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

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**
For the transition period from _________ To _________

Commission file number: **000-31203**

LESAKA TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Florida	**98-0171860**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road, Rosebank, Johannesburg, 2196, South Africa
(Address of principal executive offices, including zip code)

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

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

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

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

☐	Large accelerated filer	☒	Accelerated filer
☐	Non-accelerated filer	☒	Smaller reporting company
		☐	Emerging growth company

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

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

As of November 4, 2024 (the latest practicable date), 78,018,643 shares of the registrant's common stock, par value $0.001 per share, net of treasury shares, were outstanding.

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Part I. Financial information

Item 1. Financial Statements

LESAKA TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Balance Sheets

	September 30, 2024	June 30, 2024 (A)
	(In thousands, except share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 49,687	$ 59,065
Restricted cash related to ATM funding and credit facilities (Note 8)	122	6,853
Accounts receivable, net and other receivables (Note 2)	29,825	36,667
Finance loans receivable, net (Note 2)	47,017	44,058
Inventory (Note 3)	20,194	18,226
Total current assets before settlement assets	146,845	164,869
Settlement assets	20,469	22,827
Total current assets	167,314	187,696
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of - September: $50,532 June: $49,762	34,481	31,936
OPERATING LEASE RIGHT-OF-USE (Note 16)	7,411	7,280
EQUITY-ACCOUNTED INVESTMENTS (Note 5)	245	206
GOODWILL (Note 6)	146,577	138,551
INTANGIBLE ASSETS, NET (Note 6)	114,052	111,353
DEFERRED INCOME TAXES	3,734	3,446
OTHER LONG-TERM ASSETS, including equity securities (Note 5 and 7)	78,075	77,982
TOTAL ASSETS	551,889	558,450
LIABILITIES		
CURRENT LIABILITIES		
Short-term credit facilities for ATM funding (Note 8)	-	6,737
Short-term credit facilities (Note 8)	9,895	9,351
Accounts payable	12,815	16,674
Other payables (Note 9)	45,923	56,051
Operating lease liability - current (Note 16)	2,600	2,343
Current portion of long-term borrowings (Note 8)	3,841	3,878
Income taxes payable	1,488	654
Total current liabilities before settlement obligations	76,562	95,688
Settlement obligations	19,899	22,358
Total current liabilities	96,461	118,046
DEFERRED INCOME TAXES	39,345	38,128
OPERATING LEASE LIABILITY - LONG TERM (Note 16)	4,968	5,087
LONG-TERM BORROWINGS (Note 8)	144,679	139,308
OTHER LONG-TERM LIABILITIES, including insurance policy liabilities (Note 7)	2,790	2,595
TOTAL LIABILITIES	288,243	303,164
REDEEMABLE COMMON STOCK	79,429	79,429
EQUITY		
COMMON STOCK (Note 10)		
Authorized: 200,000,000 with $0.001 par value;		
Issued and outstanding shares, net of treasury - September: 64,301,943 June: 64,272,243	83	83
PREFERRED STOCK		
Authorized shares: 50,000,000 with $0.001 par value;		
Issued and outstanding shares, net of treasury: September: - June: -	-	-
ADDITIONAL PAID-IN-CAPITAL	346,016	343,639
TREASURY SHARES, AT COST: September: 25,563,808 June: 25,563,808	(289,733)	(289,733)
ACCUMULATED OTHER COMPREHENSIVE LOSS (Note 11)	(177,830)	(188,355)
RETAINED EARNINGS	305,681	310,223
TOTAL LESAKA EQUITY	184,217	175,857
NON-CONTROLLING INTEREST	-	-
TOTAL EQUITY	184,217	175,857
TOTAL LIABILITIES, REDEEMABLE COMMON STOCK AND SHAREHOLDERS' EQUITY	$ 551,889	$ 558,450

(A) – Derived from audited financial statements
See Notes to Unaudited Condensed Consolidated Financial Statements

LESAKA TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Operations

	Three months ended September 30,	
	2024	**2023**
	(In thousands, except per	
REVENUE (Note 15)	$ 145,546	$ 136,089
EXPENSE		
Cost of goods sold, IT processing, servicing and support	110,887	107,490
Selling, general and administration	26,726	22,515
Depreciation and amortization	6,276	5,856
Transaction costs related to Adumo acquisition (Note 20)	1,702	-
OPERATING (LOSS) INCOME	(45)	228
REVERSAL OF (ALLOWANCE) OF EMI DOUBTFUL DEBT (Note 2 and 5)	-	250
INTEREST INCOME	586	449
INTEREST EXPENSE	5,032	4,909
LOSS BEFORE INCOME TAX EXPENSE	(4,491)	(3,982)
INCOME TAX EXPENSE (Note 18)	78	264
NET LOSS BEFORE EARNINGS (LOSS) FROM EQUITY-ACCOUNTED INVESTMENTS	(4,569)	(4,246)
EARNINGS (LOSS) FROM EQUITY-ACCOUNTED INVESTMENTS (Note 5)	27	(1,405)
NET LOSS	$ (4,542)	$ (5,651)
Net loss per share, in United States dollars (Note 13):		
Basic loss attributable to Lesaka shareholders	$ (0.07)	$ (0.09)
Diluted loss attributable to Lesaka shareholders	$ (0.07)	$ (0.09)

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three months ended September 30, 2024	Three months ended September 30, 2023
	(In thousands)	
Net loss	$ (4,542)	$ (5,651)
Other comprehensive income (loss), net of taxes		
Movement in foreign currency translation reserve	10,525	(844)
Movement in foreign currency translation reserve related to equity-accounted investments	-	489
Total other comprehensive income (loss), net of taxes	10,525	(355)
Comprehensive income (loss)	5,983	(6,006)
Add comprehensive loss attributable to non-controlling interest	-	-
Comprehensive income (loss) attributable to Lesaka	$ 5,983	$ (6,006)

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Lesaka Technologies, Inc. Shareholders											
	Number of Shares	**Amount**	**Number of Treasury Shares**	**Treasury Shares**	**Number of shares, net of treasury**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated other comprehensive loss**	**Total Lesaka Equity**	**Non-controlling Interest**	**Total**	**Redeemable common stock**
	For the three months ended September 30, 2023 (dollar amounts in thousands)											
Balance – July 1, 2023	88,884,532	$ 83	(25,244,286)	$ (288,238)	63,640,246	$ 335,696	$ 327,663	$ (195,726)	$ 179,478	$ -	$ 179,478	$ 79,429
Exercise of stock options	6,793	-			6,793	21			21		21	
Stock-based compensation charge (Note 12)					-	1,768			1,768		1,768	
Reversal of stock-based compensation charge (Note 12)	(8,127)				(8,127)	(9)			(9)		(9)	
Stock-based compensation charge related to equity-accounted investment (Note 5)					-	14			14		14	
Net loss					-		(5,651)		(5,651)	-	(5,651)	
Other comprehensive loss (Note 11)								(355)	(355)	-	(355)	
Balance – September 30, 2023	88,883,198	$ 83	(25,244,286)	$ (288,238)	63,638,912	$ 337,490	$ 322,012	$ (196,081)	$ 175,266	$ -	$ 175,266	$ 79,429

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

	Lesaka Technologies, Inc. Shareholders											
	Number of Shares	**Amount**	**Number of Treasury Shares**	**Treasury Shares**	**Number of shares, net of treasury**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated other comprehensive loss**	**Total Lesaka Equity**	**Non-controlling Interest**	**Total**	**Redeemable common stock**
	For the three months ended September 30, 2024 (dollar amounts in thousands)											
Balance – July 1, 2024	89,836,051	$ 83	(25,563,808)	$ (289,733)	64,272,243	$ 343,639	$ 310,223	$ (188,355)	$ 175,857	$ -	$ 175,857	$ 79,429
Restricted stock granted (Note 12)	32,800				32,800				-		-	
Stock-based compensation charge (Note 12)	-				-	2,377			2,377		2,377	
Reversal of stock-based compensation charge (Note 12)	(3,100)				(3,100)	-			-		-	
Net loss							(4,542)		(4,542)	-	(4,542)	
Other comprehensive income (Note								10,525	10,525	-	10,525	
Balance – September 30, 2024	89,865,751	$ 83	(25,563,808)	$ (289,733)	64,301,943	$ 346,016	$ 305,681	$ (177,830)	$ 184,217	$ -	$ 184,217	$ 79,429

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

	Three months ended September 30,	
	2024	**2023**
	(In thousands)	
Cash flows from operating activities		
Net loss	$ (4,542)	$ (5,651)
Depreciation and amortization	6,276	5,856
Movement in allowance for doubtful accounts receivable and finance loans receivable	1,499	1,525
(Earnings) Loss from equity-accounted investments (Note 5)	(27)	1,405
Movement in allowance for doubtful loans to equity-accounted investments	-	(250)
Fair value adjustment related to financial liabilities	190	(34)
Interest payable	1,693	1,764
Facility fee amortized	69	227
Profit on disposal of property, plant and equipment	(27)	(36)
Stock-based compensation charge (Note 12)	2,377	1,759
Decrease (Increase) in accounts receivable and other receivables	7,692	(2,345)
Increase in finance loans receivable	(1,590)	(488)
Increase in inventory	(889)	(479)
(Decrease) Increase in accounts payable and other payables	(17,177)	375
Increase in taxes payable	765	308
Decrease in deferred taxes	(446)	(562)
Net cash (used in) provided by operating activities	(4,137)	3,374
Cash flows from investing activities		
Capital expenditures	(3,965)	(2,809)
Proceeds from disposal of property, plant and equipment	850	284
Acquisition of intangible assets	(173)	(135)
Net change in settlement assets	3,570	(11,237)
Net cash provided by (used in) investing activities	282	(13,897)
Cash flows from financing activities		
Proceeds from bank overdraft (Note 8)	23,893	59,574
Repayment of bank overdraft (Note 8)	(31,028)	(62,793)
Long-term borrowings utilized (Note 8)	774	2,471
Repayment of long-term borrowings (Note 8)	(5,472)	(2,629)
Proceeds from exercise of stock options	-	21
Net change in settlement obligations	(3,648)	10,696
Net cash (used in) provided by financing activities	(15,481)	7,340
Effect of exchange rate changes on cash	3,226	(443)
Net decrease in cash, cash equivalents and restricted cash	(16,110)	(3,626)
Cash, cash equivalents and restricted cash – beginning of period	65,919	58,632
Cash, cash equivalents and restricted cash – end of period (Note 14)	$ 49,809	$ 55,006

See Notes to Unaudited Condensed Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements include all majority-owned subsidiaries over which the Company exercises control and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and the rules and regulations of the United States Securities and Exchange Commission for Quarterly Reports on Form 10-Q and include all of the information and disclosures required for interim financial reporting. The results of operations for the three months ended September 30, 2024 and 2023, are not necessarily indicative of the results for the full year. The Company believes that the disclosures are adequate to make the information presented not misleading.

These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements, accounting policies and financial notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments), which are necessary for a fair representation of financial results for the interim periods presented.

