MEDIA RELEASE
20 November 2018

Transaction Capital extends robust organic growth; positioned to continue growing earnings and dividends organically at historical rates

South African National Taxi Council *(SANTACO) acquires 25% stake in SA Taxi through ground-breaking ownership transaction*

- **Headlines earnings:** Up 18% to R682 million; 20% compound annual growth in headline earnings per share since listing in 2012
- **Dividends**: 25% increase in total dividend per share to 50 cents for 2018 (2017: 40 cents); 33% compound annual growth in dividends over the past four years supported by high cash conversion rates
- **Strong financial position:** debt free and well capitalised balance sheet post SANTACO transaction, with approximately R1 billion of excess cash to fund growth
- **Ground-breaking transaction:** SANTACO acquires 25% stake in SA Taxi for R1.7 billion; unique and transformational ownership transaction

Transaction Capital, the owner of SA Taxi and Transaction Capital Risk Services (TCRS), today released its annual results for the year ended 30 September 2018. The company reported core headline earnings growth of 18% to R682 million for the year, despite a persistently challenging economic environment. After positive political developments earlier this year, macro- and socio-economic conditions in South Africa have deteriorated, with the economy entering a technical recession. Consumer and business confidence remain low, with persistently high unemployment (27.5%) and household debt to income (71.3%) levels, a volatile Rand, fuel prices at record highs, a 1% increase in value-added tax (VAT) to 15%, rising costs of household essentials (with inflation at 4.9% in September 2018), and stagnating credit extension.

SA Taxi and TCRS are resilient businesses, strategically well positioned in their chosen markets. They have adjusted to the persistently difficult economic conditions by refining and diversifying their fintech platforms and achieving operational efficiency. Economic improvement would certainly benefit the group.

Transaction Capital's operating divisions, SA Taxi and TCRS, are positioned deliberately in relation to socio-economic dynamics. Both are highly defensive businesses able to deliver good commercial returns and positive social impact in different economic conditions.

Commenting on the Group's annual results, David Hurwitz, CEO of Transaction Capital said***: "The Group's strong results again demonstrate our ability to maintain a track record of high-quality robust organic earnings growth. Despite the adverse environment of the past few years, Transaction Capital's entrepreneurial management teams continue to invest unrelentingly into innovative strategic initiatives, creating a diverse and expanded earnings base. This, together with precise implementation, enables Transaction Capital to continue achieving robust organic earnings and dividend growth over the medium term at least in line with prior periods and current performance.***

Transaction Capital has also maintained a strong balance sheet, further enhanced by SA Taxi's ownership transaction with SANTACO, and enjoyed consistent support from the capital markets. This was demonstrated by the accelerated bookbuild in March 2018 which increased the Group's free float significantly to 68%, improved liquidity and attracted new international investors, now accounting for 16% of the investor base, reflecting the attractiveness of our investment proposition despite South Africa's weak macro backdrop".

SA Taxi

SA Taxi is a vertically integrated taxi platform providing a comprehensive financial, insurance and allied services offering to minibus taxi operators. The division offers a unique blend of vehicle procurement, retail, repossession and refurbishment capabilities with asset-backed developmental finance and insurance specifically designed for the minibus taxi industry.

SA Taxi delivered 21% growth in headline earnings to R368 million in 2018. The loans and advances portfolio, comprising 30 617 vehicles, grew by 13% to R9.4 billion. The focus on loan origination strategies resulted in higher credit quality, with 75% of loans originated in better risk categories, and repeat loans to existing clients increasing to approximately 31% from 26% a year ago. SA Taxi's business model is vertically integrated into the minibus taxi industry. The division is able to rebuild, re-sell, refinance and insure pre-owned minibus taxis, providing taxi operators with access to a more affordable but still mechanically-robust alternative to a new minibus taxi.

SA Taxi's short-term insurance business is the main driver of non-interest revenue, growing faster than the vehicle financing business. More than 85% of SA Taxi's financed clients are insured by SA Taxi and, in order to grow its base of open market insurance clients, SA Taxi initiated a broker network strategy during 2018, with more than 100 brokers participating.

