



PSG GROUP LIMITED

ANNUAL GENERAL MEETING

23 JUNE 2017 • SPIER WINE ESTATE, STELLENBOSCH



PSG GROUP LIMITED

NOTE FROM THE CHAIRMAN

23 JUNE 2017 • SPIER WINE ESTATE, STELLENBOSCH

Social & Ethics



Video played

Click for video →

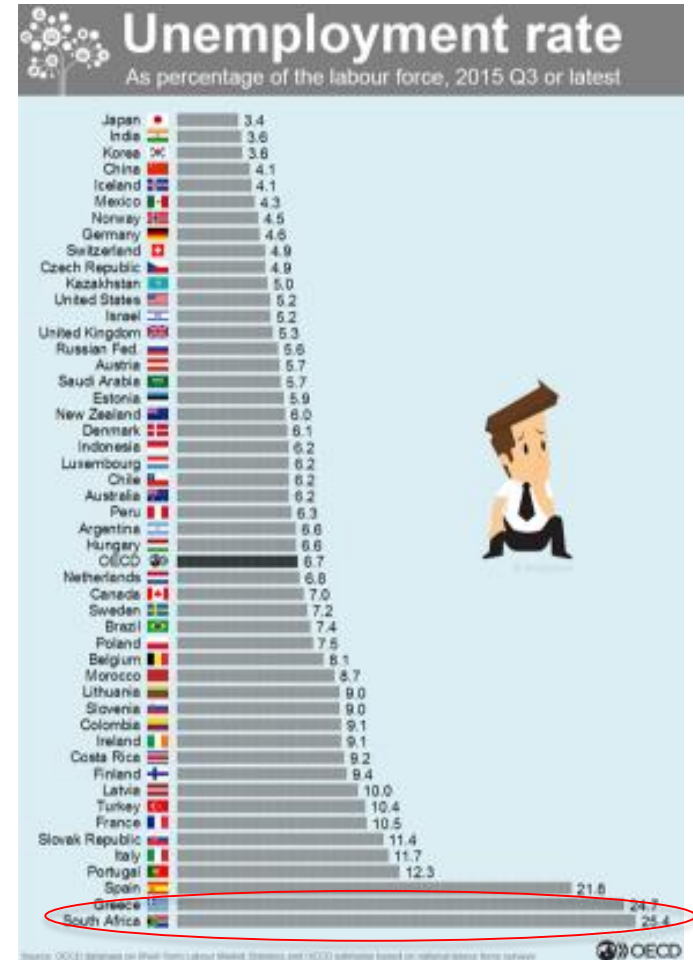


PSG Group contributes to society

A successful company can never be a burden on society

What the video does not show:

- PSG and its subsidiaries employ **16,360** people
- Including associates, this number increases to **~50,000**
- As a group, we are contributing significantly to help solve unemployment in South Africa



PSG Group contributes to society

A successful company can never be a burden on society

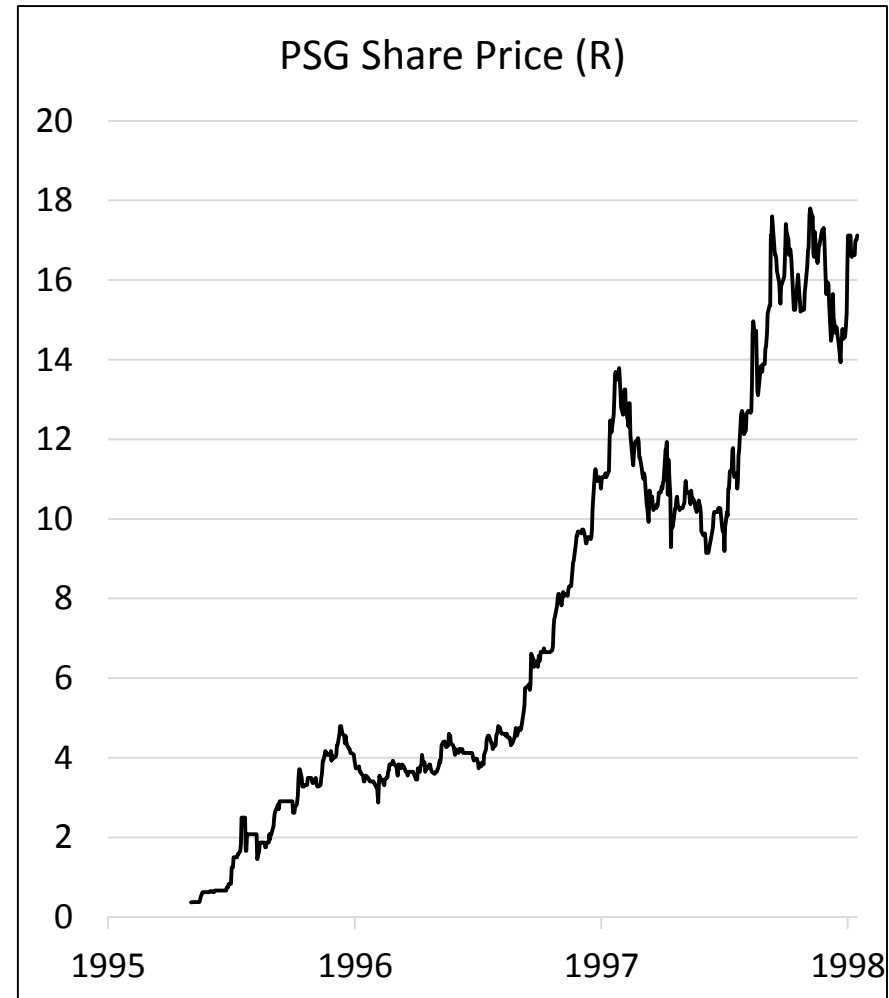
What the video does not show:

- Our contribution to society through the payment of salaries, taxes and dividends amounted to ~**R15bn** during the past financial year
- We have created ~**R20bn** in net value for thousands of BEE shareholders through various BEE initiatives throughout the group
- The more successful the group becomes, the more we will contribute
- *Chris Otto (chairman of the Social & Ethics Committee) is present if there are any questions*



