

MEDIA RELEASE
STRONG DEMAND FOR CAPITAL APPRECIATION'S PRODUCTS AND SERVICES GENERATES RESILIENT RESULTS
OPERATIONAL FEATURES

- Digitalisation intensifies the demand for Capital Appreciation's products and services
- Robust revenue growth of 22.5% and further diversification of revenue streams
- Strong growth in revenue outside South Africa
- Excellent performance from the Software businesses
- Successful integration of Responsive acquisition
- Terminal estate exceeds 315 000, up 22%
- Terminal sales maintained robust momentum, just off prior-year record levels
- Pleasing growth in Payments' annuity income
- Android terminals continue to enjoy significant demand
- Impairment of loan to 35% associate GovChat, R56.3 million
- Earnings impacted by expensing of significant budgeted costs for early growth-related initiatives, both locally and internationally
- Strong cash generation from operations

FINANCIAL FEATURES

		September 2022	September 2021	% change
Revenue	(R'million)	538.1	439.4	22.5
Trading profit	(R'million)	150.5	147.5	2.0
EBITDA	(R'million)	138.0	138.7	-
EBITDA margin	(%)	25.6	31.6	(600) bps
Operating profit	(R'million)	60.2	119.2	(49.5)
Headline earnings	(R'million)	95.1	91.2	4.3
EPS	(cents)	3.13	7.44	(58.0)
HEPS	(cents)	7.76	7.43	4.4
Interim dividend	(cents)	4.25	3.75	13.3
Cash available for reinvestment	(R'million)	535.7	446.1	20.1
Net asset value	(cents)	120.5	116.7	3.3

Johannesburg, 29 November 2022: FinTech group Capital Appreciation Limited said today that it has experienced continued, strong demand for its products and services and positive momentum in the technology sectors in which it operates. The Group again attracted several new local and international clients, adding to its formidable client base in the banking, financial, retail, healthcare, telecommunications, and logistics sectors. It also notably expanded its international reach, growing international revenue by 195%, albeit off a low base, now delivering services in over 20 countries across the globe. The continued diversification and developing of revenue streams create further growth opportunities for the Group.

Capital Appreciation joint CEO, Bradley Sacks, said *“The demand for digitalisation is accelerating the adoption of electronic payments, cost-saving software solutions and online applications that improve access to products and services. These trends support the demand for our products and services, notwithstanding the economic challenges being experienced both globally and in South Africa. Capital Appreciation continues to use its substantial cash resources to actively invest in skills, expand its product offerings, develop new business and expand internationally. This bodes well for the Group going forward.”*

The Group increased gross revenues for the six months by 22.5% to R538.1 million. EBITDA was stable at R138.0 million, with good operational performance being offset by significant investment in capacity and for future growth. Headline earnings increased by 4.3% to R95.1 million and HEPS by 4.4% to 7.76 cents per share. An interim dividend of 4.25 cents has been declared, up 13.3%.

The Payments division generated a resilient performance with a pleasing 23% growth in annuity-based maintenance and support fees and transaction-related income. Terminal sales approached last year’s record sales, resulting in a 22% increase in the terminal estate to 315 000 terminals. Revenue generation in the Payments division was steady, at R318.3 million and EBITDA decreased modestly to R119.5 million. The adoption of Android devices with their higher functionality and better price points remained strong. Dashpay continued to invest in and launched Dashpay Glass, a tap-on-phone SoftPOS App for Android phones using Halo Dot as its core software engine. Dashpay Glass targets SMME merchant customers who want to rapidly and cost-effectively accept card payments. LayUp, a recent startup and Africa’s first fully digital Lay-By and recurring payments business, continued to make progress and was adjudicated the winner of the MTN Best Incubated Business App of the Year award.

The Software division delivered exceptional top-line revenue and profit growth, with significant increases in cloud, data and digital consulting services, as well as security hardware and third-party licence fees. Revenue increased by 75.4% to R219.8 million and EBITDA increased by 57.1% to R45.6 million. The investment in and focus on demand generation, brand awareness and skills development have continued to yield significant benefits; attracting new clients, securing new project business and building strong pipelines and multi-year initiatives. These initiatives attracted more than R300 million of contracted sales in the prior year, as well as strong sales in the current period, for which the revenues continue to flow through this year and into subsequent years too. Demand for cloud and digital services continues to accelerate, as evident in the 51% growth in revenue in these areas. The strong design and user interface (UI) and user experience (UX) capabilities of new acquisition, Responsive, marry well with Synthesis’ Digital offering. Collaboration between Synthesis and Responsive is unfolding as expected and the teams are adding significant value to customers.

The International division remains in the early stages of its development. One of its key initiatives is to commercialise and sell the Halo Dot tap-on-phone product globally. Halo Dot continues to make good progress and is achieving notable interest locally and internationally. Halo Dot is already live for 5 clients, with more to launch imminently, including two in the United Kingdom.

The Group said that investment in and development of growth-related initiatives, the costs of which have been expensed, have noticeably increased operating costs in the current year. This included the launch of the Halo offering in international markets, the launch of Dashpay Glass in South Africa, international

expansion in Europe, the appointment of 104 new staff members year-on-year and the incorporation of the Responsive's acquisition's operating expenses for the first time.

Capital Appreciation has impaired its loan to 35%-owned associate, GovChat, an enterprise development technology start-up. While GovChat's communication platform continues to function well and is delivering substantial value to citizens and Government, it is taking longer than anticipated to secure formal revenue-generating contracts with Government and others. The loan is secured by shares in GovChat and the intellectual property of GovChat. The impairment had no impact on headline earnings or the Group's cash resources but decreased basic EPS for the six months by 4.6 cents to 3.13 cents per share.

Capital Appreciation's divisions remain highly cash-generative. The Group had cash resources of R535.7 million at 30 September 2022, 20% higher than the prior year. These resources will be applied to fund anticipated organic growth, develop new solutions and pursue or supplement the cost of new complementary investment and acquisition opportunities.

Sacks continued: *"While we are not immune to the consequences of the current economic challenges, the strong demand in all our businesses and positive trajectory in the sector continues to propel the Group forward and presents opportunities for growth and expansion in the medium and long term. Capital Appreciation has the skills, track record and capital resources to capitalise on this demand. At the same time, we remain intent on providing superior value to shareholders. In the five and a half years since Capital Appreciation acquired its first operational companies to become a fully-fledged FinTech enterprise, the Group has generated nearly R1.1 billion in cash from operations and has maintained an unbroken dividend record, returning R430 million, or 30.5 cents per share, to shareholders in the form of dividends."*

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 owns 20% of Regal Digital B.V., which comprises Firelava, a Web 3.0 consulting business and Flamelink, a SaaS solution for Google's Firebase.

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