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

Recent accounting pronouncements adopted

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

Recent accounting pronouncements not yet adopted as of September 30, 2024

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

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

Accounts receivable, net and other receivables

The Company's accounts receivable, net, and other receivables as of September 30, 2024, and June 30, 2024, are presented in the table below:

	September 30, 2024	June 30, 2024
Accounts receivable, trade, net	$ 11,083	$ 13,262
Accounts receivable, trade, gross	12,569	14,503
Allowance for doubtful accounts receivable, end of period	1,486	1,241
Beginning of period	1,241	509
Reversed to statement of operations	(50)	(511)
Charged to statement of operations	307	1,305
Utilized	(87)	(67)
Foreign currency adjustment	75	5
Current portion of amount outstanding related to sale of interest in Carbon, net of allowance: September 2024: $750; June 2024: $750	-	-
Current portion of total held to maturity investments	-	-
Investment in 7.625% of Cedar Cellular Investment 1 (RF) (Pty) Ltd 8.625% notes	-	-
Other receivables	18,742	23,405
Total accounts receivable, net and other receivables	$ 29,825	$ 36,667

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

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

Current portion of amount outstanding related to sale of interest in Carbon represents an amount due related to the sale of the loan in Carbon Tech Limited ("Carbon"), with a face value of $3.0 million, which was sold in September 2022 for $0.75 million, net of an allowance for doubtful loans receivable of $0.75 million. The Company has not yet received the outstanding $0.75 million related to the sale of the $3.0 million loan, and continues to engage with the purchaser to recover the outstanding balance.

Investment in 7.625% of Cedar Cellular Investment 1 (RF) (Pty) Ltd 8.625% notes represents the investment in a note which was due to mature in August 2022 and forms part of Cell C's capital structure. The carrying value as of each of September 30, 2024, and June 30, 2024, respectively was $0 (zero).

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

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

Finance loans receivable, net

The Company's finance loans receivable, net, as of September 30, 2024, and June 30, 2024, is presented in the table below:

	September 30, 2024	June 30, 2024
Microlending finance loans receivable, net	$ 30,732	$ 28,184
Microlending finance loans receivable, gross	32,851	30,131
Allowance for doubtful finance loans receivable, end of period	2,119	1,947
Beginning of period	1,947	1,432
Reversed to statement of operations	-	(210)
Charged to statement of operations	609	2,454
Utilized	(552)	(1,795)
Foreign currency adjustment	115	66
Merchant finance loans receivable, net	16,285	15,874
Merchant finance loans receivable, gross	19,380	18,571
Allowance for doubtful finance loans receivable, end of period	3,095	2,697
Beginning of period	2,697	2,150
Reversed to statement of operations	-	(359)
Charged to statement of operations	632	2,479
Utilized	(397)	(1,672)
Foreign currency adjustment	163	99
Total finance loans receivable, net	$ 47,017	$ 44,058

Total finance loans receivable, net, comprises microlending finance loans receivable related to the Company's microlending operations in South Africa as well as its merchant finance loans receivable related to Connect's lending activities in South Africa. Certain merchant finance loans receivable with an aggregate balance of $15.6 million as of September 30, 2024 have been pledged as security for the Company's revolving credit facility (refer to Note 8).

Allowance for credit losses

Microlending finance loans receivable

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

The Company has operated this lending book for more than five years and uses historical default experience over the lifetime of loans in order to calculate a lifetime loss rate for the lending book. The allowance for credit losses related to these microlending finance loans receivables is calculated by multiplying the lifetime loss rate with the month end outstanding lending book. The lifetime loss rate as of each of June 30, 2024 and September 30, 2024, was 6.50%. The performing component (that is, outstanding loan payments not in arrears) of the book exceeds more than 98%, of the outstanding lending book as of each of June 30, 2024 and September 30, 2024.

Merchant finance loans receivable

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

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

Finance loans receivable, net (continued)

Allowance for credit losses (continued)

Merchant finance loans receivable (continued)

The Company has recently (in the past three years) commenced lending to merchant customers and uses historical default experience over the lifetime of loans generated thus far in order to calculate a lifetime loss rate for the lending book. The allowance for credit losses related to these merchant finance loans receivables is calculated by adding together actual receivables in default plus multiplying the lifetime loss rate with the month-end outstanding lending book. The lifetime loss rate as of each of June 30, 2024 and September 30, 2024, was approximately 1.18%. The performing component (that is, outstanding loan payments not in arrears), under-performing component (that is, outstanding loan payments that are in arrears) and non-performing component (that is, outstanding loans for which payments appeared to have ceased) of the book represents approximately 84%, 15% and 1%, respectively, of the outstanding lending book as of June 30, 2024. The performing component, under-performing component and non-performing component of the book represents approximately 85%, 15% and 0%, respectively, of the outstanding lending book as of September 30, 2024.

3. Inventory

The Company's inventory comprised the following categories as of September 30, 2024, and June 30, 2024:

	September 30, 2024	June 30, 2024
Raw materials	$ 2,784	$ 2,791
Work-in-progress	744	71
Finished goods	16,666	15,364
	$ 20,194	$ 18,226

Finished goods as of June 30, 2024, includes $1.8 million of Cell C airtime inventory that was previously classified as finished goods subject to sale restrictions. The Company sold all of this inventory during the three months ended September 30, 2024.

4. Fair value of financial instruments

Initial recognition and measurement

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

Risk management

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

Currency exchange risk

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

Translation risk

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

4. Fair value of financial instruments (continued)

Risk management (continued)

Interest rate risk

As a result of its normal borrowing activities, the Company's operating results are exposed to fluctuations in interest rates, which it manages primarily through regular financing activities. Interest rates in South Africa have remained unchanged in recent quarters and in September 2024, the South African Reserve Bank announced a 25-basis point reduction in the South African repurchase rate, with further reductions expected in the short-term. Therefore, ignoring the impact of changes to the margin on its borrowings (refer to Note 8), the Company expects its cost of borrowing to decline moderately in the foreseeable future, however, the Company would expect a higher cost of borrowing if interest rates were to increase in the future. The Company periodically evaluates the cost and effectiveness of interest rate hedging strategies to manage this risk. The Company generally maintains surplus cash in cash equivalents and held to maturity investments and has occasionally invested in marketable securities.

Credit risk

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

Consumer microlending credit risk

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

Merchant lending

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

Equity price and liquidity risk

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

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

Financial instruments

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

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

4. **Fair value of financial instruments (continued)**

Financial instruments (continued)

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

The Company's Level 3 asset represents an investment of 75,000,000 class "A" shares in Cell C, a significant mobile telecoms provider in South Africa. The Company used a discounted cash flow model developed by the Company to determine the fair value of its investment in Cell C as of September 30, 2024 and June 30, 2024, respectively, and valued Cell C at $0.0 (zero) and $0.0 (zero) as of September 30, 2024, and June 30, 2024, respectively. The Company incorporates the payments under Cell C's lease liabilities into the cash flow forecasts and assumes that Cell C's deferred tax assets would be utilized over the forecast period. The Company has assumed a marketability discount of 20% and a minority discount from of 24%. The Company utilized the latest business plan provided by Cell C management for the period ending December 31, 2027, for the September 30, 2024, and June 30, 2024, valuations. Adjustments have been made to the WACC rate to reflect the Company's assessment of risk to Cell C achieving its business plan.

The following key valuation inputs were used as of September 30, 2024 and June 30, 2024:

Weighted Average Cost of Capital ("WACC"):	Between 21% and 23% over the period of the forecast
Long term growth rate:	4.5% (4.5% as of June 30, 2024)
Marketability discount:	20% (20% as of June 30, 2024)
Minority discount:	24% (24% as of June 30, 2024)
Net adjusted external debt - September 30, 2024:(1)	ZAR 7.4 billion ($0.4 billion), no lease liabilities included
Net adjusted external debt - June 30, 2024:(2)	ZAR 8 billion ($0.4 billion), no lease liabilities included

(1) translated from ZAR to U.S. dollars at exchange rates applicable as of September 30, 2024.
(2) translated from ZAR to U.S. dollars at exchange rates applicable as of June 30, 2024.

The following table presents the impact on the carrying value of the Company's Cell C investment of a 1.0% decrease and 1.0% increase in the WACC rate and the EBITDA margins respectively used in the Cell C valuation on September 30, 2024, all amounts translated at exchange rates applicable as of September 30, 2024:

Sensitivity for fair value of Cell C investment	**1.0% increase**	**1.0% decrease**
WACC rate	$ -	$ 519
EBITDA margin	$ 146	$ -

The fair value of the Cell C shares as of September 30, 2024, represented 0% of the Company's total assets, including these shares. The Company expects to hold these shares for an extended period of time and that there will be short-term equity price volatility with respect to these shares particularly given that Cell C remains in a turnaround process.

The following table presents the Company's assets measured at fair value on a recurring basis as of September 30, 2024, according to the fair value hierarchy:

	Quoted Price in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets				
Investment in Cell C	$ -	$ -	$ -	$ -
Related to insurance				
Cash, cash equivalents and restricted cash (included in other long-term assets)	235	-	-	235
Fixed maturity investments (included in cash and cash equivalents)	5,523	-	-	5,523
Total assets at fair value	$ 5,758	$ -	$ -	$ 5,758

4. Fair value of financial instruments

The following table presents the Company's assets measured at fair value on a recurring basis as of June 30, 2024, according to the fair value hierarchy:

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Investment in Cell C	$ -	$ -	$ -	$ -
Related to insurance business				
Cash and cash equivalents (included in other long-term assets)	216	-	-	216
Fixed maturity investments (included in cash and cash equivalents)	4,635	-	-	4,635
Total assets at fair value	$ 4,851	$ -	$ -	$ 4,851

There have been no transfers in or out of Level 3 during the three months ended September 30, 2024 and 2023, respectively.

There was no movement in the carrying value of assets measured at fair value on a recurring basis, and categorized within Level 3, during the three months ended September 30, 2024 and 2023.

Summarized below is the movement in the carrying value of assets and liabilities measured at fair value on a recurring basis, and categorized within Level 3, during the three months ended September 30, 2024:

	Carrying value
Assets	
Balance as of June 30, 2024	$ -
Foreign currency adjustment(1)	-
Balance as of September 30, 2024	$ -

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

Summarized below is the movement in the carrying value of assets and liabilities measured at fair value on a recurring basis, and categorized within Level 3, during the three months ended September 30, 2023:

	Carrying value
Assets	
Balance as of June 30, 2023	$ -
Foreign currency adjustment(1)	-
Balance as of September 30, 2023	$ -

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

Assets measured at fair value on a nonrecurring basis

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

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

Refer to Note 9 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2024, for additional information regarding its equity-accounted investments and other long-term assets.