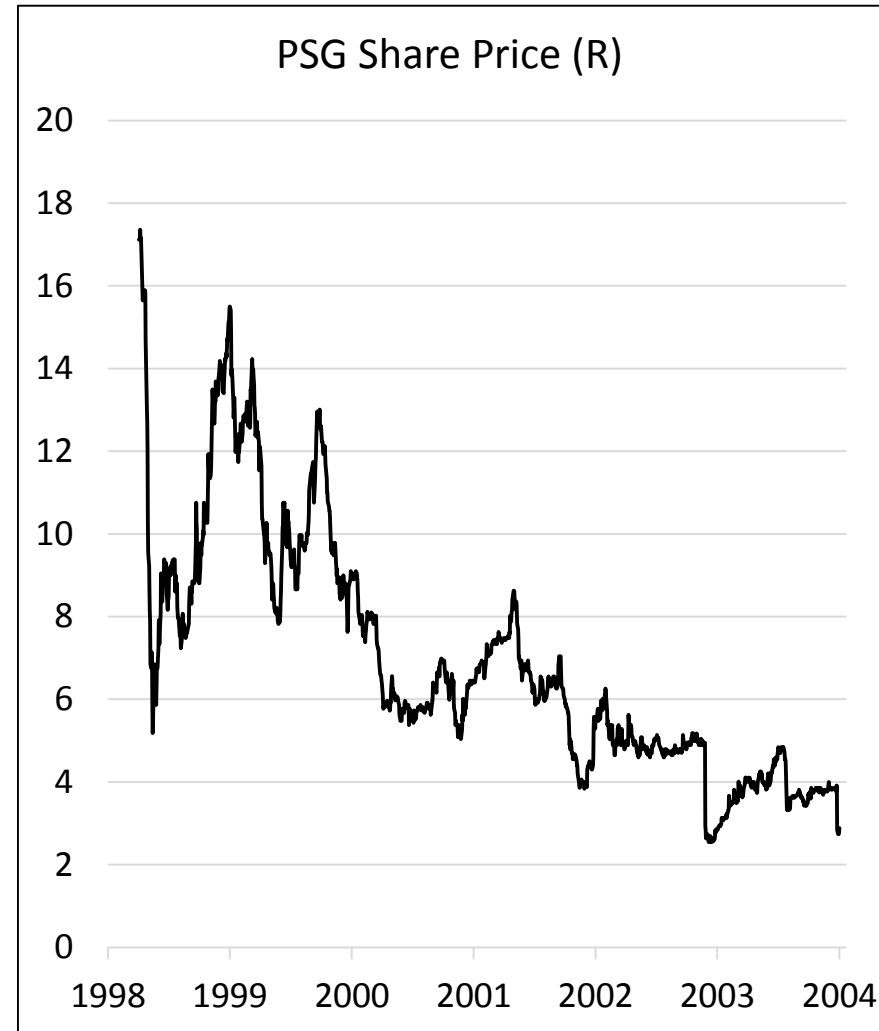
Past strategies: Original (1995 - 1998)

- PSG grew substantially during its early years
- Strived to build a financial services business:
 - PSG Konsult was started in 1996 with just 5 brokers
 - Capitec was started in early 1998 by buying a number of micro-lending businesses
- PSG's share price grew from **36c** to **R17.12** at the end of July 1998, representing a **313%** compound annual growth rate ("CAGR")



Past strategies: Project Unlock Value (1998 - 2004)

- Following the Asian and Russian crises in 1998/1999, and the South African A2-banking crisis and dot-com collapse of the early 2000s
- *Project Unlock Value* included:
 - Repurchase of ~38m PSG shares at attractive prices (a then 27% interest in PSG)
 - The payment of **R2.70** per share in special dividends and **R2.06** per share in ordinary dividends
 - Unbundling of Capitec (value of ~**R1.22** per share)
- Successfully defended a hostile take-over attempt by ABSA
- PSG's share price decreased from **R17.12** to **R2.89** at the end of April 2004



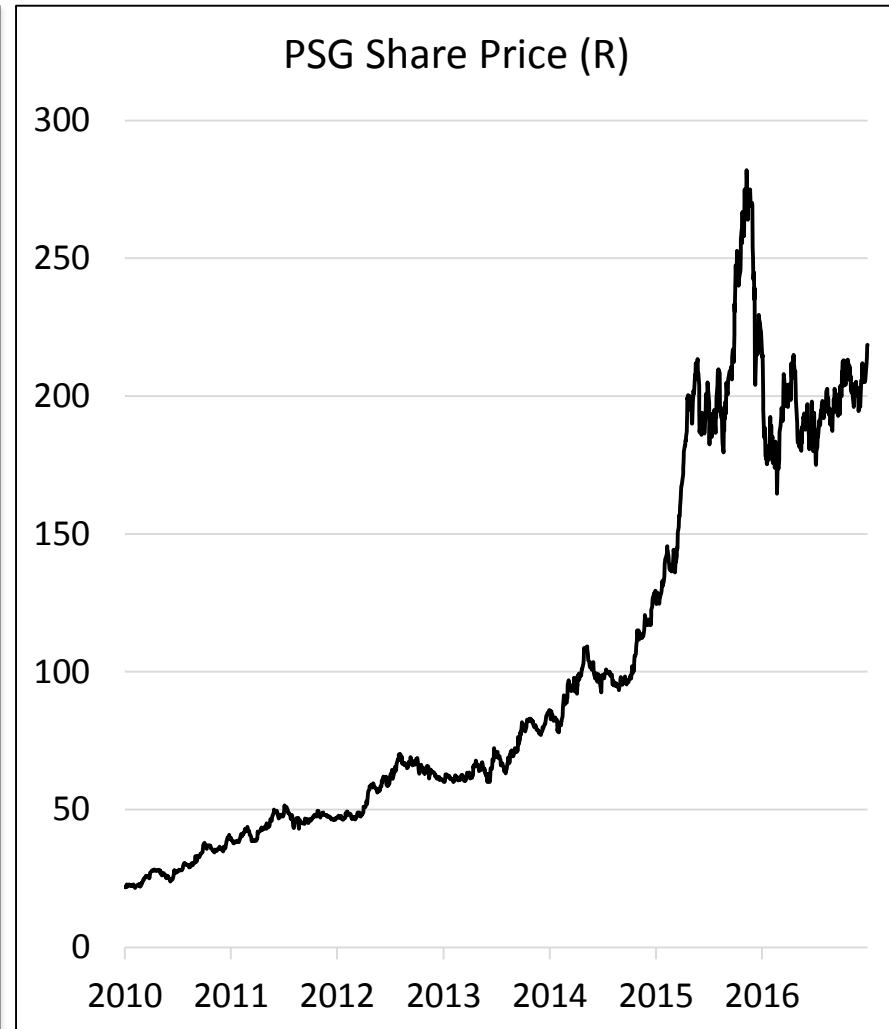
Past strategies: Project Growth (2004 - 2009)

