

10 SA-LISTED OPPORTUNITIES

GET EXPOSURE TO THE RECOVERY

THE ANCHOR TEAM
NOVEMBER 2020

ANCHOR

NAVIGATING
CHANGE

SUMMARY

- We favour global equities
- But SA has some interesting opportunities
 - Great value if SA thrives
 - Some crazy small cap valuations (100%+ opportunities)
- SA Inc has bounced, but where to now?
- This is not a macro presentation ... just an illustration of some great SA opportunities
- *If Naspers traded at nav and grew at 20% per annum for a few years, it could be 60% of SA market*





LOCAL OUTCOMES

Figure 3: 12M return scenarios for various asset classes in rand

Source: Anchor

- Return (global flows return to emerging markets as growth rebounds and vaccines become realistic expectations)
- Return (slower recovery and risk appetite in emerging markets than developed markets)
- Anchor expected return



Anchor expected return (in rand terms)

11.3%

9.30%

7.00%

6.6%

End October

November MTD

	WGT	TOTAL RTN	YTD*	TOTAL RTN	MTD
SA INC	40.4%	-29.3%	-14.8%	16.7%	6.6%
Banks	12.2%	-36.7%	-6.2%	23.3%	3.0%
Insurance	6.1%	-33.8%	-2.4%	21.9%	1.2%
Retail	6.9%	-17.8%	-1.3%	13.6%	1.0%
REIT	1.5%	-58.0%	-1.4%	9.5%	0.1%
Other	13.7%	-25.7%	-3.5%	10.2%	1.3%
ZAR HEDGE	14.2%	-20.7%	-2.7%	16.9%	2.1%
Other	12.5%	-14.6%	-1.4%	17.0%	1.9%
REIT	1.7%	-50.8%	-1.3%	15.9%	0.2%
SMALL CAP	5.0%	-34.5%	-2.4%	9.3%	0.4%
Other	3.1%	-26.2%	-1.1%	9.0%	0.3%
REIT	1.9%	-46.3%	-1.3%	9.8%	0.2%
MATERIALS	24.6%	6.0%	1.5%	8.3%	2.3%
Gold	5.2%	52.7%	1.9%	-1.5%	0.0%
Platinum	6.8%	6.4%	1.8%	7.4%	0.7%
Diversified	9.0%	5.2%	0.5%	12.1%	1.1%
Sasol	1.8%	-72.3%	-2.3%	25.0%	0.3%
Other	1.8%	-17.0%	-0.3%	12.6%	0.2%
NASPERS	15.8%	42.4%	5.3%	0.9%	0.2%
Naspers	11.4%	54.6%	3.4%	0.5%	0.1%
Prosus	4.4%	48.0%	1.9%	1.8%	0.1%
TOTAL	100.0%	-13.1%		11.6%	

* YTD thru 31-Oct-20

GLOBAL OUTCOMES

Figure 1: 12M return scenarios for various asset classes in US dollar terms

Source: Anchor

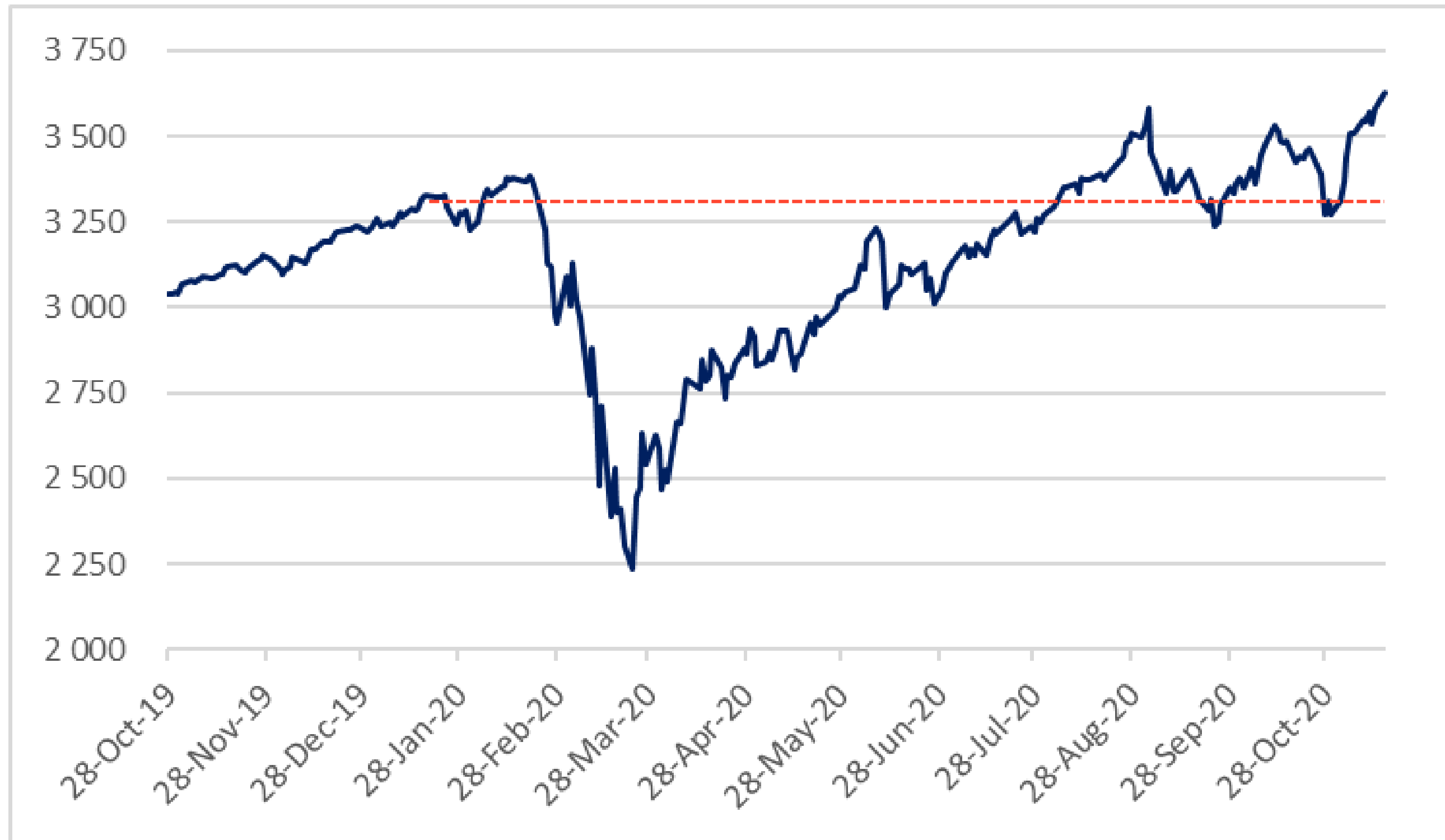


	YTD*	MTD
NYSE FANG	70.3%	3.9%
NASDAQ	27.5%	8.1%
IT	22.1%	9.4%
DISCRETIONARY	19.8%	6.2%
STAPLES	1.2%	8.4%
HEALTHCARE	1.1%	10.3%
MSCI EM	1.1%	7.7%
MSCI WORLD	-1.0%	10.4%
INDUSTRIALS	-5.4%	13.0%
EUROSTOXX 50	-15.2%	14.8%
FINANCIALS	-20.9%	13.3%
REAL ESTATE	-24.5%	13.5%
FTSE 100	-25.8%	15.6%
ENERGY	-50.4%	18.1%

