



African Rainbow Capital Investments

Interim Financial Results Presentation

13 March 2018

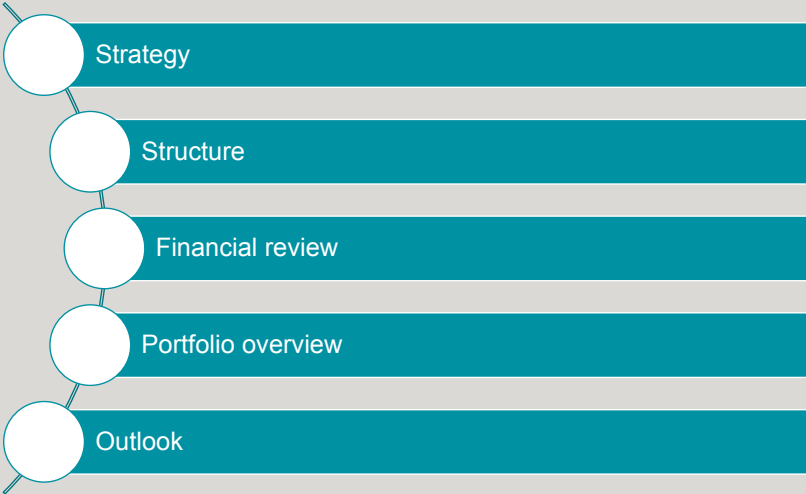


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13 March 2018

Outline

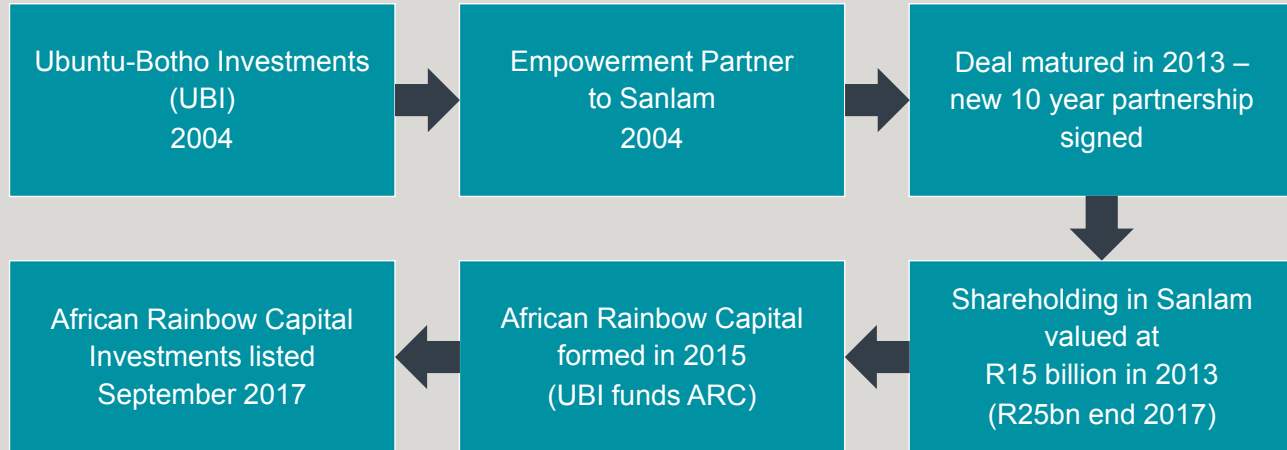


ARC Investments Strategy

Johan van Zyl, co-CEO



ARC Investments Background & Timeline



ARC Investments Strategic positioning

Permanent black-owned
and black-controlled entity

Underlying
high quality
listed & unlisted
businesses

Diverse portfolio
of investments –
sector specific focused
building blocks

ARC leadership
and partners
have a solid track record
and access to
a strong balance sheet

ARC facilitates access
to investments
that would otherwise
be difficult to access

Investments acquired
at appropriate
BEE discounts

Listed platform
provides liquidity
to investors

Black economic
empowerment
is a suitable framework
for redistributing wealth
in SA