- By 2004, we had suitably positioned PSG and embarked on *Project Growth*
- This strategy comprised various investment opportunities, such as:
 - Acquired and subsequently disposed of 15% of the total JSE rights in issue for a R600m profit
 - The creation of Zeder, various BEE companies (Arch Equity and Thembeke) and PSG Alpha (*previously PSG Private Equity*)
- PSG's share price increased from **R2.89** in 2004 to **R22.00** at the end of 2009, representing a **43% CAGR**



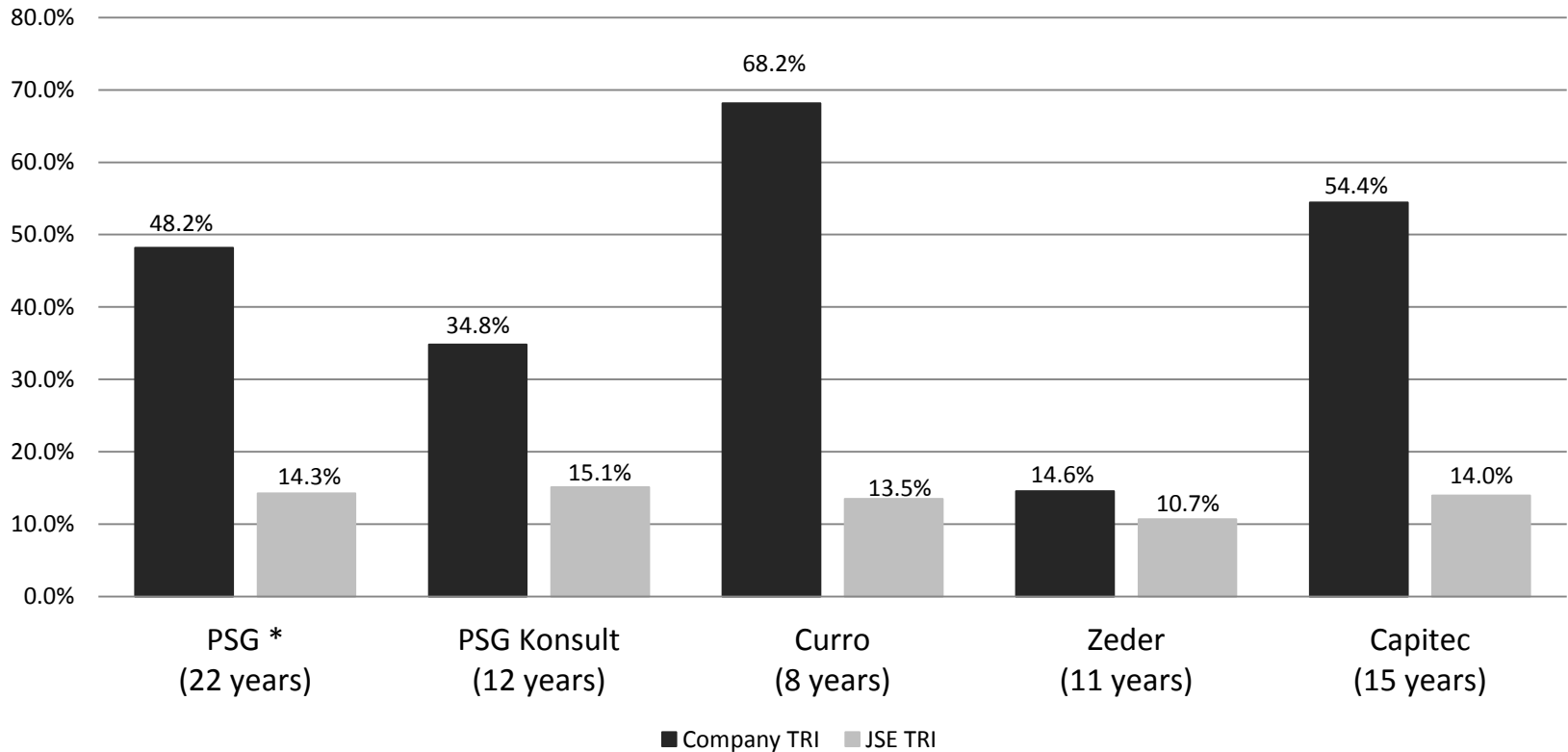
Past strategies: **Project Internal Focus (2009 - 2016)**

- Since the financial crisis of 2008/9, we have been operating in accordance with *Project Internal Focus*
- This strategy has focused primarily on the optimization, refinement and growth of PSG's existing investments
- PSG's share price increased from **R22.00** to **R218.57** during this period, representing a **39%** CAGR



Total Return Index (TRI)

PSG Group Companies' TRI vs. JSE All Share's TRI



*** R100,000 invested in PSG in November 1995 would be worth ~R500m today!**



Shareholder wealth creation

- Looking back, all our strategies were ultimately aimed at the continued creation of shareholder wealth
- PSG has to date achieved superior returns (~48% CAGR)
- Given our current size, it is highly unlikely, if not impossible, to achieve similar returns going forward
- The table below is for illustration purposes only and merely indicates where PSG could be 10 years from now, assuming various share price CAGRs:

10-year CAGR	Share price (R)	Market capitalisation (Rbn)
15%	943	206
25%	2,170	475

**Assuming a starting price of R233 per PSG share and market capitalisation of R51bn (as at 19 June 2017)*



Exciting times ahead

- Listings in the pipeline for this year:



Monday, 26 June



CA Sales



- Since my early days, I have always loved a listing and cannot help but get excited!



