

PSG GROUP LIMITED

PSG Group Overview

21 JUNE 2013 • SPIER WINE ESTATE, STELLENBOSCH

CEO: PIET MOUTON

Group structure at 28 Feb 2013


 PSG GROUP LIMITED

100%


 PSG FINANCIAL SERVICES LIMITED
R1,34bn nominal listed perpetual preference shares in issue

 **CAPITEC**
 BANK

28,5%

 **PSG**
 KONSULT

65,4%

 **PSG** PRIVATE
 EQUITY

100%



57,5%

THEMBEKA
 CAPITAL

49%

 **ZEDER**
 INVESTMENTS LIMITED

42,4%

 **PSG** CAPITAL

100%


 PSG CORPORATE SERVICES

100%



Evaluating performance

- We believe performance should be measured on the return that an investor receives over time; not on the size of the company
- As we are all PSG shareholders, our focus is on *per share* wealth creation



Long term performance

- The *total return index (TRI)* should be used to evaluate PSG's long term performance
- As at 28 Feb 2013, PSG's TRI was **51.4%**
 - R100 000 investment in 1995 worth R130m today
- The highest TRI of any JSE-listed company over the 17-year period since PSG's establishment



Short to medium term performance

- We focus on growth in PSG's *sum-of-the-parts (SOTP) value* per share
- History shows that PSG's share price tracks its *SOTP value* per share
- An increase in PSG's *SOTP value* per share over time depends on the profitability of its investments
- We use the *recurring headline earnings* per share concept to evaluate performance from an earnings perspective



Feb 2013 results overview

- *SOTP value* per share was R72.67 as at 28 Feb 2013 (R75.01 as at 6 June 2013)
 - 30% higher than Feb 2012
 - 40% CAGR over last three years
- *Recurring headline earnings* increased by 27.1% to 392cps
- For the 1st time reported earnings > R1bn



PSG's SOTP

Investment	Feb 2010 Rm	Feb 2011 Rm	Feb 2012 Rm	Feb 2013 Rm	% of assets	Growth y-o-y
Capitec	2,367	5,138	5,978	6,128	38.7%	3%
Curro Holdings			1,118	2,607	16.4%	133%
PSG Konsult	948	1,206	1,483	2,237	14.1%	51%
Zeder	742	1,069	1,067	1,412	8.9%	32%
PSG Private Equity	834	1,242	728	681	4.3%	(6%)
Thembeke Capital			570	899	5.7%	58%
Other	761	898	1,022	1,888	11.9%	85%
Total Assets	5,652	9,553	11,966	15,852	100.0%	
Perpetual pref funding	(541)	(1,028)	(1,188)	(1,163)		
Other debt	(539)	(507)	(463)	(845)		
Total SOTP Value	4,572	8,018	10,315	13,844		34%
Shares in issue (m)	171.8	171.3	184.5	190.5		3%
SOTP value per share (rand)	26.61	46.81	55.92	72.67		30%

SOTP value per share as at 6 June 2013: R75.01



Recurring headline earnings

	Feb 2011 Rm	Feb 2012 Rm	Feb 2013 Rm	Change y-o-y
Capitec Bank	223	362	500	38%
PSG Konsult	94	108	119	10%
PSG Private Equity	37	32	75	134%
Thembeke Capital	9	19	28	47%
Curro Holdings	2	(5)	8	n/a
Zeder Investments	109	115	107	(7)%
Other	39	40	46	15%
Recurring headline earnings before funding	513	671	883	32%
Funding	(109)	(134)	(168)	25%
Recurring headline earnings	404	537	715	33%
Earnings per share (cents)				
- Recurring headline	242	309	392	27%
- Headline	307	326	480	47%



Major corporate action at PSG

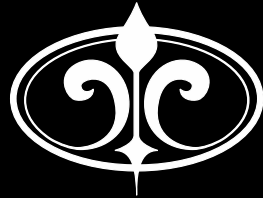
- Raised R361m by issuing 5.4 m ordinary shares (~R67.42 per share)
- Invested R724m in the Capitec rights offer
 - Raised specific debt to enable PSG to follow its rights
 - Subsequently sold majority of Capitec rights offer shares for a cash profit of R115m to repay the debt
- Made a substantial R151m *non-recurring* cash profit on EOH investment (IRR of 76%)
- Supported rights issues at PSG Konsult and Curro



