INTRO - FNK

Hello everyone and welcome to the Lesaka Technologies webcast and conference call for the fourth quarter of fiscal 2024.

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-K 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-K 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 – FNK – AGENDA

Taking a quick look at today's agenda: Ali Mazanderani, Chairman of Lesaka, will give a quick overview of the year and quarter. Steve Heilbron, CEO of Merchant Division and 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. Naeem Kola, Group CFO, will present a detailed overview of our financial performance for the three months and year ended June 30, 2024. Thereafter Ali will talk to Lesaka's group structure and outlook which includes fiscal 2025 guidance.

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

Good morning and good afternoon.

Slide 7: Continuation of our strong and consistent performance

We are reporting another successful year for Lesaka. Group Adjusted EBITDA increased 55% to R691 million, in line with our guidance for the year. At an Operating Income level, we have managed to turn around a R275 million loss in FY2023 to a profit of R67 million this year. Fundamental earnings per share turned positive to R1.06, improving by R3.72 per share. Our net debt to group adjusted EBITDA ratio improved to 2.5 times from 4.5 times a year ago. The first chapter of the Lesaka story has been written.

For me the story began 4 years ago when I presented the transformation strategy for the business at the Q4 2020 earnings call. It was given shape in April 2022 with the joining of the Connect Group. The past four years have been about setting the foundations, building a team and forging a business out of a collection of assets. The execution has not been perfect and without doubt there are many things we could have done better, things we could have done faster and more efficiently. This is part of the maturity curve we are on, and we have to hold ourselves to the highest standard. That said we should recognize that while in a previous incarnation Net1 may have listed almost 20 years ago, Lesaka has many of the characteristics, challenges and opportunities of a scaling startup. There should be an expectation that we still have much to learn with the good news that we are learning fast. The company beats with enthusiasm and optimism. It believes it will define a fantastic future, both for its customers and for itself.

Reflecting on the past 4 years, all involved should be pleased and proud to be associated with what has been achieved to date. FY2024 affirms our position as the leading independent fintech in Southern Africa in terms of both Revenue and EBITDA. An impressive achievement. Steven, Lincoln and Naeem will now go into more detail on the underlying financial and operational performance of the business over the last year. After that, I will lay out how we will organize ourselves going forwards to take advantage of the enormous opportunity ahead of us and provide financial guidance for FY2025.

Over to you Steve.

Slide 8: Merchant Division

Thank you Ali.

We have had a busy year and quarter in the Merchant Division. Whilst competing in this dynamic, fast-paced market, we have executed two acquisitions during the year. Touchsides officially joined Lesaka in May 2024 and has been integrated into our micro-merchant pillar. This is a very exciting platform for us – there is limited Kazang-Touchsides customer overlap, it brings day-one 6,400 new sites, and further growth opportunities for our Kazang business. Through this acquisition we have entered a vibrant vertical in the informal sector, being the licensed tavern market, in which we will now deepen our penetration.

Further to this, the data monetization opportunity, its technology and expertise that this investment brings, enhances our offering to our merchants and their suppliers. The data and insights gathered from our deployed terminals carries significant value and potential to be monetized through relationships with a range of clients including FMCG companies, retailers, wholesalers, route-to-market suppliers, and financiers.

We have received shareholder and competition commission approval for the Adumo acquisition. We are working to complete the remaining procedural CPs and anticipate closing at the beginning of October 2024. This is a transformative acquisition which substantially broadens the scale and opportunity in our merchant offering.

Adumo Payments offers payment processing, integrated payments and reconciliation solutions to SME merchants in South Africa, Namibia and Botswana.

The well-known hospitality platform GAAP allows us to enter a new market vertical being the hospitality sector. GAAP is the leading provider of integrated point-of-sales software and hardware to this segment in Southern Africa, servicing 9,000 customers in 24 countries, with on-the-ground operations in South Africa, Botswana and Kenya.

These acquisitions have bolstered our existing SME business penetration through Connect and Kazang. We believe we are now a leading provider in both the SME merchant and micro-merchant market.

We have restructured and rebranded our enterprise offering and are starting to build additional scale through Prism and EasyPay Enterprise.

We continue to look at further acquisitions that add scale or enhance our ability to solve for merchant pain points, or both. As Ali mentioned our improving financial strength and shareholder support gives us significant flexibility in this regard.

Slide 9: Merchant revenue drivers Q4 FY24 | VAS and supplier payments

Turning to our KPIs, it has been another year of growth. As a reminder, we offer a wide range of VAS products through our Kazang device to help our merchants attract customers to their stores, including airtime, data, electricity, gaming, lotto, money transfers and bill payments. We have over 1 000 suppliers loaded on our supplier payments system (compared to approximately 600 suppliers 12 months ago), allowing our micro-merchants to significantly reduce risk and administration and improve efficiencies in their operations.

We have shown international money transfers separately as it is a volatile throughput and is very low margin business. Q4 on Q4, our core VAS and supplier payments throughput increased 31% with a 2-year CAGR of 45%.

Slide 10: Merchant revenue drivers FY24 | VAS and supplier payments

Turning to the performance for the year: FY2024 was up 43% on FY2023, with a 2-year CAGR of 49%.

As previously outlined in results presentations this financial year, we are focusing on higher ARPU and profitability per device. This has involved uplifting our devices from lower turnover sites and deploying them more profitably. This strategy is maximizing average revenue per device and has delivered very positive results for us, demonstrated by these excellent growth rates.

