



**INVESTOR PRESENTATION**  
**Interim results**  
**for 6 months ended 31 December 2015**



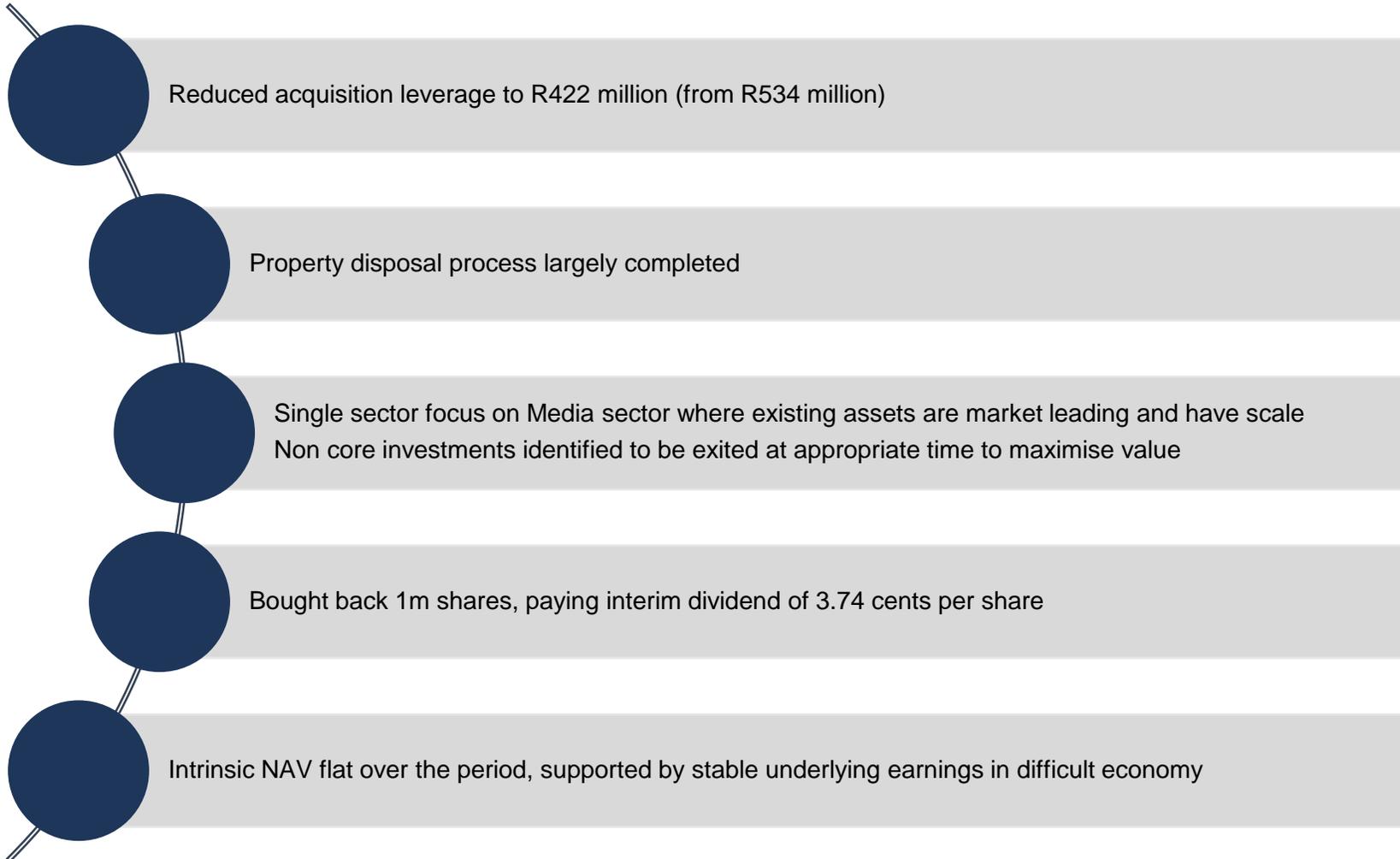
***30 March 2016***



# TABLE OF CONTENTS

| Section                         | Page |
|---------------------------------|------|
| 1. INTRODUCTION                 | 3    |
| 2. PORTFOLIO REVEIW             | 8    |
| 3. SUMMARISED INVESTMENT UPDATE | 12   |
| 4. CONTACT DETAILS              | 21   |
| 5. ANNEXURE A                   | 23   |

