



Annual Financial Results Presentation

For the year ending 30 June 2021



ARC
INVESTMENTS

14 September 2021

OUTLINE

- 01** Strategy & structure
- 02** Operating environment
- 03** Financial review
- 04** Portfolio review
- 05** Major post reporting period events
- 06** Outlook

Presenters



Johan van der Merwe
co-CEO, ARC

- Member of ARC Board
- Member of ARC Financial Services Holdings Board
- Member of UBI Board
- Member of UBI General Partner Board
- Member of Investment Committee of UBI General Partner
- Member of Investment Advisory Committee of UBI General Partner



Refiloe Nkadimeng
Chief Financial Officer: UBI & ARC

- Member of ARC Investments Board
- Member of ARC Board
- Member of ARC Financial Services Holdings Board
- Member of ARC Financial Services Investments Board
- Member of Investment Advisory Committee of UBI General Partner



Johan van Zyl
co-CEO, ARC

- CEO of UBI
- Member of ARC Board
- Member of ARC Financial Services Investments Board
- Member of UBI Board
- Member of UBI General Partner Board
- Member of Investment Committee of UBI General Partner

01

STRATEGY & STRUCTURE



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- We are an investment holding company
- We position ourselves as credible player in empowerment transactions in specific economic sectors
- We use our credentials, business track-record, and partner networks to add value to our investments
- Investments are made with strong stand-alone but also good synergy potential in mind
- We aim to provide investors with an above market return and an attractive diversified portfolio of assets over the longer term



Our business has two main thrusts

Financial Services Investments

- Invest in leading providers of products and services
- Develop revenue synergies between distribution businesses and related product providers within the portfolio
- Focus on insurance, asset management, banking, digital & fintech, and specialist financial services

Diversified Investments

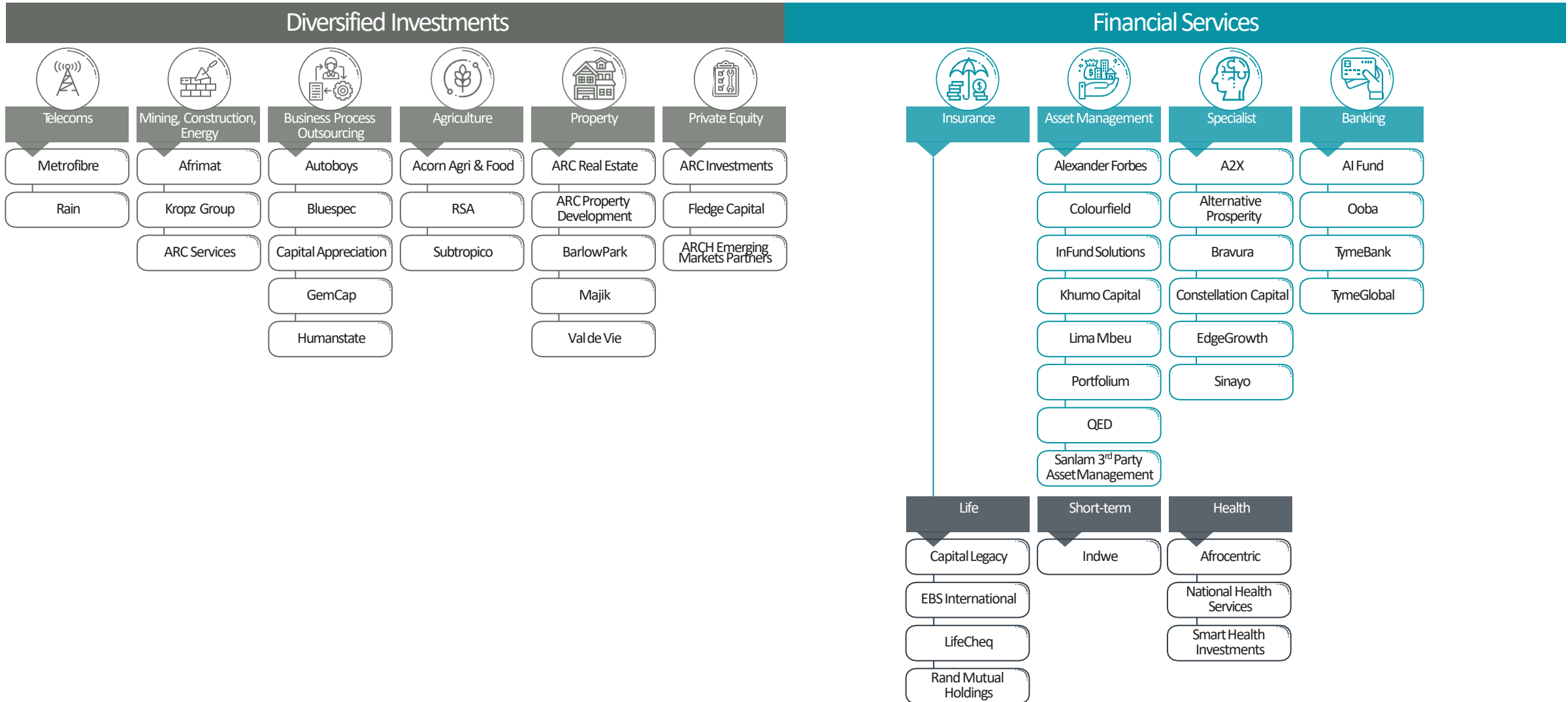
- A separate and distinct focus on diversified (non-financial services) investments within selective sectors that are well-positioned for growth
- Acquire meaningful minority interests in specific non-financial services sectors
- Investments are made where we have strong partnerships with solid sector expertise
- Focus on telecoms, agriculture, BPO, mining & energy, property, small & medium enterprises



