

# PSG Konsult AGM



# Listing – 18 June 2014



JSE main board – “Financial Services” sector  
Abbreviated name "PSG KST", share code  
"KST"

First day of trading stats:

- High: 829c; Low: 780c
- Deals: 537; Volume: 1 884 570
- Value: R14 955 514
- Market cap > R10bn

# Chairman Agenda : Willem Theron



- 1 Constitution of meeting
- 2 Considering of resolutions (1 – 14)
- 3 Other business
- 4 Closure

# Resolutions



- 1 To note the audited annual financial statements for the year ended 28 February 2014

## **Ordinary resolutions:**

- 2 Ordinary resolution number 1: To re-elect W Theron as director and chairman
- 3 Ordinary resolution number 2: To re-elect PJ Mouton as director
- 3 Ordinary resolution number 3: To re-elect PE Burton as a director
- 4 Ordinary resolution number 4: To re-elect MIF Smith as a director
- 5 Ordinary resolution number 5: To re-elect ZL Combi as a director
- 6 Ordinary resolution number 6: To elect J de V Du Toit as a member of the audit and risk committee
- 7 Ordinary resolution number 7: To elect PE Burton as a member of the audit and risk committee

# Resolutions (continue)



- 8 Ordinary resolution number 8: To elect ZL Combi as a member of the audit and risk committee
- 9 Ordinary resolution number 9: To re-appoint the auditor, PricewaterhouseCoopers Inc
- 10 Ordinary resolution number 10: General authority to issue ordinary shares for cash

## **Special resolutions:**

- 11 Special resolution number 1: Remuneration of non-executive directors
- 12 Special resolution number 2: Intercompany financial assistance
- 13 Special resolution number 3: Financial assistance for acquisition of shares in the company or in a related or inter-related company
- 14 Special resolution number 4: Share repurchases by PSG Konsult and its subsidiaries

**Voting ballot papers to be collected. Voting results will be announced after CEO presentation**



# PSG Konsult Overview



# CEO Agenda : Francois Gouws

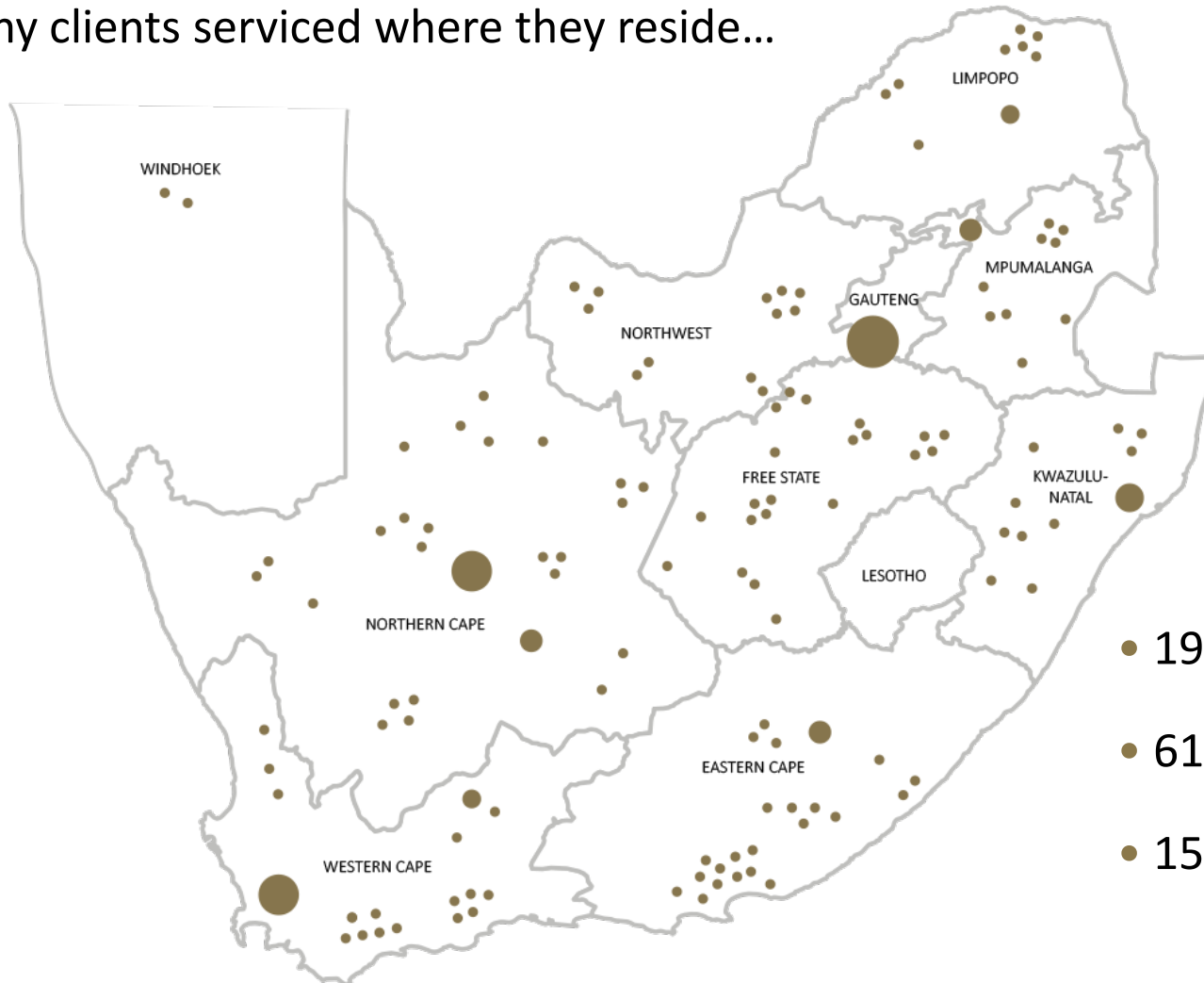


- 1 **2014 Overall Results**
- 2 2014 Divisional Performance
- 3 2015 Focus

# A great company



Wealthy clients serviced where they reside...



- 193 offices
- 618 advisers
- 150 000+ clients



# FY2014 financial results overview



Recurring headline earnings grew by 44% for FY 2014...

