2017 interim results presentation

HomeChoice International PLC

Agenda

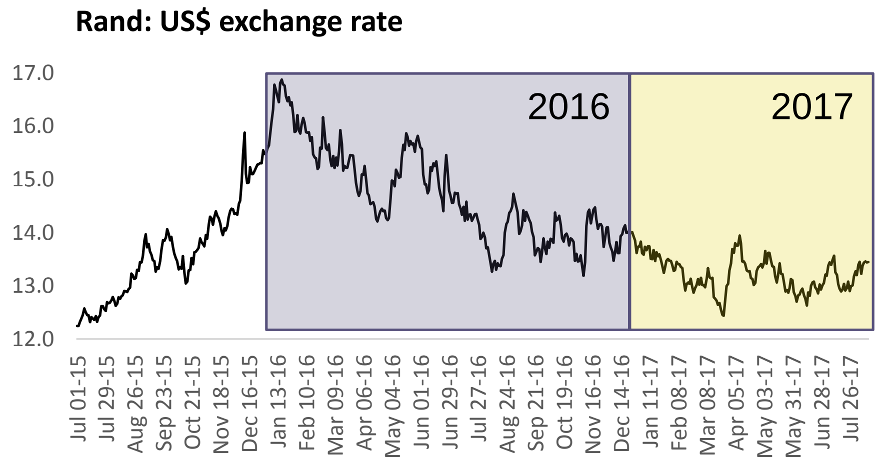
1. 2017 performance
   - Group
   - Retail
   - Financial Services
2. Group strategic objectives
3. Outlook

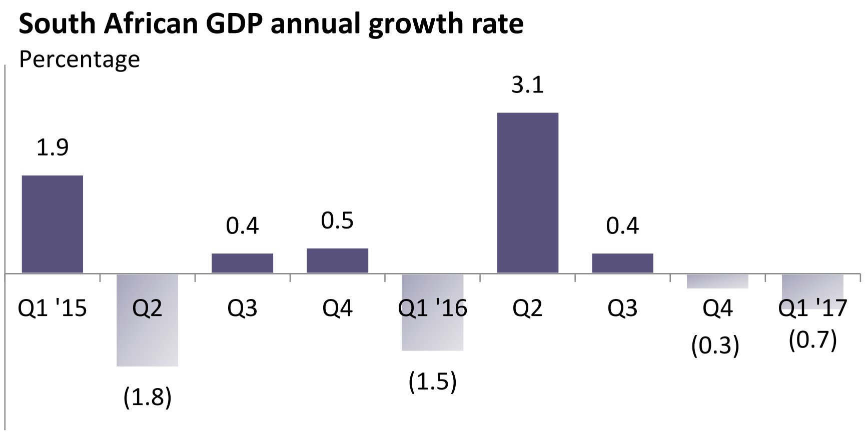
HiL PLC

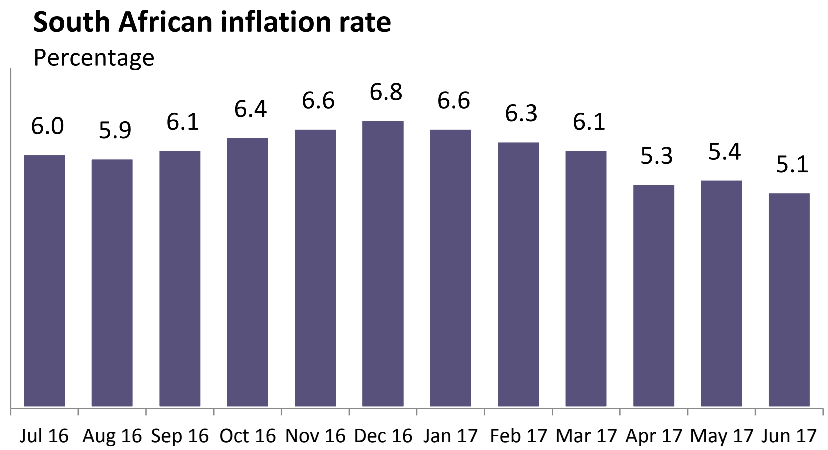
2017 financial results

A tough macro-economic climate

- South Africa has entered into a technical recession - negligible GDP growth expected in 2017
- Rand has strengthened but remains volatile – at the vagaries of political and credit rating uncertainty
- Inflation moderating but susceptible to further Rand weakness

