

**MEDIA RELEASE**
**STRONG DEMAND FOR CAPITAL APPRECIATION'S SERVICES TRANSLATES INTO ROBUST RESULTS**
**OPERATIONAL FEATURES**

- Strong demand for Group's products and services as corporate investment in digitalisation accelerates
- Payments division revenue up 34% with terminal sales up 51% and Android terminals enjoying significant demand
- Strong growth in the Software division with revenue increasing by 34%
- International revenue grew by 33%
- An international division established in June 2021
- Acquisition of the Responsive Group adding new capabilities and clients
- Compelling business pipeline across all businesses
- Improved operating margins from scale benefits and operating efficiencies
- Strong cash conversion continues to contribute to significant cash resources

**FINANCIAL FEATURES**

	March 2022	March 2021	% change
Revenue (R'million)	831.0	619.5	34.1
Trading profit (R'million)	273.2	186.9	46.2
EBITDA (R'million)	251.6	172.9	45.5
EBITDA margin (%)	30.3	27.9	240bps
Operating profit (R'million)	211.8	137.8	53.7
EPS (cents)	13.37	10.28	30.0
HEPS (cents)	13.40	10.34	29.6
Annual dividend (cents)	7.50	5.50	36.4
Cash available for reinvestment (R'million)	533.4	538.3	(0.9)
Net asset value (cents)	120.6	111.9	7.8

**Johannesburg, 2 June 2022:** FinTech group Capital Appreciation Limited said today that it has experienced a strong acceleration in business activity in the past year. In addition to the substantial demand for its innovative technology products and solutions during fiscal 2022, the company has a strong pipeline going into fiscal year 2023. This past year the Group attracted a considerable number of new local and international clients, adding to its formidable client base in the banking, financial, retail, healthcare, telecommunications, and more recently, logistics sectors.

Revenue increased by 34% to R831.0 million in the financial year to 31 March 2022, benefiting from large terminal orders and terminal transaction income growth, as well as significant increases in cloud-based and digital consulting revenue and third-party software and hardware sales. Headline earnings per share increased by 30% to 13.40 cents and dividends by 36% to 7.50 cents per ordinary share. The strong demand for the Group's services required considerable investment to deliver on the project pipelines. It also

invested a sizeable amount on R&D and to set up the Group's new operations in the Netherlands, all in anticipation of future income generation. Despite this investment, greater scale efficiencies and cost optimisation improved EBITDA margins by 240 basis points to 30.3%. Capital Appreciation's divisions remain highly cash generative, resulting in cash resources of R533.4 million at year-end.

The Payments division grew revenue by 34% to R533.8 million, and EBITDA by 55% to R218.4 million. Terminal sales increased by 51% due to strong demand for Android terminals, which the Group was able to satisfy despite global semiconductor and supply chain challenges. The terminal estate has grown at a compounded annual growth rate of 41% since 2017 and now comprises 277 000 units. Dashpay's specialised solutions increased transaction-related income by 69%, boosted by the launch of "Shôping", a gift card solution developed for Attacq's shopping malls. Dashpay will also release its new tap on phone SoftPOS App for Android devices, Dashpay Glass, in H1 2023. The Group's recurring payments associate, LayUp, continued to sign up new merchants and has seen a material increase in the number of payment plans initiated by customers on the platform. A range of new clients as well as recent inroads into Africa bodes well for further growth in the Payments division.

The Software division increased revenue by 34% to R297.2 million, given a strong demand for cloud and digital projects and Hardware Security Modules (HSM) sales that increased threefold. EBITDA increased by 22% to R70.1 million. Synthesis concluded new contracts with a value of more than R300 million, a large portion of which will be recognised in FY 2023. The business achieved its 200<sup>th</sup> Amazon Web Services (AWS) certification and received the award of AWS Consulting Partner of the Year 2021 for Sub-Saharan Africa. Synthesis contracted with new customers in financial services, telecoms, retail, healthcare services and contact centres, culminating in a good pipeline for FY2023. The Halo Dot tap-on-phone technology has generated strong interest from local and international markets, attracting multiple new customers. Capital Appreciation recently acquired the Responsive Group, which designs and develops digital applications for clients in South Africa, the USA, Europe, and the United Kingdom. Synthesis and Responsive foresee exciting joint opportunities for combined and complementary service offerings.

Capital Appreciation launched Synthesis Labs B.V. in Amsterdam this year to capitalise on international opportunities and further diversify its customer base. The Group also subscribed for 20% of Netherlands-based Regal Digital B.V., which includes two operating companies, Firelava (a consulting services business mainly focusing on Web 3.0 technologies) and Flamelink (a software-as-a-service solution offering a headless Content Management System for Google's Firebase) and has a global client base. Regal Digital will collaborate with Synthesis Labs BV to target EU-based customers. Capital Appreciation, together with another European-based Fintech investor, has provided Regal Digital with a working capital loan of c.€1m to grow the business.

Capital Appreciation joint CEO, Bradley Sacks, said: *"As a growth company, Capital Appreciation continues to invest to maximise the Group's participation in the opportunities available to us. At the same time, we remain intent on providing superior value to shareholders. In the five years since Capital Appreciation acquired its first operational companies to become a fully-fledged FinTech enterprise, the Group has maintained an unbroken dividend record, returning R370 million, or 26.25 cents per share to shareholders in the form of dividends."*

Sacks continued: *“The large pipelines in all our businesses are indicative of the strength of a longer-term global digitalisation trend. Capital Appreciation has the skills, experience, and track record to capitalise on the demand for these technological advancements and this will continue to support the positive growth prospects for the Group. With a well-capitalised balance sheet, robust operating cash flow, and significant cash resources, the Group has the ability and appetite to take advantage of substantial organic growth opportunities as well as to consider complementary acquisition opportunities.”*

Ends.

## **ABOUT CAPITAL APPRECIATION**

Capital Appreciation is a FinTech enterprise with three business segments – Payments, Software and a newly formed international division in the Netherlands.

**Payments:** The Payments division comprises three businesses:

- African Resonance and Dashpay are leading direct and indirect providers of payment infrastructure, technical support, maintenance, bespoke software, payment services and payment technology solutions. Dashpay offers a multi-product, multi-party universal transacting platform, and value-added services solutions.
- LayUp Technologies, a recent start-up in which Capital Appreciation is a 27.4% shareholder, is Africa’s first digital lay-by and recurring payments business with solutions for e-commerce and in-store purchases.

**Software:** The Software division comprises two businesses:

- Synthesis is a strategic technology partner and highly specialised software and systems developer, offering consulting, innovative solutions, and technology-based products. Synthesis is uniquely positioned in Africa as an Amazon Web Services (AWS) Advanced Consulting Partner with a broad range of specialist competencies.
- Responsive Group, acquired by Capital Appreciation in March 2022, designs and develops web and mobile digital applications with clients in South Africa, the USA, Europe, and the United Kingdom.

**International:** The International division is a recently formed business unit located in the Netherlands, aimed at broadening the Group’s geographic reach, expanding the Group’s client base and increasing its exposure to new and emerging technologies and global best practice. Capital Appreciation subscribed for 20% of Regal Digital B.V. on 13 May 2022, which comprises a Web 3.0 consulting business Firelava and Flamelink, a SaaS solution for Google’s Firebase.

**Enterprise Development Funding:** Capital Appreciation owns 35% of GovChat, a black-controlled technology start-up. GovChat owns and operates a technology platform that facilitates bilateral engagement between citizens and their government. GovChat is noted as one of AWS’s premier Public Sector initiatives globally.

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