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Confidentiality Disclaimer

This document, including all information regarding SA Taxi Finance Holdings Proprietary Limited and its subsidiaries and associated companies, collectively referred to as “SA Taxi”, is confidential and is not for discussion, circulation or publication to any third party without the prior written consent of Transaction Capital Limited. The information and financial arrangements outlined herein are for the benefit and information of the original recipient of this document, who by acceptance of this document is deemed to have accepted responsibility for ensuring that such confidentiality will be maintained at all times.
Overview of SA Taxi
Who is SA Taxi?

SA Taxi is a vertically integrated taxi platform utilising specialist capabilities and enriched proprietary data to judiciously deploy developmental credit and allied business services to empower SMEs thus ensuring the sustainability of a fundamental mode of transport.

1. An innovative & pioneering business model with operations expanding throughout the financing & asset value chain, building a scalable platform that can be leveraged in adjacent markets.

2. A unique blend of vehicle procurement, retail, repossession & refurbishment capabilities, with financing & comprehensive insurance competencies for focused vehicle types.

3. Valuable client & market insights developed from overlaying granular telematics, credit, vehicle & other data to enable precise & informed origination & collection decisioning & proactive risk management.

4. Enabling financial inclusion by proficiently securing funding from both local & international debt investors to judiciously extend developmental credit to SMEs that may otherwise not have access to credit from traditional financiers.

5. Providing complementary business services that assist SMEs to maximise cash flow & protect their income-generating asset, thus improving their ability to succeed.

6. Empowering under-served & emerging SMEs to build their businesses, which in turn creates further direct & indirect employment opportunities.

7. Contributing to the recapitalisation & sustainability of the taxi industry – a critical pillar of the public transport sector servicing the majority of South Africa’s working population.
SA Taxi’s journey so far

**Financial highlights 30 September 2017**

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2017</th>
<th>Change</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headline earnings</td>
<td>R310m</td>
<td>11.3%</td>
<td>R254m</td>
</tr>
<tr>
<td>Net interest margin</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross loans &amp; advances</td>
<td>R8.3bn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of loans on book</td>
<td>28 724</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on assets</td>
<td>3.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on equity</td>
<td>25.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-performing loans</td>
<td>17.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit loss ratio</td>
<td>3.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Transaction Capital Full Year Results September 2017
Projected Growth for SA Taxi

Looking forward, SA Taxi will strive to organically grow its book profitability through:

- **Measured growth in loans originated** increasing the market share
- **Increase in loan value** originated aligned to vehicle inflation
- **Maximising margin** through increased vertical integration with more vehicles sold and serviced through our facilities
- Greater returns per vehicle through operational **efficiencies**
- **Utilising technology** to continue to enable taxi owners and service commuters

Other growth opportunities exist in leveraging existing competencies in adjacent markets that have not been included in the forecast.

SOURCE | SA Taxi Group financial forecasts as at September 2017
Led by an experienced management team

Transaction Capital and SA Taxi’s executive management team holds extensive experience in the disciplines that make the company uniquely successful as a developmental credit provider. The leadership team is stable having all been part of the group for at least 5 years.

**Terry Kier**  
Group tenure – 10 years  
*Chief Executive Officer*  
B.A (Hons); postgraduate diploma in Management Studies  
- Held executive positions at Softline including part of the team involved in its JSE listing, board member and CEO of Pastel Software  
- In 2007 started and sold a medical software company to Bytes Technology Group Ltd  
- Joined Transaction Capital in 2007 as the CEO of Mortgage Capital  
- Appointed as SA Taxi CEO in 2010  
- Currently a shareholder of 2% in SA Taxi

**Mark Herskovits**  
Group tenure – 10 years  
*Capital Markets Executive*  
B.BusSci (Finance) Post Graduate Diploma in Accounting, Chartered accountant CA(SA), CFA  
- Served articles at Deloitte & Touche where he remained as a manager  
- Joined Rand Merchant Bank as a corporate bonds analyst  
- Joined Transaction Capital in 2007  
- Currently leads the capital markets team  
- Previously Transaction Capital CFO

**Lorenzo Cardoso**  
Group tenure – 9 years  
*Chief Finance Officer*  
B.Com (Hons) in Accountancy; Chartered accountant CA(SA)  
- Served Articles in Industrials and Automotive at KPMG where he remained as a manager  
- Joined SA Taxi in 2008 as a special projects manager  
- Appointed as SA Taxi CFO in 2013

**Dawid Spangenberg**  
Group tenure – 6 years  
*Chief Risk Officer*  
B.Com (Hons) Actuarial Science, Wits Business School; Fellow of the Institute of Actuaries (FIA)  
- 10 years of retail credit experience prior to joining SA Taxi  
- Previously held positions at two of the large local banks including the head of Secured Credit lending at Absa  
- Joined SA Taxi in 2011 as CRO

**Maroba Maduma**  
Group tenure – 3 years  
*Sales Executive*  
Gordon Institute of Business Science  
Fundamental Management Program

**Riek Olivier**  
Group tenure – 5 years  
*Finance Director*  
B.Com (Hons) in Accountancy & Finance; CA(SA)

**Sibo Dladla**  
Group tenure – 7 years  
*Chief Information Officer*  
Diploma in IT networking

**Matsidikanye Moswane**  
Group tenure – 10 years  
*Taxi Industry Executive*  
B.Com Economics & Bus Management; Dip Project Management

**David Hurwitz**  
Group tenure – 12 years  
*Chief Executive Officer*  
B.Acc (Hons) HDipTax (University of Witwatersrand), Chartered accountant CA(SA)
NOTE: # = number of staff members | Employees as per September 2017 was 965.
SA Taxi is part of the Transaction Capital group

SA Taxi

CEO: Terry Kier, 10-year group tenure

- Headline Earnings: R303 million (▲22%)
- Gross Loans & Advances: R427 million (▲16%)
- Non-Interest Revenue: R25.3% (▲36%)
- Return on Equity: 25.5% (FY16)

Transaction Capital

CEO: David Hurwitz, 12-year group tenure

- Headline Earnings: R577 million (▲26%)
- Headline Per Share: 96.4 CPS
- Total Dividend Per Share: 40 CPS (▲33%)
- Return on Equity: 17.2% (FY16)
- Market Capitalisation: R9.3 billion (▲20%)

Transaction Capital Risk Services

CEO: Dave McAlpin, 9-year group tenure

- Headline Earnings: R233 million (▲22%)
- Purchased Book Debts: R356 million (▲93%)
- Cost-to-Income Ratio: 79.3% (FY16 77.4%)
- Estimated Remaining Collections: R1.7 billion (▲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
Market context
Minibus Taxis

The typical minibus taxi is a 16-seater minibus, typically white in colour. The most common model is the Toyota Quantum Sesfikile.

Taxis operate an unscheduled service on fixed routes. These routes are managed by taxi associations.

Taxis will typically depart from fixed terminals but stop anywhere along their route to pick up and drop off passengers. Passengers hail taxis using hand signals to indicate where they are travelling.

Taxi ranks are hives of activity and market places establish themselves around the ranks to service the commuters.

Fares for each route are determined by regional taxi councils. The fares are affordable as the industry services the lower income population of the country.

Fares are paid in cash. In some areas of the country the taxi owner employs a conductor to manage fares while in other parts of the country passengers themselves manage the cash from all passengers in the vehicle and pass the cash on to the driver.

Key manufacturers’ share of new minibus taxi sales 2017

- Toyota: 76%
- Nissan: 19%
- Mercedes: 5%
Minibus Taxis are the dominant mode of public transport in SA

The public transport system is the primary mode of transport in South Africa and plays an essential part in the daily life of the general South-African population. It is critical in providing the majority of the population access to jobs, education, health and social activities. 40% of South Africans make use of public transport to commute, compared to 38% who use a private vehicle, and 21% who walk.

The majority of these public transport commuters are low income earning individuals. Walking and minibus taxis are the preferred modes of transport for over 50% of the South-African population who earn under R3 000 a month and are unable to afford private transport.

Overall, 67% of those who utilise public transport choose to use minibus taxis. 70% of learners and 68% of workers use minibus taxi’s to commute.

In the face of limited funding over the past three decades and the challenges caused by the legacy of spatial dislocation of the poor, the public transport industry has experienced continued growth. However, South Africa’s public transport is now faced with increasing network inefficiencies due to a rapidly growing urban population and aging infrastructure.

As a core enabler to the country’s economy, an efficient public transport network is a critical catalyst for development and economic growth. Hence investment is required for initiatives that aim to increase and improve efficiencies in the transport network, create sustainable jobs, improve regulations in the industry and further support the growth of black-owned SMEs.

SOURCE | National Land Transport Strategic Framework 2015 | National Household Travel Survey 2013 | Census data 2011
Minibus Taxis are the dominant mode of public transport in SA

The reach of minibus taxis is pervasive and the industry provides a critical service to commuters by integrating with key public transport nodes. The image below illustrates the footprint covered by SA Taxi’s financed vehicles on 28 October 2017.

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

SOURCE: SA Taxi fleet movement on 28 October 2017
Minibus Taxis are integral to daily commuters

While rail and bus networks serve as a trunk service in parallel with minibus taxis, minibus taxis are a key feeder into these services – transporting passengers their first and last mile. This service is critical given the context of South Africa’s low population densities, long travel distances as well as modal and structural inefficiencies. This first and last mile service provides commuters with greater access and convenience. Furthermore, the Department of Transport’s National Land Transport Strategic Framework includes a move to a corridor and node approach which will continue to create demand for integrated feeder services.

The majority of commuters who utilise public transport are heavily reliant on minibus taxis. Usage of minibus taxis has been consistently high throughout the industry’s existence, and shows no sign of declining. Minibus taxi transport is a non-discretionary expense for the majority of the nation’s commuters as they are unable to afford private transport.

- 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

This industry emerged in the early 1960’s with the introduction of pass laws under the Apartheid regime. This brought about the need for an unscheduled transport service for the disadvantaged black community that had been forcibly moved to the outskirts of every commercial hub due to spatial dislocation laws. This industry was considered illegal as it was not recognised or regulated by the Department of Transport.

The South African Black Taxi Association (SABTA), the first national organisation of taxi owners was established and brought together hundreds of local taxi associations. 7 seater vehicles became the dominant vehicle type within the industry, increasing the number of passengers a taxi operator could transport daily.

In the 1970s, prospective minibus taxi operators found a loophole in the Road Transportation Act which allowed them to apply for a road carrier permit and operate legally if they left one seat of a ten-seater empty. This was because any vehicle carrying ten passengers or more for reward was defined in legislation as a bus and was therefore subjected to particular controls. However the department of transport issued very few permits.

The 1954 Chevrolet sedan was the vehicle of choice amongst taxi operators.

The taxi industry was legalised and recognised by government although the number of permits were restricted. The National Taxi Task Team, the first national organisation of taxi owners was established and brought together hundreds of local taxi associations. This brought about the need for an unscheduled transport service for the disadvantaged black community that had been forcibly moved to the outskirts of every commercial hub due to spatial dislocation laws.