<b>Consolidated results</b>	<b>FY 2013 <u>Rm</u></b>	<b>FY 2014 <u>Rm</u></b>	<b><u>%Δ</u></b>
Revenue	1,846	2,557	39%
PBT	136	384	182%
<b>Headline earnings</b>	<b>174</b>	<b>245</b>	<b>41%</b>
- Recurring headline earnings	174	251	44%
- Non recurring headline earnings	(1)	(7)	981%
Weighted average number of shares (000's)	1,131,880	1,220,523	8%
<b>HEPS (Rand Cents)</b>	<b>15.4</b>	<b>20.0</b>	<b>30%</b>
<b>Recurring HEPS (Rand Cents)</b>	<b>15.4</b>	<b>20.6</b>	<b>34%</b>

<b>Cost: Income Ratio *</b>	<b>67.2%</b>	<b>63.8%</b>	
<b>Debt: Equity Ratio **</b>	<b>15.0%</b>	<b>9.4%</b>	
<b>Return on Equity</b>	<b>20.5%</b>	<b>23.6%</b>	

\* Net Revenues

\*\* Based on interest bearing debt

Source : PSG Finance Function

# Execution year: 2013



## Structure

- Three divisions and nine licenses
- Office centralisation
- Sold or closed underperforming businesses

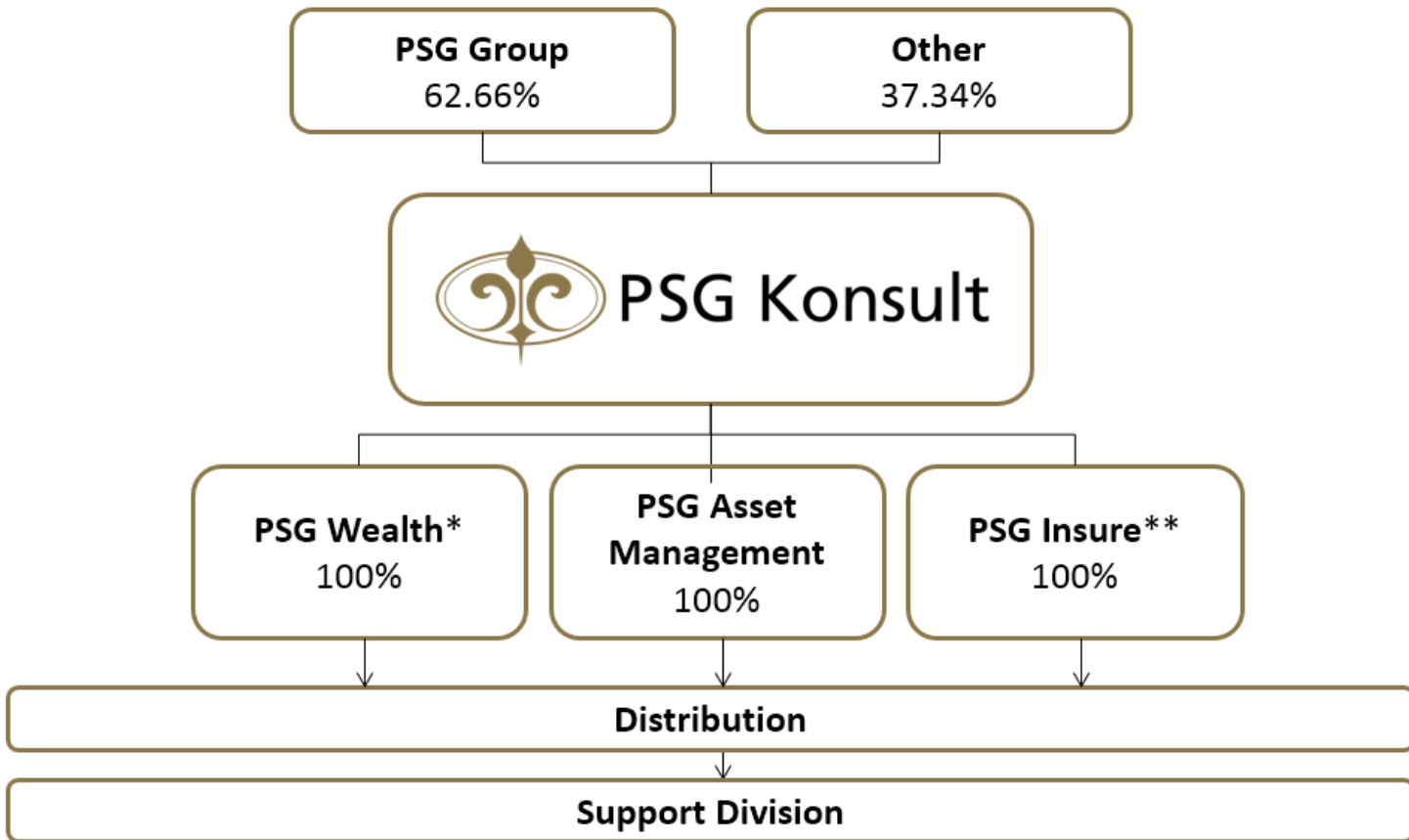
## People changes

- Performance driven
- Incentive based
- Hired industry talent

## Business processes

- Governance structures
- Greater risk management
- Customer processes

# New structure



\* Includes PSG Employee Benefits

\*\* Includes Western National Insurance

Source : PSG Finance function

As at 31 May 2014

# Recurring earnings by division



All three divisions posted credible earnings growth year on year...

Recurring headline earnings *	FY 2013 <u>Rm</u>	<u>%Δ</u>	FY 2014 <u>Rm</u>
Wealth Management	126	33%	167
Asset Management	31	74%	54
Insurance	17	76%	30
<b>Total</b>	<b>174</b>	<b>44%</b>	<b>251</b>

\* All overhead costs are fully allocated

Source : PSG Finance function

# Our brand is getting stronger



We are gaining industry recognition on all fronts...

