



## **Capital Appreciation Limited**

Incorporated in the Republic of South Africa

Registration number 2014/253277/06

Share code: CTA

ISIN: ZAE000208245

## **BUSINESS UPDATE**

The Capital Appreciation Limited 2021 Annual General Meeting will take place virtually at 14:00 today. We therefore take the opportunity to provide shareholders and other interested parties with a brief update on the progress within our divisions since 31 March, our financial year-end, as well as the state of the markets in which we operate. We do not provide any financial data in this update, but, if and when required, we will release a trading statement for our interim results through to 30 September 2021.

Despite the acknowledged economic challenges being experienced in South Africa at this time, the nature of our services have shielded the Group from being materially affected. Our business units are fortunate to be trading well. The persistent COVID pandemic naturally continues to negatively impact retail activity, and while we are not immune from the consequences thereof, we are pleased to record continuing positive momentum in the technology sectors in which we operate.

Digitalization in general, and the greater adoption of electronic payments in particular, have positively impacted our Payments division. Consequently, the pipeline of device orders we anticipated has materialized and a significant number of devices sold will reflect in our revenue line in our interim results. Notwithstanding global challenges with semi-conductor supply and possible shipment delays, the pipeline for the second half of the financial year also looks encouraging.

Our other specialized Payment service offerings continue to make good progress. We have continued to evolve our “Halo” offering, now being offered as a software development kit (SDK), an app and a fully integrated payment solution. These solutions are fully certified with Visa, Mastercard and American Express for both “tap-on-phone” and “pin-on-glass” functionality. In addition to our initial customer Nedbank, we have concluded agreements with two more customers and hope to be in a position to announce those publicly in the weeks to come. Our “Halo” product has also generated interest from international markets, which validates our thesis on the global applicability of our technology offerings.

LayUp continues to make positive progress, with an increasing accumulation of merchants signing up for the lay by service offering. While the initial rollout was targeted at online merchants only, a retail app was recently launched and the offering is now also available on Dashpay-supplied physical terminals at points of sale. Consumers have been positively disposed to the offering, being particularly attracted by the convenience offered.

The Group continues to innovate and invest in new technologies, offerings and solutions and seeks to be responsive to the needs of clients. The accelerating adoption in South Africa of digital payments by



both business and consumers, provides fertile ground for the continued growth of the Group's Payments division.

Similarly with Payments, good growth opportunities exist for our Software Segment, Synthesis. Although environmental factors have temporarily delayed or slowed the rate of progress on certain projects, the pipeline, as well as new contract wins, have been impressive. A number of long-term projects commenced in the period and significant software sales have been contracted with a mix of existing and new customers. Demand for Cloud and Digital services continues to grow and the areas of Intelligent Data and Managed Services are showing strong progress.

Synthesis has made good progress on growing international opportunities, with particular success in South-East Asia, and has also continued to diversify its customer base within the Financial Services sector and beyond. To support our growth and aspirations in international markets, we are pleased to report our formal investment in Europe with the opening of an office in Amsterdam at the end of August.

Our associate, GovChat, continues to demonstrate its innovative offerings and the impact technology can have in the public sector. GovChat, in collaboration with the Department of Social Development and SASSA has made a material contribution to the digitalization and the recent re-application/onboarding process for Social Relief of Distress (SRD) grant recipients. Within a period of a few days, GovChat was able to receive more than 11 million applications from potential recipients. Absent this intervention, the process of registering applicants for the SRD grant would have taken weeks, if not months.

GovChat is able to deliver such services due to the contemporary, cloud-first, hyper-scale, serverless architecture developed by Synthesis. GovChat is able to dynamically adjust to the changing capacity demands of the circumstances in each case and is a testament to the technology prowess of the Group.

Our divisions remain highly cash generative and as a consequence we have continued to strengthen the Group's balance sheet during this period. While our businesses and our people have been impacted by COVID, we are pleased to report that we have not incurred any material COVID related losses.

The information contained in this business update has not been reviewed or reported on by the external auditors of the Group.

The Group intends to release its interim results for the six months ended 30 September 2021 on or about 30 November 2021.

Johannesburg  
2 September 2021

**Sponsor: Investec Bank Limited**