STRONG TRADING AND FINANCIAL PERFORMANCE

The environment in southern Africa remains challenging for consumers in the group's target market, where higher living costs have exceeded wage increases. The unsecured credit environment also remains constrained and the National Credit Regulator's (NCR) affordability assessment regulations introduced in September 2015 have required significant process and systems changes, and negatively impacted customers' access to credit.

The group has delivered a strong trading and financial performance driven by the continual focus on our customer proposition and ensuring that we steadily grow our customer base.

		31 Dec 2016	31 Dec 2015	% change
Group				
Revenue	(Rm)	**2 664.2**	2 232.9	19.3
EBITDA	(Rm)	**701.4**	632.2	11.0
Operating profit	(Rm)	**648.2**	580.4	11.7
Operating profit margin	(%)	**24.3**	26.0	
Headline EPS	(cents)	**414.6**	389.1	6.6
Basic EPS	(cents)	**414.8**	388.9	6.7
Cash generated from operations	(Rm)	**277.0**	358.5	(22.7)
Final dividend declared/paid	(cents)	**87.0**	84.0	3.6
Retail				
Revenue	(Rm)	**2 082.7**	1 754.9	18.7
Retail sales	(Rm)	**1 497.6**	1 197.1	25.1
Gross profit margin	(%)	**49.3**	50.7	
EBITDA	(Rm)	**420.2**	377.2	11.3
Financial Services				
Loan disbursements	(Rm)	**1 249**	1 131	10.4
Revenue	(Rm)	**581.5**	477.9	21.6
EBITDA	(Rm)	**260.7**	233.4	11.7

Group revenue increased by 19.3% to R2 664.2 million, with stronger growth in the second half driven by good Retail sales and an improved performance in Financial Services loan disbursements.

Retail sales growth was driven by the positive response to the strategic introduction of the Retail credit facility product at reduced interest rates, innovation in our heritage bedding ranges, and the introduction of an extended range of well-known branded home appliances and electronic products.

The impact of the NCR's reduction in the maximum interest rate to be charged on credit agreements was evident in the second half, resulting in a slowdown in finance charges earned by the group. The credit facility product in Retail, which attracts a lower interest rate than the previous instalment credit product, further reduced finance income.

Full-year debtor costs were 20.3% up on the previous year, with a slight deterioration in the second half reflecting the challenging collections environment.

A strong focus on cost management across the group managed the increase in other trading expenses below revenue growth. Compliance costs increased due to affordability regulations and the group continued its investment in technology and people to support growth.

Group earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 11.0% to R701.4 million as finance charges earned only increased by 3.1% due to the lower interest rates charges. Operating profit increased by 11.7%, reflecting a more normalised depreciation charge compared to 2015.

Cash generated from operations at R277.0 million was 22.7% down on 2015. The generation of cash was negatively impacted by the strong growth in the last quarter in both Retail sales and Financial Services loan disbursements. This growth required additional working capital funding while the revenue benefit will only accrue in 2017.

Headline earnings for the year increased by 7.5% to R424.7 million, with headline earnings per share (HEPS) up 6.6% to 414.6 cents due to higher interest paid on property borrowings.

STRATEGIC FOCUS AREAS

Customer engagement through digital platforms has increased, with Retail sales via digital channels up 40.3% for the year and now represents 12% sales contribution. The Financial Services business is primarily a digital business with 64% of all loan transactions concluded by our customers via her mobile phone. Strong growth has been experienced from the Financial Services mobi site, with registered customers increasing from 15% to 35% of the active loans base. Digital credit extended by both businesses now represents 28% of total group credit extended.

The "bricks and mortar" Retail showroom is an important component in developing the group's omni-channel capability. The showroom concept has traded well, and customers have responded positively to the convenient "call and collect" delivery option offered by this channel. We intend to roll out more showrooms as we find suitable sites.

Revenue earned from insurance products has grown significantly during the year as the group moved to managing insurance through a cell captive business based in Mauritius. Credit life insurance is now available on all loan disbursements and the new funeral insurance product was scaled during the second half with pleasing customer conversion.

