

EFFICIENT GROUP LIMITED

Incorporated in the Republic of South Africa

(Registration number: 2006/036947/06)

Share code: EFG ISIN: ZAE000151841

("Efficient" or "the Company" or "the Group")

TRADING STATEMENT

In terms of the Listings Requirements of the JSE Limited, companies are required to publish a trading statement as soon as they become reasonably certain that the financial results for the period to be reported on will differ by more than 20% from that of the previous corresponding period.

Accordingly, a review of the financial results for the year ended 31 August 2018 by management has indicated that the:

- loss for the 12 months ended 31 August 2018 is expected to be between R272 million and R301 million;
- headline loss is expected to be between R273 million and R301million;
- loss per share is expected to be between 302.95 cents and 334.84 cents compared to the earnings per share ("EPS") of 52.95 cents for the year ended 31 August 2017; and
- headline loss per share is expected to be between 303.09 cents and 335.00 cents compared to the headline earnings per share ("HEPS") of 69.01 cents for the year ended 31 August 2017.

The decrease in EPS and HEPS relates to the fees payable in respect of the cancellation of a profit share agreement, as summarised below and detailed in the announcements released on SENS on 5 July 2018 and 3 August 2018, and in the circular distributed to Shareholders on 3 August 2018.

On 12 August 2013, Efficient entered into the Joint Management and Profit Incentive Agreement with Robert Henry Walton ("RW"), as amended from time to time ("Main Agreement"), in terms of which, *inter alia*, it was agreed that RW would establish, contribute to and manage the businesses of the "Efficient Invest Companies" comprising Efficient's wholly-owned subsidiaries, Boutique Collective Investments (RF) Proprietary Limited ("BCI"), Boutique Investment Partners Proprietary Limited ("BIP") and Instit Proprietary Limited ("Instit"), in return for a share of the profits thereof, including Instit's equity investment in an associate company ("Business").

In terms of the provisions of the Main Agreement, RW is entitled to 66% of the net profit before tax (before payment of any profit share) of the Business ("NPBT") ("Efficient Invest Profit Share"), and the Company is entitled to 34% of the NPBT in the Business ("EFG Profit Share"). Additionally, BCI and RW entered into arrangements with certain employees of the Efficient Invest Companies nominated by RW ("Nominees") to participate in the Efficient Invest Profit Share, and with certain initial partners of BCI ("Participating Partners") who participate in the Efficient Invest Profit Share attributable to the profits of BCI.

In the five years since its establishment in August 2013, BCI has grown into the leading and largest co-branded collective investment scheme provider in South Africa with assets under administration exceeding R100 billion. BIP has become one of the largest independent retail multi-management companies in the country with assets under management and consulting of more than R35 billion.

In terms of its right to cancel the Main Agreement at 31 August 2018, Efficient elected to terminate, and RW and the Nominees accepted termination thereof in return for the payment of the Cancellation Fee. Accordingly, on 3 July 2018, Efficient, RW, BCI and BIP entered into an agreement to, *inter alia*, terminate the Efficient Invest Profit Share ("Cancellation Agreement") on the terms and conditions set out therein ("the Transaction"). Contemporaneously with the Cancellation Agreement, Efficient, RW, BCI and BIP entered into an agreement ("Incentive Agreement") to incentivise RW, the Nominees and certain employees of the Efficient Invest Companies to remain in the employ of the Group, and the Participating Partners to remain partners of BCI, for a certain period of time, on the terms and conditions set out therein.

The total fees payable in terms of cost of the Cancellation Agreement and Incentive Agreement being an amount of R480 million, comprise:

1. the Cancellation Fee in the amount of R378.5 million;
2. the Restraint Payment in the amount of R19.7 million; and
3. the Incentive Payment in the amount of R81.8 million.

In the announcement released on SENS on 3 September 2018, Shareholders were advised that, at the General Meeting, convened in terms of the notice of General Meeting to Shareholders dated 3 August 2018, which was held on Friday, 31 August 2018, all the resolutions, including the resolution to approve the Transaction, were passed by the requisite majority of Shareholders.

It is important to note that the cancellation of the Efficient Invest Profit Share is a tax-deductible transaction and the after-tax cost is R346 million.

In the financial year ended 31 August 2018, Efficient expensed R430 million, of the aforementioned R480 million, resulting in the decrease in EPS and HEPS.

Excluding the costs pertaining to the Cancellation Agreement and the Incentive Agreement from the headline earnings calculation, recurring headline earnings would be between R31 million and R38 million

Efficient is expected to report recurring earnings before interest, tax, depreciation and amortisation ("EBITDA") before taking into account the cost of the transaction for the 2018 financial year of between R56 million and R69 million (R2017: R65 million).

Efficient Invest expensed profit share payments to the amount of R79 million during the 2018 financial year.

Based on the after-tax cost of the Transaction (R346 million) and the after-tax profit of the 66% profit sharing for the financial year ended 31 August 2018, the transaction valuation multiple paid for the profit sharing cancellation is 6.07 times.

At 31 August 2018 Efficient had:

- + 466 employees (2017: 449)
- + 233 financial advisors (2017: 229)
- + More than 65 000 (2017: 60 000) clients across all sectors
- + Assets under administration of R109.8 billion (2017: R 117.3billion)
- + Assets under consulting of R30.1billion (2017: R26.8billion)
- + Assets under management of R19.5 billion (2017: R19.5 billion)
- + Assets under advice of R20.1 billion (2017: R18.3 billion)

The financial information on which this trading statement is based has not been reviewed or reported on by the Company's auditors. Efficient's financial results are expected to be released on SENS on or about 30 November 2018.

Pretoria
3 October 2018

Sponsor
Merchantec Capital