

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 2022 Results

Highlights:

- Revenue increased to \$35.2 million, up 27% in rand terms and 22% in dollar terms, underpinned by stronger merchant revenue;
- After normalizing for \$5.9 million of once off restructuring fees, Segment Adjusted EBITDA (before corporate/eliminations) improved to \$0.3 million income from a \$10.7 million loss in the comparable quarter, driven by increased revenue in our merchant segment and continued execution on cost saving initiatives;
- Over \$19.2 million (ZAR 300 million) in annualized Project Spring savings targeted in 2023 financial year;
- GAAP EPS improved 48% to \$(0.06) and Fundamental EPS improved 79% to \$(0.05);
- Connect Group acquisition closed post quarter end on April 14, 2022; and
- Shareholders vote in favor of Net1 changing its name to Lesaka Technologies, Inc.

Lesaka Group CEO Chris Meyer notes: "We are encouraged by the results we achieved this quarter, with a marked improvement in our performance, positively influenced by the recovery in our merchant division and delivery on the turnaround in our consumer financial services division. Notably, we launched our new brand identity, Lesaka, which authentically represents our commitment to the local communities we serve and our mission of improving lives by driving widespread financial inclusion. Having successfully completed the transformational Connect Group acquisition, our combined unique ecosystem, positively positions us to provide innovative essential financial services to previously underserved consumers and merchants across Southern Africa and to benefit from secular growth opportunities especially in the high growth informal merchant market."

Summary Financial Metrics

Three months ended

	Three months ended						
	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021	Q3 '22 vs Q3 '21	Q3 '22 vs Q2 '22	Q3 '22 vs Q3 '21	Q3 '22 vs Q2 '22
(All figures in USD '000s except per share data)	USD '000's (except per share data)			% change in USD		% change in ZAR	
Revenue	35,202	28,828	31,114	22%	13%	27%	15%
GAAP operating loss	(9,421)	(14,292)	(9,427)	(34%)	(0%)	(31%)	1%
Adjusted EBITDA loss ⁽¹⁾	(2,870)	(12,823)	(7,059)	(78%)	(59%)	(77%)	(59%)
GAAP loss per share (\$)	(0.06)	(0.11)	(0.22)	(48%)	(73%)	(45%)	(73%)
Fundamental loss per share (\$) ⁽¹⁾	(0.05)	(0.24)	(0.13)	(79%)	(62%)	(78%)	(61%)
Fully-diluted shares outstanding ('000's)	57,791	56,921	57,204	2%	1%	n/a	n/a
Average period USD / ZAR exchange rate	15.61	14.96	15.38	4%	2%	n/a	n/a

Nine months ended

	Nine months ended		F2022 vs F2021	F2022 vs F2021
	Mar 31, 2022	Mar 31, 2021		
	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	100,820	96,269	5%	(3%)
GAAP operating loss	(30,073)	(40,272)	(25%)	(31%)
Adjusted EBITDA loss ⁽¹⁾	(20,016)	(34,699)	(42%)	(46%)
GAAP loss per share (\$)	(0.50)	(0.70)	(28%)	(33%)
Fundamental loss per share (\$) ⁽¹⁾	(0.40)	(0.69)	(42%)	(46%)

Fully-diluted shares outstanding ('000's)	57,322	56,895	1%	n/a
Average period USD / ZAR exchange rate	14.99	16.12	(7%)	n/a

(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 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 Q3 2022 and Q3 2021 results

- **Higher revenue:** Our revenues increased 27% in ZAR primarily due to an increase in hardware sales, an increase in merchant transaction processing fees, and moderate increases in lending and insurance revenues, which was partially offset by lower prepaid airtime sales;
- **Lower operating losses:** Operating losses decreased, delivering an improvement of 31% in ZAR compared with the prior period primarily due to an increase in revenue, the closure of the loss-making IPG operations and the implementation of various cost reduction initiatives in our Consumer business. During the quarter, we recorded a reorganization charge of \$5.9 million related to the retrenchment process we commenced in January 2022; and
- **Foreign exchange movements:** The U.S. dollar was 4% stronger against the ZAR during the third quarter of fiscal 2022, which impacted our reported results.

