

Homechoice International plc

Interim results
13 August 2024



Weaver Fintech momentum delivers excellent group profits up 36%.

HiL™

Revenue

R2bn

Growing 15% on LY

Operating profit

R388m

Operating margin 19.3%

Weaver Fintech

95%

Contribution to profits
before group costs

2.5m

Customers growing
rapidly up 51%

8 700

Points of presence
up 47%

89%

Transactions
conducted digitally

R5.2bn

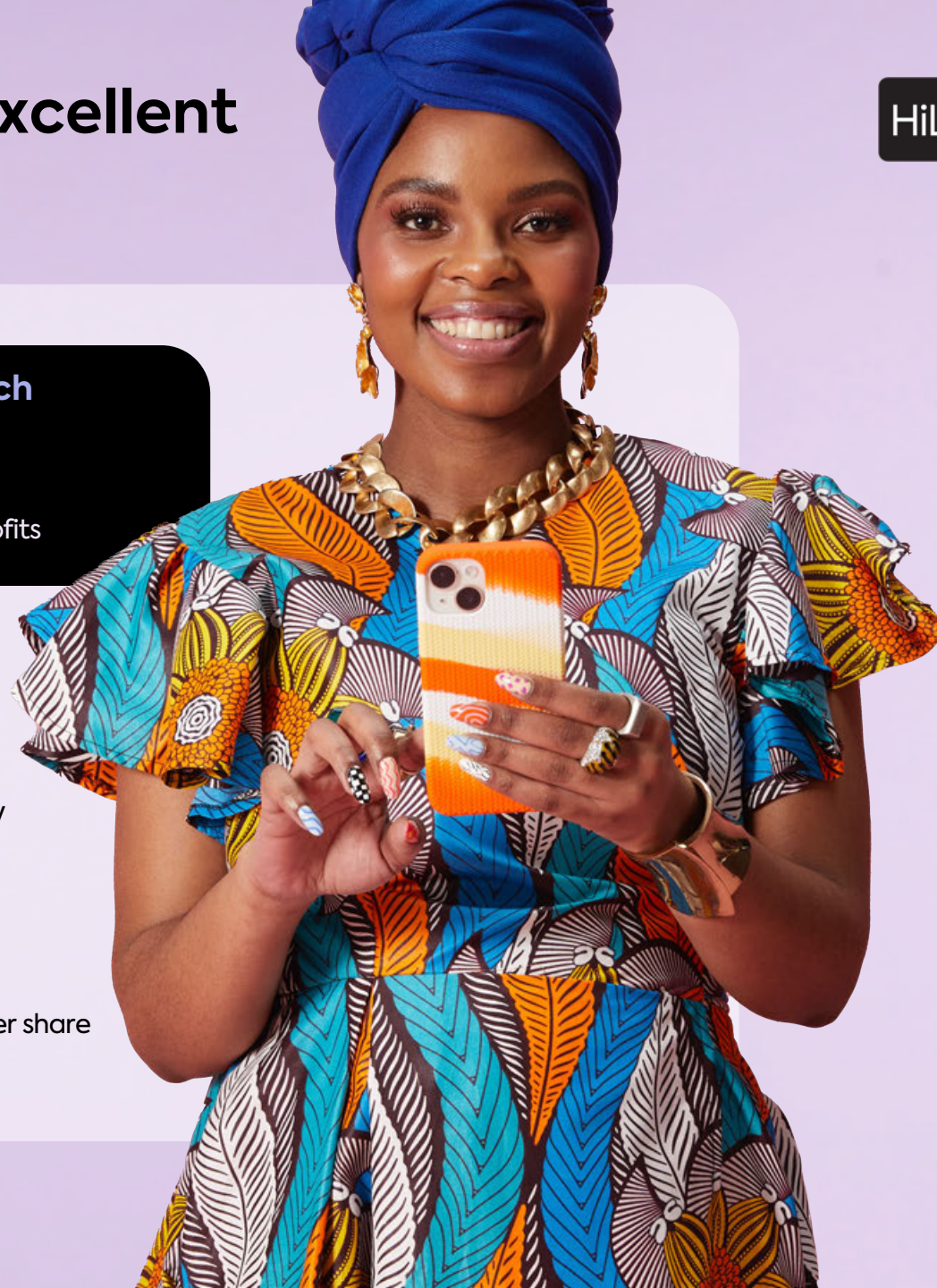
Cash collected up 32%

R2.8bn

Disbursements up 17%

95c

Interim Dividend per share
up 36%



Strong growth from our digitally savvy customer represents significant market opportunity.



Group Customers up 51%

2 530 000

Our female customers love our digital businesses

Fintech Customers up 76%

2 118 000

Outstanding response to product offering

Retail Customers down 10%

525 500

Credit tightening reduced base



37 years

Avg Customer Age

71%

Female customers

R15.7k

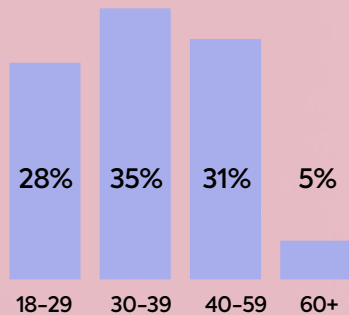
Avg Monthly Income

79%

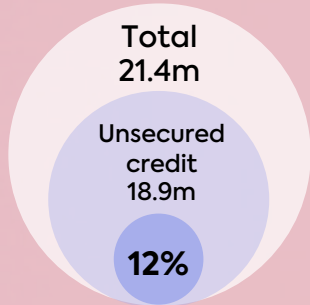
Responsible payers

63% of our customers are Millennials or GenZ

Significant customer growth opportunity



Customer age profile



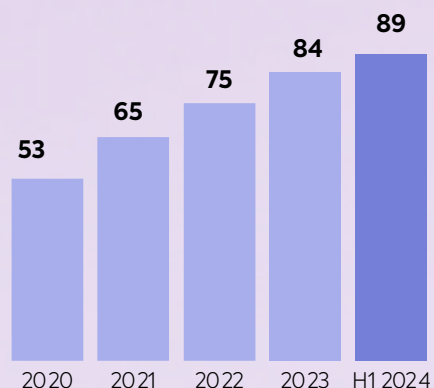
Our penetration of the total addressable market (based on credit active population in SA)

Notes:
(i) Customer overlap between Fintech and Retail 113k
(ii) Total Addressable Market based on information from Experian

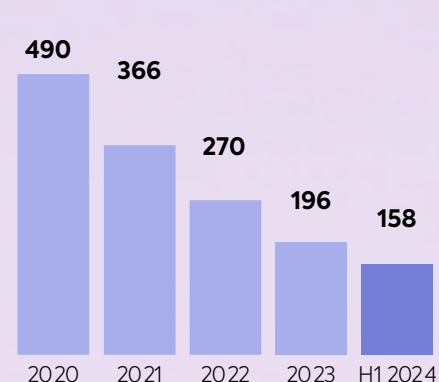
Digital business drives customer adoption and automation delivers efficiencies.



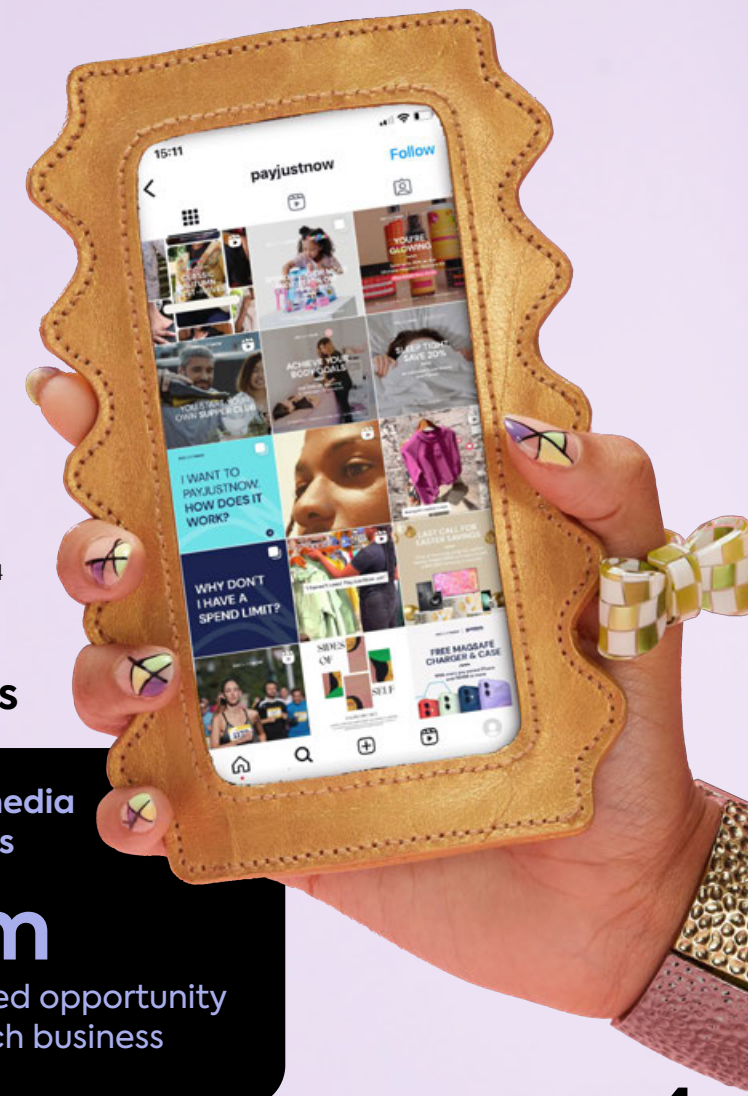
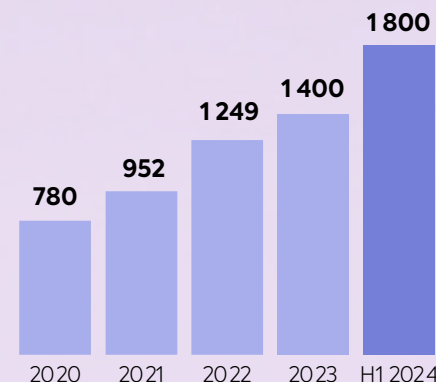
Group digital transactions mix %



Group direct cost per digital transaction (Rand)



Group avg monthly digital users ('000)



