

Conference Call transcript

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ANNUAL RESULTS PRESENTATION

Babalwa George

Good morning, ladies and gentlemen. Welcome to Zeda's inaugural annual results presentation. My name is Babalwa George. I'm the Head of Investor Relations and Corporate Affairs. Today I'll be facilitating this session. Introducing the agenda, our CEO, Ramasela Ganda, will introduce Zeda Limited and take us through the business overview. She will hand over to Thobeka Ntshiza, our Finance Director, to take us through the financial overview. Thobeka will then head back to Ramasela, who will conclude with strategy and outlook. I will then come back and facilitate Q&A. Without further ado, I would like to call our CEO, Ramasela Ganda, on stage.

Ramasela Ganda

Thank you, Babalwa. Good morning. And thank you very much for joining us this morning. In the room with me, I've got the Zeda leadership team. And this morning, we will be taking you through our annual results for the year ended 30 September 2022. But before we do that, allow me to introduce to you Zeda. Zeda was formed in 1967. Two years in its formation it acquired the Avis licence. 53 years later, we are still trading under the Avis brand. We have a long standing relationship with our principal, Avis Budget Group. Hence, in 2015 we added the Budget brand. Fast forward to 2022, 13 December 2022. Zeda will be a standalone listed company returning back to the Johannesburg Stock Exchange. This is after 17 years as part of the Barloworld Group.

The last two years as Zeda we spent preparing ourselves for the exit. And now, just about to be an independent listed company, we will continue to execute on our integrated mobility strategy, but with more autonomy on accessing and allocating capital. That is underpinned by our very own capital allocation framework that seeks to drive shareholder value. What is our purpose? Our purpose is to connect humanity, and we aspire to drive greater adoption of vehicle usership economy. We will then be exposing things like total cost of ownership. I know most of you, and I'm saying this comfortably, don't know the cost of ownership, how much it costs us to just have a car in a garage. And I know in most cases not by choice, because of some of the challenges that in the area that we operate with regard to transportation.

But as a purpose lead business, we want to connect humanity in a most responsible and sustainable way. Most of our brand ambassadors spend a lot of time on the road, either chauffeur driving or moving vehicles from one point to the other, working at the workshops. For us it's to drive a zero harm culture. And we are implementing some of our offerings like Avis SafeDrive to improve the techniques of our drivers. Water and energy is very key in our business because it is important that every car that leaves our site is clean. And in that space, we have been doing water cycle and moving towards waterless in smaller areas. When you look at the emissions, we are the first car rental company to become carbon neutral in 2009. And we then started building on that in the way that we report, in the way that we account for emission.

And I'm happy to say, earlier this year, we've delivered our first batch of hybrid fleet to our leasing customers. As if that is not enough, we have added a complete car group in the short-term car rental for hybrid vehicles, the largest in the car rental space in our country. When you look at EVs, we're working with OEMs, and very soon, we will be adding EVs in our luxury fleet for both Avis Luxury and Avis Chauffeur Drive. On a social element, to improve the socio-economic conditions of communities that we live and work in, for two years in the role, our priorities have been fighting gender based violence. And it's fair to say I spent last night sorting out protection orders. This case is one that we will not stand for. And as leadership, we will protect our communities and ambassadors.

When you look at governance, we hold ourselves to the highest ethical standards. As Zeda leadership we've made a pledge publicly for our ambassadors and the community to hold us accountable. At the same token, we now are led by an independent board of directors with diverse skills, led by Interim Chair, Mr Sibani Mngomezulu, supported by the Chairperson of RemCo, Miss Yolanda Miya, and our Chairperson of Risk and Audit, Mr Donald Wilson and Dr Ngao Motsei, our Interim Chair of SETC. Our independent board of directors is supported by myself and our Finance Director, Miss Thobeka Ntshiza.

