ECONOMY
BREXIT'S BOOST FOR GOLD

INTERVIEW
MMI HOLDINGS' MARY VILAKAZI
On navigating a tricky economy

CAREERS
SHOULD YOU GET AN MBA?

ENGLISH EDITION

finweek

7 July 2016

fin24 FIND US AT: fin24.com/finweek

HOW PSG *OUTSMARTS* THE MARKET
BUT CAN IT LAST?

SA: R29.90 (incl. VAT)
Other countries: R26.23 (excl. VAT)

INSIDE MOZAMBIQUE'S **SINKING ECONOMY**

from the editor

JANA MARAIS

Following pressure from the Public Investment Corporation (PIC) about a lack of transformation, PSG is making changes to the make-up of its own board, as well as Zeder's, in which PSG is the biggest shareholder.

At the annual general meeting (AGM) on 24 June (see cover story on p. 28), three PSG directors and two from Zeder withdrew their nominations for re-election. At PSG, Zitulele "KK" Combi, formerly chairman of PSG's empowerment partner Thembeka Capital (which has since been unbundled), has long been the only non-white director. Bridgitte Mathews, who was appointed in May, is PSG's only female board member. At Zeder, Prof. Mohammed Karaan and Nhlanhla Mjoli-Mncube are the only non-white males on the 10-person board.

PSG's attempts to improve diversity at board level should be lauded, even though valid questions have been asked about why it has taken so long to address the lack of diversity.

This is not a uniquely PSG problem. The department of labour's most recent employee equity report shows that white South Africans still hold nearly 70% of top management positions in South Africa, more than six times their economically active population.

Globally, diversity at top company levels has also been lacking. A recent study by McKinsey found that women account for just 16% of the executive teams in the US, 12% in the UK, and 6% in Brazil. They don't do much better when it comes to racial diversity: about 78% of UK companies have senior leadership teams that don't reflect the country's labour force and population demographics, compared with 91% for Brazil and 97% of the US, according to McKinsey.

Various studies have shown the link between gender and racial diversity and a company's financial performance. In the UK, for example, the study found that every 10% increase in gender diversity at senior executive team-level corresponded with a 3.5% increase in earnings before interest and tax.

PSG and its related companies have had a phenomenal run in terms of financial performance. May the fresh perspectives, new networks and extensive business experience that their new board members bring to the table encourage them to turn up the dial on diversity even further. ■

• **Mikateko Media** is presenting a financial fitness event for women on 14 July in Cape Town. The event, whose speakers include Zandile Nzalo, CEO of Zanenza Communications, and Iris Cupido, CEO of the SABC Foundation, aims to promote entrepreneurship, with a focus on black female entrepreneurs. For more information, email events@mikatekomedia.co.za.

contents

EDITORIAL & SALES

Editor Jana Marais **Deputy Editor** Anneli Groenewald **Journalists and Contributors** John Biccard, Simon Brown, Jacques Claassen, Moxima Gama, Jessica Hubbard, Marcia Klein, Paul Leonard, Schalk Louw, David McKay, Buhle Ndweni, Andile Ntingi, Lameez Omarjee, James-Brent Styan, Jaco Visser, Glenda Williams **Sub-Editors** Stefanie Muller, Jana Jacobs, Katrien Smit **Office Manager** Thato Marolen **Layout Artists** Beku Mbotoli, Tshebetso Ditabo, Zandri van Zyl **Sales Executive** Wendy Navarra wendy.navarra@newmediapub.co.za **Publisher** Sandra Ladas sandra.ladas@newmediapub.co.za **General Manager** Dev Naidoo **Circulation Manager** Armand Kasselman 021-443-9975 **Production** Angela Silver angela.silver@newmediapub.co.za, Rae Morrison rae.morrison@newmediapub.co.za

Published on behalf of Media24 by New Media Publishing (PTY) Ltd Johannesburg Office: Ground floor, Media Park, 69 Kingsway Avenue, Auckland Park, 2092
Postal Address: PO Box 784698, Sandton, Johannesburg, 2146 **Tel:** +27 (0)11 713 9601 **Head Office:** New Media House, 19 Bree Street, Cape Town, 8001
Postal Address: PO Box 440, Green Point, Cape Town, 8051 **Tel:** +27 (0)21 417 1111 Fax: +27 (0)21 417 1112 **Email:** newmedia@newmediapub.co.za
Executive Directors **Group Commercial Director:** John Psillos **Managing Director:** Bridget McCarney **Non Executive Director:** Irna van Zyl
Printed by Paarlmedia and Distributed by **On The Dot** Website: **http://www.fin24.com/finweek** Overseas Subscribers: **+27 21 405 1905/7**

ENQUIRIES

SUBSCRIBERS	Fax	SHOPS
087-740-1019	0864-575-918	0861-888-989
subs@finweek.co.za		assistance@onthedot.co.za

Share your thoughts with us on:

@finweek finweek finweekmagazine

By Andile Ntingi

DEVELOPMENT

Lessons from upward-moving Rwanda

Since the genocide 22 years ago, this tiny landlocked country has rebuilt itself, stamping out corruption and implementing effective policies to attract foreign investment.

Travellers entering Rwanda through its western city of Gisenyi from Goma, a city in eastern Democratic Republic of the Congo (DRC), are greeted by a massive billboard with an inscription "Investment Yes, Corruption No".

The billboard – strategically erected a few metres inside Rwanda's territory after the no-man's land on the border with the DRC – is instructive. It tells a story of a Rwanda that has undergone a transformation since the 1994 genocide that left more than 1m ethnic minority Tutsis dead.

Since the genocide, the tiny landlocked central African country has become one of the most admired national success stories in the world, thanks to its no-nonsense approach to clamping down on corruption. It has also built up a professional government bureaucracy that is adept at implementing investor-friendly economic policies.

The country is ranked as the fourth least-corrupt country in sub-Saharan Africa behind Botswana, Cape Verde and Seychelles by Transparency International. Its leaders – from cabinet ministers to mayors and lower-level officials – are fired when they underperform or misuse state resources.

Rwanda also ticks the right boxes when it comes to the ease of doing business, with the World Bank ranking it second in sub-Saharan Africa after Mauritius in its annual Ease of Doing Business index, trumping Botswana and South Africa.

It takes only a few hours to register a business in Rwanda. In Kenya, the largest economy in East Africa, it takes 26 days, and in SA the process takes two weeks.

I recently witnessed Rwanda's well-oiled bureaucratic machinery first-hand when immigration officials took roughly 10 minutes to issue visas to visitors upon arrival at Kigali International Airport. The immigration officials were friendly, helpful, and welcoming – making a lasting impression and imparting in me the desire to visit Rwanda again either as a tourist or investor.

For a small country like Rwanda, with a population of roughly 12m, having an efficient, delivery-orientated civil service has been turned into an economic advantage. It is this high level of efficiency that has enabled Rwanda's economy to grow at a faster pace over the last decade as it sought to transform itself from a low-income agrarian economy to a knowledge-based, service-orientated economy with a middle-income status by 2020.

Between 2001 and 2014, Rwanda's economy grew at an impressive 8% annually, but the International Monetary Fund predicts that the economy will slow down this year to around 6% growth after expanding 6.9% last year.

This growth has lifted many Rwandans out of extreme poverty, defined by the World Bank as living on less than $1.25 a day. The percentage of Rwandans living below the poverty line has been cut to 45% in 2010 from 57% in 2005. Other developmental measurements like life expectancy, literacy, primary school enrolment, and healthcare spending have all gone up as the government improved the lot of is people.

The percentage of Rwandans living below the poverty line has been cut to

45%

in 2010 from

57%

in 2005.

Much of the success that Rwanda is enjoying has been credited to President Paul Kagame's strong leadership, who, according to some commentators, is attempting to turn the central African country into the next Singapore or Switzerland.

In a way, there are similarities that can be drawn between Rwanda and Singapore. Lee Kuan Yew, the father of modern Singapore, transformed the tiny Asian island into the ninth-richest country in the world in per capita terms – where its 3m inhabitants enjoy a standard of living higher than that of their former colonial master, Britain.

Like Rwanda, Singapore is not well-endowed with minerals and so it turned its citizens into one of the best educated and most highly skilled workers in the world. This helped attract industries that were looking for highly skilled workforce instead of low-paid, unskilled labour.

Both Rwanda and Singapore have strong, efficient civil services, but political opposition, media, and trade unions are contained by the ruling class. Rwanda is not mineral rich, but it has fertile soil, hence its economy is driven primarily by agriculture. Currently, just over 80% of its population live in rural areas with many of its people engaged in subsistence farming. To achieve its goal of transforming itself from an agrarian economy to a knowledge-intensive economy, Rwanda has to invest heavily in its education while at the same time urbanising rapidly.

There is much that SA can learn from Rwanda, particularly around professionalising and improving the efficiency of its bureaucracy. For me, the biggest difference between the two countries is the quality of each nation's civil servants. Rwanda's bureaucrats are committed and proficient while corruption is not widespread. In SA, on the other hand, we are battling with corrupt civil servants who do their jobs poorly, which is why we are seeing a rise in protests against poor service delivery, particularly at local government level.

Unless we overhaul our bureaucracy and cut the red tape that stymies investors, we will struggle to attract the funds we badly need to kick-start our faltering economy. ■

editorial@finweek.co.za

Paul Kagame
Rwanda's president delivers a speech at The Next Einstein Forum held in March in Dakar, Senegal.

Getty Images/Achoura Gueye/Anadolu Agency

Andile Ntingi is the CEO of GetBiz, an e-procurement and online tender notification service.

MIKATEKO media | engaging conversations

MIKATEKO MEDIA PRESENTS

FINANCIAL FITNESS 2016 BLACK WOMEN IN BUSINESS

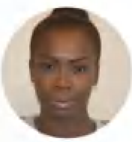
Are you a **female entrepreneur**? Do you shy away from the **financials**, or would rather leave the figures to your accountant? Perhaps you are an aspiring entrepreneur, or an employed professional woman looking to **understand the numbers** better in your business environment. Or maybe you'd just **like to be inspired**, meet new women in business through networking, or even **learn from the experts** on how to **re-invent yourself** in business. **Mikateko Media** will be embarking on a series of **financial fitness events** that aim to promote entrepreneurship, with a focus on black, female entrepreneurs. We invite you to our first event, **Financial Fitness: Black Women in Business 2016**, in Cape Town. **Ingrid Jones**, MD of Mikateko Media, invites you to the 2016 **Financial Fitness event** for Black Women in Business.

DATE:	Thursday, 14 July 2016
TIME:	8.30am – 4pm
VENUE:	Old Mutual Presentation Room (Mutual Park, Jan Smuts Drive, Pinelands)
DRESS CODE:	Business casual
COST:	R1 250 p/p, 10% discount on bookings of 10 delegates Cost includes refreshments, lunch, networking session with bubbly and a goodie bag
RSVP:	Beverley Miller on 078 437 7007 | events@mikatekomedia.co.za

SPEAKERS

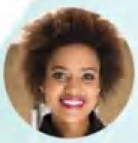
ZANDILE NZALO
FOUNDER & CEO: ZANENZA
Journey as a black female entrepreneur and the lessons she learnt the hard way

IRIS CUPIDO
CEO: SABC FOUNDATION
Role of black female entrepreneurs in the South African economy



SONIA BOOTH
ENTREPRENEUR & AUTHOR
Reinventing yourself in business and staying relevant

ELIZABETH MATLAKALA, CFP®
FINANCIAL COACH
Journey to financial freedom



NOTHANDO MOLEKETI
CO-FOUNDER: REWARE
Event facilitator

Ingrid Jones, MD: Mikateko Media

SPONSORS: MAZARS (AUDIT • TAX • ADVISORY) | OLDMUTUAL | mango

By James-Brent Styan

ESKOM

Load-shedding? Or blackout?

Load-shedding is supposedly over, however parts of the country are still experiencing blackouts. Is the parastatal to blame?

In May President Jacob Zuma visited the Eskom head office and declared that there will never be load-shedding again. This sentiment has been expressed by the parastatal's leadership too, based on the fact that it has not had to implement load-shedding in the country for more than a year now.

Great news then – the electricity crisis is over. Or is it? After all, if that was the case, why are there still so many blackouts across the country, especially around Gauteng – are these blackouts not load-shedding then?

Well, no, they're not. There's no reason to doubt Eskom when it says there has not been any load-shedding for over a year. There has simply been no reason to implement load-shedding.

Back in 2007, the fundamental issue underlying the country's power challenges was the need for the additional power-generation capacity. By 2007, Eskom had not added any new generation capacity to the fleet it had inherited from the apartheid government in 1994.

At the same time the demand for electricity was increasing as the economy grew rapidly. This ultimately led to load-shedding, which kicked off around November 2007 and by 2014 had wiped an estimated R300bn off the economy. Back then the economy had been growing at above 4% and was well on track to hit levels of 6%.

Unfortunately the power crisis kicked the legs out from under the economy at a time when commodity prices were soaring and the country could least afford it. Something had to be done quickly to fix the situation and increase power-generation capacity. First Eskom brought three mothballed power stations back online – Komati, Camden and Grootvlei. This process cost around R30bn, in hindsight a great investment and surely one of Eskom's greatest achievements in the past 10 years.

The parastatal also added diesel-powered turbines over a very short period. These came at a huge operating cost though – in 2008 Eskom's diesel bill was R80m. In 2014/15 the cost for diesel alone was around R1bn per month!

These initiatives certainly prevented a blackout.

The biggest reason why the electricity system has been able to recover and stabilise so well is because economic growth has plummeted.

Fast forward a year and a half to 2016 and today Eskom and government can comfortably say that load-shedding is a thing of the past. How has this been made possible? Only through the initiatives mentioned? No.

The biggest reason why the electricity system has been able to recover and stabilise so well is because economic growth has plummeted. This has been led by the global drop in demand for commodities – impacting massively on South Africa's energy-hungry mining industry.

South Africa is in all likelihood already in a recession. In fact, the most recent report on GDP figures for the country, released by Stats SA in June, found that GDP had contracted by 1.2% quarter-on-quarter.

The low economic growth and accompanying lack of demand for electricity has given Eskom the much-needed space to do maintenance on its older plants. Over the past 12 months the maintenance done has led to the reliability of Eskom's units improving from a low of 70% in 2014/15 to almost 80% at present.

Eskom has also managed to bring the first of six Medupi generating units online, adding 800MW to the grid with independent power producers – according to Eskom – adding another 1800MW to date.

Greater stability in leadership at Eskom following the permanent appointment of Brian Molefe as CEO has also contributed to the improved situation.

So what's with the blackouts happening across the country then? Those blackouts are mostly caused by local power grids that are collapsing due to lack of maintenance by a local municipality or illegal connections and cable theft that overload the grid and cause systems to trip.

Years of underinvestment into transmission and distribution grids, as well as increased demand on municipalities to deliver power, is now catching up with us. And this time, it's not really Eskom's fault. ■

editorial@finweek.co.za

James-Brent Styan authored a book on the energy crisis called *Blackout: The Eskom Crisis*, published in 2015. He writes in his personal capacity.

Over the past 12 months the maintenance done has led to the reliability of Eskom's units improving from a low of

70%

in 2014/15 to almost 80% at present.

Pylons carry high voltage electricity cables from Eskom's Grootvlei power station.

Dean Hutton/Bloomberg via Getty Images


IT DIDN'T TAKE 3 DAYS
TO GET APOLLO 11 TO THE MOON
IT TOOK 8 YEARS
On July 16, 1969, the astronauts aboard Apollo 11 set off to become the first human beings to walk on the moon. For 76 hours, millions of people from all over the world watched what became a historic giant leap for mankind. What many people didn't see were the eight years of unwavering commitment that made this momentous feat possible. At Allan Gray we value this kind of commitment. It's the same philosophy we apply to investing and it has worked well for our clients over the last 42 years.
Call Allan Gray on 0860 000 654
or your financial adviser,
or visit www.allangray.co.za
ALLANGRAY
LONG-TERM INVESTING
Allan Gray Proprietary Limited is an authorised financial services provider.
90383/E/R

in brief

"THIS IS A TIME WHEN THE EFFORTS THAT GOVERNMENT, BUSINESS AND LABOUR HAD BEEN PUTTING IN AVOIDING A DOWNGRADE MUST NOW CONTINUE IN ENSURING THAT WE COLLECTIVELY STABILISE OUR ECONOMY, REASSURE THE FINANCIAL MARKETS, AND INSPIRE CONFIDENCE – BOTH AMONGST SOUTH AFRICANS AND THOSE INTERESTED IN INVESTING IN SOUTH AFRICA – THAT WE ARE INDEED A COUNTRY WHERE THERE IS A SET OF RESILIENT INSTITUTIONS AND THAT AS A COUNTRY, WE ARE OPEN FOR BUSINESS."

Foto24/Denzil Maregele

– **Minister of finance Pravin Gordhan** comments in a speech following the UK's vote in favour of exiting the EU. Gordhan said the National Treasury and the Reserve Bank are monitoring developments and the implications for SA, and will keep the public informed if there are any measures that need to be taken to mitigate the impact of Brexit on SA. (Also see p. 12.)

"WHOEVER WANTS TO LEAVE THIS FAMILY CAN'T EXPECT TO DO AWAY WITH ALL OF ITS RESPONSIBILITIES WHILE KEEPING THE PRIVILEGES."

– **Angela Merkel, German chancellor**, rejects a proposal by Boris Johnson, the likely next prime minister of the UK, to give Britain access to the EU market with limited immigration. She told German MPs that there "must be and there will be a palpable difference between those countries who want to be members of the European family and those who don't", guardian.com reported.

"As I reflect on this day and remember the occasions when leaders of our liberation movements stood at my father's grave and waxed lyrical about the freedom he died for, I wonder where they are today. How do they live with themselves? How do they watch as the rights and freedoms the Cradock Four were brutally murdered for are systematically being undone?"

– **SABC journalist Lukhanyo Calata**, son of the murdered Fort Calata, a member of the Cradock Four, in an opinion piece published on the anniversary of his father's death on 27 June. Calata said the SABC's recent decisions (including the banning of footage of property destruction during protests and the suspension of journalists who questioned editorial policy) are curbing media freedom, and said the "disturbing direction" being taken by his employers is flying "in the face of what many have sacrificed".

THE GOOD

Investors in MultiChoice's empowerment scheme, Phuthuma Nathi, will soon be smiling all the way to the bank, with the company's board recommending dividends worth R1.3bn to be paid to shareholders, Moneyweb reported. The scheme, which in 2014 paid off the R2.7bn debt used to acquire a 20% stake in the pay-TV business in 2006, has paid out R7.8bn in dividends to date. Of this, R6.5bn went to shareholders. Investors will also benefit from a gain in Phuthuma's share price: an investment of R1 000 in Phuthuma Nathi 2 shares (listed in January 2007) was worth R14 800 on 24 June, according to Moneyweb calculations.

