

Financial Report (not-audited)

For the quarter ended 31 March 2022

Contents

- **Consolidated financial results**
- **12 month rolling compliance ratios**
- **Glossary**

Group statement of financial position

March 2022



	Actual	Prior year	Actual vs Prior year %
Total Assets	1 547,2	1 552,8	-0,4%
Evolution Finance net advances	523,8	516,3	1,5%
Performing loans	394,3	353,5	11,5%
Gross performing loans	462,9	435,4	6,3%
Provision against performing loan	(68,6)	(81,9)	-16,3%
Non-performing loans	129,4	162,8	-20,5%
Acquired debt net advances	606,6	550,1	10,3%
Acquired assets	600,1	519,8	15,4%
Discontinued receivables	6,6	30,2	-78,3%
Investments and loans	15,6	11,5	35,5%
Other assets	43,9	48,2	-8,9%
Right-of-use asset	3,7	5,6	-35,0%
Equipment	16,4	17,9	-8,3%
Other receivables	23,8	24,7	-3,5%
Deferred tax assets	0,0	0,0	0,0%
Cash and cash equivalents	357,3	426,8	-16,3%
Total Equity	(393,3)	(276,3)	42,3%
Equity	(393,3)	(276,3)	42,3%
Total Liabilities	(1 153,9)	(1 276,5)	-9,6%
Borrowings	(1 045,9)	(1 227,4)	-14,8%
Junior loans to SPVs	(0,0)	(0,0)	151,2%
Deferred and current tax liabilities	(3,7)	1,9	-295,6%
Other liabilities	(104,2)	(50,9)	104,6%
Total equity & liabilities	(1 547,2)	(1 552,8)	32,7%

• Key take outs

• Assets

- The Evolution Finance (EF) (formerly Home Finance) book exceeded prior year levels for the first time after production levels exceeded R30m in March and R12.9m release in provisions at year end for recalibration of forward looking indicator (FLI) and Evolution Finance provision model segmentation improvements.
- The Acquired Debt channel's assets continue to trend upward on good acquisitions performance.
- Other receivables include receivables from the sale Aspire and Empowerfin Financial Services, and trade receivables in the Outsourced operation.
- The group has not recognised any deferred tax assets arising from tax losses or temporary differences.
- Higher cash sweeps and production in the current year account for the year on year decline in cash balances.

• 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.
- Other liabilities include provisions for incentives provisions that were not included in prior year.

Group statement of profit or loss

March 2022

	Actual (quarter)	Prior year (quarter)	Prior year Variance % (quarter)	Actual YTD	Prior year YTD	Prior year Variance % YTD
	R'm	R'm	%	R'm	R'm	%
Net yield	133.6	140.1	-4.6%	597.8	587.1	1.8%
Finance Costs	(27.3)	(31.9)	-14.5%	(115.3)	(142.3)	-18.9%
Net margin	106.3	108.1	-1.7%	482.5	444.8	8.5%
Net assurance income - funeral benefits	6.6	3.1	116.0%	26.1	23.5	11.1%
Outsourced collection income	11.9	10.7	11.2%	51.1	45.6	11.9%
Credit management revenue	1.4	1.5	-9.2%	6.6	5.8	14.2%
Sundry income	6.3	0.8	666.6%	15.2	13.7	11.0%
Operating income	132.4	124.2	6.6%	581.5	533.4	9.0%
Operating Expenditure	(117.9)	(98.9)	19.2%	(459.1)	(422.5)	8.7%
Hedging loss/gain	(0.3)	0.5	-174.0%	(1.3)	1.4	-188.6%
Profit before tax	14.2	25.8	-45.0%	121.1	112.3	7.8%
Taxation	8.3	6.1	36.1%	(3.3)	(3.7)	-11.7%
Profit after tax	22.5	31.9	-29.4%	117.9	108.6	8.5%

Group statement of profit or loss

March 2022

• Key take outs

Net Yield:

Evolution Finance (previously Real People Home Finance) : After excluding the improved credit life margin, revenue was lower than prior year due to the decline in average advances with the book amortising to current levels.

Acquired Debt Portfolio (DMC) : A significant portion of collections are from new activations and the visitation network. The prior year lock down influenced yield negatively in that period. This year, increased yields were achieved from DMC, attributable to improved collections post lockdown. This positive performance helped to mitigate the decline in home finance revenue for the year.

Evolution Life (previously Real People Assurance) :

The prior year YTD includes an adjustment for an IBNR accounting policy change on transition to the Cell Captive whereby the IBNR reserve of R4m was no longer offset against the negative insurance liability. Excluding this item YTD income is lower in the current year due to the smaller policy book and slightly higher claims YTD.

Outsourced :

Collections volumes have improved relative to prior year from stock levels improving and support from targeted collections campaigns.

Operating expenses :

Collections costs remain higher than in the prior year due to higher volumes, offsetting cost savings from the operational restructure in the prior year. YTD cost savings are being realised and offset by incentive provisions not in the prior year.

Covenants

	Minimum per covenant	March 2022 R'm	March 2021 R'm
(1) Permanent Capital / Total adjusted assets ratio	25,0%	73,8%	50,8%
Equity per statement of financial position		393,3	276,3
Cash flow hedge add back		7,5	(415,9)
Qualifying equity		400,8	(139,6)
Evolution Life equity		(15,2)	(139,0)
SPV equity		198,3	-
Intangible and deferred tax assets to be funded with equity		-	1 552,8
SPV junior loans		(180,6)	(91,3)
Permanent Capital (on balance sheet equity)		403,3	276,3
Assets per statement of financial position		1 547	1 553
Cash and Cash equivalents (on balance sheet)		(104)	(91)
Intangible and deferred tax assets to be funded with equity		-	-
Evolution Life Assets		(15)	-
SPV assets		(1 186)	-
SPV Junior loans Fair value		305	-
Total adjusted assets (on balance sheet assets)		546,3	544,0
(2) Minimum Available Cash Balance	20,00	95,78	75,78
(3) Group Cost to Income Ratio	74%	65,2%	58,5%
Operating Expenses		498,6	398,6
Operating Income		764,8	681,4

Glossary

Ratio	Definition
Permanent capital / Total adjusted assets (reported quarterly)	Group equity reduced by: -The cash flow hedge -Equity in SPVs and regulated Evolution Life Company -Junior equity instruments in SPVs -Deferred taxation & Intangible assets on balance sheet Total assets reduced by: -Assets in SPVs and regulated Evolution Life 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/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