

# Q3 2020 Investor Presentation



# Safe Harbor Statement

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

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

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

These risks and uncertainties may include those discussed in the Company’s annual report on Form 10-K for the year ended June 30, 2019, on file with the Securities and Exchange Commission, and other factors which may not be known to us. Any forward-looking statement speaks only as of its date. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

# Defined Terms

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

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

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

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

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

**Discontinued operations**: Refer to Note 2 to our Q3 2020 Form 10-Q for discontinued operation disclosures. Unless otherwise specified, the results of KSNET and DNI are excluded from analysis included in this presentation.

# QUARTERLY SUMMARY

Q3 2020



# Quarterly Summary

## Q3 2020 Company highlights include:

- Sold KSNET for \$237 million in March 2020 and DNI for \$48 million in April 2020
- Cancelled Bank Frick option to purchase additional 35% in April 2020
- Appointed new Chairman designate and four other new independent non-executive directors
- Entered cooperation agreement with Value Capital Partners (new 16% shareholder) to review strategy, governance and capital allocation

## Q3 2020 Investment portfolio update:

- Cell C's recapitalization ongoing. Operating performance improvements in 1H 2020 vs 1H 2019
- \$18 million impairment for Bank Frick given decline in market values over last 3 months
- Carbon operating at \$24 million revenue run rate and is cautiously managing pandemic impact
- MobiKwik operating at \$74 million revenue run rate and roughly EBITDA breakeven

## Q3 2020 financial summary:

- Revenue from continuing operations of \$36 million up 8% y/y in constant currency
- Adj. EBITDA loss of \$(6.4) million, excluding KSNET positive contribution of \$3.5 million
- Fundamental loss per share of \$(0.11)
- Free cash flow of negative \$5 million
- Recognized \$13 million after tax gain on sale of KSNET

## At March 31, 2020:

- Unrestricted cash of \$209 million
- Total debt outstanding of \$3 million
- Total equity of \$367 million or \$6.42/share

# April and May 2020 Trends

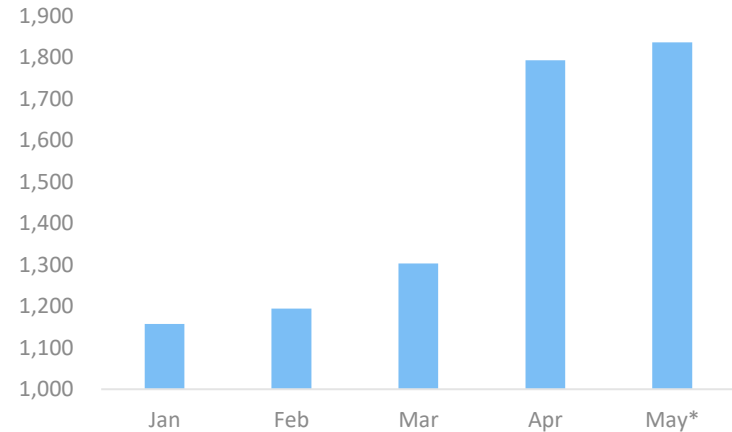
## Preliminary trends:

- Record transaction volumes for EasyPay and growing usage of mobile ATMs
- Record bill payment volumes and number of new customers signed
- 100% uptime of network
- Demonstrates relevance and importance of our network
- Developed and launched (in May 2020) new mobile phone-based loan origination product