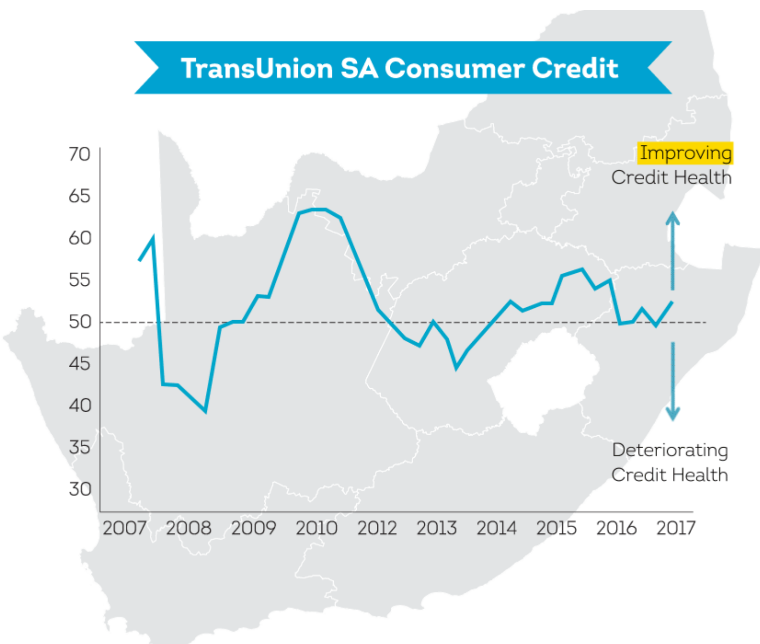


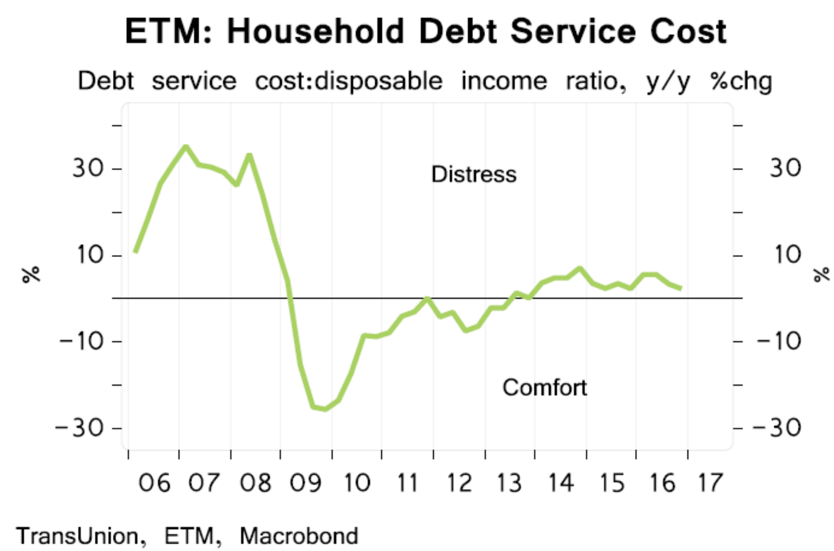




Consumer credit health improving, but remains fragile

- Proportion of consumers in arrears has improved - likely driven by tighter lending standards among credit providers, more cautious borrowing, and deleveraging
- Stable debt service costs with lower debt growth relative to income
- However household cash flow at weakest levels since 2009 – driven by persistent inflation and subdued income growth