We offer investors:

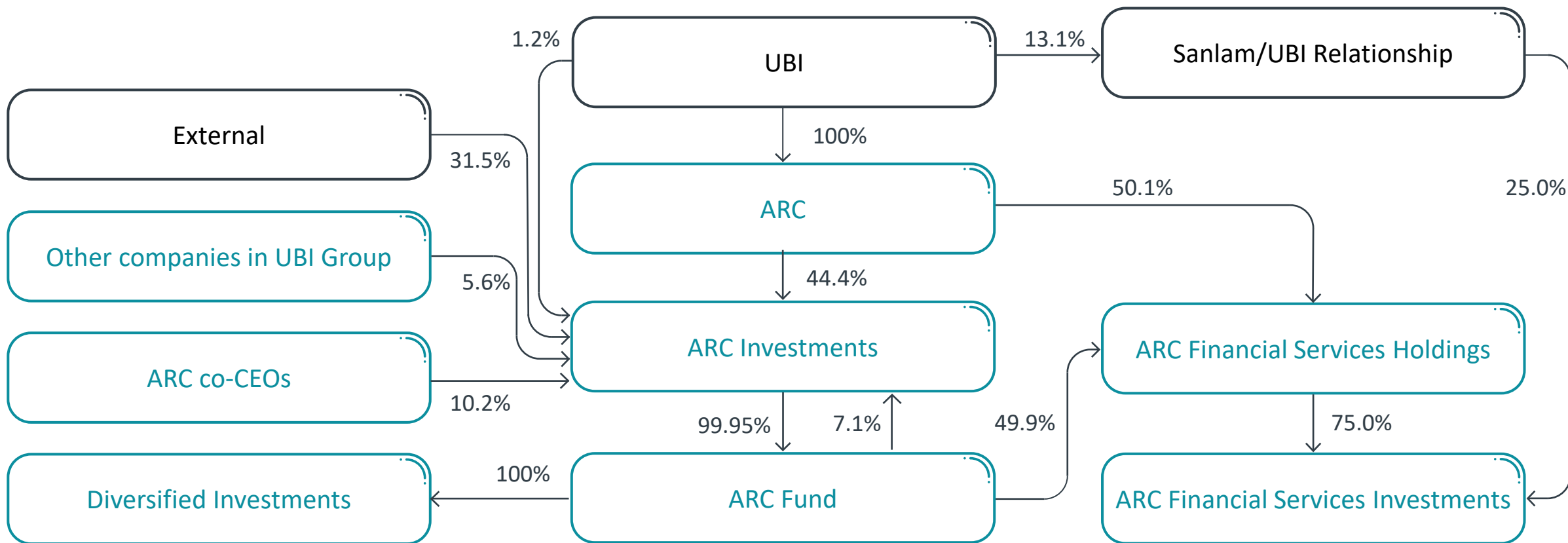
- Access to high quality unlisted and listed investments that are difficult to access
- A considered mix of cash generative potential and start-up growth investments
- An empowerment play – preferential access/pricing based on:
 - Solid credentials and credible empowerment partner to investee companies
 - B-BBEE remains important to our investee companies – it enhances their competitiveness
 - Our empowerment credentials assist us in acquiring assets at a discount
- Although some of our investments themselves may be illiquid, the JSE & A2X listed entity provides liquidity to investors

