Net 1 UEPS Technologies, Inc.
Registered in the state of Florida, USA
(IRS Employer Identification No. 98-0171860)
Nasdaq share code: UEPS
JSE share code: NT1
LEI: 529900J4IZMWV4RDEB07
ISIN: US64107N2062
("Net1" or "the Company")

Short-Form Announcement: Net 1 UEPS Technologies, Inc. Reports Third Quarter 2020 Results

Q3 2020 Highlights and Recent Developments:

- Sold KSNET for $237 million in March 2020 and DNI for $48 million in April 2020;
- At March 31, 2020 had unrestricted cash of $209 million and total debt of $3 million;
- Revenue of $36.5 million was flat year-over-year in US Dollars but grew 8% in constant currency;
- GAAP EPS of $(0.61) and Fundamental EPS of $(0.11); and
- Operating loss of $(14.2) million and adjusted EBITDA loss of $(6.4) million.

"Our focus continues to be on ensuring the safety and wellbeing of our employees, partners and customers during the COVID-19 pandemic. Over the past few months, the pandemic and resulting lockdowns have impacted our ability to market to and acquire new customers as we had to suspend operations deemed non-essential across our branch network. Despite the disruptions and restrictions, I am proud of and thank our employees, who continue to serve our customers during this unprecedented time. Many of our South African processing businesses observed record daily transaction volumes during April, demonstrating the importance and relevance of our network. During this time, we also experienced 100% uptime for our core processing systems as well as developed and launched new products, such as our feature phone-based loan origination product to eliminate face-to-face interaction," said Herman Kotzé, Net1's CEO. "We believe we are positioned well to weather the short-term economic disruptions and will emerge from this pandemic even stronger as a business. We completed a number of corporate disposals over the past few months, which leaves the Company in a very strong and liquid position. We also believe that there will be significant demand for our products once the operating restrictions are lifted."

"In South Africa, we intend to leverage our scale and distribution platforms to drive transaction processing, banking and financial and value-added services products as soon as the lockdown restrictions begin to ease. Though South Africa has moved from Severity Level 5 to Level 4 on May 1, 2020, economic activity is expected to increase once Severity Levels are lowered to 3 on June 1, 2020. Across Africa, we intend to increase cooperation with Carbon and V2 in order to drive expansion in Nigeria, Ghana and Kenya. For Europe, we have altered our strategy to partner with Bank Frick as well as other financial institutions and we expect to commence rolling out Ceevo's products in the coming months, albeit cautiously at first, while Europe normalizes from the pandemic. Lastly, we look forward to engaging with Value Capital Partners to review Net1's strategic objectives and capital allocation," he added.

"The duration and severity of the COVID-19 pandemic is still unknown, and therefore we believe it is prudent to withdraw our financial outlook for the remainder of fiscal 2020," said Alex Smith, Net1's CFO. "While our South African processing businesses experienced strong volumes during April, our inability to charge for certain of our services and operate parts of our financial services business during the lockdown period has had an adverse impact on our operations. If we are able to commence the marketing of our new financial and banking products prior to the end of fiscal 2020, we believe for the full year fiscal 2021, our adjusted-EBITDA should be modestly positive," he concluded.

Sale of KSNET and DNI

- On March 9, 2020, we completed the sale of KSNET for approximately $237 million.

- On April 1, 2020 we completed the sale of our 27.4% remaining interest in DNI for approximately ZAR 860 million. A 24.3% equity stake in DNI was sold for a cash consideration of approximately ZAR 760 million (or $42.6 million); and the remaining 3.1% equity stake was sold for approximately R100 million (or $5.5 million), and this amount will be received over 24 months, bearing interest at 7.25%, with an initial six-month interest and capital repayment holiday. All amounts translated at exchange rate of $1/ZAR 17.80 as of March 31, 2020.

Capital Allocation/Share Repurchase
Following the recent disposals, our board has initiated a comprehensive strategic review of the entire Company. In light of the continued uncertainty around the current pandemic, the need to ensure that the Company maintains a strong balance sheet and pending completion of the strategic review process, the board has decided to delay any share repurchases. Any return of capital will also be subject to clarification of the Company's status under the Investment Company Act, as we will not be able to repurchase our shares unless we can reliably conclude that we will not be considered to be an investment company. The Company intends to return excess capital to shareholders once these matters are resolved.

