

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2023

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND
EXCHANGE ACT OF 1934**

For the transition period from _____ To _____

Commission file number: **000-31203**

LESAKA TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction
of incorporation or organization)

98-0171860

(IRS Employer
Identification No.)

**President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road,
Rosebank, Johannesburg, 2196, South Africa**

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **27-11-343-2000**

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.001 per share	LSAK	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act (check one):

- | | |
|--|---|
| <input type="checkbox"/> Large accelerated filer | <input checked="" type="checkbox"/> Accelerated filer |
| <input type="checkbox"/> Non-accelerated filer | <input checked="" type="checkbox"/> Smaller reporting company |
| | <input type="checkbox"/> Emerging growth company |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

As of February 1, 2024 (the latest practicable date), 62,385,662 shares of the registrant’s common stock, par value \$0.001 per share, net of treasury shares, were outstanding.

Form 10-Q
LESAKA TECHNOLOGIES, INC.
Table of Contents

	Page No.	
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements	
	Unaudited Condensed Consolidated Balance Sheets as of December 31, 2023 and June 30, 2023	2
	Unaudited Condensed Consolidated Statements of Operations for the three and six months ended December 31, 2023 and 2022	3
	Unaudited Condensed Consolidated Statements of Comprehensive (Loss) Income for the three and six months ended December 31, 2023 and 2022	4
	Unaudited Condensed Consolidated Statement of Changes in Equity for the three and six months ended December 31, 2023 and 2022	5
	Unaudited Condensed Consolidated Statements of Cash Flows for the three and six months ended December 31, 2023 and 2022	7
	Notes to Unaudited Condensed Consolidated Financial Statements	8
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	41
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	59
Item 4.	Controls and Procedures	60
Part II. OTHER INFORMATION		
Item 1A.	Risk Factors	61
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	61
Item 5.	Other Information	61
Item 6.	Exhibits	62
	Signatures	63
	EXHIBIT 44	
	EXHIBIT 45	

Part I. Financial information

Item 1. Financial Statements

**LESAKA TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Balance Sheets**

	December 31, 2023	June 30, 2023^(A)
	(In thousands, except share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 44,316	\$ 35,499
Restricted cash related to ATM funding and credit facilities (Note 8)	23,522	23,133
Accounts receivable, net and other receivables (Note 2)	41,114	25,665
Finance loans receivable, net (Note 2)	39,056	36,744
Inventory (Note 3)	27,622	27,337
Total current assets before settlement assets	175,630	148,378
Settlement assets	26,974	15,258
Total current assets	202,604	163,636
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of - December: \$39,667 June: \$36,563	28,340	27,447
OPERATING LEASE RIGHT-OF-USE (Note 16)	5,649	4,731
EQUITY-ACCOUNTED INVESTMENTS (Note 5)	161	3,171
GOODWILL (Note 6)	137,666	133,743
INTANGIBLE ASSETS, NET (Note 6)	117,953	121,597
DEFERRED INCOME TAXES	10,256	10,315
OTHER LONG-TERM ASSETS, including reinsurance assets (Note 5 and 7)	77,963	77,594
TOTAL ASSETS	580,592	542,234
LIABILITIES		
CURRENT LIABILITIES		
Short-term credit facilities for ATM funding (Note 8)	23,407	23,021
Short-term credit facilities (Note 8)	9,291	9,025
Accounts payable	18,884	12,380
Other payables (Note 9)	45,115	36,297
Operating lease liability - current (Note 16)	1,691	1,747
Current portion of long-term borrowings (Note 8)	3,429	3,663
Income taxes payable	670	1,005
Total current liabilities before settlement obligations	102,487	87,138
Settlement obligations	26,090	14,774
Total current liabilities	128,577	101,912
DEFERRED INCOME TAXES	45,929	46,840
OPERATING LEASE LIABILITY - LONG TERM (Note 16)	4,108	3,138
LONG-TERM BORROWINGS (Note 8)	139,337	129,455
OTHER LONG-TERM LIABILITIES, including insurance policy liabilities (Note 7)	2,489	1,982
TOTAL LIABILITIES	320,440	283,327
REDEEMABLE COMMON STOCK	79,429	79,429
EQUITY		
COMMON STOCK (Note 10)		
Authorized: 200,000,000 with \$0.001 par value;		
Issued and outstanding shares, net of treasury - December: 64,443,523 June: 63,640,246	83	83
PREFERRED STOCK		
Authorized shares: 50,000,000 with \$0.001 par value;		
Issued and outstanding shares, net of treasury: December: - June: -	-	-
ADDITIONAL PAID-IN-CAPITAL	339,149	335,696
TREASURY SHARES, AT COST: December: 25,295,261 June: 25,244,286	(288,436)	(288,238)
ACCUMULATED OTHER COMPREHENSIVE LOSS (Note 11)	(189,378)	(195,726)
RETAINED EARNINGS	319,305	327,663
TOTAL LESAKA EQUITY	180,723	179,478
NON-CONTROLLING INTEREST	-	-
TOTAL EQUITY	180,723	179,478
TOTAL LIABILITIES, REDEEMABLE COMMON STOCK AND SHAREHOLDERS' EQUITY	\$ 580,592	\$ 542,234

(A) – Derived from audited financial statements

See Notes to Unaudited Condensed Consolidated Financial Statements

LESAKA TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Operations

	Three months ended		Six months ended	
	December 31,		December 31,	
	2023	2022	2023	2022
	(In thousands, except per share data)		(In thousands, except per share data)	
REVENUE (Note 15)	\$ 143,893	\$ 136,068	\$ 279,982	\$ 260,854
EXPENSE				
Cost of goods sold, IT processing, servicing and support	114,266	108,824	221,756	209,352
Selling, general and administration	21,541	23,517	44,056	46,448
Depreciation and amortization	5,813	5,919	11,669	11,917
OPERATING INCOME (LOSS)	2,273	(2,192)	2,501	(6,863)
REVERSAL OF ALLOWANCE FOR DOUBTFUL EMI DEBT RECEIVABLE	-	-	250	-
(LOSS) GAIN ON DISPOSAL OF EQUITY-ACCOUNTED INVESTMENT (Note 5)	-	(112)	-	136
INTEREST INCOME	485	389	934	800
INTEREST EXPENSE	4,822	4,388	9,731	8,424
LOSS BEFORE INCOME TAX EXPENSE	(2,064)	(6,303)	(6,046)	(14,351)
INCOME TAX EXPENSE (Note 18)	686	364	950	395
NET LOSS BEFORE EARNINGS (LOSS) FROM EQUITY-ACCOUNTED INVESTMENTS	(2,750)	(6,667)	(6,996)	(14,746)
EARNINGS (LOSS) FROM EQUITY-ACCOUNTED INVESTMENTS (Note 5)	43	18	(1,362)	(2,599)
NET LOSS ATTRIBUTABLE TO LESAKA	\$ (2,707)	\$ (6,649)	\$ (8,358)	\$ (17,345)
Net loss per share, in United States dollars (Note 13):				
Basic loss attributable to Lesaka shareholders	\$ (0.04)	\$ (0.11)	\$ (0.13)	\$ (0.28)
Diluted loss attributable to Lesaka shareholders	\$ (0.04)	\$ (0.11)	\$ (0.13)	\$ (0.28)

See Notes to Unaudited Condensed Consolidated Financial Statements

LESAKA TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Comprehensive (Loss) Income

	Three months ended		Six months ended	
	December 31,		December 31,	
	2023	2022	2023	2022
	(In thousands)		(In thousands)	
Net loss	\$ (2,707)	\$ (6,649)	\$ (8,358)	\$ (17,345)
Other comprehensive income (loss), net of taxes				
Movement in foreign currency translation reserve	6,112	12,155	5,268	(9,938)
Release of foreign currency translation reserve related to disposal of Finbond equity securities (Note 11)	1,543	97	1,543	99
Release of foreign currency translation reserve related to liquidation of subsidiaries	(952)	-	(952)	-
Movement in foreign currency translation reserve related to equity-accounted investments	-	-	489	2,441
Total other comprehensive income (loss), net of taxes	6,703	12,252	6,348	(7,398)
Comprehensive income (loss)	3,996	5,603	(2,010)	(24,743)
Comprehensive income (loss) attributable to Lesaka	\$ 3,996	\$ 5,603	\$ (2,010)	\$ (24,743)

See Notes to Unaudited Condensed Consolidated Financial Statements

LESKA TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Changes in Equity

Lesaka Technologies, Inc. Shareholders

	Number of Shares	Amount	Number of Treasury Shares	Treasury Shares	Number of shares, net of treasury	Additional Paid-In Capital	Retained Earnings	Accumulated other comprehensive loss	Total Lesaka Equity	Non- controlling Interest	Total	Redeemable common stock
For the three months ended December 31, 2022 (dollar amounts in thousands)												
Balance – October 1, 2022	87,449,136	\$ 83	(24,926,752)	\$ (287,136)	62,522,384	\$ 329,365	\$ 352,041	\$ (188,490)	\$ 205,863	\$ -	\$ 205,863	\$ 79,429
Shares repurchased (Note 12)			(30,102)	(108)	(30,102)	-			(108)		(108)	
Restricted stock granted (Note 12)	1,151,229				1,151,229				-		-	
Exercise of stock options	107,826	-			107,826	327			327		327	
Stock-based compensation charge (Note 12)					-	2,849			2,849		2,849	
Stock-based compensation charge related to equity-accounted investment (Note 5)					-	(4)			(4)		(4)	
Net loss					-		(6,649)		(6,649)	-	(6,649)	
Other comprehensive income (Note 11)								12,252	12,252	-	12,252	
Balance – December 31, 2022	88,708,191	\$ 83	(24,956,854)	\$ (287,244)	63,751,337	\$ 332,537	\$ 345,392	\$ (176,238)	\$ 214,530	\$ -	\$ 214,530	\$ 79,429
For the six months ended December 31, 2022 (dollar amounts in thousands)												
Balance – July 1, 2022	87,215,613	\$ 83	(24,891,292)	\$ (286,951)	62,324,321	\$ 327,891	\$ 362,737	\$ (168,840)	\$ 234,920	\$ -	\$ 234,920	\$ 79,429
Share repurchased (Note 12)	-		(65,562)	(293)	(65,562)				(293)		(293)	
Restricted stock granted	1,382,752				1,382,752				-		-	
Exercise of stock options	109,826	-			109,826	333			333		333	
Stock-based compensation charge (Note 12)						4,311			4,311		4,311	
Reversal of stock-based compensation charge (Note 12)					-	-			-		-	
Stock-based compensation charge related to equity-accounted investment						2			2		2	
Net loss							(17,345)		(17,345)	-	(17,345)	
Other comprehensive loss (Note 11)								(7,398)	(7,398)	-	(7,398)	
Balance – December 31, 2022	88,708,191	\$ 83	(24,956,854)	\$ (287,244)	63,751,337	\$ 332,537	\$ 345,392	\$ (176,238)	\$ 214,530	\$ -	\$ 214,530	\$ 79,429

See Notes to Unaudited Condensed Consolidated Financial Statements

LESAKA TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Changes in Equity

Lesaka Technologies, Inc. Shareholders

	Number of Shares	Amount	Number of Treasury Shares	Treasury Shares	Number of shares, net of treasury	Additional Paid-In Capital	Retained Earnings	Accumulated other comprehensive loss	Total Lesaka Equity	Non- controlling Interest	Total	Redeemable common stock
For the three months ended December 31, 2023 (dollar amounts in thousands)												
Balance – October 1, 2023	88,883,198	\$ 83	(25,244,286)	\$ (288,238)	63,638,912	\$ 337,490	\$ 322,012	\$ (196,081)	\$ 175,266	\$ -	\$ 175,266	\$ 79,429
Shares repurchased (Note 12)	-		(50,975)	(198)	(50,975)				(198)		(198)	
Restricted stock granted (Note 12)	868,996				868,996				-		-	
Exercise of stock option (Note 12)	592	-			592	2			2		2	
Stock-based compensation charge (Note 12)	-				-	1,812			1,812		1,812	
Reversal of stock-based compensation charge (Note 12)	(14,002)				(14,002)	(8)			(8)		(8)	
Stock-based compensation charge related to equity-accounted investment (Note 5)						(147)			(147)		(147)	
Net loss							(2,707)		(2,707)	-	(2,707)	
Other comprehensive income (Note 11)								6,703	6,703	-	6,703	
Balance – December 31, 2023	89,738,784	\$ 83	(25,295,261)	\$ (288,436)	64,443,523	\$ 339,149	\$ 319,305	\$ (189,378)	\$ 180,723	\$ -	\$ 180,723	\$ 79,429
For the six months ended December 31, 2023 (dollar amounts in thousands)												
Balance – July 1, 2023	88,884,532	\$ 83	(25,244,286)	\$ (288,238)	63,640,246	\$ 335,696	\$ 327,663	\$ (195,726)	\$ 179,478	\$ -	\$ 179,478	\$ 79,429
Shares repurchased (Note 12)			(50,975)	(198)	(50,975)				(198)		(198)	
Restricted stock granted	868,996				868,996	-			-		-	
Exercise of stock option (Note 12)	7,385	-			7,385	23			23		23	
Stock-based compensation charge (Note 12)	-				-	3,580			3,580		3,580	
Reversal of stock-based compensation charge (Note 12)	(22,129)				(22,129)	(17)			(17)		(17)	
Stock-based compensation charge related to equity-accounted investment (Note 5)						(133)			(133)		(133)	
Net loss							(8,358)		(8,358)	-	(8,358)	
Other comprehensive income (Note 11)								6,348	6,348	-	6,348	
Balance – December 31, 2023	89,738,784	\$ 83	(25,295,261)	\$ (288,436)	64,443,523	\$ 339,149	\$ 319,305	\$ (189,378)	\$ 180,723	\$ -	\$ 180,723	\$ 79,429

See Notes to Unaudited Condensed Consolidated Financial Statements

LESAKA TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Cash Flows

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	(In thousands)		(In thousands)	
Cash flows from operating activities				
Net loss	\$ (2,707)	\$ (6,649)	\$ (8,358)	\$ (17,345)
Depreciation and amortization	5,813	5,919	11,669	11,917
Movement in allowance for doubtful accounts receivable	1,164	1,480	2,689	2,529
Fair value adjustment related to financial liabilities	(836)	81	(870)	144
Loss on disposal of equity-accounted investments (Note 5)	-	112	-	(136)
(Earnings) Loss from equity-accounted investments	(43)	(18)	1,362	2,599
Movement in allowance for doubtful loans to equity-accounted investments	-	-	(250)	-
Profit on disposal of property, plant and equipment	(163)	(113)	(199)	(321)
Movement in interest payable	(1,573)	1,436	191	1,462
Facility fee amortized	89	196	316	445
Stock-based compensation charge (Note 12)	1,804	2,849	3,563	4,311
Dividends received from equity-accounted investments	54	-	54	21
(Increase) Decrease in accounts receivable	(13,157)	1,962	(15,502)	(981)
Increase in finance loans receivable	(2,889)	(5,230)	(3,377)	(8,811)
Decrease (Increase) in inventory	985	(1,193)	506	(1,472)
Increase in accounts payable and other payables	13,728	4,829	14,103	4,391
(Decrease) Increase in taxes payable	(654)	(513)	(346)	129
Decrease in deferred taxes	(1,032)	(1,728)	(1,594)	(3,122)
Net cash provided by (used in) operating activities	<u>583</u>	<u>3,420</u>	<u>3,957</u>	<u>(4,240)</u>
Cash flows from investing activities				
Capital expenditures	(2,198)	(3,992)	(5,007)	(8,493)
Proceeds from disposal of property, plant and equipment	436	345	720	762
Acquisition of intangible assets	(47)	(120)	(182)	(120)
Proceeds from disposal of equity-accounted investment (Note 5)	3,508	138	3,508	391
Loan to equity-accounted investment (Note 5)	-	-	-	(112)
Repayment of loans by equity-accounted investments	250	-	250	112
Net change in settlement assets	(43)	(10,131)	(11,280)	(12,015)
Net cash provided by (used in) investing activities	<u>1,906</u>	<u>(13,760)</u>	<u>(11,991)</u>	<u>(19,475)</u>
Cash flows from financing activities				
Proceeds from bank overdraft (Note 8)	69,012	167,224	128,586	313,292
Repayment of bank overdraft (Note 8)	(66,048)	(175,380)	(128,841)	(312,302)
Long-term borrowings utilized (Note 8)	8,557	9,083	11,028	10,142
Repayment of long-term borrowings (Note 8)	(3,184)	(1,688)	(5,813)	(3,268)
Acquisition of treasury stock (Note 12)	(198)	(108)	(198)	(293)
Proceeds from exercise of stock options	2	327	23	333
Guarantee fee	-	(100)	-	(100)
Net change in settlement obligations	197	9,581	10,893	11,568
Net cash provided by financing activities	<u>8,338</u>	<u>8,939</u>	<u>15,678</u>	<u>19,372</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2,005</u>	<u>4,806</u>	<u>1,562</u>	<u>(3,681)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>12,832</u>	<u>3,405</u>	<u>9,206</u>	<u>(8,024)</u>
Cash, cash equivalents and restricted cash – beginning of period	<u>55,006</u>	<u>93,371</u>	<u>58,632</u>	<u>104,800</u>
Cash, cash equivalents and restricted cash – end of period (Note 14)	<u>\$ 67,838</u>	<u>\$ 96,776</u>	<u>\$ 67,838</u>	<u>\$ 96,776</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

LESAKA TECHNOLOGIES, INC
Notes to the Unaudited Condensed Consolidated Financial Statements
for the three and six months ended December 31, 2023 and 2022
(All amounts in tables stated in thousands or thousands of U.S. dollars, unless otherwise stated)

1. Basis of Presentation and Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements include all majority-owned subsidiaries over which the Company exercises control and have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and the rules and regulations of the United States Securities and Exchange Commission for Quarterly Reports on Form 10-Q and include all of the information and disclosures required for interim financial reporting. The results of operations for the three and six months ended December 31, 2023 and 2022, are not necessarily indicative of the results for the full year. The Company believes that the disclosures are adequate to make the information presented not misleading.

These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements, accounting policies and financial notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments), which are necessary for a fair representation of financial results for the interim periods presented.

References to “Lesaka” are references solely to Lesaka Technologies, Inc. References to the “Company” refer to Lesaka and its consolidated subsidiaries, collectively, unless the context otherwise requires.

Recent accounting pronouncements adopted

In June 2016, the Financial Accounting Standards Board (“FASB”) issued guidance regarding *Measurement of Credit Losses on Financial Instruments*. The guidance replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade and other receivables, loans, and other financial instruments, an entity is required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses, which reflects losses that are probable. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. The guidance became effective for the Company beginning July 1, 2023. The adoption of this guidance did not have a material impact on the Company’s financial statements and related disclosures, refer to Note 2.

In November 2019, the FASB issued guidance regarding *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. The guidance provides a framework to stagger effective dates for future major accounting standards and amends the effective dates for certain major new accounting standards to give implementation relief to certain types of entities, including Smaller Reporting Companies. The Company is a Smaller Reporting Company. Specifically, the guidance changes some effective dates for certain new standards on the following topics in the FASB Codification, namely Derivatives and Hedging (ASC 815); Leases (ASC 842); Financial Instruments — Credit Losses (ASC 326); and Intangibles — Goodwill and Other (ASC 350). The guidance defers the adoption date of guidance regarding *Measurement of Credit Losses on Financial Instruments* by the Company from July 1, 2020 to July 1, 2023. The guidance became effective for the Company beginning July 1, 2023. The adoption of this guidance did not have a material impact on the Company’s financial statements and related disclosures, refer to Note 2.

The Company’s updated accounting policy regarding allowance for credit losses is as follows:

Allowance for doubtful accounts receivable

Allowance for doubtful finance loans receivable

The Company uses historical default experience over the lifetime of loans in order to calculate a lifetime loss rate for its lending books. The allowance for credit losses related to Consumer finance loans receivables is calculated by multiplying the lifetime loss rate with the month-end outstanding lending book. The allowance for credit losses related to Merchant finance loans receivables is calculated by adding together actual receivables in default plus multiplying the lifetime loss rate with the month-end outstanding lending book. Prior to July 1, 2023, the Company regularly reviewed the ageing of outstanding amounts due from borrowers and adjusted its allowance based on management’s estimate of the recoverability of the finance loans receivable. The Company writes off microlending finance loans receivable and related service fees and interest if a borrower is in arrears with repayments for more than three months or is deceased. The Company writes off merchant and working capital finance receivables and related fees when it is evident that reasonable recovery procedures, including where deemed necessary, formal legal action, have failed.

1. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Allowance for doubtful accounts receivable (continued)

Allowance for doubtful accounts receivable

The Company uses a lifetime loss rate by expressing write-off experience as a percentage of corresponding invoice amounts (as opposed to outstanding balances). The allowance for credit losses related to these receivables has been calculated by multiplying the lifetime loss rate with recent invoice/origination amounts. Prior to July 1, 2023, a specific provision is established where it is considered likely that all or a portion of the amount due from customers renting safe assets, point of sale (“POS”) equipment, receiving support and maintenance or transaction services or purchasing licenses or SIM cards from the Company will not be recovered. Non-recoverability is assessed based on a quarterly review by management of the ageing of outstanding amounts, the location and the payment history of the customer in relation to those specific amounts.

