

MEDIA RELEASE

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Transaction Capital delivers excellent full year results amid tough economic conditions; earnings and dividends continue to grow organically

- **Headline earnings:** up 18% to R803 million
- **Headline earnings per share:** up 18% to 131.3 cents
- **Total dividend per share:** up 22% to 61 cents
- **Compound annual growth in headline earnings per share:** 20% per year over the past five years
- **Strong financial position:** Approximately R950 million undeployed capital available for organic growth and acquisition opportunities

Transaction Capital placed 2nd in the 2019 Top 100 Company Awards, based on its performance on the JSE over the past 5 years

Transaction Capital is an active investor in and operator of credit-orientated alternative assets including distressed debt, speciality credit and other alternative assets. Today, the owner of SA Taxi & Transaction Capital Risk Services (TCRS) published its results for the year ended 30 September 2019, reporting headline earnings growth of 18% despite South Africa's strained operating environment characterised by low consumer and business confidence.

SA Taxi grew headline earnings by 38% to R519 million and TCRS grew headline earnings by 15% to R313 million.

Transaction Capital's balance sheet is ungeared and liquid at a holding company level, with undeployed cash of approximately R950 million. The majority of this cash has been allocated towards strategic organic growth initiatives, with the remainder being available for acquisitions facilitating earnings upside in the medium term when deployed.

Commenting on the annual results, Transaction Capital CEO, David Hurwitz said: ***"Transaction Capital has maintained its record of delivering strong financial results over the last 7½ years since listing on the JSE in June 2012. SA Taxi and TCRS continue to demonstrate resilience as highly defensive businesses able to deliver good commercial returns in poor economic conditions."***

Transaction Capital's performance was more broadly recognised earlier this month when the company was placed second at this year's Sunday Times Top 100 Company Awards. The award recognises and ranks JSE listed companies which have earned the highest returns for shareholders over the last five years. Over this period, Transaction Capital delivered an annual compound shareholder return of 31.1%, growing a R10,000 investment to R38,757 over a five-year period.

Commenting on Transaction Capital's prospects, Hurwitz said: ***"Transaction Capital has been a consistent outperformer delivering 20% compound annual growth in headline earnings per share over the past 5-years in a difficult economic environment. To continue driving sustainable future earnings growth at similar levels, Transaction Capital will invest in innovative new opportunities in adjacent segments of our markets, enter new geographic markets but always within our core competencies, and develop new products and distribution strategies to broaden our existing total addressable market. Leveraging our South African intellectual property and low-cost scalable platforms into alternative credit-orientated asset classes in local adjacent markets and selected larger geographic markets will continue."***

SA Taxi

SA Taxi is a vertically integrated taxi platform providing developmental finance, insurance and other services to empower minibus taxi owners, thus enhancing the sustainability, reliability and safety of South Africa's public transport infrastructure. The minibus taxi industry is the most vital and largest component of South Africa's integrated public transport network. About 250,000 minibus taxis complete more than 15 million commuter trips every day, making it the preferred mode of transport. Because the industry provides a competitively priced alternative to the bus and train modes of public transport, as well as greater convenience and accessibility, taxi fares are non-discretionary spend for most commuters, making this a highly resilient industry. Although not immune to difficult economic conditions, the minibus taxi industry is supported by population growth and increased urbanisation, which have resulted in higher commuter density.

SA Taxi grew headline earnings 38% resulting in Transaction Capital's attributable portion thereof growing by 21% to R446 million. The loans and advances portfolio grew by 16% to R10.8 billion, comprising about 32,500 loans. Toyota's increased production of minibus taxis, SA Taxi's launch of a lower interest rate product for better quality customers and higher loan origination volumes on Nissan vehicles supported this growth. Strong momentum in the sale and finance of SA Taxi's fully refurbished pre-owned minibus taxis also contributed to portfolio growth as minibus taxi operators seek a more affordable but reliable alternative to buying a new minibus taxi in this challenging economic environment.

To ensure that the business remains at the heart of the South African taxi industry, an ownership transaction between SA Taxi and SANTACO was finalised on 6 February 2019, with SANTACO now owning 25% of SA Taxi. SANTACO is the only government recognised representative body of the minibus taxi industry. SANTACO received its first trickle dividend in June 2019, the majority of which was invested into the Hlokomela campaign, a partnership between SANTACO and the South African government aimed at enhancing safe and sustainable public transport, including road safety.

SA Taxi's short-term insurance business, SA Taxi Protect, grew gross written premiums by 20% to R823 million driven by new products and new customer acquisition. The business broadened its client base via its broker network, specifically targeting open market clients (being insurance clients not financed by SA Taxi Finance). Penetration of SA Taxi's financed customer base remained stable, with the majority of SA Taxi Finance's clients choosing to be insured through SA Taxi Protect.

SA Taxi Rewards is an example of the shared value created as a result of the ownership transaction between SA Taxi and SANTACO. In close collaboration with the minibus taxi industry, SA Taxi Rewards was established to leverage the industry's purchasing power to enable minibus taxi operators to procure higher quality parts and consumables at a lower cost. This year, SA Taxi Rewards partnered with Bridgestone to launch a tyre programme, adding to the successful fuel rewards program. It is estimated that poor quality tyres account for almost a quarter of all taxi accidents in South Africa. This programme provides operators with a high quality and safer tyre designed specifically for minibus taxis, but at a lower cost. SA Taxi is proud to drive this programme which will deliver significant safety benefits including the knock-on effect of a safer minibus taxi industry which benefits not only commuters, but the broader South African citizen. Furthermore, acquiring consumables, such as fuel at a lower cost enables minibus taxi operators to run a more sustainable and profitable minibus taxi SME. Additional rewards programmes aimed at parts procurement are under consideration.

