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7 July 2025



capAI plc

("capAI" or the "Company")

Execution of Heads of Terms for Author42 and Launch of capMedia Division

capAI (LSE: CPAI) is pleased to announce that it has entered into non-binding heads of terms with R42 Group LLC ("R42") for the exclusive licensing of Author42, an AI publishing platform designed to transform how authors and content creators produce high-quality, market-ready content. The proposed transaction supports the strategic buildout of capMedia, an AI-powered content division aligned with the Company's multi-segment AI operating model.

Author42 and capMedia Launch Overview

Author42 is a next-generation generative AI platform combining narrative tools, character development, plot structuring, and market intelligence. It enables scalable, data-informed content creation across fiction and non-fiction formats, supporting the needs of modern authors, publishers, and independent creators.

The Author42 platform will be available in Beta shortly, with a broader commercial release anticipated as the platform matures. It targets disruption in the £116 billion (US 151 billion) global publishing industry, which is projected to grow to £147 billion (US 192 billion) by 2030, addressing growing demand for AI-assisted content creation tools.^[1]

Strategic Rationale

The Author42 platform aligns closely with capAI's strategy to build focused, scalable and capital-efficient AI ventures in sectors undergoing technological disruption.

Market Opportunity and Disruption Potential

capMedia represents one of several anticipated business units under capAI's AI operating model. This operating strategy deploys ultra-lean, high-impact "tiny teams" to build and scale AI ventures across targeted sectors with minimal capital requirements and accelerated time-to-market.

capAI believes traditional publishing and content development workflows are ripe for disruption. By leveraging its capital-efficient model and R42's proven technology pipeline, the Company aims to significantly reduce development costs and accelerate entry into high-growth markets with strong scalability potential.

The global publishing and content creation sector is undergoing rapid transformation, driven by:

- The rise of generative AI in authoring and publishing workflows.

- A surge in independent creator-driven content and self-publishing.
- Growing demand for personalised, data-informed storytelling tools.

capMedia addresses these trends with a scalable Author42 platform designed to enable faster, more commercially viable content creation.

This opportunity is underpinned by a multi-tiered growth trajectory across the broader publishing ecosystem:

- Traditional publishing remains a resilient market, estimated at £116 billion (US 151 billion) in 2024, growing to £147 billion (US 192 billion) by 2030, at a CAGR of 4.2%.¹
- Digital publishing is accelerating, forecast to expand from US 97 billion in 2024 to US 248 billion by 2034 (CAGR: 9.8%).^[2]
- The AI in publishing market, where Author42 is directly positioned, is expected to grow from US 3.6 billion in 2024 to US 41.2 billion by 2033, reflecting a CAGR exceeding 30%.^[3] ^[4]
- These sectoral trends form part of the broader entertainment and media ecosystem, projected to reach US 3.4 trillion by 2028, per PwC.^[5]

Taken together, these dynamics validate capAI's strategic positioning at the convergence of AI, publishing, and scalable digital innovation.

Proposed Transaction Structure and Conditions

The proposed transaction is subject to regulatory clearance. Upon receiving such clearance, the Company and R42 intend to execute a definitive licence and option agreement pursuant to the previously announced strategic alliance between the two parties.

The terms of the proposed transaction include, *inter alia*:

- capAI will be granted an exclusive worldwide licence for a 12-month period to operate the Author42 platform, with no upfront licence fee payable.
- capAI will retain full commercial and operational control and will be entitled to 100% of revenue generated under the licence.
- During the licence period, capAI shall commercially advance Author42 in good faith.
- capAI will hold a discretionary option to acquire the underlying Author42 intellectual property. If exercised by capAI, capAI will issue £2 million in new ordinary shares to R42, with the number of shares calculated based on a volume-weighted average price (VWAP) over a defined pricing period prior to exercise.
- To preserve regulatory flexibility, should the issuance of such shares exceed applicable thresholds or require prior shareholder approval, capAI and R42 may agree to settle part or all of the consideration in the form of unsecured convertible loan notes carrying a 10% non-compounding interest rate on equivalent terms.
- As further consideration, to the extent the option is exercised by capAI, R42 will also be entitled to 20% of any net proceeds from a future monetisation, sale, or liquidity event attributable to the Author42 platform.

This structure provides capAI with commercial flexibility during development while preserving long-term economic alignment with R42.

Governance and Related Party Considerations

The heads of terms have been entered into within the framework of the strategic alliance between capAI and R42. Professor Ronjon Nag, Executive Director of capAI and Founder of R42, has recused himself from all negotiations and approvals relating to the proposed transaction from capAI's perspective. The Board has implemented appropriate governance protocols, including independent review of the terms.

Management Commentary

Richard Edwards, Executive Chairman of capAI, commented:

"This proposed transaction marks a significant step in our commercialisation strategy. Author42 is a timely and powerful platform addressing a major global market opportunity, and capMedia gives us a focused division to scale it. The structure reflects our commitment to disciplined capital allocation while maximising long-term value for capAI shareholders."

Professor Ronjon Nag, Executive Director of capAI, added:

"Author42 is a compelling example of how AI can support and amplify creativity at scale. It embodies the purpose of our strategic alliance; to deliver transformative technologies through an efficient, scalable model. I'm excited about the impact Author42 can have and even more excited about what comes next."

Strategic Outlook

Author42 is expected to anchor the capMedia division, with additional platforms within this division planned across the publishing, media, and creative technology sectors. capAI's operating model is purpose-built to support the development and scaling of multiple AI-enabled businesses. The

purpose-built to support the development and scaling of multiple AI-enabled businesses. The Company anticipates establishing further divisional structures beyond capMedia, each focused on distinct verticals where AI offers strong disruption potential and commercial scalability.

Next Steps

The Company will provide further updates as regulatory clearance is obtained and the definitive licensing and option agreement is executed. Additional announcements on capMedia's progress and future verticals will follow in due course.

For the purposes of UK MAR, the person responsible for arranging release of this Announcement on behalf of capAI is Richard Edwards, Executive Chairman.

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[1] Grand View Research, *Books Market Size, Share & Trends Analysis Report, 2024-2030*

<https://www.grandviewresearch.com/industry-analysis/books-market>

[2] Market.us, *Global Digital Publishing Market Size Report, 2024-2034*

<https://market.us/report/digital-publishing-market>

[3] Navistrat Analytics, *AI in Publishing Market - Overview and Key Insights, 2024-2033*

https://navistratanalytics.com/report_store/ai-in-publishing-market

[4] Market.us, *AI in Publishing Market Size, 2023-2033*

<https://market.us/report/ai-in-publishing-market>

[5] PwC, *Global Entertainment & Media Outlook 2023-2027*

<https://www.pwc.com/gx/en/industries/tmt/media/outlook.html>

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