Recent accounting pronouncements not yet adopted as of December 31, 2023

In November 2023, the FASB issued guidance regarding *Segment Reporting (Topic 280)* to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the guidance enhances interim disclosure requirements, clarifies circumstances in which an entity can disclose multiple segment measures of profit or loss, provides new segment disclosure requirements for entities with a single reportable segment, and contains other disclosure requirements. This guidance is effective for the Company beginning July 1, 2024 for its year ended June 30, 2025, and for interim periods commencing from July 1, 2025 (i.e. for the quarter ended September 30, 2025). The Company is currently assessing the impact of this guidance on its financial statements and related disclosures.

In December 2023, the FASB issued guidance regarding *Income Taxes (Topic 740)* to improve income tax disclosure requirements. The guidance requires entities, on an annual basis, to (1) disclose specific categories in the income tax rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than five percent of the amount computed by multiplying pre-tax income or loss by the applicable statutory income tax rate). This guidance is effective for the Company beginning July 1, 2025. The Company is currently assessing the impact of this guidance on its financial statements and related disclosures.

2. Accounts receivable, net and other receivables and finance loans receivable, net

Accounts receivable, net and other receivables

The Company’s accounts receivable, net, and other receivables as of December 31, 2023, and June 30, 2023, are presented in the table below:

	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Accounts receivable, trade, net	\$ 13,169	\$ 11,037
Accounts receivable, trade, gross	13,591	11,546
Allowance for doubtful accounts receivable, end of period	422	509
Beginning of period	509	509
Reallocation to allowance for doubtful finance loans receivable	-	(418)
Reversed to statement of operations	(227)	(31)
Charged to statement of operations	586	2,005
Utilized	(458)	(1,645)
Foreign currency adjustment	12	89
Current portion of amount outstanding related to sale of interest in Carbon, net of allowance: December 2023: \$750; June 2023: \$750	-	-
Current portion of total held to maturity investments	-	-
Investment in 7.625% of Cedar Cellular Investment 1 (RF) (Pty) Ltd 8.625% notes	-	-
Other receivables	27,945	14,628
Total accounts receivable, net and other receivables	<u>\$ 41,114</u>	<u>\$ 25,665</u>

Trade receivables include amounts due from customers which generally have a very short-term life from date of invoice or service provided to settlement. The duration is less than a year in all cases and generally less than 30 days in many instances. The short-term nature of these exposures often results in balances at month-end that are disproportionately small compared to the total invoiced amounts. The month-end outstanding balance are more volatile than the monthly invoice amounts because they are affected by operational timing issues and the fact that a balance is outstanding at month-end is not necessarily an indication of increased risk but rather a matter of operational timing.

2. Accounts receivable, net and other receivables and finance loans receivable, net (continued)

Accounts receivable, net and other receivables (continued)

Credit risk in respect of trade receivables are generally not significant and the Company has not developed a sophisticated model for these basic credit exposures. The Company determined to use a lifetime loss rate by expressing write-off experience as a percentage of corresponding invoice amounts (as opposed to outstanding balances). The allowance for credit losses related to these receivables has been calculated by multiplying the lifetime loss rate with recent invoice/origination amounts. Management actively monitors performance of these receivables over short periods of time. Different balances have different rules to identify an account in distress but, generally speaking, account balances in distress are identified very early and specific allowances are immediately created. Subsequent recovery from distressed accounts are generally limited.

Current portion of amount outstanding related to sale of interest in Carbon represents the amount due from the purchaser related to the sale of the Company's interest in Carbon Tech Limited ("Carbon"), an equity-accounted investment of \$0.25 million, net of an allowance for doubtful loans receivable of \$0.25 million as of June 30, 2023, and an amount due related to the sale of the loan, with a face value of \$3.0 million, which was sold in September 2022 for \$0.75 million, net of an allowance for doubtful loans receivable of \$0.75 million, refer to Note 5 for additional information. The Company received the outstanding \$0.25 million related to the sale of the equity-accounted investment in October 2023, and has reversed the allowance for doubtful loans receivable of \$0.25 million during the six months ended December 31, 2023.

Investment in 7.625% of Cedar Cellular Investment 1 (RF) (Pty) Ltd 8.625% notes represents the investment in a note which was due to mature in August 2022 and forms part of Cell C's capital structure. The carrying value as of each of December 31, 2023, and June 30, 2023, respectively was \$0 (zero).

Other receivables includes prepayments, deposits, income taxes receivable and other receivables.

Contractual maturities of held to maturity investments

Summarized below is the contractual maturity of the Company's held to maturity investment as of December 31, 2023:

	<u>Cost basis</u>	<u>Estimated fair value⁽¹⁾</u>
Due in one year or less	\$ -	\$ -
Due in one year through five years ⁽²⁾	-	-
Due in five years through ten years	-	-
Due after ten years	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

(1) The estimated fair value of the Cedar Cellular note has been calculated utilizing the Company's portion of the assets held by Cedar Cellular, namely, Cedar Cellular's investment in Cell C.

(2) The cost basis is zero (\$0.0 million).

2. Accounts receivable, net and other receivables and finance loans receivable, net (continued)

Finance loans receivable, net

The Company's finance loans receivable, net, as of December 31, 2023, and June 30, 2023, is presented in the table below:

	December 31, 2023	June 30, 2023
Microlending finance loans receivable, net	\$ 25,686	\$ 20,605
Microlending finance loans receivable, gross	27,483	22,037
Allowance for doubtful finance loans receivable, end of period	1,797	1,432
Beginning of period	1,432	1,394
Reversed to statement of operations	(86)	-
Charged to statement of operations	1,188	1,452
Utilized	(787)	(1,214)
Foreign currency adjustment	50	(200)
Merchant finance loans receivable, net	13,370	16,139
Merchant finance loans receivable, gross	16,315	18,289
Allowance for doubtful finance loans receivable, end of period	2,945	2,150
Beginning of period	2,150	297
Reallocation from allowance for doubtful accounts receivable	-	418
Reversed to statement of operations	(202)	(1,268)
Charged to statement of operations	1,430	3,068
Utilized	(521)	-
Foreign currency adjustment	88	(365)
Total finance loans receivable, net	<u>\$ 39,056</u>	<u>\$ 36,744</u>

Total finance loans receivable, net, comprises microlending finance loans receivable related to the Company's microlending operations in South Africa as well as its merchant finance loans receivable related to Connect's lending activities in South Africa. Certain merchant finance loans receivable with an aggregate balance of \$13.1 million as of December 31, 2023 have been pledged as security for the Company's revolving credit facility (refer to Note 8).

Allowance for credit losses

Microlending finance loans receivable

Microlending finance loans receivable related to the Company's microlending operations in South Africa whereby it provides unsecured short-term loans to qualifying customers. Loans to customers have a tenor of up to six months, with the majority of loans originated having a tenor of six months. The Company analyses this lending book as a single portfolio because the loans within the portfolio have similar characteristics and management uses similar processes to monitor and assess the credit risk of the lending book. Refer to Note 4 related to the Company risk management process related to these receivables.

The Company has operated this lending book for more than five years and uses historical default experience over the lifetime of loans in order to calculate a lifetime loss rate for the lending book. The allowance for credit losses related to these microlending finance loans receivables is calculated by multiplying the lifetime loss rate with the month end outstanding lending book. The lifetime loss rate as of each of July 1, 2023 and December 31, 2023, was 6.50%. The performing component (that is, outstanding loan payments not in arrears) of the book exceeds more than 99% of outstanding lending book as of December 31, 2023.

Merchant finance loans receivable

Merchant finance loans receivable related to the Company's Merchant lending activities in South Africa whereby it provides unsecured short-term loans to qualifying customers. Loans to customers have a tenor of up to twelve months, with the majority of loans originated having a tenor of approximately eight months. The Company analyses this lending book as a single portfolio because the loans within the portfolio have similar characteristics and management uses similar processes to monitor and assess the credit risk of the lending book. Refer to Note 4 related to the Company risk management process related to these receivables.

2. Accounts receivable, net and other receivables and finance loans receivable, net (continued)

Finance loans receivable, net (continued)

Allowance for credit losses (continued)

Merchant finance loans receivable (continued)

The Company has recently (in the past two years) commenced lending to merchant customers and uses historical default experience over the lifetime of loans generated thus far in order to calculate a lifetime loss rate for the lending book. The allowance for credit losses related to these merchant finance loans receivables is calculated by adding together actual receivables in default plus multiplying the lifetime loss rate with the month-end outstanding lending book. The lifetime loss rate as of each of July 1, 2023 and December 31, 2023, was approximately 1.18%. The performing component (that is, outstanding loan payments not in arrears), underperforming component (that is, outstanding loan payments that are in arrears) and non-performing component (that is, outstanding loans for which payments appeared to have ceased) of the book represents approximately 82%, 14% and 4%, respectively, of the outstanding lending book as of December 31, 2023.

3. Inventory

The Company's inventory comprised the following categories as of December 31, 2023, and June 30, 2023:

	December 31, 2023	June 30, 2023
Raw materials	\$ 2,719	\$ 2,819
Work-in-progress	82	30
Finished goods	24,821	24,488
	<u>\$ 27,622</u>	<u>\$ 27,337</u>

As of December 31, 2023 and June 30, 2023, finished goods includes \$7.8 million and \$8.6 million, respectively, of Cell C airtime inventory that was previously classified as finished goods subject to sale restrictions. In support of Cell C's liquidity position and pursuant to Cell C's recapitalization process, the Company limited the resale of this airtime to its own distribution channels. On September 30, 2022, Cell C concluded its recapitalization process and the Company and Cell C entered into an agreement under which Cell C agreed to repurchase, from October 2023, up to ZAR 10 million of Cell C inventory from the Company per month. The amount to be repurchased by Cell C is calculated as ZAR 10 million less the face value of any sales made by the Company during that month. The Company's ability to sell this airtime has increased significantly since the acquisition of Connect because Connect is a significant reseller of Cell C airtime. As a result, the Company has sold higher volumes of airtime through this channel than it did prior to the Cell C recapitalization, however, continued sales at these volumes is dependent on prevailing conditions continuing in the airtime market. If the Company is able to sell at least ZAR 10 million a month through this channel from October 1, 2023, then Cell C would not be required to repurchase any airtime from the Company during any specific month. The Company has agreed to notify Cell C prior to selling any of this airtime, however, there is no restriction placed on the Company on the sale of the airtime.

4. Fair value of financial instruments

Initial recognition and measurement

Financial instruments are recognized when the Company becomes a party to the transaction. Initial measurements are at cost, which includes transaction costs.

Risk management

The Company manages its exposure to currency exchange, translation, interest rate, credit, microlending credit and equity price and liquidity risks as discussed below.

Currency exchange risk

The Company is subject to currency exchange risk because it purchases components for its safe assets, that the Company assembles, and inventories that it is required to settle in other currencies, primarily the euro, renminbi, and U.S. dollar. The Company has used forward contracts in order to limit its exposure in these transactions to fluctuations in exchange rates between the South African rand (“ZAR”), on the one hand, and the U.S. dollar and the euro, on the other hand.

Translation risk

Translation risk relates to the risk that the Company’s results of operations will vary significantly as the U.S. dollar is its reporting currency, but it earns a significant amount of its revenues and incurs a significant amount of its expenses in ZAR. The U.S. dollar to the ZAR exchange rate has fluctuated significantly over the past three years. As exchange rates are outside the Company’s control, there can be no assurance that future fluctuations will not adversely affect the Company’s results of operations and financial condition.

Interest rate risk

As a result of its normal borrowing activities, the Company’s operating results are exposed to fluctuations in interest rates, which it manages primarily through regular financing activities. Interest rates in South Africa have been trending upwards in recent quarters but have now stabilized and are expected to remain at current levels, or perhaps even decline moderately over calendar 2024. Therefore, ignoring the impact of changes to the margin on its borrowings (refer to Note 8), the Company expects its cost of borrowing to remain stable, or even to decline moderately, in the foreseeable future, however if the upward trend resumes the Company would expect higher interest rates in the future which will increase its cost of borrowing. The Company periodically evaluates the cost and effectiveness of interest rate hedging strategies to manage this risk. The Company generally maintains surplus cash in cash equivalents and held to maturity investments and has occasionally invested in marketable securities.

Credit risk

Credit risk relates to the risk of loss that the Company would incur as a result of non-performance by counterparties. The Company maintains credit risk policies in respect of its counterparties to minimize overall credit risk. These policies include an evaluation of a potential counterparty’s financial condition, credit rating, and other credit criteria and risk mitigation tools as the Company’s management deems appropriate. With respect to credit risk on financial instruments, the Company maintains a policy of entering into such transactions only with South African and European financial institutions that have a credit rating of “B” (or its equivalent) or better, as determined by credit rating agencies such as Standard & Poor’s, Moody’s and Fitch Ratings.

Consumer microlending credit risk

The Company is exposed to credit risk in its Consumer microlending activities, which provides unsecured short-term loans to qualifying customers. Credit bureau checks as well as an affordability test are conducted as part of the origination process, both of which are in line with local regulations. The Company considers this policy to be appropriate because the affordability test it performs takes into account a variety of factors such as other debts and total expenditures on normal household and lifestyle expenses. Additional allowances may be required should the ability of its customers to make payments when due deteriorate in the future. A significant amount of judgment is required to assess the ultimate recoverability of these finance loan receivables, including ongoing evaluation of the creditworthiness of each customer.

Merchant lending

The Company maintains an allowance for doubtful finance loans receivable related to its Merchant services segment with respect to short-term loans to qualifying merchant customers. The Company’s risk management procedures include adhering to its proprietary lending criteria which uses an online-system loan application process, obtaining necessary customer transaction-history data and credit bureau checks. The Company considers these procedures to be appropriate because it takes into account a variety of factors such as the customer’s credit capacity and customer-specific risk factors when originating a loan.

4. Fair value of financial instruments (continued)

Risk management (continued)

Equity price and liquidity risk

Equity price risk relates to the risk of loss that the Company would incur as a result of the volatility in the exchange-traded price of equity securities that it holds. The market price of these securities may fluctuate for a variety of reasons and, consequently, the amount that the Company may obtain in a subsequent sale of these securities may significantly differ from the reported market value.

Equity liquidity risk relates to the risk of loss that the Company would incur as a result of the lack of liquidity on the exchange on which those securities are listed. The Company may not be able to sell some or all of these securities at one time, or over an extended period of time without influencing the exchange-traded price, or at all.

Financial instruments

The following section describes the valuation methodologies the Company uses to measure its significant financial assets and liabilities at fair value.

In general, and where applicable, the Company uses quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology would apply to Level 1 investments. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then the Company uses quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable either directly or indirectly. These investments would be included in Level 2 investments. In circumstances in which inputs are generally unobservable, values typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. Investments valued using such techniques are included in Level 3 investments.

Asset measured at fair value using significant unobservable inputs – investment in Cell C

The Company's Level 3 asset represents an investment of 75,000,000 class "A" shares in Cell C, a significant mobile telecoms provider in South Africa. The Company used a discounted cash flow model developed by the Company to determine the fair value of its investment in Cell C as of December 31, 2023 and June 30, 2023, respectively, and valued Cell C at \$0.0 (zero) and \$0.0 (zero) as of December 31, 2023, and June 30, 2023, respectively. The Company incorporates the payments under Cell C's lease liabilities into the cash flow forecasts and assumes that Cell C's deferred tax assets would be utilized over the forecast period. The Company has increased the marketability discount from 10% to 20% and the minority discount from 15% to 24% due to the reduction in the Company's shareholding percentage from 15% to 5% as well as current market conditions. The Company utilized the latest revised business plan provided by Cell C management for the period ended December 31, 2025, for the December 31, 2023, and June 30, 2023, valuations. Adjustments have been made to the WACC rate to reflect the Company's assessment of risk to Cell C achieving its business plan.

The following key valuation inputs were used as of December 31, 2023 and June 30, 2023:

Weighted Average Cost of Capital ("WACC"):	Between 20% and 31% over the period of the forecast
Long term growth rate:	4.5% (4.5% as of June 30, 2023)
Marketability discount:	20% (20% as of June 30, 2023)
Minority discount:	24% (24% as of June 30, 2023)
Net adjusted external debt - December 31, 2023: ⁽¹⁾	ZAR 8 billion (\$0.4 billion), no lease liabilities included
Net adjusted external debt - June 30, 2023: ⁽²⁾	ZAR 8.1 billion (\$0.4 billion), no lease liabilities included

(1) translated from ZAR to U.S. dollars at exchange rates applicable as of December 31, 2023.

(2) translated from ZAR to U.S. dollars at exchange rates applicable as of June 30, 2023.

The following table presents the impact on the carrying value of the Company's Cell C investment of a 1.0% increase and 1.0% decrease in the WACC rate and the EBITDA margins respectively used in the Cell C valuation on December 31, 2023, all amounts translated at exchange rates applicable as of December 31, 2023:

Sensitivity for fair value of Cell C investment	1.0% increase	1.0% decrease
WACC rate	\$ -	\$ 489
EBITDA margin	\$ 1,140	\$ -

The fair value of the Cell C shares as of December 31, 2023, represented 0% of the Company's total assets, including these shares. The Company expects to hold these shares for an extended period of time and that there will be short-term equity price volatility with respect to these shares particularly given that Cell C remains in a turnaround process.

4. Fair value of financial instruments (continued)

Financial instruments (continued)

Derivative transactions - Foreign exchange contracts

As part of the Company's risk management strategy, the Company enters into derivative transactions to mitigate exposures to foreign currencies using foreign exchange contracts. These foreign exchange contracts are over-the-counter derivative transactions. Substantially all of the Company's derivative exposures are with counterparties that have long-term credit ratings of "B" (or equivalent) or better. The Company uses quoted prices in active markets for similar assets and liabilities to determine fair value (Level 2). The Company has no derivatives that require fair value measurement under Level 1 or 3 of the fair value hierarchy.

The Company had no outstanding foreign exchange contracts as of December 31, 2023, and June 30, 2023.

The following table presents the Company's assets measured at fair value on a recurring basis as of December 31, 2023, according to the fair value hierarchy:

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investment in Cell C Related to insurance business:	\$ -	\$ -	\$ -	\$ -
Cash, cash equivalents and restricted cash (included in other long-term assets)	217	-	-	217
Fixed maturity investments (included in cash and cash equivalents)	2,834	-	-	2,834
Total assets at fair value	<u>\$ 3,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,051</u>

The following table presents the Company's assets measured at fair value on a recurring basis as of June 30, 2023, according to the fair value hierarchy:

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investment in Cell C Related to insurance business	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents (included in other long-term assets)	258	-	-	258
Fixed maturity investments (included in cash and cash equivalents)	3,119	-	-	3,119
Total assets at fair value	<u>\$ 3,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,377</u>

There have been no transfers in or out of Level 3 during the three and six months ended December 31, 2023 and 2022, respectively.

There was no movement in the carrying value of assets measured at fair value on a recurring basis, and categorized within Level 3, during the six months ended December 31, 2023 and 2022.

4. Fair value of financial instruments (continued)

Summarized below is the movement in the carrying value of assets and liabilities measured at fair value on a recurring basis, and categorized within Level 3, during the six months ended December 31, 2023:

	<u>Carrying value</u>
Assets	
Balance as of June 30, 2023	\$ -
Foreign currency adjustment ⁽¹⁾	-
Balance as of December 31, 2023	<u>\$ -</u>

(1) The foreign currency adjustment represents the effects of the fluctuations of the South African rand against the U.S. dollar on the carrying value.

Summarized below is the movement in the carrying value of assets and liabilities measured at fair value on a recurring basis, and categorized within Level 3, during the three months ended December 31, 2022:

	<u>Carrying value</u>
Assets	
Balance as of June 30, 2022	\$ -
Foreign currency adjustment ⁽¹⁾	-
Balance as of December 31, 2022	<u>\$ -</u>

(1) The foreign currency adjustment represents the effects of the fluctuations of the South African rand against the U.S. dollar on the carrying value.

Assets measured at fair value on a nonrecurring basis

The Company measures equity investments without readily determinable fair values at fair value on a nonrecurring basis. The fair values of these investments are determined based on valuation techniques using the best information available and may include quoted market prices, market comparables, and discounted cash flow projections. An impairment charge is recorded when the cost of the asset exceeds its fair value and the excess is determined to be other-than-temporary. Refer to Note 5 for impairment charges recorded during the reporting periods presented herein. The Company has no liabilities that are measured at fair value on a nonrecurring basis.

5. Equity-accounted investments and other long-term assets

Refer to Note 9 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2023, for additional information regarding its equity-accounted investments and other long-term assets.

Equity-accounted investments

The Company's ownership percentage in its equity-accounted investments as of December 31, 2023, and June 30, 2023, was as follows:

	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Finbond Group Limited ("Finbond")	-	27.8 %
Sandulela Technology (Pty) Ltd ("Sandulela")	49.0 %	49.0 %
SmartSwitch Namibia (Pty) Ltd ("SmartSwitch Namibia")	50.0 %	50.0 %

Finbond

In December 2023, the Company sold its entire remaining equity interest in Finbond which comprised of 220,523,358 shares, and which represented approximately 27.8% of Finbond's issued and outstanding ordinary shares immediately prior to the sale.