* YTD thru 31-Oct-20



S&P 500 YTD



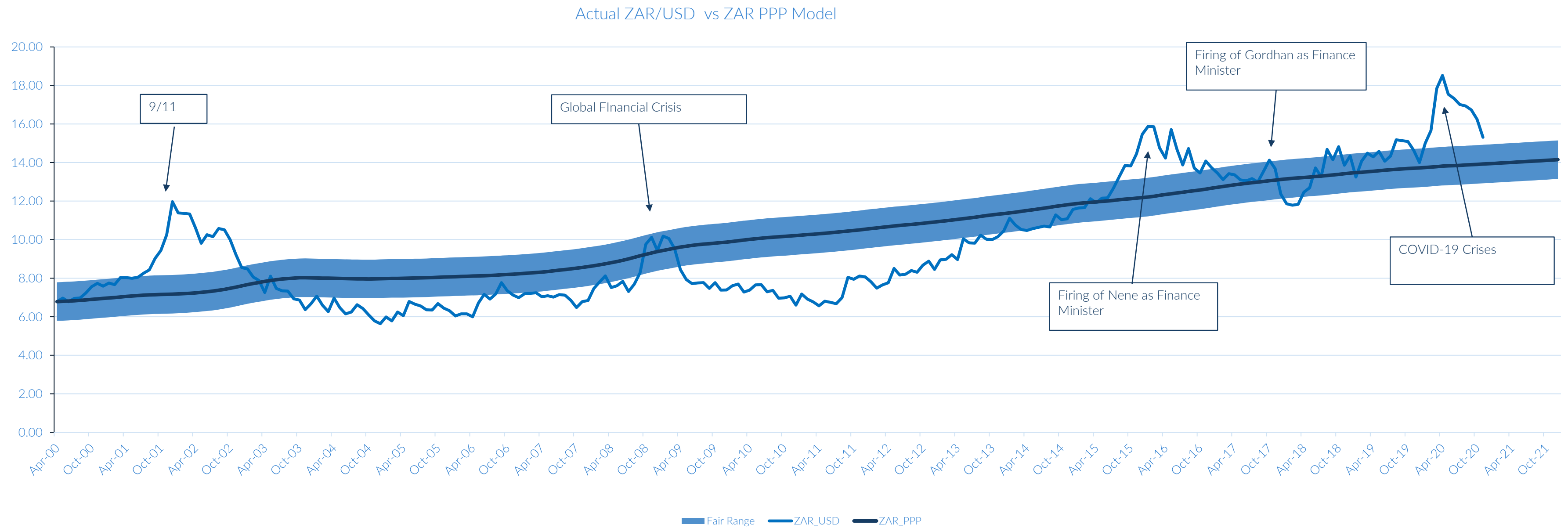
McDONALDS



NIKE



RAND CLOSER TO FAIR VALUE

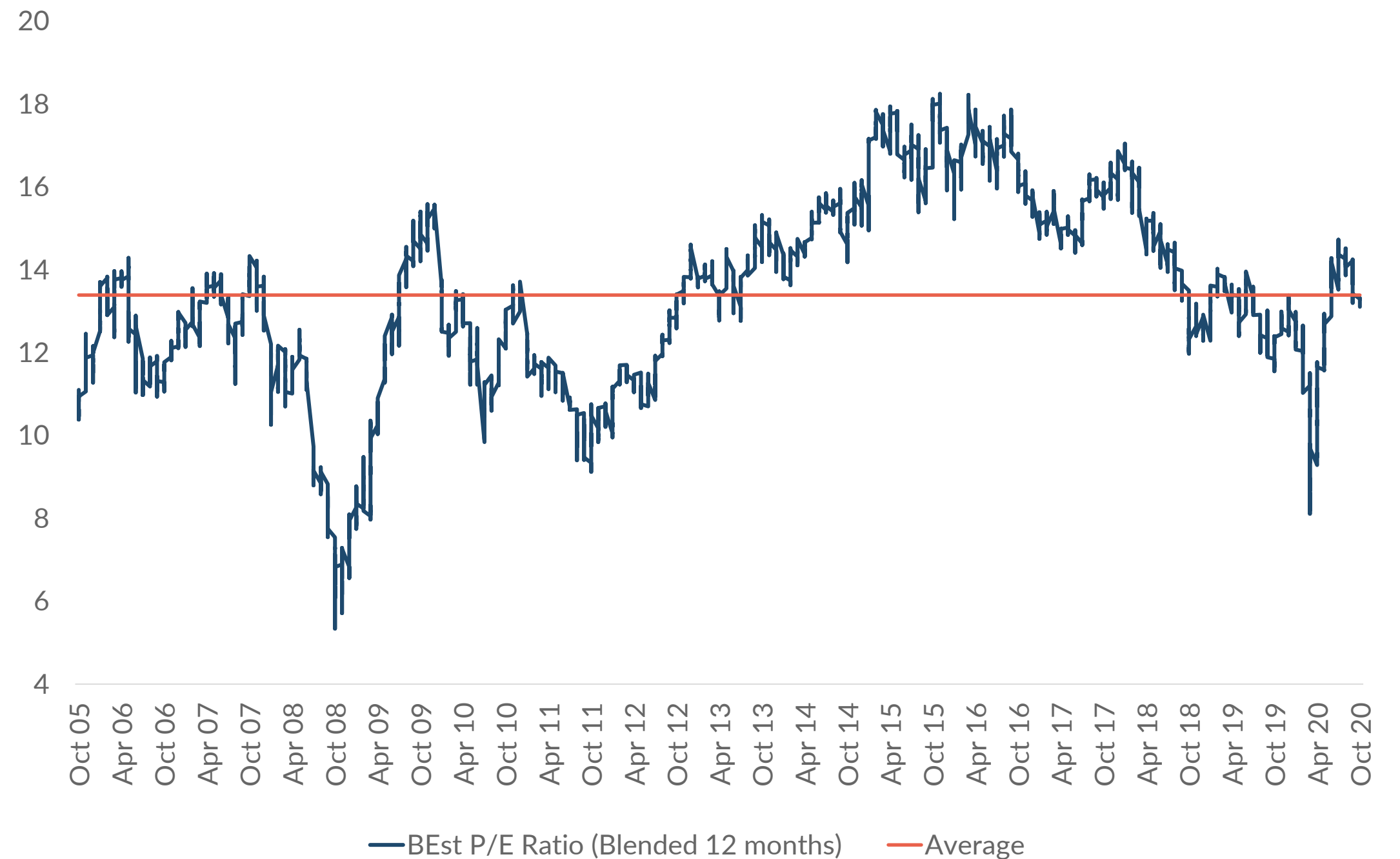


Source: Anchor Capital /
Thompson Reuters

SA EQUITIES

- Resources attractive – global infrastructure stimulus
- Naspers – discount exhaustion
- Domestics – no longer buy and hold, but lots of opportunities
- Rand hedge – not homogenous, but some opportunities
- Projected 12-month return of 11.3%

JSE ALLSHARE INDEX

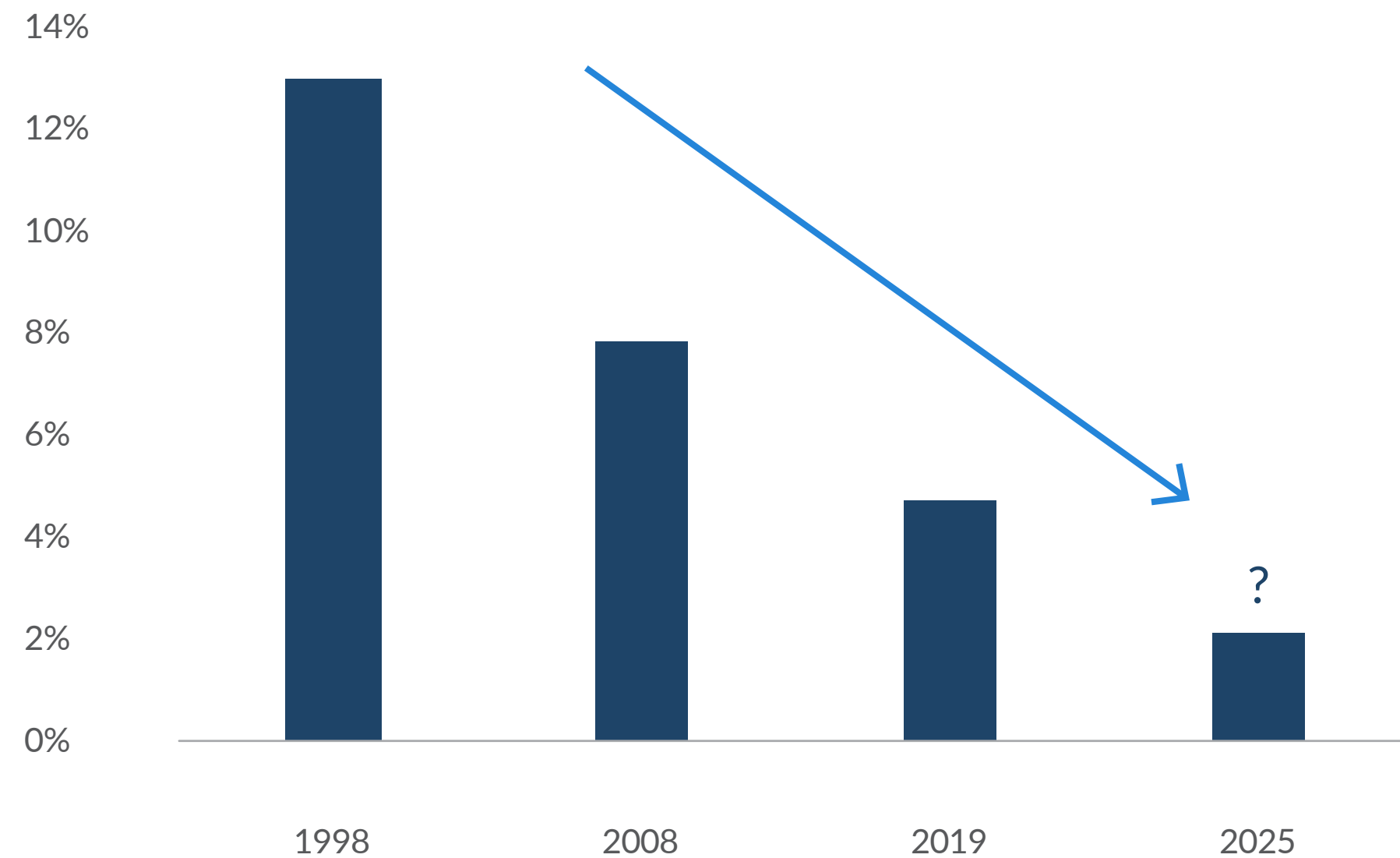




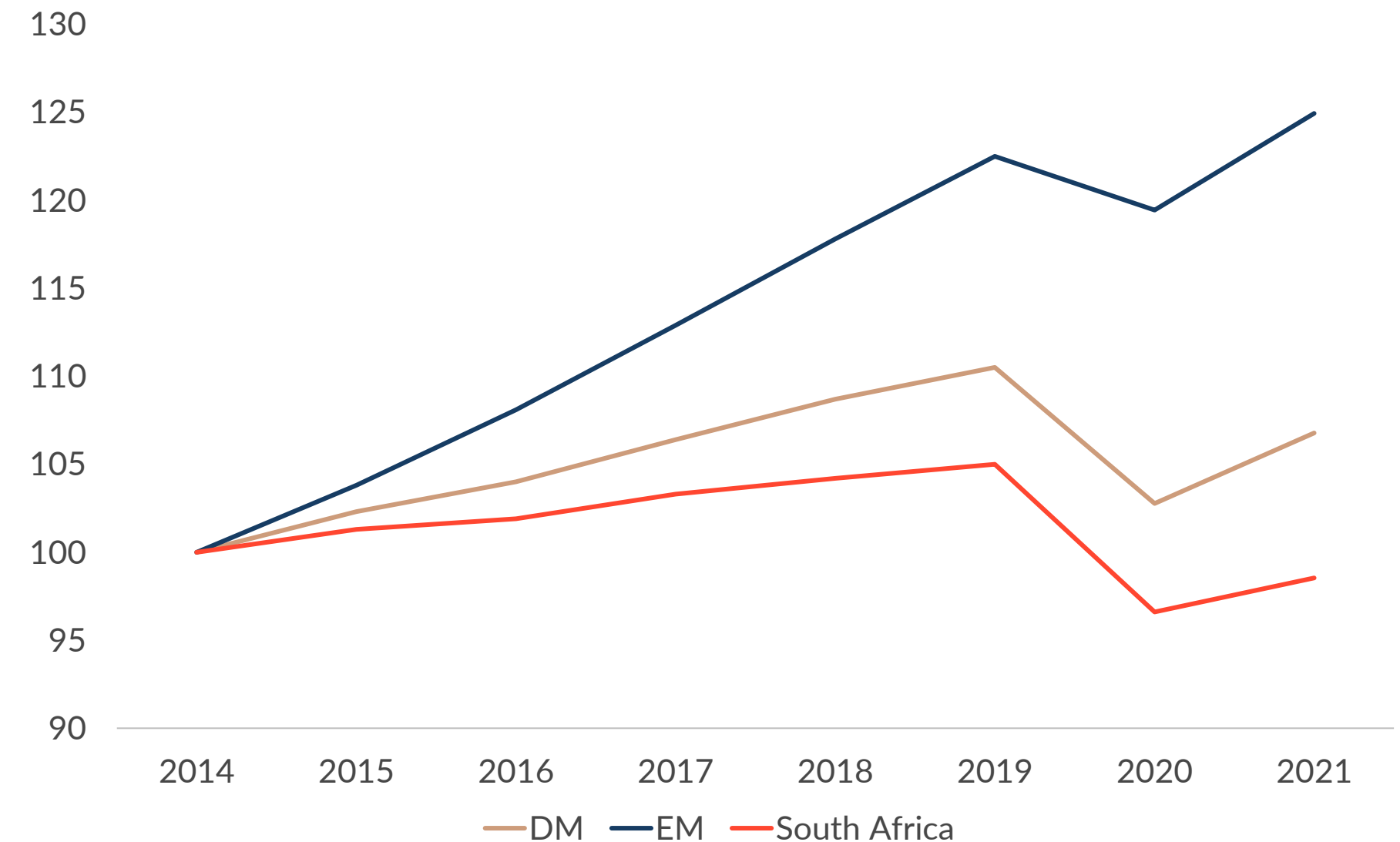
WHY SOUTH AFRICANS SHOULD CARE ABOUT EM ex SA