# 1. INTRODUCTION



## Background

- Times Media Group investment has scale and is market leading
- Media sector business often display attractive investments, particularly strong cash flows
- Tiso Blackstar has developed intellectual capital and operational ability in the media sector through its investment in Times Media Group
- Generalist investment holding companies attract net asset value (NAV) discounts to underlying value, specializing may help unlock discount
- Turbulent economic times should present advantageous consolidation opportunities in media market

## Increased sector focus Simplifying portfolio

- Tiso Blackstar has identified the key non-core investments being:
  - Kagiso Tiso Holdings (Pty) Ltd (KTH)
  - Consolidated Steel Industries (Pty) Ltd (CSI)
  - Robor (Pty) Ltd (Robor)
- These assets will be sold in the short to medium term
  - In a responsible and orderly manner
  - Taking into account key stakeholders in the businesses
  - Maximising shareholder value
- Tiso Blackstar has a strong track record in successfully refocusing business portfolios (Times Media Group, Mvelaphanda Group) for the benefit of shareholders

## Use of Proceeds

- Any realised proceeds from non-core investment sales will be applied considering the following:
  - Strategic bolt on or new acquisitions in the media sector
  - Existing group debt
  - Buying back of shares at significant discounts to intrinsic value

## Operational

- Execute non-core disposals to maximising value
- Continued focus on reducing financial risk of the Tiso and TMG transactions by reducing acquisition finance
- Drive strategic imperatives in each investment
- Retain strong focus on cost management
- Where opportunity exists, develop foreign revenue in underlying operating businesses

## Administration

- Complete holding company migration by end of 2016
- Premium market listing on LSE and JSE on hold at this stage due to unfavourable cost benefit analysis

