

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  
ISIN: US64107N2062  
("Net1" or "the Company")

## Short-Form Announcement: Net 1 UEPS Technologies, Inc. Reports Fourth Quarter and Full Year 2020 Results

### Q4 2020 Highlights and Recent Developments:

- At June 30, 2020, had unrestricted cash of \$218 million and no debt
- Revenue of \$26.0 million, excluding the impact of the 2019 SASSA implementation fee refund, was down year-over-year reflecting effects of the COVID-19 pandemic on fees and financial services;
- GAAP EPS of \$(0.68) and Fundamental EPS of \$(0.22); and
- Operating loss of \$13.2 million and adjusted EBITDA loss of \$12.2 million.

### Strategic Review:

Following completion of the strategic review, our board has realigned Net1 to focus on, and invest in, its core competencies and portfolio of assets within the South African market. We aim to renew Net1 by building on the unique suite of financial technology products that is the profitable heart of our business in order, to provide an end-to-end value proposition for underserved participants in the economy. We believe that Net1 is extremely well-positioned to be a dynamic, catalyzing and positive force for our customers, empowering individuals and small businesses with credit, insurance and payment services.

"South Africa is, and always has been, the engine room of Net1," said Alex Smith, Net1's chief financial officer. "Following our strategic review, we intend to focus our incremental capital and management resources to scale up our South African businesses, and return Net1 to a sustainable, cash generative business. Efficient capital allocation will drive our strategy during fiscal 2021 and beyond in order to generate the best return for the business and for shareholders."

"Economic activity levels in South Africa remain challenging due to the ongoing effects of COVID-19, particularly its wider impact on the macroeconomic environment. We have, however, begun reinvesting in our South African operations and are pleased with the demand for our transactional and financial services since the relaxation of lockdown restrictions in June," he added.

### Investment Company

As previously communicated, we are in the process of more formally determining our status under the Investment Company Act. We currently have an authorisation in place to repurchase up to \$100 million of shares, however we will not be able to use the authorisation unless and until we can reliably conclude that we will not be considered to be an investment company. We intend to return excess capital to shareholders once this matter is resolved.

### Succession plan for CEO

On August 5, 2020, we announced that, after 22 years with our company, Herman G. Kotzé will be stepping down on September 30, 2020, as Net1's CEO and director. Alex Smith will take over as the interim CEO upon Mr. Kotzé's departure, until the board finalizes the appointment of a permanent CEO. To ensure a smooth transition, Mr. Kotzé has agreed to provide consulting services to Net1 through May 31, 2021.

### Summary Financial Metrics

	Q4 2020	Q4 2019 <sup>(R)</sup>	Q3 2020	Q4 '20 vs Q4 '19	Q4 '20 vs Q3 '20	Q4 '20 vs Q4 '19	Q4 '20 vs Q3 '20
<i>(All figures in USD '000s except per share data)</i>	USD '000's			% change in USD		% change in ZAR	
	(except per share data)						
Revenue	25,978	17,053	36,514	52%	(29%)	86%	(20%)
GAAP operating loss	(13,180)	(52,356)	(14,212)	(75%)	(7%)	(69%)	4%
Adjusted EBITDA (loss) <sup>(1)</sup>	(12,184)	(72,562)	(6,423)	(83%)	90%	(79%)	113%
GAAP (loss) earnings per share (\$)	(0.68)	(3.22)	(0.61)	(79%)	12%	(74%)	26%
Continuing	(0.68)	(3.24)	(0.85)	(79%)	(20%)	(74%)	(10%)
Discontinued	(0.00)	0.02	0.24	nm	nm	nm	nm
Fundamental loss per share (\$) <sup>(1)</sup>	(0.22)	(3.05)	(0.11)	(93%)	100%	(91%)	125%
Fully-diluted shares outstanding ('000's)	57,119	56,804	56,568	1%	1%	nm	nm
Average period USD/ ZAR exchange rate	17.28	14.13	15.37	22%	12%	nm	nm

