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Operator: Good day. Thank you for standing by. Welcome to Karooooo Ltd Cartrack fourth quarter and full year 2021 results call. At this time all participants are in a listen-only mode. After the speaker's presentation there will be a question and answer session. To ask a question during the session you may need to press star one on your telephone. Please be advised that today's conference is being recorded. I would now like to hand the conference over to Mr Zak Calisto, founder and CEO of Karooooo. Thank you. Please go ahead.

Zak Calisto: Good day everyone. I want to thank everybody for taking their interest and their time to listen to our earning presentation for FY21. It's our first time presenting as Karooooo as a newly listed entity on NASDAQ and inward listed entity on the JSE.

What we will be presenting today is the Karooooo numbers. As at 28 February, 2021 Karooooo was still a privately owned Company, owned by me. At that point in time Karooooo owned 68.1% of Cartrack. Cartrack was listed on the Johannesburg Stock Exchange.

Subsequent to that in April, 2021 Karooooo listed on the NASDAQ and inward listed onto the JSE and now owns 100% of Cartrack. Cartrack was founded in South Africa and is now headquartered in Singapore under the entity Karooooo which is the listed entity.

In our view all vehicles will be connected and data will drive all aspects of mobility in the future. It is certainly our mission to build the leading mobilities SaaS platform that maximises the value of data.

We have a strong history of consistent organic growth. It is very important to stress that we've always grown organically. We have scaled, we have grown and we have been profitable for many, many years. Our subscribers, as we finished off as at February, 2021, at 1,306,000. Our revenue was at $616 million for Q4. Our net income was $128 million at Q4.

You can see consistent growth throughout the most recent quarters and certainly also the last seven years Cartrack was listed on the JSE. We have strong financial discipline and that's what has enabled us to grow and to [unclear] and to be profitable at the same time.

Our track record of execution - we have grown despite COVID, 16% our subscriber base during 2021. Our revenue we grew at 18% during this financial year and 96% of our revenue is annuity based.

Our ARR as at February 2021 was US$163 million which equates to R$2.4 billion. Our operating profit margin was consistent with FY20 at 32%. Our EBITDA margin has improved from 48% to 49% and earnings per shares grew by 19% for Karooooo. However, in Cartrack's earnings per share it actually grew by 20% the difference being due to costs that occurred at Karooooo level during [unclear] this transaction to happen. We also finished the year with over 75,000 commercial customers.

During the financial year we saw our quarterly net subscriber additions fluctuate predominantly due to COVID. In our first quarter our subscribers, if we compare it to the last financial year, we only added 7000 subscribers, which was 76% down compared to last year. We also had a subdued quarter [unclear] compared to Q1 where we added 41,600 subscribers.

But by Q3 and Q4 we had our best quarters in our history. In Q3 [unclear] we added 71,000 net subscribers and in Q4 we added 60,000 net subscribers. So overall we picked up good momentum in the last half year of the financial year. If you annualise that end growth it would actually be 23% year on year growth.

Now ARR in FY21 as I said before was US$163 million. Our operating profit continued to grow during these difficult times under COVID up 15% and [unclear] to R$727 million equating to approximately US$50 million.

Adjusted EBITDA was approximately US$77 million. If you take the exchange rates, the exchange rate of 14.62 and that means a growth of EBITDA of 21%. So overall despite the COVID effects we still believe we had a good year.

Our cash flow from operating activities improved by 10% in this financial year. In the end it grew to R$951 million. Our cash flow from investing activities which is the PPE, increased by 44% growth. That is predominantly as we scaled up but more specifically in the last half year, the business, to grow the business. Our [free] cash flow was down by 12% as expected with the growth that occurred in the last two quarters.

We have a low cost of acquiring a subscriber. If we look at our costs of acquiring a subscriber it has been improving over time. If we compare FY21 compared to FY20 in terms of [unclear], the amount that we capitalise, that dropped R$1288 to R$1233. However our non-capitalised part of acquiring a subscriber which is sales and marketing actually increased to R$660 versus R$520. That can be attributable to our growth in staff specifically in Q4 and in late Q3 which clearly a lot of new staff [are not as] productive in their pipeline of sales.

We have a robust operating metrics. If we look at our annual subscription revenue, that's grown from $1.9 million to $2.2 million. That means subscription growth of 17% in FY21. The previous year we had grown at 24%. The 17% is clearly not as strong as the previous year but that's predominantly given to COVID and specifically for the first half year of weak growth.

