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Operator: …and thank you for standing by, welcome to the Karooooo First Quarter 2022 Earnings Conference Call. At this time all participants are in listen-only mode. After the speaker's presentation there will be a question-and-answer session. To ask a question during the session you will need to press star one on your telephone. Please be advised that today's conference is being recorded. If you require any further assistance, please press star zero. I would now like to hand the conference over to speaker today, Mister Zak Calisto, CEO, Founder. Thank you – please go ahead, sir.

Zak Calisto: Thank you very much [Ajay]. I want to thank everybody that's made time for our presentation, Q1 FY22 results. I will go through the presentation and clearly at the end I will answer as many questions as I possibly can. I founded the company in 2001, we launched in South Africa in 2004 and during April this year, we moved our headquarters to Singapore and the holding company is called Karooooo and it now owns 100 per cent of Cartrack as from April in this first quarter. Since we set out in the business in 2004, we are always of the view that all vehicles will be connected and data will drive all aspects of mobility in the future. This has taken much longer than I anticipated, but our mission is certainly to build the leading mobility SaaS platform that maximises the value of data.

With over 76,000 commercial customers and approximately self-proprietors and consumers of 500,000 customers, we've got a dataset and collect over 58 billion data points on a monthly basis, a comprehensive data from customers in different industries, in different geographies, using different types of vehicles, different fleet sizes. All of this data, it allows us to contextualise a lot of the fleet businesses, a lot of different business processes and [unclear] allows us to give comprehensive business intelligence report and predictive analytics to our customers, whether they are either just fleet management in the insurance industry. That's fundamentally what we do.

We collect data from propriety in vehicle smart devices, we also collect data from third party AM devices in vehicles. We store the data and fundamentally we then process data to create the value. We have APIs into third party systems, where we push and receive data from. We've got a relatively consistent history where we've year on year consistently or quarter even on quarter on quarter consistent increased our customer base, our subscribers. We've grown our revenue on a consistently - and our operating profit has also grown consistently, our EBIT from time to time it does got a little bit up or down, but over time the lineal the line is certainly trend upwards.

One of the things we found ourselves is the way we allocate capital. We've got strong financial discipline and we're continuously monitoring our process on a daily basis. We are quite fortunate that our business is annuity-based business. We've got [unclear] subscription revenue growth, 97% of our revenue comes from annuity, and that obviously gives us quite a bit of confidence into the months to come of what our revenue line would look like. Our subscriber growth, if we compare it this quarter compared to the previous last year's quarter, we grew about 21%. Revenue growth grew by 17%. On a constant currency we grew by 22%. I think it's important to note that on a constant currency, our subscription revenue grew by 20%.

We've now ARR as of May is ZAR2.5 billion, which is at 18%. We did have quite a bit of play in terms of currencies over this last year. We saw the rand depreciate so densely against the vast of currency that we operate in. If you then look at our ARR in US dollars, you will see a 51% increase to $181 million. A lot of that is led by the depreciating South African rands. We've had a relatively good Q1, we grew compared to Q1 last year in terms of net subscription additions, 760%. That could be a little bit out of context given that in Q1 last year, it was really the beginning of COVID, it's a very difficult time. But times are still difficult for us at this point in time, but we've got a bit more used to trading in this currency environment.

Irrespective of that, if you look back to Q1 of FY20, our net quarterly subscriber additions is still more than 100%. I would say that the last three quarters have been very good quarters in adding net subscribers, and typically our Q1 is not normally our strongest quarter given quite a lot of Jewish and Christian holidays and also the Asian holidays. So we're quite content with the results and our achievement in Q1. We continue to see growth of our customer base. What we are experiencing with COVID is more than normally what we're seeing is the different sizing of customers. Where you'll have a customer that had 50 vehicles now it's 20 vehicles. But there is a bit of more movement in the downsizing or increasing of vehicles throughout our customers. Our commercial customer retention remains strong at 95% and with our very low industry and customer concentration risk. The car industry, which is considered to be quite risky given COVID, it's less than 1.1% of our base, and our largest customer is less than 1.7% of our revenue. Also I must add that the largest customer, the 1.7% in terms of bottom line, due to the discounts, it's substantially less than 1%.

