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**INTERIM RESULTS FOR THE  
SIX MONTHS ENDED 31 AUGUST 2020**

**DECEMBER 2020**

**VUNANI**

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LIMITED



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# INTRODUCTION

VUNANI  

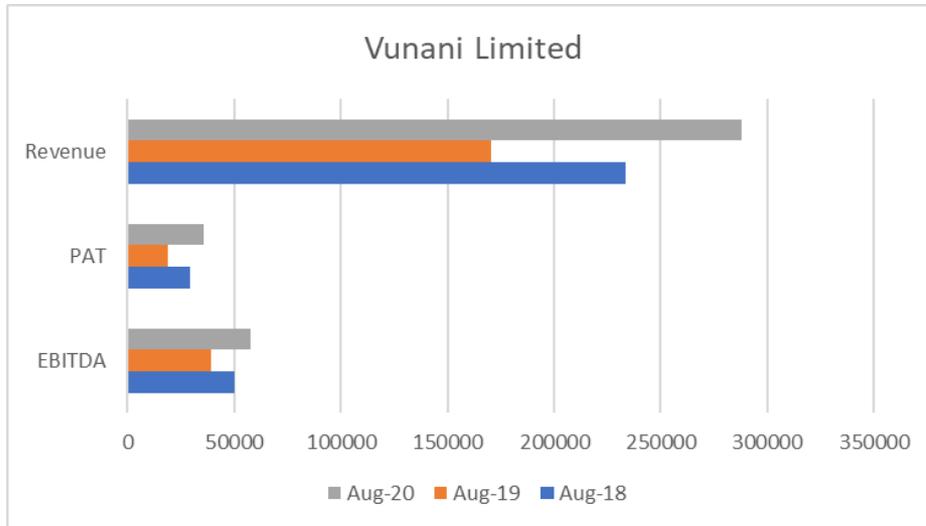
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# OVERVIEW OF THE HALF YEAR

- The Vunani Limited **Group had a relatively good six months under the circumstances.**
  - The **economy was already battling** with a number of challenges.
  - Manifested in **relatively weak financial markets.**
- The **group was able to meet its group revenue budgets, except for the asset administration and corporate finance.**
- Vunani's **financial services platform has evolved** and traded profitably despite the lockdown.
- The **resources business, on the other hand, has been severely affected by relatively low coal prices and then compounded by COVID 19 related disruptions.**
  - **Key customers have not renewed offtake contracts** as their own profitability was affected by the low price environment.
  - **Price volatility and export disruptions** were a factor for export orientated Black Wattle Colliery (group owns a 37% stake).
- We are in the fortunate position to have financial services businesses that have been able to trade relatively well despite the economic environment.

# ABRIDGED FINANCIAL PERFORMANCE



- The graphic highlighting key metrics shows a business that has had its best half year in 3 years.
- Revenue, excluding the insurance business was up 6%
- New acquisitions added a further R121m
- Group consolidated profit was up significantly (90%) compared to the previous year.
  - Attributable to performance of the fund management business and a major turnaround in the institutional broking business following significant restructuring over the last year.
  - The consolidation of Oracle Eswatini in the current financial year has been accretive.



# GROUP STRUCTURE AND SEGMENTAL OVERVIEW

**VUNANI**  
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# VUNANI

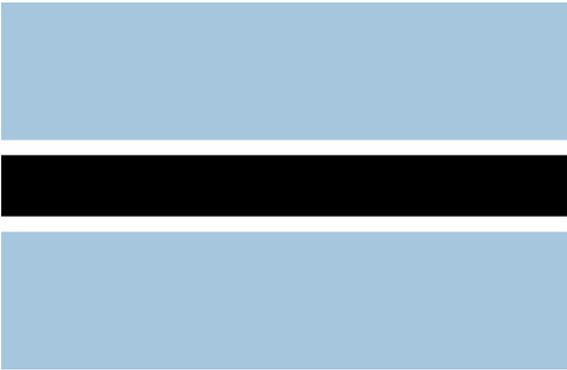
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# GEOGRAPHICAL FOOTPRINT