A word of thanks

- To all our clients, shareholders, family members and other stakeholders – thank you for believing in PSG and for walking this journey with us.

- To all the CEOs and staff of our underlying investments – thank you for your dedication and hard work. The great businesses you are building will make an everlasting contribution to both PSG and South Africa.





PSG GROUP LIMITED

NOTE FROM THE CEO

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DNA of PSG Group

Financial	Education	Food & Agri
<ul style="list-style-type: none">• Capitec• PSG Konsult	<ul style="list-style-type: none">• Curro• Stadio• FutureLearn• ITSI• <i>CSI projects</i>	<ul style="list-style-type: none">• Zeder<ul style="list-style-type: none">▪ Pioneer Foods▪ Capespan▪ Zaad▪ Kaap Agri▪ Agrivision▪ Quantum Foods

PSG has been good at **early-stage investments** – building businesses

Use **PSG Alpha** to find new growth investments

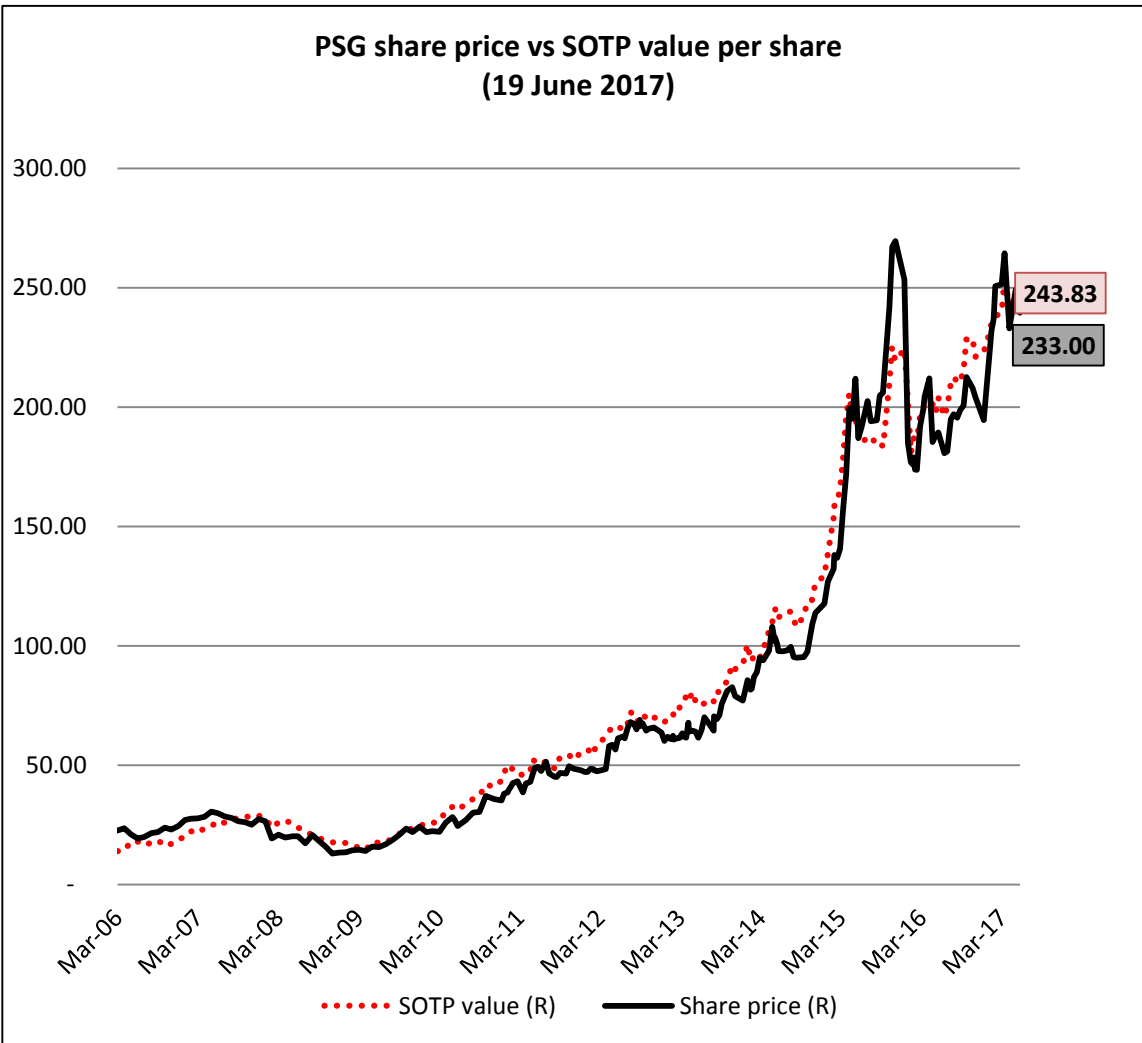


Sum-of-the-parts (SOTP)

Asset/Liability	29-Feb	5 year	28-Feb
	2012	CAGR	2017
	Rm		Rm
Capitec*	5,978	34%	25,727
Curro*	1,118	58%	11,180
PSG Konsult*	1,483	33%	6,084
Zeder*	1,067	38%	5,398
PSG Alpha (previously known as PSG Private Equity)+	728	21%	1,909
Dipeo (previously Thembeka)+	570	7%	812
PSG Corporate (including PSG Capital)**	338	n/a	
Other investments ^			
(Overdraft)/cash	(139)	n/a	1,513
Pref investments and loan receivable	335	43%	2,002
Other	488	(32%)	71
Total assets	11,966	36%	54,696
Perpetual pref funding*	(1,188)	3%	(1,350)
Other debt^	(463)	15%	(949)
Total SOTP value	10,315	38%	52,397
Shares in issue (net of treasury shares) (m)	184.5	3%	217.5
SOTP value per share (R)	55.92	34%	240.87
* Listed on the JSE Ltd + SOTP value ** Valuation ^ Book value			
Note: PSG's live SOTP is available at www.psggroup.co.za .			



