**RECM and Calibre Limited**
Incorporated in the Republic of South Africa
(Registration number 2009/012403/06)
Preference share code: RACP
ISIN: ZAE000145041
(“**RAC**” or "**the Company**”)

**RAC update to shareholders and trading statement**

Dear fellow shareholders

RAC normally publishes its audited results by the third week of June. As a result of the COVID-19 lockdown we now expect to publish them during the third week of July 2020. We therefore want to provide you with the kind of information that we would appreciate if we were in your position as an outside, minority investor in a listed investment company.

When assessing the fair value of our underlying investments in the midst of the COVID pandemic, we have to balance the historical results with immediate unknowns. The results of our underlying businesses were already somewhat affected during March by the uncertainty around the COVID-19 virus. As humans, our natural inclination is to simply extrapolate the present, and we therefore tend to exaggerate the long-term impact (both positive and negative) of current events. As at May 2020, most people’s tendencies seem to be erring on the side of negativity. At RAC we deliberately try to take a more measured approach through time.

**Trading statement**

The Board of Directors of RAC considers the NAV per share of the Company to be the best indicator of its financial performance.

With the current information available and a fair bit of our audit process still not having been completed, we expect RAC’s NAV per share to reduce by more than 20% or R5.38 to below R21.53 when compared to a NAV per share of R26.92 for the year-ended 31 March 2019.

The contents of this trading statement and the financial information on which it has been based have not been reviewed, audited or reported on by the Company’s auditors. A further announcement will be made once the Company has greater clarity regarding the range within which it expects NAV at 31 March 2020 to fall.

The following commentary on the various underlying businesses should help to clarify this number.

**Goldrush**

During the year Goldrush increased its operating Bingo Properties to 31 out of the total potential 35 licenses it owns. The LPM division increased the number of Limited Payout

Machines ("LPM's") in operation by 446 to 2,358. Sports betting retail stores reduced by 3 to 37 as unprofitable stores were closed in order to focus on optimizing existing operations. The online offering, Gbets, continued to grow its revenue and offering to the market.

The business therefore experienced healthy growth in both revenue and profits, which were driven by the large capital investments that have been made over the past five years, as well as organic growth in the existing business. This will be reflected in the full-year earnings numbers, despite the slowdown in activity during March which followed the advent of COVID-19 and the managing thereof.

For most of the year, Goldrush's focus was on finalising the roll-out of the last remaining Bingo licenses, of which the majority are in Kwa-Zulu Natal, as well as increasing the number of LPM's. This was funded out of free cashflow from the business, which leaves the debt levels of the business marginally up from March 2019.

In our valuation of Goldrush, we have now removed any provision for medium term expected growth which should have followed the intense investment phase of the last five years. This is not a forecast – we just have no idea of how the future will unfold at present.

As from 25 March 2020, all of Goldrush's properties were closed. Its online offering, through www.gbets.co.za remained in operation and it has experienced a marked increase in activity over the last two months. This is still a small part of the total business and is unlikely to make a meaningful difference to the fortunes of the group.

The Goldrush management team acted very early and pro-actively, which means the group had sufficient cash resources to weather the lockdown and is prepared for any further reasonable extensions thereof, without the requirement of further capital from shareholders. This was only possible because of significant salary sacrifices by the entire staff complement of the business, together with support from the group's bankers, landlords and major suppliers. The only government assistance that the group qualified for, was the UIF TERS fund which was successfully applied for and received in April 2020. All capital expenditure has been suspended indefinitely. Two Bingo properties might not re-open post the lockdown, unless cost-cutting measures are agreed and approved with suppliers, landlords and gambling boards.

We are proud of the way in which the Goldrush management team is steering the business through this crisis and acknowledge the sacrifices that our colleagues and staff have and continue to make.

**Outdoor Investment Holdings ("OIH")**

The Safari & Outdoor retail stores experienced a weaker second half of the year, as the effect of a weak economy finally impacted the business. Some last-minute panic-buying by customers in March before the lockdown did little to improve the position. The wholesale businesses, Inyathi and Formalito, had a slightly better experience for the year. The Family Pet Centre, being very early stage, continued to see strong growth in sales, but is small in the life of OIH. Our valuation for OIH will reduce in line with the reduction in operating profits for the year and accounting for higher debt levels in the group.

All of OIH's stores, with the exception of the two Family Pet Centers, were closed under the initial lockdown, but resumed trading under lockdown level 4. As with the other businesses, staff, suppliers and our bankers have been supportive of the business. The management team has done a fantastic job of steering the group through the pandemic.

**ISA Carstens ("ISA")**

As a tertiary education institution, ISA's economics are driven mostly by the number of students it enrolls and the number of courses it offers. ISA's student growth was modest for the 2019/2020 cycle, with the number of students only increasing 8% to 420 as financial constraints impacted affordability for students.

ISA's campuses closed in line with other tertiary institutions in March. The education team quickly activated its online learning platform and teaching of the students resumed almost immediately. The flow of the annual curriculum for all students has been re-organised in order to ensure that the theoretical part of the training is being done while the lockdown is in place. Students will return to campus in the third term of the year to complete their practical training.

As a somatology and beauty school, hygiene and cleanliness have always been of utmost importance to ISA's operations – both within the teaching facilities and on a personal level. ISA has the ability to, and will ensure, that its students finish the year with the same high level of teaching which distinguished its qualification over the past 41 years.