In terms of cashflow, our operating activities, we're actually up 90% compared to Q1 of FY21. Clearly with the growth we've invested more into PPE, so we've seen a 77% growth in PPE and our free cashflow is down 12% primarily on the back of our growth in investing in our growth of our business. We believe one of our advantages over and above our internal systems and our platform, is over the years we're improving substantially in our ability to acquire customers to acquire subscribers. Subscriber being the vehicle that belongs to customers. I always tell we have a certain element of control on retaining customers, but the vehicles or the subscribers, that's really by default, we can't subscribe to our customers how long they retain their vehicles on our platform. So we do see customers selling their vehicles after they've been in the platform for 12 months, others after 18 months. But all of these units [unclear] take into consideration to build out our model.

So what we saw in Q1 this year compared to Q1 of last year, we saw an [unclear] drop from ZAR155 to ZAR150. Predominantly that drop has actually got to do with the currency, where the strong rand had a negative impact on our ARPU and it's also got to do with quite a lot of customers in some Asian countries and in Africa, outside South Africa where they're getting holidays where they're not actually using the vehicles. So that's had a negative impact, but I think overall on the constant currency our actual ARPU is actually increased compared to last year. But it's still trading in the range that we find our [unclear] range, which is between ZAR150 and ZAR160.

Our subscriber contract lifecycle remains very consistent just over 60 months. We depreciate any capitalisation of customer acquisition or subscriber acquisition, over 60 months, it's more subscriber acquisition. What you do see is a huge decline in our cost of acquiring our subscriber, from ZAR2636 to ZAR2005. There's a little bit of noise in that, in the sense that in Q1 last year we had substantially less overheads in terms of salespeople, but there was substantially much less - the productivity is substantially less because of COVID. At this point in time, our productivity is still not where we want it, because we onboard a substantial amount of sales and marketing stock. But nevertheless, we've seen that improvement from ZAR2636 to ZAR2005.

In terms of what we capitalise, that dropped from ZAR1624 to ZAR1489 and that's got predominantly to do with our new generation telematics hardware. Subscription revenue gross profit margin, that dropped to 72% as opposed to 74%, but once again that is also driven by the revenue in ARPU, which is lower because of the currency predominately the exchange rate against the rand. It's important to note on the slide that the portion that we expense up front is normally related strongly to customers that we've onboarded. These customers will have the second cycle of vehicles coming where they de-fleet their vehicles, they bring in more vehicles. That would normally - we wouldn't be incurring the sales salaries again nor the marketing costs.

So over time it would stand to reason that your cost of acquiring a subscriber will decline, however we see that that could change with 5G units that we [unclear] probably within the next year or two, and that could also have an impact on the unit economics. We operate in a large, under-penetrated market. South Africa is just, it's our estimate and sometimes it's very difficult to get numbers with a huge amount of accuracy. It's just over 10 million vehicles, some people talk about 12 million vehicles. We've got just under 1.1 million vehicles, so we have at this point in time, we believe about 8% of the market. We believe that allows us to grow at very good rates specifically still for another 5 years, before we slow down growth.

In Africa we believe we've got 63,000, so we can really grow Africa. It hasn’t been one of our priorities. We will focus on that priority probably in 4 years' time, once we believe South Africa has reached a certain level where we move that 1 million customers to [unclear] 2 million, and then we can use our strong hold in South Africa in the [unclear] capital in South Africa to moving to Africa. In Southeast Asia, it's a huge opportunity with well over 100 million vehicles, it's substantially more than 100 million vehicles. We've only got 124,000 vehicles and we approximately 2 years ago were feeling very positive about growing Asia and we are at our best. Then COVID came, which is basically now 15, months ago, 16 months ago, and that's really made it very difficult for us to be able to move around Asia, to be able to onboard people.

We were hoping if you asked me 5 months ago, 6 months ago how would Asia look like? I would have thought by middle of this year it would have - the markets would have opened up much more. The reality is they're actually closing up more. So Southeast Asia is we see Singapore has gone into a relatively - they're closing and most people working from home, they're closing all the restaurants from tomorrow. So the trading conditions don't seem to be very favourable, but we're very well positioned to grow in Asia once the market opens up. We have employed about 150 people in this last quarter in Asia, in the hope of the market opening up and we are moving some of our staff that are sitting in Europe, in America and in South Africa that were meant to go into Asian countries. We are bringing them to Singapore and hopefully they will - with the Singapore team and we will start gathering momentum, hopefully in the near future in Asia. Because we certainly believe that's our biggest opportunity.

