

# Q2 2021 Investor Presentation



[www.net1.com](http://www.net1.com)

---

# Safe Harbor Statement

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for certain forward-looking statements so long as such information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information.

The use of words such as “may”, “might”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “project”, “intend”, “future”, “potential” or “continue”, and other similar expressions are intended to identify forward-looking statements.

All of these forward-looking statements are based on estimates and assumptions by our management that, although we believe to be reasonable, are inherently uncertain. Forward-looking statements involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of our control, that may cause our business, industry, strategy or actual results to differ materially from the forward-looking statements.

These risks and uncertainties may include those discussed in the Company’s annual report on Form 10-K for the year ended June 30, 2020, on file with the Securities and Exchange Commission, and other factors which may not be known to us. Any forward-looking statement speaks only as of its date. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

---

# Defined Terms

Unless specifically noted otherwise within this presentation, the following terms are hereby defined as follows:

**Constant Currency**: We analyze our results of operations both in U.S. dollars, as presented in the consolidated financial statements, and supplementally in ZAR, because ZAR is the functional currency of the entities which contribute the majority of our revenue and costs, and is the currency in which the majority of our transactions are initially incurred and measured. Due to the significant impact of currency fluctuations between the U.S. dollar and ZAR on our reported results and because we use the U.S. dollar as our reporting currency, we believe that the supplemental presentation of our results of operations in ZAR is useful to investors to understand the changes in the underlying trends of our business. The use of constant currency is a non-GAAP measure.

**Adjusted EBITDA**: Net (loss) income before non-controlling interests, earnings from equity accounted investments, interest, taxation, depreciation and amortization expenses (“EBITDA”) adjusted for impairment losses, transaction or financing related charges, and other non-operating or non-recurring items that are considered expenses or income under U.S. GAAP. EBITDA and adjusted EBITDA are non-GAAP measures and represent a performance measure that is not intended to represent a liquidity measure.

**Reconciliation of US GAAP measures to EBITDA, Adjusted EBITDA, Fundamental (Loss) Earnings and (Loss) Earnings Per Share**: The reconciliation is included in Appendix A.

We do not provide reconciliation of our forward-looking non-GAAP measures to GAAP due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for GAAP and the related GAAP to non-GAAP reconciliation, including adjustments, that could be made for currency exchange rate fluctuations and other charges reflected in our reconciliation of historic numbers, the amount of which, based on historical experience, could be significant.

**Discontinued operations**: Refer to Note 21 to our Q2 2021 Form 10-Q for discontinued operation disclosures. Unless otherwise specified, the results of KSNET are excluded from analysis included in this presentation.

# QUARTERLY SUMMARY

Q2 2021



# Quarterly Summary

## **Q2 2021 Company highlights include:**

- Continue to see encouraging signs in operational and financial results in South Africa
  - Another sequential increase in core transaction processing volumes
  - An increase in the utilization of ATM infrastructure
  - Added 44,000 net EasyPay Everywhere, or EPE, accounts during the quarter.
- Cost base in South Africa remains stable

## **Q2 2021 Strategic Investments update:**

- Cell C – Ongoing progress on its recapitalization plan, but delivering improved operational results.
- Bank Frick – Sold remaining interest back to The Kuno Frick Family Foundation for \$30 million
- MobiKwik - Net revenues in the December 2020 quarter grew more than 10% sequentially. Capital raise at \$375 million valuation.
- Carbon - performance is recovering with quality of loans improving and lower funding cost.

## **Q2 2021 financial summary:**

- Revenue of \$32 million, a constant currency decrease of 12% from Q2 2020, and a decrease of 15% from Q1 2021;
- Operating loss of \$15 million;
- GAAP EPS of \$(0.08) and Fundamental EPS of \$(0.24);
- Adjusted EBITDA loss of \$(13) million, a sequential increase from a loss of \$(10) million in Q1 2021.

## **At December 31, 2020:**

- \$206 million unrestricted cash and zero debt
- Total equity of \$370 million or \$6.54/share
- Loan book outstanding ZAR 327 million as of December 31, 2021.

