



Investor day

1 November 2018

Who we are



Two divisions: aspirational retail and financial products

HomeChoice (Retail)

- An omni-channel retailer in southern Africa offering her convenience and our own delivery network
- Innovative own brand textiles, homewares, personal electronics, apparel and more than 100 external brands
- Credit facility a powerful enabler of sales



FinChoice (Financial Services)

- A leading FinTech platform in the mass market providing innovative loans, insurance products and value-added financial services
- Serves the HomeChoice customer base of good credit standing
- 24/7 customer engagement through digital channels



Our business in numbers

Retail sales

R1.7bn

+ 16.8%

Loans disbursed

R1.5bn

+ 17.5%

Revenue

R3.0bn

+ 12.7%

EBITDA

R800m

+ 14.1%

Customers

836 000

Deliveries

> 1 million

**Cash generated
from operations**

R359m

+ 29.5%

**Digital credit
extended**

R1.2bn



A deep understanding of our customer

- An African woman, a daughter or granddaughter of customers before
- 40 years old with 2 children
- Knows us for quality, value and affordability
- Earns R10 000 gross monthly, spends it carefully (74% of customers have an additional source of income)
- Recent homeowner, beneficiary of government electrification, sanitation and RDP programmes
- 78% of our customers live in urban areas and 8% are outside of SA
- Is tech savvy – 80% use their mobile phones to access our mobi platforms
- Socialises digitally – our Facebook community posts 400 messages daily



