

MEDIA RELEASE

24 November 2020

Transaction Capital delivers robust performance in COVID-19 environment with 10% growth in core pre-provision profits

- COVID-19 subdues 2020 results, but operations prove resilient
- Group well placed to return to long-term growth track record during 2021 (applying 2019 as a base)
- Value accretive non-controlling acquisition of 49.9% of WeBuyCars
- Royal Bafokeng Holdings introduced as a strategic long-term shareholder in November 2020
- Net asset value per share up 10% to 879.5 cents

Results Overview

With a near 20-year track record of high earnings and dividend growth, Transaction Capital achieved compound annual growth in core headline earnings per share of 23% for the five years to 30 September 2019. However, like most businesses across the world, COVID-19 subdued the group's performance this year, interrupting this growth trend. Transaction Capital's swift responses to the impacts of the pandemic underpinned its decisive recovery and enabled significant strategic progress during 2020. The groups divisions, SA Taxi and Transaction Capital Risk Services ("TCRS"), quickly aligned their operating models, financial structures and growth plans to prevailing economic realities and emerging opportunities, displaying their operational, financial and strategic flexibility.

Commenting on the full year results Transaction Capital's CEO, David Hurwitz said: **"Prior to the effects of COVID-19, the group was on track to deliver earnings growth in line with past performance and guidance given at the time of our AGM in March 2020. Despite the operational disruption of COVID-19, with most of the business operations restricted and in certain instances fully closed for more than two months, the group's core pre-provision profit from continuing operations grew 10%. Both SA Taxi and TCRS have demonstrated resilience in their agile responses to the volatile dynamics accompanying the pandemic."**

Transaction Capital adopted a conservative approach in accounting for the impact of COVID-19, which has given rise to far higher non-cash credit impairments at SA Taxi and adjustments to the carrying value of TCRS's purchased book debts compared to historical periods. The group's core headline earnings from continuing operations fell 65% to R276 million, and core headline earnings per share from continuing operations decreased 66% to 44.3 cents. In SA Taxi, the credit impairment charge against loans and advances for 2020 increased 160% to R836 million, compared to R322 million in 2019. In TCRS, the adjustment to the carrying value of purchased book debts was R588 million in 2020, 270% higher than the R159 million adjustment in 2019. These charges were the cause of the deviation in the group's financial performance from its historical earnings growth trend.

Transaction Capital is also pleased to announce Royal Bafokeng Holdings' intention to invest R500 million into the group as a long-term strategic shareholder. 12 million Transaction Capital shares, representing approximately 1.8%, were acquired via a secondary purchase in the market on 20 November 2020. Royal Bafokeng Holdings is expected to increase its stake by subscribing for a further

12.4 million shares in January 2021, subject to shareholder approval, further boosting TC's equity by approximately R250 million.

"The group has always adopted a conservative capital management philosophy. The resilience of our capital structure was tested and proven this year. Transaction Capital's good standing with investors enabled it to issue nearly R900 million of new equity on a pre-emptive basis to facilitate a transformational and value accretive investment into WeBuyCars, and to secure adequate new debt facilities to fund its strategic organic growth initiatives for 2021 and beyond" added Hurwitz.

WeBuyCars

The value accretive non-controlling acquisition of 49.9% in WeBuyCars for R1.86 billion, represents Transaction Capital's continued support of the future of SA Inc.

Personal vehicles remain a necessity and an aspiration for many South Africans, given long travel distances and limited public transport options. In South Africa, there are a total of 10.8 million passenger vehicles in circulation. This vehicle 'car parc' has grown steadily, increasing the overall market by 5% to 6% a year over the last decade, despite the contraction in new vehicle sales over this period. As disposable income has come under strain, and a weakening rand has pushed up new vehicle prices, more consumers are opting to trade down from new to used vehicles. COVID-19 has amplified this trend, with shifts in what consumers can afford and changes in their buying patterns likely to accelerate growth in the used vehicle segment.

The group is excited about the growth potential of WeBuyCars, which has recovered well from the impact of COVID-19 and is expected to lift the group's growth trajectory above historical trends. The WeBuyCars business model remains relevant and has demonstrated a quick recovery post COVID-19. Volumes were slightly below 6 000 vehicles per month prior to the national lockdown (January and February 2020), compared to about 6 250 vehicles per month from July to October 2020.

