



PSG GROUP LIMITED

**INTERIM RESULTS PRESENTATION**  
**15 OCTOBER 2020**

Piet Mouton

PSG Group CEO

# Agenda

1. Material transactions and significant changes
2. PSG 3.0 – A smaller but more nimble company
3. PSG Group underlying investee companies
4. PSG Alpha investments
5. PSG Group underlying investee companies - Websites
6. Questions



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# Material transactions and significant changes



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## Capitec unbundling – Theoretical shareholder value unlock (for illustrative purposes)

	9 Oct 20
<b>Value attributable to shareholders post the Capitec unbundling</b>	
PSG Group SOTP value per share (R)	82.80
PSG Group discount to SOTP value as at 9 Oct 20 <sup>1</sup>	43.2%
Current share price (R)	47.03
Unbundled Capitec per PSG Group share (R) <sup>2</sup>	148.23
<b>Value attributable to a PSG Group share (R)</b>	<b>195.26</b>
<b>Value attributable to a PSG Group share had PSG Group not unbundled Capitec</b>	
PSG Group SOTP value per share(R)	82.80
Unbundled Capitec per PSG Group share (R) <sup>2</sup>	148.23
<b>Theoretical PSG Group SOTP value per share (R)</b>	<b>231.03</b>
PSG Group discount to SOTP value prior to the Capitec unbundling <sup>3</sup>	25.9%
<b>Theoretical PSG Group share price (R)</b>	<b>171.18</b>
<b>Value unlocked per PSG Group share (R)<sup>4</sup></b>	<b>24.08</b>
<b>Value unlocked per PSG Group share</b>	<b>14.1%</b>

1. PSG Group traded at a 43.2% discount to its SOTP value as at 9 Oct 20
2. The unbundled Capitec value per PSG Group share is based on the unbundling ratio of 14 Capitec shares for every 100 PSG Group shares held. The Capitec share price was R1,058.77 per share as at 9 Oct 20
3. PSG Group's 12-month average discount was 25.9% prior to the Capitec unbundling announcement. This discount is used to determine the theoretical PSG Group share price had PSG Group not unbundled Capitec
4. The value unlocked is calculated as the difference between the value attributable to PSG Group shareholders post the unbundling of Capitec and the theoretical PSG Group share price had PSG Group not unbundled Capitec



## Curro – Rights offer

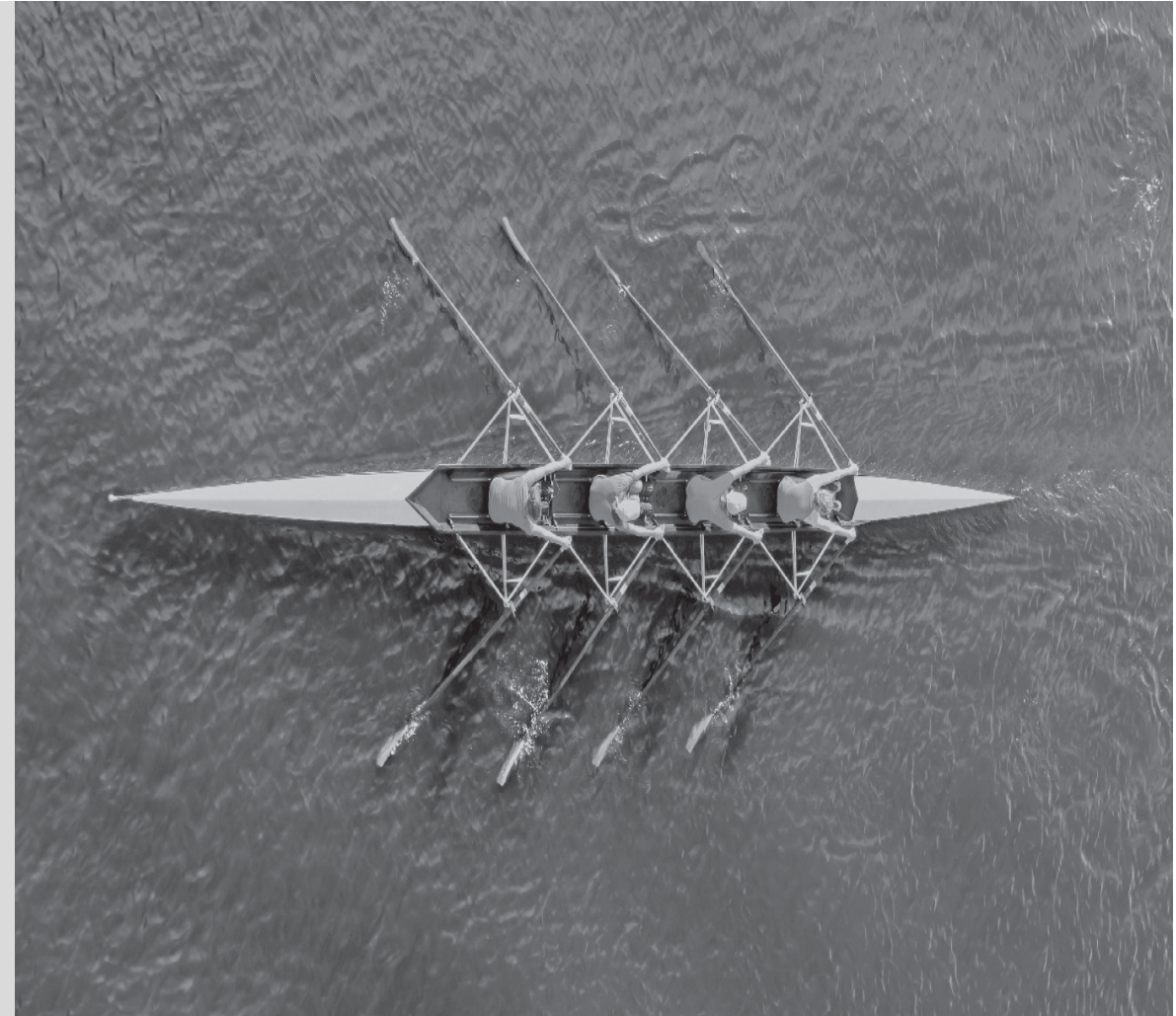
Curro raised R1.5bn from shareholders by way of a partially underwritten non-renounceable rights offer at R8.07 per share

### Rationale for the rights offer:

- For prudence purposes, proactively reduce Curro's debt due to uncertainty created by COVID-19
- Raise additional capital for potential opportunities that have presented themselves in the current market

### PSG Group's involvement:

- PSG Group underwrote R1.15bn of the R1.5bn rights issue
- It ultimately invested R1.05bn, thereby increasing its interest in Curro by ~5% to ~60% at R8.07 per share



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# PSG Group – Change in status to Investment Entity

PSG Group's status changed to that of an Investment Entity with effect from 1 Mar 20

## Reasons for its change in status:

- PSG Group undertook significant corporate action during the interim period under review, including the unbundling of Capitec, whereby the criteria for classification as an Investment Entity were met with effect from 1 Mar 20
- Such reassessment necessitated a change in accounting policy whereby investee subsidiaries are accounted for at fair value instead of normal consolidation procedures, with no restatement of comparatives required

## The impact of the change in accounting policy:

- Considering PSG Group's objective of wealth creation on a *per share* basis through capital appreciation, investment income, or both, the change in accounting policy should now provide users of PSG Group's financial statements with more relevant and transparent information to assess PSG Group's performance from a valuation perspective
- PSG Group continues to use its *SOTP value* per share as key performance measure, being consistent with its aforementioned policy to account for its investments on a fair value basis



