

20  
18

INTERIM RESULTS PRESENTATION  
FOR THE HALF YEAR ENDED 31 MARCH



Transaction Capital

# GROUP HIGHLIGHTS 2018

INTERIM RESULTS FOR THE HALF YEAR ENDED 31 MARCH



Transaction Capital

# TRANSACTION CAPITAL GROUP STRUCTURE

HY18 FINANCIAL & OPERATIONAL HIGHLIGHTS (HY18 compared to HY17)



CEO: Terry Kier, 11-year group tenure

**R173** MILLION

HEADLINE EARNINGS <sup>1</sup> ▲ 20%

**R8.9** BILLION

GROSS LOANS & ADVANCES ▲ 15%

**R258** MILLION

NON-INTEREST REVENUE ▲ 32%

**17.2%**

NON-PERFORMING LOAN RATIO HY17 17.2%

**25.7%**

RETURN ON EQUITY HY17 24.1%

**3.7%**

CREDIT LOSS RATIO HY17 3.3%



CEO: David Hurwitz, 13-year group tenure

**R310** MILLION

HEADLINE EARNINGS <sup>1</sup> ▲ 22%

**50.8** CPS

HEADLINE EARNINGS PER SHARE ▲ 17%

**21** CPS

INTERIM DIVIDEND PER SHARE ▲ 40%

**15%**

FOREIGN INVESTOR BASE HY17 5%

**16.5%**

RETURN ON EQUITY HY17 16.1%

**R10.4** BILLION

MARKET CAPITALISATION <sup>2</sup>



CEO: Dave McAlpin, 10-year group tenure

**R119** MILLION

HEADLINE EARNINGS <sup>1</sup> ▲ 28%

**R1.0** BILLION

PURCHASED BOOK DEBTS ▲ 11%

**75.6%**

COST-TO-INCOME RATIO <sup>3</sup> HY17 78.8%

**R222** MILLION

NPL PORTFOLIOS ACQUIRED THIS PERIOD ▲ 6%

**R854** MILLION

NON-INTEREST REVENUE ▲ 33%

**R2.0** BILLION

ESTIMATED REMAINING COLLECTIONS ▲ 34%

A vertically integrated minibus taxi platform incorporating a unique blend of vehicle procurement, retail, repossession & refurbishment capabilities, with finance & insurance competencies for focused vehicle types. Combined with its proprietary data, analytics capabilities & technology, SA Taxi is able to provide SMEs operating within the minibus taxi industry with a complete financial & allied services offering.

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 FY17 year

1. Headline earnings attributable to the group, excluding minority interest | 2. Market capitalisation as at 31 March 2018 | 3. Excludes the effect of acquisitions

## ACCELERATED BOOKBUILD IN MARCH 2018

### Evolution beyond foundation phase

- Expanded base of local & specifically international investors
- International shareholding increased to **15%** (from 5%)
- Everglen remains the largest shareholder
- Everglen decreased its shareholding to **29%** (from 41%)

### Enhanced liquidity & daily trade

- Significant increase in free float to **68%**
- Average daily number of shares traded: **591 357** (HY17: 229 090)
- Average daily value traded (USD): **733 898** (HY17: 236 830)

## DEBT CAPITAL MARKETS

### Robust access to the debt capital markets

- Raised **R1.8 billion** in HY18
- SA Taxi fully funded for > 12 months
- **R505 million** Transsec 3 issuance;
  - › >3 times oversubscribed
  - › 81bps < Transsec 2 Tap issuance
  - › Transsec 3 Tap issuance imminent
- **21%** international debt; **79%** local debt

### Credit ratings:

- Transsec 3 senior notes: rated Aaa.za(sf) by Moodys
- Transaction Capital's R2bn note programme: rated A<sub>(ZA)</sub> by GCR

## STRATEGIC POSITIONING OF OPERATING DIVISIONS

### 6 years since listing

- HEPS compound annual growth rate (CAGR) of **21%**

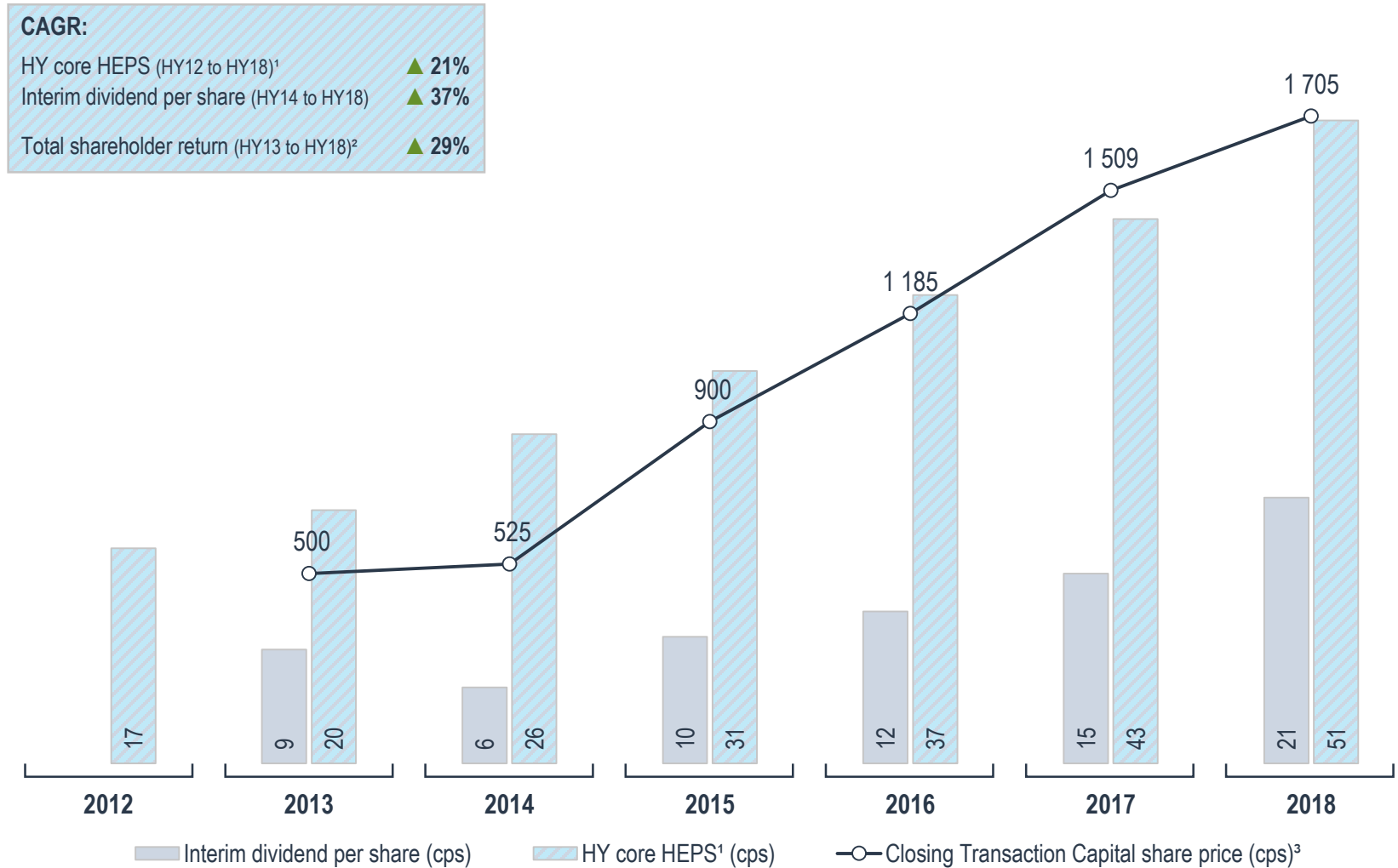
### Delivering robust organic growth

- Highly defensive businesses
- Vertically integrated, diversified & scalable financial services platforms
- Led by entrepreneurial management teams
- Leverage proprietary data & technology to develop new products & expand into new markets
- Delivering both commercial returns & social benefits

## UNGEARED & LIQUID BALANCE SHEET

- Balance sheet remains **well capitalised**
- Liquid excess capital **~R650 million**
- Capital adequacy ratio **31.9%**
- Capacity & flexibility to continue investing in organic & acquisitive opportunities
- Early adoption of IFRS 9 in 2015 (prior to 2018 deadline)
- **Dividends growing faster than earnings**

# TRANSACTION CAPITAL PERFORMANCE SINCE LISTING



Financial half years 1 October to 31 March | 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 31 March 2013 has been adjusted for the special distribution of R2.10 per share in March 2014



## COMPOSITION OF EARNINGS



## ACCRETIVE CASH DEPLOYMENT CONVERTING INTEREST INCOME ON EXCESS CASH INTO OPERATING EARNINGS AT TCRS

	Rm		Growth
	2018	2017	2018
<b>Headline earnings</b>			
SA Taxi <sup>1</sup>	173	144	▲ 20%
TCRS <sup>1</sup>	119	93	▲ 28%
Group executive office (GEO) <sup>2</sup>	18	17	▲ 6%
<b>Total</b>	<b>310</b>	<b>254</b>	<b>▲ 22%</b>
<b>Cents per share</b>	<b>50.8</b>	<b>43.3</b>	<b>▲ 17%</b>

Headline earnings excludes once-off acquisition costs of R22 million incurred during HY17