Our ARPU increased from R$151 to R$155. That is mostly due to currency fluctuations. Our ARPU has been consistent for the last 15 years. We have not tried to push ARPU. We focus more on customer acquisition as opposed to ARPU as we believe the market is largely under-penetrated.

Our gross margin is still consistent, FY20 70%, FY21 71%. We have certainly allocated substantially more capital into R&D. You can see R&D as a percentage of subscription revenue rise from 2% to 5%.

Sales and marketing as a percentage of subscription revenue also increased from 10% to 11%. General administration over subscription revenue, that's gone down from 24% to 22%.

We believe these trends will continue into the long term. Our operating profit margin remained consistent at 32% against 32%. As I said before our adjusted EBITDA margin increased from 48% to 49%.

Fundamentally what we do, we've got a fairly large customer base [who are] commercial customers and consumers with different types of vehicles ranging from motorcycles to heavy duty trucks that weigh 500 tonnes [unclear]. We've got different industries and given all this data what we do is we contextualise the billions of data points that we collect and we focus on driving exceptional value for our customers.

Currently we collect over 50 billion data points per month. That is continuously increasing. We collect the data points from our proprietary in-vehicle smart devices, also from third party and OEM in-vehicle smart devices. We collect the data. We store the data. We process the data.

Further, we also have APIs and third party systems that we receive and push data to. Given all this data that we collect, using artificial intelligence and data analytics allows us to contextualise all this data to drive business intelligence reports, predictive analytics and insights for measurements to drive the best insurance value for our customers.

With all the data, one is able to [unclear] this data to certain business owners, banks, financial institutions to know the driver better, provided, clearly the driver has allowed us to do that. With all this data we're also in a very good position to know the quality of the vehicles that our customers have been driving.

When they want to sell these vehicles, we will be able to get them the best price as we know we have stored the data and we can see the driver behaviour of that vehicle, where that vehicle has been driven, how long it's been driven. This data can be used to maximise the value of our customers' vehicles.

Further, we have the MiFleet vertical on our platform. That allows all our customers to do all of their administration on our platform to keep all the records of maintenance, fines, licences and all other administrative information that normally would have been done on an Excel spreadsheet or on different software packages. Now it's all able to be done on one single platform which is the Cartrack platform.

The communicator allows our customers to have visibility and communication with their drivers and their staff in the field. That is a - there's a strong demand for that as we get into the more ecommerce environment and as drivers and staff work more remotely.

We operate in a large under-penetrated market. This specific report shows us that expected annualised growth between 2018 and 2026 to be 26%. As at 2018 our global SAM was US$12.2 billion. Clearly in that US$12.2 billion there is a lot of entry level systems. It is expected by 2026 that our global SAM will be $77 billion. We are well positioned to grow in this market.

Our organic customer growth can be seen if we divide that into four segments - consumers and sole proprietors, small enterprises, medium sized enterprises and large enterprises. One can see how year on year we continue to grow in all of these different verticals. We [have] a low industry and customer concentration risk.

The car rental industry is less than 1.2% of our revenue and our largest customer is lower than 2.3% of our revenue. Clearly in terms of earnings it's an insignificant portion that we - [factors with] those specific customers. We have 95% commercial customer retention rate.

Our success across industries, we have strong growth in all our segments. South Africa is where we are the strongest and we continue to grow. The rest of Africa we had a weak year since last financial year specifically due to Q4. COVID had a huge effect in the rest of Africa.

Europe we continued to grow with - facing a lot of lockdowns in Europe, but nevertheless we still got growth. Asia we continue also to grow despite it being very difficult for us to operate as a lot of our senior staff operate out of Singapore and they were unable to travel into their geographies in the region.

If we look at the numbers our subscribers in South Africa grew from 869,000 to 1,014,000, a 17% increase. Subscription revenue also grew at 17%. Africa other, we saw our subscribers grow by 3% but we saw our subscription revenue decline 12%. That was primarily as we gave quite a lot of credit to our struggling customers on the ground in the rest of Africa. It has been our policy always to work with our customers in difficult times.

In Europe our subscribers grew by 12%. Subscription revenue grew by 27%. This [misalignment] with subscription revenue is largely because of a weaker rand in the beginning of the financial year. Asia, Middle East and USA - subscribers grew by 20% and subscription revenue grew by 22%.

