SA Taxi
Business Overview
Financial Year 2018
01 Overview of SA Taxi
02 Market context
03 Offering and business model
04 SA Taxi’s competitive landscape
05 SA Taxi’s impact
06 Industry engagement
07 Financial performance
08 Funding
Who is SA Taxi?

1. An innovative & pioneering business model with operations expanding throughout the financial services & asset value chain, building a scalable platform that can be leveraged in adjacent markets.

2. A unique blend of vehicle procurement, retail, repossession & refurbishment capabilities, with financing & comprehensive insurance competencies for focused vehicle types.

3. Innovative technology, valuable client & market insights developed from overlaying granular telematics, credit, vehicle & other data to enable precise & informed origination, collection decisioning & proactive risk management.

4. Enabling financial inclusion by proficiently securing funding from both local & international debt investors to judiciously extend developmental credit to SMEs that may otherwise not easily have access to credit from traditional financiers.

5. Providing complementary business services that assist SMEs to maximise cash flow & protect their income-generating asset, thus improving their ability to succeed as well as offering value-added services to the wider industry stakeholders.

6. Empowering under-served & emerging SMEs to build their businesses, which in turn creates further direct & indirect employment opportunities.

7. Creating shared value opportunities by providing services to the wider industry facilitating engagement & investment.

8. Contributing to the recapitalisation & sustainability of the taxi industry – a critical pillar of the public transport sector servicing the majority of South Africa’s working population.

SA Taxi is a vertically integrated minibus taxi platform utilising specialist capabilities, enriched proprietary data & technology to provide developmental finance, insurance & other services to empower SMEs & create shared value opportunities thus enabling the sustainability of the minibus taxi industry.
Projected growth for SA Taxi

Consistent growth over the next 5 years
Looking forward, SA Taxi will strive to organically grow its book profitability through:

- Increase **scale and profitability** through a focused approach to each business driver

- **Optimise capital** and business structures to position the business for long term growth

- **Leverage vertical integration** and collaboration to reduce repair and claims costs

- Invest in systems and technology to **optimize business efficiencies** and drive more **informed credit and underwriting decisioning**

- Continue to **strengthen relationships with customers** and the **wider industry**

- Establish access to **wider customer base** including the commuter by offering a **range of services**
Creating value at new frontiers

To provide finance, insurance & other services that enable the sustainability of the minibus taxi community

Formative years
A finance offering to taxi operators.

SA Taxi has expanded its offering and extended its operations into many key verticals of the finance and insurance value chains.

To extend products and services to additional verticals, unlocking value in the industry and provide bespoke services to a wider customer base.

Current as at 30 September 2018

- ~30 000 Financed & insured clients
- R9.4bn Gross loans & advances
- R540m Non-interest revenue

Total addressable market

- ~250 000 Minibus taxis
- >150 000 Operators
- ~250 000 Taxi drivers
- 15m Commuter trips daily
- 9.9m Households using minibus taxis
- ~1 200 Taxi associations
- ~R50bn Annual estimated revenue
- ~3bn Litres of fuel purchased p.a
- 50min Average time spent travelling to work

Creating opportunities for operators to share in the prospect of accessing the driver & commuter

Providing vehicles, finance, insurance, other services, repairs & parts
Providing services & products to meet drivers’ needs & reward good driving
Providing value added services whilst commuting

SA Taxi's journey so far

First rated securitisation programme (SATS) is established

Moody's affirm senior mezzanine ratings Insurance > R2bn

Transaction Capital is formed

First DFI investment received

Insurance cell captive established

Initiated insurance cover to non-financed clients

Finance of entry level vehicles discontinued

Nissan NV350 launched

Telematics now applied in credit vetting, insurance, collections, repossession

Over 500 employees

Parts & Salvage established Black Elite fuel rewards programme launched

SANTACO acquires 25% stake in SATFH

Over 1100 employees

Opened a dedicated taxi panel repair workshop in Midrand

Dealership is launched

Over 800 employees

Premium vehicles comprise 99.7% of loans & advances (82% in 2012)

Over 600 employees

R7 151m

R4 800m

R3 807m

R3 027m

R2 276m

R322m

R875m

R3027m

R800m

R4045m

R4 800m

R5 529m

R6 240m

R6 238m

R8 301m

R9 402m

Financial highlights 30 September 2018

Headline earnings

Net interest margin

Gross loans & advances

Number of loans on book

Return on assets

Return on equity

Non-performing loans

Credit loss ratio

R376m¹

11.0%

R9.4bn

30 617

3.5%

25.9%

17.7%

3.3%

SOURCE | Transaction Capital Full Year Results September 2018 | 1. Headline earnings attributable to the group, including minority interest
### Led by an experienced management team

SA Taxi’s executive management team holds extensive experience in the disciplines that make the company uniquely successful as a developmental credit provider.

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<tr>
<th>Name</th>
<th>Group tenure</th>
<th>Current Role/Position</th>
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<td>Terry Kier</td>
<td>11 years</td>
<td>Chief Executive Officer</td>
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<td>BA (Hons), postgraduate diploma in Management Studies</td>
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<td>• Held executive positions at Softline including part of the team involved in its JSE listing, board member and CEO of Pastel Software</td>
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<td>• In 2007 started and sold a medical software company to Bytes Technology Group Ltd</td>
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<td>• Joined Transaction Capital in 2007 as the CEO of Mortgage Capital</td>
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<td>• Appointed as SA Taxi CEO in 2010</td>
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<td>Lorenzo Cardoso</td>
<td>10 years</td>
<td>Chief Operating Officer</td>
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<td>BCom (Hons) in Accountancy; Chartered accountant CA(SA)</td>
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<td>• Served Articles in Industrials and Automotive at KPMG where he remained as a manager</td>
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<td>• Joined SA Taxi in 2008 as a special projects manager</td>
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<td>• Appointed as SA Taxi CFO in 2013</td>
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<td>• Appointed in new position as COO in 2018</td>
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<tr>
<td>Mark Herskovits</td>
<td>11 years</td>
<td>Capital Markets Executive</td>
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<td>BBusSci (Finance) Post Graduate Diploma in Accounting, Chartered accountant CA(SA), CFA</td>
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<td>• Served articles at Deloitte &amp; Touche where he remained as a manager</td>
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<td>• Joined Rand Merchant Bank as a corporate bonds analyst</td>
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<td>• Joined Transaction Capital in 2007</td>
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<td>• Previously Transaction Capital CFO</td>
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<td>• Currently leads the Capital Markets team</td>
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<td>Matsidikanye Moswane</td>
<td>10 years</td>
<td>Taxi Industry &amp; Government Relations Executive</td>
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<td>BCom Economics &amp; Bus Management; Dip Project Management</td>
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<td>Riek Olivier</td>
<td>6 years</td>
<td>Insurance Director</td>
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<td>BCom (Hons) in Accountancy &amp; Finance; Chartered Accountant CA (SA)</td>
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<td>Maroba Maduma</td>
<td>3 years</td>
<td>Communications Executive</td>
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<td>Gordon Institute of Business Science Fundamental Management Program</td>
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<td>Marco Addagi</td>
<td>joined 2018</td>
<td>Chief Financial Officer</td>
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<td>BCom (Hons) in Accountancy; Chartered Accountant CA(SA)</td>
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<td>Sibo Dladla</td>
<td>7 years</td>
<td>Chief Technology Officer</td>
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<td>Diploma in IT networking</td>
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<td>Teneale Holley</td>
<td>2 years</td>
<td>Chief Information Officer</td>
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<td>BCom (Accounting), Post Graduate Diploma in Accounting, Chartered Accountant CA (SA)</td>
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<td>Pumza Seokane</td>
<td>joined 2018</td>
<td>Human Capital Executive</td>
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<td>BA; Postgraduate in Organisation and Management</td>
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<td>Johan van der Merwe</td>
<td>joined 2018</td>
<td>Chief Risk Officer</td>
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<td>B.Com Hons, MBA</td>
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<td>Reneka Dayaljee</td>
<td>7 years</td>
<td>Loan Originations Executive</td>
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<td>B Compt. Honours (UNISA), Chartered Accountant CA (SA)</td>
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<td>Pumza Seokane</td>
<td>joined 2018</td>
<td>Human Capital Executive</td>
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<td>BA; Postgraduate in Organisation and Management</td>
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SA Taxi is part of the Transaction Capital group

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<tr>
<th>SA Taxi</th>
<th>Transaction Capital</th>
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<tr>
<td>CEO: Terry Kier, 10-year group tenure</td>
<td>CEO: David Hurwitz, 12-year group tenure</td>
<td>CEO: Dave McAlpin, 9-year group tenure</td>
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<tr>
<td><strong>R368 MILLION</strong></td>
<td><strong>R682 MILLION</strong></td>
<td><strong>R273 MILLION</strong></td>
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<td>HEADLINE EARNINGS¹</td>
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<td>▲ 21%</td>
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<td><strong>R9.4 BILLION</strong></td>
<td><strong>111.7 CPS</strong></td>
<td><strong>R1.4 BILLION</strong></td>
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<td>GROSS LOANS &amp; ADVANCES</td>
<td>HEADLINE PER SHARE</td>
<td>PURCHASED BOOK DEBTS</td>
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<td>▲ 13%</td>
<td>▲ 16%</td>
<td>▲ 54%</td>
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<td><strong>R540 MILLION</strong></td>
<td><strong>50 CPS</strong></td>
<td><strong>76.8%</strong></td>
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<td>NON-INTEREST REVENUE</td>
<td>TOTAL DIVIDEND PER SHARE</td>
<td>COST-TO-INCOME RATIO³</td>
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<tr>
<td>▲ 26%</td>
<td>▲ 25%</td>
<td>FY17 77.3%</td>
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<td><strong>17.7%</strong></td>
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<td>NON-PERFORMING LOAN RATIO</td>
<td>FOREIGN INVESTOR BASE</td>
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<td>FY17 6%</td>
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<td><strong>25.9%</strong></td>
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<td><strong>R662 MILLION</strong></td>
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<td>RETURN ON EQUITY</td>
<td>DIVIDEND COVER</td>
<td>NPL PORTFOLIOS</td>
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<td>FY17 2.4 times</td>
<td>ACQUIRED THIS PERIOD</td>
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<td><strong>FY17 25.3%</strong></td>
<td><strong>R10.7 BILLION</strong></td>
<td><strong>R1.8 BILLION</strong></td>
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<td>MARKET CAPITALISATION²</td>
<td>NON-INTEREST REVENUE</td>
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</table>
Minibus Taxis

The typical minibus taxi is a 16-seater minibus, typically white in colour. The most common model is the Toyota Quantum Ses’fikile.

Taxis operate an unscheduled service on fixed routes. These routes are managed by taxi associations.

Taxis will typically depart from fixed terminals but stop anywhere along their route to pick up and drop off passengers. Passengers hail taxis using hand signals to indicate where they are travelling. Taxi ranks are hives of activity and market places establish themselves around the ranks to service the commuters.

Fares for each route are determined by regional taxi councils. These councils consider; the timing and extent of prior increases, commuter affordability and operator profitability when setting the fares. The fares need to take into account that the industry services the lower income population of the country.

Fares are paid in cash. In some areas of the country the taxi owner employs a conductor to manage fares while in other parts of the country passengers themselves manage the cash from all passengers in the vehicle and pass the cash on to the driver.

