

CEO's report



Terence Gregory
Chief executive officer

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Highlights

Ecsponent continues to deliver significant growth off a consistent operational platform for more than four consecutive years. The financial results for the 15-month period ended 30 June 2018 reflect the impact of the rationalisation of the Group's operations, enhancing its base from which to pursue further value-enhancing opportunities.

The Company changed its financial year-end during the 2018 financial year from 31 March to 30 June. The decision to change the financial year end was influenced by the timing of several transactions, which if not concluded before the year end,

would have provided stakeholders with an incomplete view of the Group's financial position. The change resulted in the 2018 financial period being extended to a 15-month period, commencing on 1 April 2017. The comparative 2017 financial period was also extended to a 15-month period.

Highlights for the 15-month period are:

 Total assets 84% R2 235.8 million compared to R1 214.8 million	 Headline earnings per share (HEPS) >100% 6.991 cents per share compared to 0.014 cents per share	 Revenue 45.1% R466.9 million compared to R321.8 million	 Operating profit 89.1% R412.4 million compared to R218.2 million
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Rationalisation and focus on core competencies

The Group's activities are divided into two distinct segments – operations and equity holdings. The operations segment, which combines Credit and Investment Services, provides the Group with short-term liquidity and cash flows. The Equity Holdings segment enables us to invest in assets that will provide longer-term returns that match the Group's liabilities, and provide a strong asset base from which it can continue to grow.

In 2016 Ecsponent announced a rationalisation process designed to streamline and realign its operations to sustain increased strategic growth. The process continued into the current financial period with the finalisation of the sale of the Group's credit retail operations.

In addition to finalising the two transactions initiated during the previous financial period, the Group initiated corporate actions in respect of its Equity Holdings, which included consolidation of its biotech holdings into a healthcare group and its media monitoring business into a digital media group. These transactions allowed the Group to retain a significant but non-controlling stake in these operations.

Ecsponent no longer holds a controlling stake in or the operational responsibility for any business that is not core to the focus areas.

Operational overview



Credit

The demand for credit from the SME sector remains buoyant and has resulted in continued growth of the business across the Group's footprint. Total credit assets increased by 65.4% from R748.7 million at 31 March 2017 to R1 238.4 million at 30 June 2018. Operating profit increased dramatically to R363.4m for the 15 months under review.



See page 24 and 25 for more information about our products and expectations for our credit operations.



Equity holdings

Ecsponent's exposure to medium-term, high-yielding investments is balanced by early stage private and listed equity holdings, with a particular focus on quality investments in niche industries with innovative value propositions that have high barriers to entry. These companies are well-managed with robust business models that command significant profit margins, driven by aligned and focused management teams.

This approach to combine short- and long term investments underpins our consistent, sustainable growth across key performance metrics. The Company has, over time, distinguished itself through its deal-making track record that provides sustainable medium to long term capital growth. The Group holds investments in innovative and fast-growing market sectors including fintech, healthcare and digital media.

CEO's report (continued)

At 30 June 2018, the Group held 12.1% in the Frankfurt listed (Luxembourg based) Fintech company MyBucks SA Limited ("MyBucks"). This investment has the added advantage of providing a foreign currency hedge against local currency frailty.

Assets held in the Equity Holdings portfolio increased by 257.32% from R232.9 million to R832.2 million. Operating profit increased commensurately to R139 million for the 15 months ended 30 June 2018. I am very pleased with the contribution made by the different business segments.

In line with its investment strategy, Ecspontent announced transactions during June 2018 that will increase its investment in Frankfurt-listed and Luxembourg-based MyBucks SA Limited from 12.1% to more than 25% in the first half of the 2019 financial year. This investment will provide the Group with increased exposure to financial services and related technology, diversified across multiple geographies and currencies, quantifiably enhancing the value of Ecspontent's current operations.

Ecspontent's rationalisation of its healthcare and digital media subsidiaries unlocked other resources that have been deployed in higher-yielding operations. At the same time, the Group retained a non-controlling stake and exposure to the longer-term growth of the larger, consolidated entities, in line with its objectives as an investment holdings company. Further investments in healthcare and digital media are being considered, along with other growth sectors including renewable energy to meet the almost unlimited demand for electricity in Africa.



See page 30 for an overview of our Equity Holdings investment portfolio and the growth sectors we have identified.



Investment Services

A core competency of Ecspontent, is the ability to offer effective investment and other financial services products to the retail market through its comprehensive broker network. During the year under review, Ecspontent Financial Services, a subsidiary of the Group, was awarded FPI Corporate Partner status by the Financial Planning Institute of Southern Africa (FPI). FPI is approved by the South African Revenue Service as a Recognised Controlling Body.

To leverage opportunities offered through the established distribution channel, the Investment Services business unit introduced additional products to the South African market. The products span both investment as well as life products and includes an umbrella fund offering.

These products provide the Investment Services unit with an ability to fulfil the multiple investment needs of its investor base which lead to additional profit opportunities for the Group. Additionally, it introduced a range of traditional investment products to the market, specifically focusing on compulsory retirement funds.



See pages 26 and 27 for more information about our Investment Services products and operations.



Geographical Footprint

Ecspontent operates through its three platforms of Credit, Equity Holdings and Investment Services across South Africa, Swaziland and Botswana, with in-country client representation in each country.

In Zambia, the Group holds a 25% interest in a registered deposit-taking financial institution operating under the GetBucks brand.

The back-office infrastructure of each country is centrally managed from Ecspontent's head-office in South Africa.

Prospects

Management continues to drive the Group's core competencies across its business platforms. During the current year, an increased emphasis is being placed on high-yielding equity investment opportunities and further sector diversification.

Efficiency improvements through technology will also be at the forefront to facilitate business growth and reduce operational risk and costs.

Given the current economic climate, management will aggressively focus on cost rationalisation and the reduction of the cost of capital through diversified institutional funding, both in local and foreign currency.

This approach is aimed at the continued development of a robust and complementary financial services group which continues to provide sustainable returns.

Conclusion

Our focus on the current year remains on differentiating Ecsponent as a robust and complementary financial services group which continues to provide above average sustainable returns. We will continue to pursue opportunities in our defined segments and ensure the continuous growth of a niche financial services provider for the territories in which we participate.

I wish to thank the Board and my fellow management for their support and guidance during the year. Thank you and congratulations go to all staff for their hard work and dedication to ensure Ecsponent continues to outperform market norms.



Terence Gregory
Chief Executive Officer
04 October 2018



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