Succession plan for Chairman and other Board changes
Mr. Jabu Mabuza will succeed our current Chairman, Mr. Christopher S. Seabrooke, when he retires at the end of June 2020. Mr. Mabuza is Chairman of Sun International and was previously Chairman of Eskom, one of Africa's largest utilities and Telkom, a

leading South African telecom company. We have also appointed four other veteran business leaders as independent non-executive directors, being Mr. Antony Ball, Mr. Ian Greenstreet, Mr. Kuben Pillay and Mr. Ali Mazanderani.

Summary Financial Metrics

(All figures in USD '000s except per share data)	**Q3 2020**	**Q3 2019(A)**	**Q2 2020**	**Q3 '20 vs Q3 '19**	**Q3 '20 vs Q2 '20**	**Q3 '20 vs Q3 '19**	**Q3 '20 vs Q2 '20**
	USD '000's (except per share data)			**% change in USD**		**% change in ZAR**	
Revenue	36,514	36,586	40,567	(0%)	(10%)	8%	(6%)
GAAP operating loss	(14,212)	(23,776)	(10,420)	(40%)	36%	(35%)	42%
Adjusted EBITDA (loss) (1)	(6,423)	(15,019)	2,837	(57%)	nm	(54%)	nm
GAAP (loss) earnings per share ($)	(0.61)	(1.03)	(0.08)	(41%)	664%	(36%)	696%
Continuing	(0.85)	(0.90)	(0.08)	(5%)	964%	3%	1,009%
Discontinued	0.24	(0.13)	-	nm	nm	nm	nm
Fundamental loss per share ($)(1)	(0.11)	(0.62)	(0.10)	(82%)	10%	(81%)	15%
Fully-diluted shares outstanding ('000's)	56,803	56,828	56,568	(0%)	0%	nm	nm
Average period USD/ ZAR exchange rate	15.37	14.17	14.75	8%	4%	nm	nm

(All figures in USD '000s except per share data)	**F2020**	**F2019(A)**	**F2020 vs F2019**	**F2020 vs F2019**
	USD '000's (except per share data)		**% change in USD**	**% change in ZAR**
Revenue	125,019	149,174	(16%)	(6%)
GAAP operating loss	(31,068)	(82,576)	(62%)	(58%)
Adjusted EBITDA (loss) (1)	(18,205)	(57,335)	(68%)	(64%)
GAAP (loss) earnings per share ($)	(0.69)	(2.25)	(69%)	(66%)
Continuing	(1.03)	(2.24)	(54%)	(49%)
Discontinued	0.34	(0.01)	nm	nm
Fundamental loss per share ($)(1)	(0.22)	(1.48)	(85%)	(83%)
Fully-diluted shares outstanding ('000's)	56,646	56,819	(0%)	nm
Average period USD/ ZAR exchange rate	15.96	14.27	12%	nm

(A) 2019 restated to correct an error identified related to the loss recorded related to the disposal of discontinued operation. The financial information for the three and nine months ended March 31, 2019, have been restated with the effect of decreasing GAAP net (loss) income by $4.0 million, respectively. GAAP loss per share increased by $0.07 for the three and nine months ended March 31, 2019, respectively.

(1) Adjusted EBITDA loss and fundamental loss per share are non-GAAP measures and are described below under "Use of Non-GAAP Measures". See Attachment B in our full announcement for a reconciliation of GAAP operating loss to EBITDA and Adjusted EBITDA, and GAAP net loss to fundamental net loss and loss per share.

<u>Business update related to COVID-19</u>

Our operations have been impacted by government-imposed restrictions to contain the spread of the COVID-19 pandemic. Specifically, on March 27, 2020, the South African government imposed certain emergency measures to combat the spread of COVID-19, including implementation of travel bans and closures of factories, schools, public buildings, and businesses. Our businesses outside South Africa have also been affected and these operations and their employees are also complying with similar restrictions.

Employees

We closed a number of our offices and operating locations in order to comply with government regulations and for the general well-being of our employees following the outbreak of the pandemic. We have provided the necessary protective equipment and sanitization facilities for those employees that continue to operate within our offices and operating locations and we have provided the necessary facilities (computer equipment, data cards etc.) for our employees to operate remotely.

Business and operations

A number of our businesses including our EasyPay payment processing and value-added services operations, the operation of bank accounts and our national ATM network have been classified as essential services and therefore we have been able to continue operating these activities during the lockdown.