PSG Group SOTP vs share price



Premium/discount to SOTP

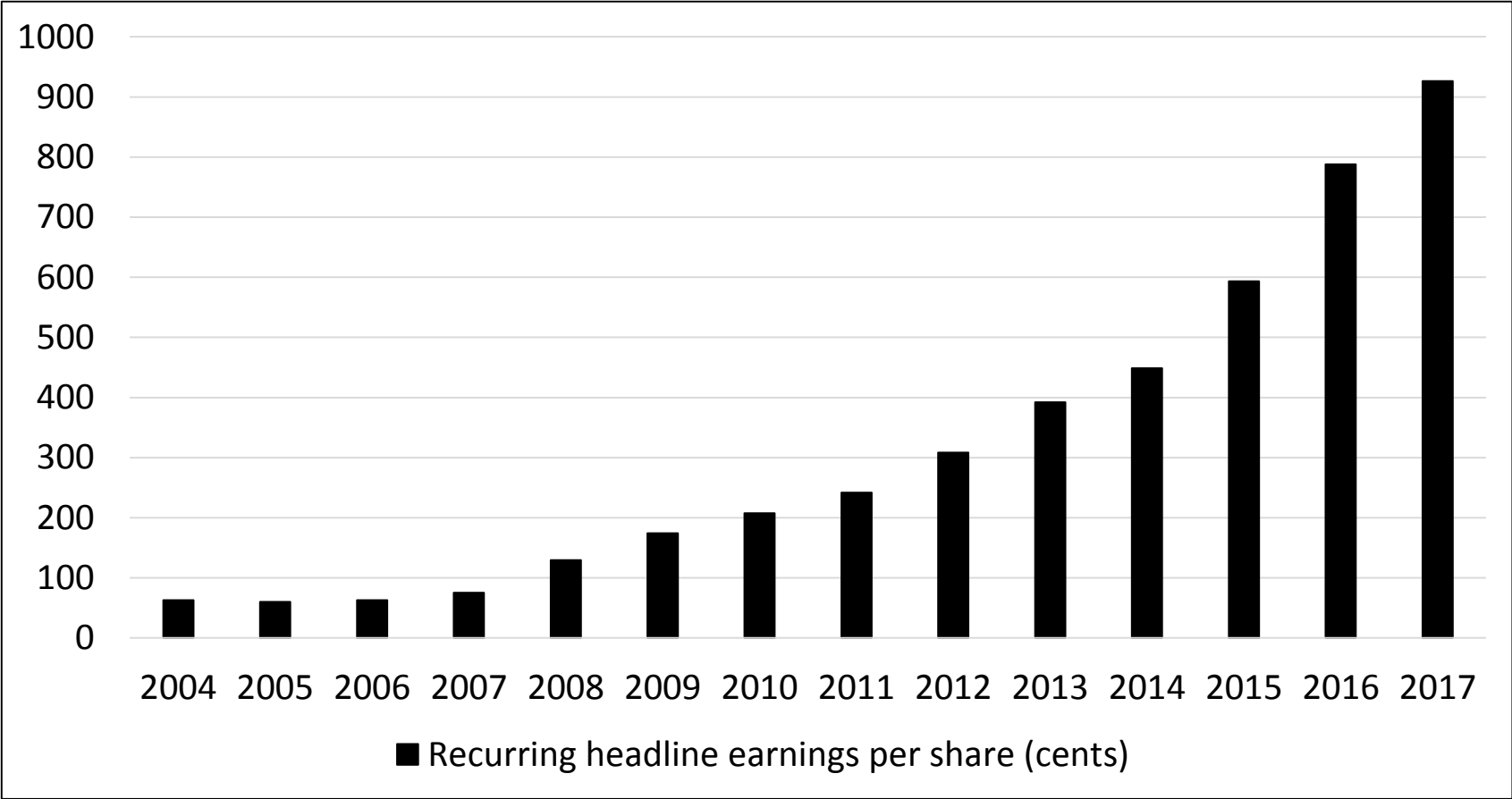
- Latest *discount* ~4%
- 12-month average *discount* ~4%

Liquidity (per annum)

