



INTERIM RESULTS

Unaudited results for the six months ended
31 August 2017

Seeing the bigger picture
gives you the advantage.

SALIENT FEATURES

Recurring headline earnings per share	Dividend per share	Total assets under management	Gross written premium
<div>⬆️ 10 %</div> <div>to 18.2 cents</div> <div>2016: 16.6 cents 2015: 14.7 cents</div>	<div>⬆️ 12 %</div> <div>to 5.7 cents</div> <div>2016: 5.1 cents 2015: 4.4 cents</div>	<div>⬆️ 16 %</div> <div>to R193bn</div> <div>2016: R167bn 2015: R142bn</div>	<div>⬆️ 19 %</div> <div>to R1 607m</div> <div>2016: R1 348m 2015: R1 201m</div>

OVERVIEW

PSG Konsult delivered a satisfactory 10% rate of growth in recurring headline earnings per share and return on equity of 21%. This was against the backdrop of a particularly difficult industry environment. This division, which is in an early growth phase, continues to make inroads into the highly competitive short-term insurance market and gain further benefits from economies of scale. It achieved gross written premium growth of 19% compared to the prior period as we continue to focus our efforts on the commercial lines' side of the business which requires specialised adviser expertise. The comprehensive reinsurance programme we have in place reduced the adverse impact of catastrophe events that occurred during the period under review, such as the Knysna fires. This, when combined with our quality underwriting practices, allowed us to achieve a commendable net underwriting margin of 7.4%. The insurance advisers, who now total 226, continue to gain market share on the commercial lines' side which is our primary area of focus.

The board of directors is satisfied with this set of results and approved and declared an interim gross dividend of 5.7 cents per share (2016: 5.1 cents per share) from income reserves. This is in line with the group's dividend payout policy as approved by the board of directors at the time of listing.

PSG Konsult's key financial performance indicators for the six months ended 31 August 2017 are shown below:

	31 Aug 17 R000	Change %	31 Aug 16 R000
Core income	2 062 016	11	1 854 877
Headline and recurring headline earnings	239 275	12	214 430
Non-headline items	91		(52)
Earnings attributable to ordinary shareholders	239 366	12	214 378
Divisional recurring headline earnings			
PSG Wealth	149 923	7	140 553
PSG Asset Management	56 829	20	47 405
PSG Insure	32 523	23	26 472
	239 275	12	214 430
Weighted average number of shares in issue (net of treasury shares) (millions)	1 314.5	2	1 290.2
Earnings per share (cents)			
– Headline and recurring headline	18.2	10	16.6
– Attributable	18.2	10	16.6
– Recurring headline (excluding intangible amortisation cost)	19.9	9	18.2
Dividend per share (cents)	5.7	12	5.1
Return on equity (ROE) (%)	21.4		22.9

PSG Wealth achieved recurring headline earnings growth of 7%. We are satisfied with this result in the context of the current investment market conditions. Management and other fees increased by 8% as the business continues to focus on recurring income and reduce its reliance on cyclical transactional brokerage fees, which increased by 1% during the current period under review. The cost base of the division increased by 18% as we strengthened both our information technology (IT) and investment research teams. We continue to accelerate our investment in order to enhance our digital platforms and systems. These costs have all been fully expensed. Clients' assets managed by our Wealth advisers increased by 10% to R157 billion during the period under review, which included R5.1 billion of positive net inflows.

We remain confident about the fundamentals and future prospects of this division, and believe that our advisers and clients will gain, over the long term, from the client-centric digital projects we have embarked upon. We are particularly pleased with the division's formidable financial adviser network that grew by 4%, through both organic and selected acquisitions, to 527 advisers. The experience and stature of the advisers joining the firm continues to add credibility to the growing brand equity. We continue to gain market share with Wealth's platform assets increasing by 12% to R42 billion.

PSG Asset Management's recurring headline earnings grew by 20%. The commendable results generated by this division are testimony to the team's excellent long-term track record of delivering top-quartile risk-adjusted investment returns for clients. The team's consistent ability to generate alpha across all asset classes for clients over the appropriate investment horizon remains compelling. Client assets under management increased by 10% to R36 billion during the six-month period under review. This included R2.8 billion of positive net inflows predominantly into our higher margin multi-asset funds and mainly from our selected retail target market. The strong increase in annuity earnings on our large asset base more than offset the 29% decline in variable performance fees that were earned during the period under review. We remain confident and optimistic about the long-term growth prospects of this business.