Equity-accounted investments

The Company's ownership percentage in its equity-accounted investments as of September 30, 2024, and June 30, 2024, was as follows:

	September 30, 2024	June 30, 2024
Sandulela Technology (Pty) Ltd ("Sandulela")	49.0 %	49.0 %
SmartSwitch Namibia (Pty) Ltd ("SmartSwitch Namibia")	50.0 %	50.0 %

Finbond impairments recorded during the three months ended September 30, 2023

On August 10, 2023, the Company, through its wholly owned subsidiary Net1 Finance Holdings (Pty) Ltd, entered into an agreement with Finbond to sell its remaining shareholding to Finbond for a cash consideration of ZAR 64.2 million ($3.4 million using exchange rates applicable as of September 30, 2023), or ZAR 0.2911 per share. Closed transaction closed in December 2023. The Company considered the August 10, 2023, agreement to be an impairment indicator. The Company is required to include any foreign currency translation reserve and other equity account amounts in its impairment assessment if it considers exiting an equity method investment. The Company performed an impairment assessment of its holding in Finbond, including the foreign currency translation reserve and other equity account amounts, as of September 30, 2023. The Company recorded an impairment loss of $1.2 million during the quarter ended September 30, 2023, which represented the difference between the determined fair value of the Company's interest in Finbond and the Company's carrying value, including the foreign currency translation reserve (before the impairment). The Company used the price of ZAR 0.2911 referenced in the August 2023 agreement referred to above to calculate the determined fair value for Finbond.

Carbon

In September 2022, the Company, through its wholly-owned subsidiary, Net1 Applied Technologies Netherlands B.V. ("Net1 BV"), entered into a binding term sheet with the Etobicoke Limited ("Etobicoke") to sell its entire interest, or 25%, in Carbon to Etobicoke for $0.5 million and a loan due from Carbon, with a face value of $3.0 million, to Etobicoke for $0.75 million. Both the equity interest and the loan had a carrying value of $0 (zero) at June 30, 2022. The parties agreed that Etobicoke pledge the Carbon shares purchased as security for the amounts outstanding under the binding term sheet. The Company received $0.25 million on closing and the outstanding balance due by Etobicoke was expected to be paid as follows: (i) $0.25 million on September 30, 2023 (the amount was received in October 2023), and (ii) the remaining amount, of $0.75 million in March 2024 (the amount has not been received as of September 30, 2024 (refer to Note 2)).

Summarized below is the movement in equity-accounted investments and loans provided to equity-accounted investments during the three months ended September 30, 2024:

	Total[1]
Investment in equity	
Balance as of June 30, 2024	$ 206
Stock-based compensation	-
Comprehensive income:	27
Other comprehensive income	-
Equity accounted (loss) earnings	27
Share of net (loss) earnings	27
Impairment	-
Foreign currency adjustment[2]	12
Balance as of September 30, 2024	$ 245

(1) Includes Sandulela, and SmartSwitch Namibia;

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

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

Other long-term assets

Summarized below is the breakdown of other long-term assets as of September 30, 2024, and June 30, 2024:

	September 30, 2024	June 30, 2024
Total equity investments	$ 76,297	$ 76,297
Investment in 5% of Cell C (June 30, 2024: 5%) at fair value (Note 4)	-	-
Investment in 10% of MobiKwik (June 30, 2024: 10%)(1)	76,297	76,297
Investment in 87.5% of CPS (June 30, 2024: 87.5%) at fair value(1)(2)	-	-
Policy holder assets under investment contracts (Note 7)	235	216
Reinsurance assets under insurance contracts (Note 7)	1,543	1,469
Total other long-term assets	$ 78,075	$ 77,982

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

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

Summarized below are the components of the Company's equity securities without readily determinable fair value and held to maturity investments as of September 30, 2024:

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

Summarized below are the components of the Company's equity securities without readily determinable fair value and held to maturity investments as of June 30, 2024:

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

6. Goodwill and intangible assets, net

Goodwill

Summarized below is the movement in the carrying value of goodwill for the three months ended September 30, 2024:

	Gross value	Accumulated impairment	Carrying value
Balance as of June 30, 2024	$ 157,899	$ (19,348)	$ 138,551
Foreign currency adjustment (1)	8,816	(790)	8,026
Balance as of September 30, 2024	$ 166,715	$ (20,138)	$ 146,577

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

6. Goodwill and intangible assets, net (continued)

Goodwill (continued)

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

	Consumer	Merchant	Carrying value
Balance as of June 30, 2024	$ -	$ 138,551	$ 138,551
Foreign currency adjustment [(1)]	-	8,026	8,026
Balance as of September 30, 2024	$ -	$ 146,577	$ 146,577

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

Intangible assets, net

Carrying value and amortization of intangible assets

Summarized below is the carrying value and accumulated amortization of intangible assets as of September 30, 2024, and June 30, 2024:

	As of September 30, 2024			As of June 30, 2024		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
Finite-lived intangible assets:						
Customer relationships	$ 27,388	$ (15,390)	$ 11,998	$ 25,880	$ (14,030)	$ 11,850
Software, integrated platform and unpatented technology	122,099	(30,331)	91,768	115,213	(25,763)	89,450
FTS patent	2,230	(2,230)	-	2,107	(2,107)	-
Brands and trademarks	15,188	(4,902)	10,286	14,353	(4,300)	10,053
Total finite-lived intangible assets	$ 166,905	$ (52,853)	$ 114,052	$ 157,553	$ (46,200)	$ 111,353

Aggregate amortization expense on the finite-lived intangible assets for the three months ended September 30, 2024 and 2023, was $3.8 million and $3.6 million, respectively. Future estimated annual amortization expense for the next five fiscal years and thereafter, assuming exchange rates that prevailed on September 30, 2024, is presented in the table below. Actual amortization expense in future periods could differ from this estimate as a result of acquisitions, changes in useful lives, exchange rate fluctuations and other relevant factors.

Fiscal 2025 (excluding three months ended September 30, 2024)	$ 11,888
Fiscal 2026	15,850
Fiscal 2027	15,790
Fiscal 2028	15,790
Fiscal 2029	15,602
Thereafter	39,132
Total future estimated annual amortization expense	$ 114,052

7. Assets and policyholder liabilities under insurance and investment contracts

Reinsurance assets and policyholder liabilities under insurance contracts

Summarized below is the movement in reinsurance assets and policyholder liabilities under insurance contracts during the three months ended September 30, 2024:

	Reinsurance Assets[(1)]	Insurance contracts[(2)]
Balance as of June 30, 2024	$ 1,469	$ (2,241)
Increase in policy holder benefits under insurance contracts	180	(2,500)
Claims and decrease in policyholders' benefits under insurance contracts	(190)	2,463
Foreign currency adjustment[(3)]	84	(131)
Balance as of September 30, 2024	$ 1,543	$ (2,409)

(1) Included in other long-term assets (refer to Note 5);
(2) Included in other long-term liabilities;
(3) Represents the effects of the fluctuations of the ZAR against the U.S. dollar.

7. Assets and policyholder liabilities under insurance and investment contracts (continued)

Reinsurance assets and policyholder liabilities under insurance contracts (continued)

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

Assets and policyholder liabilities under investment contracts

Summarized below is the movement in assets and policyholder liabilities under investment contracts during the three months ended September 30, 2024:

	Assets(1)	Investment contracts(2)
Balance as of June 30, 2024	$ 216	$ (216)
Increase in policy holder benefits under investment contracts	6	(6)
Foreign currency adjustment (3)	13	(13)
Balance as of September 30, 2024	$ 235	$ (235)

(1) Included in other long-term assets (refer to Note 5);
(2) Included in other long-term liabilities;
(3) Represents the effects of the fluctuations of the ZAR against the U.S. dollar.

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

8. Borrowings

Refer to Note 12 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2024, for additional information regarding its borrowings.

South Africa

The amounts below have been translated at exchange rates applicable as of the dates specified. The 3-month Johannesburg Interbank Agreed Rate ("JIBAR"), the rate at which private sector banks borrow funds from the South African Reserve Bank, on September 30, 2024, was 8.35%. The prime rate, the benchmark rate at which private sector banks lend to the public in South Africa, on September 30, 2024, was 11.50%.

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

Long-term borrowings - Facility G and Facility H

As of September 30, 2024, the Company had not utilized any of its ZAR 200 million Facility G revolving credit facility. The interest rate on this facility as of September 30, 2024, was JIBAR plus 4.75%.

Available short-term facility - Facility E

As of September 30, 2024, the aggregate amount of the Company's short-term South African overdraft facility with RMB was ZAR 0.9 billion ($52.4 million). As of September 30, 2024, the Company had not utilized this overdraft facility. This overdraft facility may only be used to fund ATMs and therefore the overdraft utilized and converted to cash to fund the Company's ATMs is considered restricted cash. The interest rate on this facility is equal to the prime rate.

8. Borrowings (borrowings) (continued)

South Africa (continued)

RMB Bridge Facilities, comprising a short-term facility obtained in October 2024

On September 30, 2024, Lesaka SA entered into a Facility Letter (the "F2024 Facility Letter") with RMB to provided Lesaka SA a ZAR 665.0 million funding facility (the "Facility"). The Facility has been used by Lesaka SA to (i) settle an amount of ZAR 232.2 due under the Adumo transaction (refer to Note 20); (ii) pay Crossfin Holdings (RF) Proprietary Limited ("Crossfin") ZAR 207.2 million under a share purchase agreement concluded between Lesaka SA and Crossfin Holdings ((refer also to Note 20)); (iii) pay an amount of ZAR 147.5 million notified by Investec Bank Limited to Adumo and Lesaka SA as a result of the transaction described in Note 20, and (iv) pay an origination fee of ZAR 7.6 million to RMB. The Facility also provides Lesaka with ZAR 70.0 million for transaction -related expenses. Interest on the Facility is calculated at the prime rate plus 1.80%. The Facility is unsecured and required to be repaid in full on or before December 13, 2024.

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

As of September 30, 2024, the Connect Facilities include (i) an overdraft facility (general banking facility) of ZAR 170.0 million (of which ZAR 170.0 million ($9.9 million) has been utilized); (ii) Facility A of ZAR 700.0 million ($40.7 million); (iii) Facility B of ZAR 550.0 million ($32.0 million) (both fully utilized); and (iv) an asset-backed facility of ZAR 200.0 million ($11.6 million) (of which ZAR 138.1 million ($8.0 million) has been utilized).

On October 29, 2024, the Company, through its wholly owned subsidiary Cash Connect Management Solutions (Pty) Ltd, entered into an addendum to a facility letter with RMB, to obtain a ZAR 100.0 million temporary increase in its overdraft facility for a period of approximately four months to specifically fund the purchase of prepaid airtime vouchers. This temporary increase is repayable in equal daily instalments which commenced at the end of October 2024 and end of February 15, 2025.

CCC Revolving Credit Facility, comprising long-term borrowings

As of September 30, 2024, the amount of the CCC Revolving Credit Facility was ZAR 300.0 million (of which ZAR 215.5 million has been utilized). Interest on the Revolving Credit Facility is payable on the last business day of each calendar month and is based on the South African prime rate in effect from time to time plus a margin of 0.95% per annum.

RMB facility, comprising indirect facilities

As of September 30, 2024, the aggregate amount of the Company's short-term South African indirect credit facility with RMB was ZAR 135.0 million ($7.1 million), which includes facilities for guarantees, letters of credit and forward exchange contracts. As of September 30, 2024 and June 30, 2024, the Company had utilized ZAR 33.1 million ($1.9 million) and ZAR 33.1 million ($1.8 million), respectively, of its indirect and derivative facilities of ZAR 135.0 million (June 30, 2024: ZAR 135.0 million) to enable the bank to issue guarantees, letters of credit and forward exchange contracts (refer to Note 19).