Sales to customers in neighbouring African countries represent 10% of business with good demand from customers in Namibia and Botswana. The Financial Services business in Mauritius commenced the pilot of loan disbursements into the South African market.

OUTLOOK

The trading environment is expected to remain difficult and the unsecured credit markets constrained.

The group's credit strategy remains unchanged with the focus on driving improvements in cash collections while maintaining current lending criteria. The group will look to mitigate the impact of the annualisation of reduced interest rates by growing other streams of income, including developing the insurance business and driving cost-efficiencies. Customers continue to respond well to the innovative merchandise ranges and the new credit facility offer.

The Retail and Financial Services businesses are focused on expanding their digital capabilities and driving customer engagement, particularly via the mobile phone. We will focus on growing the digital acquisition of new customers, origination of loans and our customer self-service options to empower our customers to manage more of their relationship with us online.

HiL PLC

HOMECHOICE INTERNATIONAL PLC

Unaudited results for the twelve months ended **31 December 2016** and cash dividend declaration

Retail sales up **25.1%** to **R1.5 billion**

Customer base up **10%**

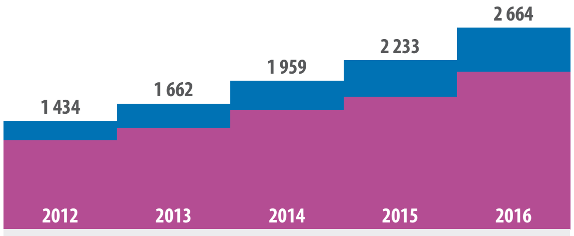
Revenue up **19.3%** to **R2.7 billion**

Loan disbursements up **10.4%** to **R1.3 billion**

40% increase in digital Retail sales

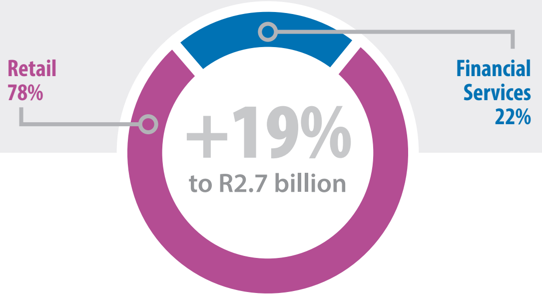
R846 million digital credit extended, **28%** of total group credit

EBITDA up **11.0%** to **R701.4 million**



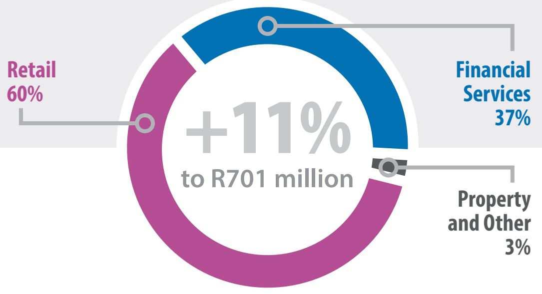
Revenue contribution

Rand million



EBITDA contribution

Rand million



Non-executive directors
S Portelli* (Chairman), A Chorn*, R Garratt, E Gutierrez-Garcia, R Hain*, C Rapa* * Independent

Executive directors
S Lartigue (Chief Executive Officer), P Burnett, S Maltz

Company secretary
G Said

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107

Sponsor
Rand Merchant Bank, a division of FirstRand Bank Limited
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HomeChoice International PLC
(Incorporated in Malta) | Registration number: C66099
JSE share code: HIL | ISIN: MT0000850108

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This short-form announcement is the responsibility of the directors and is a summary of the information in the detailed year-end results announcement released on SENS on 14 March 2017 and does not contain full or complete details. The full announcement is available on the group's website at www.homechoiceinternational.com. The announcement is available for inspection, at no charge, at the company's registered office and offices of the company's sponsor during office hours.

Any investment decision in relation to the company's shares should be based on the full announcement.

www.homechoiceinternational.com