

CAPITAL  
APPRECIATION  
LIMITED

# UNAUDITED INTERIM RESULTS

for the six months ended  
**30 September 2018**



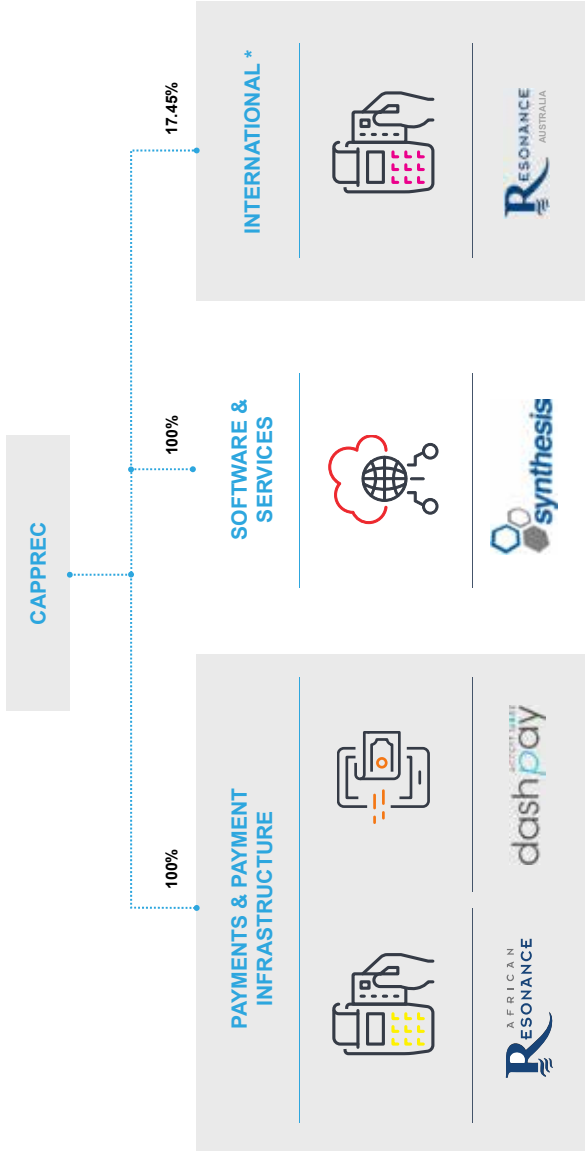




- 1 CAPPREC overview
- 2 Highlights for the period
- 3 The opportunity
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# ABOUT CAPITAL APPRECIATION

We own, manage, invest in, and promote enterprises that innovate and seek to serve or partner with established and emerging financial institutions



# 30 SEPTEMBER 2018 HIGHLIGHTS

# OPERATIONAL ACCOMPLISHMENTS

Proud to now be associated with all major SA banks and also many other banks and financial institutions



Expanded and enhanced client relationships in all sectors – Payments and Software divisions

- New blue-chip clients



36% increase in number of terminals owned by clients

- More than 103 000 terminals
- Good pipeline
- Scale operator with market share gains



Concluded "ISO Agreement" with Nedbank to complement "Aggregator Agreement" with Mercantile Bank



Successful soft launch of Dashpay with annualised gross transaction value (GTV) of more than R1.4 billion\*



Agreement for enterprise deployment of Dashpay processing technology



Established new Synthesis office in Cape Town



Additional Amazon Web Services (AWS) accreditation received



Recruited additional accomplished team members

- Increased talent pool by 12% (26 new employees) and 22 new learnerships



Executive recruitment

- Hired key experienced executives (Finance and Dashpay)



Improved B-BBEE rating

- African Resonance – Level 2 contributor
- Synthesis – Level 3 contributor



\* Based on GTV through the Dashpay network in October 2018 annualised

## COMPARING 2018 TO 2017

### COMPARISON VS. PRIOR YEAR

The acquisition of subsidiaries became effective 5 May 2017. The 2017 financial results include performance of the acquired businesses for 5 months only.

### AMORTISATION OF INTANGIBLES

The allocation of intangibles arising from the acquisition of the new subsidiaries was only concluded in March 2018 and the amortisation arising was not available at the time the September 2017 results were released. The 2017 results are "re-presented" to include the results of the purchase price allocation exercise.

### INVESTMENT IN OPERATING INFRASTRUCTURE

Subsidiaries are generating substantial growth and an investment in capacity to accommodate future growth was expensed during this half year. This amounted to approximately R20 million for the period, of which R13 million was labour-related.

# FINANCIAL GROUP HIGHLIGHTS

Solid results against backdrop of political uncertainty and economic difficulty

## Revenue

Revenue R 315.4 million ▲ 56%

## Profit

EBITDA	R 81.4 million	▲ 24%
Trading profit	R 82.8 million	▲ 25%
Profit after tax	R 63.3 million	▲ 13%
Normalised profit after tax	R 68.2 million	▲ 13%

## Cash flow

Cash flow from operations	R 92.4 million	▲ 127%
Cash conversion (% of trading profit)	112%	▲ 81%

## Earnings & Dividends

HEPS	4.23 cents	▲ 13%
NHEPS	4.55 cents	▲ 13%
Cash EPS	4.60 cents	▲ 277%
Dividends	2.25 cents	▲ 12.5%

## Capitalisation & Cash resources

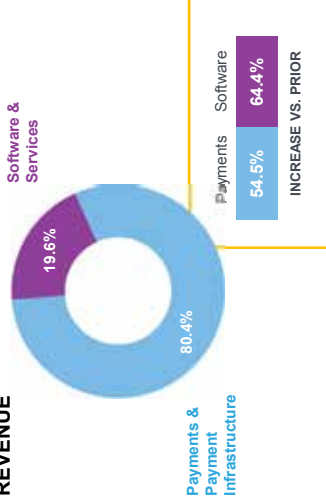
Equity	R 1.421 billion	▲ 5%
NAV per share	95 cents	▲ 7%
Available cash per share	37 cents	▲ 22%
Cash available for investment	R 551.5 million	▲ 19%



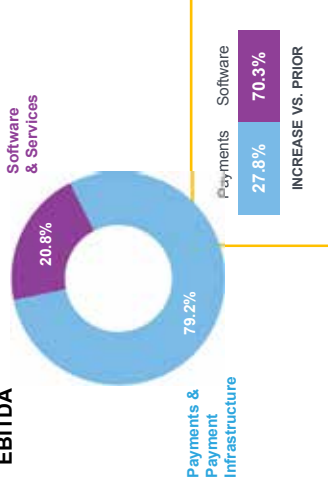


# DIVISIONAL PERFORMANCE

## REVENUE



## EBITDA



## HIGHLIGHTS

### PAYMENTS & PAYMENT INFRASTRUCTURE

- Strengthened relationship with existing clients
- New blue-chip client relationships established
- Strong pipeline
- Continued to increase the number of devices supplied to market
- Continued investment in and development of innovative platforms and products
- Successful soft launch of new Dashpay platform
- Continuing with deliberate, progressive roll-out of Dashpay services
- Increased operational capacity

### SOFTWARE & SERVICES

- Strengthened relationship with existing clients
  - New blue-chip client relationships established
  - Secured additional AWS accreditation
  - Continued to cement AWS leadership
  - Diversified revenue stream to include growing US\$ income
  - New office opened in Cape Town
  - Increased operational capacity
- 
- AWS announced SA based regional data centre to open in early 2020

# THE OPPORTUNITY

# CHARACTERISTICS OF FUTURE PAYMENTS GLOBALLY

Innovations will make payments more cashless and invisible, also enabling data driven engagement platforms for clients



LESS  
CASH



INVISIBLE  
PAYMENTS



PAYMENTS AS A MEANS  
OF ENGAGEMENT



THE VALUE  
OF DATA



LOANS MADE  
EASIER



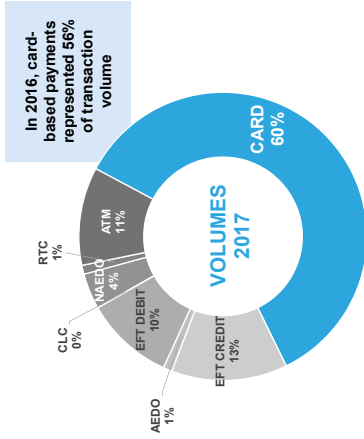
TRANSACTION COSTS  
DECLINING RAPIDLY



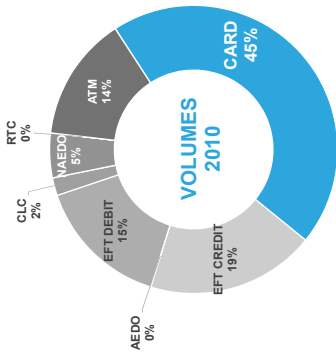
# MOVE TO ELECTRONIC PAYMENTS CONTINUES

## South Africa

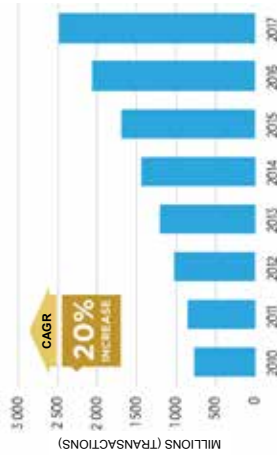
### RETAIL PAYMENTS



### CARD ACTIVITY



Combined Card Volumes



Combined Card Values



SOURCE: PASA ANNUAL REPORT 2017

# GROWTH STRATEGY REMAINS UNCHANGED

Notwithstanding the difficult economic environment and the political challenges in South Africa, Capital Appreciation is well capitalised, with the management skills and technology to drive its growth strategy

## ORGANIC GROWTH

### PAYMENTS & PAYMENT INFRASTRUCTURE

- Continue to grow POS device estate
  - Existing clients
  - New clients
  - New applications
- Deployment of new platforms across estates
- Introduction of new products

### SOFTWARE & SERVICES

- Licensing of software applications for regulatory compliance
- Cloud migration opportunities continue to accelerate
- International expansion of service offerings
- New technology deployments (blockchain, AI, etc.)

