altvest

UMGANU GAME LODGE

#StockTake
Information document
July 2022

FOR INFORMATION PURPOSES ONLY

IMPORTANT NOTICE AND DISCLAIMER

***PLEASE NOTE**: This #StockTake Information document is purely informative and is not intended to have any legal force or effect. Neither this #StockTake Information Document, nor any of the information contained herein, is or should be construed as an offer to the general public to subscribe for shares or other securities in the capital of Altvest, any Altvest group company or any affiliated entity. Moreover, this #StockTake Information Document does not in any manner constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, securities in Altvest, any Altvest group company or any affiliated entity. This #StockTake Information Document does not constitute a prospectus in terms of the Companies Act, has not been registered with the Companies and Intellectual Property Commission, and nor is there a requirement to do so.*

OPPORTUNITY SNAPSHOT

OPPORTUNITY SNAPSHOT

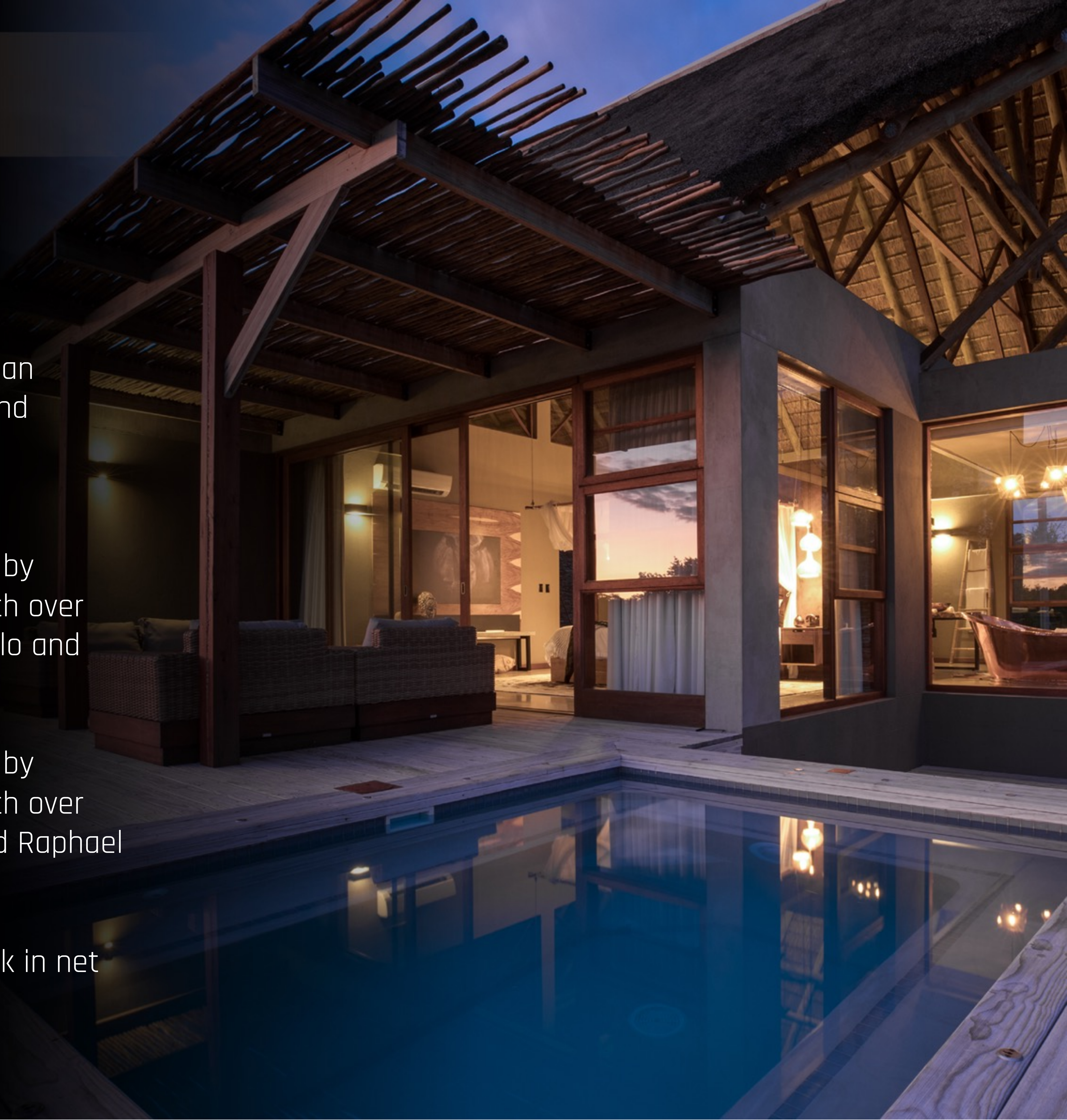
- Umganu Lodge is a 5-bedroom luxury lodge situated in the Elephant Point development, providing offering game viewing directly and via the Kruger National Park (5 min drive)

- It is owned by Kevin Pietersen, a British/South African sportsman with an extensive network of high-net-worth foreign patrons and Altvest Capital, a disruptive investment platform listed on the CTSE

- The lodge and surrounding development are actively managed by Legacy Hotels, a large Southern African developer/operator with over 300 lodges and iconic developments including the Michaelangelo and Raphael towers in Sandton under management

- The lodge and surrounding development are actively managed by Legacy Hotels, a large Southern African developer/operator with over 300 lodges and iconic developments like the Michaelangelo and Raphael towers in Sandton under management

