

Translocate, to fund or not to fund: challenges in funding an emerging market start-up

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Case summary

Subject area: Financial management – Specifically start-up valuations.

Study level/applicability: Honours or masters level (professional or academic).

Case overview: The case is around a tech start-up in the informal transport market in South Africa, that has obtained some government funding and developed a working SaaS. However, requires funding to expand and grow. Informal transport is significant in emerging and developing markets and the product is portable internationally. In South Africa, two listed companies (US and SA) were started with similar concepts in Logistics and private client market and are now global in 124 and 24 countries. Management of the venture capital firm are senior and experienced and have invested years and funding into this company, and while willing to offer equity had quite a high value in mind, the venture capital company (with an impact mandate) needs to decide whether to fund the start-up and negotiate a value.

Expected learning outcomes: Characteristics of a successful start-up are formulating an appropriate discount rate, using real world data; performing a DCF and relative valuations given limited information; scenario analysis and sensitivity analysis; and the importance of negotiating (understanding managements side).

Complexity academic level: This case was written for use in financial management classes in either an academic full-time student (final year undergraduate/bachelor) or a postgraduate program with working students/professional (MBA) program level.

Subject code: CSS: 1: Accounting and finance.

Keywords: Asset management/valuation, Competitive strategy, Business formation/start-ups, Technology management/strategy, Corporate social responsibility

Introduction

One of the exciting aspects about venture capital is that you are constantly developing new strategies based on past experiences which then drive success in future transactions”. Phuti Mzanzi *Junior Analyst, VenCap*

Phuti Mzani vividly remembers gazing out of his 5th story window, in June 2020, contemplating the significance of his first “solo” venture capital deal. It was a wet and windy winters day in Cape Town, South Africa.

Translocate had offered Mzansi’s venture capital firm, VenCap, an opportunity to acquire a 25% stake in their software-as-a-service (SaaS) business for +-R15m. The investment, as with so many investments funded by VenCap, had a social impact beyond just the numbers and would potentially benefit millions of South Africans and lower living standards measure (LSM) [1] workers locally and if successful potentially worldwide.

South Africa

South Africa joined the BRIC group of emerging markets in 2010, and since then has not performed in line with past expectations from a growth perspective. Under what has been called “The wasted Zuma years” [2], the country suffered low growth, high levels of corruption and minimal transformation and development. Due to apartheid, where ‘non-white’ ownership was limited and controlled, there was a need for transformation and reduced inequality. At 0.625, South Africa has one of the highest Gini coefficients in the world with 55.5% of the country’s population living in poverty [3].

A big fear locally, and internationally, was that as the world gets more technologically advanced (particularly with reference to the fourth industrial revolution) countries such as South Africa and more specifically its poorer population would be left behind. The city of Cape Town, however, has positioned itself as the “Tech hub of the continent” with 47% of the country’s tech start-ups and 75% of the venture capital deals taking place in the province [4], allowing local businesses to stay linked and relevant to global investors. Harnessing technology which impacts the poorer population, has been fundamental in bridging the gap to equality and inclusion in the future global economy. Funding black-owned businesses was, and remains, a priority, not only for the government but also investment firms alike, due to a countrywide mandate to transform ownership, and specifically grow black ownership and reduce inequality.

VenCap

VenCap, as part of its mandate, sets out to address transformation and has been providing funding and ensuring enterprise and supplier development since 2007, with a focus on job creation and growth of small and medium-sized entities (SMEs), by offering financial and non-financial support.

- SME growth support
- Strategy and advisory
- Fund management
- Programme management

Venture capital funds traditionally operate in the high-risk early-stage (or start-up) investment space. Generalist private equity funds focus on providing expansionary funding enabling a small company to grow significantly. Like other venture capital funds, VenCap’s investment strategy was centred around “early-stage” investment. More specifically, VenCap was an impact funder [5] focussed on opportunities within the inclusive innovation space.

This is both highlighted and taken further in the company’s mission statement (as stated on the company’s website):

“Leading Growth. Igniting Impact.”

Exhibit 1 highlights the primary role players for the structure.