Ghana



Botswana



Zimbabwe



South Africa



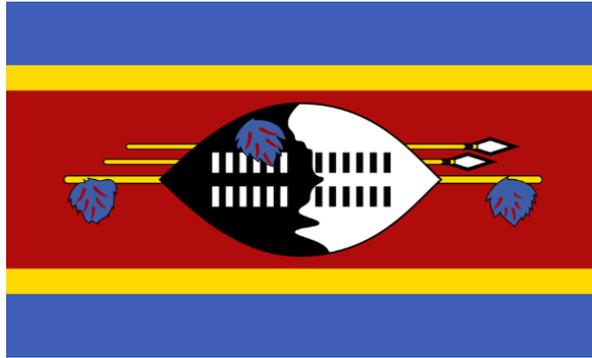
Zambia



Democratic Republic of Congo



Malawi



eSwatini

**Mission:**  
To be Africa's foremost boutique financial services group.

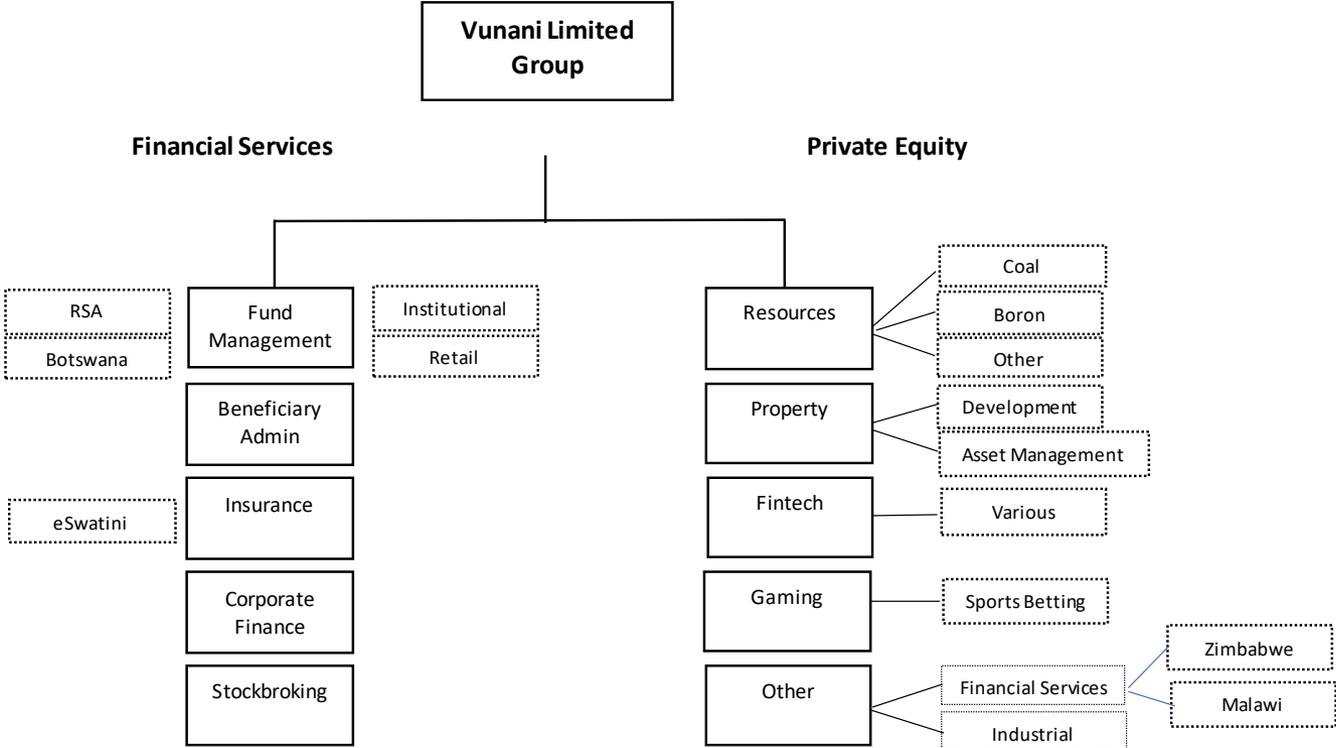


**SEGMENTAL PERFORMANCE**

**VUNANI**

LIMITED

# GROUP STRUCTURE



# SEGMENTAL – FINANCIAL SERVICES

<p><b>Financial Services</b></p>	<p><b>Fund management SA</b></p>	<p>Top 3 fastest growing fund managers over the last two years (BEEconomics Survey)</p> <p>R2.9 bn in new business inflows and closing AUM R44.6bn at 31 August.</p> <p>Revenue up 36,3% to R52,5m, Operating profit of R15m (2019: R7,0m) and EBITDA of R15,7m (2019: R6,9m)</p> <p>Successfully launched four branded unit trusts</p>	<p>AUM was R45.1 bn as at 31 October 2020.</p> <p>The strategy to aggressively increase exposure to managing retail portfolios is paying off.</p> <p>There has been good collaboration with Oracle eSwatini and Vunani Fund Managers Botswana (name change approved).</p> <p>The Oracle Insurance eSwatini portfolio has been taken over by VFM from Momentum.</p> <p>There are risks of further market correction once the reality of the COVID 19 impact on the economy fully understood.</p> <p>There is increasing fund allocation to passive fund management strategies which brings the threat of margin compression.</p>
	<p><b>Fund management Botswana (VFM B)</b></p>	<p>AUM has decreased to BWP3.8 billion as at 31 August, compared to BWP 4.2 billion at 29 February.</p> <p>COVID 19 has seen AUM come down as investors withdrew funds to deal with the impact of the pandemic</p> <p>The business generated revenue of R13.8m and is currently breaking even.</p>	<p>The business is assimilating very well into the Vunani platform.</p> <p>Management are grappling with transitioning into a stand alone operation from being part of a big financial services platform (Stanlib).</p> <p>This has necessitated investment in new administration software and the establishment of new SLA's with new service providers</p> <p>The business has pitched for made the due diligence phase of a significant domestic equity mandate (P3,2bn) which could be a tipping point.</p>

