

# MERRILL LYNCH SOUTH AFRICA

16th Annual Sun City Conference  
NEW OPPORTUNITIES SHOWCASE DAY

MARCH

2015



Transaction Capital

## RECENT HISTORY

- Listed on the JSE in June 2012 – market capitalisation of R4.67bn
- Group restructuring initiated in 2014
- Change in leadership
- Value accretive disposals in a challenging environment
  - realised value
  - de-risked the group
  - reduced complexity
  - contributed to growth in shareholder value

	Proceeds	Profit on sale	PE	IRR
Paycorp	R937m	R425m	18.7 times	18.2%
Bayport	R1 336m	R234m	6.7 times	32.6%

- Improved capital structure via 210 cps (R1.2bn) capital distribution
- Reconstituted board and its sub-committees
- Group executive office structure simplified, devolving responsibility and authority to the operating businesses

## RECENT HISTORY

- Remaining divisions reconstituted to support the strategic objectives of the group
  - Asset-backed lending
  - Risk services
- Divisions maintain their sustainable competitive advantage due to:
  - leading positions in viable market segments
  - refine specialised competencies to achieve deep vertical integration in these market segments
  - leverage core competencies to enter adjacent and new market segments
- Capital and effort deployed on acquiring assets to enhance and complement existing divisions
- Market capitalisation today is more than R5bn, after a special distribution payout to shareholders of approximately R1.2bn

# THE TRANSACTION CAPITAL GROUP – at 30 September 2014\*

**TRANSACTION CAPITAL LIMITED** – year ended 30 September 2014 | Employees: **3,719** | Headline earnings: **R330m**

## ASSET-BACKED LENDING

An innovative asset-backed lender, currently focusing predominantly on the financing of independent SMEs mainly in the minibus taxi industry, but with the intention to expand into adjacent markets or asset classes

**CEO: Terry Kier**

HEADLINE EARNINGS **53% OF GROUP**  
**R176m**

GROSS LOANS & ADVANCES **R6,240m**  
EMPLOYEES **560**

## RISK SERVICES

A provider of a comprehensive range of structured credit risk management, debtor management, collection, customer engagement and capital solutions, focusing predominantly on the consumer credit lifecycle as well as commercial solutions for SMEs

**CEO: David McAlpin**

HEADLINE EARNINGS **35% OF GROUP** **R116m**  
TOTAL INCOME **38% OF GROUP** **R972m**

EBITDA **R159m**  
EMPLOYEES **3,124**



Innovative asset-backed lender, focusing predominantly on the financing of independent SMEs mainly in the minibus taxi industry

**CEO: Terry Kier (48),**  
BA (Hons)

Group/subsidiary tenure - 7 years



Provider of working capital and commercial debtor management solutions to SMEs

**CEO: Deon Pienaar (42),**  
BCom(Hons), CA (SA)

Group/subsidiary tenure - 7 years



Provides a comprehensive range of structured credit risk management, collection and capital solutions to South Africa's largest credit providers

**CEO: David McAlpin (53),**  
BCom, MBA, ACMA

Group/subsidiary tenure - 6 years



Provider of customer engagement solutions, focusing predominantly on the consumer credit life cycle

