

EFC

EXTREME FIGHTING CHAMPIONSHIP

PREPARED BY EFC INVEST (PTY) LTD ON 30 APRIL 2021



stäck

THE EASY, SIMPLE FRACTIONAL ASSET MARKETPLACE

INFORMATION MEMORANDUM

**PERTAINING TO THE AVAILABILITY OF EQUITY IN EFC AFRICA (PTY)
LTD TO BE MADE AVAILABLE VIA STACK ADVISORY (PTY) LTD FOR
PURCHASE ON THE STACK ASSETS PLATFORM**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
INTRODUCTION	4
FOUNDING DIRECTORS	7
THE OFFER	8
RISK FACTORS	9
INVESTMENT STEPS	9
FINANCIAL INFORMATION	10
SUPPORT, INVEST AND GROW	15



EXECUTIVE SUMMARY



Cairo Howarth – EFC President

“EFC is constantly evolving, and we are always looking for innovative ways to improve our product, strengthen our business and add value to our stakeholders,” states EFC President Cairo Howarth. “With this share offering, EFC is once again pioneering a new path by revolutionising sport league ownership in Africa, and with the projected growth in value that MMA and live sport has, there is no better time to do it than now.”

“The potential and value that the capital raise will bring to the growth of the business is vast,” added Howarth. “We have been a privately owned company since inception, and not only are we very optimistic about the new heights and milestones that this listing will allow us to achieve, but we are also really excited about the benefits that having our athletes and supporters as shareholders in the business will bring.”

“STACK ASSETS provides the perfect marketplace for investors to buy and sell their shares in EFC, easily and securely. Their team and technology is world-class, and their business is growing exponentially, delivering exactly what we require for this private equity listing,” says Howarth.*

“We foresee a mixture of two types of investors; pure investors looking for a good return on their capital, investing in EFC for the potential cash upside, and also investors that are supporting the growth of MMA in Africa, supporting the athletes and the organisation. Investing in EFC makes it possible for African talent to grow, providing opportunities to get to the likes of the UFC.

EFC, the southern hemisphere's leading and one of the world's most watched mixed martial arts (MMA) organisations, has made a ground-breaking change to the ownership structure of its business. For the first time in history, EFC is making it possible for its athletes, supporters and for investors to own equity in the organisation.

For over ten years the EFC organisation and sport league has grown as a privately owned business into the most watched African sport property and brand on the continent. EFC content is now available on TV globally and has an estimated TV audience in Africa of over 200 million people per year.

Sport is good business. Globally, top sport teams and leagues are valued in the billions of dollars. Global MMA organisations such as the UFC, the Las Vegas based MMA promotion, has a valuation of over \$7 billion. ONE Championship, the Asian based and Asian focused promotion, has a \$1 billion valuation.

Numerous sport teams globally have been successfully 'owned by supporters' for decades, such as football giants Real Madrid and Barcelona FC. The supporter ownership structure provides the teams with financial and marketing benefits, increasing fan loyalty and engagement. The 'owners' of these teams get to vote on some club decisions, but they do not get to benefit financially from the club's profits.

This is where the EFC share offering is different: in addition to being an actual shareholder and enjoying exclusive owner benefits - with voting rights on specific bouts and performance bonus winners, plus access to exclusive content - EFC shareholders will also benefit financially from projected dividends and share value.

With this pioneering ownership model, many past and current EFC athletes are set to receive equity in the business in the form of bonuses and remuneration. It will provide them with an opportunity for long-term financial gain, allowing them to generate an income long after they are done competing professionally. As the sport and EFC grows on the continent, and the value of the business grows, as shareholders of the organisation, the athletes will have a financial interest in the business and be the ultimate brand ambassadors for the EFC brand and the sport of MMA.

In a unique and strategic move, 20% equity in the EFC business is being listed on a direct investment marketplace via STACK ASSETS* and made available to supporters and investors to invest in. The projected R26 million (\$1.73 million) capital raise will be used by EFC for working capital requirements to continue with its African expansion plan, benefitting from the ever-growing demand for MMA content on the continent and around the world.

The new EFC listing allows investors to own equity in EFC at a \$7 million valuation. EFC has extremely low operating costs relative to other US and Asian based MMA organisations, and with the anticipated increase in revenue due to the recent broadcast expansion, the EFC valuation is expected to rise significantly.