# SEGMENTAL – FINANCIAL SERVICES

<p>Financial Services</p>	<p>Asset Administration</p>	<p>Assets Under Administration growth to R6,9bn. Decent new business inflows. Revenue up 5% to R69.9m and EBIT of R15,2m (2019: R17,1m)</p> <p>EBITDA R20,9m (2019: R21,1m).</p> <p>The business is comfortably servicing the debt with Nedbank and meeting debt covenants.</p>	<p>Market correction dropped AUA to R6,3bn in the first quarter, but has since rebounded close to R7bn.</p> <p>Negotiating the acquisition of a book R1,5bn are very advanced</p> <p>Good prospects for an improved performance in 2021, subject to markets holding up.</p>
	<p>Corporate finance</p>	<p>Tough year for the business as subdued economic activity dampened M&amp;A activity.</p> <p>The business suffered on lower revenues on the back of reduced activity and long lead times but was able to keep costs at budgeted levels, resulting in a moderate increase on 2019 performance.</p> <p>With the lower revenues profit for the 6 months decreased to R1,6m (2019: R6,0m)</p>	<p>There is a good young energetic and very competent team (The team is currently assisting with the VL restructure) and</p> <p>Strong client base.</p> <p>Good pipeline of opportunities in private and public sector (restructuring opportunities).</p>

# SEGMENTAL – FINANCIAL SERVICES

<p><b>Financial Services</b></p>	<p>Stockbroking and capital markets  (VS &amp; VCM)</p>	<p>Vunani Securities business continues to perform well after the restructure completed last year.</p> <p>The bond desk is experiencing a very good year</p> <p>Overall performance was above budget on the revenue (equity and bond desk) and below budget on costs, rendering the business profitable after a few tough years.</p>	<p>The business has started he year relatively well despite of tough and volatile markets</p> <p>The equities business has created an ancillary business opportunity in transition management, which straddles fund management and stockbroking.</p> <p>This has been key to improved profitability in a low volume trading season. Whilst there has been low broking revenues, the addition of service fees has improved margins</p>
	<p>Insurance Eswatini</p>	<p>The business has traded well post acquisition and is profitable.</p> <p>It generated revenue of R107,1m and EBITDA of R11,9m after negative fair value adjustments to investments and insurance liabilities of R16,7m</p> <p>To date there has been minimal COVID 19 disruptions and no extraordinary claims.</p>	<p>Some clients have been given concession for payment of premiums.</p> <p>The business has also introduced incentives to retain clients, although new business is expected to be difficult to attain.</p> <p>The company is looking to collaborate with VFM on a fund management business in eSwatini, subject to the business conditions being deemed conducive.</p> <p>The company is also in the process of finalizing an acquisition of Medscheme’s health insurance business in Eswatini.</p>

# SEGMENTAL – PRIVATE EQUITY

<p><b>Private Equity</b></p>	<p><b>Resources</b></p>	<p><b>Coal</b>                  COVID-19 resulted in the business having to close during April, but subsequently reopened, producing decent June &amp; July results, as operations picked up.</p> <p>The subsequent decline in coal prices negatively affected the business as regular customers reduced their demand, resulting in significant stockpiles at the sidings and ports.</p> <p>Revenue declined to R12,8m compared to R32,5m in 2019.</p> <p>Costs have been managed tightly and as a result the company made a loss of R1,1m compared to R2,9m in 2019 .</p> <p>Rietvlei mine continues to operate well as it has an offtake agreement with Eskom. The biggest challenge is that Eskom has not renewed the agreement for the high-quality coal which ends in April next year. Negotiations are ongoing.</p> <p>Black Wattle has struggled with low demand, export challenges at Richards Bay Coal terminal and low prices.</p>	<p>Coal prices have begun a recovery over the last few weeks which has resulted in increasing demand for coal.</p> <p>China has stopped taking Australian coal which could help South African businesses fill that gap in the short term.</p> <p>VR coal has managed to secure new contracts from new customers which should help with profitability going forward.</p> <p>The strategy to acquire more coal dumps to process is gathering strength and discussions taking place with all the coal majors.</p> <p>VR also watching developments at Anglo Thermal coal for opportunities to enhance the current resource base.</p>
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# SEGMENTAL – PRIVATE EQUITY

Private Equity	Other Commodities		
		<p>The Agri commodities and Boron divisions have shown good resilience during the first half of the 2021 financial year.</p> <p>Despite COVID-19 the boron trading levels remained at the same level as the prior year boosted by sales to territories in the Middle East</p> <p>The Agri division showed good growth over the first 6 months.</p> <p>Furthermore, there was significant ramping up of the Boron related overhead following the granting of the Africa trading agency rights.</p> <p>The two divisions generated R3.1m in profit &amp; we accounted for R0.9m as equity accounted earnings</p>	<p>The outlook for the Boron and Agri divisions is positive considering that as industries they are considered necessities and would be defensive during economic downturns, which are currently being experienced</p> <p>The divisions are pursuing other initiatives which includes fertiliser and seed products to Tunisia and other North African countries.</p> <p>Vunani is helping Black Wattle Colliery secure an additional resource from South 32.</p>

# SEGMENTAL – PRIVATE EQUITY

<p>Private Equities</p>	<p>Vunani Properties</p>	<p>The properties team have secured a few development opportunities which are at various stages and subject to capital raising (Argent House, Mandulo Retail, Manzini Mall).</p> <p>A conservative approach is being taken with property development with no on-balance sheet finance being sought (following a carry return approach).</p>	<p>Funding market has become very tight on the back of COVID 19.</p> <p>Retailers are reticent to confirm tenanting lease on new developments.</p> <p>Collaborating with VFM, Oracle Insurance and VFM Botswana on developing property asset management product.</p> <p>No proprietary development on acquisitions are being contemplated, unless they are on a fully ring-fenced business with no recourse to the group balance sheet.</p> <p>Progress has been made on an acquisition in Namibia in consortium with local partners and a major state pension fund.</p>
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# SEGMENTAL – PRIVATE EQUITY

