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The slide is titled "Presenters" in the top left corner. The ARC INVESTMENTS logo is in the top right corner. Below the title, there are two teal-colored boxes, each containing a presenter's name and their roles. A decorative horizontal bar with a rainbow gradient is at the bottom of the slide, and the number "2" is in the bottom right corner.

**Presenters**

**Johan van Zyl**

- co-CEO of African Rainbow Capital
- Member of UBI General Partner Board

**Bridget Radebe**

- Director of ARC Investments
- Chief Financial Officer, Ubuntu-Botho Investments

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## Outline

STRATEGY & STRUCTURE

OPERATING ENVIRONMENT

FINANCIAL REVIEW

PORTFOLIO REVIEW

MAJOR DEVELOPMENTS SINCE YEAR-END

OUTLOOK

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## NOTES

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# 01

## Strategy & Structure

Johan van Zyl



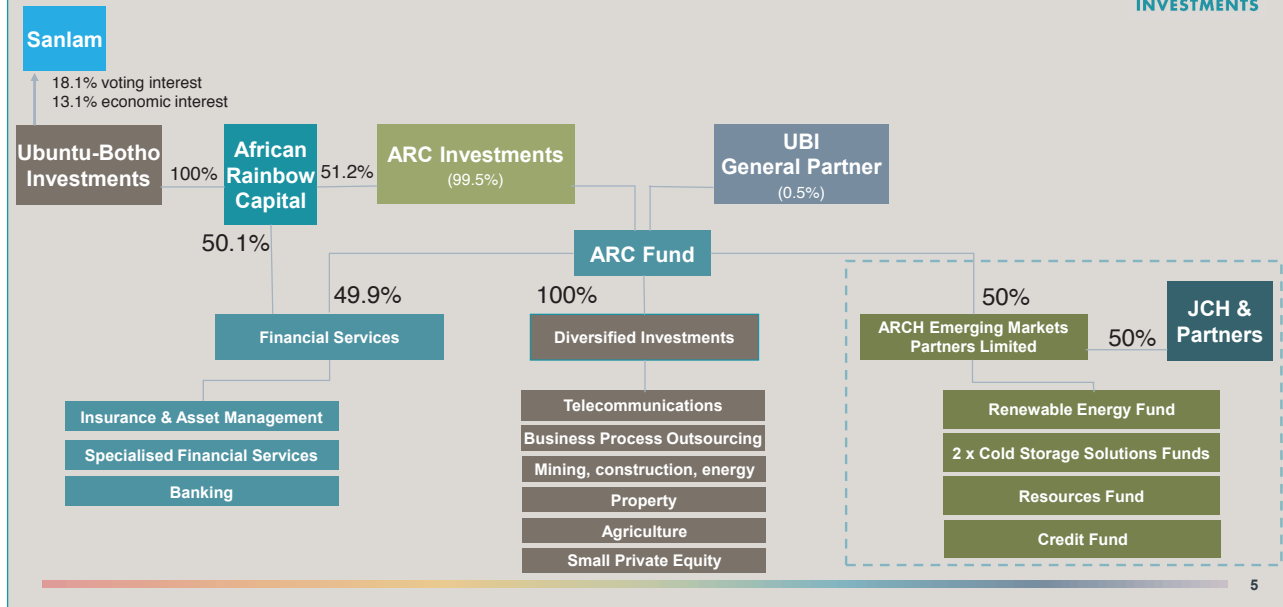
## NOTES

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## Group Structure

### Structural changes from June 2018



## NOTES

## Value Proposition

### Understanding the value for key stakeholder groups



#### ARC Investments value proposition to shareholders

- Permanent black-owned and black-controlled entity
- Underlying high quality listed & unlisted portfolio companies
- Diversified portfolio of investments – sector specific focused building blocks
- ARC facilitates access to investments that would otherwise be difficult to access
- Investments acquired at appropriate BEE discounts
- Listed platform provides liquidity to investors

