

Transcription
Q4 and FY 2026 Financial Results of Karooooo.

Karooooo Ltd (NASDAQ:KARO) Q4 and FY 2026 Earnings Conference Call May 14, 2026 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

Paul Bieber – VP: Investor Relations and Strategic Finance - Introduction

Hello, and welcome to Karooooo's Fourth Quarter and Full Year Fiscal 2026 Financial Results Presentation. 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 that 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 6-K 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 6-K that we filed with the SEC yesterday. Our comments may refer to year-over-year comparisons unless we state otherwise.

I will now pass the call over to Carmen.

Carmen Calisto

Thanks Paul. Welcome to Karooooo's fourth quarter and full year fiscal 2026 financial results presentation.

Karooooo FY 2026: What Matters Most

As planned, FY 2026 marked another year of disciplined execution with Cartrack subscription revenue growth accelerating to 19%, up from 15% in the prior year, despite foreign exchange headwinds resulting from the appreciation of the ZAR. Annual recurring revenue or ARR increased 18% to ZAR5,179 million and 38% to USD325 million. Notably, momentum in our most mature market South Africa, strengthened meaningfully, with ARR growth exiting the year in February at 23%, reinforcing our market leadership. Our strong execution also translated to significant free cash flow generation. FY 2026 adjusted free cash flow increased 90% to ZAR809

million and reflects our ability to scale efficiently while delivering meaningful free cash flow and value to our customers. We also continued our track record of returning excess cash to shareholders as we declared a USD1.50 dividend per share, an increase of 20%, payable in July 2026.

We achieved these results even as we made significant and planned upfront investments in sales and marketing to drive future recurring revenue, earnings, and adjusted free cash flow.

During the year, we invested in our distribution network to support accelerated growth, enhanced our platform with AI-powered video capabilities and other additional features, and commercially launched Cartrack-Tag - initiatives that further strengthened our differentiated value proposition. Looking ahead to FY 2027, we aim to accelerate subscription revenue growth once again while delivering strong EPS growth. Despite providing a contracting gross profit margin outlook for FY 2027, the mid-point of our FY 2027 EPS outlook implies growth of 21% when compared to our FY 2026 EPS excluding the secondary offering costs.

We envisage a slow-down in hiring in FY 2027 while we drive sales force efficiency and AI adoption.

Who We Are

Before diving into the details, we would like to provide a quick introduction to Karooooo.

We operate a SaaS platform for connected vehicles and mobile assets that delivers mission critical operational intelligence to businesses. Our platform enhances operational efficiency, reduces costs, mitigates risk, improves safety and customer service, ensures compliance and empowers service delivery. 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 two-decade proven track record of execution excellence and a cultural focus on disciplined capital allocation, operational efficiency and driving healthy returns on invested capital. Our platform supports approximately 2.7 million subscribers across more than 125,000 businesses, spanning a diverse set of industries and with no customer or industry concentration risk.

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

Despite the strengthening of the ZAR, ARR increased 18% to ZAR5,179 million and on a U.S. Dollar basis increased 38% to USD325 million. Our commercial customer ARR retention rate remained at 95% and subscription revenue accounted for 98% of Cartrack revenue.

We continue to scale our proprietary data asset - now generating more than 300 billion data points monthly - which we leverage to deliver impactful innovation, insights and value to our customers.

Finally, our LTV to CAC remains above nine times, underpinned by strong retention, disciplined capital allocation, and efficient distribution, which are embedded in our vertically integrated business model and company culture.

Karoo0000: Leading Physical Operations Management Platform, Focused on Africa, Asia, and Europe

During today's presentation, we will review both of Karoo0000's operating segments: Cartrack and Karoo0000 Logistics.

Cartrack is our operational intelligence SaaS platform. Cartrack operates at scale and has a very attractive financial profile. Cartrack's operating momentum is the primary driver of Karoo0000's growth and strong financial performance.

Per our FY 2026 outlook, Cartrack delivered exceptional results highlighted by accelerating subscription revenue growth. These results reflect the early returns from the strategic investments we have made in expanding our sales capacity and selling Video and Cartrack Tag to our existing customers in South Africa.

In FY 2026, Cartrack generated approximately ZAR4.8 billion in subscription revenue, an increase of 19% or 39% on a U.S. dollar basis. A strengthening ZAR negatively impacted reported Cartrack subscription revenue in FY 2026. The 19% growth rate reflects a meaningful acceleration compared to 15% subscription revenue growth in FY 2025.

Cartrack's operating profit margin was a healthy 28% in FY 2026.