142 000 shoppers on the day



780 000 Facebook community



18 900 customers engage on Instagram

She buys aspirational retail and financial products suited to her lifestyle

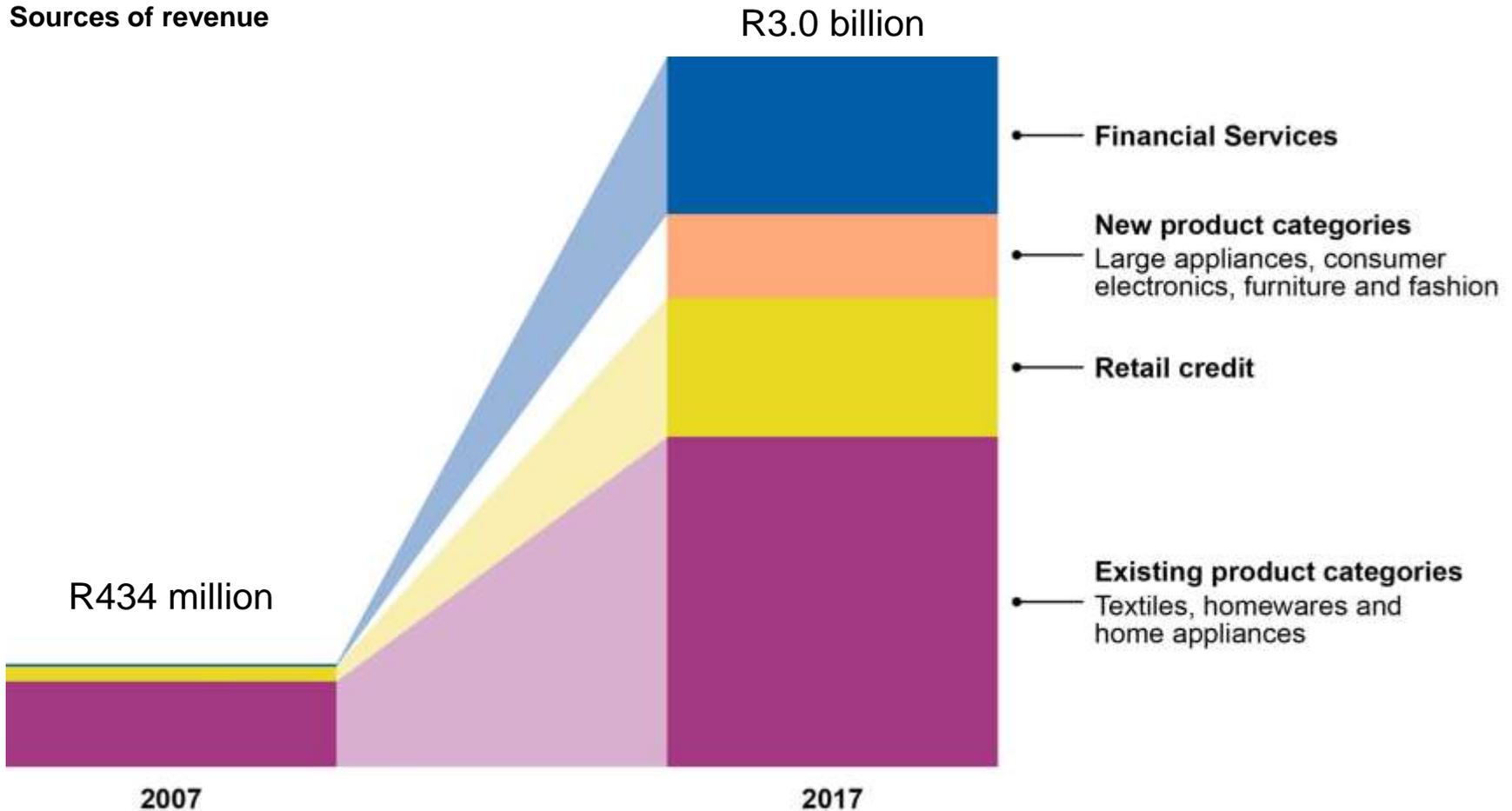


INNOVATIVE
PRODUCT
AND CREDIT
OFFERS



A rapidly diversifying Retail business and growing Financial Services offering

Sources of revenue

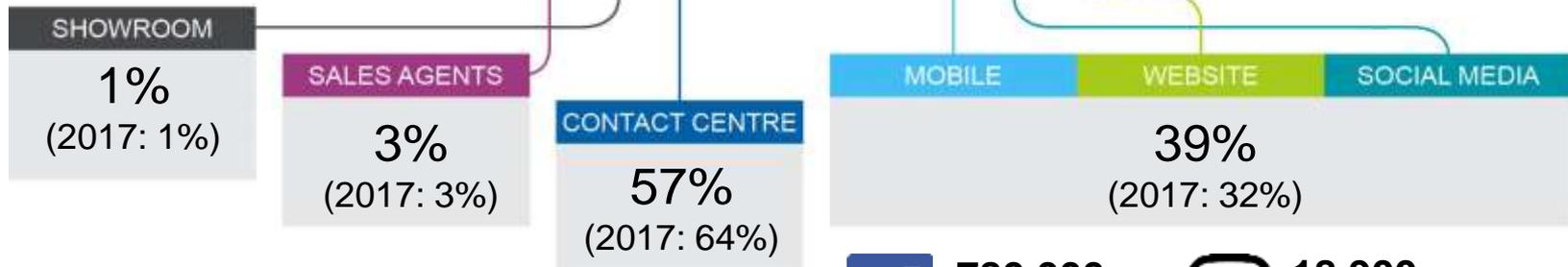


Provide an omni-channel offering with accelerating digital component



Omni-channel customer offering

Well positioned to deliver an omni-channel experience for our customers.



 **780 000**
Facebook
community

 **18 900**
customers engage
on Instagram

Strategy



Our strategies



Strategies to continue sustainable growth



Innovative product offering

- **Innovative product development** for our growing customer base
- Manage merchandise risk through strict adherence to buying cycle
- Introduce more flexible credit products and terms
- Significantly expand insurance offering



Digital transformation

- Oracle commerce engine and cloud investment
- Expand niche online content
- **Accelerate development of FinTech platform**
- Social media sales conversion



Insight-led customer growth

- Drive customer acquisition using new channels and media
- Improve retention and frequency of purchase through segmentation
- Leverage **power of our customer database** through data science
- Drive personalisation of our offer through customer insights
- Expand controlled growth to targeted external loan prospects



Enhance customer experience

- Channel expansion – **roll out showroom footprint** and micro hubs
- Real-time credit approval
- Digital self-services functionality
- **Improve speed of order processing and delivery to her**

