

INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

African Rainbow Capital Investments Limited
(ARC Investments/the company)
Incorporated in the Republic of Mauritius
Company number: C148430 JSE share code: AIL
A2X share code: AILJ ISIN code: MU0553S00000
LEI: 378900F086B090C6FB94

HIGHLIGHTS



Significant advances at several of the large early-stage portfolio companies:



Rain - on course for more than R2 billion EBITDA for the year ended February 2023



TymeBank - substantial organic growth, acquisition of Retail Capital and expansion into SME banking



Tyme Global – successful launch of G0tyme in the Philippines



Kropz Plc - Elandsfontein mine achieved its first bulk sales in January 2023 of c. 30 000 tonnes of phosphate



Intrinsic net asset value (INAV) was stable at R13 272 million
(30 June 2022: R13 242 million)



INAV per share decreased marginally by 1.7% to R9.88
(31 December 2021: increase of 16.8%)



Cash in the ARC Fund increased by 57% to R1 051 million
(30 June 2022: R669 million)



Debt in the Fund increased by 43% to R1 396 million
(30 June 2022: R974 million)



Major disposals finalised:

Disposal of remaining Afrimat shares for R486 million, achieving an overall internal rate of return (IRR) of 27.7%

Disposal of PayProp and Humanstate resulting in ARC Fund receiving cash amounting to R486 million and achieving an IRR of 19.7%



Major additional investments:

R490 million investment by ARC Fund in TymeBank and Tyme Global was largely to fund the acquisition of Retail Capital

Additional capital advanced to Kropz Plc amounting to R472 million



New fee structure implemented for the ARC Fund

OVERVIEW

ARC Investments has a diverse portfolio of listed and unlisted assets. ARC Investments' portfolio companies operated under strained trading conditions in the six-month period under review. The contracting economy and the continuous implementation of various stages of load-shedding, coupled with the ever-increasing pressure on consumers have negatively impacted business performance in some of our entities, as well as growth expectations. The diverse investment portfolio has, however, shown remarkable resilience against the persisting challenging macroeconomic environment.

PERFORMANCE HIGHLIGHTS

The Company's intrinsic investment value in the ARC Fund increased by 0.2% from R13 242 million at 30 June 2022 to R13 272 million at 31 December 2022. The IFRS Net Asset Value (NAV) per share decreased by 1.1% from R10.08 at 30 June 2022 to R9.97 at 31 December 2022 (31 December 2021: R10.31) due to an increase in the number of shares as a result of the performance hurdle being met at 30 June 2022. The diluted net asset value per share remained constant, as compared to 30 June 2022.

Performance analysis

for the six-month period ended 31 December 2022

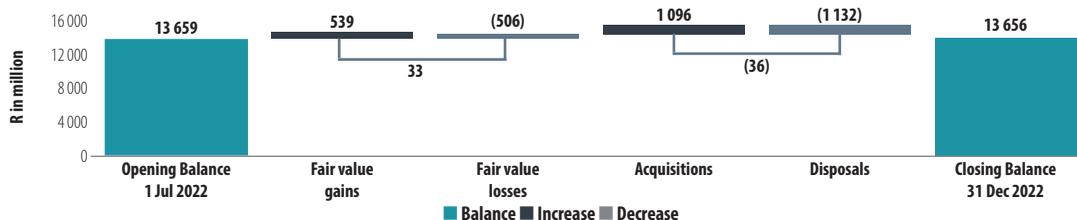
Investment in ARC Fund (R million)	Net Asset Value 30 Jun 22	Net Investment	Net Increase / (Decrease) in Net Asset Value	Net Asset Value 31 Dec 22	Percentage change
Intrinsic portfolio value	13 659	(36)	33	13 656	(0.02%)
Cash in the ARC Fund	669	399	(17)	1 051	57.10%
Debt in the ARC Fund	(975)	(363)	(58)	(1 396)	43.18%
Other net assets/(liabilities) in the ARC Fund	(111)	–	72	(39)	(64.86%)
UBI GP fee payable	(110)	–	73	(37)	(66.36%)
Other liabilities in the ARC Fund	(1)	–	(1)	(2)	100.00%
Intrinsic Investment in the ARC Fund at FVTPL*	13 242	–	30	13 272	0.23%

* FVTPL: Fair value through profit or loss

GROWTH IN INTRINSIC PORTFOLIO VALUE

The marginal decrease in ARC Investments' share in the INAV of the ARC Fund at FVTPL was due to R33 million of net fair value gains, offset by R36 million of net transactions, as depicted below.