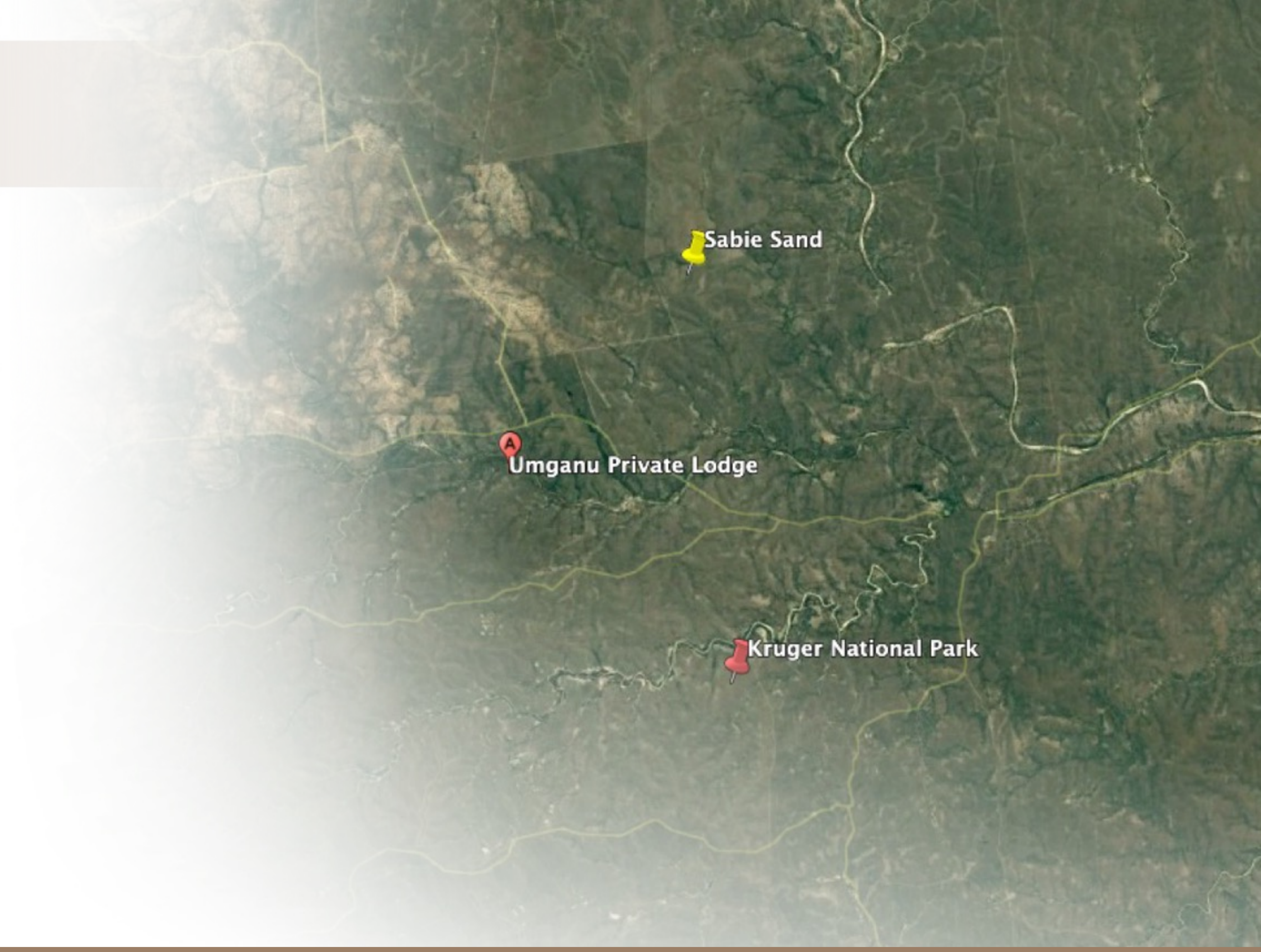
- Umganu is expected to earn ~ZAR 2 mil in revenue & ~ZAR 500k in net profit this year



OPPORTUNITY SNAPSHOT

"Umganu is something we built with personal touches. Its about being luxurious, but also still being authentic South African"

