



Stellar Capital Partners Limited

Results presentation: 6 months ended 31 May 2016

August 2016

About us

- Stellar Capital Partners Limited (“**Stellar Capital**”, “**the Company**”, “**us**”, “**we**”) is a JSE Main Board listed investment holding company (JSE ticker: **SCP**)
- Stellar Capital was established in January 2015, following the disposal of ConvergeNet Holding’s operating assets over the course of 2013 and 2014 by the Stellar Capital team
- At establishment, in order to build scale and introduce Dr. Christo Wiese as an anchor shareholder, we acquired various non-core assets from the Wiese family in exchange for new Stellar Capital shares
- Stellar Capital has now successfully exited these initial non-core investments, raised new capital and repositioned the portfolio into 6 investments in the industrial and financial services sectors
- New investments have been announced in Prescient and Amecor
 - Prescient in particular is considered to be a core platform asset for Stellar Capital going forward
- The Company’s focus now is to build out each investment in the portfolio through a combination of organic and inorganic initiatives. We want to develop each asset such that it:
 - has scale in terms of its profitability and business activities; and
 - is a quality asset in terms of its management team, its ability to generate cash and its growth prospects

Management company and shareholder analysis

- A management company (Manco) manages Stellar Capital on a 1%/15% structure with a 10% NAVPS growth hurdle rate and a high water mark
- The Manco was established in order to: (i) cap the costs of running the Company; and (ii) clearly align the incentives of management with the interests of shareholders
- The key individuals of Manco are Charles Pettit, Jacob Wiese and Peter van Zyl
- The Stellar Capital Board completes a cost-benefit analysis on Manco on a quarterly basis and will recommend that the structure is internalised at the appropriate time. At present the structure is considered to represent good value for the shareholders of Stellar Capital
- The key shareholders of the Company are as follows:

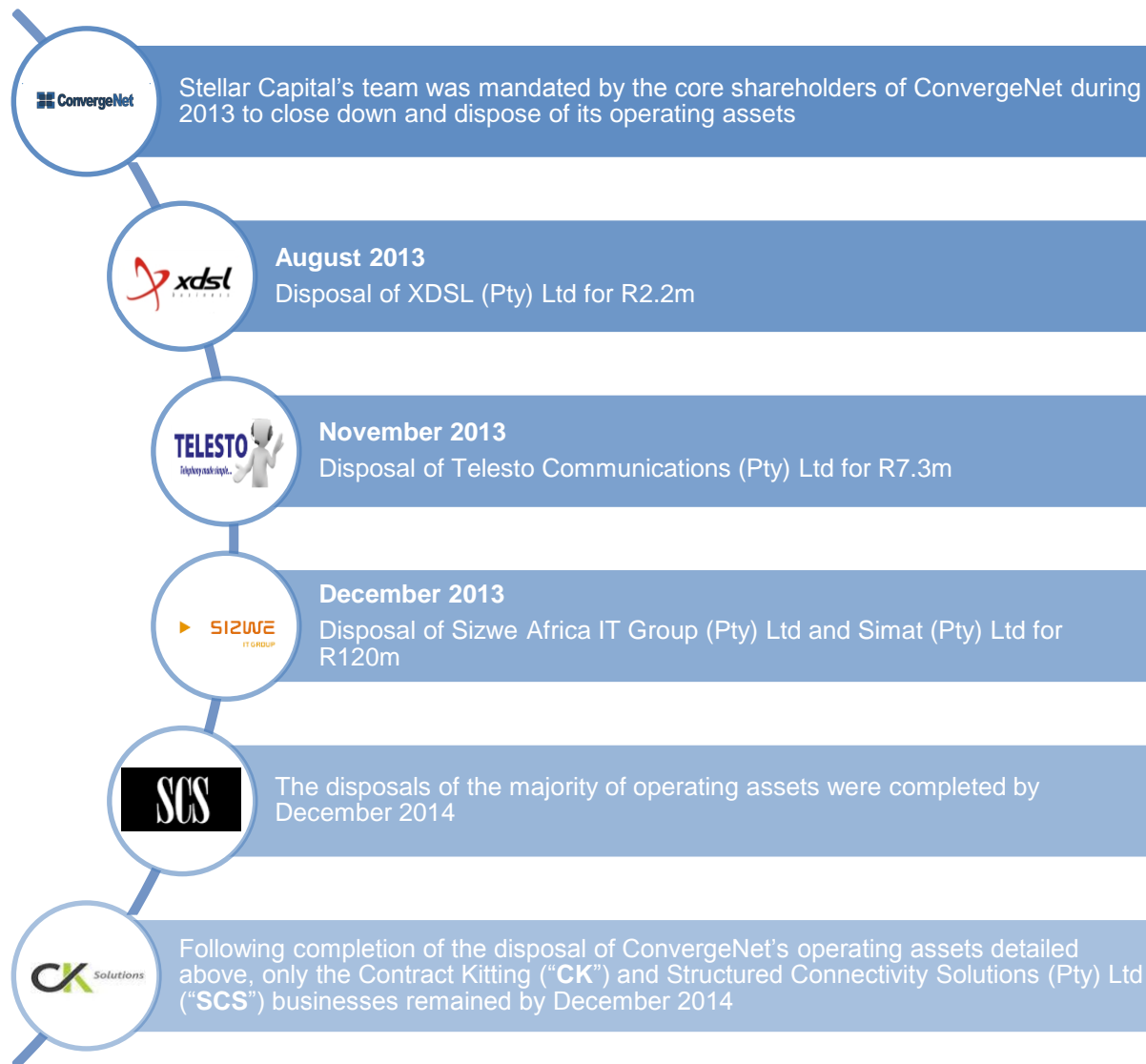
Shareholder category	Ordinary shareholding	Preference shareholding
Titan and associated entities	15%	33%
Long-term key shareholders and management	36%	19%
Institutional shareholders	15%	42%
Free float and other	34%	6%