## Financial impacts:

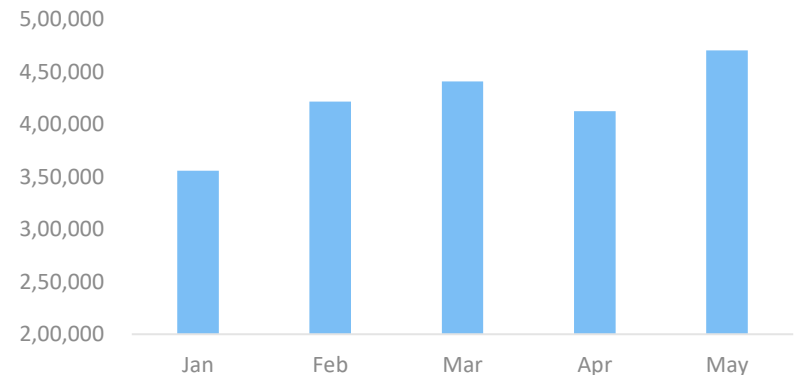
- Unable to charge certain fees during lockdown such as for ATM withdrawals. Estimated revenue impact of ZAR 18-20 million/month
- Unable to sell new loan and insurance products through branch infrastructure or any product that requires face-to-face interaction
- Without new loan originations, current loan book expected to unwind over next four months but being mitigated by new USSD channel

Bill Payment Volume ('000s)



\*May figures normalized based on first 20 day actuals

Mobile ATM Usage\*



\*Reflects first 7 day volume after opening of grant pay cycle

# COVID-19 Response

- Immediate focus on safety and wellbeing of employees, partners, customers and communities
- Closed most offices and provided necessary facilities for employees to work remotely
- Waived fees for certain types of essential services by grant beneficiaries, such as ATM withdrawal fees effective late March 2020
- Developed new mobile phone-based loan origination product to eliminate face-to-face interaction
- All Net1 non-executive directors and SA based executives donated 30% of compensation for three months to June 30, 2020 to The Solidarity Fund and other initiatives in South Africa to fight the COVID-19 pandemic

# Capital Allocation

We have raised significant cash from asset divestitures. Our board has initiated a strategic review, conserved liquidity in the short-term due to uncertainty related to COVID-19, while addressing the investment company issue arising from asset divestitures. We still intend to reinvest in our core businesses and return excess capital to shareholders.

## Cash on Hand:

At March 31, 2020	\$209m
+ sale of DNI (4/1/20)	\$ 43m
- BF Option Cancellation	\$(18)m

## Uses of Capital

Reinvestment in SA <i>(mostly working capital)</i>	\$40-50m
KSNET tax payment	\$15m
Debt repayment	\$3m
Other strategic options	
Share repurchases	



# STRATEGIC INVESTMENTS

Q3 2020



# BANK Investments

## **FINBOND (South Africa)      Ownership: 31%      Carrying Value: \$30m**

*South African mutual bank and lender with 400+ branches. Traded on JSE (Ticker: FGL)*

**PROJECT 2020:**      Launch new UEPS/EMV products  
Leverage combined branch, ATM and POS infrastructure

**DEVELOPMENTS:**      Launched new banking offerings in partnership with Finbond  
Launched new loan products in partnership with Finbond  
Currently limited activity due to COVID-19 restrictions

## **BANK FRICK (Europe)      Ownership: 35%      Carrying Value: \$30m**

*Full-service bank, member of Visa/MasterCard, banking leader in blockchain and crypto*

**PROJECT 2020:**      Launch new payment products in partnership with Ceevo  
Launch new crypto-asset storage product

**DEVELOPMENTS:**      Visa audit successfully completed in May 2020  
Made further progress on expanding crypto/blockchain banking

# MOBILE PAYMENT Investments

## **MOBIKWIK (India)**

**Ownership: 13%**

**Carrying Value: \$27m**

*Leading digital fintech and payments company in India with 80+ million customers*

**PROJECT 2020:** Expand financial services offerings – loans, insurance, wealth  
Scale virtual card and introduce new Net1 offerings

**DEVELOPMENTS:** 03/20 annualized revenue: \$74m. Target full year EBITDA profit for YE 03/21  
Increased discussions with Net1 for new products and technologies

## **CARBON (Nigeria)**

**Ownership: 25%**

**Carrying Value: \$8m**

*Leading digital fintech and lending company in Nigeria*

**PROJECT 2020:** Objective to become the first pan-African digital bank with an end-to-end product set for underbanked customers

**DEVELOPMENTS:** \$24m revenue run rate with 70% repeat rate of borrowers  
Bigger than many UK digital banks such as Atom, Starling and Monzo