ARC Investments

Investment selection criteria

Experienced,
qualified and
aligned management

A demonstrable
track record

Robust growth prospects
Target return of >16%

Established market position,
either existing or disruptive

The opportunity for
consolidation and synergies
within the ARC Fund portfolio

Commercial prospects
which can be enhanced
by having strong
BEE credentials

Operating Environment

Key points

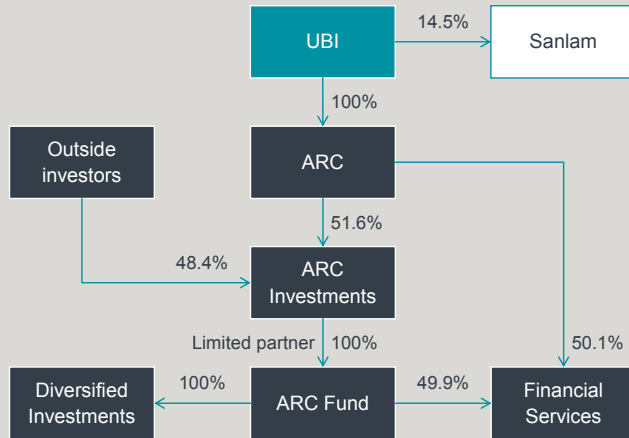
Economic transformation
an imperative for SA

Most businesses in our portfolio
experienced unfavourable
trading conditions

Improved political landscape
towards end 2017

Weak equity markets
for most of the period
under review

Fund Structure Overview



ARC Investments has been incorporated in Mauritius

ARC Investments ordinary shares listed on the JSE

ARC Fund established in SA as a BEE investment vehicle

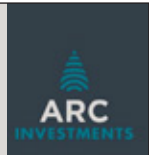
ARC Investments owns 49.9% of financial services portfolio companies

ARC Investments owns 100% of the non-financial services portfolio companies

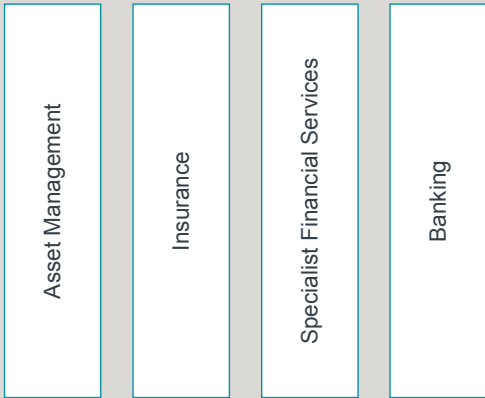
ARC Fund, an *en commandite* partnership, houses investments

Investment Clusters

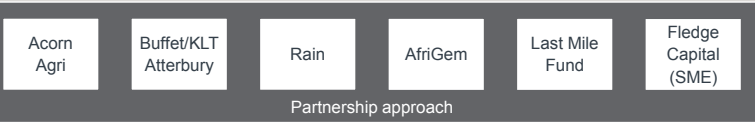
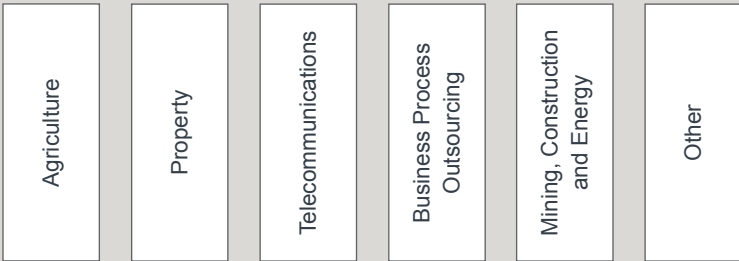
Overview



