



Capital Appreciation Limited
Incorporated in the Republic of South Africa
Registration number 2014/253277/06
Share code: CTA
ISIN: ZAE000208245
("Capital Appreciation" or "the Group")

BUSINESS UPDATE FOR THE YEAR ENDED 31 MARCH 2023

This announcement provides shareholders and other interested parties with a brief update on the Group's operating performance for the year ended 31 March 2023, as well as the state of the markets in which we operate.

Digital transformation has continued unabated, stimulating positive momentum in the technology sectors in which the Group competes. This has resulted in robust demand for cloud services, online applications, data intelligence, electronic payments and other innovative software solutions. These trends have translated into continued momentum for Capital Appreciation. Group top-line revenue growth has been very pleasing, driven mainly by the Software division. The Group continued with its budgeted investment in innovation and skills capacity to capitalise on the growth opportunities available to its divisions.

The Software division continued to generate exceptional revenue growth due to accelerating demand from local and international customers. The demand for cloud migration and modernisation initiatives continues to escalate, Intelligent Data initiatives are generating exceptional growth having landed a large international contract as well as additional local projects and Halo Dot who won a valuable local telecoms contract. The recently acquired Responsive business is performing ahead of its earnings warranty targets and its complementary services have enhanced the Software division's digital offering. To take advantage of the strong demand and new contracts, the division has materially increased its headcount and marketing and business development spend and has continued to advance its tap-on-phone Halo Dot initiative. Several of these new contract wins will only become revenue generative during FY2024, notwithstanding significant costs having been expensed in the reporting year. We remain confident that the full benefit of the top-line growth, that has not yet fully translated into current-year profits, will flow through in the years ahead.

The Payments division generated a resilient operating performance with continued double-digit growth in terminal volumes and pleasing growth in annuity-based income from maintenance and support fees and terminal rental income. The marked shift in sales mix towards lower-priced terminals has continued to limit revenue growth and impacted on profits. The pipeline for FY2024 remains robust, and sizeable terminal orders have been confirmed for delivery in the first half of the year. The division continues to develop payment related software solutions and was awarded a new software contract for one of South Africa's leading banks and is exploring similar initiatives with others. Payment solutions for other end-markets are also in the process of being rolled out to create further revenue and customer diversification.



Capital Appreciation's divisions remain highly cash generative with healthy cash conversion from operations, partially offset by anticipated, above-normal expenses in the current year. As noted above, like in prior periods, significant amounts are being invested in growth-related initiatives, including the costs of additional people, new technology solutions such as Halo Dot and Dashpay Glass, the International division which is in its infancy, as well as transaction-related costs for current and prospective acquisitions. In line with the Group's accounting practices, these costs are expensed through the income statement as they occur, while the economic benefits will only accrue in future years.

Shareholders are reminded about the impairment of the GovChat loan in our SENS announcement, dated 25 November 2022 and interim results announcement on 29 November 2022. In December 2022, Capital Appreciation petitioned for GovChat to be placed in Business Rescue and committed to provide the company with a post commencement funding facility through to the end of March 2023. The Business Rescue Practitioner is managing GovChat as a going concern and various alternatives for the company are being examined.

The Group's balance sheet remains very strong and ungeared. Cash resources have remained stable relative to the prior year and provide ample support for further investment in our existing businesses and for pursuing acquisitive investment opportunities. Recent contracts awarded, as well as the ongoing high level of demand and healthy pipelines in each of the businesses, indicate positive growth and value creation prospects for the 2024 financial year.

The information contained in this business update has not been reviewed or reported on by the external auditors of the Group. Capital Appreciation's closed period will commence on 1 April 2023. The Group intends to release its annual results for the year ended 31 March 2023 on or about 6 June 2023.

Johannesburg
31 March 2023

Sponsor: Investec Bank Limited