Funding

- Perpetual preference shares (“prefs”) remain our preferred “debt” funding instrument
- R1.34bn nominal perpetual prefs in issue at 28 Feb 2013 - majority hedged until 2020
- Recently raised an additional R300m through the issue of perpetual prefs – in process of hedging same
- Raised R450m by means of a 5-year, fixed rate *redeemable* pref





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Project Internal Focus

The heart of PSG

- The PSG, Zeder and PSG Private Equity executive committees (“Exco”) meet every two weeks
- Twice a year we revisit and if necessary determine a revised strategy
- In the past we communicated specific strategies, incl. *Project Unlock Value* and *Project Growth*
- Our latest strategy is ***Project Internal Focus***



Project Internal Focus

- PSG has 36 investments
 - Combined market cap ~ R80bn
 - ~ 40,000 people
- Capitec great business, solid base for PSG and requires little effort
- We have many companies in the development phase with promise of future success
 - Curro, Impak, Energy Parters, Chayton, etc.
 - Requires more active input from PSG
- Also those businesses that need a strategic rethink
- Work alongside management
- Current portfolio has **vast potential**
 - We need to extract it!



Project Internal Focus (cont.)

- *Project Internal Focus* is all about developing clear strategies within our portfolio and ensuring successful implementation thereof
 - Businesses to grow organically and acquisitively
 - We ideally want fewer but larger investments
 - Our focus will be on optimisation, refinement and growth of our existing portfolio
- *Will still make investments if opportune*



Project Internal Focus (cont.)

- Why we like this strategy
 - A new investment needs to be in excess of R1bn to really move the needle
 - Limited war chest
 - Limited ability to raise additional debt
 - We are focused on growing SOTP *per share* and not the overall value of PSG
 - Limit future equity issues
 - Rather buy back shares if opportune (and capital available)



Project Internal Focus in action

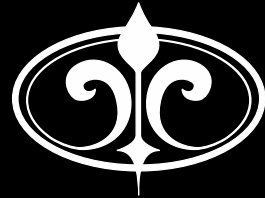
- Increased stakes/control
 - Zeder acquired controlling interests in Agricol and Chayton, and obtained control over Capespan subsequent to year end
 - Operational control of Chayton now resides with Zeder
 - Private Equity obtained control of Impak – new management team
- Restructurings/divestments
 - Restructured M&S by selling its loss-making scaffolding division
 - Sold investment in Petmin for R158m (IRR of 16%)



Project Internal Focus in action (cont.)

- Restructurings/divestments (*cont.*)
 - Capevin Holdings/Investments merger
 - Zeder sold majority of investment in Capevin Holdings (IRR of 19% over seven-year period)
- Changes to management
 - Was part of the process to appoint successor CEO's: Norman Celliers (Zeder), Francois Gouws (PSG Konsult), Phil Roux (Pioneer Foods)
 - Zeder appointed Antonie Jacobs as Agricol's executive chairman





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Capitec



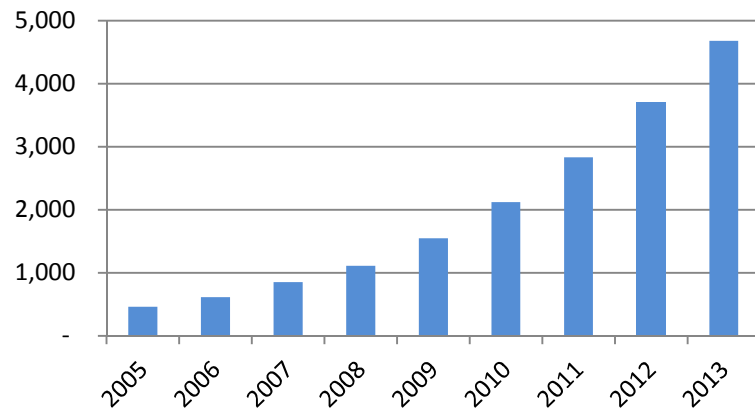
Capitec results – Feb 2013

- *Headline earnings* increased by 47% to R1.6bn
- *HEPS* increased by 35% to 1,519 cents
- *Return on equity* of 27%
- *Net transaction fee income* increased by 61% to R1.3bn
- Capitec well provisioned
- Now has a larger market cap than African Bank

