



# **PSG GROUP INTERIM RESULTS**

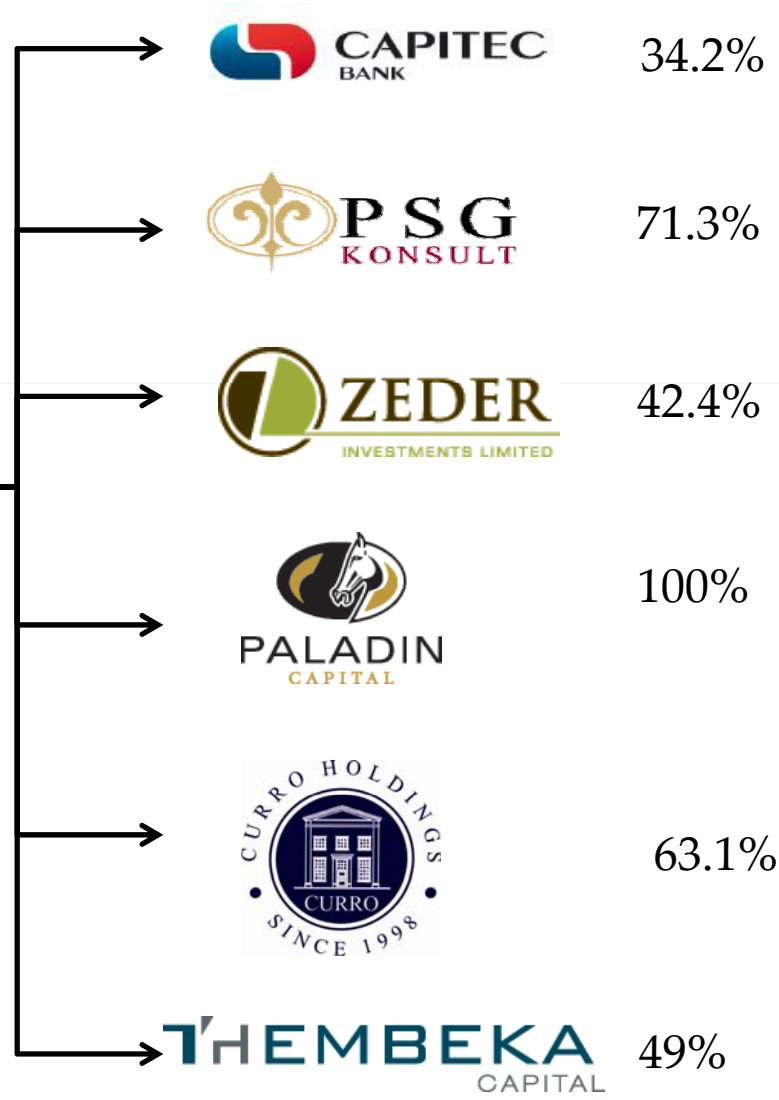
AUGUST 2011

# Group structure



PSG GROUP LIMITED

- R9bn market cap
- 33 underlying companies
- 39,000 people



# 2012 Interim results overview



- Our benchmarks: **SOTP** and **recurring** headline earnings
- Sum-of-the-parts (SOTP)
  - Most appropriate method to value our business
  - Listed assets and liabilities at quoted market prices
  - Unlisted assets and liabilities at appropriate valuation methods
  - New investments should ultimately have positive effect on SOTP
- Recurring headline earnings
  - PSG's effective interest, regardless of % holding (incl. <20%)
  - Marked-to-market fluctuations excluded
  - One-off items excluded



# 2012 Interim results overview



- *SOTP value* per share R52.34 at Aug 2011
  - 11.8% higher than Feb 2011
  - 40.3% higher than Aug 2010
- PSG's *recurring headline earnings* per share increased by 21.7% to 135.5 cents
- *Headline earnings* decreased by 24.6% to 103.3 cents per share
- *Attributable earnings* decreased by 30.1% to 87.4 cents per share



# PSG Sum of the Parts



| Investment                      | Feb-08<br>Rm | Feb-09<br>Rm | Feb-10<br>Rm | Feb-11<br>Rm | Aug-11<br>Rm  | % of<br>assets |
|---------------------------------|--------------|--------------|--------------|--------------|---------------|----------------|
| Capitec                         | 1,114        | 857          | 2,367        | 5,138        | 6,090         | 55.7%          |
| PSG Konsult                     | 1,156        | 873          | 948          | 1,206        | 1,177         | 10.8%          |
| Zeder                           | 553          | 342          | 742          | 1,069        | 1,013         | 9.3%           |
| Paladin                         | 758          | 413          | 834          | 1,242        | 841           | 7.7%           |
| Curro                           | -            | -            | -            | -            | 580           | 5.3%           |
| Management fees                 | 216          | 216          | 361          | 350          | 350           | 3.2%           |
| Other investments               | 1,364        | 745          | 400          | 548          | 878           | 8.0%           |
| <b>Total assets</b>             | <b>5,161</b> | <b>3,446</b> | <b>5,652</b> | <b>9,553</b> | <b>10,929</b> | <b>100.0%</b>  |
| Perpetual pref funding          | (571)        | (486)        | (541)        | (1,028)      | (1,013)       |                |
| Debt                            | (143)        | (350)        | (539)        | (507)        | (481)         |                |
| <b>SUM OF THE PARTS</b>         | <b>4,447</b> | <b>2,610</b> | <b>4,572</b> | <b>8,018</b> | <b>9,435</b>  |                |
| Nr of shares in issue (million) | 171.1        | 170.5        | 171.8        | 171.3        | 180.2         |                |
| <b>Per share (Rand)</b>         | <b>25.99</b> | <b>15.31</b> | <b>26.61</b> | <b>46.81</b> | <b>52.34</b>  |                |

