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# Investor Presentation 2018 Financial Results

For the year ended 28 February 2018



# Contents

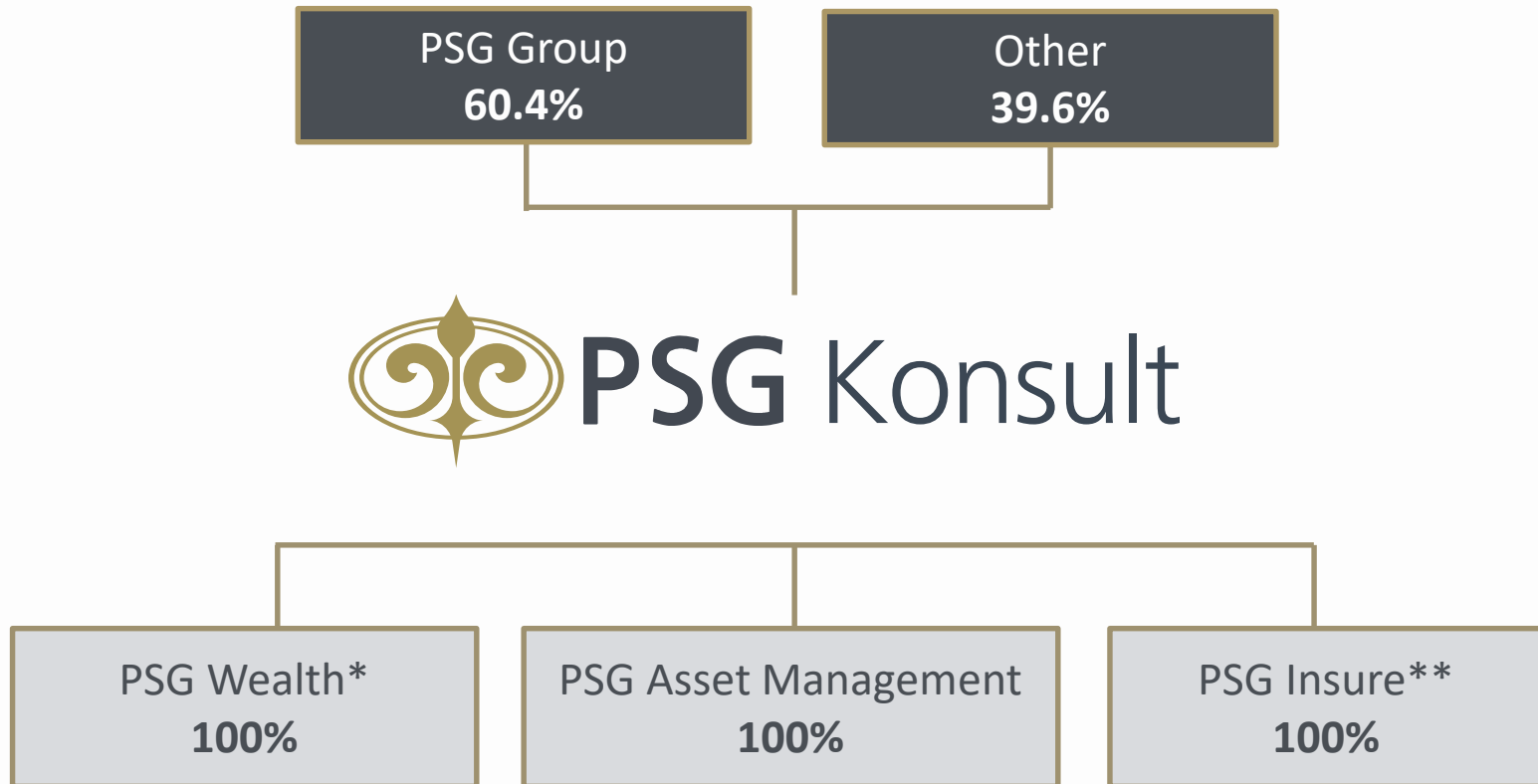
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1. FY 2018 results
2. FY 2018 divisional performance
3. Highlights & focus
4. Conclusion



# PSG Structure

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\* Includes PSG Employee Benefits