Investment Strategy

- Stellar Capital's **investment strategy** is to:
 - develop a scalable portfolio of strategic or controlling interests in high quality companies operating in the industrial and financial services sectors;
 - apply a hands-on investment approach, in order to assist management teams and to provide strategic input, without assuming direct operational responsibility; and
 - apply a flexible investment approach relating to the timing and duration of investments
- Stellar Capital's **investment focus** is to:
 - hold a combination of strategic and controlling equity investments for capital growth as its primary objective; and
 - earn high levels of current income from dividends and a credit investment portfolio as a secondary objective
- Stellar Capital's **geographic exposure** comprises:
 - Stellar Capital has initially invested in South African based investments with focused international operations, but over time intends to invest in foreign based investments which may or may not have established operations within South Africa

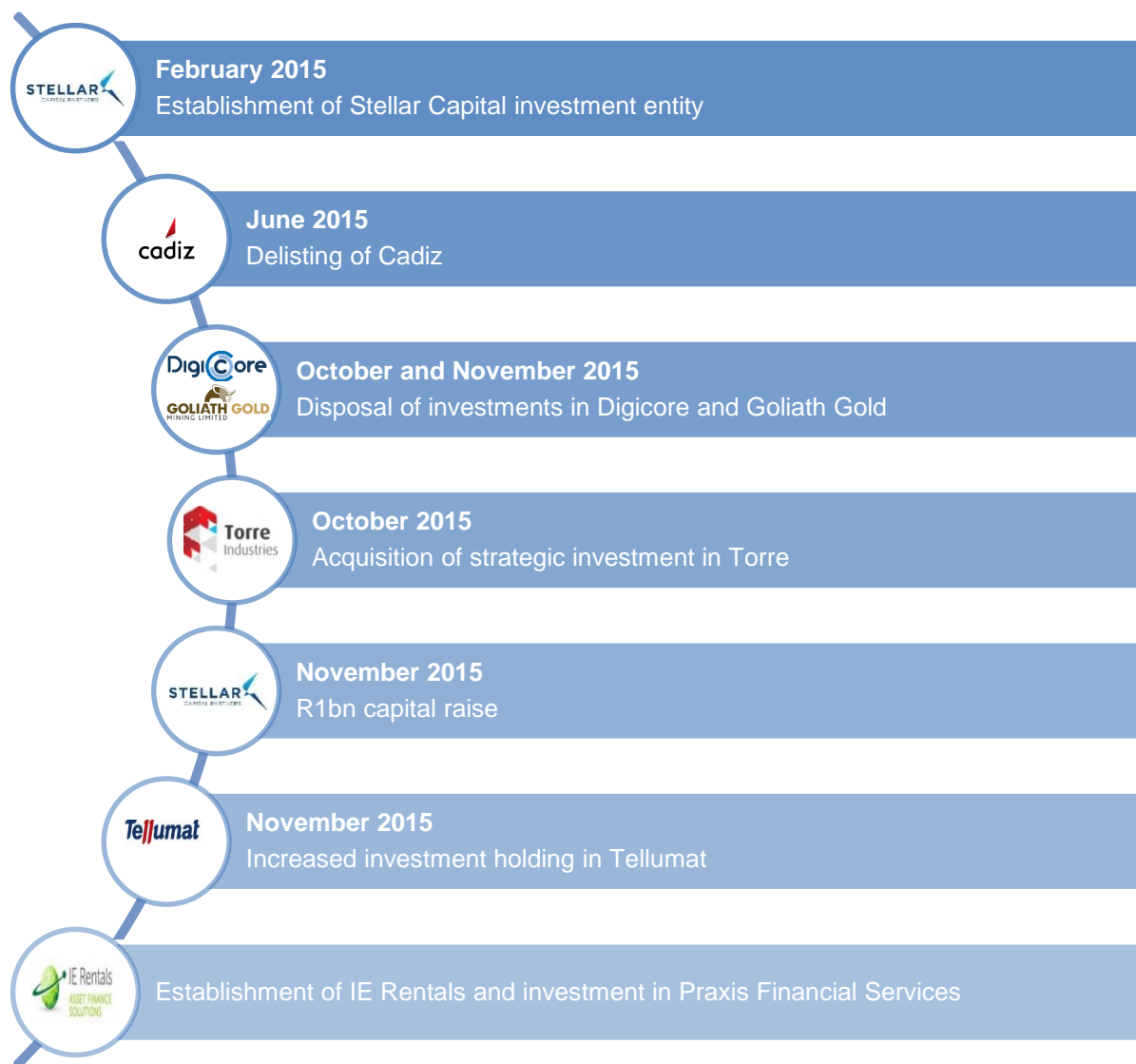
Significant milestones: Pre-establishment (2013/2014)

