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18

TRANSACTION CAPITAL

UBS SA FINANCIALS
CONFERENCE: BEYOND THE
EUPHORIA




Transaction Capital

TRANSACTION CAPITAL GROUP STRUCTURE

HY18 FINANCIAL & OPERATIONAL HIGHLIGHTS (HY18 compared to HY17)






SA Taxi
driving our nation forward

CEO: Terry Kier, 11-year group tenure

<p>R173 MILLION</p> <p>HEADLINE EARNINGS ¹ ▲ 20%</p>	<p>R8.9 BILLION</p> <p>GROSS LOANS & ADVANCES ▲ 15%</p>
<p>CONTRIBUTES 56% TO GROUP HEADLINE EARNINGS</p>	
<p>R258 MILLION</p> <p>NON-INTEREST REVENUE ▲ 32%</p>	<p>17.2%</p> <p>NON-PERFORMING LOAN RATIO HY17 17.2%</p>
<p>25.7%</p> <p>RETURN ON EQUITY HY17 24.1%</p>	<p>3.7%</p> <p>CREDIT LOSS RATIO HY17 3.3%</p>


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.



Transaction Capital

CEO: David Hurwitz, 13-year group tenure

<p>R310 MILLION</p> <p>HEADLINE EARNINGS ¹ ▲ 22%</p>	<p>50.8 CPS</p> <p>HEADLINE EARNINGS PER SHARE ▲ 17%</p>
<p>GEO CONTRIBUTES 6% TO GROUP HEADLINE EARNINGS</p>	
<p>21 CPS</p> <p>INTERIM DIVIDEND PER SHARE ▲ 40%</p>	<p>15%</p> <p>FOREIGN INVESTOR BASE HY17 5%</p>
<p>R650 MILLION</p> <p>GROUP EXCESS CASH</p>	<p>R11.3 BILLION</p> <p>MARKET CAPITALISATION ²</p>



Transaction Capital Risk Services

CEO: Dave McAlpin, 10-year group tenure

<p>R119 MILLION</p> <p>HEADLINE EARNINGS ¹ ▲ 28%</p>	<p>R1.0 BILLION</p> <p>PURCHASED BOOK DEBTS ▲ 11%</p>
<p>CONTRIBUTES 38% TO GROUP HEADLINE EARNINGS</p>	
<p>75.6%</p> <p>COST-TO-INCOME RATIO ³ HY17 78.8%</p>	<p>R222 MILLION</p> <p>NPL PORTFOLIOS ACQUIRED THIS PERIOD ▲ 6%</p>
<p>R854 MILLION</p> <p>NON-INTEREST REVENUE ▲ 33%</p>	<p>R2.0 BILLION</p> <p>ESTIMATED REMAINING COLLECTIONS ▲ 34%</p>

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.

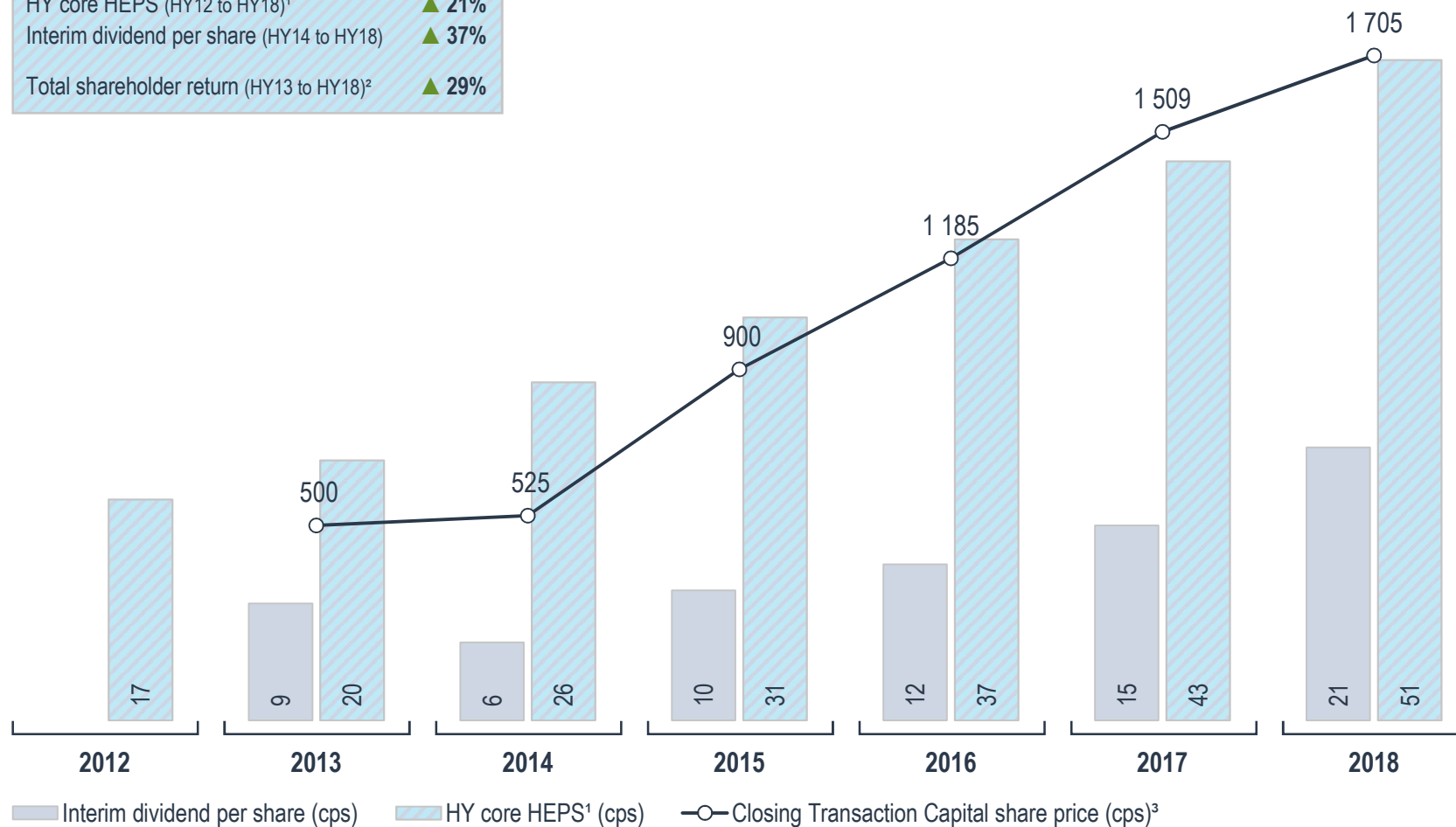
Financial ratios & results exclude once-off acquisition costs of R22 million incurred during the FY17 year

