ZEDA

INTERIM RESULTS 2023

FOR THE SIX MONTHS ENDED 31 MARCH 2023

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**”)

Zeda Limited (“**Zeda**”) reported a strong set of inaugural interim results underpinned by solid execution of our integrated mobility strategy and capitalising on the fundamental changes made within the business during the height of the Covid pandemic. Group revenue increased by 20% to R4 450 million compared to the prior period.

HIGHLIGHTS

Revenue up 20%
to R4 450 million

EBITDA up 19%
to R1 671 million with EBITDA margin maintained at 38%

Operating profit up 25%
to R803 million with operating margin to 18%

Basic Earnings per Share
increased by 27%

Return on Equity
improved by 5.9ppts to 28.3%

Net debt to EBITDA
improved by 0.6ppts to 1.6x

The Car Rental business delivered solid revenue growth of 26% compared to the prior period. This was driven by strong demand from Corporate, inbound and domestic travel. Contracted business from replacement (insurance), subscription, public sector and Corporate still contributed a significant part of the business. The supply of fleet improved in the first quarter which enabled the business to acquire more rental fleet to take advantage of high business activity, especially the return of inbound travel and strong Corporate travel. The application of the fleet management principles and the ability to manage the entire value chain from acquisition, especially the out-of-service fleet, yielded positive results with average utilisation at 75%.

The Leasing business is very stable and remained resilient over a challenging period, with revenue up 6% year on year driven by a concerted effort to deliver on our strategy of growing the heavy commercial fleet, and increasing penetration within Corporate and the Greater Africa business. This was achieved despite the winding down of major public sector contracts. We expect the Leasing business to continue to grow, underpinned by a healthy order book, growth in targeted segments, and a proactive approach to fleet management.

The Car Rental and Leasing business units generate over 99% of vehicles sold through our used cars retail footprint and online auction platform. The strong operational capabilities in vehicle procurement to optimise the entry price point, vehicle application management, utilisation, good maintenance history, the condition of the vehicles and rigorous residual value management all contributed towards the solid returns from used car sales for the six months ended 31 March 2023. The margin held for Q1 started to soften in Q2 as the supply of new vehicles continued to return to normality. No doubt the rising interest rates, inflation and fuel hikes have increased financial pressures on consumers.

Group EBITDA increased by 19% to R1 671 million and the EBITDA margin was maintained at 38%. Operating profit grew by 25% to R803 million and the operating profit margin remained at 18%.

In line with our strategic goal to optimise our balance sheet, we have repaid R721 million to Barloworld since the unbundling and separate listing of Zeda. We are well on track to settle the liability by the end of the calendar year. We generated value for shareholders by delivering an improved return on equity (ROE) of 28.3% (FY2022: 22.4%) and grew basic earnings per share (BEPS) by 27%.

BUSINESS OVERVIEW

Car Rental business

The Car Rental business continues to benefit from diversification of offerings, such as subscription and aggressively growing the replacement (insurance) business. This, together with the recovery of inbound, Corporate travel and used car sales, yielded a strong revenue of R3 304 million, representing a 26% growth year on year. The business experienced an exponential increase in inbound travel and Corporate business travel, with revenue in both segments surging by 138.7% and 69.5%, respectively, compared to the prior period.

The execution of the diversification strategy balancing discretionary services (inbound and domestic travel) and contracted services (insurance business, public Corporate travel, and monthly subscription) continues to bear fruit, with the contracted services contributing more than half of the revenue mix.

Robust revenue growth and cost management resulted in a record EBITDA of R1 016 million increasing by 39% compared to the prior period and the EBITDA margin expanding from 28% to 31%. Operating profit grew by 33% to R540 million and the operating margin expanded from 15% to 16%.

Leasing business

Revenue increased by 6% to R1 144 million, attributable to an improved mix of heavy commercial vehicles, healthy resale prices of used vehicles and an increase in the sale of value-added products and services. Heavy commercial vehicles continue to be a key strategic focus area which has started to yield new growth opportunities in differentiated sectors. The increased focus on the sale of maintenance and service plans continues to gain momentum with new unit installations up 17.8% year on year.

The Leasing business has seen increased activity in the first half of the year supported by the South African Corporate sector. Some of the major contributors are the increasing road freight activity and the high interest rate environment. We expect the Leasing business to continue to grow, underpinned by a healthy order book in South Africa and Greater Africa as well as a proactive approach to fleet management.

While the constraints in the supply of new vehicles have eased in the first half of the year, there are still pockets where availability of specific models remains a challenge. The impact of the longer lead times is evident in the increased maintenance costs and contract extensions. The business had adopted a more proactive approach to engage with customers well ahead of the contract termination date to secure stock from the vehicle manufacturers and dealer groups, and this approach is bearing results.

EBITDA dropped by 2% to R655 million compared to the prior period mainly attributed to the increased maintenance costs, with the EBITDA margin at 57%. The operating margin remains solid at 23%. The profitability of the Leasing business was underpinned by strong contract management and a focus on the health of the fleet, though impacted by increased maintenance costs compared to the prior period.

