



## MEDIA RELEASE

13 May 2020

### Transaction Capital delivers robust performance in turbulent environment with 19% growth in earnings pre COVID-19 adjustments

- Core headline earnings from continuing operations pre COVID-19 adjustments: up 19% to R402 million
- Core headline earnings per share from continuing operations pre COVID-19 adjustments: up 18% to 65.4 cents
- Core headline earnings from continuing operations post COVID-19 adjustments of R281 million
- Strong financial position: Group liquidity position remains robust, underpinned by a conservative balance sheet

### Transaction Capital's business model confirms its relevance now, and in a post-COVID environment

From 1 May, the South African Government began easing lockdown restrictions. For the minibus taxi industry, at the current level 4 restrictions, the limits on operating hours have been relaxed enabling activity between 5am and 7pm, however constraints on passengers per trip and long-distance travel continue to apply. Activity in the sector is poised to be stimulated as restrictions on other industries are eased, increasing the number of commuters requiring public transport.

Commenting on the resilience of the minibus taxi industry, Transaction Capital's CEO, David Hurwitz said: *"Over the past few weeks, the COVID-19 pandemic has highlighted the indispensable nature of the minibus taxi industry as the dominant form of public transport in South Africa. This, together with the minibus taxi industry's defensive character, will assist in its quick recovery and smooth transition to normalised operating activities. Demand for minibus taxi services will be first to benefit as the phased easing of the lockdown progresses and the South African economy re-opens."*

*SA Taxi is a vertically integrated minibus taxi platform that provides developmental finance, insurance and other related products to strengthen the sustainability of the minibus taxi industry. SA Taxi's business model and market positioning places it well to serve its clients and will remain highly relevant in the post COVID-19 environment."*

During this global pandemic, the effective functioning of credit systems will be critical to economic recovery. Transaction Capital Risk Services (TCRS) supports the effective functioning of the local consumer credit market, rehabilitating over indebted consumers and freeing up operational capacity and capital for its clients, being consumer facing entities, to enable them to continue advancing credit to their customers.

During the month of April 2020, working from home was successfully implemented for more than 1 000 call centre agents (~60% of the call centre workforce) with no compromise to data security and technology capability. TCRS's operating infrastructure has adapted well to the continuously changing COVID-19 regulations and restrictions enabling it to continue to support its clients and over indebted consumers.

*“We anticipate that the COVID-19 pandemic will cause more South Africans than ever before to enter financial hardship, driven by stressed disposable income, increased unemployment and no-work no-pay policies. TCRS’s clients, being banks, retailers and other consumer facing entities, will have larger non-performing loan portfolios to manage and will sustain operational challenges due to COVID-19 related restrictions. Being a leading participant in this sector, TCRS’s diversified market offering has never been more relevant to its clients.”*

*“Our extensive collections infrastructure and work from home capabilities, positions us well to gain agency collection mandates or acquire non-performing loan portfolios to be collected as principal, as the economic impact of COVID-19 plays out over the medium-term”,* added Hurwitz.

#### **Robust balance sheet with access to liquidity**

Transaction Capital’s balance sheet is well capitalised, liquid and underpinned by a conservative capital strategy. Along with the additional measures implemented to preserve liquidity in response to COVID-19, Transaction Capital has adequate liquidity and financial flexibility to support its divisions, if required, as the pandemic runs its course and recessionary conditions intensify in the months to come.

Hurwitz noted that *“We have always maintained a cautious debt funding philosophy designed to protect Transaction Capital against liquidity and refinancing risk. We continue to adhere to this conservative approach and have taken various measures in response to COVID-19 to provide ample liquidity and flexibility to support our operating divisions.”*

Hurwitz continued, *“The group has a strong reputation for delivering good commercial and social returns to its longstanding and supportive funding partners, many of which are international developmental finance institutions (DFIs). The mandates of DFIs generally enable them to support socially relevant entities, such as SA Taxi, particularly in times of financial market dislocation and other extraordinary circumstances.”*

Capital strategy remains appropriately conservative in the current conditions, with undeployed capital of approximately R800 million. In addition, an undrawn R400 million liquidity facility is available to alleviate any short-term cashflow pressures across the group.

#### **A resilient partner to the minibus taxi industry**

As an essential service, the industry operated under national guidelines during the lockdown with only the transportation of essential service workers and other citizens requiring essential travel permitted at certain times. Sharply lower commuter mobility and restricted minibus taxi operations due to the nationwide lockdown intensified economic strain on the sector.