Kevin Pietersen, co-owner



altvest

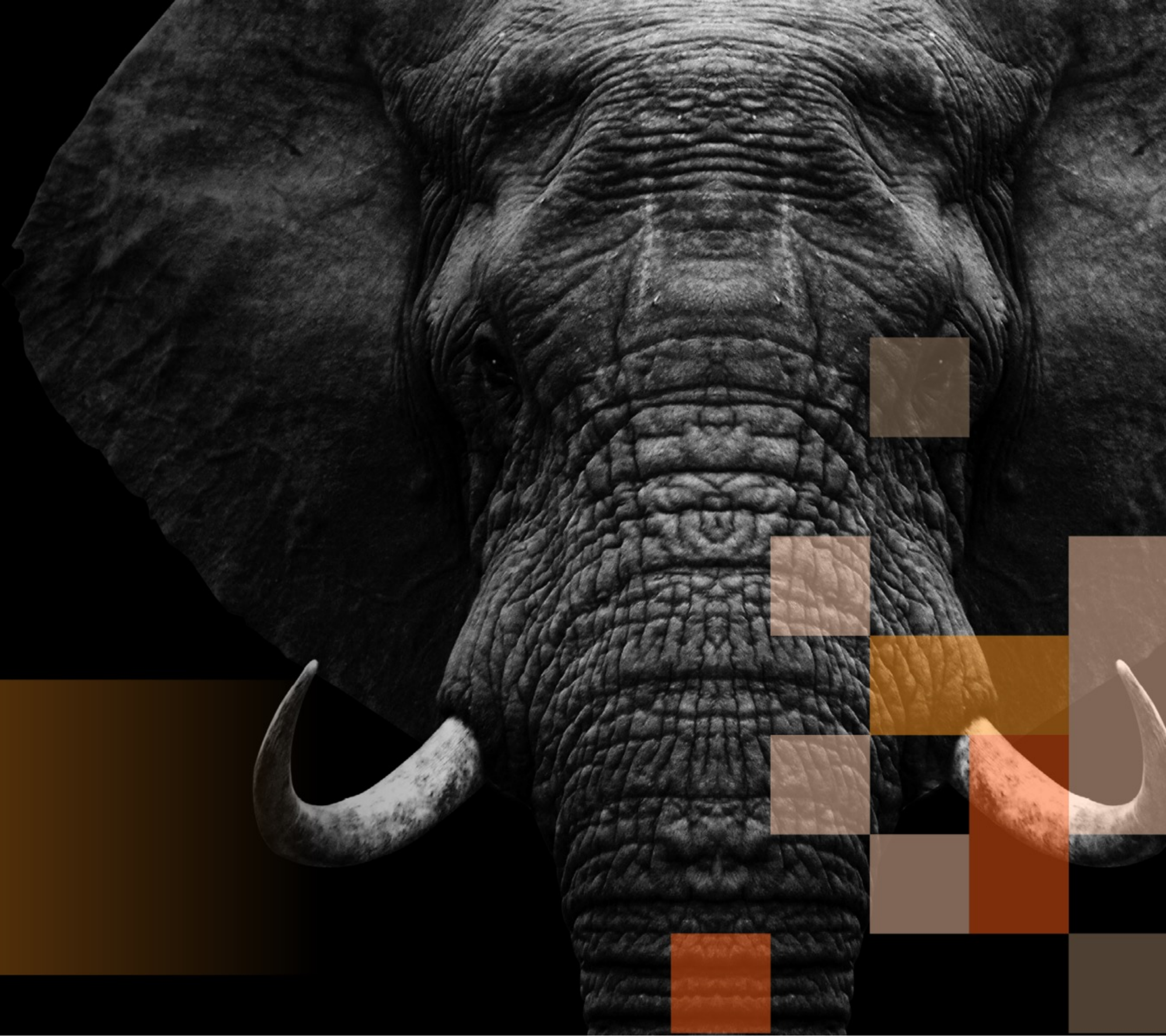









WHY UMGANU?



WHY UMGANU?

Umganu is one of the top performing lodges in the development, with unique competitive advantages as a luxury rental
Umganu consistently ranks amongst the top two lodges in the development by occupancy, owing to offering a large guest capacity and unparalleled game viewing via a near-panoramic view of the Sabie river watering hole

Management are experienced, committed and passionate
Legacy are proven operators with a strong track record and understanding of how to successfully incorporate fractional ownership into luxury rentals. Kevin Pietersen remains passionate about the asset and investment opportunity and commits, alongside Altvest, to remain a significant and active investors in Umganu

Lodges in the Elephant Point development has demonstrated a clear historic capital appreciation
Comparable lodges in the development have appreciated in value by 15-18% annually, and Umganu itself has experience growth of 12% compounded annually. No lodge in the development has ever sold for a loss

Elephant Point is proactive in partnering with local communities to ensure holistic socio-economic benefits to all stakeholders
All operational staff are from the local community, with significant investments in skills development and education infrastructure to ensure the long-term sustainability of the development and surrounding communities

Umganu has remained resilient through Covid-19, and is poised for growth
Umganu has remained cashflow positive over the past two years, despite unfavourable economic conditions and restrictions on foreign guests. At a current occupancy of just 30% and with Covid-related discounts expected to unwind over time, there is considerable room for growth

UMGANU GUESTS RECEIVE ACCESS TO THE EXCLUSIVE LEOPARD CREEK'S WORLD CLASS GOLF FACILITIES

EXCLUSIVE LUXURY ACCESS

Umganu is the only lodge within the Elephant Point development to offer access to Leopard Creek, an exclusive and privately owned golf course consistently ranked amongst the Top 100 in the world and hosts the Alfred Dunhill championship

THE LEOPARD CREEK EXPERIENCE

Leopard Creek is renowned as one of the most exclusive country clubs in South Africa with membership only provided via invitation

In addition to the world class golf course, facilities include a Spa, Leisure pool, Tennis and squash courts as well as a gymnasium

WHAT YOU RECEIVE

In addition to access to the facilities, Umganu offering bespoke day packages including:

- Transportation
- Green fees
- Game drives

VALUATION

UMGANU EXPECTED RETURNS

CONFIDENTIAL

Key valuation figures and comparable sales suggest a discount to fair value with significant returns potential

BY THE NUMBERS

R30m

Independent valuation of Umganu lodge (land & buildings only)

15% - 18%

Annual historic capital appreciation of luxury lodges within Elephant point

14%+

Projected IRR after 4.75 years assuming base case growth*

*Assuming occupancy scales up each year to achieve 55% after 5 years; price escalation of 8% each year driven by inflation and enhanced marketing of value-add services; and land/buildings capital appreciation of 10% per annum

