

# Homechoice International plc

Full year results  
31 December 2023



# Fintech dominates group delivering double-digit profit growth.

HiL

Revenue

**R3.7bn**

Group revenue flat on LY

Operating profit

**R619m**

Excellent growth up 28%

Fintech

**92%**

Contribution to profits before group costs

Customers

**2 mil**

Growing rapidly up 39%

**R1.2bn**

Retail sales down 24%

**84%**

Group transactions conducted digitally

Cash collected

**R8.5bn**

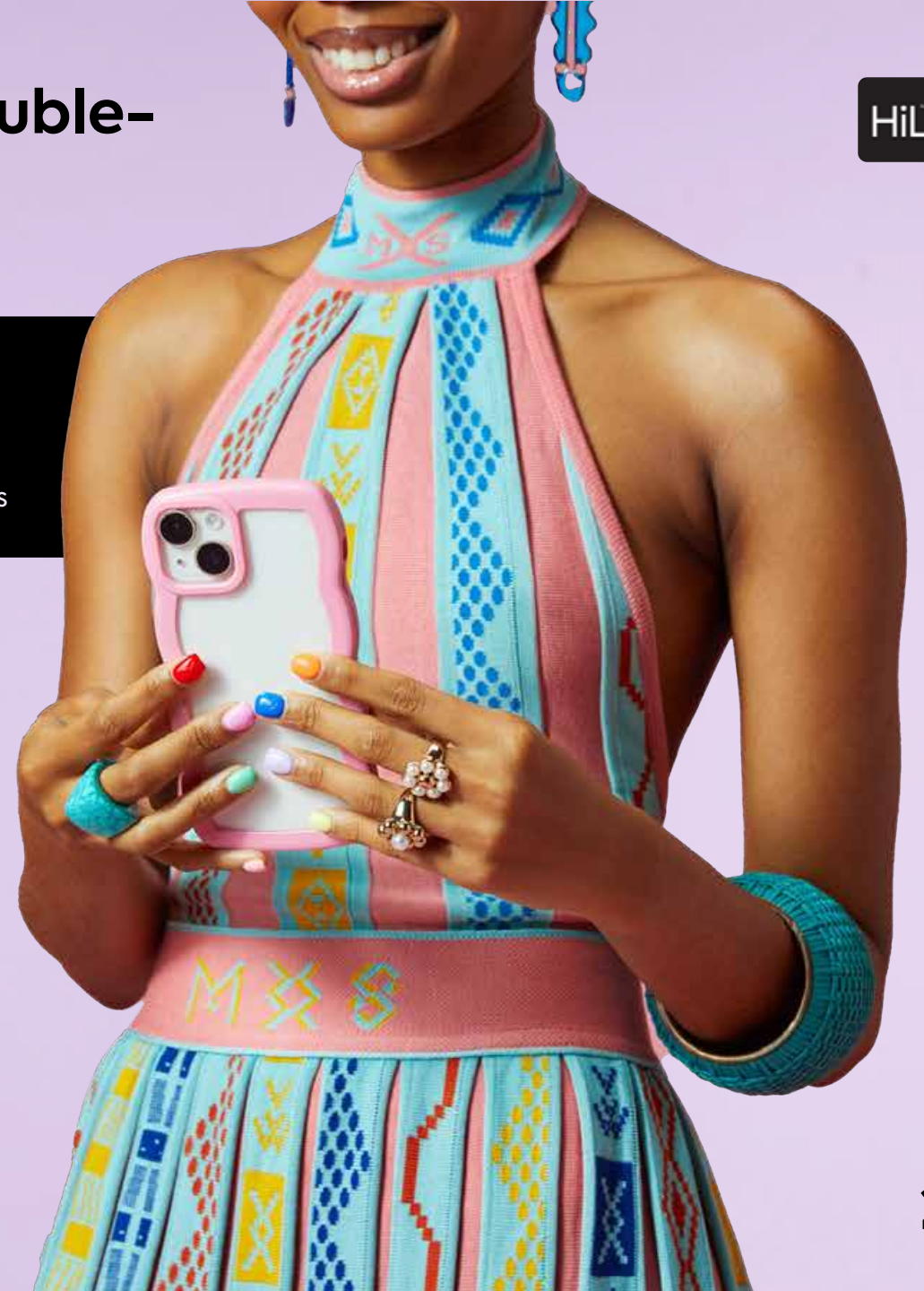
R1.3bn additional cash in FY23

**R3bn**

Funding facility with R1.5bn for future growth

**153c**

Dividend per share up 9%





# Significant market opportunity to grow customer base.

HiL™

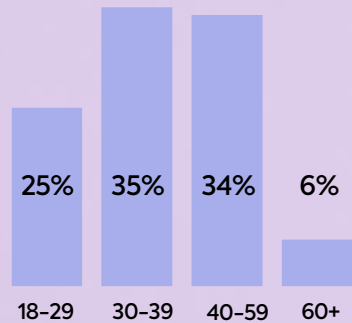
## 2 034 000

Group Customers

## 38 years

Avg Customer Age

60% of our customers are Millennials or GenZ

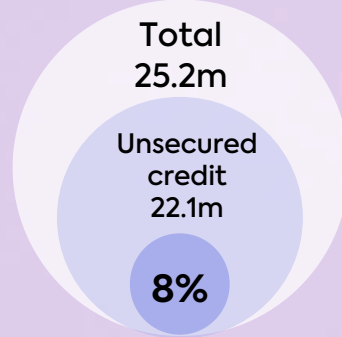


Customer age profile

## 71%

Female customers

Significant customer growth opportunity



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



Our female customers love our digital businesses, driving growth in our base up 39%

Digitally engaged customer base

## 1 614 500

Fintech Customers

Digital customers growing by 72%

## 534 400

Retail Customers

Credit tightening reducing base 16%

Avg Monthly Income

## R15.7k

Digital shopping and financial solutions 24/7

Responsible payers

## 81%

of customers able to transact

Notes:

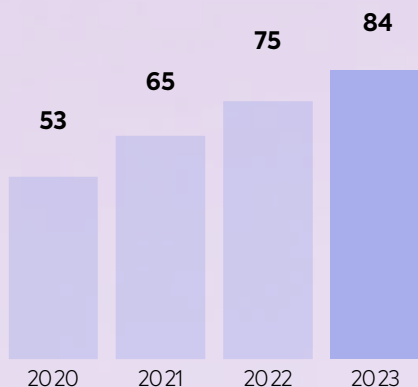
(i) Customer overlap between Fintech and Retail 115k

(ii) Total Addressable Market based on information from Experian

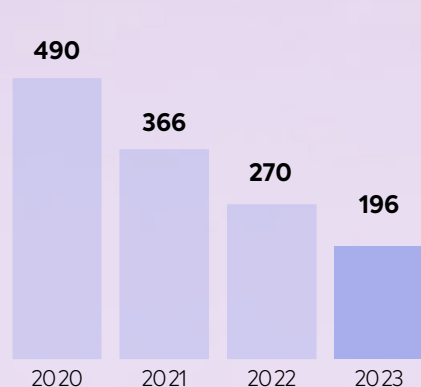
# Proven digital strategy drives spend and efficiencies.



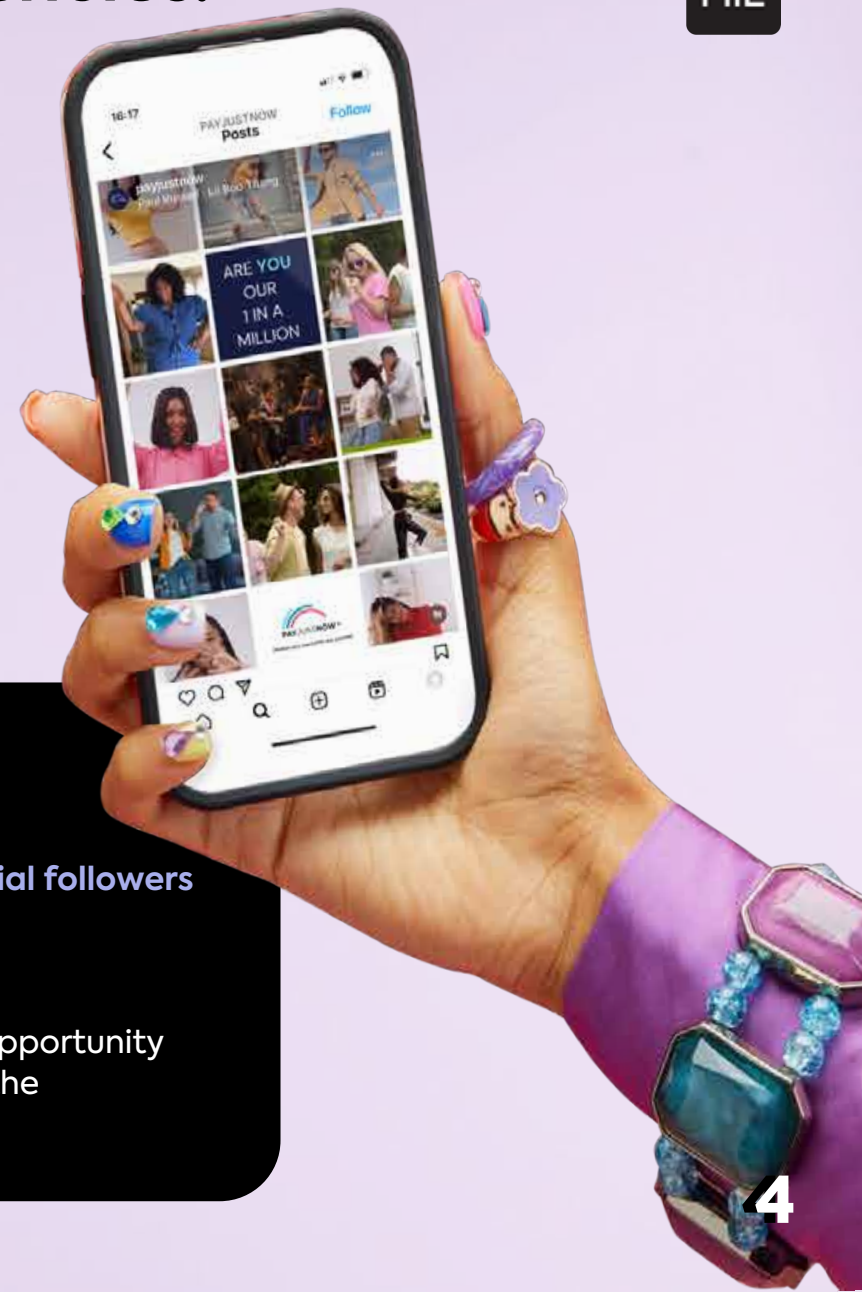
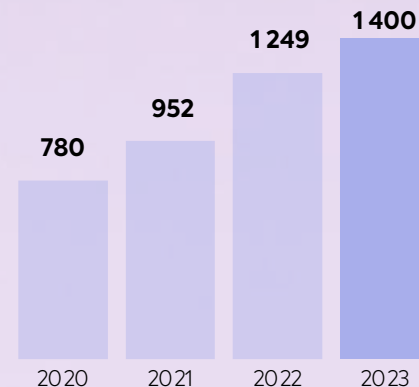
Group digital transactions mix %



Group direct cost per digital transaction (Rand)



Group avg monthly digital users ('000)



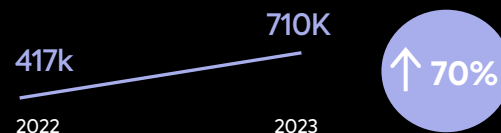
## Weaver Fintech – strong engagement across digital platforms

