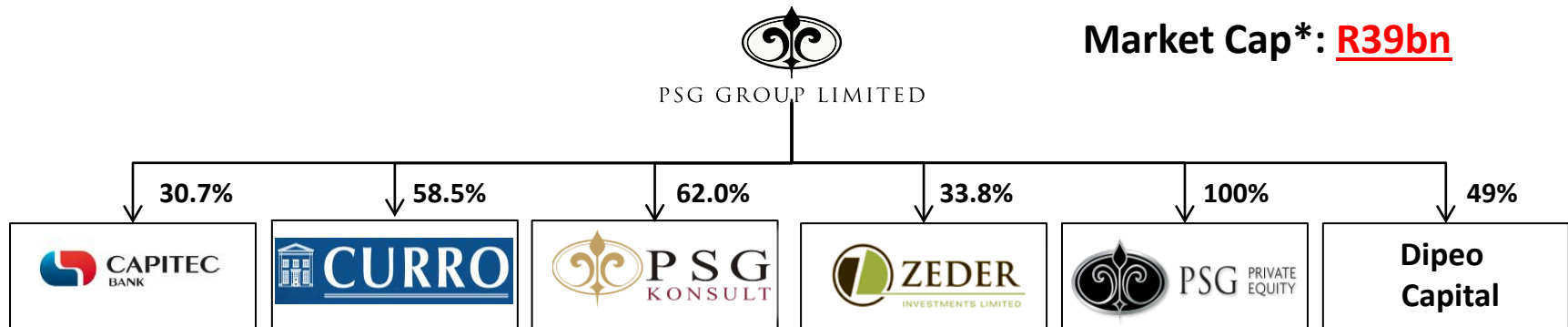


PSG GROUP LIMITED

# Annual General Meeting

19 JUNE 2015 • SPIER WINE ESTATE, STELLENBOSCH

# PSG Group portfolio



\* Market capitalisation as at 3 June 2015

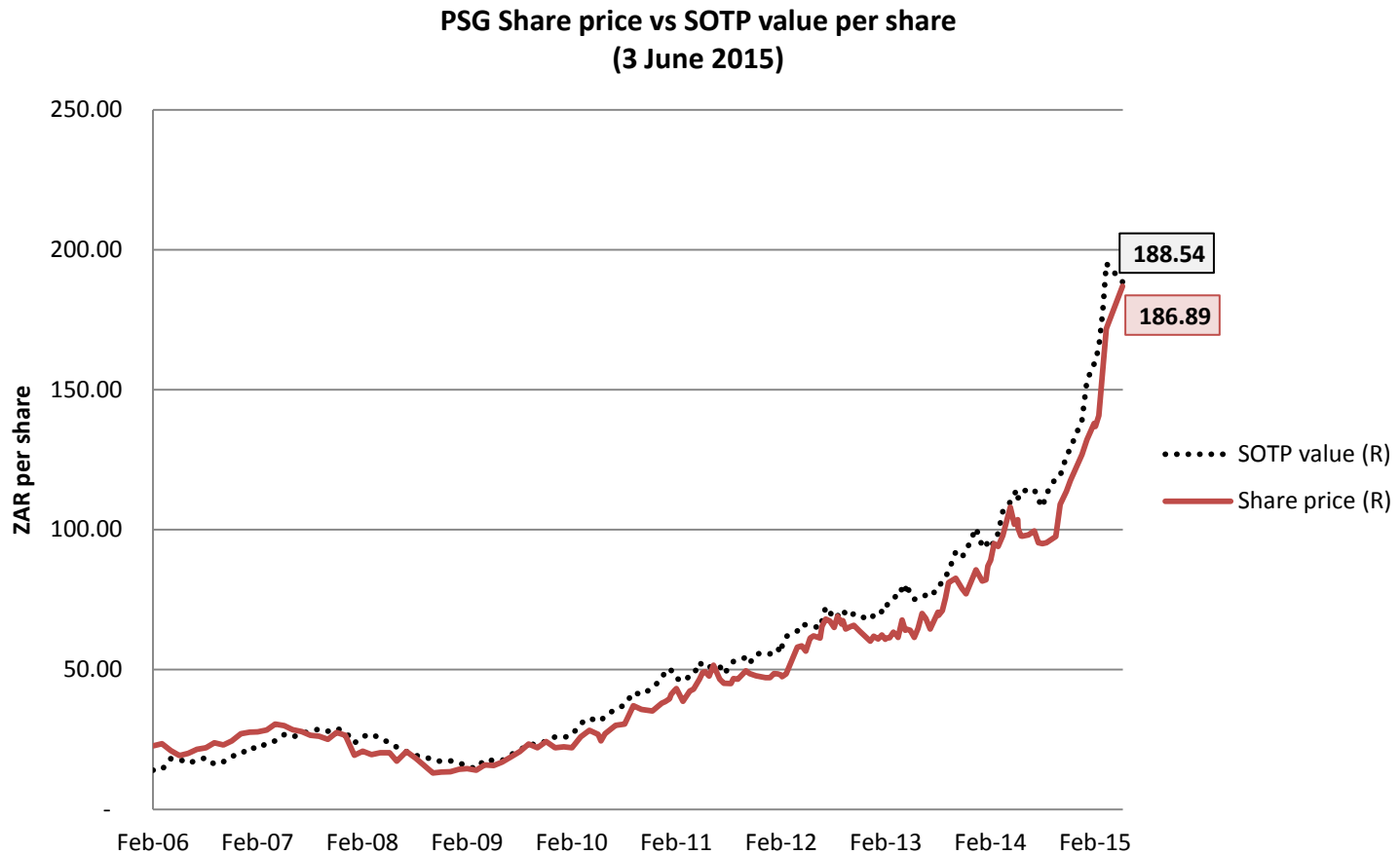


# PSG's SOTP as at 3 June 2015

	Rm	% of value
Capitec	17,210	42%
Curro	7,590	18%
PSG Konsult	6,714	16%
Zeder	4,070	10%
PSG Private Equity	1,180	3%
Dipeo Capital ( <i>prev. Thembeka</i> )	752	2%
PSG Corporate	1,398	3%
Other ( <i>cash, pref investments, etc.</i> )	2,279	6%
<b>TOTAL ASSETS</b>	<b>41,193</b>	
Perpetual prefs.	(1,322)	
Other debt	(1,031)	
<b>SOTP</b>	<b>38,840</b>	
Number of shares in issue (m) ( <i>net of treasury</i> )	206	
<b>SOTP value per share (rand)</b>	<b>188.54</b>	



# PSG's SOTP value per share vs. share price



# PSG has influence over sizeable companies

	% Interest	Total market capitalisation* (Rbn)	Comment
Capitec	30.7%	56.1	<i>From 1998 – PSG Specialised Lending</i>
Curro	58.5%	13.0	<i>Bought 50% for R50m in 2009</i>
PSG Konsult	62.0%	10.8	<i>Started 1 February 1996</i>
Through Zeder ( <i>% interest held by Zeder</i> )		46.6	<i>PSG Group manages Zeder</i>
Pioneer	27.3%	40.0	<i>Unbundled business unit of Pioneer</i>
Capespan	71.1%	2.1	
Kaap Agri	37.9%	1.7	
Zaad	92.0%	1.1	
Quantum Foods	26.4%	0.9	
