



MEDIA RELEASE

16 May 2018

Transaction Capital maintains its high growth track-record with earnings rising 22% in H1 FY18

Robust organic growth and returns from acquired businesses set to support historical pace of earnings and dividends growth.

- **Dividends:** 40% increase in interim cash dividend to 21 cents per share (2017: 15 cents per share)
- **Headline earnings:** Up 22% to R310 million; 21% compound annual growth in headline earnings per share since listing 6 years ago
- **Strong financial position:** Well capitalised, low-risk balance sheet with excess capital of approximately R650 million for organic growth and acquisition opportunities

Transaction Capital, owner of businesses operating in highly specialised and under-served segments of the South African and Australian financial services market, today released its results for the half year ended 31 March 2018. The company posted 22% growth in headline earnings to R310 million, maintaining its compounded annual growth in headline earnings per share of 21% since listing six years ago.

David Hurwitz, CEO of Transaction Capital, said: “Our ability to continue to deliver high-quality earnings growth under challenging economic conditions demonstrates Transaction Capital’s defensive characteristics. Over recent years, SA Taxi and TCRS have adjusted to South Africa’s challenging macro- and socio-economic conditions, by refining and diversifying their scalable fintech platforms and achieving high operational efficiency.

“Encouraging political developments in South Africa are supporting a recovery in consumer and business confidence, evidenced by a stronger Rand, stable inflation and the 25 basis point interest rate cut since December 2017. These factors together with greater direct investment from both foreign investors and local business are expected to stimulate the economy with domestic and international institutions revising GDP growth rates upward for the next three years. This should result in higher employment, consumer spending and consumer credit extension, all of which are positive developments for Transaction Capital.”

In March 2018, after a very successful accelerated bookbuild, Everglen Capital reduced its shareholding in Transaction Capital from 41% to 29%. Whilst Everglen Capital remains Transaction Capital’s largest shareholder, the bookbuild increased the company’s free float significantly, which enhanced the share’s liquidity and daily trade. In a show of support for the company’s strategic direction, new and existing investors, both local and international took up the offer to increase their shareholding. The renewed interest by foreign investors in South Africa, as a result of the change in the country’s leadership, led to an increase in the international investor base from 5% to 15%.

Transaction Capital comprises two market-leading divisions, SA Taxi and Transaction Capital Risk Services (TCRS) that leverage their proprietary data and technology to create

value for their customers. Positioned deliberately in relation to demographic and socio-economic realities, they deliver good commercial returns and positive social impact.

SA TAXI

SA Taxi is a vertically integrated taxi platform incorporating a unique blend of vehicle procurement, retail, repossession and refurbishment capabilities with asset-backed developmental finance and insurance competencies for focused vehicle types.

SA Taxi delivered 20% growth in headline earnings to R173 million for the first half of the year. SA Taxi's loan portfolio grew by 15% to R9 billion and comprises approximately 30 000 vehicles.

As the largest and most critical component of South Africa's integrated public transport network, the minibus taxi industry creates significant value as an employer and enabler of socio-economic activity. As a key transformation partner in the public transport value chain, SA Taxi is cognisant of its responsibility to operate in a way that supports the overall sustainability of the public transport industry. This approach is essential to delivering defensible and sustainable financial returns over the long term. Over the past ten years, SA Taxi has invested more than R20 billion in the minibus taxi industry, creating an estimated 70 000 black-owned SMEs which in-turn have generated more than 120 000 direct jobs.

In addition to its financing activities, SA Taxi's vertically integrated business model generates other diversified revenue streams through the sale of minibus taxi vehicles and related insurance products. These non-interest revenues recorded growth of 32% to R258 million and now account for 34% of SA Taxi's revenue after interest expenses. In response to market demand, SA Taxi continues to broaden its insurance product base and launched a highly competitive credit life product in October 2017. With over 85% of SA Taxi's financed clients choosing to be insured by SA Taxi, its insured clients each now have on average 1.8 SA Taxi insurance products.

