

# Keeping those transactions squeaky clean

Transaction Capital has carved a niche in the debt-recovery and capital-finance sector

By ASHA SPECKMAN

● If you have ever received a call about your unpaid TV licence, arrears with the taxman or your store card account, chances are that you have been found by Transaction Capital's debt-recovery business.

The JSE-listed company is thriving in the debt-recovery market in addition to its niche focus on financing the purchase of minibus taxis for owners who on the strength of their credit record would otherwise be turned away by banks.

Featuring among the top 10 in the Sunday Times Top 100 Companies is no fluke for the business, which has had a compound annual growth rate for earnings of 19% a year over the past five years. For dividends, that growth rate was 35% annually over the same period.

This is for a group that has only been listed on the JSE since June 2012, although its underlying businesses are nearly two decades old.

Transaction Capital CEO David Hurwitz attributes the company's operational and financial performance to its diversified portfolio. "We've been lucky to have well-established businesses which have been around for almost two decades and have had a very good track record. We've had really good growth over the five years."

This is despite SA being in its longest downward business cycle since apartheid days.

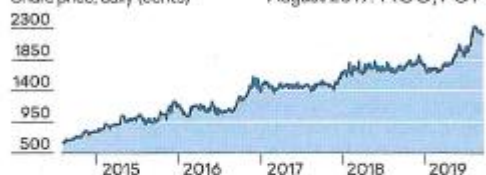
Hurwitz says: "All of our budgets and all of our plans don't assume an improvement in the environment. We assume the environ-

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Business Times  
TOP 100 COMPANIES

Transaction Capital September 2014: R10,000

Share price, daily (cents) August 2019: R38,757



Graphic: Ruby-Gay Martin



Transaction Capital CEO David Hurwitz



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ment remains the same, not better, not worse."

The advantage is that Transaction Capital's businesses are defensively positioned.

Its credit business collects debt on behalf of banks and retailers but also focuses on the rehabilitation of the consumer, which allows lenders to keep their balance sheets clean

and provides them with the leverage to extend credit further.

But a tough economic climate has seen a reticence by banks and retailers to easily extend credit.

"If we only collected for those types of people [banks and retailers], our business would have shrunk," Hurwitz says.

So Transaction Capital added institutions that do not rely on credit extension to its client base. Sars and collection for SABC TV licences, debt to mobile communication companies and insurers are part of the services it offers.

Consumer credit extension has lifted recently. As at March this year unsecured credit, according to the National Credit Regulator,

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grew by 21% year-on-year, and banks' unsecured credit rose by 10% in July compared with a year earlier. Although this is off a low base, it is growth that might play into Transaction Capital's hands in about 18 months when some consumers find themselves in arrears, Hurwitz says.

Phillipe Welthagen, Transaction Capital's investor relations executive, says: "For the recoveries business the competitive advantage is diversification. We don't have one concentration risk to any asset class, portfolio client, sector or geography."

The strength of this business also lies in its analytics technology, high-level data scientists and a 2,000-strong call-centre workforce, where those with a matric qualification can enter the job market.

In SA the risk business boasts about 80 clients, and it has grown to 45 clients in Australia, where Transaction Capital has focused on debt recovery of non-performing loans across the public and private sector since entering that market three years ago.

The group has also turned its attention to the fragmented European market, where it is executing a strategy to partner with a few existing recovery businesses by jointly purchasing debt books and providing the necessary support to grow those collection ventures.

Hurwitz says: "In Europe it's a huge market, and even if we can take a tiny position there we'd be very excited about it." But he adds that the company does not intend to make acquisitions in that market yet. "We think that's too risky. You are going to pay for goodwill and start managing the business. Geographically, that's difficult."

Transaction Capital's SA taxi division is perhaps the most prominent of its two businesses. This venture provides financing, insurance, parts and repair work services for minibus taxis – a mainstay of the SA public transport system – and is 25% owned by the SA National Tax Council.

Hurwitz says while Transaction Capital has received invitations to expand its taxi services business to other African countries including Kenya, Nigeria and Egypt, the company has opted to rather focus on large growth opportunities in SA, where it has also gathered swathes of data on the industry.

And as the company looks to the future, an e-hailing service is not yet on the cards. However, Transaction Capital continues to finance a selection of Uber driver vehicles while also building behavioural scores on Uber operations that may inform a new venture further down the line.