Nedbank facility, comprising short-term facilities

As of September 30, 2024, the aggregate amount of the Company's short-term South African credit facility with Nedbank Limited was ZAR 156.6 million ($9.1 million). The credit facility represents indirect and derivative facilities of up to ZAR 156.6 million ($9.1 million), which include guarantees, letters of credit and forward exchange contracts.

As of September 30, 2024 and June 30, 2024, the Company had utilized ZAR 2.1 million ($0.1 million) and ZAR 2.1 million ($0.1 million), respectively, of its indirect and derivative facilities of ZAR 156.6 million (June 30, 2024: ZAR 156.6 million) to enable the bank to issue guarantees, letters of credit and forward exchange contracts (refer to Note 19).

8. **Borrowings (borrowings) (continued)**

South Africa (continued)

Movement in short-term credit facilities (continued)

Summarized below are the Company's short-term facilities as of September 30, 2024, and the movement in the Company's short-term facilities from as of June 30, 2024 to as of September 30, 2024:

	RMB Facility E	RMB Indirect	RMB Connect	Nedbank Facilities	Total
Short-term facilities available as of September 30, 2023	$ 52,384	$ 7,858	$ 9,895	$ 9,112	$ 79,249
Overdraft	-	-	9,895	-	9,895
Overdraft restricted as to use for ATM funding only	52,384	-	-	-	52,384
Indirect and derivative facilities	-	7,858	-	9,112	16,970
Movement in utilized overdraft facilities:					
Restricted as to use for ATM funding only	6,737	-	-	-	6,737
No restrictions as to use	-	-	9,351	-	9,351
Balance as of June 30, 2024	6,737	-	9,351	-	16,088
Utilized	23,893	-	-	-	23,893
Repaid	(31,028)	-	-	-	(31,028)
Foreign currency	398	-	544	-	942
Balance as of September 30, 2024	-	-	9,895	-	9,895
Restricted as to use for ATM funding only	-	-	-	-	-
No restrictions as to use	$ -	$ -	$ 9,895	$ -	$ 9,895
Interest rate as of September 30, 2024 (%)(2)	11.50	-	11.40	-	
Movement in utilized indirect and derivative facilities:					
Balance as of June 30, 2024	$ -	$ 1,821	$ -	$ 116	$ 1,937
Foreign currency adjustment(1)	-	106	-	7	113
Balance as of September 30, 2024	$ -	$ 1,927	$ -	$ 123	$ 2,050

(1) Represents the effects of the fluctuations between the ZAR and the U.S. dollar.
(2) Facility E interest set at prime and the Connect facility at prime less 0.10%.

8. **Borrowings (continued)**

Movement in long-term borrowings

Summarized below is the movement in the Company's long-term borrowing from as of as of June 30, 2024 to as of September 30, 2024:

	Facilities				
	G & H	**A&B**	**CCC**	**Asset backed**	**Total**
Included in current	$ -	$ -	$ -	$ 3,878	$ 3,878
Included in long-term	56,151	66,815	11,841	4,501	139,308
Opening balance as of June 30, 2024	56,151	66,815	11,841	8,379	143,186
Facilities utilized	-	-	559	215	774
Facilities repaid	(3,911)	-	(554)	(1,007)	(5,472)
Non-refundable fees paid	-	-	-	-	-
Non-refundable fees amortized	44	12	13	-	69
Capitalized interest	1,845	-	-	-	1,845
Capitalized interest repaid	(95)	-	-	-	(95)
Foreign currency adjustment[1]	3,188	3,890	684	451	8,213
Closing balance as of September 30, 2024	57,222	70,717	12,543	8,038	148,520
Included in current	-	-	-	3,841	3,841
Included in long-term	57,222	70,717	12,543	4,197	144,679
Unamortized fees	(229)	(176)	(9)	-	(414)
Due within 2 years	57,451	5,456	-	2,987	65,894
Due within 3 years	-	8,367	12,552	836	21,755
Due within 4 years	-	57,070	-	294	57,364
Due within 5 years	$ -	$ -	$ -	$ 80	$ 80
Interest rates as of September 30, 2024 (%):	13.10	12.10	12.45	12.25	
Base rate (%)	8.35	8.35	11.50	11.50	
Margin (%)	4.75	3.75	0.95	0.75	
Footnote number	(2)	(3)	(4)	(5)	

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

(2) Interest on Facility G and Facility H is based on the JIBAR in effect from time to time plus a margin, which margin is calculated as: (i) 5.50% if the Look Through Leverage ("LTL") ratio is greater than 3.50x; (ii) 4.75% if the LTL ratio is less than 3.50x but greater than 2.75x; (iii) 3.75% if the LTL ratio is less than 2.75x but greater than 1.75x; or (iv) 2.50% if the LTL ratio is less than 1.75x. The LTL ratio is expressed as times ("x"), and was introduced to calculate the margin used in the determination of the interest rate. The LTL ratio is calculated as the Total Attributable Net Debt to the Total Attributable EBITDA, as defined in the Company's borrowing arrangements with RMB, for the measurement period ending on a specified date.

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

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

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

Interest expense incurred under the Company's South African long-term borrowings and included in the caption interest expense on the condensed consolidated statement of operations during the three months ended September 30, 2024 and 2023, was $4.2 million and $4.0 million, respectively. Prepaid facility fees amortized included in interest expense during the three months ended September 30, 2024 and 2023, respectively, were $0.1 million and $0.2 million, respectively. Interest expense incurred under the Company's K2020 and CCC facilities relates to borrowings utilized to fund a portion of the Company's merchant finance loans receivable and this interest expense of $0.4 million and $0.4 million, respectively, is included in the caption cost of goods sold, IT processing, servicing and support on the condensed consolidated statement of operations for the three months ended September 30, 2024 and 2023.

9. Other payables

Summarized below is the breakdown of other payables as of September 30, 2024, and June 30, 2024:

	September 30, 2024	June 30, 2024
Clearing accounts	$ 7,239	$ 17,124
Vendor wallet balances	13,397	14,635
Accruals	9,959	7,173
Provisions	3,414	7,442
Value-added tax payable	1,456	1,191
Payroll-related payables	2,929	922
Participating merchants' settlement obligation	2	1
Other	7,527	7,563
	$ 45,923	$ 56,051

Other includes deferred income, client deposits and other payables.

10. Capital structure

The following table presents a reconciliation between the number of shares, net of treasury, presented in the unaudited condensed consolidated statement of changes in equity as of September 30, 2024 and 2023, respectively:

	September 30, 2024	September 30, 2023
Number of shares, net of treasury:		
Statement of changes in equity	64,301,943	63,638,912
Non-vested equity shares that have not vested as of end of period	2,035,845	2,527,492
Number of shares, net of treasury, excluding non-vested equity shares that have not	62,266,098	61,111,420

11. Accumulated other comprehensive loss

The table below presents the change in accumulated other comprehensive loss per component during the three months ended September 30, 2024:

	Three months ended September 30, 2024	
	Accumulated foreign currency translation reserve	Total
Balance as of July 1, 2024	$ (188,355)	$ (188,355)
Movement in foreign currency translation reserve	10,525	10,525
Balance as of September 30, 2024	$ (177,830)	$ (177,830)

The table below presents the change in accumulated other comprehensive loss per component during the three months ended September 30, 2023:

	Three months ended September 30, 2023	
	Accumulated foreign currency translation reserve	Total
Balance as of July 1, 2023	$ (195,726)	$ (195,726)
Movement in foreign currency translation reserve related to equity-accounted investment	489	489
Movement in foreign currency translation reserve	(844)	(844)
Balance as of September 30, 2023	$ (196,081)	$ (196,081)

There were no reclassifications from accumulated other comprehensive loss to net (loss) income during the three months ended September 30, 2024 and 2023.

12. Stock-based compensation

The Company's Amended and Restated 2022 Stock Incentive Plan ("2022 Plan") and the vesting terms of certain stock-based awards granted are described in Note 17 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2024.

Stock option and restricted stock activity

Options

The following table summarizes stock option activity for the three months ended September 30, 2024 and 2023:

	Number of shares	Weighted average exercise price ($)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value ($'000)	Weighted average grant date fair value ($)
Outstanding - June 30, 2024	4,918,248	8.70	4.51	889	1.77
Forfeited	(13,333)	11.23	-	-	8.83
Outstanding - September 30, 2024	4,904,915	8.67	4.33	1,117	1.76
Outstanding - June 30, 2023	673,274	4.37	5.14	239	1.67
Exercised	(6,793)	3.07	-	5	-
Forfeited	(175,776)	3.58	-	-	1.22
Outstanding - September 30, 2023	490,705	4.68	6.30	199	1.82

No stock options were awarded during each of the three months ended September 30, 2024 and 2023. No stock options were exercised during the three months ended September 30, 2024. During the three months ended September 30, 2023, the Company received approximately $0.02 million from the exercise of 6,793 stock options. Employees forfeited an aggregate of 13,333 stock options during the three months ended September 30, 2024. Employees and a non-employee director forfeited an aggregate of 175,776 stock options during the three months ended September 30, 2023.

Options

The following table presents stock options vested and expected to vest as of September 30, 2024:

	Number of shares	Weighted average exercise price ($)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value ($'000)
Vested and expecting to vest - September 30, 2024	4,904,915	8.67	4.33	1,117

These options have an exercise price range of $3.01 to $14.00.

The following table presents stock options that are exercisable as of September 30, 2024:

	Number of shares	Weighted average exercise price ($)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value ($'000)
Exercisable - September 30, 2024	378,009	4.49	5.32	364

No stock options became exercisable during each of the three months ended September 30, 2024 and 2023. The Company issues new shares to satisfy stock option exercises.

12. Stock-based compensation (continued)

Stock option and restricted stock activity (continued)

Restricted stock

The following table summarizes restricted stock activity for the three months ended September 30, 2024 and 2023:

	Number of shares of restricted stock	Weighted average grant date fair value ($'000)
Non-vested – June 30, 2024	2,084,946	8,736
Total granted	32,800	154
Granted – August 2024	32,800	154
Total vested	(78,801)	394
Vested – July 2024	(78,801)	394
Forfeitures	(3,100)	15
Non-vested – September 30, 2024	2,035,845	8,449
Non-vested – June 30, 2023	2,614,419	11,869
Total vested	(78,800)	302
Vested – July 2023	(78,800)	302
Forfeitures	(8,127)	32
Non-vested – September 30, 2023	2,527,492	11,475

Grants

In August 2024, the Company granted 32,800 shares of restricted stock to employees which have time -based vesting conditions. No restricted stock was awarded during the three months ended September 30, 2023.

Vesting

In July 2024 and 2023, respectively, 78,801 and 78,800 shares of restricted stock granted to our former Group CEO vested.

Forfeitures

During the three months ended September 30, 2024 and 2023, respectively, employees forfeited 3,100 and 8,127 shares of restricted stock following their termination of employment with the Company.

