



PSG GROUP LIMITED

**RESULTS FOR THE SIX MONTHS
ENDED 31 AUGUST 2021**

Piet Mouton

PSG Group CEO

PSG Group – SOTP value

Asset/(liability)	29 Feb 2020 ⁺⁺⁺ Rm	28 Feb 2021 Rm	31 Aug 2021 Rm	8 Oct 2021 Rm
PSG Konsult*	6 399	7 282	9 129	9 194
Curro*	2 604	3 588	4 130	4 305
Capitec*	6 417	2 190		
Zeder*	3 173	1 983	2 357	2 395
PSG Alpha^	3 618	3 842	4 187	4 215
Dipeo^				
Other net assets	879	2 020	3 330	3 366
Cash^^	187	1 646	2 644	2 647
Pref investments and loans receivable^^	542	733	851	887
Other^^ +	150	(359)	(165)	(168)
Total assets	23 090	20 905	23 133	23 475
Perpetual pref funding* ⁺⁺	(1 463)	(1 132)		
Term debt^^	(1 020)			
Total SOTP value	20 607	19 773	23 133	23 475
Shares in issue (net of treasury shares) (m)	218.2	209.8	209.4	209.4
SOTP value per share (R)	94.44	94.24	110.50	112.13
Share price (R)		66.51	75.64	80.00

* Listed on the Johannesburg Stock Exchange ^ Internal valuation ^^ Carrying value

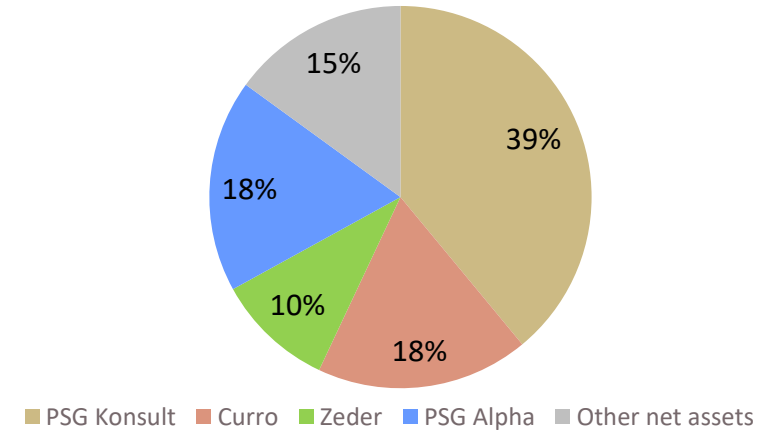
+ The 28 Feb 2021, 31 Aug 2021 and 8 Oct 2021 balances include a capital gains tax liability in respect of the Capitec shares held/sold.

++ All the perpetual prefs were repurchased during Aug 2021.

+++ The SOTP value as at 29 Feb 2020 has been adjusted to exclude the Capitec interest unbundled during FY21 for comparative purposes.

Note: PSG Group's live SOTP value containing further information is available at www.psggroup.co.za/sotp.

SHARE OF ASSETS - 8 OCT 2021



Investment philosophy: Early-stage investing

- *High-growth companies should ideally have more conservative balance sheets with limited debt*
- *Management cannot simultaneously focus on high-growth (J-curve) investment opportunities and on servicing debt:*
 - › *Loss of focus and conservatism*
- *Window to capture the market*



Best management teams:

- › Think different

Best operating models:

- › Service
- › Pricing
- › Experience

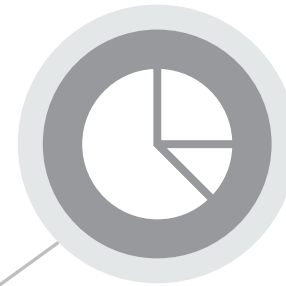


Large inefficient incumbents:

- › “Free” services
(Education and Energy)

Fragmented:

- › IFAs
- › Retirement villages



New investments should be in large markets:

- › Financial services
- › Energy
- › Education

If successful, the returns should be substantial



PSG Group's objective remains unchanged:
“To create wealth for shareholders on a *per share* basis”

Grow the underlying
businesses

Sell/unbundle
investments when
opportune
+
Other value-enhancing
initiatives

Pay dividends



Feedback: Growth in the underlying portfolio

- The SOTP value per share increased by ~17% from R94.24 (Feb 2021) to R110.50 (Aug 2021)
- We did not identify any new investments that met our investment criteria during the period under review
- **Several of our investees are engaged in various forms of corporate activity, some small and some potentially transformational**
 - Concluding transactions remains tough with continued Covid-19 uncertainty and mismatched price expectations
 - Significant and ever-increasing red tape causing unnecessary delays
- **Strong operational performance**
 - PSG Konsult, Energy Partners, Optimi, CA&S and Stadio, as well as most of Zeder's investees
- **Investees whose performance is still lagging due to Covid-19**
 - Curro and Evergreen



Feedback: Value-enhancing initiatives

- The Capitec unbundling last year unlocked significant value for shareholders that retained their Capitec shares – assuming a 32.5% discount to SOTP, such value-unlock currently approximates R16.9bn or R77.57 per PSG Group share
- We repurchased all the PSG Financial Services perpetual prefs, thereby deleveraging PSG Group entirely to create flexibility for cheaper funding should the need arise
- We have ceased further PSG Group share buybacks:
 - Buying back shares at the current discount levels will marginally increase PSG Group's SOTP value per share:
 - › If we buy back R1bn of shares, we increase the SOTP value per share by ~2%; and
 - › If we use all our cash resources to repurchase shares, the SOTP value per share will increase by ~6%
 - We believe such increase in SOTP value per share does not justify the significant reduction in financial flexibility associated with same – should we ever require significant cash and are unable to fund it from debt, shareholders would be significantly prejudiced given the discount at which PSG Group trades
- We continue to evaluate various value-enhancing initiatives throughout the group

