

RESULTS PRESENTATION

FOR THE HALF YEAR ENDED 31 MARCH

2014


TRANSACTION CAPITAL



Transaction Capital

UNAUDITED RESULTS FOR THE HALF YEAR **2014**

TRANSACTION CAPITAL



Transaction Capital

PRESENTATION 6 MAY

NOTES

TRANSACTION CAPITAL

HIGHLIGHTS

UNAUDITED RESULTS FOR THE HALF YEAR **2014**

STRATEGIC & OPERATIONAL HIGHLIGHTS

- Change in leadership
- Change in portfolio of assets
- Disposal of Paycorp and Bayport





	Proceeds	Profit on sale	PE	IRR
Paycorp	R937m	R425m	18.7 times	18.2%
Bayport	R1,336m	R234m	6.7 times	32.6%

- Capital distribution of 210 cps
- Restructure of the board's sub-committees and downsize of the group office

NOTES

TRANSACTION CAPITAL GROUP PROFILE – AT 31 MARCH 2014*

TRANSACTION CAPITAL LIMITED – half year ended 31 March 2014 | Employees: **3,586** | Headline earnings: **R148m**

ASSET-BACKED LENDING	CREDIT SERVICES
TOTAL INCOME 60% OF GROUP HEADLINE EARNINGS 46% OF GROUP	TOTAL INCOME 34% OF GROUP HEADLINE EARNINGS 28% OF GROUP
GROSS LOANS & ADVANCES R6,101m HEADLINE EARNINGS R78m EMPLOYEES 634	INCOME R407m HEADLINE EARNINGS R47m EMPLOYEES 2,913
 SA Taxi <i>driving our nation forward</i> Financier of independent SMEs in the minibus taxi industry SOCIETAL RELEVANCE: SA Taxi finances SMEs that may not otherwise have access to credit from traditional banks, contributing to job creation, and enabling and improving the safety of public transport in South Africa CEO: Terry Kier, subsidiary tenure 6 years	 Rand Trust <i>business, on your terms</i> Provider of working capital to SMEs through invoice discounting & commercial debtors' management SOCIETAL RELEVANCE: Rand Trust provides finance to SMEs that may not otherwise have access to credit from traditional banks, thereby facilitating SME growth CEO: Deon Pienaar, subsidiary tenure 6 years
 MBD MBD CS collects distressed consumer and commercial debt as agent on behalf of South Africa's leading credit providers, and as principal on purchased book debts SOCIETAL RELEVANCE: MBD CS provides comprehensive credit reports, financial education & debt negotiation services to individuals. MBD CS is a large scale employer providing training and career opportunities for South Africans CEO: Charl van der Walt, subsidiary tenure 13 years	 Principa <i>profitable decisions</i> Provider of credit lifecycle consulting services, predictive modelling and related software to credit providers SOCIETAL RELEVANCE: Principa Decisions works with a wide range of credit providers in South Africa to ensure credit is granted responsibly and only marketed and provided to individuals who have the appropriate financial capacity and ability to repay CEO: Ian Read, subsidiary tenure 5 years

