



FULL YEAR FINANCIAL RESULTS

for the twelve-month period to 30 June 2022

Incorporated in the Republic of Mauritius

Company number: C148430

JSE share code: AIL A2X share code: AILJ

ISIN code: MU0553300000 LEI: 378900F086B090C6FB94



Intrinsic portfolio value increased by 11.3% to R13 659 million

(30 June 2021: R12 275 million) The R1 384 million increase comprises R1 832 million net fair value gains and net investment disposals of R448 million.



INAV per share increase of 14.7%

(30 June 2021: decrease of 8.1%)



Cash in the ARC Fund of R669 million

(30 June 2021: R239 million)



Debt in the fund increased by 12.1% to R974 million

(30 June 2021: R869 million)



Significant international equity funding secured in TymeBank and Tyme Global



Disposal of 12.4 million Afrimat shares for R740 million



Management fee under review



Rain to benefit from spectrum acquisition



Kropz Elandsfontein navigating new challenges

NATURE OF BUSINESS

African Rainbow Capital Investments Limited (ARC Investments) is incorporated in the Republic of Mauritius, holds a Global Business Licence under the Mauritian Financial Services Act 2007 and is regulated by the Mauritian Financial Services Commission. It is listed on the JSE Limited with a secondary listing on A2X in South Africa.

OPERATING ENVIRONMENT

The year under review has been characterised by strained trading conditions, mainly resulting from the contracting economy and associated impact on consumers. Economic recovery in some sectors is underway post the Covid-19 pandemic. Equity market performance has improved in some respects, although increased volatility levels impact investor sentiment.

PERFORMANCE HIGHLIGHTS

The collective efforts of management and investment partners resulted in progress in early-stage investments as well as consolidating capital in specific businesses. The Company's intrinsic investment value in the ARC Fund increased by 14.7% from R11 541 million at 30 June 2021 to R13 242 million at 30 June 2022. During the year under review, its effective share of the invested assets (or the IPV) increased by 11.3% from R12 275 million at 30 June 2021 to R13 659 million at 30 June 2022 mainly as a result of a net increase of R1 384 million in asset values.

The IFRS Net Asset Value (NAV) per share increased by 13.9% from R8.85 at 30 June 2021 to R10.08 at 30 June 2022.

Performance participation hurdle achieved

The annual growth in the Company's share in the IPV of the ARC Fund, before the impact of acquisitions and disposals for the year, was 14.7%. The annual growth is above the 10% performance participation hurdle. Consequently, a provisional amount of R273 million has been recognised in terms of IFRS 2 for the issue of Performance Participation shares to UBI.

Management fee under review

The fee structure was reviewed during the current year and a new proposed fee structure, which is expected to result in a significantly reduced management fee, will be implemented with effect from 1 July 2022 subject to the shareholders' approval at the Annual General Meeting.

	Net Asset Value 30 June 21	Net Investment	Net Increase in Net Asset Value	Net Asset Value 31 Jun 22	Percentage change
Investment in ARC Fund					
Intrinsic Portfolio Value	12 275	(448)	1 832	13 659	11.3%
Cash in the ARC Fund	239	491	(61)	669	179.9%
Debt the ARC Fund	(869)	(43)	(63)	(975)	12.2%
Other net assets/(liabilities) in the ARC Fund	(104)	-	(7)	(111)	6.7%
UBI GP fee payable	(100)	-	(10)	(110)	10.0%
Other assets/(liabilities) in the ARC Fund	(4)	-	3	(1)	(75.0%)
Intrinsic Investment in the ARC Fund at FVTPL*	11 541	-	1 702	13 242	14.7%

* FVTPL: Fair Value Through Profit or Loss

SIGNIFICANT EFFECTIVE ACQUISITIONS AND DISPOSALS IN THE DIVERSIFIED INVESTMENTS PORTFOLIO THROUGH ARC FUND

Afrimat

The ARC Fund sold 12.4 million Afrimat shares for a consideration of R740 million during the year.

Kropz Plc

The ARC Fund invested an additional R362 million into Kropz Plc during the period. The capital was largely used to fund operational cash shortfall at Elandsfontein resulting from a delay in the ramp-up as well as to commission the updated feasibility study for Cominco.

