



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: ZAE 000012043 – “N” ordinary shares

Share code: SBV – ordinary shares

Share code: SVN – “N” ordinary shares

UNAUDITED INTERIM RESULTS
for the six months ended 30 June 2018
and cash dividend declaration

Condensed Consolidated Statement of Financial Position

as at 30 June 2018

	Unaudited 30 June 2018 R'000	Unaudited Restated * ² 30 June 2017 R'000	Audited 31 Dec 2017 R'000
Non-current assets	2 086 623	2 056 266	1 135 885
Property, plant and equipment	2 972	1 216	1 050
Investment holdings	2 083 651	2 055 050	1 134 835
Unlisted investments – local	876 179	1 480 258	652 547
Unlisted investments – offshore	499 410	–	–
Listed investments	573 295	353 756	332 279
Listed investments held indirectly	134 767	221 036	150 009
Current assets	749 754	198 115	1 514 928
Finance advances and receivables	28 210	5 320	1 388 447
Offshore investment holdings	537 242	192 507	126 423
Listed Share portfolios	394 201	81 774	101 556
Listed Equity holding	41 222	30 987	24 867
Listed Bond portfolio	–	79 746	–
Cash portfolio	101 819	–	–
Cash balances	184 302	288	58
Total assets	2 836 377	2 254 381	2 650 813
Ordinary shareholders' equity	2 471 137	1 688 906	2 303 945
Non-current liability	299 641	401 411	235 807
Interest-bearing debt	140 000	70 000	110 000
Deferred tax liability	159 641	331 411	125 807
Current liabilities	65 599	164 064	111 061
Interest-bearing debt	40 235	150 656	70 897
Offshore portfolio finance	32 130	70 600	7 685
Current portion of non-current interest-bearing debt	–	50 000	30 000
Interest-bearing debt	8 105	30 056	33 212
Accounts payable and provisions	25 364	13 408	40 164
Total equity and liabilities	2 836 377	2 254 381	2 650 813

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2018

	Unaudited 6 months ended 30 June 2018 R'000	Unaudited 6 months ended 30 June 2017 R'000	Audited 12 months ended 31 Dec 2017 R'000
Cash (utilised in)/generated by operating activities	(65 928)	28 762	20 766
Net income for the period	159 965	54 315	688 364
Adjusted for non-cash items	(164 730)	(10 989)	(641 254)
Cash flow from operations	(4 765)	43 326	47 110
Dividends paid	(61 163)	(14 564)	(26 344)
Cash flows from investing activities	251 977	(79 373)	(31 848)
<i>These include:</i>			
Purchase of investment holdings, offshore portfolio and asset swap	(1 205 143)	(165 218)	(240 877)
Proceeds from sale of investment holdings, offshore portfolio and asset swap	94 446	87 331	207 675
Proceeds from sale of fixed assets	300	–	–
Proceeds of special dividend	1 387 500	–	–
Other	(25 126)	(1 486)	1 354
Cash effects of financing activities	(1 805)	47 812	8 053
<i>These include:</i>			
Increase in long-term loans	–	–	20 000
Increase/(decrease) in offshore portfolio finance	24 445	34 023	(28 892)
Interest-bearing debt	(25 107)	18 901	22 057
Other	(1 143)	(5 112)	(5 112)
Change in cash and cash equivalents	184 244	(2 799)	(3 029)
Cash balances, less current interest-bearing debt, excluding portfolio finance, at beginning of period	58	3 087	3 087
Cash balances, less RSA interest-bearing debt at end of period	184 302	288	58

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2018

	Unaudited 6 months ended 30 June 2018 R'000	Unaudited Restated * ² 6 months ended 30 June 2017 R'000	Audited 12 months ended 31 Dec 2017 R'000
Gross income from operations and investments	227 247	83 508	570 934
Dividends received	15 271	64 329	94 273
Interest received	15 602	3 708	7 117
Forex gain	12 101	–	–
Loss on financial instruments and shares	(2 780)	(24 632)	(22 558)
Fees and sundry income	966	722	1 362
Fair value adjustment to investments	186 087	39 381	490 740
– Listed	64 637	(17 242)	(44 022)
– Listed held indirectly	(15 242)	3 936	(67 091)
– Unlisted	136 692	52 687	601 853
Direct transactional costs	(532)	(259)	(633)
Investment acquisition costs	(6 223)	–	–
Impairments written back/(impairments)	435	–	(1 506)
Interest paid	(8 442)	(7 535)	(15 839)
Net income before expenses	212 485	75 714	552 956
<i>Less:</i> Expenditure	(18 686)	(13 677)	(62 474)
Operating costs	(18 455)	(13 497)	(62 108)
Depreciation	(231)	(180)	(366)
Net income before taxation	193 799	62 037	490 482
Taxation – deferred	(33 834)	(7 722)	197 882
Net income for the period attributable to equity shareholders	159 965	54 315	688 364
Translation of foreign subsidiary * ¹	69 533	(4 989)	(12 217)
Total comprehensive income attributable to equity shareholders	229 498	49 326	676 147

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

*² Refer to restatement of comparative information.