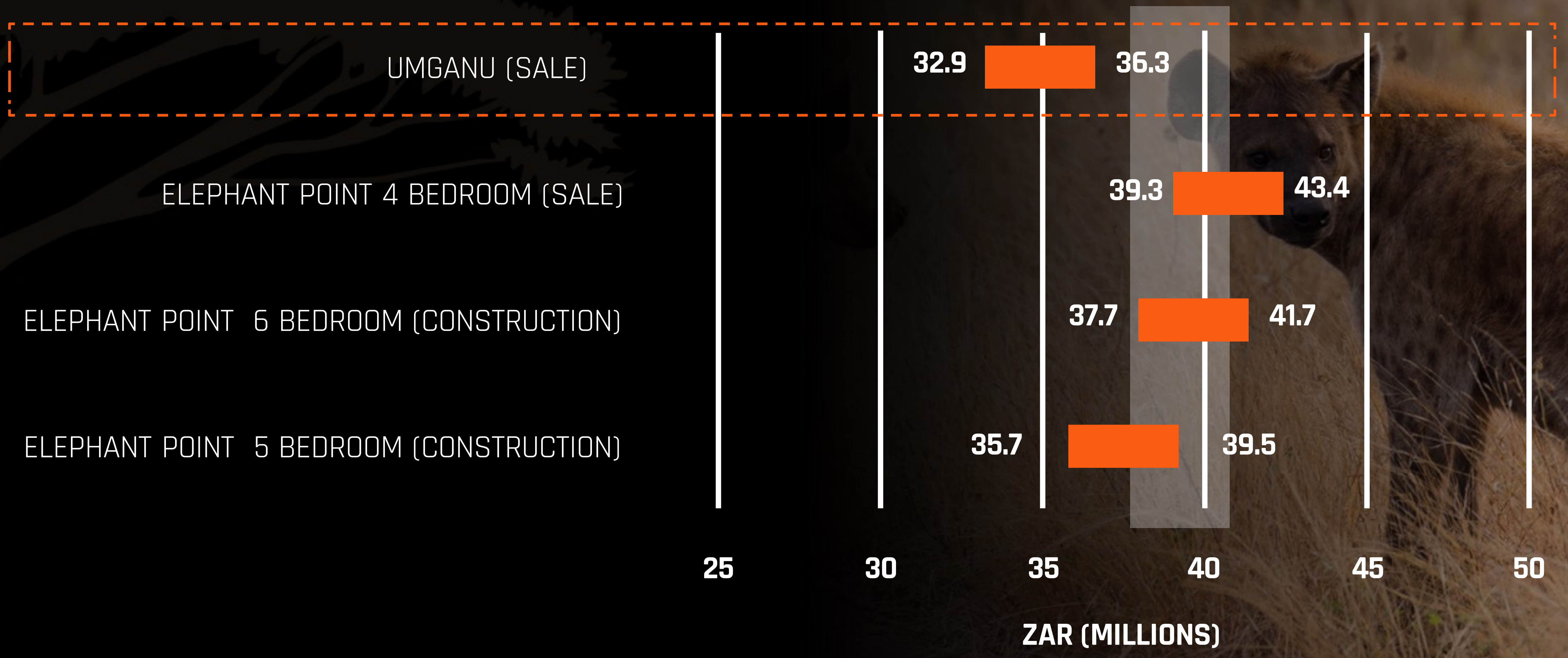
Key valuation figures and comparable sales suggest a discount to fair value with significant returns potential

VALUATION VS ELEPHANT POINT PEERS

Umganu valuation range flexes occupancy, with lower bound assuming limited growth beyond Covid-19 levels and upper bound assuming occupancy uplift in line with management expectations

Peer valuations based on actual and approximated costs/m² grossed up to Umganu's capacity

Umganu's implied listing valuation is R 34.6 mil, which is the midpoint of the valuation range and below the lower range of all comparables (ZAR 37.5 mil - ZAR 41.5 mil



IS THE OFFER FAIRLY PRICED?

Independent valuation of the land and buildings only (before considering income from rentals) determined a fair value of ZAR 30 mil

VALUATION CERTIFICATE

Umganu Lodge situated on Lease Areas 35 and 36, being on Portion 10 of the farm Belfast 296, Reg. Div. KU, Mpumalanga Province

I, the undersigned

Johannes Jacobus Steyn

registered with the South African Council for the Property Valuers Profession in terms of the Property Valuers Profession Act, Act 47 of 2000, do hereby certify that the valuation has been made according to the best of my knowledge, skill and ability, and it is my opinion that the most realistic price that a willing and able buyer will pay to a willing and able seller for the property under valuation on the open market on the date of valuation is the sum of:

R 30 000 000
(THIRTY MILLION RAND)

Done and signed at Nelspruit on this 5th day of April 2022.

J J STEYN
PROFESSIONAL VALUER
Reg. No.: 3501

J J STEYN
PROFESSIONAL ASSOCIATED VALUER
Reg. No.: 7706

Assumptions and methodology

VALUATION METHOD

THE VALUE IS MADE UP OF LAND AND IMPROVEMENTS

Land property value is based on the retail value of similarly-sized plots in the development and improvements value is based on comparable sales of improved properties in Elephant Point and similar upmarket estates along the Kruger Park. Leopard Creek's relationship with its local community is arguably less conducive than Elephant Point's, which could impact its valuation

COMPARABLES USED

PROPERTY	COST PER m²	VALUE OF 100%
187 Leopard Creek	ZAR 45 777	ZAR 43.9 mil
25 Leopard Creek	ZAR 45 961	ZAR 21.3 mil
169 Leopard Creek	ZAR 46 687	ZAR 31.0 mil
Elephant Point 4 Bedroom	ZAR 67 567	ZAR 25.0 mil

UMGANU VALUATION COMPOSITION

COMPONENT	COST PER m²	VALUE OF 100%
Land	n/a	ZAR 5.5 mil
Improvements	ZAR 47 096	ZAR 24.5 mil

SUMMARY OF RETURNS AND SENSITIVITIES

CONFIDENTIAL

Scenario and sensitivity analysis suggests an expected IRR of 14.1%, based on assumptions around occupancy, pricing and capital gains on land/buildings