"Although the adoption of e-commerce in the vehicles market has been slower than in other categories (such as electronics), experts estimate that e-commerce adoption in South Africa has leap-frogged some five years into the future as the desire for contactless services has escalated. Industry players that offer the most trustworthy, secure, and credible e-commerce platforms will gain significant competitive edge in the market in the coming years. WeBuyCars management believes that given their established B2B e-commerce activities, it has an opportunity to grow its emergent B2C offering in South Africa." added Hurwitz.

SA Taxi

With commuter mobility a precursor to economic activity; the minibus taxi industry is transitioning closer to normal operational activity as restrictions ease and the economy re-opens. Most South Africans rely on public transport, with the minibus taxi industry being the largest and most vital service in the integrated public transport network. As an essential service, the minibus taxi industry operated during the national lockdown, unlike other modes of public transport, albeit with restrictions on distance and occupancy.

SA Taxi performed to expectation to mid-March, but then the national lockdown and COVID-19 related restrictions impacted operations. In April 2020 a payment relief programme was launched for clients in good standing to defer repayment of loan instalments and insurance premiums. Further specific payment relief was provided to approximately 3 000 qualifying clients most impacted by the national lockdown for May and June 2020. Payment relief provided to clients totalled approximately R400 million with an additional R9 million contributed towards the provision of health and safety materials.

Commenting on the outlook of the minibus taxi industry Hurwitz added: *“The COVID-19 pandemic has re-affirmed the essential role of the minibus taxi industry in the South African economy. The minibus taxi industry has recovered quicker than most as lockdown restrictions eased, with SA Taxi returning to near-normal levels of operations and well positioned to grow earnings in 2021. SA Taxi continues to be a pioneer in and partner to the minibus taxi industry.”*

TCRS

In South Africa, the official unemployment rate rose to 30.8% (September 2020), compared to 29.1% in the prior year. This is South Africa’s highest unemployment rate in 12 years and reflects the socioeconomic impact of COVID-19, with more than 2.2 million jobs lost in the second quarter of 2020 alone. This will intensify the pressure on already indebted consumers (with household debt to income of 72.8% reported at 31 December 2019).

Almost 40% of South Africa’s 27 million credit-active consumers have impaired credit records. Transaction Capital’s own Consumer Credit Rehabilitation Index (CCRI), which measures South African consumers’ propensity to repay debt, deteriorated by 3.4% at September 2020 compared to the prior year. This is the largest annual decline since the CCRI’s inception in June 2017.

TCRS’s business model will gain relevance as the economic impact of COVID-19 drives up indebtedness and impairs consumers’ ability to service their debt. This will leave consumer-facing entities with significantly larger NPL Portfolios to manage. To illustrate the pressure on these entities, the September 2020 BA 900 regulatory returns submitted by South African banks show that provisions were 36.5% higher year to date, while total credit extension grew an average of only about 2%. Furthermore, the disruption to their collection infrastructure and capabilities have made it more difficult for consumer-facing entities to collect from their customers. As their balance sheets and operations come under pressure, and as they attempt to reduce fixed costs and shift to variable cost structures, TCRS is strongly positioned to acquire these loan portfolios or to win agency collection mandates.

The COVID-19 pandemic necessitated TCRS’s collection services capability to be transitioned to a combination of work-from-home and on-site operations, both in South Africa and Australia, which has rapidly improved productivity levels. These measures will yield significant benefit into the 2021 financial year. TCRS performed better than expected for the period given the effects of the pandemic, with collections services in South Africa and Australia proving resilient to the weak economic conditions prior to and exacerbated by COVID-19.

Commenting on the outlook of the TCRS Hurwitz added: *“TCRS remains committed to supporting the sustainable supply of credit by improving the functioning of credit markets, rehabilitating debtors ethically and collecting responsibly. The TCRS business model remains relevant, evermore now, in support of the recovery of the South African and Australian markets, however the environment in which we collect will be a challenging one.”*

About Transaction Capital

Transaction Capital is an investor in and operator of alternative assets in credit-related and other highly specialised market verticals. Our strong decentralised divisional management teams manage our assets in well-governed, agile and efficient business platforms, which are scalable, data-driven and vertically integrated.

About SA Taxi

SA Taxi is a vertically integrated business platform utilising specialist capabilities, enriched proprietary data and technology to provide developmental finance, insurance and other services to empower small- and medium-sized minibus taxi operators and create shared value opportunities, thus supporting the sustainability of the minibus taxi industry.

About Transaction Capital Risk Services (TCRS)

TCRS is a technology-led, data-driven provider of services and capital solutions relating to credit-orientated alternative assets originated and managed through scalable and bespoke platforms operating in South Africa, Australia and select international markets.