Strong engagement across digital platforms with > 2m digital transactions

Monthly digital users

1.8m



High levels of monthly digital engagement with 41% increase on H1 23

App users

1.4m



Up >100% on last year. Strong adoption and stickiness

Email addresses



6m

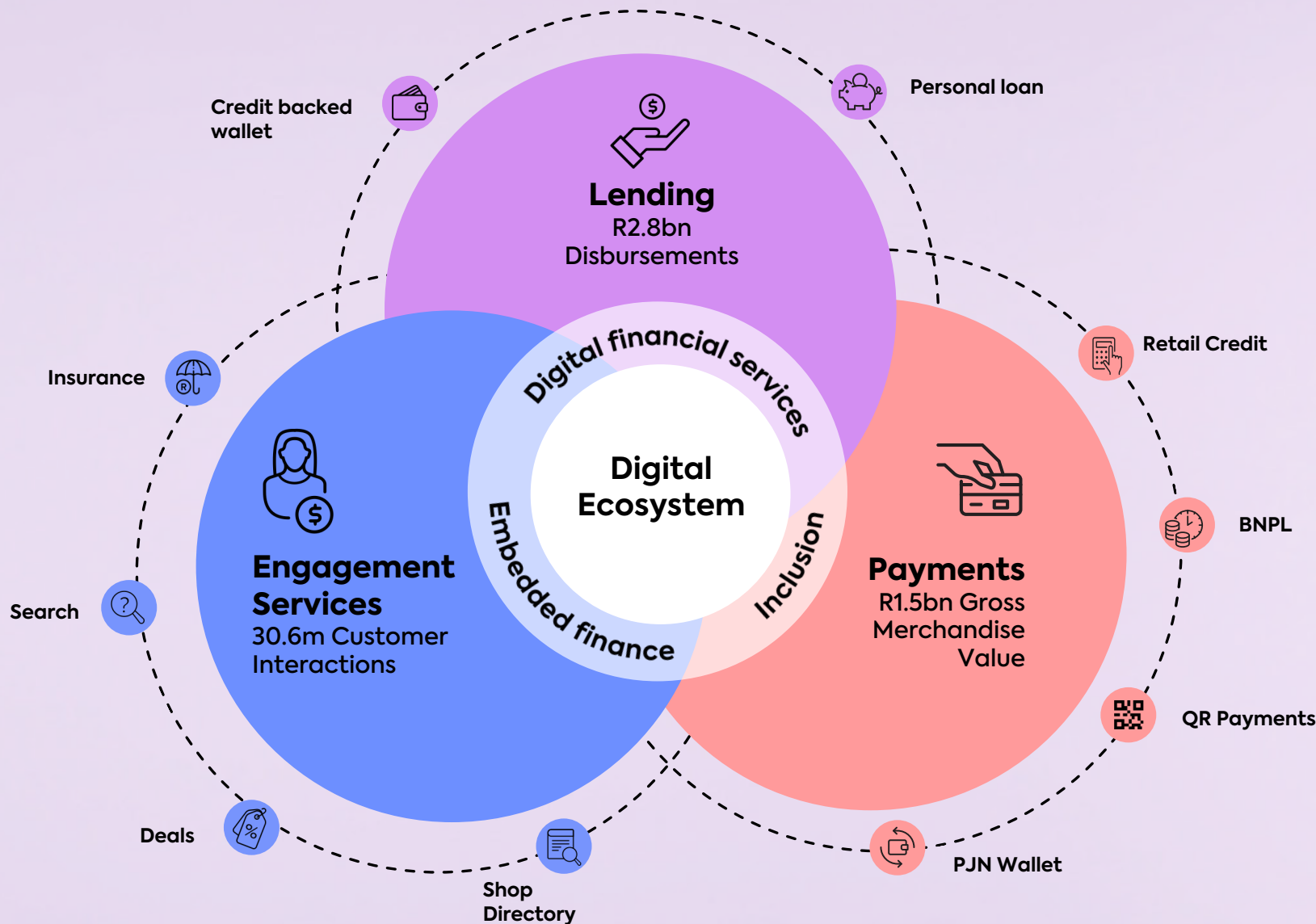
33% increase on LY

Social media followers

1.3m

Untapped opportunity in Fintech business

Our fintech ecosystem enables cross-sell – increasing customer lifetime value and profitability.

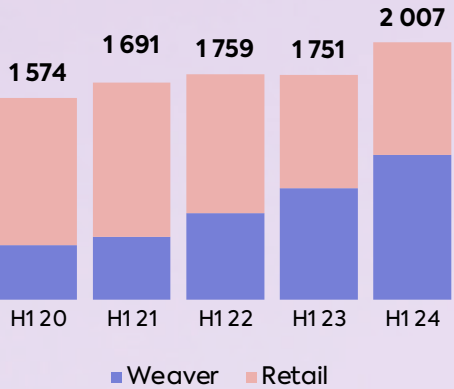


Finance.

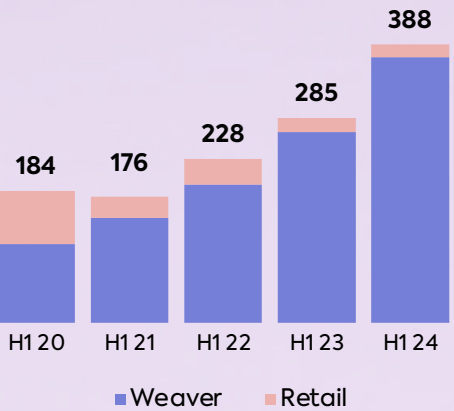


Fintech driven sustainable profit growth and compelling shareholder returns.

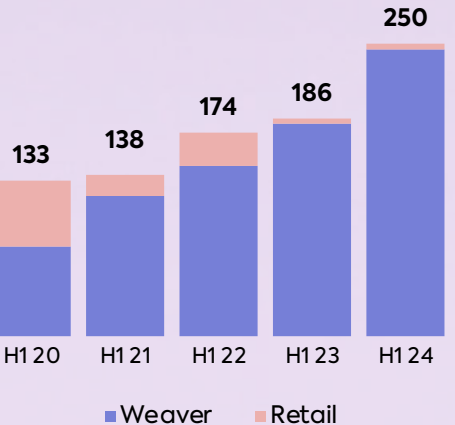
Group Revenue (R'm)



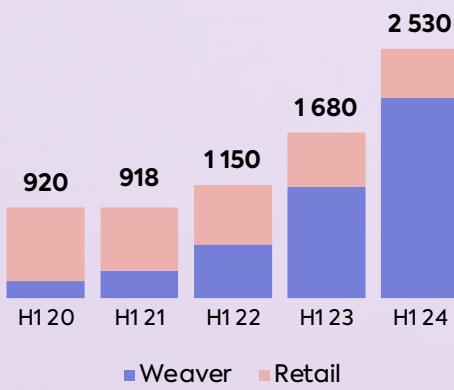
Group Operating profit (R'm)



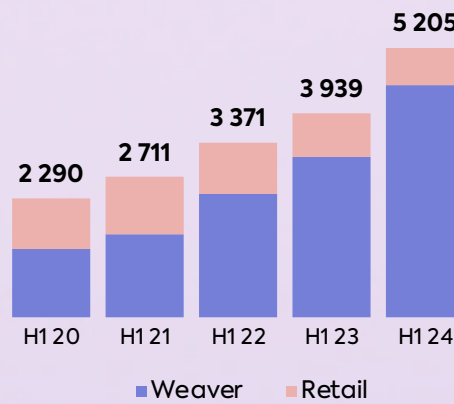
Group Profit before tax (R'm)



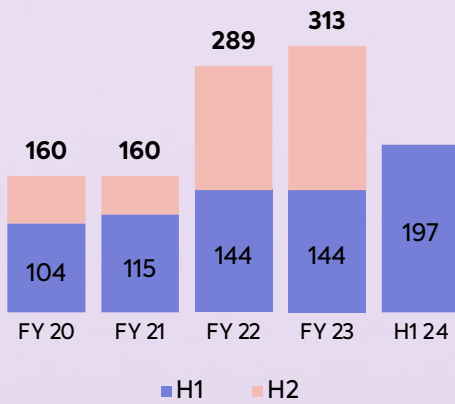
Group Customers ('000)



Group Cash Collections (R'm)



Earning per share (Cents)



Strong growth in profit after tax up 35% with margin improvement.

Revenue growth driven by fintech performance

- Diversified product strategy delivering fee income up 33% now representing 25% of revenue (LY: 21%)
- Lending income driven by sustainable digital loans growth
- Retail sales decline reversed with focus on heritage textiles

Gross profit margin improved 190bps

- Effective merchandise management with supply chain optimisation

Debtor costs grown with healthy provisions

- Fintech debtor costs held below book growth with credit loss ratio maintained
- Retail growth off low base within risk expectations

Trading expenses well controlled

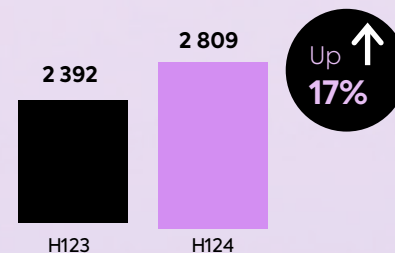
- Fintech business continues to invest in innovation, marketing and technology as it scales
- Retail costs reduced with benefits of restructuring

PAT up 35% from effective profit conversion

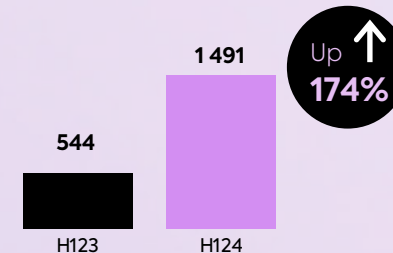
- Fintech delivering 95% of profits
- Higher interest cost to fund growth of fintech books

	2024 Rm	2023 Rm	% change
Revenue	2 007	1 751	14.6
Lending income	911	786	15.9
Fee income	492	371	32.6
Retail sales	604	594	1.7
Gross profit margin	45.5%	43.6%	1.9
Debtor costs	(620)	(503)	23.3
Trading expenses	(693)	(645)	7.4
Other income, gains and losses	23	17	35.3
Operating profit	388	285	36.1
Net interest expense	(138)	(99)	39.4
Profit before tax	250	186	34.4
Taxation	(47)	(36)	30.6
Profit after tax	203	150	35.3

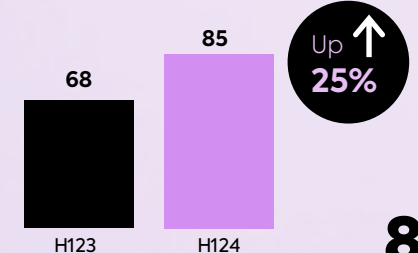
Digital loans disbursed (R'm)



Buy now pay later GMV (R'm)



Funeral insurance (R'm)

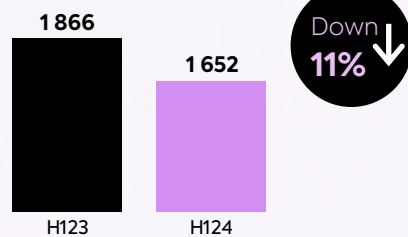


Healthy credit books with conservative provisions maintained.

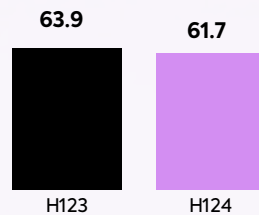


HOMECHOICE CREDIT

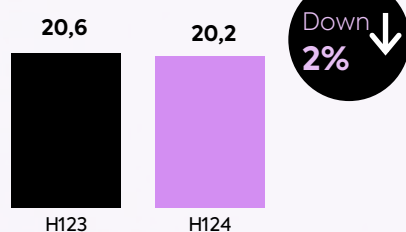
Gross book (R'm)



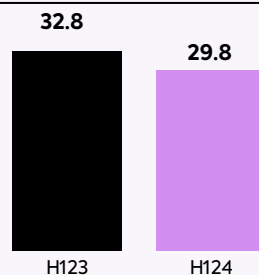
Stages 2 and 3 cover (%)



Credit loss ratio (%)



Provision % of gross receivables

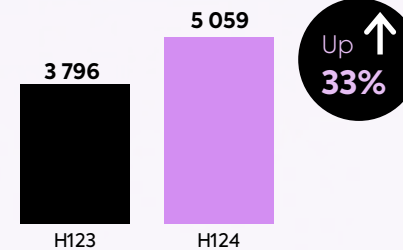


- Strategic credit tightening in 2023 maintained into H1 2024
- Credit loss ratio improved with lower write-offs offset by impact of rehabilitation products
- Healthy provision cover with improving collections performance

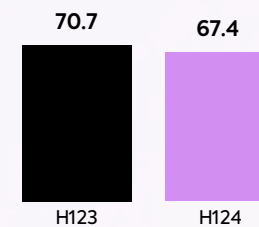


WEAVER FINTECH CREDIT

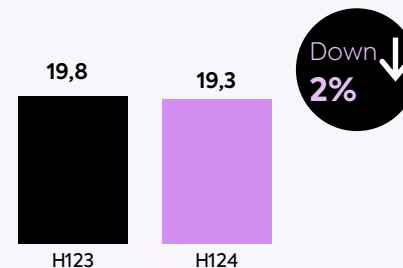
Gross book (R'm)



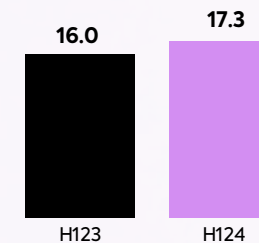
Stages 2 and 3 cover (%)



Credit loss ratio (%)



Provision % of gross receivables*



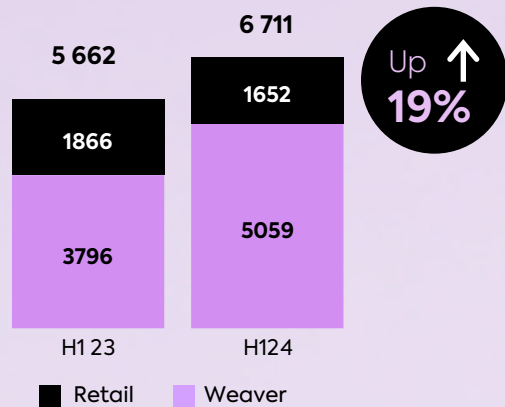
* Provision on comparable book

- Deliberate strategy to increase loans to proven existing customers with mix around 87%
- Total book provision rate 19.2%, due to shifts in book mix with deferral of sale of rehabilitation books, successfully sold in July 2024
- Appropriate provision cover held at 67.4% (FY23: 66.8%)

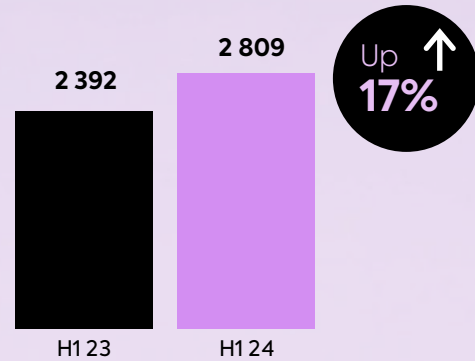
Purposeful capital allocation to fund Weaver growth.



