



Sabvest Limited

Incorporated in the Republic of South Africa

Registration number 1987/003753/06

“Sabvest” or “the group” or “the company”

ISIN: ZAE000006417 – ordinary shares

ISIN: ZAE000012043 – “N” ordinary shares

Share code: SBV – ordinary shares

Share code: SVN – “N” ordinary shares

UNAUDITED INTERIM RESULTS

for the six months ended 30 June 2019

and cash dividend declaration

Consolidated Condensed Statement of Financial Position

as at 30 June 2019

	Unaudited 30 June 2019 R'000	Unaudited 30 June 2018 R'000	Audited 31 Dec 2018 R'000
Non-current assets	2 714 267	2 086 623	2 367 060
Property, plant and equipment	3 995	2 972	2 688
Right of use asset	988	–	–
Investment holdings	2 709 284	2 055 050	2 364 372
Unlisted investments	2 187 770	1 375 589	1 707 546
Listed investments	470 889	573 295	566 699
Listed investments held indirectly	50 625	134 767	90 127
Current assets	261 447	749 754	452 538
Finance advances and receivables	112 488	28 210	34 987
Listed investments held indirectly (held-for-sale)	–	–	65 985
Listed share portfolios	–	394 201	–
Equity investment	–	41 222	–
Bond portfolio	71 761	101 819	101 993
Cash balances	77 198	184 302	249 573
Total assets	2 975 714	2 836 377	2 819 598
Ordinary shareholders' equity	2 469 699	2 471 137	2 446 148
Non-current liabilities	410 805	299 641	277 109
Interest-bearing debt	230 000	140 000	100 000
Deferred tax liabilities	180 805	159 641	177 109
Current liabilities	95 210	65 599	96 341
Interest-bearing debt	46 614	40 235	66 176
Equity/bond portfolio finance	–	32 130	–
Current portion of non-current interest-bearing debt	40 000	–	40 000
Interest-bearing debt	6 614	8 105	26 176
Accounts payable and provisions	48 596	25 364	30 165
Total equity and liabilities	2 975 714	2 836 377	2 819 598

Consolidated Condensed Statement of Cash Flows

for the six months ended 30 June 2019

	Unaudited 30 June 2019 R'000	Unaudited 30 June 2018 R'000	Audited 31 Dec 2018 R'000
Cash (utilised in)/generated by operating activities	27 780	(65 928)	(52 477)
Net income for the period	52 551	159 965	238 083
Adjusted for non-cash items	(9 722)	(164 730)	(214 909)
Cash flows from operations	42 829	(4 765)	23 174
Dividends paid – ordinary	(15 049)	(15 857)	(30 345)
– special	–	(45 306)	(45 306)
Cash flows (utilised in)/from investing activities	(310 593)	251 977	438 465
<i>These include:</i>			
Purchase of investment holdings and offshore portfolio	(427 665)	(1 205 143)	(1 557 661)
Proceeds from sale of investment holdings and offshore portfolio	195 664	94 446	643 431
Proceeds from sale of fixed assets	–	300	300
Proceeds of special dividend	–	1 387 500	1 387 500
Finance advances and other	(78 592)	(25 126)	(35 105)
Cash effects of financing activities	110 438	(1 805)	(136 473)
<i>These include:</i>			
Increase in long-term loans	130 000	–	–
Interest-bearing debt	(19 562)	(25 107)	(7 036)
Decrease in offshore portfolio finance	–	24 445	(7 685)
Purchase of company shares	–	–	(120 609)
Other	–	(1 143)	(1 143)
Change in cash and cash equivalents	(172 375)	184 244	249 515
Cash and cash equivalents at beginning of period	249 573	58	58
Cash and cash equivalents at end of period	77 198	184 302	249 573