PSG Insure achieved recurring headline earnings growth of 23%. The group is especially pleased with this achievement. This is against the backdrop of a particularly difficult industry environment. This division, which is in an early growth phase, continues to make inroads into the highly competitive short-term insurance market and gain further benefits from economies of scale. It achieved gross written premium growth of 19% compared to the prior period as we continue to focus our efforts on the commercial lines' side of the business which requires specialised adviser expertise. The comprehensive reinsurance programme we have in place reduced the adverse impact of catastrophe events that occurred during the period under review, such as the Knysna fires. This, when combined with our quality underwriting practices, allowed us to achieve a commendable net underwriting margin of 7.4%. The insurance advisers, who now total 226, continue to gain market share on the commercial lines' side which is our primary area of focus.

SUBSEQUENT EVENT – ACQUISITION

PSG Konsult has concluded an agreement to acquire the commercial and industrial insurance brokerage business of Absa Insurance and Financial Advisers Proprietary Limited (AIFA), as announced on the Stock Exchange News Service (SENS) of the JSE Limited (JSE) on Tuesday, 26 September 2017. This business is made up of 102 advisers and in excess of 32 000 clients that will integrate into the PSG Konsult distribution network of PSG Insure advisers.

This transaction, which is subject to conditions typical for a transaction of this nature including regulatory approvals, will be funded from existing cash resources. The implementation of this transaction will enhance PSG Insure's footprint across South Africa. PSG Konsult's core focus remains organic growth.

CREDIT RATING AND DMTN PROGRAMME

Rating agency Global Credit Rating Co. (GCR) affirmed the long-term and short-term investment grade national scale ratings assigned to PSG Konsult of A-(za) and A1-(za) respectively, with the outlook for both ratings remaining stable.

Shareholders were advised in our year-end results announcement that we were considering the establishment of a Domestic Medium Term Note (DMTN) programme. PSG Konsult's aim in establishing a DMTN programme was to provide business with a flexible cost-effective structure to internally fund our Scriptfin loan book and to build a credible track record with debt instrument holders and the debt market. PSG Konsult secured the requisite JSE approval via its wholly owned subsidiary, PSG Konsult Treasury Limited, to establish such a DMTN programme. On 12 July 2017, we concluded our maiden listing on the JSE's Interest Rate Market of a R100 million senior unsecured floating rate note with a maturity date of 12 July 2020 at competitive rates.

LOOKING FORWARD

The group's aim remains to service existing clients expertly, and gain new clients. A number of initiatives are in place to ensure that this happens. The group remains confident that we are well positioned to continue building our adviser network and client base despite the current uncertain and challenging economic circumstances in which we operate. The group's focus on products, platforms and client service excellence through the quality of its advice is proving to be a resilient strategy.

The cash-generative nature of the business enabled PSG Konsult to continue to invest in IT infrastructure and systems. The primary objective of this investment is to enhance the overall client experience and improve the scalability and efficiency of the group's core IT-dependent business processes. The group will continue to prioritise organic growth in the domestic market, where it has relatively low, but rapidly expanding market share. Cash flow generation remains strong, and the group will use this to fund growth initiatives which include expanding our adviser base and to pay dividends consistent with its dividend policy.

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, 5 October 2017 and does not contain full or complete details. Please refer to the full announcement for additional information. The full announcement 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 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 stakeholders, including 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

Tyger Valley
5 October 2017

Francois Gouws
Chief executive officer

Non-executive directors: W Theron (Chairman), PJ Mouton, J de V du Toit*, PE Burton*, ZL Combi*, R Stassen*, ZRP Matsau* (Appointed 20 July 2017) (* Lead independent; * Independent)

Executive directors: FJ Gouws (Chief executive officer), MIF Smith (Chief financial officer) **Company secretary:** PSG Management Services Proprietary Limited

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 secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 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

www.psg.co.za