IRR SCENARIO ANALYSIS

Scenario and sensitivity analysis suggests an expected IRR range of between 9% and 21%, with 14% the most likely outcome based on assumptions around occupancy, pricing and capital gains on land/buildings

Growth Case assumes that occupancy and pricing increases due to the expected impact of enhanced marketing and a greater proportion of higher-margin full service guests

Expected case assumes that current year performance (including the moderate profitability rebound post-Covid) persists into the future

Conservative case assumes that performance levels observed during Covid persist into the future, with all price increases driven by inflation

IRR MATRIX	KEY ASSUMPTIONS		ANNUAL CAPITAL GAINS APPRECIATION OR LAND/BUILDINGS				
	Target Occupancy*	Annual price increases*	0%	5%	10%	15%	20%
GROWTH CASE	65%	10%	10.6%	13.1%	15.8%	18.8%	21.9%
EXPECTED CASE	55%	8%	8.5%	11.2%	14.1%	17.2%	20.5%
CONSERVATIVE CASE	45%	6%	6.5%	9.3%	12.4%	15.7%	19.1%

*Occupancy is scaled up each year from observed FY2022 levels according to an applicable CAGR to achieve the targeted occupancy in FY2027

MAXIMISING THE UPSIDE POTENTIAL

MAXIMISING THE UPSIDE POTENTIAL (1/2)

In addition to organic growth, several potential levers exist to drive additional profitability via targeted marketing

AMPLIFIED MARKETING

By leveraging both Altvest and Kevin Pietersen's significant digital media reach, we will drive increased occupancy via greater awareness and engagement with Umganu's marketing materials

COMMUNITY PARTICIPATION

By leveraging a database of social media followers committed to the success of Umganu, we can drive increased occupancy via dynamic discounts offered to followers during periods of low occupancy

BESPOKE OFFERINGS

By leveraging Kevin Pietersen's significant reach and networks in foreign markets, we will drive longer bookings and value-added services via bespoke offerings to high net worth foreign guests

MAXIMISING THE UPSIDE POTENTIAL (2/2)

Elephant point properties have demonstrated consistent returns, which will be amplified by their ambitious growth plans

Elephant point properties have achieved significant growth in recent times...

- Annual expected capital appreciation of lodges in Elephant point: **15% - 18%**
- Average pre-Covid occupancy of lodges: **60%**
- Owners that have sold their property without making a profit: **ZERO**

...with ambitious plans to fuel future growth including:

- A luxury hotel with 30 2-bedroom units, offering a per-night rate higher than lodges
- A state of the art golf course and conference facilities
- A phase 3 expansion with land expected to retail 2-3x current land costs

MANAGING THE DOWNSIDE RISK

MANAGING THE DOWNSIDE RISK

Key risks relate to liquidity of instruments and market downturns, with operational and capital risk well mitigated

RISK CATEGORY	IMPACT OF RISK PERFORMANCE	SEVERITY	MITIGATING FACTOR
MARKET RISK	A general decline of property prices and rentals may erode forecasted returns	**MEDIUM**	Elephant Point is considered an exclusive and prestigious development with unique proximity to game viewing and a largely affluent client base. As such, it is expected to be less sensitive to general market decline
INTERNAL CONTROL RISK	The company does not have an internal audit function, resulting in potential increased operational risk	**MEDIUM**	The board do not deem it necessary to have an internal control function, given the size and nature of the company. All annual reporting will be reviewed by an external auditor
CREDIT RISK	Cash deposits and trade debtors could be at risk should supporting financial institutions/ debtors not settle obligations as envisioned	**LOW**	The company will only partner with major banks with high-quality credit standing, and the overwhelming majority of bookings are settled upfront or upon departure
OPERATIONAL RISK	Inadequate operational oversight by Legacy could result in reduced returns and higher costs	**LOW**	Legacy are an experienced management company, with the mandate to manage all lodges in the development and commissions linked to revenue generated
CAPITAL RISK	The lodges inability to continue as a going concern could result in constrained ability to generate returns	**LOW**	The company will initially operate with low gearing, with major operating expenditures forecasted to grow in line with revenue. Further; Legacy, Altvest and Kevin Pietersen all commit to driving marketing efforts to ensure vacancies are kept to a minimum

