

**MEDIA RELEASE**
**CAPITAL APPRECIATION ACTIVELY INVESTS TO TAKE FULL ADVANTAGE OF ROBUST DEMAND**
**OPERATIONAL FEATURES**

- Demand for Group’s products and services unabated as corporate digitalisation continues
- Further diversification of revenue streams with particularly strong growth outside South Africa
- Terminal estate up 18% to 328 000
- Strong growth in Payments’ annuity income, up 24%
- Expected credit loss provision raised of R70.8 million for a loan to associate, GovChat , impacted on EPS and HEPS
- Substantial investment into future revenue opportunities impacts short-term earnings
- Continued good cash generation from operations
- Annual dividend up 10% to 8.25 cents per share
- Successful integration of Responsive acquisition
- The pending acquisition of the Dariel Group, post-year-end, will add new opportunities

**FINANCIAL FEATURES**

		March 2023	March 2022	% change
Revenue	(R'million)	995.1	831.0	19.7
EBITDA	(R'million)	235.7	251.6	(6.3)
EBITDA margin	(%)	23.7	30.3	(660bps)
Operating profit	(R'million)	193.0	211.8	(8.9)
Headline earnings	(R'million)	91.5	163.7	(44.1)
EPS	(cents)	7.39	13.37	(44.7)
HEPS	(cents)	7.44	13.40	(44.5)
Annual dividend per share	(cents)	8.25	7.50	10.0

**Johannesburg, 6 June 2023:** FinTech group Capital Appreciation Limited said today that demand for its products and services has remained strong throughout the past financial year, despite the difficult economic climate. The Group continued to attract new blue-chip domestic and international customers and evolved its revenue mix with the introduction of new products, services, and regions.

Revenue increased by 19.7% to R995.1 million, benefiting from good growth in annuity-based Payments revenue and substantial growth in cloud-based and digital consulting services, security hardware sales and third-party software license fees. Non-South African revenue grew by 177%, now comprising 15.2% of Group revenue, up from 6.6% just 12 months ago.

Reinvestment for future growth initiatives totalling R108.8 million impacted EBITDA, which decreased by 6.3% to R235.7 million. Headline earnings declined by 44.1% to R91.5 million (2022: R163.7 million). HEPS

decreased by 44.5% to 7.44 cents per share and Basic EPS by 44.7% to 7.39 cents. The drop in EPS and HEPS was directly due to the expected credit loss provision raised, amounting to R70.8 million, for the GovChat loan.

Capital Appreciation's divisions remain highly cash generative, which resulted in cash resources of R494.9 million at year-end. The Group has maintained its unbroken, year-on-year growth in dividends for the sixth consecutive year. Acquisitive activity has increased, with Capital Appreciation successfully integrating the Responsive group acquired in March 2022, and in April 2023, announcing the acquisition of the Dariel Solutions Proprietary Limited.

The Payments division delivered revenue of R524.8 million, only marginally (1.7%) down on a record prior year. The business continued to experience strong demand for its products and services and to expand its client base. Revenue growth was hampered by a changing product mix and a delay in terminal order volumes, but this was largely offset by a pleasing 24% increase in annuity-based revenue. Android continues to drive terminal sales activity. At the end of March 2023, there were 328 000 point of sale (POS) terminals in the hands of customers, an 18% increase year-on-year. This represents a 37% compounded annual growth rate since the business was acquired in 2017. Payments launched Dashpay Glass, a full end-to-end implementation of Halo Dot, through direct relationships with SME merchants and as a white-label solution to Merchant Aggregators. The white labelling of the solution has great attraction across Africa and will be an area of focus in the coming year. EBITDA decreased by 5.5% to R206.3 million, due to the slightly lower revenue and an inflationary increase in operating expenses.

The Software division increased revenue by 58.1% to R469.9 million and EBITDA by 28.0% to R89.7 million. To fuel domestic and international growth, the division has materially increased its headcount and marketing and business development spend and has continued to advance investment into its tap-on-phone Halo Dot initiative. Synthesis continued to grow its leading position in Cloud migration as an AWS advanced consulting partner and extended its cloud capabilities on Microsoft Azure and Google Cloud Platform. Software's Digital business won new projects with financial services clients in South Africa and internationally. Growth in the Intelligent Data business unit has continued unabated, landing its first Netherlands client (a large insurer), as well as a new local banking customer in the past year. The business unit is also accelerating the adoption of Generative AI (such as OpenAI's ChatGPT and GPT-4) tools into the core of the Software business and for its customers. Halo Dot won two SoftPOS contracts with a major local telecoms business and a major international bank. The Responsive acquisition concluded in March 2022 has already contributed positively to the Software division and has performed ahead of its 25-months earnings warranty targets during the 2023 financial year.

International revenue increased 177% to R150.9 million year-on-year, as efforts to establish a presence in international markets continued to bear fruit. Much of this is however still managed, transacted and executed in foreign currencies directly from South Africa. The International division was launched in 2022 with offices in the Netherlands and has already landed two significant contracts for the Group. New appointments have been made to focus on international growth and expansion within Europe, the UK and the Middle East regions. The Group believes this is a long-term strategic initiative with significant upside potential. As part of the Responsive transaction, the Group also subscribed for 20% of Netherlands-based Regal Digital B.V. and, together with another European-based Fintech investor, has provided Regal Digital with a working capital loan of c.€1m to grow the business. Regal Digital predominantly focuses on Web 3.0

technologies and a software-as-a-service solution for Google's Firebase and will collaborate with Synthesis Labs BV to target EU-based customers.

Capital Appreciation CEO, Bradley Sacks, said: *“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 further complementary acquisition opportunities. Healthy pipelines and the continued diversification of revenue streams have created notable growth opportunities for the Group. Ongoing investment in resources and research and development has positioned the Group well to meet this demand. As a result, the prospects for the year ahead are promising.*

*Capital Appreciation focuses on sustainable value creation for its shareholders. We are particularly proud of our unbroken dividend record over the past six years, returning R431 million, or 34.50 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 Glass is a SoftPOS solution built for merchants and merchant acquirers.
- 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 on 1 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 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. In addition to the Group's wholly-owned foreign subsidiaries, Synthesis Europe B.V. and Synthesis Labs BV, Capital Appreciation owns 20% of Regal Digital B.V. that comprises TetraLabs, a Web 3.0 consulting business and Flamelink, a SaaS solution for Google's Firebase.

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