



Transaction Capital

# GROWING SHAREHOLDER VALUE

UBS 17<sup>TH</sup> ANNUAL  
FINANCIAL SERVICES  
CONFERENCE

16 OCTOBER 2014

# TRANSACTION CAPITAL GROUP PROFILE – AT 31 MARCH 2014\*

**TRANSACTION CAPITAL LIMITED** – half year ended 31 March 2014 | Employees: **3,586** | Headline earnings: **R148m**

## ASSET-BACKED LENDING

TOTAL INCOME **60%** OF GROUP | HEADLINE EARNINGS **46%** OF GROUP

GROSS LOANS & ADVANCES **R6,101m** | HEADLINE EARNINGS **R78m**  
EMPLOYEES **634**



Financier of independent SMEs in the minibus taxi industry

### SOCIETAL RELEVANCE:

SA Taxi finances SMEs that may not otherwise have access to credit from traditional banks, contributing to job creation, and enabling and improving the safety of public transport in South Africa

CEO: Terry Kier,  
subsidiary tenure 6 years



Provider of working capital to SMEs through invoice discounting & commercial debtors' management

### SOCIETAL RELEVANCE:

Rand Trust provides finance to SMEs that may not otherwise have access to credit from traditional banks, thereby facilitating SME growth

CEO: Deon Pienaar,  
subsidiary tenure 6 years

## CREDIT SERVICES

TOTAL INCOME **34%** OF GROUP | HEADLINE EARNINGS **28%** OF GROUP

INCOME **R407m** | HEADLINE EARNINGS **R47m**  
EMPLOYEES **2,913**



MBD CS collects distressed consumer and commercial debt as agent on behalf of South Africa's leading credit providers, and as principal on purchased book debts

### SOCIETAL RELEVANCE: MBD CS

provides comprehensive credit reports, financial education & debt negotiation services to individuals. MBD CS is a large scale employer providing training and career opportunities for South Africans

CEO: Charl van der Walt,  
subsidiary tenure 13 years



Provider of credit lifecycle consulting services, predictive modelling and related software to credit providers

### SOCIETAL RELEVANCE: Principa

Decisions works with a wide range of credit providers in South Africa to ensure credit is granted responsibly and only marketed and provided to individuals who have the appropriate financial capacity and ability to repay

