

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 third quarter of the 2024 financial year, being the 3 months to 31 March 2024.

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

## **MACRO ENVIRONMENT**

Significant challenges, including elevated interest rates, high unemployment and pressure on disposable incomes, persisted during the period under review. Notwithstanding these unfavourable conditions, several portfolio companies have demonstrated resilience, and we remain committed to identifying promising investment opportunities. Disruptions to the electricity supply abated towards the end of the period under review, with continued improvement in the period afterwards.

## **DIVERSIFIED INVESTMENTS PORTFOLIO**

### **rain**

RainOne continues to experience steady month-on-month growth, with positive market reception for the recently launched 101 device. A notable trend is the successful migration of customers from legacy plans to newer offerings, reflected in improved collections and retention rates. Prioritising customer engagement and service has yielded positive customer sentiment.

During the period under review, rain has successfully achieved its monthly financial targets.

### **Kropz Plc (Kropz)**

Kropz Elandsfontein faced challenges in increasing production in the first quarter of 2024, but management has identified key issues related to ore variability, production bottlenecks, liberation, and flotation. Dedicated teams are actively working to address these challenges and achieve profitability.

Despite these hurdles, Kropz successfully sold 80,771 tonnes of phosphate concentrate during the quarter. Production trials and development of the Nanophos product have also begun, with several small sales completed. The installation of an additional centrifuge is complete and undergoing testing, with the aim of stabilising and boosting production levels from the third quarter onwards.

The ARC Fund continues to support the project and Elandsfontein's operational ramp-up, providing an additional R113 million in capital during the quarter.

## **Bluespec**

The Bluespec Group is performing as expected and is on track to meet its growth targets across key areas. The group continues to innovate in the insurance space with new products and services, resulting in an expanded insurer customer base. This sector is a crucial distribution channel and stakeholder for Bluespec. The group is well-positioned for further growth with sustained growth in assessment volumes, an expanding operational footprint, a strong balance sheet, and sustainable dividend levels.

Additionally, Bluespec's subsidiary Weelee recently opened its first wholesale mega vehicle warehouse, which is expected to drive retail growth. Despite a highly competitive market and pressured customer base, Weelee is exceeding expectations in most areas.

## **Ooba**

Despite a challenging economic climate with high inflation and interest rates, ooba has maintained its market share and performance. In response to market demands, management has introduced innovative customer and banking solutions and continues to explore growth opportunities in related areas through its national footprint and strategic partnerships. These initiatives are showing promising early results.

Ooba's financial performance is on track. Key value drivers for its origination and aggregation business, including the number of applications, application conversion rate, and average bond size, are being closely monitored. The management team remains focused on improving productivity and optimising these key metrics.

## **Agri portfolio**

ARC is making good progress in consolidating its agri-sector investments. This focused approach is expected to create sustainable long-term growth and contribute to broader food security goals. The assets within the agri pillar continue to demonstrate strong financial performance, dividend yields, and growth potential.

This consolidated approach will result in a vertically and horizontally integrated group, offering a unique value proposition to stakeholders across the fresh produce and broader agricultural sector, including distribution channels.

## **Upstream Group of companies**

The Upstream Group's financial performance met expectations, despite a tightening credit environment and ongoing pressure on consumers. The group's diversified client base across retail credit lenders and financial institutions helps mitigate concentration risk. Notably, more consumers are entering the debt review process earlier than in previous years, increasing demand for Upstream's services.

Upstream's technology-focused platforms for debt review, rehabilitation, and recovery services uniquely position it in the market. The group plays a vital role in the broader debt review ecosystem, serving both creditors and consumers.

We remain optimistic about future growth prospects. Together with Upstream's management and shareholders, we will continue exploring synergies across the ARC network to ensure sustainable growth and align Upstream's offerings with ARC's investment portfolio.

## **FINANCIAL SERVICES PORTFOLIO**

### **TymeBank**

The Tyme Group has a customer base of 12.4 million across South Africa and the Philippines, with 9.2 million TymeBank customers and 3.2 million GoTymeBank customers. The group onboards approximately 450,000 new customers monthly, with 250,000 for GoTymeBank and 200,000 for TymeBank.

The Group's annualised gross revenue run rate is \$175 million, while the annualised net operating income is tracking at \$110 million. The combined deposit base is \$600 million, with a \$165 million lending portfolio. TymeBank is expected to achieve sustained profitability by June 2024, after breaking even in December 2023, positioning it for further growth and increased profitability due to its strong operating leverage. GoTyme Bank is projected to reach breakeven in Q4 2025. Retention rates and transactional activity continue to strengthen in both markets.

GoTyme Bank recently acquired 100% of Savii, a salary-based lender in the Philippines, enabling it to offer a wider range of lending and financial products to customers while accelerating profitability. Additionally, GoTyme Bank shareholders increased their stake in the bank, resulting in Tyme Group's economic interest exceeding 50%. These developments, coupled with strong growth, bode well for GoTyme Bank's future.

TymeBank is expanding its SME lending proposition through its merchant cash advance product despite economic challenges. It is also expanding into unsecured consumer lending by leveraging its growing deposit base.

The Series C capital raise was finalised in January 2024, and Tyme has initiated its Series D capital raise to enable GoTyme Bank to achieve profitability and grow TymeBank's lending portfolio.

### **Crossfin**

Over the last quarter, Crossfin's entities have continued to operate in a tough trading environment, largely driven by the continued strain experienced by consumers in a relatively high interest rate cycle, as well as the ongoing unpredictability of load-shedding for merchants. Nevertheless, the Crossfin portfolio has performed in line with expectations, delivering strong year-on-year financial performance.

In May 2024, Lesaka Technologies acquired Adumo (a Crossfin portfolio company) for R1.6 billion (in cash and shares). ARC has opted to receive Lesaka shares. The deal is expected to be finalised in Q3 2024, subject to customary approvals.

### **Capital Legacy**

Capital Legacy, a leading estate administrator in South Africa, distinguishes itself through its unique estate administration insurance product. Despite challenging economic conditions, the company has maintained impressive growth. Capital Legacy is actively expanding its resources to maximize the partnership with Sanlam, following Sanlam's 26% investment and Capital Legacy's acquisition of the entire Sanlam Trust business.

### **GoSolr**

Solar installations remained consistent compared to the previous quarter, primarily due to the minimal load shedding experienced during the reporting period. With no power outages in over 40 days, demand for solar solutions was lower than anticipated. However, the company's steady

performance can be attributed to increased leads and sales, reflecting the effectiveness of management's marketing and sales strategies, as well as a shift in focus beyond just load-shedding solutions.

#### 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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For further information please contact:

Company Secretary

Intercontinental Trust Limited

Tel: +230 430 0800

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