John Sutherland, a senior director, had guided Mzanzi through several deals (from inception to execution) over the past years and had decided that this deal was to be Mzanzi’s opportunity to take the next step in his professional career. Opportunities like this did not come often and some of Mzanzi’s more experienced colleagues were, at the time, still waiting for their “shot”. At the time it was well-known that this opportunity was awarded to Mzanzi solely because of his strong working relationship with Sutherland and excellent work done in the past few years. Sutherland had historic success in closing deals because of his superior negotiating skills. Mzanzi had been eager not to disappoint by “failing to reach a workable funding deal”.

VenCap’s quarterly key performance indicator at the time was an R25m funding deployment. Translocate was hoping to raise between R10–R15m and without this deal VenCap would not have met its quarterly investment target nor its core objectives, impacting both Sutherland’s and Mzanzi’s performance bonuses.

The transaction

Translocate background

“There are so many things which can be achieved in a single solitary hour, so why spend it on your day-to-day commute?” - Khuthadzo Macheke (CEO and Founder, Translocate)

Translocate was conceived in 2016 by three individuals: Khuthadzo Macheke, Mandla Mogale and Rachel Mkhize. The concept behind Translocate raised \$78,000 in seed funding, allowing for the company to be officially incorporated in 2017. Exhibit 2 outlines the ownership structure, as set out by the company’s memorandum of incorporation. Exhibit 3 highlights the roles and responsibilities of Translocate’s key management personnel. The company was started with the purpose of offering application solutions to improve taxi management, as well as the passenger experience. Specifically, with a goal of making taxi’s more efficient and economical, as transport costs make up a large portion of the ‘lower’ LSM groups expenses. Translocate, post the seed capital fundraising, had managed to raise a few million Rand in South African government grants [6], due to the potential social impact and Translocate being 100% black-owned.

Taxi’s consist of a “driver”, who is responsible for the driving of the vehicle, and a “call boy” who summons customers (along a route) and collects the cash for those making use of the transportation service. Traditionally, the taxi’s buy rights to cover certain routes, outside of which they have little to no technological assistance. The implication is such that a taxi could sit idle with one or more commuters until the driver feels that the taxi is full enough to make the trip economically feasible. A driver could drive for 12 h straight or could overload their taxi to generate more income. Taxis are also known to, not only overload their minibuses but also drive recklessly, driving on road verges, through red robots [7] and over the speed limit.

The goal of reckless driving is to reach the destination in a shorter space of time (with the hope of include an additional trip during “peak” times). Often taxi clients could wait at popular spots for long periods of time without a taxi arriving.

There was no way to know when, or if, a taxi was going to be late or even going to come. This made it challenging for individuals to ensure they can get to work at a specific time, and often led to long travel times.

Macheke saw the lack of technology and issues in the industry as an opportunity. While he had vast work experience and could easily get a high paying job, having done an MBA he had been inspired to take on an entrepreneurial mindset. To start a successful business Macheke needed to form a team. Macheke knew Mkhize from industry, and while Macheke had some programming skills he needed additional support, so he reached out to Mogale. It was difficult to convince top earning professionals to put hours into a project with no guaranteed return, but Macheke’s enthusiasm inspired the other two to be involved. With this, the core team of Translocate was created. The team developed and tested a SaaS which monitors several key metrics.

The SaaS developed by Translocate, aimed at addressing the needs of Taxi’s owners and commuters alike, including a camera recording system so that owners can monitor the capacity of their vehicles, as well as access driving-log recordings of reported reckless driving, how long a driver has been on the road, routes taken, as well as other vehicle tracking metrics such as speed, time since service and fuel efficiency. Due to the “bad rep”, and huge distances travelled, insurance for taxi’s was one of the most significant expenses. Monitoring and having accessible data allows insurers to better assess the risk and would help taxi owners reduce the risk and premiums. This concept has been proven and implemented by MiX Telematics, Cartrack and Netstar, as well as a few other unlisted companies. Surprisingly, South Africa has been a hub for telematics and tracking data analytics technology which has been rolled out successfully internationally. As of April 2020, 52 road transport tech start-ups had raised USD funding [8]. From the founders’ initial research, it was found that if a reliable monitoring system was put in place then insurance cost, fuel and maintenance costs all improved, as well as customer satisfaction and subsequently revenue increased.