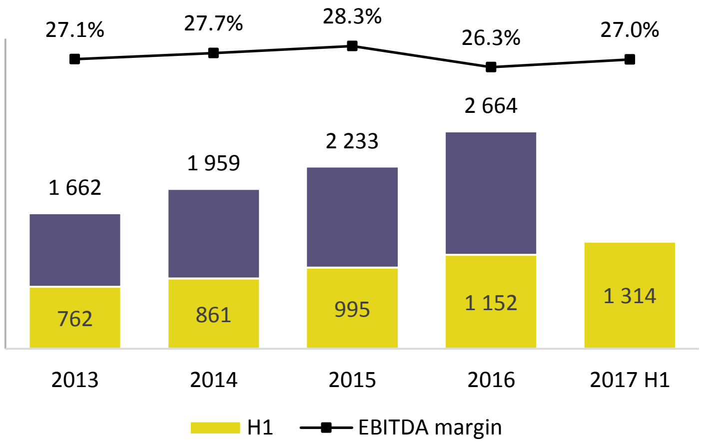


Group highlights

Financial

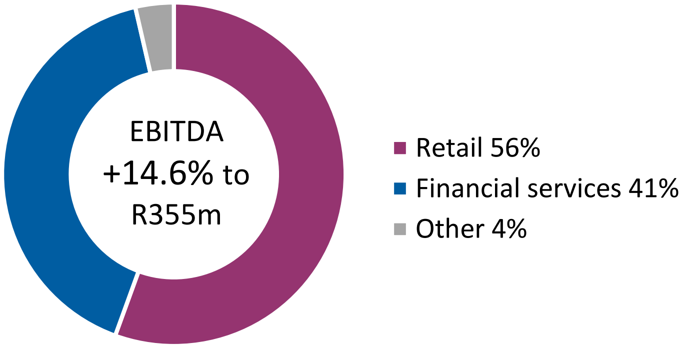
- Retail sales up 24.3% to R720 million
- Loan disbursements up 12.4% to R655 million
- Operating profit up 17.2% to R329 million
- Earnings per share up 17.1% to 218 cents
- Cash generated from operations up 19.8% to R174 million

Group revenue up 14% to R1.3 billion
Rand million



Non-financial

- Credit extended via digital channels up 38.3%
- Fully ISO accredited distribution centre
- Launched refreshed group values to the business



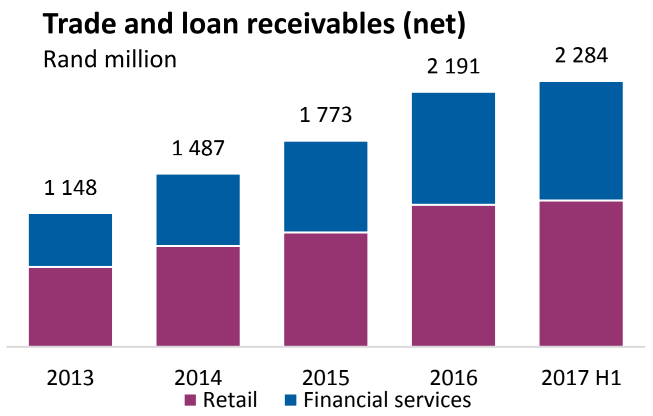
Strong results in a tough consumer environment

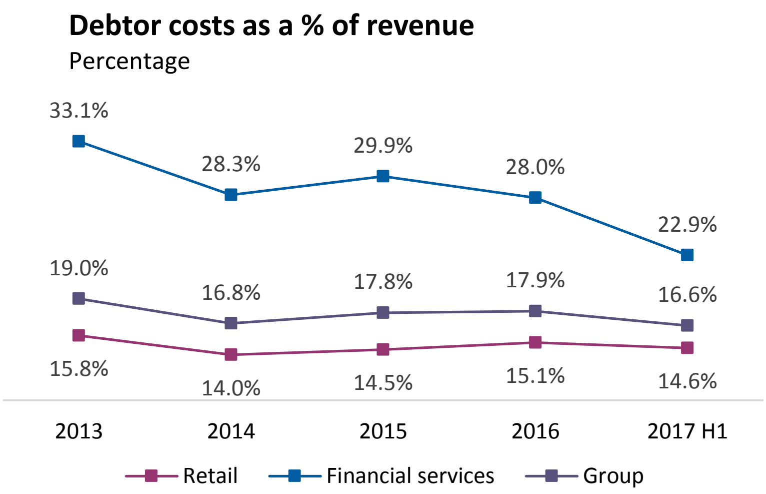
- Both businesses performed well
  - Retail revenue +14.0%
  - Financial Services +14.2%
- Retail sales growth of 24.3% offset by lower finance charges from reduced NCR interest caps in May 2016 and introduction of credit facility
- Growth in ancillary services (insurance and service fees) reflects reduced reliance on interest revenue
- Improved gross profit margin, good credit risk performance and continued focus on operating efficiencies resulted in EBITDA up 14.6% to R355m

6 month period ended 30 June	2017 R mil	% change	2016 R mil
Revenue	1 314	14.0%	1 152
Retail sales	720	24.3%	579
Finance charges and initiation fees	445	(7.5%)	481
Fees from ancillary services	149	62.3%	92
Gross profit margin	50.2%		48.8%
Trading expenses	(636)	10.1%	(578)
Debtor costs - Retail	(146)	6.3%	(138)
Debtor costs – Financial Services	(73)	(9.8%)	(80)
Other trading expenses	(417)	15.9%	(360)
EBITDA	355	14.6%	310
Operating profit	329	17.2%	280
NPAT	225	17.1%	192
Headline earnings per share (cents)	218.1	15.9%	188.2
Return on equity (%)	21.4%		21.2%