- "In 10 years time markets will be 70% US and Asia"

SA weight in MSCI EM



Real GDP Growth



*World bank forecasts In every single quarter since the first quarter of 2005, emerging markets have made a contribution to overall global growth of more than 50%, averaging 63% in the seven years since the Global Financial Crisis^

^Credit Suisse

THE SA EQUITY MARKET

Industry	Weight	SA 44%	Emerging 42%	Global 5%
Financials	28*			
- Banks	12%	12%		
- Insurers	6%	6%		
- Other	10%	10%		
Basic Materials	27%			
- Precious metals	13%		13%	
- Iron Ore	8%		8%	
Technology (Naspers)	16%		16%	
Consumer Services (Retail)	10%	6%	1%	3%
Consumer Goods	9%			
- Tobacco	4%		3%	1%
- Luxury Goods	2%		1%	1%
Telecommunications	4%	4%		
Health Care	3%	3%	0%	
Industrials	3%	3%		
	100%			

- 44% driven by SA economy
- Another 42% by emerging markets
- 27% in commodities which are trading at cyclical highs
- 16% technology (global avg. over 30%), all in one company



HOW WILL THE SA EQUITY MARKET DO?

5 YR EARNINGS ANNUAL EARNINGS GROWTH/MARKET RETURNS

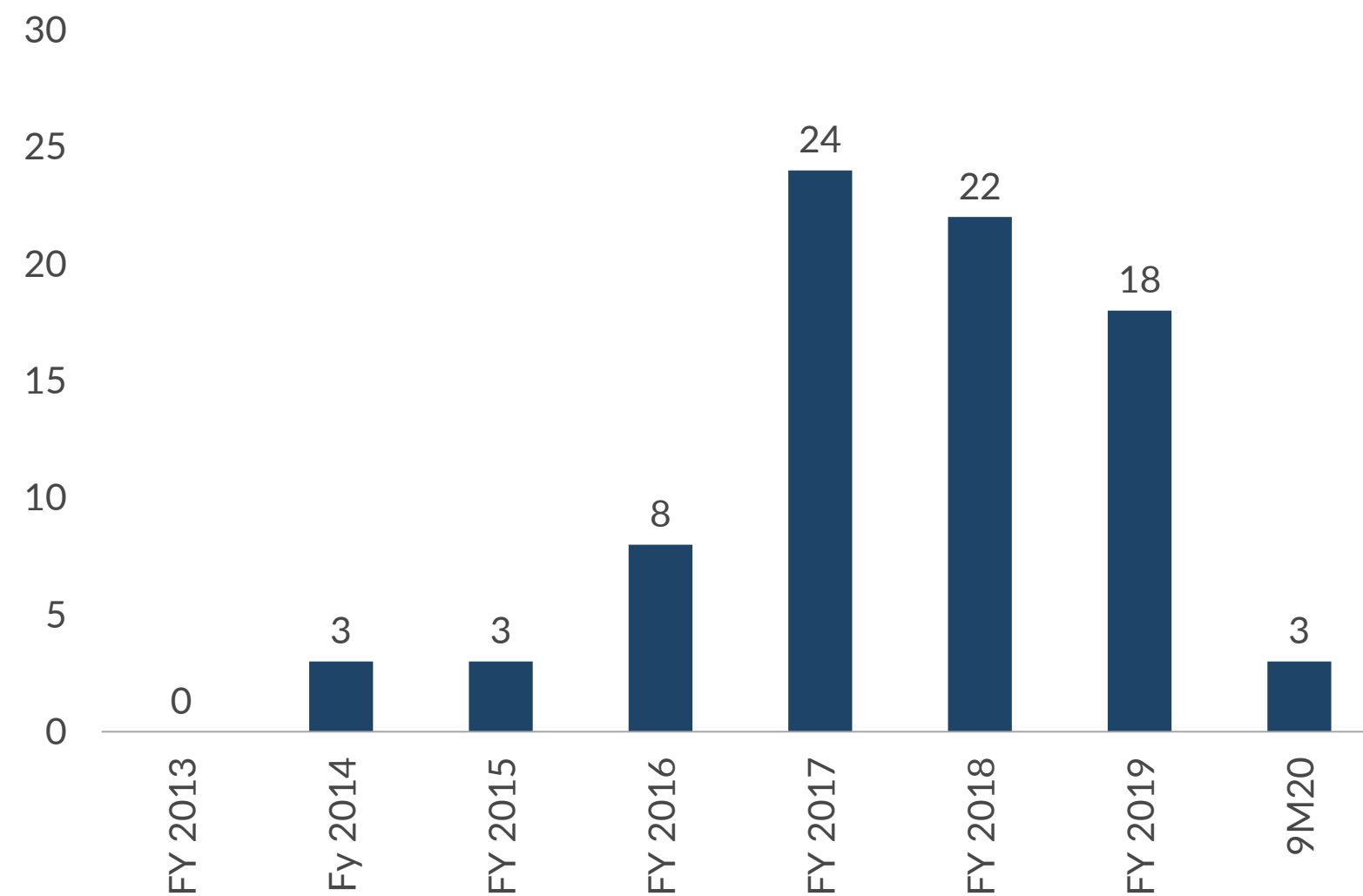
Biggest Economic Driver	Weight	Base Case	Comment	Bull	Bear
SA Financials	28%	4%	Low SA GDP growth	6%	-2%
Naspers	16%	15%	Best chance of growth	20%	10%
Platinum	9%	0%	Diesel car sales in steady decline	5%	-7%
Iron Ore	8%	5%	Prices at cyclical highs	5%	-7%
Gold	7%	0%	Ex-growth industry, prices high	5%	-5%
SA Retail	6%	5%	Low SA GDP growth	8%	0%
Tobacco	4%	5%	Low growth and declining industry	7%	2%
Telecomms	4%	5%	Mature local industry	8%	2%
Healthcare	3%	3%	Flat profit pool	8%	0%
Industrials	3%	5%	Low SA GDP growth	8%	-5%
Other	11%	8%	Some higher growth exposure	10%	5%
Weighted Return		5.7%		10.5%	0.9%

- 6% Rand per annum return as base case
- High risk, low/no return
- Not much to drive growth – commodity prices at cyclical highs

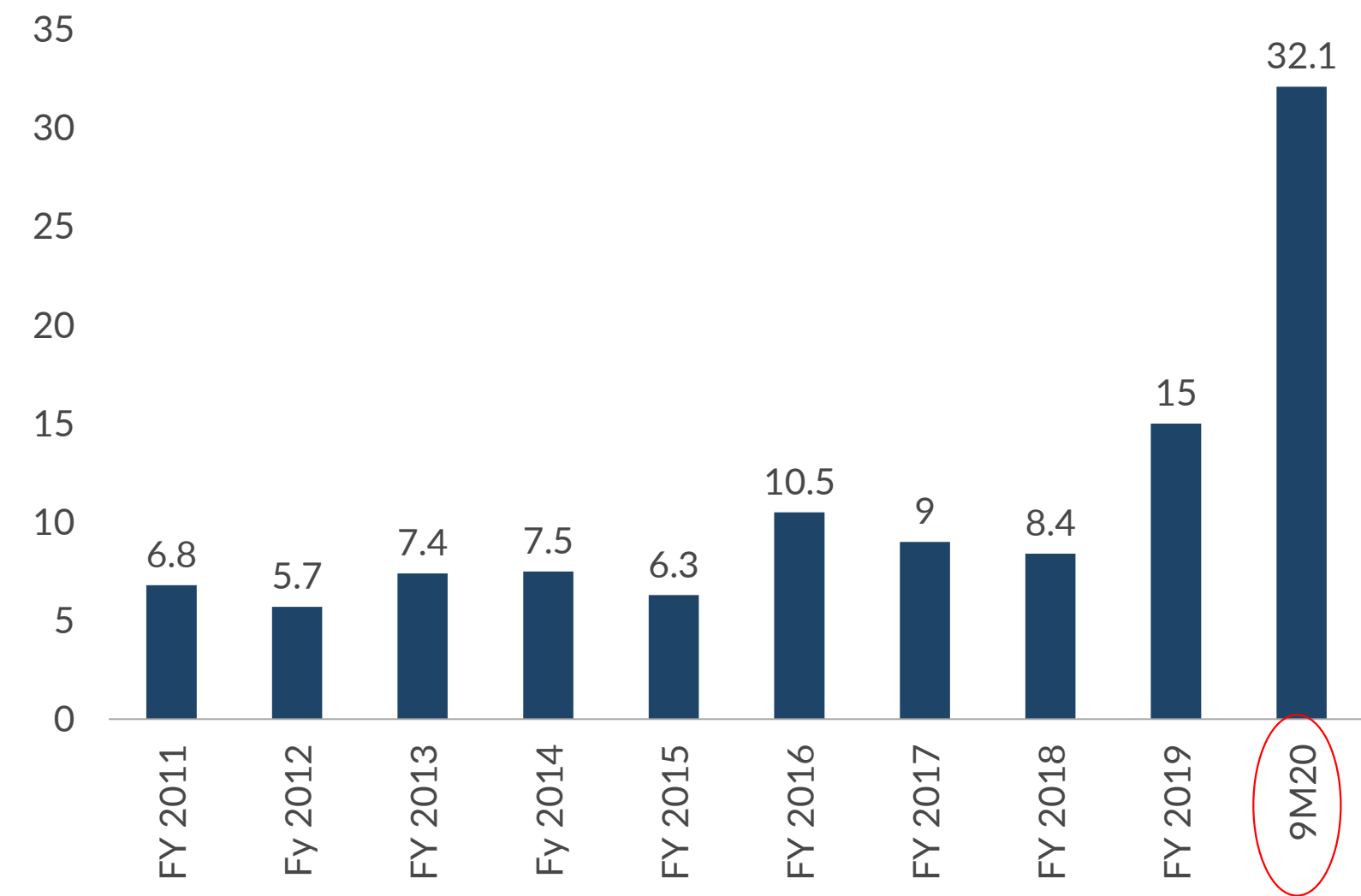
SIBANYE-STILLWATER

Net debt / EBITDA = 0.1x (from 2.7x at FY 2018)
 Paid down ± R20 bn of net debt since December 2018
 Market remains skeptical around precious metal prices, potential M&A
 P/E: 3.5x

Net debt (R bn)



EBITDA (R bn)



- R155bn market cap
- R42bn annualized cash flow

DISCOVERY HOLDINGS LIMITED



- Structural advantage on product offering
- Got key ingredients right over the years:
 - Innovation
 - Alignment/incentivisation
 - Reinvestment in winning formula

Result was years of market share gains in core South African market, which we expect to continue in new vertical (banking).

