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29 August 2025

capAI plc

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

Execution of Licence and Option Agreement for Creator42, an AI-Powered Book-to-Screen Creative Hub

capAI (LSE: CPAI) is pleased to announce that, having addressed the necessary regulatory considerations, it has executed a definitive Licence and Option Agreement ("**LOA**") with R42 Group LLC ("**R42**") for Creator42, a generative artificial intelligence ("AI")-powered creative hub designed to transform written works into cinematic content across social media and film ("**Creator42**").

The LOA follows the non-binding heads of terms ("**HOTs**") between capAI and R42 for Movie42, announced on 5 August 2025, and the terms remain aligned with that framework. Creator42 represents a natural evolution of Movie42, broadening the original concept to encompass both short-form and long-form adaptation within a single creative hub. Consistent with the HOTs, the licence and option rights that are granted to capAI under the LOA will only become effective upon formal delivery of a mutually agreed completion notice (the "**Completion Notice**") confirming Creator42 is ready for commercialisation.

Creator42 comprises three complementary products; Sizzle42, Teaser42, and Movie42. The Group's initial commercial focus will be on Sizzle42 and Teaser42, which are significantly closer to market and are designed to generate cinematic trailers and previews optimised for TikTok, Instagram Reels, YouTube Shorts, and other social media platforms.

The advanced development state of Sizzle42 and Teaser42 was highlighted at the recent R42 Demo Day on 22 August 2025, where Studio42 (now renamed Creator42) demonstrated the ability to produce high-quality social-style clips from sample written works. Reflecting this progress, the LOA brings forward the targeted minimum viable product ("**MVP**") delivery date for Creator42 to 30 September 2025; a material acceleration versus the 31 March 2026 target envisaged under the HOTs.

Creator42 also creates natural synergies with Author42, the Group's existing AI publishing product, enabling authors not only to create written works but also to extend them seamlessly into cinematic formats. This forms part of capMedia's wider strategy to deliver a fully integrated suite of products and services for authors, not limited to book-writing, which the Board believes will disrupt the market and set the Group apart from competitors.

About Creator42

Creator42 is an integrated suite of AI-driven products that together aim to create a multi-stage pathway from book-to-screen, targeting both the fast-expanding short-form content market and the longer-form book-to-film opportunity:

- **Sizzle42 -** is intended to generate high-energy cinematic "sizzle" reels for short-form platforms such as TikTok, Instagram, and YouTube Shorts, providing authors and publishers with instant access to billions of daily social video views;

- **Teaser42 -** is intended to produce pre-trailers and short previews designed to build audience anticipation and drive engagement ahead of full releases; and
- **Movie42 -** is intended to automate long-form adaptation, converting narrative text into cinematic storyboards, scripts, and production-ready assets.

Principal Commercial Terms

Under the LOA, capAI has secured an exclusive, worldwide right to use, develop, commercialise and sub-license Creator42, for a period of 12 months ("**Licence Period**"), with full operational and strategic control. The Licence Period and all rights under the LOA will only commence upon delivery of a mutually agreed Completion Notice confirming Creator42 is ready for commercialisation. The LOA also grants capAI a discretionary option (the "**Option**") to acquire full ownership of the intellectual property ("**IP**") associated with Creator42.

Key terms include:

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.

Commencement of Rights

Since Creator42 is still in development by R42, capAI's Licence Period and all associated rights shall only commence upon delivery of a Completion Notice by R42 to capAI.

Completion Notice

The Completion Notice shall confirm, in good faith and in consultation with the capAI / R42 committee formed under the Alliance Agreement entered into between capAI and R42 (the "**Alliance Steering Committee**") , that Creator42 meets the mutually agreed MVP criteria and is functionally complete and ready for commercialisation, albeit not necessarily final or market-polished.

Development Timeline

R42 shall use commercially reasonable efforts to deliver the Completion Notice by 30 September 2025, it being acknowledged by the parties that this is a non-binding estimate subject to development progress.

Termination Right

If the Completion Notice has not been delivered by 31 March 2026, either party may terminate the LOA with immediate effect by written notice to the other party, without liability, save in respect of any clauses that are normally expressed to survive termination.

Good Faith Development Obligation

Following delivery of the Completion Notice, capAI will be committed to advancing Creator42 in good faith, including maintaining a dedicated development team, overseen via the capAI / R42 Alliance Steering Committee, and undertaking any final development work during the initial stages of the Licence Period as part of the broader commercialisation roadmap.

Discretionary Option to Acquire Full IP Ownership

capAI has the right-but not the obligation-to acquire 100% of the Creator42 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 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 Creator42 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 Creator42 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 balanced structure provides capAI with near-term flexibility while securing long-term strategic 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 Davy 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 Creator42 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:

"Creator42 represents a major milestone for capAI and capMedia. By bringing forward MVP delivery to 30 September 2025, we are now positioned to enter the burgeoning social-first video market much earlier than planned. With Sizzle42 and Teaser42 we aim to enable authors and publishers to reach audiences on TikTok, Instagram and YouTube Shorts in ways not previously possible. This is about creating near-term revenues today, while retaining the option to own the full book-to-film pathway through Movie42 tomorrow."

Professor Ronjon Nag, Executive Director of capAI, added:

"The R42 Demo Day made clear that the technology for social-first trailers is already well advanced. Creator42, alongside Author42, is expected to give capAI a unique ecosystem: write the book, publish it, and instantly create cinematic trailers and adaptations. We believe this fully integrated approach sets us apart from our peers and places us at the forefront of AI-driven storytelling."

Further updates will be provided as Creator42 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.

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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 Creator42 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.

Forward-looking statements are based on current expectations and are subject to various risks and uncertainties that could cause actual outcomes to differ materially. These risks include, but are not limited to: successful execution of definitive agreements; regulatory approvals; development timelines; market acceptance; technological shifts; and broader economic conditions. No representation or warranty is made or will be made that any forward-looking statement will come to pass, and no assurance can be given that any forward-looking statement will prove accurate. Except as required by law, capAI undertakes no obligation to revise or update any forward-looking statement. The forward-looking statements in this Announcement speak only as at the date of this Announcement.

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