Focus on collections has delivered improved credit performance

- Group debtor costs up 0.4% compared to revenue of 14.0%
- Retail debtor costs up 6.3%, benefitting from:
  - investment in collections resources and strategic focus on collection processes
  - tightening of credit criteria and shorter terms
  - introduction of new scorecards
  - focus on fraud prevention tools
- Financial Services debtor costs down 9.8% due to:
  - improvement in re-loan vintages
  - strong collections performance
  - shortening of terms





Improved risk has enabled reduction in provisions

	2017 H1	% change	2016 H1	2016 FY
Retail: gross receivables	R1 545 m	25.5%	R1 231 m	R1 507m
Provision as % of receivables	18.6%		19.0%	18.9%
Non performing loans (120+ days)	10.3%		8.9%	10.3%
NPL times cover	1.8		2.1	1.8
Financial Services: gross receivables	R1 206 m	17.5%	R1 026 m	R1 147m
Provision as % of receivables	14.9%		16.3%	15.5%
Non performing loans (120+ days)	4.4%		4.6%	4.7%
NPL times cover	3.4		3.5	3.3

- Vintages in both businesses showing improving trends
- Retail NPL's worsened due to late-payment activation strategies at EDCs - improves cash collections but keeps arrear customers on book for longer
- Improved Retail credit risk performance has resulted in marginal reduction in provision to 18.6% (Dec 2016: 18.9%)
- Reduced Financial Services provision reflecting performance
- NPL times cover remains conservative

Trading expenses marginally above revenue growth

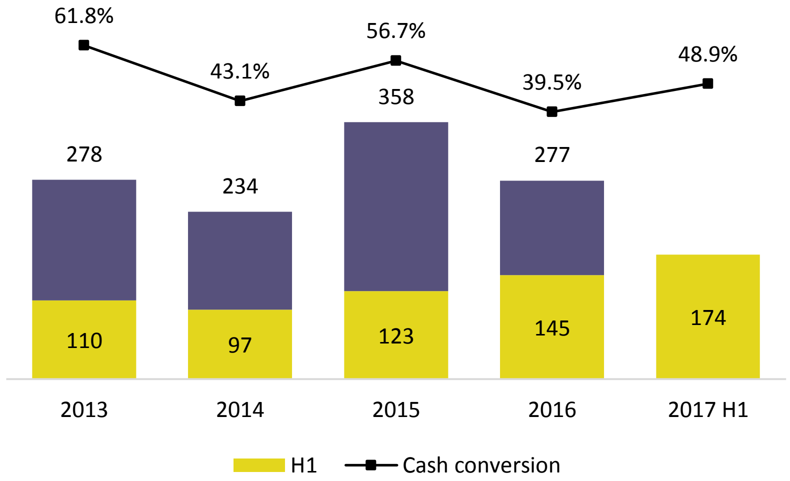
	2017 H1 R million	2016 H1 R million	% change	2017 H1 % of revenue	2016 H1 % of revenue
Marketing costs	104.1	92.3	12.7%	7.9%	8.0%
Staff costs	165.2	142.2	16.2%	12.6%	12.3%
Amortisation and depreciation	28.1	27.8	0.1%	2.1%	2.4%
Other	119.8	97.5	22.9%	9.2%	8.5%
Other trading expenses	417.2	359.8	18.4%	31.8%	31.2%

- Marketing costs continue to improve as a percentage of revenue
- Staff costs impacted by increased resource capability
- Amortisation and depreciation normalised after high capital expenditure in prior years
- Other costs impacted by increased regulatory costs and the growing insurance business

Cash management remains a key focus

- Improved collections, shortening terms and cost control have improved cash generation
- Operating cash flows before working capital up 14.0% to R352 million
- Investment in working capital up 8.9% to R178 million

Cash generated from operations up 19.8% to R174m
Rand million



	2017 R mil	2016 R mil
Increase in inventories	80.8	80.7
Increase in Retail receivables	36.0	15.0
Increase in Financial services receivables	56.8	68.3
Other	4.8	(0.1)
Movements in working capital	**178.4**	**163.9**

