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PROJECT VALUE UNLOCK

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- PSG Group was founded in November 1995 by Jannie Mouton and Chris Otto
- The share was trading just 36c at the outset
- PSG Group started with a dream of building a financial services conglomerate
- This was largely achieved by highly innovative transactions, always with the aim to create shareholder/stakeholder value
- In the early 2000's, the model changed to more closely resemble what we are today – an investment holding company
- PSG Group has always been transparent and continuously endeavored to do what is the best for shareholders
- Over the last 26 years, PSG Group has been part of creating great businesses including Capitec, PSG Konsult, Curro and many other, assisting them to grow by providing them with capital and strategic input

PSG GROUP (CONTINUED)

- **As a significant part of our DNA, we believed in appointing excellent management, empowering them and then to list such business as we believed its management would perform better under the spotlight in front of the stadium – we called this the "Usain Bolt effect"**
  - Through the years, we have listed more than 15 companies in which we held a significant stake
- **Business, regulations and investor sentiment/preference however change over time, and a management team should always be able to adapt**
- **The ever-increasing red tape in the listed space has resulted in the benefits that we were once reaping from the Usain Bolt effect, becoming a hindrance and negating some of the benefits of being listed**
- **Our investment model (and those with similar structures) has fallen out of favour globally. The ever-increasing discounts at which listed investment holding companies trade now negate the biggest benefits of being listed:**
  - To use your script to acquire businesses; and/or
  - Raise equity funding in the capital markets to enable one to acquire businesses and support your underlying investments

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PSG GROUP (CONTINUED)

- **Furthermore, investors increasingly prefer private equity funds as investment vehicle, or wish to invest directly in their relevant companies of choice**
  - This may again change in years to come, but for now and the foreseeable future, it is the reality
- **Our listed investee companies initially benefitted from the "big brother effect", but once they become more mature, operate efficiently and are well capitalized, they are penalized from a JSE Index perspective as their trading liquidity is impaired because of the small free float, thereby narrowing the pool of investors – which may have a negative impact on share prices**
- **PSG Group's total return since February 2010 when the current executive directors formally took charge (although part of the management team for many years before that) has been 28% p.a., and since inception 38% p.a.**
  - Despite operating in a difficult environment since 2010 and growing from a larger base with more mature businesses in our portfolio, PSG Group continued to deliver exceptional returns
- **Our primary goal has always been to maximise shareholder value. However, given that we have now been trading at a ~30% discount for several consecutive years and the fact that market sentiment has not changed in this regard despite PSG Group having unlocked significant value of R21bn with its recent unbundling of Capitec, management and the board believe we are no longer achieving our stated objective**

PSG GROUP SOTP

Asset/(liability)	Interest %	29 Feb 2020 Rm	28 Feb 2021 Rm	25 Feb 2022 Rm
Capitec		46 130	2 190	
PSG Konsult	61.5	6 399	7 282	11 017
Curro	60.0	2 604	3 588	4 646
PSG Alpha	98.3	3 618	3 842	4 362
CA&S	47.9	1 130	1 126	1 049
Stadio	42.9	662	865	1 258
Other investments		1 897	1 916	2 132
Less: Minority shareholding held by PSG Alpha management		(71)	(65)	(77)
Zeder	48.6	3 173	1 983	2 627
Dipeo (SOTP had turned negative)	49.0			
Other net assets (cash, prefs, loans, provisions, etc.)	100.0	879	2 020	2 908
Total net assets		**62 803**	**20 905**	**25 560**
Perpetual pref funding		(1 463)	(1 132)	
Other debt (redeemable prefs)		(1 020)		
Total SOTP value		**60 320**	**19 773**	**25 560**
Shares in issue (net of treasury shares) (m)		218.2	209.8	209.4
SOTP value per share (rand)		**276.43**	**94.24**	**122.09**
Share price (rand)		**186.60**	**66.51**	**82.31**
Discount to SOTP value		**(32.5%)**	**(29.4%)**	**(32.6%)**

