



TRANSACTION CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
(Registration No. 2002/031730/06)
ISIN: ZAE00167391
JSE share code: TCP
("Transaction Capital" or the "Company")

TERMS ANNOUNCEMENT RELATING TO THE ACQUISITION OF PAYCORP HOLDINGS PROPRIETARY LIMITED (REGISTRATION NO. 2000/020217/07) ("PAYCORP") BY MAIN STREET 1127 PROPRIETARY LIMITED (REGISTRATION NO. 2013/077630/07) ("NEW HOLDCO")

1. INTRODUCTION

Transaction Capital shareholders are advised that the Company has entered into a written agreement (the "**Agreement**") with Paycorp, New Holdco (a subsidiary of Actis Columbus (Mauritius) Limited, the shares of which are held by funds managed by Actis LLP ("**Actis**") and Main Street 1126 Proprietary Limited, a wholly owned subsidiary of New Holdco, pursuant to and in terms of which Paycorp will, subject to the fulfilment or waiver of the conditions precedent specified in the Agreement ("**Conditions Precedent**"), become a wholly owned subsidiary of New Holdco (the "**Proposed Transaction**"). The salient features of the Proposed Transaction, including the Conditions Precedent are set out below.

2. PARTICULARS OF THE PROPOSED TRANSACTION

The salient features of the Proposed Transaction are as follows -

- 2.1. the subject matter of the Proposed Transaction is Paycorp, a wholly owned subsidiary of Transaction Capital;
- 2.2. New Holdco will acquire Paycorp and the claims on loan account which Transaction Capital will have against ATM Solutions Group Securitisation Proprietary Limited ("**ATM Securitisation**") on the implementation date of the Agreement. A net amount of approximately R937 000 000,00 (nine hundred and thirty seven million rand) ("**Payment Amount**") will be received by Transaction Capital provided that, if the Effective Date (as defined in paragraph 2.4) occurs -
 - 2.2.1. on or before 31 December 2013, and if the implementation date of the Agreement is delayed to a date beyond the 30th (thirtieth) day following the Effective Date, the Payment Amount will be increased by notional interest

thereon calculated at a rate of 1,25% per month from and including the Effective Date up to and including the day before the implementation date of the Agreement, provided that such notional interest shall not be added to the Payment Amount where the delay in the implementation date of the Agreement either (i) has not been caused by New Holdco; or (ii) has arisen from a dispute in respect of a material adverse change, as contemplated in paragraph 6, which is resolved in favour of New Holdco; and

2.2.2. after 31 December 2013 -

2.2.2.1. the Payment Amount will be increased by notional interest thereon calculated at a rate of 1,25% per month from and including 1 January 2014 up to and including the day before the Effective Date (the Payment Amount plus the interest calculated thereon referred to in this paragraph 2.2.2.1 shall, for the purposes of this paragraph 2.2, be referred to as the "**Increased Payment Amount**"); and

2.2.2.2. if the implementation date of the Agreement is delayed to a date beyond the 30th (thirtieth) day following the Effective Date, the Increased Payment Amount will be increased by notional interest thereon calculated at a rate of 1,25% per month from and including the Effective Date up to and including the day before the implementation date of the Agreement, provided that such notional interest shall not be added to the Increased Payment Amount where the delay in the implementation date of the Agreement either (i) has not been caused by New Holdco; or (ii) has arisen from a dispute in respect of a material adverse change, as contemplated in paragraph 6, which is resolved in favour of New Holdco;

2.3. the Payment Amount, and any notional interest envisaged in paragraphs 2.2.1 or 2.2.2, as the case may be, will be settled by New Holdco in cash;

2.4. the effective date of the Proposed Transaction will be the last business day of the month in which the Conditions Precedent are fulfilled or waived (where appropriate), as the case may be, (the "**Effective Date**");

2.5. Transaction Capital is entitled, in respect of the period from 1 October 2012 up to and including 31 December 2013 or the Effective Date (whichever occurs first) to receive a proportion of the net profits of the Paycorp Group for such period as a dividend. If the date of payment of such dividend is delayed to a date beyond the 30th (thirtieth) day following the

Effective Date, the dividend shall be increased by an amount equal to notional interest thereon calculated from and including the Effective Date up to the day before the date of payment of the dividend at a rate of 1,25% (one comma two five per cent) per month, calculated daily and compounded monthly in arrear; provided that such notional interest shall not be added to the dividend where the delay in the date of payment of the dividend either -

