

African Rainbow Capital Investments Limited  
(Incorporated in the Republic of Mauritius)  
(Registration number C148430)  
JSE share code: AIL  
ISIN: MU0553S00000  
("ARC Investments" or "the Company")

## **INVESTMENT UPDATE**

ARC Investments is a Limited Partner in an *en commandite* partnership, the ARC Fund Partnership SA ("ARC Fund"). This announcement provides shareholders with a high-level update of the Company's progress on strategic matters and a performance overview of the significant investments in the ARC Fund for the third quarter of the 2022 calendar year..

This announcement also includes commentary on significant developments to the end of November 2022.

## **DIVERSIFIED INVESTMENTS PORTFOLIO**

### **rain**

The business continues to perform well as demand for both 4G and 5G services remains strong.

The company's acquisition of additional spectrum is expected to positively impact the valuation of the ARC Fund's investment in rain. The company's plans for utilisation of the spectrum and its impact on rain's cash-flow forecast are still being finalised.

### **Kropz Plc (Kropz)**

Kropz Plc is an independent phosphate producer listed on the London Alternative Investment Market Exchange (AIM). Kropz Plc holds an investment in Kropz Elandsfontein, a developed phosphate deposit and processing plant on the West Coast of South Africa, as well as in Cominco, one of the largest undeveloped phosphate deposits in the world, situated in the Republic of the Congo.

Although the commissioning of the Elandsfontein phosphate plant has suffered several setbacks, significant progress has been made on both the mining and processing fronts. Elandsfontein completed an updated drilling program to gain a better understanding of the hard bank material present throughout the ore deposit. Work is still being finalised on an updated long-term mining plan.

Up to 30 November 2022, Elandsfontein has produced circa 30,000 tonnes of phosphate in anticipation of achieving its first bulk sale.

In November 2022, the ARC Fund increased the convertible loan facility by R550 million, of which R247.5 million has already been drawn. The capital was largely used to fund the ongoing operational cash shortfall at Elandsfontein resulting from delays in the processing ramp-up. A large portion of the remaining balance will be used to fund operations at Elandsfontein. Some capital will be used towards development work at Cominco. The ARC Fund continues to engage with the Congolese government on the strategic plan for the asset.

### **Afrimat**

Afrimat Limited ("Afrimat") is listed on the JSE and information regarding its activities and financial performance is publicly available. In November 2022, the ARC Fund disposed of its remaining investment in Afrimat (7.2%) for an amount of R486.7 million. This disposal generated an internal rate

of return (IRR) of 16.0%. Overall, the ARC Fund achieved an IRR of 21.72% on the Afrimat investment. This consists of profits on disposals of R713.8 million and dividends received of R125.0 million.

#### **ARC Services**

The ARC Fund is in the process of disposing of the majority of its assets in the ARC Services group of companies with proceeds in line with the carrying value as at 30 June 2022 of R291 million. The remaining assets do not form a significant part of the group and are being managed for future growth.

#### **Bluespec**

The company is performing in line with expectations and meeting its profit targets. Weelee, the online vehicle bidding platform, is increasing its market volumes and footprint with growth levels in line with business case projections. The Bluespec group continues to maintain its B-BBEE Level 1 rating, which is testament to a strong transformation focus by management.

#### **Capital Appreciation**

On 30 November 2022, the ARC Fund disposed of its 3.2% shareholding in Capital Appreciation for an amount of R67.8 million, realising a profit of R27.3 million. This represents an IRR of 12%.

#### **Humanstate**

The ARC Fund has concluded the disposal of its investment in Humanstate and Payprop SA, for a total consideration of R496 million. The ARC Fund achieved an overall IRR on disposal of 20%, excluding any potential earn-out structures. R52 million of the consideration is deferred and will be received over a period of 30 months. In preparation of the sale, the ARC Fund restructured the Gemcap business and consolidated its investments in Humanstate.

#### **Fledge Capital**

The company is currently in an acquisition phase and is considering a series of new opportunities in the market, following its disposal of its remaining investment in We Buy Cars earlier in the year.