Europe also a massive opportunity for us. Europe is what we're waiting for, we certainly want to start really investing for growth in Europe. What we do see in Europe is they go from lockdown to open up the market and it's quite - it fluctuates. The policies seem to change quite frequently and we would like to see Europe to the next winter and then after that start investing substantially in Europe just the same way as we've invested in South Africa in the last 6 months or 7 months, where we've actually employed in the region of about 700 people, 650 people. We look forward to the opportunity, we believe it's huge. We will focus on customer acquisition and as the markets become more penetrated at that point in time, we can focus on increasing our ARPU by charging for the value-added services that we're continuously adding on to our platform. That at this point in time we're giving to our loyal customers just for customer retention and to create customer [stickiness] and to make our proposition very attractive.

If we look at our subscribers in this quarter, quarter on quarter, South Africa grew by 23%, Africa by 5%, Europe by 14% and Asia by 17%. During this quarter, in actual fact I would say actually for the last 6 to 7 months, we've been investing quite heavily for growth. If you look at the amount of capital that we've allocated to sales and marketing, that's gone up by 71%. R&D by 44% and G&A approximately 21%. We did experience growth in the G&A but it is also expansion costs for Asia and even for South Africa there. So we believe we will reap the rewards of this investment in months to come. We've onboarded a lot of people that will probably take a few months to become totally productive, and given COVID which obviously slowed down the process of the transfer of knowledge. We believe by Q4 of this year, we will get the results that we desired out of all the staff that we've onboarded and we're very excited about the future that holds for us.

Our operating metrics, our subscription revenue grew from 526 million to 606 million. ARPU dropped from 155 to 151. Our growth margin dropped from 73% to 71%. Most of this is really due to the current exchange on the ARPU, it brings those margins down. Then research and development that we increased from 4% as a per cent job subscription revenue to 5%. Sales and marketing, that's been increased from 10% to 15%, all in line with our plans, and G&A that's increased from 20% to 21%. Our adjusted EBITDA margin last year was 50%, this year it's 44%, it's very much in keeping with our expectations and we believe that the adjusted EBITDA margin will increased about 45% by the financial year end.

Our outlook that we gave at the end of FY21, we maintain the same outlook and that is to get subscribers to be between 1.5 million and 1.6 million, our subscription revenue between ZAR2.5 billion and ZAR2.7 billion and our adjusted EBITDA margin between 45% and 50%. It's just important to note that our ARR is actually at ZAR2.5 billion as of May. On that note I'd like to thank everybody for taking the time to listen to us, and I will open up for questions.

Question number one from [Repo Maloti]. Good day Zak, what do you honestly think of our prospect so far about expanding into mature markets like Europe and the US? Don't you think it's too risky or do you think the competitive advantage we have is strong enough to compete with such markets? And if yes, what makes you think so?

So it's quite a long question. We've got a very small office in the US. I think the US market is a very exciting market full of opportunity. But we just haven't got the human - we haven't got enough - we're spread too thin to tackle the US. Where in Europe, we compete very favourably with our competitors there, in actual fact we win a lot of the business over there, and we believe that's definitely an area where we want to certainly invest in Europe. I think the US over time to come, we've got enough on our plate that probably the best solution for us would be an acquisition or a merger in the US at the later time to come. I don't think right now. Right now I think we've got enough on our plate and a lot to do.

Next question from [Rudy Fundaket]. What was the impact of COVID restrictions during the period? How do you think your [unclear] compare if we had zero COVID restrictions in the operating regions?

Rudy obviously I haven't got a crystal ball, but my gut feel is and the way we've prepared, is to obviously be growing much faster than what we're growing at. I think under the circumstances, we have to focus on the market that we believe are the easiest to trade under COVID. South Africa is a very open market just after the US. Europe was half open. Asia was very closed, a very closed market. So we focussed where we could do best and with the results we achieved, obviously under COVID we believe and our targets for our management would certainly be - to be doing better than we're currently doing.

[Anthony Geert]. Hi Zak, great subscriber growth. Can you provide more colour on the geographic split of sales and market expenses, where are you spending the extra money and when do you think the proof of this investment will be evident? Also the travel restrictions are most out of the way now, is your team able to travel in the region?

