



MEDIA RELEASE

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CAPITAL APPRECIATION DELIVERS STRONG RESULTS, ACQUISITIONS FULFIL COMMENCING EXPECTATIONS

Highlights

- Completed viable asset acquisitions
- Revenue of R571.3 million, up 613%
- Operating profit of R162.3 million, up 917%
- Headline earnings of R143.4 million, up 266%
- HEPS of 9.53 cents, up 204%
- Normalised HEPS of 10.12 cents, up 202%
- Final dividend per share of 2 cents, bringing the total maiden dividend to 4 cents
- Cash generated from operating activities of R166.9 million
- Cash conversion rate of 117% of profits after tax
- R513.2 million cash available for reinvestment
- Transferred to the “Software and Computer Services” sector of the Main Board of the JSE

Johannesburg, 16 May 2018: South African FinTech company Capital Appreciation Limited (CAPPREC) has declared headline earnings of R143.4 million or 9.53 cents per share for the 12 months ending 31 March 2018. These financial results incorporate 11 months of trading for the Group’s newly acquired operating subsidiaries for the first time. The viable-asset acquisitions were approved by CAPPREC shareholders on 5 May 2017. CAPPREC posted revenue of R571.3 million and operating profit of R162.3 million for the year.

“Shareholders and investors who have been tracking CAPPREC since its initial capital raising in October 2015 will, no doubt, conclude that the 2018 financial year was a significantly transformative period for the company”, notes Bradley Sacks, joint CEO of CAPPREC. *“Not only were certain viable-asset acquisitions concluded but, more importantly, each of the acquisitions have successfully fulfilled their commencing expectations as evidenced in this set of results, which reveal both solid trading performance and the appropriateness of the purchase price paid for the businesses acquired.”* CAPPREC’s Main Board listing on the JSE was also transferred to the Software and Computer Services sector this year.

CAPPREC has two business segments: Payments & Payment Infrastructure (“Payments”) and “Software & Services” (“Software”). CAPPREC concluded four acquisitions during the year,

acquiring African Resonance and Dashpay to create its Payments sector and Synthesis as the first business in its Software sector. The Group also acquired 17.5% of a Payments business in Australia.

African Resonance is a leading provider of payment infrastructure and related technology solutions to established financial institutions, emerging payment service providers, the hospitality industry and the retail sector in general. Dashpay is positioned to provide innovative transaction processing services, solutions and products focused on Business-to-Business (B2B) commercial and payment activity. The Dashpay solution set is intended to complement payment services provided by CAPPREC's established banking and institutional client base.

Synthesis is a highly specialised software and systems developer, offering consulting, integration services and technology-based product solutions to banking and other financial institutions in South Africa and other emerging markets.

CAPPREC generated gross revenues for the year of R571.3 million (2017: R80.2 million). Profit before taxation amounted to R200.0 million (2017: R60.3 million), with Profit after taxation being R142.9 million (2017: R39.2 million). Headline earnings for the year increased by 265% to R143.4 million (2017: R39.2 million), translating into earnings per share (EPS) and headline earnings per share (HEPS) for the year of 9.49 cents per share and 9.53 cents per share respectively, an increase of 202% and 203.5% relative to the previous year.

CAPPREC also reports on normalised headline earnings per share (NHEPS), which together with Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) are the primary measures used by management to assess CAPPREC's underlying financial performance. NHEPS comprises HEPS adjusted for specific non-cash and non-trading items and the after-tax amortisation arising from the value attributed to intangible assets that arose in connection with the viable-asset acquisitions. CAPPREC generated EBITDA of R176.5 million (2017: R19.8 million loss) and NHEPS for the year of 10.12 cents (2017: 3.14 cents), an increase of 222.3% on the previous year.