### Estimated new minibus vehicle sales

- Toyota: 70%
- Nissan: 13%
- Other: 12%
- Mercedes: 5%
Minibus Taxis are the dominant mode of public transport in SA

The public transport system is the primary mode of transport in South Africa and plays an essential part in the daily life of the general South-African population. It is critical in providing the majority of the population access to jobs, education, health and social activities. 40% of South Africans make use of public transport to commute, compared to 38% who use a private vehicle, 21% who walk and 1% who use other forms of transport.

The majority of these public transport commuters are low income earning individuals. Walking and minibus taxis are the preferred modes of transport for over 50% of the South-African population who earn under R3 000 a month and are unable to afford private transport.

Overall, 67% of those who utilise public transport choose to use minibus taxis. 70% of learners and 68% of workers use minibus taxis to commute.

In the face of limited funding over the past three decades and the challenges caused by the legacy of spatial dislocation of the poor, the public transport industry has experienced continued growth. However, South Africa’s public transport is now faced with increasing network inefficiencies due to a rapidly growing urban population and aging infrastructure.

As a core enabler to the country’s economy, an efficient public transport network is a critical catalyst for development and economic growth. Hence investment is required for initiatives that aim to increase and improve efficiencies in the transport network, create sustainable jobs, improve regulations in the industry and further support the growth of black-owned SMEs.

With over 50% of the South-African population earning under R3 000 monthly, walking and minibus taxis are their preferred modes of transport.
Minibus Taxis are the dominant mode of public transport in SA

The reach of minibus taxis is pervasive and the industry provides a critical service to commuters by integrating with key public transport nodes. The images below illustrates the footprint covered by SA Taxi’s financed vehicles on 28 October 2017, which represents less than 12% of the national taxi fleet.

Minibus taxi serves as a trunk service in parallel with train and bus and is also the feeder into these modes.

SOURCE | SA Taxi fleet movement on 28 October 2017
Minibus Taxis are integral to daily commuters

While rail and bus networks serve as a trunk service in parallel with minibus taxis, minibus taxis are a key feeder into these services – transporting passengers their first and last mile. This service is critical given the context of South Africa’s low population densities, long travel distances as well as modal and structural inefficiencies. This first and last mile service provides commuters with greater access and convenience. Furthermore, the Department of Transport’s National Land Transport Strategic Framework includes a move to a corridor and node approach which will continue to create demand for integrated feeder services.

The majority of commuters who utilise public transport are heavily reliant on minibus taxis. Usage of minibus taxis has been consistently high throughout the industry’s existence and shows no sign of declining. Minibus taxi transport is a non-discretionary expense for the majority of the nation’s commuters as they are unable to afford private transport.

- 40% of South Africans use public transport
- Minibus taxi is the dominant form of public transport
- Minibus taxi is an essential service & spend is non-discretionary

<table>
<thead>
<tr>
<th>TRAIN</th>
<th>MINIBUS TAXI</th>
<th>BUS</th>
<th>BUS RAPID TRANSPORT (BRT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;800 000 COMMUTER TRIPS DAILY</td>
<td>OVER 15 MILLION COMMUTER TRIPS DAILY</td>
<td>&lt; 1 MILLION COMMUTER TRIPS DAILY</td>
<td>~120 000 COMMUTER TRIPS DAILY</td>
</tr>
<tr>
<td>RECEIVES 44% OF GOVERNMENT SUBSIDY</td>
<td>COMMERCIALLLY SELF-SUSTAINABLE RECEIVES NO GOVERNMENT SUBSIDY</td>
<td>RECEIVES 56% OF GOVERNMENT SUBSIDY</td>
<td></td>
</tr>
<tr>
<td>~3 100 KM NATIONAL NETWORK</td>
<td>&gt;250 000 MINIBUS TAXIS</td>
<td>&gt;19 000 REGISTERED BUSES</td>
<td>3 METROPOLITANS</td>
</tr>
<tr>
<td>~500 TRAIN STATIONS</td>
<td>&gt;2 600 TAXI RANKS</td>
<td>&gt;100 BUS STATIONS</td>
<td>&lt;700 REGISTERED BUSES</td>
</tr>
<tr>
<td></td>
<td>~19 BILLION KM TRAVELLED (per year)</td>
<td>~1 BILLION KM TRAVELLED (per year)</td>
<td>~150 BUS STATIONS; &lt;100 ROUTES</td>
</tr>
</tbody>
</table>

1960’s
This industry emerged in the early 1960’s with the introduction of pass laws under the Apartheid regime.

This brought about the need for an unscheduled transport service for the disadvantaged black community that had been forcibly moved to the outskirts of every commercial hub due to spatial dislocation laws.

This industry was considered illegal as it was not recognised or regulated by the Department of Transport.

The 1954 Chevrolet sedan was the vehicle of choice amongst taxi operators.

1970’s
In the 1970s, prospective minibus taxi operators found a loophole in the Road Transportation Act which allowed them to apply for a road carrier permit and operate legally if they left one seat of a ten-seater empty. This was because any vehicle carrying ten passengers or more for reward was defined in legislation as a bus and was therefore subjected to particular controls. However the department of transport issued very few permits.

1980’s
The taxi industry was legalised and recognised by government although the number of permits were restricted.

The South African Black Taxi Association (SABTA), the first national organisation of taxi owners was established and brought together hundreds of local taxi associations.

7 seater vehicles became the dominant vehicle type within the industry, increasing the number of passengers a taxi operator could transport daily.

1990’s
This industry was legalised and recognised by government although the number of permits were restricted.

The South African Black Taxi Association (SABTA), the first national organisation of taxi owners was established and brought together hundreds of local taxi associations.

7 seater vehicles became the dominant vehicle type within the industry, increasing the number of passengers a taxi operator could transport daily.

This period saw the introduction of the Taxi industry transformation:

• National Taxi Task Team
• Democratisation process
• Legalisation process

The introduction of the National Land and Transport Act brought about national operating licenses which would replace the previous taxi permits.

The Taxi Recapitalisation Programme (TRP) was launched with the view of formalising the industry by:

• Introducing safer vehicles onto the road
• Registering all taxi operators and their employees
• Improving the data collected within the industry

2000’s
This industry played an important role in the country’s first democratic elections by transporting a large portion of the population to the voting polls at no cost.

The 16 seater vehicle became the preferred and legislated vehicle type. This resulted in the following vehicles becoming the market leaders within the industry:

• Toyota Hi-Ace Super 16
• Nissan E20
• Isuzu Relay

2010’s
The 2010 Soccer World Cup brought about substantial investments into the country’s transport infrastructure. This initiated an investigation into government subsidy grants for the Minibus Taxi industry.

Today
Ground breaking ownership transaction with the minibus taxi industry.

Source: SA Taxi Corporate Affairs | Organizing in the Informal Economy: A Case Study of the Minibus Taxi Industry in South Africa
Dynamics of the Minibus Taxi industry

**Association**
Taxi operators must first be a part of an association in order to gain access to a route and operating licence.
Taxi operators pay a fee to join an association which enables the operator to apply for an operating licence.
Taxi associations self-regulate the servicing of routes to ensure routes are not over-supplied and that minibus taxis can operate profitably. There are currently ~1,200 taxi associations in South Africa.

**Route**
Associations are awarded the right to operate a route by the provincial regulating entity (PRE) through a registration process.
Route allocations are managed by the Registrar’s Administration System (RAS). The RAS system registers taxi operators, taxi associations and details of their operations, including routes.
The PRE determines the number of operating licences to be issued per route based on an integrated transport plan which considers the spread of scheduled and unscheduled services required across various transport modes.

**Operating licence**
Operating licences, issued by the Operating License Administration System (OLAS), authorise an operator and vehicle to provide a specified transport service.
To apply, prospective operators must provide the following:
- Association motivation
- Route description details
- Drivers license
- Vehicle registration certificate
- Roadworthy
- Tax registration number.
Licences are tied to an operator, vehicle and route and expire after 7 years, but can be renewed based on roadworthiness, compliance and a review of the route.
Operating licences can be transferred between operators and are therefore tradable. However, the licences do not hold significant value and are not commonly traded.
Recapitalisation drives higher demand for vehicles

The Minibus Taxi fleet requires significant investment in recapitalisation

The minibus taxi fleet is characterised by old and poorly maintained vehicles. In 2006, the government initiated the Taxi Recapitalisation Project (TRP) in a drive to regulate and improve the industry. The initiative was aimed at addressing the ageing fleet within the transportation system.

It is estimated that only ~10 000 vehicles were recapitalised in the last 3 years. Due to the slow rate of vehicles being scrapped through the TRP and continual aging the bulk of the minibus taxi fleet still requires replacement in order to meet safety standards.

Although the TRP is currently being reviewed to improve it effectiveness going forward, SA Taxi still believes that the best mechanism to drive recapitalisation of the minibus taxi fleet is through economic opportunity and empowerment, rather than through a forced recapitalisation programme. Assisted finance is a critical catalyst in upgrading the minibus taxi infrastructure.

Demand for vehicles exceeds the current supply

The challenge of recapitalising the minibus taxi fleet is exacerbated by a structural shortage in the supply of new vehicles to address this demand. The shortage in supply developed as a result of underinvestment by vehicle manufacturers and a shortage of end user finance. However, in recent years manufacturers have increased investment in the industry, as evidenced by Nissan re-entering the market in 2014.

With demand outstripping supply, financiers are well positioned to impact the industry by applying conservative credit selection and relying upon a liquid second hand market.

Dynamics of recapitalising the minibus taxi fleet

It is estimated that it will take more than 15 years to recapitalise the minibus taxi fleet of 250 000 vehicles. However, the safe working life of a vehicle is expected to be shorter than 15 years.

This indicates that new vehicle sales need to increase substantially in order to adequately recapitalise the fleet to meet National Land Transport Act (NLTA) requirements. Additionally, market sentiment is that the fleet is characterised by already aged and un-roadworthy vehicles, further driving the requirement for new vehicles.
The minibus taxi industry is today the most critical pillar of our public transport sector

Arrive Alive
SA Taxi is a driving force in the minibus taxi industry

**SOUTH AFRICA's MINIBUS TAXI INDUSTRY**

>250 000* Estimated minibus taxis in the industry

**SA TAXI's PORTFOLIO FOR FULL YEAR 2018**

- 24 616 taxi owners
- 30 617 vehicles
- Resulting in gross loans and advances of R9.4 billion
- ~1 800 pre-owned vehicles
- ~5 900 new vehicles
- 7 734 loans originated

*Note: Pre-owned vehicles are exclusively vehicles that have been recovered by SA Taxi, and have been refurbished, re-sold and re-finance.

**SOURCE** | StatsSA National household travel survey 2013 | The market size is SA Taxi’s best estimate through engagement with the industry and extrapolation of internal data | Transaction Capital Results September 2018

**NOTE** | Pre-owned vehicles are exclusively vehicles that have been recovered by SA Taxi, and have been refurbished, re-sold and re-finance
### Summarising the defining minibus taxi market attributes

| Minibus taxis are the dominant mode of public transport given convenience, accessibility and integration with other modes of transport namely rail and bus. |
| Ageing fleet and recapitalisation has led to growth in new and quality refurbished minibus taxis and consequently a need for vehicle finance. |
| The minibus industry is a defensive market as public transport is a non-discretionary expense for the majority of the nation’s commuters as they are unable to afford private transport. |

**As a provider of asset-backed developmental credit,**

SA Taxi is thus positioned in a financing market that is growing in a stable defensive industry where it is able to be selective on credit risk and the financed asset retains its value.
03
Offering and Business model
SA Taxi's offering for small business entrepreneurs

SA Taxi is a specialist in SME financing in the minibus taxi industry, providing capital to taxi owners to build their own small business. SA Taxi provides asset-backed financing for the taxi vehicle, an income generating asset, as well as allied services that support these small business entrepreneurs in building sustainable and profitable businesses.