SA Taxi’s telematics data reflects that on average only 68% of its clients operated their vehicles, working only 58% of their normal hours, and travelling approximately 47% of their normal distance between 27 March 2020 and 30 April 2020. The gazetted guidelines limited the number of passengers per trip to 70% of normal loads, which further affected minibus taxi profitability negatively during this period.

SA Taxi remains committed to the health and safety of minibus taxi operators and commuters, and the recovery and long-term sustainability of the minibus taxi industry. Together with the South African National Taxi Council (SANTACO) and the National Taxi Alliance (NTA), the division has implemented COVID-19 prevention protocols at minibus taxi ranks across the country, and has committed more than R3 million towards face masks and hand sanitisers for commuters and taxi operators, and disinfecting ranks and vehicles.

To minimise the economic consequences of COVID-19 on its clients, SA Taxi introduced a loan repayment and insurance premium relief programme for qualifying clients, for April 2020. Despite the insurance premium relief programme, insurance cover for the month was still guaranteed.

### **A robust performance under challenging conditions**

Transaction Capital has achieved compound annual growth in core headline earnings per share of 20% over the past five years. Prior to the effects of COVID-19, the group was on track to deliver earnings growth in line with past performance. The group's core headline earnings from continuing operations pre-COVID adjustments grew by 19% to R402 million, with core headline earnings per share up 18% to 65.4 cents.

The group's performance during the period did not necessitate any adjustments for the future impact of COVID-19 on our existing assets, however in adopting a conservative approach, some adjustments have been made. In SA Taxi, an increase in impairment provisions of R126 million was recognised, and in TCRS, the carrying value of its purchased non-performing loan portfolio was reduced by R65 million (both adjustments before tax). Importantly, the adjustments are non-cash, and relate to assets held at 31 March 2020 and not to the origination of future assets.

These COVID-19 adjustments resulted in the deviation of Transaction Capital's financial performance from its historical earnings growth trend, with the group's core headline earnings from continuing operations after COVID-19 adjustments down 17% to R281 million, and core headline earnings per share from continuing operations after COVID-19 adjustments also 17% lower at 45.8 cents.

Commenting on the financial results, Hurwitz said: ***“SA Taxi and TCRS have demonstrated resilience in variable conditions over many years. Our core headline earnings growth, before COVID-19 adjustments, was in line with past performance and expectations.”***

***“Our strongly positioned divisions within resilient market sectors, the measures taken to strengthen our capital structure and ensure adequate liquidity, and the defensive character of our divisions, will support the group's return to earnings and dividend growth in the periods ahead”***, Hurwitz concluded.

**ENDS**

**For more information contact Transaction Capital:**

[www.transactioncapital.co.za](http://www.transactioncapital.co.za)

**Investor Relations:** Phillippe Welthagen

[PhillipeW@TransactionCapital.co.za](mailto:PhillipeW@TransactionCapital.co.za)

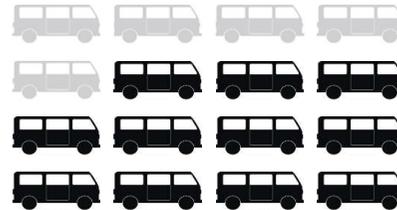
+27 (0) 11 049 6729; +27 (0) 84 512 5393

**Issued by:** Transaction Capital Limited



## COVID-19 IMPACT ON SA TAXI'S MINIBUS TAXI FLEET<sup>1</sup>

MEASURED DURING THE 35 DAY NATIONAL LOCKDOWN FROM 27 MARCH 2020 TO 30 APRIL 2020



**~68%** OF SA TAXI'S FLEET OPERATED

### TRAVELLING

**~44%**

OF FLEETS NORMAL DAILY  
KILOMETRES TRAVELLED

**~47%**

OF NORMAL AVERAGE DISTANCE  
PER OPERATING VEHICLE

### OPERATING TIME

**~47%**

OF USUAL DRIVE TIME

**~58%**

OF NORMAL OPERATING  
HOURS

### PROFITABILITY IMPACT

**~70%**

PASSENGER LOADS  
PER TRIP

**~25%**

OF NORMAL  
FUEL SPEND

1. Compared to average daily benchmarks