Bronwyn Nielsen

Hello everyone and welcome to the Lesaka Technologies webcast and conference call for the first quarter of fiscal 2025.

As a reminder the webcast is being recorded and the presentation can be accessed through the webcast link as well as dialling into the zoom conference call dial-in numbers provided. Management will address any questions you may have at the end of the presentation. For those joining us via the webcast, you can ask your questions live by “raising your hand” in zoom. For those joining via the zoom teleconference line, you cannot ask your questions live.

The webcast link, zoom conference call dial-in numbers as well as our press release and supplementary investor presentation are available on our Investor Relations website at ir.lesakatech.com. Additionally, Lesaka filed its Form 10-Q after the U.S. market close yesterday, which is also available on our Investor Relations website.

As a reminder, during this call, we will be making forward-looking statements, and I ask you to look at the cautionary language contained in our Form 10-Q regarding the risks and uncertainties associated with forward-looking statements.

Also, as a domestic filer in the United States, we report results in U.S. dollars, under US GAAP. However, it is important to note that our operational currency is South African rand and as such we analyze our performance in South African rand. In this presentation, we will discuss our results in South African rand, which is non-GAAP. This assists investors' understanding of the underlying trends in our business. As you know, the company's results can be significantly affected by the currency fluctuations between the U.S. dollar and the South African rand.

Slide 3 Bronwyn – AGENDA

Taking a look at today's agenda: Ali Mazanderani, Chairman of Lesaka, will give an overview of the quarter. Steve Heilbron, Head of Corporate Development will provide an update on the Merchant Division, followed by Lincoln Mali, CEO of Lesaka Southern Africa, who will take us through the Consumer Division's performance. Dan Smith, Group CFO, will present an overview of our financial performance for the three months ended September 30, 2024 and provide an update on guidance. Thereafter we will open the call for Q&A.

I'd like to now turn the call over to Ali.

Good morning and good afternoon, and welcome to our FY25 first quarter earnings webcast and conference call.

Slide 6: Continuation of our strong and consistent performance - ALI

Good morning and good afternoon.

FY2025 is another transformative year for Lesaka and I am pleased that in the first quarter we have delivered on our representations by meeting the mid-point of our guidance at both a revenue and EBITDA level.

We achieved revenue of R2.6bn and EBITDA of R168m and excluding transaction costs from Adumo, operating income of R30m, compared to R4m in Q12024 and Fundamental Earnings of R43m from a loss of R5m in Q1FY2024.

We signposted last quarter that we would introduce in this quarter, a new measure to help augment gross revenue as a representation of top line growth. In this respect we are disclosing for the first time Net Revenue, which we believe will achieve that objective better than Gross Profit. Net Revenue is defined as Gross Revenue less the cost of prepaid airtime sold by us and commissions paid to third parties selling our VAS products.

Our Net Revenue for Q12025 was R1,056m representing a growth of 16% from Q12024. This indicates an average EBITDA/Net Revenue margin across the group of c.16% in Q12025. We see considerable opportunity to increase that margin over time as we further scale the platform, increase our competitive moat and evolve the multi-product offering.

Slide 7: Our platform and solutions are positioned to win - ALI

We are building a multiproduct platform that is organized around the customer. As a reminder, we have two segments of customers: Consumers and Businesses, and within the Business segment we now further differentiate between Micro-Merchants, Merchants and Enterprises.

In FY2025 we expect the consumer segment to contribute approximately one third to Segment adjusted EBITDA and the Business segment approximately two thirds. Today we serve 1.7m consumers and 122k merchants and while there is an enormous opportunity for us to grow the base of customers materially in both, given the total addressable market (TAM) in the markets we operate in, there is also an enormous opportunity to increase the value we provide to our customers by delivering an integrated multi-product offering.

Today we don't just provide consumers with transactional accounts, we also offer loans and insurance as an example. We don't just provide merchants with card acceptance, we also offer cash management, credit, software and VAS services. The more integrated our product offering is to our customers, the more successful we will be.

And the consequence of successfully executing on a multi-product strategy organized around the customer will be to provide a truly differentiated service that disrupts an already scale and profitable market enabling us to compete on value rather than price. It will allow us to transform unit economics and return on capital by reducing the cost of customer acquisition, increasing the take rate we generate, and reducing customer churn.

Within the Lesaka stable we already had a range of products that addressed a number of customer needs. With the completion of the Adumo acquisition that suite of products has substantially increased. Thus, in FY2025 our operational focus is on integration. It is about ensuring we have the right foundation to deliver on our potential. It is about ensuring we are providing a standout value proposition with best-in-class economics, rather than rapidly scaling the base, although that time is coming.

We are truly fortunate that in a year where we are focused on integration, product offering and unit economics we can still provide guidance for FY2025 Net Revenue and EBITDA growth that is more than 30% YoY, as Dan will talk to in our guidance section. We are in the enviable position of being able to grow profitably while investing for our future.

Slide 8: Lesaka platform is strategically positioned to benefit from secular tailwinds - ALI

And the future is bright. Africa represents the fastest growth fintech opportunity in the world and
we are also wonderfully positioned to benefit from secular tailwinds and structural advantages. We are positioning the business to benefit from the continued digitization of the economies in which we operate.

Cash is still a pervasive medium of exchange in Africa with a higher utilization than anywhere else in the world. Our bet is that it will decrease, and that this will increase the need for merchant solutions which traditional banks are poorly equipped to address. The combination of banks being generally product centric organizations, who have built their technology on legacy architecture, where they will cannibalize existing profit pools by disrupting the market, and where they rely on generic, rather than specialized, distribution channels, poorly positions them to solve the needs of merchants in a digitalizing world.

