

AFRICAN RAINBOW CAPITAL INVESTMENTS LIMITED
Incorporated in the Republic of Mauritius
Company number: C148430
JSE share code: AIL A2X share code: AILJ
ISIN code: MU0553S00000 LEI: 378900F086B090C6FB94
("ARC Investments" or "the Company")

INTERIM FINANCIAL RESULTS
for the six-months to 31 December 2023

OVERVIEW

ARC Investments has a diverse portfolio of listed (illiquid) and unlisted assets. Multiple unfavourable factors had an impact on the investment portfolio in the six months under review. These included a contracting economy, strained trading conditions, interrupted electricity supply, backlogs at the ports, coupled with increasing interest rates, high inflation and volatile exchange rates. All these factors put pressure on consumers and hampered some of our entities' growth. The diverse investment portfolio has, however, shown remarkable resilience against the persisting challenging macroeconomic environment.

HIGHLIGHTS

Financial performance:

Intrinsic net asset value (INAV) increased by 4.6% to R16 028 million.

INAV per share increased by 12.9% from R9.88 at 31 December 2022

to R11.15 at 31 December 2023.

INAV per share decreased by 2.3% from R11.41 at 30 June 2023 to R11.15 at 31 December 2023

Successful capital raise of R750 million through a rights issue.

Debt in the Fund increased by 21% to R1 775 million.

Significant advances in several early-stage assets leading to a maturing portfolio
Linebooker and TymeBank reached a break-even point in the period.

Considerable synergies realisation through collaboration within the financial services ecosystem

The integration of the Sanlam 3rd Party AM and Absa AM resulted in substantial scale benefits and cost savings.

Sanlam and Alexforbes transactions - substantial reduction of cost per member, improved client experience and release of capital.

Sanlam and Capital Legacy transactions leveraging off the strong balance sheet and distribution capacity.

Successful integration of Retail Capital into TymeBank.

Retail Capital launched with GOtyme in the Philippines.

Portfolio pivot towards high-growth technological innovation

Investments in future focus areas contributing more than half of the portfolio.

TymeBank - 37% year-on-year growth to 8.5 million customers and increased activity per customer.

Tyme Global - Grew customer base to 2 million within one year of launching GOtyme in the Philippines.

Major additional investments:

Additional investment in Rain and Tyme Group of R81 million and R76 million respectively.

Additional capital advanced to Kropz Plc amounting to R379 million.

PERFORMANCE HIGHLIGHTS

The Company's intrinsic investment value in the ARC Fund increased by 4.57% from R15 328 million at 30 June 2023 to R16 028 million at 31 December 2023. The R700 million increase in INAV comprises R784 million of net fair value gains, disposals of R47 million, acquisitions of R632 million, a cash balance decrease of R267 million, a debt increase of R302 million and a R100 million increase in net other liabilities.

During the period under review, the Company's effective share of the invested assets (or the IPV) increased by 8.37%, from R16 363 million at 30 June 2023 to R17 732 million at 31 December 2023. The IFRS Net Asset Value (NAV) per share decreased by 1.8% from R11.44 at 30 June 2023 to R11.23 at 31 December 2023 as a result of the

increase in the number of shares. The increase in shares was driven by the rights issue and the performance hurdle being met in the prior year. During December 2023, ARCI raised R750 million through the right issue, which resulted in an additional 150 million shares being issued to the shareholders who followed their rights.

Performance analysis for the six months ended 31 December 2023

Investment in ARC Fund	Percentage change	Net Asset Value 30 June 23	Net Investment	Net Increase in Net Asset Value	Net Asset Value 31 Dec 23
Intrinsic portfolio value	8.37	16 363	585	784	17 732
Cash in the ARC Fund		500	-300	33	233
Debt in the ARC Fund		-1 473	-209	-93	-1 775
Other net assets/(liabilities) in the ARC Fund		-62	-76	-24	-162
UBI GP fee payable		-61	-	11	-50
Other liabilities in the ARC Fund		-1	-76	-35	-112
Intrinsic Investment in the ARC Fund at FVTPL*	4.57	15 328	-	700	16 028

*FVTPL: Fair Value Through Profit or Loss

NOTABLE PROGRESS IN REPOSITIONING THE PORTFOLIO

The most significant highlight of the reporting period is the strong progress that has been made at several of the Fund's unlisted portfolio investments, with both TymeBank and Linebooker reaching the important milestone of breakeven in the past six months and Philippines-based GOtyme reaching a record 2 million customers within 13 months.

ARC Fund made no major acquisitions or disposals in this period, opting rather to reinvest in its existing portfolio, mainly in telecoms, future-focused diversified financial services and agriculture. In terms of its strategy, ARC Fund has, in recent times, disposed of non-core assets in its diversified portfolio, reduced its exposure to listed shares, and bulked up the Financial Services and Fintech portfolio. As a result of these transactions, Financial Services exposure has increased from 27% to 34% of the portfolio in the past year. An outlier to this strategy was an additional investment in Kropz during the period, which was utilised to repay debt to external parties while the mine continues to ramp up operations.

The unlisted portion of the fund which is only accessible through ARC Investments, has grown to 90% of the portfolio, and the portfolio has successfully been streamlined, with the top 12 investments now comprising 89% of the portfolio value, up from 84% in December 2022.

Management fees

The management fee for the six months ended 31 December 2023 was R50 million, as compared to R37 million on 31 December 2022.