<p><b>Private Equity</b></p>	<p>Other African Businesses</p>	<p>These are predominantly financial services businesses in other African countries and the sports betting investment</p> <p><b>Malawi</b> The Alliance Capital business is a broking, advisory, microlending, insurance and pension fund management business.</p> <p>Whilst these transactions are considered strategic, the full impact which will be seen from the 2021 financial year.</p> <p>The business made a small loss for the six months to August.</p> <p><b>Zimbabwe</b> The challenges currently being faced by the Zimbabwean economy are common cause and have created difficult trading conditions for Vunani Purpose.</p> <p>Notwithstanding these challenges the business is making negligible profits and riding out the storm.</p>	<p><b>Malawi</b> The business is expected to see further growth following discussion on a possible acquisition of an insurance business from one of the South African majors.</p> <p>There are also moves underway for a possible change in shareholding, with management and a strategic shareholder acquiring an increased shareholding from one of the shareholders. This will further motivate management to drive the company hard.</p> <p><b>Zimbabwe</b> The situation in country remains very tough and COVID 19 has brought further complications.</p> <p>High and unsustainable debt, high fiscal deficits, cash shortages, limited foreign exchange, and persistent shortages of essential goods are hampering meaningful economic recovery. Development spending and social service provision continue to be constrained.</p>
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# SEGMENTAL – PRIVATE EQUITY

## Private Equity

### Other African Businesses

### Sports Betting

Vunani has invested in several sport betting operations in conjunction with Betpawa in Zambia, Zimbabwe and Ghana.

A revenue split was agreed where 15% of net gaming revenue would accrues to the Vunani consortium and 85% to Betpawa.

Betpawa covers all operational expenses.

Subsequently licenses were secured in Cameroon.

Growth in these operations has been exponential, with profits being generated literally from inception.

Vunani receives dividends on a regular basis.

### Sports Betting

COVID 19 and the curtailment of sporting activities had an impact on the sports betting industry for the month of March. However, the industry adapted very quickly, and the advent of virtual sports events enabled operations to generate some turnover.

Betpawa has the advantage of facilitating gaming and transacting via mobile telephony.

The sports industry appears to be slowly coming back to life and this business is soon expected to get back to its previous levels.

The Zimbabwean sports betting business has been shut down due to the cancellation of mobile money accounts for companies.

The Cameroon business is expected to go live in November

New licenses are currently being pursued in Ethiopia, DRC, Malawi, and Liberia.

A new partner has been identified to pursue countries were Betpawa is not interested in setting up businesses.

# SEGMENTAL – PRIVATE EQUITY

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# SEGMENTAL – PRIVATE EQUITY

<p><b>Private Equity</b></p>	<p>Other investments</p>	<p>These are largely investment holdings that are either too small for the group to consolidate, at an early stage of investment or are considered non-strategic, notwithstanding their significance.</p> <p><b>Fintech Fund</b> The Fintech fund has made 4 investments (Snap &amp; Save, Ozow, My iMali and Click 2 Sure).</p> <p>There are several other transactions at an advanced stage and the fund will soon be fully invested form the first tranche of R100m raised.</p> <p>The investments were fair valued at 31 August and this resulted in an unrealised gain of R58 million</p> <p><b>Phakamani</b> Phakamani is a debt facilitator that disburses business loans to micro enterprises and sole traders in mining and underdeveloped communities.</p> <p>Funds are raised from mining corporates and loaned out at user friendly interest rates.</p> <p>Thus far it has disbursed more than R50m to over 300 beneficiaries (predominantly women and youth) on a revolving basis.</p> <p>The business employs 30 people and made a small profit (R2,1m PAT).</p>	<p>Some of the businesses are finding the going extremely tough in current environment and others are thriving.</p> <p>Investors have been approached and there is in principle agreement for a further R200m investment into the fund.</p> <p>The fund is currently in the process of acquiring two investments in the health technology and crypto currency wallet space.</p> <p>The Phakamani business model has gained traction and is enabling the business to spread its wings and diversify away from mining sector clients.</p> <p>The upcoming year will be a defining period to see whether the business can push on and become a major player in this category of financial services.</p>
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VUNANI

