

# TRANSACTION SOLUTIONS (GHANA) LTD OFFER SUMMARY

## The Company

Transaction Solutions (Ghana) Ltd, (TRANSOL) was incorporated as a private company limited by shares on July 8, 2002. TRANSOL is wholly-owned by its chairman, Paul Tse Jacquaye. The company has 1,000,000,000 authorised shares of which 60,000,000 have been issued. The authorised business of the company are:

- Transaction Switching and Processing Systems;
- Electronic Funds Transfer Support Services;
- Electronic Bill Payments Services;
- Electronic Payroll Services;
- Prepaid Utility and Telecommunication Services;
- Customer Payment Service Provider; and
- Information Technology Consultants.

## Products

The company provides Electronic Recharge Vouchers (ERV) mainly for Areeba (the leading GSM network provider in Ghana), Third Party Payment Systems for all types of payments, Electronic Funds Transfer (EFT) which is the transfer of funds from one bank account to another bank account to complete the sale of goods/services at a Point of Sale. Currently TRANSOL owns 16 (sixteen) Automated Teller Machines (ATM) of which 6 (six) have been deployed. The company has also set up customer services points within some selected Shell shops under the brand name "Ezi Shop".

## Purpose of the Offer

TRANSOL plans to use the funds to among others:

- increase the asset base of the company;
- invest in ATMs;
- as additional working capital to expand operations; and
- expand branch network of the company.

## Industry

TRANSOL's main business falls under the information technology, telecommunication and banking sectors. These sectors are among the fastest growing sectors in Ghana. The company also provides services to the utilities and general trading sectors.

## Strengths

- Leader in the providing electronic banking, especially ATMs.
- Strong strategic alliance with industry market leaders such as; Scanco Ghana Limited (Areeba), Ecobank Ghana Limited, Shell Ghana Limited, SG-SSB Limited and recently Standard Trust Bank Ghana Limited.

## Weaknesses

TRANSOL's turnover is largely dependent on the increased use of electronic voucher-units. The termination of the contract with Areeba will negatively impact revenue generation of the company.

## Financial Review

	Audited			Projected			
	2003	2004	2005	2006	2007	2008	2009
<b>Profit and Loss Account (¢'m)</b>							
Turnover	8,057	36,728	193,020	345,164	520,341	714,926	911,619
Gross Profit	445	2,945	16,290	30,653	41,627	57,194	72,930
Sell, General, Adm.	1,303	2,080	7,841	14,580	18,628	25,594	26,274
Operating Profit	(598)	675	7,901				
Profit Before Tax	(598)	677	7,932	12,298	18,063	25,935	33,931
Net Profit	(598)	557	5,989	9,838	14,450	20,748	27,145
Dividend	0	0	1,829	3,443	5,780	8,299	13,573
<b>Balance Sheet as at Dec 31 (¢'m)</b>							
Fixed Assets	160	1,104	6,135	12,072	13,636	12,344	10,332
Development Expenditure	130	97	65	0	0	0	0
Current Assets	1,163	4,146	14,853	40,804	63,887	91,183	120,268
Current Liabilities	444	3,026	14,518	20,203	36,418	50,394	63,894
Net Assets	1,890	2,321	5,619	32,855	41,105	53,133	66,706
Stated Capital	10	10	1,500	21,500	21,500	21,500	21,500
Capital Surplus	0	0	0	0	0	0	0
Income Surplus	(598)	(40,977)	4,199	10,514	19,184	31,633	45,206
Shareholders Funds	1,900	2,321	5,619	32,855	41,105	53,133	66,706
Issued Shares	1.00	10.00	15.90	80.00	80.00	80.00	80.00
<b>Key Ratios</b>							
Gross profit margin (%)	5.53	8.02	8.44	8.88	8.00	8.00	8.00
Net profit margin (%)	(7.42)	1.52	3.10	2.85	2.78	2.90	2.98
Return on avg asset (%)	(41.17)	16.38	45.37	26.62	22.16	22.92	23.19
Return on avg equity (%)	(31.64)	26.45	150.84	51.14	39.08	44.03	45.30
Dividend payout (%)	-	-	30.53	35.00	40.00	40.00	50.00
Earnings per share (¢)	(597.79)	55.68	376.65	122.98	180.63	259.35	339.31
Dividend per share (¢)	-	-	115.00	43.04	72.25	103.74	169.66

For the half year ended June 30, 2006, TRANSOL's turnover increased from ¢69,538 million to ¢141,407 million over the same period last year. Net profit for the period was ¢3,604 million which when annualised (¢7,209 million) falls short of the projected profit for 2006 (¢9,838 million).

### **Details of the Offer**

TRANSOL is seeking to raise ¢20,000,000,000 (twenty billion cedis) through the issue of 20,000,000 (twenty million) shares at ¢1,000 (one thousand cedis) per share. Investors who wish to participate in the offer, must purchase a minimum of 500 (five hundred) shares and thereafter in multiples of 100 (one hundred) shares.

Ecobank Stockbrokers (ESL) Ltd and Worldwide Securities Ltd shall underwrite 10% of the shares. However, ESL has indicated its intentions to underwrite a further 75% of the shares on offer.

If the offer is oversubscribed, the current sole shareholder will sell up to 12,000,000 (twelve million) of his holdings in the company.

### **Relevant Statistics of the Offer**

<i>Price per share (¢)</i>	1,000
<i>Issued Shares, Post IPO (million)</i>	80
<i>Earnings per share, annualised HYR 2006 (¢)</i>	90.11
<i>Earnings per share, projected FYR 2006 (¢)</i>	122.98
<i>Price/Earning Ratio, annualised HYR 2006 (x)</i>	11.10
<i>Price/Earning Ratio, projected FYR 2006 (x)</i>	8.13
<i>Dividend per share, '05 based on 15.9 m issued shares (¢)</i>	115.00
<i>Dividend per share, '05 based on 80 m issued shares (¢)</i>	22.86
<i>Div Yield based on 15.9 m issued shares (%)</i>	11.50
<i>Div Yield based on 80 m issued shares (%)</i>	2.29

### **Dividend Policy**

Management has indicated it will pay a minimum of 35% of net profit each year as dividend.

### **Why you Should Buy**

BoG is currently promoting electronic payment as the preferred medium to cash payments. TRANSOL, which is pioneering electronic payments, has a unique advantage and the potential to become extremely profitable. The expected proceeds from the offer will enable TRANSOL capitalise on its pioneering role and secure a prominent market share before any new companies enter the industry. TRANSOL is an exciting investment opportunity mainly because of the enormous potential the company presents and the attractiveness of its Offer (a projected 2006 P/E of 8.1 which compares favourably to other equities on the GSE).

