PSG GROUP LIMITED

JULY 2020 ANNUAL GENERAL MEETING

Piet Mouton

PSG Group CEO

Agenda

1. Feedback from the PSG Group Social & Ethics Committee
2. COVID-19
3. Capitec unbundling
4. PSG 3.0 – A smaller but more nimble company
5. PSG Group underlying investee companies
6. Questions

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Feedback from the PSG Group Social & Ethics Committee

Feedback from the PSG Group Social & Ethics Committee

- **PSG Group's ESG report is available on page 28 of the 2020 Annual Report**
- **Direct contribution and support:**
  - The PSG Group/Jannie Mouton Foundation Bursary/Loan Scheme at the University of Stellenbosch
  - Akkerdoppies (pre-primary school)
  - Amicus Trust (training and skills-based programme)
  - PSG Group BEE Education Trust (bursaries for black learners)
  - Ruta Sechaba Foundation (bursaries for black learners)
- **Each of PSG Group's underlying investee companies also undertakes their own CSI initiatives and accordingly as shareholders, we also contribute proportionally to these activities – *kindly visit their respective websites for more information***

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COVID-19

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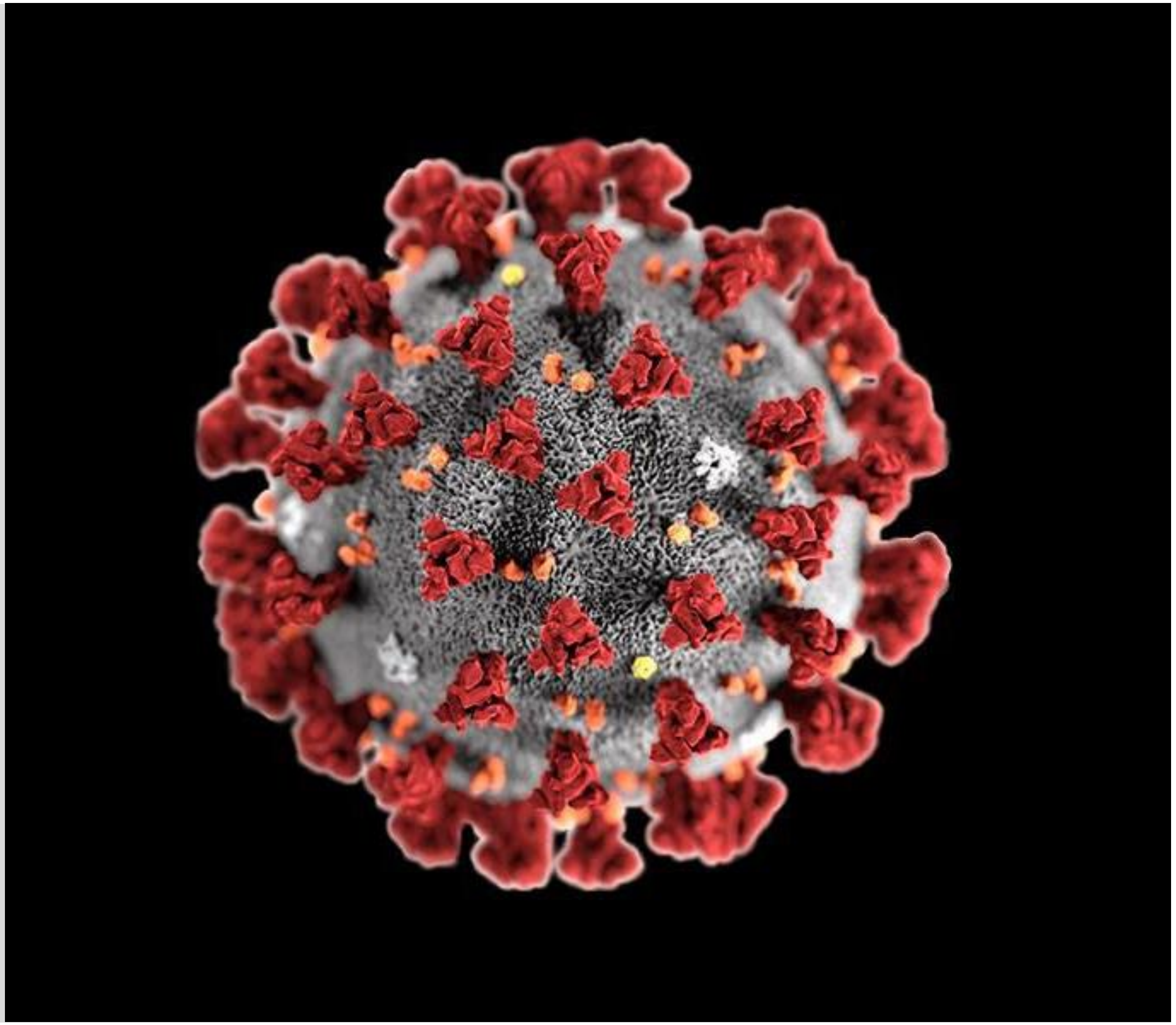
COVID-19