STRATEGY

We are resolute in our commitment to deepening the adoption of the usership economy through delivering integrated mobility solutions. We are executing our strategic pillars under the themes fix, optimise, and grow to unlock value for shareholders.

The **fix strategic pillar** seeks to ensure that the business performs at its full potential, with all our operations being profitable and delivering above the weighted cost of capital. To this end, we have embarked on a portfolio review process, which has identified underperforming operations and product/service lines. We are implementing various initiatives to turn these around over the next 18 to 24 months.

Key to our business is retaining our strong B-BBEE credentials as a key value offering in the South African landscape. Various mechanisms are currently being explored to address the impact of the unbundling of our ownership in the medium term.

Optimise: We continue to optimise the balance sheet and review the optimal capital structure. Our business provides a natural hedge to the debt, funding tangible assets that are semi-liquid assets. We will, however, continue to grow a less capital-intensive business, such as maintenance and other value-added assets.

Operating in 10 other sub-Saharan African countries, hedging practices and localisation are important and, where possible, we utilise local skills and partnerships to grow the business.

From a sustainability perspective, we embarked on the exciting journey of developing our integrated environmental, social and governance (ESG) strategy.

The ESG strategy will elevate and consolidate the work that we have been doing over the years. As an integrated mobility solutions provider, we always consider the impact of business on our employees, our customers, the environment and the society that we operate and live in.

The safety of both our employees and customers is of critical importance. All employees start the day or shift with a “safety share” to identify opportunities and share experiences to make the work and home environments safe. In addition, we deliberately deploy vehicles that are technically safe in our operations; we check the safety standards of the OEMs before procurement; and ensure that the vehicles are serviced as per the service plan.

We worked seven days a week since this beginning of the financial year to 31 March 2023, and we celebrated 175 safe days which is a significant improvement compared to the prior period.

Grow: Strategic partnerships play a key role in driving the usership 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 in the process of enhancing our offerings, building on the subscription offerings, and targeting different market segments, utilising technology as a key enabler.

OUTLOOK STATEMENT

Due to the number of headwinds in the Car Rental business the total car rental activities currently operate at 26.8% of the pre-pandemic levels with inbound still lagging at just below half of the pre-pandemic levels. In addition to inbound, an expected increase in international airlines' activities utilising chauffeur-driven vehicles presents us with an opportunity to continue to grow the business further in absolute terms. The growth in the rental business will also be supported by the contracted business (insurance business, subscription, and Corporate segment).

As referred to above, we are settling the legacy debt, which will lower finance charges, as it bears the highest coupon in our debt portfolio. We intend to preserve the internally generated equity and cash to improve the capital structure of the business.

Availability of new vehicles will enable the Leasing business to de-fleet as per the contract terms and save on maintenance costs. High interest rates also provide an opportunity for Corporate sector to utilise cash for its core business and outsource the fleet. We will maintain our focus on growing the Leasing business by continuing our efforts to tap into the largely insourced fleet markets and growing the Corporate and heavy commercial segments.

The used car margins are expected to continue to decrease on the back of increasing new car supply. While interest rates are expected to continue with a rising trajectory, putting consumers under further pressure, we are looking at various product offerings to cater for consumers who are under pressure. After the successful introduction of the subscription product, we will be expanding our subscription offering by increasing the length from 12 months to a longer period. This will offer consumers alternative ways of catering to their mobility requirements without long-term inflexible conditions.

PROFIT AND LOSS STATEMENT

R'million	2023	2022	%
Revenue	**4 450**	3 705	20
EBITDA	**1 671**	1 403	19
EBITDA margin (%)	**38**	38	–
Operating profit	**803**	641	25
Operating margin (%)	**18**	17	1ppt
Basic earnings per share (cents)	**197**	155	27
Headline earnings per share (cents)	**189**	182	4
Dividend per share (cents)	**–**	29	(100)
Net debt to EBITDA (x) – rolling 12 months	**1.6**	2.2	(0.6x)
Return on equity (%) – rolling 12 months	**28.3**	22.4	5.9ppt

An overall 20% revenue growth has been achieved by the Group despite the unpredictable trading environment which was impacted by a slower economic recovery than previously expected and a high inflationary environment.

The Group sustained the EBITDA margin of 38% from the prior period. Zeda has implemented cost containment initiatives to improve efficiency in its business processes, which have enabled the business to maintain the level of operating margins achieved in the prior period.

The 20% growth in EBITDA has had a concomitant improvement in the net debt to EBITDA ratio from 2.2 times to 1.6 times.

The return on equity improved year on year despite the high interest rate environment prevailing in the financial markets. Compared to the prior period, market interest rates have gone up by 350 basis points and resulted in the net interest rates cost increasing by 56%. Interest recovered by the Leasing business increased by 24% in the same period.

No dividends have been declared for the interim period ended 31 March 2023.