Optionality

Vitality Group
R1.1bn in revenue
and R308m in
operating profit

Ping An Health
R7.5bn in revenue
and R182m in
operating profit
attributable to DSY

Discovery Bank
Bank NAV R4bn
(R6.05/per share)

Profitable clusters	Operating Profit	
	(incl. COVID-19 provisions)	(excl. COVID-19 provisions)
SA core business	7,244	8,302
UK core business	558	1,840
Core operating profit	7,802	10,142
Finance costs	-1,218	-1,218
Pre-tax profit	6,584	8,924
Tax	-1,317	-1,785
PAT	5,267	7,139
WANOS	661	661
Earnings per share	7.97	10.80



*Correct earnings
somewhere in the middle*

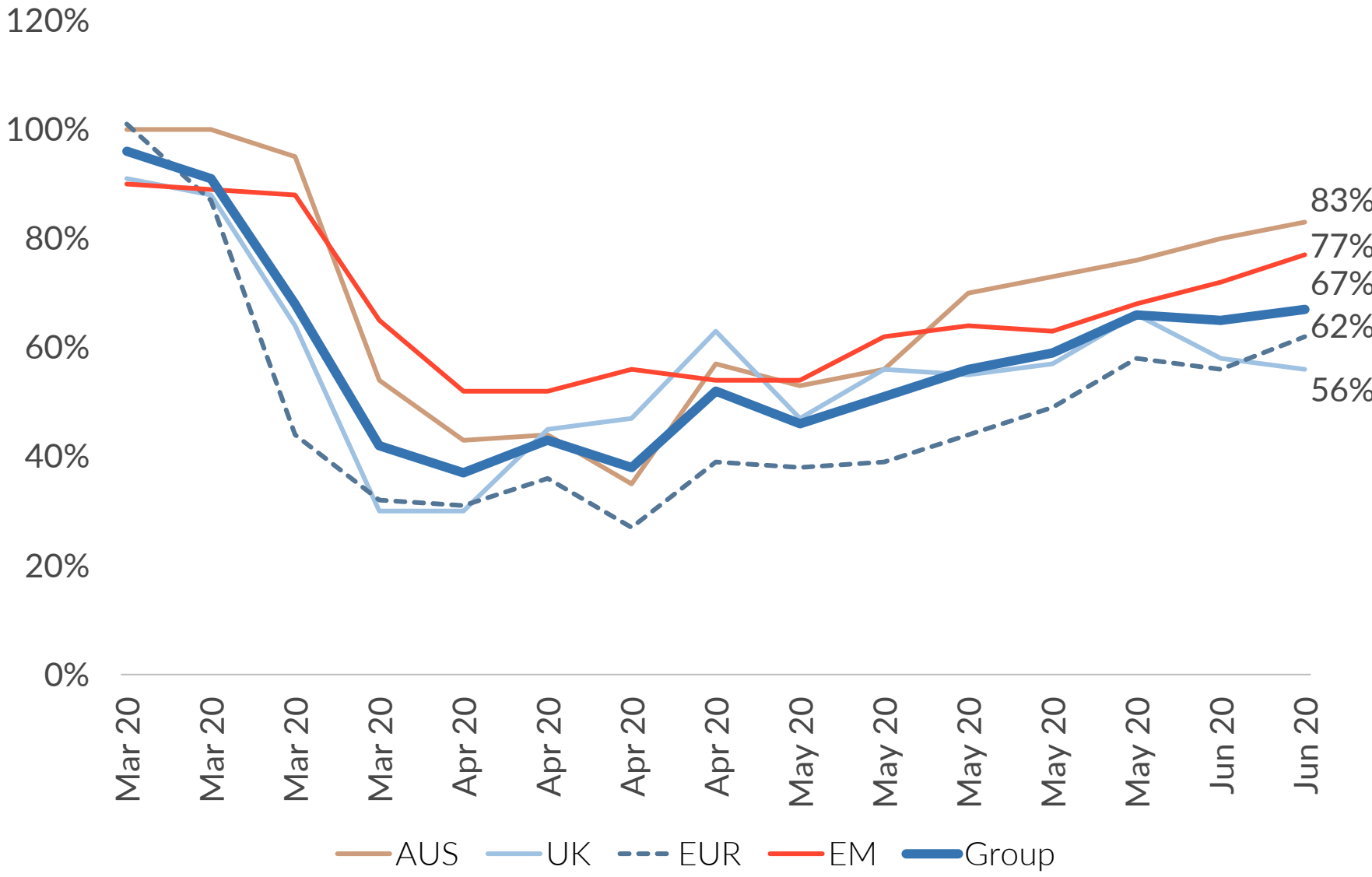
Value build up	R/sh
Core business on 12x PE	112.62
Bank @ NAV	6.05
Vitality on 5x OE	3.02
Value excluding Ping An	121.69



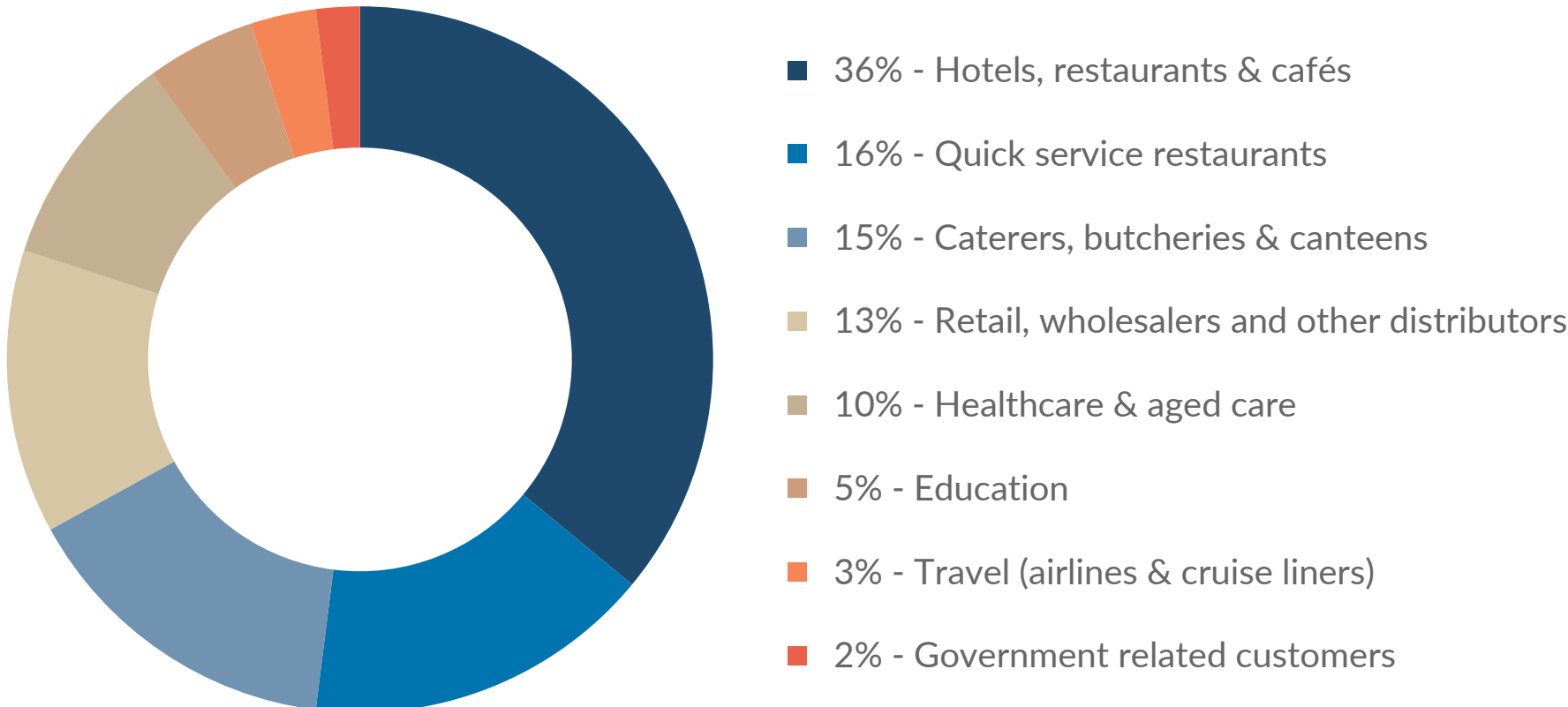
BIDCORP - THE WORST IS OVER

Diverse industry and geographic exposure has proven to be defensive in a tough operational environment, and average sales trends on a weekly basis after lockdown restrictions have since tracked between 85%-90% compared to the previous year, with some geographies tracking above 100%

Sales progression for 15 week period during COVID-19



BidCorp industry exposure (FY20)



