Transcription
Q2 2026 Financial Results of Karooooo.

Karooooo Ltd (NASDAQ:KARO) Q2 2026 Earnings Conference Call October 15, 2025 8:00 AM ET

Company Participants
Zak Calisto – Founder & Group CEO
Paul Bieber – VP: Investor Relations and Strategic Finance
Carmen Calisto – Group Chief Strategy and Marketing Officer
Goy Hoeshin – Group Chief Financial Officer

Conference Call Participants

Paul Bieber

Introduction
Hello and welcome to Karooooo's Q2 FY 2026 earnings call. On behalf of Karooooo, we would like to thank you for joining us today.

I'm Paul Bieber, VP of Investor Relations and Strategic Finance. We are joined today by Zak Calisto, Founder and Group CEO, Hoeshin Goy, Chief Financial Officer and Carmen Calisto, Chief Strategy and Marketing Officer.

I would like to remind everyone that some of the statements that we make today regarding our business, operations and financial performance may be considered forward-looking. Such statements are based on current expectations and assumptions. They are subject to several risks and uncertainties.

Our actual results could differ materially. Please refer to the safe harbor statement in our Form 20-F, including the risk factors, and the 6K that we filed yesterday. We undertake no obligation to update any forward-looking statements.

During this call, we will present both IFRS and non-IFRS financial measures. A reconciliation of non-IFRS to IFRS measures is included in the 6K that we filed with the SEC yesterday. Our comments will refer to year-over-year comparisons unless we state otherwise.

I will now pass the call over to Carmen.

Carmen Calisto

Who We Are
Thanks Paul.

Welcome to Karooooo's Q2 FY 2026 financial results presentation.

For those new to Karooooo, we operate a SaaS platform for connected vehicles and mobile assets that enables businesses to enhance operational efficiency, reduce costs, improve safety, and ensure compliance. We help businesses simplify decision making to optimize their physical operations.

We serve a large, underpenetrated market with strong, sustained demand driven by digital transformation, a constant need to improve operational efficiency, and an increasing focus on safety and compliance.

We are a founder-led business with a strong financial profile, a proven track record of execution excellence and a cultural focus on disciplined capital allocation and operational efficiency. Our platform supports approximately 2.5 million subscribers across more than 125,000 businesses in South Africa, Southeast Asia, and Europe, spanning a diverse set of industries.

Importantly, our financial model is anchored by accelerating growth, high-margin subscription revenue, exceptional commercial ARR retention and powerful unit economics.

Our Q2 FY2026 Annual Recurring Revenue or ARR increased 20% to ZAR4,806 million and on a U.S. Dollar basis increased 21% to USD272 million, our commercial customer ARR retention rate remains at 95% and subscription revenue accounted for 98% of Cartrack revenue.

We continue to scale our proprietary data asset—now generating more than 275 billion valuable data points monthly—which we leverage to deliver impactful insights and value to our customers.

Finally, our LTV/CAC remains above 9x, enabled by strong retention, disciplined capital allocation and efficient distribution, which are embedded in our vertically integrated business model and company culture.

Karooooo: Leading Physical Operations Management Platform, Focused on Africa, Asia and Europe

During today's presentation, we will review both of Karooooo's operating segments: Cartrack and Karooooo Logistics.

Cartrack is our SaaS operations management platform. Cartrack operates at scale and has a very attractive financial profile. Cartrack's operating momentum is the primary driver of Karooooo's growth and strong financial performance.

In Q2, Cartrack delivered strong results highlighted by accelerating subscription revenue growth in South Africa and Europe and robust growth in Southeast Asia. These results reflect the early returns from the strategic investments we've made in expanding our sales capacity in recent quarters. In Q2, Cartrack generated approximately ZAR1.2 billion in subscription revenue, an increase of 20% or 21% on a U.S. dollar basis. Notably, Cartrack subscription revenue accelerated again this quarter. Year to date, Cartrack subscription revenue has increased 19% compared to 15% in FY 2025. Cartrack's operating profit margin was a healthy 29% in Q2.