Our devices in the field grew 17% to over 87,500, which includes the acquired Touchsides sites. Pre-acquisition, 2,300 of the Touchsides sites already had a Kazang device, creating an immediate opportunity to roll-out an additional 6,400 sites (approximately) into the acquired platform. This comprises the roll-out of our traditional Kazang offering, which includes VAS, card acceptance and supplier payments. Our teams are pushing hard at the cross-sell opportunity since Touchsides officially joined Lesaka in May. However, we are also continuing to deepen our penetration in the tavern vertical with our comprehensive offering, increasing our overall growth opportunity.

Slide 11: Merchant revenue drivers FY24 Q4 | Card acceptance

After a stellar Q4-on-Q4 performance in FY2023, given that we were targeting our back-book of existing merchants coupled with the fact that Kazang Pay was relatively new to market after its launch in 2021, throughput for Q4 2024 was strong, increasing by 20% year-on-year, compared to Q4 2023. This represents a 2-year CAGR of 47%.

Slide 12: Merchant revenue drivers FY24 | Card acceptance

Similarly, looking at the year, the card throughput growth rate for FY2024, an increase of 30% year-on-year, is off a significantly larger base, with a 2-year CAGR of 60%. As a reminder, we are able to convert Kazang devices into Kazang Pay card accepting devices through a simple on-boarding process without any hardware changes. As mentioned, whilst we focused on the larger merchants and the back book initially, resulting in a 97% growth in FY2023, FY2024 growth is largely attributable to new client acquisitions. We are anticipating good growth from our card acceptance business in FY2025.

As with VAS, we have over 6 400 Touchsides merchants which we will be looking to bring onto the KazangPay platform, which is a significant immediate opportunity for us, alongside our organic growth into the tavern vertical.

Devices deployed grew 15% this year, with a 2-year CAGR of 51%. As with our VAS device strategy, we are focusing on higher quality ARPU per device, with poor performing sites being uplifted and deployed into higher turnover, more profitable merchants, which is reflecting in our throughput KPI.

For our card acceptance business, the introduction of the anticipated Adumo acquisition from Q2 2025 brings exciting opportunities with the scale and solution sets, that this brings to our platform.

Slide 13: Merchant revenue drivers FY24 Q4 | Cash management solutions

Our cash management solutions business reflects a more muted growth rate, with a 2-year CAGR of 3% Q4 to Q4 and 5% CAGR for the 2 years to FY2024.

Slide 14: Merchant revenue drivers FY24 | Cash management solutions

It is very important to look at this result in the context of the operating environment for our customers. This business has a large exposure to the formal SME sector, which over previous years have been particularly hard hit by Covid, high interest rates, high inflation, load shedding and depressed consumer spend. Whilst these businesses have faced the challenges mentioned above over the past 3 years, we are more optimistic about the outlook. We are seeing a reduction in churn, attributable to fewer bankruptcies, and expect this trend to continue. We have restructured our sales approach and have recently introduced a new innovative vault offering for the micro-merchant base, which continues to see good momentum.

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.

Our cash business remains a vital product in our merchant offering and is a key differentiator for us in the digitization of cash. Whilst there is a trend towards digital payments, cash to date, remains the most significant portion of retail transactions more notably in informal markets.

Slide 15: Merchant revenue drivers FY24 Q4 | Lending

Our credit business is primarily exposed to the formal SME sector. As our merchants have battled through the economic headwinds, their credit scores have suffered leading to many not meeting our credit criteria. This has resulted in lower advances and book size; however, this has maintained the good quality of our book.

Slide 16: Merchant revenue drivers FY24 | Lending

We are anticipating an improvement in this business with loadshedding easing, inflation back in range and an expectation of some interest rate relief this year.

We have now distributed R3 billion of funding to our merchants since we launched this product, which has been a game changer in providing them with capital to grow their businesses.

Capital Connect credit disbursed has a 2-year CAGR of 9% from FY2022 to FY2024, despite the challenging credit environment and with no material impact on our loss rate in this business which remains below our target range.

We recently launched a new product, Fuel Connect, which is being very well received and we anticipate this improving activity and returns in the merchant lending business.

As a reminder, we suspended KazangPay Advance, which focused on micro-merchants, early in FY2024 and have shown the impact separately on this slide. We continue to explore other options with respect to this offering and we have recently gone live with a pilot phase of this product for micro-merchants. We are monitoring payment behavior and applying stricter lending criteria before an anticipated commercial relaunch later in fiscal 2025.

I would like to congratulate the team on the recently awarded “Best Retail Fintech Funder South Africa 2024” by Wealth & Finance. Capital Connect is an extremely innovative merchant solution providing funding up to R5 million, often within well under 24 hours.

With new products in the formal and informal space, and the acquired merchant base that Adumo and GAAP brings, supported by an improving interest rate environment, we anticipate an improved lending performance in FY2025.

<u>Slide 17: Merchant revenue drivers | Enterprise</u>

Our EasyPay enterprise market solution is strategically important and we continue to enhance our technology and management structures. The new operating model which Ali spoke to will increase focus and improve performance of this business.

Servicing over 750 customers and with over 600 billers on the platform embedded into all major retail systems, EasyPay has an extensive footprint and content that would be very difficult to replicate.

The reduction in Q4 throughout is primarily attributable to exiting a large contract that was no longer strategic for us. Despite the loss of throughput, there is no impact on profitability. On an annual basis the mix of throughput was flat, however, within this result VAS throughput showed good growth of 10% and bill payments was up an encouraging 15%. In our switching business we have recently launched our new technology “Prism Switch” which we are confident will accelerate growth in this business.

Slide 18: Merchant performance Q4 FY24

For the quarter, merchant revenue grew 10% year on year.