## **2. PORTFOLIO REVIEW**

## Intrinsic NAV

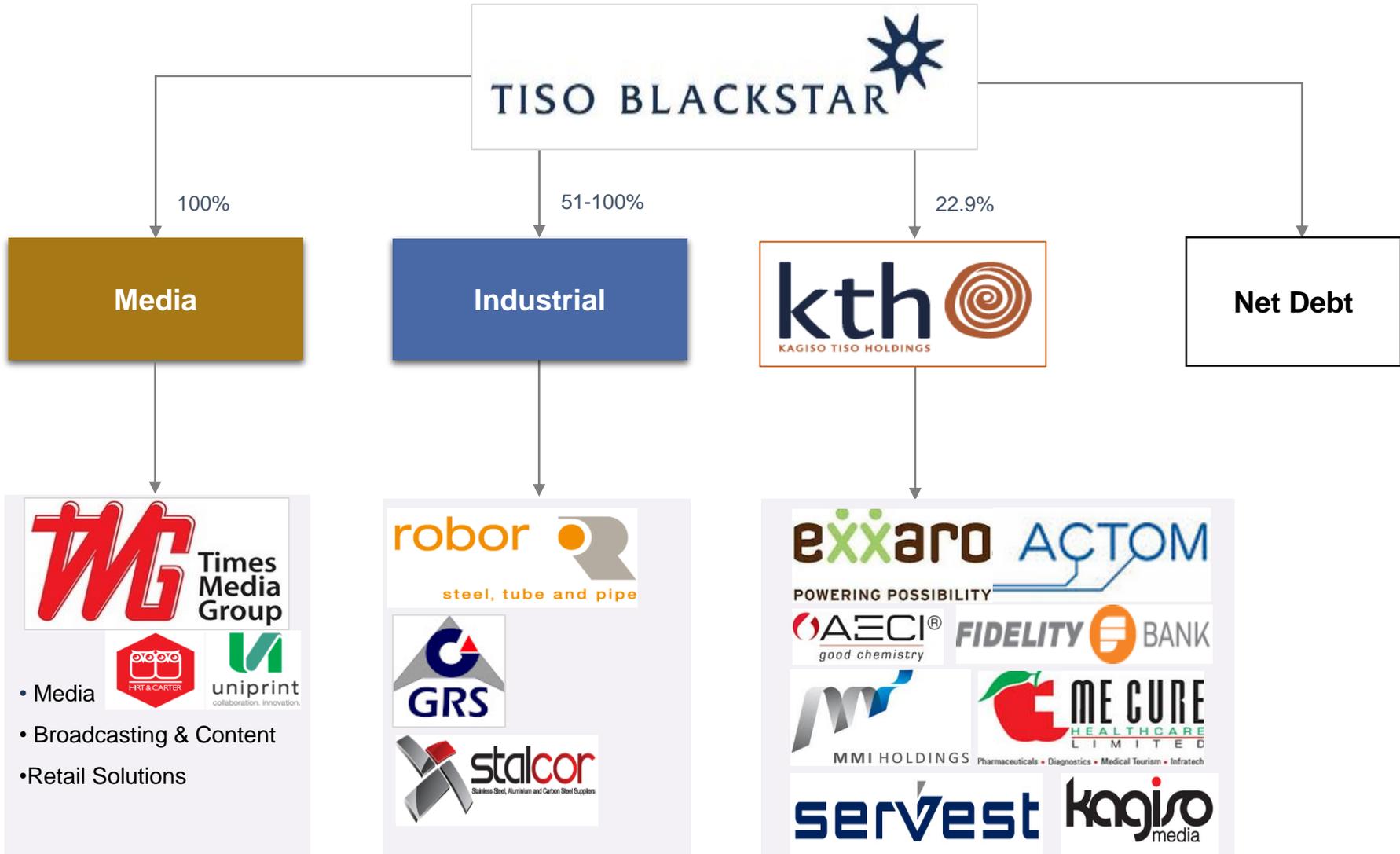
| Tiso Blackstar Group SE                             | 31 Dec 2015<br>ZAR'000 | 31 Dec 2015<br>GBP'000 |
|---|------------------------|------------------------|
| Times Media Group Limited                           | 2 550 327              | 111 796                |
| Kagiso Tiso Holdings (Pty) Limited                  | 1 633 484              | 71 605                 |
| Consolidated Steel Industries (Pty) Limited         | 365 100                | 16 004                 |
| Robor (Pty) Limited                                 | 185 844                | 8 147                  |
| Tiso Blackstar Real Estate and property             | 39 080                 | 1 713                  |
| Other listed and unlisted investments <sup>1</sup>  | 31 395                 | 1 375                  |
| Cash and cash equivalents of consolidated companies | 29 208                 | 1 280                  |
| Access facility                                     | (421 573)              | (18 480)               |
| <b>Total</b>  | <b>4 412 865</b>       | <b>193 440</b>         |
| Number of shares in issue net of treasury shares    | 267 410                | 267 410                |
| <b>Intrinsic NAV per share</b>                      | <b>16.50</b>           | <b>0.72</b>            |

## Commentary

- The Intrinsic NAV provides a measure of the underlying value of the Group's assets and does not indicate when the investments will be realised, nor does it guarantee the value at which the investments will be realised.
- For the purposes of determining the intrinsic values, listed investments on recognised stock exchanges are valued using quoted bid prices and unlisted investments are shown at Directors' valuation, determined using the discounted cash flow methodology. This methodology uses reasonable assumptions and estimations of cash flows and terminal values, and applies an appropriate risk-adjusted discount rate that quantifies the investment's inherent risk to calculate a present value. Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations and has a track record of selling its unlisted investments in the ordinary course of business above the levels at which it values them.
- All amounts have been translated using the closing ZAR/GBP exchange rate of 22,812 as at 31 December 2015.

1. Other listed and unlisted investments include investments in Shoprite Holdings Limited (Zambia) and Bataung Capital Advisors (Pty) Limited. This number also includes the net asset value of the Group's consolidated entities.