1. Headline earnings attributable to the group, excluding minority interest | 2. Market capitalisation as at 10 October 2018 | 3. Excludes the effect of acquisitions

TRANSACTION CAPITAL PERFORMANCE SINCE LISTING



CAGR:
 HY core HEPS (HY12 to HY18)¹ ▲ 21%
 Interim dividend per share (HY14 to HY18) ▲ 37%
 Total shareholder return (HY13 to HY18)² ▲ 29%



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

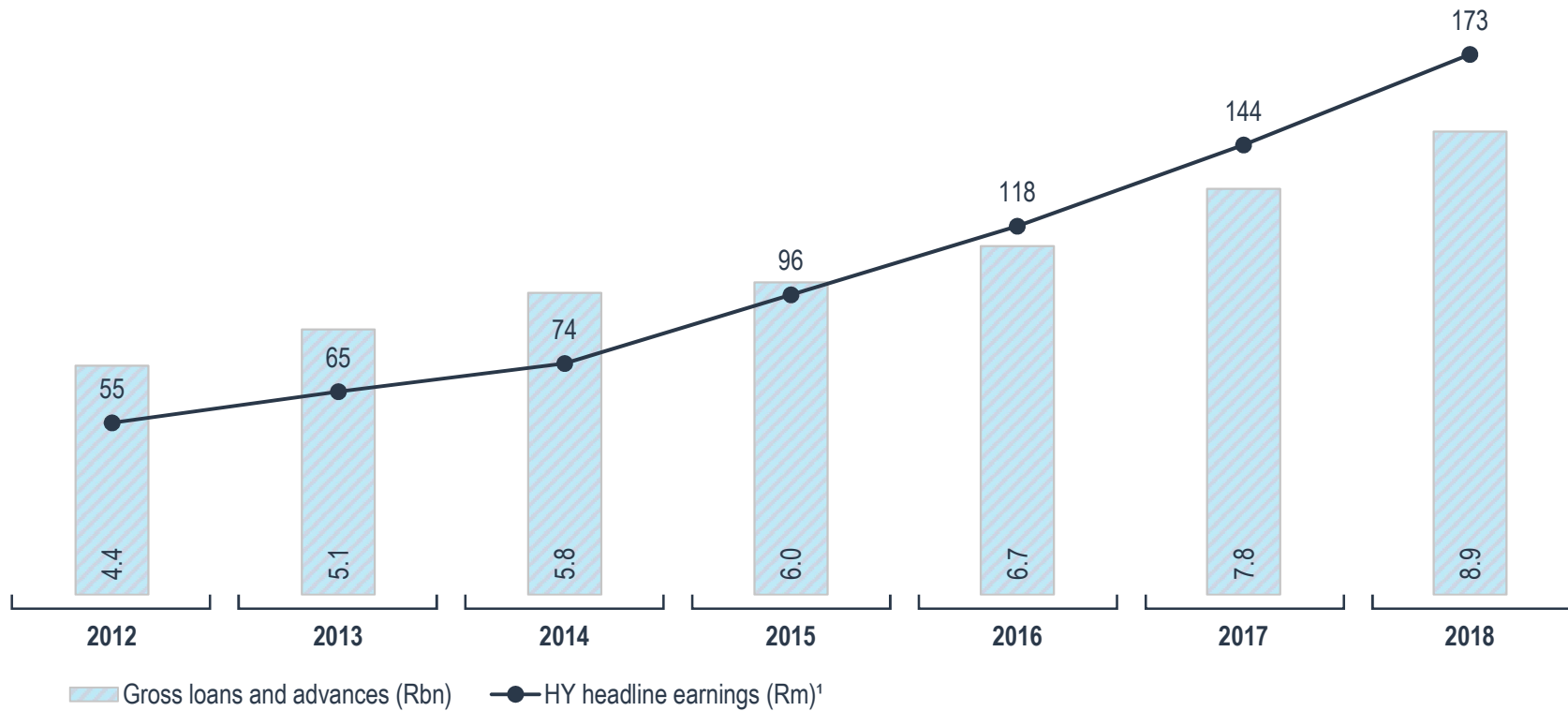
SA TAXI



Transaction Capital

SA TAXI PERFORMANCE SINCE LISTING

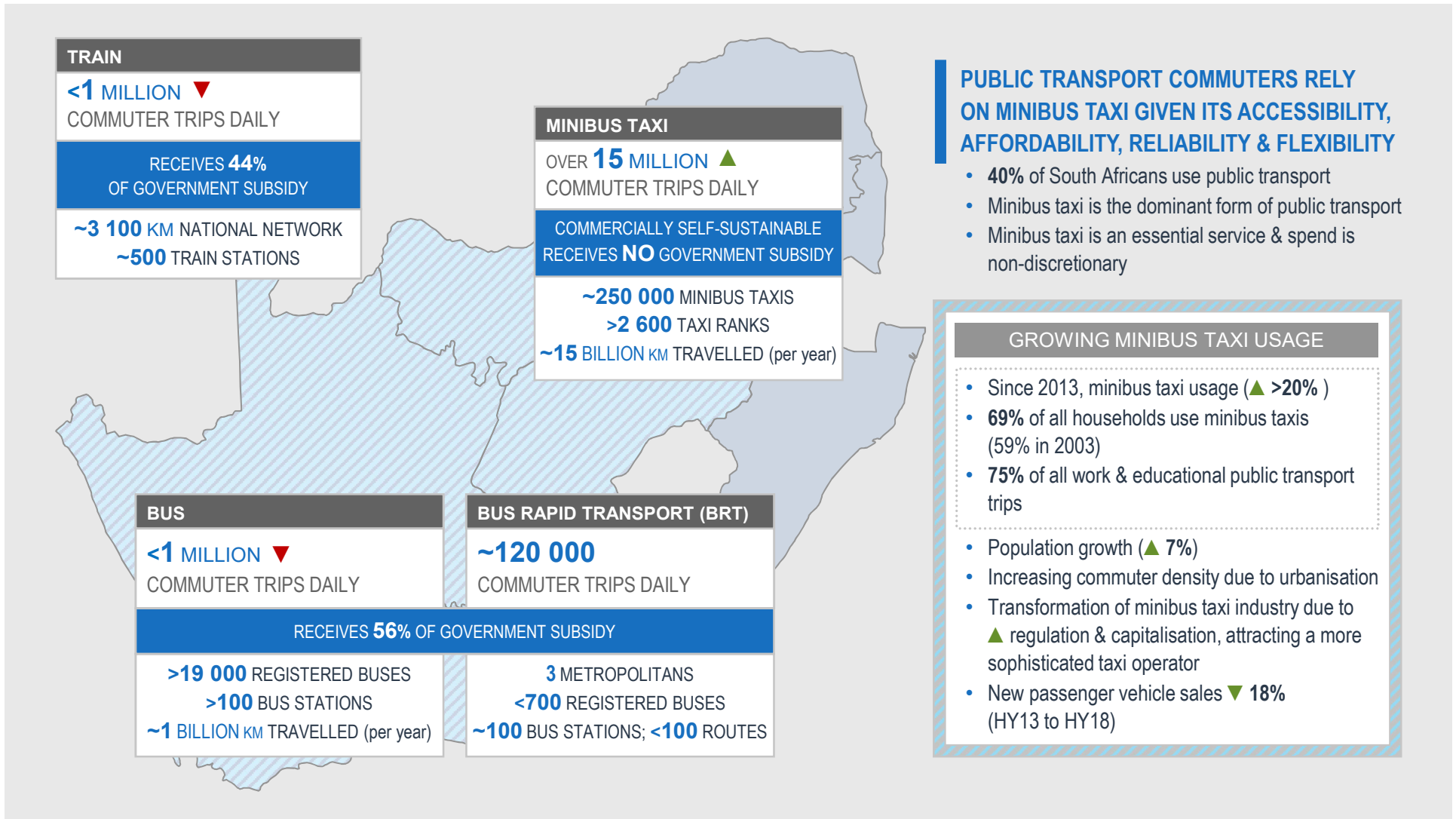
CAGR HY12 to HY18:		Non-interest revenue composition:	
HY headline earnings ¹	▲ 21%	26% (HY12) to 34% (HY18)	
Gross loans & advances	▲ 12%		
NPL ratio	▼ 9%	Recovery on repossession:	
Credit loss ratio	▼ 7%	<65% (HY12) to >73% (HY18)	



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. Headline earnings attributable to the group

ENVIRONMENT & MARKET CONTEXT

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