At an EBITDA level (Merchant Segment Adjusted EBITDA), normalizing for the impact of NUETS, KazangPay Advance and bulk VAS purchases, EBITDA grew 6% in Q4 2024 compared to Q4 2023.

Slide 19: Merchant performance FY24

For the year under review, revenue increased 12% and EBITDA 4% to R624 million. Normalizing for NUETS, KazangPay Advance and bulk VAS purchases, EBITDA was up 15% for FY2024. We expect our Merchant Segment Adjusted EBITDA growth for FY2025 to be in the region of 20%.

Show slide 20 for Steve’s conclusion

In conclusion, today, our Merchant Division, including the Touchsides and Adumo acquisitions, services in excess of 120 000 merchants and processes more than R270 billion in throughput annually. The augmentation of these product offerings positions us well for growth and further efficiencies in our payments eco-system.

I would like to take this opportunity to welcome Paul Kent, the CEO of Adumo, to Lesaka. We are very excited to have him and his team on board. Paul will be overseeing the Merchant pillar in our Merchant Division, on completion of the Adumo acquisition.

With that I will hand you over to Lincoln to take you through the Consumer Division results.

<u>Consumer Division divider slide</u>

Consumer Division

Thank you Steve.

Firstly, I would like to thank our Consumer team for delivering an excellent set of results for the year, characterized by four consecutive quarters of improved revenues and profitability.

The Consumer business today is unrecognizable compared to three years ago when the strategy was set and the turnaround commenced. During this period we had to:

1. Fundamentally change from a grant and cash dispensing business to a customer and sales focused business
2. Design and build an entirely new distribution model from scratch with relevant and convenient channels
3. Rethink our entire product value proposition to line up with the needs of our customers and reposition the EasyPay Everywhere brand to one that resonates with our customers
4. Train all our employees across the country, who had never sold before, how to attract and retain customers, and lastly
5. Rebuild relationships with multiple stakeholders including community and traditional leaders, SASSA officials and regulators

The turnaround strategy we set out almost three years ago has been executed and is demonstrated in our results. I could not be more proud of what our team have achieved.

Slide 22: Consumer Division Attractive Total Addressable Market and Serviceable Addressable Market

We operate in a large market of approximately 26 million consumers in the lower income segments. Within that customer segment, there are 12 million grant beneficiaries, with child support and old age grants making up most of the base. As the only financial service provider focused exclusively on grant recipients, we dedicate 100% of our resources to understanding the grant beneficiary base. This has allowed us to design products and service channels exclusive to their needs, and this is paying dividends.

We estimate our share of this market to be approximately 11% leaving a significant growth opportunity ahead of us, as we enhance our products, distribution and service.

Slide 23: Growth in EPE base | Continued momentum in cross selling & upselling initiatives

We have dedicated significant attention to how we approach and service our customers.

Two of our key focus areas are: 1) to grow the EPE account base, and 2) to cross-sell other products to this base.

In terms of **permanent** grant recipients, we registered approximately 65 000 gross account activations **this quarter**, and 30 000 net activations after churn, compared to approximately 5000 a year ago.

We are very pleased with this new level of account activations per quarter. This represents a step change in our base and is after taking into account the impact of instability at the South African Post Office, as well as the closure of the SASSA (*South African Social Security Agency)* digital portal for switching, for parts of the year.

In FY2024 we had 326 000 gross new account activations in our permanent grant recipient base, up 75% compared to FY2023. On a net basis new activations increased 143% for the year to approximately 192 000. These results evidence the strides made in our account activation strategy, which is key to our offering and a clear competitive advantage in our customer value proposition, given our specific focus on the grant recipient market. We have set a new base in our monthly account activation rate averaging around 55% per month, compared to below 40% in 2023.

We are particularly pleased about how our cross-sell strategy has played out. Evident from the graphs here are how we have managed to increase our loan and insurance penetration over the past year. EPE account holders who also have a loan, increased by more than 20% year-on-year. EPE account holders who also have an insurance policy increased by more than 30%, and EPE account holders who have a loan and insurance policy increased by more than 35%. This growth has been achieved through offering relevant and affordable products, investment in training and technology and convenient distribution channels.

<u>Slide 24: Consumer | Offering straight forward and cost-effective Financial Services</u>

Turning to our KPIs, we have grown our permanent grant customer base by 21% over the past year to 1.33 million. These are customers we are able to cross-sell our lending and insurance products to and where we place our focus on.

Our gross lending book increased 32% yoy to R548 million. We advanced R470 million during the quarter up 13% compared to a quarter ago (FY24 Q3) and up 31% year-on-year. In terms of penetration, 41% of our permanent EPE account holders now use our lending product, up from 39% last year.

Show slide 25 “Differentiated offering…..” for part of the paragraph below

This demonstrates the value our customers place on our lending product. We extended over 1 million loans totaling R1.7 billion during the year, up 29% compared to FY23, having a significant impact on the lives of our customers.

These loans are used for paying school fees and buying books and uniforms for learners. We have device and education specials linked to our loans so people can also have digital access to a wider range of educational resources. Of course, these loans are often used by our customers just to make ends meet, especially when they have unexpected expenses or have to travel to their family homes.

Back to slide 24 - Offering straight forward and cost-effective Financial Services

Demonstrating the utility of our loans and the value our customers place on this product is evident in our low loss ratio of approximately 6%. This is a very good credit loss ratio for this end of the market. Further to this, 80% of our lenders are repeat borrowers, after they have paid off their loan. As a reminder, under our credit policy, customers need to pay off existing loans and go through affordability assessments each time before taking on a new loan. With our loan book turning over at least every six months, we get very good insights into our borrowers' behavior and the quality of our book.