## **PSG Wealth:**

- SA Stockbroker of the year 2013 (3<sup>rd</sup> year running)

## **PSG Asset Management:**

- Multiple Raging Bull and Morningstar awards
  - Flexible Fund No. 1 over ten years
  - Equity Fund No. 1 over five years
  - Balanced Fund No. 3 over five years
- PlexCrown Top 3 Collective Investment Scheme Manager for Q1 2014

## **PSG Insure:**

- Santam Personal Lines Broker of the year 2013 (3<sup>rd</sup> year running)
- Santam Portfolio Administration Broker of the year 2013



# Financial trend



We always look at a 10-year rolling track record...

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	CAGR %	FY 2014	YoY Gwth %
<b>AUA (Rbn)</b>	14	21	43	53	44	72	97	139	180	38%	<b>235</b>	<b>31%</b>
<b>Premiums (Rbn)</b>	0.1	0.4	0.8	1.0	1.4	1.5	1.6	1.6	2.0 *	45%	<b>2.5 *</b>	<b>25%</b>
<b>Revenues (Rm)</b>	160	246	540	726	823	901	1,018	1,604	1,846	36%	<b>2,557</b>	<b>39%</b>
<b>Headline earnings (Rm)</b>	11	17	46	87	97	90	92	162	174	41%	<b>245</b>	<b>41%</b>
<b>Shares in issue (m)</b>	373	379	695	732	733	733	733	1,072	1,210	16%	<b>1,222</b>	<b>1%</b>
<b>Headline earnings per share (cents)</b>	2.9	4.4	8.2	12.0	13.2	12.3	12.5	15.2	15.4	23%	<b>20.0</b>	<b>30%</b>

Source : PSG Finance function

\* Includes Western National Premiums from Nov 2012

# Business characteristics



- Equity market dependent
- Administration businesses people / systems dependent
- Not very balance sheet intensive
- Free cashflow generative
- Vulnerable to regulatory change

# Contents



- 1 2014 Overall Results
- 2 **2014 Divisional Performance**
- 3 2015 Focus

# Wealth plans



End-to-end client proposition...

## Wealth management assets overview

**Top advisers**

**Excellence in  
products & services**

**Superb platform**

Wealth assets split (Rbn)	FY 2013	Market movement	Net flows	FY 2014	%Δ
Third party funds *	37,792	4,004	3,560	45,356	20%
PSG Multi Managed	16,923	3,817	6,627	27,367	62%
Discretionary	17,957	5,097	1,573	24,627	37%
<b>Total managed assets</b>	<b>72,672</b>	<b>12,918</b>	<b>11,760</b>	<b>97,350</b>	<b>34%</b>
Non discretionary	94,209	22,304	518	117,031	24%
<b>Total wealth assets</b>	<b>166,881</b>	<b>35,222</b>	<b>12,278</b>	<b>214,381</b>	<b>29%</b>

Source : PSG Wealth

\* Includes PSG single managed funds of R1.8bn for FY2013 and R3.1bn for FY2014



# Wealth - top advisers



We continue to add top advisers to our wealth distribution business...

## Larger offices

- More profitable
- Growing faster

Wealth advisers	Number of advisers
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## Growing number of advisers

Balance 28 Feb 2013	<b>370</b>
Net new acquisitions	<b>27</b>
<b>Balance 28 Feb 2014</b>	<b>397</b>
<b><i>Growth</i></b>	<b>7%</b>

## Scale offices via

- New hires in office
- Build new offices
- Increase practice efficiencies



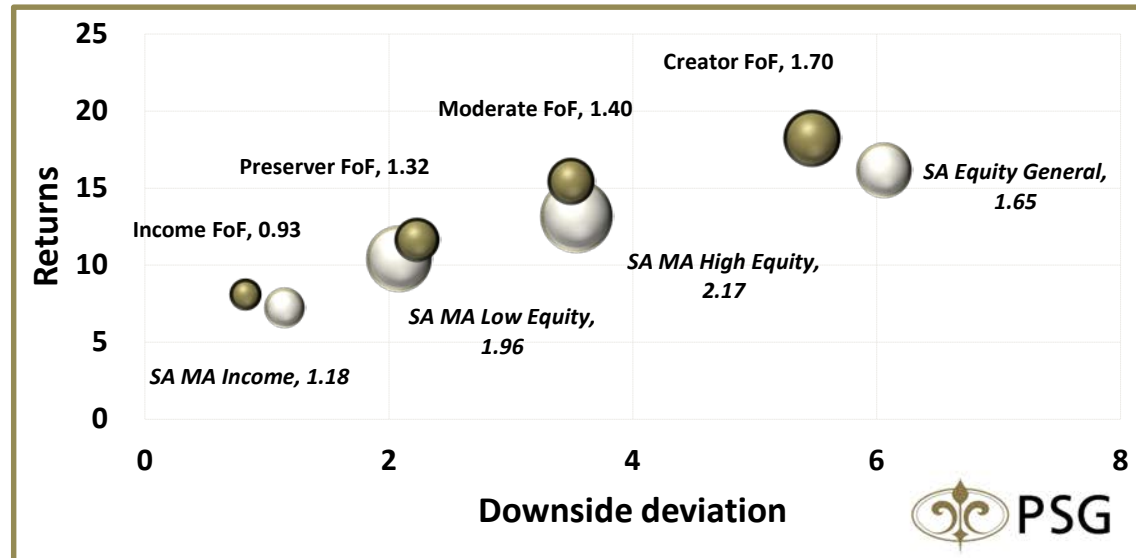
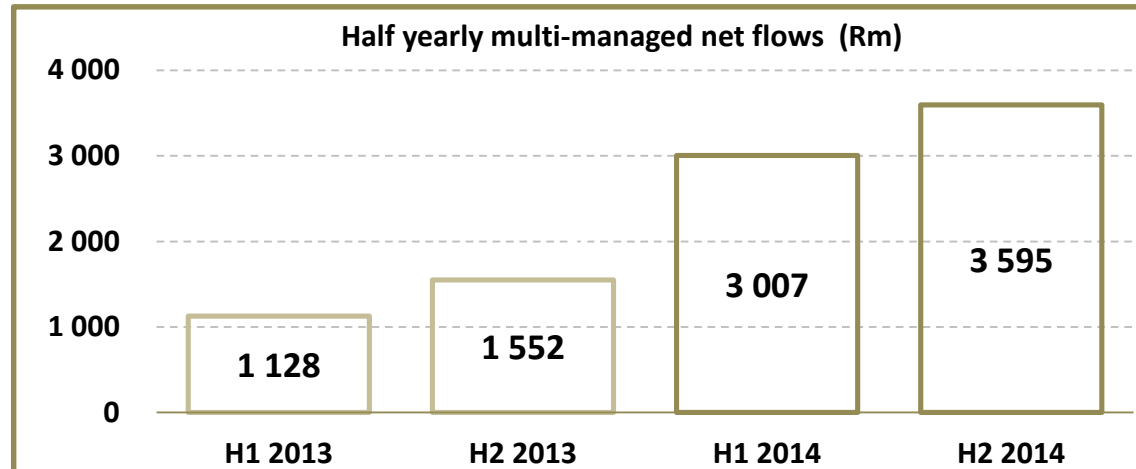
# Wealth - excellence in products & services

