

Financial Report

For the quarter ended
30 June 2020

REAL PEOPLE®

**Real People
Investment Holdings Ltd**



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Table of Contents

1. Treatment of Covid-19 in the accounts	Page 2
2. Consolidated financial results	Page 3 - 5
3. 12 month rolling compliance ratios	Page 6
4. Glossary	Page 7

1. Treatment of Covid-19 in the accounts

- The Group is finalising scenarios to calculate the financial impact of the Cov-19 lockdown on the Group's forecast cashflows and asset impairments.
- No forward looking adjustment has been made to the financial accounts yet for estimation of Cov-19 related impairments in the Group's asset valuations.
- Management and the Board continue to engage with the Group's lenders on the impacts of these scenarios.
- These management accounts therefore do not yet take into account a forward looking estimate of the impact of Cov-19.
- An impairment estimate will be included in the 31 March 2020 AFS to be finalised and issued in September 2020 which will impact opening balances for this financial year and a reversal of the YTD impairments being taken to the prior year.

2.1 Group statement of financial position

Group consolidated - June FY2021			
Actual	Prior Year	Actual vs	
R'm	R'm	Prior Year(%)	
Assets			
Home Finance			
Gross performing Loans	670.8	723.2	-7.2%
Performing loans Impairments	(115.0)	(97.2)	-18.3%
Net performing loans	555.8	626.0	-11.2%
Net non-performing loans	174.5	178.2	-2.0%
DMC			
Discontinued receivables	55.7	86.0	-35.2%
Acquired assets	548.5	609.6	-10.0%
Right-of-use asset, equipment and intangible assets	35.1	35.7	-1.6%
Investments	30.3	33.3	-9.2%
Other assets	30.8	22.9	34.4%
Deferred tax assets	31.6	16.0	98.2%
Cash and cash equivalents	319.3	411.2	-22.3%
Total assets	1,781.6	2,018.8	-11.8%
Equity and liabilities			
Share capital and share premium	1,308.9	1,308.9	0.0%
Accumulated loss	(929.6)	(871.7)	-6.6%
Reserves	2.1	(0.2)	> -100%
Equity	381.4	436.9	-12.7%
Liabilities			
Borrowings	1,347.3	1,538.2	-12.4%
Deferred and current tax liabilities	12.9	11.4	13.2%
Other liabilities	40.0	32.3	24.1%
Total liabilities	1,400.2	1,581.9	-11.5%
Total equity and liabilities	1,781.6	2,018.8	-11.8%

Month Average

Average Productive Assets	1,422.9	1,484.1	-4.1%
Average Total Assets	1,864.8	2,000.1	-6.8%
Average Productive Assets/Average Total Assets (%)	76.3%	74.2%	2.8%

YTD Average

Average Productive Assets	1,422.7	1,489.5	-4.5%
Average Total Assets	1,864.8	2,000.1	-6.8%
Average Productive Assets/Average Total Assets (%)	76.3%	74.5%	2.4%

Key take outs:

Assets:

- Home Finance loans and advances continue to decrease month on month following no production in April and limited production in May and June 2020. The roll into NPL has increased over the past two months. However, the NPL collections are recovering since the easing of the lockdown from the beginning of May. Impairments are higher than the prior year as a result of reduced receipting during the Cov19 lockdown.
- DMC acquired assets are down on prior year on account of the adjustment arising from the change in valuation methodology as well as accrued yield impairment from lower receipting. Collections recovery has started in June 2020. The Discontinued receivables continue to amortise slowly.

Equity:

- Equity levels are lower than the prior year following the loss for the first quarter of the FY21 financial year.

Liabilities:

- Borrowings are lower month on month following loan repayments. No new funding has been raised.

	June FY2021		June FY2020	
	Analysis of Share capital	Attribution of current equity to instruments	Analysis of Share Capital	Attribution of current equity to instruments
	R'm	R'm	R'm	R'm
E PIK Note	493.3	314.4	493.3	360.3
D PIK Note	96.6	25.1	96.6	28.8
C Preference Shares	128.5	17.4	128.5	19.9
B Preference Shares	155.9	6.7	155.9	7.7
A Ordinary Shares	-	14.5	-	16.6
Ordinary Shares	434.5	3.2	434.5	3.7
	1,308.9	381.4	1,308.9	436.9

Please note that these numbers are unaudited and may be subject to change.