SOURCE: Stats SA Land Transport Survey January 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, Rustenburg Rapid Transport

ENVIRONMENT FOR MINIBUS TAXI OPERATORS

MINIBUS TAXI OPERATORS REMAIN RESILIENT IN A CHALLENGING ECONOMIC ENVIRONMENT



CHALLENGING ENVIROMENT

R17.08²

per litre

PETROL PRICE OCTOBER 2018

▲ 25% since October 2017

R5.30²

▲ FUEL LEVY 2018

2008: R1.30

R435 500¹

TOYOTA SESFIKILE (DIESEL) PRICE

3 YR CAGR : ▲ 7%

▲ DIESEL MODEL PRODUCTION

Diesel more expensive than petrol

15%

▲ VAT

HY17: 14%

6.5%

▼ SA REPO RATE (AVG)

HY17: 7.00%

OPERATOR INCOME AT ORIGATION (HY18)

INDUSTRY RESPONSE

- Fare increases July 2018
- Better asset utilisation

▲ 10%

SA TAXI'S RESPONSE

- Better route selection
- Better risk-grade distribution

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

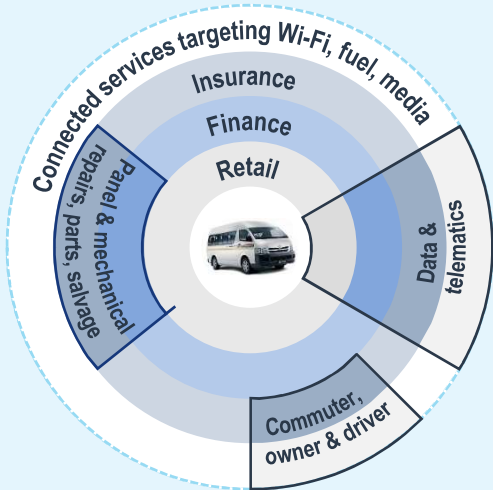
1. Toyota retail price as at 1 October 2018
 2. www.energy.gov.za

