



CAPITAL APPRECIATION

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

MEDIA RELEASE

Tuesday, 14 November 2017

Highlights

- 124% Increase in Profits after Tax
- 87% Increase in EPS and HEPS
- Maiden Dividend 2 cents per share
- Cash Resources R463.1 million

Key financial statistics

		6 months to 30 Sep '17	6 months to 30 Sep '16	% change
Revenue	(R million)	223.4	39.7	
EBITDA	(R million)	85.6	37.4	129%
Profit before tax	(R million)	83.7	37.4	124%
Headline earnings	(R million)	60.1	26.9	124%
Headline earnings per share	(cents)	4.02	2.15	87%
Interim dividend per share	(cents)	2.00	-	n/a
Cash generated by operations and investment income	(R million)	60.2	33.6	79%
Cash resources	(R million)	463.1	1,037.0	-55%

Capital Appreciation well positioned for future growth

Johannesburg, 14 November 2017: South African FinTech company, Capital Appreciation Limited (CAPPREC), has declared a 124% increase in Profit after Tax for the six months ending 30 September 2017. EPS and HEPS for the interim period totaled 4.02 cents per share, an increase of 87% over the comparable EPS and HEPS in 2016 of 2.15 cents per share.

This is the first reporting period since the acquisition of CAPPREC's subsidiary companies that are all focused on the FinTech sector and includes earnings contributions from the newly-acquired trading operations only for the five months from May 2017 (the date the acquisitions were effective).

During the period, and following the subsidiary company acquisitions, CAPPREC migrated from a JSE Limited, Special Purpose Acquisition Company (SPAC), to the "Software and Computer Services" sector of the Main Board.

CAPPREC's group focus is solutions and platforms, specifically related to the financial services sector. "South Africa's financial technology sector is experiencing unprecedented growth due to increasing market regulation, evolving consumer expectations and accelerating disruption to historic value chains," explains Bradley Sacks, Joint CEO of CAPPREC. "Much of this change is attributable to inventive technologies and the innovative application of such technologies, not only in the financial services sector, but in all areas of the economy."

These factors, and their material influence in the financial services sector, formed the principal rationale for CAPPREC's decision to invest in the FinTech sector.

CAPPREC's gross revenues for the period under review amounted to R223.4 million (2016 - R39.7 million). The company reported EBITDA for the period of R85.69 million (2016 - R34.7 million). Cash generation for the interim period amounted to R60.2 million, which, when aggregated with the Group's cash resources after asset acquisitions, and a buy-back of 25 million shares at an average cost of 75 cents per share, as well as other cash applications, is R463.1 million.

"This capital will be employed by CAPPREC to support its existing businesses, fund organic growth and pursue new acquisition opportunities in businesses complementary to the existing portfolio. There are opportunities in South Africa, Africa and elsewhere that are of interest to us," adds Sacks.

Net profit before taxation amounted to R83.7 million (2016 - R 37.4 million), with net profit after taxation, being R60.1 million (2016 - R26.9 million).

Divisional update

CAPPREC's "Payments & Payment Infrastructure" division includes African Resonance and Dashpay. These companies have shown exceptional growth over the past three years, with a compounded annual growth rate in revenue of 66% and EBITDA of 102%.

"The performance of African Resonance over the course of the last five months has been extremely pleasing," says Sacks. "The company continued to expand its market reach through several new client contracts and increased in its market share within its traditional banking and financial institutional client base."

Dashpay's specialized payment platform, driven by advanced technology concepts, will be rolled out nationally in the coming months. The platform integrates seamlessly into point-of-sale devices, as well as those supplied and managed by African Resonance, and, more importantly, the extant legacy banking and related systems of large financial and other institutions.

Synthesis Software Technologies comprises the "Software & Solutions" division within CAPPREC. This company, similarly, has a strong track record of growth, with compounded annual growth over the past

three years of 23% in revenue and 33% in EBITDA. Recent contract wins, recognition by and accolades from engaged clients, many of whom are also clients of African Resonance, is very pleasing and is a testament to the team's focus on execution excellence.

Synthesis offers highly specialized software development, consulting and integration services and technology solutions to banking and other financial institutions in South Africa as well as in other emerging markets. Synthesis is an Amazon Web Services "advanced partner" - the first one accredited in Africa - whereby Synthesis combines specialized "cloud" technical knowledge, simplifying the complexities and customizing applications with expertise, agility and innovation.

Africa's financial inclusion

CAPPREC is also engaging with several potential clients across Africa, to similarly provide payment solutions, systems and functional payment infrastructure.

"This aspect is an exciting work in progress, as the continent of Africa presents an extremely fertile opportunity for development and expansion," Sacks explains. "CAPPREC's business is well-suited to address the challenge of financial inclusion and delivering financial services to unserved markets."

Financial Inclusion means providing people with affordable access to credit, empowering them to transact, allowing them to save and invest, and support them in running a business, or transfer funds to third parties and family.

"Technology is key to unlocking this opportunity and, given the growing demand for such service platforms and secure operating models in South Africa and elsewhere, it has become an increasingly interesting area for commercial assessment by CAPPREC," Sacks says. "Our significant resources are available for further acquisitions and expansion within this exciting sector."

Prospects

Around the world, technology is evolving rapidly, especially in the financial services sector. CAPPREC is well-positioned, whether it is by the introduction of new technology-based solutions, the adoption of technology by incumbents to defend against competitive start-ups, or the application of technology to achieve operational efficiency through innovative financial products and solutions.

CAPPREC's subsidiary and associate businesses remain well capitalized, well managed and have highly skilled technology specialists, committed to the success of the Group. The company's management team believe the Group is positioned to participate in the FinTech revolution and, in many instances, could well play a leadership role in this process.

South Africa is currently challenged with both economic and political uncertainties. These broad conditions further exacerbated by high levels of unemployment, growing inflation, unstable foreign currency conversion rates and the risks of being additionally burdened with a non-investment grade sovereign rating.

"Notwithstanding these unpredictable and erratic circumstances, there is nevertheless a degree of positive expectation that the trend and performance posted during this interim period, will continue into the second half of the financial year. This will hopefully be enhanced through a repeat of past patterns of organic growth, the successful closure of contracts in the course of negotiation," Sacks concludes.

Ends.

About Capital Appreciation

CAPPREC is an investment holding company focused on investing in and developing financial technology ("FinTech") enterprises, their platforms, solutions, products and applications. CAPPREC presently has two divisions - "Payments & Payment Infrastructure" and "Software & Solutions". The Payments businesses presently innovate, develop, manage and promote payment product and payment infrastructure solutions for established and emerging institutional clients and other organisations that need to receive or make payments. The Software & Solutions business addresses the complex technology needs of Financial Institutions.

Capital Appreciation was the first Special Purpose Acquisition Company ("SPAC") to list on the Main Board of the JSE. Capital Appreciation raised R1 billion through a private placement of shares.

On 16 February 2017, Capital Appreciation announced its intention to focus its investment activity in the Financial Technology ("FinTech") sector. Capital Appreciation announced the simultaneous acquisition of 100% of 3 companies - African Resonance, Dashpay and Synthesis Software Technologies. Capital Appreciation also invested in Resonance Australia and acquired a 17.5% interest.

On the 5 May 2017, Capital Appreciation completed the acquisitions and investment announced in February. Capital Appreciation no longer subject to SPAC regulations and on the 19 June 2017, Capital Appreciation formally migrated to Software and Computer Services sector on the JSE.

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