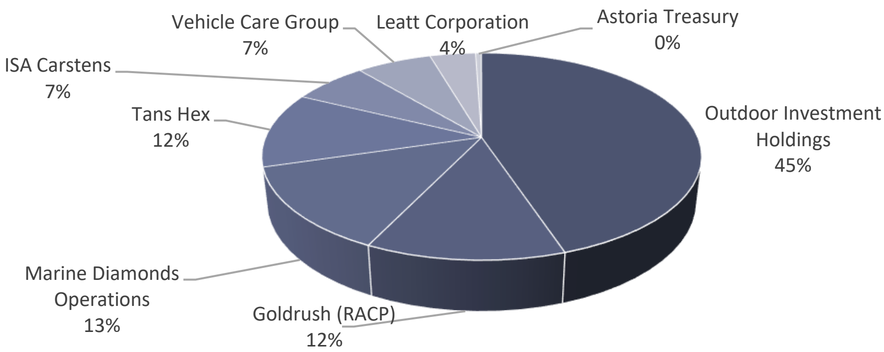
Investment Case for Astoria Investments Ltd

Astoria Investment Limited (JSE code: ARA; SEM code: ATIL.N0000) is a Mauritian investment holding company ("HoldCo") with a primary listing on both the Alternative Exchange ("AltX") of the JSE and the Stock Exchange of Mauritius, and an aim to grow its **US Dollar Net Asset Value** ("NAV") per share at a **high real rate over time**.

Astoria's investment manager, **RECM Global**, is a Mauritian-based fund manager associated with **Jan van Niekerk** and **Piet Viljoen**. Both are well-known to the South African investment market, sit as non-executives on Astoria's Board and **are personally invested** (with their *own* capital and *not* options or stock-based compensation schemes) in c.22% of Astoria's ordinary shares. This creates a great alignment of interest with shareholders while also offering an efficiently run HoldCo that (should) lower the implied HoldCo discount.

Most of the Group's investments are in unique, unlisted, growing businesses with strong, invested management teams, though the Group has invested in listed companies when significant value is identified.

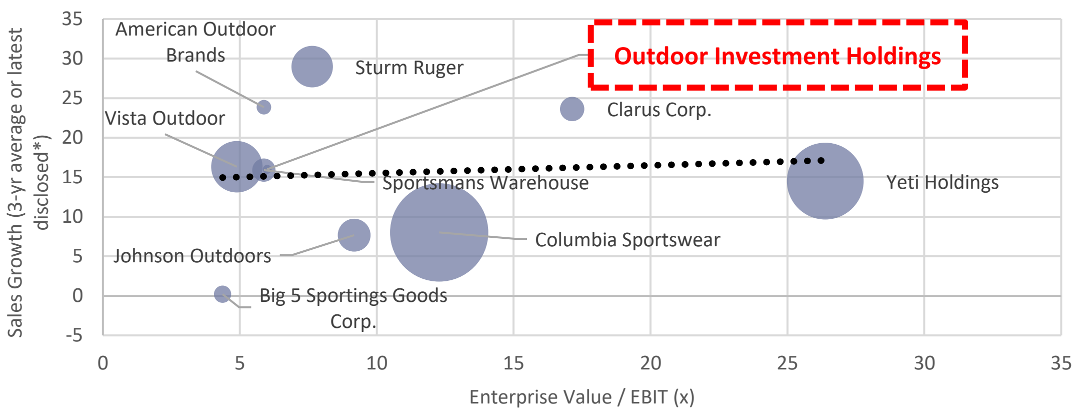
Figure 1: Astoria Investments NAV



Sources: Refinitiv, Astoria & Blue Gem Research workings & assumptions; Data as of 18 April 2023

Importantly—and using Astoria's largest investment as an example (Figure 1 & 2)—**the Group has a relatively conservative approach to valuing its investments**. This provides **comfort in the solidity of the underlying NAV** and allows us to focus more on the *growth* in the underlyings and the share's relatively large *discount* to this NAV (currently trading at a relatively large c.36% discount to our updated NAV).

Figure 2: Global Hunting & Outdoor Retail Peers Comparison

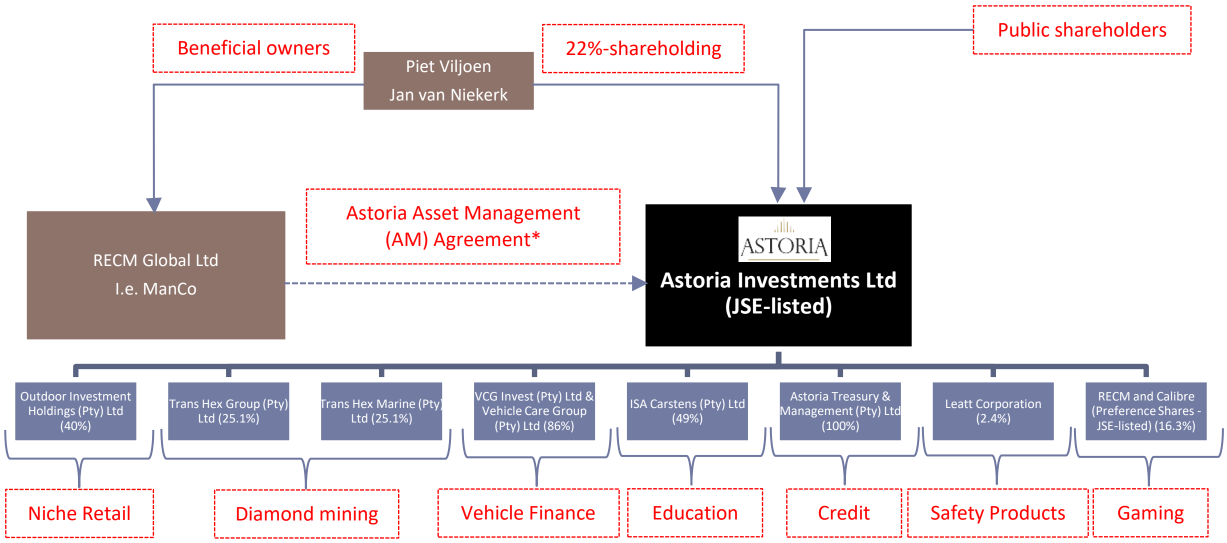


Sources: Refinitiv, Astoria & Blue Gem Research workings & assumptions; Data as of 18 April 2023

After taking a c.14.6% HoldCo discount out of Astoria's (conservatively valued NAV), **the Group's fair value is closer to $35.9m or $0.64 per share (in Rands this is R655m or 1170cps). This fair value is c.25% higher than the Group's current JSE-based share price of 880cps &, rolled forward at our relatively high Cost of Equity (c.18.1%), this implies a 12m return of c.57%.**

Group Overview, Investment Policy & Governance

Figure 3: Astoria's Summarized Group Structure, Director Shareholding, & Key Management Company ("ManCo") Relationship



** For investment and administration services, Astoria pays a management fee to RECM Global Ltd of 1% per annum, of assets under management, capped at $5m per annum (adjusted for inflation) for an initial term of 10 years. No termination fees beyond the termination date are payable to the Manager in the event of lawful termination of the Agreement by the Company in terms of its provisions.*

Sources: Astoria various reports, Moore independent expert report to Astoria (6 May 2020), & Blue Gem Research workings and assumptions

Astoria's Investment Policy & Approach

Astoria Investment Policy is to grow its US Dollar Net Asset Value ("NAV") per share at a high real rate over time. While there are no restrictions on geography, currency, or type of investment in Astoria's mandate, the Group's investment manager's (RECM Global) experience, primary networks and resulting deal flow lie within South Africa.

In a nutshell, Astoria aims to invest the bulk of its portfolio in **good businesses**, partnering with **good management** and doing so at **fair prices**.