\*\* Includes Western National Insurance

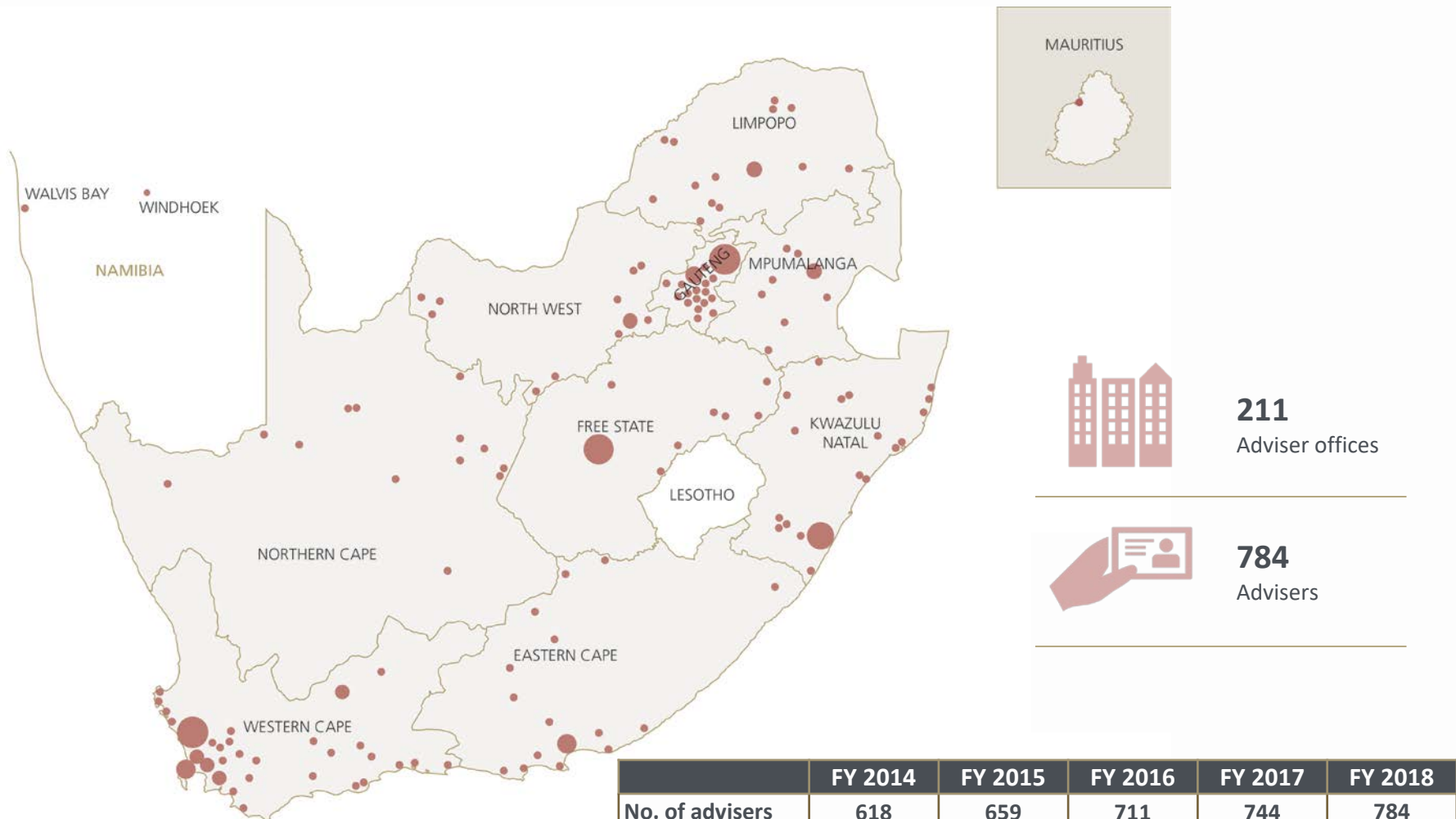
PSG Group's holding net of treasury shares = 61.4%

As at 28 February 2018



# A great company

Wealthy clients serviced where they reside



Source: PSG Distribution

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
<b>No. of advisers</b>	<b>618</b>	<b>659</b>	<b>711</b>	<b>744</b>	<b>784</b>
<i>PSG Wealth</i>	406	434	480	515	539
<i>PSG Insure</i>	212	225	231	229	245
<b>No. of offices</b>	<b>193</b>	<b>193</b>	<b>206</b>	<b>208</b>	<b>211</b>

# Business characteristics

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



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# 01 | FY 2018 results

# Key macro indicators

Weakening economic environment

Key indicators	FY14	%Δ	FY15	%Δ	FY16	%Δ	FY17	%Δ	FY18	CAGR
Rand / US\$	10.8	8%	11.7	36%	15.8	-17%	13.1	-10%	11.8	2%
FTSE/JSE Index	47 329	13%	53 344	-7%	49 415	4%	51 146	14%	58 325	5%
All Bond Index	433	15%	498	-4%	480	13%	544	14%	622	10%
Cash Index - STeFI Call	281	6%	296	6%	314	7%	335	7%	358	6%
S&P 500 (Rand)	19 998	23%	24 529	25%	30 602	1%	31 033	3%	32 007	12%
SA Property Index	485	35%	656	-7%	610	5%	640	-12%	562	4%



# FY 2018 financial results overview

Recurring HEPS grew by 16% for FY 18

Consolidated results	FY 2014	%Δ	FY 2015	%Δ	FY 2016	%Δ	FY 2017	%Δ	FY 2018	%CAGR
Headline earnings	244	39%	339	-14%	292	66%	486	16%	566	23%
Recurring headline earnings	251	36%	341	20%	409	19%	486	16%	566	23%
Recurring headline earnings (excluding amortisation)	272	36%	371	19%	441	20%	528	16%	610	23%
Weighted ave. no. of shares (millions)	1 221	3%	1 261	1%	1 274	3%	1 307	1%	1 318	2%
HEPS (cents)	20.0	35%	26.9	-15%	22.9	62%	37.2	16%	43.0	21%
Recurring HEPS (cents)	20.6	31%	27.0	19%	32.1	16%	37.2	16%	43.0	20%
Recurring HEPS (excluding amortisation) (cents)	22.3	32%	29.4	18%	34.6	17%	40.4	15%	46.3	20%

Assets under management (Rbn)	99	34%	133	16%	154	14%	175	17%	205	20%
Assets under administration (Rbn)	233	33%	309	6%	327	13%	371	8%	402	15%
Premiums* (Rbn)	1.8	17%	2.1	17%	2.5	15%	2.9	15%	3.3	16%

Source: PSG Finance

\* Excludes ST admin gross written premium to avoid duplication.