5. Equity-accounted investments and other long-term assets (continued)

Equity-accounted investments (continued)

Finbond (continued)

August 2023 agreement to sell entire stake in Finbond

On August 10, 2023, the Company, through its wholly owned subsidiary Net1 Finance Holdings (Pty) Ltd, entered into an agreement with Finbond to sell its remaining shareholding to Finbond for a cash consideration of ZAR 64.2 million (\$3.5 million), or ZAR 0.2911 per share. The transaction was subject to certain conditions, including regulatory and shareholder approvals, which were finalized in December 2023. The Company did not record a gain or loss on the disposal because the sale proceeds were equivalent to the net carrying value, including accumulated reserves, of the investment in Finbond as of the disposal date. The cash proceeds received of ZAR 64.2 million (\$3.5 million) have been used to repay capitalized interest under our borrowing facilities, refer to Note 8.

Sale of Finbond shares during the three and six months ended December 31, 2023

The Company sold 7,379,656 and 7,461,591 shares in Finbond for cash during the three and six months ended December 31, 2022, respectively, and recorded a loss of \$0.112 million and \$0.114 million, which is included in the caption net gain on disposal of equity-accounted investments in the Company's unaudited condensed consolidated statements of operations.

The following table presents the calculation of the loss on disposal of Finbond shares during the three and six months ended December 31, 2023:

	Three months ended		Six months ended	
	December 31,		December 31,	
	2023	2022	2023	2022
Loss on disposal of Finbond shares:				
Consideration received in cash	\$ 3,508	\$ 138	\$ 3,508	\$ 141
Less: carrying value of Finbond shares sold	(2,112)	(157)	(2,112)	(160)
Less: release of foreign currency translation reserve from accumulated other comprehensive loss	(1,543)	(97)	(1,543)	(99)
Add: release of stock-based compensation charge related to equity-accounted investment	147	4	147	4
Loss on sale of Finbond shares	<u>\$ -</u>	<u>\$ (112)</u>	<u>\$ -</u>	<u>\$ (114)</u>

Finbond impairments recorded during the six months ended December 31, 2023

As noted earlier, the Company has entered into an agreement to exit its position in Finbond and the Company considered this an impairment indicator. The Company is required to include any foreign currency translation reserve and other equity account amounts in its impairment assessment if it considers exiting an equity method investment. The Company performed an impairment assessment of its holding in Finbond, including the foreign currency translation reserve and other equity account amounts, as of September 30, 2023. The Company recorded an impairment loss of \$1.2 million during the quarter ended September 30, 2023, which represented the difference between the determined fair value of the Company's interest in Finbond and the Company's carrying value, including the foreign currency translation reserve (before the impairment). The Company used the price of ZAR 0.2911 referenced in the August 2023 agreement referred to above to calculate the determined fair value for Finbond.

Finbond impairments recorded during the six months ended December 31, 2022

The Company considered the combination of the ongoing losses incurred and reported by Finbond and its lower share price as impairment indicators. The Company performed an impairment assessment of its holding in Finbond as of September 30, 2022. The Company recorded an impairment loss of \$1.1 million during the quarter ended September 30, 2022, related to the other-than-temporary decrease in Finbond's value, which represented the difference between the determined fair value of the Company's interest in Finbond and the Company's carrying value (before the impairment). The Company observed continued limited trading in Finbond shares on the JSE during the three months ended September 30, 2022, because a small number of shareholders owned approximately 80% of its issued and outstanding shares between them. The Company calculated a fair value per share for Finbond by applying a liquidity discount of 25% to the September 30, 2022, Finbond closing price of ZAR 0.49. The Company increased the liquidity discount from 15% (used in the previous impairment assessment) to 25% as a result of the ongoing limited trading activity observed on the JSE.

5. Equity-accounted investments and other long-term assets (continued)

Equity-accounted investments (continued)

Carbon

In September 2022, the Company, through its wholly-owned subsidiary, Net1 Applied Technologies Netherlands B.V. (“Net1 BV”), entered into a binding term sheet with the Etobicoke Limited (“Etobicoke”) to sell its entire interest, or 25%, in Carbon to Etobicoke for \$0.5 million and a loan due from Carbon, with a face value of \$3.0 million, to Etobicoke for \$0.75 million. Both the equity interest and the loan had a carrying value of \$0 (zero) at June 30, 2022. The parties have agreed that Etobicoke pledge the Carbon shares purchased as security for the amounts outstanding under the binding term sheet.

The Company received \$0.25 million on closing and the outstanding balance due by Etobicoke is expected to be paid as follows: (i) \$0.25 million on September 30, 2023 (the amount was received in October 2023), and (ii) the remaining amount, of \$0.75 million in March 2024. Both amounts are included in the caption accounts receivable, net and other receivables in the Company’s unaudited condensed consolidated balance sheet as of December 31, 2023. The Company has allocated the \$0.25 million received to the sale of the equity interest and will allocate the funds received first to the sale of the equity interest and then to the loans.

The Company currently believes that the fair value of the Carbon shares provided as security is \$0 (zero), which is in line with the carrying value as of June 30, 2022, and has created an allowance for doubtful loans receivable related to the \$1.0 million due from Etobicoke. The Company did not incur any significant transaction costs. The Company has included the gain of \$0.25 million related to the sale of the Carbon equity interest in the caption net gain on disposal of equity-accounted investments in the Company’s unaudited condensed consolidated statements of operations.

The following table presents the calculation of the gain on disposal of Carbon in September 2022:

	Three months ended September 30, 2022
Gain on disposal of Carbon shares:	
Consideration received in cash in September 2022	\$ 250
Less: carrying value of Carbon	-
Gain on disposal of Carbon shares: ⁽¹⁾	<u>\$ 250</u>

(1) The Company does not expect to pay taxes related to the sale of Carbon because the base cost of its investment exceeds the sales consideration received. The Company does not believe that it will be able to utilize the loss generated because Net1 BV does not generate taxable income.

Summarized below is the movement in equity-accounted investments and loans provided to equity-accounted investments during the six months ended December 31, 2023:

	Finbond	Other⁽¹⁾	Total
Investment in equity			
Balance as of June 30, 2023	\$ 3,040	\$ 131	\$ 3,171
Stock-based compensation	14	-	14
Comprehensive income:	(956)	83	(873)
Other comprehensive income	489	-	489
Equity accounted (loss) earnings	(1,445)	83	(1,362)
Share of net (loss) earnings	(278)	83	(195)
Impairment	(1,167)	-	(1,167)
Dividends received	-	(54)	(54)
Disposal of Finbond shares	(2,096)	-	(2,096)
Foreign currency adjustment ⁽²⁾	(2)	1	(1)
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 161</u>	<u>\$ 161</u>

(1) Includes Sandulela, and SmartSwitch Namibia;

(2) The foreign currency adjustment represents the effects of the fluctuations of the ZAR and Namibian dollar, against the U.S. dollar on the carrying value.

5. Equity-accounted investments and other long-term assets (continued)

Other long-term assets

Summarized below is the breakdown of other long-term assets as of December 31, 2023, and June 30, 2023:

	December 31, 2023	June 30, 2023
Total equity investments	\$ 76,297	\$ 76,297
Investment in 5% of Cell C (June 30, 2023: 5%) at fair value (Note 4)	-	-
Investment in 10% of MobiKwik (June 30, 2023: 10%) ⁽¹⁾	76,297	76,297
Investment in 87.5% of CPS (June 30, 2023: 87.5%) at fair value ⁽¹⁾⁽²⁾	-	-
Policy holder assets under investment contracts (Note 7)	216	257
Reinsurance assets under insurance contracts (Note 7)	1,450	1,040
Total other long-term assets	<u>\$ 77,963</u>	<u>\$ 77,594</u>

(1) The Company determined that MobiKwik and CPS do not have readily determinable fair values and therefore elected to record these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

(2) On October 16, 2020, the High Court of South Africa, Gauteng Division, Pretoria ordered that CPS be placed into liquidation.

Summarized below are the components of the Company's equity securities without readily determinable fair value and held to maturity investments as of December 31, 2023:

	Cost basis	Unrealized holding gains	Unrealized holding losses	Carrying value
Equity securities:				
Investment in MobiKwik	\$ 26,993	\$ 49,304	\$ -	\$ 76,297
Investment in CPS	-	-	-	-
Held to maturity:				
Investment in Cedar Cellular notes (Note 2)	-	-	-	-
Total	<u>\$ 26,993</u>	<u>\$ 49,304</u>	<u>\$ -</u>	<u>\$ 76,297</u>

Summarized below are the components of the Company's equity securities without readily determinable fair value and held to maturity investments as of June 30, 2023:

	Cost basis	Unrealized holding gains	Unrealized holding losses	Carrying value
Equity securities:				
Investment in MobiKwik	\$ 26,993	\$ 49,304	\$ -	\$ 76,297
Investment in CPS	-	-	-	-
Held to maturity:				
Investment in Cedar Cellular notes	-	-	-	-
Total	<u>\$ 26,993</u>	<u>\$ 49,304</u>	<u>\$ -</u>	<u>\$ 76,297</u>

6. Goodwill and intangible assets, net

Goodwill

Summarized below is the movement in the carrying value of goodwill for the six months ended December 31, 2023:

	<u>Gross value</u>	<u>Accumulated impairment</u>	<u>Carrying value</u>
Balance as of June 30, 2023	\$ 152,619	\$ (18,876)	\$ 133,743
Foreign currency adjustment ⁽¹⁾	4,308	(385)	3,923
Balance as of December 31, 2023	<u>\$ 156,927</u>	<u>\$ (19,261)</u>	<u>\$ 137,666</u>

(1) – The foreign currency adjustment represents the effects of the fluctuations of the South African rand against the U.S. dollar on the carrying value.

Goodwill has been allocated to the Company's reportable segments as follows:

	<u>Consumer</u>	<u>Merchant</u>	<u>Carrying value</u>
Balance as of June 30, 2023	\$ -	\$ 133,743	\$ 133,743
Foreign currency adjustment ⁽¹⁾	-	3,923	3,923
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 137,666</u>	<u>\$ 137,666</u>

(1) The foreign currency adjustment represents the effects of the fluctuations of the South African rand against the U.S. dollar on the carrying value.

Intangible assets, net

Carrying value and amortization of intangible assets

Summarized below is the carrying value and accumulated amortization of intangible assets as of December 31, 2023, and June 30, 2023:

	<u>As of December 31, 2023</u>			<u>As of June 30, 2023</u>		
	<u>Gross carrying value</u>	<u>Accumulated amortization</u>	<u>Net carrying value</u>	<u>Gross carrying value</u>	<u>Accumulated amortization</u>	<u>Net carrying value</u>
Finite-lived intangible assets:						
Customer relationships	\$ 25,715	\$ (12,924)	\$ 12,791	\$ 24,978	\$ (11,565)	\$ 13,413
Software, integrated platform and unpatented technology	114,360	(19,849)	94,511	110,906	(13,711)	97,195
FTS patent	2,094	(2,094)	-	2,034	(2,034)	-
Brands and trademarks	14,260	(3,609)	10,651	13,852	(2,863)	10,989
Total finite-lived intangible assets	<u>\$ 156,429</u>	<u>\$ (38,476)</u>	<u>\$ 117,953</u>	<u>\$ 151,770</u>	<u>\$ (30,173)</u>	<u>\$ 121,597</u>

Aggregate amortization expense on the finite-lived intangible assets for the three months ended December 31, 2023 and 2022, was \$3.6 million and \$3.9 million, respectively. Aggregate amortization expense on the finite-lived intangible assets for the six months ended December 31, 2023 and 2022, was \$7.2 million and \$7.8 million, respectively. Future estimated annual amortization expense for the next five fiscal years and thereafter, assuming exchange rates that prevailed on December 31, 2023, is presented in the table below. Actual amortization expense in future periods could differ from this estimate as a result of acquisitions, changes in useful lives, exchange rate fluctuations and other relevant factors.

Fiscal 2024 (six months ended December 31, 2023)	\$ 7,409
Fiscal 2025	14,824
Fiscal 2026	14,825
Fiscal 2027	14,768
Fiscal 2028	14,736
Thereafter	51,391
Total future estimated annual amortization expense	<u>\$ 117,953</u>

7. Assets and policyholder liabilities under insurance and investment contracts

Reinsurance assets and policyholder liabilities under insurance contracts

Summarized below is the movement in reinsurance assets and policyholder liabilities under insurance contracts during the six months ended December 31, 2023:

	Reinsurance Assets⁽¹⁾	Insurance contracts⁽²⁾
Balance as of June 30, 2023	\$ 1,040	\$ (1,600)
Increase in policy holder benefits under insurance contracts	636	(3,649)
Claims and decrease in policyholders' benefits under insurance contracts	(265)	3,172
Foreign currency adjustment ⁽³⁾	39	(59)
Balance as of December 31, 2023	<u>\$ 1,450</u>	<u>\$ (2,136)</u>

(1) Included in other long-term assets (refer to Note 5);

(2) Included in other long-term liabilities;

(3) Represents the effects of the fluctuations of the ZAR against the U.S. dollar.

The Company has agreements with reinsurance companies in order to limit its losses from various insurance contracts, however, if the reinsurer is unable to meet its obligations, the Company retains the liability. The value of insurance contract liabilities is based on the best estimate assumptions of future experience plus prescribed margins, as required in the markets in which these products are offered, namely South Africa. The process of deriving the best estimate assumptions plus prescribed margins includes assumptions related to claim reporting delays (based on average industry experience).

Assets and policyholder liabilities under investment contracts

Summarized below is the movement in assets and policyholder liabilities under investment contracts during the six months ended December 31, 2023:

	Assets⁽¹⁾	Investment contracts⁽²⁾
Balance as of June 30, 2023	\$ 257	\$ (241)
Increase in policy holder benefits under investment contracts	5	(5)
Claims and decrease in policyholders' benefits under investment contracts	(44)	44
Foreign currency adjustment ⁽³⁾	(2)	(14)
Balance as of December 31, 2023	<u>\$ 216</u>	<u>\$ (216)</u>

(1) Included in other long-term assets (refer to Note 5);

(2) Included in other long-term liabilities;

(3) Represents the effects of the fluctuations of the ZAR against the U.S. dollar.

The Company does not offer any investment products with guarantees related to capital or returns.

8. Borrowings

Refer to Note 12 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2023, for additional information regarding its borrowings.

South Africa

The amounts below have been translated at exchange rates applicable as of the dates specified. The 3-month Johannesburg Interbank Agreed Rate ("JIBAR"), the rate at which private sector banks borrow funds from the South African Reserve Bank, on December 31, 2023, was 8.40%. The prime rate, the benchmark rate at which private sector banks lend to the public in South Africa, on December 31, 2023, was 11.75%.

8. Borrowings (borrowings)

South Africa (continued)

RMB Facilities, as amended, comprising a short-term facility (Facility E) and long-term borrowings

Long-term borrowings - Facility G and Facility H

As of December 31, 2023, the Company's had utilized ZAR 115.0 million (\$6.3 million) of its ZAR 200 million Facility G revolving credit facility. The interest rate on this facility as of December 31, 2023, was JIBAR plus 5.50%.

On November 24, 2023, the Company, through its wholly owned subsidiary, Lesaka Technologies Proprietary Limited ("Lesaka SA"), entered into an Amendment and Restatement Agreement (the "Amendment"), which includes an Amended and Restated Senior Facility G Agreement ("Facility G Agreement") and an Amended and Restated Senior Facility H Agreement ("Facility H Agreement") (collectively, the "Loan Documents") with FirstRand Bank Limited (acting through its Rand Merchant Bank division) ("RMB" or the "Lenders").

The Loan Documents were amended to include a Look Through Leverage ("LTL") ratio, as defined in the Loan Documents, and expressed as times ("x"), to calculate the margin used in the determination of the interest rate. The LTL ratio is calculated as the Total Attributable Net Debt, as defined in the Loan Documents, to the Total Attributable EBITDA, as defined in the Loan Documents, for the measurement period ending on a specified date.

Interest on Facility G and Facility H is based on the 3-month Johannesburg Interbank Agreed Rate ("JIBAR") in effect from time to time plus a margin, which as a result of the Amendment, from October 1, 2023, will be calculated as: (i) 5.50% if the LTL ratio is greater than 3.50x; (ii) 4.75% if the LTL ratio is less than 3.50x but greater than 2.75x; (iii) 3.75% if the LTL ratio is less than 2.75x but greater than 1.75x; or (iv) 2.50% if the LTL ratio is less than 1.75x.

The Company used cash proceeds of ZAR 64.2 million (\$3.5 million) received from the sale of Finbond shares (refer to Note 5) to repay capitalized interest under Facility G and Facility H.

Available short-term facility - Facility E

As of December 31, 2023, the aggregate amount of the Company's short-term South African overdraft facility with RMB was ZAR 1.4 billion (\$76.5 million). As of December 31, 2023, the Company had utilized ZAR 0.4 billion (\$23.4 million) of this overdraft facility. This overdraft facility may only be used to fund ATMs and therefore the overdraft utilized and converted to cash to fund the Company's ATMs is considered restricted cash. The interest rate on this facility is equal to the prime rate.

On January 22, 2024, the Company, through Lesaka SA, and RMB, entered into a Letter of Amendment to decrease the Senior Facility E from ZAR 1.4 billion to ZAR 0.9 billion (\$49.2 million translated at exchange rates applicable as of December 31, 2023).

Connect Facilities, comprising long-term borrowings and a short-term facility

As of December 31, 2023, the Connect Facilities include (i) an overdraft facility (general banking facility) of ZAR 205.0 million (of which ZAR 170.0 million has been utilized); (ii) Facility A of ZAR 700.0 million; (iii) Facility B of ZAR 550.0 million (both fully utilized); and (iv) an asset-backed facility of ZAR 200.0 million (of which ZAR 157.1 million has been utilized).

CCC Revolving Credit Facility, comprising long-term borrowings

As of December 31, 2023, the amount of the CCC Revolving Credit Facility was ZAR 300.0 million (of which ZAR 196.5 million has been utilized). Interest on the Revolving Credit Facility is payable on the last business day of each calendar month and is based on the South African prime rate in effect from time to time plus a margin of 0.95% per annum.

RMB facility, comprising indirect facilities

As of December 31, 2023, the aggregate amount of the Company's short-term South African indirect credit facility with RMB was ZAR 135.0 million (\$7.4 million), which includes facilities for guarantees, letters of credit and forward exchange contracts. As of December 31, 2023 and June 30, 2023, the Company had utilized ZAR 33.1 million (\$1.7 million) and ZAR 33.1 million (\$1.8 million), respectively, of its indirect and derivative facilities of ZAR 135.0 million (June 30, 2023: ZAR 135.0 million) to enable the bank to issue guarantees, letters of credit and forward exchange contracts (refer to Note 19).

8. Borrowings (borrowings)

South Africa (continued)

Nedbank facility, comprising short-term facilities

As of December 31, 2023, the aggregate amount of the Company's short-term South African credit facility with Nedbank Limited was ZAR 156.6 million (\$8.6 million). The credit facility represents indirect and derivative facilities of up to ZAR 156.6 million (\$8.6 million), which include guarantees, letters of credit and forward exchange contracts.

As of December 31, 2023 and June 30, 2023, the Company had utilized ZAR 2.1 million (\$0.1 million) and ZAR 2.1 million (\$0.1 million), respectively, of its indirect and derivative facilities of ZAR 156.6 million (June 30, 2023: ZAR 156.6 million) to enable the bank to issue guarantees, letters of credit and forward exchange contracts (refer to Note 19).

Movement in short-term credit facilities

Summarized below are the Company's short-term facilities as of December 31, 2023, and the movement in the Company's short-term facilities from as of June 30, 2023 to as of December 31, 2023:

	RMB Facility E	RMB Indirect	RMB Connect	Nedbank Facilities	Total
Short-term facilities available as of December 31, 2023	\$ 76,510	\$ 7,378	\$ 11,203	\$ 8,556	\$ 103,647
Overdraft	-	-	11,203	-	11,203
Overdraft restricted as to use for ATM funding only	76,510	-	-	-	76,510
Indirect and derivative facilities	-	7,378	-	8,556	15,934
Movement in utilized overdraft facilities:					
Restricted as to use for ATM funding only	23,021	-	-	-	23,021
No restrictions as to use	-	-	9,025	-	9,025
Balance as of June 30, 2023	23,021	-	9,025	-	32,046
Utilized	128,584	-	2	-	128,586
Repaid	(128,839)	-	(2)	-	(128,841)
Foreign currency adjustment ⁽¹⁾	641	-	266	-	907
Balance as of December 31, 2023	23,407	-	9,291	-	32,698
Restricted as to use for ATM funding only	23,407	-	-	-	23,407
No restrictions as to use	\$ -	\$ -	\$ 9,291	\$ -	\$ 9,291
Interest rate as of December 31, 2023 (%) ⁽²⁾	11.75	-	11.65	-	
Movement in utilized indirect and derivative facilities:					
Balance as of June 30, 2023	\$ -	\$ 1,757	\$ -	\$ 112	\$ 1,869
Foreign currency adjustment ⁽¹⁾	-	52	-	3	55
Balance as of December 31, 2023	\$ -	\$ 1,809	\$ -	\$ 115	\$ 1,924

(1) Represents the effects of the fluctuations between the ZAR and the U.S. dollar.

