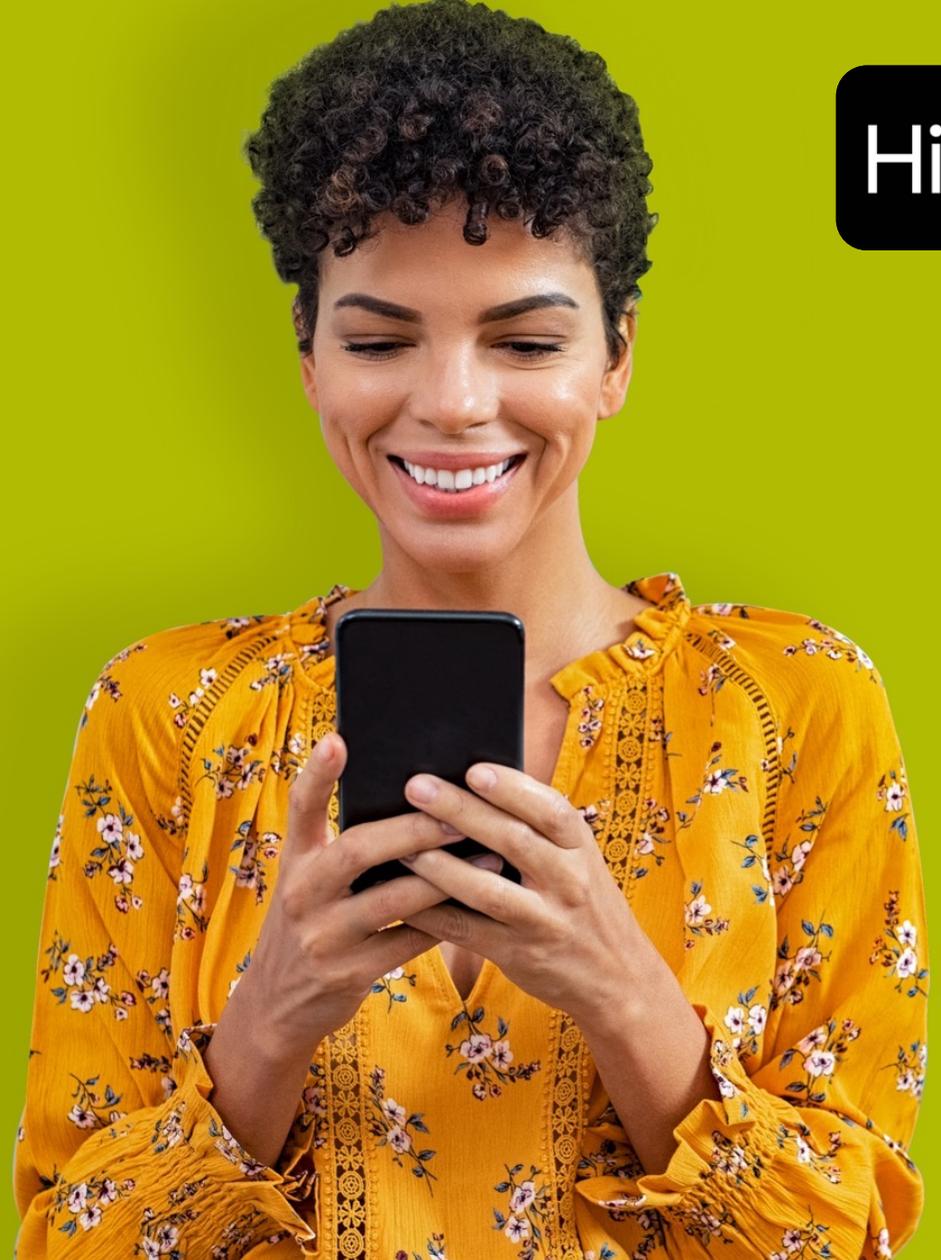




digital.

Interim Results 2021

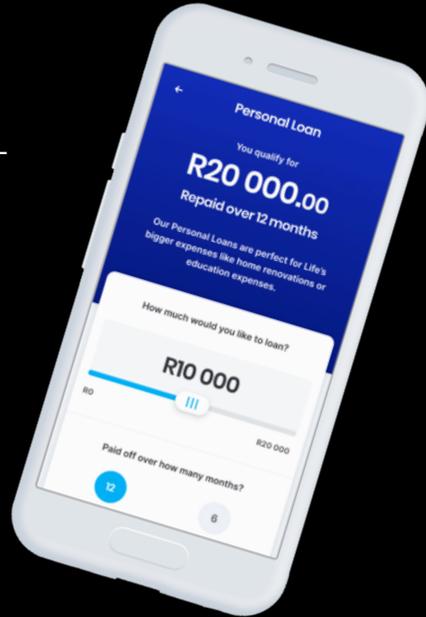


HiL – a FinTech business and omni-channel retailer

OUR CUSTOMERS' FAVOURITE DIGITAL FINANCIAL SERVICES PROVIDER



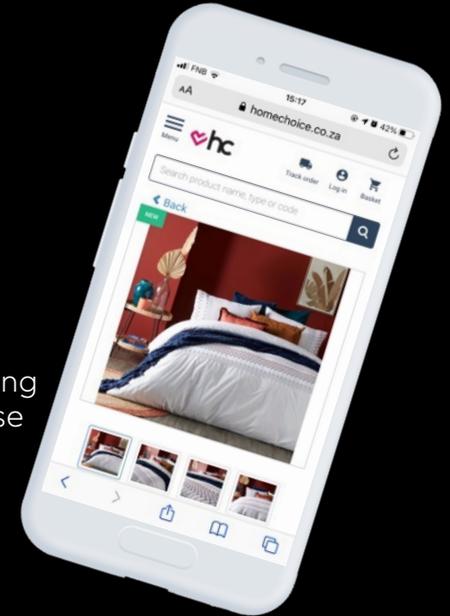
Digital FinTech business offering personal lending, insurance and value-added services



CREATING A HOME SHE LOVES



Omni-channel retailer delivering quality homeware merchandise directly to homes



* Segmental trading profit excludes once-off costs, and other group companies

Our customer – a digitally savvy, urban African woman

Group

918 000 group customers

80% women

R10k monthly income

Digital engagement

1 Million

Facebook +7.1%

117k

Instagram +58%

4 Million

E-mail +10.2%

35 Million

annual sessions

65k

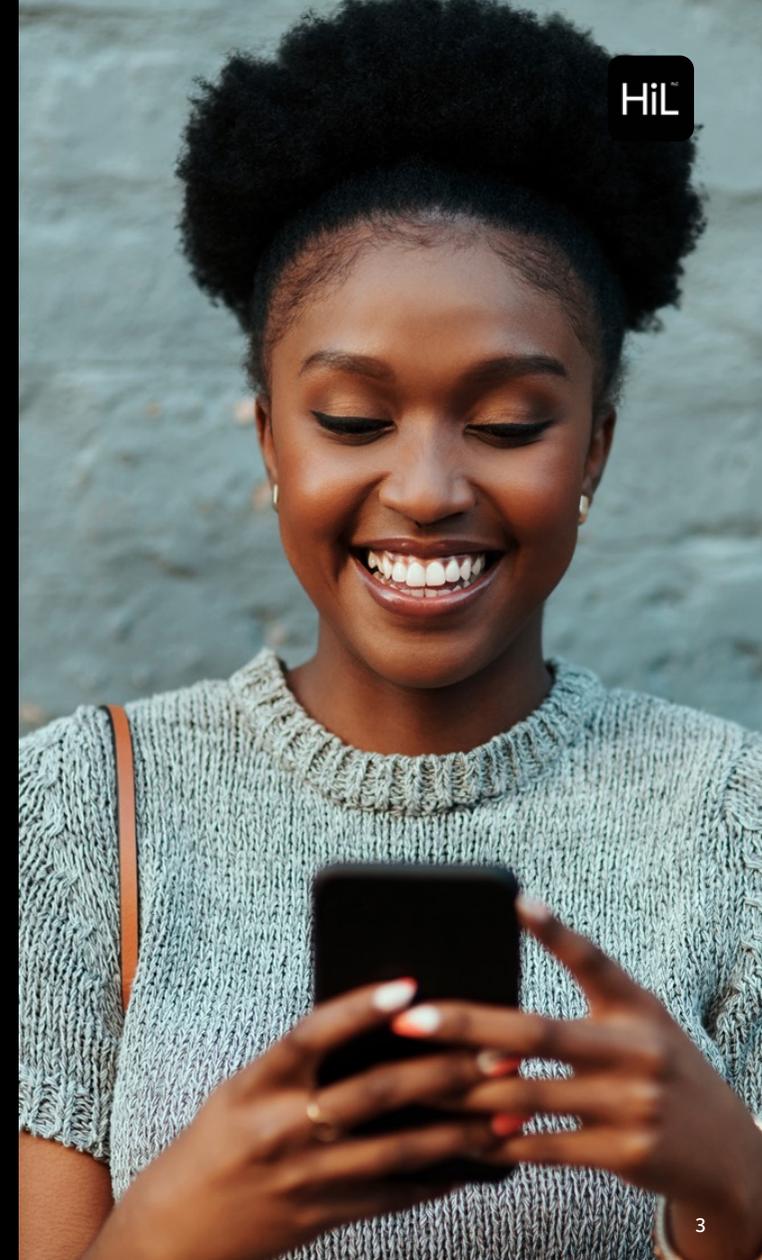
HC app

Up
27%

146k

FC wallet

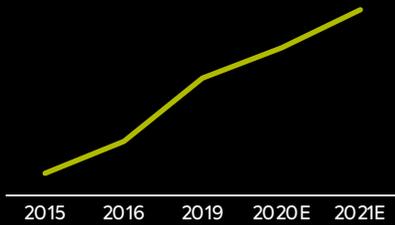
Up
62%



Covid accelerating structural shifts to digital

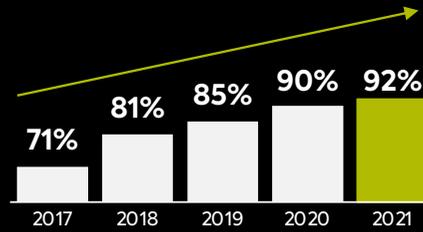
SA e-commerce market

growth
+287%



Digital loans business

Our Fintech digital transactions



2 in 3 respondents will shop more online in 2021

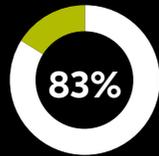
Factors influencing online choice:



Effective checkout



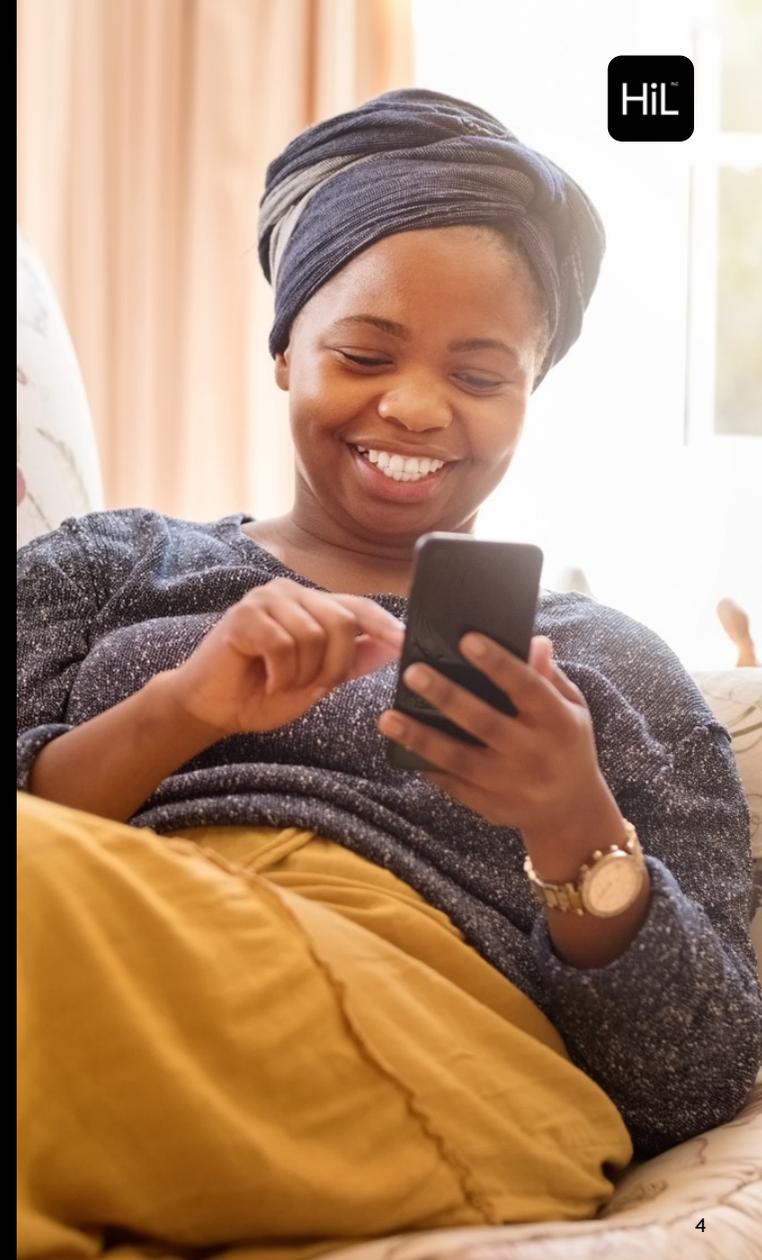
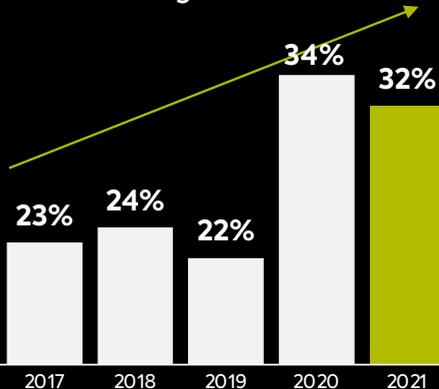
Customer service



Trust in the brand

Customers now shopping online

Our Retail digital transactions



Digital momentum building

2017

Credit-backed wallet introduced
Insurance landed digitally

2018

Machine learning propensity models launched
Digital VAS implementation
Zero rated mobile data

2019

New retail e-commerce site launched
Freshworks introduced
Root cloud insurance platform

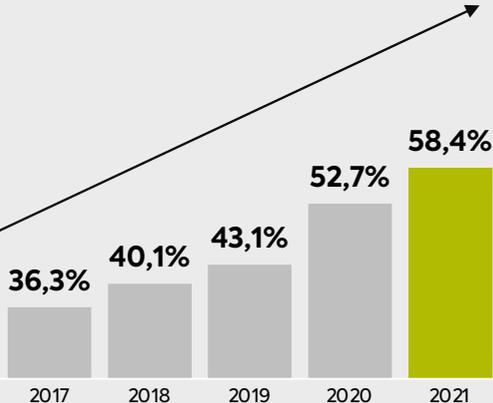
2020

Monetised social platforms
HC app launched
R1bn wallet transactions since inception

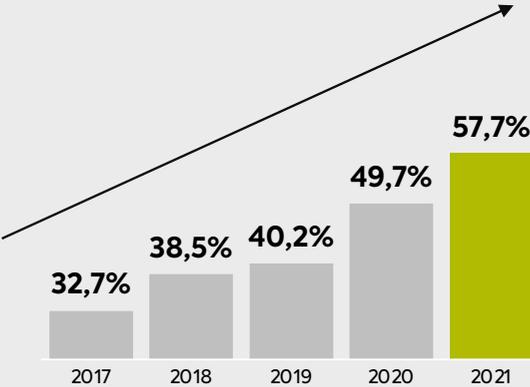
2021

FinChoice app pilot
Digital payment options

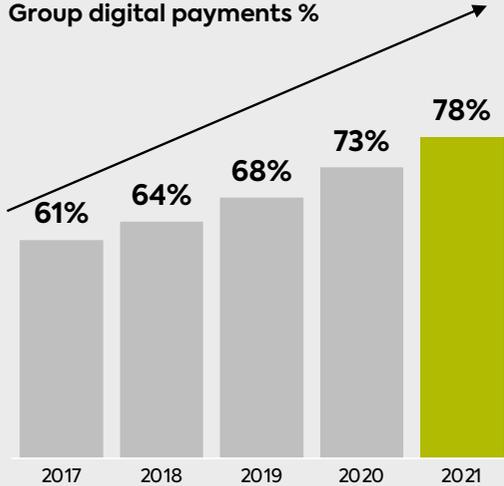
Group digital transactions %



Group credit extended %



Group digital payments %





A stable of consumer FinTech businesses

Current

 **Personal loans**

 **Payments**

 **Insurance**

 **Wallet**

Growth opportunities

 **Business loans**

 **Retail credit at POS**

Mobile-first technology-driven solutions



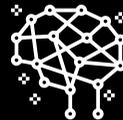
Cloud solutions



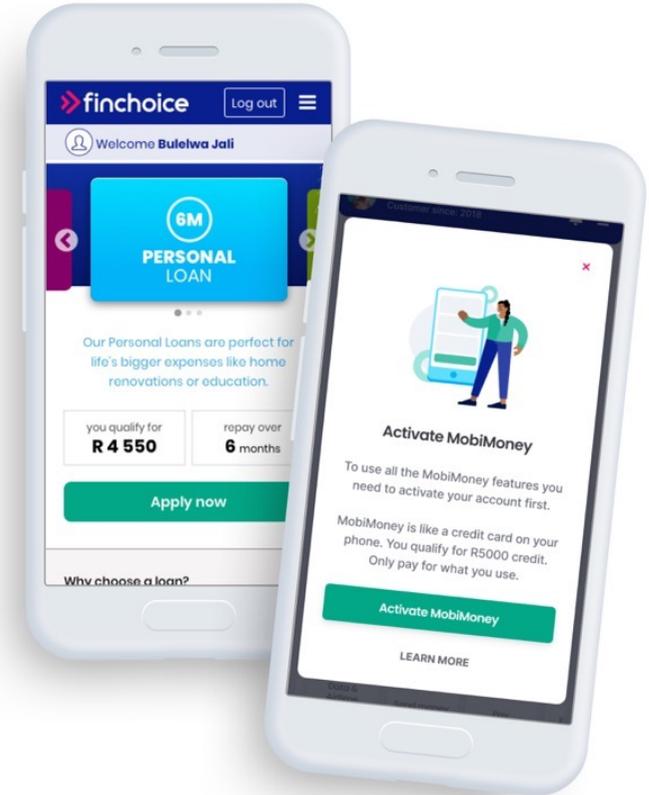
Open API



Data personalisation



AI, machine learning, big data





Omni-channel retailer with digital and data focus

70% Frictionless credit application
within 15 mins using data-driven science

Leverage **Data analytics**
for customer acquisition and experience

Innovative homeware-focused product with **quality and value**

77% Sales from retention customer
Machine learning increasing customer retention and marketing efficiency

Delivery to customers
& 1000+ collection points
943 000 deliveries

45% digital payment
channels improve book yields



Showrooms



Contact centre



Catalogue



Social media



Mobile-first

Omni-channel

provides customer convenience



financial
perform.