Karoo0000 Logistics is our rapidly growing "Delivery as a Service" offering that empowers large enterprise customers to scale their e-commerce and logistics operations. Karoo0000 Logistics continues to demonstrate strong growth and operating momentum while delivering real value to our enterprise customers. We report Karoo0000 Logistics separately as its "Delivery as a Service" financial profile differs from Cartrack's SaaS financial profile.

Karoo0000 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.

In FY 2026, Karooooo Logistics' "Delivery as a Service" revenue reached ZAR540 million, an increase of 29% or 50% on a US. dollar basis. Given Karooooo Logistics' robust revenue growth, we are very excited about its long-term growth opportunity.

Karooooo FY 2026 Snapshot

Karooooo delivered strong consolidated financial results in FY 2026.

Adjusted free cash flow increased 90% to ZAR809 million, underscoring the durability and cash-generating power of our business.

We continued our strong track record of returning excess cash to shareholders as we declared a record USD1.50 dividend per share, an increase of 20%, payable in July 2026.

Total revenue increased 20% to ZAR5,479 million, subscription revenue increased 19% to ZAR4,844 million, operating profit increased 8% to ZAR1,415 million and Adjusted earnings per share was ZAR32.55.

FY 2026 operating profit was negatively impacted by growth-oriented investments to deliver accelerated growth, FX headwinds associated with the appreciation of the ZAR and a provision alignment in cost of sales. FY 2026 EPS was also negatively impacted by a higher tax rate due to the shift in timing of our dividend declaration. Hoeshin will provide additional context on these items during the financial discussion.

Per our FY 2026 outlook, we accelerated subscription revenue growth from 15% to 19% while growing earnings.

Rare Financial Profile

Q4 continued our track record of delivering profitable growth at scale. In Q4, we were a "Rule of 60" company when adding our Cartrack subscription revenue growth of 18% and our Cartrack adjusted EBITDA margin of 44%. We note that our EBITDA margin does not include any stock based compensation or SBC add-back, a stark contrast to SaaS peers. Our rare financial profile translates to healthy return on invested capital.

It is important to underscore just how differentiated our financial model has become in the context of the broader SaaS universe. We believe we are among a select few SaaS companies operating at a "Rule of 50-plus" based on calendar year 2026 GAAP Street estimates. Within a SaaS universe of approximately 140 companies, there are less than 10 companies operating at this combined level of growth and profitability, and Karooooo is the only small cap company.

Our financial profile is incredibly rare in public markets, especially among small cap companies. 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 several years and no SBC compensation, growth in free cash flow translates directly into higher per-share value, given the absence of dilution. This is a key point of differentiation relative to many SaaS peers that fund growth with material equity issuance and SBC.

FY 2026 Financial and Operational Highlights

Now, let's discuss our FY 2026 Financial and operational highlights.

In FY 2026, we accelerated our ARR growth. SaaS ARR accelerated to 18%, and ARR growth in US Dollars accelerated to 38% reaching 325 million dollars. South Africa ARR growth accelerated to 23%.

Cartrack Subscription revenue growth accelerated to 19% underpinned by accelerating growth of 20% in South Africa. Cartrack subscription revenue growth in USD accelerated to 39%.

Cartrack total subscribers increased 16% to approximately 2.7 million, driven by healthy growth across all regions. Notably, Cartrack delivered record Q4 subscriber net additions of 94K. Also, Asia subscriber growth accelerated to 23% in Q4, and Asia net subscriber additions increased 41% in FY 26.

Cartrack profitability was impacted by planned up front sales and marketing operating expenses that delivered accelerated subscription revenue growth of 19% despite FX headwinds associated with the strengthening ZAR. For additional context, subscription revenue growth accelerated to 39% in USD.

We are a "Rule of 60" company and our adjusted free cash flow increased 90% to ZAR809 million in FY 2026.

Our balance sheet remains strong and unleveraged, and we ended the quarter with net cash and cash equivalents of ZAR746 million.

We also declared a dividend per share of USD1.50, an increase of 20%, payable in July 2026.

Cartrack's Growth Engine Underpinned by Strong Unit Economics

Our healthy subscription gross margin, efficient customer acquisition, and attractive commercial customer ARR retention rate continue to drive our healthy unit economics. In Q4, our subscription gross margin was 71%, our LTV to CAC ratio remained above nine times, and our commercial customer ARR retention rate was 95%.

Our unit economics remain healthy despite the significant increase in sales and marketing expenses during Q4, and we remain committed to profitable growth as we pursue the expansive growth opportunity ahead of us.