In 2018 EFC was valued at \$24 million by an international MMA organisation wanting to expand into Africa through the acquisition of EFC. Since then EFC has executed its African broadcast expansion plan, and successfully expanded exponentially across television in Africa, significantly growing the value of the brand and business.

* The EFC listing structure and share trading capabilities have been made possible with the recently signed agreement with Stack Advisory (Pty) Ltd, who in turn owns a South African based unlisted share trading platform named STACK ASSETS.

Summarised 5-year forecast

Year	Forecast FY2022	Forecast FY2023	Forecast FY2024	Forecast FY2025	Forecast FY2026
Media broadcast rights revenue	\$440 000	\$763 000	\$1 379 750	\$1 700 688	\$2 023 608
Event ticket revenue	\$46 000	\$87 400	\$131 100	\$196 650	\$294 975
Sponsorship revenue	\$466 666	\$1 656 665	\$2 729 997	\$4 094 996	\$6 142 494
Merchandise revenue	\$6 000	\$29 000	\$40 800	\$48 960	\$58 752
Total revenue	\$958 666	\$2 536 065	\$4 281 647	\$6 041 294	\$8 519 829
Cost of sales	\$352 332	\$1 215 183	\$1 371 239	\$1 531 105	\$1 694 243
Gross profit	\$606 334	\$1 320 882	\$2 910 409	\$4 510 189	\$6 825 586
Operating expenses	\$770 000	\$1 060 400	\$1 254 520	\$1 381 988	\$1 636 653
Earnings before interest and tax (EBIT)	-\$163 666	\$260 482	\$1 655 889	\$3 128 201	\$5 188 933
Net interest	\$0	\$0	\$0	\$0	\$0
Net profit before tax	-\$163 666	\$260 482	\$1 655 889	\$3 128 201	\$5 188 933
<i>Media broadcast revenue growth</i>		73%	81%	23%	19%
<i>Sponsorship revenue growth</i>		255%	65%	50%	50%
<i>Total revenue growth</i>		165%	69%	41%	41%

Management forecasts cover the period from FY2022 to FY2026. Financial Year (FY) is from 1 March to 28 February. The forecasts were prepared using US Dollars (USD) at an exchange rate of ZAR15/USD. Figures in the financial forecasts are for illustrative purposes only.

Management has prepared the five-year forecast on a conservative basis. Media broadcast rights and sponsorship revenue are the primary revenue streams. It is expected that EFC's broadcast and sponsorship revenue will grow substantially over the coming years as a result of the African expansion strategy coming to fruition.

INTRODUCTION

Founded in late 2009, EFC has pioneered and commercialised MMA on the African continent. Over the last twelve years EFC has built the sport into one of the most talked-about sports in Africa, and the brand into one of the most recognisable sport properties on the continent.

EFC has contracted the best African MMA talent, as well as top athletes from around the globe, and currently has over 150 world-class athletes exclusively signed to the organisation.

Headquartered in Johannesburg, South Africa, EFC is one of the most dynamic sports organisations in Africa, with over 90% market share of African MMA. EFC has been able to control every aspect of the commercialisation of the sport through their in-house filming, editing and television production team; public relations and marketing team; as well as an events and logistics team.

With television broadcast deals globally, EFC is one of the most watched sports properties on the continent, one of the world's most widely distributed MMA organisations, and is respected globally for consistently delivering high-quality events and broadcast content. The international quality TV product means EFC is considered a global brand by Africans and is respected and valued in the rest of the world.

EFC global broadcast reach



An award winning, mainstream brand

EFC won 'Sport Brand of the Year' at the 2014 and 2015 Discovery Sport Industry Awards, repeatedly beating the most established sports organisations and brands including Nike, Adidas, the country's largest football clubs, and the national rugby and cricket teams. EFC is the only brand that has ever won 'Sport Brand of the Year' more than once.



A dynamic global industry

MMA has grown exponentially over the last 15 years and is the fastest growing sport in the world. With the popularity of UFC attracting more fans and world-class athletes to the sport every year, there is huge demand in the market with fans, broadcasters and athletes looking for MMA organisations to deliver world-class MMA content and events.

MMA has a global audience of 550 million, making it the third largest sports audience, trailing only soccer and basketball. MMA fans are the future of sports entertainment, as the youngest and most digitally engaged audience. With the absence of UFC or other professional MMA organisations in Africa, EFC has been solely responsible for growing and commercialising the sport on the continent.