Other Information

as at 30 June 2018

	Unaudited 30 June 2018 R'000	Unaudited 30 June 2017 R'000	Audited 31 Dec 2017 R'000
Net asset value per share – cents	5 458	3 728	5 085
Number of shares in issue less held in treasury – 000's	45 274	45 306	45 306
Earnings per share – cents * ³	353,3	119,7	1 517,3
Dividends per share – cents	32,0	26,0	61,0
Special dividends per share – cents	100,0	–	–
Weighted average number of shares in issue – 000's	45 279	45 368	45 368
Reconciliation of headline earnings (R'000)			
Net income for the period	159 965	54 315	688 364
Profit on sale of property, plant and equipment	(155)	–	–
Headline earnings for the period	159 810	54 315	688 364
Headline earnings per share – cents *²	352,9	119,7	1 517,3

*³ There are no diluting instruments.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2018

	Share capital R'000	Share premium R'000	Non-distributable reserve R'000	Distributable reserve R'000	Total R'000
Balance as at 1 January 2017	855	33 545	54 513	1 570 342	1 659 255
Total comprehensive income for the period	–	–	(12 217)	688 364	676 147
Loss in share trust	–	–	(1)	–	(1)
Shares held in treasury – written back	1	12 203	–	–	12 204
Shares held in treasury	(5)	(17 311)	–	–	(17 316)
Dividends paid	–	–	–	(26 344)	(26 344)
Balance as at 31 December 2017	851	28 437	42 295	2 232 362	2 303 945
Total comprehensive income for the period	–	–	69 533	159 965	229 498
Shares held in treasury – written back	5	17 311	–	–	17 316
Shares held in treasury	(5)	(18 454)	–	–	(18 459)
Dividends paid	–	–	–	(61 163)	(61 163)
Balance as at 30 June 2018	851	27 294	111 828	2 331 164	2 471 137

Contingent liabilities

- The group has rights and obligations in terms of shareholder and purchase and sale agreements relating to its present and former investments.
- Commitments for the lease of premises are as follows:

Year 1	R1 056 163
Year 2	R1 044 450

Investment Holdings

as at 30 June 2018

	Number of Ordinary shares/units	Economic interest %	Fair value R'000
Unlisted Industrial Investments			
<i>Local</i>			
Classic Food Brands (Pty) Ltd		30,0	19 237
Flexo Line Products (Pty) Ltd		47,5	42 982
Mandarin Holdings (Pty) Ltd		30,0	93 060
SA Bias Industries (Pty) Ltd * ¹		59,9	673 000
Sunspray Food Ingredients (Pty) Ltd * ²		28,2	47 900
			876 179
<i>Offshore</i>			
Mandarin Industries Limited (BVI)		30,0	499 410
Listed Long-Term Investments			
Brait S.E.	4 000 000		170 320
Metrofile Holdings Limited	40 000 000		138 000
Net1 UEPS Technologies Inc	250 000		28 500
Rolfes Holdings Limited	22 500 000		65 475
Transaction Capital Limited	10 000 000		171 000
			573 295
Listed Long-Term Investments Held Indirectly			
Rolfes Holdings Limited * ³	22 500 000		65 475
Torre Industries Limited * ⁴	62 842 500		44 618
Value Capital Partners Fund * ⁵	200 000		24 674
			134 767
Long-term investment holdings			2 083 651
Offshore investment holdings			537 242
Listed Share portfolios			394 201
Listed Bond portfolio			–
Corero Network Security Plc (UK)	6,8		41 222
Cash portfolio			101 819
TOTAL HOLDINGS			2 620 893

*¹ Voting interest 49%.

*² Held indirectly through ordinary shares in Famdeen Investments (Pty) Ltd.

*³ Held indirectly through participating preference shares in Masimong Chemicals (Pty) Ltd linked to the performance of 22,5m shares in Rolfes Holdings Limited.

*⁴ Held indirectly through ordinary shares in Newshelf 1400 (Pty) Ltd.

