MEDIA RELEASE

21 November 2017

Transaction Capital extends its track-record of robust organic growth: 26% earnings growth for FY17

SA Taxi has invested more than R18.6 billion in the minibus taxi industry, creating almost 65 000 black-owned SMEs and more than 116 000 direct jobs in the past 9 years.

- ***Dividends:*** 33% increase in total dividend per share for FY17 despite the challenging business environment in South Africa; 36% compound annual growth since 2014
- ***Headline earnings:*** Up 26% to R577 million; 21% compound annual growth since listing 5 years ago
- ***Funding:*** More than R6 billion of debt raised in FY17 despite political instability and South Africa's sovereign ratings downgrade
- ***Strong financial position:*** Approximately R650 million excess cash available for organic growth and acquisition opportunities

Transaction Capital, owner of businesses operating in highly specialised and under-served segments of the South African and Australian financial services market, today released its results for the year ended 30 September 2017. The company posted a 26% growth in core headline earnings to R577 million and a total dividend increase of 33% to 40 cents per share for the year.

David Hurwitz, CEO of Transaction Capital said: ***"Transaction Capital delivered strong results supported by the defensive nature of both SA Taxi and TCRS. Despite the deteriorating local economic condition, continued demand for minibus taxi services nationally, our consumer facing customers' requirement for collection services on their non-performing loan portfolios and three successful acquisitions, including Recoveries Corporation in Australia, underpinned our performance for the year."***

Transaction Capital comprises two market-leading divisions, SA Taxi and Transaction Capital Risk Services (TCRS) that leverage their proprietary data and technology to create value for their customers. Both divisions are positioned deliberately in relation to demographic and socio-economic realities, delivering both commercial returns and social benefits.

SA TAXI

SA Taxi delivered 22% growth in headline earnings to R303 million for the year. With a loan portfolio currently comprising almost 29 000 vehicles, SA Taxi finances and insures one in every three of the financed national minibus taxi fleet.

In June 2017, factions in the minibus tax industry embarked on mass protest action. Their frustrations, fuelled by economic pressure, were directed at government for the lack of subsidies and funding, original equipment manufacturers (OEMs) for vehicle price increases, financial institutions for insufficient or costly finance and insurance products, fuel companies, and retail malls for inadequate infrastructure to accommodate minibus taxi ranks.

Commenting on the industry protests during the period, David Hurwitz said: ***"Although SA Taxi did not anticipate the protest, given no evidence of undue financial stress in its client base, it immediately intensified its engagement with industry leadership to understand the concerns of its most important constituency.***

Despite being well below the regulated maximum interest rate for developmental credit providers, SA Taxi agreed to assist its clients by reducing its highest interest rate from 28.5% to 26.5% on future loans originated. We are cognisant of our role in supporting the overall sustainability of an industry that drives entrepreneurship and job creation."

"Encouragingly, a direct outcome of the protest action has been deeper collaboration between industry leadership and SA Taxi, who are working together to achieve sustainable benefits for the industry. Initiatives include discussions with OEMs to procure larger quantities of vehicles to be sold directly through SA Taxi's dealership, which will enable it to hold retail prices as low as possible. SA Taxi and industry leadership are also lobbying government to channel funding into the minibus taxi industry, which will support the favourable recapitalisation of the national fleet."

The minibus taxi industry makes the largest contribution to South Africa's economy of all components of the now integrated public transport network. With 69% of all South African households using minibus taxis, equating to more than 15 million commuter trips a day, this is the country's dominant mode of public transport. However, it receives no government subsidy. In contrast, bus and rail, which combined account for only approximately 2 million commuter trips a day, require significant capital investment and subsidisation from government.

Recent trends show that a greater proportion of commuters are choosing minibus taxis over bus or rail due to competitive pricing, convenience and accessibility. Population growth, increasing commuter density due to urbanisation and a 20% reduction in private vehicle sales over the past four years has contributed to the growth of the minibus taxi industry.

SA Taxi is rolling out a number of strategic growth initiatives including various insurance offerings and business vehicle retail operations that support several services to the taxi industry. New revenue streams are currently being explored together with industry leadership.

TCRS

TCRS is a technology-led, data-driven provider of customer management solutions in South Africa and Australia. TCRS acts both as an agent on an outsourced contingency basis and as a principal in acquiring and then collecting on non-performing loan portfolios. This diversified revenue model across various consumer credit sectors is central to the division's defensive positioning, supporting its performance in different market conditions.

TCRS grew core headline earnings to R233 million in the reporting period, a growth of 39% on the prior year (excluding R22 million once-off acquisition costs).