Note: figures rounded to nearest R'million





# Headline earnings by division

Total recurring headline earnings growth of 16% year on year

Headline earnings*	FY 2014	%Δ	FY 2015	%Δ	FY 2016	%Δ	FY 2017	%Δ	FY 2018	%CAGR
Wealth	162	40%	227	-26%	169	70%	287	18%	339	20%
Asset Management	54	51%	82	1%	83	57%	130	20%	156	30%
Insure	28	7%	30	33%	40	70%	69	4%	71	26%
<b>Total</b>	<b>244</b>	<b>39%</b>	<b>339</b>	<b>-14%</b>	<b>292</b>	<b>66%</b>	<b>486</b>	<b>16%</b>	<b>566</b>	<b>23%</b>

Recurring headline earnings*	FY 2014	%Δ	FY 2015	%Δ	FY 2016	%Δ	FY 2017	%Δ	FY 2018	%CAGR
Wealth	162	41%	228	25%	286	1%	287	18%	339	20%
Asset Management	54	51%	82	1%	83	57%	130	20%	156	30%
Insure	35	-12%	31	29%	40	70%	69	4%	71	20%
<b>Total</b>	<b>251</b>	<b>36%</b>	<b>341</b>	<b>20%</b>	<b>409</b>	<b>19%</b>	<b>486</b>	<b>16%</b>	<b>566</b>	<b>23%</b>

\* All overhead costs are fully allocated

Source : PSG Finance



# Financial trend

We always look at our 10 year rolling track record

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	CAGR %	FY 2017	FY 2018	YoY Gwth %
<b>AUA (Rbn)</b>	53	44	72	97	139	180	233	309	327	371	402	22%	371	402	8%
<b>AUM (Rbn)</b>	21	21	28	36	51	71	99	133	154	175	205	26%	175	205	17%
<b>Premiums (Rbn) **</b>	1.0	1.4	1.5	1.6	1.6	1.6*	1.8	2.1	2.5	2.9	3.3	13%	2.9	3.3	15%
<b>Core Revenues (Rm)</b>	726	823	901	1 018	1 426	1 648	2 349	2 858	3 346	3 789	4 200	19%	3 789	4 200	11%
<b>Recurring headline earnings (Rm)</b>	87	97	90	92	151	174	251	341	409	486	566	21%	486	566	16%
<b>Shares in issue (m)***</b>	732	733	730	733	1 071	1 209	1 222	1 262	1 277	1 313	1 317	6%	1 313	1 317	0%
<b>Recurring HEPS (cents)</b>	12.0	13.2	12.3	12.5	14.1	15.4	20.6	27.0	32.1	37.2	43.0	14%	37.2	43.0	16%
<b>Recurring HEPS (cents) excl. amortisation</b>	13.2	14.7	14.1	14.8	16.0	17.2	22.3	29.4	34.6	40.4	46.3	13%	40.4	46.3	15%
<b>Return on equity (%)</b>	23.2	22.8	19.6	19.3	26.7	21.1	24.8	26.4	24.8	25.3	24.3	N/A	25.3	24.3	N/A
<b>Total advisers</b>	497	524	567	597	635	613	618	659	711	744	784	5%	744	784	5%

\* Includes Western National Premiums from Nov 2012

\*\* Excludes Short-term administration platform gross written premium to avoid duplication

\*\*\* Net of Treasury Shares

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## 02 | FY 2018 divisional performance

# Wealth plans

Growing and protecting client wealth

Excellence in products & services

Top advisers

Superb platform

Wealth assets split (Rm)	FY 2017	Market movement	Net flows	FY 2018	%
Third party funds *	50 847	3 021	3 944	57 812	14%
PSG Multi Managed **	52 351	2 494	5 712	60 557	16%
Discretionary	39 049	3 129	2 115	44 293	13%
<b>Total managed assets</b>	<b>142 247</b>	<b>8 644</b>	<b>11 771</b>	<b>162 662</b>	<b>14%</b>
Non discretionary	184 625	3 562	-1 687	186 500	1%
Third party administration	11 091	2 201	-3 006	10 286	-7%
<b>Total wealth assets</b>	<b>337 963</b>	<b>14 407</b>	<b>7 078</b>	<b>359 448</b>	<b>6%</b>

\* Includes PSG advisers single managed funds of R6.5bn for Feb 2017 and R8.8bn for Feb 2018

\*\* Includes PSG single managed funds of R7.1bn for Feb 2017 and R8.0bn for Feb 2018

