Anglo-Mauritius Stockbrokers

Growth Stock
BUY
Share Price
EUR 30.00
Market Cap
EUR 33.84 m
Year End
December
Issued number of shares
1,128,000

Executive Summary

Cargohub Capital Ltd, the holding company of Global Logistics Services which has **over 35 years of expertise** in the logistics and transport sector.

The company operates around **three clusters** namely **Logistic Services, Real Estate and Transport (Trucking)**. Although each cluster distinctively contributes to the turnover of the Cargohub Capital, they are intrinsically linked to the nature of the business model proposed by Cargohub that is cross-sectional sales to the client base. For e.g Revenue from a tenant in the Real estate property will also add on to consultancy/software fees from the Logistic division along with rental of Trucks may be provided for its distribution network.

The Company provides its **services** in **Europe** (essentially France), **Middle-East and Russia**. The decision to establish on the island is mainly due to the regulatory framework and tax incentives, together with its bilingual workforce as well as the strategic positioning of Mauritius being viewed as a bridge between Asia and Africa contributed to the choice of this destination. Initially, the group aims to bring its expertise in the real estate, trucking and logistics services to the Mauritian market and countries like Madagascar, Reunion and certain southern part of Africa are also in the pipeline.

	2012
Turnover (EUR M)	11.8
EBITDA (EUR M)	4.6
EBITDA (Margin)	39.2%
PAT (EUR M)	3.4
PAT (Margin)	28.7%

Key Ratios	2012*	2013F	2014F
P/E (x)	9.98	9.87	7.71
Net Asset Value (EUR)	13.73	29.93	33.82
Price/Adjusted Book (x)	2.18	1.00	0.89
ROE (%)	24.6	13.9	12.2
ROA (%)	5.5	4.6	4.6

❖ *2012 figures are audited and asset base has not been adjusted to their market valuation*

Key Strengths of the Company:

- **Cargohub is a renowned logistic brand in Europe** – Years of expertise in the logistic/ transport sectors have forged solid networks in their operating markets.
- **Costs are well contained** – EBITDA Margin of 39% v/s Net Margin of 29% in 2012. The company benefits from economies of scale in its three core activities.
- **Effective Tax Management** – High taxation rates in Europe especially France can distort cashflows especially deferred tax on revaluation of properties. The company uses an active tax management policy by ensuring that they are able to accumulate tax allowances through capex and investments in properties.
- **Solid Asset Base of Prime Properties in France** – The Company has a diversified portfolio of investment properties– All its rental pool is fully occupied and its tenants being in the consumer goods, distribution or transport sector have low correlation with economic depression. Average rental agreements are for a minimum of 8 years.

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Calendar Events

Date of listing	23 Jan 2014
Commencement of trading of Ordinary Shares on the Development & Enterprise Market of the SEM	23 Jan 2014

Determination of offer price

Valuation of company (*EUR'000*)	33,761
Total number of shares issued by the company (*'000*)	1,128
Value per share (*EUR*)	30.00

As per an independent valuation, in order to determine the introductory share price of Cargohub Capital, a minority discount of 20% was applied to the equity value of the company which was valued at EUR 42.2M.

Offer Statistics

Offer Price	EUR 30.00
Minimum number of Ordinary Shares being offered of first trading day	5,000
Value of shares admitted on DEM	EUR 33.84m

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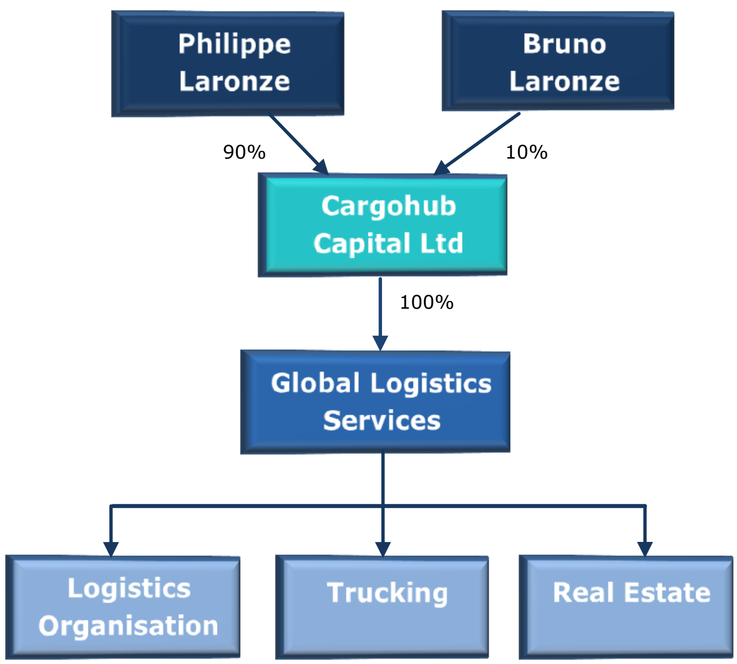
Company Background

Cargohub Capital is a domestic company incorporated on the 24th of May 2013, as part of Global Logistics Services (GLS) strategy to implant in Mauritius as well as to benefit from the regional opportunities. Founded by Mr Philippe Laronze, GLS is a European based company with more than 35 years of expertise in the transport and logistics sector. The group operates under the umbrella Cargohub regrouping its activities in Europe, Middle-East and Russia. Cargohub Capital which holds 100% of GLS, will be the first company to be listed in Euro on the Stock Exchange of Mauritius, effective as from 23 Jan 2014. On its first trading session, a minimum of 5,000 shares and a maximum of 169,200 shares (15% of company's share capital) will be made available at an indicative price of EUR 30.00 per share.