Portfolio overview





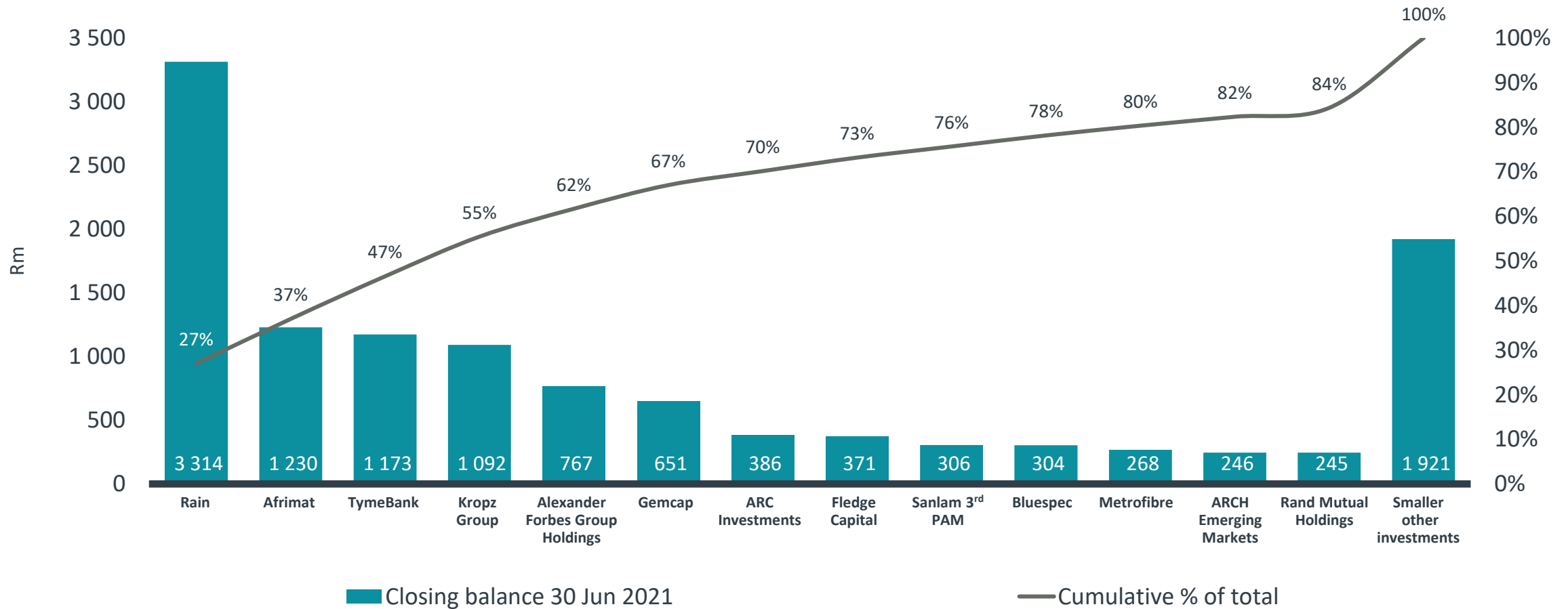
UBI effectively owns 51.2% of ARC Investments



Top 13 investments in the ARC Fund



Investments >2% of total portfolio



02

OPERATING ENVIRONMENT



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- Year under review characterised by strained trading conditions
- Contracting economy and impact of national lockdowns
- Measures to mitigate COVID-19 impact have previously been disclosed and are ongoing
- Seems shock and uncertainty resulting from pandemic started to abate; many companies have adjusted to new conditions
- COVID-19 impact not all negative, some companies experienced accelerated business activity – i.e., Rain where the business is performing better than its own forecasts
- Generally, market sentiment has improved during year under review
- Overall, diverse portfolio shielded us



- Investee companies in the ARC Fund have all taken appropriate measures to combat the spread of the virus among employees
- All investee companies have successfully managed through the most difficult period and have adjusted to the new operating environment; some better than others
- Management as well as investee company leadership continue to pro-actively manage the impact of the National Lockdown on their respective businesses
- Vaccine roll-out contributing to some positive news, although roll-out is slow
- Ongoing impact of COVID-19 was considered in determining fair values of individual investee companies

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FINANCIAL REVIEW



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Key financial highlights



Intrinsic Portfolio Value

up 16.3% for the reporting period

R12 275m

(30 June 2020: R10 556m)

Intrinsic Net Asset Value (INAV)

per share decrease of 8.1%

R8.77

(30 June 2020: R9.54)

IFRS Net Asset Value (NAV)

per share decrease of 7.5%

R8.85

(30 June 2020: R9.57)

Debt in the ARC Fund

increased by R429m to

R869m

(30 June 2020: R440m)

Cash in the ARC Fund increase by R204m to

R239m

(30 June 2020: R35m)