Source: PSG Wealth



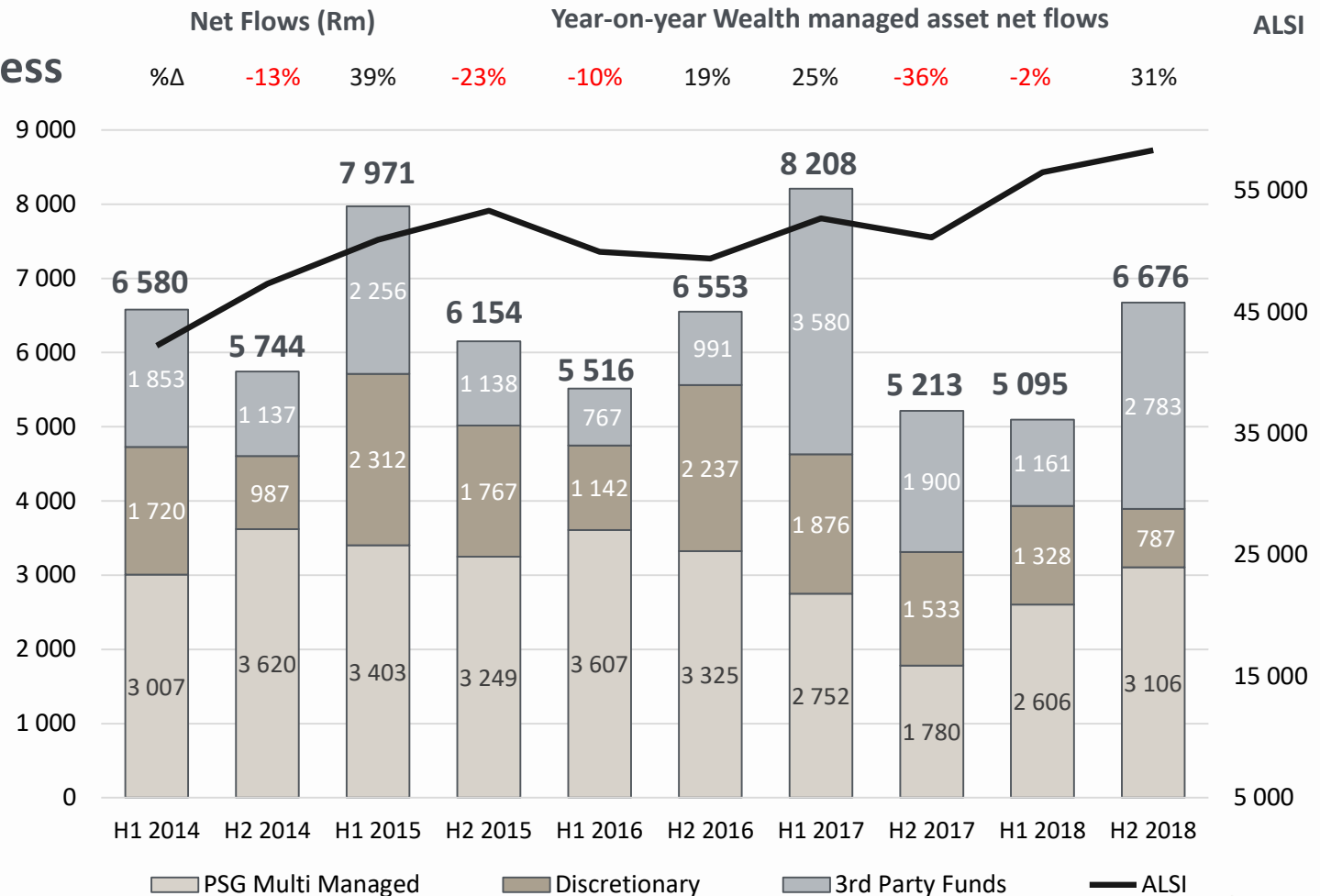
# Wealth

Excellence in products and services

Independent process  
with advisers'  
oversight

Rapid growth in  
advisers

Negotiation with  
product providers



Source: PSG Wealth, Bloomberg



# Top advisers

We continue to add top advisers to our PSG Wealth distribution business

Wealth advisers (incl. EB)	H1 2014*	H2 2014*	H1 2015*	H2 2015*	H1 2016	H2 2016	H1 2017	H2 2017	H1 2018	H2 2018
Balance – opening	384	391	406	419	434	443	480	505	515	527
<b>Net movement</b>	<b>7</b>	<b>15</b>	<b>13</b>	<b>15</b>	<b>9</b>	<b>37</b>	<b>25</b>	<b>10</b>	<b>12</b>	<b>12</b>
Balance – closing	391	406	419	434	443	480	505	515	527	539
<b>Growth</b>	<b>2%</b>	<b>4%</b>	<b>3%</b>	<b>4%</b>	<b>2%</b>	<b>8%</b>	<b>5%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>

\* Restated to exclude advisers moved from Wealth to Insure during FY2016

- Up scale existing offices via new hires
- Greater penetration selected area
- Growth in number of advisers & average book size
  - Financial advisers new home at PSG – unlocking and creating value for clients and themselves
  - Well positioned to support advisers: Open architecture, stable systems, risk & regulatory compliance allowing advisers to focus on client interaction

Source: PSG Distribution



# Asset management plans

Net new money at acceptable margin

## Focused marketing

## Investment performance

## Superb platform

AM assets split (Rm)	FY 2017	Market movement	Net flows	FY 2018	%
PSG Single manager*	26 909	1 708	8 415	37 032	38%
PSG Money market and related assets*	4 237	-1	-608	3 628	-14%
PSG Segregated Portfolios	1 974	-45	76	2 005	2%
<b>Total assets under management</b>	<b>33 120</b>	<b>1 663</b>	<b>7 883</b>	<b>42 666</b>	<b>29%</b>
PSG Multi Managed **	52 351	2 494	5 712	60 557	16%
<b>Total AM assets***</b>	<b>85 471</b>	<b>4 157</b>	<b>13 595</b>	<b>103 223</b>	<b>21%</b>

\* Includes PSG advisers single managed funds of R6.5bn for Feb 2017 and R8.8bn for Feb 2018

\*\* Includes PSG Single Managed funds of R7.1bn for Feb 2017 and R8.0bn for Feb 2018

\*\*\* Assets under administration, excluding segregated portfolios, amounts to R101bn (2017: R83bn) which represents a 22% increase from prior year

