

## **MEDIA RELEASE**

15 November 2022

### **Transaction Capital delivers a strong operational performance in the 2022 financial year with earnings growing in line with historical growth rates**

- Returns remain robust as earnings composition tilts towards capital-light revenues from WeBuyCars and Nutun
- A final ordinary dividend of 37 cents per share has been declared, bringing the total dividend per share for the 2022 financial year to 70 cents per share

#### **Results overview**

Transaction Capital extended its track record of organic earnings growth in the financial year ended 30 September 2022, with core continuing earnings of R1 246 million, up 24% from the prior year, and core continuing earnings per share growing by 17% to 172.5 cents.

Commenting on the group's performance, CEO of Transaction Capital, David Hurwitz said: "We are extremely pleased with our strong operational performance, delivering excellent financial results. Transaction Capital has a long-term, consistent track record of growth, with this year's earnings growing in line with our compound annual growth rates since listing over a decade ago. This track record has generated shareholder returns of 28% over a 10-year period, on a compound per annum basis. This year, Transaction Capital again placed in the top 10 of the Sunday Times Top 100 Companies awards."

The global macro-economic environment in 2022 has been characterised by rising fuel and energy prices, inflationary pressures, and rising interest rates resulting from geopolitical tensions and withdrawal of monetary and fiscal stimulus. In South Africa, this is combined with frequent power outages, low economic growth and persistently high unemployment.

Although commuter activity is increasing in South Africa, it is not anticipated to reach pre-pandemic levels in the short-term. These macro-economic headwinds continue to place pressure on minibus taxi operator profitability, causing finance and insurance instalment affordability constraints. In 2022, this was compounded by the extended impact of the floods in KwaZulu-Natal on Toyota's production capability which constrained SA Taxi's ability to grow its loan portfolio in the second half of the year. This resulted in the division's earnings in the 2022 financial year remaining below the prior year. WeBuyCars and Nutun continue to perform in line with the group's expectations delivering high earnings growth which supported robust growth in group earnings.

Over the past year Transaction Capital's divisions (WeBuyCars, Nutun and SA Taxi) put in place the building blocks to materially enhance their competitive value propositions, diversify their revenues and expand their total addressable markets. "Based on this strategic repositioning, and our current assessment of operating conditions and growth prospects, we expect Transaction Capital's organic earnings growth over the medium-term to be in line with historic rates", says Hurwitz.

#### **Nutun (previously Transaction Capital Risk Services)**

In September of this year, Transaction Capital Risk Services rebranded to Nutun Digital Business Services. The name Nutun is inspired by the genius of Sir Isaac Newton, in recognition of his contribution to data driven science and precise decisioning, and his ability to view the world through a unique lens. This rebranding follows Nutun's strategy to deliver a broader range of innovative digital business services as a trusted partner to a global client base. These services include agency collection,

fee-for-service and other customer experience management services (collectively called “CXM services”), and capital enabled services (“CE services”), which mainly comprise the acquisition of non-performing loan (“NPL”) portfolios to be collected as a principal.

“The expansion into global CXM services is an exciting opportunity to leverage off South Africa’s growing popularity as an outsourced customer engagement services destination, to earn international hard-currency revenue serving a growing global client base, and leveraging its low-cost South African infrastructure and resources, creating sustainable employment locally. By way of example, approximately 10% of Nutun’s earnings this year was from clients in a new geography, being the UK, providing non-collection CXM services in new sectors such as e-commerce and energy. These services are operationalised from South Africa using our local staff and infrastructure”, says Hurwitz.

Nutun posted an excellent performance driven by robust levels of investment in and collection of acquired NPL portfolios in South Africa, and new revenues from its global CXM services. Looking forward, Nutun’s earnings growth over the medium-term should continue at rates above historical rates.

Commenting further on Nutun’s global prospects, Hurwitz says, “In Australia, we’ve sold the NPL portfolio and acquired a substantial contingency collections business. This positions our platform as one of the largest providers of capital-light CXM services in Australia, with a significant opportunity for an expanded range of outsourced services to be delivered from South Africa.”

### **Mobility platform**

WeBuyCars, SA Taxi and the recently launched GoMo, are positioned as a South African private and public commuter mobility platform, delivering a disruptive range of mobility services including vehicle trading, finance, insurance, and other allied mobility products.

### **GoMo**

Pursuant to Transaction Capital’s strategic intent to leverage off WeBuyCars and SA Taxi’s platform value, GoMo was launched in the current financial year to build a scalable mobility platform that aims to disrupt and capture market share in South Africa’s under-penetrated used vehicle finance and insurance sector.