ARCH Emerging Markets Fund of Funds (ARCH EM)

During the year under review the ARC Fund invested R66 million in the ARCH Cold Chain Solutions East Africa Fund.

Rain

An additional investment of R56 million was made during the year. Rain participated successfully in the government-initiated spectrum auction where it acquired 20MHz in the 700MHz band and 20MHz in the 2.6GHz band for a total price of R1.43 billion. The spectrum allocated to Rain is expected to significantly enhance its competitiveness.

ACQUISITIONS IN THE FINANCIAL SERVICES PORTFOLIO

During the year ended 30 June 2022, the Company effectively made two significant indirect investments through the ARC Fund's 49.9% interest in ARC Financial Services Holdings (ARC FSH).

Crossfin

ARC FSH acquired 37.33% of Crossfin for R415 million resulting in the ARC Fund's indirect interest of 19% and R207 million respectively. Crossfin is one of Africa's leading independent fintech platforms, as measured by both the volume and value of transactions processed through its platforms.

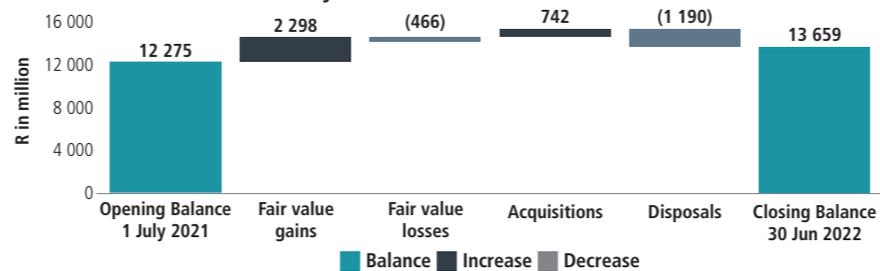
TymeBank and Tyme Global

ARC FSH invested an additional R303 million into TymeBank and Tyme Global during the year as part of the capital requirements for the bank. At 30 June 2022, the ARC Fund had an effective interest of 25% in TymeBank, in the form of 49.9% of the 50.1% interest held by ARC FSH in TymeBank.

GROWTH IN INTRINSIC PORTFOLIO VALUE

The 11.3% increase in ARC Investments' share in the INAV of the ARC Fund at FVTPL was largely as a result of the Company's effective share in the net fair value gains of R1 832 million, which is graphically depicted below.

Portfolio movement from 1 July 2021 to 30 June 2022



Key Comments: Diversified Investments (71.7% of Fund Value, 30 June 2021: 74.7%)

Rain (26.6% of Fund Value, 30 June 2021: 27.0%)

The value of the ARC Fund's interest in Rain has increased by 9.7% for the year under review. Rain continues to deliver well on both 4G and 5G sales as demand has been sustained throughout and post the easing of Covid-19 restrictions. The increased valuation also considers Rain's business plan post the Spectrum Auction, which was completed in March and April 2022. The increased valuation is also as a result of a R56 million additional investment.

Rain achieved its budgeted R1 billion EBITDA for its financial year ended February 2022. This is regarded as a significant achievement as it achieved break-even in the February 2021 financial year. The ARC Fund's share in the value of the investment in Rain increased from R3 314 million at 30 June 2021 to R3 635 million at 30 June 2022.

Afrimat (4.6% of Fund Value, 30 June 2021: 10.0%)

The ARC Fund disposed of 12.4 million Afrimat shares at a price of R59.62 per share for a total consideration of R740 million in the year under review. As a result, the ARC Fund's shareholding in Afrimat decreased from 16% at 30 June 2021 to 7% at 30 June 2022. The capital profit on this disposal amounts to R431 million, generating an IRR of 27.1%.

