

# AUDITED RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER

# 2014



## NOTES

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# HIGHLIGHTS

AUDITED RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER

# 2014

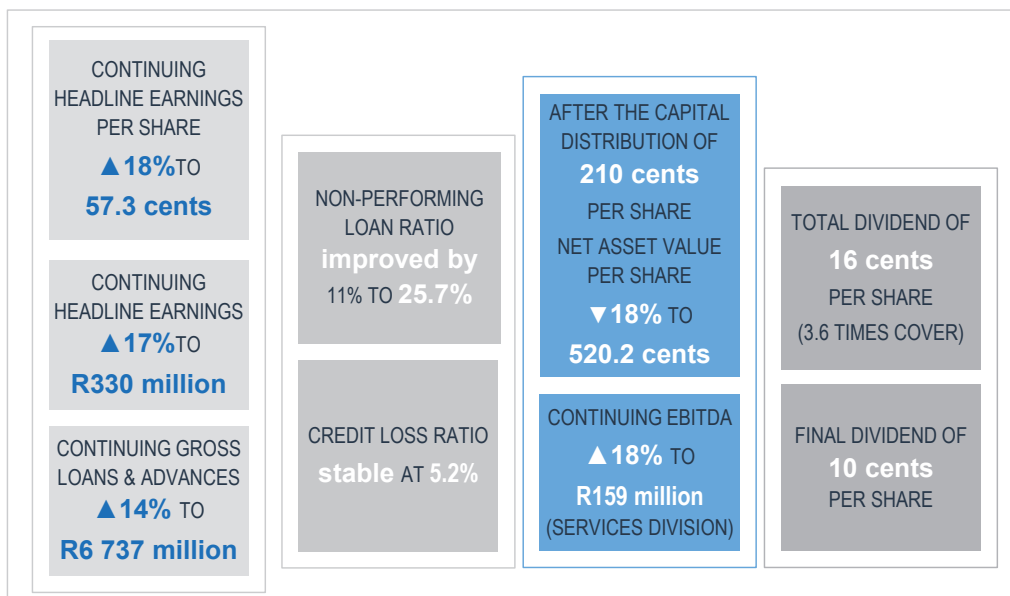
## STRATEGIC AND OPERATIONAL HIGHLIGHTS

Strategic repositioning of Transaction Capital:

- Change in portfolio of assets
  - Disposal of Paycorp & Bayport
  - Generated strong returns, realised value, reduced risk profile
- Change in leadership
- Restructured board & sub-committees
- Simplified and downsized group executive office
  - Decentralised functions & devolved operational responsibility to subsidiaries
  - Achieved cost savings
- Improved capital structure via 210 cps capital distribution
- Reconstitution of operating divisions
  - Asset-backed lending (comprising SA Taxi)
  - Risk services (comprising MBD CS, Principa & Rand Trust)

## NOTES

## FINANCIAL HIGHLIGHTS



# ENVIRONMENT

AUDITED RESULTS  
FOR THE YEAR ENDED 30 SEPTEMBER | 2014

## NOTES

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ENVIRONMENT

### ECONOMIC ENVIRONMENT

- South African economic growth was constrained for the entire financial year
  - Employment & real wage growth slowed
  - Elevated inflation
  - Industrial action had a wide-spread negative impact
  - Repo rate increased by 75 basis points
- The consumer and SME sectors of our economy remain at risk
- Asset-backed lending division: Strategic shift in lending division from funding consumption to funding income-producing assets
- Risk services division: Consumer credit environment creates substantial opportunity as its client base displays increased appetite for credit risk management solutions and their sale of late stage debtors' books

## REGULATORY ENVIRONMENT

- Regulatory uncertainty continues
  - National Credit Amendment Act
  - Limited response to business comment on proposed legislation
  - Inadequate assessment of the consequences of proposed legislation
  - Uncoordinated legislation from multiple and sometimes competing ministries
  - Ineffective enforcement of existing laws by regulators
- Transaction Capital continues to engage frequently with its regulators
  - Gain early understanding of proposed changes
  - Appropriately position Transaction Capital for change