Group Structure

The structure of the company is illustrated as follows:



Cargohub Capital is structured around three clusters namely logistics services, real estate and trucking. Cargohub services is a professional provider both in consultancy and logistics services while Cragohub real estate acts a property facilitator to major logistics group and acquires also prime properties. Cargohub trucking on its part is involved in the purchase and rental of commercial trucks as well as outsource its services.

The company provides its services in Europe, Middle-East and Russia. The choice to mark its presence in Mauritius was backed by the positioning of the island as a bridge between Asia and Africa through its double taxation agreements with several countries as well as measures for promotion and protection of investment. Moreover, prevailing regulatory structure, attractive taxation regime, good corporate governance and reliable exchange and bilingual workforce also played in favor of the decision to implement locally.

Until now, all operations and expansion activities have been financed by GLS own resources. However, with the group's internalization strategy larger investments will be required and the listing on the DEM will enable GLS to raise fund for its future expansion program. Moreover Cargohub Capital aims at capitalizing on its existing assets so as to create value for its shareholders by optimizing its resources. The company's consultancy services do not require huge investment compared to its others sectors. As a result, free cash flows generated from its operations can be used to finance its projects especially the real estate which will become a major area of growth in the future. To note currently the group's portfolio consists of real estate having the bulk being 60%, 35% represents organisation and trucking embodies 5%

In the medium term the group will focus on the expansion of the real estate business as well as reduce its dependence on the European market. Focus on the French market is expected to be reduced to 60% over the next three years and to reach 40% within 5 years. As part of the group's long term strategy the primary emphasis of GLS will be internalisation, professionalism and adoption of digital technology. The expansion program will be achieved through the acquisition of local company operating in the logistics sector as well as consider joint venture or partnership with regional players in the logistics and transportation.

Once listed on the SEM, the Cargohub Capital action plan will be as follows:

(i) Short term (*within 1 year of listing*)

- ❖ Attaining growth in the regions through acquisitions/partnerships
- ❖ Pursue external growth to give a more international dimension to the company
- ❖ Ensure adaptation of organisation in order to control the projected strategic development

(ii) Medium term (*3-5 years after listing*)

- ❖ Implementation in Asia and East Africa
- ❖ Evolution of the catalog of services with solutions combining new technologies

(iii) Long term

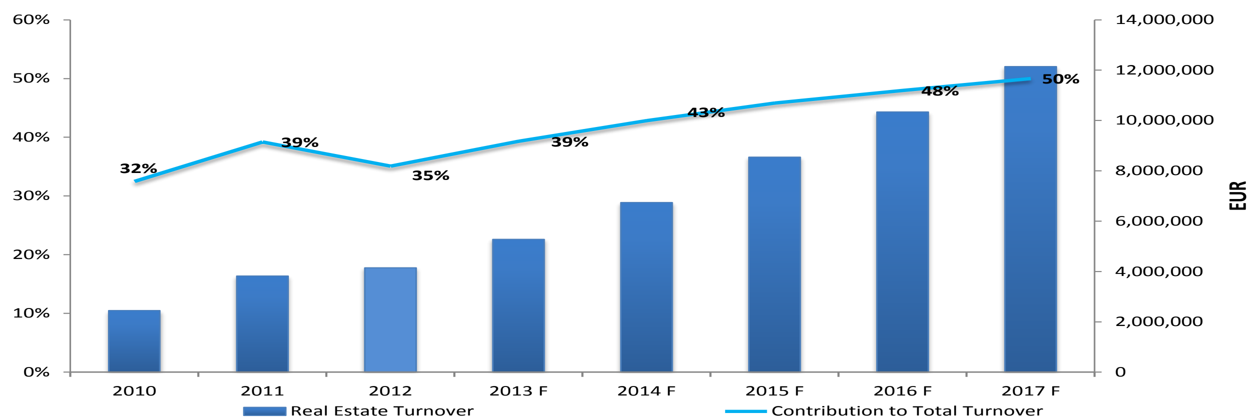
- ❖ Develop international network through organic and external growth
- ❖ To make Cargohub Capital a prominent and international brand for logistics and transportation
- ❖ Promote the group by holding balanced tangible and intangible assets

Cargohub Real Estate is a major player in the property market in the logistics industry. This cluster offers as services property facility management to major logistics group but also acquires prime properties that are logistically optimised to service its pool of tenants.

