

Financial Report (not-audited)

For the quarter ended 30 June 2022

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Group statement of financial position

June 2022



	Actual R'm	Prior year R'm	Actual vs Prior %
Total Assets	1,502.9	1,497.5	0.4%
Evolution Finance net advances	539.7	516.3	4.5%
Performing loans	418.2	359.9	16.2%
Gross performing loans	492.5	437.5	12.6%
Provision against performing loans	(74.4)	(77.5)	-4.1%
Non-performing loans	121.5	156.4	-22.3%
Acquired debt net advances	624.0	553.6	12.7%
Acquired assets	619.3	528.5	17.2%
Discontinued receivables	4.8	25.1	-81.0%
Investments and loans	15.1	11.2	34.8%
Other assets	44.8	52.2	-14.2%
Right-of-use asset	3.1	5.1	-38.7%
Equipment	16.4	20.5	-19.6%
Deferred tax assets	0.0	0.0	0.0%
Other receivables	25.2	26.6	-5.3%
Cash and cash equivalents	279.3	364.2	-23.3%
Total Equity	(417.2)	(306.2)	36.2%
Equity	(417.2)	(306.2)	36.2%
Total Liabilities	(1,085.8)	(1,191.3)	-8.9%
Borrowings	(983.7)	(1,129.5)	-12.9%
Deferred and current tax liabilities	(6.2)	(8.9)	-30.7%
Other liabilities	(95.9)	(52.9)	81.2%
Total equity & liabilities	(1,502.9)	(1,497.5)	-0.4%

Key take outs:

Assets

- The Evolution Finance (EF) portfolio has grown compared to prior year resulting from monthly production increasing.
- Consistent Acquired Debt purchases has contributed to an increased portfolio.
- The group has not recognised any deferred tax assets arising from tax losses or temporary differences.

Liabilities

- Borrowings are lower year on year following loan repayments and limited funding raised during the 2022 financial year.
- Other liabilities include provisions for long term incentives that were not included in the prior year.

Group statement of profit or loss

June 2022

	Actual YTD	RoPA % YTD	Prior year YTD	Prior year RoPA % YTD	Prior year Variance % YTD
	R'm	%	R'm	%	%
Evolution Finance net yield	42.7	14.9%	59.1	22.2%	-27.7%
DMC net yield	96.1	33.6%	80.2	30.1%	19.7%
Net yield	143.0	50.0%	143.9	54.0%	-0.6%
Finance Costs	(27.2)	-9.5%	(30.7)	-11.5%	-11.4%
Net margin	115.8	40.5%	113.1	42.5%	2.3%
Net assurance income - funeral benefits	7.5	2.6%	6.6	2.5%	14.0%
Outsourced collection income	11.6	4.1%	11.6	4.4%	0.1%
Credit management revenue	1.7	0.6%	1.6	0.6%	9.2%
Sundry income	4.8	1.7%	0.9	0.3%	454.1%
Operating income	141.4	49.5%	133.7	50.2%	5.7%
Operating Expenditure	(116.0)	-40.6%	(98.2)	-36.9%	18.2%
Hedging loss/gain	(0.3)	-0.1%	(0.7)	-0.3%	-61.2%
Profit before tax	25.0	8.8%	34.8	13.1%	-28.1%
Taxation	(2.1)	-0.7%	(4.4)	-1.6%	-51.9%
Profit After Tax	22.9	8.0%	30.4	11.4%	-24.7%

Group statement of profit or loss

June 2022

Key take outs:

- **Evolution Finance (EF) :**
 - Higher production levels are driving higher new business provisions and the smaller NPL book relative to prior year have contributed to the lower net yield relative to prior year.
- **Acquired Debt Portfolio (ADP) :**
 - The larger book size and increased collections from books older than 96 months on book (120 months in prior year) have contributed to the improved year on year yield.
- **Evolution Life :**
 - Growth in the insurance book and lower claims year on year contributed to the higher margins.
- **Outsourced :**
 - Collections volumes are in line with prior year but costs to collect remain a challenge.
- **Operating expenses:**
 - Higher collections and origination volumes, inflation, increased company provident fund contributions to return to pre-Covid levels and additional IT licences account for year on year increase in costs in line with expectations. Prior year includes a once off historic VAT claim.

Covenants

	Minimum per covenant	June 2022 R'm	March 2022 R'm
(1) Permanent Capital / Total adjusted assets ratio	25.0%	79.3%	74.3%
Equity per statement of financial position		417.2	393.7
Cash flow hedge add back		7.2	7.5
Qualifying equity		424.4	401.2
Evolution Life equity		(14.7)	(14.5)
SPV equity		210.7	199.0
Intangible and deferred tax assets to be funded with equity		-	-
SPV junior loans impairments		(188.9)	(181.3)
Permanent Capital (on balance sheet equity)		431.5	404.3
Assets per statement of financial position		1,503	1,545
Cash and Cash equivalents (on balance sheet)		(78)	(104)
Intangible and deferred tax assets to be funded with equity		-	-
Evolution Life Assets		(15)	(15)
SPV assets		(1,170)	(1,186)
SPV Junior loans Fair value		305	304
Total adjusted assets (on balance sheet assets)		544.4	544.5
(2) Minimum Available Cash Balance	20.0	70.3	95.8
(3) Group Cost to Income Ratio	74.0%	67.4%	65.2%
Operating Expenses		474.1	456.2
Operating Income		703.9	699.8

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
Return on productive assets (ROPA %)	-Deferred taxation & Intangible assets on balance sheet
	Annualised profit or loss after tax/ Simple average Loans and advances and Acquired assets
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