Translocate had secured accreditation by the independent communications authority of South Africa, and had partnered with VUM taxi insurance, who specialises in taxi, minibus, tuk-tuk and metered taxi insurance in emerging markets. Translocate at year-end 2020 employed three staff members other than the founders, which helped with the accounting and business administration.

Industry background

Informal transport occurs globally; however, it dominates the transportation space in less developed markets where formal services are limited. These are markets, typically, where governments either do not recognise the need for the service or are unable to invest in these transportation areas due to lack of investment or funding available. Thus, informal transport plays a vital role for millions and particularly in the Global South [9].

Within South Africa, the taxi industry represents the entirety of the informal transport industry with an estimated 200,000 operating taxi’s in the country in 2014. Putting this figure

into context, in 2014 ‘Stats South Africa’ published that 68.8% of South Africans use taxis, with 21.1% using buses and 9.9% using trains [10]. In 2019, the estimated number of taxi users had risen to 69% with more than 15 million trips daily across the functioning 250,000 South African (minibus) taxis [11]. One of the primary contributing trends to increase taxi usage has been the increased unreliability of the South African rail systems which has been described as: “dysfunctional at the best of times” [12]. The issues of the South African rail system range from insufficient investment to corruption, vandalism and theft. While the government hoped to fix the problem(s) it seemed unlikely to occur. An interesting dynamic of the South African informal transportation industry had been the ever-increasing demand for the ‘sector’ to increase its offering. For example, in 2020, long-distance bus services companies *Greyhound and Citiliner* had closed their doors. As many South Africans still required long-distance trips, particularly over the holiday season, it left an opportunity and a growing external need for minibus taxis [13].

Short distance taxi’s (accounting for daily workplace and scholar commuters) could generate cash-profits in the region of R25,000 a month, per taxi, with the longer distance taxi’s (across provincial border) having been known to generate 50% more [14]. One of the most difficult challenges facing the industry was passing on cost increases to end consumers who, themselves, were being short-paid/looking for work because of the COVID-19 pandemic. Fuel costs, for example, often had to be absorbed by the taxi’s before being able to pass the cost on to travellers. Given the power of taxi unions, and taxi’s being “the engine behind the nation” [15] the government could not tax and effectively regulate the taxi industry.

Social relevance

South Africa has and continues to struggle with inequality and poverty mostly due to the injustices of Apartheid, which suppressed the black population from being included in the formal economy and property ownership. Taxi’s (being the informal transportation industry) play a pivotal role in the transformation of the economic reality for the majority of black South Africans. The Translocate deal had the potential to have a real impact in the South Africa economy and promote the possibility of equal opportunity.

The taxi industry, in addition to the indirect social contribution highlighted above, also played and continues to play a significant role in employment with approximately 750,000 direct and indirect jobs created since 2008. With the South African official unemployment rate lying between 25%–30% [16] over the 10 years up to 2020, the informal transport sector was a significant mitigating contributor to this ever-growing and alarming statistic. On the negative side fatal crashes were commonplace. In Gauteng alone, for example, there were 648 fatal crashes between 2013 and the beginning of 2016 [17].

Key facts and figures

Exhibit 4 contains the selling prices for the company in 2020. Exhibits 5 and 6 contain the historical (abbreviated) statement of comprehensive income and statement of financial position of translocate, respectively. Translocate had 1,200 taxi’s on its taxi management system in 2020 (2019: 498, 2018: 10), having used the preceding two years to refine and adjust the SaaS to both optimise its usefulness and fixed some of the initial bugs. While translocate had developed the passenger monitoring and customer tracking apps they had not sold any subscriptions as of 2020.

While Translocate had managed to start generating revenue the company was far from profitable despite many employees not being paid market-related salaries.

Comparable listed companies – MiX Telematics and Cartrack

MiX Telematics (“MiX”) is the leading global provider of fleet and asset management solutions, which started in 1996 in South Africa, focussing on improving efficiency, safety, compliance and security mainly in the commercial vehicle market, as well as doing private consumers. MiX employs over 1,000 people across 120 countries worldwide [18]. MiX is listed on the JSE [19], as well as through Depository receipts on the NYSE [20]. Exhibit 7 contains relevant key financial data associated with MiX.

