



Combined Funeral Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 2021/638535/06)
("Combined Funeral Holdings" or "the company")

Private offer to buy ordinary shares

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1. INTRODUCTION AND HISTORY

- 1.1. The business conducted by Combined Funeral Holdings was established, by Fischer Khambule an entrepreneur with extensive experience in manufacturing to acquire and operate companies within the funeral industry, specifically those that operates in townships and rural areas.
- 1.2. Combined Funeral Holdings was converted to a public company on 25 May 2021 and changed its name to Combined Funeral Holdings Limited.
- 1.3. Combined Funeral Holdings Limited has made an offer to acquire more than 20 independent funeral homes and one of the leading manufacturers of caskets and coffins in Gauteng.

2. NATURE OF THE COMPANY'S BUSINESS AND INDUSTRY

- 2.1. The business conducted by the Combined Funeral Holdings was established to acquire and operate businesses within the funeral services industry.
- 2.2. Combined Funeral Holdings Limited has engaged in acquisition talks with a number of well established companies within the funeral industry. Some negotiations are already at advanced stages with due-diligence processes underway and others already completed.
- 2.3. The Company has made an offer to acquire more than 20 independent funeral homes and one of the leading manufacturers of caskets and coffins in Gauteng.

3. PRIVATE OFFER TO BUY SHARES

- 3.1. Combined Funeral Holdings is raising capital by offering 40 000 000 ordinary shares of no par value in the issued share capital of the company at an issue price of 100 cents per ordinary share..
- 3.2. After this share offer, the issued share capital of Combined Funeral Holdings will consist of 100 000 000 ordinary shares.

4. PROSPECTS

- 4.1. Combine Funeral Holdings' strategy is to consolidate this highly fragmented funeral service industry by acquiring businesses assets within the funeral service industry. With a population of over 57 million, the South African funeral industry is vast and lucrative.
- 4.2. Through these initial acquisitions, the company will pursue further acquisitions to enlarge and diversify the current product range to enable it to supply a complete range of funeral products and services to its customers.

5. INDUSTRY BACKGROUND

- 5.1. Combined Funeral Holdings' strategy is to consolidate this highly fragmented funeral service industry by acquiring businesses assets within the funeral service industry. With a population of over 57 million, the South African funeral industry is vast and lucrative. South Africa's high mortality rate and the importance of funerals to most of the population have given rise to a large and highly lucrative funeral services industry. The funeral industry includes funeral undertakers and mortuaries, cemeteries and crematoriums, manufacturers of funeral products, transporters of human remains, suppliers of funeral goods, embalmers, and funeral directors. The leading mainstream players include Avbob, Doves and franchisors Martin's Funerals and the Mosaic Funeral Company. However, the bulk of the industry is made up of small businesses operating informally and serving very local markets.

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- 5.2. South Africa's thriving funeral services industry is estimated to generate revenue of R15bn each year. Role players in the formal and informal funeral sectors estimate that at least 70,000 undertakers are active in the domestic death care market and that approximately 15,000 funeral parlours are operational. There are also 100,000 operational burial societies in South Africa. Of interest is that in this competitive market the largest players jointly serve less than 4% of the domestic market. The key elements in the funeral services value chain from the declaration of death to burial are the funeral parlour, the crematorium, and the cemetery. The funeral parlour will embalm and store the body as well as prepare for the funeral. Funeral parlours are mainly long-established independent family companies and mom and pop small businesses.
- 5.3. The funeral industry trend is characterized by informality, non-compliance and corruption and many funeral parlours are operating without certificates of compliance. There is a dire need to alleviate the growing demand for burial space and some municipalities are promoting second burials in the same plot and cremations. Here is an overview of the state of the industry:

- Generates R10bn-R15bn per year
- 550,000 annual deaths
- 5,6 million Risk Policies
- 15,000 Funeral Parlors
- 70,000 undertakers
- 20 Coffin Manufacturers
- 100,000 Burial Societies
- R5bn per year in Funeral Premiums