Market conditions challenging

Consumer confidence remains low

- Lockdown level 4 restrictions
- Covid third-wave surges
- Repo rate unchanged
- Vaccination programme picking up pace
- Electricity supplies unstable
- Social unrest in KZN and Gauteng
- Taxi unrest in Western Cape

-13 points

Q2 BER consumer confidence



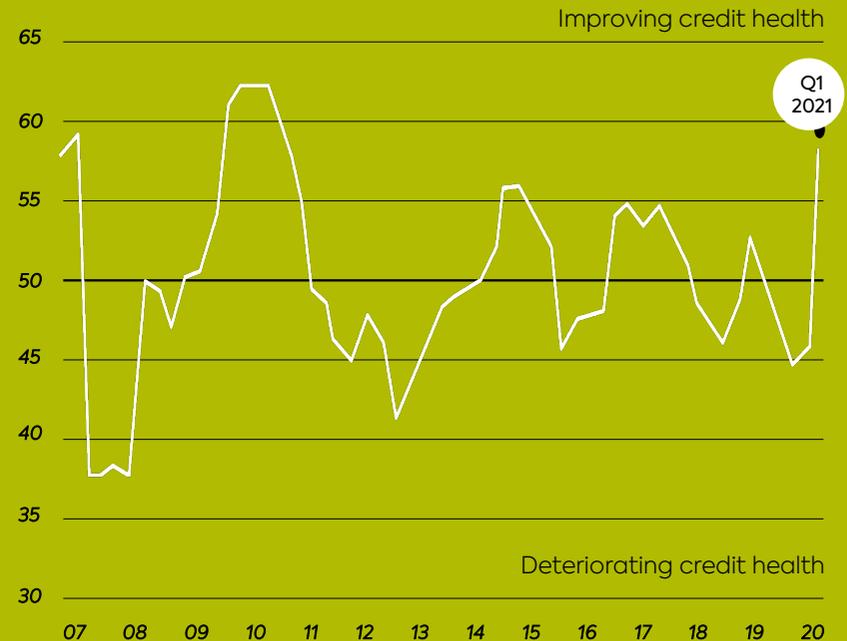
32.6%

Q1 unemployment highest level since 2008

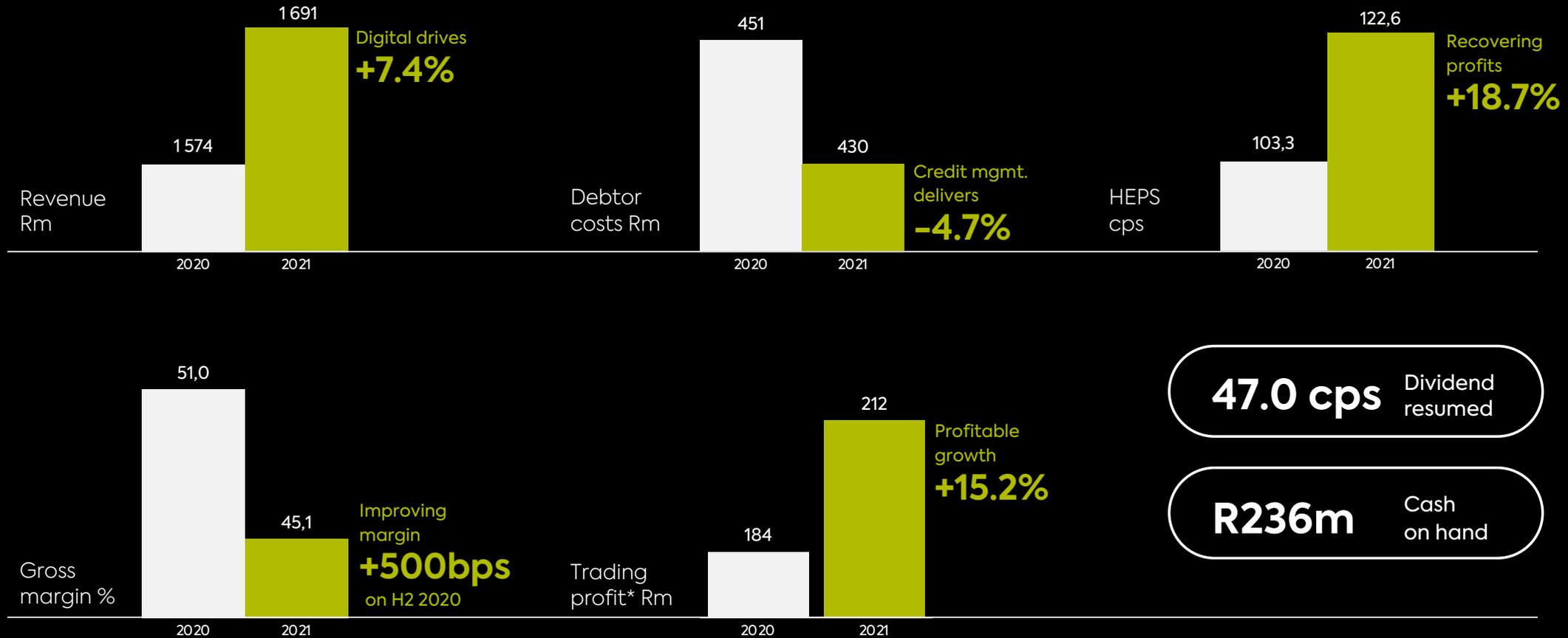
Sources: Stats SA, BER Consumer Confidence, TransUnion Consumer Credit

Credit experiencing greenshoots

TransUnion SA consumer credit index:



Digital driving strong performance



Revenue growth post-Covid

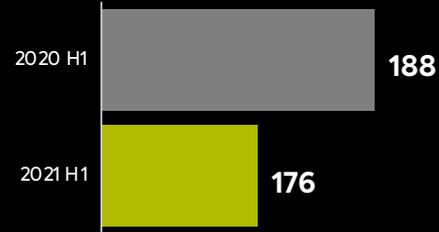
- Good revenue recovery
 - Retail growth on Covid low base
 - Strong demand in Financial Services
 - Finance income impacted by 300 bps in repo rate
 - 40% increase in insurance gross written premiums
- Gross profit margin improves from 40% in 2020 H2
- Improvement in credit book quality with appropriate coverage levels
- Once-off costs for Retail recovery plan
- Trading profit growth with margins up 80 bps to 12.5%

	JUN 2021 Rm	JUN 2020 Rm	% change
Revenue	1 691	1 574	7.4
Retail sales	894	824	8.5
Finance income	546	527	3.6
Other income	251	223	12.6
Gross profit margin	45.1%	51.0%	
Debtor costs	(430)	(451)	(4.7)
Trading expenses	(565)	(542)	(4.2)
Trading profit	212	184	15.2
Once-off costs	(36)	–	
Operating profit	176	184	(4.3)

Debtor costs reduces post-Covid, conservative provisions held

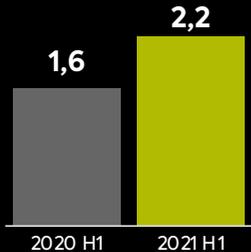
FINANCIAL SERVICES

Debtor costs Rm

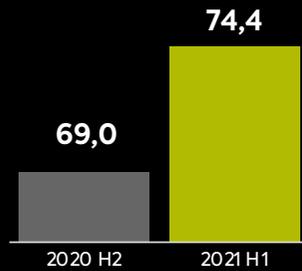


Improved
6.3%

Gross book Rbn



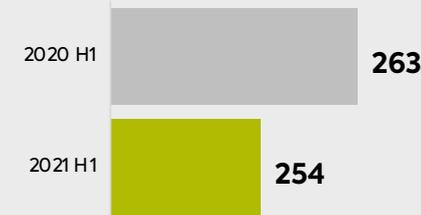
Stages 2 and 3 cover %



- Significant disbursement growth
- Credit risk well controlled
- Write-off point adjustment applied from H2 2020
- Conservative provisions held at 13.6%

RETAIL

Debtor costs Rm

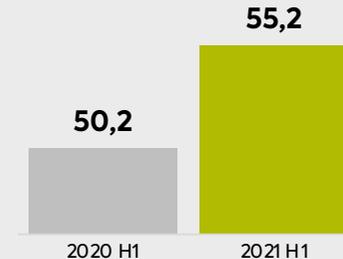


Improved
3.3%

Gross book Rbn



Stages 2 and 3 cover %



- Focus on existing customers with known credit risk
- Challenges in late-stage collections
- Cautious outlook on credit book
- Provisions levels maintained at 20.9%

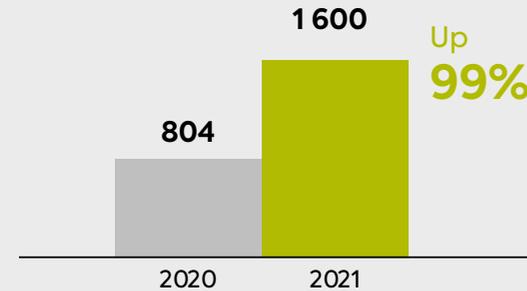
Investing cash to capture growth opportunity