Kropz Plc (7.5% of Fund Value, 30 June 2021: 8.9%)

ARC Fund holds 83.2% of the issued share capital in the Kropz Group's holding company, Kropz Plc, which is listed on the Alternative Investment Market stock exchange in London. Kropz Plc is an emerging African phosphate developer that owns two prized phosphate assets, namely Elandsfontein on the west coast of South Africa and Cominco in the Republic of Congo. The value of Elandsfontein and Cominco at 30 June 2022 was determined using discounted cash flow models. Using the latest available phosphate price forecasts from CRU and updated production cost estimates for Elandsfontein and Cominco (as provided by DRA and Hatch respectively), the ARC Fund's investment value was estimated at R1 028 million at 30 June 2022. The full investment in the Elandsfontein phosphate mine was impaired. At 30 June 2022, the ARC Fund remaining undrawn committed capital amounted to R73.5 million.

Elandsfontein project update

The construction of the processing plant has been completed and the first ore was introduced in December 2021. Subsequent to the introduction of the ore into the plant, Elandsfontein suffered further delays in the ramp-up of its operations. The most recent delay was driven by unexpected ore variability in the current mining area. Mining rates and the associated delivery of ore to the plant have been compromised due to the presence of banks of hard material within the orebody that previous geological work failed to identify. A revised mineral resource estimate and mining plan will be produced once the results of this drilling have been interpreted.

Cominco project update

Kropz appointed Hatch Limited in February 2021 to complete the updated feasibility study for Cominco, a significant phosphate deposit in the Republic of Congo. The updated feasibility study supported a substantially higher valuation of the Cominco asset.

Gemcap (2.3% of Fund Value, 30 June 2021: 5.3%)

During the year under review, the majority of the assets that were held by GemCap were sold to the ARC Fund as part of a group restructure, with the exception of Payprop SA. The Company's effective investment in GemCap decreased from R651 million at 30 June 2021 to R318 million at 30 June 2022. The ARC Fund is in the process of exiting its investment in Humanstate and Payprop SA.

Bluespec (3.5% of Fund Value, 30 June 2021: 2.5%)

The Company's effective investment in Bluespec increased by 56.8% from R304 million at 30 June 2021 to R476 million at 30 June 2022.

Fledge Capital Investments (3.6% of Fund Value, 30 June 2021: 3.1%)

The Company's effective investment in Fledge Capital Investments increased by R115 million from R371 million at 30 June 2021 to R486 million at 30 June 2022. The growth in value was largely driven by the finalisation of the disposal of Fledge Capital's interest in We-Buy-Cars to Transaction Capital. The IRR achieved on this disposal was 78%.

ARC Investments (5.1% of Fund Value, 30 June 2021: 3.1%)

During the year under review, the ARC Fund increased its effective investment in ARC Investments from R386 million at 30 June 2021 to R700 million at 30 June 2022. The increase is due to a fair value gain of R221 million and an additional investment of R93 million at an average cost of R6.49 per share.

ARCH Emerging Markets Fund of Funds (3.0% of Fund Value, 30 June 2021: 2.0%)

The Company's effective investment in ARCH EM increased by R162 million from R246 million at 30 June 2021 to R408 million at 30 June 2022. The investment in the ARCH funds was valued at the respective fund NAV valuations in USD terms.

Key Comments: Financial Services Portfolio (28.3% of Fund Value, 30 June 2021: 27.3%)

The Company's effective interest in the gross IPV of the Financial Services portfolio increased from R3 346 million at 30 June 2021 to R4 506 million at 30 June 2022, which is a 34.7% increase during the year under review.

Alexforbes (7.1% of Fund Value, 30 June 2021: 6.2%)

ARC Financial Services Investments (ARC FSI) owns 41.47% of the listed company Alexforbes. The Company's effective investment in Alexforbes increased from R767 million at 30 June 2021 to R963 million at 30 June 2022, as a result of the investment of R121 million and fair value gain of R75 million. ARC FSI acquired an additional R322.4 million worth of Alexforbes shares over the reporting period, at an average price of R4.59 per share.

Sanlam 3rd Party Asset Management (2.3% of Fund Value, 30 June 2021: 2.5%)

ARC FSI holds a 25.0% interest in Sanlam Third-Party Asset Management (Sanlam 3rd PAM). The Company's effective investment in the Sanlam 3rd PAM increased from R306 million at 30 June 2021 to R309 million at 30 June 2022. The driver of the value increase was the improved results in the first six months of its financial year to 30 June 2022.

