



## GCR affirms Real People Investment Holdings Limited's Servicer Quality Ratings, Outlook Stable

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### Rating Action

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Johannesburg, 16 February 2021 - GCR Ratings ('GCR') has affirmed Real People Investment Holdings Limited's national scale primary and special servicer ratings of SQ2<sub>-(ZA)</sub>/SQ2<sub>(ZA)</sub> respectively, with outlooks accorded as Stable.

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook / Watch
Real People Investment Holdings Limited	Primary Servicer	National	SQ2 <sub>-(ZA)</sub>	Stable Outlook
	Special Servicer	National	SQ2 <sub>(ZA)</sub>	Stable Outlook

### Rating Rationale

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The national scale servicer quality ratings on Real People Investment Holdings Limited ('Real People', 'the group') balance a fairly strong debt collection profile, stable technology and internal control environment, good management team and a moderately weak financial profile.

Collections have sustained good levels over the past 3-5 years based on strong recovery fundamentals for both its originated and acquired debt portfolios. However, we see a rapid formation of non-performing loans in 2020 by comparison to prior years, reflecting the direct and indirect impact of COVID-19. Rising consumer indebtedness, coupled with lower originations contributed to lower collections in 2020. At 31 December 2020, the average estimated remaining collections on the acquired debt portfolio was 3x the purchase price, with over 50% collected as of that date.

Real People has a stable operating system and control environment. The group uses an innovative inhouse developed fintech platform to support its debt management capabilities. The platform is expected to be in use for the next 5-7 years before a major overhaul is required, while regular maintenance is done. Collection methods are broadly in line with industry standards. A good internal control environment is also supportive of the entity's technological advancements, while ensuring efficiencies.

We consider the management team of Real People to be highly experienced in arrears management. The group acquires and collects on specific debt asset classes within various sectors and the breadth of management experience and staff support are considered adequate.

We also factor in the moderately weak financial profile of the entity. Key metrics are either still breaching or close to covenanted levels, although waivers apply under the debt restructuring agreement. The debt service coverage ratio was 1.03x as at 30 September 2020 vs required minimum of 1.05x, while cost/income ratio of 69% sits very close to covenant limit of 70%. Free cash flow conversion remains constrained by low revenues across the group's business units and the relatively high cost base. Positively, the group is adequately capitalised at c.33% vs covenant minimum of 20% as at 30 September 2020.

### Outlook Statement

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The outlook factors in stable technology and internal control environment, stable management team, strong collections ability, while capping the downside of a weaker financial profile for now based on our expectations for gradual improvements from the group's restructuring. Alongside the above, GCR recognises the collections environment is likely to get tough and this could, over time, negatively impact the ratings.

### Rating Triggers

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An improvement on the primary and special servicer quality ratings could result from sustained stronger collections and a strengthening financial profile. A weakening financial profile and/or systems and control environment of the entity, in addition to reducing collections could lead to a downgrade in both ratings.

### Analytical Contacts

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### Related Criteria and Research

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Global Master Structured Finance Servicer Rating Criteria, February 2018
Criteria for Rating Financial Institutions, May 2019
Criteria for Rating Financial Services Companies, May 2019
GCR Ratings Scale, Symbols & Definitions, May 2019

GCR Country Risk Scores, February 2021

GCR Financial Institutions Sector Risk Score, February 2021

### Ratings History

Real People Investment Holdings Limited

Rating class	Review	Rating scale	Rating	Outlook	Date
Primary Servicer	Initial	National	SQ2 <sub>(ZA)</sub>	Stable	December 2013
	Last	National	SQ2 <sub>-(ZA)</sub>	Stable	December 2019
Special Servicer	Initial	National	SQ2+ <sub>(ZA)</sub>	Stable	December 2013
	Last	National	SQ2 <sub>(ZA)</sub>	Stable	December 2019

### Rating Factor Score Summary

Rating factor scores	
Arrears management	4.0
Debtor administration	4.0
Systems and controls	4.0
Management and staff	3.0
Financial strength	1.0
<b>Average Score</b>	<b>3.2</b>

### Glossary

Capital	The sum of money that is invested to generate proceeds.
Cash	Funds that can be readily spent or used to meet current obligations.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.



Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.

## Salient Points of Accorded Ratings

GCR affirms that a.) no part of the ratings were influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The servicer quality ratings have been disclosed to Real People Investment Holdings Limited. The ratings above were solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the ratings.

Real People Investment Holdings Limited participated in the rating process via virtual management meetings, and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from Real People Investment Holdings Limited and other reliable third parties to accord the servicer quality ratings included:

Interim financial results of Real People Investment Holdings Limited as at 30 September 2020;  
DMC Debt Management Proprietary Limited collections and AUM data as at 31 December 2020;  
Latest internal and/or external audit report to management;  
Industry comparative data.