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17

TRANSACTION CAPITAL  
**RESULTS PRESENTATION**

FOR THE YEAR ENDED 30 SEPTEMBER



Transaction Capital

# GROUP HIGHLIGHTS 2017

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER



Transaction Capital

# TRANSACTION CAPITAL GROUP STRUCTURE

2017 FINANCIAL & OPERATIONAL HIGHLIGHTS (FY17 compared to FY16)



CEO: Terry Kier, 10-year group tenure

**R303** MILLION<sup>1</sup>

HEADLINE EARNINGS ▲ 22%

**R427** MILLION

NON-INTEREST REVENUE ▲ 36%

**25.3%**

RETURN ON EQUITY FY16 25.5%

**R8.3** BILLION

GROSS LOANS & ADVANCES ▲ 16%

**17.1%**

NON-PERFORMING LOAN RATIO FY16 17.4%

**3.2%**

CREDIT LOSS RATIO FY16 3.1%



CEO: David Hurwitz, 12-year group tenure

**R577** MILLION<sup>1</sup>

HEADLINE EARNINGS ▲ 26%

**40** CPS

TOTAL DIVIDEND PER SHARE ▲ 33%

**17.2%**

RETURN ON EQUITY FY16 16.9%

**96.4** CPS

HEADLINE EARNINGS PER SHARE ▲ 20%

**609.4** CPS

NET ASSET VALUE PER SHARE ▲ 18%

**R9.3** BILLION<sup>2</sup>

MARKET CAPITALISATION



CEO: Dave McAlpin, 9-year group tenure

**R233** MILLION<sup>1</sup>

HEADLINE EARNINGS Core ▲ 39%  
Excluding acquisitions ▲ 12%

**79.3%**

COST-TO-INCOME RATIO<sup>3</sup> FY16 77.4%

**22.2%**

RETURN ON EQUITY<sup>3</sup> FY16 31.5%

**R891** MILLION

PURCHASED BOOK DEBTS ▲ 22%

**R356** MILLION

VALUE OF PURCHASED BOOK DEBTS ACQUIRED ▲ 93%

**R1.7** BILLION

ESTIMATED REMAINING COLLECTIONS ▲ 27%

A vertically integrated taxi platform incorporating a unique blend of vehicle procurement, retail, repossession & refurbishment capabilities, with finance & insurance competencies for focused vehicle types. These competencies combined with its proprietary data & analytics skills enables SA Taxi to provide asset-backed developmental credit & bespoke taxi insurance, & sell suitable vehicle models & allied services to taxi operators, delivering commercial benefits to taxi operators & ensuring the viability & sustainability of their businesses

A technology-led, data-driven provider of customer management services in South Africa (SA) & Australia. TCRS' scalable & bespoke fintech platform improves its clients' ability to originate, manage & collect from their customers. The division leverages its technology & data to mitigate risk & maximise value for clients throughout the customer engagement lifecycle

Financial ratios & results exclude once-off acquisition costs of R22 million incurred during the year. Adopted IFRS 9 in 2015

1. Headline earnings attributable to the group, excluding minority interest | 2. Market capitalisation as at 30 September 2017 | 3. Diluted due to acquisitions in 2017

## STRATEGIC POSITIONING OF OPERATING DIVISIONS

### 5 years since listing

- Headline earnings compound annual growth rate (CAGR) of **21%**

### Delivering robust organic growth

- Occupy leading market positions
- Highly defensive businesses
- Vertically integrated, diversified & scalable financial services platforms
- Led by entrepreneurial management teams
- Leverage proprietary data & technology to develop new products & expand into new markets
- Delivering both commercial returns & social benefits

## DEBT CAPITAL MARKETS

### Uninterrupted access to the debt capital markets

- Despite political instability & SA's sovereign rating downgrade
- SA Taxi raised **~R6 billion** in FY17
- 2018 fully funded
- Secured **>R2 billion** of debt facilities from US-based DFIs during 2017
- **R505 million** Transsec 3 issuance; >3 times oversubscribed; 81bps < Transsec 2 tap issuance

### Credit ratings

- Moody's awards a Aaa.za(sf) rating to Transsec 3 senior notes (SA Taxi)
- GCR reaffirms Transaction Capital's R2bn A<sub>(ZA)</sub> rated JSE-listed domestic note programme

## IMPROVED DIVIDEND POLICY

- High quality organic earnings growth with high cash conversion rates
- Dividends growing at an accelerated rate when compared to earnings
- Final dividend per share **▲ 39% to 25cps**
- Total dividend per share **▲ 33% to 40cps**
- Compound annual growth rate (CAGR) of **36%** since FY14
- Dividend policy amended to **2 to 2.5 times**
- Previously 2.5 to 3 times
- Total dividend cover of **2.4 times** (FY16: **2.7 times**)

## UNGEARED & LIQUID BALANCE SHEET

- Balance sheet remains **well capitalised**
- **28.4 million** shares issued raising **R419 million**
- Liquid excess capital **~R650 million**
- Capital adequacy ratio **32.6%**
- Capacity & flexibility to continue investing in organic & acquisitive opportunities
- Early adoption of IFRS 9 in 2015



## ACQUISITIONS

### 3 acquisitions within Transaction Capital Risk Services (TCRS)

- 100% of Recoveries Corporation (January 2017)
- 75% of Road Cover (December 2016)
- 51% of The Beancounter (December 2016)

### Acquisitions performing in line with expectations

### Operational integration executed successfully

## STRATEGIC GROWTH INITIATIVES

- Current SA economic climate favours acquisition of NPL portfolios
- Exploring the purchase of NPL portfolios as a principal in Australia
- Growth of TCRS' fledgling insurance recoveries offering in SA
- Road Cover products offered directly to consumers
- Bolt-on acquisitions in
  - › SA's value added services industry
  - › Australia's debt recoveries industry



## JUNE 2017 MINIBUS TAXI INDUSTRY PROTEST ACTION

### Immediate assistance to clients

- Reduced top interest rate to 26.5% on future loans to be originated
- ### Intensified collaboration between industry leadership & SA Taxi to achieve sustainable industry benefits
- OEMs: Procure more vehicles through SA Taxi's dealership & hold prices as low as possible
  - Government: Lobbying to channel government funding into the minibus taxi industry

## STRATEGIC GROWTH INITIATIVES

### Vertical integration

- New vertically integrated businesses under consideration

### Expanding SA Taxi's insurance business

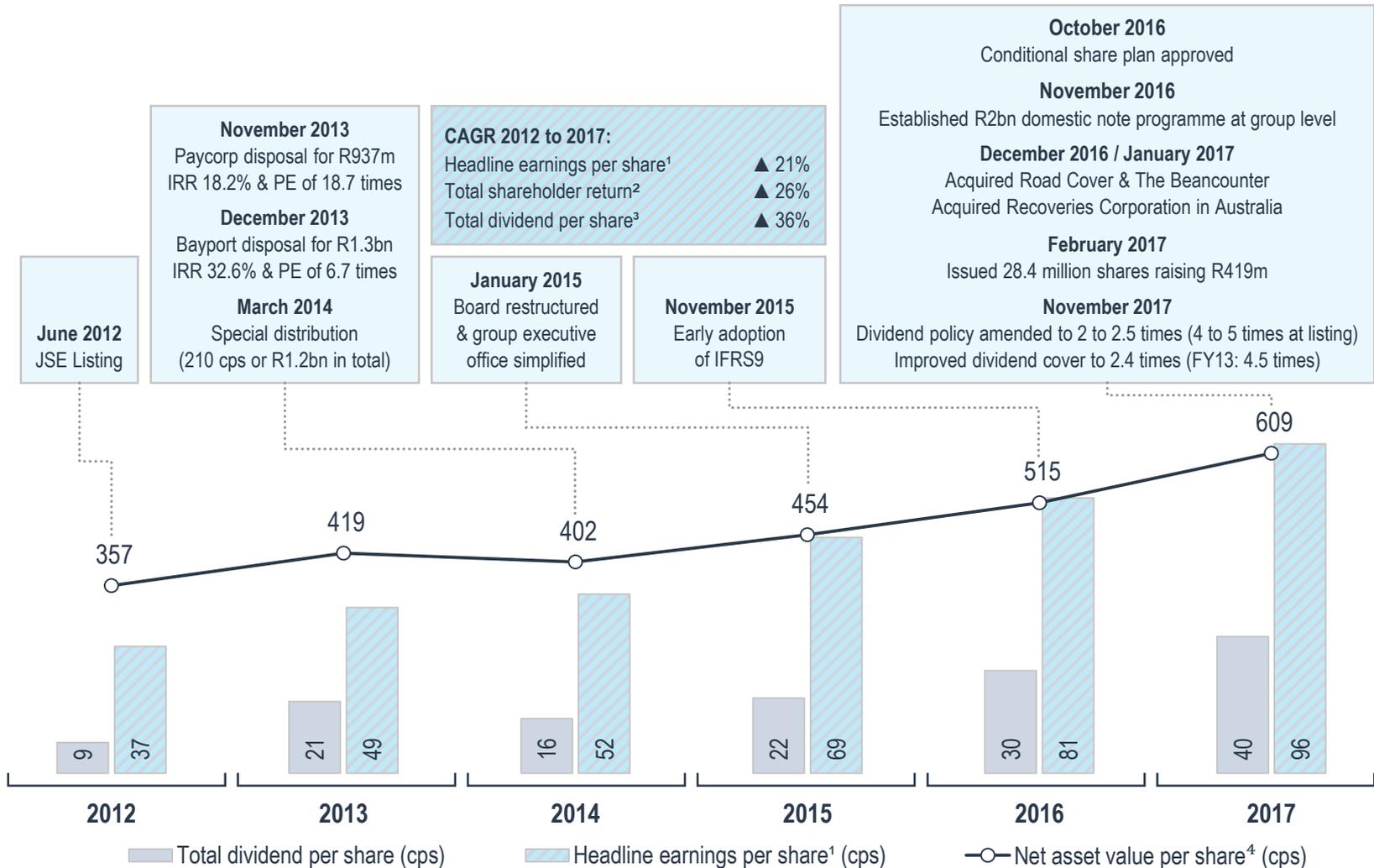
- Broadened client base (financed, non-financed, commuter)
- Broadened product offering (comprehensive vehicle cover, instalment protection, passenger liability, credit life)
- Reduced cost of claim (efficiencies in SA Taxi's autobody & mechanical repair facility)

### Vehicle retail operations

- Offering funding from banks to capture additional vehicle sales, attract high quality clients & offer standalone insurance & tracking services

# TRANSACTION CAPITAL EVOLUTION SINCE LISTING

## MANAGEMENT INTERVENTIONS TO CREATE VALUE



Financial years 1 October to 30 September | Adopted IFRS 9 in 2015. 2014 numbers on a pro forma IFRS 9 basis. 2012 & 2013 numbers on an IAS 39 basis as reported

1. Core headline earnings per share, excluding impact of Paycorp & Bayport | 2. Sunday Times 'Top 100 Companies over 5 years' 2017 & verified by Transaction Capital  
3. CAGR between 2014 & 2017, excludes impact of Paycorp & Bayport | 4. 2012 & 2013 adjusted to account for special distribution paid in March 2014

## COMPOSITION OF EARNINGS POST ACQUISITIONS TO BE MORE EVENLY WEIGHTED



## ACCRETIVE CASH DEPLOYMENT CONVERTING INTEREST INCOME ON EXCESS CASH INTO OPERATING EARNINGS AT TCRS

	Rm		Growth	Contribution	
	2017	2016	2017	2017	2016
<b>Headline earnings</b>					
SA Taxi <sup>1</sup>	303	249	▲ 22%	53%	54%
TCRS <sup>1</sup>	233	168	▲ 39%	40%	37%
Group executive office (GEO) <sup>2</sup>	41	41	0%	7%	9%
<b>Total</b>	<b>577</b>	<b>458</b>	<b>▲ 26%</b>	<b>100%</b>	<b>100%</b>
<b>Cents per share</b>	<b>96.4</b>	<b>80.6</b>	<b>▲ 20%</b>		

Headline earnings excludes once-off acquisition costs of R22 million incurred during the year

