

# Vunani Capital Partners in the premier league after Equity Express listing

The investment company has achieved what eludes its larger JSE counterparts: its shares trade at a premium to NAV

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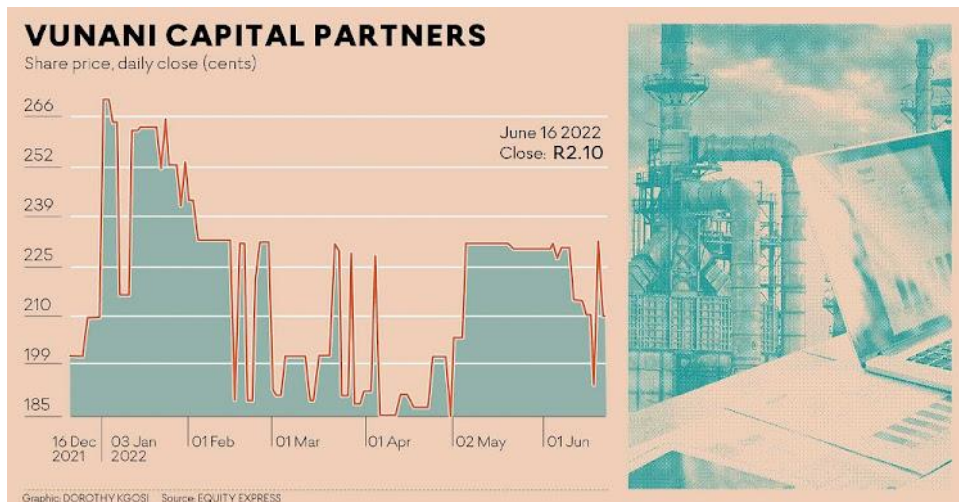
Vunani Capital Partners (VCP), a diversified investment company listed on the Equity Express Securities Exchange, has managed to achieve what has long eluded its larger JSE counterparts: trading at a premium to net asset value (NAV).

JSE-listed investment counters — which include Remgro, Sabvest, Brimstone, Brait and Hosken Consolidated Investments (HCI) - have long traded at deep discounts to their respective NAVs, sometimes as high as 40%.

Discounts are applied to investment holding companies for a variety of reasons - but mainly because investors doubt value-unlocking efforts are imminent, disagree with management's valuation of portions of the investment portfolio or are sceptical about management's capital allocation skills or strategy.

VCP - which was unbundled from JSE listed financial services group Vunani in February 2021 - released year to end-February results on Wednesday that showed NAV had jumped 24% to about 152c a share. At Wednesday's close VCP's share price was trading at 200c, which represented a premium of almost 25%.

This is an incredible turnabout in investor sentiment, remembering that the same private equity investments were accorded scant value when still part of JSE-listed Vunani.



In terms of performance, the company reported that profit after tax came in at R53.1m. This comfortably beat the R34m forecast made when Vunani listed on Equity Express in June 2021. A sumptuous final dividend of 18c a share was paid, which followed an interim dividend of 3c a share paid earlier this year.

VCP CEO Mark Anderson said the group believed the listing on Equity Express had been a success in terms of unlocking value and tradability for shareholders. He praised Equity Express for strongly supporting the listing, exposing the company to a database of about 20,000 investors.

Anderson reckoned VCP's strong earnings from underlying investments, coupled with a generous dividend policy underpinned by solid cash flows, supported the premium on the share price.

He believed the share's price premium would solidify shareholder confidence. "We find ourselves in a position of strength and will look to grow strategically with a key focus on capital allocation."

VCP comprises Vunani's widely diversified portfolio of private equity assets, which include resources, energy and commodity trading as well as property, technology, gaming, services and fintech.

In the resources and energy field, VCP's significant investments include a 37.5% stake in Black Wattle Colliery, a junior coal miner, and a 33% stake in coal producer Butsanani Energy, where JSE-listed Thungela Resources holds the balance of the shareholding. In addition, 75%-owned Vunani Resources reclaims and beneficiates coal at an Anglo Coal discard deposit at Schoongezicht.

Anderson said the splitting of VCP away from Vunani's financial services core in 2021 not only developed a clear investment case for shareholders, but meant the company was better positioned to generate strong cash flow and NAV.

"The generation of strong cash flow positions us to put in place a dividend policy which will allow VCP to pay dividends twice a year. Our intention is to grow dividends by 20% per annum."

He stressed that the underlying assets had started to generate strong cash flow and would help set the base dividend in the short to medium term.

Although there is a strong leaning towards coal mining, Anderson said VCP was keen to invest in renewable energy. “We have a pipeline of prospects we are looking into in this regard. Although we remain invested in coal, we believe the transition to renewables is the future and greater potential can be realised in this area.”

But he said VCP would remain invested in coal for the foreseeable future while transitioning to renewables.