



MEDIA RELEASE

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CAPITAL APPRECIATION DEMONSTRATES GOOD MOMENTUM, PERIOD CUT-OFF IMPACTS REVENUES

Salient features - Interim financial results for the six months ended 30 September 2019

Financial	Operational
<ul style="list-style-type: none"> • Period's results negatively impacted due to late arrival of budgeted terminal imports, shifting expected revenues into 2nd period • Significant revenues booked and cash generated in October 2019 • Revenue R281.6 million -10.7% • EBITDA R67.9 million -16.8% • Trading profit R68.2 million -17.6% • Headline earnings R50.3 million -20.5% • EPS of 3.94 cents -6.8% • HEPS of 3.43 cents -19.0% • Normalised HEPS 3.81 cents -16.3% • Interim dividend of 2.25 cents per ordinary share (September 2018:2.25 cents per ordinary share) • R416 million cash available for reinvestment 	<ul style="list-style-type: none"> • African Resonance acquired ownership of all core Intellectual Property • Strategic repurchase and cancellation of 245 million shares successfully completed • African Resonance fleet of 154 000 payment terminals in the hands of clients, increase of 10% since March 2019 (31% year-on-year) • African Resonance installed terminals grow by 23% to 117 000 since March 2019 (52% year-on-year) • Synthesis continues its track record of 31% compound earnings growth • Synthesis technology teams take on a more pivotal role within the Capprec group • Dashpay concluded Distribution and Use Agreement for a new second source of quality terminals with second largest manufacturer of terminals globally • Dashpay roll out progressing with Annualised Gross Transaction Value (GTV) exceeding R2.9 billion, up 31% since March 2019 (more than 100% year-on-year) • Group investment to support growth continues

Johannesburg, 18 November 2019: South African FinTech group Capital Appreciation Limited (Capprec) has delivered satisfactory operational performance for the six months ended 30 September 2019. The Company made substantial progress in the period in attracting new blue-chip clients, concluding additional strategic relationships for both transaction processing and the distribution of payment terminals (the terminal estate grew 31% year on year). In addition, the escalating demand for Synthesis' skills base and digital and cloud-based services increased earnings in this division by 31%. Capprec also successfully concluded a share repurchase and small related party transaction.

This operational progress is not fully reflected in the current financial results, mainly due to a late delivery of a sizable number of imported terminals. These delayed terminals could not be distributed and transferred to customers prior to the cut-off period of 30 September 2019, affecting the interim results. The Company said that these terminal orders have since been fulfilled and that significant revenue and cash generation took place in October 2019 related inter alia, to this inventory and strong collection from receivables.

For the interim period, Capprec's generated gross revenues of R281.6 million down 10.7% and profit after taxation down 8.6% to R57.9 million. Headline earnings for the period decreased by 20.5% to R50.3 million, translating into HEPS of 3.43 cents per share, down 19.0%. Capprec declared an interim dividend of 2.25 cents per ordinary share.

Capprec is a financial technology company with proprietary and licensed platforms, solutions, products and applications targeted at the B2B market. CAPPREC's client base includes all major banking institutions in South Africa, as well as many niche banks, large financial services institutions and other financial services companies. . In recent times, the Company has also successfully diversified into the retail and telecommunications sector.

"Innovative technologies and applications are accelerating at a rapid rate and are demanding the review of traditional business models, revenue streams, consumer expectations, products offered, services rendered, including operating cost structures and regulation" notes Bradley Sacks, joint CEO of Capprec. *"Managing this rapid and evolving change requires appropriate skills and experience and a track record of creativity and innovation. Each of Capprec's subsidiaries has a proven, well established reputation in such technology matters and this positively positions the Company to be regarded as a trusted partner to participate in this evolution."*

In addition to rapidly evolving technological change, increasing customer expectations and growing regulatory compliance requirements, there is added pressure on clients to reduce costs. This is creating growing demand for the Company's more cost effective, high tech services and applications, which should drive above-trend growth for the foreseeable future. Capprec continues to invest in additional capacity, including the development of new innovative product offerings in anticipation of growth in commercial activity in both its Payments and Services operations.

During the period Capprec concluded and successfully executed an agreement with the principal vendor of African Resonance and his associates, to acquire the intellectual property, technology and development platforms that were previously licensed by African Resonance from Uplink (an entity controlled by the vendor). The Company also employed those members of the Uplink team focused on Capprec customer technology and their development needs. The agreement included the share repurchase by Capital Appreciation of 245 million shares from the vendor and his associates and the disposal of Capprec's 17.45% interest and claims in Resonance Australia.

This was an important milestone for Capprec as the Company now has absolute ownership over all core intellectual property used in the businesses. The benefits of the transaction are already evident in the enhanced cooperation between the technical teams of all Capprec business units. Bringing the technology skills and resources of Synthesis together with African Resonance and Dashpay, not only maximises the contributions from each division, but stimulates further innovation and eliciting better coordination and operational efficiency.

Capprec had cash resources at the end of the period of R415.9 million, post the cash outflow effects of the share repurchase transaction. Capprec continues to be highly cash generative, as evidenced by the generation of an additional R66 million of net cash inflow in October 2019. Cash resources at end of October 2019 amounted to R482 million. Based on the closing price of a Capprec share on 30 September 2019 of 77 cents, 32 cents of that share price is represented by cash. The Company'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.

