



Transaction Capital Limited  
(Incorporated in the Republic of South Africa)  
Registration number: 2002/031730/06  
JSE share code: TCP  
ISIN: ZAE000167391  
("Transaction Capital")



TransCapital Investments Limited  
(Incorporated in the Republic of South Africa)  
Registration number: 2016/130129/06  
Bond company code: TCII

## TRANSACTION CAPITAL TO INCREASE ITS SHAREHOLDING IN WBC HOLDINGS PROPRIETARY LIMITED, INCORPORATING ITS SUBSIDIARIES INCLUDING WE BUY CARS PROPRIETARY LIMITED ("WEBUYCARS GROUP")

### 1. INTRODUCTION AND RATIONALE

#### 1.1 Overview of the proposed transaction

Transaction Capital Motor Holdco Proprietary Limited ("TCMH"), a wholly-owned subsidiary of Transaction Capital, has concluded a subscription agreement, a sale agreement and a warranty agreement (collectively "transaction agreements") to (i) subscribe for shares in WBC Holdings Proprietary Limited ("WBC Holdco") and acquire shares from certain of the existing shareholders in WBC Holdco ("subscription and sale transaction"); and (ii) exchange the existing shares held by TCMH in We Buy Cars Proprietary Limited ("WeBuyCars") for newly issued shares in WBC Holdco ("exchange transaction"), such that following the implementation of the transaction agreements, TCMH will hold 74.9% of the issued shares in WBC Holdco on a fully diluted basis (the "proposed transaction").

I VDW Holdings Proprietary Limited ("I VDW") will hold the remaining 25.1% of the shares in WBC Holdco. I VDW is ultimately jointly controlled by the family trusts of the founding shareholders of WeBuyCars, Faan and Dirk van der Walt.

#### 1.2 Background to the proposed transaction

On 11 September 2020 Transaction Capital concluded a transaction with WeBuyCars and its shareholders to become a 49.9% non-controlling shareholder in WeBuyCars (the "initial transaction"). The initial transaction included a put option in favour of WBC Holdco, in terms of which WBC Holdco could require TCMH to subscribe for 10% of the shares in WBC Holdco ("put option") and a call option in favour of TCMH, in terms of which TCMH could subscribe for 15% of the shares in WBC Holdco ("call option"), following which TCMH would exchange its existing shareholding in WeBuyCars for shares in WBC Holdco such that following the implementation of the put option and the call option TCMH would hold 74.9% of the issued shares in WBC Holdco. The put option could be exercised within five business days of 11 September 2021 (being the first anniversary of the initial transaction's effective date), and the call option within five business days after the lapsing of a period of 30 days post the publication of Transaction Capital's 2023 financial results.

Notwithstanding the above position, an opportunity arose to cancel the put option and the call option in favour of entering into a transaction that would result in TCMH ultimately owning 74.9% of the shares in WBC Holdco

as one composite transaction. WBC Holdco's reasons for this decision included, inter alia, that the existing shareholders had been impressed with the insights of the directors appointed by TCMH to the WeBuyCars board, the manner in which Transaction Capital has engaged with leadership teams in its subsidiaries, and the cultural fit between the two organisations. Further, it recognised the relevance of Transaction Capital's expertise to advance WeBuyCars' vision of offering credit and insurance-related products to its customer base.

### 1.3 Nature of business

Shareholders are referred to Transaction Capital's interim results announcement released on SENS on 12 May 2021 for a detailed description of the nature of WeBuyCars' business.

### 1.4 Rationale for increasing TCMH's shareholding in WeBuyCars from a non-controlling 49.9% to a controlling 74.9% stake

WeBuyCars' performance since the initial transaction became effective supports Transaction Capital's view that the proposed transaction provides a compelling opportunity to expedite the securing of a controlling interest in a business with exceptional growth prospects and a leading position in a highly defensive market segment, more specifically as:

- Transaction Capital has been extremely impressed with the calibre, character and commitment of the management team of WeBuyCars. This has manifested in WeBuyCars' operational resilience in a difficult economic environment, which demonstrates that it is structurally well positioned for growth;
- The in-depth understanding of the business that Transaction Capital has gained over the last eight months has validated the synergies and growth opportunities initially identified, reinforcing confidence in the WeBuyCars investment case. This includes the potential to enhance unit economics and margin through:
  - deeper penetration of the used vehicle value chain by offering finance as a principal and not only as an intermediary;
  - improving existing commercial arrangements with banks, insurers, and tracking companies by partnering with them more effectively; and
  - harnessing technology and data to drive WeBuyCars' e-commerce offering.
- Further growth opportunities for WeBuyCars as part of Transaction Capital's stable include:
  - leveraging SA Taxi's expertise and capabilities to enable WeBuyCars to extend its services to include a credit offering (as principal as opposed to an intermediary); and
  - the potential to expand internationally as WeBuyCars compares well against its international peers and given the growth trajectory of the global used vehicle industry.

Transaction Capital has a proven track record of creating value through identifying, investing in, and developing businesses with the potential to achieve scale in their market segments. A controlling stake will enable Transaction Capital to achieve this more effectively with WeBuyCars.