The performance participation hurdle has not been met in the current reporting period. Consequently, no performance participation provision amount has been recognised in terms of IFRS 2.

DIVERSIFIED PORTFOLIO SUPPORTED RESILIENT PERFORMANCE

ARC Fund's key underlying investments generated strong performance and progress towards profitability was accelerated at several of the ARC Fund's pre-break-even portfolio companies.

Rain - 27.2% of Fund Value - Rain established itself as a strong brand with a growing market share in low-cost data and mobile services in South Africa. The Company's effective interest in Rain has increased by R303 million (additions of R81 million and net revaluations of R222 million) to R4 819 million in the period under review. The increase in valuation can be attributed to the business progressing past the significant net cash outflow point and the subsequent launch of rainOne.

The performance of rainOne in the current period has been pleasing and customer growth is encouraging. Rain is expecting to achieve an EBITDA of > R2 000 million for the year ending February 2024 after taking into account IFRS 16 adjustments, as is industry practice.

Tyme Group - 20.3% of Fund Value

TymeBank remains a leading digital bank with more than 8.5 million customers and growing activity per customer. The operational leverage as the Bank grows is clear, despite doubling Net Operating Income (NOI), the cost base has remained relatively stable year on year. Tyme has by far the largest cash-in and cash-out network in the country. The Bank has grown credit advances to c.R1.8 billion and attracted fixed deposits of R4.8 billion in 2023. TymeBank achieved breakeven in December 2023, and sustained profitability should be achieved in the next few months. The valuation of TymeBank was adjusted to reflect the Series C capital raise concluded in December 2023 and the fact that the Bank has achieved breakeven.

Tyme Global is the holding company through which the multi-country banks will be launched. The first such bank is TymeBank followed by GoTyme in the Philippines which launched in November 2022 and achieved the 2 million customer milestone in December 2023. It launched the Retail Capital Merchant Cash Advance product in November 2023 and is also pursuing the acquisition of a Philippines-based payroll lender to leverage its low-cost and growing deposit base. GoTyme Bank is expected to reach profitability in quarter four, 2025. The third country, Vietnam, is currently in the contracting stages with country partners.

Kropz Group - 11.3% of Fund Value - The ARC Fund invested an additional R379 million into Kropz Group during the period. The capital was largely used to fund an operational cash shortfall at Elandsfontein resulting from a delay in the ramp-up. The value of Elandsfontein and Cominco at 31 December 2023 was determined using a discounted cash flow model and amounted to R2 003 million. The ramp-up of mining and processing operations at Elandsfontein has progressed slower than anticipated. Elandsfontein mine only made 103,500 tonnes of sales over the 6-month period ending 31 December 2023, missing production targets. Performance remains inconsistent. Elandsfontein is in the process of installing additional modifications to increase throughput and hopefully achieve breakeven during 2024. The ARC Fund impaired the investment by R295 million in the period. A potential smaller project is being investigated to prove the concept and mitigate country risk. ARC and Kropz are currently in the market looking for potential partners for the Cominco project.

Alexforbes - 6.6% of Fund Value - ARC FSI owns 42.3% of the listed company Alexander Forbes Group Holdings Limited, currently valued at R3 618 million. ARC will continue to play an appropriate role in the investment in terms of strategy, acquisitions and people. The share price performed well during the period under review, which resulted in a net fair value gain of R26 million being recognised.

INCREASED CASH AND FUNDING

Cash in the ARC Fund decreased by 53% to R233 million (30 June 2023: R500 million), while cash in ARCI increased to R768 million, from the proceeds of the rights issue. The cash was transferred by ARCI to the ARC Fund after the reporting period, providing valuable liquidity. Debt in the Fund increased to R1 775 million (30 June 2023: R1 473 million). The Company's effective share in dividend income for the period under review decreased to R53 million (December 2022: R79 million) as the businesses preserve cash for investment in the short term.

EVENTS AFTER REPORTING PERIOD

Kropz Group

During January 2024, the ARC Fund advanced an additional R52.5 million loan from an existing loan facility to help fund operations at Elandsfontein.

ARCH Emerging Markets

During February 2024, the ARC Fund advanced a loan amount of USD5.1 million (approximately R96 million) to ARCH Emerging Markets.

GOVERNANCE

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 in respect of 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 only Limited Partner in the ARC Fund. It plays no role in the management or investment decisions of the ARC Fund.

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 Financial Results announcement and does not contain full or complete details. Any investment decision by investors and/or shareholders should be based on consideration of the full announcement that was released on <https://senspdf.jse.co.za/documents/2024/JSE/ISSE/AILE/IResults24.pdf> and the ARC Investments' website <https://arci.mu/investor-relations/#sens> on 14 March 2024. This short-form announcement does not contain any additional information not appearing in the full Financial Results released on SENS. The full announcement is available for inspection at the registered office¹ and designated office² of ARC Investments and the offices of the Sponsor³ at no charge during normal business hours. Copies of the full announcement may be requested by email from investors@arci.mu.

14 March 2024

Ebène, Mauritius (with simultaneous circulation in Johannesburg)

Mark Cyril Olivier
Chairman of the Board

Clive Msipha
Chairman of the Audit and Risk Committee

Karen Bodenstein
Chief Financial Officer

SPONSOR

Deloitte & Touche Sponsor Services Proprietary Limited

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3 The offices of the sponsor: Deloitte & Touche Sponsor Services Proprietary Limited, 5 Magwa Crescent, Waterfall Crescent, Waterfall, 2090