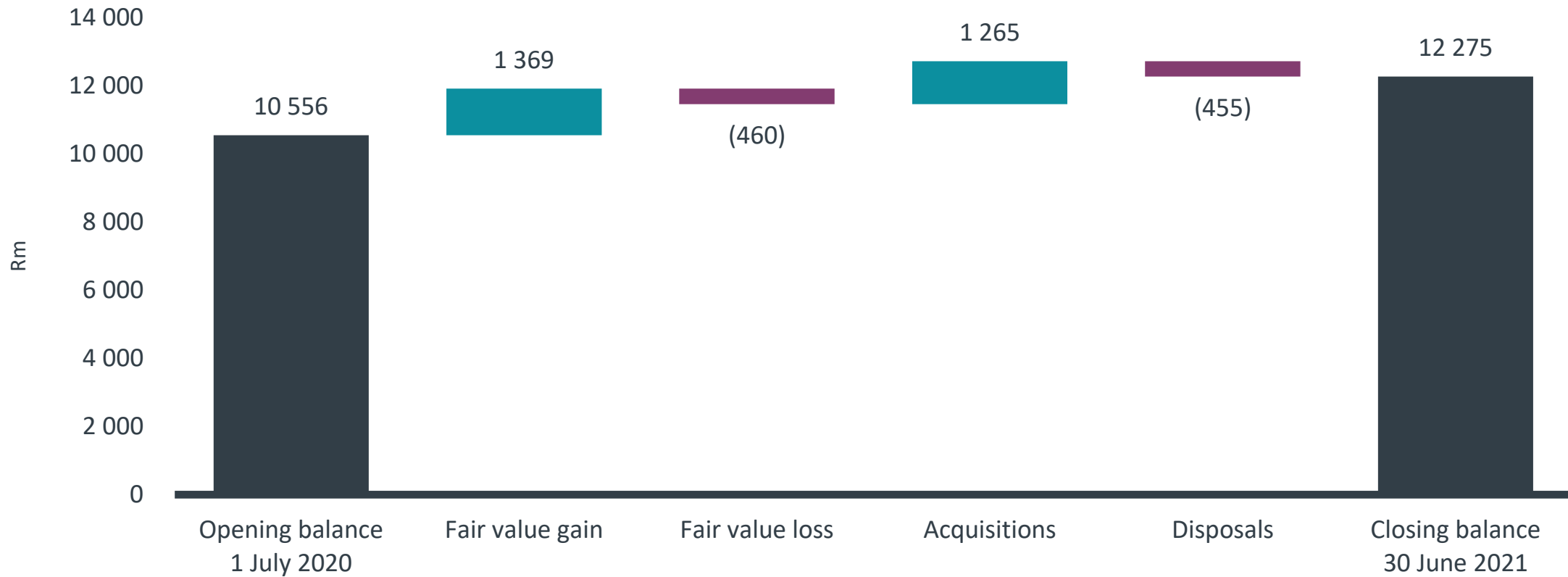
Successful capital raise (83% take-up)

R750m

through rights offer



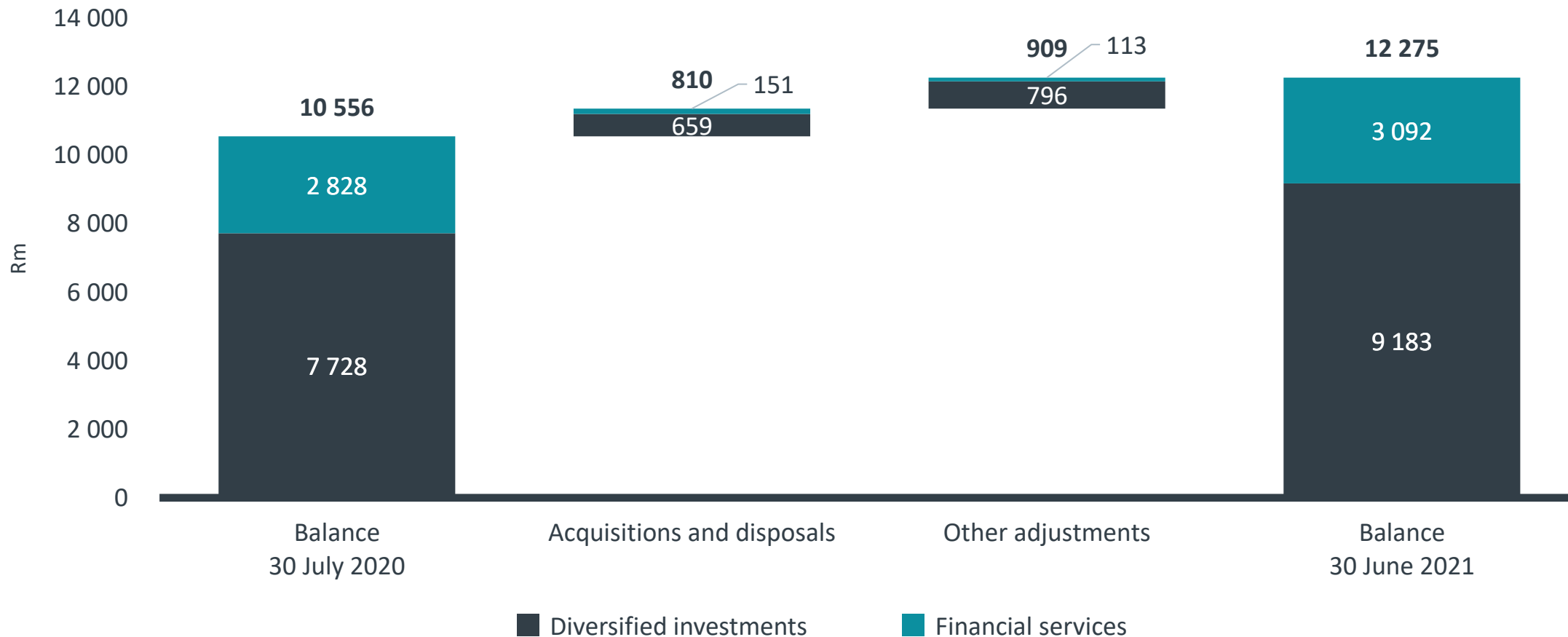
Intrinsic portfolio value movement from 1 July 2020 to 30 June 2021