Stellar Capital's team efficiently closed down the ConvergeNet head-office and completed its mandate to dispose of the bulk of the operating assets by December 2014, leaving c.R120m of net cash and two operating businesses (CK Solutions and SCS)...



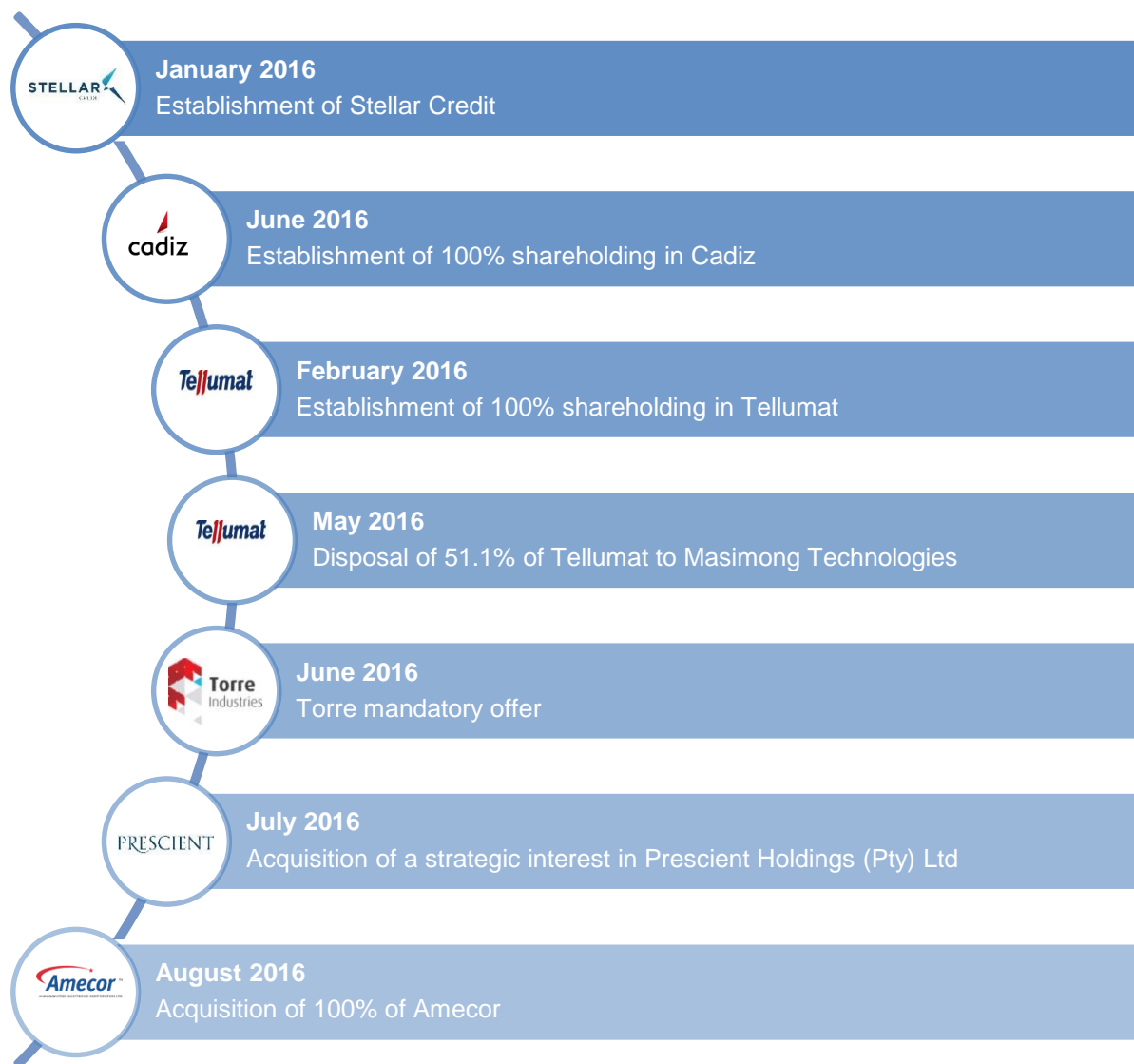
Significant milestones: Post-establishment (2015)

