



PSG GROUP LIMITED

ANNUAL GENERAL MEETING

22 JUNE 2018 • SPIER WINE ESTATE, STELLENBOSCH



PSG GROUP LIMITED

NOTE FROM THE CHAIRMAN

22 JUNE 2018 • SPIER WINE ESTATE, STELLENBOSCH

Firstly, a word of thanks

- To all our clients, shareholders, family members and other stakeholders – thank you for your loyal support and continued belief in our truly exceptional business
- To my fellow directors and all employees throughout PSG – thank you for your efforts to help build this group

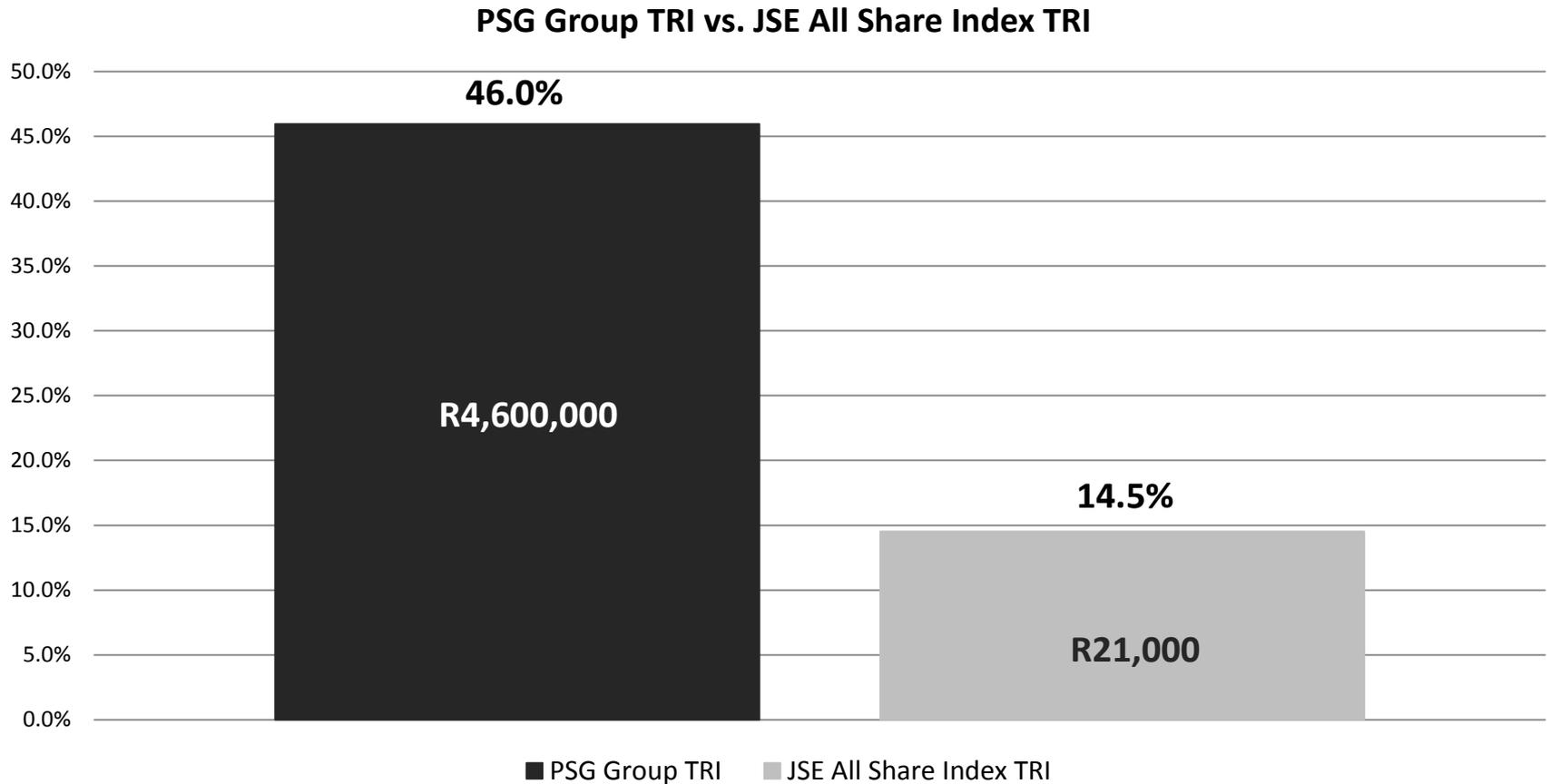


PSG's dedication to integrity

- Invest in companies that are well run with a strong management team – a team that demonstrates **integrity, honesty and transparency** is essential (e.g. Capitec, Curro, PSG Konsult)
- **Sound corporate governance is non-negotiable** – once invested, group companies report management information to head office on a monthly basis (no delays or excuses...the information must be accurate), with constant two-way communication
- Steinhoff was a 25% shareholder in PSG, with **no inter-related transactions or ventures** whatsoever
 - Sold all their PSG shares by March 2018
 - Positive: improvement in PSG's share trading liquidity



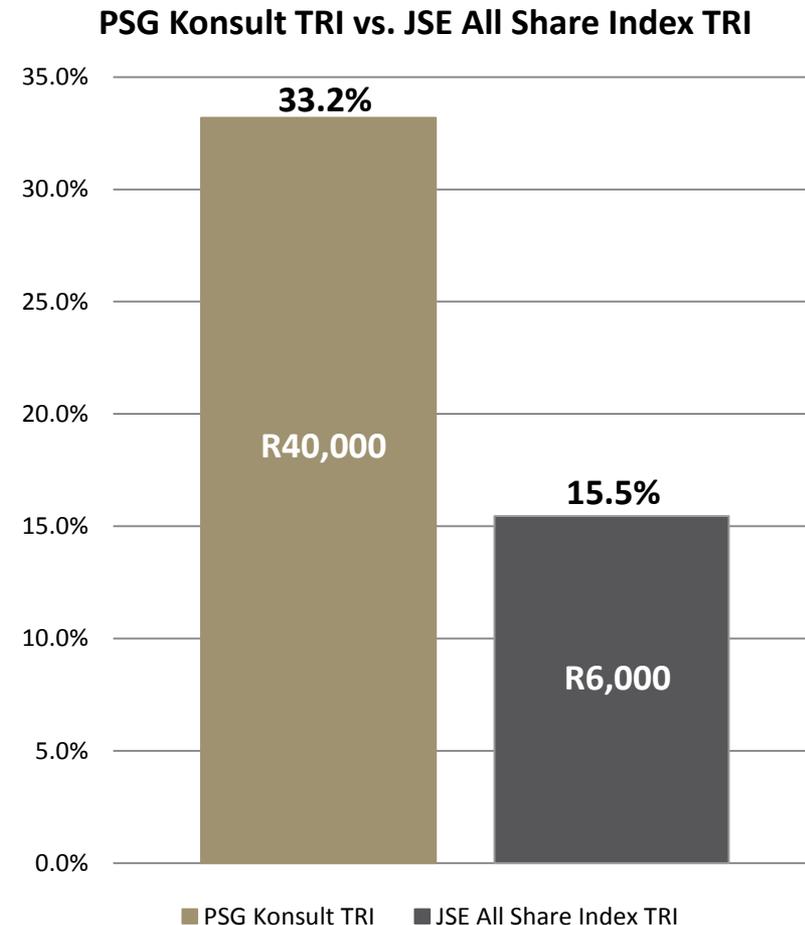
Our long-term performance: Total Return Index (TRI)



Measured at 28 February 2018, assuming an initial investment of R1,000 on 17 November 1995, with all dividends reinvested.



- PSG Konsult has been part of PSG Group since the beginning
- Started in 1996 during the early days of our democracy
- Unique ownership structure – 70/30 model – provides a **competitive advantage** (Willem Theron)
- Started with 5 employees – 22 years later:
 - Market cap of R11.7bn
 - 2,400 employees
 - Significant distribution network (211 offices)
- Continue to pursue new opportunities, both organically and through acquisitions



Measured at 28 February 2018, assuming an initial investment of R1,000 on 11 April 2005, with all dividends reinvested.

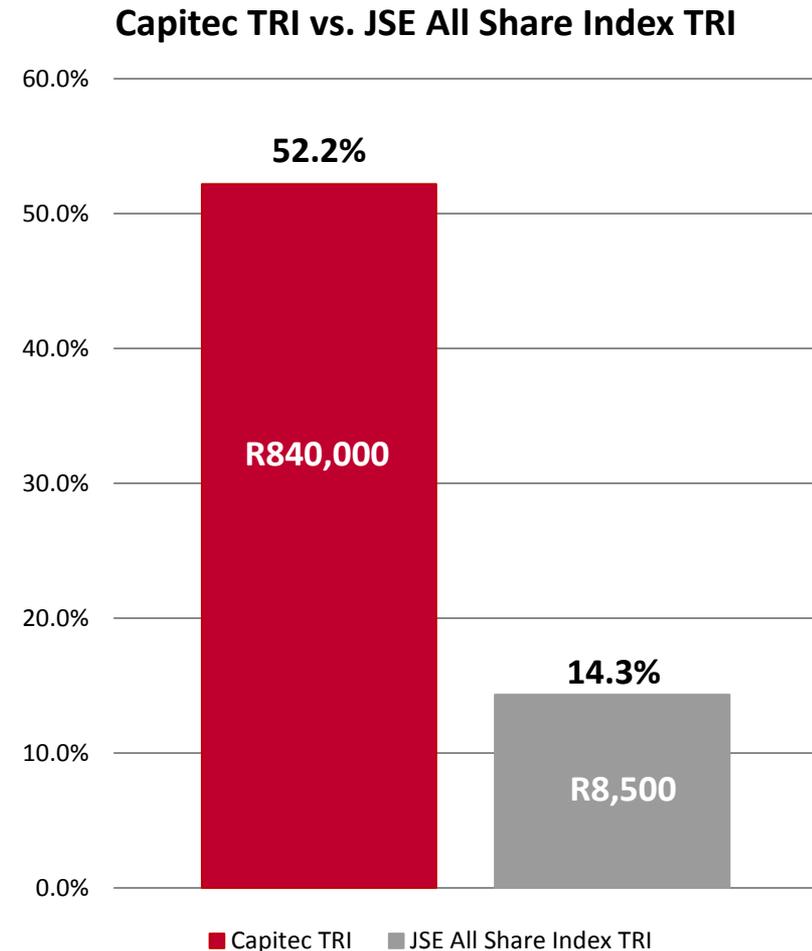


Our building blocks: Affordable banking



- **9.9m clients** at February 2018 (today more than 10m)
- Employs **13,333** people
- **R96bn** market cap, 4th largest bank in SA
- Banks **27%** of the employed population*
- Rated the **Best Bank in the World** by Lafferty Group for the 2nd year running
- Launched **funeral insurance product**

*Source: Labour force 2017 Q4, Capitec internal data



Measured at 28 February 2018, assuming an initial investment of R1,000 on 18 February 2002, with all dividends reinvested.