CEO: Ian Read,  
subsidiary tenure 5 years

\* Continuing operations

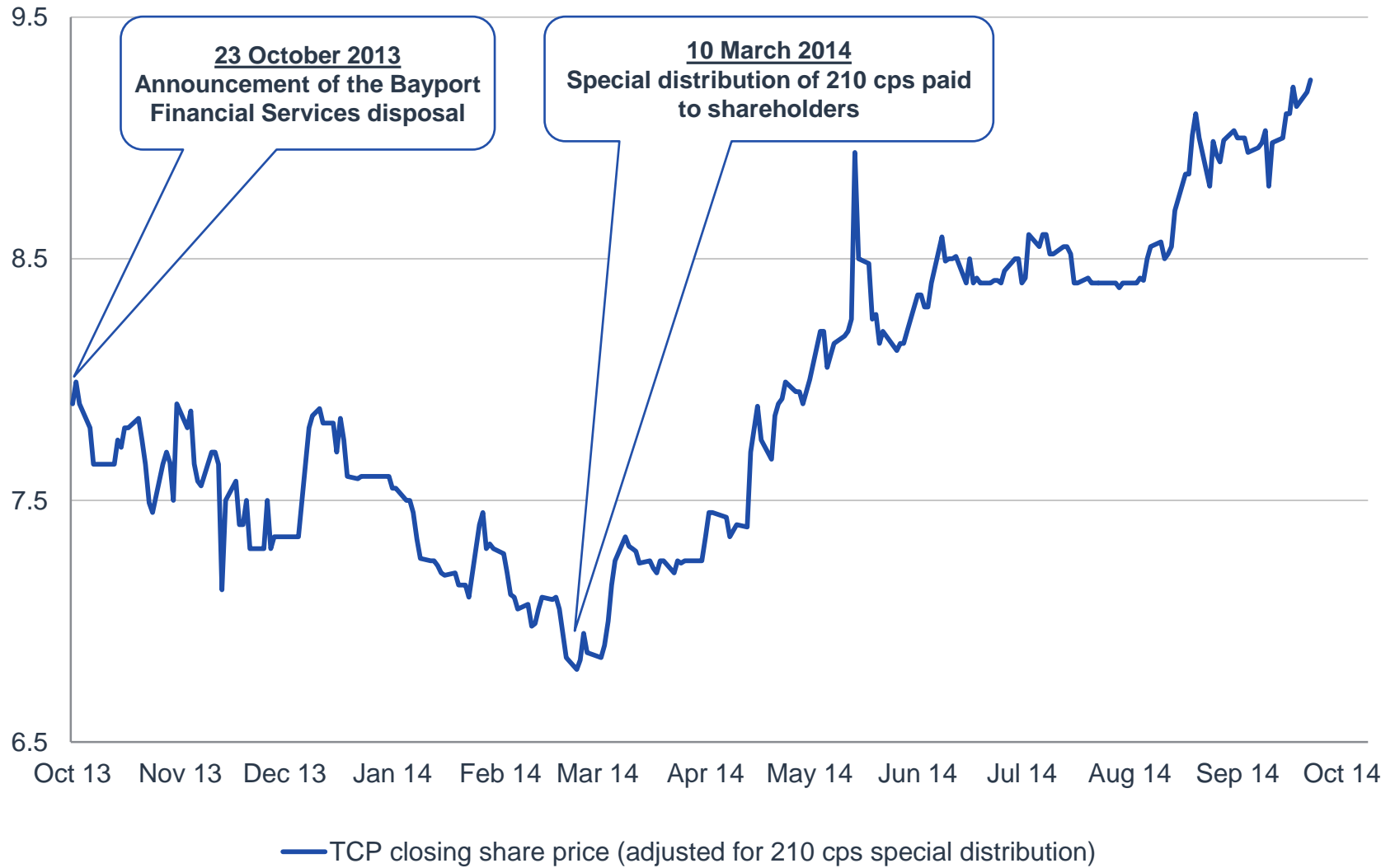
## RECENT HISTORY

- Listed on the JSE in June 2012 – market capitalisation of R4.67bn
- Earnings performance in line with guidance at IPO
  - FY12 Headline earnings up 31%
  - FY13 Headline earnings up 35%
  - 1H14 Headline earnings up 28%
- Value accretive disposals in a challenging environment
  - realised value
  - de-risked the group
  - reduced complexity

	Proceeds	Profit on sale	PE	IRR
Paycorp	R937m	R425m	18.7 times	18.2%
Bayport	R1 336m	R234m	6.7 times	32.6%

- Special distribution of 210 cps - March 2014

# MANAGEMENT ACTION ENHANCING SHAREHOLDER VALUE



## STRATEGY TO GROW SHAREHOLDER VALUE

**Invest in organic & acquisitive growth of specialist financial services businesses, operating in underserved or niched sectors of the financial services market, to render acceptable risk adjusted returns to shareholders**

- **Ensure a defensible competitive stance for each business unit through the definition & delivery of a compelling value proposition to stakeholders**
- **Deliver value beyond that which the business units would generate as free standing entities: intervention; direction; portfolio management (acquisitions and sales)**

## ABOUT SA TAXI

- Founded in 1998, SA Taxi's sole focus is vehicle finance for minibus taxi operators
- SA Taxi is an enabler of affordable and safe transport to 19 million commuters daily. A total of 20 629 minibus taxi operators (23 519 accounts) were financed by SA Taxi as at 31 March 2014
- SA Taxi has facilitated the creation of over 35 000 black SMEs and is an important catalyst for empowerment and development of start-up SMEs in South Africa. It provides an opportunity for previously disadvantaged individuals to start a business from which they can earn a living
- Provision of finance to SME minibus taxi operators who would not otherwise have access to credit from traditional sources
- A continuous engagement with the relevant industry stakeholders (e.g. operators, taxi associations, the Department of Transport, OEMs) is critical to success
- The interplay between vehicle make, capacity and quality together with the required needs of the operator in terms of their route and usage, require a bespoke credit process in order to fully understand and account for the risk

