



MEDIA RELEASE

Monday, 1 June 2020

CAPITAL APPRECIATION DELIVERS STRONG RESULTS AND ROBUST STRATEGIC PROGRESS

Financial results for the year ended 31 March 2020

OPERATIONAL HIGHLIGHTS	FINANCIAL FEATURES
<ul style="list-style-type: none"> • Growth continues across all business units • Synthesis' excellent performance continues with expansion into new verticals and geographies • Synthesis' AWS Advanced Consulting partner status expanded to include Financial Services and DevOps specialities, Well Architected Frameworks and SaaS Partner • Continued market share gains in payment infrastructure solutions • Payment terminals in the hands of clients, up 32.1% • Expanded payment processing solutions introduced • CAPPREC's new associate, GovChat, assists Government with COVID-19 Social Relief of Distress (SRD) grants 	<ul style="list-style-type: none"> • Revenue R701.2 million, up 15.4% • Strategic investment and expenditure incurred to support growth • EBITDA R204.7 million, up 29.1% • Trading profit R206.1 million, up 19.0% • Headline earnings R142.3 million, up 14.2% • EPS 11.24 cents , up 34.9% • HEPS 10.67 cents, up 28.1% • Cash generation of R206 million • Cash conversion rate - 100% of trading profit • Final dividend per share of 2.75 cents, bringing total dividend per share for the year to 5.00 cents, an increase of 17.6 % • R505 million of cash available for reinvestment

Johannesburg, 1 June 2020: South African FinTech group Capital Appreciation Limited (Capprec) has delivered a strong operational performance for the year ended 31 March 2020, despite the challenging economic environment in South Africa. CAPPREC increased revenue by 15.4% to R701.2 million in the period. EBITDA grew by 29.1% to R204.7 million and profit after taxation increased by 20.2% to R149.8 million. The Company increased headline earnings by 14.2% to R142.3 million and HEPS by 28.1% to 10.67 cents per share against the comparable period. Capprec generated R206 million in cash, translating into a cash conversion rate of 100% of trading profit.

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, retailers and other corporate enterprises. Capprec also expanded its operational footprint outside South Africa and now services clients digitally in ten countries beyond our borders.

Bradley Sacks, joint CEO of Capprec, noted: *"Technology's role as a disrupting force and a differentiator in the Banking and Financial Services sector continues to accelerate. Its impact and effect is visible not only in new digital related service offerings, but also in reducing operating costs and extracting greater efficiencies through automation and shared infrastructure. Each of Capprec's subsidiaries has a proven, well established reputation in such technology matters and this positions the Company as a trusted partner to our clients to participate in this evolution."* Sacks continued: *"The COVID-19 pandemic has yanked the need for the economy to digitalise forward at an unprecedented rate. It has also underscored the importance for end-customers being able to engage and transact digitally and the demand for innovative and secure digital platforms has accelerated significantly. We expect this trend to continue if not even increase further."* 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.

An important milestone in the period was the specific share repurchase and small related party transaction implemented in September 2019. In terms of this transaction, CAPPREC repurchased and cancelled 245 million CAPPREC shares and, in addition, acquired the intellectual property, technology and development platforms, that were previously licensed to African Resonance. As part of that transaction the Company employed all the previous licensor's personnel focused on CAPPREC customer technology and development needs and secured absolute ownership over most of the core intellectual property used in the businesses.

The Group's cash resources at 31 March 2020 were R505.1 million. The closing price of a CAPPREC share on 31 March 2020 was 60 cents; of that almost 40 cents 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.

Covid-19 pandemic

Capprec's group companies, being providers of essential services, continued to operate effectively during the lockdown period. The wellbeing of our staff is paramount and our prior investments in redundancy and disaster preparedness protocols has paid dividends, allowing all services to clients to continue uninterrupted.

In recent weeks, Capprec's enterprise development affiliate GovChat and the team at Synthesis have worked closely to assist Government in responding to events arising from the COVID-19 pandemic. One of these initiatives is assisting the Department of Social Development to provide the South African Social

Security Agency (SASSA) with a mechanism to digitalise the SRD grant application process. To date, the partnership with GovChat has enabled more than 1.6 million individuals to apply for a grant electronically.