Turning to our micro-insurance product, EasyPay insurance, our portfolio increased 31% to 439 000 in-force policies at the end of Q4 2024. This represents a penetration rate of 33%, up from approximately 30% last year, which is a very pleasing result considering we increased our EPE permanent account base by 21% over that period.

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 paid out over R110 million to bereaved families this year, 90% of which was 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.

This momentum has continued into FY25 with a record number of policies already sold in July.

The pricing, accessibility and servicing of our loan and insurance products, and the positive impact they have on our customers lives, has led to the continued improvement in our cross-selling as demonstrated earlier. This has resulted in our ARPU increasing to R90 per month as at 30 June, an increase of approximately 13% over the year. This is well above the ARPU earned by other financial services providers where grant beneficiaries are not their primary customer segment. We believe this is testament to our exclusive focus on grant beneficiaries and our obsession in understanding the needs of our customers.

Slide 26 (from slide 24 above): Repositioned EasyPay Everywhere brand

We have invested in enhancing convenience and experience for our customers by relocating our branches to be near SASSA offices, transport links and popular retailers. In the coming year we are opening over 15 new, optimally located and laid out, branches on the back of the results we have seen which will support further growth in our EPE account base and cross-sell initiatives. Our rebranded and refurbished branches, as can be seen in the image on this slide, has led to a marked improvement in staff morale and customer experience.

Coupled with optimizing our branch infrastructure, we invested in technology platforms allowing us to sell more effectively and service our customers more efficiently. Our digital strategy is playing out better than we anticipated, especially our USSD channel. In Q4 we had 153 000 loan applications via USSD, up well over 100% compared to last year. Our EPE customers can now get money in their account in under 5 minutes without leaving their house. Transport and associated costs can easily run over R100 applying for loans in person, a material amount considering loan values at this end. This is a demonstration of how we believe fintech innovation can make a real difference in people's lives.

Lastly, we are rolling out a much-improved VAS offering to our customers from a new product perspective, including data, DSTV and remittances. This have been very well received especially through our USSD channel, which achieved record sales in Q4 2024. To contextualize the value of USSD for our customers - our customers often have no data nor access to WIFI, so USSD is a very effective channel for them. Looking forward, marketing initiatives in the coming year will also include loyalty rewards, which should lead to further growth in our VAS business.

We anticipate FY2025 to be another good year for the Consumer Division, capitalizing on the hard work over the past two years to get us into this position, where we can dedicate our energies to growth.

Slide 27: Q4 FY24 | EPE Growth strategy yielding encouraging results

We grew our revenue 4% from the last quarter (FY24 Q3) and 14% yoy, which was a very pleasing result. Consumer Segment Adjusted EBITDA grew 10% qoq and 94% yoy in Q4.

Slide 28: FY24 | EPE Growth strategy yielding encouraging results

With our high percentage of loan customers returning for new loans and the high premium collection and low lapse rates in our insurance business, we are building annuity revenues which is encouraging. This makes our business performance more predictable.

Our consistent revenue growth in 2024, whilst maintaining a reduced cost base, has led to a 361% increase in Consumer Segment Adjusted EBITDA, to R274 million.

Once again, I would like to congratulate the whole consumer team on an excellent financial performance.

We are now a business with a very bright future, one that is making a tremendous impact on the communities it serves. We have evolved from a R400 million EBITDA loss and cash burn in FY2021 to a business that is:

1. **enrolling** 20,000 new permanent grant EPE customers per month;
2. **extending** 90,000 loans per month;
3. **selling** 15,000 insurance policies per month

And annually to a business that is:

4. **disbursing** over R1.7 billion in credit to our customers;
5. **paying out** over R110 million in insurance claims;
   and
6. **delivering** a R274m Consumer Segment Adjusted EBITDA, profit

With that I would like to hand over to Naeem.

Finance – Naeem Kola

<u>Slide 30: We have demonstrated transformational growth in revenue and profitability | Consistent execution against our strategic objectives</u>

Thank you, Lincoln.

The 2024 financial year has been another year of progress for Lesaka, delivering on what was committed in terms of Group Adjusted EBITDA (“EBITDA”) guidance, balance sheet strength and M&A activity. At the same time, we have continued to reinforce our Group corporate and governance structures making numerous key appointments to our group and divisional leadership teams. Black Economic Empowerment is a key strategic priority for us, and we set out to achieve a level 4 rating in fiscal 2024 which was achieved in Q2 2024.

Our revenue grew 11% for the year but was negatively impacted by change in sales mix of airtime revenue recognised as principal versus agent in our Merchant VAS business. This does not impact profitability. Our EBITDA grew 55% to R691 million, achieving mid-point of our guidance range, with our Operating Income turning positive for the first time in five years, and improving by R343 million to R67 million.

Our cash flows, debt ratio and balance sheet continued to improve. Cash provided by operating activities in FY2024 improved to R538 million, compared to R7.4 million a year ago, and compared to an outflow (cash utilized by operating activities) of R565 million 2 years ago. I will go into more detail shortly.

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 31: Group Revenue for Q4 2024 and FY2024

We have continued to deliver consistent growth in revenue, growing at 11% on an annual basis, from R9.5 billion to R10.6 billion, which was marginally lower than our guidance range. Year on year Merchant revenue grew 12% and Consumer revenue grew 15%.