## NOTES

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# STRATEGY AND PROSPECTS

AUDITED RESULTS  
FOR THE YEAR ENDED 30 SEPTEMBER **2014**

## TRANSACTION CAPITAL GROUP PROFILE – at 30 September 2014\*

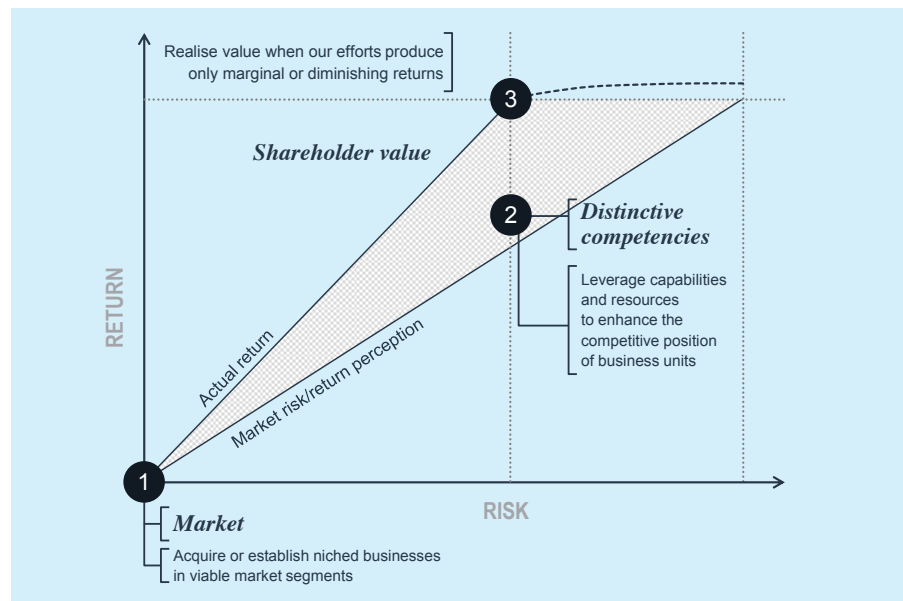
TRANSACTION CAPITAL LIMITED – year ended 30 September 2014 | Employees: **3,719** | Headline earnings: **R330m**

ASSET-BACKED LENDING		CREDIT SERVICES	
TOTAL INCOME <b>60%</b> OF GROUP   HEADLINE EARNINGS <b>57%</b> OF GROUP		TOTAL INCOME <b>34%</b> OF GROUP   HEADLINE EARNINGS <b>32%</b> OF GROUP	
GROSS LOANS & ADVANCES <b>R6,690m</b>   HEADLINE EARNINGS <b>R188m</b> EMPLOYEES <b>655</b>		INCOME <b>R874m</b>   HEADLINE EARNINGS <b>R104m</b> EMPLOYEES <b>3,029</b>	
 <p><b>SA Taxi</b> <i>driving our nation forward</i></p> <p>Innovative asset-backed lender, focusing predominantly on the financing of independent SMEs mainly in the minibus taxi industry</p> <p><b>SOCIETAL RELEVANCE:</b> SA Taxi supports &amp; finances SMEs that may not otherwise have access to credit from traditional banks, contributing to job creation, &amp; enabling &amp; improving the safety of public transport in South Africa</p> <p>CEO: Terry Kier (48), BA (Hons) Group/subsidiary tenure - 7 years</p>	 <p><b>Rand Trust</b> <i>business, on your terms</i></p> <p>Provider of working capital and commercial debtor management solutions to SMEs</p> <p><b>SOCIETAL RELEVANCE:</b> Rand Trust provides business support &amp; finance to SMEs that may not otherwise have access to credit from traditional banks, thereby facilitating SME growth</p> <p>CEO: Deon Pienaar (42), BCom (Hons), CA (SA) Group/subsidiary tenure - 7 years</p>	 <p><b>MBD</b></p> <p>Provides a comprehensive range of structured credit risk management, collection and capital solutions to South Africa's largest credit providers</p> <p><b>SOCIETAL RELEVANCE:</b> MBD CS provides comprehensive credit reports, financial education &amp; debt negotiation services to individuals through Credit Health, one of its subsidiary companies</p> <p>CEO: David McAlpin (53), BCom, MBA, ACMA Group/subsidiary tenure - 6 years</p>	 <p><b>Principa</b> <i>profitable decisions</i></p> <p>Provider of customer engagement solutions, focusing predominantly on the consumer credit life cycle</p> <p><b>SOCIETAL RELEVANCE:</b> Principa Decisions works with a wide range of credit providers in South Africa to ensure credit is granted responsibly &amp; only marketed &amp; provided to individuals who have the appropriate financial capacity &amp; ability to repay</p> <p>CEO: Ian Read (48), UK Finance House Diploma Group/subsidiary tenure - 8 years</p>

