Financial Report

Unaudited results for the year ended 31 March 2021

REAL PEOPLE®

Real People Investment Holdings Ltd

Contents

Please note that the numbers are unaudited and subject to change

3.1 Group statement of financial position

	Group consolidated - Mar FY2021		
	Actual R'm	Prior Year R'm	Actual vs Prior Year(%)
Assets			
Home Finance	***519,3***	***786,3***	***-34,0%***
Gross performing Loans	435,4	817,5	-46,7%
Performing loans Impairments	(86,8)	(185,6)	53,3%
Net performing loans	**348,7**	**631,9**	**-44,8%**
Net non-performing loans	**170,6**	**154,5**	**10,4%**
DMC	***548,8***	***528,3***	***3,9%***
Discontinued receivables	32,1	53,0	-39,5%
Acquired assets	516,7	475,2	8,7%
Right-of-use asset and equipment	23,5	33,8	-30,4%
Investments	11,5	13,8	-16,7%
Other assets	24,7	14,1	75,3%
Deferred tax assets	0,0	0,0	0,0%
Cash and cash equivalents	426,8	326,6	30,7%
Total assets	**1 554,5**	**1 702,8**	**-8,7%**
Equity and liabilities			
Share capital and share premium	1 308,9	1 308,9	0,0%
Accumulated loss	(1 032,5)	(1 143,2)	9,7%
Reserves	2,1	2,4	-14,3%
Equity	**278,4**	**168,1**	**65,7%**
Liabilities			
Borrowings	1 227,4	1 487,8	-17,5%
Deferred and current tax liabilities	(2,0)	5,2	> -100%
Other liabilities	50,7	41,7	21,4%
Total liabilities	**1 276,1**	**1 534,8**	**-16,9%**
Total equity and liabilities	**1 554,5**	**1 702,8**	**-8,7%**
YoY Average			
Average Productive Assets	1 289,6	1 391,5	-7,3%
Average Total Assets	1 751,2	1 842,1	-4,9%
Average Productive Assets/Average Total Assets (%)	73,6%	75,5%	-2,5%

Key take outs:

Assets:

- The opening balances for Home Finance loans and advances, DMC acquired assets and discontinued receivables, Equity investments and deferred tax asset balances were impaired for the impact of Covid-19. Acquired debt purchases improved during H2 bringing acquired assets higher year on year.
- Home Finance loans and advances continue to decrease month on month although origination levels are gradually improving.
- DMC's discontinued assets continue to amortise and portfolio purchases have declined by 8% YoY during Covid-19, from R185m to R165m in purchases on a YTD basis compared to prior year. With an acceleration of recent purchases in ADP during Q3 and Q4, DMC's ADP book has ended higher year on year.
- The group has not recognised any deferred tax assets arising from tax losses or temporary differences.

Equity:

- Equity is higher on account of the profit for the year

Liabilities:

- Borrowings are lower year on year following loan repayments and limited new funding raised during the year compared to prior years. R160m has been raised YTD by DMC Evolution. Fund raising has now resumed following the finalisation of the post Covid-19 restructure.

	March FY2021		March FY2020	
	Analysis of Share capital R'm	Attribution of current equity to instruments R'm	Analysis of Share Capital R'm	Attribution of current equity to instruments R'm
E PIK Note	493,3	229,6	493,3	138,6
D PIK Note	96,6	18,3	96,6	11,1
C Preference Shares	128,5	12,7	128,5	7,6
B Preference Shares	155,9	4,9	155,9	3,0
A Ordinary Shares	-	10,6	-	6,4
Ordinary Shares	434,5	2,4	434,5	1,4
	1 308,9	278,4	1 308,9	168,1

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3.4 Group statement of comprehensive income