Ultimately, SA Taxi will use its telematics and other data accumulated from its rewards programmes, together with reward-based incentives, to proactively drive behavioural changes in the minibus taxi industry. This has a positive social impact in enhancing commuter safety.

“SA Taxi is continually assessing opportunities and investing into adjacent and vertically integrated sectors of the minibus taxi industry, broadening our earnings base and supporting future organic growth. Our partnership with SANTACO has led to a broadening of our total addressable market and assisted in the creation of new products in new and existing segments of the minibus taxi industry. This will not only benefit SA Taxi, but will also be highly beneficial to the minibus taxi industry as a whole.

Ultimately, SA Taxi intends to leverage its telematics and rewards programmes data to connect to South Africa’s 250 000 minibus taxi operators selling existing finance and insurance, and new products suited to the needs of minibus taxi operators”, added Hurwitz.

Transaction Capital Risk Services (“TCRS”)

TCRS is a technology-led, data-driven provider of services and capital solutions relating to credit-orientated alternative assets originated and managed through its scalable and bespoke platforms operating in South Africa, Australia and select international markets.

In its most significant business activity, collection services, TCRS acts either as a principal in acquiring and then collecting on non-performing consumer loan portfolios, or as a service provider on an outsourced contingency or fee-for-service basis. These business activities are diversified across sectors, clients and geographies, which lowers concentration risk and supports good performance and returns in different market conditions.

In South Africa, TCRS maintains propriety data on almost all distressed consumers with impaired credit records. Transaction Capital’s Consumer Credit Rehabilitation Index (CCRI), which reviews the rehabilitation prospects of more than 5 million South African consumers, reflects a distressed consumer credit environment, with consumers’ propensity to repay debt at 30 September 2019 unchanged compared to the prior year. As economic pressure intensifies, the South African consumer is expected to struggle to reduce debt over the medium term.

TCRS’s collection services business delivered organic revenue growth of 21%. Excellent revenue growth in the collection of non-performing consumer loan portfolios acquired as a principal performed ahead of expectations, and has positively offset the impact of the expected slowdown in outsourced contingency collections in South Africa. TCRS invested R1.2 billion in non-performing consumer loan portfolios this year. This investment will support strong and predictable annuity revenue over the medium term estimated at almost R4.5 billion.

The Australian collections market is significantly larger than the South African market and predominantly comprised of unsecured consumer loan portfolios, an asset class where TCRS has almost 20 years of experience in South Africa. Transaction Capital’s Australian collections business performed ahead of expectations with revenue in Australia growing organically in low double digits by gaining new outsourced contingency collection mandates from existing clients and winning new clients. Operating costs in the Australian collections business were kept stable, achieving significant operational leverage. The pilot to outsource certain functions to our South African low-cost centre of excellence continues. This could support further efficiencies and revenue growth in addition to providing a scalable platform for third party offshoring solutions.

TCRS is ready to accelerate its acquisition of non-performing consumer loans and invested a further R122 million into Australian portfolios this year. This initiative is underpinned by TCRS’s growing Australian database, the successful deployment of technologies proven in South Africa into the Australian operations, and TCRS’s analytics and pricing expertise. A small position in this market provides a significant growth opportunity for TCRS over the medium term.

Commenting on TCRS's prospects, David Hurwitz said: *"The main driver of organic growth for TCRS will be the accelerated acquisition of non-performing loan portfolios, a market that is currently underdeveloped in South Africa. This opportunity will be driven by macro factors such as the recent increase in unsecured consumer credit extension in a difficult consumer credit environment, and TCRS's active involvement in developing and broadening this sector.*

In Australia we aim to take a more meaningful position in this sizeable collections market. This initiative is underpinned by our growing Australian database, and the successful deployment of technologies proven in South Africa into our Australian business. This demonstrates Transaction Capital's ability to transport technology into other geographies."

Hurwitz continued: "The pilot to outsource certain functions from Australia to our South African low-cost centre of excellence continues. This could support further efficiencies and revenue growth in addition to providing a scalable platform for third party offshoring solutions. Transaction Capital is excited about the prospects that this initiative could provide for our business and for South Africa, specifically in terms of creating employment."

With its strong balance sheet, TCRS is continually assessing opportunities for bolt-on acquisitions of allied services businesses in both South Africa, Australia and even Europe.

TC Global Finance was established in 2019 to pursue growth opportunities in select international markets. The fragmented European specialised credit market, which is many times larger than the South African and Australian markets, presents an attractive growth opportunity. TCRS is targeting niche higher-yielding credit-orientated alternative assets in this market via co-investments in partnership with its network of specialist credit managers. This strategy will provide Transaction Capital with unique access to niche European specialist credit managers, without concentration risk to any particular portfolio, asset class, asset originator, collection platform or geographic market, which will diversify TCRS's earnings base further.

TCRS has invested €2.7 million to date, with initial returns in line with TCRS's expectations. A portion of TCRS's undeployed capital has been allocated towards this strategic organic growth initiative. In time TCRS intends building a scalable servicing platform to manage these assets leveraging TCRS's advanced technologies and low-cost South African infrastructure, and partnering entrepreneurial owners and management teams.

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