1. Attributable to the group, excluding minority interest

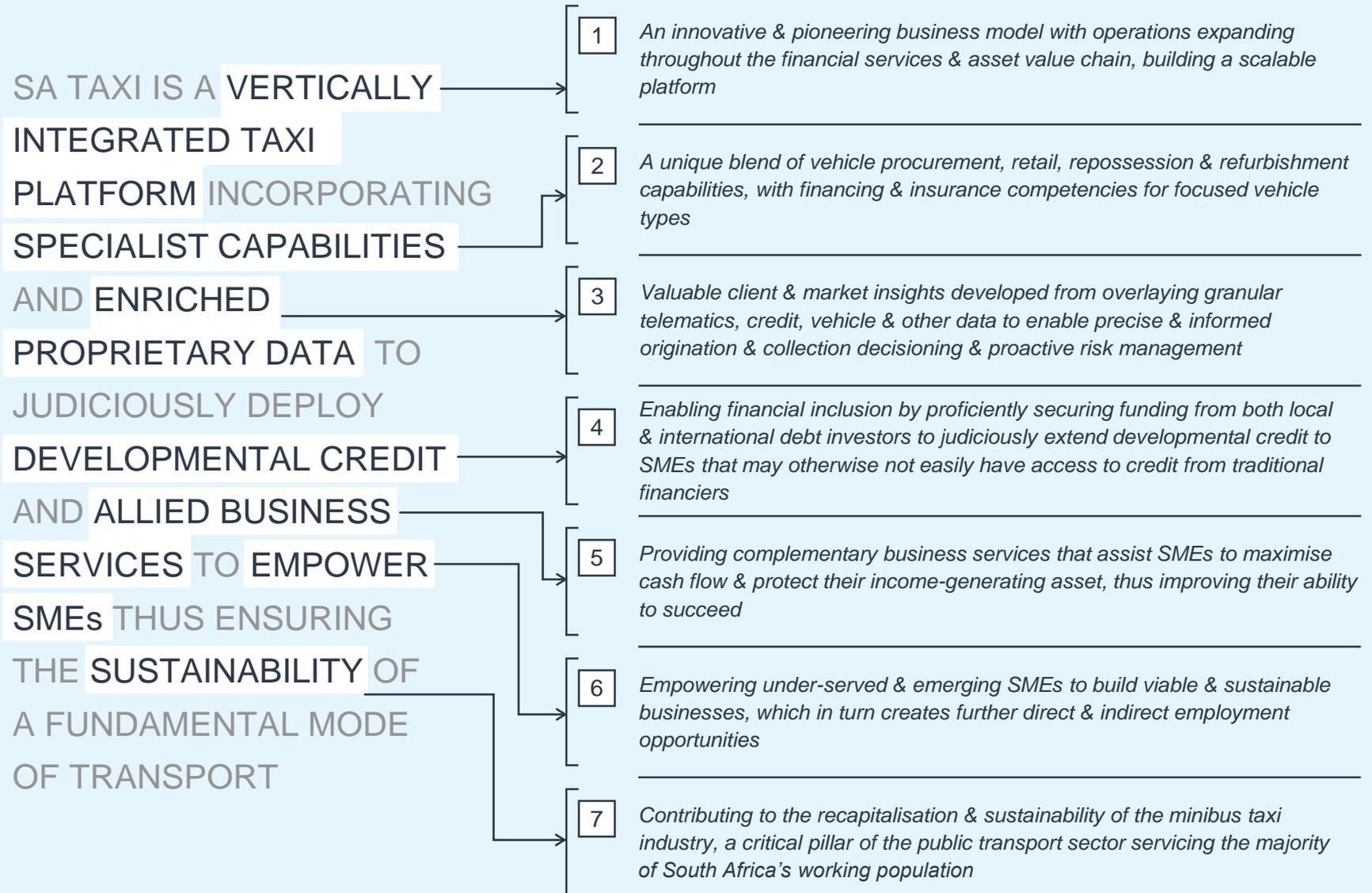
2. Accretive cash deployment into acquisitions

# SA TAXI 2017

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER

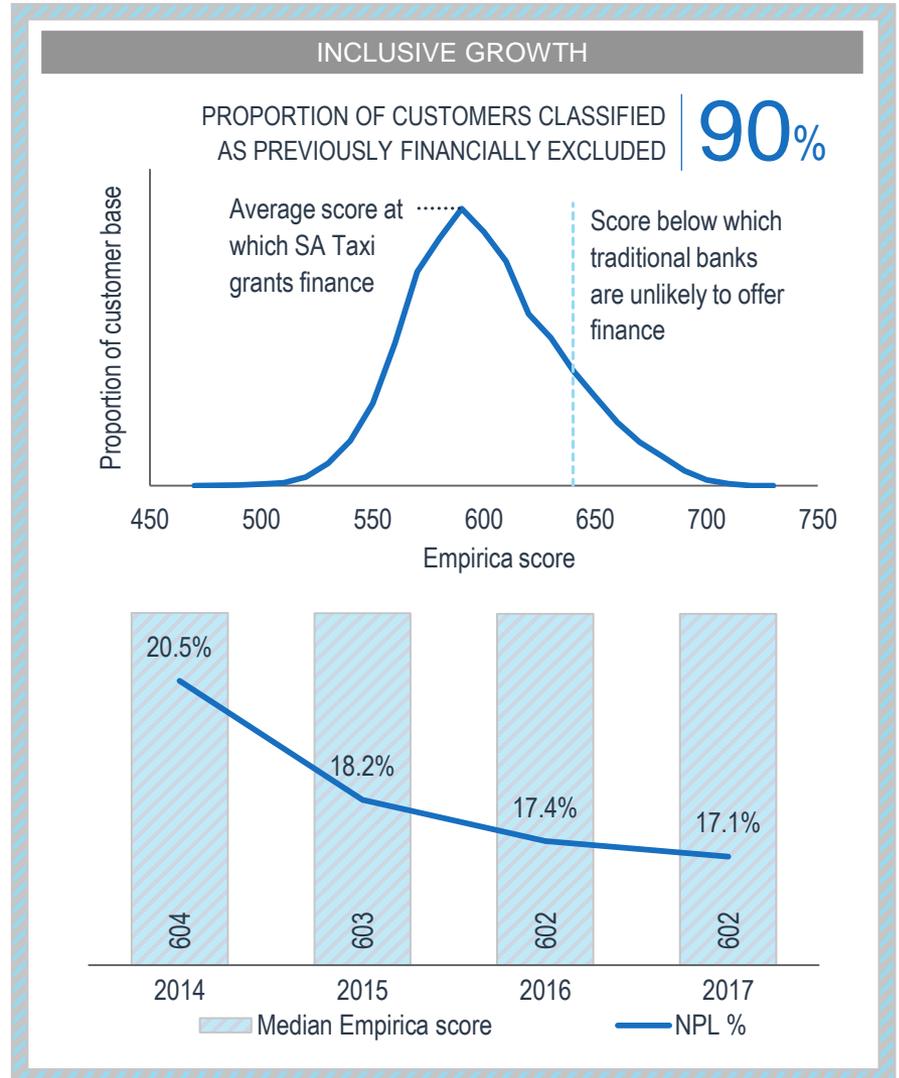
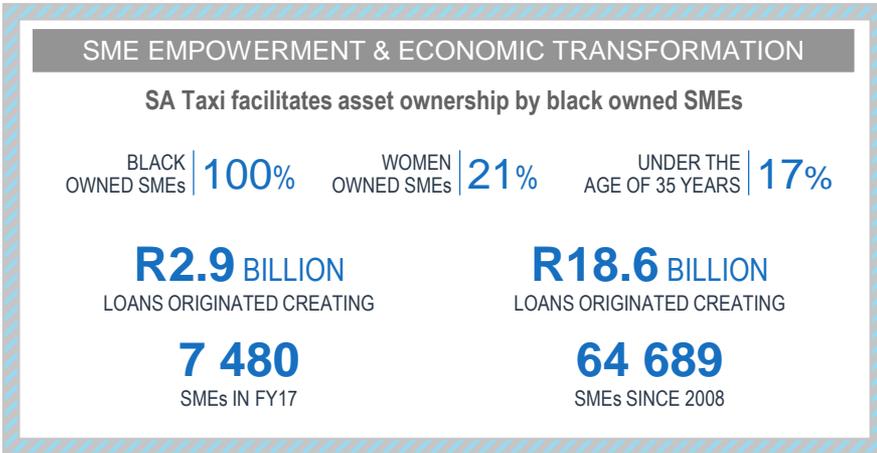


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# SA TAXI IMPACT

## DELIVERING A SOCIAL & COMMERCIAL BENEFIT



### PUBLIC TRANSPORT INFRASTRUCTURE

**R18.6 BILLION** of end user finance since 2008 enabling replacement of aged & unsafe minibus taxis with new & more reliable taxis

### ENVIRONMENTAL SUSTAINABILITY

SA Taxi enables replacement of aged less efficient vehicles with new reduced emission vehicles

1. Department of Transport Minister Dipuo Peters address at National Council of Provinces Budget vote NCOP 2014/15

# SA TAXI IMPACT

## SA TAXI'S CLIENTS



### 50 YEARS OLD

Owns & operates 6 taxis, employing 8 people



### 36 YEARS OLD

Entered the industry as a driver for 8 years.  
Now owns & operates 10 taxis



### 38 YEARS OLD

Owns 5 taxis



### 60 YEARS OLD

Now owns 3 taxis, after her father bought her her first taxi



### 52 YEARS OLD

Entered the industry as a driver for 5 years.  
Now owns & operates 3 taxis

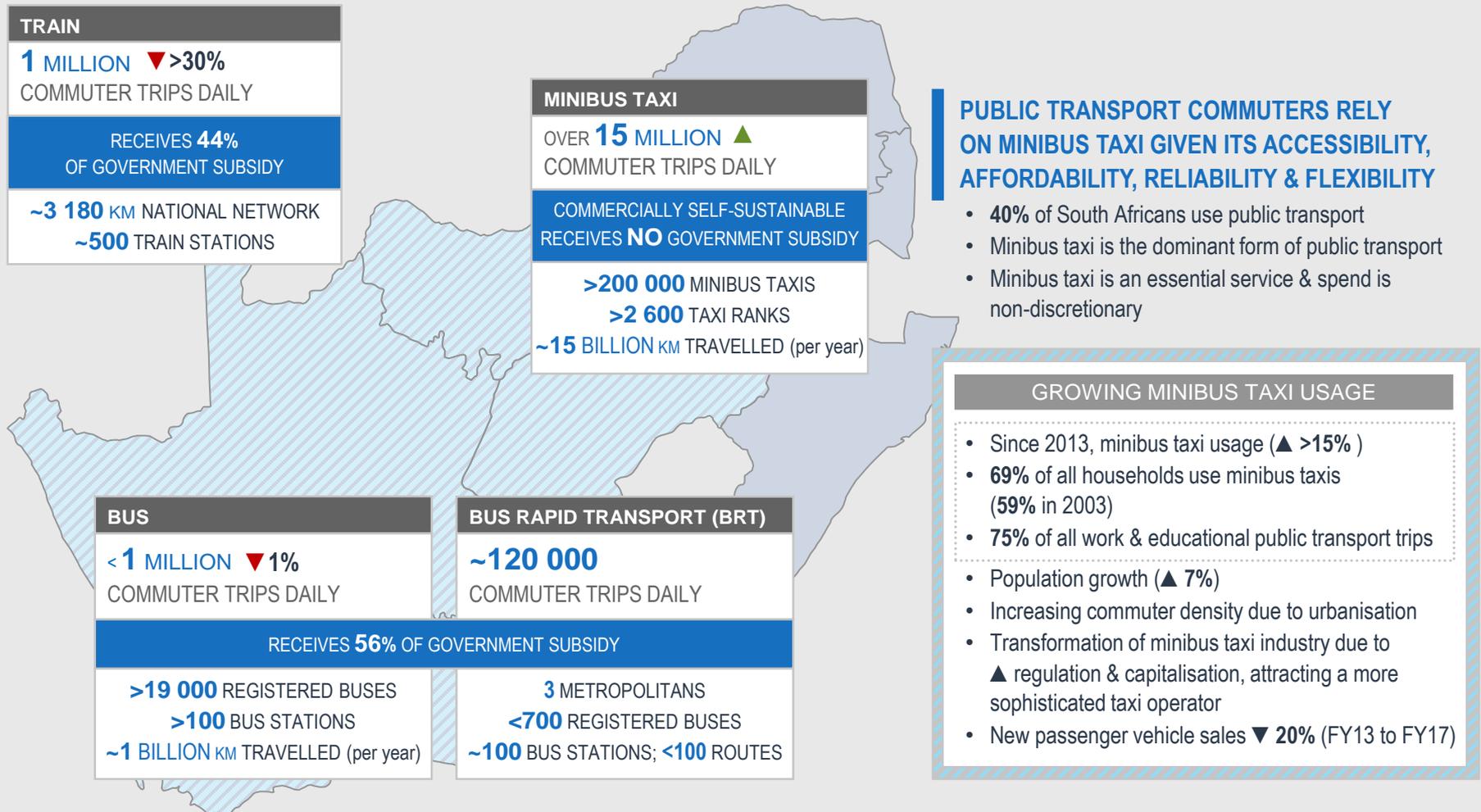


### 50 YEARS OLD

Owns & operates 3 taxis, inherited from her late husband

# ENVIRONMENT & MARKET CONTEXT

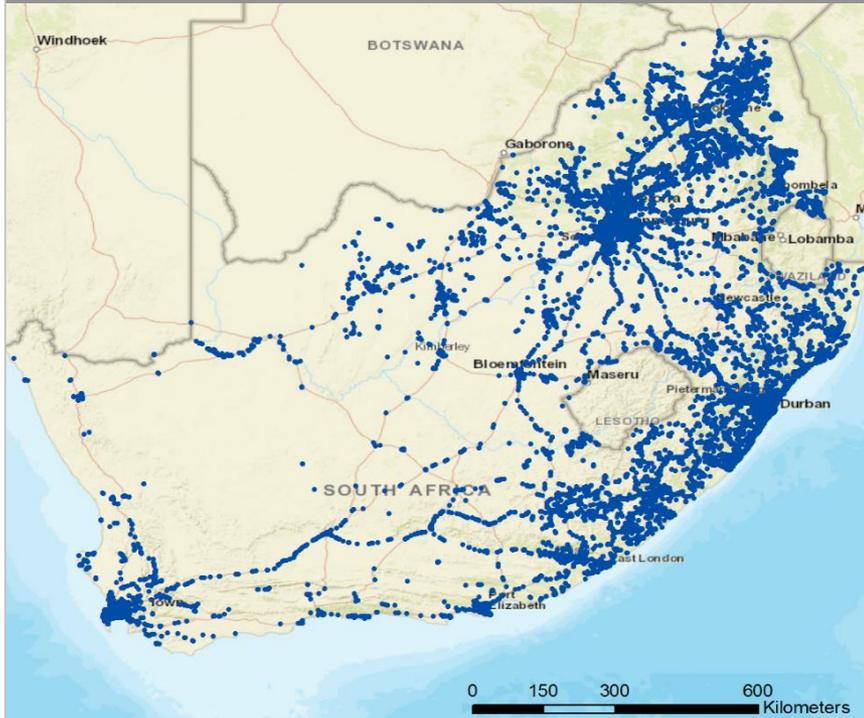
MINIBUS TAXI INDUSTRY IS RESILIENT, DEFENSIVE & GROWING DESPITE SA'S ECONOMIC CLIMATE



