



PURPLE GROUP  
LIMITED

# SUMMARY CONSOLIDATED RESULTS

## FOR THE YEAR ENDED 31 AUGUST 2019

### LETTER FROM THE BOARD

#### GROUP HIGHLIGHTS

- Group revenue increased by 40%;
- Group costs were contained, increasing by 6%; and
- Loss attributable to shareholders reduced from R26.7 million to R9.5 million, an improvement of 64%.

#### EASYEQUITIES HIGHLIGHTS

- EasyEquities revenue increased by 157% to R40.8 million;
- Platform assets increased by 157% to R9.0 billion;
- Funded retail investment accounts increased by 62% to 111 331;
- RISE has now secured mandates totalling R5.4 billion;
- EasyEquities was awarded Best Tax-Free Savings Account for fifth time at Top Stockbroker Awards; and
- Retail deposits increased by 27% to R1.5 billion.

#### GT247.COM HIGHLIGHTS

- GT247.com trading revenue increased by 6.8% to R51.2 million;
- GT247.com costs decreased by 6.2% to R37.0 million;
- Profit before tax increased by 73% to R17.7 million;
- GT247.com awarded Top Online Broker at the Top Stockbroker Awards; and
- GT247.com awarded Second Best CFD Provider at Top Stock broker Awards.

#### POWER IN PARTNERSHIPS, EXTRAORDINARY GROWTH

Purple Group had a great year all round.

Group revenue increased by 40% whilst costs were contained at 6%. Overall this resulted in a 64% decline in the basic loss per share. Trading revenue is solid and the group's ambitious growth strategy in EasyEquities has again been evidenced in this year's result.

It has taken some time and management determination and effort to get GT247.com, our award-winning trading business, back on track. GT247.com reported a profit before tax of R17.7 million, up 73% over last year.

Looking ahead now, there is no doubt that EasyEquities will continue to be at the heart of what drives the Purple Group. EasyEquities has established itself as a leading Fintech retail brand in South Africa, as our many awards and growing client base attest.

Organic growth continues to play its part, however, more and more it's our partnerships that are going to set us apart.

Platform assets grew 157% over the past year, and more than R4.5 billion of that growth came from partners, RISE, being the most significant of these. RISE is a retirement fund administration and investment fund management business which is 50% owned by EasyEquities. Our strategy of expanding, diversifying and strengthening our multitude of client acquisition channels is bearing fruit. This is a far cheaper form of client acquisition and we are extremely proud of and grateful for the quality of our partnerships and the value they add to our business.

Sanlam, through Satrix (South Africa's first ETF provider, which turns 20 next year) and its SatrixNOW platform has in so many ways proven to be the blueprint of an ideal partner. Sanlam have now added the EasyEquities savings functionality to their innovative Sanlam Reality credit card and the transfer of circa 50 000 clients and a further R6 billion of assets in the first quarter of 2020, will further cement our mutually beneficial relationship. Our number one priority remains to ensure we scale efficiently and effectively not only for this partner but all those who have entrusted us with their brands. Sanlam owns 30% of EasyEquities.

As the EasyEquities business matures, winning awards becomes less important to us than delivering on the promise of the many awards we have won in the past. We were nonetheless delighted to again be acknowledged as best Tax-Free Savings Account provider in the country and GT247.com and EasyEquities filled first and second positions in the Top Online Stockbroker category, as voted by thousands of retail users and validated through rigorous research by Intellidex and media partners Financial Mail Investors Monthly.

Through our various products and services, clients can choose everything from DIY investing, managed portfolios through to goal-based robo-advice or any combination of these, ensuring that we are capable of catering to the changing needs of all investor types, not just locally but abroad too. No other platform provides the choice, competitive pricing, easy user experience and value-for money that EasyEquities does. We are especially excited that more than 65% of our customers and revenue come from clients under the age of 37 and more than 95% of them are first time investors.

Our incredible employees are a mixture of experienced team members who have been with the business for over a decade complemented by a passionate group of young, smart and dedicated individuals who continue to join our ranks all the time. Our agile HR approach enables all these people to make meaningful contributions as we continue to lead the way in making investing accessible, profitable and fun for all South Africans.

We invite you to follow our journey on Facebook, LinkedIn, Instagram and Twitter as the next financial year promises to be even more successful with the further acquisition of clients by RISE, the launch of our Australian venture and the conclusion of new partnerships that will drive platform clients and assets.

The re-constituted Board of Purple Group saw the appointment of a new Chairman, Happy Ntshingila, and two new non-executive directors, Bonang Mohale and Arnold Forman, increasing the diversity of the Board.

With thanks to all in the Purple Group and EasyEquities communities and a special thank you to Ronnie Lubner (who sadly passed away in December last year) for his guidance, support and friendship over so many years. He is sorely missed around the boardroom table.