\* Continuing operations

### NOTES

## STRATEGY AND BUSINESS MODEL



THE RECONSTITUTED GROUP – at 30 September 2014\*

TRANSACTION CAPITAL LIMITED – year ended 30 September 2014 | Employees: 3,719 | Headline earnings: R330m

<p><b>ASSET-BACKED LENDING</b></p> <p>An innovative asset-backed lender, currently focusing predominantly on the financing of independent SMEs mainly in the minibus taxi industry, but with the intention to expand into adjacent markets or asset classes</p> <p><b>CEO: Terry Kier</b></p> <p>HEADLINE EARNINGS 53% OF GROUP R176m GROSS LOANS &amp; ADVANCES R6,240m EMPLOYEES 560</p>	<p><b>RISK SERVICES</b></p> <p>A provider of a comprehensive range of structured credit risk management, debtor management, collection, customer engagement and capital solutions, focusing predominantly on the consumer credit lifecycle as well as commercial solutions for SMEs</p> <p><b>CEO: David McAlpin</b></p> <p>HEADLINE EARNINGS 35% OF GROUP R116m TOTAL INCOME 38% OF GROUP R972m EBITDA R159m EMPLOYEES 3,124</p>
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Innovative asset-backed lender, focusing predominantly on the financing of independent SMEs mainly in the minibus taxi industry

CEO: Terry Kier (48), BA (Hons)  
Group/subsidiary tenure - 7 years



Provider of working capital and commercial debtor management solutions to SMEs

CEO: Deon Pienaar (42), BCom(Hons), CA (SA)  
Group/subsidiary tenure - 7 years



Provides a comprehensive range of structured credit risk management, collection and capital solutions to South Africa's largest credit providers

CEO: David McAlpin (53), BCom, MBA, ACMA  
Group/subsidiary tenure - 6 years



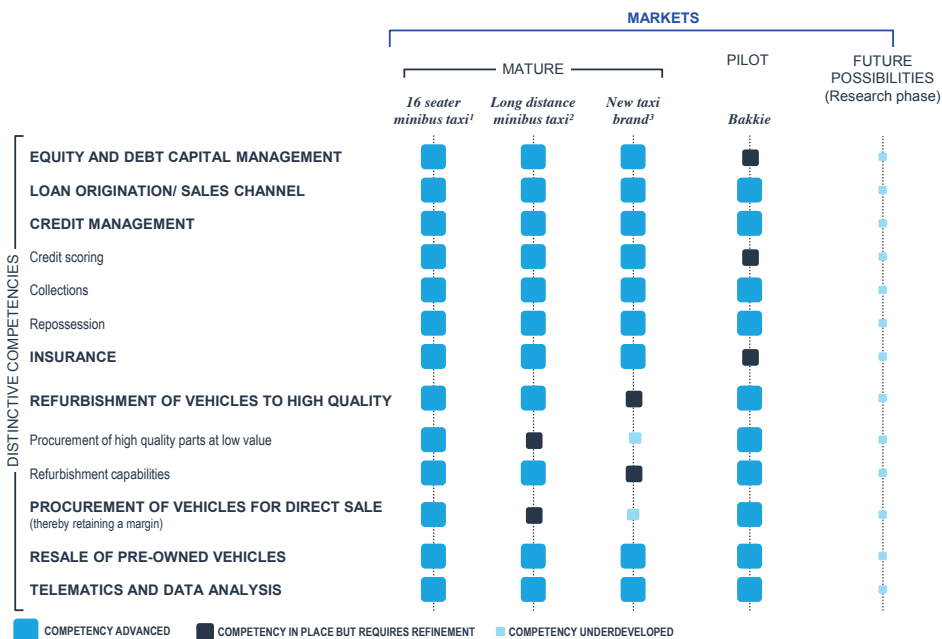
Provider of customer engagement solutions, focusing predominantly on the consumer credit life cycle