THE BAD

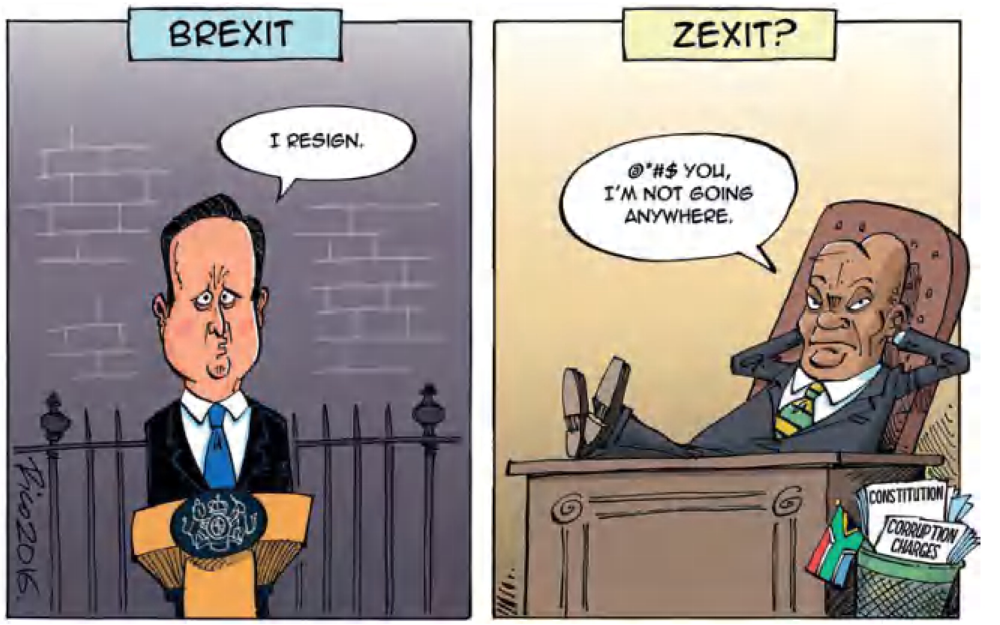
Eskom's decision to pay executives bonuses of R6m has led to fierce criticism from the National Union of Mineworkers (NUM). The union and Eskom are currently embroiled in fraught wage negotiations, with Eskom saying its offer of a 7% increase will lead to deeper cost cuts. NUM has cut its demand to 15%. "With rotating executives, blackouts, Medupi and general negative press, the optics don't seem right to earn millions in bonuses," remuneration expert Mark Bussin told TMG Digital. "This calls for wisdom and sensitivity on the part of Eskom's executives. Accepting the millions is contentious and should be declined."

THE UGLY

The visible increase in censorship of newsworthy events and intimidation of staff who question editorial policy at the SABC increasingly reminds one of the rules imposed on the state broadcaster by the previous regime. The SABC remains the primary source of news for many South Africans, particularly in their home languages. Acting group CEO Jimi Matthews said in his resignation letter at the end of June that the atmosphere at the group is "corrosive" and that what is happening at the SABC is "wrong". As the fourth pillar of democracy, South Africans should be concerned about any action that weakens the independence of the SABC and its ability to hold those in power to account.

DOUBLE TAKE

BY RICO



VOLKSWAGEN SETTLEMENT

$14.7bn

Volkswagen has agreed to pay up to $14.7bn to settle claims to the owners of about 475 000 vehicles stemming from its diesel emissions cheating scandal, nytimes.com reported. The cash compensation offered to each car owner will range from $5 100 to $10 000, and the settlement would be one of the largest ever in a consumer class-action suit in the US, it said. US vehicle owners would also have the option of getting the vehicles fixed to meet emissions standards, but this would probably reduce engine performance and fuel consumption, nytimes.com said. Volkswagen has admitted that about 11m diesel cars worldwide contained the cheating software.

AIRBNB RAISES CASH

3

Home-sharing company Airbnb is seeking a new round of fundraising that would give it a valuation of $30bn, making it the third-most valuable start-up in the world behind car-hailing company Uber and Chinese smartphone maker Xiaomi, ft.com reported. Airbnb is raising the new round to support new investments and growth opportunities, it reported. It will be the first test of investor appetite for large private tech companies in the aftermath of Britain's vote to leave the EU, a decision that has caused much turmoil in financial markets, ft.com said. Airbnb, which was founded eight years ago, now operates in more than 190 countries.

BUYERS FOR NEOTEL

70%

Pan-African telecommunications group Liquid Telecom, owned by Econet Gobal, has agreed to buy a controlling stake in Neotel for R6.55bn. Royal Bafokeng Holdings, who will partner with Liquid, has agreed to take a 30% equity stake. The deal, which comes just months after Vodacom was forced to walk away from a R7bn proposal to buy Neotel due to regulatory hurdles and opposition from competitors, will create the largest pan-African broadband network, spanning about 40 000km of fibre networks in 12 countries, from SA to Kenya, *Business Day* reported. Liquid Telecom said it did not anticipate major regulatory hurdles in getting the deal approved, as its operations in SA were "very limited in size", the paper said.

NASPERS* LOSES SUBSCRIBERS

288 000

Naspers's pay TV business in sub-Saharan Africa, MultiChoice, lost 288 000 subscribers in the year to end March. Naspers said it will focus on managing and absorbing costs where possible, and on minimising further price increases for subscribers, *Business Day* reported. The loss of subscribers and the impact of weakening currencies in sub-Saharan Africa would have a downward effect on earnings and cash flow in the year ahead, the company said. Naspers grew its total revenue by 6% to $12.2bn, driven by growth from Tencent and revenue growth in classifieds, travel and e-tail, the paper reported. Core headline earnings were up 21% to $1.2bn.

*finweek *is a publication of Media24, a subsidiary of Naspers.*

By Glenda Williams

Uber-like app at your (home repair) service

Immediate and professional home repair services, reliability and regular pricing are all tackled by on-demand home services app, getTOD.

Remember flicking through the Yellow Pages to find a plumber, electrician, locksmith or handyman? Or phoning a friend for a recommendation. Or, more lately, trawling the internet?

The requirement for quick and reliable home repair services is often met with frustrating searches, lengthy waiting times, poor workmanship and, to add insult to injury, a nasty shock when a hefty bill is presented.

Tackling the home services industry is getTOD, a smartphone app that addresses homeowners' needs for on-demand home services. Much like Uber, the getTOD (get Tasks On Demand) app is one that allows users to seamlessly connect with vetted service providers like plumbers, electricians and locksmiths using location-based tracking and supplier availability in real time.

"Our main objectives are simple. We are trying to provide safety, security and reliability around the notoriously unreliable home repair service industry," says Bradley Elliott, managing director of Platinum Seed, developer of the app.

While other home services apps do exist, they often only operate as service directory apps. getTOD on the other hand offers a truly on-demand, immediate service.

"The app works exactly like Uber. When you request a provider, you are doing so immediately and suppliers are available to do your job immediately. In the unlikely event suppliers aren't available, we are immediately notified and endeavour to get one online within 10 minutes," Elliott tells *finweek*.

The app is not only setting new benchmarks for service delivery, but also for pricing. To prevent irregular pricing, the company has regulated pricing by setting per-hour rates. Neither cheap nor pricey "it's somewhere in the middle", says Elliott, citing around R650 an hour – depending on the city – for an electrician, with payments made via the app linked to a credit card.

A 48-hour guarantee of workmanship is afforded directly through the app apart from the longer-term workmanship insurance provided by the bulk of the app's suppliers. All suppliers are subjected to strict vetting criteria including criminal background checks. Standards are maintained through user ratings. If supplier ratings fall below a specified percentage they are removed from the system.

getTOD cost nearly R1m and one year to develop and is the brainchild of entrepreneurs Daniel Marcus, Shannon Mackrill and Grant Bergman who approached Elliott to develop the app. Funded by the four, with additional equity raised from a private UK-based investor who holds a 3% share in the app, the four entrepreneurs hold the remaining shares equally.

Launched in the Western Cape in April, getTOD already boasts 3 000 downloads and 1 000 users, and has over 75 service providers.

There's a lot more to come according to Elliott. From 1 July getTOD is available in Gauteng, where 75 providers have already been secured. The Gauteng launch comes with an additional offering for handyman services.

Two more service offerings – a courier service and towing service – roll out end July. "We plan to align with the insurance industry, bringing on towing providers that are approved by a large number of insurers," he says.

Elliott says the aim is for the app to cover most of the major metros by September, and he says they have the ability to quickly scale provider numbers to upwards of 15 000 through relationships they are currently finalising.

Aspirations for getTOD are not only local. "We want to be known as having a big global presence, with local roots, and are looking to add value and convenience to people's lives both locally and globally through technology," explains Elliott.

A measure of success locally would suggest that the app would gain good traction in more mature markets like the high-density metro areas of New York and London, says Elliott. Given that one of the partners and private investors are UK-based, London, he says, is the next port of call if local numbers stack up.

"The goal is to launch in London by year-end or latest the beginning of next year," he says. The US, Australia and Europe are also on the cards.

The strength of the app will lie in its suppliers providing quick, safe and reliable home repair services. It's a technology medium that anyone with an Android or iPhone smartphone and credit card would be able to make use of. ■

editorial@finweek.co.za

Launched in the Western Cape in April, getTOD already boasts

3 000

downloads and

1 000

users, and has over 75 service providers.

Bradley Elliott
Managing director of Platinum Seed

Much like Uber, the getTOD (get Tasks On Demand) app is one that allows users to seamlessly connect with vetted service providers.

By Jaco Visser

How Brexit could affect SA

The UK has decided to leave the world's largest trade bloc, the European Union. What will the impact be on SA's trade with the UK and EU?

The largest impact of the UK referendum on exiting the EU after 43 years of market integration was the slump in the pound. The currency slid 8% against the US dollar on the day after the vote and had declined by a cumulative 11.5% by 27 June.

The UK is one of SA's largest trading partners, with exports to the country totalling R11.8bn in the first four months of the year compared with imports from the UK at R10.8bn, according to statistics from Sars. The UK is the destination for 3.3% of SA's exports (including those shipped to Botswana, Lesotho, Swaziland and Namibia).

The UK is SA's second-largest export destination in Europe, after Germany (R27.5bn during the first four months) and ahead of Belgium (R11.2bn). The top three categories of goods SA exports to the UK are precious metals (R3.3bn) and vegetables (R2.4bn), as well as vehicles, aircraft and vessels (R2.1bn), according to Sars' trade statistics.

On 27 June, the rand recovered to its strongest level against the pound since October last year.

The slide in the pound against the dollar was mirrored in an appreciation of the rand against the pound. On 27 June, the rand recovered to its strongest level against the pound since October last year. It gained around 5% in the two trading days following the vote. A stronger rand against the pound means it's more expensive for British importers to buy South African products, which are denominated in rand. One pound now buys fewer rand than before.

POPULATION VERSUS VOTERS

The population of the UK was estimated at 65.11m people by mid-2015, according to the country's Office of National Statistics. This compares with a population estimate of 58.88m by mid-2000.

The number of people eligible to vote in the UK is 46.5m, according to the nation's Electoral Commission. Some 33.56m people, or 72% of the electorate, voted in the EU referendum. During last year's general election, where voters had to choose 650 members of parliament, 46.6m people were registered and 30.8m votes counted, a turnout of 66.4%, according to the commission. ■

editorial@finweek.co.za

The number of people eligible to vote in the UK is **46.5m**, according to the nation's Electoral Commission. Some 33.56m people, or **72%** of the electorate, voted in the EU referendum.

SA TRADE WITH THE EU

EXPORTS FROM SA (R)

Belgium	11 282 426 848
Czech Republic	723 907 212
France	3 360 532 592
Germany	27 578 965 030
Italy	5 137 215 130
Netherlands	8 494 451 864
Poland	650 557 515
Spain	3 680 722 927
Sweden	582 285 381
United Kingdom	11 806 024 033

IMPORTS FROM COUNTRY (R)

Belgium	3 899 860 964
Czech Republic	2 922 159 004
France	9 013 437 585
Germany	44 826 859 228
Italy	9 342 860 446
Netherlands	7 292 754 247
Poland	3 154 646 352
Spain	6 860 927 959
Sweden	4 554 220 495
United Kingdom	10 825 625 949

SOURCE: Sars Trade Statistics January-April 2016

WHAT IS SA EXPORTING TO AND IMPORTING FROM THE EU?

LARGEST EXPORTS FROM SA

- Vehicles **(R4.9bn)**
- Machinery **(R381m)**
- Vehicles **(R1.44bn)**
- Vehicles **(R10.16bn)**
- Iron and steel products **(R1.48bn)**
- Vegetables **(R3.2bn)**
- Iron and steel products **(R159m)**
- Machinery **(R885m)**
- Prepared food **(R175m)**
- Precious metals **(R3.3bn)**

LARGEST IMPORTS TO SA

- Chemicals **(R1.04bn)**
- Machinery **(R1.33bn)**
- Machinery **(R2.44bn)**
- Equipment components **(R14.83bn)**
- Machinery **(R3.97bn)**
- Chemicals **(R1.2bn)**
- Machinery **(R941m)**
- Machinery **(R1.9bn)**
- Machinery **(R2.33bn)**
- Machinery **(R2.62bn)**

UNCERTAINY OVER TRADE DEALS – DON'T PANIC

After Brexit there are several scenarios regarding South Africa's future trade with these two parties. Everything depends on how rationally the EU and the UK will manage the separation over the next two years. Given SA's high degree of interdependence on these two parties, the government, local import and export industries, as well as organised labour, should in the meantime prepare themselves proactively for all scenarios.

Kurt Moore, chief executive of the South African Liquor Brand Owners Association (Salba), hopes that there will be a soft landing for the Economic Partnership Agreement (EPA) that the EU recently concluded with six SADC countries. "I do not believe that everything that was on the EU's agenda before Brexit will now suddenly lose momentum. I hope the EPA will still be ready for provisional implementation on 1 October and that it will also be in force for the UK for the next two years before the separation from the EU becomes effective."

John Maré, an independent consultant on international public regulatory matters and the local representative of the UK-based Business Council for Africa, believes that it is highly unlikely that the EU will have to renegotiate its existing trade agreements with SA from scratch. Given the EU's expected weaker financial position without the UK, it is still uncertain whether it will try to downscale the EPA in time to come. As far as the UK is concerned, the worst scenario is that it could possibly not have a trade agreement with SA in two years' time. This could lead to import duties of 100%. The best scenario will be that SA may have an even better trade agreement with the UK in two years' time. – **By Jacques Claassen**

EXPECTED BREXIT TIMELINE

June 2016
- British electorate voted for the UK to leave the EU after 43 years of membership.
- Prime Minister David Cameron announced that a new head of government will take over from him in October.

October 2016
- Conservative Party Congress is to be held, during which a new leader of the party and prime minister will be elected.
- New prime minister is to invoke Article 50 of the Lisbon Treaty, which regulates how a country ceases to be a member of the EU.

Spring 2017
- France to hold national elections to choose a new government and president.

Autumn 2017
- Germany to hold federal elections to choose a new Bundestag and chancellor.

October 2018
- Two-year limit, as stipulated in Article 50 of the Lisbon Treaty, to negotiate an exit of a member state lapses; UK needs the approval of at least 20 remaining member states with 65% of EU's population to continue negotiating new agreements, e.g. trade, finance and movement of people, with the EU.
- Rules and regulations of the EU cease to apply to the UK.

SOURCE: Lisbon Treaty of the EU; German and French governments

WHAT DOES THE LISBON TREATY STATE?

The Lisbon Treaty, which was signed by the EU's member states and subsequently ratified by their legislatures, was concluded in 2007. The treaty made provisions for the establishment of, among others, a High Representative of the Union for Foreign Affairs and Security Policy, and formalised the role of the President of the European Council.

ARTICLE 50 OF THE LISBON TREATY STATES:

1. Any member state may decide to withdraw from the Union in accordance with its own constitutional requirements.

2. A member state that decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that state, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.

3. The treaties shall cease to apply to the state in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the member state concerned, unanimously decides to extend this period.

4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing member state shall not participate in the discussions of the European Council or Council or in decisions concerning it.

A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the Functioning of the European Union.

5. If a state which has withdrawn from the Union asks to rejoin, its request shall be subject to the procedure referred to in Article 49. ■

SOURCE: European Union

Gallo Getty Images/iStockphoto

By David McKay

Brexit brightens gold

It seems that the only positive consequence of the Brexit vote is the impact on the gold price and what this means for mining companies.

One of the few happy outcomes of Brexit is the impact on the dollar gold price which has now eased through $1 300/oz at the time of writing – its highest level in about two years.

And in rand terms, the price received by gold mining companies with assets in SA is its highest ever: currently at R658 000/kg of gold produced which is some R100 000 more per kilogram of gold produced in January.

This is why gold equities on the JSE have performed so well. In the first hour of trade after Brexit was confirmed in the UK's early morning polls, shares in AngloGold Ashanti improved by about 20% on the JSE.

It's also worth noting that AngloGold Ashanti this week confirmed it would redeem $471m in bonds carrying a coupon of 8.5%, which were due to mature in July 2020. As the interest rate suggests, the bonds were raised when the company was in severe cash-flow distress.

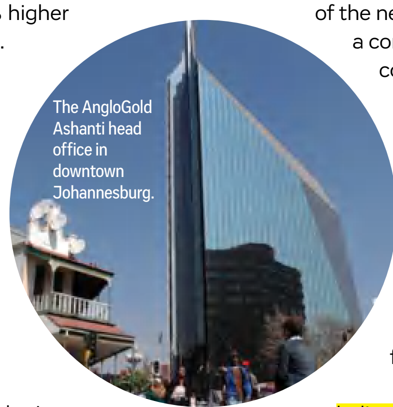
This redemption is important because it's another indication of just how far AngloGold and its peer group in the gold sector have come in terms of balance sheet reparation. "We have noted before, gold companies are ahead of their industrial counterparts in terms of having repaired their balance sheets," said Goldman Sachs in a report.

It added that it expected gold companies to be net cash by the end of 2017.

"Given limited growth capex we expect them to generate an average of 10% free cash flow over the next four years. As such, we believe they could be on the cusp of ramping up returns, which in turn could see gold equities outperforming the commodity," it said. The gold price is 22% higher since the beginning of 2016.

In a well-publicised note, credit ratings agency Moody's commented on the improvement to gold company cash flow generation saying that "as a result of Brexit" AngloGold could generate $120m in free cash flow in the second half of 2016. Gold Fields could generate $50m in free cash flow. Its forecast was based on a gold price of $1 300/oz and a rand of 15 to the dollar.

According to the World Gold Council, the renewed interest in gold is widely shared with increases in exchange-traded fund (ETF) forecasts. "Gold ETF holdings have also been increasing sharply, a trend we expect to see accelerate as both retail and institutional investors reallocate funds to gold," it said.


The AngloGold Ashanti head office in downtown Johannesburg.

The gold price is $230/oz stronger this year alone and there's still evident enthusiasm among investors with gold falling into 'stronger hands', said UBS analyst, Joni Teves, in a recent report.

"The view that the bear market is now over and gold has now entered the early stages of the next bull run is becoming a common theme among our conversations with various market participants," said Teves. Negative- or low-interest-rate environments, macro risks and deteriorating confidence towards central banks and monetary policy are the reasons cited for the fresh interest.

As a result, investors believe a gold price of $1 400/oz is possible with the floor set at around $1 190 or $1 200/oz.

"The combination of stronger hands and broader interest has resulted in considerable support on the downside," she said. Investors were holding gold as a diversification tool rather than chasing the metal or looking for short-term price gains. ■

M&A ACTIVITY TAKES OFF AS GOLD PRICE IMPROVES

The improvement in the gold price has precipitated a bout of merger and acquisition (M&A) activity in the sector, especially in Africa – a development that seems to mirror the expansion ambitions of Harmony Gold, Sibanye Gold and Gold Fields which have all targeted West Africa as an area of potential growth.

According to Beaufort, a UK stockbroker, total gold industry M&A activity topped $1bn between February and June. This consisted of six transactions globally, of which four were located in Africa.

"We note that there has been a recent flurry of activity in M&A activity within the gold space as miners look to acquire quality assets," said Beaufort's analysts in a report, primarily about an improvement in the rating of Hummingbird Resources, a UK-listed junior miner.

Hummingbird Resources last week completed a £49.5m capital raising for its Yanfolila gold mine project, which is situated in West Africa's Mali. Gold Fields, which says it is keeping an open mind on new business in Africa, had a stake in Yanfolila, which it once owned, but decided not to follow its rights.