EFC has recreated what the UFC has done in the rest of the world and localised it for the African market and business landscape. EFC is committed to the highest standards of live event experience, athlete safety, TV production, marketing and the overall growth of MMA in Africa.

EFC has complete dominance of the MMA market in Africa. 'EFC' is synonymous with and is widely regarded as the name of the sport.

African opportunity

There are over 1.3 billion people in Africa, and Africa has the fastest growing population rate globally. By 2050, over 50% of the world's population under 30 years old will be in Africa.

Africa is the perfect MMA market, with a love for combat sports and a booming young population. In Africa, MMA will thrive, appealing to the continent's younger audience. MMA content is ideal for mobile devices as it is relatively short and exciting. EFC has quickly grown to be the most well known and most watched African combat sport promotion and brand. EFC is locally relevant content, showcasing African heroes and gaining mass appeal across the continent.

EFC has focused on rolling out an African TV expansion, and is now broadcast extensively every week on over 20 of the most popular TV channels across the continent. EFC boasts the biggest TV audience for an African sport property/brand on the continent. EFC successfully executed this pioneering TV broadcast strategy, which had never been done before in African sport, making EFC the first African sport organisation in history to garner such a large audience in record time. It is forecast that over 200 million people in Africa will watch EFC on TV in the next 12 months. EFC is an established business and brand with a proven track record.

See this short video showcasing EFC's TV reach across Africa - <https://youtu.be/bYjXyF1IILY>



FOUNDING DIRECTORS

Cairo Howarth – President and commercialisation

Graeme Cartmell – Matchmaker and athlete management

Silas Howarth – TV production and broadcasting

Calvin Howarth – Live events, marketing and operations

EFC founders and directors have a strong background in TV production, marketing and events, holding interests in multiple businesses specialising in large public exhibitions and events.

EFC has various in-house teams which cater to every facet of the EFC commercial product, including filming, post-production, public relations and marketing, event management and logistics.



THE OFFER

The purpose is to generate enough capital in order for EFC to sustainably continue with its African expansion strategy, whilst restructuring its business ownership model whereby EFC's contracted athletes will be provided equity in the organisation, alongside supporters and investors.

The new EFC listing allows investors to own equity in EFC at a \$7 million valuation. The estimated \$1.73 million capital raise for the sale for 20% equity in EFC will be used primarily to fund working capital requirements of the business in order to continue hosting events and producing television content. The EFC listing structure and share trading capabilities have been made possible with STACK ADVISORY (PTY) LTD, who in turn owns a South African based unlisted share-trading platform named STACK ASSETS. STACK ASSETS is a trusted and leading peer-to-peer investment marketplace, which provides individual investors direct access to named assets.

In 2018 EFC was valued at \$24 million by an international MMA organisation wanting to expand into Africa through the acquisition of EFC. Since then EFC has executed its African broadcast expansion plan, and successfully expanded exponentially across television in Africa, significantly growing the value of the brand and business.

With this pioneering ownership model, for the first time in African sports history, contracted athletes will be owners of the business. In addition to being paid cash for competing, EFC athletes will also be 'fighting for shares' in the business, aligning the interests of the athletes and the business.

The investment will be made into EFC INVEST (PTY) LTD, a Special Purpose Vehicle ("SPV") of EFC AFRICA (PTY) LTD, which holds the call option on the shares into EFC AFRICA (PTY) LTD.

The equity in EFC is limited, with a total of 20,000 shares to be made available to athletes and investors in four stages, starting from R1,000 a share. 5,000 shares will be released in each stage, and it is anticipated that the share price will increase by 20% as each stage is reached.

Investing in EFC:

- Limited risk investing in a 12-year-old business and brand.
- Investing at a low valuation, with a massive potential upside.
- The total earmarked shareholding equates to 20% of the entire EFC business.
- The shares will become tradable as soon as the 20,000 shares have been accounted for.