(2) Facility E interest set at prime and the Connect facility at prime less 0.10%.

8. Borrowings (continued)

Movement in long-term borrowings

Summarized below is the movement in the Company's long-term borrowing from as of as of June 30, 2023 to as of December 31, 2023:

	Facilities				Total
	G & H	A&B	CCC	Asset backed	
Included in current	\$ -	\$ -	\$ -	\$ 3,663	\$ 3,663
Included in long-term	48,965	64,436	11,802	4,252	129,455
Opening balance as of June 30, 2023	48,965	64,436	11,802	7,915	133,118
Facilities utilized	8,072	-	537	2,419	11,028
Facilities repaid	(1,847)	-	(1,968)	(1,998)	(5,813)
Non-refundable fees paid	-	-	-	-	-
Non-refundable fees amortized	267	24	25	-	316
Capitalized interest	3,643	-	-	-	3,643
Capitalized interest repaid	(3,508)	-	-	-	(3,508)
Foreign currency adjustment ⁽¹⁾	1,527	1,901	302	252	3,982
Closing balance as of December 31, 2023	57,119	66,361	10,698	8,588	142,766
Included in current	-	-	-	3,429	3,429
Included in long-term	57,119	66,361	10,698	5,159	139,337
Unamortized fees	(344)	(204)	(43)	-	(591)
Due within 2 years	-	-	-	3,797	3,797
Due within 3 years	57,463	6,832	10,741	1,266	76,302
Due within 4 years	-	59,733	-	96	59,829
Due within 5 years	\$ -	\$ -	\$ -	\$ -	\$ -
Interest rates as of December 31, 2023 (%)	13.90	12.15	12.70	12.50	
Base rate (%)	8.40	8.40	11.75	11.75	
Margin (%)	5.50	3.75	0.95	0.75	
Footnote number	(2)	(3)	(4)	(5)	

(1) Represents the effects of the fluctuations between the ZAR and the U.S. dollar.

(2) Interest on Facility G and Facility H was calculated based on the 3-month JIBAR in effect from time to time plus a margin of, from January 1, 2023 to September 30, 2023: (i) 5.50% for as long as the aggregate balance under the Facilities is greater than ZAR 800 million; (ii) 4.25% if the aggregate balance under the Facilities is equal to or less than ZAR 800 million, but greater than ZAR 350 million; or (iii) 2.50% if the aggregate balance under the Facilities is less than ZAR 350 million. From October 1, 2023, interest is calculated as described above.

(3) Interest on Facility A and Facility B is calculated based on JIBAR plus a margin, of 3.75%, in effect from time to time.

(4) Interest is charged at prime plus 0.95% per annum on the utilized balance.

(5) Interest is charged at prime plus 0.75% per annum on the utilized balance.

Interest expense incurred under the Company's South African long-term borrowings and included in the caption interest expense on the condensed consolidated statement of operations during the three months ended December 31, 2023 and 2022, was \$4.1 million and \$3.0 million, respectively. Prepaid facility fees amortized included in interest expense during the three months ended December 31, 2023 and 2022, respectively, were \$0.1 million and \$0.2 million, respectively. Interest expense incurred under the Company's K2020 and CCC facilities relates to borrowings utilized to fund a portion of the Company's merchant finance loans receivable and this interest expense of \$0.4 million and \$0.3 million, respectively, is included in the caption cost of goods sold, IT processing, servicing and support on the condensed consolidated statement of operations for the three months ended December 31, 2023 and 2022.

9. Other payables

Summarized below is the breakdown of other payables as of December 31, 2023, and June 30, 2023:

	December 31, 2023	June 30, 2023
Clearing accounts ⁽¹⁾	\$ 12,644	\$ 4,016
Vendor wallet balances ⁽¹⁾	10,849	9,492
Accruals	7,915	7,078
Provisions	4,456	7,429
Value-added tax payable	1,402	1,247
Payroll-related payables	993	1,038
Participating merchants' settlement obligation	40	39
Other	6,816	5,958
	<u>\$ 45,115</u>	<u>\$ 36,297</u>

(1) Clearing accounts and vendor wallet balances (previously defined as transactions-switching funds payables) as of June 30, 2023, were previously included in Other and have been reclassified to separate captions to conform with presentation as of December 31, 2023.

Other includes deferred income, client deposits and other payables.

10. Capital structure

Impact of non-vested equity shares on number of shares, net of treasury

The following table presents a reconciliation between the number of shares, net of treasury, presented in the unaudited condensed consolidated statement of changes in equity during the six months ended December 31, 2023 and 2022, respectively, and the number of shares, net of treasury, excluding non-vested equity shares that have not vested as of December 31, 2023 and 2022, respectively:

	December 31, 2023	December 31, 2022
Number of shares, net of treasury:		
Statement of changes in equity	64,443,523	63,751,337
Non-vested equity shares that have not vested as of end of period	<u>3,205,580</u>	<u>3,289,920</u>
Number of shares, net of treasury, excluding non-vested equity shares that have not vested	<u>61,237,943</u>	<u>60,461,417</u>

11. Accumulated other comprehensive loss

The table below presents the change in accumulated other comprehensive loss per component during the three months ended December 31, 2023:

	Three months ended December 31, 2023	
	Accumulated foreign currency translation reserve	Total
Balance as of October 1, 2023	\$ (196,081)	\$ (196,081)
Release of foreign currency translation reserve related to the disposal of Finbond equity securities (Note 5)	1,543	1,543
Release of foreign currency translation reserve related to liquidation of subsidiaries	(952)	(952)
Movement in foreign currency translation reserve	6,112	6,112
Balance as of December 31, 2023	<u>\$ (189,378)</u>	<u>\$ (189,378)</u>

11. Accumulated other comprehensive loss (continued)

The table below presents the change in accumulated other comprehensive loss per component during the three months ended December 31, 2022:

	Three months ended December 31, 2022	
	Accumulated foreign currency translation reserve	Total
Balance as of October 1, 2022	\$ (188,490)	\$ (188,490)
Release of foreign currency translation reserve related to disposal of Finbond equity securities	97	97
Movement in foreign currency translation reserve	12,155	12,155
Balance as of December 31, 2022	<u>\$ (176,238)</u>	<u>\$ (176,238)</u>

The table below presents the change in accumulated other comprehensive loss per component during the six months ended December 31, 2023:

	Six months ended December 31, 2023	
	Accumulated foreign currency translation reserve	Total
Balance as of July 1, 2023	\$ (195,726)	\$ (195,726)
Release of foreign currency translation reserve related to disposal of Finbond equity securities (Note 5)	1,543	1,543
Release of foreign currency translation reserve related to liquidation of subsidiaries	(952)	(952)
Movement in foreign currency translation reserve related to equity-accounted investment	489	489
Movement in foreign currency translation reserve	5,268	5,268
Balance as of December 31, 2023	<u>\$ (189,378)</u>	<u>\$ (189,378)</u>

The table below presents the change in accumulated other comprehensive loss per component during the six months ended December 31, 2022:

	Six months ended December 31, 2022	
	Accumulated foreign currency translation reserve	Total
Balance as of July 1, 2022	\$ (168,840)	\$ (168,840)
Release of foreign currency translation reserve related to disposal of Finbond equity securities	99	99
Movement in foreign currency translation reserve related to equity-accounted investment	2,441	2,441
Movement in foreign currency translation reserve	(9,938)	(9,938)
Balance as of December 31, 2022	<u>\$ (176,238)</u>	<u>\$ (176,238)</u>

During the three and six months ended December 31, 2023, and the three and six months ended December 31, 2022, the Company reclassified losses of \$1.5 million and \$1.5 million, and \$0.1 million and \$0.1 million, respectively, from accumulated other comprehensive loss (accumulated foreign currency translation reserve) to net loss related to the disposal of shares in Finbond (refer to Note 5). The Company also reclassified a gain of \$1.0 million from accumulated other comprehensive loss (accumulated foreign currency translation reserve) to net loss related to the liquidation of subsidiaries.

12. Stock-based compensation

The Company's Amended and Restated 2022 Stock Incentive Plan ("2022 Plan") and the vesting terms of certain stock-based awards granted are described in Note 17 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2023.

Stock option and restricted stock activity

Options

The following table summarizes stock option activity for the six months ended December 31, 2023 and 2022:

	Number of shares	Weighted average exercise price (\$)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (\$'000)	Weighted average grant date fair value (\$)
Outstanding - June 30, 2023	673,274	4.37	5.14	239	1.67
Granted - December 2023	500,000	3.50	5.17	880	1.76
Exercised	(7,385)	3.07	-	5	-
Forfeited	(186,846)	3.71	-	-	1.28
Outstanding - December 31, 2023	<u>979,043</u>	4.07	5.50	48	1.80
Outstanding - June 30, 2022	926,225	4.14	6.60	1,249	1.60
Exercised	(109,826)	3.04	-	126	-
Forfeited	-	-	-	-	-
Outstanding - December 31, 2022	<u>816,399</u>	4.29	5.94	689	1.64

The Company awarded 500,000 stock options to Ali Mazanderani, the Company's Executive Chair, during the three and six months ended December 31, 2023. These options will vest on the first anniversary of the grant date, provided that Mr. Mazandarani continues to provide services as Executive Chair through the vesting date. These options will vest immediately if Mr. Mazanderani's employment is terminated by the Company without cause on or before the first anniversary of the grant date. These 500,000 stock options may only be exercised during a period commencing from January 31, 2028 to January 31, 2029. No stock options were awarded during the three and six months ended December 31, 2022.

During the three and six months ended December 31, 2023, the Company received \$0.002 million and \$0.02 million from the exercise of 592 and 7,385 stock options, respectively. During the three and six months ended December 31, 2022, the Company received \$0.3 million and \$0.3 million from the exercise of 107,826 and 109,826 stock options, respectively. Employees and a non-employee director forfeited an aggregate of 11,070 and 186,846 stock options during the three and six months ended December 31, 2023. No stock options were forfeited during the three and six months ended December 31, 2022.

The fair value of each option is estimated on the date of grant using the Cox Ross Rubinstein binomial model that uses the assumptions noted in the following table. The estimated expected volatility is calculated based on the Company's 750-day volatility. The estimated expected life of the option was determined based on the historical behavior of employees who were granted options with similar terms.

The table below presents the range of assumptions used to value stock options granted during the six months ended December 31, 2023 and 2022:

	Six months ended December 31,	
	2023	2022
Expected volatility	56 %	0 %
Expected dividends	0 %	0 %
Expected life (in years)	5	0
Risk-free rate	2.1 %	0.0 %

12. Stock-based compensation (continued)

Stock option and restricted stock activity

Options

The following table presents stock options vested and expected to vest as of December 31, 2023:

	<u>Number of shares</u>	<u>Weighted average exercise price (\$)</u>	<u>Weighted average remaining contractual term (in years)</u>	<u>Aggregate intrinsic value (\$'000)</u>
Vested and expecting to vest - December 31, 2023	979,043	4.07	5.50	48

These options have an exercise price range of \$3.01 to \$11.23.

The following table presents stock options that are exercisable as of December 31, 2023:

	<u>Number of shares</u>	<u>Weighted average exercise price (\$)</u>	<u>Weighted average remaining contractual term (in years)</u>	<u>Aggregate intrinsic value (\$'000)</u>
Exercisable - December 31, 2023	420,719	4.61	5.77	48

During the three months ended December 31, 2023 and 2022, respectively, 87,494 and 217,316 stock options became exercisable. During the six months ended December 31, 2023 and 2022, respectively, 87,494 and 292,316 stock options became exercisable. The Company issues new shares to satisfy stock option exercises.

12. Stock-based compensation (continued)

The Company's Amended and Restated 2022 Stock Incentive Plan ("2022 Plan") and the vesting terms of certain stock-based awards granted are described in Note 17 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2023.

Stock option and restricted stock activity (continued)

Restricted stock

The following table summarizes restricted stock activity for the six months ended December 31, 2023 and 2022:

	Number of shares of restricted stock	Weighted average grant date fair value (\$'000)
Non-vested – June 30, 2023	2,614,419	11,869
Total granted	868,996	3,394
Granted – October 2023	333,080	1,456
Granted – October 2023	310,916	955
Granted – October 2023	225,000	983
Total vested	(255,706)	965
Vested – July 2023	(78,800)	302
Vested – November 2023	(109,833)	429
Vested – December 2023	(67,073)	234
Forfeitures	(22,129)	91
Non-vested – December 31, 2023	<u>3,205,580</u>	13,880
Non-vested – June 30, 2022	2,385,267	11,879
Total Granted	1,050,347	4,230
Granted – July 2022	32,582	172
Granted – August 2022	179,498	995
Granted – November 2022	150,000	605
Granted – December 2022	430,399	1,862
Granted – December 2022 - performance awards	257,868	596
Total vested	(145,694)	689
Vested – July 2022	(78,801)	410
Vested – November 2022	(59,833)	250
Vested – December 2022	(7,060)	29
Total granted and vested - December 2022	-	-
Granted - December 2022	300,000	1,365
Vested - December 2022	(300,000)	1,365
Non-vested – December 31, 2022	<u>3,289,920</u>	15,232

12. Stock-based compensation (continued)

Stock option and restricted stock activity (continued)

Restricted stock (continued)

Grants

In October 2023, the Company awarded 333,080 shares of restricted stock with time-based vesting conditions to approximately 150 employees, which are subject to the employees continued employment with the Company through the applicable vesting dates. The Company also awarded 225,000 shares of restricted stock to an executive officer in October 2023, which vest on June 30, 2025, except if the executive officer is terminated for cause, in which case the award will be forfeited.

In October 2023, the Company awarded 310,916 shares of restricted stock to three of its executive officers which are subject to a time-based vesting condition and a market condition and vest in full only on the date, if any, that the following conditions are satisfied: (1) a compounded annual 10% appreciation in the Company's stock price off a base price of \$4.00 over the measurement period commencing on September 30, 2023 through November 17, 2026, and (2) the recipient is employed by the Company on a full-time basis when the condition in (1) is met. If either of these conditions is not satisfied, then none of the shares of restricted stock will vest and they will be forfeited. The Company's closing price on September 30, 2023, was \$3.90.

The appreciation levels (times and price) and vesting percentages as of each period ended are as follows:

- Prior to the first anniversary of the grant date: 0%;
- Fiscal 2025, the Company's 30-day volume weighted-average stock price ("VWAP") before November 17, 2024 is approximately 1.10 times higher (i.e. \$4.40 or higher) than \$4.00: 33%;
- Fiscal 2026, the Company's VWAP before November 17, 2025 is 1.21 times higher (i.e. \$4.84 or higher) than \$4.00: 67%;
- Fiscal 2027, the Company's VWAP before November 1, 2026 is 1.33 times higher (i.e. \$5.32) than \$4.00: 100%.

The fair value of these shares of restricted stock was calculated using a Monte Carlo simulation. In scenarios where the shares do not vest, the final vested value at maturity is zero. In scenarios where vesting occurs, the final vested value on maturity is the share price on vesting date. In its calculation of the fair value of the restricted stock, the Company used an equally weighted volatility of 48.3% for the closing price (of \$4.37), a discounting based on U.S. dollar overnight indexed swap rates for the grant date, and no future dividends. The equally weighted volatility was extracted from the time series for closing prices as the standard deviation of log prices for the three years preceding the grant date.

In July 2022 and December 2022, the Company awarded 32,582 and 430,399 shares of restricted stock, respectively, to employees and an executive officer which have time-based vesting conditions. In December 2022, the Company awarded 257,868 shares of restricted stock to executive officers which contained time and performance-based (market conditions related to share price performance) vesting conditions. The Company also agreed to match, on a one-for-one basis, (1) an employee's purchase of up to \$1.0 million worth of the Company's shares of common stock in open market purchases, and in August 2022, the Company granted 179,498 shares of restricted stock to the employee, and (2) another employee's purchase of up to 150,000 shares of the Company's common stock, and in November 2022, the Company granted 150,000 shares of restricted stock to the employee. These shares of restricted stock contain time-based vesting conditions. The Company awarded 300,000 shares to an executive officer on December 31, 2022, which vested on the date of the award.

The 257,868 shares of restricted stock awarded to executive officers are subject to a time-based vesting condition and a market condition and vest in full only on the date, if any, that the following conditions are satisfied: (1) a compounded annual 10% appreciation in the Company's stock price off a base price of \$4.94 over the measurement period commencing on December 1, 2022 through December 1, 2025, and (2) the recipient is employed by the Company on a full-time basis when the condition in (1) is met. If either of these conditions is not satisfied, then none of the shares of restricted stock will vest and they will be forfeited. The Company's closing price on December 1, 2022, was \$4.08.

The appreciation levels (times and price) and vesting percentages as of each period ended are as follows:

- Prior to the first anniversary of the grant date: 0%;
- Fiscal 2024, stock price as of December 1, 2023 is 1.1 times higher (i.e. \$5.43 or higher) than \$4.94: 33%;
- Fiscal 2025, stock price as of December 1, 2024 is 1.21 times higher (i.e. \$5.97 or higher) than \$4.94: 67%;
- Fiscal 2026, stock price as of December 1, 2025 is 1.331 times higher (i.e. \$6.57) than \$4.94: 100%.

The fair value of these shares of restricted stock was calculated using a Monte Carlo simulation. In scenarios where the shares do not vest, the final vested value at maturity is zero. In scenarios where vesting occurs, the final vested value on maturity is the share price on vesting date. In its calculation of the fair value of the restricted stock, the Company used an equally weighted volatility of 50.1% for the closing price (of \$4.08), a discounting based on U.S. dollar overnight indexed swap rates for the grant date, and no future dividends. The equally weighted volatility was extracted from the time series for closing prices as the standard deviation of log prices for the three years preceding the grant date.

12. Stock-based compensation (continued)

Stock option and restricted stock activity (continued)

Restricted stock (continued)

As fully described in Note 17 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2023, the Company granted a further 12,962 and 32,405 shares to an advisor during the three and six months ended December 31, 2022, respectively, which were ineligible for transfer until the earlier of December 31, 2022, or the occurrence of the agreed event.

Vesting

In July 2023, 78,800 shares of restricted stock granted to Mr. Meyer vested. In November and December 2023, an aggregate of 176,906 shares of restricted stock granted to employees vested. Certain employees elected for 50,975 shares to be withheld to satisfy the withholding tax liability on the vesting of their shares. These 50,975 shares have been included in the Company's treasury shares.

In July 2022, 78,801 shares of restricted stock granted to Mr. Meyer vested and he elected for 35,460 shares to be withheld to satisfy the withholding tax liability on the vesting of these shares. In November and December 2022, an aggregate of 66,893 shares of restricted stock granted to employees vested and they elected for 30,102 shares to be withheld to satisfy the withholding tax liability on the vesting of these shares. These 65,562 (35,460 plus 30,102) shares have been included in our treasury shares.

Forfeitures

During the three and six months ended December 31, 2023, respectively, employees forfeited 14,002 and 22,129 shares of restricted stock following their termination of employment with the Company. No shares of restricted stock were forfeited during the three and six months ended December 31, 2022.

Stock-based compensation charge and unrecognized compensation cost

The Company recorded a stock-based compensation charge, net during the three months ended December 31, 2023 and 2022, of \$1.8 million and \$2.8 million, respectively, which comprised:

	<u>Total charge</u>	<u>Allocated to cost of goods sold, IT processing, servicing and support</u>	<u>Allocated to selling, general and administration</u>
Three months ended December 31, 2023			
Stock-based compensation charge	\$ 1,812	\$ -	\$ 1,812
Reversal of stock compensation charge related to stock options and restricted stock forfeited	(8)	-	(8)
Total - three months ended December 31, 2023	<u>\$ 1,804</u>	<u>\$ -</u>	<u>\$ 1,804</u>
Three months ended December 31, 2022			
Stock-based compensation charge	\$ 2,849	\$ -	\$ 2,849
Total - three months ended December 31, 2022	<u>\$ 2,849</u>	<u>\$ -</u>	<u>\$ 2,849</u>

12. Stock-based compensation (continued)

Stock-based compensation charge and unrecognized compensation cost (continued)

The Company recorded a stock-based compensation charge, net during the six months ended December 31, 2023 and 2022, of \$3.6 million and \$4.3 million respectively, which comprised:

	<u>Total charge</u>	<u>Allocated to cost of goods sold, IT processing, servicing and support</u>	<u>Allocated to selling, general and administration</u>
Six months ended December 31, 2023			
Stock-based compensation charge	\$ 3,580	\$ -	\$ 3,580
Reversal of stock compensation charge related to stock options forfeited	(17)	-	(17)
Total - six months ended December 31, 2023	<u>\$ 3,563</u>	<u>\$ -</u>	<u>\$ 3,563</u>
Six months ended December 31, 2022			
Stock-based compensation charge	\$ 4,311	\$ -	\$ 4,311
Total - six months ended December 31, 2022	<u>\$ 4,311</u>	<u>\$ -</u>	<u>\$ 4,311</u>

The stock-based compensation charges have been allocated to selling, general and administration based on the allocation of the cash compensation paid to the relevant employees.