19 Jun 2017	30%
Feb 2017	30%
Feb 2016	47%
Feb 2015	17%
Feb 2014	10%
Feb 2013	13%
Feb 2012	8%



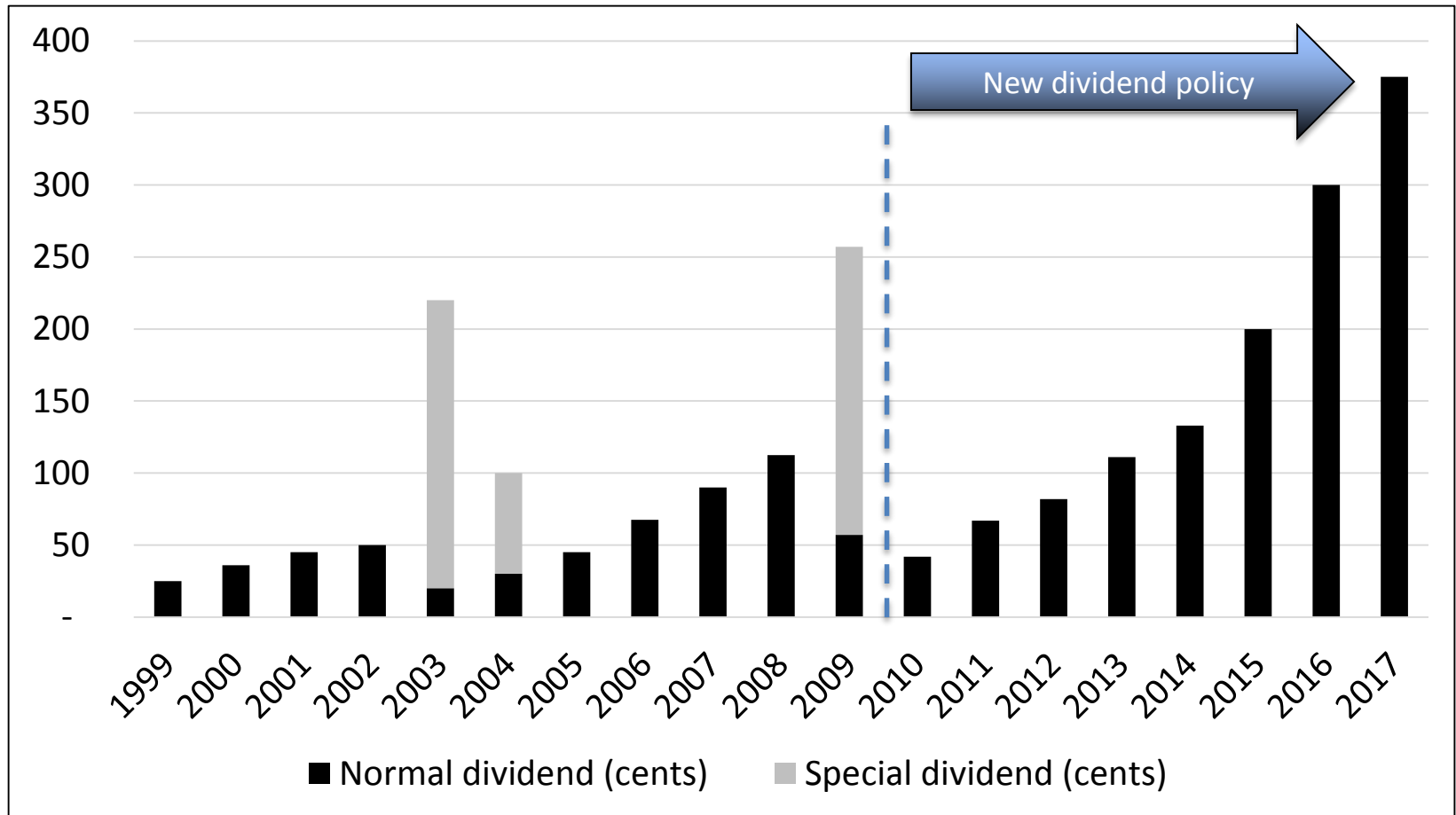
RHEPS



➤ **RHEPS CAGR of 23% over the 13-year period**



Dividend per share



➤ Total cumulative dividends paid since establishment = **R23.58** per share

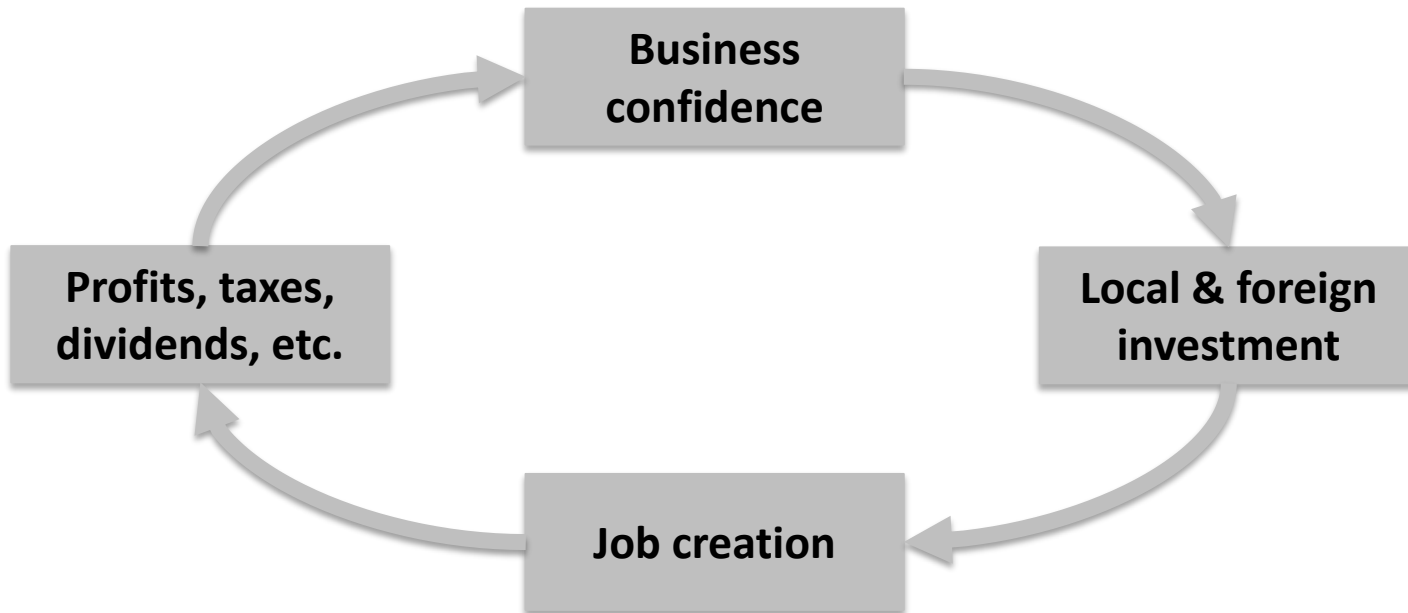


Economy

Fact: Easier to grow companies while the economy is growing

Solution: Political stability

- ➔ No state capture
- ➔ Less/zero interference with businesses
- ➔ Simplify the playing field – stop changing the rules (BEE)
- ➔ Sort out the SOEs