This is the global experience. In 2011, 97% of the 50 largest merchant acquirers in the world were banks. By 2022, this number reduced to 43%.

These are themes which we have seen happen time and time again in market after market, whether in developed markets like the US, the UK or the European Economic Area, or in emerging markets like Mexico, Brazil or Egypt. The story is the same. Seismic shifts have occurred in the industry globally and we do not believe Southern Africa will be a unique outlier. While there is some uncertainty on the velocity of travel, the trajectory is clear. The markets we operate in will digitize, they are forecast to digitalize faster than other parts of the world, and traditional bank incumbents will capture a decreasing share of that market. In South Africa where these are already scaled and very profitable players, there is the opportunity to, not just grow the market, by providing augmentative products but there is also the opportunity to disrupt an existing profit pool. As the leading independent fintech in Southern Africa, with the broadest product offering, our destiny should be, to be at the vanguard of this transformation.

Over to you Steve.

Steve Heilbron

Slide 9: Merchant Division

Thank you Ali.

Firstly, I would like to again formally welcome Paul Kent and the Adumo and GAAP teams to Lesaka. The transaction closed on October 1, 2024. Adumo will form part of the group for the second quarter and will be reflected in our Q2 results, presented in February next year.

We have already held numerous sales and product workshops, and leadership interactions including having Paul Kent join our Group Exco. We are encouraged by these initial engagements and look forward to further developing our formal market merchant offering.

Slide 10: South Africa remains underpenetrated with huge addressable opportunities.

I would like to support what Ali has spoken to in a merchant context. We operate in a large and growing market, within which we believe global fintech trends will playout in Southern Africa. We have invested significantly over the past two and a half years into building our platform comprising a unique comprehensive offering across the merchant spectrum. We continue to invest, innovate and evolve, to position ourselves, to optimize on, the opportunities ahead of us.

We operate in an estimated SAM of almost 900,000 merchants, who experience daily pain points and inefficiencies in running their businesses. This includes limited access to digital payments, poor cash management solutions, limited access to capital and the lack of availability to a holistic offering.

Our comprehensive merchant solutions solve for these pain points, and we are making a real difference in our merchants' lives.

Slide 11: Uniquely positioned | Holistic offering and innovative solutions to merchants

Critical to our strategy is the broad offering we have for our merchants. We have competitors on an individual product basis, but our holistic solution is proving to be both durable and an effective differentiator.

With the closing of the Adumo transaction Lesaka now has a leading position in both the micro-merchant sector, in the informal market, and in the small-to-medium merchant sector, in the formal market. This is complemented by a growing presence in the enterprise market.

We now serve over 122,000 merchants, processing over R270 billion annually across Southern Africa. Success in fintech is predicated on capturing scale at compelling growth rates. Through continuous innovation and investment in our ecosystem we believe our platform is well positioned to take advantage of the secular fintech trends.

As a fintech company, this comprehensive approach is unique and disruptive – from cash vaults and immediate digitalization, quick access to capital for growth opportunities, a comprehensive VAS product suite to attract customers to merchants' stores, supplier payments and industry-leading payment technologies. We offer innovative solutions that make a meaningful difference to our merchant's daily trading, risk management, and business administration. We will entrench and extend our position in the informal and formal micro-and-small-to-medium merchant markets by continuing to embed ourselves as their partner.

Slide 12: Merchant revenue drivers Q1 FY25 | VAS and supplier payments

Turning to our KPIs, this quarter, we have split the throughput on our Kazang devices into traditional VAS, supplier payments and international money transfers, given that the supplier payments have become a major contributor to our throughput, and we expect continued growth.

We offer a wide range of VAS products through our Kazang devices aimed at attracting customers into our merchants' stores, This includes airtime, data, electricity, gaming, lotto, money transfers and bill payments.

Our devices in field increased 16% y-o-y, this includes the Touchsides base of approximately 5 400 devices that we have not converted onto the Kazang platform. This presents an immediate opportunity. We have successfully converted approximately 1 500 Touchsides sites to Kazang devices in Q1. In addition to rolling-out our traditional VAS offering, the more significant opportunity in the Touchsides sites is in card acquiring and data monetization.

Our total throughput increased 38% year-on-year, driven largely by our supplier payments and international money transfer offerings, each growing throughput by over R1 billion year-on-year.

Our supplier payments throughput increased 60% to R3.2 billon for the quarter. We have over 1 000 suppliers on our platform allowing our micro-merchants to significantly reduce time-consuming administration and the inherent risks of dealing in large amounts of cash in their environment. Although attracting a lower margin than traditional VAS sales, this forms a key part of our strategy to attract merchants and increase their utilization of a broader spectrum of our product set, driving growth and increased flows in quarters to come. Investment into growing our supplier payments ecosystem and vaulting infrastructure is integral to this strategy, and facilitates the pull through from cash to card.

VAS throughput, excluding supplier payments and international money transfers, increased 10% year-on-year to R5.4 billion. We have seen increased competition in this space as expected given that South Africa's merchant market remains underpenetrated with a meaningful addressable opportunity. Banks and other fintechs have been more active in the market, however we remain agile and responsive to these changes, protecting our base and continue to grow.

Slide 13: Merchant revenue drivers FY25 Q1 | Card acceptance

Card enabled devices grew 15% year-on-year to over 53 450 devices. Having switched on a large portion of our back book of Kazang devices for card acceptance during FY 2023 and FY 2024, this is a factor of new to platform merchants as opposed to backfilling the existing VAS base.