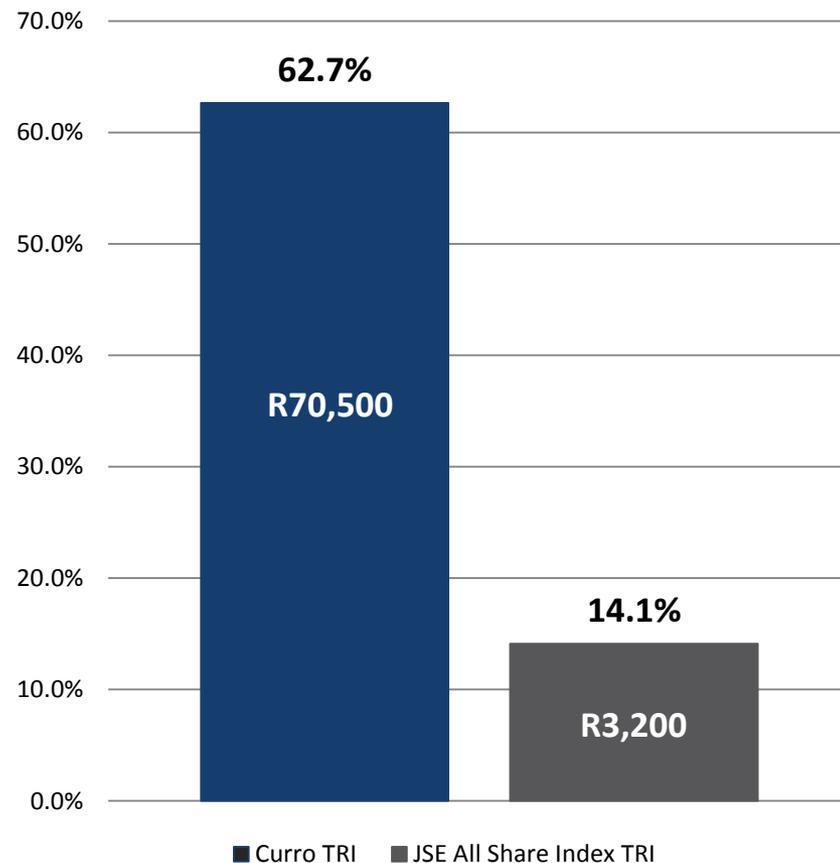
Our building blocks: Private education

- Only **4.4%** of SA learners are in private education
- Future growth
 - Schools **↑62** to **189** by end 2020
 - Acquisitions should boost this number
- Education innovation to drive excellence

Year-end*	2009	2014	2017
Schools	3	80	127
Learners	2,059	28,737	45,870
Profit (Rm)	2	51	198

*Financial year ended 31 December

Curro TRI vs. JSE All Share Index TRI

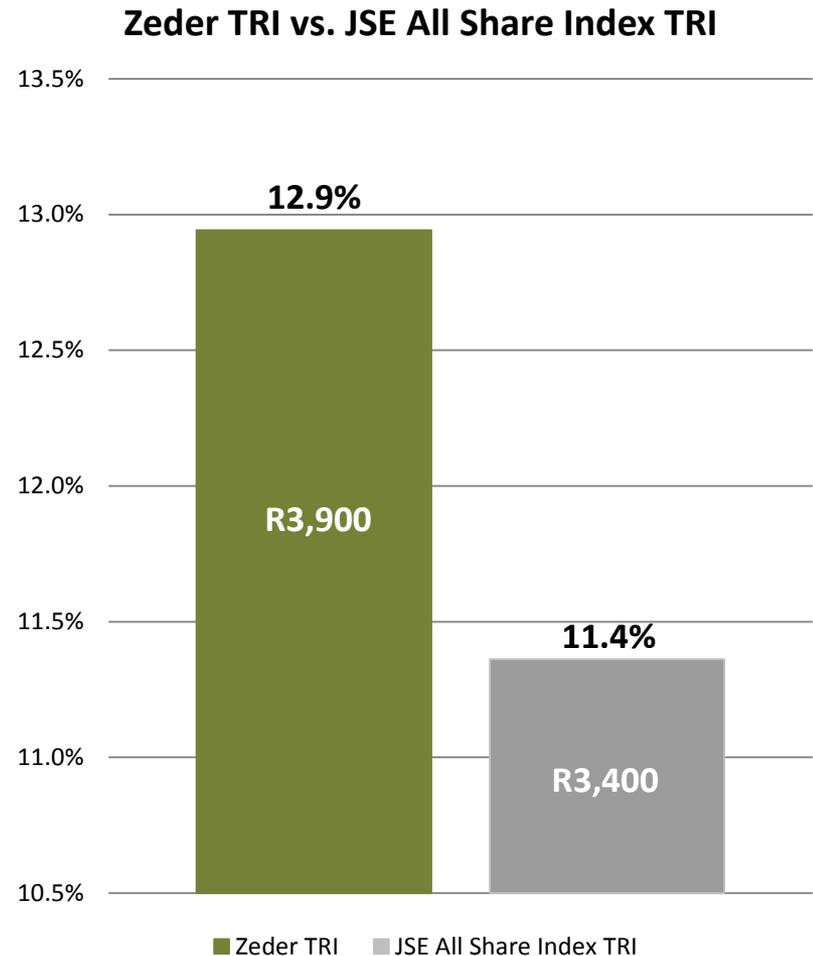


Measured at 28 February 2018, assuming an initial investment of R1,000 on 1 June 2009, with all dividends reinvested.



Our building blocks: Agriculture

- PSG involved in agriculture since before 2004
- Zeder founded in 2004 to take advantage of arbitrage opportunity in agricultural co-operatives
- Listed soon thereafter in 2006
- Even with the recent tough drought conditions, it still managed to outperform the JSE (yes, we expect even better returns)
- With good rains, the outlook is set to improve
- Pioneer Foods still a star



Measured at 28 February 2018, assuming an initial investment of R1,000 on 1 December 2006, with all dividends reinvested.



The future of PSG

- I assure you the future of PSG is in good hands
 - **Young, dynamic** management teams throughout the group
 - **Passionate** about their businesses
 - **Focused** to grow and outperform the market

- I have never sold a PSG share and recently bought more – this should tell you what I think of our group's future prospects!



Lastly – let's focus on being experts in identifying opportunities, rather than experts on what is wrong with SA!





PSG GROUP LIMITED

SOCIAL & ETHICS FEEDBACK

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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• Educartis• <i>CSI projects</i>	<ul style="list-style-type: none">• Zeder<ul style="list-style-type: none">▪ Pioneer Foods▪ Kaap Agri▪ Capespan▪ Zaad▪ Agrivision▪ Quantum Foods

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

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



Our investment philosophy

Large Market

- New investments should be in large markets:
 - Banking
 - Energy
 - Education
- If successful, the returns should be substantial

Market Dynamics

- Large inefficient incumbents:
 - E.g. education, energy
- Fragmented:
 - IFAs
 - Retirement villages

Engine Room

- Best management teams:
 - Think different
- Best operating models:
 - Service
 - Pricing
 - Experience

Early-stage investing

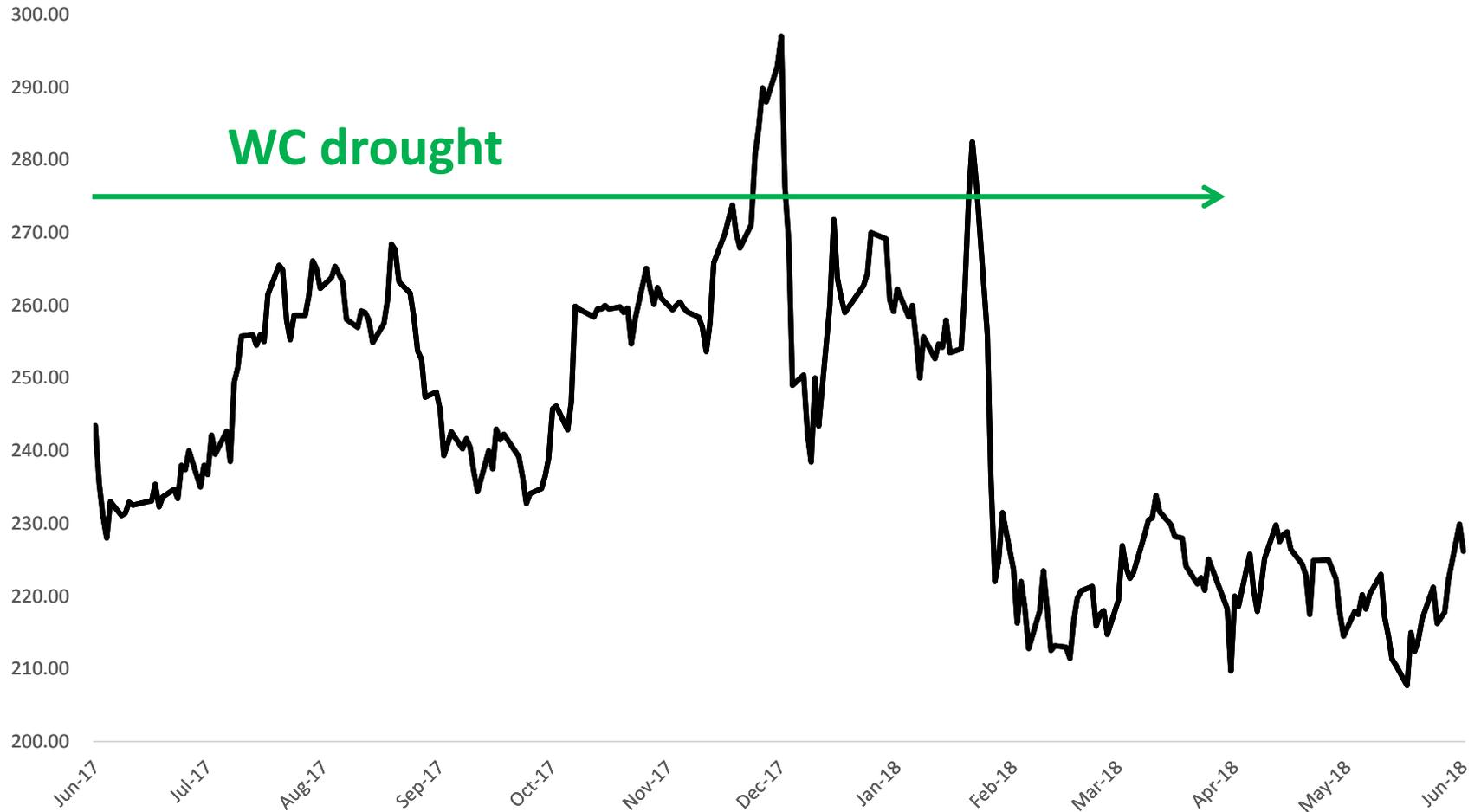
Balance sheet

- High-growth companies should have well capitalised balance sheets and make limited use of debt
- Management cannot simultaneously focus on high-growth (J-curve) investment opportunities and servicing debt:
 - Loss of focus and conservatism
- Window to capture the market



The past year

PSG Group share price



- Despite promising developments, no water offtake agreements signed with public sector as yet
 - Was awarded a tender for Cape Town; however, subsequently withdrawn

- GrahamTek
 - Energy Partners has a convertible loan with the option to acquire 50% of GrahamTek
 - Saudi Arabia contract: the tender has been withdrawn (similar to Cape Town)

- Shifting focus to business-to-business segment in line with traditional focus



- 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 1% market share, we will have >R20bn in assets



Reason to exist

To power Africa's growth with sustainable energy

5-yr goal

Be recognised as a leading IEP* by owning & operating energy assets

Current forms of energy sales



Electricity



R/kWhr



Steam



R/ton



Heating / Cooling



R/kWhrR



Water



R/kl



Fuel



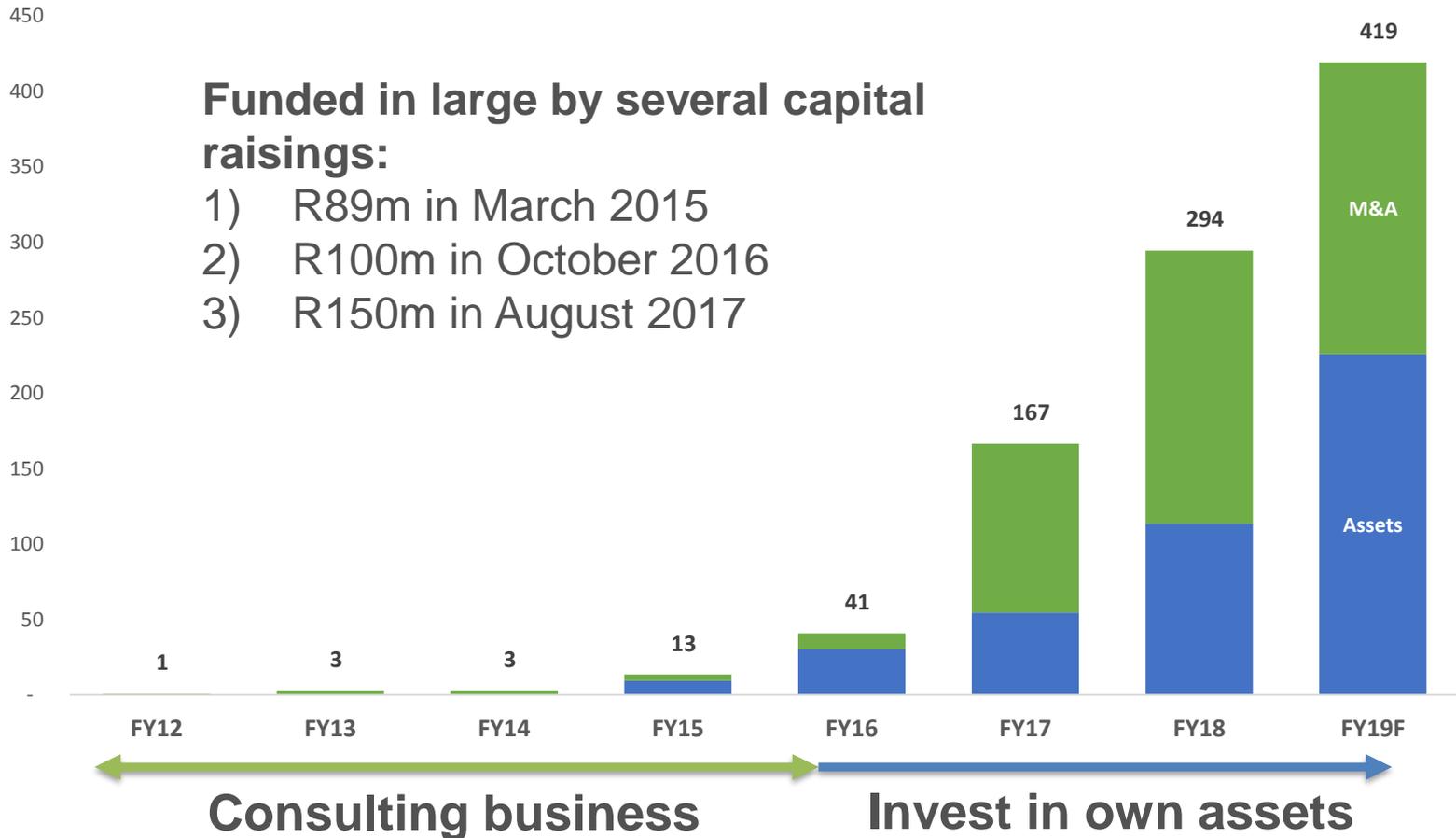
R/l

* Independent Energy Producer



Investing for growth

Cumulative Investments (Rm)