#### ARC Investments value proposition to investee companies

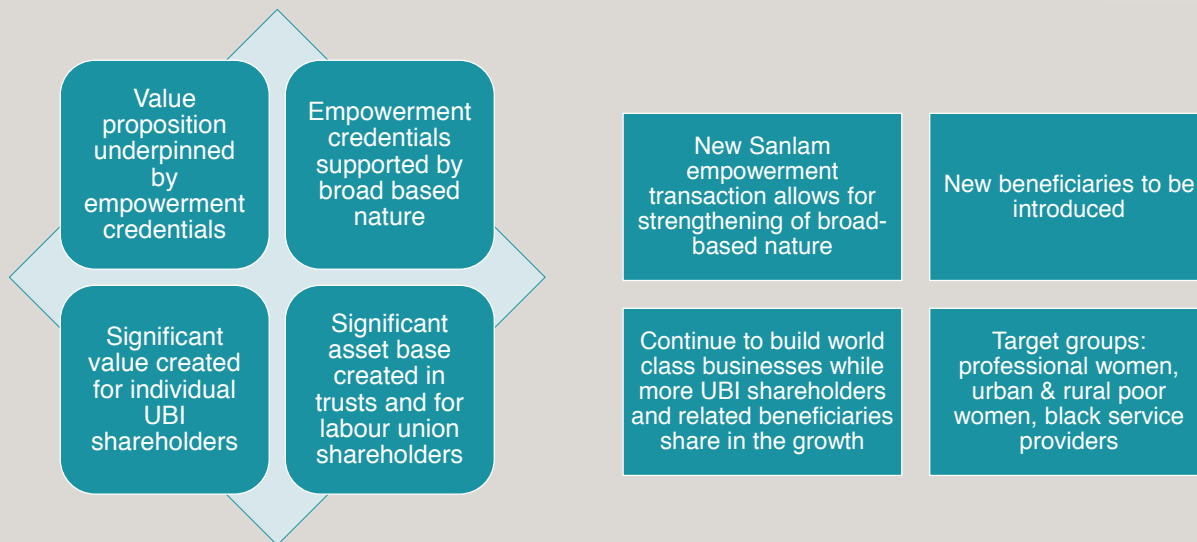
- Empowerment ownership credentials
- Access to capital
- Strategic support
- Relationships & Synergies
- Governance
- HR Management support

#### Investee companies value proposition to ARC Investments

- Experienced, qualified and aligned management
- A demonstrable track record
- Established market position and footprint
- We invest in sector specific start-up business that offer significant disruption potential
- Consolidation and synergistic opportunities within portfolio
- Commercial prospects which can be enhanced by having strong BEE credentials

## NOTES

## Value Proposition Our Empowerment Credentials

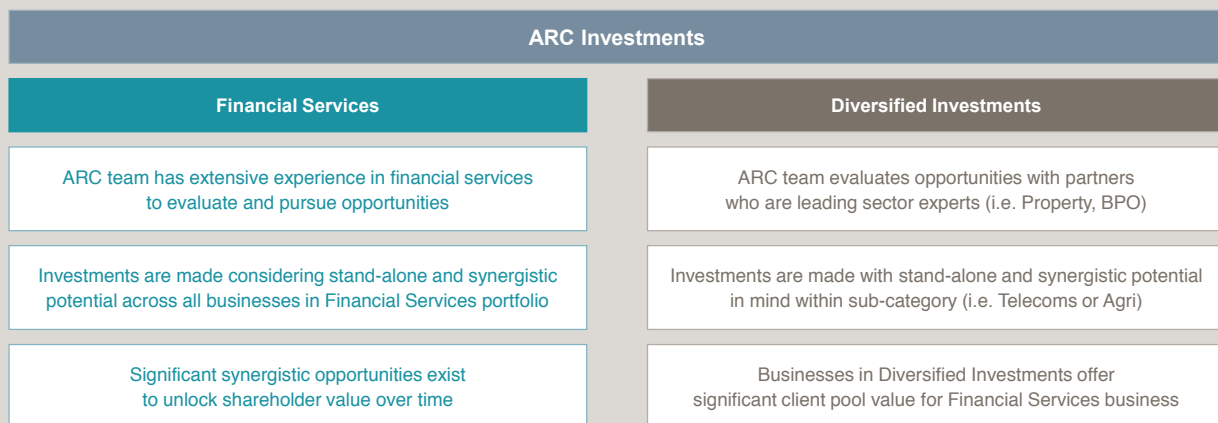


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### NOTES

## Strategic Focus

ARC Investments



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### NOTES



## Operating Environment

### Key Comments

Most businesses in our portfolio experienced unfavourable trading conditions

Poor performance of economy exacerbated by continued policy and political uncertainty