1. Attributable to the group, excluding minority interest

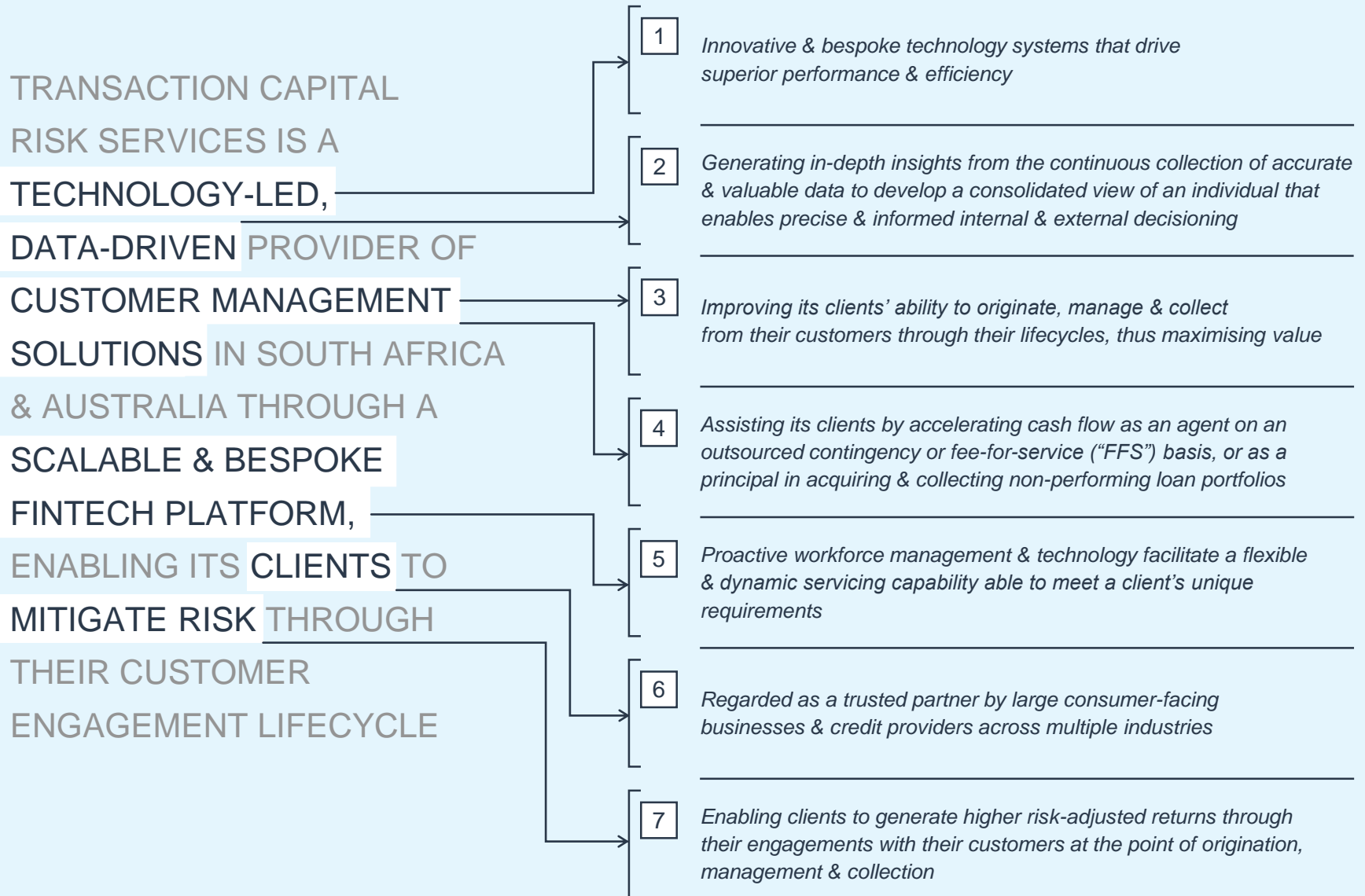
2. Accretive cash deployment into acquisitions

# TRANSACTION CAPITAL RISK SERVICES 2018

INTERIM RESULTS FOR THE HALF YEAR ENDED 31 MARCH



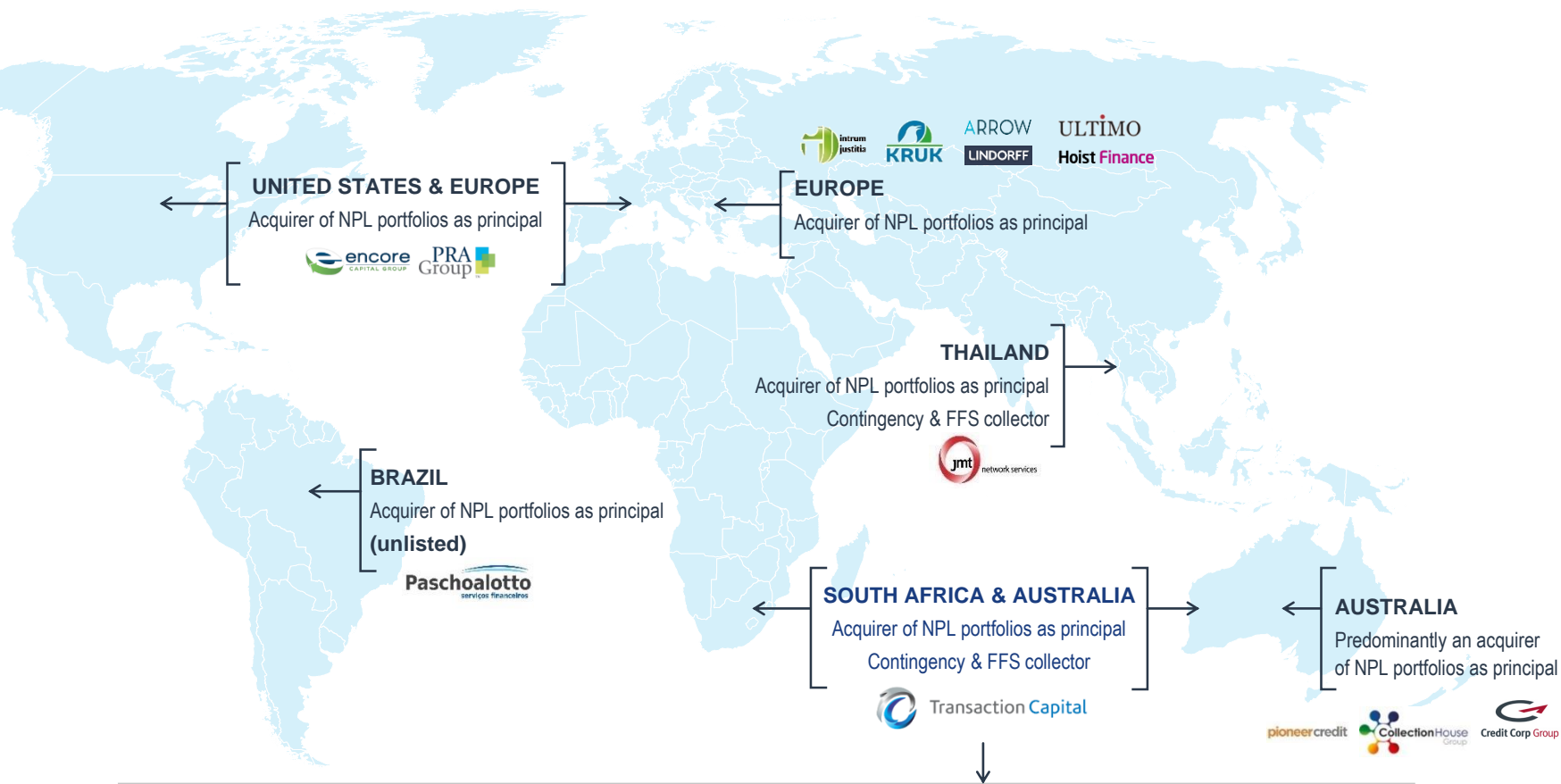
Transaction Capital





# GLOBAL LISTED PEERS

## PREDOMINANTLY ACQUIRERS OF NPL PORTFOLIOS AS PRINCIPAL



Diversification supports performance in varying market conditions

- **Diverse revenue model:** Acquisition of NPL portfolios vs Contingency & FFS collector
- **Across various consumer credit sectors:** Banking, specialist lending, credit retail, utilities, telcos, insurance & public sectors
- **Across 2 geographies:** South Africa & Australia

# ENVIRONMENT & MARKET CONTEXT

## CHALLENGING CONSUMER CREDIT ENVIRONMENT WITH UPSIDE POTENTIAL

IN SOUTH AFRICA, OF THE 35 MILLION ADULTS<sup>1</sup> THERE ARE:

**25 MILLION**  
CREDIT ACTIVE CONSUMERS

- **9.7 MILLION** (~40%) NON-PERFORMING CREDIT CONSUMERS<sup>2</sup>
- HOUSEHOLD DEBT TO INCOME REMAINS HIGH AT **71.9%** (▼ from 74.4% HY16 as DEBT GROWTH < INCOME GROWTH)
- ELEVATED LEVELS OF UNEMPLOYMENT AT **26.7%** (▼ from 27.7% HY17)
- ESCALATING COSTS OF HOUSEHOLD ESSENTIALS OVER THE MEDIUM-TERM AT **5.3%** (▼ from 6.4%)<sup>3</sup>

### MACRO-AND SOCIO-ECONOMIC ENVIRONMENT

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

### OUTLOOK ON SA's CONSUMER

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

### EFFECT ON TCRS

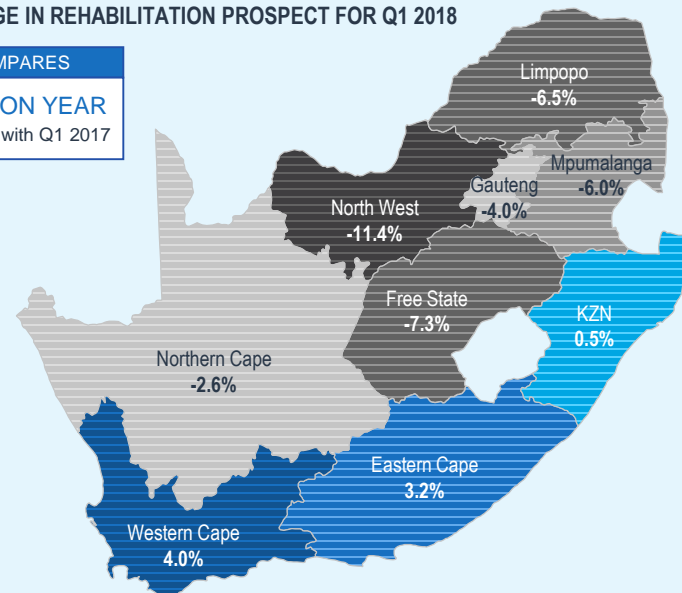
- Increase in the number of matters handed over in agency mandates
- Increasing yield on previously acquired NPL portfolios