# TISO BLACKSTAR CURRENT STRUCTURE



# **3. SUMMARISED INVESTMENTS OVERVIEW**



Interest - 100% | Intrinsic NAV - R2 550 million (£112 million) | 58% of Group Intrinsic NAV

| <b>Media</b>      |   |
|-------------------|---|
| <b>Highlights</b> | <ul style="list-style-type: none"> <li>• Advertising market remains soft, putting pressure on Sunday Times and Sowetan but BDFM and Eastern Cape titles performing ahead of prior year and budget. All titles profitable except Sunday World.</li> <li>• Digital media profitable and growing.</li> <li>• Magazines are growing performance.</li> <li>• Distribution efficiency projects progressing well with cost savings coming through in second quarter and beyond.</li> <li>• The media team won over 35 awards across all disciplines in the year, including Journalist of The Year, Sports Journalist of the Year, Financial Journalist of the Year, Photographer of the Year and Best Media Sales Team of the Year.</li> </ul> |
| <b>Outlook</b>    | <ul style="list-style-type: none"> <li>• Major focus on subscriber growth in 2016 to stem readership declines.</li> <li>• Innovation projects focusing on content, digital and design underway to be completed before November 2016 office move.</li> <li>• There are still opportunities on the cost base.</li> </ul>  |



Interest - 100% | Intrinsic NAV - R2 550 million (£112 million) | 58% of Group Intrinsic NAV

| Broadcasting and Content |   |
|--------------------------|---|
| <b>South Africa</b>      | <ul style="list-style-type: none"> <li>SA Radio Station RAMS are growing with Vuma (KZN) up 20% and Rise FM (Mpumalanga) almost doubling in latest industry research.</li> <li>National sales recently outsourced to United Stations, still too early to make an impact.</li> <li>Vuma change of format approved by Icasa to provide more talk. Expected to drive further growth and advertising interest.</li> <li>One Africa Television performing very well, Ochre Media steady and expected to grow as new telenovela and health channel boost income.</li> <li>Film distribution continues to outperform but faces headwinds from weak rand and changing TV content models.</li> </ul> |
| <b>Africa</b>            | <ul style="list-style-type: none"> <li>RAG (Kenya) performing very well. Radio running ahead of expectation and DTT Service Bamba TV has had a successful launch with global and local players keen to invest and partner.</li> <li>Multimedia Ghana produced a strong turnaround in the second half of the year despite extreme economic conditions, driven by a significant recovery in radio revenues and stringent cost management in TV.</li> <li>Purchase of interest in new Nigerian station completed in November 2015.</li> </ul>  |

Interest - 100% | Intrinsic NAV - R2 550 million (£112 million) | 58% of Group Intrinsic NAV

## Retail Solutions

### Hirt & Carter

- Launch of retail data and analytics business - Silo - in October 2015.
- Our retail software footprint continues to grow with the addition of new clients.
- New and existing key customers, remain the priority - these partnerships provide opportunities for real growth.
- Focus on the Omni-Channel retail environment has opened up opportunities to extend our software and data services – e-commerce projects are increasing.
- The exit of the commoditised print segments, whilst showing a drop in turnover, has delivered an increased gross profit over 6 months.
- Agreed to significantly broaden our relationship with a key retail partner.

### Uniprint

- Uniprint had a solid 6 months mainly on strength of African Election work (Tanzania Election).
- South African operations were very weak.
- SA trading environment remains incredibly tough. Rand volatility affects their operations.
- Further election work likely over the next 12 months.



# CONSOLIDATED STEEL INDUSTRIES

Interest - 100% | Intrinsic NAV - R365 million (£16 million) | 8% of Group Intrinsic NAV

## Company and outlook

### Company highlights

- Comprises of GRS (steel roofing manufacturer) and Stalcor (stainless steel and aluminium distributor).
- While results are behind for the 6 months to date, timing differences related to the two different periods indicate that profitability will be flat for the year. Trading since December has born this out.
- Consolidation of Gauteng premises to one location (Isando) successfully completed within budget, cost savings from efficiencies should follow.
- Working capital management improved through improved supplier terms and lower stock holding.
- Africa sales grew 36%, notable performers were Zimbabwe, Botswana and Zambia.