## ACQUISITIONS

- Pursue attractive investment and acquisition opportunities in Payments & Payment Infrastructure sector in South Africa, Africa and other international markets that (i) expand our capabilities, (ii) expand our market opportunity, and (iii) build on our business models
- Pursue attractive acquisition opportunities in Software & Services sector in South Africa

Disciplined  
Deliberate  
Considered

Focus on value  
and strategic  
alignment

# ABOUT OUR INVESTMENTS

# CONSISTENT EXECUTION STRATEGY

Strategy has delivered substantial growth over last 18 months and our objectives remain unchanged since initially formulated

PARTNER	INNOVATE	EXECUTE
Work with financial institutions	State of the art proprietary technology platforms for services	Service excellence
Create ecosystems for collaboration	Entrepreneurial culture	Alleviate pain points
B2B	Hardware agnostic	User experience
B2B2C	Add value	Create ecosystem
Deliver solutions to help clients realise their strategy	Integrate seamlessly with legacy systems	Act as an innovation catalyst for clients
Focus on infrastructure	Grow market	Engender trust

# PAYMENTS & PAYMENT INFRASTRUCTURE SEGMENT

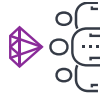
## African Resonance & Daspay

Enables banks and corporates to extract additional value and differentiate at the point of acquiring



### PROPRIETARY PLATFORM

Unique, proprietary technology platform enabling rapid development and implementation of customised corporate solutions across a diverse range of sectors



### BLUE CHIP CLIENTS

Provide and operate payment and processing solutions for leading brands and international Banks



### END-TO-END SOLUTIONS

Design, develop, implement and manage innovative, end-to-end solutions thereby enhancing and strengthening the relationships between banks, corporates and their clients



### COMPREHENSIVE OFFERINGS

Available on a turn-key all-inclusive basis or à la carte



### UNIVERSAL ACQUIRING

Pioneer of "Universal Acquiring" by supporting one uniform infrastructure for financial and non-financial transactions

Manages POS terminal estates at scale





# PAYMENTS REVENUE MODEL



## POS DEVICES

- Terminal sales generate gross profit
- Rentals generate monthly recurring revenue
- Relationship with major clients subject to long-term master supply agreements



## POS ESTATE MANAGEMENT

- Generates monthly recurring revenue depending on level and scope of services contracted



## MAINTENANCE & REPAIRS

- Generates monthly recurring revenue depending on level and scope of services contracted



## TRANSACTIONS

- Variable based on transaction type and value of transaction



## LICENSING & SOLUTIONS

- Generates monthly recurring revenue dependent on solution
  - Flat fee
  - Commission

Predictable but lumpy

Recurring revenue tied to the size of the estate

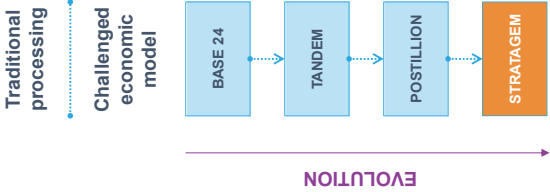
Recurring revenue and predictable

Unlimited, subject to established economic models

Unlimited

# DASHPAY – INNOVATION IN PROCESSING

Creating new value opportunities through platform ecosystem



**New economic model – Platform economics**

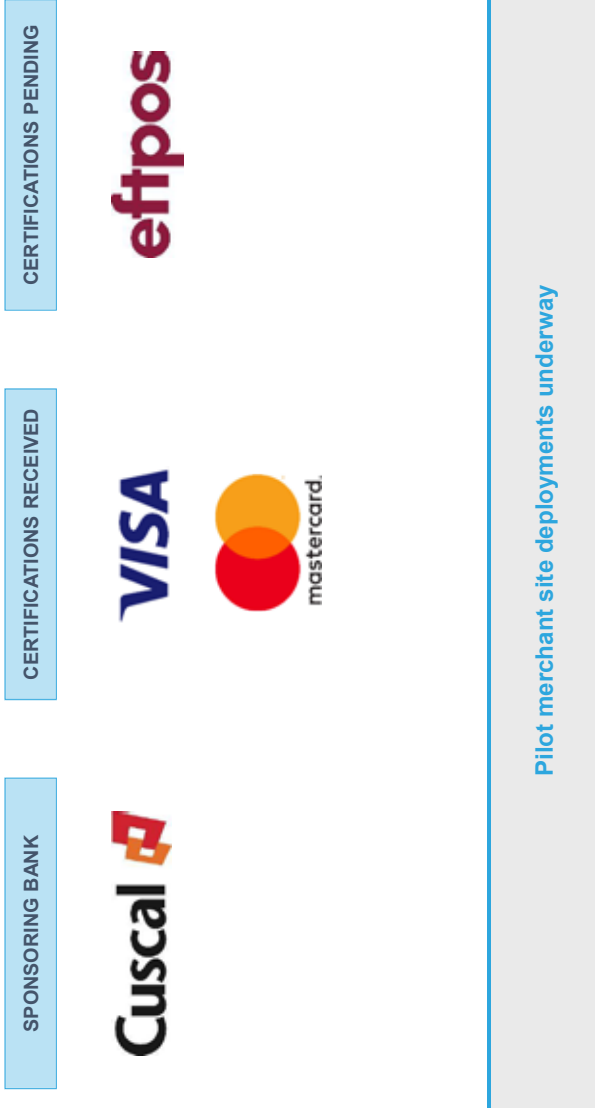
- Introduces brutal efficiency to transaction processing
- Universal processing - processes all transaction types on a single platform
- Platform economics drives boundary, frictional and transactional costs lower
- Multi-party environment leads to multi-product opportunity
  - Opportunity for new B2B applications – those that don't exist and those that benefit from digitisation
  - Opportunity to integrate multiple disparate products on single platform
- Traditional acquiring is possible but not the focus
  - To be done in cooperation with banking clients

**Stratagem™ has been developed by Uplink and is licensed to Dashpay for Africa, on an exclusive basis**



# STRATAGEM™ IMPLEMENTATION

Resonance Australia has a certified deployment of Stratagem



# DASHPAY COMPLEMENTS BANK ACQUIRING SERVICES

A positive impact on the market

## MARKET PRESSURE



Acquiring market and margins under pressure



Merchants' needs are evolving



Merchants are cost conscious and view acquiring fees as a grudge purchase

## PARTNERS WITH EXISTING BANKS



Dashpay delivers value-added-services (VAS) to the merchant

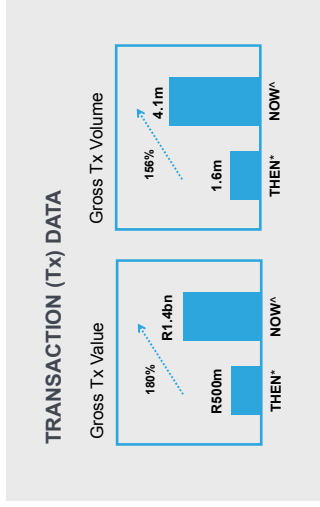
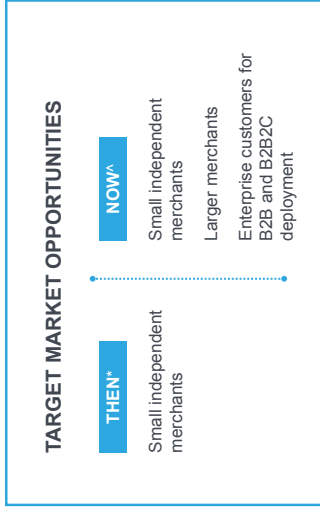
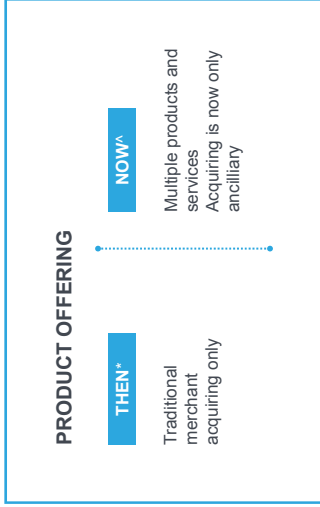
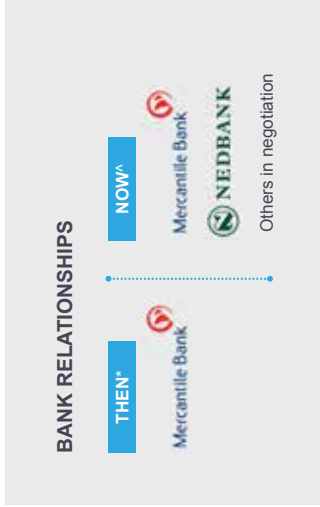


Assists banks to retain merchants, reduce churn and retain acquiring revenue



# DASHPAY'S EVOLUTION

Material progress has been made in readying Dashpay for mass deployment



# DASHPAY IN THE ENTERPRISE – ATTACQ USE CASE

Attacq is a REIT with a substantial portfolio of premium assets



## RETAIL

### 10 RETAIL MALLS

- Mall of Africa
- Waterfall Corner
- Waterfall Lifestyle
- Brooklyn Mall
- Lynwood Bridge Retail
- Glentair Boulevard
- Moolinvier Mall
- Eikestad Precinct
- Garden Route Mall
- Newtown Junction

+2 500 STOREFRONTS

MILLIONS OF CUSTOMERS ANNUALLY



## COMMERCIAL

### 22 OFFICE & MIXED-USE DEVELOPMENTS

- PwC Tower
- Cell C Campus
- Transnet
- Novartis
- Group 5
- Etc.

