

AltVest Capital

August 19, 2022

Business Description

Altvest is an investment platform focused on offering 'shares' of private firms and alternative assets to retail investors. It provides investment education, capital raising services for firms, and significant local media exposure. There is a development of a value chain for SMEs. Thus, the revenue driver is broadly two-pronged: fees charged to investors and claims from firms revenues. Due to the nature of private equity there is a necessity for due diligence and accountability. This presents costs for Altvest in the form of research, investor relations, and governance. The firm is listed on the CTSE, a cloud based, fintech enabled stock exchange which is less rules-based.

Altvest Capital facilitates fund investing to retail investors through exchange-traded notes on the CTSE.

Altvest Capital Ltd. (4AAVC)	BUY
Primary Sector	INVESTMENT HOLDING
Current Stock Price	R5.00
Target Price	R12.7
Market Cap	R50 500 000

Recommendation: Typically we found that beyond the 4-year period, Altvest's revenues will surpass its costs. Thus, making the stock currently undervalued. We recommend **buying the stock.**

Our take on AltVest Capital

We expect an exponential increase in users and a substantial relative decrease in the fixed costs of the business in the next 3-5 years. In our view the following factors must be taken into account:

Exponential Earnings

We expect an exponential increase in users, both private firms and retail investors. Results will be depicted through increase in fee revenue.

Industry Analysis

The industry, both private equity and fintech, displays a positive outlook for the future. This is evident in a South African context even amongst war, rising inflation, and post-covid circumstances.

Investment Summary

Altvest focuses its product offering around the economic interest share of private firms and alternative assets. We view this as a valuable product that is currently undervalued.

Investment Risks

Operational, Technological, financial and regulatory risks all present themselves in this case.

ESG

Environmental and social focus is not at the forefront of the company, however governance is a strong suit of the company

Industry Analysis

Private Equity in South Africa

A rise in private equity transactions were conducted despite the global outlook of rising inflation, war and recovery from the covid-19 crisis.

Private Equity on a Global Stage

Private equity gained more traction in the year ended 2021. The rise in inflation due to the war and covid-19 effects presented a demand in private equity in order to attain more resilient and less sensitive assets.

Traditional private equity structures are a competitor to Altvest capital. The establishment of ever-green open-ended private equity funds, US-based SPACs and private equity vehicles traded on financial exchanges are alternatives to Altvest. Mature private equity firms may become a potential acquirer of Altvest, especially as a software service. The realized value of Altvest may encourage such actions.

Fintech Market Adoption

An analysis of competitors can depict the marketability of Fintech products to the South African retail consumer. As seen with a comparable company, by way of target audience not product, an investment platform for public funds, Easy Equities, depicted an increase to 1 million users in the year ended 2021. This is a growing brand and thus a powerful competitor to Altvest. We deem the adoption of this kind of technology as viable in South Africa, and even more so on a global scale.

The idea is novel, and we recognise Altvest as a potential local market leader and global market participant in the industry in 5-10 years time.

The South African Consumer's Discretionary Income and State of SMEs

We expect direction towards investments to be low in the short term due to the stringency effects of covid-19 and unexpected rising inflation. SMEs are prone to the same conditions however, we expect an influx of SMEs seeking alternative funding, and thus Altvest.

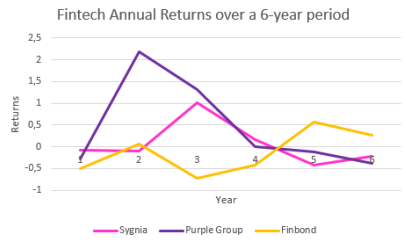
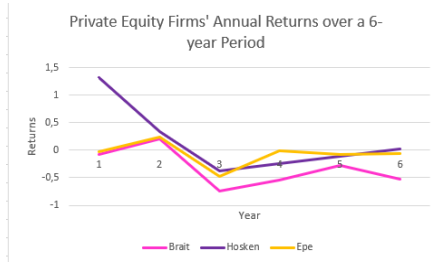
Investment Summary

We expect Altvest to receive additional funding because of the strengths of the management team. An interest for the first listing has been displayed. Umganu Lodge represents an income of 2% for capital raising and stakes in the profits already.

Valuation

Altvest Capital Ltd

An evaluation of two separate industries was made. Firstly, private equity firms and their performance and secondly, Fintech firms. Data was collected from IRESS and measured a six-year period starting January 2017 to May 2022, the time of Altvest's listing. The pre-valuation from a pitch presentation served as an initial investment figure. Thai alongside cash flows produced an IRR of 38%. Cash flows were only observed to increase significantly above costs in the third year of operation. After three years from listing we expect brief exponential growth.



As seen in comparison companies the last 6 years, Fintech companies displayed growth midway, while private equity on average performed worse over the middle period.

Umganu Lodge

Recent valuation has highlighted the booming auction sales of wildlife in the economy. Sales have outperformed those in 2019, which was pre-covid. With wildlife tourists and hunters being a more resilient type of tourist we expect this industry to mature and reach stable earnings for the next 5 years. Our valuation of Umganu was mainly focused on the future prospects of auction commissions and sales.

Investment Thesis

Umganu Lodge

Historically, the lodge is expected to produce a revenue of \$500 000 in 2022, and continue growing at 12% annually. We expect this to fluctuate at the time of its listing, however we

expect a revert back and thus create a profit of \$1m in 5 years time. This is due to the media attention it will lose following other Altvest listings. We expect this listing to deliver an IRR of 13%.

Investment Risks

Financial risk due to the traditional behavioral investment strategies of private equity and those depicted by retail investors. The assurance granted by a dutch auction does not eradicate illiquidity risk. The true benefit for the 'listed' private firm is unclear. Through majority stakes there runs a regulatory risk that Altvest may buy-back all issued notes possibly below fair value. A lack of a pilot poses an operational risk, but not in Umganu. There can be survivorship bias. The use of its own software as well as that of the CTSE, may pose a technological risk. Taxes, SARB Fintech policy, interest rate effects and youth unemployment are also risks to take into account

Environmental, Social and Governance

Environmentally, this aspect of Altvest is not yet clearly defined and thus gains a low ranking from our team. Although future prospects hope to invest in climate-impactful projects Socially, this aspect of Altvest is not yet clearly defined and thus gains a low ranking from our team. The impact of democratizing private equity is not applicable here as there are minimal benefits to the community. In governance, the following principles of King IV are believed to be satisfactorily applied through initial and premature observation:

17,14,12,11,10,7,6,5,4,3