Portfolio movement for the six-month period



NOTABLE PROGRESS IN REPOSITIONING THE PORTFOLIO

The stable portfolio value does not yet reflect all the benefits of the substantial activity that took place in the portfolio during the period. ARC Fund completed disposals of R1 132 million, which included Afrimat, Humanstate, PayProp, Capital Appreciation and Mooiplaats Coal Holdings (MCH) (which was subsidiary of ARC Services). These disposals are mainly in line with long term portfolio rationalisation and repositioning initiatives. The IRR (based on disposal profits as well as dividends) for these disposals were: Afrimat (27.7%); Humanstate and PayProp (19.7%); Capital Appreciation (12.0%) and MCH (carrying value).

ARC Fund also finalised acquisitions of R1 096 million as part of its strategy to increase the Financial Services portfolio, particularly focusing on Fintech. These transactions include additional investments in TymeBank, Tyme Global and ARCH Emerging Markets, as well as a small mining services acquisition in SMS Holdings. ARC Financial Services Investments (ARC FSI) also acquired a minority holding in Optasia, a leading provider of airtime credit services to prepaid mobile subscribers in more than 30 countries with more than 88 million monthly customers.

The adjustments to the portfolio are in line with the revised strategy that the Company announced in 2022. ARC Fund has disposed of non-core assets in its Diversified Investment portfolio, reduced its exposure to listed shares that can be acquired directly in the market, and bulked up the Financial Services portfolio through bolt-on acquisitions and synergistic transactions in the current portfolio, as well as an increased Fintech exposure. As a result of these transactions, Mining exposure has decreased from 14.2% to 11.7% of the ARC Fund and Property has continued to reduce steadily. At the same time, exposure to future-focused growth areas has increased notably. The Other Investments portfolio increased from 11.7% to 14.8%, Agriculture increased from 3.3% to 3.9% and the Financial Services' weighting increased from 28.3%, to 30.9% in the current period. The unlisted portion of the Fund that is only accessible through ARC Investments, has grown to 88% of the portfolio.

The efforts of streamlining the portfolio, reducing concentration in the mining sector, combined with the fact that over 69% of the portfolio has reached break-even or is in a mature business stage, as well as the reduced management and performance fee, should contribute towards closing the gap between the intrinsic and market values.

Fees for the six-month period

UBI General Partner's (The General Partner) fee structure review was finalised and approved at the Annual General Meeting during November 2022, with an effective date of 1 July 2022. The approved fee structure is based on the General Partner charging actual cost plus a 5% markup. The management fee for the six-month period ended 31 December 2022 was R37 million, as compared to R115 million on 31 December 2021.

The Company did not recognise any provisional performance amount in terms of IFRS 2, as the Adjusted Annualised Growth in the Company's share in the IPV of the ARC Fund for the period of 0.5% was below the 10% performance participation hurdle.

DIVERSIFIED PORTFOLIO SUPPORTS RESILIENT PERFORMANCE

ARC Fund's key underlying investments generated strong performance and progress towards profitability was accelerated at several of the ARC Fund's pre-break-even portfolio companies.

Rain - 26.6% of Fund Value – The valuation of the Company's interest in Rain has remained unchanged at R3 635 million. The sector outlook remains positive after the successful spectrum auction and the potential consolidation of market players. Rain is well positioned as a low-cost data provider that already has spectrum in contested areas. The acquired spectrum will allow Rain to improve its coverage at a comparatively low cost. Rain also plans to soon launch a mobile service, utilising the newly acquired spectrum. Demand and sales have remained robust. Rain is on course to achieve an EBITDA of over R2 billion for the year ended February 2023, after considering IFRS 16 adjustments as is industry practice.

TymeBank - 14.1% of Fund Value – TymeBank remains a leading digital bank with 6.2 million customers as at 31 December 2022. TymeBank and The Foschini Group (TFG) launched a partnership which installed 600 kiosks across 22 TFG brands, almost doubling TymeBank's distribution across South Africa. In the period under review, TymeBank acquired Retail Capital to support TymeBank's business banking offering. The valuation of TymeBank was adjusted at 31 December 2022 to reflect the Series B3 capital raise that was concluded to fund the acquisition of 100% of Retail Capital. ARC Fund contributed \$30 million of the \$60 million capital raise, hence its shareholding remains at just over 50%. The Company's effective investment in TymeBank, through the ARC Fund and ARC Financial Services Holdings (ARC FSH), is R1 924 million.