Commenting on SA Taxi's prospects, David Hurwitz said***: "SA Taxi continues to broaden its insurance client and product base and reduce the cost of insurance claims and credit losses via technology, data management and predictive analytics, coupled with procurement and operational efficiencies in its auto body and mechanical refurbishment facility. SA Taxi's ownership transaction with SANTACO is expected to support growth in its finance, insurance***

and retail businesses and unlock further opportunities to provide services within a broader taxi community, enabling deeper penetration of the total addressable market. These benefits together with the financial benefits of reduced gearing, are expected to be accretive to SA Taxi's and Transaction Capital's earnings over the medium term."

Ground-breaking ownership transaction with SANTACO

Yesterday, SA Taxi and SANTACO, a national body which represents the interests of its members who are individual minibus taxi operators, announced a unique transformational equity partnership transaction whereby SANTACO will acquire a 25% interest in SA Taxi.

SA Taxi delivers tangible commercial benefits to minibus taxi operators, beyond relevant and affordable finance and insurance products. SA Taxi and SANTACO have engaged over several years to formalise the industry's participation in revenue streams of the minibus taxi industry value chain, and to achieve meaningful and sustainable commercial benefits for industry participants.

South Africa's taxi industry has, for many decades, been a core pillar of the South African economy and is responsible for connecting millions of South Africans to various centres of the economy every day. However, due to the historical and political realities that shaped the formation of the sector, the industry has often lacked meaningful partnership opportunities with other industry participants or financial institutions.

For more information on this transaction refer to the media release published yesterday, *"SANTACO acquires 25% stake in SA Taxi for R1.7 billion in a historic ownership transaction" at http://www.transactioncapital.co.za/news.php .*

Commenting on the transaction and other initiatives with SANTACO, David Hurwitz said: ***"At the core of our business model is a commitment to support an entirely black-owned industry which has developed without government subsidy into the most critical component of the South African integrated public transport system.***

Transaction Capital's willingness to take on and to financially facilitate the SANTACO ownership transaction, on a voluntary rather than an obligatory basis, stands as testament to our strategic emphasis on creating shared value – enhancing commercial returns while at the same time delivering positive social impact.

This transaction and other initiatives with SANTACO provide broad-based participation and a framework for wide-reaching initiatives that will grow and support the sustainability of the minibus taxi industry at every level into the future."

TCRS

TCRS is a technology-led, data-driven provider of customer management solutions in South Africa and Australia. The division's scalable and bespoke fintech platform, combined with its technology and propriety data, enables it to mitigate risk and maximise value for clients throughout the customer engagement lifecycle.

TCRS' diversified business model reduces concentration risk and supports performance in different market conditions. TCRS is diversified by business activity across collection, transactional and value-added services. Within its most significant business activity, collection services, TCRS acts as both a principal in acquiring and then collecting on non-performing loan portfolios, and as an agent on an outsourced contingency or fee-for-service (FFS) basis. With its business activities diversified further across various consumer related sectors, clients and geographies, TCRS' business model is defensive.

TCRS reported headline earnings growth of 17% to R273 million for the year despite the deteriorating trading environment and the intensified pressure on consumers throughout 2018.

Of the 24.6 million credit-active South African consumers at June 2018, almost 40% of these (9.6 million) had impaired credit records. TCRS maintains proprietary data on almost all of these distressed consumers. According to Transaction Capital's Consumer Credit Rehabilitation Index (CCRI), which tracks the rehabilitation prospects of more than 5 million South African consumers, the overall national rehabilitation prospects of delinquent South African credit active consumers improved marginally by 0.7% in the third quarter of 2018 when compared to the third quarter of 2017. The quarterly rehabilitation outlook showed a slight deterioration of 0.2% from the second quarter to the third quarter of 2018.

"This quarter-on-quarter deterioration followed the technical recession of the local economy. Any prospect of a meaningful recovery trend in the near future is unlikely. In this challenging environment, TCRS facilitates consumer credit rehabilitation, which in turn supports consumers' ability to re-access conventional finance. At the same time, TCRS assists lenders to maintain stronger balance sheets and continue extending credit at affordable interest rates. Increased consumer spending is a significant component of South Africa's gross domestic product." commented Hurwitz.