Understanding the effects of COVID-19

- Majority of PSG Group's investee companies were classified as essential services under lockdown regulations and accordingly allowed to continue operating, or at least to some extent

- Impact assessment on our investee companies
  - Extensive scenario analyses modelled; however, significant uncertainty remains
  - What will the recovery look like?
  - Supply/demand factors
  - Change in consumer behaviour
    - Eating out, attending sporting events, etc.
    - Limited spending capacity due to loss of income
    - Future of travel
  - Government intervention
    - Pay for fiscal shortfall
    - SOEs: revamp, privatisation, continued funding of blackholes



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Capitec unbundling

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Capitec unbundling

On behalf of PSG Group shareholders:

- We would like to thank **Jannie Mouton** and the previous PSG management team who had the vision to help put the first building blocks in place in the Capitec journey
- We have tremendous gratitude towards all the people at Capitec for the groundbreaking success story we have been fortunate to be part of
- A special word of thanks goes to **Gerrie Fourie, André du Plessis, Michiel le Roux, Riaan Stassen, Henk Lourens and many other managers**
- We are privileged to not only call you colleagues, but also friends. We as PSG Group shareholders look forward to now become direct shareholders in Capitec

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Relative performance

Capitec:

- Capitec is arguably the most successful business established in South Africa in the last 20 years

10-year performance to 29 Feb 2020:

- We analysed the SOTP value per share performance, because one cannot simply allocate PSG Group's entire share price discount to its SOTP value and all its debt to other assets (i.e. non-Capitec), and thereby conclude that these assets have delivered negative returns
- 10-year CAGR on a per PSG Group share basis (excluding dividends)
  - Capitec: 34%
  - Other assets: 16% (all surplus cash included in this return)
  - PSG Group SOTP value: 26%
  - JSE All Share Index: 7%

Capitec has contributed significantly to our success; however, our other assets have also materially outperformed the JSE All Share Index over the last 10 years

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Capitec unbundling – Rationale

Regulatory challenges:

- “Classification” of PSG Group as a Financial Conglomerate and accordingly to be regulated as such
- Potential reservation of capital at a PSG Group level:
  - PSG Group will need to reserve surplus capital which will have a material adverse effect on future returns
  - Given the discount PSG Group currently trades at, raising capital will most likely be at a significant discount to its SOTP value, thereby further prejudicing returns to shareholders
- Onerous compliance burden associated with regulatory reporting
- Regulatory approval required for major transactions
- “Mock” regulations to take effect from 2021
  - Formal implementation expected from 2022

The discount predicament:

- Capitec has been a major success
  - PSG Group’s investment in Capitec was worth more than its market capitalization at the beginning of this year
- Investment holding companies worldwide have over the last couple of years typically traded at sizeable discounts to their SOTP value and are likely to continue trading at a discount for the foreseeable future
- PSG Group has too many alternative listed entry points with most of its core investments being listed
  - Investors are thus able to construct their own portfolio
- PSG Group has struggled to gain meaningful traction with its early-stage PSG Alpha investments
  - Low economic growth during the past decade

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Capitec unbundling – Pro-forma impact on SOTP value