SA Taxi enables and empowers these entrepreneurs as many of them are unable to access capital through traditional finance providers. Through a comprehensive service offering and innovative risk mitigation approach SA Taxi is able to provide asset-backed finance to these small business owners by understanding their actual risk profile and underpinning the asset throughout its economic life.

SA Taxi has established a direct dealership for new and pre-owned taxis.

Motor and credit life insurance is specifically tailored for minibus taxi owners offering comprehensive cover.

Each vehicle financed is fitted with a tracking system that tracks location, mileage of the vehicle and driver behaviour.

Taximart not only refurbishes repossessed vehicles but also provides repairs and maintenance on pre-owned vehicle warranties and insurance claims.

TAP provides quality OEM & after market parts for use in Taximart and the minibus industry.

Value Proposition

SA Taxi’s value proposition to minibus taxi owners includes:

Access to credit
SA Taxi offers a much needed opportunity to minibus taxi owners who would like to own and operate their own SME.

Full business offering
When engaging with SA Taxi, taxi owners are able to acquire the vehicle, finance, insurance, car tracking, vehicle servicing and other services required to establish and sustain their minibus taxi business.

Customer service
SA Taxi treats each minibus taxi owner as a business owner and offers a personalised, professional and friendly
Vertically integrated business model

SA Taxi was initially established as a finance provider but has subsequently vertically integrated across the financial services and vehicle value chain. Each business element complements the other and has been key to SA Taxi’s success and the empowerment of minibus taxi owners and their businesses. The integrated business model can be illustrated as follows:

FINANCIAL SERVICES

**Enabling SMEs**
- Equity Allocation & Debt Raising
  - Conservatively geared with diversified funders

**Servicing SMEs**
- Insurance
  - Bespoke taxi insurance for financed and non-financed customers

**Managing returns from SMEs**
- Collections
  - Call centre collecting ~R310m per month
- Logistics & Recoveries
  - Management of fleet and performance

VEHICLES

**Vehicle Supply & Retail**
- Dedicated taxi dealership & relationships with affiliated & non-affiliated dealers for new & pre-owned vehicle sales

**Niche credit philosophy**

**Credit Underwriting & Loan Origination**

**Repairs & Maintenance Services**
- Enhancing a market for quality pre-owned vehicles

**Refurbishment**
- ~20 000m² refurbishment facility for panel and mechanical refurbishments

**Parts & Salvage**
- Sell over 500 unique vehicle parts

**Proprietary Data**
- Used throughout the value chain providing critical insight for business decisions

**Client Service**
Vertically integrated business model

FINANCE

INSURANCE

RETAIL DEALERSHIP

REFURBISHMENT

TAXI AUTO PARTS

PROPRIETARY TELEMATICS DATA
Finance is core to SA Taxi’s offering

SA Taxi enters into a credit agreement with each of the minibus taxi owners. These credit agreements are governed by the National Credit Act (NCA). SA Taxi is a registered developmental credit provider in terms of the NCA. Under the NCA, SA Taxi is able to charge interest rates of up to the repo rate plus 27% (equating to 33.5% as at 30 September 2018). SA Taxi remains well within the maximum.

The standardised agreement is an end-to-end offering which also includes insurance, telematics as well as a rewards programme. The underwriting process utilises SA Taxi’s bespoke scorecard that has been developed through historic credit experience which enables SA Taxi to correctly underwrite an underserved minibus taxi owner. As at 30 September 2018 SA Taxi held a book of ~25 000 unique clients operating ~31 000 vehicles which results in approximately 1.2 minibus taxis per client.

<table>
<thead>
<tr>
<th>Average credit agreement</th>
<th>Average monthly instalment</th>
<th>Approval rates</th>
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</thead>
<tbody>
<tr>
<td><strong>Recommended retail price (incl VAT)</strong> <em>(Toyota diesel)</em></td>
<td><strong>Finance instalment</strong>¹</td>
<td><strong>Application approval rates</strong></td>
</tr>
<tr>
<td>R 433 300</td>
<td>R11 250</td>
<td>35% - 45%</td>
</tr>
<tr>
<td><strong>Average interest charged on origination</strong></td>
<td><strong>Insurance instalment</strong> <em>(Comprehensive, credit life &amp; other)</em></td>
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<tr>
<td>23.6%</td>
<td>R2 950</td>
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<tr>
<td><strong>Typical term in months</strong></td>
<td><strong>Telematics fee (incl VAT)</strong></td>
<td></td>
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<tr>
<td>72</td>
<td>R 300</td>
<td></td>
</tr>
<tr>
<td><strong>Origination fee (incl VAT) regulated by NCR</strong></td>
<td><strong>Administration fee (incl VAT) regulated by NCR</strong></td>
<td></td>
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<tr>
<td>R2 990</td>
<td>R69</td>
<td></td>
</tr>
<tr>
<td><strong>Total monthly instalment</strong></td>
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<td>R14 569</td>
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</table>

¹ The credit agreement terms and the resulting monthly instalment is based on the average of the existing book.

SOURCE | Transaction Capital Result September 2018 | Note 1 This instalment is after the average deposit received.
SA Taxi's credit philosophy

SA Taxi's identity

SA Taxi is a vertically integrated minibus taxi platform utilising specialist capabilities, enriched proprietary data & technology to provide developmental finance, insurance and other services to empower SMEs & create shared value opportunities thus enabling the sustainability of the minibus taxi industry.

To ensure safe lending practices and maintain manageable risk exposure, SA Taxi has developed its own innovative niche specific credit philosophy and strategy. This approach is built on the proprietary data and industry knowledge amassed over the years, enabling SA Taxi to differentiate between the perceived and actual risk within the minibus taxi industry. This niche specific risk assessment evaluates each minibus taxi owner as a small business and not solely the individual’s credit score.

SA Taxi has established an innovative and efficient credit origination and management platform that is able to assess, originate and manage risks. This platform is continuously improved by incorporating identified trends and insights resulting in enhanced origination and management.

Furthermore SA Taxi’s credit philosophy foundation is appropriate governance that ensures the risk appetite is followed and that all credit decisions are informed. SA Taxi carefully considers the long term impact as well as the short term when modifications are made to originations – this thinking is embedded in the credit team and systems through a thorough understanding of the book and continuous stress testing of possible scenarios.

SA Taxi's credit philosophy

<table>
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<tr>
<th>Niche specific risk assessment of loans originated</th>
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<tbody>
<tr>
<td>A credible Operator</td>
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</table>

Adherence to set risk appetite and risk strategy through appropriate governance

Assurance through independent audit, monitoring specific risk metrics and effective corporate governance frameworks

Informed decisions through consistent analysis of the book and originations

Regular stress testing and evaluation of the book and origination in both the short and long term, embedding scenario based thinking

Managed by a sustainable credit origination and management platform

Managing the team and systems that deliver repetitive excellence at high volumes by mastering their required competencies
# Understanding operators' affordability

## Comparative modes of transport

### Short distance route | SOWETO TO JOHANNESBURG: 23KM

<table>
<thead>
<tr>
<th></th>
<th>Taxi</th>
<th>Train</th>
<th>Bus</th>
<th>BRT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accessibility</strong></td>
<td>On route</td>
<td>Station &amp; scheduled</td>
<td>Scheduled stops</td>
<td>Scheduled stops</td>
</tr>
<tr>
<td><strong>Affordability 2017</strong></td>
<td>R14.00</td>
<td>R9.50</td>
<td>R14.80</td>
<td>R13.50</td>
</tr>
<tr>
<td><strong>Increase</strong></td>
<td>14%</td>
<td>0%</td>
<td>20%</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Affordability 2018</strong></td>
<td>R16.00</td>
<td>R9.50</td>
<td>R17.80</td>
<td>R15.00</td>
</tr>
<tr>
<td><strong>Reliability</strong></td>
<td>1 association with ~1500 operators</td>
<td>Every 10 to 20 minutes</td>
<td>Only 2 operating on the route</td>
<td>Volume of buses &lt; peak capacity required</td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td><img src="image1" alt="Efficiency" /></td>
<td><img src="image2" alt="Efficiency" /></td>
<td><img src="image3" alt="Efficiency" /></td>
<td><img src="image4" alt="Efficiency" /></td>
</tr>
</tbody>
</table>

**Average operator profitability**

~R20 000 per month

(based on SA Taxi’s Affordability Calculator at origination)

**Source:** Industry information | Websites: Metrorail; Bus Rapid Transport; Various bus companies
Premium vehicles financed given their retention of value

SA Taxi’s current financed minibus vehicles per brand as at 30 September 2018

<table>
<thead>
<tr>
<th>Brand</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td>88%</td>
</tr>
<tr>
<td>Nissan</td>
<td>4%</td>
</tr>
<tr>
<td>Mercedes Benz</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>

This is predominantly made up of entry level brands financed pre-2013

Recommended retail prices for popular models (excluding extras)

**Toyota Ses’fikile**
- R433 300
- This price reflects the recommended retail price for a new diesel unit incl VAT

**Nissan NV350 Impendulo**
- R411 900
- This price reflects the recommended retail price for a new petrol unit incl VAT

**Mercedes Sprinter 515 Panel**
- R761 176
- This price reflects the retail price for a Mercedes Sprinter 515 Panel van that has been converted into a taxi.
Profile of SA Taxi's customer

### DEMOGRAPHICS
- **Black owned SMEs**: 100%
- **Women owned SMEs**: 23%
- **Under the age of 35 years**: 23%
- **Average age of owner**: 47 years

### VEHICLES ON BOOK
- **Vehicles per customer**: 1.2
- **Toyota minibus vehicles**: 88%
- **Average age of vehicle**: 3.9 years
- **Insured with SA Taxi Protect**: >85%

### CREDIT PROFILE OF LOANS ON THE BOOK
- **Average loan term**: 69 months
- **Minimum monthly profit**: >R6 000
- **Average deposit**: 9%
- **Average approval rate**: 37%
- **Average empirica score**: ~600
- **Weighted average interest rate at origination**: 23.6%
- **Weighted average remaining term**: 47 months

Managed by a sustainable credit origination and management platform
Taximart Dealership

SA Taxi established their own direct dealership in 2015, SA Taxi Direct, which sells both new and pre-owned premium minibus taxis. Due to strong relationships with Toyota, this channel offers SA Taxi greater returns on the entire vehicle deal and provides a profitable and reliable marketplace for sale of refurbished vehicles due to the following factors:

- Margin off sale: SA Taxi is able to realise a margin on the sale as the transaction occurs on their own dealership and the pre-owned vehicles have been through Taximart.

- Better credit risk screening: Since SA Taxi has greater control and line of sight of the interaction that occurs at the point of sale, it is able to ask the required questions to achieve a better credit risk screening.

In October 2018 Taximart Direct opened a second dealership in Polokwane to expand its footprint.

Total sales value
~R800m

Margin on vehicles sold
6–9%
Distribution channels

SA Taxi’s head office, located in Midrand Johannesburg, acts as the centralised administration centre for all distribution channels. A secondary office has been established in Durban in order to sufficiently service the large minibus taxi market within that metropolitan area. Origination processes and decisions such as credit evaluations are all undertaken at the head office and then fed down to each respective distribution channel, this centralised network allows for greater efficiencies and enables scale as SA Taxi continues to expand its footprint. Three key distribution channels are utilised which are SA Taxi’s own direct channel, badged affiliated dealers and non-affiliated dealers.