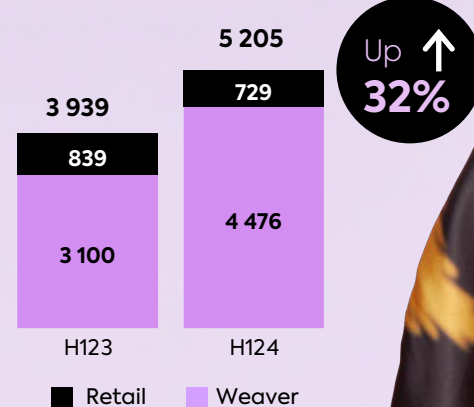
Trade and loan books (R'm)



Fintech disbursements (R'm)



Group collections (R'm)



Summary of Group cashflow

	JUN 2024	JUN 2023	% change
Operating cash flows	436	320	36.3
Working capital	(459)	(346)	32.7
Cash used in operations	(23)	(26)	(11.5)
Capex	(69)	(32)	>100
Tax, Interest and Dividends	(282)	(200)	41.0
Net financing flows	548	414	32.4
Net cash flow	174	156	11.5
Net debt	2 352	1 820	29.2

Invest

Capex investment doubled with strategic focus on fintech product innovation, our digital technology platforms and the roll-out of retail showrooms

R1.1bn

Cash and Undrawn funding facilities for future fintech growth





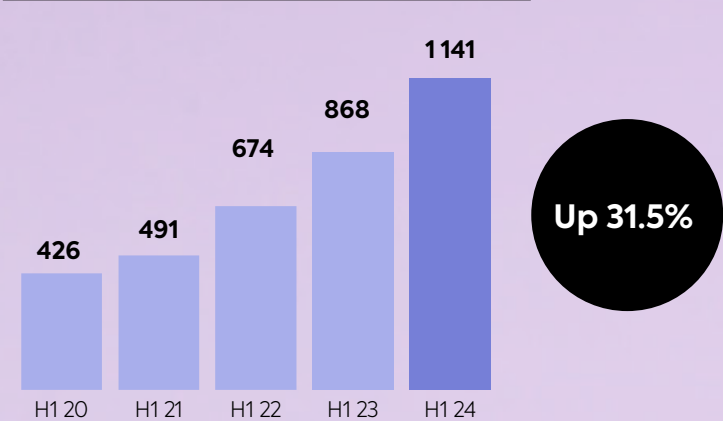
Weaver Fintech.



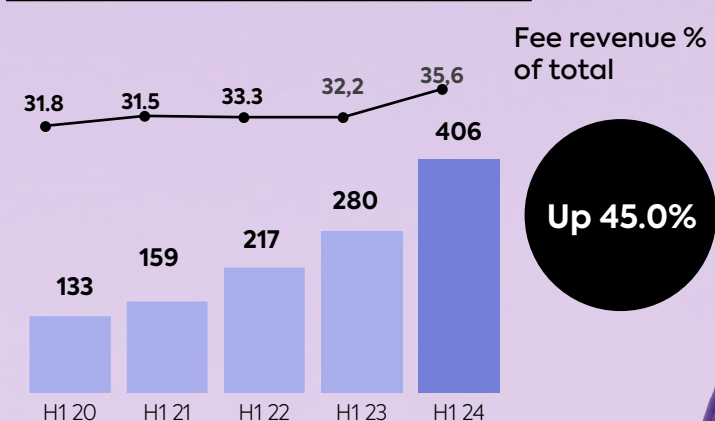
Weaver Fintech delivers continual topline growth and profit conversion.



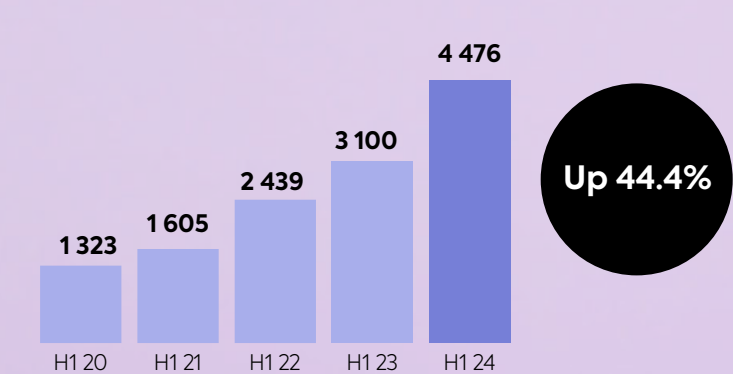
Revenue (R'm)



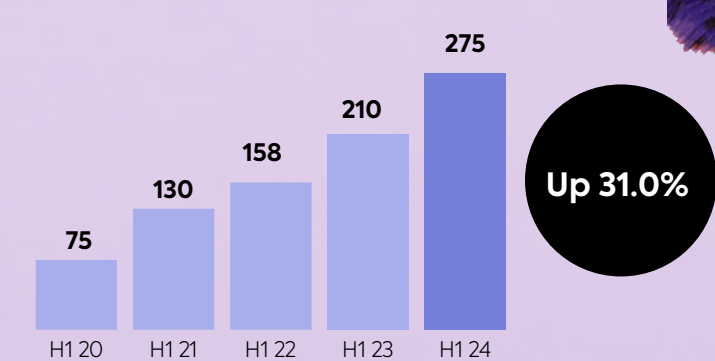
Fee Revenue (R'm)



Cash Collections (R'm)



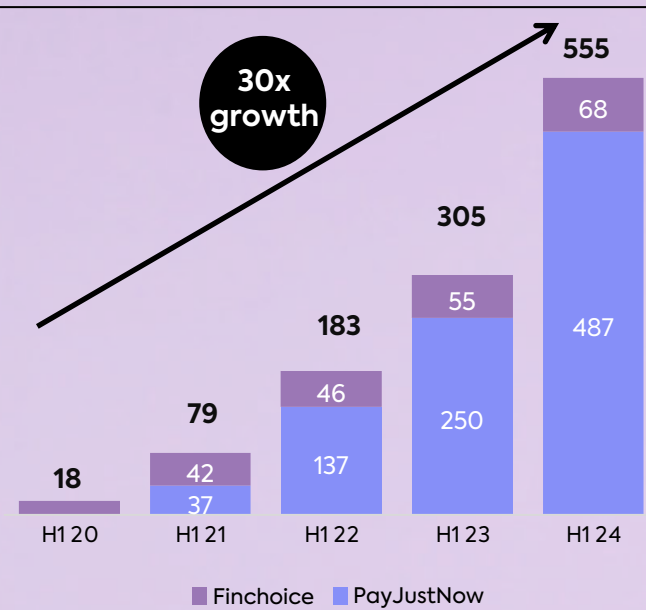
Profit before tax (R'm)





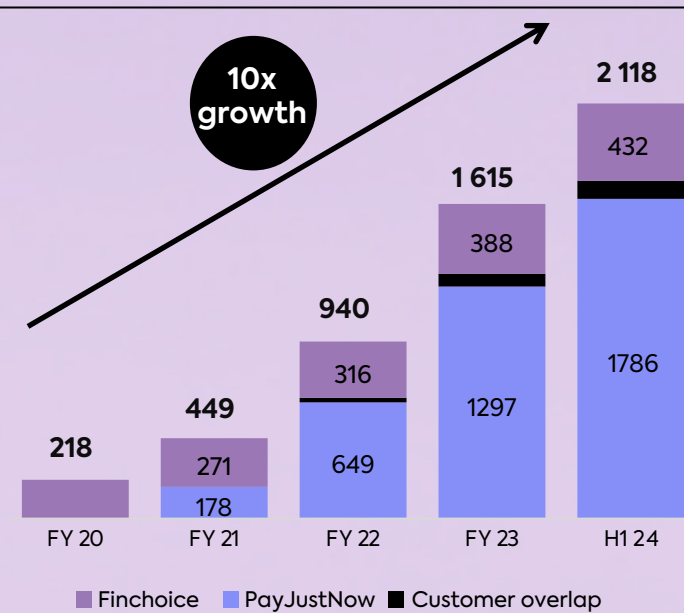
Customer base accelerates with high engagement across much loved fintech products.

New customers adoption ('000)



Note: PayJustNow customer base based on signed up customers for BNPL

Rapidly growing fintech customer base ('000)



2.1 million
customers



4.6

Google rating

73.5

Net promoter score

85%

Loan Retention rate



4.7

Google rating

77.9

Net promoter score

59%

BNPL Retention rate



Fintech ecosystem developed with in-house tech expertise creating a broad range of digital financial products.



Personal loans

877k digital loan transactions – volumes up 35%

BNPL

1.1m digital shopping transactions growing 2.7x

Mobile Wallet

500k wallet transactions up 22%

Insurance

34k new policies up 36%

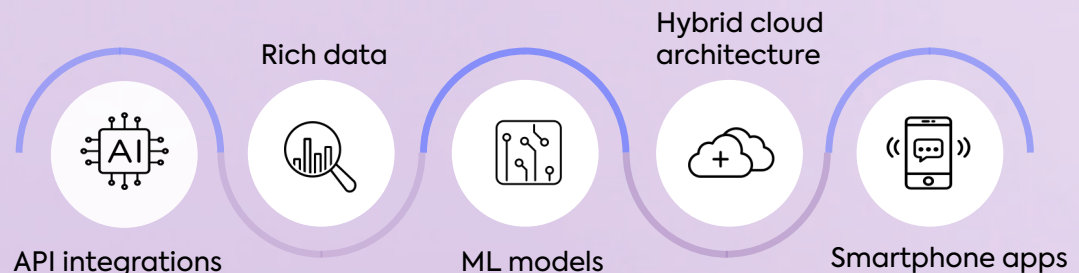
Retail Credit

Launched instalment credit offer as payment option at the till

Value Added Services

QR payments enabled at 600k points of presence

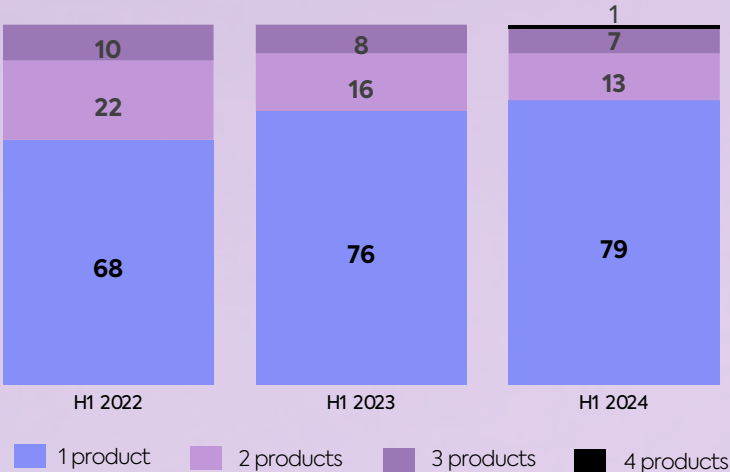
Platform ecosystem enabling product innovation



Strategic focus on increasing profitability through seamless product cross-sell across our ecosystem.