## CREDIT REHABILITATION IS A CRUCIAL ELEMENT IN GROWING AN INCLUSIVE ECONOMY

TRANSACTION CAPITAL'S CONSUMER CREDIT REHABILITATION INDEX

% CHANGE IN REHABILITATION PROSPECT FOR Q1 2018

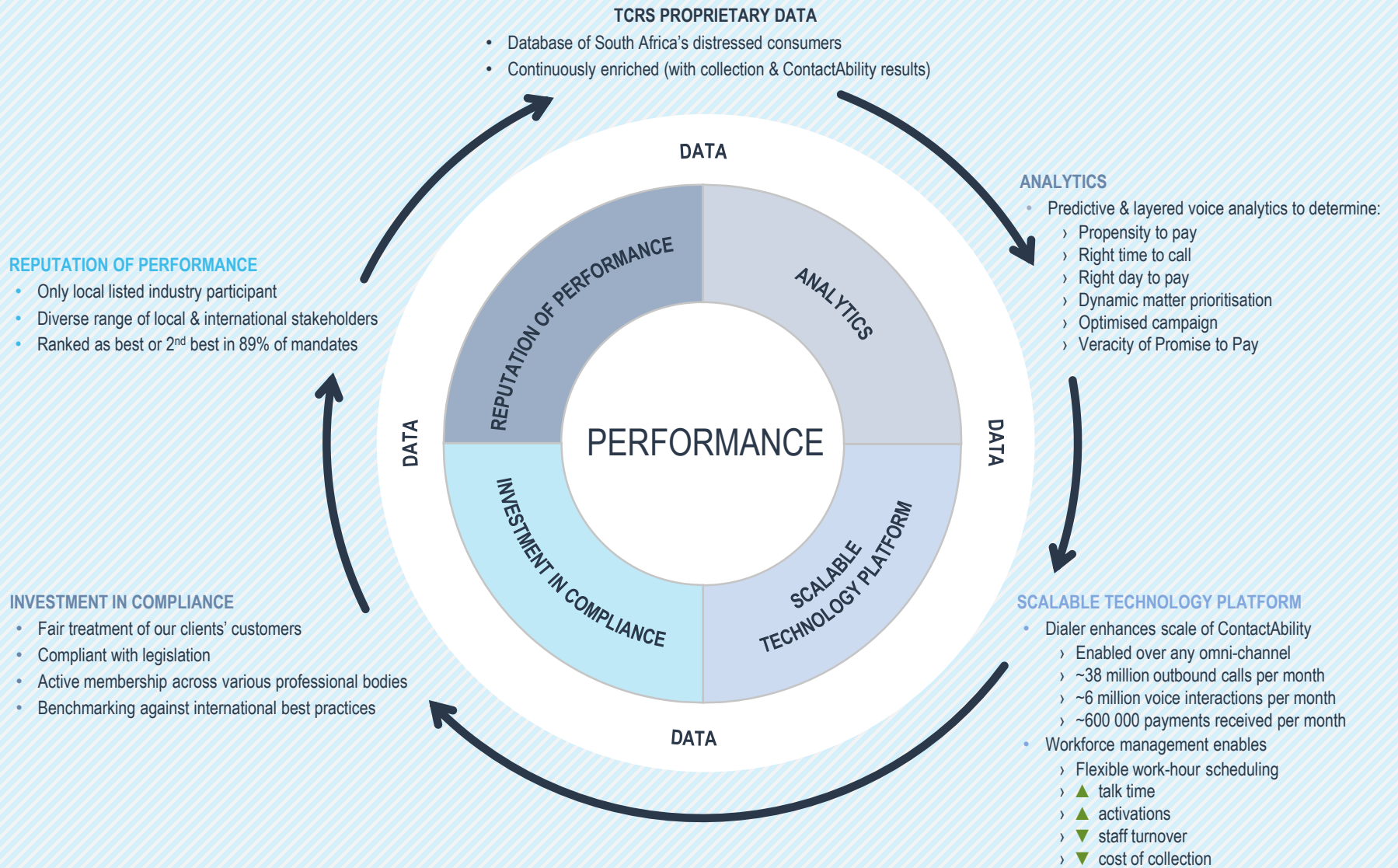
COMPARES  
**YEAR ON YEAR**  
Q1 2018 with Q1 2017



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

# TCRS MARKET POSITIONING

## COMPETITIVE ADVANTAGES

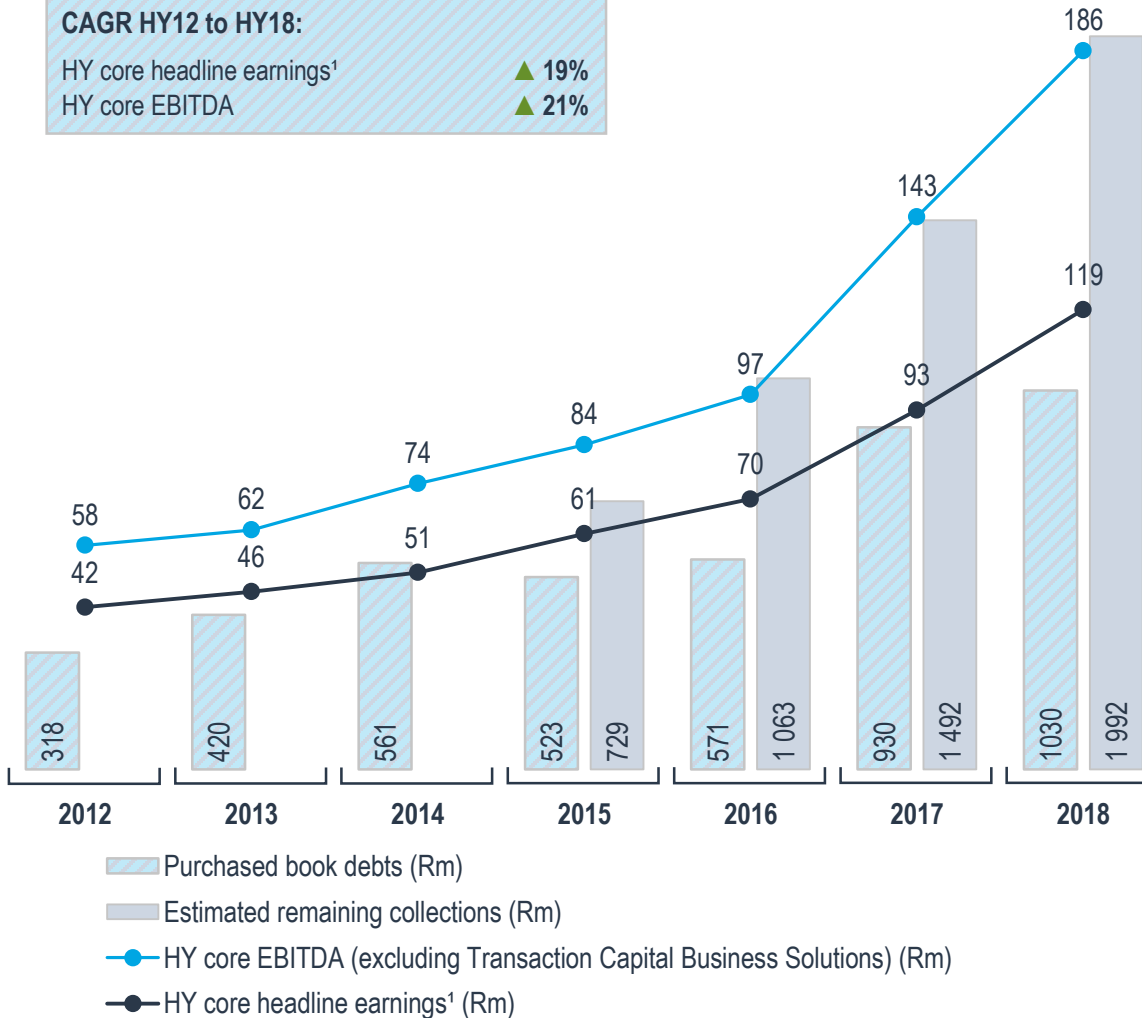


# TCRS PERFORMANCE SINCE LISTING

## STRATEGIC GROWTH INITIATIVES TO CREATE VALUE

### CAGR HY12 to HY18:

HY core headline earnings<sup>1</sup> ▲ 19%  
 HY core EBITDA ▲ 21%



### STRATEGIC GROWTH INITIATIVES

- Current SA economic climate favours acquisition of NPL portfolios
- Exploring NPL acquisitions selectively in Australia
- Expanding TCRS' technology, BI & analytics to RCGL in Australia
- Expanding insurance offerings in SA [revenue of **R11m** for HY18 (▲ HY17: R6m)]
- Operational integration of acquisitions (in line with expectations)
- Bolt-on acquisitions in SA & Australia

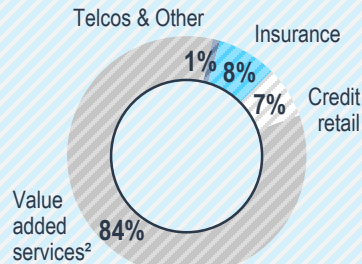
# TCRS' DIVERSIFIED BUSINESS MODEL

**A\$1.062**  
BILLION

**R21**  
BILLION<sup>1</sup>  
Contingency & FFS collections

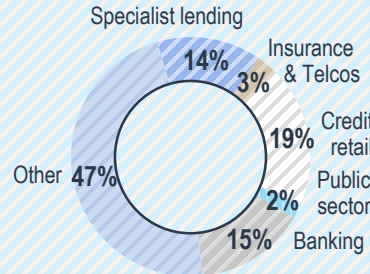
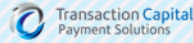
## ORIGINATE

VALUE ADDED SERVICES, LEAD GENERATION & CUSTOMER ACQUISITION



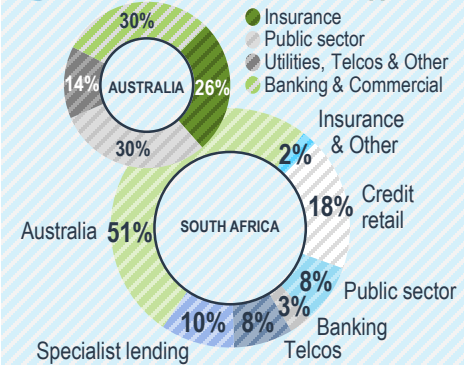
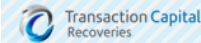
## MANAGE

PAYMENT SERVICES & ACCOUNT MANAGEMENT

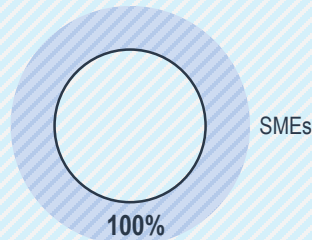


## COLLECT

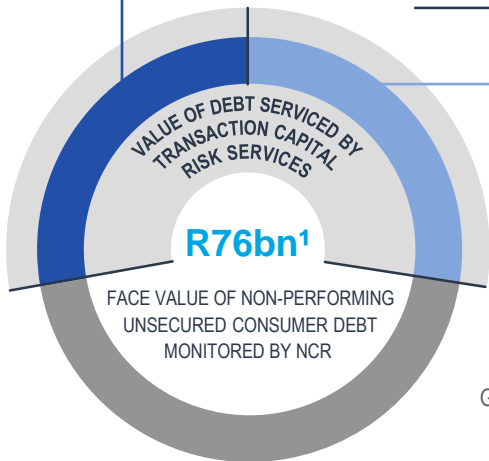
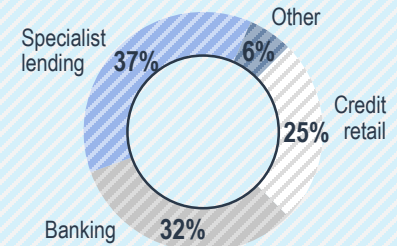
CONTINGENCY & FFS



SME FINANCING & SERVICES



ACQUISITION OF NPL PORTFOLIOS AS PRINCIPAL



**R21**  
BILLION<sup>1</sup>

Acquisition of non-performing loans as principal

**R585**  
MILLION

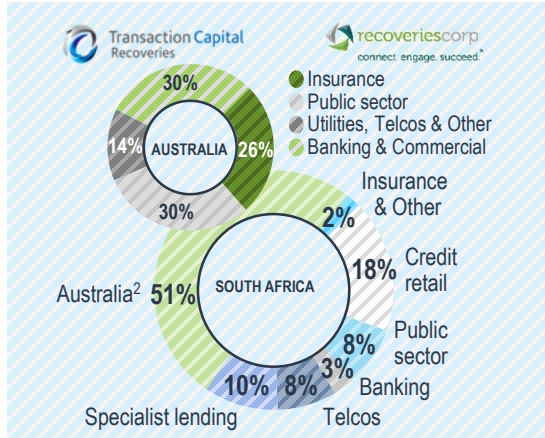
Gross loans & advances Transaction Capital Business Solutions

CLIENT ENGAGEMENT MODEL

Sectors split by revenue per segment as at 31 March 2018

1. R76 billion comprises credit monitored by the NCR as at 31 December 2017. TCRS' target market & assets under management also includes sectors not regulated by the NCR, being SMEs, education, insurance, public sector, telecommunications, SOEs & utilities