# MOBILE PAYMENT Investments (Cont'd)

**V2 Limited**

**Ownership: 50%**

**Carrying Value: \$1m**

*Startup Africa-focused mobile payments company leveraging QR-code technology*

**PROJECT 2020:**

Commercially scale operations in Ghana  
Enter at least one additional African market

**DEVELOPMENTS:**

Commercial products ready for launch in Ghana  
Rollout delayed as customers (banks and telcos) currently impacted by COVID-19

# FINANCIAL HIGHLIGHTS

Q3 2020



# Q3 2020 Financial Report

## Q3 2020 Financial Highlights

	Q3 2020	Q3 2019	Q2 2020
<i>(\$ Millions)</i>			
<b>Revenue</b>	<b>37</b>	<b>37</b>	<b>41</b>
% change USD		(0%)	(10%)
% change Const. FX		8%	(5%)
<b>Adjusted EBITDA</b>	<b>(6)</b>	<b>(15)</b>	<b>(7)</b>
% change USD		(57%)	(14%)
EBITDA Margin (%)	(18%)	(41%)	(18%)
<b>Fundamental Net Income*</b>	<b>(6)</b>	<b>(35)</b>	<b>(6)</b>
% change USD		(82%)	10%
% change Const. FX		(80%)	16%
<b>Fundamental EPS</b>	<b>\$(0.11)</b>	<b>\$(0.62)</b>	<b>\$(0.10)</b>
% change USD		(82%)	10%
% change Const. FX		(81%)	16%

