

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 2022

HIGHLIGHTS

	FY2022	FY2021	
Core earnings from continuing operations attributable to the group	R1 246 million	R1 005 million	Up 24%
Core earnings per share from continuing operations attributable to the group	172.5 cents	147.9 cents	Up 17%
Core continuing return on average equity	14.0%	15.1%	
Core continuing return on average assets	4.4%	4.4%	
Total dividend per share	70 cents	52 cents	

- Transaction Capital delivered a strong operational performance in the 2022 financial year ("FY2022") with earnings growing in line with historical growth rates.
- Returns remain robust as earnings composition tilts towards capital-light revenues from WeBuyCars and Nutun.
- Final dividend of 37 cents per share at 2.5 times cover, bringing the total dividend per share for FY2022 to 70 cents per share.

PERFORMANCE OVERVIEW

In FY2022, Transaction Capital extended its track record of organic earnings growth. Core earnings from continuing operations attributable to the group increased 24% to R1 246 million, and core earnings per share from continuing operations attributable to the group grew by 17% to 172.5 cents.

Basic earnings per share from continuing operations attributable to the group decreased 31% to 232.0 cents (FY2021: 338.7 cents), due to a non-recurring fair value gain of R1 403 million in FY2021 relating to the revaluation of the minority interest previously held in WeBuyCars. Headline earnings per share from continuing operations attributable to the group increased to 224.4 cents (FY2021: 147.0 cents).

In light of the group's strong financial performance, robust balance sheet and medium-term prospects, the board resolved to declare a final gross cash dividend to shareholders of 37 cents per share, at a rate of 2.5 times cover based on the FY2022 earnings, bringing the total dividend per share for FY2022 to 70 cents per share in line with our dividend policy of 2 to 2.5 times cover.

The global macro-economic environment in FY2022 was characterised by rising fuel and energy prices, inflationary pressures, and rising interest rates resulting from geopolitical tensions and withdrawal of monetary and fiscal stimulus. In South Africa, this was combined with frequent power outages, low economic growth and persistently high unemployment. Although commuter activity is increasing in South Africa, it is not anticipated to reach pre-pandemic levels in the short-term. These macro-economic headwinds continue to place pressure on minibus taxi operator profitability, causing finance and insurance instalment affordability constraints. This was compounded by the extended impact of the floods in KwaZulu-Natal ("KZN") on Toyota's production capability which constrained our ability to grow gross loans and advances in the second half of the year, resulting in SA Taxi's earnings in FY2022 remaining below FY2021 levels. WeBuyCars and Nutun continue to perform in line with our expectations delivering high earnings growth which supported robust growth in group earnings.

PROSPECTS

In FY2022 our divisions have put the building blocks in place to materially enhance their competitive value propositions, diversify their revenues and expand their total addressable markets. Based on this strategic repositioning, our current assessment of operating conditions and our growth prospects, we expect Transaction Capital's organic earnings growth over the medium-term to be in line with historic rates.

In the short-term, Transaction Capital has the opportunity to accelerate its earnings growth through the exponential growth prospects in WeBuyCars and Nutun's ability to leverage its local technology platform and ZAR-denominated resources to generate capital-light local and foreign revenues. The repositioning of SA Taxi as a mobility platform across the public transport and private used vehicle sectors, leverages its competencies to broaden its total addressable market, providing better risk allocation optionality, and diversifying its revenue streams, which provide a compelling medium-term growth opportunity while the minibus taxi industry continues to recover.

Our divisions are deliberately positioned in their markets to benefit from structural socio-economic realities, enabling them to deliver good commercial returns and meaningful social impact in variable economic conditions. In FY2022 Transaction Capital made significant progress in embedding ESG into the group's organisational culture. This has taken shape through operationalising the economic, social and environmental ("ESE") frameworks within the divisions, resulting in increased rigour around the management of our sustainability-related data. As part of the process of fully integrating WeBuyCars into the Transaction Capital group, an ESE framework was developed bottom-up through engagement with multiple stakeholders to define the division's societal purpose, which cascades into defined impact areas linked to supporting metrics.

We remain confident that the group can continue to generate strong shareholder returns in the medium-term, while creating positive, long-term value for all our stakeholders and broader society.

