

TRANSACTION CAPITAL LIMITED
Registration number: 2002/031730/06
(Incorporated in the Republic of South Africa)
("Transaction Capital" 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

INTERIM RESULTS AND DIVIDEND DECLARATION FOR THE SIX MONTHS ENDED 31 MARCH 2021

HIGHLIGHTS

- Transaction Capital negotiating to increase its shareholding in WeBuyCars to 74.9%. Refer cautionary announcement released on SENS on 12 May 2021 for more detail.
- Strong recovery in earnings positions the group to return to its long-term track record of growth in the 2021 financial year (FY2021), applying FY2019 as the pre COVID-19 base.
- Growth of 18% in core headline earnings per share, applying the six months ended 31 March 2019 (HY2019) as a base, in line with the group's long-term growth rate.
- Resumed dividend payments at 3.4 times dividend cover.

Basic earnings per share from continuing operations attributable to the group(1)
64.3 cents up 44% 2020: 44.8 cents

Headline earnings per share from continuing operations attributable to the group(1)
65.2 cents up 44% 2020: 45.2 cents

Core headline earnings from continuing operations attributable to the group(1,2,3)
R437 million
2021 vs 2020 up 56% 2020: R281 million
2021 vs 2019 up 29% 2019: R338 million

Core headline earnings per share from continuing operations attributable to the group(1,2)
65.5 cents
2021 vs 2020 up 43% 2020: 45.8 cents
2021 vs 2019 up 18% 2019: 55.3 cents

Core pre-provision profit
R1 077 million
2021 vs 2020 up 17% 2020: R921 million
2021 vs 2019 up 39% 2019: R773 million

Core return on average equity from continuing operations
13.9%
2020: 11.4%
2019: 17.3%

Core return on average assets from continuing operations
4.0%
2020: 3.2%
2019: 4.6%

Interim dividend per share
19 cents
2020: Nil
2019: 27 cents

ROBUST BALANCE SHEET WITH AMPLE CAPACITY TO FUND ORGANIC GROWTH

R1.1 billion of new equity raised over the past 12 months to part fund the group's value and earnings accretive investment in WeBuyCars.

R900 million in undrawn holding company debt facilities to fund strategic growth initiatives.

Undrawn divisional debt facilities available to fund loan originations at SA Taxi, and the acquisition of non-performing consumer loan portfolios as principal (NPL Portfolios) at TCRS, into FY2022.

PROSPECTS

Robust earnings recovery supports our view that the group will return to its strong organic growth trend in FY2021. Based on our current assessment of operating conditions and growth prospects, headline earnings per share for the full year should exceed FY2019 levels in line with pre pandemic growth rates, with the group resuming dividend payments this year.

Our divisions, SA Taxi and Transaction Capital Risk Services (TCRS), and our investment in WeBuyCars continue to demonstrate resilience, relevance and responsiveness to their stakeholders, despite the effects of COVID-19. Notwithstanding uneven rates of recovery in their markets, they are well positioned to drive organic growth. Their highly relevant business models and leading positions in defensive market sectors, alongside the diversification across and within each of them, underpin our expectations for growth and returns in FY2021, and beyond.

Over the medium term, we are confident the group will maintain a sustainable trajectory of superior high-quality earnings and dividend growth. The group's agile responses to the strategic, financial and operational implications of the pandemic have shown the calibre of our management teams and their ability to navigate volatile dynamics. Underpinned by our prudent capital management approach, and deeply embedded culture of entrepreneurship and integrity, the group is well placed to weather the difficult conditions ahead, and to grow.

We expect our additional investment of 25% in WeBuyCars, which is subject to Competition Commission approval, to be immediately value and earnings accretive. Should the acquisition of a greater shareholding in WeBuyCars be concluded, the group will be able to consolidate a greater proportion of WeBuyCars' high-growth earnings. We believe the exceptional growth prospects of this business will accelerate and support a sustainably higher growth trajectory for the group.

Any forecast financial information included in this announcement has not been reviewed or reported on by Transaction Capital's auditors.

PERFORMANCE OVERVIEW

The group made a strong recovery and returned to its track record of high-quality organic earnings growth. Core headline earnings from continuing operations attributable to the group were up 56% to R437 million. Core headline earnings per share from continuing operations attributable to the group grew at a lower rate of 43% to 65.5 cents, due to the value and earnings accretive issue of 59.6 million shares in the past 12 months.

Basic earnings per share from continuing operations increased 44% to 64.3 cents (HY2020: 44.8 cents) and headline earnings per share from continuing operations increased 44% to 65.2 cents (HY2020: 45.2 cents). Net asset value per share increased 18% to 954.2 cents (HY2020: 809.1 cents) and total income increased 6% to R2 198 million (HY2020: R2 076 million).