Our outlook - we believe we are well geared for growth and to scale our business. We have strong financial discipline. Our subscriber numbers - or subscribers we expect by FY22 to grow to between 1.5 million and 1.6 million subscribers. Our subscription revenue, we are expecting between R$2.5 billion and R$2.7 billion.

Our adjusted EBITDA margin is expected between 45% and 50% and that is because we are increasing our stock count. We've got expansion costs. We're not certain under COVID how that will affect us in terms of our operating margins.

We have a reconciliation of the Karooooo and the Cartrack EBITDA and net income. That is for anyone to go through at their leisure.

Thank you very much for listening. I'll open the call for questions. I have with me Morné, our CFO. So please feel free to ask any questions.

[Unclear]. I just want to make a correction. On slide 9 I said cash flow from investing activities 44%. It's actually 43%. On slide 11 I said $2.2 million in subscription revenue. It's actually $2.2 billion. ARPU increased to R$154 and not R$155. Sales and marketing as a percentage of subscription revenue increased from 9% to 11% as opposed to 10% to 11%.

We'll open up to the audience for questions. I've got the first question from [David Everall]. Could you give some detail on your APAC segment. What investments have been made over the last year to grow sales and installers?

David, over the last 12 months it's been very difficult to trade in Asia. Pre-COVID our approach to growing Asia was very much a centralised approach where we had the management and we used Singapore as the head office as you'd use any big city in a big country. We operated from Singapore into all the neighbouring countries.

When COVID came it clearly hampered our ability to grow specifically because none of our senior staff was able to go into their territories. So we've had quite a lot of the senior staff trying to run the business through Zoom calls. Obviously that's not very effective.

Given that, we have invested [still] in growth in sales and installers but nowhere as much as we had envisaged. We've done just critical staff. We are hoping that this will change in the near future.

But I must let everyone know that Singapore has just changed the rules that if you travel out of Singapore and you come back into Singapore, it is no longer a quarantine for two weeks. It's now going to three weeks. So the COVID has definitely played havoc with us, specifically in the Asia Pacific region.

What was the growth of subscribers in APAC in Q4?

I haven't got it in front of me. I can certainly get it.

When do you anticipate [APAC to grow] to accelerate this growth? I think for APAC to get into accelerated growth we need to get over COVID and we're not certain when that will happen. But I certainly believe even the way we are running APAC we would still get very good growth. Just to give you - I'm going to get you the growth figures. I can always email that to you David if you don't mind - growth in APAC in Q4.

David - how do you anticipate monetising the data that you've accumulated?

In this phase what we want to do is use the data for the benefit of our own customers. At this stage I don't think it's the right time to be selling any of this data. A lot of our peers are doing that. I don't believe that's of real value. I think we need to drive value for our subscribers, for our customers. That's what we're focused on. Clearly at a later stage we would be able to explore this considering the amount of data that we have and that we collect on a monthly basis.

Does anyone else have any further questions? Operator, you can allow anyone to ask questions?

Operator: Thank you. Just a reminder ladies and gentlemen if you wish to ask a question from the telephone line please press star one on your telephone keypad. Our first question comes from the line of Matt Pfau from William Blair. Please go ahead.

Matthew Pfau: (William Blair, Analyst) Thanks for taking my questions. Congratulations on the nice traction in subscriber additions Zak. I wanted to start of asking about that. Obviously we're two months into your first quarter. Did you see the momentum that you saw in the fourth quarter continue into the first two months of the first quarter that we're in now?

Zak Calisto: Sorry, I didn't get your name. Who's speaking? I'm getting used to the system.

Matthew Pfau: (William Blair, Analyst) Yes, Zak. It's Matt Pfau from William Blair.

Zak Calisto: Hi Matt. So we have now surpassed 1,350,000 subscribers. We continue to see the growth that we saw in the last two quarters. Traditionally our worst quarters are Q4 and Q1. Those quarters are traditionally the worst given all of the holidays. We're seeing a very good Q1 in the first two months. We are quite happy with the growth in Q1.

Matthew Pfau: (William Blair, Analyst) Okay, got it. Then with the subscription revenue guidance that you gave for fiscal 2022 how should we think about the cadence of that from a growth perspective? Do you expect growth to improve throughout the year or should it be relatively the same quarter to quarter?