Cartrack is a local South African company founded in 2004. Cartrack offers data analytic solution(s) and SaaS services for fleet management. Cartrack started as a small company focussed mainly on vehicle tracking and recovery, expanding into telematics in 2005, fleet productivity solutions in 2007, to a full serviced SaaS platform in 2010. Following this development, Cartrack expanded into Europe and other parts of Africa. By 2016 Cartrack had expanded to 23 countries and continued to show extraordinary growth through to 2020, employing approximately 2,500 full-time employees across 24 countries [21]. Cartrack, changed its primary listing to the NASDAQ under the new name ‘Karoo0000’, a holding company which holds only Cartrack, and remained listed on the JSE as a secondary listing. Exhibit 8 contains relevant key financial data associated with Cartrack.

Post the 2008 global financial crisis it was difficult for Cartrack to raise debt and their debt-to-equity (D/E) ratio was in the range of 3% until 2017. This was because of the highly cash generative nature of the business. Consequently, Cartrack’s investment in assets were funded in their entirety by operating cash flows.

As re-investment opportunities were limited, Cartrack started paying dividends in 2015 with an initial dividend yield (DY) of 5% yield. Since this date, however, Cartrack’s DY has decreased substantially with the DY for 2018 and 2019 amounting to a 2.5% and 1.25%, respectively. This was due to the company being able to identify re-investment opportunities thus shifting focus back towards growth and expansion.

MiX focussed on “end-user” customer relationships, choosing to focus on individualised sales and support, whilst having some insurer relationships, whereas Cartrack focussed on building Insurer relationships, with less individual client relationships. Cartrack’s CEO Zak Carstelo owns 60% of the company and has been there since the beginning. MiX has around 30% management ownership across several individuals.

Management valuation expectations

Macheke approached VenCap for finance to expand the business and was offering an equity stake. The team did not want to sell more than 25% of the equity which would have come out of Khutadzo’s share and the cash would have been retained in the business. Ideally the team would have liked R15m, citing that they believed the company could get 20,000 taxi’s in South Africa onboard within the first three years and from then onwards there was huge possibilities for future growth. Although the market in South Africa was around 250,000 (taxi’s) at the time, the number of taxi’s was growing as external demand continued to rise.

For that reason, the management team of Translocate believed that the “20,000 taxi’s” assumption was a prudent measure which understated the true upside potential.

In addition to expanding nationally, Translocate was investigating the possibility of rolling out the SaaS to other countries in the Global South and emerging markets. This remained a key component of the long-term growth strategy developed by the shareholders and was expected to be pursued as soon as the South African operations became sustainable, by generating both positive free cash flows and profits. Macheke, Mogale and Mkhize had all made sacrifices to get the system and company up and running and had invested heavily into the project.

The funding would be used to help Translocate reach their growth forecast; more specifically:

- To hire more staff to provide technical and sales support;
- To hire more developers to further improve the SaaS and its functionality; and
- To market the SaaS product (which, to date, has been limited as the focus has been on systems development).

While management were open to negotiations, they had suggested the value of the company was R60m.

Conclusion

Translocate was a company that met the mandate of VenCap and had a promising outlook. Management had a wealth of business experience and had invested time and energy into the start-up phase. The industry was niche with limited direct competition and there was opportunity for growth locally and globally. Management had formed a fairly clear expectation of the value of the company. Mzansi was coming to the end of the deal period and needed to find common ground with managements expectation.

Funding in South Africa was identified as a significant issue. A study at the time done by Finfind, (*an online platform that matches business finance seekers with funders*) found that “there are roughly 2.5 million SMEs in South Africa[...] and although the country does not have a shortage of funding channels available[...] small businesses that are eligible for funding are still unable to secure the finance they need [...]” [22]. According to the study, the lending gap for SMEs in SA was between R86bn and R346bn.

Under the pressures of a tight decision deadline, a social responsibility to enhance economic transformation and a need to conclude the deal to meet the firm’s internal investment objective, Mzansi had to determine whether VenCap should pay R15m for 25% of post money Translocate.