FY26 Enterprise Customer Wins Reflect Customer Diversity

In FY 2026, we secured significant enterprise customer wins across diverse industries and geographies, underscoring the flexibility of our platform, the richness of our feature set and our ability to service a universe of industries. This broad-based adoption strengthens our conviction in the magnitude of our long-term growth opportunity.

South Africa FY 2026 Review

FY 2026 subscriber growth increased 16%, and we surpassed 2 million subscribers in South Africa during Q4. This achievement highlights Cartrack's two-decade track record of sustained growth and operational excellence in South Africa, driven by its focus on product innovation, customer centricity, and disciplined execution.

In FY 2026, South Africa subscription revenue accelerated to 20% to ZAR3,468 million, a significant achievement when compared to the growth rate of 15% in the prior year. Importantly, South Africa exited the fiscal year in February with ARR growth of 23%.

South African subscriber and subscription revenue growth are a clear signal that our strategy continues to drive results. The pace of growth reflects our deliberate strategy to cement our leadership position in South Africa through a balanced combination of subscriber additions and selling Video and Cartrack Tag to our existing customers.

We are committed to building our distribution capabilities to service the demand for our products from both new customers and existing customers, and we are confident that our investment in sales capacity this year will have a positive impact on Cartrack subscriber growth in FY 2027.

We are optimistic about the market opportunity in South Africa and believe there is a long runway to drive strong subscriber growth.

Southeast Asia FY 2026 Review

We ended FY 2026 with approximately 336,000 subscribers in Southeast Asia and the Middle East, an increase of 23% with most of the subscribers in Southeast Asia. Importantly, our results demonstrate that our recent investment in sales capacity are beginning to yield tangible returns.

In Q4, Subscriber growth accelerated, driving record net additions of 17,447, an increase of 82%. For the full year, net subscriber additions increased 41%, reflecting the strengthening momentum of our customer acquisition engine in the region.

FY 2026 subscription revenue growth was 17% and 20% on a constant currency basis.

The pace of subscription revenue growth in the region was impacted by the faster growth of certain countries that generate lower ARPU.

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. We plan to continue with a strong, yet prudent drive to increase Sales and Marketing in Southeast Asia, and we anticipate our investments to have a positive impact on subscriber growth in the region.

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 FY 2026 Review

We ended FY 2026 with approximately 228,000 subscribers in Europe, an increase of 14%. FY 2026 subscription revenue growth was 22% and 19% on a constant currency basis.

We continue to expand our customer base and drive our distribution capabilities in the region.

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 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.

Karoo000 Logistics Q4 2026 Review

In Q4, Karoo000 Logistics continued to build scale and delivered revenue of ZAR 145 million, an increase of 32%, and a 9% operating profit margin. Growth was driven by demand of eCommerce orders and the adoption of our service by our customers.

Karoo000 Logistics supports our strong financial performance by immersing our platform into large customers' operations, contributing to strong customer retention. Karoo000 Logistics also enables us to learn about the operational and logistics challenges confronting our large customers.

Karoo000 Logistics Recent Operational Highlights

During Q4, Karoo000 Logistics surpassed ZAR 1 billion in cumulative payments to drivers since Karoo000 acquired it in 2021. This milestone highlights Karoo000 Logistics' continued efforts to create sustainable economic opportunity for thousands of drivers in South Africa while supporting the growing logistics ambitions of leading retailers, fast food companies and eCommerce platforms in South Africa.

In addition, the thousands of drivers we have on the road daily successfully executed more than 8 million deliveries in FY 2026.

We see a large opportunity for Karoo000 Logistics going forward as large businesses seek to increase their e-commerce offerings and optimize their logistics capabilities through a capital light model.

Review of Our FY 2026 Priorities

As we reflect on our FY 2026 priorities, we believe we successfully cemented our leadership position in South Africa, expanded our distribution capabilities across regions and drove broader engagement with our platform including the adoption of video and AI-assisted video.

Our FY 2027 Priorities

As we aim to accelerate our growth and deliver strong earnings per share growth in FY 2027, our strategic priorities for FY 2027 are as follows:

First, we plan to continue to cement our leadership position in our markets by balancing new customer acquisition with broader adoption of Video and Cartrack-Tag.

Second, we intend to drive sales force efficiency while accelerating subscription revenue growth.

Finally, we aim to harness AI to enhance the capabilities of our platform, drive operating efficiencies throughout the business and accelerate the speed of execution and pace of innovation.

Unique Resilience in AI Era

We've seen a lot of discussion around whether AI could disrupt SaaS models over the last few months, and it's a valid question for the broader SaaS sector. But our model is structurally differentiated from most SaaS companies. We believe our platform and financial model possess unique resilience that will enable us to thrive in the AI era.

