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25 July 2025



capAI plc

(the "**Company**" and, together with its subsidiaries and subsidiary undertakings, the "**Group**" or "**capAI**")

### **Execution of Licence and Option Agreement for Author42 Platform**

capAI (LSE: CPAI) is pleased to announce that, following receipt of regulatory clearance, it has now executed a definitive Licence and Option Agreement ("LOA") with R42 Group LLC ("R42") for Author42, its generative artificial intelligence ("AI") publishing platform.

The LOA follows the non-binding heads of terms between capAI and R42, announced on 7 July 2025, and marks the formal launch of capMedia, capAI's dedicated AI-led publishing division. The LOA gives capAI immediate control of Author42, with a commercially disciplined path to full intellectual property ("IP") ownership.

### **About Author42**

Author42 is a next-generation generative AI platform designed to assist authors, publishers, and content creators in producing high-quality fiction and non-fiction works. It integrates narrative generation, character development, and market intelligence to enable faster, more data-informed storytelling.

### **Principal Commercial Terms**

Under the LOA, capAI has secured an exclusive, worldwide right to use, develop, commercialise and sub-license the Author42 platform for a period of 12 months ("Licence Period"), with full operational and strategic control. The LOA also grants capAI a discretionary option (the "Option") to acquire full ownership of the IP associated with Author42.

Key terms include:

**No Upfront Cost, Immediate Control**

### ***no Upfront Cost, Immediate Control***

The LOA has been executed as a deed, and carries no upfront payment or consideration, giving capAI operational freedom without initial capital outlay.

### ***Good Faith Development Obligation***

capAI is committed to advancing the Author42 platform in good faith, including maintaining a dedicated development team, overseen via the capAI / R42 Alliance Steering Committee.

### ***Discretionary Option to Acquire Full IP Ownership***

capAI has the right-but not the obligation-to acquire 100% of the Author42 IP (including any enhancements or derivative works) at any time during the Licence Period; R42 cannot oblige capAI to exercise the Option under the terms of the LOA.

### ***£2 Million Option Consideration***

If exercised, capAI will settle the £2 million Option consideration through:

- the issue of new ordinary shares of nominal value £0.00001 each in the capital of capAI ("Ordinary Shares"), valued using the 20-trading day volume-weighted average price (VWAP) per Ordinary Share prior to Option exercise ("Consideration Shares"); or
- if regulatory constraints apply (e.g., Rule 9 of the UK Takeover Code or insufficient prospectus headroom), a combination of Consideration Shares (subject to such regulatory constraints) and non-transferable unsecured convertible loan notes ("UCLNs"). The UCLNs would carry a 10% non-compounding annual interest rate.

### ***Admission***

Any Consideration Shares issued under the Option (or new Ordinary Shares issued upon UCLN conversion) will be admitted to listing on the equity shares (transition) category of the Official List of the Financial Conduct Authority ("FCA") and to trading on the main market for listed securities of London Stock Exchange plc.

### ***Exit Participation (Post-Acquisition)***

Upon full Author42 IP transfer, R42 will be entitled to 20% of the net proceeds from any monetisation, sale, or liquidity event involving all or substantially all of the Author42 IP. This ensures long-term alignment without affecting capAI's operational control.

### ***Reversion Rights***

If capAI does not exercise the Option within the Licence Period, all rights revert to R42, including any improvements or derivative works created by capAI.

This structure offers capAI near-term flexibility while securing long-term strategic value alignment with R42.

### ***Related Party Considerations***

The entry by capAI and R42 into the LOA constitutes a material related party transaction for the purposes of DTR 7.3 and was, accordingly, voted upon by the statutory directors of capAI (the "Directors") deemed independent in relation to the LOA, comprising Richard Edwards, Sarah Day and Marcus Yeoman (excluding Professor Nag, who constituted a "related party" (as such term is defined in IFRS)), and such independent Directors consider the material related party transaction in respect of the LOA to be fair and reasonable from the perspective of the Company and holders of Ordinary Shares ("Shareholders") who are not a related party. Shareholders should note that Professor Nag recused himself from all deliberations concerning the LOA, ensuring robust governance and full compliance with applicable regulatory standards. These steps reflect the Company's ongoing commitment to transparent corporate governance and robust Shareholder protections.

### ***Substantial Property Transaction***

The grant of the Option does not itself constitute a substantial property transaction for the purposes of section 190 of the UK Companies Act 2006, as amended ("CA 2006").

However, if capAI elects to exercise the Option, such exercise would require R42 to transfer the Author42 IP and the Company to allot and issue of the Consideration Shares and UCLNs (as applicable and in compliance with applicable regulatory obligations) by the Company on exercise of the Option under the LOA constitute a 'substantial property transaction' under section 190 of CA 2006, as the Company will allot and issue Consideration Shares and/or UCLNs with an aggregate value of £2,000,000 to R42, which is a body corporate connected with Ronjon Nag, a Director designated as Executive Director.

The Company may therefore proactively seek Shareholder approval of such possible 'substantial property transaction' at a forthcoming general meeting. This approach reflects the Board's commitment to ensuring full compliance with the relevant thresholds, disclosure obligations, and governance procedures under applicable regulation.

### ***Management Commentary***

Richard Edwards, Executive Chairman of capAI, commented:  
*"This LOA signals the official launch of capMedia and our broader intent to redefine publishing using AI. Author42 gives us a platform to accelerate next-generation storytelling at scale-fully aligned with our incubate-and-own model."*

Professor Ronjon Nag, Executive Director of capAI, added:  
*"The publishing sector is ripe for intelligent automation, and Author42 demonstrates what's now possible. It's a category-building opportunity, and capAI is now structurally positioned to lead."*

Further updates will be provided as the Author42 platform progresses toward full launch.

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

### **Enquiries**

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This Announcement may include forward-looking statements, which are based on current expectations and projections about future events, including about the Groups operations, strategy, financial performance, development milestones, and the future prospects of its business divisions, including capMedia Inc and the Author42 platform. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target", "believe", "expect", "aim", "intend", "may", "anticipate", "estimate", "plan", "project", "will", "can have", "likely", "should", "would", "could" and any other words and terms of similar meaning or the negative thereof.

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