## HOW SA TAXI GROWS SHAREHOLDER VALUE

**SA Taxi's business model has been successful because of specialisation and extensive vertical integration in South Africa's taxi industry:**

- Focus extends well beyond being just the financier of a taxi vehicle
- Direct sales of new and pre-owned vehicles allows SA Taxi to capture additional margin
  - dealer margin
  - credit risk mitigation
- Taximart was created in 2009 to receive, refurbish and sell repossessed minibus taxis in the secondary market and improve SA Taxi's recoveries on these vehicles
- Specifically designed insurance product for taxi operators
- Control of procurement through Taximart decreases costs of insurance claims
- Credit risk mitigation via the introduction of additional revenue streams for clients:
  - SA Taxi Media
  - Shayela rewards
- Leverage core skill set to other asset classes
  - "Bakkie" finance pilot

## ABOUT MBD CREDIT SOLUTIONS

- Founded in 1999, SA's largest provider of outsourced accounts receivable management services
- Collects distressed consumer and commercial debt as agent on behalf of South Africa's leading credit providers and as principal on acquired debt books
- Provides a number of ancillary services, the largest component thereof being standby administration services to other credit providers
- Servicer Quality Rating from Global Credit Ratings Co. ("GCR") as at June 2014:
  - special servicer SQ1-(za) - reflects the group's ability to reactivate and/or work out loans, as well as its internal control environment and strong financial condition
- Fulfilment capability achieved through efficiencies and scale
  - 10 call centres across the region
  - more than 2 500 collection agents
  - more than 60 agency clients including banks, credit retailers, municipalities, parastatals, telecommunications and insurance
  - superior infrastructure and IP, the Cheetah database houses large volumes of current and historical data
    - consumer: 15 million consumer ID numbers
    - commercial: more than 238 000 entities
  - scale is a barrier to entry and a key competitive advantage



## MBD FACTS AND FIGURES FOR THE YEAR ENDING 30 SEPTEMBER 2014

Total gross collections	Rbn	2.2bn
Total payments received	Number	5.1m
Successful debit orders submitted	Number	2.5m
Total outbound calls	Number	52.4m
Total SMSes sent	Number	117.3m
Total letters sent	Number	6.0m
Customer queries resolved	Number	1.3m
Debt currently under management (31 March 2014)	Rbn	29.7bn

# HOW THE CREDIT SERVICES DIVISION GROWS SHAREHOLDER VALUE

## Core competencies can be combined to provide full service offering to clients

- Collections
  - agency
  - principal
  - hybrid (municipal)
- Consulting
- New client acquisitions
- Information technology
  - consulting
  - software sales
- Business process outsourcing
  - cost pressures of non-core functions at credit and service providers creates an outsourcing opportunity

## Full service offering extends over numerous markets

- Consumer – banking, retail, municipal, lifestyle

# HOW TRANSACTION CAPITAL GROWS SHAREHOLDER VALUE - MOBILISING CAPITAL

- Successfully commercialised previously un-investable asset classes
  - taxi loans
  - charged off consumer debt
- Dedicated in-house capital markets team
- Long standing relationships with funders maintained
- Total of R23 billion was raised from local and international investors from March 2006 to March 2014
- Funding model
  - diversified funding base
  - structure to accommodate investor preference without compromising operational flexibility
  - positive liquidity mismatch is maintained
  - cost of funding is reducing

# HOW TRANSACTION CAPITAL GROWS SHAREHOLDER VALUE - DEPLOYMENT OF CAPITAL

- Acquisition strategy focussed within our existing divisions where we are the market leader
- Specialisation in familiar business lines will create most value
  - Asset-backed lending
    - new verticals such as “bakkie” finance
  - Credit services
    - opportunities in a challenging consumer credit environment
    - capital opportunities including book buying, “rights to collect” and business process outsourcing
- Sound M&A track record but patience is required