

RMB Holdings Limited (RMH)
(Incorporated in the Republic of South Africa)
Registration number: 1987/005115/06
JSE ordinary share code: RMH
ISIN code: ZAE000024501
Sector: Financials
ICB Sector: Diversified financial services

AUDITED SUMMARY FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

ABOUT RMH

RMH is a JSE Limited (JSE) listed investment holding company with a track record of investing in disruptive and entrepreneurial businesses, complemented by innovative corporate actions.

We seek to instil the values and ethos that have defined the successes of RMH and Rand Merchant Investment Holdings Limited (RMI) to date.

True to the ethos of partnership, RMH played a significant role in the establishment and growth of some of South Africa's most iconic financial services businesses, including FirstRand, Discovery and OUTsurance. In 2011, RMH's insurance interests (Discovery, Momentum Metropolitan and OUTsurance) were separately listed as RMI. RMI recently unbundled its interests in Discovery and Momentum Metropolitan. This is in alignment with the approach to liberate investments at the appropriate stage in their life cycle and to achieve the best value reflection.

In 2016, RMH expanded its investment strategy to include a property investment business (RMH Property). RMH Property partnered with entrepreneurial management teams with proven track records in developing and managing unlisted property. RMH Property is RMH's most significant remaining asset following the unbundling of RMH's investment in FirstRand in June 2020.

PERFORMANCE AND OUTLOOK

External environment

RMH's macroeconomic environment is characterised by the following:

- | | |
|---|--|
| Invasion of Ukraine and its effect on the world economy | <ul style="list-style-type: none">- Russia's invasion of Ukraine has resulted in extreme commodity price swings that will have a profound impact on the global economy over the short term.- Russia is a major oil and gas producer. The oil price continues to spike as buyers shunned Russian oil in protest against the Ukraine invasion. Coal prices rose sharply due to concern over Russian coal supplies.- Russia and Ukraine combined are responsible for more than 25% of global wheat exports. Amid concerns over disruption of both harvesting and exports, global wheat prices have surged.- Belarus, one of the world's largest producers of potash, a key input in fertiliser, was hit by severe sanctions for supporting Russia's war efforts. Grain and fertiliser prices will push already record-high global food prices even higher.- The additional upward pressure on inflation will squeeze household purchasing power across the globe, especially in the Euro Zone and the UK where gas forms an important part of the energy mix.- Escalation and expansion of Russian aggression and the resultant economic sanctions can have a lasting and dramatic effect on the world economy in the medium to long term. |
| South African economy | <ul style="list-style-type: none">- While coal exports generate significant export revenue for South Africa, this will not adequately counter the inflationary impact of higher fuel and food prices.- After the third and fourth COVID-19 waves, brought on by the Delta and Omicron variants, respectively, and the riot-induced quarterly GDP decline in the third quarter of 2021, real GDP growth is estimated at 2.2% in 2022, with output and employment expected to remain well below pre-pandemic levels until 2023.- Structural constraints and the slow pace of economic reforms are likely to continue to constrain medium-term economic growth but the expectation is that partnerships across government, the private sector and civil groups will facilitate a turnaround in the medium to long term. |
| COVID-19 | <ul style="list-style-type: none">- South Africa's vaccination programme got off to a slow start, but vaccines are now readily available. Vaccine hesitancy remains a challenge to reaching government vaccination targets.- It is expected that COVID-19 will be with us for some time yet, although vaccinations and the development of effective treatment protocols are expected to, over time, ameliorate the effects. |

Recovery in Europe

- GDP in Serbia is expected to expand by 3.9% in 2022 and 3.9% in 2023, however, the war in Ukraine will weigh on activity. Exports of goods and services will moderate due to sanctions placed on Russia, dragging on the tourism and trade sectors, while higher commodity prices fuel inflation. This will hamper household consumption, despite a tightening labour market and solid wage growth.
- GDP in Cyprus is expected to grow by 3.0% in 2022 and 3.2% in 2023. The all-important tourism sector will be impacted by decreased arrivals from its key Russian market, while increasing inflation bodes ill for domestic demand. More positively, a tighter labour market should soften the downturn in household spending growth.
- The economy in Romania is forecast to grow by 3.3% in 2022 and 4.2% in 2023. Economic growth this year is projected to decelerate from last year's rally due to a fading base effect and the fallout from the war, though renewed government spending and EU-backed investments should support activity. Persistently higher energy and food prices, new COVID-19 variants and a potentially slower-than expected absorption of EU funds cloud the outlook for 2022.