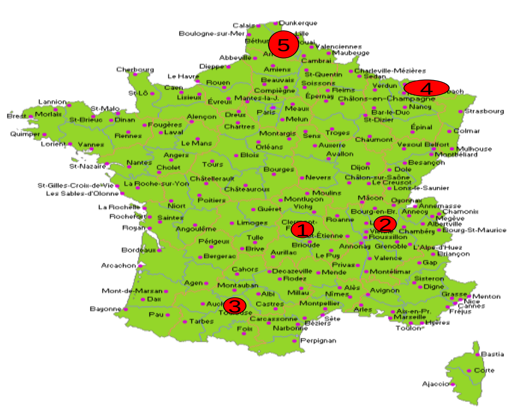
The benefits to its client base through the externalization of their property management operations can be summed up as follows:

- Being free from operational constraints relevant to logistic property management, in order to focus better on their core business
- Elimination of the risks associated with the constant change in regulations as well as a better handling of risks associated with the property sector
- Enhancement of cash flow
- More flexibility and personalization in terms of assistance required during extension, reduction or activity transfer.

Cargohub Capital is determined to exploit its real estate assets within the realm of logistic services and thus making the Cargohub Real Estate Unit a significant contributor to earnings within the next 4 years**. EBITDA margins have been rather high, 85-89% within the last three years, given that the bulk of the costs are financing costs. Direct costs have been estimated to be at 3.5% of rental income.**



The group possesses a well diversified portfolio of logistic properties in France ranging from the central part of France to the northern and southern corridors, as illustrated below.



- 1 – Clermont Ferrand
- 2 – Region Lyonnaise (Around the east of Lyon)
- 3 – Region Sud Ouest (Around Toulouse)
- 4 – Region Nord Est (Triangle Metz/ Sarrebruck/Luxembourg)
- 5 – Region Nord (corridor Lille/Arras)

The rental pool of the property portfolio (around 97,160 sqm) is mostly logistic warehouses and office spaces. The **rental yield** on these assets **averages 9.16%** per annum based on a conservative asset valuation by Galtier.

Moreover, the Company is able to negotiate long term rental agreements ranging from a minimum 6 to 12 years in duration. Currently, the **average rental tenancy is 8 years**.

For each real estate project rigorously selected, financing, most of the time through leasing is undertaken on a short term basis, never exceeding 12 years. Higher repayments are incurred during a first period from 4 to 8 quarters, through partial rental income and the company's own funds. However, after the end of the first period where the loans have decreased, the projects can be self-financed

The **real estate segment** is the **key strength of Cargohub Capital** as it enables the optimization of the company's business model through the use of its Trucking and Logistic Services. For example, Cargohub Capital acquired half of the logistics platforms of the major transport group, DHL given the latter's decision to externalise its property assets. The Logistic Services cluster is providing solutions in terms of the restructuration of the transport plan of DHL between its central hub and distribution centres, in order to optimize existing resources. As for its Trucking business segment, the affiliate DHL Fashion will be undergoing a renewal of its rental transportation space, which comprises of a global market of 110 trucks, out of which Cargohub Capital is aiming to acquire long term rental agreements for an average of 30 trucks. Other renowned clients which have externalised their property to Cargohub include the retail group, Carrefour and one of the world's leading logistics provider, Kuehne + Nagel.

Property Market Analysis (France)

Property Rental Yield (France)				
	Prime Property		Non Prime Property	
	Ile de France	Regions	Ile de France	Regions
Office	4.50-6.40%	6.00-8.00%	6.50-7.50%	7.00-10.00%
Leisure			8.00-10.50%	8.50-11.00%
Logistics	**7.25-8.50%**	**7.50-8.50%**	**7.50-8.50%**	**8.00-10.50%**
Hotel & Health Spaces			5.50-7.50%	7.00-8.50%
Commercial & Retail Park	6.00%	6.00-8.00%	7.00-9.00%	7.00-9.00%
Shops & Gallery (Centre)	4.50%	6.00-8.00%	6.00-8.00%	7.00-9.00%
Residential (exc.houses)	3.50%	4.50-5.50%	4.50-5.75%	4.50-6.00%

**source: Galtier –Expertises Immobilieres et Financieres*

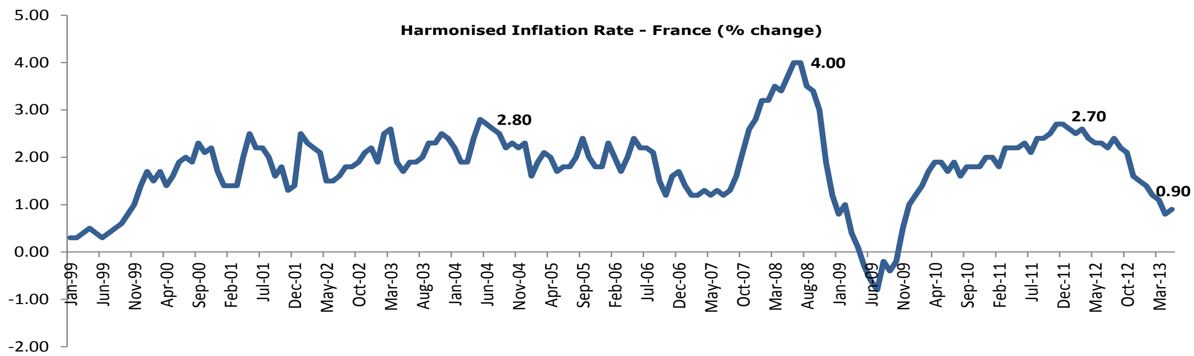
According to a market analysis carried out independently by the firm Galtier (France), the minimum rental yield on property used within the logistic sector stands at 7.25%, with a maximum yield of 10.50%.