Reduced cost to clients and lower risk to advisers...

Independent process with advisers' oversight

Documented and tracked

Negotiation with product providers



# Wealth - superb platform



Value added service for clients and ease of use for advisers...

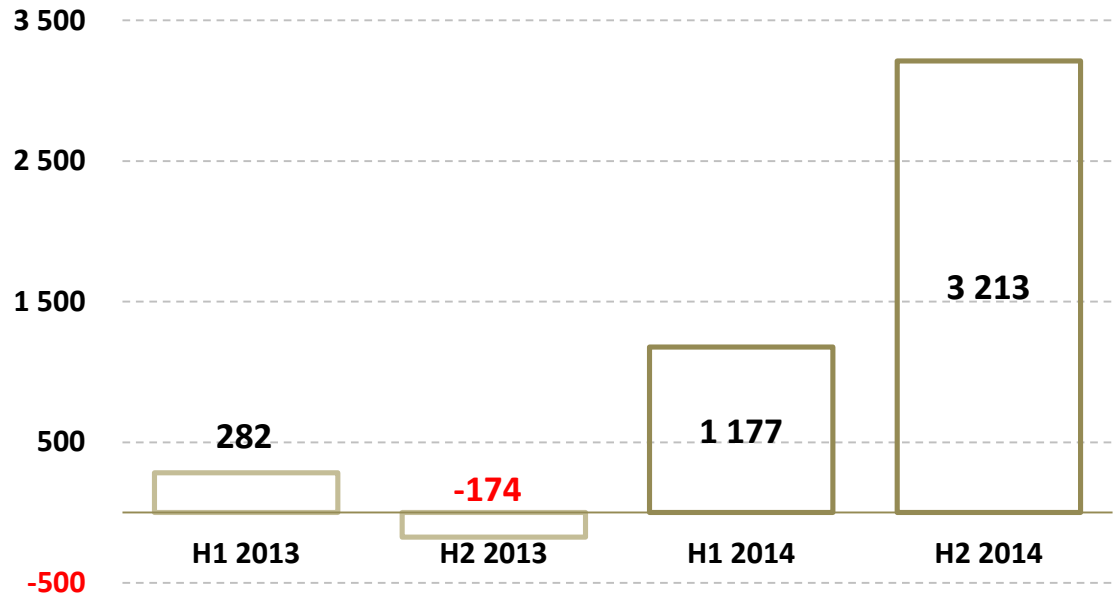
## Proper control and custody of client assets

- Client data

## Reporting

- Clients
- Internal reports

Half yearly PSG Invest net flows (Rm)



# Asset management plans



## Asset management assets overview

Investment performance

Focused marketing

Superb platform

AM assets split (Rbn)	FY 2013	Market movement	Net flows	FY 2014	%Δ
PSG single manager	5,755	1,815	3,945	11,515	100%
PSG money market and related assets	4,738	-69	-397	4,272	-10%
<b>Total assets under management</b>	<b>10,493</b>	<b>1,746</b>	<b>3,548</b>	<b>15,787</b>	<b>50%</b>
PSG Wealth administered assets *	16,723	3,643	7,134	27,500	64%
PSG white label	5,156	714	-139	5,731	11%
<b>Total AM assets</b>	<b>32,372</b>	<b>6,103</b>	<b>10,543</b>	<b>49,018</b>	<b>51%</b>

Source : PSG Asset Management

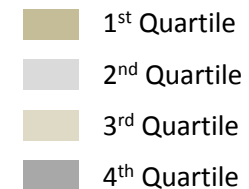
\* Includes the PSG Solutions and PSG Multi-Managed Funds



# Asset management - investment performance

Consistent process across funds and over time...

Single manager funds	Performance	3-month rank	6-month rank	1-year rank	3-year rank	5-year rank	10-year rank
PSG Flexible	Rank	10	7	6	14	4	1
	Return	5.2%	13.5%	28.5%	17.9%	25.2%	18.6%
PSG Equity A	Rank	5	4	2	4	1	8
	Return	8.4%	19.1%	34.9%	21.8%	28.6%	20.6%
PSG Balanced A	Rank	25	10	9	18	3	10
	Return	4.1%	10.8%	21.4%	15.7%	19.4%	15.6%
PSG Stable	Rank	55	65	36			
	Return	2%	5.5%	11.9%			