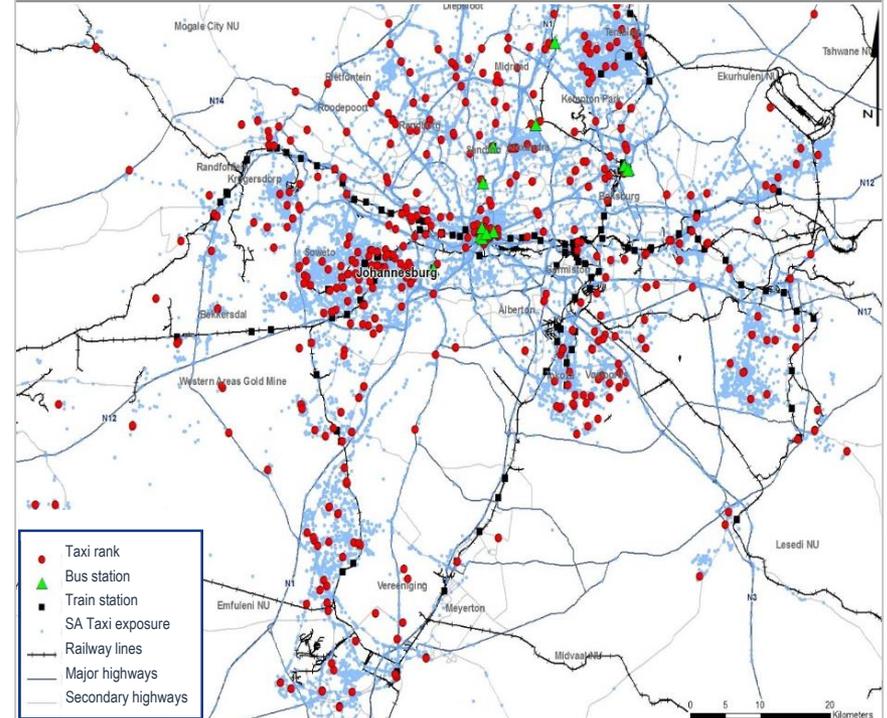
# ENVIRONMENT & MARKET CONTEXT

## SA TAXI FLEET MOVEMENT

MINIBUS TAXI IS THE DOMINANT MODE OF PUBLIC TRANSPORT



IN AN INTEGRATED PUBLIC TRANSPORT NETWORK

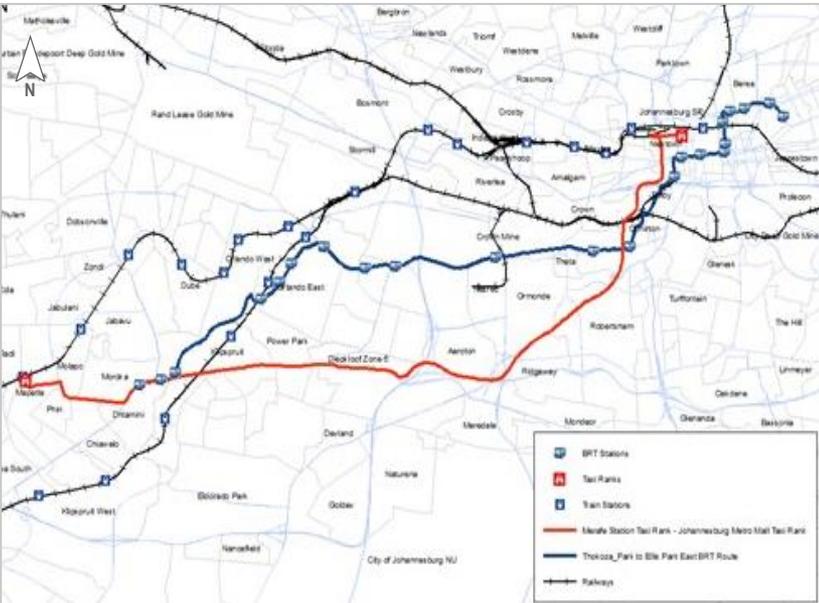


**Minibus taxi serves as a trunk service in parallel with train & bus, & is also the feeder into these modes**

# COMMUTER OPTIONS

MINIBUS TAXI IS THE PREFERRED MODE OF PUBLIC TRANSPORT DUE TO COMPETITIVE PRICING, ACCESSIBILITY & RELIABILITY

## SHORT DISTANCE ROUTE | SOWETO TO JOHANNESBURG: 23KM



### SOWETO TO JOHANNESBURG

- Soweto's population ▲ 17% (2012 to 2017)
- Soweto houses 34% of Johannesburg's population
- Population density: 6 400 persons per km<sup>2</sup> vs. Johannesburg: 2 900 persons per km<sup>2</sup>
- Soweto's transport hub is Bara Bus & Taxi Rank, along the Soweto to Johannesburg route

## COMPARATIVE MODES OF TRANSPORT

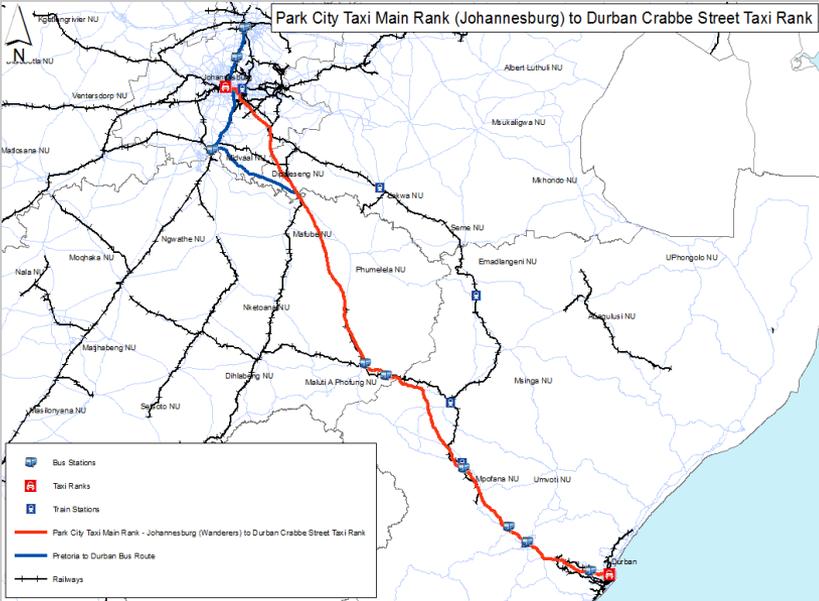
	Taxi	Train	Bus	BRT
Accessibility	On route	Station & scheduled	Scheduled stops	Scheduled stops
Affordability	R13.00 ▲ 8.3% (from R12 in 2016)	R9.50	R12.20	R13.50
Reliability	4 associations with ~900 operators	Every 10 to 20 minutes Stops at 7pm	Only 2 operating on the route	Volume of buses < peak capacity required
Efficiency				

AVERAGE OPERATOR PROFITABILITY  
**~R15 000 PER MONTH**  
 (based on SA Taxi's affordability calculator at origination)

# COMMUTER OPTIONS

MINIBUS TAXI IS THE PREFERRED MODE OF PUBLIC TRANSPORT DUE TO COMPETITIVE PRICING, ACCESSIBILITY & RELIABILITY

## LONG DISTANCE ROUTE | JOHANNESBURG TO DURBAN: 595KM



### JOHANNESBURG TO DURBAN

- The N3, spanning 4 provinces, connects Johannesburg, the largest South African city, to Durban

## COMPARATIVE MODES OF TRANSPORT

	Taxi	Train	Bus - Eldo	Bus - Greyhound
Accessibility	On route	Station & scheduled	Scheduled stops	Scheduled stops
Affordability	R290.00 ▲ 7.4% (from R270 in 2015)	R360.00	R240.00	R390.00
Reliability	2 associations with ~100 operators	3x per week	5 departures each per day (fewer on a Saturday)	
Preference				

AVERAGE OPERATOR PROFITABILITY  
**~R50 000** PER MONTH  
 (based on SA Taxi's affordability calculator at origination)

# ENVIRONMENT FOR MINIBUS TAXI OPERATORS

MINIBUS TAXI OPERATORS REMAIN RESILIENT  
DESPITE THE CURRENT CHALLENGING ECONOMIC ENVIRONMENT

## VEHICLE & OPERATING COSTS

For the period 1 Oct 2015 to 30 Sep 2017

### TOYOTA MINIBUS TAXI PRICE

CAGR ▲ 8%

### SA REPO RATE

▲ 75bps

For the 12 months ended 30 Sep 2017

### FINANCE INSTALMENTS & INSURANCE PREMIUMS

▲ 9%

### DRIVER WAGES

▲ 6%

### VEHICLE MAINTENANCE COSTS

Marginal ▲

### FUEL PRICE<sup>1</sup> (per litre)

▲ 6% petrol    ▲ 7% diesel

## STRUCTURAL ELEMENTS

**AGEING FLEET:** demand for minibus vehicles exceeds supply

### DOMINANT MODE OF PUBLIC TRANSPORT

Integrated component of public transport network

Public transport **spend is non-discretionary**

Receives **NO government subsidy**; commercially self-sustainable

### CONTINUED HIGH LEVELS OF UNEMPLOYMENT

>27%

## OPERATOR PROFITABILITY: PROFITABLE & RESILIENT TAXI OPERATORS

### TAXI FARES

For the 12 months ended 30 Sep 2017

▲ 5%

-

▲ 7%

short distance

long distance

### HIGHER UTILISATION OF MINIBUS TAXIS

~1.5 BILLION KM travelled by the SA Taxi fleet in 2017

Increasing commuter density due to urbanisation

Preferred mode of public transport  
(competitively priced; convenient; accessible)

New passenger vehicle sales ▼ 20% (FY13 to FY17)

### IMPROVING CREDIT METRICS

Credit loss ratio CAGR  
(FY13 to FY17)

▼ 12%

NPL ratio CAGR  
(FY13 to FY17)

▼ 17%

26%

repeat clients over the last 12 months

# ENVIRONMENT & MARKET CONTEXT

## TOTAL ADDRESSABLE MARKET

IN SOUTH AFRICA THERE ARE

**>200 000** MINIBUS TAXIS

- .....> **~150 000** TAXI OPERATORS
- .....> **~200 000** TAXI DRIVERS

**~3 BILLION** LITRES OF FUEL PURCHASED EACH YEAR

**1 200** TAXI ASSOCIATIONS



SUPPORTING A LARGE COMMUTER MARKET

**>15 MILLION** COMMUTER TRIPS DAILY

**>9.9 MILLION** HOUSEHOLDS USING MINIBUS TAXIS

**~R50 BILLION** ANNUAL ESTIMATED REVENUE

**50 MINUTES** AVERAGE TIME SPENT TRAVELLING TO WORK

## STRUCTURALLY DEMAND FOR MINIBUS TAXI VEHICLES > SUPPLY

DEMAND: AN AGEING NATIONAL FLEET  
REQUIRING RELACEMENT & RECAPITALISATION

- .....> **70 000 - 80 000** FINANCED & INSURED
- .....> **120 000 - 130 000** UNENCUMBERED & HENCE AGED
- .....> **>9 YEARS OLD** ON AVERAGE
- .....> **DRIVING HIGHER DEMAND** FOR VEHICLES, FINANCE & ALLIED SERVICES SUPPLIED BY SA TAXI

SUPPLY: MINIBUS TAXI SUPPLY IN SOUTH AFRICA

<b>TOYOTA SESFIKILE</b>	<b>NISSAN NV350</b>
Most prevalent vehicle in the industry	Steadily gaining acceptance
<b>TOYOTA PRE-OWNED</b>	<b>MERCEDES SPRINTER</b>
Predominantly SA Taxi refurbished vehicles	Mainly used for long distance routes



**TOYOTA SESFIKILE**

RETAIL SALES PER MONTH **~1 000**

SA TAXI'S SHARE OF MONTHLY RETAIL SALES **>40%** (36% in 2015)



- Improved credit performance as SA Taxi is selective on credit risk, due to limited supply
- Improved recoveries as asset retains value due to demand exceeding supply
- Liquid market for high quality & affordable SA Taxi pre-owned vehicles