France – Macroeconomic Snapshot

France who is dependable on its exports towards other Eurozone countries continues to bear the brunt of the general weakness within that economic area, despite relatively better output from Germany generated by an uptake in investments as well as exports.

GDP growth in France was nil for 2012, compared to an improvement of 2.0% in 2011. As at May 2013, the 2013 GDP is expect to decline by 0.1%, but to pick up by 1.1% in 2014. The GDP in the Eurozone area is also expected to fall in negative territory at -0.7% in 2013. Unemployment rate in France stood at 12.1% as at March 2013, one of the highest within the Eurozone area. Furthermore, the harmonised inflation rate which has been declining rather steeply since November 2011 (2.7%) currently stands at 0.9%.

Despite optimism towards the US economy as well as other emerging economies, which would be beneficial for France exports, given the interconnectedness of all the major economies, a more consistent gain in momentum in inflation will be dependent on energy prices in the medium term as well as a pick-up in consumer demand and business investment confidence within the Eurozone.

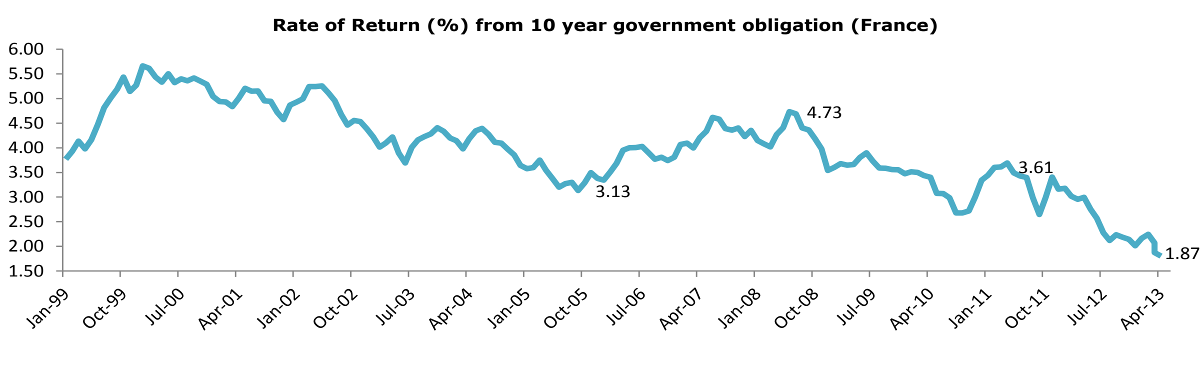


**source: Banque de France*

Risk free rate

Below is an illustration of the yield evolution on a 10 year government bond issued by France's central bank, Banque de France. The yield is at its lowest level since 1999 at least, with a return of 1.8% as at April 2013. However, pre-crisis period (1999-2007), the average yield on a 10yr bond was 4.4% and 3.9% as from 2008 onwards, till present.

The average 10yr bond yield in 2012 stood at 2.5%, hence a minimum of 4.75% yield premium is obtained through investments in logistics property. Taking into account a pre-crisis average yield of 4.4% and the possibility of economic turnaround in the next 2 -3 years, a 3% premium on logistics property assets is worthy to be considered.



**source: Banque de France*

Property Valuation

Property Valuation (as at 31 Dec 2012)

	Rental Area (sq.m.)	Annual Income Revenue	Annual Rent per sq.m.	**Conservative Value by external valuer**	Value per sq.m.	Rental Yield
Office/Warehouse Space	97,160.00	4,859,392	50.01	52,965,000	545.13	9.17%
Land	43,188.00	45,815	1.06	4,580,000	106.05	1.00%
	140,348.00	**4,905,207**	**51.08**	**57,545,000**	**651.18**	**8.52%**

	Rental Area (sq.m.)	Annual Income Revenue	Annual Rent per sq.m.	**Value given sustainable 7.5% yield on Non-Land assets**	Value per sq.m.	Rental Yield (net of charges)
Office/Warehouse Space	*97,160.00*	*4,859,392*	*50.01*	*60,774,796*	*625.51*	*7.50%*
Land	43,188.00	45,815	1.06	4,580,000	106.05	1.00%
	140,348.00	**4,905,207**	**51.08**	**65,354,796**	**731.56**	**7.51%**

As per an independent valuation, Cargohub Capital’s properties were valued at EUR57.5m at as December 2012, representing an average rental yield on 9.2% on rent generating assets and 8.5% on overall investment properties portfolio.

Our Stance:

In the prevailing context of low long term interest rates, a fully rented investment property is undervalued at average yields of 9.2% and is much closer to the lower end of the market spectrum of 7.25%. We believe the property’s marketable value is nearer the yield of 7.5%, which is the value the owner would be willing to offload.

