

African Rainbow Capital Investments Limited
(Incorporated in the Republic of Mauritius)
(Registration number C148430)
JSE and A2X share code: AIL
ISIN: MU0553S00000 LEI: 378900F086B090C6FB94
("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 third quarter of the 2023 financial year.

This announcement also includes commentary on significant developments to the end of April 2023.

MACRO ENVIRONMENT

The period under review was characterised by a challenging macro-economic environment featuring currency weakness, elevated inflation, rising interest rates and interruption of electricity supply. GDP growth is sluggish, and business and consumer sentiment remain suppressed. Despite the current economic climate, the performance of several portfolio companies has been resilient, and we continue to identify attractive investment opportunities.

The ARC Fund continues to buy ARCI shares during periods of price weakness.

DIVERSIFIED INVESTMENTS PORTFOLIO

rain

rain has expanded its 4G network after acquiring spectrum in the 2022 auction. This enhancement enables rain to enter the market as a full mobile network operator, offering national voice, SMS, and data coverage. The new product, rainOne, combines mobile and fixed-wireless, unlimited data, free monthly calls and data for two phones, and a fixed-5G connection at an affordable monthly price. The company expects a significant number of existing customers to switch to this new offering and to acquire new customers. rain continues to meet its monthly financial targets.

Kropz Plc (Kropz)

The ARC Fund maintained its financial support of Kropz Elandsfontein's operations during its ramp-up phase by extending an additional R285 million bridge loan facility in March 2023. Kropz Elandsfontein continues making progress towards achieving financial independence and profitability. Although supply chain issues negatively affected production volumes, significant progress has been made in improving processing stability and run times.

Between December 2022 and 31 March 2023, Elandsfontein successfully produced and sold over 53,000 tonnes of phosphate concentrate.

Kropz is also in the process of finalising a new mine plan and feasibility study in relation to a reduced-scale starter project at its Cominco resource, in the Republic of Congo.

Agri portfolio

We are currently restructuring and aligning our agricultural portfolio to unlock untapped efficiencies and cross-selling opportunities. Our goal is to create an ecosystem where our agricultural-focused businesses can work together to achieve substantial growth, enhance food security, and reduce the cost of food delivery. By leveraging off each other's strengths, we believe we can create a more efficient and effective system using the Acorn Agri and Food platform.

Upstream

During the period under review, ARC increased its shareholding in the Upstream Group of Companies ("Upstream") from 25% to 49% following the exit of an existing shareholder. This transaction was concluded in consortium with Fledge Capital, being a new shareholder in Upstream, who acquired c. 13% as part of the transaction.

Upstream is a uniquely positioned, technology-focused, debt review, rehabilitation, and recovery service provider. Upstream performs a pivotal role in the wider debt review ecosystem on behalf of creditors. We believe that the higher level of unsecured credit lending, including the tough economic environment, will lead to more debt reviews and debt recoveries which translates into increased potential demand for services provided by the Upstream group of companies.

FINANCIAL SERVICES PORTFOLIO

TymeBank

Tyme (including TymeBank and GoTyme) has an annual revenue run rate of over R1.9 billion. Across its two markets – South Africa and the Philippines – the business is growing at a pace of 300,000 new customers a month as it works to provide consumers, particularly the underserved and financially excluded portion of the population, quality financial services.

TymeBank now serves over 7 million customers since its launch in February 2019, with a current monthly acquisition rate of 188,000 customers. The bank registers an average of 23 million monthly transactions and a 70% 30-day account activity rate. The focus remains on profitability in the coming months.

GoTyme in the Philippines launched in October 2022 in partnership with the Gokongwei Group and is currently exceeding its business plan targets.

As part of a recently concluded pre-Series C capital raise, Tyme has successfully secured two new international investors – Norssken22, an international tech growth fund, and Blue Earth Capital ("BlueEarth"), an independent global impact investment firm. New and existing shareholders invested a total of US\$77 million in this raise. ARC followed its rights and is still in control of the Tyme Group. The funds raised are intended to further operations in South Africa and the Philippines and for possible future expansion. The Series C capital raise is currently underway with several potential investors and is expected to close later this year.

Crossfin

Despite a difficult consumer environment and the negative impact of load shedding on point-of-sale businesses such as Adumo payments and ikokha, the Crossfin portfolio has shown resilience and growth. The Akelo group has undergone a successful restructuring, led by a Group CEO and Exco who are focused on driving commercialisation and top-line growth. Overall, the portfolio's performance is ahead of the prior year and in line with expectations.

Capital Legacy

On 3 February 2023, Sanlam announced the conclusion of an agreement to acquire 26% of Capital Legacy in exchange for the Sanlam Trust business and cash. ARC FSI will dilute to 25% on conclusion of the transaction. We believe the transaction is mutually beneficial to Sanlam and Capital Legacy with synergies in respect of distribution and insurance.

ARC FSI also extended a loan facility of R200 million to Capital Legacy in April that will be converted into equity or repaid after a period of 12 months.

Rand Mutual Holdings

ARC FSI concluded the sale of its 30% stake in Rand Mutual Holdings in January 2023 for a consideration above both the underlying embedded value and the carrying value at 30 June 2022.

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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