Zak Calisto: Matt, to be brutally honest I'm not certain myself. That's why we've given quite a wide range. Every single time every month I wonder when is COVID, how is that going to impact us, new variants coming, everybody goes into lockdown then they're out of lockdown. Vaccinations, there's different news. Every morning I get up and there's something different on the news. Countries have been vaccinated, quarantines continue. So that's why we've given quite a broad range.

But fundamentally over the years the best way to look at our - to protect our subscription revenue is to see our subscriber growth of this current year and add it to the subscriber growth of the previous year divided by two. That should equate to our subscription revenue growth. So last year's subscriber growth was 16%. Depending on how much we grow our subscriber growth this year you'd add the two, divided by two. That should give you a very good indication.

If we take our current growth in the last two months and if we take the current growth in that last two quarters of FY21 and you annualise that we are growing currently in the region of about 23% year on year. So it really depends on how COVID plays out in the rest of the year.

But we certainly have been employing and being optimistic that we can grow our business. We have certainly taken the risk in employing people because I think if you don't take the risk you also could lag behind. So we have taken that risk. That will definitely weigh in on our OpEx and hopefully we will get the benefits of COVID opening up, our senior management being able to get into regions where we are not that strong. Currently with the restrictions travelling, we are focusing on our key markets.

Matthew Pfau: (William Blair, Analyst) Got it. Then in terms of the investment priorities for fiscal 2022, it seems like adding headcount in the Asia region is one. Any other areas to call out for your investment priorities for FY22?

Zak Calisto: We've invested a lot in R&D. We're investing a lot in our platform. We certainly believe that's a very important investment. We are continuing investing. You can see the increase in our investment. We will continue that increase in this financial year as well.

But we are increasing our headcount in all our segments - Asia Pacific, South Africa, rest of Africa and also Europe. We certainly want to grow in getting to an accelerated growth environment in all the regions. That is what we are attempting to do.

Matthew Pfau: (William Blair, Analyst) Got it. Last one from me, just on the subscription revenue growth versus the total revenue growth for the quarter. There was a bigger disconnect there than typical. Maybe you can just discuss the dynamics that drove that.

Zak Calisto: Well Q4 we've got one very big mining [house]. They typically don't like [bundle] sales. So they actually want the cash. They want to divorce the subscription revenue from the cash. The mining [house] is actually Anglo American De Beers. It was a very big order that came through in Q4. That's obviously where the disparity comes in in our subscription revenue over total revenue.

But I think if we take the first three quarters, that's a better reflection of what percentage of our revenue is subscription revenue.

Matthew Pfau: (William Blair, Analyst) Thanks, appreciate it.

Zak Calisto: Thank you very much Matt. I've got a question from [Roy Campbell] Thank you very much Matt. Can you break the last quarter's growth up per region? Which segment did you grow in? Consumer or small medium, given that profile is there any element of [pent up] demand?

I think - first of all we grew in all - our enterprise customers, consumers, medium, small. We are growing in all of those segments. The best thing to do Roy, you could take our Q3 presentation we could show you the amount of customers that we had in each of those verticals. You can compare that to the Q4. These are public numbers.

One can see our growth. We are at over 70,000 commercial customers. We have now got over 75,000 commercial customers. I haven't got the exact number between the one and the other. But it appears that if we - it appears that [I would have] to go reconcile exactly what those numbers are. I haven't got them in front of me at this point in time Roy. But I certainly can give you those numbers.

I've got another question from [Daniel Bulls]. How should we think about ARPU going forward? Should this increase as Asia has on ARPU?

Daniel we've always - in the last 15 years we've been very consistent with our ARPU. I know a lot of our peers, they chase ARPU. We are not chasing ARPU. We believe our ARPU is a very healthy ARPU where our customers can get a lot of value for that for an average of R$150 per month. We certainly - our philosophy has been to add more value and keep the ARPU the same.

The reason why we've had this mindset and business approach is because the markets are very under-penetrated. If we tried to increase our ARPUs at this point in time I think it's premature. When the market is more mature, at that point in time we - as we add services, as we add value, we will certainly try and increase our ARPU at that point in time. But right now we would rather go for land grab and try and acquire more customers. We believe that's more important at this point in time.

Thanks Daniel for your question.

We have now got a question here from [EFG]. I'm not sure who that is. Any commercial progress on insurance and used car sales projects?

Yes, we're making good progress. I believe by the second half of FY22 we will be reporting some of these numbers independently from Cartrack. But we're still very much in the [Beta] phase and we [unclear] be optimistic about that.