So the type of restriction with anything that intensifies, is still very difficult to travel in the region. I think Anthony quite frankly, I thought by now things would look very different, but it's really, I would say it's even tougher now than it was three months ago. Where did we spend most of our sales allocation of sales and marketing? It was predominantly South Africa and a bit of Asia. We want to then spend the growth in Europe, just I would say in about two quarters time, we just want to see after the summer holidays of Europe, what that would look like. But the minute we see Asia will open up, that's where we really want to allocate a lot of capital to. We see Asia as the big opportunity, but at the moment very tough to do business there. Especially if you haven't got the strong presence on the ground and you're busy growing the business, it's quite difficult.

[Daniel Bartlett]. Okay, Daniel says he'll ask the question, how does that work? Okay I'll do it after this.

[Roy Campbell]. Could you talk through the seasonality embedded in your four quarters in a normalised environment?

So our business is not very seasonal, although our two weakest quarters is Q4 and Q1 and those quarters are normally quite weak quarters given all the holidays. Specifically in South Africa in December and then obviously with the Easter and the Jewish holidays and some Asian holidays around the first quarter. That makes traditionally - because for us it's all about trading days. The less trading days we have, [that's how it impacts us]. It's not really the weather, it's more the trading day if one has to take a direct hit. I'm not sure if I've answered Roy's question, but I think I have.

Ajay, can you ask the questions from [Mike]? From Canaccord?

Operator: Mike your line is open now, you can ask your question.

Mike: (Canaccord, Analyst) Great. Thank you. Congratulations on the strong start to fiscal 22, despite probably some of these markets more locked down than you anticipated when you gave the initial guidance. Can you just talk longer term, just should some of these regions such as Southeast Asia start to reopen, how do you think the business might reaccelerate in terms of longer-term growth, particularly with the sales and marketing headcount additions you've made over the past year?

Zak Calisto: Most of sales [unclear] appears to have actually [unclear] South Africa, although [unclear] about 157 people [in parts of] the last few months in Asia in anticipation of the market opening. We believe we will do really well in Asia, we feel very confident in it, our management feels very confident. We will have to build our expansion in terms of distribution, our distribution is quite limited given the size of Asia. [Unclear] allocate capital - we believe we will do well. So where we have got traction, we believe we're winning on the ground, I certainly believe that our platform is superior, far superior and our solution is very comprehensive. So I think we'll do really well in it.

Mike: (Canaccord, Analyst) [Unclear 26:00]. Just a follow-up question from me and I'll pass the line. Zak are you seeing any change in competitive dynamics in South Africa, you know Inseego sold their Ctrack business, [unclear] made some headcount reductions last year. Then there's companies such as Samsara moving in there. So could you talk about competitive dynamics as it looks like you guys continue to do very well in the South Africa market?

Zak Calisto: The South Africa market is very competitive, it's also one of the most highly penetrated markets in the world. So it's very competitive. I [unclear] what our peers are doing [unclear]. But we're winning on the ground and we're growing our business. I think that maybe the most - the thing we're really focused on. At the end of the day, we've only got 8% of the full market, so we believe [unclear] we'll continue growing.

Mike: (Canaccord, Analyst) Great and maybe just one quick follow-up too, just on South Africa, there's been some social unrest in the news there. Any impact to your business in the current quarter? Or do you feel like trends remain pretty strong in that region? Thank you.

Zak Calisto: So it would certainly have an impact in this quarter, the social unrest it lasted, if memory serves me correctly, about two weeks. It appears that it's all calmed down, it's all back to normal. But like we all know with these unrest situations, they could spark up [unclear]. So we think we have [unclear] and we probably [unclear] of the business that we would have normally gained. However in August we will have another great month in August. So June was [unclear], July despite this is probably we'll still do more than half of sales.

So under the circumstances, I think it will impact the quarter, but will not [unclear]. So obviously [unclear] in businesses, [unclear]. So it's a bit of [unclear] on us in terms of the loss of customers [unclear] with COVID. But nevertheless, I think even [unclear] we are really [unclear] customers that we [unclear] with them in stressful times, [unclear].

Mike: (Canaccord, Analyst) Thanks for taking my questions and best wishes for ongoing success.

Zak Calisto: [Matt] from [William Blair].

Operator: Sure, sure, we have our next question, your line is open, you can ask your question now.

