

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 Year End 2021 Results

### Financial Highlights:

- Net increase of approximately 23,000 EasyPay Everywhere (EPE) account holders during Q4 2021, and an additional 61,000 – combined – in July and August of 2021;
- Non-cash increase of \$23.4 million in Q4 2021, before tax effect, in the fair value of investment in MobiKwik;
- At June 30, 2021, unrestricted cash of \$199 million and no debt;
- Revenue of \$34.5 million in Q4 2021, an increase of 20% from Q3 2021;
- Operating loss of \$(13.6) million in Q4 2021;
- GAAP EPS of \$0.03 and Fundamental EPS loss of \$(0.18) in Q4 2021; and
- Adjusted EBITDA loss of \$8.2 million in Q4 2021, a \$4.6 million improvement from Q3 2021 following the closure of IPG.

“Fiscal Year 2021 was a challenging year for Net 1, South Africa and the global economy - but it has also been a productive period for the company,” said Chris Meyer, Group CEO of Net 1. “Our core purpose is to improve people’s lives by bringing financial inclusion to South Africa’s underserved consumers and helping small businesses access the financial services they need to prosper. We believe we have the right team, strategy, technology and operations in place to position the Company to effectively serve the large addressable market in South Africa and provide growth for all stakeholders.”

### Summary Financial Metrics

	Q4 2021	Q4 2020 (as restated) <sup>(1)</sup>	Q3 2021	Q4 '21 vs Q4 '20	Q4 '21 vs Q3 '21	Q4 '21 vs Q4 '20	Q4 '21 vs Q3 '21
	USD '000's (except per share data)			% change in USD		% change in ZAR	
<i>(All figures in USD '000s except per share data)</i>							
Revenue	34,517	24,551	28,828	41%	20%	15%	13%
GAAP operating loss	(13,600)	(13,180)	(14,292)	3%	(5%)	(15%)	(10%)
Adjusted EBITDA (loss) <sup>(2)</sup>	(8,208)	(11,868)	(12,823)	(31%)	(36%)	(43%)	(39%)
GAAP earnings (loss) per share (\$)	0.03	(0.68)	(0.11)	nm	nm	nm	nm
Fundamental loss per share (\$) <sup>(2)</sup>	(0.18)	(0.21)	(0.24)	(14%)	(25%)	(30%)	(29%)
Fully-diluted shares outstanding ('000's)	56,937	57,119	56,921	(0%)	0%	nm	nm
Average period USD/ ZAR exchange rate	14.17	17.28	14.96	(18%)	(5%)	nm	nm

	F2021	F2020 (as restated) <sup>(1)</sup>	F2021 vs F2020	F2021 vs F2020
	USD '000's (except per share data)		% change in USD	% change in ZAR
<i>(All figures in USD '000s except per share data)</i>				
Revenue	130,786	144,299	(9%)	(19%)
GAAP operating loss	(53,872)	(44,248)	22%	9%
Adjusted EBITDA (loss) <sup>(2)</sup>	(42,907)	(29,354)	46%	31%
GAAP earnings (loss) per share (\$)	(0.67)	(1.37)	(51%)	(56%)
Continuing	(0.67)	(1.70)	(61%)	(65%)
Discontinued	-	0.33	nm	nm
Fundamental loss per share (\$) <sup>(2)</sup>	(0.87)	(1.02)	(15%)	(24%)
Fully-diluted shares outstanding ('000's)	56,898	56,764	0%	nm
Average period USD/ ZAR exchange rate	15.72	17.57	(11%)	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 twelve months ended June 30, 2020, has been restated with the effect of decreasing revenue by \$1.4 million and \$6.7 million, respectively. Refer to Note 1 to our audited 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

Our business has been, and continues to be, impacted by government restrictions and quarantines related to COVID-19. 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. South Africa is currently at adjusted Level 2, and was at adjusted Level 3 until September 12, 2021, which had a limited impact on our businesses during Q4 2021. The South African 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 the calendar year.

#### **Factors impacting comparability of our Q4 2021 and Q4 2020 results**

- **Higher revenue:** Our revenues increased 15% in ZAR primarily due to higher volume-driven transaction fees lending revenues and hardware sales, which were partially offset by fewer prepaid airtime sales;
- **Ongoing operating losses:** Operating loss is comparable with Q4 2020, however with different components. Q4 2021 includes a \$4.0 million allowance for doubtful loans receivable from equity-accounted investments and no IPG losses, whilst, Q4 2020 operating losses included the effects of pandemic-related government restrictions in South Africa and an inventory adjustment of \$1.3 million as well as IPG losses of \$4.3 million.
- **Non-cash increase in fair value of MobiKwik:** We recorded a non-cash fair value gain during Q4 2021 of \$23.4 million related to the change in fair value of MobiKwik; and
- **Foreign exchange movements:** The U.S. dollar was 18.0% weaker against the ZAR during Q4 2021, which impacted our reported results.