Our business of integrated mobility, where and how does it work? Our businesses is best explained in an illustrative way. When you look it up business, it's like two sides of the same coin. On one side is short term rental, renting from a day to 12 months. On the other side is long term listing from a day to an average of 44 months at the same time as a vehicle. And we are experts in managing these assets from a specific customer requirement and need or general market demand to acquisition, total cost of ownership, how we deploy it to the customer, utilisation to get the optimal return out of that utilisation, service and maintenance in its life, tracking and recovery, to eventually de-fleeting it in our Avis car sales, where we have 14 Avis car dealerships throughout South Africa, online Avis car sales for retail. And for wholesale, we've got an auction site where we do bulk deals and sell it to dealers.

When you look at the car rental area, we have a wide spread of fleet starting from an entry level to your busses, Avis Luxury Car, Van Rental, Chauffeur Drive. And we've got additional services that cover personal accident insurance. When you look at the leasing side, a comprehensive fleet management solution with full maintenance lease, managed maintenance, and a lot of value added products like your telematics, intelligent fuel management. What makes us extra special is the footprint that we have. We are in 11 countries, ten of which are in Southern Africa, and one in West Africa, Ghana. It makes us accessible with 76 branches in South Africa, and 26 for Van Rental, and a digital platform, a well-managed call centre facility where people from all over the world gain access to us. We've got over 250,000 fleet under management, of which 34,000 is on the balance sheet.

Over 50 years of customer relations, and OEMs with deep relationship. As I've indicated, we've got 14 car sales dealerships. We run on the back of strong brains. Avis is top of the mind when you talk about car rental. Then we've got Budget. We've got Avis fleet. More importantly, and the most important part, is that we are supported in total with about 1,700 brand ambassadors. This is the leadership that is in the room with me today, with over 274 years collectively of commercial experience, some gained within the group and others externally. And if you take few of us here, that age will even go further down. So, we've got 44 years average age in the team. Very vibrant, very agile.

And in 2020 April, when COVID significantly and severely impacted our business, especially the car rental business, it was a call for an agile and leadership with clarity to deal with underperforming business, right-size the fleet, right-size the footprint and develop a strategy, which is where the integrated mobility strategy came out, and create an organisational structure that is fit for purpose. And in addition, evolve our offerings as you remember the usership economy, adding subscription and introducing heavy commercial into our business. Within the shortest period of time, this leadership, supported by 1,700 brand ambassadors, managed to carve out significantly our parent related services, the group related services. We've put together the governance structure, as we've seen, with the board and other structures that we've put. We've externalised a significant portion of our funding, which our FD will take you through, and most importantly as well, prepare us for the listing. That is this team and the brand ambassadors.

Lastly, but most significant part, we've managed to deliver superior results. Revenue, R8.1 billion, a growth of 6.6%. Our recovery trajectory is working according to our plan, and we continue in this direction, determined to deliver more value. That is done despite the challenges of supply chain and low recovery in inbound. We delivered a solid EBITDA of R2.8 billion. I went back about five years, and I can tell you, this is the highest, 28.1% increase, and operating profit of R1.3 billion. Yes, we do still have the benefit of the used car market because of the shortage of supply. At the same token, we are very deliberate in our cost management and we're very deliberate in expanding on our offering. A robust headline earnings per share, up 70.9%. Zeda delivered sector leading returns with ROE 32.7%. I will now hand over to a Finance Director to come and unpack those numbers for you.

Thobeka Ntshiza

Thank you, Ramasela, and good morning. It is my pleasure to present to you this morning the financial results for Zeda Limited for the period ended 30 September 2022. This is the Zeda story. You will see that we are presenting a five year period referencing 2018 and 2019 as the base of what this business looked like before COVID hit us in March of 2020. I also want to ask you to look at the average fleet, and particularly the fleet that has delivered these results for 2022 financial year and compare it to 2019. This is a fleet size that is at 70% of 2019 levels. Coincidentally, if you look at our staff complement, our staff size is also at 70% of 2019 levels. And yet, when you look at this set of results, they demonstrate the resilience, the strength and the sheer determination of the leadership and the brand ambassadors that have supported and lead this business.

