

Transcription

2022 Financial Results of Karooooo.

Karooooo Ltd (NASDAQ:[KARO](#)) Q4 2022 Earnings Conference Call April 29, 2022 8:00 AM ET

Company Participants

Zak Calisto - Founder, CEO & Director

Conference Call Participants

Zak Calisto

Good day. Thank you for joining us today. I'm Zak Calisto, the Founder and CEO of Karooooo.

During this presentation, we will be making forward-looking statements, including statements regarding our financial outlook for FY '23. Please read the disclaimer before you make any decisions. All reconciliations to non-IFRS metrics are in our earnings announcement, the 6-K published on our website.

Before we talk about our results of FY '22, we want to demonstrate to you the way we think about our business. As we have in charge an average change 50 billion per month per vehicle for what we do, the large impact at our solution as on businesses is often misunderstood or underestimated. Our platform helps our customers to transform their businesses. We allow them to be extremely efficient and competitive as they digitalize their on-the-ground operations. Fundamentally, our customers are able to do much more with less by using our platform.

We have been building our platform for over a decade and has evolved far beyond monitoring vehicles. Specifically in the last years, we have allocated a large amount of capital into R&D, and we will continue to do so. We have built our platform for the future, so we can be long-term partners of our customers.

We understand that many of these developments will not give us the immediate results that we want, and we will get the benefits in the medium to long term. As we all know, mobility is core to all the underground operations of any business. We think beyond connected vehicles and equipment.

[VIDEO 1]

As we all know, mobility is core to all the on the ground operations of any business. We think beyond connected vehicles and equipment. The operating environment of any business is dynamic and challenging. You have trucks and you need to know where they are and what they're doing to keep them moving. They need fuel tolls, tires, a battery, maintenance licenses, and insurance. Oh, and most importantly, drivers. Drivers need permits, licenses, working hours, training, driving behaviour, schedules and permissions. Who was driving? When you receive that speeding, fine. You have to monitor driver's productivity and ensure they're adding real value to your business. Then you have your cargo. You need to track it from pickup within your grounds and to your customer. Nothing can go missing. The vehicle your driver is allocated needs to fit all the cargo and needs to arrive on time in good condition. You also have machinery and assets such as cranes, tractors and containers. You need to ensure your operational grounds are being used efficiently and that teams are ready to load and offload goods promptly. Many vehicles, many assets, many employees, many moving parts. You need

effective resource scheduling and operational teams that know what's going on working together. I'm the ground operations are the foundation of any business, but the operations need a backbone to drive and facilitate them. There's finance, sales and marketing information needs to flow across departments clearly, effortlessly and quickly for businesses to keep innovating and remain competitive. Finance wants the actual time spent at a customer side for billing the cost of operations and where leakages are in order to improve business capital allocation. Air pushes to keep all your employees safe and needs accurate overtime logs. Marketing needs assurance about your service quality and time to service a customer with technology enhancing your business. They know there's no beating your customer service and you have a competitive edge. Finance knows that to meet budget this month you need to increase your sales. But operations, no, you add maximum resource capacity already. So HR needs to recruit more team members and procurement need to buy more vehicles. Everything moves together, facilitating quick business decisions. All departments in a business have operations and they all need to be connected. No way a business can scale in time for those increased sales, connect to another business and let them service the customer. So you don't have to say no to more revenue. Your customer won't know the difference. Businesses need an end to end platform that plugs straight into their operations and empowers them to keep growing and intuitive platforms seamlessly connecting vehicles. Equipment, warehouses, offsite grounds people, teams and systems. A powerful platform that contextualizes lot data to deliver game changing, actionable insights for a new forward thinking world. Carew doesn't just innovate for where our customers operations are today, the planning and developing for where they need to be in a decade. We're building to create an agile operations ecosystem with businesses and economies can achieve more with less.