## SOUTH AFRICA: TRANSACTION CAPITAL RECOVERIES

Provider of collection & recovery services, including early stage rehabilitation, late stage collections & legal recoveries

**2 377**

EMPLOYEES

**22.2 hours**

TRAINING / EMPLOYEE

**82**

CLIENTS

**38%**

REVENUE CONTRIBUTION FROM NON-NCA DEBT<sup>1</sup> (HY17: 20%)

**75.9%**

FEMALE EMPLOYEES

**95.45%**

BLACK EMPLOYEES

**9**

MARKET SECTORS

**“Investor in people organisation”**

ACCREDITATION IN JANUARY 2017

Rank 1<sup>st</sup> or 2<sup>nd</sup> BY CLIENTS  
IN **89%** OF OUR **201 MANDATES**

## STRATEGIC GROWTH INITIATIVES

- Expanding TCRS' technology, BI & analytics to RCGL in Australia
- Expanding insurance offerings in SA [revenue of R11m for HY18 (▲ HY17: R6m)]
- Bolt-on acquisitions in SA & Australia

## AUSTRALIA: RECOVERIES CORPORATION GROUP LIMITED (RCGL)

Provider of consumer customer management solutions, including debt recovery solutions, insurance claim recoveries, customer services & litigation management services

**45**

CLIENTS

**653**

EMPLOYEES

**~R240 MILLION**

REVENUE GENERATED

**3 BRANCHES**

MELBOURNE, SYDNEY & SUVA

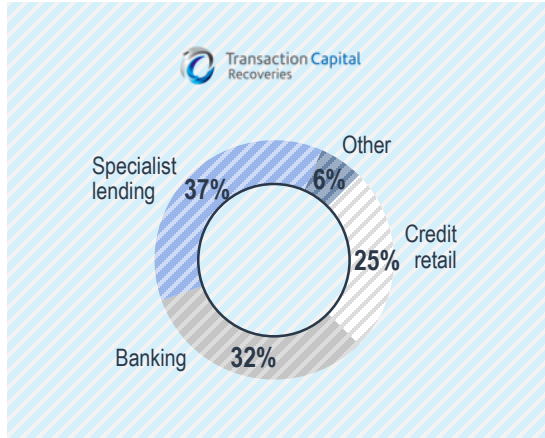
**7**

MARKET SECTORS

Hall & Partners



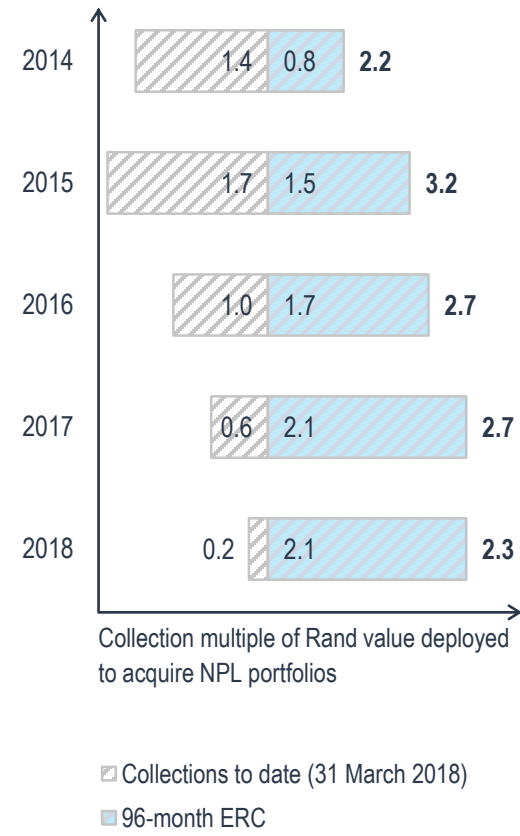
HIGH CLIENT NET PROMOTER SCORE (NPS)



### STRATEGIC GROWTH INITIATIVES

- Current SA economic climate favours acquisition of NPL portfolios
- Exploring NPL acquisitions selectively in Australia
- Bolt-on acquisitions in SA & Australia

### ESTIMATED REMAINING COLLECTIONS (ERC)<sup>1</sup> VINTAGE PERFORMANCE AS AT 31 MARCH 2018

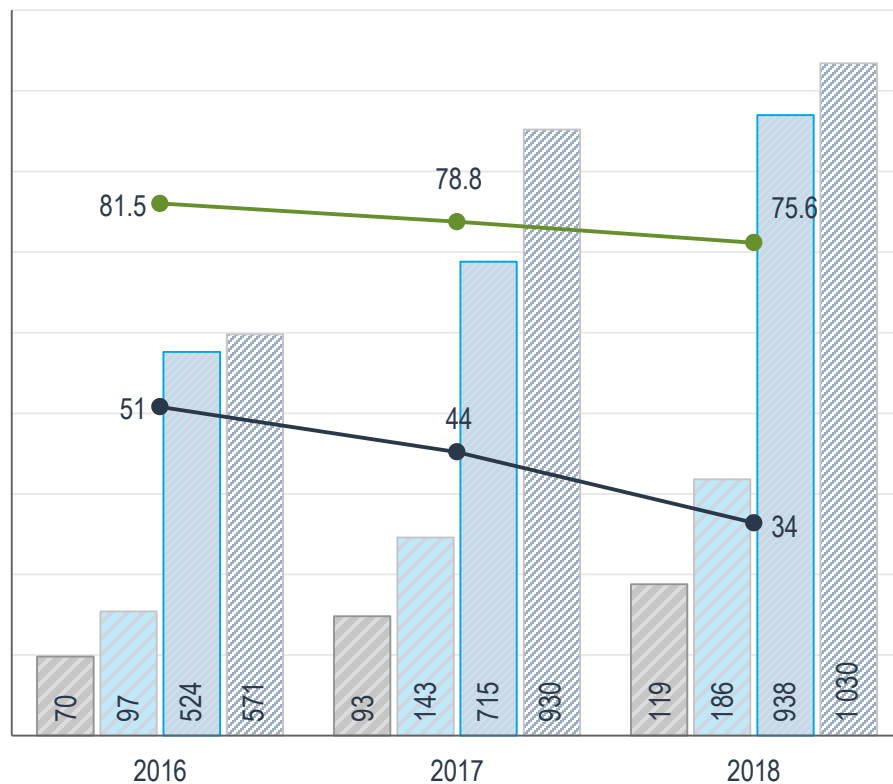


### ACQUISITION OF NPL PORTFOLIOS CONTINUES<sup>2</sup>

- Current South African economic context favours acquisition of NPL portfolios
- **17** portfolios acquired for **R218m** with a face value of **R8.3bn** (HY17: 13 portfolios for **R210m** with a face value of **R2.8bn**)
- Further investment of **R4m** in **Australian** portfolios
- **219** portfolios (including **7** Australian portfolios) owned in total with a face value of **R20.6bn**
- Purchased book debts **▲ 11%** to **R1 030m** (includes Australia of R9m) (HY17: **R930m**)
- 2018 ERC of **2.3 times** (> internal target of **~2.2 times**)
- ERC **▲ 34%** to **R1.99bn** (includes Australia of **R12m**)
- Longevity in the yield of principal portfolios on book, expected to support future positive performance
- Asset-turnover ratio remains high at **48.9%** (diluted by high value of portfolio acquisitions – including Australia)

1. Excludes contracts where TCRS does not have title of the underlying claim  
 2. Includes only South African data (unless otherwise specified)

# TCRS FINANCIAL PERFORMANCE



■ Headline earnings (Rm)

■ Core EBITDA<sup>1</sup> (Rm)

■ Total income (Rm)

▨ Purchased book debts (Rm)

● Cost-to-income (%)<sup>2</sup>

● Principal/contingency & FFS collections revenue split

- Core headline earnings ▲ **28%** to **R119m**
  - › Headline earnings organic growth ▲ **>15%**<sup>2</sup>
  - › Accretive cash deployment converting cash yield into earnings
- Contingency & FFS revenue
  - › Growing revenue from adjacent sectors
  - › Insurance, telecommunications & public sector contributing **38%** of SA agency revenue (HY17: 20%)
- Cost-to-income ratio improved (excluding the effect of acquisitions)
  - › Total costs ▲ **4%**<sup>2</sup>
  - › Continued investment in data (MDU), technologies (dialer & workforce management) & analytics yielding efficiencies
  - › Frugal cost management