How it does so in the listed and the unlisted spaces differ, as the unlisted space does not lend itself to the classical "value investing" style of capital allocation that public markets can offer.

Below follows key exerts from Astoria's own description of their approach to investing based on Astoria's unrestricted mandate:

In the listed space, management explains that their style of capital allocation: *"…leans toward "value investing". We are attracted to opportunities where investors extrapolate depressed conditions, underestimate future potential, or simply neglect assets. Forced selling, which often occurs due to loss of control through high leverage, client redemptions in open-ended funds, or just plain fatigue, adds to the pool of opportunities. And because transactions are easily executed on a screen, the seduction of immediate liquidity for sellers can create opportunities for us to buy such assets at prices well below fair value."*

We can see the execution of this approach in the investments into RECM and Calibre Preference Shares (trading at a c.29% discount to NAV in the listed space).

While in the unlisted space, "…*"value investing" doesn't work. Our best investments have come from dealing with peers, where both parties want to work together and where both parties bring value to bear from complementary contributions. In most of these instances, value is not created by being overly sharp with the* *initial price paid, but rather through working together over a long time to build the business by implementing sensible expansion plans, serving customers better, maintaining assets properly, and returning excess capital to shareholders. When this process is followed, paying a fair price at inception of the transaction creates a win-win outcome."*

We can see the execution of this approach in the capital allocated to Outdoor Investment Holdings, Trans Hex/Marine Diamonds, and ISA Carstens. All appear to be good quality businesses with strong management teams steadily building, growing and expanding their operations over time.

Astoria's Asset Management (AM) Agreement with RECM Global

Astoria has an asset management and administration agreement with RECM Global Ltd (the Mauritian-based fund manager associated with Jan van Niekerk and Piet Viljoen).

The key details of this AM Agreement are:

- **Scope**: Investment management and related administrative services.
- **Cost**: 1% p.a. of assets under management (AUM), payable as to 1/12th monthly. The total fee is capped at a maximum of $5m per annum (implying this variable fee becomes fixed on an AUM larger than $500m as of today; current assets are c.$41m). The cap is adjusted annually by USA inflation.
- **Term**: Initial period of 10-years (started c.3 years ago), thereafter can be terminated with a special resolution (75%-vote) which appears unlikely given that management own 22% of Astoria's ordinary shares (Figure 3).

While the above point on the AM Agreement's term may imply the likelihood of an "evergreen" agreement, we consider it more the alignment of interest. In other words, management have the security of tenure and permanency of capital to make long-term investment decisions *and* they share directly in the upside *or* downside of those decisions. We view this alignment of interest as a strong positive for the Group.

Finally, the inclusion of administrative services into the AM Agreement, the AM Agreement's lack of performance fees (management own 22% of the company they are managing, which they have bought with their own capital) and its comparison against other listed alternatives and HoldCo's (see Figure 7) make us comfortable with this arrangement. This sentiment is echoed by Moore Corporate Services Cape Town's independent expert report to Astoria (dated 6 May 2020) whereby their conclusion was that the "*…Management Fee is fair to Astoria shareholders*".

Key Management & Governance Checklist

Dean Schweizer – Chief Financial Officer

Dean Schweizer is a Chartered Accountant who held various managerial roles in the Cape Town office of Ernst & Young since 2009, with a specific focus on the Financial Services Sector. Schweizer joined Regarding Capital Management in 2015, where he oversaw both the operations and finance teams, while serving on the Executive Committee as Head of Finance. Schweizer is currently a resident of Mauritius.

Catherine McIlraith – Independent Non-executive Chairman

Catherine McIlraith is a Mauritian citizen and holds a Bachelor of Accountancy degree from the University of the Witwatersrand, Johannesburg, South Africa and has been a member of the South African Institute of Chartered Accountants since 1992. McIlraith held many senior positions in the Investment Banking industry in South Africa prior to returning to Mauritius in 2004 to join Investec Bank where she was Head of Specialized Finance and Banking until 2010. McIlraith is a Fellow Member of the Mauritius Institute of Directors and fulfills the role of an independent non-executive director of several public and private companies.

Piet Viljoen – Non-executive director

Piet Viljoen started out as a lecturer at the University of Pretoria, and subsequently joined SARB as an economic analyst. He joined Allan Gray Investment Counsel in 1991 as a portfolio manager and later moved to Investec Asset Management in 1995. Viljoen founded Regarding Capital Management, a Cape Town-based asset manager, in 2003.

Jan van Niekerk – Non-executive director

Jan van Niekerk is a qualified actuary with more than 20 years of industry experience. He served as the Chief Investment Officer of Citadel, a South African wealth manager, after which he became CEO of Peregrine Holdings Limited, a JSE-listed financial services firm. Van Niekerk is an Executive Director of RECM and Calibre Limited.

Nicolas Hardy – Non-executive director

Nicolas Hardy holds a BSc(Maths) and an MBA from UCT Business School and has gained over 15 years of international banking experience having worked for JP Morgan Fleming in the UK before returning to Mauritius in 2002 to work at Investec Bank Mauritius. His responsibilities grew from treasurer to include the management of various committees, including credit, risk, accounts and management. Hardy also managed the strategic operation and technical development encompassing the on-line/digital banking system and the currency cards program. Hardy is currently the Chief Technology and Operations Officer at Afrasia Bank Limited.

Casey Jorgensen– Non-executive director

Casey Jorgensen is a Chartered Accountant with Executive Director experience in businesses dealing in commodities across Africa. Jorgensen has financial management experience with specific focus on treasury management for multinational businesses. Prior to Jorgensen entering the corporate environment she lectured Financial Management, Auditing and Taxation.

Table 2: Summarised Corporate Governance Checklist

Corporate Governance Aspect	In Place?	Comment
External ManCo?	Yes	Refer earlier to the section titled "*Astoria's Asset Management (AM) Agreement with RECM Global*" where we discuss the AMG Agreement, its details and our conclusion as to its fairness and the pre-existing alignment of interest from management's large shareholding in Astoria Investments.
External auditors?	Yes	Ernst & Young (Mauritius) and Ernst & Young (Cape Town)
Alignment of interest with shareholders?	Yes	Key management are the beneficial owners of 22% of Astoria's ordinary share capital.
Independent non-executive Chairman?	Yes	Catherine McIlraith is the Group's Independent Non-Executive Chairman.
Well composed Board? Balance of non-executives on the Board?	Yes	Given the AM Agreement and Astoria's setup, the JSE has an exemption from having a Chief Executive Officer. Dean Schweizer is the only executive director on the Board and fills the role as Chief Financial Officer. The Board is composed of six directors, of which five are non-executive and three are independent non-executives.