#### EXECUTING ON OUR STRATEGY

##### EasyEquities

EasyEquities leverages its innovative investment platform and technology stack through various distribution channels:

##### Core offering

Founded in South Africa in 2014, originally targeting the heavily under invested Millennial Generation, EasyEquities was built with the deep desire and purpose to democratise all things investing. Since then it's been a wonderful journey. A library of global awards and powerful partnerships gives credence to our success, having won everything from Best Fintech, Best Startup, Most Innovative Business and Top Online Stockbroker. But the real rewards come from our customers and the testimony they give to the difference we are making in changing their financial lives, and the incredible stories of every day South Africans taking up investing for the very first time.

EasyEquities solves three customer problem statements through a world first single platform:

- Customers that know what shares they want to buy. (DIY Investing)
- Customers that don't know what shares they want to buy and prefer to have their money managed by a market professional. (Managed Portfolios)
- Customers who have financial goals but lack the confidence and understanding to match these goals with their risk tolerance, time horizon and capital constraints. (Goal-Based Investment Guide)

We built our loyalty program, Thrive, to drive and shape long-term investor behaviour rewarding them through zero brokerage benefits and other lifestyle experiences and enticing them to level up their education through our academy, build community through our referral and vouching tools and stay financially fit by putting their education into practice on the platform.

#### Distribution channels

##### EasyEquities Direct

- Customers are acquired directly by EasyEquities through various marketing initiatives and more importantly through referrals from existing customers (40% of clients are acquired through referrals).

##### SatrixNow

- EasyEquities has white labelled its core platform to SatrixNow, who utilises the platform to attract customers to invest in Satrix's ETFs and Unit Trusts.

##### Bidvest Bank Grow Account

- EasyEquities has provided customers of the Bidvest Bank Grow Account the opportunity to invest seamlessly through the Bidvest Bank Grow Account App, into the various investment products offered on the EasyEquities core platform.

##### RISE

- EasyEquities has been appointed by RISE to provide execution services in respect of investment mandates secured by RISE and offer members of funds administered by RISE various investment accounts as detailed above.

#### RISE

Retirement Investments And Savings For Everyone Proprietary Limited ("RISE") is:

- A joint venture (50/50) with NBC Fund Administration Services, is a one-stop-shop integrated institutional administration and investment fund management business.
- Through its proprietary administration and investment management system, coupled with a first-of-its-kind member savings portal, RISE is equipped to reduce the cost of administration and provide unparalleled efficiency and transparency to all stakeholders.
- Contributions are seamlessly invested into selected portfolios and claims processed within 96 hours of submission.
- Members are provided with real-time, online access to view their retirement savings and the ability to complement their retirement savings through various investment accounts. This includes a Rand-based Investment Account, a USD Investment Account and a Tax-Free Savings Account with no minimum investment amounts or pre-scribed investment periods.

#### GT247.com

GT247.com is the trading destination for active derivative traders. GT247.com is an important complementary service for traders who require market leverage at competitive rates. The platform provides traders with access to trade equity CFDs (listed on the JSE) and derivatives in respect of over 60 currency pairs, all major international indices, commodities and cryptocurrencies using Rands.

GT247.com offers the lowest commission rates in the market for retail investors, being 10 basis points. This, coupled with the Meta Trader 5 Trading Platform, provides a compelling and competitive offering for our clients.

#### Emperor Asset Management

The strategy for Emperor Asset Management is to broaden the offering and client base through offering managed portfolios on the EasyEquities platform and securing institutional asset management and consulting mandates.

Over the past few years several investment strategies were formulated and listed on the EasyEquities platform. The offering caters to a broad range of investor risk/return requirements.

Emperor Asset Management is one of the investment managers appointed by RISE to manage a portion of the investment mandates secured by RISE.

#### FINANCIAL ANALYSIS

##### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2019 R'000	2018 R'000	Movement %
<b>Revenue</b>	<b>98 476</b>	<b>70 216</b>	40
Commissions and research expenses	(3 143)	(3 982)	(21)
Operating expenses	(100 756)	(93 825)	7
<b>Net loss</b>	<b>(5 423)</b>	<b>(27 591)</b>	(80)
Other income	33	4 069	(99)
<b>Loss before interest, depreciation and amortisation</b>	<b>(5 390)</b>	<b>(23 522)</b>	(77)
Net interest expense	(3 650)	(4 316)	(15)
Depreciation and amortisation	(9 813)	(8 500)	15
<b>Loss before fair value, impairment adjustments and tax</b>	<b>(18 853)</b>	<b>(36 338)</b>	(48)
Fair value impairments and guarantee adjustments	102	(6 760)	(102)
Share of profit/(loss) of joint venture	3 474	(483)	(819)
<b>Loss before tax</b>	<b>(15 277)</b>	<b>(43 581)</b>	(65)
Income tax benefit	3 264	10 443	(69)
<b>Loss for the period</b>	<b>(12 013)</b>	<b>(33 138)</b>	(64)
<b>Loss attributable to:</b>			
Owners of the company	(9 544)	(26 667)	(64)
Non-controlling interests	(2 469)	(6 471)	(62)
<b>Loss per share</b>			
Basic loss per share (cents)	(1.06)	(2.94)	(64)

The Group recorded an attributable loss for the period of R9.5 million compared with R26.7 million in the prior year. The basic loss of 1.06 cents per share compares with a loss of 2.94 cents per share in the prior year, an improvement of 64%.