- Cash utilised for FinTech growth
- R2.6bn collections, +14.2% increase
- Cash sales contribution held at 7.0%
- Stocks well managed with increased local buy
- R335m unutilised funding facilities
- Overall cash and borrowings of R570m available

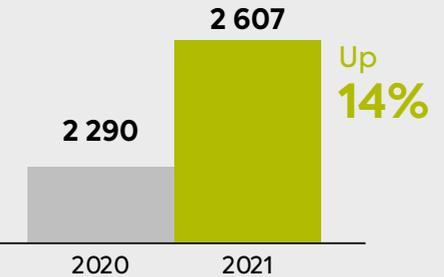
	JUN 2021	JUN 2020	% change
Cash (used)/generated from operations	R(165)m	R449m	>(100.0)
Capex	R46m	R56m	(17.8)
Cash balance	R236m	R379m	(37.7)
Net debt*	R610m	R321m	90.0
Net debt:equity*	18.5%	10.5%	

* Excluding property debt of R276 million

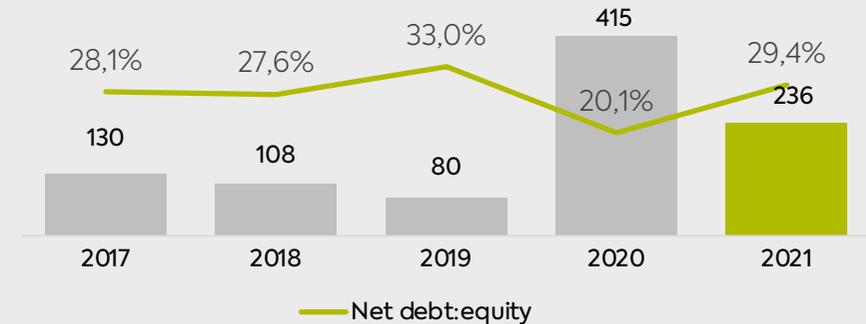
Double-digit growth in loans disbursed to customers Rm



Growth in collections from customers Rm



Cash on hand Rm





fintech
growth.



96% of our customers rate us as their favourite digital financial services provider

30%

Customers' transactions outside normal business hours



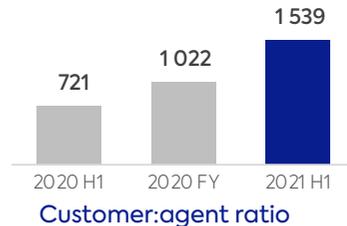
Voice of customer
95% smiley face rating

Net promoter score 76

55%

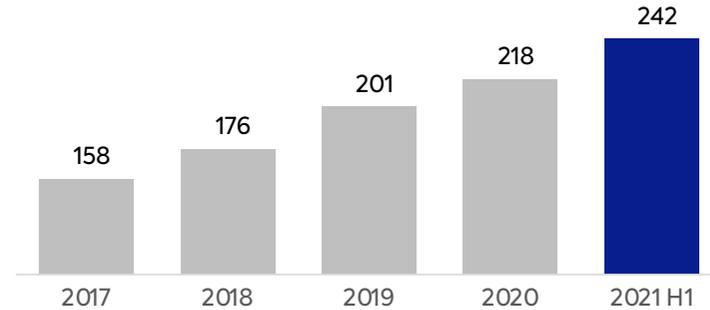
digitally serviced customer requests

Digital engagement has replaced need for agent contact



Strong growth in customers +11%

Customer base '000



Our customer focus drives loyalty



Promoters
83%

Detractors
7%

Google rating
4.2★

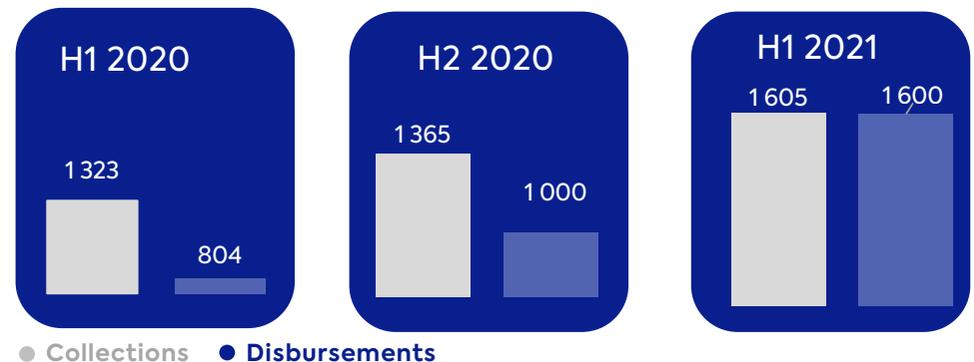


Outstanding performance

- Loan disbursements increased by 99%
 - Significantly cut disbursements in H1 2020 due to Covid
 - Strong rebound in demand within our risk tolerances
- Credit excellence with debtor costs reducing
 - Credit limit and customer strategies well executed
 - Book growth required increase in provision quantum
- Insurance costs driven by Covid-related death claims
 - Conservative IBNR provisions maintained
- Trading expenses well managed
 - Marketing support driving increased growth
 - Technology costs delivering Fintech developments
- Improvements in credit yield resulting in lower borrowing costs
- Operating profit up 77%

	JUN 2021 Rm	JUN 2020 Rm	% change
Loan disbursements	1 600	804	99.0
Revenue	491	426	15.3
Debtor costs	(176)	(188)	(6.3)
Insurance costs	(20)	(17)	17.6
Trading expenses	(130)	(111)	17.1
Interest expense	(28)	(37)	(24.3)
Trading profit	139	74	87.8
Once-off costs	(8)	–	>100.0
Operating profit	131	74	77.0

Credit book quality delivers good collections

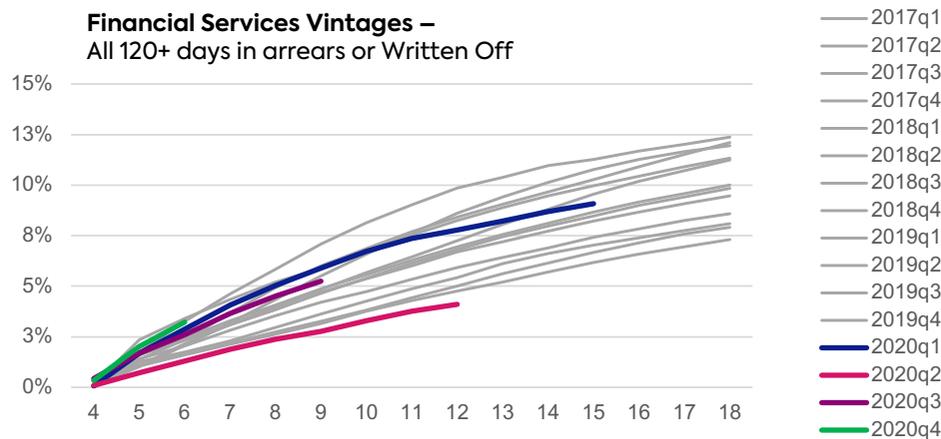


Improving quality of credit book despite high growth

- Higher acceptance rates within strict credit-granting criteria
- Effective use of digital fraud tools
- Credit limit increases to proven existing customers
- New customer disbursement mix managed to 15% - 25%
- Healthy pipeline to enable existing customer activations
- Close monitoring of early performance
- Good increase in yield-enhancing profitability