PSG's core investments create a strong base

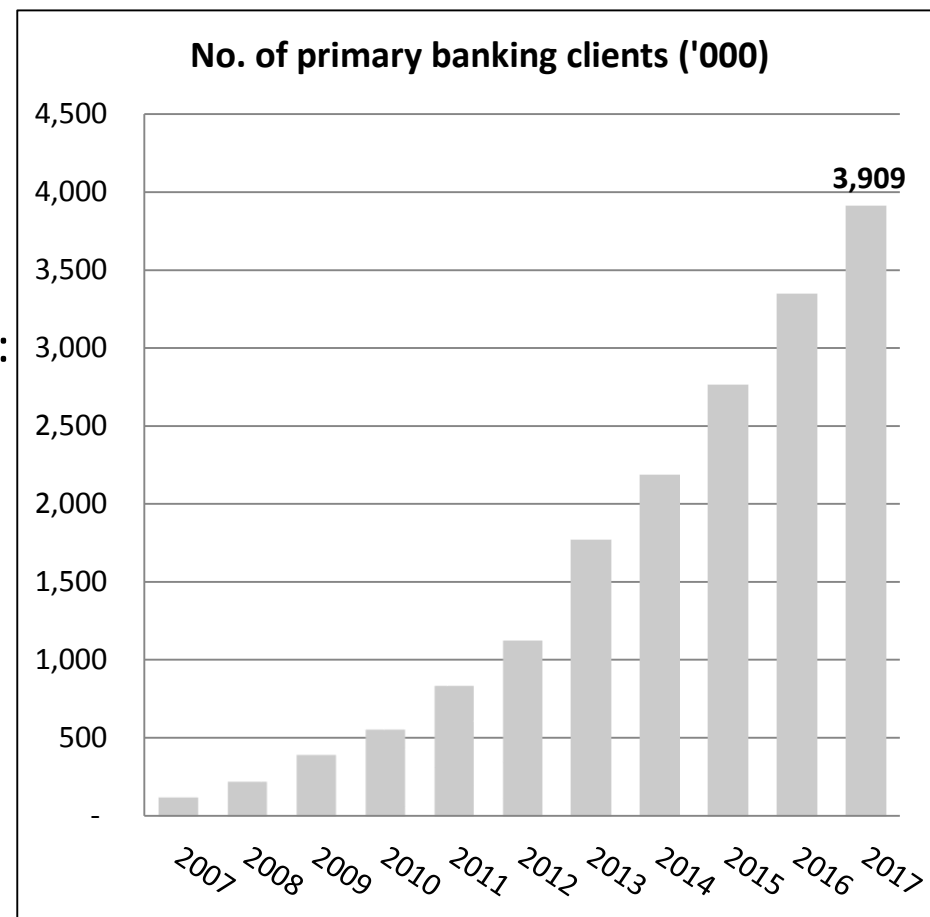


We can win in a low growth environment

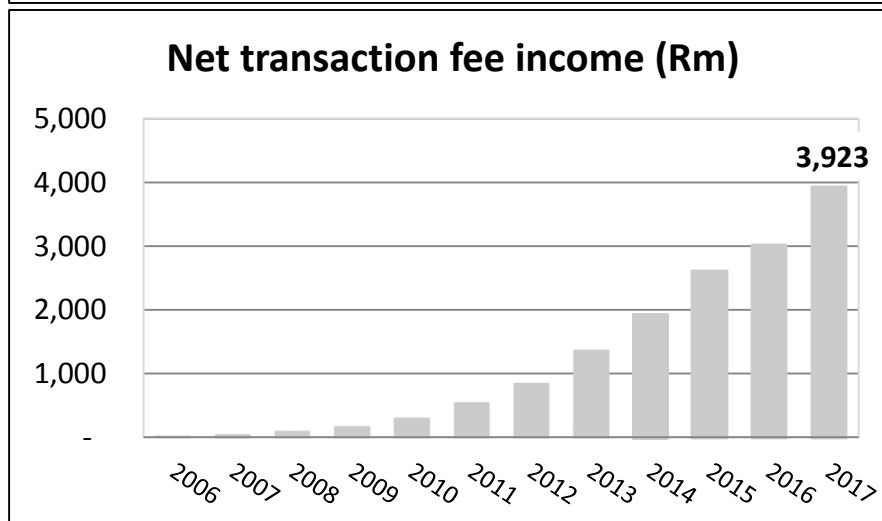
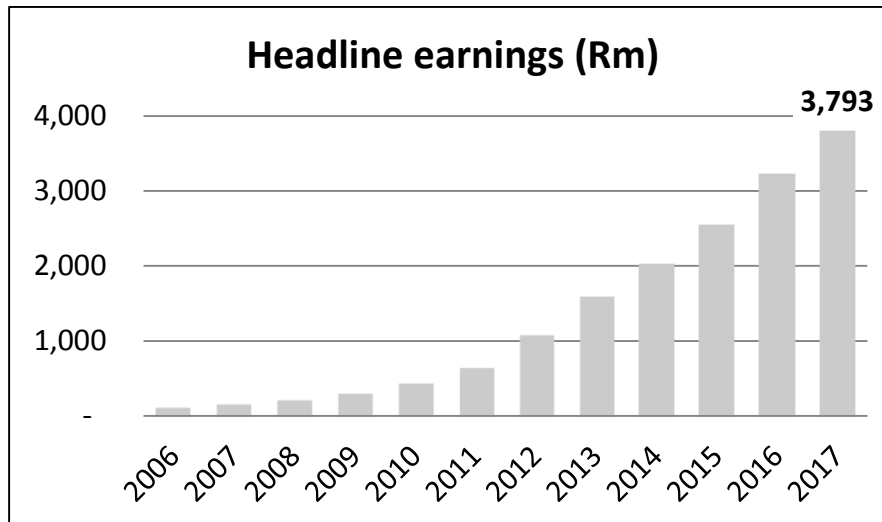


Client centric

- Past year:
 - Total clients **↑1.3m to 8.6m**
 - Primary banking clients **↑0.6m to 3.9m**
- Increased distribution since Feb 16:
 - Branches **↑76 to 796**
 - ATMs & DNRs **↑319 to 4,024**
- Remote banking:
 - Active USSD clients: **5.4m**
 - Activated app clients: **1.8m**
 - Free data while using app plus added functionality



Financials



- Year ended Feb 17:
 - Headline earnings **↑18%**
 - HEPS **↑18%**
 - Net transaction fees **↑30%**

- 10-year CAGR:
 - Headline earnings **↑37%** p.a.
 - HEPS **↑31%** p.a.
 - Net transaction fees **↑60%** p.a.

