

digital.

Interim Results 2021

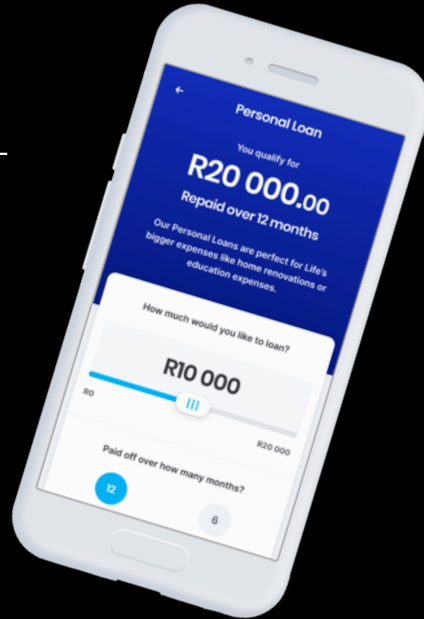


HiL – a FinTech business and omni-channel retailer

OUR CUSTOMERS' FAVOURITE DIGITAL FINANCIAL SERVICES PROVIDER



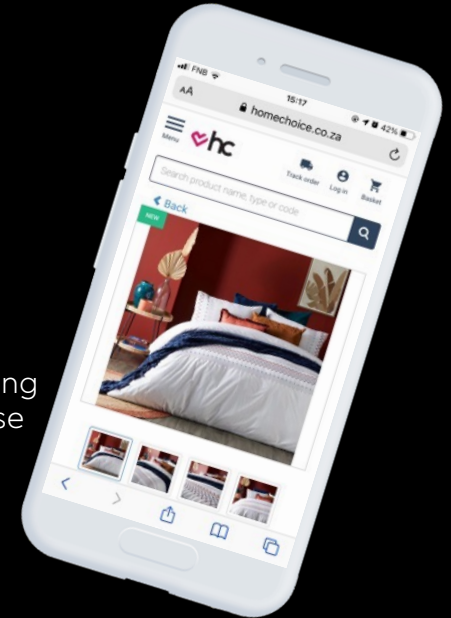
Digital FinTech business offering personal lending, insurance and value-added services



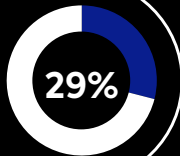
CREATING A HOME SHE LOVES



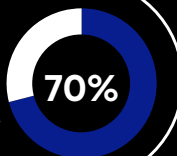
Omni-channel retailer delivering quality homeware merchandise directly to homes



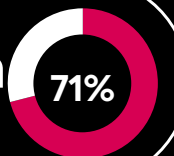
R491m
Revenue



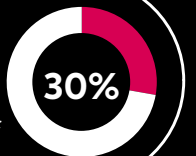
R139m
Segmental trading profit*



R1 200m
Revenue



R61m
Segmental trading profit*



* Segmental trading profit excludes once-off costs, and other group companies

Our customer – a digitally savvy, urban African woman

Group

918 000 group customers

80% women

R10k monthly income

Digital engagement

1 Million

Facebook +7.1%

117k

Instagram +58%

4 Million

E-mail +10.2%

35 Million

annual sessions

65k

HC app

Up
27%

146k

FC wallet

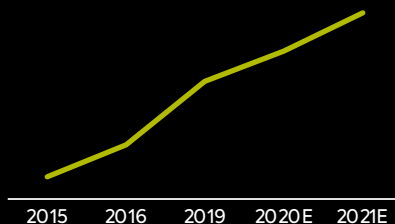
Up
62%



Covid accelerating structural shifts to digital

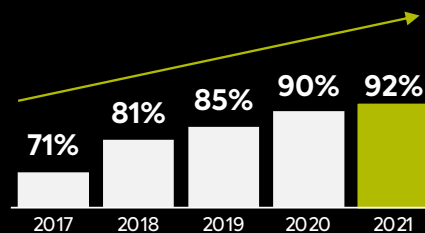
SA e-commerce market

growth
+287%



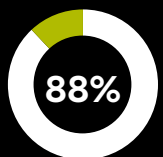
Digital loans business

Our Fintech digital transactions

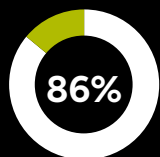


2 in 3 respondents will shop more online in 2021

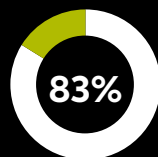
Factors influencing online choice:



Effective checkout



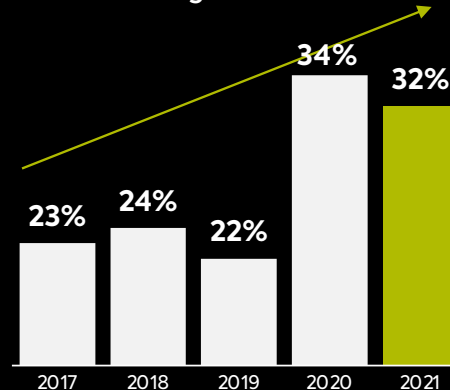
Customer service



Trust in the brand

Customers now shopping online

Our Retail digital transactions



Digital momentum building

2017

Credit-backed
wallet introduced
Insurance landed
digitally

2018

Machine learning
propensity models
launched
Digital VAS
implementation
Zero rated mobile
data

2019

New retail e-
commerce site
launched
Freshworks
introduced
Root cloud insurance
platform

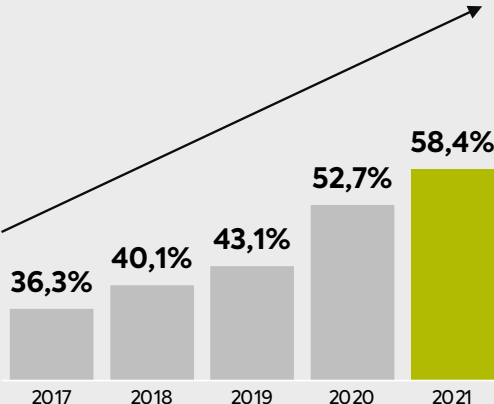
2020

Monetised social
platforms
HC app launched
R1bn wallet
transactions since
inception