When do we expect to deploy proceeds from the equity raised most aggressively?

We are certainly gearing up for that. From our operations we continue to add cash onto our balance sheet. We've also got the proceeds that we raised over the IPO. We certainly will - the minute it's opportune to do it we will. It's just a question of time. We will definitely deploy those funds.

So I believe by the second half of this year one could expect that. But we are a little bit subject to COVID. As I said earlier I'm a little bit surprised in what's happened in the last maybe month in terms of COVID. I certainly didn't think we would be going backwards on an international level in terms of the restrictions being imposed by COVID considering all the vaccinations that are actually happening.

Any further questions?

We've got a - operator could you let Mike from Canaccord ask questions please?

Operator: Certainly. Please ask your question Mike.

[Michael Graham]: (Canaccord, Analyst) Great, good to talk to everybody. Hope everybody is doing well. Zak I just wanted to ask one question - just on the industry some of your competitors are struggling to source components for the connectivity piece to drive their businesses. Any comments on your ability to source components to get your new customers up and running? Are we seeing any impact from the global supply shortages?

Zak Calisto: There's definitely a supply shortage coming through Mike. We certainly are seeing that. If you look at our inventory which we now [unclear] report [unclear] really important [unclear]. you will see a substantial increase in inventories.

We already started planning for this I would say in the last six months or so or even maybe - nine months. So we have seen an increase. We are talking to certain of our suppliers that - [unclear] is telling us that our lead times are not going to be 12 months. They are now looking at 18 to 24 months in lead times.

But fortunately we've got sufficient stock for the next nine to 12 months. Hopefully in a year's time we will be in a better situation. So for FY22 we believe - we have reason to believe that we're not going to have stock shortages.

Michael Graham: (Canaccord, Analyst) Okay, great. With that type of stock you should be able to maybe take some share from your competitors. Just switching gears on competitive dynamics. Zak if you look at the South Africa market you have Inseego selling their Ctrack business. You have maybe a MiX Telematics who lowered some headcount while you were still investing for growth. Maybe you could talk about the competitive dynamics in that market and if you think you're poised to maybe gain some market share.

Zak Calisto: So in South Africa our competitors are sophisticated. They've all got a good product. We believe that we are very well positioned to compete with all our peers in South Africa. We see the market as largely under-penetrated. We certainly believe we've got a good management team on the ground and we continue to make progress.

I believe we will continue to see growth. I am hoping to push for accelerated growth in South Africa. So I feel quite confident we are going to do well. But there's no reason for our peers also not to do well.

Michael Graham: (Canaccord, Analyst) Okay, thanks. Last question from me, kind of an open-ended one here and then I'll pass the line. But as you look at fiscal 2022 and beyond and with the areas you're investing in, are there certain markets - I know it's hard with COVID - but are there certain markets you're more bullish about in terms of demand trends, whether it be from some of your new technology solutions going into those markets or just some areas where the economies might be reopening faster than others?

Zak Calisto: I think in all the markets we operate in there is demand. It clearly is at the end of the day to the strength of our teams and to the way we allocate capital into these different geographies. Clearly we can't - there's a limitation on how much we can do it in a given time.

We're certainly striving to grow as quickly as we can. Even under COVID I think the fact that we grew 16% despite all these restrictions I think it was a good outcome. I certainly believe we would have done better had that not been the case. We currently have also adapted quite a lot to COVID.

Our biggest restriction now is not really even COVID, it's really our ability to get senior executives, senior management, onto the ground to interview, to train, to guide. That's really important. You can't do it through a Zoom call. It's not that effective. So I think all markets are exciting that we're in and obviously we will continue to focus on our key markets under COVID because that's the easiest because we've got already strong management on the ground.

Michael Graham: (Canaccord, Analyst) Thank you. It certainly seems like you grew much faster than your peers from [our work] and during the fiscal 2021 challenging year so congratulations on the execution and best wishes for continued success. I'll pass the line.

Zak Calisto: Thank you very much. Operator if you could let [Daniel Tombank from Melita] to ask his question please.

Operator: Thank you. Daniel please ask your question.

Unidentified Male: (Organisation, Analyst) Great. Hi Zak. Congratulations on the IPO and thanks for taking my call here. I just have a couple questions for you. The first one is a bit of a clarification perhaps. You're seeing the good strength in Q4. It sounds like it's extending into Q1 so far.