The technology platforms that underlie GovChat were developed by Synthesis and build on Synthesis' unique skills in Cloud computing, security and hyperscale platforms. This experience has not only validated the power of the Synthesis knowledge base but has confirmed the existence of a broader opportunity set in sectors such as Healthcare. The range of offerings and applications offered by GovChat will continue to grow in response to the needs of Government, SA citizens and SA business.

Segmental performance

Payments division (African Resonance & Dashpay)

The Payments division demonstrated a resilient trading performance with revenue growth of 7.7% to R506.2 million, EBITDA of R161.8 million, up 19.6% and profit after tax increasing by 17.4% to R115.3 million.

African Resonance is a solid, well-run business that continues to produce sustainable profits and healthy cash flow. The Company has attracted a strong client base comprising all the major banks in South Africa, as well as a range of other financial institutions both in South Africa and elsewhere in Africa. Its products have been well-received, allowing it to grow market share and build a sizable installed base of terminals. During the past year, African Resonance increased the total number of terminals in the hands of customers by 32.1% to more than 185 000. Average deployed terminals increased by 57.7% to 135 000 units, which had a commensurate positive impact on annuity-based maintenance and support service revenues.

Dashpay continued to firmly establish its business model, despite operating under difficult economic conditions. Notwithstanding, annualised Gross Transaction Value (GTV) exceeding R4.9 billion, was up more than 122% year-on-year. Dashpay also signed an ISO agreement with Absa, in addition to its existing agreements with Nedbank and Mercantile Bank. Dashpay continues to pursue development of new opportunities and continues to invest time, effort and capital on new technologies for deployment and application within the broader retail sector.

The Payments division concluded a distributor agreement with Newland, the world's second largest terminal supplier and the largest in China, for the use and distribution of payment terminals for the SADC region. The introduction of Android and MPOS products will offer an extremely competitive functionality, price and quality package to especially SMMEs and businesses that do not currently use digital and card payments to enter that market.

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.

Synthesis achieved pleasing results, with revenue increasing by 41.5% to R195.0, EBITDA of R53.8 million, up 24.1%, and an 12.8% increase in profit after tax to R36.9 million. The growth in revenue and the proportionately greater increase in operating costs correlate to the increasing demand for Cloud services and the ongoing investment to address that demand and in anticipation of even greater future demand.

It has been a highly successful year for Synthesis, with notable demand across all four service offerings. Cloud is Synthesis' fastest growing segment and the business has a strong strategic relationship with Amazon Web Services (AWS), the world's leading Cloud platform provider. AWS launched its Africa region data centre in Cape Town at the end of April 2020. Synthesis was one of its key launch partners and is well positioned to capitalise on the accelerating need and demand for Cloud services. Regulatory reporting solutions to financial institutions produced steady growth in the period with healthy margins. Synthesis' Digital and Emerging Tech services provide secure mobile and web digital channels for financial services institutions and provide access to emerging technologies. The Synthesis Academy provides onsite or digital-based training to enterprises and corporates on a range of emerging technology topics and the commercialisation of the Academy offering has shown significant promise to provide much-needed skills development and training for the South African market.

Synthesis concluded several new partnerships, including VMware, Confluent, Hashicorp and Cloudflare to complement its Cloud services and are helping to deliver more comprehensive service offerings related to real-time data streaming, Cloud infrastructure, Cloud security, artificial intelligence, machine learning (AI/ML) and personalisation to its 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. The Synthesis focus on new customer verticals, including Retail, Media and Telecoms and Healthcare, has shown favourable results.

Prospects

The Company said that while the challenging economic and political environment in South Africa continues to be of concern, operating subsidiaries are functioning well and have proved their resilience and tenacity during the current lockdown period. The demand for new technologies in the financial services, retail and healthcare sectors where group companies have differentiated expertise, is accelerating at a rapid rate; and the young, talented and dedicated management teams in Capprec's businesses are committed to remaining competitive and exceeding customers' expectations in the current challenging trading environment. Accordingly, while heedful of the challenges that lie ahead, CAPPREC is confident of continued operational progress and hopeful of continued financial progress.

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.

For media queries or interviews contact:

Aprio Strategic Communications

Michelle Copans

Michelle@aprio.co.za

+2782 743 9962