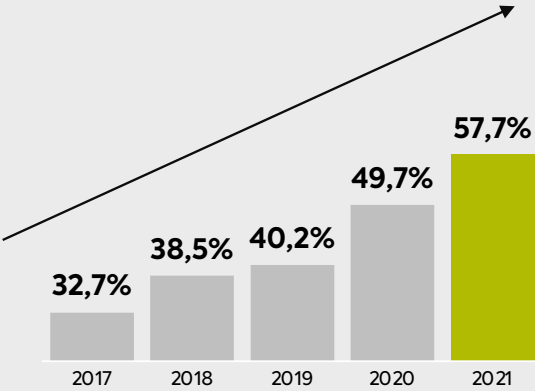
2021

FinChoice app pilot
Digital payment
options

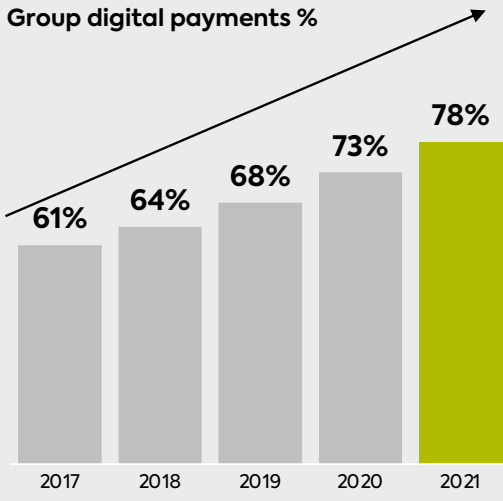
Group digital transactions %



Group credit extended %



Group digital payments %





A stable of consumer FinTech businesses

Current

 **Personal loans**

 **Payments**

 **Insurance**

 **Wallet**

Growth opportunities

 **Business loans**

 **Retail credit at POS**

Mobile-first technology-driven solutions



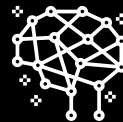
Cloud solutions



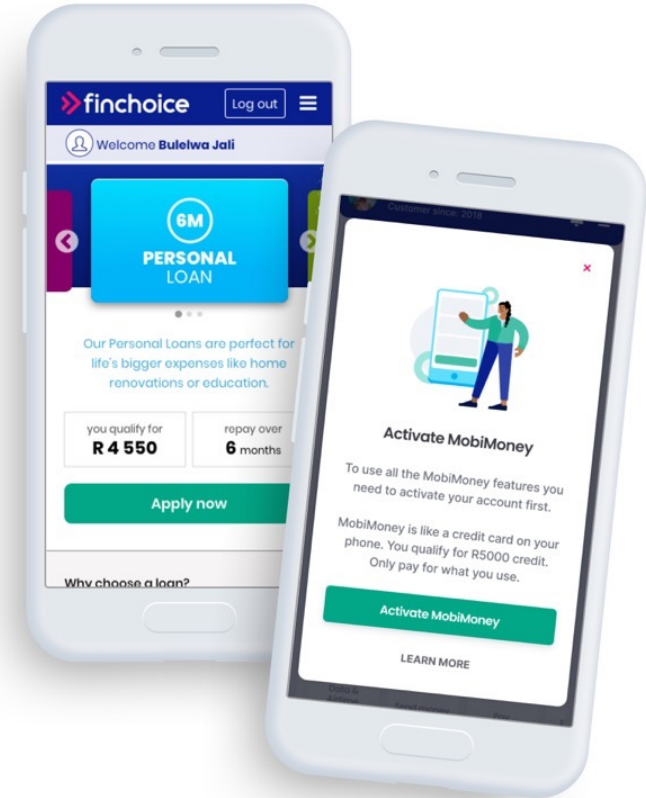
Open API



Data personalisation



AI, machine learning, big data





Omni-channel retailer with digital and data focus

Frictionless
70% credit application
within 15 mins
using data-driven science

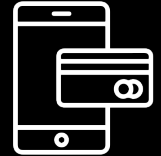
Leverage
Data analytics
for customer acquisition
and experience

Innovative homeware-focused
product with
quality and value

77%
Sales from
retention
customer
Machine learning
increasing customer retention
and marketing efficiency

**Delivery to
customers**
& 1 000+ collection points
943 000 deliveries

**45% digital
payment**
channels improve
book yields



Showrooms



Contact centre



Catalogue



Social media



Mobile-first

**Omni-
channel**

provides customer
convenience



financial
perform.

Market conditions challenging

Consumer confidence remains low

- Lockdown level 4 restrictions
- Covid third-wave surges
- Repo rate unchanged
- Vaccination programme picking up pace
- Electricity supplies unstable
- Social unrest in KZN and Gauteng
- Taxi unrest in Western Cape

-13 points

Q2 BER consumer confidence



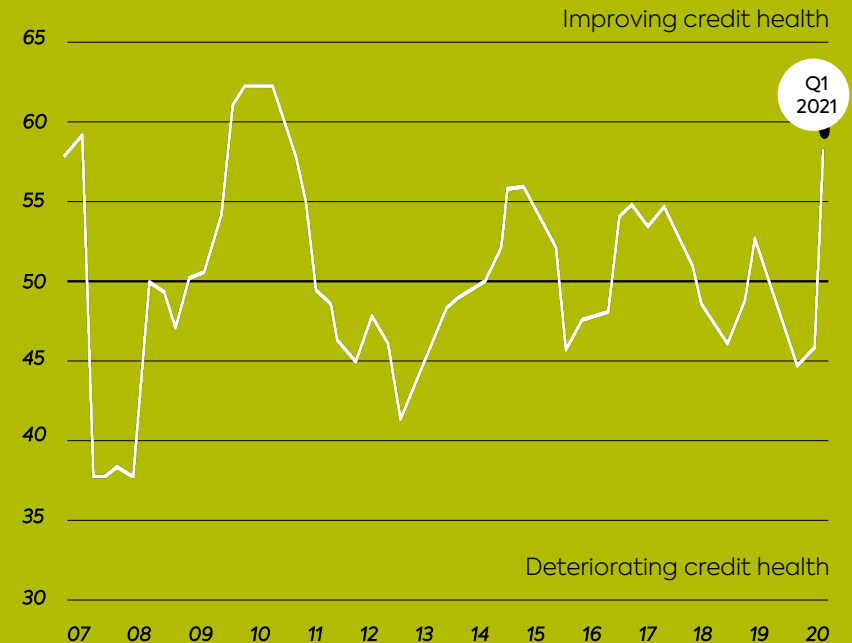
32.6%

Q1 unemployment highest level since 2008

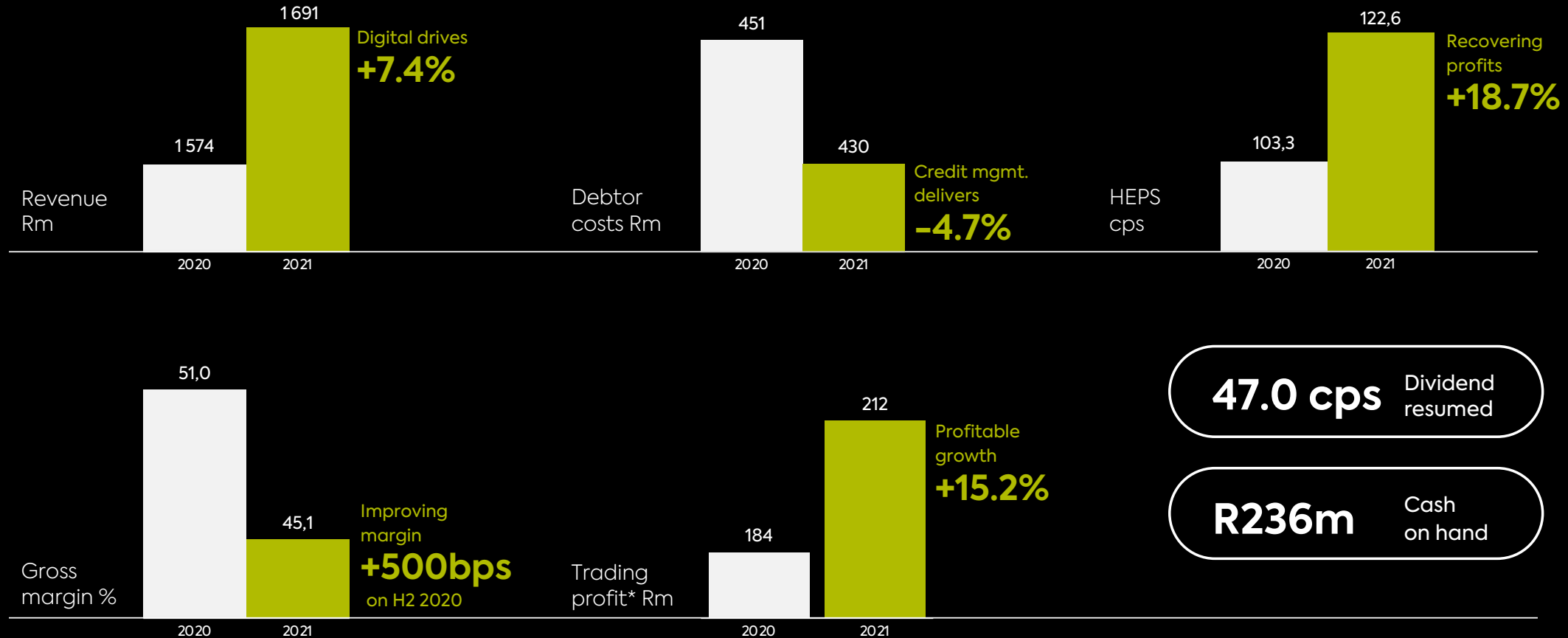
Sources: Stats SA, BER Consumer Confidence, TransUnion Consumer Credit

Credit experiencing greenshoots

TransUnion SA consumer credit index:



Digital driving strong performance



Revenue growth post-Covid

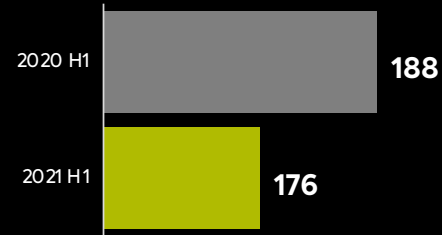
- Good revenue recovery
 - Retail growth on Covid low base
 - Strong demand in Financial Services
 - Finance income impacted by 300 bps in repo rate
 - 40% increase in insurance gross written premiums
- Gross profit margin improves from 40% in 2020 H2
- Improvement in credit book quality with appropriate coverage levels
- Once-off costs for Retail recovery plan
- Trading profit growth with margins up 80 bps to 12.5%

	JUN 2021 Rm	JUN 2020 Rm	% change
Revenue	1 691	1 574	7.4
Retail sales	894	824	8.5
Finance income	546	527	3.6
Other income	251	223	12.6
Gross profit margin	45.1%	51.0%	
Debtor costs	(430)	(451)	(4.7)
Trading expenses	(565)	(542)	(4.2)
Trading profit	212	184	15.2
Once-off costs	(36)	–	
Operating profit	176	184	(4.3)