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INVESTMENT HOLDING COMPANIES

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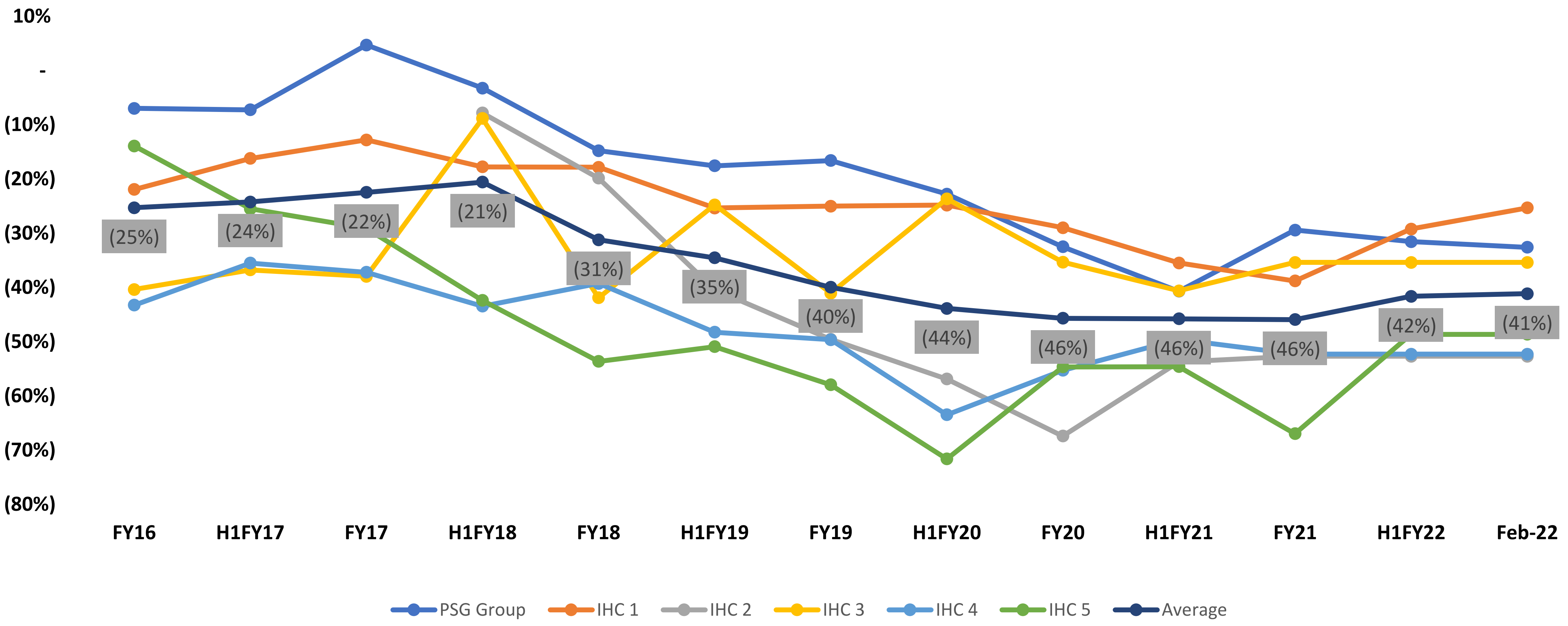
SOUTH AFRICAN INVESTMENT HOLDING COMPANIES – PREMIUM/(DISCOUNT) TO THEIR SOTP VALUES (%)