1. Core EBITDA (excluding Transaction Capital Business Solutions)

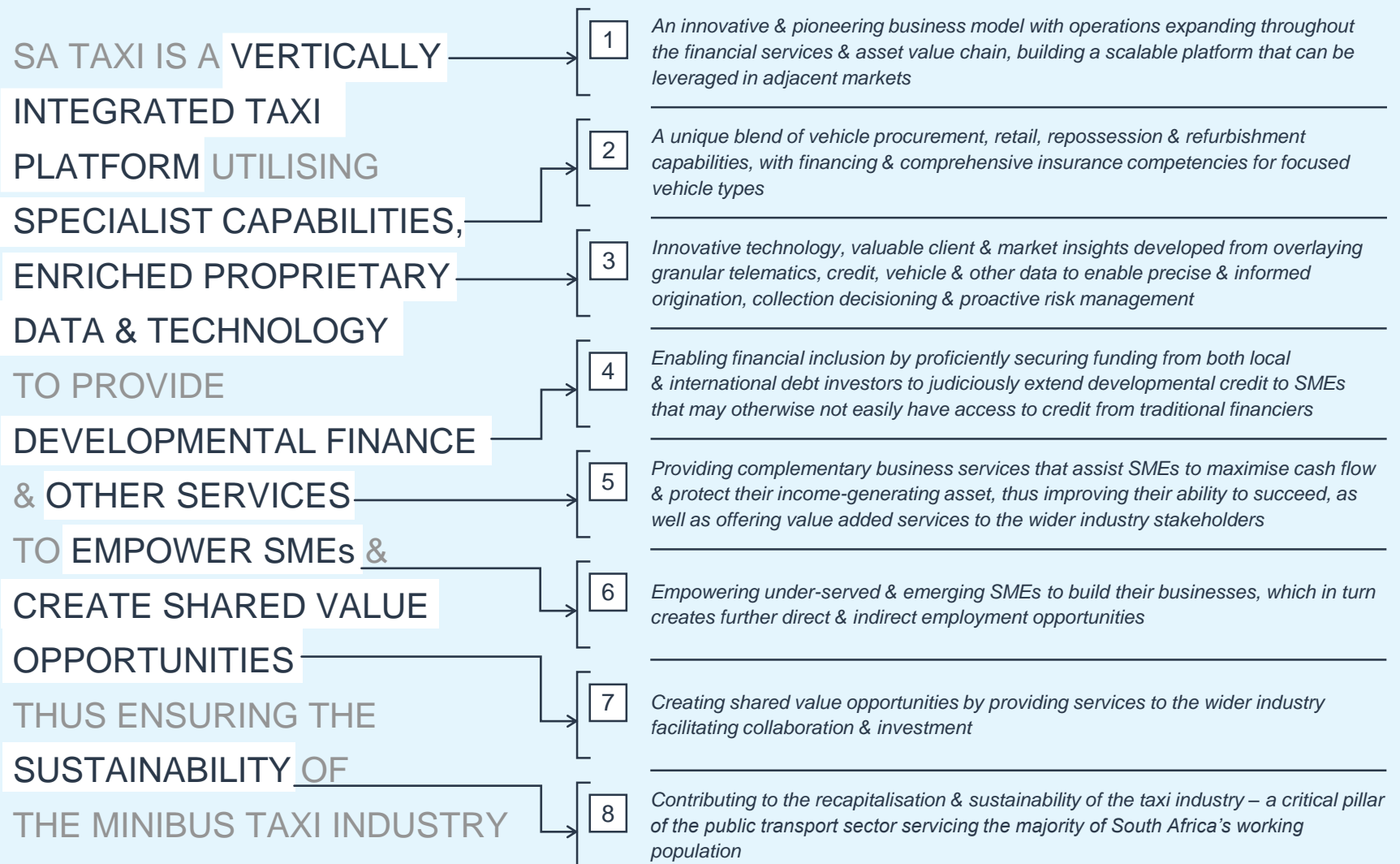
2. Excluding the effect of acquisitions

# SA TAXI 2018

INTERIM RESULTS FOR THE HALF YEAR ENDED 31 MARCH



Transaction Capital





# SA TAXI IMPACT

## DELIVERING SHARED VALUE FOR THE INDUSTRY

### SME EMPOWERMENT

BLACK OWNED SMEs | **100%**      WOMEN OWNED SMEs | **20%**      UNDER THE AGE OF 35 YEARS | **16%**

### SUSTAINABLE JOB CREATION

DIRECT JOBS PER TAXI VEHICLE | **~1.8**      DIRECT JOBS CREATED BY SA TAXI'S FLEET SINCE 2008 | **>123 000**

**~600 000**

INDIRECT JOBS ENABLED BY THE MINIBUS TAXI INDUSTRY<sup>1</sup>

DIRECT JOBS CREATED BY SA TAXI'S FLEET IN HY18 | **>7 000**

### INDUSTRY SUSTAINABILITY

**3 917**

RELIABLE NEW & PRE-OWNED MINIBUS TAXIS ON THE ROAD IN HY18

### ENVIRONMENTAL SUSTAINABILITY

**9.8%**

ABATEMENT ON CARBON EMISSIONS<sup>2</sup>

### ECONOMIC TRANSFORMATION

#### DEVELOPMENTAL CREDIT ACHIEVING INCLUSIVE GROWTH

**R1.56 BILLION**  
LOANS ORIGINATED CREATING

**3 917**

SMEs IN HY18

**R20.2 BILLION**  
LOANS ORIGINATED CREATING

**68 606**

SMEs SINCE 2008

FACILITATES ASSET OWNERSHIP BY BLACK SMEs

### COMMUTER EXPERIENCE

REPLACEMENT OF AGED MINIBUS TAXI FLEET

INCORPORATION OF WIFI TECHNOLOGY

### INVESTOR RETURNS

ROE | **25.7%**

DEBT INVESTORS | **>40**

HEADLINE EARNINGS FROM HY17 | **▲20%**

1. Department of Transport Minister Dipuo Peters address at National Council of Provinces Budget vote NCOP 2014/15  
2. Percentage of TCO<sub>2</sub> abatement saved in 2017 through SA Taxi's financing activities

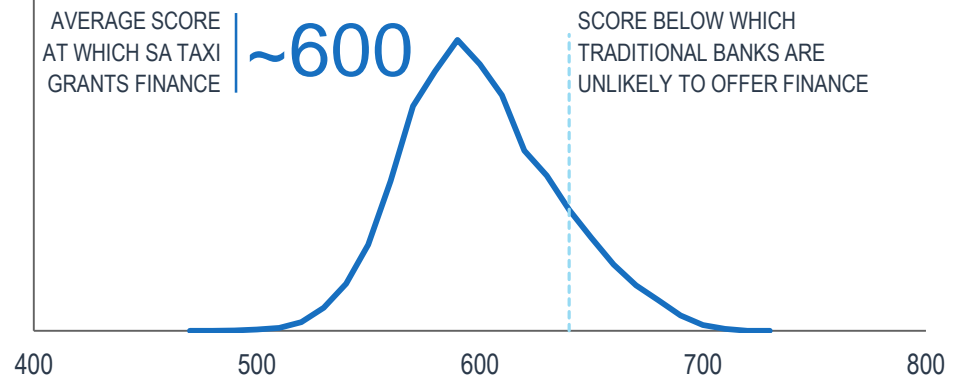
# SA TAXI IMPACT

## CREATING A MORE SUSTAINABLE MINIBUS TAXI INDUSTRY TOGETHER WITH INDUSTRY LEADERSHIP

### JOINT INITIATIVES WITH MINIBUS TAXI INDUSTRY

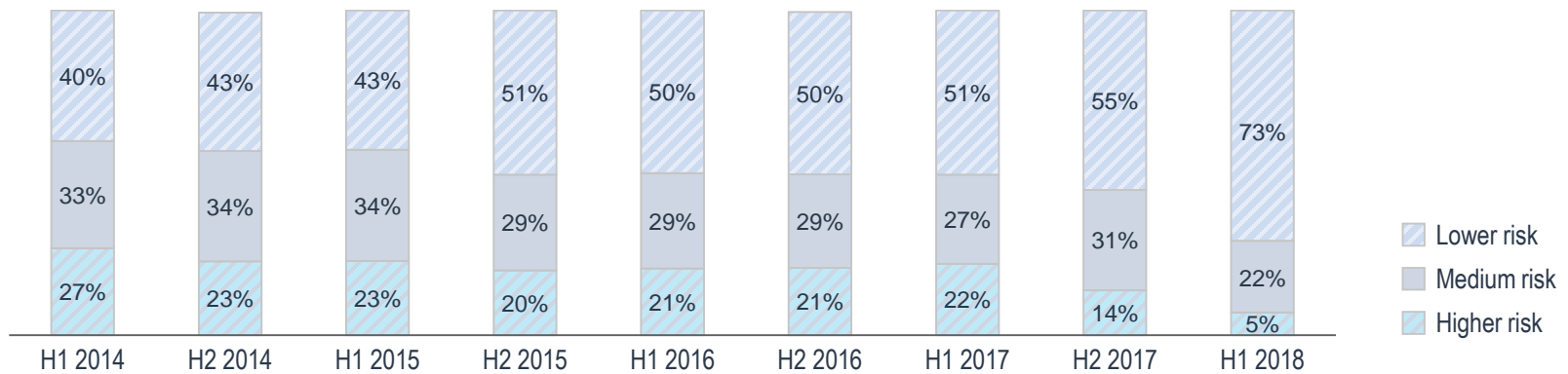
- Launch of “Black Elite” fuel campaign
- Launch of WiFi at rank & in taxis
- Provision of patrol vehicles to industry
- Salvage & parts distribution to
  - › ensure competitive insurance premiums
  - › reduce defaulting clients’ credit shortfalls
- Engagements with OEMs for support
- Avg. interest rate at origination to **23.6%** (HY17: 24.9%)

### INCLUSIVE GROWTH



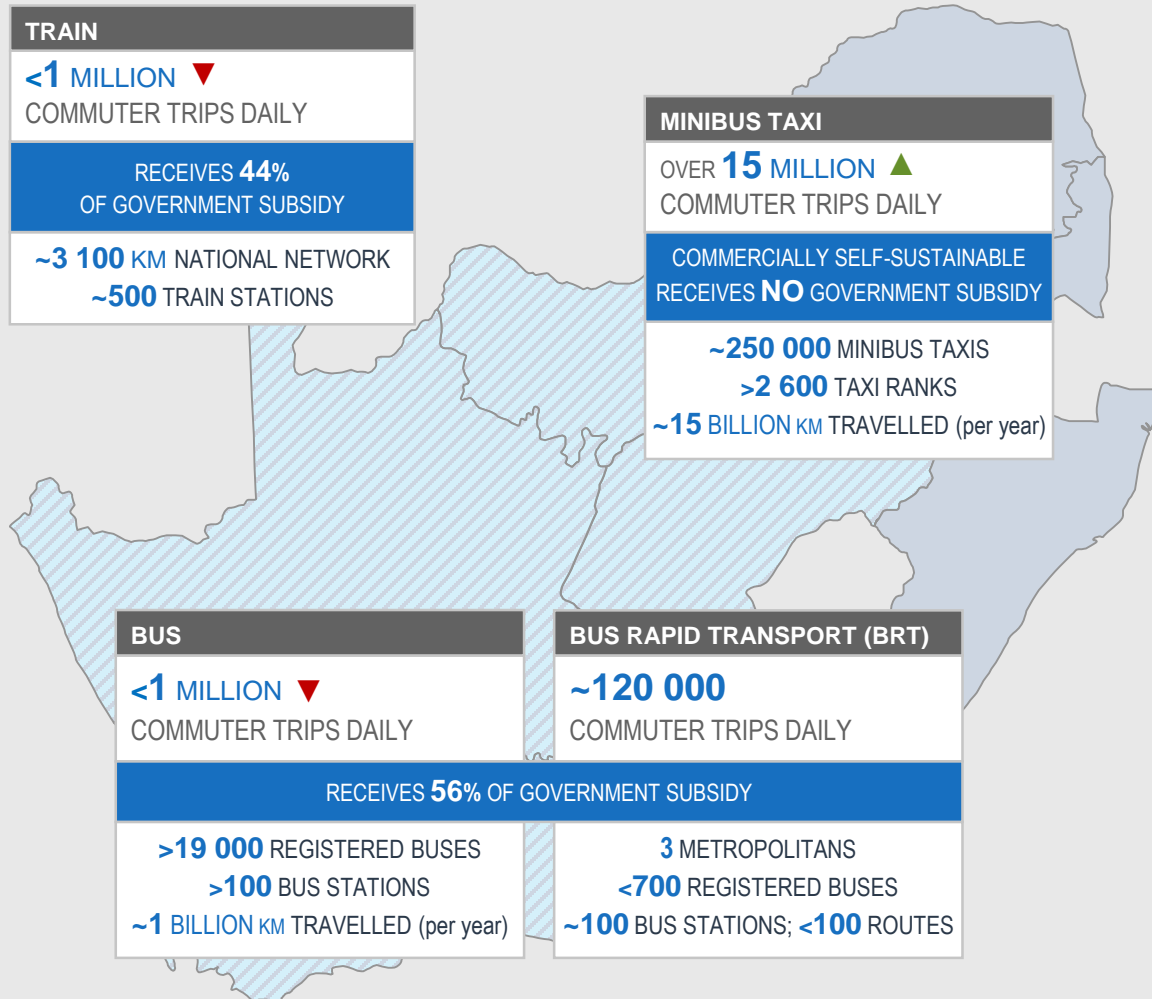
### SERVING HIGHER QUALITY TAXI OPERATORS TO CREATE A MORE SUSTAINABLE MINIBUS TAXI INDUSTRY