Digital: Mobi-1st driving growth

- Retail – our customer shops on her phone
 - Convenient – shop whenever she wants to
 - Digital growth – easily scaleable
 - Enables customer personalisation
 - All products available online
 - Digital-only products which drive traffic
 - Sales through digital channels now 20%

- Financial Services – high digital engagement
 - Platform expanding to include full suite of products and services
 - Loan transactions – 78% digital
 - Contact centre supports online relationship – ‘private bankers’ for the mass market
 - Digital self-service enhances customer experience



Showroom offer

- Enhance customer experience
 - Showcase breadth of product range
 - Customers touch and feel our quality
 - Rooms-in-a-home layout
 - Offers in-store digital engagement
 - Sales agents advice and support
- Full suite of services for her
 - Open an account and place an order
 - Collection point for 'click and collect'
 - Respond to queries
 - Facilitates returns
 - Pay her account



Showroom formats

Small



Maponya Mall

- Size: 500m²

Large



East London

- Size: 1 200m²

Flagship

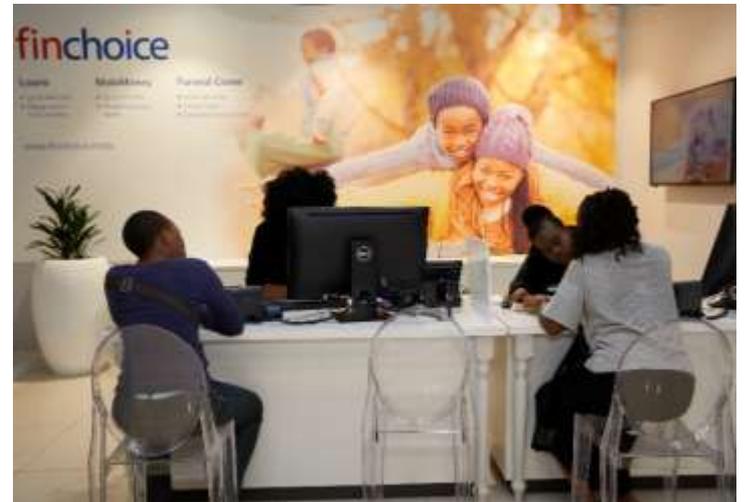


Rissik Street

- Size: > 2 000m²

Showroom dynamics and roll out plans

- Showroom plans
 - Opened: 5 in South Africa
 - Consider Botswana in 2019
 - Plan to open: 3 - 5 per year
 - Long-term potential: 30 showrooms
- Key features
 - Attracts 30% new customers (mix)
 - Click and collect > 80% of orders
 - High cash sales > 30%
 - Driving 35% new loans activity
 - Capex average R6 million
 - Payback expectations c. 24 months



Delivery infrastructure unique in mass market

2 e-commerce enabled, single pick
(1 item) warehouses

Last mile delivery through our own **64**
independent micro enterprises



More than **1 million** deliveries in 2018
Deliver door-to-door, or through SA Post Office
Courier partners provide further support