KEY REASONS WHY INVESTMENT HOLDING COMPANIES ARE TRADING AT A DISCOUNT

Permanent capital	PSG Group has paid ~R6.2bn in dividends and ~R0.7bn in special dividends over the past 26 years Capitec was unbundled during 2020, thereby creating R21bn for shareholders
Tax trap	Should PSG Group sell all its investments, the CGT payable would be ~R3.3bn, representing a ~13% reduction in the SOTP Should such cash proceeds (net of CGT) be returned to shareholders, it would result in an additional DWT liability of 20% for the ultimate individual shareholders
Poor investment decisions	PSG Group's total return since Feb 2010 when the current management took charge is ~28% p.a., and since inception it is ~38% p.a.
Excessive fee structures	PSG Group's annual net operating costs as a percentage of its ruling SOTP and market cap is ~0.08% and ~0.12%, respectively, being significantly lower than what actively-managed unit trust managers charge their investors
Too many listed entry points	Although this is part of our DNA, it ironically is a significant contributor as to why we are trading at a substantial discount ~91% of PSG Group's investments are listed

INVESTMENT HOLDING COMPANIES' DISCOUNT DILEMMA

Trade at a discount

Key rationale to be listed is <u>access to capital markets</u>

Raise R100 in equity:

Next day it is worth R70

Raise equity via rights issue:

Severe dilution for shareholders not following rights

Conservatively manage the portfolio

Reinforces the discount

Returns reduce due to low yielding cash portion

Retain cash buffer

Cash plus funding lines need to be ~15-20% of portfolio

Inactivity makes business unexciting

Tentative to make new investments

Once the cash is invested, it is gone

Reinforces shareholders' irritation with permanent capital

Not returning cash to shareholders to preserve funds

As above

THE TAX TRAP

- **As we have demonstrated in the previous slides, rightly or wrongly so, investment holding companies have significant challenges and the market is discounting them severely**
- **One solution for PSG Group would be to sell all its assets and distribute the cash proceeds net of taxes to shareholders**
- **If one was to assume that PSG Group could sell its investments at current market prices, the reality would be as follows:**

PSG Group	**Total value Rm**	**Per share R**
SOTP as published	25,560	122.09
Capital gains tax	(3,284)	(15.69)
SOTP after CGT	22,276	106.40
Dividend witholding tax	(4,455)	(21.28)
Net cash dividend	**17,821**	**85.12**

This is approximately the price at which PSG Group trades – so there is a strong argument that investment holding companies trade at such a large discount due to the tax trap

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GREATER ACTION IS REQUIRED

- **We do not believe that running a conservative portfolio or for management to sit back and wait for markets to rerate investment holding companies in years to come, is in the best interest of our shareholders**

- **The discount topic and potential value-unlocking strategies have been raised at every shareholder engagement over the past 5 years**

- **We have considered all options – from large share buybacks to buying out the minorities of the underlying investments**
  - Share buybacks unfortunately have a relatively small impact on the SOTP – for every R1bn we invest in buying back PSG Group shares, it only increases the SOTP per share by ~3%. Furthermore, following such buybacks the discount will likely increase again and on top of it, our cash resources would be depleted
  - It is simply too expensive to take the underlying investments private by buying out the minorities, as it would need to be done at a premium, for which PSG Group in any event does not have the required cash resources

THE PROPOSED TRANSACTION

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THE PROPOSED TRANSACTION

PSG Group is considering to propose the following transaction:

1. **PSG Group unbundles PSG Konsult, Curro, CA&S, Kaap Agri and 25.1% in Stadio to all its shareholders**
2. **Thereafter, PSG Group will repurchase the shares of all shareholders except management and the founders ("Remaining Shareholders") for R23.00 per share in cash (will be regarded as a dividend for tax purposes)**
3. **PSG Group will then be delisted from the JSE**

Shareholders (except Remaining Shareholders) will vote on the transaction. <u>***However, important to note is that steps 1 and 2 are linked – meaning shareholders need to approve both the unbundlings and the cash repurchase offer for the transaction to be implemented***</u>

To be clear – should the unbundlings be approved but not the repurchase, then the proposed transaction will fail – in which case, PSG Group will continue to operate in its current form as a listed investment holding company

