

# RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2020



PSG GROUP LIMITED

**SOTP VALUE of R82,80 per share as at 9 October 2020**

**AD HOC INTERIM DIVIDEND of R1,64 per share**

## OVERVIEW

PSG Group Ltd ("PSG" or "the Company") is an investment holding company consisting of underlying investments that operate across a diverse range of industries, which include financial services, banking, education and food and related business, as well as early-stage investments in select growth sectors.

PSG Financial Services Ltd ("PSGFS") is a wholly-owned subsidiary and the only directly-held asset of PSG. PSGFS has 17 415 770 (29 February 2020: 17 415 770) cumulative, non-redeemable, non-participating preference shares in issue which are listed on the Johannesburg Stock Exchange.

PSG's objective remains to create long-term wealth for its shareholders through capital appreciation, investment income or both, and accordingly the key benchmark used by PSG to measure performance is its *sum-of-the-parts* ("SOTP") value per share.

## MAJOR CORPORATE ACTION

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

- On 30 July 2020, PSG shareholders approved the unbundling of an effective 30,5m shares (or 26,4% of the 30,7% interest held) in Capitec, whereby significant value was unlocked for PSG shareholders. The unbundled Capitec shares at market value on such date represented R132,37 per PSG share. PSG retained the balance of 4,3% in Capitec for liquidity purposes and to bolster its balance sheet.
- PSG disposed of 1,7m shares (or 1,5%) in Capitec for R1,5bn cash.
- PSG received a special dividend of R1,7bn cash pursuant to Zeder's disposal of its investment in Pioneer Foods.
- PSG settled all its outstanding redeemable debt amounting to R1bn.

## SOTP

The calculation of PSG's SOTP value requires limited subjectivity as more than 75% of the 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](http://www.psggroup.co.za/sotp). At 31 August 2020, the SOTP value per PSG share was R75,86, representing a decrease of 20% when compared to the R94,44 per share as at 29 February 2020 if the aforementioned unbundled Capitec shares are excluded from PSG's SOTP value at such date for comparative purposes. The decrease in PSG's SOTP value per share is indicative of depressed equity markets and the challenging trading conditions brought about by the COVID-19 pandemic and associated national lockdown. At 9 October 2020, the SOTP value per PSG share was R82,80.

Asset/(liability)	28 Feb	29 Feb	31 Aug	9 Oct	Share of total
	2019	2020	2020	2020	
	Rm	Rm	Rm	Rm	
PSG Consult*	8 700	6 399	5 768	6 391	34%
Capitec*	46 351	46 130	2 702	3 214	17%
Curro*	5 714	2 604	1 872	3 211	17%
Zeder*	3 166	3 173	1 796	1 826	10%
PSG Alpha	4 712	3 618	3 497	3 525	19%
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	3%
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>	<b>100%</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>Net asset value per share (R)</b>	<b>83,06</b>	<b>87,49</b>	<b>73,27</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 August 2020 and 9 October 2020 balances include a capital gains tax liability in respect of the Capitec shares disposed of and the retained Capitec interest.

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

## CHANGE IN INVESTMENT ENTITY STATUS AND EARNINGS

International Financial Reporting Standards ("IFRS") require that an entity reassess whether it is an Investment Entity if facts or circumstances indicate changes to one or more of the elements making up the definition of an Investment Entity or the typical characteristics of an Investment Entity.

Whilst PSG's focus on value creation for its shareholders has not changed, the aforementioned major corporate action has necessitated PSG to reassess its Investment Entity status in terms of

IFRS, whereby it was determined that it became an Investment Entity with effect from 1 March 2020. The performance of its remaining investment portfolio is accordingly measured with reference to the fair value of each investment (i.e. SOTP value) rather than the consolidated profitability of PSG (i.e. recurring earnings) with effect from 1 March 2020 in PSG's strive to meet its objective of value creation through capital appreciation, investment income or both.

Where an entity's status change to that of an Investment Entity, it does not consolidate its subsidiaries, but rather measures subsidiaries at fair value through profit or loss. Such change in accounting is applied prospectively, with no adjustment to prior year comparatives. However, an Investment Entity continues to consolidate subsidiaries that provide services related to the Investment Entity's investment activities (i.e. those wholly-owned subsidiaries comprising PSG's head office operations).