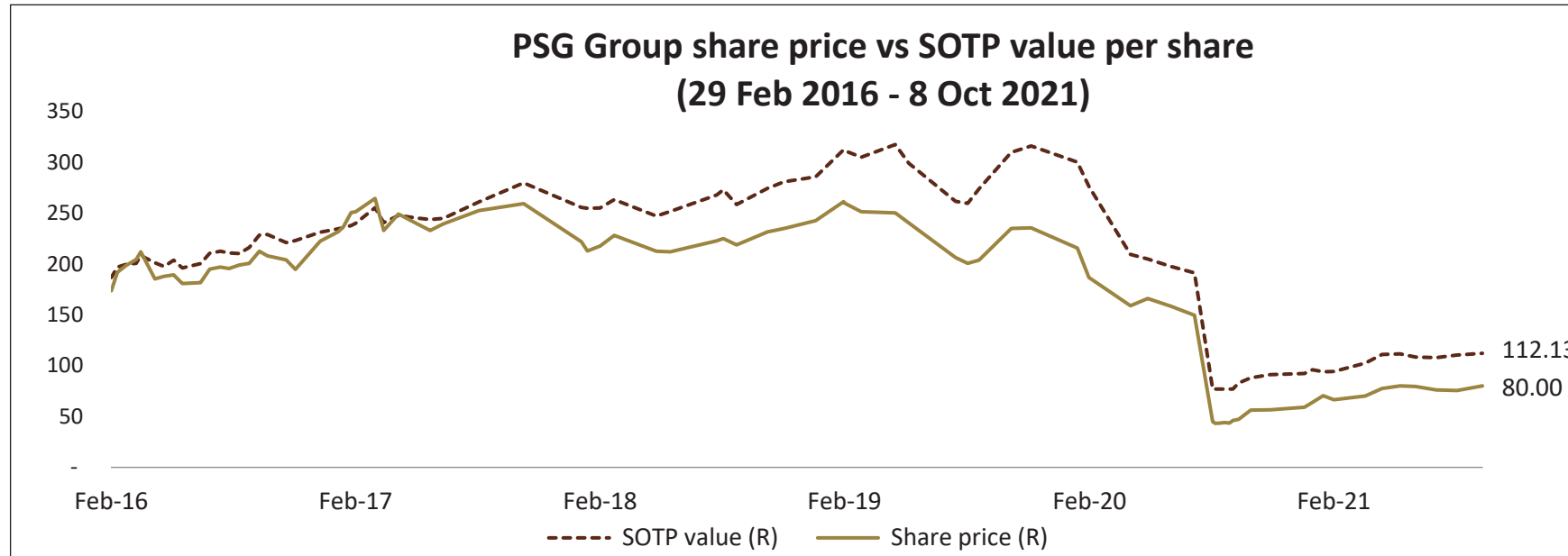


Feedback: Dividend policy

- **We stated the following regarding PSG Group's change in dividend policy at last year's AGM**
 - *Following the unbundling of Capitec, PSG Group shareholders will receive the Capitec dividend directly*
 - *Given that management anticipates that PSG Group may continue to trade at a discount to its SOTP value, and that the equity markets will hence essentially remain closed for capital raisings, the board has adopted a more prudent dividend policy to in future only pay ad hoc dividends*
- **Such dividend policy remains unchanged**
 - *PSG Group will pay ad hoc dividends as and when deemed appropriate*



