



MEDIA RELEASE

14 November 2016

Transaction Capital enters the Australian debt recovery market, acquiring 100% of Recoveries Corporation for A\$33 million plus a further potential A\$10 million payable subject to profit warranties

Johannesburg 14 November 2016: Transaction Capital, a provider of specialised financial and allied services in selected higher-risk and under-served segments of the financial services sector in South Africa, today announced that it is to acquire 100% of Recoveries Corporation Group Limited (“Recoveries Corporation”) in Australia. Recoveries Corporation is a provider of consumer customer management solutions to a well-diversified blue-chip client base within the government, insurance, banking and finance, utilities and telecommunications market sectors within Australia. Services include debt recovery solutions, insurance claims recoveries, customer services and litigation management services.

Transaction Capital has entered into an agreement to acquire Recoveries Corporation for a maximum purchase consideration of A\$43 million, with A\$33 million (approximately R356 million) being payable upon the acquisition becoming effective (expected in February 2017) and a further potential A\$10 million becoming payable over an earn-out period ending on 30 June 2018.

Commenting on Transaction Capital’s acquisitive growth strategy, David Hurwitz, group chief executive, said: *“Transaction Capital has been disciplined in pursuing its acquisition strategy. We have applied stringent investment criteria when evaluating acquisitions, favouring a narrow focus on quality assets operating within our existing or adjacent market segments that will enhance Transaction Capital’s capabilities, and whose competitiveness and value can be maximised through Transaction Capital’s involvement. Whilst local opportunities have been evaluated, Transaction Capital has also considered opportunities in select developed economies generating hard currency returns, which would diversify risk.”*

Recoveries Corporation was founded in 1991 in Melbourne Australia and employs approximately 600 staff members in its Australian operations in Melbourne and Sydney, and its near shore call centre and corporate services centre in Suva, Fiji.

Commenting on the rationale for the transaction, Hurwitz stated; *“Although the acquisition of Recoveries Corporation is justified on a standalone basis, Transaction Capital is excited about the potential growth prospects emanating from the acquisition for both parties.*

Recoveries Corporation has a scalable business model and proven track record whose competitiveness and value can be enhanced by Transaction Capital through active management, sharing of skills and enhancing technology.”

Transaction Capital believes that on a standalone basis, Recoveries Corporation is a high quality business generating predictable earnings with high cash conversion rates and strong organic growth prospects from a blue-chip client base. As the trend to outsource debt recovery in Australia is expected to continue, Recoveries Corporation is well positioned to continue providing such services, having more than 25 years of experience.

Recoveries Corporation is a leading market participant with proven technology, strong data analytics skills, and deep industry knowledge operating within the credit risk services market segment that can enhance Transaction Capital’s specialist capabilities. Recoveries Corporation’s vast expertise in the insurance recoveries industry will augment Transaction Capital’s competencies and facilitate the growth of its fledgling insurance recoveries offering in South Africa.

The Australian debt collection industry is highly fragmented (with approximately 20 companies accounting for 85% of the market), which provides Transaction Capital with an opportunity to expand acquisitively in Australia. In addition, Recoveries Corporation is exclusively a contingent debt collection agency, receiving fees-for-services. Transaction Capital will apply its analytics, pricing expertise and capital management capabilities to the purchase of non-performing loan portfolios in Australia to facilitate Recoveries Corporation’s expansion into this adjacent market presenting an attractive growth prospect for Recoveries Corporation and Transaction Capital.

Hurwitz concluded on the transaction saying: *“This transaction provides Transaction Capital with a strong entry point into the Australian market and the opportunity to expand geographically into a developed, English-speaking economy. Transaction Capital will thus diversify risk as it earns hard currency based returns.”*

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