



RECURRING HEADLINE EARNINGS PER SHARE
2018: 43.0 cents | 2017: 37.2 cents



DIVIDEND PER SHARE
2018: 18.0 cents | 2017: 15.3 cents



TOTAL ASSETS UNDER MANAGEMENT
2018: R205bn | 2017: R175bn



GROSS WRITTEN PREMIUM
2018: R3 296m | 2017: R2 854m

OVERVIEW

PSG Konsult increased recurring headline earnings per share by 4% and achieved a commendable return on equity of 21.5%. The group achieved these results against a backdrop of challenging operating conditions, which included a weak economy, subdued consumer sentiment and negative returns on local equity markets and currency volatility. The performance of our key operating and financial metrics under these conditions demonstrates our competitive advantage and the resilience of our business model. Total assets under management increased by 8% to R222 billion, comprising assets managed by PSG Wealth of R175 billion (7% increase) and PSG Asset Management of R47 billion (11% increase), while PSG Insure's gross written premium amounted to R4.5 billion (36% increase). The decline of 4% in the current year of the JSE/FTSE All Share Index, compared to a positive return of 14% in the previous financial year, had a pronounced impact on performance fees, investment income earned on shareholder assets and overall fee income growth. Performance fees earned constituted only 2.9% of headline earnings in comparison to 8.6% in the previous financial year.

We continue to invest in our business given our confidence in its long-term growth prospects. Specifically, investment in technology resulted in a 29% increase in related costs, while personnel costs also increased markedly from the previous year mainly due to an increase in technology staff hires and 68 newly qualified graduates (88% of which are ACI candidates). The graduates we hired are part of our continued strategy to build our own talent. PSG Insure, fully expensed upfront costs incurred in setting up the required office infrastructure to facilitate the acquisition of the Absa Insurance and Financial Advisers (AIFA) businesses, and also expensed initial costs incurred in setting up a new business operation in Botswana, which is expected to break even during the new financial year.

PSG Konsult's key financial performance indicators for the year ended 28 February 2019 are shown below:

	28 Feb 19 R000	Change %	28 Feb 18 R000
Recurring headline earnings	591 099	4	566 396
Non-recurring items [^]	12 789	-	-
Headline earnings	603 888	7	566 396
Non-headline items	(1 714)	80	80
Earnings attributable to ordinary shareholders	602 174	6	566 476
Divisional recurring headline earnings			
PSG Wealth	338 594	0	339 129
PSG Asset Management	167 279	7	155 825
PSG Insure	85 226	19	71 442
	591 099	4	566 396
Weighted average number of shares in issue (net of treasury shares) (millions)	1 325.1	1	1 317.6
Earnings per share (basic) (cents)			
- Recurring headline	44.6	4	43.0
- Headline	45.6	6	43.0
- Attributable	45.4	6	43.0
- Recurring headline - excluding intangible asset amortisation cost	48.4	5	46.4
Dividend per share (cents)	20.5	14	18.0
Return on equity (ROE) (%)	21.5		24.3

[^] The non-recurring items relate mainly to a profit that was recognised by PSG Wealth in the current year following the maturity of certain legacy financial instruments linked to investment contracts which, due to credit risk uncertainty, was not previously recognised. In addition, PSG Insure recognised an impairment loss on a premium debt exposure to a third-party premium-collection agency.

 **PSG Wealth**

PSG Wealth's recurring headline earnings were flat. We are satisfied with this result in the context of poor market conditions. Overall revenue was up 5%, which included a 9% increase in management and other recurring fee income, but an 18% decrease in brokerage fees during the year under review. Cost increases were greater than revenue growth due to our continued investment in enhancing our IT systems and platforms, aligned with our aim of providing competitive products and seamless client service. Clients' assets managed by our Wealth advisers increased by 7% to R175 billion during the year under review, which included R10 billion of positive net inflows.

We remain confident about the fundamentals and prospects of this division and believe that our commitment to securing long-term relationships with clients will continue to differentiate us in the markets in which we compete. The division's formidable financial adviser network consisted of 546 wealth advisers as at 28 February 2019 and continues to add credibility to the growing brand equity. We continue to focus on client engagement, including via digital platforms, and gaining market share.



 **PSG Asset Management**

PSG Asset Management's recurring headline earnings increased by 7%, despite a 64% decline in performance fees earned in the current year. The division's excellent long-term track record of delivering top-quartile risk-adjusted investment returns for our clients continues to deliver high-quality recurring earnings, even under difficult market conditions. The team's ability to consistently generate alpha across asset classes for clients over the appropriate investment horizon remains intact. Client assets under management increased by 11% to R47 billion, during the year under review. This included R6 billion of single-manager positive net client inflows, predominantly into our higher margin funds, with the majority coming from our retail target market. PSG Asset Management continues to be recognised as an industry leader and was again voted by Morningstar as one of the top two South African fund houses. Assets administered by the manco increased by 14% to R118 billion, having been further bolstered by R6 billion of multi-managed net inflows. Margins in this area of the business continue to improve, as we are starting to benefit from economies of scale.