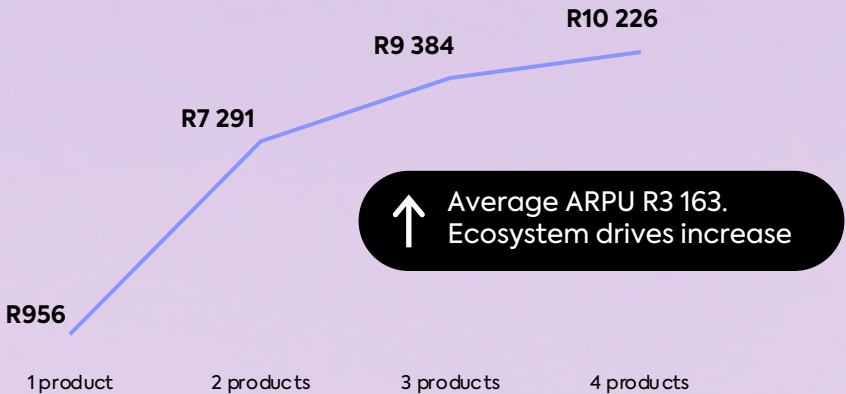


Multiple products per customer – targeting 50% with 2+ products (%)



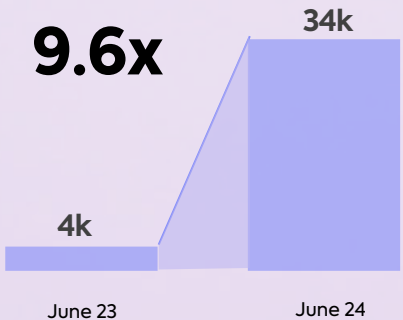
* ARPU (average revenue per active user)

ARPU* based on number of products (R)

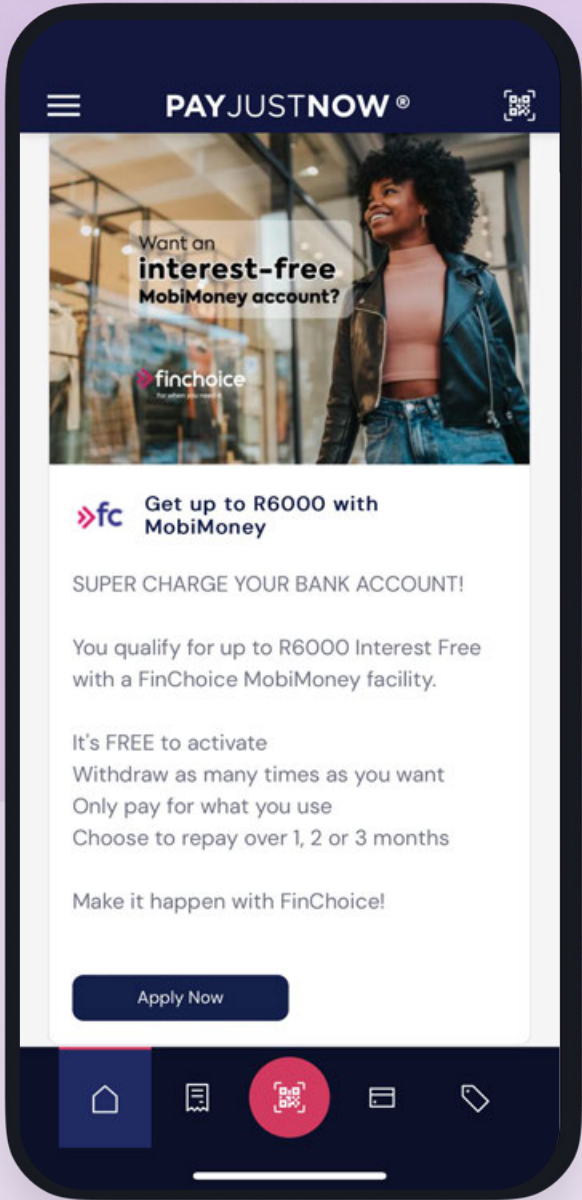


Intentional digital marketing delivering cross-sell momentum in customer base

Cross sell growth to 34k



- 97% retention rate of ecosystem customers
- Embedded insurance enabled with loan growth
- Ecosystem customers lower credit risk improving profit

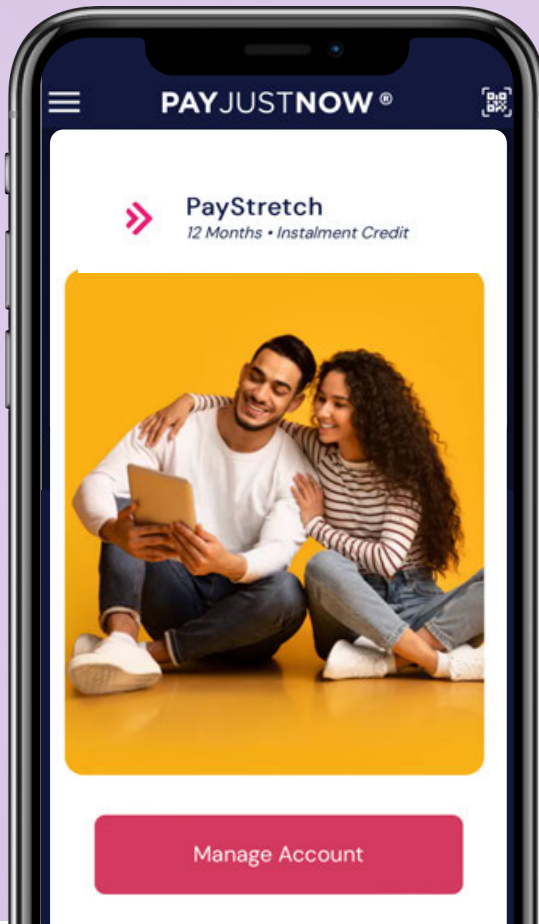


Innovation enabled through technology delivers ecosystem range.



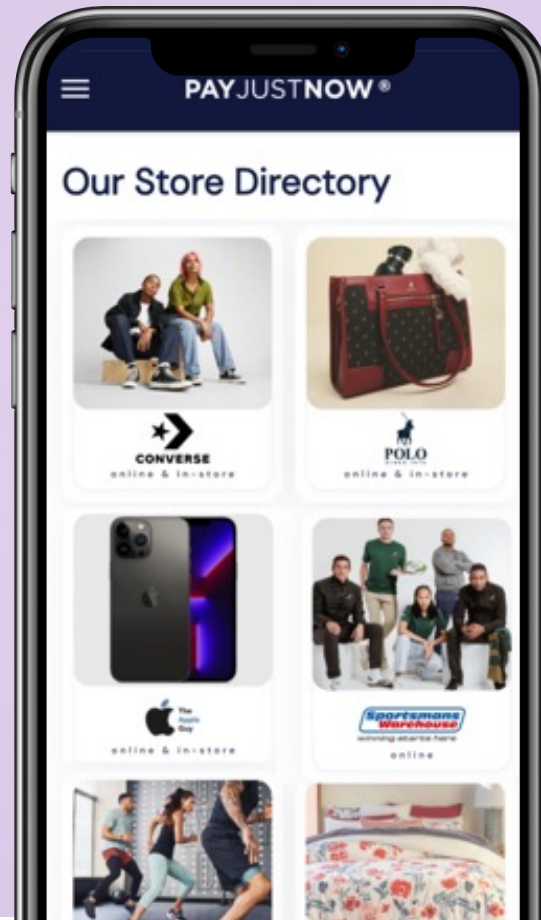
Payment offers at the till

PayStretch™ product to enable her large item purchase needs



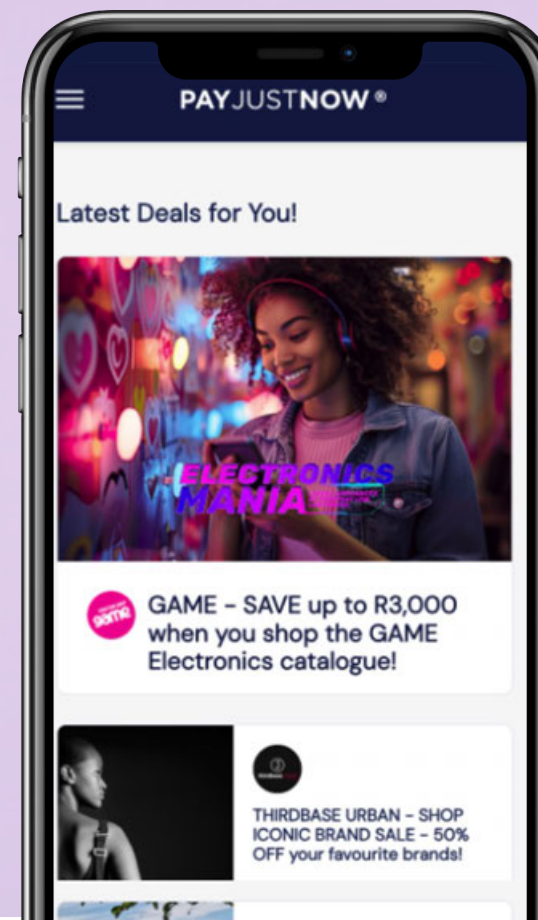
Rich and powerful store directory

Enhanced search features on store directory for customers direct to merchants



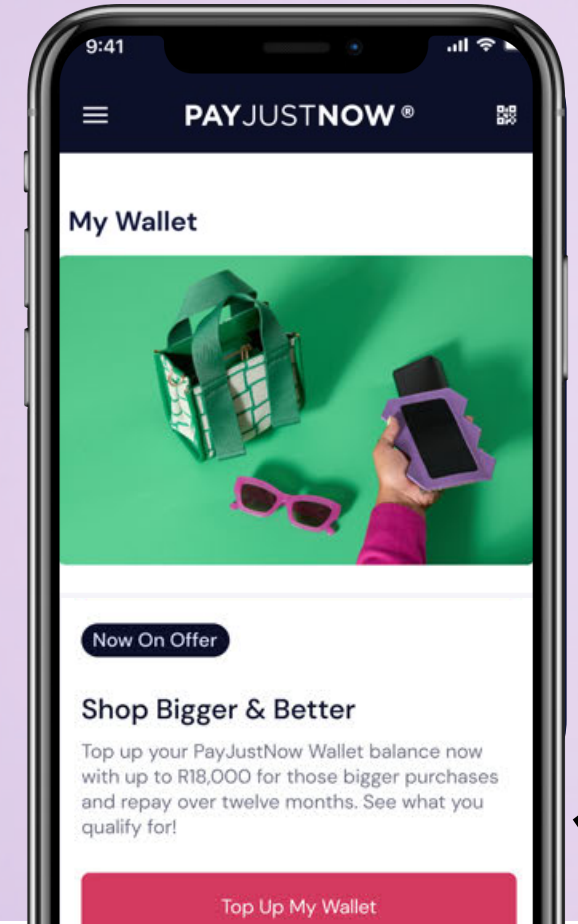
Personalised deals offers

Data driven decisioning used to show relevant merchant deals to customers



Unique digital refunds

Merchant refunds direct to customers store of value



Weaver delivers sustainable high growth and profitability.