Of the 24.7 million credit-active South African consumers at March 2017, almost 40% of these (9.7 million) had impaired credit records. In August 2017, Transaction Capital released the Consumer Credit Rehabilitation Index (CCRI) which estimates the propensity of consumers currently in credit default to repay debt and progress towards financial rehabilitation. The CCRI is empirically based, sampling over five million consumers in credit default from TCRS' proprietary database. The national rehabilitation prospects of South African consumers already in a default position deteriorated by 1.1% in Q2 2017 compared to Q2 2016. This trend continued in Q3 2017 recording a 0.9% deterioration compared to Q3 2016, albeit at a slower rate.

Commenting on Transaction Capital's CCRI, David Hurwitz said: "***Credit rehabilitation is a crucial element in growing an inclusive economy, as it allows consumers to again become economically active through access to conventional finance. At the same time, it allows lenders to maintain strong balance sheets and to continue extending credit at affordable interest rates. The deterioration in our CCRI reflects the vulnerability of South African consumers, due to high unemployment, the escalating cost of household essentials and high levels of household debt to income.***"

The interest rate cut in July 2017 and lower inflation may improve the debt servicing ability of households moderately but no meaningful improvement in the consumer environment is expected. Transaction Capital believes that a gradual deleveraging of the consumer will prevail.

"***The current economic context favours the acquisition of non-performing loan portfolios from risk averse clients, including banks, telcos and specialist lenders. Against this backdrop, we have acquired 29 portfolios for R356 million with a face value of R5.2 billion during the year. We are also seeking opportunities to purchase selective non-performing loan portfolios in Australia***" said Hurwitz.

TCRS now own 195 principal portfolios valued at R891 million, up 22% from the prior year.

In line with its strategy to buy and develop complementary businesses that will diversify TCRS' earnings over time, by geography and sector, Transaction Capital deployed over R500 million to acquire three businesses during the year. The acquisitions included 100% of Recoveries Corporation in Australia as well as 75% of Road Cover and 51% of The Beancounter locally. The operational integration of the three businesses in the period was executed successfully, and they performed to expectation.

OUTLOOK

Transaction Capital's strategy is to drive organic growth in each division through deep vertical integration within core and adjacent market segments. As SA Taxi and TCRS gain deeper insight into their respective sectors, underpinned by a maturing understanding of their social relevance, they are able to identify and create more value for all stakeholders. This model is supported by the group's conservative approach to acquisitions, with a focus on acquiring and developing established platforms within these core and adjacent market segments.

"***Transaction Capital has again demonstrated the defensive character of its businesses, SA Taxi and TCRS, and continues to deliver exceptional growth in earnings and dividends since listing five years ago. Robust organic growth of the group's high quality earnings, blended with the returns of the acquired businesses, will position Transaction Capital to continue to increase earnings and dividends in line with past performance,***" concluded Hurwitz.

ENDS

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ENVIRONMENT & MARKET CONTEXT

MINIBUS TAXI INDUSTRY IS RESILIENT, DEFENSIVE & GROWING DESPITE SA'S ECONOMIC CLIMATE

TRAIN

1 MILLION ▼ **>30%**
COMMUTER TRIPS DAILY

RECEIVES **44%** OF GOVERNMENT SUBSIDY

~3 180 KM NATIONAL NETWORK
~500 TRAIN STATIONS

MINIBUS TAXI

OVER **15** MILLION ▲
COMMUTER TRIPS DAILY

COMMERCIALLY SELF-SUSTAINABLE
RECEIVES **NO** GOVERNMENT SUBSIDY

>200 000 MINIBUS TAXIS
>2 600 TAXI RANKS
~15 BILLION KM TRAVELLED (per year)

BUS

< **1** MILLION ▼ **1%**
COMMUTER TRIPS DAILY

BUS RAPID TRANSPORT (BRT)

~120 000
COMMUTER TRIPS DAILY

RECEIVES **56%** OF GOVERNMENT SUBSIDY

Bus:
>19 000 REGISTERED BUSES
>100 BUS STATIONS
~1 BILLION KM TRAVELLED (per year)

BRT:
3 METROPOLITANS
<700 REGISTERED BUSES
~100 BUS STATIONS; **<100** ROUTES

PUBLIC TRANSPORT COMMUTERS RELY ON MINIBUS TAXI GIVEN ITS ACCESSIBILITY, AFFORDABILITY, RELIABILITY & FLEXIBILITY

- **40%** of South Africans use public transport
- Minibus taxi is the dominant form of public transport
- Minibus taxi is an essential service & spend is non-discretionary