Climate change

- Climate-related weather events and cyberattacks continue to be key risks.
- Severe weather events are expected to become more frequent and increase in severity in the coming decade. Momentum of climate change action and ESG disclosures are growing.

Financial performance

The post-COVID-19 macroeconomic recovery has been slow. Further uncertainty has been introduced by Russia's invasion of Ukraine.

RMH's net asset value increased by 12% from R3 493 million (excluding cash retained for the special dividend) at 31 March 2021 to R3 910 million at 31 March 2022. The biggest contributor was the recovery of property valuations as a result of the COVID-19 cap rate penalty being removed by external valuers in Eastern Europe. This led to an increase in valuations of investment properties of R543 million (2021: loss of R22 million). The net increase was offset by the strengthening of the Rand/Euro exchange rate over the period, contributing a loss of R204 million (2021: loss of R243 million). The operating performance of the underlying RMH Property investees remained buoyant in the context of the current operating environment, showing some improvement due to COVID-19 concessions granted to tenants in the prior year not being repeated. The gross value of RMH Property increased by 15% to R2 980 million (2021: R2 584 million).

Income after tax for the year improved by more than 100% to R611 million (2021: loss of R72 million for the nine months). The biggest contributor to this performance was the increase in value of underlying investment properties as mentioned above, which resulted in the share of after-tax profits from associates and joint ventures increasing from R18 million to R613 million.

The cash resources earmarked for ongoing RMH operating expenses and liabilities as at 31 March 2022 amounted to R464 million (2021: R418 million) despite the low interest rate environment. Cash for the disposal of Atterbury Mauritius was received in April 2021 and the loan extended to Integer 3 decreased.

Shareholders are reminded that in the comparative period RMH changed its year-end from June to March. The results reflected above are for the year ended 31 March 2022 while the comparatives are for the nine months ended 31 March 2021

Proposed monetisation of RMH's interest in Atterbury Europe

Shareholders are advised that RMH and RMH Property have entered into an agreement with Brightbridge to dispose of all the shareholder loan claims and the A ordinary shares held by RMH Property in Atterbury Europe (representing 37.5% of the total issued A ordinary shares in Atterbury Europe) for a total consideration of R1 750 million.

As RMH shareholders are aware, following the unbundling of RMH's interest in FirstRand Limited in June 2020, RMH's strategic intent has been to actively seek various monetisation alternatives to extract maximum value for its shareholders. This includes the orderly monetisation of RMH Property's individual portfolio companies over time.

The RMH board is of the view that Brightbridge, as an Atterbury group affiliated entity, is the most suitable acquirer of RMH Property's interest in Atterbury Europe as part of this monetisation strategy, particularly in view of their deep knowledge of the businesses and contractual arrangements between the Atterbury group companies. Accordingly, having considered all relevant quantitative and qualitative factors, the RMH board has concluded that the disposal is aligned with RMH's monetisation strategy to realise value for shareholders.

This transaction constitutes 58% of the net asset value of RMH as at 31 March 2022. At a 12% discount to net asset value (including tax considerations), RMH believes that shareholders will be supportive with the outcome. Shareholders are referred to the firm intention announcement made today, 24 June 2022, to RMH shareholders for further detail.