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This period saw the introduction of the Taxi industry transformation:
- National Taxi Task Team
- Democratisation process
- Legalisation process

The introduction of the National Land and Transport Act brought about national operating licenses which would replace the previous taxi permits.

The Taxi Recapitalisation Programme (TRP) was launched with the view of formalising the industry by:
- Introducing safer vehicles onto the road
- Registering all taxi operators and their employees
- Improving the data collected within the industry

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The 16 seater vehicle became the preferred and legislated vehicle type. This resulted in the following vehicles becoming the market leaders within the industry:
- Toyota Hi-Ace Super 16
- Nissan E20
- Isuzu Relay

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Dynamics of the Minibus Taxi industry

Unlike other forms of public transport, the minibus taxi industry is unsubsidised by the government. Implementation of a subsidy system has been challenged by the current operating model of the industry, the desire to subsidise the commuter rather than the operator, and the need for a payment system integrated across modes.

Through the National Land Transport Transition Act (NLTTA), government sought to introduce a card cashless system intended to improve regulation, promote inclusion into the formal economy and enable governance. The system was however resisted by taxi owners as it disrupted the industry’s existing business model. The industry has proved to be very difficult to disrupt with card based technology as there are numerous stakeholders with which to align interests.

Association
Taxi operators must first be a part of an association in order to gain access to a route and operating licence.
Taxi operators pay a fee to join an association and which enables the operator to apply for an operating licence.
Taxi associations self regulate the servicing of routes to ensure routes are not over supplied and that minibus taxis can operate profitably. There are currently ~1 200 taxi associations in South Africa.

Route
Associations are awarded the right to operate a route by the provincial regulating entity (PRE) through a registration process.
Route allocations are managed by the Registrar’s Administration System (RAS).
The RAS system registers taxi operators, taxi associations, and details of their operations, including routes. There are ~1 100 RAS route licences in issuance across the country.
The PRE determines the number of operating licences to be issued per route based on an integrated transport plan which considers the spread of scheduled and unscheduled services required across various transport modes.

Operating licence
Operating licences, issued by the Operating License Administration System (OLAS), authorise an operator and vehicle to provide a specified transport service.
To apply, prospective operators must provide the following:
• Association motivation
• Route description details
• Drivers license
• Vehicle registration certificate
• Roadworthy
• Tax registration number.
Licences are tied to an operator, vehicle and route and expire after 7 years, but can be renewed based on roadworthiness, compliance, and a review of the route.
Operating licences can be transferred between operators and are hence tradable. However, the licences do not hold significant value and are not commonly traded.
Recapitalisation drives higher demand for vehicles

The Minibus Taxi fleet requires significant investment in recapitalisation

The minibus taxi fleet is characterised by old and poorly maintained vehicles. In 2006, the government initiated the Taxi Recapitalisation Project (TRP) in a drive to regulate and improve the industry. The initiative was aimed at addressing the ageing fleet within the transportation system.

Of the estimated fleet of 200 000 minibus taxis, the TRP has identified that approximately 135 000 (68%) old and unsafe vehicles would need to be replaced. Due to the slow rate of vehicles being scrapped through the TRP and continual aging the bulk of the minibus taxi fleet still requires replacement in order to meet safety standards.

SA Taxi believes that the best mechanism to drive recapitalisation of the minibus taxi fleet is through economic opportunity and empowerment, rather than through a forced recapitalisation programme. Assisted finance is a critical catalyst in upgrading the minibus taxi infrastructure.

Dynamics of recapitalising the minibus taxi fleet

With only ~15 000 new minibus vehicles estimated to be sold in 2016, it will take approximately 17 years to recapitalise the minibus taxi fleet of 200 000 vehicles. However, the safe working life of a vehicle is expected to be shorter than 17 years.

This indicates that new vehicle sales need to increase substantially in order to adequately recapitalise the fleet to meet National Land Transport Act (NLTA) requirements. Additionally, market sentiment is that the fleet is characterised by already aged and un-roadworthy vehicles, further driving the requirement for new vehicles.

Demand for vehicles exceeds the current supply

The challenge of recapitalising the minibus taxi fleet is exacerbated by a structural shortage in the supply of new vehicles to address this demand. The shortage in supply developed as a result of underinvestment by vehicle manufacturers and a shortage of end user finance. However, in recent years manufacturers have increased investment in the industry, as evidenced by Nissan re-entering the market in 2014.

With demand significantly outstripping supply, financiers are well positioned to impact the industry by applying conservative credit selection and relying upon a liquid second hand market.

New Minibus Taxi sales in South Africa

Toyota is the most prevalent vehicle type in the minibus taxi industry, followed by Nissan.

<table>
<thead>
<tr>
<th>Vehicle type</th>
<th>New Vehicle sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota Sesifikile</td>
<td>~1000/month</td>
</tr>
<tr>
<td>Nissan NV350</td>
<td>~250/month</td>
</tr>
<tr>
<td>Mercedes Sprinter</td>
<td>~70/month</td>
</tr>
</tbody>
</table>
The minibus taxi industry is today the most critical pillar of our public transport sector.

Arrive Alive
SA Taxi is a driving force in the minibus taxi industry

SOUTH AFRICA’S MINIBUS TAXI INDUSTRY

>200 000
Estimated minibus taxis in the industry

SA TAXI’S PORTFOLIO FOR FULL YEAR 2017

23 487 taxi owners owning
28 724 vehicles
Resulting in gross loans and advances of R8.3 billion

7 480 loans originated
comprising of
1 807 pre-owned vehicles and
5 673 new vehicles
Currently originating
>40% of financed vehicles

SOURCE | StatsSA National household travel survey 2013 | The market size is SA Taxi’s best estimate through engagement with the industry and extrapolation of internal data | Transaction Capital Results September 2017

NOTE | Pre-owned vehicles are almost exclusively vehicles that have been recovered by SA Taxi, and have been refurbished, re-sold and re-financed
SA Taxi is positioned in an attractive market

Minibus taxis are the dominant mode of public transport given convenience, accessibility and integration with other modes of transport namely rail and bus.

The minibus industry is a defensive market as public transport is a non-discretionary expense for the majority of the nation’s commuters as they are unable to afford private transport.

Ageing fleet and recapitalisation has led to growth in new and quality refurbished minibus taxis and consequently a need for vehicle finance.

Demand for vehicles is exceeding manufacturers and pre-owned supply which results in superior credit selection and a liquid second hand market.

As a provider of asset-backed developmental credit, SA Taxi is thus positioned in a financing market that is growing in a stable defensive industry where it is able to be selective on credit risk and the financed asset retains its value.
Offering & business model
SA Taxi’s offering for small business entrepreneurs

SA Taxi is a specialist in minibus taxi financing focused on providing capital to taxi owners to build their own business. SA Taxi provide asset-backed financing for the taxi vehicle, an income generating asset, as well as allied services that support these small business entrepreneurs in building sustainable and profitable businesses.

SA Taxi enables and empowers these entrepreneurs as many of them are unable to access capital through traditional finance providers. Through a comprehensive service offering and innovative risk mitigation approach SA Taxi is able to provide asset-backed finance to these small business owners by understanding their actual risk profile and underpinning the asset throughout its economic life.

Leveraging its existing competencies, SA Taxi has recently added other income generating assets to its portfolio namely point to point metered taxis and light delivery vehicles.

### Sales
SA Taxi has established a direct dealership for new and pre-owned taxis

### Motor Insurance
Insurance is specifically tailored for minibus taxi owners offering comprehensive cover

### Credit Life
Various products ensure taxi owners are valued and see additional benefits from the relationship with SA Taxi

### Telematics
Each vehicle financed is fitted with a tracking system that tracks location & mileage of the vehicle

### Panel & repairs
Taximart not only refurbishes repossessed vehicles but now also provides repairs and maintenance

### Value Proposition

**SA Taxi’s value proposition to taxi owners includes:**

- **Access to credit**
  SA Taxi offers credit to underserved taxi owners who are often unable to obtain traditional finance

- **Full business offering**
  When engaging with SA Taxi, taxi owners are able to acquire the vehicle, finance, insurance, car tracking, vehicle servicing and other services required to establish and sustain their taxi business

- **Customer service**
  SA Taxi treats each taxi owner as a business owner and offers a personalised, professional and friendly experience.
SA Taxi was initially established as a finance provider but has subsequently vertically integrated across the financial services and vehicle value chain. Each business element complements the other and has been key to SA Taxi’s success and the empowerment of taxi owners and their businesses. The integrated business model can be illustrated as follows:

**Vertically integrated business model**

Enabling SMEs
- Equity Allocation & Debt Raising
  - Conservatively geared with diversified funders
- Credit Underwriting & Loan Origination
  - Niche credit philosophy

Servicing SMEs
- Insurance
  - Bespoke taxi insurance for financed and non financed customers
- Parts, Repairs & Maintenance Services
  - Estimated to be the biggest buyer of Toyota spare parts in Africa

Managing returns from SMEs
- Collections
  - Call centre collecting >R250m per month
- Logistics & Recoveries
  - Management of fleet and performance
- Refurbishment
  - ~20 000m² refurbishment facility for panel and mechanical refurbishments
- Resale
  - Establishing a liquid market for quality pre-owned vehicles

**Financial Services**
- Used throughout the value chain providing critical insight for business decisions

**Vehicles**
- Dedicated taxi dealership & relationships with affiliates and non-affiliates dealers

**Proprietary Data**

**Client Service**
Vertically integrated business model

FINANCE

INSURANCE

REFURBISHMENT

RETAIL DEALERSHIP

Proprietary telematics data used throughout the value chain

Approved route vs. route actually travelled

Average distance travelled on an hourly basis
Finance is core to SA Taxi’s offering

SA Taxi enters into a credit agreement with each of the taxi owners. These credit agreements are governed by the National Credit Act with (NCA) whom SA Taxi is a registered developmental credit provider. Under the Act, SA Taxi is able to charge interest rates of up to the repo rate plus 27% (currently equating to 34%). SA Taxi remains well within the maximum.

The standardised agreement is an end-to-end offering which also includes insurance, telematics as well as a rewards programme. The underwriting process utilises SA Taxi’s bespoke scorecard that has been developed through historic credit experience which enables SA Taxi to correctly underwrite an underserved taxi owner. As of the 30th September 2017 SA Taxi held a book of ~23 000 unique clients operating 28 724 vehicles which results in approximately 1.2 minibus taxis per client.