Transaction Capital expects future earnings from this investment to be at least in line with the original investment case, given favourable market trends.

The proposed transaction will enable Transaction Capital to consolidate a greater proportion of WeBuyCars' high-growth earnings, enhancing Transaction Capital's future value and earnings growth trajectory.

A detailed update on WeBuyCars' trading performance and prospects can be found in Transaction Capital's interim results announcement for the six months ending 31 March 2021, released on SENS on 12 May 2021, and more detail on its strategic growth initiatives is available in the SENS announcement released on 8 September 2020.

## 2. INVESTOR CONFERENCE CALL AND WEBINAR

Transaction Capital will host an investor briefing at 15h00 (South Africa time) on 31 May 2021, with conference call details available on Transaction Capital's website: <https://www.transactioncapital.co.za/index.php>. A replay will be available shortly after the end of the call.

## 3. TERMS AND CONDITIONS OF THE PROPOSED TRANSACTION

### 3.1 Transaction consideration

#### 3.1.1 The transaction consideration at a glance

The estimated consideration for the subscription and sale transaction (based on various base case assumptions including, amongst others, the date of implementation of the proposed transaction, the profit after tax for the 12 months ending 30 September 2021 ("FY21") and 30 September 2022 ("FY22") of WeBuyCars and certain of its subsidiaries, and the share price of Transaction Capital shares) is R1.6 billion. This consideration, together with the consideration for the initial transaction, equates to a total investment of R3.4 billion which results in an approximate 8.9 times price to earnings ratio ("PE ratio") on the estimated earnings of the WeBuyCars Group for FY21.

The total consideration payable by TCMH in respect of the subscription and sale transaction is calculated on the basis that (i) 10% of the increased 25% stake to be acquired will be based on the same valuation as the initial transaction, as increased by a nominal amount due to the effluxion of time; (ii) 15% of the increased 25% stake to be acquired will be calculated on a 10.5 times PE ratio on the profits after tax of WeBuyCars and its subsidiaries (excluding WBC Properties Proprietary Limited ("WBC Properties")) (collectively "WBC PAT group") for FY21 and FY22 respectively; (iii) 25% of the value attributed to the properties held by WBC Properties in the initial transaction plus the net value of any properties acquired and improvements made to properties; and (iv) the current shareholders are entitled to receive a deemed dividend of 50% of profit of the WBC PAT group for the period from signature of the transaction agreements until certain of the conditions precedent are fulfilled. A more detailed explanation is set out below.

#### 3.1.2 Detailed explanation of the transaction consideration

The total consideration payable by TCMH in terms of the transaction agreements comprises of four calculations, and is in substance set out below, namely:

- Calculation 1: an amount equal to 10% of the enterprise value of WeBuyCars and its subsidiaries utilised for purposes of the initial transaction, namely R3.69 billion, save that the value has increased by a nominal amount (between 0.75% to 2%, depending on the date of implementation) every month post the closing of the initial transaction plus an amount of R20.5 million;
- Calculation 2: an amount calculated as 15% of the aggregate of the following amounts:
  - an upfront amount which is equal to the following amounts (increased by a monthly nominal amount of between 0.75% to 2%, depending on the date of implementation from 15 November 2021 until certain of the conditions precedent are fulfilled) -

- applying a 10.5 times PE ratio to the profit after tax achieved by the WBC PAT group for FY21; plus
  - applying a 10.5 times PE ratio to the assumed growth in profit after tax achieved by the WBC PAT group for FY22, on the basis that profits are assumed to grow by 15% from FY21; plus
- a deferred amount, payable after the audited financial statements for WBC and its subsidiaries for the 6 months ending 30 September 2022 are finalised, equal to the following combined amounts (increased by a monthly nominal amount of 2% from 1 October 2022 until certain of the conditions precedent are fulfilled) -
  - 10.5 times the amount by which the actual profit after tax of the WBC PAT group for FY22 exceeds 16.7% of the actual profit after tax of the WBC PAT group for FY21, up to a maximum excess of 21%; and
  - 50% of the amount calculated as 10.5 times the amount by which the actual profit after tax of the WBC PAT group for FY22 exceeds 21% of the actual profit after tax of the WBC PAT group for FY21; and
- Calculation 3: 25% of the value of the properties in WBC Properties utilised for purposes of the initial transaction plus an amount equal to the difference between the aggregate costs of any new properties purchased and improvements made to the properties less any debt incurred in respect thereof during the period from 11 September 2020 until certain of the conditions precedent are fulfilled; plus
- Calculation 4: an amount equal to 25% of the difference between (i) 50% of the WBC PAT group's profit after tax; and (ii) the bi-annual dividends actually declared and paid by WeBuyCars during the period from signature of the transaction agreements until the date on which all the conditions precedent are fulfilled (except for the condition relating to this amount being finally determined), increased by a monthly nominal amount (of between 0.75% to 2%, depending on the date of implementation) from 15 November 2021 until certain of the conditions precedent are fulfilled.

### 3.1.3 Settlement of the transaction consideration

The total consideration payable will be settled as to:

- approximately 80% to 85% in cash; and
- approximately 15% to 20% by the issue of ordinary shares in Transaction Capital.