DIVIDEND DECLARATION

Transaction Capital's ordinary dividend policy remains 2 to 2.5 times cover. In light of the group's strong recovery in earnings, robust balance sheet and medium-term prospects, the board resolved to resume dividend payments to shareholders, albeit at a more conservative rate of 3.4 times cover. This aims to safeguard the group's financial capacity and strategic flexibility.

The board has declared an interim gross cash dividend of 19 cents per share (HY2020: nil) for the six months ended 31 March 2021 to those members on the record date below. The dividend has been declared out of income reserves. A dividend withholding tax of 20% will be applicable to the dividend for all shareholders that are not exempt from the dividend withholding tax, resulting in a net dividend of 15.2 cents per share.

The salient features applicable to the dividend are as follows:

Issued shares as at declaration date	674 531 743
Declaration date	Wednesday 12 May 2021
Last day to trade cum dividend	Tuesday 1 June 2021
Ex-dividend	Wednesday 2 June 2021
Record date	Friday 4 June 2021
Payment date	Monday 7 June 2021

WEBUYCARS

		For the six months ended 31 March			Movement 2021 vs 2020	Movement 2021 vs 2019
		2021	2020	2019		
Financial performance						
Core headline earnings	Rm	257	186	140	38%	84%
Core headline earnings attributable to the group	Rm	113	N/A	N/A	N/A	N/A
Operational performance						
Number of vehicles purchased	Number	43 410	34 816	26 947	25%	61%
Number of vehicles sold	Number	41 550	33 557	26 390	24%	57%
Average selling price per vehicle	R	112 418	103 811	101 513	8%	11%
Advertising expense per vehicle bought	R	1 473	1 466	1 527	0%	(4%)

Financial and operational performance

- Revenue and profit showed strong compound annual growth rates of 38% and 43% respectively in the last three years.
- The strategy to grow the e-commerce offering and drive higher penetration of finance, insurance and allied products continues to yield results, with new heights reached in total revenue and units bought and sold in the period.
- The medium-term target to increase the volume of vehicles traded to 10 000 vehicles per month remains on track, with plans to develop additional vehicle supermarkets and buying pods in select high-demand locations across South Africa.
- Its e-commerce platform facilitates business-to-business (B2B) trading with vehicle dealerships, with sales via this platform growing to now account for some 40% of total vehicle sales.
- The e-commerce platform also offers early-stage business-to-consumer (B2C) capabilities that will support growth, as demand for contactless services on credible digital platforms escalates.

Conclusion

- Headline earnings grew 38% to R257 million, with the group's attributable portion at R113 million.
- Should the acquisition of a greater shareholding in WeBuyCars be concluded, this will provide the group with a greater share of earnings in a highly relevant business with exceptional growth prospects.
- We are confident this business will accelerate and support a sustainably higher growth trajectory for the group.

SA TAXI

		For the six months ended 31 March			Movement 2021 vs 2020	Movement 2021 vs 2019
		2021	2020	2019		
Financial performance						
Core pre-provision profit	Rm	603	601	495	0%	22%
Core headline earnings	Rm	228	202	220	13%	4%
Core headline earnings attributable to the group	Rm	188	164	202	15%	(7%)
Non-interest revenue	Rm	366	360	351	2%	4%
Net interest income	Rm	752	676	553	11%	36%
Net interest margin	%	11.8	12.2	11.4		
Core cost-to-income ratio	%	46.1	42.0	45.2		
Credit performance						
Gross loans and advances	Rm	13 154	11 304	9 947	16%	32%
Non-performing loan (NPL) ratio	%	27.1	19.1	18.2		
Credit loss ratio	%	4.6	6.1	4.3		
Provision coverage	%	6.0	5.4	4.7		

SA Taxi Finance, SA Taxi Auto Repairs and SA Taxi Auto Parts

- Gross loans and advances grew 16% to R13.2 billion, supported by retained market share and higher retail prices for new vehicles.
- Loan originations recovered strongly, growing 12%. Strong momentum in the sale and finance of SA Taxi's fully refurbished pre-owned minibus taxis continues, with new vehicle loan originations declining 3% versus a 48% increase in pre-owned vehicle loan originations.
- Net interest income grew 11% to R752 million, while maintaining a net interest margin of 11.8%.

- Collections were impacted by the implementation of risk-adjusted level 3 restrictions in December 2020, but showed a month-on-month improvement in February and March 2021.
- SA Taxi has adequately provided for the impact on collections, with provision coverage of 6.0%. The credit loss ratio of 4.6% is likely to remain slightly above the upper limit of its 3% to 4% target range.