Stock-based compensation charge and unrecognized compensation cost

The Company recorded a stock-based compensation charge, net during the three months ended September 30, 2024 and 2023, of $2.4 million and $1.8 million, respectively, which comprised:

	Total charge	Allocated to cost of goods sold, IT processing, servicing and support	Allocated to selling, general and administration
Three months ended September 30, 2024			
Stock-based compensation charge	$ 2,377	$ -	$ 2,377
Total - three months ended September 30, 2024	$ 2,377	$ -	$ 2,377
Three months ended September 30, 2023			
Stock-based compensation charge	$ 1,768	$ -	$ 1,768
Reversal of stock compensation charge related to stock options and restricted stock forfeited	(9)	-	(9)
Total - three months ended September 30, 2023	$ 1,759	$ -	$ 1,759

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

12. Stock-based compensation (continued)

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

As of September 30, 2024, the total unrecognized compensation cost related to stock options was $3.9 million, which the Company expects to recognize over two years. As of September 30, 2024, the total unrecognized compensation cost related to restricted stock awards was $3.6 million, which the Company expects to recognize over two years.

During the three months ended September 30, 2024 and 2023, the Company recorded a deferred tax benefit of $0.3 million and $0.05 million, respectively, related to the stock-based compensation charge recognized related to employees of Lesaka. During the three months ended September 30, 2024 and 2023 the Company recorded a valuation allowance of $0.3 million and $0.05 million, respectively, related to the deferred tax benefit recognized because it does not believe that the stock-based compensation deduction would be utilized as it does not anticipate generating sufficient taxable income in the United States. The Company deducts the difference between the market value on the date of exercise by the option recipient and the exercise price from income subject to taxation in the United States.

13. (Loss) Earnings per share

The Company has issued redeemable common stock which is redeemable at an amount other than fair value. Redemption of a class of common stock at other than fair value increases or decreases the carrying amount of the redeemable common stock and is reflected in basic earnings per share using the two-class method. There were no redemptions of common stock, or adjustments to the carrying value of the redeemable common stock during the three months ended September 30, 2024 and 2023. Accordingly, the two-class method presented below does not include the impact of any redemption. The Company's redeemable common stock is described in Note 14 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2024.

Basic (loss) earnings per share includes shares of restricted stock that meet the definition of a participating security because these shares are eligible to receive non-forfeitable dividend equivalents at the same rate as common stock. Basic (loss) earnings per share has been calculated using the two-class method and basic (loss) earnings per share for the three months ended September 30, 2024 and 2023, reflects only undistributed earnings. The computation below of basic (loss) earnings per share excludes the net loss attributable to shares of unvested restricted stock (participating non-vested restricted stock) from the numerator and excludes the dilutive impact of these unvested shares of restricted stock from the denominator.

Diluted (loss) earnings per share has been calculated to give effect to the number of shares of additional common stock that would have been outstanding if the potential dilutive instruments had been issued in each period. Stock options are included in the calculation of diluted (loss) earnings per share utilizing the treasury stock method and are not considered to be participating securities, as the stock options do not contain non-forfeitable dividend rights. The Company has excluded employee stock options to purchase 65,173 and 41,809 shares of common stock from the calculation of diluted loss per share during the three months ended September 30, 2024 and 2023, because the effect would be antidilutive.

The calculation of diluted (loss) earnings per share includes the dilutive effect of a portion of the restricted stock granted to employees as these shares of restricted stock are considered contingently returnable shares for the purposes of the diluted (loss) earnings per share calculation and the vesting conditions in respect of a portion of the restricted stock had been satisfied.

13. (Loss) Earnings per share (continued)

The vesting conditions for all awards made are discussed in Note 17 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2024.

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

	Three months ended September 30, 2024	Three months ended September 30, 2023
	(in thousands except percent and per share data)	
Numerator:		
Net loss attributable to Lesaka	$ (4,542)	$ (5,651)
Undistributed (loss) earnings	$ (4,542)	$ (5,651)
Percent allocated to common shareholders (Calculation 1)	97	96
Numerator for (loss) earnings per share: basic and diluted	(4,399)	(5,402)
Continuing	(4,399)	(5,402)
Denominator		
Denominator for basic (loss) earnings per share:		
Weighted-average common shares outstanding	62,265	60,990
Denominator for diluted (loss) earnings per share: adjusted weighted average common shares outstanding and assuming conversion	62,265	60,990
(Loss) Earnings per share:		
Basic	$ (0.07)	$ (0.09)
Diluted	$ (0.07)	$ (0.09)
(Calculation 1)		
Basic weighted-average common shares outstanding (A)	62,265	60,990
Basic weighted-average common shares outstanding and unvested restricted shares expected to vest (B)	64,293	63,805
Percent allocated to common shareholders (A) / (B)	97	96

Options to purchase 4,224,210 shares of the Company's common stock at prices ranging from $4.87 to $14.00 per share were outstanding during the three months ended September 30, 2024, but were not included in the computation of diluted (loss) earnings per share because the options' exercise price was greater than the average market price of the Company's common stock. Options to purchase 262,506 shares of the Company's common stock at prices ranging from $4.87 to $11.23 per share were outstanding during the three months ended September 30, 2023, respectively, but were not included in the computation of diluted (loss) earnings per share because the options' exercise price was greater than the average market price of the Company's common stock. The options, which expire at various dates through February 3, 2032, were still outstanding as of September 30, 2024.

14. Supplemental cash flow information

The following table presents supplemental cash flow disclosures for the three months ended September 30, 2024 and 2023:

	Three months ended September 30, 2024	Three months ended September 30, 2023
Cash received from interest	$ 581	$ 445
Cash paid for interest	$ 3,271	$ 2,925
Cash (refund) paid for income taxes	$ (45)	$ 604

14. Supplemental cash flow information (continued)

Leases

The following table presents supplemental cash flow disclosure related to leases for the three months ended September 30, 2024 and 2023:

	Three months ended September 30, 2024	Three months ended September 30, 2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 1,004	$ 693
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	$ 510	$ 243

15. Revenue recognition

Disaggregation of revenue

The following table presents the Company's revenue disaggregated by major revenue streams, including a reconciliation to reportable segments for the three months ended September 30, 2024:

	Merchant	Consumer	Total
Processing fees	$ 31,583	$ 7,530	$ 39,113
South Africa	29,781	7,530	37,311
Rest of world	1,802	-	1,802
Technology products	3,136	2	3,138
South Africa	3,063	2	3,065
Rest of world	73	-	73
Telecom products and services	86,731	17	86,748
South Africa	80,851	17	80,868
Rest of world	5,880	-	5,880
Lending revenue	-	6,956	6,956
Interest from customers	1,676	-	1,676
Insurance revenue	-	4,340	4,340
Account holder fees	-	1,699	1,699
Other	1,348	528	1,876
South Africa	1,291	528	1,819
Rest of world	57	-	57
Total revenue, derived from the following geographic locations	124,474	21,072	145,546
South Africa	116,662	21,072	137,734
Rest of world	$ 7,812	$ -	$ 7,812

15. Revenue recognition (continued)

Disaggregation of revenue (continued)

The following table presents the Company's revenue disaggregated by major revenue streams, including a reconciliation to reportable segments for the three months ended September 30, 2023:

	Merchant	Consumer	Total
Processing fees	$ 28,760	$ 5,733	$ 34,493
South Africa	27,400	5,733	33,133
Rest of world	1,360	-	1,360
Technology products	2,037	19	2,056
South Africa	1,986	19	2,005
Rest of world	51	-	51
Telecom products and services	87,313	41	87,354
South Africa	82,559	41	82,600
Rest of world	4,754	-	4,754
Lending revenue	-	5,373	5,373
Interest from customers	1,520	-	1,520
Insurance revenue	-	2,611	2,611
Account holder fees	-	1,368	1,368
Other	879	435	1,314
South Africa	830	435	1,265
Rest of world	49	-	49
Total revenue, derived from the following geographic locations	120,509	15,580	136,089
South Africa	114,295	15,580	129,875
Rest of world	$ 6,214	$ -	$ 6,214

16. Leases

The Company has entered into leasing arrangements classified as operating leases under accounting guidance. These leasing arrangements relate primarily to the lease of its corporate head office, administration offices and branch locations through which the Company operates its consumer business in South Africa. The Company's operating leases have remaining lease terms of between one and five years. The Company also operates parts of its consumer business from locations which it leases for a period of less than one year. The Company's operating lease expense during the three months ended September 30, 2024 and 2023 was $ 1.0 million and $ 0.7 million, respectively.

The Company has also entered into short-term leasing arrangements, primarily for the lease of branch locations and other locations, to operate its consumer business in South Africa. The Company's short-term lease expense during the three months ended September 30, 2024 and 2023, was $1.0 million and $ 0.9 million, respectively.

The following table presents supplemental balance sheet disclosure related to the Company's right-of-use assets and its operating lease liabilities as of September 30, 2024 and June 30, 2024:

	September 30, 2024	June 30, 2024
Right of use assets obtained in exchange for lease obligations:		
Weighted average remaining lease term (years)	2.7	3.1
Weighted average discount rate (percent)	10.7	10.5

16. Leases (continued)

The maturities of the Company's operating lease liabilities as of September 30, 2024, are presented below:

Maturities of operating lease liabilities	
Year ended June 30,	
2025 (excluding three months to September 30, 2024)	$ 2,581
2026	2,840
2027	2,011
2028	1,298
2029	165
Thereafter	-
Total undiscounted operating lease liabilities	8,895
Less imputed interest	1,327
Total operating lease liabilities, included in	7,568
Operating lease liability - current	2,600
Operating lease liability - long-term	$ 4,968

17. Operating segments

Operating segments

The Company discloses segment information as reflected in the management information systems reports that its chief operating decision maker uses in making decisions and to report certain entity-wide disclosures about products and services, and the countries in which the entity holds material assets or reports material revenues. A description of the Company's operating segments is contained in Note 21 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2024.

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

The reconciliation of the reportable segment's revenue to revenue from external customers for the three months ended September 30, 2024 and 2023, is as follows:

	Revenue		
	Reportable Segment	**Inter-segment**	**From external customers**
Merchant	$ 125,261	$ 787	$ 124,474
Consumer	21,072	-	21,072
Total for the three months ended September 30, 2024	$ 146,333	$ 787	$ 145,546
Merchant	$ 121,361	$ 852	$ 120,509
Consumer	15,580	-	15,580
Total for the three months ended September 30, 2023	$ 136,941	$ 852	$ 136,089

17. Operating segments (continued)

Operating segments (continued)

The Company evaluates segment performance based on segment earnings before interest, tax, depreciation and amortization ("EBITDA"), adjusted for items mentioned in the next sentence ("Segment Adjusted EBITDA"), the Company's reportable segments' measure of profit or loss. The Company intends to obtain a separate lending facility to fund a portion of its Consumer lending during the twelve months ended June 30, 2025. The Company expected to have this facility in place on July 1, 2024, however, the Company has been unable to finalize terms as the separate lending facility will form part of a broader financing package. Therefore, the Company has included an intercompany interest expense in its Consumer Segment Adjusted EBITDA for the three months ended September 30, 2024. The Company does not allocate once-off items, stock-based compensation charges, depreciation and amortization, impairment of goodwill or other intangible assets, other items (including gains or losses on disposal of investments, fair value adjustments to equity securities), interest income, certain interest expense, income tax expense or loss from equity-accounted investments to its reportable segments. Group costs generally include: employee related costs in relation to employees specifically hired for group roles and related directly to managing the US-listed entity; expenditures related to compliance with the Sarbanes-Oxley Act of 2002; non-employee directors' fees; legal fees; group and US-listed related audit fees; and directors and officer's insurance premiums. Once-off items represents non-recurring expense items, including costs related to acquisitions and transactions consummated or ultimately not pursued. Unrealized loss FV for currency adjustments represents foreign currency mark-to-market adjustments on certain intercompany accounts. Interest adjustment represents the intercompany interest expense included in the Consumer Segment Adjusted EBITDA. The Stock-based compensation adjustments reflect stock-based compensation expense and are excluded from the calculation of Segment Adjusted EBITDA and are therefore reported as reconciling items to reconcile the reportable segments' Segment Adjusted EBITDA to the Company's loss before income tax expense. Effective from fiscal 2025, all lease charges are allocated to the Company's operating segments, whereas in fiscal 2024 the Company presented certain lease charges on a separate line outside of its operating segments. Prior period information has been re-presented to include the lease charges which were previously reported on a separate line in the Company's Consumer and Merchant operating segments.