PSG Group share price vs SOTP value per share



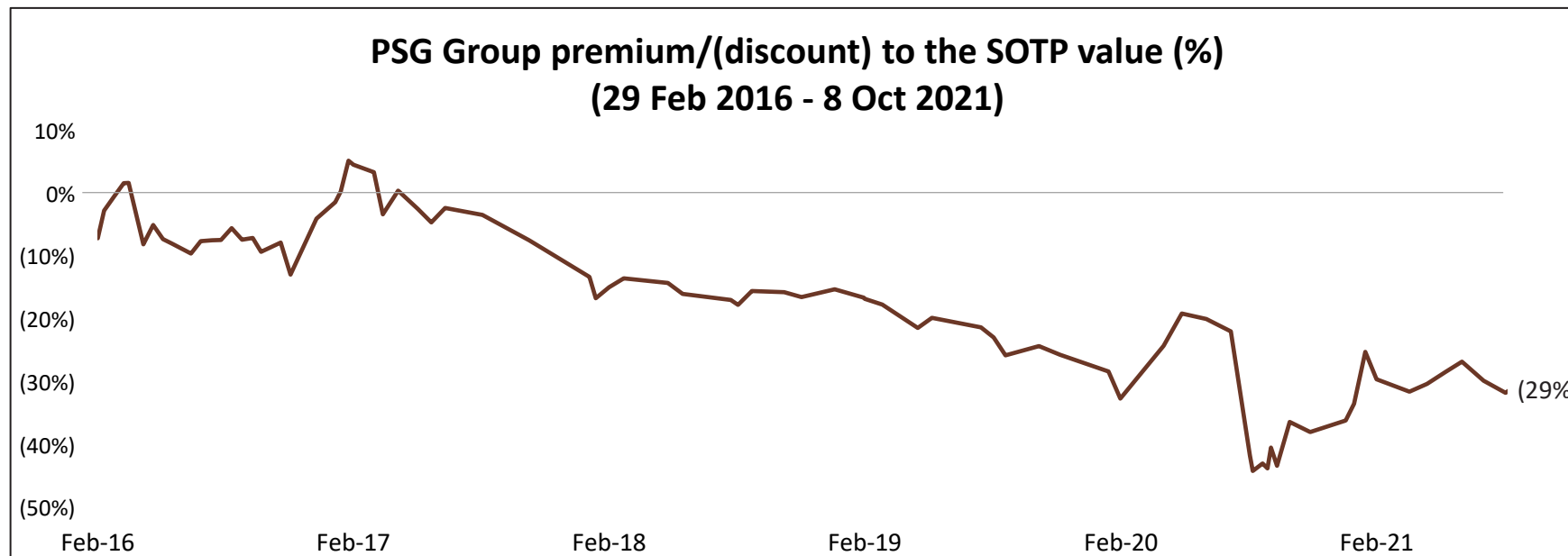
Discount

Latest *discount* ~29%

6-month average *discount* ~30%

Liquidity (per annum)

Aug 2021 (annualised)	40%
Feb 2021	126%
Feb 2020	49%
Feb 2019	47%
Feb 2018	69%
Feb 2017	30%
Feb 2016	50%



PSG GROUP LIMITED



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Recurring HEPS for the interim period to Aug 2021 increased by 23%

Wealth management:

- AUM: ↑ 11% to R257bn
- Net inflows of R10.8bn
- Advisers: ↑ 16 to 579
- Recurring HE: ↑ 7% to R234m

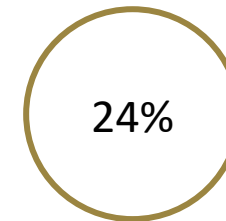
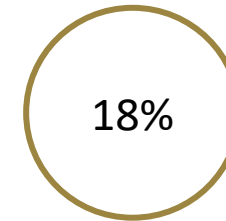
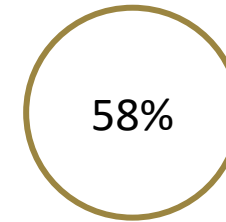
Insure:

- Gross written premium: ↑ 4% to R2.8bn
- Advisers: unchanged at 369
- Western National:
 - › Underwriting margin: ↑ from 13.2% to 14.1%
- Investment income: ↑ 48% to R50m
- Recurring HE: ↑ 17% to R74m

Asset management:

- AUM: ↑ 9% to R38.4bn
- Net inflows of R139m
- Performance fees earned representing 7.8% of group earnings
- Recurring HE: ↑ 95% to R96m

Share of recurring headline earnings





CURRO



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Recurring HEPS for the interim period to Jun 2021 decreased by 51%

The business remains under pressure:

- Learner numbers increased by 7% pushing revenue up by 12%
- Ancillary revenue under severe pressure due to Covid-19. Hopefully as restrictions are relaxed, Curro and all other schools will be allowed to operate unimpeded in 2022 which could see ancillary revenue back at 2019 levels plus growth given higher learner numbers
- Bad debts and fee discounts remain of concern – substantial effort to reduce same
- Significant increase in municipal charges also negatively affected profitability

Expansion:

- Curro's acquisition of Heronbridge was approved by the Competition Commission
- The new flagship Curro Durbanville high school to open in 2022
- The bulk of other capital investment will be to create additional capacity at performing schools

Going forward:

- Although the Covid-19 pandemic has had a significant negative impact on Curro, they have used the opportunity to improve their product offering through digital innovation and have focused internally on a school-by-school basis to enhance operating margins





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INTERIM FINANCIAL RESULTS

SOTP VALUE

The SOTP value per share, taking cognisance of the 20c special dividend paid, increased by 25% over the past 12 months

Company	31-Aug-20			28-Feb-21			31-Aug-21		
	Interest	Rm	Share of assets	Interest	Rm	Share of assets	Interest	Rm	Share of assets
Zaad	95.7%	2,034	34.2%	97.0%	2,010	30.2%	97.0%	2,010	29.4%
The Logistics Group	98.5%	1,028	17.3%	98.5%	1,325	19.9%	98.2%	1,430	20.9%
Capespan	96.0%	999	16.8%	96.0%	1,117	16.8%	94.6%	1,117	16.3%
Kaap Agri	42.3%	626	10.5%	42.3%	1,102	16.5%	42.3%	1,391	20.3%
Other		217	3.6%		232	3.5%		420	6.1%
Cash & cash equivalents		1,050	17.6%		876	13.1%		476	7.0%
TOTAL ASSETS		5,954			6,662			6,844	
Debt funding		-			-			-	
SOTP VALUE		5,954	100%		6,662	100%		6,844	100%
Number of shares in issue <i>(net of treasury) (million)</i>		1,600			1,538			1,538	
SOTP value per share (Rand)		3.72			4.33			4.45	
Zeder share price (Rand)		2.40			2.65			3.15	

Note: It should be noted that these valuations are not necessarily an indication of the values at which Zeder would consider selling any of its investments