Fintech traffic

**4.5m**

High levels of monthly digital visitors enable monetisation

Monthly Fintech App Users



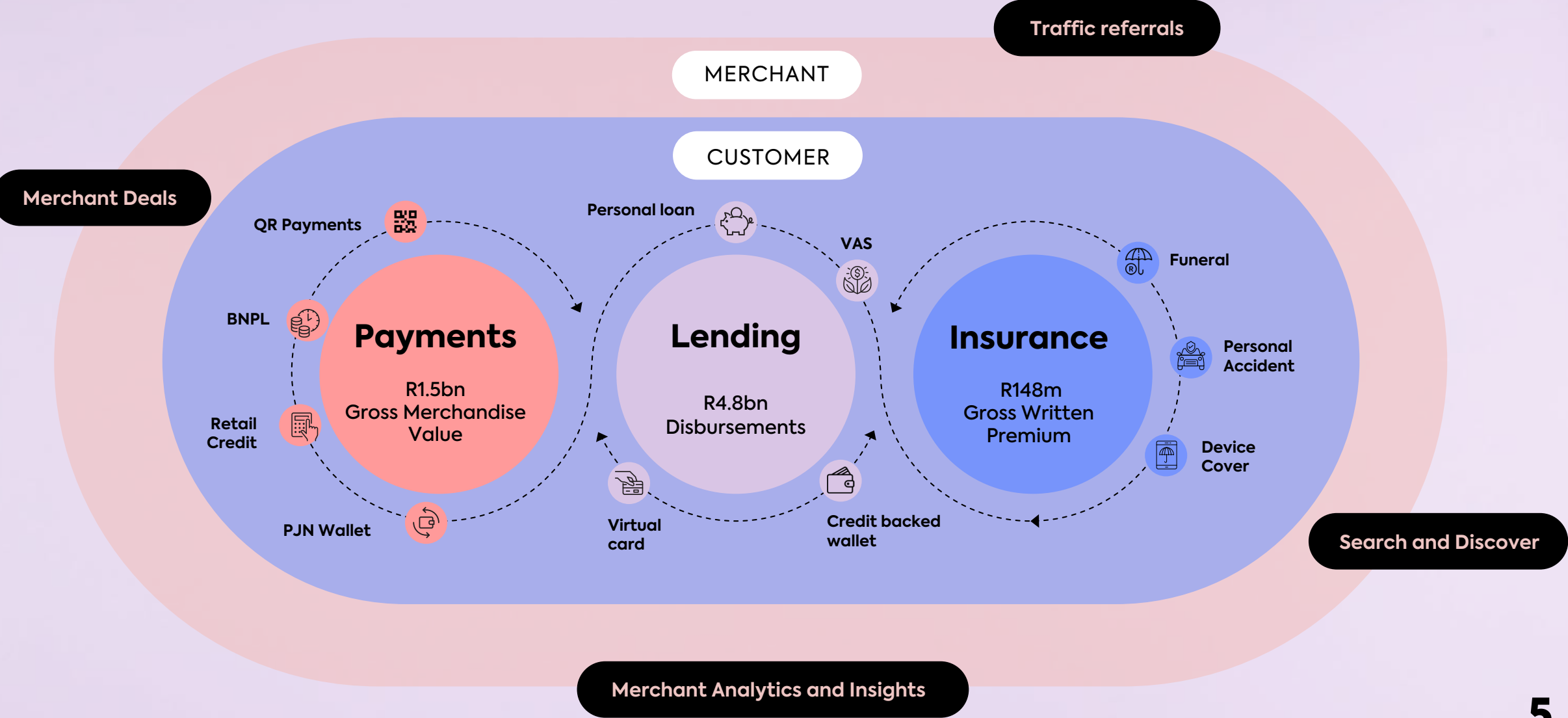
Strong adoption and stickiness

Fintech Social followers

**65k**

Untapped opportunity to develop the channel

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





# Championing the empowered women through digital financial inclusion.

♥ Our female customers love Weaver Fintech

## There for her

24/7 digital access

High assurance on credit approval

Engages from her home where safe and secure

## Payment flexibility

Support her payment choice

Options to manage her finances

Wallet for refunds and top-ups as she requires

## Gets better over time

New products designed for her needs across the ecosystem

Continual education on fraud prevention and protection

Supports her in making financial decisions for her family



Funds to support early childhood development to help the people she cares most about

**3000 ECD**  
practitioners trained

**40 000+ children**  
under 6 educated

**R52m donations**  
since inception



“I’m a single mother of 3. Finchoice has helped me put my children through school. They have always been there in my difficult time.”

**Sibongile – Finchoice**



“It is so convenient and easy to use PayJustNow. I love the feedback on payments and constant communication. I also love the new introduction of returning items if they don’t fit you.”

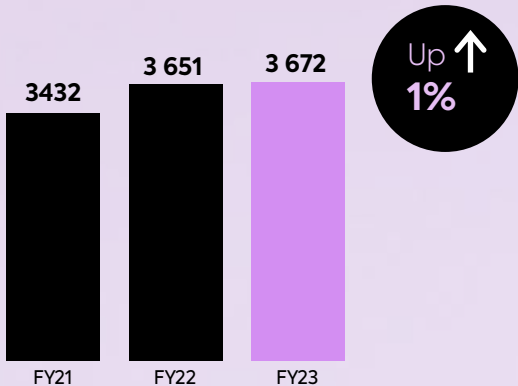
**Mutshinyani – PayJustNow**

# Finance.

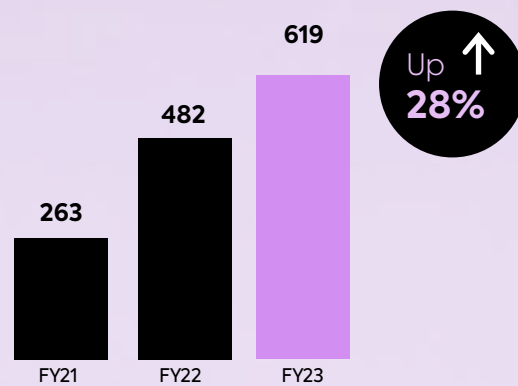


# Strong growth in operating profit with higher interest costs impacting EPS.

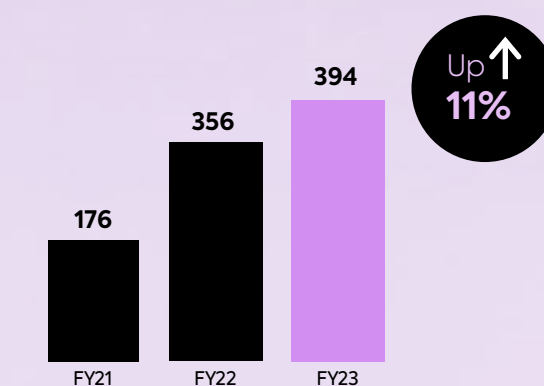
Group Revenue (R'm)



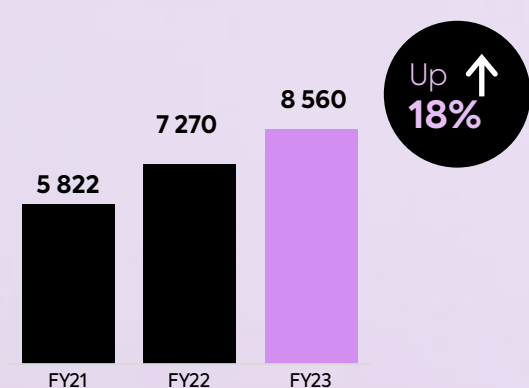
Operating Profit (R'm)



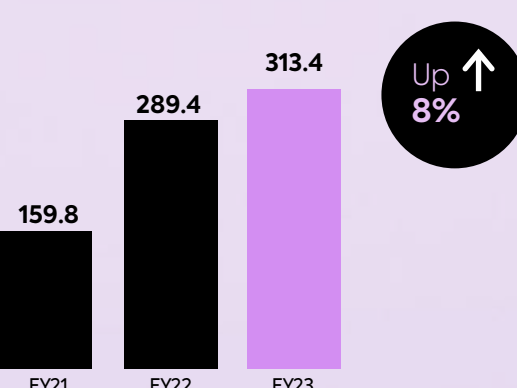
Profit before tax (R'm)



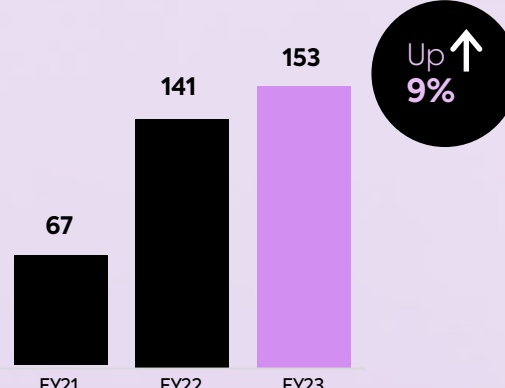
Collections (R'm)



Earnings per share (cents)



Dividend (cents/share)





# Weaver delivers strong fee growth and improved profit margins.

## Revenue impacted by Retail credit strategy

- Weaver strong revenue momentum up 31%
- Retail sales (down 24%) due to strategic credit risk tightening
- Lending income driven by digital loans growth and higher interest rates
- Fee income driven by purposeful growth in fintech insurance and BNPL, now representing 22% of revenue (LY: 18%)

## Gross profit margin declined

- Negatively impacted by FX headwinds and mark-downs from management of overstocked positions

## Debtor costs well managed

- Fintech debtor costs up 28% but below revenue and book growth of 32%
- Intentional retail credit actions successfully reduced debtor costs by 30%

## Trading expenses tightly controlled

- Fintech business continues to invest in tech as it scales rapidly
- Retail costs down 8% following cost base optimization

## Strong growth in operating profit up 28%

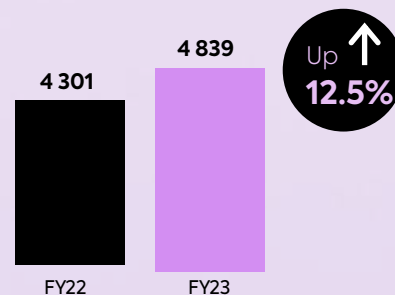
- Fintech delivering 92% of profits

## Profit after tax up 8% due to higher interest costs

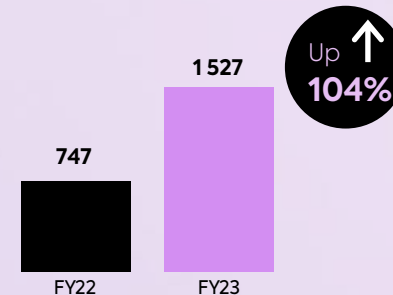
- Interest up 79% due to higher interest rates and increased borrowings required to support fintech growth

	2023 Rm	2022 Rm	% change
<b>Revenue</b>	<b>3 672</b>	<b>3 651</b>	<b>0.6</b>
Lending income	1 630	1 378	18.3
Fee income	815	666	22.4
Retail sales	1 227	1 607	(23.6)
<b>Gross profit margin</b>	<b>43.0%</b>	<b>46.5%</b>	<b>(3.5)</b>
Debtor costs	(1,092)	(1,070)	2.1
Trading expenses	(1,290)	(1,265)	2.0
Other income, gains and losses	28	25	12.0
<b>Operating profit</b>	<b>619</b>	<b>482</b>	<b>28.4</b>
<b>Operating profit margin</b>	<b>16.9%</b>	<b>13.2%</b>	<b>3.7</b>
Net interest expense	(225)	(126)	78.6
<b>Profit before tax</b>	<b>394</b>	<b>356</b>	<b>10.7</b>
Taxation	(67)	(54)	24.1
<b>Profit after tax</b>	<b>327</b>	<b>302</b>	<b>8.3</b>

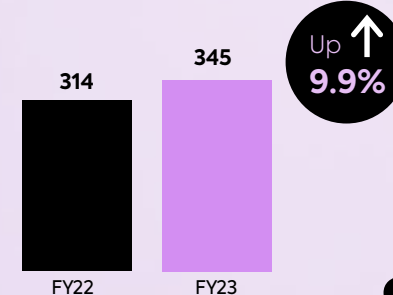
### Digital loans disbursed (R'm)



### Buy now pay later GMV (R'm)



### Insurance Revenue (R'm)

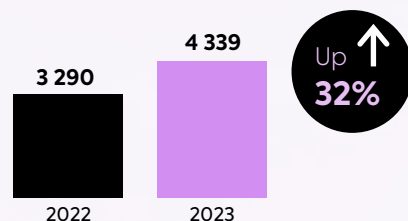


# Strongly performing credit books with appropriate provisions held.

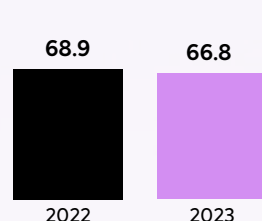


## WEAVER FINTECH CREDIT

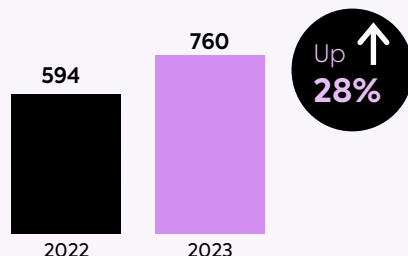
### Gross book (R'm)



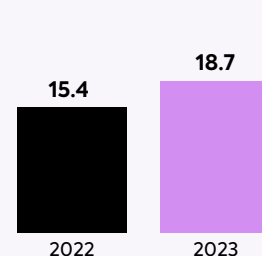
### Stages 2 and 3 cover (%)



### Debtor costs (R'm)



### Provision % of gross receivables

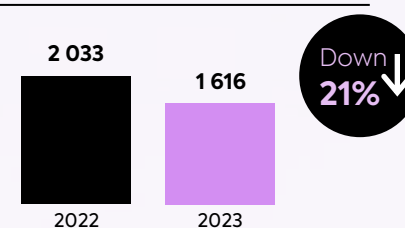


- Tightened lending growth and shortened disbursement term for both new and existing
- Too conservative in cutting risk to good performing customers negatively impacting book mix
- Usual sales of rehabilitation books deferred due to market factors, this impacted overall book mix and necessitated provisions increasing to 18.7%.
- Appropriate cover held having increased from 65.1% in FY21.

