

UNIQUE FEATURES

- 100% TAX DEDUCTIBLE
- NO CASH OUTLAY
- GUARANTEED RETURNS
- GUARANTEED BUY-BACK

INVEST IN A 5-STAR CAPE TOWN HOTEL

- Opened March 2010
- Operated successfully & profitably by SBG Hospitality over the last 10 years
- Winner of numerous international hotel awards
- Facilities - Copa Restaurant, Ruby's Deli, Paparazzi Lounge, Odeon Cinema, Cayenne Spa, Gym, Pool Deck, Grand Palm Conference Centre, Camps Bay Beach Club
- Lifestyle Return - Free bed-nights every year for shareholders

SBG HOSPITALITY - HOTEL MANAGEMENT COMPANY

- Run by an experienced team of hospitality professionals
- 10 years successful and profitable trading history
- Spearheaded by directors David, Irving and Jeffrey Solomon
- Over 40 years' experience in large scale real estate projects
- Founding Directors of Cape Town's Central City Improvement District
- Served on the boards of two JSE-listed REITS

GROVEST ADVISORY – PROMOTORS & ADMINISTRATORS

- Co-founded in 2013 by Jeff Miller and Malcolm Segal, the pioneers of Section 12J
- South Africa's first and largest administrator of 12J funds

THE INVESTMENT

- 100% tax deductible
- 5-year minimum hold
- Investors subscribe for shares and receive a share certificate
- Investor also receives a Section 12J tax certificate, which is submitted with the Investors tax return (instead of a tax payment)
- Any unused amount of the Section 12J tax certificate may be deducted in the following year
- The investor recovers 45% of the investment from SARS (assuming a tax rate of 45%) either as a deduction from tax payable, or as a refund of tax already paid
- This tax recovery becomes the investor's down payment on the shares
- The Company (VCC) owns the un-bonded Pepperclub Hotel Property and the hotel business
- 100% Investment Allocation (No Capital Raising Fee)

HOW MUCH CAN YOU INVEST?

- Minimum R1 million
- Maximum for Individuals and Trusts R2.5m pa
- Maximum for Companies R5m pa
- Investors may subscribe for an allotment on 29/2/2020 (and in March 2020 for 28/2/2021)

NO CASH OUTLAY

- Pre-approved finance at Prime
- 45% "Bridge Loan" repayable 30/9/2020 from tax recovered from SARS
- 55% "Term Loan" repayable at the end of five-years
- Interest (net of dividends) will be rolled up and settled at the end of the five-year term
 - Interest on Term Loan R62,852 pa (average)
 - Guaranteed Minimum Dividend Income R41,049 pa (average)
 - Net Interest Roll-up R21,803 pa (average)

EXIT OPTIONS

- Guaranteed Buy-Back (Investor may exercise Put Option)
- VCC lists on JSE ALTX – investors shares become publicly tradeable
- VCC takes mortgage on hotel property and distributes as capital to investors
- VCC sells the entire hotel as a going concern
- Or, simply hold and reap long term benefits of growing income and free room nights
- CGT is only payable if there is a sale of the shares (at 18%, being 40% of 45% tax rate); Companies may exit free of any taxes after 5 years

GUARANTEED YIELDS

- Guaranteed Yield 7.6% pa or 13.9% pa on risk capital (Guaranteed Minimum Ave Yield for 5 years)
- Projected Yield year 6 is 17.4% on risk capital (pre-fees and taxes)
- 6 Free room-nights pa per R1m investment - Shadow Return 3.8% pa after tax

PROJECTED IRR

INDIVIDUALS AND TRUSTS

18.6% IRR (excluding free room-nights) / **22.4% IRR** (including free room-nights)

COMPANIES

15.4% IRR (excluding free room-nights) / **18.4% IRR** (including free room-nights)

MANAGEMENT FEES

- 0,5% pa
- 10% performance fee up to return of 130% of subscription price, thereafter pro rata to shareholding
- Lowest fees of any 12J structure in South Africa

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- * **100% INVESTMENT ALLOCATION (NO CAPITAL RAISING FEE)**

DISCLAIMER:

The information contained herein is merely a guide and is not to be relied upon by investors and is not intended to constitute advice. The information is not intended to be of a technical nature, and complex legal and technical matters have been simplified and comments made in general for information purposes only to invite investors to consider detailed further documentation, which they are advised to read and understand. Investors are further advised to obtain their own legal, financial and tax advice prior to investing in the Pepperclub Hotel Investments Proprietary Limited. No liability is accepted from reliance on this document by Pepperclub Hotel Investments Proprietary Limited, its directors, agents, management, advisors, employees, partners or investments.



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