Peter Steenkamp
CEO of Harmony Gold


Neal Froneman
CEO of Sibanye Resources

The most valuable African transaction in terms of deal consideration was Endeavour Mining's $180m takeover of True Gold, which owns the Karma mine in Burkina Faso, which will add 100 000 oz a year to production from next year.

On a dollar-per-resource-ounce basis, the Karma deal was the second most expensive of the six transactions at $189/oz, just below the $205/oz Silver Standard paid for Seabee Gold.

Harmony Gold CEO, Peter Steenkamp, said his company was considering investing in African (non-SA) gold, while Neal Froneman, CEO of Sibanye Resources, said his firm was chasing down an African gold producer with some 200 000 to 300 000 ounces in production annually. ■

Mining derails Transnet

Transnet results reveal the effects of a struggling sector on the parastatal.

The year-end results of Transnet, SA's state-owned transport and logistics company, provides an alternative snapshot of the health of the national economy; one with moving pictures, as it were, rather than just bald GDP statistics.

According to Siyabonga Gama, CEO of Transnet, impairments related to bad debt among the firm's customers totalled R700m in the 12 months ended 31 March. Some of these included Evraz Highveld, the steel producer, which was driven into liquidation. Other customers, such as ArcelorMittal SA, simply reduced its level of custom to Transnet as it cut back production.

The picture Gama paints is an industry slowly fading, especially as the mining sector finds it increasingly difficult to attract the debt and investment support it needs to grow production and exports, most likely under weight of failing commodity markets, and regulatory uncertainty.

The amounts of coal, iron ore, manganese, cement, and steel put into trains in Transnet's last financial year were all lower year-on-year; some markedly so. About 6% less coal was sent from Mpumalanga and Limpopo to the Transnet operated port in Richards Bay, KwaZulu-Natal.

On this score, it's worth remembering just exactly what Transnet promised to do.

At a time when the rand was trading 9 to the dollar, Transnet unveiled a R300bn Market Demand Strategy (MDS), an expansion programme, part of which would pay for an increase in coal exportation capacity to 81 million tons a year (mtpa) by 2016.

Well, we're here now in 2016 and the delivered coal to Richards Bay was only 72mt – lower than the level achieved in 2015. "What we said we would do in seven years, we are now only going to do in 10 years," said Gama.

Plans to ambitiously expand the Waterberg network of coal lines have been deferred to 2020 or 2021.

In its year-end pre-close note, Wim de Klerk, CFO of Exxaro Resources noted: "Exxaro rail supply in the Waterberg has been disappointing, achieving an average of 3.5 of the required five trains per week since the beginning of 2016." He put it down to "operational issues" at Transnet Freight Rail (TFR) which is the largest business unit in the Transnet empire.

According to Siyabonga Gama, CEO of Transnet, impairments related to bad debt among the firm's customers totalled R700m.

The way Gama described it, he and his team noticed "the wheels were coming off the economy" in October – a moment in time he referred to as "Red October". It puts Transnet in a precarious position because it is committed to investing ahead of the cycle; in other words, before and in anticipation of a recovery in the SA economy.

Commenting on business conditions in the 2016 financial year, Gama said he felt it was "... similar to the recession of 2008" when the global financial and economic crisis hit. However, he has "... reason to believe things are looking up" despite the expected impact of Brexit, which could knock off 0.1 percentage point off SA's GDP growth this year. The economy grew 0.6% last year.

Coal prices have stabilised and there have been small improvements in iron ore and chrome, said Gama, who added that Transnet wanted to target general freight business as a means of keeping volumes on its trains pumping while mining languished.

"We are also doing a lot of work in terms of rail volumes that are rail friendly that can be moved from road to rail," said Gama.

This will mean taking custom away from the country's trucking industry.

It also means that the MDS must forge on. Although R12.1bn in expenditure to expand TFR's iron ore line has been deferred, a further R15.7bn will still be invested in the sector. And roughly R22bn will still be spent on the coal line in totality.

Over a 14-year period since it was first unveiled, the MDS will commit about R500bn to expanding SA's infrastructure. "We are revising MDS so that it is on steroids. We have to give some tablets to the economy," said Gama. ■

editorial@finweek.co.za

Siyabonga Gama
CEO of Transnet

About
6%
less coal was sent from Mpumalanga and Limpopo to the Transnet operated port in Richards Bay, KwaZulu-Natal.

Wim de Klerk
CFO of Exxaro Resources

Gallo Images/Getty Images

By Marcia Klein

Economy struggles, but government revenue grows – Reserve Bank data

If taken figure by figure the SA economy is not necessarily worse off than in 2009. The problem, however, is that our economy is still in decline while the global economy is recovering.

On the face of it, not much has changed in the economy since Jacob Zuma became president.

The June SA Reserve Bank (SARB) quarterly bulletin, which largely documents the quarter to March, shows that various economic measures are not that dissimilar to those in the same quarterly bulletin in 2009, which outlined the state of the economy around the time of his inauguration in May of that year.

At that time, the world, and South Africa, was in the depths of the global economic crisis, with significant contractions in GDP. Even drought conditions were an influencing factor then, as they are now.

Among the major economic indicators, inflation is now 6.2%, down from 8.4% in 2009 and interest rates 7% (7.5% in March 2009). The deficit on the current account is 5% (7%), the trade deficit is R38bn (R53.4bn) and household debt as a percentage of disposable income is 76.6% (76.7%).

Official unemployment has edged up to 26.7%, but is not that far off the 23.5% in 2009. However, youth unemployment, which was not documented in 2009, has risen dramatically to a massive 54.5% from 50.4% just one year ago.

Figure by figure, one could argue the economy is not necessarily doing worse than in 2009, albeit with the benefit of the extremely low base then.

But it is not as simple as that.

The fundamental problem is that South Africa's economy is still in decline while the global economy is recovering. South Africa's GDP had contracted by 6.4% by March 2009, while the world economy has contracted by 2,1% in that year according to the World Bank

Since then, and especially more recently, the global economy has picked up, with expectations of 3.2% global growth and as much as 5% emerging-market growth in 2016.

South Africa's economy, on the other hand, contracted by 1.2% in the first quarter and the outlook is bleak.

The other fundamental problem is South Africa's decline in savings and growing mountain of debt, which is expected to top 50% of GDP.

These issues and the political leadership crisis, which has created economic and policy uncertainty, will likely result in South Africa being downgraded to junk status by ratings agencies during the course of 2016. In the case of most other countries that are downgraded to junk, sustained recessionary conditions and World Bank bail-outs and interventions are almost a certainty.

The SARB was measured in its analysis of the ratings issue, saying nervousness "was moderated when Moody's reconfirmed its investment-grade-plus-one-notch sovereign debt rating in May, and was followed by the other two major credit rating agencies reconfirming their investment-grade ratings".

Lesetja Kganyago
Governor of the South African Reserve Bank

Youth unemployment, which was not documented in 2009, has risen dramatically to a massive 54.5% from 50.4% just one year ago.

President Jacob Zuma

The other fundamental problem is South Africa's decline in savings and growing mountain of debt, which is expected to top

50%

of GDP.

Finance minister Pravin Gordhan has said government is doing everything it can to prevent a downgrade, but signs of any substantive changes in this regard are absent, and the chance of a quick turnaround from years of decay unlikely.

The recent SARB quarterly bulletin compared conditions in 1999/2000 to last year. It said that "the fiscal parameters 16 years ago were healthier than at present, although capital formation by the public sector was much lower. While the shortfall on the current account of the balance of payments was much smaller 16 years ago than at present, strong advances have been made in the area of international liquidity, with a more than sixfold increase in South Africa's gross reserves and a turnaround from a negative international liquidity position to a strong positive one."

It said South Africa's economic condition has been influenced by subdued commodity prices and drought conditions which "detracted further from growth and exports, setting in motion various negative multipliers in the economy and causing increases in domestic food prices. This was exacerbated by currency depreciation, culminating in an acceleration in food price and general inflation."

It said weakening exchange rates and rising inflation were not confined to Southern Africa, but extended to many other emerging-market economies.

In the first quarter average wage settlements were above inflation, but this only applies to the lucky few in formal employment, which are, increasingly, government employees as Zuma's term has been marked by an increasingly bloated cabinet and public sector.

Of concern is that there is little fixed capital expenditure by the private sector and by government. The contraction in real gross fixed capital formation shrank by 6%, following a decline of 2.8% in the fourth quarter of 2015. Production has contracted, as has expenditure.

Government's inability to spend money wisely to uplift the economy has not been constrained by its income.

Government revenue was over R1tr in the latest bulletin, compared with R608bn in 2009, and SARB said tax revenue, which rose 16% in the first quarter, has continued to be "buoyed by customs duty, personal income tax and value-added tax collections". ■

editorial@finweek.co.za

Waldo Swiegers/Bloomberg via Getty Images

Don't miss: The *finweek: Money Matters* show every Friday at 1PM on CNBC Africa, channel 410. In the show, we talk to experts about this issue's top stories.

FUND IN FOCUS: EFFICIENT BCI AFRICAN FLEXIBLE INCOME FUND

By Jaco Visser

Finding value in Africa

The fund aims to maximise income for investors by investing mainly in African interest-bearing assets.

FUND INFORMATION:

Benchmark:	STeFI Composite Index + 2 percentage points
Fund manager:	Brendan Vadas
Total investment charge (TIC):	1.79%
Fund size:	R50.5m
Minimum lump sum/subsequent investment:	R1 000 monthly/R10 000 lump sum
Contact details:	info@efselect.co.za or 021 410 6000

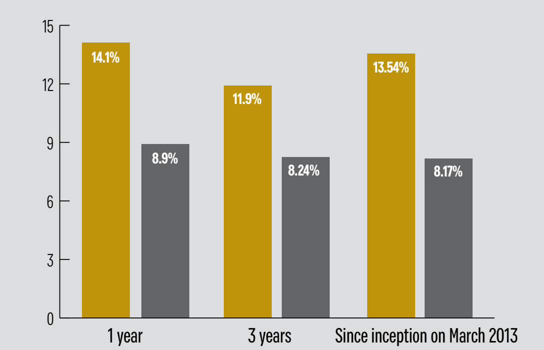
TOP EQUITY HOLDINGS

as at 31 May 2016:

1	Government of Morocco	19.4%
2	Standard Bank Botswana	14.3%
3	Government of Rwanda	12.2%
4	Government of Namibia	6.5%
5	Government of Nigeria	6.2%
6	Republic of Kenya	6.1%
7	Government of Ethiopia	5.7%
8	Government of Tanzania	5.7%
9	Government of Egypt	5.2%
10	First Quantum Minerals Ltd	4.9%
	TOTAL	**86.2%**

PERFORMANCE (ANNUALISED)

as at 31 May 2016:



Fund manager insights:

The fund's investment policy rests on its search for quality assets at reasonable prices, according to Brendan Vadas, chief investment officer at Efficient Select and manager of the fund.

"When investors think about assets in Africa, they don't often [think] 'quality,'" he says. "However, our research has found a number of fixed-income assets from Africa that meet our quality criteria."

On the other hand, African equities and property stocks pose more risk, according to Vadas. When investing in fixed-income assets, such as bonds, investors are at the front of the queue of creditors, whereas shareholders are at the back, he explains. "Importantly, this fact reduces our chance of potential capital and income loss." That's why the fund prefers fixed income over equities in Africa.

A number of African states issued eurobonds – dollar-denominated debt sold into capital markets in Europe. These bonds, explains Vadas, are protected by the laws of the country where they are issued and are governed by applicable IMF regulations.

"We are comfortable with the protection these bonds offer us," he says.

When analysing a country to make an investment decision, Vadas's team looks at the economic growth of the nation, as well as inflation, government revenue and the strength of both fiscal and monetary policy. "Simply put, we want to assess which countries have the highest probabilities of paying us back," explains Vadas.

"The fund is only invested in 11 African countries of the 18 that meet our investment criteria," he says. The fund's largest geographic exposure is to the predominantly services-based economy of Morocco, at almost a fifth of the underlying funds.

"The fund is only invested in 11 African countries of the 18 that meet our investment criteria."

The fund is skewed towards countries with larger services sectors and lower reliance on commodity exports, Vadas says. States relying on commodity exports for revenue typically have inefficient tax systems to generate additional revenue for governments, he says. Services-based, lower commodity export nations have had to "work harder" to generate the same level of revenue as their resource-rich peers, he explains. This has generally resulted in higher-quality economies and revenues.

Why *finweek* would consider adding it:

The fund's inherent risks are linked to the economic performance of the countries whose bonds it holds.

Having limited exposure to those nations with weak policy institutions, typically resource-rich states, and a focus on countries with strong services sectors, may prove the strong point of this fund.

The collapse in economic growth inherent to many emerging markets was partially driven by the slump in commodity prices. Services-led economies fared better, especially those in East Africa, such as Kenya, Tanzania and Ethiopia. ■

editorial@finweek.co.za

FAMOUS BRANDS*

BUY SELL HOLD

By Simon Brown

No customer complaints here

I bought my first Famous Brands shares some 10 years ago. Back then it was a promising company with three areas of potential: full logistic and manufacturing operations, expanding the footprint (I was hoping for 1 000 stores across the different brands) and great margins. Over the last decade it has delivered on all three and the stock now sits in my top-tier portfolio.

Gallo Images/iStock

Manufacturing and logistics are solid stand-alone operations, delivering great profits with strong integration. For example, the recent acquisition of Lamberts Bay Foods means Famous Brands now supplies its own chips as well as supplying to other customers. It has done this across a range of products, earning it extra profits.

The move into sit-down casual dining may dent margins (as does a consumer under pressure), but aside from chicken, sit-down was its last frontier and the group could easily have over 100 restaurants across a number of brands within a few years.

Having initially paid around 1 000c a share, I just bought more at R121 and am a very happy shareholder.

The writer owns shares in Famous Brands.

Last trade ideas

- SELL Gold Brands Investments
- BUY Aspen
- SELL PPC
- SELL Lewis

SABMILLER

BUY SELL HOLD

By Moxima Gama

Reconsider that last round

SABMiller, the brewer that's being bought by Belgium-headquartered AB InBev, has been trading sideways between 99 140c/share and 86 180c/share since December 2015. In May, it reported a decline in full-year profit as it was saddled with costs associated with the $108bn takeover and charges related to some of its African operations. Earnings before interest, tax, depreciation and amortisation (ebitda) declined by 8.6% to $7.1bn in the year to end March. The decline was due in part to $160m in costs related to the AB InBev deal, as well as a $572m write-down related to the scaling down of operations in Angola and South Sudan.

SABMiller, which was founded in Johannesburg in 1895 as Castle Breweries, saw its share price starting to rally in September last year after confirming that AB InBev was set to make a formal offer. The deal, which has been long anticipated, will combine the world's two biggest brewers and the new group will produce about 30% of the world's beer. As part of the deal, SABMiller will sell its 58% stake in its MillerCoors joint venture in the US to Molson Coors for $12bn in order to get regulatory approval for the tie-up with AB InBev.

However, on 24 June we saw the SABMiller share price edge closer to key support at 86 180c/share as SABMiller investors became increasingly nervous about the possibility of a top-up payment or a collapse in the deal if the pound continues to weaken following the Brexit vote. A weaker pound against the dollar would make the offer less attractive. The £44 offer was a hefty 50% premium to SABMiller's share price on the day before media speculation about a potential deal.

How to trade it: Sell below 86 180c/share, as such a move would end a six-month consolidation – potentially commencing the descending phase of a topping-out pattern towards support at 73 200c/share. A tight stop-loss is recommended, and keep a close eye on the sterling movement. A reversal above 94 115c/share would extend the topside consolidation – in which case refrain from shorting. ■

editorial@finweek.co.za

Last trade ideas

- HOLD MTN Group
- BUY Aspen
- BUY Telkom
- SELL Richemont

SABMiller investors became increasingly nervous about the possibility of a top-up payment or a collapse in the deal if the pound continues to weaken following the Brexit vote.

Beer bottles after being filled and capped at SABMiller's bottling plant in Cape Town.

Dean Hutton/Bloomberg via Getty Images

By Moxima Gama

DRDGOLD

UK loss is gold's gain

The Brexit vote sent markets into turmoil and investors scrambled to safe havens – much to the delight of gold. On the back of this and other factors, DRDGold might just be back on the yellow brick road.

Gold shares were the biggest winners on the JSE on 24 June as investors sought a safe haven to escape the worst global market carnage in years after Britain voted to leave the EU. When emerging-market currencies feel the heat, risk-averse investors tend to flee to safe havens. As a result, the rand dropped even more against the dollar than it did in December last year when President Jacob Zuma fired Nhlanhla Nene as finance minister, falling more than 8% to R15.68 against the dollar in a single day.

If the expectations of further US interest rate increases get pushed back as a result of the Brexit shock, gold and gold shares globally are likely to continue benefitting from their safe-haven status. South African gold shares have benefitted not only from the higher gold price, but also the weakness of the rand. The rand price of gold, which has a major impact on local gold mines' profitability, jumped more than 8% to R637 325/kg on 24 June.

The spot price of gold is now teetering on the major resistance trendline of its long-term bear trend. A positive breakout, which would be confirmed above $1 435/oz, could see gold recoup its previous gains towards $1 520/oz – which would be another plus for our local gold shares.

> The rand price of gold, which has a major impact on local gold mines' profitability, jumped more than **8%** to R637 325/kg on 24 June.

One of these is DRDGold, a South African gold producer and specialist in the recovery of the metal from the retreatment of surface tailings. DRDGold, which is listed on the JSE and the New York Stock Exchange, benefits from an improvement in the rand gold price, since costs are paid in rand. The stock has returned nearly 300% to shareholders over the 12 months.

In the six months ended December 2015, DRDGold saw revenue increase by 11.3% to more than R1.1bn, partly thanks to a 12% increase in the average rand gold price received to R491 993/kg. The group declared headline earnings per share of 2.6c, compared with a headline loss of 0.3c per share in the same period in 2014.

In April, the group declared a third-quarter dividend of 38c a share, bringing its total distribution to shareholders so far in the current financial year to 50c a share. It paid a total dividend of 10c a share in the 2015 financial year.

"The very significant weakening of the rand, coupled with higher production and stable costs, pushed our net cash and cash equivalent position up at the end of the third quarter to beyond R410m," CEO Niël Pretorius said at the time. "We do not have any large near-term capital projects to fund and can do this distribution without cutting into our cash buffer."

Although I remain bullish on all gold shares, I believe DRDGold has even more room for upside as it recovers within its decade-long consolidation phase.

52-week range:	R1.49 - R9.49
Price/earnings ratio:	3.07
1-year total return:	+305.63%
Market capitalisation:	R3.6bn
Earnings per share:	R2.70
Dividend yield:	4.58%
Average volume over 30 days:	689 590

SOURCE: INET BFA

DRDGOLD

SOURCE: MetaStock Pro (Reuters)

Niël Pretorius
CEO of DRDGold

What next?

Possible scenario: DRDGold has broken out of its long-term bear trend and is approaching major resistance at 1 210c/share. Breaching that level would end the consolidation phase of a huge bottoming up pattern, and the ascending phase would gradually commence towards the 2 175c/share resistance mark. This ascending phase could even complete a 100% retracement to its all-time high at 5 585c/share in the long-term

Alternative scenario: DRDGold would resume its previous bear trend below 400c/share. Close long positions as support at 150c/share could then be tested. ■

editorial@finweek.co.za

Moxima Gama has been rated as one of the top 5 technical analysts in South Africa. She has been a technical analyst for 10 years, working for BJM, Noah Financial Innovation and for Standard Bank as part of the Research Team in the Treasury Division of CIB.