Debtor costs reduces post-Covid, conservative provisions held

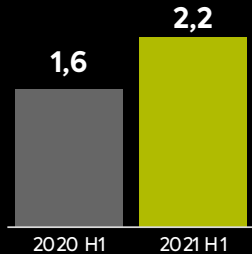
FINANCIAL SERVICES

Debtor costs Rm

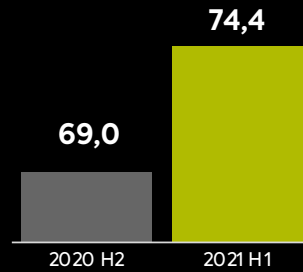


Improved
6.3%

Gross book Rbn



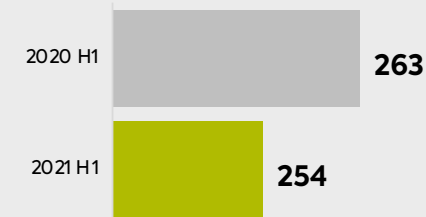
Stages 2 and 3 cover %



- Significant disbursement growth
- Credit risk well controlled
- Write-off point adjustment applied from H2 2020
- Conservative provisions held at 13.6%

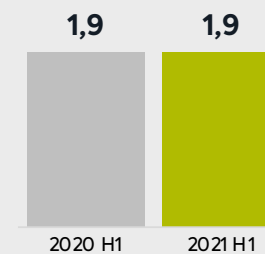
RETAIL

Debtor costs Rm

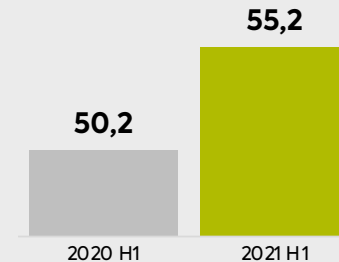


Improved
3.3%

Gross book Rbn



Stages 2 and 3 cover %



- Focus on existing customers with known credit risk
- Challenges in late-stage collections
- Cautious outlook on credit book
- Provisions levels maintained at 20.9%

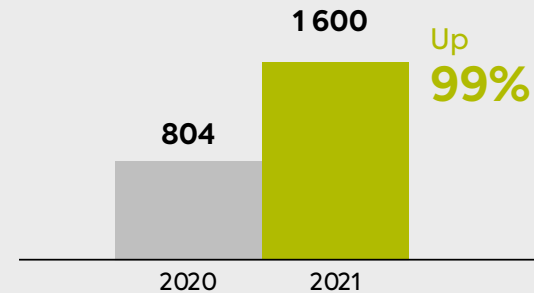
Investing cash to capture growth opportunity

- Cash utilised for FinTech growth
- R2.6bn collections, +14.2% increase
- Cash sales contribution held at 7.0%
- Stocks well managed with increased local buy
- R335m unutilised funding facilities
- Overall cash and borrowings of R570m available

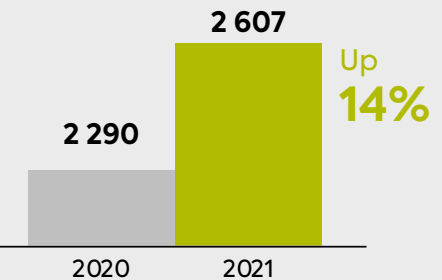
	JUN 2021	JUN 2020	% change
Cash (used)/generated from operations	R(165)m	R449m	>(100.0)
Capex	R46m	R56m	(17.8)
Cash balance	R236m	R379m	(37.7)
Net debt*	R610m	R321m	90.0
Net debt:equity*	18.5%	10.5%	

* Excluding property debt of R276 million

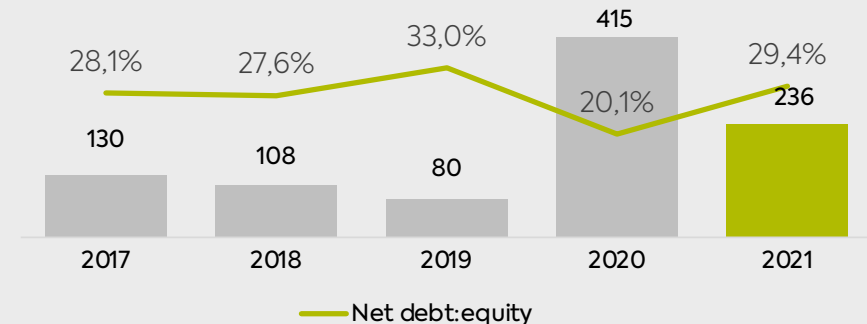
Double-digit growth in loans disbursed to customers Rm




Growth in collections from customers Rm



Cash on hand Rm



A high-angle, top-down photograph of a woman with dark skin and her hair pulled back, wearing a sleeveless dress with wide horizontal stripes of red and white. She is sitting on a large, plush rug with a bold geometric pattern in shades of orange, white, and blue. She is focused on a silver laptop in front of her, with her hands on the keyboard. The laptop's lid is open, showing a Windows 10 desktop with several application icons. The text 'fintech growth.' is overlaid in a clean, white, sans-serif font on the left side of the image, partially over the orange and white stripes of the rug. The lighting is warm and directional, coming from the upper right, casting soft shadows and highlighting the textures of the dress and rug.

fintech
growth.

96% of our customers rate us as their favourite digital financial services provider

30%

Customers' transactions outside normal business hours



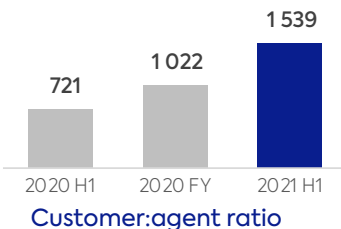
Voice of customer
95% smiley face rating

Net promoter score 76

55%

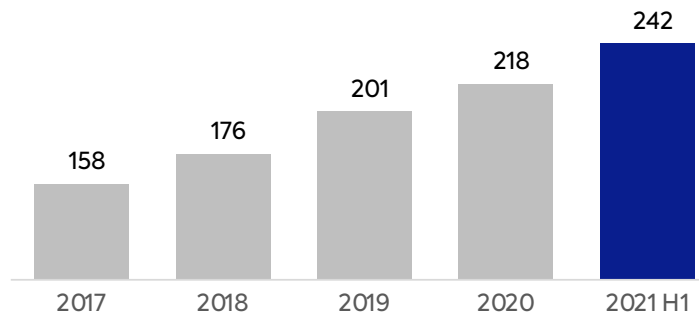
digitally serviced customer requests

Digital engagement has replaced need for agent contact



Strong growth in customers +11%

Customer base '000



Our customer focus drives loyalty



Promoters
83%

Detractors
7%

Google rating
4.2★



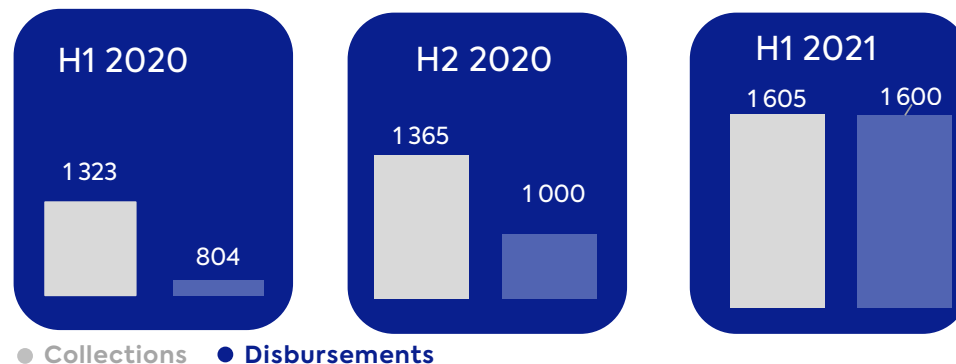
Outstanding performance

- Loan disbursements increased by 99%
 - Significantly cut disbursements in H1 2020 due to Covid
 - Strong rebound in demand within our risk tolerances
- Credit excellence with debtor costs reducing
 - Credit limit and customer strategies well executed
 - Book growth required increase in provision quantum
- Insurance costs driven by Covid-related death claims
 - Conservative IBNR provisions maintained
- Trading expenses well managed
 - Marketing support driving increased growth
 - Technology costs delivering Fintech developments
- Improvements in credit yield resulting in lower borrowing costs
- Operating profit up 77%