Quarter - Mar FY2021						YTD - Mar FY2021				
Actual R'm	ROPA %	Prior Year R'm	ROPA %	Actual vs Prior Year(%)		Actual R'm	ROPA %	Prior Year R'm	ROPA %	Actual vs Prior Year(%)
30,5	9,6%	33,4	9,7%	-8,7%	Home Finance net yield - PL	100,3	7,8%	163,3	11,7%	-38,5%
41,1	12,9%	84,3	24,6%	-51,3%	Gross yield - PL	210,5	16,3%	315,6	22,7%	-33,3%
(10,6)	-3,3%	(50,9)	-14,8%	79,2%	Impairment provision	(110,2)	-8,5%	(152,3)	-10,9%	27,6%
11,2	3,5%	19,6	5,7%	-42,8%	Home Finance yield - NPL	68,0	5,3%	79,1	5,7%	-14,0%
8,7	2,7%	(95,1)	-27,7%	> -100%	Home Finance - movement in FLI	48,8	3,8%	(95,1)	-6,8%	> -100%
5,3	1,7%	12,2	3,6%	-56,4%	Net assurance income - credit life	44,2	3,4%	55,4	4,0%	-20,3%
55,7	***17,5%***	***(29,9)***	***-8,7%***	***> -100%***	***Home Finance net yield from assets***	***261,4***	***20,3%***	***202,7***	***14,6%***	***28,9%***
85,9	***27,0%***	***(88,2)***	***-25,7%***	***> -100%***	***Acquired debt net yield from assets***	***313,9***	***24,3%***	***152,8***	***11,0%***	***> 100%***
2,7	0,8%	6,4	1,9%	-58,4%	Interest income non debtors	18,6	1,4%	28,5	2,0%	-34,6%
144,3	**45,4%**	**(111,7)**	**-32,6%**	**> -100%**	**Net yield**	**593,9**	**46,1%**	**384,0**	**27,6%**	**54,7%**
(31,9)	-10,0%	(49,9)	-14,5%	35,9%	Finance costs	(142,3)	-11,0%	(201,4)	-14,5%	29,4%
112,3	**35,3%**	**(161,6)**	**-47,1%**	**> -100%**	**Net margin**	**451,7**	**35,0%**	**182,6**	**13,1%**	**> 100%**
3,1	1,0%	7,7	2,3%	-60,4%	Net assurance income - funeral benefits	23,5	1,8%	32,7	2,4%	-28,1%
10,7	3,4%	12,5	3,7%	-14,6%	Outsourced collection income	45,6	3,5%	54,9	3,9%	-16,9%
1,5	0,5%	1,5	0,4%	-1,7%	Credit management revenue	5,8	0,5%	6,5	0,5%	-11,1%
0,6	0,2%	1,1	0,3%	-46,2%	Sundry income	13,1	1,0%	6,8	0,5%	92,5%
128,2	**40,3%**	**(138,7)**	**-40,4%**	**> -100%**	**Operating income**	**539,7**	**41,9%**	**283,6**	**20,4%**	**90,3%**
(101,0)	**-31,8%**	**(139,9)**	**-40,8%**	**27,8%**	**Total costs**	**(426,9)**	**-33,1%**	**(517,0)**	**-37,2%**	**17,4%**
(98,5)	-31,0%	(152,0)	-44,3%	35,2%	Operating expenditure	(422,0)	-32,7%	(505,2)	-36,3%	16,5%
(2,4)	-0,8%	12,0	3,5%	> -100%	Direct costs reallocated from yield	(4,9)	-0,4%	(11,8)	-0,8%	58,4%
0,5	0,1%	0,2	0,1%	94,8%	Hedging gain/(loss)	1,4	0,1%	0,4	0,0%	> 100%
27,7	**8,7%**	**(278,4)**	**-81,1%**	**> -100%**	**Profit (loss) before tax**	**114,2**	**8,9%**	**(233,0)**	**-16,7%**	**> -100%**
6,3	2,0%	3,6	1,0%	76,8%	Current tax expense	(3,5)	-0,3%	(9,8)	-0,7%	64,5%
-	0,0%	(20,9)	-6,1%	100,0%	Deferred tax	-	0,0%	(13,9)	-1,0%	100,0%
34,0	**10,7%**	**(295,7)**	**-86,2%**	**> -100%**	**Profit (loss) after tax**	**110,7**	**8,6%**	**(256,6)**	**-18,4%**	**> -100%**
					Other comprehensive (loss) / income:					
(0,1)	0,0%	1,5	0,4%	> -100%	Movement in cash flow hedge reserve	(0,4)	0,0%	1,9	0,1%	> -100%
33,9	**10,7%**	**(294,2)**	**-85,7%**	**> -100%**	**Total comprehensive (loss) / income for the period**	**110,3**	**8,6%**	**(254,8)**	**-18,3%**	**> -100%**
1 289,6		**1 391,5**			**Average productive assets**	**1 289,6**		**1 391,5**		
343,3		**295,5**			**Average Equity**	**343,3**		**295,5**		
3,8		**4,7**			**Equity Multiplier**	**3,8**		**4,7**		
32,7%		**-382,1%**			**Pre-tax return on equity**	**33,3%**		**-78,9%**		
40,2%		**-405,8%**			**Return on Equity**	**32,3%**		**-86,9%**		
-22,9%		**-6,2%**			**Effective tax rate**	**3,0%**		**-10,1%**		

