



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 CONCLUDES PUT AND CALL OPTION ARRANGEMENTS TO ACQUIRE REMAINING 25.1% IN WBC HOLDINGS PROPRIETARY LIMITED IN VARIOUS TRANCHES AT SPECIFIC INTERVALS DURING 2023, 2024 AND 2026 AND UPDATE REGARDING CONDITIONS PRECEDENT IN RELATION TO THE PREVIOUSLY ANNOUNCED TRANSACTION IN WHICH TRANSACTION CAPITAL INCREASES ITS SHAREHOLDING IN THE WEBUYCARS GROUP BY 25%.

1. INTRODUCTION AND RATIONALE

1.1 Overview of the proposed transaction

On 11 September 2020 Transaction Capital Motor Holdco Proprietary Limited ("TCMH"), a wholly owned subsidiary of Transaction Capital, concluded a transaction with WeBuyCars and its shareholders to become a 49.9% non-controlling shareholder in WeBuyCars (the "initial transaction").

Subsequent to the implementation of the initial transaction on 11 September 2020, TCMH on 26 May 2021 concluded agreements (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; and (ii) exchange the existing shares held by TCMH in We Buy Cars Proprietary Limited ("WeBuyCars") for newly issued shares in WBC Holdco, such that following the implementation of the agreements, TCMH will hold 74.9% of the issued shares in WBC Holdco on a fully diluted basis (the "announced transaction") and WeBuyCars will be a wholly owned subsidiary of WBC Holdco. In this regard, shareholders are referred to the announcement released on the Stock Exchange News Service ("SENS") of the JSE Limited on 27 May 2021 advising shareholders of the announced transaction which is still subject to the fulfilment of certain conditions precedent and which we anticipate will be implemented during early October 2021.

Pursuant to the partial fulfilment of one of the conditions precedent to the transaction agreements, TCMH, has concluded a shareholders agreement ("shareholders agreement") with, *inter alios*, WBC Holdco and IVDW Holdings Proprietary Limited ("IVDW") (which is ultimately controlled by the family trusts of the founding shareholders of WeBuyCars, Faan and Dirk van der Walt (the "founders")) to regulate the future relationship between TCMH and IVDW as shareholders of WBC Holdco once the announced transaction is implemented.

The shareholders agreement includes put options in favour of IVDW and call options in favour of WBC Holdco (collectively "put and call option arrangements") which, if exercised, could result in WBC Holdco and/or TCMH acquiring, in various increments and at various intervals, additional shares in WBC Holdco up to a maximum of 25.1% of the shares in WBC Holdco (being all of the shares in WBC Holdco which will be held by IVDW after implementation of the transaction agreements and which, if implemented in full, will result in WBC Holdco becoming a wholly owned subsidiary of TCMH).

1.2 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.

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.

1.3 Rationale for concluding put and call option arrangements

WeBuyCars' performance since the initial transaction became effective confirms Transaction Capital's view that the implementation of the transaction agreements provides a compelling opportunity to secure a controlling interest in a business with exceptional growth prospects and a leading position in a highly defensive market segment.

The founders have expressed their commitment to the business and have accordingly agreed to retain, through the vehicle of IVDW, shares in WBC Holdco until at least September 2026, at which point the last of the put and call option arrangements are capable of being exercised.

The put and call option arrangements accordingly provide certainty to Transaction Capital and IVDW both in terms of the timing of the founders' sale of their remaining equity in WBC Holdco and the price payable for their shares. In addition, the put and call option arrangements allow for IVDW to sell their remaining shares in WBC Holdco in a measured, gradual process. The sale of the founders' remaining equity in WBC Holdco pursuant to the put and call option arrangements does not affect the terms of their executive service agreements concluded with WeBuyCars.

2. TERMS AND CONDITIONS OF THE PUT AND CALL OPTION ARRANGEMENTS

2.1 Put and call option arrangements

The put and call option arrangements entail the granting by -

2.1.1 TCMH to IVDW of the option ("put option") to require TCMH (or its nominee) to purchase from IVDW, if IVDW exercises the relevant put option -

- within a 30 day period of 30 September 2023, on the effective date of such option, such number of shares in WBC Holdco as will result in IVDW retaining, after implementation of such sale, 17.6% of the shares in WBC Holdco;
- within a 30 day period of 30 September 2024, on the effective date of such option, such number of shares in WBC Holdco as will result in IVDW retaining, after implementation of such sale, 10.1% of the shares in WBC Holdco; and
- within a 30 day period of 30 September 2026, on the effective date of such option, all of the shares held by IVDW in WBC Holdco; and