<table>
<thead>
<tr>
<th>Typical credit agreement through Taximart</th>
<th>Average monthly instalment</th>
<th>Approval rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoice price (Toyota petrol including delivery)</td>
<td>R 424 914</td>
<td>50% - 60%</td>
</tr>
<tr>
<td>Deposit required</td>
<td>10%</td>
<td>New application approval rates</td>
</tr>
<tr>
<td>Loan value</td>
<td>R382 423</td>
<td>45% - 55%</td>
</tr>
<tr>
<td>Interest charged</td>
<td>24.4%</td>
<td>Pre-owned application approval rates</td>
</tr>
<tr>
<td>Term in months</td>
<td>72</td>
<td></td>
</tr>
<tr>
<td>Origination fee (incl VAT)</td>
<td>R2 964</td>
<td></td>
</tr>
<tr>
<td>Finance instalment</td>
<td>R10 163</td>
<td></td>
</tr>
<tr>
<td>Insurance premium</td>
<td>R2 200</td>
<td></td>
</tr>
<tr>
<td>Telematics fee</td>
<td>R 261</td>
<td></td>
</tr>
<tr>
<td>Administration fee (incl VAT)</td>
<td>R68</td>
<td></td>
</tr>
<tr>
<td>Credit Life</td>
<td>R600</td>
<td></td>
</tr>
<tr>
<td><strong>Total monthly instalment</strong></td>
<td><strong>R13 293</strong></td>
<td></td>
</tr>
</tbody>
</table>

Financial highlights for Full Year September 2017

| 7 480 | 11.3% | 17.1% | 3.2% |
| Vehicle loans originated | Net interest margin | Non-performing loans ratio | Credit loss ratio |

SOURCE | Transaction Capital Result September 2017 | The credit agreement terms and the resulting monthly instalment is based on the average of the existing book
SA Taxi seeks to provide lending within a defensive niche industry

**An Niche Industry**

- A credible Operator
- In a suitable Vehicle
- On a profitable Route
- Managed by a credible Association

SA Taxi’s core business is to extend asset-backed developmental credit to the underserved and emerging SME market. To ensure safe lending practices and maintain manageable risk exposure, SA Taxi has developed its own innovative niche specific credit philosophy and strategy. This approach is built on the proprietary data and industry knowledge amassed over the years, enabling SA Taxi to differentiate between the perceived and actual risk within the minibus taxi industry. This niche specific risk assessment evaluates each taxi owner as a small business and not solely the individual’s credit score.

SA Taxi has established an innovative and efficient credit origination and management platform that is able to assess, originate and manage risks. This platform is continuously improved by incorporating identified trends and insights resulting in enhanced origination and management.

Furthermore SA Taxi’s credit philosophy foundation is appropriate governance that ensures the risk appetite is followed and that all credit decisions are informed. SA Taxi carefully considers the long term impact as well as the short term when modifications are made to originations – this thinking is embedded in the credit team and systems through a thorough understanding of the book and continuous stress testing of possible scenarios.

**Adherence to set risk appetite and risk strategy through appropriate governance**

Assurance through independent audit, monitoring specific risk metrics and effective corporate governance frameworks

**Informed decisions through consistent analysis of the book and originations**

Regular stress testing and evaluation of the book and origination in both the short and long term, embedding scenario based thinking

**Managed by a sustainable credit origination and management platform**

Managing the team and systems that deliver repetitive excellence at high volumes by mastering their required competencies
# Understanding operators’ affordability

## COMPARATIVE MODES OF TRANSPORT

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

<table>
<thead>
<tr>
<th></th>
<th>Taxi</th>
<th>Train</th>
<th>Bus</th>
<th>BRT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accessibility</strong></td>
<td>On route</td>
<td>Station &amp; scheduled</td>
<td>Scheduled stops</td>
<td>Scheduled stops</td>
</tr>
<tr>
<td><strong>Affordability</strong></td>
<td>R13.00 ▲8.3% (from R12 in 2016)</td>
<td>R9.50</td>
<td>R12.20</td>
<td>R13.50</td>
</tr>
<tr>
<td><strong>Reliability</strong></td>
<td>4 associations with ~900 operators</td>
<td>Every 10 to 20 minutes</td>
<td>Only 2 operating on the route</td>
<td>Volume of buses &lt; peak capacity required</td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td><img src="chart1" alt="chart" /></td>
<td><img src="chart2" alt="chart" /></td>
<td><img src="chart3" alt="chart" /></td>
<td><img src="chart4" alt="chart" /></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Taxi</th>
<th>Train</th>
<th>Bus - Eldo</th>
<th>Bus - Greyhound</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accessibility</strong></td>
<td>On route</td>
<td>Station &amp; scheduled</td>
<td>Scheduled stops</td>
<td>Scheduled stops</td>
</tr>
<tr>
<td><strong>Affordability</strong></td>
<td>R290.00 ▲7.4% (from R270 in 2015)</td>
<td>R360.00</td>
<td>R240.00</td>
<td>R390.00</td>
</tr>
<tr>
<td><strong>Reliability</strong></td>
<td>2 associations with ~100 operators</td>
<td>3x per week</td>
<td>5 departures each per day (fewer on a Saturday)</td>
<td></td>
</tr>
<tr>
<td><strong>Preference</strong></td>
<td><img src="chart5" alt="chart" /></td>
<td><img src="chart6" alt="chart" /></td>
<td><img src="chart7" alt="chart" /></td>
<td><img src="chart8" alt="chart" /></td>
</tr>
</tbody>
</table>

### AVERAGE OPERATOR PROFITABILITY

- **SHORT DISTANCE ROUTE**: ~R15 000 PER MONTH (based on SA Taxi’s affordability calculator at origination)
- **LONG DISTANCE ROUTE**: ~R50 000 PER MONTH (based on SA Taxi’s affordability calculator at origination)

**SOURCE**: Industry information | Websites: Metrorail; Bus Rapid Transport; Various bus companies
Premium vehicles financed given their retention of value

SA Taxi’s current financed vehicles per brand as at 30 September 2017

86%  
Toyota

5%  
Nissan

6%  
Mercedes-Benz

3%  
Other

This is predominantly made up of entry level brands financed pre-2013

Recommended retail prices for popular models (excluding extras)

**Toyota Sesfikile**  
R401 300  
This price reflects the retail price for a new petrol unit

**Nissan NV350 Impendulo**  
R396 400

**Mercedes Sprinter 515 Panel**  
R737 000  
This price reflects the retail price for a Mercedes Sprinter 515 Panel van that has been converted into a taxi.

**Premium vehicles retain value**

Key to SA Taxi’s business model and risk mitigation is the retention of value of the asset while it is financed. This graph illustrates Toyota’s ability to retain and even appreciate in value due to higher buy prices.

The graph shows the prices for which new 2010 model Toyota Sesfikile were bought by SA Taxi customers in 2010 and the price 2010 models were subsequently sold in the second hand market by SA Taxi.

SOURCE | SA Taxi internal and market data as of the 30 September 2017 | Brands on book is based on value
Profile of SA Taxi’s customer

DEMOGRAPHICS

- 100% BLACK OWNED SMEs
- 20% WOMEN OWNED SMEs
- 17% UNDER THE AGE OF 35 YEARS
- 46 YEARS AVERAGE AGE OF OWNER

VEHICLES ON BOOK

- 1.2 VEHICLES PER CUSTOMER
- 86% TOYOTA VEHICLES
- 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 PROFIT
- 18% AVERAGE DEPOSIT¹
- 24.4% WEIGHTED AVERAGE INTEREST RATE AT ORIGINATION
- 47 MONTHS WEIGHTED AVERAGE REMAINING TERM
- 59% AVERAGE APPROVAL RATE
- 602 AVERAGE EMPIRICA SCORE

GEOGRAPHIC DISTRIBUTION

- 33% Gauteng
- 21% Kwazulu-Natal
- 12% Western Cape
- 9% Eastern Cape
- 9% Mpumalanga
- 6% Limpopo
- 6% North West
- 3% Free state
- 2% Northern Cape

CREDIT DISTRIBUTION

- Proportion of customer base
  - Average score at which SA Taxi grants finance
  - Score below which traditional banks are unlikely to offer finance

Percentages calculated based on rand value
1. Average deposit on new vehicles
SA Taxi Protect

SA Taxi Protect (Pty) Ltd was established in partnership with Guardrisk to provide the insurance that SA Taxi requires for each vehicle it finances. As such, 100% of all taxis financed by SA Taxi are fully insured, with 88% of taxi owners choosing to insure with SA Taxi Protect and the remainder with other reputable insurers. Additionally, ~4,300 policies are underwritten on ~5,600 non-financed minibus taxis.

SA Taxi Protect is responsible for designing and distributing the insurance product, collecting premiums as well as managing claims including parts procurement and refurbishment. Given these responsibilities, SA Taxi Protect is entitled to the underwriting profits within the cell captive.

SA Taxi Protect has designed bespoke policies to meet taxi owners’ specific needs and includes comprehensive vehicle cover including passenger liability as well as business interruption cover.

Furthermore, the credit agreement enables SA Taxi to pay the premiums on behalf of each client regardless of the client’s arrears status to mitigate risk of non-coverage.

\[
\begin{align*}
\text{~29 000} & \quad \text{~29 000 Vehicles covered} \\
\text{>85%} & \quad \% \text{ of book insured with SA Taxi} \\
\text{>R550m} & \quad >64\% \text{ Gross written premium} \\
\text{>R550m} & \quad \text{Claims ratio}
\end{align*}
\]
SA Taxi Protect’s insurance offering

SA Taxi Protect, a subsidiary of the SA Taxi group is an insurance entity that offers bespoke products tailored for the minibus taxi industry. This entity insures 88% (as at September 2017) of SA Taxi’s client base making this a core offering for the SA Taxi group. These insurance products are also offered to non-financed taxi operators.

**Khusela Taxi Business Insurance**

This insurance policy is offered to taxi operators with a financing agreement with SA Taxi. This policy includes:

- **Comprehensive motor vehicle cover**
  - Accident damage
  - Windscreen damage
  - Theft
  - Hi-jacking
  - Write-offs
  - Fire

- **Instalment protection**
  If the insured taxi is damaged in an accident and is not ready for collection within 7 days of the claim being authorised, Khusela Taxi Business Insurance pays up to 100% of the customers next instalment to the credit provider.

- **Third party, passenger and riot and strike cover**

- **Credit Top Up**
  This is insurance against any outstanding debt accrued in a previous credit agreement.

**Khusela Credit Life**

This insurance policy is offered to all taxi operators with a financing agreement with SA Taxi. It is an optional product for non-financed client. This policy includes:

- Death pay-out
- Permanent disability pay-out
- Temporary disability pay-out

**Additional benefits**

- **Deposit Protect**
  This policy pays the taxi operator the deposit they put down on their stolen or written off vehicle.

- **Zero Excess**
  This policy is taken up by taxi operators looking to manage their cash flow in the evident of a claim, as they are not required to pay any excess.

- **Complimentary benefits**
  - 24 Hour Accident Assist Towing
  - Tracking Device for financed clients
  - New Taxi Substitution for financed clients

**Khusela Taxi Insurance**

This insurance policy is offered to taxi operators not financed with SA Taxi. This policy includes:

- **Comprehensive motor vehicle cover**
- **Third party, passenger and riot and strike cover**
- **The option to take-up, Business Protect*, Deposit Protect, Zero Excess and Credit Top up.**

*Business Protect

This policy covers business interruptions that may be caused due to repairs. This policy pays out R400 a day for up to 20 days while the taxi is being repaired.
SA Taxi Direct

SA Taxi established their own direct dealership in 2015, SA Taxi Direct, which sells both new and pre-owned premium taxis.

