



Share Code: 4AAVC
Shares Outstanding: 10,000,000
Current Share Price: R5,05
Low/High: R5,00/R5,25
Market Capitalization: R50,500,000

Equity Research Report

Summary

History

Founded in 2021

Strategy

Altvest is a FinTech platform that seeks to democratize alternative investments by offering ordinary retail investors access to bespoke investment opportunities via fractional ownership from as little as R100. The bespoke opportunity set includes farms, sports teams, film funds & creative arts, luxury items, renewable energy, infrastructure projects, luxury real estate developments, impact driven community housing, education technology, fintech, technology driven health solutions, and blockchain driven payment platforms.

Strategic Partners

Atrade Brokerage – Online trading technology that provides easy account access, with no minimum trading fees and access to research material for securities listed on the CTSE.
Cape Town Stock Exchange (CTSE) – A safe and licenced digital marketplace
CTSE Capital Solutions – Manager of operational aspects such as pre-trade origination, FICA, KYC, credit assessments, trade management and mandate approvals.

Corporate Finance

IPO'd on the Cape Town Stock Exchange (CTSE) on May 5th, 2022
Equity capital of R50 million raised prior to listing on the CTSE from Private Investors (48.8%), WGW Capital (7.6%), Staff (6.4%) and Service Providers (37.2%).
No debt capital.
Altvest is looking to acquire 50% of the issued share capital of Umganu Lodge (Pty) Ltd. Upon completion, this will be the first listing on the Altvest platform.

Valuation Metrics (R000's)

Enterprise Value: R40,700 Revenue (FY23): R4,700
Market Cap: R50,500 EBITDA (FY23): (R35,800)

*Revenue and EBITDA based on FY2023 forecast.

**3-Statement Financial Model composed using the "Financials" sections of the Altvest business plan. A DCF, Ratio, and Comps analysis was used to arrive at an intrinsic value for Altvest Capital Limited.

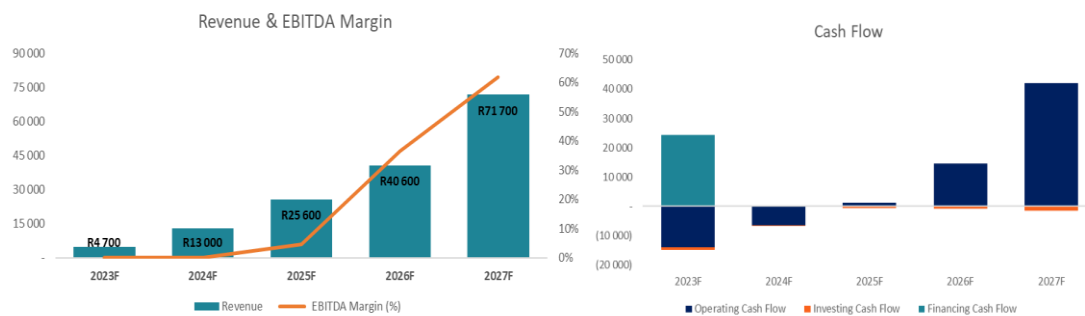
Revenue & EBITDA Forecast

Income Statement	2023F	2024F	2025F	2026F	2027F
Revenue					
Annual Management Fee	2 200	8 300	18 100	31 100	46 200
Dividends Rec - Investee Companies	200	900	2 000	3 500	5 200
Profit on disposals - Investee Companies	-	-	-	-	13 800
Capital Raising Fees	2 300	3 800	5 500	6 000	6 500
Total Revenue	4 700	13 000	25 600	40 600	71 700
EBITDA	(35 800)	(6 400)	1 200	14 800	44 300
EBITDA Margin %	-	-	5%	36%	62%

*Annual management fees make up the bulk of Total Revenue. This is calculated as 1% of the revenue earned by each investment and will be paid over by investee companies to Altvest on a monthly basis.

Profits on disposals will be realised upon investment exits. Altvest's Investment Holding Period is assumed to be 3 – 5 years on average. Steady annual increases in capital raising fees as Altvest adds to its investment portfolio. Altvest raises capital by issuing preferred ordinary shares to acquire interest in investee companies. A fee of 2% is charged on the gross value of capital raised.

