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's first-year annual results as a listed entity demonstrate successful execution of our integrated mobility strategy. This is reflected in our double-digit growth across our key financial performance indicators and sustained sector-leading returns to our shareholders. We reached key strategic milestones securing our first broad-based black economic empowerment (BBBEE) credentials as a separately listed entity and an Employee Survey Score of Platinum. Zeda subsidiaries, Zeda Car Leasing (ZCL) and Zenith Car Rental (Zenith), both obtained BBBEE Level 1 status.

Zeda obtained its first credit rating from Moody's securing an investment grade of A1.za on a national scale and Ba3 on a global scale.

We are pleased that we have settled the unbundling debt ahead of schedule.

GROUP FINANCIAL HIGHLIGHTS

Revenue up 12%
to R9 145 million

EBITDA up 18%
to R3 321 million with EBITDA margin maintained at 36%

Operating profit up 23%
to R1 552 million with operating margin of 17%

EPS and HEPS
increased by 31% and 17% respectively

ROE of 36.7%

ROIC of 18.7%
above WACC of 12.8%

Zeda has delivered a stellar performance in its first year of trading as an independent listed entity, despite a challenging operating environment, with rising interest rates and a softening used car market. Notwithstanding the challenges, revenue grew by **12% to R9 145 million** and earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by **18% to R3 321 million**. This was underpinned by the successful execution of our strategy across our businesses.

The Car Rental Business and the Leasing Business delivered **12%** and **13%** top-line growth, respectively. The rental business grew its fleet to capture the increased demand in the corporate sector and the inbound market. The leasing business revenue growth was driven by a concerted effort to deliver on the strategy of growing heavy commercial fleet and increasing penetration within Corporate and the Greater Africa businesses.

The Car Sales business recorded flat revenue and units sold year on year, reflecting a difficult trading environment. The used car industry was impacted by the increased availability of new cars and higher interest rates which affected the margins. The impact of the decline in the margins was mitigated by a change in the mix between trade and retail sales and the benefits of a diversified mix of products.

Strong growth in revenue and discipline in cost management resulted in sustained Group EBITDA margins and Group operating margins of **36%** and **17%,** respectively.

From a capital allocation perspective, the reinvestment of capital to the business has generated value for shareholders and delivered sector-leading returns. We delivered a return on invested capital (ROIC) of **18.7%**, above the Group weighted average cost of capital (WACC) of **12.8%**. We also saw an improved return on equity (ROE) of **36.7%** compared to the prior year of **32.7%**.

We settled the unbundling debt of **R1.55 billion** two months ahead of schedule to close the financial year with a net debt of **R4.8 billion** and sustained a healthy net debt to EBITDA ratio of 1.5x. Despite the expensive debt during the year and rising interest rates, the business reported double-digit growth in earnings per share (EPS) and headline earnings per share (HEPS) of **31%** and **17%,** respectively.

BUSINESS OVERVIEW

Car Rental business

The execution of the diversification strategy aimed at balancing discretionary services (inbound and domestic travel) and contracted services (subscription, insurance business, public and corporate travel) continues to bear fruit. The segment mix between contracted and discretionary has improved with the recovery of the inbound business.

The rental business revenue grew by **12%** to **R6 656 million** supported by a surge in inbound travel and strong growth in corporates. These segments recorded revenue growth of **98%** and **48%**, respectively.

The application of the fleet management principles and the ability to manage the entire value chain from acquisition to out-of-service fleet yielded positive results. The utilisation rate closed at **74%** even with the **17%** increase in the average rental fleet to more than 20 000 units.

Robust revenue growth and cost management resulted in a strong EBITDA growth of **17%** to **R1 854 million** and the EBITDA margin increased from **27%** to **28%** compared to the prior year. Operating profit before capital items and operating margin were at **R885 million** and **13%**, respectively.

Leasing business (Avis Fleet)

The leasing business has seen increased activity in the financial year, supported by the South African corporate sector. One of the major contributors is the increasing road freight activity. We saw double-digit growth across our leasing products. The leasing business total revenue grew by **13% to R2 488 million**, attributable to an improved mix of heavy commercial vehicles and contributions from Corporate and the Greater Africa businesses.