# Asset management - focused marketing

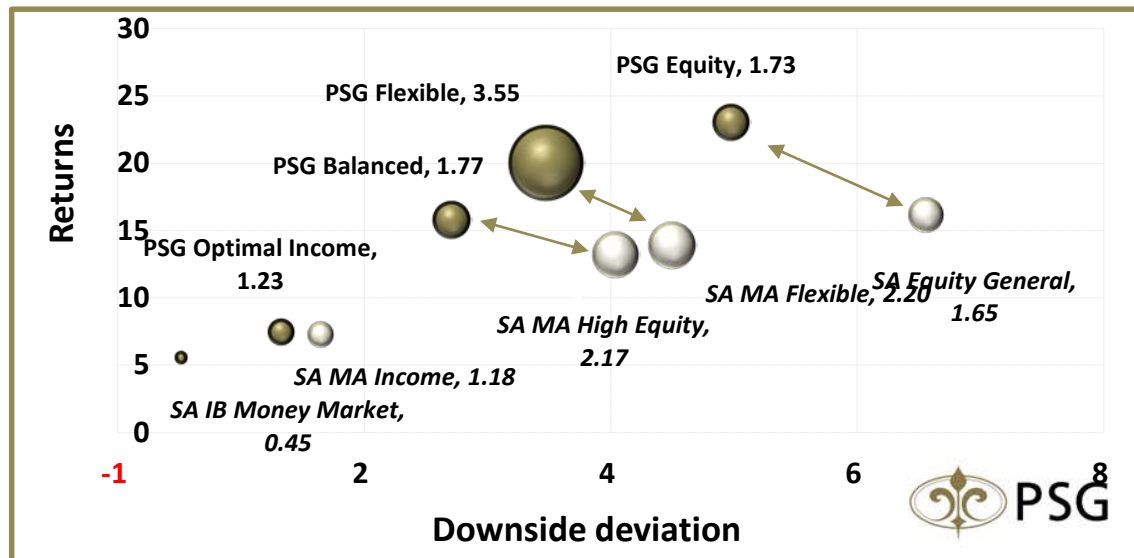
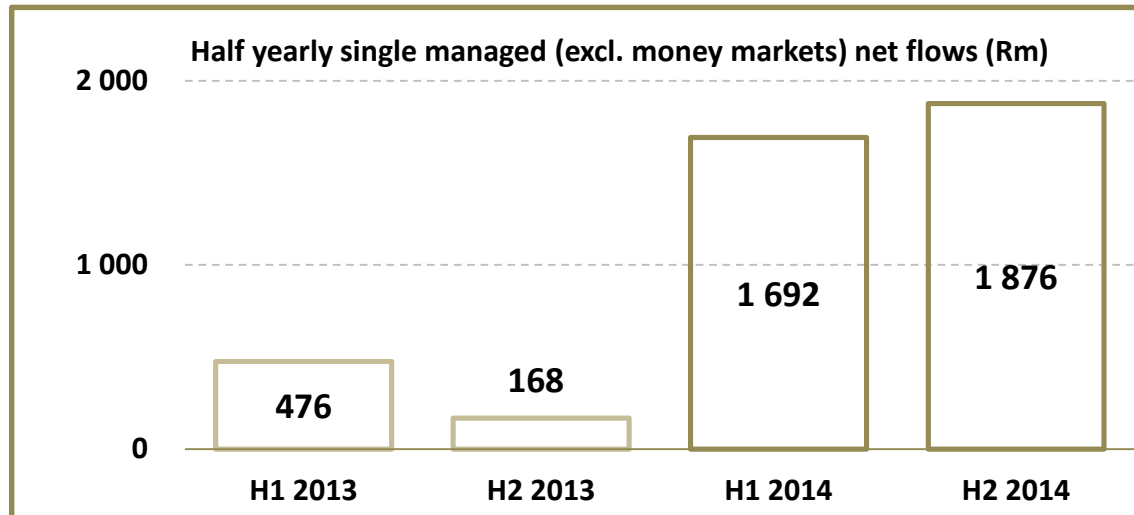
‘Brick by Brick’ strategy...

## Focused marketing

- Institutional
- Multi-managers
- Platforms
- PSG advisers
- Independent advisers
- Direct

## Our Approach

- Long-term assets (Retail emphasis)
- Protect our capacity
- Getting adequate margins