Vintages back to pre-Covid levels

Financial Services Vintages –
All 120+ days in arrears or Written Off

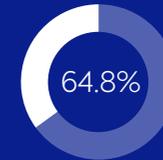


JUN 2020

DEC 2020

JUN 2021

Applications accepted



Average loan term

12.2
months

13.9
months

14.0
months

Average balances

R7 100

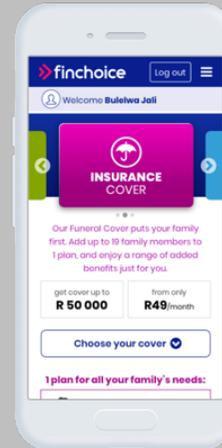
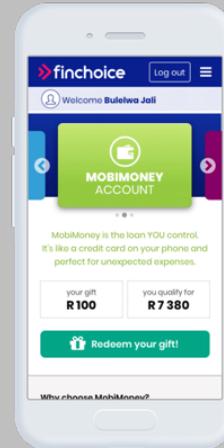
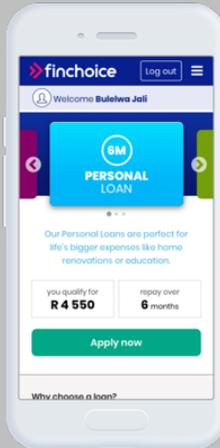
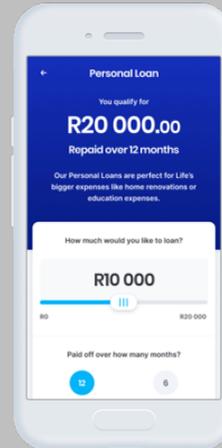
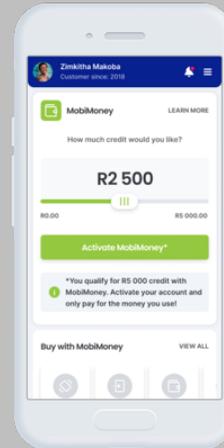
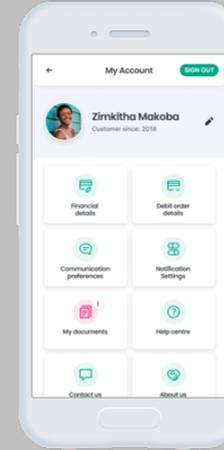
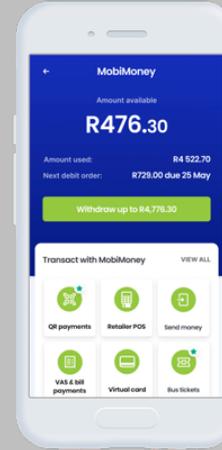
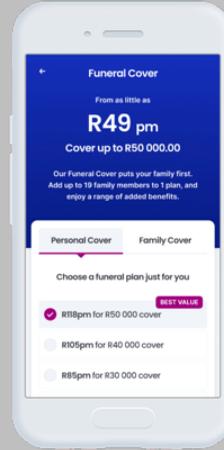
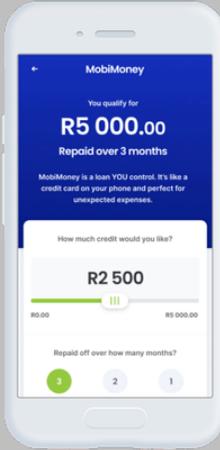
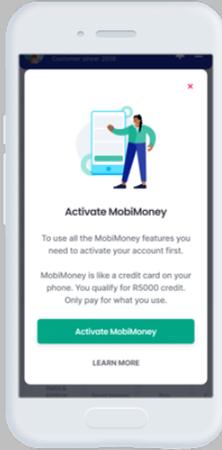
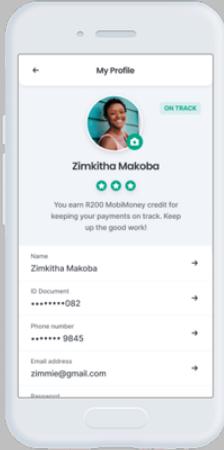
R7 859

R7 756

Active account holders able to borrow



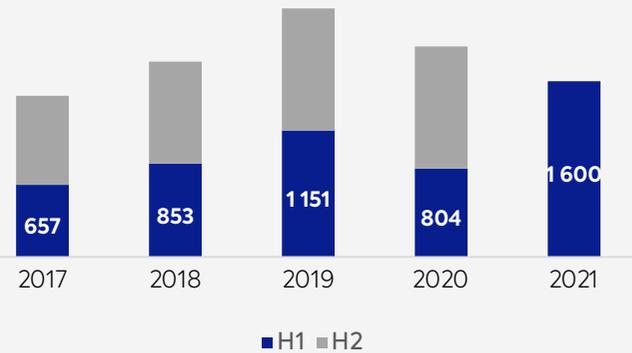
Developing engaging customer journeys



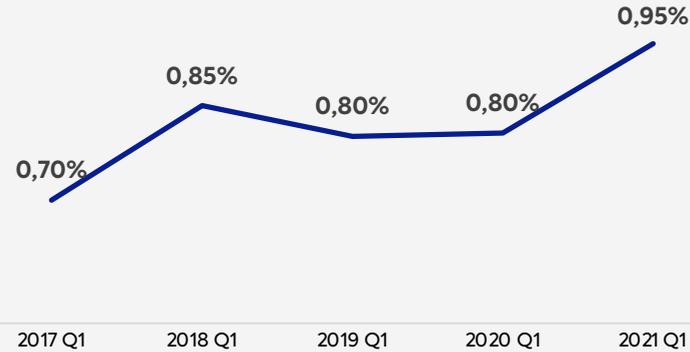


Highly engaging digital products

Disbursements up 99% on controlled limits Rm



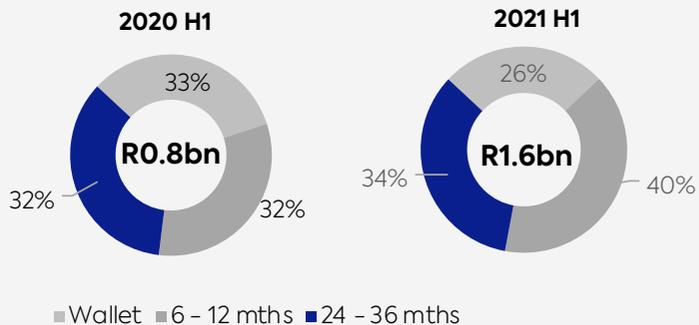
Accelerating market share



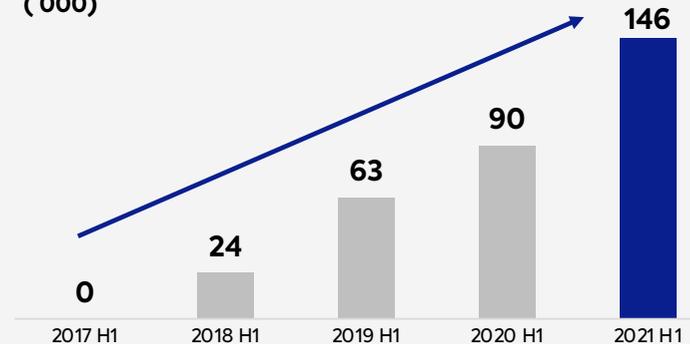
Market share of NCR short-term and unsecured credit book

92%
digital loan transactions mix

Disbursement mix maintained with growth



High growth in credit-backed MobiMoney wallet ('000)



96%
loans collected digitally via DebiCheck

52k wallet transactions monthly **Up 56%**

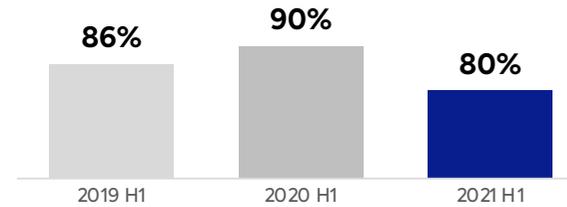


High existing customer mix + higher digital engagement = lower risk + higher profitability

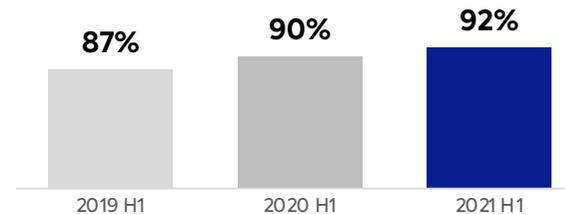
- Existing customers have lower bad debt
- And qualify for higher loan sizes
- Digital repeat business has low marketing and loan origination costs
- Existing customers are loyal

87% retention rate of active existing customers

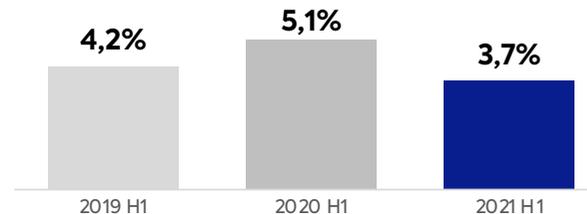
High mix of existing customer disbursements:



With >90% digital repeat loan engagement:



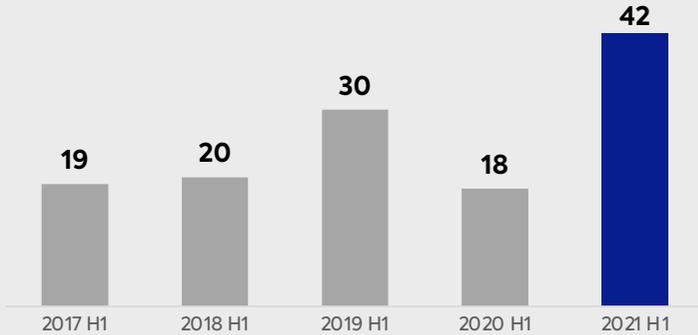
Existing customer balance 0 to 1 roll rates demonstrate good credit performance



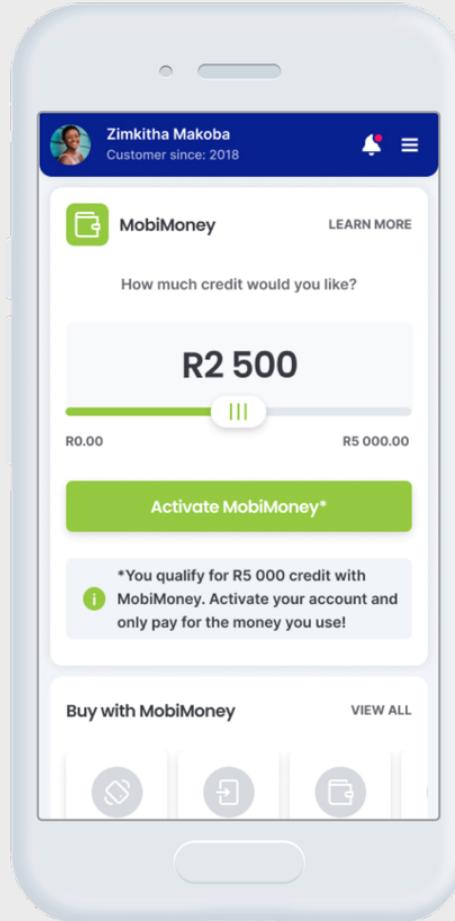
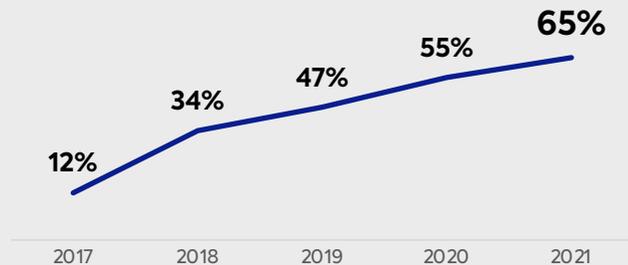
Personalised digital loan acquisition drives market share gains