2020 has got six months of COVID, April to September 2020. And yet, what you're going to see here is that the diversified revenue streams of our business have enabled this business to be able to deliver a positive EBITDA in 2020 and a positive operating profit. This business has diversified revenue streams of car rental, car leasing, value-added products and car sales. Yes, 2020 we were hit particularly harder on the car rental business. But when you see on the next slide, the customer segments that also support car rental, you will see the impact of on airport business declining and the impact of lower inbound travel. Yes, they've impacted the business revenue, but the additional customer segments have enabled this business to be standing here today, sharing with you its recovery and its growth for the future.

And so, when I look at the slide, I see opportunities for 2023 and beyond. The margins that you see in front of you, particularly for the five year period, are unmatched to previous results with EBITDA at 34%, operating

profits at 16%. What do we attribute these earnings and profit margins to? Yes, we definitely did gain from the buoyant car sales markets and the high used car margin. But in addition, what this leadership team with its brand ambassadors behind them and side by side with us, we right sized this business in terms of fleet to be commensurate to the trading activities in the volumes. We further took great care to understand where the demand was going to come from. And we ensured that we matched the fleet requirements to the demand that every day a vehicle is at the right place, at the right time, for the right customer.

Additional actions and activities that were undertaken, we exited underperforming businesses between 2020 and 2021. We integrated the shared services and back office for cost rationalisation and also to reduce costs and improve efficiency. I believe that these behaviours and the discipline that has taken us forward since 2020, will be the culture that we will take with us in 2023 and beyond. And off the back of that, I believe we can sustain these margins of 2022 that you see in front of you.

These are some of the key performance indicators that have supported this business with car rental fleet at 79.1%. And I dare say, it is an industry high. Revenue has increased by 9.7% for the period under review. Ramasela has shared with you some of the initiatives that were undertaken by this leadership in 2020. One of those initiatives was including and introducing heavy commercial into our stable. We have seen impressive growth coming through from that segment, contributing an additional 300 units in the leasing business for 2022.

From a period of 2019 to 2022, this business has seen coming together of the end of some of our key large contracts. Those contracts from 2019 to 2022 have reduced our fleet size by over 5,000. And yet, you see this business maintaining and sustaining its revenue from 2021 to 2022 at R2.2 billion. And this stable pace is what we will take forward with us from a growth perspective. I'll unpack these corporate segments on the rental and the leasing business in the next slide.

The rental business is made up of different customer segments as they are illustrated on the screen. I've also put forward 2019 as a reference base on how this business was generating its revenue, and we're now comparing it to the business of today. What is pleasing to see is the increased contribution from subscription and replacement. These are contracted businesses that also provide us with longer length rental. These two segments have also seen us increase the customer base and extending our footprint to areas that were not touched in the past, thereby increasing the revenue pool for this business.

Local leisure and inbound still sits relatively low compared to their contribution in 2019. We look forward to the return of inbound. We've been encouraged to see forward reservations coming from tourists from countries like the UK. We do expect this area to significantly recover from its 2022 base in 2023. As the supply chain for the delivery of new vehicles stabilises in 2023, we are geared to invest further in our fleet to be able to further support the discretionary revenue streams coming from local, corporate and public sector. And therein lies our revenue opportunities and growth for 2023 and beyond.

The leasing business has generated most of its revenue from corporate and greater Africa, with 79% coming from corporate and a very solid performance from greater Africa. The increase in the contribution of corporate has signalled to us the economic recovery in our country and that we are also seeing the increase in confidence from corporate SA, that they are now looking to enter into medium and long term contracts with our business as

they seek to invest in their balance sheets, in their business for the future. It is also in this space that we've seen a high demand for light commercial vehicles. The light commercial vehicles is the last mile sector for the delivery of e-commerce purchases to homes and to our businesses. There is a clear reduction in our contribution of revenue coming from public sector. As I shared with you earlier on, this is where we've seen a decline of approximately 5,000 fleet with the fleet size remaining in this space under 600 units on a total fleet size that is over 17,000.