Throughput grew 18% to R4.2 billion for the quarter and is reflective of the opportunity going forward. We are also continuing our focus on higher ARPUs per device, with many poorer performing sites being uplifted and deployed into higher turnover, more profitable merchants. We do see a significant opportunity in the tavern space as we bring the Touchsides sites onto our Kazang Pay service and further penetrate this vertical. As mentioned earlier, we are seeing good results in switching Touchsides taverns onto our platform.

For our card business, the introduction of the Adumo business brings exciting opportunities with the scale and solution sets that this brings to our platform.

Slide 14: Merchant revenue drivers FY24 Q4 | Cash management solutions

Our cash offering is an important part of the ecosystem that we are building in formal and informal markets. Our vaulting solution brings significant efficiency gains to informal merchants as they don't have to travel to banks to deposit cash – they can go to their closest merchant in the community with a Kazang vault and drop their cash. This is immediately available in their wallet for working capital, supplier payments or VAS purchases. We believe we make a real difference in our micro merchants' operations as we build Kazang merchant communities, enhance risk management and facilitate immediate cash availability.

Cash vaults in the field grew 2% y-o-y driven by stronger growth in Kazang Vaults, in the informal market, offset by muted growth and upliftments due to bankruptcies in the formal small-to-medium merchant market, which continues to experience challenging conditions.

Throughput increased 4% year-on-year driven by Kazang Vaults in the informal market, which saw cash settlements doubling and now contributes approximately 10% of our cash settlements, compared to 5% a year ago.

Slide 15: Merchant revenue drivers FY24 Q4 | Lending

Our credit business is primarily exposed to the formal small-and-medium merchant sector. As our merchants faced economic headwinds, their credit scores have suffered leading to many not meeting our credit criteria in respect of relends. This has resulted in lower advances and book size; however, this has maintained the quality of our book.

With the commencement of a down cycle in interest rates and a more positive economic outlook, we have experienced an increased in lending activity. Disbursements in Q1 were R166 million with our loan book at R273 million. This represents an 8% increase in disbursements over the previous quarter.

As a reminder, last year we suspended KazangPay Advance, which focused on micro-merchants. We are currently in the pilot phase of a re-launch which we will hopefully be in a position to start commercial roll-out in the second half of the year.

With new lending products in the formal and informal markets, and the cross-sell opportunities into the acquired merchant base that Adumo and GAAP present, supported by an improving interest rate environment, we anticipate an enhanced lending performance in FY 2025.

Slide 16: Merchant revenue drivers | Enterprise

Our enterprise market solution is strategically important to us and completes our merchant offering. Our nascent Enterprise business brings an opportunity to leverage larger corporate customer relationships across our broader, consumer and merchant, ecosystem. We continue to invest in and enhance our technology and believe this will be an important contributor in future years. The new operating model with Enterprise as a distinct pillar will increase our focus and improve performance of this business.

We have a network of over 620 integrated billers, and are one of the largest in the country, enabling enterprise clients to offer value-added service to their customers.

We have seen a strengthening in our position in the formal VAS distribution market, with healthy growth in throughput, led by prepaid electricity purchases increasing by 36% year-on-year, and bill payments up 18%.

Our PRISM solution is one of only a few providers of proprietary security technologies, and opens a revenue opportunity with finance, retail, telecom, and utility clients. This presents a meaningful growth opportunity which we are looking to further invest in over the coming quarters.

Slide 17: Merchant performance Q1 FY25

Turning to the financials, our revenue for the quarter was flat year-on-year. As Ali mentioned, the sales mix between PIN and PIN-less airtime impacts our gross revenue growth rate. This change in mix is now captured in our net revenue metric. On a net revenue basis we delivered a 9% year-on-year growth.

At the adjusted EBITDA level, after normalizing for NUETS (*now rebranded to PRISM POS*), we recorded a 1% increase to R142 million for the quarter. We have not presented normalized figures for two additional line items which are meaningful but intermittent. These include the bulk VAS opportunities which impact our results from time to time, in addition, this year we changed allocations of South African support costs. Normalizing for these items would result in a 10% increase in adjusted EBITDA.

Our Q1 2025 performance reflects a scenario in which we have further invested, organically and inorganically, in the construction of our platform. This has resulted in increased expenditure this quarter compared to a year ago. In addition to this, when comparing the two relevant quarters, the sales mix in this quarter is skewed toward lower margin products, contributing to a result that is not reflective of our forward looking Merchant Division performance.

To slide 18

As mentioned at the outset, we see a significant opportunity in the segments we serve, supported by the secular trends of digitalization and the resultant market share shift from banks to non-bank providers.

Slide 18 - Evolution of our Merchant Division's Segment Adjusted EBITDA

The merchant division has evolved and reflects a very different construct today than when compared to our point of departure. We are excited to continue on this trajectory.

In micro-merchant we are entering our busiest quarter with South Africa's festive season upon us. In the merchant pillar we have commenced the Adumo and GAAP integration and are encouraged by engagements amongst our management and sales teams to date. As mentioned, there are new initiatives in the pipeline in our Enterprise pillar.

In closing we are proving a view of the Merchant Division outlook for FY 2025. We expect Segment Adjusted EBITDA between R725 million and R745 million, which at the mid-point represents a 23% growth for the year. As Ali addressed in his introduction, we are building the leading fintech platform in Southern Africa, with a broad solution set and significant scale opportunities in a market which is ripe for innovation and disruption.

Thank you, Lincoln will take you through the consumer results and outlook.