RISK FACTORS

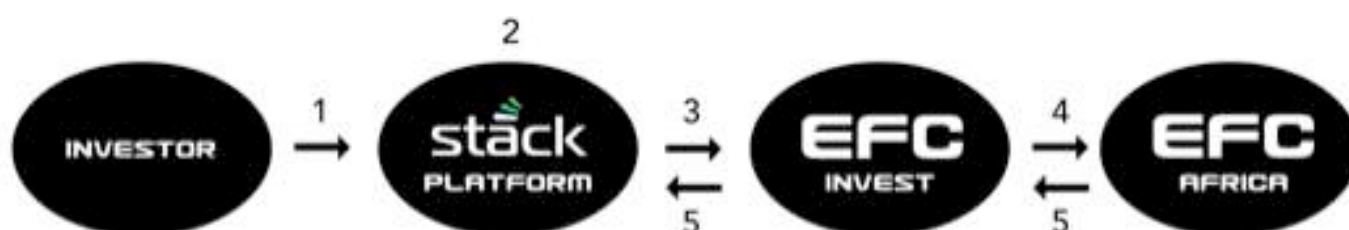
The ability of the Issuer to earn its target return could be impacted by a number of factors. Investors should consider the normal risks, which could adversely affect the growth prospective and revenue generation of live entertainment.

The risks set out below, and other risks not specifically referred to, may in the future materially adversely affect the value of an investment in the company and/or organisation:

- Risk in lack of or shortfall in revenue (sponsorship revenue, broadcasting rights, etc.).
- Risk of the occurrence of external operational threats; such as a natural disaster, or global pandemic, etc. – which could impede on the organisation’s ability to carry out its normal operations.
- Liquidity risk; where costs and operations exceed overall revenue.

INVESTMENT STEPS

- Investor creates an account on STACK ASSET’S platform and uploads the required FICA documents.
- Investors fund their account with the desired amount they wish to invest in EFC via EFC Invest.
- Invested funds are deposited into Stack Advisory’s client deposit account which is then paid over to EFC via EFC INVEST (PTY) LTD.
- EFC INVEST (PTY) LTD then purchases the desired amount of equity in EFC as per the clients Private Placement Memorandum.
- Shares are then issued in the form of a Stack via STACK ASSETS, deemed to be a materialised share benefitting the investor.



FINANCIAL INFORMATION

History

The EFC founders and associated businesses have invested approximately \$1 million since inception. In the early years EFC required significant investment, and as the sport became more mainstream and broadcast and sponsorship revenues increased, the business became financially stable and was breaking even in 2017.

The primary objective was to build the EFC brand, enhance the broadcast product and create additional content, with the result: EFC and the sport of MMA gaining significant market share in South Africa and beyond.

After broadcasting content on every major network in South Africa, in 2019 EFC's exclusive African broadcast deal with Econet Media (Kwese) expired. EFC made a strategic decision not to enter into an exclusive agreement with a single broadcasting partner, but to rather embark on a focused African broadcast expansion strategy; one that would propel EFC and MMA to be the second most watched sport on the continent.



In the short term the African expansion strategy would put financial strain on the business with a decline in African TV broadcast revenue, however the long term upside of an increased African TV audience is expected to greatly increase the sponsorship and broadcast revenue in the future.

In the midst of this expansion plan, Econet Media (Kwese) went into business rescue/liquidation owing EFC over \$500,000. Subsequently, the COVID pandemic put a halt to operations for the majority of 2020, leaving EFC under intense financial pressure. However, EFC was still able to continue to sign up new African broadcasters and is currently distributing EFC content to over 20 of the largest TV networks in Africa, broadcasting in multiple languages. EFC content is expected to be viewed by over 200 million people a year in Africa.

The UFC has thrived during the pandemic (MMA is one of the few sports that has grown during this time), and now, with funding, EFC can capitalise on the global shortage of live sport and expand.

After a 14-month break due to the COVID pandemic, EFC successfully returned to hosting live events on 8 May 2021. This marked the first time that EFC was broadcast live from the EFC Performance Institute in Johannesburg, with additional events scheduled monthly going forward. Hosting events at the EFC Performance Institute substantially reduces the live event and broadcast costs, further boosting profitability.

With EFC's substantial African broadcast expansion, it now provides unparalleled value for brands to promote and market to tens of millions of viewers on television across the continent every week.



5-year forecast

Management has prepared the five-year forecast on a conservative basis. It does not include various opportunities such as expanding into other African territories with live events, additional country-specific reality TV series of THE FIGHTER and EFC GYMs.