Consolidated Condensed Statement of Comprehensive Income

for the six months ended 30 June 2019

	Unaudited 30 June 2019 R'000	Unaudited Restated *2 30 June 2018 R'000	Audited 31 Dec 2018 R'000
Gross income from operations and investments	95 407	227 247	364 351
Dividends received	66 478	15 271	53 557
Interest received	9 265	15 602	27 758
Foreign exchange (loss)/gain	(6 975)	12 101	21 681
Income/(loss) on financial investments and shares	5 052	(2 780)	68 405
Fees and sundry income	942	966	2 047
Fair value adjustment to investments	20 645	186 087	190 903
– Listed	(99 696)	64 637	(89 653)
– Listed investments held indirectly	(14 625)	(15 242)	6 103
– Unlisted	134 966	136 692	274 453
Transactional costs	(3 659)	(6 755)	(11 877)
Impairments written back	419	435	851
Fair value loss on initial recognition of interest-free loans	(274)	–	(3 907)
Interest paid	(9 976)	(8 442)	(16 752)
Net income before expenses and exceptional items	81 917	212 485	332 666
<i>Less:</i> Expenditure	(25 670)	(18 686)	(43 281)
Operating costs – fixed	(16 820)	(15 166)	(27 222)
Operating costs – variable	(8 441)	(3 289)	(15 487)
Depreciation	(409)	(231)	(572)
Net income before taxation	56 247	193 799	289 385
Taxation – deferred	(3 696)	(33 834)	(51 302)
Net income for the year attributable to equity shareholders	52 551	159 965	238 083
Translation of foreign subsidiary *1	(13 951)	69 533	101 523
Total comprehensive income attributable to equity shareholders	38 600	229 498	339 606

*1 This item may subsequently be classified to profit and loss.

*2 Refer to restatement of comparative information.

Other Information

as at 30 June 2019

	Unaudited 30 June 2019 R'000	Unaudited 30 June 2018 R'000	Audited 31 Dec 2018 R'000
Net asset value per share with investments at fair value – cents	5 908	5 458	5 852
Number of shares in issue less held in treasury – 000's	41 802	45 274	41 802
Earnings per share – cents	125,7	353,3	531,3
Weighted average number of shares in issue – 000's	41 802	45 279	44 813
Reconciliation of headline earnings (R'000)			
Net income for the period	52 551	159 965	238 083
Profit on sale of property, plant and equipment	–	(155)	(155)
Headline earnings for the period	52 551	159 810	237 928
Headline earnings per share – cents *3	125,7	352,9	530,9

*3 There are no diluting instruments.

Consolidated Condensed Statement of Changes in Equity

for the six months ended 30 June 2019

	Share capital R'000	Share premium R'000	Non-distribu- table reserve R'000	Distributable reserve R'000	Total R'000
Balance as at 1 January 2018	851	28 437	42 295	2 232 362	2 303 945
Total comprehensive profit for the period	–	–	101 523	238 083	339 606
Shares held in treasury – written back	5	17 311	–	–	17 316
Shares cancelled	(5)	(45 748)	–	(93 315)	(139 068)
Dividends paid	–	–	–	(75 651)	(75 651)
Balance as at 31 December 2018	851	–	143 818	2 301 479	2 446 148
Total comprehensive profit for the period	–	–	(13 951)	52 551	38 600
Dividends paid	–	–	–	(15 049)	(15 049)
Balance at 30 June 2019 (Unaudited)	851	–	129 867	2 338 981	2 469 699

	Unaudited 30 June 2019 R'000	Unaudited 30 June 2018 R'000	Audited 31 Dec 2018 R'000
Dividends per share (proposed after interim/year-end) – cents	36,0	32,0	68,0
Special dividends per share – cents	–	100,0	100,0

Investment Holdings

as at 30 June 2019

	Number of Ordinary shares/units	Economic interest %	Fair value R'000
Unlisted Investments			
Classic Food Brands (Pty) Ltd		25,0	29 114
DNI-4PL Contracts (Pty) Ltd * ¹		20,0	478 728
Flexo Line Products (Pty) Ltd		47,5	35 206
ITL Holdings Group * ²		30,0	788 862
Masimong Group Holdings (Pty) Ltd		10,0	114 000
Revix Group * ⁶		30,0	–
SA Bias Industries (Pty) Ltd * ³		59,9	683 140
Sunspray Food Ingredients (Pty) Ltd * ⁴		28,2	58 720
			2 187 770
Listed Investments			
Brait S.E.	4 000 000		74 000
Corero Network Security Plc	28 000 000		37 109
Metrofile Holdings Limited	49 000 000		79 380
Net1 UEPS Technologies Inc	300 000		16 575
Rolfes Holdings Limited	28 500 000		64 125
Transaction Capital Limited	10 000 000		199 700
			470 889
Listed Investments Held Indirectly			
Rolfes Holdings Limited * ⁵	22 500 000		50 625
			50 625
Non-current investment holdings			2 709 284
Current investments			71 761
– Listed bond portfolio			71 761
– Listed investments held-for-sale			–
TOTAL HOLDINGS			2 781 045

*¹ Effective interest of 16,0% in DNI through 34,78% of JAA Holdings which owns 46,0% of DNI and a 4% direct interest in DNI.

*² ITL Holdings Limited Jersey held through Mandarin Industries Limited BVI and ITL Holdings SA (Pty) Ltd held through Mandarin Holdings (Pty) Ltd.

*³ Voting interest 49%.