SA TAXI MARKET POSITIONING

VERTICALLY INTEGRATED BUSINESS MODEL



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



CONNECTED SERVICES

TAXI CONNECT

WI-FI TO COMMUTERS & AT TAXI RANKS

Black Elite fuel loyalty programme
(Since April 2018)

~6 300

CARDS DISTRIBUTED

1.3 MILLION

LITRES OF FUEL PURCHASED

INSURANCE OPERATIONS

~R750 MILLION

GROS WRITTEN PREMIUM PER YEAR

>85%

FINANCED CLIENTS ALSO INSURED BY SA TAXI¹

>100 BROKER NETWORK
~26 000

CLIENTS

>1.8

PRODUCTS PER CLIENT

FINANCING OPERATIONS (HY18)

R8.9 BILLION

GROSS LOANS & ADVANCES

3.7%

CREDIT LOSS RATIO

11.3%

NET INTEREST MARGIN

~30 000

LOANS ON BOOK

17.2%

NON-PERFORMING LOAN RATIO

SA TAXI RETAIL DEALERSHIP

~R330 MILLION

VEHICLE TURNOVER FOR HY18

~8%

AVERAGE RETAIL MARGIN PER VEHICLE

~150

VEHICLES SOLD PER MONTH

PANEL & MECHANICAL REPAIRS, PARTS, SALVAGE

>73%

RECOVERY RATES ON REPOSSESSION, REFURBISHMENT & RESALE



LAUNCHED IN MARCH 2018

~220 per month

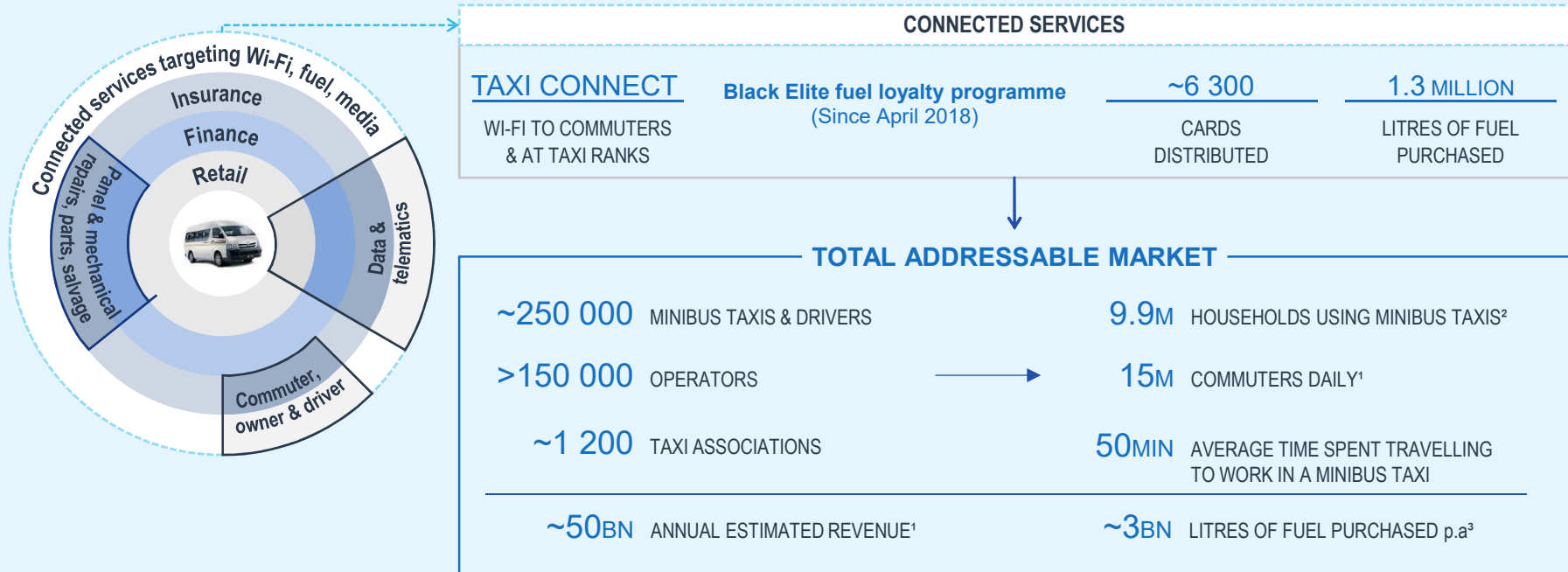
INTERNAL VEHICLE REFURBISHMENT CAPACITY

1. 100% of taxis financed by SA Taxi are fully insured, > 85% of SA Taxi's financed clients choose to be insured by SA Taxi

SA TAXI MARKET POSITIONING

VERTICALLY INTEGRATED BUSINESS MODEL

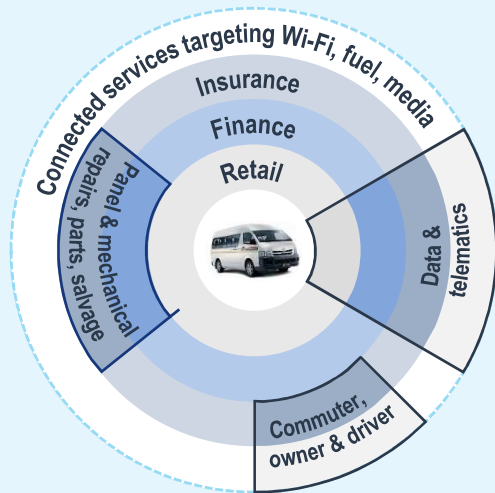
CONNECTED SERVICES TO BROADEN SA TAXI'S TOTAL ADDRESSABLE MARKET



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

SA TAXI STRATEGIC GROWTH INITIATIVES

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



CONNECTED SERVICES

- Broaden SA Taxi’s total addressable market
- Initiation to communicating & transacting with South Africa’s 250 000 minibus taxi operators
- Migrating to provision of financial products & services to 9.9 million households or 15 million commuters using minibus taxis