**Direct**
SA Taxi’s direct sales channel targets customers through two approaches. The first is telephonically - a team of FAIS-accredited telesales agents use SA Taxi’s existing customer base as a growth engine. This approach targets performing customers to whom SA Taxi would like to extend additional vehicles, thus growing the SME.

The second approach is through SA Taxi Direct, SA Taxi’s own dealership based in Midrand in which potential customers can come view and apply for new or pre-owned minibus taxis. This channel is the most profitable.

**Affiliated dealers**
The affiliate channel consists of Toyota, Nissan and Mercedes franchised dealerships. The majority of these dealerships belong to well-known dealer groups such as McCarthy, Imperial and Halfway, and each of the dealerships focus on one specific vehicle manufacturer. These dealerships receive vehicles directly from the relevant vehicle manufacturer with their allocation of vehicles being based on their historical sales. This channel is only for new vehicles. Over the years SA Taxi has strengthened relationships with the dealer groups and dealerships and the affiliate channel is now the most prevalent.

**Non-affiliated dealers**
The non-affiliated market channel is comprised of independent dealers that stock the full range of taxi vehicles, including entry level vehicles.
SA Taxi has established and continues to foster relationships with the non-affiliated dealer channel.
SA Taxi Protect

SA Taxi Protect has a business relationship with Guardrisk to provide the insurance that SA Taxi requires for each vehicle it finances. Each minibus taxi financed by SA Taxi is fully insured, with minibus taxi owners choosing to insure with SA Taxi Protect or with other reputable insurers.

SA Taxi Protect is responsible for designing and distributing the insurance product, collecting premiums as well as managing claims including parts procurement and refurbishment.

SA Taxi Protect has designed bespoke policies to meet minibus taxi owners' specific needs and includes comprehensive vehicle cover including passenger liability as well as business interruption cover. Additionally SA Taxi offers business relevant insurance such as Credit Life.

Furthermore, the credit agreement enables SA Taxi to pay the premiums on behalf of each client to mitigate the risk of non-cover.

<table>
<thead>
<tr>
<th>Number of products per client</th>
<th>Gross written premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>R687m</td>
</tr>
</tbody>
</table>
SA Taxi Protect's insurance offering

SA Taxi Protect, a subsidiary of the SA Taxi group that offers bespoke products tailored for the minibus taxi industry. This entity insures a majority of SA Taxi's client base making this a core offering for the SA Taxi group. These insurance products are also offered to non-financed taxi operators.

Khusela Taxi Business Insurance

This insurance policy is offered to taxi operators with a financing agreement with SA Taxi. This policy includes:

- Comprehensive motor vehicle cover
  - Accident damage
  - Windscreen damage
  - Theft
  - Hi-jacking
  - Write-offs
  - Fire

- Instalment protection
  If the insured taxi is damaged in an accident and is not ready for collection within 7 days of the claim being authorised, Khusela Taxi Business Insurance pays up to 100% of the customers next instalment to the credit provider

- Third party, passenger and riot and strike cover
- Credit Top Up
  This product includes, inter alia, absconsion & violation cover which covers the credit provider if the insured violates the terms & conditions of the insurance policy.

Khusela Credit Life

This insurance policy is offered to all taxi operators with a financing agreement with SA Taxi. All taxi operators financed with SA Taxi are required to take out credit life insurance. This policy includes:

- Death pay-out
- Permanent disability pay-out
- Temporary disability pay-out

Additional optional benefits

Deposit Sure
This policy pays the taxi operator an amount equal to the deposit they paid in respect of their taxi if their taxi is subsequently stolen or written off.

Zero Excess
This policy is taken up by taxi operators looking to manage their cash flow. In the event of an accident they are not required to pay any excess.

Personal Accident
Pays out an amount to the insured if the insured, the driver of the taxi or a passenger in the taxi dies or becomes permanently disabled as a result of a motor vehicle accident.

Complimentary benefits

- 24 Hour Accident Assist Towing
- New Taxi Substitution within 6 months for financed clients
- Roadcover

Khusela Taxi Insurance

This insurance policy is offered to taxi operators not financed with SA Taxi. This policy includes:

- Comprehensive motor vehicle cover
- Third party, passenger and riot and strike cover
- The option to take-up, Business Protect, Deposit Protect, Zero Excess and Credit Top up.

*Business Protect
This policy covers business interruptions that may be caused due to repairs. This policy pays out R400 a day for up to 20 days while the taxi is being repaired or R600 a day for up to 20 days which the vehicle is being repaired.
Taximart Operations

Taximart is a subsidiary of SA Taxi, which was created in 2009 for insurance claim repairs and the refurbishment of reposessed minibus taxis in the secondary market to improve SA Taxi’s recoveries. Taximart services include a range of panel, mechanical and maintenance services that ensure that the taxi owners’ vehicles are repaired timeously and are back on the road as soon as possible.

SA Taxi Mechanical was established in Midrand is 2013. It refurbishes over 200 cars per month, often rebuilding all mechanical parts of a vehicle.

The panel workshop was opened at the beginning of 2016. It is a state-of-the-art auto body production centre which allows the business to rebuild vehicles from the chassis up.

SA Taxi’s training facility has provided training to mechanical and panel employees for over 4 years. It has recently begun training external mechanics from the industry through the Refentse programme.

Due to the significant spend on parts, Taxi Auto Parts (TAP) was established to focus on parts procurement from OEMs and aftermarket part providers.
# Mechanical & Warranties

The mechanical facility boasts 42 lifts and currently employs over 60 employees. Taximart Mechanical has the ability to rebuild over 200 vehicles per month.

Given the focus on a specific type of vehicle, there have been numerous and very exciting innovations received from Taximart which has resulted in greater efficiency and safety as well as savings in time, labour and costs. SA Taxi has not only assisted the mechanic in patenting their innovation but has also paid our over R1m in innovation incentives.

SA Taxi offers a warranty on all pre-owned vehicles sold. This warranty is the lesser of 30 000km or 1 year.

<table>
<thead>
<tr>
<th>Number of lifts</th>
<th>Taximart staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>42</td>
<td>380</td>
</tr>
</tbody>
</table>
In February 2016, the refurbishment capability of Taximart was augmented through the establishment of a state-of-the-art autobody rebuild centre which now allows the business to execute panel rebuilds internally.

The Taximart rebuild centre is a dedicated taxi rebuilding centre in Africa (with a floor area of approximately 20 000 sqm).

The repair facility boasts:
- 130 work stations
- 7 spray booths

Workshop facilities

20 000m²

Internal refurbishment capacity per month

220
Academy

SA Taxi has developed in conjunction with the major motor manufacturers its own dedicated training academy for on-going training for technicians to ensure quality workmanship and technical orientation for parts staff.

This academy is incorporated in Taximart’s state of the art facility and the training takes shape in the form of world class training modules and on-the-job training sessions such as:

- Trainee Mechanics - RSA Modular Training
- Certified Motor Mechanics - Modular Training
- On-the-job training (Reinforce classroom training)
- 2-3 Hour Sessions (For drastic change in diagnosis)
- Parts Technical Orientation (For Parts Staff)
- Supervisory Management

SA Taxi has partnered with the minibus taxi industry, through a project called ‘Refentse’ which is training 10 external mechanics from the industry. The project was launched in 2018 and is fully funded by the SA Taxi Foundation. Candidates for the training programme have been identified and nominated by the South African National Taxi Council (SANTACO) and the National Taxi Alliance (NTA).

<table>
<thead>
<tr>
<th>Internal training course hours per month</th>
<th>Length of Refentse training program</th>
</tr>
</thead>
<tbody>
<tr>
<td>~100 hrs</td>
<td>3 months</td>
</tr>
</tbody>
</table>
Taxi Auto Parts

Taxi Auto Parts, the parts and salvage operation, allows SA Taxi to participate in the minibus taxi parts supply chain.

TAP procures a substantial number of taxi parts in South Africa. It is therefore critical to the optimisation strategy to procure and distribute parts as efficiently as possible to SA Taxi’s own repair centre as well as its network of preferred panel beaters. To enable this, SA Taxi has established its own parts procurement operation. The savings will be a direct result of:

• The importing of quality aftermarket parts (fixed right first time)
• Sourcing parts at scale (economies of scale)
• Distribution of parts to external panel beaters (managing cost of repair)

In addition, SA Taxi has extended its business model into salvage. By entering into this market, the business is able to optimise the salvage value of a vehicle. SA Taxi realises a higher recovery value, which benefits both SA Taxi and the operator by managing the cost of claims. This has a positive effect on insurance premiums. This will be achieved by:

• Selling salvage parts to the taxi industry retail, thereby enabling greater value realisation from insurance write-offs and repossessed vehicles (that are deemed unviable for refurbishment).
• Consistent supply of quality second hand OEM parts for Taximart at a reduced price

Unique parts sold

>500

Workshop facilities

7 500m²
Data & Solutions

Through its strong competency in telematics, volume of customers and its longstanding experience in the industry SA Taxi accumulates rich proprietary data throughout the value chain. This enables the company to accurately assess the actual risk of potential customers. Due to the informal nature of the industry there is a high degree of perceived risk and data analytics are therefore a competitive advantage in truly understanding the customer, the operating environment and the credit and insurance risk.

Each vehicle is fitted with a tracking device which not only provides information on mileage and location but also provides insights on the following aspects in the value chain:

Origination: Data collected is fed into the credit vetting process allowing SA Taxi to better understand credit risk and route profitability

Collections: Data is used to obtain an understanding of the how the minibus taxi is operating before collection action is taken. This background informs how collection agents interact with the taxi owner.

Insurance: Historical data is used to bolster the accuracy in pricing a taxi owner’s insurance risk as well as to identify when there is a lack of movement which could indicate an insurance claim

Repossessions: Live location data along with a driver’s historical data are utilised in aiding the repossession process

Service offering to the client: Data is provided to the taxi owner, enabling them to gain a greater understanding of their business operations and further empowering them as business owners

- Kilometers driven and tracked every day: >4 m
- Data points collected every year: 4.7 bn
Proprietary data provides critical insight for decisions

Examples of telematic data collected:

**VEHICLE**
- Kms driven
- Route
- Trips
- Health of vehicle

**DRIVER**
- Trips
- Projected income
- Fuel spend
- Maintenance

**LANDMARKS**
- Stops
- Commuter density
- Road conditions

**ASSOCIATIONS**
- Memberships
- Permits
- Routes
- Profitability

**TRIP**
- Fare
- Km
- No per day
- Working days and hours

Uses throughout the SA Taxi value chain:

- Vehicle supply & sales
- Insurance
- Offering to taxi owners
- Parts
- Originations
- Media
- Recoveries
- Collections
Proprietary data enables key functions across SA Taxi’s value chain

**Vehicle supply & sales**

Proprietary data informs SA Taxi Direct sales by taking into account the following insights:
- Existing customers buying patterns and preferences and the market demand seen from affiliates and non-affiliates sales
- Performance and profitability of the different types of vehicles financed by SA Taxi
- Repairs costs per vehicle type
- Geographic distribution of activity across the industry

**Insurance**

Extensive data on the current client base, insights from past insurance incidents, the risks associated with vehicle type, area of operation and other insights about the allocated route are used by SA Taxi Protect to bolster the accuracy in pricing a taxi operator’s insurance risk and predict when there is activity that could indicate an insurance claim.

The image on the right shows high quality pictures taken straight after an accident by preferred tow trucks. These images allow insurance to assess the claim more accurately and start ordering parts.