The past year

PSG Group share price

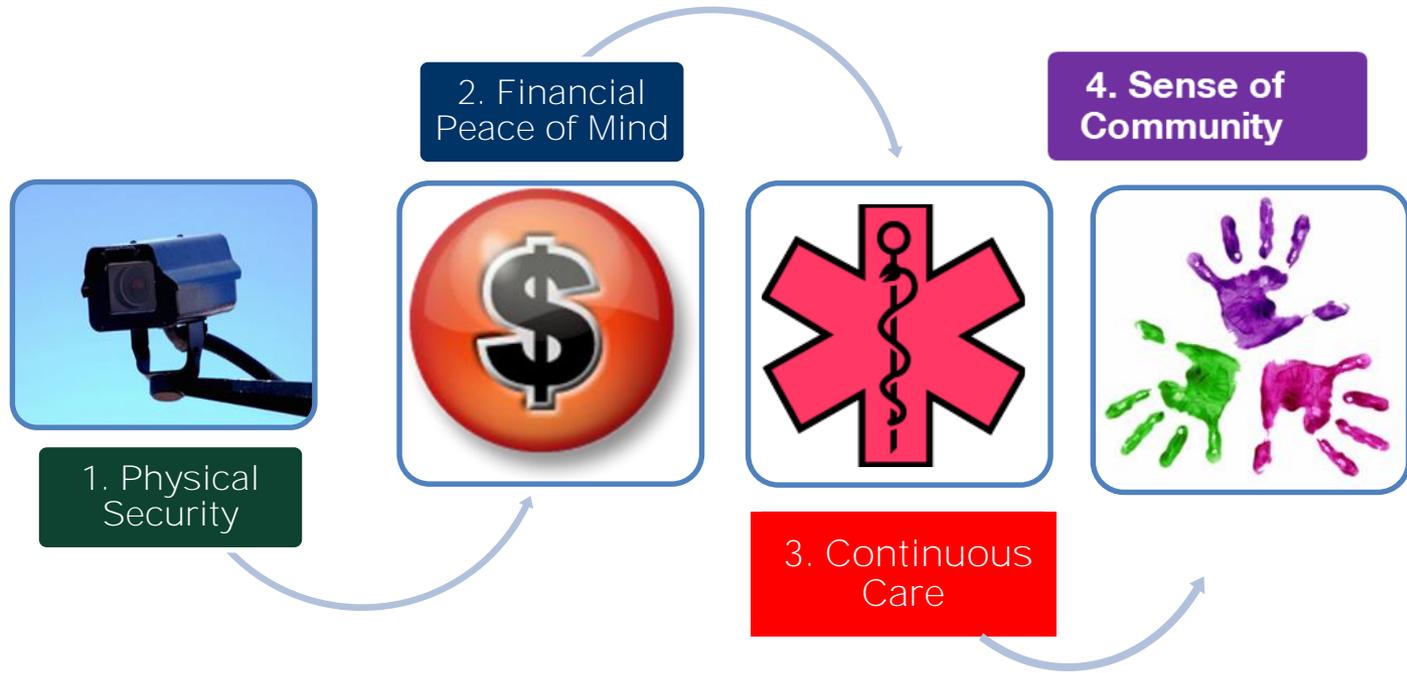


The opportunity

- Large and growing market (6.8m retirees by 2030)
- Fragmented and/or undesirable offerings
- Opportunity for national trusted retirement brand
- PSG and Amdec as credible 50/50 shareholders
- Strong management team



Value proposition



Development pipeline

No.	Village	Completed	Additional						Total units
		Dec-17	Apr-18	Feb-19	Feb-20	Feb-21	Feb-22	Feb-23	
1	Bergvliet	65	-	35	6	-	-	-	106
2	Muizenberg	218	-	43	-	-	-	-	261
3	Diep River	57	-	-	27	-	-	-	84
4	Lake Michelle	31	-	-	110	-	-	-	141
5	Broadacres	130	-	108	-	-	-	-	238
6	Noordhoek	-	46	204	100	-	-	-	350
7	Val de Vie	-	-	137	150	150	163	-	600
8	Westbrook	-	-	-	50	200	250	300	800
9	New Development 1	-	-	-	58	100	100	200	458
10	New Development 2	-	-	-	40	200	200	200	640
11	New Development 3	-	-	-	100	200	200	250	750
12	New Development 4	-	-	-	125	125	125	125	500
Total		501	46	527	766	975	1 038	1 075	4 928
Cumulative total		501	547	1 074	1 840	2 815	3 853	4 928	

1,074 units by February 2019 at an average value of R2.7m per unit



Noordhoek opened (Phase 1 - 46 units)



Val de Vie development (600 units by 2022)



The past year

PSG Group share price



Group overview and growth focus

STADIO
— HOLDINGS —
LIMITED

STADIO INVESTMENT HOLDINGS (PTY) LTD

100%



87%



100%



74%



74%



100%



13
CAMPUSES

• JHB

• CPT

• KZN

• PE

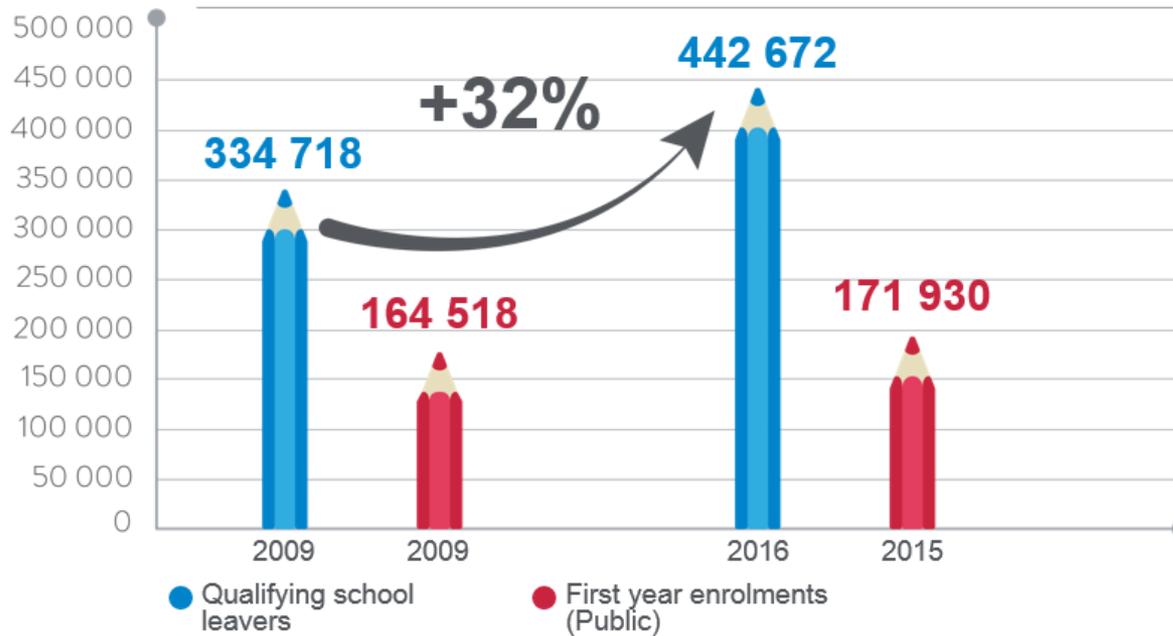
• Windhoek

• Gaborone



Shortfall in HE supply

Number of school leavers in SA qualifying for post-school education vs first year enrolments in public institutions



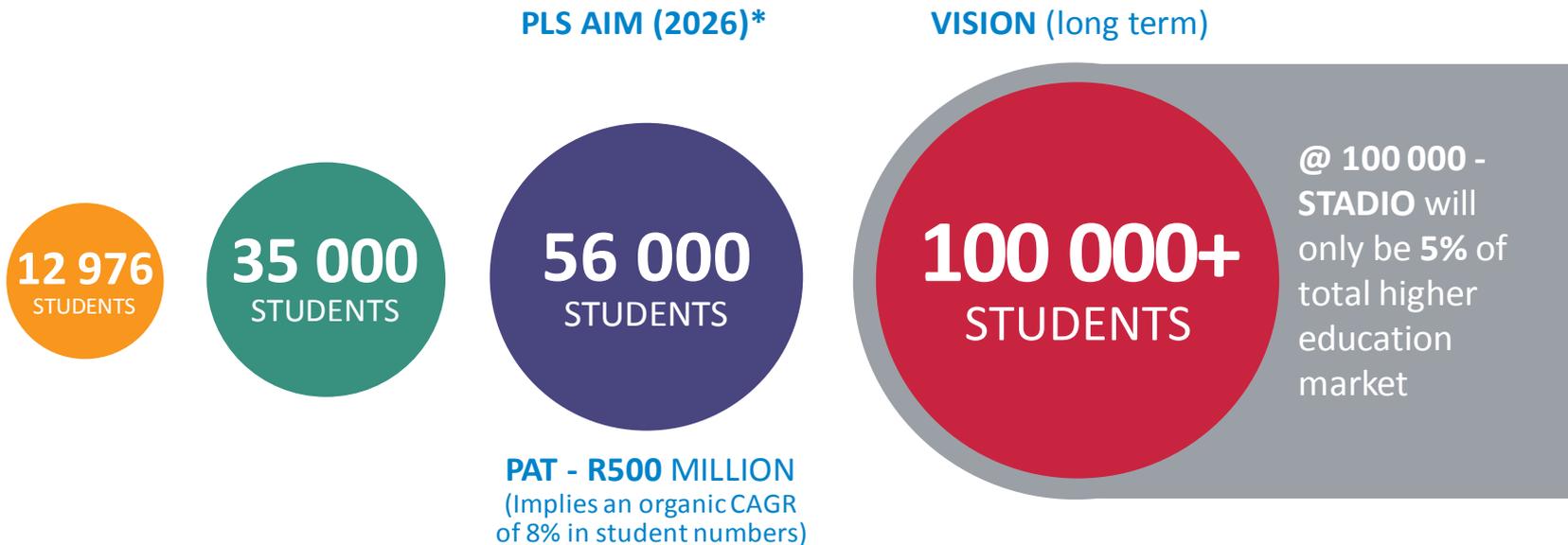
60%
cannot be
accommodated
at public higher
education
institutions

This shortfall is
**compounded
annually**



Long-term vision

Growing student numbers over contact & distance learning modes of delivery:



* Please note that Stadio's aforementioned targets have not been reviewed or reported on by STADIO's auditor or by an independent reporting accountant, nor is it guaranteed.



