EPE CAPITAL PARTNERS LTD
(Incorporated in the Republic of Mauritius)
(Registration number: C138883 C1/GBL)
ISIN: MU0522S00005
Share Code: EPE
(“Ethos Capital” or “the Company”)

QUARTERLY UPDATE AS AT 31 MARCH 2021

Ethos Capital is an investment holding company, registered, and incorporated in Mauritius. It is listed on the Johannesburg Stock Exchange and offers shareholders potential long-term capital appreciation by making commitments and investments into Funds or co-investments that are actively managed by Ethos Private Equity (Pty) Limited (“Ethos”), providing the Company with exposure to a diversified portfolio of unlisted private equity type investments (“Portfolio Companies”).

Below is a voluntary financial update of the Company since the interim results announcement published in March 2021.

<u>Net Asset Value (“NAV”) and NAV per share (“NAVPS”)</u>

The NAVPS of Ethos Capital, including the Brait SE (“Brait”) investment at its NAVPS, increased by 5% in the quarter to 31 March 2021, from R8.65 to R9.11 per share.

The COVID pandemic continues to impact a number of the Ethos Capital Portfolio Companies however, the performance of the unlisted portfolio showed a strong rebound during the past six months and valuations have consequently increased. Whilst COVID-enforced lockdowns continue to impact company performance and profitability, many of the Portfolio Companies have implemented robust operational strategies to counter these effects which have led to strong operational performance, in many cases significantly ahead of management forecasts.

Certain of the businesses continue to be more directly impacted by COVID such as Virgin Active and Primedia. However, actions taken by management across these businesses have significantly improved the prospects for these businesses in a post-COVID world. Whilst South Africa has entered the third wave, the United Kingdom (“UK”) and many of the countries in Europe are well advanced on their vaccine rollout strategies which should result in a return to post-COVID normality relatively soon. This will positively impact those Ethos Capital Portfolio Companies with operations in these countries.

The Ethos Capital unlisted portfolio showed a strong recovery in profitability ahead of expectation which resulted in asset valuations increasing by c. 8% in the quarter ended 31 March 2021. This was predominantly driven by increases in the valuations of Channel VAS and Synerlytic but also a broad increase in the valuations of other Portfolio Companies. This recovery has continued into the current quarter although the impact of the latest COVID restrictions make the outlook uncertain.

Brait announced its audited annual results for the year ended 31 March 2021 today with an increase of 2.5% in NAVPS to R7.90 (30 September 2020: R7.71). This was largely driven by increases in the Premier Foods valuation whilst the value of Virgin Active decreased over the six-month period.

Using the Brait share price of R2.61 (31 December 2020: R3.73) as at 31 March 2021 (an implied share price discount of 67% to its NAVPS), the Ethos Capital NAVPS as at 31 March 2021 was R6.46.

The table below sets out the portfolio valuation and Company's NAVPS as at 31 March 2021:

	Ethos Capital portfolio (excl. Brait)		Brait portfolio		Combined portfolio	
	Dec 20	Mar 21	Mar 21		Mar 21	
			At R7.90	At R2.61	At R7.90	At R2.61
NAV ('million)	1,323	1,433	1,020	337	2,453	1,770
NAVPS – Rand						
Invested capital					9.52	6.87
Net liabilities					(0.41)	(0.41)
Total					**9.11**	**6.46**

<u>Update on the key Portfolio Companies</u>

1. Channel VAS

Channel VAS is a leading provider of Airtime Credit Services ("ACS") to prepaid mobile subscribers and Micro Finance Services ("MFS") that leverages its algorithmic credit scoring capability and access to data in the provision of credit to customers.

Channel VAS has continued its strong growth in profitability with robust revenue growth due to increased penetration of existing contracts, new deployments and best in class default management and cost control measures. Travel restrictions due to COVID have impacted progress on new deployments, however the business development pipeline continues to grow as management refines its delivery methods and improves communication channels to support customers and roll-out new deployments. Increased customer utilisation on the back of enhanced features and new risk strategies, as well as outperformance on key new deployments has driven growth in the last six months. Low default rates have been maintained, and advance recoveries remain in focus given the challenging macroeconomic conditions in many of Channel VAS' main territories.