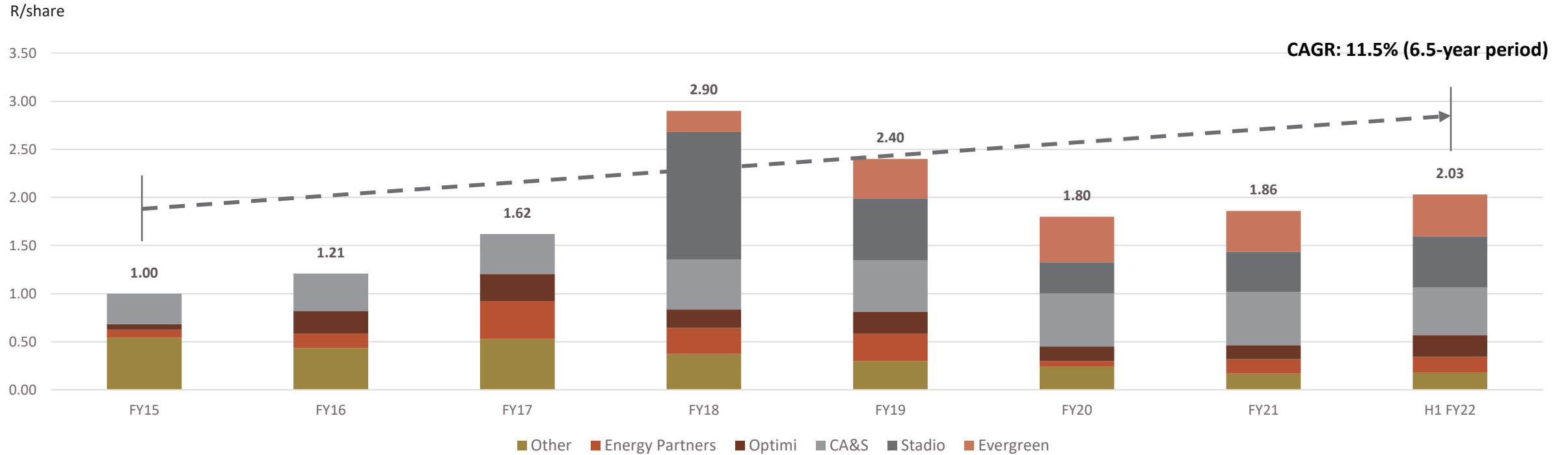
PROSPECTS AND STRATEGY

- Grow and support existing portfolio
 - *Agricultural conditions remain favourable*
 - *Demand for agri-inputs and commodities remain positive*
 - *Increased pressure on farmers as a result of higher fuel price, fertilizer and other agri-inputs*
 - *Covid-19 and especially the impact on supply chains continuously monitored*
- Strategic review
 - *Zeder trading under cautionary since Apr 2021 (renewed on 30 Sept 2021)*
 - *Board is evaluating approaches received on various portfolio investments*
 - *Good progress in this regard, but Covid-19 has led to delays in certain instances*
 - *Any potential value-unlock will be executed in an appropriate and responsible manner to maximise shareholder value*
 - *Overall strategy remains to create value for shareholders*
 - *Zeder will communicate in more detail to the market when appropriate*



PSG
alpha

PSG Alpha – historic SOTP value performance



* The FY18 and FY19 SOTP values were significantly impacted by the higher Stadio share price at the time. Post unbundling from Curro, investor sentiment drove Stadio's share price to R6.75 as at 28 Feb 2018. The price has normalised since.

- SOTP value per share increased by 9% during the six months under review
- PSG Alpha does not employ any gearing, nor are there any operating costs at its level seeing that it is carried by PSG Group



PSG Alpha – SOTP value as at 31 Aug 2021

Investments	<i>Basis of valuation</i>	100% of investee Rm	<i>Shareholding</i>	PSG Alpha interest Rm	<i>Share of assets</i>
Stadio	<i>Listed (JSE)</i>	2 594	42.9%	1 113	26.1%
CA&S	<i>Listed (BSE)</i>	2 152	48.3%	1 040	24.4%
Evergreen	<i>NAV</i>	1 830	50.0%	915	21.5%
Optimi	<i>Price-earnings</i>	491	96.0%	471	11.1%
Energy Partners	<i>EV/EBITDA</i>	604	56.7%	343	8.0%
Other	<i>Various</i>			379	8.9%
Total SOTP value				4 261	

