

African Rainbow Capital Investments Limited
(Incorporated in the Republic of Mauritius)
(Registration number C148430)
JSE and A2X Share code: AIL
ISIN: MU0553S00000
("ARC Investments")

PROPOSED ACQUISITION OF A 25% INTEREST IN AFRICAN RAINBOW CAPITAL FINANCIAL SERVICES HOLDINGS PROPRIETARY LIMITED BY SANLAM LIFE INSURANCE LIMITED ("Sanlam Life")

1. Introduction

The board of directors of African Rainbow Capital Investments ("ARCI") (the "**ARC Investments Board**") is pleased to announce the entry into definitive transaction agreements on 30 August 2024, which will result in Sanlam Life acquiring a 25% interest in African Rainbow Capital Financial Services Holdings Proprietary Limited ("**ARC FSH**"), subject to the fulfilment of certain suspensive conditions ("**the Proposed Transaction**").

The Proposed Transaction entails:

- (i) Sanlam Life subscribing for ordinary shares in ARC FSH for a cash consideration of R2,413 million ("**Subscription Transaction**"); and
- (ii) Sanlam Life disposing of its 25% interest in ARC Financial Services Investments Proprietary Limited ("**ARC FSI**"), with a value of R1,492 million, to ARC FSH in exchange for the issue by ARC FSH of ordinary shares to the value of R1,492 million to Sanlam Life ("**Asset for Share Transaction**").

ARC FSH is the investment holding company for all the financial services investments of ARCI via the ARC Fund, an en commandite partnership with UBI General Partner Proprietary Limited ("UBI GP") being the general partner. ARC FSH, together with its existing investments in Tyme Bank, AI Fund, CrossFin and Ooba ("ARC FSH Assets"), is currently owned 50.1% by African Rainbow Capital Proprietary Limited ("**ARC**") and 49.9% by the ARC Fund. In addition to the ARC FSH Assets, ARC FSH also owns 75% of ARC FSI and Sanlam Life currently owns the remaining 25% interest in ARC FSI.

ARC and UBI GP are wholly owned subsidiaries of UBI. UBI is, for the purposes of the JSE Listings Requirements, a material shareholder in Sanlam and, accordingly, is a related party of Sanlam.

2. Rationale for the Proposed Transaction

UBI is Sanlam's strategic empowerment partner and, in this context, ARC and Sanlam partner in certain specific strategic initiatives in the financial services sector within South Africa, towards delivering better customer propositions, increasing competition as well as promoting financial inclusion. In furtherance of this objective, Sanlam

acquired a 25% non-controlling minority stake in ARC FSI in 2021, which has allowed Sanlam to benefit from the growth of the ARC FSI portfolio, strengthen its market presence in South Africa and expand on its financial inclusion imperative.

The Proposed Transaction is a natural extension of Sanlam's existing interest in ARC FSI. Sanlam will continue to explore ways to collaborate strategically, with ARC FSH and its portfolio investments to enhance competition and to assist Sanlam in providing holistic and integrated product offerings to its clients.

3. Consideration

Sanlam Life shall acquire 25% of the issued share capital of ARC FSH by way of:

- (i) the payment of a cash subscription consideration of R2,413 million under the Subscription Transaction, and
 - (ii) the disposal of its 25% shareholding in ARC FSI, with a value of R1,492 million, to ARC FSH in exchange for shares to the value of R1,492 million in ARC FSH under the Asset for Share Transaction,
- (collectively, the "**Consideration**").

Should the Proposed Transaction not be implemented by 31 August 2024, the Consideration will increase at the prime interest rate from 1 September 2024 to the effective date of the Proposed Transaction ("**Effective Date**").

4. Key terms of the Proposed Transaction

The Proposed Transaction is subject to the following suspensive conditions, namely:

- (i) the new ARC FSH memorandum of incorporation being filed at the Companies and Intellectual Property Commission; and
- (ii) the prescribed notice in terms of section 158(4)(b) of the Financial Sector Regulation Act, 9 of 2017 being filed with the Prudential Authority and the Prudential Authority having confirmed in writing to note the filing.

The definitive transaction agreements to give effect to the Proposed Transaction contain warranties and indemnities customary for a transaction of its nature. The definitive transaction agreements also include a shareholders' agreement in respect of ARC FSH, which incorporates reserved matters in respect of which ARC FSH shareholders will need to agree, customary pre-emptive rights and deemed offer provisions.

Sanlam Life will pay to ARC an outperformance fee based on the extent to which the value of ARC FSH's investment in Tyme Investments Pte Limited (Asia) as at 30 June 2028 exceeds an annual hurdle rate of 14.64%. The outperformance fee (inclusive of VAT) will be capped at R70 million.

Prior to the implementation of the Proposed Transaction, ARC FSH will acquire all of the shares of Tyme Bank and Tyme Asia Holdings held directly by the ARC Fund for a cash consideration of R536m.

5. Independent fairness opinion

In terms of paragraph 10.7 of the JSE Listings Requirements, the Proposed Transaction is categorised as a small related party transaction for Sanlam.

Accordingly, the Sanlam Board is required to provide the JSE with written confirmation from an independent professional expert confirming that the terms of the Proposed Transaction are fair insofar as Sanlam shareholders are concerned (the “**Fairness Opinion**”).

The Sanlam Board appointed Deloitte & Touche Financial Advisory (“**Deloitte**”) as independent professional expert to provide it with the Fairness Opinion. Deloitte has furnished an opinion to the Sanlam Board confirming that the terms of the Proposed Transaction are fair insofar as Sanlam shareholders are concerned. This opinion has been provided to the JSE.

6. Financial information and effects of the Proposed Transaction on ARCI shareholders

Following the conclusion of the Proposed Transaction:

- ARC FSH will hold 100% of the shares in ARC FSI together with its existing investments in Tyme Bank, AI Fund, CrossFin and Ooba (“ARC FSH Assets”). ARC FSH will be owned 37.6% by ARC, 37.4% by the ARC Fund and 25% by Sanlam Life;
- ARCI’s effective interest in the ARCH FSH Assets will be diluted from 49.9% to 37.4%. In return the ARC Fund will receive net cash of approximately R800 million after a portion of the cash proceeds from the sale is retained in ARC FSH to reduce debt; and
- there is no dilution in relation to ARCI’s effective interest in ARC FSI and its portfolio of assets.

In terms of ARC FSH’s unaudited financial statements for the six months ended 31 December 2023 (prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities):

- ARC FSH’s profit after tax amounted to R1,808 million; and
- ARC FSH’s net asset value amounted to R11,991 million, including its 75% interest in ARC FSI.

In terms of ARC FSI’s unaudited financial statements for the six months ended 31 December 2023 (prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities):

- ARC FSI's profit after tax amounted to R610 million; and
- ARC FSI's net asset value amounted to R5,124 million.

The ARCI Board confirms that it is satisfied with the quality of the financial information as it relates to the unaudited interim financial statements referred to above.

7. Effective Date

The Effective Date will be dependent on the fulfilment of the suspensive conditions to the Proposed Transaction. The longstop date of the Proposed Transaction is 31 October 2024.

Ebene, Mauritius (with simultaneous circulation in Johannesburg)
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JSE Sponsor
Deloitte & Touche Sponsor Services Proprietary Limited

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