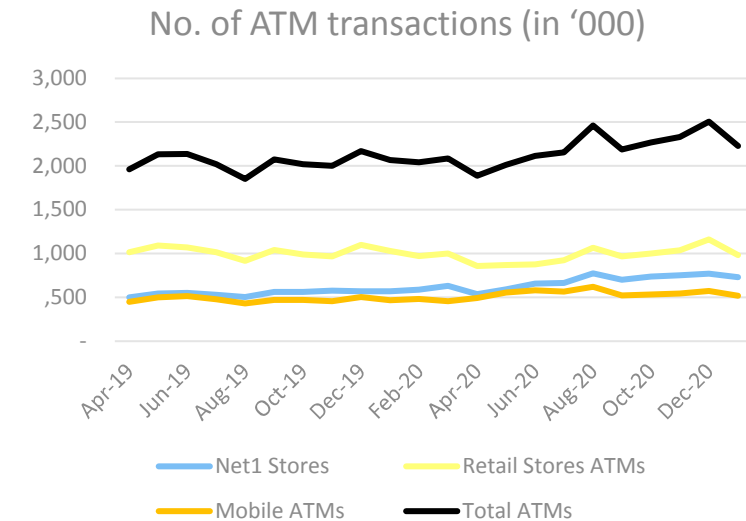
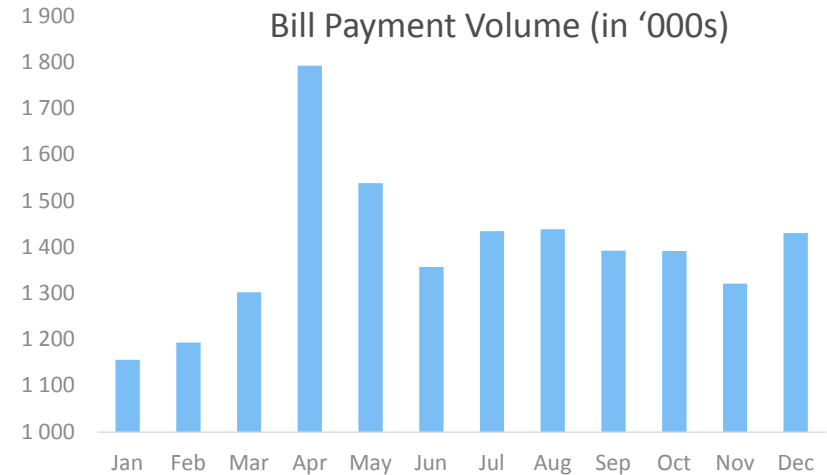
# Recent Trends

## Trends through December:

- Continued growth in ATM transactions in the quarter
- Sustained higher level of bill payment volumes
- 100% uptime of payment networks
- Demonstrates relevance and importance of our payment networks

## Financial impacts:

- \$2.0 million net release of the loan book over the quarter
- Volume of Total ATM transactions up 15% in Q221 versus Q220 and up 4% over Q121



# FINANCIAL HIGHLIGHTS

Q2 2021



# Q2 2021 Financial Report

## Q2 2021 Financial Highlights

	Q2 2021	Q2 2020	Q1 2021
<i>(\$ Millions)</i>			
<b>Revenue</b>	<b>32</b>	<b>39</b>	<b>35</b>
% change USD		(18%)	(9%)
% change Const. FX		(12%)	(16%)
<b>Adjusted EBITDA</b>	<b>(13)</b>	<b>(7)</b>	<b>(10)</b>
% change USD		86%	30%
EBITDA Margin (%)	(41%)	(18%)	(29%)
<b>Fundamental Net Income*</b>	<b>(13)</b>	<b>(6)</b>	<b>(13)</b>
% change USD		117%	0%
% change Const. FX		129%	-8%
<b>Fundamental EPS</b>	<b>\$(0.24)</b>	<b>\$(0.10)</b>	<b>\$(0.23)</b>
% change USD		140%	
% change Const. FX		154%	