HUNDREDS OF TENANTS

THOUSANDS OF INDIVIDUALS



## OTHER

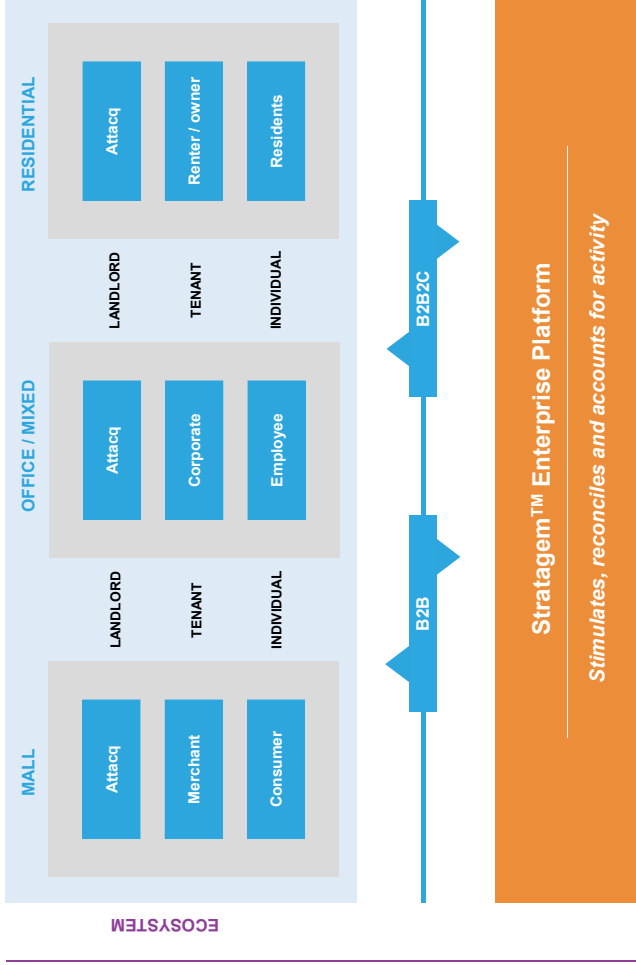
### 11 INDUSTRIAL, HOTEL & HOUSING DEVELOPMENTS

- Amrod
- Massbuild Distribution Centre
- BMW Group SA Distribution Centre
- Dis-Chem Warehouse
- Dimension Data logistics Hub
- Torre Industries
- City Lodge Waterfall
- City Lodge Lynwood
- City Lodge Newtown
- Waterfall Estate



# DASHPAY IN THE ENTERPRISE – ATTACQ USE CASE

## Attacq agreed to Dashpay Stratagem™ deployment throughout its estate



Attacq sought to establish a large ecosystem from its discrete communities and create a symbiotic relationship amongst the various participants that is positively rewarding for all



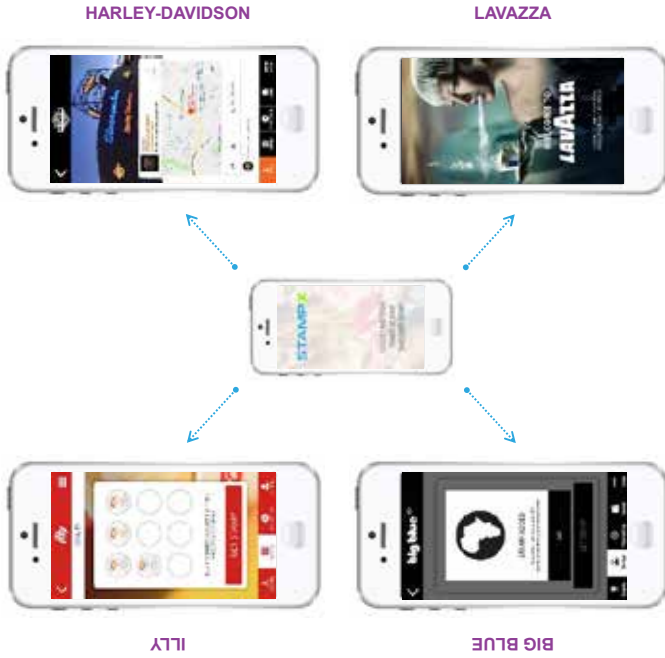
## DIGITAL STAMP – USE CASE



Stampz is a proprietary Dashpay platform to enable merchants to operate a turnkey Digital Stamp Card solution supported by a content rich mobile application

### Data science meets consumer engagement

- Robust, simple and easy to use
- Rapid development and deployment
- Increases number of customers, encouraging them to spend more, more often
- Promotes and cross pollinates offers amongst other brands
- Platform supports the issuing and acceptance of digital content as tender





## LEGACY LIFESTYLE – USE CASE

Dashpay provides the Legacy Hotels Group with the platform to operate their “Legacy Lifestyle Rewards Programme” across multiple sectors, regions and channels



### PLATFORM PROVIDES

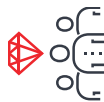
- Member enrolment & management
- Accrual and redemption of cash back rewards
- Omnichannel issuing and acceptance
- Multiple 3rd party integrations in real time
- Automatic collection and settlement of rewards

### KEY STATS

- Over 270 Brand Partners
- 4 hotel groups
- Operating in 5 countries
- 870 000 members

# SOFTWARE & SERVICES SEGMENT – SYNTHESIS

Leading provider of technology products and solutions within the financial services industry



## BLUE-CHIP CLIENTS

Absa, Investec, Standard Bank, HSBC, Nedbank CIB, Citibank, RMB, Capitec, Afgrl and others



## CLIENT CENTRIC

Delivering the highest business value with a strong service ethic



## THOUGHT LEADERS

Acquiring and retaining the best software development skills



## EXPERIENCED

Highly innovative team with track record of only successful delivery



## FOCUSED

Exclusive focus in the financial services sector



## STRATEGIC RELATIONSHIPS

Key partnerships with Amazon's AWS, the top rated provider of cloud services globally



# OPERATING UNITS WITHIN SYNTHESIS



## CLOUD CONSULTING

Cloud transformation to assist the Enterprise in becoming cloud ready, execute mass migrations and harness the benefits of public cloud platform  
**First AWS Advanced Consulting partner in MEA**



## DIGITAL CHANNELS

Delivering exceptional end-user client experience web and mobile touch points for financial services institutions while maintaining information security and transactional integrity



## PLATFORM INTEGRATION PRODUCTS

Integration to enable regulatory reporting solutions for SARS (tax and SARS (balance of payments), payment processing and exchange connectivity

## SYNTHESIS LABS

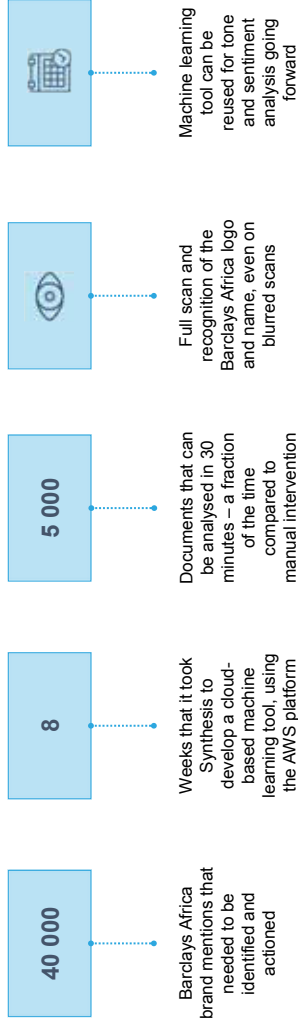
*Artificial intelligence, blockchain, machine learning*

# ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING – ABSA USE CASE



When Barclays Africa announced its withdrawal, Absa Group needed an innovative solution to identify and remove 40 000 Barclays Africa brand mentions from all of its documents, marketing and contracts

## KEY METRICS



## ARTIFICIAL INTELLIGENCE AND MACHINE LEARNING – ABSA USE CASE



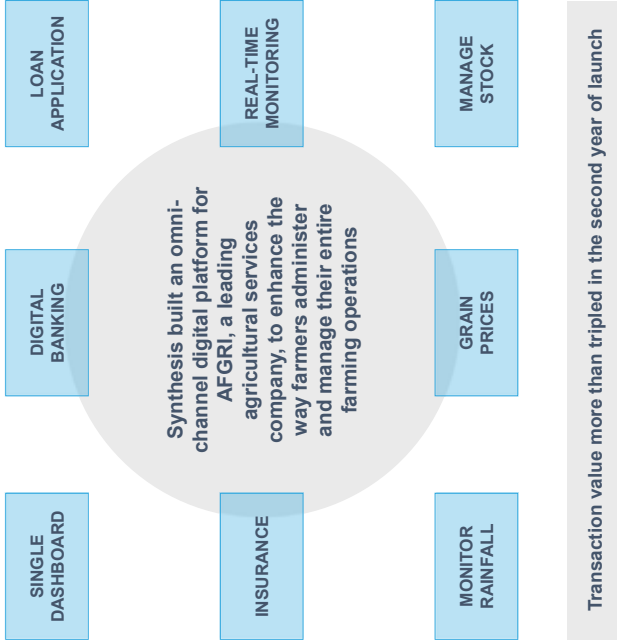
In June 2017, we were given 12 months to remove all Barclays brand and logo references in South Africa. It was a massive project. By the end of 2017, we had identified 40 000 artefacts that needed to change across 300 systems. The Synthesis team understood quickly what needed to be done. AWS provided the ingredients, Synthesis helped us create the recipe and put it together. This solution allowed us to complete the brand audit for South Africa by the end-of-June deadline, and has the potential to add great value to the brand in future.



