

12J PRIVATE EQUITY FUND

Targeting dividends and capital growth with an added tax benefit.



ADINAH
GROWTH PARTNERS

OUR PHILOSOPHY

Adinah is a niche private equity investment house founded in 2013, focused on investing in owner managed businesses in Sub-Saharan Africa. We look to partner with entrepreneurs for innovation and growth through a clearly defined investment process.

The team is able to bring in its unique blend of experience in private equity, venture capital and executive management to achieve attractive risk adjusted returns for our investors over the medium to long-term.

We strive to create sustainable value by uplifting not only our investors but also the companies we invest in - and the communities they interact with. Most importantly, we as a team are guided by the principle of investing with a culture that values integrity, professionalism and a passion for achieving the extraordinary.

THE OPPORTUNITY

SME's account for roughly 34% of GDP in South Africa.

They employ approximately 60% of the formalised labour force.

THIS IS WHERE
REAL ECONOMIC GROWTH
AND **JOB CREATION**
WILL HAPPEN.

Adinah is one of few professional investors in South Africa
with a **successful track record** in this sector.

"Our country has entered a period of change. While change can produce uncertainty, even anxiety, it also offers great opportunities for renewal and revitalisation, and for progress."

President Cyril Ramaphosa, SONA 2018

Challenges faced by SMME's.



Access to capital



Regulatory compliance



Lack of professional
management skill



Access to growth
opportunities



Business
professionalism



Succession planning

THE SJ12 INVESTMENT VEHICLE

Section 12(J) of the SA tax act:

Tax benefit:

- A tax incentive created in 2009 to stimulate equity investment into small and medium sized businesses
 - Aims to promote job creation
 - Certain restriction apply to a registered 12J company these include:
 - No connected party can own more than 20% of the 12J company
 - No single investment made by the 12J can be more than 20% of the capital raised
 - The assets of a company the 12J has invested into may not exceed R50m
 - A 12J must invest in companies that make the majority of their turnover in South Africa
 - New capital raised into a 12J must be deployed within three years of when investor's shares were issued
 - The S12J has to invest a minimum of 80% in qualifying companies
 - The S12J cannot invest into property and financial services
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- The onus is on the 12J manager to comply with the limitations outlined by SARS but the penalty of non-compliance will impact the investor
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- Investor to receive 100% tax deduction in income invested to the 12J. This is up to 45% of the investment, depending on the investors effective tax rate:
 - After 5 years, if the investor exits the 12J vehicle, they will be liable for capital gains tax on the total exit value
 - Investors are still liable to pay dividend withholding tax (DWT) on any dividends paid out of the 12J company (unless ordinarily exempt)
 - SARS has legislated a 5 year holding period for the full tax benefit to vest.

BENEFITS OF SECTION S12J

EXAMPLE

Tax deduction enhances return because of effective lower capital at risk.

