



## Results Press Release for the year ended 30 June 2023

### REMGRO REACHES AN INFLECTION POINT IN ITS PORTFOLIO TRANSFORMATION JOURNEY WHILST MAINTAINING EARNINGS MOMENTUM IN A CHALLENGING OPERATING ENVIRONMENT

- **Headline earnings per share: up by 8.9% from 1 151 cents to 1 254 cents**
- **Excluding the impact of various corporate actions, headline earnings increased by approximately 27%**
- **Ordinary dividend per share: up by 60.0% to 240 cents**
- **Intrinsic net asset value per share as at 30 June 2023: up by 16.6% to R248.47**

The challenging environment in which businesses are currently operating, is widely recognised and covered by the news outlets in South Africa. The features of this challenging operating business environment include, amongst other things, the confluence of load shedding, high inflation, high interest rates, sharp increases in electricity prices, foreign exchange volatility, ongoing geopolitical tensions, the erosion of foreign investment confidence in the country, as well as concerning levels of crime and corruption. All of these features, compounded together, have created what is probably one of the most difficult business environments to operate in since Remgro's inception.

The current economic environment is troubling; the disruption in business operations directly impacts consumers and runs the risk of increased social instability, due to the undoing of livelihoods and rise in poverty levels. With low levels of expected economic growth – combined with the breakdown of state infrastructure relating to energy, transport and logistics, and the slow pace of economic reforms to date – the urgency to address these issues cannot be overstated.

Against this backdrop, it is pleasing to note the Group's ability to maintain positive earnings momentum. Remgro also successfully completed the Mediclinic Group Limited (Mediclinic) and Distell Group Holdings Limited (Distell)/Heineken International B.V. (Heineken) transformative corporate actions, both of which were implemented during the year under review.

Amidst all the headwinds South Africa is currently facing, Remgro remains confident about the resilience of its portfolio.

During the current and comparative years, Remgro implemented and facilitated various corporate actions which impacted the comparability of Remgro's headline earnings. These corporate actions and their impact on headline earnings include *inter alia*:

- The restructuring of OUTsurance Group Limited (OUTsurance Group) (previously Rand Merchant Investment Holdings Limited (RMI)) – during the comparative year, OUTsurance Group unbundled its investments in Discovery Limited (Discovery) and Momentum Metropolitan Holdings Limited (Momentum Metropolitan) (the OUTsurance Group unbundling), as well as disposed of its investment in Hastings Group Holdings plc (Hastings). OUTsurance Group equity accounted these investments (being classified as discontinued operations) and Remgro's portion thereof, included in headline earnings for the comparative year, amounted to R351 million. As a consequence of the OUTsurance Group unbundling, Remgro received Discovery and Momentum Metropolitan shares and classified both investments as financial instruments at fair value through other comprehensive income. As Remgro now accounts for dividend income from these investments, only R141 million of dividends were received and included in headline earnings from Momentum Metropolitan during the year under review;

- The disposal of Grindrod Shipping Holdings Limited (Grindrod Shipping) (comparative year) - equity accounted income of R267 million was included in the prior year;
- The unbundling of Grindrod Limited (Grindrod) (October 2022) - equity accounted income of only R61 million is included for the year under review (2022: R263 million);
- The acquisition of an additional 5.4% indirect interest in Mediclinic (the Mediclinic acquisition) (June 2023) - transaction costs (R612 million) and foreign exchange gain (R522 million) are included for the year under review; and
- The combination of the Heineken Southern African business, including an interest in Namibia Breweries Limited, with the bulk of the Distell business (consisting of its cider, other RTDs (ready-to-drink) and spirits and wine business) in Heineken Beverages Holdings Proprietary Limited (Heineken Beverages), as well as the unbundling by Distell of its subsidiary, Capevin Holdings Proprietary Limited, which holds Distell's remaining assets, including its Scotch whisky business (the Distell/Heineken transaction) (April 2023) - transaction costs of R196 million is included for the year under review (2022: R16 million).

For the year under review, headline earnings increased by 8.7% from R6 494 million to R7 056 million, while headline earnings per share (HEPS) increased by 8.9% from 1 151 cents to 1 254 cents. The uplift of 29bps in the HEPS measure compared to headline earnings, represents the accretive impact of shares repurchased during the year under review.