Karooooo Logistics is our rapidly growing "Delivery as a Service" offering that empowers large enterprise customers to scale their e-commerce and logistics operations. Karooooo Logistics continues to demonstrate strong growth and operating momentum while delivering real value for our enterprise customers. We report Karooooo Logistics separately as the "Delivery as a Service" financial profile differs from Cartrack's SaaS financial profile.

Karooooo Logistics is strategically important to us as it empowers our customers to scale their eCommerce and logistics operations through a capital light model while driving high Cartrack customer retention.

We continued to profitably scale the Karooooo Logistics business. In Q2, Karooooo Logistics' "Delivery as a Service" revenue reached ZAR 139 million, an increase of 38% or 39% on a US. dollar basis. Karooooo Logistics revenue growth accelerated in Q2 due to an increase in eCommerce orders. Given Karooooo Logistics' robust revenue growth, we are very excited about the long-term growth opportunity.

Q2 FY 2026 Karooooo Group Snapshot

In Q2, Karooooo delivered strong consolidated financial results. Total revenue of ZAR1,344 million increased 21%, subscription revenue of ZAR1,182 million increased 20%, operating profit of ZAR356 million increased 18% and total subscribers of approximately 2.5 million increased 15%.

Cartrack subscription revenue growth of 20% and operating profit margin of 29% underpinned our stellar financial performance in Q2.

Q2 continued our track record of delivering profitable growth at scale. In Q2, we were a "Rule of 60" company when adding our Cartrack subscription revenue growth of 20% and our Cartrack adjusted EBITDA margin of 46%.

Rare Financial Profile Within SaaS Universe

Before detailing our Q2 financial and operational accomplishments, we want to take a moment to underscore our distinctive financial profile - something that is exceptionally rare in the public markets, particularly among small-cap companies. We believe we are among a select few SaaS companies operating at a "Rule of 50-plus" based on calendar year 2025 GAAP Street estimates. Within a SaaS universe of approximately 150 companies, we believe we are the only small cap company operating at this level.

Being part of this elite group reflects our unwavering commitment to disciplined and profitable growth.

In addition, with an essentially unchanged share count over the last few years and no stock based compensation, growth in free cash flow translates to higher per-share value given the lack of dilution. This is another important factor that distinguishes Karooooo's financial profile from many peers.

Q2 FY2026 Financial and Operational Highlights

Moving on to our Q2 Financial and Operational highlights.

In Q2, SaaS ARR accelerated to 20% compared to Q1 FY2026 growth of 18%.

Cartrack Subscription revenue growth accelerated to 20% compared to Q1 FY2026 growth of 19% highlighted by 18% growth in South Africa and 27% growth in Europe.

Cartrack total subscribers increased 15% driven by continued healthy growth in South Africa, Europe and Asia. We also delivered net additions of 71K in Q2.

Cartrack operating profit margin was a healthy 29% and benefited from disciplined expense management.

We remained a "Rule of 60" company, and our balance sheet remains strong and unleveraged.

We ended the quarter with net cash and cash equivalents of ZAR393 million.

Cartrack's Unit Economics Remain Efficient and Healthy

Our healthy subscription gross margin, efficient customer acquisition, and attractive commercial customer ARR retention rate continue to drive our healthy unit economics. In Q2, our subscription gross margin was 72%, our LTV to CAC ratio remained above 9x, and our commercial customer ARR retention rate was 95%. We are also experiencing attractive ARR growth with our retained customers.

It's noteworthy that we accelerated our subscription revenue growth from 15% in Q2 last year to 20% this quarter while maintaining strong unit economics. We remain committed to profitable growth as we pursue the expansive growth opportunity ahead of us.

South Africa Q2 2026 Review

We ended Q2 with approximately 1.9 million subscribers in South Africa, an increase of 15%. South Africa's subscription revenue comprised 71% of our total subscription revenue, and South Africa Subscription revenue growth accelerated to 18%.

We are encouraged by the strong teams that we are building to accelerate organic growth, broaden our customer base and increase product adoption in the region. We are starting to see an acceleration in subscription revenue growth driven by the strong adoption of Video and Cartrack-Tag by our existing customers and customer expansion. We remain committed to building our distribution capabilities to service the demand for our products from both new and existing customers.

We continue to see a compelling market opportunity in South Africa and are excited about the value we deliver to our customers.