*⁵ Value Active PFP H4 Fund invested in listed equities presently primarily in Allied Electronics Corporation Limited and Adcorp Holdings Limited.

Offshore portfolios

as at 30 June 2018

	Market value R'000		Market value R'000
General portfolio		Technology portfolio	
Adidas AG	4 502	Activision Blizzard Inc	9 451
Alibaba Group Holdings Ltd	7 658	Alibaba Group Holdings Ltd	20 422
Alphabet Inc	7 675	Alphabet Inc	19 955
Amazon.com Inc	7 016	Amazon.com Inc	23 387
Anheuser-Busch Inbev	4 166	Apple Inc	15 282
Anthem Inc	8 188	Baidu Inc	13 374
Apple Inc	5 094	Facebook Inc	21 389
Ball Corporation	4 891	Microsoft Corporation	13 568
Facebook Inc	6 684	Netflix Inc	16 157
Fedex Corp	3 124	Nvidia Corporation	11 408
Illumina Inc	8 838	Palo Alto Networks Inc	16 962
JP Morgan Chase	4 301	Paypal Holdings Inc	5 729
Kering Act	6 212	Splunk Inc	12 273
LVMH Moët Hennessy	5 495	Spotify Technology	5 787
Medtronic Plc	7 068	Tencent Holdings Ltd	18 644
Restaurant Brands International Inc	4 978	Visa Inc	14 579
Tencent Holdings Ltd	6 905		238 367
Thermo Fisher	7 125	Vanguard Technology Fund	26 207
Visa Inc	5 467		264 574
Zoetis Inc	5 861		
	121 248	Listed share portfolios	394 201
Ishares Nasdaq US		Cash portfolio	
Biotechnology ETF	4 248	Cash at bank	4 550
Polar Capital Biotechnology Fund	4 131	Ishares USD Short Duration	
	8 379	Hy Corporate Bond ETF	97 269
	129 627		101 819

Profile

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

Sabvest has significant interests in five unlisted industrial groups, long-term direct and indirect holdings in eight listed investments and equity funds, and offshore share, bond and cash portfolios, all accounted for on a fair value basis. In addition, Sabvest invests in debt instruments and portfolios and undertakes other fee and profit-earning activities from time to time.

Changes in investment holdings

During the period Sabvest:

- increased its interest to 47,5% and provided loan funding to Flexo Line Products (Pty) Ltd;
- purchased 30% of Mandarin Industries Limited (BVI) which owns 100% of the International Trimmings & Labels Group (ITL) internationally for \$33,6m (R398,5m);
- purchased 30% and provided loan funding to ITL Holdings South Africa indirectly through Mandarin Holdings (Pty) Ltd (RSA) for R93m, of which R60m is a loan which will be replaced by a R60m preference share with a coupon of 8% redeemable 48 months from issue, which will be before year-end;
- increased its interest in Sunspray Food Ingredients (Pty) Ltd from 22% to 28% as a result of a share buy-back by Sunspray from a retiring shareholder;
- purchased 3,2m shares in Brait for R128,5m thereby increasing its direct holding to 4m shares in Brait;
- purchased 15m shares in Metrofile Holdings for R52,8m thereby increasing its direct holding to 40m shares, representing 9,6% of Metrofile;
- purchased 200 000 shares in Net1 UEPS Technologies Inc for R24,6m thereby increasing its direct holding to 250 000 shares;
- purchased 12m shares in Rolfes Holdings Limited for R38,8m thereby increasing its direct and indirect holdings in Rolfes to 45m shares, representing a 27,8% economic interest in Rolfes;
- purchased 4,4m shares in Corero Network Security Plc for GBP253 000 (R4,3m) thereby increasing its holding to 26,4m shares, representing a 6,5% interest in Corero;
- concluded an asset swap of R300m into US dollars;
- invested the dollar equivalent of R209,3m (\$17,3m) from the asset swap in a bespoke offshore technology portfolio which comprised 16 large cap technology companies and one technology fund at the reporting date, the details of which are disclosed in this announcement, and which had a market value of R264m at the reporting date;
- retained the balance in cash and short-term interest-bearing instruments abroad;
- increased its offshore general equity portfolio to R129,6m (\$9,4m) comprising 20 large cap listed companies and two biotech funds; and
- repurchased 1 271 Sabvest ordinary shares and 31 000 Sabvest 'N' ordinary shares for R1,1m.