As discussed in previous results presentations, we saw an increased percentage of PIN-less airtime and data bundles being sold versus PIN-based airtime. For PIN-less sales we act in an agent capacity only recognising the commission earned as revenue. For PIN-based sales we act as principal and recognise the total face value as revenue this has a material impact on revenue but no impact on Gross Profit.

Pin-less airtime was higher than pin-based airtime compared to the assumptions when we set our guidance last year.

Slide 32: Group Adjusted EBITDA for Q4 2024 and FY2024

Looking at Group Adjusted EBITDA ("EBITDA"), we achieved a 55% increase in FY24 to R691 million, which was the mid-point of our guidance. From a quarterly perspective EBITDA grew 30% year on year.

As you heard earlier from Lincoln, the Consumer Division had a stellar year with Adjusted EBITDA up over four-fold to R274 million, and for the quarter almost doubling Adjusted EBITDA to R90 million compared to Q4 2023.

As Steve mentioned, the Merchant Division Adjusted EBITDA was affected by various items which lowered our growth to 4% for the year, including NUETS volatility, the KazangPay Advance suspension and bulk VAS purchase opportunities. Excluding the impact of these items the merchant business grew Merchant Adjusted EBITDA 15% for the year, and management expects Merchant Adjusted EBITDA to grow at approximately 20% for FY2025.

Despite good growth in our business, and continued investment into the reinforcement of our Group corporate and governance structures, and systems, I am pleased our group costs reduced 10% year-on-year.

We have seen good momentum into FY25 which is reflected in the Q1 guidance Ali will talk to later

<u>Slide 33 to 37: GAAP Income Statement and Segmental EBITDA analyses for the year and for the quarters</u>

<u>Show slide 33: GAAP Income Statement for the year (FY24 and FY23)</u>

Turning to our GAAP income statements and Segmental EBITDA analyses:
For FY24 the improvement in Operating Income from a loss of R275 million to a profit of R67 million was an excellent result. Operating income includes R43 million of one-off transaction costs related to the acquisition of Adumo in 2024 and a one-off non-cash impairment charge of R126 million in 2023 related to the Nuets impairment. Adjusting for these items we still improved Operating Income by R260 million for the year.

<u>Show slide 34: Segmental EBITDA analysis for the year (FY24 and FY23)</u>

Further included in operating income is the non-cash PPA amortisation of approximately R270 million in both FY2023 and FY2024.

Our Net loss before tax narrowed to R239 million for FY2024 compared to a net loss of R579 million a year ago, a R340 million year-on-year improvement.

Excluding the impact of the non-cash PPA amortisation charge, and the one off transaction costs in 2024, **our loss before income tax would be a profit of R31 million for *FY2024*** *(R239* *million loss, add back PPA of R270 million, add back Adumo transaction costs R43 million = R31 million profit).* This compares to a net loss before tax of R184 million in FY2023 excluding the impact of PPA and the Nuets impairment *(R579 million loss add back R269 million of PPA and R126 million Nuets impairment = loss of R184 million).*

Slide 38 : Fundamental earnings per share continues to improve

Fundamental Earnings Per Share is the most appropriate measure of Lesaka's per share performance in managements view. It excludes one-offs items, non-repeatable items, PPA amortization and other non-cash items and gives a clear measure of the underlying performance of our business.

This graph clearly demonstrates the progress Lesaka has made; from a loss of R2.66 per share in FY2023 to a profit of R1.06 per share, an improvement of R3.72 per share.
For the quarter we improved R1.18 per share from a loss in Q4 2023 to a profit of 42 cents per share for Q4 2024.

Basic earnings per share, which does not account for the non-cash PPA charge and other once-off costs, improved by R4.82 for the year to a loss of R5.07 per share.

Slide 39 : Delivering positive cash from business operations at Group level

I am extremely encouraged by the improvement in our cash flow generated by operations. Over the year we generated additional R531 million additional of cash, from R7 million to R538 million.
On a quarterly basis, excluding the impact of large and opportunistic bulk VAS purchases that benefited Q4 2023, we improved from a R5 million cash outflow in Q4 2023 to a R104 million cash generation in Q4 2024.

Slide 40: Leverage ratio improved with focus on reducing debt and growing Adjusted EBITDA

We generated R211 million operating cash flow before interest paid, tax paid, working capital related items and movement in loan book funding. We define this as cash generated from business operations and consider it an appropriate indicator of our conversion of EBITDA to cash. This is an increase of 21% compared to Q3 2024.

We generated Net cash from operating activities before capex of R104 million for the quarter, and R538 million for the year. Our Q4 interest paid reflects a full payment of our quarterly interest which is why it is higher than the previous quarter where a portion of the interest was capitalised. The movement in loan book funding relates primarily to the growth in capital disbursed on our consumer loan book growth in our Consumer business. As a reminder, our Q3 2024 cash flow was significantly impacted by the quarter end falling over the Easter long weekend, resulting in us holding extra days merchants settlements amounting to R244 million which needs to be taken into account.

We are very pleased with the overall cash generation of our businesses, we had over R1 billion cash on hand at year end. Alongside our improvement in Group Adjusted EBITDA, this has led to a significant improvement in our net debt to adjusted EBITDA ratio from 4.5 times last year to 2.5 times at the end of the year.

We have R1.4 billion of non-core assets on our balance sheet. The major non-core asset is our holding in Mobikwik. Mobikwik continues to improve its financial performance, recently delivering its first full year profit 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.

Slide 41: CAPEX primarily driven by growth

Capital expenditure for the quarter amounted to R87 million, with R70 million relating to growth capex, primarily in the merchant division relating to 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.

