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5 August 2025



capAI plc

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

Execution of Heads of Terms for Movie42

capAI (LSE: CPAI) is pleased to announce that it has entered into non-binding heads of terms ("HOTS") with R42 Group LLC ("R42") in relation to Movie42, an AI-powered book-to-film platform that converts written content into cinematic storyboards, scripts, and production-ready visual assets ("Movie42").

The proposed transaction, which remains subject to receipt of regulatory approval and entry into an agreed form of definitive licence and option agreement ("LOA"), would contribute to the evolution of capMedia, the Company's specialised media division focused on deploying scalable AI technologies.

Movie42 remains under active development by R42, with delivery of a minimum viable product ("MVP") targeted by 31 March 2026. The licence and option rights that would be granted to capAI under the LOA will only become effective upon formal delivery of a completion notice (the "Completion Notice") confirming the platform is ready for commercialisation.

Further details are provided below.

About Movie42

Movie42 is a generative artificial intelligence ("AI") platform designed to translate narrative text into production-grade visual content and script materials. It incorporates scene analysis, visual composition, dialogue automation, and AI-assisted casting frameworks. The platform aims to serve independent creators, production studios, and literary IP owners by significantly reducing the resource intensity of early-stage film development.

By automating traditionally manual workflows in pre-production, Movie42 allows for scalable generation of pitch decks, storyboards, mood boards, and draft scripts derived directly from written works. This facilitates faster adaptation cycles and lowers the barriers to converting books into film-ready formats.

Market Opportunity and Disruption Potential

The AI in film market, covering essential tools for pre production activities such as script generation, storyboarding, and visual planning, is projected to expand from US 1.8billion in 2024 to approximately US 14.1billion by 2033, reflecting a compound annual growth rate ("CAGR") of 25.7%, according to *Market.us*.^[1]

Broadening the context further, estimates for the AI in media market vary depending on scope and methodology. *Grand View Research* forecasts the broader category to reach US 99.48 billion by 2030 (CAGR of 24.2% from 2025)^[2] while, *MarketsandMedia* projects a core segment to grow from US 8.21 billion in 2024 to US 51.08 billion by 2030 (CAGR of 35.6%).^[3]

These combined trends point to a transformational shift in how media content is conceived and produced. Movie42 is being built to seize this opportunity; offering scalable, AI-native tools that reduce pre-production friction, accelerate development cycles, and unlock new monetisation channels for narrative IP across a multi-billion-dollar creative economy.

Proposed Transaction Structure and Conditions

The proposed transaction is subject to regulatory clearance. Upon receiving such regulatory clearance, the Company and R42 intend to execute an agreed form LOA pursuant to the previously announced strategic alliance between the two parties.

The HOTs mirror the structure announced on 4 August 2025 for Game42.

The terms of the proposed transaction specified in the HOTs (which would only be effective on receipt of regulatory clearance and entry by the parties to the agreed form LOA) include, *inter alia*:

- Since Movie42 is still in development by R42, any rights granted to capAI shall only commence upon delivery of the Completion Notice by R42 to capAI.
- The Completion Notice shall confirm, in good faith and in consultation with the capAI / R42 Alliance Steering Committee, that Movie42 meets the mutually agreed MVP criteria and is functionally complete and ready for commercialisation.
- R42 shall use commercially reasonable efforts to deliver the Completion Notice by 31 March 2026, it being acknowledged by the Parties that this is a non-binding estimate subject to development progress.
- If the Completion Notice has not been delivered by 30 September 2026, either party may terminate the LOA with immediate effect by written notice to the other party, without liability, save in respect of any clause that are normally expressed to survive termination.
- capAI shall be granted an exclusive worldwide licence for a 12-month period to operate the Movie42 platform, commencing only upon capAI's receipt of the Completion Notice (the "**Licence Period**"), which carries no upfront payment or consideration, giving capAI operational freedom without initial capital outlay.
- capAI shall retain full commercial and operational control and shall be entitled to 100% of revenue generated under the licence.
- During the Licence Period, capAI shall commercially advance Movie42 in good faith, including maintaining a dedicated development team, overseen via the capAI / R42 Alliance Steering Committee.
- capAI has the right, but not the obligation, to acquire 100% of the Movie42 IP (including any enhancements or derivative works) at any time during the Licence Period (the "**Option**"); R42 cannot oblige capAI to exercise the Option.
- If the Option is exercised by capAI, capAI shall issue £2 million in new ordinary shares to R42, with the number of new ordinary 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 new ordinary 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 shall also be entitled to 20% of any net proceeds from a future monetisation, sale, or liquidity event involving all or substantially all of the Movie42 IP.
- 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 provides capAI with commercial flexibility during development while securing long-term strategic value alignment with R42.

Governance and Related Party Considerations

The HOTs 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 Company's board of directors has implemented appropriate governance protocols, including independent review of the terms.

Management Commentary

Richard Edwards, Executive Chairman of capAI, commented:

"Subject to completion and regulatory clearance, Movie42 is expected to become the next AI-native initiative within capAI's strategy to transform how creative IP is developed, adapted, and commercialised. Alongside Author42 and Game42, it reflects our ambition to scale intelligent automation across publishing, gaming, and filmed entertainment; three of the most valuable and dynamic sectors in global media."

Professor Ronjon Nag, Executive Director of capAI, added:

"Pending development completion and formal licensing, Movie42 would extend our alliance into cinematic storytelling, enabling written narratives to be rendered screen-ready through generative AI. It reinforces our belief that AI will play a central role in reshaping the creative production process across content verticals."

The Company will provide further updates as regulatory clearance is obtained and the agreed form LOA is executed.

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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This Announcement may include forward-looking statements, which are based on current expectations and projections about future events, including about the Group's operations, strategy, financial performance, development milestones, and the future prospects of its business divisions, including capMedia Inc and the Movie42 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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[1] <https://market.us/report/ai-in-film-market/>

[2] <https://www.grandviewresearch.com/industry-analysis/artificial-intelligence-ai-media-entertainment-market-report>

[3] <https://www.marketsandmarkets.com/Market-Reports/ai-in-media-market-213984142.html>

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