

ANNUAL FINANCIAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2024

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

HIGHLIGHTS

Financial performance:

- Intrinsic net asset value (INAV) increased by 21.5% to R18 616 million (30 June 2023: R15 328 million), comprises essentially an increase in equity through a rights issue of R750 million and a net gain of R2 671 million.
- INAV per share increased by 8.5% to R12.38 (30 June 2023: R11.41) in a sluggish economy.
- Debt in the Fund increased by 17.1% to R1 726 million (30 June 2023: R1 473 million).

Significant advances in several early-stage assets leading to a maturing portfolio

- Over 80% of the portfolio is now contributed by mature and high growth investments.
- TymeBank achieved break-even in the month of December 2023, sustained profitability is expected in the coming months and it generated fair value gains of R1 181 million.
- Linebooker achieved break-even and generated fair value gains of R79 million.
- Rain meets its economic and customer service related targets, generating R2.5 billion EBITDA, resulting in fair value gain of R598 million.

Considerable synergy realisation through collaboration within the financial services ecosystem

- The integration of the Sanlam 3rd Party Asset Management and Absa Asset Management resulted in substantial scale benefits and cost savings.
- Sanlam and Alexforbes collaborations led to a substantial reduction of cost per member and improved client experience and capital management.
- Sanlam and Capital Legacy transactions drive value by leveraging off a strong balance sheet and an enhanced distribution capacity.
- Successful integration of Retail Capital into TymeBank and Retail Capital launched with GOtyme in the Philippines.

Portfolio pivot towards high-growth technological innovation

- High growth businesses contributing 54% of the portfolio.
- TymeBank – 11.8% growth to 9.5 million customers and increased activity levels per customer.
- Tyme Global – grew customer base to 3.6 million within 18 months of launching GOtyme in the Philippines.

Major additional investments:

- Additional investment in Rain and Tyme Group of R126 million and R169 million, respectively.
- Additional investment in ARCH Emerging Markets of R161 million.
- Investment of R143 million in ARCI shares, benefiting from the considerable discount compared to net asset value.
- Continued support of Kropz amounting to R602 million.

Overview

ARC Investments has a diverse portfolio of listed and unlisted assets valued at R20.2 billion. Several key factors impacted the ARC Fund portfolio during the period under review, both positive and negative. The national election and establishment of the Government of National Unit (GNU), lower inflationary pressures and reduced levels of load shedding have provided some reprieve and diminished the uncertainty faced in June 2023. However, the prevailing high interest rate, high unemployment rate, falling levels of consumer spending and volatile foreign exchange environment created challenging trading conditions for some of our portfolio companies. The diverse investment portfolio of ARCI has, however, shown remarkable resilience against this challenging macroeconomic environment.

Performance highlights

The Company's intrinsic investment value in the ARC Fund increased by 21.5% from R15 328 million at 30 June 2023 to R18 616 million at 30 June 2024.

The IFRS Net Asset Value (NAV) per share increased by 7.9% from R11.44 at 30 June 2023 to R12.34 at 30 June 2024. The lower increase in NAV per share was as a result of the increase in the number of shares through the right issue and performance participation.

Performance analysis for the year ended 30 June 2024

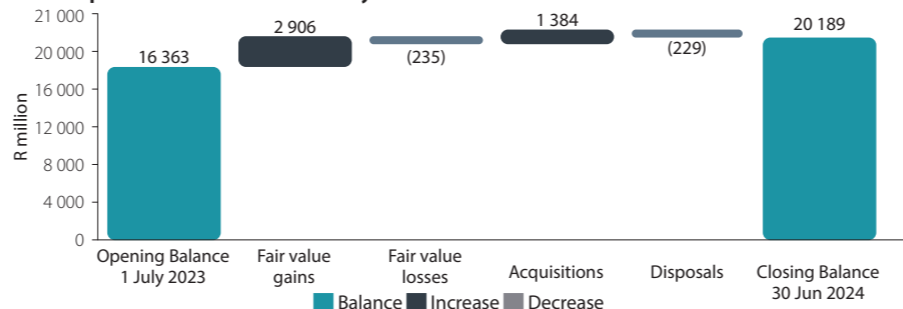
Investment in ARC Fund	Net Asset Value 30 Jun 23	Net Investment	Net Increase/ (decrease) in Net Asset Value	Net Asset Value 30 Jun 24	Percentage change
Intrinsic portfolio value	16 363	1 155	2 671	20 189	23.4%
Cash in the ARC Fund	500	(1 096)	759	163	
Debt in the ARC Fund	(1 473)	(59)	(193)	(1 725)	
Other net assets/(liabilities) in the ARC Fund	(62)	–	51	(11)	
UBI GP fee payable	(61)	–	6	(55)	
Other liabilities in the ARC Fund	(1)	–	45	44	
Intrinsic Investment in the ARC Fund at FVTPL*	15 328	–	3 288	18 616	21.5%

* FVTPL: Fair Value Through Profit or Loss

Growth in intrinsic portfolio value

During the year under review, ARC Investments, through the ARC Fund, effectively made acquisitions and disposals amounting to R1 384 million and R229 million, respectively, as depicted below.