*SOTP as at 30 September is R53.22 per share*

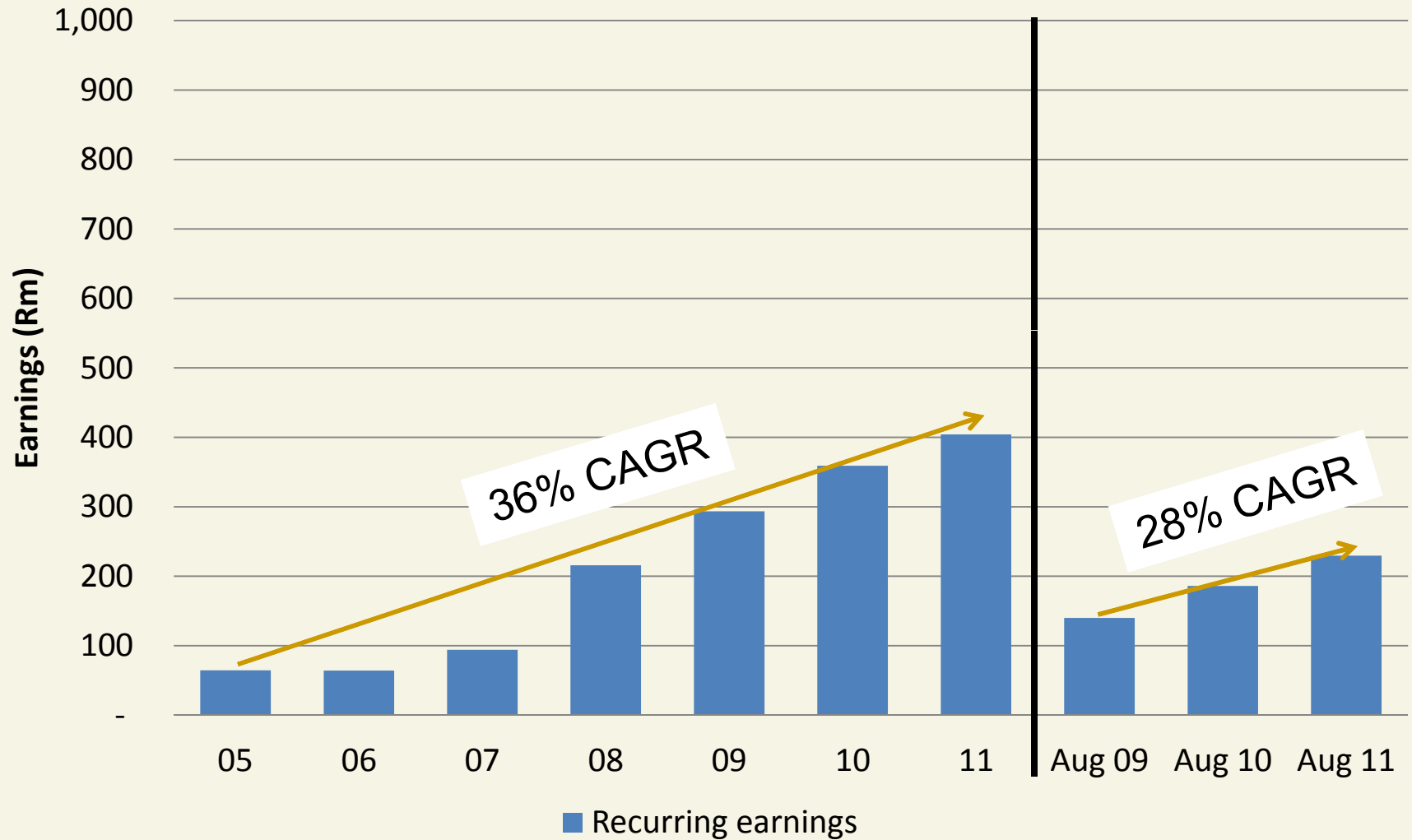


# Recurring headline earnings

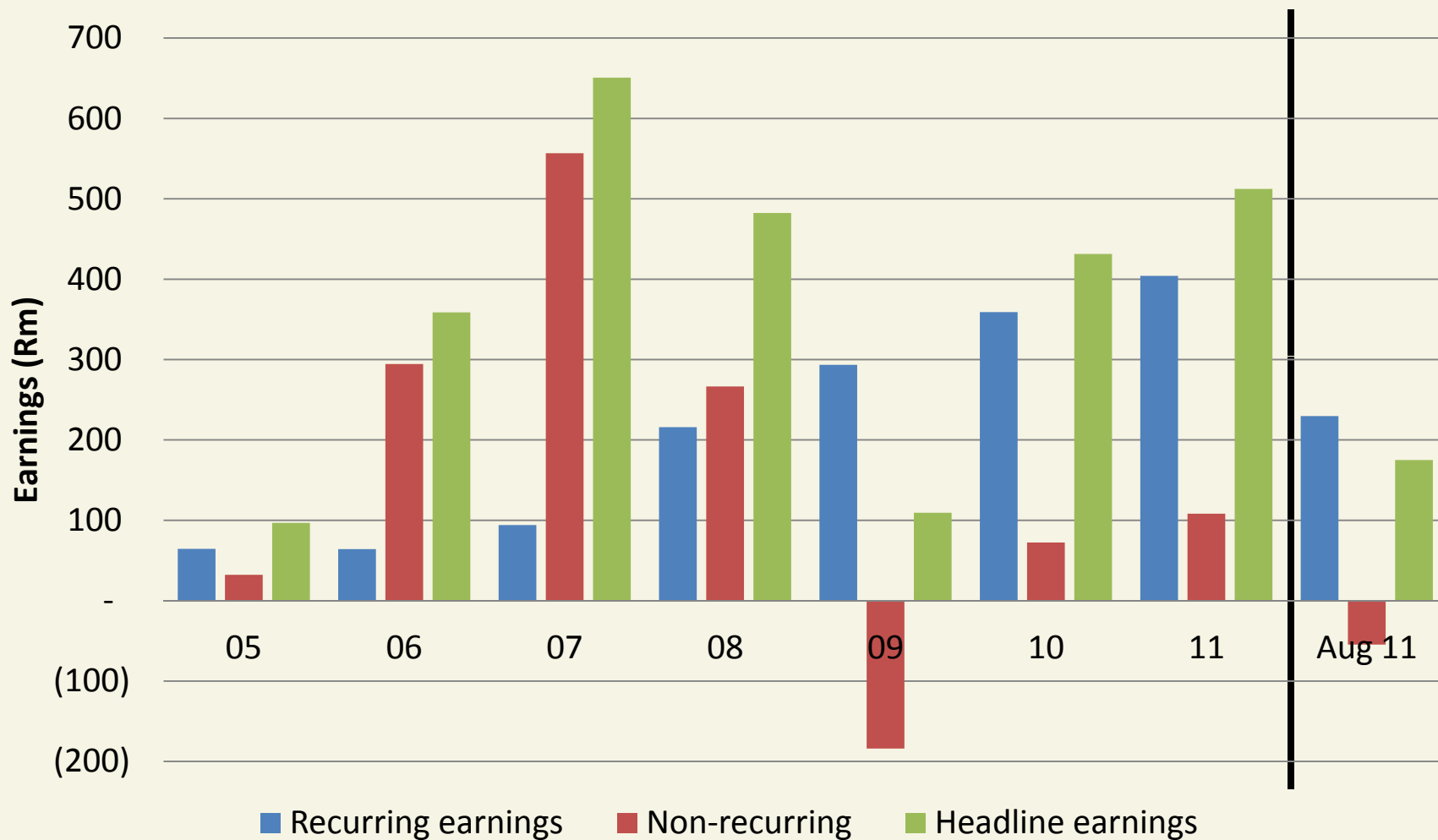


| RECURRING HEADLINE EARNINGS                          | Feb-10<br>Rm | Feb-11<br>Rm | Aug-10<br>Rm | Aug-11<br>Rm | y-o-y<br>change |
|--|--------------|--------------|--------------|--------------|-----------------|
| PSG Konsult  | 91.9         | 93.9         | 41.7         | 42.5         | 2%              |
| Paladin Capital                                      | 76.1         | 44.8         | 25.1         | 22.7         | -10%            |
| Curro Holdings                                       | 1.1          | 1.9          | 1.2          | (5.1)        | -525%           |
| Zeder Investments                                    | 83.6         | 109.4        | 50.9         | 53.8         | 6%              |
| PSG Corporate (incl. PSG Capital)                    | 15.3         | 21.0         | 10.3         | 7.8          | -24%            |
| Other  | 20.0         | 19.2         | 9.9          | 10.6         | 7%              |
| <b>Recurring headline earnings excluding Capitec</b> | 288.0        | 290.2        | 139.1        | 132.3        | -5%             |
| Capitec Bank   | 151.7        | 223.0        | 99.1         | 167.9        | 69%             |
| <b>Recurring headline earnings before funding</b>    | 439.7        | 513.2        | 238.2        | 300.2        | 26%             |
| Funding  | (80.7)       | (109.1)      | (52.1)       | (70.5)       | 35%             |
| <b>Recurring headline earnings</b>                   | 359.0        | 404.1        | 186.1        | 229.7        | 23%             |
| Non-recurring items                                  | 72.4         | 108.3        | 43.0         | (54.7)       |                 |
| <b>Headline earnings</b>                             | 431.4        | 512.4        | 229.1        | 175.0        | -24%            |
| Non-headline items                                   | (40.5)       | 196.0        | (20.2)       | (26.9)       |                 |
| <b>Attributable earnings</b>                         | 390.9        | 708.4        | 208.9        | 148.1        | -29%            |
| <b>Earnings per share (cents)</b>                    |              |              |              |              |                 |
| - Recurring headline                                 | 207.4        | 241.9        | 111.3        | 135.5        | 22%             |
| - Headline   | 249.2        | 306.7        | 137.0        | 103.3        | -25%            |
| - Attributable                                       | 225.8        | 424.1        | 125.0        | 87.4         | -30%            |