However, we were required to suspend our South African lending and other financial services activities to the extent that they operate through branches, and therefore we were prohibited from marketing and selling loans and other financial products on a face-to-face basis from the end of March 2020. Collections of amounts due from existing loans at the end of March 31, 2020, have so far been unaffected by the COVID-19 pandemic and government-imposed restrictions. We are currently also prohibited from charging certain banking-related fees to our South African customers. We estimate that we had to forgo cash withdrawal fees of approximately ZAR 8.2 million during the month of March 2020. We expect that we will forgo monthly cash withdrawal fees of between ZAR 18 to ZAR 20 million until we are allowed to charge our customers to withdraw cash from our ATM network once again. We do continue to earn interchange fees in respect of cash withdrawals from our ATMs performed by the customers of other issuers.

We incurred expenses of approximately ZAR 2.0 million directly related to responding to the pandemic's impact on our business during the third quarter of fiscal 2020. This expenditure related to the acquisition of sanitisers, masks and gloves for our employees and for the use of customers in our branches. Since March 31, 2020, we have incurred direct expenditure of approximately ZAR 1.0 million related to the purchase of thermometers to record and monitor our employees' temperature as mandated by certain South African lending regulations in order to identify COVID-19 infections.

Factors impacting comparability of our Q3 2020 and Q3 2019 results

- ***Higher revenue:*** Our revenues increased 8% in ZAR primarily due to higher South African transaction fees, partially offset by lower ad-hoc technology sales and lower international processing volumes;
- ***Ongoing operating losses:*** While operating costs have reduced significantly, we continue to experience operating losses in South Africa and internationally, as a result of depressed revenues, coupled with a high fixed-cost infrastructure. We also recorded impairment losses of $6.3 million during Q3 2020; and
- ***Adverse foreign exchange movements:*** The U.S. dollar appreciated 8% against the ZAR compared to Q3 2020, which adversely impacted our reported results.

Results of Operations by Segment and Liquidity

South African transaction processing

Segment revenue was $19.9 million in Q3 2020, up 24%, compared with Q3 2019 and up 2% compared to Q2 2020 on a constant currency basis. The increase in segment revenue was primarily due to an increase in transactions performed through our ATM network, but partially offset by lower fees as a result of fewer EPE and SASSA accounts. Our revenue for Q3 2020 was adversely impacted by ZAR 8.2 million ($0.5 million) as a result of the COVID-19 pandemic as we were unable to charge certain cash withdrawal fees to customers as a result of the lockdown during the last few days of March 2020. Excluding the impact of the $5.6 million EasyPay goodwill impairment loss, our South African transaction processing operating segment revenue and operating loss have been adversely impacted by the loss of EPE and SASSA customers. The reduced operating loss in the segment is due to the cost cutting that has occurred over the last 12 months. Our operating loss margin for Q3 2020 and 2019 was (43.6%) and (74.6%), respectively. Our operating loss margin for Q3 2020 excluding the goodwill impairment of $5.6 million was (15.5%).

International transaction processing

Segment revenue was $1.6 million in Q3 2020, down 26% on a constant currency basis compared with Q3 2019 but up from $0.9 million in Q2 2020. Segment revenue from continuing operations was lower during Q3 2020, primarily due to an ongoing contraction in IPG transaction volumes. Operating loss from continuing operations during Q3 2020 increased compared with fiscal 2019 due to higher operating losses incurred by IPG, reflecting the high fixed costs component of the business. Our operating loss margin for Q3 2020 and 2019 was (202.6%) and (84.2%), respectively.

Financial inclusion and applied technologies

Segment revenue was $17.7 million in Q3 2020, up 2% on a constant currency basis compared with Q3 2019 but down from $22.0 million in Q2 2020. In ZAR, segment revenue from continuing operations increased modestly primarily due to higher terminal sales and insurance revenue. Lending and prepaid sales were consistent with Q3 2019. Operating loss for Q3 2019 included retrenchment costs of $1.6 million (ZAR 22.1 million). Operating loss from continuing operations for Q3 2020 improved compared with fiscal 2019 due to the contribution from terminal sales, a recovery of bad debts previously written off and no retrenchment costs. Our operating income margin from continuing operations for the Financial inclusion and applied technologies segment was (5.3%) and (26.1%) during Q3 2020 and 2019, respectively.

Corporate/eliminations

Our corporate expenses decreased primarily due to lower acquired intangible asset amortization expense related to intangible assets that were fully amortized during fiscal 2019 and unrealized foreign currency gains recorded resulting from the strengthening of the U.S. dollar, but partially offset by a $0.7 million impairment loss.

