
REVIEW OF OPERATIONS

WHO WE ARE

PSG Group Ltd (“PSG Group” or “the company” or “the group”) is an investment holding company consisting of underlying investments that operate across a diverse range of industries, which include financial services, education and food and related business, as well as early-stage investments in select growth sectors. PSG Group’s market capitalisation (net of treasury shares) was approximately R17bn as at 28 February 2022.

Following the Capitec unbundling during the prior year, there are six main business units on which we report, namely:

- PSG Konsult (wealth management, asset management and insurance);
- Curro (private basic education);
- Zeder (investments in food and related business);
- PSG Alpha (early-stage investments in select growth sectors);
- Dipeo (BEE investment holding company); and
- PSG Corporate (head office investment management and treasury services), including PSG Capital (corporate finance).

OUR OBJECTIVE

Our economic objective remains to create long-term wealth for our shareholders through capital appreciation, investment income or both, and accordingly the key benchmark used by PSG Group to measure performance is its *sum-of-the-parts* (“SOTP”) value per share. To achieve this, we have invested in a diversified portfolio of businesses that should yield above-market returns over time, while contributing positively to society.

BENCHMARKING OUR PERFORMANCE

We believe that performance should be measured in terms of the return that an investor receives over time, with a focus on *per share* wealth creation. When evaluating PSG Group’s performance over the long term, one should focus on the *total return index* (“TRI”) as a measurement tool. The TRI is calculated by taking cognisance of share price appreciation, dividends and other distributions. This is a sound measure of wealth creation and a reliable means of benchmarking different companies.

PSG Group’s *compound annual growth rate* (“CAGR”) of its TRI as at 28 February 2022 was 38% per annum over the approximately 26-year period since establishment in November 1995. Had you at the time purchased R100 000 worth of PSG Group shares and reinvested all your distributions (including cash and *in specie* dividends such as the unbundled Capitec shares) into PSG Group, your investment would be worth around R491m as at 28 February 2022. The same investment in the JSE All Share Index over this period would be worth only R3,1m. We are proud of the wealth we have created for our shareholders.

REVIEW OF OPERATIONS *(continued)*

OUR PERFORMANCE OVER THE PAST FINANCIAL YEAR

The calculation of PSG Group's *SOTP value* requires limited subjectivity as approximately 91% of the total asset value is calculated using exchange-listed share prices, while other investments are included at internal valuations, of which more detail is available at www.psggroup.co.za/sotp. At 28 February 2022, the *SOTP value* per PSG Group share (which did not yet account for the proposed PSG Group Restructuring, as detailed in the *Letter to Shareholders*, including all the associated tax and restructuring costs) was R127,88, representing an increase of 36% when compared to the R94,24 per share as at 28 February 2021.

Asset/(liability)	28 Feb 2021 Rm	28 Feb 2022 Rm
PSG Konsult*	7 282	11 130
Curro*	3 588	4 826
Capitec*	2 190	
Zeder*	1 983	2 672
PSG Alpha	3 842	4 508
Stadio*	865	1 324
CA&S**	1 126	1 057
Evergreen^	869	988
Optimi^	296	502
Energy Partners^	305	379
Other investments^	446	337
Less: Minority shareholding held by PSG Alpha management	(65)	(79)
Dipeo^		
Other net assets (cash, prefs, loans, provisions, etc.)^^	2 020	3 636
Total assets	20 905	26 772
Perpetual pref funding*	(1 132)	
Total SOTP value	19 773	26 772
Shares in issue (net of treasury shares) (m)	209,8	209,4
SOTP value per share (R)	94,24	127,88
Share price (R)	66,51	81,83

* Listed on the JSE ** Listed on the BSE ^ Internal valuation ^^ Carrying value

MAJOR CORPORATE ACTION

During the year under review, the following major corporate action was undertaken:

- PSG Group disposed of its remaining 1,6m shares (or 1,4%) in Capitec for R2,5bn cash; and
- PSG Financial Services Ltd, a wholly-owned subsidiary and the only directly-held asset of PSG Group, repurchased all its JSE-listed cumulative, non-redeemable, non-participating preference shares in issue for R1,5bn cash. PSG Group accordingly no longer has any funding obligations.