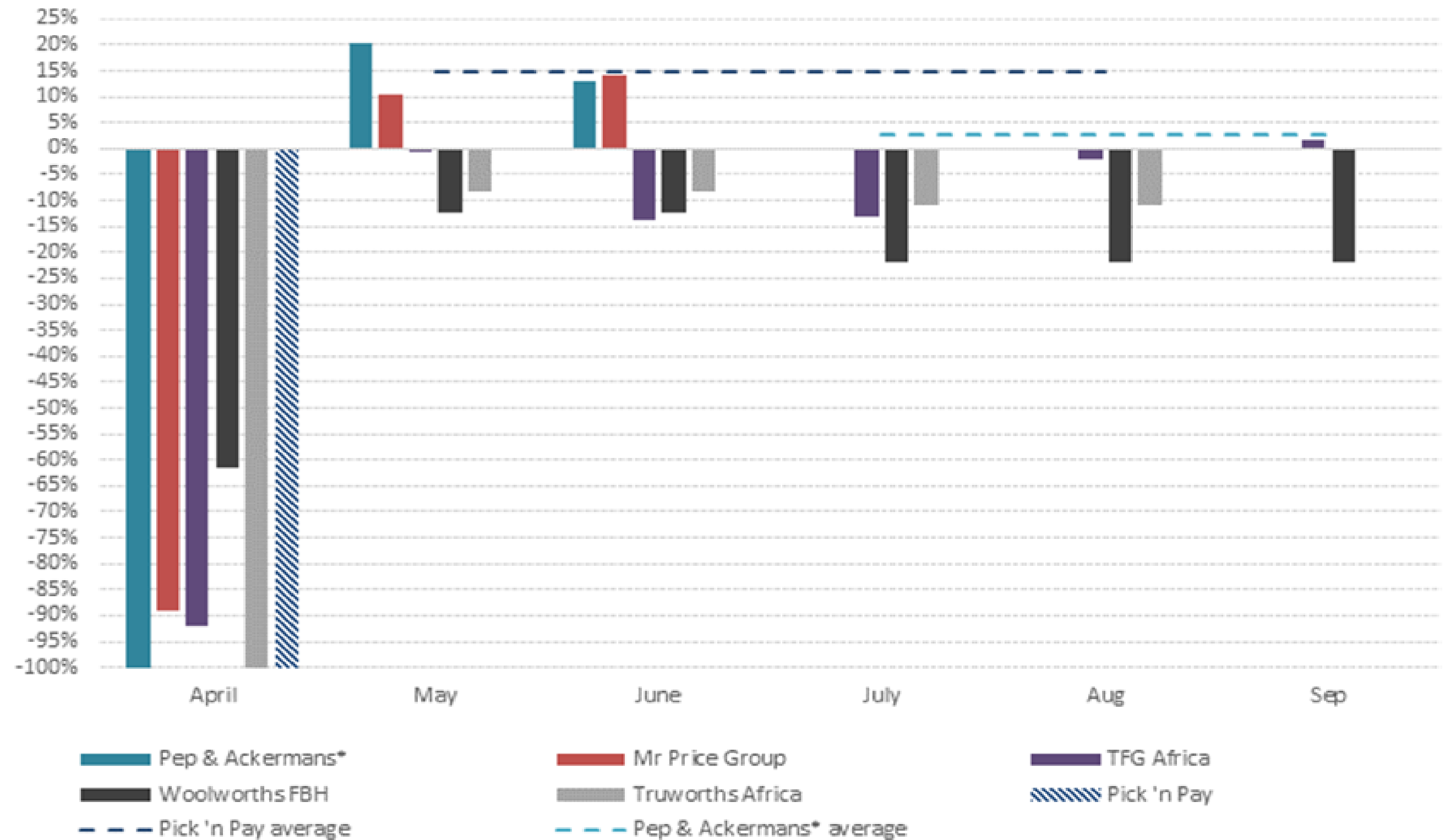
Source: Company reports, Anchor

WHY WE LIKE BIDCORP

- Despite a tough operational performance recently, Bidcorp was highly cash generative during the period and managed to retain a strong balance sheet position in an unfavourable operating environment.
- Overall, we remain bullish on BID's recovery to pre-covid levels in the next 18 months. We like its diversified revenue streams and think that positive sales trends will continue to move in the right direction and that the worst activity levels experienced in April '20 are unlikely to occur again.
 - Management conceded that second wave of infections in various geographies will result in sales variations as lockdowns are reimposed, but also highlighted the fact that they've seen a quick rebound after lockdown restrictions were lifted.
 - Domestic travel in developed markets has been buoyant and sales from domestic tourism have in some instances, more than made up for losses incurred from the International tourism market.
- **We think that the combination of market share gains, potential acquisitions and organic growth are compelling factors in Bidcorp's continued growth trajectory.**

VALUE OFFERING WITH STRONG BALANCE SHEET MR PRICE

- Consumer under pressure after lockdown
- Clear shift to perceived value offerings



Source: Company data, SBG Securities, Anchor

VALUE OFFERING WITH STRONG BALANCE SHEET

MR PRICE



OPPORTUNITIES

Strong balance sheet:

Net cash position

Has committed to returning cash to shareholders

No talks of offshore expansion

Well perceived as Value retailer

SA consumer associates Mr Price with good value

Move into value cosmetics and sport equipment
progressing well



RISK

Clothing is still discretionary

Continued pressure on SA
consumer will be negative

Trading at a premium

Mr Price is trading at a high
valuation than SA peers

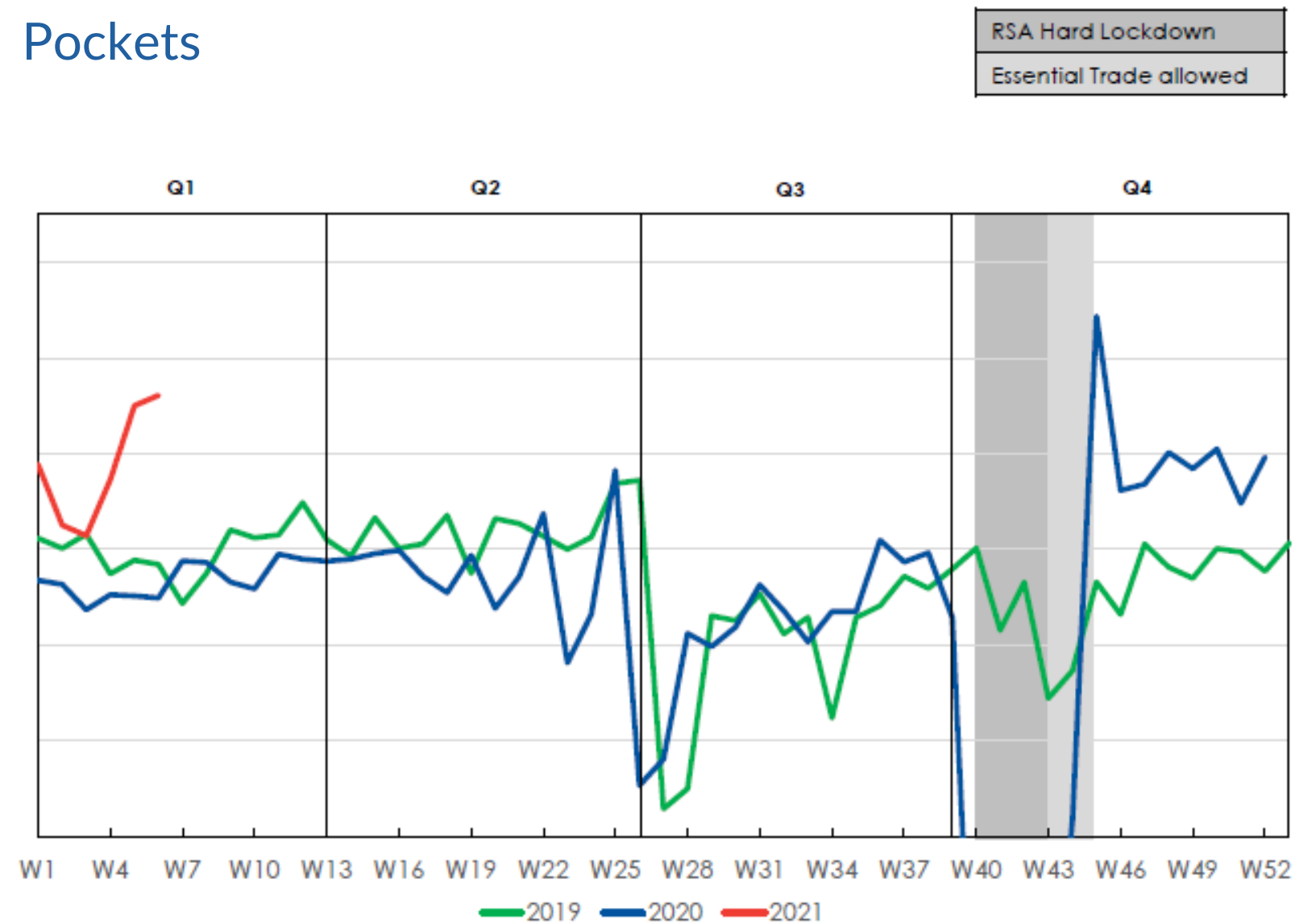
We believe this is justified with its
strong balance sheet