	F2020	F2019 <sup>(R)</sup>	F2020 vs F2019	F2020 vs F2019
	USD '000's (except per share data)		% change in USD	% change in ZAR
(All figures in USD '000s except per share data)				
Revenue	150,997	166,227	(9%)	2%
GAAP operating loss	(44,248)	(134,932)	(67%)	(63%)
Adjusted EBITDA (loss) <sup>(1)</sup>	(30,389)	(64,596)	(53%)	(47%)
GAAP (loss) earnings per share (\$)	(1.37)	(5.48)	(75%)	(72%)
Continuing	(1.70)	(5.49)	(69%)	(65%)
Discontinued	0.33	0.01	nm	nm
Fundamental loss per share (\$) <sup>(1)</sup>	(1.04)	(4.53)	(77%)	(74%)
Fully-diluted shares outstanding ('000's)	56,764	56,778	(0%)	nm
Average period USD/ ZAR exchange rate	15.96	14.27	12%	nm

(R) 2019 restated to correct an error identified related to the loss recorded related to the disposal of discontinued operation and to correct errors identified by our equity method investment – Finbond Group Limited. The financial information for the three months June 30, 2019, has been restated with the effect of decreasing GAAP net loss by \$0.6 million and decreasing GAAP loss per share by \$0.01, respectively. The financial information for the year ended June 30, 2019, has been restated with the effect of increasing GAAP net loss by \$3.4 million and increasing GAAP loss per share by \$0.06, respectively

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

#### Factors impacting comparability of our Q4 2020 and Q4 2019 results

- **Higher revenue:** Our revenues increased 86% in ZAR primarily due to the impact of the 2019 SASSA implementation fee reversal, which was partially offset by lower South African transaction fees, 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 and challenging trading conditions during the COVID-19 outbreak; and
- **Adverse foreign exchange movements:** The U.S. dollar appreciated 22% against the ZAR compared to Q4 2020, which adversely impacted our reported results.

#### Results of Operations by Segment and Liquidity

##### *South African transaction processing*

Segment revenue was \$14.2 million in Q4 2020, down 9%, compared with Q4 2019 and also down 20% compared to Q3 2020 on a constant currency basis. The decrease in segment revenue was primarily due to the impact of COVID-19 on our EPE transaction fees and volumes, as well as the disposal of FHRST, which were partially offset by higher fees from other transacting businesses. Our revenue for Q4 2020 was adversely impacted by ZAR 27.0 million (\$1.6 million) as a result of the COVID-19 pandemic as we were unable to charge certain cash withdrawal fees. The higher operating loss in the segment is primarily due to the impact of COVID-19 on our operating activities as discussed above. Our operating loss margin for Q4 2020 and 2019 was (32.1%) and (13.1%), respectively.

##### *International transaction processing*

Segment revenue from continuing operations was \$1.4 million in Q4 2020, down 12% on a constant currency basis compared with Q4 2019 and down from \$1.6 million in Q3 2020. Segment revenue from continuing operations was lower during Q4 2020, primarily due to an ongoing contraction in IPG transaction volumes. Operating loss from continuing operations during Q4 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 Q4 2020 and 2019 was (289.6%) and (138.1%), respectively.

##### *Financial inclusion and applied technologies*

Segment revenue was \$12.6 million in Q4 2020, down 13% on a constant currency basis compared with Q4 2020 and also down from \$17.7 million in Q3 2020. Prepaid airtime sales were also modestly lower than Q4 2019. Operating loss for this operating segment for Q4 2019 included a goodwill impairment of \$6.2 million. Operating loss for Q4 2020 improved compared with fiscal 2019 primarily due to better utilization of our infrastructure, which was partially offset by higher fixed costs incurred and includes a

\$1.3 million inventory write-down related to Cell C prepaid airtime. The COVID impact on this segment was not significant due to government assistance largely offsetting the revenue impact. Our operating loss margin for the Financial inclusion and applied technologies segment was (19.3%) and (61.2%) during Q4 2020 and 2019, respectively. Our operating loss margin for Q4 2020 excluding the \$1.3 inventory write-down was (8.9%) and for Q4 2019 excluding the goodwill impairment was (25.9%), respectively.