**EBITDA forecast to turn positive in FY2025, followed by significant increases in EBITDA margins which will trickle down to Altvest's bottom line, operating cash flows, and FCFF in the near future.



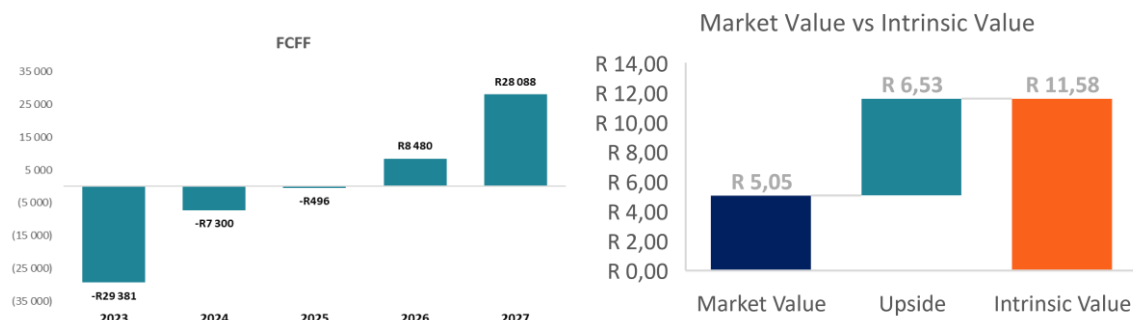
DCF Analysis

DCF

Assumptions

Tax Rate	28%
Discount rate	13%
EV/EBITDA Multiple	5.0x
Transaction Date	2022/05/05
Fiscal Year End	2023/02/28
Current Price	5,05
Shares Outstanding	10 000

Discounted Cash Flow	Entry	2023	2024	2025	2026	2027	Exit	Terminal Value
Date	2022/05/05	2023/02/28	2024/02/28	2025/02/28	2026/02/28	2027/02/28	2027/02/28	207 500
Time Period	1	2	3	4	5	1,0		
Year Frac.	0,8	1,0	1,0	1,0	1,0	1,0	1,0	
EBIT		(35 900)	(6 700)	700	14 000	42 900		
Less: Cash Taxes		-	-	196	3 920	12 012		
NOPAT		(35 900)	(6 700)	504	10 080	30 888		
Plus: D&A		(100)	(300)	(500)	(800)	(1 400)		
EBITDA		(36 000)	(7 000)	200	13 200	41 500		
Less: CapEx		(100)	(300)	(500)	(800)	(1 400)		
Less: Changes in NWC		-	-	-	-	-		
Unlevered FCFF		(36 100)	(7 300)	(496)	8 480	28 088	207 500	
Transaction FCFF		-	(29 381)	(496)	8 480	28 088	207 500	
IRR FCFF		(40 700)	(29 381)	(7 300)	(496)	8 480	28 088	207 500
Intrinsic Value								
Enterprise Value		105 985						
Plus: Cash		9 800						
Less: Debt		-						
Equity Value		115 785						
Equity Value/Share		11,58						
Market Value								
Market Cap				50 500				
Plus: Debt				-				
Less: Cash				9 800				
Enterprise Value				40 700				
Equity Value/Share				5,05				
Rate of Return								
Current Price								5,05
Target Price								11,58
TP Upside								129%
IRR								30%



*Unlevered FCFF pivots to positive territory in FY2025. Significant upside over and above the market value per share is prevalent at this stage of Altvest's operations. The intrinsic value of an Altvest share is R11,58.

Industry

Altvest aims to mirror the SPAC (Special Purpose Acquisition Company) Model. A SPAC is a company without commercial operations and is formed strictly to raise capital to acquire and IPO existing companies. SPACs are not popular investment vehicles in South Africa and Africa at large. There is only a handful of SPACs listed across the JSE and AltX.