In South Africa, the economic climate favours the acquisition of non-performing loan portfolios from risk averse clients who prefer an immediate recovery against their non-performing loans. Activity in this sector was higher than in the 2017 financial year, with opportunities to purchase loan portfolios emanating from traditional lenders, credit retailers, municipalities and State-owned Enterprises. In 2018, TCRS acquired 33 portfolios with a face value of R13.4 billion for R639 million in South Africa, compared to 29 portfolios with a face value of R5.2 billion for R356 million in 2017. Its Australian subsidiary, Recoveries Corporation, invested a further R23 million in non-performing loan portfolios during the year. TCRS grew revenue from the acquisition of non-performing loan portfolios by 22% in the year.

TCRS' contingency and FFS revenue grew by 19% during the year, supported by its strategy to diversify geographically, deepen its penetration in its traditional market segments (banks, retailers and specialist lenders) and grow revenue from adjacent sectors (insurance, telecommunication and public sectors). In South Africa, adjacent sectors contributed 38% of TCRS' local contingency and FFS revenue, compared to 27% in the prior period. Recoveries Corporation in Australia made excellent progress in achieving its strategic imperative of driving operational efficiencies by deepening management competence and overlaying TCRS' technology and business information capabilities.

Commenting on TCRS' prospects, David Hurwitz said: ***"The main driver of organic growth at TCRS is the bespoke or bilateral acquisition of non-performing loan portfolios to be collected as principal. Activity in this sector remains at elevated levels with future performance underpinned by more than 50% growth this year in purchased book debts and estimated remaining collections. Expanding and enriching its database, and investment in new technologies should continue to deliver higher productivity and lower operating costs."***

Transaction Capital's strategy and prospects

Transaction Capital continues to benefit from deep vertical integration within focused sectors. Underpinned by a deeper understanding of their social relevance, this enables the divisions to continue innovating opportunities to create greater value for all stakeholders.

Post the implementation of SA Taxi's ownership transaction, Transaction Capital's balance sheet will be debt free and well capitalised with approximately R1 billion of excess cash. Our growth expectations assume that this excess capital is not deployed accretively, so there may well be further upside potential over the medium term.

"Although both SA Taxi and TCRS are strong performers in this low/no growth environment, a sustained economic recovery will support their potential to outperform our current performance expectations," concluded Hurwitz.