Distribution capability – engineered for e-commerce

CAPE TOWN

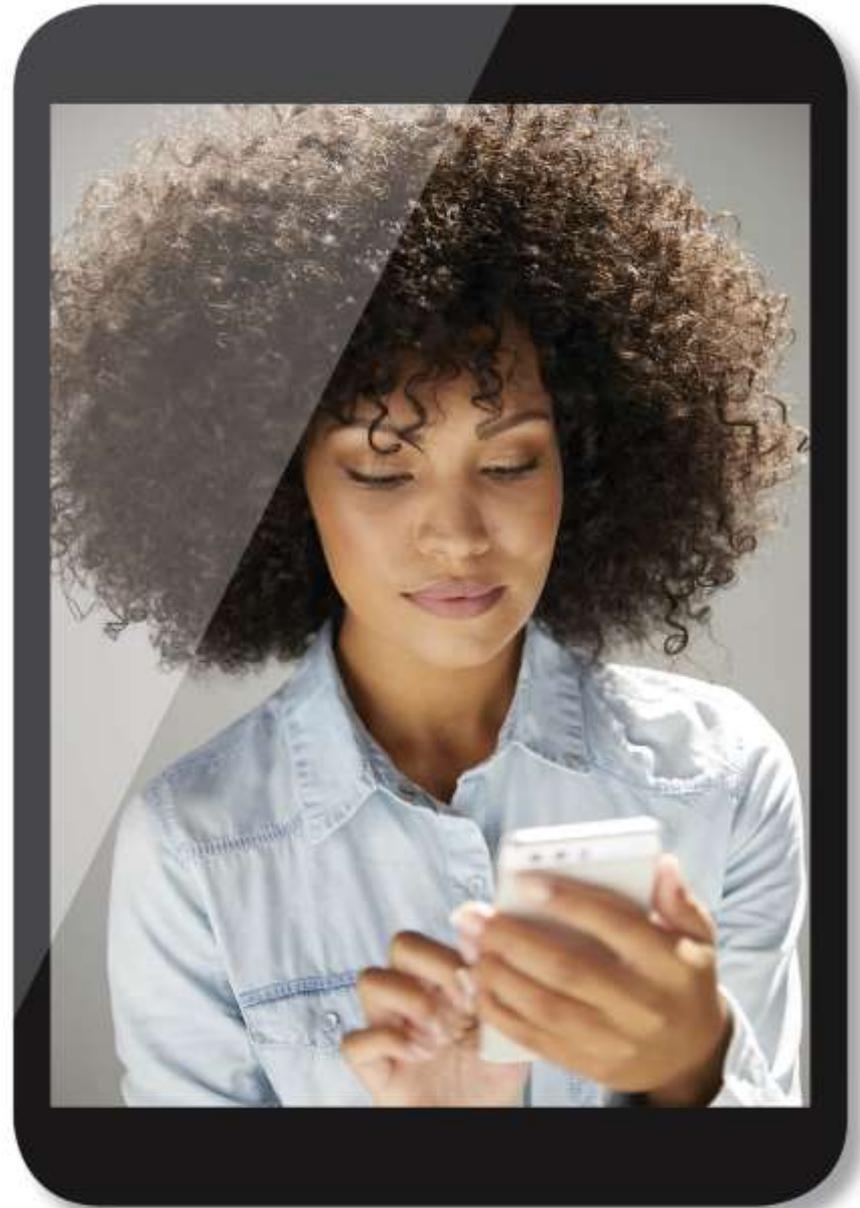
- Newly built 2014, 20 000 m², owned
- Primary warehouse
- Handles all inbound deliveries
- 34 000 storage pallets
- 7 000 parcels dispatched per day
- 6 day, am/pm pick and pack – 150 staff

GAUTENG

- Opened 2018, 12 000 m², leased
- Category specific warehouse – furniture, footwear, blankets
- 7 000 pallets
- 2 000 parcels dispatched per day
- 6 day, 12 hour shift – 60 staff



