

#### TRANSACTION CAPITAL LIMITED

Registration number: 2002/031730/06

(Incorporated in the Republic of South Africa)

("Transaction Capital" or "the company" or "the group")

JSE share code: TCP

ISIN: ZAE000167391

Tax reference number: 9466/298/15/6

#### TRANSCAPITAL INVESTMENTS LIMITED

Registration number: 2016/130129/06

(Incorporated in the Republic of South Africa)

Bond company code: TCII

Tax reference number: 9748/456/16/8

#### AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

##### CORE PRE-PROVISION PROFIT(1,2)

Transaction Capital

R1 807 million up 10%

FY19: R1 646 million

SA Taxi

R1 117 million up 11%

FY19: R1 005 million

Transaction Capital Risk Services

R649 million up 12%

FY19: R578 million

GROUP WELL PLACED TO RETURN TO LONG-TERM TRACK RECORD OF GROWTH FROM FY21 (APPLYING FY19 AS BASE)

VALUE ACCRETIVE ACQUISITION OF 49.9% OF WeBuyCars FOR R1.86 BILLION, AN INVESTMENT INTO TRANSACTION CAPITAL'S THIRD ADJACENT MARKET VERTICAL

ROBUST BALANCE SHEET WITH AMPLE CAPACITY TO FUND ORGANIC GROWTH

##### TOTAL EQUITY ISSUED R889 MILLION

R560 million raised via accelerated bookbuild in June 2020

R329 million of new equity issued in September 2020 to part fund the investment in WeBuyCars

Royal Bafokeng Holdings (RBH) introduced as a strategic shareholder in November 2020

##### DEBT FACILITIES

R1 billion of undrawn approved facilities at holding company for strategic growth initiatives including accelerated capital deployment opportunities for Transaction Capital Risk Services (TCRS) and TC Global Finance

Undrawn debt facilities to fund expected loan origination at SA Taxi and the acquisition of non-performing consumer loan portfolios acquired by TCRS as principal (NPL Portfolios) into FY22

INCREASED PROVISION COVERAGE AND CONSERVATIVE APPROACH APPLIED TO THE ANTICIPATED IMPACT OF COVID-19(3) ON FUTURE CASHFLOWS, PROTECTING THE BALANCE SHEET

SA Taxi

##### PROVISION COVERAGE

6.7%

HY20: 5.4%

FY19: 4.8%

##### CREDIT IMPAIRMENTS (BEFORE TAX)

R836 million

HY20: R338 million

FY19: R322 million

Transaction Capital Risk Services

##### ADJUSTMENTS TO CARRYING VALUE OF PURCHASED BOOK DEBTS (BEFORE TAX)

R588 million

HY20: R161 million

FY19: R159 million

FAR HIGHER CREDIT IMPAIRMENTS AND NON-CASH ADJUSTMENTS TO THE CARRYING VALUE OF PURCHASED BOOK DEBTS AT 30 SEPTEMBER 2020 COMPARED TO HISTORICAL PERIODS SUBDUES FY20 RESULTS BUT OPERATIONS PROVE RESILIENT