Fintech revenue strongly growing up 31%

- Digital loans business delivers 25% higher income benefitting from controlled disbursements and increased repo rate
- Strong growth in fee income up R126m (45%) contributing 36% of revenue growing from 32% LY
- BNPL gross merchandise value growing to R1.5bn (up 174%) and generating fees of R73m increasing from R29m (LY)
- Funeral and personal accident standalone digital insurance growing GWP by 25% to R85m

Debtor costs held below book growth

- Effective credit management strategies to limit risk
- Moderate increase in provisions on core book to 17.3% (LY: 16%)
- Total provision increased due to book mix shifts from deferral of rehabilitation book sale completed in July

Fintech investment evident in trading expenses up 33%

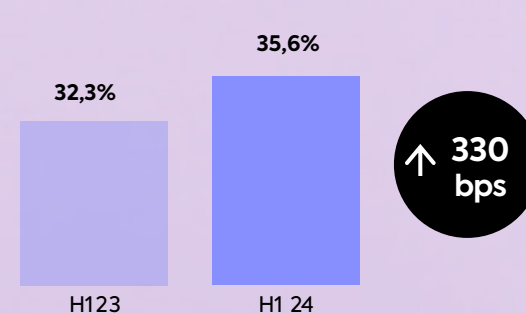
- Driving product innovation delivered through data and technology
- Digital operations enable scale with cost ratios maintained <26%

Profit before tax up 31%

- Profit conversion impacted by higher interest expense resulting from increased borrowing costs to fund investment in tech, innovation and credit books

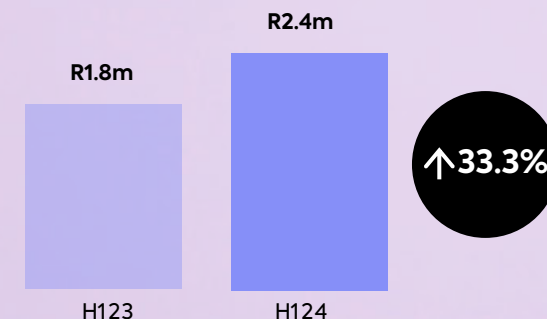
	JUN 2024 Rm	JUN 2023 Rm	% change
Revenue	1 141	868	31.5
Finance and other income	735	588	25.0
Fee income	406	280	45.0
Debtor costs	(446)	(352)	26.7
Trading expenses	(293)	(221)	32.6
Operating profit	402	295	36.3
Interest expense	(127)	(85)	49.4
Profit before tax	275	210	31.0

Fee income drives profitability*



* Fee income as percentage of revenue

Revenue per employee**

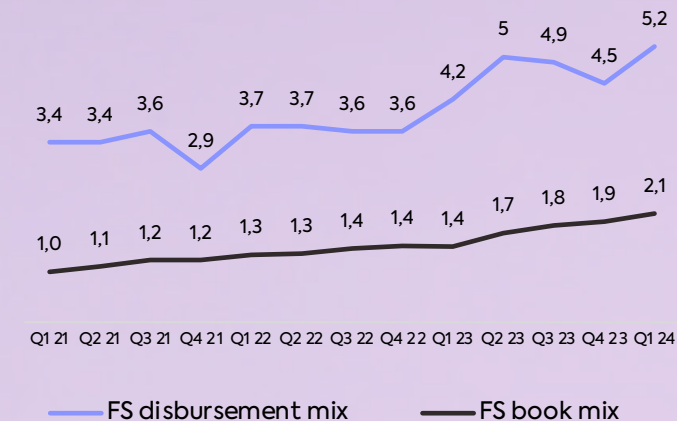


** Based on employee numbers end of year

Weaver leverages its short duration book to react fast to market changes and manage credit risk.

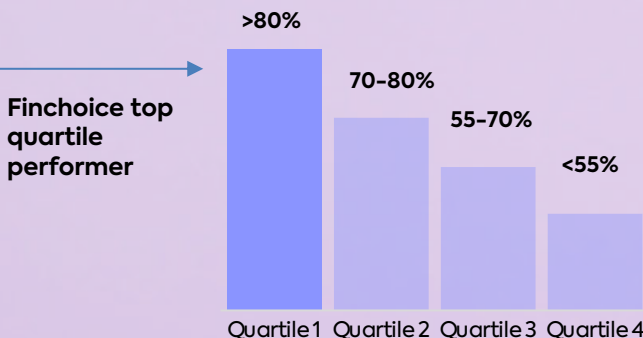


Total Unsecured Market Share by quarter (% by Rands)



Source: National Credit Regulator and company data

Portfolio quality across market based on % balance with no arrears



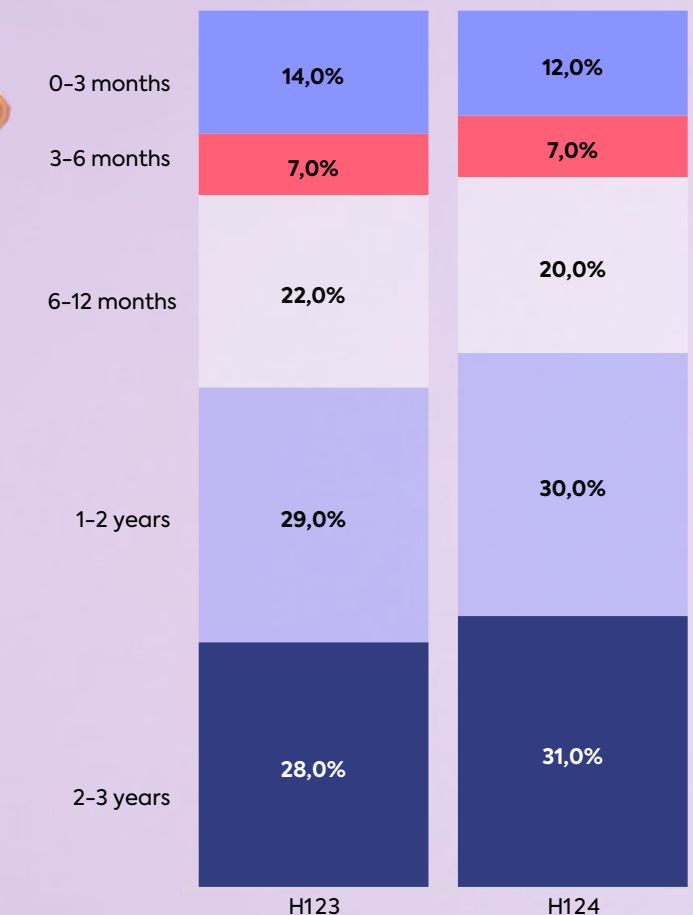
Source: Comparative Experian analysis of top 12 unsecured lenders Q4 2023

21.7 months
average term loan book

43 days
average term BNPL book

86% Pay Rate
up to date customers

Weaver has consistently maintained short term books*



*Book age distribution from origination

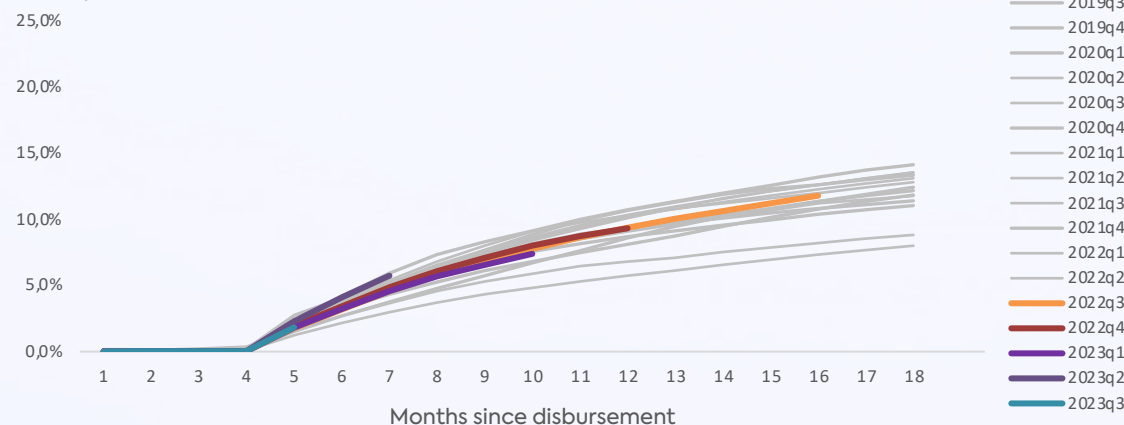
Tightened credit policy to manage market risk.

- Risk from vintages tracking within tolerance levels due to active portfolio management
- Deliberately shortened average disbursement term to 13.0 months (LY: 13.4)
- Continued focus on better-performing existing customers with disbursements mix at 87%
- Two new bespoke scorecards implemented in Q2 with encouraging early performance indications
- Operational challenges with implementation of a new collections dialler impacted arrears collection performance in Q2 – corrective action taken and yield improvement anticipated

Vintages within narrow tolerance band

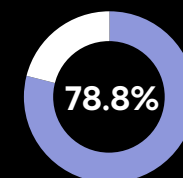
Financial Services Vintages - Total

120+ days in arrears and written off

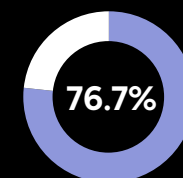


Applications
accepted

H1 : 2023



H1 : 2024



Disbursed
ave loan term

13.4
Months

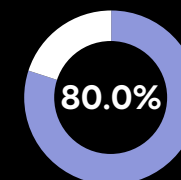
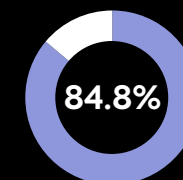
13.0
Months

Average
balances

R8 520

R8 383

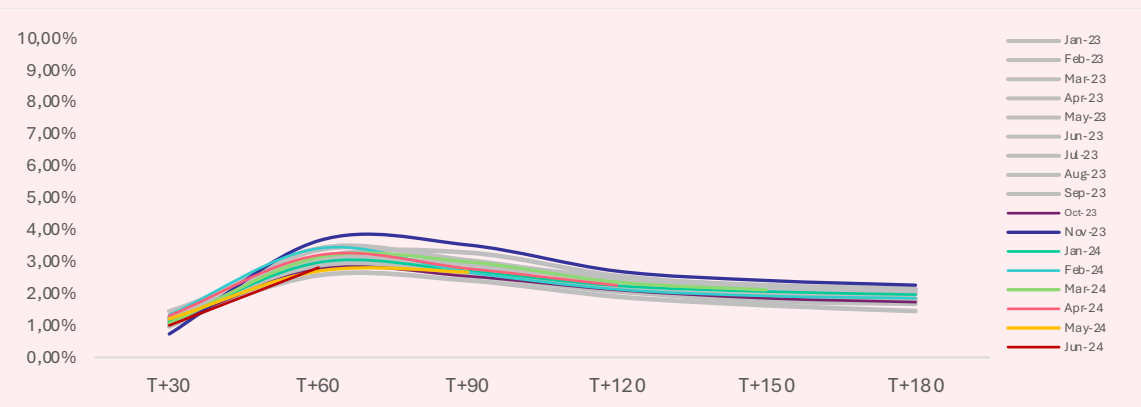
Active
account
holders able
to borrow



BNPL risk well managed with limit increases to proven customers.