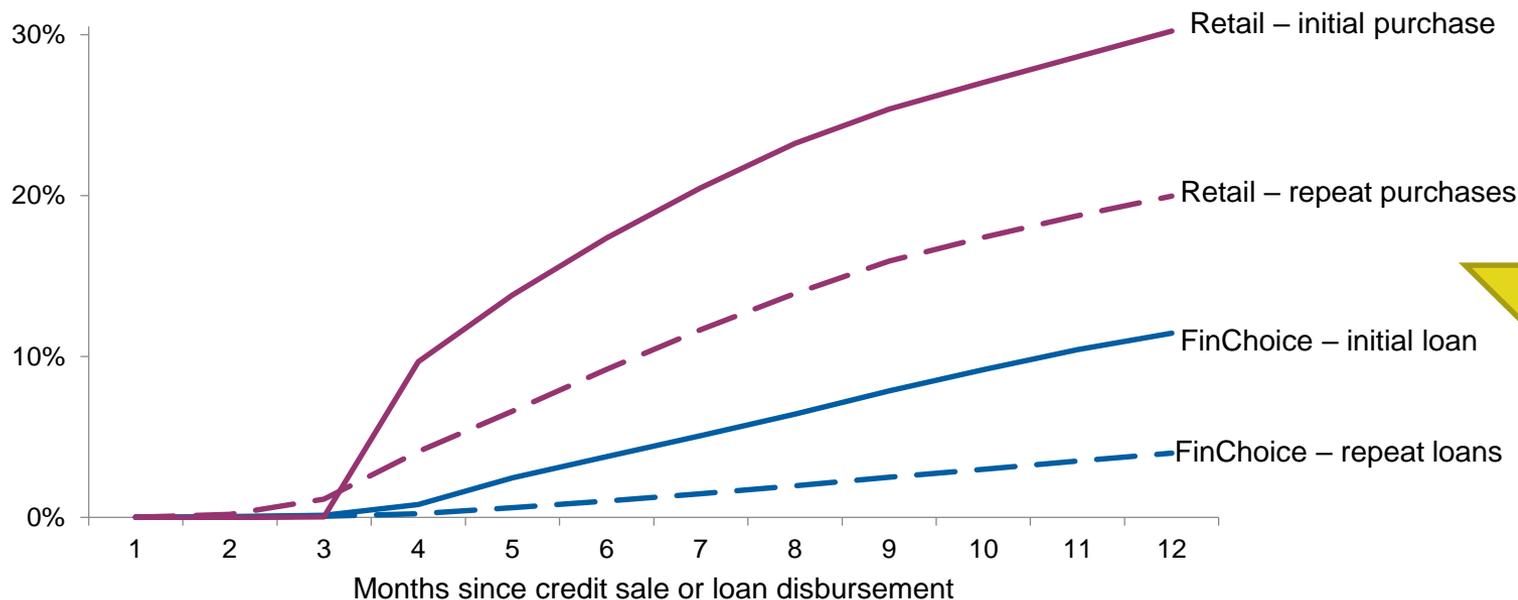
Financial Services



Leveraging the Retail credit book for Financial Services

Vintage graphs: 5-year average (120+ days in arrears)

Cumulative % of original accounts reaching arrears status

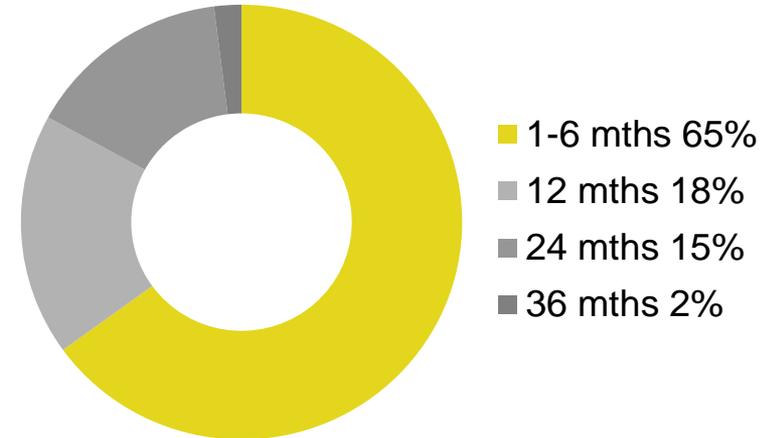


- Retail drives acquisition for the group (92% of customers utilise credit)
- New customers offered low-value, short-term credit – stepped up on performance
- Financial Services leverages data and response models to make loan offers

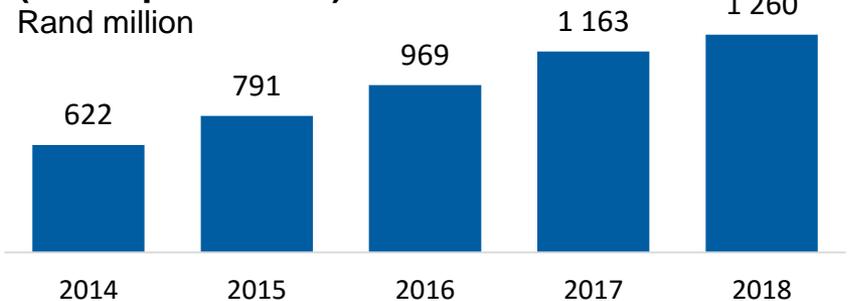
A low-risk, efficient digital financial services provider