ENDS

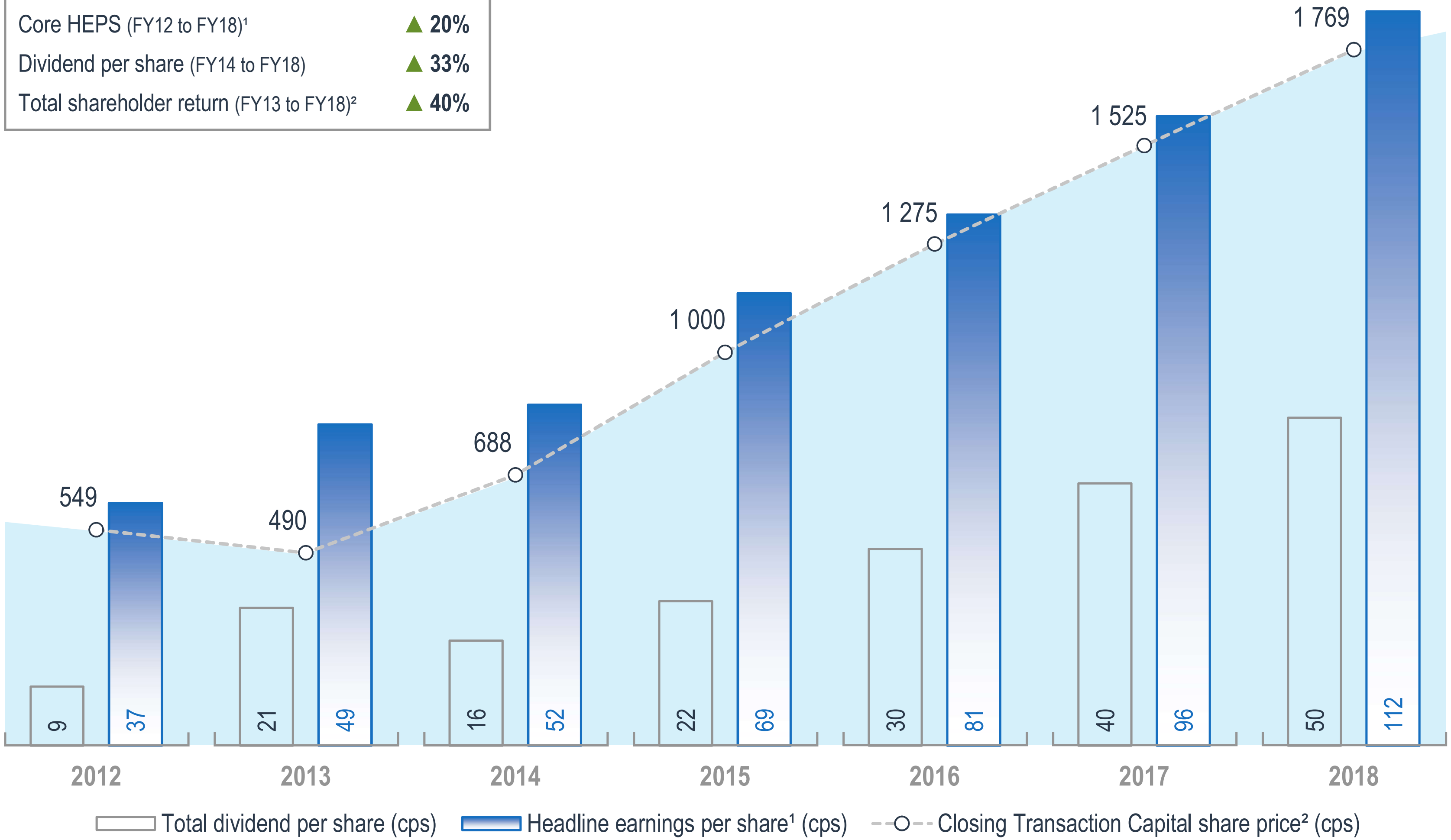
For more information contact Transaction Capital:
www.transactioncapital.co.za
Investor Relations: Phillipe Welthagen
PhillipeW@TransactionCapital.co.za
+27 (0) 11 049 6729; +27 (0) 84 512 5393

Issued by: Transaction Capital Limited

TRANSACTION CAPITAL PERFORMANCE SINCE LISTING

Transaction Capital

CAGR:	
Core HEPS (FY12 to FY18)[1]	▲ 20%
Dividend per share (FY14 to FY18)	▲ 33%
Total shareholder return (FY13 to FY18)[2]	▲ 40%



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

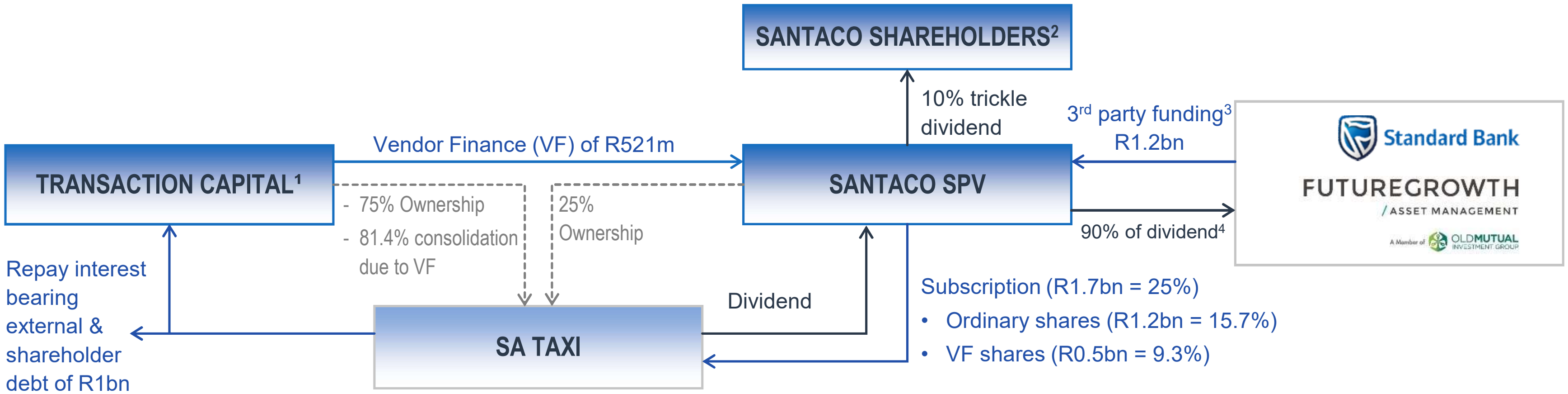
1. Core headline earnings per share, excluding impact of Paycorp & Bayport
2. Share price at 30 September 2012 & 2013 has been adjusted for the special distribution of R2.10 per share in March 2014

