

Transaction Capital Limited
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE share code: TCP
ISIN: ZAE000167391
("Transaction Capital" or "the group")

TransCapital Investments Limited
(Incorporated in the Republic of South Africa)
Registration number: 2016/130129/06
Bond company code: TCII

AUDITED RESULTS AND DIVIDEND DECLARATION FOR THE YEAR ENDED 30 SEPTEMBER 2021

HIGHLIGHTS

- Transaction Capital delivered a robust performance in the 2021 financial year (FY2021), largely in line with expectations and guidance
- Core headline earnings from continuing operations (attributable to the group) increased 264% year-on-year, and was up 27% compared to FY2019's pre COVID-19 result
- Core headline earnings per share from continuing operations (attributable to the group) increased 234% year-on-year, and was up 15% compared to FY2019
- Strong recovery in returns in FY2021 with core headline return on average equity of 15.2% and core headline return on average assets of 4.4%
- Dividend payments resumed supported by strong financial performance and a robust balance sheet
- During FY2021, Transaction Capital increased its effective shareholding in WeBuyCars to 74.2% and concluded put and call option agreements to acquire the remaining 25.1% of the shares by 2026
- A robust earnings performance in FY2021 supports our view that the group can maintain a sustainable trajectory of superior high-quality earnings growth in the medium term in line with, or exceeding, pre COVID-19 growth rates

Core headline earnings from continuing operations attributable to the group^(1,2,3)

R1 005 million

FY2021 vs FY2020: Up 264% FY2020: R276 million

FY2021 vs FY2019: Up 27% FY2019: R789 million

Core headline earnings per share from continuing operations attributable to the group^(1,2)

147.9 cents

FY2021 vs FY2020: Up 234% FY2020: 44.3 cents

FY2021 vs FY2019: Up 15% FY2019: 129.0 cents

Total dividend per share

FY2021: 52 cents

FY2020: Nil

FY2019: 61.0 cents

Core headline return on average equity⁽⁴⁾

FY2021: 15.1%

FY2020: 5.4%

FY2019: 18.2%

Core headline return on average assets⁽⁴⁾

FY2021: 4.4%

FY2020: 1.6%

FY2019: 5.1%

ROBUST BALANCE SHEET WITH ADEQUATE CAPACITY TO FUND ORGANIC GROWTH

R1.17 billion equity raised in July 2021 invested in value accretive controlling stake in WeBuyCars.

R870 million undrawn debt facilities at holding company available to fund strategic organic growth initiatives into FY2022.

SA Taxi and TCRS have adequate undrawn debt facilities to fund loan origination and the acquisition of NPL portfolios throughout FY2022.

PERFORMANCE OVERVIEW

Transaction Capital has performed largely in line with expectations in FY2021, supported by strong organic growth from SA Taxi and Transaction Capital Risk Services (TCRS), and high-growth earnings from our newly acquired division, WeBuyCars. Core headline earnings from continuing operations attributable to the group were up 264% to R1 005 million, and core headline earnings per share from continuing operations attributable to the group also grew 234% to 147.9 cents.

Basic earnings per share from continuing operations attributable to the group increased 762% to 338.7 cents (FY2020: 39.3 cents) and headline earnings per share from continuing operations attributable to the group increased 250% to 147.0 cents (FY2020: 42.0 cents). Net asset value per share increased 56% to 1 375.4 cents (FY2020: 879.5 cents) and total income increased 13% to R4 796 million (FY2020: R4 251 million).

The trading environment in the second half of FY2021 has been challenging, given a prolonged and severe third wave of COVID-19 infections, and the resultant tightening of lockdown restrictions imposed in June 2021 which curbed business activity in South Africa. The height of the third wave in mid-July coincided with 10 days of civil unrest in the South African provinces of KwaZulu-Natal and Gauteng, further straining an already fragile economy.

In SA Taxi, the disruption of public transport services related to these events, as well as taxi conflict in the Western Cape, hampered minibus taxi activity. Despite these challenges, SA Taxi posted an operational, credit and financial recovery, with earnings nearing FY2019 levels. On the other hand, WeBuyCars and TCRS continue to perform in line with or above expectations.

As announced on SENS on 4 August 2021, our additional investment of 24.3% in WeBuyCars obtained the approval of the competition authorities, enabling the group to consolidate 74.2% of WeBuyCars' earnings for two months of FY2021. We expect future earnings from WeBuyCars to exceed our expectations at the time of making our initial investment, given favourable market trends.