The reconciliation of the reportable segments' measures of profit or loss to loss before income tax expense for the three months ended September 30, 2024 and 2023, is as follows:

	Three months ended September 30, 2024	Three months ended September 30, 2023
Reportable segments measure of profit or loss	$ 12,312	$ 9,845
Operating loss: Group costs	(2,949)	(1,822)
Once-off costs	(1,805)	(78)
Unrealized Loss FV for currency adjustments	219	(102)
Interest adjustment	831	-
Stock-based compensation charge adjustments	(2,377)	(1,759)
Depreciation and amortization	(6,276)	(5,856)
Reversal of allowance of EMI doubtful debt	-	250
Interest income	586	449
Interest expense	(5,032)	(4,909)
Loss before income tax expense	$ (4,491)	$ (3,982)

17. Operating segments (continued)

Operating segments (continued)

The following tables summarize segment information that is prepared in accordance with GAAP for the three months ended September 30, 2024 and 2023:

		Three months ended September 30,	
		2024	2023
Revenues			
Merchant		$ 125,261	$ 121,361
Consumer		21,072	15,580
Total reportable segment revenue		146,333	136,941
Segment Adjusted EBITDA			
Merchant	(1)	7,916	7,725
Consumer	(1)	4,396	2,120
Total Segment Adjusted EBITDA		12,312	9,845
Depreciation and amortization			
Merchant		2,327	2,078
Consumer		202	169
Subtotal: Operating segments		2,529	2,247
Group costs		3,747	3,609
Total		6,276	5,856
Expenditures for long-lived assets			
Merchant		3,908	2,763
Consumer		57	46
Subtotal: Operating segments		3,965	2,809
Group costs		-	-
Total		$ 3,965	$ 2,809

(1) Segment Adjusted EBITDA for the three months ended September 30, 2024, includes retrenchments costs for Consumer of \$0.06 million (ZAR 1.1 million) and for Merchant, costs of \$0.01 million (ZAR 0.2 million). Segment Adjusted EBITDA for the three months ended September 30, 2023, includes retrenchments costs for Merchant of \$0.2 million (ZAR 4.6 million) and for Consumer, costs of \$0.1 million (ZAR 1.5 million).

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

18. Income tax

Income tax in interim periods

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

For the three months ended September 30, 2024, the Company's effective tax rate was impacted by the tax expense recorded by the Company's profitable South African operations, non-deductible expenses (including transaction-related expenditures), the on-going losses incurred by certain of the Company's South African businesses and the associated valuation allowances created related to the deferred tax assets recognized regarding net operating losses incurred by these entities.

For the three months ended September 30, 2023, the Company's effective tax rate was impacted by the tax expense recorded by the Company's profitable South African operations, non-deductible expenses, the on-going losses incurred by certain of the Company's South African businesses and the associated valuation allowances created related to the deferred tax assets recognized regarding net operating losses incurred by these entities.

Uncertain tax positions

As of three months ended September 30, 2024 and June 30, 2023, the Company had no unrecognized tax benefits. The Company files income tax returns mainly in South Africa, Botswana, Namibia and in the U.S. federal jurisdiction. As of September 30, 2024, the Company's South African subsidiaries are no longer subject to income tax examination by the South African Revenue Service for periods before June 30, 2020. The Company is subject to income tax in other jurisdictions outside South Africa, none of which are individually material to its financial position, statement of cash flows, or results of operations.

19. Commitments and contingencies

Guarantees

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

RMB has issued guarantees to these third parties amounting to ZAR 33.1 million ($1.9 million, translated at exchange rates applicable as of September 30, 2024) thereby utilizing part of the Company's short-term facilities. The Company pays commission of between 3.42% per annum to 3.44% per annum of the face value of these guarantees and does not recover any of the commission from third parties.

Nedbank has issued guarantees to these third parties amounting to ZAR 2.1 million ($0.1 million, translated at exchange rates applicable as of September 30, 2024) thereby utilizing part of the Company's short-term facilities. The Company pays commission of between 0.47% per annum to 1.84% per annum of the face value of these guarantees and does not recover any of the commission from third parties.

The Company has not recognized any obligation related to these guarantees in its consolidated balance sheet as of September 30, 2024. The maximum potential amount that the Company could pay under these guarantees is ZAR 35.2 million ($1.9 million, translated at exchange rates applicable as of September 30, 2024). As discussed in Note 8, the Company has ceded and pledged certain bank accounts to Nedbank as security for the guarantees issued by them with an aggregate value of ZAR 2.1 million ($0.1 million, translated at exchange rates applicable as of September 30, 2024). The guarantees have reduced the amount available under its indirect and derivative facilities in the Company's short-term credit facilities described in Note 8.

Contingencies

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

20. Acquisitions

2025 Acquisitions

October 2024 acquisition of Adumo

On May 7, 2024, the Company entered into a Sale and Purchase Agreement (the "Purchase Agreement") with Lesaka SA, and Crossfin Apis Transactional Solutions (Pty) Ltd and Adumo ESS (Pty) Ltd ("the Sellers"). Pursuant to the Purchase Agreement and subject to its terms and conditions, Lesaka, through its subsidiary, Lesaka SA, agreed to acquire, and the Sellers agreed to sell, all of the outstanding equity interests and certain claims in the Adumo (RF) Proprietary Limited ("Adumo"). The transaction closed on October 1, 2024.

Adumo is an independent payments and commerce enablement platform in Southern Africa, serving approximately 23,000 active merchants with operations across South Africa, Namibia, Botswana and Kenya. For more than two decades, Adumo has facilitated physical and online commerce between retail merchants and end-consumers by offering a unique combination of payment processing and integrated software solutions, which currently include embedded payments, integrated payments, reconciliation services, merchant lending, customer engagement tools, card issuing program management and data analytics.

Adumo operates across three businesses, which provide payment processing and integrated software solutions to different end markets:

- The Adumo Payments business offers payment processing, integrated payments and reconciliation solutions to small-and-medium ("SME") merchants in South Africa, Namibia and Botswana, and also provides card issuing program management to corporate clients such as Anglo American and Coca-Cola;
- The Adumo ISV business, also known as GAAP, has operations in South Africa, Botswana and Kenya, and clients in a further 21 countries, and is the leading provider of integrated point-of-sales software and hardware to the hospitality industry in Southern Africa, serving clients such as KFC, McDonald's, Pizza Hut, Nando's and Krispy Kreme; and,
- The Adumo Ventures business offers online commerce solutions (Adumo Online), cloud-based, multi-channel point-of-sales solutions (Humble) and an aggregated payment and credit platform for in-store and online commerce (SwitchPay) to SME merchants and corporate clients in South Africa and Namibia.

The acquisition continues the Company's consolidation in the Southern African fintech sector. The Company's ecosystem now serves approximately 1.7 million active consumers, 120,200 merchants, and processes over ZAR 270 billion in throughput (cash, card and VAS) per year. The acquisition of Adumo enhances the Company's strength in both the consumer and merchant markets in which it operates.

The purchase consideration was settled through the combination of an issuance of 17,279,803 shares of the Company's common stock ("Consideration Shares") and a ZAR 232.2 million ($13.4 million, translated at the prevailing rate of $1: ZAR 17.3354 as of October 1, 2024) payment in cash. The Company's closing price on the Johannesburg Stock Exchange on October 1, 2024, was ZAR 83.05 ($4.79 using the October 1, 2024, $1: ZAR exchange rate). The total purchase consideration was ZAR 1.67 billion ($96.2 million).

The closing of the transaction was subject to customary closing conditions, including (i) approval from the competition authorities of South Africa and Namibia; (ii) exchange control approval from the financial surveillance department of the South African Reserve Bank; (iii) approval from all necessary regulatory bodies and from shareholders to issue the Consideration Shares to the Sellers; (iv) obtaining certain third-party consents; (v) the Company obtained confirmation from RMB that it has sufficient funds to settle the cash portion of the purchase consideration; (vi) approval of Adumo shareholders (including preference shareholders) with respect to entering into and implementation of the Purchase Agreement, and all other agreements and transactions contemplated in the Purchase Agreement; (vii) obtained the consent of Adumo's lender regarding Adumo entering into and implementing the Purchase Agreement, and all other agreements and transactions contemplated in the Purchase Agreement; (viii) the release of certain Seller's shares held as security by such bank; (ix) consent of the lender of one of Adumo's shareholders regarding Adumo entering into the transaction; (x) the Company signing a written addendum to the Policy Agreement with International Finance Corporation that provides for the inclusion of the Consideration Shares attributable to certain Seller shareholders in the definition of "Put Shares" under the Policy Agreement, and related change; and (xi) a Seller (or their nominee), which ultimately was Crossfin, concluding share purchase agreements to dispose of an amount of Consideration Shares (which ultimately was determined as 3,587,332 Consideration Shares).

The Company has agreed to file a resale registration statement with the United States Securities and Exchange Commission ("SEC") covering the resale of the Consideration Shares by the Sellers. The Company has undertaken to use its commercially reasonable efforts to have the resale registration statement declared effective by the SEC following its filing.

The Company incurred transaction-related expenditures of $1.7 million during the three months ended September 30, 2024, related to acquisition of Adumo. The Company's accruals presented in Note 9 of as September 30, 2024, includes an accrual of transaction related expenditures of $2.2 million and the Company does not expect to incur any further significant transaction costs over the remainder of the 2025 fiscal year.

20. Acquisitions (continued)

2025 Acquisitions (continued)

October 2024 acquisition of Adumo (continued)

On October 1, 2024, Lesaka SA and Crossfin entered into a share purchase agreement under which Lesaka SA purchased 2,601,410 of the 3,587,332 Consideration Shares for ZAR 207.2 million ($12.0 million). The transaction was settled in early October 2024, and the shares of Company's common stock repurchased will be included in the Company's treasury shares.

The Company has commenced the purchase price allocation related to this transaction. However, the process had not been completed as of the date of filing this Quarterly Report on Form 10-Q on November 6, 2024. The Company expects to include its preliminary allocation of the purchase consideration related to this acquisition in its unaudited financial statements to be included in its Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2024.

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

The following discussion should be read in conjunction with our Annual Report on Form 10-K for the year ended June 30, 2024, and the unaudited condensed consolidated financial statements and the accompanying notes included in this Form 10-Q.

