MEDIA RELEASE

16 November 2021

Transaction Capital delivers a strong recovery in earnings, with the group returning to its long-term track record of growth in the 2021 financial year

- Dividend payments resumed supported by strong financial performance and a robust balance sheet
- During 2021, Transaction Capital increased its shareholding in WeBuyCars to 74.2%

Results overview

Transaction Capital has delivered a robust performance in the 2021 financial year, with core headline earnings from continuing operations of R1 005 million, up 27% from 2019's pre-COVID levels and 264% up from the prior year. Core headline earnings per share from continuing operations also grew to 147.9 cents, up 234% from the prior year and up 15% when compared to 2019.

Following the competition authority's approval of Transaction Capital's additional investment of 24.3% in WeBuyCars in early August 2021, the group has been able to consolidate 74.2% of WeBuyCars' earnings for two months of the 2021 financial year.

Commenting on the group's performance, CEO of Transaction Capital, David Hurwitz said: *"We are extremely pleased with our strong operational and credit performance, delivering excellent financial results. This was a combination of organic growth from our existing divisions, SA Taxi and Transaction Capital Risk Services (TCRS), and high earnings growth from our newly acquired division, WeBuyCars. Our controlling investment into WeBuyCars has taken Transaction Capital into a new adjacent market, diversifying our earnings further, accelerating growth rates, and expanding our existing total addressable market."*

The trading environment in South Africa in the second half of 2021 has been challenging, given a prolonged and severe third wave of COVID-19 infections, and the resultant tightening of lockdown restrictions imposed in June 2021 which curbed business activity. The height of the third wave in mid-July coincided with 10 days of civil unrest in KwaZulu-Natal and Gauteng, further straining an already fragile economy.

"*In SA Taxi, the disruption of public transport services related to these events, as well as taxi conflict in the Western Cape, hampered minibus taxi activity",* says Hurwitz*. "Despite these challenges, SA Taxi posted an operational, credit and financial recovery, with earnings nearing 2019 levels. On the other hand, WeBuyCars and TCRS continue to perform in line with or above expectations."*

The group remains well capitalized, with adequate access to liquidity. In July 2021, Transaction Capital successfully completed an accelerated bookbuild, raising R1.17 billion of equity capital which was used primarily to finance the acquisition of a controlling stake in WeBuyCars.

In light of the group's strong financial performance, robust balance sheet and medium-term prospects, the board resolved to resume dividend payments to shareholders this year. Following an interim dividend of 19 cents per share, the board has declared a final dividend of 33 cents per share, at a rate of 2.5 times cover for the six months ended 30 September 2021.

Looking ahead, Hurwitz says, *"A robust earnings performance in 2021 supports our view that the group can maintain a sustainable trajectory of superior high-quality earnings growth in the medium term in line with, or exceeding, pre-COVID growth rates."*

WeBuyCars

WeBuyCars is a trusted principal trader of used vehicles through its vertically integrated e-commerce and physical infrastructure, offering finance, insurance and other allied products. This uniquely composed offering, which combines customer convenience and competitive pricing, positions it well to benefit from the current market context. In addition, with disposable income under pressure, new vehicle prices increasing and constraints in new vehicle supply, more consumers are buying used versus new vehicles, thus driving growth in the used vehicle market segment.

WeBuyCars has a leading position in a defensive market segment and has continued to trade throughout the COVID-19 pandemic reaching record monthly volumes, with overall volumes of vehicles traded in the 2021 financial year exceeding expectations. The number of vehicles purchased and sold has continued to grow year-on-year, from 2019 to 2020 and into 2021, driving core headline earnings up to R541m; 79% above 2020 and 74% above 2019. Transaction Capital consolidated R270m of these earnings in 2021.

The strategy to sell vehicles on-line via its e-commerce platform continues to deliver positive results, with e-commerce sales increasing significantly to approximately 30%. In addition, vehicle bays have increased to about 5 800 in 2021, and is expected to approach 7 000 bays with the opening of the newly acquired Dome in December 2021. The Dome is expected to be one of the largest, if not the largest, vehicle supermarket in Africa. As a result, WeBuyCars' target to increase the volume of vehicles traded to 10 000 per month is on track to be released sooner than initially anticipated, with the group's revised target for the medium-term now increased to 15 000 vehicle sales per month.