#### **Results of Operations by Segment and Liquidity**

##### ***Processing***

Segment revenue, excluding IPG, was \$21.2 million in Q4 2021, up 12% compared with Q4 2020 and up 7% compared with Q3 2021 on a constant currency basis. Excluding IPG, segment revenue increased primarily due to an increase in volume-driven transaction fees due to lower trading activity in Q4, 2020, following government-imposed lockdown restrictions, which was partially offset by fewer prepaid airtime sales and a reduction in volume-driven transaction fees. Excluding IPG, Processing’s operating loss for Q4 2021, has been impacted by an increase in transaction-based and employee costs, which was partially offset by the lower cost of prepaid airtime sales. Q4 2020 also includes a \$1.3 million inventory write-down related to Cell C prepaid airtime. Our operating loss margin (calculated as operating (loss) income divided by revenue) for Q4 2021 and 2020 was (27.3%) and (61.6%), respectively. Excluding IPG, our operating loss margin for the Processing segment was (27.4%) and (37.6%) during Q4 2021 and 2020, respectively. Excluding the Cell C prepaid airtime write-down, our operating loss and operating loss margin for the Processing segment was \$(8.8) million and (53.6%), respectively, during Q4 2020.

##### ***Financial services***

Segment revenue was \$10.8 million in Q4 2021, up 1% on a constant currency basis compared with both Q4 2020 and Q3 2021. Segment revenue was affected by higher lending revenue, which was partially offset by lower account fees. 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 Q4 2021 and 2020 was (26.5%) and (11.6%), respectively.

##### ***Technology***

Segment revenue was \$4.9 million in Q4 2021, up 108%, compared with Q4 2020, and up 129% compared with Q3 2021 on a constant currency basis. Segment revenue increased due to a higher volume of hardware sales from one product line compared to the prior period. The operating loss for Q4 2021 was impacted by various non-trading adjustments. Our operating (loss) income margin for the Technology segment was (7.3%) and 7.0% for Q4 2021 and 2020, respectively.

### Corporate/eliminations

Our corporate expenses for Q4 2021 were higher than Q4 2020 primarily due to an allowance for doubtful loans receivables of \$4.0 million, which was partially offset by the net reversal of stock-based compensation charges of \$0.5 million.

### Cash flow and liquidity

At June 30, 2021, our cash and cash equivalents were \$198.6 million and comprised of U.S. dollar-denominated balances of \$169.8 million, ZAR-denominated balances of ZAR 0.4 billion (\$26.5 million), and other currency deposits, primarily Botswana pula, of \$2.3 million, all amounts translated at exchange rates applicable as of June 30, 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 our interest in 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 Q4 2021 was impacted by the cash losses incurred by our operations. Capital expenditures for Q4 2021 and 2020 were \$0.3 million and \$1.4 million, respectively.

### Headline earnings (loss) 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 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net earnings (loss) used to calculate headline earnings (USD'000).....	<u>4,499</u>	<u>(30,745)</u>
Headline earnings (loss) per share:.....		
Basic, in USD .....	0.08	(0.54)
Diluted, in USD .....	0.08	(0.54)

The table below presents our HEPS for fiscal 2021 and 2020:

	<u>F2021</u>	<u>F2020</u>
Net loss used to calculate headline earnings (USD'000).....	<u>(16,137)</u>	<u>(52,321)</u>
Headline loss per share:.....		
Basic, in USD .....	(0.28)	(0.92)
Diluted, in USD .....	(0.28)	(0.92)

### 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 September 13, 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/Q4Res2021.pdf> and has been published on Net1's website at [www.net1.com](http://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](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 September 14, 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](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.

Participants are now able to pre-register for the September 14, 2021, conference call by navigating to <https://www.diamondpass.net/9817456>. Participants utilizing this pre-registration service will receive their dial-in number upon registration.

## **About Net1**

Net1 is a leading financial technology company that utilizes its proprietary banking and payment technology to deliver on its mission of financial inclusion through the distribution of low-cost financial and value-added services to underserved consumers and small businesses in Southern Africa, which represents a significant segment of these economies. The Company also provides transaction processing services, including being a payment processor and bill payment platform in South Africa. Net1 leverages its strategic investments 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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Sponsor:  
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