Southeast Asia Q2 2026 Review

We ended Q2 with approximately 303,000 subscribers in Southeast Asia and the Middle East, with most of the subscribers in Southeast Asia. Southeast Asia and the Middle East comprised 16% of total subscription revenue, and Southeast Asia and the Middle East subscription revenue growth increased 26%.

As the second largest contributor to group revenue, Southeast Asia continues to present the most compelling growth opportunity for the group in the medium to long term and is our fastest growing region on a constant currency basis. In September 2024, we started a drive to increase Sales and Marketing in Southeast Asia, and we intend to increase our sales headcount by 70% by February 2026 compared to February 2025.

Southeast Asia is a vast underpenetrated market for sophisticated fleet management and video-based solutions, and we are well positioned to capitalize on the opportunity.

Europe Q2 2026 Review

We ended Q2 with approximately 216,000 subscribers in Europe, an increase of 19%. Europe comprised 10% of our total subscription revenue, and European subscription revenue accelerated to 27%.

We continue to accelerate our organic growth, expand our customer base and increase our distribution capabilities.

We have partnered with leading OEMs to provide easy access to our platform, seamlessly integrating their connected vehicle data to our platform through application programming interfaces. We expect these partnerships to contribute to our results in the medium to long term. In addition, we are experiencing encouraging demand for our proprietary compliance technology in the region as customers seek to simplify compliance with evolving legislation and enforcement.

Karooooo Logistics Continues to Scale

In Q2, Karooooo Logistics continued to build scale and delivered revenue of ZAR139 million, an increase of 38%, and an 8% operating profit margin. Growth in eCommerce orders drove the acceleration in Karooooo Logistics revenue growth.

Karooooo Logistics supports our strong financial performance by immersing our platform into large customers' operations, contributing to strong customer retention. Karooooo Logistics also enables us to learn about the operational and logistics challenges confronting our large customers.

We see a large opportunity for Karooooo Logistics going forward as large businesses seek to increase their e-commerce offerings and optimize their logistics capabilities through a capital light model.

<u>Progress On Our FY2026 Priorities</u>

In Q2, we continued to make good progress with our FY 2026 priorities.

First, we continue to strengthen our leadership position in South Africa by selling our video solutions and Cartrack-Tag to our existing customer base. This initiative continues to demonstrate early traction.

Second, we continue to expand our distribution footprint in Asia and Europe. We are seeing success in expanding our teams in the region.

Finally, we continue to work with our customers globally to drive broader engagement with our platform and to capture the growing demand for video capabilities, including AI video.

<u>Disciplined Capital Allocation Framework</u>

Capital allocation is a fundamental part of our culture, and we aim to remain disciplined with our capital allocation strategy, rooted in a 20-year culture of profitable growth at scale and prudent financial management—key drivers of long-term shareholder value.

Our capital allocation framework is unchanged and prioritizes:

- **Organic Growth & Innovation** – Our paramount priority is investing in organic growth and product innovation, given our strong unit economics, sustained profitability, and large market opportunity.

- **Returning Capital to Shareholders** – At current growth rates, our business generates significant excess cash. With our strong balance sheet and net cash position, we aim to return surplus capital to shareholders when we cannot efficiently invest it for growth, primarily through an annual dividend. As to avoid doubt, management prioritizes growth over dividends.

- **Strategic M&A** – We take a prudent and strategic approach to M&A. We view M&A as a tool to accelerate time to market in key geographies, expand our product portfolio, or strengthen our competitive position. However, given our compelling organic growth, customer-centric culture and attractive unit economics, we set a high bar for any potential acquisitions.

Ultimately, we see it as our responsibility to allocate capital thoughtfully, always with the goal of maximizing long-term shareholder returns.

I will now hand it over to Hoeshin who will discuss our 2Q financial performance.

Goy Hoeshin

Thank you, Carmen. I will now discuss Karooooo's financial performance for Q2 FY2026.

Please note, my comments will refer to year-over-year comparisons unless we state otherwise.

