

Transaction Capital Specialised Credit (TCSC)

In line with the group's business model, TCRS's deployment of permanent capital in the origination and acquisition of alternative assets in the specialised credit sector continues to deliver growth and value in South Africa and Australia.

Specialised credit – International

After thorough analysis, we believe the fragmented segment of the European specialised credit market, which is many times larger than the South African and Australian markets, presents an attractive growth opportunity. TCRS will target smaller portfolios of higher-yielding credit-orientated alternative assets, originated in the corporate and consumer sectors. This will be done in partnership with private specialist credit managers who typically acquire these niche portfolios via bespoke, off-market sales processes.

Over recent years, we have created a partner network of specialist credit managers. We will co-invest alongside them to acquire a diversified portfolio of specialised credit related assets. This strategy will give Transaction Capital and our shareholders unique access to niche European specialist credit managers, without concentration risk in any particular portfolio, asset class, asset originator, collection platform or geographic market. No investment in goodwill will be required, and no business integration costs or risks will be incurred.

Although the capital earmarked for this growth opportunity is small in proportion to Transaction Capital's asset base, it will diversify TCRS's earnings base further and we expect it to deliver low double-digit hard currency risk-adjusted interest returns. For a relatively small initial investment, the added benefit of gaining a deeper understanding of the international credit-oriented alternative assets sector, with the potential to participate in emerging opportunities, is already proving meaningful.

In time, we intend to build a scalable business platform to manage our international assets, leveraging off TCRS's high IP, leading technologies and low-cost collection infrastructure in South Africa. Growing the value of this business will add capital appreciation to the total shareholder return we expect from this venture.

To date TCRS has acquired a secured commercial property NPL portfolio in Europe for €1.3 million, with initial returns in line with our expectations.

Transaction Capital Business Solutions (TCBS) – South Africa

Cognisant of higher risk in the SME sector, TCBS has intentionally curbed its lending book growth. However, given tighter credit extension to underserved mid-tier or smaller listed corporate entities, strong demand exists for specialised finance. TCBS will extend its offering from SMEs to include lower risk mid-tier or smaller listed corporate entities, differentiating its value proposition by offering adjacent and complementary capital solutions that could include distressed debt, mezzanine, specialised property and principal finance.