**PSG 3.0 –  
A smaller but more nimble company**



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## PSG Group's objective remains unchanged:

**“To create wealth for shareholders on a *per share* basis”**

Grow the underlying  
businesses

Pay dividends

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





# Economic reality



- State capture
- Corruption
- Malmanagement of SOEs
- Destruction of state organs
- Spiraling government debt

- Q2 GDP retraction of 16.4%
- ~3m jobs lost
- Economy struggling and business confidence at a record low
- SA Inc downgraded with negative outlook
- Lockdown restrictions still affecting many businesses, especially tourism and hospitality

- Stick to our investment philosophy
- Manage liquidity at a PSG Group level
  - › All term debt comprising redeemable prefs has been repaid
  - › PSG Group's dividend policy has been changed for prudency purposes
  - › PSG Group is in a healthy liquidity position
- Underlying investee companies
  - › Performed scenario analyses to better understand the potential impact of COVID-19 on their operations and finances
  - › PSG Group will continue to support their growth
- New opportunities will continuously be evaluated and, if attractive, be pursued



# Investment philosophy – early-stage investing

- *High-growth companies should have stronger balance sheets and make limited use of 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

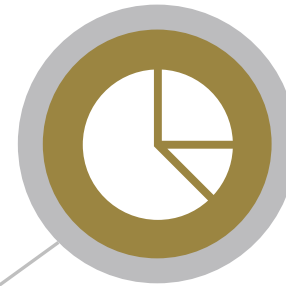


Large inefficient incumbents:

- › “Free” services  
(Education and Energy)

Fragmented:

- › IFAs
- › Retirement villages



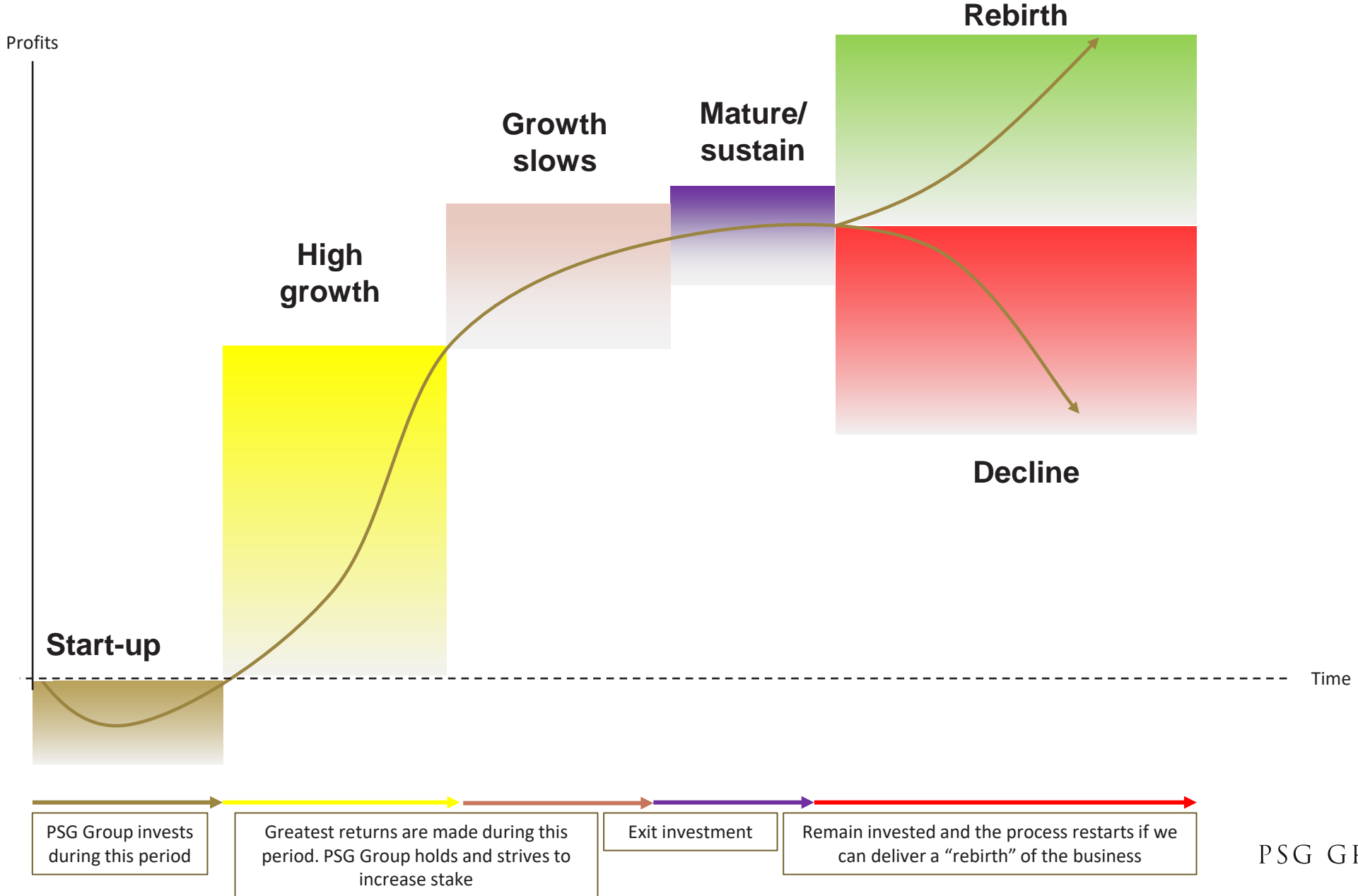
New investments should be in large markets:

- › Banking
- › Energy
- › Education

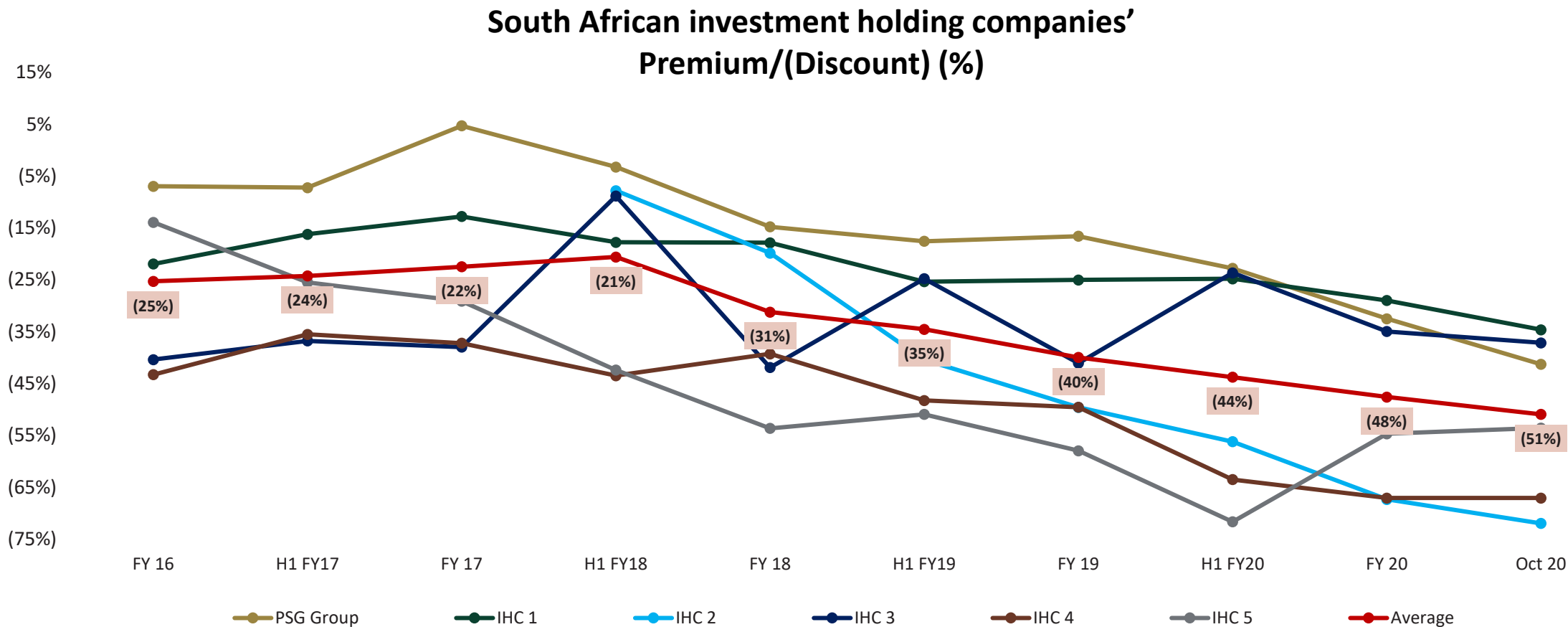
If successful, the returns should be substantial



