

## Results for the year ended 29 February 2020

### Introduction

Shareholders are reminded that the financial results are based on the actual results for the year ended 29 February 2020, as required in terms of IFRS. Therefore, these financial results do not reflect the current market conditions and must be read in that context. The directors, while complying with IFRS, have also chosen to comment on the impact of the developing COVID-19 pandemic.

### Financial results

**PSG Konsult** produced a solid 8% recurring headline earnings per share growth and 20.5% return on equity for 2020, despite longer-term structural deficits in the South African economy.

We continued to invest in long-term growth initiatives, given the attractive opportunities we see for our businesses. During the current year we maintained investment momentum in systems and processes (+17% in non-personnel costs) while also continuing to hire top talent (+8% in personnel costs).

It's a salutary reminder that the benefits from long-term investments take time and require both confidence and patience. Over the past five years we invested circa R1bn (fully expensed) in systems and processes, and it's only during the current year that we started to see the benefits of lower marginal costs related to client service. Consequently, we expect that the growth in future costs will be at a lower rate.

The Insure division's growth in recurring headline earnings was supported by the Absa Insurance and Financial Advisers acquisition concluded in the prior year.

No performance fees were earned during the current year, compared to the prior year where performance fees constituted 2.9% of headline earnings.

PSG Konsult's key financial performance indicators for the year ended 29 February 2020 are shown below.

	29 Feb 2020 R'000	Change %	28 Feb 2019 R'000
Recurring headline earnings	<b>644 408</b>	9	591 099
Non-recurring items	—		12 789
Headline earnings	<b>644 408</b>	7	603 888
Non-headline items	<b>2 549</b>		(1 714)
Earnings attributable to ordinary shareholders	<b>646 957</b>	7	602 174
Divisional recurring headline earnings	<b>376 384</b>	11	338 594
PSG Wealth	<b>146 420</b>	(12)	167 279
PSG Asset Management	<b>121 604</b>	43	85 226
PSG Insure	<b>644 408</b>	9	591 099
Weighted average number of shares in issue (net of treasury shares) (millions)	<b>1 340.9</b>	1	1 325.1
Earnings per share (basic) (cents)	<b>48.1</b>	8	44.6
– Recurring headline	<b>48.1</b>	5	45.6
– Headline	<b>48.2</b>	6	45.4
– Attributable	<b>52.2</b>	8	48.4
– Recurring headline (excluding intangible asset amortisation cost)	<b>22.5</b>	10	20.5
Dividend per share (cents)	<b>7.5</b>	7	7.0
– Interim dividend per share (cents)	<b>15.0</b>	11	13.5
– Final dividend per share (cents)	<b>20.5</b>		21.5
Return on equity (ROE) (%)			

### Capital management and dividend

**PSG Konsult** remains strongly capitalised, with a capital cover ratio of 191% (2019: 182%) based on the latest insurance group return. PSG Konsult's strong cash flow enables us to continue to invest in long-term growth opportunities, systems and processes, while optimising risk-adjusted returns for shareholders.

The group negotiated the early redemption of the R100m notes issued under the Domestic Medium-Term Note Programme. The notes were redeemed on 12 July 2019, utilising surplus cash, and the group therefore had no remaining interest-bearing debt at year-end. Shareholders were advised on 4 December 2019 that the rating agency Global Credit Rating Company upgraded the group's credit rating. PSG Konsult's long-term South African national scale rating was upgraded to A(ZA) from A-(ZA), while the short-term South African national scale rating was revised to A1(ZA), from A1-(ZA) with a stable outlook.

To minimise the impact of share issue dilution, the PSG Konsult Group Share Incentive Trust purchased 12 585 068 PSG Konsult shares, at a cost of R122.1m, during the first half of the year to satisfy certain of its obligations in terms of the Share Incentive Scheme. In addition, PSG Konsult repurchased and cancelled a further 1 551 139 shares at a cost of R13.7m during the second half of the year.

Given its continued confidence in the group's prospects, the board decided to approve and declare a final gross dividend of 15.0 cents per share from income reserves for the year ended 29 February 2020 (2019: 13.5 cents per share). The group's dividend payout ratio remains consistent with the dividend policy communicated at the time of listing.

### COVID-19

Our first priority is to ensure staff safety and business continuity for our clients. We are able to report that most of PSG Konsult's operations have been classified as an essential service, but that 99% of our staff and advisers are working remotely. Despite recent market volatility caused by COVID-19, PSG Konsult remains resilient. Assets under management at 31 March 2020 amounted to R208bn, a decrease of circa 10% compared to a 13% decrease in the JSE All Share Index during March 2020. The group has a strong balance sheet and excellent liquidity. We take a prudent approach when investing assets backing our regulatory capital requirements; as such circa 90% of investable shareholder assets are invested in cash, money market or related instruments. The aim is to limit market volatility on our shareholders' equity and regulatory capital; by way of example, the shareholders' assets declined by less than 1% for the month ended 31 March 2020. PSG Konsult is working with various authorities and Regulators to help minimise the impact of COVID-19 on society as a whole, which among other initiatives shall include a R10m donation into the South African Solidarity Fund.

### Adviser acquisitions

PSG Konsult is an advice rather than product led business; we are a business built by advisers for advisers. We are continually looking to expand our footprint and to acquire new professional advisers. Advisers can contact us via [newadvisers@psg.co.za](mailto:newadvisers@psg.co.za) or directly for a discussion.

### Reviewed financial results

This announcement is the responsibility of the directors of the company. It is only a summary of the information included in the full announcement and does not contain full or complete details. Any investment decision by investors and/or shareholders should be based on consideration of the full announcement, which is available through the link in the short-form announcement released on SENS on Tuesday, 14 April 2020. The full announcement is also available for viewing on PSG Konsult's website at [www.psg.co.za](http://www.psg.co.za) and electronic copies may be requested and obtained, at no charge, from the company at [company.secretary@psg.co.za](mailto:company.secretary@psg.co.za) and from PSG Capital.

The board would like to extend its gratitude to its stakeholders, including its shareholders, advisers, clients, business partners, management and employees, for their support and commitment during the past year.

On behalf of the board



**Willem Theron**  
Chairman  
Tyger Valley



**Francois Gouws**  
Chief executive officer  
13 April 2020



**Recurring headline earnings per share**

2019: 44.6 cents | 2018: 43.0 cents



**Dividend per share**

2019: 20.5 cents | 2018: 18.0 cents



**Total assets under management**

2019: R222bn | 2018: R205bn



**Gross written premium**

2019: R4.5bn | 2018: R3.3bn

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