Zak Calisto

Hopefully, the video that we've all watched has helped everybody better understand our business. Fundamentally, our mission is to establish the leading on-the-ground operations cloud that will allow us to partner with our customers for the long term.

We're now going to watch another video that will show what one of our customers' day-to-day operations looks like.

[VIDEO 2]

Let's keep it real. Running a business isn't child's play. It's challenging, but we make it easy. We know all about the moving parts and ones that should be moving but aren't. We know this because we are operational. Thousands of important moving parts and we figured out how to keep them moving. You control every part of our own business and we help businesses do the same for this. Everything should work like clockwork and it can. Right now you're forklift driven by. Marvin just picked up the stock. He's loading it onto one of your trucks. And Harry has the piping and the delivery then. Your system, just let you know that your stock headed for John's warehouse has just left the premises. Your reliable driver, Harry, accepted the job of Union Area before leaving and knows exactly where he's headed and what needs to be done. John has already received a notification that Harry is on his way with these goods. John is able to live track Harry's entire journey from despatch to delivery. Your fleet management team back at the office can also see that everything is on track with Harry. Something changed. John is not able to accept the delivery as scheduled, forcing him to change the delivery, time and location. Thanks to the delivery app, you've already notified Harry in real time, saving him the unnecessary trip to John's warehouse. An air alert just popped up on your screen, letting you know that Harriet, you know, is fresh in his shift. So you're not too worried. Another alert just came through this time to let you know that one of Harry's cargo doors is opened outside the delivery location. You double check your cargo cameras from your app. It seems that one of the doors is accidentally open. You safely call Harry from the courthouse communicator so he can close the door before any cargo flies out. See from your admin department. Just got alerted that the truck Harry is driving is due for a service at the end of this month.

It's going to be a busy period. Thankfully, this advanced reminder allows you to make all the necessary arrangements so your checks, the engine diagnostics and confirms that there are no urgent warning lights before booking the maintenance services. While that was happening, John just informed me that Max, his top manager at his other warehouse, can actually assist. Speaking of goods he previously put on hold, you quickly check in to see where Harry is and see he is close to your warehouse where you have extra stock to cover transport. You instantly send Harry the job update. You've just received proof that Harry has delivered the goods and Max has signed for it. Alistair McConnell has just been informed and we'll be sending John an invoice the next day. Alice checks her emails for the fuel fraud report. Harry's fuel card was used that night, but his vehicle was parked at the office. She checks Harry's truck and says he left his card in the vehicle so it couldn't be him. After contacting the bank, it turns out that the card has been copied and the bank agrees to refund the amount. And just like that, or from one platform, you know exactly what's happening, when it's happening and how it's happening. It's all about the right insights at the right time. Insights that are proactive, simple and actionable. Our job is to give you all the right tools so you can do your job better and faster. Empowering everyone to empower everyone. Connecting all the dots and making everything just click.

Zak Calisto

After watching that video, I believe you can now better contextualize all the value that we bring to businesses. The business is that we service are from the small SME customers right up to very large enterprises. Clearly, the larger the enterprise, the more complex its operations are and the more value we can bring to the table to assist them into digitalized the operations are now indeed the few departments to be able to talk to each other, allowing them to mitigate risk, allowing them to increase productivity to have greater visibility of their operations. And we're proud ourselves and continue to developing our platform in order to continue to assist our customers in better digitalizing the operations.

We know that the digitally transform business does not happen overnight. So we partner with our customers to take them through different stages of building their business. One of the things that we proud ourselves on is on our ROI that our customers get. They see the ROI benefits right in the first second month. But more importantly, is they see the real benefits over time as they use our technology, which allows them to improve their businesses every day, one day at a time.

We have a very diverse customer base, ranging from consumers to small, medium, large enterprises. We understand that all these businesses are very different, given that they operate in different industries with different types of active vehicles at 3 different operations. We also understand that in different regions, not only countries, but even within a country, there's different mindsets and our ability to localize is very important for our success.