Matt: (William Blair, Analyst) Thanks for taking my questions Zak. Just wanted to follow-up on your supply chain and how you feel about your inventory levels and ability to source new inventory and is there any sort of concern about that being a constraint from a growth perspective?

Zak Calisto: At this point in time Matt, I don't believe so. We've got certainly enough inventory at this point in time to conduct business as normal and if we did ever get into a situation where we haven't got inventory, I would see it's probably in the next financial year. Should something that we cannot think about go wrong, in terms of supply chain. But we believe this financial year we certainly feel very comfortable we're going to have no issues.

Matt: (William Blair, Analyst) Great and then just one more question from me, just wondering if you could provide some detail on some of your newer growth initiatives, such as Carzuka or the insurance initiative that you have?

Zak Calisto: With Carzuka, we're hoping to launch in Q4 of this year. With COVID we've always put out that we will launch in the latter part of this financial year. We're doing tests at this point in time, and we feel very confident we're going to do well and we're going to build this business over the next 2 to 3 years and I believe we'll grow it into a big business. I don't want to promise the market, or promise anybody expectations, clear expectations. But myself and management feel that we're doing the right thing and we believe that it's going to create a tremendous amount of value, not only for us but for our customers as well.

Matt: (William Blair, Analyst) Great, thanks a lot for taking my questions Zak.

Zak Calisto: Thank you.

Operator: The next question is [Daniel Bartlett].

Daniel Bartlett: Hey Zak.

Operator: Your line is open.

Daniel Bartlett: Okay great. Hey Zak, thanks for taking the question. First, I noticed the large leads continue to grow as well. Can you just talk a little bit about what you're thinking in terms of second half or next year, how much of the growth should be coming from larger fleets versus the smaller fleets? Are you changing strategy at all to go after that opportunity more?

Zak Calisto: So you know my view Daniel is this. Large fleets are actually a very small percentage of the vehicle parc in the world. So we've taken the view that we go for the small medium enterprises, and then after time we go into the large groups. We've started going to the large groups. The penetration rate in large groups is larger than in the small and medium enterprises, and we certainly are going to start with the large fleets, and we are already going through quite a lot of the large fleets, switching from their current providers to us. But I think there's a longer runway for growth in my view, and given all of that, I think we mustn't go and focus on large fleet as a core business. I believe the way we've grown the business we must stick to our [core business].

Daniel Bartlett: Yes, that makes sense. Then just wondered Zak if you could talk a little bit about what you're seeing in Africa outside of South Africa? You know that's kind of the one area where you've seen a little bit of weaker growth. Are there things that you see that you can - or leverage you can pull to improve growth outside of South Africa in the African region?

Zak Calisto: I think it's not our core focus to grow at this point in time to grow Africa. It hasn’t been our focus for the last four years. We have put in a bit more focus, but with COVID and the travelling restrictions it's become a bit more difficult. I think we need to focus on Asia, Europe and South Africa and obviously we will focus on Africa and it's not that we're not focusing on it. We are growing the Africa business, but it's not our major focus. Although we are investing, we have now done quite a comprehensive deal with Toyota for the whole of Africa, so we are investing that relationship. But I think fundamentally the real growth right now in the next 2-3 years, it's not going to come from Africa, it's going to come from other segments.

Daniel Bartlett: [Unclear].

Zak Calisto: Africa at this point in time has also been hit quite hard with COVID. Specifically Q4 of last year, and we see Q1 this year COVID even taking a more deadly toll in Africa, where medical assistance is not the greatest. So Africa - COVID is definitely having a very strong impact on Africa, specifically outside South Africa.

Daniel Bartlett: Gotcha. Just quickly, lastly, the travel restrictions have been hurting you guys in certain regions, and we've talked a lot about it, it's holding back your growth to some degree in certain pockets of the world. But are there ways that you can adjust the business to operate more efficiently remotely and not needing to travel on the ground? I wonder if you could just give us some colour on is it sales and marketing that's being hurt by the travel restrictions? Is it more G&A and getting management on the ground? Or is it mostly related to the implementation of the devices? Thanks.