By Simon Brown

Simon's stock tips

Founder and director of investment website JustOneLap.com, Simon Brown, is *finweek*'s resident expert on the stock markets. In this column, he provides insight into the week's main market news.

BREXIT

So what now?

So Brexit is now a thing after the UK voted on 23 June. The immediate response was a global sell-off of markets and an uncertain future. As I write, the UK government has not triggered article 50 of the Lisbon Treaty of 1973 that would set in motion the UK exit from the EU – a two-year-long process. So now what? Uncertainty and volatility – lots of it, and likely for some time. The question everybody is now asking is how this separation will play out. The honest answer is nobody knows. This is a giant economic experiment, with no indication of the results. Markets of course hate uncertainty, and it will take them a while to get used to this. Volatility is going to rule the roost for now; nobody knows for how long. Long-term investors should ignore the noise and focus on buying and holding great companies and exchange-traded funds (ETFs). Traders should carry on as normal and remember to always obey their stops.

METAIR

Some risks ahead

The Metair trading update says headline earnings per share (HEPS) will be 50% to 59% lower as it is in a "redesign, growth and renewal phase". In other words the business model is being changed significantly, which carries risks. The risks are that this change may take longer and cost more than expected, and ultimately may not markedly improve the business. The company also has exposure to Russia, which is having a negative effect. Metair is keeping shareholders well-informed, but that doesn't mean one shouldn't keep a close eye on the new strategy to see if it works. Results due on 17 August will provide more details.

BSI STEEL

Still a broken industry

BSi Steel results came in looking really strong, with tangible net asset value (TNAV) sitting at over 100c, compared to a share price that is under 50c. Going through the balance sheet, one can see that most numbers improved, with the only two points of concern for me being the loans to group companies. This is some R182m and, coupled with a bank overdraft of around R214m, poses two real risks for this company. As I write on the following page, risks of debt and especially bank overdrafts and loans to group companies can very quickly turn bad. That all said, the biggest issue is that this is just not a great space to be operating in. I always say buy great companies in great industries, and this is not a great industry right now.

Going through the balance sheet most numbers improved, with the only two points of concern for me being the loans to group companies. This is some

R182m

and, coupled with a bank overdraft of around R214m, are two real risks for this company.

STEINHOFF INTERNATIONAL

Close a deal already

The Steinhoff* desire to buy something is in full swing again. The Poundland offer has been rejected by the board and the Brexit vote creates all sorts of uncertainty, while the Steinhoff board says it's considering its options. I have written before that I am perfectly happy when a company walks away from an acquisition, especially a competitive one. But sooner or later Steinhoff will have to land a deal or risk questions being asked about its deal-making ability; something it has prided itself on in the past.

MTN

New CEO is good news

The announcement from MTN that Rob Shuter is to be the next group CEO is great news for one main reason: he is an outsider. I have repeatedly said that there is a corporate culture problem at MTN, as indicated by it ignoring its Nigerian regulator. An outsider can come in and create a completely new, and compliant, culture and this is very good news. The problem is he may take as long as a year to take up his post, and he may fail to instill a new culture, but it is a step in the right direction for a company that has been lurching in the wrong direction for too long. ■

editorial@finweek.co.za

The writer owns shares in Steinhoff.

Getty Images/iStock Images

Gallo Images/Getty Images

By Simon Brown

PORTFOLIO MANAGEMENT

What you need to know about debt

Whether a company has taken on debt for bad or good reasons, it's very important that investors keep track of how this debt is affecting the companies they have shares in.

I wrote last week about companies undertaking acquisitions with debt. At the same time I mentioned PPC, which is in a pile of trouble over its debt. The reality is that debt can be great or horrid; it is the true double-edged sword. Use it well and a company can grow ahead of just its organic growth rate. Use it badly and a company could at worst go bust or perhaps just escape with a nasty rights issue. So this week I want to focus on what we need to know about debt.

First, where do we find it? The balance sheet will list two types of debt – current debt that needs to be repaid within a year, and non-current that has more than a year to go until it needs to be repaid. The simplest measure is to check current debt against current assets. If debt is larger (as with PPC), then there is a problem. We can also check the debt-to-equity value, again from the balance sheet, and here the different industries will have different levels, but typically I want to see debt at about 80% of equity at the most.

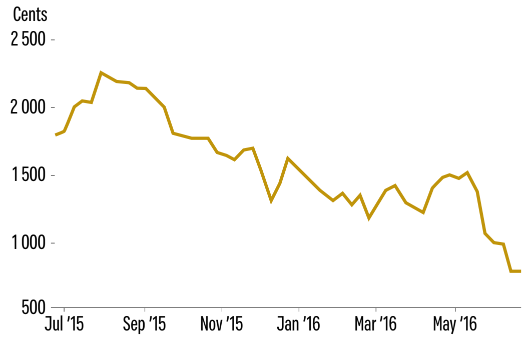
Another important ratio is interest cover. This is usually profit before interest and tax, into which we divide net interest paid. Again this gives us an idea of how well the company is able to make the interest payments. We always want a number above 1, but above 2 (or even higher) is better. Below 1 means they can't service the interest payments, never mind the principle debt amounts.

But we need to understand what the debt is and here PPC did its shareholders a great service when it published full details of all its debt in the last set of results. Typically, one has to go to the annual report to get the details and by then the information is very old.

You want to see what interest rates they are paying for the debt. Is it expensive debt that they agreed to as they had no other options? Even if a company can afford a higher interest rate on debt, it does mean that it is spending more on interest every year, which will hurt profits.

We also want to see when the debt expires.

PPC LIMITED



52-week range:	R6.80 - R22.94
Price/earnings ratio:	5.84
1-year total return:	-53%
Market capitalisation:	R4.9bn
Earnings per share:	R1.38
Dividend yield:	+4.09%
Average volume over 30 days:	2 059 363

SOURCE: INET BFA

If a large portion of debt is expiring, say, next year, what is management's plan – does it want to repay the debt or perhaps refinance it? Have rates risen, maybe making the refinanced debt more expensive? Here we'll also sometimes see an overdraft being used for debt and this is never good. An overdraft is expensive and can be recalled without notice and always raises the question as to why a company doesn't have formal loans in place instead of expensive high-risk overdrafts.

You want to see what interest rates they are paying for the debt. Is it expensive debt that they agreed to as they had no other options?

Another very critical issue is debt covenants. These are clauses included in the terms of the debt that, if breached, may trigger an immediate payment of the debt. This is what happened to PPC – the downgrade by Standard & Poor's has caused it to be in breach of its debt covenants and the debt holders can now request repayment of the debt within a specified period.

These covenants will focus on the ratings but also potentially on the size of overall debt and maybe even on the profitability or margins of the company. These covenants are hard to find but should be included in the annual reports; read them and see if the company is at risk of breaching them.

So, like many things, debt can be good or bad, and it is vital to understand how it is impacting the companies we're invested in. ■

editorial@finweek.co.za

We can also check the debt-to-equity value, again from the balance sheet, and here the different industries will have different levels, but typically I want to see debt at about **80%** of equity at the most.

By John Biccard

IMPALA PLATINUM

What went down will go up again

Impala's share price has fallen dramatically since 2008 and while the market seems to view it as a "sunset stock", Investec Asset Management sees this as a buying opportunity.

The Impala Platinum (Implats) share price fell from a high of R320 in 2008 to a low of R22 at the end of 2015. It has since recovered marginally in 2016 to R46. We have been buyers of the shares in the Investec Value strategy on the way down from R90 to its recent lows and believe that R46 represents a "once-in-a-generation" buying opportunity.

At R46, Implats's market capitalisation is just R34bn; adding the estimated current net debt of R3bn results in an "enterprise value" of R37bn. This is a fraction of the estimated replacement cost of R140bn for the group's mines and smelters. A discount to replacement cost of this magnitude suggests that the market views Implats as a "sunset industry" stock, such as Kodak was.

We do not believe that platinum group metals (platinum, palladium and rhodium, or PGMs) are a sunset industry. PGMs are used principally in autocatalysts to reduce harmful emissions, in the glass and electronics industries, as well as in jewellery. Demand continues to grow (albeit at a considerably slower pace than before the global financial crisis), with ever-increasing emissions requirements offsetting increased use of electric powered vehicles.

At the same time, supply is limited by the fact that the eight-year bear market has meant that no new capital has been invested in any of the three primary producers (South Africa, Russia and Zimbabwe). With new mine shafts taking up to a decade to come on stream, there is no chance of any new projects producing over the next decade. Added to this, many of SA's major mines are 20 to 30 years old and will cease production over the next 10 years. We therefore see a supply cliff appearing over the next decade.

Many of SA's major mines are 20 to 30 years old and will cease production over the next 10 years. We therefore see a supply cliff appearing over the next decade.

Implats's current valuation is therefore only discounting a potential 4% operating margin, while we expect a margin of at least five times this level eventually.

In addition, the well-publicised amount of supply coming from recycling is overemphasised – recycling has grown from zero to approximately 25% of total supply over the last 15 years, but is now running up against the limitations of limited profitability at current low PGM prices, as well as being limited by the amount of vehicles that are available to be scrapped. We therefore see the current small deficits in the PGM markets to grow over the next decade and much higher PGM prices to clear the market.

At current low PGM prices, Implats's revenue is around R37bn, i.e. an enterprise value to sales multiple of 1 times – this is only a small premium to the enterprise value to sales ratio of Shoprite. The market is thus implying that the long-term profitability and growth prospects for Impala is much the same as Shoprite – an assumption which looks very strange to us given that over the last 20 years Impala has averaged a 23% operating margin, while Shoprite's average operating margin has been 3%.

Implats's current valuation is therefore only discounting a potential 4% operating margin, while we expect a margin of at least five times this level eventually – a very achievable target as this would still only represent a modest return on the R140bn replacement cost of the company.

Taking into account the above factors, we therefore anticipate a share price of around R150 in time, with the catalyst being higher PGM prices – investors need to buy ahead of the move up of the dollar prices as the shares move in lock-step with prices. Eight years ago, portfolio managers rated PGMs the best long-term commodity market. Today, it probably ranks as the most hated sector.

While the demand outlook has worsened over this period, so too has the supply outlook – we see no material difference to the long-term outlook on a net basis and yet the shares are 85% lower than they were eight years ago! ■

editorial@finweek.co.za

IMPALA PLATINUM SHARE PRICE (RAND) BOUNCING OFF ITS LOWEST LEVEL SINCE 1999

52-week range:	R22.27 - R61.25
Price/earnings ratio:	197.4
1-year total return:	-16%
Market capitalisation:	R33.36bn
Earnings per share:	R0.23
Dividend yield:	-
Average volume over 30 days:	3 042 098

SOURCE: INET BFA

SOURCE: Bloomberg (as at 21 June 2016, weekly data). Supplied by Investec Asset Management.

John Biccard is a portfolio manager at Investec Asset Management.

By Schalk Louw

PORTFOLIO MANAGEMENT

Small companies to watch

We take a look at some of the lesser-known stocks favoured by the top 10 SA General Equity Unit Trusts.

Whenever I think of a diamond miner, the image of a typical Wild West film always comes to mind. I see a miner with a large sieve scooping up gravel from a riverbed and searching through it meticulously to find the ultimate reward, a diamond.

In my *finweek* article titled *Build your portfolio like a pro* (9 June 2016 edition), I discussed a similar sifting process I followed to determine what shares the top 10 SA General Equity Unit Trusts currently regard as their top choices in shares. Since then, however, I have received enquiries regarding shares that are not quite as well-known as those listed in my article, along with requests to focus specifically on FTSE/JSE Small Market Capitalisation stocks.

Small-cap stocks are shares that fall outside the size of the Top40 largest shares, as well as the Medium Market Capitalisation Indexes (the following 60 largest shares). All successful companies had to start small and it's always an investor's dream to buy into the next PSG, Naspers* or Remgro while it's still young.

When sifting through the same funds that I used in my 9 June article, only five small companies stood out as shares that each appeared in more than two of these 10 funds. They are:

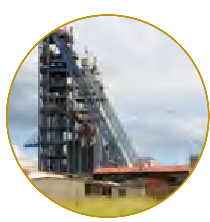
1. Afrimat

Afrimat supplies building materials to the building and construction industries. The company's products include aggregate stone products, ready-mix concrete and bricks, as well as moulded concrete products. Afrimat listed on the JSE in 2006 and has since achieved a total return in excess of 191% to shareholders. In the latest set of results, the company managed to increase its headline earnings by 15.5% and its dividend by 11% amid tough trading conditions. Afrimat is trading on a historic price-to-earnings ratio (P/E) of 12.09 and dividend yield of 3.06%. The group has a healthy balance sheet and the recent acquisition of Cape Lime should be earnings accretive.

2. Brimstone

Brimstone is a black-controlled and -managed investment company with a track record of delivery to stakeholders over a 20-year period, supported by an experienced team. Its investment portfolio consists of listed investments in Oceana, Life Healthcare, Grindrod and Equities Property Fund, which forms the bulk of its intrinsic net asset value (INAV) while its unlisted investments include the likes of Sea Harvest, Phuthuma Nathi (Multichoice) and MTN Zakhele. Brimstone is currently trading at an attractive discount to its INAV and provides investors with some diversification.

Mustaq Brey
CEO of Brimstone Investment Corporation



3. Cashbuild

Cashbuild is Southern Africa's largest retail building materials distributor. The company retails its products under the Cashbuild, U-build, Buy and Build, and Homecentre trade names. The first store opened in 1978 and the company now has more than 233 stores across Africa. We have seen Cashbuild deliver a constant return on equity (ROE) since 2011 in excess of 20%. The company is highly cash generative and has very little debt on its balance sheet. At this stage the company is trading at demanding multiples but one should keep an eye on this stock at lower levels.

We have seen Cashbuild deliver a constant return on equity (ROE) since 2011 in excess of

20%.

4. Choppies

Choppies is a grocery and merchandise retailer that was founded in 1986. As at the end of December 2015, Choppies had 78 stores in Botswana, 40 stores in South Africa and 28 stores in Zimbabwe. The group established its first store in Zambia last year and plans to open a further 10 stores across the country during 2016. The group recently acquired 10 existing retail outlets in Kenya and 21 Jwayelani stores in KwaZulu-Natal and the Eastern Cape. The group listed on the JSE last year and has a market capitalisation of R6.78bn, which is relatively small compared to, for example, Shoprite's market capitalisation of R95bn. Although the group is trading on a demanding valuation, we believe that Choppies could significantly benefit from an ever-increasing African consumer market.

5. Pan African Resources

Pan African Resources is a mid-tier mining company that predominately produces gold through its Barberton and **Evander gold mines in Mpumalanga**. Headline earnings per share (HEPS) for the interim period ending 31 December 2015 increased by 121% compared to the prior period, and the share is currently trading on an attractive dividend yield of 3.35%. At the time of writing, the average rand/gold price climbed by more than 20% since the start of the year. If we don't see any material declines in production volumes, we believe Pan African Resources could produce a stellar set of year-end results. We would like to point out that the performance of Pan African Resources is directly linked to the rand/gold price and due to volatility one can experience large movements in the share price. ■

editorial@finweek.co.za

Schalk Louw is a portfolio manager at PSG Wealth.

*finweek *is a publication of Media24, a subsidiary of Naspers.*

By Paul Leonard

ENTREPRENEURSHIP

Thinking of going into business with your brothers or sisters?

It is vital to keep relationships with your business partners amicable – especially if you are related to them. Here are some tips for building up a successful sibling-owned business.

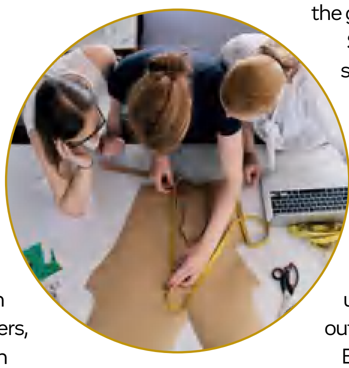
Family-owned businesses are common across the globe. Parents run businesses with their children or hand them over to children – sometimes siblings even choose to go into a business together. For these sibling-owned businesses, success depends not only on the product or service being delivered, but also largely on the existing relationships between them.

Family-owned businesses have existed since humanity first started working for goods or money, but they have been recognised as different from those owned and managed by non-family members. A growing body of research on family-owned businesses has been undertaken both in the US and Europe, and recently in South Africa.

Some years ago, Nelson Mandela Metropolitan University established a Family Business Unit to research South African family businesses, and one of its co-founders, Prof. Shelley Farrington, has conducted in-depth research into sibling-owned businesses.

After interviewing almost 400 siblings in sibling-owned businesses across the country, Farrington found that there were certain conditions that need to be met if siblings are to work together successfully. These include having complementary skills and also supporting each other, but there are other psychological factors that are far less obvious.

For instance, the older sibling – who is typically the childhood leader – will not necessarily be the best boss in business. Farrington herself is involved in a business with her two brothers, Andre and Charl. It is Charl, the younger brother, who has emerged as the leader, even though Andre was the uncontested childhood leader whom the other two followed unquestionably. Charl's position as leader in the business has introduced a new dynamic in the sibling hierarchy.



The older sibling – who is typically the childhood leader – will not necessarily be the best boss in business.

If you're going into business with siblings, don't expect their character traits to magically change. Someone who is lazy won't suddenly become productive; someone who is rigid won't become flexible overnight. And if you've never had a good relationship with your siblings, don't think this will change when you go into business together.

Farrington notes that the impact of good parenting and a happy and stable childhood cannot be underestimated when it comes to the success of a sibling-owned business. If children are never taught how to handle conflict in childhood, they won't be able to do so in a business environment later on.

What's more, if parents involved in a family business are always the arbitrators between their children, problems may arise when the parents die or step down. In some cases, businesses collapse after parents leave and siblings have to deal directly with one another.

Fairness is a huge factor in a sibling-owned business, especially in the areas of workload and compensation. Fairness influences everything, from financial performance to the growth of the business, and job satisfaction.

Should spouses of siblings get involved? Farrington suggests preferably not, as family businesses tend to run better when spouses keep their distance. The same can be said of non-active sibling shareholders.

However, one factor key to sibling success is the involvement of non-family members. In most cases this forces sibling business partners to be more professional. Farrington notes that before the involvement of non-family members in her family business, meetings were usually on Sundays with kids on laps. After employing an outsider, they had an agenda and took notes.

Battles fought in the playpen may end up in the boardroom. This is especially true in businesses owned and managed by siblings. So before you go into business with a sibling, think long and hard about whether you will work well together, because if things turn sour, your personal relationship could suffer.

Prof. Farrington's research has identified the following factors that spell success for a sibling-run business:

■ Develop complementary skills; each with their own area of expertise over which each sibling has authority.
■ The leader should be the one who is knowledgeable, involved and a visionary; not necessarily the oldest.
■ A shared dream about where the business is going. Nurture a relationship based on trust, respect and open communication.
■ Play fair, especially with workload and compensation.
■ Get a few non-family members on board and keep the involvement of spouses and non-active sibling shareholders to a minimum, if at all. Non-family members positively influence business performance. The others have the opposite effect.
■ And like with any other successful business, siblings should ensure working conditions are adequate and suitable and not just "make do" because it's family.

Take note of these factors and aim to work them into your arrangement to give your venture the best chance of success. ■

editorial@finweek.co.za

Paul Leonard is regional head at Citadel.