# Recurring earnings



# Recurring vs Headline earnings



- In total over the period we have made R1.1bn more headline earnings than recurring earnings





# Recurring vs Headline



- Difference between recurring and headline in the last 6 months mainly due to:
  - PSG has hedged (fixed for floating) R1.09bn of interest exposure
    - Fixed cost of funding at 8.71%
    - Gives us certainty
    - Resulted in a mark-to-market loss of R40.5m in the period due to a change in the long term interest rate curve
  - Thembeke made less mark-to-market profits than same period in the prior year (R66.9m)



# Corporate action and investing



- Raised R377m by issuing 8.2 m ordinary shares (~R46.09 per share)
- Increased interest in Zeder to 42.4% - invested R18m (~R2.48 per share)
- Listed Curro on JSE
- Paladin unbundled Curro to its shareholders
  - PSG now holds 63.1% directly
- PSG has acquired the 18.7% minorities in Paladin
  - Deal effective 24 October
  - 4.32m new PSG shares to be issued
  - Paladin to be delisted



# Capitec (34.2%)



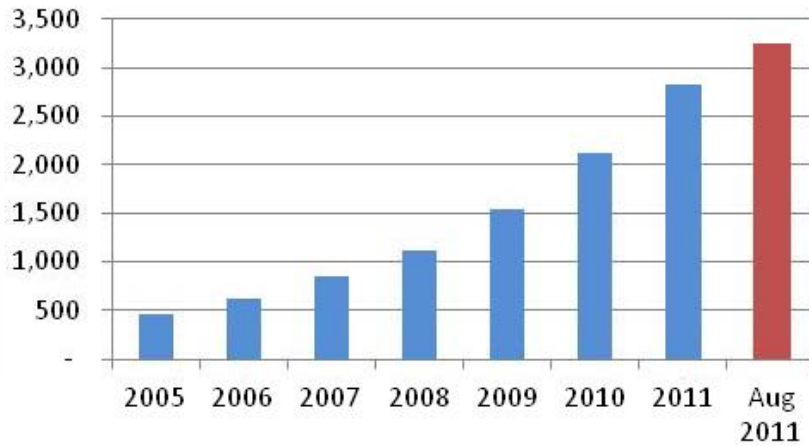
- Headline earnings per share up 53%!
- ROE 29%
- Number of active clients 3.2m
  - ~100,000 new clients per month
  - increased transactions
  - ATM's, branches, card machines



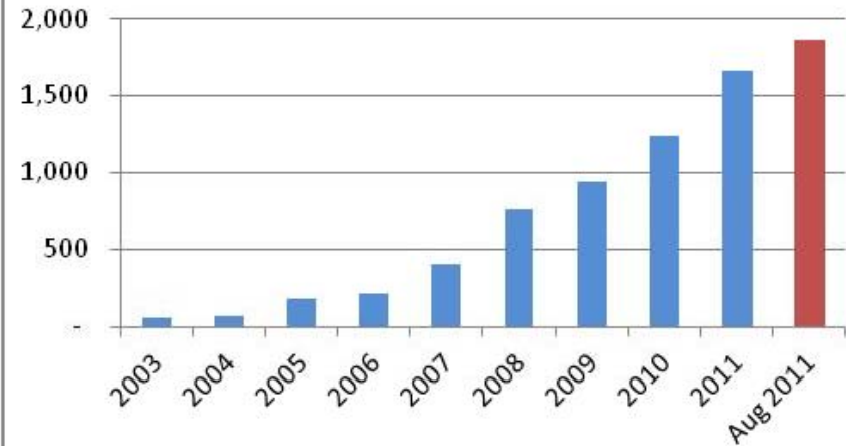
# Capitec (cont.)



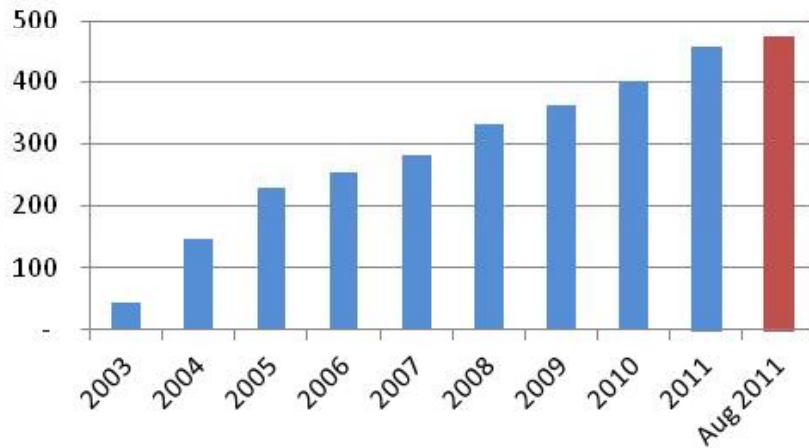
Nr of clients ('000)



