



**Capital Appreciation Limited**  
**Incorporated in the Republic of South Africa**  
**(Registration number 2014/253277/06)**  
**Share Code: CTA**  
**ISIN: ZAE000208245**  
**("CAPPREC")**

**VOLUNTARY ANNOUNCEMENT:**  
**ACQUISITION OF THREE TECHNOLOGY COMPANIES IN SOUTH AFRICA AND A 20% INVESTMENT IN A TECHNOLOGY COMPANY IN THE NETHERLANDS**

CAPPREC is pleased to announce that agreements have been concluded with the founders and directors of the Responsive group, Andrew McElroy, Marsh Middleton and Brandon Fairweather, to acquire the technology group comprising three financial technology companies in South Africa for a total consideration of R48,68 million to be settled by a combination of cash and allotment of shares out of treasury shares:

- 100% of Responsive Tech Proprietary Limited ("Responsive Tech");
  - 100% of Responsive Digital Proprietary Limited ("Responsive Digital"); and
  - 71% of Rethink Digital Solutions Proprietary Limited ("Rethink Digital")
- together, ("Responsive" or "the Acquisitions")

All conditions precedent have been fulfilled and the effective date of the Acquisitions is 1 March 2022.

Concurrent with the above Acquisitions, CAPPREC has agreed to invest in Regal Digital B.V. ("Regal"), a technology company in the Netherlands, and will subscribe for 20% of the issued shares of Regal for a cash consideration of Euro 500,000 (c. R8,5 million at the forward covered ZAR/€ exchange rate).

These enterprises provide a variety of technology solutions, services and related technical support services to financial institutions and others in the financial services and "FinTech" sectors.

**RATIONALE FOR THE ACQUISITIONS**

CAPPREC is a leading provider of technology-based products and solutions to enterprises in the financial services sector and seeks out and supports businesses that deliver compelling, innovative and disruptive solutions in the Fintech space. Responsive fits that mould perfectly.

CAPPREC believes that the Acquisitions are consistent with its investment philosophy of investing in established, asset-light growth companies that deliver innovative and disruptive FinTech solutions to

mainly institutional clients. Digital transformation, as well as an acceleration in demand for electronic payments, cloud services, and related advances, continue to support robust growth prospects over the medium term and Responsive participates in many of these compelling trends. The companies acquired offer good growth potential, as well as further investment and acquisition opportunities to broaden CAPPREC'S portfolio of services offered to clients. We also look forward to exploring the potential for synergistic opportunities with existing operating units. Responsive will form part of CAPPREC's Software division.

### **RESPONSIVE**

Founded in 2011, Responsive is a digital solutions group that designs and develops digital applications with clients across South Africa, the USA, Europe and the United Kingdom and the solutions offered have global appeal. The company has a proven, 10-year track record of delivering complex digital transformation projects, web and mobile apps, as well as technology products for leading South African and international blue-chip clients. These companies have included Brambles Limited (CHEP), Capitec, Coronation, Experian, MoneyGram, Nedbank and Old Mutual.

**Rethink Digital** specialises in designing delightful experiences for complex digital products by focusing on research, strategy, User Experience (UX) and User Interface (UI) design as well as usability testing to establish user-centricity and identify user needs and business goals.

**Responsive Tech** specialises in developing fast, secure and scalable applications in the cloud using expert skills, best practice processes and industry-proven technology to get digital products to market fast, drive results and unlock business value.

### **REGAL DIGITAL B.V.**

Regal Digital currently trades as Firelava and is also the holder of an 80% shareholding in Flamelink B.V., which companies are located in The Netherlands.

Firelava is a consulting services business focusing on Web 3.0 technologies, non-fungible token (NFT) and Blockchain solutions, Google Firebase and cloud specialist services as well as solution architecture.

Flamelink is a 'software-as-a-service' (SaaS) solution offering a headless Content Management System (CMS) for Google's Firebase.

### **FINANCIAL DETAILS OF THE ACQUISITION OF RESPONSIVE TECH AND RESPONSIVE DIGITAL**

CAPPREC has acquired 100% of the above two companies for an initial aggregate purchase consideration of R19,89 million to be settled in (i) a cash payment of R8,15 million, and (ii) the allotment out of treasury shares of 6,789,042 CAPPREC shares at R1,73 per share amounting to R11,74 million on the effective, closing date.

Responsive Tech and Responsive Digital have also provided CAPPREC with a profit warranty for a 25-month period, 1 March 2021 to 31 March 2023, that, if achieved, will result in an aggregate warranty purchase consideration which should not exceed R14,20 million, which will be settled, partly in cash and partly in an allotment of shares out of treasury shares.

**FINANCIAL DETAILS OF THE ACQUISITION OF RETHINK DIGITAL**

CAPPREC has acquired 71% of Rethink Digital for an initial aggregate purchase consideration of R12,56 million to be settled in (i) a cash payment of R5,15 million, and (ii) the allotment of shares out of treasury shares of 4,288,039 CAPPREC shares at R1,73 per share amounting to R7,41 million on the effective closing date.

Rethink Digital has also provided CAPPREC with a profit warranty for a 25-month period commencing from 1 March 2021 and ending on 31 March 2023, that, if achieved will result in an aggregate warranty purchase consideration, which should not exceed R9,00 million, which will be settled partly in cash and partly in an allotment of shares out of treasury shares.

The Board of CAPPREC have unanimously approved the above Acquisitions.

2 March 2022  
Johannesburg

Financial advisor and Sponsor: Investec Bank Limited