Phesantekraal campus

STADIO

PROPOSED SITE DEVELOPMENT
Proposed Independent Institute for Higher Education



SITE DEVELOPMENT PLAN



LOCALITY PLAN



North West Science Building
Harvard University
Designed by SOM
PRECEDENT STUDY



Eddie & Lew Wasserman Building
University of California
Designed by RICHARD MEIER
& PARTNERS ARCHITECTS



UCLA Teaching & Learning Centre
for Health Science
University of California
Designed by SOM



PERSPECTIVE SITE VIEW

→ ERVEN:
Portion 2 & 4 of
Groot Phesantekraal Remainder
of farm 1165 (Phase 4)

→ SITE AREAS:
Stadio Portion 2 60 611m² / 6,0611ha
Stadio Portion 4 14 645m² / 1,4645ha
TOTAL: 75 256m² / 7,5256ha

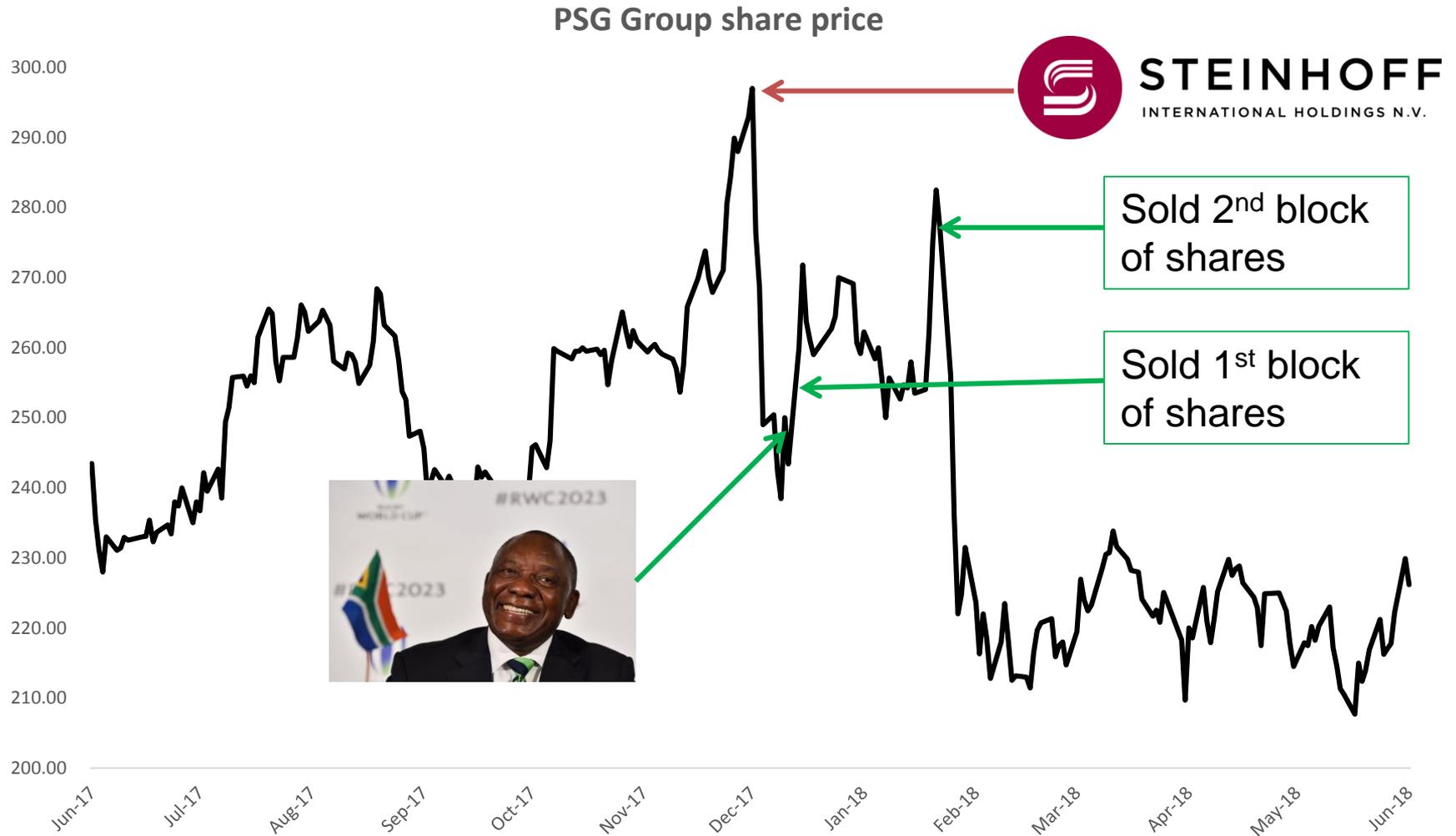
- LEGEND:
- A Faculty A
 - B Faculty B
 - C Faculty C
 - D Faculty D
 - E Faculty E
 - F Faculty F
 - G Faculty G
 - H Auditorium (Future)
 - I Library
 - J Cafeteria
 - K Security
 - L Outdoor Recreational Area



The past year



The past year



Steinhoff's PSG share placements

- First placement of 9.5% interest in PSG
 - Mid December 2017
 - Price **R230**
 - Total proceeds **~R4.7bn**

- Second placement of 13.5% interest in PSG (ABB)
 - Late January 2018
 - **Multiple times** oversubscribed
 - Price **R240**
 - Total proceeds **~R7.1bn**

- PSG's foreign ownership increased from **10.7%** to **20.2%** as at February 2018

PSG's liquidity (per annum)	
Feb 2018	68%
Feb 2017	30%
Feb 2016	47%
Feb 2015	17%
Feb 2014	10%
Feb 2013	13%
Feb 2012	8%

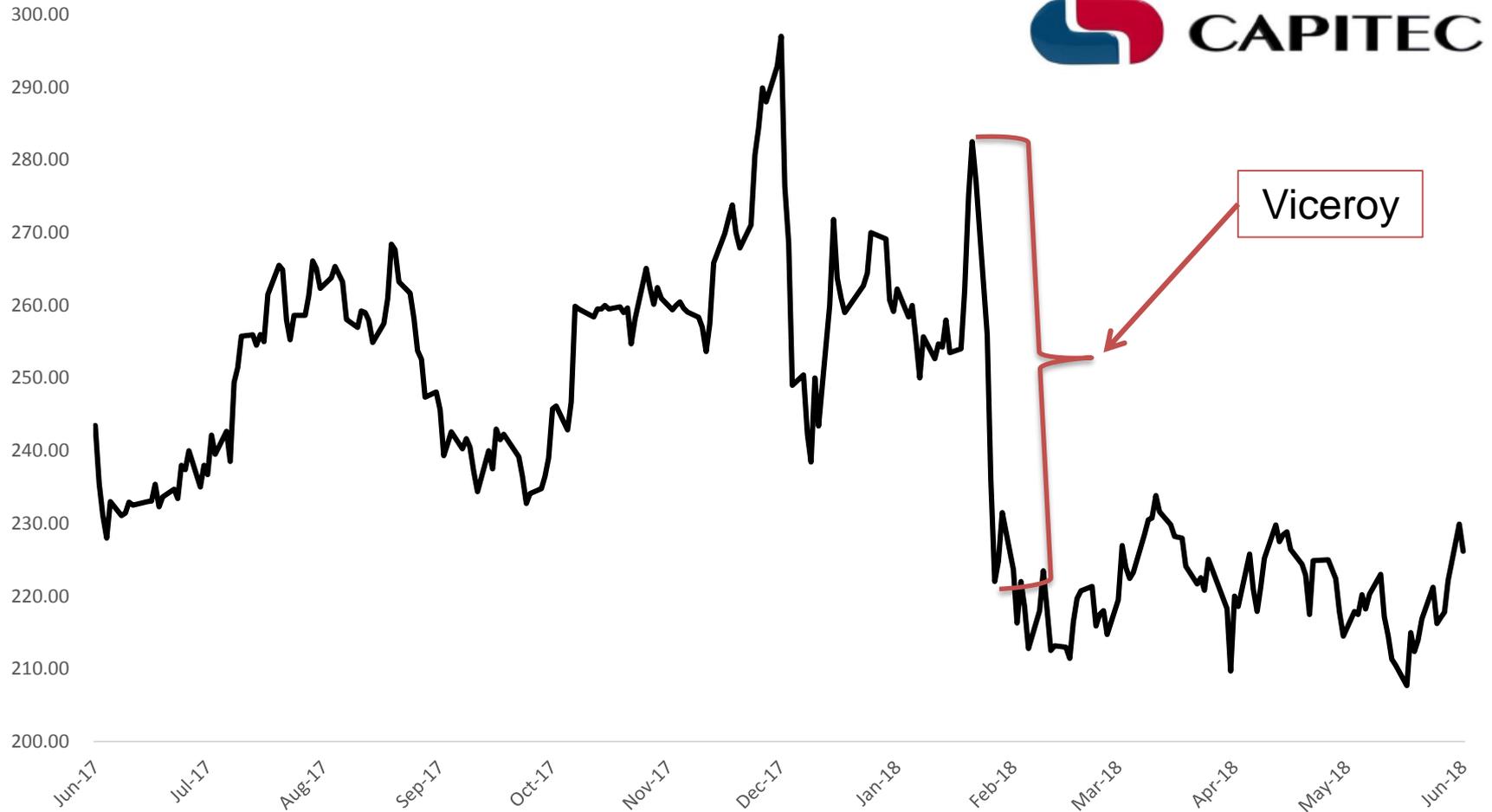
PSG's free float*	
Current**	58%
Feb 2018	56%
Feb 2017	34%
Feb 2016	35%
Feb 2015	25%
Feb 2014	19%
Feb 2013	23%

* Bloomberg
 ** 5 June 2018



The past year

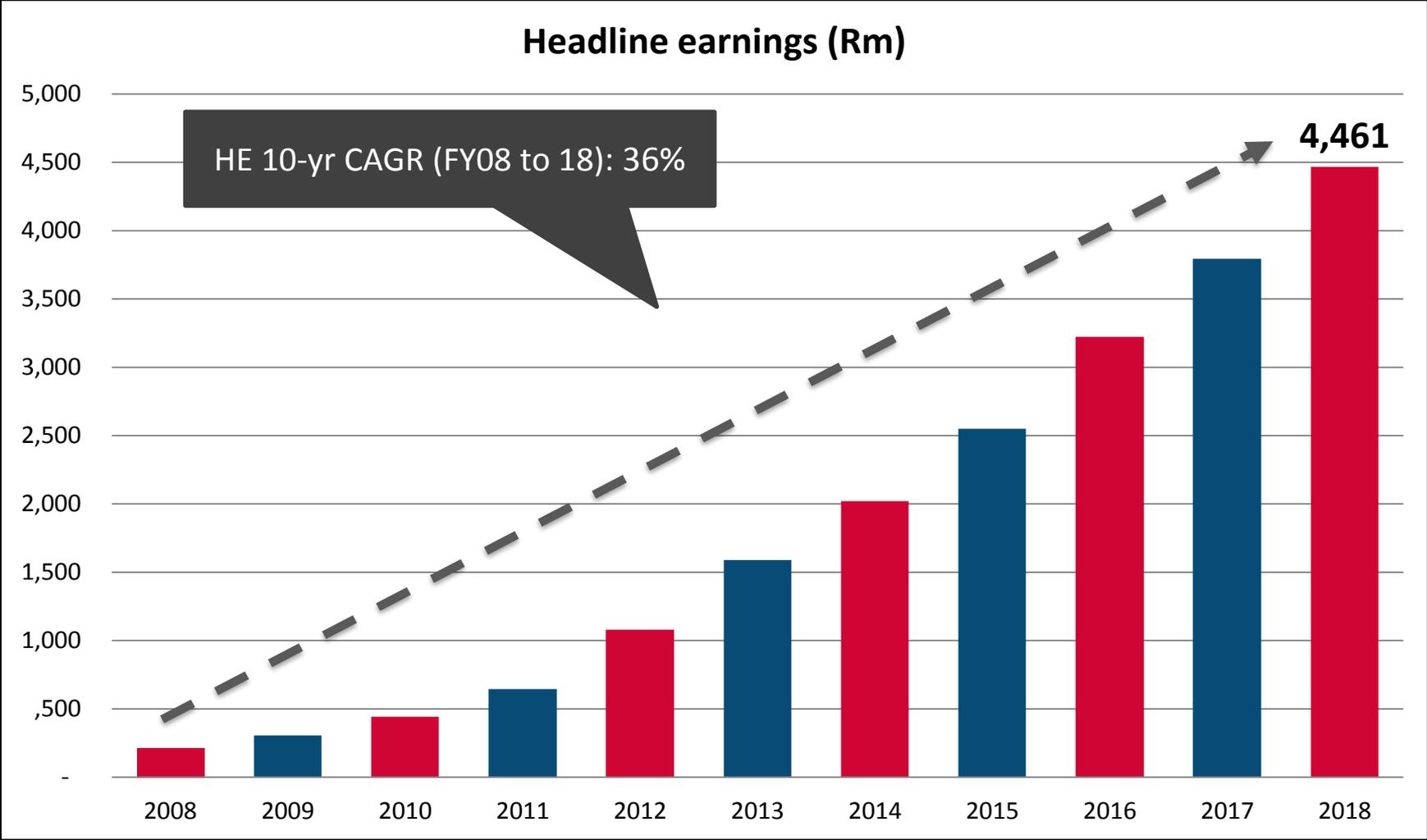
PSG Group share price



- Viceroy gained unjustified credibility because of their Steinhoff report (after the fact, but perception rules)
- Attack on Capitec for their own financial gain by shorting the share prior to the release of unfounded report
- Quality of Capitec and its management team confirmed once again:
 - Speed and transparency of their response
 - SARB and Treasury publicly came out in support of Capitec
- Capitec nevertheless managed to publish their audited results within a month after year-end as usual