2.2 Group statement of comprehensive income

Month - June FY2021				
Actual	ROPA %	Prior Year	ROPA %	Actual vs
R'm		R'm		Prior Year(%)
6.3	5.4%	14.1	11.6%	-55.5%
21.4	18.3%	24.1	19.8%	-11.3%
(15.1)	-12.9%	(10.0)	-8.2%	-51.0%
2.6	2.2%	5.5	4.5%	-52.1%
18.6	15.9%	25.3	20.7%	-26.4%
1.5	1.3%	2.3	1.9%	-34.7%
4.7	4.0%	4.7	3.9%	-1.1%
33.7	28.8%	51.9	42.6%	-35.1%
(13.4)	-11.5%	(17.4)	-14.3%	22.8%
20.3	17.4%	34.5	28.3%	-41.2%
2.3	2.0%	2.7	2.2%	-13.2%
3.2	2.8%	4.4	3.6%	-26.8%
0.8	0.7%	1.5	1.2%	-45.5%
26.7	22.8%	43.2	35.4%	-38.1%
(28.5)	-24.4%	(41.3)	-33.9%	31.0%
(28.4)	-24.3%	(38.7)	-31.7%	26.7%
(0.1)	-0.1%	(2.6)	-2.1%	94.8%
0.3	0.3%	0.0	0.0%	> 100%
-	-	-	-	-
(1.5)	-1.2%	1.9	1.6%	> -100%
(0.2)	-0.2%	(1.0)	-0.8%	81.5%
-	0.0%	0.8	0.6%	-100.0%
(1.6)	-1.4%	1.6	1.3%	> -100%
(0.3)	-0.3%	(0.7)	-0.6%	53.2%
(2.0)	-1.7%	1.0	0.8%	> -100%

Home Finance net yield - PL				
Gross yield - PL				
Impairment provision				
Home Finance yield - NPL				
DMC net yield from assets				
Interest income non debtors				
Net assurance income - credit life				
Net yield				
Finance costs				
Net margin				
Net assurance income - funeral benefits				
Outsourced collection income				
Sundry income				
Operating income				
Total costs				
Operating expenditure				
Direct costs reallocated from yield				
Hedging gain/(loss)				
STI provision				
(Loss) profit before tax				
Current tax expense				
Deferred tax				
(Loss) profit after tax				

Other comprehensive (loss) / income:				
Movement in cash flow hedge reserve				
Total comprehensive income for the period				

YTD - June FY2021				
Actual	ROPA %	Prior Year	ROPA %	Actual vs
R'm		R'm		Prior Year(%)
10.2	2.9%	42.0	11.3%	-75.8%
69.7	19.7%	71.9	19.4%	-3.1%
(59.6)	-16.8%	(30.0)	-8.1%	-98.8%
7.0	2.0%	19.8	5.3%	-64.4%
48.8	13.8%	76.0	20.5%	-35.7%
4.8	1.3%	7.4	2.0%	-35.3%
15.0	4.2%	14.0	3.8%	7.1%
85.8	24.2%	159.1	42.9%	-46.1%
(43.1)	-12.2%	(50.2)	-13.5%	14.1%
42.7	12.0%	108.9	29.3%	-60.8%
7.8	2.2%	8.2	2.2%	-4.0%
10.5	3.0%	14.2	3.8%	-26.4%
2.6	0.7%	4.3	1.2%	-40.2%
63.6	17.9%	135.6	36.5%	-53.1%
(91.4)	-25.8%	(119.8)	-32.3%	23.7%
(91.2)	-25.7%	(112.7)	-30.4%	19.1%
(0.2)	0.0%	(7.1)	-1.9%	97.6%
0.3	0.1%	0.0	0.0%	> 100%
-	-	-	-	-
(27.5)	-7.7%	15.8	4.3%	> -100%
(4.0)	-1.1%	(2.7)	-0.7%	-46.7%
4.7	1.3%	1.6	0.4%	> 100%
(26.8)	-7.5%	14.8	4.0%	> -100%
(0.3)	-0.1%	(0.7)	-0.2%	53.2%
(27.1)	-7.6%	14.1	3.8%	> -100%

1,422.9	1,484.1
394.8	429.9
3.6	3.5
-4.5%	5.4%
-5.1%	4.6%
-13.0%	13.2%

Average productive assets	1,422.7	1,489.5
Average Equity	394.8	429.9
Equity Multiplier	3.6	3.5
Pre-tax return on equity	-27.9%	14.8%
Return on Equity	-27.2%	13.8%
Effective tax rate	2.6%	6.9%

Key take outs:

- As expected, Home Finance impairments are higher, Home Finance NPL yield and DMC net yield are lower due to reduced collections. While rolls into NPL have been increasing, NPL collections relative to valuation expectation have improved in June.
- Outsourced collections volumes are lower compared to prior year, due to lockdown collections constraints and competitive pressures.
- Operating expenditure is being managed down with payroll cuts and general cost containment. The payroll cuts have been supported by accompanying claims on behalf of impacted staff, under the Temporary Employee/Employer Relief Scheme (TERS).