MFS has started to demonstrate traction in existing deployments over the last quarter. The market opportunity for MFS remains substantial and delivery on this vertical is vital for the group's product diversification and medium to longer term growth prospects.

2. Brait

Brait has released its audited annual results for the year ended 31 March 2021 which are available at https://brait.investoreports.com/investor-relations/news/

Updates on the two largest Brait investments are provided below:

i) Virgin Active

As one of the leading international health club operators, Virgin Active's performance has been significantly impacted by the COVID pandemic. The second COVID wave in October 2020 in Europe and the UK resulted in these governments re-imposing national lockdown restrictions. By the end of April 2021, Virgin Active's clubs in the UK had been closed or partially closed for 10 of the previous 14 months, reopening on 12 April

2021; with Virgin Active's Italian clubs closed or partially closed for 10 of the previous 14 months, reopening on 24 May 2021. Virgin Active's clubs in Singapore and Thailand have also recently been closed and are expected to remain closed at least until the end of June 2021 and July 2021 respectively.

As a result, the Virgin Active UK business undertook a holistic restructuring plan which involved shareholders providing GBP45 million of additional liquidity in exchange for:

- Virgin Enterprises Limited agreeing to certain compromises under its royalty agreement with Virgin Active;
- the existing lenders agreeing to amend and extend the terms of the existing senior debt facilities; and
- landlord concessions with respect to rental arrears, future rental agreements and guarantees.

The restructuring plan had a very significant impact on the profitability and liquidity outlook for the business and provided Virgin Active UK with the requisite operational and financial flexibility to emerge successfully from the pandemic.

Virgin Active South Africa, which is separately financed, agreed terms with its lenders during June 2021 to restructure and extend the term of its existing debt facilities which will also provide this business with the requisite flexibility to continue to grow.

Territory update:

- Southern Africa: Clubs in South Africa re-opened in August 2020. Despite being subject to Level 3 lockdown restrictions between December 2020 and February 2021, there has been a steady improvement in member engagement, positively influenced by the contract membership structure. Terminations are in line with expectations, with new sales having recently recovered back to close to 2019 levels. However, with effect from 16 June 2021, South Africa has reverted to Level 3 restrictions, which is likely to impact the business.
- Italy: Clubs reopened in May 2020, with strong member engagement, retention and usage levels exceeding 60%, but closed again in October 2020 due to the second COVID wave. Clubs reopened on 24 May 2021 and early indications are that membership engagement is strong and the business is trading in line with expectations.
- UK: The second COVID wave resulted in the closure of gyms from the beginning of November 2020, reopening on 12 April 2021 with group exercise classes resuming from 17 May 2021. Trading on reopening was better than expected with total members exceeding budget, fewer members were on freeze and higher than anticipated sales were achieved. While inner city London gyms remain underutilised, regional/suburban gyms are showing strong membership engagement levels.
- Asia Pacific: Australian clubs have remained open (Melbourne subject to some lockdown restrictions) with good membership engagement and usage levels of over 80%, especially in suburban clubs. Both Thailand and Singapore had shown resilience prior to the recent lockdowns, which commenced on 26 April 2021 and 8 May 2021 respectively, with high usage statistics and improving membership engagement. Clubs in Thailand and Singapore are expected to reopen at the end of June 2021 and July 2021 respectively.

ii) **Premier Foods**

A leading South African FMCG manufacturer, offering branded and private label solutions, Premier delivered a strong operational performance during its financial year ended 31 March 2021 with revenue and EBITDA increasing by 13% and 14% respectively, driven primarily by volume growth and the performance of its MillBake division, combined with continued focus on operating cost optimisation.

Divisional highlights:

- Premier's MillBake division (83% of group revenue) delivered a very good performance, resulting in revenue growth of 16% and EBITDA increasing by 13%. EBITDA margin, pre head office costs, was maintained at 12.5%.
    - Bread: Revenue increased by 13% driven largely by good volume growth.
    - Wheat: Revenue increased by 20%, with good volume growth and increased pricing following an increase in input costs.
    - Maize: Revenue increased by 20%, benefitting from increased staple food sales volumes in retail and wholesale channels with limited exposure to the hotels, restaurants, and food services channels.
- Premier's Groceries and International division (17% of group revenue) maintained its revenue with EBITDA growth of 1% and EBITDA margin of 10.6% (FY20: 10.5%), pre head office costs.
    - CIM, Premier's Mozambican business (9% of group revenue), delivered a satisfactory performance under difficult trading conditions, exacerbated by COVID and unrest in the northern parts of Mozambique. Measured in local currency, revenue increased 7% on the back of increased volumes, with a reduction in gross profit offset by cost efficiencies resulting in EBITDA increasing by 2%.
    - Home and Personal Care (5% of group revenue): A challenging South African market meant a focus on price to maintain market share. Operating cost efficiencies assisted the UK business to lift its EBITDA.
    - Confectionary and beverages (3% of group revenue): Sugar based confectionary had an improved performance, with sales volumes increasing and EBITDA benefitting significantly from reduced operating costs following the restructure completed in November 2020.

Post its financial year end, Premier concluded the bolt-on acquisition of the Mr Sweet confectionary business which makes Premier the second largest manufacturer in South Africa of sugar-based confectionary, offering a full range of products, as well as doubling the confectionary business' market share. The acquisition will result in significant cost savings from operating a combined sales, finance and administration structure; the insourcing of Mr Sweet's warehousing and logistics to use Premier's platform and procurement synergies on raw and packing materials.

3. Vertice

Vertice was established to execute a buy-and-build strategy to create a scaled medical technology ("MedTech") group. The business sells MedTech and supplies across a wide range of applications predominantly to support emergency and critical procedures. Its latest acquisition, completed in March 2021, brings the total number of bolt-on acquisitions completed to seven. This provides the business with one of the market's largest operating platforms in the MedTech supply sector.

The business has continued to grow its businesses organically despite the impact that the COVID pandemic has had on elective surgeries. However, the impact of elective surgery postponements is likely to be temporary as the company recovered post the relaxation of the hard lockdown restrictions last year. The group recovered strongly in the final quarter of 2020 with good growth in earnings although the recently imposed Level 3 lockdown restrictions are likely to impact elective surgeries again. The business remains on track to show robust earnings growth and continues to develop as one of the leading players in the MedTech space.

4. Echo

Echo is a corporate Internet Service Provider, providing Information and Communications Technology services through an aggregation of third-party networks. The performance of the business has remained resilient despite the impact that COVID has had on a number of its customers and delays in the roll-out and installation of new contracts due to the impact of lockdowns on the company's suppliers. The international businesses have been able to navigate the COVID challenges and the company has focussed on right-sizing the operating cost base of some of the international businesses. The management team continues to focus on integrating the acquired entities to create an integrated operating platform from which to deliver its quality services across sub-Saharan Africa.

5. Synerlytic

The Synerlytic group operates in subsets of the testing, inspection and certification market. The group has continued to perform well despite the impact COVID has had on a number of its core businesses. Lower business activity due to lockdowns impacted some divisions whilst others were beneficiaries of the lockdowns. The businesses however, rebounded strongly once the restrictions were lifted and continued cost optimisation has resulted in profit growth across the group. The business has concluded a number of accretive acquisitions which have resulted in diversification by product and customer and the establishment of significant revenue bases outside South Africa whilst continuing to focus on growth of the existing core business.

6. Gammatek

Gammatek imports and distributes mobile device accessories and low technology consumer products primarily in South Africa. After a challenging first few months of its financial year due to the COVID-enforced lockdown restrictions, Gammatek recovered well and delivered strong growth for the balance of the year. The sales growth trend improved consistently as demand for devices surged in the second half of the year.

The company has benefitted from being the leading mobile device accessories distributor with large inventory levels, an agile sales team and market leading customer service, to deliver robust sales growth. The business has also opened new channels and expanding its product offering. In September 2020, Gammatek re-entered the MTN channel and was appointed as the preferred Samsung accessories supplier. The mobile device accessories market continues to benefit from a structural shift in supply dynamics as manufacturers have reduced the number of accessories supplied with each device.

The management team is continuing to focus on growth opportunities, progressing partnerships that will drive more e-commerce direct to consumer business. The positive momentum has continued into the new financial year as the business continues to benefit from increased demand, the new channels and ongoing market share gains.

Disclaimer

The financial information on which this announcement is based, has not been audited, reviewed, and reported on by the Company's external auditors.

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