About WeBuyCars

WeBuyCars is a trusted principal trader of used vehicles, offering finance, insurance and other allied products through its vertically integrated physical and e-commerce infrastructure, leveraging its proprietary data with artificial intelligence to dynamically adjust pricing according to vehicle value and demand.

ENDS

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Investor Relations

APPENDIX

SOUTH AFRICA'S VEHICLE PARC¹ IS GROWING DESPITE NEW VEHICLE SALES ▼ OVER LAST 10 YEARS

10.8 million
VEHICLES¹ IN
SOUTH AFRICA

CAGR

9 year ▲ 5.6%
5 year ▲ 2.4%

~10 years

AVERAGE LENGTH
OF OWNERSHIP² ▲
Dec 2017 | 9.73 years
Mar 2020 | 10.08 years

NEW VEHICLE SALES

INTO PARC

372 000 vehicles

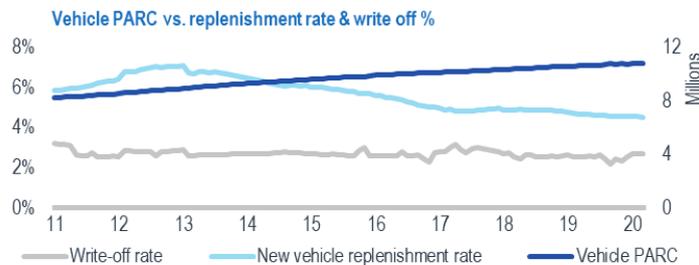
2020e new vehicles sales ▼ 31%³

WRITE-OFF RATE

OUT OF PARC

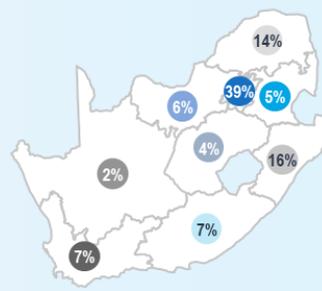
350 000 vehicles

Consistently at ~3% per year



Geographic distribution of the Vehicle PARC

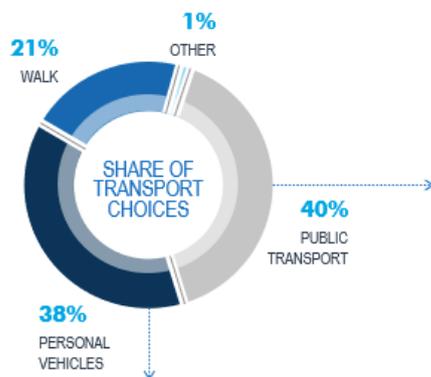
- Gauteng
- North West
- Eastern Cape
- Limpopo
- KwaZulu-Natal
- Northern Cape
- Western Cape
- Free State
- Mpumalanga



SOURCE | National Land Transport Strategic Framework 2015 | National Household Travel Survey 2013 | Census data 2011

1. Lightstone - vehicle parc consists of passenger & light commercial vehicles; 2. Lightstone Parc data; 3. 2020 estimated new vehicle sales <https://www.moneyweb.co.za/news-fast-news/new-car-sales-to-drop-to-17-year-low-on-pandemic>

SOUTH AFRICA | SHARE OF TRANSPORT CHOICES



- 38% use personal vehicles
 - › Personal vehicles remain a necessity for many South Africans
 - › Long travel distances
 - › Vehicle ownership is an aspiration rooted in South African culture

Minibus taxi ▲ >20% since 2013

- Dominant form of public transport
- 69% of households use minibus taxis (59% in 2003)
- ~15 million commuter trips daily
- Currently no government subsidy
- Increasing commuter density due to urbanisation
- Essential service with spend non-discretionary