6. PRODUCTS AND SERVICES

- 6.1. The company, through its initial acquisitions – provides funeral services and also manufacturers and supplies caskets and coffins directly to funeral homes/parlors.
- 6.2. The company will further pursue acquisitions to enlarge and diversify the current product range of its initial acquisitions to enable it to supply a complete range of funeral products and services to its customers. These products and services will include the following:
- Funeral Undertaking and Mortuaries
 - Manufacturing of coffin handles and accessories
 - Transportation of human remains
 - Embalming
 - Crematoriums

7. DIRECTORS' SHAREHOLDINGS

7.1. The directors will, at the last practicable date and after the offer, directly and indirectly, hold the following shares in Combined Funeral Holdings:

Director	Number of shares held		Number of shares held		Total number of shares held	Percentage held before the private subscription	Percentage held after the private subscription
	Beneficially Direct	Beneficially Indirect	Non-beneficially Direct	Non-beneficially Indirect			
Fischer Khambule	55 000 000				55 000 000	91,7	55,0
	55 000 000	-	-		55 000 000	91,7	55,0

8. SHARE CAPITAL

Authorised and issued share capital

The authorised and issued share capital of Combined Funeral Holdings are set out below:

	Rand
Authorised	
100 000 000 ordinary shares of 0.01 cent each	1 000 000
Issued, before the private shares offer	
60 000 000 ordinary shares of 0.01 cent each	600 000
Share premium	-
Issued, after the private shares offer	
100 000 000 ordinary shares of 0.01 cent each	1 000 000
Share premium	99 000 000

All the authorised and issued shares are of the same class and rank *pari passu* in every respect.

9. MAJOR SHAREHOLDERS

9.1. There are no shareholders, apart from Fischer Khambule, a director of Combined Funeral Holdings, who are, directly or indirectly having beneficial interest in 5% or more of the issued ordinary share capital of Combined Funeral Holdings at the last practicable date.

10. SUMMARY OF HISTORICAL AND FORECAST INCOME STATEMENTS

The summarized historical and forecast financial information of Combined Funeral Holdings for the financial year ended 30 June 2021, the preparation of which is the responsibility of the directors.

Extracts from the historical and forecast income statements

	Aggregated* 30 June	Forecast 30 June	Forecast 30 June
	2021	2022	2023
	R'000	R'000	R'000
Revenue	98 000	289 000	506 000
Gross profit	46 800	145 000	253 000
Other income	800	2 800	4 800
Operating costs	(32 600)	(103 000)	(172 000)
EBITDA	15 000	44 800	85 800
Depreciation	(1 240)	(1 620)	(2 520)
Profit before interest and taxation	13 760	43 180	83 280
Loss on disposal of non-current assets	-	-	-
Net interest (paid)/received	180	440	760
Profit before taxation	13 940	43 620	84 040
Taxation	(3 900)	(12 081)	(23 590)
Profit after taxation	10 040	31 540	60 450
Outside shareholders' interest	-	-	-
Earnings attributable to ordinary shareholders	10 040	31 540	60 450
Reconciliation of headline earnings:			
Profit attributable to ordinary shareholders	10 040	31 540	60 450
Loss on disposal of non-current assets	-	-	-
Headline earnings attributable to ordinary shareholders	10 040	31 540	60 450
<i>Pro forma</i> weighted average shares in issue on which earnings are based	100 000 000	100 000 000	100 000 000
<i>Pro forma</i> earnings per share (cents)	0,10	0,36	0,60
<i>Pro forma</i> headline earnings per share (cents)	0,10	0,36	0,60

*Based on target acquisitions financials at 30 June 2021

11. Profit forecasts for the years ending 30 June 2022 and 30 June 2023

The profit forecasts of Combined Funeral Holdings for the years ending 30 June 2022 and 30 June 2023, the preparation of which is the responsibility of the directors.