As of December 31, 2023, the total unrecognized compensation cost related to stock options was \$0.9 million, which the Company expects to recognize over two years. As of December 31, 2023, the total unrecognized compensation cost related to restricted stock awards was \$7.4 million, which the Company expects to recognize over two years.

As of December 31, 2023, and June 30, 2023, respectively, the Company recorded a deferred tax asset of \$0.9 million and \$0.6 million, related to the stock-based compensation charge recognized related to employees of Lesaka. As of December 31, 2023, and June 30, 2023, respectively, the Company recorded a valuation allowance of \$0.9 million and \$0.6 million, related to the deferred tax asset because it does not believe that the stock-based compensation deduction would be utilized as it does not anticipate generating sufficient taxable income in the United States. The Company deducts the difference between the market value on the date of exercise by the option recipient and the exercise price from income subject to taxation in the United States.

13. (Loss) Earnings per share

The Company has issued redeemable common stock which is redeemable at an amount other than fair value. Redemption of a class of common stock at other than fair value increases or decreases the carrying amount of the redeemable common stock and is reflected in basic earnings per share using the two-class method. There were no redemptions of common stock, or adjustments to the carrying value of the redeemable common stock during the three and six months ended December 31, 2023 and 2022. Accordingly, the two-class method presented below does not include the impact of any redemption. The Company's redeemable common stock is described in Note 14 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2023.

Basic (loss) earnings per share includes shares of restricted stock that meet the definition of a participating security because these shares are eligible to receive non-forfeitable dividend equivalents at the same rate as common stock. Basic (loss) earnings per share has been calculated using the two-class method and basic (loss) earnings per share for the three and six months ended December 31, 2023 and 2022, reflects only undistributed earnings. The computation below of basic (loss) earnings per share excludes the net loss attributable to shares of unvested restricted stock (participating non-vested restricted stock) from the numerator and excludes the dilutive impact of these unvested shares of restricted stock from the denominator.

Diluted (loss) earnings per share has been calculated to give effect to the number of shares of additional common stock that would have been outstanding if the potential dilutive instruments had been issued in each period. Stock options are included in the calculation of diluted (loss) earnings per share utilizing the treasury stock method and are not considered to be participating securities, as the stock options do not contain non-forfeitable dividend rights. The Company has excluded employee stock options to purchase 51,704 and 76,572 shares of common stock from the calculation of diluted loss per share during the six months ended December 31, 2023 and 2022, because the effect would be antidilutive.

The calculation of diluted (loss) earnings per share includes the dilutive effect of a portion of the restricted stock granted to employees as these shares of restricted stock are considered contingently returnable shares for the purposes of the diluted (loss) earnings per share calculation and the vesting conditions in respect of a portion of the restricted stock had been satisfied. The vesting conditions for all awards made are discussed in Note 17 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2023.

13. (Loss) Earnings per share (continued)

The following table presents net loss attributable to Lesaka and the share data used in the basic and diluted loss per share computations using the two-class method:

	Three months ended December 31,		Six months ended December 31,	
	2023	2022	2023	2022
	(in thousands except percent and per share data)		(in thousands except percent and per share data)	
Numerator:				
Net loss attributable to Lesaka	\$ (2,707)	\$ (6,649)	\$ (8,358)	\$ (17,345)
Undistributed loss	(2,707)	(6,649)	(8,358)	(17,345)
Percent allocated to common shareholders (Calculation 1)	96%	96%	95%	96%
Numerator for loss per share: basic and diluted	\$ (2,588)	\$ (6,377)	\$ (7,961)	\$ (16,668)
Denominator				
Denominator for basic (loss) earnings per share: weighted-average common shares outstanding	60,990	60,194	60,134	60,058
Effect of dilutive securities:				
Denominator for diluted (loss) earnings per share: adjusted weighted average common shares outstanding and assuming conversion	60,990	60,194	60,134	60,058
Loss per share:				
Basic	\$ (0.04)	\$ (0.11)	\$ (0.13)	\$ (0.28)
Diluted	\$ (0.04)	\$ (0.11)	\$ (0.13)	\$ (0.28)
(Calculation 1)				
Basic weighted-average common shares outstanding (A)	60,990	60,194	60,134	60,058
Basic weighted-average common shares outstanding and unvested restricted shares expected to vest (B)	63,805	62,763	63,134	62,498
Percent allocated to common shareholders (A) / (B)	96%	96%	95%	96%

Options to purchase 755,006 shares of the Company's common stock at prices ranging from \$3.50 to \$11.23 per share were outstanding during the three months ended December 31, 2023, but were not included in the computation of diluted (loss) earnings per share because the options' exercise price was greater than the average market price of the Company's common stock. Options to purchase 324,619 shares of the Company's common stock at prices ranging from \$4.87 to \$11.23 per share were outstanding during the three months ended December 31, 2022, respectively, but were not included in the computation of diluted (loss) earnings per share because the options' exercise price was greater than the average market price of the Company's common stock. The options, which expire at various dates through February 3, 2032, were still outstanding as of December 31, 2023.

14. Supplemental cash flow information

The following table presents supplemental cash flow disclosures for the three and six months ended December 31, 2023 and 2022:

	Three months ended December 31,		Six months ended December 31,	
	2023	2022	2023	2022
Cash received from interest	\$ 482	\$ 386	\$ 927	\$ 795
Cash paid for interest	\$ 6,308	\$ 2,952	\$ 9,233	\$ 6,963
Cash paid for income taxes	\$ 2,806	\$ 2,382	\$ 3,410	\$ 3,059

14. Supplemental cash flow information (continued)

Disaggregation of cash, cash equivalents and restricted cash

Cash, cash equivalents and restricted cash included on the Company's unaudited condensed consolidated statement of cash flows includes restricted cash related to cash withdrawn from the Company's debt facilities to fund ATMs. This cash may only be used to fund ATMs and is considered restricted as to use and therefore is classified as restricted cash. Cash, cash equivalents and restricted cash also includes cash in certain bank accounts that has been ceded to Nedbank. As this cash has been pledged and ceded it may not be drawn and is considered restricted as to use and therefore is classified as restricted cash as well. Refer to Note 8 for additional information regarding the Company's facilities. The following table presents the disaggregation of cash, cash equivalents and restricted cash as of December 31, 2023 and 2022, and June 30, 2023:

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>June 30, 2023</u>
Cash and cash equivalents	\$ 44,316	\$ 42,402	\$ 35,499
Restricted cash	23,522	54,374	23,133
Cash, cash equivalents and restricted cash	<u>\$ 67,838</u>	<u>\$ 96,776</u>	<u>\$ 58,632</u>

Leases

The following table presents supplemental cash flow disclosure related to leases for the three and six months ended December 31, 2023 and 2022:

	<u>Three months ended</u> <u>December 31,</u>		<u>Six months ended</u> <u>December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	\$ 679	\$ 756	\$ 1,372	\$ 1,561
Right-of-use assets obtained in exchange for lease obligations				
Operating leases	\$ 340	\$ 61	\$ 1,883	\$ 61

15. Revenue recognition

Disaggregation of revenue

The following table presents the Company's revenue disaggregated by major revenue streams, including a reconciliation to reportable segments for the three months ended December 31, 2023:

	<u>Merchant</u>	<u>Consumer</u>	<u>Total</u>
Processing fees	\$ 29,804	\$ 6,175	\$ 35,979
South Africa	28,348	6,175	34,523
Rest of world	1,456	-	1,456
Technology products	3,203	12	3,215
South Africa	3,164	12	3,176
Rest of world	39	-	39
Telecom products and services	91,959	52	92,011
South Africa	86,957	52	87,009
Rest of world	5,002	-	5,002
Lending revenue	-	5,586	5,586
Interest from customers	1,453	-	1,453
Insurance revenue	-	2,897	2,897
Account holder fees	-	1,502	1,502
Other	767	483	1,250
South Africa	717	483	1,200
Rest of world	50	-	50
Total revenue, derived from the following geographic locations	127,186	16,707	143,893
South Africa	120,639	16,707	137,346
Rest of world	<u>\$ 6,547</u>	<u>\$ -</u>	<u>\$ 6,547</u>

15. Revenue recognition (continued)

Disaggregation of revenue (continued)

The following table presents the Company's revenue disaggregated by major revenue streams, including a reconciliation to reportable segments for the three months ended December 31, 2022:

	Merchant	Consumer	Total
Processing fees	\$ 28,283	\$ 6,723	\$ 35,006
South Africa	26,907	6,723	33,630
Rest of world	1,376	-	1,376
Technology products	7,838	249	8,087
South Africa	7,787	249	8,036
Rest of world	51	-	51
Telecom products and services	81,812	6	81,818
South Africa	77,523	6	77,529
Rest of world	4,289	-	4,289
Lending revenue	-	4,569	4,569
Interest from customers	1,476	-	1,476
Insurance revenue	-	2,353	2,353
Account holder fees	-	1,410	1,410
Other	1,225	124	1,349
South Africa	1,177	124	1,301
Rest of world	48	-	48
Total revenue, derived from the following geographic locations	120,634	15,434	136,068
South Africa	114,870	15,434	130,304
Rest of world	\$ 5,764	\$ -	\$ 5,764

The following table presents the Company's revenue disaggregated by major revenue streams, including a reconciliation to reportable segments for the six months ended December 31, 2023:

	Merchant	Consumer	Total
Processing fees	\$ 58,564	\$ 11,908	\$ 70,472
South Africa	55,748	11,908	67,656
Rest of world	2,816	-	2,816
Technology products	5,240	31	5,271
South Africa	5,150	31	5,181
Rest of world	90	-	90
Telecom products and services	179,272	93	179,365
South Africa	169,516	93	169,609
Rest of world	9,756	-	9,756
Lending revenue	-	10,959	10,959
Interest from customers	2,973	-	2,973
Insurance revenue	-	5,508	5,508
Account holder fees	-	2,870	2,870
Other	1,646	918	2,564
South Africa	1,547	918	2,465
Rest of world	99	-	99
Total revenue, derived from the following geographic locations	247,695	32,287	279,982
South Africa	234,934	32,287	267,221
Rest of world	\$ 12,761	\$ -	\$ 12,761

15. Revenue recognition (continued)

Disaggregation of revenue (continued)

The following table presents the Company's revenue disaggregated by major revenue streams, including a reconciliation to reportable segments for the six months ended December 31, 2022:

	Merchant	Consumer	Total
Processing fees	\$ 55,580	\$ 13,258	\$ 68,838
South Africa	52,935	13,258	66,193
Rest of world	2,645	-	2,645
Technology products	11,735	286	12,021
South Africa	11,617	286	11,903
Rest of world	118	-	118
Telecom products and services	157,932	6	157,938
South Africa	149,552	6	149,558
Rest of world	8,380	-	8,380
Lending revenue	-	9,280	9,280
Interest from customers	2,699	-	2,699
Insurance revenue	-	4,534	4,534
Account holder fees	-	2,821	2,821
Other	2,470	253	2,723
South Africa	2,378	253	2,631
Rest of world	92	-	92
Total revenue, derived from the following geographic locations	230,416	30,438	260,854
South Africa	219,181	30,438	249,619
Rest of world	\$ 11,235	\$ -	\$ 11,235

16. Leases

The Company has entered into leasing arrangements classified as operating leases under accounting guidance. These leasing arrangements relate primarily to the lease of its corporate head office, administration offices and branch locations through which the Company operates its consumer business in South Africa. The Company's operating leases have remaining lease terms of between one and five years. The Company also operates parts of its consumer business from locations which it leases for a period of less than one year. The Company's operating lease expense during the three months ended December 31, 2023 and 2022 was \$ 0.7 million and \$ 0.8 million, respectively. The Company's operating lease expense during the six months ended December 31, 2023 and 2022 was \$ 1.4 million and \$ 1.6 million, respectively.

The Company has also entered into short-term leasing arrangements, primarily for the lease of branch locations and other locations, to operate its consumer business in South Africa. The Company's short-term lease expense during the three months ended December 31, 2023 and 2022, was \$1.0 million and \$ 0.9 million, respectively. The Company's short-term lease expense during the six months ended December 31, 2023 and 2022, was \$ 1.9 million and \$ 2.0 million, respectively.

The following table presents supplemental balance sheet disclosure related to the Company's right-of-use assets and its operating lease liabilities as of December 31, 2023 and June 30, 2023:

	December 31, 2023	June 30, 2023
Right of use assets obtained in exchange for lease obligations:		
Weighted average remaining lease term (years)	3.7	1.8
Weighted average discount rate (percent)	10.0	9.7

16. Leases (continued)

The maturities of the Company's operating lease liabilities as of December 31, 2023, are presented below:

Maturities of operating lease liabilities	
Year ended June 30,	
2024 (excluding six months to December 31, 2023)	\$ 1,165
2025	1,863
2026	1,435
2027	1,297
2028	1,210
Thereafter	124
Total undiscounted operating lease liabilities	7,094
Less imputed interest	1,295
Total operating lease liabilities, included in	5,799
Operating lease liability - current	1,691
Operating lease liability - long-term	\$ 4,108

17. Operating segments

Operating segments

The Company discloses segment information as reflected in the management information systems reports that its chief operating decision maker uses in making decisions and to report certain entity-wide disclosures about products and services, and the countries in which the entity holds material assets or reports material revenues. A description of the Company's operating segments is contained in Note 21 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2023.

The Company analyzes its business and operations in terms of two inter-related but independent operating segments: (1) Consumer Division ("Consumer") and (2) Merchant Division ("Merchant").

The reconciliation of the reportable segment's revenue to revenue from external customers for the three months ended December 31, 2023 and 2022, is as follows:

	Revenue		
	Reportable Segment	Inter- segment	From external customers
Merchant	\$ 127,870	\$ 684	\$ 127,186
Consumer	16,707	-	16,707
Total for the three months ended December 31, 2023	<u>\$ 144,577</u>	<u>\$ 684</u>	<u>\$ 143,893</u>
Merchant	\$ 120,634	\$ -	\$ 120,634
Consumer	15,434	-	15,434
Total for the three months ended December 31, 2022	<u>\$ 136,068</u>	<u>\$ -</u>	<u>\$ 136,068</u>

17. Operating segments (continued)

Operating segments (continued)

The reconciliation of the reportable segment's revenue to revenue from external customers for the six months ended December 31, 2023 and 2022, is as follows:

	Revenue		
	Reportable Segment	Inter-segment	From external customers
Merchant	\$ 249,231	\$ 1,536	\$ 247,695
Consumer	32,287	-	32,287
Total for the six months ended December 31, 2023	<u>\$ 281,518</u>	<u>\$ 1,536</u>	<u>\$ 279,982</u>
Merchant	\$ 230,416	\$ -	\$ 230,416
Consumer	30,438	-	30,438
Total for the six months ended December 31, 2022	<u>\$ 260,854</u>	<u>\$ -</u>	<u>\$ 260,854</u>

The Company evaluates segment performance based on segment earnings before interest, tax, depreciation and amortization ("EBITDA"), adjusted for items mentioned in the next sentence ("Segment Adjusted EBITDA"), the Company's reportable segments' measure of profit or loss. The Company does not allocate once-off items, stock-based compensation charges, certain lease charges ("Lease adjustments"), depreciation and amortization, impairment of goodwill or other intangible assets, other items (including gains or losses on disposal of investments, fair value adjustments to equity securities), interest income, interest expense, income tax expense or loss from equity-accounted investments to its reportable segments. Group costs generally include: employee related costs in relation to employees specifically hired for group roles and related directly to managing the US-listed entity; expenditures related to compliance with the Sarbanes-Oxley Act of 2002; non-employee directors' fees; legal fees; group and US-listed related audit fees; and directors and officer's insurance premiums. Once-off items represents non-recurring expense items, including costs related to acquisitions and transactions consummated or ultimately not pursued. Unrealized loss FV for currency adjustments represents foreign currency mark-to-market adjustments on certain intercompany accounts. The Lease adjustments reflect lease charges and the Stock-based compensation adjustments reflect stock-based compensation expense and are both excluded from the calculation of Segment Adjusted EBITDA and are therefore reported as reconciling items to reconcile the reportable segments' Segment Adjusted EBITDA to the Company's loss before income tax expense.

The reconciliation of the reportable segments' measure of profit or loss to loss before income taxes for the three and six months ended December 31, 2023 and 2022, is as follows:

	Three months ended December 31,		Six months ended December 31,	
	2023	2022	2023	2022
Reportable segments' measure of profit or loss	\$ 11,641	\$ 9,698	\$ 22,182	\$ 16,197
Operating loss: Group costs	(2,011)	(2,256)	(3,833)	(4,556)
Once-off costs	816	(119)	738	(717)
Unrealized Loss FV for currency adjustments	122	-	20	-
Lease adjustments	(678)	(747)	(1,374)	(1,559)
Stock-based compensation charge adjustments	(1,804)	(2,849)	(3,563)	(4,311)
Depreciation and amortization	(5,813)	(5,919)	(11,669)	(11,917)
Reversal of allowance of EMI doubtful debt	-	-	250	-
Gain on disposal of equity-accounted investments	-	(112)	-	136
Interest income	485	389	934	800
Interest expense	(4,822)	(4,388)	(9,731)	(8,424)
Loss before income tax expense	<u>\$ (2,064)</u>	<u>\$ (6,303)</u>	<u>\$ (6,046)</u>	<u>\$ (14,351)</u>

17. Operating segments (continued)

Operating segments (continued)

The following tables summarize supplemental segment information for the three and six months ended December 31, 2023 and 2022:

	Three months ended		Six months ended	
	December 31,		December 31,	
	2023	2022	2023	2022
Revenues				
Merchant	\$ 127,870	\$ 120,634	\$ 249,231	\$ 230,416
Consumer	16,707	15,434	32,287	30,438
Total reportable segment revenue	<u>144,577</u>	<u>136,068</u>	<u>281,518</u>	<u>260,854</u>
Segment Adjusted EBITDA				
Merchant	(1) 8,693	9,120	16,754	17,013
Consumer	(1) 2,948	578	5,428	(816)
Total Segment Adjusted EBITDA	<u>11,641</u>	<u>9,698</u>	<u>22,182</u>	<u>16,197</u>
Depreciation and amortization				
Merchant	2,041	1,799	4,119	3,624
Consumer	179	278	348	523
Subtotal: Operating segments	<u>2,220</u>	<u>2,077</u>	<u>4,467</u>	<u>4,147</u>
Group costs	3,593	3,842	7,202	7,770
Total	<u>5,813</u>	<u>5,919</u>	<u>11,669</u>	<u>11,917</u>
Expenditures for long-lived assets				
Merchant	2,078	3,652	4,841	7,525
Consumer	120	340	166	968
Subtotal: Operating segments	<u>2,198</u>	<u>3,992</u>	<u>5,007</u>	<u>8,493</u>
Group costs	-	-	-	-
Total	<u>\$ 2,198</u>	<u>\$ 3,992</u>	<u>\$ 5,007</u>	<u>\$ 8,493</u>

(1) Segment Adjusted EBITDA for Merchant includes retrenchment costs of \$0.01 million (ZAR 0.1 million) and Consumer includes retrenchment costs of \$0.1 million (ZAR 1.3 million) for the three months ended December 31, 2023. Segment Adjusted EBITDA for Merchant includes retrenchment costs of \$0.2 million (ZAR 4.7 million) and Consumer includes retrenchment costs of \$0.2 million (ZAR 2.8 million) for the six months ended December 31, 2023.

The segment information as reviewed by the chief operating decision maker does not include a measure of segment assets per segment as all of the significant assets are used in the operations of all, rather than any one, of the segments. The Company does not have dedicated assets assigned to a particular operating segment. Accordingly, it is not meaningful to attempt an arbitrary allocation and segment asset allocation is therefore not presented.

18. Income tax

Income tax in interim periods

For the purposes of interim financial reporting, the Company determines the appropriate income tax provision by first applying the effective tax rate expected to be applicable for the full fiscal year to ordinary income. This amount is then adjusted for the tax effect of significant unusual items, for instance, changes in tax law, valuation allowances and non-deductible transaction-related expenses that are reported separately, and have an impact on the tax charge. The cumulative effect of any change in the enacted tax rate, if and when applicable, on the opening balance of deferred tax assets and liabilities is also included in the tax charge as a discrete event in the interim period in which the enactment date occurs.

For the three and six months ended December 31, 2023, the Company's effective tax rate was impacted by the tax expense recorded by the Company's profitable South African operations, non-deductible expenses, the on-going losses incurred by certain of the Company's South African businesses and the associated valuation allowances created related to the deferred tax assets recognized regarding net operating losses incurred by these entities.

For the three and six months ended December 31, 2022, the Company's effective tax rate was impacted by the tax expense recorded by the Company's profitable South African operations, non-deductible expenses, the on-going losses incurred by certain of the Company's South African businesses and the associated valuation allowances created related to the deferred tax assets recognized regarding net operating losses incurred by these entities.