FREE CASH FLOW

R'million	2023	2022
Operating cash flows before working capital	**1 735**	1 406
Working capital movements	**1 445**	413
Investment in rental fleet assets	**(3 766)**	(2 237)
Net tax paid	**(30)**	(142)
Net interest and foreign exchange losses	**(297)**	(38)
Cash generated from operations before dividends	**(913)**	(598)
Cash flow generated in investing activities	**10**	8
Cash flow before dividends	**(903)**	(590)
Dividends paid	**–**	(58)
Cash flow	**(903)**	(648)

The Group's cash flow before working capital improved by R329 million compared to the same period in the prior year; this was driven by strong business performance from core trading activities.

There was an overall improvement in managing rental and Leasing fleet through the timed transfer of vehicles from the rental fleet to inventory, unlocking R1 238 million cash from working capital compared to R715 million in the same period in the prior year. Movements in trade and other payables resulted in a positive cash impact of R225 million for the six-month period ended 31 March 2023.

The Group invested R1 529 million more in rental and Leasing fleet assets in 2023 as the constraints in new vehicle supply started easing compared to the same period in the prior year. There was a need to increase the rental fleet to align the current fleet with market demands. The total outstanding commitments to acquire new fleet reduced from R4 226 million in March 2022 to R1 458 million as at March 2023.

FINANCIAL POSITION

R'million	2023	2022
ASSETS		
Total non-current assets	**4 312**	4 056
Total current assets	**8 149**	8 162
Total assets	**12 461**	12 218
EQUITY AND LIABILITIES		
Equity attributable to equity holders	**2 017**	2 423
Non-controlling interest	**46**	40
Total equity	**2 063**	2 463
LIABILITIES		
Total non-current liabilities	**2 900**	6 318
Total current liabilities	**7 498**	3 437
Total liabilities	**10 398**	9 755
Total equity and liabilities	**12 461**	12 218
Return on equity (%) – rolling 12 months	**28.3**	22.4
Return on invested capital (%) – rolling 12 months	**12.7**	9.8

Non-current assets have grown since March 2022, driven by increased fleet replacement ratio and investment in commercial vehicles in the Leasing operating segment.

Total current assets have remained at a similar level to the prior period. Movements are characterised by increased rental fleet and a decline in trade and other receivables.

Non-current liabilities have reduced due to the Barloworld Group loan that is now repayable within 12 months and the introduction of matched shorter-term funding facilities to fund car rental fleet.

Total current liabilities have increased as at March 2023 compared to the same period in the prior year. This was in line with the investments in short-term rental fleet vehicles which are financed by floorplan facilities of a similar tenure. The maturity profile of the Group's debt instruments changed as the asset-backed financing replaced the intergroup finance facilities that were utilised during the period when the business was part of the Barloworld Group.

Lwazi Bam
Chairman

Ramasela Ganda
Group Chief Executive Officer

29 May 2023

Sponsor
Nedbank Corporate and Investment Banking,
a division of Nedbank Limited

Forward-looking statements

This statement contains forward-looking statements. All statements, other than statements of historical facts, including, among others, statements regarding our strategy, future financial position and plans, objectives, projected costs and anticipated cost savings and financing plans and projected levels of growth in the communications markets, are forward-looking statements. Forward-looking statements can be identified by terminology such as “may”, “might”, “should”, “expect”, “envisage”, “intend”, “plan”, “project”, “estimate”, “anticipate”, “believe”, “hope”, “can”, “is designed to”, or similar phrases. However, the absence of such words does not necessarily mean a statement is not forward looking. Forward-looking statements involve several known and unknown risks, uncertainties and other factors that could cause our actual results and outcomes to be materially different from historical results or any future results expressed or implied by such forward-looking statements. Factors that could cause our actual results or outcomes to differ materially from our expectations include, but are not limited to, those risks identified in the Zeda financial reports available at www.zeda.co.za

Zeda cautions readers not to place undue reliance on these forward-looking statements. All written and verbal forward-looking statements attributable to Zeda, or persons acting on behalf of Zeda, are qualified in their entirety by these cautionary statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of publication of this document so that they conform either to the actual results or to changes in our expectations.

Any forward-looking information disclosed in these interim results for the six months ended 31 March 2023 (“results announcement”) has not been reviewed, audited, or otherwise reported on by our independent external auditors.

Further information

The short-form interim financial results announcement is the responsibility of the Board of Directors of Zeda. It is only a summary of the information contained in the long-form interim financial results announcement and does not contain full or complete details.

Any investment decisions should be based on the long-form interim financial results announcement published on the JSE's website on Monday, 29 May 2023. The long-form interim financial results announcement, including the auditor's review report, is available on the Company's website at:
https://zeda.co.za/investors/annual-results/
and on the JSE's website at:
https://senspdf.jse.co.za/documents/2023/jse/isse/ZZDE/ie2023.pdf

Copies of the long-form interim financial results announcement and the condensed consolidated interim financial statements for the period ended 31 March 2023 are available for inspection at the Company's registered address and the offices of the JSE sponsor (Nedbank Corporate and Investment Banking, a division of Nedbank Limited) during office hours at no charge to shareholders. Copies of the Zeda interim financial statements for the period ended 31 March 2023 may be requested from Investor Relations at investorrelations@zeda.co.za.