

# Financial Report

For the half-year ended  
30 September 2019

REAL PEOPLE®

**Real People  
Investment Holdings Ltd**



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# 1.1 Group statement of financial position

	Group consolidated - Sep FY2020		
	Actual R'm	Prior Year R'm	Actual vs Prior Year(%)
<b>Assets</b>			
Loans and advances	923.8	858.3	7.6%
Acquired assets	617.5	625.7	-1.3%
Right-of-use asset, equipment and intangible assets	33.2	18.2	82.3%
Investments	32.0	30.2	5.9%
Other assets	21.3	22.9	-6.9%
Deferred and current tax assets	18.7	12.2	53.6%
Cash and cash equivalents	432.1	387.7	11.5%
<b>Total assets</b>	<b>2 078.6</b>	<b>1 955.1</b>	<b>6.3%</b>
<b>Equity and liabilities</b>			
Share Capital and share premium	1 308.9	1 308.9	0.0%
Accumulated loss	(854.6)	(914.3)	6.5%
Reserves	0.6	2.1	-70.6%
<b>Equity</b>	<b>454.9</b>	<b>396.7</b>	<b>14.7%</b>
<b>Liabilities</b>			
Long term interest bearing borrowings	1 565.2	1 441.0	8.6%
Deferred and current tax liabilities	10.1	14.7	-31.7%
Junior loans to SPVs	-	-	-
Other liabilities	48.5	102.7	-52.8%
<b>Total equity and liabilities</b>	<b>2 078.6</b>	<b>1 955.1</b>	<b>6.3%</b>
<b>Quarter Average</b>			
Average Productive Assets	1 520.6	1 479.3	2.8%
Average Total Assets	2 048.7	1 905.2	7.5%
Average Productive Assets/Average Total Assets (%)	74.2%	77.6%	-4.4%
<b>YTD Average</b>			
Average Productive Assets	1 504.9	1 491.1	0.9%
Average Total Assets	2 030.0	1 936.1	4.8%
Average Productive Assets/Average Total Assets (%)	74.1%	77.0%	-3.7%

## Key take outs:

### Assets:

- Loans and advances have increased year on year due to increased disbursements which have resulted in book growth.
- The lower Acquired assets are as a result of the historic legacy portfolio amortisations exceeding new acquisitions.

### Equity:

- Equity levels are ahead of the prior period as a result of year on year profitability.

### Liabilities:

- Higher long term liabilities when compared to prior year is as a result of new funding raised in the DMC Evolution and Umuzi SPVs. The recognition of a lease liability in terms of the new Leases statement, IFRS 16, has also contributed to the higher balance relative to the prior year.

	Sep FY2020		Sep FY2019	
	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	375.0	493.3	327.1
D PIK Note	96.6	29.9	96.6	26.1
C Preference Shares	128.5	20.7	128.5	18.0
B Preference Shares	155.9	8.0	155.9	7.0
A Ordinary Shares	-	17.3	-	15.1
Ordinary Shares	434.5	3.9	434.5	3.4
	1 308.9	454.9	1 308.9	396.7

## 1.2 Group statement of comprehensive income

Quarter - Sep FY2020				
Actual	ROPA	Prior Year	ROPA	Actual vs
R'm	%	R'm	%	Prior Year(%)
180.2	47.0%	174.5	46.8%	3.3%
(32.7)	-8.5%	(22.0)	-5.9%	-48.8%
8.0	2.1%	7.0	1.9%	13.7%
14.3	3.7%	13.6	3.7%	4.8%
<b>169.7</b>	<b>44.3%</b>	<b>173.1</b>	<b>46.4%</b>	<b>-1.9%</b>
(51.4)	-13.4%	(50.3)	-13.5%	-2.2%
<b>118.3</b>	<b>30.9%</b>	<b>122.7</b>	<b>32.9%</b>	<b>-3.6%</b>
8.2	2.1%	8.5	2.3%	-3.9%
14.6	3.8%	12.5	3.3%	17.4%
3.6	0.9%	4.9	1.3%	-26.6%
<b>144.7</b>	<b>37.8%</b>	<b>148.6</b>	<b>39.9%</b>	<b>-2.6%</b>
<b>(126.5)</b>	<b>-33.0%</b>	<b>(130.8)</b>	<b>-35.1%</b>	<b>3.3%</b>
(117.9)	-30.8%	(122.3)	-32.8%	3.7%
(8.7)	-2.3%	(8.4)	-2.3%	-2.6%
(0.0)	0.0%	(0.3)	-0.1%	99.1%
-	0.0%	-	0.0%	0.0%
<b>18.2</b>	<b>4.7%</b>	<b>17.6</b>	<b>4.7%</b>	<b>3.6%</b>
(3.9)	-1.0%	(2.0)	-0.5%	-88.4%
2.8	0.7%	3.9	1.1%	-29.3%
<b>17.1</b>	<b>4.5%</b>	<b>19.4</b>	<b>5.2%</b>	<b>-12.0%</b>
0.8	0.2%	2.3	0.6%	-63.5%
<b>17.9</b>	<b>4.7%</b>	<b>21.7</b>	<b>5.8%</b>	<b>-17.4%</b>