Agrivision Africa	76.5%	0.8	
PSG Private Equity	100%	1.2	<i>11 investments</i>
Dipeo Capital	49%	1.5	<i>New BEE investment holding company</i>
		<b>129.2</b>	

\* Market capitalisation as at 3 June 2015

**PSG finds the best management teams and supports them with capital  
We are a proud shareholder in each of our companies**



# Recurring headline earnings

Rm	Feb-13	Growth	Feb-14	Growth	Feb-15
PSG Konsult	119	37%	163	31%	214
Zeder	107	19%	127	20%	152
PSG Private Equity	75	(32%)	51	16%	59
BEE investment holding company/Thembeke	28	(18%)	23	96%	45
Curro	8	163%	21	48%	31
Other	46	-	46	93%	89
<b>Recurring headline earnings excl. Capitec</b>	<b>383</b>	13%	<b>431</b>	37%	<b>590</b>
Capitec	500	14%	571	28%	729
<b>Recurring headline earnings before funding</b>	<b>883</b>	13%	<b>1 002</b>	32%	<b>1 319</b>
Funding	(168)	8%	(181)	(2%)	(177)
<b>Recurring headline earnings</b>	<b>715</b>	15%	<b>821</b>	39%	<b>1 142</b>



# Headline earnings

Rm	Feb-13	Feb-14	Feb-15
<b>Recurring headline earnings</b>	<b>715</b>	<b>821</b>	<b>1 142</b>
<b>Non-recurring headline earnings</b>	<b>160</b>	<b>191</b>	<b>432</b>
BEE investment holding company/Thembeke	140	100	432
Zeder	(23)	(17)	(52)
Other	43	108	52
<b>Total headline earnings</b>	<b>875</b>	<b>1 012</b>	<b>1 574</b>