Gallo Images/iStock

DIRECTORS' DEALINGS

COMPANY	DIRECTOR	DATE	TRANSACTION TYPE	VOLUME	PRICE (C)	VALUE (R)	DATE MODIFIED
ADV HEALTH	J Oelofse	17 June	Purchase	2,316	164	3,798	21 June
ADV HEALTH	J Oelofse	17 June	Purchase	7,000	164	11,480	21 June
ADV HEALTH	J Oelofse	17 June	Purchase	5,800	164	9,512	21 June
AFROCENTRIC	T Rametse	27 June	Sell	120,000	49935	59,922,000	29 June
ANGLOGOLD	SM Pityana	27 June	Purchase	990	26820	265,518	28 June
ANGLO AMERICAN	J Dlamini	24 June	Purchase	970	£6.73	£6,528	27 June
ANGLO AMERICAN	P Hampton (Sir)	24 June	Purchase	1,178	£6.73	£7,927	27 June
ANGLO AMERICAN	M Ramatlapeng	24 June	Purchase	404	£6.73	£2,718	27 June
ANGLO AMERICAN	J Rutherford	24 June	Purchase	1,874	£6.73	£12,612	27 June
BID CORP	BL Berson	20 June	Purchase	53,200	26777	14,245,364	22 June
BID CORP	BL Berson	20 June	Exercise Options	49,581	26777	13,276,304	22 June
BID CORP	DE Cleasby	27 June	Purchase	10,000	24238	2,423,800	28 June
BSI STEEL	WL Battershill	27 June	Purchase	86,000	44	37,840	28 June
CALGRO M3	FJ Steyn	28 June	Sell	100,000	2075	2,075,000	29 June
CALGRO M3	FJ Steyn	20 June	Sell	99,137	2100	2,081,877	21 June
CITY LODGE	MC van Heerden	24 June	Sell	200	15150	30,300	28 June
CITY LODGE	MC van Heerden	23 June	Sell	400	14996	59,984	27 June
CLOVER	JH Vorster	21 June	Exercise Options	90,630	1872	1,696,593	22 June
CSG	S McLaren	23 June	Exercise Options	375,000	84	315,000	27 June
DISTELL	MG Lambrechts	22 June	Sell	6,782	15828	1,073,454	24 June
GOLD FIELDS	NJ Holland	22 June	Purchase	132,477	6028	7,985,713	28 June
GOODERSON	AW Gooderson	21 June	Purchase	500,000	40	200,000	21 June
HYPROP	LR Cohen	20 June	Exercise Options	12,427	11935	1,483,162	22 June
HYPROP	PG Prinsloo	20 June	Exercise Options	23,067	11935	2,753,046	22 June
INVESTEC PROP	MM Ngoaseng	27 June	Purchase	3,261	1355	44,186	28 June
INVESTEC PROP	N Riley	21 June	Purchase	180,100	1414	2,546,614	22 June
INVESTEC PROP	N Riley	20 June	Purchase	4,900	1405	68,845	22 June
KEATON	AB Glad	27 June	Exercise Options	1,638,789	53	868,558	28 June
KEATON	J Rossouw	27 June	Exercise Options	1,314,223	53	696,538	28 June
KEATON	A Schutte-Bouwer	27 June	Exercise Options	451,644	53	239,371	28 June
MARA DELTA	B Corbett	24 June	Purchase	13,888	1800	249,984	28 June
MIXTEL	SB Joselowitz	15 June	Sell	279,245	271	756,753	22 June
MTN GROUP	SB Mtshali	21 June	Sell	1,600	14727	235,632	28 June
MTN GROUP	SB Ntsele	21 June	Sell	1,125	14727	165,678	28 June
RENERGEN	S Marani	24 June	Sell	130,000	0	0	27 June
RESILIENT	D de Beer	24 June	Purchase	10,000	12354	1,235,400	28 June
RHODES	A Rich	23 June	Sell	4,965	2245	111,464	27 June
RMB HOLDINGS	PK Harris	23 June	Sell	1,453,851	5797	84,279,742	28 June
RMB HOLDINGS	PK Harris	24 June	Sell	546,149	5493	29,999,964	28 June
SACOIL	BR Cerff	24 June	Purchase	1,000,000	24	240,000	28 June
SAFARI	JZ Engelbrecht	24 June	Purchase	1,195	800	9,560	28 June
SAFARI	FJJ Marais	24 June	Purchase	289,199	800	2,313,592	28 June

All data as at 12:00 on 29 June 2016. Supplied by INET BFA.

BEST AND WORST PERFORMING SHARES

SHARE	WEEK PRICE (c)	CHANGE (%)
BEST		
Central Rand Gold	240	23.08
Isa Holdings	125	20.19
Kumba Iron Ore	10121	19.11
Bauba Platinum	35	16.67
Montauk Holdings	1770	16.45
WORST		
Nutritional Holdings	1	-50
Stratcorp	1	-50
Rare Holdings	150	-40
Beige Holdings	2	-33.33
Capital & Counties	5700	-26.17

INDICES

INDEX	WEEK VALUE	CHANGE* (%)
JSE ALL SHARE	51 141.13	-4.51
JSE FINANCIAL 15	14 350.62	-7.89
JSE INDUSTRIAL 25	69 852.35	-4.53
JSE SA LISTED PROPERTY	628.87	-2.88
JSE SA RESOURCES	16 650.04	-2.24
JSE TOP 40	45 107.14	-4.99
CAC 40	408 885	-6.65
DAXX	944 728	-6.19
FTSE 100	614 039	-1.93
HANG SENG	2 017 246	-2.99
NASDAQ COMPOSITE	469 186	-2.93
NIKKEI 225	1 532 314	-4.62

*Percentage reflects the week-on-week change.

NASPERS

Annual results announcement

Summarised consolidated financial results for the year ended 31 March 2016

Naspers Limited (Registration number: 1925/001431/06) (Naspers) JSE share code: NPN ISIN: ZAE000015889 LSE share code: NPSN ISIN: US 6315121003

Commentary

Naspers delivered a satisfactory performance. Core headline earnings (which the board regards as the best indicator of sustainable earnings) grew 21% to US$1.2bn. Consolidated development spend reduced 14% to US$708m. The internet segment continued to expand. Improved competitive positions and scale provide a foundation for sustainable future returns. The video-entertainment segment, however, bore the brunt of a sharp fall in commodity prices, which weakened both African currencies and consumer sentiment.

In the internet segment, Tencent again shone on the back of healthy mobile engagement. In classifieds, monetisation plans are on track and resulted in a reduction in trading losses for the core portfolio (excluding new markets, primarily through the mobile app-only classifieds platform, letgo). Avito is delivering ahead of plan. In etail, eMAG expanded with improved operating leverage. Equity-accounted etail investments Flipkart and Souq invested more than prior years to drive revenues and improve product offerings. PayU made progress in its payment service provider (PSP) business, as it consolidated technology and drove efficiencies which, in turn, reduced operating losses. ibibo's air business turned profitable and we boosted our investment to build a leadership position in the hotels segment in India. In LatAm, Movile's mobile food-ordering platform, iFood, expanded and consolidated its leadership.

In the video-entertainment segment, the South African customer base grew by 325 000 homes despite a tough economy. However, recently the South African rand (SA rand) has weakened substantially and a weak macroeconomic outlook could reduce growth and profitability. This segment earns revenues in local currency while incurring a major portion of costs (content and transponder capacity) in United States dollar (US dollar). When local currencies weaken, both margins and financial performance thus suffer. In sub-Saharan Africa, we implemented substantial price increases, given the large US dollar cost base and weakening currencies. This combination of higher prices and weaker consumer sentiment resulted in a loss of 288 000 direct-to-home (DTH) customers. To reinvigorate growth, the focus is now on managing costs, minimising further price increases to the consumer and strengthening content in the mid and lower segments. The digital terrestrial television (DTT) customer base reached 2.4m homes at year-end, and development spend has declined. Our new subscription video-on-demand service, ShowMax, recorded a good start in South Africa with a deeper and more customised content offering than competitors and a focus on service delivery.

The media segment (previously print) faced the negative effect of structural and macroeconomic challenges on revenue. The focus on cost containment has, however, enabled Media24 to improve profitability while investing further in digital and ecommerce initiatives.

As announced on 18 April 2016 and in view of the growing international spread of its business, the group has changed its presentation currency for financial reporting purposes from SA rand to US dollar. In these consolidated numbers the financial performances of our businesses were consolidated in their respective functional currencies and translated to US dollar. The weakness in emerging-market currencies over the past year means year-on-year performance was dampened by the translation impact. Unlike the severe earnings impact of falling currencies on the video-entertainment segment, in ecommerce this impact is less of a concern given the group's diverse geographic spread, plus the fact that costs are also usually incurred in local currencies.

Where relevant in this results announcement, we have adjusted amounts and percentages for the effects of foreign currency, and acquisitions and disposals. Such adjustments (pro forma financial information) are quoted in brackets after the equivalent metrics reported under International Financial Reporting Standards (IFRS).

The following financial commentary and segmental review has been prepared on an economic-interest basis, including consolidated subsidiaries and a proportionate consolidation of associated companies and joint ventures.

Salient features

	Year ended 31 March 2016 Audited US$'m	2015 Audited US$'m
Revenue	**5 930**	6 569
Operating (loss)/profit	**(177)**	161
Core headline earnings per N ordinary share (US cents)	**298**	255
Headline earnings per N ordinary share (US cents)	**168**	167
Earnings per N ordinary share (US cents)	**238**	311
Net asset value per N ordinary share (US cents)	**2 379**	1 614

Financial review

The group's financial highlights for the year ended 31 March 2016 are outlined below:

	2015 Audited IFRS US$'m	2016 Pro forma Foreign currency adjustment US$'m	2016 Pro forma Group composition adjustment US$'m	2016 Pro forma Local currency growth US$'m	2016 Audited IFRS US$'m	2016 Pro forma Local currency growth % change	2016 Audited IFRS % change
Revenue							
Internet	6 999	(628)	(298)	2 164	**8 237**	**31**	**18**
– Tencent	4 297	(154)	(280)	1 554	**5 417**	**36**	**26**
– Mail.ru	210	(77)	20	20	**173**	**10**	**(18)**
– Ecommerce	2 492	(397)	(38)	590	**2 647**	**24**	**6**
Video entertainment	3 830	(811)	–	394	**3 413**	**10**	**(11)**
Media	762	(142)	3	(15)	**608**	**(2)**	**(20)**
Corporate services	5	–	–	(4)	**1**	**(80)**	**(80)**
Intersegmental	(55)	5	–	15	**(35)**	**27**	**36**
Economic interest	11 541	(1 576)	(295)	2 554	**12 224**	**22**	**6**
Less: Equity-accounted investments	(4 972)				**(6 294)**		
Consolidated	6 569				**5 930**		
Trading profit							
Internet	1 177	(52)	(24)	518	**1 619**	**44**	**38**
– Tencent	1 616	(63)	(8)	701	**2 246**	**43**	**39**
– Mail.ru	104	(30)	9	(17)	**66**	**(16)**	**(37)**
– Ecommerce	(543)	41	(25)	(166)	**(693)**	**(31)**	**(28)**
Video entertainment	732	(307)	–	185	**610**	**25**	**(17)**
Media	22	(6)	–	13	**29**	**59**	**32**
Corporate services	(30)	3	–	15	**(12)**	**50**	**60**
Economic interest	1 901	(362)	(24)	731	**2 246**	**38**	**18**
Less: Equity-accounted investments	(1 603)				**(2 067)**		
Consolidated	298				**179**		

Revenues grew 6% (22%) to US$12.2bn, driven by growth from Tencent and from ecommerce on the back of revenue growth in classifieds, travel and etail. Consolidated revenues were US$5.9bn – down 10% year on year – primarily due to the impact of currency translation. Excluding currency translation, as well as the impact of acquisitions and disposals, consolidated revenues improved 11%.

Development spend, measured on an economic-interest basis, was stable at US$961m, while consolidated development spend reduced 14% to US$708m. Classifieds development spend, excluding investment in new markets through letgo, declined by a meaningful US$59m. DTT development spend in the video-entertainment segment reduced US$143m and consolidated etail platforms development spend dropped US$26m, as all three businesses continued to increase monetisation and scale. New areas of investment include: ibibo's hotels offering; building new classifieds markets (primarily the US) via the mobile app-only letgo platform; ShowMax; and developing consumer-facing offerings in PayU. Together these accounted for development spend of US$192m. Losses in our equity-accounted etail investments widened by US$68m as they build their platforms and grow revenues to outpace competition.

Trading profit increased 18% (38%) to US$2.2bn, driven by expansion of 39% (43%) in the group's share of Tencent's trading profit. Lower losses in classifieds and DTT, combined with ibibo's air-travel business turning profitable and a reduction in PayU's PSP losses as it scales, also boosted growth. These positives were offset by new investments discussed above and a decline in video entertainment's profitability. With significant US dollar costs, local currency revenues and a loss in sub-Saharan DTH customers, trading profit in the video-entertainment segment declined 17%.

IFRS operating profit declined from a positive US$161m to a negative US$177m in the current year, mainly due to the effects of currency weakness in the video-entertainment segment and impairments, as discussed below.

The group's share of equity-accounted results was 13% lower at US$1.3bn, largely due to one-off gains of US$498m in the prior year figure. In the current year, the group's share of equity-accounted earnings includes one-off gains of US$251m and impairment losses of US$180m recognised by our associates and joint ventures. The contribution to core headline earnings by equity-accounted investments, adjusted for these capital items, was up 25% to US$1.6bn.

The group recognised impairment losses of US$251m during the year, including US$53m relating to Nigerian equity-accounted etail investment, Konga. As reported in the first half, the group wrote off US$140m on its Brazilian online comparison shopping (OCS) business, Buscapé, which faced headwinds. As announced in February 2016, the group waived the preference share debt owed by Welkom Yizani Investments, the largest black economic empowerment structure in the South African print-media industry. This debt forgiveness gave rise to an impairment of US$29m.

The group's Czech etail and ecommerce business, Netretail, and OCS platform, Heureka, were classified as held for sale on 30 September 2015. At year-end, the group recognised a writedown to fair value less costs of disposal of US$88m for Netretail. The sale of these businesses was subject to regulatory approval as at 31 March 2016. Subsequent to year-end, approval was received for the Heureka sale and we consequently recognised a gain on disposal of approximately US$81m.

Net interest expense on borrowings rose 19% to US$170m due to increased interest obligations after the US$1.2bn bond issued in July 2015.

Core headline earnings increased by 21% (49%) to US$1.2bn on the back of Tencent's contribution.

Consolidated free cash outflow of US$38m was recorded, marginally higher year on year. Lower capital expenditure in the video-entertainment business, a US$118m reduction in development spend and higher dividends from associates were offset by weaker cash flow from the sub-Saharan Africa video-entertainment business.

Following the US$2.5bn equity raise in December 2015, consolidated net gearing dropped to 12%. Some US$1.2bn of the proceeds was used for the acquisition of a controlling stake in Avito.

The company's external auditor has not audited, reviewed or reported on any forecasts in this short-form announcement.

Directorate

Guijin Liu and Hendrik du Toit were appointed as independent non-executive directors with effect from 1 April 2016. Guijin Liu is highly experienced in international affairs. He is Dean of the China Africa International Business School, Zhejiang Normal University and a past Chinese ambassador to South Africa (2001 to 2007).

Hendrik du Toit is chief executive of Investec Asset Management and a director of Investec plc and Investec Ltd. He holds an MPhil in economics and politics of development from Cambridge University and an MCom in economics from Stellenbosch University.

Preparation of the short-form announcement

The preparation of the short-form announcement was supervised by the financial director, Basil Sgourdos CA(SA). These results were made public on 24 June 2016.

ADR programme

Bank of New York Mellon maintains a GlobalBuyDIRECT℠ plan for Naspers Limited. For additional information, please visit Bank of New York Mellon's website at www.globalbuydirect.com or call Shareholder Relations at 1-888-BNY-ADRS or 1-800-345-1612 or write to: Bank of New York Mellon, Shareholder Relations Department – GlobalBuyDIRECT℠, Church Street Station, PO Box 11258, New York, NY 10286-1258, USA.

Important information

This short-form announcement contains forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. While these forward-looking statements represent our judgements and future expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These include factors that could adversely affect our businesses and financial performance. We are not under any obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements, whether as a result of new information, future events or otherwise. Investors are cautioned not to place undue reliance on any forward-looking statements contained herein.

Further information

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full summarised consolidated financial results. The full summarised consolidated financial results were released on SENS on 24 June 2016 and can be found on the company's website **www.naspers.com**. Copies of the full summarised consolidated financial results may also be requested from the company's registered office, at no charge, during office hours. Any investment decision should be based on the full summarised consolidated financial results published on SENS and on the company's website.

The information in this announcement has been extracted from the audited information published on SENS, but the announcement itself was not audited.

On behalf of the board

Koos Bekker
Chair

Bob van Dijk
Chief executive

Cape Town
24 June 2016

Directors: J P Bekker (chair), B van Dijk (chief executive), C L Enenstein, D G Eriksson, G Liu, R C C Jafta, F L N Letele, D Meyer, R Oliveira de Lima, S J Z Pacak, T M F Phaswana, V Sgourdos, M R Sorour, J D T Stofberg, H J du Toit, B J van der Ross

Company secretary: G Kisbey-Green

Registered office:
40 Heerengracht, Cape Town 8001
(PO Box 2271, Cape Town 8000, South Africa)

Transfer secretaries:
Link Market Services South Africa Proprietary Limited
13th Floor Rennie House,
19 Ameshoff Street, Braamfontein 2001
(PO Box 4844, Johannesburg 2000, South Africa)

Sponsor: Investec Bank Limited

ince

Jannie Mouton
Founder of PSG

A LEGACY OF OUTPERFORMANCE

Nearly 21 years after it was founded in Stellenbosch, PSG has grown into one of the country's most successful business empires, richly rewarding shareholders along the way. An investment of R1 000 at listing in November 1995 was worth nearly R3.9m at the end of May (assuming dividends were reinvested) – comfortably outperforming JSE darlings like Richemont (worth R82 551) and SABMiller (R30 803) over the same period. But will the good times last?

By Jana Marais

If you ask Piet Mouton, PSG CEO and second-oldest son of PSG founder Jannie Mouton, what the biggest challenges are facing the group, finding the next Capitec or Curro – two major drivers of PSG's phenomenal growth story – is not on the list.

Speaking with Mouton at the group's head office in Stellenbosch shortly after the group's annual general meeting (AGM) on 24 June, when global markets were reverberating from the unexpected impact of the UK's Brexit vote, it's the state of the economy that first comes to Mouton's mind.

"One would like economic growth at 3%-plus, and some more political stability," Mouton says. "We like operating in a stable environment, but I don't think we face a unique set of challenges."

The drought and high soft commodity prices have negatively impacted Zeder, its agribusiness investment holding firm (see sidebar), and while the weak rand has boosted exports, Mouton would prefer the currency at stronger levels. "You can't be dependent on a weak rand to grow exports," he says.

Many have seen PSG's major focus on South Africa – its two major investments, Curro and Capitec, are almost exclusively focused on SA – as a drawback, particularly given the tough economic climate. Mouton is unfazed, however. "Yes, SA has a very specific set of problems, but people don't realise how tough it is in the rest of the world."

"Many companies have taken their eye off the ball in SA, and that does create opportunities."

SA Inc.'s obsession with building businesses overseas, despite many examples of failure, also opened up opportunities for PSG, he believes. "Many companies have taken their eye off the ball in SA, and that does create opportunities. It would have been very difficult, for example, to start a Capitec from scratch in the UK or Europe."

The uncertainty around Brexit, for example, was unexpected, and markets were caught off-guard, Mouton says. (Weak market performance can weigh on the performance of its financial services firm PSG Konsult.) "One also doesn't know if there will be additional fall-out in Europe. On the other hand, uncertainty also creates new opportunities," Mouton says.

War chest

If there is something PSG is good at, it's spotting – and exploiting – an opportunity. A recent example is its capital raising at the end of 2015, when it capitalised on a rally in its share price to raise R2.2bn in cash through a bookbuild at R245 a share. It also raised R267m in a private placement in May 2015 at R198 a share. The current share price of around R180 is substantially below its November peak of nearly R285, and the share again trades at a discount to its sum-of-the-parts (SOTP) valuation of R196.70 (as at 28 June).