We are supported in our view as follows:

- As a logistic operator Cargohub Capital has invested in the building infrastructure to provide the platform needed by its client’s. As such this is an intrinsic benefit to a new tenant or potential property buyer.

- The logistic sector is usually lowly correlated to periods of economic downturn as most of the players in that sector need to continue producing or delivering especially in the consumer goods or distribution sector. As such, Cargohub Real Estate benefits from a niche market and is currently operating at full capacity.

- The investment properties are bought at rock bottom prices by Cargohub Capital and recapitalised as a logistic hub through its network of services. Very often potential buyers of the properties are the very own clients of Cargohub Capital over time.

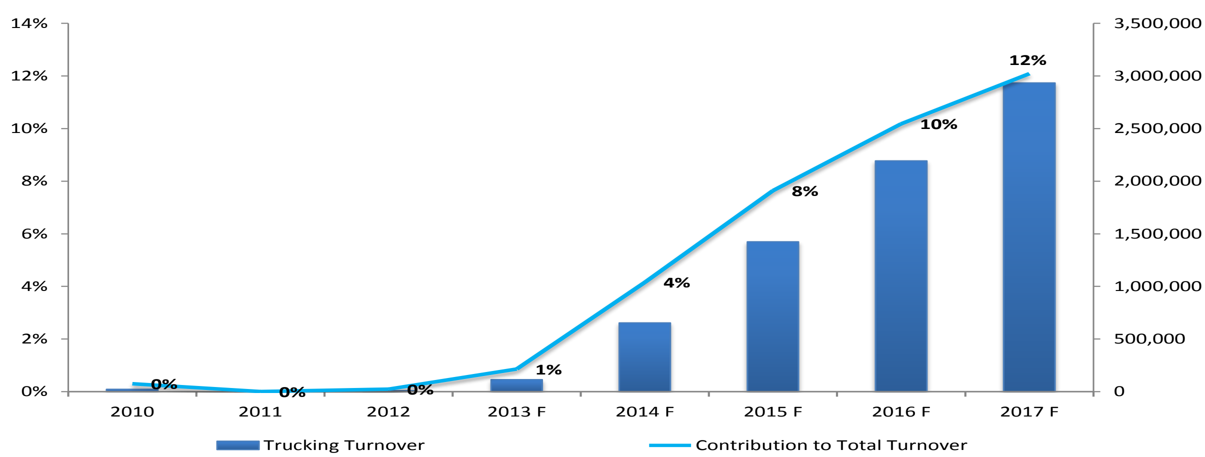
Cargohub Trucking has developed an expertise in providing its clients cost-efficient vehicles and other logistic support for their transport and distribution network. The Company has its operations essentially in France and through its subsidiary Rent a Truck in Luxembourg.

The services provided by this cluster range can be from the long term rental of trucks (without driver), import and export of industrial vehicles and to offer outsourcing services in better fleet management and optimisation. The capital investment involved in the acquisition of vehicles for logistical purposes along with the human resources required to manage them are eliminated when a company instead resorts to externalizing its transportation. The solution, provided by Cargohub, supported by a technological platform enabling both the Cargohub and its clients to monitor their goods location in real time, thus generates better flexibility for its clients as well as enhanced professionalism given their logistical experience.

The added benefit Cargohub Trucking provides to its clientele is the 'recycling of old stock' – acquiring old vehicle fleet and selling to other markets such as Russia, Kazakhstan and the Middle East. This process generates part of the cashflow to replenish the stock. New fleet acquisition is a recurrent activity which not only ensures that its clientele have access to the latest brand of vehicles which are more productive (more fuel efficient, lower cost of maintenance with the latest technology) but also generates tax credit for the Group.

The Trucking business of Cargohub began operating recently and hence is the smallest sector of the group. Cargohub Trucking currently has 30 rental contracts and aims to reach 230 contracts by 2017. Contribution to turnover overall should then augment in line with the expected increase in rental contracts, whereby **EBITDA margin of 17% is the target by FY 2016.** Management is being very proactive is seeking new rental contracts where in the last quarter of 2013, 21 contracts were negotiated.

The increasing commercial activity within the African continent emanating from global demand and supply, notably of commodities and consumer goods automatically entails the importance of efficient storage and transportation of goods and hence the prospects for international – especially established- logistics players who are willing to tap into this vast emerging market. African countries with relatively high GDP, such as South Africa, Kenya, Mozambique, Tanzania and Ghana are considered as hotspots for the transportation sectors, given their natural resources and investment in road/rail/port infrastructure. Intra-African trade, which will generate demand for on the ground logistic services such as trucking, shall evolve as a number of regional trade agreements are put in place. Africa's neighbor, the Middle East has witnessed a booming logistic sector for the last years and hence shall be the first to benefit from venturing further into the black continent, given their proximity, expertise and the availability of capital they have to invest.