# SA TAXI MARKET POSITIONING

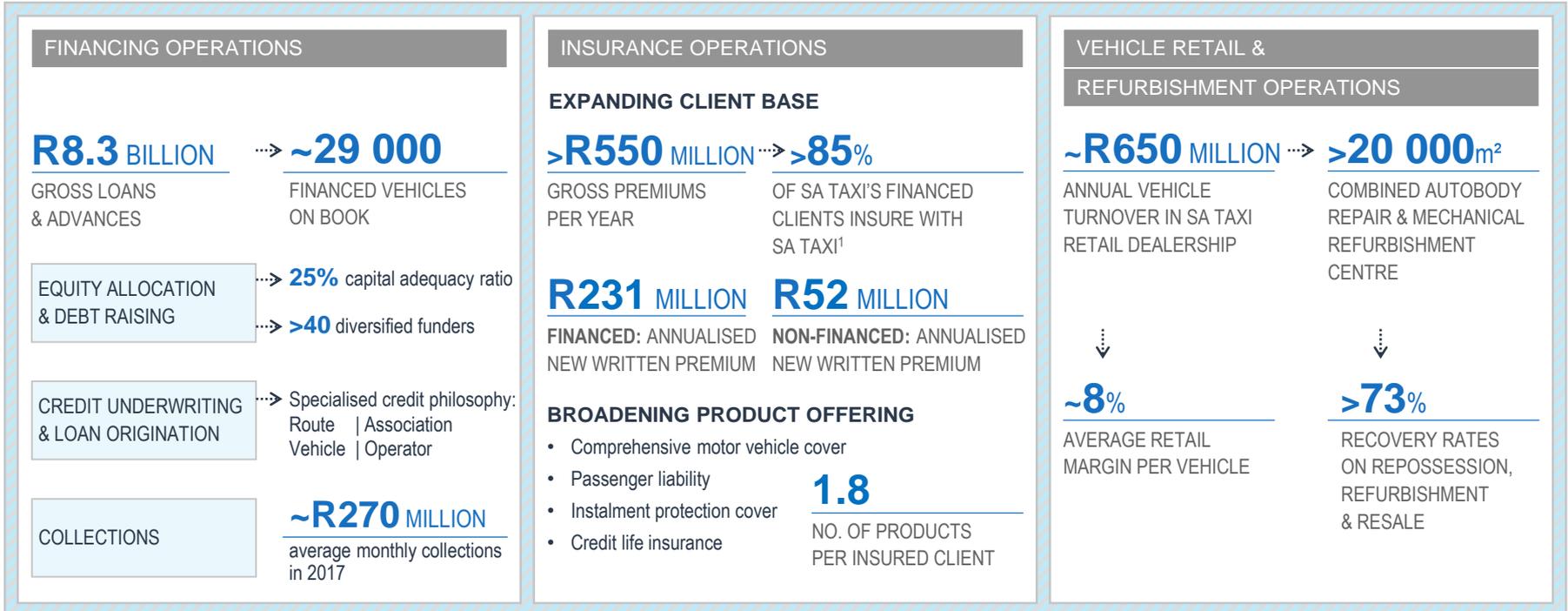
## VERTICALLY INTEGRATED BUSINESS MODEL

IN SOUTH AFRICA THERE ARE

**>200 000** MINIBUS TAXIS

→ 70 000 - 80 000 FINANCED & INSURED

→ 1 IN 3 OF THE NATIONAL FINANCED FLEET IS FINANCED & INSURED BY SA TAXI



**DATA & TELEMATICS OPERATIONS**  
APPLIED IN CREDIT VETTING, INSURANCE, COLLECTIONS & REPOSSESSION

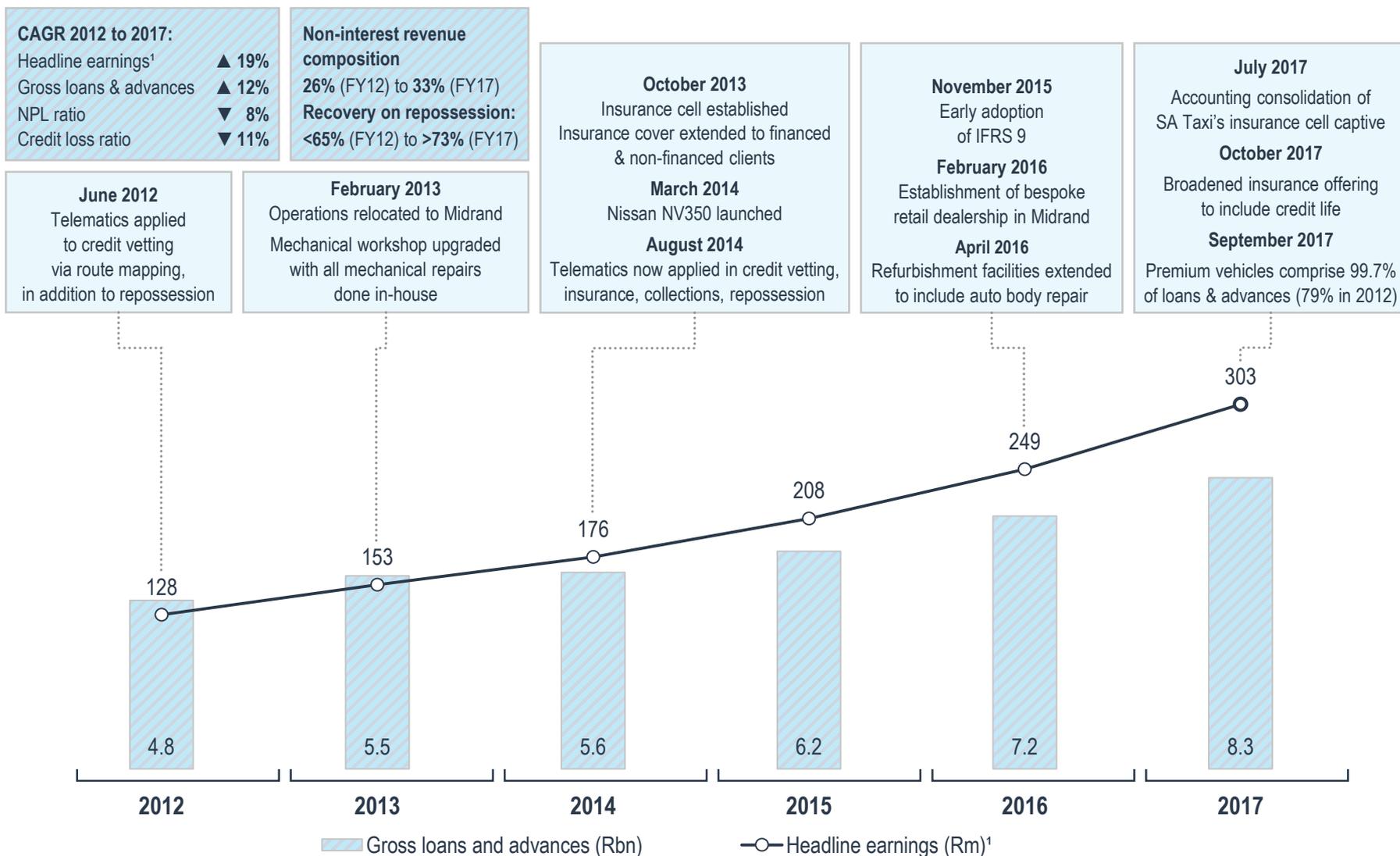
SA TAXI HAS BEEN TRACKING MINIBUS TAXIS FOR  
**~10 YEARS**

ON AVERAGE EACH OF OUR VEHICLES TRAVELS  
**6 500 KM PER MONTH**

OUR VEHICLES TRAVEL ON  
**6 500 ROUTES** COVERING  
OVER **~800 000 KM**

# SA TAXI EVOLUTION SINCE LISTING

## MANAGEMENT INTERVENTIONS TO CREATE VALUE

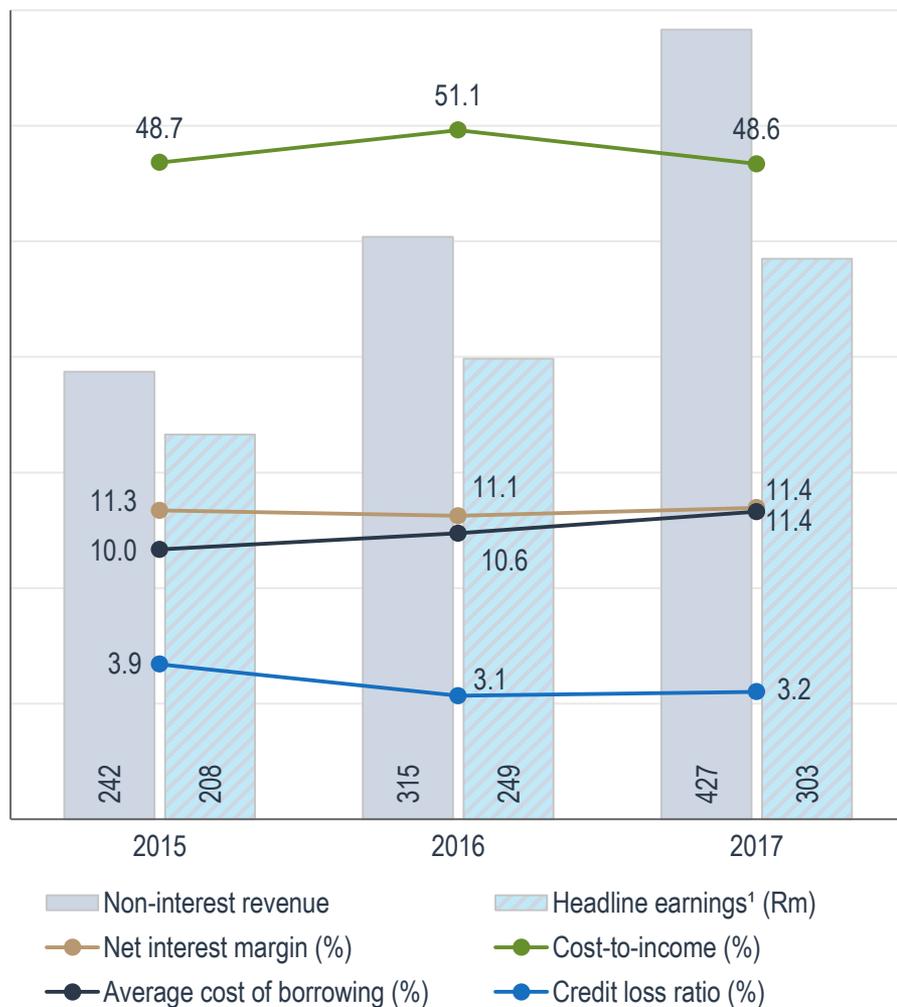


Financial years 1 October to 30 September | Adopted IFRS 9 in 2015. 2014 numbers on a pro forma IFRS 9 basis

2012 & 2013 numbers on an IAS 39 basis as reported

1. Headline earnings attributable to the group

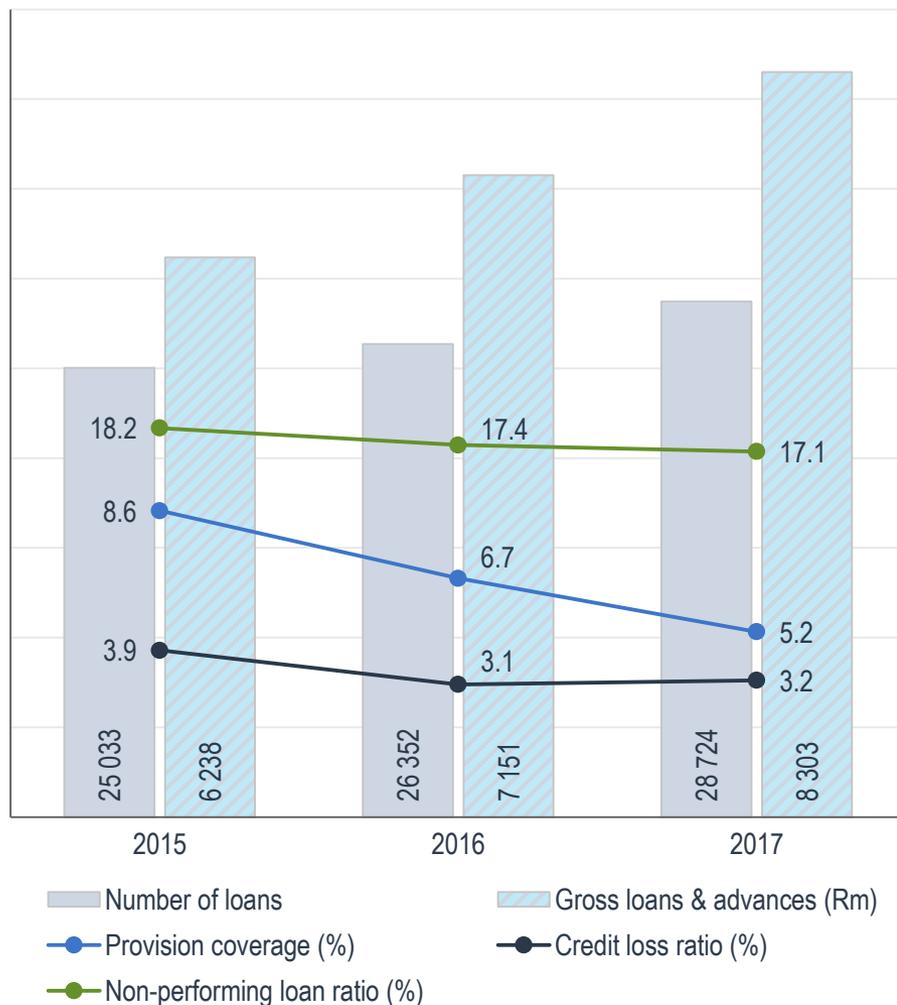
# SA TAXI FINANCIAL PERFORMANCE



- Headline earnings<sup>1</sup> ▲ 22% to R303m
  - › All organic growth
- NIM ▲ to 11.4% from 11.1%
  - › Funding costs ▲ by 80bps to 11.4%
    - Repo rate ▼ 25bps
    - ▲ foreign debt to 21% from 13%, fully hedged to Rand
  - › Average interest rate of 24.4% on origination (NCA max cap of 33.75%)
- Credit loss ratio of 3.2% (HY17: 3.3%)
  - › Risk-adjusted NIM ▲ from 8.0% to 8.2%
- Non-interest revenue ▲ 36% to R427m; (▲ 26% on a like-for-like after tax basis), driven by:
  - › Expanding insurance business
    - Broadened client base (financed, non-financed)
    - Broadened product offering (comprehensive vehicle, instalment protection, passenger liability, credit life)
    - Reduced cost of claim (efficiencies in repair facility)
  - › Vehicle retail operations
- Cost-to-income ratio improved to 48.6% from 51.1%
- Effective tax rate normalised at 26.6%, resulting from consolidation of insurance operations