Commenting on SA Taxi's operating context, CEO David Hurwitz, said: ***"With about 40% of all South Africans using public transport, and more than 15 million commuter trips being completed by minibus taxis every day, this is the country's main mode of public transport. Spend on minibus taxi transport is thus a non-discretionary expense for most South Africans, which supports the industry's resilience, even during challenging economic times and without any government subsidies."***

"Notwithstanding this resilience, the challenging economic environment in South Africa compounded by high minibus taxi vehicle prices and minibus taxi operators' lack of participation in the industry value chain, is having an impact on the industry at grass roots level. Encouragingly, a direct outcome of the industry protests during June 2017 has been deeper collaboration and joint participation by SA Taxi and the industry to deliver more suitable and sustainable products for minibus taxi operators."

TCRS

TCRS is a technology-led, data-driven provider of customer management solutions in South Africa and Australia. TCRS acts both as an agent on an outsourced contingency basis and as a principal in acquiring and then collecting on non-performing loan portfolios. This diversified revenue model across various consumer credit sectors is central to the division's defensive positioning, supporting its performance in different market conditions.

TCRS posted core headline earnings growth, including business acquisitions, of 28% to R119 million for the first half of the year. The performance was supported by TCRS' continued acquisition of non-performing loan portfolios from South Africa's risk averse consumer lenders who prefer an immediate recovery against their non-performing loans.

TCRS was also successful in growing contingency collection revenues from new adjacent sectors such as the insurance, telecommunications and public sectors. Today, in 89% of its 201 collection mandates in South Africa, TCRS ranks as either the top or second best recoveries agent.

Commenting on TCRS's performance, David Hurwitz said: ***“The solid organic growth delivered by TCRS was augmented by the earnings enhancing acquisitions of Road Cover in South Africa and Recoveries Corporation in Australia completed last year. Both acquisitions are being successfully integrated in line with expectations. Transaction Capital remains focused on investing further into Recoveries Corporation, including deepening its management skill set and overlaying TCRS' technology and business information capability. Whilst the initial investment was relatively small, the opportunity to gain a deep understanding of the Australian collections industry, as well as participate in the emerging opportunities, is meaningful.*”**

Transaction Capital's Consumer Credit Rehabilitation Index (CCRI), which tracks 5 million South African consumer's rehabilitation prospects, reflected an encouraging marginal sequential improvement of 0.4% and 1% in the last two quarters of 2017 respectively. Although there was a marginal sequential deterioration of 0.8% when comparing the first quarter of 2018 to the final quarter of 2017, the overall trend shows that a recovery may be underway, but that active consumers remain clearly vulnerable.

***“The difficult consumer credit environment experienced during the 2016 and 2017 years, resulted in lower levels of consumer credit extension in South Africa, and the consequent contraction in volumes of contingency matters handed over for collection. As a result, contingency and fee-for-service revenue grew moderately during 2016 and 2017. Encouragingly, local contingency and fee-for-service revenue grew by 23% during the first half of this year.*”**

We believe that the current economic climate still favours the acquisition of non-performing loan portfolios in South Africa. In the highly fragmented Australian debt collection market, TCRS will continue to apply its cautious approach, expertise and capital raising capabilities to purchase selective non-performing loan portfolios,” added Hurwitz.

In South Africa, TCRS acquired 17 portfolios for R218 million during the period. TCRS now owns 219 principal portfolios, valued at R1.03 billion, up 11% from R930 million a year ago. Remaining collections from these portfolios are estimated at just under R2 billion, up from R1.5 billion a year ago, which will support TCRS' future financial performance.

OUTLOOK

Over the past few years, SA Taxi and TCRS have adjusted to South Africa's challenging economic conditions and became highly efficient businesses. As both SA Taxi and TCRS gain deeper insight into their respective sectors, underpinned by a maturing understanding of their social relevance, they will continue to identify opportunities to unlock more value for all stakeholders.

***“We have once again demonstrated Transaction Capital's defensive nature and both divisions are positioned to grow earnings and dividends in line with past periods and current interim performance.*”**

***“In addition, encouraging indicators, including the slight improvement in the unemployment rate, decline in the household debt to income ratio and the 25-basis points rate cut in March 2018, point to a sustained economic recovery that would provide the backdrop to outperform our current performance expectations.*”**

“Our well capitalised, liquid and ungeared balance sheet, with excess capital of over R650 million, also provides us with the capacity and flexibility to explore selective acquisition opportunities,” concluded Hurwitz.