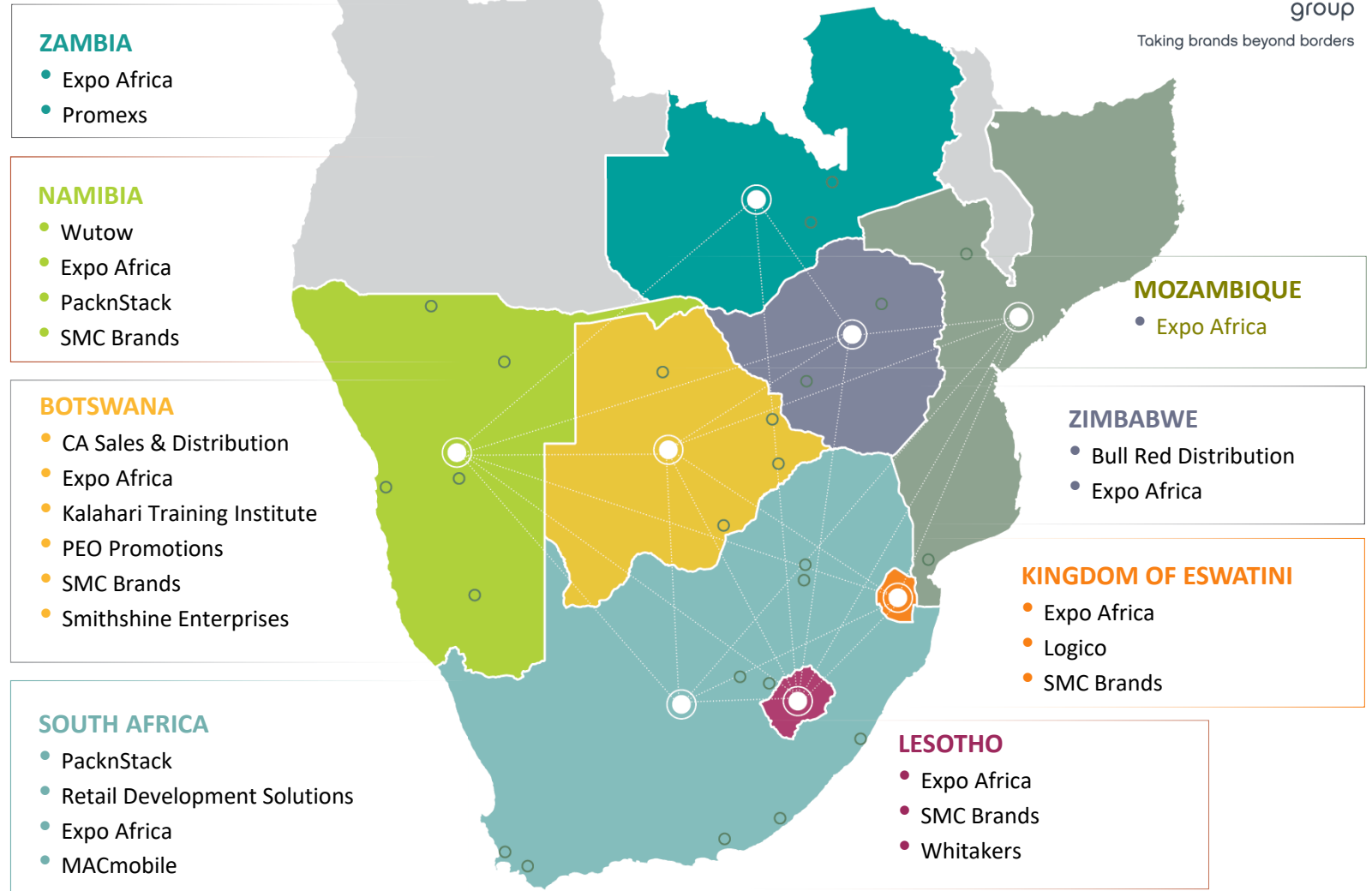
- PSG Alpha values its business consistently using uncomplicated valuation methodologies
- It should be noted that these valuations are not necessarily indicative of the values at which PSG Alpha would consider selling any of its investments



48%

Business model

- CA&S Group is the parent company of a **collection of FMCG businesses** that operate **across the southern Africa region**
- The CA&S businesses provide **various services to the principles** it represents. They earn a combination of service fees and commission
- Local knowledge, understanding and customer relationships combined with regional connectivity and shared collective expertise give CA&S Group a powerful **competitive advantage in the region**