1. Headline earnings attributable to the group

# SA TAXI CREDIT PERFORMANCE



- Gross loans & advances **▲ 16% to R8.3bn**
  - › Number of loans originated **▲ 9%**
  - › Rand value of loans originated **▲ 20%**
  - › **Toyota vehicle prices ▲** from ~R350 000 in October 2015 to >R400 000 (FY17: **▲ 2%**)
- NPL ratio improved to **17.1%** from **17.4%**
  - › Continued strong collection performance
  - › Superior credit quality via retail dealership
  - › Enhanced via analytics applied to telematics data
- Credit loss ratio at **3.2%** (HY17: **3.3%**)
  - › Average balance per NPL **▼ 8%**
  - › Recover **> 73%** of settlement value
  - › Improved quality & efficiencies in refurbishment centre
  - › Average repair cost **▼ 14%** (~R74 000 from ~R86 000)
  - › Target credit loss ratio remains **3% to 4%**
- Provision coverage at **5.2%**
  - › After tax credit loss conservatively covered at **2.3 times**
  - › IFRS 9 early adopted in 2015; more conservative provisioning methodology

# SA TAXI OPERATIONAL PERFORMANCE

## SA TAXI OPERATOR PROFILE

### VEHICLES ON BOOK

**1.2**

VEHICLES PER CUSTOMER

**83%**

TOYOTA VEHICLES

**26%**

LOANS ORIGINATED TO REPEAT CUSTOMERS (DURING FY17)

**4.3 YEARS**

AVERAGE AGE OF VEHICLE

**>85%**

INSURED WITH SA TAXI

### CREDIT PROFILE OF LOANS ON BOOK

**67 MONTHS**

AVERAGE LOAN TERM

**>R6 000**

MINIMUM MONTHLY OPERATOR PROFIT

**~R385 000**

AVERAGE ORIGINATION VALUE

**17.6%**

AVERAGE DEPOSIT<sup>1</sup>

**24.4%**

WEIGHTED AVERAGE INTEREST RATE AT ORIGINATION

**47 MONTHS**

AVERAGE REMAINING LOAN TERM

**59%**

AVERAGE APPROVAL RATE

**602**

AVERAGE EMPIRICA SCORE

### CUSTOMER PROFILE

**100%**

BLACK OWNED SMEs

**21%**

WOMEN OWNED SMEs

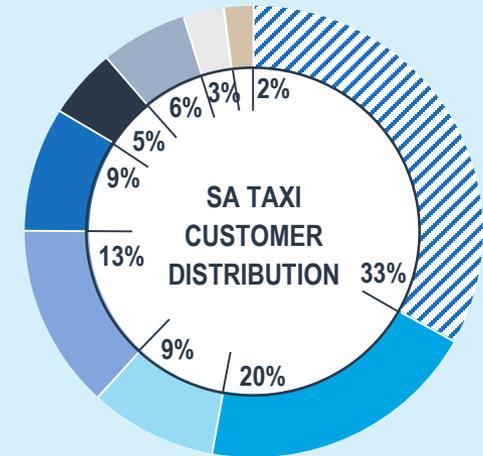
**17%**

UNDER THE AGE OF 35 YEARS

**47 YEARS**

AVERAGE AGE OF OWNER

## GEOGRAPHIC DISTRIBUTION



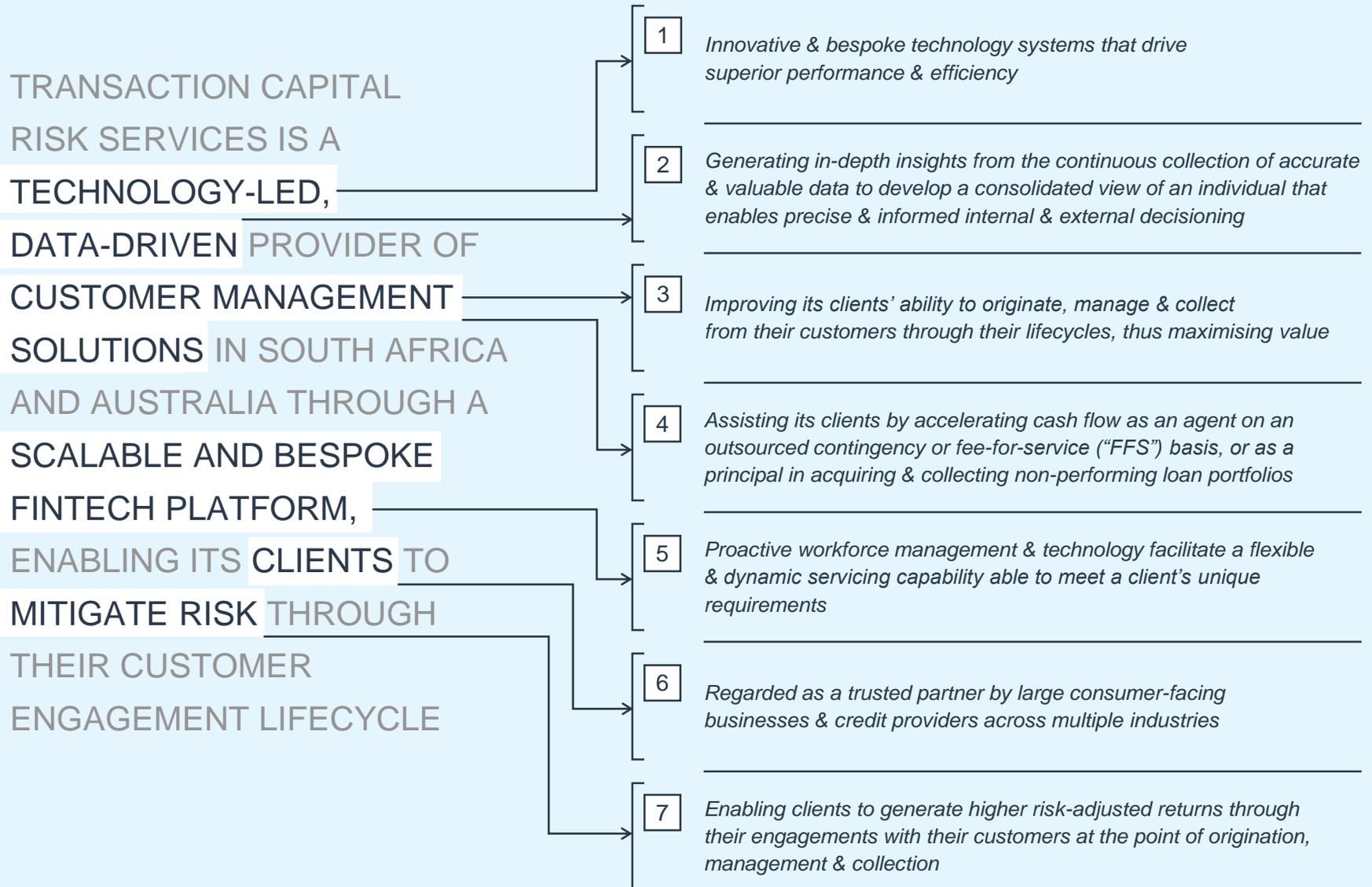
-  Gauteng
-  KwaZulu-Natal
-  Mpumalanga
-  Western Cape
-  Eastern Cape
-  North West
-  Limpopo
-  Free State
-  Northern Cape

# TRANSACTION CAPITAL RISK SERVICES 2017

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER



Transaction Capital



# ENVIRONMENT & MARKET CONTEXT

## CHALLENGING CONSUMER CREDIT ENVIRONMENT

IN SOUTH AFRICA, OF THE 35 MILLION ADULTS<sup>1</sup> THERE ARE:

**25 MILLION**  
CREDIT ACTIVE  
CONSUMERS

- ...→ **9.7 MILLION** (~40%) NON-PERFORMING CREDIT CONSUMERS<sup>2</sup>
- ...→ **OVER 11 MILLION** SOUTH AFRICANS DESCRIBED AS "OVER-INDEBTED" (UP FROM 5 MILLION IN 2014)
- ...→ HOUSEHOLD DEBT TO INCOME REMAINS HIGH AT **72.6%** (DEBT GROWTH < INCOME GROWTH)
- ...→ ELEVATED LEVELS OF UNEMPLOYMENT AT **27.7%**
- ...→ ESCALATING COSTS OF HOUSEHOLD ESSENTIALS OVER THE MEDIUM-TERM

### OUTLOOK ON SA'S CONSUMER

- No longer-term effects signalling any meaningful improvement
- Retail credit extension has tightened
- Gradual deleveraging of the consumer will prevail

### MACRO-& SOCIO-ECONOMIC ENVIRONMENT

- Increased number & size of NPL portfolios available to acquire from clients preferring immediate recovery from their NPLs
- Consumers' disposable income stressed, negatively affecting their ability to repay debt
- Increased cost & extended time to collect
- Stable regulatory environment

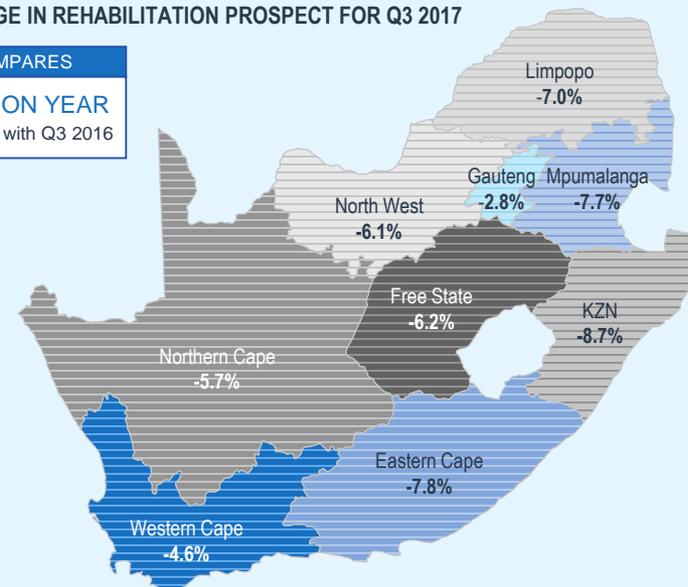
## CREDIT REHABILITATION IS A CRUCIAL ELEMENT IN GROWING AN INCLUSIVE ECONOMY

*Launched in June 2017*

TRANSACTION CAPITAL'S CONSUMER CREDIT REHABILITATION INDEX

% CHANGE IN REHABILITATION PROSPECT FOR Q3 2017

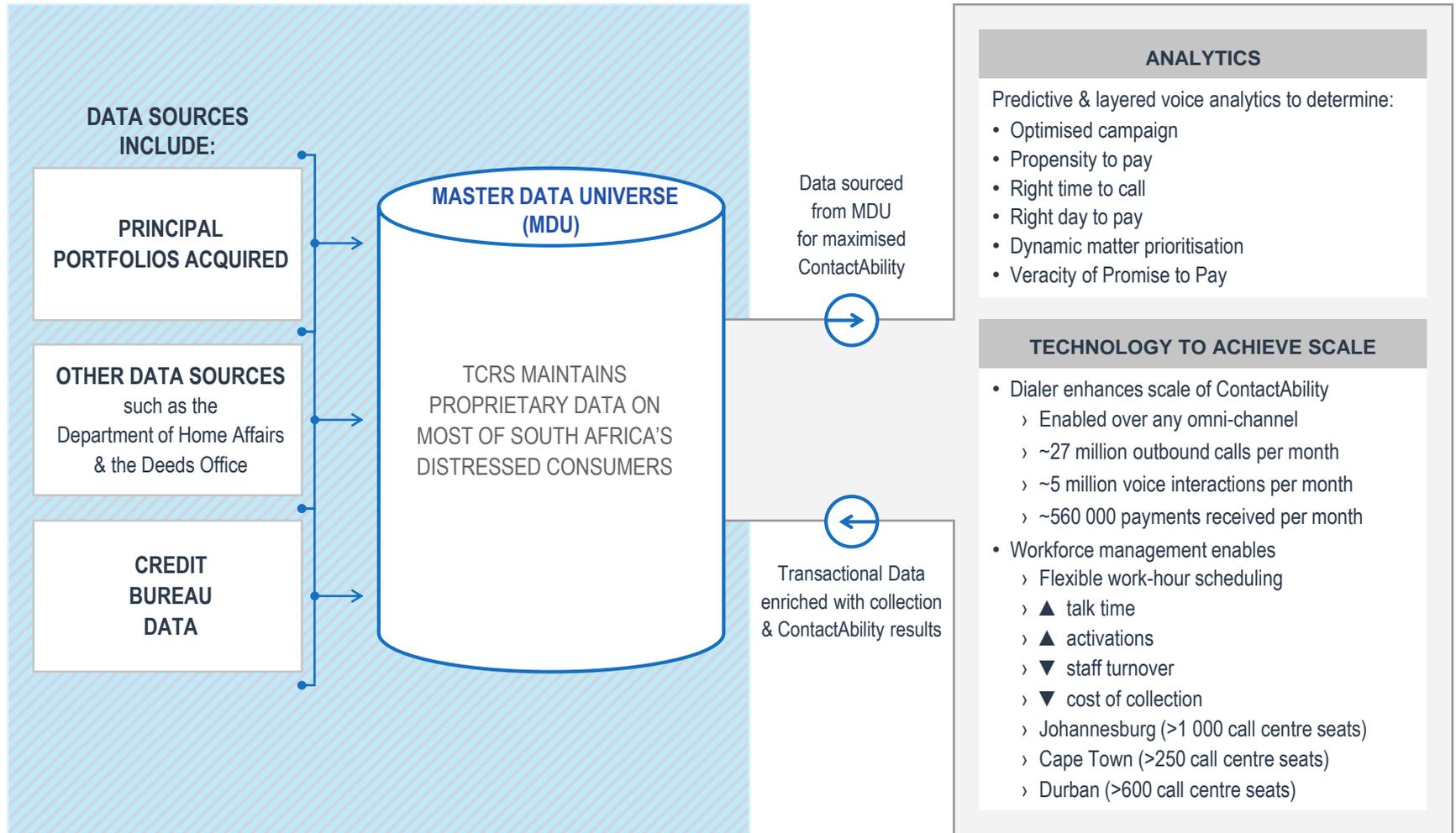
COMPARES  
**YEAR ON YEAR**  
Q3 2017 with Q3 2016