Our headline earnings per share at 71%, an impressive 324.70 for the period that we are reporting. Our basic earnings per share has been impacted by non-operating and capital items from a system development that was discontinued. We have also seen foreign currency fluctuations, particularly coming through from our Ghana region. Ramasela shared with you that we've got over 34,000 units on balance sheet. We've presented to you where the values of our investment in the fleet have closed with rental at R3.8 billion and leasing at R3.5 billion. When we classify the rental fleet, we classify it as current assets. And the leasing business is classified as non-current assets.

As we embarked on a journey to externalise the debt in the period of 2022 financial year, we also understood that for balance sheet optimisation, we will be best positioned when the funding packages that we were entering into with the external financial institutions had a debt profile that matched the lifecycle of the fleet and the maturity profile of the fleet, with the total funding split between 41% long term debt and 59% short term debt. And we will unpack this funding in the next slide.

This is the capital structure that supports our business. This is the capital structure that has enabled us to deliver those superior and quality returns that you've seen in the previous slide with a net debt at 72%, and equity at 28%. We have closed with a total net debt of R4.3 billion. In the R4.3 billion, you will see that this now presents a picture of mixed funding with debt already externalised and a portion of debt that remains from an internal group perspective that will be settled in the 2023 financial year. Coming out of this capital structure, I do believe that it is this debt funding, supported and secured by the assets that sit in our balance sheet, that we will continue to deliver superior returns. And ours will be to continuously assure and share with you the responsible debt on balance sheet compared to the operating assets, our ability to service that debt, our ability to demonstrate the capital repayment of the debt in line and in relation to the fleet cycle of this business.

We generated a positive free cash flow of R670 million for the period under review. And that contributed to the reduction in the net debt to R4.3 billion for the period. The return on equity, as I've shared with you, remains superior and higher than the market average at 32.73%. What are the key takeaways that I would like to leave you with? That ours is a business that still has significant opportunities for top line growth that lies ahead. With that growth, we will generate robust earnings, with a balance sheet that is asset backed, debt to equity of 70:30, and we are starting our financial year 2023 with the headroom of R3.1 billion. With that, I'd like to hand over back to Ramasela.

Ramasela Ganda

Thank you very much Thobeka. Looking forward, the automotive, transport and the mobility landscape have been going undergoing a transformation at a social, technological and economic level. Fundamentally – I think I'm repeating myself on this – changing the way people and products are moved. I really need you to understand

that part. Mobility, if you look at the trend, right to repair is really driven by regulatory. And we see ourselves as a player in the full fleet management services playing in that area as well. But there are three that are technologically driven. Your mobility as a service, connected assets, and EVs. Zeda's current offering is mobility as a service. It spans from a self-drive when you do your normal car rental, or a driven service in our Chauffeur Drive. The subscription offering, I've said it before. And when you look at the leasing, a full fleet management capability. And as I've indicated, the role that OEMs are playing, and we are engaging with them on this aspect.

What is our strategic focus? As the leading integrated mobility solution provider, our strategic focus is to drive deeper and greater adoption of vehicle usership economy. We will continue to evolve and expand our offering utilising data, innovation, technology as we intend to still utilise technology to digitalise some of our processes. We will optimise our balance sheet because we believe this market is perfect for growth, and we will generate cash. When you look at the tailwinds that this industry of ours still has, let's start with one that we mostly look at it in a negative way, which is the shortage of supply chain, all the challenges that comes with supply chain. Thobeka in one of the slides indicated that 54% of our business is contracted service.

So, that means when you have supply chain challenges, you serve this contracted service, which is a long lead time. So, you've got above average of 22 days of a car whether it's a subscription or it is the replacement business. And the business because of supply chain is going to be challenged. It is discretionary business. Those are your local leisure, even corporate, at times where we actually could not serve the market. And those discretionary are high yield business, short length of rental. And if you look at what happened in this financial year around what we call our Christmas time – and Christmas, just for your information, starts just at the end of October and it ends just before Easter – we were unable to meet the demands of a discretionary business.