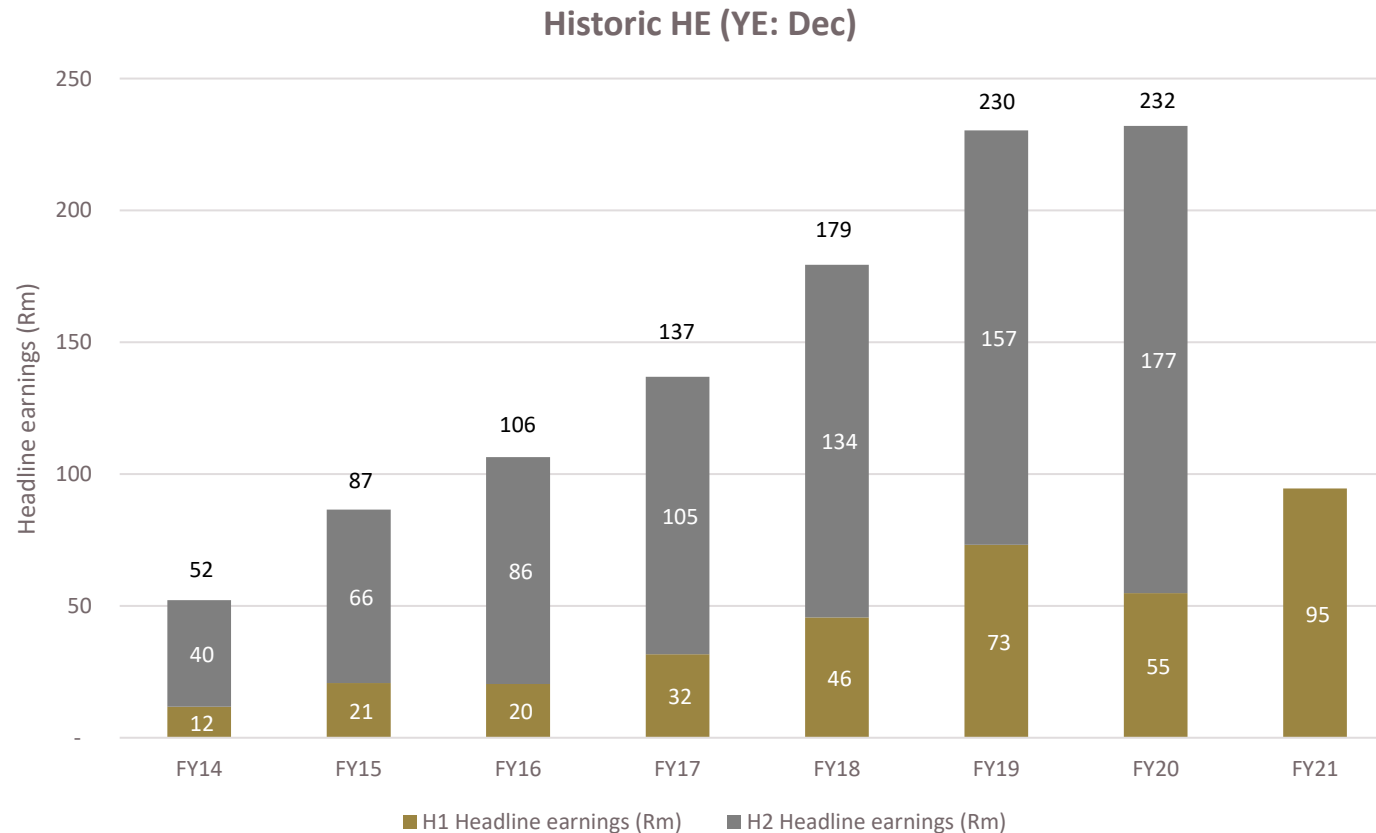


Basis of valuation: Listed share price

- Valuation of CA&S for PSG Alpha’s SOTP value is based on the **closing share price in Pula on the Botswana Stock Exchange (BSE) translated to Rand at the ruling spot exchange rate**
- Such **closing share price** of R4.71 as at 31 Aug 2021 represented a 7.8x historic PE ratio based on CA&S’s 12-month rolling HE of 60cps to 30 Jun 2021

H1FY21 commentary:

- The business delivered strong results with HEPS growth of 71%
- A stable Rand/Pula exchange rate (prior period contained a R49m forex loss), acceptable revenue growth of 2.8% and ongoing rigorous cost management underpinned the performance
- Covid-19 ongoing negative effect on sales (including various trade restrictions)





50%

Business model



- Evergreen Lifestyle is an **integrated developer, owner and operator of retirement lifestyle villages** and the **leading retirement brand** in South Africa
- Occupation of the units is sold on a **life right basis** (right of tenure), while ownership of the properties remains with Evergreen Lifestyle
- **Income from investment property**
 - › Fair value gains on new developments (units)
 - Normal property development margins realised on completion of new units
 - › Fair value gains on existing units
 - Ownership of the units remains with the developer under the life right model
 - Long-term property appreciation is linked to the general residential property sector
- **Other income and expenses**
 - › General overhead and head office costs
 - › Net income/loss from village operations (levy income less expenses)
 - Villages initially make operational losses until they reach scale
 - › Net income/loss from healthcare services
 - Currently lossmaking, but expected to become profitable with greater scale



Basis of valuation: NAV excluding deferred tax on property revaluations



<i>Valuation detail</i>						
Historical financials (YE: Feb)	FY18	FY19	FY20	FY21	H1FY22	Comments
Unit overview¹						
Units with life right agreements (#)	486	557	702	784	833	
Units not yet under life right agreements (#)	15	47	245	191	238	
Total units	501	604	947	975	1 071	
Assets						
	Rm	Rm	Rm	Rm	Rm	
Units with life right agreements	1 249	1 526	1 880	2 034	2 222	Valued at market value with reference to active sales of life rights ²
Units not yet under life right agreements	29	127	657	410	271	Valued at market value with reference to active sales of life rights
Work in progress	483	607	333	374	438	Valued at cost
Vacant land	142	534	860	807	794	Valued at cost
Deferred tax asset	-	36	53	2	85	Carrying value
Net cash / working capital / PPE	19	257	41	270	233	Carrying value
Total assets	1 922	3 088	3 823	3 898	4 043	
Liabilities						
Life right loans	755	1 011	1 309	1 479	1 634	Carrying value ³
Development facilities	78	347	460	504	458	Carrying value
Corporate overdraft facility	-	-	6	95	93	Carrying value
Deferred tax liability	109	145	192	87	226	Carrying value
Other / working capital	264	62	72	82	28	Carrying value
Total liabilities	1 206	1 564	2 039	2 248	2 439	
NAV	715	1 523	1 784	1 650	1 604	
<i>Add back:</i> Deferred tax liability ⁴	109	145	192	87	226	
Total	825	1 669	1 977	1 737	1 830	
PSG Alpha valuation for SOTP purposes (50% interest)	412	834	988	869	915	

Note 1: The unit overview includes 100% of the units at the Evergreen Val de Vie (a joint venture), while the NAV includes only the 50% economic interest in Evergreen Val de Vie.

Note 2: Independent valuer values all operational villages on 3-year rotational basis (i.e. each village valued at least once every three years).

Note 3: Loans are interest free and only repayable on resale of the unit to a new life right holder.

Note 4: The deferred tax liability relates mainly to fair value gains recognised on investment property; however, since the business intends to hold the units indefinitely, the deferred tax liability has been disregarded for valuation purposes.