Capital management

Return to shareholders

- Return on equity improved from 21.2% to 21.4%

Strong financial position

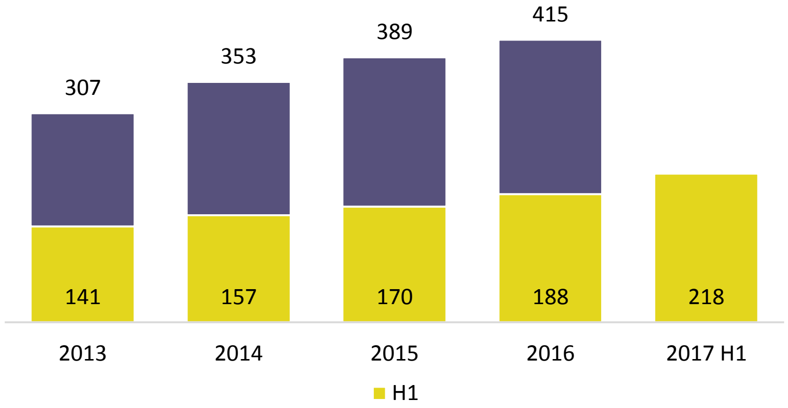
- Net asset value per share up 14.8% to R20.86

Gearing

- Debt structure unchanged from Dec 2016
- Net debt to equity marginally increased from 28.7% (Dec 2016) to 29.0% and remains comfortably below Board's upper limit of 40%

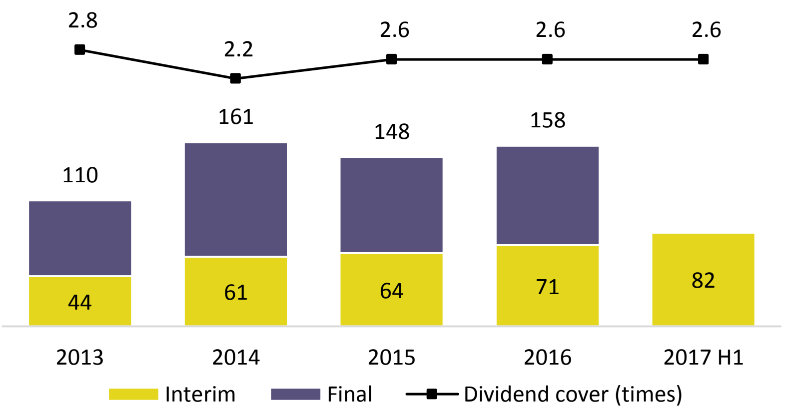
Headline earnings per share up 15.9% to 218.1 cents

Cents per share



Dividends per share up 15.5% to 82 cents

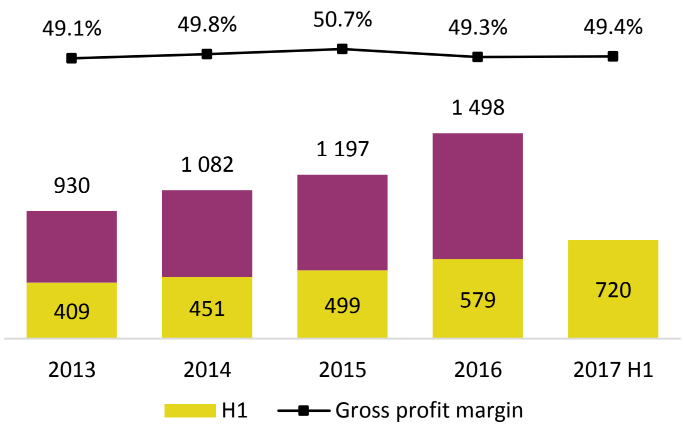
Cents per share



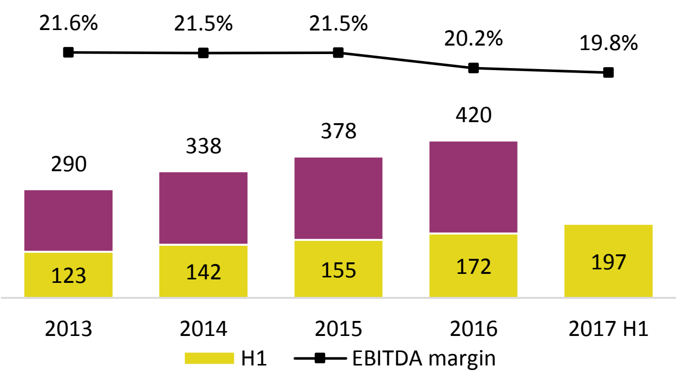
Retail financial performance

- Revenue up 14.0% to R997 million
- Retail sales growth driven by innovation in bedding and textile ranges and extension of branded merchandise
- Gross profit margin benefitting from good margin management and unplanned FX gains (up from 47.9% to 49.4% for six month period)
- Finance charges and initiation fees down 17.2% due to lower interest rates
- Reduced interest income partly mitigated through increased service fees, which remain well below NCR caps
- Strong trading and improved credit risk performance reflected in operating profit up 17.9% to R171 million