...Since listing, Stellar Capital has built scale in its investment portfolio – via innovative capital raisings - while constantly increasing its quality – predominantly via disposals...



Significant milestones: Post-establishment (2016)

...The remainder of the 2016 calendar year will be used to sharpen the focus of the portfolio and establish the core platform assets that we will build over the long term



Investment Portfolio



Financial Services

Industrial Supplies

Specialised Communications

Disruptive Opportunities

PRESCIENT	PRAXIS Financial Services	STELLAR CREST
Expected 49.9% (pending completion)	51% (increasing to 60%)	100%
cadiz	IE Rentals ASSET FINANCE SOLUTIONS	
100%	50%	

Torre Industries

35% (Expected to increase to > 51% depending on take up of the Mandatory Offer – completion expected by 10 October 2016)

Tellumat

48.9%

Amecor
AMALGAMATED ELECTRONIC CORPORATION LTD

100% (pending completion)

Venture Capital (target < 5% of portfolio)

Sum-of-the-parts: 31 May 2016

Exposure to the South African industrial sector severely weighed on the Company's performance and resulted in a decline in NAVPS from R2.03 per share at 30 November 2015 to R1.57 per share at 31 May 2016

Stellar Capital recorded a mark-to-market loss on its investment in Torre in the amount of R413 million

The loan portfolio has been reduced subsequent to the reporting period in order to free up cash for the new investments that have been announced by the Company

The adjacent table set out the Stellar Capital SOTP valuation at 31 May 2016 and does not incorporate the Tellumat BEE transaction; the planned increased investment in Torre; the Prescient Investment; or the Amecor investment

R'000	Unaudited as at 31 May 2016	% of portfolio	Audited as at 31 November 2015	% of portfolio
<i>Industrials and technology</i>				
Torre Industries Ltd	493,879	25%	900,833	36%
Tellumat (Pty) Ltd	260,643	13%	100,119	4%
<i>Financial Services</i>				
Cadiz Holdings Ltd	240,643	12%	134,390	6%
Praxis Financial Services (Pty) Ltd	133,997	7%	40,000	2%
Integrated Equipment Rentals (Pty) Ltd	37,272	2%	23,417	1%
Stellar Credit (Pty) Ltd	2,500	0%	-	0%
<i>Corporate Assets</i>				
Loan portfolio	486,077	24%	73,602	3%
Cash and cash equivalents	305,494	15%	797,760	32%
Financial assets	31,500	2%	370,525	15%
Other assets	11,770	0%	32,631	1%
Total Assets	2,003,775		2,473,277	
Preference shares	(554,559)		(548,478)	
Trade and other payables	(6,315)		(42,778)	
Total SOTP value	1,442,901		1,882,021	
Net shares in issue ('000)	920,627		925,456	
SOTP value per share (Rand)	1.57		2.03	
SOTP value per share post preference share conversion (Rand)	1.76		2.13	