DIVIDEND DECLARATION

Transaction Capital's ordinary dividend policy remains 2 to 2.5 times cover. In light of the group's strong financial performance, robust balance sheet and medium-term prospects, the board resolved to resume dividend payments to shareholders this year.

Following the interim dividend of 19 cents per share (2020: nil) at rate of 3.4 times cover, the board has declared a final gross cash dividend of 33 cents per share (FY2020: nil), at a rate of 2.5 times cover for the six months ended 30 September 2021. 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 26.4 cents per share.

The salient features applicable to the dividend are as follows:

Issued shares as at declaration date	718 958 290
Declaration date	Tuesday 16 November 2021
Last day to trade cum dividend	Tuesday 30 November 2021
Ex-dividend	Wednesday 1 December 2021
Record date	Friday 3 December 2021
Payment date	Monday 6 December 2021

Tax reference number: 9466/298/15/6

Share certificates may not be dematerialised or rematerialised between Wednesday 1 December 2021 and Friday 3 December 2021, both dates inclusive.

PROSPECTS

A robust earnings performance in FY2021 supports our view that the group can maintain a sustainable trajectory of superior high-quality earnings growth in FY2022, and beyond. Based on our current assessment of operating conditions and growth prospects, we expect organic earnings and dividend growth over the medium term to continue to be in line with, or exceed, pre COVID-19 growth rates. We believe the exceptional growth prospects of WeBuyCars, in which the group now owns a controlling 74.2% stake, will further accelerate a sustainably higher growth trajectory for the group.

Our divisions, WeBuyCars, SA Taxi and TCRS, continue to demonstrate resilience, relevance and responsiveness to their stakeholders, despite the ongoing effects of COVID-19. Notwithstanding uneven rates of recovery in their respective 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.

The gathering momentum in vaccine rollouts should reduce the risk of further global economic shocks. However, the slower than anticipated rollout of South Africa's vaccination programme, and further sharp downturns in socioeconomic conditions in South Africa, remain the primary downside risks to our medium-term expectations for growth and returns.

DIVISIONAL PERFORMANCE

WEBUYCARS

For the year ended 30 September		2021	2020	2019	Movement 2021 vs 2020	Movement 2021 vs 2019
Financial performance						
Core headline earnings(5)	Rm	541	302	311	79%	74%
Core headline earnings attributable to the group(5)	Rm	270	19	n/a	1 321%	n/a
Operational performance						
Vehicles purchased	Number	91 528	60 764	59 719	51%	53%
Vehicles sold	Number	88 271	59 177	58 343	49%	51%
Total e-commerce sales	%	30.3	14.5	n/a		
Total e-commerce sales	Number	26 810	8 572	n/a	213%	n/a
Business-to-business	%	91.6	100	n/a		
Business-to-consumer	%	8.4	n/a	n/a		
Vehicle parking bays	Number	5 747	3 944	3 700	46%	55%

Financial and operational performance

- WeBuyCars has continued to trade throughout the COVID-19 pandemic reaching record monthly volumes, with overall volumes of vehicles traded in FY2021 exceeding expectations.
- WeBuyCars reached new heights in several categories during FY2021, including total revenue, units bought and sold, e-commerce activity and take-up of finance, insurance and allied products (F&I products).
- The increase in the number of vehicles bought and sold has been driven in part by the expansion of WeBuyCars' physical footprint, with two additional vehicle supermarkets secured in the second half of FY2021. The division's target to increase the volume of vehicles traded to 10 000 vehicles per month is on track to be realised sooner than initially anticipated, with our revised target for the medium term increased to 15 000 vehicle sales per month.
- WeBuyCars continues to invest in its e-commerce platform, which is yielding positive results. E-commerce sales account for approximately 30% of total monthly sales (FY2020: 15%), with the majority being concluded through its business-to-business (B2B) platform, creating efficiencies in the dealer sales channel. Business-to-consumer (B2C) e-commerce capabilities were introduced earlier in the year and now constitute approximately 8% of total e-commerce sales.
- Higher take-up of F&I products will enhance unit economics and margins per vehicle sold.

Conclusion

- Core headline earnings grew 79% to R541 million in FY2021, with the group's attributable portion at R270 million.
- As announced on SENS on 21 September 2021, put and call option arrangements are in place to acquire the remaining 25.1% shares in WeBuyCars in various tranches at specific intervals during FY2023, FY2024 and FY2026.
- WeBuyCars' strategy to expand geographically, grow its e-commerce offering, optimise stock efficiencies and drive higher penetration of F&I products continues to yield results.

