

# Digital financial solutions.

HY results  
30 June 2023

HIL is a fast growing and profitable fintech focused business.



**R1.8bn**

Group revenue flat on LY

**R285m**

Increase in operating profit of 25%

**70c**

Dividend per share up 9%

**1.68m**

Group customers up 14%

**2 570**

Further 220 merchants on board

**81%**

Transactions conducted digitally

**R872m**

Fintech revenue up 29%

**95%**

Fintech contribution to profits before group costs

**R3.9bn**

R568m additional cash collected from customers

# Our customer is a digitally savvy urban African women.



Our digital businesses are loved by customers as they enable online and instore shopping and access to financial services solutions 24/7

## Digitally engaged customer base

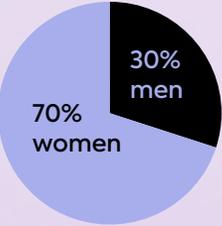
**1 203 500** Fintech Customers

97% digital users

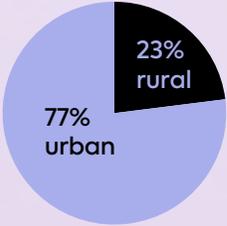
**586 300** Retail Customers

32% digital shoppers

### Mainly women



### Living all areas



Note: Customer overlap between Fintech and Retail 110k

**1 680 000**  
Group Customers

<b>42 yrs</b> Avg. Customer Age	<b>14.1k</b> Avg. Income	<b>14%</b> Increase in Customers
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**60% of our consumers are Millennials or GenZ**

Age Group	Percentage
18-29	25%
30-39	35%
40-59	34%
60+	6%

Customer age profile



# Digital first strategy has driven spend, automation and delivered efficiency.



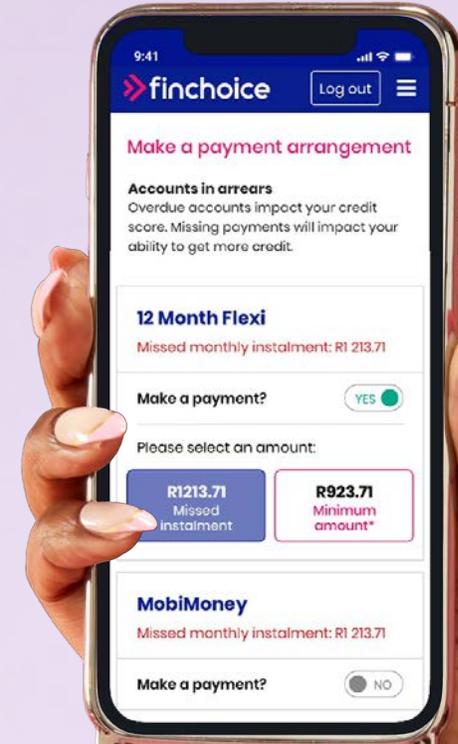
Group digital transactions %



Direct cost per digital transaction



Avg. monthly digital users



Web /Mobi

**1.3m**

Average monthly users

Monthly App Users

**507k**

Strong adoption

Social followers

**1.28m**

Instagram and Facebook

# Fintech transformation delivered through focus on digital customer, product innovation and purposeful acquisition.



## Digital Customer

- Heritage Homechoice brand
- Sizeable female mass market customer base
- Finchoice leveraged the base with personal loans
- Data analytics to control risk
- Mobile tech focus with strong UX giving her access 24/7

## Product Innovation

- Launched pioneering credit backed wallet
- Introduced standalone insurance driving fee income
- Pivoted origination to digitally sourced external customers
- Customer App now driving high engagement and utilisation

## Launched Payments

- Acquired PayJustNow – digital payment provider
- BNPL product with high customer appeal
- Straight Pay being launched
- Retail Credit proof of concept
- PJN launching digital wallet with refunds direct to customer

## B2B Vertical

- Proprietary Merchant App
- Real time data analytics and insights
- PJN substantial traffic provides lead referrals
- Developing Search and Discover capability
- Unique merchant deals offered to growing base

**1,203,500**  
Fintech Customers

**2,570**  
Retail Partners

# Weaver Fintech empowers its female customer base with inclusive digital financial solutions.



**97% of transactions digital**

Creating financial access with digital product offering



**65% of financial transactions by women**

High digital adoption by women driving strong participation



**Outstanding Google customer ratings**

Finchoice 4.6 ★★★★★

PayJustNow 4.7 ★★★★★

“Mobimoney assisted me in registering for my part-time studies. Thank you MobiMoney you are the best!”

**Nomonde from Johannesburg**

“When Finchoice helped me with Funeral Cover, it relieved a lot of stress and gave my family member and honorable funeral.”

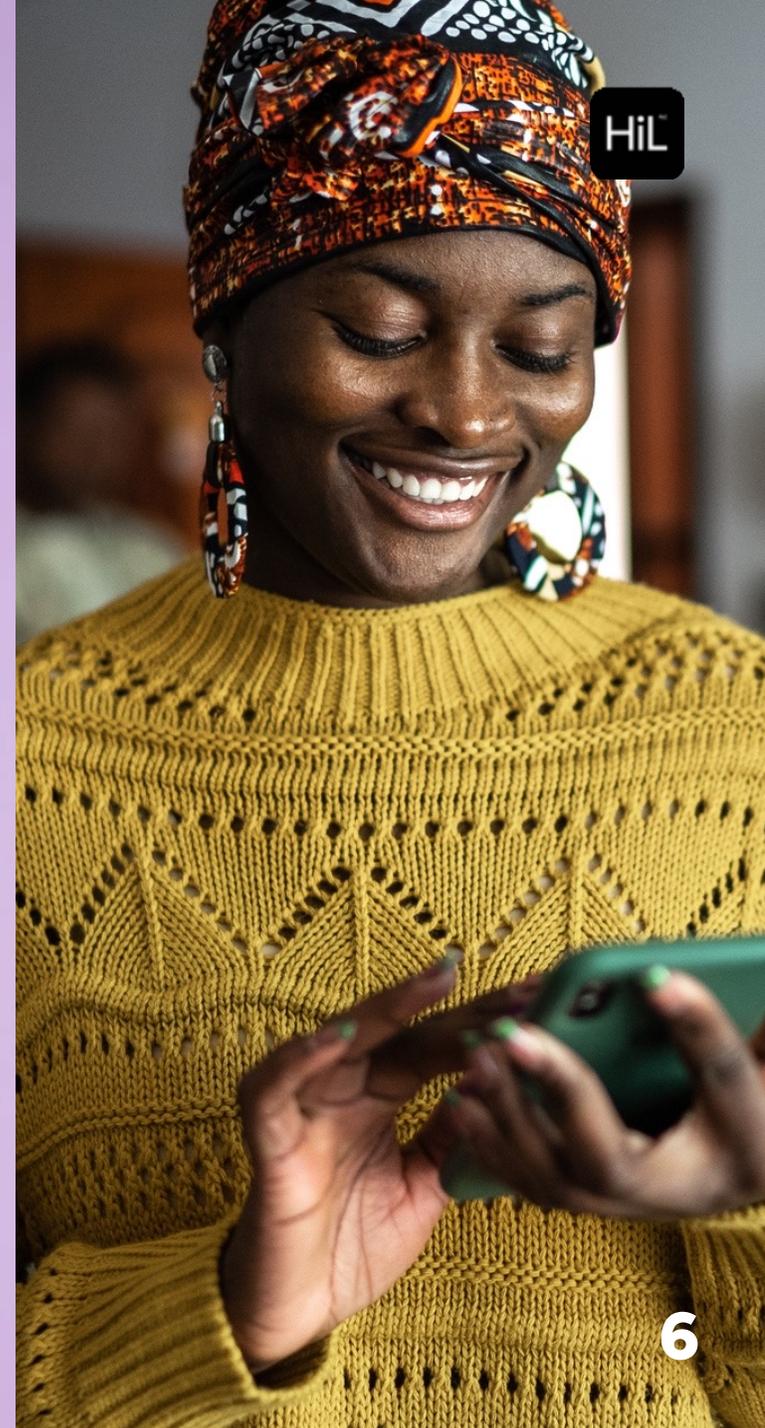
**Joslyn from Tswane**

“I needed a loan for my child’s school fees and Finchoice was there to help me.”

**Phaphedi from Tzaneen**

“PayJustNow is exactly what I needed. The app is easy to use and they have partnered with great stores. I have been given the best service and would recommend anyone to sign up with them.”