Weak equity markets for most of the period under review,

Impact on listed share portfolio significant – as ARC Fund devalued its interest in these investments by R83 million



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## NOTES

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# 03

## Financial Review

Bridget Radebe



## NOTES

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## Financial Review

Key Comments



INTRINSIC NET ASSET VALUE  
(INAV)

**R9 626m**

(30 JUNE 2018: R9 529 million)

INTRINSIC PORTFOLIO VALUE

**R8 567m**

(30 JUNE 2018: R7 917 million)

NET ACQUISITIONS

**R497m**

(30 JUNE 2018: R2 735 million)

NUMBER OF SHARES IN ISSUE

**1 045 m**

(30 JUNE 2018: 1 032 million)

DILUTED INAV PER SHARE

**9.21**

(30 JUNE 2018: 9.12 per share)

CASH IN THE ARC FUND

**R1 099m**

(30 JUNE 2018: R1 576 million)

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## NOTES

## Financial Review

Key Comments



PROFIT FOR THE PERIOD

**R77m**

(30 JUNE 2018: R675 million)

CASH INCOME FROM PORTFOLIO  
INVESTMENTS

**R105m**

(30 JUNE 2018: R144 million)

CASH INTEREST INCOME

**R52m**

(30 JUNE 2018: R131 million)

INTRINSIC FAIR VALUE  
ADJUSTMENTS

**R43m**

(30 JUNE 2018: R708 million)

LISTED FAIR VALUE ADJUSTMENTS

**(R83m)**

(30 JUNE 2018: (R275 million))

UNLISTED FAIR VALUE  
ADJUSTMENTS

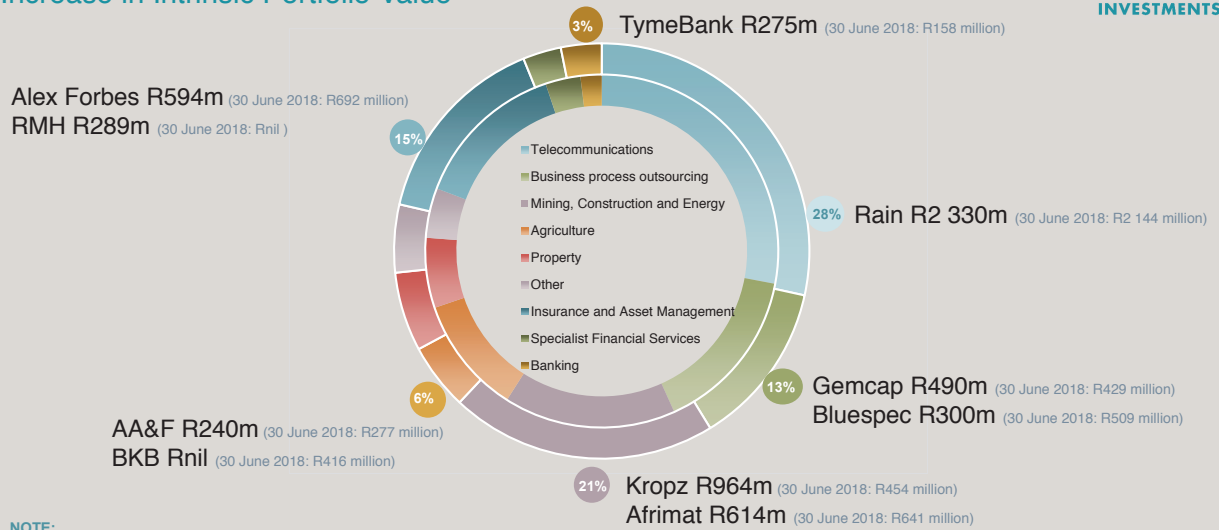
**R126m**

(30 JUNE 2018: R506 million)