MAJOR CORPORATE ACTION SUBSEQUENT TO YEAR-END

Major corporate action subsequent to year-end, included the following:

- The proposed PSG Group Restructuring;
- PSG Group received a special cash dividend of R692m from Zeder pursuant to the disposal of its investment in The Logistics Group;
- By virtue of Zeder's unbundling of its entire shareholding in Kaap Agri, PSG Group received 15,2m Kaap Agri shares, which will form part of the assets to be unbundled in terms of aforementioned proposed PSG Group Restructuring.

OUR INVESTMENTS AS AT 28 FEBRUARY 2022

PSG KONSULT (61,5%)



- *Simple and focused business model*
 - the provision of wealth management, asset management and insurance solutions
- *High barriers to entry*
 - onerous regulatory compliance requirements
- *Key competitive advantage*
 - extensive distribution platform
 - trusted brand
- *High growth potential*
 - each of the three operating divisions, namely *PSG Wealth*, *PSG Asset Management* and *PSG Insure*, has a relatively low market share

PSG Konsult is a financial services company, focused on providing wealth management, asset management and insurance solutions to clients. It has the largest independent financial advisor distribution network in southern Africa with 953 advisors.

With the legal and regulatory environment within the industry having become increasingly onerous, PSG Konsult continues to attract quality advisors. It provides them with support through its well-established systems and its risk and regulatory compliance platform, allowing the advisors to focus on serving their clients.

PSG Konsult reported a 32% increase in *recurring headline earnings* per share for the year under review following strong performance from the *Asset Management* division in particular, and solid performance from the *Wealth* and *Insure* divisions.

During the year under review, PSG Group accounted for a fair value gain of R3 848m following an increase in PSG Konsult's listed share price since 28 February 2021, and earned dividend income of R215m in respect of this investment.

PSG Konsult has its primary listing on the JSE, with secondary listings on the Namibian Stock Exchange and Mauritian Stock Exchange, and its comprehensive results are available at www.psg.co.za.

REVIEW OF OPERATIONS *(continued)*

CURRO

CURRO (60%)

- *Simple and focused business model*
 - private school education
- *High barriers to entry*
 - capital intensive
- *High growth potential*
 - Curro's capacity utilisation of completed schools is at only 70%, and at 60% of eventual capacity once all schools under construction are operational
 - greater usage of digital offerings to service learners' needs and reduce Curro's cost base over time

Curro is the largest provider of private school education in southern Africa with more than 70 000 learners across 76 campuses as at 28 February 2022.

Curro reported an 8% increase in *recurring headline earnings* per share for the year ended 31 December 2021.

During the year under review, PSG Group accounted for a fair value gain of R1 238m following an increase in Curro's listed share price since 28 February 2021.

Curro is listed on the JSE and its comprehensive results are available at www.curro.co.za.



ZEDER (48,6%)

- *Simple and focused business model*
 - investment in food and related business
- *Focused management throughout the underlying investments*

Zeder is an investor in the broad agribusiness industry.

During the year under review, PSG Group accounted for a fair value gain of R689m following an increase in Zeder's listed share price since 28 February 2021, and earned dividend income of R150m in respect of this investment.

Subsequent to year-end, Zeder:

- Unbundled its entire interest in Kaap Agri to shareholders; and
- Declared and paid a special dividend of 92,5 cents per share amounting to R1 420m pursuant to the disposal of its investment in The Logistics Group.

Zeder is listed on the JSE and its comprehensive results are available at www.zeder.co.za.



PSG ALPHA (98,3%)

PSG Alpha serves as an incubator to identify and help build the businesses of tomorrow. In line with PSG Group's investment philosophy, PSG Alpha's focus is therefore predominantly on early-stage investing.

The PSG Alpha portfolio currently comprises nine investments, the majority of which are in a development phase. We continue to support these investments not only through providing capital when necessary and deemed appropriate, but also working alongside management in building these businesses – be it to help determine strategy, acting as a soundboard, assisting with problem solving, complementary deal-making, stakeholder relationships, promoting good corporate governance, establishing appropriate remuneration structures, and the like. Members of the PSG Group Exco and/or PSG Alpha Exco as a rule serve as directors on such investees' boards and on numerous sub-committees, including the finance/audit and risk committees.

During the year under review, PSG Group accounted for a fair value gain of R666m in respect of its investment in PSG Alpha following an increase in its *SOTP* value since 28 February 2021.