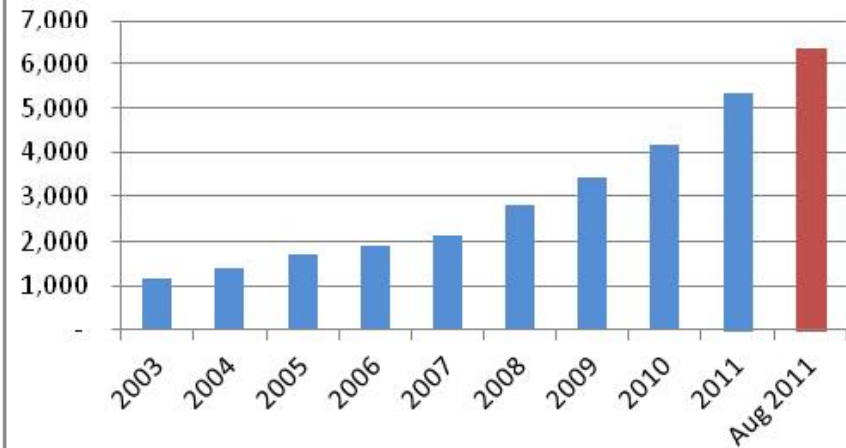
ATMs



Branches



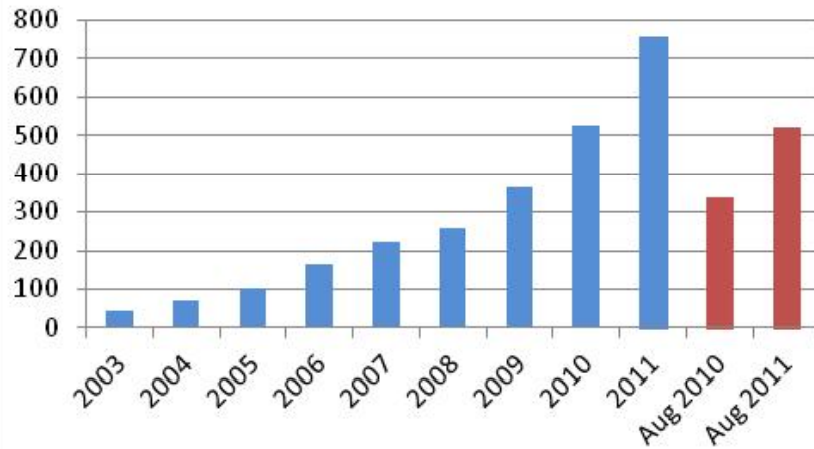
Employees



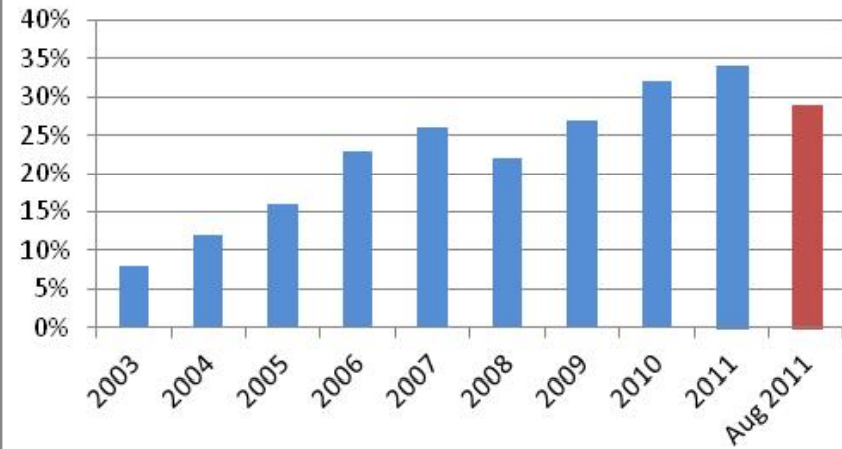
# Capitec (cont.)



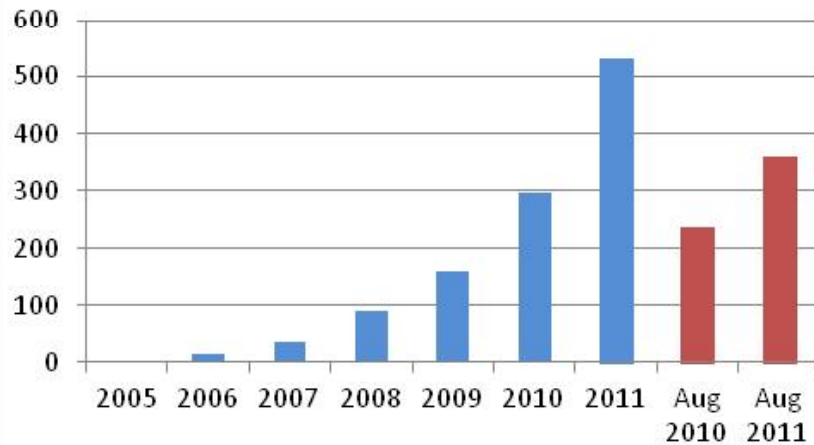
Headline earnings per share (cents)