Slide 19: Consumer Division

Thank you Steve.

It has been another successful quarter for the Consumer business, as well as a busy one. As we prepare for the rest of FY 2025, we have already launched a new front-end platform to improve our sales capabilities and approved, an enhanced lending product, currently under consideration, to be launched in quarter two. We welcomed Adumo Payouts and its team to the consumer team from 1 October 2024.

Slide 20 : South Africa remains underpenetrated with huge addressable opportunities.

As a reminder, our consumer business operates in the lower LSM segments in South Africa which is estimated to be approximately 26 million consumers. Within that our core focus is on the grant beneficiary market of approximately 12 million monthly grant recipients, where we estimate our market share to be approximately 11% of this market.

Some examples of the pain points for grant beneficiaries include lower smartphone penetration and expensive data preventing easy use of digital channels, expensive and opaque pricing structures, limited access to financial services and long waits at traditional branch networks. We have invested heavily in understanding these pain points of our clients and are continually designing and adjusting our products and distribution to align with their needs.

Slide 21 : Consumer | Offering straight forward and cost-effective Financial Services

For these consumers we provide a suite of financial services to help them access their money, make payments, buy essential services, get credit and protect their families. We service our existing base and attract new consumers through a national network of 220 branches, 450 ATMs, over 600 sales and service consultants **and** over 100 sales and service flexi consultants. Our USSD and voice branch options are becoming very popular choices for our consumers which I will talk to shortly.

Looking at our KPIs, we have grown our EPE customer base by 14% over the past year to over 1.5 million, of which 1.3 million, or 88%, are permanent grant beneficiaries. These are customers we are able to cross-sell our lending and insurance products to and where we place our focus on.

(To next slide) – slide 22

Slide 22: Growth in EPE base | Continued momentum in cross selling & upselling initiatives

Our EPE account base continues to grow at the new, step change levels, post our marketing and distribution network improvements last year. We had 62,000 gross new account activations in Q1 which was pleasing in a traditionally quiet quarter for us. The “higher than usual” level of activations in quarter one last year (76, 000 gross activations) was as a result of the Post Bank liquidation rumours and significant issues encountered in the Post Bank’s grant distribution system. This led to a large migration of customers away from the Post Bank, of which we were one of the beneficiaries. Net activations were 26,000 for this quarter.

We are very pleased with the progress we are making on our cross-sell initiatives. We expect this to continue with the introduction of our sales front-end and the improved lending product. We saw a greater than 20% YoY increase in bank account customers who also take a loan with us, and a more than 30% increase in bank account customers that also have an insurance policy with us. EPE banking customers who have both, a loan, and an insurance policy with us increased more than 35% year-on-year.

(Back to KPI slide) – slide 21

Our gross lending book increased 34% year-on-year to R564 million. We advanced R451 million during the quarter up 28% year-on-year. Our penetration rate is just over 40%, whilst our loan loss ratio has remained constant at approximately 6% per year.

We currently have 466 000 active insurance policies, a 30% increase on last year. Our penetration rate increased from 30% a year ago to 34% in FY25 quarter one. As with the micro-loans, our insurance product has a big impact on our customers lives, providing cover of up to R50 000 on the death of a beneficiary. We are maintaining our efficient payouts rates in terms of time taken to affect insurance claim payouts. 90% of claims were paid out within 24 hours, and 95% within 48 hours.

The value our customers place on these policies is reflected in our very high premium collection ratio of 96%, which is very good at this end of the market, where it is normally around 60%. Further, our lapse ratio of approximately 7% is significantly better than industry norm of over 20% in this market.

The tailored product set for grant beneficiaries, combined with our service levels and distribution has led to the further improvement in our cross-selling abilities as demonstrated earlier, resulting in our ARPU increasing to R91 per month from R83 a year ago.

Slide 23: Repositioned EasyPay Everywhere brand and USSD channel continues to grow

As mentioned, we now have over 220 branches conveniently located for grant beneficiaries and are opening a further 15 this year, supported by over 450 ATMs.

In addition to enhancing our branch network, we continue to invest in our USSD and voice branch platforms. Our USSD channel is performing better than we had hoped, evident on the graphs on this slide. Both the "usage" and "number of unique contact numbers" utilising our USSD channels have increased significantly from January 2023 to September 2024. Our customers are using the USSD channels for VAS purchases including airtime, electricity and DSTV as well as for EPE loan applications. We received more than 60 000 loan applications through USSD in Q1, a 62% increase compared to a year ago. Our EPE customers no longer need to leave their homes and can receive money in their accounts in less than five minutes. When applying for loans in person, transport and related expenses might easily exceed R100, which is a significant sum given the loan values at this point. This demonstrates our belief that fintech innovation has the potential to significantly impact people's lives.

Slide 24: EPE Growth strategy yielding encouraging results

The financial results for Q1 were again very pleasing, demonstrating the effect of the strategy and hard work our teams have put in over the past 3 years.

Revenue increased 30% YoY to R378 million. Segment adjusted EBITDA was R79 million which is an increase of 99% over last year. It is important to note that the like-for-like growth rate would have been higher given our Consumer Segment Adjusted EBITDA in FY25 Q1 includes a R15m interest expense charge compared to zero in prior periods. Prior to 2025 the interest expense related to funding the Consumer Lending book, was included in the Group's interest expense charge. The reason for this change is because we are currently engaging our funders to provide the Consumer Division with a specific debt facility to be utilized to fund our Consumer lending book, which results in the interest expense charge being accounted for as a "cost of sales" item which is within Segment Adjusted EBITDA.