CEO: Ian Read (48), UK Finance House Diploma  
Group/subsidiary tenure - 8 years

\* Continuing operations

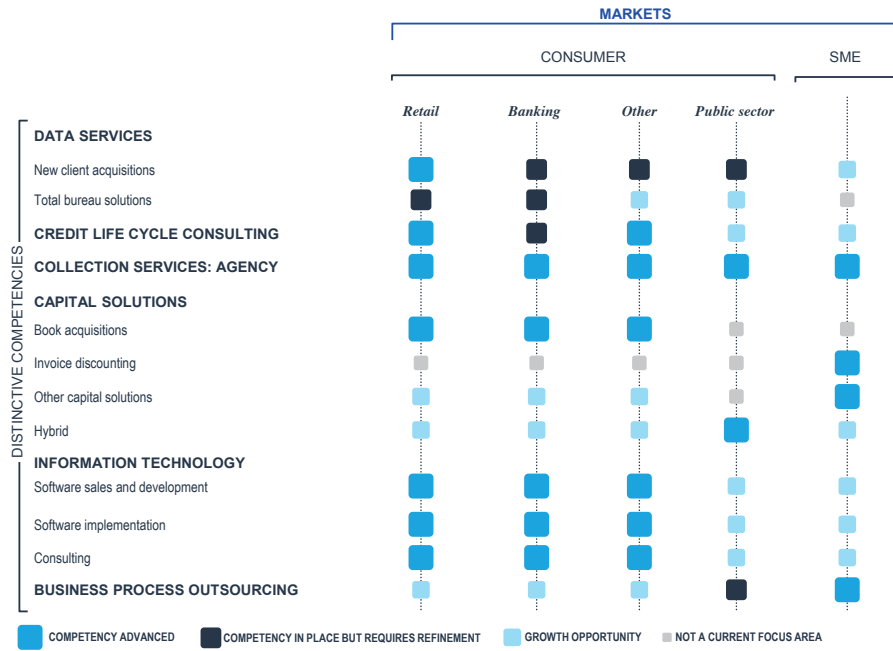
NOTES

ASSET-BACKED LENDING *distinctive competencies*



1. Premium experience brands, e.g. Toyota 2. e.g. Mercedes Benz 22-seater 3. E.g. Nissan