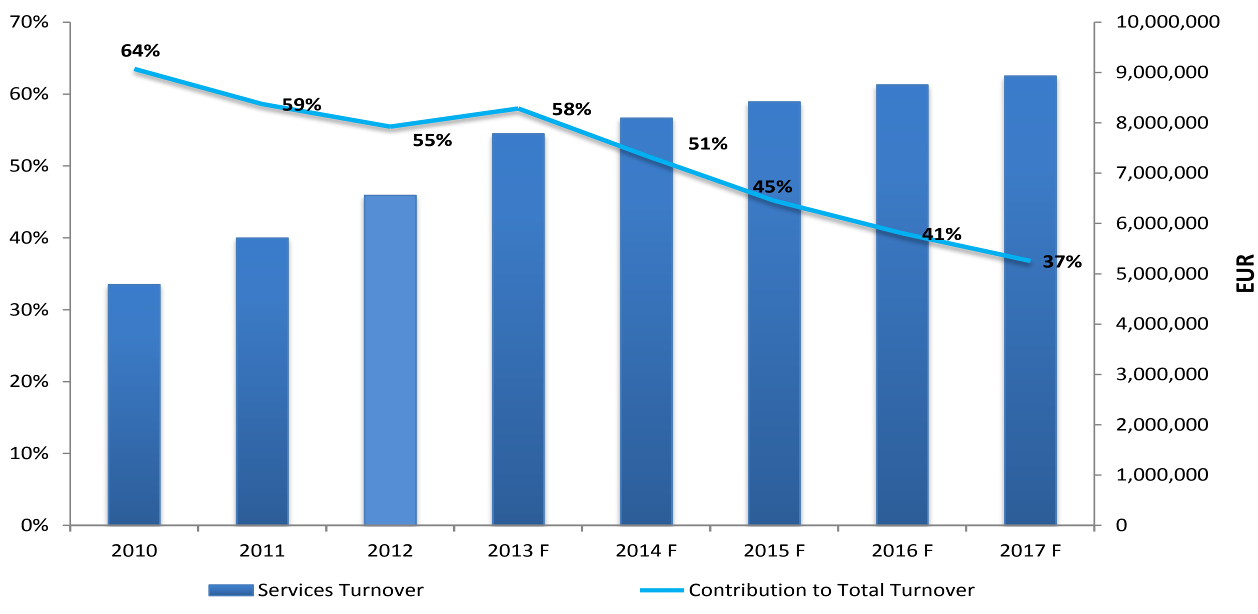
A vital segment of the cross-linked services provided by the Cargohub Capital.

Cargohub Services:

- An expert provider of consultancy and advisory services to clients operating in the Logistics and transport sectors;
- Manages complex, urgent or specific flows in Europe and beyond;
- Offers clients the opportunity to focus on their core activity and outsource their logistics management – (Cargohub implements the logistics IT software; brings the know-how and optimises capital resources)

The company niche lies in its core understanding of the logistics and transport market over the years. A mismanaged logistic operation for a Group with huge branch network and an inefficient centralised logistic management can have disastrous consequences on production, delivery and supply cycles.

Cargohub is able to offer value added services and has forged relationships with reputable clients such as Leader Price, which is the French discount store of the Casino group, where more than 100 of its stores' logistics are managed by Cargohub. Performance is expected to remain stable over the coming years, where this segment shall remain a significant contributor to turnover. **EBITDA margins over the last two years have been relatively rather low, its lowest being 3% in 2012 due to high direct costs. 11.6% margin is estimated to be achieved in FY2013.**



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Year Ended	2011*	2012*	2013F	2014F	2015F	2016F	2017F
Comprehensive Income(EUR'000)							
Total Revenue	9,745	11,820	13,423	15,741	18,640	21,552	24,273
% Change	***29.4%***	***21.3%***	***13.6%***	***17.3%***	***18.4%***	***15.6%***	***12.6%***
EBITDA	4,122	4,633	4,728	5,651	7,464	9,277	10,372
EBITDA Margin	**42.3%**	**39.2%**	**35.2%**	**35.9%**	**40.0%**	**43.0%**	**42.7%**
Net finance costs	839	819	748	952	1,237	1,485	1,703
% Change	53.7%	-2.3%	-8.7%	27.2%	29.9%	20.1%	14.7%
Borrowing rate	***2.3%***	***2.4%***	***1.9%***	***2.0%***	***2.1%***	***2.2%***	***2.3%***
% of EBITDA	*20.4%*	*17.7%*	*15.8%*	*16.8%*	*16.6%*	*16.0%*	*16.4%*
Profit before tax	6,588	4,946	4,728	5,924	7,383	8,879	9,693
% Change	***184.6%***	***-24.9%***	***-4.4%***	***25.3%***	***24.6%***	***20.3%***	***9.2%***
Profit after tax	4,235	3,392	3,428	4,388	5,470	6,510	7,008
% Change	142.9%	-19.9%	1.0%	28.0%	24.7%	19.0%	7.7%
Net Profit Margin	**43.5%**	**28.7%**	**25.5%**	**27.9%**	**29.3%**	**30.2%**	**28.9%**