*⁴ Held indirectly through ordinary shares in Famdeen Investments (Pty) Ltd.

*⁵ Held indirectly through participating preference shares in Masimong Chemicals (Pty) Ltd linked to the performance of 22,5m shares in Rolfes Holdings Limited.

*⁶ Revix UK Limited, Revix Technologies Limited and Revix SA Holdco (Pty) Ltd.

Contingent Liabilities

as at 30 June 2019

- The group has rights and obligations in terms of shareholder and purchase and sale agreements relating to its present and former investments.
- Guarantees for the bank borrowings of two investees utilised at 30 June 2019 in amounts totalling R133m (utilisation by investees at 30 June 2018, R139m).

Investment Holdings per Sector

as at 30 June 2019

	Fair value R'000
Industrial and Services	
DNI-4PL Contracts (Pty) Ltd	478 728
ITL Holdings Group	788 862
Metrofile Holdings Limited	79 380
SA Bias Industries (Pty) Ltd	683 140
	2 030 110
Industrial – Food and Related Products	
Classic Food Brands (Pty) Ltd	29 114
Flexo Line Products (Pty) Ltd	35 206
Sunspray Food Ingredients (Pty) Ltd	58 720
	123 040
Information Technology	
Corero Network Security Plc	37 109
Revix Group * ⁶	–
	37 109
Mining, Chemicals and Agriculture	
Masimong Group Holdings (Pty) Ltd	114 000
Rolfes Holdings Limited	114 750
	228 750
Specialised Financial	
Brait SE	74 000
Net1 UEPS Technologies Inc	16 575
Transaction Capital Limited	199 700
	290 275
	2 709 284

PROFILE

Sabvest is an investment group which has been listed on the JSE since 1988. Its 17,0m ordinary shares and 24,8m 'N' ordinary shares are quoted in the Equity Investment Instruments sector of the JSE.

Sabvest has interests in eight unlisted investments, direct and indirect interests in six listed investments and an offshore bond portfolio, all accounted for on a fair value basis. In addition Sabvest makes finance advances, holds general debt, share and cash portfolios, and undertakes other fee, finance and profit earning activities from time to time.

CHANGES IN INVESTMENT HOLDINGS

During the reporting period, Sabvest has

- Purchased an additional 2,5m shares in Metrofile for R3,9m thereby increasing its interest in Metrofile to 49m shares representing an 11,6% interest in Metrofile;
- Purchased an additional 1,0m shares in Rolfes for R2,4m thereby increasing its direct and indirect economic interests in Rolfes to 51m shares representing a 31% economic interest in Rolfes;
- Disposed of its 200 000 units in Value Capital Partners Fund for R26,9m;
- Purchased a 10% interest in Masimong Group Holdings (Pty) Limited, as advised on SENS;
- Purchased a 30% interest in Revix Group in the UK and RSA, as advised on SENS;
- Increased its direct and indirect interests in DNI-4PL Contracts (Pty) Limited to 20% through its 34,78% interest in JAA Holdings (Pty) Limited which now owns 46% of DNI and 4% directly in DNI, as advised on SENS; and
- Varied its bond and money market holdings to optimise returns on surplus cash without general equity risk at this time.

Subsequent to the reporting date, Sabvest has

- Purchased a 49% interest in Apex Partners Holdings (Pty) Limited, as advised on SENS.

During the reporting period, Sabvest's major unlisted investees have concluded various transactions as follows:

- ITL Group has increased its interest in ITL Bangladesh from 50% to 100%, established new manufacturing facilities in Ethiopia and Mauritius, approved a new business unit in North Vietnam and commenced its first roll out of RFID contracts in RSA and to a major global customer; and
- The Flowmax UK division of SA Bias Industries has acquired 76% of Whisper Pumps Limited in the UK and 60% of Petroy B.V. in the Netherlands.

No Sabvest shares were purchased or issued during the reporting period.

FINANCIAL RESULTS

NAV per share increased by 8% to 5 908c over the twelve months from the prior interim reporting date.

PAT reduced materially to R52,6m for the reporting period primarily due to fair value losses of R114m on direct and indirect listed investments (2018: gain R49,4m) due to lower listed share prices at the reporting date, and forex losses of R6,9m (2018: gain R12,1m). The gain of R134,9m on unlisted investments was substantially the same as in the prior interim period but is stated after the SA Bias valuation was reduced by a special dividend paid during the period of which Sabvest's share was R41,25m.

The balance sheet remained strong and liquid with shareholders' funds of R2,469bn, interest-bearing debt net of cash and bonds of R128m and indebtedness of investees under Sabvest financial guarantees of R133m. The guarantees are expected to be released or run down to zero over the forthcoming 24 months.