During the period CAPPREC was exceptionally cash generative, with cash generation of 116.8% of the 2018 profits after tax. This characteristic of CAPPREC's operational enterprises is well reflected in its cash resources at 31 March 2018 of R513.2 million. This amount, when compared to CAPPREC's cash resources at 31 March 2017, is after payment of the cash portion of the viable asset acquisitions, the payment of an interim dividend in December 2017 and the buy-back of 55.6 million CAPPREC shares at an average price of 74.4 cents, among others. Based on the market price of a CAPPREC share on 31 March 2018 of 80 cents, 43% of that price is represented by cash. CAPPREC's cash resources will be applied, in the first instance, to fund anticipated organic growth, and thereafter to pursue or supplement the cost of new, but complementary acquisition opportunities.

Divisional review

African Resonance and Dashpay, as described earlier, comprise CAPPREC's Payments & Payment Infrastructure division.

African Resonance primarily sells, distributes, maintains, rents and manages payment devices to, for and on behalf of its banking and institutional clients. African Resonance has a distribution agreement with terminal manufacturer Ingenico (France), a relationship that has developed with reciprocal respect and advantage since the formation of African Resonance in 2003. This division has performed exceptionally well, more than doubling the number of terminals previously managed and serviced. Terminal procurement and deployments by various banking clients during the year increased by c. 43 000 units. When added to the number of terminals in the field at the date of acquisition, African Resonance today manages c.75 000 Ingenico terminals in the overall terminal fleet.

Dashpay has developed an exclusively licensed multi-product, multi-party, universal transacting platform, positioned to provide innovative transaction processing services, solutions and products focused on B2B and B2B2C commercial and payment activity. The Dashpay platform, ecosystem and solution set are intended to complement the traditional payment services provided by the Group's established banking and institutional client base, are device agnostic and integrate seamlessly with existing legacy systems. Moreover, Dashpay services are ideally suited to serving the rapidly changing needs for secure payment systems and financial management across Africa.

The Payments & Payment Infrastructure division generated turnover of R415.1 million and a profit after tax of R111.0 million. For the past four years the division has experienced a compound annual growth rate in operating profit more than 241%, albeit off a low starting base. The current year's performance has outperformed the results of the due diligence review concluded at the time of the acquisitions.

Synthesis is the Software and Services business that offers highly specialised software development, consulting and integration services and technology-based solutions to banking and other financial institutions in South Africa and other emerging markets. In addition to their current offerings, Synthesis are making considerable effort through research and development to deliver on the next phase of technological advancement, which include any of machine learning, artificial intelligence, big data blockchain technology, and more. Commercial exploration continues in these areas. Synthesis generated turnover of R93.1 million and a profit after tax of R23.8 million. This revenue was ahead of expectation, suggesting that their profit warranty threshold will be attained at the end of fiscal 2020. The division has consistently generated solid earnings, with a compound annual growth rate in operating profit of 28% per annum for the past four years.

"Each of these subsidiaries have made excellent progress in their first period under the CAPPREC banner and, going forward, collectively are likely to benefit from both expanding demand from the institutional/corporate sector, and demand created through government's new focus, support and development for SME enterprises, a rapidly emerging and welcome transformational sector in South Africa and elsewhere on the continent", notes Sacks.

Prospects

As innovative technologies continue to impact our daily lives, new tools, new system and software design, new communicative devices and other inventive applications will continue to transform and impact today's traditional human and commercial behaviour. CAPPREC's board believes that the group's inspired, creative and innovative executive teams will continue to develop new and effective services, solutions, systems, products and applications, in association with its existing and future institutional clients, to meet the demands of its customers. This includes parties seeking efficient and affordable models for financial inclusion of persons previously unserved or ill-served.

"Our organic growth potential is large and compelling and, while we expect continued growth in our underlying businesses, the sector also presents several interesting acquisition opportunities. These would also include opportunities for the expansion and technology transfer of our business models into new markets. There is more confidence in the economy at this time than that experienced in recent years and we are cautiously confident in suggesting better times ahead," concludes Sacks.

Ends.

About Capital Appreciation

Capital Appreciation (CAPPREC) owns, manages, invests in, and promotes established 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.

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