Overall, we are very pleased by the performance during Q4 and full year 2024. We have a very strong base to grow from and the addition of Touchsides and Adumo (which is expected to close in October 2024) provides the technology and scale to accelerate our growth, which Ali will provide more details on now

<u>Slide 43: Going forward Lesaka will be run in 4 distinct pillars</u>

Thank you Naeem

The Adumo acquisition, which is expected to close in October 2024 will enhance our platform, adding customers and products, as well as meaningful scale. The completion of this transaction marks the beginning of a new chapter in the Lesaka story. As we alluded to on the previous earnings presentation, we will use the transaction as a catalyst to approach the market with a more customer-centric operating model. From a financial reporting standpoint, we will continue to maintain the Consumer and Merchant split, however, starting next quarter, we will present our KPIs and performance with a more granular breakdown.

Our Consumer segment will remain substantially the same however the perimeter will be expanded to include the Adumo Payouts business. This business provides cash incentives to employees of companies in a store of value (typically a scheme branded card), in a similar way to a grant payout except the payment originates from a corporate rather than SASSA. This will enlarge our addressable market and provides us with a meaningful beachhead into the broader consumer market. While there is significant room to grow our existing grant recipient revenue both through increasing our market share and increasing our Average Revenue Per User (ARPU), we will build out our consumer proposition to serve additional use cases and address a much bigger total addressable market. We expect that over time we will serve new segments of underserved consumers organically and potentially through acquisitions.

We have demonstrated our ability in the consumer space to not just to win market share against traditional incumbents, but to do so profitably and sustainably. With the incorporation of Adumo, Lesaka will serve approximately 1.7 million customers. We think this is just the beginning and we have earned the right to raise our sights.

In our Merchant segment, the Adumo transaction provides the opportunity to segment the business into three component parts organized around distinct customers. Micro-Merchant, Merchant and Enterprise.

Micro-merchants are typically sole proprietors, often operating in the informal economy. We address these customers through the Kazang and Touchsides brands. We are already one of the leaders in this segment in the country and have over 90,000 micro-merchants generating more than R68 billion of throughput annually. In South Africa the focus will be to augment the product offering and cross-sell to existing customers so that we can materially improve the unit economics, as we have been doing. Outside of South Africa, in neighboring geographies, there are a substantial number of sole traders who have very limited offerings available to them to empower them on their digital journey. Here we have an opportunity again to expand our total addressable market through wallet growth.

The Merchant pillar is made up of the existing Connect operations, as well as the bulk of Adumo, specifically its merchant acquiring and processing business and its GAAP hospitality platform. We will have almost 30,000 merchants with a direct throughput of over R133 billion annually and an indirect throughput that is far larger. This business addresses amongst the largest profit pools in South African payments today and where we have an opportunity to be a material disruptor. While we have leadership in some products and niche verticals, and are a leading non-bank player, we still represent a small part of the total market. For the moment, in Southern Africa, unlike in other markets I have operated in, the legacy banks still dominate much of the market share. The Connect business has cash and credit as key product offerings, the Adumo business has merchant acquiring and software at point of sale. Combined the Lesaka offering will be amongst most comprehensive in the market able to raise the bar in meeting the needs of small and medium size businesses in the region.

Our Enterprise segment will focus on large corporates, mobile network operators, banks, governments and municipalities. Our solutions include a new payment switch, Prism Switch, our Point Of Sale hardware business branded Prism POS (previously known as NUETS), our bill payments platform EasyPay, as well as a 3rd party vending and security business. This pillar will have over 750 customers and generate more than R70 billion of throughput annually. As well as serving third party corporates it will also service some of the technology needs of our other pillars, Consumer, Micro-Merchant and Merchant. This business is the smallest contributor to EBITDA today of the segments, but we see the opportunity for it to scale, partly by facilitating the growth of the other segments, but also by operating as a revenue generating and profitable business in it’s own right, as opposed to being simply a cost centre for the group. In this way, as we grow, we should be able to generate further operational leverage that increases Group margins substantially over time.

Between these pillars the combined merchant offering will have over 120,000 merchants with R270 billion plus in throughput annually.

Given the 4 distinct areas of focus for the group, we are reorganizing the senior leadership team to align with this structure and accommodate the growing size of the business. Within the Merchant Division, Martin Wright, who has been CEO of Kazang since 2010, will lead the Micro-Merchant pillar. Paul Kent, the CEO of Adumo, will join the executive team on completion of the Adumo transaction to oversee the Merchant pillar. Basie Kok, who has been the Group CTO, will head up the new Enterprise pillar. George Roussos, who has been responsible for the Consumer Division for the past 18 months, will continue to lead that business.

At a Group level we have four named executive leaders who report to me, each have specific group and segment responsibilities. Steven and Lincoln will continue with their current responsibilities as head of Corporate Development and Southern African CEO respectively. Last week, it was announced that Naeem Kola is transitioning to the role of Group Chief Operating Officer, to address an important gap in our leadership structure in unlocking operational synergies between the four business units and supporting post-acquisition integration. We are very fortunate to have Dan Smith joining us as CFO, and I am confident his leadership will significantly improve our finance and controllership capabilities as well as enhancing the capital allocation discipline of the business.

Lesaka is very fortunate to have the quality of executive leadership that we do. It has been a great pleasure for me to work closely with them since I was appointed Executive Chairman in February of this year and I am looking forward to our time ahead.

Slide 46: Outlook | FY25 Q1 and FY25 guidance

Looking ahead, I am pleased to provide our guidance for the coming year. For FY2025 guidance, we are assuming that the Adumo transaction will close on 1 October and form part of our results for the remaining three quarters of FY2025.

