



Transaction Capital Limited
(Incorporated in the Republic of South Africa)
Registration No: 2002/031730/06
JSE share code: TCP
ISIN: ZAE000167391
("Transaction Capital" or "the Company")



TransCapital Investments Limited
(Incorporated in the Republic of South Africa)
(Registration No. 2016/130129/06)
JSE debt code: TCII

ACCELERATED BOOKBUILD

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1. INTRODUCTION

Transaction Capital announces its intention to conduct a non pre-emptive cash placing of approximately 30 750 000 new ordinary shares in the authorised but unissued share capital of the Company (the "Placing Shares") to certain institutional investors (the "Placing"), which represents approximately 5% of the Company's existing issued ordinary share capital base. The Placing Shares will be issued by the Company under and in accordance with its existing general authority to issue shares for cash, granted by shareholders at the annual general meeting of the Company held on 11 March 2020.

The Placing is being conducted through an accelerated bookbuild process (the "Bookbuild"), which will be launched immediately following this announcement. Goldman Sachs International and The Standard Bank of South Africa Limited (the "Managers") are acting as joint bookrunners in respect of the Placing.

2. RATIONALE AND USE OF PROCEEDS

Transaction Capital continues to leverage its high-IP, technologies and low-cost operational infrastructure to grow in adjacent market segments, related alternative asset classes and new geographies. As market dynamics in the aftermath of COVID-19 become clearer, certain strategic growth initiatives in Transaction Capital Risk Services ("TCRS") and TC Global Finance provide unprecedented opportunities to accelerate capital deployment for attractive risk-adjusted returns and capital appreciation.

The group's financial position is robust, with ample access to liquidity. However, given the protracted impact of COVID-19, we believe it prudent at this time to enhance the group's financial flexibility and strategic agility. The capital raised will support the accelerated acquisition of non-performing consumer loan portfolios ("NPL Portfolios") to be collected as principal in South Africa and Europe in the near term.

In South Africa, the market for NPL Portfolio acquisitions is underdeveloped and growing. As the impact of COVID-19 plays out over the medium term, we expect this market's growth rate to accelerate. COVID-19 has caused operational disruption in our clients' and competitors' call centres and collection operations, leaving our clients with larger levels of NPL Portfolios to manage. As consumer-facing entities seek to reduce fixed costs and shift to variable cost structures, we expect their appetite for outsourcing collections or selling NPL Portfolios to increase significantly. TCRS is well positioned to service the higher levels of activity and has almost 20 years of experience in South Africa in acquiring NPL Portfolios and generating attractive risk adjusted returns.

As communicated at the time of our half-year results, our decision to defer further investment in the European specialised credit market was taken to preserve liquidity and favour capital deployment in our established operations. Although this market has been in a state of flux for the last six months due to the impact of COVID-19, it is evident that there will also be a significant increase in investment opportunities driven by the dislocation of and distress in financial markets. We believe that our strategy to target higher yielding niches of this market in Europe remains sound, and we intend to recommence investment in this large and fragmented market on a conservative basis. Our growth into new geographies, such as our Australian investment strategy, has proven highly effective as we continue to gain traction in the acquisition and collection of NPL Portfolios in this market.

Further detail regarding the above opportunities is detailed in our results announcement for the half-year ending 31 March 2020.

4. UPDATE ON TRADING ENVIRONMENT

Our divisions, SA Taxi and TCRS, remain operationally solid. Both divisions continue to demonstrate their defensive character and agility as we align their operational structures to the prevailing economic realities. With their business models likely to be even more relevant in a post COVID-19 environment, we believe they are well positioned to build on their long-term track record for earnings growth and attractive risk-adjusted returns in the 2021 financial year.

