

African Rainbow Capital Investments Limited
(Incorporated in the Republic of Mauritius)
(Registration number C148430)
JSE and A2X 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 on the Company's progress on strategic matters and a performance overview of the significant investments in the ARC Fund for the first quarter of the 2025 financial year, being the 3 months to 30 September 2024.

This announcement also includes commentary on significant developments to the end of October 2024.

MACRO ENVIRONMENT

South Africa's post-election business landscape is marked by cautious optimism, with increased investor interest tempered by uncertainty surrounding policy direction under the newly formed government of national unity. While significant economic challenges persist, recent interest rate cuts and growing political stability signal potential for improved consumer spending and business confidence. However, tangible benefits are likely to emerge gradually rather than immediately.

DIVERSIFIED INVESTMENTS PORTFOLIO

rain

Rain has reported a successful quarter marked by significant growth in mobile customers, fueled by the popularity of its rainOne and rain mobile offerings. This success is further underscored by a major network upgrade to Huawei's Apollo 5.5G, boosting performance and capacity. Additionally, rain expanded its connectivity options with new offerings, including the 101 pro and 101 xtender, providing customers with more choices. These achievements highlight rain's continued growth and momentum in the telecommunications market.

Kropz Plc (Kropz)

Kropz continues making progress at both Kropz Elandsfontein and Cominco. Production at Kropz Elandsfontein was slowed to reduce operational costs and losses as process modifications are implemented. Kropz Elandsfontein expects these modifications to result in production efficiencies as early as December 2024. Kropz Elandsfontein produced 69 532 tonnes of phosphate over the quarter.

The ARC Fund injected an additional R140 million in capital during the quarter. After 30 September 2024, the ARC Fund injected an additional R270 million as part of restructuring and capital raise transactions of the Kropz Group.

Bluespec

The Bluespec Group continues to be a strong performer within the business process outsourcing (BPO) pillar of the ARC Fund with strong financial performance across the various business units within the Group. The Group is performing in line with the high growth budgets set by the board. The Weelee business is growing, with successful marketing campaigns launched and monthly sales volumes increasing. The Group continues to deploy technology to drive efficiencies across all operations and increased financial performance. This has led to strong cash flow generation, increased dividend payouts, and shareholder returns. We expect strong growth into the medium term with new product and service offerings, and we believe the management base is strong and highly competent to execute the growth strategy successfully.

Relations with all customers and relevant stakeholders continue to improve. The Group has maintained its B-BBEE Level 1 and implemented various strategies to complement strong corporate governance in line with best practice.

Upstream

Consumer Friend, the biggest business unit in the Upstream Group, took two prestigious awards at this year's Debt Review Awards. These awards recognise the Group's unwavering commitment to supporting consumers in managing their debts and achieving financial stability.

As we review the financial performance of the Upstream Group for Q2 2025, we observed contrasting results among the individual companies, which reflects the diverse conditions within the debt recovery industry. Overall, the Group reported a 13% increase in EBITDA compared to Q2 2024, attributable to a 7% increase in Group revenue and a 2% reduction in expenses, the latter attributable to cost containment strategies implemented by the Group.

The Group delivered a solid performance this period, marked by healthy operating margins, well-managed expenses, and strong liquidity. This robust financial position allows for continued investment in key growth strategies currently being implemented. Notably, "Active Accounts" reached a record high, showing an 8.96% increase compared to the previous quarter. While we anticipate challenges in the coming quarters due to the prevailing economic climate, we remain confident in our ability to navigate these headwinds and deliver continued growth.

Agri portfolio

Despite navigating a challenging economic environment with rising costs and logistical constraints impacting some business units, the Agri portfolio's overall financial performance remains in line with projections.

RSA Group celebrated its 40th anniversary this year. Over the past four decades, the business has been pivotal in developing South Africa's fresh produce industry, fostering trade, and creating opportunities across the value chain.

Looking ahead, ARC and the various executive management teams are focused on optimising operational efficiency and profitability. This includes restructuring initiatives, strategic partnerships, and a commitment to expanding market share through increased footprint, product diversification, and digital innovation. Furthermore, the group remains dedicated to increasing sustainable access to food and enhancing food security.

FINANCIAL SERVICES PORTFOLIO

TymeBank

Tyme Group continues its strong growth trajectory, with 14.4 million customers across TymeBank (10m) and GoTymeBank (4.4m) as of September 30, 2024. The average activity rate is 74% across these customers, including transactional activity and deposit balances. TymeBank achieved sustainable profit levels at 30 September 2024, while GoTymeBank continues to track in line with its key metrics. The acquisition of Savii, a Philippine payroll lender, has been finalised and integration is underway. Further strengthening its leadership, TymeBank appointed Karl Westvig, former CEO of Retail Capital, as its new CEO effective October 1st 2024. TymeBank continues to grow its lending book within well-defined risk parameters. TymeBank's deposit base continues to grow, with notable growth in the fixed deposit product in line with expectations. Tyme Group is now pursuing a Series D capital raise to enhance the profitability of the existing operations and fuel expansion into new markets.

ooba

Ooba is experiencing a marked increase in home loan applications following the recent interest rate cut. This positive trend is reflected in key metrics exceeding budget expectations, including average daily application intake, average bond size, and conversion rates. October bond production increased significantly, up 18.7% compared to the same period last year and 26.8% compared to the previous month.

This strong performance positions ooba for continued success, with the existing business on track to meet budget targets. Moreover, management remains focused on executing growth strategies and leveraging synergies within the ARC network to capitalise on this positive momentum.

Crossfin

Crossfin achieved a significant milestone this past quarter with the successful sale of its portfolio company, Adumo, to Lesaka Technologies for R1.6 billion. This transaction resulted in ARC acquiring shares in Lesaka Technologies.

Furthermore, Crossfin delivered strong year-on-year performance, with notable increases in both revenue and EBITDA. We anticipate this positive trend to continue, driven by an expected upswing in merchant transaction activity in Q4.

Despite muted business confidence and economic pressures impacting consumer spending, which led to lower-than-anticipated growth across our merchant acquiring platforms, we remain optimistic. With improving national sentiment and anticipated economic recovery, we expect a corresponding improvement in platform performance going forward.

Capital Legacy

Capital Legacy, South Africa's leading estate administrator, continues its impressive growth trajectory despite challenging economic headwinds. The company's unique estate administration insurance product sets it apart in the market, and its recent strategic moves have further solidified its position. Following a 26% investment from Sanlam and the acquisition of Sanlam Trust, Capital Legacy has bolstered its resources and is now leveraging this enhanced capacity to drive new business growth. This partnership with Sanlam is yielding significant results, and Capital Legacy remains committed to exploring the considerable growth opportunities it presents.

Disclaimer

The financial information on which this announcement is based has not been reviewed or reported on by the Company's external auditors.

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