# PSG Group investment & exit philosophy vs company life cycle



# South African investment holding companies – Premium/(discount) to their SOTP values



\*IHC – South African investment holding company



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# Why are holding companies trading at such material discounts?

## Permanent capital:

- PSG Group's strategy has always been to create shareholder wealth
  - › We are not and have never been focused on the size of our group, but rather on *per share* wealth creation
- PSG Group is a long-term investor – not a permanent investor

## Fee/cost structures:

- PSG Group management do not charge a fee to manage its underlying assets
- Our head office costs to manage PSG Group and PSG Alpha's investments (annualised post Capitec unbundling):
  - › Relative to SOTP ~0.3%
  - › Relative to Market Capitalisation ~0.5%

## Poor investment decisions:

- Capitec was an exceptional investment
- By and large our other investments also outperformed the JSE All Share Index having delivered ~15% per annum since Feb 2010

## Too many listed entry points:

- This is a legacy issue and will be very difficult to address in the short term



# PSG Group – SOTP value

	28 Feb 19	29 Feb 20	31 Aug 20	9 Oct 20
<b>Asset/(liability)</b>	Rm	Rm	Rm	Rm
PSG Konsult*	8,700	6,399	5,768	6,391
Capitec*	46,351	46,130	2,702	3,214
Curro*	5,714	2,604	1,872	3,211
Zeder*	3,166	3,173	1,796	1,826
PSG Alpha	4,712	3,618	3,497	3,525
CA&S**	1,075	1,130	1,180	1,191
Evergreen^	832	975	921	921
Stadio*	1,277	662	542	582
Optimi^	447	305	187	187
Energy Partners^	572	118	266	277
Other investments^	599	499	470	436
Less : minority shareholding held by PSG Alpha management	(90)	(71)	(69)	(69)
Dipeo^				
Other net assets	1,702	879	1,842	797
Cash^^	323	187	1,915	943
Pref investments and loans receivable^^	1,297	542	448	549
Other^^ +	82	150	(521)	(695)
<b>Total assets</b>	<b>70,345</b>	<b>62,803</b>	<b>17,477</b>	<b>18,964</b>
Perpetual pref funding*	(1,367)	(1,463)	(1,093)	(1,080)
Other debt^^	(1,020)	(1,020)		
<b>Total SOTP value</b>	<b>67,958</b>	<b>60,320</b>	<b>16,384</b>	<b>17,884</b>
<b>Shares in issue (net of treasury shares) (m)</b>	<b>218.2</b>	<b>218.2</b>	<b>216.0</b>	<b>216.0</b>
<b>SOTP value per share (R)</b>	<b>311.45</b>	<b>276.43</b>	<b>75.86</b>	<b>82.80</b>
<b>Share price (R)</b>	<b>259.78</b>	<b>186.60</b>	<b>45.00</b>	<b>47.06</b>

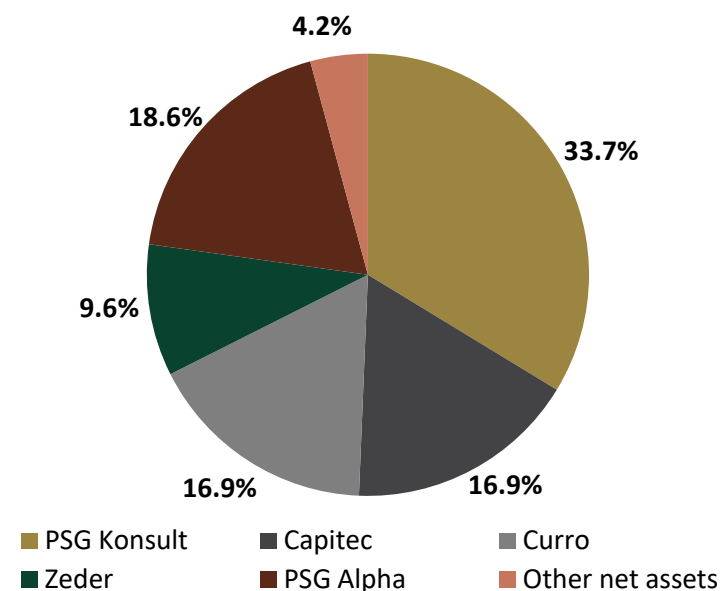
\*Listed on the Johannesburg Stock Exchange \*\*Listed on the Botswana Stock Exchange ^Internal valuation ^^Carrying value

+ The 31 Aug 20 and 9 Oct 20 balances include a capital gains tax liability in respect of the Capitec shares disposed of and the retained interest

Note: PSG Group's live SOTP containing further information is available at [www.psggroup.co.za](http://www.psggroup.co.za)

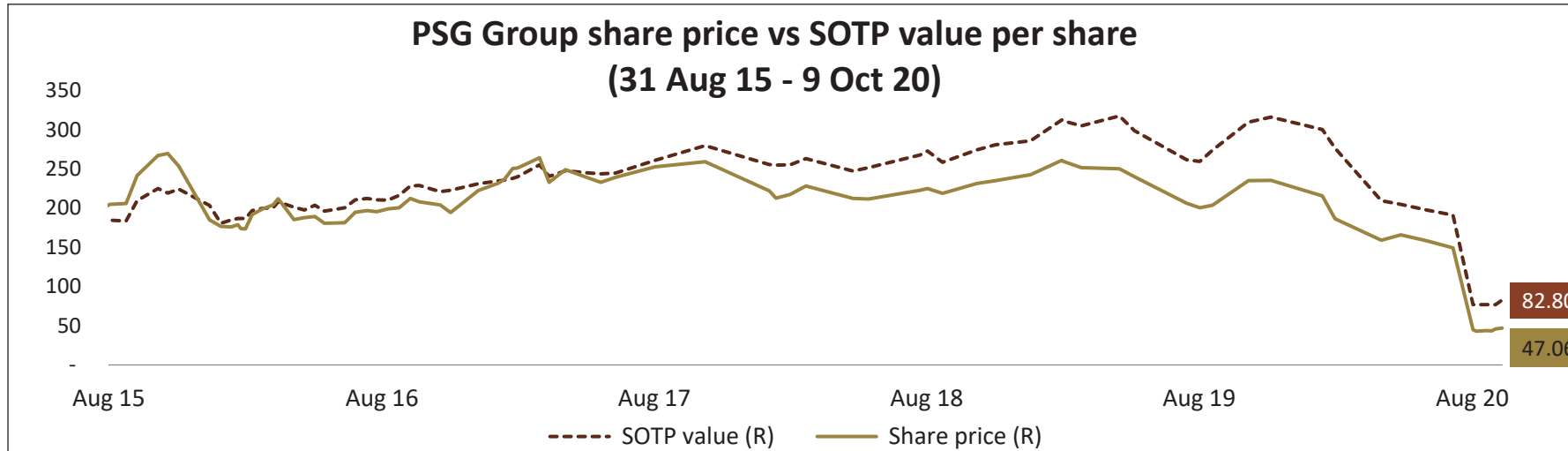
1. PSG Alpha's investee valuations are now presented separately – more info on PSG Alpha investee companies has been included
2. PSG Group was trading at a 43.2% discount to its SOTP value as at 9 Oct 20