INSURANCE OPERATIONS

- Broadened client base (financed by SA Taxi & other “open market” clients)
- Mobilised the broker network, >100 brokers
- Broadened product offering (Credit life & Road Cover)
- Reduced cost of claim (broadening of & efficiencies in SA Taxi’s autobody & mechanical repair facility)

FINANCING OPERATIONS (HY18)

- Continue to enrich SA Taxi’s proprietary database & invest into risk mitigating technologies

PANEL & MECHANICAL REPAIRS, PARTS, SALVAGE

- New vertical integration
 - › Parts procurement & distribution
 - › Retail to operators



ACCRETIVE INDUSTRY INCLUSION

- Assist in growing existing finance, insurance & retail verticals
- Participation in select new business verticals (Wi-Fi & “Black Elite” fuel campaign)
- Provision of patrol vehicles to industry

SA TAXI RETAIL DEALERSHIP

- Better credit performance and insurance take-up
- Limit unnecessary add-ons, making instalments more affordable for operators
- Expanding footprint, Polokwane December 2018

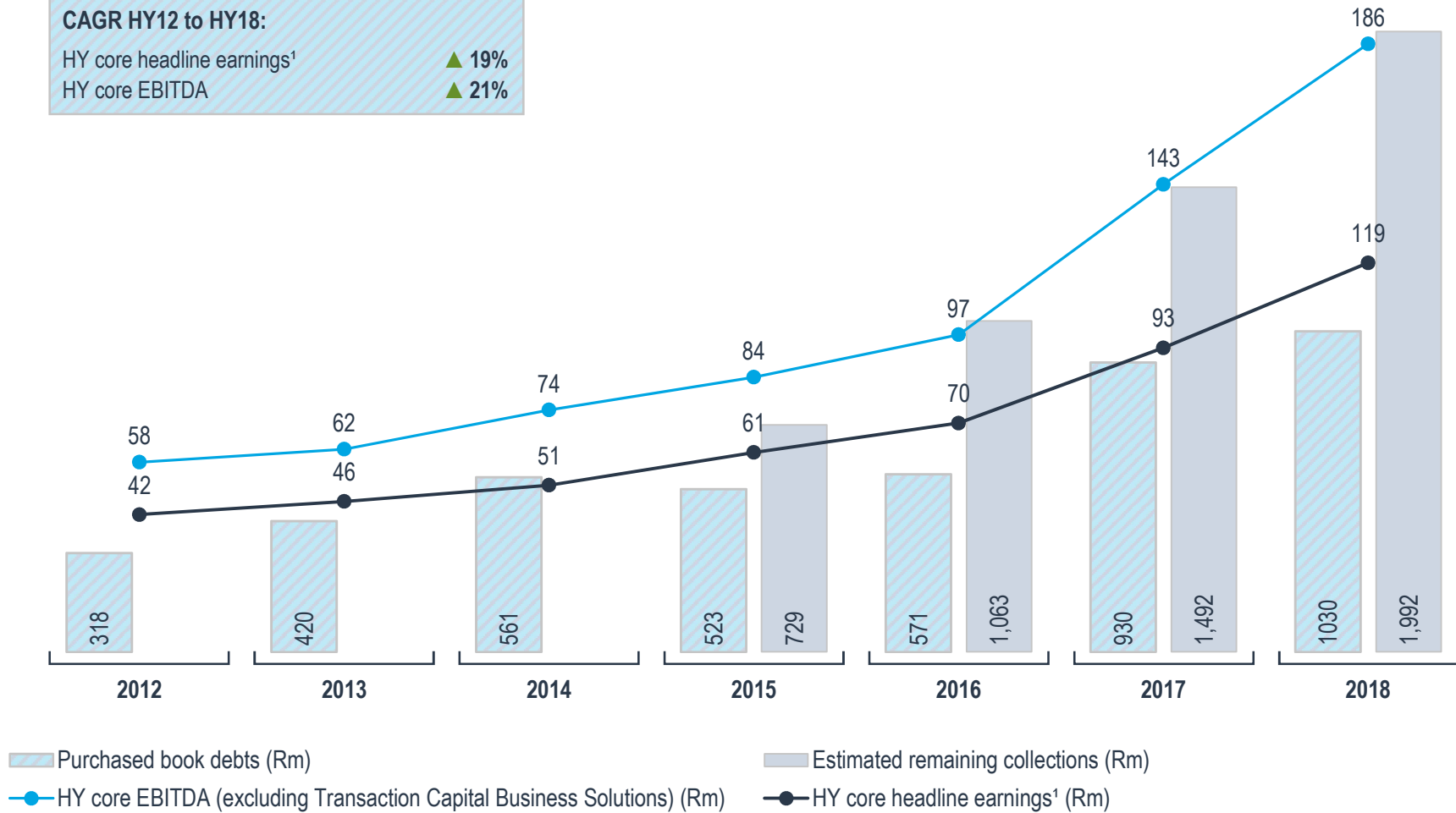
TRANSACTION CAPITAL RISK SERVICES



Transaction Capital

TCRS PERFORMANCE SINCE LISTING

CAGR HY12 to HY18:
 HY core headline earnings¹ ▲ 19%
 HY core EBITDA ▲ 21%



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. Headline earnings attributable to the group