Overview of current and future retirement villages

Retirement units

Province	Village	Completed units (cumulative)				In construction	Land banked units	Total opportunities on owned land
		FY19	FY20	FY21	H1FY22			
Western Cape	Bergvliet	78	100	100	100	-	-	100
	Muizenberg	260	260	260	260	-	-	260
	Diep River	57	57	57	57	-	-	57
	Lake Michelle	31	31	31	31	-	110	141
	Noordhoek	46	150	150	246	-	136	382
	Val de Vie	2	111	139	139	60	409	608
	Sitari	-	-	-	-	-	430	430
	Somerset West	-	-	-	-	-	340	340
Gauteng	Broadacres	130	238	238	238	-	200	438
KZN	Umhlanga	-	-	-	-	-	640	640
	Hilton	-	-	-	-	-	900	900
	Zimbali	-	-	-	-	-	750	750
Eastern Cape	Westbrook	-	-	-	-	-	800	800
Total		604	947	975	1 071	60	4 715	5 846

Care units (monthly fees apply)

Western Cape	Muizenberg	32	32	32	32	-
	Val de Vie				4	
Gauteng	Broadacres	32	32	32	32	-
Total		64	64	64	68	-



STADIO

— HOLDINGS —



PSG
alpha

43%

Three distinct institutions

STADIO
— HOLDINGS —

MILPARK
EDUCATION
M

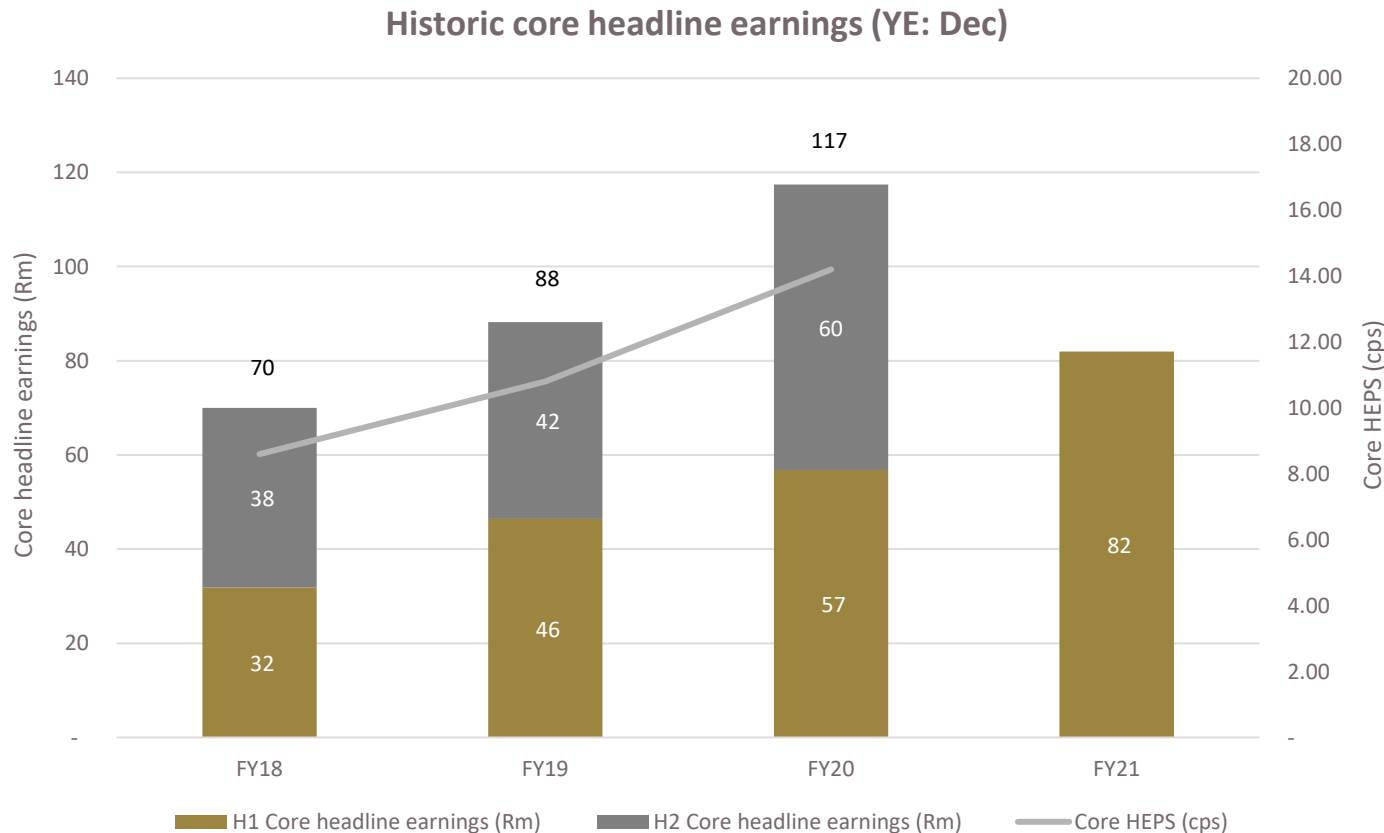
STADIO
FORMERLY
SBS | EMBURY
LISOF | PRESTIGE
ACADEMY

[CAFDA]

... THREE DISTINCT PRIVATE HIGHER EDUCATION INSTITUTIONS

Basis of valuation: Listed share price

- Stadio Holdings has been **listed on the JSE** since Oct 2017
- Its 31 Aug 2021 **closing share price** of R3.06 represented an 18x historic PE ratio based on Stadio’s 12-month rolling core HE of 17cps



H1FY21 commentary:

- Revenue up 17% and student numbers up 11%
- Core HE up 44%
- Strong growth in distance learning
- Concluded early settlement of CA Connect/Milpark transaction
- Centurion campus completed