## SHARE OF ASSETS - 9 OCT 20



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# PSG Group share price vs SOTP value per share

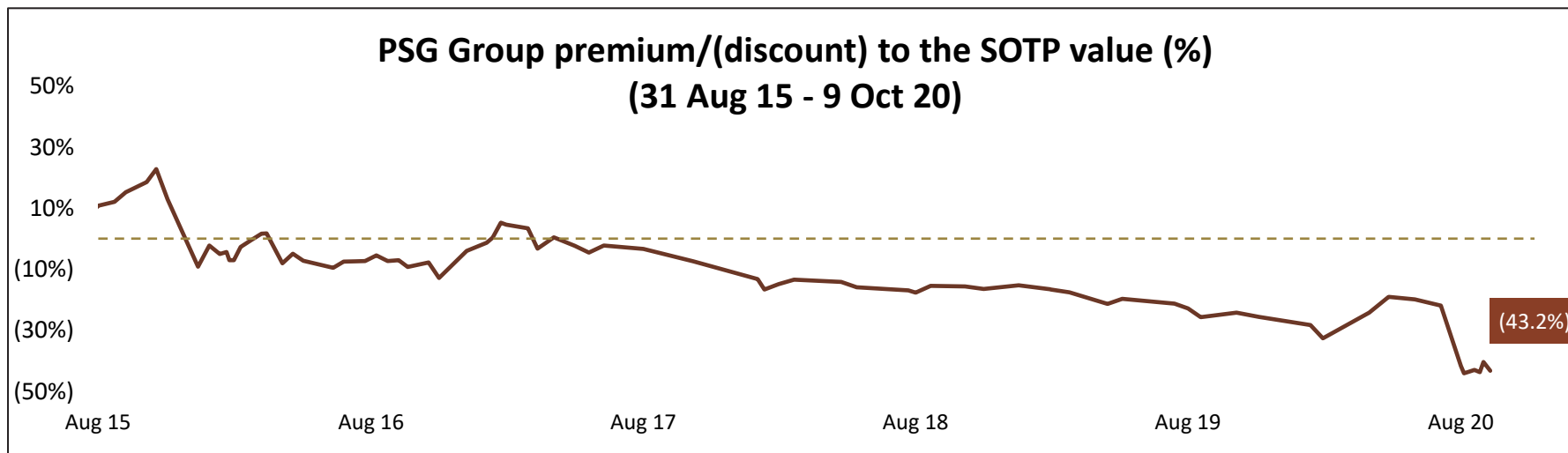


## Discount

**Latest *discount* ~43.2%**  
**12-month average *discount* ~25.9%**

## Liquidity (per annum)

31 Aug 20	91.1%
29 Feb 20	48.9%
28 Feb 19	47.1%
28 Feb 18	68.8%
28 Feb 17	30.0%
29 Feb 16	50.0%
28 Feb 15	16.7%



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# PSG Group's dividend policy

## Previous dividend policy:

- Pay up to 100% of available free cash flow as an ordinary dividend
- For the previous 5 years (i.e. prior to the SA Reserve Bank's Guidance Note 4/2020 discouraging banks from paying dividends for the time being), the Capitec dividend PSG Group received constituted ~60% on average of the PSG Group dividend paid to shareholders
- 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

## New dividend policy:

- To pay *ad hoc* dividends as and when circumstances allow
- Accordingly, *ad hoc* dividends may be considered from time to time, also while the SA Reserve Bank's Guidance Note remains in place

PSG Group will pay an *ad hoc* interim gross dividend of 164cps



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# PSG Group underlying investee companies



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# CURRO



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## Recurring headline earnings per share increased by 9%

### 30 Jun 20:

- Schools: ↑ from 166 to 177
- Learners: ↑ from 57,597 to 59,967
  - › Learner numbers pre COVID-19 was 62,482
  - › Pre-school (excl. Grade R) was most affected, representing 72.6% of the 2,515 net leavers

### COVID-19 – business continuity with school closure:

- Curriculum: Remote and online learning strategies deployed (for learners up to Grade 12); specific material developed and electronically delivered for primary and high school learners
- Sport: All activities cancelled, but learners provided with home-based training programs
- Culture: Curro Create (performing arts) continues to present national Eisteddfod; all material delivered and adjudicated via online channels

### 30 Jun 20 financial drivers:

- Revenue: ↑ 7% to R1.6bn
- Bad debts as a percentage of revenue: ↑ from 1.3% to 5.2%
- Discounts as a percentage of revenue: ↑ from 7.8% to 12.8%
- R1.5bn rights issue concluded to bolster balance sheet/reduce debt given uncertainty and to have a war chest for opportunities





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## Recurring headline earnings per share increased by 7%

### Wealth management:

- AUM: ↑ 11% to R213.7bn (since 29 Feb 20)
- Net inflows (6 months): R6.3bn
- Advisers: ↑ 4 to 563 (since 29 Feb 20)
- Recurring headline earnings: ↑ 25% to R219m

### Insure:

- Gross written premium: ↓ 2% to R3.3bn (compared to H2 2020)
- Advisers: ↓ 1 to 375
- Underwriting margin increased from 10.4% to 13.2%
- Shareholders investment income: ↑ 34.4% to R16.8m
- Recurring headline earnings: ↑ 17% to R63m

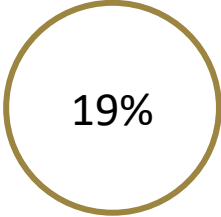
### Asset management:

- AUM: ↓ 14% to R31.5bn (since 29 Feb 20)
- Net outflows (6 months): R4.2bn
- Recurring headline earnings: ↓ 39% to R50m


### Share of recurring headline earnings



66%



19%



15%





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## SOTP value

- Zeder's SOTP value per share decreased to R3.73 as at 30 Sep 20
  - The decrease is largely attributable to the disposal of its investment in Pioneer Foods and the subsequent special dividend paid to shareholders of R2.30 per share

Company	29 Feb 2020		31 Aug 2020		30 Sep 2020	
	Interest (%)	Rm	Interest (%)	Rm	Interest (%)	Rm
Pioneer Foods	28.6	6 348				
Zaad	95.7	2 034	95.7	2 034	95.7	2 034
The Logistics Group	98.6	1 028	98.5	1 028	98.5	1 028
Capespan	96.7	999	96.0	999	96.0	999
Kaap Agri	41.0	723	42.3	626	42.3	642
Agrivision Africa	56.0	242	56.0	155	56.0	155
Quantum Foods	32.1	188				
Other		19		31		24
<b>Total investments</b>		11 581		4 873		4 882
Cash and cash equivalents		83		1 050		1 050
Other net assets		40		31		32
Debt funding		(1 500)				
<b>SOTP value</b>		10 204		5 954		5 964
Number of shares in issue ( <i>net of treasury shares</i> ) (million)		1 710		1 600		1 600
<b>SOTP value per share (rand)</b>		5.97		3.72		3.73

Note: Zeder's live SOTP is available at [www.zeder.co.za](http://www.zeder.co.za).



