

Lesaka Technologies, Inc.
Registered in the state of Florida, USA
(IRS Employer Identification No. 98-0171860)
Nasdaq share code: LSAK
JSE share code: LSK
LEI: 529900J4IZMWV4RDEB07
ISIN: US64107N2062
("Lesaka," or the "Company")

Short-Form Announcement: Lesaka Technologies, Inc. Reports Fourth Quarter and Year End 2022 Results

JOHANNESBURG, September 12, 2022 – Lesaka Technologies, Inc. (Nasdaq: LSAK; JSE: LSK) today released results for the fourth fiscal quarter and year ended June 30, 2022.

Highlights:

Performance for the quarter ended June 30, 2022 (Q4 2022)

- Group revenue of \$121.8 million in Q4 2022, compared to \$34.5 million for the quarter ended June 30, 2021 (Q4 2021), driven by the inclusion of Connect from April 14, 2022 which added \$86.2 million to the Group's revenue and 23% growth in revenue in the existing merchant business. On a constant currency basis, the existing merchant business grew revenue 35% in Q4 2022 to ZAR304 million¹.
- The Group's operating loss of \$10.1 million in Q4 2022 improved from an operating loss of \$13.6 million for Q4 2021.
- Segment Adjusted EBITDA (before corporate/eliminations) for Q4 2022 improved to a profit of \$6.1 million compared to a loss of \$6.7 million in Q4 2021, demonstrating progress made on the transformative journey to build the leading South African fintech platform, bringing financial inclusion and digitization. Looking forward, the Group is well positioned for growth.
- The Connect acquisition closed early in Q4 2022 and the Connect business continued to deliver strong growth during the quarter, slightly ahead of expectations. The integration process of the two groups has been very encouraging, with tangible results already achieved.

Performance for the year ended June 30, 2022

- Successful execution of our strategy outlined last year, demonstrated by the closing of the Connect acquisition and progress on the Consumer segment turnaround.
- Revenue for the year increased to \$222.6 million, from \$130.8 million driven by the inclusion of Connect from April 14, 2022 which added \$86.2 million to the Group's revenue and 13% growth in revenue in the existing merchant business.
- Consumer business revenues were flat in 2022, where our focus was primarily on right-sizing the cost base. It is encouraging that cost savings were achieved whilst growing our active account base and maintaining transaction volumes and revenues in the Consumer business.
- The Group's operating loss of \$40.2 million for the year reflects a 25% improvement compared to the operating loss of \$53.9 million reported for the year ended June 30, 2021.
- Normalized EBITDA (before corporate/eliminations) after normalizing for \$12.4 million of once off adjustments improved 57% to a \$18.6 million loss from a \$42.9 million loss in the previous year, driven by increased revenue in our existing Merchant segment, continued execution on cost saving initiatives and the contribution of Connect during the final quarter.
- Cost optimization initiatives and restructuring the operations of the Consumer business in 2022 delivered cost saving in excess of original expectations, with approximately \$19.7 million (ZAR300 million¹) in costs removed from the Consumer business cost base on an annualized basis, of which \$13.7 million (ZAR208 million¹) was realized in this year ended June 30, 2022.

1. Translated at the average exchange rate of ZAR 15.20 to \$1 for fiscal 2022 and ZAR15.56 to \$ for Q4 2022.

"We are delighted with the Group's achievements over the past year. The strategy set by our new Board in 2020 and communicated to the market over the past 12 months is being effectively executed. With the Connect acquisition, Lesaka now has a complete product offering to the underserved consumers and merchants in Southern Africa, which advances our vision to build the leading South African full-service fintech platform. What has been most encouraging is the way the Lesaka and Connect teams are working together to explore and execute opportunities to increase revenues, improve performance and deliver better value to our customers through our unique dual-sided ecosystem. Great progress has also been made in the Consumer segment turnaround, which is now very close to breakeven. We will continue to focus on optimizing cost structures as well as account growth and cross-selling opportunities to increase ARPU. After a year of tremendous change and transformation, the Group is well positioned to take advantage of the high growth opportunities our market presents," said **Chris Meyer, Lesaka Group CEO**.