Portfolio movements



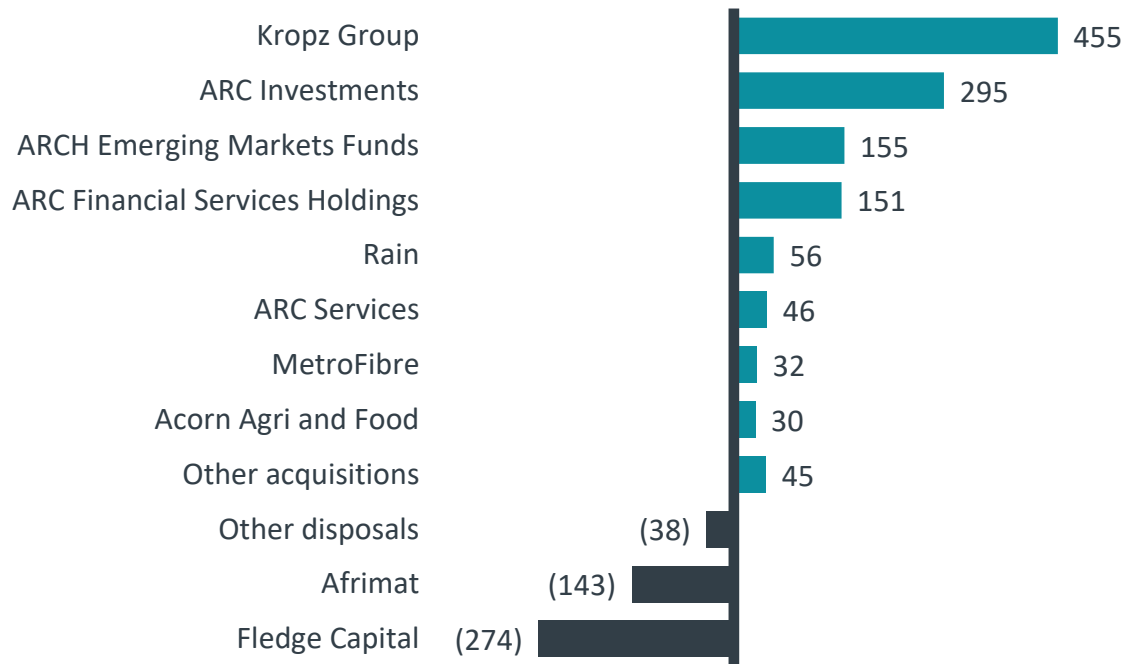
Portfolio movement per sector for the year ended 30 June 2021



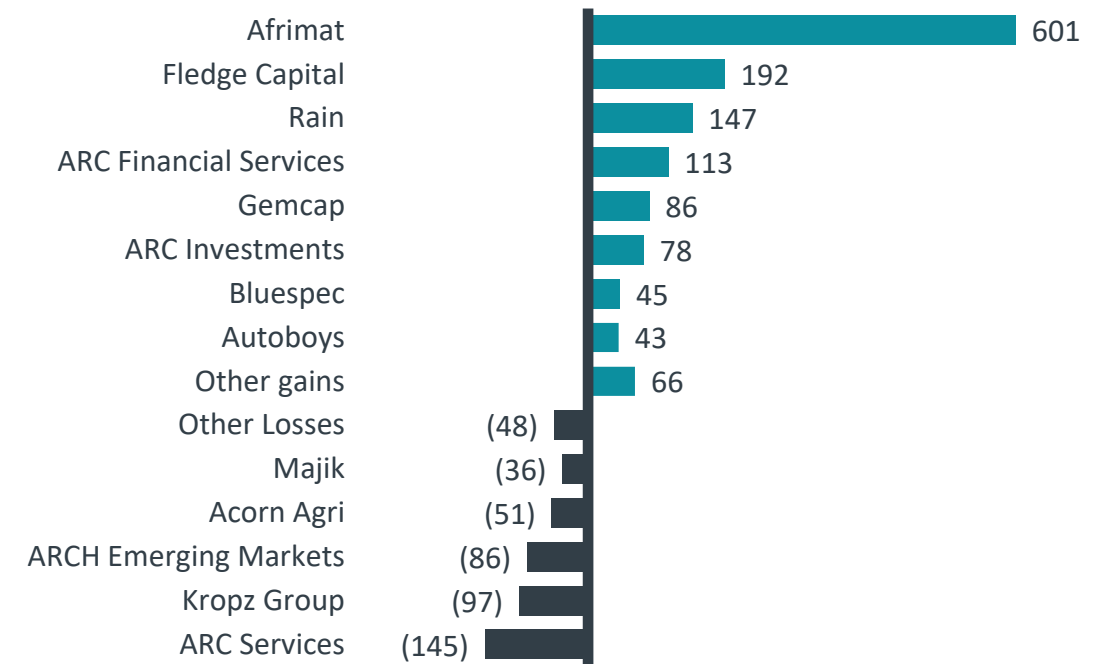
Additions & fair value gains



ARC Investments' effective additions and disposals for the year ended 30 June 2021