INVESTMENT PROTECTION MECHANISMS

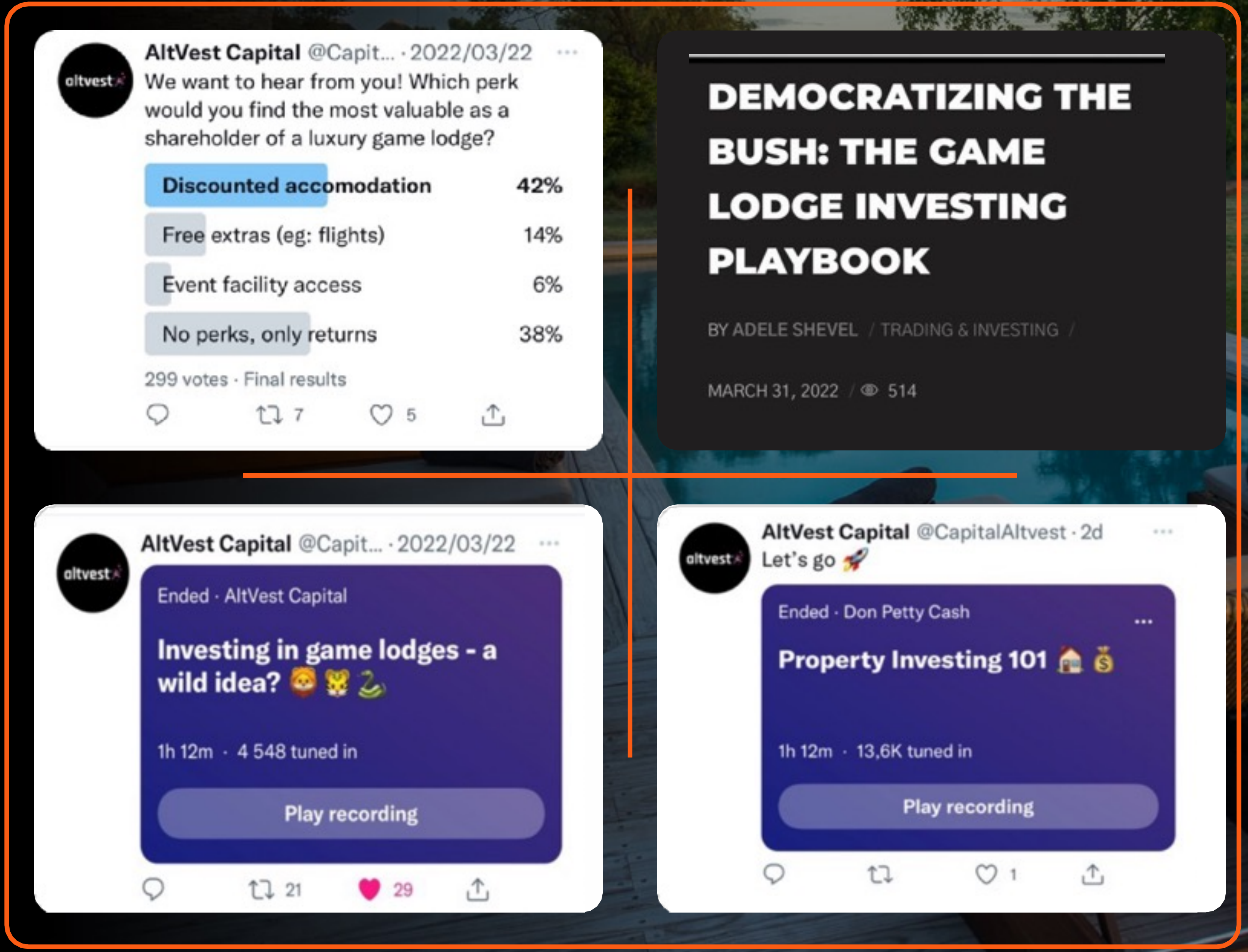
INVESTMENT PROTECTION MECHANISMS (1/2)

Specific operational due diligence provided comfort on the underlying market and liquidity risk impacting the investment

Our site visit provided valuable insights on the viability of the lodge as an investment and growth opportunities in the area

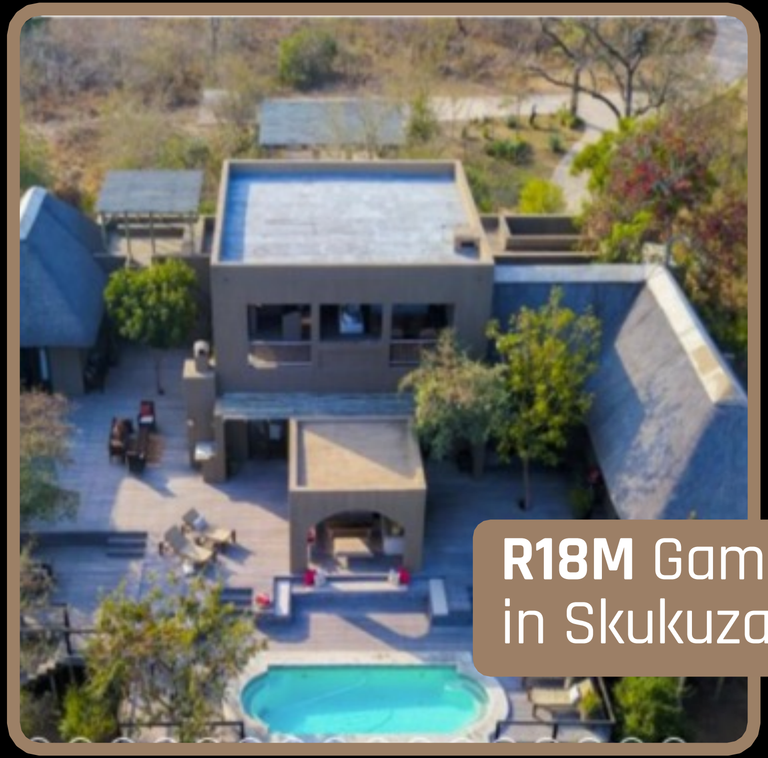
- The lodge is in perfect condition, with visibly premium appliances, finishes, décor and art beyond expectations from adverts
- Legacy provides active management, on-call support and security; with surveillance, chefs, housekeeping and garden services all visible and provided by live-in staff
- Other lodges/residences in the area are all ultra-premium, with most owned by high-profile figures and worth R50 mil +
- Legacy view the development as strategically important, and plan to invest significantly in the infrastructure and development of Elephant Point
- Elephant Point has direct access to the Kruger and unencumbered views of the Sabie river watering hole, resulting in direct game viewing from the lodge (elephants, giraffes, hippo during our stay)

The response to our thought leadership on game farms and property indicates strong retail interest in the asset class



INVESTMENT PROTECTION MECHANISMS (2/2)

Investment quantum required to access similar assets means that alternatives are currently out of reach for retail investors