STEPS TO ENABLE PSG GROUP TO UNBUNDLE CERTAIN ASSETS

- **Kaap Agri**
  - On 28 February 2022, Zeder announced that they will unbundle their investment in Kaap Agri. PSG Group will as a result obtain a 20.5% direct interest in Kaap Agri
  - Dipeo has informed us that they are investigating selling or distributing some of its assets in order to settle its preference share funding due. PSG Group is considering same, which may lead to PSG Group increasing its interest in Kaap Agri to around 34.9%
- **CA&S**
  - CA&S has announced that they intend to transfer their listing to the main board of the JSE, which should help to significantly improve the tradability in CA&S shares post its unbundling from PSG Group

INDICATIVE UPSIDE FOR PSG GROUP SHAREHOLDERS

All figures in Rand	25-Feb-22	30d VWAP	60d VWAP	90d VWAP
PSG Group share price	**82.31**	**86.19**	**86.95**	**84.13**
Value of unbundled shares	90.94	94.10	91.43	89.85
PSG Konsult	52.62	55.63	53.70	52.75
Curro	23.52	23.55	23.04	22.77
CA&S	4.92	4.97	4.98	4.99
Kaap Agri	6.36	6.21	6.04	5.85
Stadio	3.52	3.74	3.67	3.49
Repurchase offer	23.00	23.00	23.00	23.00
TOTAL offer to shareholders	**113.94**	**117.10**	**114.43**	**112.85**
Premium to share price	**38.4%**	**35.9%**	**31.6%**	**34.1%**

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RATIONALE FOR THE STRUCTURE OF THE PROPOSED TRANSACTION

- **PSG Group has always been transparent and focused on what would be best for shareholders. One could argue that the best for management would be to maintain the status quo – being remunerated while waiting for the market sentiment regarding investment holding companies to change in years to come. This is, however, not the nature of PSG Group, nor of its executives**
- **It has certainly not been an easy decision for the executives, the board and the founding shareholders as it will mark the end of an era during which many people dedicated their lives to build PSG Group into what it is today**
- **However, we believe that the significant value that will be unlocked for shareholders through the proposed unbundlings and repurchase should trump all sentiment and egos**

RATIONALE FOR THE STRUCTURE OF THE PROPOSED TRANSACTION (CONTINUED)

- **We have carefully considered the growth phase of the companies we propose to unbundle**
- **They all share the following attributes:**
  - They have exceptional management teams and experienced boards
  - They are well established businesses with strong balance sheets and no immediate requirement for additional capital, and no longer require an anchor shareholder
  - This also holds true for Stadio, albeit that we believe they will benefit from our continued involvement
- **The Remaining Shareholders view the proposed unbundlings as now simply owning their shares in these companies directly and not via PSG Group**
  - They have indicated that they intend to retain their shares received pursuant to the unbundlings and remain excited about the future growth prospects of these businesses
- **Furthermore, the PSG Group and PSG Alpha executive directors will continue to serve in their respective existing capacities as non-executive directors of PSG Konsult, Curro, CA&S and Stadio, and Johann le Roux (Zeder CEO) will continue to serve on the board of Kaap Agri post its unbundling**

RATIONALE FOR THE STRUCTURE OF THE PROPOSED TRANSACTION (CONTINUED)

- **Following the share repurchase, PSG Group will be delisted**
- **The unlisted PSG Group will retain the following investments:**
  - All unlisted investments;
  - Our remaining share in Stadio; and
  - 48.6% in Zeder

RATIONALE FOR THE STRUCTURE OF THE PROPOSED TRANSACTION (CONTINUED)

Retaining the unlisted investments in PSG Alpha

- **Many of the unlisted invested in PSG Alpha are still “early-stage” investments:**
  - It must be said that some have disappointed in missing their targets, although not always in management’s control
  - Most of these businesses require our continued strategic involvement and growth capital when needed
  - From experience we know that often with such early-stage investment portfolios, one or two of the businesses may achieve success, one or two may yield mediocre results and then there will always be some failures, or the businesses otherwise take significantly longer to achieve their strategic intent
- **When PSG Group invested in these unlisted investee companies, we committed to assist and guide them to help achieve their strategic objectives. We are not about to renege on this moral undertaking**