And given that all the data that we collect through the app different industries and there are billions of data points we collect on a monthly basis. This allows us to take knowledge to give business intelligence reports that learnings that we've had from one country or one industry and help assist other companies, and it's been able to gather all this data and to understand that every customer is his own challenges. And putting this all together is really what we do to be able to help our customers digitally transform their operations.

With the contextualized data that we give our customers, it allows them to optimize their day-to-day operations, but not only that, it also allows them to improve their long-term strategy of their business, the training of the staff, the way they organize their business, and it's many facts that our customers derive from using our platform that allows them to be competitive, efficient and real -- and drive real value for the businesses.

And some of those decisions are not really of instant gratification because some of them they may say how they should be improving your own businesses. But without that knowledge, they don't even know what to improve. We are a way of the much-needed related services given our large data pool. We understand the untapped network effect of our platform.

The sale of data on our cloud is vast and growing. We collect over 90 billion valuable data points on a monthly basis. We are at the early stage of a large and long-term growth opportunity. Mobility certainly core all the ground operations of all businesses throughout the world.

The best way to understand the full opportunity is to look at the amount of vehicles that exists in each geography we operate in. We understand that some of these vehicles are consumer, others are businesses. And we understand that in certain geographies, we don't do consumer business at this point in time.

If we look at South Africa, there's got over 10 million vehicles that are all in the region of about 11 million vehicles. We currently have 10% of all vehicles on the road are on our platform.

If we look at Southeast Asia, which has got well over 100 million vehicles, we've got a small insignificant part. And we believe that is really our biggest opportunity. And at this point in time, at rather -- at the end of February, we had 145,000 vehicles. And we did grow at 22% despite COVID and Asia is now starting to open up. We've seen in the month of April, there's been a lot of easing in the countries we operate, and we believe that will continue to ease specifically into the next 6 months. And that opportunity, I think, by Q3, we would have got momentum into growth.

Europe has also got over 100 million vehicles. We've got 127,000 vehicles and we will certainly allocate capital to Europe and hopefully grow that at well above historical growth rates.

Africa has about the same amount of vehicles as South Africa, when we talk about Africa, we talk about Africa, excluding South Africa, and we have 68,000 vehicles. We are certainly also going to put efforts into growing that market.

Another very important way of looking at what is the contributing factor in terms of on-the-ground operations in terms of global GDP. And it's been documented that is well over 40%. As the world evolves and as data, technology evolves, it certainly helps businesses grow. It helps to be competitive; it helps to be efficient. And we believe IoT data is key to improving operations.

Our ARR was at February, USD 177 million. In ZAR it was ZAR 2.737 billion. That has allowed us over the last few years, a compounded annual growth rate of 18%. Why do we win? We believe these are the key reasons why we win. We are vertically integrated. We an end-to-end all increased IoT cloud software platform that we clearly, continuously improving and allocating R&D too. We have a well-established infrastructure, and noticeably that in some of the countries that we've been operating for longer. Other countries, we will certainly be establishing a very strong infrastructure over the coming years.

We have an expanding distribution network, which talks to the well-established infrastructure. Our ability to execute and achieve has been proven over the last decade, and we continue to scale our business. Our operational technology partner, a customer-centric culture, our customer ROI, we believe, is probably one of the most important aspects of why we win.

And we really drive our staff to be innovative, which are the innovative culture. We allow our staff to break things, provided a remedy quickly. And I believe these are the reasons fundamentally our cultures, fundamentally the overriding reason while we finished the year with over 88,000 commercial customers. And we will continue to drive that growth into FY '22.

We will now go through the 2022 financial results of Karoo0000.

As you all know, we started the financial year, where I was the sole shareholder of Karoo0000, which owned 68% of contract, a listed entity in the Johannesburg Stock Exchange in South Africa. On the first -- on the 21st of April, we successfully delisted contract from the Johannesburg Stock Exchange. Karoo0000 took ownership of 100% of the shares and we did, in April, a listing on NASDAQ and inward listing to the JSE.

