



MEDIA RELEASE

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Transaction Capital reports 21% interim earnings growth

R1.4 billion of funding advanced, creating 3 764 black-owned SMEs and more than 18 000 jobs in the six months from October 2016 to March 2017

- 25% increase in interim dividend despite the challenging business environment in South Africa
- Continued country-wide demand for minibus taxi services supporting SA Taxi's 22% growth in earnings
- 33% earnings growth for Transaction Capital Risk Services (TCRS) as this division continues to diversify its earnings base locally and abroad
- Strong financial position and cash reserves available for organic growth and future acquisition opportunities

Transaction Capital, a provider of specialised financial and allied services in selected higher-risk and under-served segments of the financial services sector in South Africa and Australia, today released its interim results for the half year ending 31 March 2017. The company posted core headline earnings of R254 million, a 21% growth from the previous corresponding period.

*Commenting on the results, David Hurwitz, CEO of Transaction Capital, said: "**Transaction Capital showcased its credentials as a defensive business with strong results in contrast to the softening in economic activity over the reporting period. Growth prospects remain encouraging due to organic growth potential and exciting new opportunities through acquisitions.**"*

Transaction Capital consists of two divisions; SA Taxi and TCRS, offering distinct services that speak to South Africa's unique demographic and socio-economic characteristics. Their market positioning enables the divisions to deliver both a social and commercial benefit.

SA TAXI

SA Taxi's headline earnings grew to R144 million for the period, a 22% growth over the previous corresponding period. SA Taxi raised more than R4 billion in debt facilities during the period marked by political uncertainty and a credit downgrade. More than R2 billion of these

facilities were raised from American Development Finance Institutions, allowing the company to already secure its annual debt requirements for the 2018 financial year.

Commenting on SA Taxi's societal impact, David Hurwitz said: "Over the years, SA Taxi has enabled more than 70,000 new entrepreneurs to enter and grow our local economy through the R17.1 billion of loans granted, creating 61 344 black-owned SMEs and almost 300 000 jobs since 2008. These individuals were previously part of the huge segment of South Africans who are financially excluded by traditional financiers. The contribution of the taxi industry to economic transformation and entrepreneurship is remarkable, as highlighted by the fact that 20% of the SMEs that we finance are owned by black women."

SA Taxi offers several services to the taxi industry, including new and second-hand retail vehicle sales, vehicle finance, insurance and telematics data and technology services. The business model is vertically integrated, supporting margins across the value chain.

The existing minibus taxi fleet in South Africa is on average 9 years old, with many of the vehicles being unsafe and not roadworthy. As it creates a new generation of more responsible taxi owners who are financially vested, SA Taxi continues to improve the safety and reliability of this dominant mode of public transport.

SA Taxi's loans and advances portfolio currently comprises 27 142 vehicles, approximately one in every three of the financed national minibus taxi fleet. SA Taxi grew the number of loans granted during the first half of 2017 by 11%, now financing more than 40% of local monthly new Toyota minibus taxi sales compared to 38% in 2015.

"Moving more than 15 million commuters a day, minibus taxis are responsible for 69% of all public transport trips in South Africa. By helping taxi operators ensure the sustainability of their businesses, SA Taxi delivers a commercial benefit while improving the overall consumer experience of this fundamental mode of transport. I am proud that our business is able to deliver both a commercial and societal benefit in a sustainable way," said David Hurwitz.

TCRS

TCRS grew core headline earnings to R93 million in the reporting period, a growth of 33% over the corresponding prior period (excluding R22 million once-off acquisition costs incurred in the period). In line with its strategy to buy and develop complementary businesses, Transaction Capital acquired 100% of Recoveries Corporation in Australia and 75% of Road Cover during the period. The acquisitions will further diversify TCRS' earnings over time with Recoveries Corporation already providing hard currency revenue from its outsourced collection services in the insurance, telecommunication, utility and public sectors in Australia. More than R500 million was deployed to fund the business acquisitions, however the group

remains well capitalised post R418.9 million of additional equity capital raised in February 2017, creating capacity and flexibility for further acquisition opportunities.

“South African consumers remain vulnerable, with persistently high levels of household debt-to-disposable income and high inflation levels in essential goods. Of the 24.31 million credit-active consumers at December 2016, 9.76 million had impaired credit records. However, we anticipate lower levels of credit extension together with improved credit selection, which tentatively predicts improved consumer financial health over the next 18 to 24 months,” said David Hurwitz.

TCRS acts as an agent on an outsourced contingency or “fee-for-service” basis to collect debt on behalf of clients across various consumer credit sectors, or buys loan books outright which TCRS then collects. In 89% of its 217 outsourced collection mandates, TCRS is ranked as either the top or second best recoveries agent.

TCRS acquired 13 portfolios with a face value of R2.8 billion for R210 million during the reporting period. TCRS now owns 180 principal portfolios valued at R930 million, up 63% from R571 million a year before.

OUTLOOK

Transaction Capital’s defensive positioning within the socio-economic context is set to support the group’s strong performance going forward, whilst the anticipated impact of the credit downgrade is not expected to have a meaningful impact on either SA Taxi or TCRS operations.

Transaction Capital will continue to pursue acquisition opportunities as part of the growth strategy, favouring a conservative approach with a narrow focus on businesses operating within existing or adjacent market segments, locally and in developed markets.

“The combination of robust organic growth, together with the accretive acquisitions completed, will support higher medium-term growth for Transaction Capital. The TCRS division is well positioned to continue supporting credit retailers, banks and other consumer facing businesses in an environment where consumers are under immense pressure, whilst SA Taxi will continue to grow in an essential industry where our comprehensive offering remains compelling for entrepreneurs,” concluded David Hurwitz.

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