# Per share stats

	<b>Feb-13</b>	<i>Growth</i>	<b>Feb-14</b>	<i>Growth</i>	<b>Feb-15</b>
<b>Recurring headline earnings (Rm)</b>	<b>715</b>	15%	<b>821</b>	39%	<b>1 142</b>
<b>Headline earnings (Rm)</b>	<b>875</b>	16%	<b>1 012</b>	56%	<b>1 574</b>
<b>Attributable earnings (Rm)</b>	<b>1 140</b>	(7%)	<b>1 059</b>	47%	<b>1 560</b>
<b>Weighted average number of shares in issue (net of treasury shares) (m)</b>	182	-	183	5%	192
<b>Earnings per share (cents)</b>					
- Recurring headline	<b>392</b>	15%	<b>449</b>	32%	<b>594</b>
- Headline	<b>480</b>	15%	<b>553</b>	48%	<b>819</b>
- Attributable	<b>626</b>	(8%)	<b>579</b>	40%	<b>811</b>





# 20 lessons in 20 years



# Lesson 1: Being fired

## 5 August 1995

- To be fired is the biggest shock any person can get in his life (apart from a personal loss)
  - “A defining moment in life”
  - You have to stand up and face your family and friends



**NEVER GIVE UP!**



# Lesson 2: Read & study

- Get yourself an office – read and study
- Read books of successful people  
*(from Warren Buffett to Sam Walton)*
  - Summarise your readings
  - I have a library of more than 200 business books
- If you read, you will identify more opportunities in life



*“Mehmed II showed particular interest in and knowledge of the expertise of the best scholars, craftsmen and artists worldwide”*

– (PSG Group Annual Report 2002)



# Lesson 3: Analyse yourself

- List your strong & weak points
  - Honest assessment
- Discuss it with people who know you well
- You will understand yourself better
  - BUILD on your strong points
  - ELIMINATE your weak points



*“Know yourself and you  
will win battles”  
- Sun Tzu*



# Lesson 4: Analyse the environment

- South Africa: a land of opportunities
  - Breaking the SA banking oligopoly (Capitec)
  - Education (Curro, Impak, ITSI)
  - Electricity (Energy Partners)
  - Food & Agri (Pioneer & Zeder)
- Barriers to entry (Capitec & Curro)
- Where we have expertise (financial services)
- Where we have no expertise (mining, IT & property) – ignore!

Focus on  
opportunities



# Lesson 5: Formulate your plan

- Physically write down your vision so that you can look at it again tomorrow

*“Control your own destiny or someone else will” – Jack Welch*

**Only entrepreneurs can create jobs**

- My dream:
  - Listed company or big stake in it (control)
  - Financial services sector focus
  - Raise capital for strong base
  - Management style – decentralised and delegated
  - Surround yourself with smart people
  - Move to Stellenbosch
  - Small head office, relaxed environment
  - Think more and do less



# Lesson 6: Execute your plan

## 25 Nov 1995 – bought control of PAG (51% = R3.5m)

- Management as partners
  - CEO and senior management became shareholders
- 1996 – stock broking and investment services (*Jaap du Toit*)
- Raise capital (*Francois Gouws*)
- Bought Anchor Life (*Dec 1996*)
- 1997 – *Moved to Stellenbosch*
- 1998 – Started:
  - PSG Specialised Lending (now Capitec)
  - PSG Investment Bank
  - PSG Escher Group
- Market cap of R7m increased to R1.8bn at the height in 1998 (*257 times*)



# Adapt your plan as times change

- *The Initial Plan* (1995 – 2001) – create shareholder wealth
- *Project Unlock Value* (2002 – 2004) – sold PSG Investment Bank; paid special dividends
- *Project Growth* (2004 – 2008)
- *Project Internal Focus* (2009 – present)





# Lesson 7: Friends & loyalty

## You know and trust them to lead

- Chris Otto – from the very first day (*a lot of wisdom and support*)
- Jaap du Toit and team from SMK (*1 Feb 96*)
- Willem Theron and team from 1998
- Francois Gouws from UBS/SMK
- Michiel le Roux and Capitec (*1998 PSG Specialised Lending*)
- Wynand Greeff (13 years) and Johan Holtzhausen (17 years)
- Markus Jooste and GT Ferreira from SMK days

***My family always supported me 100% (but that is personal)***



# Lesson 8: Loyal shareholders

- Hostile take-over attempt no surprise (ABSA in 2001)
  - *Big lesson!*
- Friends & family (& Steinhoff) are extremely happy and supportive shareholders