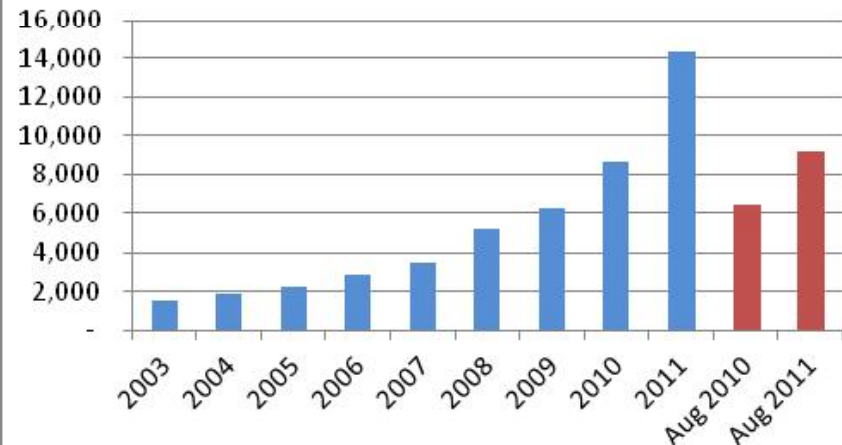
Return on equity



Net transaction fee income (R'm)



Loans advanced (R'm)



# Capitec (cont.)



## Net impairment expense as a % of average loans & advances

| %               | 1     | 3     | 6     | 12    | 18    | 24    | 36    | 48    | 60    |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                 | Month | Month | Month | Month | Month | Month | Month | Month | Month |
| <b>Aug 2011</b> | 10.0  | 12.9  | 11.7  | 7.9   | 9.0   | 6.1   | 3.5   | 5.1   | 7.5   |
| <b>Feb 2011</b> | 9.7   | 26.5  | 14.4  | 10.4  | 7.7   | 6.8   | 3.7   | 6.2   | 12.5  |
| <b>Aug 2010</b> | 9.3   | 11.8  | 8.6   | 9.6   | 6.6   | 6.3   | 4.7   | 8.7   | -     |
| <b>Feb 2010</b> | 8.8   | 16.7  | 9.7   | 11.0  | 7.1   | 6.2   | 4.2   | 8.8   | -     |
| <b>Aug 2009</b> | 11.3  | 11.0  | 10.9  | 11.9  | 8.1   | 7.0   | 6.3   | -     | -     |
| <b>Feb 2009</b> | 10.6  | 14.8  | 11.4  | 12.5  | 7.8   | 6.9   | 6.3   | -     | -     |

\* *Net impairments in line with expectation*



# Lessons learnt from Capitec



- Why is Capitec so successful and what have we learnt?
  - Exceptional management
  - Focus!
  - Simple products, easy to understand
  - Business is scalable



# PSG Konsult (71.3%)



- *Recurring* headline earnings up 7.8% to R59.6m
- Short-term premiums administered R1.55bn
- Funds under administration R121bn
- PSG Asset Management merger
  - Integration successful
  - Starting to see inflows
  - Funds continue to perform well
- Other acquisitions
  - Equinox - online unit trust trading platform (9 000 clients; AUM R1.9bn)
  - Pleroma - short-term insurance broker and administrator (5,000 clients; R100m in premiums)
- PSG Konsult a strong brand
- Distribution network: 222 offices; 674 brokers/advisors







- PSG Online was rated “SA’s top retail stockbroker”