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## NOTES

## Portfolio Metrics Achieved Increase in Intrinsic Portfolio Value



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## NOTES

## Financial Review Portfolio Movements



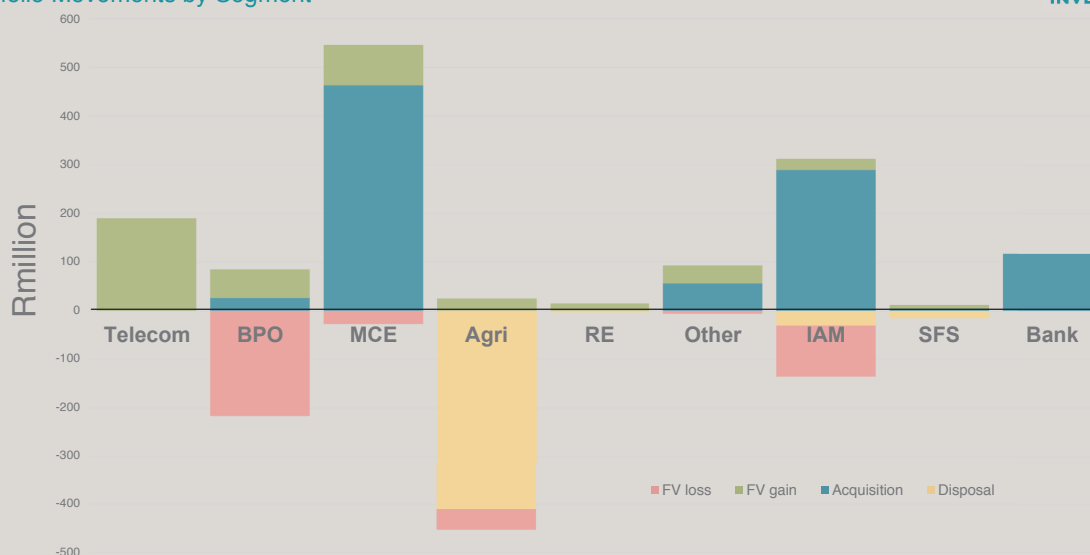
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## NOTES



## Financial Review

### Portfolio Movements by Segment



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## NOTES

## Financial Review

### Valuation review – Diversified Investments



Investment (R million)	Intrinsic Portfolio Value (IPV)	IPV before discounts	Valuation approach	Revaluation	Minority discount	Marketability discount	Discount rate / PE Multiple applied
<b>Diversified Investments</b>							
Rain	2 330	3 043	DCF	186	12.5%	12.5%	18.7%
Afrimat	614	702	VWAP adjusted	(27)	n/a	12.5%	n/a
Kropz Elandsfontein	454	605	DCF	60	n/a	25.0%	17.3%
Bluespec	300	417	PE Multiple	(209)	10.0%	20.0%	7.0x
Gemcap	490	490	Sum of the parts	42	n/a	n/a	6.7x
Fledge	400	495	Sum of the parts	37	5.0%	15.0%	various
Acorn Agri and Food	240	240	OTC price	(37)	n/a	n/a	n/a
Subtropico	103	138	PE Multiple	25	12.5%	15.0%	6.0x
Global Asset Management	88	114	Sum of the parts	19	10.0%	15.0%	various
Majik Property Holdings	254	268	NAV	15	15.0%	15.0%	various
Balance of portfolio	1 557	1 696	Various	Various	Various	Various	Various
Total Diversified Investments	6 830	8 208					

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## NOTES

## Financial Review

### Valuation Review – Financial Services



Initial Portfolio Company (R million)	Intrinsic Portfolio Value (IPV)	IPV before minority and marketability discounts	Valuation approach	Revaluation	Minority protection	Minority discount	Marketability discount	Discount rate /PE Multiple applied
<b>Financial Services</b>								
Alexander Forbes Limited	285	327	Proxy to listed price	(36)	20.0%	15.0%	17.5%	n/a
Ooba	113	137	DCF	3	-	7.5%	10.0%	14.0%
Balance of portfolio	1 460	1 483	Various			Various	Various	Various
Financial Services Investments	1 858	1 947						

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## NOTES

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## Portfolio Overview

Johan van Zyl

## NOTES

## Portfolio Overview

Our Building Block Approach



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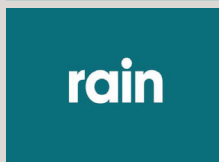
### NOTES

## Diversified Investments

### Telecoms



Portfolio company	% Holding
Rain	20%
Metrofibre	15%



#### Rain

- Rain is aiming to become a full service Mobile Network Operator, focusing on data as a primary offering
- Its major assets are spectrum licences
- Rain intends to build a dedicated LTE Advanced network
- Revenue growth has been promising
- Overall growth prospects remain positive
- Significant progress has been made to further improve network performance and stability
- The business is well positioned to become a major player in the 5G data market in the near future