Source: PSG Asset Management



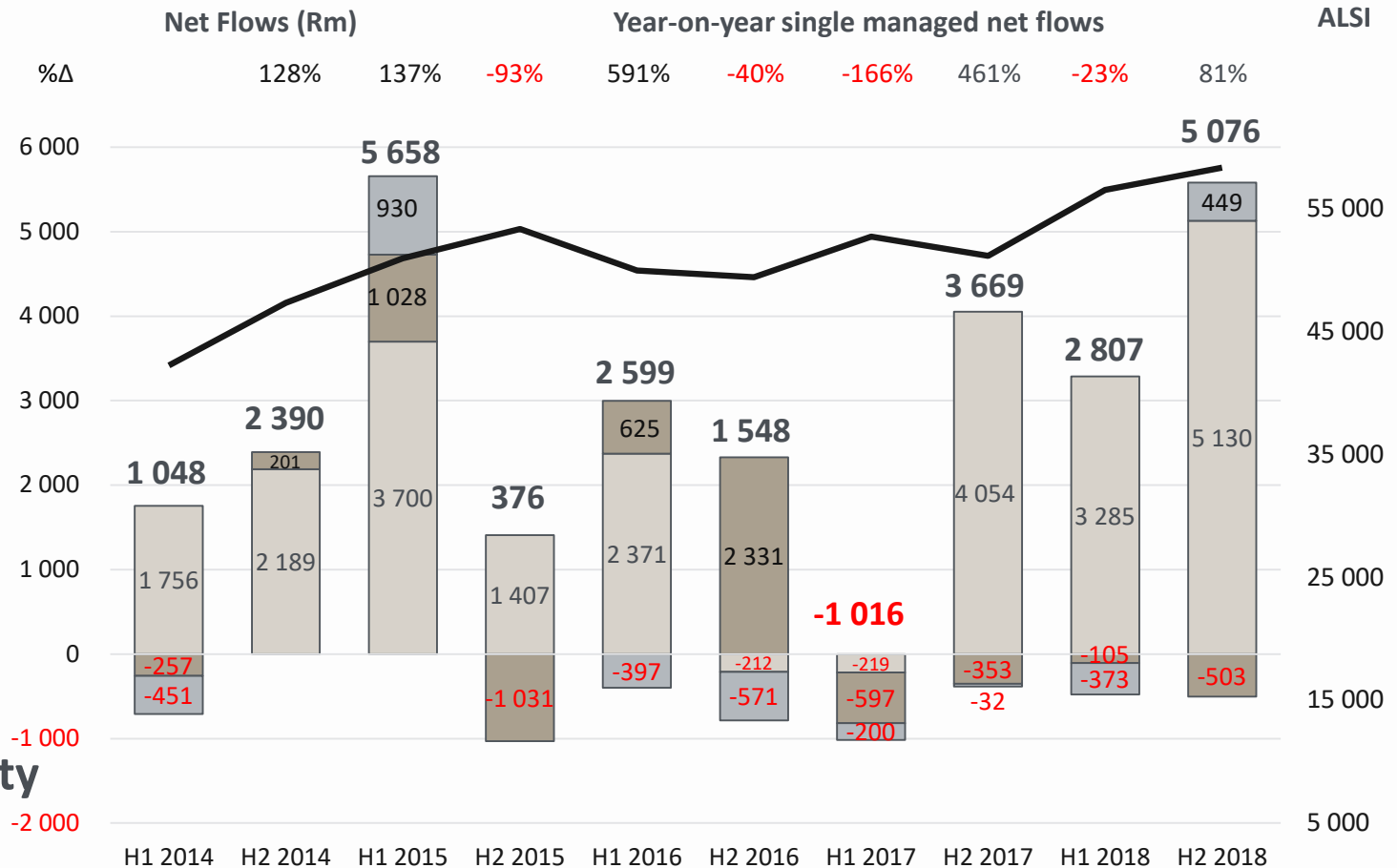
# Asset management

'Brick by Brick' strategy

Long-term assets  
(retail emphasis)

Getting adequate  
margins

Protect our capacity



Single Managed    PSG Money Market    Segregated Institutional Portfolio\*

ALSI

Source: PSG Asset Management, Bloomberg

\* Includes private clients and segregated money market portfolios





# Asset management

## Solid long-term track record

Single manager funds	Performance	1-month rank	3-months rank	6-months rank	1-year rank	3-year rank	5-year rank	10-year rank
PSG Flexible	Rank	9	6	7	23	4	3	2
	Return	0.3%	1.3%	5.3%	8.1%	9.2%	13.9%	13.8%
PSG Equity A	Rank	25	23	37	97	5	2	4
	Return	0.3%	2.5%	6.6%	8.2%	7.1%	14.0%	12.1%
PSG Balanced A	Rank	8	5	8	40	5	2	2
	Return	0.7%	2.5%	5.6%	8.9%	8.1%	11.8%	10.7%
PSG Stable	Rank	2	3	3	11	2	6	N1
	Return	1.2%	3.5%	5.8%	9.2%	8.1%	9.0%	