Cartrack was founded in South Africa. Karoo0000 is now a company headquartered in Singapore with owning 100% of contract. We are delighted with our performance during this financial year, whereby we have met our outlook that we gave to the market for 2022. We have met the number of subscribers, the contract subscription revenue on a constant currency basis and contract adjusted EBITDA margin as well that was 1,526,000 subscribers. In terms of subscription revenue, ZAR 2.65 billion, and contracts adjusted EBITDA margin of 47%.

Further, the trend and what we experienced in '22 is in keeping with our long-term financial goals. And certainly what we had planned for the year. The last 2 financial years have been quite difficult. But despite that, we have still consistently grown our subscription revenue and our customer acquisition.

Our subscribers grew by 17%. Our net subscriber additions grew by 23% compared to last year. Our subscription revenue growth on a constant currency basis grew by 19%. Revenue growth on a constant currency by 23%, and our subscription revenue as a percentage of total revenues is 97%. We're also delighted that we now have over 88,000 commercial customers on our platform.

Karoo0000 continue to grow at scale in 2022. Total revenue in 2022 was ZAR 2.746 billion, up 20% compared to FY '21 and adjusted EBITDA was ZAR 1.212 billion, up 8% compared to FY '21. We have strong unit economics. We've got a robust operating margins. We're consistently beating the Rule of 40. We have a strong balance sheet, and we sit in a very strong cash position. The strong growth is supported by customer retention rate.

We ended the year of FY '22 with a very strong cash position. Our net cash on hand was up 845% to ZAR 718 million, ZAR 349 million was money that we raised, the net proceeds of our IPO in April. We also spent ZAR 70 million on doing an than acquisition of Picup, and that puts us in a very strong position for growth into the future, albeit we don't believe we need the ZAR 718 million for the next 18 months. And we certainly have got also funding, which is largely untouched.

Our debtor's days for contract was at 34 days, down 1-day compared to FY '21. After significant investment into R&D and customer acquisition during the financial year, we ended up with ZAR 379 million in free cash flow.

Our operating activities, the cash raised through operating activities was rather flat at ZAR 932 million. We invested 16% more than the prior year into customer acquisition, predominantly customer acquisition, which is PPE. In the PPE is also now included that increase in inventory due to the shortage of components. We find that we have to increase the amount of inventory that we normally carry to be able to meet demand.

In FY '22, we did not experience any shortages of stock, and we're able to fulfil demand. And similarly, we believe FY '23, we should not be faced with stock shortages either.

We pride ourselves on our discipline with capital allocation over the years. We've got 16 years track record. Our earnings per share this year was ZAR 15.24. Our EBITDA margin growth was up 8%. Free cash flow of ZAR 379 million. And this year, we decided to declare a dividend of USD 0.60. The reason

we declare dividends in U.S. cents is because Karoo's filings in Singapore is in U.S. dollars. That's an equivalent of \$19 million that we will pay out in dividends.

We have sufficient cash; we've generated sufficient cash during FY '22. We believe with the ongoing generation of cash during FY '23 and our projected growth for FY '23, we'll have sufficient cash. And we certainly don't want to be keeping cash that we don't believe we can invest in this next year. We've also got the bank facility that's at our disposal. So we feel very comfortable with FY '23.

Our business model, as everyone knows, is a very strong generator of cash. If we do reach a high level of accelerated growth, then we can always dip into our bank facility.

Cartrack has a long history of consistent execution. We've been growing our business for 16 years now. Our subscribers are now over 1.5 million subscribers. Subscription revenue at the end of the year was close to ZAR 2.6 billion and operating profit at ZAR 715 million after a ZAR 15 million for that we uncovered in February. We've taken all the steps necessary to make sure this does not happen again. We back tested our steps that we've put in place and feel comfortable this will not occur again.