**Sihlesethu from Kwamashu**

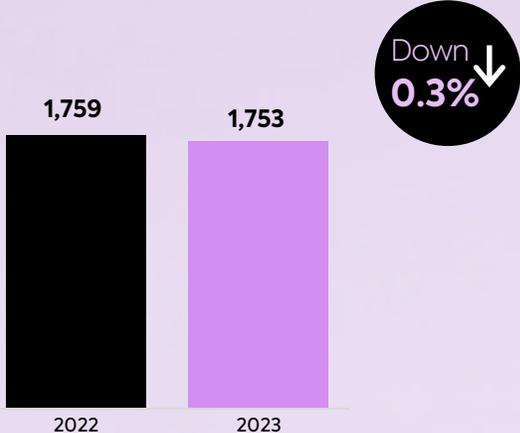


**Finance.**

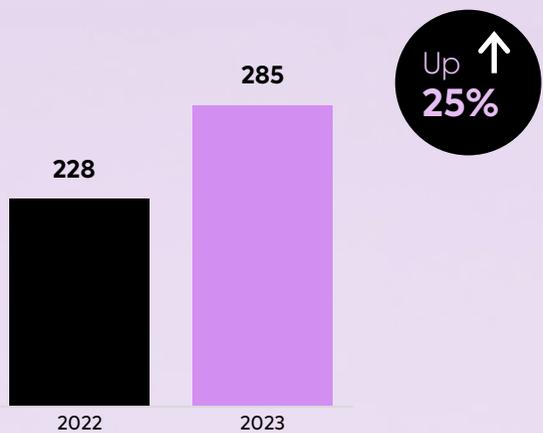


# Weaver Fintech driving digital revenue and group profits.

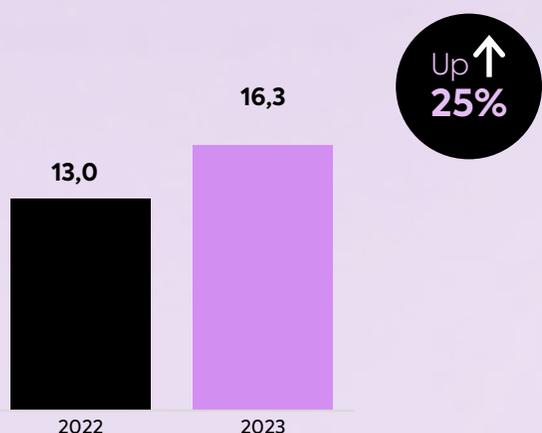
Group Revenue (R'm)



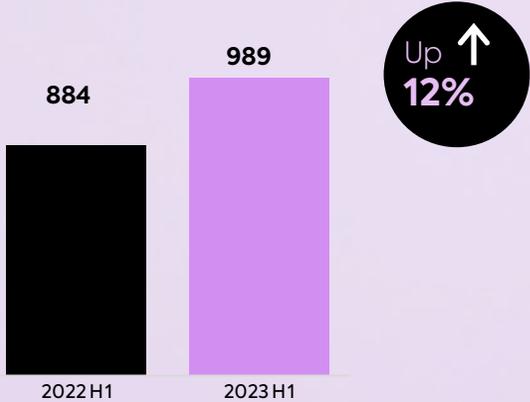
Operating Profit (R'm)



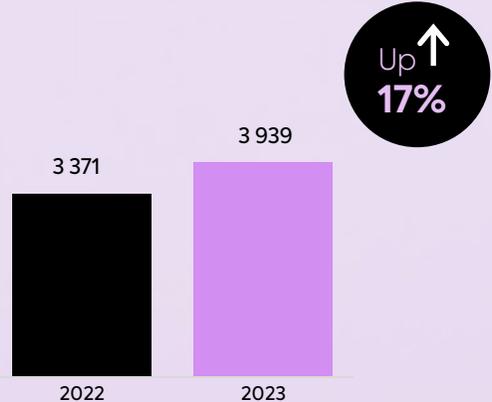
Operating Profit Margin (%)



Digital Revenue (R'm)



Collections (R'm)



Dividend (c/share)



# Driven growth in digital revenue and good profit conversion.

## Revenue held at R1.8bn

- Digital revenue growing 12% on strong Weaver Fintech performance
- Fee income now 21% of revenue (LY 18%) from insurance and payments growth
- Retail sales down 26%, impacted by further credit risk tightening and market challenges

## Gross profit margin to 43.6% (down from YE 2022 46.6%)

- Impacted by currency and supply chain
- Implemented Smart Fulfilment system to deliver future efficiencies

## Debtor costs down 3% from credit tightening

- Gross debtor books up 6.4% to R5.7bn
- Appropriate impairment provision cover maintained

## Trading expenses up 8%

- Retail's restructured cost base down 3%
- Fintech cost base investment for scaling digital growth

## Operating profit increased 25.0% to R285m

- Fintech contributes 95% of profits before group cost
- Operating margin increased to 16.2% (2022 H1: 12.9%)

## Profit before tax up 7% to R186m

- Impacted by 83% increase in interest costs
- Weaver Fintech growth offsetting Retail underperformance

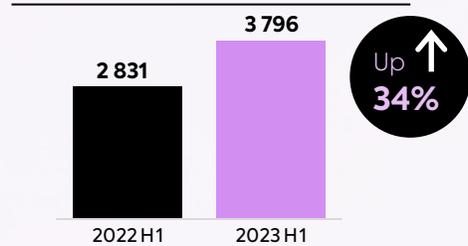
	JUN 2023 Rm	JUN 2022 Rm	% change
<b>Revenue</b>	<b>1 753</b>	<b>1 759</b>	<b>(0.3)</b>
Finance income	786	651	20.7
Fee and other income	373	309	20.7
Retail sales	594	799	(25.7)
Gross profit	259	386	(32.9)
<b>Gross profit margin</b>	<b>43.6%</b>	<b>48.3%</b>	<b>(4.7)</b>
Debtor costs	(499)	(516)	(3.3)
Trading expenses	(651)	(604)	7.8
Other income, gains and losses	17	2	>100.0
<b>Operating profit</b>	<b>285</b>	<b>228</b>	<b>25.0</b>
Net interest expense	(99)	(54)	83.3
<b>Profit before tax</b>	<b>186</b>	<b>174</b>	<b>6.9</b>
Taxation	(36)	(24)	50.0
<b>Profit after tax</b>	<b>150</b>	<b>150</b>	<b>-</b>

# Tightened credit risk given challenging consumer environment to improve quality of books.

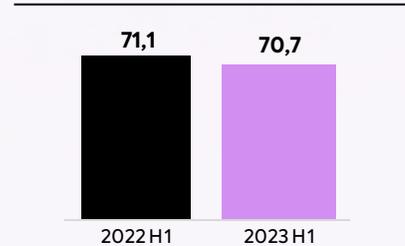


## WEAVER FINTECH CREDIT

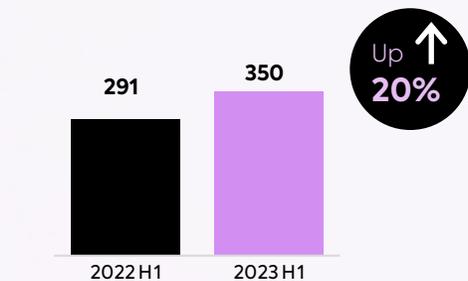
Gross book (R'bn)



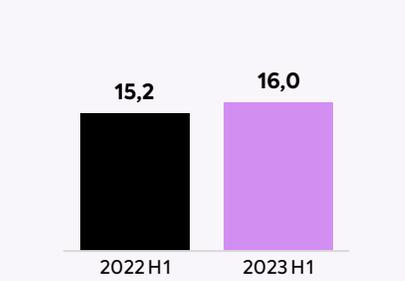
Stages 2 and 3 cover (%)



Debtor costs (R'm)



Provision % of gross receivables



Stricter credit-granting criteria, shorter terms and increased mix to proven existing customers result in well-managed debtor costs growth  
 Digital payment strategies maintain collection rates  
 Increased provision to 16.0% and held stage 2 and 3 cover ratio for market factors

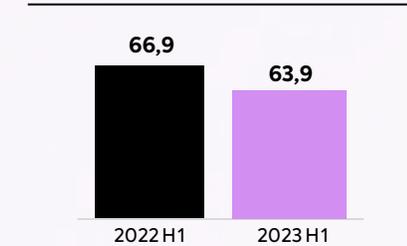


## RETAIL CREDIT

Gross book (R'bn)



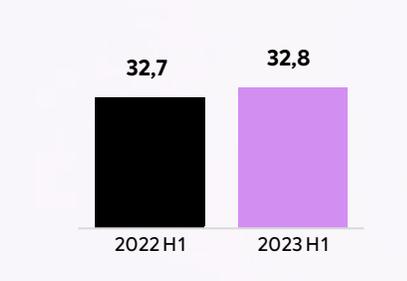
Stages 2 and 3 cover (%)



Debtor costs (R'm)



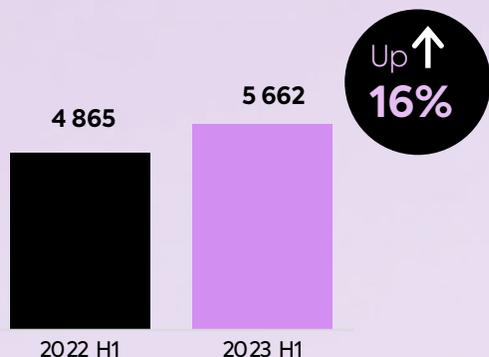
Provision % of gross receivables



New acquisition scorecard and conservative customer limits have reduced sales (and the retail book) with improved debtor costs  
 Refined digital collections strategies increased payments performance  
 Provision rate held at 32.8% with prudent 63.9% stage 2 and 3 cover

# Successfully increased funding facilities to R3bn to support fintech growth.

Trade and loan books (R'm)



Fintech disbursements (R'm)



Group collections (R'm)



Summary Group Cash Flow	JUN 2023	JUN 2022	% change
Operating cash flows	320	261	22.6
Working capital	(346)	(453)	(23.6)
Cash used in operations	(26)	(192)	(86.5)
Capex	(32)	(16)	100
Cash balance	170	192	(11.5)
Net debt*	1787	1239	44.2
Net debt : net receivables*	38.1%	31.0%	22.9

## 86.5%

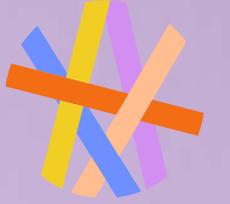
Improvement in cash used in operations from management of working capital

## R1.6bn

Cash and Undrawn facilities post July funding refi & upsize

\* Net debt : net receivables plus property market value  
Net debt excludes lease liabilities