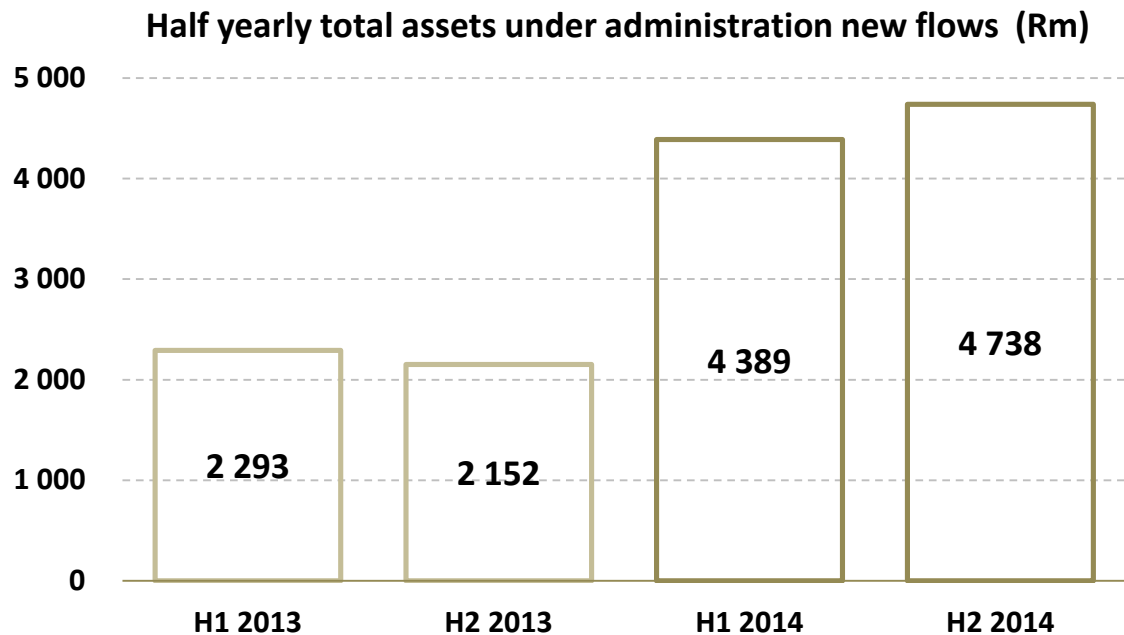


# Asset management - superb platform

**Proper control and custody  
of client assets**

**Building operational  
excellence**

**Maintaining connectivity  
with clients**



# Insure management plans

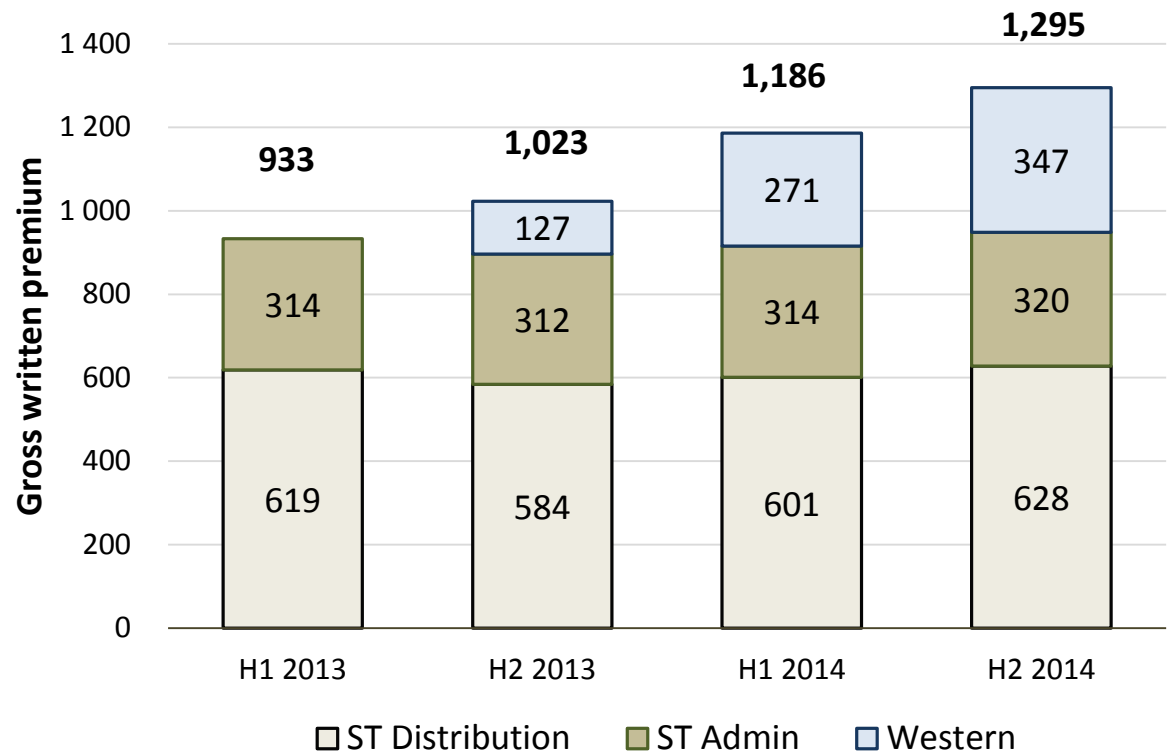


Top advisers

Excellence in underwriting

Superb platform

Half yearly PSG Insure gross written premium (Rm)