I am extremely proud of the team, we continue to deliver against our strategic focus areas, including enhancing product and service delivery, **and,** cross selling and upselling. We continue to make strides in launching new products and systems, all of which enhance our offering to our consumers.

Slide 25: Looking forward

On the product front our VAS sales to our account base is being well received and I am also very excited by the launch of Bonngwe last month. This is our new sales front-end we have been developing. It provides our sales and service consultants with a more detailed 360 degree view of each of our customers. They will be much better equipped to efficiently service our client base, cross-sell our loan, insurance and VAS products as well as attract new EPE customers to our platform.

Driven by our purpose to provide financial services and software to Southern Africa's underserviced consumers, improving people's lives and increasing financial inclusion, we continue to enhance our product offering to consumers based on their needs, and at the same deliver on our strategy.

In our insurance business, research showed that EPE clients with other family members, such as parents and siblings, were dependent on the financial support of our clients. Often, our clients would be responsible for paying for a funeral policy of such family members.

In order to address this, EasyPay Insurance, launched a benefit where existing policyholders and new clients could elect to cover up to 6 of their dependent family members with cover ranging from R5 000 to R30 000. Since the launch of this benefit in April 2024, more than 25 000 clients have elected to cover their dependent family members, with cover exceeding R650 million.

Similarly, in our lending business, we have conducted extensive research into our customers' financial services needs. We are looking to launch a loan product for qualifying consumers where the maximum loan and repayment term increases from "R2000 and six months" **to** "R4000 and nine months". The research we commissioned showed that many of our customers were resorting to additional loans often on significantly worse terms, and often from unregistered lenders. Our decision was also supported by the consistent, and low, loan loss ratio we have experienced in our book over the past two years. We will be applying the same affordability criteria to the new product and expect our average loan size to increase from R1580 to R2600 over time.

Back to slide 24 (where we have strategic objective focus areas listed)

As I have outlined before and in more detail at our full year results that we presented in September, we are not getting complacent because of the momentum we have achieved. We believe that we have a very large opportunity to grow our EPE base and we are hard at work continually, and enhancing our products, service and distribution to deliver the optimal customer experience in the most convenient manner to our existing and future grant beneficiary customers.

Slide 26 - Evolution of our Consumer Division's Segment Adjusted EBITDA

On 1 October the Adumo Payouts business officially became part of the Consumer Division. We are looking forward to working with them as we build out the Consumer offering beyond the grant beneficiary space. The Adumo Payouts contribution will be reflected in the Q2 results as it now forms part of the division for the full period.

I will end with an overview on our guidance for the consumer division for FY 2025. We expect the Consumer Division to deliver between R325 million and R345 million in Segment Adjusted EBITDA for FY 2025. This would be higher if one excludes the impact of the estimated R80 million interest expense charge, now included in Consumer Segment Adjusted EBITDA in FY 2025 compared to zero in FY 2024. We expect the Consumer Division to continue the strong profitability growth.

With that I would like to hand over to Dan.

Dan Smith

Slide 27: Financial highlights

Thank you, Lincoln. Good day everyone.

I am delighted to be joining as CFO at this exciting stage of Lesaka's evolution. I have deep experience in M&A, capital markets and capital allocation and look forward to playing a key role in Lesaka's development as we add further scale and solutions to our platform. I have been fortunate to be closely involved with the Lesaka team over the past 3 years in establishing Lesaka as the leading independent fintech in Southern Africa. I will be working closely with our board, investors, funders and business leaders to ensure that Lesaka is optimally positioned to deliver on our organic and inorganic opportunities, whilst adhering to optimal capital allocation principles and a focus on shareholder value creation.

As a reminder, Lesaka is a domestic filer in the United States, we report results in U.S. dollars, under US GAAP. However, our operational currency is South African Rand and as such we analyse our performance in South African Rand.

Slide 28: Group Revenue & EBITDA for Q1 FY25 Consistent execution

At a group level our revenue was at the mid-point of our guidance provided, increasing 3%, to R2.6 billion, year-on-year. On a Net Revenue basis we grew our top line by 16% year-on-year.

To recap what Ali mentioned earlier, Net Revenue is calculated as GAAP Revenue less the cost of pre-paid airtime sold and commissions paid to third parties selling our VAS products. This measure will eliminate fluctuations in Revenue primarily due to the mix in pinned versus pinless airtime sales and provides a better representation of our topline growth.

Consumer continued delivering impressive growth with revenue increasing 30% year-on-year to R378 million. With the high repeat customer rate in our loan book and collection rate in our insurance book, our Consumer Division provides a sticky annuity base with high levels of predictability. As we add further EPE consumer accounts each month, increase cross-sell, and add further products we anticipate continued good growth in this segment.

In our Merchant Division, we were impacted by the mix of pinned versus pinless sales of airtime when compared to a year ago. However on a net revenue basis we grew our top line by 9% year-on-year.

Group Adjusted EBITDA grew by 12% to R168 million against guidance of R160 million to R180 million. This was the nineth consecutive quarter of meeting earnings guidance.

Consumer Segment Adjusted EBITDA almost doubled compared to last year as we added scale to our EPE account base and increased penetration of our lending and insurance products. Merchant Segment Adjusted EBITDA was marginally lower for the quarter, decreasing 1% to R142 million. As Steve mentioned in his merchant overview, this was due to a change in our revenue mix, an increased competitive environment and higher investment, at an operating expense level (*mainly the IT platform*), in our platform. Adjusting for these items, growth would be 10% over last year, which is more reflective of this division's underlying performance.