Valuation methodologies

Investment		Fair value 31 May 2016 R'000	Valuation methodology
Torre Industries Limited		493,879	Quoted closing price on 31 May 2016
Tellumat		260,643	7x sustainable EBITDA of R34.9 million, plus identified excess working capital, less net debt
Cadiz		240,600	
Cadiz: Cadiz Asset Management		94,000	Regulatory capital plus c.0.5% of AUM
Cadiz: Excess non-regulatory capital		146,600	Net asset value
Praxis Financial Services		133,997	
Praxis: Equity (51%)		-	
Praxis: Shareholder loan		133,998	Amortised cost
IE Rentals		37,272	
IER: Equity (50%)		-	
IER: Shareholder loan		37,272	Amortised cost
Loan portfolio		486,077	Amortised cost

Statement of Comprehensive Income: 31 May 2016

Fair value losses mainly relate to the R413 million mark-to-market adjustment on the Torre investment and R19 million impairment of the Tellumat investment to bring valuation multiple in line with peer group

Significant interest income was earned in the period which more than covered operating and finance costs

Dividends were received from Torre and Stellar Credit

R'000	Unaudited six months ended 31 May 2016	Audited year ended 30 November 2015	Unaudited six months ended 31 May 2015
Continuing operations			
Fair value losses	(448,425)	(21,334)	(15,919)
Interest revenue	71,749	24,308	8,753
Dividends received	8,638	9	9
Impairment of loan to portfolio company	(2,548)	-	-
Gross (loss) / income from investments	(370,586)	2,983	(7,157)
Other income	8,431	7,356	78
Finance costs	(35,193)	(202)	(140)
Net (loss) / income before operating expenses	(397,348)	10,137	(7,219)
Operating expenses			
Management fee	(7,084)	(8,292)	(3,249)
Impairments	-	(1,173)	(445)
Loss on disposal of consolidated subsidiaries	-	(13,935)	(1,048)
Other operating expenses	(12,709)	(16,183)	(8,201)
Loss before tax	(417,141)	(29,446)	(20,162)
Taxation	(14,318)	1,505	421
Loss from continuing operations	(431,459)	(27,941)	(19,741)
Discontinued operations			
Net loss from discontinued operations	-	(8,747)	(8,747)
Loss for the period	(431,459)	(36,668)	(28,488)
Management fee as % of closing NAV	0.49%	0.44%	
Other operating expenses as % of closing NAV	0.88%	0.86%	
Transaction expenses included in other operating expenses	6,029	7,507	
Weighted number of shares in issue	923,139,053	298,534,243	221,740,565
Diluted weighted number of shares in issue	923,139,053	298,534,243	221,740,565
Basic and diluted loss per share (cents)	(46.74)	(12.29)	(12.84)
From continuing operations	(46.74)	(9.36)	(8.90)
From discontinued operations	-	(2.93)	(3.94)
Basic and diluted headline loss per share (cents)	(46.74)	(5.97)	(10.15)
From continuing operations	(46.74)	(4.69)	(8.43)
From discontinued operations	-	(1.28)	(1.72)

Statement of Financial Position: 31 May 2016

Subsequent to the reporting period, the loan portfolio has been reduced in order to provide liquidity for the announced investments in Prescient and Amecor

The first semi-annual preference share distribution was declared and settled on 31 May 2016 in the amount of R29.1 million representing a coupon of 95% of Prime