On Balance Sheet (EUR'000)							
Total Assets	59,365	61,212	72,107	89,368	106,427	123,513	140,295
Off Balance Sheet							
*Adjustment to asset base in 2013 (As per Independent Valuation)***	-	-	*14,841*	*14,841*	*14,841*	*14,841*	*14,841*
Revised value of Total Assets	59,365	61,212	**86,948**	**104,209**	**121,268**	**138,354**	**155,136**
Total Equity (On Balance Sheet)	12,079	15,492	18,920	23,308	28,778	35,287	42,296
Readjusted Equity Value	*12,079*	*15,492*	***33,761***	***38,149***	***43,619***	***50,128***	***57,137***
Total Borrowings	36,857	33,457	38,599	48,681	58,261	66,755	74,135
% Change	*36.7%*	*-9.2%*	*15.4%*	*26.1%*	*19.7%*	*14.6%*	*11.1%*

Ratios							
EPS (EUR)	3.75	3.01	3.04	3.89	4.85	5.77	6.21
Adjusted NAV (EUR)	10.71	13.73	29.93	33.82	38.67	44.44	50.65
Net Tax/PBT (%)	40.3%	31.4%	31.4%	31.4%	31.4%	31.4%	30.1%
ROE (%) - Adjusted Value (from 2013)	31.4%	24.6%	13.9%	12.2%	13.4%	13.9%	13.1%
ROA(%) - Adjusted Value (from 2013)	7.80%	5.54%	4.63%	4.59%	4.85%	5.01%	4.78%
Total Borrowings/Total Assets (%)	62.1%	54.7%	44.4%	46.7%	48.0%	48.2%	47.8%
Total Debt/Total Equity	3.05	2.16	1.14	1.28	1.34	1.33	1.30

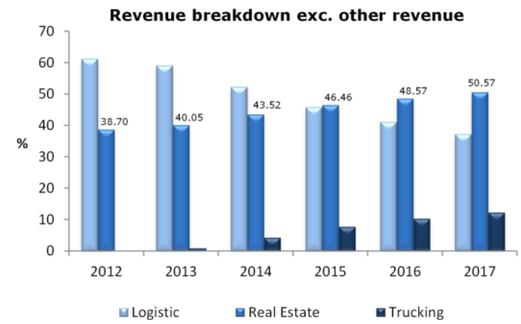
Valuation							
PER (x)	7.99	9.98	9.87	7.71	6.19	5.20	4.83
Price/Adjusted Book (x)	2.80	2.18	1.00	0.89	0.78	0.68	0.59

**2011 and 2012 figures are audited and asset and equity base have not been adjusted to their market valuation.*

*** - The increased in fair value has been conservatively kept constant over the forecasted years*

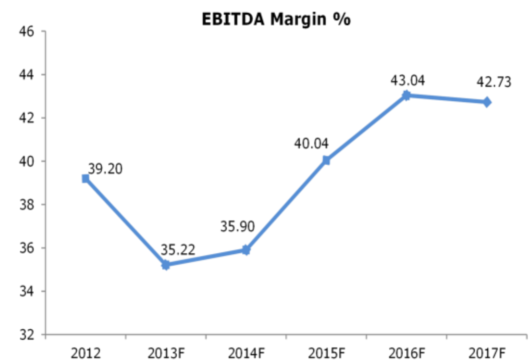
Revenue

For FY 2012, a growth of 21.3% in revenue was noted on the back of acquisition of existing business and new property. Excluding other revenue, the bulk emanated from the logistics sector which represented 61% while that of real estate was 39% and trucking was nearly nil. The company is aiming at further developing the last two sectors and by 2017 targeting a diversified portfolio with the real estate contributing 50.6% to revenue, followed by logistics being 37.2% and trucking 12.2%.



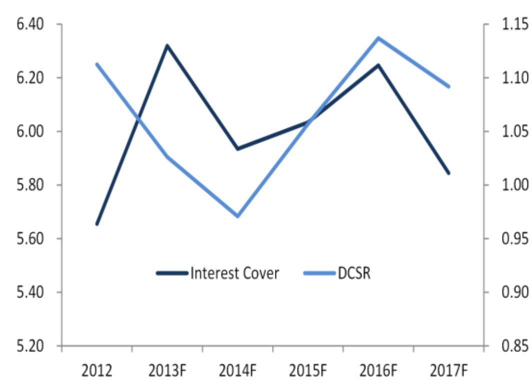
EBITDA Margin

In line with management's strategy to expand further especially the trucking activities, operating expenses went up by 27.8% in 2012. However, despite the considerable increase EBITDA grew by 12.4% hence leading to an EBITDA margin of 39.2%. Following expected increase in operating expenses, for FY 2013F and FY 2014F the margin is expected to drop to around 35%-36%, but over the next three years thereafter there is anticipation to reach the 40% level.



Net Finance Costs

An upward trend is perceived in the company's borrowings in the forthcoming years which will be used to fund projects especially in the real estate (short term basis not exceeding 12 years) which will lead to expected increase in finance costs. The company is able to leverage on its strong track record and expertise in the logistics industry to negotiate very rewarding finance rates (2012: averaged 2.4% p.a) compared to market rates is the range of 3% and above. On a cash flow perspective the company is also in a comfort zone towards its debt servicing whereby in 2012 interest cover and debt capital servicing ratio stood at 5.6% and 1.1% respectively.