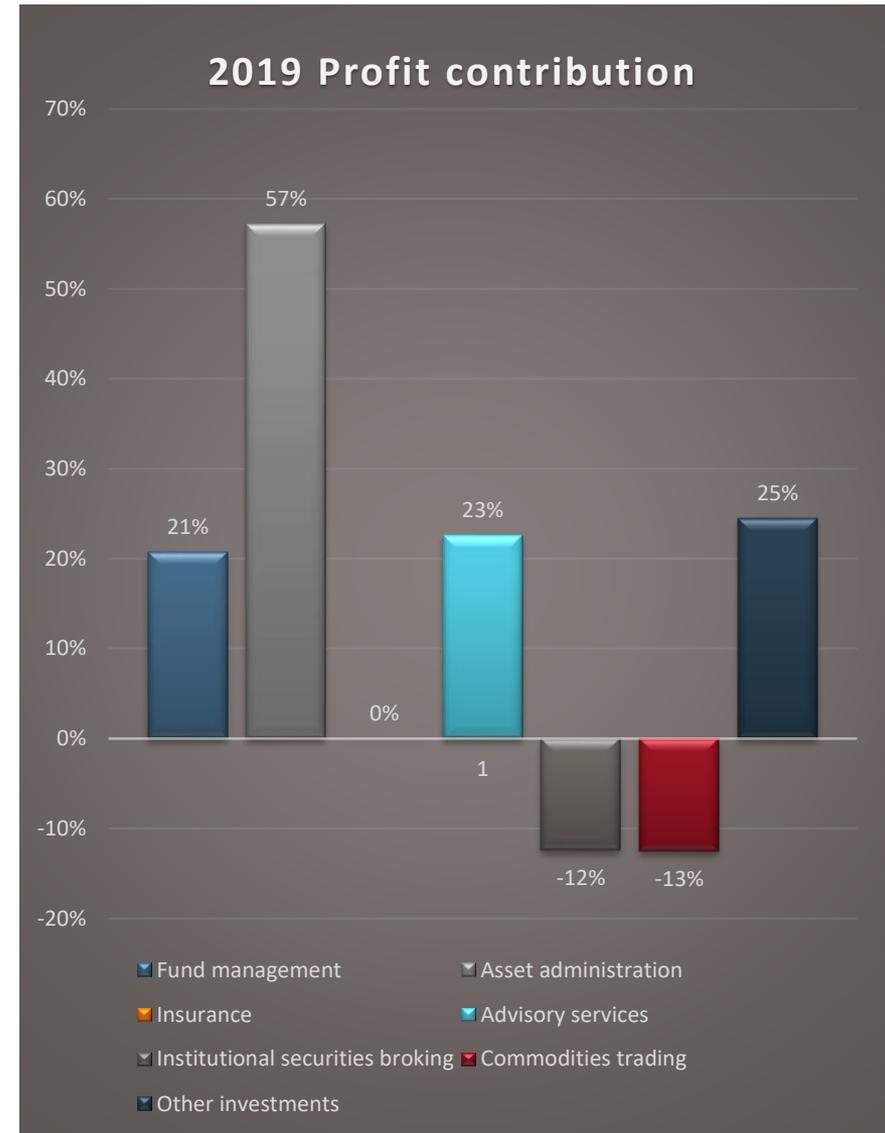
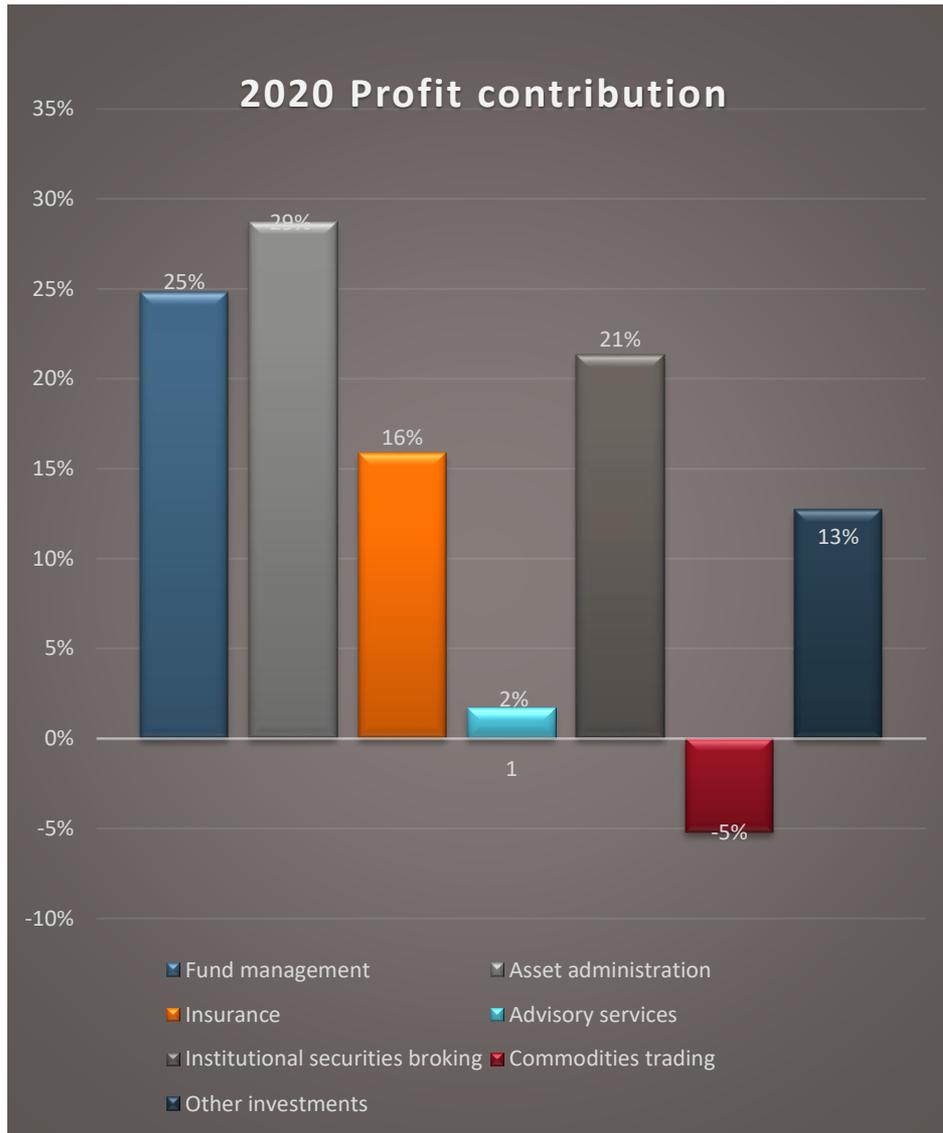
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FINANCIAL PERFORMANCE

