

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 Third Quarter 2021 Results

Recent Developments:

- Net increase of approximately 27,000 EasyPay Everywhere (EPE) account holders;
- Non-cash increase of \$10.8 million, before tax effect, in the fair value of investment in MobiKwik;
- Sale of entire interest in Bank Frick for \$30 million;
- Reduction of IPG operating loss from \$3.2 million in Q2, 2021, to \$1.2 million in Q3, 2021, excluding the impact of the \$3.6 million once-off payment to terminate all arrangements with Bank Frick and settle all related liabilities, of which \$1.4 million and 2.2 million was expensed during Q2, 2021 and Q3, 2021, respectively;
- At March 31, 2021, unrestricted cash of \$208 million and no debt;
- Revenue of \$28.8 million, a decrease of 17% from Q3 2020;
- Operating loss of \$(14.3) million;
- GAAP EPS of \$(0.11) and Fundamental EPS of \$(0.24); and
- Adjusted EBITDA loss of \$(12.8) million, flat compared to Q2 2021.

"We have made a lot of operational progress over the past quarter in exiting our loss-making European operations and preparing the South African operations for significant account growth," said Alex Smith, Net1's interim CEO and CFO. "We are making progress in our mission of driving financial inclusion for the underserved market having recently hired a new dynamic, highly accomplished and experienced CEO of Net1 Southern Africa, Lincoln Mali, who is well respected and experienced in the South African financial services and banking industry. Our new strategy, mission and leadership has also enabled us to attract some amazing new talent among the senior management ranks," he concluded.

Summary Financial Metrics

	Q3 2021	Q3 2020 (as restated) ⁽¹⁾	Q2 2021	Q3 '21 vs Q3 '20	Q3 '21 vs Q2 '21	Q3 '21 vs Q3 '20	Q3 '21 vs Q2 '21
<i>(All figures in USD '000s except per share data)</i>	USD '000's (except per share data)			% change in USD		% change in ZAR	
Revenue	28,828	34,614	32,305	(17%)	(11%)	(19%)	(14%)
GAAP operating loss	(14,292)	(14,212)	(15,205)	1%	(6%)	(2%)	(9%)
Adjusted EBITDA (loss) ⁽²⁾	(12,823)	(6,423)	(12,792)	100%	0%	94%	(3%)
GAAP (loss) earnings per share (\$)	(0.11)	(0.61)	(0.08)	(82%)	38%	(82%)	33%
Continuing	(0.11)	(0.85)	(0.08)	(87%)	38%	(87%)	33%
Discontinued	-	0.24	-	nm	nm	nm	nm
Fundamental loss per share (\$) ⁽²⁾	(0.24)	(0.11)	(0.24)	118%	-	112%	(3%)
Fully-diluted shares outstanding ('000's)	56,921	56,803	56,641	0%	0%	nm	nm
Average period USD/ ZAR exchange rate	14.96	15.37	15.47	(3%)	(3%)	nm	nm

	F2021	F2020 (as restated) ⁽¹⁾	F2021 vs F2020	F2021 vs F2020
<i>(All figures in USD '000s except per share data)</i>	USD '000's (except per share data)		% change in USD	% change in ZAR
Revenue	96,269	119,748	(20%)	(19%)
GAAP operating loss	(40,272)	(31,068)	30%	31%
Adjusted EBITDA (loss) ⁽²⁾	(35,438)	(17,399)	104%	106%
GAAP (loss) earnings per share (\$)	(0.70)	(0.69)	1%	2%

Continuing	(0.70)	(1.03)	(32%)	(31%)
Discontinued	-	0.34	nm	nm
Fundamental loss per share (\$) ⁽²⁾	(0.71)	(0.22)	223%	226%
Fully-diluted shares outstanding ('000's)	56,895	56,646	0%	nm
Average period USD/ ZAR exchange rate	16.12	15.96	1%	nm

(1) 2020 has been restated to correct an error with respect to the recognition of certain revenue and related cost of goods sold, IT processing, servicing and support. The financial information for the three and nine months ended March 31, 2020, has been restated with the effect of decreasing revenue by \$1.9 million and \$5.3 million, respectively. Refer to Note 1 to our unaudited condensed consolidated financial statements.

(2) 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 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 our South African operations as severely during the three and nine months ended March 31, 2021, compared to the last four months of the year ended June 30, 2020. South Africa has been at an adjusted Level 1 since March 1, 2021. On December 28, 2020, the country moved back to Level 3 restrictions which remained in place through to February 28, 2021. South Africa operates with a five-level COVID-19 alert system, with Level 1 being the least restrictive and Level 5 being the most restrictive. The country went into lockdown (Level 5) towards the end of March 2020 and gradually eased restrictions for the remainder of the 2020 calendar year (to Level 4 from May 1, to Level 3 from June 1, to Level 2 from August 18 and to Level 1 from September 21). The increase at the end of December 2020 back to Level 3 was in response to a second wave of infections, which was more severe than the first wave. The South Africa government commenced its vaccination program in early calendar 2021, with a stated goal of vaccinating 67% of the South African population by the end of calendar year. With the winter months approaching, there are concerns over the potential for a third wave, particularly as there have been several delays in the vaccination program to date.