ENDS

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Issued by: Transaction Capital Limited

ENVIRONMENT & MARKET CONTEXT

CHALLENGING CONSUMER CREDIT ENVIRONMENT WITH UPSIDE POTENTIAL

IN SOUTH AFRICA, OF THE 35 MILLION ADULTS¹ THERE ARE:

25 MILLION
CREDIT ACTIVE CONSUMERS

- **9.7 MILLION** (~40%) NON-PERFORMING CREDIT CONSUMERS²
- HOUSEHOLD DEBT TO INCOME REMAINS HIGH AT **71.9%** (▼ from 74.4% HY16 as DEBT GROWTH < INCOME GROWTH)
- ELEVATED LEVELS OF UNEMPLOYMENT AT **26.7%** (▼ from 27.7% HY17)
- ESCALATING COSTS OF HOUSEHOLD ESSENTIALS OVER THE MEDIUM-TERM AT **5.3%** (▼ from 6.4%)³

MACRO-AND SOCIO-ECONOMIC ENVIRONMENT

- Increased business confidence stimulating direct foreign investment & local business investment
- Stable inflation
- Lower interest rate environment

OUTLOOK ON SA'S CONSUMER

- Medium term effects signalling an improvement
 - › Improving employment levels
 - › Improving consumer spend
 - › Increase in credit extension

EFFECT ON TCRS

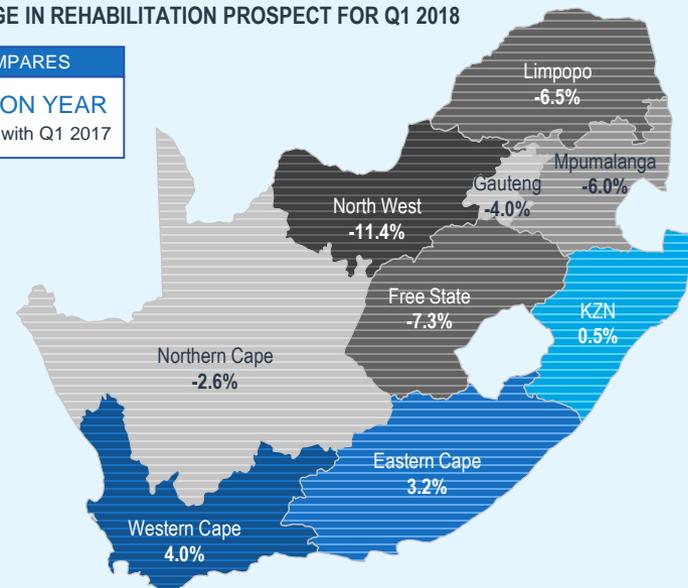
- Increase in the number of matters handed over in agency mandates
- Increasing yield on previously acquired NPL portfolios