# KEY RATIOS

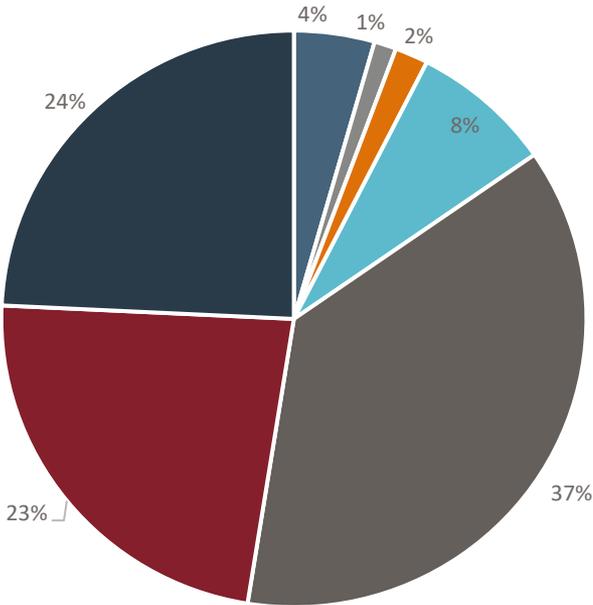
- **82%** increase in **EPS to 19.7c.**
- **75%** increase in **ROE to 6.11%.**
- **49%** improvement in **EBITDA to R57.5million.**
- **6%** improvement in **NAV/share to 321.2c.**
- **24%** improvement in **NTAV/share to 122.3c.**
- **Current ratio** declined marginally to **1.21** from 1.28.

# PROFIT AFTER TAX



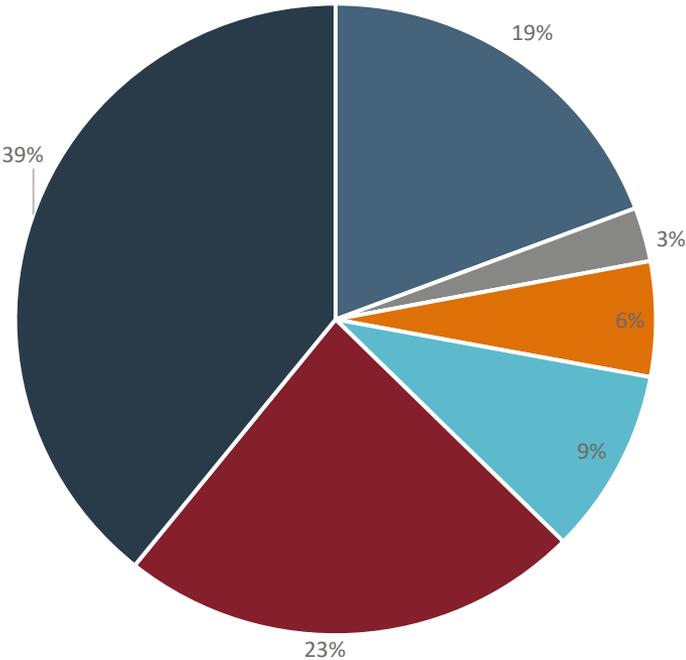
# REVENUE COMPARISON

2020  
REVENUE



- Commodities trading
- Advisory services
- Insurance
- Asset administration
- Other investments
- Institutional securities broking
- Fund management