Dividends for the interim period have been increased by 12,5% to 36c per share (2018: 32c per share).

LISTED INVESTMENTS

- Brait's share price reduced materially primarily due to uncertainties concerning the refinancing of its balance sheet debt. Those are expected to be resolved in the period ahead.
- The Corero share price continues to be volatile on small volumes. However Corero's expanded relationship with Juniper Networks should continue to bolster its volumes and revenues, and therefore its intrinsic value in due course.
- Metrofile had a number of one off negatives in the current year and in particular relating to debt and effective taxation rates and the share price reduced materially in response. The position is expected to correct in the coming period (as announced by it on SENS).
- Net1 has suffered difficult trading conditions in its post SASSA contract period and uncertainties relating to the value of its investment in Cell-C and its holdings in KSNet in Korea. Its share price has been weak as a result. It has however eliminated its net on balance sheet debt completely and more certainty over trading, Cell-C and KSNet is likely in the period ahead.
- Rolfes is trading satisfactorily, except in the agricultural division, but has experienced a weak share price. Rolfes has recently issued a cautionary announcement relating to negotiations now in progress and has announced the sale of its colour division.
- Transaction Capital continues to trade very well with good growth continuing in both of its operating divisions. Its share price continues to strengthen as a result. Growth prospects continue to be strong.
- The investment in Value Capital Partners, a non-core holding, was realised during the period resulting in a satisfactory return over the investment period.

UNLISTED INVESTMENTS

- Classic Food Brands, a start-up business, has now reached profitability and has good prospects.
- DNI is growing strongly, is highly cash generative and has exciting strategic and financial prospects.
- Flexo Line has traded below expectations and is carried at an impaired value. However it has now implemented a revised pricing model with customers and improved production efficiencies and prospects are at last encouraging.
- ITL traded exceptionally well during the period. Growth prospects continue to be strong as its market penetration, production capabilities geographically and technically and customer reach globally are at the forefront of the industry internationally.

- Masimong has a portfolio of high performing growth assets and in particular its mining interests in Seriti Coal and Lephalale Coal and Power, and its agricultural interests in Mouton Citrus, Carmien Tea and Southern Cross grape and date farms. It has continuing new growth and investment opportunities as Masimong is one of the most highly regarded and preferred bidders/owners in these sectors in RSA. Sabvest will increase its investment in Masimong if the opportunity arises.
- Revix has launched its cryptocurrency portfolio application portal successfully and is focusing on gaining brand and functional recognition, traction and volumes internationally.
- SA Bias Industries had a fair overall performance in the period with its Flowmax UK fluid handling operations trading well but with weakness in its South African Narrowtex and ACM divisions. While Brexit uncertainty may temporarily impact trading, continued organic and acquisitive growth is expected in the Flowmax Group. Demand from South African industrial markets remains weak, however improvements to the business model in Narrowtex to further enhance export prospects should enable a return to growth in the coming year.
- Sunspray Food Ingredients continues to trade satisfactorily and achieve year on year growth in earnings.

Unlisted investments, except Revix and Masimong, are valued using the maintainable earnings model based on historic normalised EBITDA adjusted for future prospects if appropriate. EBITDA multiples are based on transaction multiples usual for small/medium cap private companies except for ITL which is at a higher international level but below recent transaction multiples. Each resulting calculation is then adjusted for cash/debt/equivalents to determine net EV. The multiples for this period are Classic 5, DNI 6,5, Flexo 4, ITL 9,25, SA Bias – Flowmax 6, Narrowtex 5, ACM 4, and Sunspray 5. Revix as a start-up is fully impaired. Masimong is carried at attributable NAV after its own fair value calculations of its holdings on a DCF basis, net of minority and liquidity discounts and deferred CGT, and audited.

FUTURE INVESTMENTS

Sabvest remains focused on unlisted investments but will also hold some listed investments where it is represented on the board and/or has influence to execute particular strategies. It may issue new shares but only if the value exchange in the capital allocation decision is compelling.

Sabvest anticipates making one further industrial investment in the period ahead and possibly increasing its interest in Masimong. Sabvest's current capital, with a conservative level of gearing to enhance returns, will then be fully invested.

PARTNERSHIP PRINCIPLE

Sabvest usually only invests alongside a family, operating or financial partner. Its current partners in each investment are recorded in the 2018 integrated annual report on its website.

CAPITAL STRUCTURE

Sabvest has formulated a proposal to simplify the groups' dual share structure and is in discussion with the JSE over its terms and acceptability. Shareholders will be advised further in due course.