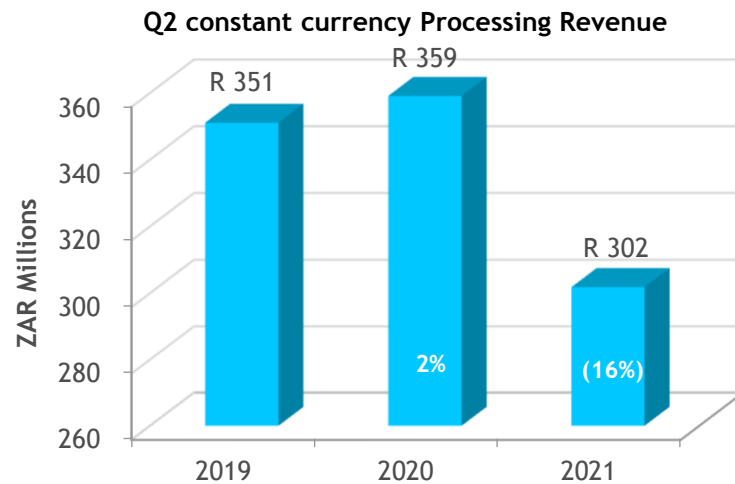
**Note:**

(1) Adjusted EBITDA (loss) is adjusted for transaction related costs and other adjustments. Fundamental EPS also includes these and other adjustments; see reconciliations in Appendix A for additional details.

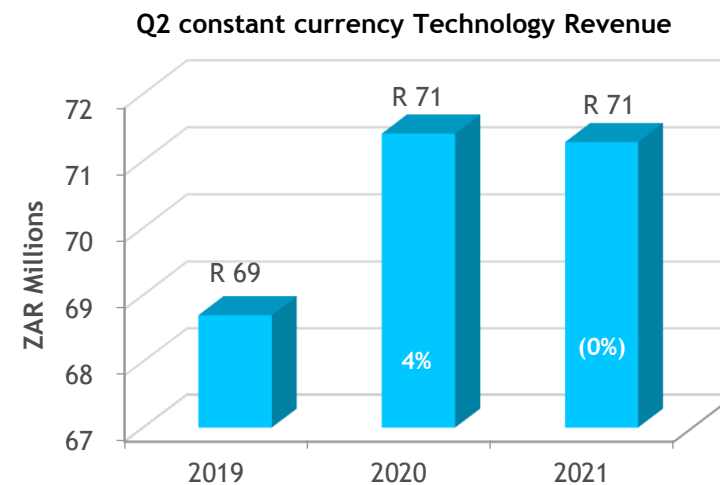
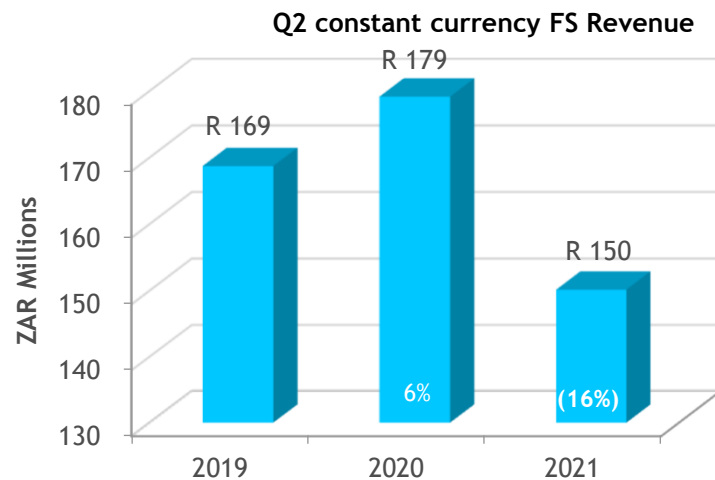


# Q2 2021 Financial Report

## Business Segment Results – Q2 2021



- **Processing constant currency revenue down 16% vs. Q2 2020**
  - Lower prepaid revenue
- **FS constant currency revenue down 16% vs Q2 2020**
  - Lower account fees
- **Technology constant currency revenue flat vs Q2 2020**



# Q2 2021 Financial Report

## Business Segment Results – Q2 2021

USD (Millions)	Revenue		Operating Income		Operating Margin	
	2Q 2021	2Q 2020	2Q 2021	2Q 2020	2Q 2021	2Q 2020
Processing, excluding IPG(1)	\$20	\$25	\$(6)	\$(3)	(29%)	(12%)
<i>% Change*</i>	<i>(16%)</i>		<i>107%</i>			
Financial services	10	12	(1)	(1)	(11%)	(10%)
<i>% Change*</i>	<i>(16%)</i>		<i>(9%)</i>			
Technology	5	5	1	1	23%	12%
<i>% Change*</i>	<i>(0%)</i>		<i>94%</i>			
Sub-total (includes IPG) (1)	34	42	(10)	(7)	(30%)	(15%)
<i>% Change*</i>	<i>(14%)</i>		<i>69%</i>			
Inter-segment Eliminations / Corporate	(2)	(3)	(5)	(4)	nm	nm
<i>% Change*</i>	<i>(35%)</i>		<i>31%</i>			
Total (includes IPG)(1)	32	39	(15)	(10)	(47%)	(27%)
<i>% Change*</i>	<i>(12%)</i>		<i>55%</i>			