#### **Linebooker**

The company continues to enjoy good month-on-month volume growth as more clients make use of the online booking platform. Linebooker management is currently exploring geographical diversification beyond South Africa to benefit from growth in other select markets.

### **FINANCIAL SERVICES PORTFOLIO**

#### **Alexforbes**

Alexforbes is a JSE-listed entity and announced its interim financial results for the six months to 30 September 2022 on 5 December 2022. Shareholders are referred to the detailed Stock Exchange News Service ("SENS") announcement, also published on the company's website.

#### **TymeBank**

TymeBank continues to sustain its onboarding of new customers. In October the company reported that approximately 228 000 new customers were onboarded for the month, which represents a record level in the number of new customers onboarded in a single month. This compares to the average rate of 130 000 to 140 000 customers onboarded per month in the first half of 2022. The company also experienced a marked increase in the average customer activity levels.

TymeBank maintained the momentum of onboarding new customers in November. In total, the bank onboarded 200 100 new customers. Customer activity levels were also maintained.

In the period under review, TymeBank announced that it has acquired Retail Capital, which is a leading fintech funder of small and medium enterprises. The transaction 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. In the last 10 years, Retail Capital has provided funding of more than R5.5 billion to more than 43 000 business owners in South Africa, making it the largest SME funder of its kind in the sector.

TymeBank's international partner, Tyme Global, reported that it has successfully launched its digital bank GOtyme in the Philippines with its partners the Gokongwei family. The launch is the next step in Tyme Global's international growth strategy to have a presence in select markets with the potential for high customer growth.

### **Rand Mutual Holdings**

African Rainbow Capital Financial Services Investments ("ARC FSI") has concluded an agreement with Rand Mutual Holdings to dispose of its shareholding of 30% for a consideration that, taken together with cumulative dividends received, represents an IRR of 16.8%.

### **Crossfin**

Crossfin invests in high growth and cash generative technology and fintech type businesses.

Merchant trading conditions were challenging in the period under review due to load shedding and reduced consumer spending. Notwithstanding these challenges, the business managed to increase the number of merchants utilising its services.

On a relative basis, Crossfin achieved strong year-on-year revenue and EBITDA growth. The business also achieved its key strategic objectives, one of which is an expansion of the Crossfin portfolio.

### **Sanlam 3<sup>rd</sup> Party Asset Management**

Sanlam and Absa announced on 1 December 2022 that all suspensive conditions have been successfully met, allowing for the implementation of the transaction that combines their investment management businesses in South Africa.

In terms of the transaction, Absa will exchange its investment management business, Absa Investments, for an interest in Sanlam Investment Holdings Proprietary Limited (SIH). Absa Investments comprises Absa Asset Management, Absa Alternative Asset Management, Absa Fund Managers and Absa Multi-Management.

With the transaction now concluded, SIH's offering to the market is expected to be significantly strengthened through enhanced scale, broadened distribution reach and an increased range of investment solutions. This is likely to increase SIH's position as one of South Africa's largest black-owned asset managers.

### **Afrocentric**

The ARC Fund's general partner has noted the corporate action that was announced by both Afrocentric and Sanlam. Shareholders are referred to the detailed SENS announcements that were issued on 11 October 2022.

### **Other**

The process of reviewing the annual management and performance fees of the ARC Fund has been completed by the fund's General Partner. Shareholders voted in favour of the reduced management and performance fees at a General Meeting held in November 2022. A detailed announcement in this respect has already been made to shareholders.

**Disclaimer**

The financial information on which this announcement is based has not been reviewed or reported on by the Company's external auditors. The Company will be reporting in more detail on its performance after the finalisation of its financial results for the six months ending 31 December 2022, which are expected to be released on SENS on or about 16 March 2023.

Ebène, Mauritius (with simultaneous circulation in Johannesburg)  
9 December 2022

**Sponsor**

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

For further information on African Rainbow Capital Investments, please visit our website at [www.arci.mu](http://www.arci.mu)