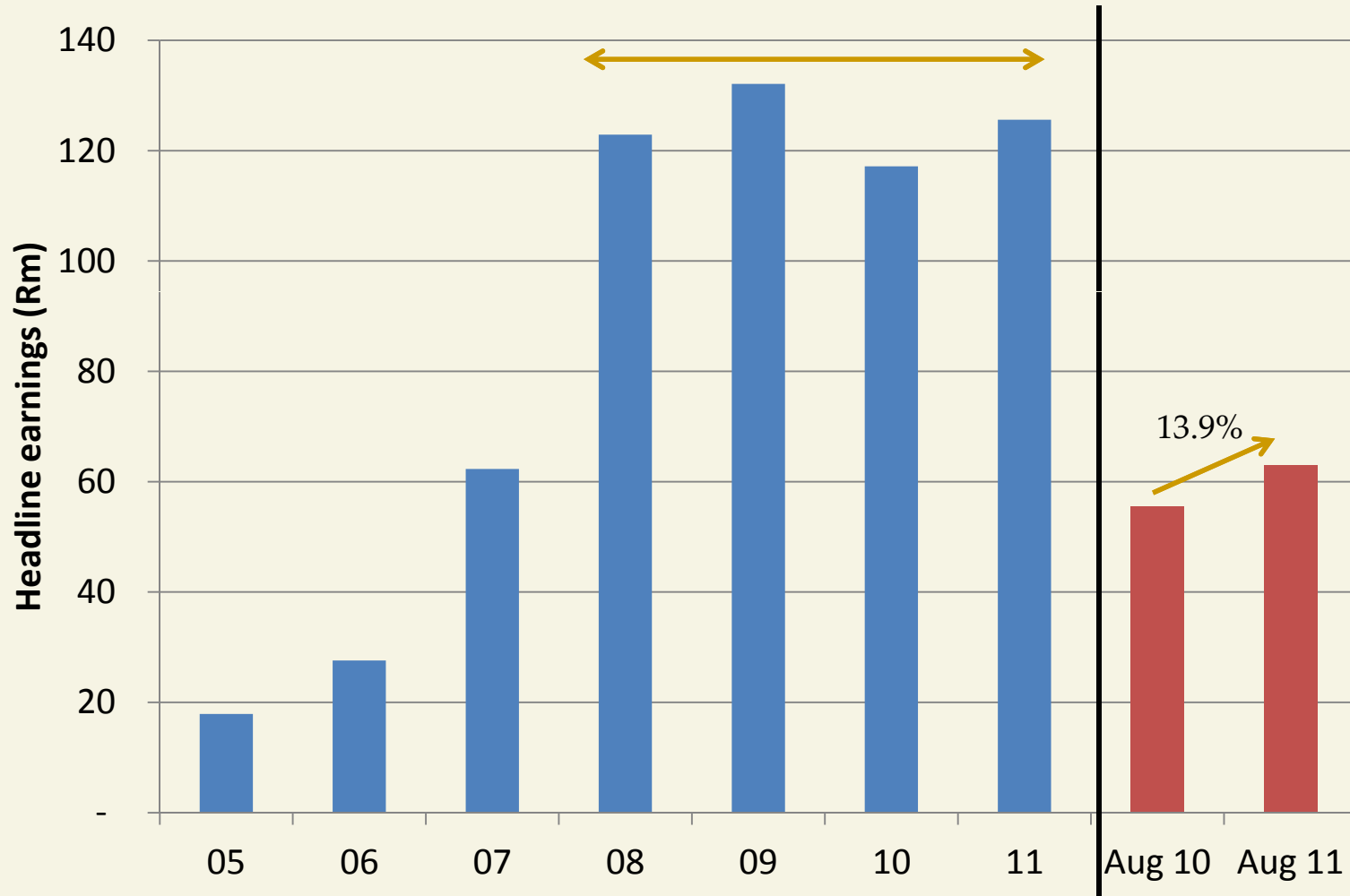
*Business Day Investors Monthly  
Stockbroker of the Year award*



# PSG Konsult (71.3%)



### Headline earnings



\* Prior years adjusted to include PSG Asset Management



# Curro (63.1%)



- **Education in SA**
  - 4% private school learners in SA vs 13% globally
    - Curro 1.2% of private school market and 0.05% of total
  - Government schools are overcrowded
  - Ex-model C schools are good but increasingly under pressure
  - No new schools built
  - Significant opportunities
- **Curro**
  - Affordable, quality private school education
  - 2011 today: 5,500 learners; 12 campuses
  - 2020 goal: 45,000 learners; 40 campuses
- **J-Curve**
  - Turnover increased by 117% to R79.3m; from profit to headline loss of R7.7m



# Paladin Sum of the Parts



| Investment                      | Feb-09<br>Rm | Feb-10<br>Rm | Feb-11<br>Rm | Aug-11<br>Rm |               |
|---------------------------------|--------------|--------------|--------------|--------------|---------------|
| Curro                           | -            | 100          | 373          | -            | 0.0%          |
| Thembeke                        | 110          | 272          | 531          | 553          | 44.7%         |
| Precrete (including loan to TC) | 93           | 163          | 200          | 206          | 16.7%         |
| Petmin                          | -            | 120          | 191          | 197          | 15.9%         |
| Spirit (including loans)        | -            | 15           | 50           | 64           | 5.2%          |
| Protea                          | 39           | 33           | 38           | 38           | 3.1%          |
| African Unity                   | 9            | 17           | 30           | 30           | 2.4%          |
| Energy Partners                 | -            | -            | -            | 14           | 1.1%          |
| <b>Erbacon</b>                  | <b>85</b>    | <b>100</b>   | <b>60</b>    | <b>27</b>    | <b>2.2%</b>   |
| <b>GRW</b>                      | <b>38</b>    | <b>49</b>    | <b>56</b>    | <b>56</b>    | <b>4.5%</b>   |
| <b>Iquad</b>                    | <b>24</b>    | <b>24</b>    | <b>36</b>    | <b>31</b>    | <b>2.5%</b>   |
| <b>Top Fix</b>                  | <b>10</b>    | <b>48</b>    | <b>23</b>    | <b>19</b>    | <b>1.5%</b>   |
| Other (or sold investments)     | 182          | 251          | -            | -            | 0.0%          |
| <b>Total assets</b>             | <b>590</b>   | <b>1,192</b> | <b>1,588</b> | <b>1,236</b> | <b>100.0%</b> |
| Net cash / (debt)               | (104)        | (25)         | 190          | (20)         |               |
| Performance fee                 | -            | -            | (65)         | -            |               |
| <b>SUM OF THE PARTS</b>         | <b>486</b>   | <b>1,167</b> | <b>1,713</b> | <b>1,216</b> |               |
| Nr of shares in issue (million) | 396          | 575          | 581          | 581          |               |
| <b>Per share (cents)</b>        | <b>123</b>   | <b>203</b>   | <b>295</b>   | <b>209</b>   |               |