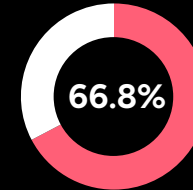
- Refinement of application scorecard and more stringent underwriting criteria with improved risk outcomes
- Selfie verification to minimise fraud
- Effective management of credit limits based on individual customer profiles with strategic increases to good paying repeat customers
- Credit cuts made to thin file customer population reducing risk further
- Developing propensity to pay models to assist with collection prioritisation
- Capital at risk maintained below 2% and net transaction loss below 1% – seasonal risk with December transactions resulting in longer maturity curve

BNPL vintages demonstrate tight risk management

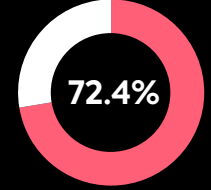


Applications accepted

H1: 2023



H1 : 2024



Average credit limit

R3 560

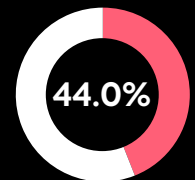
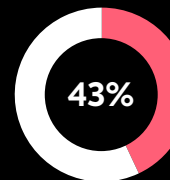
R4 088

Average Basket size

R1 430

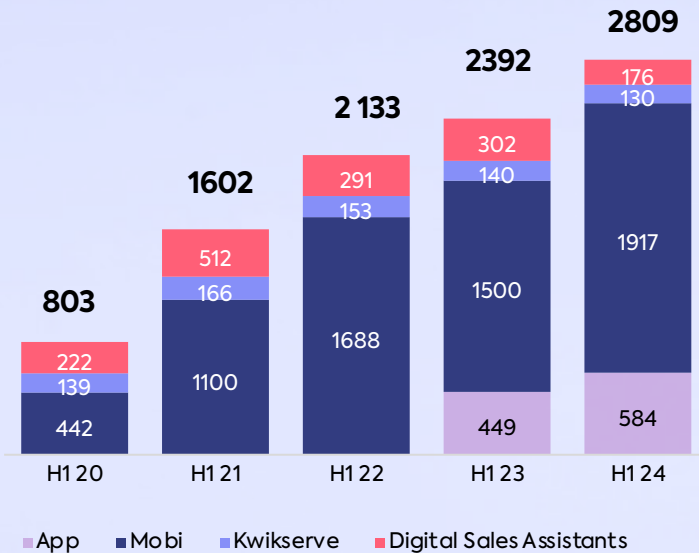
R1 415

Average utilisation



Supporting her cashless journey.

Disbursements (R'm) consistent growth up 17%



Time to originate digital loan

1 minute
for existing
customers

5 minutes
for new
customers

App is fastest growing channel

210k

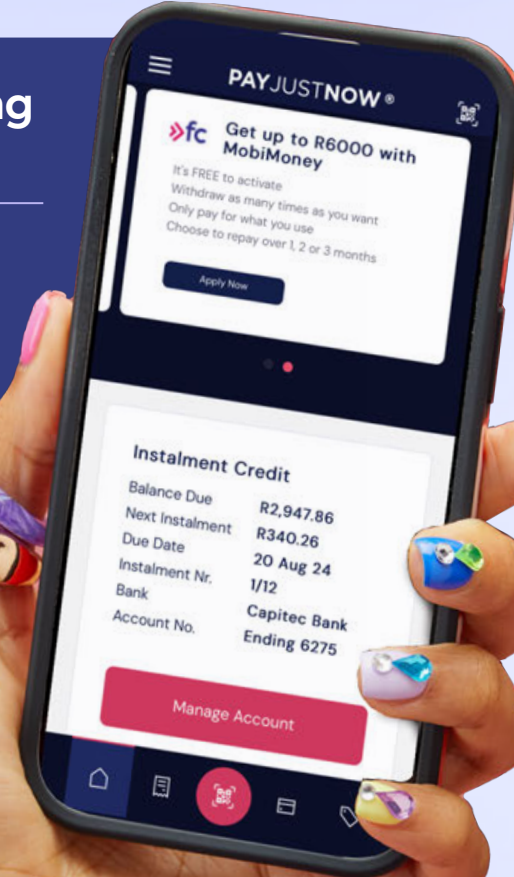
App customers giving
R0.5bn revenue

9.2 x

App utilisation in 60
days vs mobi 8.1x

R2 787

Average App loan
vs R 3207 mobi



High utilisation
of wallet

296 485

Mobi Money wallet
customers up 22%

R1.1bn

Mobi money loans
to wallet up 29%

505k

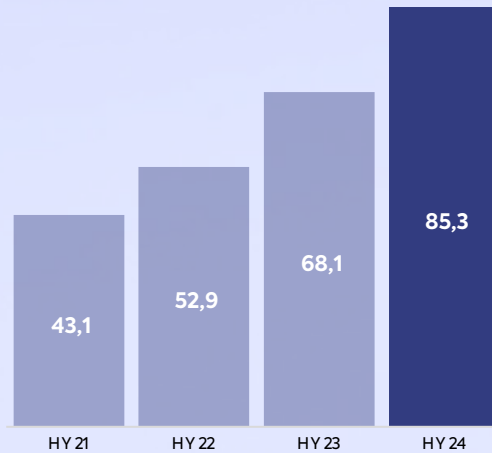
Wallet transactions
avg 84k per month

R6.8bn

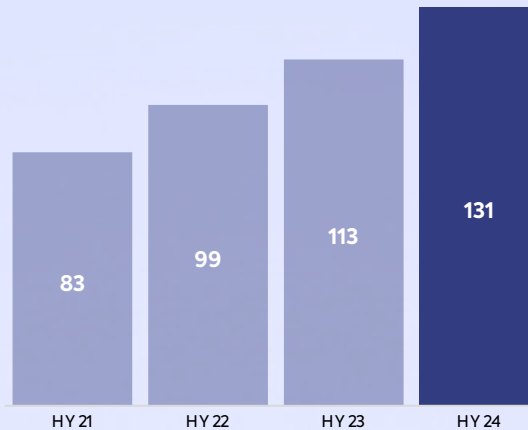
Withdrawals since
inception

Embedded insurance drives growth.

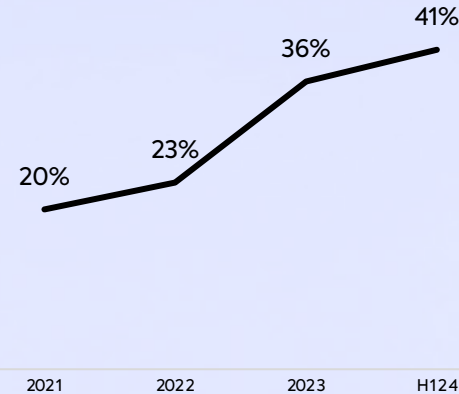
GWP (R'm) strong growth up 25%



Steadily building insurance customers ('000) up 16%



Momentum in digital acquisition of insurance policies (proportion %)



Our penetration of the total addressable insurance market

Source : Experian data

Total
8 million
Insurance
customers

Weaver
Share
1.6%

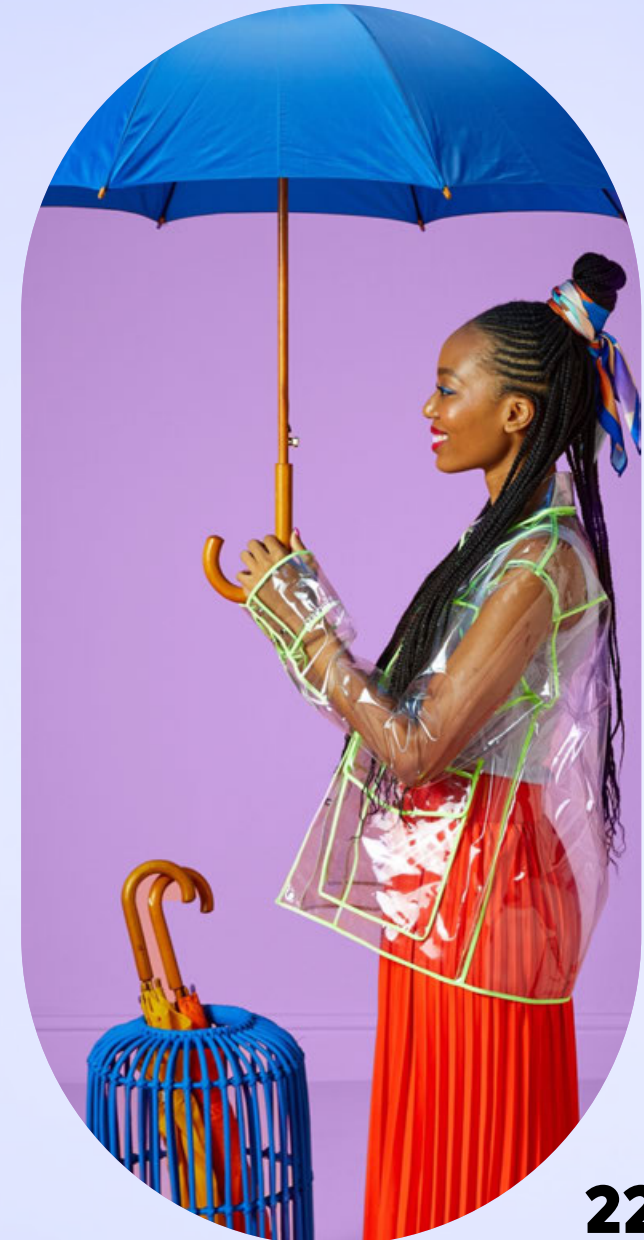
Significant cross-sell opportunity for Weaver

16%

Weaver Fintech active base have an insurance product

46%

Finchoice active customers have a funeral product



BNPL growth through enhanced customer engagement.

Continuously growing customer base

Number of users, thousands

40x

higher users
since 2021

47

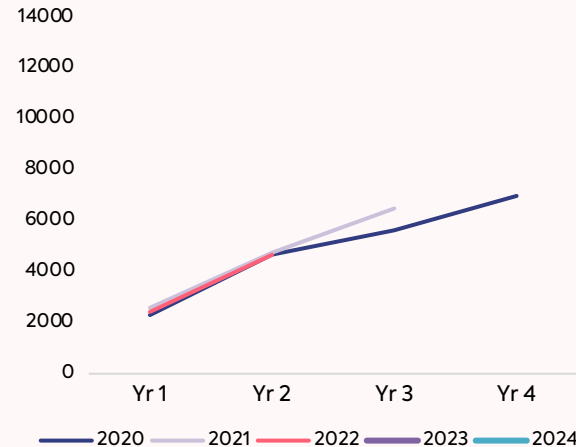
Jul-21

1785

Jun-24

Accelerating spend and purchase frequency across cohorts

Average spend, Rand



Building loyal customers

1.84

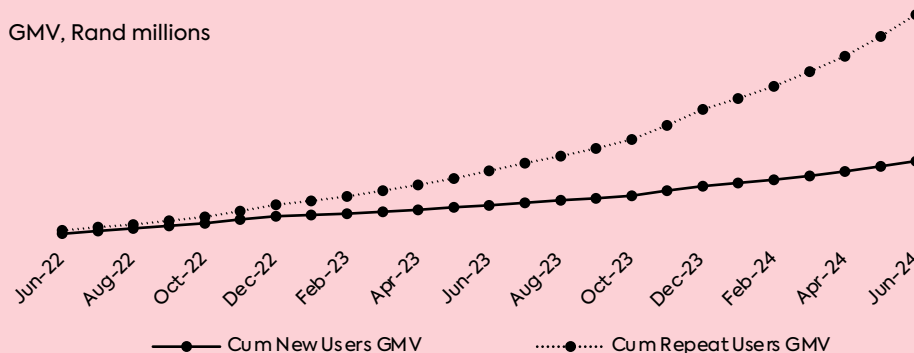
90 day frequency
up from 1.68

R3.9k

Average spend
returning customers

Customers increasing spend and frequency

GMV, Rand millions



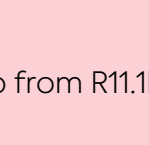
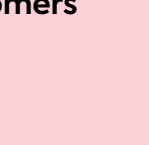
Top 10% of customers highly engaged

11.60

Average annual
transactions up from 8.61

R15.8k

Average spend up from R11.1k

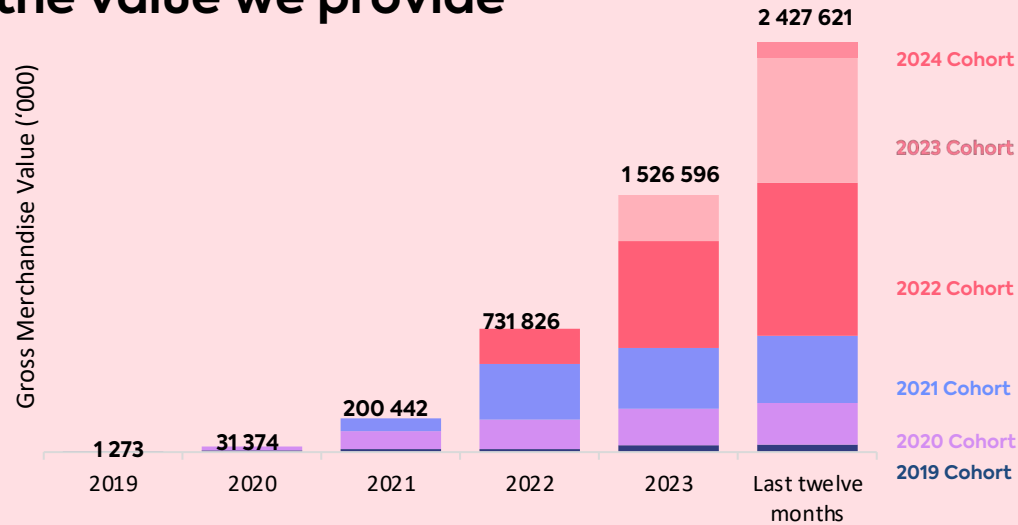


2.6X

higher GMV
since LY
to R1.5bn

Delivering significant value to Merchants.

