



AH-VEST LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1989/000100/06)
(“AH-Vest” or “the Company”)
Share code: AHL ISIN code: ZAE000129177

CAPITAL RAISING ROADSHOW (“ROADSHOW”), PROFIT ESTIMATE FOR THE YEAR ENDED 30 JUNE 2020 AND PROFIT FORECAST FOR THE YEARS ENDING 30 JUNE 2021 AND 30 JUNE 2022

The Board of AH-Vest has resolved to raise additional cash for the Company through the issue of shares under the existing General Authority to issue shares for cash (“the placement”) in order to substantially increase the Company’s inventory levels to meet increased order levels and to further automate the packaging of its products, which is currently a bottleneck. The Company is seeking to raise up to R30m.

As a result of a change in customer buying trends, AH-Vest lost around R22m in sales for the year ended 30 June 2019 and estimates lost orders of more than R30m for the year ended 30 June 2020. Building up stock levels will assist in meeting this requirement and the growing demand for the Company’s products. In addition to this, the Company is seeking to address its shareholder spread and to improve liquidity of the shares in accordance with its undertakings to the JSE.

The placement will be offered to qualifying investors through a road show and neither constitutes, nor is intended to constitute, an offer to the public to purchase or subscribe for any shares.

The roadshow has commenced and will be conducted during July 2020 and August 2020, or until the cash is raised. The issue of shares will be announced as soon as practicable following the closing of the roadshow.

AcaciaCap Advisors is assisting AH-Vest on the capital raising and roadshow. For further information or to request a presentation, please contact Michelle Krastanov on +2711 480 8570 or Kay Stoler on +27 11 480 8628, or by way of e-mail at michelle@acaciacap.co.za or kay@acaciacap.co.za.

The Company has prepared a profit estimate for the year ended 30 June 2020 as well as a profit forecast for the two years ending 30 June 2021 and 30 June 2022 on a pre-investment and post-investment basis in order to ensure that the general market has access to all of the same information as is being presented to potential investors. The investor presentation is available for downloading on the Company’s website, www.alljoy.co.za.

No trading update has been issued for the year ended 30 June 2020 as, per the profit estimate, earnings per share (“EPS”) and headline earnings per share (“HEPS”) are not expected to differ by more than 20% from the EPS and HEPS reported for the prior year.

Whilst the audit for the year ended 30 June 2020 is in progress, the profit estimate has not been audited or reviewed and reported on by either the Company’s auditors or a reporting accountant in accordance with ISAE 3000 nor has the profit forecast been reviewed and reported on by the Company’s auditor or by a reporting accountant in accordance with ISAE 3400 and all financial information is being issued on a voluntary basis due to the road show.

Statement of compliance

The profit estimate and the two year forecast have been prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"), its interpretations adopted by the International Accounting Standards Board (IASB), IAS 34 – *Interim Financial Reporting* and the Listings Requirements of the JSE Limited.

The profit estimate for the year ended 30 June 2020 is set out below:

	Unreviewed Profit Estimate for the Year Ended 30 June 2020	Audited 12 months Ended 30 June 2019
	R'000	R'000
Revenue	188 598	177 106
Cost of sales	(116 390)	(105 298)
Gross profit	72 208	71 808
Other Income	296	912
Operating expenses	(58 642)	(60 402)
Operating profit	13 862	12 318
Finance costs	(5 580)	(4 015)
Profit before taxation	8 282	8 303
Taxation	(2 319)	(2 377)
Total comprehensive income for the year	5 963	5 926
Attributable to:		
Equity holders of the parent	5 963	5 926
Total comprehensive income for the period	5 963	5926

Headline earnings reconciliation

The headline earnings reconciliation is set out below:

	Unreviewed Profit Estimate for the Year Ended 30 June 2020	Audited 12 months Ended 30 June 2019
	R'000	R'000
Profit for the period attributable to equity holders of the parent	5 963	5 926
Headline earnings attributable to shareholders of the Company	5 963	6 016
Share information		
Basic and diluted earnings per share (cents)	5.85	5.81
Basic and diluted headline earnings per share (cents)	5.85	5.90
Weighted average shares in issue ('000)	101 973	101 973
Number of shares in issue at period end	101 973	101 973