## RISK SERVICES *distinctive competencies*

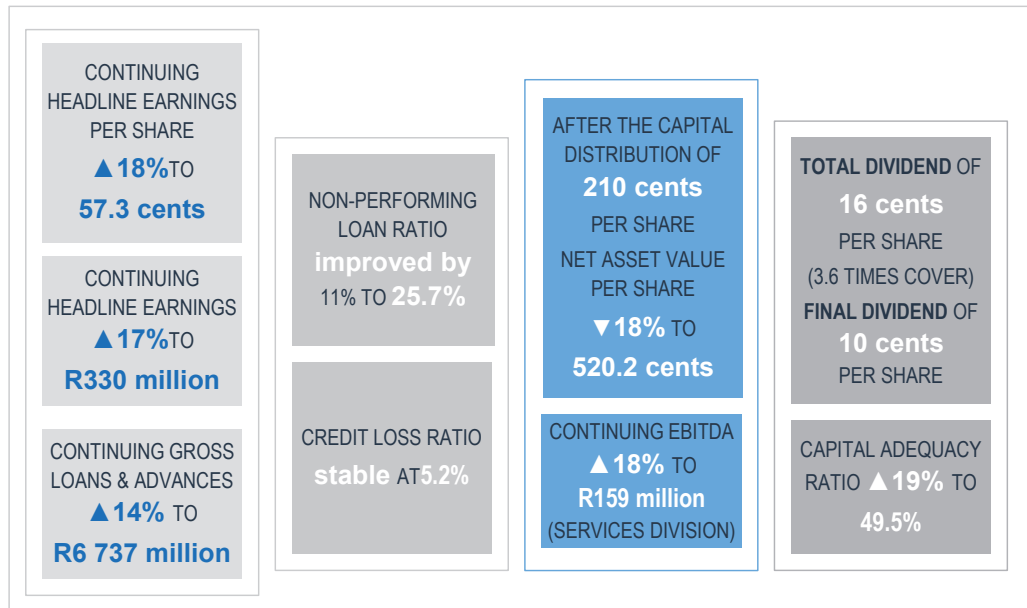


### NOTES

# FINANCIAL REVIEW

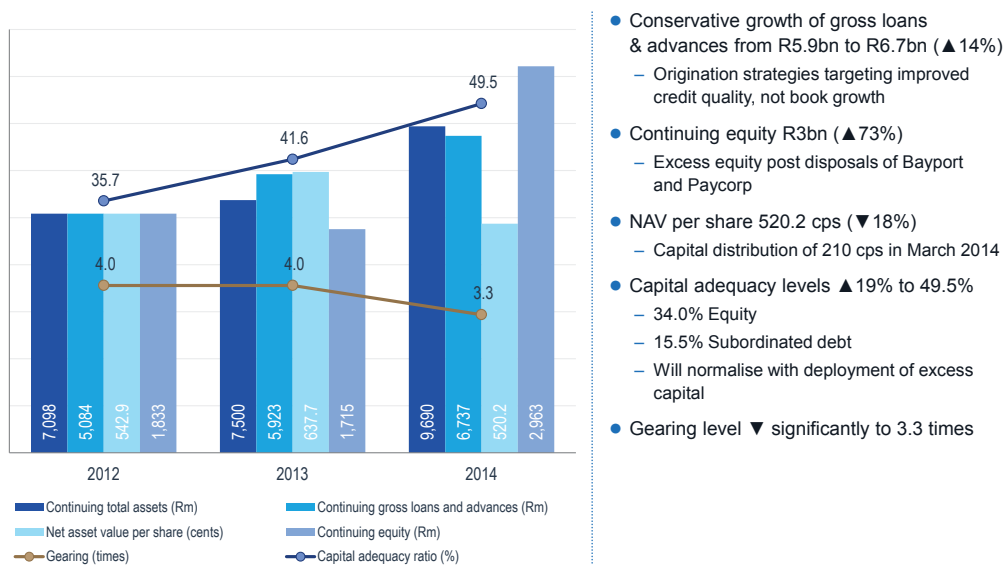
AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER | **2014**

FINANCIAL HIGHLIGHTS



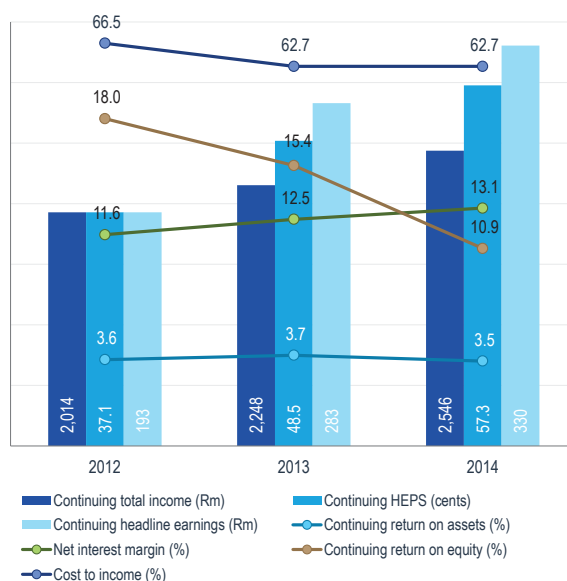
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FINANCIAL POSITION