DIVISIONAL PERFORMANCE

Nutun (previously Transaction Capital Risk Services)

For the year ended 30 September		2022	2021	Movement
Financial performance				
Core earnings from continuing operations	Rm	434	320	36%
Core earnings from continuing operations attributable to the group	Rm	409	320	28%
Revenue				
Capital-enabled services ("CE services")	Rm	1 792	1 383	30%
Customer experience management services ("CXM services")	Rm	1 186	974	22%
Core cost-to-income ratio	%	70.6%	69.1%	
Purchased book debts				
Cost of purchased book debts acquired	Rm	1 442	1 240	16%
Carrying value of purchased book debts	Rm	4 208	3 441	22%
Estimated remaining collections	Rm	7 224	6 370	13%

Financial and Operational Performance

- Nutun posted an excellent performance driven by robust levels of investment in and collection of acquired NPL portfolios in South Africa, and new revenues from our global CXM services.
- Earnings from CXM services are primarily generated from contingency based collection services, fee-for-service mandates and other customer-engagement services, from mandates in South Africa, Australia, Europe and the UK.
- In line with our strategy to drive capital-light CXM services revenue from diversified geographies, sectors, and clients off a ZAR cost-base, CXM services revenue grew 22% in FY2022, and remains a significant growth opportunity into the future.
- During this year, Nutun acquired larger NPL portfolios more frequently in South Africa through bilateral forward flow agreements, which provide a secured contractual pipeline of NPL portfolio acquisitions.
- Nutun has sold its Australian NPL portfolio at book value and will focus on expanding international CXM services which will deliver better margins. We are positioned to re-enter the international book buying market should market conditions offer more appropriate risk adjusted returns.

Outlook

- Nutun's expansion into global CXM services is an exciting opportunity to leverage off South Africa's growing popularity as an outsourced customer engagement services destination, to earn international revenue and create sustainable employment locally.
- In FY2023 our strategic focus will be to continue acquiring NPL portfolios in South Africa at the current run rate. Additionally, CXM services revenue growth is expected to outpace CE services (principal collections) revenue growth over the medium-term, accelerating Nutun's earnings growth above historical rates.
- In Australia, the sale of the NPL portfolio and the subsequent acquisition of a substantial contingency collections business, positions our platform as one of the largest providers of CXM services in Australia, with a significant opportunity for an expanded range of outsourced services to be delivered from South Africa.

WeBuyCars

For the year ended 30 September		2022	2021	Movement
Financial performance				
Core earnings	Rm	762	541	41%
Core earnings attributable to the group	Rm	540	270	100%
Operational performance				
Vehicles purchased	Number	130 177	91 527	42%
Vehicles sold	Number	125 812	88 271	43%
F&I products penetration on units sold	%	18.2	13.6	
Total e-commerce sales	Number	34 300	26 810	28%
Total e-commerce sales	%	27	30	
Business-to-business	%	77.5	91.6	
Business-to-consumer	%	22.5	8.4	
Vehicle parking bays	Number	8 580	5 807	48%

Financial and Operational Performance

- WeBuyCars is now Transaction Capital's largest business, generating almost c. 43% of core earnings attributable to the group.
- WeBuyCars continues to gain market share, driven by its strategy to expand geographically, grow its e-commerce offering, and drive higher penetration of F&I products.
- In FY2022, we exceeded the target of 10 000 vehicle sales per month, reaching an aggregate of circa 12 000 sales per month in the last quarter of the financial year.
- WeBuyCars continues to invest significantly in brand marketing and online lead generation. Our e-commerce capabilities will enable the optimisation of vehicle sales, improve stock turn efficiency and support growth in the years ahead, as the demand for contactless services on credible digital platforms continues to grow.

Outlook

- Over the medium-term, we anticipate future earnings from WeBuyCars to continue to grow at rates higher than Transaction Capital's historical earnings growth rates.
- We will seek to maximise growth and market share gains through our physical and e-commerce platforms by driving a differentiated customer experience enhanced by data, technology and analytical advantages.
- GoMo, although strategically positioned alongside SA Taxi, is expected to be value accretive to WeBuyCars. GoMo should increase volumes traded and drive higher penetration of F&I products, particularly on older vehicles which are not traditionally financed by banks, thus resulting in incremental revenues earned by WeBuyCars.

SA Taxi

For the year ended 30 September		2022	2021	Movement
Financial performance				
Core earnings	Rm	369	499	(26%)
Core earnings attributable to the group	Rm	304	413	(26%)
Core pre-provision profit	Rm	1 280	1 241	3%
Net interest margin	%	10.8	12.1	
Core cost-to-income ratio	%	50.6	45.5	
Credit performance				
Gross loans and advances	Rm	15 354	14 044	9%
Stage 1	%	49.0	44.5	
Stage 2	%	30.0	36.0	
Stage 3	%	21.0	19.5	
Credit loss ratio	%	5.7	4.3	
Provision coverage	%	4.2	5.6	
Insurance performance				
Gross written premiums	Rm	1 143	1 015	13%
Claims ratio				
Comprehensive vehicle insurance claims	%	77.1	67.2	
Credit life claims	%	48.7	83.3	

Financial and Operational Performance

- Core earnings attributable to the group from SA Taxi now comprise approximately 24% of Transaction Capital's earnings, making it our smallest business.