• Bus & Rail ▼

- › Subsidised
- › Together account for ~1.0 million trips daily

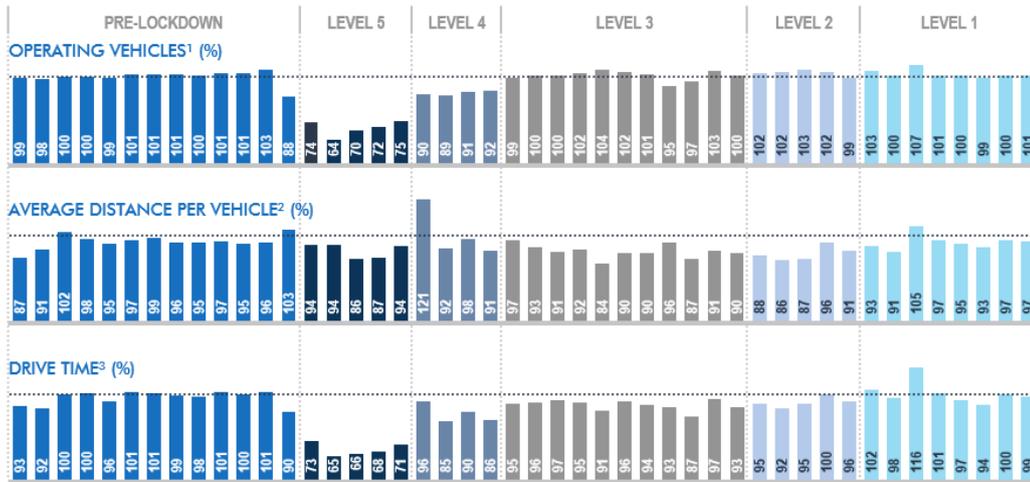
• E-hail

- › Small proportion due to affordability

SOURCE | National Land Transport Strategic Framework 2015 | National Household Travel Survey 2013 | Census data 2011

SA TAXI'S FLEET MOVEMENT (TELEMATICS DATA)

RECOVERY IN ACTIVITY OF MINIBUS TAXI FLEET BENCHMARKED AGAINST PRE-COVID-19 LEVELS (2020 VS 2019)



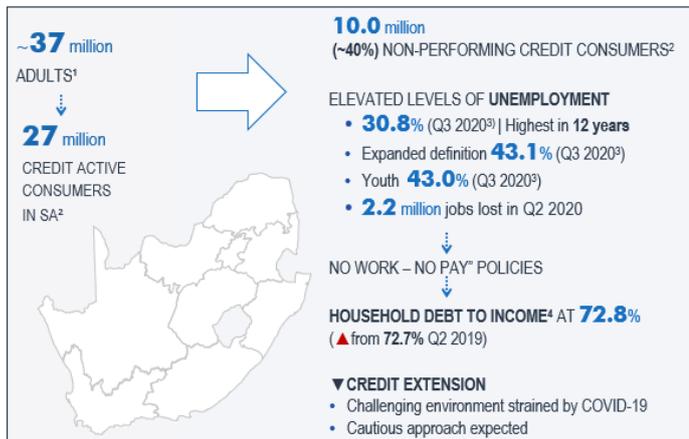
1. Vehicles in the fleet that have travelled more than 10 kilometres during a day
 2. Total kilometres travelled by the fleet / number of operating vehicles
 3. Time elapsed whilst the vehicle is moving

COVID-19 HAS PROVEN THAT THE MINIBUS TAXI INDUSTRY IS INDISPENSABLE TO SA'S ECONOMIC PRODUCTIVITY

- As the dominant mode of public transport, minibus taxi industry is an essential service, & operated during level 5 lockdown
- Restrictions resulted in
 - Activity per vehicle
 - Passenger loads
- Minibus taxi industry is recovering quickly & is transitioning closer to normal activity as economy re-opens
- Commuter mobility is a precursor to economic activity
- Spending on minibus taxi is non-discretionary, making industry defensive

ENVIRONMENT & MARKET CONTEXT | SOUTH AFRICA

MACRO- & SOCIO-ECONOMIC ENVIRONMENT PLACING PRESSURE ON CONSUMERS | COVID-19 WILL ADVERSELY IMPACT CONSUMER CREDIT SECTOR FURTHER



Unsecured loans significantly more overdue vs. secured loans (Q2 2020⁵)

UNSECURED LENDING R307bn	MORTGAGE & VEHICLE ASSET LENDING R1 400bn
<ul style="list-style-type: none"> 7.6m individuals 13.3m loans (>1 loan per person) 77% OVERDUE 	<ul style="list-style-type: none"> 3.9m loans 23% OVERDUE

Monthly household income deteriorating compared to 3 years ago⁶

	Ultra poor & survivors	Skilled strugglers & middle class	Upper middle class & top end
Monthly earnings	<R8 000	R8 000 - R22 000	>R22 000
JUNE 2020	~ 73% adults ▲	~ 19% adults ▼	~ 8% adults ▼
JUNE 2017	~ 56% adults	~ 27% adults	~ 16% adults

Source: 1. Stats SA, adults aged 15 to 59 | 2. NCR data at June 2020 | 3 Stats SA – 12 November 2020 ; ▲ 5% from 29.1% (Q3 2019) | 4. December 2020 & June 2019 - Trading Economics website | 5. XDS Credit Stress Report: Q2 2020 | 6. UCT Liberty Institute of strategic marketing - Impact of COVID on household income