- Transaction fees covered **72%** of operating expenses in the year ended Feb 17 (2016: 66%)



Winning portfolio



Best management

- Gerrie, André, Nkosana and team

Low market share

- ~2.7% of consumer credit book
- 11% market share of R10k-R30k p.m.
- 2% market share > R30k p.m.

Better operating model

- Simplified easy to understand products
- Better client experience – TTS, TOS
- Reducing cost of debt – better clients
- Prudent provisioning

Appropriate gearing

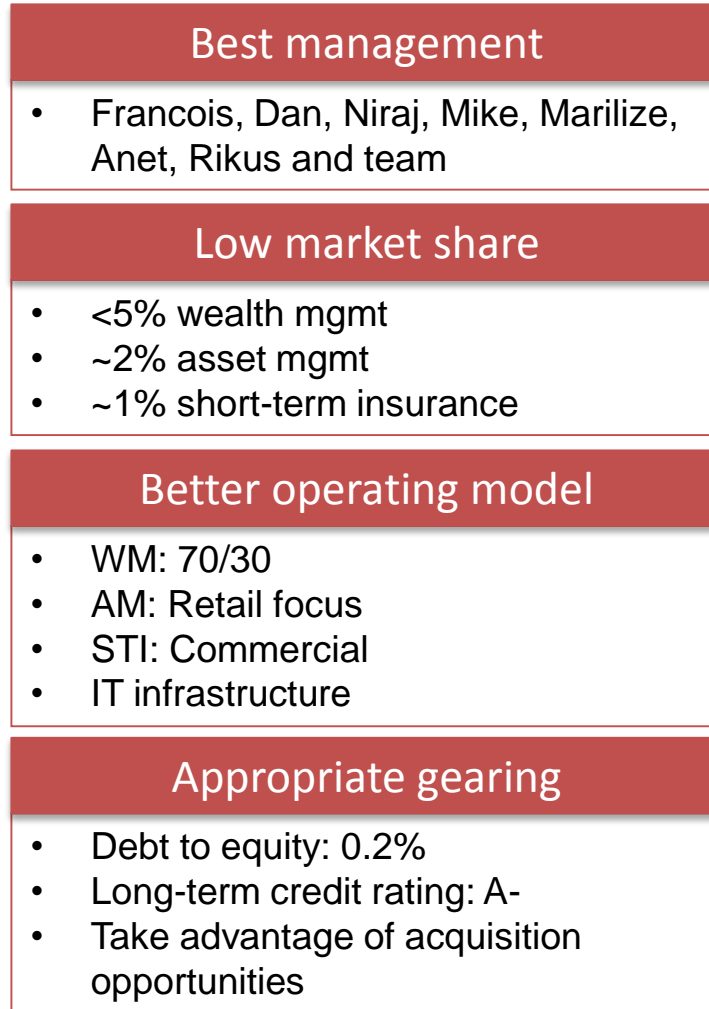
- CAR: 34%
- Liquidity: R31bn cash

=

**Market
share gains
result in
growth**



Winning portfolio



Market share gains result in growth



Winning portfolio



Best management
<ul style="list-style-type: none">• Chris, Andries, Bernardt, Hennie, Phakamisa and team
Low market share
<ul style="list-style-type: none">• 0.4% of school-going learners• SA has low private education penetration
Better operating model
<ul style="list-style-type: none">• Low cost of construction• Development team• Scale advantages (head office)• Value-for-money offering• Curriculum investment
Appropriate gearing
<ul style="list-style-type: none">• Strong capital base• Debt to equity: 33%• Low cost of funding



**Developing
a new
market to
generate
substantial
growth**



Winning portfolio



PSG GROUP LIMITED



Best management

- Johan, Wynand, Chemus, Nico, Norman, Johann, Andro and team

Low market share

- Core investments still have substantial growth prospects
- Targeting new & exciting growth markets

Better operating model

- Strong core portfolio – focus on generating alpha with our smaller investments
- To quote Michiel le Roux: *“Either a small failure or a big success”*

Appropriate gearing

- R1.75bn cash for new investments
- Interest cover ratio of 4.4x and debt to SOTP ratio of 4.4%



Developing new markets to generate substantial growth



PSG GROUP LIMITED



PSG
alpha





**ENERGY
PARTNERS**

POWERED BY RESULTS



PSG GROUP LIMITED

Video played

Click for video →



- Size of the market?
 - SA installed electricity capacity ~45GW
 - Cost of Medupi and Kusile ~R30bn/GW
 - Implies electricity generation market of ~R1.5 trillion
 - Energy conversion increases market size to well over R2 trillion
- If we obtain a mere 1% market share, we will have >R20bn in assets





Video played

Click for video →



➤ Scalable education provider:

- Opportunity exists for alternative technology-based learning models
- Affordable learning solutions to target majority of SA's 12m learners over time
- Well positioned:
 - base of 17,000 learners
 - multifunctional team, incl. engineers and educationalists





Video played

Click for video →



- Leading e-learning partner for schools in SA:
 - Enhances teaching through digitization (“it’s the way of the future”)
 - Serves 74,000 learners in 180 schools in SA
 - SA potential: 200k+ near term, 2m+ incl. public schools
 - International expansion underway (UK, UAE, Aus)





SNC

STELLENBOSCH NANOFIBER COMPANY



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Video played

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- Nanofibre technology applicable in many large industries such as:
 - Healthcare (e.g. wound dressings)
 - Energy (e.g. advanced storage in batteries)
 - Filtration
 - Composite materials
- Main focus: healthcare nanofiber market \$493m by 2020

Thank you.
Questions?