Group costs increased to R53 million for the quarter due to a combination of new hires at a group level and incremental operating costs both of which relate to scaling our platform.

Slide 29 : GAAP Income Statement for the quarter (FY25 Q1, FY24 Q1, FY23 Q1)

Slide 30 – we do not show this slide

Operating income for the quarter decreased by R4.5 million to a loss of R0.3 million.

Show slide 31

Slide 31: Operating profit (loss)

However, included in this is R30 million of one-off costs related to the Adumo acquisition, without which we would have shown healthy growth at an operating income level to R29.7 million, on a like-for-like basis.

Back to slide 29

Our interest expense remained fairly constant compared to last year. We are looking to reduce this significant expense and are in the process of optimising our current funding arrangements with our banking partners.

Slide 32: Fundamental and basic EPS

Turning to our per share performance, we believe that fundamental earnings per share is the most appropriate measure of our performance. It adjusts for once-off items, such as transaction costs, and excludes the amortization of intangibles which is a non-cash charge, and stock-based compensation charges.

Our fundamental earnings for the quarter improved from a loss of R5 million last year to a profit of R43 million.

On a per share basis this translates to a 74 cents improvement, to 66 cents, from a loss of 8 cents a year ago (FY 2024 Q1).

Our GAAP basic loss per share improved 40 cents, or 24%, to R1.26 for the quarter.

Slide 33 : Focus on reducing debt & growing Group Adjusted EBITDA

Turning to our cash flow.

Our cash generated from business operations, which is operating cash flow before interest paid, tax paid, working capital related items and movement in loan book funding, increased to R196 million, compared to R184 million a year ago, and was slightly lower than R211 million, in the previous quarter.

Our interest paid was lower than the previous quarter, as we took advantage of the opportunity to capitalise a portion of interest on our facilities as we optimise these funding arrangements.

Our net cash generated from operations after loan book funding and before capex, is typically a good reflection of our conversion of EBITDA to cash.

However, in this quarter there was a significant working capital outflow related predominantly to 2 items:

(i) Firstly the payment of annual staff bonuses, and

(ii) Secondly the unwind, during the quarter, of amounts payable to third parties that we provide VAS and bill payment services to. The previous quarter end (FY 2024 Q4) fell on a weekend, resulting in significantly higher than usual cash and payables balances, which were then settled on the first business day of the current quarter (*FY 2025 Q1*), leading to the large cash outflow. This is simply a timing difference.

We utilised a net R28 million to grow our loan books in the quarter, which overall resulted in net cash used in operating activities of R73 million.

We spent R70 million on capex resulting in net cash utilised of R143 million for the quarter.

Cash generation, cash conversion and optimal capital allocation will be a key priority of mine going forward.

From a balance sheet perspective, our net debt to Group Adjusted EBITDA (*Last-twelve months actual*) ratio is 2.6 times at the end of this quarter (Q1 FY 2025) compared to 3.8 times a year ago. This is slightly higher than at year-end, 30 June 2024 at, 2.5 times, primarily due to the lower cash balances in our net debt calculation.

We have previously communicated to the market that we are looking to continue reducing our Net Debt to Group Adjusted EBITDA ratio, with a medium-term objective of a 2x ratio, which we believe is comfortably serviceable and the appropriate capital structure for the business.

We have R1.3 billion of non-core assets on our balance sheet. The major non-core asset is our holding in Mobikwik and the valuation on balance sheet remains unchanged at USD $76.3m *(translated at closing exchange* *rate of R17.18 to USD)*. Mobikwik continues to improve its financial performance and still plans to list on the Indian stock exchange as soon as practical. We remain committed to realizing the value from this asset through an orderly disposal process in due course.

Slide 34 : Capex

Capital expenditure for the quarter amounted to R70 million, with R41 million relating to growth capex, primarily in the Merchant Division for Kazang devices and cash vaults. Both of which deliver strong IRRs and will support our growth over the medium term. We also made investments in our technology infrastructure.

Slide 37 : Guidance / Outlook

Turning to our outlook and guidance, we reaffirm our FY 25 Revenue guidance at R10 billion to R11 billion and FY 25 Group Adjusted EBITDA guidance of R900 million to R1 billion.

We are also introducing an additional measure being Net Revenue, which will provide an improved view of our top line performance on a comparative basis.

Our Net Revenue guidance is R5.2 billion to R5.6 billion for FY25, which implies 35% year-on year growth at the midpoint of this range. Our Group Adjusted EBITDA guidance for FY25 implies 37% growth, year-on-year, at the midpoint of this range.

Excluding the impact of Adumo, and the allocation of interest expense charges directly related to the consumer loan book in our FY25 Group Adjusted EBITDA, the mid-point implies a growth rate of more than 30% on a like-for-like basis.

For our second quarter ending December 31 2024, we expect Revenue between R2.4 billion and R2.6 billion, and Net Revenue of between R1.2 billion and R1.4 billion. Group Adjusted EBITDA is anticipated to be between R190 million and R210 million for the quarter. These figures are inclusive of Adumo from October 1, 2024.

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In terms of the composition of our FY25 Group Adjusted EBITDA, this view reconciles back to the Segment Adjusted EBITDA contributions per division that Steve and Lincoln presented earlier. We expect that the Merchant Division and Consumer Division will contribute approximately 70% and 30% respectively to Segment Adjusted EBITDA, with Group costs at approximately 20% of Segment Adjusted EBITDA.

Finally, as you can see from the growth trend in our Group Adjusted EBITDA, we have made great progress in the past few years since we started this journey.