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## Zeder

- Zeder shares PSG Group's DNA with its core objective of shareholder wealth creation
- The agriculture and related sectors' performance has been adversely affected by challenging weather and economic conditions in recent years
- Uncertainty created by discussions in parliament (in the last couple of years) regarding "Expropriation Without Compensation" has curtailed investment in these sectors
- Zeder has traded at a substantial discount to its SOTP value for an extended period and the actions to date (which include the disposal of its investments in Pioneer Foods and Quantum Foods at significant premiums) have unlocked value for shareholders, but more can be done
- However, patience will be required as there are no short-term solutions
- Furthermore, we need to understand what impact COVID-19 will have on the investee companies and the economy in general over the short to medium term

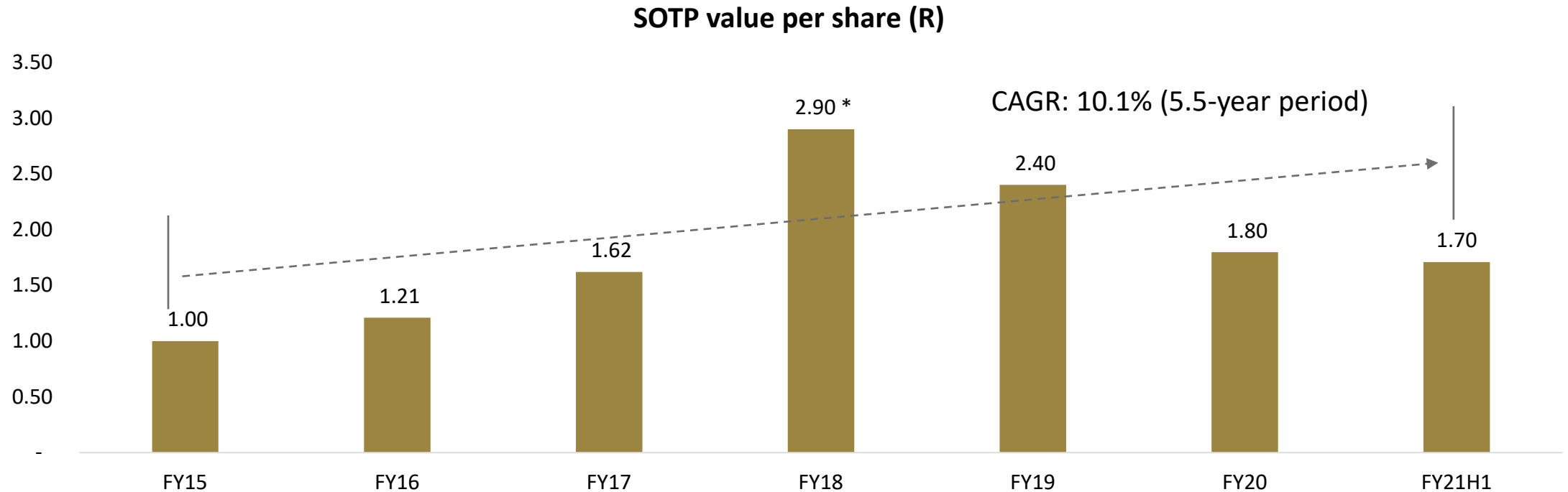






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alpha

# PSG Alpha – Historical financial performance



*\*The FY18 and FY19 values were significantly impacted by the Stadio component value at the time. Post unbundling from Curro, investor sentiment drove Stadio's share price to R6.75 as at 28 Feb 18. The price has normalised since.*

- SOTP value per share decreased by 5.3% during the interim period under review, mostly due to the effects of COVID-19 on the portfolio
- PSG Alpha's current SOTP value is R3.6bn
- PSG Alpha does not employ any gearing, nor are there any operating costs at its level



## PSG Alpha – SOTP value

	As at 31 Aug 20			
Investment	Shareholding %	Total value (Rm)	PSG Alpha share of value (Rm)	Basis of valuation
CA&S	47.3%	2,491	1,180	Listed (BSE/4AX)
Evergreen	50.0%	1,841	921	NAV (excluding deferred tax)
Stadio	44.4%	1,220	542	Listed (JSE)
Optimi	86.2%	216	187	PE valuation
Energy Partners	56.0%	464	266	EV/EBITDA multiple
Other investments			470	
<b>Total SOTP</b>			<b>3,566</b>	

- PSG Alpha generally values its investments conservatively
- It should be noted that these valuations are not an indication of the values at which PSG Alpha would consider selling any of its investments