Karooooo Continues to Deliver Strong Subscription Revenue and Earnings Growth

Our proven and profitable SaaS business model continued to deliver strong results in Q2. Karooooo's total subscription revenue increased 20% to ZAR1,182 million. Operating profit increased 18% to ZAR356 million, and Adjusted Earnings per share increased 13% to ZAR8.28. In this quarter, our earnings were impacted by withholding tax from dividend payments made by the subsidiaries to the holding company and our continued investments in sales and marketing.

Cartrack's Strong Performance Continues, Fueled by SaaS Revenue Momentum

We will now focus on Cartrack's financial performance, which is fueled by SaaS revenue momentum.

In Q2, Cartrack revenue increased 20% to ZAR1,204 million, and Cartrack subscription revenue increased 20% to ZAR1,180 million.

Subscription revenue comprised 98% of Cartrack total revenue.

Q2 SaaS ARR increased 20% in ZAR and 21% in US Dollars.

Cartrack Extends Decade-Plus Track Record of Consistent Execution and Resilience

As you can see from the trend of the charts, Cartrack has a proven track record of scaling in varying macro-economic conditions given our consistent execution, resilient subscription revenue model, and attractive historic retention rates.

In Q2, Cartrack experienced healthy customer acquisition. Q2 Subscribers increased 15% to approximately 2.5 million, subscription revenue increased 20% to ZAR1,180 million and operating profit increased 18% to ZAR344 million.

ARR Growth Accelerates to 20%

Quarter 2 SaaS ARR accelerated to 20% compared to 18% in Q1 FY 2026. We believe the acceleration in SaaS ARR reflects the underlying momentum in the business and signals that our strategic initiatives are gaining traction.

Total subscriber growth also remained healthy at 15%.

Cartrack Delivered Strong Q2 Net Subscriber Additions

Cartrack experienced solid customer acquisition with healthy net subscriber additions of 70,740 in this quarter. The pace of net subscriber additions reflects our focus on selling video and Cartrack-Tag to existing customers while we also build our distribution capabilities to execute on the full market opportunity.

<u>Cartrack's Q2 Geographical Subscription Revenue Mix and Growth</u>
Cartrack continues to grow its subscription revenue across geographies with growth acceleration in South Africa and Europe.

South Africa subscription revenue growth accelerated to 18%.

Europe subscription revenue growth accelerated to 27%.

Asia and Middle East subscription revenue growth increased to 26%. This region was our fastest growing region on a constant currency basis.

The healthy growth across regions reflects our execution track record and provides a solid foundation for continued growth.

<u>Karooooo Continues to Deliver Strong Earnings Per Share Growth</u>
Karooooo's delivered strong operating profit growth of 18% in Q2 FY 2026.

While earnings in this quarter include higher tax expenses related to dividend withholding tax and our continued investments in sales and marketing, our adjusted earnings per share increased 13% to ZAR8.28.

Cartrack increased its earnings per share contribution by 13% to ZAR8.07.

Karooooo Logistics earnings per share contribution increased 17% to ZAR0.21.

<u>Karooooo Has A Decade Plus Track Record of Strong Free Cash Flow Generation</u>
On a year to date basis, our Adjusted Free Cash Flow increased 44% to ZAR358 million, underscoring the strength of our operating model.

As we pursue accelerated growth, we expect Free Cash Flow to reflect our investment for growth. While quarterly fluctuations may occur due to working capital movements and growth oriented investment, we remain confident in our ability to consistently generate meaningful Free Cash Flow.

Karooooo's consistent Free Cash Flow generation show our disciplined capital allocation strategy and positions us well for future growth.

Karooooo Has a Strong and Clean Balance Sheet
Our balance sheet reflects our track record of growth at scale, profitability and cash generation.

Our net cash on hand plus cash in bank fixed deposits was ZAR393 million.
Debtor's collection days remain healthy at 31 days and are within our historical norm.

In August, we paid a total cash dividend of approximately USD38.6 million to our shareholders which equates to a dividend of USD1.25 per share.

We believe that our ability to generate healthy cash flows is sustainable given our annuity business model coupled with our track record of consistent execution and success.