* Continuing operations

FINANCIAL HIGHLIGHTS

CONTINUING
HEADLINE EARNINGS
▲ 28% TO
R148 million

CONTINUING
HEADLINE EARNINGS
PER SHARE
▲ 28% TO
25.5 cents

CONTINUING GROSS
LOANS & ADVANCES
▲ 14% TO
R6 149 million

CONTINUING
RETURN ON
AVERAGE ASSETS
stable AT 3.2%

CONTINUING
RETURN ON
AVERAGE EQUITY
▼ TO 9.4%
FROM 13.0%

AFTER THE SPECIAL
DISTRIBUTION OF
210 cents
PER SHARE
NET ASSET VALUE
PER SHARE
▼ 14% TO
499.7 cents

CAPITAL ADEQUACY
RATIO
▲ 46% TO 53.2%

INTERIM DIVIDEND
OF **6 cents**
PER SHARE

DIVIDEND COVER OF
4.25 times
ON CONTINUING
HEADLINE EARNINGS
PER SHARE

NOTES

TRANSACTION CAPITAL

ENVIRONMENT

UNAUDITED RESULTS FOR THE HALF YEAR

2014

ENVIRONMENT – ASSET-BACKED LENDING

- SA consumer economy continued to soften; but an underserved and growing SME finance market continues to present significant opportunity
- Strategic shift in the lending division from funding consumption to funding income-producing assets
- **SA Taxi** – Specialised development financier of independent SMEs in the minibus taxi industry
 - minibus taxis dominant public transport in RSA; estimated c.200,000 vehicles; c.70,000 financed; 23,519 by SA Taxi
 - **market opportunity:** renewal of ageing fleet; unthreatened by other public transport initiatives
- **Rand Trust** – Invoice discounting and commercial debtors management to SMEs
 - typical client <R5m book
 - **market opportunity:** underserved and growing SME market

NOTES

ENVIRONMENT – CREDIT SERVICES

- **SA consumer economy continued to soften**
 - employment and real wage growth slowed
 - fuel and electricity prices increased
 - exchange rate related inflation eroded disposable income
 - labour unrest escalated
 - repo interest rate increased by 50 basis points to 5.5%
- **MBD Credit Solutions** – Collector of distressed debt as agent & principal
 - fragmented industry: 2,000 debt collection agencies & 16,000 registered collectors
 - market leader
 - collections subdued in a difficult consumer environment
 - **market opportunity:** credit providers continue to outsource collections (AUM increased by 25% to R29.7bn); advantageous book buying environment
- **Principa Decisions** – Credit lifecycle consulting services & software resellers
 - curtailed spend on credit consulting and software purchasing in South Africa
 - **market opportunity:** inexpensive software (SMART suite) & Middle East JV (Qarar)

REGULATORY ENVIRONMENT

- **Exit from unsecured lending**
 - significant reduction in various regulatory risks faced by Transaction Capital
- **Residual regulatory uncertainty remains**
 - National Credit Amendment Bill
 - little response to business comment on proposed legislation
 - inadequate assessment of the consequences of proposed legislation
 - uncoordinated legislation from multiple and sometimes competing ministries
- **Ineffective enforcement of existing laws by regulators**
- **Transaction Capital continues to engage regularly with its regulators**

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TRANSACTION CAPITAL

STRATEGY AND
PROSPECTS

UNAUDITED RESULTS FOR THE HALF YEAR

2014

STRATEGY

Invest in organic & acquisitive growth of specialist financial services businesses, operating in underserved or niched sectors of the financial services market, to render acceptable risk adjusted returns to shareholders

- Ensure a defensible competitive stance for each business unit through the definition & delivery of a compelling value proposition to stakeholders
- Deliver value beyond that which the business units would generate as free standing entities: intervention; direction; portfolio management (acquisitions)

NOTES

ORGANIC GROWTH PROSPECTS – ASSET-BACKED LENDING

- **SA Taxi**
 - Leverage its market positioning by enhancing its value proposition to clients
 - new product offerings (SA Taxi Media, Khusela Taxi Insurance, Shayela rewards)
 - financing the newly introduced Nissan minibus taxi in March 2014
 - Leverage its core skill set
 - “bakkie” finance pilot
 - improved efficiencies and production at Taximart
- **Rand Trust**
 - Distribution strategy directed at increasing scale
 - Design innovative products aimed at extending the clients’ life cycle
 - Geographic expansion from the Western Cape into other regions

ORGANIC GROWTH PROSPECTS – CREDIT SERVICES

- **MBD Credit Solutions**

- Revenues subdued in a difficult consumer environment, offset by cost containment
- Advantageous book buying environment (more than 140 diversified principal book portfolios)
- Efficiencies and scale
 - 10 call centres
 - more than 2,500 collection agents
 - more than 60 agency clients including local banks, credit retailers, municipalities, government entities, parastatal entities and other blue chip companies