Notes

1. LSM stands for the total ‘living standard measure’ which divides the total South African population into 10 groups, 10 being the highest (and wealthiest) and 1 being the lowest (poorest).
2. Source: www.news24.com/citypress/voices/the-wasted-zuma-years-20191221
3. Source: <https://worldpopulationreview.com/country-rankings/gini-coefficient-by-country>

4. Source: www.investcapetown.com/press_release/cape-town-is-the-tech-hub-of-the-continent/
5. An impact funder was a fund whose goal was to invest in company's which would generate measurable and beneficial social impact, in addition to a financial return.
6. Government grants were obtained from both the Small Enterprises Development Agency (SEDA) and the National Empowerment Fund (NEF).
7. In South Africa traffic lights are referred to as 'robots'.
8. Source: www.traxn.com
9. Source: <https://cms.uitp.org/wp/wp-content/uploads/2021/02/Knowledge-Brief-Informal-transport.pdf>
10. Source: www.saferspaces.org.za/understand/entry/the-state-of-public-transport-in-south-africa
11. Source: <https://businesstech.co.za/news/business/367584/this-is-how-much-money-the-average-taxi-operator-makes-in-south-africa/>
12. Source: www.businessinsider.co.za/what-companies-are-planning-for-sa-freight-and-passenger-trains-2020-10
13. Source: <https://businesstech.co.za/news/business/465278/greyhound-closes-operations-in-south-africa-after-37-years/>
14. Source: <https://businesstech.co.za/news/business/367584/this-is-how-much-money-the-average-taxi-operator-makes-in-south-africa/>
15. Source: www.santaco.org/about
16. Source: www.statssa.gov.za/?p=13633
17. Source: www.arrivealive.mobi/minibus-taxis-and-road-safety
18. Source: <https://mixtelematics.co.za/about-us/company-profile>
19. JSE stands for the Johannesburg Stock exchange, which is the leading stock exchange in South Africa founded in 1887.
20. NYSE stands for the New York Stock exchange, one of the largest stock exchanges in the world founded 1792.
21. Source: www.cartrack.co.za/about-the-company
22. Source: www.news24.com/fin24/Finweek/Featured/sme-funding-remains-elusive-20190711

Exhibit 1. Deal initiation memorandum: Translocate



Figure E1



MEMORANDUM
To: Translocate Executive Management Team
From: VenCap
Subject: Management team assigned to your account
Date: 21/05/2020

This memorandum serves as confirmation that VenCap intends to investigate the proposed funding arrangement issued by Translocate.

Personnel assigned to the transaction:

 <p>Phuti Mzansi <i>Primary deal transaction engagement manager</i> VenCap Associate</p> <div style="border: 1px solid black; padding: 5px;"><p><i>Having completed both a BSc in Mathematics & Statistics (Cum Laude) followed by a Financial Analysis and portfolio management (Hons) from the University of Cape Town, Phuti then started his professional working career at VenCap as a junior analyst. Phuti has worked on multiple successful deals throughout his short three years at VenCap and has shown both his ability and aptitude to act as a successful principal transaction engagement manager.</i></p></div>	 <p>John Sutherland <i>Deal transaction internal advisor</i> VenCap Senior Director</p> <div style="border: 1px solid black; padding: 5px;"><p><i>Sutherland has four years consulting experience and eight years private equity deal experience. Sutherland's capacity, traditionally, is centred around strategic oversight with a focused speciality on transaction negotiation.</i></p></div>
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Engagement:

Mzansi will be primarily responsible for the investigation of this transaction and, in his capacity as the "primary deal transaction engagement manager", he will be acting with full authority of VenCap. Mzansi shall be the primary point of contact should you have any questions during the investigations process. For reference, a discount rate of 20.0% is used for proven concept, non-profitable company which is forecast to grow into profitability in the near future.

Exhibit 2. Translocate ownership structure

Table E1

Name	Percentage ownership (%)	Executive role
Mr. Khuthadzo Macheke^a	70	Chief Executive Officer (CEO)
Mr. Mandla Mogale^b	20	Chief Technology Officer (CTO)
Ms. Rachel Mkhize^c	10	Research and Development executive

Notes:

^aMacheke is a mechanical engineer (by trade) who holds a master’s in business administration (MBA) from the University of Cape Town.

^bMogale has a Bachelor of Science (BSc), majoring in Computer Science. Mogale has more than 16 years of systems development experience.