Intrinsic portfolio movement from 1 July 2023 to 30 June 2024



Significant advances in several early-stage assets leading to a maturing portfolio

One of the most pleasing aspects of this year's results has been the strong progress made at several of the Fund's early-stage assets, with both Tyme Bank and Linebooker achieving breakeven, Rain generating R2.5 billion EBITDA, and Philippines-based GOtyme reaching a record 3.6 million customers within 18 months. Over 80% of the portfolio now comprises mature and high-growth investments, which will continue to improve earnings visibility in the future.

ARC Fund invested a further R1.38 billion in its current portfolio and disposed of R229 million of investments during the year. As a result of these transactions, Financial Services exposure has increased to 33% of the portfolio, and the unlisted portion of the Fund, which is only accessible through ARC Investments, has grown to 88% of the portfolio.

Management fees

The management fee for the year ended 30 June 2024 was R112 million, relative to R98 million for the 2023 financial year. The performance participation hurdle has been met in the current year. Consequently, a performance participation provision amounting to R154 million (30 June 2023: R122 million) has been recognised in terms of IFRS2.

Portfolio diversification supported resilient performance

Most of the ARC Fund's key underlying investments generated strong performance and progress towards profitability was accelerated at several of its early-stage portfolio companies.

Rain – 26% of Fund Value – Rain ranked first as the top-performing operator in the DataEQ/PwC Telecommunications Industry Index 2023. The company secured the number one position in both operational performance and public net sentiment, making it the only operator in the industry with a positive net sentiment. This achievement establishes Rain as South Africa's most liked network provider. The introduction of rainOne, along with the 101™ 5G router, has significantly boosted Rain's growth. This, coupled with the business having moved beyond its most significant period of net cash outflows, has been a key factor in the increase in fair value of Rain's investment. In July 2024, Rain launched its standalone 4G mobile service and it continues to expand its coverage in various towns and major metros nationwide and achieved its budgeted EBITDA of R2.5 billion for the year ended February 2024. Rain has solidified its position as an affordable data and mobile service provider and continues to experience substantial subscriber growth. While risks persist, Rain is well-positioned to manage them and further establish itself as a trusted brand in South Africa. As of 30 June 2024, the valuation of the ARC Fund's shareholding in Rain increased by R598 million from June 2023, taking into account acquisitions of an additional R126 million.

Tyme Group- 19.4% of Fund Value

TymeBank is a leading digital bank with the largest cash-in and cash-out network in South Africa, thanks to its extensive retail partnership network with Pick n Pay, Boxer, and The Foschini Group (TFG). TymeBank has shown strong customer acquisition, surpassing the 9.5 million customer milestone this year with increasing activity per customer. Deposits have grown by 59% to R6.5 billion, and merchant credit advances have risen to R1.8 billion. The full range of banking products offers excellent value to customers, giving the bank many levers for growth. The operational leverage provided by technology is clear - net operating income tripled year-on-year while costs increased by 10%. TymeBank reached breakeven in December 2023, and sustained profitability is expected in the coming months.

Tyme Global is a holding company based in Singapore. It is the platform through which multi-country banks are being launched. GoTyme in the Philippines was launched in November 2022. By June 2024, GoTyme had achieved a milestone of 3.58 million customers. The growth trajectory of the model is strong, with activity rates exceeding those of South Africa and deposits growing faster than anticipated. The Retail Capital Merchant Cash Advance product was introduced in November 2023, and in June 2024, GoTyme Bank acquired Savii, a payroll lender in the Philippines, to leverage the growing deposit base. The bank is expected to reach profitability in Q4 of 2025. In Vietnam, the third country in the expansion plan, the merchant cash advance product is being piloted as the company progresses through the contracting stages with in-country partners.