Retail sales up 24.3% to R720 million
Rand million

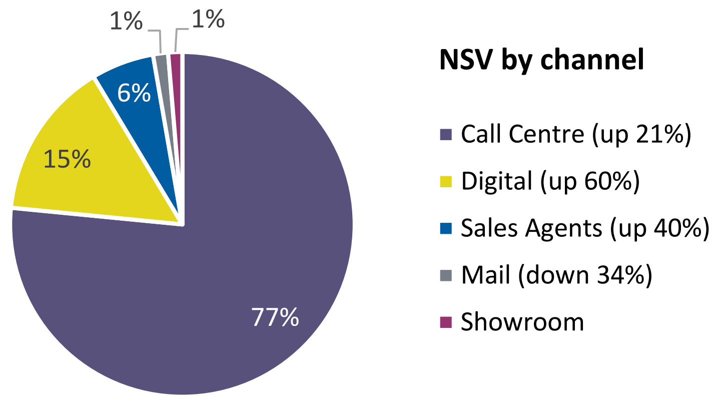


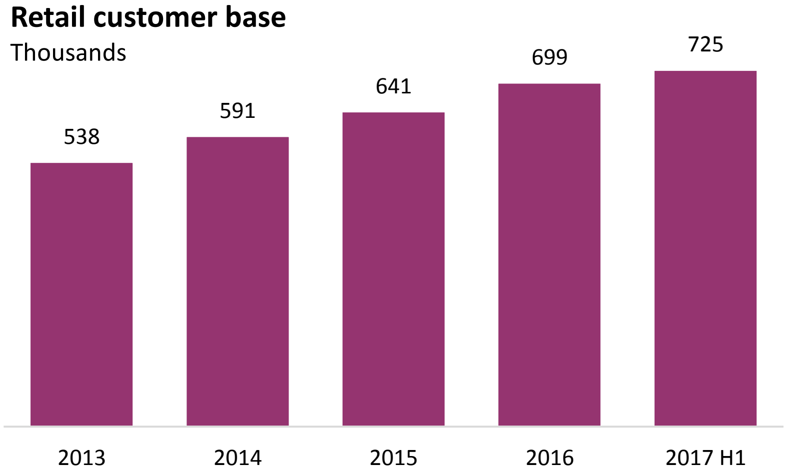
Retail EBITDA up 14.9% to R197 million
Rand million



Building our omni-channel capability

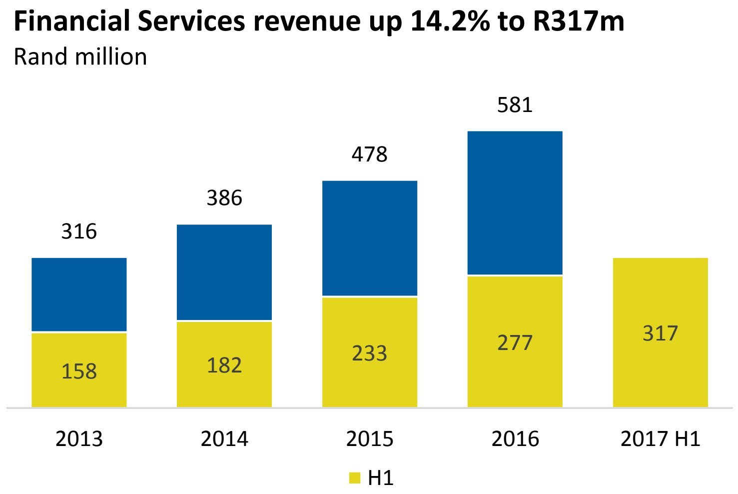
- Customers responding well to our omni-channel strategy – Retail customer base up 3.6% to 725 000 from Dec 2016
- Call centre remains primary channel with strong sales growth of 21%
- Digital strategy driving higher sales growth of 60% - benefitting from investment in digital platforms
- Over 8 000 remote sales agents operating in SA with growing team in Botswana
- Wynberg show-room continues to trade well – second site in Gauteng secured