	Forecast 30 June 2022 R'000	Forecast 30 June 2023 R'000
Revenue	289 000	506 000
Gross profit	145 000	253 000
Other income	2 800	4 800
Operating costs	(103 000)	(172 000)
EBITDA	44 800	85 800
Depreciation	(1 620)	(2 520)
Profit before interest and taxation	43 180	83 280
Loss on disposal of non-current assets	–	–
Net interest (paid)/received	440	760
Profit before taxation	43 620	84 040
Taxation	(12 081)	(23 590)
Profit after taxation	31 540	60 450
Outside shareholders' interest	-	-
Earnings attributable to ordinary shareholders	31 540	60 450
Reconciliation of headline earnings:		
Profit attributable to ordinary shareholders	31 540	60 450
Loss on disposal of non-current assets	–	–
Headline earnings attributable to ordinary shareholders	31 540	60 450
<i>Pro forma</i> weighted average shares in issue on which earnings are based	200 000 000	300 000 000
<i>Pro forma</i> earnings per share (cents)	0,16	0,20
<i>Pro forma</i> headline earnings per share (cents)	0,16	0,20

12. PURPOSE OF THE SHARES OFFER

12.1. The purpose of the shares offer is to:

- Raise capital to finalise the cash consideration of initial acquisitions.
- Raise capital that will allow the company to take advantage of the identified acquisitive opportunities within the funeral industry.
- Attract and retain intellectual capital through the incentive of meaningful equity participation.
- Broaden Combined Funeral Holdings' shareholder base in preparation of the listing of Combined Funeral Holdings' ordinary shares on the JSE 2 years.
- Afford members of the investing public, clients and business associates of Combined Funeral Holdings the opportunity to participate directly in the income stream of Combined Funeral Holdings, as well as in the future capital growth of its assets.

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- 12.2. The share offer is made up of Combined Funeral Holdings shares of 40 000 000 ordinary shares at an issue price of 100 cents per share.

13. DIRECTORS AND EXECUTIVE MANAGEMENT

- 13.1. Mr Veysie, Chairman, *Bsc Chemistry/Biochemistry. MBA*. Mike is a visionary leader with 20 years of experience as CEO / Managing Director in both listed and un-listed companies. In all instances, he has transformed these businesses into profitable entities and grown sustainable brand equity. He was a Finalist for Businessman of the Year in the 2010 National Business Awards and with Halewood International won the Sunday Times Top Brand Award for the Red Square Brand five years in succession from 2009 to 2014. Mr Veysie has served as MD of Halewood International, a subsidiary of the largest independent drinks company in the United Kingdom in which he grew the Red Square brand to the leading RTD brand in South Africa. He has served as CEO of Vetra Global Trading which developed FMCG exports into Angola, Nigeria and Zambia. Mike is currently CEO of Eyethu Beverages, a South African majority Black owned beverages special purpose company that invest in the alcoholic and non-alcoholic beverages sectors in order to expedite transformation in the Liquor Industry in South Africa.
- 13.2. Fischer Khambule, CEO - *Bcompt*, Fischer Khambule is a passionate entrepreneur with more than 20 years of experience. He has started and successfully run two companies that were sold to big corporates. Prior to CF Holdings, Fischer served as CEO of Verda Waste - a waste recycling company. He is highly skilled in strategy development and implementation, operations, deal making and corporate governance.
- 13.3. Melinda Schubert, CFO, *Bcom (CA) SA*, Melinda is a senior-level professional experienced as CFO for more than 10 years. Highly analytical CFO with extensive operational experience in building, turning around, and operating companies, along with proven history of increasing profitability and turning around difficult situations. Proven track record in managing green-fields operations. Extensive leadership experience having overseen Finance, procurement, IT, Payroll and Proposals department. Skill set includes turnaround strategies, leadership skills, and change management with sound business acumen.
- 13.4. Thuthuka Moyo, Non-Executive Director, *Bcom (Financial Management)*, Thuthuka is a finance and internal audit professional with work experience primarily in both private and NGO sectors. In his 12 years, he has worked in several Africa countries namely Zambia, Malawi, Zimbabwe, Liberia Sierra Leone, and Kenya building financial management systems for a number of development organizations. He holds a Bachelor of Financial Management degree from UNISA and a Master of Business degree from MANCOSA. Thuthuka currently holds a Senior Finance and Operations position for a US-based institution.

14. INVESTOR APPLICATION FORM

If you have an interest to become our shareholder, please complete the form below.

<https://form.jotform.com/212568039905057>

15. COMPANY INFORMATION

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