GROUP STRATEGIC HIGHLIGHTS

SANTACO ACQUIRES 25% STAKE IN SA TAXI FOR R1.7 BILLION

Transaction Capital

CREATING A MORE SUSTAINABLE MINIBUS TAXI INDUSTRY



DELIVERS POSITIVE SOCIAL IMPACT WHILST ENHANCING COMMERCIAL RETURNS

BENEFITS FOR SANTACO & ITS MEMBERS

Ownership

- Held by SANTACO & a trust representing its broad based provincial structures, ensuring benefits accrue to all levels
- Participation in the value chain achieving sustainable benefits

Dividends

- 90% of dividends applied to debt
- 10% trickle dividend for infrastructure & developmental projects
- Project committee to assess projects
- Strict governance framework to ensure value flows to SANTACO & it's members
- Partnerships with local government sought to leverage investment in projects for greater socio-economic impact

EFFECTS FOR TC GROUP: EARNINGS ACCRETIVE

SA Taxi

- Alignment with minibus taxi industry, yielding operational benefits
- Well capitalised balance sheet
  - Settle **R1bn** of debt, yielding interest saving, future growth funded via cheaper senior debt
  - ▲ NAV to **~R3bn** (from **~R1.6bn**)
  - **~ 20%** ROE
- Potential B-BBEE benefits & equity empowerment

Transaction Capital (TC)

- Ungeared & well capitalised balance sheet, R1bn excess cash
- Now consolidating **81.4%** of SA Taxi's earnings (due to vendor finance)
- TC **NAV per share** ▲ **105 cps** after transaction (**FY18: 677.5cps**)
- Expected to be accretive to TC's earnings in the medium-term

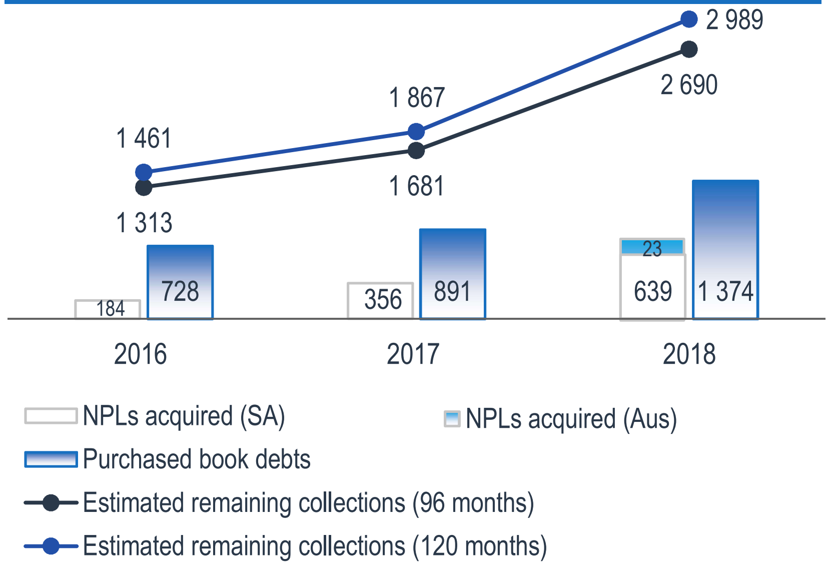
1. Transaction Capital & The Empire Family Trust (representing SA Taxi's CEO, Terry Kier)
2. Project committee to assess projects put forward by industry participants
3. 3rd party funding flows into Industry SPV via Industry HoldCo
4. Dividend from 25% shareholding