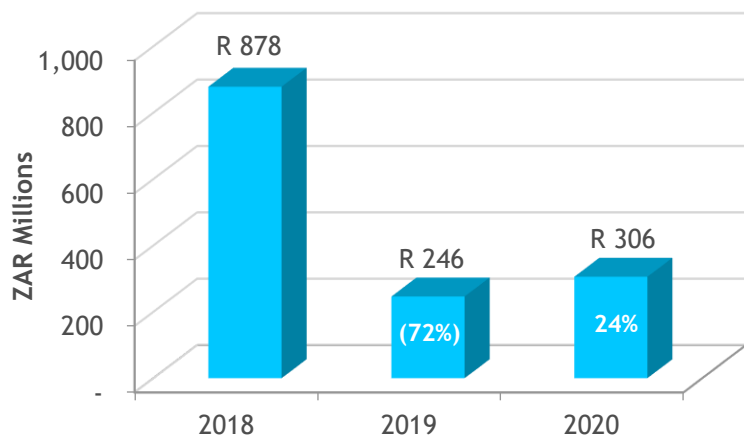
**Note:**

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

# Q3 2020 Financial Report

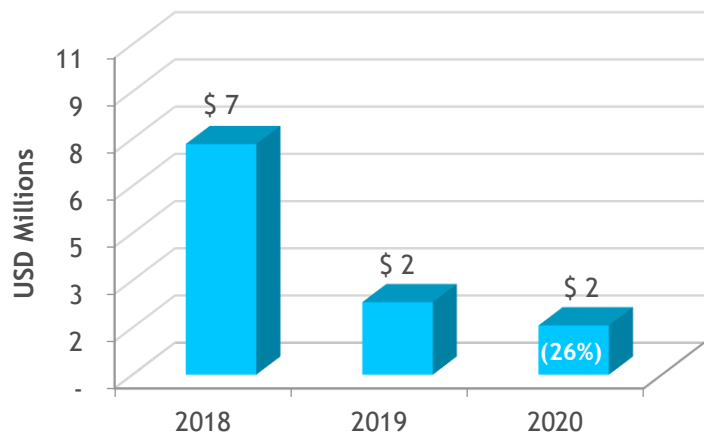
## Business Segment Results – Q3 2020

Q3 constant currency SATP Revenue

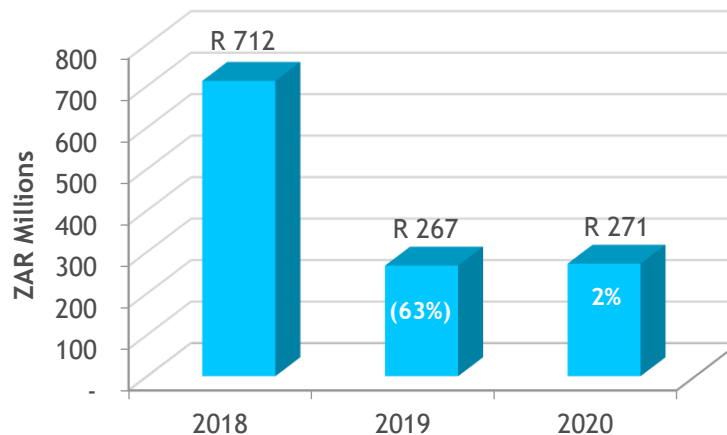


- **SATP constant currency revenue grew 24% vs. Q2 2019**
  - Sequential and Y/Y growth, partial impact from lost revenue on certain transaction due to COVID-19
- **ITP USD revenue down 26% vs Q3 2019**
  - Lower international processing volumes
- **FIAT constant currency revenue up 2% vs Q3 2019**
  - Higher technology sales and insurance
  - Lending and telecom sales largely flat

Q3 USD ITP Revenue



Q3 constant currency FIAT Revenue



# Q3 2020 Financial Report

## Business Segment Results – Q3 2020

USD (Millions)	Revenue		Operating Income		Operating Margin	
	3Q 2020	3Q 2019	3Q 2020	3Q 2019	3Q 2020	3Q 2019
SATP	\$20	\$17	\$(9)	\$(13)	(44%)	(75%)
<i>% Change*</i>	24%		24%			
ITP	2	2	(3)	(2)	(203%)	(84%)
<i>% Change*</i>	(26%)		(26%)			
FIAT	18	19	(1)	(5)	(5%)	(26%)
<i>% Change*</i>	2%		2%			
Sub-total	39	38	(13)	(20)	(33%)	(51%)
<i>% Change*</i>	6%		(30%)			
Inter-segment Eliminations	(3)	(2)	(1)	(4)	nm	nm
<i>% Change*</i>	48%		(60%)			
Total	37	37	(14)	(24)	(39%)	(65%)
<i>% Change*</i>	8%		(35%)			

\*% change in constant currency



# Q3 2020 Financial Report

## Balance Sheet Overview

USD (Millions)	Mar 31, 2020	Jun 30, 2019
Net Unrestricted Cash	\$ 209	\$ 20
Investments and Equity Accounted Investments <sup>(1)</sup>	\$ 103	\$ 151
Total Assets	\$ 510	\$ 673
Total Equity	\$ 367	\$ 427
Total Debt <sup>(2)</sup>	\$ 3	\$ 10
Book Value / Share	\$ 6.42	\$ 7.52
Net Cash / Share	\$ 3.61	\$ 0.18
Debt / Equity	0.01	0.02

**Note (1):** Mar 31, 2020 includes 27% interest in DNI , carrying value of \$36 million, sold on Apr 2020 for \$48 million ( \$42 million received in cash)

**Note (2):** Mar 31, 2020 represents \$3 million related to borrowings. Settled in full on Apr 1, 2020

# Q3 2020 Financial Report

## Key Investments

	% held	Balance Sheet (Mar2020)	Value
<b><u>Equity Accounted:</u></b>			
Bank Frick	35%	\$30 million	\$30 million (1)
Finbond (JSE listed)	30%	\$30 million	\$34 million (2)
Carbon	25%	\$8 million	\$16 million (3)
<i>DNI – Sold on April 1, 2020 for \$48 million</i>			
<b><u>Investments:</u></b>			
Cell C	15%	\$0 million	\$0 million
MobiKwik	13%	\$27 million	\$35 million (4)
<b>TOTAL</b>		<b>\$132million *</b>	<b>\$163 million (5)</b>

1) Based on carrying value

2) Mar 31, 2020 value - 269m shares at R2.27 at \$1/R17.89

3) Based on peer analysis of other neobanks

4) 13% of \$290m (MobiKwik valuation at Bajaj investment)

