



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 company" or "the group")



TransCapital Investments Limited
(Incorporated in the Republic of South Africa)
Registration number: 2016/130129/06
Bond company code: TCII
LEI: 378900AA31160C6B8195

VOLUNTARY TRADING UPDATE IN RESPECT OF WEBUYCARS FOR THE FOUR MONTHS ENDED 31 JANUARY 2024

INTRODUCTION

Shareholders are referred to the announcement released by Transaction Capital on SENS on Tuesday, 13 February 2024 regarding the unlocking of value for shareholders of Transaction Capital, comprising: the firm intention to unbundle WeBuyCars and its separate listing on the Main Board of the JSE, the WeBuyCars share issue of R760 million, the private placement of WBC shares of R500 million, a proposed pre-listing capital raise of up to R750 million and withdrawal of the cautionary announcement ("Firm Intention Announcement").

The purpose of this announcement is to provide shareholders with a business trading update for WeBuyCars in the light of the release of the Firm Intention Announcement. The information contained in this announcement has not been reviewed or reported on by the group's external auditors and is the responsibility of Transaction Capital's board of directors.

TRADING UPDATE

In the 2023 financial year ("FY2023"), WeBuyCars delivered on key performance metrics including increased volumes and growth in market share. Although earnings were down in the first half of FY2023, the business saw a strong recovery in the second half. This positive momentum has continued into 2024, notwithstanding the adverse market conditions.

For the 4 months ended 31 January		2024	2023	2022	Movement 2024 vs 2023
Financial performance					
Revenue	Rm	7 636	6 574	5 246	16%
Core earnings	Rm	267	223	275	20%
Core cost-to-income ratio	%	61.5	60.4	48.7	
Debt-to-equity ratio	%	32.4	47.5	45.2	
Cash generated from operating activities	Rm	402	256	193	57%
Net interest-bearing liabilities (excl IFRS 16)	Rm	1 034	1 392	1 058	(26%)
Operational performance					
Vehicles purchased	Number	53 855	48 346	37 826	11%
Vehicles sold	Number	53 144	47 056	37 259	13%
Stock days	Number	29	30	23	
Inventory	Rm	1 975	1 945	1 093	2%

Inventory units	Number	12 352	12 487	7 380	(1%)
F&I penetration on units sold	%	19.4	21.6	16.7	
F&I units	Number	10 300	10 155	6 205	1%
Vehicle parking bays	Number	10 444	9 885	6 985	6%
Buying pods	Number	74	59	24	25%
Total e-commerce sales	Number	13 951	9 846	11 274	42%
Total e-commerce sales	%	26.3	20.9	30.3	

Financial performance

In line with expectations, WeBuyCars has resumed its earnings growth trajectory with core earnings growing 20% in the first four months of the 2024 financial year (“FY2024”), compared to the same four month period in FY2023. WeBuyCars’ earnings performance in FY2023 was impacted by the change in market dynamics, as the factors that had contributed to unusually high used car demand and price inflation in 2022 reversed. The business’ agile operating model and quick stock turn enabled it to respond quickly to these market changes. At the start of 2023 WeBuyCars swiftly adjusted its vehicle buying strategy to focus on lower-priced second-hand vehicles, in line with consumer demand. In H2 2023 margins stabilised and operational efficiencies improved, driving the return to earnings growth in FY2024.

Revenue continues to grow in line with the growth in number of vehicles sold as the existing branch network matures. WeBuyCars is consistently expanding its market share in a highly fragmented market.

WeBuyCars has continued to invest in its proprietary digital business platform, data, and analytics capabilities which optimise the vehicle buying and selling process. This proprietary technology platform has proven to be a key differentiator for the business.

WeBuyCars’ balance sheet is conservatively geared, supported by high cash conversion rates. Net debt of R1 034 million consists primarily of mortgage loans (R734 million) on several vehicle supermarkets, and working capital facilities (R300 million) to fund inventory. In the current high interest rate environment, management has repaid debt during the period under review, which has resulted in interest savings.

Operational performance

In the first four months of FY2024, WeBuyCars bought 53 855 vehicles and sold 53 144 vehicles, up 11% and 13% respectively. The number of vehicles bought and sold continues to grow, with the number of vehicles sold reaching a record of 14 000 in January 2024.

In 2022, WeBuyCars made significant investments in its infrastructure, increasing total capacity to 8 580 parking bays. During the sixteen months to 31 January 2024, a further 1 864 bays were added to the national footprint, bringing the national capacity to 10 444 parking bays. Given the focus on leveraging existing strategic infrastructure investments, only one new branch was opened in the last nine months, resulting in inventory levels remaining consistent with the prior period. The physical footprint will be expanded further in 2024 and 2025 to meet the business’ growth aspirations.

As the business has scaled, it has consistently invested in marketing spend to enhance the WeBuyCars brand. Investment in its website and its consumer app has allowed for increased online engagement with consumers, making vehicle purchasing more convenient. WeBuyCars’ website is currently averaging 5.7 million monthly visits with 1.8 million unique visitors, presenting a unique and growing buy-and-sell ecosystem.

OPERATING CONTEXT

The structural elements supporting the medium and long-term outlook for the second-hand vehicle market in South Africa remain positive. In the current macroeconomic environment characterised by high unemployment and elevated interest rates, affordability is a big challenge for consumers, driving demand for more affordable used vehicles. In addition, the increasing prices of new vehicles, fuelled by inflationary pressures and a depreciating Rand, also boosts demand in the pre-owned vehicle market.

WeBuyCars has proven to have been well-positioned in the current environment and will continue to deliver on its value offering to consumers as it expands.

Sandton
13 February 2024

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