Due to strong relationships with Toyota, SA Taxi is allocated approximately 50 new Toyota Ses’fikile vehicles per month to sell alongside the pre-owned vehicles.

This channel offers SA Taxi greater returns on the entire vehicle deal and provides a profitable and reliable marketplace for sale of refurbished vehicles due to the following factors:

- **Margin off sale**
  SA Taxi is able to realise a considerable margin on the sale as the transaction occurs on their own dealership and the pre-owned vehicles have been through Taximart

- **Better credit risk screening**
  Since SA Taxi has greater control and line of sight of the interaction that occurs at the point of sale, it is able to ask the required questions to achieve a better credit risk screening

- **Insurance take up is higher**
  SA Taxi’s credited sales agent can provide customers with key insights on the value of insuring their vehicle resulting in a higher insurance take up

<p>| | |</p>
<table>
<thead>
<tr>
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<th></th>
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<tbody>
<tr>
<td><strong>Vehicles sold</strong></td>
<td><strong>Margin on</strong></td>
</tr>
<tr>
<td><strong>per month</strong></td>
<td><strong>vehicles sold</strong></td>
</tr>
<tr>
<td><strong>through the dealership</strong></td>
<td><strong>6-9%</strong></td>
</tr>
<tr>
<td><strong>120-150</strong></td>
<td><strong>50</strong></td>
</tr>
<tr>
<td><strong>50</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Toyota new vehicle allocation</strong></td>
<td></td>
</tr>
<tr>
<td><strong>40-60</strong></td>
<td><strong>6-9%</strong></td>
</tr>
<tr>
<td><strong>Pre-owned vehicles sold per month</strong></td>
<td></td>
</tr>
</tbody>
</table>
Distribution channels

SA Taxi’s head office, located in Midrand Johannesburg, acts as the centralised administration centre for all distribution channels. A secondary office has been established in Durban in order to sufficiently service the large minibus taxi market within that metropolitan area. Origination processes and decisions such as credit evaluations are all undertaken at the head office and then fed down to each respective distribution channel, this centralised network allows for greater efficiencies and enables scale as SA Taxi continues to expand its footprint. Three key distribution channels are utilised which are badged affiliated dealers, non-affiliated dealers and SA Taxi’s own direct channel.

**Direct**
SA Taxi’s direct sales channel targets customers through two approaches. The first is telephonically - a team of FAIS-accredited telesales agents use SA Taxi’s existing customer base as a growth engine. This approach targets performing customers to whom SA Taxi would like to extend additional vehicles.

The second approach is through SA Taxi Direct, which is SA Taxi’s own dealership based in Midrand in which potential customers can come view and apply for new or pre-owned minibus taxis. This channel is the most profitable and as at the end of September 2017, this channel constituted 23% of SA Taxi’s new sales.

**Affiliated dealers**
Historically SA Taxi’s sales strategy focused on this particular distribution channel which has led to it contributing to 40% of SA Taxi’s total originations.

SA Taxi have established solid relationships with the premium brand affiliated dealerships, specifically with Toyota - who are the dominant players within the industry.

**Non-affiliated dealers**
The non-affiliated market channel is dominated by a few independent dealers who stock the full range of taxi vehicles, including entry level vehicles.

The relationships established by SA Taxi with these dealers are a barrier to entry for competitors. Given that of 37% of originations are from this channel, SA Taxi continues to foster these relationships to enjoy the support of these non-affiliated channel.

**FY 2017 Sales**

- **Direct**
  - ~1 700
  - Sales through direct sales

- **Affiliated dealers**
  - ~3 000
  - Sales through affiliated dealers

- **Non-affiliated dealers**
  - ~2 700
  - Sales through non-affiliated dealers

*SOURCE: SA Taxi internal and market data as of the 30 September 2017*
Taximart

Taximart is a subsidiary of SA Taxi, which was created in 2009 to receive and refurbish primarily repossessed minibus taxis in the secondary market and improve SA Taxi’s recoveries.

Taximart services now include a range of repair and maintenance services that ensure taxi owners’ vehicles are repaired timeously and are back on the road as soon as possible.

Taximart’s ability to refurbish and resale has enabled SA Taxi to reduce their loss ratios as SA Taxi can now recover a significant percentage of the loan value of repossessed vehicle loans. This has been achieved through reducing costs, improving turnaround times, improving product quality and providing higher returns than auction prices. Taximart has also led to reduced insurance cost of claims.

The efficiencies created through Taximart arise from the following:

- Economies of scale;
- Focus on a narrow product line (including only white vehicles) allows for specialisation;
- Bulk procurement power; and
- Time saved by controlling the entire process in-house.

Training is also paramount, dedicated Toyota, Nissan and Mercedes training centres have been established, where staff are equipped with the necessary knowledge and knowhow to effect our vision of quality and efficiency.
Proprietary data provides critical insight for decisions

Telematic data used throughout the value chain

Through its strong competency in telematics and its longstanding experience in the industry SA Taxi has accumulated rich proprietary data. This enables the company to accurately assess the actual risk of potential customers. Due to the informal nature of the industry there is a high degree of perceived risk.

Each vehicle is fitted with a tracking device which not only provides information on mileage and location but also provides insights on the following aspects in the value chain:

- **Origination**
  Data collected is fed into the credit vetting process allowing SA Taxi to better understand credit risk and route profitability

- **Collections**
  Data is used to obtain an understanding of the how the minibus taxi is operating before collection action is take. This background informs how collection agents interact with the taxi owner.

- **Insurance**
  Historical data is used to bolster the accuracy in pricing a taxi owner’s insurance risk as well as to identify when there is a lack of movement which could indicate an insurance claim

- **Repossessions**
  Live location data along with a driver’s historical data are utilised in aiding the repossession process

- **Service offering to the client**
  Data is provided to the taxi owner, enabling them to gain a greater understanding of their business operations and further empowering them as business owners

The cost of the tracking service is included in the credit agreement.

SOURCE: SA Taxi Telematics data
Proprietary data enables key functions across SA Taxi’s value chain

Vehicle supply & sales

Proprietary data informs SA Taxi Direct sales by taking into account the following insights:

- Existing customers buying patterns and preferences and the market demand seen from affiliates and non affiliates sales
- Successful campaigns and in which areas
- Performance and profitability of the different types of vehicles financed by SA Taxi
- Repairs costs per vehicle type
- Geographic distribution of activity across the industry

Insurance

Extensive data on the current client base, insights from past insurance incidents, the risks associated with vehicle type, area of operation and insights about the allocated route are used by SA Taxi Protect to bolster the accuracy in pricing a taxi operator’s insurance risk and predict when there is activity that could indicate an insurance claim insurance.

The image on the right highlights an area in which there is an illegal business which disassembles stolen automobiles for the purpose of selling them as parts. An SA Taxi vehicle entering this area would raise an insurance alert.

Originations

Proprietary data is used to further understand an applicant’s credit risk. The following data points are examples of insights taken into consideration when assessing a new applicant:

- Profitability of the route allocated as SA Taxi has gained knowledge on the actual route travelled vs the approved route
- Risks and credit performance of operators on that route from previous customers
- Profitability given on the type of customer in their given location
- Payment performance of repeat customers

Media

Through telematics, SA Taxi is capable of running highly focused marketing campaigns at mass volume by providing companies space to advertise on taxi’s and while track the advert’s reach.

This image is an example of the reach a previous customer achieved through adverts on minibus taxis.
Proprietary data enables key functions across SA Taxi’s value chain

**Collections**

SA Taxi is able to predict potential imminent non performance of a loan based on telematics data linked to credit performance data. This enables the collections team to initiate proactive and preventative action to support the taxi owner and hence ensure performance of the loan.

A few predictive identifiers of non performance are:
- A decrease in kilometres travelled in comparison to usual operations
- Stationary vehicle during normal operating hours
- Vehicle entering an identified high risk area

This operating data provides the collection agent with relevant background on the state of the taxi owner and informs the best corrective action and to distinguish between a client’s inability to pay versus their unwillingness to pay.

**Repossessions**

Aside from being able to track the live location of the vehicle, recovery teams are able to access the full details of the taxi owner and the vehicle. This helps the team to identify the best time and location to recover the vehicle. The data gives an indication of the current condition of the vehicle, enabling the recovery agents to expediently predict the repair costs of the vehicle.

**Offering to taxi owners**

SA Taxi’s mobile self help application allows the taxi owner to easily access all of his information. Data is provided to the taxi owner, enabling key insights into their business and increase productivity. Metrics available to the taxi owners are:
- Trip profitability analysis
- Mileage travelled against benchmark
- Driver behavior against benchmark
- Fuel efficiency indicator
- Activity of vehicle against benchmark
- Service alerts
- License renewal alert

**Finance**

Proprietary data aids the finance team to accurately provision for expected loss by providing key trend analysis that aids in predicting factors including:
- Probability of default based on client activity and performance
- Associated repair costs based on the condition of the vehicle
- Predicted cost recovery
SA Taxi focuses on customer experience

SA Taxi prides itself on valuing each taxi owner as a business owner and offers a personalised, professional and friendly experience. SA Taxi have a dedicated trained and experienced call and service centre equipped to service nearly 23 500 taxi owners. Customer service is a key pillar of SA Taxi and the focus is on nurturing as many promoters of SA Taxi – loyal customers who will keep buying and referring others.

**Philosophy**

SA Taxi’s complaints management process involves the practice of investigating queries and grievances received from customers on the following platforms:

- Face to Face
- Social Media
- Telephonic
- Email
- Fax
- Hello Peter

Once a full root cause is established, recommendations are made to the relevant team. It is the responsibility of the Compliance Department to deal with client protection principles. For these grievances, the complainant has a number of channels through which he/she is able to lodge their case namely:

- National Credit Regulator
- Credit ombudsman
- FAIS ombudsman
- Short term insurance ombudsman

SA Taxi receives on average 28 grievances per month of which the majority are timeously resolved (98%). Grievances often relate to communication and unprofessionalism. These cases are however resolved internally through the Customer Services department or closed once supporting evidence is given to the complainant’s representative.
SA Taxi’s competitive landscape
The minibus taxi financing landscape is a niche market with very few participants opting to enter due to the perceived risk of its client base. While SA Taxi is the only dedicated taxi financier, there are other players in the market who may not specialise in taxi financing but have incidentally provided finance to taxi owners.

**Banks**

The traditional South African banks such as Absa, Wesbank (FNB), Nedbank & Standard Bank dominate the vehicle asset financing market, however, some of the banks have been reluctant participants in the minibus taxi industry. This is primarily due to:

- The banks have limited industry experience and a lack of available data on this target market which makes it difficult to manage and price risk.
- In order to manage the credit risk associated with minibus taxi financing, the banks would need to specialise, via significant investment to vertically integrate into the vehicle value chain. Given the relative size of the banks’ minibus taxi book, it does not make economic sense to vertically integrate for such a small part of their whole book.
- The minibus taxi market is small in comparison to the banks’ overall vehicle finance portfolio, rendering the absolute return insignificant, specifically in relation to the investment and effort required.

