



Capital Appreciation Limited

Incorporated in the Republic of South Africa
(Registration number 2014/253277/06)

Share Code : CTA

ISIN : ZAE000208245

("CTA", or the Company)

ACQUISITION OF DARIEL SOLUTIONS (INCLUDING DARIEL SOFTWARE)

CTA is pleased to announce that agreements have been concluded with Malcolm Rabson, Gregory Vercellotti and Wayne Yan, the founders and directors of Dariel Solutions Proprietary Limited (Dariel) (Sale Agreements) to acquire 100% of Dariel for a total consideration of R131.2 million, to be settled by a combination of cash and an allotment of ordinary shares out of treasury shares (the Acquisition). Dariel is the holding company of Dariel Software Proprietary Limited (Dariel Software).

Dariel provides a variety of software engineering/development and related activities, with a strong focus on software to financial institutions and others in the financial services and "Fintech" sectors.

The Acquisition of Dariel is subject to the fulfillment of certain suspensive conditions, which include:

- The approvals required by the Competition Act for the implementation of the Sale Agreements;
- CTA advising Dariel in writing that it is satisfied with the results of the Due Diligence;
- No material adverse change arises or occurs between the signature date of the Sale Agreements and the date upon which all the Suspensive Conditions are fulfilled;

The rights and obligations of the Sale Agreements shall become unconditional and of immediate force and effect by not later than 31 August 2023.

RATIONALE FOR THE ACQUISITION

CTA is a leading provider of technology-based products and solutions to enterprises in the financial service sector.

CTA believes that the Acquisition is consistent with its investment philosophy of investing in established, asset-light 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 solutions continue to support robust industry growth prospects over the medium term. Given Dariel's participation in initiatives responsive to these trends, the acquisition offers CTA further growth potential, as well as further investment and acquisition opportunities to broaden CTA's portfolio of services.

Dariel will form part of CTA's Software division. CTA also looks forward to the potential for synergistic opportunities that Dariel will bring to the Company's existing operating units.

DARIEL SOFTWARE

Founded in 2001, Dariel is a South African IT software services provider involved in providing software, consulting, development, implementation and integration services, as well as maintenance and support, to enterprises in the healthcare, telecommunications, hospitality, mining and manufacturing sectors, with a particular focus and expertise in the financial services, insurance and "Fintech" sectors. Dariel's leadership position in the South African technology sector stems from its proven track record of over 22 years of helping to solve complex business problems and deliver digital transformation strategies through bespoke and highly engineered software applications and customized software integration services. It also provides cloud services, enabling customers to innovate and test new platforms on the Cloud across the major Cloud platforms including Microsoft Azure, AWS and Google Cloud Platform.

FINANCIAL DETAILS OF THE ACQUISITION

CTA will acquire 100% of Dariel for an initial aggregate purchase consideration of R85.3 million to be settled by way of (i) a cash payment of R46.9 million and (ii) the allotment out of treasury shares of 25,243,779 CTA shares at R1,52 per share amounting to R38.4 million.

Dariel has also provided CTA with a profit warranty of R62,2 million EBIDTA for the 24 month period (a CAGR of 20%), 1 April 2023 to 31 March 2025, that, if achieved, will result in an aggregate warranty purchase consideration, which should not exceed R45.9 million. This profit warranty consideration will be settled partly in cash and partly in an allotment of shares out of treasury shares.

The value of the net assets of Dariel was R39.2 million at 31 March 2022, being the date of the last independently reviewed annual financial statements, which were prepared in terms of International Financial Reporting Standards for Small and Medium sized Entities. For the year ended 31 March 2023, the value of the net assets of Dariel, based on unaudited management accounts provided by the Sellers, was R47.8 million.

The EBITDA as per the unaudited management accounts and profits after tax attributable to the net assets ("PAT") for the year ended 31 March 2023, were R23.8 million and R16.2 million respectively.

CTA is satisfied with the quality of the unaudited 2023 management accounts of Dariel provided by the Sellers.

The founders and directors of Dariel will remain with the business and have entered into long term executive employment agreements with Dariel Software.

The Board of CTA have unanimously approved the above acquisition.

The Acquisition has been categorised as a category 2 transaction in terms of the JSE Listings Requirements.

SANDTON
24 April 2023

Sponsor: Investec Bank Limited