Further, also in Q4, all the customers that we had given the benefit of the doubt in terms of financial role, those have all been written off. And we're quite satisfied with our operating profit results that we declared for 2022, given the circumstances of 2 years. We will continue with our strong financial discipline, and we will certainly look forward to a strong 2023.

We had a record year in net subscriber additions. That was 220,000 compared to last year of 180,000 that was 23% up on last year. That's in our opinion, quite a good achievement given the COVID and the challenges that we've had over the last 2 years. Importantly, our commercial customers, we now have over 88,000 and that was an increase of 17% on the previous financial year.

We are well positioned to materially increase our investment for growth on the back of our attractive unit economics. Our lifetime value of our customers to -- our cost of client customers over 9x. And that is driven by internal systems, our go-to-market strategy and the quality of our staff and the quality of our product and the ability to retain customers. And that is, for us, key to be able to win out in the market.

Our average cost of adding a subscriber to our cloud decreased from ZAR 2,093 to ZAR 2,070. Having said that, there's 2 components to the cost of acquiring subscribers, the portion that you capitalize and the portion that you expense, the portion of the expense will increase in FY '22 from ZAR 660 to ZAR 718 and that [indiscernible] of times that by the numbers of new sales that we did impacted our income statement negatively.

In terms of what we capitalized; we capitalized a difference of ZAR 1,433 of 2021 compared to ZAR 1,352 in FY '22. Our ARPU in FY '22 was ZAR 151 compared to ZAR 154. What could have an impact there is the timing effect and also the exchange rates.

Our subscription revenue gross growth margin dropped from 73% to 70%, and that was mostly because of the write-offs that we did of customers that have been impacted either by -- predominantly by COVID or at the financial run and that's had an impact specifically on our Q4. And we believe that margin expansion will return in gross profit expansion in 2023. Overall, our contract adjusted EBITDA margin remains at 47%, which is certainly within our expectations for FY '22.

We grew all our subscriber bases in all the different segments despite COVID. South Africa grew by 17%. Asia grew by 22%. We still believe that Asia is our biggest opportunity. Europe grew by 15% and Africa grew by 9%.

In 2022, we increased our spend on R&D significantly it went up by 41% from ZAR 100 million to ZAR 141 million. Sales and marketing went up by 35% from EUR 238 million to EUR 322 million. We've got net subscription additions of 23%. There's always a lag between the money spend on sales and marketing and the actual benefits.

And G&A was up by 10% from ZAR 477 million to ZAR 523 million. And that is obviously excluding the ZAR 15 million for that we encountered in December 2021. We remain very strategic in the way we allocate our capital, and we believe this is very much in keeping with our long-term goals.

We have our long-term targets, operating metric targets. Research and development to be between 4% and 6%, it was 6% in FY '22. Sales and marketing as a percentage of subscription revenue to be between 17% and 19%, it was 13% in FY '22. We would like to increase our spend in sales and marketing by an additional 50%.

Our general administration as a percentage of subscription revenue was 20% and we certainly plan to decrease that between 12% and 16%. And our adjusted EBITDA margin as a percentage of subscription revenue was 48% and our long-term target is 50% to 55%.

Cartrack's outlook for FY '23. We are well geared to scale the business. We were planning to see the number of subscribers between 1.7 and 1.9. Clearly, if we can support that would be better. Our Cartrack's subscription revenue, we're looking between ZAR 2.95 billion to ZAR 3.1 billion, and we're looking at Cartrack's adjusted EBITDA margin between 45% and 50%. Our SaaS ARR as at the end of February was USD 711 million, and ZAR 2.727 billion.

I would like to thank everybody that's joined us for the presentation. And I'd like to open up for questions. Thank you very much.

Question-and-Answer Session

Question: Parker Lane, Stifel

As you look to accelerate sales and marketing investment in FY '23, what should we expect the typical ramp-up of your new sales reps to look like? And do you expect sales efficiencies to remain stable throughout the year?