Of the total cash amount payable:

- approximately 25% of the consideration that is to be settled in cash will be vendor financed (in the form of preference shares to be issued by TCMH to certain existing shareholders of WBC Holdco at Prime plus 1% x 0.72) ("vendor financing"); and
- the balance will be settled out of Transaction Capital's available cash resources.

### 3.1.4 Cap on the total transaction consideration

The total consideration payable is capped such that the proposed transaction will not be categorised as a category 1 transaction in terms of the JSE Limited Listings Requirements.

### 3.2 Conditions precedent

The transaction agreements provide that the proposed transactions will be subject to, inter alia, the following conditions precedent:

- Regulatory approvals (including from the competition authorities and Takeover Regulation Panel) and other approvals and resolutions required in terms of, inter alia, the Companies Act, 2008 (“Companies Act”) to give effect to the proposed transaction and the implementation of the transaction agreements;
- The conclusion and implementation of ancillary agreements to give effect to the proposed transaction including, inter alia, a new shareholders’ agreement and memorandum of incorporation in relation to WBC Holdco and a preference share subscription agreement (in relation to the vendor financing) and those agreements becoming unconditional in accordance with their terms;
- Third parties to certain material agreements concluded by WeBuyCars consenting to the indirect change of control that will result following the proposed transaction;
- The cancellation of the shareholders agreement concluded in relation to WeBuyCars and any existing shareholders agreement in relation to WBC Holdco;
- Confirmation by WBC Holdco that all claims which its shareholders have against WBC Holdco have been settled in full;
- The parties agreeing on the amount for purposes of calculations 2 and 4 set out in paragraph 3.1.2 above;
- The amount of R40 million deferred in relation to the initial transaction being paid and the shares in WBC Holdco that were held in trust pursuant to section 40 of the Companies Act being released; and
- The delivery by WBC Holdco and/or its shareholders of the relevant share certificates in respect of the proposed transaction, which share certificates will be held by the attorneys of WBC Holdco in trust until implementation.

### 3.3 Effective date

The effective date of the proposed transaction is the latest of (i) five business days after the date on which the last of the conditions precedent has been fulfilled or waived (to the extent legally permissible), as the case may be; and (ii) the date upon which the final calculations in relation to, inter alia, the transaction consideration have been finally agreed or determined, which date may not be after 31 March 2023 (or such later date as may be agreed in writing) (“effective date”).

### 3.4 Warranties

The warranty agreement contains negotiated warranties and indemnities in favour of TCMH from the existing shareholders of WBC Holdco.

## 4. FINANCIAL INFORMATION

- 4.1 The value of the tangible net assets of WeBuyCars at 31 March 2021 was R879 million, of which R268 million is attributable to the net asset value of the properties.
- 4.2 The profits after tax attributable to WeBuyCars for the financial year ending 31 March 2021 was R384.9 million. Headline earnings grew 38% to R257 million for the six months ending 31 March 2021.

4.3 The value of the net assets and profits attributable to the net assets have been extracted from WeBuyCars and its subsidiaries' consolidated group management accounts for the year ending 31 March 2021. These results were prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards. Transaction Capital is satisfied with the quality of the management accounts from which these results have been obtained. These management accounts have not been audited or reviewed by Transaction Capital's auditors.

## 5. CATEGORISATION OF THE PROPOSED TRANSACTION

The proposed transaction has been categorised as a category 2 transaction in terms of the JSE Limited Listings Requirements.

Transaction Capital confirms that the provisions of the memoranda of incorporation of the WeBuyCars Group companies will not frustrate or relieve it from its compliance in any way with its obligations in terms of the Listings Requirements.

## 6. FURTHER ANNOUNCEMENT AND INFORMATION

Shareholders will be notified once the last of the conditions precedent has been fulfilled or waived.

The transaction agreements are available for inspection at Transaction Capital's offices situated at 342 Jan Smuts Avenue, Hyde Park.

## 7. WITHDRAWAL OF CAUTIONARY

Shareholders are referred to Transaction Capital's cautionary announcement released on SENS on 12 May 2021, which is hereby withdrawn, and shareholders are no longer required to exercise caution when dealing in Transaction Capital's securities.

## 8. ABOUT TRANSACTION CAPITAL

Transaction Capital actively identifies and invests in alternative asset classes, in which its best-in-class technology, proprietary data and analytics capabilities enables it to generate outstanding returns. This extends to operating unique, high-potential businesses in market sectors where historically low levels of stakeholder trust provide compelling opportunities for disruption. Transaction Capital partners with expert, entrepreneurial and co-invested management teams to scale, grow and position these highly specialised, digitally advantaged and vertically integrated businesses to offer market-leading value propositions.

The group's diversified businesses are strategically relevant, operationally resilient and robustly governed, which underpin their ability to respond effectively and ethically to complex market dynamics. As trusted partners, they support their clients' commercial viability and collaborate with their stakeholders to drive meaningful, long-term socioeconomic impact. This enhances their growth, risk and sustainability profiles and secures Transaction Capital's ability to consistently deliver exceptional shared value outcomes.

Hyde Park  
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