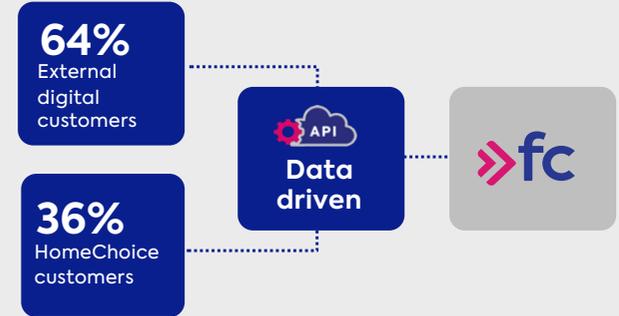
New customers acquired ('000)



Efficient digital origination of new customers

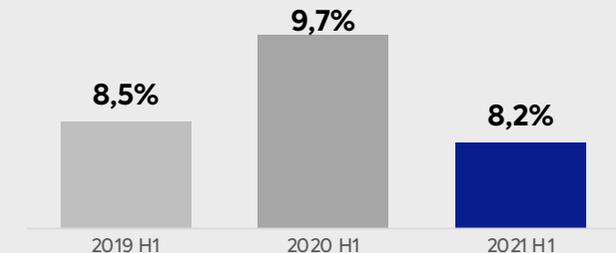


API technology driving digital acquisition



New intake performance below pre-Covid levels

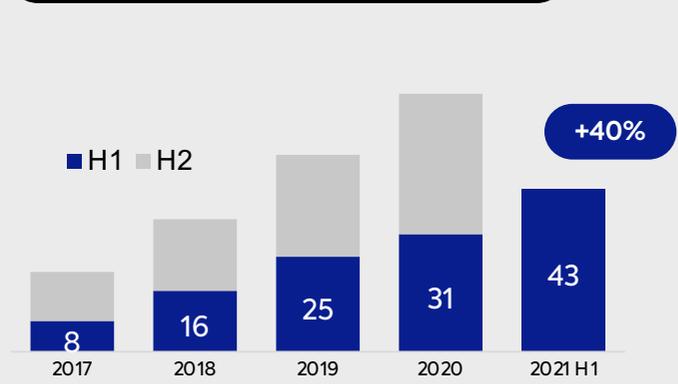
Financial Services balance 0 to 1 roll rates - New loans



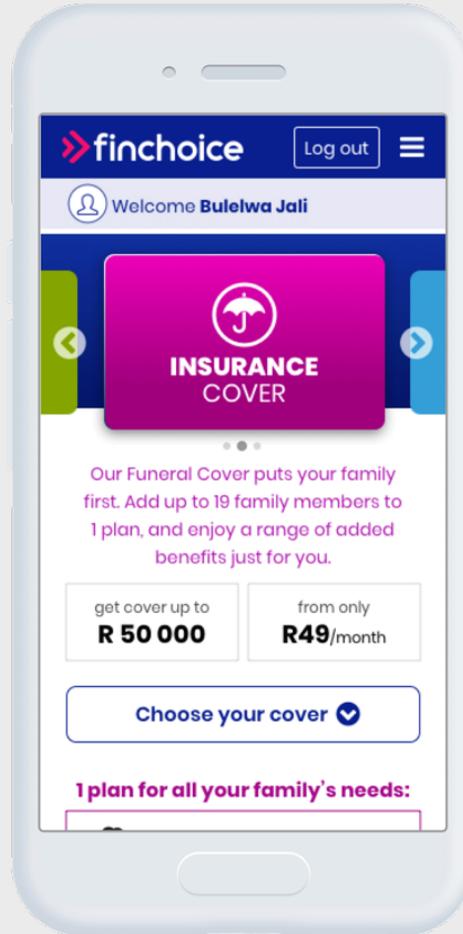
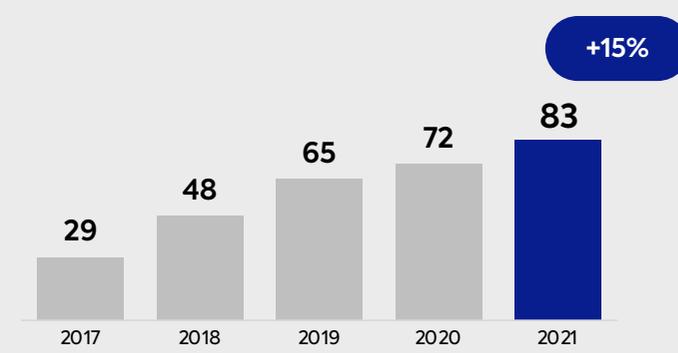
Strong insurance growth with higher digital adoption



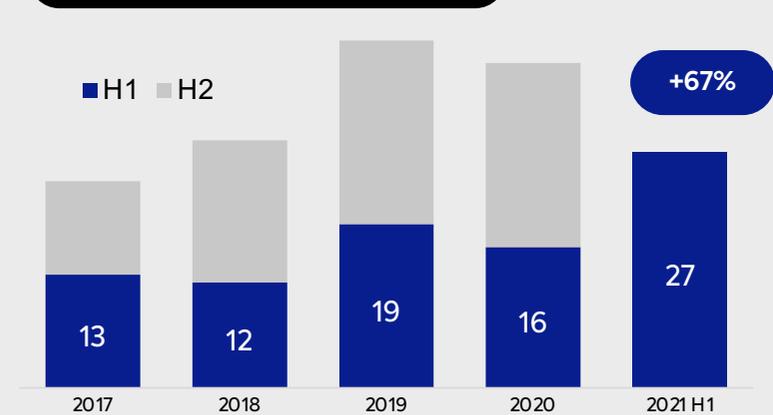
Consistent growth in GWP (Rm)



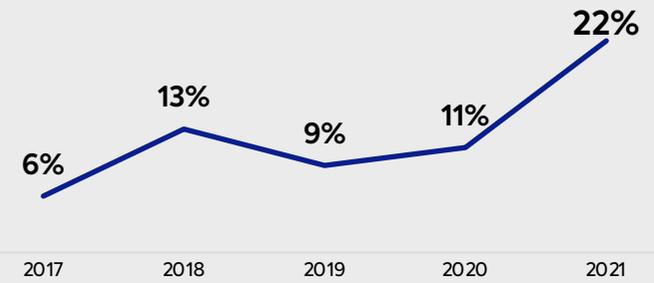
Steady growth of insurance customers ('000)



New policies acquired ('000)

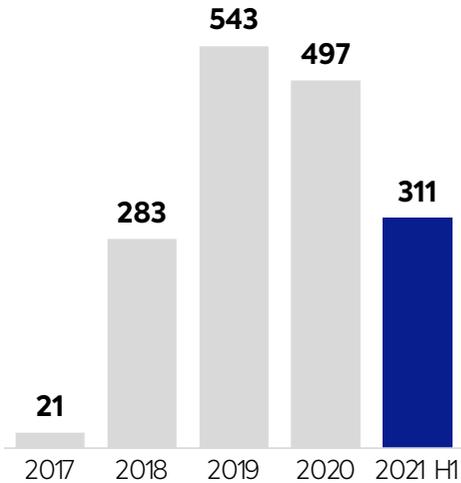


Momentum in digital acquisition of insurance policies

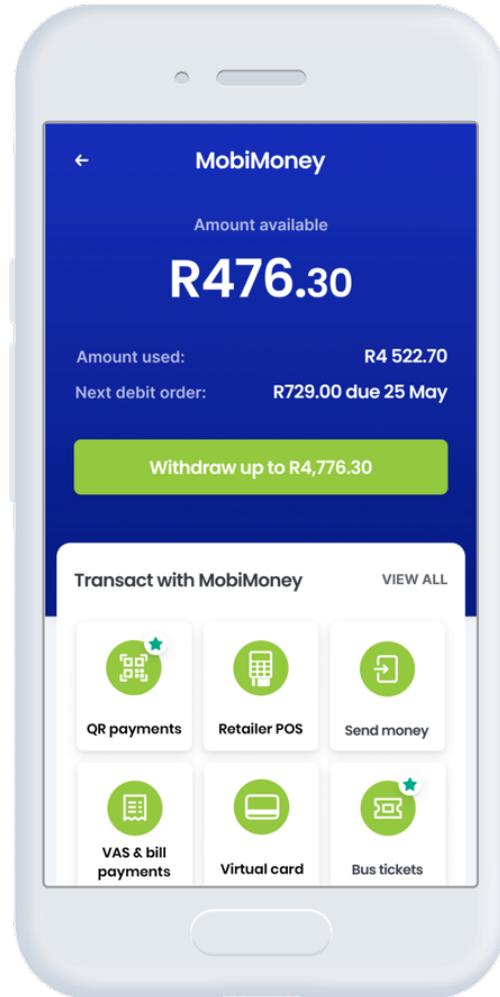


Expanding wallet utility

FinTech wallet transactions increasing ('000)



 **R2bn**
wallet withdrawals since inception



QR payments

Retailer POS

Send money

VAS & bill payments

Virtual card





retail
transform.