SA Taxi Protect

- Gross written premiums grew 8% to R497 million.
- The strategy to broaden its client base via direct marketing and its broker network continues to yield positive results.
- SA Taxi Protect's competitive advantage is its ability to reduce cost of claim through efficiencies in SA Taxi Auto Repairs and SA Taxi Auto Parts, supporting competitively priced insurance premiums.
- Comprehensive vehicle insurance claims remained stable, with higher credit life claims. Higher lapse rates were experienced as COVID-19 affected the affordability of insurance cover.

Conclusion

- Despite recent COVID-19 related disruptions, SA Taxi posted a strong and resilient operational, credit and financial performance.
- Core headline earnings grew 13% to R228 million, with the group's attributable portion growing 15% to R188 million. Core headline earnings grew 4% when applying HY2019 as a base, indicating a return to pre COVID-19 growth rates.

TRANSACTION CAPITAL RISK SERVICES

		For the six months ended 31 March				
		2021	2020	2019	Movement 2021 vs 2020	Movement 2021 vs 2019
Financial performance						
Core pre-provision profit	Rm	363	300	252	21%	44%
Core headline earnings from continuing operations	Rm	131	103	118	27%	11%
Non-interest revenue	Rm	1 158	1 069	891	8%	30%
Purchased book debts						
Cost price of purchased book debts acquired	Rm	385	556	437	(31%)	(12%)
Carrying value of purchased book debts	Rm	2 705	2 775	1 727	(3%)	57%
Estimated remaining collections	Rm	5 883	5 321	3 597	11%	64%

Collection services - Acquisition of NPL Portfolios as principal

- Strong acquisition of NPL Portfolios (R353 million in South Africa and R32 million in Australia) and robust collection revenues allowed the division to recover to its historic growth trajectory.
- NPL Portfolios valued at R2 705 million, with expected annuity revenue of R5 883 million over the medium term.
- Acquisition of NPL Portfolios in Australia was restricted as a material decline in delinquencies resulted in fewer NPL Portfolios coming to market. Furthermore, banks' appetite to sell NPL Portfolios continued to decline in favour of contingency and fee-for-service mandates. TCRS's diversified business model positions it well to respond to this shift.

Collection services - Contingency and fee-for-service revenue

- Recoveries Corporation in Australia continued to see lower volumes of matters handed over for collection as credit providers implemented debt moratoria and more conservative collection strategies.
- In contrast, clients in South Africa are opting for variable cost structures via outsourced collection services, with higher volumes of matters handed over for collection on larger NPL Portfolios.
- Cost efficiencies from TCRS's work-from-home capabilities further supported a good performance from the South African business.

Transactional services

- The integration of Transaction Capital Payment Solutions, Accsys and Fihst to create a more resilient and effective payment and transaction processing platform, is progressing well.
- Transaction Capital Transactional Services, established in July 2020, performed in line with expectations, supported by efficiencies gained through the integration.

Conclusion

- TCRS posted a resilient performance in a challenging operating environment. Core headline earnings from continuing operations grew 27% to R131 million, and 11% when applying HY2019 as a base, indicating a return to pre COVID-19 growth rates.

1. Earnings from continuing operations excludes the results from discontinued operations as reported on SENS on 13 May 2020.
2. Core financial ratios exclude once-off acquisition costs and are used by management as key metrics in the business. For further detail refer Transaction Capital's condensed consolidated financial results for the six months ended 31 March 2021, available at www.transactioncapital.co.za.
3. Transaction Capital's core headline earnings from continuing operations attributable to the group includes R113 million from WeBuyCars, R188 million from SA Taxi, R131 million from TCRS, and R5 million from the group executive office.
4. The investment in WeBuyCars was effective from 11 September 2020 and is accounted for as an associate of the group in accordance with IAS 28 - Investments in Associates and Joint Ventures, applying the equity method. Core headline earnings prior to this effective date are reported for illustrative purposes only, and do not form part of Transaction Capital's consolidated financial results.

Comparative information has been restated for the application of IFRS 8 - Operating Segments.

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/2021/JSE/ISSE/TCP/HY21_SENS.pdf and our website <https://www.transactioncapital.co.za/SENS.php>. The financial information on which the full announcement is based has not been reviewed and reported on by Transaction Capital's auditors. 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, email: SharonN@transactioncapital.co.za or fax: +27 11 049 6899.

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(*Independent non-executive) (**Non-executive)

Company secretary:

Sharon Nayger

Auditors:

Deloitte & Touche

JSE sponsor and equity markets broker:

Investec Bank Limited

Debt sponsor:

RAND MERCHANT BANK (a division of FirstRand Bank Limited)

Transfer secretaries:

Computershare Investor Services Proprietary Limited

12 May 2021