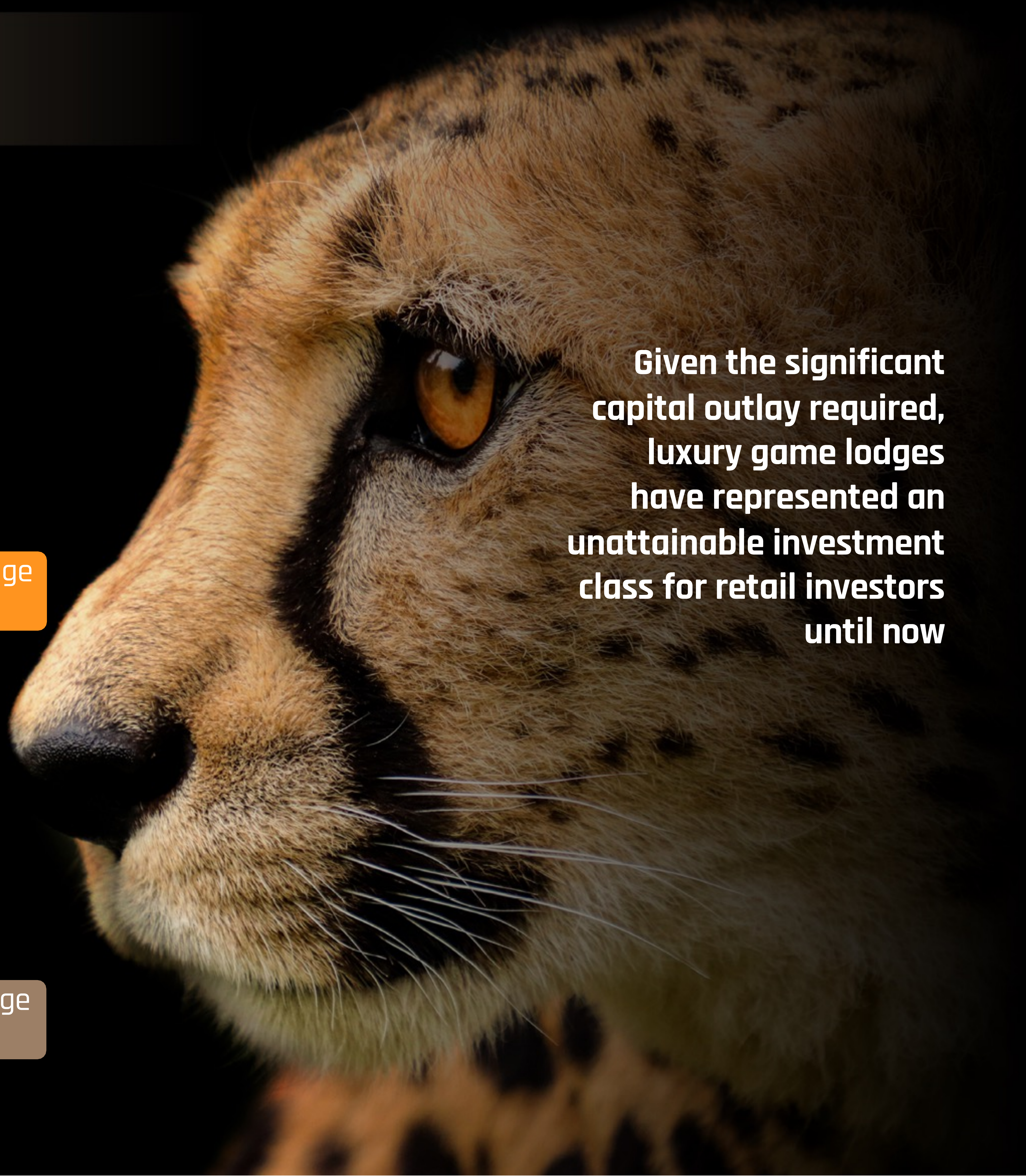


R18M Game Lodge in Skukuza

R30M Game Lodge in Mjejane

R49,5M Game Lodge in Vaalwater

R21M Game Lodge in Mjejane



Given the significant capital outlay required, luxury game lodges have represented an unattainable investment class for retail investors until now

APPENDIX - ALTERNATIVE INVESTMENT CASES

WHAT ARE THE EXPECTED RETURNS?

Detailed cash flow projections demonstrate consistent dividends with significant upside from capital gains on land/buildings

ZAR '000	30-May-22	28-Feb-23	28-Feb-24	28-Feb-25	28-Feb-26	28-Feb-27
Initial investment	**(15000)**					
Gross Rentals		1053	1634	2036	2538	3165
Commission and sales expense		(249)	(386)	(481)	(599)	(747)
Operating expense (incl. maintenance		(347)	(539)	(672)	(838)	(1044)
Capex and asset replacement		(53)	(82)	(102)	(127)	(158)
Tax		0	(127)	(172)	(226)	(294)
Total FCF	**(15000)**	404	500	609	748	921
Cash withheld		(101)	(24)	(27)	(35)	(43)
Altvest platform fees		(150)	(150)	(150)	(150)	(150)
Release of Cash balance						230
Dividends to retail investors		153	326	432	563	958
Disposal of property						28597
Altvest carry on disposal capital gain						(680)
Capital gains tax on disposal						(2790)
Investor net cash flows	**(15000)**	**153**	**326**	**432**	**563**	**26085**

Investor nominal IRR 14.1%

IRR Matrix	Annual capital gains appreciation for land/buildings				
	0%	**5%**	**10%**	**15%**	**20%**
Investor IRR	8.5%	11.2%	**14.1%**	17.2%	20.5%