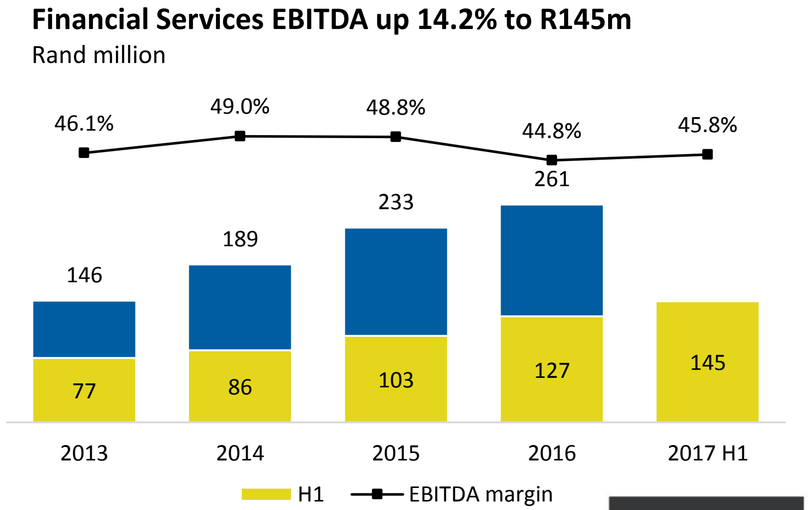




Financial Services financial performance

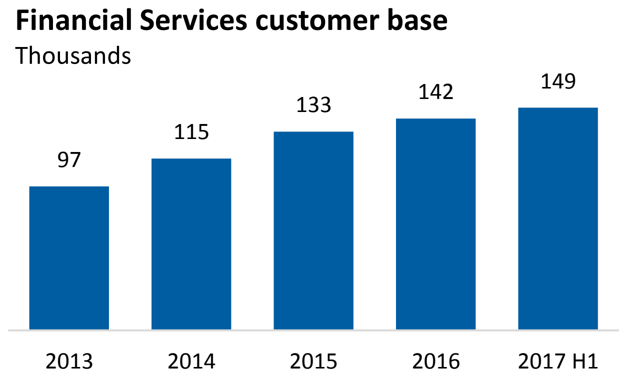
- Interest income earned decreased by 4.8% due to reduction in NCR interest rates in 2016
- Reduced interest mitigated by strong growth in insurance
    - credit-life on short-term products
    - uptake in funeral insurance
- Good credit performance - debtor costs as a percentage of revenue improved from 29.0% to 22.9%
- Higher operational costs impacted by insurance and regulatory compliance costs

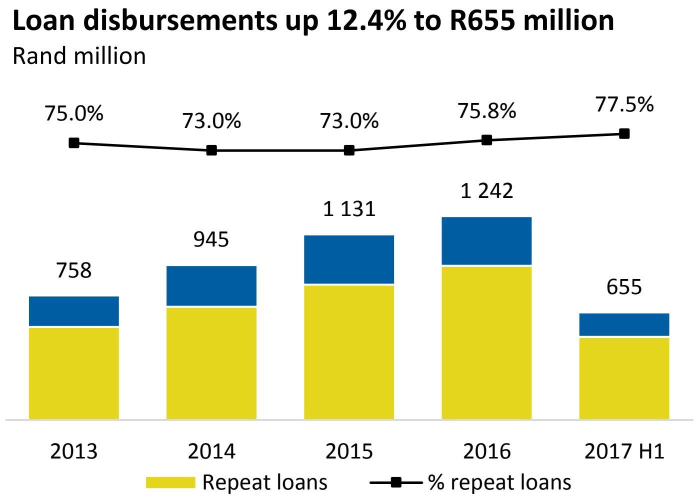




Maintaining a focus on low value, short-term loans

- Customer base increased by 5.0% to 149 000 from Dec 2016
- New mobi-site launched Feb 2017 – now the largest digital disbursement channel
- Strategically focused on shorter-term loan offers
    - average disbursement term 14.3 months (2016: 15.7 months) driven through active marketing of shorter terms
    - average balance on book R9 786 (Dec 2016: R9 972)
    - average term 20.4 months (Dec 2016: 20.8 months)