N1 – The PSG Stable fund does not have a 10-year history



Source : MorningStar February 2018 report



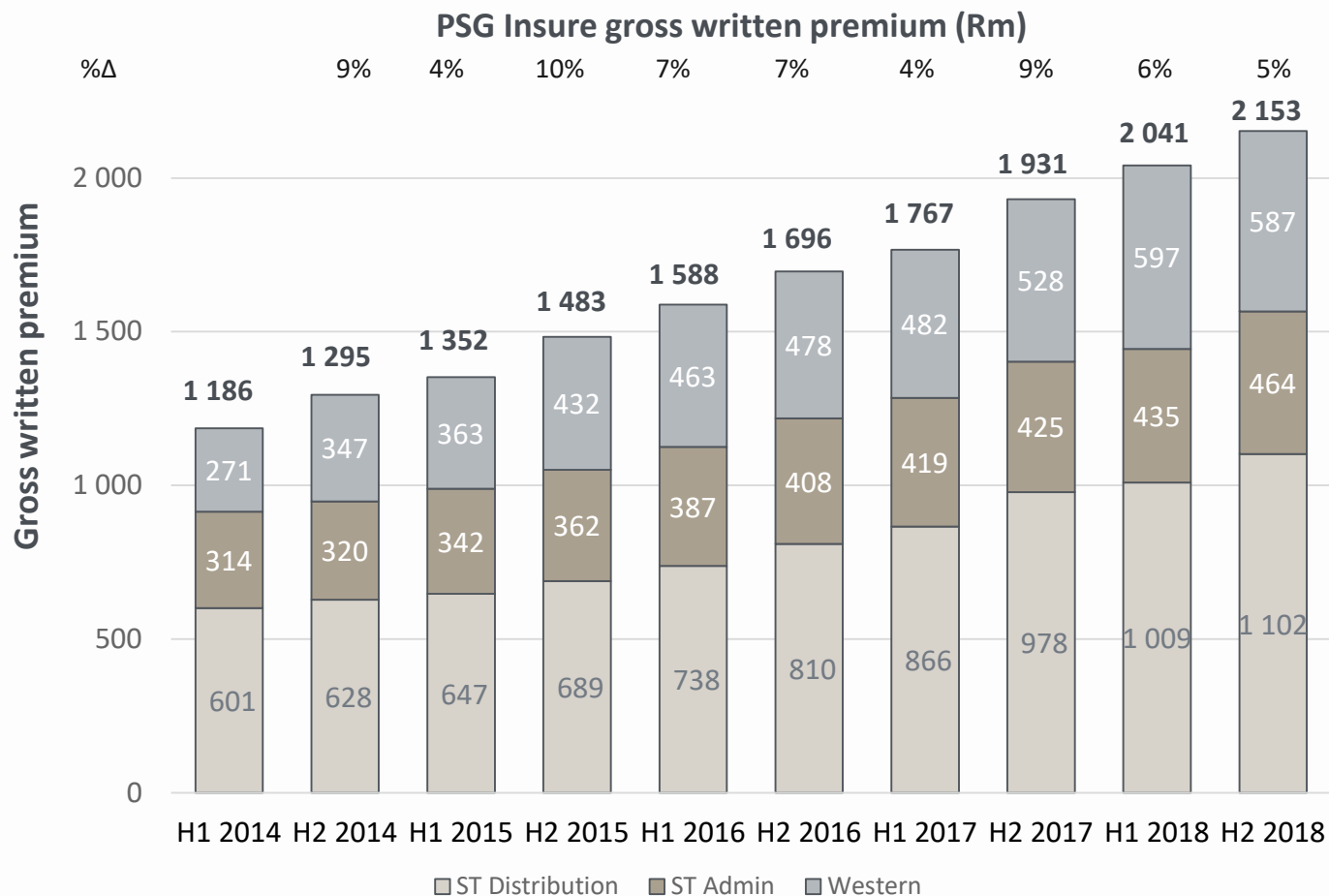
# Insure

Grow gross written premium income

Top advisers

Excellence in underwriting

Superb platform



Western acquisition – Nov'12

\* Includes Short-term administration platform gross written premium

Source: PSG Insure



# Top advisers

We continue to add top advisers to our Insure Distribution business

Insure advisers	H1 2014*	H2 2014*	H1 2015*	H2 2015*	H1 2016	H2 2016	H1 2017	H2 2017	H1 2018	H2 2018
Balance – opening	229	219	212	210	225	224	231	233	229	226
<b>Net movement</b>	<b>-10</b>	<b>-7</b>	<b>-2</b>	<b>15</b>	<b>-1</b>	<b>7</b>	<b>2</b>	<b>-4</b>	<b>-3</b>	<b>19</b>
Balance – closing	219	212	210	225	224	231	233	229	226	245
<b>Growth</b>	<b>-4%</b>	<b>-3%</b>	<b>-1%</b>	<b>7%</b>	<b>0%</b>	<b>3%</b>	<b>1%</b>	<b>-2%</b>	<b>-1%</b>	<b>8%</b>

\* Restated to include advisers moved from Wealth to Insure during FY2016

\*\* Terminations relate to personal lines advisers and is due to the strategy of focussing on commercial product lines

- Greater penetration selected area
- Growth in number of advisers & average book size
  - Financial advisers new home at PSG – unlocking and creating value for clients and themselves
  - Well positioned to support advisers: Open architecture, stable systems, risk & regulatory compliance allowing advisers to focus on client interaction