1 520.6	1 479.3
445.9	385.7
3.4	3.8
16.2%	18.1%
15.2%	20.0%
5.9%	-10.7%

-2.1%
Gross yield from assets
Impairment provision
Interest income non debtors
Net assurance income - credit life
<b>Net yield</b>
Finance costs
<b>Net margin</b>
Net assurance income - funeral benefits
Outsourced collection income
Sundry income
<b>Operating income</b>
<b>Total costs</b>
Operating expenditure
Direct costs reallocated from yield
Hedging gain/(loss)
Collections performance reserve
<b>Profit before tax</b>
Current tax expense
Deferred tax
<b>Profit after tax</b>
<b>Other comprehensive (loss) / income:</b>
Movement in cash flow hedge reserve
<b>Total comprehensive income for the period</b>

Average productive assets
Average Equity
Equity Multiplier
Pre-tax return on equity
Return on Equity
Effective tax rate

YTD- Sep FY2020				
Actual	ROPA	Prior Year	ROPA	Actual vs
R'm	%	R'm	%	Prior Year(%)
351.6	46.6%	345.8	46.3%	1.7%
(66.4)	-8.8%	(52.4)	-7.0%	-26.7%
15.4	2.0%	13.5	1.8%	13.6%
28.3	3.8%	27.9	3.7%	1.3%
<b>328.9</b>	<b>43.6%</b>	<b>334.9</b>	<b>44.8%</b>	<b>-1.8%</b>
(101.7)	-13.5%	(101.5)	-13.6%	-0.1%
<b>227.2</b>	<b>30.1%</b>	<b>233.4</b>	<b>31.2%</b>	<b>-2.6%</b>
16.4	2.2%	16.7	2.2%	-1.9%
28.9	3.8%	22.8	3.1%	26.5%
7.9	1.0%	8.9	1.2%	-10.9%
<b>280.4</b>	<b>37.2%</b>	<b>281.7</b>	<b>37.7%</b>	<b>-0.5%</b>
<b>(246.3)</b>	<b>-32.6%</b>	<b>(249.9)</b>	<b>-33.4%</b>	<b>1.4%</b>
(230.6)	-30.6%	(233.9)	-31.3%	1.4%
(15.8)	-2.1%	(16.0)	-2.1%	1.4%
0.0	0.0%	(1.0)	-0.1%	> -100%
-	0.0%	-	0.0%	0.0%
<b>34.0</b>	<b>4.5%</b>	<b>30.9</b>	<b>4.1%</b>	<b>10.3%</b>
(6.6)	-0.9%	(7.2)	-1.0%	8.6%
4.4	0.6%	12.9	1.7%	-65.9%
<b>31.9</b>	<b>4.2%</b>	<b>36.6</b>	<b>4.9%</b>	<b>-12.8%</b>
0.1	0.0%	8.7	1.2%	-98.4%
<b>32.0</b>	<b>4.2%</b>	<b>45.2</b>	<b>6.1%</b>	<b>-29.2%</b>

1 504.9	1 491.1
438.9	373.2
3.4	4.0
15.5%	16.5%
14.5%	19.5%
6.4%	-18.5%

## Group statement of comprehensive income – Key take outs

### Gross yield:

Overall, Gross yield is higher than the prior year.

- Gross yield in Home Finance is higher than the prior year due to book growth. Disbursement levels are running at 23% ahead of prior year levels.
- Gross yield in DMC has been lower due to an amortising productive asset base in the historic legacy portfolios.

### Impairment Provision:

- Higher disbursement volumes and growth in the performing loans book has resulted in a higher impairment charge as losses are recognised on an expected loss model. The impairment model is sensitive to monthly collections performance and September 2019 was a challenging month end with a seasonal drop in collections exacerbated by an expected banking strike that caused some employers to move pay dates forward, which had consequences for collection success rates. The impairment charge is therefore higher than in previous year.

### Finance costs:

- Finance costs for the group are in line with the prior year but these are higher in the Home Finance SPV, Umuzi, due to additional funding raised to fund book growth and lower in DMC as a result of a lower average debt holding in the current year following debt repayments.

### Operating expenditure:

- Operating expenditure has decreased relative to the prior year as management is actively containing costs.



## 1.3 Contribution to earnings

	YTD- Sep FY2020				
	Actual	ROPA %	Prior Year	ROPA %	Actual
	R'm		R'm		vs Prior Year(%)
Home Finance	22.9	3.0%	28.9	3.9%	-20.8%
Assurance	3.7	0.5%	4.1	0.6%	-10.0%
DMC	22.9	3.0%	14.3	1.9%	60.3%
	<b>49.5</b>	<b>6.6%</b>	<b>47.3</b>	<b>6.3%</b>	<b>4.6%</b>
Group Central Services	(15.5)	-2.1%	(16.5)	-2.2%	6.0%
Collections performance reserve	-	0.0%	-	0.0%	0.0%
<b>Profit before tax</b>	<b>34.0</b>	<b>4.5%</b>	<b>30.9</b>	<b>4.1%</b>	<b>10.3%</b>
<b>Costs not associated with core operations</b>					
Hedging loss	0.0	0.0%	(1.0)	-0.1%	> -100%
Other	-	0.0%	-	0.0%	0.0%
<b>Profit before tax</b>	<b>34.0</b>	<b>4.5%</b>	<b>31.9</b>	<b>4.3%</b>	<b>6.8%</b>