**Weaver Fintech.**



# Agile fintech business delivering profitable growth.



**R872m**

Revenue up 29%

**R307m**

EBITDA up 43%

**R3.1bn**

Cash collected up 26%

**1.2m**

Fintech customers up 28%  
in H1 2023

**2 570**

Merchant partners with over  
5 900 points of presence

**582k**

App Users with  
adoption up 40%

**R2.4bn**

Loan disbursements  
up 12%

**R544m**

Gross merchandise value  
from BNPL up 149%

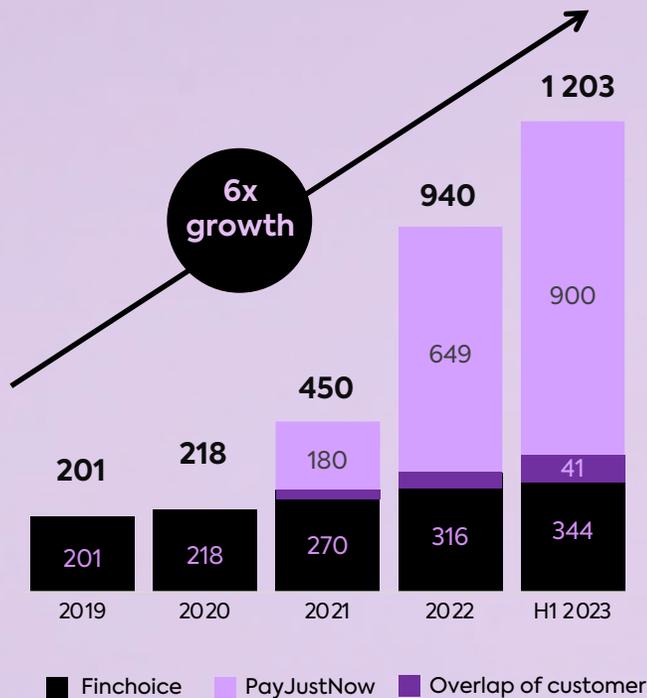
**R68m**

Standalone Insurance  
up 29%

# Weaver Fintech offers digital financial solutions and enjoys high customer engagement and adoption.



## Rapidly growing fintech customer base



63% Women	64% Women
R15.2k Av income	R16.2k Av income
48% Gen Z / Millennial	76% Gen Z / Millennial
89% Retention rate of active loan customers	75% GMV from repeat customers



# Developing product suite drives growth and value for customers and merchants.

## Customers

suite of digital lending, insurance and payment solutions

**1 203 500**  
customers

- Straight Pay
- BNPL
- Retail Credit Pay
- Wallet
- Personal Loan
- Insurance



- Inflow Payments
- Product Insurance
- Analytics
- Merchant Deals
- Search and Discover
- Merchant App

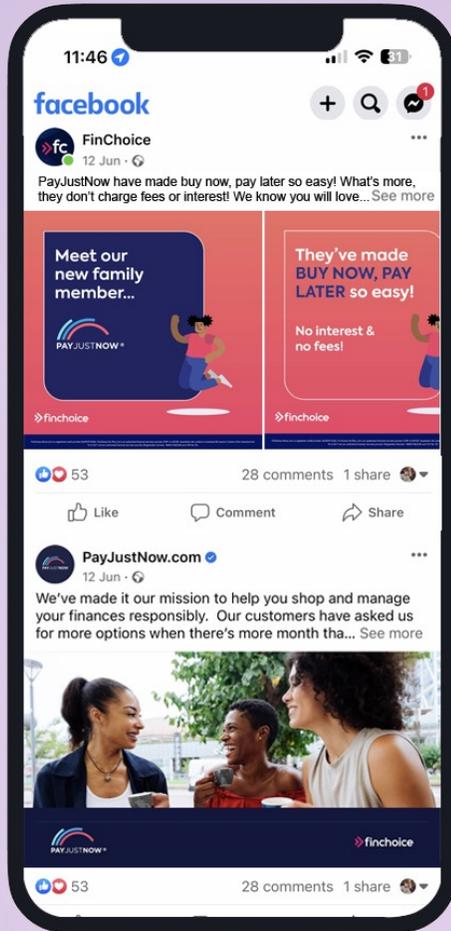
## Merchants

an integrated trading solution

**2 570**  
merchants



# Hyper personalisation unlocks customer product progression and cross-sell.

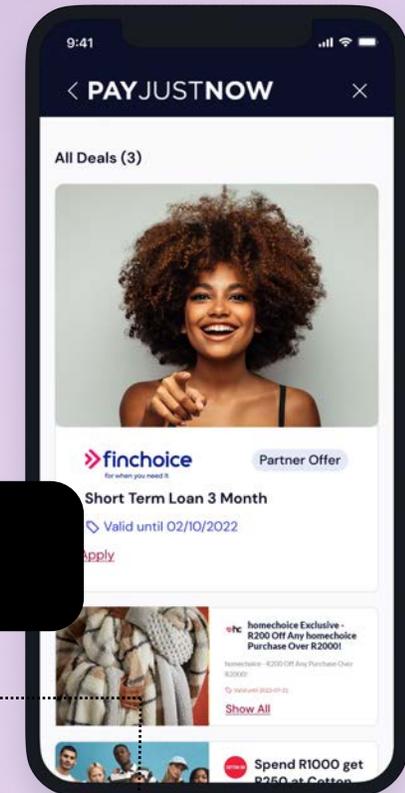


Gaining good momentum on cross-selling payments and loans

Increased customer base overlap by 57% to 41,000 customers

Driving real time personalised offers with improved conversion applying:

- Machine Learning Response models
- Alternative data sources



Evaluated through API personalisation

Customer Preferences

Propensity Modeling

Customer Attitudes

Customer Credit Profile

# Tech innovation drives higher customer adoption and growth.

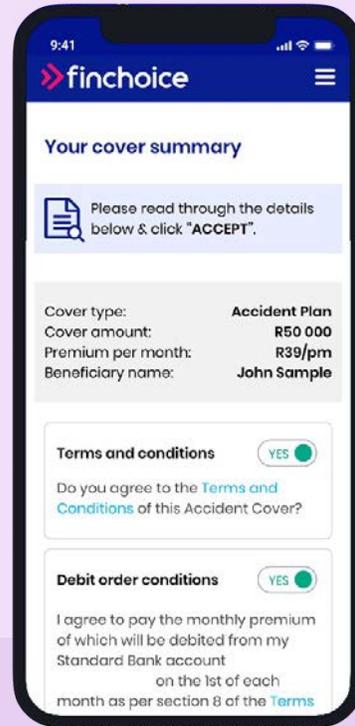


## Retail Credit



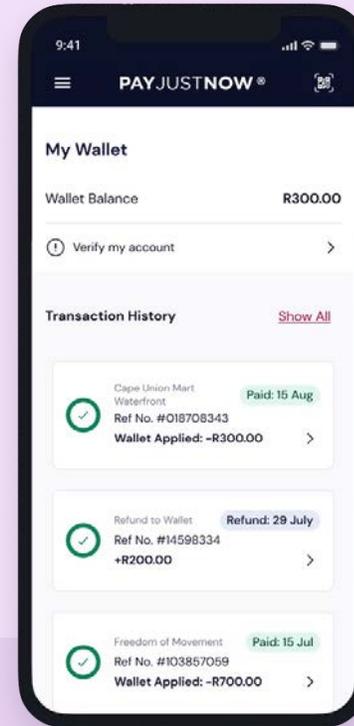
Launched with select merchants offering unique payment product in flow using API technology

## Digital insurance



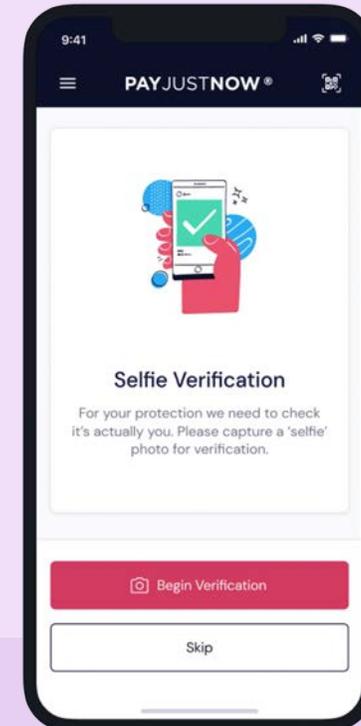
Full digital integration with new features and upgrades driving conversion

## E-wallet



Introducing a refund wallet driving more spend within the network

## Selfie



Technology driven solution making our customer feel safe and secure by providing increased fraud protection

# Weaver Fintech delivers consistently strong profit growth.



## Fintech revenue of up 29% to R872m

- Finance income benefitting from book growth and increased repo rate
- Fee income increasing by R65m to 33% of mix driven by insurance and payments
- Heightened levels of debt review exhibited in the market softening interest income

## Debtor costs well managed with 20% growth

- Debtor cost to revenue reducing to 40% (LY: 43%)
- Strong performance compared with growth in gross book of 34%
- Risk tightened on lowered disbursements with improved write-offs net of recoveries
- Appropriate provisions held at 16.0%

## Trading expenses up increasing for growth

- Investment in key resources across Technology, Insurance and Marketing to scale
- Digital operations enable cost ratios to be maintained at 27%

## Profit before tax up 33% with improved margins

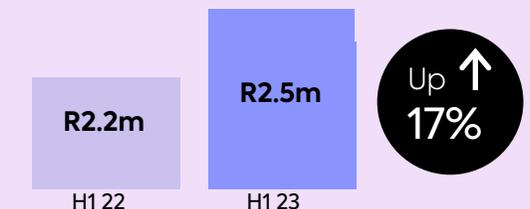
- Growth of loans business required increased funding with interest impacted by increased borrowing costs

	JUN 2023 Rm	JUN 2022 Rm	% change
Revenue	872	675	29.2
Finance and other income	588	456	28.9
Fee income	284	219	29.7
Other gains/(losses)	10	5	100.0
Debtor costs	(350)	(291)	20.3
Trading expenses	(237)	(184)	28.8
Operating profit	295	205	43.9
Interest expense	(85)	(47)	80.9
Profit before tax	210	158	32.9