(1) IPG is excluded from Processing, but included in subtotals and totals

\*% change in constant currency

# Q2 2021 Financial Report

## Balance Sheet Overview

USD (Millions)	Dec 31, 2020	Jun 30, 2020
Net Unrestricted Cash	\$ 206	\$ 218
Investments and Equity Accounted Investments	\$ 95	\$ 93
Total Assets	\$ 477	\$ 454
Total Equity	\$ 370	\$ 375
Total Debt	\$ 0	\$ 0
Book Value / Share	\$ 6.54	\$ 6.62
Net Cash / Share	\$ 3.64	\$ 3.84
Debt / Equity	0.00	0.00

# Q2 2021 Financial Report

## Strategic Investments

	% held	Balance Sheet (Dec2020)	Value
<b><u>Equity Accounted:</u></b>			
Bank Frick	35%	\$33 million	\$30 million (1)
Finbond (JSE listed)	31%	\$15 million	\$15 million (2)
Carbon	25%	\$7 million	\$16 million (3)
<b><u>Investments:</u></b>			
Cell C	15%	\$0 million	\$0 million
MobiKwik	12%	\$42million	\$42 million (4)
<b>TOTAL</b>		<b>\$97million</b>	<b>\$103 million</b>

1) Based on transaction concluded in February

2) Dec 31, 2020 value - 269m shares at R0.99, less 15% liquidity discount, at \$1/R14.66

3) Based on peer analysis of other neobanks

4) 12% of \$375m (MobiKwik valuation at November 2020 capital raise)

Values at carrying value unless stated otherwise

# SEGMENT HIGHLIGHTS

Q2 2021



# Q2 2021 | PROCESSING Segment Highlights

## Financial Highlights

- **Revenue - \$20 million (\$20 excluding IPG)**
  - Excluding IPG, 16% constant currency decrease from \$25 million in Q2 2020, due to lower prepaid product sales and modest reduction in transaction volumes
  - 7% constant currency decrease compared to Q1 2021
- **Operating Loss – \$10 million (\$6 million excluding IPG)**
  - Due to lower revenues and higher processing-related expenditures

# Q2 2021 | FS Segment Highlights

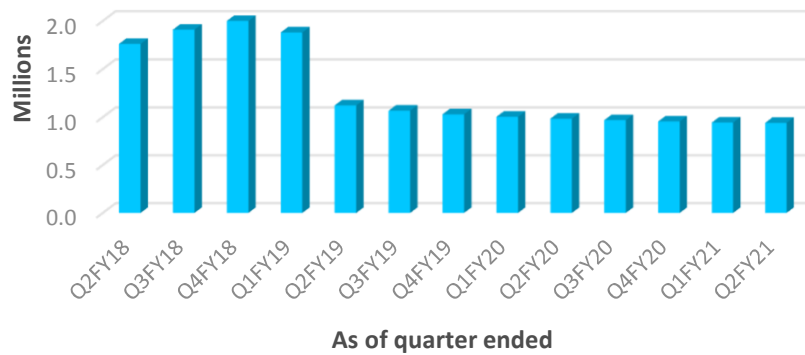
## Financial Highlights

- **Revenue - \$10 million**
  - 16% constant currency decrease from \$12 million in Q2 2020, due to lower account fees
  - 8% constant currency increase from \$8 million in Q1 2021, due to an increase in lending revenue
- **Operating loss – \$(1) million**
  - Q2 2021 includes improvement in margin on certain products
- **Number of Accounts**
  - EPE and Finbond accounts remained relatively stable at 1 million, but good demand for EPE product with net 44,000 added in Q.
- **Financial Services**
  - Positive loan book activity with collections remaining strong and stable. Insurance policies growing slowly with higher COVID-19 related claims expected in future (wave two peaked in SA mid-Jan 2021)