## FINANCIAL PERFORMANCE

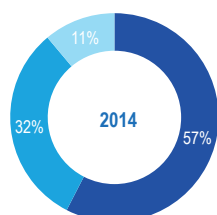


- Continuing HEPS ▲ 18% from 48.5 cps to 57.3 cps
- Continuing headline earnings ▲ 17% from R283m to R330m
  - Growth in gross loans & advances (▲ 14%)
  - Increasing net interest margin ▲ to 13.1%
    - Largely due to additional interest earned on proceeds from disposals
  - 18% ▲ in EBITDA from services
  - Cost-to-income stable at 62.7%
    - Despite smaller group to absorb fixed costs
    - Efficiency improvements & cost containment across the group
- Continuing return on average assets ▼ to 3.5%
  - Dilution from excess cash holdings
- Continuing return on equity ▼ to 10.9%
  - Excludes once-off profit on sale of operations
  - Includes the effect of low returns earned on excess capital generated by the sales
  - Most appropriate benchmark for group ROE found by looking at the underlying divisional metrics

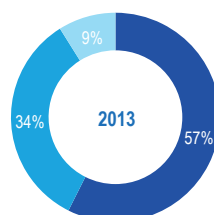
## NOTES

## PORTFOLIO MIX

Headline earnings	Rm			Growth		Contribution		
	2014	2013	2012	2014	2013	2014	2013	2012
Asset-backed lending	188	163	133	15%	23%	57%	57%	69%
Credit services	104	95	88	9%	8%	32%	34%	46%
Corporate support	38	25	-28	52%	>100%	11%	9%	-15%
<b>Continuing</b>	<b>330</b>	<b>283</b>	<b>193</b>	<b>17%</b>	<b>47%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Cents per share</b>	<b>57.3</b>	<b>48.5</b>	<b>37.1</b>	<b>18%</b>	<b>31%</b>			



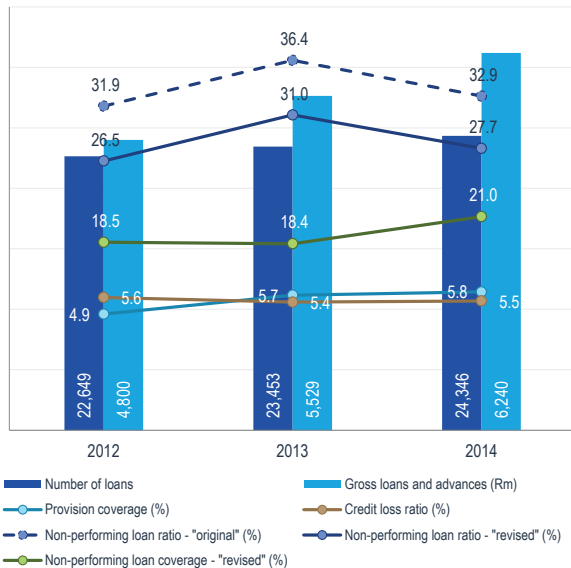
■ Asset-backed lending  
■ Credit services  
■ Corporate support



■ Asset-backed lending  
■ Credit services  
■ Corporate support

- Significant change to the segmental mix of headline earnings due to only continuing operations being considered:
  - Asset-backed lending contribution flat at 57%
  - Credit services contribution ▼ from 34% to 31%
  - Corporate support contribution on management of un-deployed capital
- Asset-backed lending remains the largest contributor to the group's continuing earnings
- The future portfolio mix will shift as a result of the constitution of the new risk services division and will also be dependant on the nature of any future acquisitions