Pursuant to the aforementioned change in Investment Entity status, PSG's financial statements prepared in accordance with IFRS are not comparable to prior periods. For the period under review, PSG reported earnings per share of R118,62 (2019: R6,39) and a headline loss per share of R14,14 (2019: earnings of R5,68). The headline loss per share is representative of mainly the decrease in the share prices of PSG's listed investments, while the earnings per share included a significant non-headline gain to the extent that the fair value of the unbundled Capitec interest exceeded its accounting carrying value as a non-current asset held for sale on the date of unbundling, being 30 July 2020 when PSG shareholder approval was obtained. Continuing operations' profit before finance costs and taxation, as detailed in PSG's full announcement, amounted to R5,7bn (2019: R1,1bn).

## PROSPECTS

Despite obvious challenges, PSG believes its investment portfolio is suitably positioned to capitalise on an improvement in trading conditions. PSG is currently trading at a significant discount to its SOTP value per share and will continue with its objective to create wealth for shareholders on a per share basis by growing its underlying investments, including unlocking value through reducing the discount to the extent possible over time.

## DIVIDEND

Following the aforementioned unbundling of Capitec, PSG's policy is to pay *ad hoc* dividends as and when circumstances allow. As part of PSG's objective of continued wealth creation, the directors have resolved to declare an *ad hoc* interim gross dividend of 164 cents (2019: 164 cents) per share from income reserves for the six months ended 31 August 2020.

The *ad hoc* interim dividend amount, net of South African dividend tax of 20%, is 131,2 cents per share for those shareholders that are not exempt from dividend tax or are not entitled to a reduced rate in terms of the applicable double-tax agreement. The number of ordinary shares in issue at the declaration date is 229 936 695, and the income tax number of the Company is 9950080714.

The salient dates for this *ad hoc* dividend distribution are:

Last day to trade cum dividend	Tuesday, 3 November 2020
Trading ex-dividend commences	Wednesday, 4 November 2020
Record date	Friday, 6 November 2020
Payment date	Monday, 9 November 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 November 2020 and Friday, 6 November 2020, both days inclusive.

## UNAUDITED FINANCIAL RESULTS

This short-form announcement contains only a summary of the information of the full announcements published by PSG and PSGFS on the Stock Exchange News Service ("SENS") on Thursday, 15 October 2020, and is the responsibility of the directors. Please refer to the full announcements for additional information, including PSG and PSGFS' change in status to that of an Investment Entity. The full announcements are available for viewing on PSG's website at [www.psggroup.co.za](http://www.psggroup.co.za) or may be requested and obtained in person, at no charge, at the registered office of the companies or the companies' sponsor during office hours. Any investment decisions should be based on consideration of the full announcements published on SENS.

On behalf of the board

**KK Combi**  
Chairman

**Piet Mouton**  
Chief Executive Officer

**Wynand Greeff**  
Chief Financial Officer

Stellenbosch  
14 October 2020

**PSG GROUP LTD:** Registration number: 1970/008484/06;  
JSE share code: PSG; ISIN code: ZAE000013017; LEI code: 378900CD0BEE79F35A34

**PSG FINANCIAL SERVICES LTD:** Registration number: 1919/000478/06;  
JSE share code: PGFP; ISIN code: ZAE000096079; LEI code: 378900E99AFDC02B0F23

**DIRECTORS OF PSG AND PSGFS:** ZL Combi (Chairman)^, PE Burton^^, FJ Gouws\*\*, WL Greeff (CFO)\*, AM Hlobo^, JA Holtzhausen\*, B Mathews^, JJ Mouton\*\*, PJ Mouton (CEO)\*, CA Otto^

\* Executive \*\* Non-executive ^ Independent non-executive ^^ Lead independent

**COMPANY SECRETARY AND REGISTERED OFFICE:** PSG Corporate Services (Pty) Ltd,  
First Floor Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600; PO Box 7403, Stellenbosch, 7599

**SPONSOR:** PSG Capital (Pty) Ltd

**INDEPENDENT JOINT SPONSOR:** UBS South Africa (Pty) Ltd