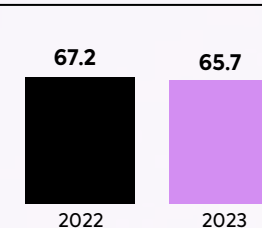


## RETAIL CREDIT

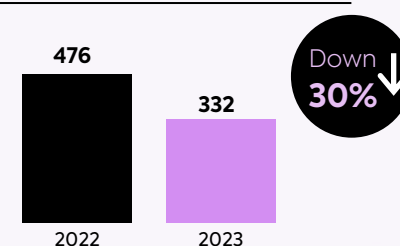
### Gross book (R'm)



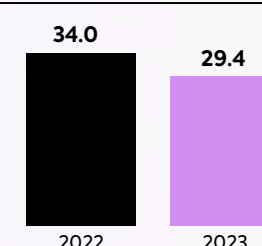
### Stages 2 and 3 cover (%)



### Debtor costs (R'm)



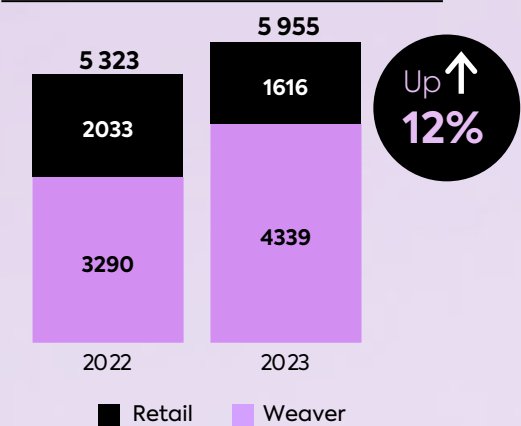
### Provision % of gross receivables



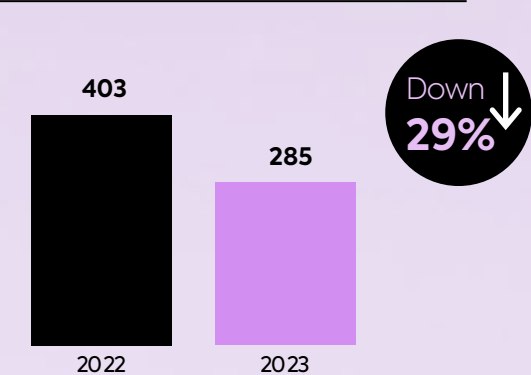
- Gross book reduced given more stringent risk appetite resulting in early delinquency improvements and lower debtor costs.
- New collection strategy and fixing of Debicheck and mandatory debit order processes improved payment performance.
- Provision rate reduced to 29.4% reflecting improved book health with product cover levels maintained.

# Strong cash generation up R470m with capital allocated to fund Weaver growth.

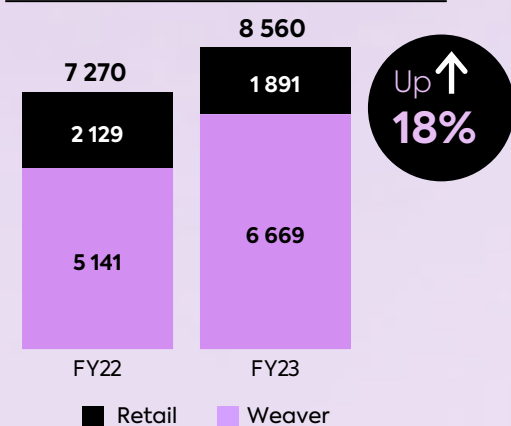
Trade and loan books (R'm)



Retail inventory (R'm)



Group collections (R'm)



## Cashflow from operations

	2023	2022	% change
Operating activities	686	556	23.4
Working capital movement	(430)	(770)	(44.2)
Inventory	118	(139)	>100.0
Retail book	227	54	>100.0
Weaver book	(730)	(667)	9.4
Other	(45)	(18)	>100.0
Cash generated / (used) in operations	256	(214)	>100.0

## Working capital improved

**R345m**

Cash generated from Retail management of inventory and lower credit activity

**R6.7bn**

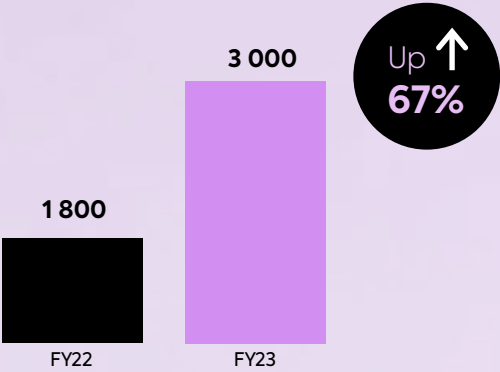
Weaver customer collections significantly above books of R4.3bn reflecting the short-term nature and strong cash yields



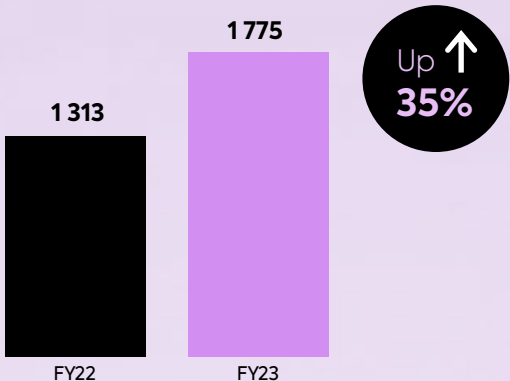


# Successfully upsized facilities with ample funding for future growth.

Commercial loan facilities – committed 3 – 4 year tenor (R'm)



Commercial term loan (R'm)

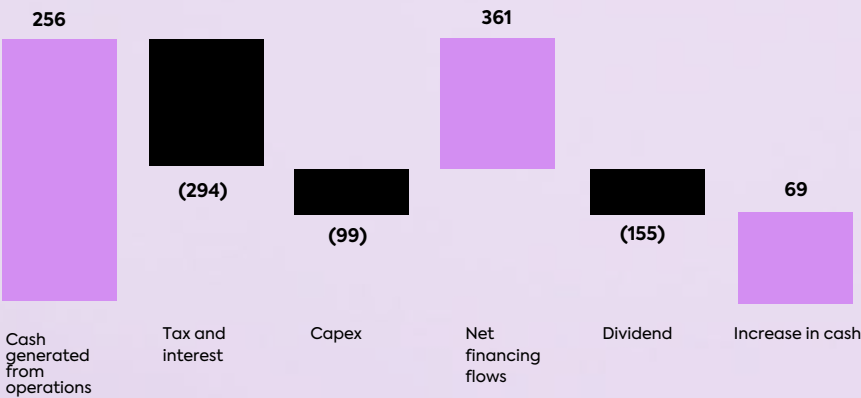


**R1.5bn**  
Cash and Undrawn funding facilities for future fintech growth  
Investment focused on product innovation and building our digital technology platforms

**R1.0bn**  
Untapped – Accordian facility

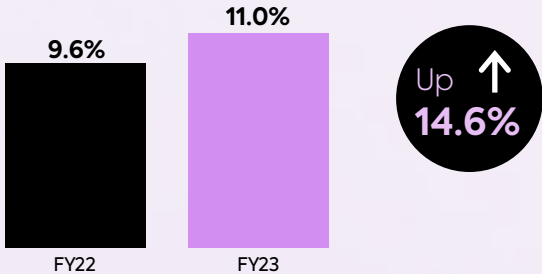
Working capital facility of R185m appropriate for business requirements with additional trade facilities to support Retail

## Cash utilised in the Group FY23 (R'm)



**Increased profits and higher leverage driving improved shareholder returns**

**Return on Capital Employed (ROCE)**



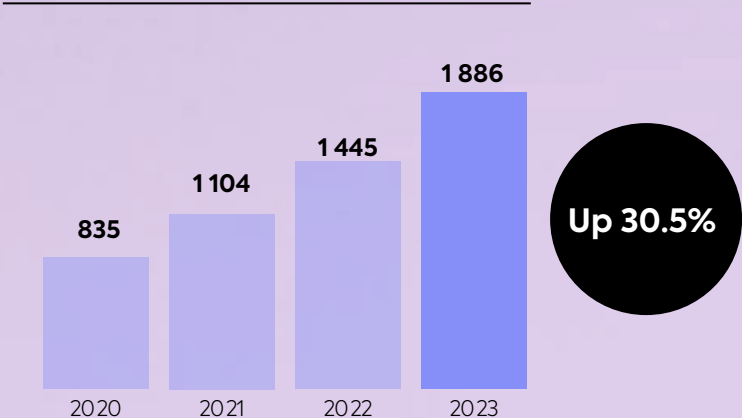
# Weaver Fintech.



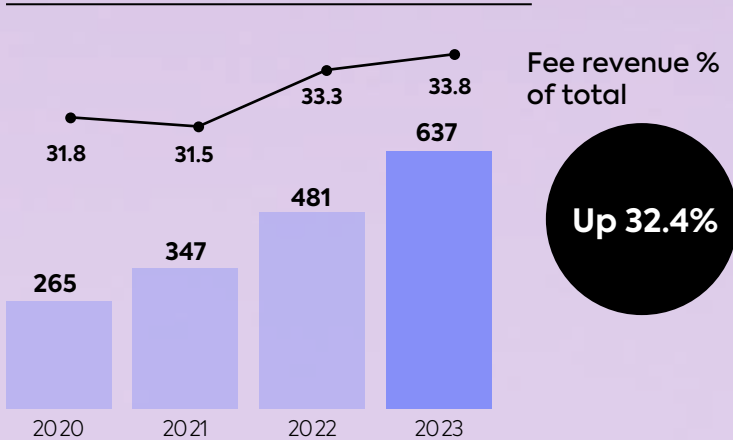


# Weaver delivers a step change in growth and profitability.

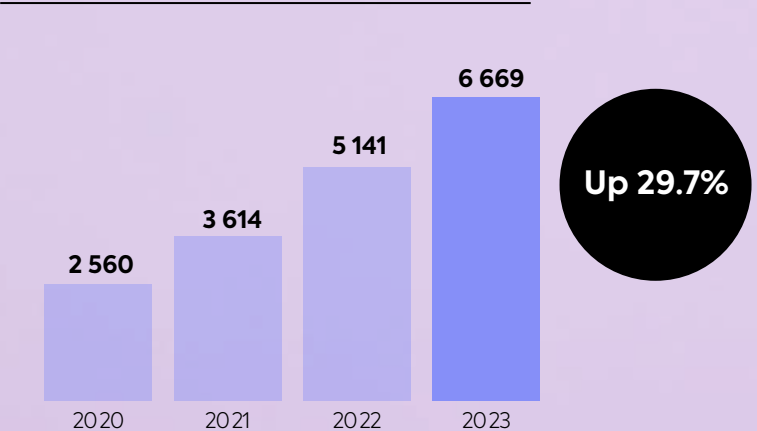
Revenue (R'm)