## Average revenue per user (ARPU\*)



## Average revenue per employee



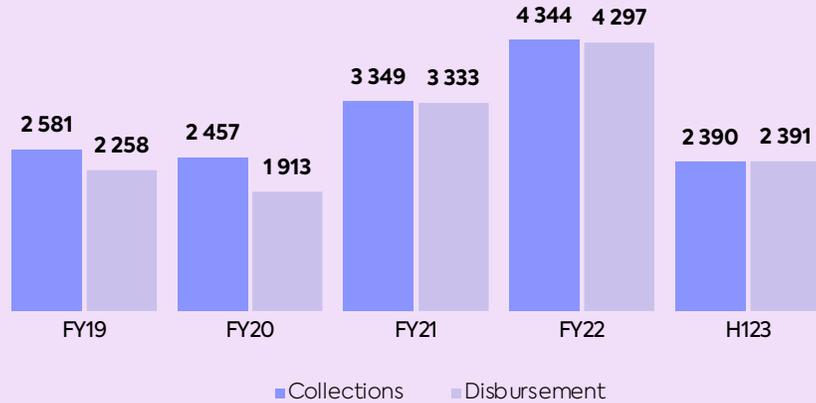
\* Revenue per active transacting user

\*\* ARPU and employee revenue is based on 6 months information



# Weaver Fintech can react fast to market changes to steer risk as short repayment cycle and low value lending.

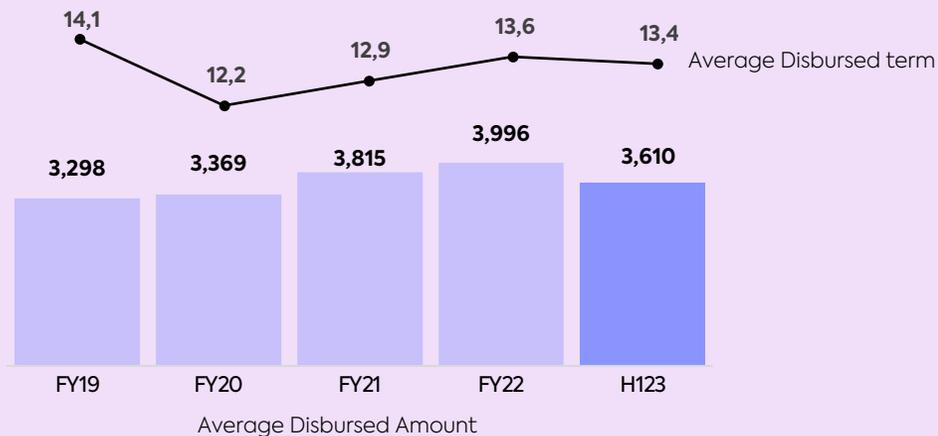
## Consistently strong cash collections (R'm)



## Weaver has consistently maintained short term books\*



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



\*Book age distribution from origination

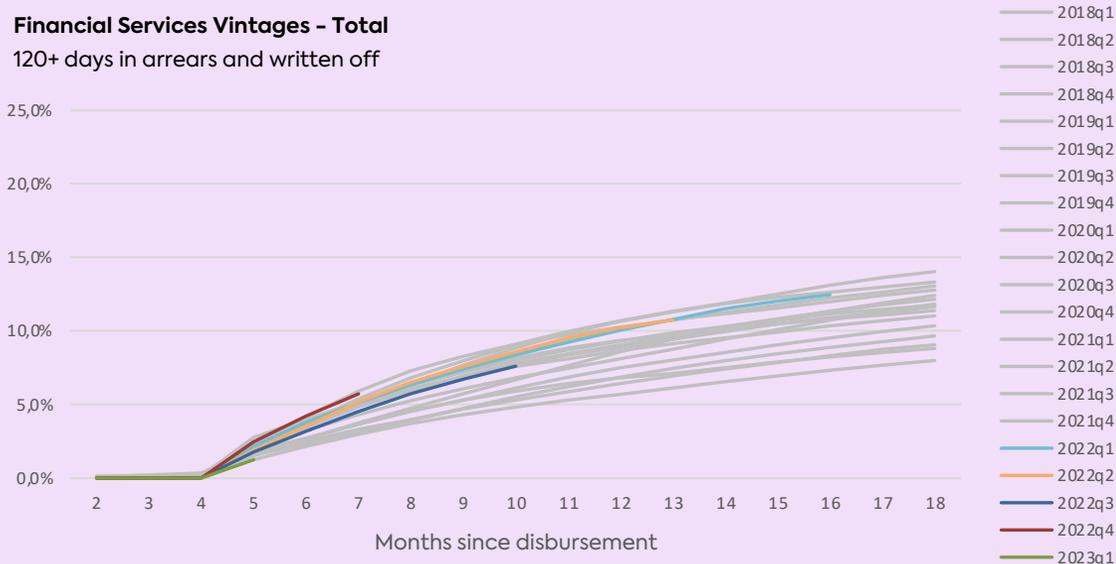


# Quality loan book with growth well managed.

- Prudent approach to credit strategy in this tougher macro environment
- Tightened scorecard criteria, shortened disbursement term and reduced average loan with new customer
- Strategic focus on proven existing customers evident in acceptance rates and higher average balances
- Reloan mix at 89.5% (LY: 81.3%) with modest book term increase to 20.9 months (LY: 20.1 months)
- Digital payment strategy through use of Debicheck maintains yields

## Vintages improving within narrow tolerance band

**Financial Services Vintages - Total**  
120+ days in arrears and written off

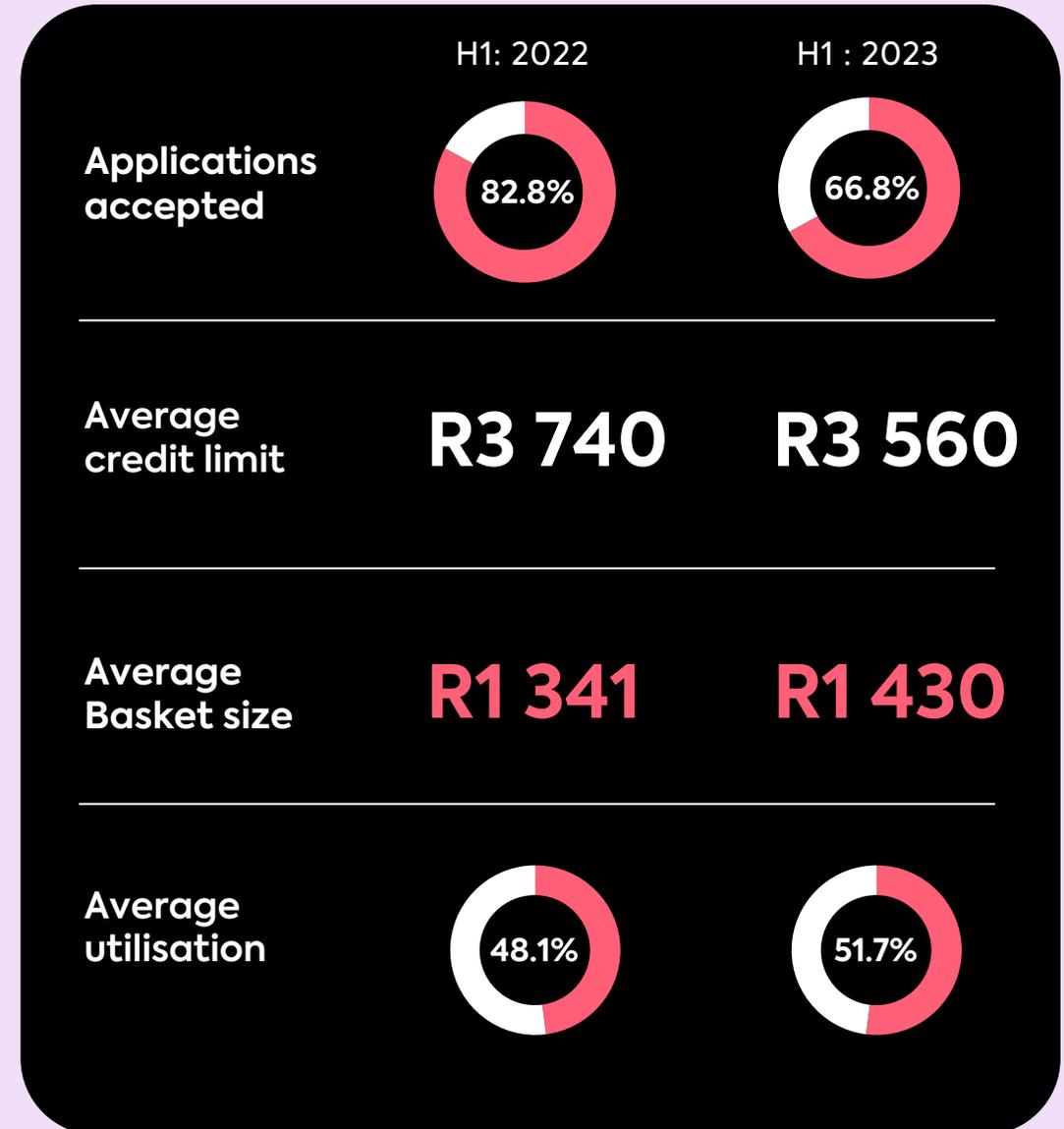
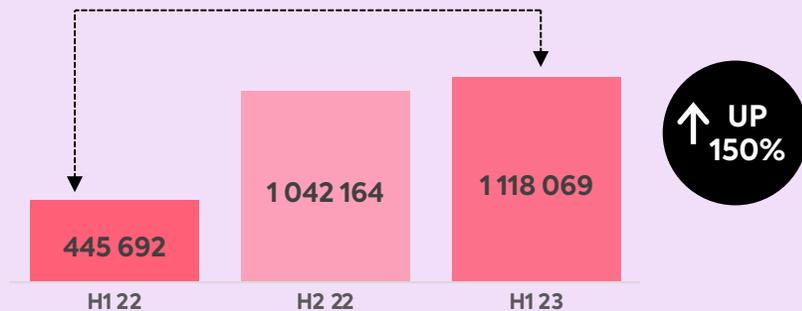