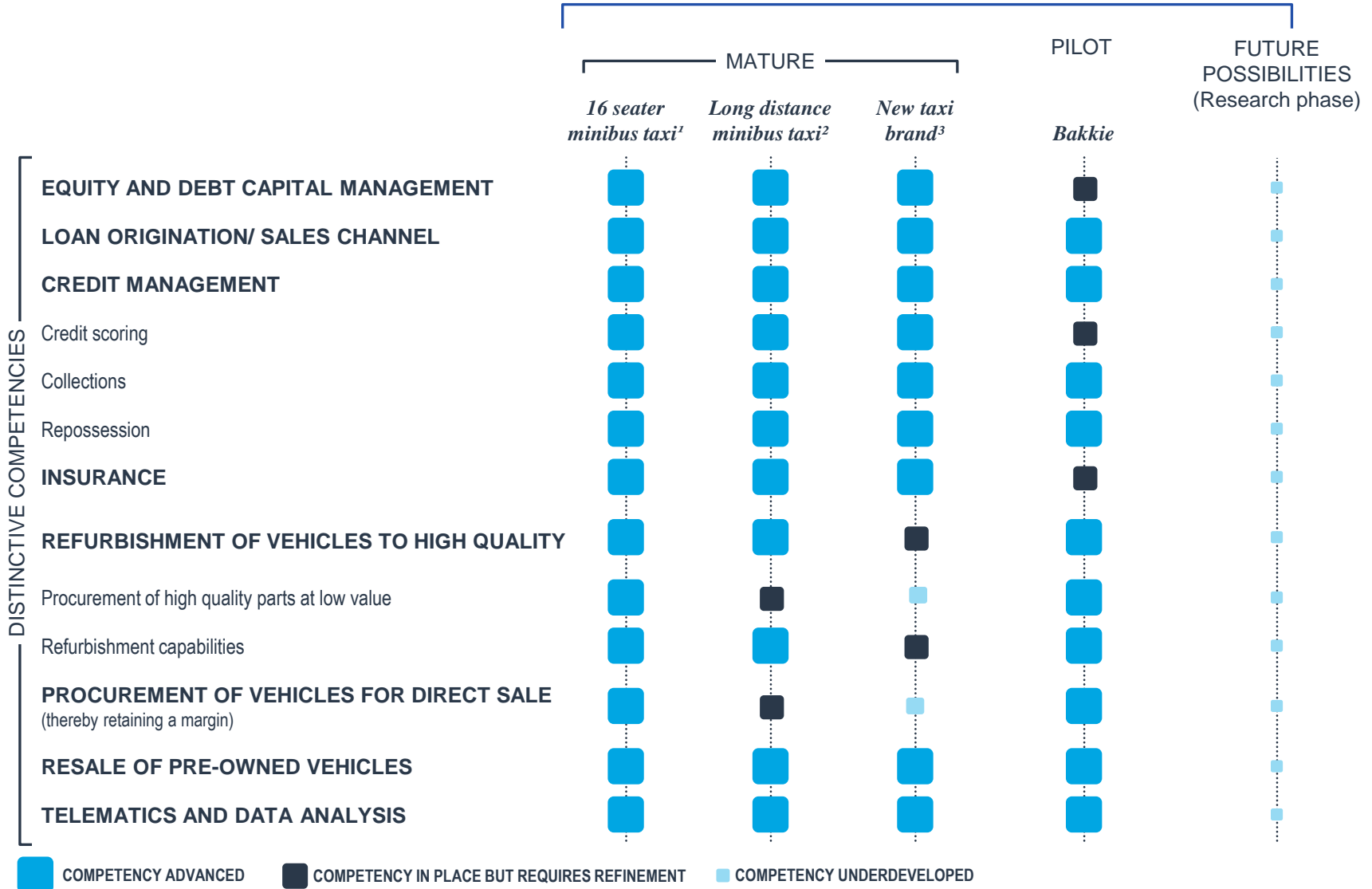
**CEO: Ian Read (48),**  
UK Finance House Diploma

Group/subsidiary tenure - 8 years

\* Continuing operations

# ASSET-BACKED LENDING *distinctive competencies*

## MARKETS



1. Premium experience brands, e.g. Toyota 2. e.g. Mercedes Benz 22-seater 3. E.g. Nissan

# SA TAXI - FACTS AND FIGURES

- Founded in 1998
- Enabler of affordable and safe transport to 19 million commuters daily
- Facilitated the creation of > 35 000 black SMEs
- Financial information at 30 September 2014:
  - Gross loans and advances of R6.2bn
  - 24 346 loans on book
  - Non-performing loan ratio of 27.7% and credit loss ratio of 5.5%
  - Headline earnings for the year ending 30 September 2014 of R188m\* (up 15%)
  - ROA 2.7%\* and ROE\* 21.1%\*
- Taximart created in 2009 to receive, refurbish and re-sell repossessed minibus taxis in the secondary market (improves SA Taxi's recoveries and loss ratios)