GROUP STRATEGIC HIGHLIGHTS

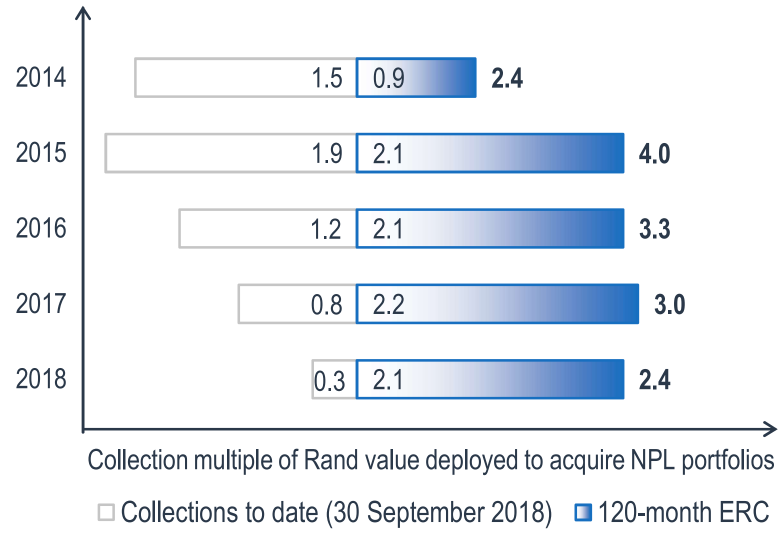
DELIVERING ON GROWTH - ACQUISITION OF NON-PERFORMING LOANS AS A PRINCIPAL

Transaction Capital

GROWTH TRAJECTORY
EXPECTED TO SUPPORT FUTURE POSITIVE PERFORMANCE



COLLECTION MULTIPLE VINTAGE PERFORMANCE [1]
AS AT 30 SEPTEMBER 2018



- Current South African economic context favours acquisition of NPL portfolios
- **37** portfolios acquired for **R662m** with a face value of **R13.6bn** (FY17: **29** portfolios for **R356m** with a face value of **R5.2bn)**
- **239** portfolios (including **11** Australian portfolios) owned in total with a face value of **R22.4bn**
- Purchased book debts ▲ **54%** to **R1 374m** (FY17: **R891m**)
- 2018 collection multiple of **2.4 times** (> internal target of ~**2.2 times**)
- Estimated remaining collections (**ERC)** ▲ **60%** to **R3.0bn** (120 months)
- Longevity in the yield of principal portfolios on book, expected to support future positive performance
- Revenue from principal collections ▲ **22%**

1. Includes only South African portfolios & excludes contracts where TCRS does not have title of the underlying claim

ENVIRONMENT & MARKET CONTEXT

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

Transaction Capital

TRAIN

< 800 000 ▼ 22%
COMMUTER TRIPS DAILY

RECEIVES **44%**
OF GOVERNMENT SUBSIDY

~3 100 KM NATIONAL NETWORK
~500 TRAIN STATIONS

MINIBUS TAXI

OVER **15** MILLION ▲
COMMUTER TRIPS DAILY

COMMERCIALLY SELF-SUSTAINABLE
RECEIVES **NO** GOVERNMENT SUBSIDY

~250 000 MINIBUS TAXIS
>2 600 TAXI RANKS
~19 BILLION KM TRAVELLED (per year)

BUS

<1 MILLION *No change*
COMMUTER TRIPS DAILY

BUS RAPID TRANSPORT (BRT)

>120 000 *No change*
COMMUTER TRIPS DAILY

RECEIVES **56%** OF GOVERNMENT SUBSIDY

BUS	BUS RAPID TRANSPORT (BRT)
>19 000 REGISTERED BUSES	**3** METROPOLITANS
>100 BUS STATIONS	**<700** REGISTERED BUSES
~1 BILLION KM TRAVELLED (per year)	**~150** BUS STATIONS; **<100** ROUTES