^cMkhize is a mechanical engineer (by trade) with more than 10 years’ experience as a research technologist

Exhibit 3. Translocate roles and responsibilities: key management personnel

Table E2

Name	Primary duties and responsibilities (value creation)
Khuthadzo Macheke^a	Macheke manages the company (in his capacity as CEO) with a focus on business development and stakeholder engagement
Mandla Mogale^a	Mogale, having part designed the system architecture, continues to work on systems development with a focus on improving both user experience and adapting the system to the ever-changing South African legislative environment ^b
Rachel Mkhize	Mkhize’s role is twofold ^c : <ul style="list-style-type: none"> ▪ A focus on data analytics and identifying key trends within user data (which can further strengthen the value offering); and ▪ Performance and quality control testing of new features developed by Mogale

Notes:

^aThe Translocate SaaS was developed by founders Macheke and Mogale in 2017.

^bOne of the most recent developments had been the ‘updated provisions’ of the Protection of Personal Information (POPI) act which were sworn into effect on 22 June 2020 by South African President Cyril Ramaphosa (effective 1 July 2020). These provisions required significant upgrades to the current protection measures on Translocate.

^cAs Translocate continues to grow, and due to time constraints and the need for accurate timeous information, the likelihood of Mkhize being able to adequately perform both functions of her current role is highly unlikely. This was communicated at the executive committee (EXCO) meeting with the ‘item’ to be discussed further

Exhibit 4. Selling price and revenue information

Table E3

Selling price and revenue information (incl VAT)	
<i>Monthly subscription price:</i>	
- Taxi management	R249.99
- Passenger monitoring	R599.99
- Customer subscription	R89.99
<i>Installation fee:</i>	
- Taxi management	R899.99
- Passenger monitoring	R1,899
<i>Other relevant:</i>	
Demonstration per day	8
Hit rate per demonstration	3%
Potential clients per demonstration	20

Exhibit 5. Translocate abbreviated (historical) statement of total comprehensive income

Table E4

Abbreviated statement of total comprehensive income for the 12 months ending 28 February	FY 2018 (R)	FY 2019 (R)	FY 2020 (R)
Revenue	23,926	1,238,307	2,990,193
Cost of sales	-19,415	-285,096	-300,789
Gross profit	4,511	953,211	2,689,404
Other income*	1,417,582	596,251	500,027
Operating costs	-1,076,954	-3 198 141	-3 180 293
EBIT	345,139	-1,648,679	9,137
Finance costs	-38,290	-71,533	-225,192
(Loss) profit before taxation	306,850	-1,720,212	-216,054
Taxation	-15,959	0	0
(Loss) profit for the year	290,890	-1 720 212	-216 054
Significant expense line items			
Bad debt		425,169	344,663
Depreciation	1,515	74,049	166,270
Employee costs	266,297	1,890,942	764,968
Lease rental	12,092	234,184	156,197
Staff welfare	59,753	45,314	65,610
Travel local	76,838	101,673	34,683

Notes:

*Other income was a five-year grant of which the remaining available funds is R2.05m over the next two years

Exhibit 6. Translocate abbreviated (historical) statement of financial position

Table E5

Abbreviated statement of financial position as at 28 February	FY 2018 (R)	FY 2019 (R)	FY 2028 (R)
Assets			
Non-current assets	798,404	1,628,299	2,731,292
Property, plant and equipment	37,199	173,548	882,584
Intangible assets	761,205	1,454,751	1,848,709
Current assets	1,786,420	427,607	358,053
Inventories	347,751	327,944	297,019
Trade and other receivables	121,365	29,381	29,381
Cash and cash equivalents	1,317,303	70,282	31,653
Total assets	2,584,824	2,055,906	3,089,345
Equity and liabilities			
Equity	290,890	-1,429,322	-1,645,376
Accumulated profit (loss)	290,890	-1,429,322	-1,645,376
Liabilities			
Non-current liabilities	2,277,975	3,393,551	4,335,638
Loans from shareholders	165,866	752,718	1,168,900
Other financial liabilities	2,112,109	2,640,833	3,166,738
Current liabilities	15,959	91,676	399,084
Current tax payable	15,959	15,959	15,959
Trade and other payables	-	75,717	383,124
Total liabilities	2,293,934	3,485,227	4,734,722
Total equity and liabilities	2,584,824	2,055,906	3,089,346