Sources: Company website, FY 22 AFS and Blue Gem Research

Astoria's Investment Portfolio

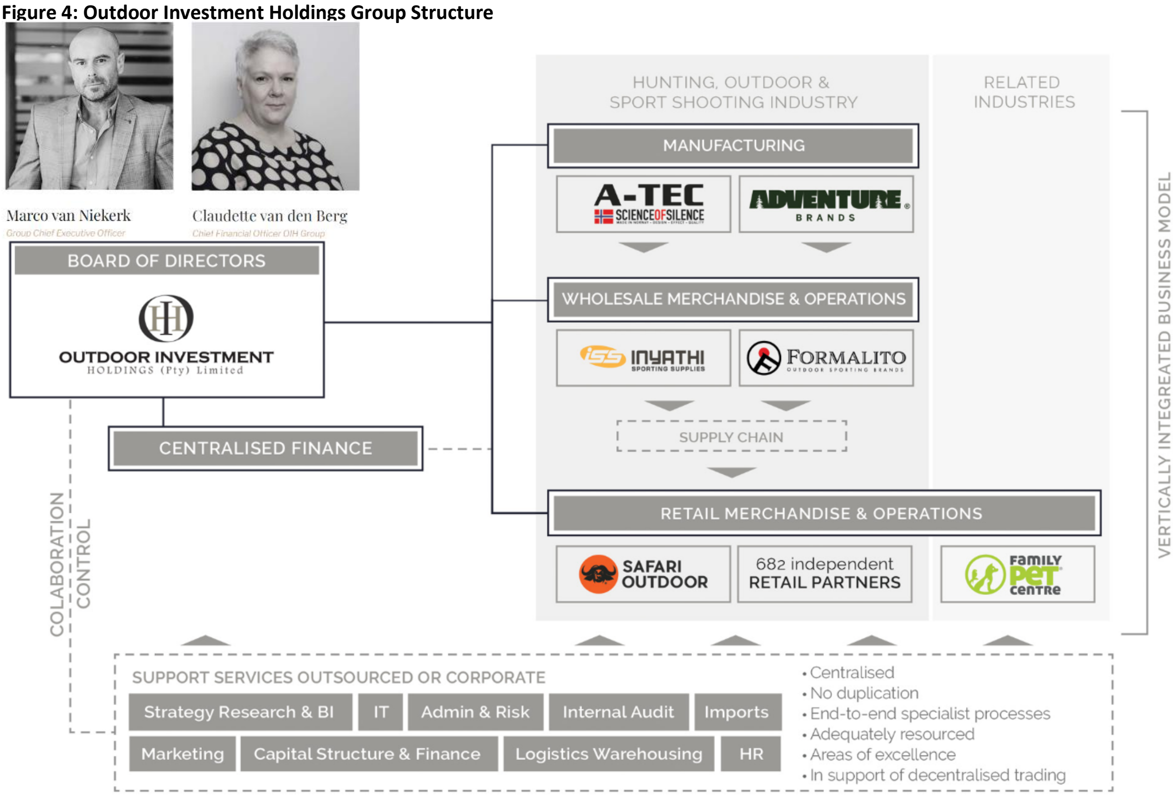
Outdoor Investment Holdings (40%-held stake valued at R340m) – Website

Business Description:

From a single retail store in Stellenbosch that formed the foundation of *Safari Outdoor*, the Group was formalized into a vertically integrated business model and *Outdoor Investment Holdings (Pty) Ltd* ('the Group' or 'OIH') was incorporated.

The Group (Figure 4) is run in a cost-conscious manner with tight central controls and each underlying business being financed independently. The vertical integration of the Group's model has seen it invest into manufacturing businesses and wholesalers while growing its original *Safari Outdoor* store network and diversifying into *Family Pet Centre*.

Figure 4: Outdoor Investment Holdings Group Structure



Source: Outdoor Investment Holdings

The Group 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 has grown from its 2011 inception into a formidable 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 has recently launched a new smaller-format store in Nelspruit.
6. **Family Pet Centre – 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.

Strengths:	**Weakness:**
• Niche market focus (hunting, safari, & outdoor). • Higher-LSM target market (theoretically) offers some degree of insultation from macro-economic cycles. • Vertical integration of the Group (provided access to ammunition during shortages in COVID).	• Exposed to vagaries of its niche market (i.e. exposed to any negative changes in the popularity of hunting, safari &/or outdoor activities). • Increasing competition on the pet retail market (specifically for *Family Pet Centre*). • While the largest specialist retailer in Africa in hunting & related categories, the broader retail market is dominated by

• Own-brands advantages (security of supply & margin enhancing).	materially larger retail groups who may (yet) decide to enter this space &/or disrupt it.
Opportunities:	**Threats:**
• Broad outdoor and healthy-living retail tailwinds more likely than not to continue into future. • Opportunities to consolidate the many independents that operate in this space.	• South African domestic macro and political pressures on consumers and disposable income. • Any negative changes in regulatory risks surrounding retailing and/or ownership of firearms, ammunition &/or hunting.

Latest Financial Results Commentary:

In Astoria's FY 22 results, management noted that OIH had an exceptional year with strong trading in all its divisions that saw EBITDA grow +45% y/y. Digging more granularly into the Group:

- **Retail**: *Safari Outdoor* sales grew +16% y/y off an already-high comparison in the year before where the pandemic/lockdowns fuelled demand for outdoor retailers. *Family Pet Centre*, though, had a modest, somewhat disappointing year and, particularly with major retail groups entering the pet retail market, we are cautious on the prospects for this entrepreneurial start-up (very little capital is tied into this venture; we estimate only c.2~4% of OIH valuation at risk if this venture is *fully* impaired ~ I.e. Only about c.1~2% of Astoria's NAV exposed to this venture).
- **Wholesale**: While the Russian invasion of Ukraine has led to global ammunition shortages, both *Inyathi* and *Formalito's* long-standing relationships saw them procure sufficient stock which translated into strong sales and operating leverage that lifted their bottom lines. This was a good stress test, revealing the strength of these two businesses and, in our opinion, bodes well for their futures while locking in the loyalty of their own customers.
- **Manufacturing**: While a newer segment, the Group is starting to feel the benefits of developing a range of in-house brands and products. We expect this division to contribute more in the future, though some of this may come through in the other divisions as in-house brands gain traction.

Valuation:

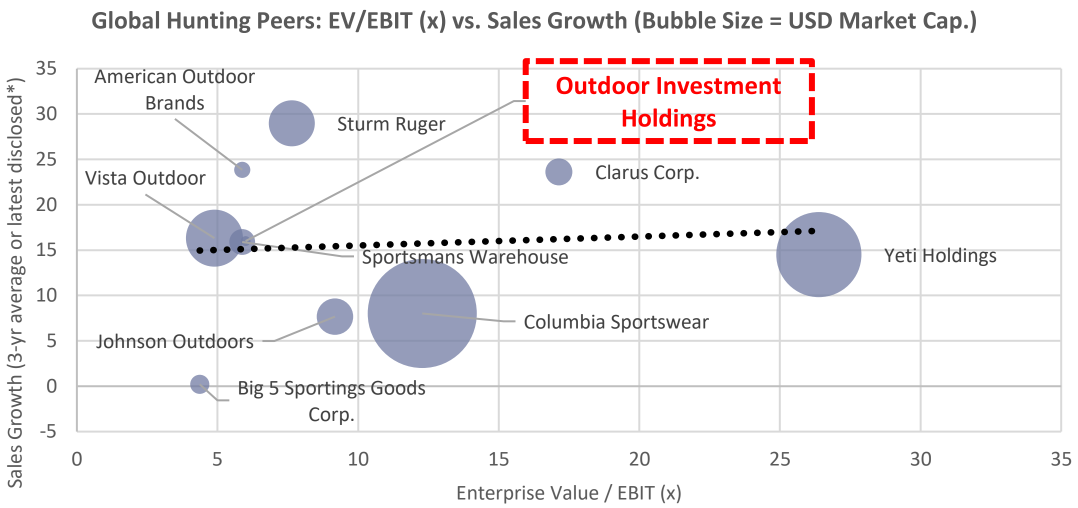
Astoria values Outdoor Investment Holdings' Enterprise Value (EV) on a 6.0x 12m-lagging Earnings Before Interest & Tax (EBIT) basis. As a growth-orientated, going concern, we believe that an earnings-based valuation is both logical and fitting and, thus, the only question is on the appropriate multiple.

In considering the appropriateness of the multiple applied in this valuation, we are cognizant that there are no direct (listed) South African outdoor groups that we can use as a comparison. But, if we look globally, there are several reasonably comparable groups listed across overseas stock exchanges.