*Craig du Toit, Brand Technology Lead, for Absa*



# REVOLUTIONISING FARMING – AFGRI USE CASE



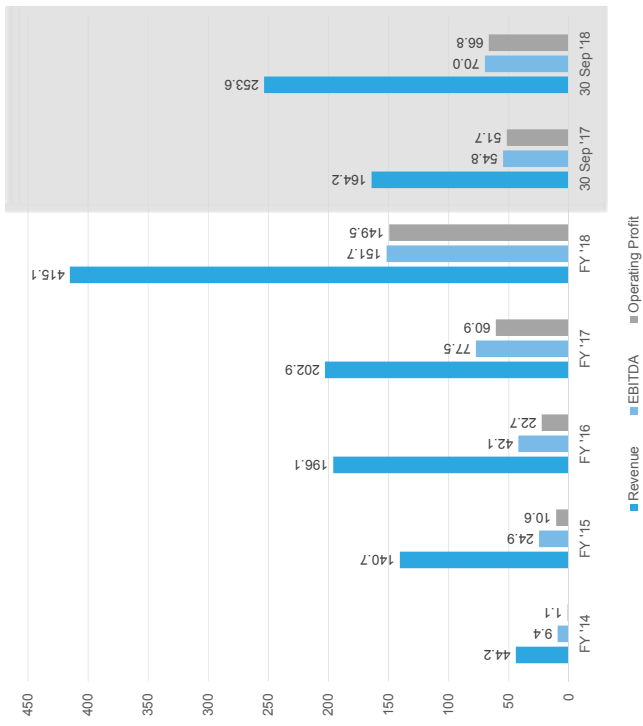
SECURE, EASY-TO-USE BANKING AND MANAGEMENT PLATFORM



# FINANCIAL PERFORMANCE

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## Payments & Payment Infrastructure Division



PERIOD GROWTH	
Revenue	54%
EBITDA	28%
Operating profit	29%

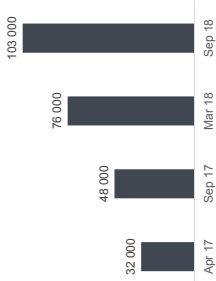
CAGR	
Revenue	63%
EBITDA	72%





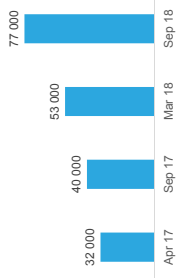
# TERMINAL ESTATE ANALYSIS

Terminals at period end



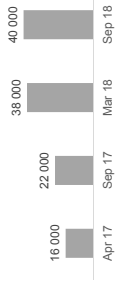
## OWNED BY CLIENTS

- Number of terminals delivered to clients **grew by 36%** in period
- Paid for at time of delivery
- Start to generate recurring revenue once activated



## ACTIVE – IN MARKET

- Number of terminals in use **grew by 45%** in period
- Includes c. 15,000 terminals subject to rental contract with African Resonance
- Rentals may be renewed upon expiry or replaced with owned terminals

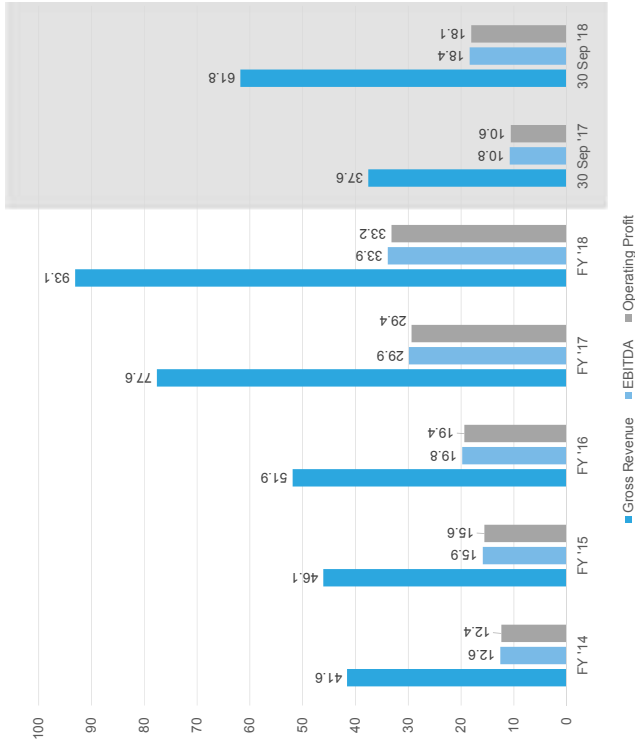


## AWAITING DEPLOYMENT

- New terminals, once imported, are prepared for client and readied for deployment
- Represents prospective recurring revenue once activated
- Includes "rotating stock" for backup and replacement

# FINANCIAL PERFORMANCE

## Software & Services Division



PERIOD GROWTH	
Revenue	64%
EBITDA	70%
Operating profit	71%

CAGR	
Revenue	24%
EBITDA	24%

EBITDA and Operating Profit is after expensing additional ramp-up costs related to AWS Cloud Migration projects, the benefits of which will accrue in subsequent periods

The benefit of last year's expenditures is visible in this year's growth



## GROUP SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

(R million)	30 Sep 2018	30 Sep 2017	% increase	
Revenue	315.4	201.8	56%	Includes c. R20m of incremental capacity and support-related expenditure, of which R13m is labour-related
EBITDA	81.4	65.5	24%	Lower interest income given cash used for acquisitions and share repurchases
Trading profit	82.8	66.0	25%	
Net finance income	17.4	21.5	(19%)	
Profit before taxation	88.4	78.2	13%	Includes R1.2m deficit, after tax, attributable to Resonance Australia
Profit after tax	63.3	56.2	13%	
Normalised profit after tax	68.2	60.1	13%	
Headline earnings per share (cents)	4.23	3.75	13%	After reversal of amortisation of intangibles arising from acquisitions
Normalised headline earnings per share (cents)	4.55	4.02	13%	
Cash earnings per share (cents)	4.60	1.22	277%	Material negative working capital movement in month of Sept 2017
Number of shares in issue (millions)	1 555.0	1 555.0		
Weighted average number of shares in issue (millions)	1 497.7	1 495.9		
Number of shares in issue, net of treasury shares (millions)	1 494.7	1 530.0		Purchased 4.68m treasury shares Total number of treasury shares is 60.3m

## DIVISIONAL REVENUE COMPOSITION

(R million)	30 SEP '18	30 SEP '17	Growth
<b>Payments &amp; Payment infrastructure division</b>			
Rental income	44.8	44.3	1.1%
Maintenance and support service fees	28.6	20.1	42.1%
Sale of terminals	165.7	88.6	87.0%
Transaction fees	7.4	5.1	45.1%
Other revenue	7.1	6.1	16.4%
<b>Total</b>	<b>253.6</b>	<b>164.2</b>	<b>54.4%</b>
<b>Software &amp; Services division</b>			
Services and consultancy fees	45.9	29.8	54.0%
Licence and subscription fees	14.0	5.3	164.2%
Hardware	1.9	2.3	(17.4%)
Other turnover	0.0	0.2	NM
<b>Total</b>	<b>61.8</b>	<b>37.6</b>	<b>64.4%</b>
<b>Total revenue</b>	<b>315.4</b>	<b>201.8</b>	<b>56.3%</b>
<b>Geographic region</b>			
South Africa	307.4	196.2	56.7%
Rest of Africa and Indian Ocean Islands	8.0	5.6	42.9%
<b>Total revenue</b>	<b>315.4</b>	<b>201.8</b>	<b>56.3%</b>

Recurring income represents approximately 48% of total revenue in 2018 (2017: 56%)



## CONDENSED GROUP STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2018

(R million)	30 Sep 2018	30 Sep 2017	31 Mar 2018
<b>ASSETS</b>			
Goodwill	728.6	728.6	728.6
Intangible assets	66.7	78.2	71.5
Other non-current assets	71.0	72.1	64.3
Non-current assets	866.3	878.9	864.4
Cash and cash equivalents	551.5	463.5	513.2
Other current assets	124.0	98.9	94.1
<b>Total assets</b>	<b>1 541.8</b>	<b>1 441.3</b>	<b>1 471.7</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	1 421.4	1 358.2	1 392.3
Non-current liabilities	33.4	38.3	35.7
Current liabilities	87.0	44.8	43.7
<b>Total equity and liabilities</b>	<b>1 541.8</b>	<b>1 441.3</b>	<b>1 471.7</b>
NAV per share (cents)	95.1	88.8	92.9
Cash available per share (cents)	36.9	30.3	34.2

Held for investment in interest-bearing call and notice deposit accounts

## CASHFLOW (KEY FEATURES)

(R million)	30 Sep '18	30 Sep '17
Cashflow from operations	92.4	40.6
Changes in working capital	9.8	(25.4)
Acquisition of property, plant and equipment	(8.3)	(5.1)
Acquisition of subsidiaries net of cash acquired	-	(553.0)
Acquisition of associate	-	(30.5)
Purchase of treasury shares	(4.5)	(18.8)
Repayment of loans	(4.4)	(16.1)
Dividends paid	(30.0)	-
Cash & cash equivalents at period end	551.5	463.1

Cash conversion ratio of 112% of trading profit

# PROSPECTS

# PROSPECTS

Capital Appreciation is well capitalised, with the management skills and technology to drive its growth strategy

- A broad range of organic as well as acquisitive growth opportunities available to CAPPREC
- Acquisitive activity will depend on strategic fit as well as valuations
- Political environment and economic climate are impacting our clients and remain present in our planning

## PAYMENTS & PAYMENT INFRASTRUCTURE

- Accelerated growth in POS device estate as penetration increases in banking as well as SME sector
- Introduction of new platforms will generate new growth
- New product pipeline

## SOFTWARE & SERVICES

- Regulatory compliance requirements
- Strong and growing adoption of cloud-based solutions
- Further international expansion, especially African hub
- Significant opportunity in new technologies