- A notational investment amount of ZAR 15 mil, dividend payout ratio of 75% and effective CGT rate of 22.4% have been assumed
- The illustrative returns assume that the investor transacts at the listing price and does not dispose of the investment until year 5
- Altvest fees are calculated as follows:
  - A fixed ZAR 150k per annum amount to cover the cost of platforms, reporting and administration associated with managing the listed investment
  - A variable 5% carry on the capital gain realized by investors upon disposal of the property and operating company
- The nominal IRR of **14.1%** assumes:
  - Capital growth of **10%** per annum (management guidance is 15-18% p.a)
  - Occupancy of **55%** in the next 5 years and rental escalations of **8%** per annum
- **Returns exclude additional benefits (until 2024) for pre-placement investors:**
  - **For commitments over ZAR 1 mil, an annual fully paid weekend away at Umganu (valued at ZAR 300 k)**
  - **For other larger investors, discounted rates for bookings**

WHAT ARE THE GROWTH CASE RETURNS?

Detailed cash flow projections demonstrate consistent dividends with significant upside from capital gains on land/buildings

ZAR '000	30-May-22	28-Feb-23	28-Feb-24	28-Feb-25	28-Feb-26	28-Feb-27
Initial investment	**(15000)**					
Gross Rentals		1053	1735	2296	3040	4025
Commission and sales expense		(249)	(410)	(542)	(718)	(951)
Operating expense (incl. maintenance		(347)	(573)	(758)	(1003)	(1328)
Capex and asset replacement		(53)	(87)	(115)	(152)	(201)
Tax		0	(138)	(200)	(280)	(386)
Total FCF	**(15000)**	404	528	681	887	1159
Cash withheld		(101)	(31)	(38)	(51)	(68)
Altvest platform fees		(150)	(150)	(150)	(150)	(150)
Release of Cash balance						290
Dividends to retail investors		153	347	493	685	1231
Disposal of property						30613
st carry on disposal capital gain						(781)
Capital gains tax on disposal						(3204)
Investor net cash flows	**(15000)**	**153**	**347**	**493**	**685**	**27859**

Investor nominal IRR 15.8%

IRR Matrix	Annual capital gains appreciation for land/buildings				
	0%	**5%**	**10%**	**15%**	**20%**
Investor IRR	10.6%	13.1%	15.8%	18.8%	21.9%

- A notational investment amount of ZAR 15 mil, dividend payout ratio of 75% and effective CGT rate of 22.4% have been assumed
- The illustrative returns assume that the investor transacts at the listing price and does not dispose of the investment until year 5
- Altvest fees are calculated as follows:
  - A fixed ZAR 150k per annum amount to cover the cost of platforms, reporting and administration associated with managing the listed investment
  - A variable 5% carry on the capital gain realized by investors upon disposal of the property and operating company
- The nominal IRR of **15.8%** assumes:
  - Capital growth of **10%** per annum (management guidance is 15-18% p.a)
  - Occupancy of **65%** in the next 5 years and rental escalations of **10%** per annum
  - **Returns exclude additional benefits (until 2024) for pre-placement investors:**
  - **For commitments over ZAR 1 mil, an annual fully paid weekend away at Umganu (valued at ZAR 300 k)**
  - **For other larger investors, discounted rates for bookings**

WHAT ARE THE CONSERVATIVE CASE RETURNS?

Detailed cash flow projections demonstrate consistent dividends with significant upside from capital gains on land/buildings

ZAR '000	30-May-22	28-Feb-23	28-Feb-24	28-Feb-25	28-Feb-26	28-Feb-27
Initial investment	(15000)					
Gross Rentals		1053	1525	1774	2065	2403
Commission and sales expense		(249)	(360)	(419)	(488)	(567)
Operating expense (incl. maintenance		(347)	(503)	(586)	(681)	(793)
Capex and asset replacement		(53)	(76)	(89)	(103)	(120)
Tax		0	(115)	(144)	(175)	(212)
Total FCF	(15000)	404	470	537	617	711
Cash withheld		(101)	(17)	(17)	(20)	(23)
Altvest platform fees		(150)	(150)	(150)	(150)	(150)
Release of Cash balance						178
Dividends to retail investors		153	304	370	447	715
Disposal of property						26812
st carry on disposal capital gain						(591)
Capital gains tax on disposal						(2424)
Investor net cash flows	(15000)	**153**	**304**	**370**	**447**	**24512**

Investor nominal IRR **12.4%**

IRR Matrix	Annual capital gains appreciation for land/buildings				
	0%	**5%**	**10%**	**15%**	**20%**
Investor IRR	6.5%	9.3%	12.4%	15.7%	19.1%

- A notational investment amount of ZAR 15 mil, dividend payout ratio of 75% and effective CGT rate of 22.4% have been assumed
- The illustrative returns assume that the investor transacts at the listing price and does not dispose of the investment until year 5
- Altvest fees are calculated as follows:
  - A fixed ZAR 150k per annum amount to cover the cost of platforms, reporting and administration associated with managing the listed investment
  - A variable 5% carry on the capital gain realized by investors upon disposal of the property and operating company
- The nominal IRR of **12.4%** assumes:
  - Capital growth of **10%** per annum (management guidance is 15-18% p.a)
  - Occupancy of **45%** in the next 5 years and rental escalations of **6%** per annum
  - **Returns exclude additional benefits (until 2024) for pre-placement investors:**
  - **For commitments over ZAR 1 mil, an annual fully paid weekend away at Umganu (valued at ZAR 300 k)**
  - **For other larger investors, discounted rates for bookings**

THANK YOU!

UMGANU GAME LODGE

#StockTake
Information document
July 2022