Key take outs:

- In Home Finance, gross yields are down year on year due to book amortisation. The unwind of the Home Finance Covid-19 forward looking indicator (FLI) overlay is shown separately in the accounts in order to show increased coverage from provision model movements separately from the Covid-19 model release for provisions taken in the prior year.
- In Acquired Debt Portfolios (ADP), yields have outperformed relative to collections expectations derived from the Job Loss Index. The collections outperformance offsets the impact of the reduced average portfolio size. The prior year includes write downs for methodology changes and Covid-19 impairments.
- Finance costs have reduced due to amoristation of debt in the SPVs with limited fund raising during Covid-19 and a significant reduction in benchmark rates over the period.
- Sundry income includes R10.5m profit on sale of the Dorreal property.
- The lower Assurance underwriting contribution is attributable to death claims increasing year on year as a result of Covid19 but not at levels causing significant concern. Reduced sales related costs have helped to compensate for the decline in net insurance margin.
- Outsourced collections volumes are lower compared to prior year, due to lockdown collections constraints in Q1.
- Operating expenditure continues to be contained as a result of the lower business volumes, organisational restructure, remuneration adjustments and general austerity measures.

4. RPIH Covenants : 12 month rolling compliance ratios

	Minimum per Covenant	Mar FY2021 R'm	Mar FY2020 R'm
Group Capital Adequacy Ratio			
Permanent Capital / Total adjusted assets ratio	**20,0%**	**50,8%**	**30,7%**
Permanent Capital (on balance sheet equity)		276,3	157,1
Total adjusted assets (on balance sheet assets)		544,0	511,6
Debt Service Cover ratio			
Debt Service Coverage Ratio (times)	**1,05**	**1,26**	**1,06**
Free Cash Flow		146,1	215,0
Debt Service		116,0	202,2
Group Cost to Income Ratio			
Cost to income ratio	**70%**	**58,5%**	**68,9%**
Operating Expenses		398,6	505,5
Operating Income		681,4	733,7

The financial covenants' calculations, the covenant requirements and waiver periods are per the Addendum to the Senior Facilities agreement entered into between the Borrower, the Lenders and the Facility Agent on 22 September 2020. Per the Nordic Written Procedure concluded on 21 September 2020 the above covenants are also applicable to the Nordic Bonds.

* *The Group's Capital Adequacy Ratio was amended in September 2020 and has treated the SPV junior loans differently to the prior period.*

** *For purposes of this report the cost to income ratio is calculated using the applicable IFRS 9 methodology as opposed to the management account view which does not.*

8. Glossary

Ratio	Definition
Permanent capital / Total adjusted assets (reported quarterly)	**Group equity reduced by:** -The cash flow hedge -Equity in SPVs and regulated Assurance Company -Junior equity instruments in SPVs -Deferred taxation & Intangible assets on balance sheet **Total assets reduced by:** -Assets in SPVs and regulated Assurance Company - Cash and cash equivalents on balance sheet -Deferred taxation & Intangible assets on balance sheet
Gross yield on productive assets	Annualised Net yield / Simple average Loans and advances and Acquired assets
Net yield on productive assets	Annualised Net yield / Simple average Loans and advances and Acquired assets
Net yield on total assets	Annualised net yield / Simple average total assets
Return on total assets	Annualised profit or loss after tax / Simple average total assets
Return on productive assets (ROPA %)	Annualised profit or loss after tax/ Simple average Loans and advances and Acquired assets
Outsourced contributions on productive assets	Annualised outsourced contributions / Simple average productive assets
Cost of funds	Annualised Finance costs / Simple average Long term interest bearing borrowings
Debt service cover (reported quarterly)	Free cash flow/Debt service
Cost to income (reported quarterly)	Operating expenses / Net yield (adjusted by direct costs reallocated from yield), Net assurance income - funeral benefits, Outsourced collection income and Sundry income
Equity multiplier	Average productive assets or Average total assets/Average equity
Pre-tax return on equity	Equity multiplier x Pre-tax return as a % of productive assets
Return on equity	Equity multiplier x Return as a % of productive assets
Evolution Credit Management (ECM)	Evolution Credit Management, formerly the DMC & HF related collections and support operations, comprising – Call Centre, Cybertrac, IT, Collections operations, Credit management, Digital communication, Facilities

We are Real People, for real people

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