18. Income tax (continued)

Uncertain tax positions

The Company had no significant uncertain tax positions during the three months ended December 31, 2023, and therefore, the Company had no accrued interest related to uncertain tax positions on its balance sheet. The Company does not expect changes related to its unrecognized tax benefits will have a significant impact on its results of operations or financial position in the next 12 months.

The Company has no unrecognized tax benefits. The Company files income tax returns mainly in South Africa, Botswana and in the U.S. federal jurisdiction. As of December 31, 2023, the Company's South African subsidiaries are no longer subject to income tax examination by the South African Revenue Service for periods before June 30, 2019. The Company is subject to income tax in other jurisdictions outside South Africa, none of which are individually material to its financial position, statement of cash flows, or results of operations.

19. Commitments and contingencies

Guarantees

The South African Revenue Service and certain of the Company's customers, suppliers and other business partners have asked the Company to provide them with guarantees, including standby letters of credit, issued by South African banks. The Company is required to procure these guarantees for these third parties to operate its business.

RMB has issued guarantees to these third parties amounting to ZAR 33.1 million (\$1.8 million, translated at exchange rates applicable as of December 31, 2023) thereby utilizing part of the Company's short-term facilities. The Company pays commission of between 3.42% per annum to 3.44% per annum of the face value of these guarantees and does not recover any of the commission from third parties.

Nedbank has issued guarantees to these third parties amounting to ZAR 2.1 million (\$0.1 million, translated at exchange rates applicable as of December 31, 2023) thereby utilizing part of the Company's short-term facilities. The Company pays commission of between 0.47% per annum to 1.84% per annum of the face value of these guarantees and does not recover any of the commission from third parties.

The Company has not recognized any obligation related to these guarantees in its consolidated balance sheet as of December 31, 2023. The maximum potential amount that the Company could pay under these guarantees is ZAR 35.2 million (\$1.9 million, translated at exchange rates applicable as of December 31, 2023). As discussed in Note 8, the Company has ceded and pledged certain bank accounts to Nedbank as security for the guarantees issued by them with an aggregate value of ZAR 2.1 million (\$0.1 million, translated at exchange rates applicable as of December 31, 2023). The guarantees have reduced the amount available under its indirect and derivative facilities in the Company's short-term credit facilities described in Note 8.

Contingencies

The Company is subject to a variety of insignificant claims and suits that arise from time to time in the ordinary course of business. Management currently believes that the resolution of these other matters, individually or in the aggregate, will not have a material adverse impact on the Company's financial position, results of operations or cash flows.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Annual Report on Form 10-K for the year ended June 30, 2023, and the unaudited condensed consolidated financial statements and the accompanying notes included in this Form 10-Q.

U.S. securities laws require that when we publish any non-GAAP measures, we disclose the reason for using these non-GAAP measures and provide reconciliations to the most directly comparable GAAP measures. We discuss why we consider it useful to present these non-GAAP measures and the material risks and limitations of these measures, as well as a reconciliation of these non-GAAP measures to the most directly comparable GAAP financial measure below at “—Results of Operations—Use of Non-GAAP Measures” below.

Forward-looking statements

Some of the statements in this Form 10-Q constitute forward-looking statements. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed, implied or inferred by these forward-looking statements. Such factors include, among other things, those listed under Item 1A.—“Risk Factors” in our Annual Report on Form 10-K for the year ended June 30, 2023. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of such terms and other comparable terminology.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we do not know whether we can achieve positive future results, levels of activity, performance, or goals. Actual events or results may differ materially. We undertake no obligation to update any of the forward-looking statements after the date of this Form 10-Q to conform those statements to reflect the occurrence of unanticipated events, except as required by applicable law.

You should read this Form 10-Q and the documents that we reference herein and the documents we have filed as exhibits hereto and thereto and which we have filed with the United States Securities and Exchange Commission completely and with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Recent Developments

We experienced continued improvement in our financial performance in the second quarter of fiscal 2024 with revenue and profitability improving in both Consumer and Merchant divisions.

Revenue of \$143.9 million (ZAR 2.7 billion) was within our revenue guidance of ZAR 2.7 billion to ZAR 2.8 billion for second quarter of fiscal 2024, despite prevailing negative macroeconomic and socio-political conditions in South Africa.

Operating income of \$2.3 million (ZAR 42.5 million) improved 211% in ZAR, compared with an operating loss of \$2.2 million (ZAR 38.4 million) during the second quarter of fiscal 2023.

We exceeded the upper end of guidance of ZAR 170.0 million to ZAR 180.0 million for second quarter of fiscal 2024, delivering Group Adjusted EBITDA, a non-GAAP measure, of \$9.6 million (ZAR180.5 million) this quarter, a 38% increase in ZAR, compared to \$7.4 million (ZAR 130.4 million) in the second quarter of fiscal 2023. The continued resilience of our business model in a challenging environment for our merchant and consumer customers demonstrates the value they place on our services.

Our mission at Lesaka is to enable merchants to compete and grow, and to improve the lives of South Africa’s grant beneficiaries by providing access to innovative financial technology and value creating solutions. We achieve this through our vision to build and operate the leading full-service fintech platform in Southern Africa, offering cash management, payment processing, Value Added Services (“VAS”), capital and financial services to merchants and underserved consumers.

Merchant Division

The year-on-year growth achieved by our Merchant Division is supported by the robust secular trends underpinning financial inclusion, cash management and digitalization for micro, small and medium enterprises (“MSMEs”), especially in the informal markets of South Africa, where we have a leading market position.

Performance in our Merchant division has been driven by:

- Kazang, our VAS and supplier payments business, continues to see adoption by MSMEs in the informal sector, with a 23% year-on-year and 3% quarter-on-quarter growth in the number of devices deployed.
 - We had approximately 79,000 devices deployed as of December 31, 2023, compared to approximately 64,500 devices one year ago, and approximately 77,000 devices at the end of the first quarter. Core to our device placement strategy is the decision to focus on quality business and optimizing our existing fleet, which is reflected in a healthy throughput and margin per device.
 - VAS throughput increased 21% year-on-year and 17% quarter-on-quarter. The second quarter of our fiscal year is traditionally our strongest quarter due to higher activity over the year-end festive season benefitting certain product lines.
 - As communicated since the fourth quarter of fiscal 2023, our product mix for VAS sales has changed with low-margin money transfers reducing significantly due to a change in the regulatory environment impacting the industry as a whole. Money transfers currently comprise approximately 5% of VAS throughput, compared to approximately 25% a year ago. This change has had limited impact on profitability as money transfers are a very low margin product.
 - VAS throughput, excluding the low-margin money transfers, increased 51% year-on-year and 16% quarter-on-quarter.
- We provide card acquiring solutions in the informal sector via Kazang Pay and in the formal sector we through Card Connect. Card-enabled POS devices increased to approximately 48,200 as of December 31, 2023, a year-on-year growth of 40% and quarter-on-quarter growth of 4%. Throughput on deployed devices increased 31% year-on-year and 15% quarter-on-quarter to R4.1 billion.
- Our current Merchant Credit offering is Capital Connect in the formal SME market. Kazang Pay Advance in the informal sector remains suspended as we reported in the previous quarter. Capital Connect disbursed ZAR 170 million during this quarter, compared to approximately ZAR 205 million in the comparable period last year, representing a 17% decrease. In the formal market we continue to see demand for our merchant credit offering however the deteriorating performance and financial strength of many of our merchants means they do not meet our credit criteria, resulting in fewer and smaller extensions. Whilst strict application of our credit criteria has led to negative growth, it has protected and maintained the quality of our book through this cycle. Our loan book as of December 31, 2023 was R253 million compared to R290 million as of December 31, 2022.
- Our automated cash management offering, Cash Connect, effectively “puts the bank” in approximately 4,480 merchants’ stores, compared to approximately 4,320 merchants’ stores a year ago. Cash Connect is a provider of robust cash vaults in the formal sector and is building a presence in the informal sector. Cash Connect enables our merchant customer base to significantly mitigate their operational risks pertaining to cash management and security. Our new ATM recycler is generating strong interest, and this business has been transferred to our Merchant Division, where it has been fully integrated into our Cash Connect proposition as an alternative to vaults for our merchant customers.

Acquisition of Touchsides

In February 2024 we announced the acquisition of Touchsides (Pty) Ltd (“Touchsides”), a leading data analytics and insights company, from Heineken International B.V. The Touchsides and Kazang businesses are highly complementary, and the acquisition significantly expands Kazang’s footprint in the informal market by adding an established solution that has a strong presence in the informal licensed tavern market. Touchsides has an installed base of over 10,000 active POS terminals across South Africa’s informal licensed taverns, and processes more than 1.5 million transactions per day. The business provides platform-as-a-service (PaaS) and software-as-a-service (SaaS) solutions to licensed tavern outlets, enabling the measurement of sales activity in real-time, management of stock levels and informing commercial decisions, such as pricing and promotional offers.

The data and insights gathered from these terminals carries significant value and potential to be monetized through relationships with a range of clients including fast-moving consumer goods companies, retailers, wholesalers, route-to-market suppliers, and financiers.

We anticipate the acquisition to close in March 2024 and it is subject to satisfaction of customary closing conditions.

Consumer Division

Over the past six quarters we have consistently referenced the three levers underpinning our strategy of returning the Consumer Division to profitability – (i) growing active EasyPay Everywhere (“EPE”) account numbers, (ii) increasing average revenue per user (“ARPU”) through cross-selling and (iii) cost optimization. With the progress made on these levers and the improved performance of the Consumer division we are now focusing on enhancing our product and service offering.

The progress on our three key initiatives is as follows:

- *Driving customer acquisition*
 - Gross EPE account activations, for the permanent base, during our current quarter showed significant improvement due to various strategic initiatives. We achieved approximately 122,000 gross account activations in the second quarter, compared to approximately 43,000 in the second quarter of fiscal 2023. After accounting for churn, net active account growth for the quarter was approximately 92,000 accounts, compared to approximately 10,000 in second quarter of fiscal 2023.
 - Our total active EPE transactional account base stood at approximately 1.4 million at the end of December 2023, of which more than 1.2 million (or more than 85%) are permanent grant recipients. The balance comprises Social Relief of Distress (“SRD”) grant recipients, which was introduced during the COVID pandemic and extended in calendar 2023.
 - Our priority is to grow our permanent grant recipient customers base, where we can build deeper relationships by offering other products such as insurance and lending. We do not offer the same breadth of service to the SRD grant base due to the temporary nature of the grant.
 - The South African Post Office, which is the largest service provider to South African grant beneficiaries, experienced increasing grant distribution and financial challenges during the last two quarters, resulting in many grant beneficiaries migrating to alternative financial service providers. The measures taken by EasyPay Everywhere over the past 18 months to enhance our products, sales, onboarding and customer service capabilities put us in a good position to benefit from this migration.

- *Progress on cross selling*

EasyPay Loans

- We originated approximately 278,000 loans during the quarter with our consumer loan book, before allowances, increasing 26% to ZAR 503 million as at December 31, 2023, compared to ZAR 398 million as of December 31, 2022.
- We have not amended our credit scoring or other lending criteria and the growth is reflective of the demand for our tailored loan product for this market and growth in EPE bank account customer base
- The loan conversion rate continues to improve following the implementation of a number of targeted consumer lending campaigns during the current quarter.
- The portfolio loss ratio, calculated as the loans written off during the period as a percentage of the total loan book, remained at approximately 6% on an annualized basis, in line with the first quarter of fiscal 2024.

EasyPay Insurance

- Our funeral insurance product continued its strong growth and is a material contributor to the improvement in our overall ARPU. We have been able to improve customer penetration to more than 30% of our active permanent grant account base as of December 31, 2023, compared to approximately 25% as of December 31, 2022. Approximately 42,000 new policies were written in the quarter, compared to approximately 29,000 in the comparable period in fiscal 2023. The total number of active policies has grown by 31% to approximately 384,000 policies as of December 31, 2023, compared to December 31, 2022.

ARPU

- ARPU for our permanent client base has increased to over ZAR 85 for the second quarter of fiscal 2024, from approximately ZAR 74 in the second quarter of fiscal 2023.

Economic Environment and Impact of loadshedding

Overall, we have seen no significant change in the operating environment during the quarter. The trading environment remains challenging in South Africa with interest rates and unemployment remaining at elevated levels. These factors are compounded by daily power cuts (known as load-shedding in South Africa), although we have seen a marginal reduction in load shedding during the last two quarters. Power disruptions adversely impact our customers, especially in our Merchant Division, where they lose valuable trading hours if they do not have access to alternative power supplies and back-up facilities to process electronic payments and value-added services. The negative impact is, however, to some extent mitigated as our customer base is geographically diversified, and the rotational nature of load-shedding results in localized power cuts over shorter time periods, allowing merchants to make up for lost trading hours.

Notwithstanding the challenging operating environment, our Merchant and Consumer Divisions continue to demonstrate the resilience of our business model, which is firmly underpinned by the relevance and value of our offering to our target market.

Management changes

The Board has appointed Ali Mazanderani as Executive Chairman and Kuben Pillay as Lead Independent Director. Chris Meyer will conclude his tenure as Group CEO on February 29, 2024. During his nearly three years as Group CEO, Chris has led the successful turnaround and building of the Lesaka fintech platform. Chris will remain a director of Lesaka. Ali Mazanderani will assume the Executive Chairman role on February 1, 2024. Ali has been a member of the Lesaka board since 2020 and he played a lead role in setting the vision to build the leading fintech platform in Southern Africa that set Lesaka on its journey. He presented this strategy to the market at Lesaka's Q4 2020 earnings call and has played a key role in Lesaka's evolution, serving as a board director and a member of the Capital Allocation Committee.

Ali brings deep experience to the Lesaka executive team and is a well-known and respected global fintech leader and entrepreneur. Ali is co-founder and Chairman of Teya, a leading European fintech and has served as a director of global fintech companies, including StoneCo in Brazil and Network International in the UAE.

Improvement in our Broad Based Black Economic Empowerment (“B-BBEE”) rating to level 4

B-BBEE is a key strategic priority for us. Achievement of B-BBEE objectives is measured by a scorecard which establishes a weighting for various elements. Scorecards are independently reviewed by accredited BEE verification agencies which issue a certificate that presents an entity's BEE Contributor Status Level, with level 1 being the highest and “no rating” (a level below level 8) as the lowest. During fiscal 2023, we made significant progress in terms of improving our empowerment credentials and in September 2023 we reported that our independently verified B-BBEE rating improved to a level 5 rating from a level 8 rating, simultaneously setting out our aim to achieve a level 4 rating by the end of fiscal year 2024. We achieved this target during the second quarter of fiscal 2024 and have received an independently verified B-BBEE rating of level 4.

Critical Accounting Policies

Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions about future events that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities. As future events and their effects cannot be determined with absolute certainty, the determination of estimates requires management's judgment based on a variety of assumptions and other determinants such as historical experience, current and expected market conditions and certain scientific evaluation techniques. Critical accounting policies are those that reflect significant judgments or uncertainties and may potentially result in materially different results under different assumptions and conditions. We have identified the following critical accounting policies that are described in more detail in our Annual Report on Form 10-K for the year ended June 30, 2023:

- Business Combinations and the Recoverability of Goodwill;
- Intangible Assets Acquired Through Acquisitions;
- Revenue recognition – principal versus agent considerations;
- Valuation of investment in Cell C;
- Recoverability of equity securities and equity-accounted investments;
- Deferred Taxation;
- Stock-based Compensation;
- Accounts Receivable and Allowance for Doubtful Accounts Receivable; and
- Lending.

Recent accounting pronouncements adopted

Refer to Note 1 to our unaudited condensed consolidated financial statements for a full description of accounting pronouncements adopted, including the dates of adoption and the effects on our unaudited condensed consolidated financial statements.

Recent accounting pronouncements not yet adopted as of December 31, 2023

Refer to Note 1 to our unaudited condensed consolidated financial statements for a full description of recent accounting pronouncements not yet adopted as of December 31, 2023, including the expected dates of adoption and effects on our financial condition, results of operations and cash flows.

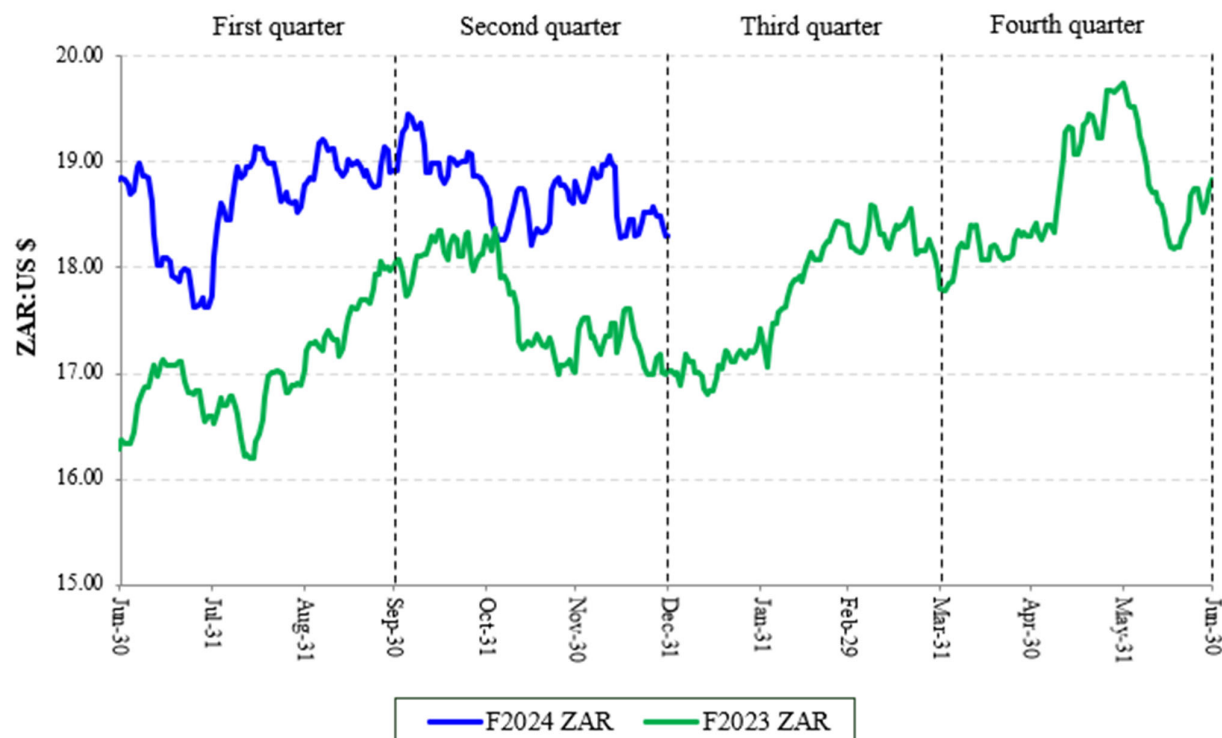
Currency Exchange Rate Information

Actual exchange rates

The actual exchange rates for and at the end of the periods presented were as follows:

Table 1	Three months ended		Six months ended		Year ended
	December 31,		December 31,		June 30,
	2023	2022	2023	2022	2023
ZAR : \$ average exchange rate	18.7313	17.6279	18.6885	17.3240	17.7641
Highest ZAR : \$ rate during period	19.4568	18.3617	19.4568	18.3617	19.7558
Lowest ZAR : \$ rate during period	18.2076	16.9840	17.6278	16.2035	16.2034
Rate at end of period	18.2982	17.0212	18.2982	17.0212	18.8376

ZAR: US \$ Exchange Rates



Translation exchange rates for financial reporting purposes

We are required to translate our results of operations from ZAR to U.S. dollars on a monthly basis. Thus, the average rates used to translate this data for the three and six months ended December 31, 2023 and 2022, vary slightly from the averages shown in the table above. Except as described below, the translation rates we use in presenting our results of operations are the rates shown in the following table:

Table 2	Three months ended		Six months ended		Year ended
	December 31,		December 31,		June 30,
	2023	2022	2023	2022	2023
Income and expense items: \$1 = ZAR	18.7108	17.5160	18.7124	17.2482	17.9400
Balance sheet items: \$1 = ZAR	18.2982	17.0212	18.2982	17.0212	18.8376

We have translated the results of operations and operating segment information for the three and six months ended December 31, 2023, provided in the tables below using the actual average exchange rates per month (i.e. for each of October 2023, November 2023, and December 2023 for the second quarter of fiscal 2024) between the USD and ZAR in order to reduce the reconciliation of information presented to our chief operating decision maker. The impact of using this method compared with the average rate for the quarter and year to date is not significant, however, it does result in minor differences. We believe that presentation using the average exchange rates per month compared with the average exchange rate per quarter and year to date improves the accuracy of the information presented in our external financial reporting and leads to fewer differences between our external reporting measures which are supplementally presented in ZAR, and our internal management information, which is also presented in ZAR.

Results of Operations

The discussion of our consolidated overall results of operations is based on amounts as reflected in our unaudited condensed consolidated financial statements which are prepared in accordance with U.S. GAAP. We analyze our results of operations both in U.S. dollars, as presented in the unaudited condensed consolidated financial statements, and supplementally in ZAR, because ZAR is the functional currency of the entities which contribute the majority of our results and is the currency in which the majority of our transactions are initially incurred and measured. Presentation of our reported results in ZAR is a non-GAAP measure. 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.