	H1 : 2022	H1 : 2023
<b>Applications accepted</b>	72.1%	78.2%
<b>Disbursed ave loan term</b>	13.7 Months	13.4 Months
<b>Average balances</b>	R8 037	8 520
<b>Active account holders able to borrow</b>	82.5%	84.8%

# PJN short term high yielding book.

- Revisions to underwriting criteria with tightening on acceptance rates has positively impacted overall credit performance
- Effective management of credit limits based on individual customer profiles with strategic increases to good paying repeat customers
- Strong fraud focus through implementation of selfie and refining fraud velocity rules
- Digital payments drive strong collections with average book term decreasing from 46 to 43 days
- New scorecard developed with dual matrix for implementation in H2 performance

## High monthly payment rates on short term book



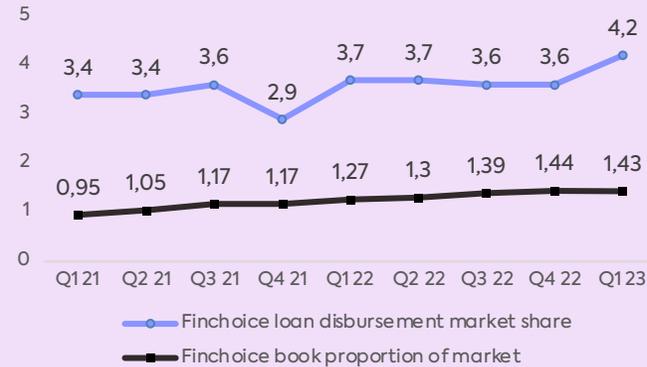
# Top quartile performer.

## Recent reduction in credit extended across the market



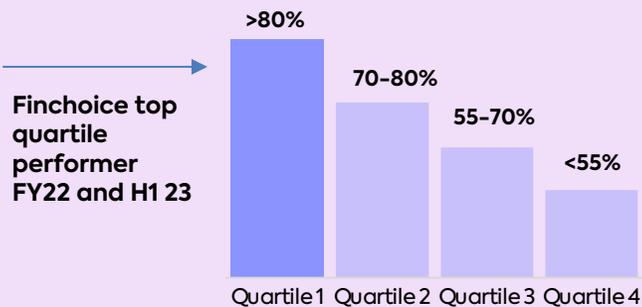
Source: National Credit Regulator consumer credit report Q1 2023

## Strategically growing market share



Source: National Credit Regulator market proportion by quarter

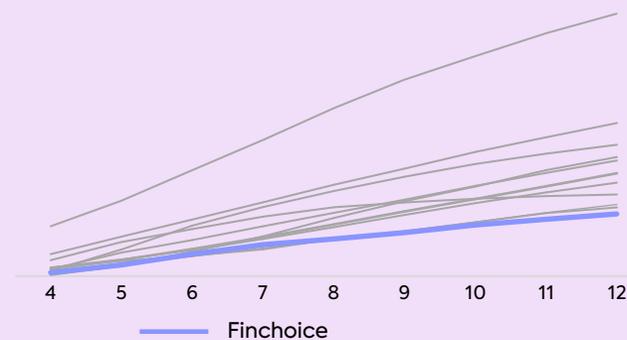
## Portfolio quality across market based on % balance with no arrears



Finchoice top quartile performer FY22 and H1 23

Source: Comparative Experian analysis of top 12 unsecured lenders Q1 2023

## Contractual delinquency 3+ after 12 months



Source: Comparative Experian analysis of top 12 unsecured lenders - loans booked in 2022

## Weaver Fintech loved by customers

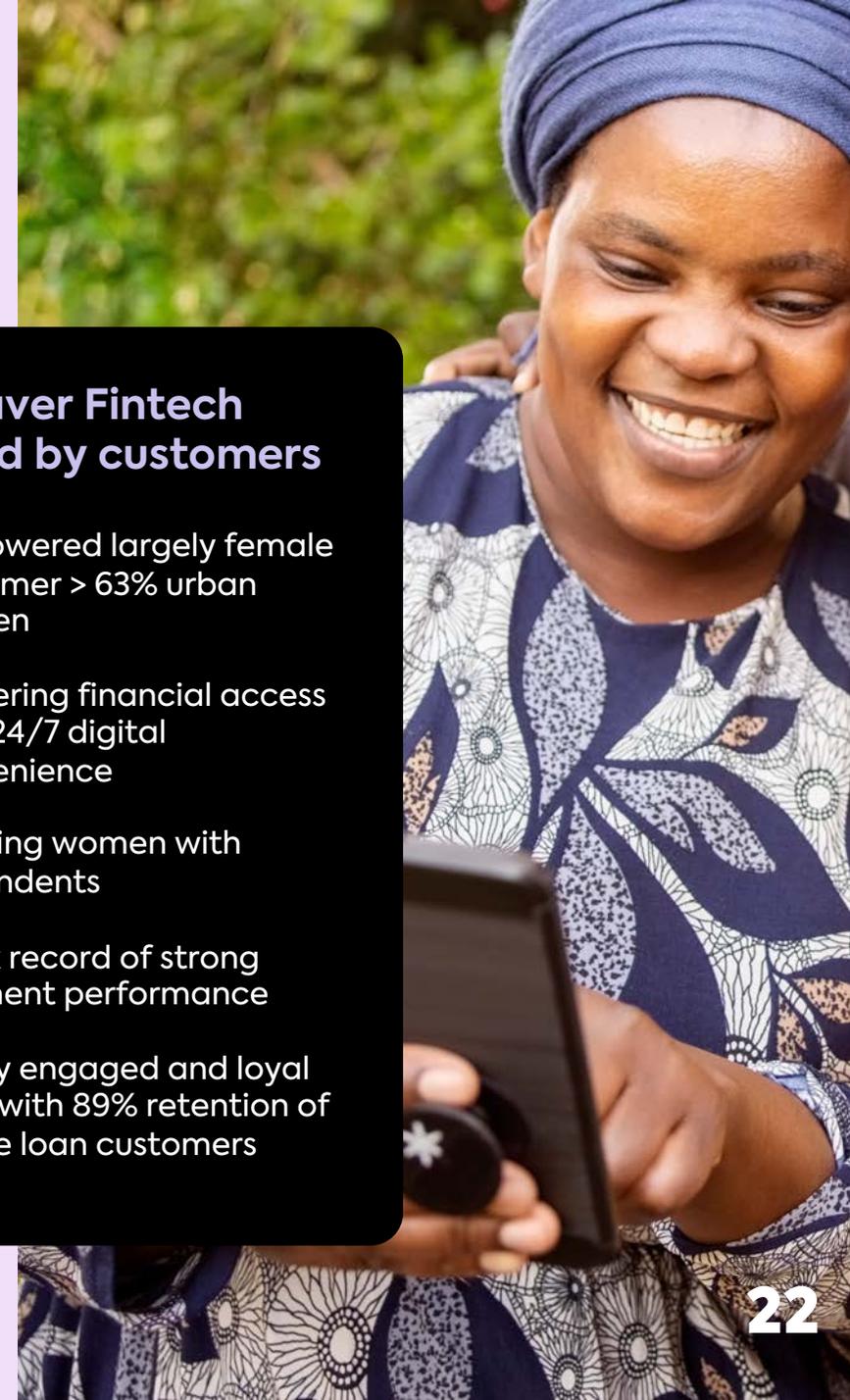
Empowered largely female customer > 63% urban women

Delivering financial access with 24/7 digital convenience

Working women with dependents

Track record of strong payment performance

Highly engaged and loyal base with 89% retention of active loan customers

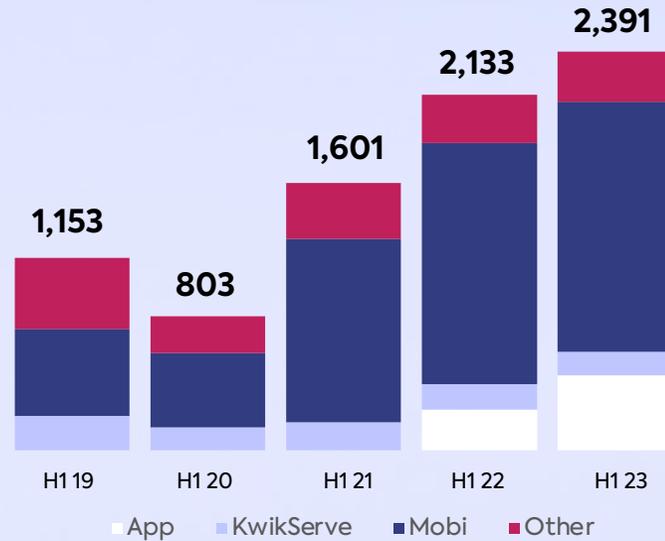




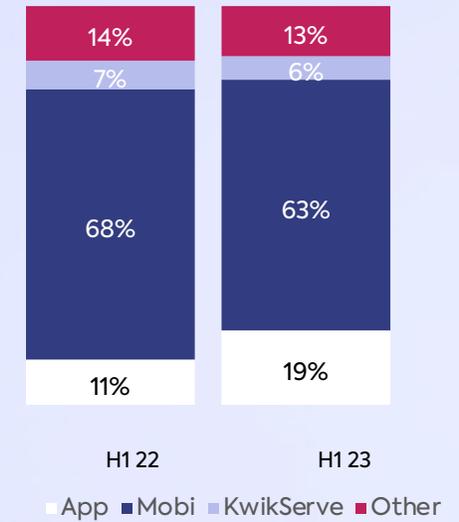
# App ease of use drives increasing customer engagement and utilisation.