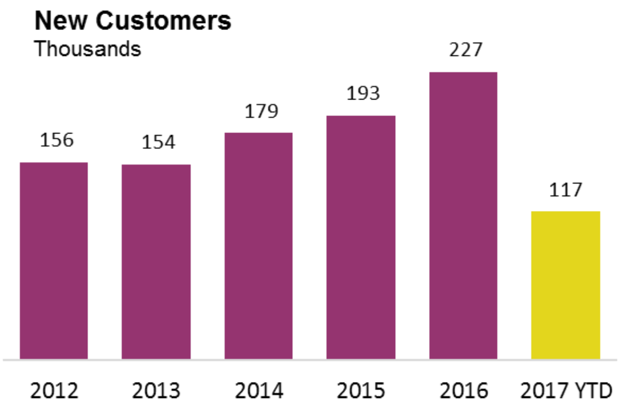


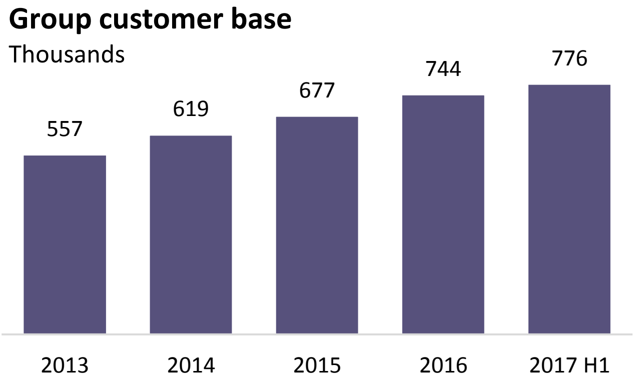


Group strategic objectives

Driving customer growth through analytics

- Retail business continues to attract new customers to the group through effective acquisition campaigns
- Financial Services markets to credit-worthy Retail customers
  - Acquired 19 000 new customers (2016: 16 000)
- Group customer base up 4.4% to 776 000
  - Retail customer base up 3.8% to 725 000
  - Financial Services customer base up 5.0% to 149 000





Strong digital sales and engagement

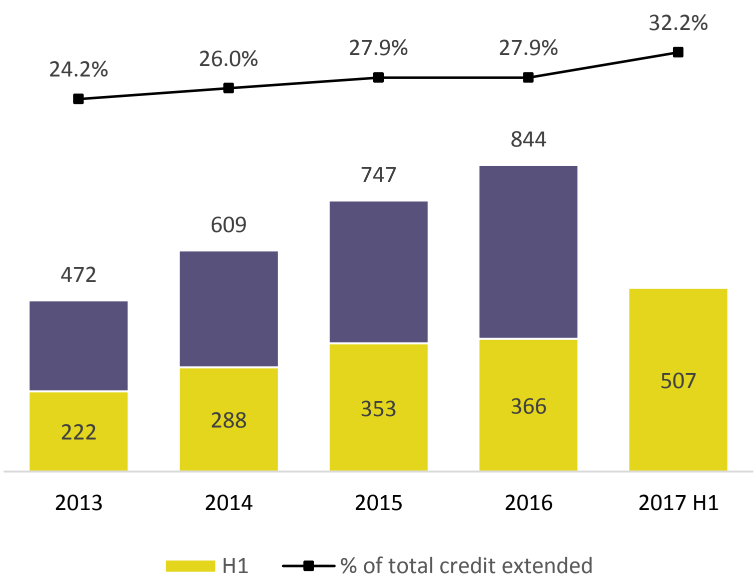
Retail:

- Digital now second largest channel - up 60% and represents 15% of sales (2016: 12%)
- New commerce engine (Oracle Cloud) improving functionality of web and mobi
- Strong customer engagement driven through web-only product and digital self-service
- Improving the customer experience through focus on conversion

Financial Services

- 76% of repeat loan transactions through digital
- Good migration to smartphones with 37% of customers registered on mobi
- Customer engagement on Mobi increased with loan origination and further self-service features

Credit extended via digital channels up 38% to R507m
Cents per share



Expand into new markets and Africa

Insurance:

- Strong customer conversion and growth rates achieved with Personal and Family funeral cover
- Plan to broaden life cover options from Q4
- Credit life caps of R4-50 / 1000 introduced 10 Aug 2017

Africa:

- FinChoice Africa (operating from Mauritius) building its lending capability:
    - scaled to South African customers in H1 2017
    - on-track to pilot lending to Botswana from Q4 2017
- Retail business focusing on existing foreign territories (currently 9% of all sales)

Outlook

Trading environment expected to remain difficult

- We will continue to focus on driving growth through:
  - strong product innovation to attract and retain customers
  - maintain strict credit policies and focus on cash collections
  - expand our digital capabilities and drive customer engagement on her mobile phone
  - develop other financial revenue streams including our insurance business
- Retail and Financial Services continue to experience good demand – albeit at lower growth levels compared to very strong performance in H2 2016
- Group's clear strategy and proven business model position it well to deliver shareholder value

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Thank you