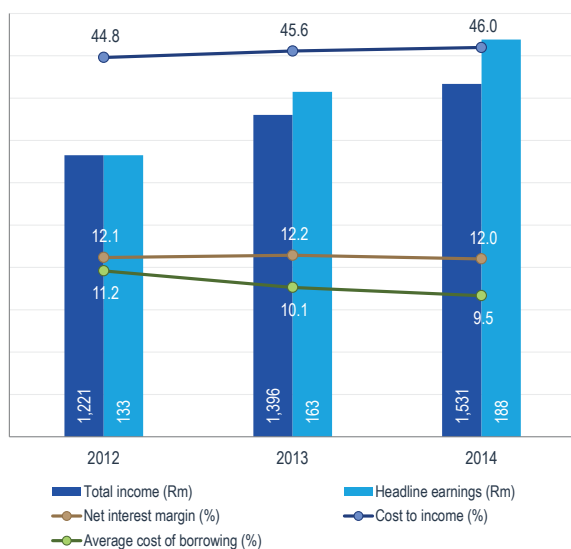
ASSET-BACKED LENDING – SA TAXI



- Gross loans & advances ▲ 13% to R6.2bn
  - Number of loans ▲ 4%
  - Exclusive focus on premium vehicles
  - Write-offs of discontinued entry-level vehicles accelerated
  - SA Bakkie opportunity being pursued
- Non-performing loan ratio ▼ from 31.0% to 27.7%
  - Reduction in repo fleet, particularly legacy entry-level vehicles
  - Excellent collections performance
- Provision coverage ▲ to 5.8% despite ▼ in NPL ratio on conservative provisioning
- Credit loss ratio marginally ▲ from 5.4% to 5.5%
  - Remains well within tolerance level of 6%
  - Stable and cost efficient output from Taximart
  - Slightly more conservative provisioning at year-end

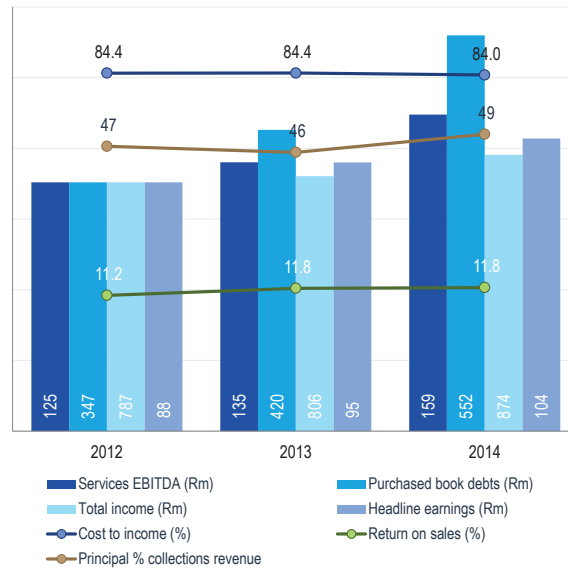
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ASSET-BACKED LENDING – SA TAXI; RAND TRUST



- Headline earnings ▲ 15% to R188m
  - Total income ▲ 10%
  - Net interest margin ▼ marginally to 12.0%
  - ▼ average cost of borrowings to 9.5%
  - Strong growth from Rand Trust
- Marginal ▲ in cost-to-income ratio to 46.0%
  - Investment into insurance business
  - Economies of scale realised in Rand Trust
- Rand Trust
  - Added 64 new clients which offset attrition of existing clients in a challenging economy for SMEs
  - Establishing offices in KZN, EC
  - Innovation in distribution channels, marketing strategies & client offerings

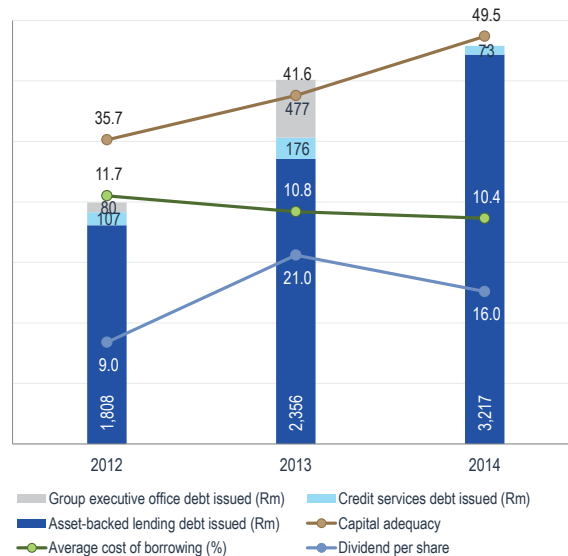
## CREDIT SERVICES – MBD CS; PRINCIPA DECISIONS



- Headline earnings ▲ 9% to R104m
  - Challenging collections environment
  - Earnings growth continues to lag purchases of book debts
  - Stringent cost management
  - Return on sales stable at 11.8%
- Purchased book debts ▲31% from R420m to R552m
  - Books of R214m acquired in advantageous buying environment
  - Modest income growth of 8%
- Principa
  - Softening SA consumer credit economy affected revenue generation ability
  - Promising USD revenues earned from Qarar joint venture in Middle East

