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")

REVIEWED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2024 AND CASH DIVIDEND DECLARATION

Zeda Limited ("Zeda") interim results are characterised by strong topline growth, healthy financial position, strong cash generation and solid returns to shareholders indicating the effectiveness of our capital allocation framework. This solid performance demonstrates sound execution of our integrated mobility strategy and a robust business model that enabled us to manage a challenging trading environment. Notwithstanding this robust topline growth, the adverse used car market conditions in the period under review, weighed on the profitability and earnings of the business.

GROUP SALIENT FEATURES

- Robust revenue growth of 19.0% to R5 270 million underpinned by strategy execution
- Solid EBITDA growth of 7.5% to R1 796 million with EBITDA margin of 34%
- Net debt of R5 188 million with net debt to EBITDA improving to 1.5x
- EPS and HEPS both decreased by 15.8% and 12.5% to 165.4 and 165.5 cents respectively
- ROE of 28.5%
- ROIC of 16.0% above WACC of 12.8%
- Shareholder rewards 50 cents interim dividend declared

We delivered a strong double digit topline growth of 19% and EBITDA growth of 7.5% in the face of strong headwinds which include stagnant economic growth, high interest rates and fuel costs. The performance of the short term rental business was underpinned by increased demand in the domestic market and the inbound market. While the leasing business revenue growth was driven by a concerted effort to deliver on the strategy of growing the heavy commercial fleet and increasing penetration within Corporate Sector and the Greater Africa business.

Despite the challenging trading conditions, the EBITDA margin and Operating margin remained strong at 34.0% and 15.0% respectively underpinned by a healthy and diversified mix of product offerings from both the rental and leasing businesses.

The Net debt to EBITDA ratio improved from 1.6x in March 2023 to 1.5x in March 2024.
Net debt was contained at R5 188 million, despite the growth of fleet from the business supported by strong cash position of R958 million. The re-investment of capital to the business has delivered solid returns, with a Return on Invested Capital (ROIC) of 16.0%, higher than the Weighted Average Cost of Capital (WACC) of 12.8% and a Return on Equity (ROE) of 28.5%. We are pleased to announce that the Board has declared an interim dividend of 50 cents, returning cash to shareholders for the first time since the listing on the JSE.

BUSINESS OVERVIEW

Leasing business (Avis Fleet)

The leasing business has seen substantial revenue growth, delivering a stellar performance of 17.0% increase in revenue to R 1 339 million. This performance was underpinned by our strategy of growing the heavy commercial fleet and increasing penetration within Corporate and the Greater Africa business. As we continue to diversify our fleet mix and revenue, our strategy has delivered consistently improved results, with the segment units growing 51% compared to the prior period.

The Greater Africa businesses revenue surged by 29% compared to the previous period, contributing an impressive 22% to total revenue. This is in line with our strategy to increase the top-line contribution of Greater Africa to the overall Group. The improved performance is due to the portfolio review we conducted in the prior year, particularly the pleasing results that were delivered by Zambia, Botswana, Mozambique and Namibia.

EBITDA grew significantly by 19% to R783 million, with the EBITDA margin expanding from 57% to 59% compared to the prior period. The operating margin also expanded from 23% to 26% due to fleet mix and improvements in operational efficiencies.

Car rental business (Avis and Budget)
The revenue generated from our short-term rental business achieved 19.6% growth to R3 930 million, underpinned by ongoing recovery of the industry and increased used car sales volumes. We saw strong growth in Inbound and Local segments compared to the prior year. Strong used car sales volumes were driven by our strong retail marketing focus which resulted in a further increase in retail contribution to 30.3% of used car volumes.

Despite the strong topline growth, the profitability of the business declined compared to the prior year. This was due to the general normalization of the used car market reducing the margins and excess supply of new vehicles which led to heavy discounts in the retail market, thereby putting pressure on used car sales.