So, these returns do not take that fully in account We still know that cooperate has started picking up and public sector, but inbound is still at 40% of pre-COVID level. Yes, we know that the used car market has been buoyant. It has started slowing down, and it will. But when you look at the prediction of where supply chain will look like coming back to normality, we are talking second half of 2023 calendar year. So, that means we are still in this period. But what we are then focusing on is continuing to grow our revenue with some of the tailwinds, but more importantly, growing and evolving our offering to maintain the EBITDA margin that Thobeka mentioned. And our business as a return on equity, we are able to deploy the capital to do the kind of return that can be expected, or even better, sector leading. And on that note, I'd like to thank you all for joining us, and also pass my deepest regards to the Barloworld family, wherever they are watching. Thank you.

Babalwa George

Ladies and gentlemen, I would now like to open the floor for questions. I will start by reading questions on the webcast. The first question on the webcast is from Nhlakanipho from 361 Asset Management. I will read his questions together with a question from David because they both talk about the City of Jo'burg issue. The first question Nhlakanipho asks. Please can you comment on the impact of the COJ contract and what the earnings contribution is in your leasing business? Reading it with a question from David, David asks, please can you give us some updates regarding the current well-publicised dispute on the Jo'burg leasing contract? Ramasela.

Ramasela Ganda

Thank you very much, Nhlakanipho and David. I'll take that particular question. The impact on earnings, COJ contributes about 8% in our operating profit. We did, as the contract indicates, we were expecting it to decline. It is important that we note that 8%, because we were de-fleeting during the year, a portion of the fleet of that 8% is coming out of disposal, meaning car sales of the fleet that came from the City of Johannesburg. The fleet size contributes just over 3% of our total fleet in the leasing side. David, as we have indicated, the contract has come to an end. And we have executed as normal operation. As soon as a contract ends, we will then start giving notice, we de-fleet, and that that has been the process. I'm sure you have already seen in the press the City of Johannesburg has approached us because they do not have fleet to provide service. We have given their letter to our lawyers to look at it. But we know that their fleet has already been de-fleeted. But at the moment, the letter is with the lawyers to see where they need help. But from a contractual point of view our contract with the city and at the end of October. Thank you.

Babalwa George

Thank you Ramasela. The next question is from Dumi from SBG Securities. How many customers form part of the rental subscription business? How has this grown to date versus to pre-pandemic?

Ramasela Ganda

I did indicate, Dumi, that I am with a [unclear] of the Zeda leadership. And I will hand over this question to our Executive of Commercial Car Rental, Mr Litha Nkombisa. Litha, will you be able to take that question please?

Litha Nkombisa

Good morning, everyone, and everyone online. As indicated in the presentation, we actually relaunched the monthly subscription product in the middle of COVID. And when we did that, we increased the individual subscription members to 5,000. We hit a peak of 5,000. At that point we attracted customers that were not the customers that we were looking for. And we calibrated the subscription product, and we crowded out those customers over a period of 18 months. And we've now stabilised at around 2,800 core subscribers. And in fact, that's the base that will carry us into the future, because we are launching variations of that subscription model, including Avis. Where you have time. I'll explain that later on. But we have that base as we go into the future. Thank you.

Babalwa George

Thank you, Litha. A question for the FD. Please could you give an indication of car sales end of life income to this year's operating profit relative to historical levels?

Thobeka Ntshiza

We have found it to be quite consistent if you compare it to 2019, where the car sales operating profit contributed between 55% and 60%. And in 2022, we are sitting at those levels of between 55% and 60% of contribution from car sales end of life profits. Thanks.

Babalwa George

Thank you Thobeka. Can I check if there are any questions on the conference call?

Operator

There are no questions on the phone lines.

Babalwa George

Thank you, operator. I have more questions on the webcast. A question from [unclear]. Well done on a fantastic set of results. What is your targeted ROIC in the medium term? I think this came in at about 11% in FY22.

Thobeka Ntshiza

The legacy coming back to bite us. So, you will see in the pre-listing statement we've been deliberate to refer to targets when it comes to ROE. In Ramasela's ending point she's indicated that ours is an ROE business where we are looking to give capital appreciation and return on equity to the investors. The current calculated WACC for this business is sitting at about 11.7%. It is slightly aged, and it hasn't factored in the last prime rate increase of 0.75 basis point that came through. And that will be the work that we'll be doing in the next coming few days to relook at that 11.7% base. Thank you.