Slide 26 - Maintaining Guidance for FY 2026 Outlook: On Track with Growth Acceleration
We believe Karooooo remains strongly positioned for growth as we operate in an expanding and largely underpenetrated market, fueled by robust and sustained customer demand. This demand is driven by a heightened focus on digitalization, the need to improve operational efficiency and reduce costs, and an increasing attention to safety in physical operations.

So far in FY 2026, we have accelerated Cartrack subscription revenue growth by expanding our distribution footprint in existing markets, driving broader platform adoption, and capitalizing on growing demand for video solutions. We are encouraged by our positive performance as evidenced by Cartrack's Q2 subscription revenue growth of 20% and is in line with our guidance for the year.

On a year to date basis, Cartrack's subscription revenue growth has accelerated to 19%, and the business has delivered a 29% operating profit margin, reflecting strong execution while investing in sales and marketing capacity to support future growth.

With continued investments in sales, marketing, and infrastructure, we believe we are well-positioned to achieve our FY 2026 growth ambitions.

Accordingly, excluding the cost of the secondary offerings, our FY 2026 outlook remains unchanged.

Q2 2026 Key Earnings and Investment Highlights
In closing, the underlying acceleration in the business reflects the strength of our operating model and early traction from strategic investments in sales capacity and customer acquisition. We've made deliberate choices to invest to enhance our distribution footprint, and we're beginning to see those efforts materialize. With continued execution, disciplined investment, and growing regional momentum, we believe that we are well-positioned to deliver profitable long-term growth.

With that, I'll turn the presentation over to Zak Calisto for Q&A.

Q&A:

Q: Dylan Becker, William Blair

You talked about safety adoption + expansion helping drive acceleration. Subscriber additions remain healthy but can you talk about attach rates you're seeing on some of your newer offerings, if you're seeing greater willingness for customers to adopt multiple products upfront, and how this is supporting health in the ARPU piece of the growth algorithm?

A – Zak Calisto

We've grown our ARPU by 4%, and that's our full ARPU across all the different geographies. Our initial target was to be able to grow ARPU this year in South Africa by 10%, which should lead to around 6% for the group. And if we take it on a monthly basis, at the end of Q1 I think we were behind, but as at the end of Q2, we're more or less in line with our expectations. The key factor in the bottleneck to adoption is our ability to have efficient teams to deal with onboarding both new customers and to be able to cross-sell our new products. Overall, we are pleased with the progress we've made.

Q: Dylan Becker, William Blair

Maintaining healthy unit economics while adding capacity across territories, remind us how to think about new rep ramp contribution as well as your views on where sales capacity sits today vs. demand you see in market?

A – Zak Calisto

We're experiencing much more demand than we can deliver. The bottleneck really is about building our teams to be able to deliver. We're getting good momentum, but as you know, it's never good enough, and I think there's definitely room to build teams faster.

Q: Dylan Becker, William Blair

South African subscription strength remains impressive given scale of business there. Maybe sense of how you think about drivers of momentum in that market and how that supports conviction in overall subscription durability? Opportunity to lean more into multi-product/cross sell in markets outside of South Africa?

A – Zak Calisto

Fundamentally, we ran out of space just before Covid, and we had plans to build a new building so we could build our teams. Then Covid came, and we couldn't build the building, and we only moved into the new building in September last year. In the last year, we have been focused on recruiting and building teams, and in South Africa we have been building the teams quite quickly. We've got a really good team in both training and recruitment, and I think we're getting good momentum, and we need these teams for customer acquisition and to cross-sell and add additional products to our customers. I think we still have a long way to go before these teams mature, and hopefully with the new initiatives that we're doing with AI, we will probably be able to relocate a lot of jobs already to AI and under less pressure to add more people and just relocate current people who have already got a lot of business knowledge into new departments.

Q: Alex Sklar, Raymond James

What did you see from Vision attach rate by geo and how does it look from a new customer vs. back to base sale? are you landing with video with a higher percentage of new subscribers?

A – Zak Calisto

It's still quite early days; we still have a lot to build. But most of our sales at this point in time are really coming from our existing customer base. Video sales today is only about 10% of our sales. We have a lot to build in terms of teams. It goes back to what I said: we're not there in terms of having the proper distribution that we want to have, but the building of our teams is going according to plan.