Porter's Five Forces

Rivalry	Very little to zero at this stage given Altvest's unique and innovative approach to democratizing bespoke alternative investments
Threat of new entrants	Altvest's first mover advantage in bespoke retail investments could see it secure an economic moat, reaching incumbent status and effectively mitigating future threats of new entrants
Bargaining power of buyers	May be significant in the Private Placement stages. Very limited when it comes to retail investors as there is no other platform offering access to this bespoke set of opportunities to ordinary retail investors
Threat of substitute products/services	Limited at this stage. There are competitors such as EasyEquities specializing in fractionalized share trading but do not offer bespoke alternative investments
Bargaining power of suppliers	Target investee companies are privately held and therefore will have significant bargaining power in negotiating with Altvest to go public

Comps Analysis

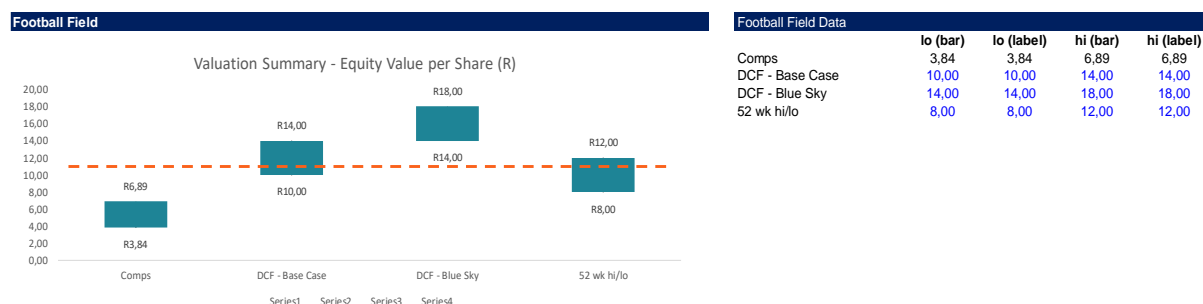
Company name	Price (R/Share)	Shares (000's)	Market Data			Financial Data (FY+1)			Valuation (FY+1)		
			Market Cap (R000's)	Net Debt	EV (R000's)	Revenue (R000's)	EBITDA (R000's)	Earnings (R000's)	EV/Revenue x	EV/EBITDA x	P/E x
Capital Appreciation	R1,75	1 229 100	R2 150 925	-R520 925	R1 630 000	R831 000	R246 800	R163 200	2,0x	6,6x	13,2x
Regergen	R35,80	129 850	R4 648 630	R731 370	R5 380 000	R2 600	(R39 300)	(R33 800)	-	-	-
RH Bophelo	R5,00	64 691	R323 455	-R4 775	R318 680	R90 200	R64 800	R53 500	3,5x	4,9x	6,0x
Average									2,7x	5,8x	9,6x
Median									2,7x	5,8x	9,6x

*Regergen valuations omitted to avoid data skewing. This is a result of significant divergence between EV and Revenue, as well as negative EBITDA and Earnings.

**Other companies identified within the South African SPAC environment include GAIA Infrastructure, Hulisani, Long4Life and EasyEquities. The aforementioned companies could not be included in the comps analysis due to issues such as share suspensions and insufficient financial statement filings.

Valuation Summary

Comps							Key Assumptions - Industry averages			
Metric	Comps	EV	Net Debt	Equity Value	Shares	Share Price	Current Price	Revenue	EBITDA	Earnings
EV/Revenue	2,7x	824 179	(135 000)	689 179	100 000	6,89	2,00	300 000	90 000	300 000
EV/EBITDA	5,8x	518 510	(135 000)	383 510	100 000	3,84	100 000	14,00	14,00	14,00
P/E	9,6x	711 767	(135 000)	576 767	100 000	5,77	15 000	80 000	80 000	80 000
							150 000	60 000	60 000	60 000
Lo						3,84				
Hi						6,89				



*Orange dashed line indicates an Altvest intrinsic value per share of R11,58.

Recommendation

Buy

TP: R11,58
Conviction: 7/10
Catalyst(s): Niche market, Zero debt, First mover advantage, manageable PEST risks, significant TP upside