

Zeda Limited
(Incorporated in the Republic of South Africa)
Registration number: 2022/493042/06
JSE share code: ZZD
ISIN: ZAE000315768
("Zeda" or the "Company" or the "Group")

VOLUNTARY TRADING UPDATE FOR QUARTER ENDED 31 DECEMBER 2022

Highlights

- Revenue up 24% to R2 072 million
- EBITDA up 23% to R783 million with EBITDA margin sustained at 38%
- Billed days (rental days) up 10% to approximately 1.3 million
- Fleet size up 7% to 42 231 units

Statement from the Group Chief Executive Officer: Ramasela Ganda

Today we publish a resounding trading update for the quarter ended 31 December 2022 (the "quarter"). We delivered Group revenue growth of 24% and EBITDA growth of 23%, underpinned by ongoing solid execution of our key strategic priorities.

This is our first quarter as a listed Company, in which we have driven the strategy to unlock value. We were well-positioned to continue our integrated mobility strategy, capitalising on the recovering economic activity in both the car rental and leasing businesses.

Towards the end of 2022, the supply of vehicles started to ease up, and long outstanding orders were delivered outside the cycle to our car rental operations. The increase in the rental fleet enabled us to cater for the larger market in both domestic and inbound travel, which yielded higher billed days. This culminated in the strong top line growth that we are reporting today. However, the out of cycle deliveries impacted the average utilisation rate for the quarter of 70%.

Our leasing business is stable, and continues to be a steady source of annuity income. Our key focus was on growing the corporate sector business, improving service and maintenance profits, in addition to growing the uptake of value-added products.

Used vehicle sales performed well on a year-on-year comparison, with both retail and wholesale sales recording growth. Margins remained stable despite the supply of new vehicles easing up, due to our disposal channels being geared to fetch optimum margin yields. Demand was maintained despite rising interest rates, inflation, and fuel hikes in the period under review.

I am pleased that we grew our business in a profitable and efficient manner. The cost containment culture was evident with a sustained Group EBITDA margin of 38%. This was achieved despite increased maintenance costs and additional corporate costs due to Zeda being a standalone listed entity.

In line with our strategic goal to optimise our balance sheet and generate cash, we recorded positive cash from operations in the quarter. To date, we have commenced repaying the outstanding debt to Barloworld Limited.

Business Overview

Car Rental Business (Avis Budget Rent a Car)

In the quarter the car rental business benefitted from several tailwinds across our operating markets. The gradual return to normality post-pandemic, the steady increase in domestic and inbound international travel and a marked improvement in vehicle supply from Original Equipment Manufacturers (“OEMs”) all had a positive impact on rental activity and demand.

The rental operations in South Africa delivered record revenue for the quarter, which is 37% higher compared to the same quarter in the prior year and 3% higher than pre-pandemic levels. This is despite rental activities still being 32% lower than pre-pandemic levels. Overall, revenue for the total car rental business – including the operations outside South Africa (“**Greater Africa**”) grew by 34% to R1 518 million. Over and above the bounce back in inbound travel and corporate travel, revenues were supported by a sustained demand for subscription offerings and the insurance business. This was achieved on the back of a 11% increase in billed days for the quarter to 1.3 million.

Solid execution of the diversification strategy to ensure a balanced portfolio between discretionary business (inbound and domestic travel) and contracted services (insurance business, corporate travel and monthly subscription) continues to bear fruit, with the contracted services growing to 55% of the revenue mix.

The growth trajectory in the profitability of the car rental business was sustained, surpassing pre-pandemic levels in the quarter. EBITDA for the quarter grew 53% with the EBITDA margin expanding from 27% to 31%.

Leasing business (Avis Fleet)

Avis Fleet has seen increased activity in the quarter, although the high inflationary environment persists. The marked increase in demand is evident in the South African corporate segment, and our operations in Greater Africa have also seen improvements in orders. This signals improved confidence in the medium-term economic outlook as the replacement and growth of leased vehicles are a long-term commitment.

While the constraints in the supply of new vehicles have eased compared to the quarter ended 31 December 2021, there are still pockets where availability of specific models remains an issue. The impact of the longer lead times is evident in the increased maintenance costs, contract extensions and the subsequent lower revenue for the sale of used vehicles.

Public sector contributed 4% of total leasing revenue in the quarter compared to 5% in the prior year, due to the natural attrition of the contracts. Despite this, the strong performance in the corporate South African segment and Greater Africa resulted in revenue of R631 million, which was flat compared to the prior year.