Details of the profit forecast for the two years ending 30 June 2021 and 30 June 2022, together with assumptions, are set out below:

	Pre-investment		Post investment	
	12 months Ending 30 June 2021 R'000	12 months Ending 30 June 2022 R'000	12 months Ending 30 June 2021 R'000	12 months Ending 30 June 2022 R'000
Revenue	206 084	226 692	216 126	248 545
Cost of sales	(128 527)	(142 413)	(134 596)	(155 743)
Gross profit	77 557	84 279	81 530	92 802
Other Income	257	242	2 818	3 215
Operating expenses	(64 065)	(69 944)	(64 402)	(70 555)
Operating profit	13 749	14 577	19 946	25 462
Finance costs	(5 255)	(4 231)	(5 255)	(4 231)
Profit before taxation	8 494	10 346	14 691	21 231
Taxation	(2 378)	(2 897)	(4 113)	(5 945)
Total comprehensive income for the year	6 116	7 449	10 578	15 286
Attributable to:				
Equity holders of the parent	6 116	7 449	10 578	15 286
Total comprehensive income for the period	6 116	7 449	10 578	15 286

Headline earnings reconciliation

The headline earnings reconciliation is set out below:

	Pre-investment		Post investment	
	12 months Ending 30 June 2021 R'000	12 months Ending 30 June 2022 R'000	12 months Ending 30 June 2021 R'000	12 months Ending 30 June 2022 R'000
Profit for the period attributable to equity holders of the parent	6 116	7 449	10 578	15 286
Headline earnings attributable to shareholders of the Company	6 116	7 449	10 578	15 286
Share information				
Basic and diluted earnings per share (cents)	6.00	7.30	7.30	10.54
Basic and diluted headline earnings per share (cents)	6.00	7.30	7.30	10.54
Weighted average shares in issue ('000)	101 973	101 973	144 973	144 973
Number of shares in issue at period end	101 973	101 973	144 973	144 973

Basis of preparation

The profit estimate for the year ended 30 June 2020 and the profit forecast for the years ending 30 June 2021 and 2022 have been prepared using the accounting policies of AH-Vest used in the preparation of the audited results for the year ended 30 June 2019 and the interim results for the six months ended 31 December 2019. The financial information on which the profit estimate and forecast have been prepared as well as the assumptions on which the forecast information is based are the responsibility of the directors of AH-Vest. New accounting standards introduced over these three periods have been considered as follows:

IFRS 9: Financial instruments

The standard requires financial assets to be measured either at amortized cost or fair value, depending on the business model under which they are held and the cash flow characteristics of the instrument. In addition, the standard replaces the incurred loss impairment model in IAS 39 with an expected loss model. It will no longer be necessary for a credit event to have occurred before credit losses are recognised. The profit forecast assumes a provision for credit losses at a rate of 0.3% based on the estimated net invoiced sales.

IFRS 15: Revenue from contracts with customers

The IFRS replaces IAS 18 Revenue and provides a single, principles based five-step model to be applied to all contracts with customers. The steps involve identifying the contract, identifying the performance obligations under the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognising revenue when the entity satisfies a performance obligation. The amendments have no impact on the Company's profit forecast and revenue has been assumed to be earned in line with historical revenue recognition.

IFRS16: Leases – Effective date: 1 January 2019

The IFRS 16 replaces IAS 17 Leases. IFRS 16 has one model for lessees which will result in almost all the leases being included on the Statement of Financial Position. Lessors continue to classify leases as operating or finance leases. This had a material impact on the results of AH-Vest and was adopted during the year ended 30 June 2019.

Key Assumptions:

The assumptions utilised in the profit forecast for the years ending 30 June 2021 and 2022 and which are considered by management to be significant or are key factors on which the results of the Company will depend, are disclosed below. The assumptions disclosed are not intended to be an exhaustive list. There are other routine assumptions, which are not listed. The actual results achieved during the forecast period may vary from the forecast and the variations may or may not be material. The forecast financial information is based on the assumption that circumstances which affect the Company's business, but which are outside the control of the Directors, will not materially alter in such a way as to affect the trading of the Company.

