



RISK REGISTER

Purple Group Limited

Run Date: 31 August 2020

Registration Number: 1998/013637/06

IIRC

Financial

Risk(s)

**Debt Obligations:** The risk that the company is not able to meet its debt obligations as they fall due

**Business Impact:** Business could be placed in a position of default.

**Risk Response: 1)**

**Risk Response:** Serialong Consortium Loan – R28.8 million @ 31 August 2020. Interest at 11.5% fixed. Repayable on 14 September 2021, with only 30% of interest payable monthly. The risk of default and liquidity risk is assessed as low as Serialong has an option to convert outstanding debt into PPE shares at a price of 22.87 cents per share at any time prior to 14 September 2021. PPE shares are currently trading at around 76 cents per share.

**2)**

**Risk Response:** Sanlam Investments Term Loan – R26.9 million @31 August 2020. Interest accrues at prime rate and only repayable at end of term. Repayable on 1 September 2021. The risk of default and liquidity risk over the next 12 months is remote, however, the business would need to repay the full amount of the loan on 1 September 2020. EasyEquities' cash reserves are building and it currently holds 25 087 720 PPE Treasury shares, which it could place over the next 12 months to raise funding to extinguish the debt if deemed appropriate.

**3)**

**Risk Response:** Industrial Development Corporation Debt – R16.8 million @ 31 August 2020. Purple Group agreed an extension of the original repayment terms with the IDC, as follows: Repayment term - 1 March 2020 to 31 August 2023 (extended by 42 additional months). Capital instalments - R150,000 per month, commencing 31 December



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2019 until 31 August 2020, increasing to R250,000 per month from 30 September 2020 to 31 August 2021, and again increasing to R500,000 per month, commencing 30 September 2021 to 31 July 2023 with a final bullet payment of R2,150,000 on 31 August 2023. Interest @ Prime +1, payable monthly. The risk of default and liquidity risk is low due to the extended repayment terms negotiated.

**Measurement:** Likelihood of a default event is considered to be low, specifically over the next 12 months, considering the agreed terms of the various loans.

**Capital Availability Risk:** The risk of not capital not being available, when required, to fund growth and to sustain operational requirements (until breakeven cashflows are achieved)

**Business Impact:** Restricted growth.  
Sustainability of business would be at risk.

**Risk Response: 1)**

**Risk Response:** The EasyEquities cash flows are becoming relatively predictable and rarely surprise to the downside; hence the 12-month cash flow projections included in the monthly management accounts are the primary tool utilised to monitor future funding requirements of the business.

**Measurement:** The EasyEquities business generated a profit for the 12 months ended 31 August 2020, which was delivered ahead of projections, primarily due to the positive momentum achieved by the business due to the extreme volatility experienced by the markets over the past 12 months. Costs per invested client account are continuously reducing, making it increasingly possible to service smaller and smaller Rand value clients profitably. EasyEquities would not be expected to need to raise any capital or debt within the next 12 months. As a result,



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the likelihood and severity of this risk has reduced.

2)

**Risk Response:** The Purple Group (excluding EasyEquities): This includes the cash flows in respect of Purple Group Head Office, Emperor Asset Management, GT247.com and Group Debt. GT247.com delivers 99% of the cashflows currently, however, Emperor did generate a profit for the year ended 31 August 2020, albeit due to fair value adjustments. Emperor would be expected to generate positive cash flows in the coming year, which will make a positive contribution to the Groups cash flows.

Although GT has delivered strong cashflows over the past three years, the revenue is largely influenced by volatility experienced in the markets and hence could be relatively unpredictable from month to month. As such, available cash and facilities (amounting to at least 4 months operating expenses and debt repayments) would be maintained as far as possible, providing the business with enough time to raise additional funding if the GT business' cashflows weaken significantly.

**Measurement:** The EasyEquities business generated a profit, for the first time, for the 12 months ended 31 August 2020, which was delivered ahead of projections, primarily due to the positive momentum achieved by the business due to the extreme volatility experienced by the markets over the past 12 months. Costs, per invested client account, are continuously reducing, making it increasingly possible to service smaller and smaller Rand value clients, profitably. All businesses in the Group are currently adequately funded for at least the next 12 months. Based on the Groups performance and current profitability, we believe that access to funding would be more readily available, if required.



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**Unemployment Risk:** The risk of increase in unemployment in the country

**Business Impact:** Achievement of strategic objectives and growth may be severely impaired or delayed

**Risk Response: 1)**

**Risk Response:** Unemployment in South Africa has always been high. A further deterioration in this statistic will no doubt have an impact on all consumer driven businesses in South Africa. Our strategy to limit the impact of this risk is to ensure that our product offering across the Group appeals to all segments of the employed citizens of South Africa and expanding into international jurisdictions where this risk is significantly lower.

**Measurement:** The products offered across the Group, specifically EasyEquities, are designed to appeal to everyone and offer every person the opportunity to invest their money, no matter how little it is, at a fair price. The user interfaces make access easy and provides the business with endless possibilities to distribute additional financial services through the platforms, such as residential property, assurance products etc.