Outlook

The year under review has been a challenging one. The South African economy was impacted by the following:

- In July 2021, South Africa experienced civil unrest causing billions of Rand in damage;
- Continued uncertainty as a result of COVID-19 with the State of Emergency only being lifted in April 2022;
- Changing weather patterns led to unusual rainfall and, in April 2022, floods hit the province of KwaZulu-Natal, resulting in an estimated 400 lives lost and R10 billion in damage to infrastructure;
- The struggling electricity grid led to 1 150 hours of load shedding in 2021 with the outlook for 2022 not improving. Eskom implemented loadshedding for 31 days for the period 1 January 2022 to 10 May 2022, compared to 26 days for the same period last year;
- Rising interest rates - South Africa experienced three increases of 25 basis points each in the repo rate in November, January and March with a 50 basis points increase in May; and
- Rising fuel, wheat, corn and sunflower oil prices as a result of the invasion of Ukraine by Russia.

All these factors had a negative impact on economic recovery in South Africa and did not leave the property sector unscathed. In the first quarter of 2022, office vacancy rates reached a new all-time high at 16.7%. Petrol prices rose above R21 per litre for the first time. As a result, inflation has been testing the 6% upper limit of the South African Reserve Bank's monetary policy target range each month for the first quarter of 2022.

Eastern Europe's proximity to Ukraine and Russia negatively impacted the post-pandemic economic recovery. It further led to an influx of refugees and an increase in prices of oil, gas, metal, food and fertiliser. As a result, currencies and inflation have come under pressure. Eastern European banks responded by increasing interest rates. In light of the above, both local and international economic recovery will be slow. The need for liquidity and the pressure to reduce loan-to-value (LTV) ratios place further pressure on property investors. We are, however, buoyed by the recent activity, including indications of improved trading density across the Atterbury and Atterbury Europe portfolios.

The board remains committed to the monetisation strategy of the balance of the RMH Property business, taking into account prevailing trading conditions, which may have an impact on the timing of the execution of the strategy.

Sonja De Bruyn
Chairman

Herman Bosman
CEO

Rosebank
24 June 2022

Audited computation of per share information

R million	For year	For the	% change
	ended 31 March 2022	nine months ended 31 March 2021	
Revenue	629	38	>100
Earnings/(loss) attributable to equity holders	611	(72)	>100
Headline earnings/(loss) attributable to equity holders	56	(30)	>100
Net asset value including the special dividend	3 910	4 622	(15)
Net asset value excluding the special dividend	3 910	3 493	12

Cents per share	For year	For the	% change
	ended 31 March 2022	nine months ended 31 March 2021	
Earnings/(loss)	43.9	(5.1)	>100
Headline earnings/(loss)	4.0	(2.1)	>100
Net asset value including the special dividend	277.0	327.4	(15)
Net asset value excluding the special dividend	277.0	247.4	12

ADMINISTRATION

Directors

(Ms) SEN De Bruyn (chairman), HL Bosman (CEO and FD), P Lagerstrom, UH Lucht, (Ms) MM Mahlare, MM Morobe, and JA Teeger

Secretary and registered office

(Ms) EJ Marais

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Sponsor

(in terms of JSE Limited Listings Requirements)

Rand Merchant Bank

(a division of FirstRand Bank Limited)

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Transfer secretaries

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Short-form announcement

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. The full announcement was released on the JSE's Stock Exchange News Service (SENS) on 24 June 2022 and can be found on the company's website at https://rmh.co.za/downloads/2022/RMH_Year_end_results_announcement_2022.pdf or at <https://senspdf.jse.co.za/documents/2022/jse/isse/RMH/RMH22final.pdf>. The full announcement is available for inspection at the company's registered office and copies may also be requested from the company.secretary@rmbh.co.za and at the offices of the sponsor, at no charge, during office hours. Any investment decision should be based on the full announcement published on SENS and on the company's website. The auditor expressed an unmodified audit opinion on the annual financial statements which includes the key audit matters, a copy of the annual financial statements including the audit opinion can be found at https://rmh.co.za/downloads/2022/RMH_Annual_financial_statements_2022.pdf. The short-form announcement has not been audited or reviewed by the auditor.

Sponsor: Rand Merchant Bank (A division of FirstRand Bank Limited)

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24 June 2022