Our platform is built around a proprietary system of record that relies on IoT devices installed and maintained on customer's physical assets in the field. This is not data that can be sourced by an LLM — it's generated through physical hardware that our auto technicians install and actively service across more than 20 countries. Our proprietary data asset collected from these IoT devices is vast, proprietary, and central to our differentiation. We have been collecting this proprietary data for more than 20 years, and we believe it provides us with a compounding data advantage. In addition, we tailor each IoT device installation to the individual requirements of our customers, enabling the collection of customer-specific data that helps solve their unique business and operational challenges.

Our platform is also deeply embedded in customers' day-to-day operations — from ERP and CRM systems to logistics, safety and compliance workflows. The level of operational integration makes us an indispensable part of how these businesses function daily. AI can assist decision-making, but it can't own fleet safety and physical logistics operations, install telemetry devices in physical assets, and service telemetry devices in the physical world. Our platform is mission critical and keeps assets and people safe and productive — and that's not something that can currently be automated away by an AI agent.

Furthermore, unlike most SaaS business models, our model is not seat-based. Growth is driven by penetration of physical assets — vehicles, equipment, and machinery — and by the continued expansion of those physical asset bases globally. That creates a durable, long-term growth engine that isn't dependent of headcount or end user licenses. This insulates us from the seat compression or user-license risk that many software players face, particularly as AI automates knowledge worker tasks.

From a financial perspective, our business is difficult to displace. Our ARPU is roughly USD10 per month, which is exceptionally low relative to the all-in cost of operating a vehicle or asset inclusive of fuel, driver payroll, insurance and maintenance expenses — and yet, the ROI we deliver is high. That makes our offering both indispensable and uneconomic to disrupt, especially given that we are embedded in our customers' workflows and daily operations.

Add to this our vertically integrated footprint across 20+ countries, 95% commercial customer ARR retention, robust profitability, recent growth acceleration and strong free cash flow generation, and you can see why we feel confident that AI will serve as a tailwind to our platform — enhancing automation, functionality, and insights while accelerating innovation — rather than a threat to our business model.

With that said, I will now pass the call over to Hoeshin.

Goy Hoeshin

Thank you, Carmen. I will now discuss Karoooo's financial performance for Q4 and the full year FY 2026.

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

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

Q4 extended Cartrack's track record of durable growth at scale driven by consistent execution, our resilient subscription revenue model, and attractive historic retention rates.

In Q4, Subscribers increased 16% to approximately 2.7 million, subscription revenue increased 18% to ZAR1,278 million and operating profit was ZAR324 million.

Cartrack Delivered Strong Net Subscriber Additions in Q4 2026

Cartrack experienced record Q4 customer acquisition with net subscriber additions of 93,775, an increase of 19%. The record Q4 net subscriber additions reflect our strategic investment in sales capacity while cross-selling video and Cartrack Tag to existing customers.

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

Cartrack's strong financial performance continues to be fueled by SaaS revenue momentum.

In Q4, Cartrack revenue increased 17% to ZAR1,304 million, and Cartrack subscription revenue increased 18% to ZAR1,278 million. Subscription revenue comprised 98% of Cartrack total revenue.

For FY 2026, Cartrack revenue increased 19% to a record ZAR4,939 million, and Cartrack subscription revenue increased 19% to ZAR4,831 million.

ARR growth increased 18% reaching ZAR5,179 million despite FX headwinds associated with the strengthening ZAR. In US Dollars, ARR growth accelerated to 38%, reaching USD325 million.

Karoo0000 Delivered Accelerating Subscription Revenue Growth Despite FX Headwinds

Our proven and profitable SaaS business model continued to deliver strong consolidated results in Q4 and FY 2026 with meaningful acceleration despite FX headwinds.

In Q4, Karoo0000's total subscription revenue increased 18% to ZAR1,281 million, Operating Profit was ZAR338 million, and Adjusted Earnings Per Share was ZAR7.18.

For FY 2026, Karoo0000's total subscription revenue accelerated to 19% to ZAR4,844 million, Operating Profit was ZAR1,415 million, and Adjusted Earnings Per Share was ZAR32.55. For additional context, FY 2025 subscription revenue growth was 15%.

Q4 2026 EPS Explained

FY 2026 Adjusted EPS was ZAR32.55, and FY 2026 Adjusted EPS in USD increased 20% to USD2.05.

