



News release

DIGITAL ECONOMIES OF SCALE DRIVE MARGIN EXPANSION

- Revenue up 4% to R1.8 billion
- Operating profit up 30% to R228 million
- Loan disbursements up 33% to R2.1 billion
- Gross profit margin of 48.3%, up 320bps
- EPS up 25% to 143.9 cents
- Cash collected from customers up 24% to R3.4 billion
- Interim dividend up 36% to 64.0 cents per share
- 73% of all transactions now executed through our digital platforms
- Retail turnaround momentum delivering profits

Cape Town, 16 August 2022. Diversified digital consumer services group HomeChoice International plc (HIL) delivered a 30% growth in operating profit and added 132 000 new customers (+13%) to its customer base in the past six months. The group, which provides financial services and retail to 1.1 million mobile-savvy, mass market customers in South Africa, disbursed R2.1 billion of loans (up 33%) and collected R3.4 billion from customers (up 24%). Some 73% of transactions are executed through scalable digital platforms, not only improving the customer experience but driving direct transaction costs down by 45% over the past five years. Turnaround initiatives in Retail contributed to a gross profit margin improvement of 320 bps. The strong momentum culminated in a 25% growth in EPS to 143.9 cents and a 36% increase in the interim dividend to 64.0 cents per share.

Strong growth from Weaver Fintech

The Weaver Fintech portfolio, which accounts for 84% of group profits before interest, delivered operating profit growth of 29% to R205 million through a strong acceleration in disbursements, 32% growth in customers in the past six months and continued market share gains. Conservative credit extension culminated in 86% of loan disbursements going to existing customers with an established payment record and new customers being restricted to shorter-term loan products, with low levels of credit until they have proven themselves.

The FinChoice MobiMoney™ digital wallet grew its customers by 32% to 192 000 and increased monthly transactions by 19%. Stand-alone insurance customers grew by 19% to 99 000 and gross written premiums increased by 23%. Product progression is driving engagement and profitable growth in the Weaver business and various additional products are being trialled, including a retail instalment credit product offered at merchants' point of sale, a short-term facility product for PayJustNow and a virtual MobiMoney wallet card.

PayJustNow (PJN), the group's recently acquired Buy-Now-Pay-Later start-up, generated R224 million of gross merchant value (up 286%) and attracted 129 000 new customers to its interest and fee free digital payment solution. With more than 3 650 active online and in-store points of presence and 4.7 million customer referrals through the PayJustNow website, its merchants enjoy high brand

awareness, a 22% increase in conversion rates, and a 40% higher average spend per customer. The substantial FinChoice/PJN combined customer base of 589 000 is also providing exciting cross-sell opportunities.

Good momentum in Retail turnaround

Retail delivered a pleasing gross profit margin improvement through a renewed focus on its heritage home textiles, innovation in complementary merchandise categories, a successful cost base reset and supply chain optimisation initiatives. Retail operating profit increased by 19% to R38 million. This, despite higher transport costs and the negative impact of load shedding.

Key to the Retail recovery plan is rebuilding the customer base by using stricter, data-driven credit decisioning and revised credit limits to onboard customers. On the back of this strategy, new customers increased by 49% relative to H2 2021, and existing good-performing customers were retained through focused, customer insights-driven campaigns, resulting in reactivations up 12%, while attritions and write-offs have reduced by 25% and 23% respectively. The strategic risk tightening did however impact retail sales, which decreased by 11% to R0.8 billion.

Conservative credit provisioning and healthy cash flows

Weaver and Retail both maintain a continuous strict focus on sustaining the quality of the credit books and retaining healthy provision coverage. Both trade and loans receivables books are highly cash generative.

The group maintains a conservative net debt to trade and loan books ratio of 22.5% (excluding property debt). With cash and undrawn funding facilities of more than R900 million, there is strong capacity to fund the continuing growth of Weaver Fintech.

Executive chair, Shirley Maltz, commented: *“We are very encouraged by the robust growth in the current period and the good momentum in all our businesses. Our digital drive has kept us at the forefront of the structural shift to digital mobile-first transactions and has increased cost efficiencies. We are constantly innovating to improve our customers' experience and we are seeing the results in our customer growth and retention and consistently high customer satisfaction ratings. The significant increase in the customer base to which a broader set of financial products can now be offered presents exciting growth prospects. I am confident the group is well positioned and amply funded to drive our growth ambitions.*

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About the HIL group

A diversified digital consumer services group providing financial services and retail to the mobile-savvy, mass market in South Africa. 71% of its customers are female.

Weaver Fintech offers quick, seamless and secure personal lending, digital payment solutions, value-added services and insurance products using innovative mobile-first platforms across the FinChoice and PayJustNow brands. Our omni-channel retailer, HomeChoice, delivers innovative, quality homeware merchandise from own brands and sought-after external brands directly to homes. A growing online channel provides a convenient shopping experience on customers' mobile phones.

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