Results of Operations by Segment and Liquidity

Consumer

Segment revenue was \$16.4 million in Q3 2022, up 6% compared with Q3 2021, and flat compared with Q2 2022 on a constant currency basis. Segment revenue increased primarily due to higher lending and insurance revenues and moderately higher account holder fees. We embarked on a retrenchment process during Q3 2022 and recorded an expense of \$5.9 million which is included in the Segment EBITDA loss. Segment EBITDA loss has decreased primarily due to the implementation of various cost reduction initiatives. Our EBITDA loss margin (calculated as EBITDA loss divided by revenue) for Q3 2022 and 2021 was (41.8%) and (46.9%), respectively.

The table below presents EBITDA for our Consumer operating segment and illustrates EBITDA for Q3 2022 including and excluding the reorganization costs:

Operating Segment	In United States dollars			In South African Rand		
	Three months ended March 31,			Three months ended March 31,		
	2022	2021	% change	2022	2021	% change
	USD '000	USD '000		ZAR '000	ZAR '000	
EBITDA:						
Consumer	(6,866)	(7,610)	(10%)	(107,191)	(113,827)	(6%)
Reorganization costs	5,852	-	nm	91,361	-	nm
Consumer excluding reorganization costs	<u>(1,014)</u>	<u>(7,610)</u>	(87%)	<u>(15,830)</u>	<u>(113,827)</u>	(86%)
EBITDA margin:						
Consumer	(42%)	(47%)		(42%)	(47%)	
Consumer excluding reorganization costs	(6%)	(47%)		(6%)	(47%)	

Merchant

Segment revenue was \$18.5 million in Q3 2022, up 58% compared with Q3 2021 and up 33% compared to Q2 2022 on a constant currency basis. Segment revenue increased year on year due to an increase in hardware sales and processing fees, which was partially offset by fewer prepaid airtime sales. The increase in segment EBITDA is primarily due to the increase in hardware sales. Our EBITDA margin for Q3 2022 and 2021 was 6.9% and 2.2%, respectively.

Other

Other includes the activities of IPG in fiscal 2021 and our other business outside South Africa, principally Botswana.

Segment revenue decreased due to lower revenue following the closure of IPG in fiscal 2021. We recorded an EBITDA contribution during the third quarter of fiscal 2022 following the closure of our loss-making activities performed through IPG.

Corporate/Eliminations

Our corporate expenses generally include acquisition-related intangible asset amortization; expenses incurred related to corporate actions; expenditures related to compliance with the Sarbanes-Oxley Act of 2002; non-employee directors' fees; certain employee and

executive bonuses; stock-based compensation; legal fees; audit fees; directors and officer's insurance premiums; elimination entries; and from fiscal 2022 our group CEO's compensation.

Our corporate expenses for fiscal 2022 increased compared with the prior period due to higher employee costs, an increase in director and officer's insurance premiums, and higher stock-based compensation charges. Fiscal 2021 includes an unrealized foreign exchange gain of \$0.6 million which also impacts comparability. Our corporate expenses for fiscal 2022 includes transaction related expenses of \$0.1 million (ZAR 1.8 million) related to the Connect Group acquisition. We expect to incur additional expenses related to the Connect Group transaction in Q4 2022.

Cash flow and liquidity

At March 31, 2022, our cash and cash equivalents were \$183.7 million and comprised of U.S. dollar-denominated balances of \$11.3 million, ZAR-denominated balances of ZAR 2.5 billion (\$169.9 million), and other currency deposits, primarily Botswana pula, of \$2.4 million, all amounts translated at exchange rates applicable as of March 31, 2022. The decrease in our unrestricted cash balances from June 30, 2021 was primarily due to utilization of cash reserves to fund our operations and payment of reorganization costs, which was partially offset by the receipt of \$7.5 million related to the sale of Bank Frick in fiscal 2021 and a \$3.7 million gain on foreign currency options.