Q4 Adjusted EPS of ZAR7.18 related to the following items we will discuss:

The strengthening of ZAR against currency in our key markets, create a headwind to our reported revenue, while majority of our cost of sales reflects depreciation of the in-vehicle IoT device at prior year exchange rates, when ZAR is lower. The depreciation of the in-vehicle IoT device was a key component of our cost of sales.

On top of that, our accelerated growth this year expanded our in-vehicle IoT device to increase by 45%, and we align our provision in line with this accelerated growth. As a result, Cartrack gross profit margin was 70% compared to 75% in the same quarter in prior year, and subscription revenue gross profit margin was 71%.

Importantly, we did not experience a disproportionate churn rate in quarter 4 compared to other quarters. Finally, a higher effective tax rate in this quarter reflects withholding tax from dividend payment made by our subsidiary to the holding company.

Taken all together, these 3 items represented approximately ZAR1.60 of earnings per share in this quarter. Excluding them, our quarter 4 earnings per share would have been stood at approximately ZAR8.78.

Results Demonstrate Earnings Power Despite the Upfront Investment to Accelerate Growth

Karoo's adjusted earnings per share was ZAR7.18. Cartrack's earnings per share contribution was ZAR6.89, and Karoo Logistics earnings per share contribution increased 45% to ZAR0.29.

Our adjusted earnings per share reflects our deliberate investment in sales capacity to accelerate subscription revenue growth and support durable long-term growth. In quarter 4, Karoo's consolidated sales and marketing expense rose 37%, reflecting this strategy. This upfront sales and marketing expense do not align with the lifetime value of the recurring revenue earnings and free cash flow that these customers will generate.

Importantly, our powerful unit economics remain strong and intact.

Subscriber Growth Remains Strong and FY ARR Growth Accelerated

Looking back, FY 2026 was a year focused on accelerating subscription revenue growth while maintaining our strong subscriber growth. Our total subscriber growth increased 16% in financial year 2026. South Africa subscriber growth rose 16% and Asia subscriber growth accelerated to 23%. Asia is our fastest-growing region in terms of subscriber growth.

Even if the strongest ZAR our financial year 2026 SaaS ARR growth was 18% and in U.S. dollar, our ARR growth accelerated to 38%. South Africa stood out with SaaS ARR growth accelerated to 23% as compared to 17% in 2025. This marked the third consecutive year of ARR growth acceleration despite foreign currency headwinds associated with the appreciation of ZAR. We believe the acceleration in ARR growth reflect the underlying momentum in the business and signals that our strategic initiatives are gaining traction.

FY 2026 Cartrack Geographic Subscription Revenue Mix and Growth

Cartrack continued to grow its subscription revenue across geographies, highlighted by acceleration in South Africa. FY 2026 South Africa subscription revenue growth was 20%, an acceleration from 15% in FY 2025. We view this acceleration as a clear indicator that our efforts to extend our leadership position are translating into real measurable performance.

FY 2026 Asia and Middle East subscription revenue growth was 17% or 20% on a constant currency basis. The growth reflects an increase in subscriber from lower ARPU countries in the region, combined with the translation impact of a stronger ZAR. Europe subscription revenue growth was 22% or 19% on a constant currency basis. Healthy performance across region reflects our strong execution and provide a solid foundation for our continued durable growth.

Karoo Has a Two-Decade Track Record of Strong Free Cash Flow Generation

We have a 2-decade track record of strong free cash flow generation and FY 2026 free cash flow generation was exceptional. FY 2026 adjusted free cash flow increased 90% to ZAR809 million, underscoring the strength of our operating model. Several factors contributed to this performance. Our debtors book improved primarily due to strong collection in February 2026, improved supplier terms, timing of tax payments, disciplined management of uninstalled IoT

device following a deliberate buildup in the prior year and payments related to the construction of the South African head office reduced as the building was completed in previous years.

As we pursue accelerated growth, we expect free cash flow to reflect our investment to drive growth. While quarterly fluctuations may occur due to the working capital dynamics and growth-oriented investment, we remain confident in our ability to consistently generate meaningful free cash flow. Karooooo's consistent free cash flow generations powers our disciplined capital allocation strategy and healthy return on invested capital and position us well for future growth. Our balance sheet reflects our track record of durable growth at scale, profitability and cash generation. Our net cash on hand plus cash in bank and fixed deposit was ZAR746 million that these collection days remain healthy at 27 days and are within our historical norm.

We declared a record dividend of USD1.50 per share, an increase of 20% and payable to our shareholders in July 2026.