**Originations**

Proprietary data is used to further understand an applicant’s credit risk. The following data points are examples of insights taken into consideration when assessing a new applicant:
- Profitability of the route allocated as SA Taxi has gained knowledge on the actual route travelled vs the approved route
- Risks and credit performance of operators on that route from previous customers
- Payment performance of repeat customers

**Media**

Through telematics, SA Taxi is capable of running highly focused marketing campaigns at mass volume by providing companies space to advertise on taxi’s while tracking the advert’s reach.

This image is an example of the reach a previous customer achieved through adverts on minibus taxis
Proprietary data enables key functions across SA Taxi’s value chain

### Collections

SA Taxi is able to predict potential imminent non performance of a loan based on telematics data linked to credit performance data. This enables the collections team to initiate proactive and preventative action to support the taxi owner and hence improve performance of the loan.

A few predictive identifiers of non performance are:
- A decrease in kilometres travelled in comparison to usual operations
- Stationary vehicle during normal operating hours
- Vehicle entering an identified high risk area

This operating data provides the collection agent with relevant background on the state of the taxi owner and informs the best corrective action. In addition it allows the collections agent to distinguish between a client’s inability to pay versus their unwillingness to pay.

### Recoveries

Aside from being able to track the live location of the vehicle, recovery teams are able to access the full details of the taxi owner and the vehicle.

This helps the team to identify the best time and location to recover the vehicle. The data gives an indication of the current condition of the vehicle, enabling the recovery agents to expediently predict the repair costs of the vehicle.

### Offering to taxi owners

SA Taxi’s is piloting a mobile self help application which allows the taxi owner to easily access all of his/her information.

Data is provided to the taxi owner, enabling key insights into their business and increase productivity.

### Parts

Although we have previously used the rich data from our warranty repairs, the newly established Taxi Auto Parts (TAP), now provides further information on parts utilized by the industry and how maintenance is performed.

This insight will inform:
- Product design
- Parts imported
- Pricing of parts
- Warranty services

The objective of this insight is to improve the performance of taxi operators.
The maps above are generated through the telematics data collected by SA Taxi on its long distance vehicles. This data illustrates the number of routes and popularity of each route in each commercial hub. This insight on routes is taken into account in the origination process when evaluating the viability and profitability of a taxi operator’s route.

The heat map on the left highlights high taxi concentration areas in Limpopo. This data allows SA Taxi to make informed strategic decisions when looking to set up their mobile centres. Mobile centres are established to service SA Taxi customers who do not operate in the Gauteng region where the SA Taxi head office is based.

The graph on the left depicts the average kilometres travelled per hour by SA Taxi’s vehicles in Pretoria and Cape Town respectively. Such data yields valuable insights to the market dynamics in each city and can help taxi operators understand their market. For example, a peak in activity in the late evening can be seen in Cape Town. This is due to the high number of restaurants in the city and the resulting demand for transport from their staff members late in the evening.

SOURCE| SA Taxi’s internal data
SA Taxi transactions

Management has established that there are multiple commercial opportunities which the business can leverage off through all its verticals. The following provide a platform for the operator and driver to earn additional income to support sustainability of their SME and the industry.

- **Black Elite Rewards programme**
  - Launched in April 2018
  - Engagement between SA Taxi, the industry and Shell
  - Cash back and airtime awarded based on fuel spend
  - Enhances instalment affordability

- **Insurance Initiatives**
  - Credit life & Road Cover products launched in FY18
  - Highly competitive and affordable
  - Launch of new products planned
    - Roadside assist
  - Broadened client base (financed by SA Taxi and open market clients)

- **Taxi Auto Parts (TAP)**
  - Launched in March 2018
  - Supplying affordable, quality refurbished & new parts
    - Reduces maintenance costs
  - Reduced cost of claims to manage insurance premiums

- **SA Taxi transactions**
  - > 6 300 cards distributed
  - > 40% in active use
  - > 1.3 million litres of fuel purchased
  - > 6 300 cards distributed
  - > 40% in active use
  - > 1.3 million litres of fuel purchased
  - > 100 broker network
  - > 26 000 insurance clients
  - ~2 products per client

- **250 000 minibus taxi operators**
SA Taxi’s competitive advantage
SA Taxi's competitive advantage

SA Taxi has created a robust business model through vertical integration, risk mitigation, focus, specialisation and innovation. A comprehensive vertical investment into the value chain is required in order to be able to manage the highly specific risks posed by the minibus taxi industry.

SA Taxi's competitive advantage can thus be summarised as follows:

- **Maximising value** through vertical integration in multiple value chains
- **Extending the life** of the financed asset through refurbishment and repairs
- **Underpinning the financed asset** through a liquid second hand market which retains value
- **Achieving efficiencies** through scale in limited vehicle types
- **Assessing risks accurately** based on proprietary data

SA Taxi has developed deep specialisation and competence throughout the financial services value chain as well as the vehicle value chain, optimising margin throughout.

Through significant investments in refurbishments and panel facilities, SA Taxi is able to extend the life of the income generating financed asset through repossession, refurbishment and resale, mitigating risk.

SA Taxi has underpinned the financed by participating in the second hand market through supplying and creating demand for quality refurbished vehicles.

SA Taxi has gained significant scale in a market distinguished by limited vehicle types - resulting in innovation and efficiencies throughout the asset value chain.

SA Taxi is able to profitably price credit and insurance risk by augmenting deep market insight gained through years of experience, proprietary telematics data (both industry & granular route insight) and strong stakeholder relationships.
SA Taxi’s impact
SA Taxi is positioned to make a positive impact

As the primary form of public transport in South Africa, the minibus taxi industry has a significant impact on the environment, society and the economy. SA Taxi’s unique market position enhances its ability to have a meaningful impact through inclusive economic growth and responsible environmental initiatives.

**Financial inclusion**

The minibus taxi industry is almost exclusively comprised of black individuals who are underserved by traditional credit providers. SA Taxi fills a critical funding gap, providing credit to entrepreneurs who may not have been afforded the opportunity.

**SME empowerment**

Minibus taxis are an integral part of the South African public transport infrastructure and in addition serve as feeders into the rail and bus system. Currently SA Taxi finances approximately 31,000 minibus taxis in an estimated market of 250,000 representing a significant contribution to not only the industry but also to public transport.

Since inception, SA Taxi has facilitated the creation of over 72,000 black-owned SMEs through providing access to financing an income generating asset, a minibus taxi. SA Taxi’s comprehensive offering supports a variety of taxi owners’ business needs.

SA Taxi further provides limited small business training, financial management courses and self help tools to SME owners.

**Sustainable job creation**

Each minibus taxi financed by SA Taxi has a ripple effect for job creation. Minibus taxi businesses create direct employment for drivers and conductors whilst providing a livelihood for the taxi owner.

Indirectly, minibus taxi nodes create a central marketplace of goods and services where informal businesses including retail, food and car washers thrive. Further jobs are created due to the need for ancillary services such as mechanics.

**Public transport infrastructure**

SA Taxi is aware of its carbon footprint and has initiatives to minimise its impact. It enables the replacement of aged vehicles with reduced emission vehicles as well as extending the useful life of vehicles through refurbishment.

SA Taxi also aims to offset its carbon footprint through reforestation, community greening and other carbon offset initiatives, responsible disposal of waste and ensuring efficient energy usage in facilities.

**Environmental sustainability**
SA Taxi facilitates financial inclusion

SA Taxi provides essential financial services to underserved small businesses

SA Taxi fills a critical funding gap, providing credit to entrepreneurs who would otherwise be excluded from the formal economy given their credit profiles. With approximately 12 million South Africans classified as unbanked, this large portion of the population is exposed to a very limited number of channels in which to access capital from.

Financial inclusion financing is often targeted at the consumer rather than sustainable business. This type of funding, such as unsecured lending, while promoting financial inclusion, has a negative contribution to the consumer’s net wealth. In contrast, through financing an income producing asset and ensuring that the profits generated by the asset are substantial enough to pay off the financing as well as to yield a living for the owner, SA Taxi creates a positive impact on both financial inclusion and the building of the clients’ net wealth.

Assuming that individuals with an Empirica score of under 650 are unlikely to obtain credit from a traditional credit providers this means that ~80% of the individuals that SA Taxi finances would be unable to get finance from a commercial institution.

SA Taxi’s sustainable credit loss and non-performing loan ratios are evidence of SA Taxi’s thorough and informed understanding of the actual risk of these underserved individuals. This coupled with SA Taxi’s extensive experience, proprietary data, vertical integration and all encompassing business offering has resulted in sustainable, responsible, successful lending and small business development.

SOURCE | The World Bank Group, South Africa economic update, Focus on financial inclusion
NOTE: * Based on an assumption that an individual with an Empirica score of under 640 would unlikely be able to obtain traditional access to credit including thin file customers | Distribution graph of SA Taxi’s book’s Empirica score excludes thin file customers
Creating sustainable jobs and empowering SMEs

The minibus taxi industry offers an opportunity for individuals to establish their own SMEs. This industry in itself has an eco-system where each minibus taxi placed on the road has a direct and indirect implication on job creation. According to the Department of Transport, the taxi industry as a whole has enabled over 960 000 direct and indirect jobs.

Job creation

**Direct**

The Department of Transport has identified that there are approximately 1.8 jobs created per minibus taxi resulting in over 450 000 direct jobs; which would include drivers and conductors. This extrapolated over ~31 000 vehicles financed by SA Taxi results in approximately 55 000 direct jobs currently sustained by SA Taxi.

Furthermore, as at 30 September 2018, SA Taxi employs 1 098 staff and invests in their continued upskilling and empowerment.

**Indirect**

Minibus taxis operate out of nodes which are in numerous locations and operate as central points for commuters to access them. The large volume of commuters has attracted a variety of service providers, thereby converting these nodes into informal market places where a variety of textiles, food, beverages, and car wash services are offered. These nodes are thus burgeoning business hubs that offer a variety of employment opportunities.

**Taxi services**

There are a number of services that support the minibus taxi industry. For example, minibus taxis require maintenance and repairs services and car washing services.

The South African Department of Transport estimates that approximately 600 000 indirect jobs are enabled by the minibus taxi industry.

SME empowerment

SA Taxi prides itself in adding value to its customers through additional services. This has a mutual benefit of ensuring that customers maintain servicing their loans and promote sustainability of the SMEs and the related jobs. SA Taxi’s financing activities are an important catalyst for empowerment and development of start-up SMEs in South Africa.

SA Taxi has facilitated the creation of over 72 000 black-owned SMEs that typically could not gain access to finance from traditional lenders. It further provides a means of empowering females and the unskilled youth to be able to enter the formal economy.

Additional services to our clients in order to increase their success including bespoke insurance, repairs, telematics and self-help tools (including vehicle analytics and peer comparisons) and limited small business training.