Traditionally, investment holding companies trade at a slight discount to their SOTP valuation, unless the market expects significant corporate activity, such as an acquisition. In April, PSG said it had R2.9bn cash available to make new investments.

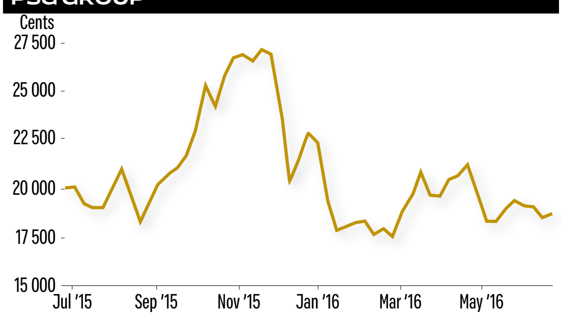
Some of this is likely earmarked for private education group Curro, which is expected to need more capital in future to implement its growth strategy. PSG already invested R669m in Curro in its May 2016 rights issue. The group is targeting 200 schools by 2020, up from 101 in 2015. PSG invested in Curro in 2009 when the company only had three schools. The investment now accounts for 19% of PSG's SOTP total asset value.

Other investments in the past financial year included Zeder acquiring 25% of Capespan from minorities other than Zeder management

52-week range:	R164.60 - R284.91
Price/earnings ratio:	27.9
1-year total return:	-5.8%
Market capitalisation:	R42.8bn
Earnings per share:	R6.66
Dividend yield:	1.6%
Average volume over 30 days:	190 325

SOURCE: INET BFA

PSG GROUP



through the issue of Zeder shares, and increasing its shareholding in Zeder to 34.6% for R231m after the stake was diluted to 32% following the aforementioned rights issue.

Private equity investments

Its private equity arm continues investing in early-stage businesses with high growth potential (see sidebar). The philosophy is attributed to Michiel le Roux, co-founder, former CEO and now non-executive director of Capitec, which was started by PSG: "We like early-stage investments, because they are either a small failure or a big success." (Also see sidebar on Capitec.)

A closer look at PSG's portfolio shows that even if its private equity bets on firms like Energy Partners and education solutions provider Impak don't pay off, its existing core portfolio still has substantial room to grow.

Curro, for example, may already serve about 42 000 learners, but that's a drop in the bucket of the roughly half a million kids that get a private education in SA today. In addition, the private school market in SA constitutes only about 5% of the overall school market, while the worldwide average is around 15%, showing there is room to grow the private sector. Curro has also made proposals to government to introduce a voucher system that would allow parents to "top up" payments for a private school education, which would alleviate the pressure on state schools, which battle to keep up with growing student numbers.

Capitec also still has room to grow its market share. While it already has a 22% market share in the primary banking client segment, its share of the consumer credit market is only around 2.5%.

Outlook

But why invest in PSG if you can choose to invest directly in its major underlying assets – Zeder, Curro, Capitec and PSG Konsult?

Firstly, you can only get exposure to its private equity portfolio, which include sizeable and scalable businesses, by investing at group level. It is also no mean feat that PSG's head office, a cost centre for most listed companies, actually makes a positive contribution to the bottom line. This is partly thanks to management fees from Zeder, which are under review, but Mouton is confident that even without the Zeder fee income, head office, which includes PSG Capital, would be close to break even. And given the group's track record in terms of shareholder returns, it would be foolhardy to bet against PSG and the Moutons, who remain substantial shareholders in the

Piet Mouton
CEO of PSG

Dr Chris vd Merwe
CEO of Curro

Michiel le Roux
Non-executive director of Capitec

THE NEXT BIG THING

PSG Private Equity, which was rebranded in 2012 following the delisting of Paladin Capital in 2011, is tasked with investing predominantly in early-stage businesses with high-growth potential as the group searches for its next Curro or Capitec.

PSG CEO Piet Mouton says the group has fine-tuned its investment strategy over the years, and has only made a loss on one investment, namely in construction group Erbacon Investment Holdings. Its strategy is to obtain controlling or influential stakes in high growth companies with a profit potential of more than R100m a year.

PSG would only consider businesses with great management teams and proven business models, and will invest up to R500m.

"We get a lot of ideas through the door, but very few excite us," says Mouton.

PSG Private Equity currently holds investments in 10 companies in the education, services and technology sectors. Two companies are often highlighted by the group: Energy Partners, an energy efficiency solutions provider in which PSG holds 57%, and Impak, which currently provides individualised guided learning to 13 000 learners. PSG owns 83.3% of Impak.

The medium-term aim for Impak is to become the number one player in alternative education, servicing 200 000 learners and earning in excess of R250m of profit after tax, PSG chairman Jannie Mouton said at the group's AGM on 24 June. Medium term for PSG is "five to 10 years", he added.

Energy Partners' solution for households, the Icon Home Energy Hub, will allow households with energy bills in excess of R1 500 a month to save as much as 90% on their monthly electricity bills.

The group also offers energy efficiency solutions to corporate clients, including Pick n Pay, Afgri, Distell and Tongaat Hulett. It currently has bills of nearly R1bn under management and has realised cumulative cost savings in excess of R1.5bn, according to Energy Partners.

The medium-term aim is to build the largest private energy company in South Africa with more than R10bn in assets and in excess of R500m profit after tax, Mouton Snr said at the AGM.

Liam Hechter, analyst at Anchor Capital, says Anchor is "bullish" on the prospects of Energy Partners, as well as Zeder, Capitec and Curro, but warns that the size of PSG has become a hurdle for management to create meaningful value for shareholders.

"In essence, the management of PSG have become victims of their own success. Management have always backed their own ability to incubate businesses and provide them with sufficient capital to reach scale.

"However, the larger PSG becomes, the larger the investment needed to produce meaningful returns for shareholders," Hechter says. ■

company. (Steinhoff, with 26%, is the biggest shareholder in PSG.)

PSG's returns since listing have been simply phenomenal (see table). The group has comfortably outperformed other much-loved JSE-listed stocks such as Richemont, Bidvest and SABMiller, and even Warren Buffett's much-lauded Berkshire Hathaway.

"By our estimates, the group should be able to maintain at least high teens earnings growth over the medium term. While some of the core assets will start entering a more mature phase in the business cycle, we feel that even the largest asset, Capitec, should be able to sustain high teens earnings growth over the next three years," says Liam Hechter, analyst at Anchor Capital.

Curro Langebaan Independent School in the Western Cape

While other JSE-listed family-controlled businesses haven't exactly covered themselves in glory in recent years – the Ackermans' Pick n Pay and the Venters' Altron come to mind – PSG seems to be a steady ship. A key difference between PSG and the likes of Altron is that PSG is an investment holding company, and doesn't get involved in the day-to-day operations of the companies it invests in. It is rather a long-term strategic investor that "adds value by challenging management to innovate and grow their businesses, both organically and by means of acquisitions", providing funding when needed, according to PSG.

A lack of liquidity has traditionally been one of the limitations of investing in PSG stock, a matter it expects to improve as international investors now hold a substantial portion (roughly 10%) of PSG shares. This is partly thanks to the inclusion of PSG in the MSCI Emerging Market Index, but PSG has also in recent years embarked on international investor roadshows.

At the 2015 AGM, Jannie Mouton predicted that PSG should be able to grow at a minimum of 20% a year for the next 10 years on a total returns invested (TRI) basis, predicting a share price of R1 115 by 2025. This year, he didn't make any new predictions, but his view on PSG's outlook is clear: "I turn 70 this year and have never been more excited about PSG's future than now." ■

editorial@finweek.co.za

The writer travelled to the PSG annual general meeting as a guest of PSG.

TOTAL RETURN COMPARISON (SINCE PSG LISTING)*

Company	Total returns invested (TRI)**	Years	R1 000***
PSG Group	49%	20.5	3 883 804
Naspers****	24%	20.5	84 368
Shoprite	24%	20.5	83 863
Richemont	24%	20.5	82 551
Investec	23%	20.5	66 255
RMB Holdings	21%	20.5	47 247
Sasol	19%	20.5	36 587
Bidvest	19%	20.5	35 788
SABMiller	18%	20.5	30 803
Berkshire Hathaway	18%	20.5	29 076

SOURCE: PSG Group, calculated based on monthly data per company from INET BFA

*Berkshire Hathaway has a TRI of 9.8% in US dollar terms.
**TRI is calculated as the IRR of each share taking into account the dividends paid.
***R1 000 invested in November 1995 until 31 May 2016.
****finweek *is a publication of Media24, a subsidiary of Naspers.*

PSG KONSULT

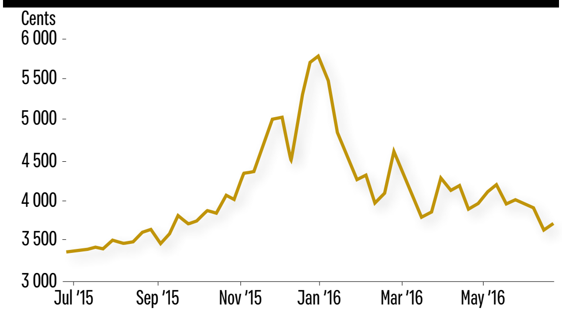
52-week range:	R6.20 - R9.59
Price/earnings ratio:	30.57
1-year total return:	-19.5%
Market capitalisation:	R9.25bn
Earnings per share:	R0.23
Dividend yield:	1.89%
Average volume over 30 days:	105 275

SOURCE: INET BFA

CURRO HOLDINGS

52-week range:	R31.92 - R58.94
Price/earnings ratio:	135.46
1-year total return:	+16.7%
Market capitalisation:	R14.87bn
Earnings per share:	R0.28
Dividend yield:	-
Average volume over 30 days:	331 143

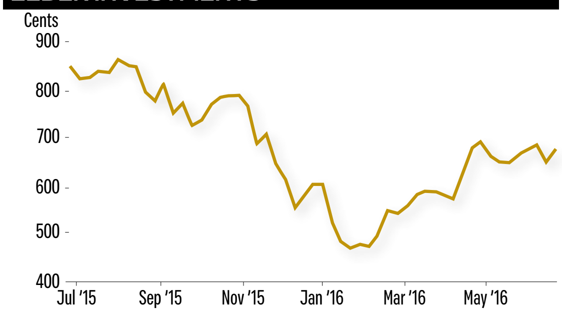
SOURCE: INET BFA



ZEDER INVESTMENTS

52-week range:	R4.26 - R8.97
Price/earnings ratio:	18.08
1-year total return:	-19.5%
Market capitalisation:	R10.05bn
Earnings per share:	R0.37
Dividend yield:	1.36%
Average volume over 30 days:	2 494 552

SOURCE: INET BFA



Getty Images/iStock Images

Images: Supplied

NEW LEASE ON LIFE FOR ZEDER?

After lengthy discussions with large minority shareholders, PSG has finally proposed changing the management fee structure it has with Zeder Investments, an investment holding company focused on food and related businesses.

PSG currently owns 34.5% of JSE-listed Zeder. Minority shareholders have been unhappy about the contractual management fees paid by Zeder to PSG, which totalled R155m in the 2016 financial year. No performance fee (which is linked to Zeder's share price performance) was paid in 2016, but it amounted to R118m in the 2015 financial year. The base management fee is linked to Zeder's market capitalisation.

Speaking at Zeder's AGM on 24 June, PSG CEO Piet Mouton said Zeder, whose major asset is a 27.2% stake in Pioneer Foods, is trading at a discount of between 25% and 40% of its sum-of-the-parts (SOTP). The Pioneer stake accounts for nearly 65% of Zeder's SOTP total assets. Non-PSG shareholders are adamant that the discount that Zeder is trading at is due to the management fee payable to PSG, Mouton said.

"The biggest drawback of the current fee structure is that it puts severe pressure on Zeder's cash flow, particularly in years where PSG also earns a performance fee," he said. This leaves Zeder with less cash available to make investments or pay ordinary dividends.

PSG's proposal is to swap its contractual rights to a management fee for an additional 12% equity interest in Zeder. The PIC, the largest minority shareholder in Zeder with a stake of 9%, is supporting the proposal, Mouton said.

"Wearing my Zeder hat, it would be substantially better for Zeder. The company would have its entire cash flow available to do business, and its shares will trade much closer to its sum-of-the-parts," Mouton says.

Liam Hechter, analyst at Anchor Capital, agrees. He says the current management fee structure is "value destructive for Zeder", and scrapping it should be seen as a positive for the investment case of both PSG and Zeder. "Outside of the obvious high cost of the exit (Anchor estimates it at about R1.3bn), there are certainly long-term positives for Zeder shareholders," he says. "What's positive for Zeder shareholders is ultimately positive for the shareholders of PSG over the long term."

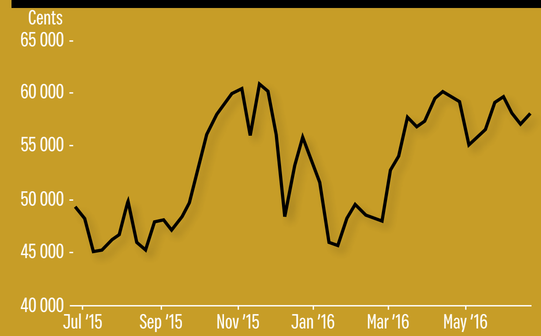
The group has done no major deals in the past 36 months, and has focused on consistently growing its existing portfolio's earnings, which it believes will drive the share price over time. Headline earnings per share have reflected a compound annual growth rate of 22% over the past three years, for example.

ZEDER'S EXISTING INVESTMENT PORTFOLIO "OFFERS HUGE OPPORTUNITIES", SAID THE COMPANY. IN ADDITION TO PIONEER, ITS CORE INVESTMENTS INCLUDE:

- Capespan, which is involved in global fruit production, procurement, marketing and distribution, has an annual turnover of more than R7.6bn and operations in 12 countries;
- Quantum Foods, a fully integrated egg and broiler business with annual turnover of more than R3.4bn;
- Agrivision Africa, a Mauritian-based investment company focusing on the grain value chain with operations in Zambia;
- Kaap Agri, a retail and services group with turnover of more than R5.3bn; and
- Zaad Holdings, a holding company for Zeder's investments in three seed companies – Agricol, Klein Karoo Seed Marketing and Dutch firm Gebroeders Bakker. ■

BANKING ON CAPITEC

CAPITEC BANK HOLDINGS



52-week range:	R410.37 - R622.72
Price/earnings ratio:	20.86
1-year total return:	+22.2%
Market capitalisation:	R64bn
Earnings per share:	R27.87
Dividend yield:	1.8%
Average volume over 30 days:	123 838

SOURCE: INET BFA

PSG's stake in Capitec, described by PSG CEO Piet Mouton as "possibly the most phenomenal business built in South Africa in the last 15 years", accounts for more than 40% of PSG's sum-of-the-parts value.

PSG was the founding shareholder of Capitec, which was formally established in Stellenbosch in 2001, from the remnants of PSG Specialised Lending. It listed on the JSE in February 2002. However, PSG unbundled its 55% interest in Capitec to shareholders in 2003 as part of its efforts to fight a hostile takeover from Absa. The PSG shareholding in Capitec was eventually rebuilt when PSG merged with empowerment firm Arch Equity, which held about 20% of Capitec. PSG currently owns 30.7% in Capitec.

The bank has seen phenomenal growth over the years and currently serves 7.3m clients. Capitec has a market capitalisation of R64bn, making it the country's fifth-largest bank. Its share price is up in excess of 200% over the past five years. But can it last?

Nico Smuts, investment analyst at 36ONE Asset Management, says while Capitec has seen rapid growth in its transactional business, its personal loan book still generates the bulk of its earnings. "A sharp rise in bad debts appears to be the biggest single risk to earnings at this stage, particularly in light of consumers facing the dual pressures of a slowing economy and rising inflation," Smuts says.

Investors have been paying more attention to the risks of unsecured lending following the collapse of African Bank in 2014. Rising interest rates and higher inflation have also put pressure on household income, further putting unsecured lenders at risk. Yet Capitec has managed to outperform its sector, with its share price up 15% over the past 12 months.

Smuts says there is further growth potential for the bank, which is, for example, yet to launch a credit card product. The launch appears "imminent", he says, and if well received, could provide a new source of growth.

The consensus rating of six analysts polled by INET BFA on the stock is a sell. ■

By Jana Jacobs

A PROMISING ECONOMY LOSES GRIP

Growth projections of 8.1% a year. One of the most important gas discoveries of the last 20 years. Government commitment to infrastructure. Now growth projections are below 6%. Natural gas projects are delayed. And the government has been taken to task for hiding almost $1.4bn worth of debt. So what's the story with Mozambique? And how can this promising economy get its act together?

As South Africans, our north-easterly neighbour is a favoured holiday nation, where a drive to the country takes you to beautiful beaches, warm days, fresh seafood cuisine and, of course, the famous Mozambican rum Tipo Tinto. But before it became an idyllic getaway for many of us, Mozambique was engulfed by a harrowing civil war that left nearly a million dead and littered the country's landscape with landmines – a legacy that brought more death and devastation to thousands of its people.

The bitter battle for power between Frente de Libertação de Moçambique (Frelimo) and Resistência Nacional de Moçambique (Renamo) finally came to an end in 1992, with Frelimo assuming power. However, Renamo (also the official opposition in Mozambique) "never completely disarmed [after the war]...and launched a low-level guerrilla campaign in late 2012", according to Reuters. (Also see sidebar on p. 36.)

Despite political tension that has remained over the years, economically Mozambique embarked on an upward trajectory. The country has seen exponential growth, much of which was driven by foreign direct investment (FDI) and government spending on infrastructure, according to a 2015 report on Mozambique by African Economic Outlook.

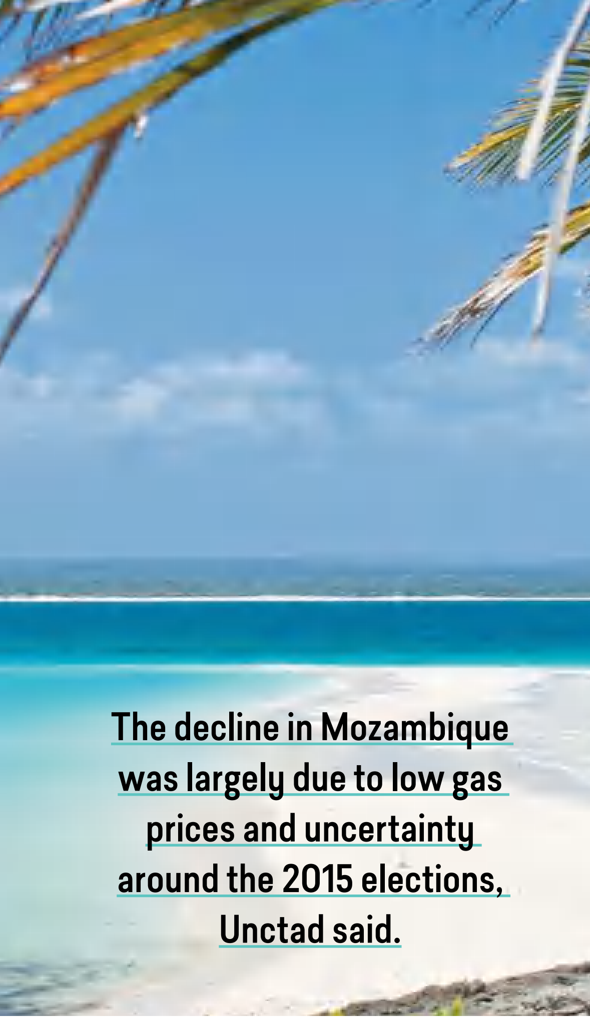
▲ **Tensions between the Frelimo government and the Renamo opposition have spiked again in recent months, prompting thousands of Mozambicans to flee the conflict. Here, a makeshift shelter at Kapise camp in Malawi's Mwanza can be seen on 18 January. In June, President Filipe Nyusi finally agreed to internationally mediated talks with Renamo.**

REUTERS/Eldson Chagara

GDP growth averaged 6.4% a year from 2000 until 2016, reaching an all-time high of 15.3% in the first quarter of 2004, according to data from Trading Economics. However, despite the strong growth recorded, Mozambique is the world's 13th-poorest country with gross national income (GNI) of only $600 per capita a year (South Africa: $6 800), according to the World Bank.

