

Investment idea: Buy ALVIVA Holdings (JSE: AVV)
Price R18.60

6 September 2018

Dear Investor,

ALVIVA HOLDINGS reported its FY2018 results yesterday. The Company grew revenue by 6% to R14bn, with HEPS increasing by 12% to 273cps. Free cash generation was R1bn, which equates to a 30% free cash flow yield. At a PE ratio of 6.8x and a ROE of 20%, the stock is undervalued, and we believe that the cash generative nature of the business will enable them to continue repurchasing their own shares.

- ❖ The distribution business of IT hardware remains lucrative and comprises 56% of EBITDA. The Company has diversified the business away from its traditional Government contracts, which we view as positive.
- ❖ The infrastructure part of the business is showing mixed performance, with the solar energy part (SOLAREFF) struggling, whilst the fibre division grew at 46% over the past year
- ❖ The services part of the business (29% of

the likes of EOH, experienced a tough 2018, with large investments being made into skills.

- ❖ One of their latest acquisitions, GridCars, is currently building 57 electrical charge stations on our national highways, enabling the entrance of electrical vehicles.



Figure 1 – AVV price and 20day RSI

Overall the management expects a tough 2019, but believe that they will show positive growth. They mentioned that they are continually looking at offshore acquisitions.

Please contact your Afrifocus Portfolio Manager.

Regards

Afrifocus Personal Wealth