	JUN 2021 Rm	JUN 2020 Rm	% change
Loan disbursements	1 600	804	99.0
Revenue	491	426	15.3
Debtor costs	(176)	(188)	(6.3)
Insurance costs	(20)	(17)	17.6
Trading expenses	(130)	(111)	17.1
Interest expense	(28)	(37)	(24.3)
Trading profit	139	74	87.8
Once-off costs	(8)	–	>100.0
Operating profit	131	74	77.0

Credit book quality delivers good collections

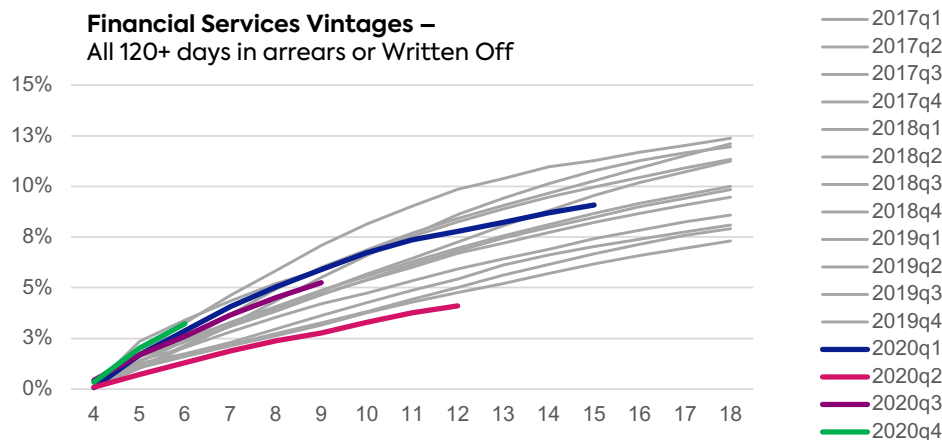


Improving quality of credit book despite high growth

- Higher acceptance rates within strict credit-granting criteria
- Effective use of digital fraud tools
- Credit limit increases to proven existing customers
- New customer disbursement mix managed to 15% - 25%
- Healthy pipeline to enable existing customer activations
- Close monitoring of early performance
- Good increase in yield-enhancing profitability

Vintages back to pre-Covid levels

Financial Services Vintages –
All 120+ days in arrears or Written Off

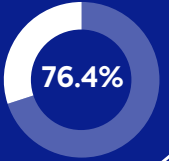
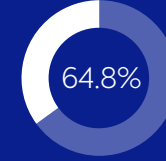
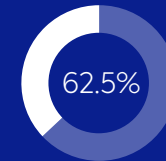


JUN 2020

DEC 2020

JUN 2021

**Applications
accepted**



**Average
loan term**

12.2
months

13.9
months

14.0
months

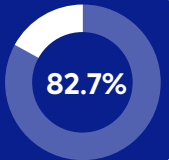
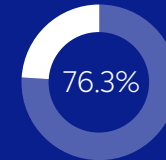
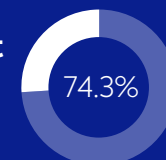
**Average
balances**

R7 100

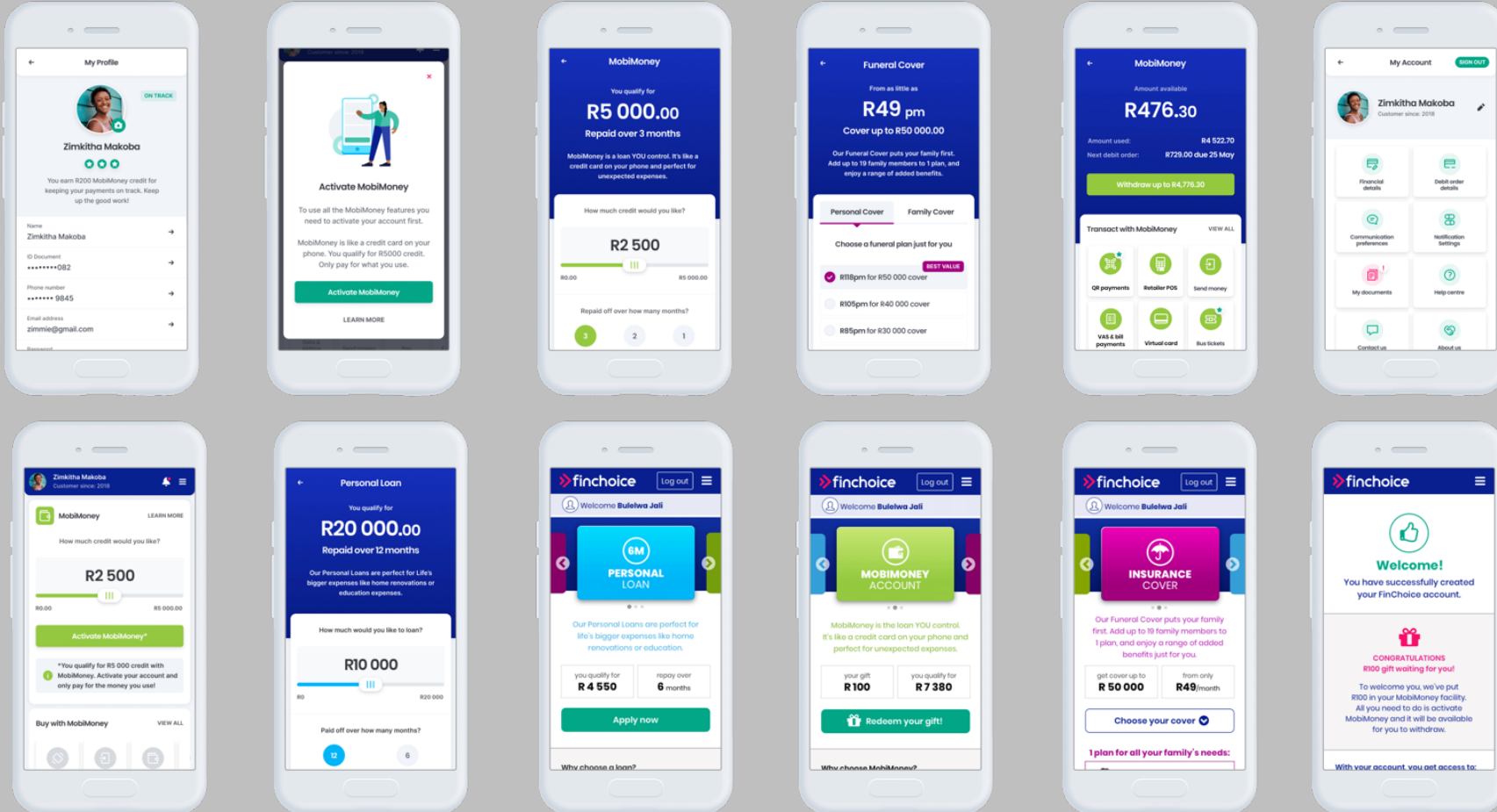
R7 859

R7 756

**Active account
holders able to
borrow**



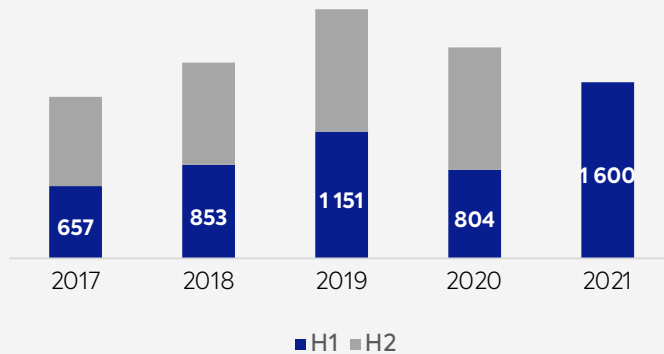
Developing engaging customer journeys



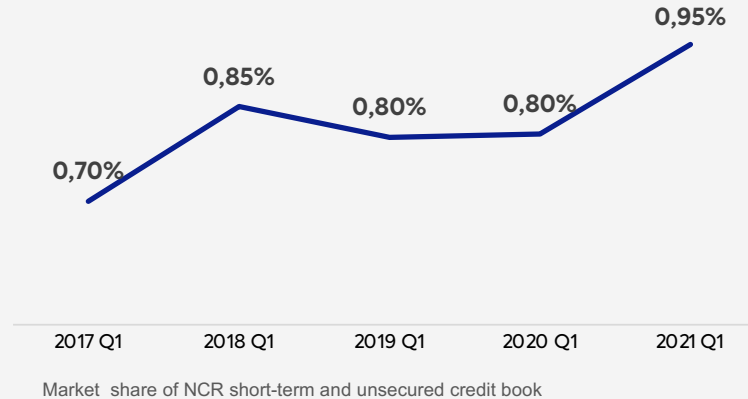
Highly engaging digital products



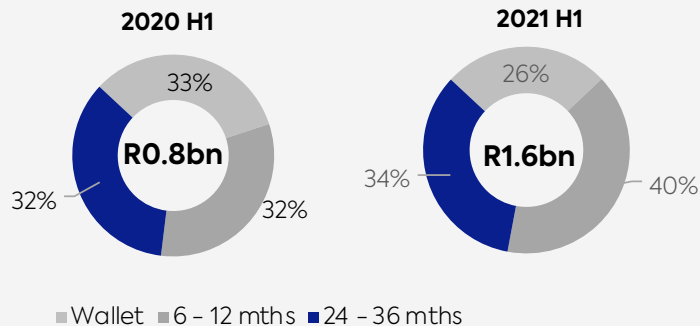
Disbursements up 99% on controlled limits
Rm



