

# Financial Report (not-audited)

For the quarter ended 31 December 2022

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# Group statement of financial position

## December 2022



	Actual	Prior	Actual vs
	R'm	year	Prior
		R'm	%
<b>Total Assets</b>	<b>1,624.3</b>	<b>1,520.2</b>	<b>6.8%</b>
<b>Evolution Finance net advances</b>	<b>596.1</b>	<b>514.4</b>	<b>15.9%</b>
Performing loans	484.7	377.1	28.5%
Gross performing loans	571.0	450.7	26.7%
Provision against performing loans	(86.3)	(73.6)	17.3%
Non-performing loans	111.4	137.3	-18.9%
<b>Acquired debt net advances</b>	<b>701.1</b>	<b>626.0</b>	<b>12.0%</b>
Acquired assets	698.8	607.5	15.0%
Discontinued receivables	2.3	18.6	-87.4%
<b>Other assets</b>	<b>58.9</b>	<b>59.8</b>	<b>-1.5%</b>
Investments and loans	19.7	14.4	36.8%
Right-of-use asset	3.9	4.1	-4.3%
Equipment	15.5	17.7	-12.6%
Deferred tax assets	0.0	0.0	0.0%
Other receivables	19.8	23.6	-16.1%
<b>Cash and cash equivalents</b>	<b>268.2</b>	<b>319.9</b>	<b>-16.2%</b>
<b>Total Equity</b>	<b>(464.2)</b>	<b>(371.9)</b>	<b>24.8%</b>
Equity	(464.2)	(371.9)	24.8%
<b>Total Liabilities</b>	<b>(1,160.1)</b>	<b>(1,148.3)</b>	<b>1.0%</b>
Borrowings	(1,056.6)	(1,043.1)	1.3%
Deferred and current tax liabilities	(5.0)	(12.9)	-61.3%
Other liabilities	(98.5)	(92.3)	6.8%
<b>Total equity &amp; liabilities</b>	<b>(1,624.3)</b>	<b>(1,520.2)</b>	<b>-6.8%</b>

### Key take outs:

- Increased Acquired Debt Portfolio purchases and the higher required cash sweep payment in December have resulted in funding being raised earlier from lenders.

### Assets

- The increase in the Evolution Finance portfolio compared to prior year is as a result of increased loan origination volumes.
- 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

- The December cash sweep payment has been funded through the sale of On-balance sheet assets to the Acquired Debt Portfolio funding Special-purpose entity (SPV). Additional debt was raised in the SPV to fund these purchases and the increased Acquired Debt Portfolio acquisition volumes.

# Group statement of profit or loss

## December 2022

	Actual YTD R'm	RoPA YTD %	Prior year YTD R'm	Prior year RoPA YTD %	Prior year Variance %
Evolution Finance net yield	134.2	14.7%	166.9	20.1%	-19.6%
DMC net yield	301.7	33.0%	284.7	34.3%	5.9%
Interest income non debtors	14.2	1.6%	12.6	1.5%	12.4%
Net yield	450.0	49.2%	464.2	55.8%	-3.1%
Finance Costs	(91.1)	-10.0%	(88.0)	-10.6%	3.5%
Net margin	358.9	39.3%	376.3	45.3%	-4.6%
Net assurance income - funeral benefits	21.8	2.4%	19.5	2.3%	11.7%
Outsourced collection income	34.2	3.7%	39.2	4.7%	-12.6%
Credit management revenue	5.3	0.6%	5.3	0.6%	0.5%
Sundry income	5.1	0.6%	8.9	1.1%	-42.6%
Operating income	425.3	46.5%	449.1	54.0%	-5.3%
Operating Expenditure	(350.6)	-38.4%	(342.1)	-41.2%	2.5%
Profit before tax	74.7	8.2%	107.0	12.9%	-30.2%
Taxation	(5.0)	-0.5%	(11.6)	-1.4%	-56.8%
Profit After Tax	69.7	7.6%	95.4	11.5%	-26.9%

# Group statement of profit or loss

## December 2022

### Key take outs:

- **Evolution Finance :**
  - Increased new business provisions from higher production levels, an amortising NPL book and increased roll rates compared to prior year have contributed to a lower net yield in the current year.
- **Acquired Debt :**
  - Larger book size and increased collections from books older than 96 months on book (120 months in prior year) has contributed to the improved year on year yield.
- **Evolution Life :**
  - Growth has been limited due to low inception and persistency rates resulting in similar premium income volumes to last year. Lower claim rates in the current year have contributed to the improved net assurance income.
- **Outsourced :**
  - Limited growth has contributed to fee income falling behind to prior year and cost to collect have been a challenge for most of the year.
- **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.

# Covenants

	Minimum per covenant	December 2022 R'm	March 2022 R'm
<b>(1) Permanent Capital / Total adjusted assets ratio</b>	<b>25.0%</b>	<b>100.4%</b>	<b>74.3%</b>
Equity per statement of financial position		464.2	393.7
Cash flow hedge add back		7.7	7.5
Qualifying equity		471.9	401.2
Evolution Life equity		(19.3)	(14.5)
SPV equity		240.9	199.0
Intangible and deferred tax assets to be funded with equity		-	-
SPV junior loans impairments		(217.6)	(181.3)
<b>Permanent Capital (on balance sheet equity)</b>		<b>475.8</b>	<b>404.3</b>
Assets per statement of financial position		1,624	1,545
Cash and Cash equivalents (on balance sheet)		(75)	(104)
Intangible and deferred tax assets to be funded with equity		-	-
Evolution Life Assets		(19)	(15)
SPV assets		(1,346)	(1,186)
SPV Junior loans Fair value		290	304
<b>Total adjusted assets (on balance sheet assets)</b>		<b>474.1</b>	<b>544.5</b>
<b>(2) Minimum Available Cash Balance</b>	<b>20.0</b>	<b>62.7</b>	<b>95.8</b>
<b>(3) Group Cost to Income Ratio</b>	<b>74%</b>	<b>68.4%</b>	<b>65.2%</b>
Operating Expenses		464.3	456.2
Operating Income		678.7	699.8

# Glossary

Ratio	Definition
<b>Permanent capital / Total adjusted assets (reported quarterly)</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 Evolution Life 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 Evolution Life Company</li> <li>- Cash and cash equivalents on balance sheet</li> <li>-Deferred taxation &amp; Intangible assets on balance sheet</li> </ul>
<b>Return on productive assets (ROPA %)</b>	Annualised profit or loss after tax/ Simple average Loans and advances and Acquired assets
<b>Cost to income (reported quarterly)</b>	Operating expenses / Net yield (adjusted by direct costs reallocated from yield), Net assurance income - funeral benefits, Outsourced collection income and Sundry income