Adopting a new brand and identity

As we embarked on creating a world class financial technology platform and repositioning ourselves for growth, it became evident we required a new identity that would resonate with our customers and employees. It was important for our new identity to authentically express our commitment to the local communities we serve and our ambition to drive financial inclusion by giving ordinary people and small businesses access to essential financial services.

For thousands of years livestock have been seen as a symbol of security, community and wealth and protecting one's livestock was central to preserving the dignity and pride of a community. To ensure the best possible protection, an enclosure commonly known as a "kraal" in South Africa, was built in the center of the community. A kraal is seen as the social and economic heart of a village and only the most reliable people are entrusted with its care and protection. The word Lesaka means Kraal in Setswana and Sesotho, two of South Africa's official languages, and it was agreed by our shareholders that the existing company name Net1, should change to Lesaka, which aptly represents our new group and its vision.

As Lesaka, we are on a mission to build and protect the financial wellbeing of our communities and our intention is to protect the vulnerable and underserved, by providing widespread access to essential financial services.

Changing our name will mean that our tickers will change to LSAK on the NasdaqGS and LSK on the JSE, effective May 18, 2022.

Webcast and Conference Call

Net1 will host a webcast and conference call to review results on May 11, 2022, at 8:00 a.m. Eastern Time.

Participants now have the option to either:

- Watch the live results presentation by webcast using the webcast link below; or
- Listen to an audio only broadcast of the results, using the conference call information below.

Webcast information:

The results webcast can be accessed by using the following webcast link:

<https://78449.themediaframe.com/links/net1220510.html>.

Participants who want to submit their questions real-time will be able to do so utilizing the question functionality included in this link.

Conference call information:

The conference call can be accessed either through pre-registering for the call or dialing in real time. Participants will be given the opportunity to ask their questions through the conference call facility.

Pre-register:

Participants can pre-register for the May 11, 2022, conference call by using the following link:

<https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=5271444&linkSecurityString=adee45774>.

Participants utilizing this pre-registration service will receive their dial-in number and unique pin upon registration.

Real time dial in:

For those participants who do not pre-register, you can dial +1 508 924 4326 (US and Canada), +44 333 300 1418 (U.K. only) or +27 11 535 3600 (South Africa only) ten minutes prior to the start of the call. Callers should request "Net1 call" upon dial-in.

A replay of the results presentation webcast will be available on the Net1 investor relations website.

Headline earnings (loss) per share ("HEPS")

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 HEPS for Q3 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net loss used to calculate headline earnings (USD'000)	<u>(4,503)</u>	<u>(5,876)</u>
Headline loss per share:		
Basic, in USD	(0.08)	(0.10)
Diluted, in USD	(0.08)	(0.10)

The table below presents our HEPS for the year to date fiscal 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net loss used to calculate headline earnings (USD'000)	<u>(30,774)</u>	<u>(21,989)</u>
Headline loss per share:		
Basic, in USD	(0.54)	(0.39)
Diluted, in USD	(0.54)	(0.39)

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 10, 2022. This short-form announcement released on SENS is a summary of the full announcement which is available at <https://senspdf.jse.co.za/documents/2022/JSE/ISSE/NT1/Q3Res2022.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 Net1's investor relations contact at net1IR@icrinc.com or Net1's media relations contact at Janine@thenielsennetwork.com.

About Net1

Net1 is a leading South African financial technology company that utilizes its proprietary banking and payment technology to deliver financial services to consumers (B2C) and merchants (B2B) in Southern Africa. Net1's mission is to drive true financial inclusion for both consumers and merchants through offering affordable financial services to the previously underserved sectors of the economy. Net1 offers banking, lending and insurance products to consumers and cash management solutions, bill payment technology, value added services, growth capital and card acquiring solutions to formal and informal Southern African retail merchants.

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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May 11, 2022

Sponsor:

Rand Merchant Bank, a division of FirstRand Bank Limited