Shareholder group*	%
Directors	35.1%
Steinhoff	18.4%
Friends & family	11.8%
<b>Total</b>	<b>65.3%</b>



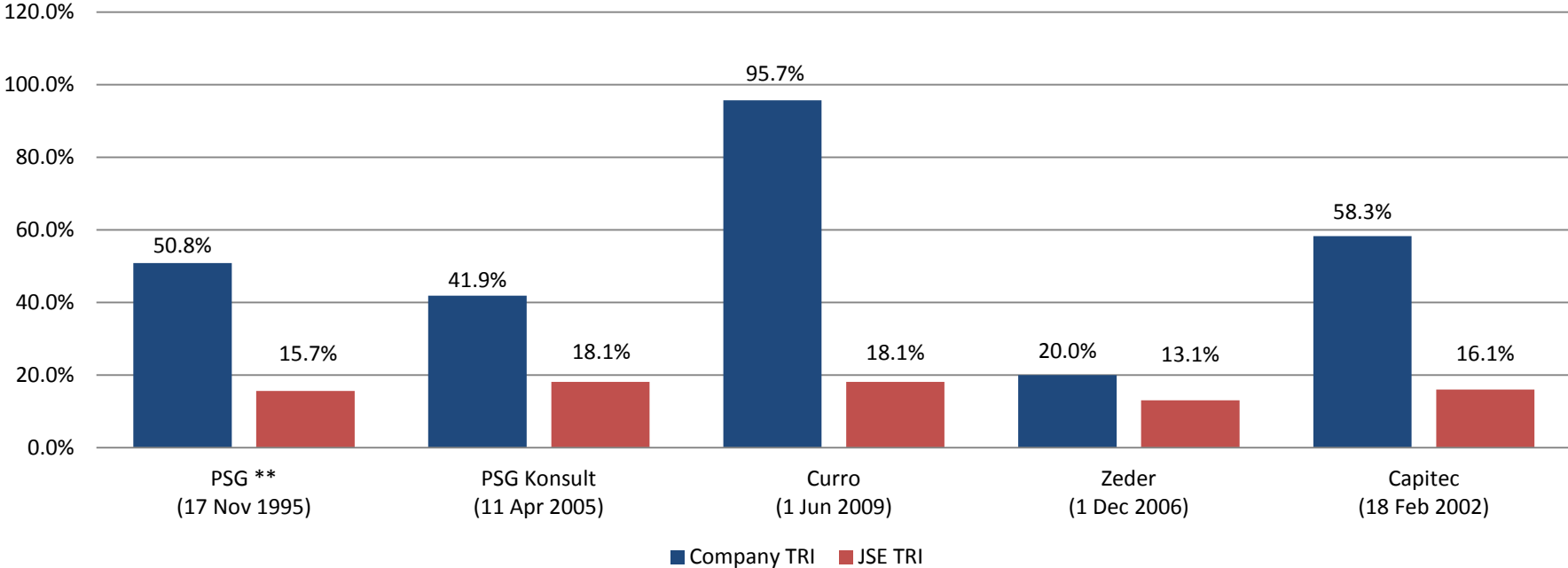
\*based on number of shares net of treasury shares



# Lesson 9: Monitor/measure your performance

*The ultimate success measurement of a listed company - "Total Return Index"*

**PSG Group Companies' Total Return Index vs. JSE All Share \***



\* Measured since the respective dates set out above until 28 February 2015.  
 \*\* Capitec unbundling in November 2003 treated as a dividend.



# Lesson 10: Compare PSG with other blue chips

Total return comparison (since PSG Group listing) <sup>+</sup>		
Company	TRI**	R1 000 invested in Nov-95 R
PSG Group	50%	2 838 814
Richemont	26%	93 244
Shoprite	25%	82 541
Mediclinic	25%	72 638
Naspers	24%	65 026
RMB Holdings	23%	58 622
Distell	22%	48 982
Sasol	19%	31 803
Bidvest	18%	25 472
SAB Miller	17%	20 102
Imperial	12%	8 491

<sup>+</sup> Source: calculated based on monthly data per company from BFA McGregor; Nov-95 to May-15

\*\*TRI is calculated as the IRR of each share taking into account the dividends paid



# Lesson 11: Internal focus

## Sell non-core investments

- Where we can't add value or don't believe in the growth potential
  - KWV, Capevin, various non-core agri-businesses
  - mCubed – lost trust
  - Channel Life and Escher – could no longer add value

## Focus on core investments

- Spend all our time on core investments
- Ensure that each company has optimal strategy
- Appoint the correct CEO for each core company considering its growth phase, etc.
  - Phil Roux (Pioneer), Francois Gouws (PSG Konsult), Johan Dique (Capespan), Norman Celliers (Zeder), etc.