- **Principa Decisions**

- Continued expansion of proprietary Smart software product suite
- Joint venture in the Middle East (Qarar)
- Recent signing of a new five year contract with FICO

NOTES

ACQUISITIVE GROWTH PROSPECTS

Following the reorganisation of the group, Transaction Capital has:

- **Robust balance sheet**
 - capital adequacy ratio of 53.2%
 - gearing of 3.1 times
- **Significantly reduced risk profile (regulatory, consumer credit and capital)**
- **Efficient cost structures**
- **Approximately R1bn of cash to effect significant acquisitive activity**
- **Sound M&A track record**

TRANSACTION CAPITAL

FINANCIAL REVIEW

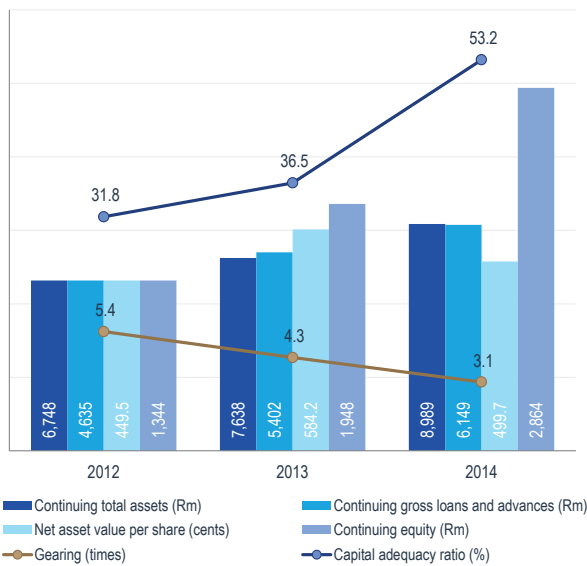
UNAUDITED RESULTS FOR THE HALF YEAR

2014

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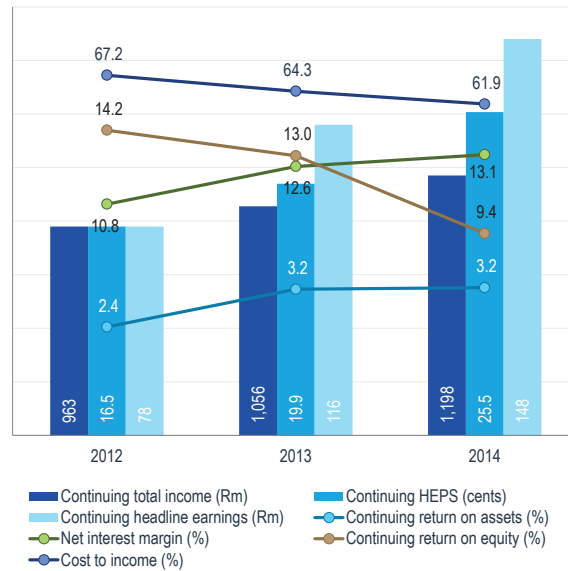
FINANCIAL REVIEW

FINANCIAL POSITION



- Conservative growth of gross loans & advances from R5.4bn to R6.1bn (▲ 14%)
 - origination strategies targeting improved credit quality, not book growth
- Equity R2.9bn (▲ 47%)
 - excess equity held centrally for growth opportunities
- NAV per share 499.7 cps (▼ 14%)
 - Capital distribution following sale of Paycorp and Bayport
- Capital adequacy levels ▲ 46% to 53.2%
 - 35.4% equity
 - 17.8% subordinated debt
- Gearing level ▼ significantly to 3.1 times