A - Zak Calisto

The recruitment process is always a bit slower than one envisages. We've already started recruiting in Q4. Clearly, this does take down to get the right mix of people and the right people well trained. And clearly, also when you do ramp up your sales start, specifically, you really want to do a strong ramp-up. You do have to live with a -- with lack of efficiencies, if that makes any sense. And that takes quite a bit of time to get right. So we certainly are expecting as we ramp up weakening of our unit economics.

Question: Parker Lane, Stifel

Then the next question, in the case of recent commercial customer wins, are the majority of the situation's greenfield opportunities? Or are you replacing a variety of competitive solutions?

A - Zak Calisto

Normally, we target, and we always tell our staff the market is -- it's quite large. It's quite untapped. We certainly believe that. And clearly, we -- most of our customers set to get our greenfield. When we start that into medium-sized and large enterprise customers, where we come with a more sophisticated

offering to help them not only worth looking at their vehicles, but their own operations. We now clearly are starting to -- it will be competing with competitors that are actually servicing those customers.

So we envisage over the next 3 years that we will start taking customers away from competitors, specifically if the competitors have not got a very comprehensive solution, and they haven't evolved over time.

Question: Matthew - Confluence Investors

Which markets are you in Southeast Asia? Does the ARPU shown ZAR 100 million reflect those countries of the whole region?

A - Zak Calisto

We are -- predominantly our biggest markets are the Indonesia, Philippines, Thailand. We're in Malaysia. The only country in Southeast Asia, we're not in is Vietnam. And to be absolutely honest with you, I'm not sure if the 100 million vehicles includes Vietnam or not. We do have, once we settle in a bit more to get into Vietnam, and that's why it's been included -- potentially been included, but I'm not certain. I will definitely get back to you on that, Matthew.

Question: Matthew - Confluence Investors

The next question, why is the difference in EBITDA margin between Cartrack and Karooooo?

A - Zak Calisto

The reason is that we've got a pickup and we've got Carzuka, they are both loss-making entities at this stage. That very much start-ups. And jointly, they have an EBITDA -- a negative EBITDA of ZAR 19 million.

Question: Matthew - Confluence Investors

Where is the 15m ZAR fraud booked in the P&L? Which line item(s)

A - Zak Calisto

Booked in the P&L, it's booked under OpEx expenses under G&A.

Question Matthew Pfau (William Blair):

You mentioned you would like to increase the percentage of revenue that is spent on sales and marketing. Where do you plan allocating this additional investment geo or product?

A - Zak Calisto

I'd like to increase the percentage of revenue that is spent on sales and market. Well, we certainly -- we're going to -- I'm not certain that I fully understood the question, Matt. So we certainly intend, one is, we're spending the money on, obviously, on product adoption, on actually our salespeople doing face-to-face, on our call centers. And I think overall, just improving customer experience and customer adoption and attracting new customers. So it's overall right through the spectrum of growing our business, it refers to that.

Question Matthew Pfau (William Blair):

For FY '23 guidance, why is the subscriber growth range much wider in the subscription revenue growth range?

A - Zak Calisto

The reason is there is in the financial and modelling, a lot about customers that we [indiscernible] got on Q4. It's -- it depends on the timing. A lot of them came on in February. And that does affect -- could affect the growth in subscribers and the growth in subscription. That's where it doesn't quite match.

Also the best way to model the subscription revenue growth is to take the subscriber growth of 1-year plus the previous year, get the average of those 2, and that should give you more or less what to expect subscription growth to be. So it's more based on that, that the 2 don't necessarily match.

Question: Alex Sklar Raymond James

Further question from Alex. I wanted to ask about Cartrack's gross profit margins in Q4, only 65% despite higher mix of subscription this quarter. You touched on some write-offs. Can you quantify that impact and anything else impacted in the gross profit margin?