## GROWTH OPPORTUNITIES





## OUR INVESTMENT CASE























- Well-positioned in an industry with healthy organic growth prospects
- A trusted partner to a strong network of large financial institutions
- Clients are well capitalised and established
- Clients already have a presence in Africa – providing the potential ability for CAPPREC to expand regionally with them
- Founders with a very strong network of relationships on which to build future business
- Well-established Fin Tech subsidiaries with strong track records
  - Innovation
  - Quality execution
  - Financial performance
- Subsidiaries have strong organic growth prospects and acquisition opportunities
- Strong Group balance sheet with adequate headroom for organic and acquisitive growth
- Subsidiaries are highly cash generative with cash conversion exceeding 100%
- Our products and services are targeted at mission-critical applications

T H A N K Y O U

# ANNEXURE

# COMPARABLE INTERNATIONAL COMPANIES

Illustrative of breadth and depth of international “Payments” marketplace

NETWORKS	MERCHANT ACQUIRORS	EMERGING PAYMENTS	POS / CASH DISBURSEMENT
 \$220.139 // 24.5x	 \$7.996 // 7.8x	 \$372 // 40.2x	 \$1.667 // 8.9x
 \$324.696 // 22.8x	 \$18.812 // 11.9x	 \$6.113 // 13.4x	 \$264 // 18.3x
	 \$18.202 // 16.7x	 \$21.007 // NIM	 \$4.782 // 11.0x
	 \$404 // NA	 \$802 // 5.9x	 \$727 // 8.2x
	 \$17.140 // 15.1x	 \$541 // 8.7x	
	 \$7.569 // 17.0x	 \$35.082 // NIM Enterprise Value = c.21.2x FY18 Rev YoY Rev growth = 57%	
	 \$2.169 // 18.3x	 \$21.968 // 35.1x	
	 \$599 // 22.7x	 \$2.574 // NIM	



MARKET CAPITALISATION (IN US \$ MILLIONS) // CY18E EV/EBITDA AS OF 08 NOVEMBER 2018

# PAYMENTS & PAYMENT INFRASTRUCTURE

## Historical performance

(R million)	2014	2015	2016	2017	2018	30 SEP '17	30 SEP '18	CAGR '14 - '19
Revenue	44.2	140.7	198.1	202.9	415.1	164.2	253.6	63%
EBITDA	9.4	24.9	42.1	77.5	151.7	54.8	70.0	72%
<b>Margin</b>								
EBITDA	21.3%	17.7%	21.5%	38.2%	36.5%	33.3%	27.6%	
<b>Growth</b>								
Revenue		218.3%	39.4%	3.5%	104.6%		54.4%	
EBITDA		164.9%	69.1%	84.1%	96.1%		27.7%	

# SOFTWARE & SERVICES

## Historical performance

(R million)	2014	2015	2016	2017	2018	30 SEP '17	30 SEP '18	CAGR '14 - '19
Revenue	41.6	46.1	51.9	77.6	93.1	37.6	61.8	24%
EBITDA	12.6	15.9	19.8	29.9	33.9	10.8	18.4	24%
<b>Margin</b>								
EBITDA	30.3%	34.5%	38.2%	38.5%	36.4%	28.7%	29.7%	
<b>Growth</b>								
Revenue		10.8%	12.6%	49.5%	20.0%		64.4%	
EBITDA		26.2%	24.5%	51.0%	12.4%		70.3%	



# PAYMENTS SOLUTIONS RANGE ACROSS INDUSTRY AND FUNCTIONAL AREA



## FINANCIAL

- Bank acquiring
- Close payment systems
- Agency banking
- Microfinance



## MARKETING

- Consumer profiling
- Consumer database management
- Voucher campaigns
- Event management



## RETAIL

- Retail management
- Store-in-a-store solutions
- Distribution / SCM
- Gift and prepaid cards
- POS integration



## CORPORATE

- Customised payment solutions
- Large scale loyalty programs
- Social responsibility
- Short-term insurance
- Reconciliation and reporting



## PUBLIC

- Social grants
- Health benefit distribution
- Food coupons
- Medical claims

# GLOSSARY

<b>AEDO</b>	Authenticated early debit order	<b>ISO</b>	Independent sale organisation
<b>AI</b>	Artificial intelligence	<b>IT</b>	Information technology
<b>ATM</b>	Automated teller machine	<b>M</b>	Million
<b>AWS</b>	Amazon Web Services	<b>NA</b>	Not available
<b>B2B</b>	Business to business	<b>NAEDO</b>	Non-authenticated early debit order
<b>B2B2C</b>	Business to business to consumer	<b>NAV</b>	Net asset value
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment	<b>NFC</b>	Near field communication
<b>Bn</b>	Billion	<b>NHEPS</b>	Normalised headline earnings per share
<b>CAGR</b>	Compound annual growth rate	<b>NM</b>	Not meaningful
<b>CAPPREC</b>	Capital Appreciation Limited	<b>POS</b>	Point of sale
<b>Cash EPS</b>	Cash flow from operations, less taxation paid, divided by weighted average number of shares in issue	<b>R</b>	Rand
<b>CLC</b>	Code line clearing	<b>R&amp;D</b>	Research and development
<b>CRM</b>	Customer relationship management	<b>REIT</b>	Real Estate Investment Trust
<b>EBIT</b>	Earnings before interest and tax	<b>RTC</b>	Request to credit
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation	<b>SA</b>	South Africa
<b>EFT</b>	Electronic fund transfer	<b>SARB</b>	South African Reserve Bank
<b>EMV</b>	Europay, Mastercard, Visa	<b>SARS</b>	South African Revenue Services
<b>EPS</b>	Earnings per share	<b>SME</b>	Small and medium enterprise
<b>FinTech</b>	Financial technology	<b>Tx</b>	Transaction
<b>FY</b>	Fiscal year	<b>US\$</b>	United States Dollar
<b>GTV</b>	Gross transaction value	<b>ZAR</b>	South African Rands
<b>HEPS</b>	Headline earnings per share		





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# CAPITAL APPRECIATION LIMITED

## UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the six months ended  
**30 September 2018**  
and cash dividend  
declaration



# About CAPPREC

Capital Appreciation (“CAPPREC”) owns, manages, invests in, and promotes established and developing financial technology (“FinTech”) enterprises, their platforms, solutions, products and applications.

The Group has two business segments – Payments & Payment Infrastructure and Software & Services. African Resonance and Dashpay comprise the Payments segment and Synthesis comprises the Software segment.

**Payments & Payment Infrastructure:** 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 entire retail sector, both directly and indirectly. Dashpay is positioned to provide innovative transaction processing services, solutions and products focused on B2B commercial and payment activity. The Dashpay solution set is intended to complement existing payment services provided by the Group’s established banking and institutional client base.

**Software & Services:** 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. Synthesis is uniquely positioned in Africa having become the first company on the continent to attain Amazon Web Services’ (“AWS”) Advanced Consulting Partner Accreditation, with specialist competencies in both Financial Services and Development Operations (“DevOps”).

**International:** Resonance Australia is an associate company investment in which CAPPREC owns 17.45%. Resonance Australia is still in its early stages of development and, when operational, will employ a business model similar to that which Dashpay operates in South Africa.

Further detail on the nature of these business units is available on the Company’s website at [www.capitalappreciation.co.za](http://www.capitalappreciation.co.za).

# Salient FEATURES

Growth continues  
across all business units

Contracted with new  
blue-chip clients

103 000 payment  
terminals owned by clients  
+33%

Market share gains  
in “bank terminal market”

Revenue R315.4 million  
+56%

EBITDA R81.4 million  
+24%

Trading profit R82.8 million  
+25%

Headline earnings  
R63.3 million  
+13%

EPS & HEPS  
4.23 cents +13%

Normalised HEPS  
4.55 cents +13%

Cash generated from operations  
R92.4 million

Cash conversion rate  
112% of trading profit

R551.5 million  
cash available for reinvestment

Interim dividend per share  
2.25 cents + 12.5%

# Commentary

## INTRODUCTION

The operating performance of the business units within the Group has once again been solid and consistent with expectations, this, notwithstanding the challenging economic environment in South Africa. These interim results once again demonstrate the strategic positioning and relevance of the Group's products and services, as well as our clients' recognition of CAPPREC as a respected partner.

Technology's role as a key disruptor and differentiator in the financial services sector continues to accelerate, creating further opportunity for CAPPREC. The Group's businesses have a long history of innovation and a good track record of responding to disruption and converting the resulting dislocation into viable commercial opportunity.

The Group's clients now proudly include all major banking institutions in South Africa, including Absa, Capitec, FNB, Investec, Nedbank and Standard Bank, as well as many other banks, non-banking financial services companies and institutions.

Each of CAPPREC's businesses has continued to make good progress in pursuit of their long-term strategic objective - to be a valued partner to, and recognised as an industry innovator by, established and emerging financial services companies in South Africa, across Africa and in other select jurisdictions CAPPREC elects to operate or invest in around the world.

## OPERATING ENVIRONMENT

Shareholders and investors are cognisant of the general economic challenges and political uncertainties facing South Africa, which are being further exacerbated by low economic growth and rising unemployment. These conditions, not unexpectedly, impact disposable incomes and generally weigh heavily on the national retail sector.

CAPPREC's Payments & Payment Infrastructure business is directly impacted by its clients' exposures to the retail sector. In light of these economic circumstances, the Group's banking clients, like many other commercial sectors' participants, have adopted a more judicious and cautious approach to network infrastructure expansion and other capital expenditure initiatives.

In the Software & Services sector, in response to increasing consumer demands, there is a significant and growing movement towards digitisation. The systems required to accommodate this migration, as well as the channels required to distribute the digital banking products, have made the need for technology-led cost-saving initiatives more urgent and have created more demand for the Group's services.