#### CORE HEADLINE EARNINGS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE GROUP[2,5]

Transaction Capital  
R276 million down 65%  
FY19: R789 million

SA Taxi  
R181 million down 59%  
FY19: R446 million

Transaction Capital Risk Services  
R55 million down 82%  
FY19: R298 million

#### CORE HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS[2,5]

44.3 cents down 66%  
FY19: 129.0 cents

Net asset value per share  
879.5 cents up 10%  
FY19: 799.1 cents

1. Profit before tax from continuing operations of R369 million (FY19: R1 061 million), before once-off, pre-NCI transaction costs of R14 million (FY19: R104 million) and excluding credit impairments of loans and advances at SA Taxi of R836 million (FY19: R322 million), and adjustments to the carrying value of purchased book debts at TCRS of R588 million (FY19: R159 million).
2. As a measure of maintainable performance, Transaction Capital has presented non-IFRS measures referred to as core financial ratios, as these are used by management as key metrics in the business. These may be referenced to headline earnings from continuing operations of R262 million (FY19: R705 million) by excluding:
  - a. Once-off acquisition costs of R5 million incurred in the first half of the 2020 financial year, relating to the acquisition of Net1 Fihrst Holdings (Fihrst) on 1 December 2019, and R9 million relating to the acquisition of a non-controlling 49.9% interest in We Buy Cars (Pty) Ltd (WeBuyCars) on 11 September 2020.
  - b. Once-off costs of R84 million, which arose in the first half of the 2019 financial year relating to SA Taxi's ownership transaction with the South African National Taxi Council (SANTACO), of which R81 million was non-cash and in accordance with IFRS 2 and a further R3 million related to early debt settlement costs.
3. The novel Coronavirus and the disease it causes (COVID-19), and the associated socioeconomic impact.
4. Effective from 11 September 2020.
5. Discontinued operations: Transaction Capital Business Solutions, Principa Decisions and Company Unique Finance, which collectively made a loss of R87 million in FY20 (FY19: R14 million profit).

#### TRANSACTION CAPITAL

##### Results overview

Prior to the effects of COVID-19, the group was on track to deliver earnings growth in line with past performance. Despite the operational disruption of COVID-19, with most of our businesses either fully or partially closed for more than two months, the group's core pre-provision profit from continuing operations grew 10%.

We have adopted a conservative approach in accounting for the impact of COVID-19, giving rise to far higher non-cash credit impairments in SA Taxi and adjustments to the carrying value of TCRS's purchased book debts, when compared to historical periods. In SA Taxi, the credit impairment of loans and advances for FY20 increased by 160% to R836 million compared to R322 million in FY19. In TCRS, the adjustment to the carrying value of purchased book debts was R588 million in FY20, 270% higher than the R159 million adjustment in FY19.

The deployment of nearly R900 million of our cash reserves to invest in WeBuyCars has been immediately value accretive, converting interest income on undeployed capital into operating earnings. WeBuyCars has recovered well from the impact of COVID-19 and is expected to lift the group's growth trajectory above historical trends.

Basic earnings per share from continuing operations decreased 66% to 39.3 cents (FY19: 116.5 cents) and headline earnings per share from continuing operations decreased 64% to 42.0 cents (FY19: 115.2 cents). These results include once-off acquisition costs relating to the acquisition of Fihrst (R5 million) and WeBuyCars (R9 million) in FY20, and R84 million once-off transaction costs in relation to SA Taxi's ownership transaction with SANTACO in FY19, all of which are excluded from core headline earnings. Net asset value per share increased 10% to 879.5 cents (FY19: 799.1 cents) and total income increased 12% to R4 251 million (FY19: R3 797 million).

##### Balance sheet and liquidity

Our conservative capital management strategy, tested and validated during FY20, has ensured a robust group balance sheet. The undeployed capital held prior to COVID-19, together with the equity raised and debt facilities secured at the holding company level despite the pandemic, provided liquidity and financial flexibility for TC to enter an attractive market vertical with strong growth prospects. After this investment in WeBuyCars, the group's balance sheet remains well capitalised with unrestricted access to liquidity.

SA Taxi's access to liquidity remains unfettered with funding requirements for loan origination into FY22 already secured. TCRS's funding requirements for the acquisition of NPL Portfolios into FY22 are already secured and new debt facilities at the holding company will bolster our ability to invest further into our TC Global Finance strategy. WeBuyCars has a strong balance sheet with low levels of debt, supported by the capital-light nature of its operations resulting in high cash conversion rates.

## Prospects

The business models of SA Taxi, TCRS and WeBuyCars have gained relevance in the COVID-19 environment, underpinned by the defensive characteristics of their market sectors. With support from the group executive office, SA Taxi and TCRS will continue to refine their competitive value propositions, diversify their revenues and expand their total addressable markets.

We expect the group to resume its strong organic growth trend in the coming year, with FY21 exceeding FY19 levels in line with pre COVID-19 growth rates. Some COVID-19 disruption is anticipated between October 2020 and January 2021, with financial and operational performance normalising thereafter. Should this expectation materialise, we anticipate being in a position to resume dividend payments within our stated dividend policy of 2 to 2.5 times cover.

With uneven signs of recovery and the pandemic resurging in key economies, further shocks to the global economy are possible. The recovery of South Africa's fragile economy is likely to lag that of the global economy, with GDP expected to reach 2019 levels only by 2024. Further sharp downturns in socioeconomic conditions in South Africa remain the primary downside risk to our expectations for growth and returns in the years ahead.