But after years of record inflows, FDI to Mozambique dropped 24% year-on-year in 2015 to $3.7bn, according to the latest *World Investment Report* from the United Nations Conference on Trade and Development (Unctad). Despite the decline, Mozambique was still the third-largest FDI recipient in Africa last year after Angola ($8.7bn) and Egypt ($6.9bn). SA attracted only $1.8bn. The decline in

> GDP growth averaged **6.4%** a year from 2000 until 2016, reaching an all-time high of **15.3%.**



Gallo Images/Getty Images

The decline in Mozambique was largely due to low gas prices and uncertainty around the 2015 elections, Unctad said.

Mozambique was largely due to low gas prices and uncertainty around the 2015 elections, Unctad said.

Natural resources

Mozambique's economic boom was driven largely by the commodities boom, with investors eventually burning their fingers with multibillion-dollar coal deals. (Rio Tinto, for example, bought coal assets in Tete province for $3.7bn in 2011, and sold it in 2014 for a mere $50m. Anglo American also closed its office in the country in 2015 after cancelling a $380m purchase in a coal project in the country.)

In 2010, US petroleum and natural gas exploration company, Anadarko, discovered natural gas in Mozambique's Rovuma Basin, followed by further discoveries by Italy's ENI. These discoveries, estimated to exceed 160tr cubic feet according to ft.com, have the potential for Mozambique to be developed into one of the top LNG (liquefied natural gas) producers in the world, once a final investment decision is made – which has not yet happened. (By comparison, PetroSA's gas-to-liquids plant in Mossel Bay, which started operating in 1992 and has a capacity of 45 000 crude oil equivalent per day, was built on an estimated reserve of 1tr cubic feet. PetroSA is currently exploring for feedstock to extend the life of the refinery.)

The massive natural gas deposits in the north of Mozambique are integral to the future of the nation's economy. Hanns Spangenberg, economist at NKC Economics explains: "The LNG projects are behind schedule in terms of an investment schedule that should have been finalised last year already. However, the nature and scale of the gas discoveries are of such a nature that we believe the projects will go ahead without significant delays."

It remains to be seen when those final investment decisions will be made, however. What is clear is that both Anadarko and ENI will miss the original 2018 deadline to start shipping LNG.

Despite the billions flowing into the country in FDI, largely related to the gas sector, many locals are yet to see the benefits of this industry growth. Speaking to a Mozambican journalist who works for local broadcaster STV, there seems to be growing frustration among the local population regarding the slow spill-over of these mega-projects on the local economy. Although the government has undertaken agreements with companies like Sasol (see sidebar on p. 37) to reap the benefits of the monetisation of its natural resources, this still seems to be

KEY INDICATORS:

Population (2015)
27.98m
(SA: 54.77m)

GDP (2014)
$15.94bn
(SA: $350bn)

GDP GROWTH RATE (2016)
1.8%
(SA: -1.2%)

INFLATION RATE: (MAY 2016)
18.27%
(SA: 6.1%)

UNEMPLOYMENT RATE:
17% (2007)
(SA: 26.7%) (Q1 2016)

GNI PER CAPITA: (2014)
$600
(SA: $6 800)

LIFE EXPECTANCY AT BIRTH: (2015)
55 years
(SA: 57 years)

FDI, NET INFLOWS: (2014)
$5bn
(SA: $5.7bn)

FOREIGN EXCHANGE RESERVES:
$1.7bn
(SA: $46bn)

GOVERNMENT DEBT TO GDP: (2015)
89%
(SA: 50.1%)

SOURCE: Bloomberg, Stats SA, Trading Economics, World Bank

POLITICAL RISK

Only in September last year could Mozambique finally declare itself landmine free after British charity, HALO Trust, cleared more than 171 000 landmines, making over 17m square metres of land safe, according to the charity.

On 24 August 2014, Renamo and Frelimo signed a cease-fire agreement, but in an article for Pambazuka News, Fredson Guilengue explains that this agreement was "short-lived…[and] only served to clear the way for the country's general elections on 15 October 2014, at which time the highly contested results by Renamo brought about another round of military conflict".

Post-1992 tensions between ruling Frelimo and the main opposition party, Renamo, have remained and conflict has always brewed, with recent flare-ups making the news once again. Enough so that the government has agreed to engage in mediated talks with Renamo. *Business Day* reported "Mozambique's President Filipe Nyusi has accepted the presence of foreign mediators in talks to end his country's conflict, in a move welcomed…by the leader of rebel movement Renamo". According to the paper, Renamo leader Afonso Dhlakama said that he and the president have spoken "about the politico-military conflict in our country, and we reached an agreement that guns do not solve anything".

Hanns Spangenberg, economist at NKC Economics, says that the security situation has ebbed and flowed over the years and although things are at a high at present, he does not believe that it holds "a long-term threat to overall political stability". The agreement to partake in mediated talks is perhaps indication that the government is serious about resolving political risk and ensuring that the long-term outlook is indeed proactively managed.

According to *Business Day*, the demands from both parties that will feature in the upcoming talks are Renamo wanting to govern in the six provinces where it says it won a majority of votes in the October 2014 general elections, while the ruling Frelimo will push for the disarming of the Renamo militia.

Spangenberg is aware though that these heightened tensions do "come on the back of several other issues, including the debt debacle", but says that the political risk NKC assigns to the country has not increased. However, developments in the coming months will determine whether this remains so. ■

falling short (at least in the locals' eyes).

Spangenberg explains that "it will be some time before tangible effects will be felt on ground level. However, anecdotal evidence from other resource-rich countries in Africa suggests that benefits will eventually filter through to the local population, although it will be a lengthy process." Because much of the country's infrastructure investment "has been primarily to facilitate the transport and exportation of Mozambique's primary export commodities", the benefits to the local economy still need to filter through. However, he believes that "downstream industries will eventually start to develop as growing investment opportunities surrounding the existing mega-projects grow".

Economic growth is expected to decline to **4.5%** this year.

Recent blunders

In the short term, however, the Mozambicans have more pressing problems. Economic growth is expected to decline to 4.5% this year, "with substantial downside risks to this projection" and down from 6.6% in 2015, the International Monetary Fund (IMF) said on 24 June following a team visit to the country. It is also facing fast-rising inflation (which reached 16% in May), a depreciation of about 28% in the in metical since the start of the year, and declining international reserves, the IMF said. The IMF suspended lending to Mozambique in April after previously undisclosed loans of $1.4bn came to light, prompting international donors to also withhold funding. The $1.4bn includes a state-backed bond of $850m that was earmarked for the purchase of tuna-fishing boats, but was actually spent on naval vessels and other security funding.

Filipe Nyusi
President of Mozambique

Mustafa Yalcin/Anadolu Agency/Getty Images

This pushed Mozambique's total stock of debt at the end of 2015 to 86% of GDP, and public debt "is now likely to have reached a high risk of distress", the IMF said.

On 20 May, Moody's placed Mozambique's bond and issuer ratings on review for downgrade – the rating is currently Caa1, seven notches below investment grade, meaning the debt is seen as poor quality and very high risk.

This pushed Mozambique's total stock of debt at the end of 2015 to **86%** of GDP, and public debt "is now likely to have reached a high risk of distress", the IMF said.

Further external economic pressures, such as the commodity slump and the decline in natural gas prices, are burdening an economy already at fiscal risk. Mozambique now faces the challenge of ensuring reform to restore investor confidence, while navigating weak commodity prices, rising inflation, a depreciating currency and falling international reserves.

The way forward

Of utmost importance now is fiscal transparency to ensure the IMF, donors and investors that the government is taking responsibility and is serious about remedying the current situation. Among one of the credit weaknesses listed by Moody's is the country's weak institutional strength.

The debt debacle is a clear example of this concern. Says Spangenberg, "A lack of regulation, and enforcement of what little regulation there was, led to the sharp increase of external debt. While there appears to have possibly been some predatory lending practice occurring, the government is ultimately responsible for all debt accumulated on its behalf."

The IMF said following its visit to the country that an international and independent audit should be done on three Mozambican companies – EMATUM (Mozambique Tuna Company), MAM (Mozambique Asset Management) and Proindicus (with the aim of providing maritime security services). It also said that "substantial fiscal and monetary tightening, as well as exchange rate flexibility, are needed to restore macroeconomic sustainability, reduce pressures on inflation and the balance of payments and help alleviate pressures on the foreign exchange market".

In lieu of these developments, Mozambique essentially needs to undergo a policy reset. In this vein, Spangenberg tells *finweek* that "the most important item on the government's agenda is to improve its relationship with the IMF, and subsequently other donor agencies".

The way forward in this regard are immediate reforms regarding transparency and accountability within the government's finances, according to Spangenberg. The Mozambican government's response to the recent debt revelations has been one of cooperation and Spangenberg is of the opinion that "given [this] response, I believe the regime will escalate efforts to get its act together", adding that recent events have presented a wake-up call that is likely to be heeded by the government.

External pressures and the macroeconomic (mis)management by the government have left the nation in a very unfavourable position. Until the government gets its act together and proves it will engage in sustained efforts to steer the economy back on a promising path, we can only watch this space. And those natural gas developments. ■

editorial@finweek.co.za

The writer was a guest of Sasol on a media trip to its operations in Mozambique in May.

▲ A quay at the Maputo Harbour

"The most important item on the government's agenda is to improve its relationship with the IMF, and subsequently other donor agencies."

Gallo Images/AFP Images

SASOL IN MOZAMBIQUE

Sasol was the first company to produce natural gas in the south of Mozambique, under a production petroleum agreement (PPA) at gas fields in Pande and Temane. The project came on stream in 2004, with Sasol's central processing facility (CPF) doubling production in the last five years to 70 000 barrels of oil equivalent per day (BOE/day), according to John Sichinga, senior vice-president, Sasol Exploration and Production International.

UNDER THE PPA AGREEMENT, THE MOZAMBICAN GOVERNMENT WANTED:

- In-country monetisation;
- Confirmation of Mozambique as a safe investment destination; and
- Industrialisation of a mainly agriculture-based economy.

Sasol's CPF in Temane has achieved 81% localisation at all different levels, with a total of 150 employees – 121 locals and 29 expats. Sasol is slowly in the process of replacing expat employees with locals.

Some of the gas produced at the CPF is transported to the 120 MW Central Térmica de Ressano Garcia (CTRG) power plant. The plant is a partnership between Mozambique's power company Electricidade de Moçambique (EDM) (51%) and Sasol (49%), and is Mozambique's first permanent large-scale gas-to-power facility in Ressano Garcia. This first stand-alone power station has provided electricity to more than 2m Mozambicans.

Further exploration activities have seen Sasol entering a PSA (production-sharing agreement), adjacent to the PPA, which is "an integrated oil, liquefied petroleum gas (LPG) and gas project which supports the government's drivers for in-country monetisation, energy security, further industrialisation and skills development." The phased development plan envisages the development of further hydrocarbon resources that will help to drive the growth of both Mozambique and Southern Africa as a whole, according to the company. The PSA was approved in January of this year and the drilling campaign commenced in May.

In its 20 May credit opinion, Moody's stated that one of Mozambique's credit strengths is the country's favourable medium-term growth prospects supported by large natural resources. ■

SOURCE: Sasol

THIS WEEK:
>> **Entrepreneur:** FitChef makes eating healthy easy *p.40*
>> **Careers:** Should you get an MBA? *p.44*

BUSINESS PROFILE

By Lameez Omarjee

'Don't defy gravity... Make decisions around it.'

Mary Vilakazi is group finance director at financial services group MMI Holdings Limited. She explains how the company, which is the country's third-largest life insurer, tackles the challenges posed by an unpredictable economic environment.

They say that when the going gets tough, the tough get going. And at financial services group MMI Holdings, it is the role of finance director Mary Vilakazi to ensure resilience and sustainable growth during difficult economic times.

Earlier this year Vilakazi, who oversees a team of 400 employees at MMI, was chosen to be a member of the Forum of Young Global Leaders (YGL), a World Economic Forum (WEF) leadership initiative. She was one of 11 leaders from sub-Saharan Africa, and one of two South Africans selected from 50 countries around the world. "It's an opportunity to connect with a lot of young people, below the age of 40," she says.

Born and raised in the township of Alexandra in Johannesburg, Vilakazi thought she would become a lawyer. This changed in high school when she realised that she preferred to work with numbers, she tells *finweek*. After receiving a bursary from PwC to study at Wits University, she qualified as a chartered accountant.

Working as a partner at PwC, where Metropolitan was her biggest auditing client, exposed her to different opportunities. She left PwC in 2008 and took up consulting. She joined MMI Holdings, which was formed from the merger of Metropolitan and Momentum in 2010, as chief financial officer in 2015.

With Vilakazi as finance director, the group has taken on a cost reduction project – MMI aims to save

R750m

annually by the 2019 financial year.

Adapting in tough times

Volatility in equity markets over the last two years has hampered MMI's growth, says Vilakazi, and sluggish growth on the continent has forced the group to reconsider some of its expansion plans.

With Vilakazi as finance director, the group has taken on a cost reduction project – MMI aims to save R750m annually by the 2019 financial year – and a client-centric strategy to keep the business resilient and sustainable. MMI continues to invest in growth. One of its growth initiatives is in the short-term insurance business which has improved and is a viable business, she says.

In May, MMI bought out its local partner, United Metropolitan Nigeria Life Insurance. Vilakazi explains that it is important for MMI to maintain a presence in the Nigerian market, even if good returns are still to materialise in the short term. "We still see growth opportunities in Nigeria, as difficult as it is. In the long term, we cannot have a viable African business without a presence in Nigeria," she says. Current insurance penetration in Nigeria, which has a population of 174m, is less than 1%.

However, MMI's West African expansion strategy may be quite delayed by the commodity cycle, she adds. MMI has also put plans to expand its subsidiary significantly in the UK on hold, due to market conditions.

Some of the "more ambitious" plans concerning emerging markets have also been put on ice, and the group may look at these options again once things improve, Vilakazi says.

The group currently has operations in 13 countries, including Hong Kong, Indonesia, United Kingdom and India and a number of countries on the African continent. With the implementation of a client-centric strategy, MMI identified potential areas for expansion. Expanding into East Africa and gaining traction in Kenya and Tanzania will be a good

Image: Supplied

GETTING TO KNOW MARY VILAKAZI

Vilakazi has previously been a trustee of the Zenzele Development Trust and the Mineral Services (MS) Group subsidiaries. She has also served as a non-executive director on the boards of the Development Bank of Southern Africa, Kagiso and Holdsport.

"If I didn't get that opportunity to attend university, then the rest of my story would be quite different," she says. "Life for me is about relationships and experiences. If I had made different decisions, I might have had more money. But I am grateful that I have had rich experiences at a personal and at a career level."

As a woman building a career in a male-dominated industry, Vilakazi says she has learnt not to listen to the voice of self-doubt.

"As a young, black woman becoming a partner at PwC, I put a lot of pressure on myself not to let those constituencies down," she says. "In a way it was good, I worked hard. But I think I would have worked hard and excelled without carrying the baggage and the pressure." Women only support one another once they have proven that they have talent, she says, while "men back themselves even when their abilities and talents are limited". According to her, women should stop doubting themselves, which will help them to be more assertive.

How do you maintain a work/life balance?
I am proactive when it comes to taking leave. I plan my leave dates in advance. Whenever I am home I switch off and engage with my children and give them quality time. I make time for family. I exercise to handle the stress of the job. I also meditate, and attend retreats to reconnect to my own body. I also do colouring with the kids, it's sufficiently de-stressing and fun.

What books are you reading?
Khaled Housseini's *A Thousand Splendid Suns*. Afghans are quite resilient. [The book] is all about loss and rebuilding, which is relevant to the economic environment and from a business point of view.

What is the best business advice you've received?
Whatever you do, don't defy gravity. There are examples where you can see things are going badly. Sit back and check which way gravity is pulling and don't defy it. Make decisions around it.

"If I didn't get that opportunity to attend university, then the rest of my story would be quite different."

supplement to the business, says Vilakazi. "We are on the lookout for opportunities that will give us scale."

A client-centric focus

MMI's client segments include Metropolitan Retail, Momentum Retail, the corporate and public sectors, as well as its presence in Africa and Southeast Asia and the UK. These individual segments help the business to focus on finding solutions and building relationships with clients and helping clients increase their financial wellness, explains Vilakazi.

Since being implemented two years ago, the client-centric strategy has seen the business grow in volumes, she says.

According to its latest trading update, for the nine months to end March, new business flows (on the present value of premiums basis) grew by 13%, compared with the same period to end March 2015.

Vilakazi says the group has worked on improving its client service, for example by limiting the time clients have to spend on the phone when contacting call centres.

"People are really applying their minds around the ease of doing business and the ease of engaging with clients," she explains.

The strategy has been paying off.

The South African Customer Satisfaction Index for 2015, by Consulta, ranked Metropolitan Retail first in the industry with a score of 81.1, and Momentum Retail second with a score of 79.3, for customer satisfaction. Momentum also received the 2016 Financial Intermediaries Association (FIA) award for product supplier of the year.

According to its latest trading update, for the nine months to end March, new business flows (on the present value of premiums basis) grew by 13%, compared with the same period to end March 2015.

Working hard to reduce costs

Vilakazi says through eliminating duplicated systems across MMI's different client segments, they will be able to cut costs. For example, with Metropolitan Retail having its own legacy insurance books and systems and Momentum Retail having its own systems as well as Africa business, MMI will move to one system for legacy books, and one system for new-generation products and investments. "We put all these capabilities in one centre." She says the programme's target is not to reduce heads, but with the number of systems being reduced, that will inevitably happen. MMI aims to remain transparent with all stakeholders, including staff members. During the merger in 2010 that brought about MMI, management has learned valuable lessons about handling redeployment, she says. "Once we learn which people are going to be redundant, we try to place them throughout the company. People are also given opportunities to reskill where that is necessary." ■

editorial@finweek.co.za

By Jessica Hubbard

Making healthy eating effortless

In our hectic world, many people don't have the time to cook meals but rather opt for unhealthy takeaways or microwave meals instead. Against this backdrop, FitChef strives to keep its customers' fridges stocked with wholesome, nutritious food at all times.

Wayne Kaminsky
Founder and CEO of FitChef

In recent years, health and wellness has become a massive global industry, with entrepreneurs in the food, lifestyle, beauty and fitness realms all looking to cash in on the "get fit, look great" craze. In South Africa, a nation well known for its love of beer and red meat, many health food trends have failed to stick. One start-up, FitChef, appears to be proving an exception – using a combination of delicious, convenient food and business savvy to help South Africans eat well. We chatted to the company's founder and CEO, Wayne Kaminsky, to find out more.

WHAT DID YOU DO PRIOR TO STARTING FITCHEF?