Taking brands beyond borders

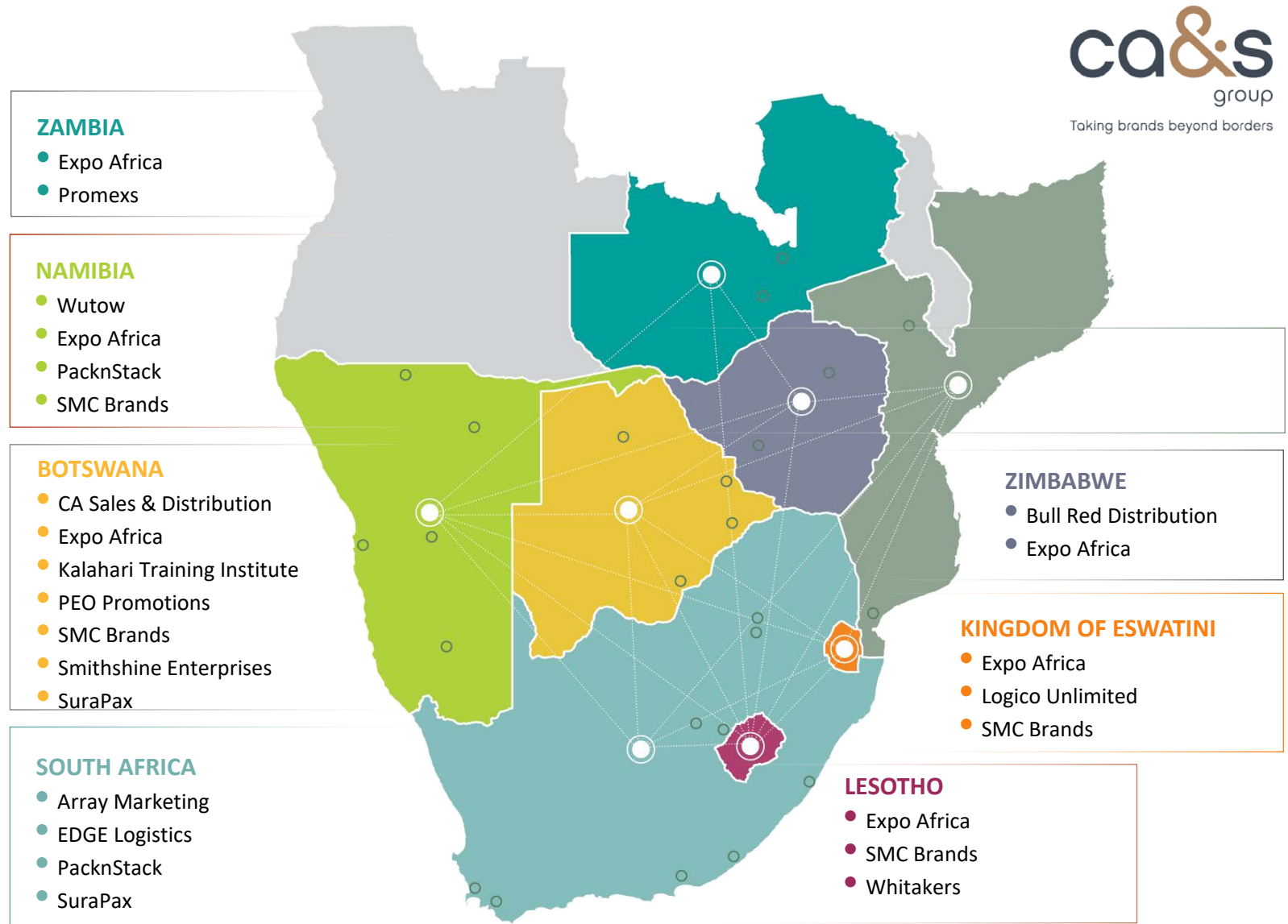
49%

## Business overview

- CA&S Group is the parent company of a **collection of FMCG businesses** that operate **across the Southern African region**
- CA&S Group delivers various FMCG related **route-to-market services to blue chip manufacturers**. The service offering includes selling, merchandising, warehousing, distribution, shopper promotions, training and debtor administration
- **Listed** on the Botswana Stock Exchange (BSE) and 4AX in South Africa

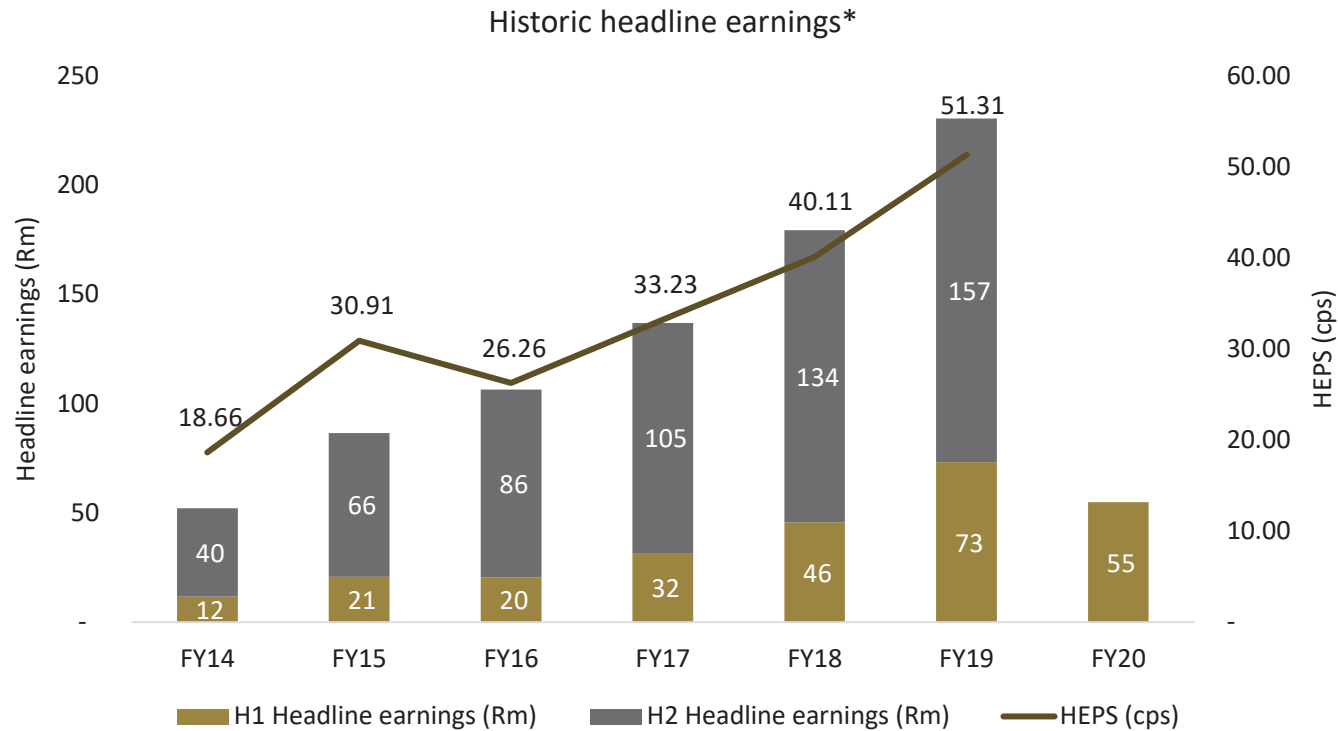
# Business model

- 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 is based on the **closing share price on the Botswana Stock Exchange (BSE)**
- Its 31 Aug 20 **closing share price** of R5.51 represents a 10.8x historic PE ratio based on CA&S’s 2019 recurring headline earnings of R230m



### H1 commentary:

- Headline earnings decreased by 25%
- Rand weakening against the pula resulted in net exchange loss of R42.8m
- Reduced liquor and tobacco sales as a result of COVID-19 lockdown regulations
- Cost savings and income from new business managed to partially offset the impact of the above



50%



## Business overview



- Evergreen Lifestyle is an **integrated developer, owner and operator of retirement lifestyle villages**
- The **primary business goal** is to grow its portfolio of retirement units
- Evergreen Lifestyle aims to further entrench its position as the **leading retirement brand** in South Africa by providing a **superior lived experience** to its residents, supported by excellent healthcare
- Occupation of the units is sold on a **life right basis** (right of tenure) in exchange for an interest-free loan, while ownership of the properties remain with Evergreen Lifestyle



# Business model



## 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 remain 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 or loss from healthcare services
  - › Currently expenses exceed income, but expected to reverse with greater scale



# Basis of valuation: NAV excluding deferred tax

Historical financials (YE: Feb)	FY18	FY19	FY20	FY21 H1	Comments
<b>Unit overview<sup>1</sup></b>					
Units with life right agreements (#)	486	557	702	722	
Units not yet under life right agreements (#)	15	47	245	247	
<b>Total units</b>	<b>501</b>	<b>604</b>	<b>947</b>	<b>969</b>	
<b>Assets</b>					
	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>	
1. Units with life right agreements	1,249	1,526	1,880	1,857	Valued at market value with reference to active sales of life rights <sup>2</sup>
2. Units not yet under life right agreements	29	127	657	591	Valued at market value with reference to active sales of life rights
3. Work in progress	483	607	333	424	Valued at cost
4. Vacant land	142	534	860	836	Valued at cost <sup>3</sup>
5. Deferred tax asset	-	36	53	61	Carrying value
6. Net cash / working capital / PPE	19	257	41	38	Carrying value
<b>Total assets</b>	<b>1,922</b>	<b>3,088</b>	<b>3,823</b>	<b>3,806</b>	
<b>Liabilities</b>					
1. Life right loans	755	1,011	1,309	1,353	Carrying value <sup>4</sup>
2. Development facilities	78	347	460	509	Carrying value
3. Corporate overdraft facility	-	-	6	50	Carrying value
4. Deferred tax liability	109	145	192	167	Carrying value
5. Other / working capital	264	62	72	53	Carrying value
<b>Total liabilities</b>	<b>1,206</b>	<b>1,564</b>	<b>2,039</b>	<b>2,132</b>	
<b>NAV</b>	<b>715</b>	<b>1,523</b>	<b>1,784</b>	<b>1,674</b>	
<i>Add back:</i> Deferred tax liability <sup>5</sup>	109	145	192	167	
<b>Total</b>	<b>825</b>	<b>1,669</b>	<b>1,977</b>	<b>1,841</b>	
<b>PSG Alpha valuation for SOTP purposes (50% interest)</b>	<b>412</b>	<b>834</b>	<b>988</b>	<b>921</b>	