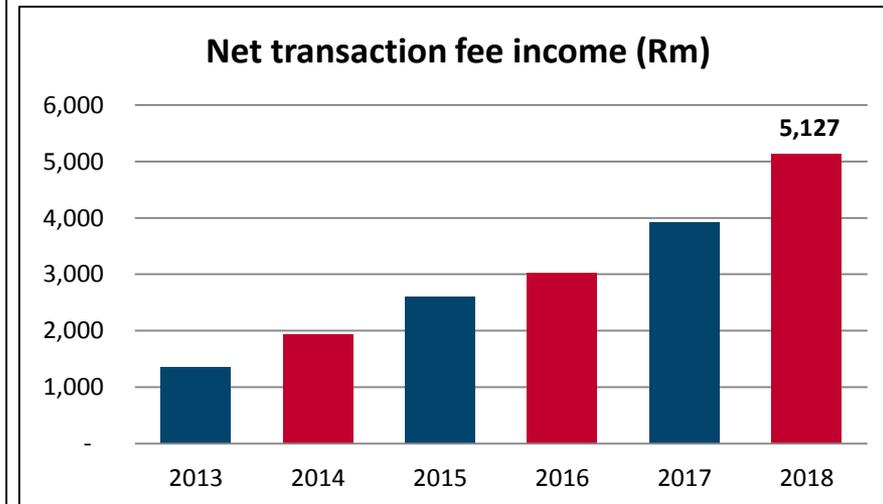
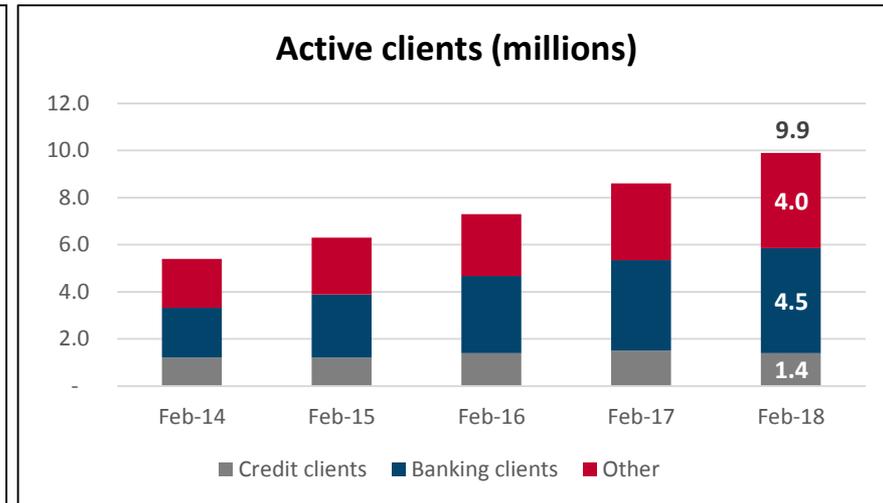


Earnings growth



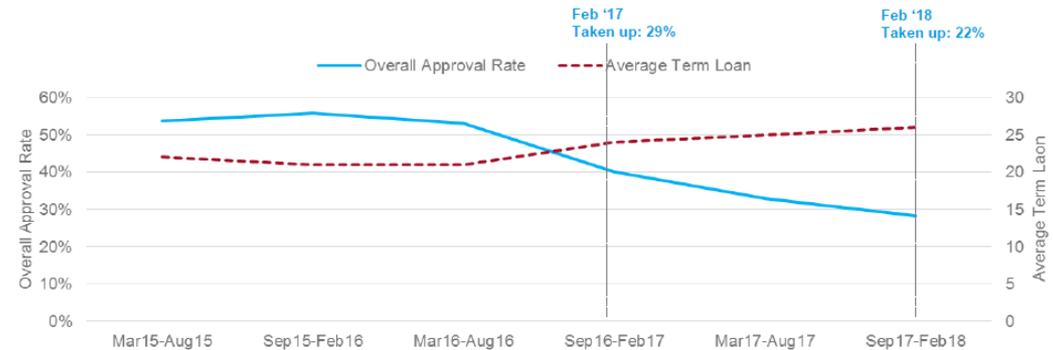
Key metrics

- Past year:
 - Total clients **↑1.3m to 9.9m**
 - Higher income clients (>R15k pm) **↑28%**
- Increased distribution since Feb 17:
 - Branches **↑30 to 826**
 - ATMs & DNRs **↑621 to 4,645**
- Transaction growth:
 - Transaction fee income **↑31% to R5.1bn**
 - Cellphone and internet transactions **↑37%**
 - Total number of transactions **↑27%**

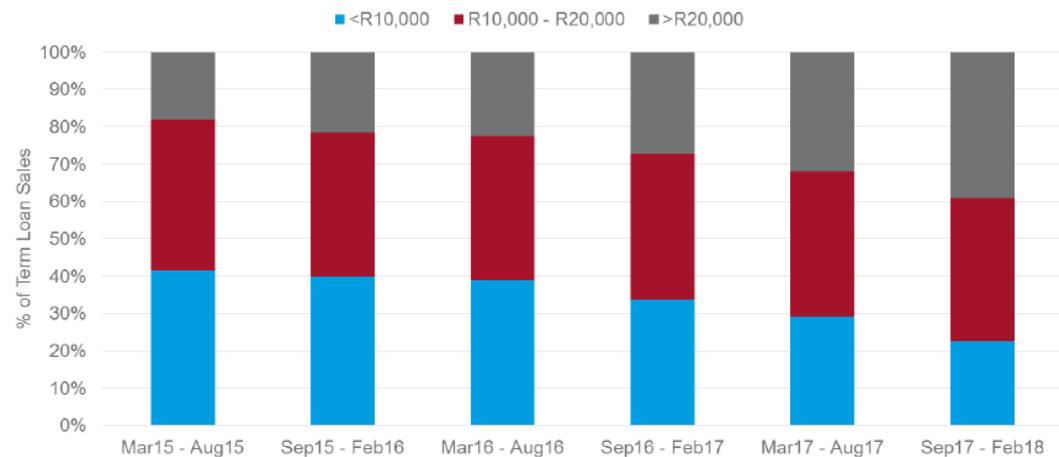


- **Stricter granting criteria:**
 - Only **80%** of variable income recognised per NCA requirement
 - **30%** higher living expense requirement per NCA
- **Qualified for 48 months or more:**
 - **33%** of clients take up shorter term loans
 - **45%** of clients take up lower value loans
 - **31%** of all loans granted pay interest rate below **20.5%**
- **Resulting in:**
 - Improvement in arrears book and provisions

Stricter granting criteria



Focus on higher income market (gross income)



- Credit card client mix: **5%** new banking clients, **22%** new credit clients
- Largest portion of client base is higher income earners
- **1.9%** market share of credit card balances
- **27%** share of new credit cards granted
- Performing better than business case



		Feb-16	Feb-17	Feb-18
Gross loans and advances (GLA)	Rm	40,891	45,135	47,642
Loans past due (arrears)	Rm	2,297	2,855	2,700
Arrears to gross loans and advances		5.6%	6.3%	5.7%
All rescheduled < 6 months	Rm	3,360	2,671	2,362
Arrears and all rescheduled < 6 months to GLA		13.8%	12.2%	10.6%
Provision for doubtful debts	Rm	5,131	5,930	5,828
Provision for doubtful debts to GLA		12.5%	13.1%	12.2%
Arrears coverage ratio		223%	208%	216%
Arrears and all rescheduled < 6 months coverage ratio		91%	107%	115%



Capitec is well capitalised

- Monthly average growth of **R800m** in retail deposits
 - Retail fixed savings **↑28%** to **R23bn**
 - Retail call savings **↑16%** to **R35bn**
 - Clients earned more than **R3.4bn** in interest in 2018

- Internal liquidity requirements have always been stricter than the Basel requirements

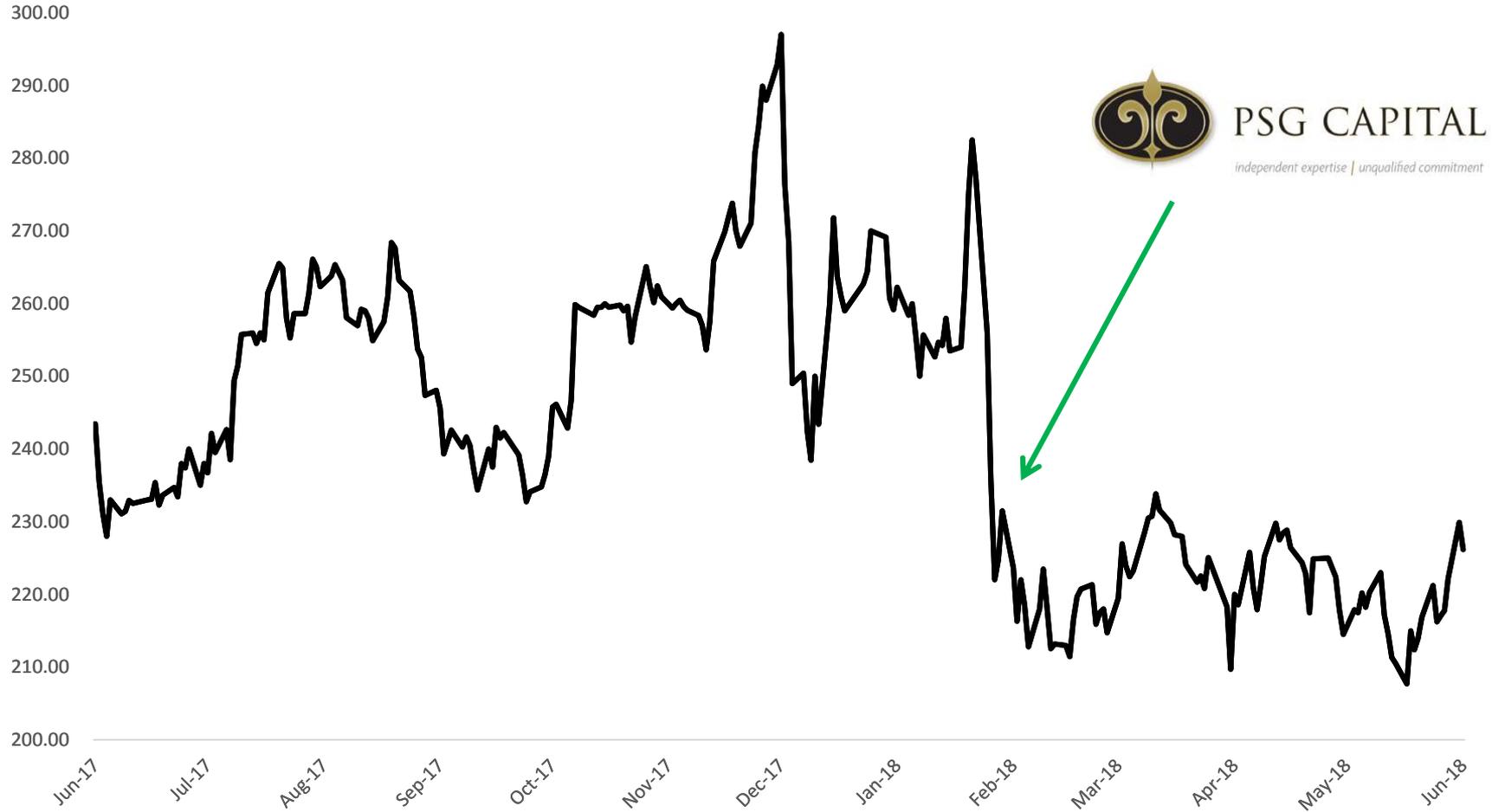
- Capital adequacy ratio at **36%**

- Healthy liquidity
 - **R39bn** in cash, cash equivalents and other liquid assets (**46%** of total assets)



The past year

PSG Group share price





- **1st in the category General Corporate Finance Investment Advisor by Transaction Value**
 - R171.3bn

- **1st in the category General Corporate Finance Sponsor by Transaction Value**
 - R176.2bn

- **2nd in the category Mergers & Acquisitions Investment Advisor by Deal Flow**
 - 20 deals

