MEDIA RELEASE

CAPITAL APPRECIATION’S PIPELINES BULGE AS BUSINESS CONDITIONS IMPROVE

OPERATIONAL FEATURES

- Marked improvement in demand for Capital Appreciation’s products and services post-elections
- Revenue up 10.4% to R612 million
- Excellent performance from the Payments division
- Terminal estate grew 13% to 387 000
- Terminal sales and rental income up 26% and 70%, respectively
- Software financial performance materially impacted in the short term by under-utilised resources
- Encouraging pipeline developing in both divisions
- Strong balance sheet with R419.7 million cash available as at 30 November 2024

FINANCIAL FEATURES

		September 2024	September 2023	% increase/ (decrease)
Revenue	(R’million)	611.5	554.2	10.4
EBITDA	(R’million)	113.8	117.5	(3.1)
EBITDA margin	(%)	18.6	21.2	(260) bps
Operating profit	(R’million)	90.7	105.3	(13.9)
EPS	(cents)	5.94	6.48	(8.3)
HEPS	(cents)	5.96	6.50	(8.3)
Interim dividend	(cents)	4.50	4.25	5.9%
Cash available for reinvestment at 30 September	(R’million)	326.7	486.3	(32.8)
Net asset value	(cents)	126.8	124.5	1.8

Johannesburg, 3 December 2024: FinTech group Capital Appreciation Limited said today that its businesses demonstrated satisfactory performance despite weak business confidence in the 6 months to 30 September 2024. The Group's two divisions attracted new clients and renewed long-term contracts, diversified their revenue sources and grew market shares. While Q1‘25 was affected by low business confidence with businesses postponing major capital expenditures, Q2’25 showed a marked improvement in sentiment with a revitalised interest in the Group’s products and services. Capital Appreciation also continued to evolve its revenue mix with the introduction of new products and services, spread across more sectors and regions. This creates significant growth opportunities for the Group in the future.

The Group grew gross revenues by 10% to R611.5 million, and EBITDA declined by 3% to R113.8 million. While the Payments segment grew EBITDA by 17.8%, the Group results were adversely impacted by underutilised capacity in Software. EPS and HEPS declined by 8.3% to 5.94 and 5.96 cents per share, respectively. The Group declared an interim dividend of 4.50 cents per share, an increase of 5.9%.

The Payments division posted an excellent set of financial results. Revenue grew by 18.5% and EBITDA by 17.8% , benefiting from robust terminal sales and rental income, up 26% and 70%, respectively. The division also achieved good traction in its revenue diversification efforts, particularly the Payments software-as-a-service initiatives. At the beginning of Q2 '25, the Payments division secured two important multi-year contracts. These contracts have not significantly benefited the interim financial results, and they will start contributing to earnings in H2 ’25 and beyond.

The Software division’s top line increased by 2.4%. Satisfactory revenue growth in South Africa of 9.7% was offset by an 18.6% decline in revenue from Software’s international initiatives, as a significant long-term contract resourced from South Africa reached maturity. Consequently, the skilled labour capacity of the Software division was underutilised, which affected profitability. Synthesis and Dariel continue to be recognised as trusted advisors in the software market, and they received numerous recognition and achievement awards. Since period-end, they have experienced monthly improvements in resource utilisation, which should lead to measured recovery in EBITDA and profitability in H2’25 and better financial performance in the 2026 financial year.

There has been a substantial increase in deferred revenue from long-term contracts for which the money has already been received, but only a portion has been recognised in the reporting period. Deferred revenue amounted to R50.7 million (2023: R21.9 million), the majority of which is in the Software division, which will enhance revenue recognition in future periods.

While the Group anticipates low economic growth for the remainder of the 2025 financial year, both divisions have experienced positive momentum in activity levels since the May national elections. The Payments and Software divisions are well-positioned to take advantage of these improved conditions, and we are encouraged by the pipelines that have developed recently.

Capital Appreciation's operating companies remain asset-light businesses, generating positive cash flows. The Group maintains a strong and unencumbered balance sheet, with R419.7 million in cash available at 30 November 2024 to fund organic growth, acquisition opportunities, investments, and further share repurchases. The Group will continue to invest in growth-related initiatives as appropriate.

Capital Appreciation CEO Bradley Sacks said: “*The Group has a strong balance sheet and significant cash resources, supported by healthy operating cash flow. With substantial financial strength, we are well-positioned to pursue organic growth opportunities and consider additional complementary acquisitions. We are encouraged by the healthy pipelines that have been building up rapidly since the national elections. We are well-positioned to benefit from this increase in activity. In addition, the various tenders that the Payments Division have recently secured will significantly benefit the performance of this division and the Group in the future.*

Capital Appreciation focuses on creating sustainable value for its shareholders. In addition to the increase in our share price, we have since 2017 returned R662 million, or 49.0 cents per share to shareholders in the form of dividends.”

Ends.

ABOUT CAPITAL APPRECIATION

Capital Appreciation is a FinTech company with three business segments: Payments, Software, and an international division in the Netherlands.

Payments: The Payments division comprises of:

- 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 e-commerce and in-store purchases solutions.

Software: The Software division comprises of:

- Synthesis is a strategic technology partner and highly specialised software and systems developer. It offers consulting, innovative software solutions, and technology-based products.
- Responsive Group designs and develops web and mobile digital applications with clients in South Africa, the USA, Europe, and the United Kingdom.
- Dariel is an engineering-focused IT architecture and software development group focused on developing complex business applications

International: The International division is located in the Netherlands. It aims to broaden the Group's geographic reach, expand its client base, and increase its exposure to new and emerging technologies and global best practices. 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.

Halo Dot is a proprietary-owned software solution (SoftPOS) that allows any near-field communication (NFC) enabled Android-based device to accept payments. It is offered in multiple form factors, including as a software development kit (SDK) for integration into others' apps or as an app on a white-label basis.

AssetPool is a SaaS B2B platform for managing, tracking, and maintaining critical infrastructure. Capital Appreciation participated in AssetPool through a R15 million convertible loan. Once converted into equity, the Group will own 33% of AssetPool.

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