SA TAXI

The COVID-19 pandemic has highlighted the indispensable nature of the minibus taxi industry as the predominant form of public transport in South Africa. With spend on public transport being non-discretionary, and commuter mobility preceding economic activity, we are seeing a strong recovery from the industry as the phased easing of the national lockdown progresses and the economy re-opens. SA Taxi's telematics data (tabled below) shows the average activity of its minibus taxi fleet as the lockdown has been eased.

| | Lockdown Level 5 (27 March - 30 April) | Lockdown Level 4 (1 May - 31 May) | Lockdown Level 3 (1 June - 16 June) |
|----------------------|---|--------------------------------------|--|
| Operating vehicles | 68% | 90% | 98% |
| Kilometres travelled | 44% | 80% | 85% |

The fleet activity for April, May and June (to date) has translated into collections in line with our articulated expectations at the half-year, demonstrating the resilience of SA Taxi's cashflows and assets. While loan collections for the second half of the financial year are still likely to be lower than the prior period, the absolute value of cash collected over the full term of the loans is expected to remain robust, and be collected over an extended period. Cash flows will be protected as the useful life of a minibus taxi exceeds SA Taxi's average loan term of 71 months.

Despite the price inelasticity of minibus taxi services, the industry has not materially increased fares in the last two years, and minibus taxi operators have absorbed the financial impact of a hostile environment over this period. Fare increases are currently being considered by the industry and are expected imminently.

TCRS

By supporting its clients' ability to extend credit and rehabilitating indebted consumers, TCRS's business model facilitates the effective functioning of consumer credit markets, which is critical to economic recovery.

Despite the disruption of COVID-19, TCRS has demonstrated its agility with the successful transition of more than 1 200 call-centre agents to work from home, without compromising data security or access to technology. The more flexible working hours this has enabled is yielding higher productivity per agent. Furthermore, TCRS's omnichannel and data analytics capability has supported uninterrupted contacting and transacting with consumers. The significant proportion of annuity-based collections via recurring payment arrangements has also supported the division's resilience. TCRS's collection revenues in South Africa and Australia for April, May and June (to date) have been in line with the forecast 70% of pre COVID-19 levels we anticipated at the half-year.

Despite reduced collections from its NPL Portfolios expected in the short term, we expect the gross value of these cash flows to remain at similar levels and be collected over a longer period. Cash flows from a single NPL Portfolio will typically last for up to 10 years, generating a total return of 2.0 to 2.2 times the amount invested in purchasing the portfolio.

5. BALANCE SHEET AND GROUP LIQUIDITY

The group's balance sheet is well capitalised and liquid at a holding company level, underpinned by our conservative capital strategy. Along with the additional measures implemented to preserve liquidity in response to COVID-19, we have ample liquidity and financial flexibility to support the divisions as the pandemic runs its course and recessionary conditions intensify. This includes an undrawn R400 million facility available to alleviate any short-term cash flow pressures across the group, and undeployed capital of approximately R800 million. Of this, R500 million remains invested in TCRS to support the business and mitigate any capital risk associated with expected short-term operational cashflow disruption from COVID-19. The remaining capital, previously allocated to the accelerated acquisition of NPL Portfolios in South Africa, Australia and selected international markets, is immediately available to support both divisions.

For detail on Transaction Capital's balance sheet and liquidity position, refer to our results announcement for the half-year ended 31 March 2020, reported on 13 May 2020.

6. THE PLACING

The Placing is offered to qualifying investors (with the criteria set out in the Important Notes Section below) and will not be offered to the public in any jurisdiction. The Placing is not an offer to the public as contemplated under the South African Companies Act, No.71 of 2008, as amended (the "South African Companies Act").

The Placing Shares will be issued by the Company under and in accordance with its existing general authority to issue shares for cash, granted by shareholders at the annual general meeting of the Company held on 11 March 2020.

The price per ordinary share at which the Placing Shares will be placed (the "Placing Price") will be decided at the close of the Bookbuild. The timing of the closing of the Bookbuild, the Placing Price and allocations are at the discretion of the Company and the Managers. The Placing Price will be announced as soon as practicable on the Stock Exchange News Service of the exchange operated by the JSE Limited (the "JSE") after the close of the Bookbuild.