Example

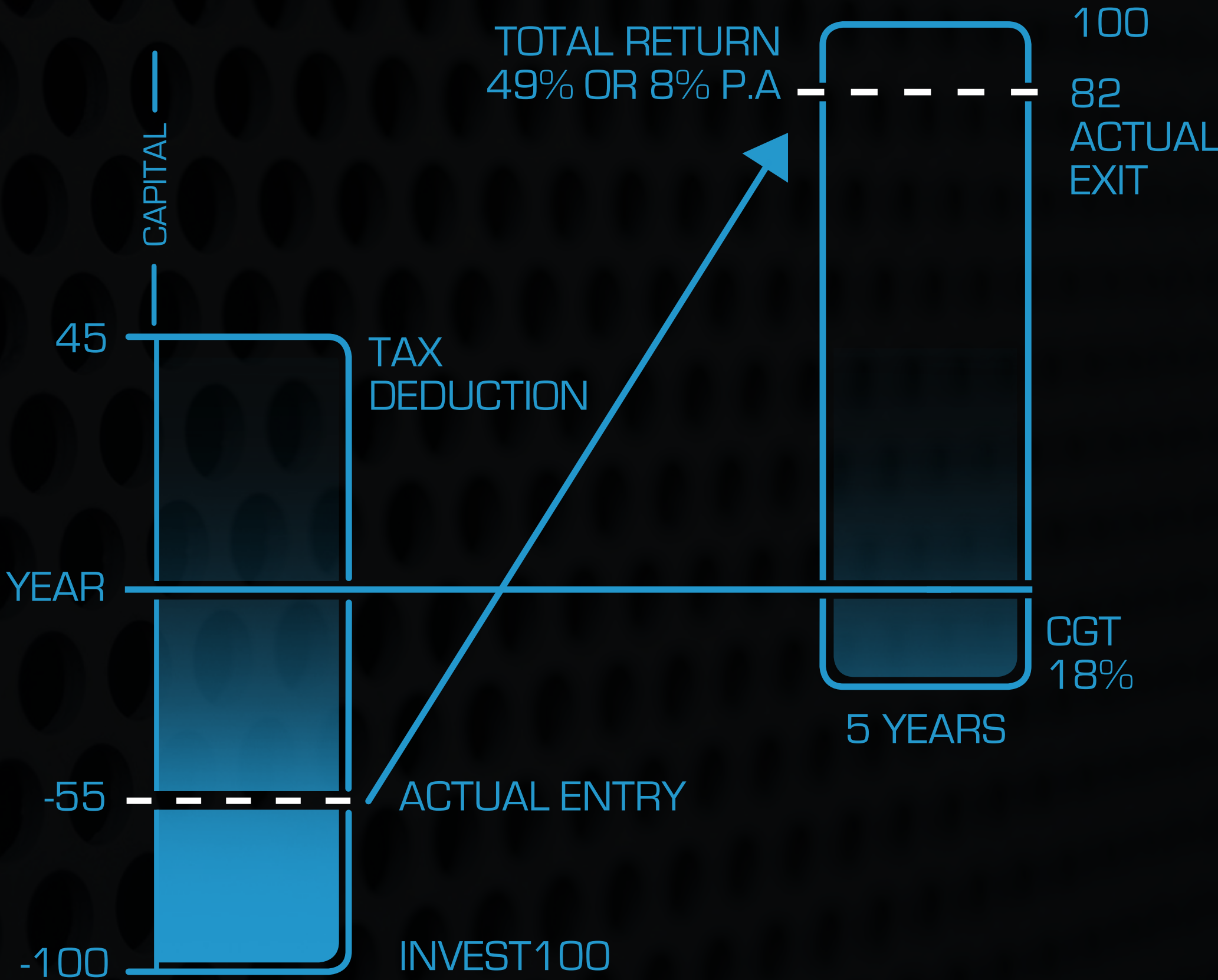
- Invest R100 in year 0.
- R100 deduction in year 0; receive R45 back.
- Net investment cost R55.
- Investment value R100.
- Assumed exit value R100.
- Assume CGT charged on exit at end of year 5 of R18.
- Simple return due to tax benefit of 49% or annual compound annual return of 8%.

*This example is based on an individual tax payer paying income tax in the highest bracket of 45%

RETURN
ENHANCEMENT
FROM TAX DEDUCTION

ADINAH TARGET RETURN:

8% TAX BENEFIT | 15% CAPITAL GROWTH | 5% DIVIDENDS



INVESTMENT OBJECTIVE & STRATEGY

Overview:

Adinah aims to partner with entrepreneur led businesses, that require capital and corporate expertise for growth.

We invest in the **Things of the Internet of Things**.

We have traditionally focused on industrial and manufacturing businesses, but continue to look at opportunities in health, education and financial services.

Key considerations when investing:

- Operating niche (or moat)
- High return on equity (ROE) and cash conversion
- Scope for operational improvements (marginal gains analysis)
- Ability to embrace technology to improve efficiencies

Objectives:

Adinah's key objective is to invest growth capital into established and profitable owner managed businesses.

We acquire significant equity stakes which enable us to influence and actively manage our investments.

We are able to participate in expansion capital investments via the Adinah Capital Partners private equity portfolio, where appropriate.

The 12J fund targets investment opportunities in the range of R5-R25 million over an investment horizon of 5 - 7 years; and aims to distribute cash back to shareholders in the form of dividends.

In order to achieve above average, risk adjusted returns, Adinah targets a gross IRR of 20% per annum and / or a growth multiple of 2.5 times the initial investment (before tax benefit).

Value Creation Strategy:

We strive to execute on an exclusive deal pipeline along a disciplined and consistent investment process.