I started off in graphic design but felt limited and moved to web design in 1997. I moved to London in 1998, specialised in high-end Flash development and website design, coding and database development and presented most of the advanced Flash courses in that city. I started working for myself in 2000 and launched ThinkShift Ltd in London. I moved back to South Africa in 2003 doing online software and websites for a range of international clients. Then my company merged with another and its name changed to ShiftingMedia, offering video expertise. The partnership did not last, but I carried on with ShiftingMedia online and specialised in web, social media, online thought leadership and event management software. Food came later…

WHERE DID THE IDEA FOR FITCHEF COME FROM?

I solved the health and weight management issue for myself and this gave birth to FitChef. Life was crazy – I had three young kids and a demanding business. I loved exercise and did the things like the Cape Epic, Ironman, 320km one-day bicycle rides and eight- to 12-hour exercise sessions. I was fit but fat, about 5kg overweight despite having seen a dietitian and been told weight was just a case of "calories in versus calories out".

Images: facebook.com/fitcheffood

FitChef Johannesburg store at Skyway Business Park, Sonneglans (Strijdom Park).

I had simplified my business in 2009, got divorced in 2010 and decided to enter *MasterChef* in 2011. I experimented with food a lot, cooking 45 versions of a meal in one night, or 60 to 70 meals on a weekend – my fridge and freezer were full! For the first time ever I could just grab a good meal, warm it up and eat it rather than scrounge around for bread, cereal or "health" biscuits. I had an endless supply of healthy food that could be ready to eat in two minutes.

After 14 courses of antibiotics in two years I started a health journey and within three weeks I had lost the excess flab and was off antibiotics for the first time in ages. I realised that all diets fail for one main reason: we don't have *good* food available *now*, so we eat refined high-carb junk and derail health and weight management.

All diets fail for one main reason: we don't have *good* food available *now*, so we eat refined high-carb junk and derail health and weight management.

WHAT MOTIVATED YOU TO TURN IT INTO A BUSINESS?

I changed my life and believed I could change other lives easily. It was simple to transform my health and weight management with the right planning. We are all busy and all time-poor and most people hate cooking. We also have tons of confusing health messages from "experts" and everyone wants a pill that will solve their problems while they continue to eat badly. It was time to help people listen to their guts (literally), get off the refined man-made versions of food and to make healthy food more convenient than junk.

HOW DID YOU MAKE YOUR FIRST SALE?

I launched a very early version of FitChef at the Hakahana Trails mountain bike race in November 2012. I gave away a prize of a two-week supply of food and started selling online. We still predominantly sell online.

FitChef at the **Hakahana Trails** mountain bike race

WHEN DID YOU OFFICIALLY START OPERATING?

In 2013 we decided to launch FitChef as a franchise concept. After 300 applications we sold our first franchise that August. It was early days and the business model changed every month – an exciting but tricky time.

HOW DO YOU "LIVE YOUR BRAND"?

I really believe "health is true wealth" and that food is an investment. I eat some FitChef food, smoothies and snacks every day and do love the odd pizza, curry, beer, and burger but I manage it. Food, fitness and energy are critical to me. So is good whole food based on our #EatClean ethos. While I love being extreme in lots of things I really believe in a balanced approach to food.

My favourite concept is the Law of Paracelsus: "Everything is poisonous, it's just the dose that matters." We need balance, variation and seasons. The important question is: what is balance? We live in a refined artificial food world, with oversized portions and added sugar in everything. We also drink too much alcohol and experience high levels of stress. On top of that, we don't sleep or exercise enough. The good food/bad food balance should not be 50/50, it should be on something like 70/30, 80/20, 90/10 or even 100/0. If you are overweight, unhealthy, bloated or unhappy with your energy, you are going to need a season of 100/0 to correct the situation and then find your balance.

HOW DID YOU GET FUNDING TO GET STARTED?

I self-funded the company through my other businesses. It's tough, but often you find that having more money is not the solution – you need to be creative and strategise well. Often you just get through the darkest times by knowing that you have to find a solution to get cash in to pay debts.

WHAT HAVE BEEN THE THREE BIGGEST DIFFICULTIES YOU'VE HAD TO OVERCOME?

Growing, managing growth (so it doesn't kill you) and financial management.

Launching an idea is easy and exciting; growing it properly is incredibly hard. And managing that growth is even harder – you need IT systems, procedures, more people and more ways to handle red tape. Managing your financial state is so difficult and every second spent managing finances means you can't spend time marketing. I don't believe Sars makes it easy enough, and banks don't support entrepreneurs. Entrepreneurs are rainmakers; we make things happen and sometimes we look risky to banks according to their outdated risk profiles. While I have had bounced debit orders, I don't have any

FitChef aims to make healthy food more convenient than junk food.

unpaid bills... Banks would rather support an employee than a rainmaker, despite the fact that we have proved we are survivors.

BIGGEST LESSON LEARNT?

You need to go big on marketing. Marketing is not an optional extra and in a capitalist world you just have to spend wisely on marketing that works. Marketing is almost more important than anything else initially; you could have the best product in the world but you have to let people know about it.

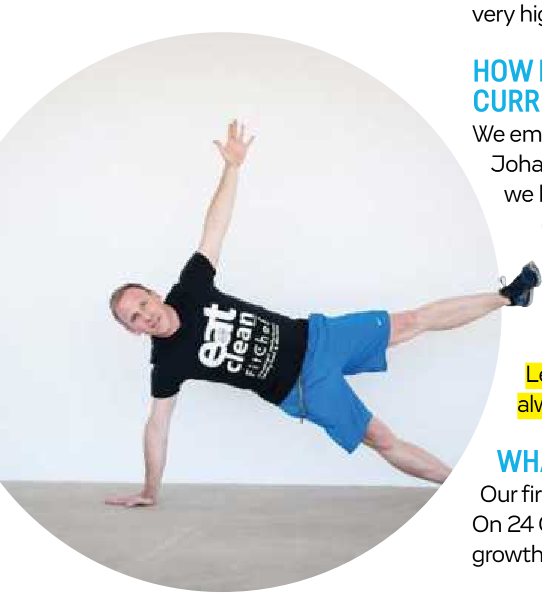
Marketing is not an optional extra and in a capitalist world you just have to spend wisely on marketing that works.

HOW TOUGH IS COMPETITION IN YOUR SECTOR, AND WHAT DIFFERENTIATES YOUR OFFERING FROM OTHERS?

There are many people doing food, many mom-and-pop shops selling "healthy" food and many "health" food companies selling absolute junk (just read their ingredient lists). We have competition, but no one who really understands that good food needs ingredient names you recognise; that good food needs to taste great and how to make eating healthy convenient for a busy world. I am always aware of competitors; it drives me to keep standards very high and raise them higher every day.

HOW MANY PEOPLE DO YOU CURRENTLY EMPLOY?

We employ 55 people between our Johannesburg and Cape Town offices. Plus we have created about 40 to 50 jobs for others through suppliers and farmers.



WHAT IS THE BEST BUSINESS ADVICE YOU'VE EVER RECEIVED?

Learn to overreact to your gut feel, it's always right.

WHAT WAS UNEXPECTED?

Our first big month was November 2014. On 24 October 2014, we were frustrated with growth, food supply and scared to leap into big business commitments. So my partners Mark Kaminsky, Jan Grobler and I were drinking a few bottles of Creative Block №5 at Spier wine farm (outside Cape Town), attempting to brainstorm a solution. We decided to sell R1m worth of food in November, over a 1 000% growth rate in one month. On a flight back to Johannesburg, Mark and I planned what we would need to do to make those sales.

Ten days later, we had the first two batches of food in our freezers and more to come. We launched and went from making R60 000 to R770 000 in one month...a very hectic growth rate of 1 200% in 30 days. FitChef was alive! Our other partner, Craig Kaminsky, arrived to join the business as a director from the UK in December to help keep the ship afloat. Very exciting times.

HOW DO YOU STAY MOTIVATED?

We all fail and mess up, but as long as you have a new plan, you have hope. Hope can motivate you.

Motivation is critical and on some days you feel hopeless. It's difficult being an entrepreneur – often, you just don't have the answers. Mostly you just need to throw as much time as possible at problems – try things, read, talk to others, don't be scared of mistakes. *Become an expert at fixing mistakes.* I have often used gratitude lists, worked with personal coaches and listened to loads of motivational talks. You just have to push and then start applying as much strategy to your situation.

WHAT ARE YOUR NON-WORK HABITS THAT HELP YOU WITH YOUR WORK-LIFE BALANCE?

To achieve something resembling work-life balance (which is actually a myth) you need to get perspective on your situation, clear your mind, escape and come back to it. I could not survive without exercise, loads of yoga, running, and of course good food to power the mind. My girlfriend Zoey has also been around for many late-night rants, moments of desperation, idea-bouncing dinners, food experiments, and changes of plans. She's also moved cities with me and been patient while I listened to hundreds of TED talks.

WHAT IS YOUR THREE-YEAR GOAL FOR YOUR COMPANY?

We are going to be a billion-rand healthy food lifestyle company, launching the concept overseas – and will be the leader in *real* healthy, convenient (and tasty) food solutions. ■

editorial@finweek.co.za

By *finweek* team

Should you get an MBA?

It demands long hours, enormous commitment and a lot of money. How do you ensure that you will earn a strong return on your MBA investment?

In the past, there was a single answer to a diverse range of career dilemmas. Stuck in mid-management? In your 20s and not sure how to fast-track your career? Faced with a midlife crisis, but not keen for an affair or taking up cycling?

The answer was pretty clear: get an MBA.

Very expensive and a bit painful, it was seen as the three-letter solution to jump-start your career and catapult you into the C-suite.

Times have changed. While an MBA is still absolutely coveted, these days some of the biggest global businesses world is either ruled by university drop-outs (like Mark Zuckerberg) or chartered accountants.

Currently, the most useful skills for future success seem to be coding and staying on the good side of robots. Will an MBA really make a difference in your career?

Getty Image/iStock Images

5 HERE ARE FIVE QUESTIONS TO ASK YOURSELF BEFORE YOU EMBARK ON AN MBA:

How meaningful will it be in your line of work?

While an MBA is a great addition to a CV and sends a strong signal about your ambitions, it will not necessarily add to your professional value in all lines of work. "If you are in credit control, an MBA won't catapult you three levels higher into financial management," says Heidi Duvenage, head of Sage Talent Solutions, the recruitment division of the global payroll and integrated accounting group Sage. A more specific financial qualification that strengthens your domain knowledge would have helped you to progress more in a specialist field. Often an honours or master's degree in your specialisation will have a more direct application and will make you more valuable, says Duvenage.

Are you far enough along in your career?

A good MBA programme will give participants a thorough business grounding, but the biggest value of the degree is providing crucial softer skills like leading a company and managing people, Duvenage explains. "An MBA will also equip you with seeing the bigger picture. It provides participants with a more holistic viewpoint to devise business strategy." This won't help an awful lot when you are a 20-something foot soldier in a corporate behemoth. Often young people who are just starting out will have to wait eight to 10 years before they actually start using the skills they learnt about in the MBA programme, she says. "The best time for an MBA is later in your career, when you have some experience under your belt and you can directly apply the skills in your working life."

How reputable is the MBA you are considering?

All MBAs are not created equal. Make sure you are considering a well-regarded programme by doing thorough research, including speaking to alumni to find out what their experiences were and whether their MBAs helped them in their careers. Other serious things to consider are the stature of the lecturers, the strength of the programme's alumni network and global exposure.

"The best time for an MBA is later in your career, when you have some experience under your belt"

Heidi Duvenage
Head of Sage Talent Solutions

How risky will it be to take a break from your career?

If you are in an industry – like IT or ecommerce – which moves very fast, taking time off to do a full-time MBA may actually disadvantage you in the long term. The same goes if you are an entrepreneur

The case for an MBA

The MBA is still standing strong after it was first awarded 108 years ago and remains a qualification that has global recognition.

Supporters say the main aim of an MBA is to equip those with specialised knowledge in a certain field to move into a more general management position. At the University of Stellenbosch Business School, for example, one in every five students is from an engineering background.

The courses themselves are also adapting to the faster pace of business. In South Africa, admission requirements for an MBA have become stricter, but the duration of the courses is shorter.

This is a worldwide trend: this year, for the first time ever, the *Financial Times* ranked a one year MBA as the top course in the world, with Insead's MBA trumping Harvard Business School.

AN MBA CAN ALSO HAVE THESE BENEFITS:

IT WILL BOOST YOUR PAY CHEQUE. The latest *Financial Times* annual survey of MBAs showed that three years after graduating from the MBA programme of the University of Cape Town's Graduate School of Business, participants' pay had increased by 68%. (These graduates earn the 26th highest average salaries among MBA graduates in the world.)

AN MBA GIVES YOU A NEW PERSPECTIVE. Often you need to take a step back from the daily grind to get a fresh view on the opportunities in your business. You will also gain instructive experience of how things work in other industries that can help you chart a new direction for your company.

IT PLUGS YOU INTO A POWERFUL NETWORK. Not only will you forge relationships with classmates from across the business spectrum, but you will also be part of an influential alumni group. ■

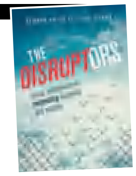
with a burning business idea; it may be best to barrel ahead. In business, experience often counts more than post-graduate qualifications, says Duvenage.

■ Should you not consider a management development programme instead?

Shorter programmes offered by business schools are growing increasingly popular, explains Duvenage. These are gaining recognition as an efficient way to equip mid-career professionals for management roles. ■

editorial@finweek.co.za

on the money quiz & crossword



Congratulations to Alta Loubser, who won a book prize in a recent giveaway. Well done! This week we're giving away a copy of Kerryn Krige and Gus Silber's new book. For your chance to win, enter the online version of this quiz, available on fin24.com/finweek from 4 July.

1 **True or false?** South Africa's most expensive home, valued at R290m, is situated in Johannesburg.

2 Who did the SABC appoint as new acting CEO after Jimi Matthews resigned from the post?
- James Aguma
- Francine Peters
- Hlaudi Motsoeneng

3 **True or false?** The National Treasury ruled that President Zuma must repay R10.5m of the funds spent on the Nkandla upgrades.

4 Which Canadian rapper visited South Africa recently?

5 **True or false?** Sweden was the team that knocked England out of the UEFA Euro 2016 football tournament.

6 Which Johannesburg-based church was recently embroiled in a race row after one of its pastors made controversial statements?

7 Of which financial services company is Mary Vilakazi group finance director?

8 In the recent EU referendum, how did Scotland vote?
- Remain
- Leave

9 Which of the following is not a ride-sharing service?
- Uber
- R1DE
- Lyft

10 **True or false?** The price of gold rose after the Brexit vote.

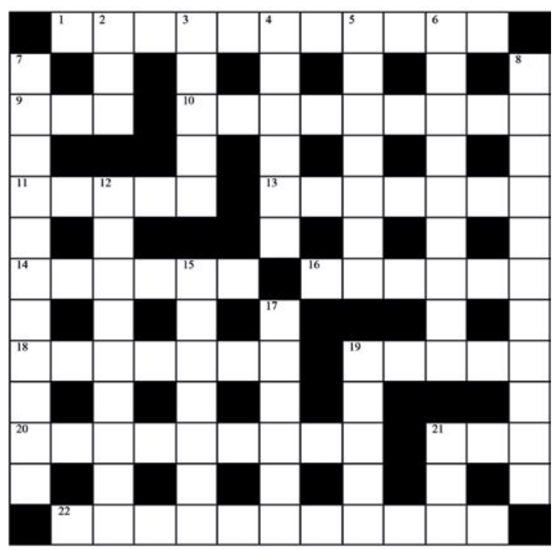
CRYPTIC CROSSWORD 638JD

ACROSS

1 Air commuter casualty is at undertaker's (11)
9 Single nobody out initially (3)
10 Arguing a nose ring is uncomfortable (9)
11 Chieftain of Manx isle (5)
13 Hazel's production about family musical (7)
14 Recorded one taking a beating (2,4)
16 A wise start is to talk to canvasser from inside (6)
18 Girl to take home tea from a place to eat (7)
19 One getting up vertical part of stair (5)
20 Greek or Delphian, etc. aiming for transformation (9)
21 Eggs on veal – an odd combination! (3)
22 Taking part payment (8,3)

DOWN

2 Yield not accounting for herb of grace (3)
3 Lady graduate gets first half about right (5)
4 Glassy-eyed but not like a muse (6)
5 Early caller contributes nothing to the bill (7)
6 Uses note in place of shillings for services (9)
7 No campaign mounted for him! (4-7)
8 Grad guys eat out at traditional food time (3,8)
12 Soldiers won't be at it, if not properly dressed (9)
15 Transport secretary by river vessel (7)
17 Forged pound notes (6)
19 He joins Provincial police force and gets a decoration (5)
21 Beginning of desire for money (3)



Solution to Crossword NO 637JD

ACROSS: 1 Loth; 3 Surmount; 9 Begorra; 10 Loins; 11 Articulation; 13 Oxalis; 15 Tanner; 17 April showers; 20 Rerun; 21 Chateau; 22 Sundries; 23 Stye

DOWN: 1 Labrador; 2 Tight; 4 Unable; 5 Militiawoman; 6 Unicorn; 7 Task; 8 Practitioner; 12 Pressure; 14 Aspirin; 16 Psyche; 18 Event; 19 Army

On margin

A great way to start the day

An Englishman and a Scotsman are neighbours. The Scotsman has a hen that lays a beautiful egg every morning for him to eat on the porch. Every morning the Englishman watches how the Scotsman eats up his delicious-looking egg and starts getting envious. One morning, he gets lucky and the hen walks into his yard before laying the egg.

The Scotsman sees him picking up the egg and says: "What are you doing with my egg?"

The Englishman replies: "It's in my yard, so it's mine!"

The Scotsman says: "But the hen that laid it belongs to me! Look, I can see we're never going to get to the end of this. How about we deal with this in the traditional Scottish way?"

"How?" asks the Englishman.

"It's simple, really. First, I'll kick you in the balls as hard as I can, and when you can pick yourself up, you return the favour. The man who picks himself up in the least amount of time gets the egg."

The Englishman agrees to the deal.

The Scotsman gets his heaviest steel-capped boots and swings with the power of a young David Beckham, landing a sharp blow between the Englishman's legs.

The Englishman rolls on the ground in agony for 31 minutes and 20 seconds before he finally manages to get up and says: "All right, now it's my turn."

He gets his own heavy boots, and as he prepares to swing, the Scotsman stops him at the last moment. "You know what? I think I'll just have cereal for breakfast today."

A drunk's prayer

A drunk man was staggering home with a pint of booze in his back pocket when he slipped and fell heavily. Struggling to his feet, he felt something wet running down his leg. "Please God," he thought. "Let it be blood!"

"I made huge savings on rent and overheads once I converted my company into a WhatsApp group."

Verbatim

Dongwon @dongwon
Have we tried unplugging 2016, waiting 10 seconds and plugging it back in?

Pourmecoffee @pourmecoffee
I hope 2016 doesn't get renewed. The plot is ridiculous and none of the characters are likable.

Gabriel @galvarezlopez
#Brexit Colonises half the world, complains about immigrants.

Callum @callumhalpin_
David Cameron: "In some parts of Britain there are three generations of families where nobody has ever worked."
Buckingham Palace?

Francis Waso @FrankfromCPT
So common for Proteas to falter and exit tournaments before reaching the final, we should simply refer to it as #Prexit.

John Walters @jdubs88
Brexit Diet: Swear off EU, watch the pounds disappear.

Mayihlome @MTshwete
Today 530 people will become South Africans, any advice for them?

DAUNTLESS @Mefied
*Find a good shrink.
*Alcohol will help sometimes.

@mphalanemosese
Learn a South African language because here "ons skinder moertu".

Menzi Ngcobo @MrMenziN
Don't race a taxi driver, just let them have their way.

"The trouble with committing political suicide is that you live to regret it."

– Winston Churchill, former British prime minister (1874-1965)