- TCRS algorithm to score propensity to repay debt
- Empirically based sample of >5 million SA consumers in credit default
- National rehabilitation prospects:
  - ▼ by 1.1% (Q2 17 vs. Q2 16)
  - ▼ by 0.9% (Q3 17 vs. Q3 16)
  - ▲ by 0.4% (Q3 17 vs. Q2 17)
- Rehabilitation allows:
  - Consumers to access credit & re-enter consumer market
  - Lenders to maintain cleaner B/S to continue extending credit at affordable costs

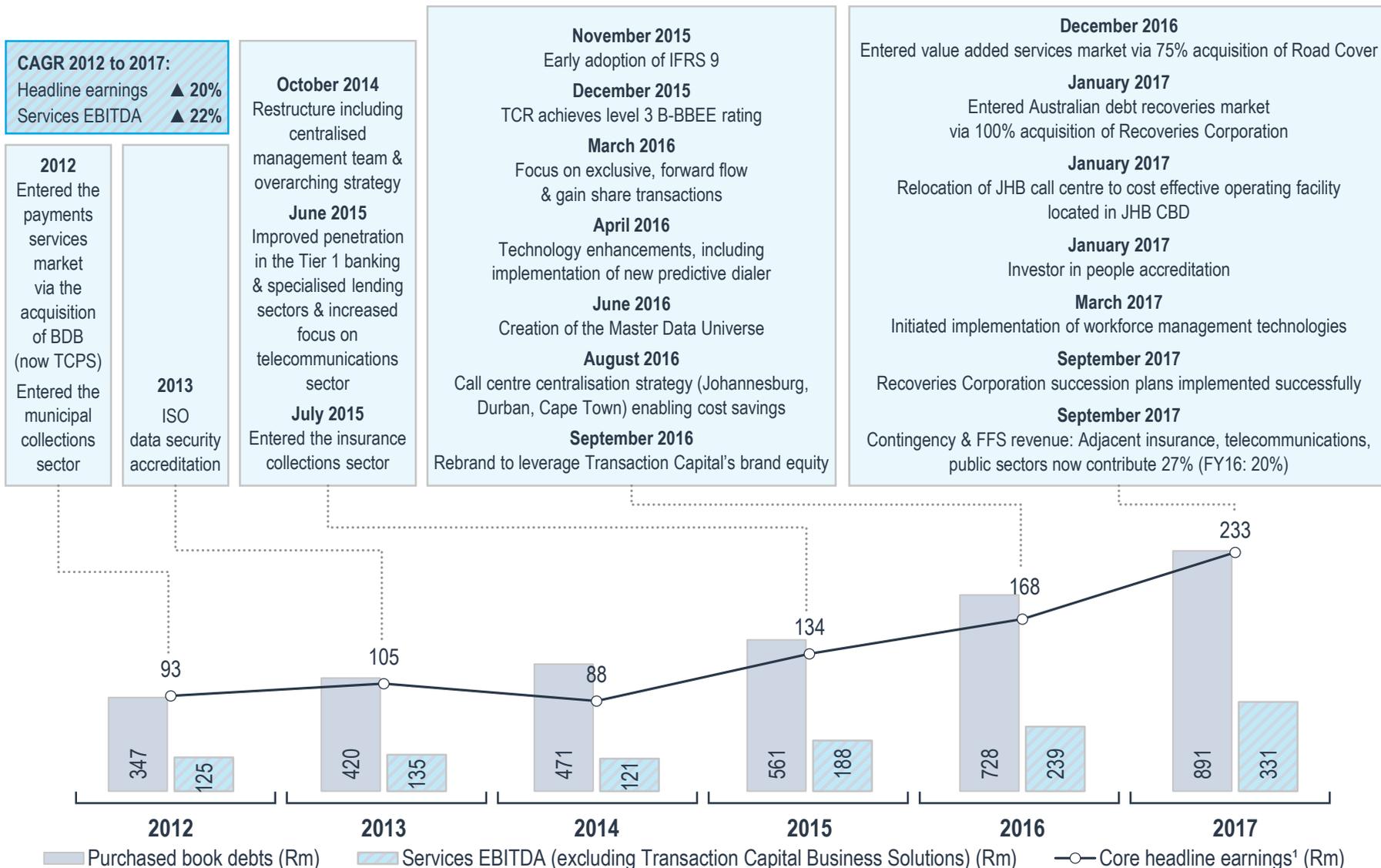
# TCRS MARKET POSITIONING

## DATA, ANALYTICS & SCALABLE TECHNOLOGY PLATFORM



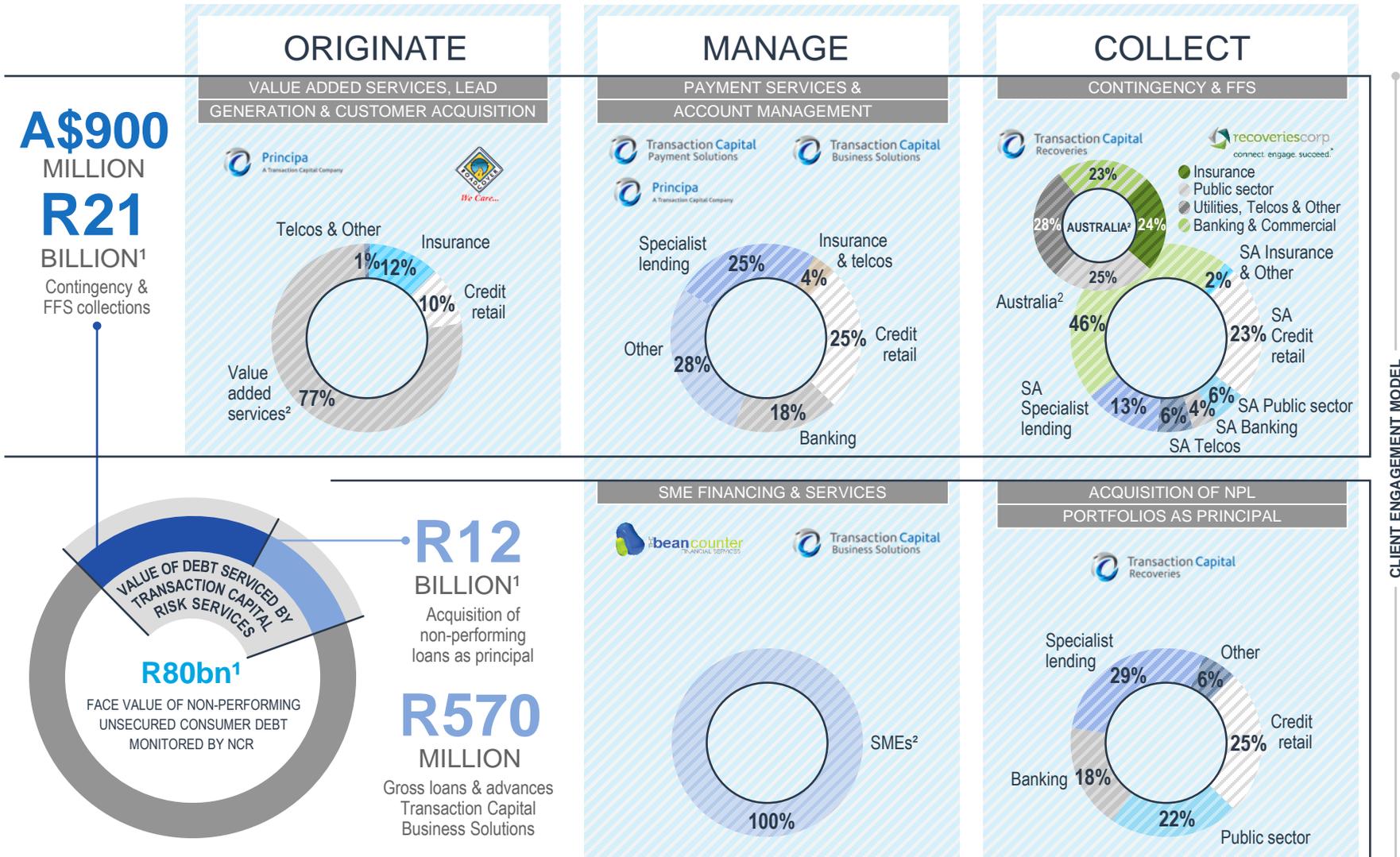
# TCRS EVOLUTION SINCE LISTING

## MANAGEMENT INTERVENTIONS TO CREATE VALUE



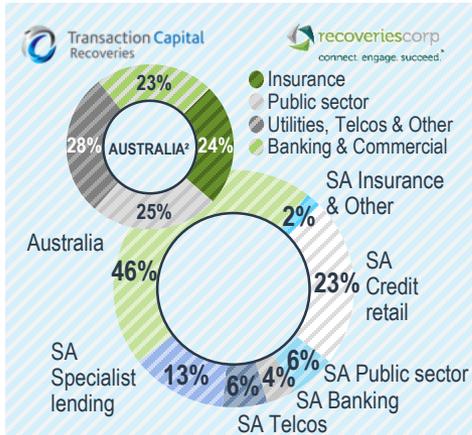
Financial years 1 October to 30 September | Adopted IFRS 9 in 2015. 2014 numbers on a pro forma IFRS 9 basis. 2012 & 2013 numbers on an IAS 39 basis as reported  
 1. Headline earnings attributable to the group

# TCRS' DIVERSIFIED BUSINESS MODEL



Sectors split by revenue per segment as at 30 September 2017

1. R80 billion comprises credit monitored by the NCR as at 31 March 2017. TCRS' target market & assets under management also includes sectors not regulated by the NCR, being SMEs, education, insurance, public sector, telecommunications, SOEs & utilities
2. Revenue generated by businesses acquired only included from the effective date of the acquisition



## SOUTH AFRICA: TRANSACTION CAPITAL RECOVERIES

Provider of collection & recovery services, including early stage rehabilitation, late stage collections & legal recoveries

**86**

CLIENTS (FY16: 83)

Rank **1<sup>st</sup> or 2<sup>nd</sup>** BY CLIENTS  
IN **89%** OF OUR **231 MANDATES**

**2 017**

DIRECT STAFF

**9**

MARKET SECTORS

“Investor in  
people organisation”

ACCREDITATION IN JANUARY 2017

**27%**

REVENUE CONTRIBUTION  
FROM NON-NCA DEBT<sup>1</sup>  
(FY16: 20%)

## AUSTRALIA: RECOVERIES CORPORATION GROUP LIMITED (RCGL)

Provider of consumer customer management solutions, including debt recovery solutions, insurance claim recoveries, customer services & litigation management services

**41**

CLIENTS

**~R370MILLION**

REVENUE GENERATED (9 months)

**~600**

EMPLOYEES

**8**

MARKET SECTORS

**3 BRANCHES**

MELBOURNE, SYDNEY  
& SUVA



RCGL AWARDED THE 'NATIONAL CREDIT  
TEAM OF THE YEAR' AWARD



RCGL AWARDED 'CENTRE  
OF THE YEAR – VICTORIA'

1. Non-NCA debt: Insurance, telecommunications & public sectors  
2. Revenue generated by businesses acquired only included from the effective date of the acquisition



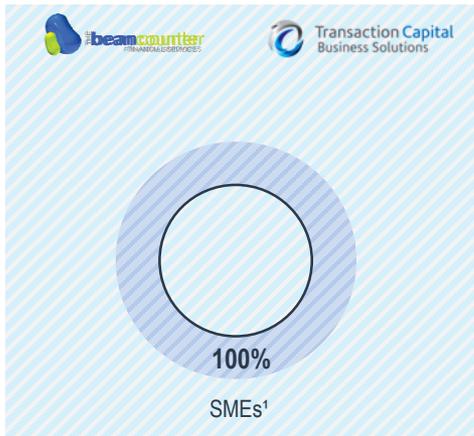
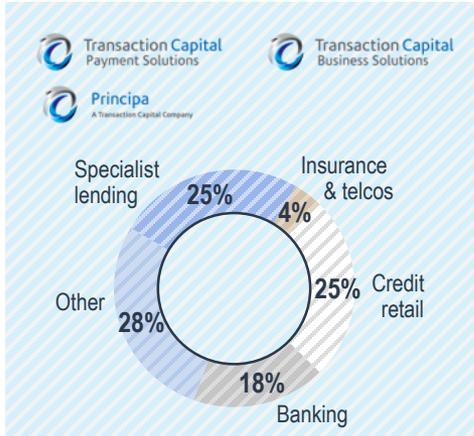
## ESTIMATED REMAINING COLLECTIONS (ERC)<sup>1</sup> VINTAGE PERFORMANCE AS AT 30 SEPTEMBER 2017