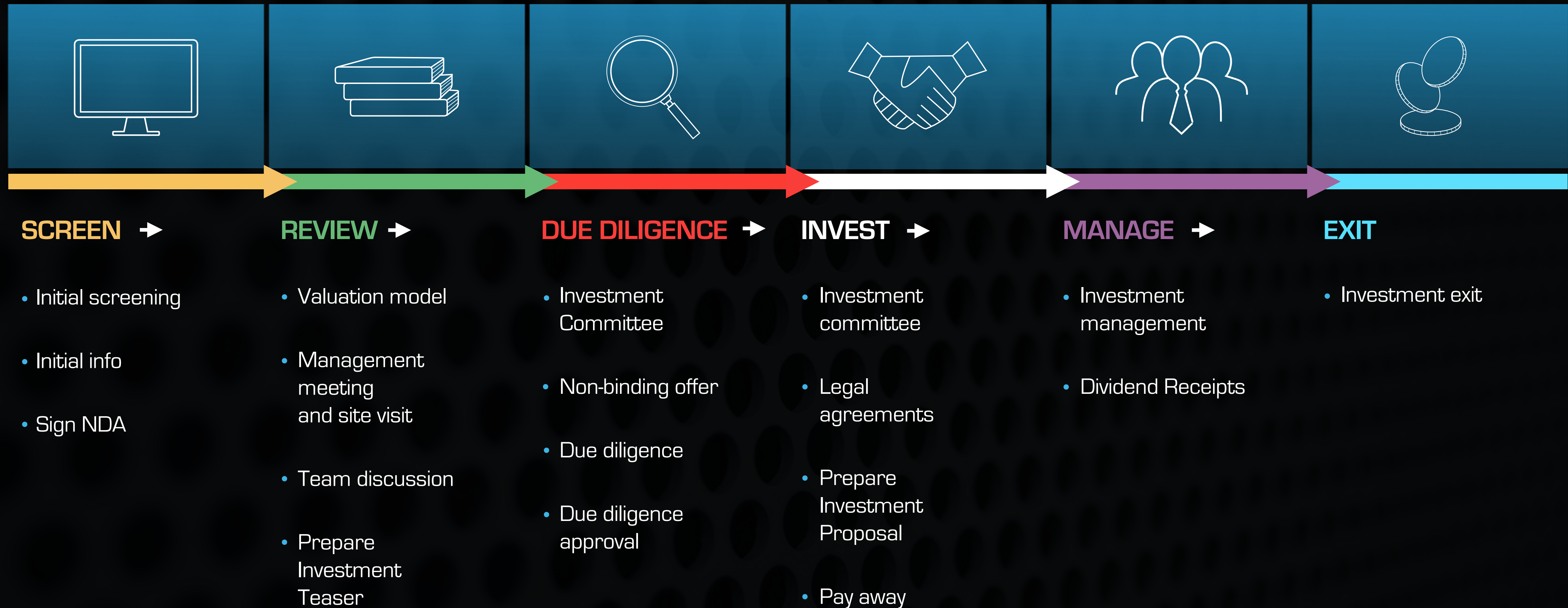
Leverage off our team's skill set, which includes private equity skills in this sector, corporate finance skills, management experience and governance.

We endeavour to actively support the portfolio companies to achieve clearly defined goals.

We provide additional resources to portfolio companies when required. This could include operational support.

We ensure the continued alignment of interests between the portfolio companies, managers and its investors.

INVESTMENT PROCESS



CURRENT PORTFOLIO & TRANSACTIONS



** Exited

ADINAH PRIVATE EQUITY FUND VS. ADINAH 12J FUND

Adinah 12J fund:

Private client focused

Types of transactions:

- Growth capital
- Entrepreneur partnering
- High growth early stage transactions (10% fund limit)

Gearing is limited

Equity only

Transaction size R5 - R25m

VS

Private equity fund:

Institutional investor focused

Types of transactions:

- Replacement capital
- Growth capital
- MBO's & LBO's

Use of gearing

Equity and quasi equity

Transaction size R25 - R100m

12J PIPELINE

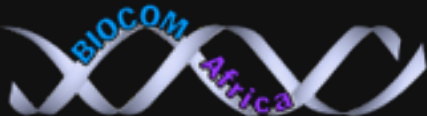
BOLT ON ACQUISITIONS



Escape Gear

Manufactures custom seat covers.

- Key clients: **Toyota and Ford.**
- Opportunity to purchase another automotive parts business with similar clientele.
- One transaction under review - no exclusivity as yet.
- R10-R20m growth capital required for purchase.