Our operating segment revenue presented in “—Results of operations by operating segment” represents total revenue per operating segment before intercompany eliminations. A reconciliation between total operating segment revenue and revenue, as well as the reconciliation between our segment performance measure and net loss before tax (benefits) expense, is presented in our unaudited condensed consolidated financial statements in Note 17 to those statements. Our chief operating decision maker is our Group Chief Executive Officer and he evaluates segment performance based on segment earnings before interest, tax, depreciation and amortization (“EBITDA”), adjusted for items mentioned in the next sentence (“Segment Adjusted EBITDA”) for each operating segment. We do not allocate once-off items (as defined below), stock-based compensation charges, depreciation and amortization, impairment of goodwill or other intangible assets, certain lease charges (“Lease adjustments”), other items (including gains or losses on disposal of investments, fair value adjustments to equity securities, fair value adjustments to currency options), interest income, interest expense, income tax expense or loss from equity-accounted investments to our reportable segments. Once-off items represents non-recurring expense items, including costs related to acquisitions and transactions consummated or ultimately not pursued. The Lease adjustments reflect lease charges and the Stock-based compensation adjustments reflect stock-based compensation expense and are both excluded from the calculation of Segment Adjusted EBITDA and are therefore reported as reconciling items to reconcile the reportable segments’ Segment Adjusted EBITDA to our loss before income tax expense.

Group Adjusted EBITDA represents Segment Adjusted EBITDA after deducting group costs. Refer also “Results of Operations—Use of Non-GAAP Measures” below.

Connect is included for the entire year to date of fiscal 2024 and 2023.

We analyze our business and operations in terms of two inter-related but independent operating segments: (1) Merchant Division and (2) Consumer Division. In addition, corporate activities that are impracticable to allocate directly to the operating segments, as well as any inter-segment eliminations, are included in Group costs. Inter-segment revenue eliminations are included in Eliminations.

Second quarter of fiscal 2024 compared to second quarter of fiscal 2023

The following factors had a significant impact on our results of operations during the second quarter of fiscal 2024 as compared with the same period in the prior year:

- **Higher revenue:** Our revenues increased 13% in ZAR, primarily due to an increase in low margin prepaid airtime sales and other value-added services, as well as higher transaction, insurance and lending revenues, which was partially offset by lower hardware sales revenue in our POS hardware distribution business given the lumpy nature of bulk sales;
- **Operating income generated:** Operating profitability was achieved following years of operating losses as a result of the various cost reduction initiatives in Consumer implemented in prior periods as well as the contribution from Connect;
- **Higher net interest charge:** The net interest charge increased to \$4.4 million (ZAR 81.2 million) from \$4.0 million (ZAR 70.0 million) primarily due to higher interest rates; and
- **Foreign exchange movements:** The U.S. dollar was 7% stronger against the ZAR during the second quarter of fiscal 2024 compared to the prior period, which adversely impacted our U.S. dollar reported results.

Consolidated overall results of operations

This discussion is based on the amounts prepared in accordance with U.S. GAAP.

The following tables show the changes in the items comprising our statements of operations, both in U.S. dollars and in ZAR:

Table 3

	In United States Dollars		
	Three months ended December 31,		
	2023	2022	%
	\$ '000	\$ '000	change
Revenue	143,893	136,068	6%
Cost of goods sold, IT processing, servicing and support	114,266	108,824	5%
Selling, general and administration	21,541	23,517	(8%)
Depreciation and amortization	5,813	5,919	(2%)
Operating income (loss)	2,273	(2,192)	nm
Loss on disposal of equity-accounted investments	-	112	nm
Interest income	485	389	25%
Interest expense	4,822	4,388	10%
Loss before income tax expense	(2,064)	(6,303)	(67%)
Income tax expense	686	364	88%
Net loss before earnings from equity-accounted investments	(2,750)	(6,667)	(59%)
Earnings from equity-accounted investments	43	18	139%
Net loss attributable to us	(2,707)	(6,649)	(59%)

Table 4

	In South African Rand		
	Three months ended December 31,		
	2023	2022	%
	ZAR '000	ZAR '000	change
Revenue	2,694,506	2,383,367	13%
Cost of goods sold, IT processing, servicing and support	2,139,730	1,906,161	12%
Selling, general and administration	403,443	411,923	(2%)
Depreciation and amortization	108,863	103,677	5%
Operating income (loss)	42,470	(38,394)	nm
Loss on disposal of equity-accounted investments	-	1,962	nm
Interest income	9,080	6,814	33%
Interest expense	90,329	76,860	18%
Loss before income tax expense	(38,779)	(110,402)	(65%)
Income tax expense	12,845	6,376	101%
Net loss before earnings from equity-accounted investments	(51,624)	(116,778)	(56%)
Earnings from equity-accounted investments	805	315	156%
Net loss attributable to us	(50,819)	(116,463)	(56%)

Revenue increased by \$7.8 million (ZAR 0.3 billion), or 5.8% (in ZAR, 13.1%), primarily due to the increase in low margin prepaid airtime sales and other value-added services, as well as higher transaction, insurance and lending revenues, which was partially offset by lower hardware sales revenue in our POS hardware distribution business given the lumpy nature of bulk sales.

Cost of goods sold, IT processing, servicing and support increased by \$5.4 million (ZAR 0.2 billion), or 5.0% (in ZAR, 12.3%), primarily due to the increase in low margin prepaid airtime sales, which were partially offset by the benefits of various cost reduction initiatives in Consumer and lower insurance-related claims.

Selling, general and administration expenses decreased by \$2.0 million (ZAR 8.5 million), or 8.4% (in ZAR 2.1%). The decrease was primarily due to the benefits of various cost reduction initiatives in Consumer and lower stock-based compensation charges, which were partially offset by higher employee-related expenses and the year-over-year impact of inflationary increases on certain expenses.

Depreciation and amortization expense decreased by \$0.1 million, or 1.8%, and in ZAR increased by ZAR 5.2 million or 5.0%. In the ZAR, the increase was due to an increase in depreciation expense related to additional POS devices deployed.

Our operating income (loss) margin for the second quarter of fiscal 2024 and 2023 was 1.6% and (1.6)%, respectively. We discuss the components of operating loss margin under “—Results of operations by operating segment.”

We did not record any changes in the fair value of equity interests in MobiKwik and Cell C during the second quarter of fiscal 2024 or 2023, respectively. We continue to carry our investment in Cell C at \$0 (zero). Refer to Note 4 for the methodology and inputs used in the fair value calculation for Cell C.

Interest on surplus cash increased to \$0.5 million (ZAR 9.1 million) from \$0.4 million (ZAR 6.8 million), primarily due to higher interest rates.

Interest expense increased to \$4.8 million (ZAR 90.3 million) from \$4.4 million (ZAR 76.9 million), primarily as a result of higher overall interest rates and higher overall borrowings during the second quarter of fiscal 2024 compared with comparable period in the prior quarter, which was partially offset by lower interest expense incurred on certain of our borrowing for which we were able to negotiate lower rates of interest during the latter half of fiscal 2023.

Fiscal 2024 tax expense was \$(0.7) million (ZAR (12.8) million) compared to \$0.4 million (ZAR 6.4 million) in fiscal 2023. Our effective tax rate for fiscal 2024 was impacted by the tax expense recorded by our profitable South African operations, a deferred tax benefit related to acquisition-related intangible asset amortization, non-deductible expenses, the on-going losses incurred by certain of our South African businesses and the associated valuation allowances created related to the deferred tax assets recognized regarding net operating losses incurred by these entities.

Our effective tax rate for fiscal 2023 was impacted by the tax expense recorded by our profitable South African operations, a deferred tax benefit related to acquisition-related intangible asset amortization, non-deductible expenses, the on-going losses incurred by certain of our South African businesses and the associated valuation allowances created related to the deferred tax assets recognized regarding net operating losses incurred by these entities.

Finbond is listed on the Johannesburg Stock Exchange and reports its six-month results during our first quarter and its annual results during our fourth quarter. We sold our entire remaining interest in Finbond during the second quarter of fiscal 2024. The table below presents the relative (loss) earnings from our equity-accounted investments:

Table 5

	Three months ended December 31,		
	2023	2022	\$ %
	\$ '000	\$ '000	change
Other	43	18	139%
Total loss from equity-accounted investments	43	18	139%

Results of operations by operating segment

The composition of revenue and the contributions of our business activities to operating loss are illustrated below:

Table 6

Operating Segment	<i>In United States Dollars</i>				
	Three months ended December 31,				
	2023 \$ '000	% of total	2022 \$ '000	% of total	% change
Consolidated revenue:					
Merchant	127,870	89%	120,634	89%	6%
Consumer	16,707	12%	15,434	11%	8%
Subtotal: Operating segments	144,577	101%	136,068	100%	6%
Eliminations	(684)	(1%)	-	-	nm
Total consolidated revenue	143,893	100%	136,068	100%	6%
Segment Adjusted EBITDA:					
Merchant ⁽¹⁾	8,693	90%	9,120	123%	(5%)
Consumer ⁽¹⁾	2,948	31%	578	8%	410%
Group costs	(2,011)	(21%)	(2,256)	(30%)	(11%)
Group Adjusted EBITDA (non-GAAP) ⁽²⁾	9,630	100%	7,442	100%	29%

(1) Segment Adjusted EBITDA for Merchant includes retrenchments costs of \$0.01 million and Consumer includes retrenchment costs of \$0.1 million for the second quarter of fiscal 2024.

(2) Group Adjusted EBITDA is a non-GAAP measure, refer to reconciliation below at “—Results of Operations—Use of Non-GAAP Measures”.

Table 7

Operating Segment	<i>In South African Rand</i>				
	Three months ended December 31,				
	2023 ZAR '000	% of total	2022 ZAR '000	% of total	% change
Consolidated revenue:					
Merchant	2,394,515	89%	2,113,025	89%	13%
Consumer	312,767	12%	270,342	11%	16%
Subtotal: Operating segments	2,707,282	101%	2,383,367	100%	14%
Eliminations	(12,776)	(1%)	-	-	nm
Total consolidated revenue	2,694,506	100%	2,383,367	100%	13%
Segment Adjusted EBITDA:					
Merchant ⁽¹⁾	162,935	90%	159,746	123%	2%
Consumer ⁽¹⁾	55,225	31%	10,124	8%	445%
Group costs	(37,663)	(21%)	(39,516)	(30%)	(5%)
Group Adjusted EBITDA (non-GAAP) ⁽²⁾	180,497	100%	130,354	100%	38%

(1) Segment Adjusted EBITDA for Merchant includes retrenchments costs of ZAR 0.1 million and Consumer includes retrenchment costs of ZAR 1.3 million for the second quarter of fiscal 2024.

(2) Group Adjusted EBITDA is a non-GAAP measure, refer to reconciliation below at “—Results of Operations—Use of Non-GAAP Measures”.

Merchant

Segment revenue increased due to the increase in low margin prepaid airtime sales and other value-added services, which was partially offset by lower hardware sales revenue given the lumpy nature of bulk sales as well as lower revenue from certain value-added services transactions (such as international money transfers). In ZAR, the increase in Segment Adjusted EBITDA is primarily due to the higher sales activity, which was partially offset by lower hardware sales. Connect records a significant proportion of its airtime sales in revenue and cost of sales, while only earning a relatively small margin. This significantly depresses the Segment Adjusted EBITDA margins shown by the business.

Our Segment Adjusted EBITDA margin (calculated as Segment Adjusted EBITDA divided by revenue) for the second quarter of fiscal 2024 and 2023 was 6.8% and 7.6%, respectively.

Consumer

Segment revenue increased primarily due to more transaction fees generated from the higher EPE account holders base, higher insurance revenues, and an increase in lending revenue as a result of an increase in loan originations. This increase in revenue, together with the cost reduction initiatives initiated in fiscal 2022 and through fiscal 2023, have translated into a turnaround in the Consumer Division and the realization of sustained positive Segment Adjusted EBITDA.

Our Segment Adjusted EBITDA margin for the second quarter of fiscal 2024 and 2023 was 17.6% and 3.7%, respectively.

Group costs

Our group costs primarily include employee related costs in relation to employees specifically hired for group roles and costs related directly to managing the US-listed entity; expenditures related to compliance with the Sarbanes-Oxley Act of 2002; non-employee directors' fees; legal fees; group and US-listed related audit fees; and directors' and officers' insurance premiums.

Our group costs for fiscal 2024 decreased compared with the prior period due to lower external audit, legal and consulting fees and lower provision for executive bonuses, which was partially offset by higher employee costs.

First half of fiscal 2024 compared to first half of fiscal 2023

The following factors had a significant impact on our results of operations during the first half of fiscal 2024 as compared with the same period in the prior year:

- **Higher revenue:** Our revenues increased 16% in ZAR, primarily due to an increase in low margin prepaid airtime sales and other value added services, as well as higher transaction, insurance and lending revenues, which was partially offset by lower hardware sales revenue in our POS hardware distribution business given the lumpy nature of bulk sales;
- **Operating income generated:** Operating profitability was achieved following years of operating losses as a result of the various cost reduction initiatives in Consumer implemented in prior periods as well as the contribution from Connect;
- **Higher net interest charge:** The net interest charge increased to \$8.8 million (ZAR 164.3 million) from \$7.6 million (ZAR 131.5 million) primarily due to higher interest rates; and
- **Foreign exchange movements:** The U.S. dollar was 8% stronger against the ZAR during the first half of fiscal 2024 compared to the prior period, which adversely impacted our U.S. dollar reported results.

Consolidated overall results of operations

This discussion is based on the amounts prepared in accordance with U.S. GAAP.

The following tables show the changes in the items comprising our statements of operations, both in U.S. dollars and in ZAR:

Table 8

	In United States Dollars		
	Six months ended December 31,		
	2023	2022	%
	\$ '000	\$ '000	change
Revenue	279,982	260,854	7%
Cost of goods sold, IT processing, servicing and support	221,756	209,352	6%
Selling, general and administration	44,056	46,448	(5%)
Depreciation and amortization	11,669	11,917	(2%)
Operating income (loss)	2,501	(6,863)	nm
Reversal of allowance for EMI doubtful debt receivable	250	-	nm
Net gain on disposal of equity-accounted investments	-	136	nm
Interest income	934	800	17%
Interest expense	9,731	8,424	16%
Loss before income tax expense	(6,046)	(14,351)	(58%)
Income tax expense	950	395	141%
Net loss before loss from equity-accounted investments	(6,996)	(14,746)	(53%)
Loss from equity-accounted investments	1,362	2,599	(48%)
Net loss attributable to us	(8,358)	(17,345)	(52%)

Table 9

	In South African Rand		
	Six months ended December 31,		
	2023	2022	%
	ZAR '000	ZAR '000	change
Revenue	5,232,165	4,499,262	16%
Cost of goods sold, IT processing, servicing and support	4,144,195	3,610,946	15%
Selling, general and administration	823,304	801,144	3%
Depreciation and amortization	218,029	205,547	6%
Operating income (loss)	46,637	(118,375)	nm
Reversal of allowance for EMI doubtful debt receivable	4,741	-	nm
Net gain on disposal of equity-accounted investments	-	2,346	nm
Interest income	17,448	13,799	26%
Interest expense	181,758	145,298	25%
Loss before income tax expense	(112,932)	(247,528)	(54%)
Income tax expense	17,670	6,813	159%
Net loss before loss from equity-accounted investments	(130,602)	(254,341)	(49%)
Loss from equity-accounted investments	25,852	44,828	(42%)
Net loss attributable to us	(156,454)	(299,169)	(48%)

Revenue increased by \$19.1 million (ZAR 0.7 billion), or 7.3% (in ZAR, 16.3%), primarily due to the increase in low margin prepaid airtime sales and other value-added services, as well as higher transaction, insurance and lending revenues, which was partially offset by lower hardware sales revenue in our POS hardware distribution business given the lumpy nature of bulk sales.

Cost of goods sold, IT processing, servicing and support increased by \$12.4 million (ZAR 0.5 billion), or 5.9% (in ZAR, 14.8%), primarily due to the increase in low margin prepaid airtime sales, which were partially offset by the benefits of various cost reduction initiatives in Consumer and lower insurance-related claims.

Selling, general and administration expenses decreased by \$2.4 million, or 5.1%, and in ZAR increased by ZAR 22.2 million, or 2.8%. In ZAR, the increase was primarily due to higher employee-related expenses related to the expansion of our senior management team and the year-over-year impact of inflationary increases on employee-related expenses, which were partially offset by the benefits of various cost reduction initiatives in Consumer and lower stock-based compensation charges.

Depreciation and amortization expense decreased by \$0.2 million, or 2.1%, and in ZAR increased by ZAR 12.5 million or 6.1%. In the ZAR, the increase was due to an increase in depreciation expense related to additional POS devices deployed.

Our operating income (loss) margin for the first half of fiscal 2024 and 2023 was 0.9% and (2.6)%, respectively. We discuss the components of operating loss margin under “—Results of operations by operating segment.”

We did not record any changes in the fair value of equity interests in MobiKwik and Cell C during the first half of fiscal 2024 or 2023, respectively.

During the first half of fiscal 2024, we received an outstanding amount of \$0.3 million related to the sale Carbon in fiscal 2023, which resulted in the reversal of an allowance for doubtful loans receivable of \$0.3 million recorded in fiscal 2023. We recorded a gain of \$0.3 million related to the disposal of our entire interest in Carbon during the first half of fiscal 2023. Refer to Note 5 to our unaudited condensed consolidated financial statements for additional information regarding this disposal.

Interest on surplus cash increased to \$0.9 million (ZAR 17.4 million) from \$0.8 million (ZAR 13.8 million), primarily due to higher interest rates.

Interest expense increased to \$9.7 million (ZAR 181.8 million) from \$8.4 million (ZAR 145.3 million), primarily as a result of higher overall interest rates and higher overall borrowings during the first half of fiscal 2024 compared with comparable period in the prior year to date, which was partially offset by lower interest expense incurred on certain of our borrowing for which we were able to negotiate lower rates of interest during the latter half of fiscal 2023.

Fiscal 2024 tax expense was \$(1.0) million (ZAR (17.7) million) compared to \$0.4 million (ZAR 6.8 million) in fiscal 2023. Our effective tax rate for fiscal 2024 was impacted by the tax expense recorded by our profitable South African operations, a deferred tax benefit related to acquisition-related intangible asset amortization, non-deductible expenses, the on-going losses incurred by certain of our South African businesses and the associated valuation allowances created related to the deferred tax assets recognized regarding net operating losses incurred by these entities.

Our effective tax rate for fiscal 2023 was impacted by the tax expense recorded by our profitable South African operations, a deferred tax benefit related to acquisition-related intangible asset amortization, non-deductible expenses, the on-going losses incurred by certain of our South African businesses and the associated valuation allowances created related to the deferred tax assets recognized regarding net operating losses incurred by these entities.

Finbond is listed on the Johannesburg Stock Exchange and reports its six-month results during our first half and its annual results during our fourth quarter. The table below presents the relative (loss) earnings from our equity-accounted investments:

Table 10

	Six months ended December 31,		
	2023	2022	\$ %
	\$ '000	\$ '000	change
Finbond	(1,445)	(2,631)	(45%)
Share of net loss	(278)	(1,521)	(82%)
Impairment	(1,167)	(1,110)	5%
Other	83	32	159%
	<u>(1,362)</u>	<u>(2,599)</u>	<u>(48%)</u>

Results of operations by operating segment

The composition of revenue and the contributions of our business activities to operating loss are illustrated below:

Table 11

	<i>In United States Dollars</i>				
	Six months ended December 31,				
	2023	% of	2022	% of	% change
\$ '000	total	\$ '000	total		
Operating Segment					
Consolidated revenue:					
Merchant	249,231	89%	230,416	88%	8%
Consumer	32,287	12%	30,438	12%	6%
Subtotal: Operating segments	281,518	101%	260,854	100%	8%
Eliminations	(1,536)	(1%)	-	-	nm
Total consolidated revenue	279,982	100%	260,854	100%	7%
Segment Adjusted EBITDA:					
Merchant	(1) 16,754	91%	17,013	146%	(2%)
Consumer	(1) 5,428	30%	(816)	(7%)	nm
Group costs	(3,833)	(21%)	(4,556)	(39%)	(16%)
Group Adjusted EBITDA (non-GAAP) (2)	18,349	100%	11,641	100%	58%

(1) Segment Adjusted EBITDA for Merchant includes retrenchments costs of \$0.01 million and Consumer includes retrenchment costs of \$0.1 million for first half of fiscal 2024.

(2) Group Adjusted EBITDA is a non-GAAP measure, refer to reconciliation below at “—Results of Operations—Use of Non-GAAP Measures”.