Clear path for recovery on track



2021 STABILISE AND IMPLEMENT

2022 DELIVER TURNAROUND

1

Innovate merchandise range

- Optimise product margin categories
- Refocus on excellence in bedding innovation

2

Grow customer base

- Implement data-driven, behavioural attrition models to drive improved retention
- Consistently drive digital acquisition

3

Expand credit offers

- Introduce instalment credit for high value items
- Flexible credit system implementation

4

Reset the cost base

- Workflow optimisation to deliver cost efficiencies
- Robust ROI methodologies

5

Drive digital and CX

- Digital focused marketing using social media
- Review customer journey to eliminate pain points



Stabilise growth in Retail topline post-Covid

- Retail sales growth of 8.5%
 - driven by digital momentum +25.5%
 - additional showroom opened +108.1%
- Annualisation of repo rate drop in 2020 results in lower finance income
- Gross profit margin improvement from 2020 H2 of 40%
- Reduction in debtor costs
 - benefit of stricter credit policy
 - off-set by impact of Covid on book performance
- Tight management of trading expenses yielding benefits
- Once-off costs result of retail transformation
 - impairment of software and restructuring costs

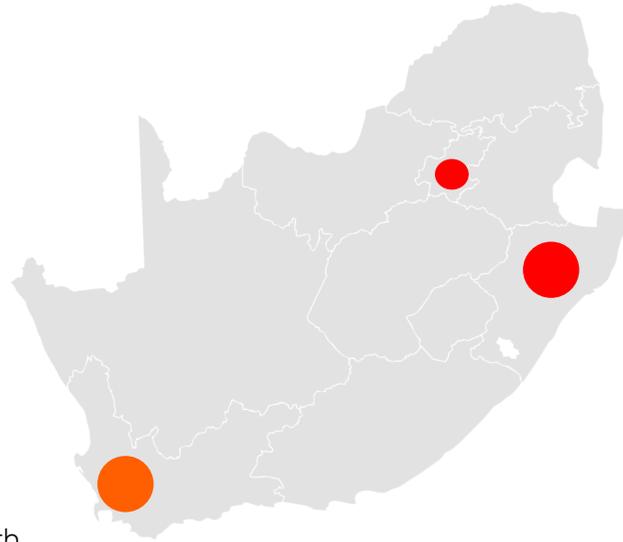
	JUN 2021 Rm	JUN 2020 Rm	% change
Revenue	1 200	1 148	4.5
Retail sales	894	824	8.5
Finance and other income	306	324	(5.6)
Gross profit	403	420	(4.1)
GP margin	45.1%	51.0%	
Debtor costs	(254)	(263)	(3.3)
Trading expenses	(399)	(412)	(3.0)
Trading profit	61	75	(18.9)
Once-off costs	(29)	–	>100.0
Operating profit	32	75	(57.3)

Driving recovery in turbulent times

● Riots and unrest 9 to 17 July 2021

● Taxi violence July 2021

- Physical damage to three stores and three containers, stores closed up to two weeks
- Absenteeism in contact centre and collections due to taxi violence
- Business impacted with July sales negative growth



Retail taking action

1. Supporting our people to WFH
2. Increase training of our teams
3. Sustainability solutions with packaging and fulfilment
4. Develop resilience and quick reaction to market turbulence
5. Driving digital mindset throughout the business



Retail sales growth at improved margins

Sales growth with narrower product range

2020 H1
-10%

2020 H2
-3%

2021 H1
+9%

Electronics and appliances sales contribution

20%

2020 H1

28%

2020 H2

28%

2021 H1

- Electronics and appliances volumes reduced with prices increased
- Bedding sales impacted by lower new customer acquisition

H2 aggressive price cuts reversed

Gross profit margin (%)

51,0%



2020 H1

40,0%



2020 H2

45,1%



2021 H1

Improved gross profit margin despite:

- Worldwide increase in shipping costs
- +140% growth in click and collect for customer convenience



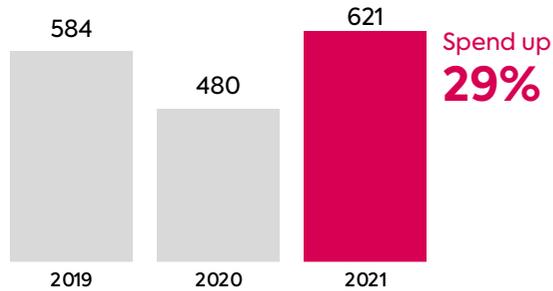


Strong own brand with more than 200 retail partners



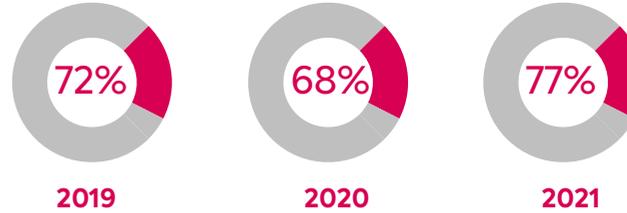
Existing customer focus, cutting acquisition to reduce risk

Existing spend (Rm)

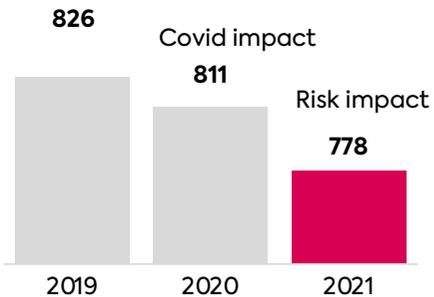


Existing customer contribution

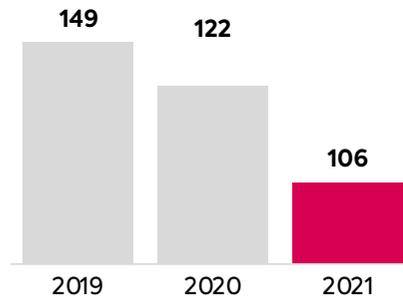
(Exceeding 2019 levels)



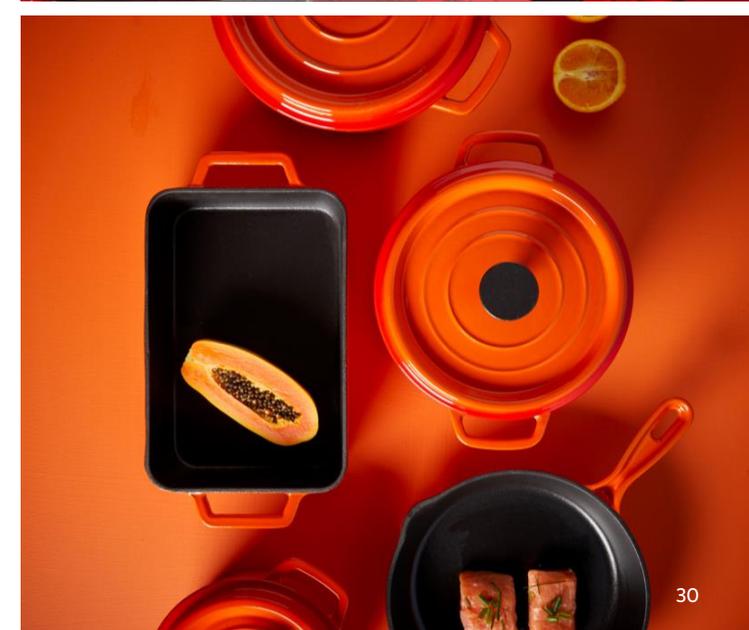
Customer base ('000)



New customers ('000)

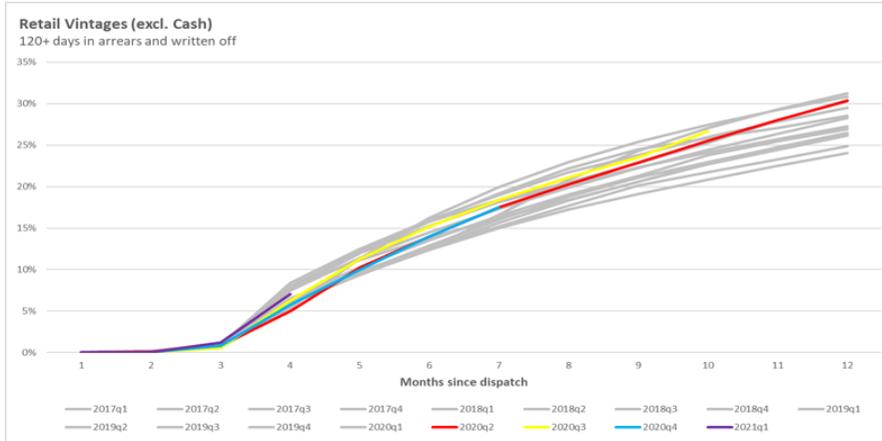


- Investment in data-driven anti-attribution campaigns delivering customer retention
- Renewed focus on customer service, with NPS above 70
- Integrated campaigns linking catalogue and digital journeys
- 106k (-13%) new customers due to stricter, data-driven credit decisioning



Cautious approach to credit book

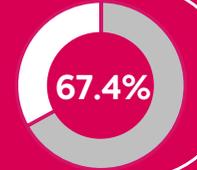
- Impacted by higher bad debt write-offs from early Covid lockdowns
- Slowdown in EDC recoveries reflective of market conditions
- Debit order contribution increasing, collections on H2 2020 lagging expectations
- Changes made to risk appetite showing positive signs