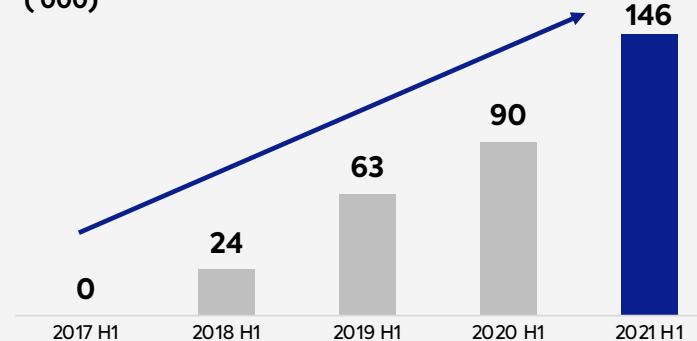
Accelerating market share



Disbursement mix maintained with growth



High growth in credit-backed MobiMoney wallet
(‘000)



92%
digital loan
transactions mix

96%
loans collected
digitally via
DebiCheck

52k wallet
transactions
monthly **Up 56%**

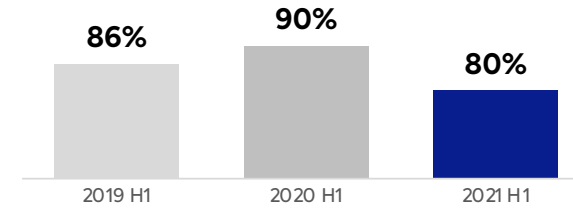


High existing customer mix + higher digital engagement = lower risk + higher profitability

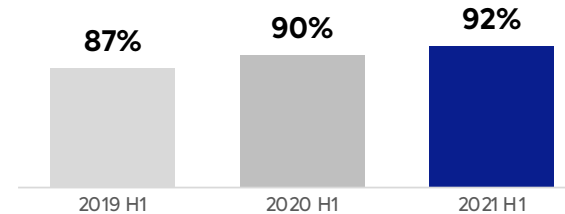
- Existing customers have lower bad debt
- And qualify for higher loan sizes
- Digital repeat business has low marketing and loan origination costs
- Existing customers are loyal

87% retention rate of
active existing
customers

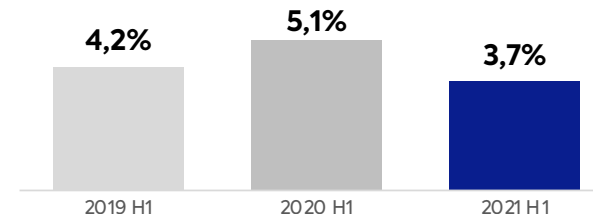
High mix of existing customer disbursements:



With >90% digital repeat loan engagement:



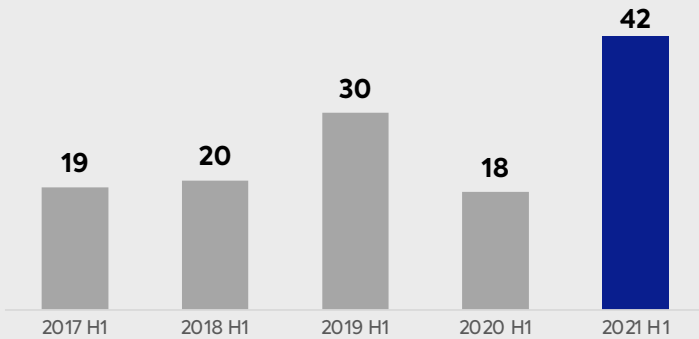
Existing customer balance 0 to 1 roll rates
demonstrate good credit performance



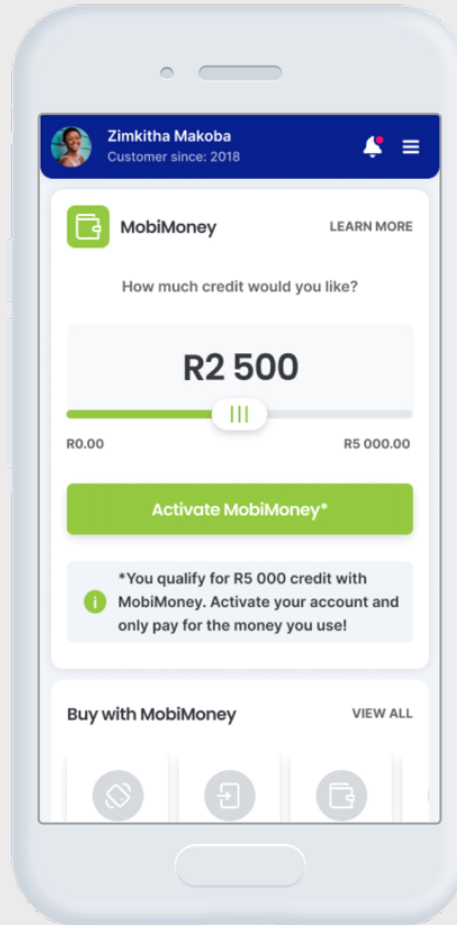
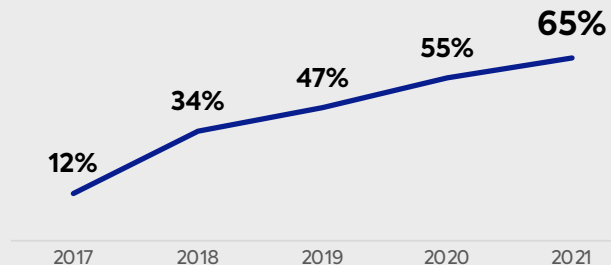
Personalised digital loan acquisition drives market share gains



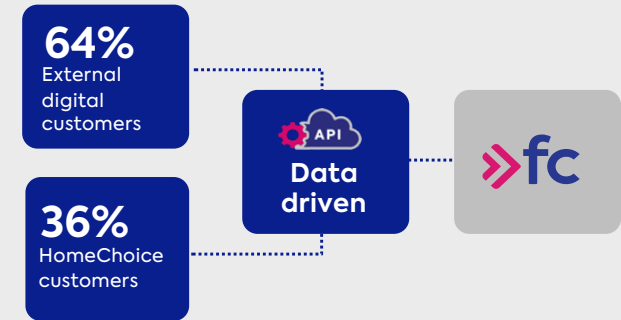
New customers acquired ('000)



Efficient digital origination of new customers

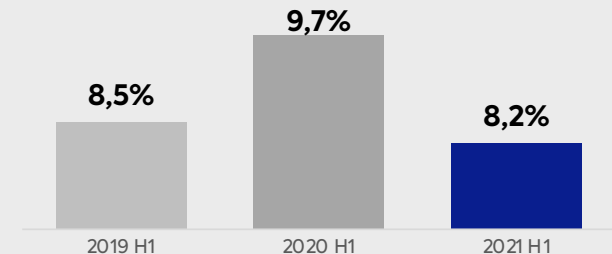


API technology driving digital acquisition



New intake performance below pre-Covid levels

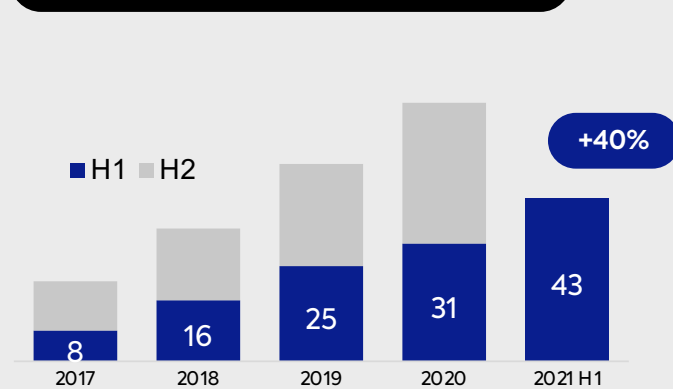
Financial Services balance 0 to 1 roll rates – New loans