The business has launched on the ground in Australia, which would enable the business to penetrate a market with significantly lower unemployment risk.

Although the South African business would not be immune to this risky, we believe that our strategies, partly have, and will continue to reduce the impact of such risk on the business.



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Societal/Relational

Risk(s)

**Pandemic Disease Risk:** The risk of widespread disease

**Business Impact:** Impact on the ability of the business operations to operate effectively.  
Impact of the disease on our clients/ target client base.  
Impact of the disease on the economy in which our clients work and earn their income.

**Risk Response: 1)**

**Risk Response:** Leading up to the announcement of the lockdown in South Africa on 23 March 2020, all businesses within the Group finalised their plans to ensure all staff members were equipped to work from home. As all our business systems and applications are hosted virtually, the transition from office to home was relatively seamless. The business has benefited significantly from retail clients opening investment accounts to take advantage of the upward surge in the market and to invest in stocks that were abnormally impacted by the pandemic either positively or negatively. The medium-term impact of the pandemic on the earnings of our retail clients is difficult to assess at this stage.

**2)**

**Risk Response:** ensure that our product offering across the Group appeals to all segments of the employed citizens of South Africa and providing easy access to these products and services at a fair price.

**3)**

**Risk Response:** Continuously review and improve our disaster recovery and Business Continuity plans and ensure these are tested regularly to ensure the business can recover timeously from a disaster event at one of our primary service providers.



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**Measurement:** At this point we have no plans to call staff back to the office, firstly to ensure their safety and secondly, all areas of the business are operating efficiently and effectively from home.

The business has performed various tests of its disaster recovery and business continuity plans, and we are satisfied that these plans are effective and will result in minimum down time in the event of a disaster at our primary service providers.

As far as customer acquisition rates and the resultant revenue generated are concerned, during the second half of FY 2020, client acquisition rates and investment activity increased almost three-fold, compared to the first half of FY 2020, resulting in the business generating a healthy profit.

Starting the new financial year with a significantly larger active investor base, along with the launch of the EasyProperties and EasyEquities Australia Platforms and the Capitec Partnership, the business is well positioned going into the new financial year.



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**Customer Relationship Risk:** The risk of damaged customer relationships

**Business Impact:** Reputational and brand risk for failure to sustain quality relationships with strategic distribution partners and direct clients.

**Risk Response: 1)**

**Risk Response:** Key strategic partners are met with on a regular basis to ensure that expectations are aligned and any operational issues/ challenges are resolved to all parties satisfaction and within agreed timelines.

**2)**

**Risk Response:** Direct clients are serviced by a dedicated team of client engagement specialists. Strict client service level standards have been set and all client interactions and queries are monitored daily in order to assess overdue items that require remedial action and urgent resolution.

**Measurement:** The relationships with our key strategic partners are strong, engaging and mutually beneficial.

Our client engagement team has handled the significant increase in volumes since March 2020 in an efficient manner, continuously improving services standards, through introducing various tech solutions and ironing out bottlenecks identified.



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Human

Risk(s)

**HR Skills Attraction and Retention Risk:** The risk of failure to attract or retain key executives and personnel

**Business Impact:** Loss of knowledge and skills.  
Impairment of ability to achieve strategic objectives.  
Reputational impact affecting long term growth and sustainability.  
Reduced ability to react to market opportunities.

**Risk Response: 1)**

**Risk Response:** The Remuneration Committee has developed a performance-orientated remuneration philosophy which fairly rewards executives and employees for their respective contributions to achieving the Group’s strategic, financial and operational objectives. The remuneration structures are to encourage sustainable, long-term wealth creation. The following factors regarding the remuneration structures are highlighted:

- The remuneration philosophy is supportive of the Group’s strategy;
- The cost of employment is managed while, at the same time, employees are rewarded in order to retain and motivate talented, skilled and high-calibre executives and employees;
- The Group promotes a performance-based culture; and
- The Group strives to align executive rewards with the interests of stakeholders.

The Remuneration Committee acknowledges the importance of motivating individual and team performances and therefore applies the remuneration policy equitably, fairly and consistently in relation to job responsibilities, the markets in which the Group operates and personal performance.



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The Group rewards executive directors and employees as follows:

- Market-related, fair annual packages (base salary and benefits), which are competitive owing to the portability of skills;
- Market information is sourced from industry and executive remuneration surveys to benchmark executive remuneration in comparable positions;
- Annual performance bonuses related to specific Company and personal objectives; and
- Participation in the employee share option scheme.

**Measurement:** Turnover of key executives and staff is low.

Retaining experienced team members in the EasyEquities business is extremely important for two reasons:

- The team culture has been nurtured and developed intensely for at least the past 5 years. Each of the senior members of the team have grown with the business and understand the vision of the business and the way we work. An immense amount of trust has been built between the team, and relationships externally have been forged by team members across the board with a wide range of external players and partners.
- The experience gained in the Fintech space by all team members in their specific area of expertise is transportable and growing in value across the globe.



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