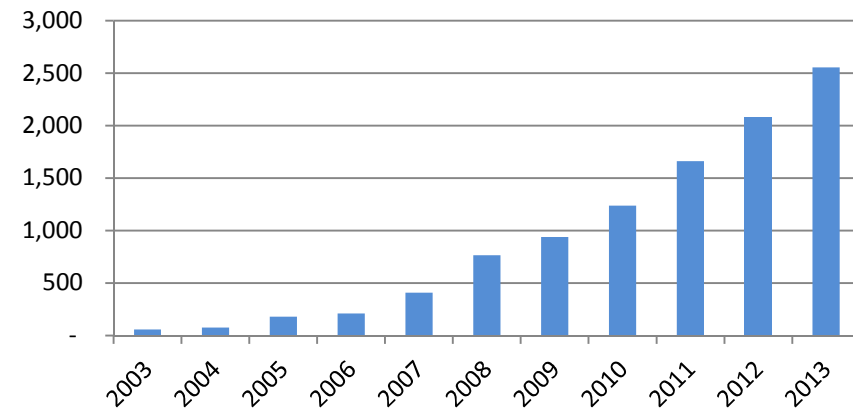


Capitec results – Feb 2013 (cont.)

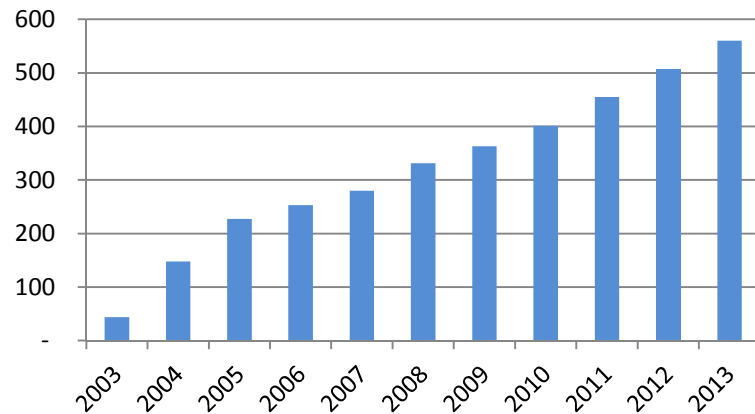
Nr of clients ('000)



