

# HOMECHOICE INTERNATIONAL PLC

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

**HIL** PLC

HOMECHOICE INTERNATIONAL

### OVERVIEW

HomeChoice International PLC (HIL) is an investment holding company incorporated in Malta and was listed on the JSE Limited in December 2014. Through its operating subsidiaries, HomeChoice and FinChoice, the group sells innovative homewares merchandise, personal electronics and loan products to the rapidly expanding mass middle-income market in southern Africa.

### TRADING AND FINANCIAL PERFORMANCE

		2014	2013	% change
Revenue	(R'million)	<b>1 958,6</b>	1 662,0	17,8
Retail sales	(R'million)	<b>1 082,5</b>	929,7	16,4
Gross profit margin	(%)	<b>49,8</b>	49,1	
Debtors costs as a % of revenue	(%)	<b>16,8</b>	19,0	
Operating profit margin	(%)	<b>26,6</b>	26,4	
Operating profit	(R'million)	<b>521,5</b>	438,3	19,0
EBITDA	(R'million)	<b>541,8</b>	450,1	20,3
Earnings per share	(cents)	<b>352,5</b>	306,9	14,9
Headline earnings per share	(cents)	<b>352,8</b>	306,9	15,0
Total dividend	(cents)	<b>161</b>	110	46
Net asset value per share	(cents)	<b>1 559,8</b>	1 275,8	22,3

The group delivered a strong trading and financial performance in the continued tough consumer environment, entrenching its position as one of South Africa's leading home shopping retailers.

Revenue increased by 17,8% to R2 billion, driven by merchandise range extension and growth in online sales and expansion into Africa. Merchandise sales increased by 16,4% and FinChoice grew loan disbursements by 24,2%.

The gross profit margin improved by 70 basis points to 49,8% through efficient supply chain management, which limited the impact of the volatile and weakening Rand.

Debtor costs increased by 4,2% to R329,9 million and reduced as a percentage of revenue from 19,0% to 16,8%. This reflects the benefit of the tightening of credit policy during 2012 and 2013 in response to the deterioration in the credit market, resulting in an improved performance on the debtors' and loan books. Debtor costs also benefited from a change in accounting treatment for debt review customers. FinChoice previously wrote off loans of customers entering the debt review process regulated by the National Credit Act, however the recovery rate of these debt review accounts has proven to be better than initially expected, and it has been decided to align with the practices adopted by HomeChoice and bring the debt review book back onto the balance sheet. Debtor costs, excluding the change in accounting treatment, increased by 8,2% which is 17,5% as a percentage of revenue.

The strong revenue growth and controlled cost and credit performance delivered a 19,0% increase in operating profit to R522 million, with the operating margin increasing to 26,6% (2013: 26,4%).

Headline earnings increased by 14,9% to R355,6 million, with headline earnings per share 15,0% higher at 352,8 cents. The total dividend was increased by 46% to 161 cents per share.

### OUTLOOK

The trading environment is not expected to show any marked improvement in the year ahead as the outlook for economic growth in the country is muted. Customers are likely to be under financial strain as pressures on disposable income continue and the unsecured lending market remains constrained.

The group's credit strategy remains unchanged in the stabilising credit environment and current lending practices will be maintained. The devaluation of the Rand will place pressure on margins and pricing in the Retail business.

The group will continue to focus on its digital strategy and expanding its customer base in Africa. The retail product range will be extended and expanded into new categories while HIL will be launching an insurance business.

Capital expenditure of R169 million has been committed for 2015. The group anticipates investing R110 million for the building of a new 1 000-seat call centre and retail showroom and R60 million for information technology to drive operating efficiencies and the group's online strategy.

This short-form announcement is the responsibility of the HomeChoice International PLC board of directors and is a summary of the information in the detailed annual results announcement released on SENS on 20 March 2015. The full announcement is available on the group's website at [www.homechoiceinternational.com](http://www.homechoiceinternational.com). The announcement is available for inspection, at no charge, at the company's registered office during office hours. Any investment decision in relation to the company's shares should be based on the full announcement.

[www.homechoiceinternational.com](http://www.homechoiceinternational.com)

Revenue up  
**17,8%** to  
R2,0 billion

Retail sales  
up **16,4%** to  
R1,1 billion

Gross profit  
margin up  
from **49,1%**  
to **49,8%**

Debtors  
costs as % of  
revenue down  
from **19,0%**  
to **16,8%**

EBITDA up  
**20,3%** to  
R542 million

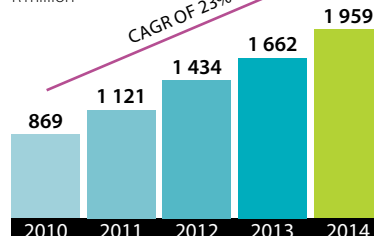
Operating  
profit up  
**19,0%** to  
R522 million

Headline  
earnings  
per share up  
**15,0%** to  
352,8 cents

Total dividend  
up **46%** to  
161 cents per  
share

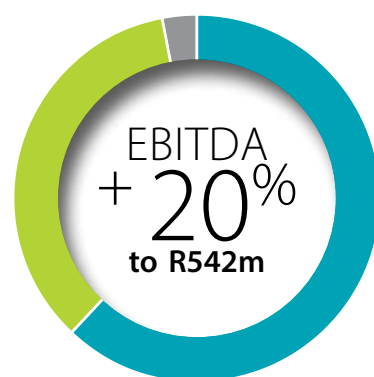
### REVENUE

R'million



increased to  
R2,0 billion

+ **18%**



#### Registered office

93 Mill Street, Qormi, QRM3102, Republic of Malta

#### Transfer secretaries

Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001  
PO Box 61051, Marshalltown, 2107

#### Sponsor

Rand Merchant Bank, a division of FirstRand Bank Limited

#### Company secretary

George Said

#### Directors

S Portelli\* (Chairman), G Lartigue\*\*\* (Chief Executive Officer), P Burnett\*\*\* (Financial Director), A Chorn\*, R Garratt\*\*, E Gutierrez-Garcia\*\*, R Hain\*, S Maltz\*\*\*, C Rapa\*

\* Independent non-executive \*\* Non-executive \*\*\* Executive

#### HomeChoice International PLC

(Incorporated in Malta)

Registration number: C66099

JSE share code: HIL

ISIN: MT0000850108