Capital Legacy (2.1% of Fund Value, 30 June 2021: 1.1%)

Capital Legacy is one of the largest estate administrators in South Africa. The Company's effective investment in Capital Legacy increased from R141 million at 30 June 2021 to R288 million at 30 June 2022.

TymeBank (10.4% of Fund Value, 30 June 2021: 9.6%)

TymeBank is a leading digital bank. During the period, the fair value of the TymeBank investment was adjusted to reflect the post-money value of the recently closed capital raised during which Tencent and the CDC invested into TymeBank and Tyme Global. TymeBank received USD142.5 million as part of the capital raised. The Company's effective interest increased from R1 173 million at 30 June 2021 to R1 417 million at 30 June 2022.

Tyme Global (9.6% of Fund Value, 30 June 2020: 8.8%)

Tyme Global is headquartered in Singapore and represents the holding company through which the multi-country digital banking proposition will be launched. During the period, the fair value of Tyme Global was increased to reflect the post-money value of the recently closed capital raised during which Tencent and the CDC invested into TymeBank and Tyme Global. Tyme Global received USD37.5 million as part of the capital raised. The value of ARC FSH's investment in Tyme Global increased to R1 003 million net of deferred tax as a result, representing a 457% valuation uplift.

MAJOR EVENTS SUBSEQUENT TO REPORTING PERIOD

Kropz Group

The ARC Fund advanced an additional R180.3 million loan to help fund operations at Elandsfontein.

TymeBank

TymeBank announced its intention to acquire Retail Capital, a leading fintech funder of small and medium enterprises ("SMEs"), subsequent to year-end. The deal is still subject to regulatory approvals. This acquisition will support TymeBank's offering to its business banking clients. It will also see Retail Capital's lending expertise being combined with TymeBank's deposit base and operations to serve a broader customer base.

Management fee under review

The fee structure was reviewed during the current year and a new proposed fee structure, which is expected to result in a significantly reduced management fee, will be implemented with effect from 1 July 2022 subject to the shareholders' approval at the Annual General Meeting. The proposed management fee will change from a fixed fee percentage of assets under management to an actual cost incurred plus a 5% profit margin basis. The proposed performance participation fee only considers the growth in net asset value above the 10% performance hurdle, as opposed to the current arrangement whereby the fund manager participates in growth from the ground-up.

LEVEL OF ASSURANCE

The annual results have been audited by the Company's auditors, PricewaterhouseCoopers Inc. who expressed an unmodified audit opinion thereon. Their report also includes communication of key audit matters. This opinion is available, along with the annual financial statements on the Company's website at <https://arci.mu/investor-relations/#sens> on 13 September 2022 and available for inspection at the Company's registered office¹.

GOVERNANCE & LEADERSHIP

ARC Investments is managed and controlled in Mauritius by an experienced, multinational Board of Directors (the Board) of which the majority is independent. The Board has final oversight and responsibility in respect of ARC Investments' business, strategy and key policies. This includes the investment in the ARC Fund. There are no executive directors on the Board of ARC Investments.

Mark Cyril Olivier
Chairman of the Board

Clive Msipha
Chairman of the Audit and Risk Committee

Karen Bodenstein
Chief Financial Officer

ABOUT THIS ANNOUNCEMENT

This short form announcement is the responsibility of the directors and the information contained herein is only a summary of the information in the full Financial Results announcement and does not contain full or complete details. Any investment decision by investors and/or shareholders should be based on consideration of the full announcement that was released on <https://senspdf.jse.co.za/documents/2022/JSE/ISSE/AILE/FResults22.pdf> and on the ARC Investments' website <https://arci.mu/investor-relations/#sens> on 13 September 2022. This short-form announcement does not contain any additional information not appearing in the full Financial Results released on SENS. The full announcement is available for inspection at the registered office¹ and designated office² of ARC Investments and the offices of the Sponsor³ at no charge during normal business hours. Copies of the full announcement may be requested by email from investors@arci.mu. Ebène, Mauritius (with simultaneous circulation in Johannesburg) 13 September 2022.

SPONSOR

RAND MERCHANT BANK (A division of FirstRand Bank Limited)