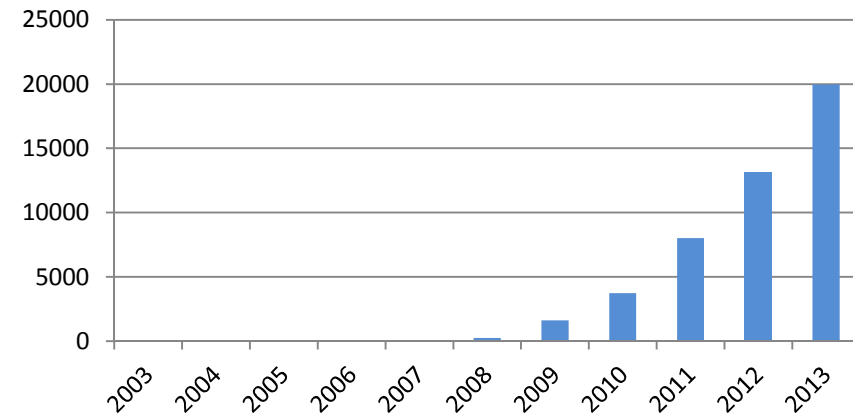
ATMs



Branches

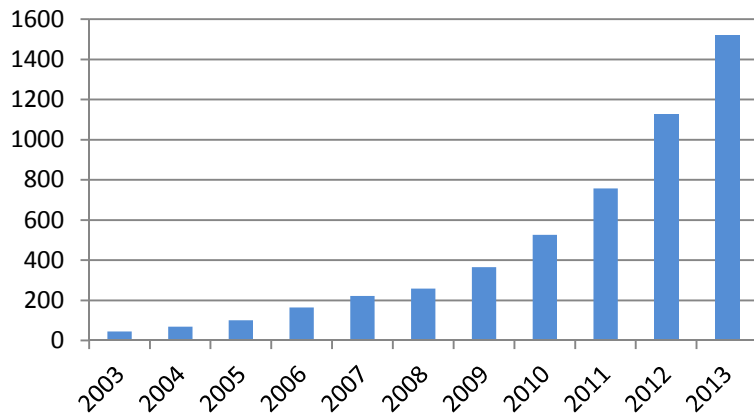


Own POS

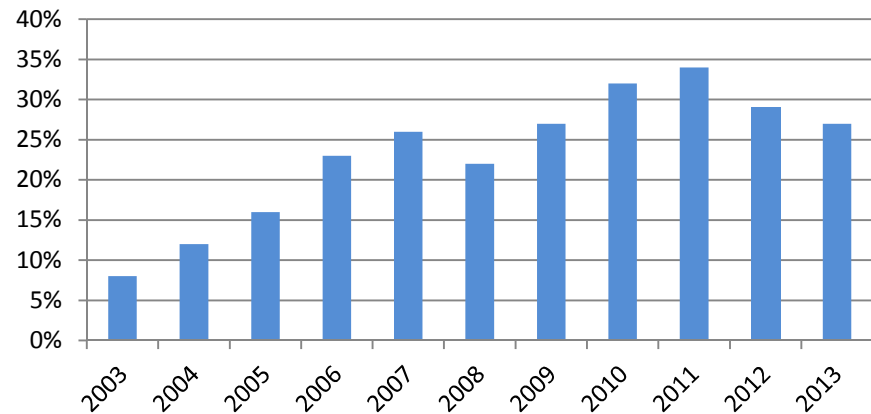


Capitec results – Feb 2013 (cont.)

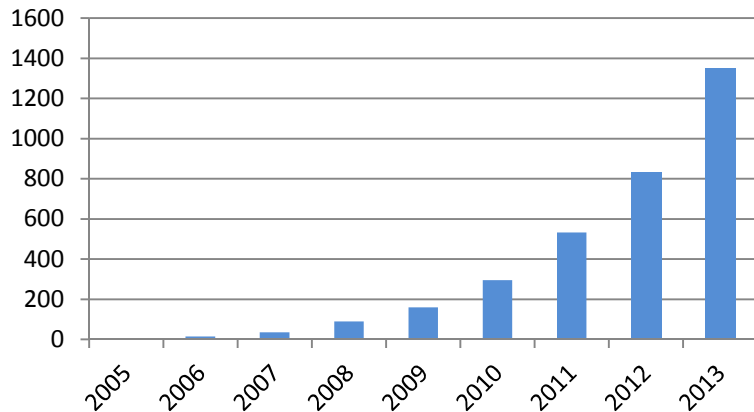
Headline earnings per share (cents)



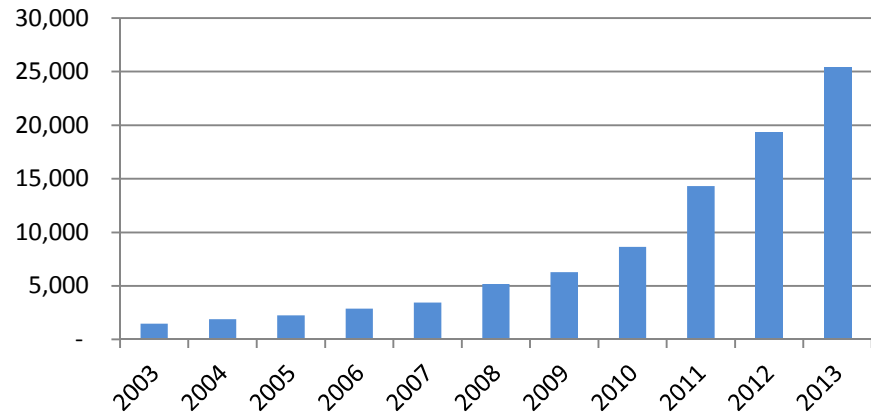
Return on equity



Net transaction fee income (R'm)