Notwithstanding these patterns of caution and control, CAPPREC subsidiaries successfully managed to expand the scope of their business with existing clients and, given their well-established reputations and track record of innovation and quality and efficient service delivery, have once again been able to attract important new “blue-chip” clients. The Board is very pleased with the operational accomplishments of the Group and the high regard in which the business units are held by their clients and customers.

The management teams of each business are aligned to CAPPREC’s strategic imperatives. The teams are focused and are making good progress in ensuring the Group’s portfolio of products and services is suitably positioned for current market conditions. While it remains early in the Group’s journey, there is good momentum in delivering value to our clients. The contributions being made by our staff, and the commitment they demonstrate to the Group and our customers, are both assuring and admirable and will serve the Group and our shareholders well into the future.

## **SUMMARISED FINANCIAL RESULTS**

In assessing the financial results, it should be noted that the comparative financial information for the Payments & Payment Infrastructure and Software & Services segments represents trading for five months, as the acquisitions became effective on 5 May 2017.

CAPPREC generated Revenue for the period of R315.4 million (2017: R201.8 million), an increase of 56% and Earnings Before Interest, Taxation, Depreciation and Amortisation (“EBITDA”) of R81.4 million (2017: R65.5 million), an increase of 24%. Profit Before Taxation increased by 13% to R88.4 million (2017: R78.2 million), with Profit After Taxation increasing by 13% being R63.3 million (2017: R56.2 million). Headline Earnings for the period increased by 13% to R63.3 million (2017: R56.2 million) translating into EPS and HEPS for the period of 4.23 cents per share, an increase of 13% relative to the EPS and HEPS of 3.75 cents per share in the comparable period.

CAPPREC also reports Normalised Headline Earnings Per Share (“NHEPS”), which together with EBITDA are the primary measures used by management to assess CAPPREC’s underlying financial performance. NHEPS comprises HEPS adjusted for the after-tax amortisation arising from the value attributed to intangible assets that arose in connection with the asset acquisitions concluded by the Group in May 2017. For the period under review, the Group achieved an increase of 13% in NHEPS to 4.55 cents (2017: 4.02 cents). The Group also considers Cash Earnings Per Share to be an appropriate barometer of its performance and for the period under review, Cash Earnings Per Share was 4.60 cents (2017: 1.22 cents).

A unifying characteristic of all the underlying businesses within the Group is that they are in a growth phase of their respective lifecycles. Investment and expenditure to support this anticipated growth are required to yield further income producing benefits in future timing periods.

During the period under review, operating costs, as expected, grew faster than revenue, as the Group incurred costs to build capacity in anticipation of growth in commercial activity in both the Payments and Software segments. In Payments, the costs relate to development, marketing and capacity building expenditure associated with the launch of the Dashpay processing services. The technology underlying Dashpay has been branded “Stratagem” and is in the process of being activated in a deliberately phased manner. In Services, the added costs related to increased staffing and training substantially associated with the AWS cloud initiatives being pursued by Synthesis. There were also certain increased costs incurred at Group level for additional executive management, administrative overhead and head office rental.

Finance income earned in 2018 is lower than 2017 mainly as a result of higher cash balances held in the five week period 1 April 2017 to 8 May 2017. The settlement date to the vendors for the acquisition of subsidiary and associate companies was 8 May 2017.

During the period under review, the Group again demonstrated its highly cash generative nature with cash generation of 112% of Trading Profit. This characteristic of the Group’s operational enterprises is well reflected in the Group’s cash resources at 30 September 2018 of R551.5 million. This amount, when compared to the Group’s cash resources at 31 March 2018, is after the payment of the declared dividend in June 2018, the buy-back of 4.68 million CAPPREC shares, and several other cash applications reflected elsewhere in this announcement. As of 30 September 2018, CAPPREC has purchased a total of 60.3 million shares at an average price of 76 cents per share. The Group’s cash resources are invested in call and notice deposits with major banks, which yield market related interest rates.

Based on CAPPREC’s Net Asset Value (“NAV”) per share at 30 September 2018 of 95 cents, 37 cents of that NAV per share is represented by cash. The Group’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 the Payments & Payment Infrastructure division of the Group.

African Resonance primarily sells, distributes, maintains, rents and manages payment terminals 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 continued to generate a sizeable number of terminal sales with more than 27 000 additional terminals being sold during the period. African Resonance at period end has more than 103 000 terminals owned by clients. The Group's initial objective was to have 100 000 terminals owned by clients by the end of March 2019.

Dashpay was initially conceived as a traditional merchant acquirer when first established in 2013. Since that time a significant amount has been expended in the development of Dashpay's systems and technology, with further resources being allocated to complete its exclusively licensed multi-product, multi-party, universal transacting platform, recently branded "Stratagem". Dashpay is now positioned to provide innovative transaction processing services, solutions and products focused on B2B and Business-to-Business-to-Consumer ("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.

Stratagem is in the process of being activated in a deliberately phased manner and the response at this early stage is encouraging. The value of transactions processed through the Dashpay network, Gross Transaction Value ("GTV") for the month of October 2018 is more than double the level of activity achieved during any month in the previous financial year and when annualised approximates R1.4 billion. GTV is a key operating metric used to measure the scale of the business and the degree to which Dashpay has and will be able to penetrate the market.

The Payments & Payment Infrastructure segment demonstrated a resilient trading performance notwithstanding continued macro-economic headwinds and low consumer confidence. The division generated revenue of R253.6 million



(2017: R164.2 million), up 54%, EBITDA of R70.0 million (2017: R54.8 million), up 28% and a Profit After Tax of R50.7 million (2017: R38.4 million), up 32%. As noted previously, a large part of the Payments segment's performance is dependent on the state and nature of the economy and the retail sector, in particular. Given the new banking licences recently approved by SARB, particularly to entities promoting technology enabled digital products and services as their primary business, there is likely to be increased pressure on banks to expand services at reduced costs. This will continue to evolve and present the Group with both opportunities and challenges. The opportunities will arise through banks having to compete and provide innovative, contemporary solutions that reduce cost and drive revenue. The challenge is likely to be to the margins the Group will generate as it seeks to respond to clients' desires to reduce existing operating costs.

Synthesis comprises the Software & 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. Synthesis' initiatives span three main areas (i) Cloud, (ii) RegTech, and (iii) Digital Channels. Cloud is the fastest growing segment and has a close strategic alignment with AWS, the cloud computing division of Amazon. Amazon recently announced its intention to establish a regional infrastructure data hub in South Africa, which is expected to open in early 2020. As one of the leading AWS consulting partners in Africa, this should prove to be positive for Synthesis. RegTech provides regulatory reporting solutions to financial institutions, whereas Digital Channels provide secure mobile and web access points for financial services institutions, to enhance their customers' experience.

In addition to its current offerings, Synthesis is making considerable effort through its research and development division (Synthesis Labs) to deliver on the next phase of technological advancement, which includes, inter alia, machine learning, artificial intelligence, big data and blockchain technology. Synthesis continues to explore opportunities for the commercial application of these developments and research efforts.

Synthesis generated Revenue of R61.8 million (2017: R37.6 million), up 64%, EBITDA of R18.4 million (2017: R10.8 million), up 70%, and a Profit After Tax of R13.4 million (2017: R7.8 million), up 72%. These strong results are the result of organic growth – higher services and consulting fees earned from a wider base of customers, as well as more diversified sales – partially attributable to the prior year's investment in capacity.

Resonance Australia continues to make positive progress as it nears operational readiness. The company incurred the anticipated development and administration costs for the period. CAPPREC's share of the resultant deficit of R1.2 million is appropriately reflected as a separate item in the statement of comprehensive income. The Board is satisfied with the evolving activity in Australia and further information on the company's progress will be provided in the normal course.

### **BROAD-BASED BLACK ECONOMIC EMPOWERMENT (“B-BBEE”)**

During the period under review, both African Resonance and Synthesis had their B-BBEE status reviewed. We are delighted to report that African Resonance received a Level 2 and Synthesis a Level 3 contributor accreditation. This is a remarkable achievement and consistent with the Group's overall commitment to B-BBEE. Dashpay remains in its early developmental state and will begin to focus on its B-BBEE rating once more substantial commercial activity is under way.

### **PROSPECTS**

The economic environment in South Africa continues to be challenging, with all sectors affected by low levels of consumer confidence and muted commercial activity. Against this backdrop, and while the pressures of the economic climate cannot be ignored, CAPPREC, with a level of cautious confidence, believes that (i) the growth potential of the Group's subsidiary enterprises continues to be substantial and compelling, and (ii) a reasonable rate of continued organic growth is expected in each of the business units.

Technology continues to have an accelerating impact on the financial services sector, thereby affecting business models, revenue streams, consumer expectations, products offered, services rendered, operating cost structures and regulation. Changes in each of these will precipitate disruptions that will, in themselves, present opportunities for innovative solutions. CAPPREC's subsidiary enterprises each have a long history of innovating in their respective fields and being responsive to clients' needs. Our standing as a trusted partner positions CAPPREC well in the rapidly evolving FinTech sector.

The sector in which CAPPREC operates and invests also presents several interesting acquisition opportunities and, given the Group's strong operating cash flows, cash resources and borrowing capacity, these prospective opportunities will receive management's careful consideration. Opportunities also exist for the expansion and technology transfer of our business models into new markets and certain of these are presently being researched.

## DIVIDENDS

The Board has pleasure in announcing that an interim dividend of 2.25 cents per ordinary share has been declared for the six months ended 30 September 2018 (2017: 2.0 cents). We note the following:

- Dividends are subject to dividends withholding tax.
- The payment date for the dividend is Monday, 10 December 2018.
- Dividends have been declared out of profits available for distribution.
- Local dividends withholding tax is 20%.
- Gross dividend amount is 2.25 cents per ordinary share, which is 1.80 net of withholding tax.
- CAPPREC has 1 555 000 000 ordinary shares in issue at the declaration date.
- CAPPREC's income tax reference number is 9591281176.