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

Karooooo Continues to Deliver on Outlook

As we reflect on our financial performance in FY 2026, we delivered on our outlook with Cartrack subscription revenue at the higher end of our initial outlook even with stronger ZAR and adjusted earnings per share at the lower end of our initial outlook primarily due to the planned growth-oriented investment and foreign currency headwinds.

FY 2027 Outlook: Expect Strong Earnings Per Share Growth

Moving on to our outlook for FY 2027. We intend to accelerate subscription revenue growth once again while delivering strong EPS growth. We are confident that our investment in sales capacity in FY 2026 will have a positive impact on subscriber growth in 2027 and we plan to drive our growth by balancing subscriber growth with increased adoption of video and Cartrack Tag. We believe the increased sales efficiencies, coupled with realizing other efficiency in the business, due to scale and AI adoption will support strong EPS growth.

With that, our guidance for FY 2027 is as follows:

- Cartrack subscription revenue between ZAR5,700 million to ZAR6,000 million, which implies Cartrack's subscription revenue growth between 18% to 24%.
- Cartrack's gross profit margin between 70% to 72%,
- Cartrack's operating profit margin between 27% to 30%, and
- Karooooo earnings per share between ZAR38.50 to ZAR40.00

Despite providing a contracting gross profit margin outlook for FY 2027, assuming current exchange rates and accelerated growth, the midpoint of our earnings per share outlook implies earnings per share growth of 21% in FY 2027, when compared to our FY 2026 earnings per share, excluding secondary offering costs.

We envisage a slowdown in hiring in FY 2027, while we drive sales force efficiencies.

Q4 2026 Key Earnings and Investment Highlights

In closing, in quarter 4, we experienced strong momentum with SaaS ARR growth of 18%, even with foreign currency headwinds led by South Africa ARR growth of 23%. We also delivered record quarter 4 net subscriber additions, highlighted by accelerating growth in Asia. While quarter 4 operating profit and adjusted earnings per share were impacted by several items which we discussed earlier. The underlying business is performing well.

Our adjusted free cash flow generation was exceptional, increasing 90% to ZAR809 million. We also continued our track record of returning excess cash to shareholders as we declare a USD1.50 dividend per share, an increase of 20%. These results reflect the strength of our operating model, early returns on our investment in sales capacity and our ability to scale efficiently while generating durable cash flow.

As we look forward to FY 2027, we are well positioned to accelerate growth and deliver meaningful earnings per share expansion. We remain committed to disciplined capital allocation, strong unit economics and long-term value creation.

And finally, we are confident in our ability to consistently generate meaningful free cash flow and healthy return on invested capital.

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

QandA:

Q: Joshua Reilly, Needham

As you slow hiring a bit, how are you thinking about using AI to drive more internal efficiencies? Particularly with customer support and Voice AI applications?

A – Zak Calisto

Josh, we've been busy with this, I would say, for the last 18 months. At this point in time, we are using AI, but not quite at the point where we'd like to be using it. But quite frankly, it doesn't work as well as a lot of companies say it's working. And we've looked at -- we've got our own AI team that's working at it. We're continuously improving, and I certainly believe AI will get there.

But at the moment, it still makes too many misinterpretations and it still makes -- it basically frustrates customers. So we are using it, but not as much as we want to use it, but I believe over time, we'll just get at it and the AI tools will get better. And over time, this will be a big win for us.

Q: Joshua Reilly, Needham

What are you seeing in pricing trends in different market? Do you have more pricing power in any particular region currently?

A – Zak Calisto

I think the pricing change, Josh, have been the same. They've been quite consistent, I would say, for the last 10 years. The markets we operate in, there isn't this a raising of ARPUs that you've seen in the North America market. It's very much about giving more to the customer as technology gets better and sort of retaining the same pricing.

And then it really is about your unit economics and your pricing model working. And we've got a track record that our pricing model is correct, and it gives us the desired operating profit margins that we look at getting. So I don't see any pressures at this point, but I also don't see an opportunity to just raise prices for the sake of raising prices.

Q: Joshua Reilly, Needham

What are the key focus regions for investment in FY 2027?

A – Zak Calisto

I think fundamentally, FY 2027 is going to be really about a lot of focus and improving our platform, our products, our productivity of our people. I'm not saying it's not good. I think it's actually -- it's a more about cleaning, but there's always room for improvement.

And in FY 2026, we hired a lot of people across lots of regions and we just need everybody to settle down a little bit more, and then we'll ramp up our human capital again.

Q: Joshua Reilly, Needham

And is APAC is still a key priority for incremental investments?