SA TAXI

For the year ended 30 September		2021	2020	2019	Movement 2021 vs 2020	Movement 2021 vs 2019
Financial performance						
Core headline earnings	Rm	499	239	545	109%	(8%)
Core headline earnings attributable to the group	Rm	413	194	466	113%	(11%)
Core pre-provision profit	Rm	1 123	1 143	1 040	(2%)	8%
Non-interest revenue	Rm	668	686	667	(3%)	0%
Net interest income	Rm	1 580	1 358	1 217	16%	30%
Net interest margin	%	12.0	11.8	12.2		
Core cost-to-income ratio	%	50.0	44.1	44.8		
Credit performance						
Gross loans and advances	Rm	14 044	12 243	10 753	15%	31%
Stage 1	%	44.5	33.7	62.0		
Stage 2	%	36.0	40.2	21.8		
Stage 3	%	19.5	26.1	16.2		
Credit loss ratio	%	4.3	7.3	3.2		
Provision coverage	%	5.6	6.7	4.8		
Insurance performance						
Gross written premium	Rm	1 015	907	823	12%	23%
Claims ratio						
Comprehensive vehicle cover	%	67.2	58.3	58.2		
Credit life cover	%	83.3	49.5	45.5		

Note: Comparative information has been restated for a change in the composition of reportable segments per IFRS 8 – Operating Segments. Road Cover which was previously reported as part of the TCRS segment is now reported as part of the SA Taxi segment.

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

- SA Taxi Finance grew gross loans and advances by 15% to R14.0 billion.
- Loan originations showed a strong recovery, growing 37% despite constrained originations in the second half of the financial year due to the events which adversely impacted the taxi industry's ability to operate.
- New vehicle loan originations for the year increased by 24% compared to a 62% increase in Quality Renewed Taxi (QRT) loan originations, showing continued strong momentum in the sale and finance of SA Taxi's fully refurbished QRT vehicles.
- The growth in gross loans and advances translated into net interest income growth of 16% to R1 580 million.
- SA Taxi has maintained provisions for the impact on collections, with provision coverage of 5.6% protecting the balance sheet, however credit quality has improved with stage 3 gross loans and advances improving to 19.5% for the year compared to 26.1% in FY2020.
- We expect collections to recover over a longer period than we initially envisaged.

SA Taxi Protect

- With most of SA Taxi Finance's clients choosing to insure their vehicles through SA Taxi Protect, gross written premiums showed strong growth of 12% to R1 015 million.
- SA Taxi's strategy to broaden its client base via direct marketing and its broker network, targeting open market clients (insurance clients not financed by SA Taxi Finance), continued to yield positive results.
- Comprehensive vehicle insurance claims remained stable and in line with past performance and as expected, COVID-19 resulted in higher credit life claims and lapse rates.
- We fulfilled our commitment to our clients in their time of need and paid out a total of R170 million in credit life claims for the year compared to the pre-pandemic pay out of R47 million in FY2019. This increased our credit life claims ratio to 83.3% from 45.5% in FY2019 and necessitated adjustments to the product and pricing to reduce the high claims ratio.

Conclusion

- SA Taxi's recovery and organic growth lifted core headline earnings 109% to R499 million, nearing the pre COVID-19 levels of FY2019. The group's attributable portion grew 113% to R413 million
- SA Taxi will continue to assess opportunities for further vertical integration to broaden its addressable market and to enter new adjacent sectors in support of future organic growth.

TRANSACTION CAPITAL RISK SERVICES

For the year ended 30 September		2021	2020	2019	Movement 2021 vs 2020	Movement 2021 vs 2019
Financial performance						
Core headline earnings from continuing operations	Rm	320	42	278	662%	15%
Core pre-provision profit	Rm	729	623	543	17%	34%
Non-interest revenue	Rm	2 391	2 308	1 935	4%	24%
Core cost-to-income ratio	%	80.6	98.8	79.7		
Purchased book debts						
Cost price of purchased book debts acquired	Rm	1 240	733	1 186	69%	5%
Carrying value of purchased book debts	Rm	3 441	2 520	2 382	37%	44%
Estimated remaining collections	Rm	6 370	5 181	4 480	23%	42%

Note: Comparative information has been restated for a change in the composition of reportable segments per IFRS 8 – Operating Segments. Road Cover which was previously reported as part of the TCRS segment is now reported as part of the SA Taxi segment.