- Efficient acquisition
 - HomeChoice brand and database
- Controlled credit performance
 - Retail filter and credit expertise
 - Short-term (avg. term 14.4 months)
 - Low-value (avg. balance R10 444)
- Digital platforms
 - Lower operational overheads
 - Drive retention and engagement
- Product diversification
 - Lending
 - Insurance from 2015
 - Value-added services from 2018

Disbursement mix



Trade and loan receivables (net of provisions)



Focus on digitally-enabled products

Launched in 2017:
digital-only facility

Launched in 2018:
**digital-only VAS
products**

 **KwikAdvance®**

Small, convenient loans repayable in a month
Up to R2 500

 **MobiMoney**

A credit facility on her mobile, repayable over 3 months
Up to R8 000

 **Personal Loans**

Flexible personal loans repayable over 6, 12, 24 or 36 months
Up to R40 000

 **Funeral Cover**

Suite of funeral cover plans from R10 000 to R50 000

 **Data**

 **Airtime**

 **Electricity**

Range of digital value-added services

New products launched over time...



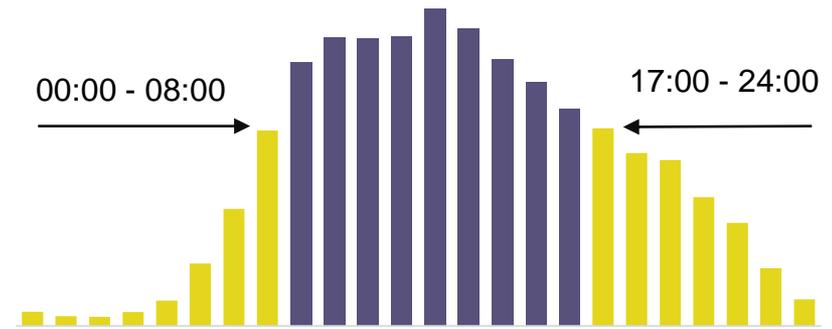
All credit, insurance and value-added products are accessible 24/7 by mobile self-service

Her mobi engagement driving our FinTech business

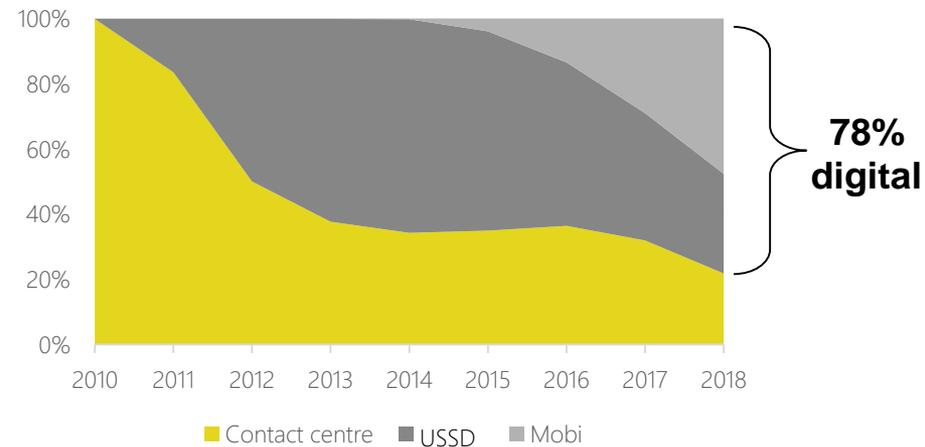
- Digital engagement provides her convenience and empowerment
- Loan transactions occur 24/7 with 32% outside normal working hours
- Call centre agents becoming “private bankers” of the mass market
- MobiMoney™ product driving 78% digital mix
- Strong focus on her digital customer experience



Digital sessions per hour – week days



Channel mix of loan transactions



Our digital transformation journey



Thank you

HiL PLC

HomeChoice International plc