Zak Calisto: I think it's a combination of everything, but I think fundamentally if you get to the bottom line, is if you look at Asia, we've got very strong team in Singapore. We've got a relatively strong team in Thailand. But our teams aren't strong enough in a lot of countries, and approximately 2 years ago we had a lot of managers. I think where we went wrong, we had American, South African, Singaporeans, Europeans, to go run in these countries and work side by side and localise the business.

The reality is that we're not allowed, the people aren't allowed to get into the countries, it's very difficult to get them in. Even if they do get in, to get out in terms of their families it's very difficult. So we need to - it's very difficult also to onboard people, train them through Zoom, get the culture alignment, get the distributions quite difficult. As we know in that Asia was still going to be a little bit difficult like it is today, we would probably put the focus in which is much less - there is much less [unclear]. What we will see now is you will probably find that if Asia continues this way, we're just going to take our focus into Europe and to grow Europe and South Africa.

But the real opportunity is really Asia. Asia has a lot of opportunity, but so is Europe and we just don't want to allocate capital at this point in time until after the summer holidays. Because just judging by what happened last year [unclear] the whole of Europe went in total lockdown, because [unclear]. So I'm not a specialist on this, but I don't think that anyone is really. So we just want to be quite prudent in the way we allocate our capital.

Daniel Bartlett: Okay great, that's really helpful, thanks Zak.

Zak Calisto: Thank you.

Operator: Then we've got Alex from [unclear].

Zak Calisto: Certainly, Alex your line is open now.

Alex: Great, thanks Zak. I have two questions on the pricing environment. You mentioned some pricing uplift constant currency, I'm just wondering can you talk about what drove that increase [absent the effects of impact]. Then you also talked about providing some support to build the certain customers that were impacted in the quarter. Can you just help us quantify that impact? Was it 5% of the base and how that level of support kind of trended over the paste 16 months? Thanks.

Zak Calisto: So in terms of the ARPU, it's really difficult to keep your ARPU absolutely consistent. So we believe ARPU between 150 to 160 is really consistent. Otherwise you start nit-picking about your ARPU if that makes any sense? I think it's just - it's gone up by approximately a few rand. I think in constant currency it's gone up by about 3 rand if I'm not mistaken. It's not that material, but that is offset against the currency and against the customers that we're giving them either discounts, or we're allowing them two months or three months. How we do that, we have visibility of the fleets of our vehicles, of our customers vehicles.

If we see the customers not using their vehicles or their vehicles are parked and they call us and they have issues with the vehicles. Then obviously we cooperate with them, it's in our interest to get the [unclear]. I believe in the long-term we create great relationships and [unclear]. Approximately I would say at this point in time, about 4% to 5% of our base have got some level of discounts. I would say it's approximately 4% to 5% of our fleet base. Most of that would be some in South Africa, some in Africa and quite a lot in Asia.

Alex: Okay that's great, that's great colour. One thing I don't think we've talked about as much and you kind of teased us when talking about customer acquisition costs. But can you just talk about the 5G refresh cycle? What it's going to mean for the business down the road in terms of costs? What are some of the incremental revenue opportunities that you're working on?

Zak Calisto: I think the best ways to look at, you know sometimes it's quite difficult to differentiate between customer acquisition and subscriber acquisition. So a customer acquisition won't [unclear] service a customer. So if we decide that tomorrow, we're not going to acquire any more customers, then it's really about customer service and retaining and looking after those relationships. It's a very different thing to [unclear] marketing and sales salaries. I don't want to say [unclear] and marketing, but it will be substantially different in terms of the amount of money that you spend on sales and marketing.

Obviously, the subscriber cost is really when one of our customers [unclear] and that's really what we're capitalising. It's the vehicle, it's the technology that goes into the vehicle. The customer acquisition as such, that gets spent up front. So when you're acquiring customers, you have the negative impact on your P&L today that you could have [unclear] for the next [unclear] years, where you've got very [unclear] sales and marketing [unclear]. Does that make sense?

Alex: Yes, that makes sense, but I guess a little more specifically, I'm just curious what 5G is going to mean in terms of the refresh cycle and some of the incremental revenue opportunities that you're already working on now for when 5G comes under your base?