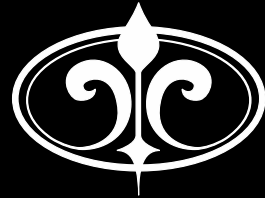
Loans advanced (R'm)



Unsecured credit market

- Negative publicity in recent years
- We are confident that Capitec is well positioned:
 - The most conservative provisioning policy
 - Sources of funding the most secure and diverse
 - Well capitalised – CAR of 41%
 - Continues to attract a vast number of new, less risky clients
 - Becoming less dependent on interest income as there is a sharp increase in transaction fee income
 - In our opinion, Capitec arguably has the best and most focused management team in the industry





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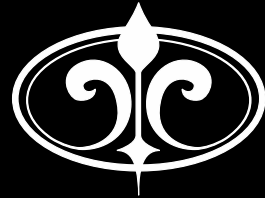
PSG Konsult



PSG Konsult

- Francois Gouws appointed as CEO
- Comprehensive restructuring of the business
- Bought 75% stake in Western National Insurance (owns short-term insurance licence)
- Fully fledged financial services business providing comprehensive wealth management, asset management and insurance services
- Financials:
 - *Recurring headline earnings* per share increased by 9.2% to 15.4 cents
 - Well capitalised (raised R187m i.t.o. rights issue)
 - FUM and FUA of R173bn (*24% up on 2012*)





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Curro Holdings



Curro Holdings

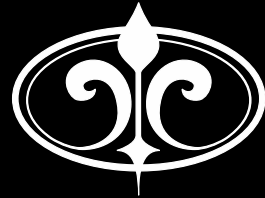
- Significant demand for quality education in SA
- Curro well positioned to capitalise on this opportunity
- Curro epitomises *Project Internal Focus*
- Our strategy to actively work alongside management has been successful in Curro's case – Bernardt vd Linde (ex PSG) now CFO, and Piet Mouton serves on the Curro Exco



Curro Holdings (cont.)

- Since PSG's involvement:
 - Schools increased from 3 to 26
 - Learners increased from 2 059 to 20 840
 - Listed on the JSE
- Plan in place to have 80 schools by 2020
- 2013 learner numbers better than expected
- Financials:
 - Improved profitability
 - Well capitalised (raised a further R606m through a rights issue in May 2013)





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PSG Private Equity



PSG Private Equity corporate action

- Increased stake in M&S Holdings to 38% through disposal of loss-making scaffolding business
 - Share price increased by 170% to 89c
- Acquisitions
 - Increased stake in Impak Onderwysdiens to 89%
 - Increased stake in African Unity Insurance to 49.9%
 - Acquired 60% stake in CA Sales for ~P200m (Botswana based FMCG distributor)
 - Acquired an additional 25% stake in Precrete
- Disposals
 - Sold 12.4% Petmin stake for R158m and realised R78m cash profit (16% IRR)

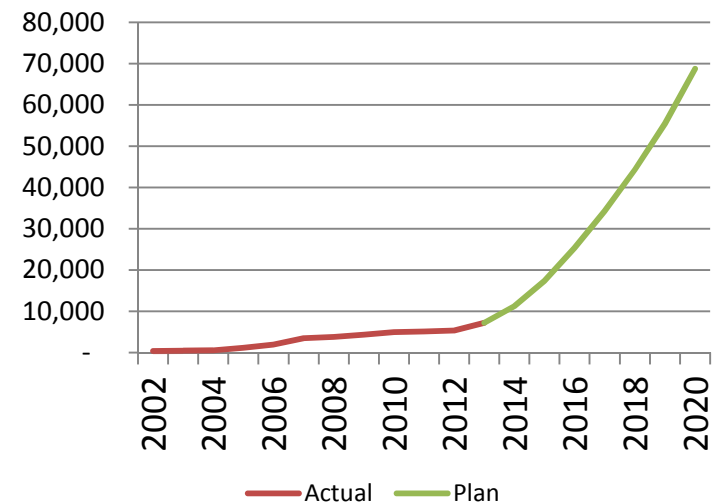


Impak – another education winner?