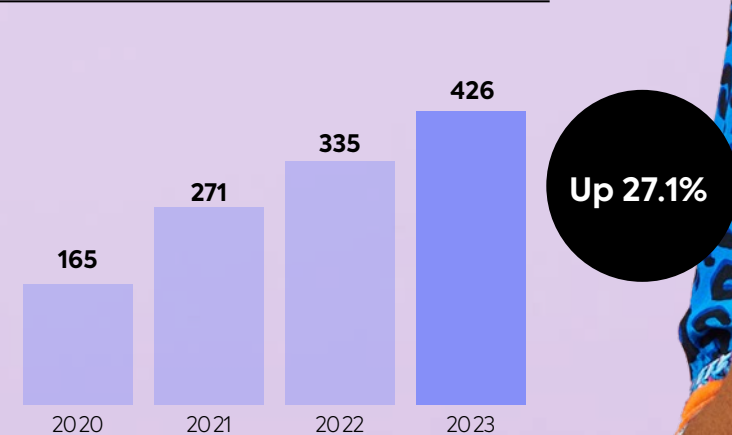
Fee Revenue (R'm)



Cash Collections (R'm)



Profit before tax (R'm)

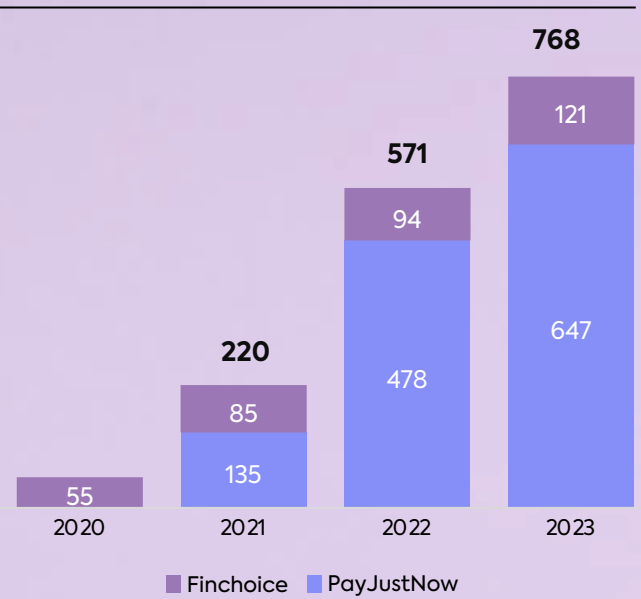




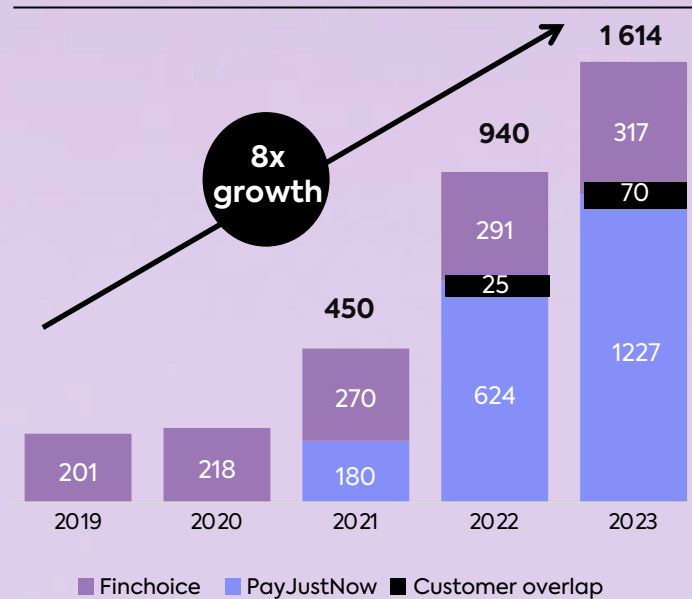


# Weaver customer base accelerates with high engagement and retention.

New customers adoption ('000)



Rapidly growing fintech customer base ('000)



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



**86%**

Disbursements for reloans from repeat customers



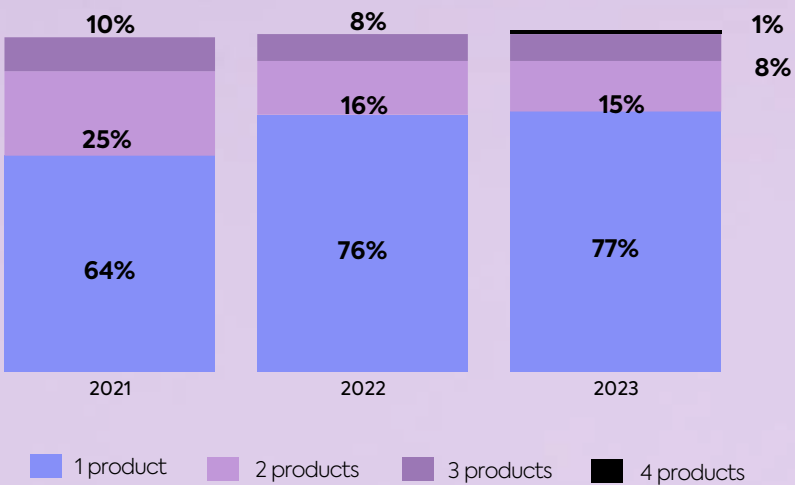
**75%**

GMV from repeat customers

# Opportunity to increase profitability through driving product cross-sell across our ecosystem.

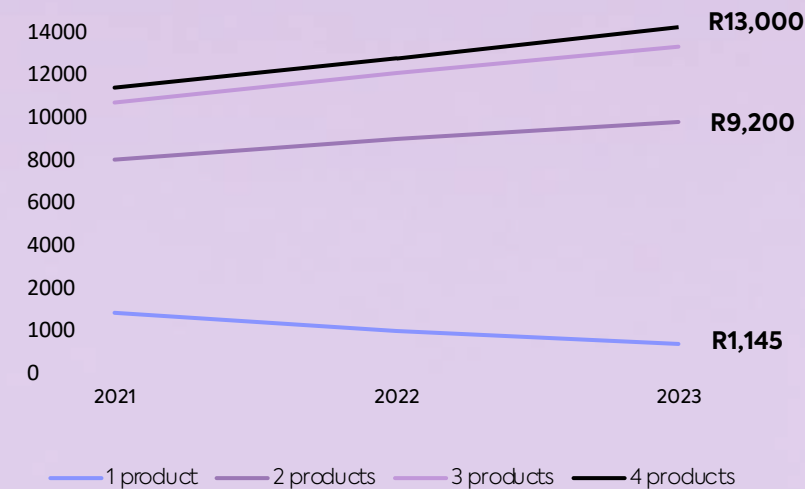


Multiple products per customer\* – targeting 50% with 2+ products

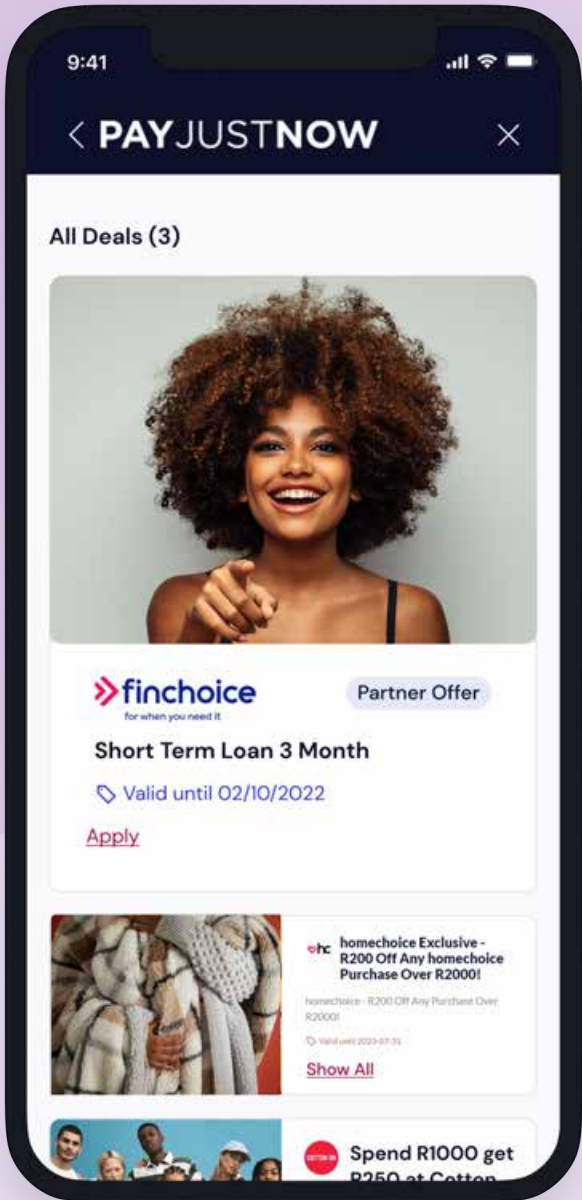
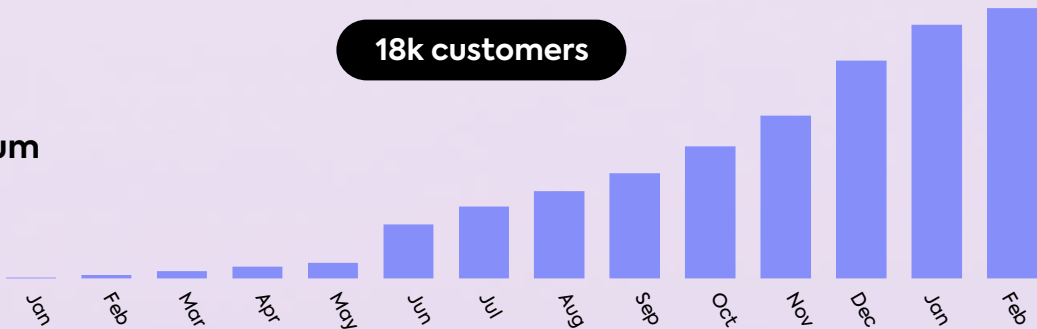


\* ARPU (average revenue per user) and product analysis based on active customers

ARPU\* based on number of products



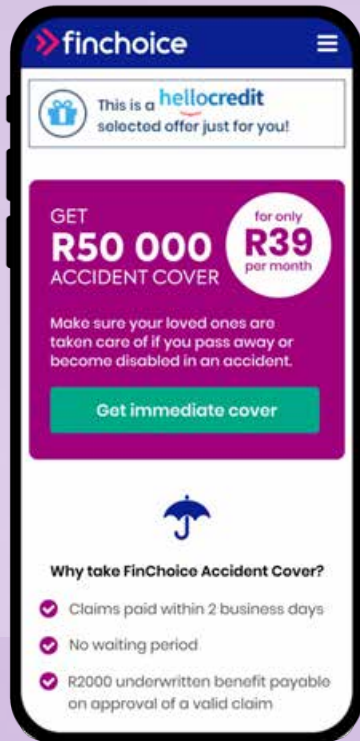
Intentional digital marketing delivering cross-sell momentum in customer base



# Tech innovation drives customer engagement and growth.

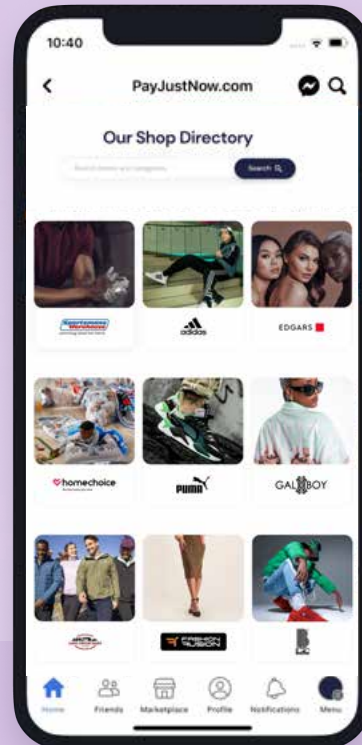


## Personal Accident



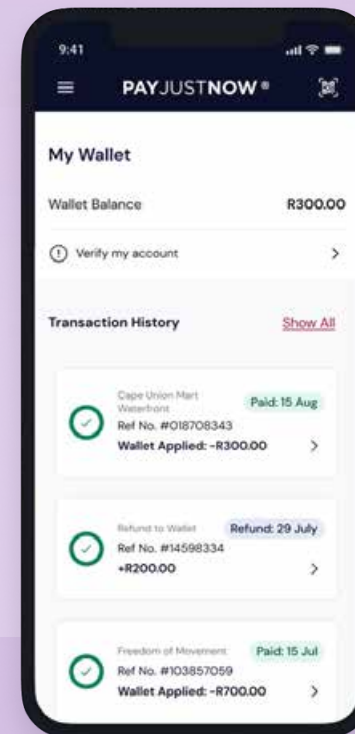
Launched end to end digital personal accident insurance with growing demand