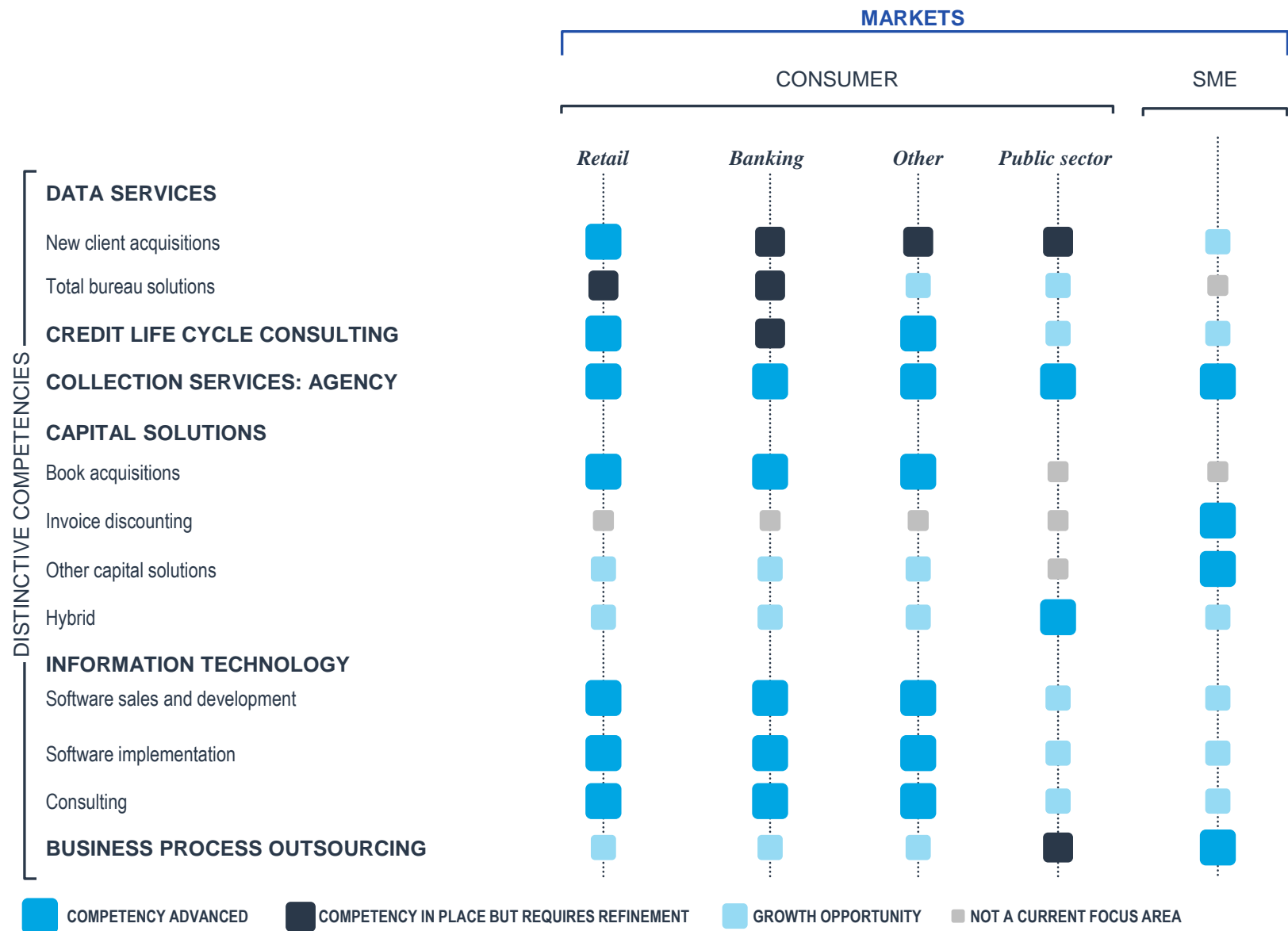
*\*As reported for Asset-backed lending at 30 September 2014*



# SA TAXI - TAXIMART



# RISK SERVICES *distinctive competencies*



■ COMPETENCY ADVANCED   
 ■ COMPETENCY IN PLACE BUT REQUIRES REFINEMENT   
 ■ GROWTH OPPORTUNITY   
 ■ NOT A CURRENT FOCUS AREA



## MBD CREDIT SOLUTIONS – FACTS AND FIGURES

- Founded in 1999
- Scale and data set is a barrier to entry and a key competitive advantage
- Financial information at 30 September 2014:
  - Assets under management R31.7bn
  - Headline earnings for the year ending 30 September 2014 of R104m\* (up 9%)
  - ROA 12.0%\* and ROE 26.4%\*
- Operational facts and figures

Total gross collections	Rand	2.2bn
Data set	Number	> 15m unique identity numbers
Call centres	Number	10
Collection agents	Number	> 2 500
Total payments received	Number	5.1m
Successful debit orders submitted	Number	2.5m
Total outbound calls	Number	52.4m
Total SMSes sent	Number	117.3m
Total letters sent	Number	6.0m

\*As reported for Credit Services at 30 September 2014

# PROSPECTS

- Gratifying historical earnings performance considering difficult market conditions
- Robust 2015 financial performance
  - Asset-backed lending: Strong credit performance; continued vertical integration; continue to enter adjacent and new market segments
  - Risk services: Strong agency performance, lucrative capital deployment
  - Group: Effective costs management across all group entities
- Substantial organic opportunities to drive medium term growth within existing divisions
- Well positioned for acquisitive growth
  - Expected within existing divisions
  - Robust balance sheet, with the ability to access capital
    - Capital adequacy of 48% at 31 January 2015
    - Low gearing (3.2 times)
  - Significantly reduced risk profile (regulatory, consumer credit and capital)
  - More than R800 million of cash to effect significant acquisitive activity
  - Sound M&A track record but patience is required
  - Expected timeframe of 18 - 24 months from receipt of proceeds
- 1H15 financial results to be reported on 5 May 2015