FINANCIAL PERFORMANCE

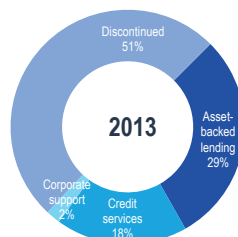
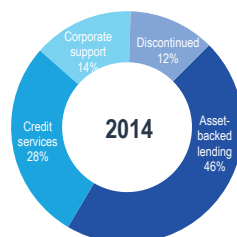


- Continuing HEPS ▲28% from 19.9 cps to 25.5 cps
- Continuing headline earnings ▲28% from R116m to R148m
 - growth in gross loans & advances (▲14%)
 - increasing net interest margin ▲ to 13.1%
 - largely due to additional interest earned on proceeds from disposals
 - 19% ▲ in EBITDA from services
 - Cost-to-income ▼ from 64.3% to 61.9%
 - efficiency improvements & cost containment across the group
- Continuing return on assets stable at 3.2%
- Continuing return on equity ▼ to 9.4%
 - excludes once-off profit on sale of operations
 - includes the effect of low returns earned on excess capital generated by the sales
 - most appropriate benchmark for group ROE found by looking at the underlying divisional metrics

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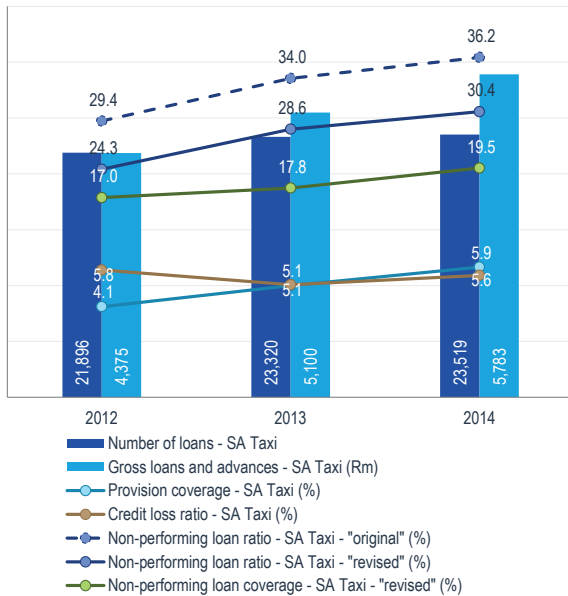
PORTFOLIO MIX

Headline earnings	Rm			Growth		Contribution		
	2014	2013	2012	2014	2013	2014	2013	2012
Asset-backed lending	78	68	58	15%	17%	46%	29%	34%
Credit services	47	43	39	9%	10%	28%	18%	23%
Corporate support	23	5	-19	>100%	>100%	14%	2%	-11%
Continuing	148	116	78	28%	49%	88%	49%	46%
Cents per share	25.5	19.9	16.5	28%	21%			
Discontinued	21	117	93	-82%	26%	12%	51%	54%
Total	169	233	171	-27%	36%	100%	100%	100%



- Significant change to the segmental mix of headline earnings due to sale of Paycorp and Bayport
 - Asset-backed lending contribution ▲ from 29% to 46%
 - Credit services contribution ▲ from 18% to 28%
 - Corporate support contribution on management of un-deployed capital
- Asset-backed lending is now the dominant contributor to the group's earnings and includes SA Taxi and Rand Trust; both focused on SME market which is a particular interest of the group
- The future portfolio mix will be dependant on the nature of acquisitions concluded