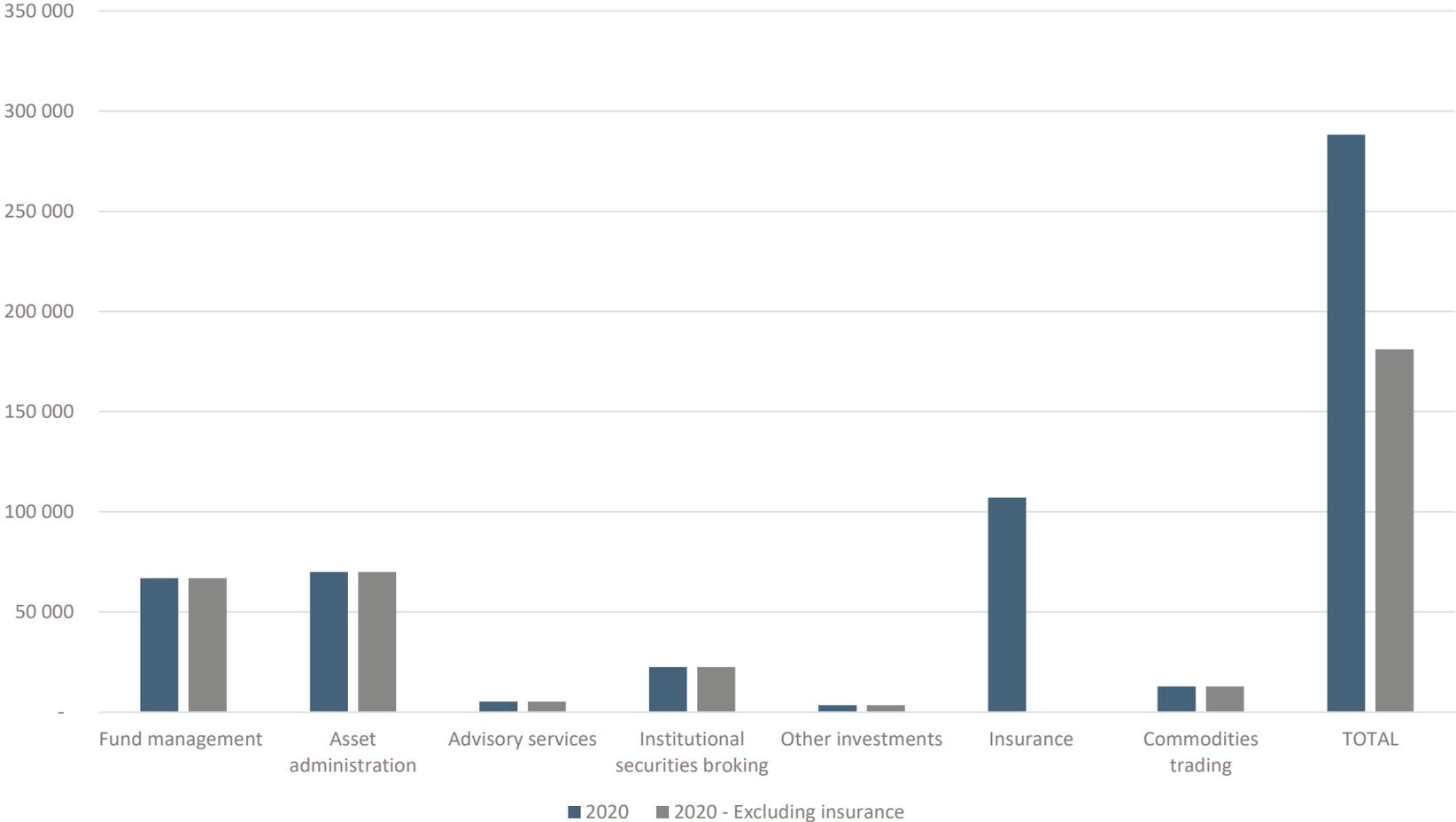
2019  
REVENUE



- Commodities trading
- Advisory services
- Fund management
- Other investments
- Institutional securities broking
- Asset administration

# REVENUE COMPARISON

Revenue contribution excluding insurance



## ➤ Other income

- Includes reinsurance recoveries of R5.8 million and other non-operational revenue earned by the group.

## ➤ Investment income

- Insurance related investments: R1.9m. This decreased due to the impact of COVID-19 on our coal related investments

## ➤ Fair value adjustments

- Negative fair value adjustments of R13.7m (Aug '19: R3.4m).

## ➤ Equity accounted earnings

- Decreased to R3.1m (Aug '19: R5.m). Includes Vunani's of post-tax earnings for Alliance, Isilo Investments, Betbio Zambia and Phakamani

## ➤ Commodities trading related costs

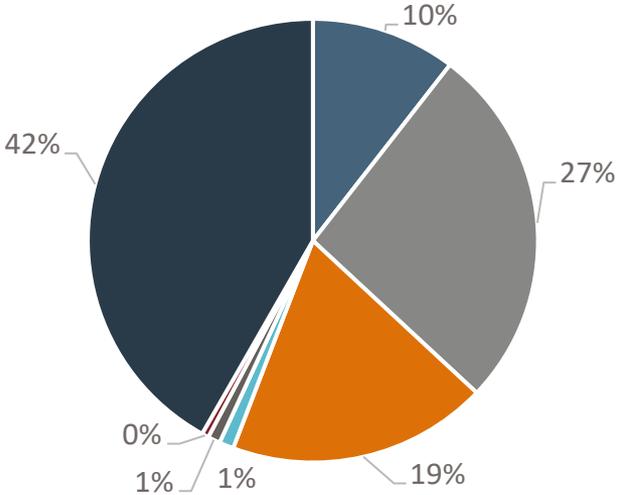
- Down by 57% due to decreased sales volume as a result of the impact of COVID-19

## ➤ Operating expenses

- Increased by 82% compared to Aug '19:
  - Impact of consolidating Oracle and VFM Botswana which were acquired in the last quarter of FY20.
  - Staff costs – Up by 26% (42% of total expenses).
  - Insurance claims paid is the next biggest expense making up 27% of total expenses
  - Other costs include communication & information costs, professional fees and operating expenses