A – Zak Calisto

Definitely. We did a lot during the last financial year. And we continue not to slow down, specifically in Southeast Asia. The places where we'll do a lot of slowdown will be predominantly in South Africa.

Q: Dylan Becker, William Blair

Can you dig into drivers of strength in South Africa? Notable reacceleration in largest region and outlook supports sustained momentum. Ramping reps, new products, lot of positive factors just wondering where you'd attribute strength?

A – Zak Calisto

Dylan South Africa just before COVID, we had a building and we had to run out of space, and we're going to start building and building, then COVID came in, we couldn't build it. Then just when COVID finished, we built the building, we moved into this building approximately now 18 months ago, and this building is obviously designed in a way that we can operate in a much

more efficient way than we've ever done in the past. It's also allowed us to add more head count and better systems and better processes, and we're starting to yield the results of that investment.

Q: Alex Sklar, Raymond James

On gross margin, can you elaborate on the alignment of provision increase to cost of sales. Is this an accounting restatement on how long you amortize device costs or is there a fair market value adjustment the auditors asked for?

A – Zak Calisto

So the first thing the auditors did not ask for it. They also picked up that there was an increase in the audit what we had picked the table or the auditors already. So it wasn't a request from auditors. It was more forward-looking because what happened during the acceleration of PPE went up substantially. And we just wanted to make sure we've made cautious provisions and probably in hindsight, we could have -- should have done this in Q2 but we didn't really know how acceleration was going to take shape.

So we decided to do it in Q4. So maybe the best way to have answered that it would have been -- we could have done a bit in Q2, Q3.

But we only had the visibility of the power of our acceleration by Q4. So we as management, decided to do it in Q4. But there's been -- in actual fact, we've seen no extra churn than we've ever seen in the past. But our PPE substantially larger than it was. And we just done it on surprises.

And that's why we've decided to do in Q4 just to make a bigger provision.

Q: Alex Sklar, Raymond James

Can you speak to the sales productivity you've observed exiting FY 2026 and early FY 2027 that gives you confidence in your strong growth outlook despite lower hiring plans?

A – Zak Calisto

So in our outlook, Alex, is we're basically saying we expect worse case to continue at this current rate or to increase it. Despite us saying that we're going to slow down the hiring that doesn't mean we're going to stop hiring. We're still going to continue hiring people and we certainly believe we've got sufficient momentum in sufficient people with a bit of hiring that we can accelerate further than the current growth.

So we feel very -- we've had 2 months in this current financial year, and we're feeling very comfortable that we will be able to deliver on this outlook. And historically, we've never failed on our outlook.

Q: Rudi van Niekerk, Desert Lion Capital

Please unpack Cartrack's Q4 Cost of Sales increase of 42% from R275m to R392. And on a related note - Why did the provision for in-vehicle IOT devices increase by 45% while ARR increased 18% year on year? Why is cost of in-vehicle IOT devices accelerating faster than ARR?

A – Zak Calisto

So Rudy, we've got the actuarial models to how we depreciate our PPE, and that aligns with the life cycle of revenue expected from that PPE. However, if you look at the amount because we've got a much stronger growth, the growth in our PPE and in our balance sheet, that's gone up substantially. And that's where you got to compare how much is the PPE on the balance sheet increased, and that's more comparable to how much depreciation has got. And that's the relation that you've got to look at as opposed to the relationship to subscription revenue because now you've got many more devices, IoT devices in the depreciation cycle.

And obviously, in our subscription revenue, there's a lot of devices and they don't contribute to cost of sales because it's been fully depreciated, yet they're still giving us revenue. But now with accelerated growth, you certainly have -- as a percentage of subscribers, there's a bigger percentage now that are still in the depreciation cycle. Hopefully, I articulated that in a way that's easily understood.

Q: Dylan Becker, William Blair

Slight near-term margin headwind makes sense, especially as you're seeing revenue acceleration playing out, but how should we think about leverage from some of the upfront investments in areas like S&M that are likely to normalize a bit more into FY 2027?

A – Zak Calisto

So Dylan, you will see it coming through on our operating profit margin. And clearly on our earnings per share. So with that slowdown, what we are definitely going to do is, and we're giving guidance to that to very healthy earnings per share growth in FY 2027.

Q: Dylan Becker, William Blair

Momentum with Tag - how much of ARPU uplift vs. wedge to drive new logos, and maybe initial contribution from Tag implied in FY 2027 outlook?

A – Zak Calisto

I think I can't give you numbers to that, Dylan. I haven't got those in front of me at this stage. But I think fundamentally, there is a contribution from Tag to our growth and from video to our growth. And that's the level of contribution would probably be more significant in FY 2027 than it was in FY 2026 as we pick up momentum. And as our teams get better at selling these products and getting more familiar with the multiple applications that all these products do have.