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

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

GROWING MINIBUS TAXI USAGE

- Since 2013, minibus taxi usage (▲ **>25%**)
- **69%** of all households use minibus taxis (59% in 2003)
- **76%** of all work & educational public transport trips

- Population growth (▲ **9%**)
- Increasing commuter density due to urbanisation
- Transformation of minibus taxi industry due to ▲ regulation & capitalisation, attracting a more sophisticated taxi operator
- New passenger vehicle sales ▼ **19%** (FY13 to FY18)

Source: Stats SA Land Transport Survey 2018 | NAAMSA Sales Results | National Treasury Public Transport & Infrastructure system report | Department of Transport -Transport Infrastructure report | Passenger Rail Agency of SA | SA Bus Operators Association | FIN 24 – "New public transport system" 14/10/2017 | Websites: Rea Vaya, MyCiTi, Rustenberg Rapid Transport

ENVIRONMENT & MARKET CONTEXT

DEFENSIVELY POSITIONED IN A CHALLENGING CONSUMER CREDIT ENVIRONMENT

Transaction Capital

MACRO- & SOCIO-ECONOMIC ENVIRONMENT IN SOUTH AFRICA

37 MILLION ADULTS[1]

25 MILLION CREDIT ACTIVE CONSUMERS[2]

- 9.6 MILLION (~40%) NON-PERFORMING CREDIT CONSUMERS[2]
- HOUSEHOLD DEBT TO INCOME AT 71.3% (▼ from 72.6% FY17)
- ELEVATED LEVELS OF UNEMPLOYMENT AT 27.5% IN Q3 2018 (▼ from 27.7% Q3 2017)
- ESCALATING COSTS OF HOUSEHOLD ESSENTIALS OVER THE MEDIUM-TERM AT 4.9% (▼ from 5.1% at FY17)[3]
- WAGE GROWTH < COST OF HOUSEHOLD ESSENTIALS
- MARGINALLY LOWER INTEREST RATE ENVIRONMENT REPO AT 6.5% (▼ from 6.75% at FY17)
- CREDIT EXTENSION RESTRAINED
- IMPROVED POLITICAL BACKDROP (Q1 2018)
  Did not yield increased credit extension, retail fundamentals or pick-up in consumption

OUTLOOK ON SA's CONSUMER

- Consumer confidence will remain subdued unless government implements growth-boosting structural reforms
- Slow deleverage of the SA consumer in the medium-term

EFFECT ON TCRS

- Should an improving consumer credit environment materialise, TCRS is expected to perform better
  - Higher levels of consumer credit extension
  - Increase in the number of matters handed over in agency mandates
  - Increasing yield on previously acquired NPL portfolios

CREDIT REHABILITATION IS A CRUCIAL ELEMENT IN GROWING AN INCLUSIVE ECONOMY

TRANSACTION CAPITAL'S CONSUMER CREDIT REHABILITATION INDEX

% CHANGE IN REHABILITATION PROSPECT FOR Q3 2018

QUARTER ON QUARTER	YEAR ON YEAR
Q3 2018 with Q2 2018	Q3 2018 with Q3 2017
▼ 0.2%	▲ 0.7%

NATIONAL REHABILITATION PROSPECT TRENDS

- TCRS algorithm to score propensity to repay debt
- Empirically based sample of >5 million SA consumers in credit default
- National rehabilitation prospects remain subdued, with limited improvement or deterioration
  - ▲ by 0.4% (Q3 17 vs. Q2 17)
  - ▲ by 1.0% (Q4 17 vs. Q3 17)
  - ▼ by 0.8% (Q1 18 vs. Q4 17)
  - ▲ by 0.7% (Q2 18 vs. Q1 18)
  - ▼ by 0.2% (Q3 18 vs. Q2 18)
- Rehabilitation allows:
  - Consumers to access credit & re-enter consumer market
  - Lenders to maintain cleaner B/S to continue extending credit at affordable costs

Source: Stats SA 2018
1. Aged 15 to 65 | 2. NCR data at June 2018 | 3. Inflation measured at 30 September 2018 & 30 September 2017