Zak Calisto: You know it's all really about data and it's all about us evolving our platform to be able to deal with much more data and much quicker. I do believe before we have that sort of environment, which is still probably two years before we're there, if that makes any sense. We're busy getting [unclear] much stronger, AI to be much stronger. So we're busy improving our business, we're busy building our data capabilities, and I believe with that we'll be able to drive more value to our customers. But fundamentally at the end of the day it's just going to be a faster and more comprehensive service. It's going to be you touch the button and you've got your answers. That's the way we see it, but that's still going to take a little bit of time to get that level where we've got a total 5G base. At this point in time we have no 5G [unclear]. That obviously will impact…

Alex: Thank you.

Zak Calisto: …that certainly will impact your cost of acquiring a customer or a subscriber. However, having said that, what we also expect is a 5G prices to also substantially drop over time. Just the same way as 2G and 3G and 4G, we don't believe that's going to be [unclear].

Alex: Okay, very helpful, thanks Zak.

Zak Calisto: Thanks very much Alex. We've got a call from Parker from [unclear].

Operator: Hello Parker, your line is open now.

Parker: Great, thanks for taking my question, Zak, just one from me today. If I look at the consumer and sole proprietor aspect of your business, can you remind us how you go to market there? Is that primary a self-service approach, where consumers are buying your platform online and do you see any heightened levels of churn and contraction right now in that area of the business relative to small enterprise, medium enterprise and those large fleets?

Zak Calisto: We've tried to actually, you know [unclear] over 16 months. We see the business very different to what it was 5 years ago. We've also improved our systems, internal systems to deal with the reality of the economic events that we are seeing, that part of the business would have faced had we not developed - we've really invested a lot in our internal systems in the last 3 years. I think that's also allowing us to retain the customers, service the customers, continue to [unclear]. Have I answered your question, Parker? I might have missed the point?

Parker: Yes, I'm just trying to figure out, when we think about the opportunity for you to sell to a large fleet, that seems like a very involved sales process. But if it's just a person that is buying your technology for one car or their family's vehicles, the sales process seems quite different in those situations. I'm just wondering if there's been any change in a more distributed world where salespeople can't be on the ground in the way you're actually selling to those smaller customers?

Zak Calisto: So what we find has happened for instance in South Africa, in America as you know, a lot of the business can be done over telephone and live demos. South Africa was not that way inclined, but things have changed substantially in the last few years and today we can do quite a lot of business with demos on the phone. We're becoming quite successful and we are certainly improving month on month and we're getting better at it. So I would say most of our sales today is done very much in the way they get conducted in America, which is live demos and over the phone.

Parker: Got it. Congrats on the quarter and thanks for taking my questions.

Zak Calisto: Thank you very much. We've got one question from Chris Logan, there was a big decrease in unit cost of [unclear] from [unclear] is this sustainable? Give more details on cost? Chris, I think I answered that, I'm not sure. What I'll do Chris if you don't mind, I'll give you a call after this just to take you through more detail, in case I did not articulate myself enough.

Any more questions? I've answered those. It's Anthony, me again, can you provide a bit more colour on the [unclear]. Are you doing particularly well in gaining corporate clients or seeing corporate clients as new vehicles? It does seem like a really strong result, so well done. Thanks.

So Anthony, what we've seen in South Africa is we're earning both on the business front and on the consumer front. We're earning equally on both fronts. What we have seen is the amount of customers that we're onboarding that are business customers, that in terms of percentages is starting to increase substantially quicker than consumers. [Unclear] expanding the business while similarly buying cars, or do you take ownership of vehicles, make a margin selling those vehicles? Or do you only foresee it being a more sophisticated online market base?

So Rudy, the way we see our business in terms of Carzuka, very much a groom model, the American model, where we take and we buy the vehicles from our own customers. We actually keep the inventory and we sell them on. I think today it's all about convenience. Just the platform, the way it used to be in the olden days, I think that's an old model. I don't believe it's got legs anymore. Today you've got - everybody wants convenience and they want certain level of warranties. We're in a very strong position that we know who's owned the vehicle, where they've driven the vehicle, the type of the age - the way the vehicles been driven. So that puts us in quite a strong position. So for us it's all about bringing value to the seller and to the buyer, and to give them a level of comfort. That's where the industry is actually going.

I think that's all the questions for today. I want to thank everybody that stayed on the call. Thank you very much and look talking with you again in approximately 2 months' time. Thank you. Bye-bye.

Operator: Thank you. Ladies and gentlemen, that does conclude your conference for today. Thank you for participating, you may all disconnect now. Thank you.

End of Transcript