Financial results

The key features of the results for the period were:

- NAV per share increased by 46,4% to 5 458 cents compared with the prior interim reporting date, and by 7,3% for the six months ended on the reporting date. If no special dividend of 100 cents had been paid during the six months, the increase would have been 49,1% to 5 558 cents compared to the prior interim reporting date and 9,5% for the six months ended on the reporting date.
- HEPS and EPS increased by 195% over the previous interim period to 352,9 cents and 353,3 cents respectively in the twelve months to the reporting date.
- DPS for the interim period increased by 23% to 32 cents compared with the prior interim period.
- PAT for the six months was R159,9m and comprehensive income R229,5m. This performance was primarily due to the weaker rand, improved valuations of Mandarin and Sunspray as a result of satisfactory trading and strong share price performances in the offshore portfolios and locally in Transaction Capital and the Value Capital Partners Fund. The results were reduced by the negative share price performances of Brait, Metrofile and Torre.
- Shareholders' funds increased to R2,47bn and the balance sheet was liquid with net cash (cash balances and cash portfolio net of interest-bearing debt) of R105,9m.
- With regard to the gross income, dividends received were materially lower than usual as Mandarin will not commence paying dividends until 2019 and SA Bias did not declare a final dividend for 2017 due to the substantial special dividend of R2,2bn declared by it at the end of 2017. Both companies are expected to pay two dividends a year from 2019.
- Investment acquisition costs were incurred arising from the process resulting in the new investments in Mandarin Industries and Mandarin Holdings.

Historical performance

The group calculates its performance record annually. For reference purposes the returns for the periods ended 31 December 2017 were as follows:

	Growth 1 year (%)	Compound Growth 3 years (%)	Compound Growth 5 years (%)	Compound Growth 10 years (%)	Compound Growth 15 years (%)
Net asset value per share	39,5	23,8	22,4	21,9	19,4
Headline earnings per share	> 100	50,6	37,5	30,2	26,9
Earnings per share	> 100	50,2	37,5	31,2	28,7
Dividends per share*	10,9	12,4	13,8	15,9	53,6

* Calculation excludes special dividends of 100 cents per share paid in 2013, 2014 and 2018.

Listed investments

- Brait's share price reduced materially pursuant to concerns relating to its interests in the UK after the Brexit vote and in particular the weakness in the retail sector and the effects on its investment in New Look. Remedial actions have been implemented in New Look and the balance of the portfolio comprises high quality assets.
- Metrofile produced stable earnings and concluded the acquisition of G4S Kenya. Its share price has nevertheless been weak for most of the period.
- Net1 traded satisfactorily but its share price has been weak due to the uncertainty surrounding its SASSA contract.
- Rolfes is trading well and has exciting prospects but has experienced share price weakness due to portfolio sales by small asset managers.
- Torre Industries' share price has been weak due to poor operating performances in the divisions affected by weakness in the mining and industrial sectors. Its interim results indicate that its prospects have stabilised and the receipts from the sale of certain of its offshore operations have resulted in a strong and liquid balance sheet. Torre has announced its intention to delist from the JSE. Sabvest intends to remain invested after the delisting.
- Transaction Capital continues to trade very strongly and produced good growth for the interim period. Its share price strengthened in response.
- The Value Capital Partners Fund experienced a satisfactory increase in value, driven in particular by its holding in Altron.
- The group's offshore general share portfolio performed strongly with an increase in value of average holdings for the 6 months of 10,7% in US dollars.
- The group's offshore technology portfolio performed strongly with an increase in value on average holdings for the four and a half months since inception of 9,2% in US dollars.
- The Corero share price continues to be volatile on small volumes.

Unlisted industrial investments

- Classic Food Brands has established its start-up manufacturing facilities, has now reached profitability and its prospects are good.
- Flexo Line Products traded below expectations due primarily to labour and management issues. Both have been resolved and the company is now trading at a satisfactory level of profitability.
- International Trimmings and Labels (ITL) through Mandarin Industries internationally and Mandarin Holdings in South Africa traded satisfactorily notwithstanding a competitive marketplace. Its customer base continues to grow in line with expectations, its comprehensive RFID solution is gaining traction with both South African and international retailers, it has increased its interest from 50% to 100% in ITL Bangladesh, and the new ITL Ethiopia operation will come on line in the next six months to service certain new US retail accreditations.
- SA Bias Industries' results were mixed. Flowmax in the UK traded satisfactorily but Narrowtex and Apparel Components in South Africa experienced difficult trading conditions. SA Bias' investment division's results were slightly below budget.
- Sunspray is trading well with profitability ahead of budget.