A complete list of PSG Alpha's investees is set out below, with additional information being provided on its five major investments –

Investment	Description	Interest (%)	
		2021	2022
Carter	Redefine new car sales experience	76,0	73,0
CA&S	Route-to-market services for fast-moving consumer goods in southern Africa	48,8	47,9
Energy Partners	Private energy utility	57,2	56,7
Evergreen	Retirement lifestyle villages	50,0	50,0
Optimi	Innovative and accessible education solutions	92,3	96,0
ProVest	Diversified mining services	44,2	42,4
SNC	Scalable, high-throughput nanofiber production	61,1	Impaired
Spirit Capital	Investment holding company focused on leveraged transactions	49,3	49,9
Stadio	Private higher education	43,2	42,9

More detail on the valuations of PSG Alpha's investments is available at www.psggroup.co.za/sotp.

REVIEW OF OPERATIONS *(continued)*

CA&S (47,9%)



CA&S is a leading provider of sales, merchandising and other related services to blue-chip fast-moving consumer goods principals. It has a footprint in eight southern Africa countries with a presence in all major centres. CA&S has broad trade coverage from bottom end and convenience through to formal and corporate stores, and each of its businesses has in-depth local market and country knowledge. Long-standing customer relationships combined with regional connectivity and shared collective expertise give CA&S a powerful competitive advantage across the region in which it operates.

CA&S is listed on the Botswana Stock Exchange and Cape Town Stock Exchange, with the latter being replaced by a listing on the JSE during the course of June 2022.

More information about CA&S is available at www.casholdings.co.za.

Energy Partners (56,7%)



Energy Partners is a turnkey developer, owner and operator of energy-producing assets (which include solar, steam and refrigeration) with integrated construction and maintenance capabilities.

More information about Energy Partners is available at www.energypartners.co.za.

Evergreen (50%)



Evergreen develops, owns and operates retirement lifestyle villages on a life-right model. Although this model is well established in other parts of the world, especially in the United States, Australia and New Zealand, it is still a fairly new concept in South Africa.

Evergreen provides its residents with significant benefits, the most important being peace of mind from both a financial security as well as a healthcare perspective. It offers i) state-of-the-art lifestyle centres, typically including a bistro, lounge, salon, bar, library, gym, games room and entertainment area; ii) health and frail care; iii) excellent security; and iv) a sense of community among fellow retirees.

More information about Evergreen is available at www.evergreenlifestyle.co.za.

Optimi (96%)



Optimi provides accessible learning and support to learners using technology and centralised assistance to reduce the cost of and improve the quality of education. Services are rendered to the following distinct segments – i) *Home* (home and supplementary education); ii) *Classroom* (classroom and extra-class teaching and learning solutions); iii) *Workplace* (workplace and community education and training); and iv) *College* (accredited qualifications and short courses).

More information about Optimi is available at www.optimi.co.za.

Stadio (42,9%)

Stadio is a JSE-listed private higher education provider.

It currently offers 86 accredited qualifications, ranging from higher certificates to doctorates, to approximately 38 000 students through mainly distance learning ($\pm 80\%$ of students), but also contact learning ($\pm 20\%$ of students) at 14 campuses. Stadio opened its first large multi-faculty campus in Centurion in 2022.

More information about Stadio is available at www.stadio.ac.za.

DIPEO (49%)

Dipeo, a BEE investment holding company, is 51%-owned by the Dipeo BEE Education Trust of which all beneficiaries are black individuals. This trust will use its share of any value created in Dipeo to fund black students' education.

Dipeo's investments as at 28 February 2022 included shareholdings in Curro (3,6%), Stadio (3,3%) and Kaap Agri (20%).

During the financial year ended 28 February 2019, Dipeo's *SOTP value* turned negative (i.e. liabilities exceeded assets) following a decline in the value of its investment portfolio, which had a negative impact on PSG Group's *SOTP value* through reducing its investment in Dipeo to zero and impairing PSG Group's pref share investment in Dipeo to the extent required. During the year under review, PSG Group recognised an impairment reversal of R221m following an increase in the value of Dipeo's investment portfolio. The accumulated impairment of PSG Group's pref share investment in Dipeo amounted to R625m as at 28 February 2022.