## Search & Discover



Enhanced search features on store directory for customers

## E-wallet



Introduced a refund wallet driving more spend within the network

## Selfie Upgrade



Technology driven solution providing increased fraud protection with selfie verification and new liveness feature



# Fintech business model delivers exceptional growth with operating profit up 42%.



## Fintech revenue up 31% to R1.9bn

- Finance income benefitting from book growth and increased repo rate

## Fee revenue up 32% to R0.6bn

- Strong growth in fee income up R156m now contributing 34% of revenue growing from 33% LY
- BNPL gross merchandise value growing to R1.5bn (up 104%) and generating fees of R117m increasing from R63m (LY)
- Funeral and personal accident standalone digital insurance growing GWP by 27% to R148m

## Debtor costs tightly managed with 28% growth

- Appropriate increase in provisions to 18.7% (LY: 15.4%) largely due to deferred sales of rehabilitation books which carry a higher provision

## Fintech efficiency evident in trading expenses up 17%

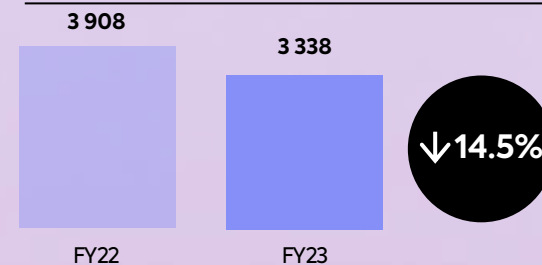
- Investment in key resources across Technology, Insurance and Marketing
- Digital operations enable scale with cost ratios reducing from 29.6% to 26.5%

## Profit before tax up 27%

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

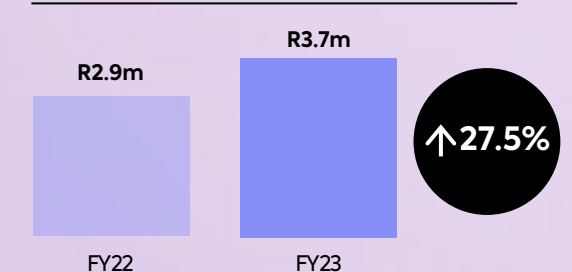
	DEC 2023 Rm	DEC 2022 Rm	% change
Revenue	1 886	1 445	30.5
Lending income	1 249	964	29.6
Fee income	637	481	32.4
Other gains/(losses)	(5)	14	(140)
Debtor costs	760	594	27.9
Trading expenses	499	427	16.8
Operating profit	622	438	42.0
Interest expense	196	103	90.0
Profit before tax	426	335	27.1

## Weighted avg revenue per user (ARPU\*)



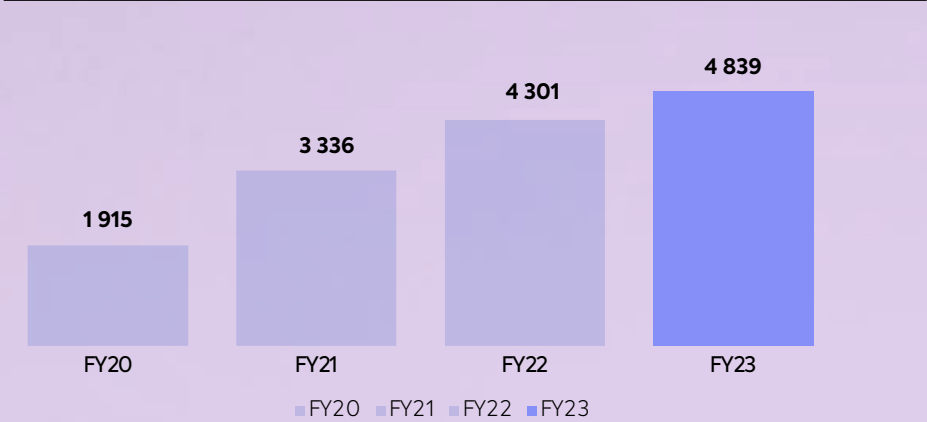
- Revenue per active transacting user
- \*\* Based on employee numbers end of year

## Revenue per employee\*\*

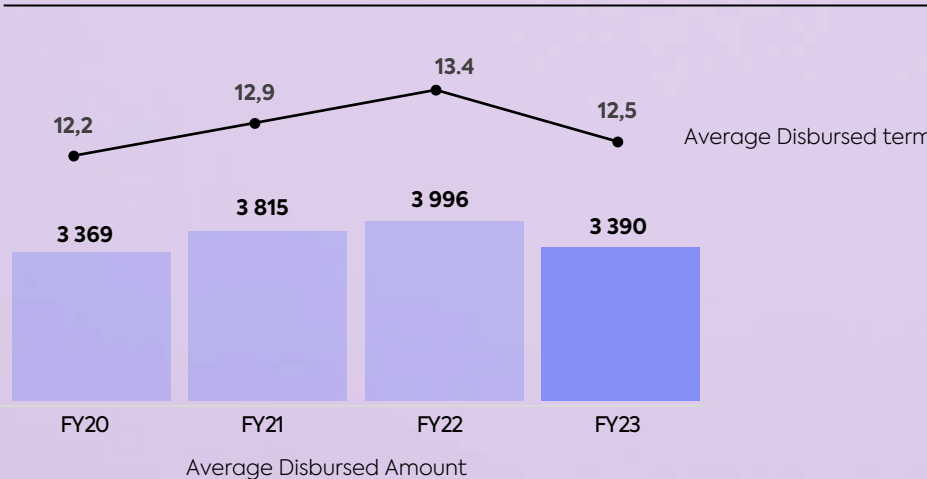


# Weaver leverages its short duration book to react fast to market changes and manage credit risk.

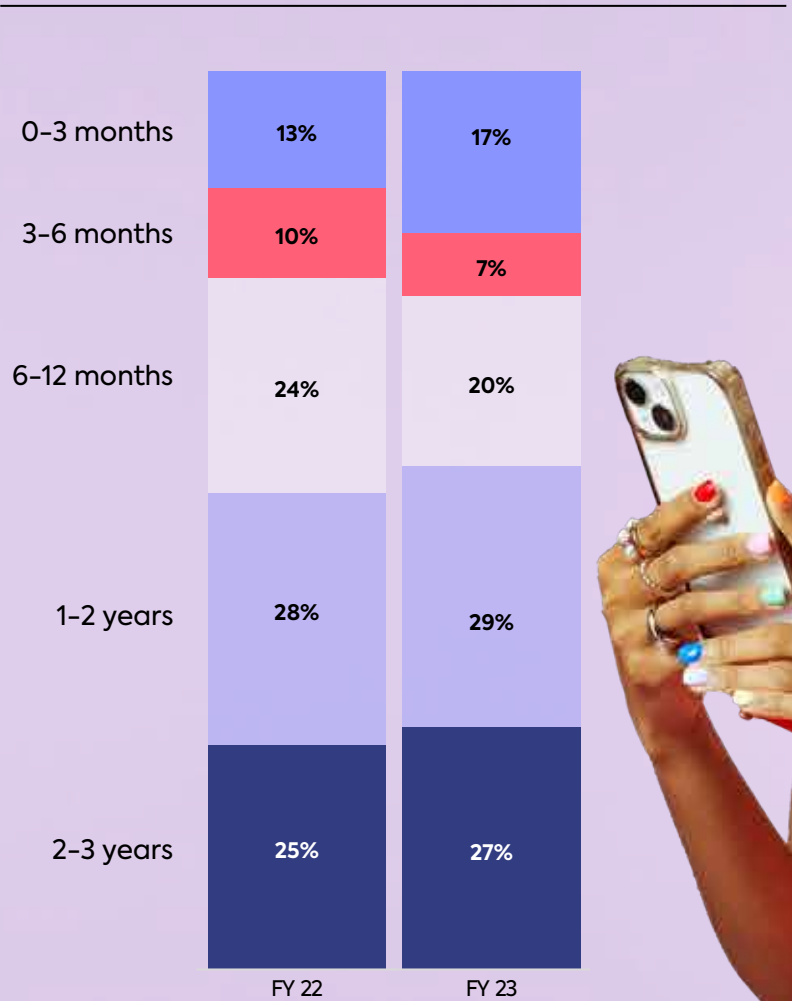
Controlled growth in disbursements (R'm)



Focus on short term, low value lending to digital customers (R value)



Weaver has consistently maintained short term books\*



\*Book age distribution from origination



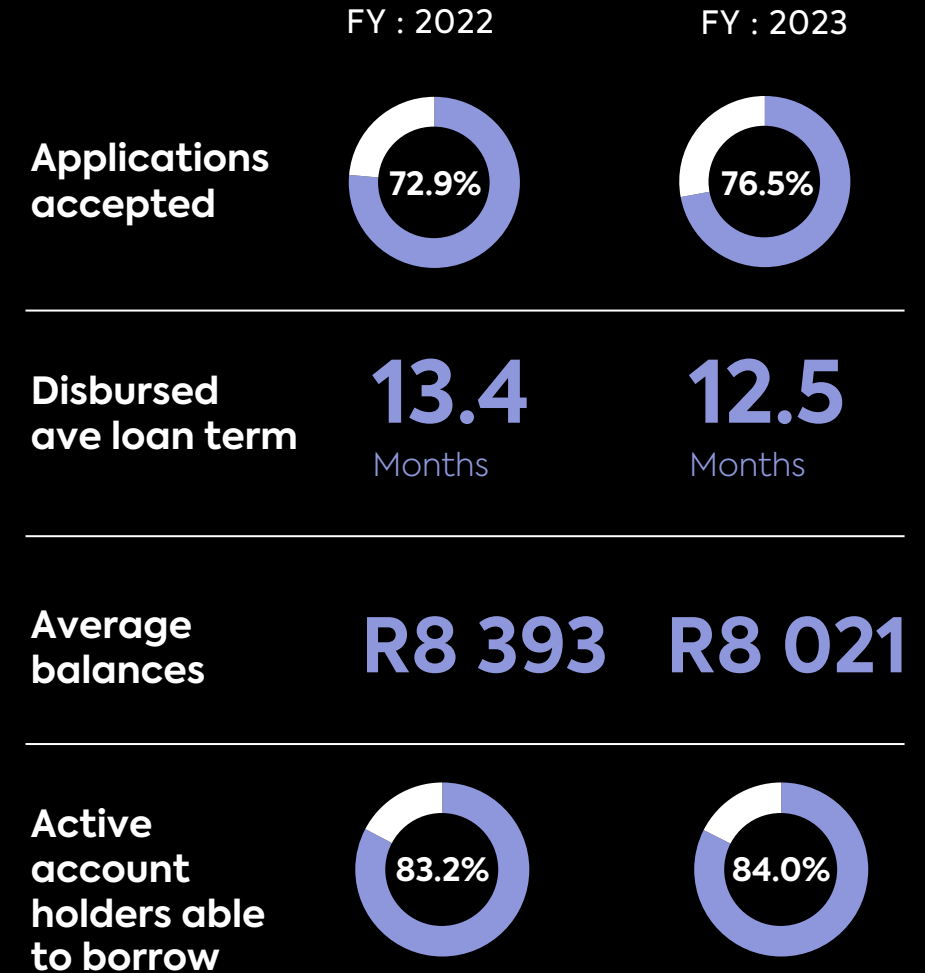
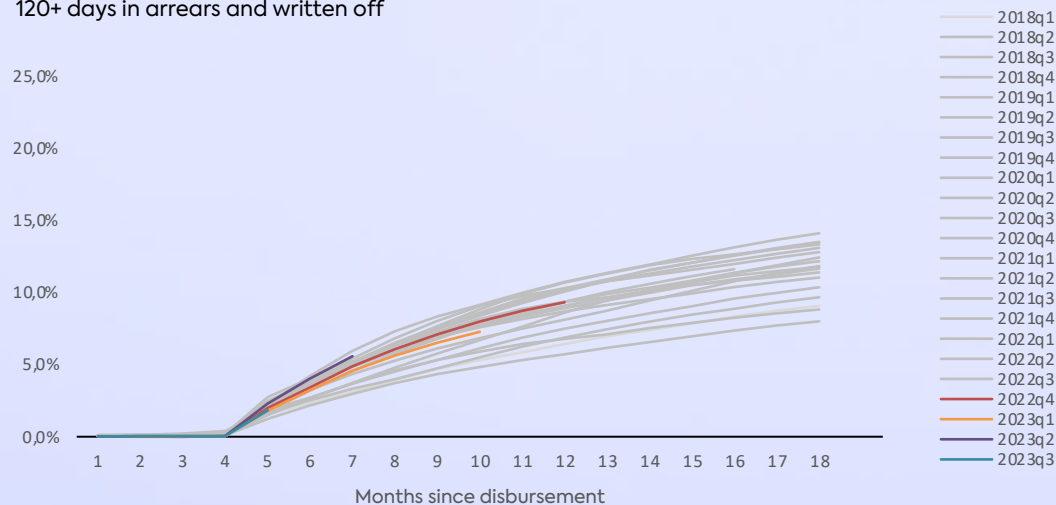
# Effective credit policy changes to manage risk.