Note 1: The unit overview includes 100% of the units at the Evergreen Val de Vie joint venture; the financial statements includes Evergreen's 50% economic interest in the joint venture

Note 2: Independent valuer values all operational villages on 3-year rotational basis (i.e. a 3rd of villages each year)

Note 3: During the half-year ended 31 Aug 20, certain costs capitalised to land were reclassified to work in progress. The majority of these costs related to capitalised interest of R26m

Note 4: Loans are interest free. Loans are only repayable on resale of the unit to a new life right holder

Note 5: Deferred tax liability is excluded from the NAV. Deferred tax liabilities arise on fair value gains on investment property. As the business intends to hold the units indefinitely, deferred tax is disregarded from the valuation

# Overview of current and future retirement villages



Retirement units								
Province	Village	Feb-19	Feb-20	Aug-20	In construction	Feb-21 (expected)	Land banked units	Total opportunities on owned land
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	120	270	-	270
	Val de Vie	2	111	133	6	139	469	608
	Sitari	-	-	-	-	-	370	370
	Somerset West	-	-	-	-	-	340	340
Gauteng	Broadacres	130	238	238	-	238	108	346
KZN	Umhlanga	-	-	-	-	-	640	640
	Hilton	-	-	-	-	-	900	900
	Zimbali	-	-	-	-	-	750	750
Eastern Cape	Westbrook	-	-	-	-	-	800	800
<b>Total</b>		<b>604</b>	<b>947</b>	<b>969</b>	<b>126</b>	<b>1,095</b>	<b>4,487</b>	<b>5,582</b>

Care units (monthly fees apply)					
Western Cape	Muizenberg	32	32	-	32
Gauteng	Broadacres	32	32	-	32
<b>Total</b>		<b>64</b>	<b>64</b>	<b>-</b>	<b>64</b>





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alpha

# STADIO

— HOLDINGS —

44%

### Stadio is building a ‘credible private university’ business for 100 000+ students

- Vision: “To be a leading higher education provider, offering qualifications aligned with the needs of societies, students, and the world of work”

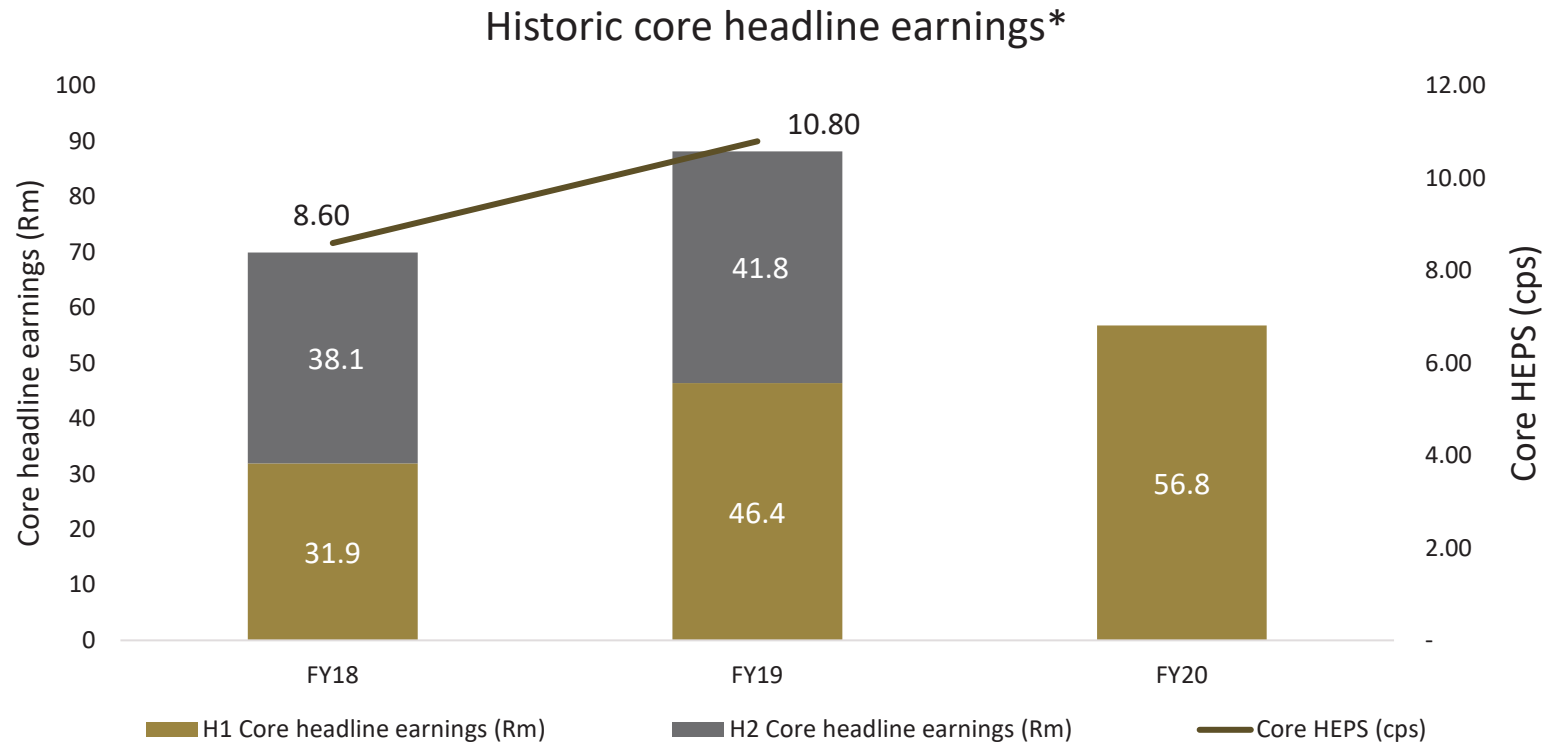
### Through several acquisitions in 2017 to 2019, Stadio created a base to build from. Key metrics for the business include:

- ~32,000 students
- 97 accredited qualifications (37 in pipeline)
- 14 existing sites of delivery (single faculty)
- 80% off-campus, 20% on-campus students – similar ratio expected in future
- Services school leavers, adults and corporates

- Provide quality, relevant higher education to school leavers and adult learners
- Multi-mode (distance education and face to face), multi-faculty (wide range of qualifications), multi-campus (across South Africa)
- Stadio to invest in:
  - › One Stadio brand – in process to merge 6 brands into *One Stadio*
  - › Greenfield multi-faculty campuses – 3,000 to 5,000 students capacity campuses in progress in Centurion and Durbanville
  - › Accredited qualifications (e.g. first online SAICA accredited Post Graduate Diploma in Accounting, Engineering, etc.)

