MEDIA RELEASE

STRONG MOMENTUM AT CAPITAL APPRECIATION DESPITE WEAK ECONOMIC BACKDROP

OPERATIONAL FEATURES

- Strong demand for Capital Appreciation's products and services continues
- Economic conditions temporarily delayed new orders and commencement of projects
- Revenue up 3% and further diversification of revenue streams
- International revenue growth of 21%
- Payments annuity income growth of 24%
- Terminal estate exceeds 344 000, up 9% year-on-year; rental terminal estate up 158%
- Software margins negatively impacted by market delay in committing to large new initiatives
- Continued strong cash generation from operations, up 55%
- Successful integration of recently acquired Dariel Software Group
- Expenses growth moderating, notwithstanding continued investment into the Group's businesses

FINANCIAL FEATURES

		September 2023	September 2022	% increase /(decrease)
Revenue	(R'million)	554.2	538.1	3.0
EBITDA	(R'million)	126.9	138.0	(8.0)
EBITDA margin	(%)	22.9	25.6	(275bps)
Operating profit	(R'million)	105.3	116.6	(9.7)
EPS	(cents)	6.48	3.13	107.1
HEPS	(cents)	6.50	3.16	105.6
Interim dividend per share	(cents)	4.25	4.25	-
Cash available for reinvestment	(R'million)	486.3	535.7	(9.2)
Net asset value	(cents)	124.5	120.5	3.3

Johannesburg, 4 December 2023: FinTech group Capital Appreciation Limited said today that demand for its products and services has remained strong throughout the period, notwithstanding the difficult economic climate. The Group is strategically well-positioned in a developing market and continues to attract new clients, expand its revenue sources, and boost its market share.

Capital Appreciation grew gross revenues by 3% to R554.2 million, while EBITDA declined by 8% to R126.9 million. Headline earnings increased by 108% to R80.6 million, partly benefiting from a three-month contribution from recently acquired Dariel Solutions, higher finance income and a reduced expected credit loss raised, after tax, for GovChat of R9.4 million (2022: R56.3 million). The cash-generative nature of the business was evident with cash from operations of R159.9 million, up 55% on the prior year.

The Software division generated top-line revenue growth of 31% to R288.3 million, with significant increases in cloud, data and digital consulting services. Areas such as Intelligent Data have been growing significantly. Software revenue growth was nevertheless lower than expected due to unforeseen temporary delays in project commencements. Key sales opportunities were also concluded towards the end of the reporting period. This affected the opportunity to translate those into revenue within the current period but bodes well for the next period. The business added several new customers, including a major South African retailer and a large automotive group.

The delays in project commencements reduced profitability in the Software division, as the resources and expenses for these anticipated projects were already committed. This resulted in Software EBITDA decreasing by 12.6% to R39.8 million. Management expects the delays to be temporary as most projects are mission-critical and strategically important to the division's major customers. The Software division has successfully concluded two acquisitions in the past 19 months. The opportunities to collaborate across the three different companies within the division are exciting. The enlarged group is also well-positioned to benefit from cost savings and economies of scale and will also be able to compete for larger, multi-year projects, both locally and internationally.

The Payments division posted robust growth in annuity revenue, up 24%. The demand for Payments-related software solutions (SaaS) accelerated notably in the period, resulting in a 35% increase in transaction-related income. Terminal sales fell short of expectations, as customers chose to temporarily delay new terminal orders due to weak consumer confidence and unfavourable economic conditions, and certain clients chose to acquire new terminals through leasing. The latter had a favourable impact on terminal rental income which doubled in the period. The total terminal estate grew by 9%.

The lower Point-of-Sale (POS) terminal sales resulted in revenue for the Payments division decreasing by 16.7% to R265.3 million. However, the division's strategy of licensing proprietary software resulted in improved gross profit margins and it also benefitted from single-digit growth in operating expenses, holding EBITDA constant at R117.5 million. The growing rental book is expected to have a longer-term positive impact on the Payments division as it will provide steady annuity income over the life of the lease. It will also deliver additional sources of revenue in the form of maintenance and support services for terminals, as well as increased value-added transactional activity and software license fees.

The Group's revenue mix continued to evolve with the introduction of new products, services, and geographies. Capital Appreciation's quality skills are in demand globally, as evidenced by international revenue increasing by 21%, as the Group continued to expand its presence outside of South Africa. Foreign currency revenue generated from global customers now comprises 14% of Group revenue. The continued diversification of revenue streams creates notable further growth opportunities for the Group.

Capital Appreciation recently entered into an agreement that will culminate in the Group owning 33% of AssetPool, a cloud-first, SaaS B2B platform focused on asset management, tracking, maintenance, compliance and verification. Clients include DHL, Fidelity ADT, Balwin Properties, Thiess Mining, K2 Medical and Bosch-Rexroth and operate in more than 30 countries across Africa, the UK, the US and Australia.

Capital Appreciation's divisions remain highly cash-generative. Cash generated from operations increased by 55% to R159.9 million. The Group had cash resources of R486.3 million at 30 September 2023, which will be applied to fund organic growth, the development of new solutions and to pursue acquisition opportunities. Given the appropriate circumstances, the Group will continue to consider further repurchases of shares in the market.

Capital Appreciation CEO, Bradley Sacks, said: "*We are pleased with the ongoing strong demand for our products and services*. *Our continued investment in growth-related initiatives, including additional skills, new technology solutions, developing proprietary owned software and international expansion has positioned the Group well to meet this demand. We believe that considerable opportunities for growth in the medium- and long-term exist and we are confident that performance in the second half of the year will exceed that of the first half*."

Ends.

ABOUT CAPITAL APPRECIATION

Capital Appreciation is a FinTech enterprise with three business segments – Payments, Software and an 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 as a SaaS solution.
- 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 three 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.
- Dariel Solutions and Dariel Software were acquired in July 2023. Dariel is an engineering-focused IT architecture and software development group focused on developing complex business applications.

International:

The International division, located in the Netherlands, was formed in June 2021 and is 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, CapitalAppreciation owns 20% of Regal Digital B.V. that comprises TetraLabs, a Web 3.0 consulting business and Flamelink, a SaaS content management solution

For media queries or interviews contact:

Aprio Strategic Communication, Michelle Copans, Michelle@aprio.co.za, +2782 743 9962