- Given market consumer strain tightened scorecard criteria, upweighted our affordability buffers and shortened disbursement term
- Reduced average loans to new customers with strategic focus on proven existing customers which is evident in acceptance rates and higher reloan mix at 85.9% (LY: 84.5%)
- However, some lost opportunity with excessive tightening and limit cuts to the existing population
- Modest book term increase to 20.9 months (LY: 20.1 months)
- Digital payment strategy through use of Debicheck maintains yields

## Vintages within narrow tolerance band

### Financial Services Vintages - Total

120+ days in arrears and written off

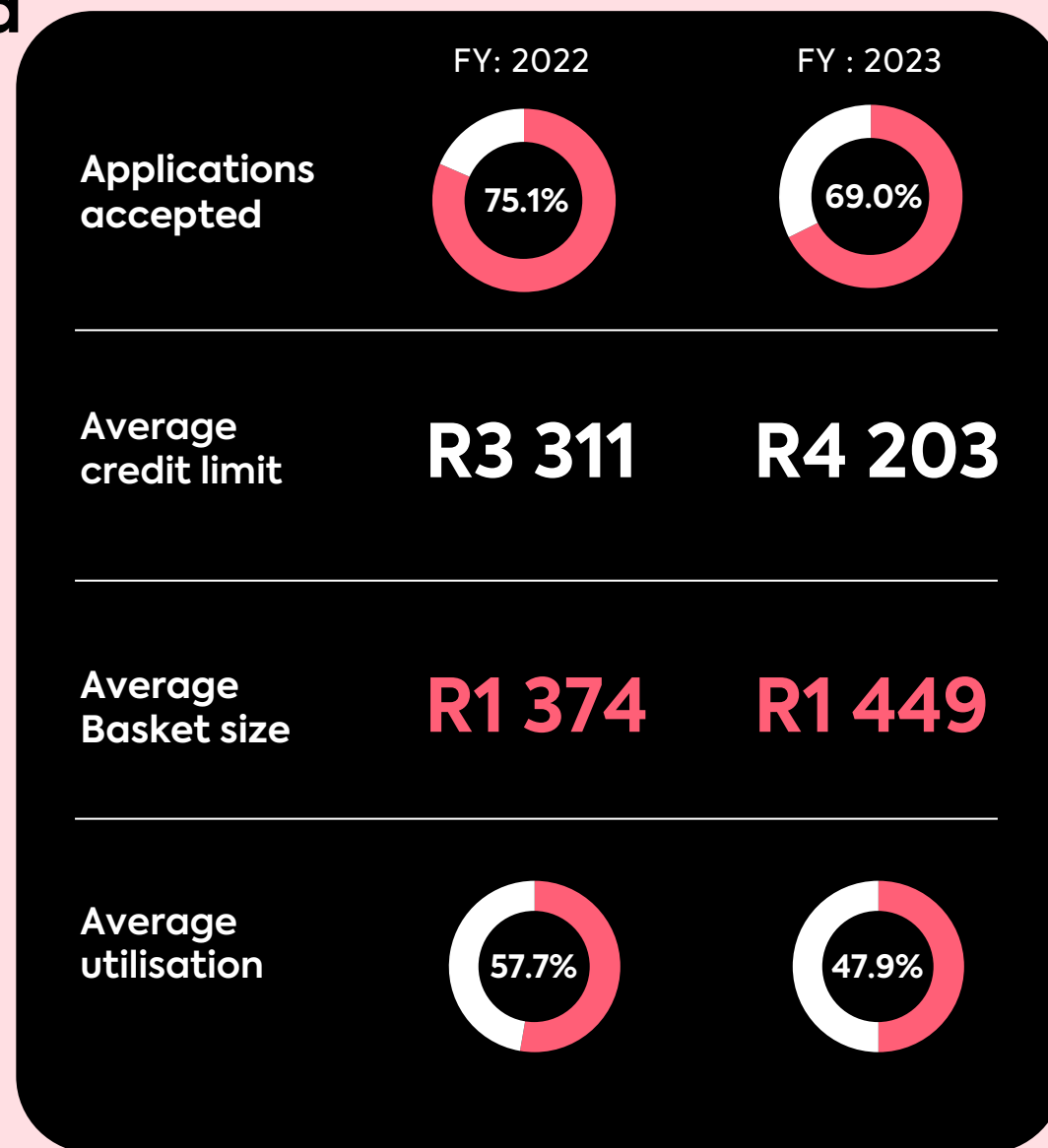
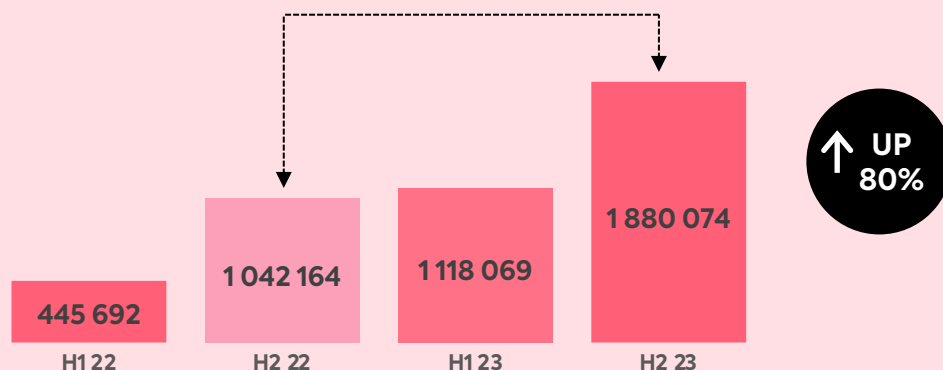




# PJN risk well controlled with limit and concurrency management.

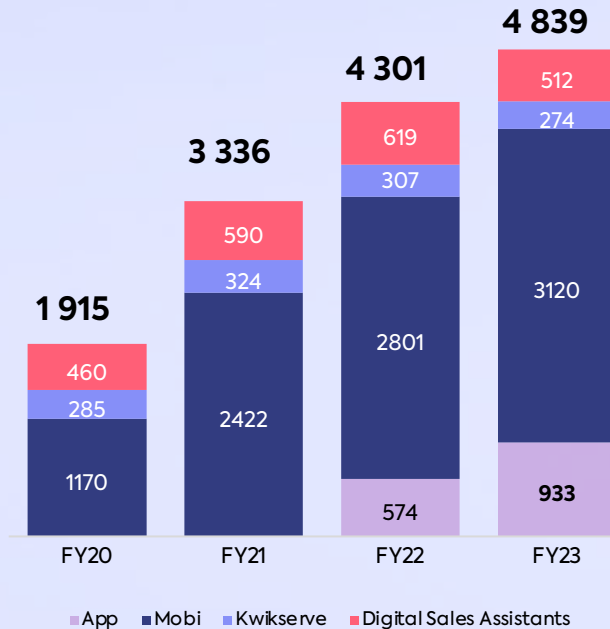
- Bespoke behavioural scorecard implemented providing opportunity to increase credit limits with better risk outcome
- Revisions to underwriting criteria improving acceptance rates to 72% in Q4
- Effective management of credit limits based on individual customer profiles with strategic increases to good paying repeat customers
- Continuous focus on fraud with implementation of selfie liveness and refinement of fraud velocity rules

## BNPL scaling with high monthly payment volumes on short term book – average 45 days



# Making her comfortable on her cashless journey.

Digital Disbursements (R'm) up 12.5% drive lending income



## Tech supports growth

End to end digital origination for existing customers repeat loans < 3 mins

Launched WhatsApp sales bot



## Mobile wallet

271 524

Mobi Money wallet customers up 26%

R1.8bn

Mobi money loans to wallet up 33%

75k

Average monthly wallet transactions up 15%

## Payments



**QR Payments –600k points of presence**

Zapper, SnapScan, Masterpass



**VAS & bill payments**

Data, electricity and airtime



**Virtual card**

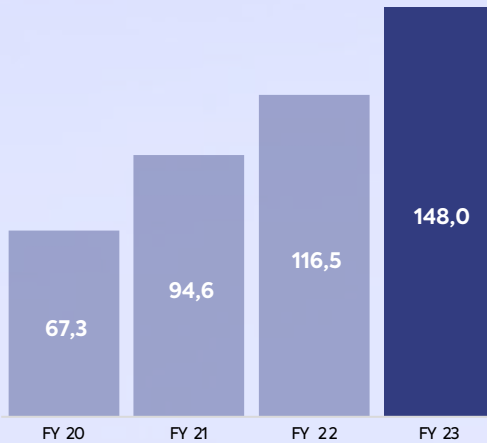
Launching for shopping at merchants

Lending income

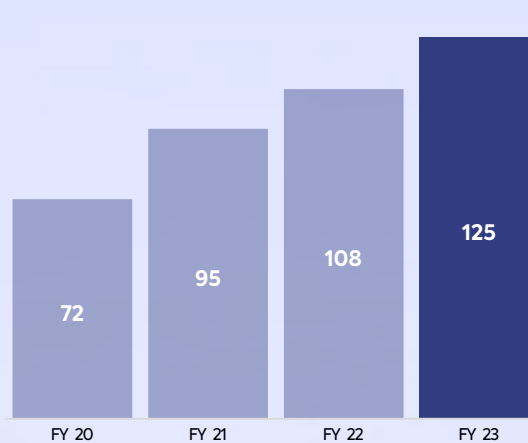
Fee income

# Increasing digital engagement drives insurance growth.

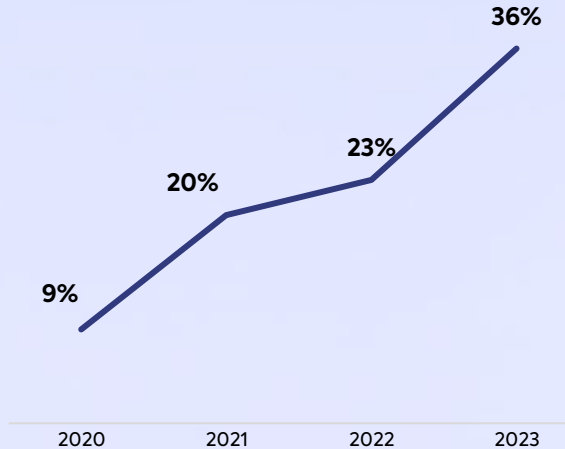
GWP (R'm) growth 27% with digital engagement



