

Finbond Group Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2001/015761/06)
Share code: FGL ISIN: ZAE000138095
('Finbond' or 'the Company')

UPDATE OF TRADING STATEMENT

Shareholders are referred to the trading statement published on 26 June 2020 in which the Group advised that there was a reasonable degree of certainty, that given the COVID-19 pandemic and resultant government ordered lockdowns, headline earnings per share and earnings per share would decline by more than 20% for the 6 month interim period ended 31 August 2020 compared to the headline earnings and earnings per share for the corresponding prior interim period.

Global lockdowns caused by the COVID-19 pandemic have – and continue to – significantly and adversely impact the world economy, as well as the Group's results. Although the recovery has begun, the further relaxation of lockdown restrictions enabling increased business activity is essential to facilitate economic recovery.

During the interim period under review:

- The value of loans advanced decreased by 33% to R1.93 billion (August 2019: R2.87 billion).
- Accordingly, net unsecured loans and advances decreased by 28% to R656.9 million (August 2019: R913.3 million). The significant drop in loans advanced (sales volumes) due to COVID-19 has resulted in less capital being granted, but with collections holding firm, this has led to an increase in surplus cash as unsecured loans and advances are essentially being converted into cash. We are starting to see this trend reverse slowly as sales volumes increase as the COVID-19 recovery progresses.
- As a result, cash, cash equivalents & liquid assets increased by 69% to R1.64 billion (August 2019: R970 million).
- Total assets increased by 13% to R4.77 billion (August 2019: R4.20 billion).
- Commercial paper increased by 73% to R1.24 billion (August 2019: R716 million).
- Turnover decreased by 28% to R935 million (August 2019: R1.29 billion).
- Earnings before interest, depreciation and amortisation (EBITDA) decreased by 66% to R116.8 million (August 2019: R340.5 million).
- Following several cost savings initiatives and restructurings, operational expenses decreased by 8% to R709.9 million (August 2019: R772.0 million).

The Board is satisfied that it has the reasonable degree of certainty required to provide the following guidance with regard to the financial results of the Group for the 6-month interim period ended 31 August 2020:

- (Loss)/Earnings per Share will decrease to between (15.5) cents and (16.5) cents per share, representing a percentage decrease in excess of 100% compared to the 5.0 cents per share reported for the prior interim period; and
- Headline (Loss)/Earnings per Share will decrease to between (15.0) cents and (15.9) cents per share, representing a percentage decrease in excess of 100% compared to the 5.0 cents per share reported for the prior interim period.

While we cannot yet predict the full impact on the full year ending 28 February 2021, it is expected that the government ordered lockdowns and COVID-19 related restrictions on economic activity in Finbond's various countries of operations will continue to have a significant adverse impact on results. The recovery is underway, although it is highly uncertain how long it will take for consumer spending and credit markets to return to more "normal" or "new normal" levels. That said, April 2020 represented the monthly low point in terms of loans advanced at R236.4 million, which represented a 47% reduction to that of April 2019. Volumes have been recovering since, albeit inconsistently, to the point where for the 6-month interim period under review, we find ourselves 33% down from the corresponding prior year interim period.

We continue to monitor this extremely fluid situation daily and adjust our response accordingly.

Stress testing (updated and monitored monthly) continues to show that we remain sufficiently capitalised with appropriate liquidity levels in both mild and severe stress scenarios. We remain confident that the benefits of our geographically diversified business, strong balance sheet relative to the size and scope of operations, as well as cash generating ability will continue to stand us in good stead. Finbond will continue to invest in its businesses to position them for the continued recovery period and growth beyond.

Importantly, Finbond believes that it faces this challenging period from a position of relative financial strength, with sufficient liquidity to both navigate the changing environment and seek out new opportunities.

The financial information on which this trading statement is based has not been reviewed and reported on by Finbond's auditors. The financial results for interim reporting period are expected to be published on or about 23 October 2020.

By order of the Board
Pretoria
2 October 2020