Minibus taxi division

- The floods in KZN during April 2022 resulted in Toyota's manufacturing plant closing from mid-April 2022 to August 2022. Supply of new taxis remained significantly constrained for longer than initially anticipated, impacting SA Taxi's ability to originate new loans. Linked to this, revenues relating to insurance and other allied services were also negatively impacted.
- SA Taxi has built capacity to refurbish its pre-owned Quality Renewed Taxis ("QRTs") from 280 per month in 2020 to approximately 400 per month currently, supporting higher QRT loan origination. This strategy partially offset the impact of the Toyota plant closure.
- SA Taxi invested in an e-commerce auction platform, that specialises in the online sale of salvage vehicles, expected to increase efficiencies within the mobility platform over the medium-term.
- The longer than expected recovery in collections, slower origination of new loans due to Toyota supply shortages and a higher cost of procuring parts, caused the credit loss ratio to remain above our 3% to 4% target range. Stage 1 and Stage 2 loans and advances improved as we actively managed the book whilst Stage 3 loans and advances increased marginally.

GoMo

- Pursuant to Transaction Capital's strategic intent to leverage off WeBuyCars' and SA Taxi's platform value, GoMo was launched in FY2022 to build a scalable mobility platform that aims to disrupt and capture market share in an under-penetrated used vehicle F&I sector.
- Since its launch, GoMo has received an overwhelmingly positive market response, with the number of loan applications being significantly higher than anticipated. This product is thus strategically better positioned alongside SA Taxi.
- GoMo will continue to facilitate vehicle sales and drive incremental F&I income for WeBuyCars.

Outlook

- Our strategic focus in FY2023 will be on optimising our core minibus taxi business lines, whilst developing GoMo into a profitable business of scale. We believe that GoMo has the potential to match the size of the SA Taxi loan book over the medium-term.
- As the recovery in the minibus taxi sector progresses, the strategic positioning of SA Taxi as a mobility platform leverages its competencies to broaden its total addressable market, provide better risk allocation optionality, and diversify its revenue, providing a compelling medium-term growth opportunity.

DIVIDEND DECLARATION

Transaction Capital's ordinary dividend policy remains 2 to 2.5 times cover. Following the interim dividend of 33 cents per share (HY2021: 19 cents per share) at a rate of 2.5 times cover, the board has declared a final gross cash dividend of 37 cents per share (FY2021: 33 cents per share) at a rate of 2.5 times cover for the financial year ended 30 September 2022.

The dividend is 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 final dividend of 29.6 cents per share.

The salient features applicable to the dividend are as follows:

Issued shares as at declaration date	757 367 333
Declaration date	Tuesday 15 November 2022
Last day to trade cum dividend	Tuesday 29 November 2022
Ex-dividend	Wednesday 30 November 2022
Record date	Friday 2 December 2022
Payment date	Monday 5 December 2022

Tax reference number: 9466/298/15/6

Share certificates may not be dematerialised or rematerialised between Wednesday 30 November 2022 and Friday 2 December 2022, both dates inclusive.

The cash dividend will be electronically transferred to the bank accounts of all certificated shareholders, where this facility is available, on Monday 5 December 2022. Where electronic fund transfer is not available or desired, cheques dated Monday 5 December 2022 will be posted on that date. Shareholders who have dematerialised their share certificates will have their accounts at their CSDP or broker credited on Monday 5 December 2022.

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/2022/JSE/ISSE/TCP/FY22SENS.pdf> and our website <https://www.transactioncapital.co.za/investor-relations-overview/transaction-capital-limited/>.

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 2022. The audit was conducted in accordance with International Standards on Auditing (ISA).

Any forecast financial information, including the prospects statement, has not been reviewed or reported on by the company'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 Lisa Lill on telephone +27 (0) 11 049 6700 or email: Lisal@transactioncapital.co.za.

Rosebank
15 November 2022

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(*Independent non-executive)

Company secretary:
Lisa Lill

Auditors:
Deloitte & Touche

JSE sponsor and equity markets broker:
Investec Bank Limited

JSE Debt sponsor:

Rand Merchant Bank (a division of FirstRand Bank Limited)

Transfer secretaries:

Computershare Investor Services Proprietary Limited

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