

Capital Appreciation Limited

Incorporated in the Republic of South Africa

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Share code: CTA

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PRE-CLOSE BUSINESS UPDATE AND TRADING STATEMENT

This announcement provides shareholders and other interested parties with a brief update on the Group's operating and financial performance for the year ended 31 March 2022.

Capital Appreciation has experienced an acceleration in commercial activity and strong interest in its solutions over the past year. This has resulted in a pleasing performance from each business unit.

Earnings per share (EPS) and headline earnings per share (HEPS) for the year ending 31 March 2022 are expected to increase by between 25% and 35% when compared to the year ended 31 March 2021. EPS are expected to increase to between 12.85 and 13.88 cents per share (2021: 10.28 cps) and HEPS are expected to increase to between 12.93 and 13.96 cents per share (2021: 10.34 cps) for the 2022 financial year.

These results have been achieved through strong topline growth and good operating leverage in our established businesses. These increased demands have not unexpectedly required considerable investment in critical resources to continue to develop new offerings, grow more of the Group's creative products and innovative solutions and deliver on additional project pipelines. Capital Appreciation has further augmented its employee base and technical skills, increased its marketing and business development expenditure, and has incurred additional costs on the Halo Dot initiative and to set up the Group's new operations in the Netherlands, all in anticipation of future income generation. For a proper appreciation of the guidance herein, we draw attention to an R11.3 million reduction in the 2021 H2 tax charge, this as a result of the recognition of deferred tax in subsidiary Dashpay, resulting in a basic and headline earnings benefit of 0.93 cents per share for the year ended 31 March 2021.

Recent activity in the Software business has been strong with a number of new contract wins, significant software sales and the commencement of several long-term projects. Cloud services continued to grow. Synthesis' expertise and excellence in this area recently earned them an Amazon Web Services 'Consultancy Partner of the Year' award. Customer interest in the areas of Digital Services, Intelligent Data and Managed Services remained strong. Synthesis made good progress in diversifying its customer base and growing international opportunities. The recently opened office in the Netherlands provides an ideal platform for the Group to broaden its geographic reach and client base and to increase its hard currency earnings.

Terminal sales have been very strong in the 2022 financial year, with significant and lumpy device orders received early in the year. Supply chain issues in the semiconductor space continued to affect the global production of terminals and the fulfilment of orders. As a result, the Payments division has a backlog of orders that have yet to be delivered. Android remains in high demand, which the Group has been fortunate to have been in a position to satisfy. Deployments of new devices into the market have continued to advance.



The specialized Payment service offerings have also made good progress. The Halo Dot product has generated strong interest from local and international markets and in addition to Nedbank, have seen the launch or imminent launch of services by five additional customers, including Rapid Financial Services and Ukeshe, with the newly launched Telkom Pay. Others are under contract with anticipated service launches in the months ahead.

Our investment in LayUp continued to make positive progress and the business has increased the number of merchants signing up for the lay by service offering. The offering is also available on Dashpay-supplied physical terminals at points of sale.

Our associate, GovChat, continues to demonstrate its innovative offerings and the impact such technology can have in the public sector. GovChat is able to deliver such services due to the contemporary, cloud-first, hyper-scale, serverless architecture developed by Synthesis. Recently, after a year-long investigation, the Competition Commission has referred Meta Platforms/Facebook/WhatsApp to the Competition Tribunal for abuse of dominance. This action is the result of GovChat's challenge of Facebook/WhatsApp's attempts to terminate GovChat's use of their service. This is an important milestone for GovChat and goes a long way to ensure that the GovChat service offering, will remain available for use by both the Government and the citizens of South Africa.

Capital Appreciation recently announced the acquisition of three South African companies, collectively named the Responsive Group. Responsive is a digital solutions group that designs and develops digital applications with clients across South Africa, the USA, Europe and the United Kingdom. Responsive has produced solid results in their financial year to February 2022. Capital Appreciation's current year financial results will only include one month's contribution from the Responsive group. As part of the same transaction, Capital Appreciation also subscribed for 20% of Netherlands-based Regal Digital B.V. which includes two operating companies, Firelava and Flamelink. 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.

Capital Appreciation's divisions remain highly cash generative, which has continued to strengthen the Group's balance sheet during this year.

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

Capital Appreciation's closed period will commence on 1 April 2022. The Group intends to release its annual results for the year ended 31 March 2022 on or about 31 May 2022.

Johannesburg
28 March 2022

Sponsor: Investec Bank Limited