African Phoenix Press release

29 November 2018

African Phoenix releases financial results for the year ended 30 September 2018

Highlights

- Net asset value per ordinary share: 52.0 cents (FY2017: 48.8 cents)
- Cash and financial assets available for investment: R1.96 billion (FY2017: R1.88 billion)
- Total equity: R1.87 billion (FY2017: R1.83 billion)
- Earnings per share: 3.2 cents (FY2017: 13.0 cents)
- Headline earnings per share: 3.7 cents (FY2017: 13.0 cents)
- No ordinary or preference dividends were declared in the current year (FY2017: Rnil)
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CEO Siya Nhlumayo commented: "*Whilst the financial performance in the current year is muted compared to the prior year, both African Phoenix and its operating entity, The Standard General Insurance Company Limited ("Stangen") have taken meaningful steps towards achieving their individual strategies".*

African Phoenix Group reported a net asset value ("NAV") per share as at30 September 2018 of 52.0 cents (2017: 48.8 cents). This relates into anincrease of 6.6% for the year and 3.6% for the six months from31 March 2018 (50.2 cents).

The Group has increased cash and financial assets availablefor investment from R1.88 billion to R1.96 billion overthe period and therefore remains both liquid and solvent.Profit after tax decreased by 76% to R46 million for year ended 30 September 2018 compared to R186 million for the previous year. The profit after tax for the sixmonthsto 31 March 2018 was R21 million.

The decrease inprofit after tax for the year was mainly due to:

- The lower Other Income (per the Statement of Profit orLoss), relating to the once off recoveries of fully impairedclaims as the business rescue process for Ellerine Holdings Limited and Ellerine Furnishers Proprietary Limited whichwere not repeated in the current financial year (FY2018:R18 million, FY2017: R47 million);
- The lower amount of actuarial reserves released byStangen during the current financial year as a result of theincrease in expense reserves that relate to new insurancepolicies (FY2018: R12 million, FY2017: R62 million);
- The increase in operating costs (FY2018: R151 million,FY2017: R93 million), predominantly as a result of Stangen's new business acquisition costs and above-thelinemarketing campaigns;An increase inlegal costs at Group level, attributed to the business rescue matters at Ellerine Group and directors' remuneration due to increasein Board and committee meetings in support of theinvestment activity and the pending transaction announcedon 7 September 2018; and
- The lower reversal of impairment as the valuation of theResidual Debt Services stub instruments are valued closerto the traded Over-The-Counter traded price comparedto

FY2017 (FY2018: R2 million, FY2017: R46 million).Total shareholders' equity as at 30 September 2018amounted to R1.87 billion (30 September 2017: R1.83 billion).The Board concluded that the preparation of the financialinformation on a going concern basis is appropriate.

Proposed transaction presents opportunity to create shareholder value

As announced on 7 September 2018, the Company advisedshareholders of its proposal to implement certain strategictransactions. The proposed transaction includes: i) are purchase of preference shares, ii) an acquisition of a limitedpartnership interest in a private equity fund to be establishedand managed by a black-owned fund manager ("BFM"), iii) amendments to the Memorandum of incorporation to cater for i) & ii) above, andiv) a change in the JSE classification to an investment entitypursuant to section 15 of the JSE Listings Requirements.

Since announcing the transaction, the Company has beenengaged with and continues to engage the regulatory authorities, including the JSE,to obtain all the necessary approvals to proceed with thetransaction. The Company has received the JSE dispensations required to implement the proposed transaction and the Company expects to publish the circularto shareholders relating to the approvals required to implement the proposed transaction early next year.

Building a team to support agrowth strategy

African Phoenix strategy is to increase shareholder value through the acquisition and ownership of meaningful equity interests across a range of diverse business before distributions to shareholders.Accordingly, the Board has positioned African Phoenix as an investment holding company, managed primarily by black South Africans who have a proven track record of deploying capital to generate long-term economic value. To that end, Siya Nhlumayo was appointed as Chief Executive Officer andShafiek Rawoot as Financial Director on 1 March 2018 and1 July 2018 respectively. The Company also employed Kamogelo Mudimbu and Alupheli Sithebe as investment principles on 1 June 2018 and 1 July 2018 respectively.This investment team has a proven track record of originating, executing and realising investments in line with the Company'sstrategy. In addition to the investment team, the BFM willinclude a majority independent non-executive investmentcommittee to assist in vetting all proposed investment acquisitions and disposals.

Actual and reviewed investment opportunities

At subsidiary level, Stangen will focus on its distribution network and to actively seek out synergies that will enable it to secure its long term sustainability. In July 2018 Stangen acquired the infrastructure and staffof the Joshua Trust ("JT") call centre and in September 2018 acquired the insurance and call centre operationsof Different Lite ("DL"). As part of the DL acquisition, Stangenincreased its stake from 15% to 25% and hence changedfrom accounting for DL as an investment to associateaccounting.

At Group level, the investment team hasevaluated manyinvestment opportunities in line with the investment strategyof pursuing investments primarily in businesses operating inthe mid-market space that are looking for equity risk capital.Since 1 March 2018, the executives and investment teamhave reviewed thirty three investment opportunitiesin various sectors including food packaging, automotive trimming, food processing and telecommunications. From that universe of opportunities, the Company declinedan opportunity after conducting a commercial and financialdue diligence, one conditional offer was declined by sellersafter concluding a comprehensive due diligence and a number were abandoned primarily due to concerns regarding the business models, sustainability of earnings and high price expectations.

Five opportunities remain under consideration.

The Group is well positioned to execute on its strategy

Looking ahead, Siya Nhlumayo commented:" *The successful conclusion of these proposed transactions (if the requisite approvals are obtained from shareholders in due course) willenable us to simplify the capital structure of the Group and offer shareholders a unique opportunity to invest into a vehicle that provides empowermentcredentials, growth and replacement equity risk capital intobusinesses that have either a proven track record or a proven business concept without forgoingthe liquidity offered by being listed on a public exchange".*

The fund manager structure will be supported by strong governance structures and combine the experienceof independent non-executive investment committeemembers and a management team that is aligned with Phoenix shareholders.

"Since announcing the proposed transactions, we have received interest from corporate advisers andmedium sized companies looking for an equity partner witha longer investment horizon compared to traditional privateequity and a partner that understands the needs of privatebusinesses. We believe that there are compelling opportunities and shareholders are encouraged to support the proposed transactions to enable us to pursue them", concluded Nhlumayo.

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For the SENS and the full integrated annual report including the full financial statements, please refer to www.phoenixinvestments.co.za

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On Behalf of Siya Nhlumayo, CEO of African Phoenix