Kropz Plc - 10.1% of Fund Value – The ARC Fund invested an additional R472 million into Kropz Plc during the period. The capital was largely used to fund an operational cash shortfall at Elandsfontein resulting from a delay in the ramp-up of operations. The ARC Fund's investment value was estimated at R1 374 million at 31 December 2022 (30 June 2022: R1 028 million). The Elandsfontein plant achieved its first bulk sales in January 2023 of c. 30 000 tonnes of phosphate. Plant throughput and quality continue to show a steady improvement. Substantial work has been done to gain a better understanding of the ore body and variability and as a result of that, the Mineral Resource Estimate was updated. Total phosphate resources at Elandsfontein increased to 106.58 million tonnes and the grade improved, while the total Measured and Indicated resource tonnage reduced by approximately 76%. Kropz Plc indicated that while the downgrade of the Measured and Indicated resource is disappointing, the increased level of confidence will allow for accurate and efficient mine planning. Continued drilling planned for the year ahead will further increase confidence and support an increase in reserve tonnes. A potential project is being investigated at Cominco to prove the concept and mitigate country risk. The ARC Fund continues to engage with the Congolese government on the strategic plan for the asset.

Alexforbes - 7.5% of Fund Value – The Company's effective investment in Alexforbes increased from R963 million at 30 June 2022 to R1 029 million at 31 December 2022. An increase in the share price resulted in a net fair value gain of R66 million being recognised.

Tyme Global - 5.1% of Fund Value – During the period, Tyme Global successfully launched its digital bank, G0tyme in the Philippines with its partner, JG Summit. The fair value of the Tyme Global investment was adjusted to reflect the post-money value of the recently closed capital raise, resulting in a 39% increase in fair value through the ARC Fund and ARC FSH to R696 million. The prospects of Tyme Global and the thesis around building a multi-country digital bank at scale are starting to come to fruition.

ARC Investments - 4.3% of Fund Value – During the period under review, the value of ARC Fund's effective investment in ARC Investments reduced from R700 million at 30 June 2022 to R587 million at 31 December 2022, due to a decline in the share price.

INCREASED CASH, FUNDING AND DIVIDENDS

Cash in the ARC Fund increased by 57% to R1 051 million (30 June 2022: R669 million), providing valuable liquidity to support further acquisitions. Debt in the ARC Fund increased by 43% to R1 396 million (30 June 2022: R974 million). The Company's effective share in dividend income for the period under review increased by 30% to R79 million in six month period ended 31 December 2022, as compared to December 2021.

EVENTS AFTER REPORTING PERIOD

Kropz Group – The ARC Fund advanced an additional R126 million loan to fund operating cash shortfalls at Elandsfontein.

ARC Services – ARC Services paid R94 million preference share dividends.

Rand Mutual Holdings – ARC FSI disposed of its 30% shareholding in Rand Mutual Holdings for R726 million that, taken together with cumulative dividends received, represents an IRR of 16.8%. The proceeds were received after the reporting period.

Capital Legacy – Sanlam's investment in Capital Legacy was recently announced. The transaction is still subject to regulatory approvals, including Competition Commission approval.

GOVERNANCE

ARC Investments is managed and controlled in Mauritius by an experienced, multi-national Board of Directors (the Board), of which the majority are independent. The Board has final oversight and responsibility in respect of ARC Investments' business, strategy and key policies, including the investment in the ARC Fund. There are no executive directors on the Board of ARC Investments. ARC Investments is the only Limited Partner in the ARC Fund. It plays no role in the management or investment decisions of the ARC Fund.

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/2023/JSE/ISSE/AILE/IRresults23.pdf> and the ARC Investments' website <https://arci.mu/investor-relations/#sens> on 16 March 2023. 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.

16 March 2023

Èbène, Mauritius (with simultaneous circulation in Johannesburg)

Mark Cyril Olivier
Chairman of the Board

Clive Msipha
Chairman of the Audit and Risk Committee

Karen Bodenstein
Chief Financial Officer

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