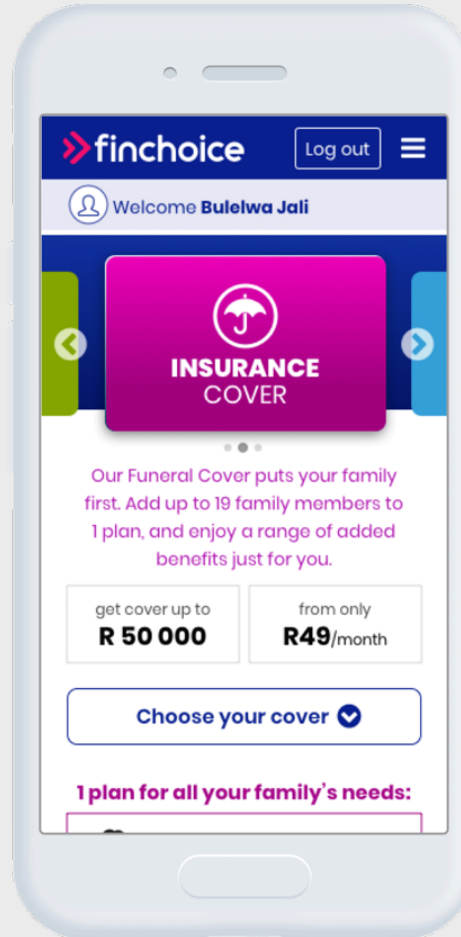
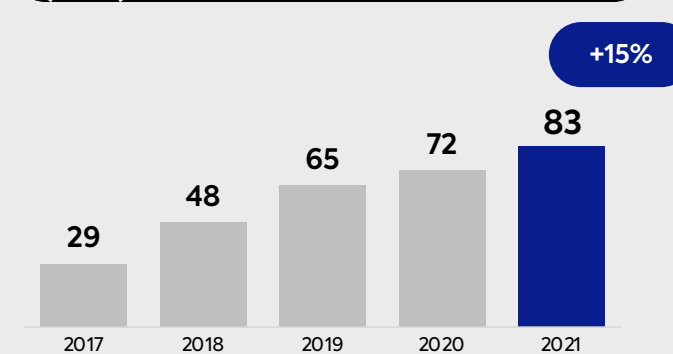
Strong insurance growth with higher digital adoption



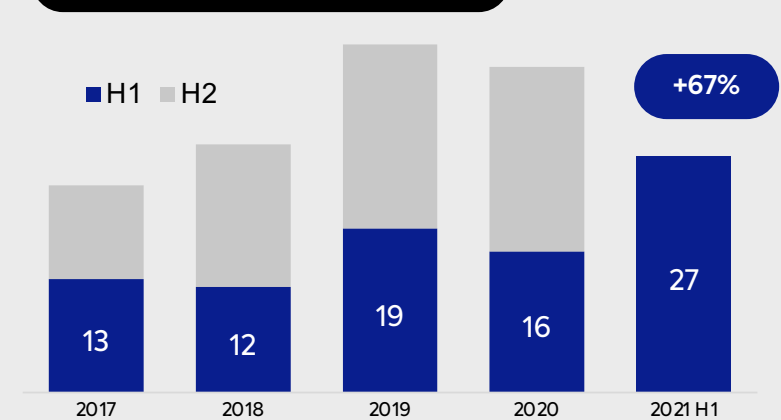
Consistent growth in GWP (Rm)



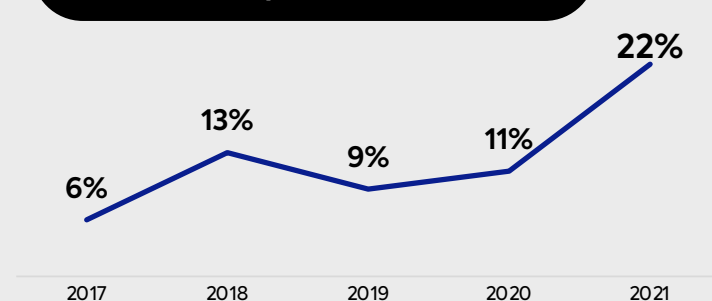
Steady growth of insurance customers ('000)



New policies acquired ('000)

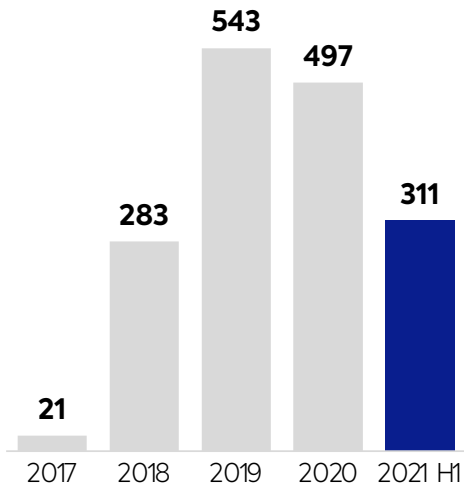


Momentum in digital acquisition of insurance policies

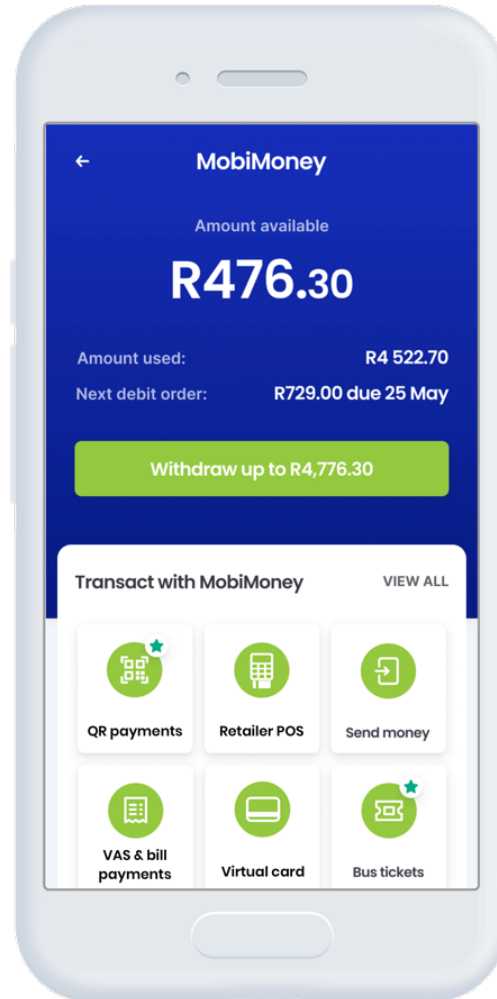


Expanding wallet utility

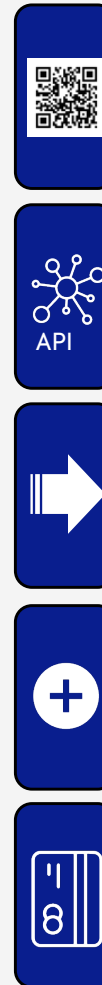
FinTech wallet transactions increasing ('000)



 **R2bn**
wallet withdrawals
since inception



Payment options



QR payments

Retailer POS

Send money

VAS & bill payments

Virtual card



retail
transform.

