

Financial Report (not-audited)

For the quarter ended 30 September 2022

Contents

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

Group statement of financial position

September 2022



	Actual R'm	Prior year R'm	Actual vs Prior %
Total Assets	1,601.5	1,487.1	7.7%
Evolution Finance net advances	574.0	518.2	10.8%
Performing loans	457.8	371.3	23.3%
Gross performing loans	537.9	448.6	19.9%
Provision against performing loans	(80.2)	(77.3)	3.7%
Non-performing loans	116.3	146.9	-20.9%
Acquired debt net advances	647.8	584.2	10.9%
Acquired assets	644.4	562.5	14.6%
Discontinued receivables	3.4	21.7	-84.4%
Other assets	59.6	60.5	-1.5%
Investments and loans	17.0	12.4	36.8%
Right-of-use asset	2.6	4.6	-43.3%
Equipment	17.0	19.1	-11.4%
Deferred tax assets	0.0	0.0	0.0%
Other receivables	23.0	24.3	-5.4%
Cash and cash equivalents	320.0	324.1	-1.3%
Total Equity	(437.9)	(339.6)	28.9%
Equity	(437.9)	(339.6)	28.9%
Total Liabilities	(1,163.6)	(1,147.4)	1.4%
Borrowings	(1,068.0)	(1,071.2)	-0.3%
Deferred and current tax liabilities	(4.4)	(10.1)	-56.0%
Other liabilities	(91.2)	(66.1)	38.0%
Total equity & liabilities	(1,601.5)	(1,487.1)	-7.7%

Key take outs:

Assets

- The Evolution Finance portfolio has grown compared to prior year resulting from increased monthly loan origination.
- 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

- New funding has been raised in the current year to fund the higher Evolution Finance origination volumes and Acquired Debt purchases.
- Other liabilities include provisions for long term incentives that were raised for the first time in the prior year.

Group statement of profit or loss

September 2022

	Actual YTD R'm	RoPA % YTD %	Prior year YTD R'm	Prior year RoPA % %	Prior year Variance %
Evolution Finance net yield	87.2	14.8%	113.0	20.8%	-22.8%
DMC net yield	196.3	33.3%	178.1	32.7%	10.2%
Interest income non debtors	8.3	1.4%	8.8	1.6%	-6.1%
Net yield	291.8	49.5%	299.9	55.2%	-2.7%
Finance Costs	(57.0)	-9.7%	(60.0)	-11.0%	-4.9%
Net margin	234.8	39.8%	239.9	44.1%	-2.1%
Net assurance income - funeral benefits	13.6	2.3%	12.6	2.3%	8.1%
Outsourced collection income	23.1	3.9%	23.8	4.4%	-3.0%
Credit management revenue	3.4	0.6%	3.2	0.6%	7.6%
Sundry income	5.0	0.9%	5.4	1.0%	-7.7%
Operating income	280.0	47.5%	284.9	52.4%	-1.7%
Operating Expenditure	(233.4)	-39.6%	(213.7)	-39.3%	9.2%
Profit before tax	46.6	7.9%	71.2	13.1%	-34.6%
Taxation	(2.7)	-0.5%	(8.0)	-1.5%	-67.0%
Profit After Tax	43.9	7.5%	63.2	11.6%	-30.5%

Group statement of profit or loss

September 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 a similar return to last year.
- **Outsourced :**
 - Collections volumes are in line with prior year but costs to collect have been 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.

Covenants

	Minimum per covenant	September 2022 R'm	March 2022 R'm
(1) Permanent Capital / Total adjusted assets ratio	25.0%	83.8%	74.3%
Equity per statement of financial position		437.9	393.7
Cash flow hedge add back		7.7	7.5
Qualifying equity		445.6	401.2
Evolution Life equity		(16.6)	(14.5)
SPV equity		224.6	199.0
Intangible and deferred tax assets to be funded with equity		-	-
SPV junior loans impairments		(202.9)	(181.3)
Permanent Capital (on balance sheet equity)		450.7	404.3
Assets per statement of financial position		1,601	1,545
Cash and Cash equivalents (on balance sheet)		(67)	(104)
Intangible and deferred tax assets to be funded with equity		-	-
Evolution Life Assets		(17)	(15)
SPV assets		(1,285)	(1,186)
SPV Junior loans Fair value		305	304
Total adjusted assets (on balance sheet assets)		537.6	544.5
(2) Minimum Available Cash Balance	20.0	58.4	95.8
(3) Group Cost to Income Ratio	74%	68.8%	65.2%
Operating Expenses		475.9	456.2
Operating Income		691.5	699.8

Glossary

Ratio	Definition
Permanent capital / Total adjusted assets (reported quarterly)	Group equity reduced by: <ul style="list-style-type: none"> -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: <ul style="list-style-type: none"> -Assets in SPVs and regulated Evolution Life Company - Cash and cash equivalents on balance sheet -Deferred taxation & Intangible assets on balance sheet
Return on productive assets (ROPA %)	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