

PSG GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1970/008484/06)

JSE Limited ("JSE") share code: PSG

ISIN code: ZAE000013017

LEI code: 378900CD0BEE79F35A34

("PSG Group" or "the Company")



PSG GROUP LIMITED

CHANGE IN ACCOUNTING POLICY, TRADING STATEMENT, UPDATED SUM-OF-THE-PARTS ("SOTP") VALUE PER SHARE AND INTERIM RESULTS PRESENTATION

1. CHANGE IN ACCOUNTING POLICY

International Financial Reporting Standards ("IFRS") require that an entity reassess whether it is an Investment Entity if facts or circumstances indicate changes to one or more of the elements making up the definition of an Investment Entity or the typical characteristics of an Investment Entity.

During the six months ended 31 August 2020, the following major corporate action was undertaken:

- On 30 July 2020, PSG Group shareholders approved the unbundling of an effective 30.5m shares (or 26.4% of the 30.7% interest held) in Capitec Bank Holdings Limited ("Capitec"), whereby significant value was unlocked for PSG Group shareholders. The unbundled Capitec shares at market value on such date represented R132.37 per PSG Group share. PSG Group retained the balance of 4.3% in Capitec for liquidity purposes and to bolster its balance sheet.
- PSG Group disposed of 1.7m shares (or 1.5%) in Capitec for R1.5bn cash.
- PSG Group received a special dividend of R1.7bn cash pursuant to Zeder Investments Limited's disposal of its investment in Pioneer Food Group Limited.
- PSG Group settled all its outstanding redeemable debt amounting to R1bn.

Whilst PSG Group's focus on value creation for its shareholders has not changed, the aforementioned major corporate action has necessitated PSG Group to reassess its Investment Entity status in terms of IFRS, whereby it was determined that it became an Investment Entity with effect from 1 March 2020. The performance of its remaining investment portfolio is accordingly measured with reference to the fair value of each investment (i.e. SOTP value) rather than the consolidated profitability of PSG Group (i.e. recurring earnings) with effect from 1 March 2020. This is in line with PSG Group's objective of value creation through capital appreciation, investment income or both.

Where an entity's status changes to that of an Investment Entity, it no longer consolidates its subsidiaries, but rather measures them at fair value through profit or loss. Such change in accounting policy is applied prospectively, with no adjustment to prior year comparatives. However, an Investment Entity continues to consolidate subsidiaries that provide services related to the Investment Entity's investment activities (i.e. those wholly-owned subsidiaries comprising PSG Group's head office operations).

Pursuant to the aforementioned change in Investment Entity status, PSG Group's interim financial statements for the six months ended 31 August 2020, prepared in accordance with IFRS, will not be comparable to prior periods.

2. TRADING STATEMENT

PSG Group's objective remains to create long-term wealth for its shareholders through capital appreciation, investment income or both, and, accordingly, the key benchmark used by PSG Group to measure performance is its SOTP value per share.

The calculation of PSG Group's SOTP value is simple and requires limited subjectivity as more than 75% of the value is calculated using exchange-listed share prices, while other investments are included at internal valuations.

Pursuant to the aforementioned change in IFRS Investment Entity status, PSG Group's net asset value per share ("NAVPS") is now similar to its SOTP value per share, apart from, mainly, the difference in treatment of PSG Financial Services Limited's JSE-listed cumulative, non-redeemable, non-participating preference shares. The Company has therefore determined the adoption of NAVPS as trading statement measure to be more relevant, as opposed to the previous measures of earnings per share ("EPS"), headline earnings per share ("HEPS") and recurring earnings per share ("REPS") (the latter having previously been utilised as an additional measure not required under the JSE Listings Requirements).