GROWING MINIBUS TAXI USAGE

- Since 2013, minibus taxi usage (▲ **>15%**)
- **69%** of all households use minibus taxis (**59%** in 2003)
- **75%** of all work & educational public transport trips
- Population growth (▲ **7%**)
- Increasing commuter density due to urbanisation
- Transformation of minibus taxi industry due to ▲ regulation & capitalisation, attracting a more sophisticated taxi operator
- New passenger vehicle sales ▼ **20%** (FY13 to FY17)

SOURCE: Stats SA Land Transport Survey July 2017 | NAAMSA Sales Results | National Treasury Public Transport & Infrastructure system report | Department of Transport -*Transport Infrastructure report* | Passenger Rail Agency of SA | SA Bus Operators Association | FIN 24 – "New public transport system" 14/10/2017 | Websites: Rea Vaya, MyCiTi, Rustenberg Rapid Transport

ENVIRONMENT & MARKET CONTEXT

CHALLENGING CONSUMER CREDIT ENVIRONMENT

Transaction Capital

IN SOUTH AFRICA, OF THE 35 MILLION ADULTS[1] THERE ARE:

25 MILLION CREDIT ACTIVE CONSUMERS

- 9.7 MILLION (~40%) NON-PERFORMING CREDIT CONSUMERS[2]
- OVER 11 MILLION SOUTH AFRICANS DESCRIBED AS "OVER-INDEBTED" (UP FROM 5 MILLION IN 2014)
- HOUSEHOLD DEBT TO INCOME REMAINS HIGH AT 72.6% (DEBT GROWTH < INCOME GROWTH)
- ELEVATED LEVELS OF UNEMPLOYMENT AT 27.7%
- ESCALATING COSTS OF HOUSEHOLD ESSENTIALS OVER THE MEDIUM-TERM

OUTLOOK ON SA's CONSUMER

- No longer-term effects signalling any meaningful improvement
- Retail credit extension has tightened
- Gradual deleveraging of the consumer will prevail

MACRO-& SOCIO-ECONOMIC ENVIRONMENT

- Increased number & size of NPL portfolios available to acquire from clients preferring immediate recovery from their NPLs
- Consumers' disposable income stressed, negatively affecting their ability to repay debt
- Increased cost & extended time to collect
- Stable regulatory environment

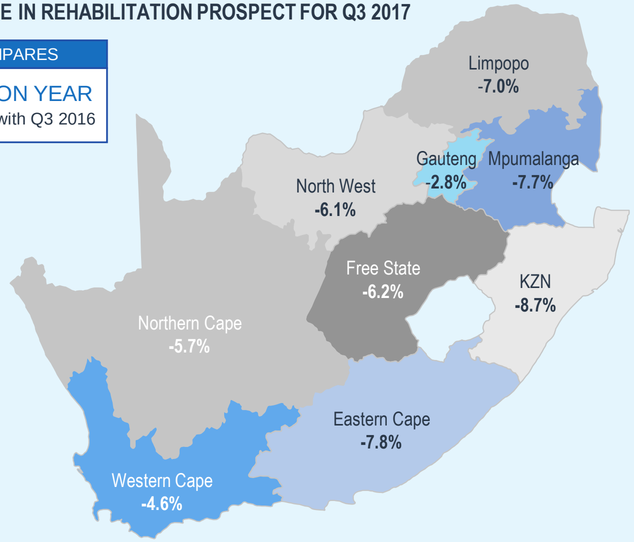
CREDIT REHABILITATION IS A CRUCIAL ELEMENT IN GROWING AN INCLUSIVE ECONOMY

Launched in June 2017

TRANSACTION CAPITAL'S CONSUMER CREDIT REHABILITATION INDEX

% CHANGE IN REHABILITATION PROSPECT FOR Q3 2017

COMPARES
YEAR ON YEAR
Q3 2017 with Q3 2016



- TCRS algorithm to score propensity to repay debt
- Empirically based sample of >5 million SA consumers in credit default
- National rehabilitation prospects:
  - ▼ by 1.1% (Q2 17 vs. Q2 16)
  - ▼ by 0.9% (Q3 17 vs. Q3 16)
  - ▲ by 0.4% (Q3 17 vs. Q2 17)
- Rehabilitation allows:
  - Consumers to access credit & re-enter consumer market
  - Lenders to maintain cleaner B/S to continue extending credit at affordable costs

SOURCE: Stats SA 2017
1. Aged 15 to 65 | 2. NCR data at 31 March 2017