Diversified Financial Services



Diversified Investments



Partnership approach

Financial Review

Machiel Reyneke, Executive Director



Financial Review

Key Highlights



- ARC Investments listed on the JSE on 7 September 2017
- At listing, the Intrinsic Net Asset Value (INAV) of R8,734 billion comprised of the Intrinsic Portfolio Value (IPV) of R4,473 billion and cash of R4,261 billion
- Since the listing the ARC Fund invested R2,333 billion
- At 31 December 2017 the INAV amounted to R9,076 billion, comprising of the Intrinsic Portfolio Value of R7,086 billion, and cash of R1,989 billion
- The annualised net return (after fees but before performance participation) on the Intrinsic Portfolio Value was 14.8% for the reporting period
- The INAV, after performance participation, increased from R8.46 per share to R8.75 per share (fully diluted) at 31 December 2017

Financial Review

Segmental Review – IFRS NAV recon to Intrinsic Portfolio Value



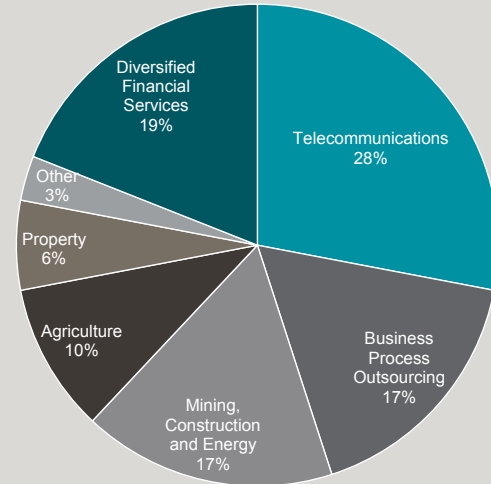
Reconciling Item	R million	Comments
Reported IFRS Portfolio Value	7 280	Excludes cash and cash equivalents
Adjust for non-IFRS measures included in Intrinsic Portfolio Value		
• 30 day VWAP on listed portfolio assets	(85)	Spot rate is required under IFRS 13
• Deferred taxation on 30 day VWAP difference	7	Deferred tax only applicable on financial services asset
• BEE lock in discount on listed assets	(112)	Lock-in discount not recognised under IFRS
Other	(4)	Resultant gain on recognition under IFRS 13
Intrinsic Portfolio Value	7 086	

Financial Review

Segmental Review – Intrinsic Portfolio Value

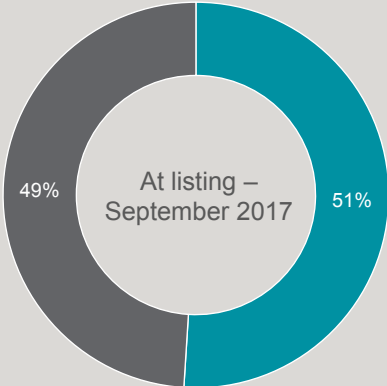


Business Segment	R million
Telecommunications	2 019
Business Process Outsourcing	1 233
Mining, Construction and Energy	1 201
Agriculture	727
Property	390
Other	200
Diversified Financial Services	1 316
Total	7 086