Exhibit 7. Comparable company: MiX Telematics financial information

Table E6

MiX Telematics Ltd (MIX SJ)							
12 months ending 31 march	FY 2014 (R'm)	FY 2015 (R'm)	FY 2016 (R'm)	FY 2017 (R'm)	FY 2018 (R'm)	FY 2019 (R'm)	FY 2020 (R'm)
Revenue	1,271.7	1,389.4	1,465.0	1,540.1	1,712.5	1,975.9	2,152.0
Cost of revenue	422.0	449.7	439.3	498.8	587.0	655.8	796.8
Operating expenses	678.1	789.9	886.6	903.4	910.6	981.1	1,043.9
EBIT	171.5	149.9	139.1	137.9	215.0	338.9	311.3
EBITDA	264.3	257.3	261.7	281.1	430.8	617.7	690.5
Total assets	1 977.1	2 228.6	2 378.3	1 906.7	1 993.3	2 391.4	2 638.1
Total liabilities	305.5	364.0	458.5	463.8	476.1	639.7	820.6
Total current assets	1,129.3	1 289.6	1 265.7	702.5	720.0	872.5	951.3
Total current liabilities	280.1	293.6	334.0	361.9	391.4	465.4	493.5
Shares outstanding	784.2	792.8	759.1	563.4	564.4	564.4	561.5
Current market cap	3,607.1	2,608.4	1,886.0	2,051.7	4,466.7	5,742.6	3,653.7
Cash from operations	203.8	217.6	240.4	323.6	353.2	463.8	453.4
Total debt to total assets (%)	1.60	0.92	0.73	1.02	0.89	3.02	6.03
Weighted average cost of capital (%)	9.97	9.88	10.39	10.72	10.61	10.51	12.58
Short and long term debt (R'm)	31.6	20.5	17.5	19.4	17.7	72.2	159.0
<i>Source: Bloomberg</i>							
Subscribers from annual financial statements	450,502	512,344	566,177	622,062	676,866	750,455	818,487

Exhibit 8. Comparable company: Cartrack financial information

Table E7

Cartrack holdings ltd (CTK SJ)							
12 months ending 28 February	FY 2014 (R'm)	FY 2015 (R'm)	FY 2016 (R'm)	FY 2017 (R'm)	FY 2018 (R'm)	FY 2019 (R'm)	FY 2020 (R'm)
Revenue	637.0	834.8	1,005.5	1,141.0	1,324.2	1,692.7	1,941.9
Cost of revenue	123.4	185.5	186.7	228.6	357.1	484.7	574.8
Operating expenses	267.4	365.7	474.7	550.4	541.9	714.4	727.3
EBIT	258.1	290.4	356.1	368.8	434.3	499.9	641.7
EBITDA	300.3	362.0	458.8	520.2	650.8	761.4	937.5
Total assets	363.8	575.2	667.3	803.8	1 077.8	1 529.1	1 844.5
Total Liabilities	109.3	201.4	206.8	342.0	477.3	691.5	620.1
Total current assets	154.9	260.0	269.3	350.9	404.6	480.8	566.7
Total current liabilities	105.2	195.6	198.0	321.9	441.1	370.3	406.9
Shares outstanding	289.5	300.0	300.0	300.0	298.8	300.0	300.0
Current market cap	-	2,730.0	2,925.0	3,150.0	6,300.0	4,530.0	7,200.0
Cash from operations	214.4	266.5	261.4	386.7	467.8	543.7	914.1
Total debt to total assets (%)	2.12	2.08	2.18	12.80	20.53	24.19	6.61
Weighted average cost of capital (%)	11.28	7.69	9.69	9.17	9.77	11.40	11.63
Short and long term debt (R'm)	7.7	12.0	14.6	102.9	221.3	370.0	122.0
<i>Source: Bloomberg</i>							
Subscribers from annual financial statements	348,231	430,386	502,894	600,610	751,380	960,798	1,126,515

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Disclaimer. This case is written solely for educational purposes and is not intended to represent successful or unsuccessful managerial decision-making. The authors may have disguised names; financial and other recognisable information to protect confidentiality.

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