The Placing Shares, when issued, will be fully paid and will rank *pari passu* in all respects with the existing ordinary shares in the share capital of the Company, including the right to receive all dividends and other distributions declared, made or paid after the date of issue of the Placing Shares.

Subject to the approval by the JSE, listing and trading of the Placing Shares on the JSE (the "Admission") is expected to commence at 9am on Tuesday 23 June 2020 (or such time and/or date as may be agreed between the Company and the Managers). Investors will receive Placing Shares listed and trading on the JSE.

Pursuant to the terms of the placing agreement entered into between the Company and the Managers, the Company has agreed to customary lock-up arrangements for a period of 90 days from the closing date of the Placing.

Dunkeld West
17 June 2020

Joint Bookrunners
Goldman Sachs International
The Standard Bank of South Africa Limited

South African Legal Counsel to the Company
ENSAfrica

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Transaction Sponsor
The Standard Bank of South Africa Limited

Company Sponsor
Rand Merchant Bank (A division of FirstRand Bank Limited)

IMPORTANT NOTES

Neither this Announcement nor any copy of it may be taken, transmitted or distributed, directly or indirectly in or into the United States, Canada, Australia, Japan or any jurisdiction in which it would be unlawful to do so. The distribution of this announcement may be subject to specific legal or regulatory restrictions in certain jurisdictions and persons into whose possession any document or other information referred to herein comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Company assumes no responsibility in the event there is a violation by any person of such restrictions.

In South Africa, the Placing will only be made by way of separate private placements to: (i) selected persons falling within one of the specified categories listed in section 96(1)(a) of the South African Companies Act; and (ii) selected persons, acting as principal, acquiring Placing Shares for a total acquisition cost of ZAR1,000,000 or more, as contemplated in section 96(1)(b) of the South African Companies Act ("South African Qualifying Investors").

This Announcement is only being made available to such South African Qualifying Investors. Accordingly: (i) the Placing is not an "offer to the public" as contemplated in the South African Companies Act; (ii) this Announcement does not, nor does it intend to, constitute a "registered prospectus" or an "advertisement", as contemplated by the South African Companies Act; and (iii) no prospectus has been filed with the South African Companies and Intellectual Property Commission ("CIPC") in respect of the Placing. As a result, this Announcement does not comply with the substance and form requirements for a prospectus set out in the South African Companies Act and the South

African Companies Regulations of 2011, and has not been approved by, and/or registered with, the CIPC, or any other South African authority.

Any forwarding, distribution, reproduction, or disclosure of any information contained in this announcement in whole or in part is unauthorised. Failure to comply with these restrictions may constitute a violation of the United States Securities Act of 1933, as amended (the "Securities Act"), or the applicable laws of other jurisdictions. Subject to certain exceptions, the securities referred to in this announcement may not be offered or sold in the United States, Australia, Canada, Japan or certain other jurisdictions or for the account or benefit of any national resident or citizen of certain jurisdictions.

The information contained in this Announcement constitutes factual information as contemplated in section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act, 2002 (the "FAIS Act") and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of the Placing Shares or in relation to the business or future investments of the Company, is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in this Announcement should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa. The Company is not a financial services provider licensed as such under the FAIS Act.

In terms of the Exchange Control Regulations of South Africa, any share certificates that might be issued to non-resident shareholders will be endorsed "Non-Resident". Any new share certificates, dividend and residual cash payments based on emigrants' shares controlled in terms of the Exchange Control Regulations, will be forwarded to the Authorised Dealer controlling their remaining assets. The election by emigrants for the above purpose must be made through the Authorised Dealer controlling their remaining assets. Such share certificates will be endorsed 'Non-Resident'. Dividend and residual cash payments due to non-residents are freely transferable from South Africa. Nothing in this Announcement should be viewed, or construed, as "advice", as that term is used in the South African Financial Markets Act, 2012, and/or FAIS Act by any of the Managers.