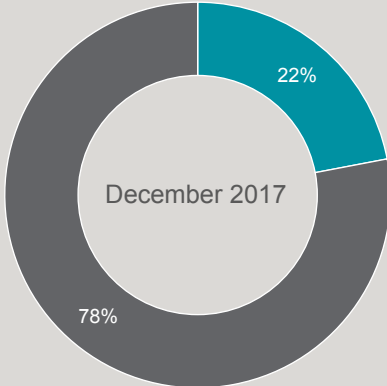


Financial Review

Segmental Review – analysis



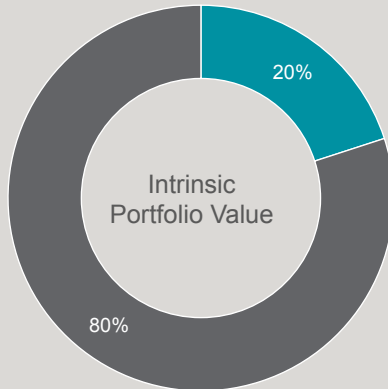
■ Cash
■ Investments



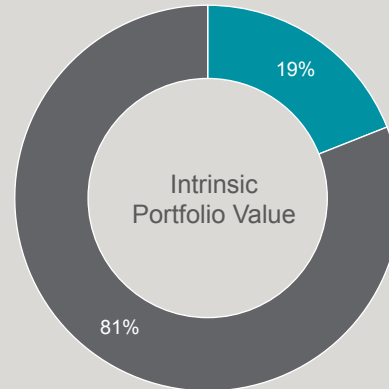
■ Cash
■ Investments

Financial Review

Segmental Review – analysis



- Listed
- Unlisted



- Financial Services
- Diversified Investments

Financial Review

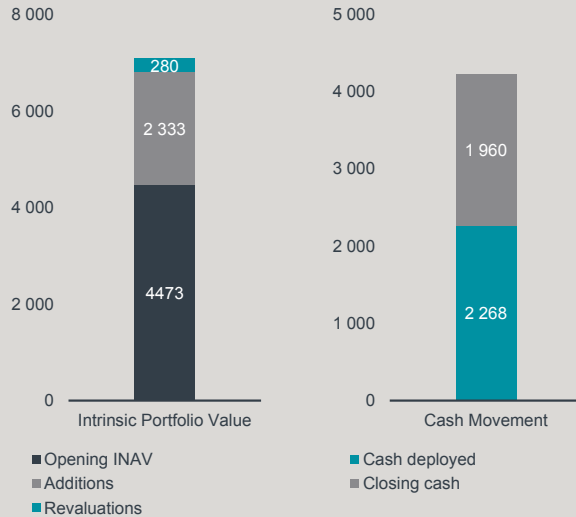
Segmental Review – NAV analysis



Segment	Opening Balance 07/09/2017	Additions / (Disposals)	Fair Value Adjustments	Closing Balance 31/12/2017
Telecommunications	773	1 052	194	2 019
Business Process Outsourcing	867	555	(189)	1 233
Mining, Construction and Energy	1 121	105	(26)	1 201
Agriculture	432	118	177	727
Property	314	23	53	390
Other	-	200	-	200
Diversified Financial Services	967	279	70	1 316
Total Intrinsic Portfolio Value	4 473	2 333	280	7 086
Cash and cash equivalents	4 261	(2 333)		1 989
Total Intrinsic NAV	8 734			9 075
NAV per share	R 8.46			R 8.79
Diluted NAV per share				R 8.75

Financial Review

Return on Intrinsic Portfolio Value (IPV)



Investment income	R341 million
Interest earned on cash	R47 million
Average IPV for the period	R5 780 billion
Annualised Return on IPV	14.8%

Financial Review

Valuation Review – key investments



Initial Portfolio Company	Intrinsic Portfolio Value (IPV)	IPV before minority and marketability discounts	Valuation Approach	Minority Discount	Marketability Discount	Discount Rate / PE Multiple Applied
Diversified Investments						
Rain	1 892	2 472	DCF	12.5%	12.5%	18.4%
Bluespec	509	509	Cost	n/a	n/a	8.9x Historic
AfriGem	359	491	DCF / VWAP	7.5% - 10%	10% - 25%	17% - 18.5%
Afrimat	630	742	VWAP adjusted	n/a	15.0%	n/a
Elandsfontein	422	472	DCF	12.50%	30%	17.40%
BKB	385	385	Contracted price	n/a	n/a	n/a
Financial Services						
Alexander Forbes Limited	654	827	VWAP adjusted	15%	25%	n/a