Biocom

Supplies material for diagnostic research across Africa.

- Opportunity to leverage national distribution footprint.
- One transaction under review - exclusive.
- R10-R20m growth capital required in the next year.



Stone Stamcor

Major industrial supplier of electrical components.

- Opportunity for bolt on acquisitions operating in similar segment
- A number of transactions under review - no exclusivity as yet.
- R10-R20m investment required for per investment.

REAL

Project Watermark

Leading supplier and service agent of sophisticated machinery sold into the financial service and retail industry.

Key clients: Banks, retailers and security companies.

- Exclusive transaction and deal price agreed based on completion of due diligence.
- Requires R3-R7.5m to expand product line and potentially take out smaller competition.



Kinovi Group

Early childhood education provider.

- Montessori focused schools in mid to upper LSM.
- Pilot school already operational in Paarl.
- R20-R25m required for pipeline of new school acquisitions and converting them to Kinovi brand.

Project Orchid

Niche healthcare provider.

- Opportunity to build a nationwide healthcare business.
- Exclusive transaction.
- R20-R30m investment required for investment, acquisitions and new operations.

IN REVIEW

Deals under review at any time:

5+

Characteristics the team typically look for include:

- Owner-founded and run
- An established customer base
- Low gearing
- An overlooked industry that has an established barrier to entry and a history of profitability

THE INVESTMENT TEAM



ZEYN ANGAMIA (Partner) BCom, BCom (Honours), CA (SA), CFA, IFQ

After being a partner at an established, mid-market private equity firm that was initially seeded by Brait, Zeyn left to co-found Adinah Capital Partners in 2003. He has over eighteen years experience in auditing, corporate finance, strategic valuation and private equity investing.



TONY RUITERS (Partner) BA (UCT), HDE (UCT), Executive Diploma Business Studies (Stanford)

Tony is an entrepreneur and businessman with current and previous experience in building and growing businesses in a number of sectors. Tony has over 25 years' experience in various capacities in the financial services sector. This includes ventures in the asset management, private equity, venture capital and hedge fund industries. Founding member of African Harvest, Business Connection and Sentio Capital.



LAMEEZ MENGEL (Principle) BBus.Sc (Honours), BCom (Honours) CA (SA)

After serving articles with Deloitte in South Africa, Lameez worked in KPMG's Advisory Services and Corporate Finance business. She then joined Barclays Africa M&A team. Lameez has over 10 years of relevant industry experience and joined Adinah in July 2014.



AZHAR DOCKRAT (Analyst) Completing BCom degree at UNISA

Azhar is completing his Bachelor of Commerce Degree (Financial Management) at UNISA. Azhar joined Adinah as an intern in 2014. He successfully completed his internship and has joined the Adinah team as a junior analyst in 2016.

WHY INVEST WITH US?

WHY YOU SHOULD INVEST IN THE **ADINAH** **GROWTH PARTNERS** **S12(J) FUND**



100% upside for 55%*
of the investment risk.



Track record of delivering
attractive investment return.



Consistent and tested
investment process.



Experienced team.



Unique blend of skills in team.



Exclusive pipeline



Ability to invest a large
proportion of the fund
immediately.



Established investment
manager with a track record.

FUND OVERVIEW

Target placement	10 000 ordinary VCC shares totaling R100 000 000
Issue price per share	R10 000 per ordinary VCC share, 'equalised' for later subscription dates.
Minimum investment	R200 000
Maximum investment	R20 000 000 assuming full subscription
Targeted return	20% p.a. and 2.5x capital invested before tax benefit. Investor returns will be higher after accounting for the tax deduction
Management fees	2% once off set-up costs 2% p.a. annual management fee 20% of cumulative growth in NAV, subject to targets being achieved
Fund term	The Fund does not have a defined investment term. Investors that disinvest prior to a 5 year horizon may be subject to a recoupment. Post the 5 year investment term, Adinah will endeavour to facilitate an exit for Investors

LICENSES AND PARTNERS

(License No. 48774)

Adinah Capital Partners is a licensed financial services provider.

(VSS-0089)

Adinah Growth Partners is a SARS approved Venture Capital Company.



*** Adinah continues to support new businesses as part as part of it's culture of investing alongside entrepreneurs for innovation and growth.

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