Given these factors, some of the banks’ appetite for financing minibus taxis to date has been inconsistent and has not matched the industry’s constant demand. Furthermore, many of these banks are currently SA Taxi’s funding partners providing wholesale funding which allows these banks to invest in a niche market without the specialisation required to realise the return.

**Automotive OEM Financial Services**

Automotive original equipment manufacturers (OEMs) such as Toyota who have partnered with Wesbank to set up their own financial services offering. However, similar to the banks these financiers have such a wide product range that minibus taxis comprise a small percentage of their financing book.

**Other taxi financiers**

The Industrial Development Corporation (IDC) in partnership with Beijing Automobile Works (BAW), a Chinese OEM, have a joint venture that focuses on the limited production of Chinese vehicles but also offers financing. This does not directly compete with SA Taxi as it is a different market segment. SA Taxi only finances Toyota, Nissan and Mercedes given their superior mechanical quality and not the Chinese vehicles as they have historically proven not to last the term of loan and attract a less experienced operator.

Micro-lenders are unlikely to finance taxi owners as in South Africa these lenders are typically unable to advance loans of this size or duration. These micro-lenders also require their clients to be formally employed and their loans are priced much higher, further rendering them unlikely to enter the minibus taxi market.

**Minibus taxi insurers in South Africa**

The minibus taxi insurance landscape is also very niche with three main players that offer a taxi offering, of which SA Taxi Protect is one.

The minibus taxi insurance landscape is also very niche with three main players that offer a taxi offering, of which SA Taxi Protect is one.
Participants within the minibus taxi industry are characterised as underserved SME taxi owners. These taxi owners are typically self-employed entrepreneurs and SMEs and are hence the typical client profile of SA Taxi’s book.

Following this, it is estimated 90% of SA Taxi’s client base is considered unlikely to be able to gain access to traditional finance, which has resulted in SA Taxi being seen as the preferred lender within this underserved market.

SA Taxi are able to finance this market given the holistic view of the credit granted - assessing not only the individual but carefully considering the vehicle, route profitability and related association too.

**SA Taxi credit assessment**

Based in an in-depth understanding of the market, SA Taxi has a holistic approach to assessing credit risk.

SA Taxi’s lending model considers a broad range of data points in its credit decisioning process. The rating of an applicant considers a number of factors including credit bureau data, route profitability, affiliation with credible taxi associations, the type of vehicle being financed and its retention of value. In this way SA Taxi assesses the credit worthiness of the SME business as opposed to simply an individual’s credit rating, and allows SA Taxi to provide finance to a market underserved by traditional banks.

SA Taxi also only finances limited types of vehicles creating significant efficiencies throughout the vehicle life cycle.

**Traditional financiers**

Due to their origination requirements, banks are unable to provide financial access to this target market as the perceived risk associated with this group acts as a key deterrent.

These financial institutions tend to only finance individuals who are formally employed or have an alternative or secondary formal income as well as a credit history. Typically these applicants have previously been included in the formal financial system.

Additionally, OEMs rely on bank risk rating criteria when providing finance, meaning that the underserved would remain excluded through this channel.

**Traditional financiers’ credit assessment**

Traditional financiers rely on a comparatively generic set of criteria when assessing credit risk as their credit criteria needs to apply to their entire VAF book.

The banks’ lending models are characteristically more rigid requiring the individual being financed to furnish payslips and proof of employment as well as a formal lengthy credit history. However, the majority of minibus taxi operators are unable to meet these requirements as they are self-employed entrepreneurs or SMEs and consequently do not qualify for bank credit. SA Taxi has developed the methodology to accurately quantify the risk of these applicants without the need for such documentation.
SA Taxi serves a different client segment to traditional financiers

**Credit profile**

**SA Taxi**

SA Taxi will look to move up the credit profile continuum of customers as it’s systems and processes are built for scale.

SA Taxi’s positioning

- No credit history
- Full credit history

**Vertical integration**

SA Taxi has achieved vertical integration by developing competence throughout the financial services value chain as well as the vehicle value chain, maximising margin and managing risk to an appropriate level throughout. Significant investments in the dealership, refurbishments and panel facilities, has enabled SA Taxi to:

- build up expertise in the value chain resulting in cost savings shared with taxi owners including the cost of claims
- focus on process efficiencies to ensure the vehicle is back on the road as quickly as possible
- extend the life of the income generating financed asset through repossessions, refurbishment and resale, mitigating risk.

**Tailored customer service**

SA Taxi seeks to be the preferred provider of financial services to taxi owners through a detailed understanding of their needs, superior assessment and response to the taxi owners credit capacity. SA Taxi delivers exceptional private bank type service focussing on administrative speed and efficiency driven by improved information systems, structures, processes and controls.

SA Taxi also provides taxi owners with value added services such as mobile repair centres and self help mobile applications.

**Proprietary data**

SA Taxi’s proprietary data on the minibus industry and taxi operators has been collected and collated over a number of years. The insights from this proprietary data allows for enhanced credit risk assessment and collections capabilities. This enables the company to accurately manage the risk it brings onto its book, and also to mitigate the risk inherent in the market it serves.

**Credit profile**

**Traditional financiers**

Traditional financiers are unlikely to move down the credit profile continuum of clients given the focus and investment required to profitably service this niche market.

Traditional’s positioning

- No credit history
- Full credit history

**No integration into vehicle value chain**

Banks tend to vertically integrate down the financial services chain value but not into the vehicle value chain given the investment and focus required. Furthermore, given the relative size of the banks’ minibus taxi book it does not make economical sense to vertically integrate for such a small part of their whole book. As illustrated below, the traditionals have large asset financing books of which vehicles are estimated to be the dominant form of lending. Given the size of these books, it is expected that minibus taxis would make up a small percentage of the total book.

**Value of vehicle asset financing gross loans & advances – December 2016**

<table>
<thead>
<tr>
<th>Wesbank</th>
<th>Nedbank</th>
<th>Standard Bank</th>
<th>ABSA</th>
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<tbody>
<tr>
<td>R132bn</td>
<td>R85bn</td>
<td>R86bn</td>
<td>R94bn</td>
</tr>
</tbody>
</table>

**Generic customer service**

Due to the banks’ generic credit application process across all its types of vehicle financing and the lack of specialist understanding of the requirement of minibus taxi owners, their customer service is dissimilar from the experience at SA Taxi. Traditionals are also often unable to assist SMEs with non-financed related services such as panel repairs and refurbishment given the lack of integration as explained above.

**General industry knowledge**

Given the range of vehicles financed by the traditional financiers, the data they will unlikely be niche specific and of a more general nature.
SA Taxi’s competitive advantage

SA Taxi has created a robust competitive advantage through vertical integration, risk mitigation, focus, specialisation and innovation. This competitive advantage has created significant barriers to entry for competitors and made it difficult to emulate SA Taxi’s success. Competitors have been reluctant to enter the minibus taxi market as it is a challenging asset class to fund. A comprehensive vertical investment into the value chain is required in order to be able to manage the highly specific risks posed by the minibus taxi industry.

SA Taxi’s competitive advantage can thus be summarised as follows:

- **Maximising value** through vertical integration in multiple value chains
  - SA Taxi has developed deep specialisation and competence throughout the financial services value chain as well as the vehicle value chain, optimising margin throughout.

- **Extending the life** of the financed asset through refurbishment and repairs
  - Through significant investments in refurbishments and panel facilities, SA Taxi is able to extend the life of the income generating financed asset through repossession, refurbishment and resale, mitigating risk.

- **Underpinning the financed asset** through a liquid second hand market which retains value
  - SA Taxi has underpinned the financed asset by establishing a liquid second hand market through supplying and creating demand for quality refurbished vehicles.

- **Achieving efficiencies** through scale in limited vehicle types
  - SA Taxi has gained significant scale in a market distinguished by limited vehicle types - resulting in innovation and efficiencies throughout the asset value chain.

- **Assessing risks accurately** based on proprietary data
  - SA Taxi is able to profitably price credit and insurance risk by augmenting deep market insight gained through years of experience, proprietary telematics data (both industry & granular route insight) and strong stakeholder relationships.
SA Taxi’s impact 05
SA Taxi is positioned to make positive impact

As the primary form of public transport in South Africa, the minibus taxi industry has a significant impact on the environment, society and the economy. SA Taxi’s unique market position enhances its ability to have a meaningful impact through inclusive economic growth and responsible environmental initiatives.

**Financial inclusion**

The minibus taxi industry is almost exclusively comprised of black individuals who are underserved by traditional credit providers.

SA Taxi fills a critical funding gap, providing credit to entrepreneurs who would otherwise be excluded from the formal economy.

**SME empowerment**

As highlighted, minibus taxis are an integral part of the South African public transport infrastructure in addition to servicing the rail and bus system.

Currently SA Taxi finances over 28,000 minibus taxis in an estimated market of 200,000 representing a significant contribution to not only the industry but also public transport.

**Sustainable job creation**

Since inception, SA Taxi has facilitated the creation of over 64,000 black-owned SMEs through providing access to financing an income generating asset, a taxi. SA Taxi’s comprehensive offering supports a variety of taxi owners’ business needs.

SA Taxi further provides limited small business training, financial management courses and self help tools to SME owners.

**Public transport infrastructure**

Each minibus taxi financed by SA Taxi has a ripple effect for job creation. Minibus taxi businesses create direct employment for drivers and conductors whilst providing a livelihood for the taxi owner.

Indirectly, minibus taxi nodes create a central marketplaces of goods and services where informal businesses including retail, food and car washers thrive. Further jobs are created due to the need for ancillary services such as mechanics.

**Environmental sustainability**

SA Taxi is aware of its carbon footprint and has initiatives to minimise its impact. It enables the replacement of aged vehicles with reduced emission vehicles as well as extending the useful life of vehicles through refurbishment.

SA Taxi also aims to offset its carbon footprint through reforestation, community greening and other carbon offset initiatives, responsible disposal of waste and ensuring efficient energy usage in facilities.
SA Taxi facilitates financial inclusion

SA Taxi provides essential financial services to underserved small businesses

SA Taxi fills a critical funding gap, providing credit to entrepreneurs who would otherwise be excluded from the formal economy given their credit profiles. With approximately 12 million South Africans classified as unbanked, this large portion of the population is exposed to a very limited number of channels in which to access capital from. Low credit-rated individuals are less likely to service their loans consistently, and hence are excluded by many commercial financial institutions.

Financial inclusion financing is often targeted at the consumer rather than sustainable business. This type of funding, such as unsecured lending, while promoting financial inclusion, has a negative contribution to the consumer’s net wealth. In contrast, through financing an income producing asset and ensuring that the profits generated by the asset are substantial enough to pay off the financing as well as to yield a living for the owner SA Taxi creates a positive impact on both financial inclusion and the building of clients’ net wealth.