### Outlook

- Obtained improved working capital facility with big four bank which will enhance working capital management and reduce costs. Anticipated to be operational in Q2.
- Weakening ZAR and increasing steel prices should benefit price and margin but will increase funding requirements and may effect volumes.



Interest – 50.1% | Intrinsic NAV – R185 million (£8 million) | 4% of Group Intrinsic NAV

## Company and outlook

### Company highlights

- Largest manufacturer and suppliers of welded steel tube pipe in Africa.
- Exports to over 21 countries, with exports making up over 20% of revenue.
- Tiso Blackstar completed increasing its stake from 19.4% to 51% during the period.
- 100% acquisition of Tricom Structures implemented and integrated.
- The first three months of this financial year had produced positive results when compared to budget reflecting the actions taken over the last few months relating to margin improvements and cost savings.
- Improved gross margin due to favourable purchases of imported coil and Arcelor Mittal price rebate.

### Outlook

- Growth prospects in South Africa in particular niches in water and energy.
- The Power, Solar, Telecommunications and Transmission and Distribution sectors have seen excellent activity in November, December and continuing into the new year, which bodes well for the 2016 financial year.
- Weakening ZAR and increasing steel prices should benefit price and margin but will increase funding requirements and may effect volumes.



Interest - 22.9% | Intrinsic NAV - R1 633 million (£72 million) | 37% of Group Intrinsic NAV

| Company and outlook              |  |
|----------------------------------|--|
| <p><b>Company highlights</b></p> | <ul style="list-style-type: none"> <li>• A leading pan-African investment holding company with strong SA base and BEE credentials.</li> <li>• Diversified investments across sectors including Media, Financial Services, Industrial and Healthcare.</li> <li>• NAV declined by 5.6%. Privately held investment value increased were more than offset by listed investment declines.</li> <li>• Successfully raised an R800m bond at attractive pricing and maintained Moody's Baa2.za investment grade credit rating with a stable outlook.</li> <li>• Made 4 disposal realising R241 million.</li> </ul> |
| <p><b>Outlook</b></p>            | <ul style="list-style-type: none"> <li>• Further portfolio realisations anticipated for the next 12 months as KTH drives a pillar strategy around key sectors.</li> <li>• Additional new deal capital allocation expected to drive pillar strategy.</li> <li>• Key listed share prices have improved since year end.</li> </ul>  |

## Investment portfolio

| R'million                         | Valuation methodology  | 31 December 2015 |
|-----------------------------------|--|------------------|
| MMI Holdings Limited              | <ul style="list-style-type: none"> <li>Listed shares at closing price.</li> <li>Preference shares applying an option pricing model.</li> </ul>           | 2 191            |
| Kagiso Media (Pty) Limited        | <ul style="list-style-type: none"> <li>DCF valuation.</li> </ul>   | 3 410            |
| Servest (Pty) Limited             | <ul style="list-style-type: none"> <li>Acquisition cost.</li> </ul>  | 1 346            |
| Fidelity Bank Ghana Limited       | <ul style="list-style-type: none"> <li>Market multiple valuation (P/E) as the primary valuation and price to book as the secondary valuation.</li> </ul> | 669              |
| Actom                             | <ul style="list-style-type: none"> <li>DCF valuation..</li> </ul>  | 398              |
| AECI Limited                      | <ul style="list-style-type: none"> <li>Closing price, lock-in discount applied.</li> </ul>   | 312              |
| Other assets                      | <ul style="list-style-type: none"> <li>Various, including R85m of listed assets and R1 909m of unlisted assets.</li> </ul>                               | 1 994            |
| Net debt & other liabilities      |  | (1 625)          |
| NAV                               |  | 8 695            |
| Discount                          |  | 18.0%            |
| Total NAV post discount           |  | 7 133            |
| Tiso Blackstar shareholding       |  | 22.90%           |
| <b>Tiso Blackstar value (R'm)</b> |  | <b>1 633</b>     |
| <b>Tiso Blackstar value (£'m)</b> |  | <b>72</b>        |

- The 31 December 2015 values are presented net of debt at an individual investment level.
- The valuation of the KTH investment portfolio was performed by management.