Can you just go back and kind of dissect for us what's driving this? How much of it is the COVID situation improving versus how much of it is maybe the recent investments that you're making are already bearing fruit? Or maybe it's just something else. But if you can walk through the components driving the growth that would be helpful.

Zak Calisto: So Daniel we've got at the moment over 3000 employees. At the year end we had 2999. So we have now over 3000 employees. To build the teams that we built we vertically integrated. We do everything ourselves. It has taken us many years to get to where we are today. If you can just recap the fundamental part of your question - sorry I lost because I started talking - if you can just give to me please again. Sorry Daniel.

Unidentified Male: (Organisation, Analyst) Yes, I'm just curious - recently it looks like on the net subscriber trends improving, you guys are seeing] picking up - is it more a COVID situation getting better or is it more you've guys have done some recent investments and you're starting to execute better around those?

Zak Calisto: Okay, sorry. You know we've grown to 3000 staff. So that took quite a lot of investment. Before FY21, in other words in December 2019 when we did our budgets for FY21 we were at our best. We had planned to add - to employ - in the region of about 750 people. Then COVID came in the beginning of February and started really having an impact on us in about the middle, end of February last year.

That obviously we then froze hiring people and we froze all capital allocation into growth. We saw that was the right decision specifically for the first two quarters. We then decided to start investing that money that we anticipated starting to invest in around March. We started doing it I would say in around September, October. So we started seeing that.

But the capital allocation itself wouldn't just get you there. You also have to have more open market and more - less restrictions around COVID. So we believe that in FY21 we would have certainly done much better without COVID. But I certainly believe that all the investment we're doing is - although there is an element of risk because if COVID goes into severe lockdowns like it did 12 months ago, it would [unclear] our bottom line. Because we would be carrying operating expenses.

But I certainly believe had it not been COVID it just really is our organic growth and us being able to grow our distribution, grow our business, improve on what we built. We're continuously improving upon our distribution and our operations, on our platform. It's really like a garden. We're continuously improving in our business. So I think it's just a product of us improving.

Unidentified Male : (Organisation, Analyst) Got you. Sounds good. Clearly you want to invest more for faster growth, and operating margin come down a little bit. Is there a floor for operating margin that you're comfortable with or kind of draw the line of how far you would go in terms of increasing the investment for higher growth?

Zak Calisto: My view Daniel, is that - you know when I look at the business I don't really look at the margins as being my key driver. Our key drivers for us is are we allocating capital. Is it being used prudently? Are we going to see the rewards? For as long as we believe we've got things under control, we've got the right management in place, we will continue investing and allocating capital.

The more you allocate because of the nature of the business that a lot of the expense is in acquiring new customers, they basically go through your income statement on year one, in actual fact on the day you acquire those customers on the month. Obviously those expansion costs and those customer acquisition costs will have a drain on your P&L in the short term or in the current year.

But our customer retention is 95% - retain of customers 95%. So we will get that - for many years to come we will get the reward of acquiring those customers. So given this philosophy in the way of looking at business I would say that we don't put a bottom to that. It's more about our ability to prudently allocate capital. That is for us the most important thing. For that you need the right staff and the staff need to be trained as well to be able to grow fast. Does that make sense?

Unidentified Male: (Organisation, Analyst) Yes, that sounds good. Just a last one from me. The Carzuka opportunity is pretty interesting. I know it's super early but it sounds like you guys have an interesting hybrid strategy where you may look into buying some used cars and also help kind of aggregate or connect the sellers to the buyers as well on more of a platform approach.

So just hypothetically if Carzuka does really well coming out of Beta how much more investment is required to support Carzuka? Would that be pretty capital intensive as well?

Zak Calisto: We are quite excited about the Carzuka opportunity. We're still in our Beta phase. We - I am very excited and so is my team. There are many ways of the capital that you require. Banks are very much willing to finance us. So if we wanted to take bank debt it's easily available. Or we could go to the markets and raise capital. We can go either way. The reality is I believe with $200 million we can do really a lot.

For us to raise $200 million whether it's through finance through a bank or whether it's through raising capital we can certainly do that. But we'll always do it in a very prudent way where we'll get a good return on capital. So initially it might be an expense for us while we work out the model. But once you've got the model and we've got the right people in place I certainly believe it's going to be a very good business.