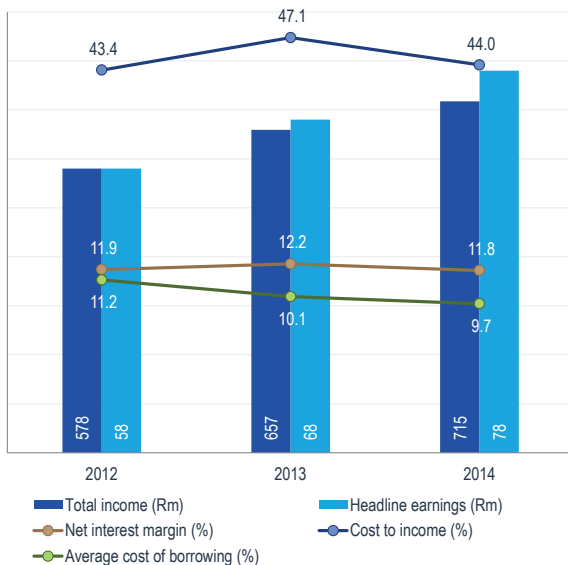
ASSET-BACKED LENDING – SA TAXI



- Gross loans & advances ▲ 13% to R5.8bn
 - number of accounts ▲ 1%
 - exclusive focus on premium vehicles
 - write offs of discontinued entry level vehicles accelerated
- Non-performing loan ratio ▲ from 28.6% to 30.4%
 - revised NPL ratio more appropriate following disposal of Bayport:
 - 3 cumulative qualifying payments in last 3 months
 - original was 3 consecutive qualifying payments in last 3 months
 - greater control of sales through "direct" channel (as opposed to dealers)
 - ▲ NPL more than matched by ▲ provision
 - provision coverage ▲ from 5.1% to 5.9%
 - NPL coverage ▲ from 17.8% to 19.5%
- Credit loss ratio ▲ from 5.1% to 5.6%
 - well within tolerance level of 6%
 - greater efficiencies in Taximart

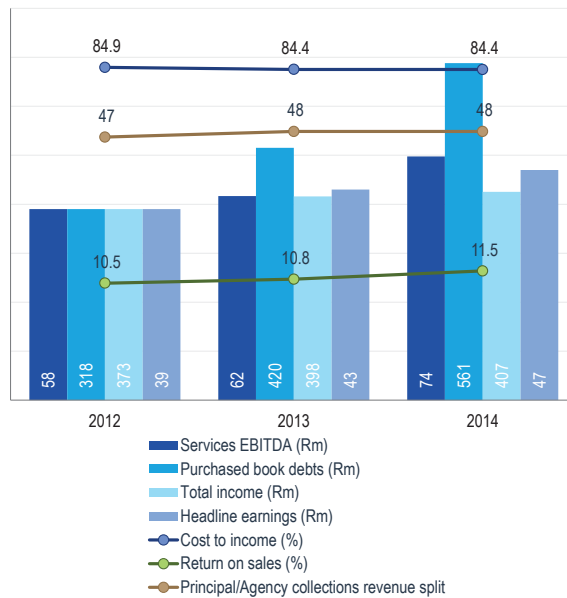
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ASSET-BACKED LENDING – SA TAXI; RAND TRUST



- Headline earnings ▲ 15% to R78m
 - total income ▲ 9%
 - net interest margin ▼ marginally to 11.8%
 - ▼ average cost of borrowings
 - strong growth from Rand Trust
- ▼ in cost-to-income ratio to 44.0%
 - investment into client service ("Shayela" SA Taxi client rewards programme)
 - maintained investment in Taximart
 - economies of scale realised in Rand Trust
- Rand Trust:
 - continued to diversify client base & improve client retention
 - innovation in distribution channels, marketing strategies & client offerings