**Direct jobs per taxi vehicle**

~1.8

**Estimated direct jobs created by SA Taxi’s fleet since 2008**

~130 000

**Estimated indirect jobs created by SA Taxi’s fleet since 2008**

~220 000
SA Taxi supports a broad range of entrepreneurs

Mr Ntshangase
Taxi driver for 6 years before becoming a taxi owner

Mr Moabi
Taxi driver for 8 years before becoming a taxi owner

Mr Rabothata
Entered the taxi industry in 2008 and currently owns 5 minibus taxi vehicles

Ms Kubeka
Entered the taxi industry through her father

Mr Ndzamba
Taxi driver for 3 years before becoming a taxi owner

Mrs Tlometsana
Inherited her taxi business from her late husband
SA Taxi addresses key public transport infrastructure needs

<table>
<thead>
<tr>
<th>Infrastructure needs</th>
<th>Minibus taxi industry</th>
<th>SA Taxi’s contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reliability and accessibility</strong></td>
<td>The reach of minibus taxis is pervasive and extends across all of South Africa including areas that would not otherwise have access to transportation services. The majority of South Africans can access a minibus taxi within a 5 minute walk from home.</td>
<td>Through its core business of providing development capital to the underserved, SA Taxi enables growth in the minibus taxi industry, ensuring that the industry is able to meet the demands of a growing population. SA Taxi originated over 7 700 new loans in the last financial year.</td>
</tr>
<tr>
<td><strong>Safety and efficiency</strong></td>
<td>Roadworthiness of minibus taxis is a significant contributor to the poor safety record of the minibus taxi industry. In addition, old and poorly maintained vehicles have higher emissions than newer vehicles.</td>
<td>SA Taxi’s operations improve the roadworthiness of minibus taxis on South Africa’s roads. This is done through replacing old vehicles with new quality vehicles, providing insurance and panel repair facilities and refurbishing vehicles. Replacing old vehicles also decreases the carbon emissions of the minibus taxi industry.</td>
</tr>
<tr>
<td><strong>Investment</strong></td>
<td>The time and investment required to extend or construct a new rail or bus network is significant. By contrast, minibus taxis are able to organically adapt to changing demand and operate without significant government funding. Further, minibuses do not require a large critical mass to be able to service a route.</td>
<td>SA Taxi originated over 7 700 new loans in 2018, and has enabled over 72 000 small business entrepreneurs to date. By reducing the barriers to entry for small business entrepreneurs, SA Taxi empowers the minibus taxi industry to react agilely to its dynamic environment. SA Taxi supports the longevity of the minibus taxi industry through vertical investment into the industry, integrating the industry into infrastructure, and providing new technology.</td>
</tr>
<tr>
<td><strong>Regulation</strong></td>
<td>Given the minibus taxi industry’s roots in the informal sector the industry is consequently largely self-regulated, a structure which has proved sustainable to date. The minibus taxi industry does however have a legislative framework that includes standards such as vehicle specifications, minimum wages, hours of work and termination of employment, but these are often poorly enforced. Implementation of these standards is required to address safety and efficiency in the industry.</td>
<td>Through the loan origination process, taxi operators must show evidence of an application for an operating permit or a valid operating permit and affiliation with a taxi association. The specifications of SA Taxi’s financed vehicles exceed regulatory requirements. SA Taxi also plays a significant role in incorporating informal cash flow into the formal economy.</td>
</tr>
<tr>
<td><strong>Measurement</strong></td>
<td>Due to the informal nature of the industry, there is very limited data available on the minibus taxi industry, particular driver profiles, how many vehicles are in operation, and the routes these vehicles operate.</td>
<td>SA Taxi has a wealth of information on minibus taxi operators and how and where taxi drivers operate. The result is a rich source of data and a view into an otherwise poorly understood industry. This helps improve the transparency and accountability of the industry. Adjacently, SA Taxi’s data on the patterns of mass transport could be of great use to town planners and other applications.</td>
</tr>
</tbody>
</table>
Initiatives supporting sustainable growth

To drive SME development and sustainable growth, SA Taxi has established the SA Taxi Enterprise and Supplier Development initiative. The initiative comprises three themes: supplier development, business incubation and customer development.

Supplier development

The economic landscape within South Africa reflects a requirement for SME development in order to fuel the growth of the economy. In the developed world SMEs are the largest employers and therefore to fuel SME development is to promote sustainable growth.

In recognition of this SA Taxi has implemented a supplier development project which coordinates and manages the development and support of existing and new qualifying suppliers. The intention is to grow the competitiveness of SA Taxi’s supply chain, ensure the diversity of our supplier pool, while at the same time being catalyst to SME growth and development.

One notable beneficiary of the supplier development initiatives is Smart Seat. Smart Seat is a BEE owned business which occupies rent free space in Taximart. This business has a guaranteed flow of business from SA Taxi whereby it re-upholsters seats and head rests for all refurbished vehicles.

Industry development

SA Taxi has partnered with the minibus taxi industry, though a project called ‘Refentse’. Project Refentse, which kicked off in 2018 adds another component to SA Taxi’s extended business platform designed to improve the minibus taxi industry’s sustainability. The project is funded by the SA Taxi Foundation and managed by Taximart.

Candidates for the training programme have been identified and nominated by the South African National Taxi Council (SANTACO) and the National Taxi Alliance (NTA). At a direct cost of some R22 000 per candidate (this amount excludes Taximart time and resources), the training will prepare participants over a 12-week period for a recognised motor mechanics trade test. Each candidate will receive a daily stipend, lunch, and a tool box worth R4 000.

<table>
<thead>
<tr>
<th>Number of Smart Seat employees</th>
<th>Number of seat sets covered per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>49</td>
<td>~160</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of industry mechanics</th>
<th>Length of training program</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>3months</td>
</tr>
</tbody>
</table>
SA Taxi has a positive impact on transport emissions

Climate change is among the most challenging problems facing society today and presents a critical threat to food, water and energy security globally. The economic effects of climate change tend to affect the poor most, as food and energy prices increase. Conscious of its environment and its impact on it, SA Taxi seeks to maximise its responsibility towards environmental sustainability. SA Taxi’s impact on the environment is driven on two levels; a material leveraged impact through the minibus taxi industry and a smaller, albeit, direct impact through its business operations.

Given its position in the market, SA Taxi plays a key role in reducing the carbon footprint created by the South African minibus taxi industry. The industry faces many challenges in improving its environmental impact. The minibus taxi fleet in South Africa is aging and consequently greenhouse gas emissions are high. SA Taxi contributes to reducing the carbon footprint of the minibus taxi industry through modernising the minibus taxi fleet which ultimately reduces greenhouse gas emissions. The different ways in which a reduction in carbon emissions is achieved is laid out in the 4 cases below:

**SA Taxi’s environmental impact on carbon emissions**

<table>
<thead>
<tr>
<th>Mitigation Case 1:</th>
<th>Mitigation Case 2:</th>
<th>Mitigation Case 3:</th>
<th>Mitigation Case 4:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved fuel efficiency due to SA Taxi financed new vehicles replacing old vehicles</td>
<td>Improved fuel efficiency due to replacement of 14 seaters with 16 seaters</td>
<td>Improved fuel efficiency due to replacement of petrol vehicles with diesel vehicles</td>
<td>Improved fuel efficiency due to vehicle refurbishments</td>
</tr>
<tr>
<td>Forecast emissions abatement (2010-2022)</td>
<td>366 449 tCO(_2)e</td>
<td>190 175 tCO(_2)e</td>
<td>89 871 tCO(_2)e</td>
</tr>
</tbody>
</table>

**Future mitigation opportunities:**

Alternatively fuelled vehicles

SA Taxi continues to investigate the feasibility of CNG converted vehicles and electric vehicles. Currently the national transport infrastructure is poorly equipped to deliver products and services such as CNG filling stations and electric vehicle charging stations to enable these forms of technology to be rolled out on a large scale.

The study, performed by ERM, presented above, indicate that SA Taxi’s contribution could represent roughly 0.4% of the full mitigation potential of tonnes of carbon dioxide emissions(tCO\(_2\)e) proposed for the Road Transport sector of South Africa, in 2020.

**SA Taxi’s operating activities result in a 9.8% abatement of tCO\(_2\)e**

The study, performed by ERM, presented above, indicate that SA Taxi’s contribution could represent roughly 0.4% of the full mitigation potential of tonnes of carbon dioxide emissions(tCO\(_2\)e) proposed for the Road Transport sector of South Africa, in 2020.
SA Taxi initiatives for sustainable development

SA Taxi implements initiatives as part of its business operations to mitigate its impact on the environment. These initiatives are centred around three specific themes namely sustainable consumption, responsible waste disposal and carbon neutralisation.

SA Taxi is focused on promoting environmental and social sustainability through its business operations

**Sustainable consumption**
SA Taxi acknowledges that the industry it operates in poses environmental threats. SA Taxi has thus implemented measures to counteract this as part of its operational premises:
- Grey water collection systems have been installed for recycling water.
- Energy efficient light management is used within the buildings.
- The Taximart warehouse introduced Solar panels.

SA Taxi also supports industry Enterprise Development Initiatives:
- Supporting the “Go Green” initiatives of the Taxi Industry.

**Responsible waste disposal**
During the refurbishment process by Taximart waste is generated as parts are assessed and determined to be un-usable.

Major recycling initiatives include:
- Responsible disposal of used tyres in relation to Redisa legislation.
- Converting used oil into mechanical grease.
- Converting plastics into bed-bases

100% of waste resulting from SA Taxi’s direct operation is recycled.

**Carbon neutralisation**
SA Taxi provides support to projects which promote environmental stability in order to offset the carbon emissions resulting from its operations.
- Partnership with Greenpop to combat CO₂ emissions resulting in 6 000 trees planted in 2015 based on the “1 taxi 1 tree” campaign.
- In schools and underserved communities supporting food gardens and fruit tree planting initiatives.
- Compressed natural gas (CNG) study: More than 100 SA Taxi minibus taxi’s have been converted to CNG reducing CO₂ and greenhouse gas emissions.

SA Taxi has begun the process of aligning itself to global initiatives centred around responsible investing and sustainable development. These programs are endorsed by companies local and international alike to promote sustainable business conduct across all industries and disciplines. During 2018 SA Taxi achieved the following GIIRS rating:

**GIIRS**

**Impact Business Models Rating**
- **Overall**
  - PLATINUM

**OPERATIONS RATING**

★★★★★★
SA Taxi Foundation

SA Taxi plays an important role in South African society as a financial services provider. SA Taxi established the SA Taxi Foundation as an extension of its commitment to active citizenry. The foundation is a non-profit organisation which is aimed at implementing sustainable projects that contribute to the communities with which SA Taxi interacts. Within the South African context, SA Taxi Finance and SA Taxi Foundation are uniquely positioned to have meaningful impact on the economy and society, particularly as the business’ client base represents individuals classified as previously disadvantaged.

### Key Initiatives

- **SA Taxi bursary fund**
- **SA Taxi Bursary fun with the Wits College of education**
- **Mobile library partnership**
- **ECD- Mobile library**
- **SA Taxi Art Awards**
- **SA Taxi Patron Fund**
- **Taxi Change Makers**

### Background

The children of SA Taxi’s clients are offered an opportunity to obtain funding to further their education. Their tuition and books for the relevant year are covered in full and they are given an opportunity to obtain work experience where applicable and possible.

Due to the education crises surrounding #feesmustfall in South Africa. The Foundation would like to invest in the education field by providing 2 deserving students from Wits College of Education a bursary.

Of the 24 000 registered public primary schools in South Africa, only 1 900 have functioning libraries. SA Taxi Foundation has partnered with the South African Primary Education Support Initiative (SAPESI) to bring 100 mobile libraries to communities and schools across the country.

SA Taxi Foundation has extended its support to the mobile library project by launching a mobile library in the Diepsloot area focusing on Early Childhood Development (ECD).

To facilitate greater involvement in the arts from local participants, the Arts Awards intend to offer emerging artists the platform within which to showcase their talents and gain commercial momentum.

SA Taxi Foundation has extended its support of local artists by partnering with the Artist Proof Studio (APS). This fund comes from sales made from SA Taxi Foundation Art Award.

A programme designed specifically to encourage SA Taxi staff participation in the socio-economic development initiatives that are run through the foundation. Taxi Change Makers have supported at least 1 initiative per month for the last 12 months.

### Social Impact

“Generational impact” – propagating the cycle of education.