Source: PSG Distribution



# Western National Insurance

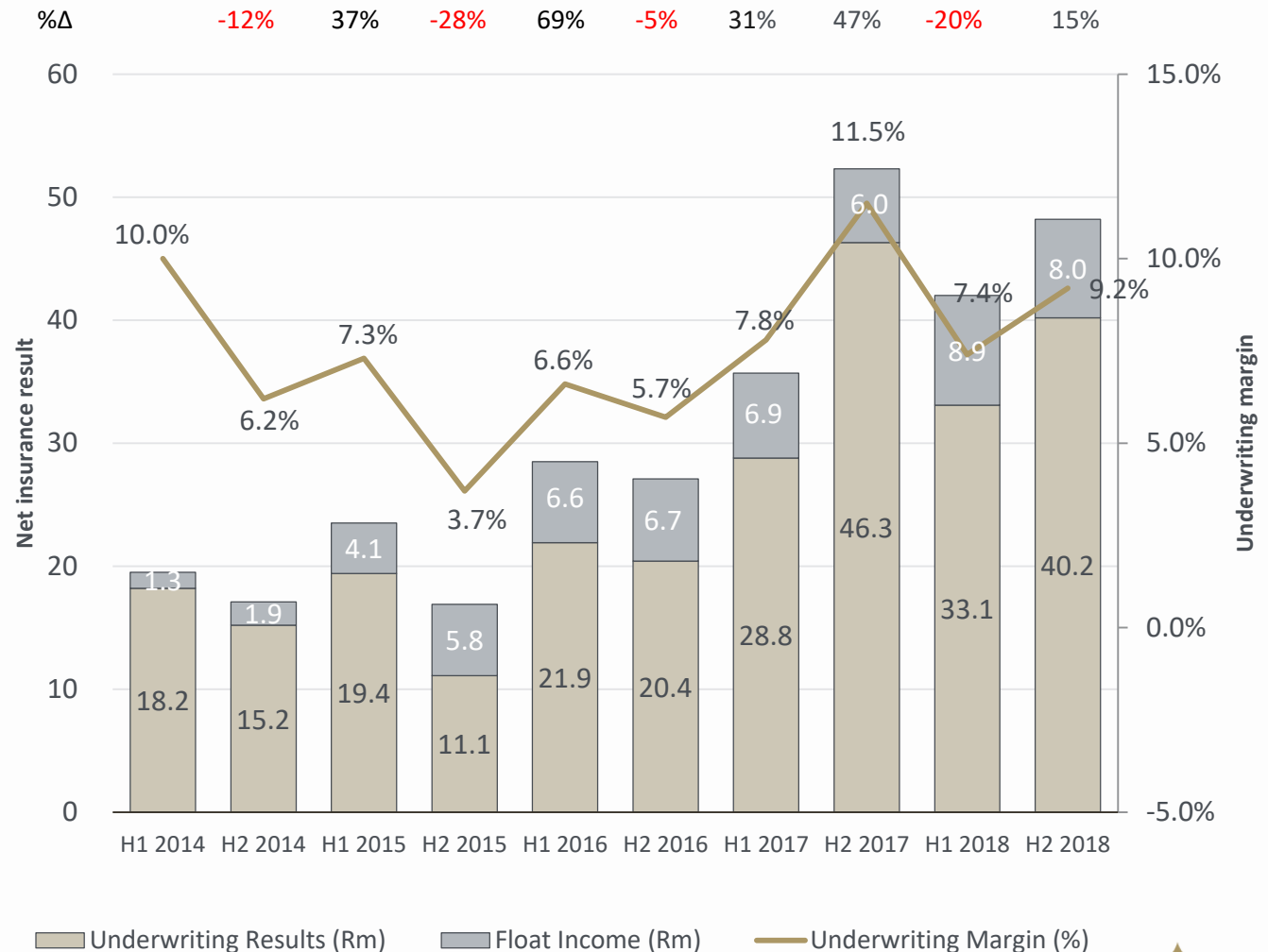
## Insurance results

### Key differentiators

- Personalised service to brokers
- Focus on commercial business

### Excellence in underwriting

- Healthy insurance float level of R421m\*
- Limited insurance and investment risk retention levels



Source: PSG Insure

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\* Conventional float R146m & ART float R293m



# Reducing risk



	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
Perf fees / HE*	11.4%	7.7%	3.8%	8.8%	8.6%
Recurring HEPS	20.6c	27.0c	32.1c	37.2c	43.0c

	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
Op margin	13.2%	14.9%	15.2%	15.7%	16.6%
Op margin (excl perf fees)	12.1%	14.0%	14.7%	14.5%	15.1%
C:I%	63.8%	60.6%	59.0%	60.0%	57.2%

	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
ROE*	24.8%	26.4%	24.8% **	25.3%	24.3%
ROE (excl perf fees)	22.0%	24.3%	24.0% **	23.4%	22.2%
Debt : Equity	9.4%	0.9%	0.7%	0.2%	4.3%

\* Based upon recurring headline earnings

\*\* Based upon recurring headline earnings (Headline ROE: 18.4% and Headline ROE (excl. perf. Fees): 17.6%)



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## 03 | Highlights & focus

# Key achievements

## Significant progress on top priorities

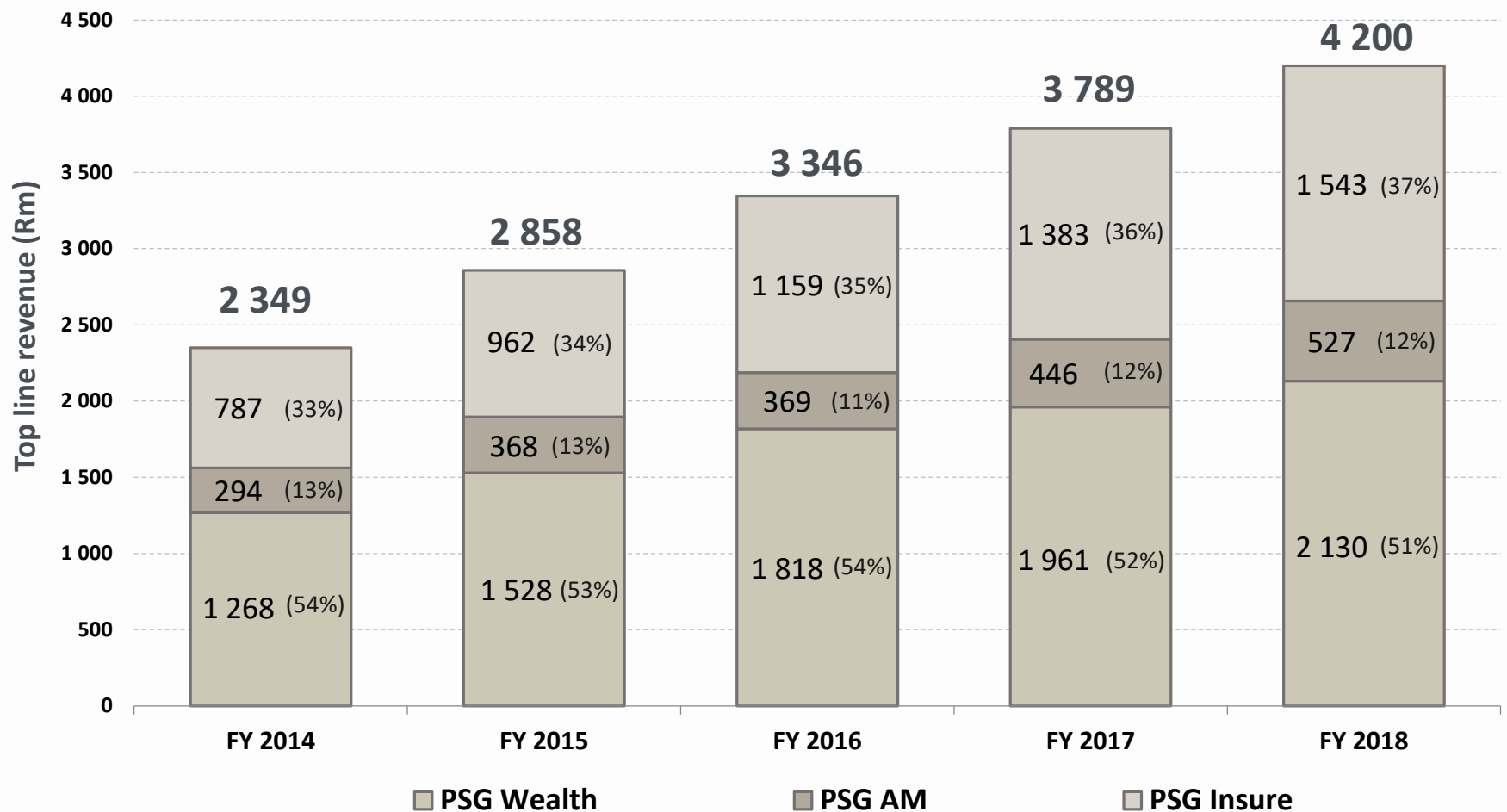
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- Datacentre refresh project completed
- Key adviser acquisitions completed
  - ABSA Insurance and Financial Advisers
    - Both the Commercial Lines and Personal Lines
  - First Equity/Fairlands merger
  - 28E Capital
- Increased focus on Client Events