R'000	Unaudited as at 31 May 2016	Audited as at 30 November 2015	Unaudited as at 31 May 2015
ASSETS			
Non-current assets	1,041,724	1,278,806	404,720
Listed investments held at fair value	493,879	914,859	241,451
Unlisted investments held at fair value	546,807	234,509	100,119
Loan investments	-	56,631	59,934
Loans to portfolio companies	-	18,978	-
Other financial assets	-	46,803	-
Property, plant and equipment	1,038	-	-
Deferred taxation	-	7,026	3,216
Current assets	1,005,072	1,194,471	119,432
Loan investments	-	16,971	18,095
Loans to portfolio companies	667,255	55,995	46,775
Other financial assets	31,500	323,722	49,000
Trade and other receivables	823	23	46
Cash and cash equivalents	305,494	797,760	5,516
TOTAL ASSETS	2,046,796	2,473,277	524,152
EQUITY AND LIABILITIES			
Equity	1,442,901	1,882,021	519,480
Equity attributable to owners of the parent	1,442,901	1,882,021	533,701
Non-controlling interest	-	-	(14,221)
Non-current liabilities	500,118	497,660	-
Preference share liability	500,118	497,660	-
Current liabilities	103,777	93,596	4,672
Preference share liability	54,441	50,818	-
Liability to investee company	43,021	-	-
Current tax payable	-	204	-
Trade and other payables	6,315	42,574	4,672
TOTAL EQUITY AND LIABILITIES	2,046,796	2,473,277	524,152

Statement of Cash Flows: 31 May 2016

The Company generated positive cash flows on an operational level due to the high levels of current income earned from the loan portfolio

Cash flows from investing activities were deployed towards the increased investments in Tellumat, Cadiz and the loan portfolio

Cash flows from financing activities were deployed towards the servicing of preference share liabilities and the acquisition of treasury shares

Available cash resources will be deployed towards the investments in Prescient Holdings (Pty) Ltd and Amecor

R'000	Unaudited six months ended 31 May 2016	Audited year ended 30 November 2015	Unaudited six months ended 31 May 2015
Net cash flows from operating activities	18,288	45,458	(3,688)
Net cash flows from investing activities	(460,875)	(279,154)	(144,122)
Net cash flows from financing activities	(49,679)	1,028,122	150,000
Total cash movement for the period	(492,266)	794,426	2,190
Cash and cash equivalents at the beginning of the period	797,760	3,334	3,334
Disposal of consolidated subsidiary	-	-	(8)
Cash and cash equivalents at the end of the period	305,494	797,760	5,516

Strategic outlook

- Stellar Capital has been built opportunistically and via a series of corporate transactions and has now achieved a level of scale
- While this expansion has at times been complex we believe investors should focus on our core achievement which is a series of successful disposals and the establishment of a portfolio with scale and significant potential
- In the short term, sentiment and our NAVPS performance has been badly impacted by the performance of Torre. However, investors should bear in mind that: (i) we have not taken any actual losses on Torre, we have only marked our position to market; and (ii) Torre is a cyclical business and we are using current weakness to average down our position to ensure that we benefit more fully from the ultimate, inevitable recovery in the market and in sentiment towards industrial assets
- The strength of our business going forward is underpinned by our permanent capital base, our strong shareholder register and the sector focus – industrials and financials – being the areas in which our management team have expertise and a track record
- Due to our extensive networks and the quality of our stakeholders we have the potential to originate and/or participate in significant transactions of a nature that would not normally be accessible to a company of our size

Strategic outlook (cont'd)

- Items that are constantly assessed in order to understand if changes will create value for shareholders include:
 - Manco
 - Capital structures of Stellar Capital and each portfolio company
 - Share repurchases
 - Board structure and composition
- Our key short term goal is to ensure all portfolio companies are of high quality, which we define as
 - Top management teams in place and incentivised – energy, track record, self sufficiency and vision are key
 - Profitable, high margin and converting EBITDA to cash at an industry leading ratio
 - Respected brand
 - Strong growth prospects
 - Potential for international expansion
- We believe that we can achieve the above without any further equity capital raisings at a Stellar Capital level although there will be a number of further transactions at a portfolio company level as we seek to achieve the scale and the quality that we are looking for

Questions

Corporate Information

Directors

DD Tabata (Chairman)*^, CE Pettit (Chief Executive Officer),
CB de Villiers (Chief Financial Officer), CJ Roodt*^, PJ Van
Zyl^, L Mangope*^, J de Bruyn*^, M Wentzel*^
(* Independent) (^ Non-executive)

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S Graham

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Sponsor

Rand Merchant Bank (a division of First Rand Bank Ltd)

Forward-looking statements and disclaimer

This presentation contains certain forward-looking statements. These forward-looking statements are based on current information and expectations, and involve a number of risks and uncertainties. Although Stellar Capital believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results may differ materially from those projected in such statements due to various factors, including but not limited to changes in economic and market conditions, changes in regulatory environment, fluctuations in security prices and exchange rates, and business and operational risk management. Stellar Capital is under no obligation to update these statements once it has been posted or released.

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