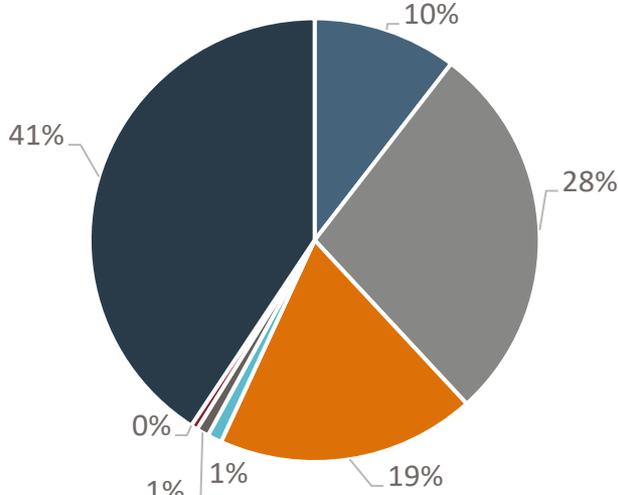
# STATEMENT OF FINANCIAL POSITION

August 2020 Net Asset Value



- Fund Management
- Asset administration
- Insurance
- Advisory
- Institutional securities broking
- Commodities trading
- Other investments

February 2020 Net Asset Value



- Fund Management
- Asset administration
- Insurance
- Advisory
- Institutional securities broking
- Commodities trading
- Other investments

# STATEMENT OF FINANCIAL POSITION

- Insurance related investments of R428 273 (Feb 20: R286 589) increased as a result of asset allocations strategies.
  
- Cash and cash equivalents
  - Decrease as a result of acquisition of insurance related investments.
  
- Other financial liabilities
  - Decreased by R13.2m as result of repayments of external debt
  
- Investment contracts and Insurance contract liabilities increased as a result of actuarial adjustments.

- Market cap is at significant discount to underlying enterprise value  
@ 250 cps = R400m
- Difficult to read group AFS as a result of the combined financial services and private equity assets
- Coal and commodity trading volatility impacts results from year to year
- This has resulted in a value trap

# VUNANI LIMITED UNBUNDLING – PROPOSED SOLUTION

- Split the group by unbundling of the private equity assets to shareholders
- Listed company (ex private equity) then remains focused on financial services allowing investors to value this business on its earnings and market value should reflect underlying value of the financial services businesses
- Unlock value of private equity portfolio through dividend distributions and asset disposals

# FINANCIAL PERFORMANCE IF UNBUNDLING ACCOUNTED FOR

	Vunani Limited	Vunani Capital Partners	Total
	R'000	R'000	R'000
Revenue	271 836	16 355	288 191
EBITDA	55 580	2 007	57 587
PAT	30 180	5 791	35 971
EPS	18.8c	0.9c	19.7c
NAV	341 101	250 094	591 195
Intrinsic NAV	643 116	260 156	903 272

# STATUS OF UNBUNDLING

- A circular detailing the impact of the unbundling was distributed to shareholders on 30 November. The timelines of the unbundling are detailed below:

Step	Date
Posting of circular to shareholders	1 December 2020
General meeting to vote on proposed unbundling	11 January 2021
Results of general meeting published on SENS	11 January 2021
Finalisation announcement (if approved) published on SENS	19 January 2021
Execution of unbundling	1 February 2021
Listing on Equity Express Securities Exchange	April 2021

# DIVIDEND DECLARATION

- Due to the uncertainty regarding the impact of COVID-19 the group did not declare a dividend at year-end.
- The group had a strong performance for the first six months of the year despite the tough operating environment. As such the board declared gross interim dividend of 5c per.
- The dividend will be paid on 21 December 2020

A silhouette of a fisherman holding a large, net against a sunset sky over a body of water. The fisherman is positioned in the lower center, holding the net which is spread out and billowing in the wind. The sky is a mix of blue and orange, with scattered clouds. The water in the foreground is calm and reflects the light from the sunset. The overall scene is peaceful and evokes a sense of traditional fishing.

PROSPECTS FOR THE YEAR

VUNANI  

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LIMITED

- **COVID Impact on the business**
- The COVID-19 pandemic continues to be a reality that the business needs to deal with on an ongoing basis.
- Fortunately the majority of the businesses have not been to negatively impacted by the pandemic.
- The various businesses have adopted admirably in these tough times through a combination of working from home and a managed return of staff to the office.
- As part of the individual businesses strategy sessions we have asked questions such as:
  - How are we looking after the wellbeing of our employees in the COVID 19 environment?
  - How will you reinvent your business in post COVID 19 world?
  - Do you need to reinvent your business in a post COVID 19 world?
  - How should we align our cost structure to deal with the impact of COVID 19?
- **Community support during COVID 19**
- The group has a very wide footprint and touches many communities, some of which are highly impoverished.
  - We have had firsthand experience of the desperation in some of these communities through the disruption to some of our businesses.
- Accordingly, our respective businesses have identified a number of communities based non government organizations and community leaders to facility the helping of communities with hunger alleviation, hygiene and sanitation and clothing as we approach the winter season.

- The stage of growth and the business conditions require that we introspect and tighten up the business, provide focus in the things we do and become increasingly attentive to the generation of returns for our shareholders.
- The proposed restructuring is the first step, but an additional requirement is closer attention to collaborative and integrated opportunities amongst our core group operations.
- We have the benefit of having traded out of difficult conditions before and this time we have a debt-light balance sheet.
- We believe we are well poised to navigate this difficult business terrain with the requisite fortitude.



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**THANK YOU**

**VUNANI**

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## JOHANNESBURG

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# CONTACT US