In terms of the JSE Listings Requirements, NAVPS may only be adopted (and EPS and HEPS cease to be utilised) as trading statement measure from the financial year ending 28 February 2021 onwards and, accordingly, notwithstanding PSG Group's change in IFRS Investment Entity status (which occurred prospectively with effect from 1 March 2020), PSG Group remains obliged to publish a trading statement, should there be a reasonable degree of certainty that EPS and HEPS for the interim period ended 31 August 2020 will differ by at least 20% from that of the previous corresponding period.

PSG Group accordingly hereby advises that a reasonable degree of certainty exists that:

- its NAVPS as at 31 August 2020 (following the aforementioned Capitec unbundling) was R73.27, representing a decrease of 14% and 16% when compared to the R85.27 as at 31 August 2019 and R87.49 as at 29 February 2020, respectively;
- its SOTP value per share as at 31 August 2020 was R75.86, representing a decrease of 20% when compared to the R94.44 per share as at 29 February 2020 if the aforementioned unbundled Capitec shares, as contained in PSG Group's SOTP value at its ruling market value as at 29 February 2020, are excluded therefrom at such date for comparative purposes; and
- for the six months ended 31 August 2020:
 - HEPS will be a loss of between R14.00 and R14.30, as opposed to a HEPS profit of R5.68 reported for the six months ended 31 August 2019; and
 - EPS will be a profit of between R118.00 and R119.00, as opposed to the R6.39 profit reported for the six months ended 31 August 2019.

It should again be noted that, pursuant to the aforementioned change in IFRS Investment Entity status, PSG Group's financial statements prepared in accordance with IFRS are no longer comparable to prior periods. The above headline loss per share is representative of mainly the fair value losses pursuant to the decrease in the share prices of PSG Group's listed investments during the period under review, while the earnings per share included a notable non-headline gain to the extent that the fair value (i.e. market value at Capitec's ruling share price) of the unbundled Capitec interest exceeded its accounting carrying value as a non-current asset held for sale on the date of unbundling, being 30 July 2020 when PSG Group shareholder approval was obtained.

The unaudited results for the six months ended 31 August 2020 will be published before 08h00 on Thursday, 15 October 2020.

The information contained in this announcement has not been reviewed or reported on by the external auditor of PSG Group.

3. UPDATED SOTP VALUE PER SHARE

As previously communicated, in order to provide investors with an up to date indicative SOTP value per share, PSG Group's website (www.psggroup.co.za) contains an online tool whereby PSG Group's SOTP value per share is calculated using approximately 15-minute delayed exchange-listed share prices for its listed investments, while all other information (including the valuation of PSG Group's unlisted investments) is updated when material changes occur. While the SOTP value calculation is indicative of the fair value of PSG Group's underlying portfolio, it does not take into account factors such as size of shareholdings, head office operating profit/loss and other potential factors.

PSG Group management would like to advise shareholders that the SOTP calculation contained on PSG Group's website has been updated to reflect PSG Group's R1.05bn investment in Curro Holdings Limited's ("Curro") non-renounceable rights offer concluded during September 2020, as well as subsequent on-market share purchases to increase PSG Group's interest in Curro to 60%.

The SOTP information provided on PSG Group's website is for general information purposes only and does not constitute an offer to sell any securities or constitute investment advice relating to securities or a representation that the security is a suitable or appropriate investment for any person or warrants any share price value in any form. Investors are advised to give independent consideration to and conduct independent investigation with regards to this information and the value of PSG Group shares, and to obtain investment advice from their independent financial advisors.

4. INTERIM RESULTS PRESENTATION

Shareholders are invited to view PSG Group's interim results presentation to be broadcast on YouTube at 09h00 SAST on Thursday, 15 October 2020.

Presentation details:

- View and listen mode;
- Link: https://youtu.be/Krnz2Gty_6g;
- Presentation slides will be made available on PSG Group's website shortly before the live broadcast of the presentation;
- Questions may be e-mailed prior to and during the presentation to: questions@psggroup.co.za.

Stellenbosch
13 October 2020

Sponsor
PSG Capital



Joint independent sponsor
UBS South Africa