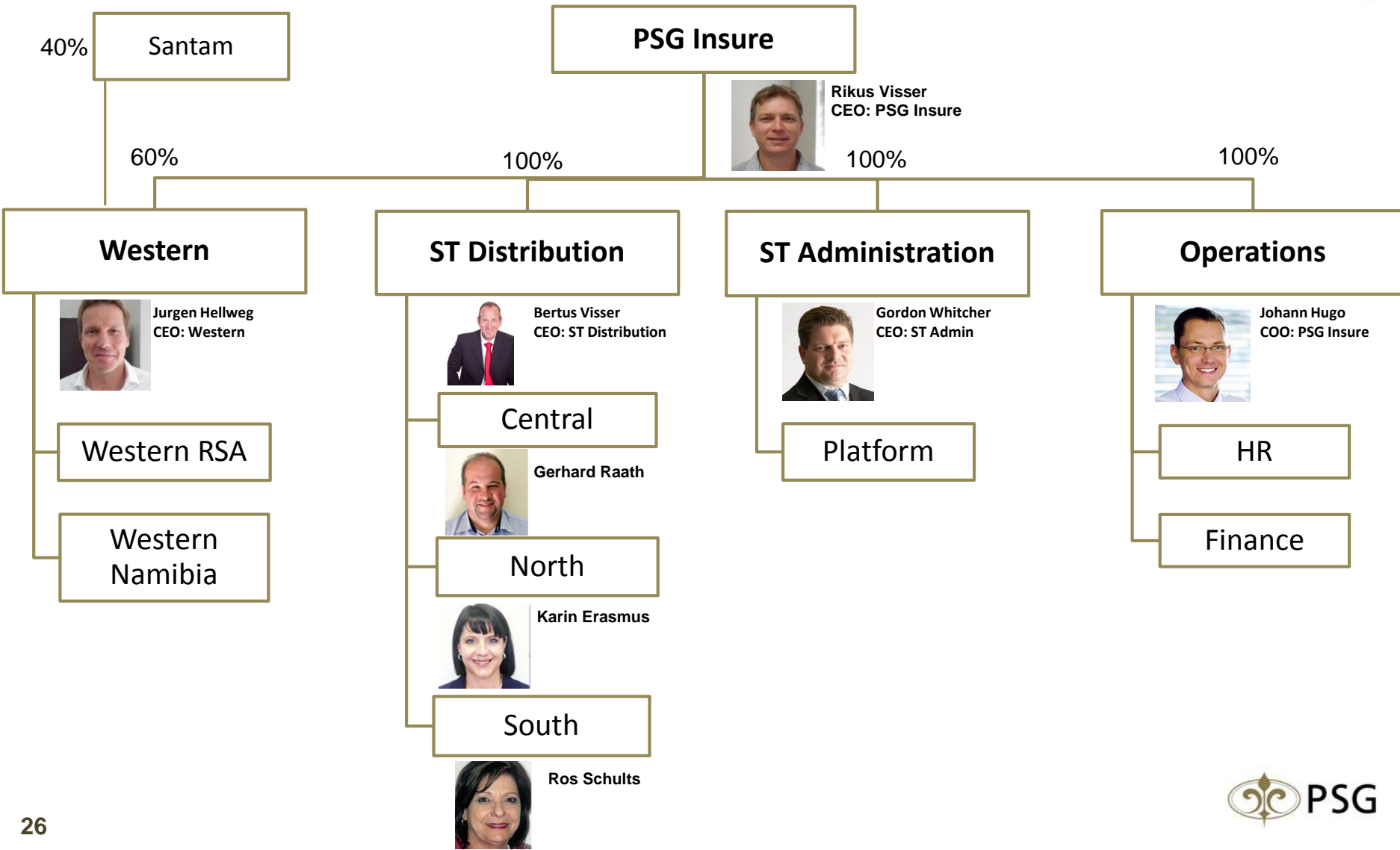


Western acquisition – Nov'12

Source : PSG Insure



# Insure - organisational structure



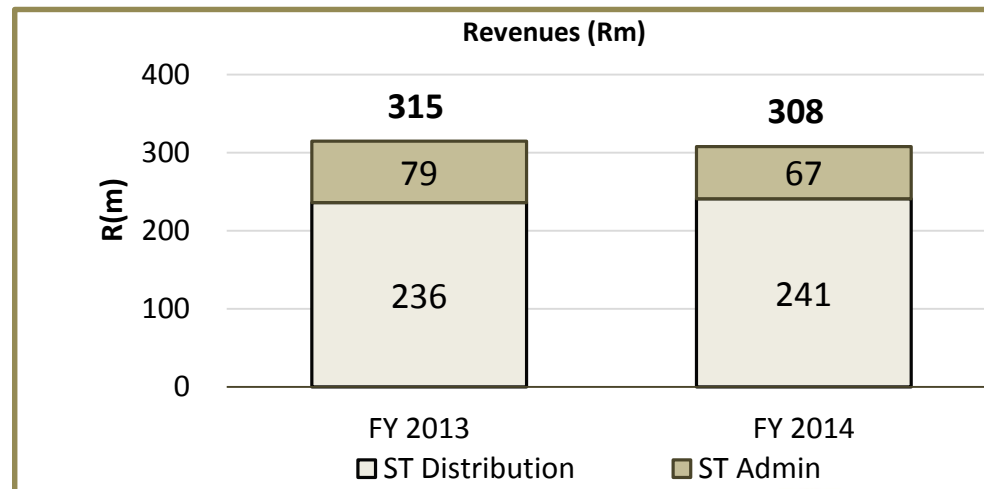
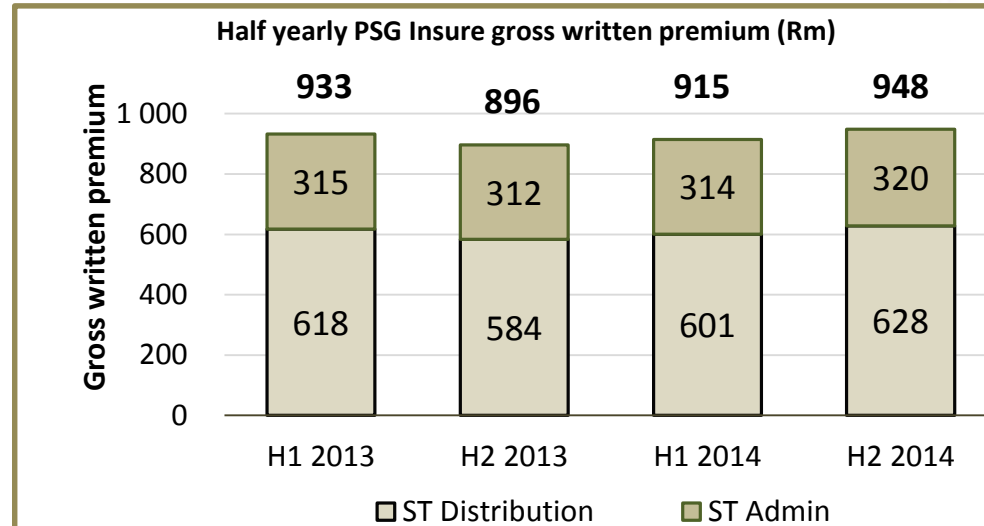
# Insure - ST distribution and administration

## ST Distribution

- Growing adviser base across South Africa
- Merged 21 offices into six 100% owned
- Focus on commercial >10% growth

## ST Administration

- Platform service to PSG distribution network
- 50% of PSG Insure business is on platform
- Expanding product offering – focus on commercial



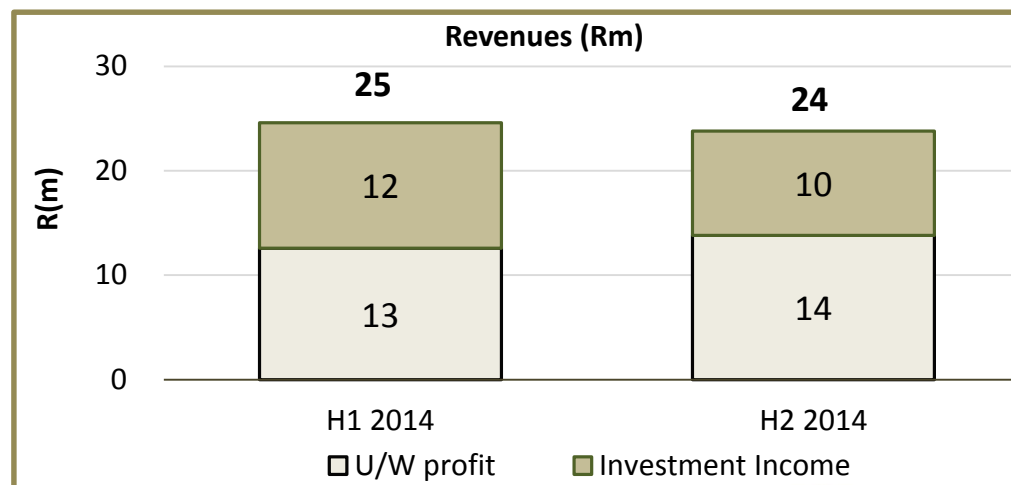
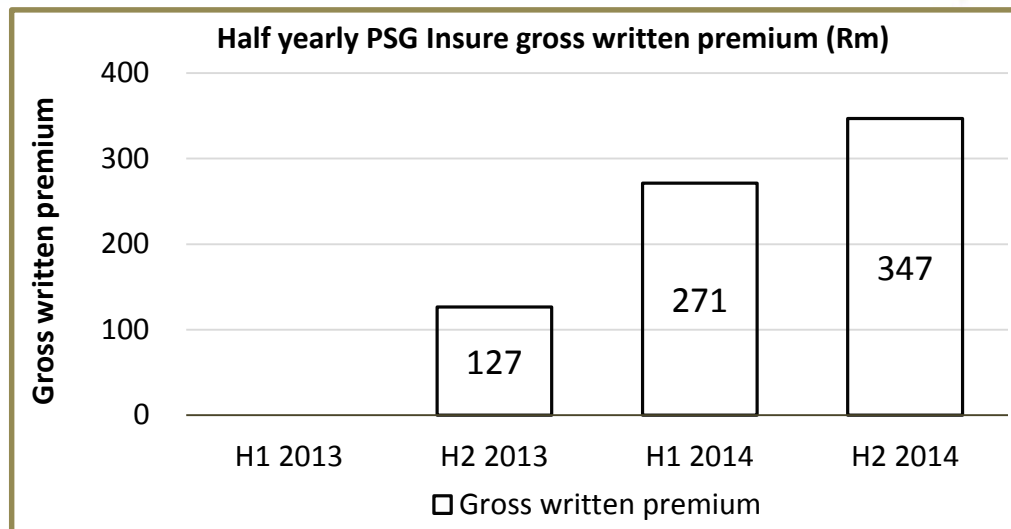
# Insure – Western National