Our tech is coming on really well. I'm very proud of the R&D team, what they're delivering. Each day I just see improvements. We are also starting to grow our operational staff in terms of Beta phase experimenting. I'm feeling very good about the business. But I certainly believe this is a 12 to 24 months before we see a real business coming out of it.

Unidentified Male: (Organisation, Analyst) Got you. Really interesting and good to hear. Thanks for all of that Zak. Appreciate it.

Zak Calisto: Thank you Daniel. Operator if you could let [Parker] from [Unclear] ask questions please.

Operator: Certainly. Parker please go ahead.

Unidentified Male: (Organisation, Analyst) Thank you. Hi Zak and team. Great quarter. I'm just wondering if you could discuss the [live] video solution for a second. How mature that is from a product standpoint and maybe give us a sense of how many of your customers have adopted that solution and where do you expect that to trend maybe throughout the rest of 2021?

Zak Calisto: So on that solution the actual hardware is third party hardware. On top of that hardware we put in our firmware. So we've got two different providers of hardware. We have started our own video telematics department and we believe that the video telematics department will become a very important part of the business. It will be something that we will see grow over the coming years.

At this point in time we've got it with strategic customers. We actually have run out of stock. We haven't got inventory at this point in time. But as we got back orders for the video telematics. We certainly believe that's also going to be an important part of the business. But it will never be as big as the traditional telematics.

Unidentified Male: (Organisation, Analyst) Got it. Makes a lot of sense. Then core assets have really been driving a lot of the growth in the story for a long time here. But as we think about emerging opportunities, areas like bikes and scooters and micro-mobility, how well suited is the platform for those sorts of assets today? How substantial do you think that opportunity could be as we look out over the three to five year horizon?

Zak Calisto: Our platform allows – we, for instance, even do prisoner tracking. So the Singapore prisoners that are able to stay at home, we've got that contract in Singapore. So our platform allows us to track any tracking device and then we take the data, we contextualise it and we can do quite a lot of the data whether it's motorcycle, whether it's boats, whether it's big lorries. It doesn't really matter for us.

So I think the opportunity is huge. The way we're developing our platform it's really to deal with mobility as a whole irrespective whether it's a large truck delivering mining equipment or whether it's an ambulance or whether it's a passenger vehicle. We're driving our platform to be a solution irrespective whether it's for passengers or whether it's for cargo - it's for multiple use. We've got a very comprehensive platform that we believe is very easy to use whether it's enterprise customers or consumers.

Unidentified Male: (Organisation, Analyst) Got it. Then maybe a last one from me. You mentioned a lot of different COVID lockdowns and restrictions in some of the key markets, particularly APAC. Is that something that could potentially delay installation of these subscribers that you're bringing onto the platform or do you think that you are largely insulated from any potential risk there?

Zak Calisto: No. We have got for instance - just to give you a bit of colour - we've got one customer now that has signed up to fit 350 vehicles. Just to go and instal these vehicles all of our technicians have to do COVID tests. They've got to do swabs.

The logistics around COVID specifically in a place like - I am talking here about a Singaporean company - just to get your technicians to work and to be able to do it and to do all the COVID tests in itself is already quite stressful from an operations perspective. So COVID is having an impact on us even on our day to day operations in different geographies in different ways.

Unidentified Male: (Organisation, Analyst) Makes a lot of sense. All right thanks Zak for all the colour.

Zak Calisto: Thanks very much Parker. Operator if you could allow Anthony from Investec in please.

Operator: Certainly. Anthony please ask your question.

Anthony Geard: (Investec, Analyst) Yes, hi Zak. Congratulations on a good quarter and congratulations on your listing. I just want to ask philosophically - I mean clearly COVID is still around and the headwinds that you are navigating are unfortunate and very restrictive. But it kind of feels like the business was operating in third gear and you've been knocked back a little bit.

But you said 12 to 24 months after you hoped to be running at full throttle. Can you just give us a sense, without necessarily attaching numbers to it - just around your ambitions. To go from third gear to fifth, sixth, seventh gear, how much faster can the business expand and then what does that mean in terms of marketing, R&D expense? What's the capacity of the business to – or in order to drive that top line?

Zak Calisto: So Anthony - hi - thanks for making time for us Anthony. So the thing is the way we've grown our business - and you're really familiar with us and our story for a quite long time - we've always grown our business in a way that - we were very focused about margins because most investors in South Africa, they really looked at our margins, our profitability and about our dividends.