Asset/(liability)	29 Feb 20 Rm	30 Jun 20 Rm	**Unbundling Rm**	**After Unbundling Rm**
Capitec	46,130	29,011	26,238[1]	**2,773**
PSG Konsult	6,399	6,067		**6,067**
Curro	2,604	2,054		**2,054**
PSG Alpha	3,618	3,573		**3,573**
Stadio	649	457		**457**
Other investments	2,969	3,116		**3,116**
Zeder	3,173	1,729		**1,729**
Dipeo	-	-		**-**
Other net assets	879	1,894		**1,894**
Cash	187	2,161[2]		**2,161**
Pref investments and net loans receivable	542	487		**487**
Other	150	(754)[3]		**(754)**
Total assets	**62,803**	**44,328**		**18,090**
Perpetual prefs	(1,463)	(1,141)		**(1,141)**
Redeemable debt	(1,020)	-[4]		**-**
Total SOTP value	**60,320**	**43,187**		**16,949**
Shares in issue *(net of treasury shares)* (m)	218.2	218.2		**218.2**
SOTP value per share (R)	276.43	197.92		**77.67**
PSG Group share price discount to SOTP value per share	(32.5%)	(20.0%)		**(20.0%)[5]**
Share price/implied share price (R)	186.60	158.38		**62.16**
Add: Value of unbundled Capitec shares (R)	-	-		**120.22[1]**
Value per share to PSG Group shareholder (R)	**186.60**	**158.38**	**15.2%[6]**	**182.38**

1. Unbundling of the gross 32.5m Capitec shares equates to R120.22 per PSG Group share
2. Includes cash proceeds on disposal of 1.7m Capitec shares and receipt of the Zeder special dividend, net of repayment of all PSG Group's redeemable debt
3. Includes tax liabilities in respect of the 1.7m Capitec shares sold as well as the 3.2m Capitec shares retained post unbundling
4. Redeemable debt repaid in full
5. Discount applied to the SOTP value per share to estimate the share price after unbundling Capitec
6. Potential value unlock for PSG Group shareholders

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PSG Group 3.0
A smaller but more nimble company

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The state of the South African economy

Pre-COVID-19:

- Weak economy
  - “Lost Decade”
- Deteriorated tax base and weak fiscus
  - Corruption in government weakening the fiscus
  - SOEs requiring government bailouts to pay salaries
  - SA Inc. downgraded by all major credit rating agencies

During COVID-19:

- Economy weakened even further
  - GDP contracted by 2% in Q1 of 2020 (Statistics South Africa)
    - Deepening the technical recession
  - Lockdown and the slow rate at which the economy is reopening
    - Further deepening the recession and destroying many SMEs and numerous large businesses
- High unemployment
  - Unemployment increasing at alarming rates

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Strategy – A smaller but more nimble company

- 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 likely to change 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

PSG Group's dividend policy

- PSG Group's current dividend policy is to pay up to 100% of available free cash flow as an annual dividend

- For the previous 5 years (i.e. prior to the SA Reserve Bank Guidance Note 4/2020 discouraging banks from paying dividends) 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 going forward

- New dividend policy
  - PSG Group will in principle not pay an annual dividend
  - However, ad hoc dividends may be considered from time to time, also while the SA Reserve Bank Guidance Note remains in place

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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*

New investments should be in large markets:

- › Banking
- › Energy
- › Education

If successful, the returns should be substantial

Large inefficient incumbents:

- › "Free" services (Education and Energy)

Fragmented:

- › IFAs
- › Retirement villages

Best management teams:

- › Think different

Best operating models:

- › Service
- › Pricing
- › Experience

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PSG Group's underlying investee companies

PSG Group's underlying investee companies

- Most of PSG Group's major underlying investees held their AGMs recently and some have released trading updates
- For more information, please visit the respective companies' websites:
  - Capitec: www.capitecbank.co.za
  - 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:
    - Stadio: www.stadio.co.za
    - CA&S: www.casholdings.co.za

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Overview – Group structure

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Market Cap*: R35bn

- 29.2% Capitec
- 55.4% Curro
- 60.5% PSG Konsult
- 44.5% Zeder Investments Limited
- 98.1% PSG Alpha
  - 44.0% Stadio Holdings
  - 50.0% Evergreen Lifestyle
  - 47.7% CA&S Group – Taking brands beyond borders
  - 54.1% Energy Partners – Powered by results
- 49.0% Dipeo Capital

Market capitalisation as at 30 June 2020

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Curro – Rights offer

CURRO

- Curro intends to raise R1.5bn from its shareholders by way of a partially underwritten non-renounceable rights offer at R8.07 per share
- Rationale for the rights offer:
  - Raise additional capital for potential opportunities that have presented themselves in the current market
  - For prudency purposes, proactively reduce Curro's debt due to uncertainty created by COVID-19
- PSG Group has undertaken to:
  - Follow its rights and accordingly subscribe for ~102.9m Curro rights offer shares; and
  - Partially underwrite a maximum of ~39.6m rights offer shares to the extent not taken up by other shareholders
  - The aforesaid commitment equates to R1.15bn in the aggregate

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Questions?

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Thank you