#### Metrofibre

- Metrofibre provides broadband connectivity
- The company is performing in line with expectations
- Significant growth opportunities remain with the business seeking to expand its infrastructure roll-out

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### NOTES

## Diversified Investments

### Business Process Outsourcing



Portfolio company	% Holding
GemCap	100.0%
Bluespec	25.0%
Autoboys	51.0%
Humanstate (Payprop Int)	10.0%
EOH	1.7%
Capital Appreciation	3.3%

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

**GemCap**

- GemCap focuses on investments in Business Process Outsourcing, with a specific focus on Knowledge Process Outsourcing technologies
- The focus is on industry wide platforms and portal solutions
- GemCap remains the leading vehicle for BPO investments
- Underlying assets perform well in terms of yield and cashflow amid difficult market conditions
- Pipeline of investments opportunities remains significant
- Strong management team

**BlueSpec**

- BlueSpec is a holding company comprised of several specialist businesses
- Focus is on transforming the motor body repair and recovery industry
- Economic downturn has negatively impacted business
- Management implemented corrective measures
- Growth prospects lacking along with current tough conditions resulted in a fair value write down of R209 million
- Current carrying value is R300 million

**EOH**

- The business is the largest technology services company in Africa
- The investment in EOH is held-for-sale
- It will be disposed of at the appropriate time



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## NOTES

## Diversified Investments

### Mining, Construction and Energy



Portfolio company	% Holding
Kropz PLC	47.2%
Kropz Elandsfontein	26.0%
Last Mile Fund	51.0%
Afrimat	18.4%
Global Asset Management (GAM)	26.0%



**Kropz PLC**

- Successfully procured two significant phosphate deposits in addition to Elandsfontein
- Listing on London AIM
- ARC Fund subscribed for US\$32m (R464 million)
- Acquired 47.2% shareholding and 50.5% of voting rights
- Leadership strengthened to drive key asset Elandsfontein
- Significant scope remains to develop additional ore bodies on continent

**Kropz Elandsfontein**

- Kropz Elandsfontein is a new phosphate mine and processing plant situated on the West Coast
- In the period under review, laboratory testing was conducted and pilot planting testing is being finalised
- Additional capital has been procured (Kropz PLC) to augment and reconfigure the plant
- Construction is expected to commence in 2019 H2

**Afrimat**

- Afrimat supplies the resources, industrial minerals, mining, road, rail and construction sectors
- Its footprint extends across Southern Africa
- Afrimat specialises in open cast mining, industrial minerals and beneficiates mined products
- The business is well positioned for future growth

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## NOTES

## Diversified Investments

### Agriculture



Portfolio company	% Holding
Acorn Agri & Food	7.8%
RSA	40.0%
Subtropico	25.0%



#### Acorn Agri & Food

- The business is a long-term investor focused on agriculture and food processing
- The ARC Fund shareholding has diluted to 7.8% as a result of the amalgamation with Overberg Agri

#### RSA

- The business is a horizontally integrated sales business
- It has a unique value proposition to suppliers of fresh produce in the agricultural space
- The company continues to deliver strong financial results

#### Subtropico

- The business operates in the food and agricultural sector, with a main focus on the services segment

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## NOTES

## Diversified Investments

### Property



Portfolio company	% Holding
ARC Real Estate	52.0%
Majik Property Holdings	8.0%
Val de Vie	20.0%



Majik Holdings

#### ARC Real Estate

- ARC Real Estate is a real estate investment platform established in partnership with KLT Holdings and Buffet Investment Services
- It focuses largely on empowerment opportunities in the property space
- The portfolio is developing in line with expectations

#### Majik

- Majik is a private equity structure which invests in commercial real estate in the UK
- The business is focusing on the acquisition, active management, holding, marketing and sale of secondary commercial real estate

#### Val de Vie

- Val de Vie is an established luxury residential estate located in Paarl
- The estate is fast becoming a new node separate from the Cape Town northern suburbs
- The development is progressing as planned

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## NOTES

## Diversified Investments

Small Private Equity Opportunities



Portfolio company	% Holding
Fledge Capital	52.0%
Moloto Capital Investments	25.0%



### Fledge Capital

- ARC partnered with Fledge Capital to execute smaller investments, which are of financial and strategic value but which are too small for the ARC Fund to look at
- Fledge Capital provides funding solutions to private companies in a wide range of industries
- The portfolio delivered strong financial results – mainly as a result of strong performance from WeBuyCars
- The business has a total of 11 investee companies
- It is in a strong cash position and has a healthy deal pipeline