Disbursements (R'm) increased on tightened risk strategy



Disbursements from App up 84%



## Engaged digital customer

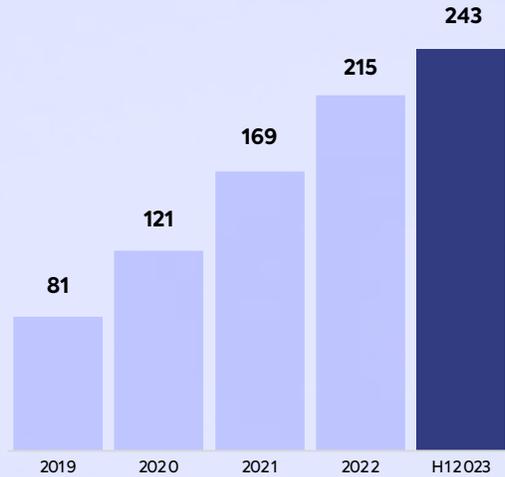
**96%**  
Digital repeat loans

**80%**  
New loans acquired via digital channels

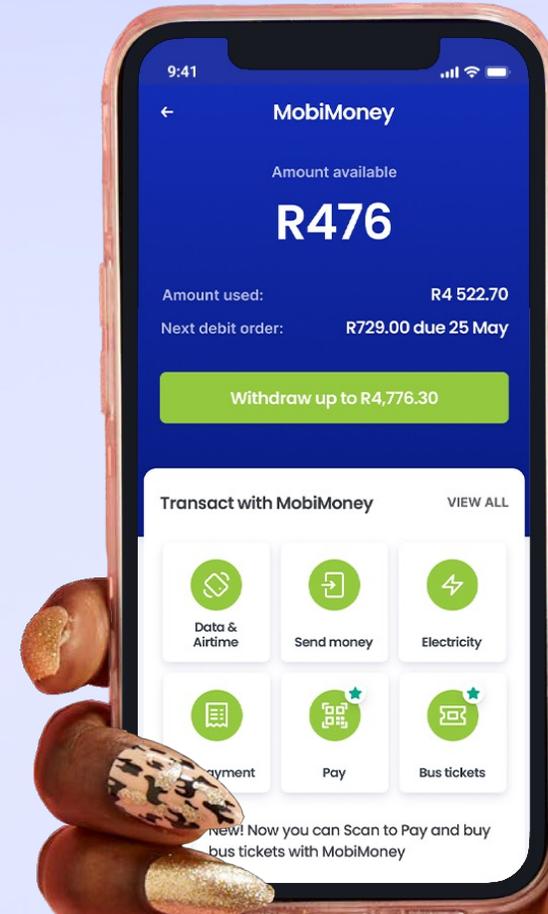
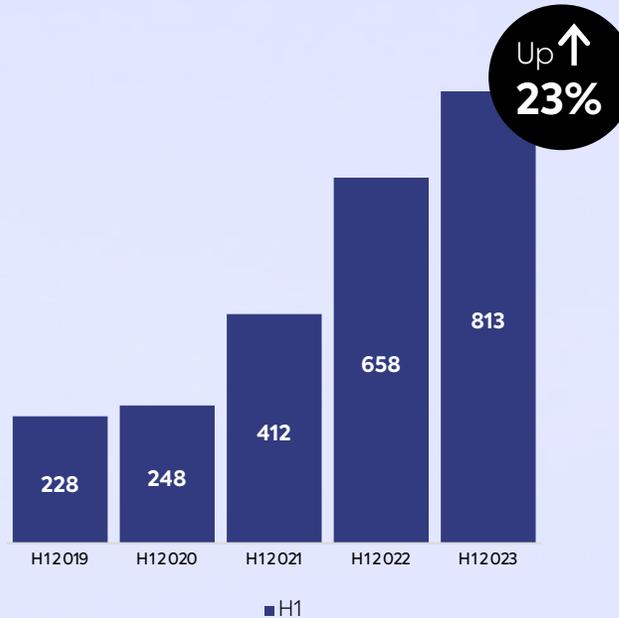


# Driving increased usage in fintech wallet.

High growth in credit-backed mobimoney wallet customers ('000)



Fintech wallet utilisation increasing (R'000)



**R4.8bn**

wallet withdrawals since inception

**68,800**

Monthly wallet Transactions continue to build, up 6%

**25,000**

Zapper points of presence enabling bill payments



# Standalone funeral and personal accident insurance drives fee income generation.

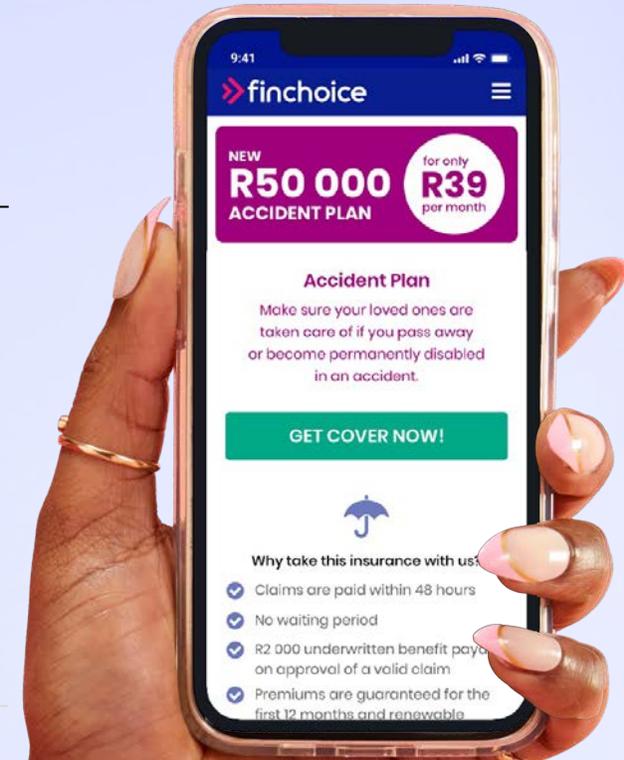
GWP (R'm) growth 29% with digital engagement



Steadily building insurance customers ('000) up 5%



Momentum in digital acquisition of insurance policies (proportion %)



## Proven ability to digitally acquire insurance driving strong growth

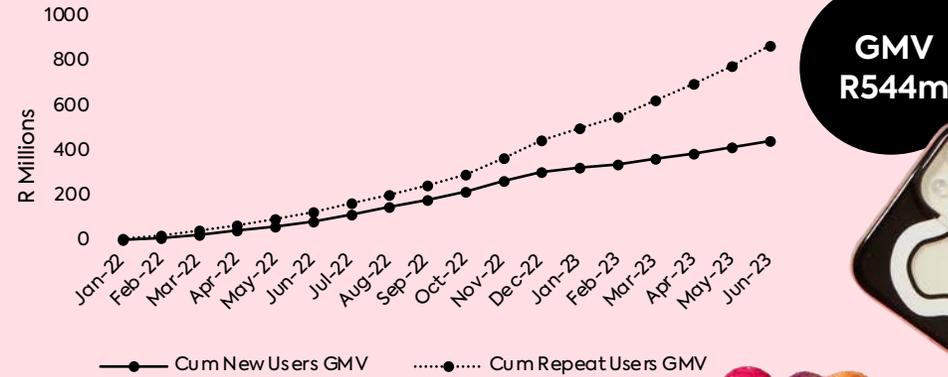
- 1 Personal accident cover end to end digital purchase
- 2 Implemented real time drop-off feature supporting conversion and salvage
- 3 Enabled customer to self-select funeral policy upgrades with 30% conversion