EBITDA margin at 50% was sustained in the face of the increase in maintenance costs (consisting of parts and labour). The used vehicle margins remain strong.

Strategy update

We are resolute in our strategy of deepening the adoption of the user-ship economy, delivering integrated mobility solutions.

Strategic partnerships play a key role in driving the user-ship economy, which will enhance our ability to make mobility easier, more accessible, and safer. This is a key driver to tap into the growth of our businesses. We are exploring strategic partnerships to enable the business to respond to the evolving mobility needs of customers.

We have embarked on a portfolio review process, which is aimed at ensuring that all our operations are profitable and deliver returns above the weighted average cost of capital. We will implement various mechanisms to address any under-performing operations as well as product and service segments.

Key to our strategy is retaining our strong BBEE credentials, which is a licence to trade in South Africa. This is one of our key strategic focus areas, with the intention to retain our BBEE level 1 status by addressing the impact of the unbundling on our ownership score.

We are committed to embedding sustainable Environmental, Social and Governance (“**ESG**”) practices by embarking on a strategy to reduce our environmental impact, enhance our corporate social impact and apply sound corporate governance in the management of our business.

Outlook statement

We expect to sustain the Group performance into the first half of the financial year ending 30 September 2023 (“**2023 FY**”) as the market continues to recover.

The revenue of the car rental business has surpassed pre-pandemic levels, even though the billed days are at 68% of the same quarter in 2019. We see a growth opportunity for our business in improving billed days. We expect the utilisation rate to improve to the targeted 73% - 75% for 2023 FY.

We will maintain our focus on growing the leasing business by continuing our efforts to tap into the largely insourced fleet market and growing the corporate sector. We expect the leasing business to grow, underpinned by a healthy order book, and a proactive approach to fleet management.

As the supply of new vehicles starts to ease and delivery becomes more consistent and reliable, we expect the used vehicle sales performance to slow down towards the end of the first half of 2023 FY.

Notwithstanding the above, the tailwinds from the ongoing recovery in our high-yielding discretionary business coupled with the growth in our contracted services will ensure that we maintain our growth trajectory.

KPIs

Financial indicators – Quarterly trends

	2023 FY	2022 FY	2021 FY	2020 FY
R'000	Q1 December 2022	Q1 December 2021	Q1 December 2020	Q1 December 2019
Revenue	2 072	1 676	1 981	2 483
EBITDA	783	637	467	640
EBITDA margin	38%	38%	24%	26%

Non-financial indicators – annual trends

	2023 FY	2022 FY	2021 FY	2020 FY
	Q1 December 2022	Q1 December 2021	Q1 December 2020	Q1 December 2019
Billed days (000)	1 285	1 163	1 173	1 898
Utilisation rate (%)	70%	79%	76%	74%
Fleet size (under Finance)	42 231	39 305	43 265	59 036
Fleet size (under Managed Maintenance Contracts)	197 672	199 384	221 873	237 935

Segmental reporting

Q1 FY2023

R'000	Car rental business	Leasing business	Corporate & eliminations	Consolidated
Revenue	1 518	631	(77)	2 072
EBITDA	471	315	(3)	783
EBITDA margin	31%	50%	=	38%

Q1 FY2022

R'000	Car rental business	Leasing business	Corporate & eliminations	Consolidated
Revenue	1 130	634	(88)	1 676
EBITDA	308	329	-	637
EBITDA margin	27%	52%	-	38%

The information contained in this voluntary trading update has not been reviewed or reported on by Zeda's independent external auditors. All numbers, percentages, and year-on-year comparisons in this trading update reflect the first quarter of 2023 FY compared to the first quarter of the prior year to 31 December 2021, unless otherwise stated.

Capital Markets Day

Shareholders are advised that Zeda will host its first Capital Markets Day on 13 March 2023, at 9:00 am. This hybrid event will be held in Sandton, Johannesburg and the live presentation will be webcast.

The webcast link and the presentation will be available for all stakeholders on Zeda's website, www.zeda.co.za.

For further details on how to attend and participate in the Capital Markets Day, please send an e-mail request to investorrelations@zeda.co.za.

Thereafter the management team will participate in the Bank of America Global Research 24th South Africa Conference 2023 in Sun City on 14 and 15 March 2023.

16 February 2023

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