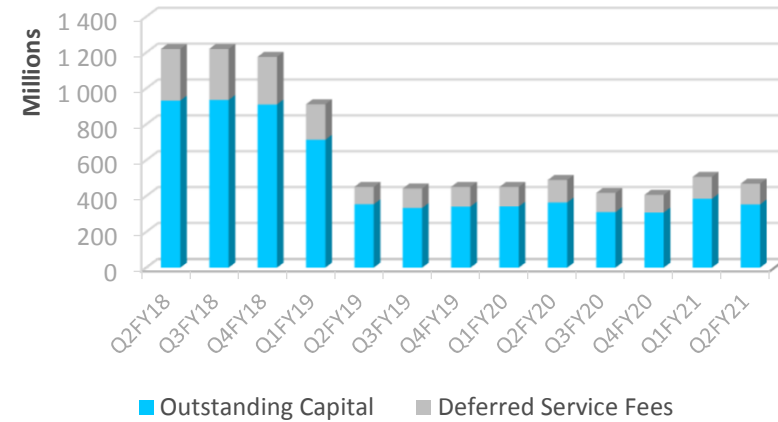
# Q2 2021 | FS Segment Highlights (Cont'd)

## Key Trends

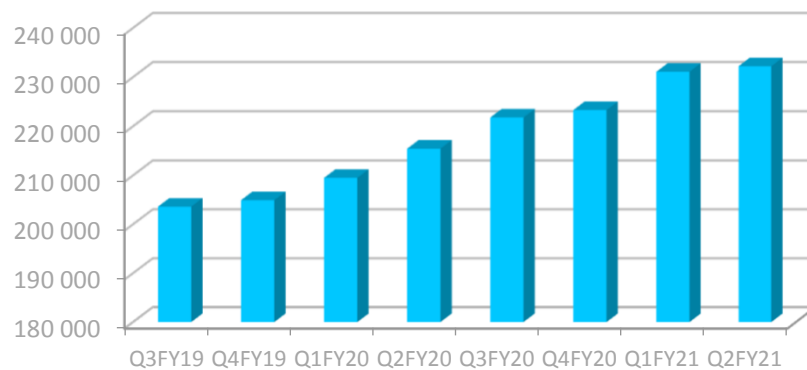
Average Active EPE accounts



Value of Loans Outstanding



Number of Paying SmartLife Policies





# Q2 2021 | **Technology** Segment Highlights

## Financial Highlights (continuing operations)

- **Revenue - \$5 million**
  - 26% constant currency decrease from \$5 million in Q2 2020
  - 32% constant currency decrease compared to Q1 2021 due to lower hardware sales
- **Operating income - \$1 million**
  - 94% constant currency increase from Q2 2020
  - 44% constant currency decrease compared to Q1 2021 due to the decrease in hardware sales

# Appendix A



# Reconciliation of non-GAAP measures

## Q2 2021 – Fundamental Net Loss and GAAP Net Loss and EBITDA loss

	Three months ended			
	Dec-20		Dec-19	
	\$ '000	EPS, basic	\$ '000	EPS, basic
<b>Fundamental net loss (Non-GAAP)</b>	<b>(13,483)</b>	<b>(0.24)</b>	<b>(5,698)</b>	<b>(0.10)</b>
Change in fair value of equity securities, net	11,951	-	-	-
Impairment of equity method investment	(1,354)	-	-	-
Transaction costs	(1,339)	-	(1,770)	-
Stock-based compensation charge	(232)	-	(436)	-
Intangible asset amortization, net	(64)	-	(1,437)	-
Loss on disposal of equity accounted investment	(13)	-	-	-
Gain on disposal of FIHRST	-	-	9,743	-
Intangible asset amortization, net related to equity accounted investments	-	-	(607)	-
<b>Net loss attributable to Net1 (GAAP)</b>	<b>(4,534)</b>	<b>(0.08)</b>	<b>(205)</b>	<b>-</b>
Net income from discontinued operations, after tax	-	-	(2,720)	-
Loss (Earnings) from equity-accounted investments	1,016	-	(506)	-
Income tax (benefit) expense	3,468	-	707	-
Interest expense	677	-	3,129	-
Interest income	(717)	-	(1,082)	-
Loss on disposal of equity accounted investment	13	-	-	-
Gain on disposal of FIHRST	-	-	(9,743)	-
Change in fair value of equity securities	(15,128)	-	-	-
Depreciation and amortization	1,074	-	1,174	-
<b>EBITDA (Non-GAAP)</b>	<b>(14,131)</b>	-	<b>(9,246)</b>	-
Adjusted for:				
Transaction costs	1,339	-	1,770	-
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>(12,792)</b>	-	<b>(7,476)</b>	-