



News release

HIL FINTECH PRODUCT PROGRESSION DRIVES GROWTH

- Digital transactions increase to 65% of total transactions
- Revenue up 4.8% to R3.4 billion
- Loan disbursements up 73.8% to R3.3 billion
- Retail sales down 4.8% to R1.7 billion
- Trading profit* up 43% to R386 million
- Operating profit down 2.6% to R263 million
- Headline earnings per share up 24.0% to 203.5 cents
- Total dividend declared of 67 cents
- R1.1 billion of undrawn funding secured for growth

*Operating profit before once-off software impairment and staff restructuring costs

Cape Town, 15 March 2022. Digital-first financial services and retail group, HiL, today announced annual results to December 2021, highlighting robust trading profit growth to R386 million on the back of 4.8% revenue growth, and culminating in HEPS up 24.0% to 203.5 cents and a final dividend of 20 cents per share, bringing the total dividend for the year to 67.0 cents per share.

HiL chair, Shirley Maltz, said: "We provide our more than 1 million mobile-savvy customers with quick, seamless and convenient digital shopping journeys and insights-driven financial services and retail products. We have invested in technology and skills in recent years and built innovative platforms to achieve this goal. We recently announced an evolution in our strategy with a much stronger emphasis on building a comprehensive Fintech offering under the Weaver Fintech brand. The growth in FinChoice and the acquisition of PayJustNow successfully set us on this journey. We have also made steady strides in returning the Retail business to form."

More than 65% of transactions are now concluded digitally, and HiL has been reaping the rewards of this investment in terms of efficiencies, with cost per transaction decreasing by c.38% in the past five years. These results speak to the importance of our digital-first growth strategy.

Trading performance

The group delivered a robust performance for the year, with trading profit increasing by 43% to R386 million. Once-off costs of R123 million have been incurred, mainly in the Retail segment, relating to impairments of legacy software and staff restructuring costs, resulting in operating profit decreasing by 2.6% to R263 million. Headline earnings per share increased by 24.0% to 203.5 cents.

Weaver Fintech produced outstanding growth of 69.1% in trading profit for the year, while continuing to gain market share in the South African unsecured credit market. FinChoice grew loan disbursements by 73.8% to R3.3 billion, through the digital acquisition of new customers and strong engagement with existing customers, whilst ensuring tight control of credit risk and a focus on streamlining the customer digital journey. PayJustNow, with high customer appeal and rapid adoption, increased Gross Merchandise Value to R200 million.

Insurance products have shown consistent growth, with a 42% increase in gross written premiums, 93 000 customers and a 45% penetration of the FinChoice active loan base. A pleasing 20% of new policies were written through digital channels and we will look to build on this with new product offerings.

Our MobiMoney credit-backed wallet continues to be the cornerstone of our Fintech offering, with 82% of FinChoice active loan customers signed up for the product. New accounts grew by 40% to 170 000 and average monthly transactions increased by 34% to 55 000 per month. Our new mobile app set for launch in 2022, will support additional revenue streams and provide greater levels of convenience to customers.

Weaver Fintech's active customer base increased 106% to 450 000 customers. This includes recently acquired PayJustNow, which has a signed-up customer base of 180 000 customers, all acquired digitally, through 1 165 merchants offering the digital payment product to their customers at 2 500 online and in-store points of presence. This robust customer growth provides the group with an accelerating customer base to which a broader set of financial products can be offered, and presents exciting growth prospects going forward.

Retail's road to recovery is on track, albeit under tough trading conditions. Full-year sales declined by 4.8%, mainly driven by the social unrest, high levels of staff absenteeism in our contact centre during the Western Cape taxi violence, as well as global supply chain constraints and stock shortages. Operational challenges negatively affected debtors, with the sub-optimal implementation of DebiCheck proving detrimental to both the customer experience and collections.

The implementation of stricter credit-granting criteria in Retail has also resulted in a 30.7% reduction in new customers acquired, which impacted H2 sales. As part of the data-driven strategies and investment into existing customers, spend increased by 9% year-on-year which is very positive. Pleasingly, digital customer engagement continues to be strong, with 59 000 customers making use of the HomeChoice app. Digital sales growth also outperformed other channels, increasing its contribution to sales to 27.6%.

The Retail business has launched a comprehensive turnaround plan to reset its cost base, improve customer retention and marketing, migrate off legacy IT systems and further accelerate digital transformation. Some R114 million in once-off costs have been incurred in 2021 to right-size the cost base and raise impairments against IT legacy systems no longer fit for purpose. Steady traction with the turnaround process was achieved in H2 - gross profit margins were maintained, debtor costs were stable, and costs were reduced by 6.7% for the year. As a result, trading profit, excluding once-off costs, increased by 18.3% to R71.0 million.

Credit performance was mixed with conservative provisions maintained. The group's gross credit book grew 13.1% to R4.5 billion. Weaver Fintech generated a strong credit performance with debtor costs increasing at levels well below book growth. Vintages have been tightly controlled. The quality of the Retail credit book has deteriorated due to collections challenges. While more stringent credit acceptance criteria have been implemented, Retail vintages currently show a worsening performance against which conservative provisions are being held.

Outlook

We continue to focus on a digital mindset and obsessive focus on customers to deliver cost efficiencies and topline growth. HomeChoice Retail will further entrench its turnaround plan with successful inroads already achieved in 2021. Weaver Fintech will pursue market share opportunities

leveraging its stable of fintech products covering lending, mobile wallet, insurance, Buy Now, Pay Later and other point-of-sale solutions.

Maltz said: *“We are a thriving diversified digital consumer group with a clear strategy to drive customer acquisition and growth through strategic product progression and to capitalise on improving economic conditions. With R1.1 billion of undrawn facilities available, the Group is also well funded for accelerated growth.”*

Ends

About HomeChoice International

HomeChoice International plc is an investment holding company listed on the JSE Limited. The group is a leading participant in the retail homeware and financial services sectors to the urban middle-income mass market in southern Africa. It has serviced this market for 35 years and has built up a loyal, primarily female, customer base of more than 1 million active customers.

🔗 for further information: www.homechoiceinternational.com

About Weaver Fintech

HiL has rebranded its Mauritian financial services subsidiary to Weaver Fintech PCC (Weaver Fintech) which houses its fintech businesses. Weaver Fintech offers personal lending, insurance, payments, and value-added services on digital platforms through its FinChoice and PayJustNow brands.

🔗 for further information: www.weaverfintech.com

About PayJustNow

Launched in August 2019, PayJustNow is a start-up in the booming Buy Now, Pay Later (BNPL) space and is already the largest business of its kind in Southern Africa. PayJustNow’s solution is a responsible alternative to credit, with no fees charged unless payments are missed. The PayJustNow system determines shopper affordability, schedules automated deductions, and sends reminders to make sure shoppers don’t miss a payment. It gives shoppers access to items and services they want or need without constraining their available resources.

🔗 for further information: www.payjustnow.com

About HomeChoice

HomeChoice is an omnichannel retailer with a fast-growing digital offering providing customer shopping convenience. It sells innovative homeware products with an emphasis on value and quality, supported by a home delivery service.

🔗 for further information: www.homechoice.co.za

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