

OVERVIEW

PSG Konsult delivered a commendable 18% growth in recurring headline earnings per share and a return on equity of 22%. The continued upward trajectory of our key operating and financial metrics demonstrates the resilience of our business model and ability to gain market share, even in periods during which we experience economic headwinds. Total assets under management increased to R230 billion, comprising assets managed by PSG Wealth of R182 billion and PSG Asset Management of R48 billion, while PSG Insure's gross written premium increased by 25% to R2 billion. Performance fees earned constituted 4.6% of headline earnings in comparison to 4.4% in the comparative period.

PSG Konsult's key financial performance indicators for the six months ended 31 August 2018 are shown below:

	31 Aug 18 R000	Change %	31 Aug 17 R000
Core income	2 277 976	10	2 062 016
Headline and recurring headline earnings	283 146	18	239 275
Non-headline items	(1 297)		91
Earnings attributable to ordinary shareholders	281 849	18	239 366
Divisional recurring headline earnings			
PSG Wealth	159 787	7	149 923
PSG Asset Management	87 212	53	56 829
PSG Insure	36 147	11	32 523
	283 146	18	239 275
Weighted average number of shares in issue (net of treasury shares) (millions)	1 318.0	–	1 314.5
Earnings per share (basic) (cents)			
– Headline and recurring headline	21.5	18	18.2
– Attributable	21.4	17	18.2
– Headline (excluding intangible amortisation cost)	23.3	17	19.9
Dividend per share (cents)	7.0	23	5.7
Return on equity (ROE) (%)	21.9		21.4

SALIENT FEATURES

↑18%
to 21.5 cents

RECURRING HEADLINE EARNINGS PER SHARE

2017: 18.2 cents | 2016: 16.6 cents

↑23%
to 7.0 cents

DIVIDEND PER SHARE

2017: 5.7 cents | 2016: 5.1 cents

↑19%
to R230bn

TOTAL ASSETS UNDER MANAGEMENT

2017: R193bn | 2016: R167bn

↑25%
to R2 012m

GROSS WRITTEN PREMIUM

2017: R1 607m | 2016: R1 348m

PSG Wealth

PSG Wealth achieved recurring headline earnings growth of 7%

We are satisfied with this result in the context of the prevailing investment market conditions. Management and other fees increased by 10% as the business continues to focus on recurring income and reduce its reliance on cyclical transactional brokerage fees, which decreased by 15% during the period under review due to lower transactional volumes. We continue to enhance our information technology systems and develop both the adviser and client online platforms, and all related costs continue to be fully expensed. Clients' assets managed by our Wealth advisers increased by 12% to R182.1 billion during the period under review, which included R7.0 billion of positive net inflows.

We remain confident about the fundamentals and prospects of this division. We believe that our advisers and clients will gain, over the long term, from our client-centric digital projects. We are particularly proud of the division's formidable financial adviser network, which consists of 546 advisers as at 31 August 2018. The experience and stature of the advisers that joined the firm during the period under review continue to add credibility to our growing brand equity. We remain focused on increasing client engagement and growing our market share.

↑ **MANAGED ASSETS**
12% to R182 billion

↑ **TOTAL ASSETS**
5% to R378 billion

NET INFLOW OF MANAGED ASSETS
R7 billion

PSG Asset Management

PSG Asset Management's recurring headline earnings grew by 53%

The strong results achieved by this division is testimony to the team's excellent long-term track record of delivering top-quartile risk-adjusted investment returns for our clients. The team's ability to consistently generate alpha for clients across all asset classes over the appropriate investment horizon remained intact during difficult market conditions. Client assets under management increased by 13% to R48.1 billion during the six-month period. This included R4.1 billion of positive net client inflows, predominately into our higher-margin funds, with the bulk coming from our retail-orientated target market. We continue to add high-quality annuity earnings from our growing retail client base.

↑ **ASSETS UNDER MANAGEMENT**
13% to R48 billion

↑ **ASSETS UNDER ADMINISTRATION**
16% to R119 billion

NET INFLOW OF MANAGED ASSETS
R4 billion

PSG Insure

PSG Insure achieved recurring headline earnings growth of 11%

The group is pleased with this achievement, which has been driven by improved underwriting results. This division is in an early growth phase and continues to make inroads into the highly competitive short-term insurance market through organic growth and select acquisitions. It achieved gross written premium growth of 25% as we continue to focus our efforts on growing the commercial lines side of the business, which requires specialist adviser expertise. No significant catastrophe or other related events occurred during this period. When combined with our quality underwriting practices, this allowed us to achieve an improved net underwriting margin of 10.5% compared to the 7.4% we achieved in the prior period. The insurance advisers increased by 29% to 316 during the six-month period, following the acquisition of the commercial and industrial insurance brokerage business of Absa Insurance and Financial Advisers effective 1 June 2018, and continue to increase our market share on the commercial lines side. All costs incurred in setting up the required office infrastructure to implement this transaction have been fully expensed.