A - Zak Calisto

Alex, I don't have the exact numbers, but our write-offs in Q4 was substantially higher than -- certainly in Q1 and Q2. In Q3, we really told the market that we would be doing write-offs in Q4. And that's obviously impacted our gross operating profit clearly into Q4, but we certainly expect margin expansion on gross profit margin expansion in FY '23.

Question Matthew Pfau (William Blair):

What are your key investment areas for fiscal year 2023?

A - Zak Calisto

I would say sales and marketing expansion, training, also building up some G&A and certainly continue to develop and improve our product. So I think overall, we're going to be continuing to invest right through all the different, whether it's G&A, whether it's sales and marketing and R&D. But clearly, our main focus is going to be sales and marketing and with R&D.

Question Mike Walkley Canaccord:

Embedded in your FY '23 outlook, this is by Mike Walkley, what are your assumptions for GM [indiscernible] base operating expenses, investment?

A - Zak Calisto

I'm not quite sure what GM is. I'm not sure what the abbreviation is. And what are your assumptions for the trends? So I'm going to skip that question. And Mike, forgive me for my ignorance not knowing what GM is. I looked it up and I'll try to get back to you.

Question Nick Payne Jupiter:

Given the shift upwards in sales and marketing spend in the guidance, would you be increasing your long-term revenue growth guidance?

A - Zak Calisto

We -- certainly, what we're trying to do is we're trying to be conservative in a way. And we also do not want to be promising the investor community things and not delivering on them. But we'd certainly like to beat our guidance now that COVID is out of the way. We certainly would like to do that. And hopefully, we can come in on the upper side above the guidance that we are putting out for FY '23.

Question Hristo Georgiev, Individual investor

The question is, do you see any significant impact of inflation in your business?

A - Zak Calisto

Clearly, we can feel it on-the-ground, especially now with the unease in Europe. We've seen the fuel prices go up, and we're also seeing food prices going up. Clearly, it's a concern. What will this impact will have on our business in terms of inflation?

But given our economies of scale, we are thinking is it with us repricing ourselves in the market? Or will we just benefit from the economies of scale and not need to change our pricing? Clearly, we are expecting inflation to be a real thing in the next year or so. So we all have to play it by year and work with it.

Question Hristo Georgiev, Individual investor

Could you please expand on your partnership activities with OEMs

Question Lesedi

What information is the U.S.A. office yielding? Does management see difficulty in the market or opportunity to expand?

A - Zak Calisto

I don't think we see difficulty in the U.S.A. market. I just think -- we have all got a sufficient people to go tackle the U.S.A. We've got so much to do in the current segments we're in. And I think it's -- we've learned rather focus on what we do. We've got a large untapped opportunity. And let's not spread ourselves thinner.

We certainly believe that the Americans are really good at developing software. And it's always good to see, one, what are the trends in America? What are our competitors doing? What is the market, in which way is the market moving? What's happening in logistics? So there's a lot of insights that we get both from what businesses are doing and certainly what's happening in the software space.

And when we talk about software space, it's not necessarily only in our industry, but it's software that actually relates to any software that relates to helping customers on-the-ground on the operations and because we've moved just from fleet management, and we take other software and see how can we bundle everything into one platform to make our customers' lives easier.

Question Khotso Mophosho Coronation Fund Managers

Well done on hitting your targets. What kind of impact would the collusion have had on the revenue line?

Question David Eborall - SaltLight Capital

Congrats on the results. What gets you excited by Carzuka? What opportunity you've seen that you feel that you have a different offering to larger competitors? Why are you intend investments in Carzuka for FY '23?

A - Zak Calisto

David, just to give you some color in South Africa, we've got 1.1 million vehicles. Our average customer changes their vehicle every 60 months. So we've got a lot of insight to all the customers that are selling their vehicles and buying new vehicles.