- 2.5.1. has not been caused by New Holdco; or
 - 2.5.2. has arisen from a dispute in relation to the unaudited consolidated management accounts of Paycorp and its subsidiaries (the "**Paycorp Group**") (i) as at the Effective Date for the period commencing on 1 October 2013 and terminating on the Effective Date; and/or (ii) for the period commencing on 1 October 2012 and terminating on 30 September 2013, which is resolved in favour of New Holdco;
- 2.6. the Proposed Transaction is subject to the fulfilment or waiver (where appropriate), as the case may be, *inter alia*, of the Conditions Precedent listed in paragraph 6; and
- 2.7. the other significant terms of the Proposed Transaction are the following -
- 2.7.1. the Company has provided New Holdco with warranties customary for a transaction of this nature, subject to customary limitations as to the period during which claims may be brought and customary thresholds for the capping of claims; and
 - 2.7.2. the Securitisation Scheme is a structure established and operated by ATM Solutions Proprietary Limited ("**ATM Solutions**"), a wholly owned subsidiary of Paycorp, in terms of which ATM Securitisation purchases ATMs from ATM Solutions, enters into rental agreements in relation to such ATMs, purchases certain receivables from ATM Solutions and raises funding by way of the issue of debentures to acquire such assets ("**Securitisation Scheme**"). On a date not later than 5 (five) days before the Effective Date, the external debt owing by ATM Securitisation in respect of the Securitisation Scheme will be settled and the Securitisation Scheme unwound. For the purposes of this paragraph, "external debt" means all amounts owing by ATM Securitisation to the holders of the debentures issued by it, all amounts owing by it in respect of all related hedging arrangements and all early settlement and other wind-up costs incurred in settling the Securitisation Scheme but excluding the debt owing by ATM Solutions.

2.8. The Company is in discussion with the JSE Limited ("**JSE**") regarding the categorisation of the Proposed Transaction under the JSE Listings Requirements (the "**Listings Requirements**"). If required, a further announcement will be released on SENS in this regard.

3. **APPLICATION OF THE PROCEEDS ARISING UPON IMPLEMENTATION OF THE AGREEMENT**

The Payment Amount and any notional interest thereon, as envisaged in paragraphs 2.2.1 or 2.2.2, as the case may be (which the Company will receive upon the implementation date of the Agreement) will be applied for the purpose of delivering shareholder value through strategic acquisitions and/or capital management initiatives.

4. **OVERVIEW OF THE BUSINESS OF THE PAYCORP GROUP**

The Paycorp Group is the owner and operator of off-site ATMs, pre-paid debit cards and EFT terminals. The Paycorp Group is a large South African payment group, owning its own third party transaction switch and owning, deploying and operating a large number of off-site ATMs. It is also a Visa-certified provider of stored value pre-paid card solutions and a deployer of debit and credit card terminals.

5. **RATIONALE FOR PROPOSED TRANSACTION**

5.1. **Transaction Capital**

5.1.1. Transaction Capital has consistently held the view that it is obliged to consider disposing of a subsidiary if the prospects and performance of that subsidiary may be enhanced by another owner, as reflected in a premium price.

5.1.2. The Paycorp Group's inclusion as a subsidiary of Transaction Capital has logically been justified as a cash generating component of a non-deposit taking financial services portfolio. However, the synergies between a low cost, high volume transactional ATM business and the differentiated credit risk businesses that constitute the balance of Transaction Capital's portfolio are elusive. To date there has been very little incremental value created expressly as a consequence of the Paycorp Group's collaborating with other subsidiaries of the Transaction Capital group.

5.1.3. The implementation of the Proposed Transaction will enhance Transaction Capital's shareholder value without in any way being prejudicial to the sustainability of the Paycorp Group or to the stakeholders of Transaction Capital and/or the Paycorp Group.

5.2. Actis

Actis is a private equity investor in emerging markets. It is seeking to acquire the assets of the Paycorp Group to supplement its current investment portfolio. For Actis, the acquisition of the Paycorp Group is an attractive investment opportunity which is anticipated to achieve good returns for its investors in future. The Proposed Transaction epitomises Actis's investment thesis: rising consumer demand for quality services and the build out of social infrastructure. It also fits with its financial services strategy and track record of building value across similar current investments such as AGS, the Indian independent ATM deployer, and EMPH, the Africa and the Middle East payment processing business.

6. CONDITIONS PRECEDENT TO THE PROPOSED TRANSACTION

The Proposed Transaction is subject, *inter alia*, to the fulfilment or waiver (where appropriate), as the case may be, of the following Conditions Precedent, namely -

- 6.1. the obtaining of all of the following approvals by no later than –
 - 6.1.1. 24 September 2013, all applicable regulatory and statutory approvals (other than from (i) the South African competition authorities as may be required or provided for in terms of the Competition Act (No. 89 of 1998, as amended) (the "**Competition Authorities**") as dealt with below, and (ii) the JSE) as may be required in the Republic of South Africa for the implementation of the Proposed Transaction (including all necessary approvals from the Financial Surveillance Department of the South African Reserve Bank);
 - 6.1.2. 19 October 2013, the JSE approves, insofar as may be necessary, the implementation of the Proposed Transaction in accordance with the Listings Requirements;
 - 6.1.3. 29 November 2013, insofar as may be necessary, the board of directors and the shareholders of Transaction Capital pass such resolutions as may be required to authorise and implement the Proposed Transaction; and
 - 6.1.4. 31 January 2014, the parties obtain such approval or deemed approval from the Competition Authorities as may be required for the Proposed Transaction;
- 6.2. by no later than –
 - 6.2.1. 24 September 2013, New Holdco enters into agreements with third party funders in respect of its funding requirements for the Proposed Transaction (the "**Acquisition Finance Agreements**") and such Acquisition Finance