CREDIT REHABILITATION IS A CRUCIAL ELEMENT IN GROWING AN INCLUSIVE ECONOMY

TRANSACTION CAPITAL'S CONSUMER CREDIT REHABILITATION INDEX

% CHANGE IN REHABILITATION PROSPECT FOR Q1 2018

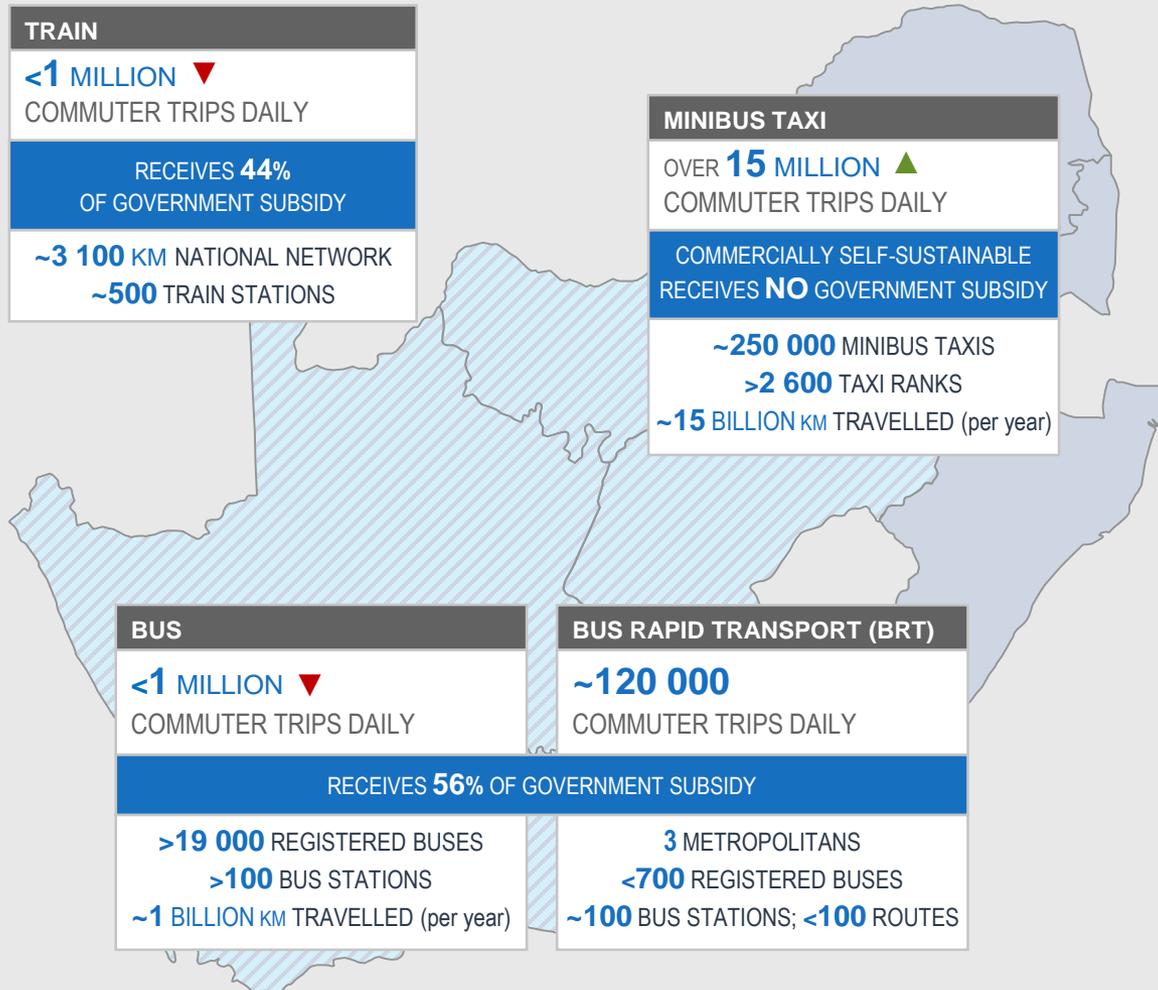
COMPARES
YEAR ON YEAR
Q1 2018 with Q1 2017



- TCRS algorithm to score propensity to repay debt
- Empirically based sample of >5 million SA consumers in credit default
- National rehabilitation prospects:
 - › ▲ by 0.4% (Q2 17 vs. Q3 17)
 - › ▲ by 1.0% (Q3 17 vs. Q4 17)
 - › ▼ by 0.8% (Q4 17 vs. Q1 18)
- Rehabilitation allows:
 - › Consumers to access credit & re-enter consumer market
 - › Lenders to maintain cleaner B/S to continue extending credit at affordable costs

ENVIRONMENT & MARKET CONTEXT

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



PUBLIC TRANSPORT COMMUTERS RELY ON MINIBUS TAXI GIVEN ITS ACCESSIBILITY, AFFORDABILITY, RELIABILITY & FLEXIBILITY

- 40% of South Africans use public transport
- Minibus taxi is the dominant form of public transport
- Minibus taxi is an essential service & spend is non-discretionary

GROWING MINIBUS TAXI USAGE

- Since 2013, minibus taxi usage (▲ >20%)
- 69% of all households use minibus taxis (59% in 2003)
- 75% of all work & educational public transport trips
- Population growth (▲ 7%)
- Increasing commuter density due to urbanisation
- Transformation of minibus taxi industry due to ▲ regulation & capitalisation, attracting a more sophisticated taxi operator
- New passenger vehicle sales ▼ 18% (HY13 to HY18)