- Current economic context favours acquisition of NPL portfolios
- **29** portfolios acquired for **R356m** with a face value of **R5.2bn**  
(FY16: **13** portfolios for **R184m** with a face value of **R2.6bn**)
- **195** portfolios owned in total with a face value of **R12.2bn**
- Purchased book debts **▲ 22%** to **R891m**  
(FY16: **R728m**)
- 2017 ERC of **2.7 times** (> internal target of **~2.2 times**)
- ERC **▲ 27%** to **R1.7bn**
  - › Longevity in the yield of principal portfolios on book, expected to support future positive performance
- Asset-turnover ratio remains high at **52.1%**
  - › Diluted by high value of portfolio acquisitions

1. Excludes contracts where TCRS does not have title of the underlying claim

# PAYMENT SERVICES & ACCOUNT MANAGEMENT SME FINANCING & SERVICES



## TRANSACTION CAPITAL PAYMENT SOLUTIONS

Specialist in customised, innovative & flexible payment services

~3 MILLION

DISBURSEMENTS  
FOR CLIENTS EACH YEAR

~7 MILLION

DEBIT ORDERS & NAEDO TRANSACTIONS PROCESSED  
FOR ~1 200 CLIENTS EACH YEAR

Resulting in

~R27 BILLION

PAYMENTS PROCESSED  
FOR CLIENTS EACH YEAR

## TRANSACTION CAPITAL BUSINESS SOLUTIONS & THE BEANCOUNTER

Provider of SME finance, including invoice discounting, trade finance, property finance & fully outsourced accounting, payroll & tax services

~R570 MILLION

GROSS LOANS & ADVANCES ▲ 15%

## FACILITATES SME GROWTH & JOB CREATION IN SOUTH AFRICA

R588 MILLION

TOTAL ADVANCES TO BLACK OWNED SMEs FOR FY17 (R457m for FY16)

~450 000

INVOICES WORTH

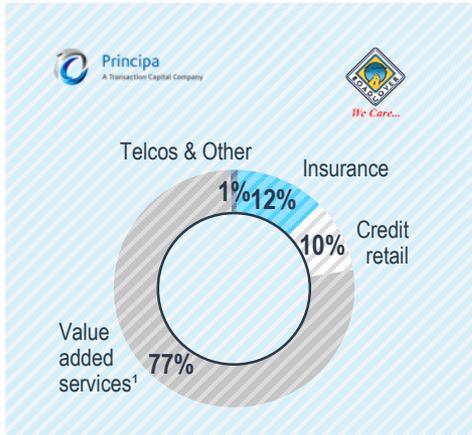
~R8.5 BILLION

PROCESSED PER YEAR FOR

>400

CLIENTS

# VALUE ADDED SERVICES, LEAD GENERATION & CUSTOMER ACQUISITION



## ROAD COVER

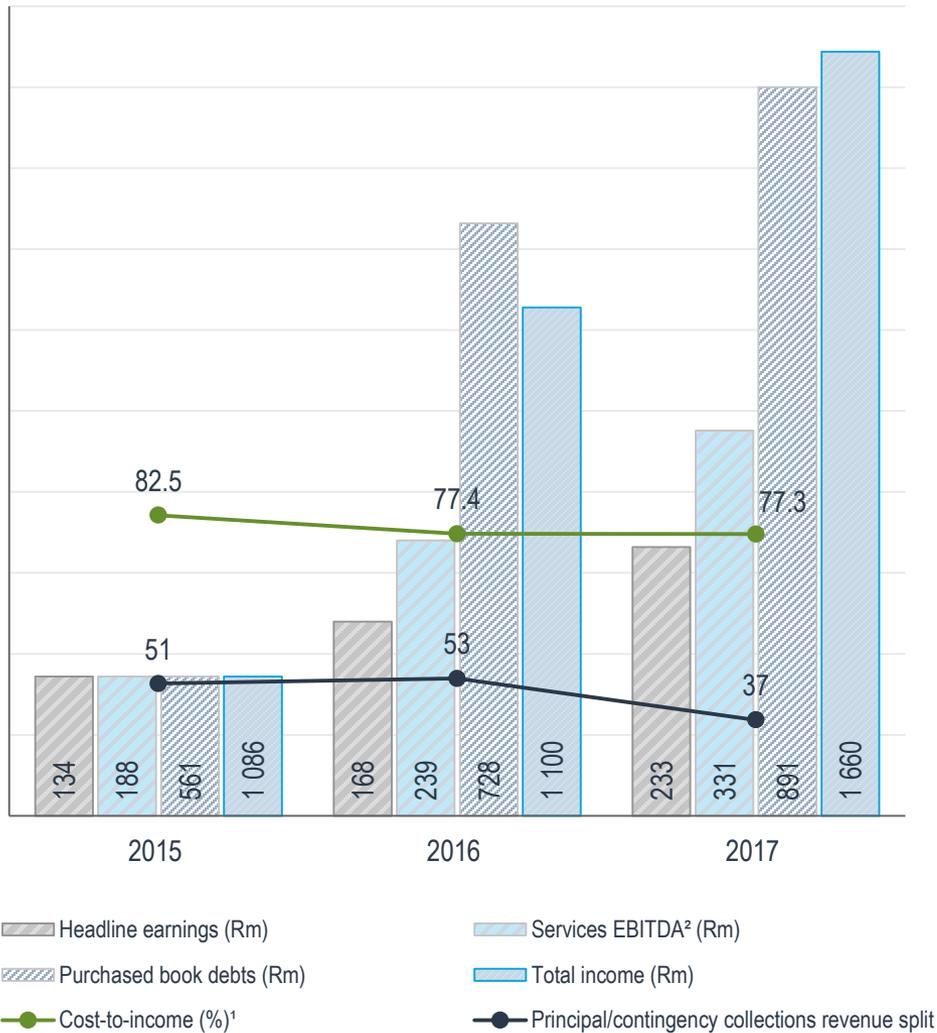
- TCRS entered the value-added services market segment in SA via the acquisition of Road Cover
- Provider of proprietary value-added services to the mass consumer market on a subscription basis
- Access to high quality legal & administrative services
- Administration of:
  - › RAF claims
  - › COID Act claims
  - › Other claims against road agencies & municipalities

~2 MILLION CLIENTS (CONSUMER SUBSCRIBER BASE)

- Strategic growth initiatives:
  - › Offer Road Cover products to the mass consumer market in SA through TCRS' client base (banking, retail, insurance, telecommunications & other)
  - › Deliver Road Cover's product directly to consumers via data analytics, lead generation & direct marketing channels

1. Revenue generated by businesses acquired only included from the effective date of the acquisition

# TCRS FINANCIAL PERFORMANCE



- Core headline earnings ▲ **39%** to **R233m**
  - › Excludes once-off acquisition costs of **R22m**
  - › Accretive cash deployment converting cash yield into earnings
- Headline earnings organic growth ▲ **12%**<sup>1</sup>
- Contingency & FFS revenue
  - › Growing revenue from adjacent sectors
  - › Insurance, telecommunications & public sector contributing **27%** (FY16: **20%**)<sup>1</sup>
- Cost-to-income ratio remained stable (excluding the effect of acquisitions)
  - › Total costs ▲ **7%**<sup>1</sup> in line with inflation
  - › Continued investment in data (MDU), technologies (dialer & workforce management) & analytics yielding efficiencies
  - › Frugal cost management

1. Excluding the effect of acquisitions

2. Services EBITDA (excluding Transaction Capital Business Solutions)

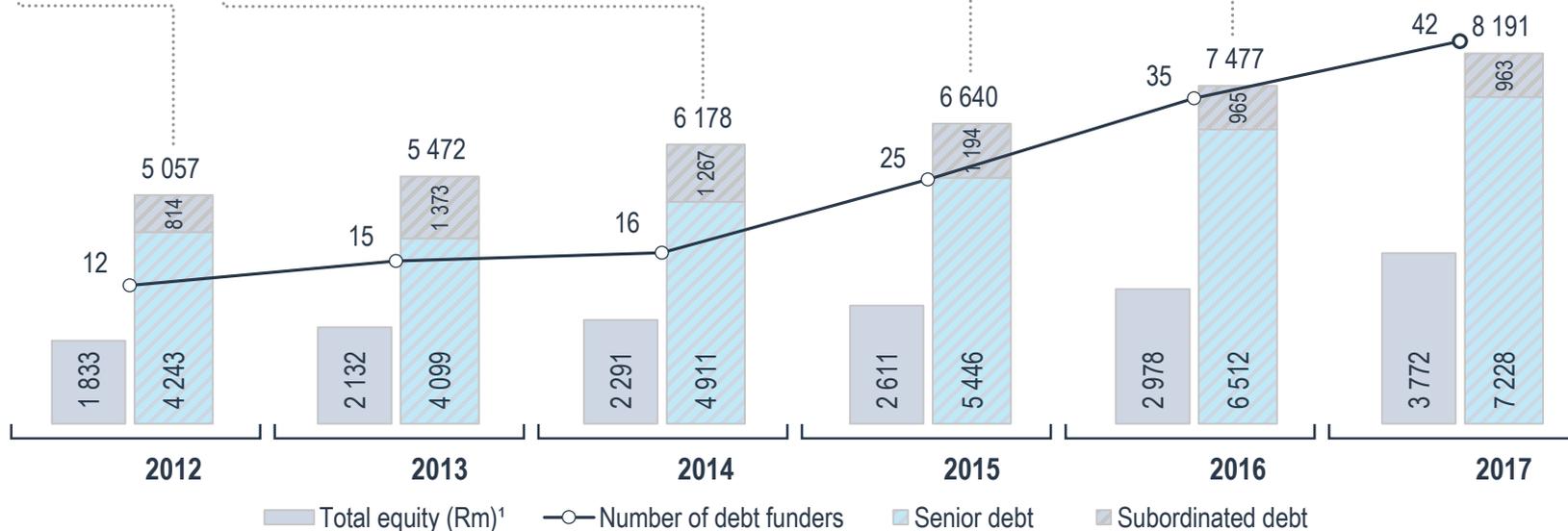
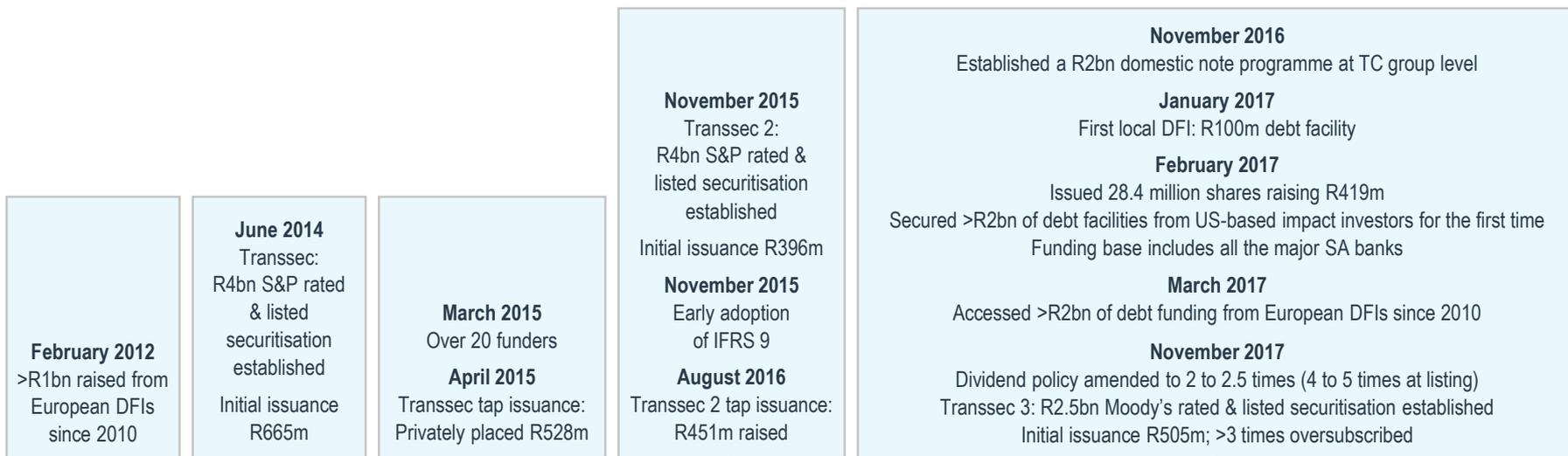
# CAPITAL MANAGEMENT 2017