### Key take outs:

**Home Finance:** Profit before tax has underperformed versus the prior year. This is mainly as a result of a large impairment provision raised in September impacted by lower receipting, as well as an increase in rolls from CD 0 to CD 1 arising from September late payments rolling into October. Collections levels are expected to normalise in October with a reversal of some impairments taken. Finance costs are higher due to additional funding raised to fund book growth.

**Assurance:** Profit before tax has underperformed versus the prior year, due to lower inception and retentions rates.

**DMC:** Profit before tax for the quarter has outperformed the prior year. The higher purchases during the first half of the year have had a positive impact on the gross yield. Repayments of internal debt earlier than expected have resulted in lower finance costs for the division. Operating expenditure is tracking in line with the prior year.

**Group Central Services:** Overall the loss before tax is less than the prior year. This is mainly as a result of the prior year including an incentive provision accrual which has not been raised in the current year as the trigger point has not been reached yet. All other costs are in line with the prior year as management actively contains costs.

## 2. 12 month rolling compliance ratios

### Group Capital Adequacy Ratio

	Minimum per Covenant	Actual Sep FY2020 R'm	Actual Sep FY2019 R'm
<b>Permanent Capital / Total adjusted assets</b>	<b>20.0%</b>	<b>30.8%</b>	<b>35.2%</b>
Equity per statement of financial position		454.9	396.7
Cash flow hedge add back		8.5	6.9
Qualifying equity		463.4	403.6
Assurance equity		(27.3)	(17.8)
SPV equity		116.5	107.7
Intangible and deferred tax assets to be funded with equity		(0.9)	(2.5)
SPV junior loans		(327.5)	(221.5)
<b>Permanent Capital ( on balance sheet equity)</b>		<b>224.3</b>	<b>269.4</b>
Assets per statement of financial position		2 078.6	1 955.1
Cash and Cash equivalents (on balance sheet)		(58.3)	(144.4)
Intangible and deferred tax assets to be funded with equity		(0.9)	(2.5)
Assurance Assets		(33.7)	(28.2)
SPV assets		(1 256.5)	(1 014.8)
<b>Total adjusted assets (on balance sheet assets)</b>		<b>729.3</b>	<b>765.3</b>

### Cost to Income Ratio\*\*\*

	Maximum per Covenant	Actual Sep FY2020	Actual Sep FY2019
Operating Expenses		453.4	461.4
Operating Income		717.1	725.8
<b>Cost to income ratio</b>	<b>68%</b>	<b>63.2%</b>	<b>63.6%</b>

### Debt Service Cover Ratio

	Minimum per Covenant	Actual Sep FY2020	Actual Sep FY2019
Free Cash Flow		236.5	284.1
Debt Service		183.8	102.9
<b>Debt Service Coverage Ratio (times)</b>	<b>1.05</b>	<b>1.29</b>	<b>2.76</b>

\*\*\* For purposes of this report the operating expenses used in the cost to income ratio is calculated based on IFRS disclosure as opposed to the management accounts where certain costs are re-allocated.



### 3. Glossary

Ratio	Definition
<b>Permanent capital / Total adjusted assets</b>	<p><b>Group equity reduced by:</b></p> <ul style="list-style-type: none"> <li>-The cash flow hedge</li> <li>-Equity in SPVs and regulated Assurance Company</li> <li>-Junior equity instruments in SPVs</li> <li>-Deferred taxation &amp; Intangible assets on balance sheet</li> </ul> <p><b>Total assets reduced by:</b></p> <ul style="list-style-type: none"> <li>-Assets in SPVs and regulated Assurance Company</li> <li>- Cash and cash equivalents on balance sheet</li> <li>-Deferred taxation &amp; Intangible assets on balance sheet</li> </ul>
<b>Gross yield on productive assets</b>	Annualised Net yield / Simple average Loans and advances and Acquired assets
<b>Net yield on productive assets</b>	Annualised Net yield / Simple average Loans and advances and Acquired assets
<b>Return on productive assets (ROPA %)</b>	Annualised profit or loss after tax/ Simple average Loans and advances and Acquired assets
<b>Debt service cover</b>	Free cash flow/Debt service
<b>Cost to income</b>	Operating expenses / Net yield (adjusted by direct costs reallocated from yield), Net assurance income - funeral benefits, Outsourced collection income and Sundry income
<b>Equity multiplier</b>	Average productive assets or Average total assets/Average equity
<b>Pre-tax return on equity</b>	Equity multiplier x Pre-tax return as a % of productive assets
<b>Return on equity</b>	Equity multiplier x Return as a % of productive assets

**We are Real People, for real people**



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