### SA TAXI

		For the year ended 30 September		
		2020	2019	Movement
Financial performance				
Core pre-provision profit	Rm	1 117	1 005	11%
Core headline earnings	Rm	221	519	(57%)
Core headline earnings attributable to the group	Rm	181	446	(59%)
Non-interest revenue	Rm	609	584	4%
Net interest income	Rm	1 358	1 217	12%
Net interest margin	%	11.8	12.2	
Core cost-to-income ratio	%	43.2	44.2	
Credit performance				
Gross loans and advances	Rm	12 243	10 753	14%
Non-performing loan (NPL) ratio	%	32.3	17.9	
Credit loss ratio	%	7.3	3.2	

As an essential service, the minibus taxi industry operated during the national lockdown albeit with restrictions on distance and occupancy. Towards the end of March and extending well into May 2020, sharply lower commuter mobility and restricted operations affected the industry's profitability. With the minibus taxi industry being indispensable to South Africa's economic productivity, it is transitioning closer to normal operational activity as restrictions ease and the economy re-opens.

#### SA Taxi Finance and SA Taxi Auto Repairs

- Gross loans and advances, comprising 32 890 loans, grew 14% to R12.2 billion despite the origination of new loans reducing by 27%.
- Net interest income grew 12% to R1.4 billion, with the net interest margin declining to 11.8%.
- Lower origination of new loans and the disruption to collections resulted in a higher NPL ratio of 32.3%. SA Taxi has adequately provided for this impact, increasing provision coverage to 6.7%.
- SA Taxi continued to age and provide for the loan book in line with its conservative approach, resulting in the credit loss ratio increasing to 7.3%.

#### SA Taxi Direct

- SA Taxi's retail dealerships generated gross revenue of about R600 million, down on the prior year, due to vehicle supply constraints and the closure of the dealerships in April and May 2020.

#### SA Taxi Protect

- Gross written premiums grew 10% to R907 million.

#### Operational performance

- Despite the COVID-19 related disruptions, SA Taxi remained resilient with an improved core cost-to-income ratio of 43.2% and 11% growth in core pre-provision profit. SA Taxi has remained profitable and posted headline earnings attributable to the group of R181 million for the year.

## TRANSACTION CAPITAL RISK SERVICES

		For the year ended 30 September		
		2020	2019	Movement
Financial performance				
Core pre-provision profit	Rm	649	578	12%
Core headline earnings from continuing operations attributable to the group	Rm	55	298	(82%)
Non-interest revenue	Rm	2 385	2 018	18%
Purchased book debts				
Cost price of purchased book debts acquired	Rm	733	1 186	(38%)
Carrying value of purchased book debts	Rm	2 520	2 382	6%
Estimated remaining collections	Rm	5 181	4 480	16%

### Collection services - Acquisition of NPL Portfolios as principal

- Off the back of fewer NPL Portfolios coming to market, TCRS's investment in South African NPL Portfolios (R653 million) and Australian NPL Portfolios (R80 million) was down from FY19 levels.
- With owned portfolios valued at R2 520 million, annuity revenue of R5 181 million will be supported over the medium term.
- Future collections are expected to recover from COVID-19 disruptions more slowly and over a longer period than previously anticipated, resulting in a downward adjustment of R588 million to the carrying value of purchased book debts.
- TCRS will continue to follow a cautious and selective approach in acquiring NPL Portfolios in Australia, where clients are favouring FFS collection mandates as a result of COVID-19.

### Collection services - Contingency and FFS revenue

- Recoveries Corporation in Australia grew organic revenue by double digit percentages despite COVID-19 and managed operating costs well given the shift in revenue mix to FFS mandates.
- The South African division performed in line with expectation in the difficult consumer credit environment.

### Transactional Services

- The strategic initiative to integrate Transaction Capital Payment Solutions, Accsys and Fihrst into an efficient payment and transactional services platform has progressed well.
- Lower transactional activity and interest rate cuts have impacted its performance for the year.