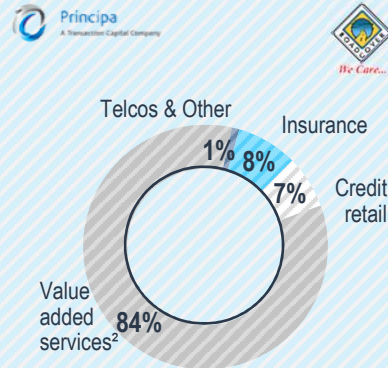
TCRS MARKET POSITIONING

DIVERSIFIED BUSINESS MODEL

DIVERSIFICATION SUPPORTS PERFORMANCE IN VARYING MARKET CONDITIONS & REDUCES CONCENTRATION RISK

VALUE ADDED SERVICES

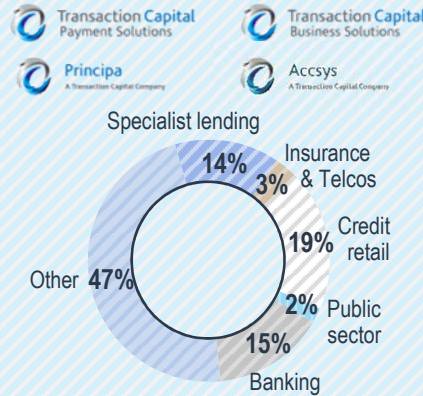
VALUE ADDED SERVICES, LEAD GENERATION & CUSTOMER ACQUISITION



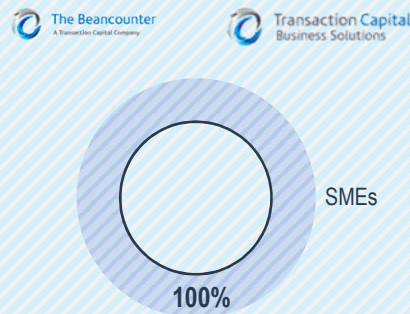
- **2 geographies:** South Africa & Australia
- **3 business activities:** Value added services, Transactional services & Collection services
- **Collection Services diversified by revenue model:** Acquisition of NPL portfolios vs. contingency & FFS collector
- **Collection services diversified**
 - › **Across various sectors:** Banking, specialist lending, credit retail, utilities, telcos, insurance & public sectors
 - › **By client base:** 127 clients (SA: 82, Aus: 45)
 - › **By mandates:** > 200 mandates