# Top line focus

Core operations (excl. IFRS consolidated fund and policyholder related income)



Total core revenue per division (excluding inter-segment income)

Source: PSG Finance





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# 04 | Conclusion

# Conclusion

## Business features underpinning our expectations for future success

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- Largest independent adviser network in South Africa, with a broad geographic footprint that continues to expand
- Strong governance structures
- Clear growth opportunities for our businesses
- History of superior shareholder returns
- Focus on optimising risk adjusted return per share (restrict issuance of new shares)



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**END** | thank you

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# Appendix

# TRI of PSG Konsult

PSG Konsult performed better than JSE ALSI during tough times (in USD terms)

Investment of R100 000 in PSG Konsult shares on 11 April 2005, and reinvesting all dividends received (net of DWT) and other distributions over period vs R100 000 invested on JSE ALSI

Date	Number of PSG Konsult shares	PSG Konsult investment (R)	PSG Konsult investment (USD)	Annual growth in investment (R)	Annual growth in investment (USD)	JSE ALSI Total Return Index	JSE ALSI Investment (R)	JSE ALSI Investment (USD)	Annual growth in investment (R)	Annual growth in investment (USD)
2005/04/11	250 000	100 000	16 379			1 311	100 000	16 379		
2006/02/28	260 725	286 797	46 461	187%	184%	1 926	146 929	23 802	47%	45%
2007/02/28	297 398	490 706	67 645	71%	46%	2 670	203 678	28 078	39%	18%
2008/02/28	309 914	526 854	69 012	7%	2%	3 255	248 335	32 529	22%	16%
2009/02/28	327 703	426 014	42 816	-19%	-38%	2 032	154 988	15 577	38%	52%
2010/02/28	351 652	509 895	65 490	20%	53%	3 013	229 848	29 521	48%	90%
2011/02/28	373 653	597 845	85 553	17%	31%	3 723	284 027	40 645	24%	38%
2012/02/28	395 168	790 336	105 692	32%	24%	4 082	311 393	41 643	10%	2%
2013/02/28	422 411	1 203 871	136 169	52%	29%	4 870	371 546	42 025	19%	1%
2014/02/28	435 546	2 177 731	203 194	81%	49%	5 981	456 251	42 571	23%	1%
2015/02/28	441 856	3 190 197	277 314	46%	36%	6 946	529 912	46 064	16%	8%
2016/02/29	447 709	3 080 237	190 833	-3%	31%	6 643	506 779	31 397	4%	32%
2017/02/28	455 295	3 419 266	262 736	11%	38%	7 061	538 627	41 388	6%	32%
2018/02/28	462 322	4 022 205	341 632	18%	30%	8 292	632 573	53 729	17%	30%
		<b>4 022 205</b>					<b>632 573</b>			
<b>CAGR</b>				<b>33.2%</b>	<b>26.6%</b>				<b>15.4%</b>	<b>9.7%</b>

Source: PSG Finance



# Trading statistics

## Creating shareholder value

Statistic	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
No. of shares in issue (millions)	733	730	733	1 072	1 210	1 222	1 262	1 279	1 322	1 342
No. of shares traded (millions)	1.7	6.7	9.5	14.9	21.2	31.4	61.8	113.9	111.7	91.9
% of shares traded	0.2%	0.9%	1.3%	1.4%	1.8%	2.6%	4.9%	8.9%	8.4%	6.8%
Market capitalisation (Rm)	953	1 059	1 173	2 145	3 447	6 110	9 115	8 800	9 929	11 678
Value of shares traded (Rm)	2	9	13	24	47	129	429	900	783	767
% of market cap traded	0.3%	0.8%	1.1%	1.1%	1.4%	2.1%	4.7%	10.2%	7.9%	6.6%