The bursary award does not only impact the recipients, as investing in the education of teachers has a bigger societal impact. Once qualified these teachers will further impact many other students.

Approximately 700 000 school children and 70 000 teachers will have access to a library for the first time.

Diepsloot has a population of 200 000. The initiative sponsors 25 ECD centres which has 3000 children aged 18 months to 6 years.

37 emerging artists propagated into mainstream. Winning artwork viewed by approximately 6 million people.

APS subsidises 50 - 60 young artists to attend classes and have access to the school’s studio. SA Taxi Foundation currently funds one Patron (Mixo Khosa) for 2017.

The distribution of 300 back to school packs to disadvantaged grade 1 pupils in a school in Daveyton. Most of the parents at the school are unemployed and some of the homes are headed by children.
Industry engagement
Ownership transaction with minibus taxi industry

SA Taxi and SANTACO, representing the interest of minibus taxi operators, announced a unique transformational industry partnership transaction whereby SANTACO will purchase a 25% interest in SA Taxi. SA Taxi and SANTACO have collaborated over several years to formalise the industry’s participation in revenue streams of the industry value chain and achieve meaningful and sustainable commercial benefits. This not only supports the viability of taxi operators’ businesses, but also their ability to repay loans and afford insurance premiums. This collaboration has deepened considerably in recent years, culminating in this ground-breaking transaction.

Creating a more sustainable minibus taxi industry together with industry leadership

Benefits for the minibus taxi industry

Ownership
- Held by SANTACO and a trust representing its broad based provincial structures, ensuring benefits accrue to all levels
- Participation in the value chain achieving sustainable benefits

Dividends
- 90% of dividends applied to debt
- 10% trickle dividend for infrastructure & developmental projects
- Project committee to assess projects
- Strict governance framework to ensure value flows to SANTACO and its members
- Partnerships with local government sought to leverage investment in projects for greater socio-economic impact

Financial impacts for the TC group

SA Taxi
- Alignment with minibus taxi industry, yielding operational benefits
- Well capitalised balance sheet
  - Settle R1bn of debt, yielding interest saving, future growth funded via cheaper senior debt
  - ▲NAV to ~R3bn (from ~R1.6bn)
  - ~ 20% ROE
- Potential B-BBEE benefits & equity empowerment

Transaction Capital
- Ungeared & well capitalised balance sheet, R1bn excess cash
- Now consolidating 81.4% of SA Taxi’s earnings (due to vendor finance)
- TC NAV per share ▲ 105 cps after transaction (FY18: 677.5cps)
- Expected to be accretive to TC’s earnings in the medium – term
“We are immensely proud of this transaction which is the culmination of several years of engagements with SA Taxi to formalise our participation in the revenue streams of the minibus taxi industry’s value chain. The proportional ownership structure will ensure that the economic benefits of this investment flow through to all broad-based provincial structures of SANTACO via a trust which will receive dividends from SA Taxi”

Philip Taalibosch, president of SANTACO
Engagement with the industry

Focus across the business is on building stakeholder relations across all levels of the taxi industry as well as key governmental departments. The facilitation of industry participation through both an equity transaction and involvement within the value chain, are evidence of management's commitment to industry collaboration.

**Patrol Vehicles donated to the industry**

- Invested > R20 million in > 70 patrol vehicles
- Supports industry self-regulation and road safety
- Improves relations between industry & law enforcement

**SA Taxi Media**

- Places advertising in and around minibus taxis
- Enables taxi owners to participate in revenue from media campaigns
- Enhances instalment affordability

**Project Refentse**

- Launched in March 2018
- Certificated training for formally unqualified technicians at ranks
- Enhances vehicle safety
- Funded & facilitated by SA Taxi Foundation

**Stakeholder engagement programme**

**Engaging industry stakeholders regarding**

- Government subsidies for minibus taxi industry participants to reduce vehicle and other business running costs
- Government funding opportunities to reduce cost of funding
- Scrapping allowances
Financial performance
# Financial highlights of SA Taxi

## Financial Year September 2017

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>Change</th>
<th>Change to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headline earnings¹</td>
<td>R309m</td>
<td>↑ 22%</td>
<td></td>
</tr>
<tr>
<td>Net interest margin</td>
<td>11.4%</td>
<td>↑ 3%</td>
<td></td>
</tr>
<tr>
<td>Credit loss ratio</td>
<td>3.2%</td>
<td>↑ 3%</td>
<td></td>
</tr>
<tr>
<td>Non-performing loans</td>
<td>17.1%</td>
<td>↓ 2%</td>
<td></td>
</tr>
<tr>
<td>Return on assets*</td>
<td>3.3%</td>
<td>↑ 6%</td>
<td></td>
</tr>
<tr>
<td>Return on equity</td>
<td>25.3%</td>
<td>↓ 1%</td>
<td></td>
</tr>
</tbody>
</table>

## Financial Year September 2018

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>Change</th>
<th>Change to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headline earnings¹</td>
<td>R376m</td>
<td>↑ 22%</td>
<td></td>
</tr>
<tr>
<td>Net interest margin</td>
<td>11.0%</td>
<td>↓ 4%</td>
<td></td>
</tr>
<tr>
<td>Credit loss ratio</td>
<td>3.3%</td>
<td>↑ 3%</td>
<td></td>
</tr>
<tr>
<td>Non-performing loans</td>
<td>17.7%</td>
<td>↑ 4%</td>
<td></td>
</tr>
<tr>
<td>Return on assets*</td>
<td>3.5%</td>
<td>↑ 6%</td>
<td></td>
</tr>
<tr>
<td>Return on equity</td>
<td>25.9%</td>
<td>↑ 2%</td>
<td></td>
</tr>
</tbody>
</table>

**SOURCE** | Transaction Capital Annual Results September 2017 and September 2018  
**NOTE** | * = return on average equity and average assets | Note 1 Headline earnings attributable to the group, including minority interest
SA Taxi continues its strong performance

Headline earnings and total income

Financial Year September 2018

Net interest margin

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>11.8%</td>
<td>11.6%</td>
<td>11.6%</td>
<td>11.3%</td>
<td>11.1%</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

Cost to income

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>43.6%</td>
<td>44.1%</td>
<td>44.1%</td>
<td>48.7%</td>
<td>51.1%</td>
<td>48.6%</td>
</tr>
</tbody>
</table>

Average cost of borrowing

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>9.60%</td>
<td>9.70%</td>
<td>9.70%</td>
<td>10.00%</td>
<td>10.60%</td>
<td>11.40%</td>
</tr>
</tbody>
</table>

SOURCE | Transaction Capital Annual Results September 2018
SA Taxi’s book growth is measured and consistent

### Loans and Advances

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of loans</th>
<th>Gross loans &amp; advances (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>23,453</td>
<td>R 5,529</td>
</tr>
<tr>
<td>2014</td>
<td>24,346</td>
<td>R 6,240</td>
</tr>
<tr>
<td>2014 IFRS 9</td>
<td>24,346</td>
<td>R 5,592</td>
</tr>
<tr>
<td>2015</td>
<td>25,033</td>
<td>R 6,237</td>
</tr>
<tr>
<td>2016</td>
<td>26,352</td>
<td>R 7,151</td>
</tr>
<tr>
<td>2017</td>
<td>28,724</td>
<td>R 8,301</td>
</tr>
<tr>
<td>2018</td>
<td>30,617</td>
<td>R 9,402</td>
</tr>
</tbody>
</table>

### Origination - Financial Year Ended 30 September 2017

- **Loans on book**: 28,724 (9% increase)
- **Loans originated**: 7,480 (9% increase)
- **Gross loans and advances**: R8.3bn (16% increase)
- **Value originated**: R2.9bn (20% increase)

### Origination - Financial Year Ended 30 September 2018

- **Loans on book**: 30,617 (7% increase)
- **Loans originated**: 7,734 (3% increase)
- **Gross loans and advances**: R9.4bn (13% increase)
- **Value originated**: R3.1bn (8% increase)

**SOURCE**: Transaction Capital Annual Results September 2016 and Full Year Results 2018
Non-performing loans ("NPLs") are defined as:

i) The balance outstanding of loans and advances where the applicable obligor is;
   - at least 3.5 monthly instalments in arrears;
   - in respect of which a qualifying payment/s has not been made during the reference period; and
   - where such arrears is due to obligor delinquency plus

   ii) The value of repossessed stock on hand that has not yet entered the refurbishment facilities.

*Qualifying Payment is: a payment made which is more than 50% of the cumulative instalments due during the reference period* (Reference period: The preceding 3 month period ending at the reporting date)
Collections' statistics indicates book health

<table>
<thead>
<tr>
<th>Collections as a percentage of total book</th>
<th>Average monthly collections</th>
</tr>
</thead>
<tbody>
<tr>
<td>~42%</td>
<td>~R310m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Collections staff</th>
<th>Annual payments made via direct deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td>78</td>
<td>~85%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average number of SMSes sent per month</th>
<th>Average number of calls made per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>~170 000</td>
<td>~140 000</td>
</tr>
</tbody>
</table>
08 Funding
SA Taxi's funding journey

Financial highlights 30 September 2018

- **Funding Raised**: R4bn
- **Unique investors**: 44
- **Number of deals concluded**: 35
- **Number of new investors**: 5
- **Number of repeat investors**: 16

**NOTE** | *For the period 01 October 2017 to 30 September 2018 | **As at 30 September 2018
Funding philosophy

Capital requirements

SA Taxi’s core business has continued to perform well as the business integrates deeper into the value chain with the establishment of the panel and repairs facilities and a direct dealership. SA Taxi has built a platform for growth that can now be leveraged to increase scale and enter adjacent markets where it is able to re-create its defensible market positioning. Capital will be required to seize these growth opportunities and will necessitate an increase in fundraising capabilities.

SA Taxi’s requires R3.6 billion of funding for origination growth in the 2019 financial year. It is anticipated this capital target will be accessed from various capital pools.

Funding philosophy

SA Taxi’s funding philosophy includes:

Innovative thinking
- Innovative thinking is encouraged and cultivated to develop pioneering funding solutions

Judicious risk management
- Optimal liquidity management between asset and liability cash flows
- Effective management of interest rate risk, currency risk and roll over risk
- Controlled exposure to short term instruments
- Diversification by geography, capital pool, debt investor and funding mandate

Engaged debt investors
- Recurring investment by debt investors motivated by performance, the ease of transacting and appropriate risk adjusted returns
- Transparent and direct relationships with debt investors where necessary facilitated by valued intermediaries

Optimal capital structures
- Proactively managing valuable capital and funds raised across the group
- Bespoke and innovative funding structures to meet the requirements and risk appetite of a range of debt investors while also targeting an optimal WACC
- No cross-collateralisation between structures
Overview of debt funding by exposure

Diversification of structures

- On-balance sheet: 25%
- Securitisation & structured finance: 55%
- Warehousing facilities: 19%

Diversification of funders

- Asset Managers: 11%
- Banks: 28%
- DFIs: 30%
- Life Companies: 31%

Positive liquidity mismatch

Asset and liabilities are managed to ensure their coordination. At the last quarter end, a positive asset-liability gap was observed for the SA Taxi group.

Diversification of geography

Local funding: 71%
International funding: 29%

*: figures as at 30 September 2019
SA Taxi's funding channels

SA Taxi offers a number of funding structures to meet individual investors’ mandates and risk profiles. Essentially SA Taxi makes use of 3 different channels offering unique investment opportunities to local and international funding partners.