Portfolio overview

Johan van der Merwe, co-CEO



ARC Investments

Update on our progress with strategy implementation

Since 2015
more than R7bn invested

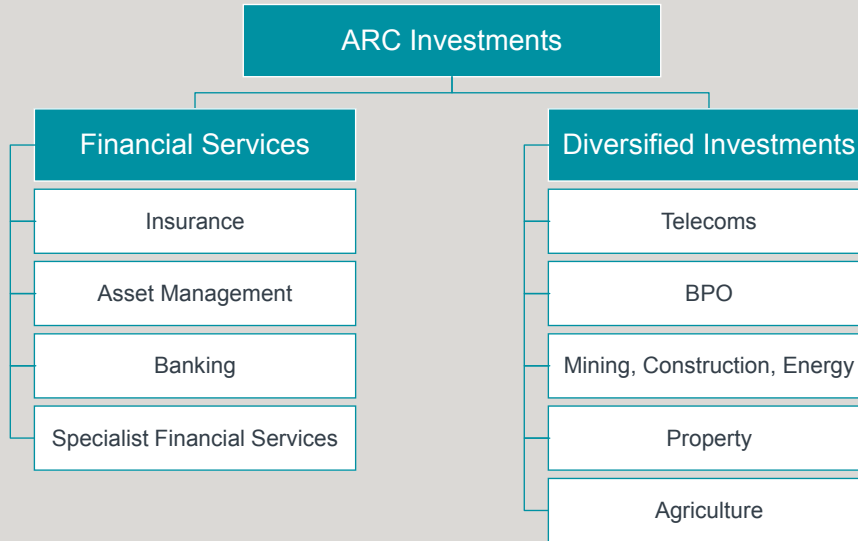
Investments made
before listing of ARC Investments
were transferred to ARC Fund

Acquisitions post listing
have been made
in the ARC Fund

Building block approach
followed

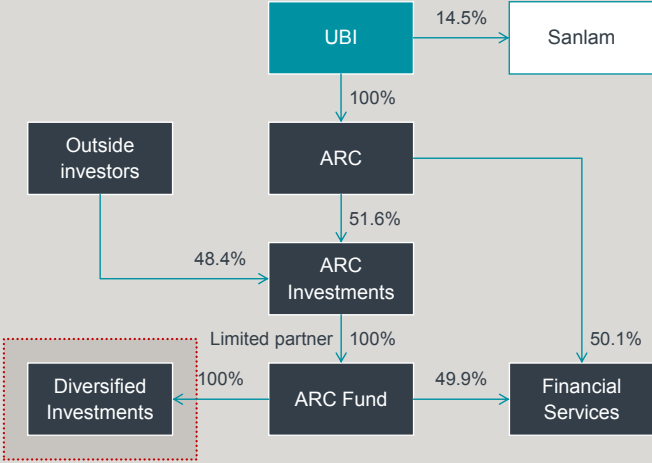
ARC Investments

Our building block approach



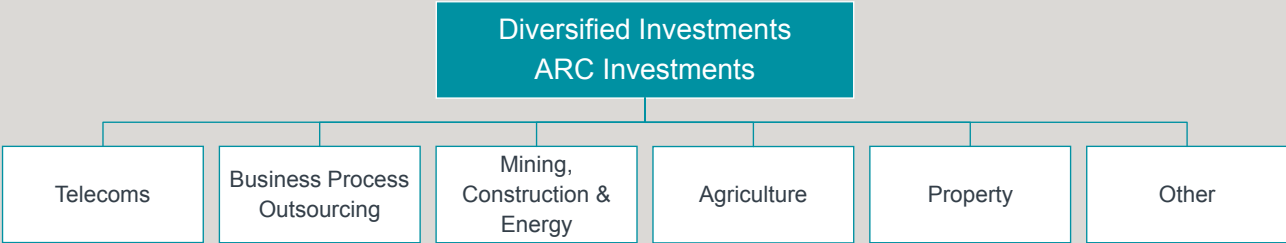
ARC Investments

Diversified Investments



ARC Investments

Diversified Investments



Diversified Investments

Telecoms



Portfolio company	% Holding
Rain	20%
Metrofibre	15%



Telecoms

Rain



Business Units:

- Networks
- Business to Business
- Direct business

Spectrum license
1800 and 2600 MHz band

The networks business is responsible for the expansion of the network and roaming agreements with other major telecommunications companies (Vodacom contract)