Babalwa George

Thank you, Thobeka. A follow up question from Dumi. Given that digitisation is one of the key strategic focus areas, how much capex will be spent forward to digitise. Still on capex. How much overall capex should we expect for Zeda?

Ramasela Ganda

Let me take the digital part. One of the key things, Dumi, that we have experienced, like Thobeka has indicated about the impairment on that, I think we've learned. We've paid our school fees. So, ours is to do strategic partnership, and not heavily invest in capex, because our capex will be redirected in the fleet growth. We are doing that in most of the activities of doing IT as a service. But that is linked to mobility. So, we've got a number of things that we're currently doing that are software as a service that are not capital intensive, and that's where we're heading to. Less capital intensive IT projects, but more strategic partnerships. Do you want to give an indication about the capex?

Thobeka Ntshiza

Thank you. So, I will focus the response on what we are planning for growth, because I've shared with you that particularly on the car rental, the fleet is a short term fleet that we do de-fleet and replace in a 12 month cycle. And that would be the replacement on business as usual. For the period 2023 we have budgeted an additional R1.8 billion for growth on both the car rental and the car leasing business. And that is underpinned by the strategy of where we see the demand for revenue coming from.

Babalwa George

Thanks, Thobeka. I'll read two questions that relate to margins. One from Robin. Robin asked if the current margins can be sustained, do you not think competition will be very strong as soon as supply chain issues are cleared? Are the current high margins actually sustainable? Paul from Nedbank also asks, what is your target for operating margin? Do you see depreciation rising materially?

Thobeka Ntshiza

So, I will start with the last question around do we see depreciation increasing materially. Our EBITDA is a function of the investment in fleet. So, as we look to grow in 2023, and I've indicated earlier approximately about R1.8 billion growth fleet, it will result in an increase in depreciation and an increase in EBITDA. But what I want to leave Paul with from a sense of context and relationship perspective, when you start with the car leasing business, every vehicle that is put on the balance sheet will have a long term contract behind it. So, that will be an earning generating operating assets. Similarly, we've shared with you that we have over 50% of our business in car rental that is contracted. And as we grow the fleet, it will be underpinned by the contracted businesses that are going to generate revenue. And we do have an element of discretionary volumes. And those discretionary volumes would have been well planned and projected against where we expect demand to come from. And the right fleet is then subsequently purchased.

On the question around sustainable margins, we do believe that 2022 margins that we've shared with you to represent a sustainable margin. And why are we confident to say that? Yes, we are expecting the car sales margins to normalise in 2023 as the supply of new vehicles returns and stabilises. But off the back of that decline in the used cars margin, we've got new revenue opportunities that come with higher yields that we are expecting to come through in 2023, for example, the inbound travel. And we've shared with you they are still significantly below 2022 levels. And the heavy commercials as we continue to grow, those come at a very high margin, just because of the type of the asset. And as that mix from the proportional perspective switches, you see the stable margins still coming through from the business. Thanks.

Babalwa George

Things you Thobeka. Operator, are there any questions on the conference call?

Operator

There are no questions on the phone lines, ma'am.

Babalwa George

Thank you. I have more questions. A comment and a question from [unclear] from PIC. Well done, team Zeda. The supply chain issue, when will it be resolved?

Ramasela Ganda

Thank you very much. I don't come alone. In this meeting I'll hand over to the Chief Operations Officer, Mr. David Porteous, to answer that one.

David Porteous

Sorry, I didn't catch the end of the question.

Babalwa George

The question reads as follows. The supply chain issue, when would it be a resolved?

David Porteous

Yeah. I think from manufacturer to manufacturer, there have been different levels of return to normal. Our key suppliers, being both Toyota and VW, they are still experiencing some major issues. But I would expect middle of

the year things should return back to normal. And we should be able then to buy the vehicles that we need for our fleet. We have over the last couple of years been unable to source our desired supply. And hence, we have perhaps overpaid for certain cars because our lesser spec vehicles are not available. So that will all be good for us when things return to normal.