If you recall two, three years ago I started to accelerate its growth and we got subscriber growth of nearly 30%. Most investors were clearly unhappy that I started growing the business so fast because there was a misalignment between top line growth and bottom line growth. What I thought was starting to be a great result for us to accelerate actually our shareholder base didn't really appreciate it.

So for us to grow in the high 20% we've done that already before COVID. If you look at our average growth it's been 22% pre-COVID in terms of - in COVID it was 16% but pre-COVID for five years it was 22%. But clearly some years just before COVID or the year before COVID we saw growth close to 30%.

So ideally what we would like to do is to grow and double our business every two years. That's what we'd like to do as management. But I think if COVID is out of the way that's when we can really allocate capital for that type of growth. But obviously even that type of growth doesn't come overnight.

We certainly have also invested a lot specifically in the last Q4 in HR in terms of recruiters. I think our headcount in the HR department, one of the four departments that has increased the most - I think our team is triple the size now in HR to deal with the recruiting for the bigger Group. So we are investing. But we're prudently investing.

At this point in time given some of the negativity coming out of COVID we've actually decided to perhaps freeze hiring for another one to three months to see if it's really going to lift - and the vaccinations are really going help where we normalise the economies. But even without that I'm still very content and our team is very content with our current growth.

Anthony Geard: (Investec, Analyst) Great. That's very clear. I wish you all the best in hitting those targets. Thanks Zak.

Zak Calisto: Thank you very much Anthony. Operator it doesn't appear that there are any other calls. I've got a call in the queue from [Chris Logan].

Your costs of acquiring subscribers is set out [unclear] fallen nicely over the last [two to three] years particularly the capitalised portion. Can you expect this trend to continue as you scale in [unclear] technology costs [unclear]?

Chris, in essence, yes. However we will be using our technology. Our R&D team is very busy with our 5G technology. It's all really depends as well what will we be doing in 18 months' time or in 12 months' time in terms - because we are developing already new technology around 5G.

So that could certainly have an impact but it's an investment that we need to do. But fundamentally even if it does increase we have derived the value out of it [to essentially] more services. So I wouldn't - in terms of marketing I wouldn't worry too much whether it will increase that cost of acquiring a subscriber. It could increase. But I don't think that decreasing [unclear] one can expect a further decrease. But it could actually increase because of the new technology that we are now working on for the future.

I've got a question from [Pauline Low]. Is there concerns regarding growth related to bigger impact as far as workforce moving towards working from home?

Pauline, we certainly believe that working from home - this is me personally - you can only do so many people working from home. The efficiencies of people working from home I believe is short lived. People at the end of the day still need to see people. You can't build a business with everybody working from home.

So you can do it for a while. I certainly believe mobility and transportation will normalise. But I do believe working from home will be something bigger than it was in the past. But I don't think it's going to be the solution for the future.

Another question from Pauline. Are there any plans for large acquisitions or mergers in the near future?

We would certainly look at an acquisition or a merger if it made sense. But at this point in time we cannot announce any acquisition or any merger.

Do you feel the new listing was fairly priced? Do you expect a market correction?

Pauline, you know I believe [unclear] was fairly priced. I certainly believe whoever invested in us that the R$42 investment, certainly I believe they've got a fair deal for themselves. But it's not for me to decide whether it was fair or not fair.

I can only say that I own 66% of the Company. I feel very comfortable with my personal investment. But I would hate to say that - and start making judgement on somebody else's investment. But I feel very comfortable being [unclear] investment in Karooooo.

I've got another question from [Rubon]. What is the most critical factor that differentiates you from your competition and keeps you outgrowing your peers?

That's sometimes a very difficult question to answer. But we've got quite a lot of reasons why we believe we win. We are vertically integrated. We are customer-centric. We have [unclear] business.

We've got a great platform. We've got great technology. I think the way we operate our internal systems allows us to be quite lean and mean in the way we are able to service and deliver service to all our customers.

I think what's important to note Rubon is that we've never focused on increasing our ARPU so our customers feel that we're their partners - technology partners. Because of that we are continuously getting referrals from our customers. So I think that also helps us win.

Operator it appears there are no further questions. Are there any other questions?

Operator: There are currently no questions. Please continue sir.

Zak Calisto: If there are no more questions I thank everybody for joining us today wherever you are. Thank you very much for supporting us. Thank you. Bye.

Operator: Thank you. That does conclude our conference for today. Thank you for participating. You may all disconnect.

End of Transcript