TAILWINDS BUILDING SPAR



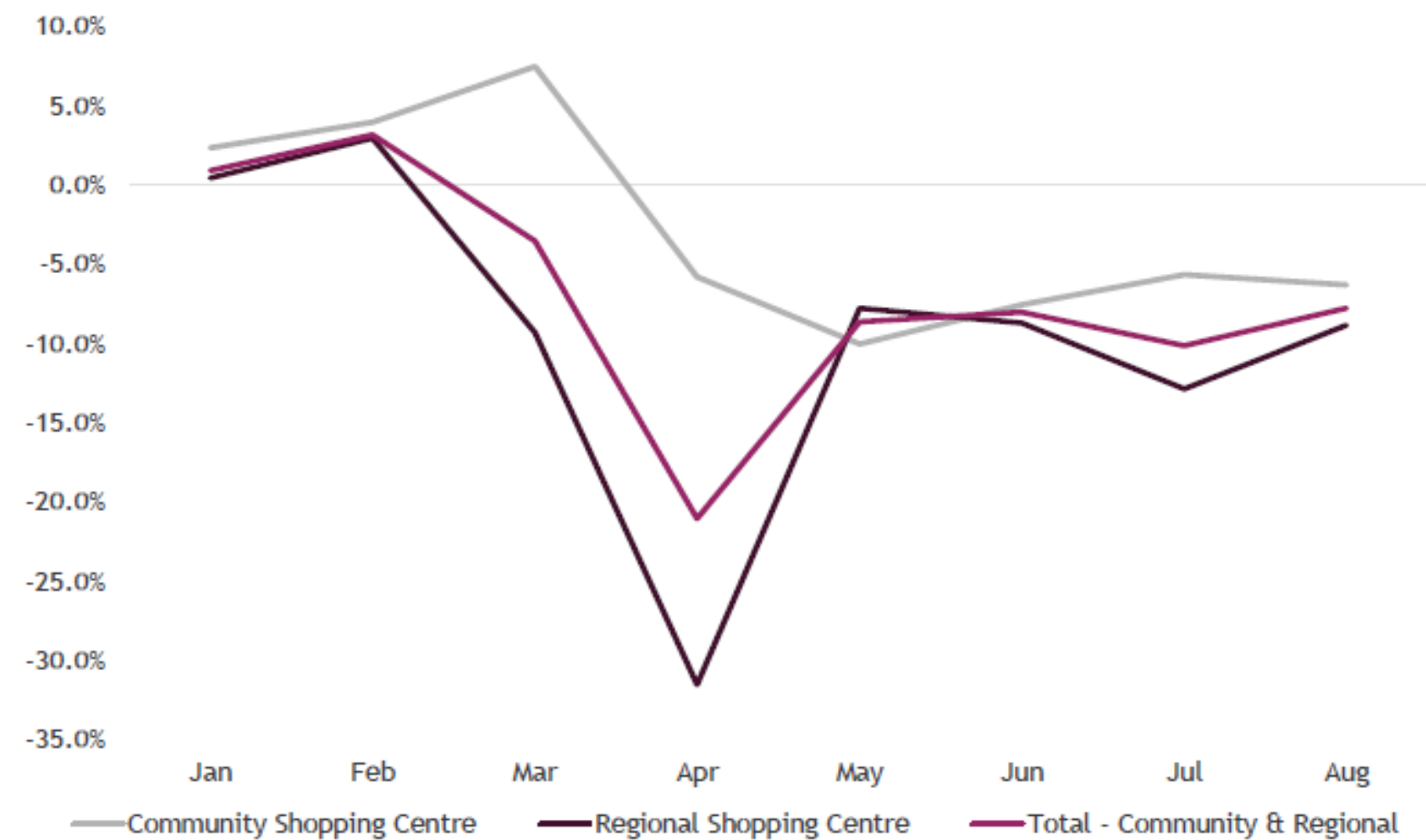
- Home improvement has been a strong global trend – SA is no exception
- Shift away from large shopping centres to community centres to continue and to benefit Spar
- During tough economic conditions always back the entrepreneur versus the manager

Cement Sales Pockets



Source: Cashbuild results for the year ended 28 June 2020

Trading density by centre type Trading density -YoY % variance



Source: Growthpoint Investor Showcase – 14 October 2020



OPPORTUNITIES

Portfolio to be more resilient

Build-It well positioned to benefit from home improvement trend

Entrepreneurial nature of franchise model to shine

Expansion in Europe

Building strong portfolio in across Europe

Ireland scaling, Switzerland recovering and Poland exciting growth



RISK

Over-indexed to Liquor

Tops will be severely impacted by liquor ban

High margin business

Further European lockdowns

Spike in COVID-19 infections causing furthers lockdowns in Europe

Will have negative consequences to Irish business in particular

GROWTHPOINT PROPERTIES

Largest South African REIT

- Market cap R35.5bn
- Value of portfolio R157,5 bn (59% SA , 41% offshore by asset value)

Property is now the worst performing SA asset category over 1, 3, 5 and 10 years

Growthpoint share price

- -61% from high of March 2018
- -40% this year

Why ?

- Irrational exuberance in the 2000s and first half of last decade as REIT status provided contractual based income and growth
- Macro economic conditions turned from 2016 / 17
- COVID-19 pandemic in 2020 has hit this sector hard

BUY OR SELL ?

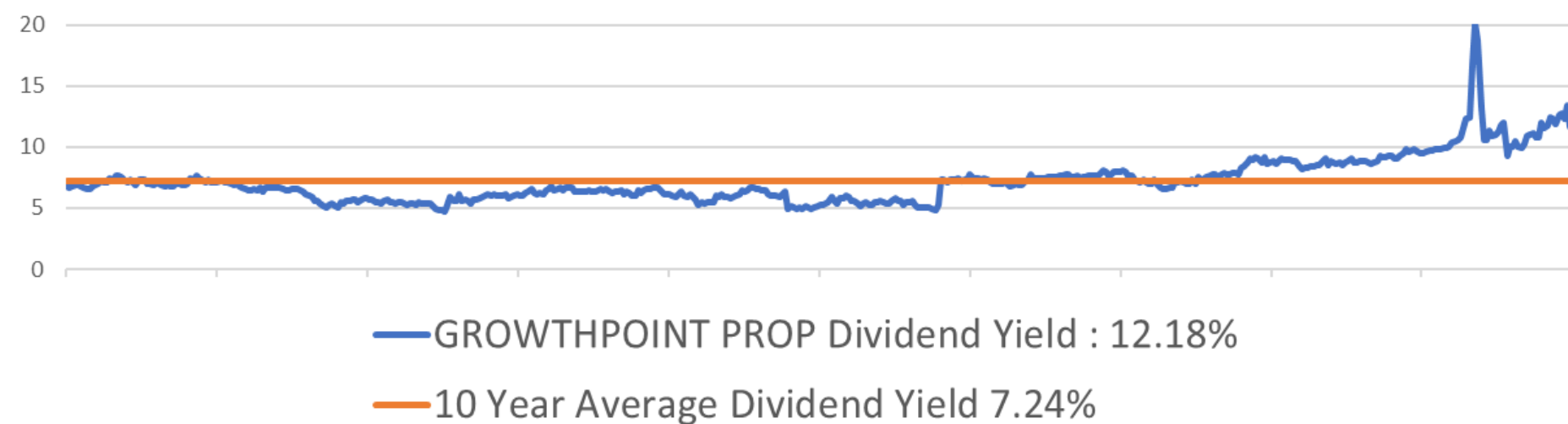
Growthpoint came to market last week to raise R4bn of equity to reduce debt and keep some dry powder for opportunities

Good news? Yes

- It has a scaled and diversified portfolio
- It can tap capital markets and will be a client banks want to service
- The strongest will survive.... And prosper over time

10 year historical Dividend Yield

1 year forecast dividend yield 8% - 10%



Valuation: Dividend Yield.

Forecast risk is high but we expect 8% - 10% yield one year out.

NAV R23, share price R12 – NAV will come down but share price seems to have over-reacted

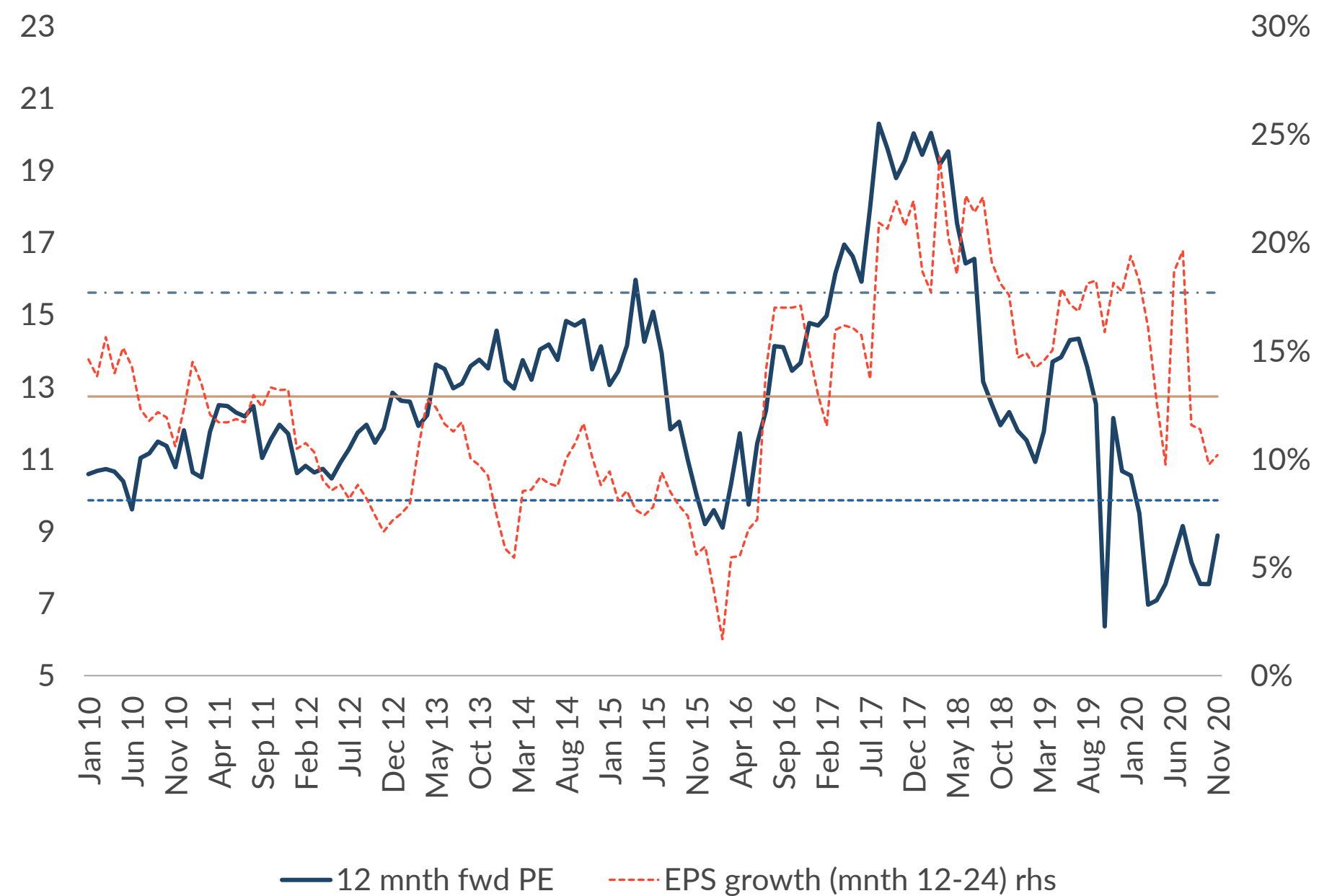
Patience will be required (and maybe a vaccine)

LOWLY RATED SELF-HELP OPPORTUNITY

MTN



MTN trading at a significant discount vs. its own history...