### Operational performance

- Supported by resilient collection revenues, TCRS remained profitable with core headline earnings of R55 million from continuing operations. TCRS implemented a highly effective work-from-home capability and restructured its staff complement and infrastructure in South Africa with these initiatives expected to benefit the business into FY21.

## WeBuyCars

		For the year ended 30 September		
		2020	2019	Movement
Financial performance				
Core headline earnings	Rm	306	311	(2%)
Core headline earnings attributable to the group(4)	Rm	19	-	
Operational income attributable to the group(4)	Rm	10	-	
Operational performance				
Number of vehicles sold	Number	59 177	58 343	1%
Advertising expense per vehicle sold	R	1 545	1 549	-
Days to sale per vehicle	Number	27.4	24.9	10%

In South Africa there are a total of 10.8 million passenger vehicles in circulation. The used vehicle segment of the market (with more than one million vehicles traded per year) has shown a compound annual growth rate of 1.7% over the last five years.

WeBuyCars currently buys more than 6 000 vehicles a month from private consumers, and earns an acceptable risk adjusted gross margin on vehicle sales with additional gross margin earned on add-on products.

## Operational performance

- Revenue and profit have shown strong compound annual growth rates of 62% and 58% respectively in the last three years.
- Impacted by lockdown, WeBuyCars generated headline earnings of R306 million for the year ended 30 September 2020, down 2% on the prior year. The business has recovered strongly, with sales exceeding pre COVID-19 levels in July, August and September 2020.

## GROUP EXECUTIVE OFFICE

The executive office added R21 million (FY19: R45 million) to the group's headline earnings for the year, largely impacted by interest earned on a lower balance of undeployed capital held and COVID-19 related costs.

TC Global Finance has to date invested EUR8.7 million in the higher-yielding niche of the European specialised credit market. Our strategy to invest in Europe remains valid and will be cautiously and selectively pursued over the medium term.

## DIVIDEND DECLARATION

In view of the impact of COVID-19, and to ensure financial capacity and flexibility, the board has opted to retain capital and not to pay a dividend for the year ended 30 September 2020.

The consolidated and company annual financial statements were audited by Deloitte & Touche who issued an unmodified audit opinion on these financial statements. Their audit opinion, together with the accompanying financial statements, can be viewed on the Company's website <https://www.transactioncapital.co.za/results-reports.php> which also provides more details on the key audit matters on pages 11 and 12 of the annual financial statements.

## FOR FURTHER INFORMATION:

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement published on SENS and available for viewing at [https://senspdf.jse.co.za/documents/2020/JSE/ISSE/TCP/FY20\\_SENS.pdf](https://senspdf.jse.co.za/documents/2020/JSE/ISSE/TCP/FY20_SENS.pdf) and our website <https://www.transactioncapital.co.za/SENS.php>. The full announcement is also available at our registered office and the offices of our sponsor for inspection, at no charge, during office hours. Copies of the full announcement may be requested by contacting Sharon Nayger on telephone +27 (0) 11 049 6700 or email: [SharonN@transactioncapital.co.za](mailto:SharonN@transactioncapital.co.za).

24 November 2020

Investor Relations: Phillipe Welthagen | Email: [PhillipeW@transactioncapital.co.za](mailto:PhillipeW@transactioncapital.co.za) | Mobile: +27 (0)84 512 5393

Sponsor: RAND MERCHANT BANK (a division of FirstRand Bank Limited)

## Registered office:

342 Jan Smuts Avenue,  
Hyde Park, 2196,  
P.O. Box 41888, Craighall, 2024,  
Republic of South Africa  
Tel: +27 (0) 11 049 6700

## Directors:

Christopher Seabrooke\* (Chairman), David Hurwitz (Chief executive officer), Sean Doherty (Chief financial officer), Mark Herskovits, Jonathan Jawno, Michael Mendelowitz, Suresh Kana\* (Lead independent director), Kuben Pillay\*, Ian Kirk\*, Phumzile Langeni\*, Sharon Wapnick\*, Diane Radley\*, Buhle Hanise\*, Roberto Rossi\*\*, Paul Miller\*\* (\*Independent non-executive) (\*\*Non-executive)

## Company secretary:

Sharon Nayger

## Auditors:

Deloitte & Touche, 5 Magwa Crescent, Waterfall City, Gauteng, 2090

## Transfer secretaries:

Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196.