TRANSACTIONAL SERVICES

PAYMENT SERVICES & ACCOUNT MANAGEMENT

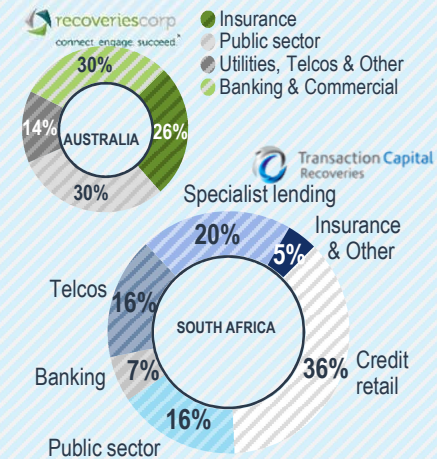


SME FINANCING & SERVICES

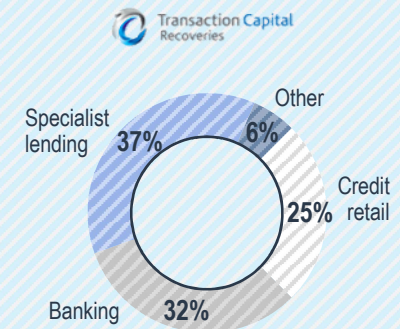


COLLECTION SERVICES

CONTINGENCY & FFS

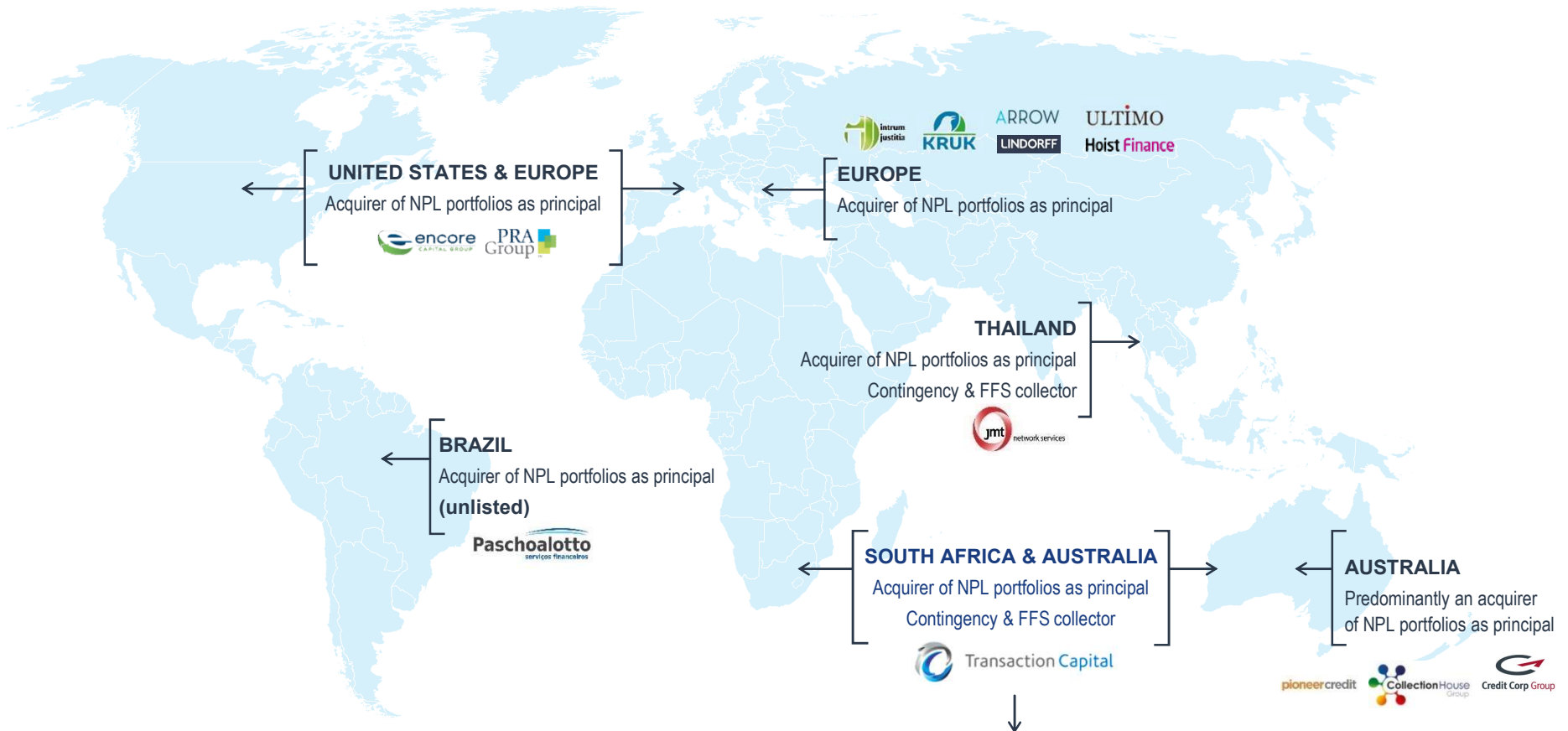


ACQUISITION OF NPL PORTFOLIOS AS PRINCIPAL



TCRS MARKET POSITIONING

UNIQUE COMPARED TO GLOBALLY LISTED PEERS

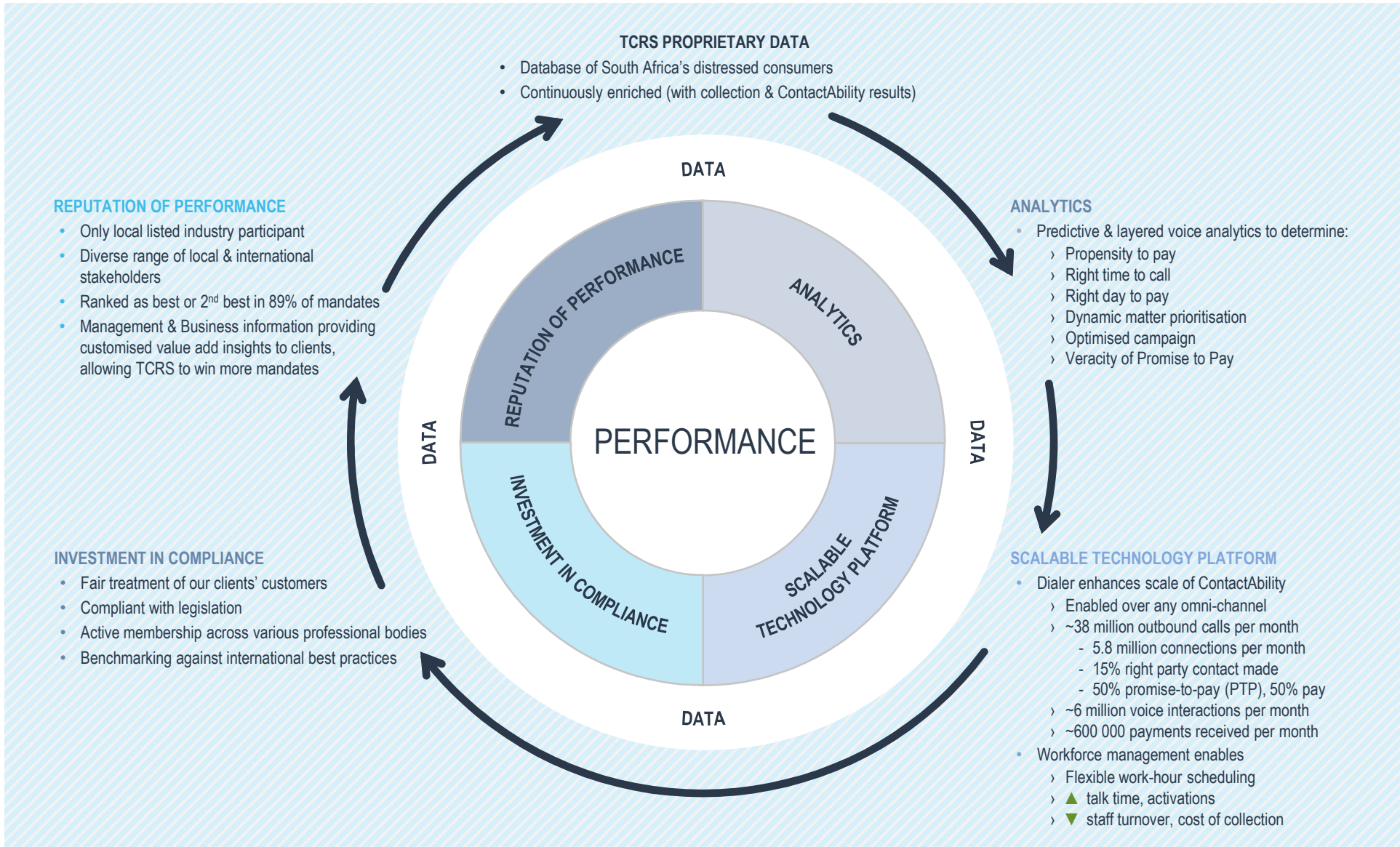


Diversification supports performance in varying market conditions

- **Across 2 geographies:** South Africa & Australia
- **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