The salient dates relating to the dividend are as follows:

- Last day of trade cum dividend Tuesday, 4 December 2018
- Shares commence trading ex dividend Wednesday, 5 December 2018
- Dividend record date Friday, 7 December 2018
- Dividend payment date Monday, 10 December 2018

Share certificates for ordinary shares may not be dematerialised or rematerialised between Wednesday, 5 December 2018 and Friday, 7 December 2018, both days inclusive.

## ACCOUNTING POLICIES AND BASIS OF PREPARATION

These unaudited interim condensed Group financial results have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, presentation and disclosure as required by International Accounting Standard (IAS) 34 Interim Financial Reporting, the JSE Limited Listings Requirements and the requirements of the Companies Act 71 of 2008 of South Africa. The accounting policies and methods of computation used in the preparation of the unaudited interim condensed Group financial results are in terms of IFRS and are consistent in all material respects with those applied in the most recent Group audited annual financial statements.

The fair value disclosures required by IAS 34:16A (j) and (i) are not disclosed in this announcement but are included in the consolidated interim Group financial results which are available for inspection at our offices.

## **PREPARATION OF SUMMARISED FINANCIAL REPORTS**

The financial results herein have been prepared under the supervision of Mr Alan Salomon CA(SA) in his capacity as the Group Chief Financial Officer, and were approved by the Board on 13 November 2018. For further information hereto, please refer to the section below captioned Accounting Policies and Basis of Preparation.

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

This announcement contains forward-looking statements with respect to the economy and the results of the operations of CAPPREC, which by their nature, involve risk and uncertainty on economic circumstances that may or may not occur in the future.

Neither the financial information contained in this interim results presentation, nor any of the forward-looking statements recorded herein, have been audited or reviewed by CAPPREC's external auditors.

# Condensed Group statement of COMPREHENSIVE INCOME

for the six months ended 30 September 2018

Figures in Rand	Note	Unaudited 6 months ended 30 September 2018	% change	Unaudited 6 months ended 30 September 2017 Re-presented (1) (2)
<b>Revenue</b>	2	<b>315 418 112</b>	56	201 775 680
Cost of sales		<b>(184 734 426)</b>		(120 289 977)
<b>Gross profit</b>		<b>130 683 686</b>	60	81 485 703
Operating expenses		<b>(47 917 020)</b>	210	(15 470 048)
<b>Trading profit</b>		<b>82 766 666</b>	25	66 015 655
Share-based payment expense		<b>(196 600)</b>		(25 985)
Depreciation		<b>(3 479 355)</b>		(3 260 565)
Amortisation of intangibles	3	<b>(6 804 622)</b>		(5 528 333)
<b>Operating profit</b>		<b>72 286 089</b>	26	57 200 772
Finance income		<b>17 663 935</b>		21 633 307
Finance costs		<b>(299 676)</b>		(180 421)
Equity-accounted loss in associate		<b>(1 205 636)</b>		(452 526)
<b>Profit before taxation</b>		<b>88 444 712</b>	13	78 201 132
Taxation	3	<b>(25 142 547)</b>		(22 047 330)
<b>Profit after taxation</b>		<b>63 302 165</b>	13	56 153 802
Other comprehensive income		<b>-</b>		-
<b>Total comprehensive income for the period</b>		<b>63 302 165</b>	13	56 153 802
Basic earnings per share (cents)		<b>4.23</b>	13	3.75
Headline earnings per share (cents)		<b>4.23</b>	13	3.75
Diluted earnings per share (cents)		<b>4.14</b>	12	3.69
Diluted headline earnings per share (cents)		<b>4.14</b>	12	3.69
Number of ordinary shares in issue	4	<b>1 555 000 000</b>		1 555 000 000
Weighted average number of shares in issue		<b>1 497 743 079</b>		1 495 935 842
Diluted weighted average number of shares in issue		<b>1 529 650 423</b>		1 520 198 137

<sup>(1)</sup> In terms of IFRS 3 - Business Combinations, management completed the purchase price allocation ("PPA") in the latter part of the 2018 financial year. Accordingly the impact has been re-presented in the 30 September 2017 results. Refer to Note 3.

<sup>(2)</sup> The financial information for the Payments and Software and Services division represents trading for 5 months, as the acquisitions became effective on 5 May 2017.

# Condensed Group statement of FINANCIAL POSITION

at 30 September 2018

Figures in Rand	Note	Unaudited 30 September 2018	Audited 31 March 2018	Unaudited 30 September 2017 Re-presented <sup>(1)</sup>
<b>ASSETS</b>				
Property, plant and equipment		18 764 233	15 275 684	15 864 752
Intangible assets	3	66 654 548	71 452 462	78 165 645
Goodwill	3	728 577 776	728 577 776	728 577 776
Other financial assets		18 297 738	17 625 214	16 952 674
Investment in associates		27 582 673	28 788 310	36 333 335
Deferred tax		6 416 309	2 643 528	3 020 684
<b>Non-current assets</b>		<b>866 293 277</b>	864 362 974	878 914 866
Inventories		10 102 704	21 320 108	-
Trade and other receivables		108 304 450	68 034 527	98 703 029
Loan to associate		5 091 841	4 512 392	-
Taxation receivable		510 154	307 957	247 229
Cash and cash equivalents		551 525 305	513 169 862	463 481 526
<b>Current assets</b>		<b>675 534 454</b>	607 344 846	562 431 784
<b>Total assets</b>		<b>1 541 827 731</b>	1 471 707 820	1 441 346 650
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	4	1 207 330 459	1 211 781 099	1 234 340 906
Share-based payment reserve		447 100	250 500	25 985
Contingent consideration reserve	3	24 900 000	24 900 000	24 900 000
Retained income	3	188 690 386	155 355 981	98 973 872
<b>Total equity</b>		<b>1 421 367 945</b>	1 392 287 580	1 358 240 763
Deferred revenue		6 404 167	7 066 667	8 391 667
Contingent consideration	3	8 975 889	8 689 618	8 163 000
Deferred tax	3	18 074 467	19 931 987	21 789 507
<b>Non-current liabilities</b>		<b>33 454 523</b>	35 688 272	38 344 174
Trade and other payables	3	72 361 880	33 091 148	29 121 897
Bank overdraft		-	-	349 869
Other financial liabilities		-	2 989 613	7 370 229
Deferred revenue		1 325 000	1 325 000	662 500
Taxation payable		13 318 383	6 326 207	7 257 218
<b>Current liabilities</b>		<b>87 005 263</b>	43 731 968	44 761 713
<b>Total equity and liabilities</b>		<b>1 541 827 731</b>	1 471 707 820	1 441 346 650

<sup>(1)</sup> In terms of IFRS 3 – Business Combinations, management completed the purchase price allocation (“PPA”) in the latter part of the 2018 financial year. Accordingly the impact has been re-presented in the 30 September 2017 results. Refer to Note 3.

# Condensed Group statement of CASH FLOWS

for the six months ended 30 September 2018

Figures in Rand	Note	Unaudited 6 months ended 30 September 2018	Unaudited 6 months ended 30 September 2017 Re-presented <sup>(1)</sup>	Audited year ended 31 March 2018
<b>Profit before taxation</b>		<b>88 444 712</b>	78 201 132	199 989 814
<i>Adjustments for:</i>				
Finance income		<b>(17 663 935)</b>	(21 633 307)	(39 437 269)
Finance costs		<b>299 676</b>	180 421	785 056
Non-cash flow items		<b>11 512 616</b>	9 285 611	18 152 278
Changes in working capital		<b>9 829 932</b>	(25 388 603)	(12 553 368)
<b>Cash flow from operations</b>		<b>92 423 001</b>	40 645 254	166 936 511
Finance income		<b>17 663 935</b>	21 633 307	39 427 325
Finance costs paid		<b>(13 405)</b>	-	(248 493)
Dividends paid		<b>(29 967 760)</b>	-	(30 400 000)
Taxation paid		<b>(23 472 972)</b>	(22 409 002)	(61 154 563)
<b>Net cash flow from operating activities</b>		<b>56 632 799</b>	39 869 559	114 560 780
Acquisition of property, plant and equipment		<b>(8 269 827)</b>	(5 126 371)	(4 872 247)
(Acquisition)/disposal of intangible assets		<b>(2 006 708)</b>	34 345	(182 160)
Proceeds on disposal of property, plant and equipment		<b>1 301 921</b>	(115 319)	405 075
Acquisition of subsidiaries net of cash acquired	3	-	(553 009 486)	(553 009 486)
Acquisition of associate	3	-	(30 496 520)	(30 206 520)
Loan to associate		-	(5 024 791)	(5 024 791)
Repayment of loans		-	4 153 532	4 153 532
<b>Net cash flow from investing activities</b>		<b>(8 974 614)</b>	(589 584 610)	(588 736 597)
<b>Cash flows from financing activities</b>				
Purchase of treasury shares		<b>(4 450 640)</b>	(18 811 594)	(41 371 401)
Repayment of loans	3	<b>(4 362 102)</b>	(16 130 379)	(19 071 601)
<b>Net cash flow from financing activities</b>		<b>(8 812 742)</b>	(34 941 973)	(60 443 002)
Net increase/(decrease) in cash and cash equivalents		<b>38 845 443</b>	(584 657 024)	(534 618 819)
Cash and cash equivalents at the beginning of the period		<b>512 679 862</b>	1 047 788 681	1 047 788 681
<b>Cash and cash equivalents at the end of the period</b>		<b>551 525 305</b>	463 131 657	513 169 862
<b>Split as follows:</b>				
Cash and cash equivalents		<b>551 525 305</b>	463 481 526	513 169 862
Bank overdraft		-	(349 869)	-
		<b>551 525 305</b>	463 131 657	513 169 862

# Condensed Group statement of CHANGES IN EQUITY

for the six months ended 30 September 2018

Figures in Rand	Ordinary share capital	Constituent ordinary share capital
<b>Balance at 1 April 2017</b>	1 000 002 500	4 000 000
Issue of ordinary share capital	253 150 000	
Repurchase of constituent ordinary share capital		(4 000 000)
Share-based payment reserve		
Contingent consideration reserve		
Purchase of treasury shares	(18 811 594)	
Total comprehensive income for the six months ended 30 September 2017		
<b>Balance at 30 September 2017</b>	<b>1 234 340 906</b>	<b>-</b>
Share-based payment reserve		
Purchase of treasury shares	<b>(22 559 807)</b>	
Cash dividend paid		
Total comprehensive income for the six months ended 31 March 2018		
<b>Balance at 31 March 2018</b>	<b>1 211 781 099</b>	<b>-</b>
Share-based payment reserve		
Purchase of treasury shares	<b>(4 450 640)</b>	
Cash dividend paid		
Total comprehensive income for the six months ended 30 September 2018		
<b>Balance at 30 September 2018</b>	<b>1 207 330 459</b>	<b>-</b>

<sup>(1)</sup> The opening balance of Retained income in the prior year has been re-presented to reflect IFRS 3 - Business combinations.