The Business to Business division provides fixed wireless connectivity to end users

The direct business represents Rain's mobile data only strategy which will be offered directly to the public during 2018

A network of over 2,000 sites has been established and has interconnected all the major metros around South Africa

Diversified Investments

Business Process Outsourcing



Portfolio company	% Holding
AfriGem (see next table)	100.0%
Bluespec	25.0%
Autoboys	51.0%
Humanstate (Payprop Int)	10.0%
EOH (Speculative)	1.7%
Capital Appreciation (Speculative)	3.3%



Afrigem portfolio	% Holding
Payprop SA	46.4%
Consumer Friend	25.0%
CSG	8.0%
Infoslips	33.2%



Business Process Outsourcing

BlueSpec | AfriGem



BlueSpec aims to transform the repair and recovery industry to enable its customers to deliver efficient propositions to their clients

BlueSpec Business units include:

- Incident Logistics
- Autobody Repair
- Salvage
- Motor Retail and
- Technology

BlueSpec is 51% black-owned (WIPHOLD Investment Trust together with ARC Fund)

AfriGem consists of:

- Payprop SA
- Consumer Friend
- Infoslips
- CSG

The investments through the AfriGem partnership are all highly profitable and cash generative

AfriGem's largest investment, Payprop SA, is an established, market leading residential letting outsourcing business that offers a unique end-to-end rental property management and compliance software platform

Diversified Investments

Mining, Construction and Energy



Portfolio company	% Holding
Last Mile Fund (Bernard Swanepoel / Siphon Nkosi)	51.0%
Elandsfontein	26.3%
Afrimat	19.0%
Global Asset Management (GAM)	26.0%



Mining, Construction and Energy

Elandsfontein



Elandsfontein is a phosphate mine with second largest deposits known in SA; phosphate a key ingredient in fertilizer manufacturing.

There has been an appeal against the Integrated Water Use License and the court referred the matter to the Water Tribunal. ARC remains confident that the appeal will not be successful.

Commissioning of the processing plant was postponed, following test results during the pre-commissioning phase. Minor additional capital investment is required in order to commission the plant which is planned for early 2019.

Diversified Investments

Agriculture

Portfolio company	% Holding
Acorn Agri	15%
BKB Limited	20%
RSA	40%
Subtropical	25%



Diversified Investments Property



Portfolio company	% Holding
Setso Property Fund (ARC RE)	52.0%
Majik Property Holdings (Squarestone Growth)	18.5%
Val de Vie	20.0%
Atterbury (Barlows)	WIP



Diversified Investments

Other

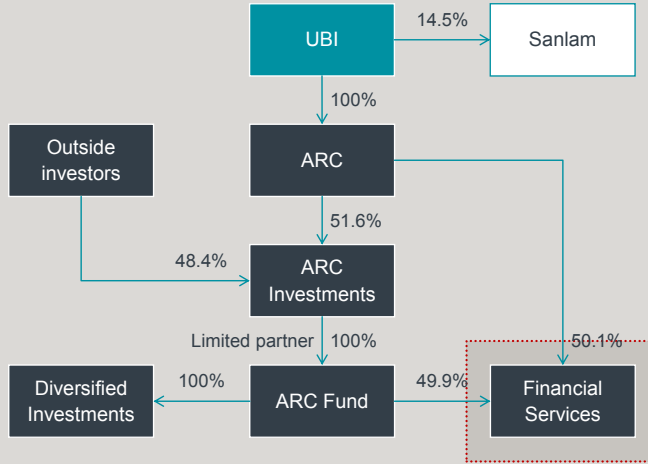


Portfolio company	% Holding
Fledge Capital	WIP (51%)