Summary Financial Metrics

Three months ended

Three months ended						
Jun 30, 2022	Jun 30, 2021	Mar 31, 2022	Q4 '22 vs Q4 '21	Q4 '22 vs Q3 '22	Q4 '22 vs Q4 '21	Q4 '22 vs Q3 '22

(All figures in USD '000s except per share data)

	USD '000's (except per share data)			% change in USD		% change in ZAR	
Revenue	121,789	34,517	35,202	253%	246%	288%	245%
GAAP operating loss	(10,122)	(13,600)	(9,421)	(26%)	7%	(18%)	7%
Adjusted EBITDA (loss) ⁽¹⁾	1,337	(8,208)	(2,828)	nm	nm	nm	nm
GAAP (loss) income per share (\$)	(0.25)	0.03	(0.06)	nm	327%	nm	326%
Fundamental loss per share (\$) ⁽¹⁾	(0.09)	(0.18)	(0.05)	(50%)	80%	(45%)	79%
Fully-diluted shares outstanding ('000's)	61,619	56,937	57,791	8%	7%	n/a	n/a
Average period USD / ZAR exchange rate	15.56	14.17	15.61	10%	(0%)	n/a	n/a

Year ended

	Year ended			
	June 30, 2022	June 30, 2021	F2022 vs F2021	F2022 vs F2021
	USD '000's (except per share data)		% change in USD	% change in ZAR
(All figures in USD '000s except per share data)				
Revenue	222,609	130,786	70%	65%
GAAP operating loss	(40,195)	(53,872)	(25%)	(28%)
Adjusted EBITDA loss ⁽¹⁾	(18,637)	(42,907)	(57%)	(58%)
GAAP loss per share (\$)	(0.75)	(0.67)	12%	8%
Fundamental loss per share (\$) ⁽¹⁾	(0.49)	(0.87)	(44%)	(46%)
Fully-diluted shares outstanding ('000's)	58,364	56,898	3%	n/a
Average period USD / ZAR exchange rate	15.20	15.72	(3%)	n/a

(1) Adjusted EBITDA income (loss), fundamental loss and fundamental loss per share are non-GAAP measures and are described below under "Use of Non-GAAP Measures—Operating income before depreciation and amortization and adjusted EBITDA, and —Fundamental net loss and fundamental loss per share." See Attachment B for a reconciliation of GAAP operating loss to EBITDA income (loss) and Adjusted EBITDA (loss), and GAAP net loss to fundamental net loss and loss per share.

Factors impacting comparability of our Q4 2022 and Q4 2021 results

- **Higher revenue:** Our revenues increased 288% in ZAR, primarily due to the contribution from Connect, which contributed ZAR 1,341 million in Q4 2022 compared to nil in Q4 2021 with the Connect Group acquired on April 14, 2022. On a constant currency basis the existing Merchant business grew revenue 35% in Q4 22 to ZAR304 million. Group revenue drivers in the quarter included an increase in hardware sales, an increase in merchant transaction processing fees, and a moderate increase in lending and insurance revenues;
- **Lower operating losses:** Operating losses decreased, delivering an improvement of 18% in ZAR compared with the prior period primarily due to contribution from Connect, the closure of the loss-making IPG operations and the implementation of various cost reduction initiatives in our Consumer business, which was partially offset by an increase in acquisition related intangible asset amortization;
- **Significant transaction costs:** We expensed \$4.2 million of transaction costs related to the Connect acquisition; and
- **Foreign exchange movements:** The U.S. dollar was 10% stronger against the ZAR during the fourth quarter of fiscal 2022, which impacted our reported results.

Results of Operations by Segment and Liquidity

Consumer

Segment revenue was \$15.7 million in Q4 2022, down 6% compared with Q4 2021, and down 5% compared with Q3 2022, on a constant currency basis. Segment revenue decreased primarily due to lower processing fees, partially offset by higher lending and insurance revenues and higher account holder fees. Our EBITDA loss reduced during Q4 2022 compared with the comparable periods as a result of the cost reduction initiatives, including the Q3 2022 reorganization process, embarked on during fiscal 2022 and a recalibration, in June 2022, of our allowance for doubtful microlending finance loans receivable from 10% of the lending book outstanding to 6.5% of the lending book, which resulted in a release from the allowance in fiscal 2022, which decreases were partially offset by an increase in insurance-related claims experience. Our EBITDA loss margin (calculated as EBITDA loss divided by revenue) for Q4 2022 and 2021 was (9%) and (38%), respectively.

Merchant

Segment revenue was \$105.7 million in Q4 2022, up 632% compared with Q4 2021 and up 470% compared to Q3 2022 on a constant currency basis. Segment revenue increased due to the inclusion of Connect for two and a half months and an increase in hardware sales and processing fees. The increase in segment EBITDA is primarily due to the inclusion of Connect, which was partially offset by higher costs related to processing fees and higher employee-related expenses. Connect records a significant proportion of its airtime sales in revenue and cost of sales, while only earning a relatively small margin. This depresses the EBITDA margins shown by the business. Our EBITDA margin for Q4 2022 and 2021 was 7% and 2%, respectively.