# Digital payments compelling customer proposition with high engagement.

## Rapid customer adoption



## Customers increasing spend and frequency



## Strong Engagement in H1

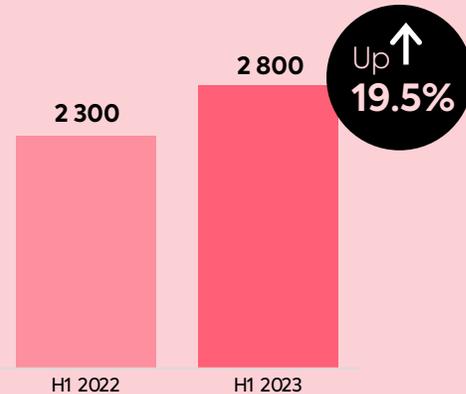
**38%**

Growth in signed up customers

**43%**

Increase in number of transactions

## Average Spend (R)



## Building loyal customer

**75%**

Customer base shopping repeatedly

**R3.7k**

Average spend returning customers



# Empower merchants to onboard customers using proprietary tech solutions.

## PayUp Merchant App

**3 278**

Signed up users

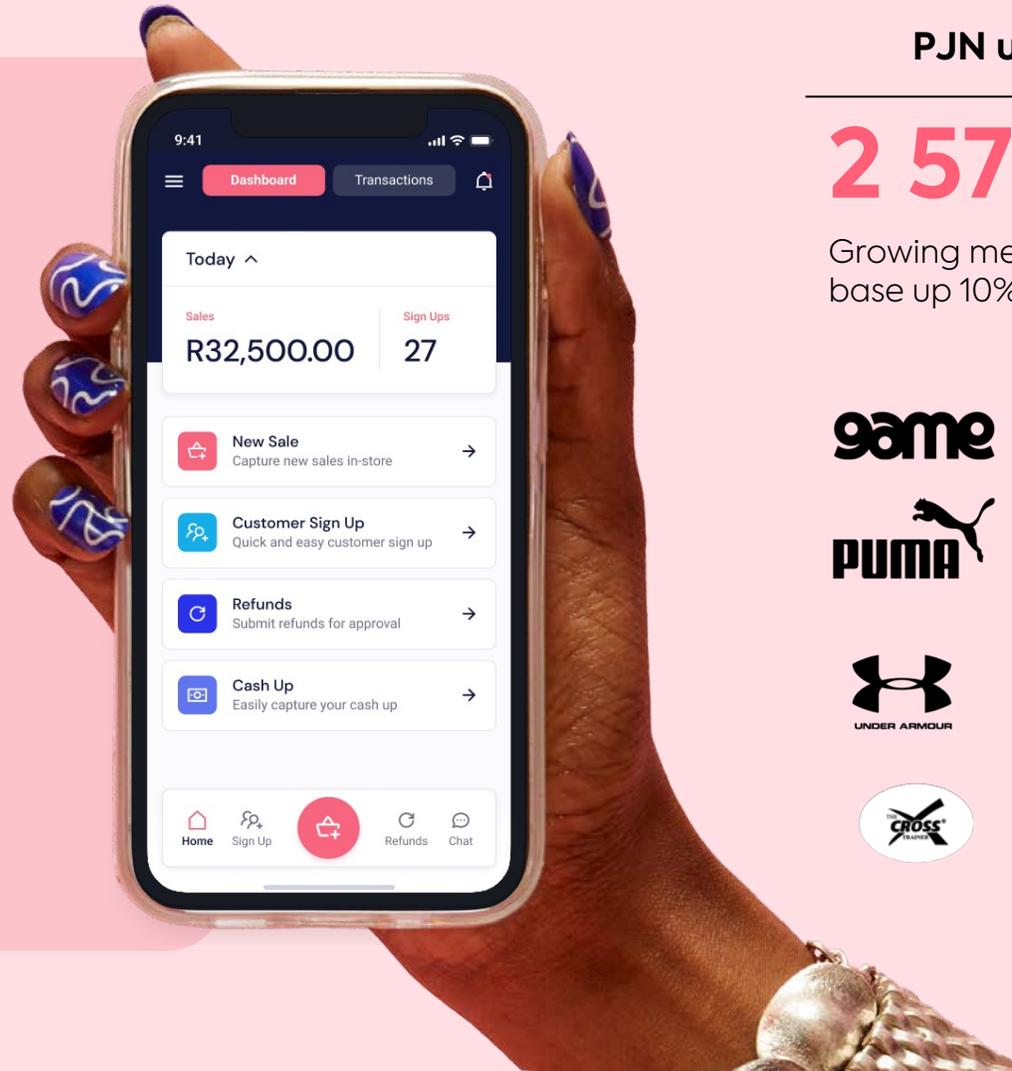
Initiates a customer sign up using QR, SMS or email

Provides real time data

Analytics enables insights

Real time refunds

Support with chat via App



## PJN used by all kinds of Merchants

**2 570**

Growing merchant base up 10%

**5 910**

Active points of presence

**game**

**CAPE UNION MART**  
Adventure starts here

**OLD KHAKI**

**EDGARS**

**PUMA**

**adidas**

**SAMSUNG**

**homechoice**

**UNDER ARMOUR**

**bathu**

**GALAXYBOY**

**poetry**

**CROSS**

**FASHION FUSION**

**CONVERSE**

**STEVE MADDEN**



**Retail.**



# Turnaround trajectory hampered by market factors and credit risk strategy shifts.



## H1 – Sales challenges and actions taken

- 1 Credit limit cuts and tightened acceptance criteria which impacted sales
- 2 Implemented a bespoke scorecard and drove digital payments improving risk
- 3 Loadshedding impacting customer connectivity with reduced sales
- 4 SAPO collapsed – catalogue distribution reconfigured by courier and customer collection

## H1 – Driving profitability

- 1 Implemented Smart fulfillment delivery system improving CX and reducing costs
- 2 Pivot to potentialise showroom channel as customer shifts shopping behaviour
- 3 Focus on increasing cash sales – Take me Home in Showrooms and BNPL payment method
- 4 Cost realignment completed with significant benefits to 2024

# H1 focused on improving credit risk.



## Retail Sales down 25.6%

- Significant tightening of credit strategy
- Challenging market dynamics disrupting all sales channels

## Finance and other income up 5% due to higher repo rate

## Gross margin reduced to 43.6%

- Textiles buy impacted by ZAR devaluation with prices held
- Supply chain efficiency deteriorated due to lower parcel volumes

## Debtor costs significantly lower at 17% of revenue

- Lower credit limits and acquisition acceptance reducing book size
- Debicheck now successfully implemented improving payments
- Appropriate provisions held at 32.8% with gains from smaller book

## Trading expenses R14m lower

- Controlled marketing spend given risk strategy however at a deteriorated efficiency
- Restructured cost base with benefits to FY24

## Operating profit margin <2%

## Strong cash generated from operations

- Improved payment performance with debicheck
- Tight management of working capital

	June 2023 Rm	June 2022 Rm	% change
Revenue	881	1 084	(18.7)
Retail sales	594	799	(25.6)
Finance and other income	295	281	5.0
Gross profit	259	386	(32.9)
Gross profit margin	43.6%	48.3%	(9.7)
Debtor costs	(149)	(225)	(33.8)
Trading expenses	(390)	(404)	(3.5)
Operating profit	15	38	(60.5)

## Homewares offer with data led risk based decisions

**29%**

Digital channels sales mix proportion

**7.6%**

Cash proportion improving profitability

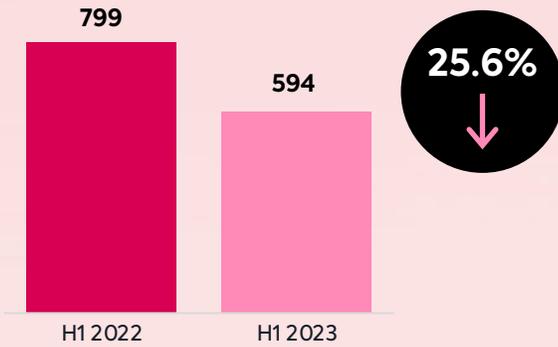
**R839m**

Cash Collected from R1.9bn gross book

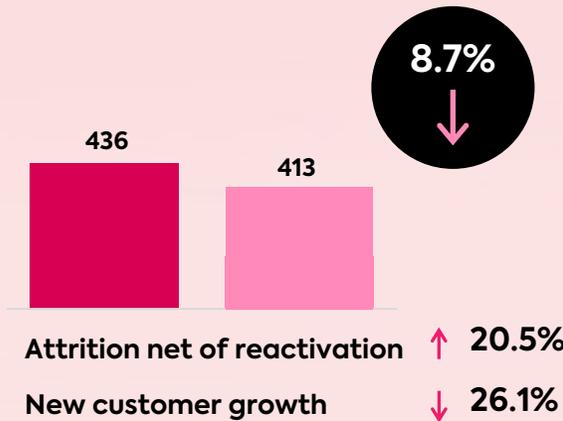
# Customer base impacted by lower levels of acquisition.



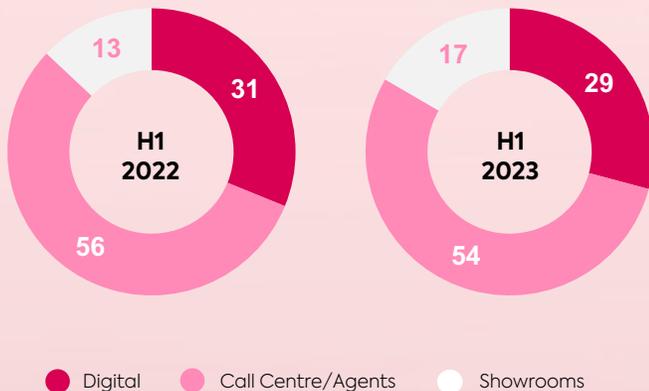
## Retail Sales (R'm)



## Active Customer Base ('000)



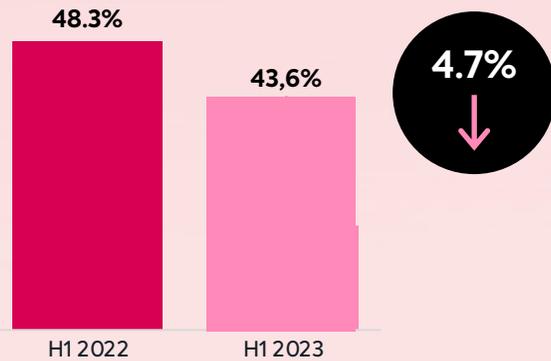
## Channel Mix-Contribution



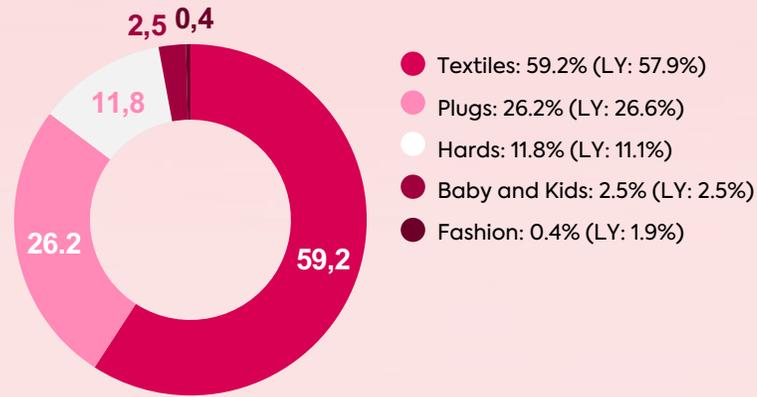
# Gross margin impacted by FX headwinds and supply chain cost infrastructure.