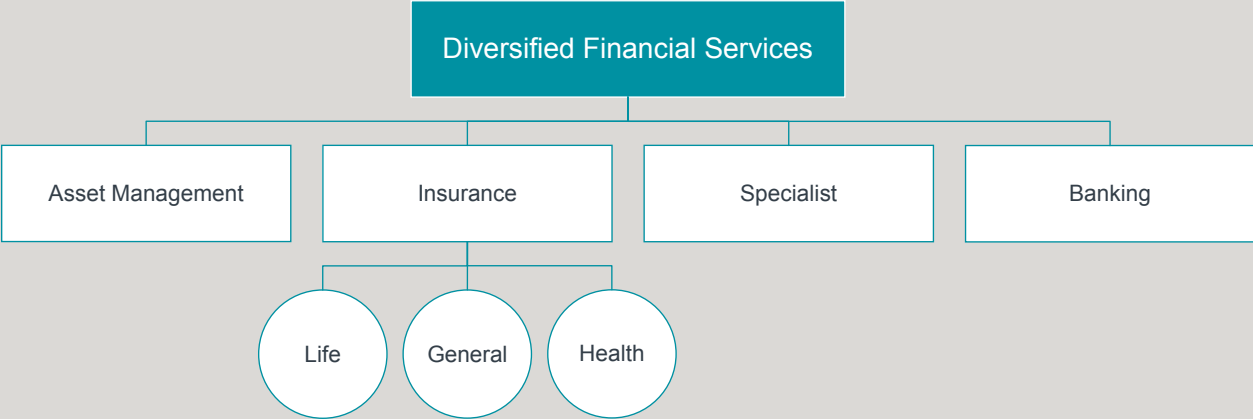
Fund Structure

ARC Financial Services

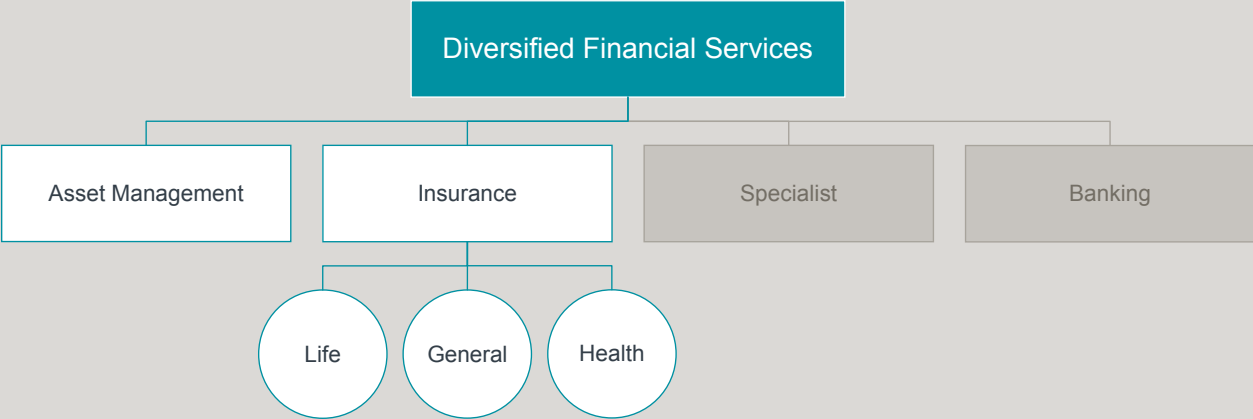


Investment Clusters

Financial Services



Financial Services
Asset Management and Insurance



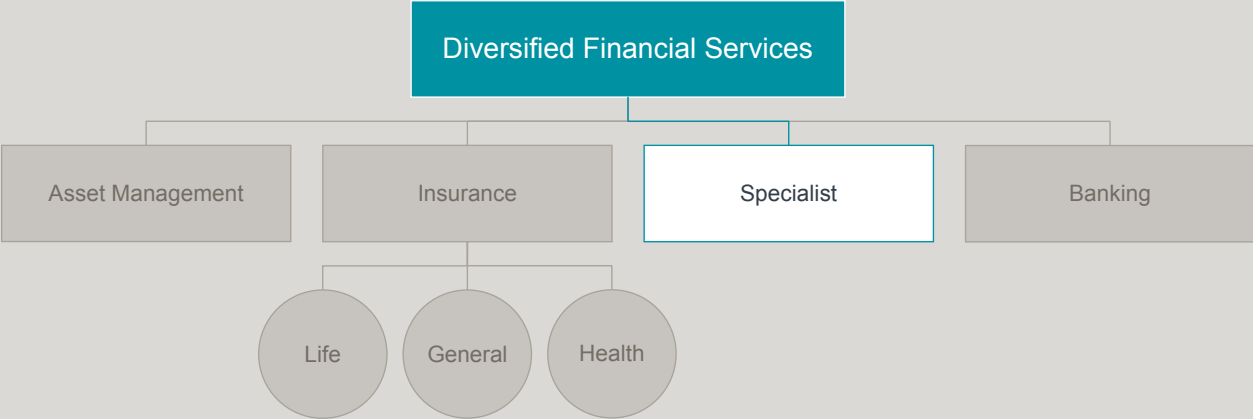
Financial Services

Asset Management and Insurance

Portfolio company	% Holding
Alexander Forbes	16.9%
EBS International (Global ASP)	25.0%
Santam Limited	0.4%
Indwe	51.0%
Afrocentric Limited	7.1%
Umvuzo	100.0%
WAD	33.0%
Colourfield Liability Solutions	28.3%
Lima Mbeu	50.0%



Financial Services Specialist



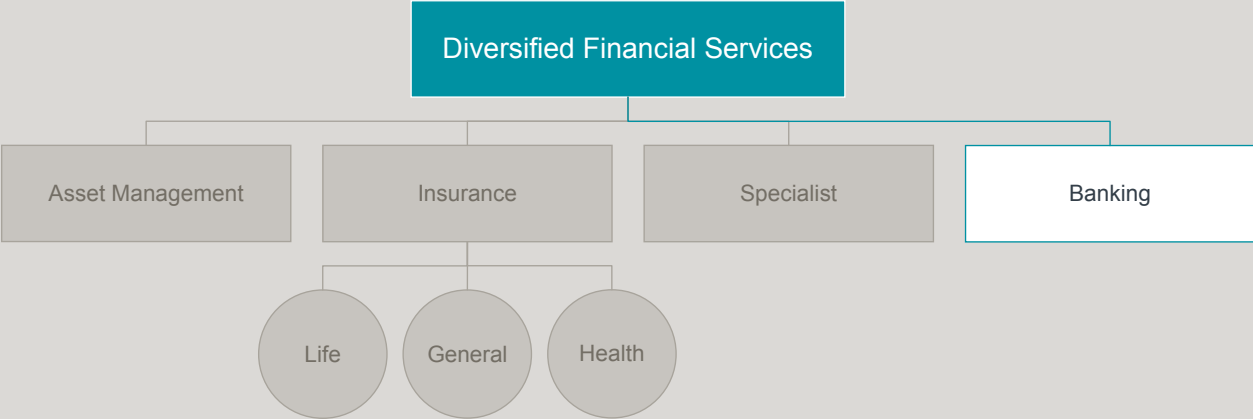
Financial Services Specialist

Portfolio company	% Holding
A2X	20.0%
Bravura	30.0%
Edge Growth	31.0%
Sinayo Securities	49.0%
Constellation Capital	40.4%
Ooba	29.6%
Alternative Prosperity	25.0%



Financial Services

Banking



Financial Services

Banking



Portfolio company	% Holding
TymeDigital (CBSA)	WIP (10%)



ARC Investments Strategy

Summary overview



Outlook



Outlook



Positive sentiment taking shape across SA following favourable change in the political dynamic

We welcome the positive developments, and remain optimistic about the future of SA

Our businesses are exposed to conditions in SA, we expect an improved performance from many of our portfolio businesses

Diversified nature of our portfolio will play key role to achieve target returns

ARC Investments is presented with a healthy pipeline of potential investments

We look forward to making progress on our various initiatives as per our stated investment strategy

Questions