We *are* aware of the many differences and nuances across these global groups, their business models and the geographies they operate in. Despite this, we consider the following key indicators that provide comfort to Astoria's valuation of Outdoor Investment Holdings:

In Figure 5, Outdoor Investment Holdings' valuation lies nearly directly on the line-of-best-fit (i.e. linear regression) when comparing EBIT valuations in this market against growth rates.

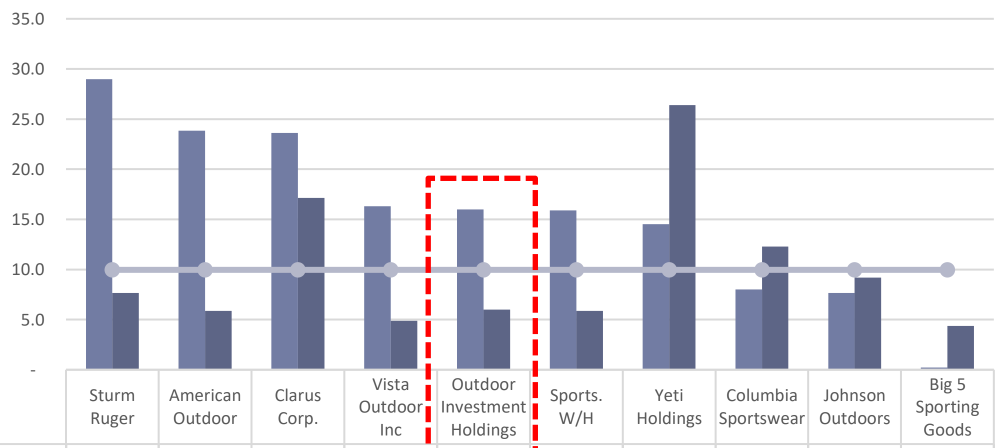
Figure 5: Global Hunting & Outdoor Retail Peers Comparison



Sources: Refinitiv, Astoria & Blue Gem Research workings & assumptions; Data as of 18 April 2023

In Figure 6, Outdoor Investment Holdings ranks well against peer growth rates and the valuation multiple used by Astoria. Namely, while having a mid-range growth rate, OIH's multiple of 6.0x is below the peer group's average of 10.0x. Given the peer group's largely Developed Market exposure versus OIH's Emerging Market (i.e. South Africa) exposure and its relatively smaller size, the c.40% discount on OIH's multiple appears quite reasonable too.

Figure 6: Global Hunting & Outdoor Retail Peers Comparison



	Sturm Ruger	American Outdoor	Clarus Corp.	Vista Outdoor Inc	Outdoor Investment Holdings	Sports. W/H	Yeti Holdings	Columbia Sportswear	Johnson Outdoors	Big 5 Sporting Goods
Revenue Growth (%*)	29.0	23.8	23.6	16.3	16.0	15.9	14.5	8.0	7.7	0.2
EV/EBIT (x)	7.6	5.9	17.1	4.9	6.0	5.9	26.4	12.3	9.2	4.4
Ave. EV/EBIT (x)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

Sources: Refinitiv, Astoria & Blue Gem Research workings & assumptions; Data as of 4 April 2023

Conclusion:

In conclusion, we are impressed with OIH's integrated business model, niche brands and good distribution. There does seems like there is a lot of runway to build out the in-house brands, feeding the manufacturing side, while experimenting with smaller format retailing in the core Outdoor Safari brand may open a wider addressable market for the Group. While we are cautious of concentration risk (i.e. niche focus on hunting & outdoor) in a business, the underlying tailwinds in this market, its more resilient high(er)-LSM customer profile and the loyalty from its core customers count strongly in the Group's favour. Furthermore, Astoria's valuation multiple appears reasonable (and reasonably discounted) against global peers (while acknowledging the peer sets individual differences).

RECM and Calibre Ltd (7.5m RAC preference shares worth R93m) – Website
History, Capital Structure & Business Description:

RECM and Calibre (RAC) was established in 2009 with a capital structure which consists of ordinary shares and redeemable participating preference shares. The ordinary shares are unlisted and owned by entities controlled by Jan van Niekerk and Piet Viljoen (who are non-executives on Astoria's Board and major shareholders of Astoria ordinary shares).

The RAC preference shares were listed on the JSE in June 2010. The economic interests of the ordinary and preference shares are identical (which is important for the calculation of Net Asset Value of the underlying), while only the ordinary shares have voting power (except in certain special situations when the preference shares may vote).

Astoria holds c.7.5m RECM and Calibre preference shares (RACP), but the history between the two companies is a little more complicated than that. RACP launched a successful bid to acquire 100% of Astoria shares whereby it restructured Astoria by drafting the new AM Agreement (see section titled "*Astoria's Asset Management (AM) Agreement with RECM Global*" earlier in this report) and sold its own non-Goldrush portfolio into Astoria before it unbundled its Astoria shares to its shareholders. This left RACP with most of its underlying value in its 58.8%-stake in Goldrush and, thus, it is arguably no longer an investment holding company (so-called 'HoldCo') but effectively an operational alternative gaming investment.

Goldrush Group: Website

Goldrush 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 *G-bets* (Retail Sports Betting and Online Betting) brands.

Both globally and domestically, large casinos have traditionally dominated the gambling market. But, the advent of digitisation, opening up of licenses to other categories of gambling (i.e. EBT, LPM, eSports and online) and generational gaming habits shifting towards digital channels, has seen these same traditional casinos steadily losing *gambling* market share to faster-growing alternative *gaming* companies (that embed a gambling element in their business models).

Simplistically, this shift in market share is due to three key elements that alternative gambling offerings have that traditional fixed casinos do not:

1. **Access**: Easier access to consumer, for example, via their mobile phone and local bars/pubs instead of a large and sometimes distant casino that needs to be physically travelled to.
2. **Low costs**: Lower fixed costs due to outsourcing of many of these fixed costs to the venue owner. In return, the venue owner shares in the revenue streams generated by the alternative gambling, thus adding incremental revenue streams to his already fixed cost base with little to no direct costs (i.e. a win-win for all parties involved).
3. **Generational changes**: Most notably Millennials shift towards gamification and skill-based games over traditional gambling elements (felt particularly hard by legions of slot machines in fixed cost casinos, whereas alternative gaming companies can shift and refresh their focus, for example, on sports betting and eBingo).

Domestically, these alternative gambling sector's tailwinds have led to an effective land-grab over the last decade or so with regional and national players emerging across South Africa.

Table 3: Goldrush Gaming Positions Growth

		FY 18	FY 19	FY 20	FY 21	FY 22	H1:23	CAGR %
Bingo (EBT)	Licenses owned	33	35	35	35	35	-	*1.2%*
	Licenses active	25	27	31	34	35	-	*7.0%*
	EBT's in operation	**3112**	**3543**	**3865**	**4105**	**4270**	**4320**	***+6.1%***
	Average EBT's per active license	124	131	124	121	122	-	*-0.3%*
Limited Payout Machines (LPM)	Route licenses	6	6	6	6	7	-	*3.1%*
	Machines approved	4200	4200	4200	4200	5200	-	*4.4%*
	Machines in operation	**1671**	**1882**	**2198**	**2412**	**2665**	**2812**	***+9.9%***
Sports Betting	Licenses owned	36	33	33	33	33	-	*-1.7%*
	Licenses in operation	28	33	31	29	30	-	*1.4%*
	Gaming positions/terminals	458	488	468	515	535	551	*3.4%*
	Average gaming positions per active license	16	15	13	18	18	-	*2.4%*
Total Physical Gaming Positions		**5241**	**5913**	**6531**	**7032**	**7470**	**7683**	***+7.2%***

Sources: RECM and Calibre (FY 22 and H1:23 results)

Goldrush's success can be quantified as its growth in gaming positions (+7.2% CAGR over the last five and a half years – Table 3). From this growth in gaming positions, revenue has grown from greater gambling, multiplied by inflation, and general growth in (alternative) gambling tailwinds and, through operating leverage, seen a strong bottom-line expansion.