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  
**1.5%**

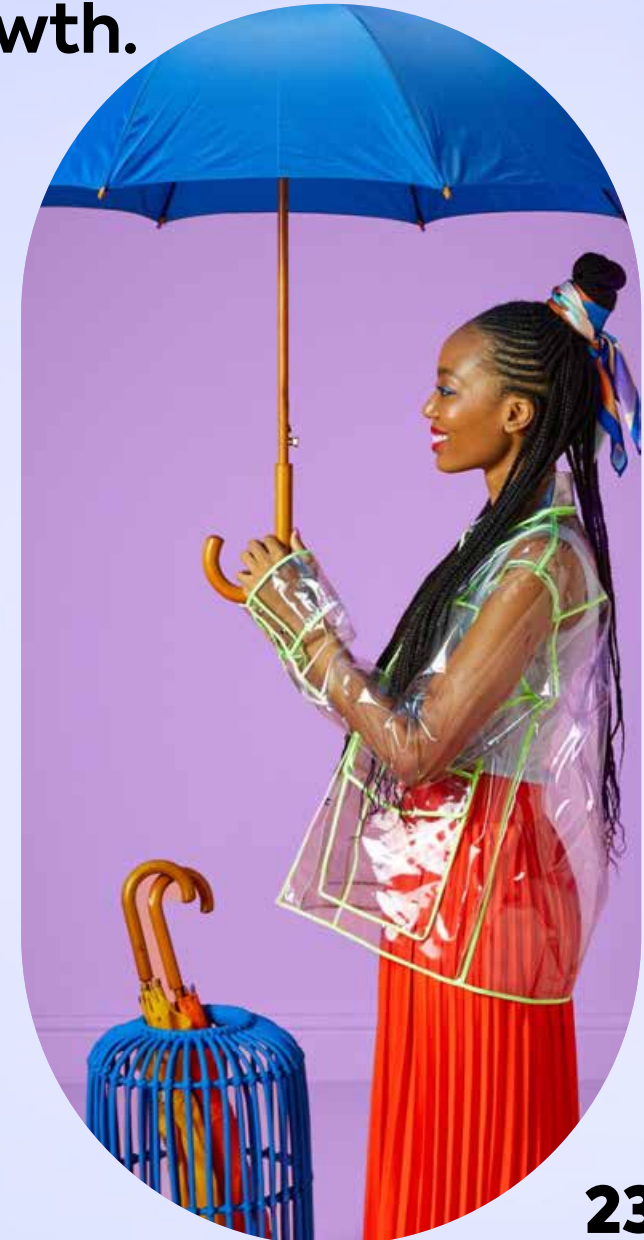
Significant cross-sell opportunity for Weaver

**19%**

Weaver Fintech active base have an insurance product

**45%**

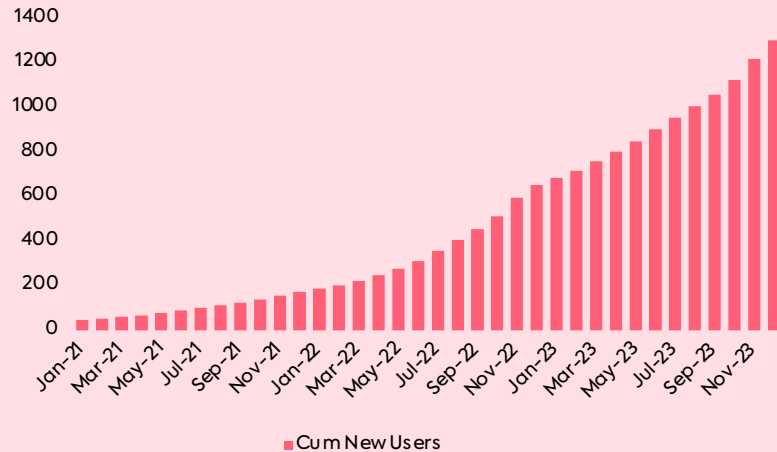
Finchoice active customers have a funeral product



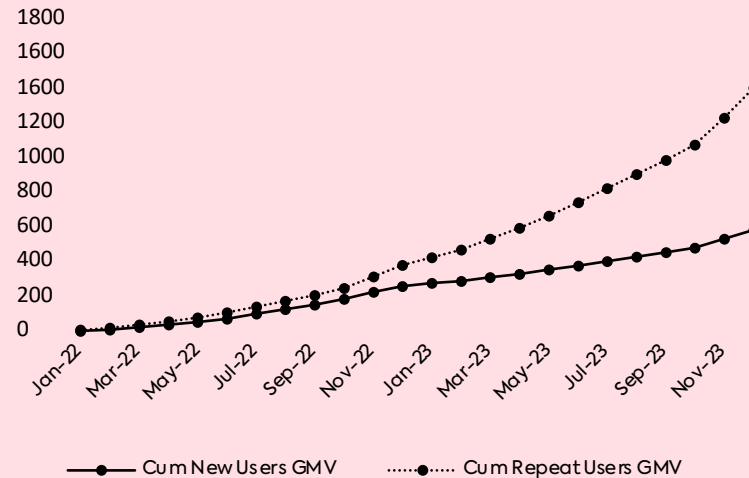


# BNPL enjoys high customer engagement and spend.

Continuously growing the customer base ('000)

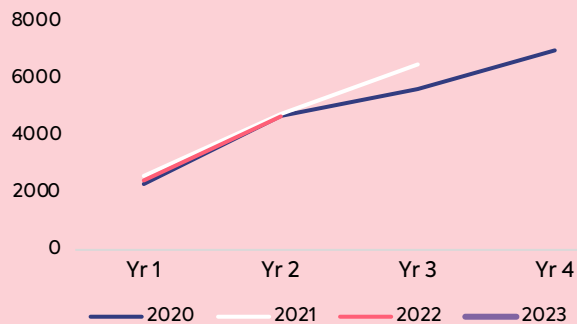


Customers increasing spend and frequency (R'm)



GMV  
R1.5bn  
FY23

Accelerating spend and frequency across cohorts (Rand)



Building loyal customers

**1.68**

90 day frequency  
up from 1.45

**R3.7k**

Average spend  
returning customers

Top 10% of customers  
highly engaged

**9.73**

Average annual  
transactions up from 7.68

**R13.2k**

Average spend up  
from R9.4k



# Empower merchants to onboard customers using proprietary tech solutions.

**#1**  
BNPL in  
South  
Africa

## Why do merchants choose PJN?

### Referral Traffic

27.3m merchant referrals in last 12 months up from 11m

### High repeat rates

75% transactions with recurring customers

### Marketing with My Deals

30-50 Merchant specific offers running monthly with 16 deals personalized to her.

Driving 3.2m customer clicks over past 12 months

### Store Directory

Search & Discover by customers of merchants driving 23m in traffic

### Increased Spend

Over 50% increase in basket size with strong conversion

## PJN used by all kinds of Merchants

**+ 2 500**

Growing merchants by further 150 with 17 product verticals offered

**+ 8 000**

Active points of presence increases >70% as instore builds

## Notable Merchant wins in the last year

**CORICRAFT**

dermalogica®

**FG**  
FOOTGEAR

**LEGiT**

**PicknPay**  
Clothing

**makro**

**PicknPay**  
HYPERMARKET

**SAMSUNG**

**Sportsmans**  
Warehouse

**● sunglasses hut**





**Retail.**





# Business re-shaped and now positioned for growth following effective credit cuts.



## Actions taken to enable Strategy

- 1 Implemented significant credit changes with risk tightening reducing customer volumes by c. 20% negatively impacting sales
- 2 Focus on unique heritage textiles driving innovation and range expansion and combining with strong bedding credit offers
- 3 Refocused digital strategy developing new digital sales channels and transforming to digital concierge concept to drive 30%+ mix
- 4 Accelerated roll-out of smaller format showrooms with strong footfall, high cash proportion and lower credit risk

## Future

Quality Credit customers

Bedding experts

Digital business

Unique showrooms



# Strategic risk decisions resulted in negative sales growth.



## Retail Sales dropping 23.6%

- Implementation of bespoke scorecard and new credit solutions to improve customer quality within new higher risk acceptance criteria
- Loadshedding impacted connectivity and SAPO collapsed hampering catalogue distribution – technology and use of couriers solved the issues

## Finance and other income down 7.4%

- Mandatory credit life successfully introduced for both new and existing customers
- Some benefit from higher repo rate and service fees albeit lower credit book

## Gross margin reduced to 43.0%

- Product buy impacted by ZAR devaluation and decision not to pass onto customer
- Traded out of over stocked position with increased mark-downs at deteriorated margins
- Lower parcel volumes negatively impacted on warehouse fixed cost structures

## Debtor costs significantly lower at 18.6% of revenue (LY: 21.5%)

- Reduced by R144m (30.3%) due to substantial changes in acceptance criteria
- Improving book performance resulted in lower provisions of 29.4% (LY: 34.0%)

## Trading expenses R68m (8.4%) lower

- Controlled marketing spend given risk strategys but at a deteriorated efficiency
- Right sized teams with further benefits into 2024

	Dec 2023 Rm	Dec 2022 Rm	% change
Revenue	1 789	2 214	(19.2)
Retail sales	1 227	1 607	(23.6)
Finance and other income	562	607	(7.4)
Gross profit	528	748	(29.4)
Gross profit margin	43.0%	46.5%	(3.5)
Debtor costs	(332)	(476)	(30.3)
Trading expenses	(742)	(810)	(8.4)
Operating profit	52	78	(33.9)

## Business returns to cash generation

**R345m**

Cash from improved working capital

**29%**

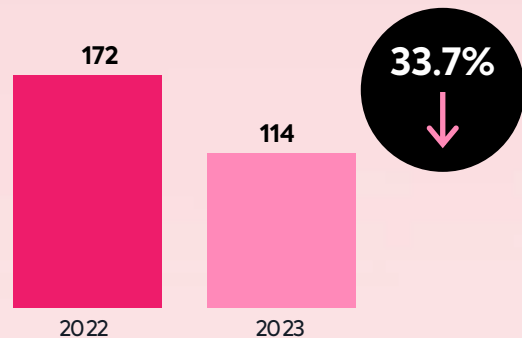
Stock reduction improving cash by R118m

**27%**

Increase in cash sales – now 7.4% up from 5.8% improving profitability

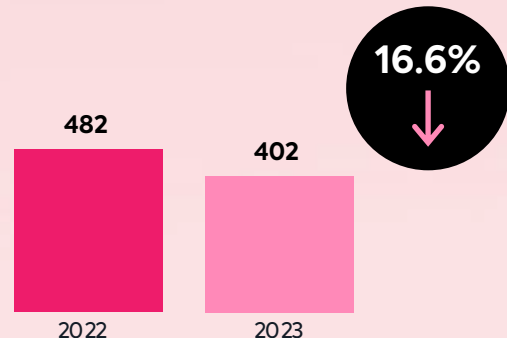
# Customer base impacted by lower levels of acquisition and credit cuts

New customers ('000)



Cash customers growing ↑ 5.0%

Active Customer Base\* ('000)