#### NEW ORIGINATION VOLUMES BY RISK GRADE



# ENVIRONMENT & MARKET CONTEXT

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



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

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

## GROWING MINIBUS TAXI USAGE

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

# ENVIRONMENT FOR MINIBUS TAXI OPERATORS

## MINIBUS TAXI OPERATORS REMAIN RESILIENT IN A CHALLENGING ECONOMIC ENVIRONMENT

### CHALLENGING ENVIROMENT WITH UPSIDE POTENTIAL

**R433 300<sup>1</sup>**

TOYOTA SESFIKILE (DIESEL)  
PRICE 3 YR CAGR : ▲ 7%

**15%**

▲ VAT  
HY17: 14%

**R13.72<sup>2</sup>** per litre

▲ PETROL PRICE (12 MTH AVG)  
HY17: R12.85

**R12.00<sup>2</sup>** per litre

▲ DIESEL PRICE (12 MTH AVG)  
HY17: R11.10

**6.75%**

▼ SA REPO RATE (AVG)  
HY17: 7.00%

OPERATOR INCOME AT ORIGATION: ▲ **10%**

- ...> Better **route** distribution
- ...> Better **risk-grade** distribution
- ...> Better **asset utilisation**

### STRUCTURAL ELEMENTS

- ...> DOMINANT & GROWING MODE OF PUBLIC TRANSPORT  
(Competitively priced; convenient; accessible)
- ...> INCREASING COMMUTER DENSITY DUE TO URBANISATION
- ...> NEW PASSENGER VEHICLE SALES ▼ **18%** (HY13 to HY18)
- ...> COMMERCIALLY SELF-SUSTAINABLE (Receives NO government subsidy)
- ...> INTEGRATED COMPONENT OF PUBLIC TRANSPORT NETWORK
- ...> CONTINUED HIGH LEVELS OF UNEMPLOYMENT >**26%**
- ...> PUBLIC TRANSPORT SPEND IS NON-DISCRETIONARY
- ...> DEMAND FOR MINIBUS VEHICLES > SUPPLY
  - › Ageing national fleet requiring replacement and recapitalisation
  - › Driving higher demand for vehicles that are reliable & efficient

NEW MINIBUS VEHICLE SALES P.M. (TOTAL MARKET) ~1 600

- Improved credit performance as SA Taxi is selective on credit risk, due to limited supply
- Improved recoveries as asset retains value due to demand > supply
- Liquid market for high quality & affordable SA Taxi pre-owned vehicles

1. Toyota retail price as at 1 April 2018  
2. [www.energy.gov.za](http://www.energy.gov.za): 12 month rolling average petrol price (May 2017 to May 2018)

# SA TAXI EVOLUTION

## CREATING VALUE AT NEW FRONTIERS

TO PROVIDE FINANCE, INSURANCE & OTHER SERVICES THAT ENABLE THE SUSTAINABILITY OF THE MINIBUS TAXI COMMUNITY

FORMATIVE YEARS ←

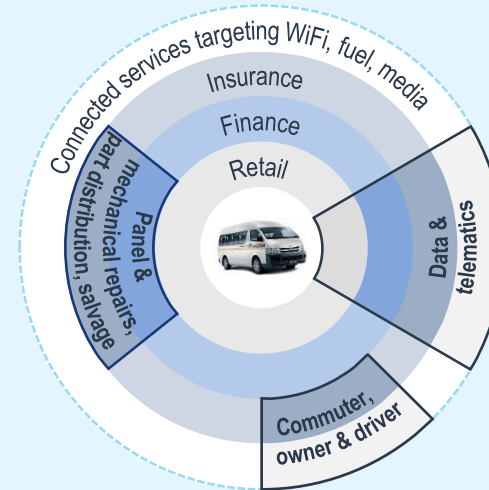
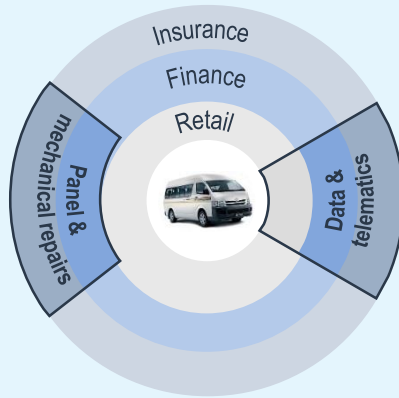
2018

→ OUR VISION

A finance offering to taxi operators

Offering expanded & operations extended into key verticals of the finance, insurance & retail value chains

- To extend products & services to additional verticals, unlocking value in the industry
- Provide bespoke services to a wider customer base



CURRENT

~30 000 FINANCED & INSURED CLIENTS

R8.9BN GROSS LOANS & ADVANCES

R258M NON-INTEREST REVENUE

TOTAL ADDRESSABLE MARKET

~250 000 MINIBUS TAXIS ~1 200 TAXI ASSOCIATIONS

>150 000 OPERATORS ~R50BN ANNUAL ESTIMATED REVENUE<sup>1</sup>

~250 000 TAXI DRIVERS ~3BN LITRES OF FUEL PURCHASED p.a.<sup>3</sup>

15M COMMUTER TRIPS DAILY<sup>1</sup>

50MIN AVERAGE TIME SPENT TRAVELING TO WORK<sup>2</sup>

9.9M HOUSEHOLDS USING MINIBUS TAXIS<sup>2</sup>

← Providing vehicles, finance, insurance, other services, repairs & parts

← Providing services & products to meet their needs & reward good driving

← Providing value added services whilst commuting

Creating opportunities for operators to share in the opportunity of accessing the driver & commuter

SOURCES:

1. Reuters 2017 | 2. National Household Transport Survey 2013 | 3. Industry information



# SA TAXI MARKET POSITIONING

## VERTICALLY INTEGRATED BUSINESS MODEL

**DATA & TELEMATICS OPERATIONS**  
APPLIED IN CREDIT VETTING, INSURANCE,  
COLLECTIONS & REPOSSESSION

SA TAXI HAS BEEN TRACKING  
MINIBUS TAXIS FOR  
**~11 YEARS**

ON AVERAGE EACH OF  
OUR VEHICLES TRAVELS  
**6 400 KM PER MONTH**

OUR VEHICLES TRAVEL ON  
**6 500 ROUTES** COVERING  
OVER **~800 000 KM**

### FINANCING OPERATIONS

**R8.9 BILLION** → **~30 000**

GROSS LOANS  
& ADVANCES

FINANCED VEHICLES  
ON BOOK

EQUITY ALLOCATION  
& DEBT RAISING

→ **25%** capital adequacy ratio  
→ **>40** diversified funders

CREDIT UNDERWRITING  
& LOAN ORIGINATION

→ Specialised credit philosophy:  
Route | Association  
Vehicle | Operator

COLLECTIONS

**~R290 MILLION**  
average monthly collections  
in the last 12 months

### INSURANCE OPERATIONS

#### EXPANDING CLIENT BASE

**>85%**

OF SA TAXI'S FINANCED CLIENTS CHOOSE  
TO BE INSURED WITH SA TAXI PROTECT<sup>1</sup>

**R161 MILLION**

ANNUALISED NEW WRITTEN PREMIUM

**1.8**

NO. OF PRODUCTS PER INSURED CLIENT

### VEHICLE RETAIL

**~R330 MILLION**

VEHICLE TURNOVER IN SA TAXI RETAIL  
DEALERSHIP FOR HY18

**~8%**

AVERAGE RETAIL MARGIN PER VEHICLE

### REFURBISHMENT OPERATIONS

**>20 000m<sup>2</sup>**

COMBINED AUTOBODY REPAIR  
& MECHANICAL REFURBISHMENT  
CENTRE

**~220** per month

INTERNAL VEHICLE REFURBISHMENT  
CAPACITY

**>73%**

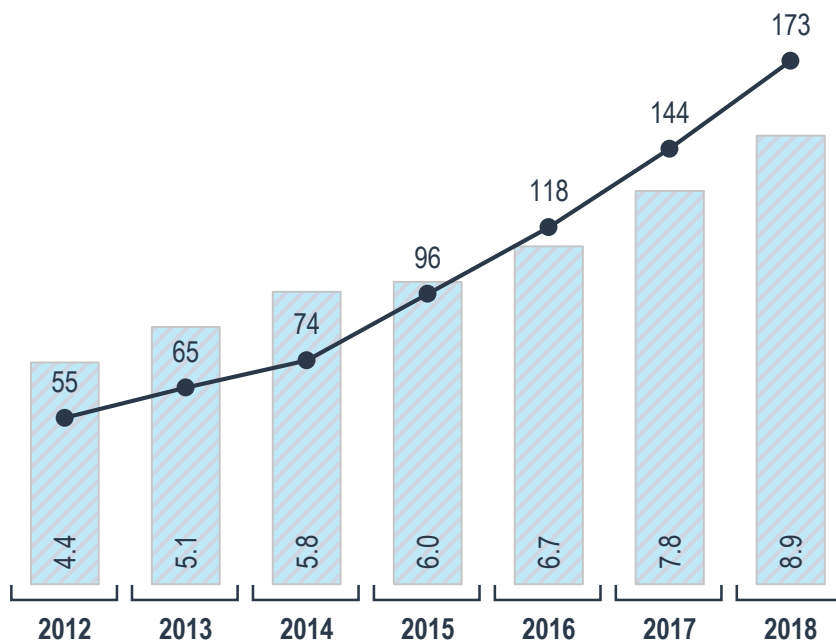
RECOVERY RATES ON  
REPOSSESSION, REFURBISHMENT  
& RESALE

1. 100% of taxis financed by SA Taxi are fully insured

# SA TAXI PERFORMANCE SINCE LISTING

## STRATEGIC GROWTH INITIATIVES TO CREATE VALUE

<b>CAGR HY12 to HY18:</b>		<b>Non-interest revenue composition:</b>	
HY headline earnings <sup>1</sup>	▲ 21%	26% (HY12) to 34% (HY18)	
Gross loans & advances	▲ 12%		
NPL ratio	▼ 9%	<b>Recovery on repossession:</b>	
Credit loss ratio	▼ 7%	<65% (HY12) to >73% (HY18)	