- Market leader in home and support centre education
- 5 500 learners, with target of ~70 000 learners by 2020
- Afrikaans and English, Gr 0 – Gr 12
- Accredited matric
- 90 support centres nationally
- Regional support with socialisation

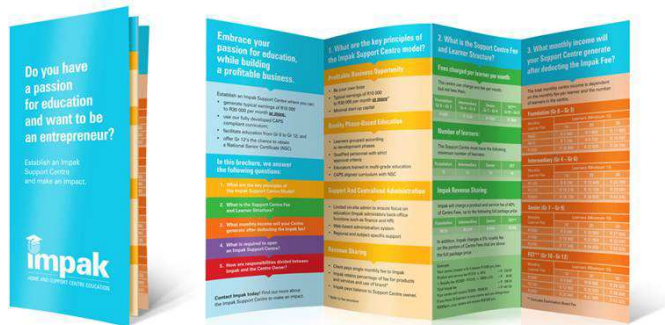
Impak targeted learner growth



A great opportunity: Open a support centre

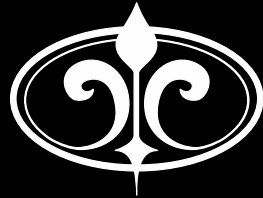


- Build your own business
- Live your passion for education
- Generate **R10 000 to R30 000** earnings per month or more
- Make a positive contribution in South Africa
- You teach, Impak does the rest



www.impak.co.za





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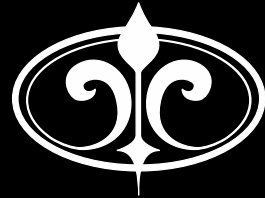
Thembeka



Thembeke - a BEE success story

- 51% black-owned and controlled
- Intrinsic value increased from R1 000 in 2006 to R1.9bn today
- More than 500 direct black individual shareholders
- Various broad based black trusts (100% black owned)





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Zeder



Zeder's expanded strategy

Historically

Going forward

Industry:

- Agribusiness

- Agribusiness

Sub-sector:

- Food and Beverages

- Food and Beverages
- Non-food (i.e. rubber, timber)
- Bio fuels

Geography:

- South Africa (direct)
- Rest of world (via portfolio)

- South Africa (direct)
- Sub-Sahara Africa (direct)
- Rest of world (via portfolio)

Criteria:

- Arbitrage
- Undervalued

- Arbitrage
- Undervalued
- Growth sectors
- Consolidation

Influence:

- Passive

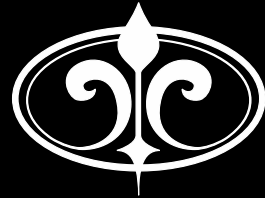
- Active



Zeder management fee

- Previous fee structure
 - Base fee: 2% on NAV (0.15% on cash)
 - Essentially no performance fee
- New fee structure *(approved by shareholders yesterday)*
 - Base fee: 1.5% on market cap
 - Performance fee: 20% of market cap outperformance of GOVI (c.7%) + 4%
 - Performance fee capped at 1.5% per annum *(hurdle reduced accordingly)*





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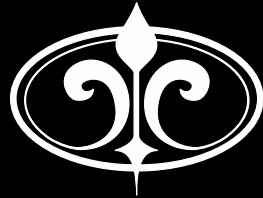
PSG Capital



PSG Capital

- Corporate finance arm of PSG Group
- CEO – Johan Holtzhausen
- Broad spectrum of clients (32 JSE-listed)
- Range of corporate finance & advisory services
- Since 1998, advised on transactions > R79bn





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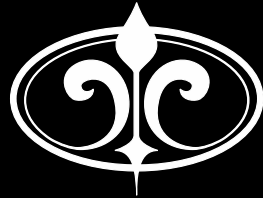
Shareholding

PSG shareholding

- Major shareholders

PSG directors	36.6%
Steinhoff	19.6%
Thembecka Capital	5.2%
Other friends & family	10.1%
	<hr/>
	71.5%
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Thank you

Please join us for lunch