## NOTES

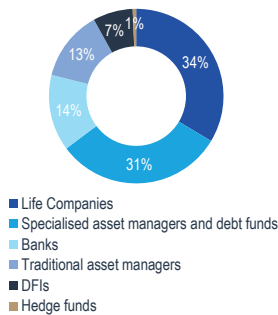
## CAPITAL MANAGEMENT



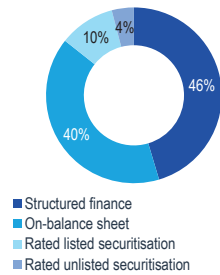
- 15 institutions invested R3,290m of debt capital
  - Asset-backed lending: R3,217m
  - Credit services: R73m
- New debt investors:
  - 8 new to group
  - 8 new to asset classes
- SA Taxi's JSE listed, Standard & Poor's rated securitisation successfully launched in May 2014 ("Transsec")
  - Robust investor appetite
  - Lower cost of borrowings
- More challenging environment post recent corporate defaults in the market
- Successful fund raising in the private markets at stable pricing levels
- Cost of borrowing ▼ from 10.8% to 10.4%
- Capital adequacy improved to 49.5%
- Annual dividend ▼ to 16 cps due to disposals
- Dividend policy has been amended to a reduced coverage ratio of 3 to 4 times
- 13 million shares repurchased at an average of 562cps

### FUNDING PHILOSOPHY

Diversification by funder category

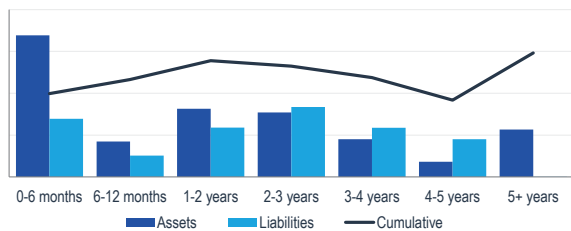


Diversification by funding structure



- Proven wholesale funding model
  - “Positive liquidity mismatch” between asset & liability cash flows
  - No exposure to overnight debt instruments & limited exposure to 12-month instruments
  - Direct relationships with debt capital markets
  - Diversification by debt investor, funding structure & credit rating
  - Ring-fenced funding structures per individual asset class
  - Targeted capital adequacy levels per asset class

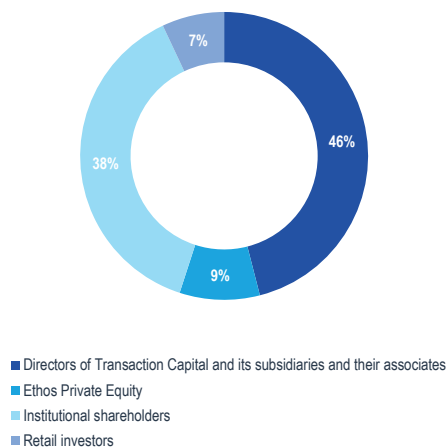
Positive liquidity mismatch



### NOTES

### SHAREHOLDING

30 September 2014



- Percentage held by institutional investors
  - ▲ from 26% to 38%
- Percentage held by retail investors stable at 7%
- Improved liquidity
  - Increased volumes
  - Higher free float

# CONCLUSION

AUDITED RESULTS  
FOR THE YEAR ENDED 30 SEPTEMBER | **2014**

## NOTES

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CONCLUSION

### CONCLUSION

- Robust financial performance
- Substantial organic opportunities to drive medium term growth within existing divisions
- Well positioned for acquisitive growth
  - Expected within existing divisions
  - Robust balance sheet, with the ability to access capital
    - Capital adequacy of 49.5%
    - Low gearing (3.3 times)
  - Significantly reduced risk profile (regulatory, consumer credit and capital)
  - More than R1 billion of cash to effect significant acquisitive activity
  - Sound M&A track record but patience is required
  - Expected timeframe of 18 - 24 months from receipt of proceeds