## Key differentiators

- Highly personalised service to brokers
- Focus on commercial business
- Product offering now also distributed by PSG adviser network

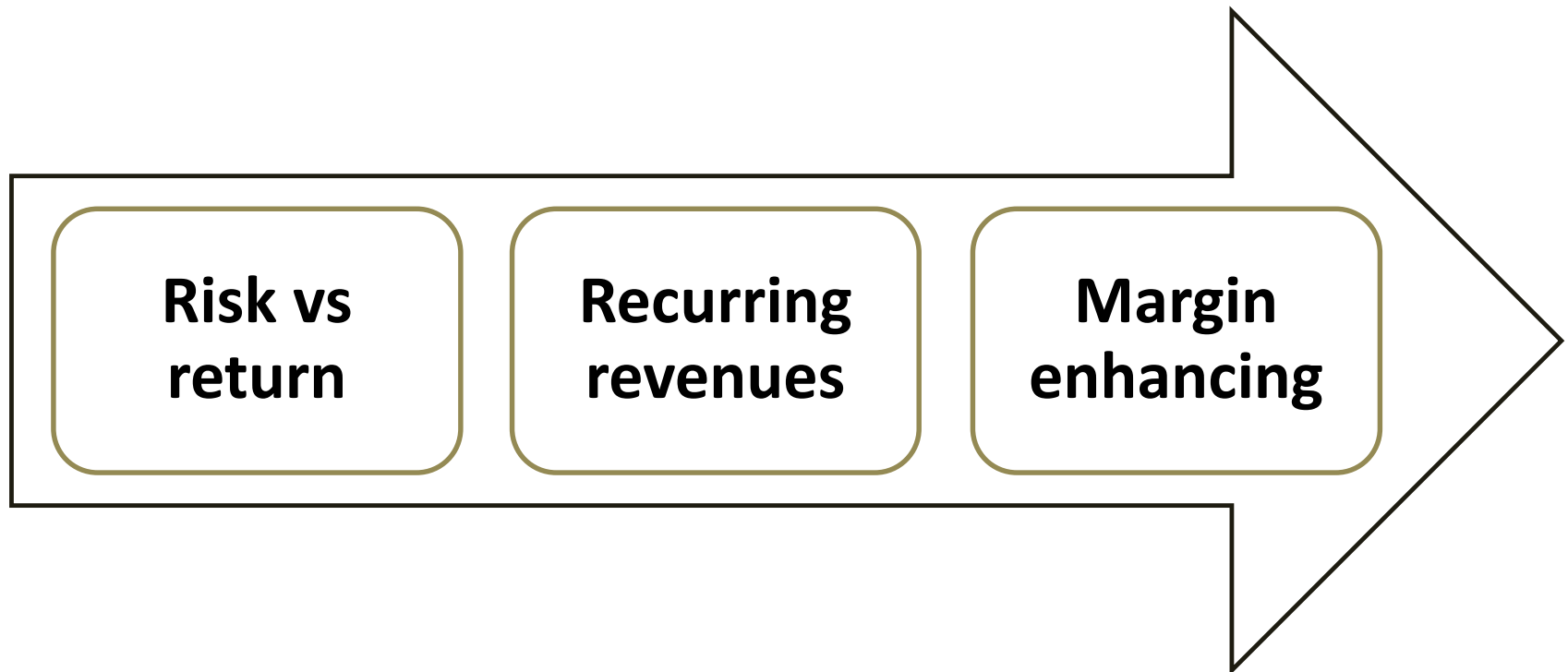
## Excellence in underwriting

- In-depth underwriting skills and knowledge in commercial risks
- Healthy insurance float level > R400m
- Limited insurance and investment risk retention levels



Source : PSG Insure

# Measured approach



# Contents



- 1 2014 Overall Results
- 2 2014 Divisional Performance
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# Our Focus



<p><b>Top line organic growth</b></p> <p>✓</p>	<p><b>Internally funded</b></p> <p>✓</p>	<p><b>South African focused</b></p> <p>✓</p>
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# Conclusion



**Thank you**

# AGM voting results



**Chairman to confirm AGM voting results**

# Appendix



# Key indicators



Key Indicators	2013	2014	%Δ
Headline earnings (Rm)	174	245	40.8%
Recurring headline earnings (Rm)	174	251	44.3%
EPS (Cents)	15.4	20.0	29.9%
Recurring HEPS (Cents)	15.4	20.6	33.8%
Cash Index – STeFI Call	266	278	4.5%
All Bond Index	434	437	0.7%
Listed Property PR Index	493	501	1.6%
JSE Index	39,250	46,256	17.8%
Gold Price	1,664	1,202	(27.8%)
Rand / US\$	8.40	10.35	23.2%