We have lots of data. We've got lots of visibility into that. And we believe that if we can help our customers with selling the vehicles, we want, we can get them a better price, and we also know the conditions of those vehicles. And similarly, we can -- on selling the second vehicle, it allows us ease to attract a new Cartrack customer.

So it's got a dual effect for us. We've developed our software. And we certainly believe that we've now gone to market with our first version of the software, and we will start looking to scale that business. I think it's complementary, and it just really is an add on to the business and add on value to our customers.

We've got physical. We've taken up a 600 parking bay in Eastgate shopping center. We've got another one in Sandton City. We currently, I think have got stock of about 350 vehicles. We see that going up to about 1,000 vehicles. And if we're doing 1,000 vehicles a month in sales, it gives us a good profit for the shareholders. But more than that, it also allows us to on-board new customers on lower our LSM customers.

Question Florian Gueritte - LGM Investments

With retail fuel prices at the all-time high, the focus on saving and benefiting a solution on Cartrack. Is commercial activity boosted as oil prices increase? What is the impact of oil price changes on Cartrack customer ROI?

A - Zak Calisto

The best way to look at it, Florian, what we give as a value proposition to our customers is far beyond just savings on the fuel. That was very much, I would say, 10 to 15 years ago, the fuel saving that we brought was a big thing. Today, most of our customers have got those benefits already. This will clearly drive more customers to us. I can't quantify how much more because our value proposition is much more than just fuel, but I certainly do believe it will have an impact. To what extent? I'm not sure.

And the ROI on customers on fuel, that's not only seeing what I call the first second month ROI, whether you have immediate benefits, which is less idling, picking up any fuel fraud, picking up that the drivers aren't necessarily using the correct routes. So those benefits come in the first 2 months. And obviously, with the increase in oil price that increases the ROI.

Question Florian Gueritte - LGM Investments

In the long term, do you intend to expand Carzuka to other geographies?

A - Zak Calisto

I think Florian, first of all, we need to get it right in South Africa, which I believe we are in a good path to getting it right. And when that is -- when we get that right, then we'll look at other geographies. But I think we must take baby steps. And we must get all these businesses do take time to build up. And given that we've only gone with the software to the market, actually in April, we certainly believe that we can build a good business out of it.

Question Alex Sklar from Raymond James

Zak - the earnings release suggested some partnership expansions with OEMs can you elaborate on where you stand with the OEM channel and where you see that going over the next couple of years?

Question Sandile Magagula

Certainly, dividends not repeatable, sustainable given ongoing investment into growth. Can you please kindly provide guidance dies on dividend policy into the medium term?

A - Zak Calisto

So anybody investing in us must not invest in Karooooo for dividends. But certainly, we haven't grown as we'd liked to have grown in the last 2 years. And in that process, we've obviously accumulated quite a lot of funds in our bank account. It was ZAR 700-odd million at the end of February. We need to know that it was at a lower dollar exchange rate. A lot of the money that we keep is actually kept in U.S. dollars in Singapore. Karooooo's statutory filings are in U.S. dollars and all money that we're not using operationally, we try to keep in U.S. dollars.

So we're paying out this dividend because we just believe, with the cash generation that we're going to be able to generate in FY '23, plus the cash that we have on hand, we minus, we'll just pay out some cash as a dividend.

Question Sandile Magagula

Is a substantial reduction in loans to related parties line item in balance sheet? Is the line item likely to be material gain in the foreseeable future?

A - Zak Calisto

Sandile , the related party transactions at tender since we are listed on the JSE. And we certainly are now with the biggest line item be in the building, which Cartrack occupied in Rosebank, that belong to myself and Juan. And with that now belonging to Cartrack or to Karooooo rather, it will certainly stop becoming a related party transaction. And that will have -- that will probably reduce the related party transactions to close to nil. And that's the main reason why we did that transaction.

END

We thank you all for all the questions. And thank you very much once again for attending our presentation. Thank you. Bye, bye.