### ***Corporate/eliminations***

Our corporate expenses decreased primarily due to the inclusion of the impact of the 2019 SASSA implementation fee reversal in Q4 2019 and lower acquired intangible asset amortization expense in Q4 2020 related to intangible assets that were fully amortized during Q4 2019.

### ***Cash flow and liquidity***

At June 30, 2020, our cash and cash equivalents were \$217.7 million, which comprised U.S. dollar-denominated balances of \$171.3 million, ZAR-denominated balances of ZAR 750.9 million (\$43.3 million), and other currency deposits, primarily Botswana pula, of \$3.0 million, all amounts translated at exchange rates applicable as of June 30, 2020. The increase in our unrestricted cash balances from June 30, 2019, was primarily due to the sale of our Korean operations, FIHRST and the majority of our remaining interest in DNI for cash; and the repayment of a loan outstanding by DNI as of June 30, 2019; which was partially offset by weak trading activities, payment of a termination fee to cancel our Bank Frick option, repayment of our short-term borrowings, capital expenditures, and an additional investment in V2.

Our cash used in operating activities during Q4 2020 was impacted by the cash losses incurred by the majority of our continuing operations, the payment of the \$17.5 million option termination fee and the recommencement of lending activities. We were permitted to commence origination of loans in June following the relaxation of the temporary COVID-19 restrictions imposed on our lending activities in March 2020. Capital expenditures for Q4 2020 and 2019 were \$1.4 million and \$2.1 million, respectively, with Q4 2020 capital expenditures relating primarily to the acquisition of point of sale devices in South Africa to deploy to merchants.

### **Use of Non-GAAP Measures**

US securities laws require that when we publish any non-GAAP measures, we disclose the reason for using these non-GAAP measures and provide reconciliations to the directly comparable GAAP measures in our full announcement. The presentation of negative EBITDA, adjusted negative EBITDA, fundamental net (loss) income and fundamental (loss) earnings per share and headline (loss) earnings per share are non-GAAP measures.

### ***Headline (loss) earnings per share (“HEPS”)***

The inclusion of HEPS in this press release is a requirement of our listing on the JSE. HEPS basic and diluted is calculated using net loss 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 HEPS for Q4 2020 and Q4 2019

	<u>2020</u>	<u>2019</u>
Net loss used to calculate headline earnings (USD'000).....	<u>(30,745)</u>	<u>(177,029)</u>
Headline loss per share:.....		
Basic, in USD .....	(0,54)	(3,12)
Diluted, in USD .....	(0,54)	(3,12)

The table below presents our HEPS for fiscal year ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net loss used to calculate headline earnings (USD'000).....	<u>(52,321)</u>	<u>(282,614)</u>
Headline (loss) earnings per share:.....		
Basic, in USD .....	(0,92)	(4,98)
Diluted, in USD .....	(0,92)	(4,98)

### **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 September 10, 2020. This short-form announcement released on SENS is a summary of the full announcement which has been published on Net1's website at [www.net1.com](http://www.net1.com) and at <https://senspdf.jse.co.za/documents/2020/JSE/ISSE/NT1/Q4Res2020.pdf>. This short-form announcement does not contain the 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](mailto:dchopra@net1.com) or Net1's media relations contact at [Bridget.vonholdt@bcw-global.com](mailto:Bridget.vonholdt@bcw-global.com).

## **Conference Call**

We will host a conference call to review these results on September 11, 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](http://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 October 4, 2020.

**Participants are now able to pre-register for the September 11, 2020, conference call by navigating to [www.diamondpass.net/2820008](http://www.diamondpass.net/2820008). Participants utilizing this pre-registration service will receive their dial-in number upon registration.**

## **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 underserved 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](http://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 may 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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