As illustrated, SA Taxi has successfully extended credit to individuals who fall outside of the requirements of traditional credit providers. Assuming that individuals with an Empirica score of under 640 are unlikely to obtain credit from a traditional credit provider this means that 90% of the individuals that SA Taxi finances would be unable to get finance from a commercial institution.

SA Taxi’s continually improving credit loss and non-performing loan ratios in light of a consistent customer credit score are evidence of SA Taxi’s thorough and informed understanding of the actual risk of these underserved individuals. This twinned with SA Taxi’s extensive experience, proprietary data, vertical integration and all encompassing business offering has resulted in sustainable, responsible and successful lending and small business development.

~90%
Proportion of SA Taxi customers classified as previously financially excluded and under-banked

SOURCE: The World Bank Group, South Africa economic update, Focus on financial inclusion
NOTE: * Based on an assumption that an individual with an Empirica score of under 640 would unlikely be able to obtain traditional access to credit including thin file customers | Distribution graph of SA Taxi’s book’s Empirica score excludes thin file customers
Creating sustainable jobs and empowering SMEs

The minibus taxi industry offers an opportunity for individuals to establish their own SMEs. This industry in itself has an eco-system where each minibus taxi placed on the road has a direct and indirect implication on job creation. According to the Department of Transport, the taxi industry as a whole has enabled over 960 000 direct and indirect jobs.

**Job creation**

| Direct | The Department of Transport has identified approximately 360 000 jobs that are directly enabled by the minibus taxis in operation. Assuming a market size of 200 000, this would result in 1.8 jobs created per taxi which would include drivers and conductors. This extrapolated over ~27 000 vehicles financed by SA Taxi results in approximately 48 000 direct jobs sustained by SA Taxi. Furthermore, SA Taxi currently employs 875 staff and invests in their continued upskilling and empowerment. |
| Taxi hubs | Minibus taxis operate out of nodes which are in numerous locations and operate as central points for commuters to access them. The large volume of commuters has attracted a variety of service providers, thereby converting these nodes into informal market places where a variety of textiles, food, beverages, and car wash services are offered. These nodes are thus burgeoning business hubs that offer a variety of employment opportunities. |
| Indirect | There are a number of services that support the minibus taxi industry. For example, minibus taxis require maintenance and repairs services and car washing services. The South African Department of Transport estimates that approximately 600 000 indirect jobs are enabled by the minibus taxi industry. |

**SME empowerment**

SA Taxi prides itself in adding value to its customers through additional services. This has a mutual benefit of ensuring that customers maintain servicing their loans and promote sustainability of the SMEs and the related jobs. SA Taxi’s financing activities are an important catalyst for empowerment and development of start-up SMEs in South Africa.

SA Taxi has facilitated the creation of over 50 000 black-owned SMEs that typically could not gain access to finance from traditional lenders. It further provides a means of empowering females and the unskilled youth to be able to enter the formal economy.

Additional services to our clients in order to increase their success including bespoke insurance, repairs, telematics and self help tools (including vehicle analytics and peer comparisons) and limited small business training.

| ~1.8 | ~116 000 | ~190 000 |
| Direct jobs per taxi vehicle | Estimated direct jobs created by SA Taxi’s fleet since 2008 | Estimated indirect jobs sustained by SA Taxi’s fleet since 2008 |

**SOURCE** | Department of Transport Minister Dipuo Peters addresses at National Council of Provinces Budget Vote debate NCOP 2014/15 | SA Taxi’s taxi owners as at Sept 2017 | SMEs empowered is considered to be those who have settled their loans as well as those currently on book
SA Taxi supports a broad range of entrepreneurs

Mr Ntshangase
Taxi Driver for 6 years before becoming a taxi owner

Mr Moabi
Taxi driver for 8 years before becoming a taxi owner

Mr Rabothata
Entered the taxi industry in 2008 and currently owns 5 minibus taxi vehicles

Ms Kubeka
Entered the taxi industry through her father

Mr Ndzamba
Taxi driver for 3 years before becoming a taxi owner

Mrs Tlometsana
Inherited her taxi business from her late husband
<table>
<thead>
<tr>
<th>Infrastructure needs</th>
<th>Minibus taxi industry</th>
<th>SA Taxi’s contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reliability and accessibility</strong></td>
<td>The reach of minibus taxis is pervasive and extends across all of South Africa including areas that would not otherwise have access to transportation services. The majority of South Africans can access a minibus taxi within a 5 minute walk from home.</td>
<td>Through its core business of providing development capital to the underserved, SA Taxi enables growth in the minibus taxi industry, ensuring that the industry is able to meet the demands of a growing population. SA Taxi originated over 6 800 new loans in the last financial year.</td>
</tr>
<tr>
<td><strong>Safety and efficiency</strong></td>
<td>Roadworthiness of minibus taxis is a significant contributor to the poor safety record of the minibus taxi industry. In addition, old and poorly maintained vehicles have higher emissions than newer vehicles.</td>
<td>SA Taxi’s operations improve the roadworthiness of minibus taxis on South Africa’s roads. This is done through replacing old vehicles with new quality vehicles, providing insurance and panel repair facilities and refurbishing vehicles. Replacing old vehicles also decreases the carbon emissions of the minibus taxi industry.</td>
</tr>
<tr>
<td><strong>Investment</strong></td>
<td>The time and investment required to extend or construct a new rail or bus network is significant. By contrast, minibus taxis are able to organically adapt to changing demand and operate without significant government funding. Further, minibuses do not require a large critical mass to be able to service a route.</td>
<td>SA Taxi originated over 7 400 new loans in 2017, and has enabled over 42 000 small business entrepreneurs to date. By reducing the barriers to entry for small business entrepreneurs, SA Taxi empowers the minibus taxi industry to react agilely to its dynamic environment. SA Taxi supports the longevity of the minibus taxi industry through vertical investment into the industry, integrating the industry into infrastructure, and providing new technology.</td>
</tr>
<tr>
<td><strong>Regulation</strong></td>
<td>Given the minibus taxi industry’s roots in the informal sector the industry is consequently largely self-regulated, a structure which has proved sustainable to date. The minibus taxi industry does however have a legislative framework that includes standards such as vehicle specifications, minimum wages, hours of work and termination of employment, but these are often poorly enforced. Implementation of these standards is required to address safety and efficiency in the industry.</td>
<td>Through the loan origination process, taxi operators must show possession of a valid operating permit and affiliation with a taxi association. The specifications of SA Taxi’s financed vehicles exceed regulatory requirements. As a result, SA Taxi’s growing client base drives compliance with industry regulations. SA Taxi also plays a significant role in incorporating informal cash flow into the formal economy.</td>
</tr>
<tr>
<td><strong>Measurement</strong></td>
<td>Due to the informal nature of the industry, there is very limited data available on the minibus taxi industry, particular driver profiles, how many vehicles are in operation, and the routes these vehicles operate.</td>
<td>SA Taxi has a wealth of information on minibus taxi operators and how and where taxi drivers operate. The result is a rich source of data and a view into an otherwise poorly understood industry. This helps improve the transparency and accountability of the industry. Adjacently, SA Taxi’s data on the patterns of mass transport could be of great use to town planners and other applications.</td>
</tr>
</tbody>
</table>
## Initiatives that support sustainable growth within the economy

To drive SME development and sustainable growth, SA Taxi has established the SA Taxi Enterprise and Supplier Development initiative. The initiative comprises three themes: supplier development, business incubation and customer development.

### Supplier development

The economic landscape within South Africa reflects a requirement for SME development in order to fuel the growth of the economy. In the developed world SMEs are the largest employers and therefore to fuel SME development is to promote sustainable growth.

In recognition of this SA Taxi has implemented a supplier development project which coordinates and manages the development and support of existing and new qualifying suppliers. The intention is to grow the competitiveness of SA Taxi’s supply chain, ensure the diversity of our supplier pool, while at the same time being catalyst to SME growth and development.

One notable beneficiary of the supplier development initiatives is Smart Seat.

### Customer development

SA Taxi prides itself on providing financing for the establishment of SMEs. The customer development initiative has three tiers: education, business support, and business growth.

The education tier addresses knowledge gaps in the industry through and credit and regulatory awareness workshops.

Business support initiatives centre around operational support and financial support through business coaching and facilities support.

The growth tier provides business incubation and coaching on diversifying the business portfolio and accessing support funding.

<table>
<thead>
<tr>
<th>Supplier development initiatives</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Smart Seat employees dedicated to SA Taxi work</td>
<td>31</td>
</tr>
<tr>
<td>Number of seat sets covered per month</td>
<td>~160</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer development initiatives</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of customers</td>
<td>23,487</td>
</tr>
<tr>
<td>Number of SME’s</td>
<td>28,724</td>
</tr>
</tbody>
</table>
SA Taxi has a positive impact on transport emissions reduction

Climate change is among the most challenging problems facing society today and presents a critical threat to food, water and energy security globally. The economic effects of climate change tend to affect the poor most, as food and energy prices increase. Conscious of its environment and its impact on it, SA Taxi seeks to maximise its responsibility towards environmental sustainability. SA Taxi’s impact on the environment is driven on two levels - a leveraged impact through the minibus taxi industry, and a direct impact through its business operations.

Given its position in the market, SA Taxi plays a key role in reducing the carbon footprint created by the South African minibus taxi industry. The industry faces many challenges in improving its environmental impact. As highlighted earlier, the minibus taxi fleet in South Africa is aging and consequently greenhouse gas emissions are high. SA Taxi contributes to reducing the carbon footprint of the minibus taxi industry through two primary levers.

1. Modernising the minibus taxi fleet – reducing greenhouse gas emissions
2. Extending the life of vehicles – reducing the burden of waste

Additionally, the business has reduced carbon emission though carbon neutralisation investments. A study into the efficacy of compressed natural gas (CNG) vehicles has also been conducted as well as measurement of the impact of SA Taxi’s current primary levers, for the period 2010 to 2020. The finding of this study, presented below, indicate that SA Taxi contributes between 0.35% – 1.27% of the full mitigation potential identified in improved Internal Combustion Engine (ICE) fuel efficiency for South Africa.

Mitigation Case 1:
Improved fuel efficiency due to vehicle refurbishments

Forecast emissions abatement (2010-2020) 30 139 tCO₂e

Mitigation Case 2:
Improved fuel efficiency due to SA Taxi financed new vehicles replacing old vehicles

Forecast emissions abatement (2010-2020) 221 929 tCO₂e

Mitigation Case 3:
Reduced emissions associated with the potential introduction of 10 CNG vehicles per year

Forecast emissions abatement (2010-2020) 1 356 tCO₂e

SA Taxi continues to investigate the feasibility of greener vehicles such as CNG converted vehicles. However, currently the national transport infrastructure is poorly equipped to deliver products and services such as CNG filling stations and electric vehicle charging stations to enable these forms of technology to be rolled out on a large scale.