JUN 2020

JUN 2021

Applications
accepted



Average
sales term

16.1
months

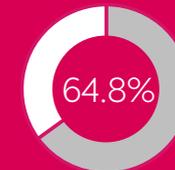
16.1
months

Average
balances

R4 542

R4 752

Active account
holders
able to
purchase



New accounts
Average limits

122k
R4 247

106k
R4 026

Tight cost control resetting the baseline

-3.0% total costs down from R412m to R399m

Marketing
-24.2%

- Focus on marketing efficiency
- Reduction in pages and quantity of catalogues
- Pivot to digital spend and social media

**Staffing
and
technology**

+11.7%

- Restructuring costs
- IT cost review to right-size operations

+0.1%

**Customer
operations/support**

- Digitalisation of processes
- Additional customer self-service options

Showrooms

+74.7%

- Annualisation of new showrooms
- Lost seven weeks of trade in 2020

-6.9%

Amortisation and depreciation

- Reduce level of capex
- Robust ROI process introduced



Digital momentum accelerates

82% mobile

Increased conversion on reduced traffic

Continued growth
+23.1%
digital sales growth

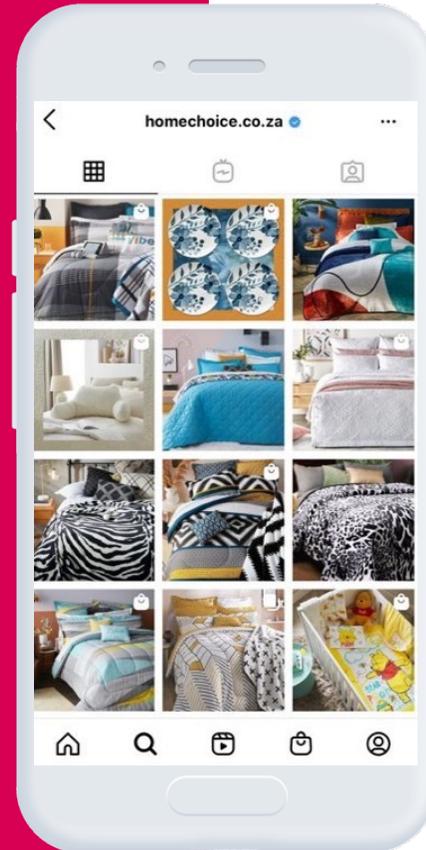


1 in 4
new customers are digital

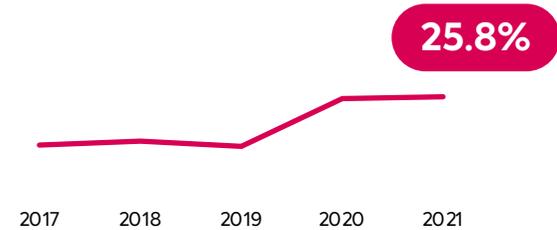
+27%
App installs



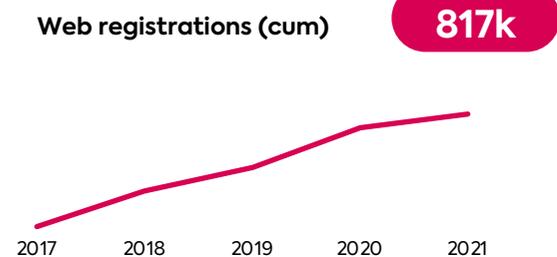
Social media monetised **27%** sales increase



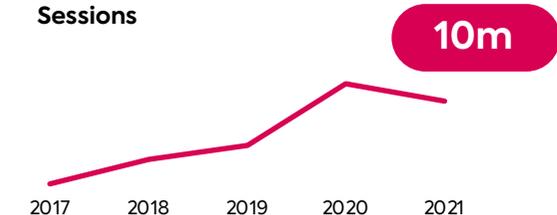
Sales contribution increasing



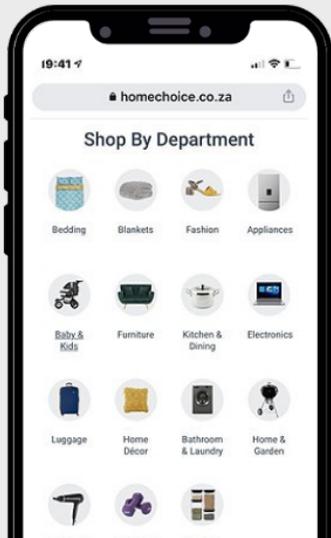
Web registrations (cum)



Sessions

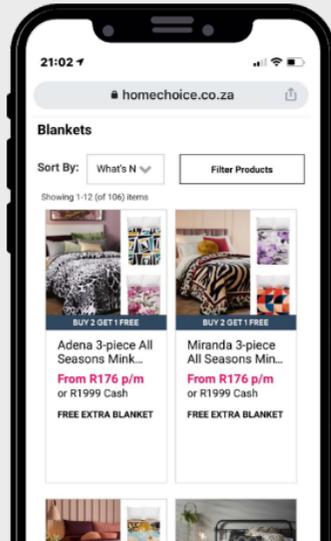


A one-stop shopping destination



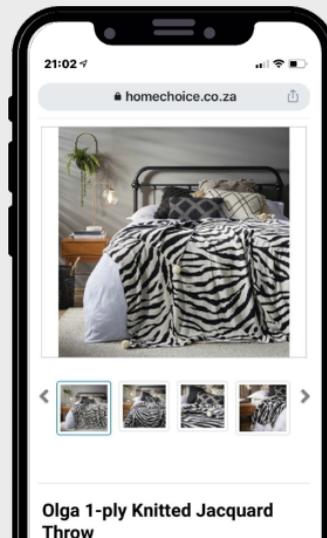
Easy Navigation

Customers can browse and shop from the comfort of any location



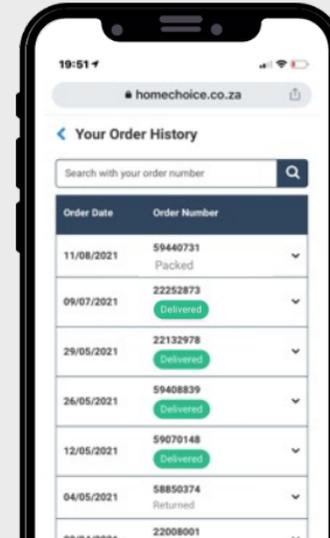
Wide Range

A wide range of over 200 established brands for customer convenience



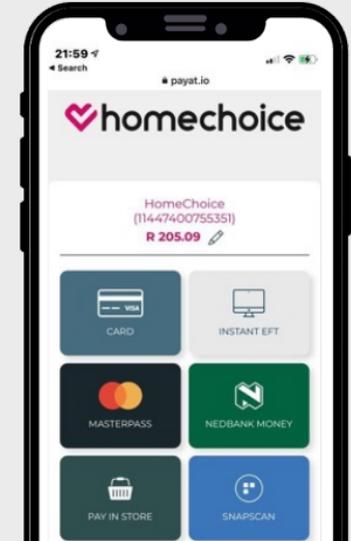
Rich Content

Providing our customers with relevant visuals and keywords



Order Tracking

Customers get access to track their order through the fulfillment lifecycle



Digital Collections

Easy seamless payment options available to all customers

A young Black woman with short, vibrant teal hair is lying on a grey couch. She is wearing a peach-colored lace-trimmed top and blue denim overalls. She is smiling broadly while looking at her smartphone. Her left hand is resting on her head, and her right hand is holding the phone. A large, light pink pillow is in the foreground, partially obscuring her legs. The background is a plain, light-colored wall.

forward.

Accelerate digital momentum in FinTech with Retail recovery focus



OUR PEOPLE

- Protecting health and well being of staff
- Roll out of hybrid work solutions
- Develop digital skills throughout with effective training
- Decisions which support our Values



RETAIL TRANSFORM

- Regain bedding product excellence
- Drive income through credit product innovation
- Cost base reset
- Omnichannel and social integration drive digital



FINTECH PERFORM

- Grow digital market share in loans and insurance
- Expand MobiMoney wallet utility
- Accelerate disbursements while containing risk



FINTECH INNOVATION

- Develop payments functionality
- Introduce business loans
- Launch retail-point of sale credit



CUSTOMER GROWTH

- Focus on customer retention
- Drive digital acquisition
- Frictionless customer journey
- Improve her experience

Driving business growth with strong funding position to enable growth

questions.

Disclaimer

This document has been prepared and issued by and is the sole responsibility of the management of HomeChoice International plc and its subsidiaries (the “Company” or the “Group”). This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of the Company nor does it constitute a recommendation regarding the securities of the Company.

This presentation may include certain forward-looking statements, beliefs or opinions, including statements with respect to the Company’s business, financial condition and results of operations. These statements reflect management’s beliefs and expectations and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. No representation is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these statements and forecasts. Past performance of the Company cannot be relied on as a guide to future performance. Forward-looking statements speak only as at the date of this presentation and the Company expressly disclaims any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this presentation. No statement in this presentation is intended to be a profit forecast. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.

By participating in this presentation or by accepting any copy of the slides presented, you agree to be bound by the foregoing limitations. No part of these materials may be (i) copied, photocopied or duplicated in any form, by any means, or (ii) redistributed, in either case without the Company’s prior consent.