Q: Scott Searle, Roth

How is Cartrack Tag progressing in SA. What's the current number of connected devices? And what is the current thought process for commercial rollouts in other markets?

A – Zak Calisto

Scott, I do not have these numbers in front of me. I can always drop you an e-mail with these numbers. So at this point in time, we're now going to start rolling it out into Africa during FY 2027. And so we expected by the end of FY 2027 to have it throughout South Africa and the Rest of Africa.

Q: Dylan Becker, William Blair

Any impact from rising input costs to hardware in areas like memory/storage? How you're navigating supply chain dynamics here?

A – Zak Calisto

Yes, Dylan, we've seen significant increases in memory. When I say significant, we're talking about 200% increases. We've adjusted our pricing using our long existing pricing model that we do to cater for these memories.

So it has been adjustment in our pricing. We don't believe this new pricing will slow down our ability to sell and nor do I believe it will accelerate our subscription revenue because it won't have that much of a meaningful impact into the bigger picture given our large base that we currently already have.

And a lot of our costs that we see in our P&L is actually depreciation and this depreciation is actually of devices and memories that have been bought in the past at old pricing.

Q: Scott Searle, Roth

How is the macroeconomic overhang impacting demand and customers decisions? Particularly related to rising gas prices?

A – Zak Calisto

I think, Scott, it's early days. It's very clear and very evident that there is substantial increases in fuel prices at this point in time. But we can't say we've now all of a sudden seen demand because of that. So I can't attribute any of our growth to that. But I'm sure if the prices do not come down, then that will start impacting demand for our products.

But at this point in time, it's not that obvious. It probably does exist, but it's not obvious.

Q: Scott Searle, Roth

How is the ongoing adoption of AI Camera (LiveVision) progress? What are the current attach rates? And is that the primary driver of the 4Q26 ARPU increase per sub?

A – Zak Calisto

So think it's a multiple and it's a complex answer to that. In actual fact, our ARPU in Q4 was very negatively impacted because of the strong ZAR, specifically in Q4, the ZAR really strengthened. AI camera is definitely a positive contributor to ARPU. But like I've said many times before, higher ARPU for us because of our business model does not imply higher margins because it's all -- it's more equipment. It's more data costs, more ongoing costs, and that goes back to our pricing model, which still leaves us with very much the same operating profit margins.

Q: Gokul Raj

With the float better with the offering last year, would you consider share buybacks over dividends? If yes, what is the valuation multiple/ thumb rule below which you would buy back shares?

A – Zak Calisto

Gokul, we have been on NASDAQ, it's not always easy to buy shares back at this point in time. And we haven't got that in our radar at this point in time to do a share buyback. And if our investors do want more shares, they can take their dividends and buy more shares with their dividends. But at this point in time, we haven't got a share buyback in mind.

Q: Prashant Premkumar, Buffalo Thorn

What is the impact of the US-Iran war on the business? how much of our business is in Middle East, and what is the impact of higher diesel/fuel prices (or unavailability of fuel in some cases) on our customers?

A – Zak Calisto

Prashant I've answered part of your question in to previous questions. And the impact of the U.S. Iran war is, I think it impacts really the oil price. We have got a good business in the UAE, but I think that business has been impacted slightly and we can't measure at this stage how much impact it really has, but there is impact there.

But it's a small part of our bigger business.

And in terms of fuel prices and demand for our products, I'm sure if this continues, we will see more demand. But at this point in time, it's not obvious.

Q: Claire Gerdes, UBS

It seems like ARPU was an area of issue, is this related to cross-sell in Southeast Asia? How can we think about ARPU growth potential for this year?

A – Zak Calisto

I'm not quite sure Claire for what you mean, but I will attempt to answer your question. So ARPU in Q4 was negatively impacted because of the translation of currencies. And our ARPU will increase based on increasing more product to our customers. However, having said that, it also

depends what markets grow faster. And at the moment, in Southeast Asia, Philippines, Indonesia, Thailand are growing really very fast.

However, the ARPUs are similar to South Africa. And typically, our ARPU in Asia is substantially better than South Africa because of Singapore, which has got a very high ARPU but as Singapore becomes a smaller part of Asia, then the ARPU change would be for the in Asia to come down. But it really is just a geography dependent and it's not business dependent as such, your customer dependent, if I make sense of what I'm trying to say.

I want to thank everybody for taking time to listen to Hoe Shin and to Carmen and to me. Thank you.