Q: Alex Sklar, Raymond James

On Cartrack Gross margin, how is the changing mix shift towards video/cross-sell impacting gross margins?

A – Zak Calisto

Our gross margin has typically been in the region of about 70-74%, and if you look at this specific quarter, you'll see our cost of sales actually went up a bit higher than our subscription, and that brought our margin down compared to the previous margin we had a year ago of 74%. This year it was at 72%, and that's got to be because we had an increase in cost of sales. But nothing out of historical norm, although there is a disadjustment between the 30% growth and the 20% in the topline, but our gross profit margin is in keeping with our historical past.
Video, I don't believe, is having an impact on gross profit margins because of the way we do our pricing and unit economics. The one factor that can affect the top line is if there are expenses in the unit economics, whether you're paying out in salaries or whether you're paying it out in commissions, but the unit economics is the same. So what we've seen is an increase in payments in commissions that affects your cost of sales, but your fundamental unit economics remained the same.

Q: Sinan Xin, Amber Road Investors

You mentioned improving your sales force productivity in the earnings release. How do new sales reps compare to the existing base of sales reps today, and how fast are they improving?

A – Zak Calisto

We're always bringing on new people, and clearly newcomers rarely perform as well as the well-established salespeople that have been with us for many years. Nothing has changed; we expect newcomers to go through a learning curve.

Q: Claire Gerdes, UBS

Great performance, it's good to see the improved Cartrack ARPU growth. The Cartrack subscriber net adds was below last year, what contributed to this slowdown? Was it largely due to the focus on selling into the existing subscriber base?

A – Zak Calisto

We are more focused on growing our subscription revenue than growing our subscribers because we're busy cross-selling, and we haven't got sufficient people to do both. There's been quite a lot of focus on our salespeople dealing with our cross-selling to our existing customers with new products, and it really just boils down to having sufficient people to execute all the opportunities that we do have. Our bottleneck is people at the end of the day.

Q: Ablay Zhumanov

How long do you expect elevated operating expenses related to geographic expansion and increased headcount to persist before normalizing?

A – Zak Calisto

The reality is that the word normalization doesn't exist in our business, not at this stage, because we believe there's a huge TAM opportunity and we will be investing in infrastructure, opex, and sales. We'll have different levers where we will expense and invest at different times, and it all depends on how fast we are executing where we need to spend the money. But I think fundamentally we have a very strong track record of disciplined capital allocation. We're very prudent with our money, and the unit economics have remained very strong. I personally look more at our unit economics than the IFRS P&L. Fundamentally, nothing has changed in terms of the way we allocate capital for the last 20 years.

Q: Roy Campbell, Morgan Stanley

Estimated market penetration in each region? In South Africa are you gaining market share or is this new business? Do you think you are growing as fast as demand or are you growing faster than demand (market share)?

A – Zak Calisto

South Africa is probably a market penetration of 35%. Europe, I think, penetration rates there could be around 20-25%. Whatever I am giving is really a personal view; I don't think it's necessarily factual.

Asia, I think, the penetration rate there is probably as low as under 10%.
We've got three levers and opportunities: one is to grow our customer acquisition, the other is to be able to sell new features on our SaaS platform, which we typically do not do. Every time we add a new stack to our platform or new features, we don't then go and try to raise ARPU based on new features. And the third one is to actually add new products, which we are busy doing right now with the Cartrack-Tag and Video. That's obviously new hardware with different costs, and obviously we work out the unit economics behind these new products, and clearly on adding these products, it does increase the ARPU to the customer, but it does come with additional costs both in cost of sale and operational costs, but majority cost of sales.

Q: Sinan Xin, Amber Road Investors

If your bottleneck is people, can AI help in scaling your go-to-market efforts?

A – Zak Calisto

AI is a hype word; there are a lot of things where AI can be used, and it's extremely efficient. The downside is that when AI doesn't work, it can cause you more damage than when it does work. We're obviously playing around with a lot of tools; we're doing a lot of things ourselves, and when I talk about AI, I talk about the broad market products that are existing and that are coming to market. The markets we're in have a low tolerance for talking to machines. In a place like SA or Europe, people do not want to be talking to machines. It's a process; we will get there, and AI will definitely get there.