

**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 ENDING 31 MARCH 2025

This announcement provides shareholders and other interested parties with a brief update on the Group's operating performance for the 2025 financial year and the state of the markets in which we operate.

Having deliberately positioned Capital Appreciation's divisions in market sectors with strong, long-term growth prospects, we are encouraged by their strategic positioning, operational progress, and ability to fundamentally improve the performance, efficiency, and competitiveness of our clients, thereby allowing Capital Appreciation to realise our own strategic ambitions. With the pace of technological advances and the digital transformation needs evident throughout the economy, we anticipate that the current prospective pipeline will transform positively and rapidly as business confidence and economic activity gather momentum.

FY2025 Highlights

- The Payments division is executing well against its strategy, with previously announced growth initiatives positively impacting the business.
- The Software division's remediation plans are taking effect with improved cost disciplines, internal efficiencies, and bench resources being better applied against active projects.

Enterprise clients' re-emerging commitment to investment in innovation is boosting pipelines

While green shoots are evident across SA's economy, and the business climate has improved moderately after the election of the Government of National Unity, the conditions remain fragile, and business sentiment is cautious.

Against this background, Capital Appreciation has demonstrated resilience by continuing to grow revenue while maintaining a keen discipline on expense growth. Both the Software and Payments divisions remain cash-generative with healthy cash conversion from operations. Cash balances

have returned to historic levels after a significant build-up in working capital at the end of the interim period.

The Group continues to invest in growth-related initiatives, including the leased terminal estate within the Payments division and product development within the Software division. Capital Appreciation maintains a robust and ungeared balance sheet, with substantial cash reserves available to support organic growth, strategically significant acquisition opportunities, investments, and additional share repurchases.

The strong performance from the Payments division continues

Capital Appreciation's largest division, Payments, has maintained its double-digit revenue growth for consecutive years, driven by strong sales of terminals and continued growth in the terminal rental estate. The two multi-year contracts secured in H1 F2025 have commenced with a modest but steady rollout of terminals. Fulfilling these contracts is expected to support growth in the terminal estate over the three- to five-year contract terms. The benefits of these contracts are also evident in the growth of annuity revenue earned from terminals deployed, which includes rental revenue, estate management fees, maintenance and support services income, and value-added transaction-related income. Annuity revenue already contributes more than half of the total revenue and continues to increase, improving the resilience and predictability of earnings in this division.

Payments also continues its drive for regional expansion into Africa and beyond, through payments software initiatives and innovations such as “Business-in-a-Box” microPOS. The solution is being rolled out by a second bank to its micro-enterprise customers and is also attracting interest from other large banking clients.

The momentum for the coming year and longer-term prospects for the Payments division also remain strong, with several trends contributing to the medium- to longer-term outlook. The two multi-year contracts awarded to the Payments division will gain further traction. At the same time, industry projects, such as the SARB Payments Ecosystem Modernisation project, will promote further technological advances, including hardware upgrades, the growth of digital payment solutions, and increased opportunities to offer value-added services to both banks and non-banks. In addition, the SA Government’s announcement to deprecate the 2G and 3G networks in 2027 will require extensive reinvestment in bank terminal estates.

The Software division is finishing the year better than it started and remains well-positioned for a return of investment activity by enterprise clients

The Software division has seen an improvement in its pipeline and the renewal of long-term contracts, yielding benefits in the coming years. However, the timing and confidence regarding the pipeline's conversion into turnover remains uncertain and slower than the Group has previously experienced.

As stated in the interim results, the remedial plans implemented in the Software division were expected to partially improve financial performance during the second half of 2025 and, thereafter, more meaningfully in the 2026 financial year. A combination of improved sales, departmental realignment, strict cost controls and limited targeted new hires has made this a reality, with the division returning to profitability in the second half of the year. Returning the division to its previous levels of performance remains a strategic imperative for the division and is an ongoing focus for management.

Looking ahead, the division's medium-term outlook remains positive. The Software division's skills and intellectual property are in high demand, and its projects are considered mission-critical and strategically important.

The information in this business update has not been reviewed or reported on by the Group's external auditors.

Capital Appreciation's closed period will commence on 1 April 2025. The Group intends to release its annual results for the year ended 31 March 2025, on or about 3 June 2025.

Johannesburg
27 March 2025

Sponsor: Investec Bank Limited