5) Includes \$48 million sale price of DNI. Compared with Net1 market cap of \$199 million

Values at carrying value unless stated otherwise

*\*Includes carrying value of DNI of \$37 million as at March 31, 2020*

# SEGMENT HIGHLIGHTS

Q3 2020



# Q3 2020 | SATP Segment Highlights

## Financial Highlights

- **Revenue - \$20 million**
  - 24% constant currency increase from \$17 million in Q3 2019
  - 2% constant currency increase compared to Q2 2020
  - Higher transaction revenue from increased ATM and EasyPay volumes, offset by fewer EPE and SASSA Grindrod accounts
  - Fee income lower by ZAR 8.2 million due to COVID-19
- **Operating Loss – \$9 million (includes \$6 million impairment loss)**
  - Significantly reduced cost structure to bring SA operations closer in line with current business volumes
  - Lower number of EPE and SASSA Grindrod accounts

# Q3 2020 | ITP Segment Highlights

## Financial Highlights (continuing operations)

- **Revenue - \$2 million**
  - 26% decrease compared to Q3 2019
  - Contraction in internationals processing activities particularly China processing and crypto-currency transactions
- **Operating loss – \$(3) million**
  - Ongoing losses from international unit

# Q3 2020 | FIAT Segment Highlights

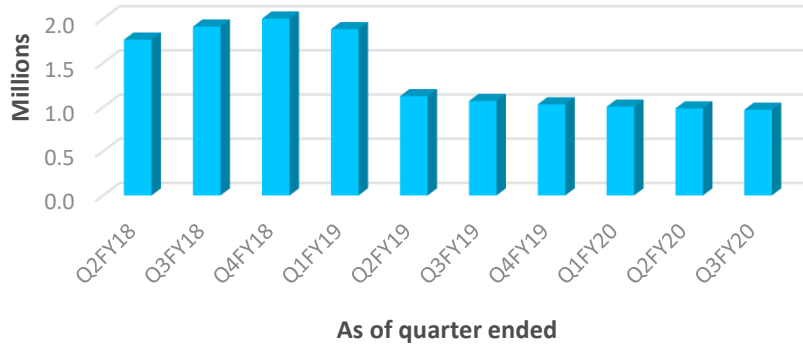
## Financial Highlights (continuing operations)

- **Revenue - \$18 million**
  - 2% constant currency increase from \$19 million in Q3 2019
  - 16% constant currency decrease compared to Q2 2020
- **Operating loss - \$1 million**
  - Operating loss of \$5 million in Q3 2019
  - Operating loss of \$1 million in Q2 2020
- **Number of Accounts**
  - EPE and Finbond accounts remained relatively stable at 1.03 million as natural attrition in EPE offset by growth in Finbond
- **Financial Services**
  - Loan book and insurance policies stable during Q3 2020, with performance reverting to historical averages.
  - Q4 2020 impacted by COVID-19 due to loan origination restrictions

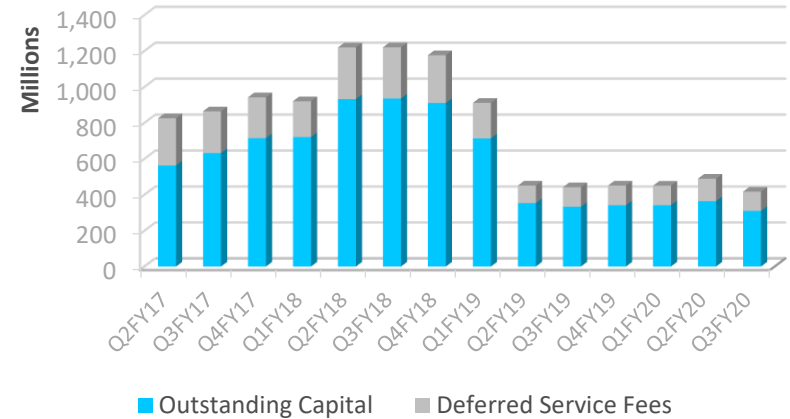
# Q3 2020 | FIAT Segment Highlights (Cont'd)