The Western Group's short- and long-term insurance licences in Botswana were approved during July 2018. The business is expected to become profitable in the medium term.

↑ **GROSS WRITTEN PREMIUM***
25% to R2 billion

* Excludes short-term administration platform gross written premium.

↑ **UNDERWRITING MARGIN**
10.5% from 7.4%



CORPORATE ACTIVITY

During the period under review, the company entered into negotiations regarding a potential acquisition. If it had been successfully concluded, based on the indicative transaction value, it would have qualified as a Category 2 transaction under the JSE Listings Requirements. Shareholders were advised, on 7 September 2018, that following a detailed due diligence investigation of this opportunity and lengthy negotiations, the parties were not able to agree on terms which would, in the view of the board, be in the long-term best interests of PSG Konsult's various stakeholders.

PSG Konsult's focus remains on organic growth, although it will consider acquisitions that meet its investment criteria, which require, inter alia, acceptable pricing, a compelling strategic rationale, clearly definable synergies and ease of integration.

In line with our organic growth strategy, we concluded a few smaller earnings-accretive adviser acquisition transactions. The transactions were funded from existing cash resources and are aligned with our aim of identifying opportunities that will either expand our adviser footprint or enhance our overall client service offering. The transactions were seamlessly integrated into PSG Konsult's existing business operations and management believes these will contribute positively to the long-term organic growth of the firm.



CAPITAL MANAGEMENT

PSG Konsult is strongly capitalised and complies with the more stringent capital requirements of Solvency Assessment and Management (SAM), which became effective 1 July 2018. On 23 July 2018, our strong financial position was again

affirmed in the long- and short-term investment grade national scale ratings assigned to PSG Konsult by rating agency Global Credit Rating Co. of A-(ZA) and A1-(ZA) respectively, with a stable outlook. Other than the R100 million notes currently issued under the Domestic Medium Term Note programme, the group has no material interest-bearing debt and always maintains solid capital buffers. Our strong cash flow and low debt position allow us to use several levers to optimise risk-adjusted returns for our shareholders.

Given our continued confidence in business prospects, the board decided to approve and declare an interim gross dividend of 7.0 cents per share from income reserves for the six months ended 31 August 2018 (2017: 5.7 cents per share), which represents a 23% increase from the previous interim period. The group's dividend payout ratio remains at the low end of the dividend payout policy range announced at the time of listing.



LOOKING FORWARD

We continue to monitor all actions that stem from the current corporate, political and economic climate, and the associated impact on our clients and other stakeholders.

The group's aim remains to service existing clients in an integrated manner that is seamless and market leading, as well as to gain new clients. Several initiatives are in place to ensure this continues. The group's focus on products, platforms and client service excellence, through the quality of its advice process, works. As such, the prospects for continued growth remain compelling.

The cash-generative nature of the business gives PSG Konsult several options for funding business growth initiatives. These are ultimately aimed at enhancing our overall client experience.

The group will continue to prioritise organic growth in our current selected markets where we have relatively low, but rapidly expanding, market shares. The group's capital position adequately considers our current growth plans.

Unaudited interim financial results

This short-form announcement is the responsibility of the board of directors of the company. It contains only a summary of the information contained in the full announcement made on SENS on Thursday, 11 October 2018 and does not contain full or complete details. Please refer to the full announcement for additional information, which is available for viewing on PSG Konsult's website at www.psg.co.za. It may also be requested and obtained in person, at no charge, at the registered office of the group and the offices of the sponsor during office hours. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement made on SENS and on the group's website, as a whole.

The board would like to extend its gratitude to its stakeholders, including its shareholders, advisers, clients, business partners, management and employees, for their efforts and contributions during the past six months.

On behalf of the board



Willem Theron
Chairman



Francois Gouws
Chief executive officer

Tyger Valley
11 October 2018

Non-executive directors: W Theron (Chairman), PJ Mouton, J de V du Toit[^], PE Burton*, ZL Combi*, R Stassen*, ZRP Matsau* ([^] Lead independent; * Independent)

Executive directors: FJ Gouws (Chief executive officer), MIF Smith (Chief financial officer)

Company secretary: PSG Management Services Proprietary Limited

PSG Konsult head office and registered office: 4th Floor, The Edge, 3 Howick Close, Tyger Waterfront, Tyger Valley, Bellville, 7530; PO Box 3335, Tyger Valley, Bellville, 7536

Transfer secretary: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196; PO Box 61051, Marshalltown, 2107

Listings: Johannesburg Stock Exchange (JSE), Namibian Stock Exchange (NSX)

JSE sponsor: PSG Capital Proprietary Limited **NSX sponsor:** PSG Wealth Management (Namibia) Proprietary Limited **JSE share code:** KST **NSX share code:** KFS

ISIN code: ZAE000191417 **Auditor:** PricewaterhouseCoopers Inc., Cape Town

PSG Konsult Limited (Incorporated in the Republic of South Africa) ('PSG Konsult' or 'the company' or 'the group')

Registration number: 1993/003941/06

Website: www.psg.co.za