We expect revenue to be between R10 billion and R11 billion for FY2025. It is important to note that a material portion of our revenue which was reported on a gross basis in FY2024, will now be included on a net basis in FY2025. Adjusting for this, our year-on-year revenue growth at the mid-point of the range would be in the high-teens. The impact of recognizing revenue on a gross versus agency basis is insignificant at an operational level and has no material impact on profitability.

Given the impact changes in revenue in the low margin micro-merchant products have had on our group revenue in the recent past and given that it tends to obscure underlying gross profit growth, from Q1 of this year we will be introducing gross profit guidance for the first time. We have seen strong and consistent YoY growth here.

Looking at profitability, we expect Group Adjusted EBITDA to be between R900 million to R1 billion for FY2025, this represents a growth rate of between 30% and 45% for the year YoY.

Excluding the impact of the Adumo acquisition, and changes in interest charges on our consumer loan book, the mid-point of our Group Adjusted EBITDA of R950 million would be representative of more than 30% YoY Like for Like Growth for the Group.

For Q1 guidance, Adumo forms no part of Lesaka's results as we expect the transaction to close in Q2. We anticipate Group revenue will be between R2.5 billion and R2.7 billion; and Group Adjusted EBITDA between R160 million and R180 million.

We anticipate continuing to augment our organic growth story with M&A. Our run rate of acquisitions is not expected to decelerate. We anticipate we will be making add-on acquisitions fairly frequently. In addition to these, we will also pursue further transformative acquisitions, such as Connect and Adumo. We are fortunate that there are a number of potential targets which fit clearly into our stated strategy. We believe we will be able to conclude EBITDA accretive transactions which could substantially augment our scale and addressable market as well as realizing material operational synergies that compounds our organic growth.

From a balance sheet perspective, we are looking to continue bringing our Net Debt to Group Adjusted EBITDA ratio down with a medium-term objective of a 2 times ratio, which we believe is comfortably serviceable and is the appropriate capital structure for the business.

The opportunity ahead is significant. We have reached another significant milestone for Lesaka and we look forward to bringing the Adumo businesses into the fold, enhancing the product offering to our customers and accelerating our growth profile.

Following the close of the Adumo transaction, we will be providing updated medium-term financial objectives at our FY2025 second quarter results in February 2025.

Lesaka's performance should be much more than a reflection of the economies in which we operate. We will work to disrupt the old way; our competitor is inefficiency; we will strive to serve underserved merchants and consumers across our markets. Through striving for excellence, continuous innovation and a disciplined acquisition strategy we aspire to build the leading fintech in Southern Africa that serves not just as a local champion but also as a global reference. We have the team and the foundation to do this.

Thank you for attending our results presentation

<u>Questions and answers</u>

Rob Fink - moderator

Thank you Ali. We're now going to open up the Q&A session. As a reminder, there are two ways to ask a question from the zoom webcast. The first is to use the raise your Hand icon, which is at the bottom of your screen. Clicking this will alert the operator that you want to be called on to ask a question, and you'll be placed into a queue and called on.

Just note you're going to be on mute until you're called on. Secondly, to participate in Q&A is to use the Q&A widget, which will allow you to type in text the question. We'll take questions from there as well. But just note if we run into a time constraint, someone from the IR team will get back to you. If your question is not passed on today's call.

With that, we're now going to pause and open the queue. The first question is coming from Raj Sharma of B. Riley.

Raj Sharma, B.Riley Securities

Question

You alluded to further bolt-on and transformative M&A, can you elaborate on the Group’s M&A strategy and how you are thinking around the funding of these opportunities?

Answer – Steven Heilbron

So from a funding perspective, we are very cognizant of the debt ratios that we've put forward. And we remain incredibly disciplined in that respect. We've talked about maintaining our debt to our debt ratios in the region of two times in terms of debt to EBITDA. Everything that we do is accretive and separate to that we have a very supportive, shareholder base.

So funding is not really going to be an issue in terms of the targeted transactions. You saw we recently did the Adumo transaction, where we're going to be putting 17.3 million shares into the market, and we funded that transaction with R230 odd million of cash. If you just look over the last period, we've bought the Connect transaction into the group and integrated successfully.

Further to that, In the under review, we brought the Touchsides business in, and intergarted that. And separate to that, we are very excited about the Adumo transaction, which will now close on the 1st of October.

Our M&A activities are focused on achieving scale in our chosen markets by focussing on targets that either broaden our product offering or deepen our customer penetration in the form of a bolt-on or a transformative transaction

Rob Fink

Great. Thank you. And now take our second question, which is submitted by Frank Geng of Briarwood Chase Mgmt.

Question

We are very excited to see that you will be updating your medium-term financial objectives in FY25 Q2, can you provide some colour on what metrics will be covered and is it fair to expect that these medium-term financial objectives will be higher/more ambitious than the medium-term financial objectives provided a year ago? Given you referenced ambitious growth aspirations in your recent management change PR.

Answer - Ali Mazanderani

Firstly, just to give a bit of color, the Adumo transaction is expected to complete in October. So, we think that it is appropriate to update the medium term objectives subsequent to that, which is what we outlined in the script. We've already stated that we will be providing Gross

Profit guidance from Q1, thus you should also expect that GP guidance in the medium term, update - we'll also be providing GP as a financial objective metric.