Share-based payment reserve	Contingent consideration reserve	Retained income <sup>(1)</sup>	Total equity
-	-	38 820 070	1 042 822 570
			253 150 000
25 985		4 000 000	-
	24 900 000		25 985
			24 900 000
			(18 811 594)
		56 153 802	56 153 802
25 985	24 900 000	98 973 872	1 358 240 763
<b>224 515</b>			<b>224 515</b>
			<b>(22 559 807)</b>
		<b>(30 400 000)</b>	<b>(30 400 000)</b>
		<b>86 782 109</b>	<b>86 782 109</b>
<b>250 500</b>	<b>24 900 000</b>	<b>155 355 981</b>	<b>1 392 287 580</b>
<b>196 600</b>			<b>196 600</b>
			<b>(4 450 640)</b>
		<b>(29 967 760)</b>	<b>(29 967 760)</b>
		<b>63 302 165</b>	<b>63 302 165</b>
<b>447 100</b>	<b>24 900 000</b>	<b>188 690 386</b>	<b>1 421 367 945</b>

# Notes

## NOTE 1. CONSOLIDATED SEGMENT ANALYSIS

Figures in Rand	Payments	
	30 September 2018	30 September 2017 Re-presented (1) (2)
Revenue	<b>253 582 243</b>	164 169 445
Trading profit/(loss)	<b>69 981 401</b>	54 765 156
Depreciation	<b>(2 980 227)</b>	(3 028 900)
Amortisation of intangibles	<b>(170 622)</b>	-
Operating profit	<b>66 830 552</b>	51 736 256
Profit after taxation	<b>50 732 788</b>	38 413 910
Total assets	<b>190 898 644</b>	163 844 145
Total liabilities	<b>70 330 835</b>	32 679 221
Net assets	<b>120 567 809</b>	131 164 923

Figures in Rand	30 September 2018	30 September 2017 <sup>(2)</sup>
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## NOTE 2. REVENUE

### Payments division

Rental income	<b>44 793 577</b>	44 258 910
Maintenance and support service fees	<b>28 630 633</b>	20 147 166
Sale of terminals	<b>165 675 777</b>	88 649 237
Transaction fees	<b>7 441 404</b>	5 050 627
Other revenue	<b>7 040 852</b>	6 063 505
	<b>253 582 243</b>	164 169 445

### Software & Services division

Services and consultancy fees	<b>45 915 512</b>	29 807 588
Licence and subscription fees	<b>14 038 895</b>	5 305 632
Hardware	<b>1 881 462</b>	2 277 302
Other turnover	-	215 713
	<b>61 835 869</b>	37 606 235

<b>Total revenue</b>	<b>315 418 112</b>	201 775 680
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### Geographic Region

South Africa	<b>307 363 110</b>	196 239 395
Rest of Africa and Indian Ocean Islands	<b>8 055 002</b>	5 536 285
	<b>315 418 112</b>	201 775 680

Software & Services		Corporate		Group	
30 September 2018	30 September 2017 Re-presented (1) (2)	30 September 2018	30 September 2017 Re-presented (1) (2)	30 September 2018	30 September 2017 Re-presented (1) (2)
61 835 869	37 606 235	-	-	315 418 112	201 775 680
18 380 501	10 792 629	(5 595 237)	457 870	82 766 665	66 015 655
(267 863)	(191 141)	(231 265)	(40 524)	(3 479 355)	(3 260 565)
-	-	(6 634 000)	(5 528 333)	(6 804 622)	(5 528 333)
18 112 639	10 601 488	(12 657 102)	(5 136 972)	72 286 089	57 200 772
13 428 855	7 780 492	(859 578)	9 959 400	63 302 065	56 153 802
47 369 131	35 563 336	1 303 559 956	1 241 939 169	1 541 827 731	1 441 346 650
19 227 101	17 991 152	30 901 852	32 435 514	120 459 788	83 105 887
28 142 030	17 572 184	1 272 658 106	1 209 503 656	1 421 367 945	1 358 240 763

### NOTE 3. RE-PRESENTED RESULTS

In terms of IFRS 3 Business Combinations, management completed the PPA in the latter part of the 2018 financial year. Accordingly the impact has been re-presented in the 30 September 2017 results.

	30 September 2017 Re-presented	30 September 2017 Previously reported
<b>Statement of financial position</b>		
Intangible assets	78 165 645	345 978
Goodwill	728 577 776	753 158 608
Contingent consideration reserve	(24 900 000)	-
Contingent liability	(8 163 000)	-
Deferred tax	(21 789 507)	-
Trade and other payables	(29 121 897)	(26 755 169)
Retained income	(98 973 872)	(102 954 272)
<b>Statement of comprehensive income</b>		
Amortisation of intangibles	(5 528 333)	-
Deferred taxation	1 547 933	-
<b>Statement of cash flows</b>		
Acquisition of subsidiaries net of cash acquired	(553 009 486)	(569 889 865)
Acquisition of associate	(30 496 520)	(29 746 520)
Repayment of loans	(16 130 379)	-

(1) In terms of IFRS 3 - Business Combinations, management completed the purchase price allocation ("PPA") in the latter part of the 2018 financial year. Accordingly the impact has been re-presented in the 30 September 2017 results. Refer to Note 3.

(2) The financial information for the Payments and Software and Services division represents trading for 5 months, as the acquisitions became effective on 5 May 2017.

	<b>30 September 2018 Number</b>	31 March 2018 Number	30 September 2017 Number
<b>NOTE 4. SHARE CAPITAL</b>			
<b>Reconciliation of issued ordinary shares</b>			
Number of issued ordinary shares at the beginning of the period	<b>1 555 000 000</b>	1 250 000 000	1 250 000 000
Number of ordinary shares issued during the period	-	305 000 000	305 000 000
Number of issued ordinary shares at end of the period	<b>1 555 000 000</b>	1 555 000 000	1 555 000 000
Number of issued ordinary treasury shares on hand at end of the period	<b>(60 300 000)</b>	(55 620 000)	(25 000 000)
Number of issued ordinary shares, net of treasury shares at end of the period	<b>1 494 700 000</b>	1 499 380 000	1 530 000 000

During the period the Group purchased 4 680 000 ordinary shares at an average price of 95.1 cents per share.

#### **NOTE 5. NEW STANDARDS AND INTERPRETATIONS**

##### **5.1 Standards and interpretations adopted in the current year**

5.1.1 IFRS 9 Financial Instruments: IFRS 9 has been adopted in the current year using modified retrospective method and not restating comparatives. The implementation of IFRS 9 had no material financial impact in the results.

5.1.2 IFRS 15 Revenue from Contracts with Customers: IFRS 15 has been adopted in the current year using modified retrospective method. The implementation of IFRS 15 had a disclosure impact whereby items such as Finance Income are no longer presented in Revenue from Contracts with Customers and are accordingly presented. The implementation of IFRS 15 had no material financial impact in the results.

##### **5.2 Standards and interpretations not yet effective**

5.2.1 IFRS 16 Leases: The impact of these amendments is currently being evaluated by the Group.

#### **NOTE 6. POST PERIOD END EVENTS**

The directors are not aware of any matter or circumstance arising since the end of the financial period.

On behalf of the Board

**Michael (Motty) Sacks**  
Non-Executive Chairman

**Michael Pimstein and Bradley Sacks**  
Joint Chief Executive Officers

**Alan Salomon**  
Chief Financial Officer

Sandton  
14 November 2018

# Corporate INFORMATION

## **Capital Appreciation Limited**

Incorporated in the Republic of South Africa  
(Registration number 2014/253277/06)  
Share code: CTA ISIN: ZAE000208245  
("CAPPREC", or the "Group")

## **Registered office**

61 Katherine Street, Sandton, 2196

## **Directors**

MI Sacks<sup>#</sup> (Chairman), MR Pimstein\* (Joint Chief Executive), BJ Sacks\* (Joint Chief Executive), AC Salomon\* (Chief Financial Officer), R Morar<sup>#</sup>, B Bulo<sup>#</sup>, JM Kahn<sup>#</sup>, Prof H Neishlos<sup>#</sup>, VM Sekese<sup>#</sup>, CL Valkin<sup>#</sup>, KD Dlamini<sup>#</sup>, EM Kruger<sup>#</sup>, MG Mokoka<sup>#</sup>, E Neishlos<sup>#</sup>

\* Executive # Non-Executive

**Company Secretary:** Crowe Jhb

**Auditors:** Ernst & Young Inc.

**Sponsor:** Investec Bank Limited

**Email:** investor@capitalappreciation.co.za

**Website:** www.capitalappreciation.co.za

## **Transfer Secretary**

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