## Gross Margin

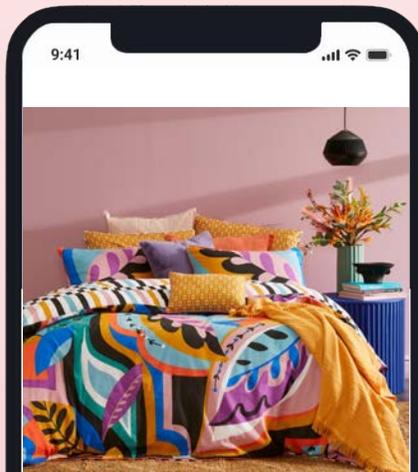


## Sales mix by category

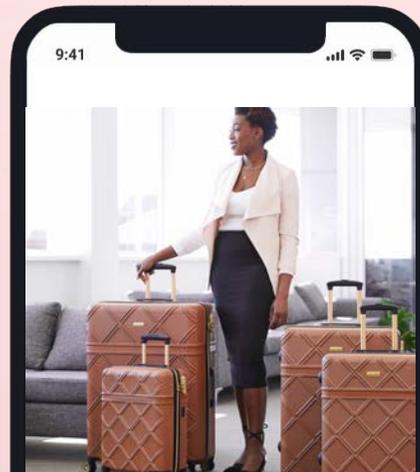


- 1 ZAR devaluation driving higher import prices
- 2 Competitive pricing on textiles managing mark-downs
- 3 Sales miss resulted in higher stocks in core bedding ranges – prudent stock provisions
- 4 Supply chain efficiency deteriorated on lower parcel volumes – fixed warehouse infrastructure

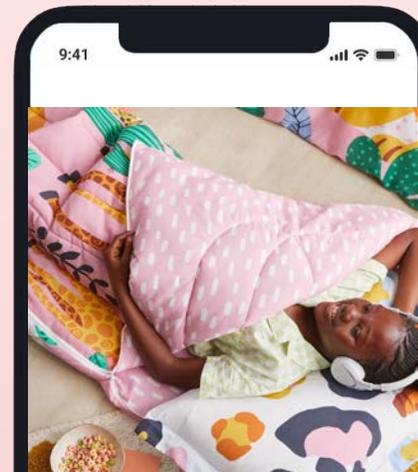
### Quality and Value



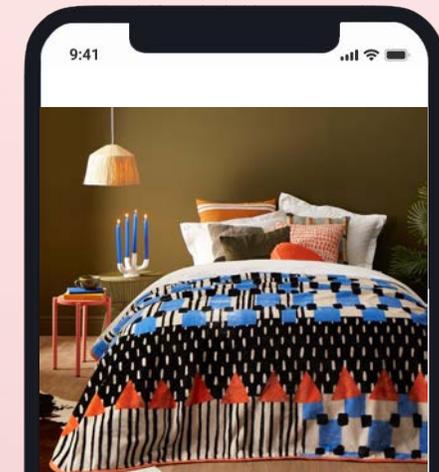
### Own Brand Design



### Customer Focus



### Innovation



# Significant focus on improving the credit book.



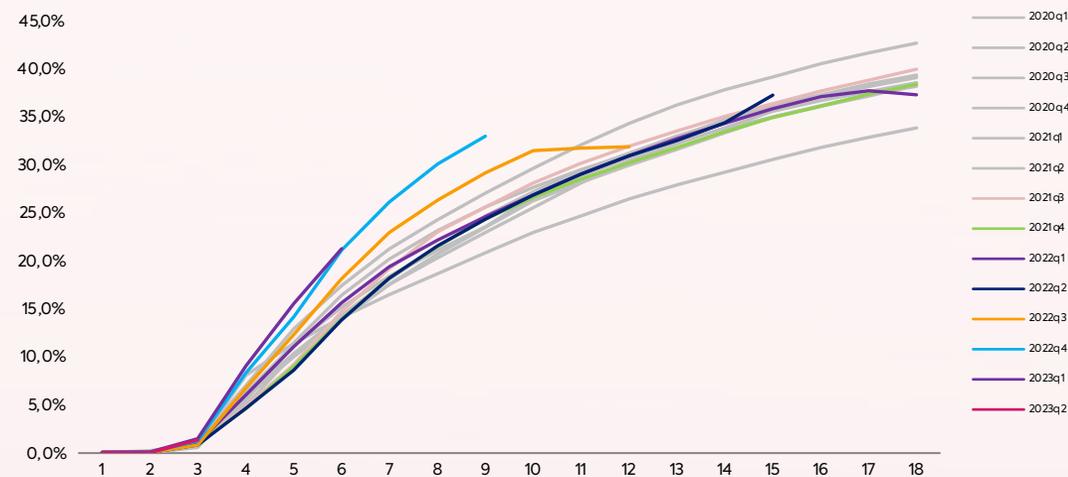
## Implemented further credit actions to reduce risk and improve book quality

- Implemented bespoke application scorecard – recent reductions in FID rates
- Increased scorecard risk prediction – risk now sloping within expectations
- Strengthened fraud defences and new fraud model – evident in reduced silent rates
- Revisited customer limits cutting out higher risk populations and increasing exposure to good quality customers

## Early signs retail vintages stabilizing to manage within risk tolerances

- Increased level of digital collections with higher success rates proving beneficial
- Optimised and introduced new processes in fraud and collections operations

HomeChoice Vintages excl. Cash (120 days + and written off)



	H1 2022	H1 2023
<b>New Applications accepted</b>	51.0%	48.0%
<b>Average Sales Term</b>	17.3 Months	16.9 Months
<b>Average balances</b>	R5 136	R5 212
<b>Active account holders able to borrow</b>	64.7%	62.4%
<b>Average New limits</b>	R4 901	R7 567

# Driving future reductions in the cost base.



**R390m**

Overall retail trading costs down 3.5%



**7.3%**

Direct costs down R14m to R179m

**R208m**

Indirect costs broadly flat

**R50m**

Future cost savings from actions taken

- Right sized teams aligned with business focus and implemented new organisation design
- New procurement program implemented with supplier savings
- Simplified operational processes and digitised self-service
- Closing JHB warehouse with reductions in logistics spend

**R18m**

Capital expenditure

- Following capex freeze resumed investment in technology to enable growth
- Strategic move of all IT infrastructure to Teraco to provide continuity and stability
- Smart fulfillment now live with future benefits to supply chain



# Showrooms optimised to benefit from changing customer shopping behaviour.



## Digital Showrooms

**14**

Showrooms with 4 new openings in H2

**17%**

Sales proportion up from 13%

**25%**

Strong cash proportion compared to 7% overall

**266k**

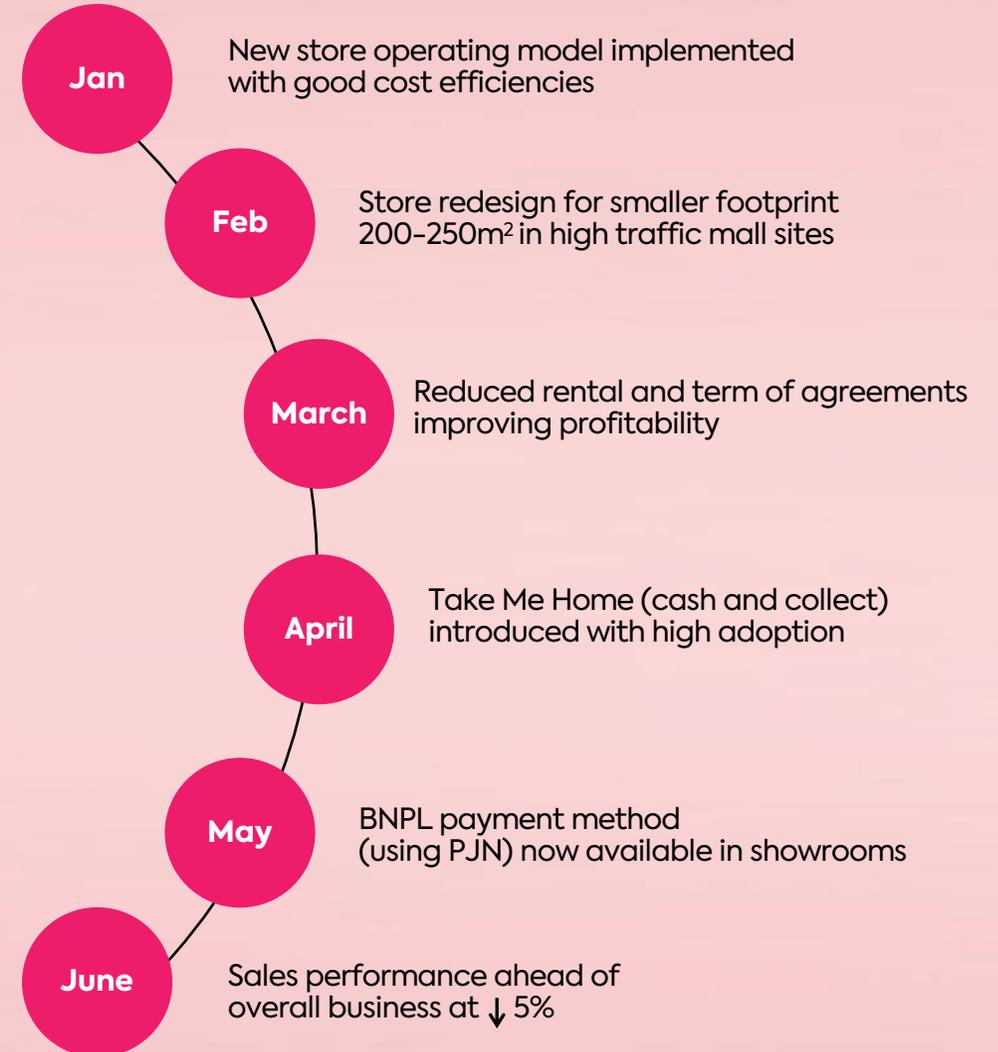
Footfall

**50k**

Click & Collect now 20% of despatches

**R4m**

Take Me Home (6 weeks trading only)



**Forward.**



# Profitable fintech continuing to grow rapidly.

- 1 Significant and fast growing customer base
- 2 Clear product roll-out strategy with focus on hyper personalisation
- 3 Maximise cross-sell and bolt-on opportunities utilising data and analytics
- 4 Digital innovation and amazing customer experience driving retention and spend

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