Year	Forecast	Forecast	Forecast	Forecast	Forecast
	FY2022	FY2023	FY2024	FY2025	FY2026
African broadcast license revenue	\$ 40 000	\$ 48 000	\$ 480 000	\$ 576 000	\$ 691 200
International broadcast license revenue	\$ 300 000	\$ 465 000	\$ 587 250	\$ 734 063	\$ 844 127
TV airtime sales revenue	\$ 100 000	\$ 250 000	\$ 312 500	\$ 390 625	\$ 488 281
Media broadcast rights revenue	\$ 440 000	\$ 763 000	\$ 1 379 750	\$ 1 700 688	\$ 2 023 608
Ticket revenue - live event	\$ 46 000	\$ 87 400	\$ 131 100	\$ 196 650	\$ 294 975
Live event ticket revenue	\$ 46 000	\$ 87 400	\$ 131 100	\$ 196 650	\$ 294 975
Sponsorship revenue - live events	\$ 466 666	\$ 1 306 665	\$ 1 959 997	\$ 2 939 996	\$ 4 409 994
Sponsorship revenue - reality TV series	\$ -	\$ 350 000	\$ 770 000	\$ 1 155 000	\$ 1 732 500
Sponsorship revenue	\$ 466 666	\$ 1 656 665	\$ 2 729 997	\$ 4 094 996	\$ 6 142 494
Merchandise/Licensing - EFC GYMs	\$ 6 000	\$ 9 000	\$ 10 800	\$ 12 960	\$ 15 552
Merchandise/Licensing - apparel and equipment	\$ -	\$ 12 000	\$ 18 000	\$ 21 600	\$ 25 920
Merchandise/Licensing - food, games etc.	\$ -	\$ 8 000	\$ 12 000	\$ 14 400	\$ 17 280
Merchandising/Licensing revenue	\$ 6 000	\$ 29 000	\$ 40 800	\$ 48 960	\$ 58 752
Total revenue	\$ 958 666	\$ 2 536 065	\$ 4 281 647	\$ 6 041 294	\$ 8 519 829
Media/Broadcast rights expense	\$ 75 000	\$ 116 250	\$ 146 813	\$ 183 516	\$ 211 032
Live events expense	\$ 266 666	\$ 733 333	\$ 806 666	\$ 887 333	\$ 976 066
Reality TV series expense	\$ -	\$ 350 000	\$ 400 000	\$ 440 000	\$ 484 000
Sponsorship expense	\$ 6 666	\$ 9 600	\$ 10 560	\$ 11 616	\$ 12 777
Merchandise and other expense	\$ 4 000	\$ 6 000	\$ 7 200	\$ 8 640	\$ 10 368
Total cost of sales	\$ 352 332	\$ 1 215 183	\$ 1 371 239	\$ 1 531 105	\$ 1 694 243
Gross profit	\$ 606 334	\$ 1 320 882	\$ 2 910 409	\$ 4 510 189	\$ 6 825 586
Compensation	\$ 600 000	\$ 864 000	\$ 1 036 800	\$ 1 140 480	\$ 1 368 576
Travel and entertainment	\$ 20 000	\$ 30 000	\$ 33 000	\$ 36 300	\$ 39 930
Office/Facilities	\$ 136 000	\$ 149 600	\$ 164 560	\$ 181 016	\$ 199 117
General administrative	\$ 14 000	\$ 16 800	\$ 20 160	\$ 24 192	\$ 29 030
Total operating costs	\$ 770 000	\$ 1 060 400	\$ 1 254 520	\$ 1 381 988	\$ 1 636 653
Earnings before interest, tax and depreciation (EBITDA)	\$ (163 666)	\$ 260 482	\$ 1 655 889	\$ 3 128 201	\$ 5 188 933
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings before interest and tax (EBIT)	\$ (163 666)	\$ 260 482	\$ 1 655 889	\$ 3 128 201	\$ 5 188 933
Net interest	\$ -	\$ -	\$ -	\$ -	\$ -
Profit before tax	\$ (163 666)	\$ 260 482	\$ 1 655 889	\$ 3 128 201	\$ 5 188 933

Management forecasts cover the period from FY2022 to FY2026. Financial Year (FY) is from 1 March to 28 February. The forecasts were prepared using US Dollars (USD) at an exchange rate of ZAR15/USD. Figures in the financial forecasts are for illustrative purposes only.

Revenue

Media broadcast rights and sponsorship revenue are the primary revenue streams. It is expected that EFC's broadcast and sponsorship revenue will grow substantially over the coming years as a result of the African expansion strategy coming to fruition. As a point of reference, CAF (Confederation of African Football) earns over \$100 million per year from broadcast and sponsorship revenue.