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

Forward-looking statements

Some of the statements in this Form 10-Q constitute forward-looking statements. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed, implied or inferred by these forward-looking statements. Such factors include, among other things, those listed under Item 1A.—"Risk Factors" in our Annual Report on Form 10-K for the year ended June 30, 2024. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "could", "would", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of such terms and other comparable terminology.

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

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

Recent Developments

Our mission at Lesaka is driven by a purpose to provide financial services and software to Southern Africa's underserviced consumers (B2C) and merchants (B2B), improving people's lives and increasing financial inclusion in the markets in which we operate. We offer a wide range of integrated payment solutions including transactional accounts (banking), lending, insurance, payouts, cash management solutions, card acceptance, supplier payments, software services and bill payments. By providing a full-service fintech platform in our connected ecosystem, we facilitate the digitization of commerce in our markets.

We experienced continued improvement in our financial and operational performance in the first quarter of fiscal 2025. Revenue of $145.5 million (ZAR 2.6 billion) was at the mid-point of our revenue guidance and compares to $136.1 million (ZAR 2.5 billion) in 2024.

Operating loss of $0.05 million (ZAR 0.3 million) includes the impact of $1.7 million (ZAR 30.0 million) one-off Adumo transaction costs. We reported a net loss attributable to the company of $4.5 million (ZAR 81.0 million) during the first quarter of fiscal 2025 compared with a net loss of $5.7 million (ZAR 105.6 million) during the first quarter of fiscal 2024.

Group Adjusted EBITDA of $9.4 million (ZAR 168.1 million) was at the mid-point of our guidance range, representing the ninth successive quarter of Lesaka achieving or outperforming its Group Adjusted EBITDA guidance. Group Adjusted EBITDA is a non-GAAP measure, refer to reconciliation below at "—Results of Operations—Use of Non-GAAP Measures".

We continue to broaden our product proposition and solve for both consumer and merchant pain-points.

Merchant Division

The year-on-year performance in our Merchant Division ("Merchant") is supported by the robust secular trends underpinning financial inclusion, cash management and digitalization to empower micro-merchants, merchants and enterprise clients to transact efficiently and fulfill their potential.

Performance in Merchant has been driven by:

Our VAS and supplier payments business continues to see adoption by micro-merchants.

Fiscal quarter ended September 30,	**Q1 2025**	**Q1 2024**	**Q1 2023**	**2025 vs. 2024**	**2 year CAGR %**
Approximate number of devices in deployment[1]	**89,040**	**77,000**	**57,000**	**16%**	**25%**
Total Throughput for the quarter (ZAR billions)	**9.9**	**7.2**	**5.9**	**38%**	**30%**
Throughput for the quarter international money transfers (“IMT”) (ZAR billions)	1.3	0.3	1.6	333%	(10%)
Throughput for the quarter supplier payments (ZAR billions)	3.2	2	0.6	60%	131%
Total throughput for the quarter excluding IMT and supplier payments (ZAR billions)	5.4	4.9	3.7	10%	21%

1. *2025 includes approximately 5,430 devices attributable to the acquisition of Touchsides, effective May 1, 2024, which are not enabled for VAS and supplier payments on the Kazang platform.*

- We had approximately 89,040 devices deployed at September 30, 2024, representing a 16% year-on-year growth compared to approximately 77,000 devices as of September 30, 2023, and a 2-year CAGR of 25% compared to September 30, 2022. This includes approximately 5,430 devices in Touchsides sites that are not yet enabled for VAS and supplier payments on the Kazang platform.
- Core to our device placement strategy is the decision to focus on quality business and optimizing our existing fleet, which is reflected in a healthy throughput growth and margin per device.
- VAS and supplier payments throughput increased 38% to R9.9 billion. We have separately disclosed supplier payments from traditional VAS as it is becoming a material contributor to our throughput and attracts a lower gross profit margin. Supplier payments is an important part of the micro-merchant ecosystem we are developing as part of our strategy to provide a holistic offering to micro-merchants in informal markets.
- VAS throughput, excluding IMT and supplier payments increased 10% to R5.4 billion. Our supplier payments throughput increased by 60% year on year to R3.2 billion as we added further suppliers onto our platform. The international money transfer throughput recovered significantly and is approaching the levels from quarter one fiscal 2022.

Our card acceptance solutions to micro-merchants is through Kazang Pay and to merchants through Card Connect.

Fiscal quarter ended September 30,	**Q1 2025**	**Q1 2024**	**Q1 2023**	**2025 vs. 2024**	**2 year CAGR %**
Approximate number of devices in deployment[1]	53,450	46,600	27,700	15%	39%
Total Throughput for the quarter (ZAR billions)	4.3	3.6	2.3	18%	36%

- The trend towards digital payments continued year on year with a 15% increase in devices and a 18% increase in throughput to R4.2 billion for the quarter

Our lending solutions offered to merchants through Capital Connect in the merchant market.

Fiscal quarter ended September 30,	**Q1 2025**	**Q1 2024**	**Q1 2023**	**2025 vs. 2024**	**2 year CAGR %**
Total credit disbursed (ZAR millions)	166	196	226	(15%)	(14%)
Total net loan book size at period end (ZAR millions)	273	285	274	(4%)	0%
Capital Connect credit disbursed (ZAR millions)	166	173	190	(4%)	(7%)
Capital Connect loan book size at period end (ZAR millions)	273	280	254	(3%)	4%
Kazang Pay Advance credit disbursed (ZAR millions)	0	23	36	n/m	n/m
Kazang Pay Advance loan book size at period end (ZAR millions)	0	5	20	n/m	n/m

- Capital Connect disbursed ZAR 166 million during Q1 2025, compared to ZAR 173 million in the comparable period last year, representing a 4% decrease, reflective of the deterioration in financial strength of our merchants compared to a year ago. We have maintained our strict credit criteria during the high interest rate and inflationary cycle resulting in less merchants qualifying for new or renewals of credit lines.
- With a more positive political environment, the suspension of load-shedding and hopefully the start of an interest rate down cycle, we are more optimistic this business can resume a growth trend reflective in the 8% increase in Capital Connect disbursements this quarter compared to ZAR 154 million a quarter ago (quarter four fiscal 2024.)
- Capital Connect's lending proposition is an important component in enabling the merchants we serve to compete and grow. Since inception, Capital Connect has distributed more than ZAR 3 billion of funding to merchants and can provide funding of up to ZAR 5 million in under 24 hours. Quick access to affordable and flexible opportunity capital is vital in every stage of a merchant's lifecycle, enabling them to never miss an opportunity.
- Kazang Pay Advance, our lending offering in the micro-merchant sector, was suspended in early fiscal 2024 following the decision to discontinue the current product, especially in the high interest rate environment. We continued to explore other options with respect to this offering with it now in live pilot phase. We are monitoring payment behavior on a smaller loan book and applying stricter lending criteria before the official relaunch later in fiscal 2025.

Our cash management and digitalization solutions effectively "puts the bank" in approximately 4,480 merchants' stores.

Fiscal quarter ended September 30,	Q1 2025	Q1 2024	Q1 2023	2025 vs. 2024	2 year CAGR %
Approximate number of devices in deployment[1]	4,480	4,400	4,200	2%	3%
Cash settlements (throughput) for the quarter (ZAR billions)	28.7	27.6	27.5	4%	2%

- Our cash business remains a vital product in our merchant offering and is a key differentiator for us in the digitalization of cash. We provide robust cash vaults in the SME sector (Cash Connect) and are building a presence in the micro-merchant sector (Kazang Vaults), which enables our merchant customer base to significantly mitigate their operational risks pertaining to cash management and security.
- Whilst there is trend towards digital payments, cash remains as the most significant portion of retail transactions especially in informal markets. This business is primarily exposed to the mid-market SMEs, a sector which has experienced challenges such as power outages, high price inflation and a slowdown in consumer spending, over the past 24 months. This impacted the merchants we serve in this sector and resulted in increased bankruptcies and vault upliftments which affected the net growth in the vault estate.

Consumer Division

In our Consumer Division we offer transactional accounts (banking), insurance, lending and payments solutions designed to improve the lives of historically underserviced consumers and continue to deliver against our strategic focus areas underpinning our growth strategy. Progress made on these levers: (i) growing active EasyPay Everywhere ("EPE") account numbers; (ii) increasing average revenue per user ("ARPU") through cross-selling; (iii) cost optimization; and (iv) enhancing our product and service offering, resulted in revenue and profitability growth in the Consumer Division in the first quarter of fiscal 2025.

Consumer

Fiscal quarter ended September 30,	Q1 2025	Q1 2024	Q1 2023	2025 vs. 2024
Transactional accounts (banking) - EasyPay Everywhere ("EPE")				
Total active EPE transactional account base at quarter end (millions)	1.5	1.3	1.2	14%
Total active EPE transactional account base at quarter end - Permanent grant recipients (millions)	1.3	1.1	1.1	18%
Approximate Gross EPE account activations for the quarter -Permanent grant recipients (number)	62,000	76,000	45,000	(19%)
Approximate Net EPE account activations for the quarter - Permanent grant recipients (number)	26,000	42,000	3,000	(39%)
Lending - EasyPay Loans				
Approximate number of loans originated during the quarter (number)	286,000	222,000	198,000	28%
Gross advances in the quarter (ZAR millions)	451	353	289	28%
Loan book size, before allowances, at quarter end[1] (ZAR millions)	564	423	351	34%
Insurance - EasyPay Insurance				
Approximate number of insurance policies written in the quarter (number)	49,000	38,000	25,000	29%
Total active insurance policies on book at quarter end (number)	466,000	359,000	268,000	30%
Average revenue per customer per month, as of September 30, (permanent grant beneficiaries) (ZAR)	91	83	71	10%

1. *Gross loan book, before provisions.*

- *Driving customer acquisition*

    - Gross EPE account activations, continue to grow at the new levels for the permanent base, post our marketing and distribution network enhancements in fiscal 2024. We achieved approximately 62,000 gross account activations in the quarter which was pleasing in a traditionally quiet quarter for us. This compares to a higher than usual activation rate in quarter one fiscal 2024 due to significant migration away from the South African Post Office in that quarter driven by concerns around its going concern status and its failure to timeously distribute grants timeously. Net activations of 26,000 in the quarter was negatively impacted by the closure of the SASSA (*South African Social Security Agency)* digital portal for switching.
    - Our total active EPE transactional account base stood at approximately 1.5 million at the end of September 2024, of which approximately 1.3 million (or approximately 88%) are permanent grant recipients. The balance comprises Social Relief of Distress ("SRD") grant recipients, which was introduced during the COVID pandemic and extended in calendar year 2023.
    - Our priority is to grow our permanent grant recipient customers base, where we can build deeper relationships by offering products such as insurance and lending. We do not offer the same breadth of service to the SRD grant base due to the temporary nature of the grant.

- *Progress on cross selling*

EasyPay Loans

- We originated approximately 286 000 loans during the quarter, with our consumer loan book, before allowances ("gross book"), increasing 34% to ZAR 564 million as of September 30, 2024, compared to ZAR 423 million as of September 30, 2023.
- We have not amended our credit scoring or other lending criteria, and the growth is reflective of the demand for our tailored loan product for this market, growth in EPE bank account customer base and improved cross-selling capabilities.
- The loan conversion rate continues to improve following the implementation of a number of targeted Consumer lending campaigns and encouraging results from our digital channels.
- The portfolio loss ratio of approximately 6%, calculated as the loans written off over the last 12 months as a percentage of the total gross loan book at the end of the quarter, remained stable on an annualized basis, compared to quarter one fiscal 2024.