Collection Services

Acquisition of NPL portfolios as principal

- In South Africa, TCRS has successfully navigated the impact of the third wave of COVID-19 infections to deliver a strong performance. The acquisition of NPL portfolios is nearing pre-pandemic levels, with the annual investment of R1 052 million in FY2021 slightly behind the investment level in FY2019.
- In Australia, the trading conditions were again subdued, with few NPL portfolios being offered for sale, banks still showing greater leniency on outstanding credit, and debt moratoriums continuing. TCRS invested R135 million in acquiring NPL portfolios in Australia in FY2021, which is higher than the investment in FY2020 due to a purchase made just before year end that will support the recovery into FY2022 as we start to collect on this book.
- Collections on NPL portfolios owned as a principal in South Africa exceeded our initial expectations, with lower costs yielding improved margins, while collections on NPL portfolios owned as a principal in Australia performed satisfactorily.

Contingency and fee-for-service revenue

- Our business model which comprises both principal and agency collections allows us to derive returns in different market conditions. Currently more opportunities exist for the purchase of NPL portfolios and as a result revenues from contingency and FFS have been declining relative to principal revenues. At 30 September 2021 the contingency and FFS business made up 38% of total revenue, down from 46% in FY2020 and 50% in FY2019.

Conclusion

- TCRS posted a resilient performance in a challenging operating environment, with robust collection revenues allowing the division to recover to its historic growth trajectory.
- The division's core headline earnings grew 15% when applying FY2019 as a base, indicating a return to pre COVID-19 growth rates.
- Following the strategic realignment of TCRS earlier this year, the business is now structured to deliver in the three key areas of collections, transactional and business process outsource services.

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, including the audit opinions and Key Audit Matters published on SENS and available for viewing at https://senspdf.jse.co.za/documents/2021/JSE/ISSE/TCP/FY21_SENS.pdf and our website <https://www.transactioncapital.co.za/SENS.php>.

The group's auditors, Deloitte & Touche, have issued unmodified audit opinions on both the consolidated and summarised financial statements for the year ended 30 September 2021. The audit was conducted in accordance with International Standards on Auditing (ISA).

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 by excluding once-off transaction costs which, in terms of the JSE Listings Requirements, constitute pro forma financial information.

This pro forma financial information, which is the responsibility of the group's directors, has been prepared for illustrative purposes to reflect operational performance more accurately. Due to its nature, it may not fairly present, in terms of IFRS, the group's financial position, changes in equity, and results of operations or cash flows. Details of the nature of these adjustments can be found in the reconciliation of headline earnings to core headline earnings in the full announcement. The pro forma financial information should be read in conjunction with the unmodified Deloitte & Touche independent accountants' report.

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.

Hyde Park
16 November 2021

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Directors:

Christopher Seabrooke (Chairman)*, David Hurwitz (Chief executive officer), Sean Doherty (Chief financial officer), Mark Herskovits, Jonathan Jawno, Michael Mendelowitz, Roberto Rossi, Suresh Kana (Lead independent director)*, Buhle Hanise*, Albertinah Kekana*, Ian Kirk*, Kuben Pillay*, Diane Radley*, Sharon Wapnick* (*Independent 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.

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1. Earnings from continuing operations excludes results from discontinued operations as reported on SENS on 13 May 2020.
2. Core financial numbers and ratios exclude once-off transaction costs and are used by management as key metrics in the business.
3. Transaction Capital's core headline earnings from continuing operations attributable to the group includes R270 million from WeBuyCars, R413 million from SA Taxi, R320 million from TCRS, and R2 million from the group executive office.
4. Core headline return on average assets and core headline return on average equity are based on earnings from continuing operations.
5. WeBuyCars is consolidated as an effective 74.2% subsidiary of the group with effect from 3 August 2021 in terms of IAS 27 – Separate Financial Statements and IFRS 10 – Consolidated Financial Statements. The initial 49.9% investment in WeBuyCars, effective 11 September 2020, was 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 the initial investment are reported for illustrative purposes only, and do not form part of Transaction Capital's consolidated financial results. eBuyCars is consolidated as a 74.2% subsidiary of the group with effect from 3 August 2021 in terms of IAS 27 – Separate Financial Statements and IFRS 10 – Consolidated Financial Statements. The initial 49.9% investment in WeBuyCars, effective 11 September 2020, was 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 the initial investment are reported for illustrative purposes only, and do not form part of Transaction Capital's consolidated financial results.