Fair value, foreign exchange and disposal gains and losses for the year ended 30 June 2021





ARC Investments' portion of ARC Fund's NAV movements

Investment in ARC Fund (Rm)	Net Asset Value 30 Jun 2020	Net investment 30 Jun 2020	Increase in Net Asset Value 30 Jun 2020	Net Asset Value 30 Jun 2021	Growth in Net Asset Value	Net Asset Value Per share
2020 vs 2021						
Intrinsic portfolio value	10 556	810	909	12 275	16.3%	9.31
Cash in the ARC Fund	35	(406)	610	239	582.9%	0.18
Debt in ARC Fund	(440)	(399)	(30)	(869)	97.5%	(0.66)
Other net assets/(liabilities) in the ARC Fund	(203)	-	99	(104)	-48.8%	(0.08)
Intrinsic investment in the ARC Fund at FVTPL	9 948	5	1 588	11 541	16.0%	8.75
2020 vs 2019						
Intrinsic portfolio value	9 301	717	538	10 556	13.5%	10.10
Cash in the ARC Fund	661	(232)	(394)	35	-94.7%	0.03
Debt in ARC Fund	-	(440)	-	(440)	100.0%	(0.42)
Other net assets/(liabilities) in the ARC Fund	(222)	-	19	(203)	-8.6%	(0.19)
Intrinsic investment in the ARC Fund at FVTPL	9 740	45	163	9 948	2.1%	9.52

Valuation approach – key investments



Investment (Rm)	Intrinsic Portfolio Value (IPV)	IPV before discount	Revaluation	Valuation approach	Control premium	Minority discount	Marketability discount	Discount rate/ PE multiple applied June 2021	Discount rate/ PE multiple applied June 2020
Diversified investments									
Rain	3 314	4 331	147	DCF	n/a	12.5%	12.5%	15.26%	17.25%
Afrimat	1 231	1 231	601	30-day VWAP	n/a	n/a	n/a	n/a	n/a
Kropz Group	1 092	1 197	(97)	Sum of the parts - DCF	n/a	n/a	12% - 30%	20.4%	16%
Gemcap	651	651	86	Sum of the parts - EBITDA	n/a	n/a	n/a	7.4x	6.5x
Fledge Capital	372	372	192	Sum of the parts - EBITDA	n/a	n/a	n/a	6.5x	n/a
Bluespec	304	460	45	PE Multiple	n/a	17.4%	20%	8x	6.2x
Balance of portfolio	2 219	2 170	178	Various					Various
Total diversified investments	9 183	10 412	796						
Financial Services Investments									
Alexander Forbes Group Holdings	767	723	(139)	30-day VWAP	20%	10%	n/a	n/a	n/a
TymeBank	1 173	1 173	14	Recent transaction	n/a	n/a	n/a	n/a	n/a
Sanlam 3rd PAM	306	306	-	Acquisition cost	n/a	n/a	n/a	n/a	n/a
Rand Mutual Holdings	245	317	-	EV and PE Multiple	n/a	10.7%	13.6%	7.5x	7.0x
Balance of portfolio	855	1 016	71	Various					Various
Total financial services investments	3 346	3 535	(54)						

ARC FUND PORTFOLIO



	Fund value (R'm)		
	30 June 2021	30 June 2020	% change
Diversified investments			
Telecommunications	3 582	3 353	6.8
Mining, construction & energy	2 428	1 711	41.9
Business process outsourcing	1 322	1 116	18.5
Agriculture	376	369	1.9
Property	472	536	(11.9)
Private Equity	1 003	643	56.0
Total ARCI's share of Fund's Diversified Investments	9 183	7 728	18.8
Financial services			
ARC Financial Services Holdings	3 092	2 828	9.3
Total ARCI's share of Financial Services' Invested Portfolio Value net of liabilities	3 092	2 828	9.3
Total ARCI's share of Fund's Invested Portfolio Value	12 275	10 556	16.3

FINANCIAL SERVICES PORTFOLIO



	Fund value (R'm)		
	30 June 2021	30 June 2020	% change
Financial services			
Insurance and asset management	1 775	2 121	(16.0)
Banking & digital	1 454	1 128	29.0
Specialist financial services	117	162	(28.0)
Total ARCI's share of Financial Services' Invested Portfolio Value	3 346	3 411	(1.9)
Net liabilities	(254)	(583)	56.4
Total ARCI's share of Financial Services' Invested Portfolio Value net of liabilities	3 092	2 828	9.3

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PORTFOLIO OVERVIEW



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Diversified Investments portfolio