That said, growth in revenue lags the physical gaming footprint growing and, indeed, as underperforming machines need to be redeployed into better locations, yield expansion can occur across years from the initial physical growth. Given the strong footprint growth in the recent past, we logically expect to see a strong growth in revenue and, thus, naturally profits in the medium-term.

Strengths:	**Weakness:**
• Legal barriers to entry (gaming licenses). • Lower overheads than traditional casinos (overheads effectively outsourced to "hosts" being venue owners). • Greater flexibility to move gaming assets around to maximise yield (e.g. can *physically* move an LPM from an underperforming location to a better one). • High cash generation (no material inventory or debtors that translates into substantial cash conversion of gambling profits).	• Normal risks around licensed and regulated businesses (e.g. adverse change in regulation, increased regulatory taxes, & license compliance challenges and costs). • Some degree of loss of control as the venue owner, ultimately, controls the environment in which the gambling takes place (albeit, the sharing of revenues here does create an alignment of interest that could offset this, & the ability to move machines to better locations also protect yields here).
Opportunities:	**Threats:**
• Alternative gaming tailwinds continuing to gain market share from traditional, fixed-cost casinos. • Online and digital leveraging of operations for significant potential returns to scale.	• South African domestic macro and political pressures on consumers and disposable income. • Increasingly digital and online businesses are naturally more susceptible to cyber threats, hacking and related risks.

Latest Financial Results Commentary:

Within RACP's H1:23 results, management report that Goldrush has seen good growth across all segments (LPM, EBT and Sports Betting), save Online Gaming where revenue had only a modest improvement.

Importantly, though, Goldrush grew its H1:23 EBITDA +16% y/y to R188m (seeing its important 12m-rolling EBITDA at R398m). Given Table 3 showing growth in net gaming positions' in the recent figures, we expect similar growth for the near-term and, perhaps, into the longer-term depending on whether some of the online gaming assets gain traction and/or are fined tuned for yield in better and better locations.

The FY 22 result translated into RACP's NAV growing +22% y/y despite the distribution of the final tranche of Astoria shares (RACP's NAV actually grew +26% y/y when we take that distribution into account).

Valuation:

Simplistically, Astoria values RACP at its listed share price. We agree with this arms-length valuation and have not adjusted it in our valuation (other than to update it to the latest RACP share price in ZAR).

That said, given the underlying is almost entirely Goldrush Group, it is perhaps important to touch on its underlying valuation within RACP. In Table 4, RACP's management selection of a 7.0x EV/EBITDA to value Goldrush compares favourably against the older, slower-growth peers on the JSE (Sun International and Tsogo Gaming) on 5.4x and 6.7x respectively. While less applicable, the 7.0x multiple is also materially lower than the major casino groups in the USA (the biggest are on *forward* multiples comfortably in the double digits).

Table 4: Domestic & Global Gaming Group's EV/EBITDA Ratios (x)

	EV/EBITDA (x)	12m EBITDA from LPM & Bingo
Sun International	5.4x	c.R367m
Tsogo Gaming	6.7x	c.R738m
Goldrush Group	**7.0x**	**c.R398m**
Las Vegas Sands	157.7x	-
Wynn Resorts	38.7x	-

Sources: RECM and Calibre (H1:23 results), Koyfin, Refinitiv and Blue Gem Research workings & assumptions; as of 6 April 2023

Conclusion:

We like the high barriers to entry, cash generative nature of alternative gaming groups that have reached scale (which Goldrush has – see its 12m-EBITDA versus domestically-dominant traditional gaming groups in Table 4). Furthermore, the stock market provides an easy arms-length valuation that Astoria appropriately uses in its own valuation of the investment (and we continued to use in ours). Finally, given the critical mass Goldrush has achieved, we expect—and management have communicated—that it will start to pay substantial dividends from here. Initially, these dividends should degear the structure but, ultimately, these dividends should accrue to shareholders and, in Astoria's case, provide a good underpin for redeployment or compounding into other investments (much like Hosken Consolidated Investments Ltd used its investment in Tsogo Group and its resulting dividend stream to compound its own NAV over time).

Trans Hex & Trans Hex Marine (25%-shareholdings valued at $4.9m & $5.5m respectively) – **Website**

Business Description:

More than half a century old, Trans Hex is a diamond mining group with land & marine interests:

- **Land**: This is traditional sedimental and alluvial diamond deposits that are mined by conventional land mining techniques.
  - **South Africa**: De Punt Mine on and off the West Coast of South Africa.
  - **Angola**: Somiluana Mine is an alluvial diamond mine c.1,000km northeast from Luanda in Angola. Trans Hex management operate the mine and the Group has a 33%-shareholding in it. Somiluana Mine produces most of the Group's land-based diamond carats.
- **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. The fleet consists of the following ships, MV Ya Toivo, MV Explorer, MV Good Wind, and MV DP Star.
  - **South Africa**: South of the Orange River mouth, Trans Hex Marine holds the rights to Sea Concession 2C and 3C. In water depths of around 130m, more than 200,000 carats per annum are extracted from this concession.

  - **Namibia**: This operation is run as a joint venture with the concession's owner Samicor. The area is located to the south and north of Luderitz. In water depths of 30m~105m, more than 50,000 carats per annum are extracted from this concession.

A couple important points around these two diamond mining businesses:

- **Mining rights**: Both land and marine rights have to be maintained in terms of their requirements. Trans Hex has a long history of respecting these obligations and protecting its mining rights and none have yet been lost, expired or cancelled. Given the rarity of their marine diamond mining fleet and the skills necessary to operate it, the Group has an added benefit of being able to mine on other marine rightholders' blocks in return for royalty payments, thus leveraging their fixed costs for added carats.
- **Fleet age & maintenance**: On this latter point, Trans Hex Marine's fleet age varies, with the biggest vessel being the oldest. This vessel is scheduled for a major overhaul (drydocking) in March/April of next year and will be fitted with new, more efficient engine (as per the business plan at the time of acquisition). The other three vessels are more modern—with resulting lower maintenance and longer economic useful lives implied—and, via independent valuation at the time of acquisition and for insurance purposes, are fairly valued.
- **Trans Hex marketing optionality**: While most historical and current diamond sales take place through agents, the Group's added volumes from Marine mining now offers it the option to build out its own diamond marketing function. If this works, it would offer both a tactical advantage and capture more of the margins in the supply chain for the Group's benefit.

Strengths:	**Weakness:**
• Legal and resource barriers to entry for the diamond mining rights and acreage. • Long history & knowledge in diamond mining. • Well-capitalized marine diamond mining fleet with the skills and resources to operate it (much rarer than the market appreciates).	• Normal mining risks that range from resource & spot risk to operational & regulatory risk. • Currently, the bulk of the Group's cash flows are earned from Angola, where the remittance of cash back to the Group has an unreliable history & an uncertain future.
Opportunities:	**Threats:**
• The mining industry's lack of global exploration spend implies a forward deficit in many metals and minerals, of which diamonds could be one (though there is a fashion-driven demand element here that remains hard to forecast for diamonds). • Establishment of an in-house Trans Hex diamond sales function/marketing offering tactical and margin benefits to the Group.	• Cubic zirconia (man-made diamonds) gaining further traction or popularity. • Coloured gemstones gaining market share against traditional diamond jewellery demand. • Normal risks around licensed and regulated businesses (e.g. adverse change in regulation, increased regulatory taxes, & license compliance challenges and costs).