“GoMo leverages the best of SA Taxi’s credit intellectual property and WeBuyCars’ access to low-cost used vehicle distribution, as well as its ability to value and trade used vehicles efficiently. GoMo’s unique offering is the first in a range of innovative mobility products aimed at evolving and disrupting the used vehicle finance and insurance model in South Africa”, says Hurwitz.

Since its launch, GoMo has received an overwhelmingly positive market response, with the number of loan applications being significantly higher than anticipated.

### **WBC**

WeBuyCars continues to disrupt used vehicle ownership and trade in South Africa. It does this through a unique combination of vehicle trading via its e-commerce platform and physical branches, together with finance, insurance and other ancillary products. Foundational to its business model are proprietary data sets and AI led pricing, that enable WeBuyCars to adjust pricing in response to vehicle value and market demand, allowing it to maintain margins. This uniquely composed offering combines a convenient, trustworthy and satisfying customer experience, with competitive pricing, driving WeBuyCars’ brand value.

WeBuyCars is now Transaction Capital’s largest business, generating about 43% of core earnings attributable to the group. The business continues to gain market share, driven by its strategy to expand

geographically, grow its e-commerce offering, and drive higher penetration of finance, insurance and allied products. In 2022, the business exceeded its target of 10 000 vehicle sales per month, reaching an aggregate of about 12 000 sales per month in the last quarter of the financial year.

Approximately 23% of households in South Africa use personal vehicles as their main mode of transport, and mobility trends show a positive shift towards used vehicles, with more commuters moving from being passengers in personal vehicles, to becoming first-time used car owners. Unlike the exaggerated used vehicle price increases and subsequent reductions experienced in markets such as the USA over the past year, South Africa's used vehicle price inflation at the end of Q2 2022 was 8.3% year-on-year, and now seems to be slowing or stabilizing.

"In recent years, there has been a structural shift away from new to used vehicles as used vehicles offer a more affordable option, due to strained disposable income and new vehicle price increases. Another factor adding to this is the growing appetite of banks to fund used vehicles, as they seek book growth, adding liquidity into the used vehicle market and stimulating used car sales. This makes the used vehicle industry resilient, defensive and growing" says Hurwitz.

Over the medium-term, Transaction Capital anticipates future earnings from WeBuyCars to continue to grow at rates higher than Transaction Capital's historical earnings growth rates. The business will seek to maximize growth and market share gains through its physical and e-commerce platforms by driving a differentiated customer experience enhanced by data, technology and analytical advantages.

"It is no surprise that Transaction Capital is considering various mechanisms with the founders of WeBuyCars to increase its shareholding by a further 15%. This would be an accretive and low-risk deployment of capital, as WeBuyCars is well known to Transaction Capital as a high-quality growth business", says Hurwitz.

GoMo, although strategically positioned alongside SA Taxi, is expected to be value accretive to WeBuyCars. GoMo should increase volumes traded in WeBuyCars and drive higher penetration of finance, insurance and allied products, particularly on older vehicles which are not traditionally financed by banks, thus resulting in incremental revenues earned by WeBuyCars.

### **SA Taxi**

SA Taxi's business model has, over 2 decades, evolved from a specialty financier, into a vertically integrated public commuter mobility platform, facilitating minibus taxi ownership through finance, insurance, vehicle trade and maintenance, and other allied services. "The business' success in creating value from a niche asset, demonstrates its potential to sustainably expand its earnings-base and addressable market as it enters the consumer used-vehicle mobility sector", says Hurwitz.

Profitability within the minibus taxi industry continues to be impacted by a tough operating environment. Traditionally, vehicle and fuel price increases are offset by minibus taxi fare increases, preserving industry profitability. Minibus taxi fares increased by about 9.3% per year between 2013 and 2020. However, no fare increases were levied over the 2-year COVID-19 period, until July 2022. This latest fare increase has not been sufficient to fully absorb this financial pressure.

In response, over the past few years, SA Taxi increased its ability to refurbish repossessed minibus taxis, increasing the supply of Quality Renewed Taxis, which provide an affordable yet reliable alternative to new vehicles and supplemented supply-side constraints following the floods in Kwazulu-Natal.

SA Taxi has also recently invested into an e-commerce auction platform, specialising in the online sale of salvage vehicles, which is expected to increase efficiencies within Transaction Capital's greater mobility platform over the medium-term.

Commenting on SA Taxi's prospects, Hurwitz says, "The strategic focus in the coming financial year will be on optimising the core minibus taxi business lines, whilst developing GoMo into a profitable business of scale. The group believes that GoMo has the potential to match the size of the SA Taxi loan book over the medium-term."

"The strategic positioning of SA Taxi as a mobility platform leverages its competencies to broaden its total addressable market to include the under-penetrated used vehicle finance and insurance sector, provide better risk allocation optionality, and diversify its revenue, providing a compelling medium-term growth opportunity", he concludes.

### **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**

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