

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 First Quarter 2021 Results

### Q1 2021 Highlights and Recent Developments:

- Revenue of \$37.1 million, a constant currency decrease of 12% from Q1 2020, but an increase of 39% from Q4 2020;
- Operating loss of \$(10.8) million;
- GAAP EPS of \$(0.51) and Fundamental EPS of \$(0.23);
- Adjusted EBITDA loss of \$(9.8) million, a sequential improvement from a loss of \$(12.2) million in Q4 2020; and
- At September 30, 2020, had unrestricted cash of \$209 million and no debt

"We are pleased to see some encouraging signs in our operational and financial results this quarter. With the return to full operations, we have seen increased transaction processing volumes, loan originations, and a significant increase in the utilization of our ATM infrastructure over Q4 of FY2020," said Alex Smith, Net1's interim CEO and CFO.

"While we do not yet have a resolution of our Investment Company Act status, we believe we have the right team involved and are working diligently to resolve this issue as soon as possible. In the meantime, the Board has formed a capital allocation plan to return capital to shareholders while also providing adequate funds for internal organic growth as well as strategic acquisitions for the Company," continued Smith.

"Our long-term initiatives remain unchanged – to be the leading financial technology company in South Africa focused on underserved customers. We believe that we have the capabilities, technology and infrastructure to make this strategic vision a reality. We believe that Net1 is better placed than any other business in the country to service that very large total addressable market and look forward to the journey ahead," concluded Smith.

### Summary Financial Metrics

	Q1 2021	Q1 2020	Q4 2020	Q1 '21 vs Q1 '20	Q1 '21 vs Q4 '20	Q1 '21 vs Q1 '20	Q1 '21 vs Q4 '20
<i>(All figures in USD '000s except per share data)</i>	<b>USD '000's</b>			<b>% change in USD</b>		<b>% change in ZAR</b>	
	<b>(except per share data)</b>						
Revenue	37,113	47,938	25,978	(23%)	43%	(12%)	39%
GAAP operating loss	(10,775)	(6,436)	(13,180)	67%	(18%)	90%	(21%)
Adjusted EBITDA (loss) <sup>(1)</sup>	(9,822)	(4,306)	(12,184)	128%	(19%)	159%	(22%)
GAAP (loss) earnings per share (\$)	(0.51)	(0.08)	(0.68)	538%	(26%)	625%	(28%)
Continuing	(0.51)	(0.13)	(0.68)	292%	(25%)	346%	(27%)
Discontinued	-	0.05	(0.00)	nm	nm	nm	nm
Fundamental loss per share (\$) <sup>(1)</sup>	(0.23)	(0.02)	(0.22)	1,050%	5%	1,208%	1%
Fully-diluted shares outstanding ('000's)	57,119	56,568	57,119	1%	-	nm	nm
Average period USD/ ZAR exchange rate	16.77	14.75	17.28	14%	(3%)	nm	nm

(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.

### Business update related to COVID-19 pandemic

The COVID-19 pandemic did not impact the Company's South African operations as severely during Q1 2021, as it did in Q4 2020. Nevertheless, South Africa currently remains under various lockdown restrictions, which continue to affect the broader economy, and these restrictions affect us to the extent they affect economic activity levels in South Africa. The Company does not believe there will be any further significant adverse effects on its liquidity from the pandemic, unless there is a resumption of the higher level of restrictions in South Africa in the event of an increase in the level of infections, as is currently being experienced in Europe and the United States following the second wave of the pandemic there.

### Factors impacting comparability of our Q1 2021 and Q1 2020 results

- **Lower revenue:** Our revenues decreased 12% in ZAR primarily due to fewer prepaid airtime sales and lower account fee revenue, which was partially offset by higher transaction fees;
- **Ongoing operating losses:** Operating costs are largely in line with the prior period in ZAR due to the largely fixed cost nature of the costs base. As a result, we continue to experience operating losses as a result of depressed revenues; and
- **Adverse foreign exchange movements:** The U.S. dollar was 14% stronger against the ZAR during Q1 2021, which adversely impacted our reported results.