Factors impacting comparability of our Q3 2021 and Q3 2020 results

- **Lower revenue:** Our revenues decreased 19% in ZAR primarily due to fewer prepaid airtime and hardware sales and lower account fee revenue;
- **Ongoing operating losses:** Operating costs are largely in line with the prior period in ZAR due to the largely fixed cost nature of the cost base. As a result, we continue to experience operating losses because of depressed revenues;
- **Once-off termination payment:** During Q3 2021, we made a payment of \$3.6 million to the Frick Family Foundation to terminate all existing arrangements with Bank Frick and settle all liabilities related to IPG's activities with Bank Frick;
- **Non-cash increase in fair value of MobiKwik:** We recorded a non-cash fair value gain during Q3 2021 of \$10.8 million related to the change in fair value of MobiKwik; and
- **Foreign exchange movements:** The U.S. dollar was 3% weaker against the ZAR during Q3 2021, which impacted our reported results.

Results of Operations by Segment and Liquidity

Processing

Segment revenue, excluding IPG, was \$18.7 million in Q3 2021, down 13% compared with Q3 2020 and down 7% compared with Q2 2021 on a constant currency basis. Excluding IPG, segment revenue decreased primarily due to fewer prepaid airtime sales and a reduction in volume-driven transaction fees. Excluding IPG, Processing's operating loss has been impacted by lower revenue and by an increase in transaction-based costs. 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. Our operating loss for the Q3 2020 also includes the impact of the \$6.4 million impairment losses. IPG's operating loss for the quarter primarily related to the closure of its operations, which is at an advanced stage, and we expect reduced operating losses and cash burn going forward. Our operating loss margin (calculated as operating (loss) income divided by revenue) for Q3 2021 and 2020 was (57.7%) and (56.1%), respectively. Excluding IPG, our operating loss margin for the Processing segment was (39.9%) and (44.1%) during the Q3 2021 and 2020, respectively. Excluding the impairment losses, our operating loss and operating loss margin for the Processing segment was \$6.1 million and (27.4%), respectively, during Q3 2020.

Financial services

Segment revenue was \$10.2 million in Q3 2021, down 15% on a constant currency basis compared with Q3 2020 and up from \$9.7 million compared to Q2 2021. Segment revenue decreased due to lower account fee revenue and a modest reduction in lending revenue, whilst insurance revenues increased compared to the prior period. The increase in operating loss is primarily due to the

lower account fee revenue and the increase in insurance-related claims experienced this quarter attributed to the second wave of the pandemic. Our operating loss margin for the Q3 2021 and 2020 was (20.7%) and (14.6%), respectively.

Technology

Segment revenue was \$2.0 million in Q3 2021, down 51%, compared with Q3 2020, and down 57% compared with Q2 2021 on a constant currency basis. Segment revenue decreased significantly due to fewer hardware sales from one product line compared to the prior period, though partially offset by increases in other hardware product lines. Operating income for Q3 2021 was directly impacted by the lower revenue compared with fiscal 2020. Our operating income margin for the Technology segment was 6.5% and 23.4% during Q3 2021 and 2020, respectively.

Corporate/eliminations

Our corporate expenses for fiscal 2020 includes a \$0.7 million impairment loss and net unrealized foreign exchange gains of \$1.9 million compared with net unrealized foreign exchange gains of \$0.6 million recorded in fiscal 2021.

Cash flow and liquidity

At March 31, 2021, our cash and cash equivalents were \$207.8 million and comprised of U.S. dollar-denominated balances of \$171.2 million, ZAR-denominated balances of ZAR 0.5 billion (\$34.1 million), and other currency deposits, primarily Botswana pula, of \$2.4 million, all amounts translated at exchange rates applicable as of March 31, 2021. The decrease in our 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, receipt of proceeds related to the disposal of Bank Frick and the receipt of the outstanding loan related to the disposal of our remaining interest in DNI.

Excluding the impact of income taxes, cash used in operating activities during Q3 2021 was impacted by the cash losses incurred by the majority of our continuing operations. Net cash used in operating activities during Q3 2020 includes the contribution from our Korean operations for January and February 2020. Capital expenditures for Q3 2021 and 2020 were \$0.6 million and \$1.0 million, respectively.

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 Q3 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net loss used to calculate headline earnings (USD'000).....	<u>(5,876)</u>	<u>(17,087)</u>
Headline loss per share:.....		
Basic, in USD	(0.10)	(0.30)
Diluted, in USD	(0.10)	(0.30)

The table below presents our HEPS for the year to date fiscal 2021 and 2020:

	<u>F2021</u>	<u>F2020</u>
Net loss used to calculate headline earnings (USD'000).....	<u>(21,989)</u>	<u>(30,363)</u>
Headline loss per share:.....		
Basic, in USD	(0.39)	(0.54)
Diluted, in USD	(0.39)	(0.54)

Short-form announcement

This short-form announcement is the responsibility of the Net1 Board of Directors (“Board”) and the contents have been approved by the Board on May 5, 2021. This short-form announcement released on SENS is a summary of the full announcement which is available at <https://senspdf.jse.co.za/documents/2021/JSE/ISSE/NT1/Q3Res2021.pdf> and has been published on Net1’s website at www.net1.com. 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 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 7, 2021, 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.

Participants are now able to pre-register for the May 7, 2021, conference call by navigating to <https://www.diamondpass.net/9167989>. 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 and Asia. 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 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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Sponsor:
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