The net loss before other income of R5.4 million realised in the current year has decreased by R22.2 million, an improvement of 80%.

#### EASYEQUITIES

##### EASYEQUITIES STATEMENT OF PROFIT OR LOSS

	2019 R'000	2018 R'000	Movement %
<b>Revenue</b>	<b>40 807</b>	<b>15 880</b>	157
Commissions and research expenses	(588)	(884)	(33)
Operating expenses	(51 961)	(42 049)	24
<b>Net loss</b>	<b>(11 742)</b>	<b>(27 053)</b>	(57)
Other income	30	625	(95)
<b>Loss before interest, depreciation and amortisation</b>	<b>(11 712)</b>	<b>(26 428)</b>	(56)
Net interest income	3 636	2 492	46
Depreciation and amortisation	(8 874)	(7 594)	17
<b>Loss before joint venture</b>	<b>(16 950)</b>	<b>(31 530)</b>	(46)
Share of net profit/(loss) of joint venture	3 474	(483)	(819)
<b>Loss before tax</b>	<b>(13 476)</b>	<b>(32 013)</b>	(58)

- EasyEquities revenue was up 157%.
- Total expenses increased by 22.4% primarily due to higher employment related costs, a bonus provision raised at year end and moderate increases across the majority of other costs, commensurate with the growth in the business. Employment costs increased by 19%, comprising an average annual increase of around 6.5% and the remainder accounted for by additional resources onboarded during the year. A bonus provision of R4 million was raised at year end for all staff and executive management, whereas no bonuses were paid in the prior year.
- EasyEquities' 50% shareholding in RISE added R3.5 million to the bottom line this year.

##### GT247.COM STATEMENT OF PROFIT AND LOSS

	2019 R'000	2018 R'000	Movement %
Asset management execution	4 277	2 601	64
Trading revenue	51 228	47 969	7
<b>Revenue</b>	<b>55 505</b>	<b>50 570</b>	10
Commissions and research expenses	(2 256)	(2 413)	(7)
Operating expenses	(34 702)	(37 007)	(6)
<b>Net income</b>	<b>18 547</b>	<b>11 150</b>	66
Other income	3	-	N/A
<b>Profit before interest, depreciation and amortisation</b>	<b>18 550</b>	<b>11 150</b>	66
Net interest expense	-	(113)	(100)
Depreciation and amortisation	(875)	(843)	4
<b>Profit before tax</b>	<b>17 675</b>	<b>10 194</b>	73

- Trading Revenue is up 6.8% compared to the prior year, driven by a general increase in market volatility, specifically during the first half of the financial year, which drove trading revenue.
- The revenue generated from asset management execution revenue increased by 64%, driven by higher levels of leverage employed across the leveraged equity strategies, as market conditions for Emperor's strategies improved.
- Total expenses are 6.2% lower due to various cost saving initiatives implemented over the past 24 months. Compared to FY 2016, total costs in respect of this business have decreased by 31.9% (R17 million p.a.).

##### EMPEROR ASSET MANAGEMENT STATEMENT OF PROFIT AND LOSS

	2019 R'000	2018 R'000	Movement %
<b>Revenue</b>	<b>2 109</b>	<b>3 707</b>	(43)
Commissions and research expenses	(270)	(453)	(40)
Operating expenses	(3 529)	(5 775)	(39)
<b>Net income</b>	<b>(1 690)</b>	<b>(2 521)</b>	(33)
Other income	-	-	N/A
<b>Loss before interest, depreciation and amortisation</b>	<b>(1 690)</b>	<b>(2 521)</b>	(33)
Depreciation and amortisation	(36)	(26)	38
<b>Loss before fair value adjustments</b>	<b>(1 726)</b>	<b>(2 547)</b>	(32)
Fair value adjustments	102	(220)	(146)
<b>Loss before tax</b>	<b>(1 624)</b>	<b>(2 767)</b>	(41)

- Revenue has decreased by 43% during the period, primarily due to a decrease in client funds invested in its leveraged strategies, which have not performed well over the past 3 years, however, for the current calendar year the majority of the Emperor portfolios have outperformed their respective benchmarks, including the leveraged strategies.
- The future revenue growth will be driven through retail distribution on the EasyEquities' platform and securing institutional flows.