The heavy commercial vehicle strategy has started to yield new growth opportunities in differentiated sectors, with this segment growing its units by **44%** compared to the prior year. This performance excludes the **337** units from the City of Johannesburg as a result of the end of the contract term.

EBITDA grew by **19% to R1 467 million,** with the EBITDA margin expanding from **56%** to **59%** compared to the prior year. The operating margin before capital items expanded from **21%** to **27%** due to an increased focus on driving cost efficiencies in the business. We expect the leasing business to continue to grow, underpinned by a healthy order book and a proactive approach to fleet management.

STRATEGY

FIX – The fix strategic pillar seeks to implement strategies to ensure that the business performs at its optimal potential. Key to our strategy is retaining our competitive BBBEE credentials. We are pleased to announce that Zeda Limited and its subsidiaries have secured their first BBBEE certificates as a standalone Group. For operating subsidiaries, ZCL and Zenith, BBBEE is a tool of trade and both businesses have secured a competitive **BBBEE Level 1** status.

From a portfolio review perspective, the guardrails were set to ensure that all our operations are profitable at a certain threshold and deliver acceptable returns. During the year, Mozambique and Botswana's performance improved significantly, with a clear growth trajectory going forward. We have seen an improvement in the operating activity of the Ghana operations and we will continue to mitigate the risks of macro-economic factors in the country.

The next step is to monitor the portfolio review implementation to ensure that portfolios attain desired profitability and returns over the next two years.

From a dual brand perspective, we have devised plans to ensure optimal usage of the Budget brand.

OPTIMISE – The strategic pillar seeks to optimise the key enablers that support our strategy. One of the focus areas is balance sheet management to achieve an optimal capital structure and diversify our funding. During the year, we have improved our capital structure from 71:29 to 67:33 debt to equity ratio and started attracting a diverse spectrum of financiers to fund our business.

GROW – The growth strategy is yielding positive results, with both our rental and leasing businesses reporting double-digit growth underpinned by growth in rental activity and heavy commercial strategy.

From a last mile perspective, we have extended our rental groups by corporatising some of the van rental operations. This segment is largely backed by corporates. This strategic move provides us with an opportunity to realise integrated mobility and participate in future higher residual values at the end of the cycle, as this is a high margin business.

ESG

The Board approved our environmental, social and governance (ESG) strategy to further embed ESG into our business. In response to our ambition to decrease Scope 2 carbon emissions, we reduced our electricity consumption by **18%.** In supporting our customers to reduce carbon emissions, we grew our hybrid vehicles by **16%** and delivered our first batch of EV trucks to a last-mile customer.

Our leadership and brand ambassadors have heeded the call to improve our safety culture and reduce our Lost Time Injury Frequency Rate (LTIFR). We improved our LTIFR from **0.55 to 0.18** and have maintained zero fatalities for the year. We also recently impacted **122** young people through the Youth Employment Services programme.

GROUP PERFORMANCE

R'million	2023	2022	%
Revenue	**9 145**	8 133	12.4
EBITDA	**3 321**	2 814	18.0
EBITDA margin (%)	**36**	35	4.9
Operating profit	**1 552**	1 264	22.8
Operating margin (%)	**17**	16	9.7
Basic earnings per share (cents)	**387**	296	30.8
Headline earnings per share (cents)	**381**	325	17.3
Dividend per share (cents)	**–**	611	
Net debt to EBITDA (x)	**1.5x**	1.5x	–
Return on equity (ROE) (%)	**37**	33	12.2

FINANCIAL POSITION

R'million	2023	2022
ASSETS		
Total non-current assets	**4 836**	4 198
Total current assets	**7 977**	6 363
Total assets	**12 813**	10 561
EQUITY AND LIABILITIES		
Equity attributable to equity holders	**2 355**	1 632
Non-controlling interest	**48**	42
Total equity	**2 403**	1 674
LIABILITIES		
Total non-current liabilities	**3 052**	3 039
Total current liabilities	**7 358**	5 848
Total liabilities	**10 410**	8 887
Total equity and liabilities	**12 813**	10 561
Return on equity	**36.7**	32.7
Return on invested capital	**18.7**	11.9