Clear path for recovery on track



2021 STABILISE AND IMPLEMENT

2022 DELIVER TURNAROUND

1

Innovate merchandise range

- Optimise product margin categories
- Refocus on excellence in bedding innovation

2

Grow customer base

- Implement data-driven, behavioural attrition models to drive improved retention
- Consistently drive digital acquisition

3

Expand credit offers

- Introduce instalment credit for high value items
- Flexible credit system implementation

4

Reset the cost base

- Workflow optimisation to deliver cost efficiencies
- Robust ROI methodologies

5

Drive digital and CX

- Digital focused marketing using social media
- Review customer journey to eliminate pain points



Stabilise growth in Retail topline post-Covid

- Retail sales growth of 8.5%
 - driven by digital momentum +25.5%
 - additional showroom opened +108.1%
- Annualisation of repo rate drop in 2020 results in lower finance income
- Gross profit margin improvement from 2020 H2 of 40%
- Reduction in debtor costs
 - benefit of stricter credit policy
 - off-set by impact of Covid on book performance
- Tight management of trading expenses yielding benefits
- Once-off costs result of retail transformation
 - impairment of software and restructuring costs

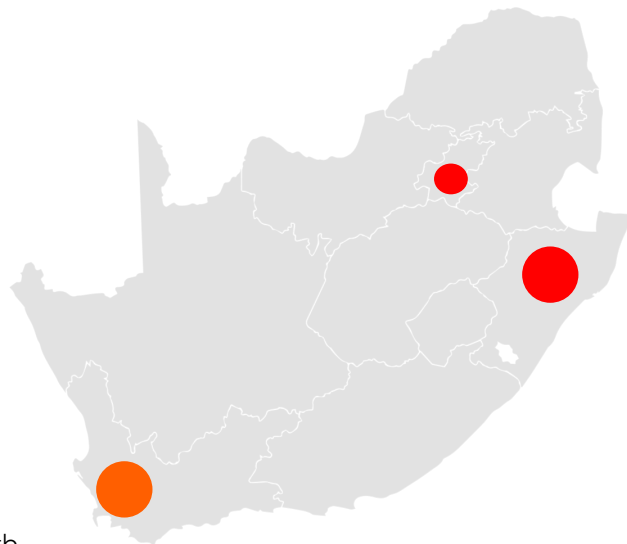
	JUN 2021 Rm	JUN 2020 Rm	% change
Revenue	1 200	1 148	4.5
Retail sales	894	824	8.5
Finance and other income	306	324	(5.6)
Gross profit	403	420	(4.1)
GP margin	45.1%	51.0%	
Debtor costs	(254)	(263)	(3.3)
Trading expenses	(399)	(412)	(3.0)
Trading profit	61	75	(18.9)
Once-off costs	(29)	–	>100.0
Operating profit	32	75	(57.3)

Driving recovery in turbulent times

● Riots and unrest 9 to 17 July 2021

● Taxi violence July 2021

- Physical damage to three stores and three containers, stores closed up to two weeks
- Absenteeism in contact centre and collections due to taxi violence
- Business impacted with July sales negative growth



Retail taking action

1. Supporting our people to WFH
2. Increase training of our teams
3. Sustainability solutions with packaging and fulfilment
4. Develop resilience and quick reaction to market turbulence
5. Driving digital mindset throughout the business



Retail sales growth at improved margins

Sales growth with narrower product range

2020 H1
-10%

2020 H2
-3%

2021 H1
+9%

Electronics and appliances sales contribution

20%

2020 H1

28%

2020 H2

28%

2021 H1

- Electronics and appliances volumes reduced with prices increased
- Bedding sales impacted by lower new customer acquisition

H2 aggressive price cuts reversed

Gross profit margin (%)

51,0%



2020 H1

40,0%



2020 H2

45,1%



2021 H1

Improved gross profit margin despite:

- Worldwide increase in shipping costs
- +140% growth in click and collect for customer convenience



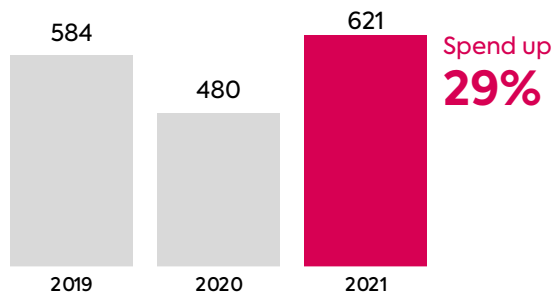


Strong own brand with more than 200 retail partners



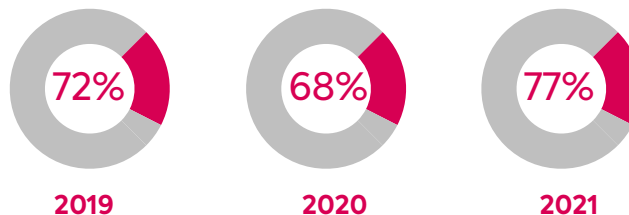
Existing customer focus, cutting acquisition to reduce risk

Existing spend (Rm)

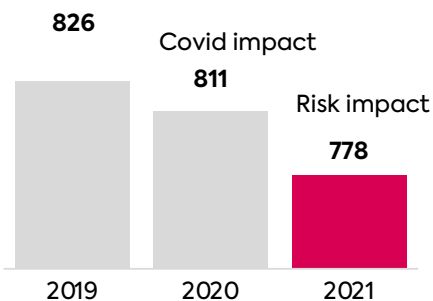


Existing customer contribution

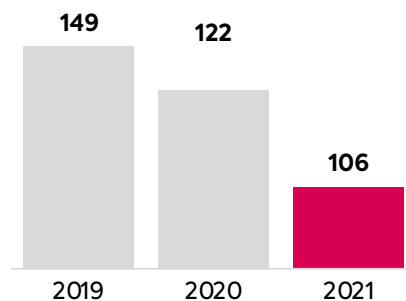
(Exceeding 2019 levels)



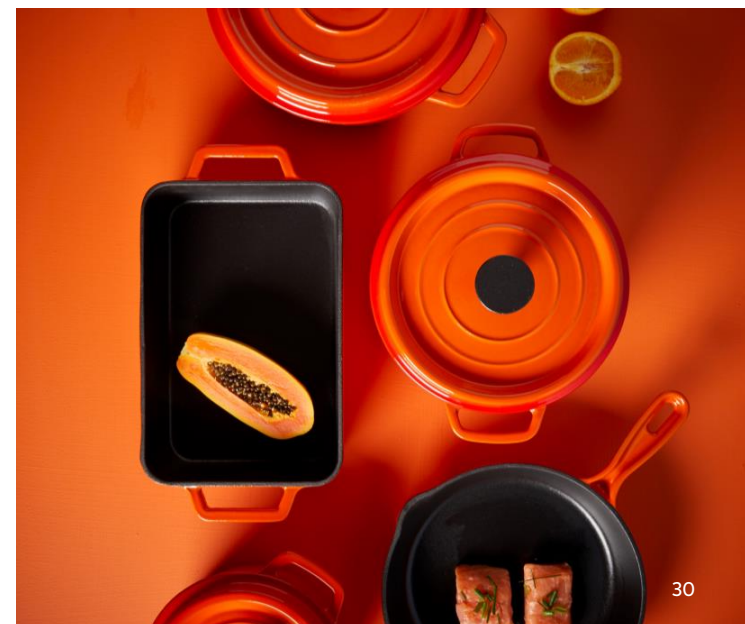
Customer base ('000)



New customers ('000)

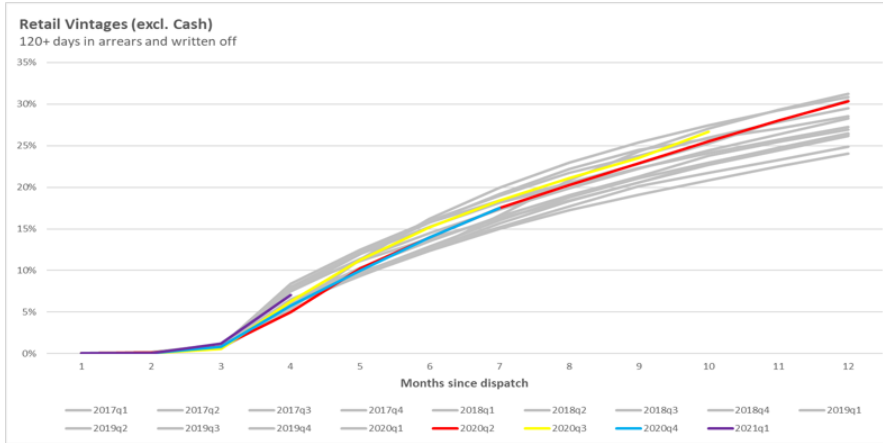


- Investment in data-driven anti-attribution campaigns delivering customer retention
- Renewed focus on customer service, with NPS above 70
- Integrated campaigns linking catalogue and digital journeys
- 106k (-13%) new customers due to stricter, data-driven credit decisioning



Cautious approach to credit book

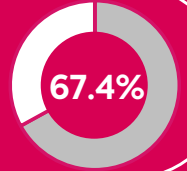
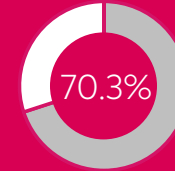
- Impacted by higher bad debt write-offs from early Covid lockdowns
- Slowdown in EDC recoveries reflective of market conditions
- Debit order contribution increasing, collections on H2 2020 lagging expectations
- Changes made to risk appetite showing positive signs