DIVIDENDS

Dividends are determined relative to Sabvest's own cash flows from investments and services with a target of achieving a 10% compound growth rate in dividends over a period.

Dividends are considered twice annually. The interim dividend proposed for the six months is 36c which is a 12,5% increase over the previous interim dividend of 32c.

RELATED PARTIES

Related party transactions exist between subsidiaries and the holding company, fellow subsidiaries and investee companies, and comprise fees, dividends and income.

Transactions with directors relate to fees and monies lent to the group by individuals and companies controlled by the directors.

ACCOUNTING POLICIES

The unaudited consolidated condensed interim financial statements (interim financials) have been prepared in accordance with and containing the information required on the Standard 34: Interim Financial Reporting as issued by the International Accounting Practices Standards Board (IASB), the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Pronouncements issued by the Financial Reporting Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

These have been prepared on a historical cost basis, except for financial instruments and investments which are measured at fair value. The significant accounting policies and methods of computation are consistent in all material aspects of those applied in the previous financial year other than the adoption of various new standards.

The group has adopted IFRS16 – *Leases* with effect from 1 January 2019. IFRS16 – *Leases* sets out the principals of leases for both parties in a contract, ie, the customer (Lessee) and the supplier (Lessor). IFRS16 replaces the previous leases, IAS17 – *Leases and related interpretations*. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The group has used this practical expedient. The impact on the group's Condensed Consolidated Statement of Financial Position is the asset (the right of use for the leased premises) and the financial liability to pay rentals are capitalised and recognised. The impact on the group's Condensed Consolidated Statement of Comprehensive Income, is the depreciation and financial cost that replaces the rent charges under IFRS17.

There have been no material change in judgements or estimates of the amounts reported in prior reporting periods. The preparation of the interim financial statements were supervised by the Chief Financial Officer, R Pleaner, CA(SA), and are available for inspection at the group's registered office.

RESTATEMENT OF COMPARATIVE INFORMATION

The group has enhanced its disclosure of total operating costs by separating fixed and variable costs to enable shareholders to assess the variability of costs. The group has combined the direct transactional cost and investment acquisition costs into one line item, namely transactional costs. Neither of these have resulted in any changes to the total amounts reflected in the statements of financial position or comprehensive income.

DIRECTORATE

There have been no changes in the reporting period

KING IV™ COMPLIANCE

Sabvest's compliance report is on the Sabvest website and in the 2018 integrated annual report.

PROSPECTS

Overall the unlisted portfolio is expected to deliver satisfactory growth and returns in the period ahead.

While it is obviously not possible to predict share prices of the group's listed investments, the improving fundamentals of each and/or possible corporate actions relating to some of them are likely to enhance perceptions of value and thereby share prices in due course.

References to future financial information in this announcement have not been reviewed or reported on by the group's auditors.

For and on behalf of the Board

Dawn Mokhobo

Chairman

Sandton

12 August 2019

Christopher Seabrooke

CEO

Raymond Pleaner

CFO

CASH DIVIDEND DECLARATION

Notice is hereby given that an interim dividend of 36 cents (2018: 32 cents) per ordinary and 'N' ordinary share for the six months ended 30 June 2019 has been declared out of income reserves.

The issued share capital of the company at the declaration date is 16 975 293 ordinary and 24 826 919 'N' ordinary shares. The income tax number of the company is 9375/105/716.

Withholding tax on dividends at a rate of 20% will be deducted for all shareholders who are not exempt in terms of the legislation. This will result in a final net cash dividend of 28,8 cents per ordinary and 'N' ordinary share to non-exempt shareholders.

Last date to trade "CUM" dividend Tuesday, 27 August 2019

Trading "EX" dividend commences Wednesday, 28 August 2019

Record date Friday, 30 August 2019

Dividend payment date Monday, 2 September 2019

No dematerialisation or rematerialisation of share certificates will be allowed during the period Wednesday, 28 August 2019 to Friday, 30 August 2019, both days inclusive.

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Communications:

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Directors:

DNM Mokhobo [#] (*Chairperson*), BJT Shongwe [#] (*Deputy Chairperson*), CS Seabrooke ^{*} (*Chief Executive*), NSH Hughes [#] (*Lead Independent Director*),
L Mthimunya [#], R Pleaner ^{*}, L Rood ^{*^} ^{*}*Executive* [#]*Independent* [^]*Appointed 1 January 2019*

Sponsor:

Rand Merchant Bank (A division of FirstRand Bank Limited), 1 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton 2196

Company Secretary:

Levitt Kirson Business Services (Pty) Ltd