We have added and will continue to add scale and proprietary solutions to our platform, enhancing our ability to innovate and disrupt as we entrench ourselves as Southern Africa's leading independent fintech.

Questions slide

With that I would like to close the presentation and address questions you may have for management through a results Q&A with the executive management team led by Ali Mazandarani, Executive Chairman of Lesaka.

Please raise your hands or post in the question chat box as we proceed with this live Q&A. Thank you.

Q&A Session with Management

Question: Raj Sharma – B.Reily Securities
Ali, can you unpack what you talk about as "the huge pool of profits in the payments space currently sitting with the banks and waiting for disruption". How quickly will this materialize for fintechs in SA based on your experience and research?

Answer: Ali Mazanderani – Executive Chairman:
Thank you, Bronwyn, and thank you, Raj, for the question. Firstly, just to reiterate, our biggest competitor is really inefficiency. We strive to reduce the cost of the services we provide and we strive to provide a suite of services that give our customers the offering that they deserve and that is the principal axis of energy. However, there is a large existing profit pool in the banking space and to give you a sense and provide some sort of like referencing of what that could look like. This is specific to the merchant acquiring business and ancillary services, so it doesn't represent the entirety of our TAM. But in the merchant acquiring space, the total process volume at retail of the big five South African banks is close to $100 billion today. And it's fair to assume a net margin for merchant acquiring and ancillary services of about 100 basis points is generally an industry reference, although it obviously differs by segments and by this nature of the offering. That would represent about a billion dollars of annual contribution. You obviously would expect there to be growth in that base through the digitization over the coming years and I would expect that growth to be double digit given that cash is still a dominant medium of exchange in the economy. In terms of how South Africa will evolve from a bank versus non-bank environment in that respect, I don't see any reason why it should follow a different trajectory than the trajectory that the UK, Europe or Brazil followed over the last decade and the coming decade. Those trajectories have been consistent. The non-bank and fintech disruptors have typically taken between a third and half of the market over the last decade with varying degrees of speed in different markets. So, I think we can expect a similar outcome.

Question: Raj Sharma – B.Reily Securities

In the merchant division, organic growth is slower than expected. Especially compared to the 20% plus growth rates that Connect was growing at when acquired. How should we be thinking about the merchant business growth rates on an organic basis? What would it be for FY25 excluding Adumo?

Answer: Ali Mazanderani – Executive Chairman & Steven Heilbron – Head of Corporate Development:

Ali: Thanks, Raj, for the question. I just want to start by answering the a few points from a group perspective, and then I'll ask Stephen to give some specificity in the merchant segment. So firstly, I don't think that it's softer than expected. We achieved the midpoint of our guidance and I would just like to reiterate, we have achieved the midpoint of our guidance, not just this quarter, but for the last nine consecutive quarters. I think we've demonstrated that we deliver on what we say. In that respect, I think it was fully expected that that would be the outcome for the quarter. In terms of organic versus inorganic growth at a group level, we achieved EBITDA of R 691 million rand in FY24. Our guidance indicated 30% year-on-year organic growth on a like-for-like basis. If you take R 691 million and you apply a 30% growth rate on it, you'll get to about R 900 million. Our guidance also indicated that the interest charge in the consumer lending business is included, that was not included in the prior years which we expect to equate to about R 80 million. So R 900 million minus R 80 million gives you R 820 million. And that's basically a 30% organic like-for-like growth rate for Lesaka for this year with a common base. Given that our guidance is between R 900 million round and a R 1 billion, I think from that you can infer Adumo's contribution given the fact that it will be consolidated for three quarters of the year.

Steven: Thanks, Bronwyn and Ali. I think if I take you back to our point of departure, we've been very clear right from the outset that we were going to construct a dynamic fintech platform that focused on merchants, micro merchants and enterprises, and that that construct was going to be a function of both organic growth and inorganic activity. And I think as a starter, I think if you look back at our track record, we have delivered in respect of the organic growth and more recently, I think as well from an inorganic perspective, we have delivered all that we set out to do. Having said that, if we look at the current quarter, we had a lot going on in this quarter. We grew our net revenues by 9%. We had strong throughputs, but I don't believe that this quarter when we compare it to Q1 2024 is a proxy for growth. We've given clear guidance to FY25 June. We expect at the midpoint to hit 23% growth for the merchant division. That's in line with our historic performance. I don't think that that is slow. I think it could possibly be better. And in the construct, what I would also be saying, you know, this is a period through which we are building the platform. And our focus is very much now around disruption, but specifically to creating bundled product. We've now deepened our merchant segments and broadened our product sets, and we're putting a very strong focus into unit economics, bundling and taking a broader offering to our clientele. And so, I think the guidance that we've given is really the proxy for growth and that puts the context around Q1 24 to Q1 25.

Question: Theo O'Neill – LHR Research:

The consumer segment had an excellent performance, congratulations to the team. You mention the launch of new products, what is in the pipeline and can you cover the rationale and findings from your research behind considering increasing loan size and term?