## Results of Operations by Segment and Liquidity

### *Processing*

Segment revenue was \$23.3 million in Q1 2021, down 9%, compared with Q1 2020 but increased 34% compared to Q4 2020 on a constant currency basis. Excluding IPG, segment revenue decreased primarily due to fewer prepaid airtime sales, which was partially offset by higher volume-driven transaction fees. Excluding IPG, Processing operating loss has been impacted lower revenue and by an increase in transaction-based costs. IPG incurred an operating loss but is in the process of being closed down. Our operating loss margin for Q1 2021 and 2020 was (29.8%) and (18.3%), respectively. Excluding IPG, our operating loss margin for the Processing segment was (19.5%) and (12.1%) during Q1 2021 and 2020, respectively.

### *Financial services*

Segment revenue from continuing operations was \$8.3 million in Q1 2021, down 34% on a constant currency basis compared with Q1 2020 and down from \$8.8 million compared to Q4 2020. Segment revenue decreased due to lower account fee revenue whilst lending and insurance revenues were relatively flat compared to the prior period. The segment incurred an operating loss compared with fiscal 2020 primarily due to the reduction in account fee revenue as well as higher employee-related costs and an increase in insurance claims experience. Operating (loss) income margin for Q1 2021 and 2020 was (28.7%) and 2.4%, respectively.

### *Technology*

Segment revenue was \$6.2 million in Q1 2021, down 2% on a constant currency basis compared with Q1 2020 but significantly higher than the \$1.9 million in Q4 2020. Operating income for Q1 2021 improved compared with fiscal 2020 due to improved margins on the sale of hardware. Operating income margin for the Technology segment was 28.6% and 15.9% during Q1 2021 and 2020, respectively.

### *Corporate/eliminations*

Our corporate expenses increased primarily due to foreign exchange losses incurred and higher legal fees, which were partially offset by lower audit and consulting fees.

### *Cash flow and liquidity*

At September 30, 2020, cash and cash equivalents were \$209.2 million and comprised of U.S. dollar-denominated balances of \$174.0 million, ZAR-denominated balances of ZAR 547.2 million (\$32.5 million), and other currency deposits, primarily Botswana pula, of \$2.7 million, all amounts translated at exchange rates applicable as of September 30, 2020. The decrease in unrestricted cash balances from June 30, 2020, was primarily due to the payment of Federal income taxes, weak trading activities and an increase in our lending book, which was partially offset by the receipt of the outstanding proceeds related to the sale of our Korean business.

Excluding the impact of income taxes, cash used in operating activities during the first quarter of fiscal 2021 was impacted by the cash losses incurred by the majority of our continuing operations and the growth in our lending book. Net cash used in operating activities during the first quarter of fiscal 2020 includes the contribution from our Korean operations. We paid income taxes of approximately \$15.4 million during Q1 2021, compared with \$1.9 million during Q1 2020. Capital expenditures for Q1 2021 and 2020 were \$0.3 million and \$2.6 million, respectively.

## 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 Q1 2021 and Q1 2020

	<u>2021</u>	<u>2020</u>
Net loss used to calculate headline earnings (USD'000).....	<u>(13,474)</u>	<u>(4,503)</u>
Headline loss per share:.....		
Basic, in USD .....	(0.24)	(0.08)
Diluted, in USD.....	(0.24)	(0.08)

### 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 November 5, 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/Q1Res2021.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 Dara Dierks, Net1's investor relations contact, at [net1IR@icrinc.com](mailto:net1IR@icrinc.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 November 6, 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 November 29, 2020.

**Participants are now able to pre-register for the November 6, 2020, conference call by navigating to <https://www.diamondpass.net/4251389>. Participants utilizing this pre-registration service will receive their dial-in number upon registration.**

### About Net1

Net1 is a South African-focused financial technology company with a presence in Africa, Asia and Europe. Net1 utilizes 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 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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Johannesburg  
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