In addition, we introduced higher mix of rental vehicles obtained on short-term operating leases (off-balance sheet) versus those financed through short-term facilities (on-balance sheet). This had the impact of cost of vehicle shifting from depreciation to lease charges. All this culminated in a flat EBITDA.

We noted the prevalence of out of service vehicles, due to long lead times of vehicle parts as a result of logistic challenges with certain vehicle models. In addition, the business experienced upward pressure in damage costs brought on by the deteriorating road infrastructure and inclement weather, specifically windscreen and tyre repairs. This trend directly impacted fleet availability and consequently resulted in a decline in our utilisation rate to 72%.

EBITDA was flat at R1 013 million, with the EBITDA margin contracting to 26% and a decline in operating profit and operating margin to R439 million and 11%, respectively. The strategy to lease vehicles from OEM's and financial institutions on an operating lease has led to an increase in lease payments, which consequently had a negative impact on EBITDA. Notwithstanding this impact on EBITDA, the strategy to lease vehicles on a short-term basis, positively affected our net debt and fleet size as it allowed the Company to acquire vehicles for the rental market without facing disposal risk. As a strategy, it protects the business from the adverse conditions in the used car market and preserves the Group's financial position.

STRATEGY OVERVIEW
We continue to execute on our integrated mobility strategy demonstrated by our ability to maintain our topline growth trajectory in a challenging trading environment. The integrated business model provides a natural hedge ensuring that the Group delivers its growth ambitions.

Greater Africa is one of our growth pillars, and we continue to see positive results from the portfolio review we conducted in the prior year. We continue to drive results in line with set thresholds and ensure that the investment in Greater Africa is viable. As we solidify our market position in Greater Africa, we are developing frameworks to empower and collaborate with citizens and mitigate the impact of market conditions from operating in these regions.

Our strategy is underpinned by technology, and we continue to innovate to drive greater adoption of the usership economy while also responding to evolving customer needs and enhancing the customer experience. Our subscription product, iLease which was launched in the first half of the year, has seen strong demand from customers. However, the conversion rate has been lower due to the education journey of moving from ownership to usership. We are however optimistic and resolute that the future is usership economy. To accelerate the adoption of this product, we have introduced iLease on the dealership floor and we expect our conversion rate to improve as we broaden our sales channels. We continue with the educational journey, recognising the need to enhance understanding of this service. During the period under review, we launched the Rental Reservation, CSI bots and we also relaunched Key Locker. Key Locker is our self-service kiosk that promises to enhance check-out efficiency in our branches as we evolve our delivery model to be more customer-centric and create a key differentiator for Avis and Budget.

GROUP PERFORMANCE

R'million	2024	2023	%
Revenue	5 270	4 430	19.0
EBITDA	1 796	1 671	7.5
EBITDA margin (%)	34	38	(10.5)
Operating profit before capital items	789	785	0.5
Operating profit	789	803	(1.7)
Operating margin (%)	15	18	(16.7)
Basic earnings per share (cents)	165.4	196.5	(15.8)
Headline earnings per share (cents)	165.5	189.1	(12.5)
Net debt to EBITDA (x)	1.5	1.6	6.3
Return on equity (ROE) (%)	28.5	28.3	0.7

FINANCIAL POSITION

R'million	2024	2023
ASSETS		
Total non-current assets	5 145	4 312
Total current assets	7 823	8 149
Total assets	12 968	12 461
EQUITY AND LIABILITIES		
Equity attributable to equity holders	2 675	2 017
Non-controlling interest	48	46
Total equity	2 723	2 063
LIABILITIES		
Total non-current liabilities	3 891	2 900
Total current liabilities	6 354	7 498
Total liabilities	10 245	10 398
Total equity and liabilities	12 968	12 461
Return on equity (%)	28.5	28.3
Return on invested capital (%)	16.0	12.7