FREE CASH FLOW

R'million	2023	2022
Operating cash flows before working capital	**3 341**	**2 901**
Working capital movements	**3 507**	5 043
Net investment in rental fleet assets and finance lease receivable movement	**(6 518)**	(5 280)
Net tax paid	**(284)**	(250)
Net interest and foreign exchange losses	**(598)**	(376)
Cash generated from operations before dividends	**(552)**	**2 038**
Cash flow generated (utilised) in investing activities	**6**	2
Free cash flow before dividends	**(546)**	2 040
Dividends paid (including minorities)	**(4)**	(1 160)
Free cash (outflow)/inflow	**(550)**	880

BALANCE SHEET MANAGEMENT

Our strategic objective is to manage our balance sheet to achieve an optimal capital structure. From a capital allocation perspective, we prioritised the settlement of the unbundling debt of **R1.55 billion** in line with the settlement agreement with the former shareholder.

The unbundling debt attracted the highest interest rate for the Group at prime plus 1%. This was fully settled in September 2023, two months ahead of schedule, to close the financial year with a net debt of **R4.8 billion**.

Zeda was unbundled with capital structure at 71:29 debt to equity ratio. We've deployed strategies to manage our capital structure in the medium term. Which yielded a marked improvement in our capital structure to 67:33 net debt to equity to support our growth plan.

We are diversifying our funding to optimise our cost of funding. To this end, we have attracted a diverse spectrum of funders and have secured our first credit rating of A1.za from Moody's on a national scale and Ba3 on a global scale. Our effective stakeholder management, strong business fundamentals and sustained management performance have led to an improved confidence in Zeda.

OUTLOOK STATEMENT

Our strategy remains unchanged, however we have refined it to sharpen our focus on growth to deliver returns for our stakeholders. Our strategy is underpinned by technology; we remain focused on automation and digitisation of our business. This will also allow us to innovate thereby driving greater adoption of the usership economy and responding to the ever-evolving needs of the customer and allow us to enhance the customer experience.

To this end, we extended our subscription model and launched a next level mobility leasing product (iLease) aimed at individuals, a long-term subscription product for individuals for a period of between 12-48 months. Subscription is one of our key growth areas, it diversifies and strengthens our mobility offerings. With our heavy commercial and van rental, we are well positioned to capture long-haul and last mile opportunities in the market, and we believe we will maintain the current growth trajectory.

As we pursue sustainable growth, we will focus on integrating the ESG strategy. We look forward to how our strategy paves a better way to a usership economy and contributes to value creation. We will continue to focus our operating model on customer centricity which is a key differentiator for Zeda.

Our capital allocation framework seeks to allocate capital to the business (reinvest in the business), manage our balance sheet and reward shareholders. As communicated in the Pre-Listing Statement, Zeda adopted a dividend policy payout ratio of 20-30% of net profit after tax from the 2024 financial year. For the dividend policy, please refer to page 127 of the PreListing Statement.

Lwazi Bam
Chairman

Ramasela Ganda
Group Chief Executive Officer

27 November 2023

JSE 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 the annual results for the year ended 30 September 2023 ("results announcement") has not been reviewed, audited, or otherwise reported on by our independent external auditors.

Further information

The short-form annual financial results announcement is the responsibility of the Board of Directors of Zeda. It is only a summary of the information contained in the annual financial statements for the year ended 30 September 2023 ("annual financial statements") and does not contain full or complete details.

Any investment decisions should be based on the annual financial statements published on the JSE's cloudlink on Monday, 27 November 2023. The annual financial statements have been audited by the Company's auditors, SizweNtsalubaGobodo Grant Thornton Inc., who have expressed an unqualified audit opinion. The annual financial statements, including the auditor's audit opinion is available on the Company's website at:

https://zeda.co.za/investors/annual-results/

and on the JSE's cloudlink at:

https://senspdf.jse.co.za/documents/2023/jse/isse/ZZDE/ye2023.pdf

Copies of the annual financial statements may be requested from Investor Relations at:
investorrelations@zeda.co.za