2.3 Contribution to earnings

Month - June FY2021				
Actual	ROPA %	Prior Year	ROPA %	Actual vs Prior Year(%)
R'm		R'm		
(3.2)	-2.8%	1.8	1.5%	> -100%
1.1	0.9%	0.7	0.6%	59%
2.6	2.3%	2.4	2.0%	10%
0.5	0.4%	4.8	4.0%	-90%
(1.9)	-1.6%	(3.0)	-2.4%	35%
(1.5)	-1.2%	1.9	1.6%	> -100%

Home Finance
Assurance
DMC

Group Central Services
(Loss) profit before tax

YTD - June FY2021				
Actual	ROPA %	Prior Year	ROPA %	Actual vs Prior Year(%)
R'm		R'm		
(20.9)	-5.9%	12.0	3.2%	> -100%
3.8	1.1%	2.4	0.6%	59.0%
(4.1)	-1.1%	9.5	2.6%	> -100%
(21.2)	-6.0%	23.9	6.4%	> -100%
(6.2)	-1.8%	(8.1)	-2.2%	22.5%
(27.5)	-7.7%	15.8	4.3%	> -100%

Key take outs:

Home Finance: Receipting stress continues in June and is broadly in line with management's Cov-19 stress estimates. Operating costs have been managed down.

Assurance: Profit before tax is positive due to premium income remaining steady and decreases in operating expenditure. The decrease in operating expenditure is attributed to lower payroll costs year on year and less commissions being paid while one of the call centres was closed.

DMC: The year to date variance follows receipting underperformance in Acquired and Outsourced collections. The profit before tax for the month is due to collections recoveries in June due to a portion of the call centre being allowed to work on site, and work from home productivity improving during the month. Operating costs were lower as a result of lower variable costs, as well as reduced payroll costs which was accompanied by TERS claims on behalf of the impacted staff.

GCS: Operating expenditure is lower year on year following the payroll cuts, general cost containment and savings arising from working from home.

3. Group profitability analysis: 12 month rolling compliance ratios

Group Capital Adequacy Ratio

	Minimum per Covenant	Actual June FY2021 R'm	Actual June FY2020 R'm
Permanent Capital / Total adjusted assets	20.0%	44.6%	29.8%
Equity per statement of financial position		381.4	436.9
Cash flow hedge add back		(2.1)	0.2
Qualifying equity		379.3	437.2
Assurance equity		35.7	(25.4)
SPV equity		159.1	114.6
Intangible and deferred tax assets to be funded with equity		0.2	(1.2)
SPV junior loans		(324.9)	(299.8)
Permanent Capital (on balance sheet equity)		249.4	225.3
Assets per statement of financial position		1,781.6	2,018.8
Cash and Cash equivalents (on balance sheet)		(110.3)	(41.1)
Intangible and deferred tax assets to be funded with equity		0.2	(1.2)
Assurance Assets		36.4	(31.6)
SPV assets		(1,149.2)	(1,189.1)
Total adjusted assets (on balance sheet assets)		558.8	755.9

Cost to Income Ratio***

	Minimum per Covenant	Actual June FY2021	Actual June FY2020
Free Cash Flow		229.7	213.6
Debt Service		239.0	178.9
Debt Service Coverage Ratio (times)	1.05	0.96	1.19

Debt Service Cover Ratio

	Maximum per Covenant	Actual June FY2021	Actual June FY2020
Operating Expenses		462.6	450.9
Operating Income		598.6	713.9
Cost to income ratio	68%	77.3%	63.2%

The company has obtained a waiver for covenant breaches under Covid 19 up to and including 30 September 2020.

*** 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.

4. Glossary

Ratio	Definition
Permanent capital / Total adjusted assets	<p>Group equity reduced by:</p> <ul style="list-style-type: none"> -The cash flow hedge -Equity in SPVs and regulated Assurance Company -Junior equity instruments in SPVs -Deferred taxation & Intangible assets on balance sheet <p>Total assets reduced by:</p> <ul style="list-style-type: none"> -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
Return on productive assets (ROPA %)	Annualised profit or loss after tax/ Simple average Loans and advances and Acquired assets
Debt service cover	Free cash flow/Debt service
Cost to income	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

We are Real People, for real people



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