



Transaction Capital Limited
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE share code: TCP
ISIN: ZAE000167391
("Transaction Capital" or "the company" or "the group")



TransCapital Investments Limited
(Incorporated in the Republic of South Africa)
Registration number: 2016/130129/06
Bond company code: TCII
LEI: 378900AA31160C6B8195

TRADING STATEMENT AND PRE-CLOSE OPERATIONAL UPDATE IN RESPECT OF THE YEAR ENDING 30 SEPTEMBER 2023

Trading Statement

In the first half of the 2023 financial year ("FY2023"), Transaction Capital communicated an expected decline in full year core, basic and headline earnings per share from continuing operations. In particular, the ongoing macroeconomic challenges affecting South Africa's minibus taxi industry, which started at the onset of the Covid-19 pandemic in March 2020, prompted an aggressive restructuring of SA Taxi to right-size the business. This restructuring process continues to impact Transaction Capital's full year core earnings per share ("core EPS"), headline earnings per share ("HEPS") and basic earnings per share ("basic EPS").

In accordance with section 3.4 (b) of the JSE Limited Listings Requirements, shareholders are advised that given the factors discussed in the operational update below, core EPS, HEPS and basic EPS are expected to be lower than the ranges reported in the trading statement released on SENS on 20 March 2023.

A further trading statement will be issued to provide specific guidance once the group has reasonable certainty regarding the core EPS, HEPS and basic EPS ranges for the full year ending 30 September 2023.

Shareholders are advised that the forecast information contained in this announcement has not been reviewed or reported on by the group's external auditors and is the responsibility of the board.

Operational update

Salient features

- Management has made progress regarding the restructure of SA Taxi's operations and balance sheet, resulting in a more stable business. However, this restructuring process and the related non-recurring costs incurred to get the business to a sustainable base, will impact Transaction Capital's full year core EPS, HEPS and basic EPS.
- In line with the half year performance, WeBuyCars' FY2023 earnings are expected to be approximately 20% down in comparison to the prior year.
- Post concluding the agreement with Standard Bank, Gomo is anticipated to scale substantially over the next few years.
- Nutun's FY2023 earnings are expected to grow relative to the prior year, but at a lower rate than previously communicated.

Mobalyz and SA Taxi

Earlier this year, it became apparent that the minibus taxi environment was unlikely to rebound in line with SA Taxi's original expectations. In light of this, management initiated an aggressive restructuring and rebasing of SA Taxi's business model, over and above the more tactical adjustments consistently implemented from March 2020 to the end of December 2022.

Since then, the operational restructuring of SA Taxi has resulted in a more stable business, including:

1. The successful implementation of management changes communicated in the SENS announcement released on 20 June 2023.
2. An aggressive cost reduction and restructuring towards a more variable cost model is almost complete and will result in annualised savings of approximately R500 million per annum.

3. Focus on higher quality credit risk has resulted in a lower absolute quantum of loans originated. Initial indicators are positive and show that this credit tightening is achieving improved collection ratios on recent loans originated.
4. Collection strategies have been supplemented through the appointment of Nutun as an outsourced partner, which is yielding greater collection efficiency. Despite this, loan collection rates remain below pre-Covid levels on the historic portfolio.
5. The operations have been simplified, including the downscaling and potential sale of SA Taxi's auto refurbishment and repair facilities to support lower refurbishment volumes and lower loan origination volumes.
6. As part of an aggressive focus to reduce the quantum of repossessed vehicles held in stock, SA Taxi continues to introduce new channels and strategies to dispose of repossessed vehicles, in addition to refurbishing repossessed vehicles into quality renewed taxis ("QRTs") which are resold and refinanced into the minibus taxi industry. These include the selling and refinancing of repossessed vehicles as second-hand taxis, auction sales and salvage of vehicles through GoBid.
7. All of the above initiatives have the effect of improving cash flow generation.

In parallel, Transaction Capital has progressed the restructure of SA Taxi's balance sheet. A Mobalyz Debt Sustainability Committee ("the Committee") comprising group executives, independent non-executive directors and external advisors has been established under the chairmanship of Mr Chris Seabrooke. Engagement between the Committee and debt funders has been constructive and positive to date.

WeBuyCars

The structural elements supporting the medium and long-term outlook for the used vehicle market in South Africa remain positive. Demand for more affordable used vehicles remains high as elevated inflation and rising interest rates erode disposable income. WeBuyCars has consistently gained market share in FY2023, despite a tough economic environment as well as a recovery in the supply of new vehicles that have put pressure on average selling prices, margins and inventory turns. However, it is encouraging that all of these measures have improved in the last few months, and the adjustment in our stock and trading mix towards cheaper vehicles is now aligned with current consumer demand.

WeBuyCars is prioritising growing into its existing infrastructure to increase cost efficiencies, improve unit economics and create operational leverage. As such no further branch expansion has taken place in the second half of FY2023. The number of vehicles bought and sold continues to increase with the average number of vehicles sold per month remaining at approximately 12,000 in the second half of FY2023. The increase in sales volumes continues to be driven by sales to private individuals, which facilitates an increase in finance and insurance ("F&I") income. F&I income is expected to continue increasing as WeBuyCars evolves its offering through Gomo and other third-party providers.

Gomo

The arrangement announced on SENS on 19 June 2023, with a leading South African bank (which we now confirm to be Standard Bank), has facilitated significantly increased volumes as Gomo expands nationally. Gomo is now positioned to maximise this growth opportunity and is anticipated to scale substantially over the next few years.

Nutun

Nutun is delivering strong growth in customer experience ("CX") services revenue from a diversified client base in new geographies and new sectors. Revenue from CX services, which now makes up more than 50% of Nutun's total revenue, is primarily generated from UK based clients but also includes mandates in South Africa, Australia and more recently the USA.

The current environment presents Nutun with an opportunity to acquire non-performing loan ("NPL") portfolios at risk appropriate prices. Over recent months Nutun has been selective and conservative when pricing NPL portfolio acquisitions with prices being below sellers' expectations. Deployment of capital has thus been lower, resulting in the performance of the recoveries segment being curtailed by lower levels of book buying.

Pressure on disposable income fuelled by increased interest rates, inflation and elevated levels of unemployment has impacted the consumer's propensity to repay outstanding debt. This is exacerbated further by loadshedding, which impacts Nutun's ability to contact consumers as well as the quality of

consumer interactions. Despite these challenges, collection performance remains strong, reaffirming the robustness of Nutun's technology platform and call centre intellectual property.

Notice of investor webinar

Shareholders are advised that Transaction Capital will host a pre-close investor webinar at 12h00 (South Africa time) on Tuesday, 12 September 2023.

Please register for the webinar on this link <https://78449.themediaframe.com/links/transaction230907.html>

A replay will be available shortly after the end of the call on the Transaction Capital website:

<https://www.transactioncapital.co.za/investor-relations-overview/transaction-capital-limited/>

Transaction Capital's results for the year ending 30 September 2023 will be released on SENS on or about Tuesday, 5 December 2023.

Rosebank
11 September 2023

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