Segmental performance

Payments Division (African Resonance & Dashpay)

African Resonance is a solid, well-run business that continues to produce sustainable profits and cash flow. The company has attracted a strong client base both in South Africa and elsewhere in Africa and its products have been well-received, allowing it to grow market share and build a sizable terminal base. African Resonance sold more than 18 000 additional terminals in the past six months, bringing the total number of terminals in the hands of customers to more than 154 000. Of these terminals, 117 000 have already been deployed, causing annuity-based maintenance and support fees to double year-on-year. Terminal sales for the period reflected a decline on the prior period, due in large part to the delay in delivery of September orders in October.

Dashpay continued to firmly establish its business model, generating Annualised Gross Transaction Value (GTV) exceeding R2.9 billion, up 31% since year-end and more than 100% year-on-year. The enterprise has continued to grow its transacting client base. Dashpay also signed an ISO agreement with ABSA, in addition to its existing agreements with Nedbank and Mercantile Bank. Dashpay signed a new distributor agreement with Newland Payment Technologies, the second largest terminal manufacturer globally, for the use and distribution of Newland payment terminals for the SADC region. The agreement should further broaden Dashpay's target market as these terminals will predominantly target SMMEs and enterprises who do not currently utilise the payment terminals environment. Dashpay will primarily focus

on introducing Newland Android and MPOS products to new markets, as these terminals offer a competitive package of functionality, price and quality and complement the bespoke VAS offered by Dashpay.

The Payments segment demonstrated a resilient trading performance notwithstanding continued macro-economic headwinds and the transactional cut-off effects alluded to above. The division generated revenue of R186.3 million (September 2018: R253.6 million). Profit after tax decreased by 39.6% to R30.6 million. The Company said that while the unexpected delay had a measurable effect on revenue and profits for the reporting period, it is likely to contribute to an improved financial result in the second half of the year in the Payments division. Absent the delivery delay, Payments related revenue would have exceeded the revenue in the comparable period.

Services Division (Synthesis)

Synthesis offers highly specialised software development, consulting and integration services and technology-based product solutions to banking, financial institutions, retail and telecommunications enterprises in South Africa and other emerging markets. Cloud is Synthesis' fastest growing segment and the business has a close strategic relationship with Amazon Web Services (AWS), the world's leading cloud platform provider. The first AWS infrastructure region on the African continent is expected to open in Cape Town in early 2020 and Synthesis is well positioned to capitalise on the launch of the new AWS region for South African businesses.

It has been a very positive first half of the year for Synthesis, with notable demand across all four service offerings. This is evidenced by the significant growth in revenue and profits for the period. Synthesis increased revenue by 54.0% to R95.3 million and profit after tax by 31.0% to R17.6 million.

Synthesis said that in addition to the demand for Cloud, its Digital area is benefiting from clients requiring new digital offerings for their customers, while its RegTech area has shown promising growth, attracting several new customers to the mix. Synthesis Academy provides onsite or digital-based training to enterprises and corporates on a range of emerging technology topics, such as cloud, artificial intelligence (AI) and machine learning and the commercialization of the Synthesis Academy offering has shown significant promise to provide the much-needed skills development and training for the South African market.

Synthesis also concluded several new partnerships, including VMware, Confluent, Hashicorp and Cloudflare. Synthesis is utilising these partnerships to help deliver more comprehensive service offerings related to real-time data streaming, cloud infrastructure, cloud security, artificial intelligence, as well as machine learning and personalisation to customers. Using machine learning, Synthesis has also started building a data analysis and data engineering practice that is complementary to its digital and Cloud areas.

Govchat and the Capital Appreciation Enterprise Development Fund

As part of its transformation initiatives, Capprec established the Capital Appreciation Enterprise Development Fund in 2019, with its first funding allocation to GovChat (Pty) Limited, a South African

black-controlled technology enterprise that facilitates engagement between citizens and their elected officials and which aims to make Government responsive, agile and transparent in its engagements. GovChat concluded an agreement with the Department of Co-operative Development and Traditional Affairs to provide such services. Capprec is closely involved with the enterprise, offering in-house expertise and support in addition to the enterprise development funding. The team at Synthesis is responsible for building the GovChat technology platform. The relationship with GovChat presents a number of potential commercial opportunities which are consistent with the strategic objectives of Capital Appreciation.

Prospects

The Company said that while challenging economic and political environment in South Africa continues to be of concern, there is a well-developed pipeline of compelling organic and acquisitive growth opportunities that have been presented to Capprec management for evaluation. This provides a sense of cautious confidence as to the continued organic growth prospects of the group's business units. Given the Company's strong operating cash flows, cash resources and potential borrowing capacity, Capprec also has the capacity to consider further investment opportunities.

Ends.

ABOUT Capprec

Capprec is a financial technology company. The Company operates in two business segments – Payments & Payment Infrastructure (“Payments”) and Software & Services (“Services”). African Resonance and Dashpay comprise the Payments segment and Synthesis comprises the Services segment. African Resonance is a leading provider of payment infrastructure and related technology solutions to established financial institutions. Dashpay operates an innovative transacting platform and provides transaction processing services, solutions and products focused on business-to-business, commercial and payment activity to emerging payment service providers, select industry bodies and associations, healthcare practitioners, the hospitality industry and the retail sector.

Synthesis is a highly specialised software and systems developer that delivers technology solutions and services to the financial services, retail and telecommunications sectors in South Africa and other countries on the African continent. Synthesis is the foremost provider of Amazon Web Services (AWS) cloud services to the financial services sector.

Further detail on the nature of these specialised business units is available on the Company's website, at www.capitalappreciation.co.za.

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