SOURCE | ERM Analytics Study 2015 | SHIP EIA 2016 | Note* Forest carbon abatement figures range substantially (from a minimum abatement of 89 tCO₂e to a maximum of 678 tCO₂e). Hence the figures quoted are conservative, based on a low mitigation case and moderate autonomous efficiency factor. Please see ERM report for detailed findings.
SA Taxi initiatives for sustainable development

SA Taxi is focused on promoting environmental and social sustainability through its business operations

SA Taxi implements initiatives as part of its business operations to mitigate its impact on the environment. These initiatives are centred around three specific themes namely sustainable consumption, responsible waste disposal, and carbon neutralisation.

### Sustainable consumption

SA Taxi operates in an industry that poses environmental threats. SA Taxi has thus implemented measures to counteract this as part of its operational premises:

- Grey water collection systems have been installed for recycling water.
- Energy Efficient light management is used within the buildings.
- The Taximart warehouse introduced Solar panels.

SA Taxi also supports industry Enterprise Development Initiatives:

- Supporting the “Go Green” initiatives of the Taxi Industry.

### Responsible waste disposal

During the refurbishment process by Taximart waste is generated as parts are assessed and determined to be un-useable.

Major recycling initiatives include:

- Responsible disposal of used tyres in relation to Redisa legislation.
- Converting used oil into mechanical grease.
- Converting plastics into bed-bases.

100% of waste resulting from SA Taxi’s direct operation is recycled.

### Carbon neutralisation

SA Taxi provides support to projects which promote environmental stability in order to offset the carbon emissions resulting from its operations.

- Partnership with Greenpop to combat CO₂ emissions resulting in 6 000 trees planted in 2015 based on the “1 taxi 1 tree” campaign.
- In schools and underserved communities supporting food gardens and fruit tree planting initiatives.
- Compressed natural gas (CNG) study: More than 100 SA Taxi minibus taxi’s have been converted to CNG reducing CO₂ and greenhouse gas emissions.

SA Taxi has begun the process of aligning itself to global initiatives centred around responsible investing and sustainable development. These programs are endorsed by companies local and international alike to promote sustainable business conduct across all industries and disciplines.
SA Taxi Foundation

SA Taxi plays an important role in South African society as a financial services provider. SA Taxi established the SA Taxi Foundation as an extension of its commitment to active citizenship. The foundation is a non-profit organisation which is aimed at implementing sustainable projects that contribute to the communities with which SA Taxi interacts. Within the South African context, SA Taxi Finance and SA Taxi Foundation are uniquely positioned to have meaningful impact on the economy and society, particularly as the business’ client base represents individuals classified as previously disadvantaged.

<table>
<thead>
<tr>
<th>Key Initiatives</th>
<th>Background</th>
<th>Social Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA Taxi bursary fund</td>
<td>The children of SA Taxi’s clients are offered an opportunity to obtain funding to further their education. Their tuition and books for the relevant year are covered in full and they are given an opportunity to obtain work experience where applicable and possible.</td>
<td>“Generational impact” – propagating the cycle of education.</td>
</tr>
<tr>
<td>SA Taxi Bursary fund with the Wits College of education</td>
<td>Due to the education crises surrounding #feesmustfall in South Africa. The Foundation would like to invest in the education field by providing 2 deserving students from Wits College of Education a bursary.</td>
<td>The bursary award does not only impact the recipients, as investing in the education of teachers has a bigger societal impact. Once qualified these teachers will further impact many other students.</td>
</tr>
<tr>
<td>Mobile library partnership</td>
<td>Of the 24 000 registered public primary schools in South Africa, only 1 900 have functioning libraries. SA Taxi Foundation has partnered with the South African Primary Education Support Initiative (SAPESI) to bring 100 mobile libraries to communities and schools across the country.</td>
<td>Approximately 700 000 school children and 70 000 teachers will have access to a library for the first time.</td>
</tr>
<tr>
<td>ECD- Mobile library</td>
<td>SA Taxi Foundation has extended its support to the mobile library project by launching a mobile library in the Diepsloot area focusing on Early Childhood Development (ECD).</td>
<td>Diepsloot has a population of 200 000. The initiative sponsors 25 ECD centres which has 3000 children aged 18 months to 6 years.</td>
</tr>
<tr>
<td>SA Taxi Art Awards</td>
<td>To facilitate greater involvement in the arts from local participants, the Arts Awards intend to offer emerging artists the platform within which to showcase their talents and gain commercial momentum.</td>
<td>37 emerging artists propagated into mainstream. Winning artwork viewed by approximately 6 million people.</td>
</tr>
<tr>
<td>SA Taxi Patron Fund</td>
<td>SA Taxi Foundation has extended its support of local artists by partnering with the Artist Proof Studio (APS). This fund comes from sales made from SA Taxi Foundation Art Award.</td>
<td>APS subsidises 50 - 60 young artists to attend classes and have access to the school’s studio. SA Taxi Foundation currently funds one Patron (Mixo Khosa) for 2017.</td>
</tr>
<tr>
<td>Taxi Change Makers</td>
<td>A programme designed specifically to encourage SA Taxi staff participation in the socio-economic development initiatives that are run through the foundation. Taxi Change Makers have supported at least 1 initiative per month for the last 12 months.</td>
<td>The distribution of 300 back to school packs to disadvantaged grade 1 pupils in a school in Daveyton. Most of the parents at the school are unemployed and some of the homes are headed by children.</td>
</tr>
</tbody>
</table>
## Financial highlights of SA Taxi

<table>
<thead>
<tr>
<th></th>
<th>Financial Year September 2016</th>
<th>Financial Year September 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headline earnings</td>
<td>R254m</td>
<td>R309m</td>
</tr>
<tr>
<td>Net interest margin</td>
<td>11.1%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Credit loss ratio</td>
<td>3.1%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Non-performing loans</td>
<td>17.4%</td>
<td>17.1%</td>
</tr>
<tr>
<td>Return on assets †</td>
<td>3.1%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Return on equity †</td>
<td>25.5%</td>
<td>25.3%</td>
</tr>
</tbody>
</table>

* = return on average equity and average assets

SOURCE | Transaction Capital Annual Results September 2016 and September 2017

NOTE | * = return on average equity and average assets
SA Taxi continues its strong performance

**Headline earnings & total income**

**Financial Year September 2017**

<table>
<thead>
<tr>
<th>Year</th>
<th>Headline Earnings</th>
<th>Total Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>R1 316m</td>
<td>R153m</td>
</tr>
<tr>
<td>2014</td>
<td>R1 433m</td>
<td>R176m</td>
</tr>
<tr>
<td>2014</td>
<td>R1 344m</td>
<td>R175m</td>
</tr>
<tr>
<td>2015</td>
<td>R1 532m</td>
<td>R212m</td>
</tr>
<tr>
<td>2016</td>
<td>R1 802m</td>
<td>R254m</td>
</tr>
<tr>
<td>2017</td>
<td>R310</td>
<td>R2 191m</td>
</tr>
</tbody>
</table>

**Net interest margin**

<table>
<thead>
<tr>
<th>Year</th>
<th>IFRS 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>11.8%</td>
</tr>
<tr>
<td>2014</td>
<td>11.6%</td>
</tr>
<tr>
<td>2014</td>
<td>11.6%</td>
</tr>
<tr>
<td>2015</td>
<td>11.4%</td>
</tr>
<tr>
<td>2016</td>
<td>11.1%</td>
</tr>
<tr>
<td>2017</td>
<td></td>
</tr>
</tbody>
</table>

**Average cost of borrowing**

<table>
<thead>
<tr>
<th>Year</th>
<th>IFRS 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>9.6%</td>
</tr>
<tr>
<td>2014</td>
<td>9.7%</td>
</tr>
<tr>
<td>2014</td>
<td>9.7%</td>
</tr>
<tr>
<td>2015</td>
<td>10.0%</td>
</tr>
<tr>
<td>2016</td>
<td>10.6%</td>
</tr>
<tr>
<td>2017</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

**Cost to income**

<table>
<thead>
<tr>
<th>Year</th>
<th>IFRS 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>43.6%</td>
</tr>
<tr>
<td>2014</td>
<td>44.1%</td>
</tr>
<tr>
<td>2014</td>
<td>44.1%</td>
</tr>
<tr>
<td>2015</td>
<td>48.7%</td>
</tr>
<tr>
<td>2016</td>
<td>51.1%</td>
</tr>
<tr>
<td>2017</td>
<td>48.6%</td>
</tr>
</tbody>
</table>

SOURCE | Transaction Capital Annual Results September 2017
SA Taxi’s book growth is measured and consistent

**Loans & Advances**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of loans</th>
<th>Gross loans &amp; advances (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>23,453</td>
<td>R 5,529</td>
</tr>
<tr>
<td>2014</td>
<td>24,346</td>
<td>R 6,240</td>
</tr>
<tr>
<td>2014 IFRS 9</td>
<td>24,346</td>
<td>R 5,592</td>
</tr>
<tr>
<td>FY15</td>
<td>25,033</td>
<td>R 6,237</td>
</tr>
<tr>
<td>FY16</td>
<td>26,352</td>
<td>R 7,151</td>
</tr>
<tr>
<td>FY17</td>
<td>28,724</td>
<td>R 8,301</td>
</tr>
</tbody>
</table>

**Origination - Financial Year Ended 30 September 2016**

- Loans on book: 26,352 (5% increase)
- Gross loans & advances: R7.2bn (15% increase)
- Loans originated: 6,866 (14% increase)
- Value originated: R2.4bn (25% increase)

**Origination - Financial Year Ended 30 September 2017**

- Loans on book: 28,724 (9% increase)
- Gross loans & advances: R8.3bn (16% increase)
- Loans originated: 7,480 (9% increase)
- Value originated: R2.9bn (20% increase)

SOURCE | Transaction Capital Annual Results September 2015 and Full Year Results 2017
Credit performance continues to drive quality earnings

Non-performing loans ("NPL’s") are defined as:
• The balance outstanding of loans and advances with a contractual arrears of greater than 3.5 instalments (90 Days), **less**
• The balance of such outstanding loans and advances for which 3 cumulative qualifying* payments have been received in the 3 months preceding the measurement date, **plus**
• Repossessed vehicles on hand

* qualifying payment is defined as 50% of the contractual instalment

**SA Taxi’s credit performance process flow**

**Non performing loan ratio %**

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2014 IFRS 9</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>31.0%</td>
<td>27.7%</td>
<td>20.3%</td>
<td>18.2%</td>
<td>17.4%</td>
<td>17.1%</td>
</tr>
</tbody>
</table>

**Credit loss ratio %**

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2014 IFRS 9</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>5.4%</td>
<td>5.5%</td>
<td>4.4%</td>
<td>3.9%</td>
<td>3.1%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

SOURCE | Transaction Capital Annual Results September 2017
Receipts analysis indicates book health

Receipts analysis for SA Taxi as at September 2017

SOURCE | SA Taxi internal financial data as at September 2017 | Expected instalments are calculated as all instalments raised on all accounts irrespective of finance stage
Allocation of loans originated

**Step 1**

- Potpale draws on the warehouse facility to originate a pool of taxi loans in Potpale.
- Taximart sources vehicles on behalf of Potpale, which vehicles are delivered to SA Taxi's customers.
- This portfolio is ramped up in Potpale where it is seasoned prior to a sale to another credit provider.