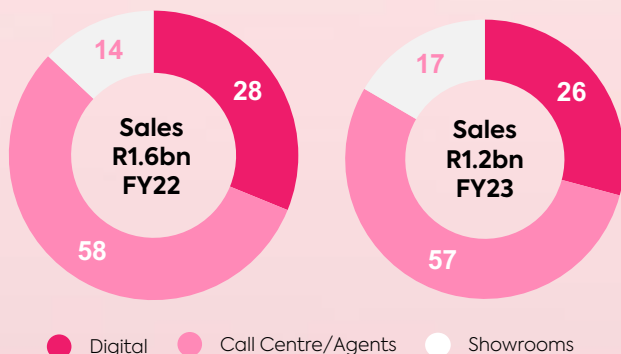


Attrition net of reactivation ↑ 3.7%

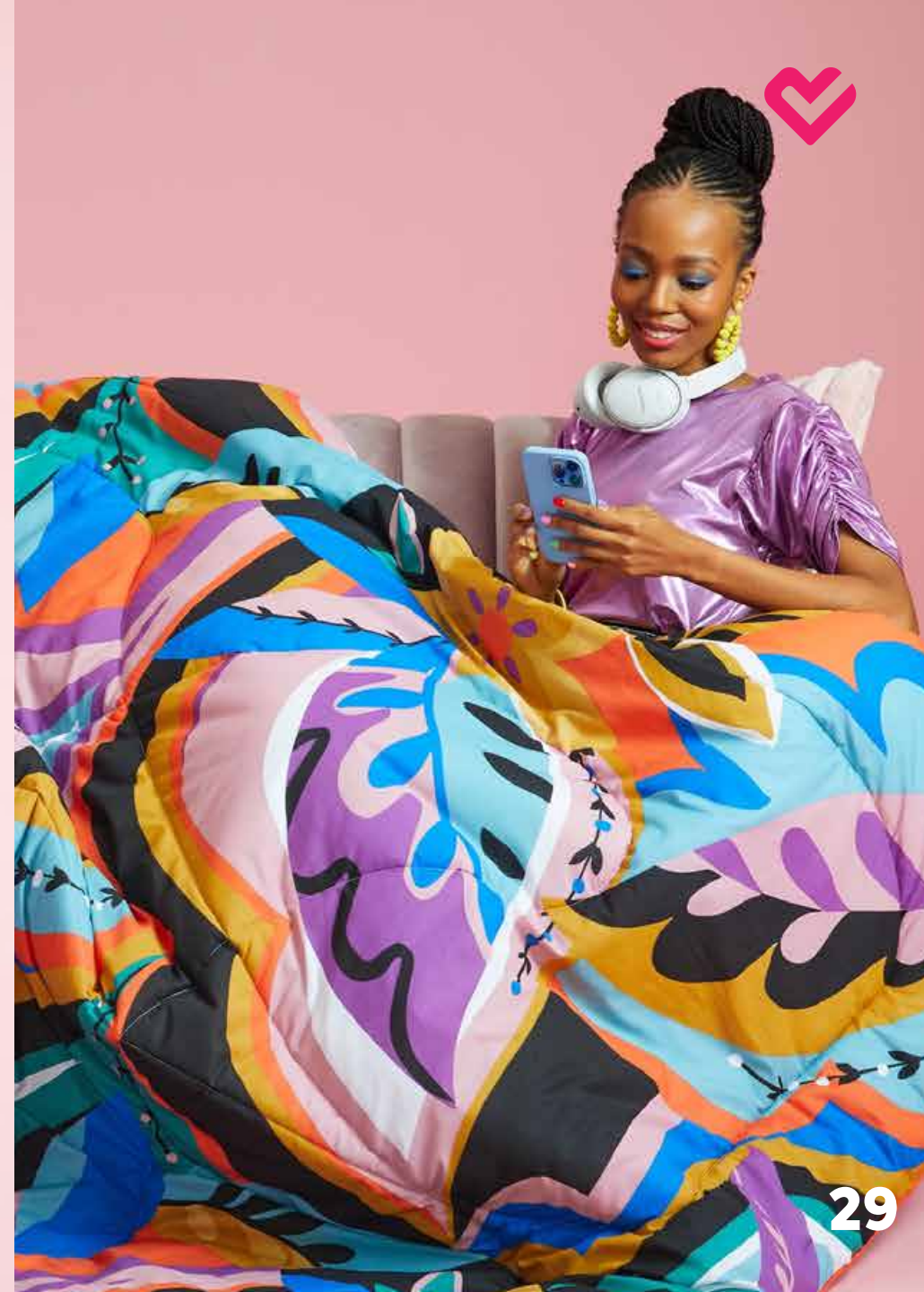
Customers written off ↓ 4.8%

\*Includes cash customers and customers with active credit balance

Channel Mix-Contribution



Post year-end positive momentum in acquiring new quality customers and improving re-activation of existing customers

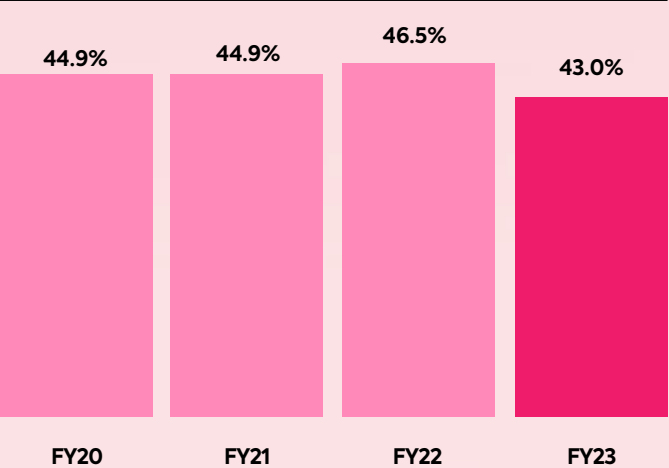




# Gross margin impacted by FX headwinds and stock management strategies.



Gross Margin %



Targeting gross margin % range of 44%–48%

## Planned enhancements in margin

- 1 Smart fulfilment delivery system improving CX and allowing drop shipments
- 2 Lower stock levels in core bedding range with managed mark-downs
- 3 Delivery fees optimized to cover costs
- 4 Closed JHB distribution centre reducing supply chain costs

## Significant focus on heritage bedding – experts with extensive range

Textiles	Bedding range	Quality and Value	Innovation
Consistently <b>55% of mix</b> generating c.R675m sales	> <b>500</b> patterns across printed and plain own bedding designs	Unique bedding bundles with focus on fillers, finishing and thread count	<ul style="list-style-type: none"><li>• Hot/cold duvet inner</li><li>• Co-ordinated rooms</li><li>• Cover and inner ties</li></ul>



# Credit customer and book quality significantly improved.

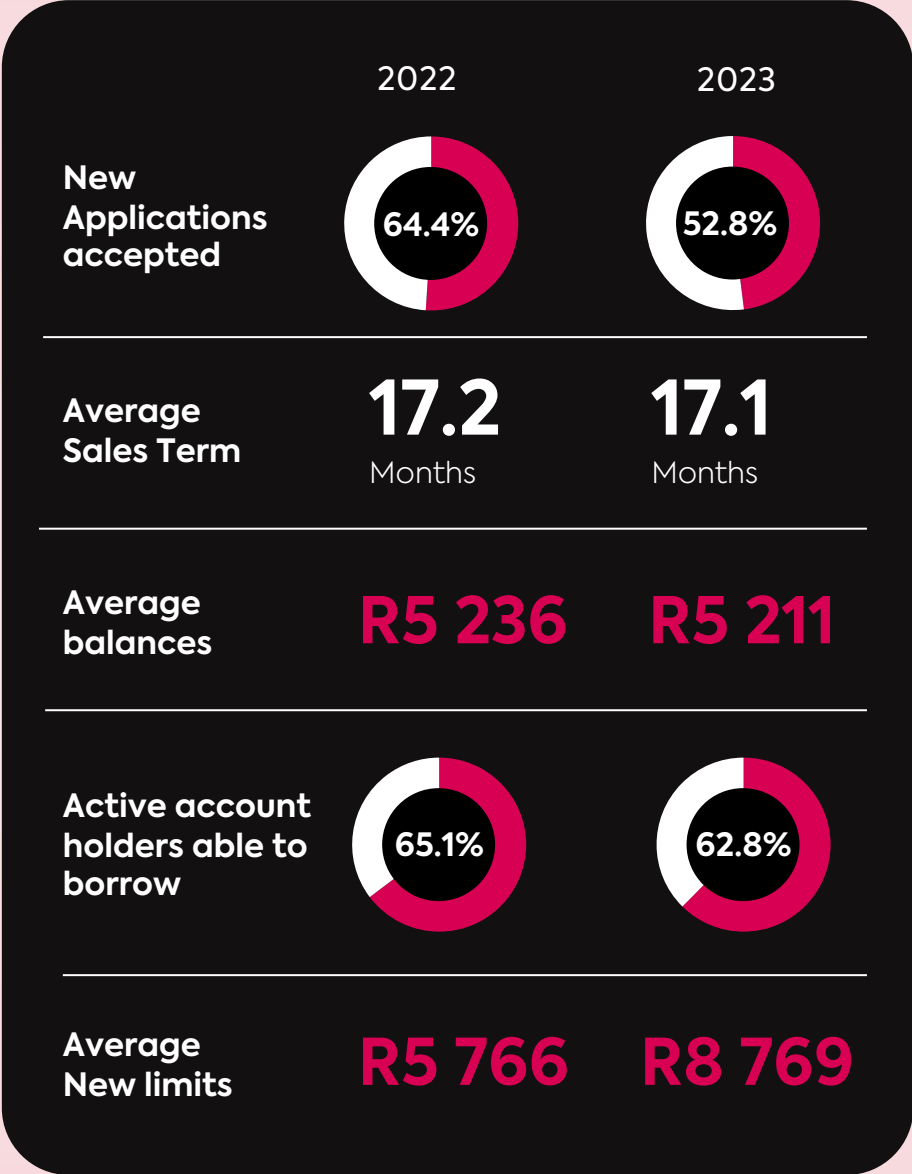
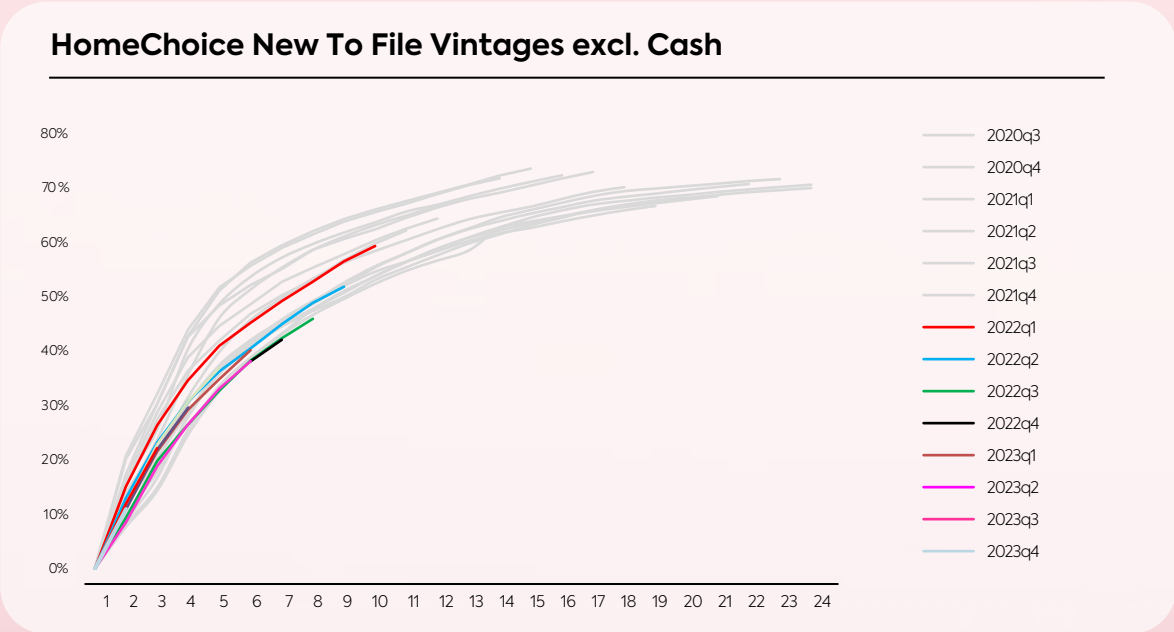


## Successfully implemented credit tightening to reduce risk

- Implemented bespoke application scorecard with increased granularity on risk acceptance
- Revisited customer limits cutting out higher risk populations and increasing exposure to good quality customers
- Strengthened fraud defenses including upfront authentication
- Mandatory debit order strategy re-instated and operational challenges within DebiCheck process addressed

## Retail vintages now stabilised within risk tolerances

- Encouraging performance of early rates 0-1 after new scorecard
- New collection strategy and use of technology in improved collection yields and lower operating costs to collect



# Showroom channel optimised to support digital strategy and drive future growth.



## Small format stores attract customers

**250sqm**

New format Store vs 1030sqm historically

**22k**

New customers won

**17%**

Sales proportion up from 14%

## Compelling metrics

**Cash**

**24%**

Up from 20% LY with business at 7%

**Debtor cost**

**13%**

Compares with 18.7% in other channels

**Collections**

**21%**

Orders collected from Showroom saving last mile delivery costs

**Take me home**

**R13m**

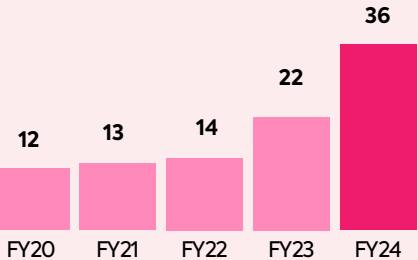
Cash orders with immediate product dispatch

## Scaling Showrooms

**8**

**new stores**  
opened in Q4 '23

## Net Showrooms



## Digital developments



Digital catalogue



Whatsapp orders



Self-service kiosk



BNPL



Tablets in-store

**32**



**Forward.**



# Fintech growth to continue with profitability enhanced as ecosystem develops.



- 1 Deep tech expertise driving fintech product innovation with clear roll-out strategy
- 2 Cross-selling products across the sizeable and growing fintech customer base building the ecosystem
- 3 Increasing fee income with product diversification
- 4 Retail well positioned for growth and continued cash generation
- 5 Momentum in business has continued in 2024 with growth in line with our expectations



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