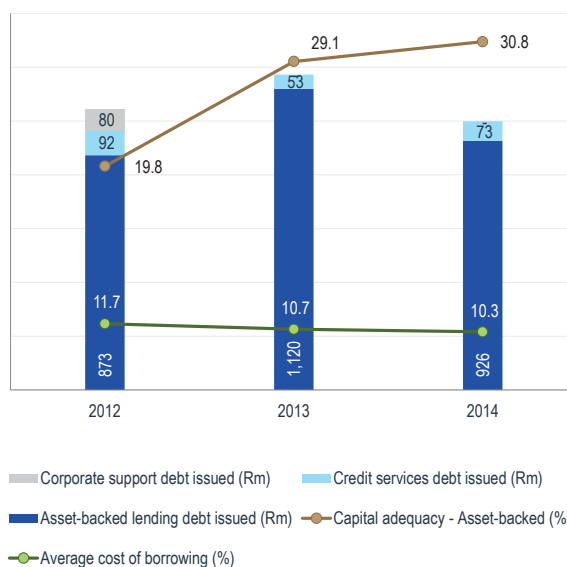
CREDIT SERVICES – MBD CREDIT SOLUTIONS; PRINCIPA DECISIONS



- **Headline earnings ▲ 9% to R47m**
 - challenging collections environment
 - earnings growth continues to lag large purchases of book debts
 - modest revenue growth of 2%
 - stringent cost management; stable cost to income ratio of 84.4%
- **Purchased book debts ▲ 34% from R420m to R561m**
 - books of R160m acquired in advantageous buying environment
 - secure principal collection revenue preference
 - Return on sales ▲ from 10.8% to 11.5%
 - revenue growth
 - cost containment
- **Principa**
 - Softening SA consumer credit economy affected revenue generation ability
 - strong USD revenues earned from Qarar joint venture in Middle East

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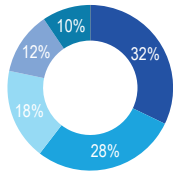
FUNDING



- **4 institutions invested R999m of debt capital**
 - Asset-backed lending: R926m
 - Credit services: R73m
- **New debt investors:**
 - 1 new to group
 - 1 new to asset classes
- **Cost of borrowing ▼ from 10.7% to 10.3%**
- **Maintain robust credit ratings**
 - SA Taxi Securitisation: Moody's rating of Aa2.za (sf) on senior notes, & mezzanine of A3.za (sf)
- **Intention to offer new SA Taxi JSE listed, Standard & Poor's rated securitisation in May 2014 ("Transsec")**

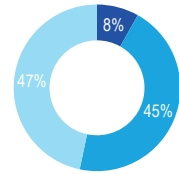
FUNDING PHILOSOPHY

Diversification by funder category



- Specialised asset managers and debt funds
- Life Companies
- Banks
- Traditional asset managers
- DFIs

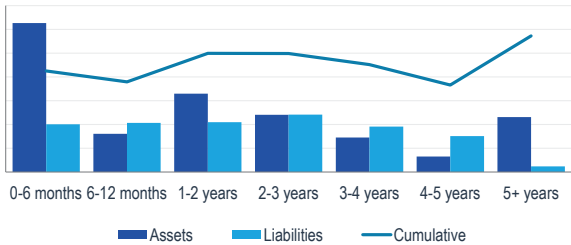
Diversification by funding structure



- Rated unlisted securitisation
- Syndicated loans
- Structured finance

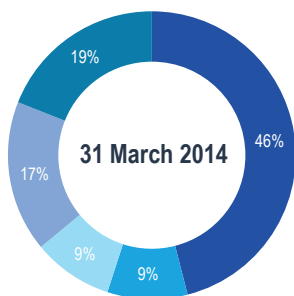
- Proven wholesale funding model
 - "positive liquidity mismatch" between asset & liability cash flows
 - no exposure to overnight debt instruments & limited exposure to 12-month instruments
 - direct relationships with debt capital markets
 - diversification by debt investor, funding structure & credit rating
 - ring-fenced funding structures per individual asset class
 - targeted capital adequacy levels per asset class

Positive liquidity mismatch



NOTES

SHAREHOLDING



- Directors of Transaction Capital and its subsidiaries and their associates
- Old Mutual Life Assurance Co. South Africa Ltd.
- Ethos Private Equity
- Remaining institutional shareholders
- Retail investors

- Percentage held by institutional investors
 - ▲ from 14% to 17%
 - Excludes Old Mutual (OMLACSA)
- Percentage held by retail investors
 - ▲ from 7% to 19%
- Increased share liquidity

TRANSACTION CAPITAL

SUMMARY

UNAUDITED RESULTS FOR THE HALF YEAR

2014

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ADDENDA

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