Babalwa George

Thank you, Dave. A question from [unclear] from Standard Bank. Kindly elaborate on the capital repayment structure on the Absa Group loan.

Thobeka Ntshiza

So, the Absa funding was for the leasing operations. And the leasing operations, the assets against which it was funding have an average useful life at that point of assessment of 44 months. The funding itself has been structured with debt capital repayment every quarter from the date that the funding was made available. And the repayment profiles were purposely structured understanding the term of the vehicles that were on the book and to match the capital repayment with the annuity income that is coming through from revenue, with the final payment at the end of the four years as the vehicles come back from the fleet and we are selling them as used car stock. And as we turn that cycle of the fleet in the book, new vehicles will be installed, and they'll be starting their four year new cycle over that same period. Thank you.

Babalwa George

A follow up question from David. Can you please give us an estimate of the increased funding spread you are expecting once you are unbundled from Barloworld?

Thobeka Ntshiza

So, what you have seen in the two businesses – and I shared in the presentation that we've been deliberate in making sure that the financiers understand the two types of balance sheets between car rental and car leasing, because the vehicles themselves behave differently. You also do see that on the main you've got the car rental business at about 52% of total asset contribution and the leasing business at 48%. We expect the spread of the debt to follow the same profile. The short term debt and the floorplan funding facilities contributing circa 52% for car rental, and 48% for the leasing business, as they each find the assets on the balance sheet.

Babalwa George

Thanks, Thobeka. A question from [unclear]. How much growth do you see in inbound sales this year compared to last year?

Ramasela Ganda

Thank you very much. As I've indicated, we have seen an upswing. We are currently trading at 40%. And if you think about 2021, we were trading at 25%. So, we are gradually growing the inbound market if you compare the 2021 levels and the 2022 levels.

Babalwa George

Thanks, Ramasela. A question from Nkateko [?]. Great results. With floor plan funding and other debt sitting at 54%, is that something you aim to decrease, or you expect to use more of this kind of funding to support the strategy, more so on the high luxury EV fleet?

Thobeka Ntshiza

So, we do expect to use similar funding going forward. We are also assessing different debt packages and structures as we really look to also assess what debt profile really optimises the balance sheet. So, we will be introducing and looking at new data structures in 2023 going forward. But I think what is important to understand is we are comfortably geared, and we lever this business of the back of the assets that is going to be funding. And we ensure that each capital repayment of the funding has an asset linked to it. And that's why when you look at our balance sheet, you do see that we actually have a loan to value of over 100%. And as we continue to grow this business and we instal new fleet, yes, from a capital allocation perspective, we will first use cash generated from operations, and we will further responsibly utilise the debt to fund the fleet and the business.

Babalwa George

Thank you, Thobeka. The last question from James. Could you split your debt out between Barloworld, Absa and others?

Thobeka Ntshiza

So, at the end of 2022, the group was R1.2 billion, which will be repaid in the new financial year. The funding from Absa, which was specific for the car leasing business, is R1.9 billion for 2022. And I think it's also important to just explain that it was not new debt. It was the externalising of debt that was previously internal. So, we repaid Barloworld, and we externalised the debt with Absa. We have started to make use of floorplan funding. That also started from March of 2022 to September. And you see floor plan funding the car rental business. And that was a total of R1 billion utilised for the period 2022. And the sum of those three are the major contributors to the net debt that you see in our books.

Babalwa George

Thanks, Thobeka. Before I close, can I check if there are questions on the conference call?

Operator

They are no questions on the phone lines.

Babalwa George

Thank you. Ladies and gentlemen, with no further questions, we have now reached the end of the session. We will be however engaging with you over the next two weeks during our pre-listing roadshow. This will lead up to the 13th of December when Zeda Limited will be listed on the main board of the Johannesburg Stock Exchange. With that, I would like to thank you for your time. Enjoy your day. Thank you.

END OF TRANSCRIPT