I think rather than commenting on the specificity of what that would be ahead of time, I think it is worth noting that the, like for like growth that we are putting in our FY25 guidance, at the midpoint of the range:

- excluding the Adumo transaction, i.e. the underlying growth of the business
- and also adjusting for the way that, interest expense is expected to operate and be accounted for in the consumer business going forward

is 30% year on year, which is more than the medium term guidance that we had previously provided.

Rob Fink - moderator

We have a second question for Frank at Briarwood: The FY24 Merchant Division results included quite a few moving parts. Is it fair to conclude that the core Kazang offering in the informal market, and Connect (Cash and Capital) in the context of the persistent challenging operating environment for these merchants, delivered strong growth? Please comment on the outlook for this division going forward on a normalized basis?

Answer - Steven Heilbron

So let me take that question, to start with, as we presented, the normalized growth rate in the merchant division is 15% for the year ended FY 2024. If I can also remind you, that is off a significant growth in the prior year. Also, if you have a look at the year under review, you will see that our VAS throughput increased by 43% for the year ended FY 24, and our card throughput was up by 30%.

So we had relatively muted growth in cash and credit. But those strong VAS and card growth rates supported the underlying 15% organic. And as we look into FY25 from an organic perspective, we are very comfortable with that as a sustainable growth rate throughout the year. As you know, we've just taken the Touchsides business into the group and as Ali mentioned, from 1 October, we anticipate we will be closing the Adumo transaction.

So at an organic growth rate at 15%, both historic and going forward, there's a strong comfort and momentum.

Rob Fink

Great. Thank you Steve. Our next question is a live one. From Theo O' Neill from LHR Research. We're going to unmute your line and please go ahead.

Question

The consumer segment had an excellent performance, congratulations to the team. Will growth normalise going forward? Growth universe seems finite, are you looking past just servicing grant beneficiaries

Thanks very much. I've got two questions. My first question. First, congratulations to the consumer segment, which demonstrated some solid growth here. And so thinking about the future, how should we think about the future growth, which seems finite if you're just servicing the grant servicing grant recipients.

Answer - Lincoln Mali

Thank you for the question. If you think about, our current market share at 11%, we have about 1.3 million active, permanent grant recipients in about the 12 million, base of grant recipients, the post office has got about 28, percent market share of that. And they are losing customers in that space.

We think that there's still a lot of room to grow, in that space. Secondly, if you think about our cross-sell opportunities, we are only penetrated into 40% of our base in lending and only above 30% in, insurance, which gives us a lot of opportunities for cross-sell. Thirdly, we have introduced new ventures, our value added services products into that base, which means there's a lot of opportunity to grow.

But what excites us, about the future is that they are doing more pay, gives us 250,000 new customers who are non-guaranteed, customers. These customers are customers, as Ali pointed out earlier, off, large corporates that pay out their employees on meeting certain metrics, either for safety or anything like that. We now have an opportunity to sell our product into that base, and that provides us a beachhead into a non-grant beneficiary future.

We see ourselves, finding pockets of underserved, beyond the grant space. So, yes, there is a lot of, room for us to grow in the grant space, but we are starting to put on opportunities to look beyond the, the grant space and look at other pockets of underserved, customers.

Question - Theo O' Neill from LHR Research.

Okay. Thanks. I have one more question. Could you just give us some comment on CapEx plans for 2025?

Answer - Naeem Kola

Thank you for the question. In terms of our CapEx plans for 2025, as I've highlighted in, my presentation with CapEx, you know, what the business we remain focused on growth CapEx. So we would be expecting to spend a fairly similar CapEx amount, for FY 2025 and this will be mainly spent within the merchant business, specifically within our Main Street business, which is a cruising business for investments in our POS. And that is mainly related to growth of our merchant base. And then also with regards to the cash business, you know, as Steve highlighted, we looking you know, the market is looking a bit more favorable and the economy is looking better. So we also investing within that cash, structure. So I would say that CapEx spend growth year on year CapEx would be very similar.

Rob Fink

And our final question here comes from Jared Houston and of All Weather Capital.

Question

Ali, how are you thinking about a reflection on the group's debt levels? Will the further improvement in net debt to EBITDA be driven mainly by EBITDA growth, or can we expect some debt reduction at a group level? Where do you see the direction of leverage ratio when considering your outlook?

Answer - Ali Mazanderani

I'm going to let Naeem, answer the question. But just to kick it off – we are intending to manage the business at that two times ratio as a, as a whole, the consequence of our existing debt position and the Adumo transaction completing and the guidance that we've provided, would result in a materially lower, net debt to EBITDA ratio, than we currently have.

But let Naeem unpack that.

Naeem Kola

Yeah, sure. In general, just to give a better understanding. If you look at our FY 2024, balance sheet, you know, we've made significant progress in terms worth releasing close to about R140 million of the Cell C stock that we've been holding for a few years. The cash and the funds that will be generated from that has given us the ability to reduce some of our capitalized interest expense.

We are currently sitting with, around R30 million of Cell C stock. So that was quite a significant cash inflow for us. We've also moved, a year ago from a leverage ratio of 4.5 times to about to just under 2.5 times, which is what we've closed at the end of FY 24. As Ali stated in terms of our group debt restructuring, there is some further benefits that we'll get from an interest perspective - reduced interest costs going forward into FY 25 and as we do more transactions.

If we achieve the midpoint of our guidance, as well as the restructuring of our consumer loan book into a separate structure, we should be getting to our target, which is to be at a leverage ratio below two times.

Rob Fink

Thank you Naeem. Thank you. Ali. That's going to bring us to the end of the webcast today. We've run short on time. We will be following up with anybody who had a question that wasn't asked. So please stand by and thank you for your participation. This concludes today's webcast.

END