"Strong growth in vehicles bought and sold underpinned an excellent performance by WeBuyCars in 2021", says Hurwitz. *"WeBuyCars' strategy to grow its e-commerce offering, expand geographically and enhance unit economics by higher penetration of finance, insurance and allied products (F&I products) continues to yield results."*

WeBuyCars has applied its digital capabilities to respond to shifting buying patterns, accelerated by COVID-19, with significantly higher e-commerce adoption and online trading. The group expects that in the medium term, WeBuyCars' digital capabilities and credible e-commerce platform will support more efficient stock turn and even higher growth. Further growth will come from extending its services to include offering vehicle finance as a principal.

SA Taxi

The minibus taxi industry is indispensable to South Africa's economy, with it being the largest and most vital service in the integrated public transport network. Most South Africans rely on public transport and more commuters are choosing minibus taxis over bus and rail services due to convenience and accessibility. As an essential service, the minibus taxi industry has operated throughout the national lockdown and has gained in relevance as bus and rail services have floundered.

All of SA Taxi's clients have been able to operate since June 2020, albeit with travel distances slightly below pre COVID-19 averages. There have been three distinct periods during South Africa's lockdown in which the minibus taxi industry has experienced higher levels of disruption; during the initial lockdown of April and May 2020, for one week during January 2021 at the outset of the second wave of COVID-19 and for two weeks during July 2021 when the third wave of COVID-19 coincided with civil unrest in KwaZulu-Natal and Gauteng, and taxi conflict in parts of the Western Cape.

Despite these environmental pressures, SA Taxi posted an operational, credit and financial recovery, with earnings nearing 2019 levels. SA Taxi's recovery and organic growth lifted core headline earnings 109% to R499 million, with the group's attributable portion growing 113% to R413 million.

Commenting on the prospects for the SA Taxi business, Hurwitz says, *"SA Taxi will continue to assess opportunities for further vertical integration to broaden its addressable market and to enter new adjacent sectors in support of future organic growth."*

Transaction Capital Risk Services (TCRS)

In its most significant business activity, 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. Following the strategic realignment of TCRS earlier this year, the business is now structured to deliver in the three key areas of collections, transactions and business process outsource services. TCRS intends to leverage its scale, its South African Rand denominated resources and technology, data and analytical capabilities to drive both local and global growth of these businesses.

TCRS's business model continues to gain relevance as the protracted effects of COVID-19 drive up indebtedness and impair consumers' ability to service their debt. This will leave consumer facing entities with significantly larger non-performing loan portfolios to manage. To illustrate the pressure on these entities, the July 2021 BA900 Regulatory Returns submitted by South African banks show that provisions were 7.2% higher year on year, while total credit extension grew an average of only 2.0%. Furthermore, the disruption to the collection infrastructures and capabilities of consumer-facing entities has made it more difficult for them to collect on their non-performing loan portfolios.

The group's strategy of investing in the global non-performing loan markets has been refined, and its small position in Australia and other international markets, where it seeks to co-invest with local partners, provide meaningful growth opportunities.

In 2021 TCRS grew core headline earnings from continuing operations 662% to R320 million. The division's core headline earnings grew 15% when applying 2019 as a base, indicating a return to pre COVID-19 growth rates.

"TCRS posted a resilient performance, with strong acquisition of non-performing loan portfolios and robust collection revenues in South Africa allowing it to recover to its historic growth trajectory", says Hurwitz. He concludes that TCRS is well positioned to manage difficult conditions and capture emerging opportunities in the medium term, braced by its proven operational agility and enduring cashflows.

About Transaction Capital

Transaction Capital identifies, invests in and operates a diversified portfolio of high-potential businesses, in markets where historically low levels of client service and stakeholder trust provide compelling opportunities for disruption. Our businesses apply their specialised expertise and technology and data advantages to provide competitive and innovative solutions that deliver outstanding commercial benefits to clients and drive the development of our industries. This, in turn, enables the group to consistently generate strong financial returns for our stakeholders.

We partner with expert, entrepreneurial and significantly co-invested management teams to scale and grow unique, vertically integrated businesses. Deliberately positioned in relation to socioeconomic dynamics in defensive market segments, our businesses are strategically and operationally relevant, resilient and agile. Over many years they have proven their ability to align their operating models, financial structures and growth plans to prevailing socioeconomic realities and emerging opportunities.

Our businesses are robustly governed and aligned to the group's culture of entrepreneurship and integrity, which underpin their ability to respond effectively and ethically to complex market dynamics. As trusted partners, they collaborate with their stakeholders to create net positive socioeconomic returns with enduring benefits. This enhances their growth, risk and sustainability profiles and secures the group's ability to sustainably deliver shared value outcomes.

ENDS

Issued by: Transaction Capital

For more information contact Transaction Capital:
Nomonde Xulu - Investor Relations
Email: nomondex@transactioncapital.co.za

APPENDIX