Latest Financial Results Commentary:

Trans Hex's Somiluana mine produced consistent carats and, despite the diamond prices coming under pressure in the latter half of the year (along with most other commodities in that period), Trans Hex ended the period with R100m of cash on its balance sheet. This is important as only expatriated cash is considered part of Trans Hex's NAV *and* Astoria values Trans Hex (perhaps overly conservatively) based on a discount to this NAV of 32% (i.e. a 0.68x Price-to-Book ratio), i.e. their remains upside here if Angola's sovereign risk lowers.

On this latter point, Trans Hex is recently finding it easier to repatriate cash from Angola to South Africa, facilitating increased repayments of loans and dividends. Trans Hex was able to pay a dividend of R128m during the FY 22 year, of which Astoria received R43.3m after withholding tax.

On 1 August 2022, Trans Hex Marine (International Mining and Dredging Holdings Ltd or "IMDH") was acquired for $22.5m, resulting in Astoria gaining a proportionate shareholding of 25% in the venture. While the business is trading in line with pre-acquisition plans, the recency of the transaction has led Astoria management to value the investment at acquisition cost, i.e. Once again, there is upside risk to this valuation.

Conclusion:

Given the conservativeness of a NAV- and cost-based valuation approach (despite the underlying being both profitable and paying dividends during the period) and the long-standing success (despite the volatility) of the diamond mining industry, we are comfortable that Astoria is not *overvaluing* these investments. Indeed, the opposite could be argued to be true. Future carat production, Rand-based diamond spot prices realized and general mining risk and inflation, though, will dictate the long(er)-term return from this investment cluster.

Finally, a note on our approach to valuing this investment cluster: we consider mining assets to be hard currency denominated. Thus, while most Astoria's assets are updated as Rand-based prices in our Sum-of-the-Parts (SOTP) valuation and translated at the latest USD/ZAR rate to arrive at a USD-based NAV, the opposite is true for Trans Hex and Trans Hex Marine (we use management's USD-valuation and translate it back into Rands to update Astoria's Rand-based NAV).

ISA Carstens Holdings (49%-shareholdings valued at R50.2m) – **Website**

isa carstens HOLDINGS SA

Business Description:

Established 45 years ago, ISA Carstens Academy is domestically 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).

Strengths:	**Weakness:**
• Long-established and respected brand that has a major market share in its niche market. • Legal and regulatory requirements in place for issuing of certificates and diplomas. • Sunk costs of built campus infrastructure and established courses that offer operational leverage from incremental sales/students.	• Inherently smaller, more discretionary target market (health and skincare *only*). • Capital intensity of growth once campuses are full (i.e. growth beyond current capacity will likely require large capex on expanding old and/or building a new campus). • Course material has a strong contact element and does not lend itself well to distance learning.
Opportunities:	**Threats:**
• Domestic tailwinds in the tertiary education space (collapsing public sector tertiary options, young average domestic population & large domestic unemployment).	• Normal tertiary regulatory risks (non-compliance, rules being changed and taxes or levies raised). • Campuses & properties attract higher rates and taxes from local government (> than normal inflation).

Latest Financial Results Commentary:

As an educational business, ISA Carsten's key operational metric is its student enrolments:

- FY 22: ISA's student numbers increased by 7% to 523.

- FY 23E: ISA's student numbers increased by a further 10% to 579 (a good leading indicator that, combined with price increases, gives us good confidence in the coming year's revenue).
- Finally, ISA Carstens also reports that it has increased its fees at above inflation and, thus, the above enrolment growth must be viewed in the context of these fees increases too.

These are commendable operational metrics for ISA Carsten. We justify this view based on comparison against two, much larger and more diversified tertiary educational group's results over similar periods:

- **ADvTech Ltd (code: ADH)**: ADvTech saw its FY 23 tertiary segment's enrolments grow +4.0% y/y, &
- **Stadio (code: SDO)**: Stadio saw its FY 23 tertiary enrolments (which include a large component of distance learning) growing +8.0% for Semester 2 ending in December 2022.

In this context, ISA Carsten's achievement of +7~10% enrolment growth is highly competitive and speaks volumes of their offering against broader, more mainstream tertiary offerings.

The Pretoria campus is newer than its original Stellenbosch campus, thus it is notable that management report that "*…2023 is also the first year in which ISA had waiting lists for its first-year intake since it opened the second campus in Pretoria. … The only part of the infrastructure that is still not fully utilised is the second residence that was built on the Pretoria Campus, which is currently about 72% occupied.*" Stellenbosch has a waiting list and is operating at capacity. All these add to our confidence in near-term results from the Group.

Valuation and Conclusion:

Astoria values ISA Carsten's operations and its underlying properties separately. Astoria owns 49% of ISA Carstens Holdings that, in turn, holds both of these underlyings.

Simplistically and based on FY 22 disclosures, Astoria values the two halves of ISA Carstens as follows:

- **Tertiary operations valuation**: 6.0x Price Earnings (PE) – which compares favourably against ADvTech's and Stadio's respective PE ratios of 12.3x and 22.9x respectively (though note that both listed group's PE's include an element attributable to the underlying property portfolios they hold).
- **Property portfolio**: 9.0% capitalisation rate applied to market-related rentals – which does not have a good listed comparison but—as an imperfect comparison—compares reasonably against the largest JSE-listed REIT, Growthpoint Properties Ltd (code: GRT), who values their retail portfolio on a weighted average cap rate of 8.1% (industrial assets are not relevant here and office valuations are being heavily influenced by *Work From Home* trends that make this less relevant too). There are no pure educational property assets listed on the JSE for direct comparison.

Against our comparatives and given the environment, we are quite comfortable with the underlying ISA Carstens Holdings businesses, and Astoria's valuation thereof (which is arguably very conservative).

We expect the growing enrolments (at- or above-market growth rates, at least until the Pretoria campus is full), above inflationary pricing protecting profitability, and filling residences all point towards a good future performance of this investment.

Vehicle Care Group (86%-shareholdings valued at R50m) – Website
Business Description:

VEHICLE CARE GROUP

Vehicle Care Group operates through two companies:

- **Vehicle Care Group (Pty) Ltd/Flexidrive**: With a fleet of 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 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.

Both business lines are, indirectly, offering high-margin financing into the used vehicle market and, thus, leverage similar IP between them. That said, their underlying credit risk is different and, thus, this offers diversification from the loan book perspective (always important in assessing downside risk).

Particularly given the counter-cyclical defensiveness of the used car market and the under-banked nature of South Africa, this is both a large *and* a profitable sector to operate in (if you control your credit risk tightly). Given the lack of public transport options in South Africa, we would go further and argue that there is an element of non-discretionary spend in this space that creates further defensiveness. Management further communicate that *Flexidrive* exclusively finances "mobility" and not "vanity"; the typical vehicle is a small sedan for everyday family use (no trucks nor pick-ups are financed).

We remain cognisant of the used car market distortions created by COVID-induced supply chain challenges, but do—especially in the current period—consider these largely behind us and, thus, the economics of these two businesses can be considered to have been "stress tested".

Strengths:	**Weakness:**
• Unique IP in relationships & focus on this niche credit market (used cars). • Potential access to permanent capital through Astoria's balance sheet.	• The business model remains early-stage and needs to prove its sustainable profitability (Astoria currently values its equity in this business at zero, thus, arguably there is upside here in Astoria's future NAV).
Opportunities:	**Threats:**
• Large South African under-banked population lacking access to traditional loan funding for vehicle purchases. • Traditional banks remain reluctant to lend into the used car market (especially beyond 5-year life spans of underlying cars).	• South African domestic macro and political pressures on consumers, disposable income and, ultimately, credit quality. • Any credit and rental market regulatory changes could negatively impact economics and compliance in this market. • Market dynamics could change dramatically if any major banks turn their attention to financing this market segment.