Profit

Reduced earnings were reported for FY 2012 as exceptional increase of 27.8% in overheads more than offset the rise of 21.3% in total revenue. Hence lower profit margin of 28.7% as opposed to 43.5% in 2011 but thereafter improvement in margins is expected due to efficient resource management. Moreover, the company has an active strategy of curtailing tax actually paid against tax accrued through effective tax allowances whereby Net tax/PBT would be maintained at 31.4% over a period of 4 years.

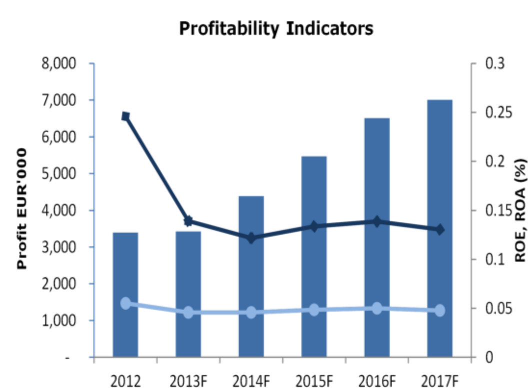


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Table 1

Equity value of Cargohub Capital and its subsidiaries	EUR'000	% of total value
Real estate cluster	37,064	87.83%
Logistics cluster	7,988	18.93%
Trucking cluster	976	2.31%
GLS company only	-3,812	-9.03%
CCL company only	-15	-0.04%
Equity value of Cargohub Capital and its subsidiaries	42,201	100.00%

Table 2

Value of the introductory share price	EUR '000
Equity value of Cargohub Capital on a controlling basis	42,201
Minority discount	20.0%
Adjusted equity value of Cargohub Capital and its subsidiaries	33,761.1
Issued share capital in Cargohub Capital ('000)	1,128
Value of the introductory share price (*EUR*)	30.00

Table 3

Reasonableness test	EUR'000
Equity value of Cargohub Capital	33,761
Debt as at 30.06.2013	36,344
Cash as at 30.06.2013	-521
Entreprise value	69,584
EBITDA for FY2013F	4,728
Implied EV/EBITDA for FY2013F	14.72
Forward EV/EBITDA of Icade S.A	18.13
Premium/(discount)	-15%

The above are the results undertaken by an independent valuer. Table 1 shows the equity value of Cargohub Capital and its subsidiaries under the Revalued NAV approach on a majority basis, excluding investment in subsidiaries but adjustment was made for dividend (*will be distributed in Oct 2014*) in Revalued NAV computation of GLS. Hence, as at 30 Sept 2013 the equity value was EUR 42.2m. The independent valuer valued the introductory share price of Cargohub at EUR 30.00 (*depicted in table 2*) after applying a minority discount of 20% as only 15% of the shares will be available for trading. Moreover, in order to assess the rationality of the introductory share price, a comparison was made with a similar company namely Icade S.A. Based on a share price of EUR 29.93 and EBITDA of EUR 4.73m for FY 2013F implied EV/EBITDA of Cargohub stood at 14.72x compared to 18.13x of Icade S.A, which represented a discount of 15%, thus meeting the reasonableness test.

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Bull and Bear Case of Cargohub Capital Ltd

BULL CASE
• An well organized and structured logistic and transport player; services are horizontally integrated within the Group such that product base to customer is fully optimized • Extensive experience in the logistic industry has forged a strong goodwill to the brand *Cargohub* in France • Strong asset base of prime investment properties in strategic regions of France as a leverage for the financial soundness of the business model. • Cost structure of Cargohub Capital is well managed. • The clients of Cargohub are either in the consumer goods or are offering essential services to consumers; as such Cargohub Capital's operations have been resilient to economic downturns. • Diversification of business operations in Mauritius and potential sub-saharan countries is welcomed.
BEAR CASE
• Property bubble in the French market; which is however a mitigated risk in this segment of activity as supply of properties with the operational logistics infrastructure is quite low. • Cargohub is a family business with the expertise lying with the largest shareholder and CEO of the company, Philippe Laronze. • Barriers to entry or protectionism in targeted markets Cargohub Capital will be looking to expand its activities. • Free float and liquidity - low free float level of 15% may affect the tradability of the stock • The company does not have a dividend policy and net income is fully reinvested in the company's operations. As such Cargohub is not for investors looking for regular income. However, dividends may be paid as and as when the company has cash exceeding its capital expenditure budget.

Recommendation

We value the high growth potential of Cargohub Capital Ltd over the years as the model is optimally designed around the core services of the Group. We simulated on a worst case scenario that Cargohub Capital does not expand and remains on a status quo basis, the investment properties gets rapidly deleveraged whilst the amount of rental income from the investment properties keep rising over the term of the rental agreement. The capital gain on the investment properties would more than compensate investors.

Based on the figures presented and forecasted by Cargohub Capital, we believe that the valuation of EUR30.00 per share is a **BUY** for investors willing to participate in a Group and a sector that is deemed to grow over the years.

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