## Key Trends

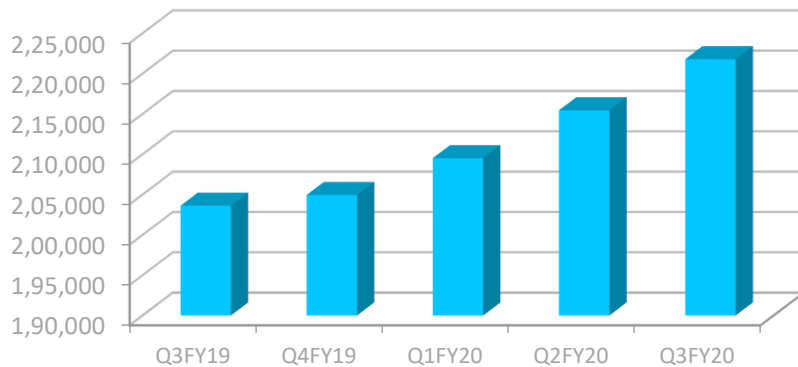
### Average Active EPE accounts



### Value of Loans Outstanding



### Number of Paying SmartLife Policies



# Appendix A





# Reconciliation of non-GAAP measures

## Q3 2020 – Fundamental Net Loss and GAAP Net Loss

	Three months ended			
	Mar-20		Mar-19	
	\$ '000	EPS, basic	\$ '000	EPS, basic
<b>Fundamental net loss (Non-GAAP)</b>	<b>(6,296)</b>	<b>(0.11)</b>	<b>(34,951)</b>	<b>(0.62)</b>
Impairment of equity method investments	(32,277)		-	
(Gain) Loss on discontinued operation	12,733		(9,175)	
Impairment loss	(6,336)		(5,305)	
Amortisation of intangible assets, net of tax	(983)		(4,380)	
Amortisation of intangible assets, net of tax - equity accounted investments	(566)		(142)	
Interest related to SASSA implementation costs refund	(509)		-	
Stock-based charge	(347)		(578)	
Transaction costs	(300)		(873)	
Retrenchment costs, net of tax	-		(3,270)	
Accreted interest on DNI contingent consideration	-		(1,012)	
Amortization, net related to non-controlling interest	-		918	
Facility fee	-		(51)	
<b>Net loss attributable to Net1 (GAAP)</b>	<b>(34,881)</b>	<b>(0.61)</b>	<b>(58,819)</b>	<b>(1.03)</b>

*Three months ended March 2019 has been restated for the error described in Note 1 to the Company's Form 10-Q for the three months ended March 31, 2020*

# Reconciliation of non-GAAP measures

## Q3 2020 – GAAP Net Loss and EBITDA loss

	Three months ended			
	Mar-20		Mar-19	
	\$ '000	EPS, basic	\$ '000	EPS, basic
<b>Net loss attributable to Net1 (GAAP)</b>	<b>(34,881)</b>	<b>(0.61)</b>	<b>(58,819)</b>	<b>(1.03)</b>
(Gain) loss on disposal of discontinued operation	(12,733)		9,175	
Net income from discontinued operations, after tax	(747)		(1,163)	
Non-controlling interest	-		(728)	
Loss from equity-accounted investments	32,193		537	
Income tax expense (benefit)	640		(3,551)	
Impairment of Cedar Cellular note	-		2,622	
Interest expense	1,886		3,092	
Interest income	(570)		(1,204)	
Change in fair value of equity securities	-		26,263	
Impairment loss	6,336		-	
Depreciation and amortization	1,153		3,342	
<b>EBITDA loss (Non-GAAP)</b>	<b>(6,723)</b>		<b>(20,434)</b>	
Adjusted for:				
Retrenchment costs	-		4,542	
Transaction costs	300		873	
<b>Adjusted (Negative) EBITDA (Non-GAAP)</b>	<b>(6,423)</b>		<b>(15,019)</b>	

*Three months ended March 2019 has been restated for the error described in Note 1 to the Company's Form 10-Q for the three months ended March 31, 2020*