The increase of 8.7% in headline earnings is mainly due to higher contributions from OUTsurance Group's continuing operations, Mediclinic, the Pembani Remgro Infrastructure Fund, Kagiso Tiso Holdings Proprietary Limited (KTH) and FirstRand Limited (FirstRand), as well as higher interest income and a foreign exchange gain realised on foreign exchange contracts entered in respect of the acquisition of the additional 5.4% indirect interest in Mediclinic. The increase is partly offset by lower contributions from TotalEnergies Marketing South Africa Proprietary Limited (TotalEnergies), RCL Foods Limited (RCL Foods) and Grindrod (due to its unbundling), as well as transaction costs relating to the Mediclinic acquisition and the Distell/Heineken transaction. In addition, the comparative year also included the contributions of Grindrod Shipping (which was disposed of) and the discontinued operations of OUTsurance Group (OUTsurance Group unbundled its investments in Discovery and Momentum Metropolitan, as well as disposed of its investment in Hastings).

The aforementioned various corporate actions impacted the comparability of Remgro's headline earnings over the past two years. Excluding the impact on headline earnings of these corporate actions, the headline earnings increased by approximately 27% reflecting a resilient underlying performance of Remgro's portfolio, thus maintaining positive earnings momentum despite a challenging business environment.

Total earnings decreased by 26.8% to R9 624 million (2022: R13 139 million) mainly due to Remgro's portion of the profit realised by OUTsurance Group on the unbundling of its investments in Discovery and Momentum Metropolitan (totaling R4 667 million) and the disposal of its investment in Hastings (R1 465 million), accounted for in the comparative year, partly offset by the profit realised on the Distell/Heineken transaction (R3 384 million) during the year under review.

Commentary on the performance of each of the underlying reporting platforms is set out in the audited results for the year ended 30 June 2023 released herewith.

Remgro's intrinsic net asset value per share increased by 16.6% from R213.10 at 30 June 2022 to R248.47 at 30 June 2023. The closing share price at 30 June 2023 was R147.05 (2022: R129.91), representing a discount of 40.8% (2022: 39.0%) to the intrinsic net asset value.

For the year ended 30 June 2023, a final gross dividend of 160 cents (2022: 100 cents) per share was declared out of income reserves, in respect of both the ordinary shares of no par value and the unlisted B ordinary shares of no par value.

Jannie Durand, CEO of Remgro, concluded: *"The finalisation of the Mediclinic and Distell / Heineken transactions marks another inflection point in Remgro's history. The value of Remgro's unlisted portfolio has now increased to more than 70%. This has materially increased Remgro's scarcity factor and positioned it for further growth and value-unlock for shareholders. I believe any such growth prospects can only be unlocked with improved execution of economic and structural reforms and a partnership approach to solving our country's most urgent needs. I am encouraged by the progress that has already been achieved by the partnerships emerging between business and government in this regard."*

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## **EDITOR'S NOTES**

### **Group Profile**

Originally established in the 1940s by the late Dr Anton Rupert, Remgro's investment portfolio has evolved substantially since then and currently includes investee companies across nine platforms. The Company is listed on the Johannesburg Stock Exchange (JSE), operated by the JSE Limited in South Africa under the "Financials – Financial Services – Investment Banking and Brokerage Services – Diversified Financial Services" sector, with the share code "REM". From 3 January 2022, the Company also has a secondary listing on the A2X. Remgro's interests consist mainly of investments in the healthcare, consumer products, financial services, infrastructure, industrial and media industries. Remgro's most significant investments are as follows: Mediclinic (50.0% interest), OUTsurance Group (30.6% interest), Community Investment Ventures Holdings Proprietary Limited (57.0% interest), Heineken Beverages (18.8% interest), RCL Foods (80.3% interest), FirstRand (2.2% interest), Discovery (7.8% interest), Siqalo Foods Proprietary Limited (100.0% interest), Air Products South Africa Proprietary Limited (50.0% interest), TotalEnergies (24.9% interest) and KTH (43.5% interest). These investments contribute approximately 89% to Remgro's intrinsic net asset value (INAV after tax).