# VALUATION METHODOLOGY OVERVIEW

| Valuation methodology applied  |   |
|--------------------------------|---|
| Discounted cash flow valuation | Forecast cash flows discounted to a present value, using an appropriate discount rate.  |
| Comparable company multiples   | Market value for similar or comparable companies to estimate the value of the company in question.  |
| Price to book value            | The ratio of market price of a company's shares over its book value of equity. The book value of equity is equal the value of a company's assets on the balance sheet.  |
| KTH                            | The fair value of the investment has been determined based on the 31 December 2015 KTH Intrinsic NAV. A discount of 18% has been applied to the intrinsic NAV, to take into account head office costs and potential CGT liability on assets that may be realised. |

| Asset      | Valuation Methodology applied   | Value R'million | Value £'million |
|------------|---|-----------------|-----------------|
| Media      |  <ul style="list-style-type: none"> <li>discounted cash flow (“DCF”); and</li> <li>comparable company multiples as a supporting valuation.</li> </ul>  | 2 550           | 112             |
| Industrial |  <ul style="list-style-type: none"> <li>DCF valuation;</li> <li>comparable company multiples as supporting valuation.</li> </ul>   | 365             | 16              |
|            |  <ul style="list-style-type: none"> <li>DCF valuation;</li> <li>price to book valuation; and</li> <li>comparable company multiples as supporting valuation.</li> </ul>   | 186             | 8               |
| KTH        |  <ul style="list-style-type: none"> <li>discounted NAV.</li> <li>NAV determined using listed prices, DCF valuation; price to book valuation; and</li> <li>comparable company multiples where applicable</li> </ul> | 1 633           | 72              |



Tiso Blackstar offers investors access to a London listed investment holding company providing credibility and transparency.

Tiso Blackstar serves as a trusted portal for investors to access South Africa and Africa's media growth story.

An experienced management team with a reputation for rational capital allocation and a track record of value creation.

Operations on the ground across Africa with strong local public and private sector relationships.

Tiso Blackstar has market leading media assets with scale. They have strong cash flows and, when combined with proceeds to be realised from non-core assets, there is significant opportunity for further growth.

# 5. CONTACT DETAILS



# CONTACT DETAILS

- Feel free to contact us should you wish to discuss any aspects of this presentation.

**Tiso Blackstar Group  
(Pty) Ltd - CEO**

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# 6. ANNEXURE A

## **Holding Company Structure and Portfolio**

- Permanent capital, listed allowing efficient fund raising
- UK holding structure with a primary listing in London and secondary listing in Johannesburg
- Sizeable platform with developed market governance (through LSE and JSE regulatory framework) for investors to get exposure to growth opportunities on the continent through the underlying portfolio in addition to new acquisitions that fit the investment philosophy
- Portfolio of market leading business with strong growth profile and cash flow conversion
- Potential to issue shares and other financial instruments to fund growth

## **Management and Operating Model**

- Decentralised operating model
- Businesses are controlled and unlisted (no other entry points)
- Small team, nimble and entrepreneurial with ability to move quickly
- Operational expertise and experience
- Track record of deal origination and execution on the continent
- Complimentary skills and networks

## Structure

- Listed share to provide **liquidity** for shareholders.
- Become the **single entry point** for investors to underlying assets.
- All assets in the **portfolio held at fair value**.
- Efficient use of capital through **on-balance sheet and portfolio gearing** where necessary.
- **Fewer, larger investments and long-term holding periods** for investments with NAV growth driving returns.

## Performance metrics

- Target growth in NAV per share (ZAR) in excess of **15% per annum (CAGR)** over any three year period.
- Operating costs **<1.5% of NAV**.
- **Minimal cash drag** <25% of NAV.
- Targeting strong **free cash flow** from underlying investments.
- Efficient structure.



Thank you