Cash flow and liquidity

At March 31, 2020, our cash and cash equivalents were $209.3 million and comprised of U.S. dollar-denominated balances of $192.0 million, ZAR-denominated balances of ZAR 236.5 million ($13.2 million), and other currency deposits, primarily Botswana pula, of $4.1 million, all amounts translated at exchange rates applicable as of March 31, 2020. The increase in our unrestricted cash balances from June 30, 2019, was primarily due to the sale of our Korean operations and the repayment of a loan outstanding by DNI, which was partially offset by weak trading activities, repayment of our short-term borrowings, capital expenditures, and an additional investment in V2.

Our cash used in operating activities during Q3 2020 was impacted by the cash losses incurred by the majority of our continuing operations. We were unable to commence origination of loans towards the end of March 2020 due to the temporary COVID-19 restrictions imposed on our lending activities in March 2020 and this had a positive result on net cash used in operating activities during Q3 2020, compared with 2019, where we originated loans, and which resulted in a net outflow of cash. Our operating cash flows were adversely impacted by the purchase of additional Cell C prepaid airtime that is subject to sale restrictions. Our net cash used in operating activities during Q3 2020 includes the contribution from KSNET for two months and no contribution from DNI, compared with 2019, which includes cash flow contributions from both of these entities for the entire quarter. Capital expenditures for Q3 2020 and 2019 were $1.0 million and $1.6 million, respectively, and Q3 2020 capital expenditures relate primarily to the acquisition of computer equipment in South Korea to maintain operations and leasehold improvements in Malta.

Headline (loss) earnings per share ("H(L)EPS")

The inclusion of H(L)EPS in this press release is a requirement of our listing on the JSE. H(L)EPS basic and diluted is calculated using net (loss) income which has been determined based on GAAP. Accordingly, this may differ to the headline (loss) earnings per share calculation of other companies listed on the JSE as these companies may report their financial results under a different financial reporting framework, including but not limited to, International Financial Reporting Standards.

The table below presents our H(L)EPS for the third quarter of fiscal 2020 and 2019, respectively, and the year to date fiscal 2020 and 2019, respectively:

	Q3 2020	Q3 2019	F2020	F2019
Net loss used to calculate headline earnings (USD'000).	(17,087)	(44,445)	(30,363)	(105,585)
Headline loss per share:...				
Basic, in USD	(0.30)	(0.78)	(0.54)	(1.86)
Diluted, in USD	(0.30)	(0.78)	(0.54)	(1.86)

Short-form announcement

This short-form announcement is the responsibility of the Net1's Board of Directors ("Board") and the contents have been approved by the Board on May 21, 2020. This short-form announcement released on SENS is a summary of the full announcement which has been published at https://senspdf.jse.co.za/documents/2020/JSE/ISSE/NT1/Q3Res20.pdf and on Net1's website at www.net1.com. This short-form announcement does not contain complete or full announcement details. Any investment decision by investors and/or shareholders should be based on consideration of the full announcement. The short-form announcement has not been audited or reviewed by Net1's external auditors. The full announcement is available upon request through enquiries directed to either Net1's Group Vice President, Investor Relations at dchopra@net1.com or Net1's media relations contact at Bridget.vonholdt@bcw-global.com.

Conference Call

We will host a conference call to review these results on May 27, 2020, at 8:00 a.m. Eastern Time. To participate in the call, dial 1-508-924-4326 (US and Canada), 0333-300-1418 (U.K. only) or 010-201-6800 (South Africa only) ten minutes prior to the start of the call. Callers should request "Net1 call" upon dial-in. The call will also be webcast on the Net1 homepage, www.net1.com. Please click on the webcast link at least ten minutes prior to the call. A webcast of the call will be available for replay on the Net1 website through June 16, 2020.

About Net1

Net1 is a multinational financial technology company with a presence in Africa, Asia and Europe. Net1 leverages its proprietary banking and payment technology to distribute low-cost financial and value-added services to underbanked consumers and small businesses. The Company also provides transaction processing services, including being a leading payment processor and bill payment platform in South Africa. Net1 leverages its strategic investments in banks, telecom and mobile payment technology companies to further expand its product offerings or to enter new markets.

Net1 has a primary listing on NASDAQ (NasdaqGS: UEPS) and a secondary listing on the Johannesburg Stock Exchange (JSE: NT1). Visit www.net1.com for additional information about Net1.

Forward-Looking Statements

This announcement contains forward-looking statements that involve known and unknown risks and uncertainties. A discussion of various factors that cause our actual results, levels of activity, performance or achievements to differ materially from those expressed in such forward-looking statements are included in our filings with the Securities and Exchange Commission. We undertake no obligation to revise any of these statements to reflect future events.

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Sponsor:
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