### Available facilities as at 30 September 2018

**R4.4bn**

#### On Balance Sheet

- **Balance outstanding**: R2.4bn
- **Exposure**: R3.3bn

#### Securitisation & structured finance

- **Balance outstanding**: R5.1bn
- **Exposure**: R7.1bn

#### Warehousing facilities

- **Balance outstanding**: R1.1bn
- **Exposure**: R2.5bn

**NOTE** | As at 30 September 2018
SA Taxi's group structure

**Funding Structures**

- **SA Taxi Finance Solutions (SATFS)**
  - Ring-fenced structured finance SPV that is unrated privately placed debentures

- **SA Taxi Impact Fund (SATIF)**
  - Ring-fenced structured finance SPV that is unrated. Attracts international DFIs and impact investors

- **Potpale**
  - Ring-fenced warehouse banking facility refinanced via the Transsec securitisation programmes

- **Transsec 1, 2 & 3**
  - Securitisation structures
    - Ring-fenced structured finance SPVs
    - S&P Rated
    - JSE Listed debentures

- **Keywood**
  - Insolvency-remote SPV with the sole purpose of owning and operating collections accounts

**Industry Shareholders**

- **SA Taxi Holdings (Pty) Ltd (SATH)**
  - 73.88% Shareholding

**Transaction Capital**

- **The Empire Family Trust**
  - 1.12% Shareholding

**Various Independent Ownership Trusts**

- **100% Ordinary shares**

**SA Taxi Development Finance (Pty) Ltd (SATDF)**

- **100% Preference shares**

**Industry Shareholders**

- **25% Shareholding**

**SA Taxi Protect (Pty) Ltd**

- **100% Ordinary shares**

**SA Taxi Impact Fund (SATIF)**

- **100% Preference shares**

**Taximart (Pty) Ltd**

- **100% Ordinary shares**

- **Offers repair, warranty and maintenance services. Also refurbishes repossessed minibus taxis and sells them into the secondary market**

**SA Taxi Protect (Pty) Ltd**

- **Holds a 100% profit share in a cell captive structure set-up through Guardrisk Profit redistributed to SA Taxi Development Finance via the preference shares**

**SA Taxi Protect (Pty) Ltd**

- **Operating company. On Balance Sheet loans Attracts bank and international DFI funding All servicing and administration functions outsourced to this company**

**Note 1 | The Empire Family Trust represents Terry Kier (SA Taxi CEO)**
Comparison of debt structures

As the primary form of public transport in South Africa, the minibus taxi industry has a significant impact on the environment, society and the economy. SA Taxi’s unique market position enhances its ability to have a meaningful impact through inclusive economic growth and responsible environmental initiatives.

<table>
<thead>
<tr>
<th>Features</th>
<th>SATDF</th>
<th>SATFS</th>
<th>SATIF</th>
<th>Transsec 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure type</td>
<td>On balance sheet</td>
<td>Ring fenced SPV</td>
<td>Ring fenced SPV</td>
<td>Ring fenced securitisation</td>
</tr>
<tr>
<td>Listing</td>
<td>Listed</td>
<td>Unlisted</td>
<td>Unlisted</td>
<td>Notes listed on JSE</td>
</tr>
<tr>
<td>First issue date</td>
<td>01 March 2011</td>
<td>21 April 2010</td>
<td>09 March 2017</td>
<td>08 Nov 2017</td>
</tr>
<tr>
<td>Revolving period</td>
<td>Open ended</td>
<td>Open ended</td>
<td>Open ended</td>
<td>None</td>
</tr>
<tr>
<td>Final issue date</td>
<td>Open ended</td>
<td>Open ended</td>
<td>Open ended</td>
<td>Tap Issue Period closes: 14 May 2019</td>
</tr>
<tr>
<td>Credit rating¹</td>
<td>Unrated</td>
<td>Unrated</td>
<td>Unrated</td>
<td>A1,A5: / P-1.za</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>A2,A3,A4,A6,A7: Aaa.za</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>B: Aa3.za</td>
</tr>
<tr>
<td>Investor appetite</td>
<td>Development financial institutions, local banks &amp; other investors</td>
<td>Local institutions &amp; asset managers</td>
<td>US development financial institutions &amp; impact investors</td>
<td>Rated for local institutions &amp; asset managers</td>
</tr>
<tr>
<td>Debt outstanding</td>
<td>R2 116 million</td>
<td>R2 335 million</td>
<td>R 929 million</td>
<td>R 931 million</td>
</tr>
<tr>
<td>Capital structure</td>
<td>Senior loans: 82% Mezzanine loans: 8% Subordinated funding: 10%</td>
<td>Senior Debentures: 88% Junior Debentures: 12% (of which 8% is subordinated funding)</td>
<td>Senior Debt: 80% Mezzanine Debt: 8% Subordinated funding: 12%</td>
<td>Class A: 72% Class B: 16% Subordinating funding: 12%</td>
</tr>
<tr>
<td>Current funders</td>
<td>11</td>
<td>11</td>
<td>4</td>
<td>19 Transsec 1: 13 Transsec 2: 13</td>
</tr>
</tbody>
</table>

Note 1 SA Taxi sub loan is unrated
Latest Transsec 3 issuance

All bids for the tap issuance cleared at or below the bottom end of price guidance

One new investor to the SA Taxi group and two first time investors in the Transsec structure

The Transsec 3 WACC was reduced by 10bps to 3m JIBAR + 170bps, when compared to the initial Transsec 3 auction which had a WACC of 3m JIBAR + 180bps

### Transsec 3 tap issuance auction summary 30 May 2018

<table>
<thead>
<tr>
<th>Class description</th>
<th>Class A5</th>
<th>Class A6</th>
<th>Class A7</th>
<th>Class A4</th>
<th>Class B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock code</td>
<td>TRA3A5</td>
<td>TRA3A6</td>
<td>TRA3A7</td>
<td>TRA3A4</td>
<td>TRA3B2</td>
</tr>
<tr>
<td>Tenor</td>
<td>12 month</td>
<td>3 year</td>
<td>5 year</td>
<td>5 year</td>
<td>5 year</td>
</tr>
<tr>
<td>Moody's credit rating</td>
<td>P-1.za (sf)</td>
<td>Aaa.za (sf)</td>
<td>Aaa.za (sf)</td>
<td>Aaa.za (sf)</td>
<td>Aa3.za (sf)</td>
</tr>
<tr>
<td>Interest rate type</td>
<td>Floating</td>
<td>Floating</td>
<td>Floating</td>
<td>Fixed</td>
<td>Floating</td>
</tr>
<tr>
<td>Benchmark</td>
<td>3m Jibar</td>
<td>3m Jibar</td>
<td>3m Jibar</td>
<td>R2023</td>
<td>3m Jibar</td>
</tr>
<tr>
<td>Price guidance over benchmark (Bps)</td>
<td>80 - 90</td>
<td>150 - 160</td>
<td>170 - 180</td>
<td>115 - 125</td>
<td>315 – 335</td>
</tr>
<tr>
<td>Issue spread over benchmark (Bps)</td>
<td>80</td>
<td>149</td>
<td>168</td>
<td>110</td>
<td>299</td>
</tr>
<tr>
<td>Total number of bids</td>
<td>2</td>
<td>10</td>
<td>10</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Bids received (ZAR'm)</td>
<td>71</td>
<td>353</td>
<td>346</td>
<td>154</td>
<td>208</td>
</tr>
<tr>
<td>Bids allocated (ZAR'm)</td>
<td>70</td>
<td>173</td>
<td>104</td>
<td>74</td>
<td>84</td>
</tr>
<tr>
<td>Bid to cover ratio</td>
<td>1.01</td>
<td>2.04</td>
<td>3.33</td>
<td>2.08</td>
<td>2.48</td>
</tr>
</tbody>
</table>
SA Taxi is both locally and internationally funded

SA Taxi has traditionally raised funding from a number of banks, institutional investors and asset managers. Since 2010 funders have also included international development finance institutions (DFIs) and impact investors. These funders have recognised not only the financial returns that SA Taxi offers but also the wider impact the business has on financial inclusion, the environment and economic growth.

SA Taxi’s current funders include the following:
Contact list

**SA Taxi**

Terry Kier  
Chief Executive Officer  
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**Head Office**

SA Taxi  
179 15th Road  
Randjespark  
Midrand, Johannesburg

Transaction Capital  
230 Jan Smuts Avenue  
Dunkeld West  
Johannesburg
### Data sheet

<table>
<thead>
<tr>
<th></th>
<th>Year ended 30 September</th>
<th>Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td><strong>Profit and headline earnings for the year attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary equity holders</td>
<td>Rm 376</td>
<td>309</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>Rm 368</td>
<td>303</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>Rm 2,531</td>
<td>2,192</td>
</tr>
<tr>
<td><strong>Net interest margin</strong></td>
<td>% 11.0</td>
<td>11.4</td>
</tr>
<tr>
<td><strong>Cost-to-income ratio</strong></td>
<td>% 47.6</td>
<td>48.6</td>
</tr>
<tr>
<td><strong>Average cost of borrowing</strong></td>
<td>% 11.6</td>
<td>11.4</td>
</tr>
<tr>
<td><strong>Gearing</strong></td>
<td>% 7.4</td>
<td>7.7</td>
</tr>
<tr>
<td>Debt funders</td>
<td>number 44</td>
<td>41</td>
</tr>
<tr>
<td><strong>Return on average assets</strong></td>
<td>% 3.5</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Return on average equity</strong></td>
<td>% 25.9</td>
<td>25.3</td>
</tr>
<tr>
<td><strong>Weighted average interest rate at origination</strong></td>
<td>% 23.6</td>
<td>24.4</td>
</tr>
<tr>
<td>Employees</td>
<td>number 1,098</td>
<td>965</td>
</tr>
<tr>
<td><strong>Number of loans</strong></td>
<td>number 30,617</td>
<td>28,724</td>
</tr>
<tr>
<td>Gross loans and advances</td>
<td>Rm 9,402</td>
<td>8,303</td>
</tr>
<tr>
<td>Impairment provision</td>
<td>Rm (376)</td>
<td>(431)</td>
</tr>
<tr>
<td>Net loans and advances</td>
<td>Rm 9,026</td>
<td>7,872</td>
</tr>
<tr>
<td>Number of loans originated</td>
<td>number 7,734</td>
<td>7,480</td>
</tr>
<tr>
<td>Value of loans originated</td>
<td>Rm 3,288</td>
<td>3,027</td>
</tr>
<tr>
<td>Average loan term at origination</td>
<td>months 69</td>
<td>67</td>
</tr>
<tr>
<td>Average remaining loan term</td>
<td>months 47</td>
<td>47</td>
</tr>
<tr>
<td>New/repeat clients (on value)</td>
<td>% 69/31</td>
<td>74/26</td>
</tr>
<tr>
<td>Average origination value</td>
<td>R 425,194</td>
<td>404,679</td>
</tr>
<tr>
<td>Credit loss ratio</td>
<td>% 3.3</td>
<td>3.2</td>
</tr>
<tr>
<td>After tax credit loss coverage</td>
<td>times 1.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Provision coverage</td>
<td>% 4.0</td>
<td>5.2</td>
</tr>
<tr>
<td>Non-performing loan ratio</td>
<td>% 17.7</td>
<td>17.1</td>
</tr>
<tr>
<td>Gross written premium</td>
<td>Rm 687</td>
<td>557</td>
</tr>
<tr>
<td>Annualised new business written premium</td>
<td>Rm 349</td>
<td>283</td>
</tr>
<tr>
<td>Products per insured client</td>
<td>number 2.0</td>
<td>1.8</td>
</tr>
</tbody>
</table>