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER



Transaction Capital

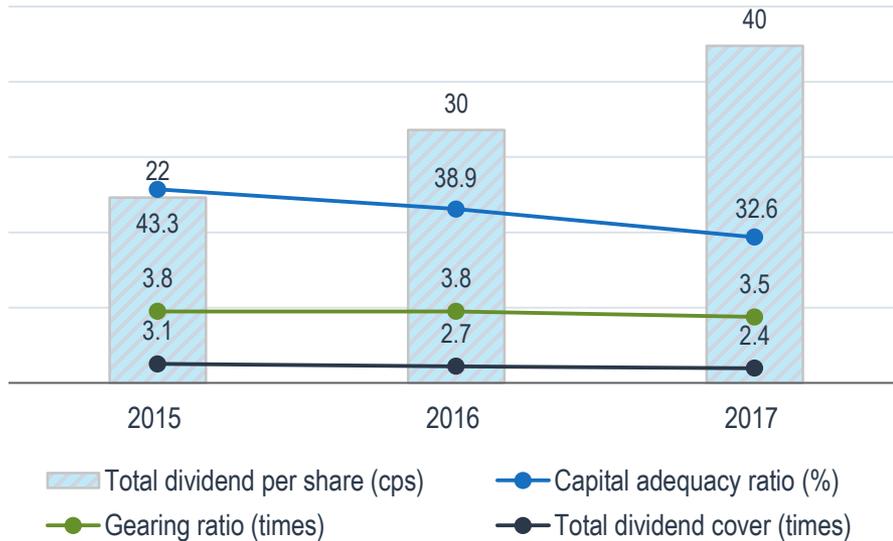
# CAPITAL & FUNDING EVOLUTION SINCE LISTING



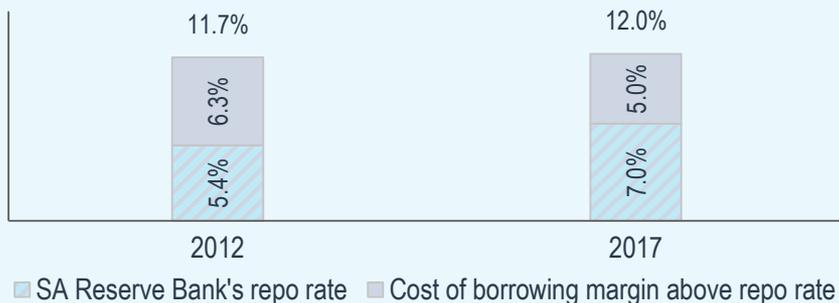
Financial years 1 October to 30 September | 2012 & 2013 excludes Bayport & Paycorp

1. Adopted IFRS 9 in 2015. 2014 numbers on a pro forma IFRS 9 basis. 2012 & 2013 numbers on an IAS 39 basis as reported

## PERFORMANCE



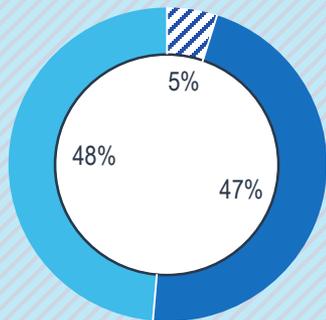
## COST OF BORROWING SINCE LISTING<sup>1</sup>



- Uninterrupted access to the debt capital markets
  - › Despite political instability & SA's sovereign rating downgrade in April 2017
  - › Raised ~**R6bn** in debt facilities from **33** separate funding transactions in 2017
  - › **2018** fully funded
- Continue to diversify funding sources
  - › Diverse debt investor base (>**40**)
  - › Secured >**R2bn** of debt facilities from US DFIs
  - › **R505 million** Transsec 3 issuance; **81bps** < Transsec 2 tap issuance; >**3** times oversubscribed
  - › **R2bn** A<sub>(ZA)</sub> rated JSE-listed domestic note programme
  - › Accessed >**R2.1bn** of debt funding from European DFIs since 2010
  - › **21%** of debt in issue from DFIs (FY16: **13%**)
- Group cost of borrowing ▲ from **11.3%** to **12.0%**
  - › Margin above repo **5.0%** (FY12: **6.3%**)
  - › ▲ foreign debt component, fully hedged to Rand
- Capital adequacy position remains robust at **32.6%**
  - › **23.8%** equity
  - › **8.8%** subordinated debt
- Net ungeared & liquid group balance sheet
- Excess cash of ~**R650m** on balance sheet

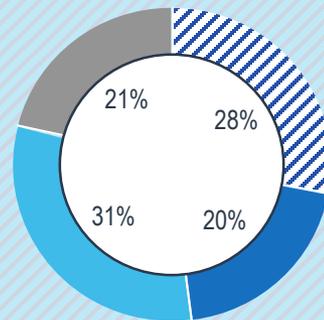
1. Calculated using Transaction Capital's average cost of borrowing for the period & the South African Reserve Bank's average repo rate for the period

DIVERSIFICATION BY FUNDING STRUCTURE



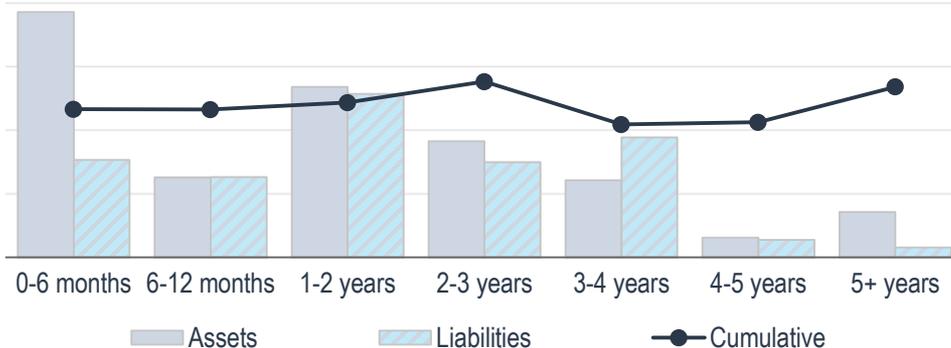
-  Warehousing facilities
-  On-balance sheet
-  Securitisation & structured finance

DIVERSIFICATION BY DEBT INVESTOR CATEGORY



-  Life companies
-  Banks
-  Asset managers
-  DFIs

POSITIVE LIQUIDITY MISMATCH



## INNOVATION

Innovation is encouraged to cultivate unorthodox thinking & develop pioneering funding solutions

### DIVERSIFIED & ENGAGED DEBT INVESTORS

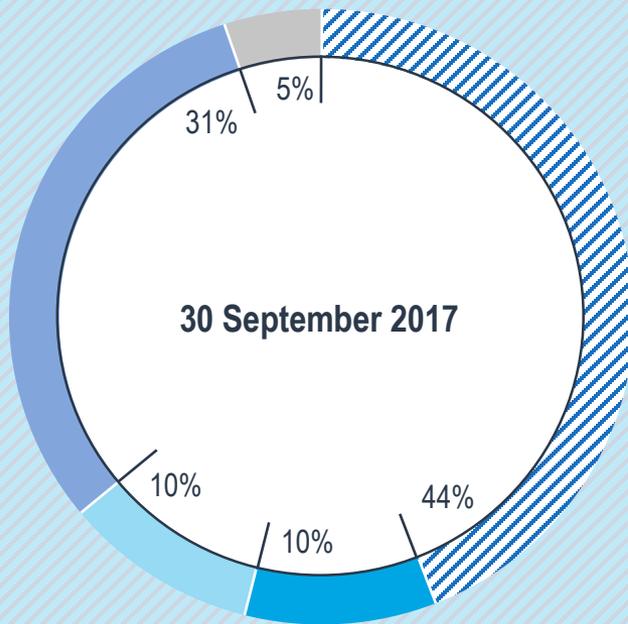
- Diversification by geography, capital pool, debt investor & funding structure
- Recurring investment motivated by performance, the ease of transacting & appropriate risk adjusted returns
- Transparent & direct relationships with debt investors, & where necessary facilitated by valued intermediaries

### JUDICIOUS RISK MITIGATION

- Positive liquidity management between asset & liability cash flows
- No exposure to overnight debt instruments & limited exposure to short term instruments
- No exposure to currency risk & effective management of interest rate risk
- Minimising rollover risk

### OPTIMAL CAPITAL STRUCTURES

- Bespoke & innovative funding structures to meet investment requirements & risk appetite of a range of debt investors
- Targeted capital structure per asset class
- No cross-default or guarantees between structures



-  Directors of Transaction Capital & its subsidiaries
-  Old Mutual Investment Group
-  Allan Gray Proprietary Limited
-  Remaining institutional shareholders
-  Retail investors

- Accelerated bookbuild (Feb 2017)
  - › **28.4m** shares issued raising **R419m**
  - › Creates capacity for further acquisition opportunities
  - › Oversubscribed
  - › Predominantly taken up by institutional investors
    - Institutional shareholding ▲ from **28%** to **31%**
  - › Directors shareholding holding ▼ from **46%** to **44%**
    - Management not permitted to participate in the bookbuild
- Foreign ownership ▲ from **3%** to **6%**
- Retail investors ▼ from **6%** to **5%**
- Management remain focused on improving liquidity
  - › Free float percentage ▲ to **56%** (FY16: **54%**)

# CONCLUSION 2017

RESULTS FOR THE YEAR ENDED 30 SEPTEMBER



Transaction Capital

# INVESTMENT CASE

## COMPELLING & UNIQUE AS WE EXECUTE ON OUR STRATEGY

TRANSACTION CAPITAL  
COMPRISES  
A **DIVERSIFIED** PORTFOLIO OF  
**FINANCIAL SERVICES ASSETS**

- Two **well established, autonomous & unique** financial services businesses:
  - › SA Taxi
  - › **Transaction Capital Risk Services (TCRS)**
- Positioned in **attractive market segments** occupying **leading market positions**
- Highly **defensive businesses** able to withstand difficult economic conditions
- Deep **vertical integration** enabling application of **specialised expertise** to **mitigate risk, participate in margin & provide a broader service to clients**
- **Superior data & leading-edge technology & analytics** capabilities differentiate our offerings, inform business decisions & mitigate risk
- **Via a diversified business model**
  - › Unique blend of highly **cash generative & capital related** businesses
  - › **Diversified revenue model** across adjacent **market segments & geographies**

WITH A **BESPOKE & ROBUST CAPITAL  
STRUCTURE** INCORPORATING  
**R650 MILLION OF EXCESS CAPITAL**

- **Conservative equity capital structure** to fund organic growth & acquisition activity
  - › **Ungeared** at holding company level
  - › **Proven ability to raise debt & equity capital** efficiently from diversified range of local & international investors

AND HAS BEEN ESTABLISHED AS A  
**SCALABLE FINANCIAL SERVICES  
PLATFORM**

- For SA Taxi & TCRS to develop **new products** & expand into **new markets**
- For Transaction Capital to collaborate in **introducing new organic & acquisitive growth opportunities**
- For Transaction Capital to realise **synergies & cross selling opportunities within existing products**

LED BY AN **ENTREPRENEURIAL  
OWNER-MANAGER TEAM**

- **Ownership culture**
- **Decentralised, entrepreneurial, proven & long-serving** leadership
- Specialised **intellectual capital** applied over a much smaller asset base than in larger organisations

# INVESTMENT CASE CONTINUED

## COMPELLING & UNIQUE AS WE EXECUTE ON OUR STRATEGY

BUT UNDERPINNED BY A ROBUST  
**CORPORATE GOVERNANCE  
FRAMEWORK & SOUND  
GOVERNANCE PRACTICES**

- Experienced, diverse & **independent directors** at group & subsidiary level
- **Institutionalised governance**, regulatory & risk management practices
- **Conservative accounting policies** (including the early adoption of **IFRS 9**)

WHICH TOGETHER POSITION IT FOR  
**SUSTAINABLE GROWTH**

- **Decentralised businesses** that are self-sustaining & sizable in their own right
- Track record of delivering predictable **high-quality earnings** with high cash conversion rates & **strong organic growth** prospects
- **Dividends growing** at an accelerated rate when compared to earnings
- **A focused acquisition strategy**
  - › **Earnings accretive acquisitions** of relevant & **scalable business platforms**, whose value can be **developed** by Transaction Capital
  - › Acquisition strategy supported by **R650m of excess cash, highly cash generative businesses, supportive capital markets, & a strong unleveraged balance sheet**

AND THE DELIVERY  
OF A **MEANINGFUL  
SOCIAL IMPACT**

- Businesses favourably positioned regarding demographic & socio-economic trends, **delivering both a social & commercial benefit**
- SA Taxi facilitates
  - › **Asset ownership by black owned SMEs, financial inclusion, SME empowerment, & sustainable job creation**
  - › **Improved public transport infrastructure**
  - › **Environmental sustainability**
- TCRS facilitates
  - › **Credit rehabilitation** of over-indebted consumers
  - › Lenders to maintain cleaner balance sheets to **continue extending credit affordably**

# QUESTIONS



Transaction Capital

# DISCLAIMER

This presentation may contain certain "forward-looking statements" regarding beliefs or expectations of the TC Group, its directors & other members of its senior management about the TC Group's financial condition, results of operations, cash flow, strategy & business & the transactions described in this presentation. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, & underlying assumptions & other statements, which are other than statements of historical facts. The words "believe", "expect", "anticipate", "intend", "estimate", "forecast", "project", "will", "may", "should" & similar expressions identify forward-looking statements but are not the exclusive means of identifying such statements. Such forward-looking statements are not guarantees of future performance. Rather, they are based on current views & assumptions & involve known & unknown risks, uncertainties & other factors, many of which are outside the control of the TC Group & are difficult to predict, that may cause the actual results, performance, achievements or developments of the TC Group or the industries in which it operates to differ materially from any future results, performance, achievements or developments expressed by or implied from the forward-looking statements. Each member of the TC Group expressly disclaims any obligation or undertaking to provide or disseminate any updates or revisions to any forward-looking statements contained in this announcement.