2.1.2 IVDW to WBC Holdco of the option ("call option") to require IVDW to dispose to either WBC Holdco or TCMH (only if WBC Holdco is not able, for any reason, to acquire the shares pursuant to the exercise of the call option), if WBC Holdco exercises the relevant call option -

- within a 30 day period of 30 September 2024, on the effective date of such option, such number of shares in WBC Holdco as will result in IVDW retaining, after implementation of such sale, 10.1% of the shares in WBC Holdco; and
- within a 30 day period of 30 September 2026, on the effective date of such option, all of the remaining shares held by IVDW in WBC Holdco,

on the basis that if a put option is exercised in any year before a call option, the call option for that year will not be capable of being exercised if the put option is implemented and vice versa.

2.2 Price payable to IVDW pursuant to the exercise of the put and call option arrangements

The purchase price (“option price”) payable by TCMH or WBC Holdco to IVDW pursuant to the exercise of any put option or call option will be calculated on the following basis (the amounts being pro rated by the percentage of shares being acquired by TCMH or WBC Holdco pursuant to the exercise of the relevant put option or call option) -

- 2.2.1 applying a PE ratio ranging between 9 and 10.5 to the adjusted profits after tax of WeBuyCars and its subsidiaries (excluding WBC Properties Proprietary Limited (“WBC Properties”)), (collectively “WBC PAT group”) for the 12 month period ending on 30 September of the year in which the relevant put option or call option is exercised;
- 2.2.2 the fair market value of the properties held by WBC Properties less any outstanding debt incurred by WBC Properties in relation to the acquisitions of and/or any improvements made in respect of those properties;
- 2.2.3 the amount in excess of the normalised working capital of the WBC PAT Group; and
- 2.2.4 the embedded value, determined by Guardrisk Insurance Company Limited (“Guardrisk”), of the cell captive arrangement concluded between Guardrisk and WBC Investments in terms of which WBC Investments holds a certain class of shares in Guardrisk that entitles WBC Investments to participate in the administration, risk and economic result of the insurance business introduced by WBC Investments to Guardrisk Insurance Company Limited.

2.2.5 Settlement of the option price

The option price payable will be settled, at the sole election of TCMH or WBC Holdco, as the case may be, either 100% in cash or 70% in cash and 30% by way of delivering such number of ordinary shares in Transaction Capital, valued at the 30 day volume weighted average price of those shares on the day immediately prior to implementation of the relevant put option or call option, as is equal to 30% of the option price payable.

2.2.6 Cap on the aggregate option price

The aggregate option price payable in respect of all put options and/or call options exercised is capped such that the put and call option arrangements will not be categorised as a category 1 transaction in terms of the JSE Limited Listings Requirements.

2.3 Conditions precedent

The shareholders agreement (and consequently the put and call option arrangements) is subject to the suspensive condition that the transaction agreements become unconditional and are implemented in accordance with their terms.

3. FINANCIAL INFORMATION

- 3.1 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.
- 3.2 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.
- 3.3 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.

4. CATEGORISATION OF THE PUT AND CALL OPTION ARRANGEMENTS

The put and call option arrangements have 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 WBC Holdco and its subsidiaries will not frustrate or relieve it from its compliance in any way with its obligations in terms of the JSE Listings Requirements.

5. CONDITIONS PRECEDENT TO ANNOUNCED TRANSACTION

Shareholders are referred to the announcement released on SENS on 27 May 2021 which sets out the conditions precedent to which the announced transaction is subject as well as the subsequent announcement released on SENS on 4 August 2021 announcing that the approval of the competition authorities to implement the proposed transaction had been obtained.

Additional conditions precedent have been fulfilled, namely-

- third parties to certain material agreements concluded by WeBuyCars have consented to the indirect change of control that will result following the implementation of the announced transaction; and
- the amount of R40 million deferred in relation to the initial transaction has been paid and the shares in WeBuyCars that were held in trust pursuant to section 40 of the Companies Act have been released.

We anticipate that the remaining conditions precedent will be fulfilled and that the announced transaction will be implemented during early October 2021.

6. FURTHER ANNOUNCEMENT AND INFORMATION

Shareholders will be notified once the last of the conditions precedent to the announced transaction and the shareholders agreement (incorporating the put and call option arrangements) has been fulfilled or waived.

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

7. 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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