... But 2021 should see “self help” come to fruition and other headwinds abate

- Recapitalisation of Cell C
- Sale of non-core assets to raise ~R25 bn (cut gearing)
- Simplify/de-risk group through exit of Middle East
- Improvement in cash upstreaming as the world recovers from COVID-19
- Capitalising on Africa’s unique telco opportunities – financial & digital services

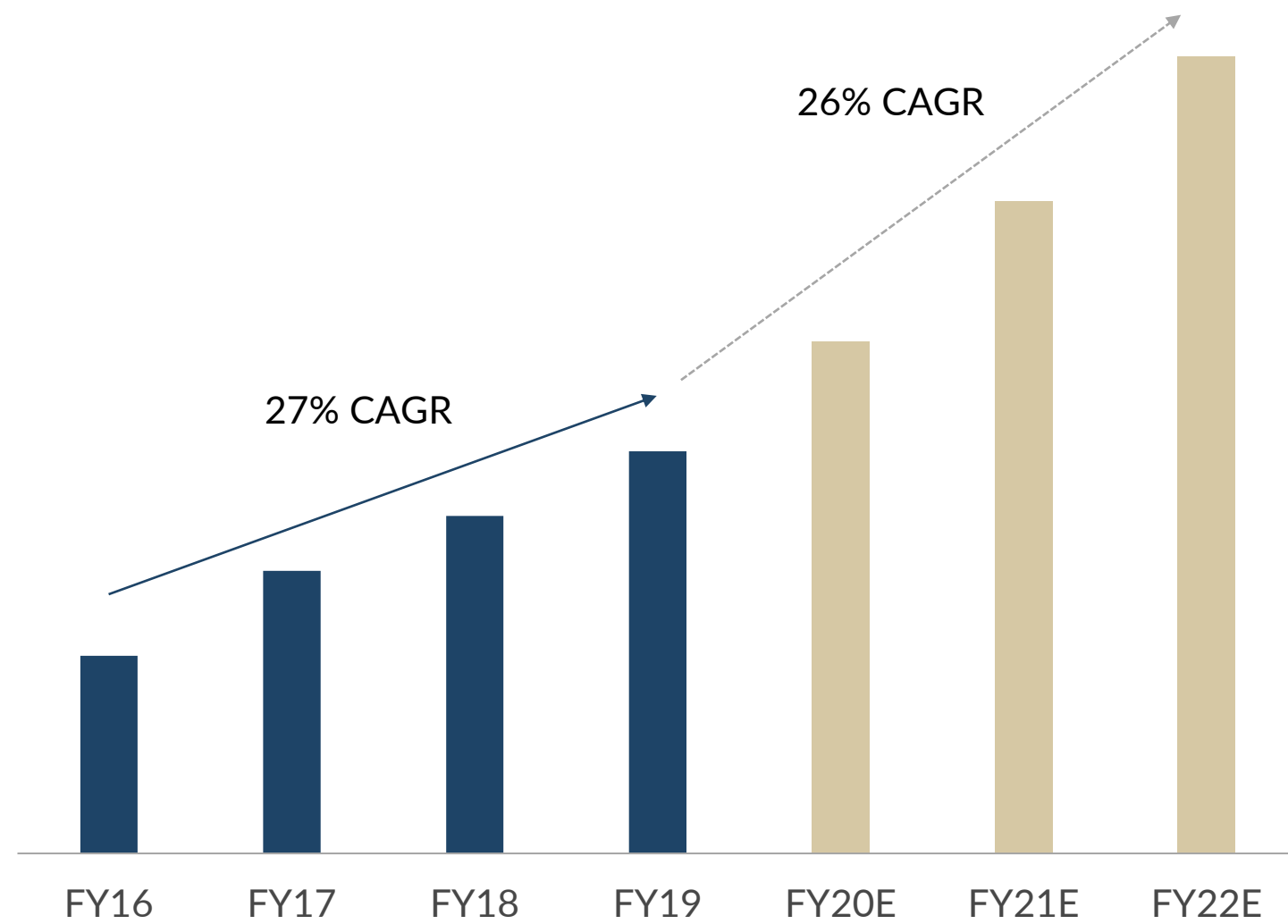
A COMPOUNDER WITH OPTIONALITY

NASPERS



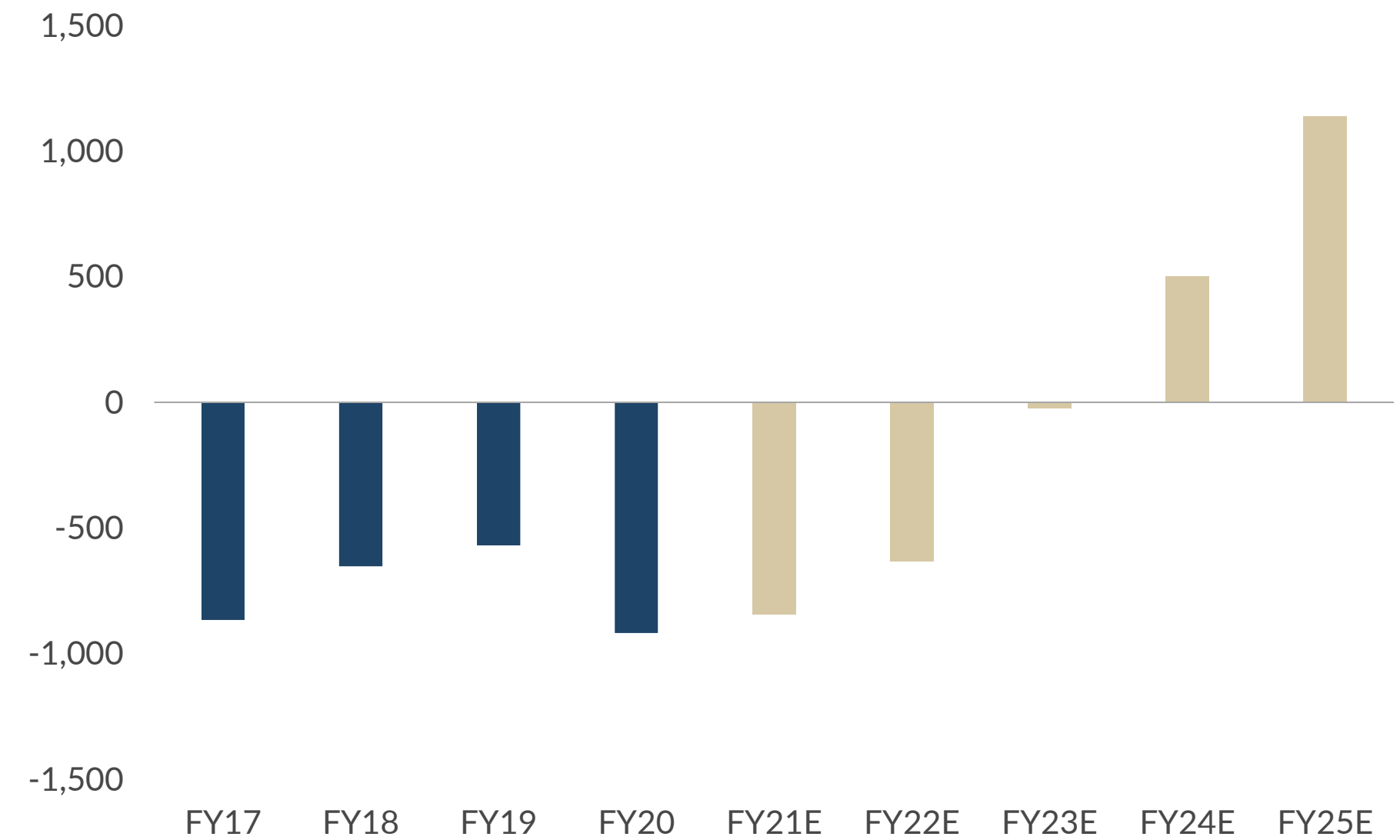
Tencent – Consistent compounder

Non-GAAP EPS growth



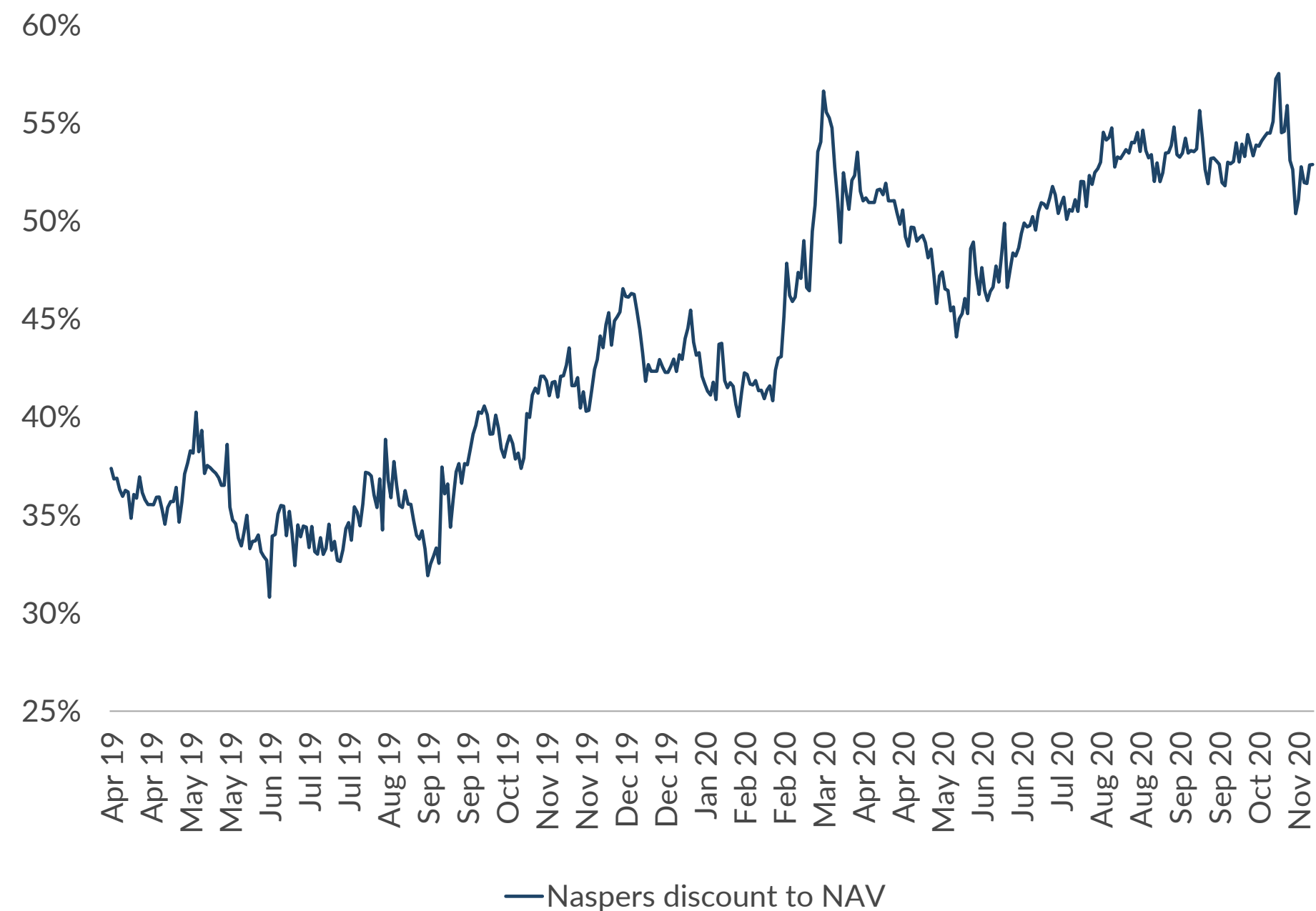
Naspers “Rump” heading towards profitability