TCRS MARKET POSITIONING

COMPETITIVE ADVANTAGES



ENVIRONMENT & MARKET CONTEXT

CHALLENGING CONSUMER CREDIT ENVIRONMENT

MACRO-AND SOCIO-ECONOMIC ENVIRONMENT IN SOUTH AFRICA

35 MILLION ADULTS¹

- **9.6 MILLION (~40%) NON-PERFORMING CREDIT CONSUMERS²**
- HOUSEHOLD DEBT TO INCOME REMAINS HIGH AT **71.3%** (▼ from 74.4% FY16 as DEBT GROWTH < INCOME GROWTH)
- ELEVATED LEVELS OF UNEMPLOYMENT AT **27.2%** IN Q2 2018 (▼ from 27.7% Q2 2017)
- ESCALATING COSTS OF HOUSEHOLD ESSENTIALS OVER THE MEDIUM-TERM AT **4.9%** (▼ from 5.5% at FY17)³

25 MILLION CREDIT ACTIVE CONSUMERS

- 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, better retail growth fundamentals & 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 Q2 2018

COMPARES
YEAR ON YEAR
Q2 2018 with Q2 2017

Province	% Change in Rehabilitation Prospect
Limpopo	-6.5%
Mpumalanga	-6.0%
Gauteng	-4.0%
North West	-11.4%
Free State	-7.3%
Northern Cape	-2.6%
Western Cape	4.0%
Eastern Cape	3.2%
KZN	0.5%

- 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% (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)
- 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 2017

1. Aged 15 to 65 | 2. NCR data at June 2018 | 3. Inflation measured at 31 August 2018 & 31 December 2017

STRATEGIC GROWTH INITIATIVES TO CREATE VALUE



VALUE ADDED SERVICES

VALUE ADDED SERVICES, LEAD GENERATION & CUSTOMER ACQUISITION




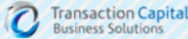



- Apply data & analytics skills to augment Road Cover acquisition
- Commercialise the Master Data Universe (MDU)
 - › Direct sales via MDU to leverage off rehabilitated principal customers

INVESTMENT INTO DATA, TECHNOLOGY & ANALYTICS

- Optimisation: Work force management, dialer, propensity to pay scorecards & right time to call
- Implementation: Omni-channel, layered voice analytics, voice biometrics, payment on call, artificial intelligence
- Expansion & commercialisation of the MDU
 - › 12 million ID numbers
- Expanding TCRS' technology, BI & analytics to RCGL in Australia

TRANSACTIONAL SERVICES

PAYMENT SERVICES & ACCOUNT MANAGEMENT

- Creation of a payment services platform
- Cross sell Transaction Capital Payment Solutions & Road Cover services to Accsys clients

SME FINANCING & SERVICES




- Fintech opportunities
 - › Online client portal
 - › Technology based originations

COLLECTION SERVICES

CONTINGENCY & FFS




SOUTH AFRICA:

- New sectors: Insurance, education & other
- Increased focus: Telcos & tier 1 banks
- Bolt-on acquisitions (specialist collections & niched mandates)
- Bespoke solutions (e.g. early stage collections, debt review & debt administration)

AUSTRALIA:

- Technology to create operational efficiencies
- Bolt-on acquisitions: Specialist collectors

ACQUISITION OF NPL PORTFOLIOS AS PRINCIPAL




SOUTH AFRICA:

- Capital Solutions with municipalities & SOEs
- Exclusive forward flow agreements & structured transactions
- Alternative assets classes: Mortgage, VAF, debt review, pre write-off portfolios

AUSTRALIA:

- Exploring NPL acquisitions selectively

AUSTRALIAN DEBT COLLECTIONS MARKET

MARKET PARTICIPANTS

AUSTRALIAN DEBT COLLECTION MARKET: 557 MARKET PARTICIPANTS

ACQUISITION OF NPLs AS PRINCIPAL	62.7%
• Credit Corp	16.4%
• Collection House	12.6%
• ACM Group	4.0%
• Pioneer Credit Limit	4.8%

CONTINGENCY COLLECTIONS	30.5%
• illion (formerly Dun & BradStreet)	3.8%
• Recoveries Corporation	3.5%

OTHER COLLECTIONS	6.8%
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FRAGMENTED MARKET, COMPRISING THE REMAINING 551 MARKET PARTICIPANTS

NPL PORTFOLIOS SOLD PER ANNUM

~A\$600 MILLION

vs. South Africa
~R600 MILLION



~A\$500 MILLION



~A\$100 MILLION

Many smaller players in a fragmented market

REVENUE OF ~A\$1.2 BILLION FOR 2018

AUSTRALIA: CONSUMER CREDIT ENVIRONMENT

AUSTRALIA'S CONSUMER EMPLOYED BUT HIGHLY LEVERAGED

- 5.3% unemployment
- Household debt to disposable income > 190%
- Monthly debt servicing costs, excluding home, is 51%

AUSTRALIA'S DEBT COLLECTION ENVIRONMENT

- Strong levels of credit extension
- Regulatory environment & legislation more evenly balanced, no consumer bias
- High ability to contact & transact via voice & digital channels
- Morale obligation to repay debt

Source: IBIS World report "Debt collection in Australia 2017/2018"
Transaction Capital estimates per analysis of reported results by companies mentioned above

QUESTIONS



Transaction Capital

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