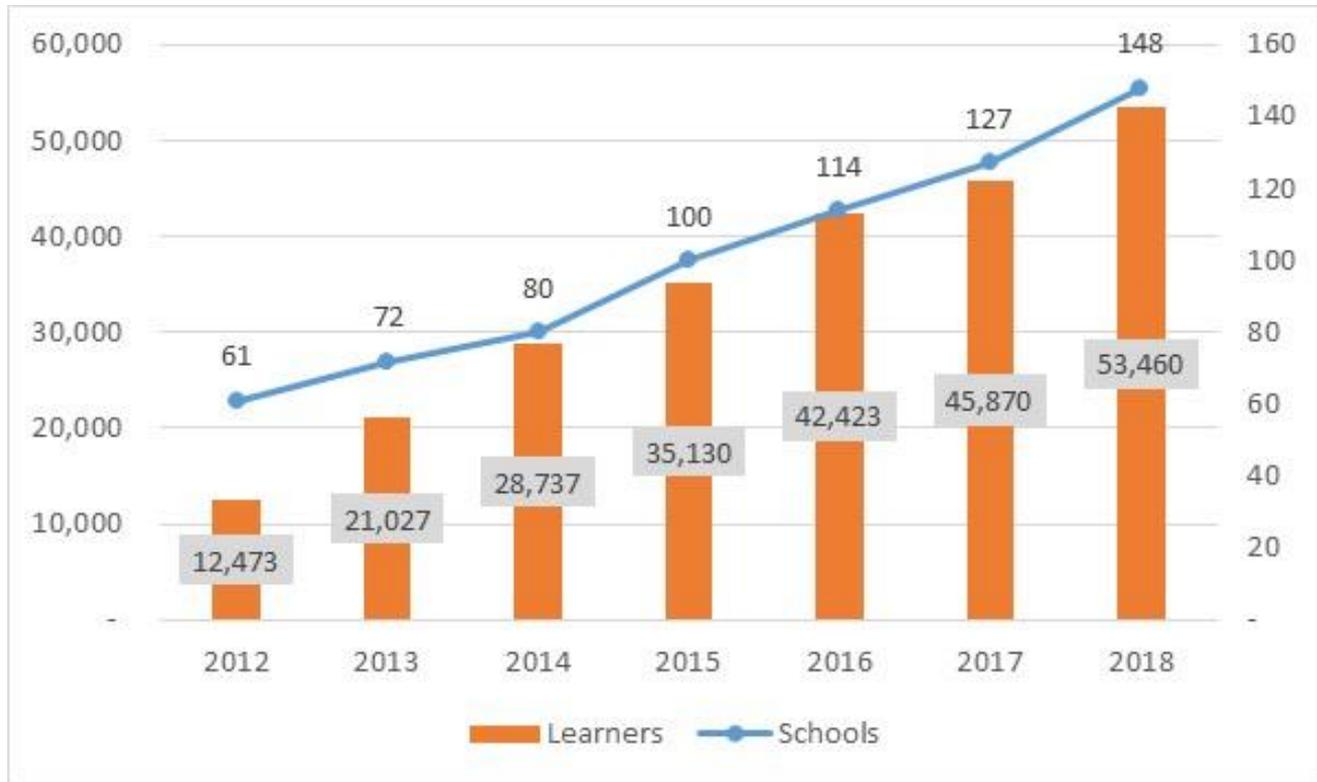
- **3rd in the category Mergers & Acquisitions Sponsors by Deal Flow for South Africa**
 - 44 deals



The past year

PSG Group share price

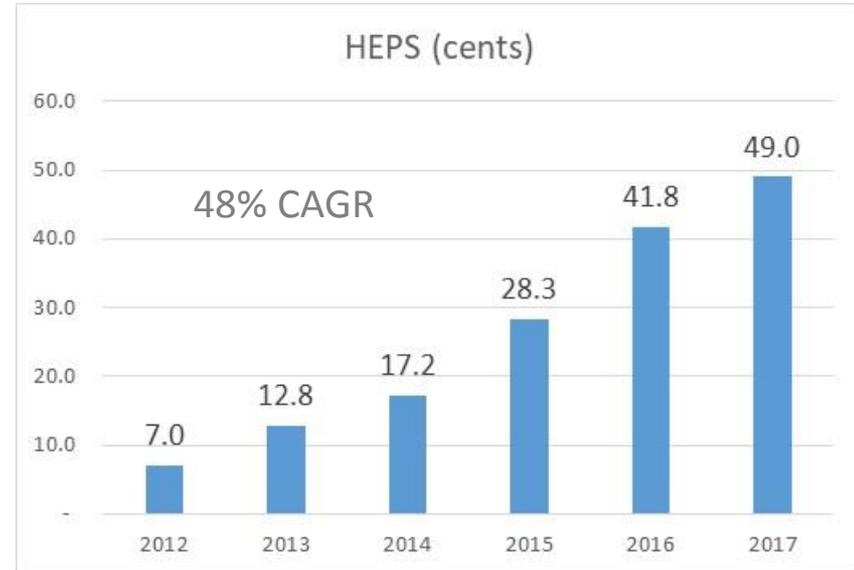
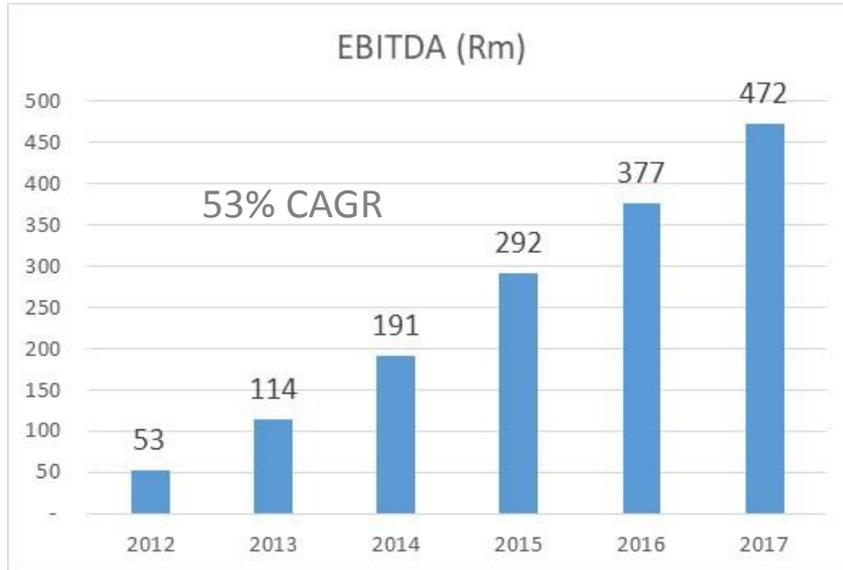




*** 598,194m² of property built = four times the size of Canal Walk shopping centre**



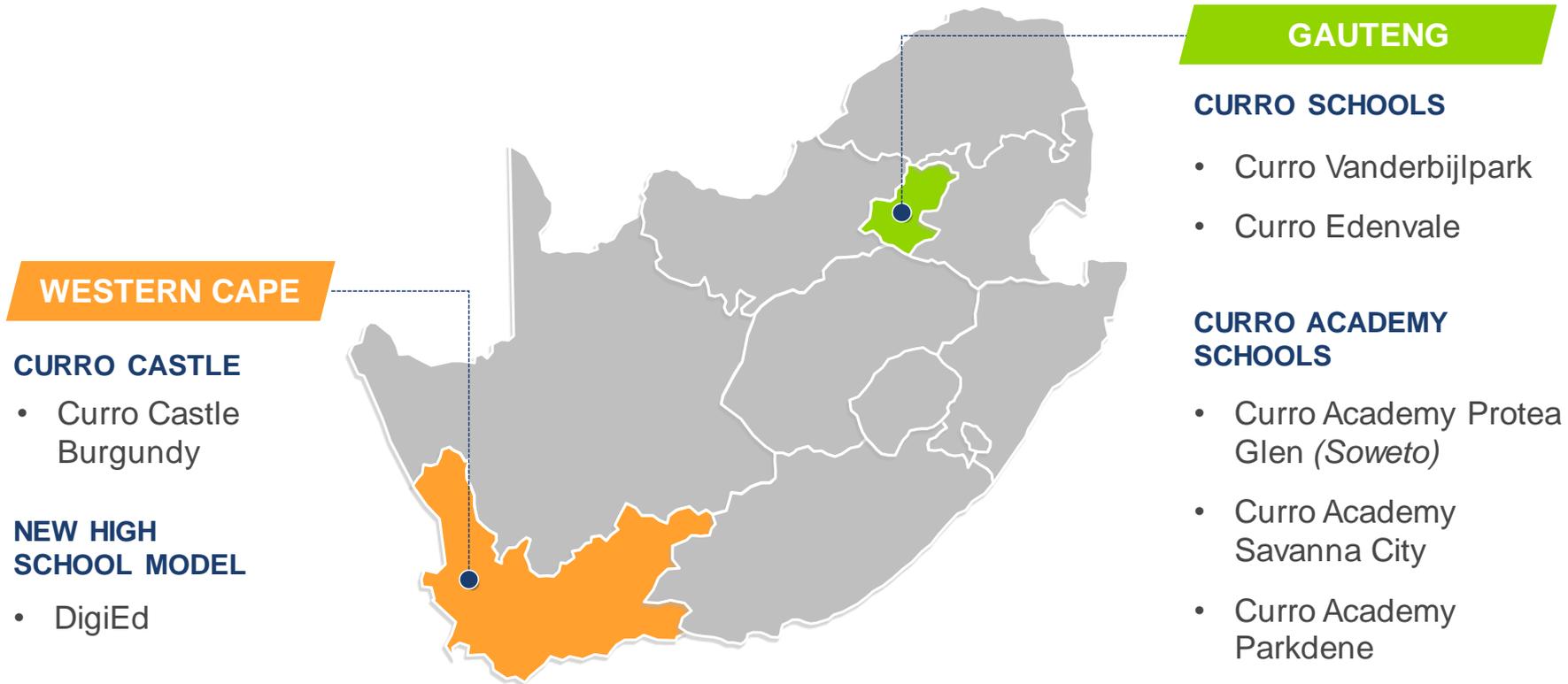
Key metrics



Medium-term goals

	End 2017	Jan 2018	June 2018	2019	2020
 Learners	45 870	52 233	53 460		
 Campuses	54	59	60 + 12	72 + 4	76 + 4
 Schools	127	145	148 + 17	165 + 12	177 + 12
			<ul style="list-style-type: none"> • To open 7 new greenfield schools • 5 possible acquisitions until end 2018 	Development and expansion strategy dependent on quality of opportunities; can therefore be more.	