# Lesson 12: Communication to the outside world

- Honest and transparent (website SOTP)
- Good and positive relations with the press
- Programme to inform investors (SA & abroad)
- 193 PSG Konsult offices – message to 150 000+ clients
- Pat Dorsey (Dawie Klopper)

**We have the image of a winner**

**Honest and Transparent**



# Lesson 13: Mr Market (MM)



The effect of MM will always have a major impact on all decisions

- Strive to be a long-term investor
  - Invest in quality companies with good fundamentals
  - Rather focus on long-term earnings growth than short-term share price performance (up or down)
- Capital structure
  - Share swaps (*only swap into quality*)
  - Placement of shares (*to invest in growth*)
  - Buyback of shares (*trading below SOTP*)
- Effect on profits (PSG Konsult)



# Caution when using PSG shares as payment

- In 2006, PSG purchased 50.4m shares in KWV; paid with 7.4m PSG shares

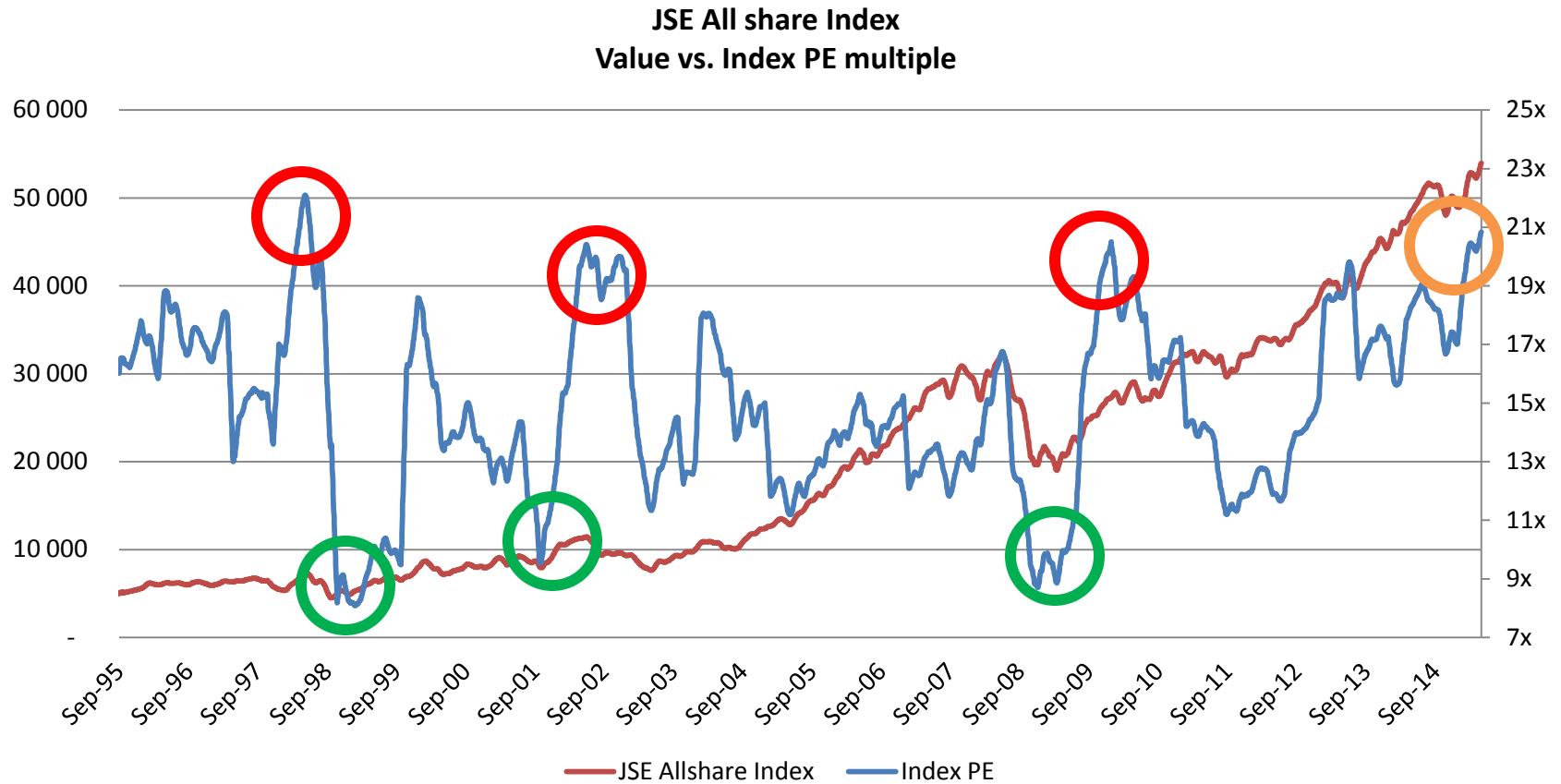
	Combined KWV and Capevin	PSG
<b>Initial investment</b>		
Number of shares (m)	50.4	7.4
Price at 23 June 2006 (rand)	2.72	18.50
<b>Total initial investment (Rm)</b>	<b>137</b>	<b>137</b>
		