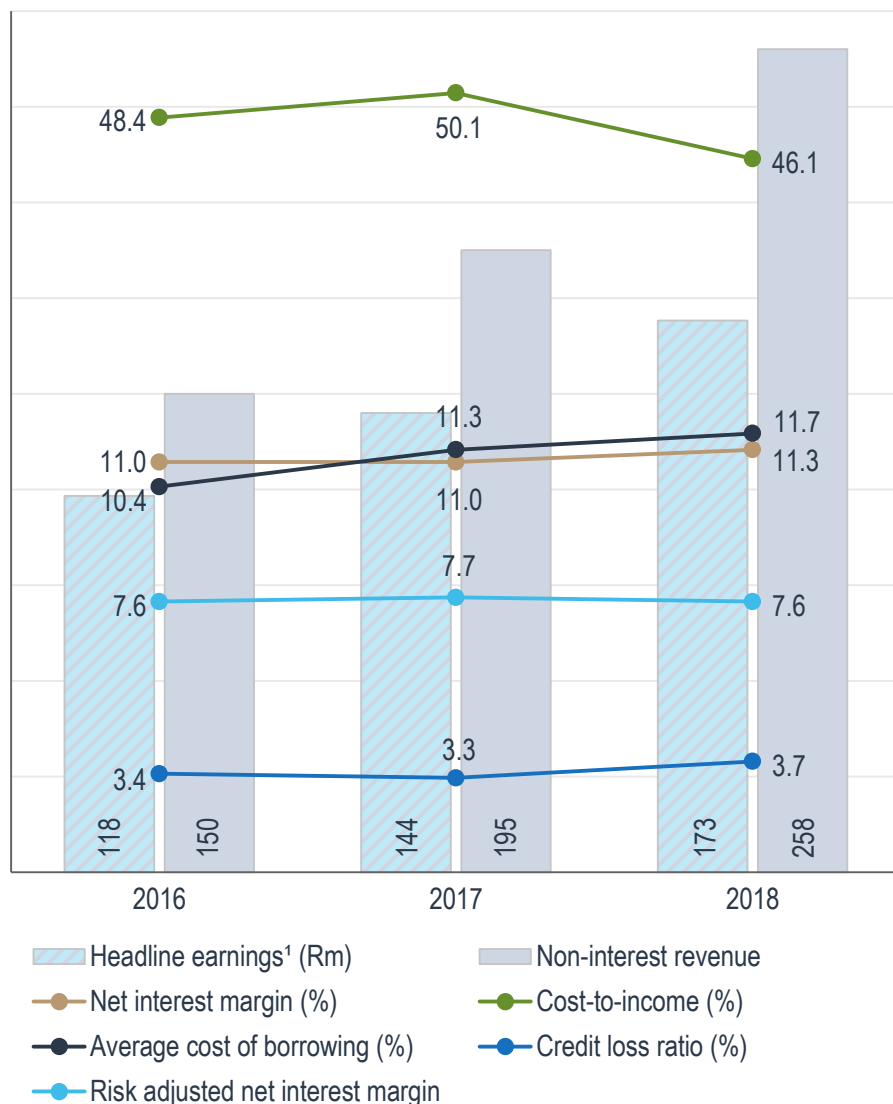
— Gross loans and advances (Rbn)

—●— HY headline earnings (Rm)<sup>1</sup>

### STRATEGIC GROWTH INITIATIVES

- New vertical integration
  - › Parts procurement & distribution
  - › Salvage
- Expanding SA Taxi's insurance business
  - › Broadened client base (financed by SA Taxi & other "open market" clients)
  - › Broadened product offering (comprehensive vehicle cover, instalment protection, passenger liability, credit life)
  - › Reduced cost of claim (broadening of & efficiencies in SA Taxi's autobody & mechanical repair facility)
- Vehicle retail operations
  - › Offering funding from banks to capture additional vehicle sales, attract high quality clients & offer standalone insurance & tracking services
- Accretive industry inclusion
  - › Assist in growing existing finance, insurance & retail verticals
  - › Participation in select new business verticals (WiFi & fuel)

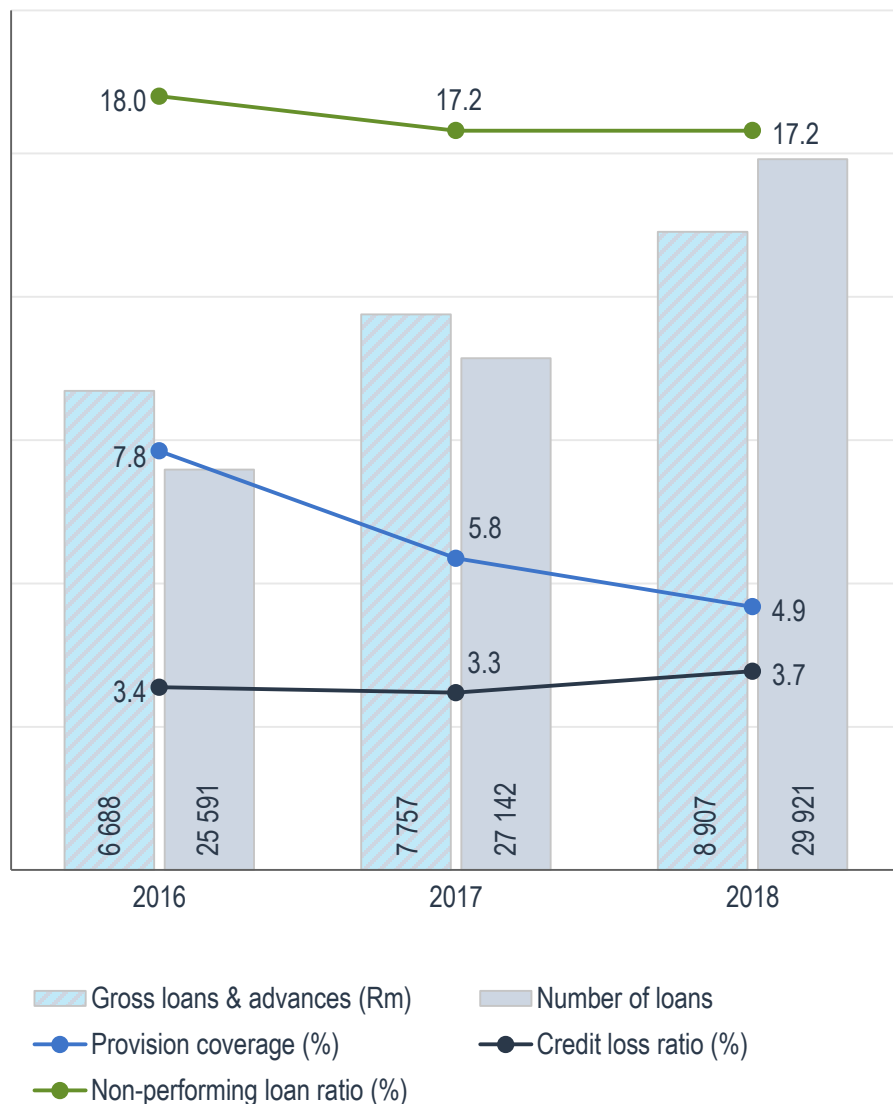
# SA TAXI FINANCIAL PERFORMANCE



- Headline earnings<sup>1</sup> ▲ **20%** to **R173m**
  - › All organic growth
- NIM ▲ to **11.3%** from **11.0%**
  - › Funding costs ▲ by **40bps** to **11.7%**
    - Average repo rate ▼ **25bps**
    - Foreign debt ▲ to **21%** from 20% (FY17), fully hedged to Rand
  - › Average interest rate of **23.6%** on origination (NCA max cap of **33.75%**)
  - › Credit loss ratio of **3.7%** (HY17: **3.3%**)
  - › Risk-adjusted NIM stable at **7.6%**
- Non-interest revenue ▲ **32%** to **R258m**, driven by:
  - › Expanding insurance business
    - Broadened client base (financed by SA Taxi & other “open market” clients)
    - Broadened product offering (comprehensive vehicle, instalment protection, passenger liability, credit life)
    - Reduced cost of claim (efficiencies in repair facility)
  - › Vehicle retail operations
- Cost-to-income ratio improved to **46.1%** from 50.1%
- Effective tax rate normalised at **27.3%**, resulting from consolidation of insurance operations

1. Headline earnings attributable to the group

# SA TAXI CREDIT PERFORMANCE



- Gross loans & advances **▲ 15% to R8.9bn**
  - › Number of loans originated **▲ 4%**
  - › Rand value of loans originated **▲ 8%**
  - › **Toyota vehicle prices ▲ 1%** between 1 October 2017 & 31 March 2018 & another **▲ 1%** on 1 April 2018
  - › VAT **▲ 1%** on 1 April 2018
- NPL ratio remained stable at **17.2%**
  - › Continued strong collection performance
  - › Superior credit quality via retail dealership
  - › Enhanced via analytics applied to telematics data
- Credit loss ratio at **3.7%** (HY17: 3.3%)
  - › Recover **>73%** of settlement value
  - › Improved quality & efficiencies in refurbishment centre
  - › Average repair cost **▼ 10%** (~R74 000 from ~R82 000)
  - › Target credit loss ratio remains **3% to 4%**
- Provision coverage at **4.9%**
  - › After tax credit loss covered at **1.8** times
  - › IFRS 9 early adopted in 2015; more conservative provisioning methodology

# SA TAXI OPERATIONAL PERFORMANCE

## SA TAXI OPERATOR PROFILE

### VEHICLES ON BOOK

**1.2**

VEHICLES  
PER CUSTOMER

**87%**

TOYOTA  
VEHICLES

**31%**

LOANS ORIGINATED TO REPEAT  
CUSTOMERS (DURING HY18)

**3.8 YEARS**

AVERAGE AGE  
OF VEHICLE

**>85%**

INSURED  
WITH SA TAXI

### CREDIT PROFILE OF LOANS ON BOOK

**68 MONTHS**

AVERAGE  
LOAN TERM

**>R6 000**

MINIMUM MONTHLY  
OPERATOR PROFIT

**~R400 000**

AVERAGE  
ORIGINATION VALUE

**16.0%**

AVERAGE  
DEPOSIT<sup>1</sup>

**23.6%**

WEIGHTED AVERAGE  
INTEREST RATE AT ORIGINATION

**47 MONTHS**

AVERAGE REMAINING  
LOAN TERM

**40%**

AVERAGE  
APPROVAL RATE

### CUSTOMER PROFILE

**100%**

BLACK OWNED  
SMEs

**20%**

WOMEN OWNED  
SMEs

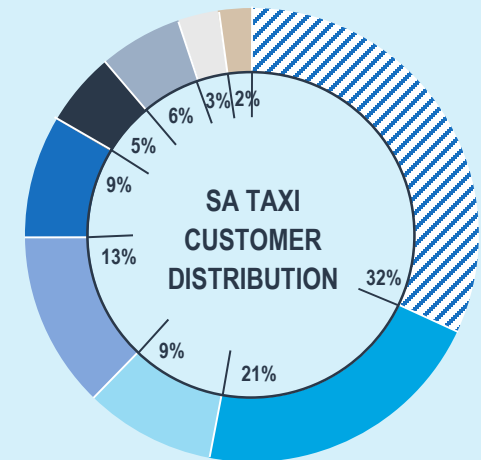
**16%**




UNDER THE AGE  
OF 35 YEARS

**47 YEARS**

AVERAGE AGE  
OF OWNER

## GEOGRAPHIC DISTRIBUTION



-  Gauteng
-  KwaZulu-Natal
-  Mpumalanga
-  Western Cape
-  Eastern Cape
-  North West
-  Limpopo
-  Free State
-  Northern Cape