WESTERN CAPE

CURRO CASTLE

- Curro Castle Burgundy

NEW HIGH SCHOOL MODEL

- DigiEd

GAUTENG

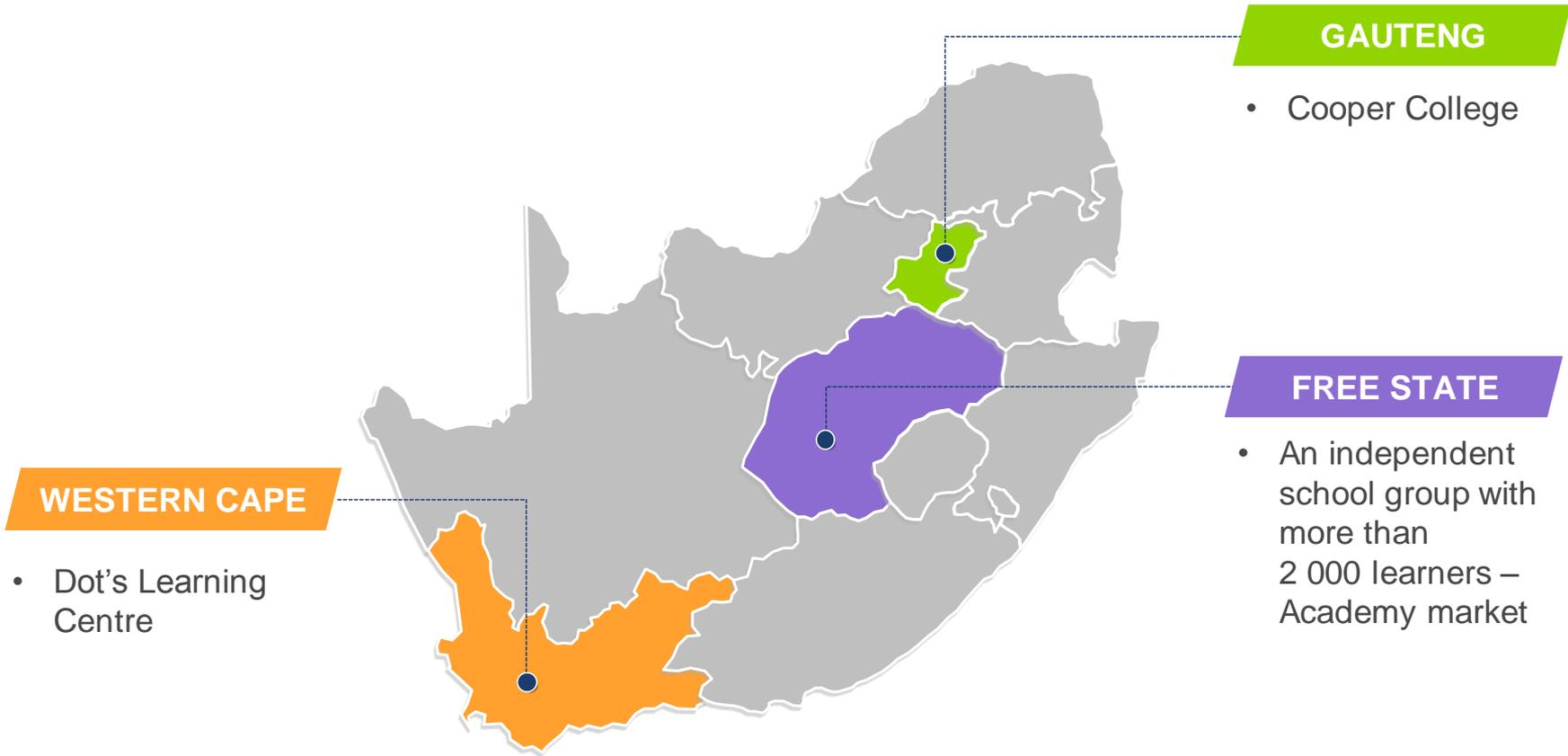
CURRO SCHOOLS

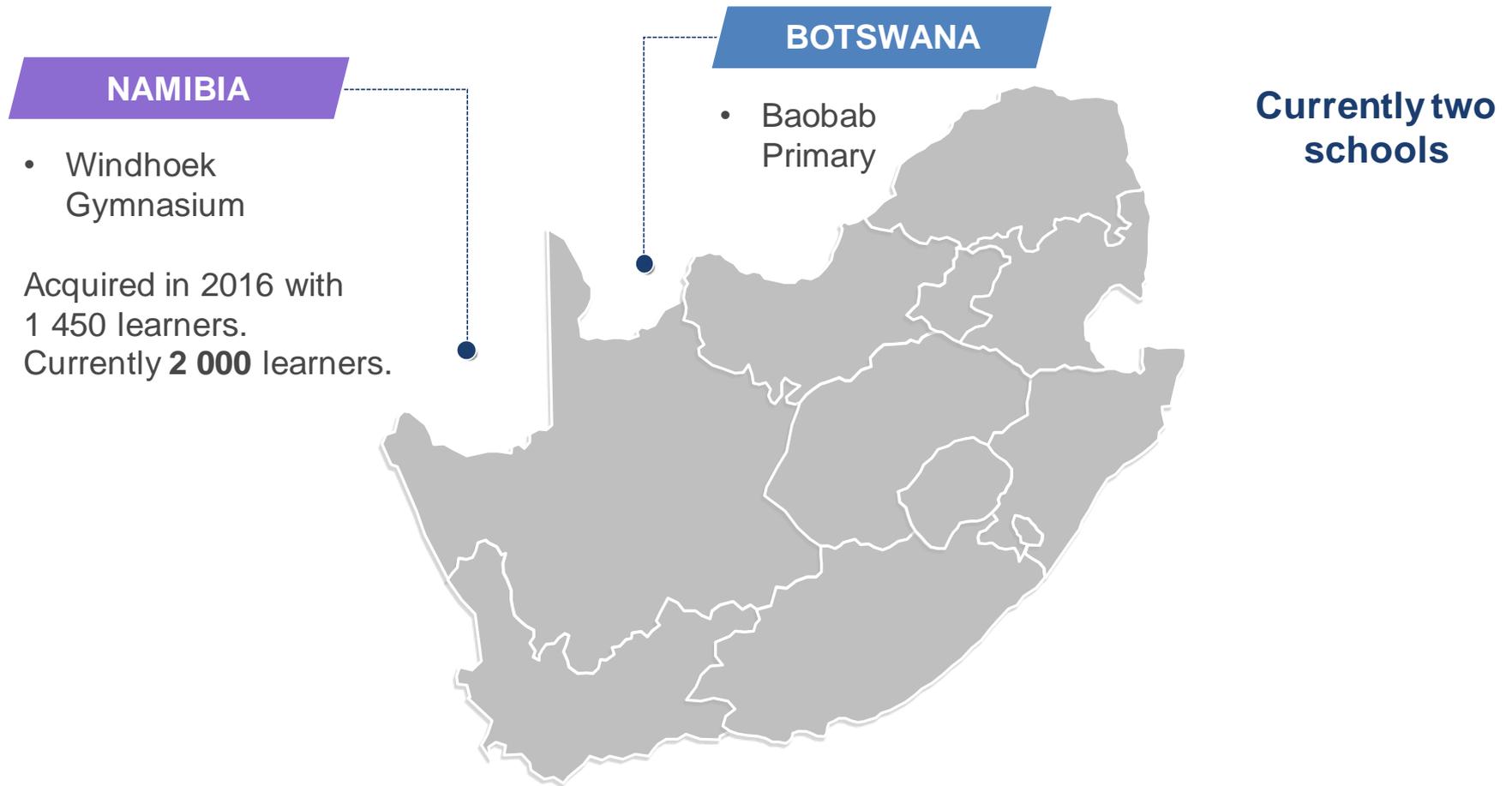
- Curro Vanderbijlpark
- Curro Edenvale

CURRO ACADEMY SCHOOLS

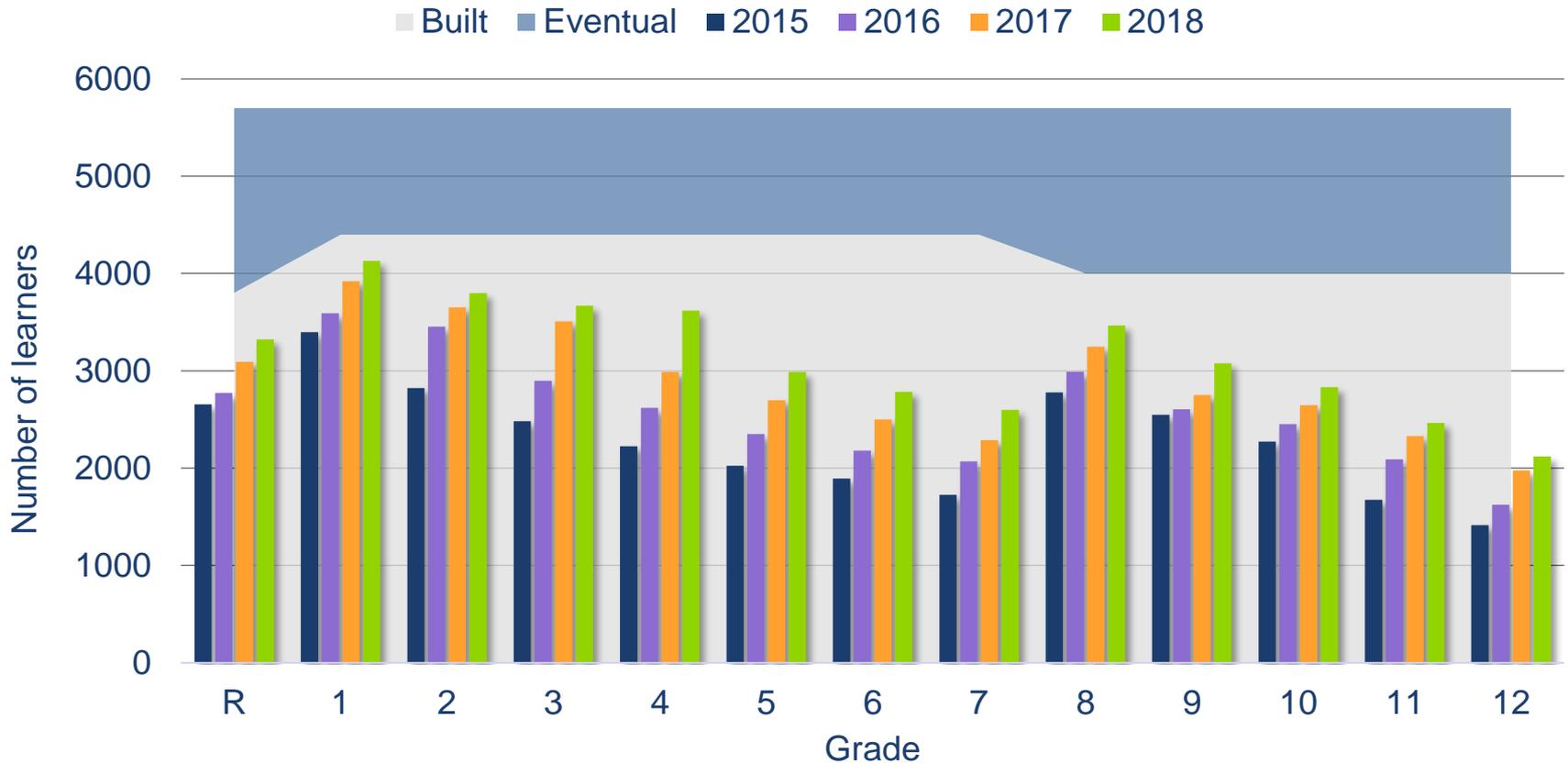
- Curro Academy Protea Glen (*Soweto*)
- Curro Academy Savanna City
- Curro Academy Parkdene







Capacity – learners per grade



Excluding Castle (pre-school) learners



The past year

PSG Group share price



 **PSG** Konsult



- A number of **new acquisitions**
 - **168 advisors** and **63,000 clients** in short-term insurance from Absa
 - firstEquity/Fairlands merger
 - 28E Capital

- **Low market share**
 - <5% wealth management
 - <2% asset management
 - <3% short-term insurance

- Further **organic** and **acquisitive growth** opportunities
 - Growth will be achieved by taking market share as well as being better and smarter than the competition



The past year

PSG Group share price



➤ **The effect of the drought on most recent FY earnings is evident**

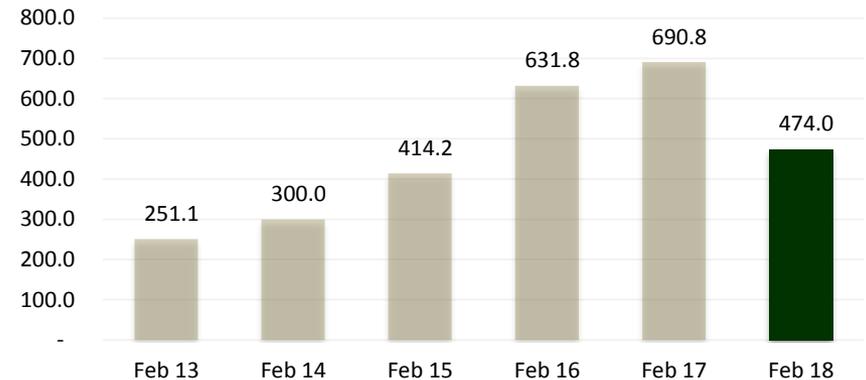
- Pioneer AHEPS ↓50% (FY18 interim AHEPS ↑26%)
- Capespan RHEPS ↓28%
- Zaad RHEPS ↓17%

➤ **Despite the drought, still some strong performers**

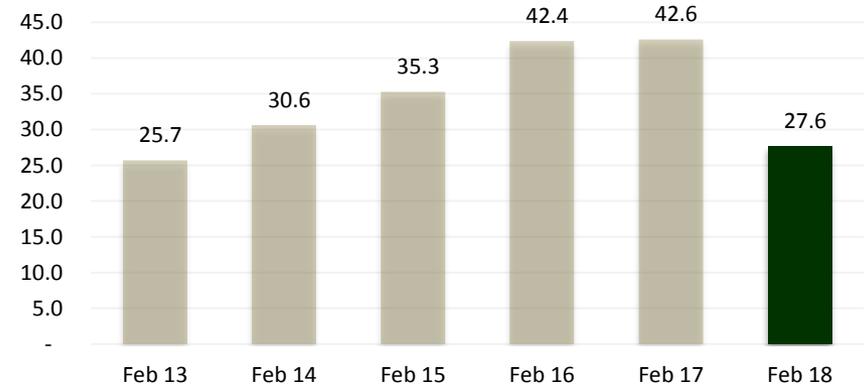
- Kaap Agri RHEPS ↑18% for FY (Sep17) and ↑7% at interim
- Quantum RHEPS ↑74% for the FY (Sep17) and ↑563% at interim
- Interesting early-stage investments in **Can-Agri** and **The Logistics Company**

➤ **However, outlook has improved significantly with the alleviation of the drought**

Recurring Headline Earnings
(Rm)



Recurring Headline Earnings
(cps)



The past year

PSG Group share price



PSG GROUP LIMITED



PSG GROUP LIMITED

Sum-of-the-parts (SOTP)

