



Transaction Capital Limited  
(Incorporated in the Republic of South Africa)  
Registration number: 2002/031730/06  
JSE share code: TCP  
ISIN: ZAE000167391  
Tax reference number: 9466/298/15/6  
("Transaction Capital" or "the Company" or "the group")

## **ANNUAL GENERAL MEETING (AGM) STATEMENT BY GROUP CHIEF EXECUTIVE OFFICER AHEAD OF THE COMPANY'S AGM TO BE HELD TOMORROW, 8 MARCH 2018**

This statement made by the group chief executive officer details the information that will be presented to shareholders at the AGM to be held on 8 March 2018. It will also inform management's meetings with analysts and investors on 19 March, 26 March and 29 March 2018 ahead of the group's closed period. The information contained in this announcement has not been reviewed and reported on by the group's external auditors.

### **MACRO- AND SOCIO-ECONOMIC ENVIRONMENT**

Our market-leading businesses, SA Taxi and Transaction Capital Risk Services (TCRS), are well positioned strategically within their chosen markets and continue to demonstrate their defensive character. Both divisions have adjusted to South Africa's persistently challenging macro- and socio-economic conditions, by refining and diversifying their scalable fintech platforms and achieving high operational efficiency. This has extended their track record of high-quality organic earnings growth into the 2018 financial year at comparable historical rates.

There are signs that recent political developments in South Africa are supporting a recovery in consumer and business confidence. Greater exchange rate stability, lower interest rates and more direct investment should stimulate the economy, with higher employment, consumer spending and consumer credit extension. The minibus taxi industry should benefit from these conditions, with a growing commuter base and stable or lower vehicle, spare part and petrol prices supporting more affordable finance instalments. In an improving credit environment, the volume of matters flowing to TCRS for collection will increase and returns on our acquired non-performing loan portfolios and contingency matters already under management will improve.

While the pace and depth of the macro- and socio-economic recovery remain to be seen, we expect our businesses to perform better in this more positive economic environment. However, Transaction Capital has not provided for any economic upturn in our guidance, so there may well be upside potential for our growth expectations over the medium term.

The group's balance sheet remains well capitalised, liquid and ungeared, with excess capital of around R650 million.

## SA TAXI

The structural dynamics detailed in previous announcements and the group's latest integrated report, support the minibus taxi industry's resilience. Even without financial support from government, the dominance of this mode of public transport sustains the profitability of SA Taxi's clients despite difficult socio-economic conditions.

SA Taxi is operating in line with expectations. Toyota increased vehicle prices by 1% and SA Taxi's book has continued to grow in the mid-teens. Net interest margin remains above 11%. The credit loss ratio is within our risk tolerance of 3% to 4%. The non-performing loan ratio remains within expectation, due to robust collection performance, high quality loans originated in the retail dealership and conservative credit granting criteria.

Refurbishment enables SA Taxi to recover more than 73% of the loan value on the sale of repossessed vehicles. Efficiencies in SA Taxi's combined auto body repair and mechanical refurbishment centre continue to lower the average cost to repair repossessed vehicles. New initiatives in the refurbishment and parts procurement channels could reduce this cost further.

SA Taxi's diversified non-interest revenue streams include revenue from the sale of vehicles, telematics services and insurance products. The insurance business is the main contributor to non-interest revenue growing faster than our book. Broadening its client base to insure taxi operators not financed by SA Taxi and enhancing its product offering, with credit life added from October 2017, is supporting its performance. Operational efficiencies are improving loss ratios in both the financed and non-financed insurance portfolios. The business aims to improve its offering by processing a higher proportion of its insurance claims via SA Taxi's combined auto body and mechanical repair facility.

SA Taxi's funding requirements into the 2019 financial year are already secured. Credit, operational and financial performance is expected to remain robust, with moderate growth in gross loans and advances, a stable net-interest margin, growth in non-interest revenue, improving credit performance and a cost-to-income ratio of less than 50%.

SA Taxi continues to work closely with industry leadership to achieve sustainable benefits for the minibus taxi industry.

## TRANSACTION CAPITAL RISK SERVICES (TCRS)

Transaction Capital's Consumer Credit Rehabilitation Index (CCRI)<sup>1</sup>, which indicates the rehabilitation prospects of South African consumers already in a default position, improved marginally by 0.3% in the final quarter of 2017 compared to the corresponding quarter in 2016. This shows that, although credit active consumers remain vulnerable, a recovery may be underway.

TCRS's diversified revenue model across various geographies and sectors supports its performance in different market conditions. The current economic climate in South Africa favours the acquisition of non-performing loan portfolios from risk averse clients who prefer an immediate recovery of their non-performing loans. TCRS has acquired large non-performing loan portfolios during the first four months of the 2018 financial year, which is expected to support good revenue growth from this

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<sup>1</sup> The Consumer Credit Rehabilitation Index samples over five million consumers in credit default from TCRS' proprietary database, using an algorithm to estimate their propensity to repay debt and progress towards financial rehabilitation.

segment in future. In Australia, TCRS continues to be cautious as it seeks to apply its analytics, pricing expertise and capital raising capabilities to the selective purchase of non-performing loan portfolios in a highly fragmented debt collection market.

Despite the difficult consumer credit environment in South Africa, contingency and fee-for-service revenue is ahead of expectations as TCRS deepens its penetration in its traditional markets (retailers, specialist lenders and banks). In addition, TCRS continues to grow its revenue from adjacent market sectors (insurance, telecommunications and public sectors). Management's focus remains on driving organic earnings growth from existing operations, while ensuring the smooth operational integration of the acquired businesses, Recoveries Corporation in Australia and Road Cover in South Africa, all of which are in line with expectations.

Costs remain well contained across the division, supporting stable cost-to-income ratios before considering the business acquisitions concluded in the 2017 financial year.

## **INTERIM RESULTS ANNOUNCEMENT**

Transaction Capital's interim results for the half year ended 31 March 2018 are expected to be released on SENS on Wednesday, 16 May 2018.

Dunkeld West  
7 March 2018

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