1. The current market conditions in the food industry in which the business operates are not expected to change substantially following the COVID-19 pandemic.
2. The post investment forecast numbers assume that the capital of R30 million is raised primarily for investment into growing the inventory levels needed to grow the business. The number of shares in issue has been assumed to increase by 43 million shares, although this number may vary.
3. The forecast numbers have been prepared in terms of IFRS and are based on the accounting policies of the Company.
4. The forecast for the twelve month period ending 30 June 2021 commences from 1 July 2020.
5. Expenses have been forecast on a line-by-line basis and reflect the current budgeted expenditure and take into account the cost of being listed.
6. The present level of interest and tax rates will remain substantially unchanged.
7. The expected impact on financial results due to foreign exchange movement has been kept consistent with current ruling market conditions at an estimated average exchange rate over the period. The average exchange rate used is a rate of USD1:R17.
8. Depreciation expense is provided for over the useful life of the assets used.
9. Revenue is based on an estimated percentage contribution between current clients and expected new business.
10. Finance Costs are assumed at the current prime rate of Absa Bank Limited, being the current lending rate enjoyed by the Company.

Detailed assumptions

1. REVENUE AND GROSS PROFIT ASSUMPTIONS AND COMMENTARY

An analysis of the revenue of the Company is set out below:

	Pre-investment		Post investment	
	Year ending 30 June 2021 R'000	Year ending 30 June 2022 R'000	Year ending 30 June 2021 R'000	Year ending 30 June 2022 R'000
Total Revenue	206 084	226 692	216 126	248 545
Cost of sales	(128 527)	(142 413)	(134 596)	(155 743)
Gross profit	77 557	84 279	81 530	92 802

For the 2021 and 2022 period the projected growth rate, pre-investment is 10% each year based on current capacity and demand. Post investment, the growth in turnover is projected at 15% each year based on the expectation that the Company will be able to meet existing excess demand and also from the increased product range.

2. OPERATIONAL EXPENSES

The main components of operational expenses are salaries and wages, sales and distribution costs and promotional expenses. The forecasts for salaries and wages for 2021 and 2022 are based on the existing headcount.

The balance of the operational costs is based on the existing expense base of the Company.

The operating expenses are higher than the operating expenses for the year ended 30 June 2019 due to inflation and higher production and revenue. Whilst foreign exchange gains or losses have been forecast, they are immaterial.

Depreciation and amortisation have been assumed on the basis of the existing depreciation and amortisation rates used by the Company as well as on expected capital expenditure. Details of the projected EBITDA, depreciation and amortisation are set out in the table below:

	Pre-investment		Post investment	
	30 June 2021 R'000	30 June 2022 R'000	30 June 2021 R'000	30 June 2022 R'000
EBITDA	17 953	18 932	24 150	29 816
Depreciation	(4 610)	(4 760)	(4 610)	(4 760)
Amortisation of Intangibles	406	406	406	406

No impairment of any assets has been assumed. The Company does not have any goodwill on the balance sheet.

3. TAXATION

Taxation has been assumed at 28%.

4. FACTORS UNDER DIRECT INFLUENCE OF DIRECTORS

Revenue, cost of sales and operating expenses can be influenced by director actions.

5. FACTORS THAT ARE EXCLUSIVELY OUTSIDE THE INFLUENCE OF DIRECTORS

Regulatory, economic or political factors, including the short and medium term impact of COVID-19 and the effect that the economic lockdown will have on customers, suppliers and the industry, which in turn may have an impact on the Company.

6. FORWARD LOOKING STATEMENTS

This report may contain certain forward-looking statements concerning AH-Vest's operations, economic performance and financial condition, plans and expectations. Such views involve both known and unknown risks, assumptions, uncertainties and other important factors that could materially influence the actual performance of the Company. No assurance can be given that these will prove to be correct and no representation or warranty expressed or implied is given as to the accuracy or completeness of such views or as to any of the other information in this report.

The Company does not undertake to update any forward-looking statements and does not assume responsibility for any loss or damage, however arising, as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits or consequential loss or damage.

JOHANNESBURG

14 August 2020

**Designated Advisor
AcaciaCap Advisors (Pty) Ltd**