CASH FLOW

R'million	2024	2023

Operating cash flows before working capital	1 907	1 735
Working capital movements	1 173	1 445
Investment in rental fleet assets	(3 037)	(3 783)
Proceeds on disposal of leasing vehicles	38	31
Increase in finance lease receivable	(118)	(13)
Net tax received/(paid)	81	(30)
Net interest paid and foreign exchange losses	(348)	(281)
Cash generated from operations before dividends	(304)	(896)
Cash flow (utilised)/generated in investing activities	(12)	10
Free cash flow before dividends	(316)	(886)
Dividends paid to non-controlling interest holders	(5)	-
Cash flow	(321)	(886)

OUTLOOK STATEMENT

Our key strategic pillars for growth remain intact; the bedrock of our growth pillars are long haul from international customers, heavy commercial business from corporate long term leasing clients and last mile from van rental short term mobility clients. These are coupled with a drive for subscription, iLease, and Greater Africa.

The used car market is expected to normalise after years of elevated profits, while economic growth is expected to remain subdued. However we are still optimistic that interest rates will start coming down.

The corporatisation of Van Rental (which forms part of the car rental segment) is progressing well. Our Corporatised Van Rental operates 29 branches across our operating regions, including major airports. As part of diversifying our portfolio, our last mile through van rental is also starting to show traction in South Africa and eSwatini. The consolidation of this business is expected to yield strong margins contributing positively to the short-term rental business.

Long term fleet management solutions continue to grow with high yielding vehicles such as Light Commercial and Heavy Commercial Vehicles. We have closed the first half of the year with a strong order book of just under 800 units.

Greater Africa continues to shift stronger to the adoption of the usership economy rather than ownership with the growth of Full Maintenance Lease.

The introduction of Digital Dealership for used cars will drive our strategy of growing retail business.

The anticipated decline in interest rates is expected to improve consumer disposal income and alleviate the pressure of the finance cost on the business. We will maintain a strong financial position that gives the flexibility to grow the business. Following Zeda obtaining Moody's investment credit rating, we will explore the Debt Capital Market through the establishment of a JSE-Registered Domestic Medium Term Note in line with our strategy to diversify our funding.

Management has put in place cost optimisation measures to improve the profitability of the business and protect the blended operating profit margin of the Group in the second half of the year despite this challenging environment.

Declaration of cash dividend

The board has declared an interim dividend (Dividend number 1) of 50.00000 cents per share in respect of the six months ended 31 March 2024, on the 28th May 2024, subject to the applicable dividend withholding tax rate of 20% levied in terms of the Income Tax Act (Act No. 58 of 1962) (as amended). Accordingly, for those shareholders not exempt from paying dividend withholding tax, the net ordinary dividend will be 40.00000 cents per share. The dividend has been declared out of income reserves and the number of ordinary shares in issue at the date of this declaration is 189 641 787, and the Company tax number is 9042025305.

The following dates are applicable to the dividend:

Last date to trade cum dividend:	Tuesday, 9 July 2024
Ordinary shares trade ex-dividend:	Wednesday, 10 July 2024
Record date:	Friday, 12 July 2024
Payment date:	Monday, 15 July 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 10 July 2024, and Friday, 12 July 2024, both days inclusive.

Lwazi Bam
Chairman

Ramasela Ganda
Group Chief Executive Officer

30 May 2024

JSE Sponsor
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FORWARD-LOOKING STATEMENT
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 interim results for the six months ended 31 March 2024 ("results announcement") has not been reviewed or 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 condensed consolidated interim financial statements for the six-month period ended 31 March 2024 ("condensed consolidated interim financial statements") and does not contain full or complete details.

Any investment decisions should be based on the condensed consolidated interim financial statements published on the JSE's cloudlink on Thursday, 30 May 2024. The condensed consolidated interim financial statements have been reviewed by the Company's auditors, SizweNtsalubaGobodo Grant Thornton Inc., who have expressed an unqualified reviewed conclusion. The condensed consolidated interim financial statements, including the auditor's review conclusion 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/2024/jse/isse/ZZDE/ie2024.pdf

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