Other

Other includes the activities of IPG in fiscal 2021 and our other legacy businesses 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 fourth 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 fiscal 2021 primarily due to transaction related expenses of \$4.2 million (ZAR 65.9 million) related to the Connect acquisition, legacy adjustments of clearing and settlement accounts of \$1.6 million (ZAR 25.7 million) and significantly higher stock-based compensation charges due to the expansion of our senior management team. The legacy processing adjustments represents amounts we identified during the current fiscal quarter related to prior periods.

Cash flow and liquidity

At June 30, 2022, our cash and cash equivalents were \$43.9 million and comprised of ZAR-denominated balances of ZAR 0.5 billion (\$32.8 million), U.S. dollar-denominated balances of \$9.6 million, and other currency deposits, primarily Botswana pula, of \$1.5 million, all amounts translated at exchange rates applicable as of June 30, 2022. The decrease in our unrestricted cash balances from June 30, 2021 was primarily due to utilization of cash reserves to fund a portion of the Connect purchase consideration that was payable in cash, and to fund our operations and payment of reorganization costs, which was partially offset by the receipt of \$11.4 million related to the sale of Bank Frick in fiscal 2021 and a \$3.7 million gain on foreign currency options.

Q1 2023 Outlook

The Company expects the following for the three months ended September 2022:

- Revenue between \$130 million and \$133 million; and
- Total Segment Adjusted EBITDA of between \$6.1 million and \$6.5 million.

Webcast and Conference Call

Lesaka will host a webcast and conference call to review results on September 12, 2022, at 8:00 a.m. Eastern Time.

The results webcast can be accessed by using the following link: <https://tinyurl.com/2hbdpuew>

Webcast ID: 890 1764 5390

Participants using the webcast will be able to ask questions by raising their hand and then asking the question "live."

Conference Call dial-in:

- US Toll-Free: + 309 205 3325
- South Africa Toll-Free + 27 87 550 3946

Participants using the conference call dial-in will be unable to ask questions.

A replay of the results presentation webcast will be available on the Lesaka investor relations website following the conclusion of the live event.

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 Q4 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net (loss) income used to calculate headline earnings (USD'000)	(15,442)	4,499
Headline (loss) earnings per share:		
Basic, in USD	(0.25)	0.08
Diluted, in USD	(0.25)	0.08

The table below presents our HEPS for fiscal 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net loss used to calculate headline earnings (USD'000)	(46,271)	(16,137)
Headline loss per share:		
Basic, in USD	(0.79)	(0.28)
Diluted, in USD	(0.79)	(0.28)

Short-form announcement

This short-form announcement is the responsibility of the Lesaka Board of Directors (“Board”) and the contents have been approved by the Board on September 9, 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/LSKE/Q4Res2022.pdf> and has been published on Lesaka’s website at www.lesakatech.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 Lesaka’s external auditors. The full announcement is available upon request through enquiries directed to either Lesaka’s investor relations contact at LesakaIR@icrinc.com or Lesaka’s media relations contact at Janine@thenielsennetwork.com.

About Lesaka (www.lesakatech.com)

Lesaka Technologies, (Lesaka™) is a South African Fintech company that utilizes its proprietary banking and payment technologies to deliver superior financial services solutions to merchants (B2B) and consumers (B2C) in Southern Africa. Lesaka’s mission is to drive true financial inclusion for both merchant and consumer markets through offering affordable financial services to previously underserved sectors of the economy. Lesaka offers cash management solutions, growth capital, card acquiring, bill payment technologies and value-added services to formal and informal retail merchants as well as banking, lending, and insurance solutions to consumers across Southern Africa. The Lesaka journey originally began as “Net1” in 1997 and later rebranded to Lesaka (2022), with the acquisition of the Connect. As Lesaka, the business continues to grow its systems and capabilities to deliver meaningful fintech-enabled, innovative solutions for South Africa’s merchant and consumer markets.

Lesaka has a primary listing on NASDAQ (NasdaqGS: LSAK) and a secondary listing on the Johannesburg Stock Exchange (JSE: LSK). Visit www.lesakatech.com for additional information about Lesaka Technologies (Lesaka™).

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:

Rand Merchant Bank, a division of FirstRand Bank Limited