Valuation and Conclusion:

As this was an early-stage investment, Astoria's investment in VCG comprises both equity and shareholders loans, although most of the capital was provided in the form of shareholders loans. Due to COVID-related business interruption, the loans were steeply discounted in FY 21. As management continues to prove out the business model, this discount has been reduced (but remains more than zero). Astoria continues to value the equity investment at zero.

While we like the underlying market focus, we acknowledge the many challenges in this market and in the broader South Africa consumer credit market as disposable income remain under pressure. Given that management have given the equity here zero value and discounted the book value of the loans, we are reasonably comfortable that the risks of this investment have been balanced against its carrying value. Thus, we take this investment into our SOTPs at management value.

Leatt Corporation (139,000 shares or c.2.3%-shareholding worth $1.7m) – Website
Business Description:

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.4% 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.

Strengths:	**Weakness:**
• Strong & growing brand. • Majority of IP and R&D is owned by the Group. • Global distribution and marketing network. • Net cash balance sheet. • Founder & major shareholder, Dr Leatt, remains involved in the Group. • Very efficient use of its capital, which means that strong growth does not require additional funding.	• Exposed to vagaries of its niche market (i.e. exposed to any negative changes in the popularity of riding motorcycles, bicycles, snowmobiles and ATVs). • Supply chain concentration as the vast majority of the Group's products is made by a third-party manufacturer in China (some diversification is being built out here but the vast majority of its supply remains from China).
Opportunities:	**Threats:**
• Any regulatory advancements on safety while riding motorcycles, bicycles, snowmobiles and ATVs should benefit leading providers of safety equipment. • The strong brand offers parallel product line expansions (which the Group *is* starting to execute on, for example, expanding into backpacks, glasses and shoes).	• Any movement into this market by major global action wear and athleisure players may increase competition. • Geopolitical risks to a global supply chain, distribution network and sales teams. • Input cost inflation may not, in the short-term, be able to be passed on to its end-consumers. • Any deterioration in the brand or its consumer appeal.

Conclusion:

Given that Leatt Corp is listed in the USA, we have used the current USD-based share price as a third-party valuation for Astoria's investment. Translating this back to a ZAR-based valuation then arrives at our ZAR-based NAV for the Group. While Leatt Corp's share is thinly traded and, thus, quite volatile, we do not think it is appropriate to try to adjust this measure and, thus, take it at face value for our SOTP of Astoria.

Astoria Treasury (100%-shareholdings valued at R4m)
At 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 and, in FY 22, the loan book of Astoria Treasury was R66.5m with provisions of R10.0m against those. Note that the R4m NAV is the post-provision "remaining" loans (some of the loans to investees are included in their respective valuations and not here). Both given the expected 15% loss ratio on its loan book and the relatively small contribution to Astoria's NAV of the end investment, we are comfortable to take Astoria Treasury into our SOTPs at management value. We consider this investment to be more of a tactical investment by the Group.

Sector Analysis: JSE-listed HoldCo's

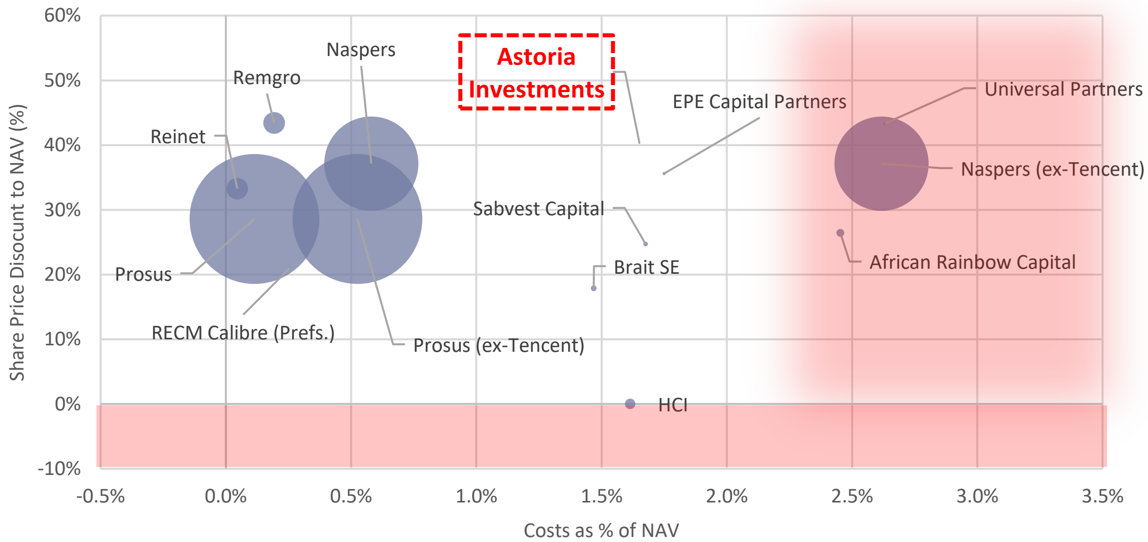
While many aspects of HoldCo's are incomparable due to the diversity of their underlying investment portfolios, their legal structures and their management strategy, there are a number of criteria that we think are worth zooming into for the purposes of placing Astoria Investments into context on the 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 7 shows the relative cost of each JSE-listed HoldCo, its discount and its Rand-based market capitalisation. Importantly, Astoria can be seen to be in the "good quadrant" where HoldCo's central costs are reasonable and its share price has a relatively large discount against its NAV.

Figure 7: JSE-listed HoldCo's Costs as % of NAV versus Discount as % of Share Price (Bubble Size = Market Cap.)



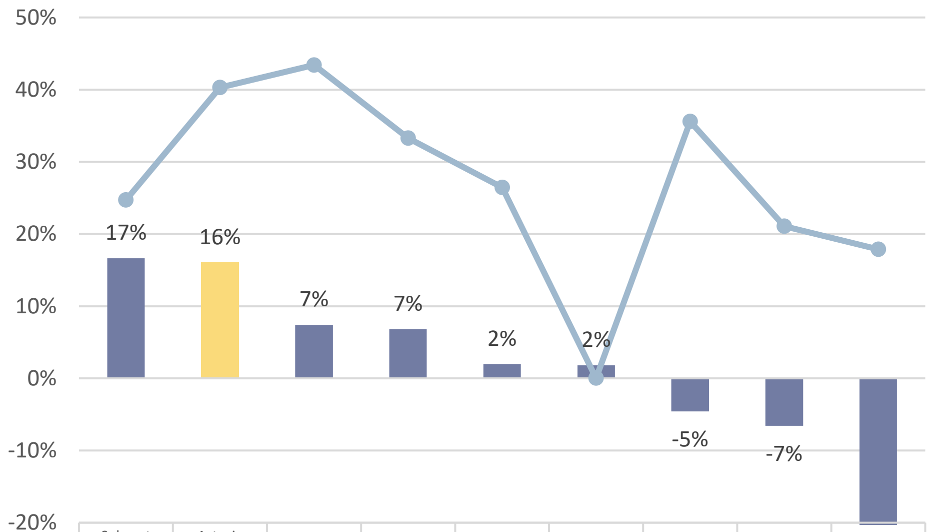
Sources: Various company results and reports, Refinitiv, Iress, Profile Media, and Blue Gem Research workings and assumptions (as per closing prices on 17 March 2023 – we have kept this date static to provide better like-for-like comparisons, even though share prices and exchange rates are moving)

When considering growth and NAV track record, we typically select a 5-year period to date. This may penalize some HoldCo's and reward others, but it does show a reasonable length of time and track record over a period that includes normal times, a pandemic, lockdown(s), recession(s), loadshedding and a land-based war in Europe. Likewise, 5-years is long enough that this track record is likely to be more than just a lucky year or two.