**ENERGY
PARTNERS**

POWERED BY RESULTS

57%

- Energy Partners is a fully integrated private utility business that sells **solar energy, cooling and heating** to commercial and industrial clients
- Energy Partners also provides **Energy Intelligence Solutions** whereby they track utility asset performance as well as do the billing. Numerous large clients have outsourced a large part of their utility monitoring to Energy Partners
- Energy Partners' business essentially comprises two components:
 - **Operations Business:** constructs and sells energy installations to external customers or to its own Investment Business. The Operations Business also includes ongoing O&M and the Energy Intelligence Solutions services
 - **Investment Business:** owns energy-related assets with long-term off-take agreements with private sector clients
- **Growing the Investment Business is Energy Partners' core focus**

- **The following EBITDA multiples are used to value the respective components of the business:**
 - Operations Business - 6x
 - Investment Business - 10x (worth more given the recurring long-term nature of contracts)
- **The following adjustments are made in the interest of accuracy:**
 - The EBITDA from assets commissioned in the last 12 months is annualised (otherwise the debt would be overstated)
 - Available cash and the cost of work-in-progress assets are added to the valuation
 - All debt is deducted from the valuation
 - Inter-company transactions on an arm's length basis are not eliminated for valuation purposes (the two businesses are valued independently)
 - Loss-making operating divisions are valued at zero (these are expected to become profitable or will otherwise be closed down)

Basis of valuation: EV/EBITDA multiple (continued)

Rm							4.5 year
Y/E Jan	2017	2018	2019	2020	2021	H1 2022	CAGR
Energy Assets (owned by Energy Partners)							
Commissioned assets	52.3	99.7	158.9	252.6	344.8	437.4	
Work-in-progress	-	6.9	15.0	47.9	85.7	134.9	
Total capital value	52.3	106.6	173.9	300.5	430.5	572.3	70%
Growth		104%	63%	73%	43%	33%	
EBITDA							
Investments (asset <12m annualised)	7.2	16.6	28.5	35.3	49.8	62.8	62%
Operations (continued)	5.2	33.8	7.5	16.4	14.7	17.8	
Enterprise value					586.5	734.8	
Net debt					(138.5)	(265.7)	
Work-in-progress					85.7	134.9	
Equity value*					533.7	604.0	
No of shares in issue ('000)					2,239	2,258	
R/share valuation					238	267	→ 12% growth
<i>Average yield on assets</i>	<i>13.8%</i>	<i>16.7%</i>	<i>17.9%</i>	<i>14.0%</i>	<i>14.4%</i>	<i>14.4%</i>	

* Energy Partners adopted this valuation methodology in the 2021 financial year



Business overview



The image shows a 2x2 grid of promotional cards for Optimi's business segments. Each card features the Optimi logo, a title, a description, and a photograph of a person. The top-left card is for 'optimi home' (homeschooling), the top-right for 'optimi classroom' (teaching and learning solutions), the bottom-left for 'optimi workplace' (corporate training), and the bottom-right for 'optimi college' (distance education).

- optimi home**
Market leader in Grade R - 12
homeschooling with >28 000 learners.
- optimi classroom**
Teaching and learning solutions to >1500 schools and education institutions.
- optimi workplace**
Corporate training to >500 businesses and public sector clients.
- optimi college**
Distance education college to >6 000 students.

- Optimi provides **education products and services** to over 200,000 learners per year
- Optimi's courses are based on its unique **learning model**, supported by **proprietary technology** and **centralised services**
- Covid-19 pandemic has **accelerated the need for and adoption of its learning offerings**
- **School-from-home revenue growing by ~30%**, College and Workplace under pressure due to **challenging economic conditions**
- **Launching Online School in Jan 2022**



Basis of valuation: PE multiple







- The **average PE multiple*** of three South African listed education companies is used as a reference point and applied to Optimi's rolling recurring HE
- The **average PE ratio of 16.1x** is deemed fair considering Optimi's growth prospects and market leading positions

Rm Y/E Dec	2017	2018	2019	2020	Rolling H1 2021
Revenue	119.0	211.5	357.4	389.4	412.4
<i>Growth</i>		78%	69%	9%	
Recurring HE	9.9	13.7	16.2	23.4	30.5
<i>Growth</i>		38%	18%	44%	
PE multiple				13.7x	16.1x
Valuation				320.7	491.0

* However, note that Curro has been excluded from such average given its current high PE multiple with its earnings having been significantly impacted by Covid-19



Other investments

Investment	%	Focus	Comments
	45	Nanofiber material science	<ul style="list-style-type: none"> Established a joint venture in USA with Taiki International (Japanese cosmetics manufacturer) to produce and sell nanofiber-based cosmetic facial masks and related products Recent new investment made in SNC by University Technology Fund
	76	Improve new car purchase experience	<ul style="list-style-type: none"> Systems approach and digital marketing proving successful Carter owns the #1 and #2 Renault dealerships in South Africa; looking for opportunity to add more brands through acquisition(s)
	42	Mining support services	<ul style="list-style-type: none"> 51% black-owned mining services business Specialises in structural support and outsourced mining services in the platinum mining industry Looking to diversify geographically and into related commodities
	49	LBO specialist	<ul style="list-style-type: none"> Diversified portfolio of five investments

PSG Group's underlying investees' websites

- Most of PSG Group's major underlying investees presented their interim results recently
- For more information, please visit the respective companies' websites:
 - › PSG Konsult: www.psg.co.za
 - › Curro: www.curro.co.za
 - › Zeder: www.zeder.co.za
 - Kaap Agri: www.kaapagri.co.za
 - › PSG Alpha investments:
 - CA&S: www.casholdings.co.za
 - Evergreen: www.evergreenlifestyle.co.za
 - Stadio: www.stadio.co.za
 - Energy Partners: www.energypartners.co.za
 - Optimi: www.optimi.co.za

Questions?



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