<b>Total investment value today* (Rm)</b>	<b>518</b>	<b>1 398</b>
<b>Effective overpayment by PSG (Rm)</b>		<b>(880)</b>

\*Values based on share prices of PSG Group, Capevin and KWV as at 3 June 2015

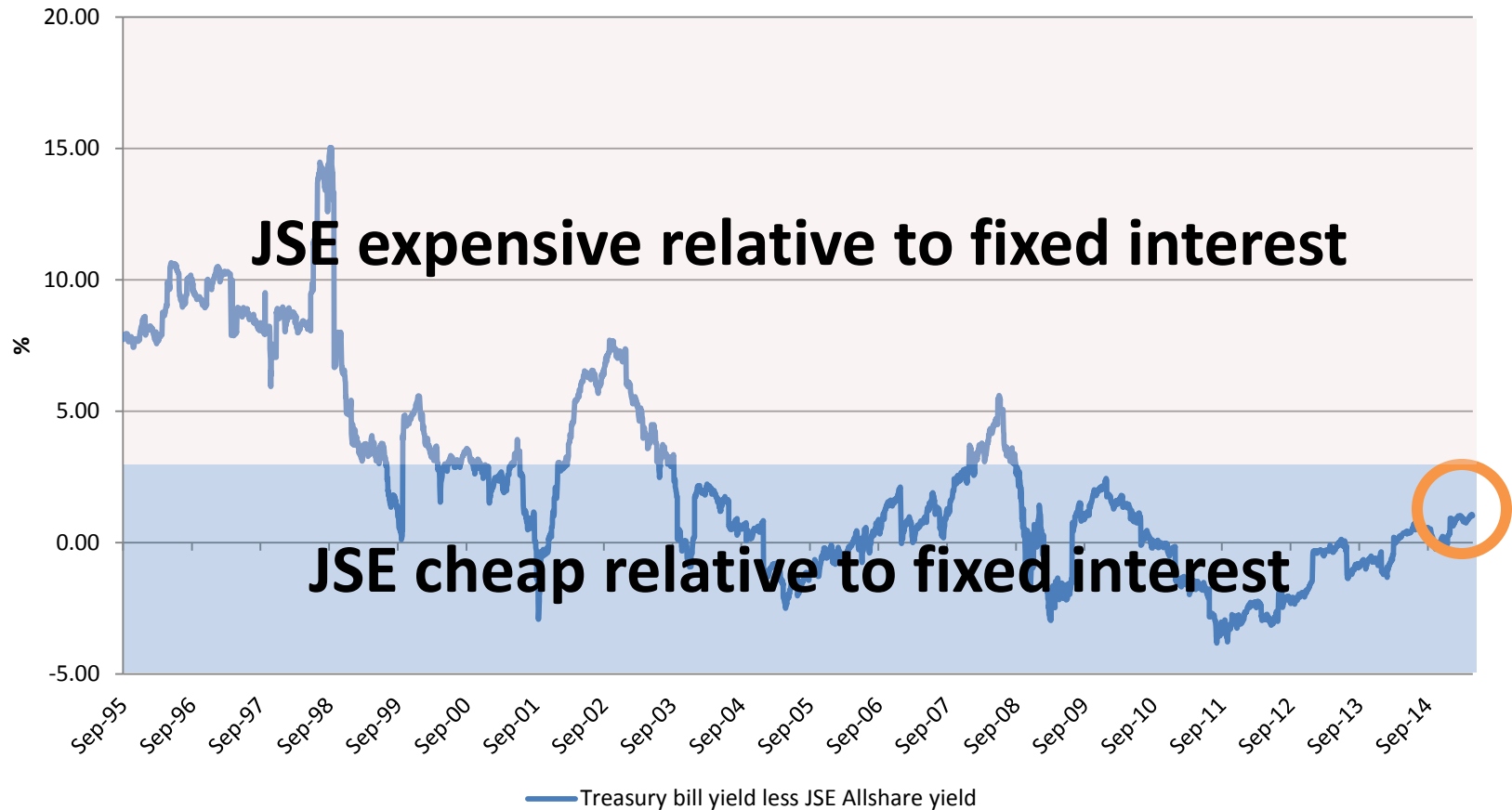




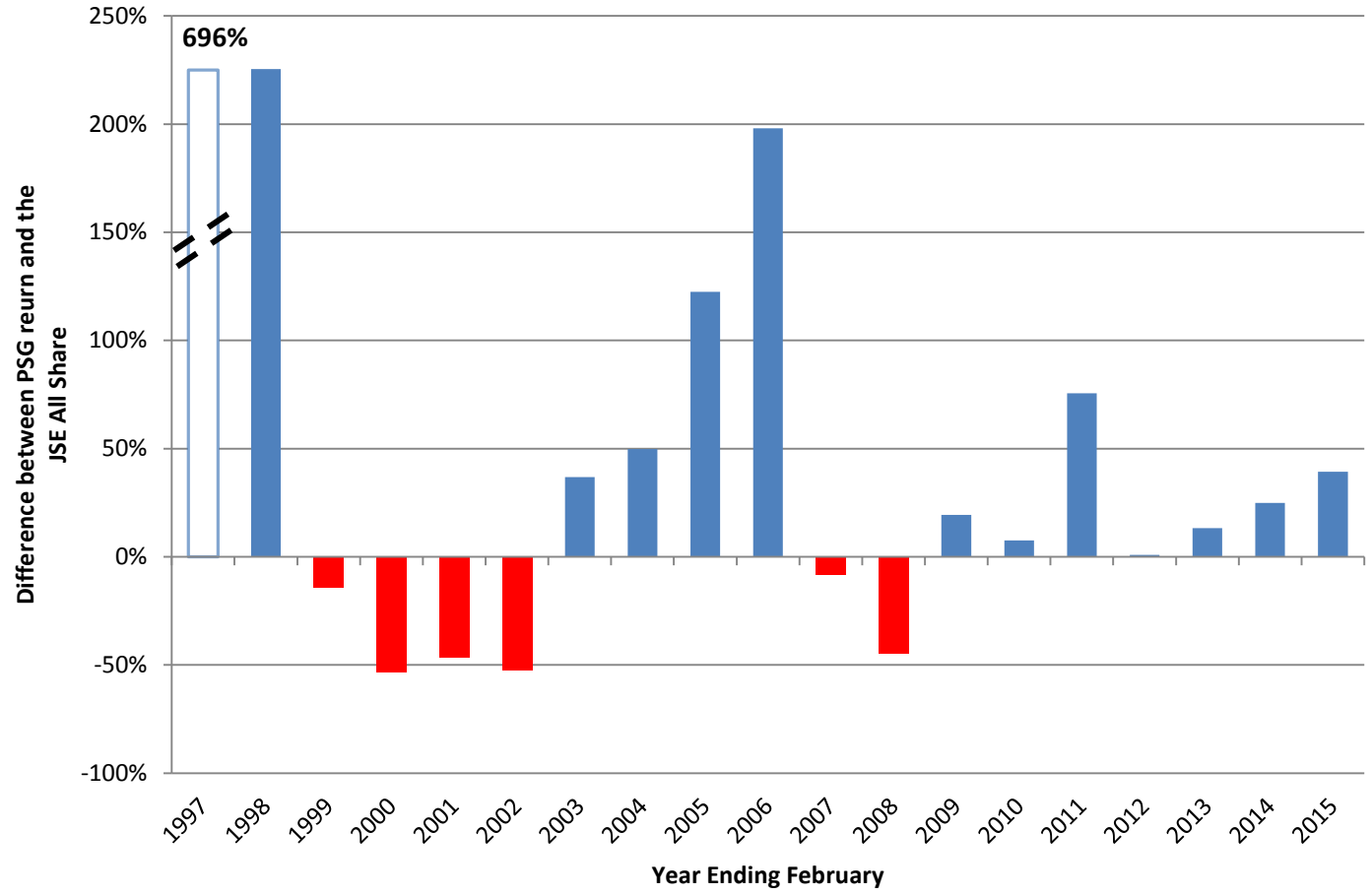
# Are markets high - PE?