Portfolio company	% holding	% Fund value	Fund value (R'm)	
			30 June 2021	30 June 2020
Rain	20.2	27.0	3 314	3 111
Metrofibre	8.6	2.2	268	242

Rain

- Rain continued to exceed roll-out & performance
- Targets in 4G and 5G markets exceeded
- 5G coverage has expanded 6-fold since launch in Sept 2019
- Key focus remains to improve customer service:
 - Business case did not expect such rapid customer growth
 - Also, customer demand on fringe of network footprint
- Rain will fully participate in upcoming spectrum auction
- Modest capital raise in process to accelerate 5G network roll-out and fund participation in spectrum auction

Metrofibre

- Metrofibre is an internet infrastructure company
- The business had a satisfactory financial year, despite some challenges with its infrastructure roll-out brought on by COVID-19
- Agreement reached to dispose of entire investment, pending regulatory approval



Diversified Investments portfolio

Portfolio company	% holding	% Fund value	Fund value (R'm)	
			30 June 2021	30 June 2020
Afrimat	16.1	10.0	1 231	773
Kropz Group	82.7	8.9	886	643
ARC Services	100.0	0.9	105	204

Kropz Group

- Significant progress made with construction and reconfigured processing plant at Kropz Elandsfontein on West Coast of SA
- Operations expected to commence in Dec 2021
- Kropz Plc is performing an updated feasibility study regarding its asset in the Republic of the Congo
- Process is expected to be completed in 2021

Afrimat

- Company is listed – its complete financial information is publicly available
- Afrimat continues to report impressive performance – largely as a result of excellent management and significant improvements in certain commodity prices
- During the year, the ARC Fund reduced its shareholding in the business from 18.4% to 16.1%

ARC Services

- Previously called Last Mile Fund
- Businesses include Mooiplaats coal mine, Stahl Cranes, Ramco Holdings (diesel, tyre & lubricant supplier), Bohlale Energy (wholesale fuel distribution business)
- ARC Fund will wind down mining operations and shut the mine down
- Process will be funded through sale of the wash plant, mining equipment & stock
- Valuation based on offers for Mooiplaats & other financial instruments held in ARC Services



Diversified Investments portfolio

Portfolio company	% holding	% Fund value	Fund value (R'm)	
			30 June 2021	30 June 2020
Gemcap	100.0	5.3	651	553
Bluespec	24.8	2.5	304	259
Other*	Various	3.0	367	304

Gemcap

- Portfolio of businesses: Payprop SA, Upstream Group, CSG Holdings, Infoslips, Linebooker & Moonstone
- ARC Fund acquired all minority interests in Gemcap (2%) and took over management
- Gemcap portfolio will be integrated in portfolio of ARC Fund
- Portfolio showed resilience, recovering to pre-COVID-19 levels

Bluespec

- Tough trading environment with volume declines and disruptions to operations
- Management responded well, spreading its geographical presence, introducing efficiencies which lowered cost base, and introduced innovative routes to market which grew its market share
- Initiatives led to significant improvement in performance and profitability
- Portfolio businesses include: Weelee (vehicle sales); Auction Nation; First Assist, Firstmed & First Help (accident management; roadside assistance); Renew-it & Proline (autobody repair)

* Autoboy's | Capital Appreciation | Humanstate



Diversified Investments portfolio

Portfolio company	% holding	% Fund value	Fund value (R'm)	
			30 June 2021	30 June 2020
Acorn Agri & Food	7.8	1.2	153	174
Subtropico	25.1	1.1	135	107
RSA	35.9	0.7	88	88

Acorn Agri & Food

- Tough trading conditions in reporting year
- Recent restructuring, good cost management, as well as bumper harvest season led to improved cash generation and profitability
- Shares trade OTC and currently trading at 51% discount to NAV
- ARC Fund acquired an additional R30m Acorn Agri & Food shares in reporting period



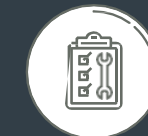
Diversified Investments portfolio

Portfolio company	% holding	% Fund value	Fund value (R'm)	
			30 June 2021	30 June 2020
Majik	14.2	1.8	224	277
Other*	Various	2.0	248	259

Majik

- Strategy is to acquire well located properties at a discount to replacement building cost with potential to enhance rental and capital growth through active asset management
- Business performed well on a relative basis
- Investment value adversely impacted by strengthening ZAR against GBP
- Majik is in process to dispose of its asset in exchange for cash and listed REIT shares
- Other* property assets delivered satisfactory performance

* ARC Real Estate | ARC Property Development | Barlowpark | Val de Vie



Diversified Investments portfolio

Portfolio company	% holding	% Fund value	Fund value (R'm)	
			30 June 2021	30 June 2020
Fledge Capital	25.9	3.0	372	453
ARC Investments	5.1	3.1	386	13
ARCH Emerging Market Partners	50.0	2.0	246	177