Our Merchant retention validates the value we provide



Driving merchant engagement

Referral Traffic

32.6 million merchant referrals in last 12 months up 196%

High repeat rates

79% of GMV with recurring customers

Increased Spend

Basket size increase from 20%-70% with strong conversion

Marketing with My Deals

30-50 Merchant specific offers running monthly with 22 deals personalized to her driving 3m customer clicks

Store Directory

High customer engagement with 26m clicks in LTM driving direct traffic to merchants

#1
BNPL
in South
Africa

Notable Merchant wins in 2024

> 2 400
Merchants



Toys R Us



SKINrenewal



CORICRAFT



dermalogica



OUTDOOR
WAREHOUSE
for every adventure



LE CREUSET



SUPERBALIST



Retail.



Strategic actions delivering benefit with business focused on driving topline growth.



Homechoice are the Bedding Experts

Unique merchandise

GP margins back within targeted range and growth in heritage textiles

Strong Fulfilment solution

Supply chain costs back to historical levels with logistics optimisation

Quality Credit customers

Significant improvement in credit yields with focus now on customer growth

Digital business

Transforming sales and service channels with digital agents, WhatsApp chat and AI

Unique showrooms

New format showrooms performing with clear roll-out strategy



Retail gaining sales momentum with notable gross margin improvement.



Retail delivers sales growth of 1.7%

- Focus on heritage bedding with strong customer response
- Roll-out of 10 new showrooms driving traffic and growth

Finance and other income down 8.3%

- Lower credit book from risk actions offset by insurance income

Gross margin improves significantly by 190bps

- Gains through effective supplier negotiations and innovative offers
- Smart fulfilment and closure of JHB warehouse driving reduction in supply chain costs

Debtor costs at 20.0% of revenue (LY: 17.1%)

- Improving book performance resulted in lower provisions of 29.8% (LY: 32.8%)
- Management of rehabilitation product moved in-house

Delivered reduction in trading expenses

- Marketing spend with improved efficiency
- Foreign entrants impacting digital channel costs with aggressive campaigns
- Right sized teams resulted in further benefits into 2024

Operating profit growth of 26.7%

	June 2024 Rm*	June 2023 Rm*	% change
Revenue	869	883	(1.6)
Retail sales	604	594	1.7
Finance and other income	265	289	(8.3)
Gross profit	275	259	6.2
Gross profit margin	45.5%	43.6%	1.9
Debtor costs	(174)	(151)	15.2
Trading expenses	(347)	(382)	(9.2)
Operating profit	19	15	26.7

*The Property segment has been included as part of Retail from 1 January 2024. Results for 6 months June 2023 shown above are as previously reported.

Business delivers profit growth

33%

Growth in showroom sales

38%

Increase in cash customers

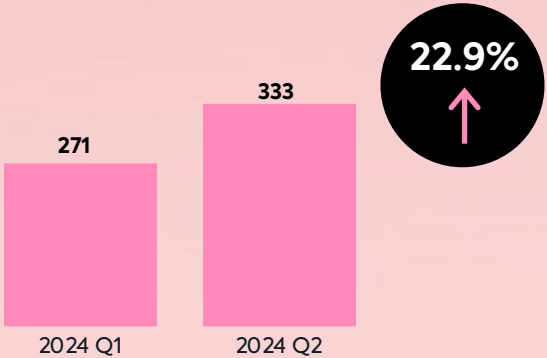
R116m

Reduction in inventory balance from R402m in H1 23 to R286m

Marketing focus on new customers acquisition gaining traction.

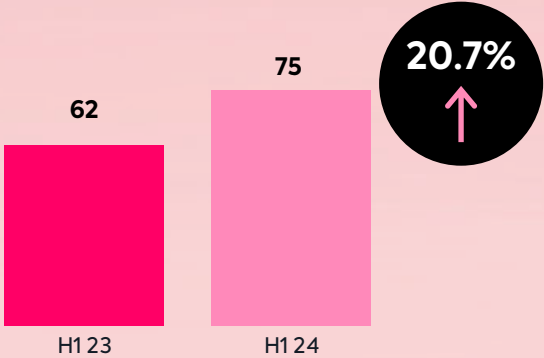


Retail sales gain momentum (R'm)



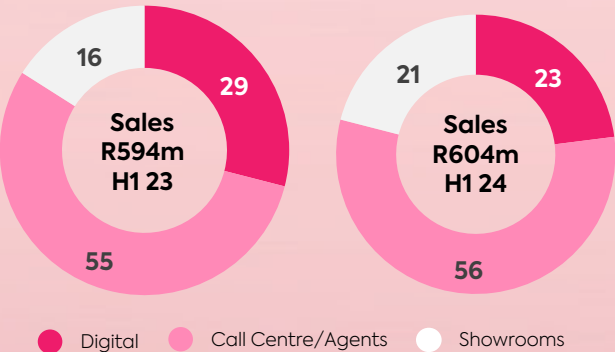
Credit strategies enabling growth

Growing better quality new customers ('000)

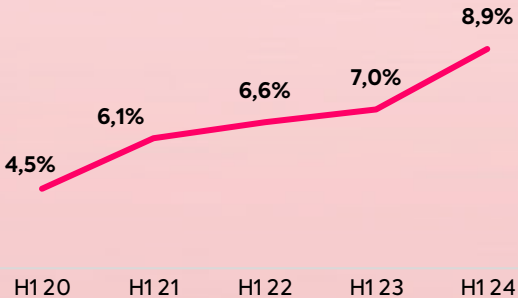


Active customers base grew ↑ 28k

Shifting channel mix to Showrooms (%)



Cash sales contribution consistently increasing



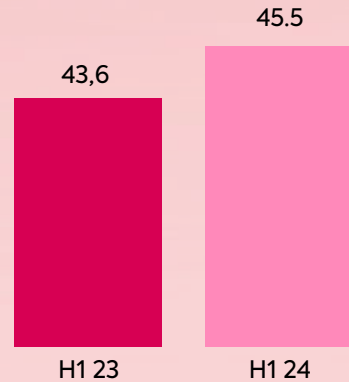
Cash customers growing ↑ 38.1%



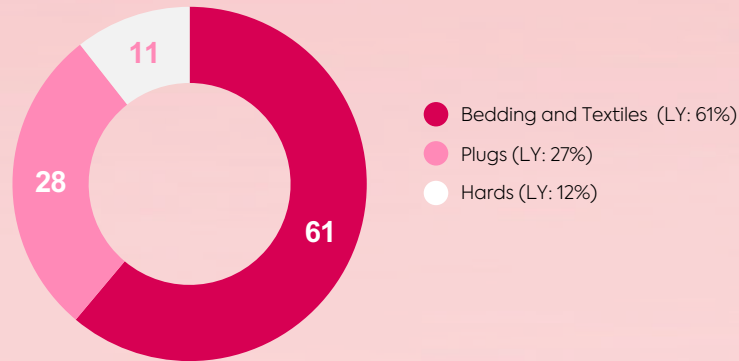
Gross margin improves with Smart fulfilment and effective product margin management.



Gross Margin up 190bp



Bedding contribution consistent at > 60% of sales



1

Focus on textiles range with effective mark-down management and reduced stock levels