# Are markets high – cheap money?



# PSG return vs. JSE ALSI return



# Lesson 14: Seize opportunities

- PAG Placements
  - Company taken over in 1995 – market cap of R7m
  - Sold for R107m in 1997
- Servgro
  - Entire business of PSG sold to Servgro in 1998
  - In exchange for R327m cash and shares in Servgro
- PSG Noble – raised R1.2bn cash (1998)
- JSE, Teljoy, EOH, CIC
- Agri-businesses (*from co-op to corporate*)
- BEE



# Lesson 15: Funding

## Funding must be long term

- Small banking crisis (2002) – *lesson learned*
- Perpetual preference shares
  - PSG was the first non-bank to issue these (*Jan Mouton*)
  - R1.3bn in issue (*market value*)
  - Only need to service dividend
  - No capital repayment
  - Assists PSG in making long-term decisions



# Lesson 16: Black Economic Empowerment

- BEE is a South African issue
- Change issue/problem into an opportunity
- Our first deal was with Siphumelele in 1998
- Next attempts were great successes:
  - Arch Equity (2004 – 2006)
    - Share price increased from R1 to R7 in 2 years
  - Thembeka (2006 – 2014)
    - Increased from R1 000 to over R3bn
  - Dipeo Capital (2014)
    - Already worth R1.5bn



# United Reformed Church (URC)

- Thembeka was started with R110m of assets and R110m of debt – the NAV equalled zero
  - PSG sold 51% of the equity for R510
- The URC acquired 8% of the share capital for a total of R80 (eighty rand)
- Has received ~R5m in dividends to date
- Now owns PSG shares worth ~R300m



# Lesson 17: Believe in yourself

- Invest in the company you work for
  - Management must be shareholders
  - PSG, Capitec, Curro, Zeder, PSG Konsult, Pioneer Foods
  - 100% of my wealth is in PSG



*“Whatever the mind can conceive  
and believe, it can achieve”*

*– Napoleon Hill*





# Support our group

- Send your children to Curro schools
  - 42 schools across the country
- Bank with Capitec
  - >600 branches
  - >3 400 ATMs
- Buy Pioneer Foods' brands (incl. Ceres and Bokomo)
- Get your financial advice from PSG Konsult
  - 193 offices across the country



# Lesson 18: Your team

- Employ people who are better than yourself or who have complimentary skills
  - *PSG Group has a great team – driven by the Exco*
  - Piet Mouton
- Financial reporting – must be on time, transparent and accurate
  - Wynand Greeff and team
- Deal sourcing, negotiations and implementation
  - Johan Holtzhausen and team
- Best tax advice
  - Chemus Taljaard and team
- PSG Private Equity – tasked to find the next big thing
  - Nico de Waal and team



# Lesson 19: Focus

- Management devised a plan at the outset
  - Build a retail bank to compete with the Big Four by reducing costs and simplifying the way banking is done
  - Become the no. 1 unsecured lender in the market
- They have focused relentlessly to deliver on their strategy



<b>% market share – main bank account</b>	<b>Jun 2012</b>	<b>Dec 2012</b>	<b>Jun 2013</b>	<b>Dec 2013</b>	<b>Jun 2014</b>
ABSA	34.3%	32.9%	30.5%	30.0%	29.0%
FNB	25.6%	25.2%	25.1%	24.9%	24.2%
Standard Bank	23.4%	23.9%	24.9%	25.2%	23.9%
<b>Capitec</b>	<b>9.1%</b>	<b>10.8%</b>	<b>12.7%</b>	<b>14.0%</b>	<b>16.8%</b>
Nedbank	10.9%	10.7%	10.7%	10.1%	10.0%
<b><i>Total banking population ('000)</i></b>	<b>22,545</b>	<b>23,238</b>	<b>25,910</b>	<b>26,056</b>	<b>25,761</b>



# Lesson 20: Give back to society

**As detailed in the social and ethics committee presentation, PSG Group makes significant contributions to society**



**A successful company is never a drag on society**



# Conclusion

## My 10-year dream

1. That SA will be fine (*wonderful country to live in*)
  - There will be challenges, but also **opportunities**
2. **Good health for colleagues, friends and family**
3. PSG finds **the next “big thing”**
  - The next Curro, Capitec, PSG Konsult, Pioneer Foods
4. Share price
  - There will be a downward correction
  - First 20 years: +50% growth (TRI)
  - Next 10 years: +20% growth (TRI)
  - Assuming a price of R180 per share → **share price in 2025 of R1 115**



**THANK YOU**

**QUESTIONS?**