## Basis of valuation: Listed share price

- Stadio has been **listed on the Johannesburg Stock Exchange (JSE)** since Oct 17
- Its 31 Aug 20 **closing share price** of R1.49 represents a 13.8x historic PE ratio based on Stadio 2019 core headline earnings of R88m



\*YE: Dec





(previously FutureLearn)

86%

# Business overview



- The Optimi group provides **education products and services** across 4 divisions: Home, Workplace, Classroom and College. Together, these divisions service **over 200,000 learners per annum** with accessible, simple and affordable learning and teaching solutions
- Optimi's offerings include the SA market leader in home-schooling **Impaq (Optimi Home)**, leading adult education and training provider **Mediaworks (Optimi Workplace)**, leading provider of e-learning solutions **ITSI (Optimi Classroom)** and vocational distance education **CollegeSA (Optimi College)**

 <b>optimi</b> home	 <b>optimi</b> classroom	 <b>optimi</b> workplace	 <b>optimi</b> college
Home education and after-school tutoring. <ul style="list-style-type: none"><li>▪ &gt;22 000 learners</li><li>▪ &gt;1 500 tutors</li></ul>	Schools and tertiary institutions. <ul style="list-style-type: none"><li>▪ &gt;1 500 schools</li><li>▪ 2 tertiary institutions</li></ul>	Corporate and public sector training. <ul style="list-style-type: none"><li>▪ &gt;200 businesses</li><li>▪ &gt;100 000 learners</li></ul>	Accredited and short courses. <ul style="list-style-type: none"><li>▪ &gt;5 300 students</li></ul>

## Business model



- Optimi provides various education products and services, using their proprietary **GuidED™ learning model** as the foundation of its brand promise and offerings
- **Optimi's GuidED™ learning model** provides learners and facilitators with individualised guidance throughout their learning journey to achieve their learning goals:
  - **integrating five core elements needed for effective learning and facilitation**, namely guidance, content, application, engagement, and formal assessment
  - **based on the latest research** in the science of learning, including neuroscience, cognitive science, pedagogy, and psychology
  - **delivered using Optimi's technology ecosystem** that ensures an integrated and visible learning experience while enabling efficient and effective learning delivery
  - supported by Optimi's **centralised services that aim to lower the cost of learning through centralisation and automation**



## Basis of valuation: PE valuation



- The **average PE multiple of three listed education companies** is used as a reference point. The industry average PE ratio is multiplied by Optimi's 2019 recurring earnings
- Note that education companies, like Optimi, typically follow a one-year cycle and therefore historic full year earnings are considered more appropriate for a valuation than using interim reported financials
- The **average PE ratio of 13.3x** is considered fair considering Optimi's growth prospects and market leading positions

(YE: Dec)	FY17	FY18	FY19
<b>Optimi PE valuation</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>
Optimi Group revenue including acquisitions (Rm)	119.0	211.5	357.4
<b>Recurring earnings (Rm)</b>	<b>9.9</b>	<b>13.7</b>	<b>16.2</b>
<b>PE multiple</b>			<b>13.3x</b>
<b>Valuation (Rm)</b>			<b>216.4</b>



PSG  
alpha



**ENERGY  
PARTNERS**

POWERED BY RESULTS

57%

# Business overview

- Energy Partners is a **fully integrated private utility business** that sells solar energy, cooling and heating to commercial and industrial clients
- The primary business focus is to **grow the investment portfolio of energy assets**
- By owning the assets, Energy Partners secures **recurring income** and a greater share of the lifetime value of the assets

## Divisions retained

## Brief rationale

**Solar**

Large scope for photovoltaic solar plants (both as cash and PPA\* projects) given the cost advantages compared to grid alternatives

**Refrigeration**

Significant potential to design, build, own and operate industrial and commercial refrigeration plants exists in South Africa where value can be unlocked through the funding model, exceptional design, execution and operation of assets

**Steam**

The potential exists to design, build, own and operate boilers in South Africa where we have offered clients savings by superior design, control and operations. Assets are typically large and attractive on a PPA model

**Energy Intelligence Solutions**

The support required to track asset performance and bill utilities is invaluable to our three divisions building assets, as well as to large corporates like Netcare and Pick n Pay

*\*Power Purchase Agreement, where Energy Partners owns the asset*

# Business model and basis of valuation

## The business model comprises two components:

### 1. Operations business

- Constructs and sells energy installations to external customers or to the Energy Partners investment business\*

*\*Inter-company transactions occur at market-related rates and eliminate on consolidation*

### 2. Investment business

- Owns energy-related assets with long-term off-take agreements with private sector clients

## Basis of valuation – EV/EBITDA multiple:

- **The following EBITDA multiples are used to value the respective components of the business:**
  - › Operations business - 6.0x
  - › Investment business - 10.0x
- **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 value of work-in-progress assets are added to the valuation
  - › All debt is deducted from the valuation

## Basis of valuation: EV/EBITDA multiple (continued)

Historical financials (YE: Jan) (Rm)	FY17	FY18	FY19	FY20	3-year CAGR	FY21 H1
Cumulative commissioned energy assets (owned by EP)	52.0	102.0	160.2	252.6	69%	319.3
Work-in-progress energy assets	-	6.9	15.0	47.9	n/a	66.9
Total capital value of energy assets	52.0	108.9	175.3	300.5	79%	386.2
EBITDA from Investments (FY21 H1 has been annualised)	7.2	16.6	28.5	35.3	70%	43.9
EBITDA from Continuing Operations (rolling 12-month actual)	5.2	33.8	7.5	13.0	36%	11.3
Enterprise value						506.5
Net cash/(debt)						(126.3)
Add work-in-progress asset value						59.0
<b>Equity value as at 31 Jul 20<sup>1</sup></b>						<b>439.2</b>
Plus shareholder loans advanced during Aug 20 <sup>2</sup>						25.0
<b>Total valuation as at 31 Aug 20</b>						<b>464.2</b>
Plus shareholder loans advanced during Sept 20 <sup>3</sup>						20.0
<b>Total valuation as at 9 Oct 20</b>						<b>484.2</b>
Average yield on assets	13.8%	16.3%	17.8%	14.0%		13.7%





Note 1: Energy Partners adopted the valuation methodology in FY21

Note 2: Energy Partners 100% equity value as at 31 Aug 20 includes shareholder loans of R25m that were capitalised at 30 Sept 20

Note 3: Energy Partners 100% equity value as at 9 Oct 20 includes further shareholder loans of R20m that were capitalised at 30 Sept 20



## Other investments

Investment	%	Focus	Comments
	61	Nanofiber material science	<ul style="list-style-type: none"> <li>Established a joint venture in USA with Taiki International (Japanese cosmetics manufacturer) to produce and sell nanofiber-based cosmetic facial masks and related products</li> <li>Developed and commercialised face masks using replaceable nanofiber inserts (COVID-19 related)</li> </ul>
	76	Improve new car purchase experience	<ul style="list-style-type: none"> <li>Systems approach and digital marketing proving successful</li> <li>Carter owns the #1 and #2 Renault dealership in South Africa; looking for opportunity to add more brands through acquisitions</li> </ul>
	42	Mining support services	<ul style="list-style-type: none"> <li>51% Black-owned mining services business</li> <li>Specialises in structural support and outsourced mining services in the platinum mining industry</li> <li>Looking to diversify geographically and into related commodities</li> </ul>
	49	LBO specialist	<ul style="list-style-type: none"> <li>Diversified portfolio of five investments</li> </ul>

## PSG Group underlying investee companies - 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](http://www.psg.co.za)
  - › Curro: [www.curro.co.za](http://www.curro.co.za)
  - › Capitec: [www.capitecbank.co.za](http://www.capitecbank.co.za)
  - › Zeder: [www.zeder.co.za](http://www.zeder.co.za)
    - Kaap Agri: [www.kaapagri.co.za](http://www.kaapagri.co.za)
  - › PSG Alpha investments:
    - CA&S: [www.casholdings.co.za](http://www.casholdings.co.za)
    - Evergreen: [www.evergreenlifestyle.co.za](http://www.evergreenlifestyle.co.za)
    - Stadio: [www.stadio.co.za](http://www.stadio.co.za)
    - Optimi: [www.optimi.co.za](http://www.optimi.co.za)
    - Energy Partners: [www.energypartners.co.za](http://www.energypartners.co.za)





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# Questions