Unlisted investments are valued using the maintainable earnings model. The earnings are calculated on an EBITDA basis and also referenced to NOPAT and are considered relative to current and forward earnings. Multiples are based on transaction multiples usual for small cap private companies and are in the range of 4 to 6 times. The Mandarin Industries multiple is at a higher level of 9,5 times which is below the 2018 acquisition multiple. Each resultant calculation is then adjusted for net cash/debt/equivalents to determine EV.

Future investments

Sabvest remains focused on considering new unlisted investments or listed investments where it is represented on the board and has influence. It will use its surplus cash and realise its general and technology equity portfolios to fund new investments if it becomes appropriate or use its debt capacity. It may also issue new shares but only if the value exchange in the capital allocation decision is compelling.

Dividends

Dividends are determined relative to Sabvest's own cash flows from investments and services, and capital receipts or special dividends that are not earmarked for new investments.

A special dividend of 100 cents per share was paid in February 2018.

Dividends are considered twice annually. The normal dividend for the six months has been increased by 23% to 32 cents per share.

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 condensed consolidated interim financial statements have been prepared in accordance with and containing the information required of International Accounting 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 Standards Council and the requirements of the Companies Act of South Africa.

They 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 with the framework concepts and the recognition and measurement criteria of IFRS and to those applied in the previous financial year and are available for inspection at the group's registered office. There has been no material change in judgements or estimates of the amounts reported in prior reporting periods. The preparation of these unaudited condensed interim financial statements was supervised by the Chief Financial Officer, R Pleaner CA (SA).

Restatement of comparative information – June 2017

In line with the JSE monitoring process, the group has reported its investment in listed shares in two categories, those directly held and those indirectly held through other vehicles. This restatement also aligns with the disclosure of the fair value hierarchy and had the result of correcting the classification of listed investments held indirectly from a level 1 to a level 2. This is still based on observable quoted share prices and has not resulted in any change in value with the consolidated statement of financial position or consolidated statement of comprehensive income.

Directorate

We are pleased to welcome Ms Lindiwe Mthimunye-Bakoro, M.Com, H.Dip Tax Law, CA (SA) as an independent non-executive director of the company and as a member of the Audit and Risk Committee and the Social and Ethics Committee. Her appointment was effective on 5 June 2018.

It is the board's intention to appoint one further independent non-executive director in due course.

King IV Compliance

Sabvest's King IV compliance report is on the Sabvest website and included in the 2017 integrated annual report.

Prospects

The group's major unlisted investee companies are budgeting improved profitability in 2018 although trading at SA Bias' South African subsidiaries remains weak.

The group's listed investee companies are performing to expectations but it is obviously not possible to project likely listed share prices.

The group continues to focus on its rand hedge characteristics and the majority of its asset base, directly and indirectly continues to be invested in foreign currency assets.

We anticipate a satisfactory year in 2018.

Any reference to future financial information in the announcement has not been reviewed or reported on by the company's auditors.

For and on behalf of the Board

Dawn Mokhobo

Chairman

Sandton

20 July 2018

Christopher Seabrooke

CEO

Raymond Pleaner

CFO

Cash dividend declaration

Notice is hereby given that an interim gross dividend of 32 cents (2017: 26 cents) per ordinary and "N" ordinary share for the six months ended 30 June 2018 has been declared out of income reserves.

The issued share capital of the company at the declaration date is 17 076 804 ordinary and 28 883 000 "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 an interim net cash dividend of 25,6 cents per ordinary and "N" ordinary share to non-exempt shareholders.

Last date to trade "CUM" dividend	Tuesday, 14 August 2018
Trading "EX" dividend commences	Wednesday, 15 August 2018
Record date	Friday, 17 August 2018
Dividend payment date	Monday, 20 August 2018

No dematerialisation or rematerialisation of share certificates will be allowed during the period Wednesday, 15 August 2018 to Friday, 17 August 2018, both days inclusive.

Sabvest Limited

Registered address: 4 Commerce Square, 39 Rivonia Road, Sandhurst, Sandton 2196

Communications: Postal address: PO Box 78677, Sandton 2146, Republic of South Africa
Telephone: (011) 268 2400 • Fax: (011) 268 2422 • e-mail: ho@sabvest.com

Transfer secretaries: Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107)

Directors: DNM Mokhobo[#] (*Chairman*), BJT Shongwe[#] (*Deputy Chairman*), CS Seabrooke* (*Chief Executive*), NSH Hughes[#] (*Lead Independent Director*), L Mthimunye-Bakoro[#], R Pleaner*
*Executive #Independent

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