Fledge Capital

- Investing in and provides funding solutions to private companies across a range of industries
- NAV increased by 53% largely driven WeBuyCars investment and partial disposal to Transaction Capital
- ARC Fund sold 30% of its 51.5% holding in Fledge Capital for R270m, yielding a realized profit of R53m (share buy-back)
- ARC Fund now a 25.9% shareholder after a capital injection by third parties

ARC Investments

- ARC Fund increased its investment to R386m (30 June 2020: R13m)
- Increase is based on fair value gain of R78m and additional investment of R295m
- Management still believe this investment is one of better investments it can make in current market

ARCH Emerging Market Partners

- ARCH EM is a London based emerging markets private equity advisory firm focused on private equity investments across Africa
- Two active funds: Africa renewable energy fund & East Africa cold chain storage fund
- Both funds starting out and still at bottom of their J-curves
- ARCI increased its investment in these ARCH EM funds by R155m



Financial Services portfolio

Portfolio company	% holding	% Fund value	Fund value (R'm)	
			30 June 2021	30 June 2020
Alexander Forbes Group Holdings (AFGH)	13.1	6.2	767	1 218
Sanlam 3 rd Party Asset Management	9.4	2.5	306	-
Rand Mutual Holdings (RMH)	11.2	2.0	245	311
Other*	Various	2.6	459	592

AFGH

- AFGH investment value decreased, share price being impacted by payment of dividends as well as impact of Sanlam transaction
- Indirect share of dividends received from AFGH was R184m

Sanlam 3rd PAM

- ARC FSI acquired 25% interest in Sanlam's 3rd PAM business
- Business seeks to become largest empowerment asset manager in SA
- ARC FSI will support business to pursue growth opportunities

RMH

- Administers workers' compensation for mining industry employees injured in the course and scope of their work
- Well positioned to use competitive position in the Compensation for Occupational Injuries and Diseases-sector via its tech and admin platforms
- Excellent VNB (value of new business) growth

* Colourfield | InFund Solutions | Khumo Capital | Lima Mbeu | QED | Capital Legacy | EBS International | LifeCheq | Indwe | Afrocentric | National Health Services | Smart Health Investments



Financial Services portfolio

Portfolio company	% holding	% Fund value	Fund value (R'm)	
			30 June 2021	30 June 2020
TymeBank	23.9	9.6	1 173	927
Other*	Various	2.3	281	201

TymeBank

- TymeBank is a digital bank that leverages the use of digital technology to make banking simple and affordable
- Achieved revenue and cost targets, despite significant headwinds
- 3.45 million customers – acquired in two years
- Roll-out of initiative with Zionist Christian Church (ZCC) delayed, due to impact of COVID-19 and lock-down restrictions
- Enhanced customer value proposition by adding insurance and a unique credit offering which is a buy-now-pay-later product
- Focus on scaling key products, implementing measures to diversify customer profile

* Ooba | Tyme Global | Ethos AI Fund



Financial Services portfolio

Portfolio company	% holding	% Fund value	Fund value (R'm)	
			30 June 2021	30 June 2020
Total	Various	1.1	117	162

General comments on specialist businesses

- ARCI's effective interest in the IPV of the Specialist Financial Services decreased by R45m to R117m as at 30 Jun 2021
- Businesses generally held up well
- A2X performing well, adding more companies who secondary list on its platform:
 - 54 instruments to trade with joint market cap of more than R4 trillion
 - Have secured 7 brokers who account for 60% of all market activity

* A2X, Alternative Prosperity, Bravura, Constellation Capital, EdgeGrowth, Sinayo Capital

05

MAJOR POST REPORTING PERIOD EVENTS



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Afrimat

- The ARC Fund sold 8.4m Afrimat shares for R496m after the reporting date

Kropz Elandsfontein water licence matter

- Water Tribunal dismissed appeal from lobby group against Kropz's Water Use Licence
- Issue dates back to June 2017, when environmental interest group lodged appeal

Reflecting on strategy



Listed for 3 years, some key learnings to be considered as part of our strategic focus going forward

Financial Services portfolio

- Limited future additions
- More focus on consolidation
- More focus on synergies
- More focus on fintech and bolt-on opportunities
- Sanlam a key partner
- Implement operational plans for investee companies

Diversified Investments (non-financial) portfolio

- Some divestments from the portfolio
- Lighter on mining assets in general
- Transfer fintechs to FS portfolio
- Implement operational plans for investee companies

Next 18 months signals a step change

- Pruning the portfolio after sustained acquisitions
- Focus on value-add and capital management to achieve growth, rather than acquisitions
- Normalisation of cash-flows, existing outflows, but also inflows via dividends and divestments

06

OUTLOOK



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Internal view

- Cash management of key investee companies high priority to monitor for possible cash calls
- Business plans largely amended to reflect likely realities of COVID-19 impact
- Ongoing focus to keep staff healthy and productive
- Synergy opportunities among investee companies a key focus area

External view

- SA operating environment likely to remain challenging due to ongoing economic and political matters
- Taking a realistic view of key drivers impacting operating environment
- Low expectation of significant improvement in economic growth over medium term

QUESTIONS