2

Supplier price negotiations and compelling product offers deliver higher margins

3

Smart fulfilment reduced unclaimed returns and improved CX

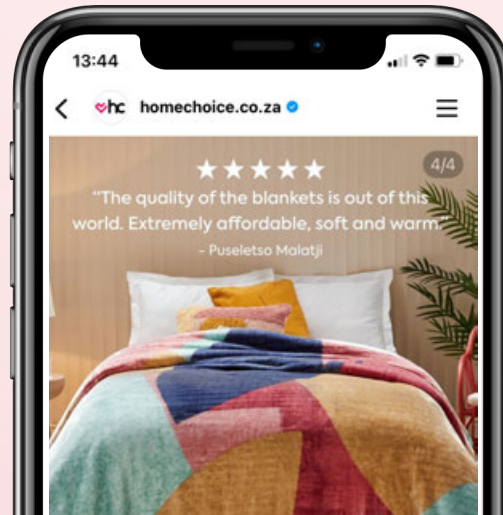
4

Increased showroom collections reduced supply chain costs

Innovation



Quality and Value



Curated offers



Range Expansion



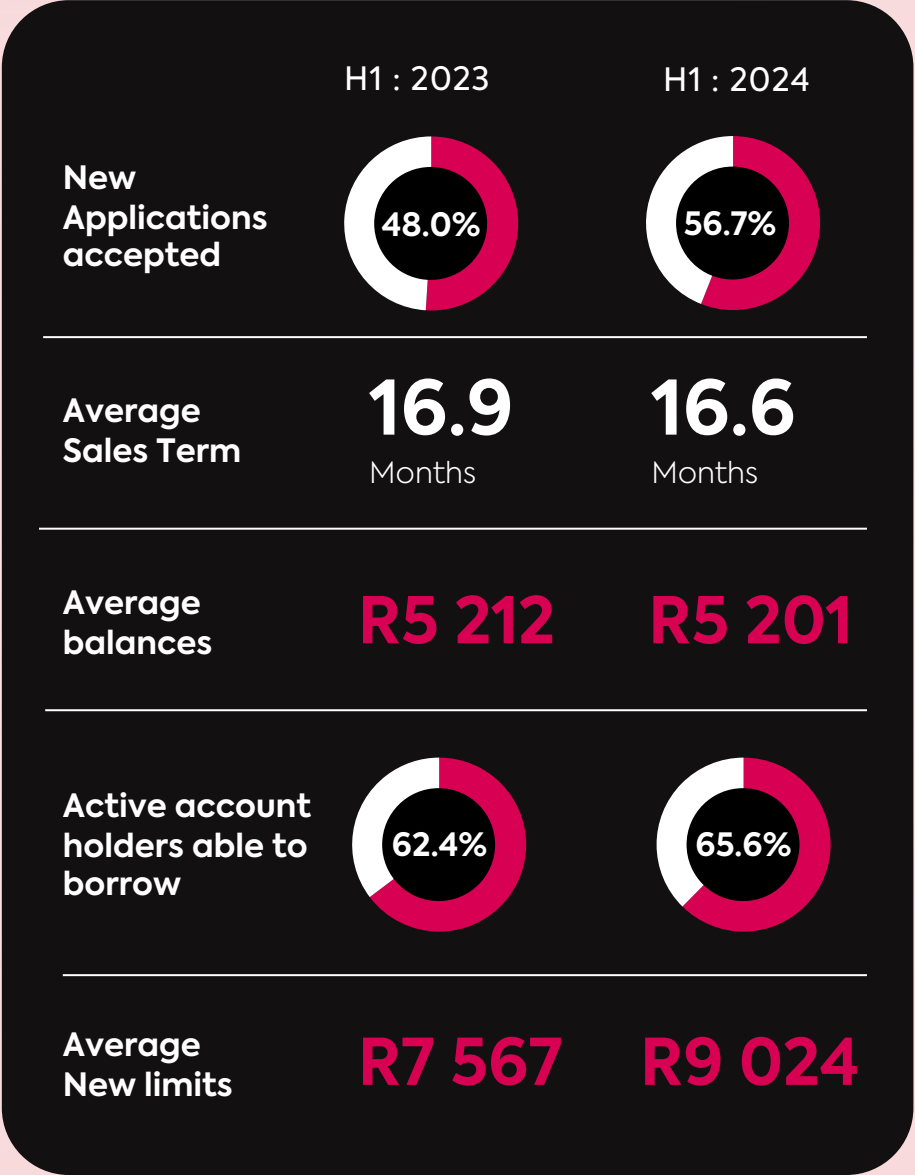
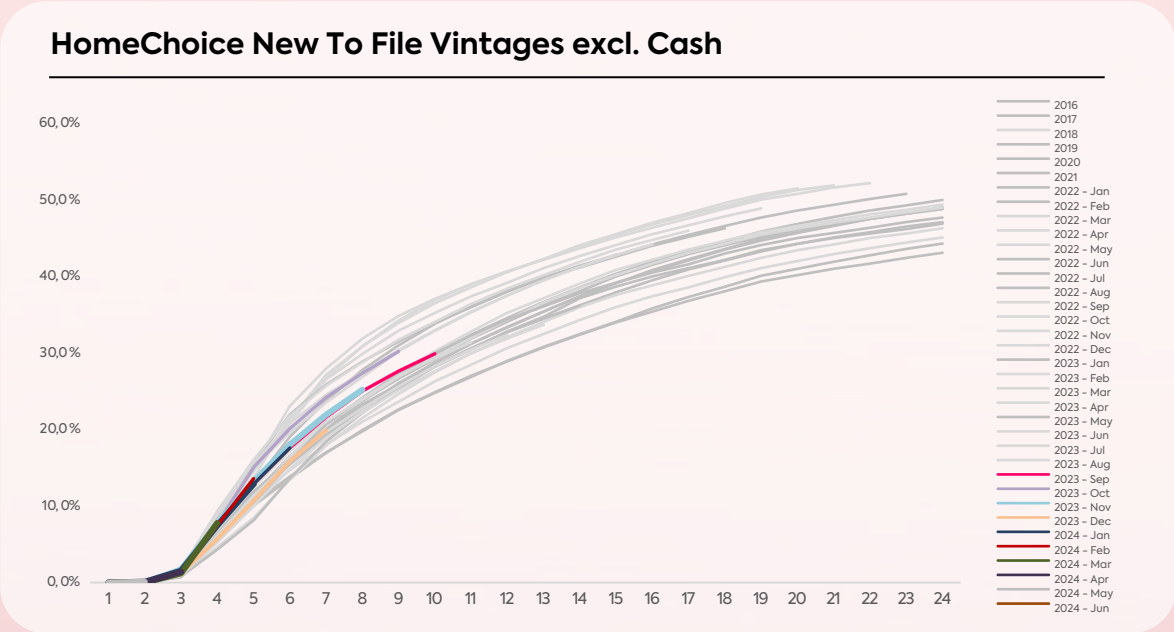
Credit customer and book quality significantly improved.

Sustained lower levels of credit risk

- Implemented a bespoke application scorecard providing flexibility on credit risk strategies
- Refinement of existing customer limits and improvement in exposure management
- Improved fraud defenses with digital identity verification
- Risk based mandatory debit order delivering continuous improvement in payment rates

More mature tranches of retail vintages within risk tolerances

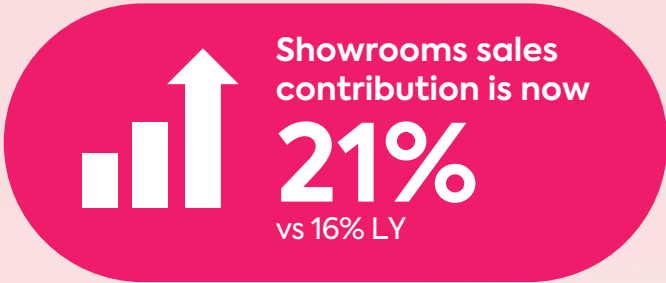
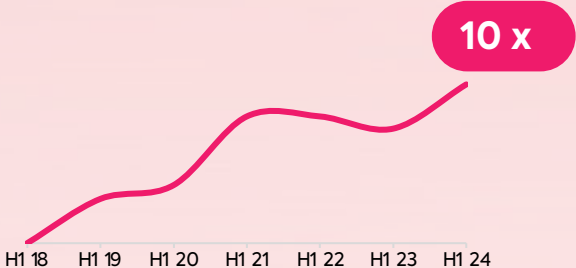
- Encouraging performance of early roll rates following new scorecard implementation. Translating into improved bad rates, now predicted to be well within risk tolerances
- Improved cash collected with higher yield and improved NPL ratio.



Showroom channel enhanced to align with digital strategy and foster future growth.



Showroom sales up 33% on LY

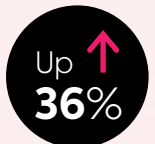


Compelling metrics with focus on smaller format bedding stores

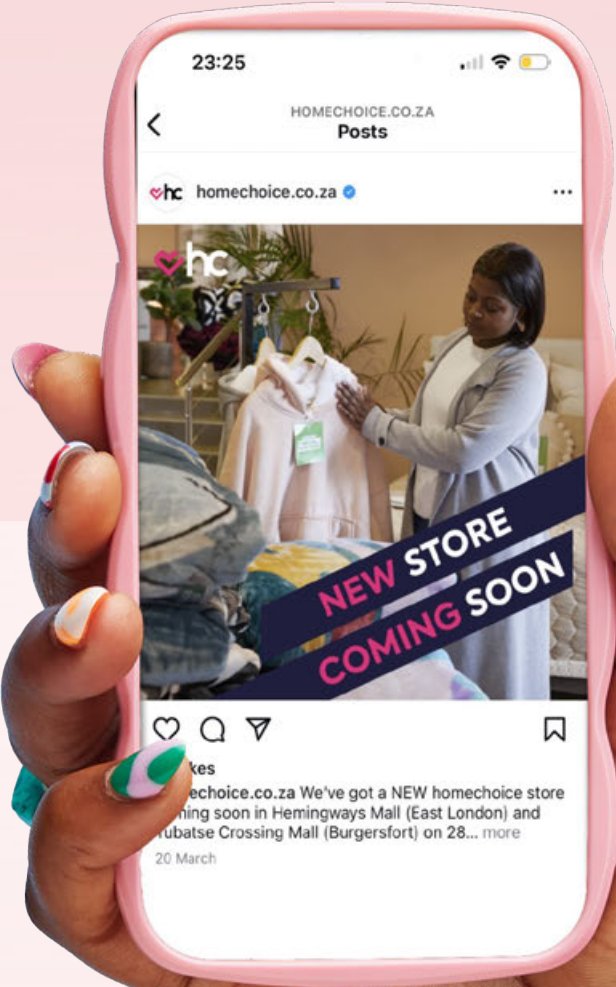
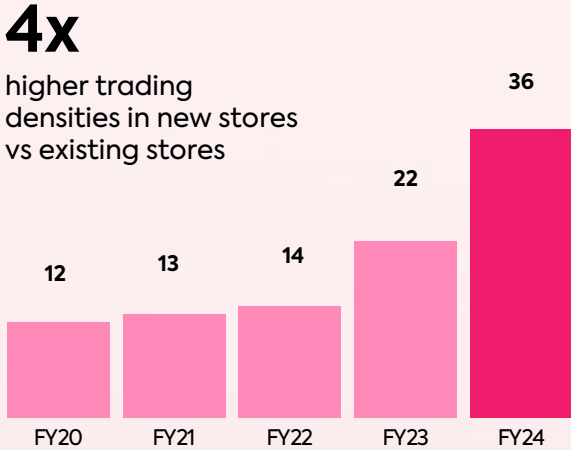
20 000
New Customers



25%
Cash sales contribution



13%
Debtors cost



Using technology to improve customer experience.



Contact centre dialler

↓ **2.5** min reduced
outbound talk time

82% improvement in
accounts worked per
collections agent

WhatsApp self service

90k engagements
since launch

↓ **50%** reduction in
inbound agents

Social commerce

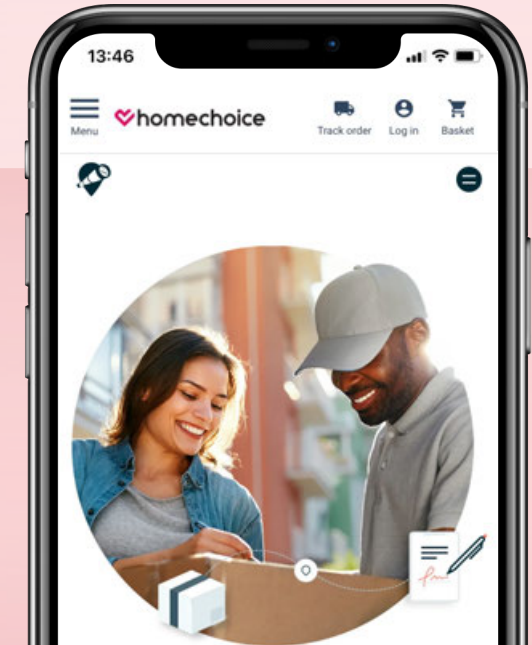
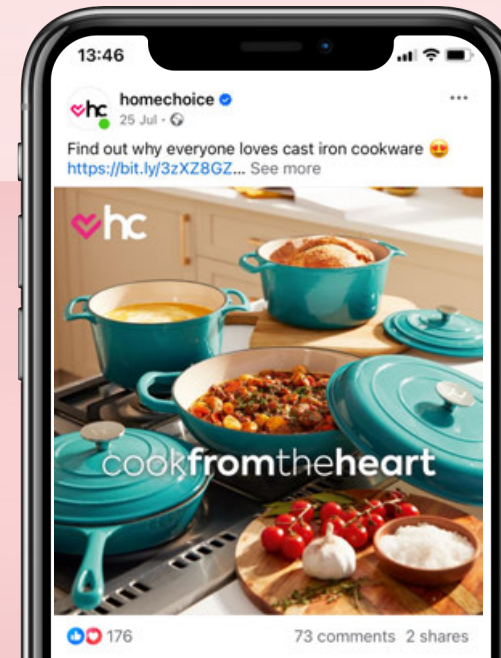
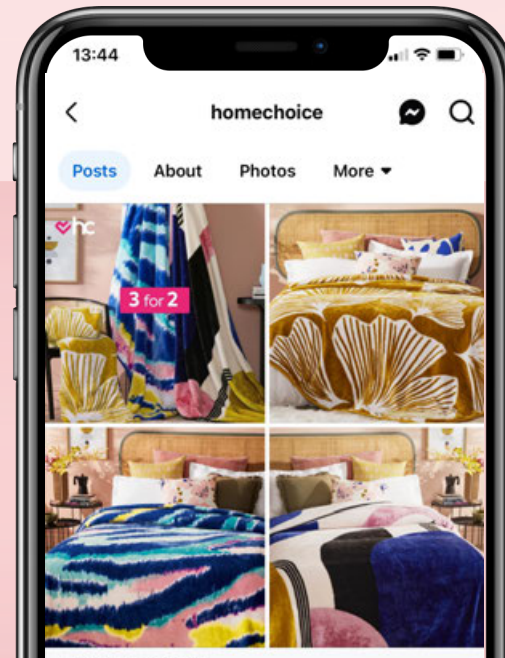
4.2 Facebook rating

3.7 Google score

Smart fulfilment

↓ **14%** lower unclaimed
returns

↓ **4.8** average
Delivery days



Forward.



Fintech growth to outpace market as ecosystem and embedded financial products gain support.

- 1 Viral customer adoption of market-leading payment product provides significant base for continual growth
- 2 Proven ability to cross-sell products across the ecosystem driving profitability with customer trusting the brands
- 3 Growing offering of embedded financial products driving growth in fee income
- 4 Retail back into position for growth and starting to gain traction
- 5 Strong growth momentum has continued in second half of the year



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