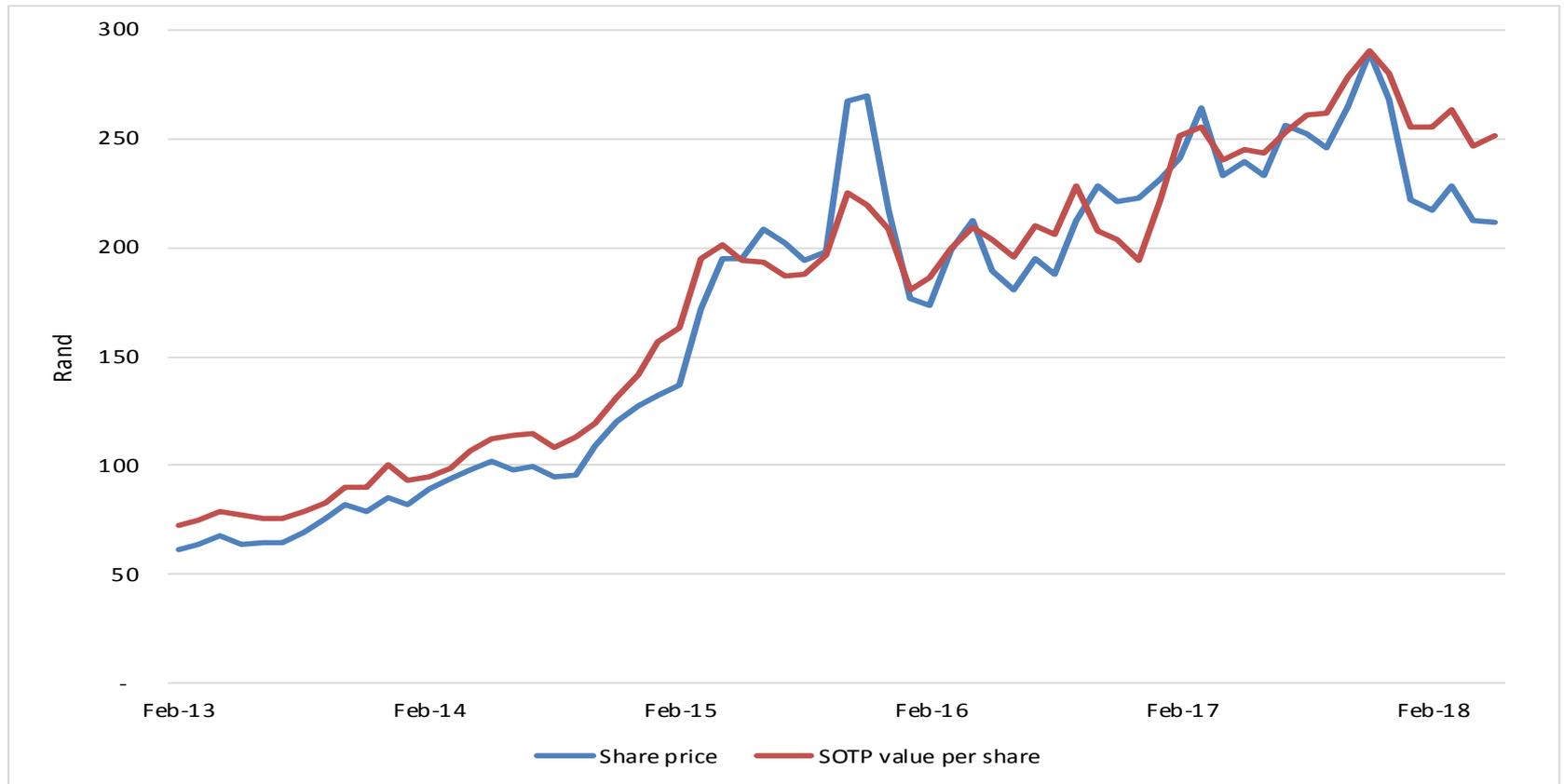
Asset/(liability)	28 Feb 2013 Rm	28 Feb 2018 Rm	13 Jun 2018 Rm	Share of total	Five-year CAGR#
Capitec*	6 128	29 540	31 261	55%	35%
Curro* (incl. Stadio until unbundling in Oct 2017)	2 607	7 987	6 451	11%	13%
PSG Konsult*	2 237	7 048	7 574	13%	25%
Zeder*	1 412	4 823	4 449	8%	14%
PSG Alpha (incl. Stadio since unbundling in Oct 2017)	681	5 201	4 493	8%	29%
Thembeka+	899				
Dipeo+		535	279	1%	
PSG Corporate**	383				
Other assets	1 505	2 603	2 473	4%	
Total assets	15 852	57 737	56 980	100%	
Perpetual pref funding*	(1 163)	(1 278)	(1 219)		
Other debt^	(845)	(949)	(1 003)		
Total SOTP value	13 844	55 510	54 758		
Shares in issue (net of treasury shares) (m)	190.5	217.5	217.5		
SOTP value per share (R)	72.67	255.17	251.71		29%
Share price (R)	61.26	217.50	211.84		29%

* Listed on the JSE Ltd + SOTP value ++ Valuation ^ Carrying value
Based on share price/SOTP value per share as at 28 February 2018

Note: PSG's live SOTP is available at www.psggroup.co.za



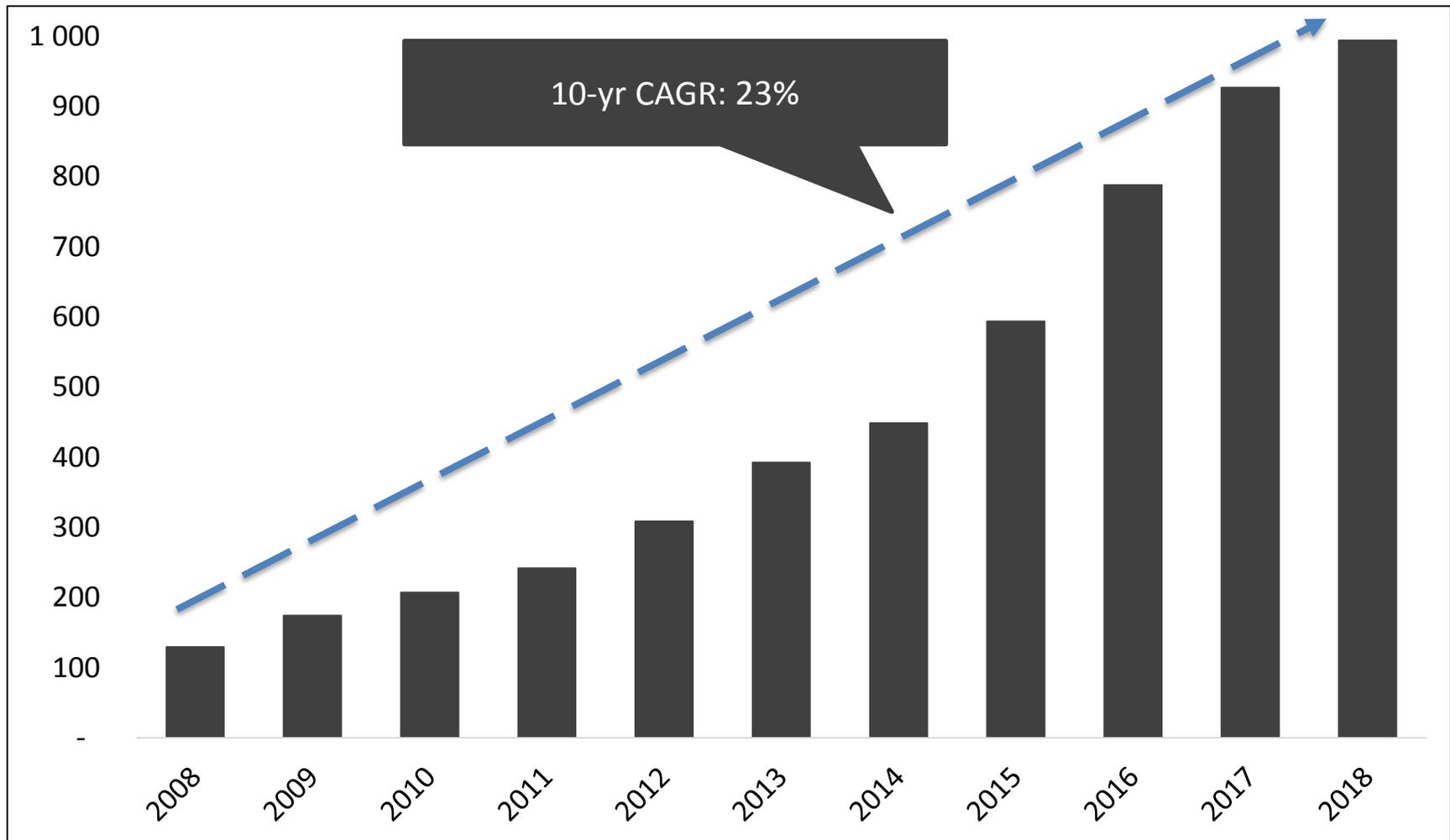
PSG share price discount to SOTP



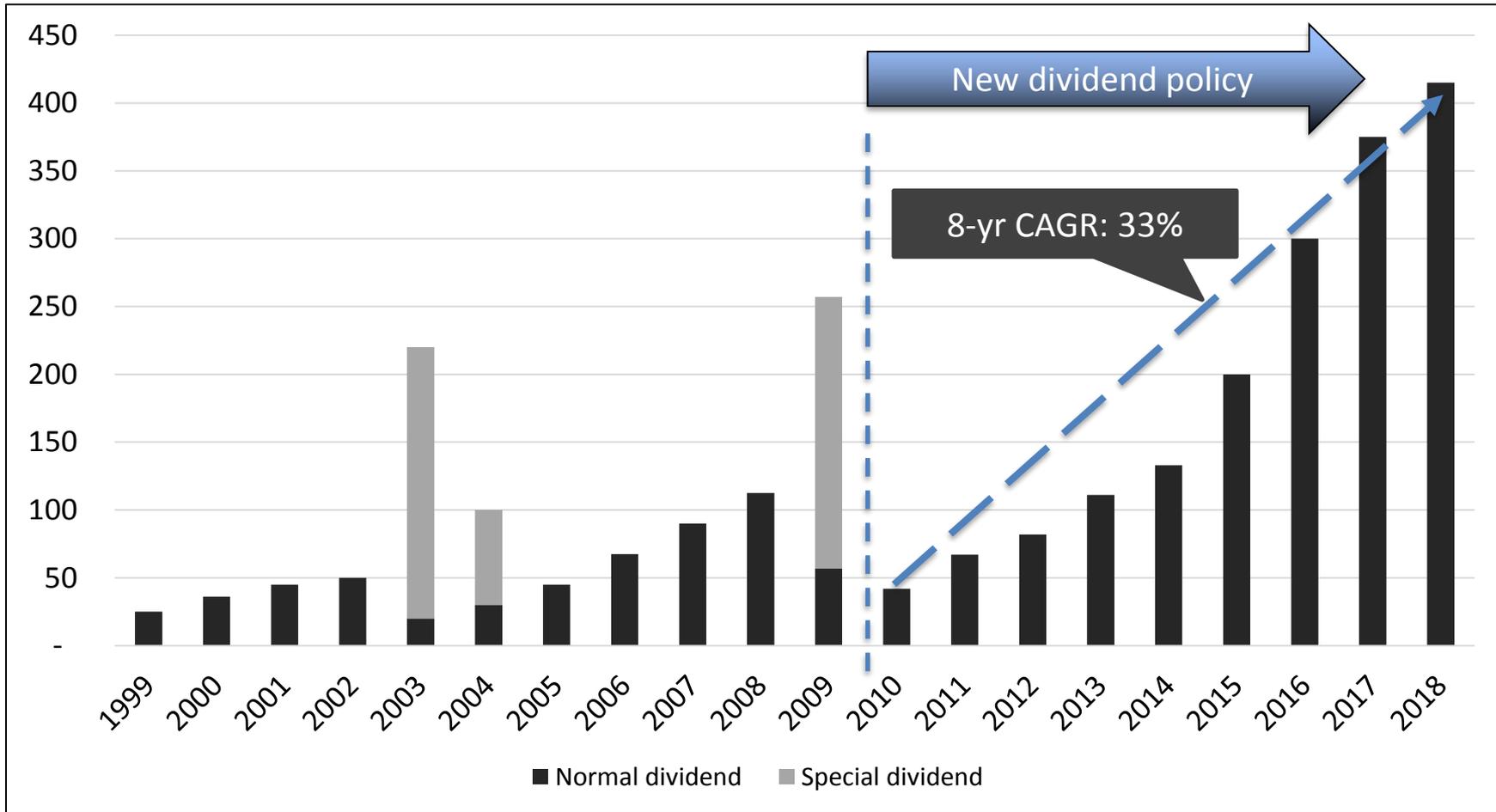
- **Latest discount** **~16%**
- **Long-term discount** **~5%**



Recurring earnings per share (cps)



Dividend per share (cps)



➤ Total cumulative dividends paid since establishment = **R27.73** per share



Thank you

