

## CREDIT RATING ANNOUNCEMENT

GCR revises the Outlook on Transaction Capital Limited ratings to Stable following the settlement of most of its debt and liabilities.

### Rating action

Johannesburg, 16 August 2024 – GCR Ratings (GCR) has affirmed the South African national scale long and short-term issuer credit ratings on Transaction Capital Limited at A<sub>-(ZA)</sub> and A2<sub>(ZA)</sub> respectively. The rating Outlook has been revised to Stable, from Rating Watch Negative. At the same time, the long-term international scale rating has been affirmed at B+, with the rating Outlook revised to Stable, from Rating Watch Negative.

Rated Entity	Rating class	Rating scale	Rating	Outlook/Watch
Transaction Capital Limited	Issuer Long Term	National	A <sub>-(ZA)</sub>	Stable Outlook
	Issuer Short Term	National	A2 <sub>(ZA)</sub>	
	Issuer Long Term	International	B+	Stable Outlook

### Rating rationale

GCR has affirmed Transaction Capital Limited's (Transaction Capital or the group) national scale ratings and revised the outlook to Stable from Rating Watch Negative as the group is now in a net cash position following the successful unbundling of WeBuyCars (the WBC transaction) and subsequent settlement of almost all of its outstanding debt and liabilities.

Through the WBC transaction, the group raised just over ZAR1 billion, which combined with around ZAR142m in accrued dividends, ZAR266 million in other transaction proceeds and c.ZAR1 billion in cash prior to the transaction, provided sufficient funding for Transaction Capital to expunge most of its liabilities. In this regard, the group settled the ZAR1.1 billion revolving credit facility (and thereby cancelled a pre-existing cross-default clause), redeemed ZAR489 million in preference shares and settled the ZAR285 million guarantee that was assumed as part of the SA Taxi empowerment transaction. The group also bought back the ZAR210 million tranche of its DMTN notes, as well as 25% of the DMTN notes maturing in February 2027. Thus, ZAR181 million in DMTN notes remain outstanding, although Transaction Capital retains cash in excess of this amount.

Although Transaction Capital still holds 75% of the shares in the SA Taxi Group (SA Taxi), GCR has not considered SA Taxi in the Transaction Capital rating because it has been operationally and financially ringfenced. Transaction Capital has stated that it has no further legal liabilities to SA Taxi or its creditors and does not foresee that it will provide any further funding. This has been demonstrated in the past 16 months wherein the group has not provided any funding to SA Taxi to resolve its liquidity problems. Accordingly, GCR's

approach to rating the group has been amended as we no longer view it as an Investment Holding Company, but rather the group's rating's will be dependent on the underlying performance of Nutun.

## Outlook statement

The Stable Outlook reflects Transaction Capital's significantly stronger financial position, as it now reports a net ungeared balance sheet, with only ZAR181 million in debt outstanding. Accordingly, the ratings will largely reflect the credit risk profile from Nutun, whose cash flows we expect to be adequate to cover reduced operating costs.

## Rating triggers

Positive rating movement is not foreseen in the short to medium term. However, the ratings could be downgraded if there is an adverse outcome to the SA Taxi restructuring, notwithstanding that Transaction Capital has no legal obligation to provide further funding to SA Taxi, or if we perceive that Transaction Capital does renew financial support for SA Taxi. We could also downgrade the rating if Nutun reports weaker profitability, or an increase in gearing metrics.

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## Related criteria and research

Criteria for the GCR Ratings Framework, May 2024

Criteria for Rating Financial Institutions, May 2024

Criteria for Rating Financial Services Companies, May 2024

Criteria for Rating Corporate Entities, May 2024

GCR Rating Scale, Symbols & Definitions, May 2023

GCR Country Risk Scores, August 2024

GCR Financial Institutions Sector Risk Score, August 2024

## Ratings history

### Transaction Capital Limited

Rating class	Review	Rating scale	Rating class	Outlook	Date
Issuer Long Term	Initial	National	A <sup>-</sup> (ZA)	Stable Outlook	November 2016
	Last	National	A <sup>-</sup> (ZA)	Rating Watch Negative	February 2024
Issuer Short Term	Initial	National	A1 <sup>-</sup> (ZA)	--	November 2016
	Last	National	A2 <sup>(ZA)</sup>	--	February 2024
Issuer Long Term	Initial	International	BB <sup>-</sup>	Stable Outlook	November 2016
	Last	International	B <sup>+</sup>	Rating Watch Negative	February 2024

## Glossary

Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Downgrade	The rating has been lowered on its specific scale.
Facility	The grant of availability of money at some future date in return for a fee.
Gearing	Gearing (or leverage) refers to the extent to which a company is funded by debt and can be calculated by dividing its debt by shareholders' funds or by EBITDA.
Guarantee	An undertaking in writing by one person (the guarantor) given to another, usually a bank (the creditor) to be answerable for the debt of a third person (the debtor) to the creditor, upon default of the debtor.
Liabilities	All financial claims, debts or potential losses incurred by an individual or an organisation.
National Scale Rating	National scale ratings measure creditworthiness relative to issuers and issues within one country.
Option	An option gives the buyer or holder the right, but not the obligation, to buy or sell an underlying financial asset at a pre-determined price.
Preference Share	Preference or preferred shares entitle a holder to a first claim on any dividend paid by the company before payment is made on ordinary shares. Such dividends are normally linked to an interest rate and not determined by company profits. Preference shares are normally repayable at par value in the event of liquidation. They do not usually carry voting or pre-emptive rights. Preference shares can be redeemable or perpetual.
Preference Shares	A source of long-term equity funding that has no voting rights and higher pay-out priority than common shares.
Pro Rata	(1) Distribution of the amount of insurance under one policy among several objects or places covered in proportion to their value or the amounts shown. (2) Distribution of liability among several insurers having policies on a risk, usually in the proportion that the amount of coverage in each policy bears to the total amount of coverage in all policies.
Revolving Credit	A credit agreement that allows a customer to borrow against a preapproved credit line.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Tranche	A portion of an obligation, each of which has different terms.
Transaction	A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.

### Salient points of accorded rating

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings process was based solely on the merits of the rated entity, security or financial instrument being rated; and c.) the ratings process was an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity. The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- Interim financial statements for six months to March 2024
- SENS announcement regarding the WBC transaction
- SENS announcement regarding SA Taxi
- Management accounts to June 2024
- Confirmation of settlement of liabilities

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