This announcement does not constitute or form part of any offer or solicitation to purchase or subscribe for securities in the United States, Canada, Japan or Australia, or any jurisdiction in which such offer, solicitation or sale would be unlawful. The ordinary shares may not be offered or sold in the United States unless registered under the Securities Act or offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The ordinary shares have not been, and will not be, registered under the Securities Act or under the applicable securities laws of Canada, Japan or Australia. Subject to certain exceptions, the ordinary shares referred to herein may not be offered or sold in Canada, Japan or Australia or to, or for the account or benefit of, any national, resident or citizen of Canada, Japan or Australia. There will be no public offer of securities in the United States, Canada, Japan and Australia.

Any offering of the Placing Shares to be made (i) in the United States will be made only to a limited number of "qualified institutional buyers" ("QIBs") within the meaning of Rule 144A under the Securities Act ("Rule 144A") and, (ii) outside the United States in offshore transactions within the meaning of, and in reliance on, Regulation S under the Securities Act ("Regulation S"). QIBs purchasing shares will be required to execute an investor letter in a form provided to it and deliver the same to a Manager or one of its affiliates and to the Company in connection with its investment.

This announcement is for information purposes only and in Member States of the European Economic Area is directed only at persons who are qualified investors (as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). In the United Kingdom, this announcement is directed only at qualified

investors (as defined above) who are also either: investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or high net worth entities falling within article 49(2)(a) to (d) of the Order, or are otherwise persons to whom it may lawfully be communicated.

Each Manager and its respective affiliates are acting solely for the Company and no one else in connection with the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for providing advice in relation to the Placing and/or any other matter referred to in this Announcement. Apart from the responsibilities and liabilities, if any, which may be imposed on the Managers or their affiliates by their respective regulatory regimes, neither of the Managers nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the information contained in this Announcement or for any other statement made or purported to be made by or on behalf of such Manager or any of its respective affiliates in connection with the Company, the Placing Shares or the Placing. The Managers and each of their respective affiliates accordingly disclaim all and any responsibility and liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above) in respect of any statements or other information contained in this Announcement and no representation or warranty, express or implied, is made by the Managers or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information contained in this Announcement.

The distribution of this Announcement and the offering of the Placing Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company or the Managers that would permit an offering of such shares or possession or distribution of this Announcement or any other offering or publicity material relating to such shares in any jurisdiction where action for that purpose is required. Persons into whose possession this Announcement comes are required by the Company and the Managers to inform themselves about, and to observe, such restrictions.

The Placing Shares to be issued pursuant to the Placing will not be admitted to trading on any stock exchange other than the JSE.

Persons who are invited to and who choose to participate in the Placing by making an offer to take up Placing Shares, will be deemed to have read and understood this Announcement in its entirety and to be making such offer on the terms and conditions, and to be providing the representations, warranties, acknowledgements and undertakings, contained herein. Each such placee represents, warrants and acknowledges that it is a person eligible to subscribe for the Placing Shares in compliance with the restrictions set forth herein and applicable laws and regulations in its home jurisdiction and in the jurisdiction (if different) in which it is physically resident.

This announcement has been issued by and is the sole responsibility of Transaction Capital. The financial information included in this announcement has not been reviewed or reported on by the Company's external auditors. No representation or warranty express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by the Managers or by any of their respective affiliates or their respective partners, directors, officers, employees or agents as to, or in relation to, the accuracy or completeness of this announcement or any other written or oral information made available to or publicly available to any interested party or its advisers, and any liability therefore is expressly disclaimed.

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FORWARD LOOKING INFORMATION

This announcement contains (or may contain) certain forward-looking statements with respect to certain of Transaction Capital's plans and its current goals and expectations relating to its future financial condition and performance and which involve a number of risks and uncertainties. Transaction Capital cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances a number of which are beyond Transaction Capital's control. These forward-looking statements reflect Transaction Capital's judgement at the date of this announcement and are not intended to give any assurance as to future results. Except as required by the JSE, or applicable law, Transaction Capital, each Manager and their respective affiliates expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this announcement to reflect any changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. For further information on Transaction Capital, investors should review the Company's Annual Report hosted at www.transactioncapital.co.za