Answer: Lincoln Mali – CEO Southern Africa

One of the things that we've made reference to is ongoing research and thinking about what's best for our clients. So, one of the things we found in our research was that our clients were demanding more credit than we could offer. Our limit was R 2,000 over six months. And what was becoming clear was that our clients were demanding to get more of that credit. And what also disturbed me was that our clients were going to unscrupulous lenders to get more credit than what we could offer them. So, we started thinking about what we could do to tweak our current product to meet some of the needs of our clients within the National Credit Act and in an environment where our clients can afford. So, what we are working on now is launch a product where we would move from the R 2,000 limit. And six months limit to a possible maximum limit of R 4,000 to a client and a nine month term. And we think that on average we'll be able to have loan sizes that will increase maybe to R 2,600. And so that is what we are experimenting with. The second thing I'd like to maybe point to in our thinking about what we want to do going forward is that we now have the Adumo team that is joining us, Steve Mallaby and his team, and they have 250,000 customers that are in that Adumo Payout business. What we're starting to do is to see what products would make sense to that customer base. Firstly, the most important thing is that this is our first bridgehead into a consumer base that is not grant beneficiaries. And this is an important thing for us as we evolve our platform. So we are thinking of doing a number of things in that space. Firstly. is to see whether we can layer a VAS product into that customer base. Secondly, we're starting to think about a funeral product in that base, and we'll start to think about later on a lending product in that base. This allows us to think of our customer base beyond the traditional base that we've had of grant beneficiaries and these are some of the things that we've got in our pipeline.

Question: Sven Thorsden – Anchor Securities

You mention opportunities in the Enterprise business providing opportunity to leverage larger corporate customer relationships across our broader, consumer and merchant, ecosystem. Can you give us a practical example of this and explain some of the opportunities driving growth sentiment in this pillar?

Answer: Naeem Kola – Group Chief Operating Officer

Our enterprise division, as we noted, evolved as a need to develop solutions and process transactions on behalf of ourselves. As a natural evolution, we're trying to move this function away from being a pure cost center, but being a profit center as well. And we're going to do this through building solutions for both internally as well as our external clients. I think very practical solutions in relation to this is that we provide VAS and bill payment services today to our merchants. We're going to expand this to a broader customer base, which are third parties as well as corporate customers. We also do tokenization internally for security purposes, and we see a big need for this within the telcos as well as municipalities and third-party clients. So these are practical examples of where we think we can drive revenues within this enterprise division on the broader spectrum as an organization.

Question: Jarred Houston – All Weather Capital

Quite a few questions on the numbers from me please. Please spend some time unpacking the increase in group costs and is this the quarterly run rate going forward? Secondly, what is included in once-off items in the appendix transaction costs, and explain the large working capital outflow. I will reiterate if we start, please with the unpacking of the increase in group costs. Thank you.

Answer – Dan Smith – Group Chief Financial Officer

Jarred, our group costs increased 253 million for the quarter. This was a combination of new hires at a group level as well as the costs of scaling our platform. We bore these costs at a group level rather than push them down into the underlying divisions. To give you some color around the nature of these costs, the staff costs, the costs relating to managing our compliance with Sarbanes-Oxley director's fees, legal fees, and of course our group in US listed audit fees. There's some more disclosure around those in the 10-Q. In terms of our guidance, we expect our Group Costs to be approximately 20% of our total segment adjusted EBITDA. In other words, roughly R 200 million for the year. So, the run rate we're currently incurring is roughly a good approximation of what one could expect for the full year ahead.

In once-off items, two categories, R 30 million, relate to the costs being incurred in the Adumo transaction associated to due diligence costs, M&A and legal fees. There's also a separate category of approximately R 1.8 million of costs, and those relate to some of the smaller M&A deals we did in the quarter in the period. So Touchsides, our ESOP plan, as well as a couple of other smaller transactions.

And the large working capital outflow. Net cash generated from operations of the loan book funding, and before capex is typically a good reflection of a conversion of EBITDA to cash. In this quarter, though, we did have a very significant outflow of approximately R 193 million. It is really simplified into two categories. One is the payment of our annual staff bonuses, those who got paid in September of this year. Obviously, this does not come through in prior quarters. And the second is the unwind during the quarter of our months payable to third parties that we provide VAS and bill payment services to. So, in the previous quarter, it was the one ending June of this year which fell on a weekend and resulted in us holding significantly higher than usual cash and payables balances. These were settled on the following business day, which fell into the current quarter leading to the large cash outflow. So this is really just simply a timing difference.

Question: Theo O'Neill – LHR Research:

Can you provide an update on your M&A strategy? You alluded to further bolt-on and transformative M&A. Is this slowly focused on South Africa or also on the rest of Africa? And how do you see yourself funding large acquisitions? Will it be mainly debt and shares or will you be asking for capital from shareholders?

Answer: Ali Mazanderani – Executive Chairman

We see M&A as another lever of growth to our organic growth story. And we see a material opportunity to scale the business. Indeed, many of the most successful fintechs on the continent have utilized M&A effectively in the fintech and payment space and I think this has been a very effective lever in aggregate. We were specific about saying we'll be disciplined in the process. We will only engage in material transactions that are going to be accretive. I think in terms of geographical focus area. I mean, our principal market is South Africa, but we are in a number of neighboring geographies. The Adumo transaction has increased our presence in several geographies. And so, businesses that are operating in neighboring geographies would very much also be part of the ambit of opportunity. In terms of how we would fund that, I think we are flexible depending on the particularities of that transaction. I think debt and capital from shareholders are all legitimate options. What I would say is that we've given a sense of where we want to be managing our debt and we haven't got any change associated with that. But I am excited about what we can build by continuing to augment our offering and we have four subsectors, each of which has attractive opportunities available in them that can increase and improve our offering and also expand our TAM which we can drive synergies from. I would also just finally say that I think this is a business that has demonstrated effectively its capacity to execute and to integrate and we hope to be able to continue that.

Bronwyn Nielsen

That's all we have time for today. Thank you very much for joining us for Lesaka's first quarter live Q&A.
FY25, and if you do have any further questions, please direct them to Investor Relations at Lesaka. Thank you very much to the team. Thank you.