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## NOTES

## Financial Services

Asset Management and Insurance



Portfolio company	% Holding
Alexander Forbes	8.8%
Rand Mutual Holdings	15.0%
Afrocentric Limited	4.4%
ARC Health	49.9%
Colourfield Liability Solutions	14.0%
Other	
-Santam Limited	
-Indwe	
-EBS International	
-LifeCheq	
-Lima Mbeu	
-Infund Holdings	

### Alexander Forbes

- ARC FinHoldCo owns 10% of the operating entity AF Limited and owns 8.9% in the listed company AF Holdings
- The ARC Fund has an effective shareholding in AF of 8.5%
- Confident that business will improve with growth and synergistic opportunities that exist

### Rand Mutual Holdings

- Rand Mutual Assurance (RMA) was formed in 1894 to administer workmen compensation
- Rand Mutual Holdings is a subsidiary of RMA
- ARC FinHoldCo acquired a 30% shareholding in RMH
- Growth and synergistic opportunities to be explored

### Afrocentric

- An empowerment investment holding company in the healthcare sector
- The holding entity has a number of underlying operational subsidiaries providing health administration and health risk management solutions

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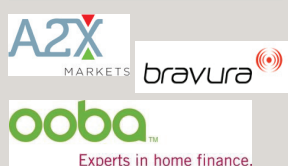
## NOTES

## Financial Services

Specialist Financial Services Businesses



Portfolio company	% Holding
A2X	9.9%
Bravura	30.0%
Edge Growth	31.0%
Sinayo Securities	49.0%
Constellation Capital	40.4%
Ooba	15.0%
Alternative Prosperity	25.0%



### Ooba

- Mortgage originator with a strong life and building insurance business flowing from the origination business
- The business is performing well despite subdued economic environment

### A2X

- A2X is an alternative stock exchange for secondary listings
- In 2018 the business grew from 5 listed companies with combined market value of R50bn to 16 listed companies with combined market value of R2 trillion by end of 2018
- A2X has gained significant credibility as a viable alternative stock exchange

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## NOTES

## Financial Services

Banking



Portfolio company	% Holding
TymeBank	36.7%



### TymeBank (transaction)

- ARC Financial Holding Company (FinHoldCo) acquired control of TymeBank on 1 Nov 2018
- ARC FinHoldCo has shareholding of 73% with founders and staff trust owning balance of business
- ARC Fund has 36.7% shareholding
- ARC FinHoldCo invested R550 million to 31 Dec 2018
- Soft launch done in November and client uptake continues strongly

### TymeBank (strategy)

- Having a bank is key to ARC Investments financial services strategy
- Strategic benefits are broadly two-fold
  - Focus on more synergistic opportunities in financial services portfolio – and access client pools
  - Client pools of non-financial services businesses to be accessed
- Bring strategic partners on board to support bank roll-out in SA and beyond

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## NOTES

# 05

## Major Developments Since Year-end

Johan van Zyl



### NOTES

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### Subsequent Events

Major developments since year-end



#### TymeBank

- ARC FinHoldCo will subscribe for an additional R346 million capital and Founders R154 million
- The ARC Fund will contribute 49.9% through share subscriptions of R172 million of ARC's portion
- Tyme Global Limited owns technology used by TymeBank

#### Sanlam BEE transaction

- Announcement on implementation of 5% transaction this week
- Significantly strengthening relationship between Sanlam & ARC Investments with benefits for both parties

#### Rain

- Continues to do infrastructure roll-out as per the agreed plan
- Network stability remains priority – and further consumer uptake to continue
- Major announcement on plans to launch 5G – which will be major differentiator for business over medium to longer term

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### NOTES

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# 06

## Outlook

Johan van Zyl



### NOTES

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## Outlook



**Challenging operating environment to remain over medium term**

**Expect political situation to stabilise, with positive effect on economic sentiment**

**We remain optimistic about significant growth prospects of TymeBank, Rain, Kropz PLC & Alexander Forbes**

**Strong Sanlam relationship to support ARC Investments growth ambitions**

**Continue to explore synergistic opportunities among investee companies in portfolio**

**Diversifying portfolio beyond SA in emerging markets with international partners & investors**

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### NOTES

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