African broadcast license revenue:

Historically, EFC was earning over \$1 million per annum in African license revenue. With EFC embarking on an aggressive growth strategy by distributing EFC content at no direct charge to the most popular TV channels in Africa, this resulted in a significant decline in revenue, but increasing the audience, the value of the brand, and the value to associated sponsor/partner brands. Management anticipate to sign new African broadcast deals by FY2024 to the value of approximately \$480,000 – a conservative forecast as it is less than half of the value of the revenue received in FY2019.

As a point of reference, the PSL (the South African Premier Soccer League) earns over \$40 million annually in African broadcast revenue. EFC has budgeted to earn less than 1.5% of the broadcast revenue that other popular African sport organisations earn.

International broadcast license revenue:

On the back of the growing demand for quality live sport content, and for MMA content specifically, it is anticipated that new broadcast deals will continue to be signed and this revenue stream will continue to grow.

As a point of reference, the UFC earns over \$300 million per annum for North American broadcast rights alone.

TV airtime sales revenue:

Via EFC's broadcast agreements with African TV channels, in FY2022 EFC will have over \$8 million worth of TV inventory (30 second TV commercial placement) at rate card to sell. Management are conservatively projecting to realise 1.5% of the inventory value.

Live event ticket revenue:

Due to the COVID pandemic, live event ticket revenue in FY2022 is forecast to be minimal. The projected ticket revenue in FY2026 is less than the revenue earned from tickets in pre-pandemic years.

Live event sponsorship revenue:

Due to the pandemic, live event sponsorship revenue in FY2022 is forecast to be minimal. In FY2022, EFC has over \$130 million worth of sponsorship inventory at rate card to sell. Management project to realise less than 0.5% of this value. As the COVID restrictions relax and fans are permitted to attend live sports events, and the actual value of EFC's extensive TV broadcast reach is realised, this revenue is expected to rise substantially in FY2023 and beyond. As a point of reference, the PSL earns over \$23 million annually in sponsorship revenue. EFC, with a much larger TV reach and audience, is forecasting to earn less than 20% of the sponsorship revenue that other similar African sport organisations earn.

Reality TV series sponsorship revenue:

As the demand for EFC content increases with brands, and on the back of the extensive African and global TV distribution, it is expected that THE FIGHTER reality series will continue to attract mainstream brands as sponsors/partners. The two pre-pandemic series had Constantia Insurance as the presenting partner, showing the mainstream appeal of the reality TV format.

EFC GYM revenue:

EFC GYM in Sandton and EFC GYM in Rosebank are both successful franchises operating profitably, with further plans to roll out more franchises across South Africa. A low license fee which is affordable to franchises has been forecast.

Apparel and equipment revenue:

EFC is planning to enter into new partnerships to produce and retail branded apparel and equipment. This is forecast to generate modest revenues from FY2023 onwards. EFC has previously had successful license agreements with manufacturers and retailers, historically generating more revenue annually than what has been forecast in FY2023.

Additional licensing/merchandise revenue:

Additional licensing/merchandise categories such as a healthy food range and mobile games are in development, which are expected to generate modest revenues from FY2023 onwards.

Cost of sales

EFC makes use of agents for sourcing and concluding broadcasting contracts internationally; the broadcasting agent commission is approximately 25%. EFC has relatively low operating costs relative to other US and Asian based MMA organisations.

SUPPORT, INVEST AND GROW

The release in equity allows supporters and investors to grow the sport and help the continent's greatest athletes take on the world, plus partake in the upside of their equity value growth.

"I have been to and competed at the leading MMA events all over the world, and EFC is up at the top," stated former two-time EFC champion and current UFC athlete Dricus du Plessis. "Look at what EFC has achieved in the past 10 years, how much the sport and the organisation has grown. Africa's time is now! I intend to be an EFC shareholder for life."

Support, invest, and grow as Africa's greatest warriors take on the world! EFC Invested #ImIn



Disclaimer: Stack Advisory (Pty) Ltd is an authorised financial services provider in terms of the Financial Advisory and Intermediary Services Act (Act No. 37 of 2002) FSP no 45697. Investors should take cognisance of the fact that there are risks involved in buying or selling any financial product. Past performance of a financial product is not necessarily indicative of future performance. The value of financial products can increase as well as decrease over time, depending on the value of the underlying securities and market conditions. Illustrations, forecasts or hypothetical data are not guaranteed and are provided for illustrative purposes only. This document does not constitute a solicitation, invitation or investment recommendation. Prior to selecting a financial product, it is recommended that investors seek specialised financial, legal and tax advice. The laws of the Republic of South Africa shall govern any claim relating to or arising from the contents of this document.