\* incl. Curro SOTP value = 332c per share



# Paladin delisting



- Paladin was a significant success
- Listed (Sept 2009)
  - SOTP value after rights issue = 148cps
- Current SOTP value = 332cps
  - Paladin 209 plus Curro value 123
- Value created last 2 years = 185cps or R1.1bn



# Paladin – current performance



- Companies we were concerned about at year end
  - Sold Iquad for R30.9m
  - Erbacon continues to struggle
  - GRW and Top Fix recovering
- Other
  - Performing according to plan



# Paladin – going forward



- Retain Paladin brand & team within PSG
- Opportunity scout
- Bigger bets on opportunities with track record, selected small bets on start-ups (big successes or small failures)
- New deals
  - Energy Partners
    - Energy saving
  - Impak
    - Distance learning





- BEE investment vehicle
- Reported on separately going forward
- Intrinsic value has grown from R0 to R1.2bn the last 5 years
- 90% of intrinsic value JSE, PSG and Capitec
- Optionality in the remainder of the portfolio
  - 100% financed (ring-fenced) investments
- Access to potentially larger BEE deals





# Zeder (42.4%)



| Investment                    | Interest | Feb 09<br>Rm | Feb 10<br>Rm | Feb 11<br>Rm | Aug 11<br>Rm | % of<br>assets | 70.8%<br>vs<br>78.5% |
|-------------------------------|----------|--------------|--------------|--------------|--------------|----------------|----------------------|
| Kaap Agri                     | 44.5%    | 437          | 813          | 1,270        | 1,343        | 49.2%          |                      |
| KWV Combined                  |          | 414          |              |              |              |                |                      |
| KWV                           |          | -            | 215          | -            | -            |                |                      |
| Capevin Holdings              | 39.8%    | -            | 552          | 691          | 588          | 21.6%          |                      |
| Capespan                      | 39.0%    | 50           | 54           | 85           | 286          | 10.5%          |                      |
| Suidwes                       | 23.4%    | 47           | 53           | 76           | 81           | 3.0%           |                      |
| NWK                           | 8.9%     | 32           | 42           | 58           | 61           | 2.2%           |                      |
| OVK                           | 9.6%     | 23           | 27           | 29           | 36           | 1.3%           |                      |
| MGK                           | 26.7%    | 27           | 27           | 27           | 27           | 1.0%           |                      |
| Agricol                       | 25.1%    | 10           | 10           | 27           | 27           | 1.0%           |                      |
| Other                         |          | 103          | 171          | 235          | 278          | 10.2%          |                      |
| <b>Total investments</b>      |          | <b>1,142</b> | <b>1,966</b> | <b>2,498</b> | <b>2,727</b> | <b>100.0%</b>  |                      |
| Cash and cash equivalents     |          | 28           | 122          | 206          | 15           |                |                      |
| Other assets and liabilities  |          | 3            | (21)         | (29)         | (31)         |                |                      |
| <b>SUM OF THE PARTS</b>       |          | <b>1,173</b> | <b>2,066</b> | <b>2,676</b> | <b>2,711</b> |                |                      |
| Shares in issue (m)           |          | 611          | 978          | 978          | 978          |                |                      |
| <b>SOTP per share (cents)</b> |          | <b>192</b>   | <b>211</b>   | <b>274</b>   | <b>277</b>   |                |                      |

# Zeder (42.4%)



- *Recurring headline earnings* increased 2.7% to R127.8m
- Distell and Pioneer Foods little or no earnings growth
- Invested a further R194.3m to increase shareholding in existing investments
- Capespan offer R2.25 per share
  - shareholding from 22.7% to > 40%
  - R101m invested in the last 6 months
- Kaap Agri announced the split of its own operations from its holding in Pioneer Foods



# Available funds



- PSG
  - surplus cash/liquid assets and short-term facilities of approximately R700m
  - Perpetual preference shares remains preferred funding
- Zeder
  - R450m facilities available



# More information



- [www.psggroup.co.za](http://www.psggroup.co.za)
- [www.psgkonsult.co.za](http://www.psgkonsult.co.za)
- [www.paladincapital.co.za](http://www.paladincapital.co.za)
- [www.zeder.co.za](http://www.zeder.co.za)
- [www.curro.co.za](http://www.curro.co.za)
- [www.capitec.co.za](http://www.capitec.co.za)
- [www.thembekacapital.co.za](http://www.thembekacapital.co.za)





# QUESTIONS?