Trading profit – ex-Tencent (USD m)



NASPERS

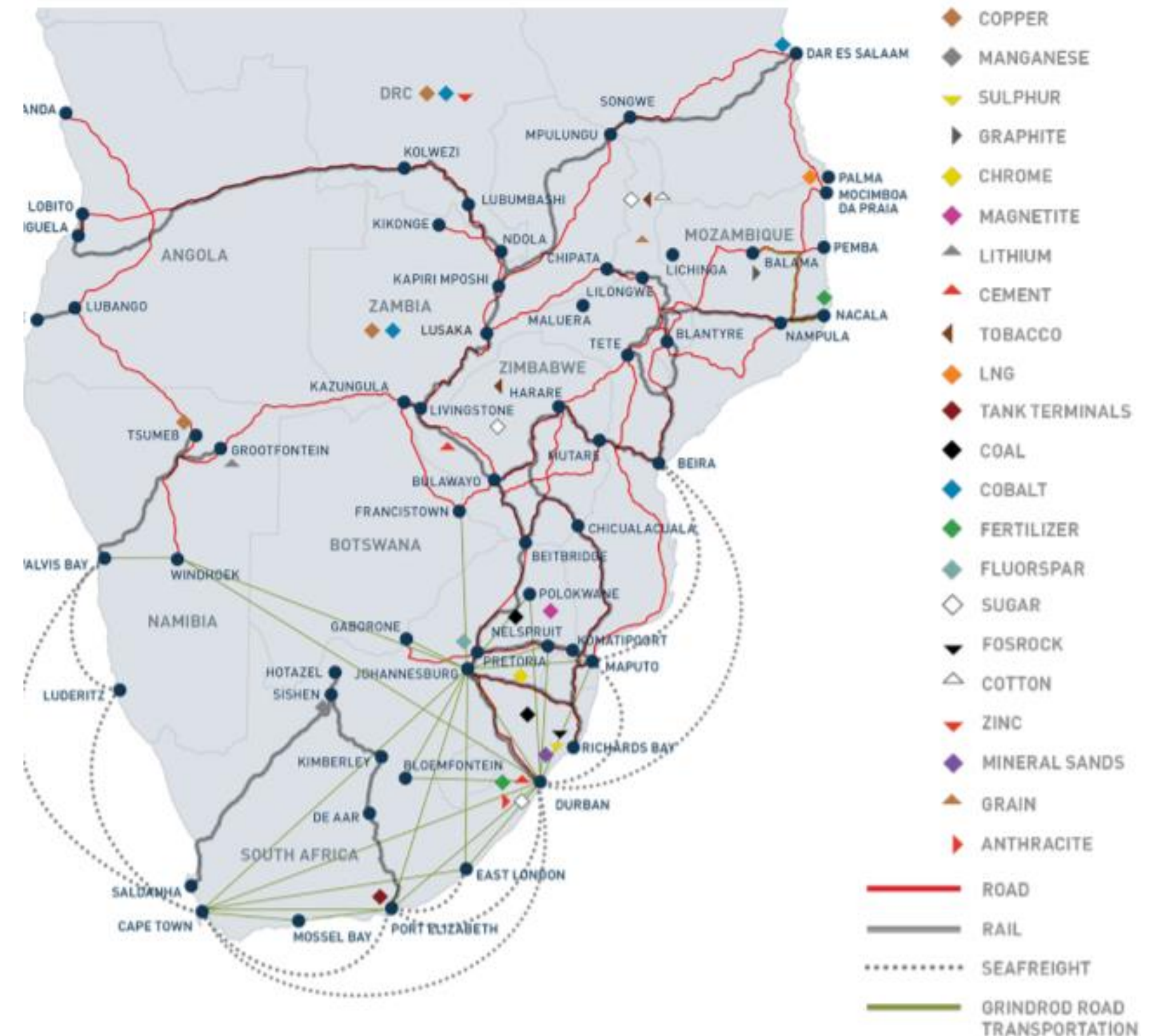
Naspers discount – close to high



- Tencent 88% of NAV
- Rump – on a journey to 3 x USD 20 bn businesses
- Management committed to narrow discount

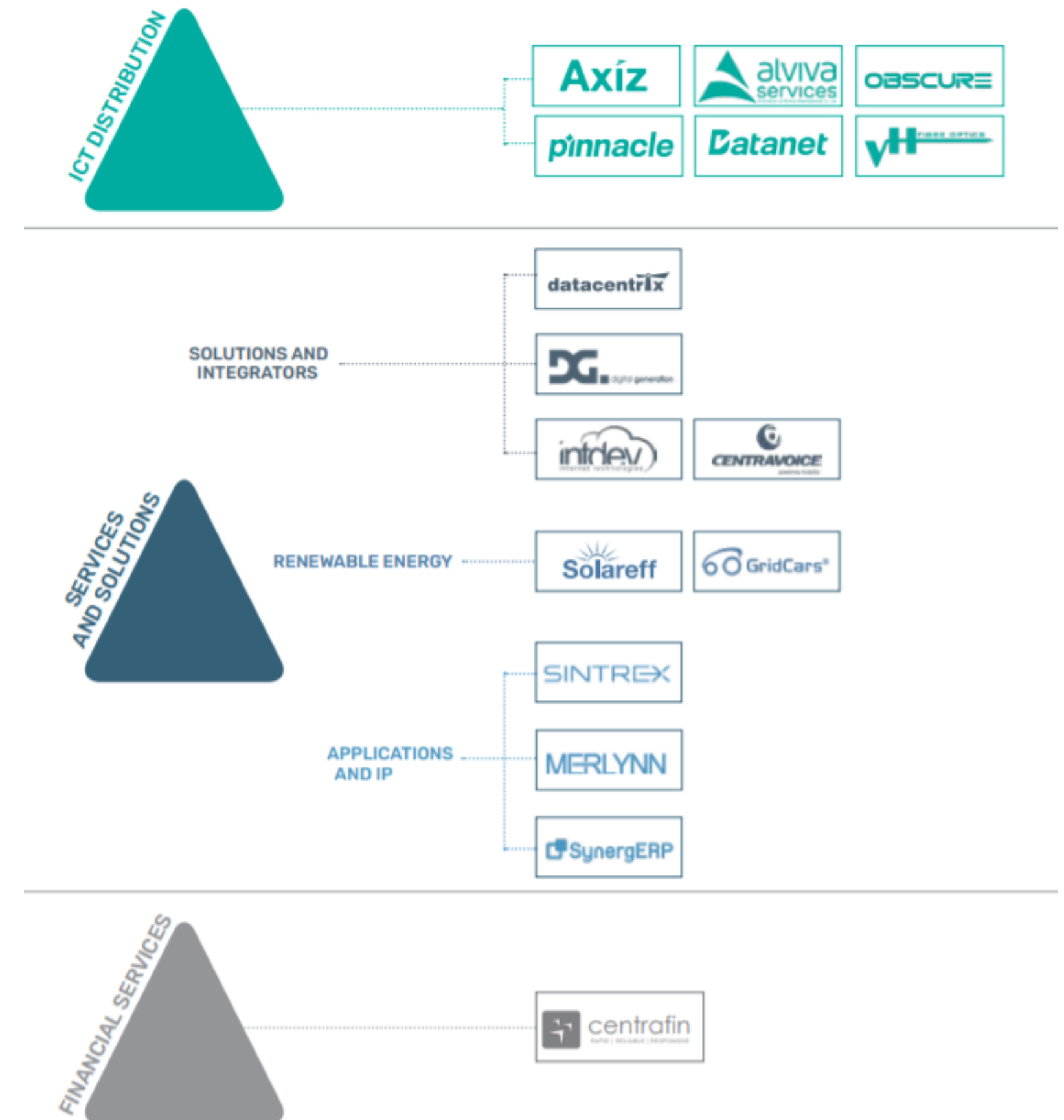
GRINDROD – SOME UNLOCK IMMINENT

- NAV of R12, share price of R4
- R2.7bn market cap
- Management mission to unlock value, but maybe only R8 is achieved
- Some imminent unlocks. Eg Senwes
- Share buybacks or dividends
- Core business doing well, but based on basic materials
- Little downside, and some nice optionality



ALVIVA – WORTH 100% MORE?

- Market cap R1bn, share price 800c
- Just announced purchase of biggest competitor and SA company has just announced purchase of 16%
- SA's biggest IT distributor and has a growing service business. Core HEPS: June 2019 351c, June 2020 226c, projected for June 2021: 260c (+15%)
- Historic PE multiple: 2.2x, forward PE multiple 3x.
- NAV per share of 1763c
- We estimate the business generates R400m run-rate free cash flow, on a market cap of R1bn. They are trading at 40% of free cash flow. Their EBITDA in 2020 was over R700m.
- Their balance sheet is strong.
- At a 5x PE the share price would be R13 and at its average PE for the last few years the price would be R20.80. It started the year at around R15.



SUMMARY

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- But SA has some interesting opportunities
 - Great value if SA thrives
 - Some crazy small cap valuations
- SA Inc has bounced, but where to now?
- This is not a macro presentation ... just an illustration of some great SA opportunities



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