Agreements become unconditional in all respects in accordance with their terms, save for any condition relating to the Agreement becoming unconditional; and

6.2.2. 24 September 2013, all agreements required to unwind the Securitisation Scheme with effect from a date not later than 5 (five) days before the Effective Date are entered into on terms reasonably satisfactory to New Holdco and such agreements become unconditional in all respects in accordance with their terms, save for any condition relating to the Agreement becoming unconditional; and

6.3. by no later than 19 October 2013, all third party consents required for the continuation of certain material contracts of the Paycorp Group after implementation of the Proposed Transaction are obtained unconditionally, or if subject to conditions, on terms reasonably satisfactory to New Holdco.

It is also a Condition Precedent that there will be no material adverse change as notified either by Transaction Capital or New Holdco (as the case may be) between the signature date of the Agreement and 5 business days before the Effective Date. For purposes thereof, a "material adverse change" is an event specific to any company in the Paycorp Group which will, on a balance of probabilities, have an ongoing effect (being a recurring adverse consequence on the sustainable annual earnings of the Paycorp Group before interest, tax, depreciation and amortisation (but after taking into account any overstated liabilities and provisions for liabilities) in the 2014 financial year and one or more financial years thereafter) of R10 000 000 or more.

The dates prescribed above may be extended by agreement in writing between the parties to the Agreement.

7. **UNAUDITED PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION**

The unaudited pro forma financial effects of the Proposed Transaction set out below have been prepared to assist Transaction Capital's shareholders in assessing the impact of the Proposed Transaction on the Transaction Capital Group's historical diluted earnings per share ("**EPS**") and diluted headline earnings per share ("**HEPS**"). The pro forma financial effects are the responsibility of the directors of Transaction Capital and are provided for illustrative purposes only. The pro forma financial effects have been prepared on the basis that the Proposed Transaction had been fully implemented on 1 October 2012 for purposes of the Income Statement and at 31 March 2013 for purposes of the Statement of Financial Position. It does not purport to be indicative of what the consolidated financial results would have been had the Proposed Transaction been implemented on a different date. The material assumptions are set out in the notes following the table below.

Due to their nature, the pro forma financial effects may not fairly present the financial position, changes in equity, results of operations or cash flows of the Transaction Capital Group after the implementation of the Proposed Transaction.

	Before the Proposed Transaction ¹	After the Proposed Transaction ²	Percentage change
EPS (ZA cents)			
- Diluted	40.25	109.46	172%
- Basic	40.25	109.46	172%
HEPS (ZA cents)			
- Diluted	39.91	37.68	- 6%
- Basic	39.91	37.68	- 6%
Net asset value per ordinary shareholder per share (ZA cents)	527.40	598.80	14%
Net tangible asset value per ordinary shareholder per share (ZA cents)	362.67	493.49	36%
Weighted average number of shares in issue* (million)			
- Diluted	583.80	583.80	0%
- Basic	583.80	583.80	0%
Headline earnings (ZA Rm)	233.00	220.00	- 6%

Value of net assets that are the subject of the transaction: R170 million as at 31 March 2013

Profits attributable to the net assets that are the subject of the transaction: R28 million for the 6 months ended 31 March 2013

¹ The "Before" financial information has been extracted, with the exception of net tangible asset per share without adjustment, from the Transaction Capital Group's published reviewed interim results for six months ended 31 March 2013.

² The pro forma "After" financial information comprises the "Before" financial information adjusted for the following principal assumptions:

- The investment in Paycorp is sold for gross proceeds of approximately R1.03 billion.
- A profit on sale, net of taxation, is recognised in the Statement of Comprehensive Income.
- The profit on sale is excluded for headline earnings calculation net of taxation and non-controlling interest effects.
- Certain ongoing costs were prudently estimated and included in the Statement of Comprehensive Income.
- No shares were repurchased as part of the Proposed Transaction including shares relating to the Transaction Capital Limited share scheme.



Legal advisors to Transaction Capital:
Edward Nathan Sonnenbergs Inc.



Sponsor to Transaction Capital:
Deutsche Securities (SA) Proprietary Limited



Independent Expert to board of directors of Transaction Capital:
Grant Thornton



Independent auditors and reporting accountant on the unaudited *pro forma* financial information of
Transaction Capital:
Deloitte



Tax advisors to Transaction Capital:
Werksmans

WEBBER WENTZEL

in alliance with > **Linklaters**

Legal and tax advisers to Actis and New Holdco:
Webber Wentzel