 **PSG Insure**

PSG Insure's recurring headline earnings grew by a commendable 19%. The group is satisfied with the division's performance and believes that the costs incurred in the current year to fund growth initiatives will ensure continued growth. This division continues to gain market share in the highly competitive short-term insurance market and is starting to achieve economies of scale benefits. The division achieved gross written premium growth of 36% as we continue to focus our efforts on growing the commercial lines' side of the business which requires specialist adviser expertise. Western Group's comprehensive reinsurance programme reduced the adverse impact of certain catastrophe events that occurred during the second half of the year. This, when combined with our quality underwriting practices, allowed us to achieve an improved net underwriting margin of 8.9% compared to the 8.3% achieved in the prior year.

The insurance advisers increased by 58% to 386, mainly due to the acquisition of the Absa Insurance and Financial Advisers (AIFA) businesses. Following the completion of the commercial and industrial brokerage business acquisition effective 1 June 2018, the division acquired the remaining short-term face-to-face advisory insurance brokerage business, effective 1 December 2018. These two transactions enhanced PSG Insure's footprint across South Africa and is already contributing to the group's profitability.

The Western Group's short- and long-term insurance licences in Botswana were approved during July 2018 and the business is performing in line with expectations. PSG Insure received top honours at the 2019 Old Mutual Insure Awards and was named overall winner as Top National Broker.



 **CORPORATE ACTIVITY**

PSG Insure concluded an agreement to acquire the remaining 40% shareholding in the Western Group's Namibian entities, held by Santam, effective 1 November 2018. Post this transaction, Western Namibia and Western Botswana are wholly owned.

We again concluded a few smaller earnings accretive acquisitions to strengthen our organic growth strategy. These transactions were funded from existing cash resources and will be seamlessly integrated into PSG Konsult's existing business operations to positively contribute to the organic growth of the firm.

PSG Konsult also completed a secondary listing on the Stock Exchange of Mauritius (SEM) on 27 November 2018. The SEM is regarded as one of the foremost exchanges in Africa and is a fully-fledged member of the World Federation of Exchanges. PSG Konsult will retain its primary listing on the Main Board of the JSE Limited, as well as its existing secondary listing on the Namibian Stock Exchange.

 **CAPITAL MANAGEMENT**

PSG Konsult is strongly capitalised and complies with the capital requirements of Solvency Assessment and Management (SAM). We have minimal interest-bearing debt and a SCR ratio of 1.82 based on the latest insurance group return. Our strong financial position was also affirmed in the long- and short-term investment grade national scale ratings

assigned to PSG Konsult by rating agency Global Credit Rating Co. (GCR) of A-(ZA) and A1-(ZA), respectively, with a stable outlook.

Given the solid performance of the group, the board decided to approve and declare a 10% increase in the final gross dividend of 13.5 cents per share (2018: 12.3 cents per share) from income reserves for the year ended 28 February 2019. This brings the full-year increase in the total dividend to 14%. The group's strong cash flow generation supports the current dividend increase, with this year's dividend payout ratio of 45% at the midpoint of the 40% to 50% dividend policy range that was announced at the time of listing.

 **LOOKING FORWARD**

We continue to monitor the corporate, political and economic situation, both locally and globally, and the associated impact on our clients and other stakeholders.

The cash-generative nature of the business gives PSG Konsult several options for funding business growth initiatives and optimising risk-adjusted returns for our shareholders. As such, the group remains confident about the prospects for continued growth. The group will continue to prioritise organic growth in our selected markets where we have a relatively low, but rapidly expanding market share.

The group will continue to focus on initiatives that enable us to service clients in an integrated manner that is seamless and market-leading. The group's focus on products, platforms, client service excellence and the quality of its advice process remains a key initiative.

 **REVIEWED 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 Wednesday, 17 April 2019 and does not contain full or complete details. Please refer to the full announcement for additional information, 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 decision by investors and/or shareholders should be based on consideration of the full announcement made on SENS and on the group's website as set out above.

The board would like to extend its gratitude to all the group's stakeholders, including shareholders, advisers, clients, business partners, management and employees, for their efforts and contributions during the past year.

On behalf of the board

Willem Theron Chairman
Francois Gouws Chief executive officer

Tyger Valley
17 April 2019