Deal of the Year 2018:  
Africa – Securitisation  
and Structured Finance



Best securitisation deal  
in Africa

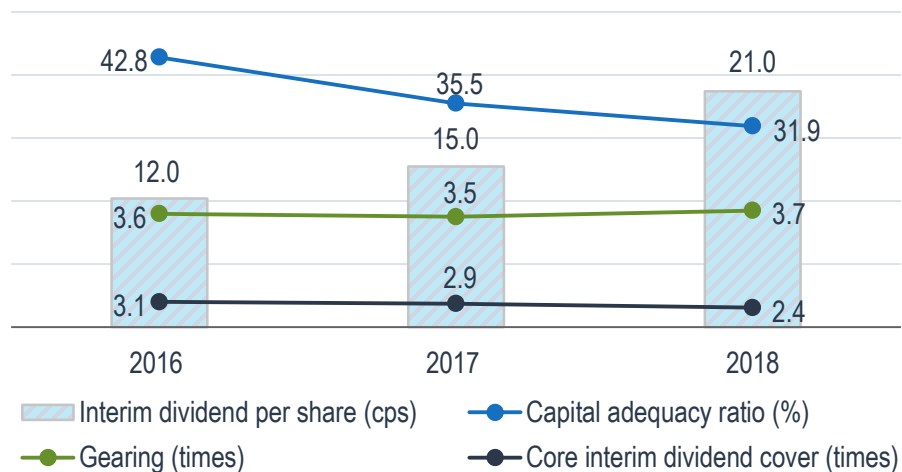
# CAPITAL MANAGEMENT 2018

INTERIM RESULTS FOR THE HALF YEAR ENDED 31 MARCH

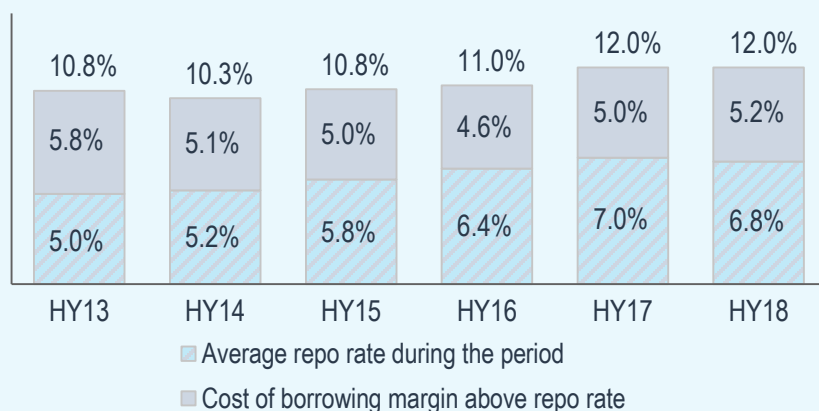


Transaction Capital

## PERFORMANCE

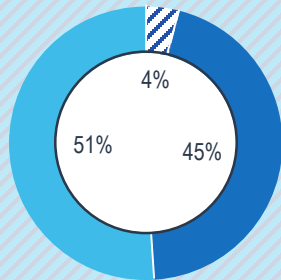


## COST OF BORROWING

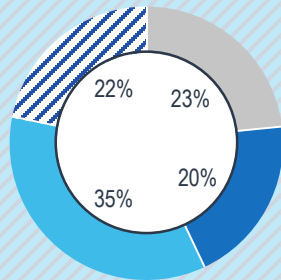


- Robust access to the debt capital markets
  - › Raised **~R1.8bn** in debt facilities from **32** separate funding transactions in HY18
  - › SA Taxi fully funded for > 12 months
- Continue to diversify funding sources
  - › Diverse debt investor base (>**40**)
  - › **R505 million** Transsec 3 issuance; **81bps** < Transsec 2 tap issuance; >**3** times oversubscribed
  - › Transsec 3 Tap issuance imminent
- Group average cost of borrowing stable at **12.0%**
  - › Margin above repo **5.2%**
  - › ▲ foreign debt component (**21%**), fully hedged to Rand
- Capital adequacy position remains robust at **31.9%**
  - › **23.0%** equity
  - › **8.9%** subordinated debt
- Net ungeared & liquid group balance sheet
- Excess cash of **~R650m** on balance sheet

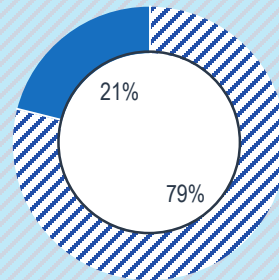
## DIVERSIFICATION BY FUNDING STRUCTURE



## DIVERSIFICATION BY DEBT INVESTOR CATEGORY



## DIVERSIFICATION BY GEOGRAPHY



Warehousing facilities

On-balance sheet

Securitisation & structured finance

Life companies

Banks

Asset managers

DFIs

Local

International

## POSITIVE LIQUIDITY MISMATCH



## INNOVATION

Innovation is encouraged to cultivate unorthodox thinking & develop pioneering funding solutions

### DIVERSIFIED & ENGAGED DEBT INVESTORS

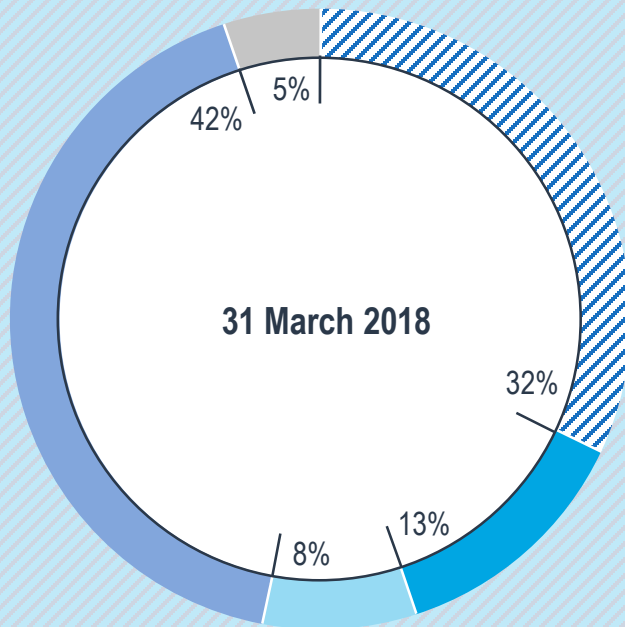
- Diversification by geography, capital pool, debt investor & funding structure
- Recurring investment motivated by performance, the ease of transacting & appropriate risk adjusted returns
- Transparent & direct relationships with debt investors, & where necessary facilitated by valued intermediaries

### JUDICIOUS RISK MITIGATION

- Positive liquidity management between asset & liability cash flows
- No exposure to overnight debt instruments & limited exposure to short term instruments
- No exposure to currency risk & effective management of interest rate risk
- Minimising rollover risk

### OPTIMAL CAPITAL STRUCTURES

- Bespoke & innovative funding structures to meet investment requirements & risk appetite of a range of debt investors
- Targeted capital structure per asset class
- No cross-default or guarantees between structures



-  Directors of Transaction Capital & its subsidiaries
-  Old Mutual Investment Group
-  Allan Gray Proprietary Limited
-  Remaining institutional shareholders
-  Retail investors

- Accelerated bookbuild (March 2018)
  - › Expanded base of local & specifically international investors
  - › Everglen remains the largest shareholder
  - › ~72 million shares sold by Everglen
  - › 80% of the accelerated bookbuild taken up by international investors
- Foreign ownership ▲ from **5%** to **15%**
- Institutional shareholding ▲ from **31%** to **42%** (excluding Old Mutual & Allan Gray)
- Retail investors unchanged at **5%**
- Enhanced liquidity & daily trade
  - › Free float percentage ▲ to **68%** (HY17: 56%)
  - › Average daily number of shares traded ▲ to **591 357** (HY17: 229 090)
  - › Average daily value traded ▲ to **USD 733 898** (HY17: USD 236 830)

# CONCLUSION 2018

INTERIM RESULTS FOR THE HALF YEAR ENDED 31 MARCH



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# INVESTMENT CASE

## COMPELLING & UNIQUE AS WE EXECUTE ON OUR STRATEGY

TRANSACTION CAPITAL  
COMPRISED OF  
A **DIVERSIFIED** PORTFOLIO OF  
**FINANCIAL SERVICES ASSETS**

- Two **well established, autonomous & unique** financial services businesses:
  - › **SA Taxi**
  - › **Transaction Capital Risk Services (TCRS)**
- Positioned in **attractive market segments** occupying **leading market positions**
- Highly **defensive businesses** able to withstand difficult economic conditions
- Deep **vertical integration** enabling application of **specialised expertise** to **mitigate risk, participate in margin & provide a broader service to clients**
- **Superior data & leading-edge technology & analytics** capabilities differentiate our offerings, inform business decisions & mitigate risk
- **Via a diversified business model**
  - › Unique blend of highly **cash generative & capital related** businesses
  - › **Diversified revenue model** across adjacent **market segments & geographies**

WITH A **BESPOKE & ROBUST CAPITAL  
STRUCTURE** INCORPORATING  
**R650 MILLION OF EXCESS CAPITAL**

- **Conservative equity capital structure** to fund organic growth & acquisition activity
  - › **Ungeared** at holding company level
  - › **Proven ability to raise debt & equity capital** efficiently from diversified range of local & international investors

& HAS BEEN ESTABLISHED AS A  
**SCALABLE FINANCIAL SERVICES  
PLATFORM**

- For SA Taxi & TCRS to develop **new products** & expand into **new markets**
- For Transaction Capital to collaborate in **introducing new organic & acquisitive growth opportunities**
- For Transaction Capital to realise **synergies & cross selling opportunities within existing products**

LED BY AN **ENTREPRENEURIAL  
OWNER-MANAGER TEAM**

- **Ownership culture**
- **Decentralised, entrepreneurial, proven & long-serving** leadership
- Specialised **intellectual capital** applied over a much smaller asset base than in larger organisations

# INVESTMENT CASE CONTINUED

## COMPELLING & UNIQUE AS WE EXECUTE ON OUR STRATEGY

BUT UNDERPINNED BY A ROBUST  
**CORPORATE GOVERNANCE  
FRAMEWORK & SOUND  
GOVERNANCE PRACTICES**

- Experienced, diverse & **independent directors** at group & subsidiary level
- **Institutionalised governance**, regulatory & risk management practices
- **Conservative accounting policies** (including the early adoption of **IFRS 9**)

WHICH TOGETHER POSITION IT FOR  
**SUSTAINABLE GROWTH**

- **Decentralised businesses** that are self-sustaining & sizable in their own right
- Track record of delivering predictable **high-quality earnings** with high cash conversion rates & **strong organic growth** prospects
- **Dividends growing** at an accelerated rate when compared to earnings
- **A focused acquisition strategy**
  - › **Earnings accretive acquisitions** of relevant & **scalable business platforms**, whose value can be **developed** by Transaction Capital
  - › Acquisition strategy supported by **R650m of excess cash, highly cash generative businesses, supportive capital markets, & a strong unleveraged balance sheet**

& THE DELIVERY  
OF A **MEANINGFUL  
SOCIAL IMPACT**

- Businesses favourably positioned regarding demographic & socio-economic trends, **delivering both a social & commercial benefit**
- SA Taxi facilitates
  - › **Asset ownership by black owned SMEs, financial inclusion, SME empowerment, & sustainable job creation**
  - › **Improved public transport infrastructure**
  - › **Environmental sustainability**
- TCRS facilitates
  - › **Credit rehabilitation** of over-indebted consumers
  - › Lenders to maintain cleaner balance sheets to **continue extending credit affordably**



# QUESTIONS



Transaction Capital

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