JUN 2020

JUN 2021

Applications
accepted



Average
sales term

16.1
months

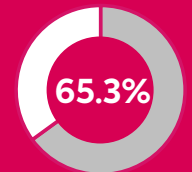
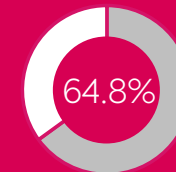
16.1
months

Average
balances

R4 542

R4 752

Active account
holders
able to
purchase



New accounts
Average limits

122k
R4 247

106k
R4 026

Tight cost control resetting the baseline

-3.0% total costs down from R412m to R399m

Marketing
-24.2%

- Focus on marketing efficiency
- Reduction in pages and quantity of catalogues
- Pivot to digital spend and social media

**Staffing
and
technology**

+11.7%

- Restructuring costs
- IT cost review to right-size operations

+0.1%

**Customer
operations/support**

- Digitalisation of processes
- Additional customer self-service options

Showrooms

+74.7%

- Annualisation of new showrooms
- Lost seven weeks of trade in 2020

-6.9%

Amortisation and depreciation

- Reduce level of capex
- Robust ROI process introduced



Digital momentum accelerates

82% mobile

Increased conversion on reduced traffic



Continued growth

+23.1%
digital sales growth



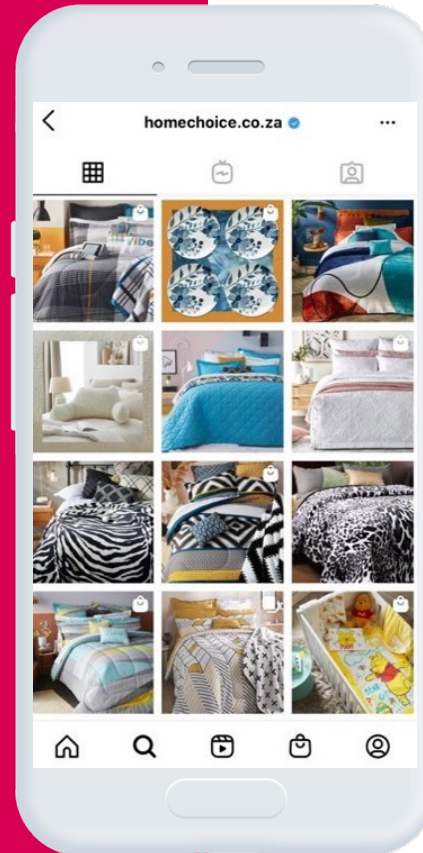
1 in 4
new customers are digital

+27%
App installs

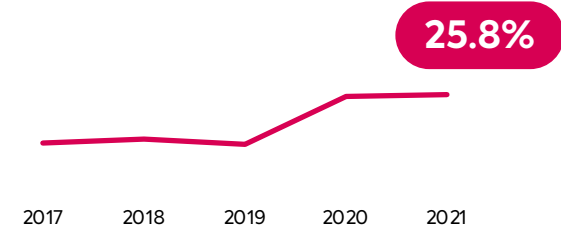


Social media monetised

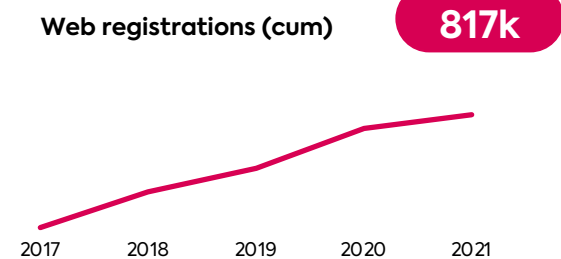
27% sales increase



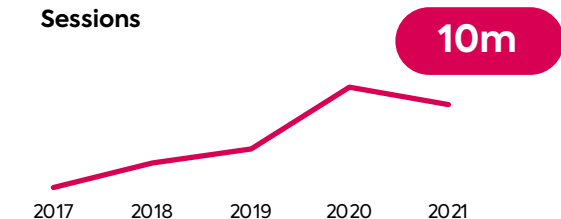
Sales contribution increasing



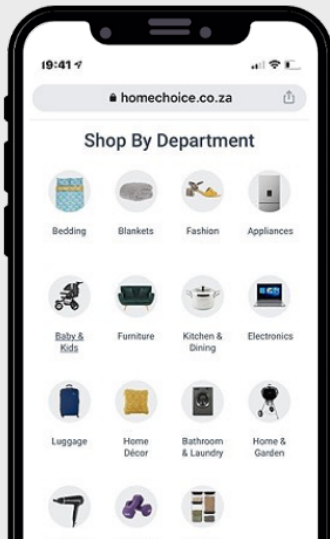
Web registrations (cum)



Sessions

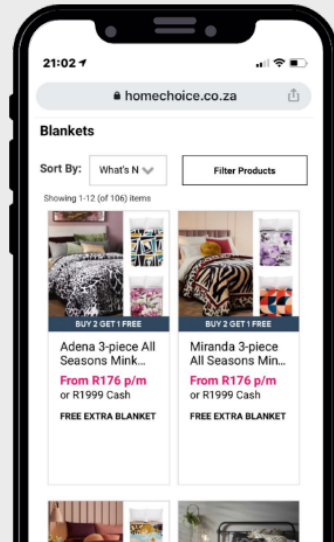


A one-stop shopping destination



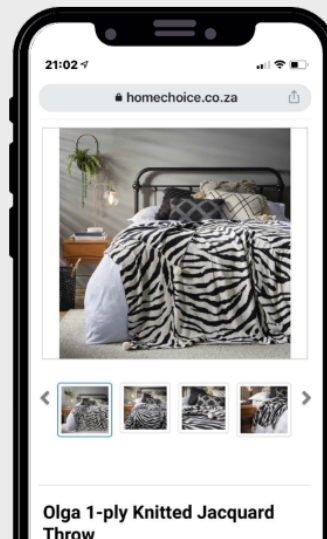
Easy Navigation

Customers can browse and shop from the comfort of any location



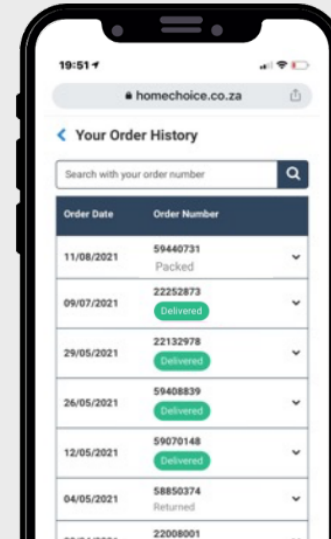
Wide Range

A wide range of over 200 established brands for customer convenience



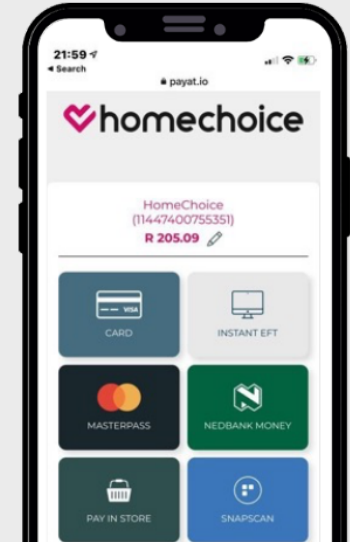
Rich Content

Providing our customers with relevant visuals and keywords



Order Tracking

Customers get access to track their order through the fulfillment lifecycle



Digital Collections

Easy seamless payment options available to all customers

A young Black woman with short, vibrant green hair is lying on her side on a grey fabric sofa. She is smiling broadly at her smartphone, which she holds in her right hand. Her left hand is resting on her head. She is wearing a peach-colored lace-trimmed top under denim overalls and blue jeans with rolled-up hems. A large, light pink cushion is in the foreground, partially obscuring her legs. The background is a plain, light-colored wall.

forward.

Accelerate digital momentum in FinTech with Retail recovery focus



OUR PEOPLE

- Protecting health and well being of staff
- Roll out of hybrid work solutions
- Develop digital skills throughout with effective training
- Decisions which support our Values



RETAIL TRANSFORM

- Regain bedding product excellence
- Drive income through credit product innovation
- Cost base reset
- Omnichannel and social integration drive digital



FINTECH PERFORM

- Grow digital market share in loans and insurance
- Expand MobiMoney wallet utility
- Accelerate disbursements while containing risk



FINTECH INNOVATION

- Develop payments functionality
- Introduce business loans
- Launch retail-point of sale credit



CUSTOMER GROWTH

- Focus on customer retention
- Drive digital acquisition
- Frictionless customer journey
- Improve her experience

Driving business growth with strong funding position to enable growth

questions.

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