Table 12

		<i>In South African Rand</i>				
		Six months ended December 31,				
Operating Segment		2023	% of	2022	% of	
		ZAR '000	total	ZAR '000	total	% change
Consolidated revenue:						
Merchant		4,657,516	89%	3,974,261	88%	17%
Consumer		603,396	12%	525,001	12%	15%
Subtotal: Operating segments		5,260,912	101%	4,499,262	100%	17%
Eliminations		(28,747)	(1%)	-	-	nm
Total consolidated revenue		5,232,165	100%	4,499,262	100%	16%
Segment Adjusted EBITDA:						
Merchant	(1)	313,116	91%	293,444	146%	7%
Consumer	(1)	101,527	30%	(14,075)	(7%)	nm
Group costs		(71,643)	(21%)	(78,583)	(39%)	(9%)
Group Adjusted EBITDA (non-GAAP) (2)		343,000	100%	200,786	100%	71%

(1) Segment Adjusted EBITDA for Merchant includes retrenchments costs of ZAR 0.1 million and Consumer includes retrenchment costs of ZAR 1.3 million for first half of fiscal 2024.

(2) Group Adjusted EBITDA is a non-GAAP measure, refer to reconciliation below at “—Results of Operations—Use of Non-GAAP Measures”.

Merchant

Segment revenue increased due to the increase in low margin prepaid airtime sales and other value-added services, which was partially offset by lower hardware sales revenue given the lumpy nature of bulk sales. The increase in Segment Adjusted EBITDA is primarily due to the higher sales activity, which was partially offset by lower hardware sales.

Our Segment Adjusted EBITDA margin for the first half of fiscal 2024 and 2023 was 6.7% and 7.4%, respectively.

Consumer

Segment revenue increased primarily due to more transaction fees generated from the higher EPE account holders base, higher insurance revenues, and an increase in lending revenue as a result of an increase in loan originations. This increase in revenue, together with the cost reduction initiatives initiated in fiscal 2022 and through fiscal 2023, have translated into a turnaround in the Consumer Division and the realization of sustained positive Segment Adjusted EBITDA in year to date fiscal 2024 compared with year to date fiscal 2023.

Our Segment Adjusted EBITDA margin for the first half of fiscal 2024 and 2023 was 16.8% and (2.7)%, respectively.

Group costs

Our group costs for fiscal 2024 decreased compared with the prior period due to lower external audit, legal and consulting fees and lower provision for executive bonuses, which was partially offset by higher employee costs.

Use of Non-GAAP Measures

U.S. securities laws require that when we publish any non-GAAP measures, we disclose the reason for using these non-GAAP measures and provide reconciliations to the most directly comparable GAAP measures. The presentation of Group Adjusted EBITDA is a non-GAAP measure. We provide this non-GAAP measure to enhance our evaluation and understanding of our financial performance.

Non-GAAP Measures

Group Adjusted EBITDA is earnings before interest, tax, depreciation and amortization (“EBITDA”), adjusted for non-operational transactions (including loss on disposal of equity-accounted investments, gain related to fair value adjustments to currency options), (earnings) loss from equity-accounted investments, stock-based compensation charges, lease adjustments and once-off items. Lease adjustments reflect lease charges and once-off items represents non-recurring expense items, including costs related to acquisitions and transactions consummated or ultimately not pursued.

The table below presents the reconciliation between GAAP net loss attributable to Lesaka to Group Adjusted EBITDA:

Table 13

	Three months ended		Six months ended	
	December 31,		December 31,	
	2023	2022	2023	2022
	\$ '000	\$ '000	\$ '000	\$ '000
Loss attributable to Lesaka - GAAP	(2,707)	(6,649)	(8,358)	(17,345)
(Earnings) loss from equity accounted investments	(43)	(18)	1,362	2,599
Net loss before (earnings) loss from equity-accounted investments	(2,750)	(6,667)	(6,996)	(14,746)
Income tax (benefit) expense	686	364	950	395
Loss before income tax expense	(2,064)	(6,303)	(6,046)	(14,351)
Interest expense	4,822	4,388	9,731	8,424
Interest income	(485)	(389)	(934)	(800)
Reversal of allowance for doubtful EMI loan receivable	-	-	(250)	-
Net gain on disposal of equity-accounted investment	-	112	-	(136)
Operating income (loss)	2,273	(2,192)	2,501	(6,863)
PPA amortization (amortization of acquired intangible assets)	3,592	3,842	7,200	7,770
Depreciation and amortization	2,221	2,077	4,469	4,147
Stock-based compensation charges	1,804	2,849	3,563	4,311
Lease adjustments	678	747	1,374	1,559
Once-off items ⁽¹⁾	(816)	119	(738)	717
Unrealized gain FV for currency adjustments	(122)	-	(20)	-
Group Adjusted EBITDA - Non-GAAP	9,630	7,442	18,349	11,641

(1) The table below presents the components of once-off items for the periods presented:

Table 14

	Three months ended		Six months ended	
	December 31,		December 31,	
	2023	2022	2023	2022
	\$ '000	\$ '000	\$ '000	\$ '000
Transaction costs	136	119	214	322
(Income recognized) Expenses incurred related to closure of legacy businesses	(952)	-	(952)	395
Total once-off items	(816)	119	(738)	717

Once-off items are non-recurring in nature, however, certain items may be reported in multiple quarters. For instance, transaction costs include costs incurred related to acquisitions and transactions consummated or ultimately not pursued. The transactions can span multiple quarters, for instance in fiscal 2022 we incurred significant transaction costs related to the acquisition of Connect over a number of quarters, and the transactions are generally non-recurring.

(Income recognized) Expenses incurred related to closure of legacy businesses represents (i) gains recognized related to the release of the foreign currency translation reserve on deconsolidation of a subsidiaries and (ii) costs incurred related to subsidiaries which we are in the process of deregistering/ liquidation and therefore we consider these costs non-operational and ad hoc in nature.

Liquidity and Capital Resources

As of December 31, 2023, our cash and cash equivalents were \$44.3 million and comprised of U.S. dollar-denominated balances of \$4.5 million, ZAR-denominated balances of ZAR 688.5 million (\$37.6 million), and other currency deposits, primarily Botswana pula, of \$2.2 million, all amounts translated at exchange rates applicable as of December 31, 2023. The increase in our unrestricted cash balances from June 30, 2023, was primarily due to a positive contribution from our Merchant and Consumer operations and utilization of our borrowings facilities to fund certain components of our operations, which was partially offset by the utilization of cash reserves to fund certain scheduled and other repayments of our borrowings, purchase ATMs and vaults, and to make an investment in working capital.

We generally invest any surplus cash held by our South African operations in overnight call accounts that we maintain at South African banking institutions, and any surplus cash held by our non-South African companies in U.S. dollar-denominated money market accounts.

Historically, we have financed most of our operations, research and development, working capital, and capital expenditures, as well as acquisitions and strategic investments, through internally generated cash and our financing facilities. When considering whether to borrow under our financing facilities, we consider the cost of capital, cost of financing, opportunity cost of utilizing surplus cash and availability of tax efficient structures to moderate financing costs. For instance, in fiscal 2022, we obtained loan facilities from RMB to fund a portion of our acquisition of Connect. Following the acquisition of Connect, we now utilize a combination of short and long-term facilities to fund our operating activities and a long-term asset-backed facility to fund the acquisition of POS devices and vaults. Refer to Note 12 to our consolidated financial statements for the year ended June 30, 2023, for additional information related to our borrowings.

Available short-term borrowings

Summarized below are our short-term facilities available and utilized as of December 31, 2023:

Table 15	RMB Facility E		RMB Indirect		RMB Connect		Nedbank	
	\$ '000	ZAR '000	\$ '000	ZAR '000	\$ '000	ZAR '000	\$ '000	ZAR '000
Total short-term facilities available, comprising:								
Overdraft	-	-	-	-	11,203	205,000	-	-
Overdraft restricted as to use ⁽¹⁾	76,510	1,400,000	-	-	-	-	-	-
Total overdraft	76,510	1,400,000	-	-	11,203	205,000	-	-
Indirect and derivative facilities ⁽²⁾	-	-	7,378	135,000	-	-	8,556	156,556
Total short-term facilities available	76,510	1,400,000	7,378	135,000	11,203	205,000	8,556	156,556
Utilized short-term facilities:								
Overdraft	-	-	-	-	9,291	170,000	-	-
Overdraft restricted as to use ⁽¹⁾	23,407	428,301	-	-	-	-	-	-
Indirect and derivative facilities ⁽²⁾	-	-	1,809	33,100	-	-	115	2,110
Total short-term facilities available	23,407	428,301	1,809	33,100	9,291	170,000	115	2,110
Interest rate, based on South African prime rate	11.75%				11.65%			

(1) Overdraft may only be used to fund ATMs and upon utilization is considered restricted cash.

(2) Indirect and derivative facilities may only be used for guarantees, letters of credit and forward exchange contracts to support guarantees issued by RMB and Nedbank to various third parties on our behalf.

Long-term borrowings

We have aggregate long-term borrowing outstanding of ZAR 2.6 billion (\$142.8 million translated at exchange rates as of December 31, 2023) as described in Note 8. These borrowings include outstanding long-term borrowings obtained by Lesaka SA of ZAR 1.0 billion, including accrued interest, which was used to partially fund the acquisition of Connect. The Lesaka SA borrowing arrangements were amended in March 2023 to include a ZAR 200 million revolving credit facility. We used this revolving credit facility during the six months ended December 31, 2023, and ZAR 115.0 million was drawn as of December 31, 2023, with the remaining balance available for utilization in the future. In contemplation of the Connect transaction, Connect obtained total facilities of ZAR 1.3 billion, which were utilized to repay its existing borrowings, to fund a portion of its capital expenditures and to settle obligations under the transaction documents, and which has subsequently been upsized for its operational requirements and has an outstanding balance as of December 31, 2023, of ZAR 1.2 billion. We also have a revolving credit facility, of ZAR 300.0 million which is utilized to fund a portion of our merchant finance loans receivable book.

Restricted cash

We have credit facilities with RMB in order to access cash to fund our ATMs in South Africa. Our cash, cash equivalents and restricted cash presented in our consolidated statement of cash flows as of December 31, 2023, includes restricted cash of \$23.5 million related to cash withdrawn from our debt facility to fund ATMs. This cash may only be used to fund ATMs and is considered restricted as to use and therefore is classified as restricted cash on our consolidated balance sheet.

We have also entered into cession and pledge agreements with Nedbank related to our Nedbank indirect credit facilities and we have ceded and pledged certain bank accounts to Nedbank. The funds included in these bank accounts are restricted as they may not be withdrawn without the express permission of Nedbank. Our cash, cash equivalents and restricted cash presented in our consolidated statement of cash flows as of December 31, 2023, includes restricted cash of \$0.1 million that has been ceded and pledged.

Cash flows from operating activities

Second quarter

Net cash provided by operating activities during the second quarter of fiscal 2024 was \$0.6 million (ZAR 10.9 million) compared to \$3.4 million (ZAR 59.9 million) during the second quarter of fiscal 2023. Excluding the impact of income taxes, our cash provided by operating activities during the second quarter of fiscal 2024 was positively impacted by the contribution from Merchant and Consumer, which was partially offset by growth in our consumer and merchant finance loans receivable books and temporary working capital movements within our merchant business as a result of quarter-end transaction processing activities closing on a Sunday and settled in the following week.

During the second quarter of fiscal 2024, we paid first provisional South African tax payments of \$0.1 million (ZAR 1.3 million) related to our 2023 tax year and South African tax payments related to prior years of \$0.1 million (ZAR 1.3 million). During the second quarter of fiscal 2023, we paid first provisional South African tax payments of \$2.5 million (ZAR 42.6 million) related to our 2023 tax year, and additional second provisional South African tax payments of \$0.01 million (ZAR 0.2 million) related to our 2022 tax year.

Taxes paid during the second quarter of fiscal 2024 and 2023 were as follows:

Table 16

	Three months ended December 31,			
	2023	2022	2023	2022
	\$	\$	ZAR	ZAR
	'000	'000	'000	'000
First provisional payments	2,662	2,463	49,516	42,582
Taxation paid related to prior years	69	10	1,328	180
Tax refund received	-	(141)	-	(2,570)
Total South African taxes paid	2,731	2,332	50,844	40,192
Foreign taxes paid	75	50	1,409	889
Total tax paid	2,806	2,382	52,253	41,081

First half

Net cash provided by operating activities during the first half of fiscal 2024 was \$4.0 million (ZAR 74.0 million) compared to net cash used in operating activities of \$4.2 million (ZAR 73.1 million) during the first half of fiscal 2023. Excluding the impact of income taxes, our cash provided by operating activities during the first half of fiscal 2024 was positively impacted by the contribution from Merchant and Consumer, which was partially offset by growth in our consumer and merchant finance loans receivable books and temporary working capital movements within our merchant business as a result of quarter-end transaction processing activities closing on a Sunday and settled in the following week.

During the first half of fiscal 2024, we paid first provisional South African tax payments of \$0.6 million (ZAR 12.2 million) related to our 2023 tax year and South African tax payments related to prior years of \$0.6 million (ZAR 12.2 million). During the first half of fiscal 2023, we paid first provisional South African tax payments of \$3.0 million (ZAR 50.8 million) related to our 2023 tax year, and additional second provisional South African tax payments of \$0.2 million (ZAR 3.4 million) related to our 2022 tax year.

Taxes paid during the first half of fiscal 2024 and 2023 were as follows:

Table 17

	Six months ended December 31,			
	2023	2022	2023	2022
	\$ '000	\$ '000	ZAR '000	ZAR '000
First provisional payments	2,662	2,955	49,516	50,798
Second provisional payments	-	191	-	3,371
Taxation paid related to prior years	641	10	12,187	180
Tax refund received	(31)	(198)	(640)	(3,540)
Total South African taxes paid	3,272	2,958	61,063	50,809
Foreign taxes paid	138	101	2,605	1,775
Total tax paid	3,410	3,059	63,668	52,584

Cash flows from investing activities

Second quarter

Cash used in investing activities for the second quarter of fiscal 2024 included capital expenditures of \$5.0 million (ZAR 93.7 million), primarily due to the acquisition of vaults and POS devices. During the second quarter of fiscal 2024, we received proceeds of \$3.5 million related to the sale of remaining interest in Finbond and \$0.25 million related to the second (and final) tranche from the disposal of our entire equity interest in Carbon.

Cash used in investing activities for the second quarter of fiscal 2023 included capital expenditures of \$4.0 million (ZAR 69.9 million), due to the acquisition of vaults and POS devices.

First half

Cash used in investing activities for the first half of fiscal 2024 included capital expenditures of \$5.0 million (ZAR 93.7 million), primarily due to the acquisition of vaults and POS devices. During the first half of fiscal 2024, we received proceeds of \$3.5 million related to the sale of remaining interest in Finbond and \$0.25 million related to the second (and final) tranche from the disposal of our entire equity interest in Carbon.

Cash used in investing activities for the first half of fiscal 2023 included capital expenditures of \$8.5 million (ZAR 146.5 million), primarily due to the acquisition of vaults, POS devices and computer equipment. During the first half of fiscal 2023, we received proceeds of \$0.25 million related to the first tranche from the disposal of our entire equity interest in Carbon.

Cash flows from financing activities

Second quarter

During the second quarter of fiscal 2024, we utilized \$69.0 million from our South African overdraft facilities to fund our ATMs and our cash management business through Connect, and repaid \$66.0 million of those facilities. We utilized \$8.6 million of our long-term borrowings to fund the acquisition of certain capital expenditures and for working capital requirements. We repaid \$3.2 million of long-term borrowings in accordance with our repayment schedule as well as to settle a portion of our revolving credit facility utilized. We also paid \$0.2 million to repurchase shares from employees in order for the employees to settle taxes due related to the vesting of shares of restricted stock.

During the second quarter of fiscal 2023, we utilized \$167.2 million from our South African overdraft facilities to fund our ATMs and our cash management business through Connect, and repaid \$175.4 million of those facilities. We utilized \$9.1 million of our long-term borrowings to fund our merchant finance loans receivable business and to fund the acquisition of certain capital expenditures. We repaid \$1.7 million of long-term borrowings in accordance with our repayment schedule. We received \$0.3 million from the exercise of stock options. We also paid \$0.1 million to repurchase shares from employees in order for the employees to settle taxes due related to the vesting of shares of restricted stock.

First half

During the first half of fiscal 2024, we utilized \$128.6 million from our South African overdraft facilities to fund our ATMs and our cash management business through Connect, and repaid \$128.8 million of those facilities. We utilized \$11.0 million of our long-term borrowings to fund the acquisition of certain capital expenditures and for working capital requirements. We repaid \$5.8 million of long-term borrowings in accordance with our repayment schedule as well as to settle a portion of our revolving credit facility utilized. We also paid \$0.2 million to repurchase shares from employees in order for the employees to settle taxes due related to the vesting of shares of restricted stock.

During the first half of fiscal 2023, we utilized \$313.3 million from our South African overdraft facilities to fund our ATMs and our cash management business through Connect, and repaid \$312.3 million of those facilities. We utilized \$10.1 million of our long-term borrowings to fund our merchant finance loans receivable business and to fund the acquisition of certain capital expenditures. We repaid \$3.3 million of long-term borrowings in accordance with our repayment schedule. We received \$0.3 million from the exercise of stock options. We also paid \$0.3 million to repurchase shares from employees in order for the employees to settle taxes due related to the vesting of shares of restricted stock.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Capital Expenditures

We expect capital spending for the third quarter of fiscal 2024 to primarily include spending for acquisition of POS devices, vaults, computer software, computer and office equipment, as well as for our ATM infrastructure and branch network in South Africa. Our capital expenditures for the second quarter of fiscal 2024 and 2023 are discussed under “—Liquidity and Capital Resources—Cash flows from investing activities.” All of our capital expenditures for the past three fiscal years were funded through internally generated funds, or, following the Connect acquisition, our asset-backed borrowing arrangement. We had outstanding capital commitments as of December 31, 2023, of \$0.1 million. We expect to fund these expenditures through internally generated funds and available facilities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In addition to the tables below, see Note 4 to the unaudited condensed consolidated financial statements for a discussion of market risk.

We have short and long-term borrowings in South Africa which attract interest at rates that fluctuate based on changes in the South African prime and 3-month JIBAR interest rates. The following table illustrates the effect on our annual expected interest charge, translated at exchange rates applicable as of December 31, 2023, as a result of changes in the South African prime and 3-month JIBAR interest rates, using our outstanding short and long-term borrowings as of December 31, 2023. The effect of a hypothetical 1% (i.e. 100 basis points) increase and a 1% decrease in the interest rates applicable to the borrowings as of December 31, 2023, are shown. The selected 1% hypothetical change does not reflect what could be considered the best- or worst-case scenarios.

Table 18

	As of December 31, 2023		
	Annual expected interest charge (\$ '000)	Hypothetical change in interest rates	Estimated annual expected interest charge after hypothetical change in interest rates (\$ '000)
Interest on South African borrowings	22,345	1%	24,105
		(1%)	20,585

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our group chief executive officer and our group chief financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of December 31, 2023. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, the group chief executive officer and the group chief financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2023.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1A. Risk Factors

See “Item 1A RISK FACTORS” in Part I of our Annual Report on Form 10-K for the fiscal year ended June 30, 2023, for a discussion of risk factors relating to (i) our business, (ii) operating in South Africa and other foreign markets, (iii) government regulation, and (iv) our common stock. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below presents information relating to purchases of shares of our common stock during the second quarter of fiscal 2024:

Period	(a) Total number of shares purchased	(b) Average price paid per share (US dollars)	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum dollar value of shares that may yet be purchased under the plans or programs
Oct-23	-		-	100,000,000
Nov-23 ⁽¹⁾	26,925	4.55	-	100,000,000
Dec-23 ⁽¹⁾	24,050	3.14	-	100,000,000
Total	<u>50,975</u>		<u>-</u>	

(1) Relates to the delivery of shares of our common stock to us by certain of our employees to settle their income tax liabilities. These shares do not reduce the repurchase authority under the share repurchase program.

Item 5. Other Information

Our Section 16 officers and directors, as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934 (the “Exchange Act”), may from time to time enter into plans for the purchase or sale of our common stock that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act. During the quarter ended December 31, 2023, no officers or directors, as defined in Rule 16a-1(f), adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

The following exhibits are filed as part of this Form 10-Q:

Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein		
			Form	Exhibit	Filing Date
10.44	Amendment and Restatement Agreement, dated November 24, 2023, between Lesaka Technologies Proprietary Limited (as borrower), and FirstRand Bank Limited (acting through its Rand Merchant Bank division) (as lender), and FirstRand Bank Limited (acting through its Rand Merchant Bank division) (as facility agent)		8-K	10.1	December 1, 2023
10.45	Employment Agreement, dated as of December 4, 2023, between Lesaka Technologies, Inc. and Ali Mazanderani		8-K	10.1	December 4, 2023
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act	X			
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act	X			
32	Certification pursuant to 18 USC Section 1350	X			
101.INS	XBRL Instance Document	X			
101.SCH	XBRL Taxonomy Extension Schema	X			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X			
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X			
101.LAB	XBRL Taxonomy Extension Label Linkbase	X			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X			
104	Cover page formatted as Inline XBRL and contained in Exhibit 101				

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 6, 2024.

LESAKA TECHNOLOGIES, INC.

By: /s/ Chris G.B. Meyer

Chris G.B. Meyer

Group Chief Executive Officer

By: /s/ Naeem E. Kola

Naeem E. Kola

Group Chief Financial Officer, Treasurer and Secretary