**Step 2**

- Once funding becomes available in a credit provider (SATDF, SATFS, Transsec 3), a pool of eligible and seasoned assets will be sold via a true sale to the credit provider. To ensure the fair and equal treatment of all investors across the credit providers, the loans shall be randomly allocated per the Asset Allocation Methodology, which methodology has been audited by Deloitte. The asset sales are also audited by Deloitte on an annual basis.
- The proceeds of the sale received by Potpale shall be utilised to refinance the warehouse facility.
Funding 07
SA Taxi’s funding journey

First rated securitisation programme (SATS) is established
Transaction Capital is formed
Moody’s affirm senior mezzanine ratings
Issuance > R2bn
Unrated debt programme (SATF) established
On balance syndicated loan structure established
First international DFI investment received
First time a South African based bank invests into the SATDF structure
Listed & rated securitisation programme (Transsec) established
Listed & rated securitisation programme (Transsec 2) established
Transsec 2 Tap issuance occurs
First local DFI investment received

# of unique investors

Funding highlights 30 September 2017

R18.9bn
Raised from March 2006 to 30 September 2017 in structured & unstructured funding from local & international investors

R6bn
Funding secured

41
Unique Investors

24
Number of deals

8
Number of new investors

11
Number of repeat investors
Capital requirements

SA Taxi’s core business has continued to perform well as the business integrates deeper into the value chain with the establishment of the panel and repairs facilities and a direct dealership. SA Taxi has built a platform for growth that can now be leveraged to increase market share and enter adjacent markets where it is able to re-create its defensible market positioning. Capital will be required to seize these growth opportunities and will necessitate an increase in fundraising capabilities.

SA Taxi’s requires R2.9 billion of funding for the 2018 financial year followed by R3.1 billion in 2019. It is anticipated this capital target will be accessed from various capital pools.

Funding philosophy

SA Taxi’s funding philosophy includes:

Innovative thinking
- Innovative thinking is encouraged and cultivated to develop pioneering funding solutions

Judicious risk management
- Optimal liquidity management between asset and liability cash flows
- Effective management of interest rate risk, currency risk and roll over risk
- Controlled exposure to short term instruments
- Diversification by geography, capital pool, debt investor and funding mandate

Engaged debt investors
- Recurring investment by debt investors motivated by performance, the ease of transacting and appropriate risk adjusted returns
- Transparent and direct relationships with debt investors where necessary facilitated by valued intermediaries

Optimal capital structures
- Proactively managing valuable capital and funds raised across the group
- Bespoke and innovative funding structures to meet the requirements and risk appetite of a range of debt investors while also targeting an optimal WACC
- No cross-default or guarantees between structures
Overview of debt funding

Diversification of structures

- On-balance sheet: 5%
- Securitisation & structured finance: 46%
- Warehousing facilities: 48%

Positive liquidity mismatch

Asset and liabilities are managed to ensure their coordination. At the last quarter end, a positive asset-liability gap was observed for the SA Taxi group.

Diversification of funders

- Life companies: 31%
- Banks: 28%
- DFIs: 21%
- Asset managers: 20%

Diversification of geography

- Local funding: 80%
- International funding: 20%
SA Taxi’s funding channels

SA Taxi offers a number of funding structures to meet individual investors’ mandates and risk profiles. Essentially SA Taxi makes use of 3 different channels offering unique investment opportunities to local and international funding partners.

- **On Balance Sheet**:
  - SA Taxi Development Finance
  - SA Taxi Finance Holdings
  - R3.9bn Debt drawn

- **Securitisation & structured finance**:
  - Impact Fund
  - Finance Solutions
  - R4.1bn Debt drawn

- **Warehousing facilities**:
  - Potpale Investments
  - Transsec
  - Transsec 2
  - Transsec 3
  - R0.5bn Debt drawn
SA Taxi’s group structure

**Funding Structures**

- **SA Taxi Finance Solutions (SATFS)**
  - Ring-fenced structured finance SPV that is unrated privately placed debentures

- **SA Taxi Impact Fund (SATIF)**
  - Ring-fenced structured finance SPV that is unrated. Attracts international DFIs and impact investors

- **Potpale**
  - Ring-fenced warehouse banking facility refinanced via the Transsec securitisation programmes

- **Transsec 1, 2 & 3**
  - Securitisation structures
  - Ring-fenced structured finance SPVs
  - S&P Rated
  - JSE Listed debentures

- **Keywood**
  - Insolvency-remote SPV with the sole purpose of owning and operating collections accounts

**Key Points**

- **SA Taxi Finance Holdings (Pty) Ltd (SATFH)**
  - 100% Ordinary shares

- **Transaction Capital**
  - 98% Ordinary shares

- **Terry Kier**
  - SA Taxi CEO
  - 2% Ordinary shares

- **Taximart (Pty) Ltd**
  - Offers repair, warranty and maintenance services. Also refurbishes repossessed minibus taxis and sells them into the secondary market

- **SA Taxi Protect (Pty) Ltd**
  - Holds a 100% profit share in a cell captive structure set-up through Guardrisk
  - Profit redistributed to SA Taxi Development Finance via the preference shares

- **SA Taxi Development Finance (Pty) Ltd (SATDF)**
  - Operating company.
  - On Balance Sheet loans
  - Attracts bank and international DFI funding
  - All servicing and administration functions outsourced to this company

- **Various Independent Ownership Trusts**
  - 100% Ordinary shares

- **Insolvency-remote SPV**
  - With the sole purpose of owning and operating collections accounts
Comparison of debt structures

As the primary form of public transport in South Africa, the minibus taxi industry has a significant impact on the environment, society and the economy. SA Taxi’s unique market position enhances its ability to have a meaningful impact through inclusive economic growth and responsible environmental initiatives.

<table>
<thead>
<tr>
<th>Features</th>
<th>SATDF</th>
<th>SATFS</th>
<th>SATIF</th>
<th>Transsec 3</th>
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<tbody>
<tr>
<td>Structure type</td>
<td>On balance sheet</td>
<td>Ring fenced SPV</td>
<td>Ring fenced SPV</td>
<td>Ring fenced securitisation</td>
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<tr>
<td>Listing</td>
<td>Listed</td>
<td>Unlisted</td>
<td>Unlisted</td>
<td>Notes listed on JSE</td>
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<tr>
<td>First issue date</td>
<td>01 March 2011</td>
<td>21 April 2010</td>
<td>09 March 2017</td>
<td>08 Nov 2017</td>
</tr>
<tr>
<td>Revolving Period</td>
<td>Open ended</td>
<td>Open ended</td>
<td>Open ended</td>
<td>None</td>
</tr>
<tr>
<td>Final issue date</td>
<td>Open ended</td>
<td>Open ended</td>
<td>Open ended</td>
<td>Tap Issue Period closes: 14 May 2019</td>
</tr>
<tr>
<td>Final legal maturity / coupon step-up date</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>A1: 14 Nov 2018</td>
</tr>
<tr>
<td>Max program limit</td>
<td>No limit</td>
<td>No limit</td>
<td>No limit</td>
<td>A2, A3, A4, B: 14 Nov 2022</td>
</tr>
<tr>
<td>Credit rating*</td>
<td>Unrated</td>
<td>Unrated</td>
<td>Unrated</td>
<td>R2.5 billion</td>
</tr>
<tr>
<td>Investor appetite</td>
<td>Development financial institutions, local banks &amp; other investors</td>
<td>Local institutions &amp; asset managers</td>
<td>International development financial institutions &amp; impact investors</td>
<td>A1: P-3 (sf) A2/A3: A2(sf) B: Ba1 (sf)</td>
</tr>
<tr>
<td>Debt raised</td>
<td>R4 367 million</td>
<td>R6 144 million</td>
<td>R2 778 million</td>
<td>Rated for local institutions &amp; asset managers</td>
</tr>
<tr>
<td>Current funders</td>
<td>12</td>
<td>11</td>
<td>3</td>
<td>R505 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Transsec 1: R1 279 million Transsec 2: R 901 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11 Transsec 1: 13 Transsec 2: 13</td>
</tr>
</tbody>
</table>

SOURCE: * SA Taxi sub loan is unrated
SA Taxi is both locally and internationally funded

SA Taxi has traditionally raised funding from a number of banks, institutional investors and asset managers. Since 2010 funders have also included international development finance institutions (DFIs) and impact investors. These funders have recognised not only the financial returns that SA Taxi offers but also the wider impact the business has on financial inclusion, the environment and economic growth.

SA Taxi’s current funders include the following:

**North America DFIs and Impact investors:**

- **OPIC** (2017)
- **MICROVEST** (2017)
- **Calvert Foundation** (2017)

**European DFIs and Impact investors:**

- **responsAbility** (2013 & 2015)
- **OIKOCREDIT** (2015 & 2016)
- **GuarantCo** (2010, 2013 & 2015)
- **symbiotics** (2015 & 2016)

**Local funders include but are not limited to:**

- **ALLAN GRAY** (2014)
- **Investec** (2008 - 2017)
- **LIBERTY** (2011 - 2017)
- **Sanlam** (2007 - 2017)
- **RMB** (2016 - 2017)
- **sefa** (2017)
- **cadiz** (2009 & 2011 - 2014)
## Contact list

### SA Taxi

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
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</tr>
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</table>

### Transaction Capital

<table>
<thead>
<tr>
<th>Name</th>
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<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Hurwitz</td>
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<td><a href="mailto:phillipew@transactioncapital.co.za">phillipew@transactioncapital.co.za</a></td>
</tr>
</tbody>
</table>

### Head Office

**SA Taxi**

Head Office
179 15th Road
Randjespark
Midrand, Johannesburg

**Transaction Capital**

Head Office
230 Jan Smuts Avenue
Dunkeld West
Johannesburg
SA Taxi Development Finance (Pty) Ltd is a registered Developmental Credit Provider: NCRCP4754
SA Taxi Finance Solutions (Pty) Ltd is a registered Developmental Credit Provider: NCRCP4373
SA Taxi Securitisation (Pty) Ltd is a registered Developmental Credit Provider: NCRCP2617
SA Taxi Impact Fund (Pty) Ltd is a registered Developmental Credit Provider: NCR10367
Potpale Investments (Pty) Ltd is a registered Developmental Credit provider: NCRCP6238
Transsec (RF) Limited is a registered Developmental Credit Provider: NCRCP7532
Transsec 2 (RF) Limited is a registered Developmental Credit Provider: NCRCP7833
Transsec 3 (RF) Limited is a registered Developmental Credit Provider: NCR13859
SA Taxi Protect (Pty) Ltd is a registered Financial Services Provider: FSP29354