Kropz Plc – 12.1% of Fund Value - Kropz Plc is an emerging African phosphate developer that owns two phosphate assets, Elandsfontein on the West Coast of South Africa and Cominco in the Republic of Congo. The fundamentals of the fertiliser and phosphate markets remain robust, driven by the strategic need to feed a growing global population from limited agricultural resources. The value of Elandsfontein and Cominco at 30 June 2024 was determined using a discounted cash flow model and amounted to R2 437 million (30 June 2023: R1 919 million).

While Elandsfontein has proven its ability to produce saleable phosphate rock, performance has been inconsistent. The variability of the ore deposit complicates processing and continues to create problems for operational stability. Elandsfontein has yet to achieve break-even production volumes. The ARC Fund continued supporting the project and injected an additional R602 million of capital into Kropz over the period. Much of this capital was used to repay debt owed to external parties.

Cash and funding

Cash in the ARC Fund decreased to R163 million (30 June 2023: R500 million). Debt in the Fund increased to R1 726 million (30 June 2023: R1 473 million) underpinned by a maturing portfolio and, as noted below, a growing partnership in financial services with Sanlam. In this respect, the Company's effective share of dividend income for the period under review decreased to R152 million (June 2023: R154 million).

Events after reporting period

Kropz Group: Subsequent to year-end, the ARC Fund advanced an additional R140 million loan to Kropz Elandsfontein from a new R140 million loan facility that was approved in July 2024.

Kropz Group restructuring: Kropz Plc is the process of implementing a restructuring of the Kropz Group. As part of the restructuring exercise, intercompany debt and certain loans between Kropz Plc, its subsidiaries and the ARC Fund are being converted to equity and new convertible loan notes.

In addition, Kropz Plc is undertaking fundraising to provide Kropz Elandsfontein with additional funds to progress the ramp-up of operations, start early works at Cominco, and settle the maturing external debt, for further detail refer to [kropz.com](https://www.kropz.com).

Rain: The ARC Fund made an additional investment of R160 million in Rain during August 2024. The shares were acquired from another shareholder.

RMB Credit Facility: The ARC Fund amended its Credit Facility with RMB during August 2024. The facility increased from R1.5 billion to R2 billion and will mature during August 2027. R300 million was drawn from the amended facility during August 2024.

ARC FSH agreement was signed on 30 August 2024, which resulted in Sanlam Life acquiring a 25% interest in ARC FSH for a cash consideration of R2.4 billion and disposal of its 25% shareholding in ARC FSI, with a value of R1.5 billion, to ARC FSH in exchange for shares to the same value in ARC FSH. Refer to the [SENS announcement](#) published on 02 September 2024.

ARC Fund agreed to sell its shares in Tyme Group to ARC FSH. Following completion of the transactions, the ARC Fund will receive R1.3 billion in cash.

ARC FSH paid R136 million as part of its second tranche of the Tyme Group Series C+ Capital raise at the end of July 2024.

Level of assurance

PricewaterhouseCoopers, ARC Investments' independent auditors, have audited the full annual financial statements of the Company for the year ended 30 June 2024 and expressed an unmodified opinion thereon. This opinion is available, along with the annual financial statements on the Company's website at <https://arci.mu/investor-relations/#sens> on 16 September 2024 and also available for inspection at the Company's registered office.

Governance and leadership

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 for 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 sole Limited Partner in the ARC Fund and does not play any role in the management or investment decisions of the ARC Fund.

The directors of ARC Investments take full responsibility for the preparation of this short-form announcement and the financial information has been correctly extracted from the underlying full audited annual financial statements. Any forecast financial information contained in this announcement is the responsibility of the directors and has not been reviewed or reported on by the external auditors.

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 annual financial statements and does not contain full or complete details. This announcement has not been reported on nor reviewed by the external auditors. Any investment decision by investors and/or shareholders should be based on consideration of the full annual financial statements that were released on the JSE Cloudlink at <https://senspdfjse.co.za/documents/2024/JSE/ISSE/AILE/FY2024AFS.pdf> and the ARC Investments' website <https://arci.mu/investor-relations/#sens> on 16 September 2024. This short-form announcement contains no additional information that does not appear in the full annual financial statements released on SENS. The full annual financial statements are available for inspection at the registered office¹ and designated office² of ARC Investments at no charge during normal business hours. Copies of the full announcement may be requested by email from investors@arci.mu.

Results webcast and presentation

Shareholders and other interested parties are invited to join management in discussing ARC Investments' annual results via webcast at 12:00m SAST on Monday, 16 September 2024, at the following link: <https://www.corpcam.com/ARC16092024>.

16 September 2024

Ebène, Mauritius (with simultaneous circulation in Johannesburg)


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Clive Msipha

Chairman of the Audit and Risk Committee


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