RATIONALE FOR THE STRUCTURE OF THE PROPOSED TRANSACTION (CONTINUED)

<u>The rationale for not unbundling the entire Stadio stake</u> is purely commercial, based on where Stadio currently finds itself in its development phase:

- **We believe Stadio has made great strides over the last ~5 years in terms of delivering on its strategy and we are very proud of what the management team has achieved in this relatively short period**
- **Stadio has recently undergone significant changes from being a collection of standalone tertiary education brands, to combining their operations under a single Stadio banner. Furthermore, the opening of the Centurion mega campus this year is a significant step change in the evolution of their contact learning offering**
- **The management team of PSG Alpha has from the outset been intricately involved in the formation and the implementation of strategies at Stadio, as well as the identification of bolt-on acquisition opportunities which have since greatly benefited Stadio**
- **Given where Stadio is in its development phase, we firmly believe they will continue to benefit from the "Big Brother" effect of PSG Alpha's ongoing involvement made possible by our material retained shareholding in Stadio**
- **Without our ongoing involvement, it could negatively impact upon the business operations, projections and share price of Stadio**

RATIONALE FOR THE STRUCTURE OF THE PROPOSED TRANSACTION (CONTINUED)

Retaining 48.6% in Zeder

- Following the unbundling of Kaap Agri and the sale of TLG, Zeder will essentially have 3 remaining investments worth ~R3.6bn
- Considering the prevalent issues experienced with investment holding companies and the "new" smaller Zeder post its Kaap Agri unbundling, we believe that unbundling our Zeder shareholding would put severe downward pressure on the Zeder share price, thereby further increasing the discount – this will not be in the best interest of either PSG Group or Zeder shareholders
- Furthermore, following the internalization of the Zeder management fee in 2016, PSG Group committed to Zeder shareholders to continue assisting Zeder with its objective to maximise shareholder value, being in line with that of PSG Group – we intend to honour our commitment

INCREASED TRADING LIQUIDITY

Trading liquidity	1 year
PSG Konsult	7.0%
Curro	13.3%
Kaap Agri	4.0%
CA&S	0.7%
Stadio	10.9%

- **We firmly believe that all five the unbundled companies will benefit from greater trading liquidity and should assist to attract a bigger pool of investors**
- **They should also have a greater chance to benefit from inclusion in indices from which they might have been excluded to date, as such indices only consider the value of a company's free float for inclusion purposes**

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CONDITIONS PRECEDENT

Should it be decided to proceed, conditions precedent will include, *amongst other* –

- **Obtaining PSG Group shareholder and other regulatory approvals**
- **The extent of *disqualified person* shareholders holding more than 5% in PSG Group on an individual basis not increasing to a level unacceptable to the PSG Group Board (<u>with PSG Group's *disqualified person* shareholding being approximately 12.9% at present, comprising the Government Employees Pension Fund</u>)**
  - **Generally, a *disqualified person* in relation to an unbundling is any person who will not be subject to tax on a subsequent disposal of the unbundled shares (such as, for example, foreign shareholders, retirement funds, government and public benefit organisations) and who, on an individual basis, holds 5% or more of the shares in the unbundling company, in this case PSG Group**
- **The PSG Group internal restructure steps have become unconditional and are implemented in accordance with their terms**

ANTICIPATED TIMELINE

- 1 Mar: PSG Group announced proposed transaction by way of detailed cautionary
- End Apr: Final board consideration
- End Apr/early May: Updated announcement released and withdrawal of detailed cautionary
- Circular mailing: ~May
- Voting: ~July
- Unbundlings: ~August
- Share repurchase: ~August
- Delisting: ~August

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QUESTIONS?

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THANK YOU.