In Figure 8, Astoria can be seen to have grown its NAV well above inflation over the last five years (including dividends and distributions) and ranks well against its JSE-listed peers. Albeit, we acknowledge the shortcomings of this 5-year NAV growth analysis given that the HoldCo's management changed during 2020.

This material change implies that the track record before this period is incomparable to current growth and, potentially, future growth. We agree with this view, but—for completeness-sake—show the analysis anyway.

Figure 8: JSE-listed HoldCo's (5-year) Growth in NAV versus Discount as % of Share Price



	Sabvest Capital	Astoria Investments	Remgro	Reinet	ARC	HCI	EPE	RACP	Brait
5yr CAGR in NAV + Dividends	17%	16%	7%	7%	2%	2%	-5%	-7%	-39%
Share Price Discount to NAV (%)	25%	40%	43%	33%	26%	0%	36%	21%	18%

Sources: Various company results and reports, Refinitiv, Iress, Profile Media, and Blue Gem Research workings and assumptions (as per closing prices on 17 March 2023 – we have kept this date static to provide better like-for-like comparisons, even though share prices and exchange rates are moving)

While the change in management in 2020 largely sterilizes any track record comparison, we do note that a JSE-listed HoldCo analysis reveals that Astoria Investments central costs are relatively reasonable and its share price has a relatively large discount against its NAV. Both these facts count in the Group's favour.

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' NAV to be \$42.5m or \$0.75 per share (in Rands this is R767m or 1370cps).

Appropriate "HoldCo Discount"

If you refer to the "*Astoria's Asset Management (AM) Agreement with RECM Global*" section, the majority of Astoria's operating costs are outsourced through this agreement. That said, there are some internal and listed costs. Thus, we use a combination of both—via the analysis of the Group's income statement and comparison to NAV at FY 22—to arrive at a view that Astoria's HoldCo costs approximate c.1.77% per annum of its NAV.

If we assume a Cost of Equity of 18.1% (SA 10-yr bond of 9.83%, 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.6.0%, this implies that Astoria's HoldCo's perpetuity of its costs should demand a discount of c.14.6% of its NAV (=1.77% / (18.1% - 6%)).

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

Astoria Investments' (updated) NAV less a 14.6% discount implies that the share is worth $35.9m or $0.64 per share (in Rands this is R655m or 1170cps). This is c.25% higher than the Group's current JSE-based share price of 880cps.

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 R11.70 per share, we arrive at a 12m TP of $0.76 per share or R13.81 per share. This implies an rather large +57% 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 reported on 17 April 2023.*

Potentially a Commissioned Report

With reference to the disclosure contained within the 'Disclosures*' section below, it is possible that Blue Gem Research (Pty) Ltd has agreed with Astoria Investments Ltd (here after referred to as 'the Company') for the inclusion of the Company in its coverage universe for a certain time period. Part of this agreement includes payment to Blue Gem Research (Pty) Ltd by the Company and, as such, Blue Gem Research (Pty) Ltd, any employees, contractors and/or analysts who worked on this report cannot be considered independent in any way. Thus, this is a commissioned report and cannot be considered financial advice, investment advice or any such similar material.

In the event that this is not a 'Commissioned Report', then all the usual disclaimers concerning independent research are applicable per industry norms.

Ownership of the Report

This report is the property of Blue Gem Research (Pty) Ltd but may be freely distributed so long as in the act of such a distribution no additions to, deletions from and modifications to this report are made. Furthermore, no party without the express permission of Blue Gem Research (Pty) Ltd may sell this report or make any direct form of compensation from the re-distribution thereof.

Frequency of Next Update

The frequency of new and/or updated report is left at the discretion of Blue Gem Research (Pty) Ltd. No guaranty or promise is made for any level of frequency or timeliness concerning an update or related report with regards to this report.

Disclosures*

A. The analyst is an officer, board member, or director of Blue Gem Research (Pty) Ltd.
B. The Company is a client of Blue Gem Research (Pty) Ltd (i.e. this is a Commissioned Report) and Blue Gem Research (Pty) Ltd has received money in exchange for the production of this report.
C. Analyst holds long or short personal positions in a class of common equity securities of this company.

Astoria Investments Ltd	B

Financial Numbers, Forecasts, Valuations and other Assumptions

While every effort has been made by Blue Gem Research (Pty) Ltd to ensure the accuracy and integrity of the financial numbers, ratios, forecast, valuations and other quantitative and qualitative data in this report, Blue Gem Research (Pty) Ltd does not warranty or guaranty its accuracy. The reader relies on this data and information from this report at his/her own risk. Furthermore, in the case of forecasts and valuations, Blue Gem Research (Pty) Ltd wholly and completely cannot be held liable for any damage or loss caused by any individual, collection of individuals or business or any other party by said party acting or not acting based on the forecasts and valuation(s) included in this report. By their very nature, forecasts and valuations may not be accurate and, indeed, may be wholly and completely wrong.

General Opinion, Not Specific Advice

This report is prepared on a *per share* basis. Blue Gem Research (Pty) Ltd is therefore giving an opinion (and not financial advice) on a *per share* basis, which may or may not be applicable to the reader (or any person, entity or related person or entity). Blue Gem Research (Pty) Ltd lacks complete knowledge of any reader's (or any person, entity or related person or entity) portfolios and/or individual circumstances and, therefore, any of Blue Gem Research (Pty) Ltd's opinion(s) or implied opinion(s) are general in nature and not a specific recommendation or advice, nor can they be construed to be specific in nature. Hence, in no way is this report financial advice.

Legal Entities

To South African Residents: Blue Gem Research (Pty) Ltd is not an Authorised Financial Services Provider. This report is not financial advice, investment advice or any such similar material. **This report constitutes "marketing information".** Blue Gem Research (Pty) Ltd and/or its employees and/or officers have no knowledge of any reader's or readers' financial position(s) and, hence, this cannot in any way be construed as direct or indirect advice leading any person or persons to act thereon. Any decision made or not made which can in any way be linked to this report is solely the responsibility of the party or parties making such a decision. I.e. Blue Gem Research (Pty) Ltd cannot be held liable for any result based on any decision that can be directly or indirectly linked to this report.

General

For the purposes of this report Blue Gem Research (Pty) Ltd refers to all employees of Blue Gem Research (Pty) Ltd. This research report is based on information from sources that Blue Gem Research (Pty) Ltd believes to be reliable. Whilst every care has been taken in preparing this document, no research analyst or employee or director of Blue Gem Research (Pty) Ltd gives any representation, warranty or undertaking and accepts no responsibility or liability as to the accuracy or completeness of the information set out in this document (except with respect to any disclosures relative to members of Blue Gem Research (Pty) Ltd and the research analyst/s involvement with any issuer referred to above. All views, opinions and estimates contained in this document may be changed after publication at any time without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors or any particular class of investors; if you have any doubts you should consult your investment advisor. The investments discussed may fluctuate in price or value. Changes in rates of exchange may have an adverse effect on the value of investments. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Employees of Blue Gem Research (Pty) Ltd and/or their respective directors' may own the investments of any of the issuers discussed herein and may sell them to or buy them from clients on a principal basis. This report is intended solely for clients and prospective clients of Blue Gem Research (Pty) Ltd and is not intended for, and may not be relied on by persons to whom this report may not be provided to by law. This report is for information purposes only. By accepting this document, you agree to be bound by the foregoing limitations and release Blue Gem Research (Pty) Ltd from any potential legal or otherwise liability.

NOT FOR DISTRIBUTION OUTSIDE OF SOUTH AFRICA OR ANY TERRITORY WHERE THIS MATERIAL MAY BE CONSIDERED ILLEGAL.