It remains unclear how student numbers for next year will be impacted by the economy and recent events.

ISA's valuation has been reduced as we anticipate that it will take longer to reach full capacity in our two campuses.

**Astoria Investments Ltd ("Astoria")**

Astoria is now a 100% held subsidiary of RAC and had a NAV as at 31 March 2020 of $3.7 million, of which the vast majority is held in US$ cash.

As announced in Astoria's quarterly results, all conditions for Astoria's purchase of CNA from Edcon were fulfilled and as of 7 April 2020, Astoria is a 70% shareholder of CNA Holdings (Pty) Ltd, a new company that was set up to house the business of CNA. Under the leadership of Benjamin Trisk and Nazir Patel, a very able and dedicated management team acted swiftly and CNA opened its stores for trading subject to lockdown regulations. CNA has received overwhelming support from landlords, suppliers and staff during this period.

**Unicorn Capital Partners Limited ("Unicorn")**

Unicorn is a JSE-listed company which keeps its investors informed via its own announcements at www.unicorncapital.co.za.

Unicorn continued to experience tough trading conditions during the year. This meant that, RAC, together with certain other shareholders of Unicorn, extended loans to Unicorn in order to support the company. RAC management is working closely with the Unicorn management and a number of other shareholders to improve the fortunes of the business.

On Monday, 25 May 2020, Unicorn's board announced that it had received a non-binding expression of interest from JSE listed mining company, Afrimat Limited, to acquire all of Unicorn's issued shares by way of a scheme of arrangement. If implemented, Unicorn Shareholders will receive 1 Afrimat share for every 280 Unicorn shares held. RAC supports this transaction.

**Trans Hex Limited ("Trans Hex")**

In October 2019, Trans Hex made an offer to minority shareholders at R1 per share, and the company was subsequently delisted. RAC remains a supportive shareholder. We have found over time that the regulatory environment as a listed company make it difficult to manage a small business effectively, and do not facilitate efficient, quick restructurings. Post the delisting, Trans Hex has been restructured, its cost base has been substantially reduced and it is now well capitalised.

At 31 December 2019, Trans Hex's year end, its NAV per share was not materialy different from the take out price.

Lockdowns in various global diamond centres have brought the diamond trading business to a virtual halt. It is almost impossible to sell goods at anything close to a realistic price. As a result, the Angolan mine has been put on care and maintenance, until markets open up again.

Management is working hard to conserve value in Trans Hex during the lockdown period, and position it for the future once the lockdown ends.

**Cash and debt**

As at 31 March 2020, RAC had repaid all temporary debt that was incurred in order to finalise the Astoria acquisition. This was funded out of total dividend and capital distributions of R268.3 million received from Astoria during the second half of the year. As at year-end, RAC had outstanding labilities in the form of preference shares issued to Absa Bank of R250 million and cash of R43.5 million, excluding the $3.7 million of cash held by Astoria.

**On COVID-19 and the road ahead**

There is no better life-support machine than a well-functioning economy. This is the basis from which all of us face the various risks that are presented by daily life. For businessmen and investors like us, the challenge we face today is no different from before – how to balance the commercial interest of the sustained livelihoods of our people with all the risks we continuously face as human beings. These trade-offs are made every day in the normal course of business. We have had to adapt to many threats over time.

Just in our small group alone, the management teams have to deal regularly with armed robberies, intimidation, commercial fraud, property theft, rife corruption, safe transport of goods and illegal competition. In our wider community, they deal with the risk of the safety of staff and colleagues from domestic violence, HIV and AIDS, Tuberculosis, non-existent public transport, accidents and poverty - basically, all the things we read about in newspaper headlines regularly. Decentralised decision-making means that our teams have found solutions to manage most of these risks effectively.

We are able to prepare for and will deal with the risks presented by COVID-19. That is what we, as entrepreneurs, do. From the onset of the pandemic in South Africa, we and our colleagues have approached the problem with an attitude of being 'part of the solution' rather than becoming someone else's problem. The teams in our various businesses have already amended their business practices to accommodate required changes. Some of these are stipulated by government, but most are practical and pragmatic business decisions made by teams that know their industries, clients, suppliers and environment best, and can implement changes quickly. The companies in our portfolio have been ready to do business in a way which does not endanger lives any more than before the onset of COVID-19 in South Africa for some time. As we learn more about the behaviour and effects of the virus, these teams will continue to improve their operations. We suspect that we are not the only ones. Many of our friends, suppliers and competitors have adopted similar changes.

Nonetheless, many of our operations are currently either completely shut, or under some form of severe restricted operation. This is not sustainable in the medium term, let alone on a long-term basis. We therefore welcome the further opening up of commercial activity as from 1 June.

Our country needs to find a way to conduct business that is not reckless with our colleagues' or customers' lives, but protects livelihoods - such that many more lives are saved in years to come. At RAC, we are already playing our part.

The management teams and staff of our various investee companies have had to deal with extraordinary circumstances in the past three months, and no doubt will have to do more in the immediate future. We are very proud and very thankful for the way in which they have acted and continued to focus on the common good. It is said that a crisis does not form character – it only exposes it. The character that has shown throughout the RAC businesses makes us proud to be part of this group. We acknowledge and thank you!

Cape Town
28 May 2020

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