EasyPay Insurance

- Our insurance product sales continue to grow and is a material contributor to the improvement in our overall ARPU. We have been able to improve customer penetration to 34% of our active permanent grant account base as of September 30, 2024, compared to 31% as of September 30, 2023. Approximately 49,000 new policies were written in the quarter, compared to approximately 38,000 in the comparable period in fiscal 2024. The total number of active policies has grown 30% to approximately 466,000 policies as of September 30, 2024, compared to 359,000 policies as of September 30, 2023.
- In April 2024 we launched a new benefit where existing policyholders and new clients could elect to cover up to six of their dependent family members with cover ranging from ZAR 5 000 to ZAR 30 000. Since the launch of this benefit more than 25 00 clients have elected to cover their dependent family members.

ARPU

- ARPU for our permanent client base has increased to approximately ZAR 91 for the first quarter of fiscal 2025, from approximately ZAR 83 in the first quarter of fiscal 2024.

Adumo Payouts

- 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 recipient space. The Adumo contribution will be reflected in our quarter two fiscal 2025 results.

Board and Leadership Changes in quarter one fiscal 2025

Leadership changes

On October, 1 2024 Dan Smith was appointed as Group Chief Financial Officer taking over these responsibilities from Naeem Kola, who transitioned to Group Chief Operating Officer. Mr. Smith was also appointed to the Board. As Lesaka scales, we will continue to augment our executive capability to accommodate the growing size of the business and deliver on the opportunity in front of us.

Paul Kent, the CEO of Adumo, joined the Lesaka executive team on completion of the Adumo transaction to oversee the Merchant pillar within Lesaka's Merchant Division.

Board changes

Similarly, on completion of the Adumo acquisition Dean Sparrow, Group CEO of Crossfin Technology Holdings (RF) (Pty) Ltd, was appointed to the Board as an independent non-executive director and joined Lesaka's Capital Allocation Committee.

Chris Meyer and Monde Nkosi, non-executive directors, stepped down as directors of the Board in October 2024.

Acquisition of Adumo

On October 1, 2024, we announced the closing of the Adumo transaction which enhances our platform, adding customers and products, as well as scale. The completion of this transaction marks the beginning of a new chapter in the Lesaka story. Adumo will be included in our results for the full second quarter of fiscal 2025.

Going forward Lesaka will be run in four distinct pillars

The Adumo transaction is the catalyst to approach the market with a more customer-centric operating model. From a financial reporting standpoint, we will continue to maintain the Consumer Division and Merchant Division split however 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.

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. 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. 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 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 third party vending and security business. 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.

Critical Accounting Policies

Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions about future events that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities. As future events and their effects cannot be determined with absolute certainty, the determination of estimates requires management's judgment based on a variety of assumptions and other determinants such as historical experience, current and expected market conditions and certain scientific evaluation techniques. Critical accounting policies are those that reflect significant judgments or uncertainties and may potentially result in materially different results under different assumptions and conditions. We have identified the following critical accounting policies that are described in more detail in our Annual Report on Form 10-K for the year ended June 30, 2024:

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

Recent accounting pronouncements adopted

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

Recent accounting pronouncements not yet adopted as of September 30, 2024

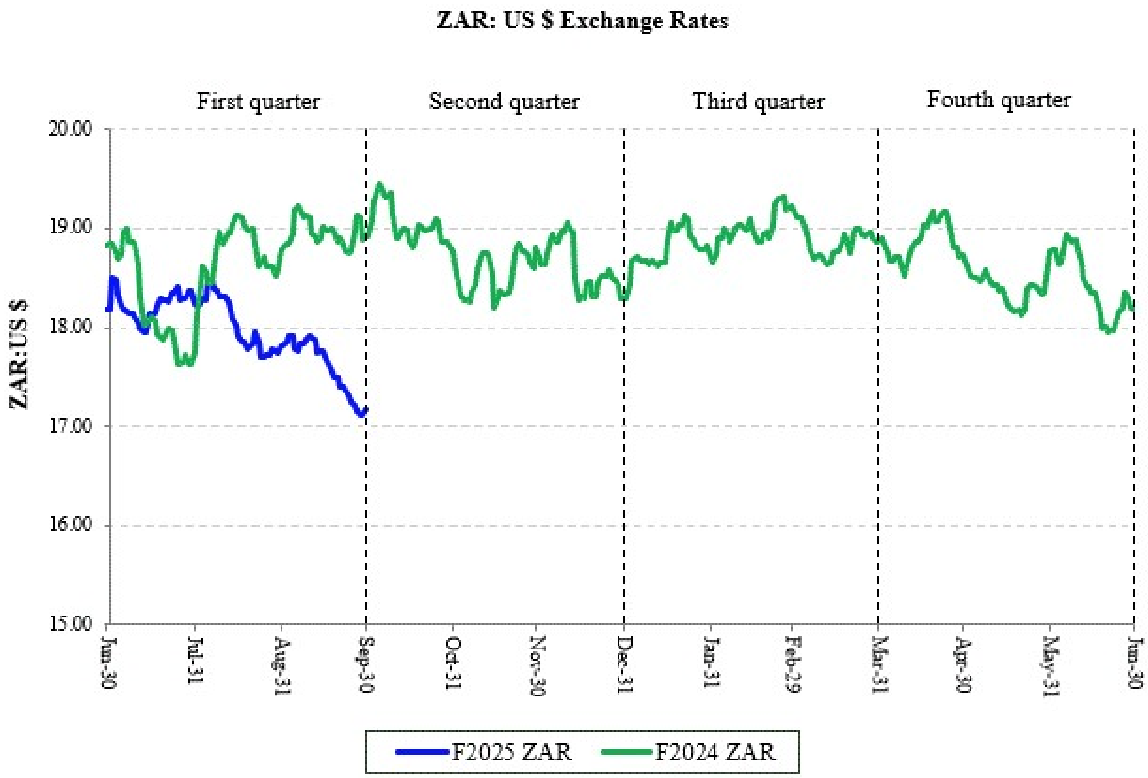
Refer to Note 1 to our unaudited condensed consolidated financial statements for a full description of recent accounting pronouncements not yet adopted as of September 30, 2024, including the expected dates of adoption and effects on our financial condition, results of operations and cash flows.

Currency Exchange Rate Information

Actual exchange rates

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

Table 1	**Three months ended September 30,**		**Year ended June 30,**
	2024	**2023**	**2024**
ZAR : $ average exchange rate	17.9601	18.6457	18.7070
Highest ZAR : $ rate during period	18.5100	19.2202	19.4568
Lowest ZAR : $ rate during period	17.1144	17.6278	17.6278
Rate at end of period	17.1808	18.9236	18.1808



Translation exchange rates for financial reporting purposes

We are required to translate our results of operations from ZAR to U.S. dollars on a monthly basis. Thus, the average rates used to translate this data for the three months ended September 30, 2024 and 2023, vary slightly from the averages shown in the table above. Except as described below, the translation rates we use in presenting our results of operations are the rates shown in the following table:

Table 2	Three months ended September 30,		Year ended June 30,
	2024	**2023**	**2024**
Income and expense items: $1 = ZAR	17.7176	18.7088	18.6844
Balance sheet items: $1 = ZAR	17.1808	18.9236	18.1808

We have translated the results of operations and operating segment information for the three months ended September 30, 2024 and 2023, provided in the tables below using the actual average exchange rates per month (i.e. for each of July 2024, August 2024, and September 2024 for the first quarter of fiscal 2025) between the USD and ZAR in order to reduce the reconciliation of information presented to our chief operating decision maker. The impact of using this method compared with the average rate for the quarter and year to date is not significant, however, it does result in minor differences. We believe that presentation using the average exchange rates per month compared with the average exchange rate per quarter and year to date improves the accuracy of the information presented in our external financial reporting and leads to fewer differences between our external reporting measures which are supplementally presented in ZAR, and our internal management information, which is also presented in ZAR.

Results of Operations

The discussion of our consolidated overall results of operations is based on amounts as reflected in our unaudited condensed consolidated financial statements which are prepared in accordance with U.S. GAAP. We analyze our results of operations both in U.S. dollars, as presented in the unaudited condensed consolidated financial statements, and supplementally in ZAR, because ZAR is the functional currency of the entities which contribute the majority of our results and is the currency in which the majority of our transactions are initially incurred and measured. Presentation of our reported results in ZAR is a non-GAAP measure. Due to the significant impact of currency fluctuations between the U.S. dollar and ZAR on our reported results and because we use the U.S. dollar as our reporting currency, we believe that the supplemental presentation of our results of operations in ZAR is useful to investors to understand the changes in the underlying trends of our business.

Our operating segment revenue presented in "—Results of operations by operating segment" represents total revenue per operating segment before intercompany eliminations. A reconciliation between total operating segment revenue and revenue, as well as the reconciliation between our segment performance measure and net loss before tax (benefits) expense, is presented in our unaudited condensed consolidated financial statements in Note 17 to those statements. Our chief operating decision maker is our Executive Chairman and he evaluates segment performance based on segment earnings before interest, tax, depreciation and amortization ("EBITDA"), adjusted for items mentioned in the next sentence ("Segment Adjusted EBITDA") for each operating segment. We do not allocate once-off items (as defined below), stock-based compensation charges, depreciation and amortization, impairment of goodwill or other intangible assets, other items (including gains or losses on disposal of investments, fair value adjustments to equity securities, fair value adjustments to currency options), interest income, interest expense, income tax expense or loss from equity-accounted investments to our reportable segments. Once-off items represents non-recurring expense items, including costs related to acquisitions and transactions consummated or ultimately not pursued. The Stock-based compensation adjustments reflect stock-based compensation expense and are both excluded from the calculation of Segment Adjusted EBITDA and are therefore reported as reconciling items to reconcile the reportable segments' Segment Adjusted EBITDA to our loss before income tax expense. Effective from fiscal 2025, all lease charges are allocated to our operating segments, whereas in fiscal 2024 we presented certain lease charges on a separate line outside of our operating segments. Prior period information has been re-presented to include the lease charges which were previously reported on a separate line in our Consumer and Merchant operating segments.

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

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

First quarter of fiscal 2025 compared to first quarter of fiscal 2024

The following factors had a significant impact on our results of operations during the first quarter of fiscal 2025 as compared with the same period in the prior year:

- ***Higher revenue:*** Our revenues increased 3% in ZAR, primarily due to an increase in value-added services activity and processing fees in Merchant, as well as higher transaction, insurance and lending revenues in Consumer, which was partially offset by fewer low margin prepaid airtime sales;
- ***Operating income improvement, before transaction costs:*** Operating income, before Adumo-related transaction costs, increased due to an increase trading activity as noted above;
- ***Lower net interest charge:*** Net interest charge decreased to $4.4 million (ZAR 79.8 million) from $4.5 million (ZAR 83.1 million) primarily due to lower interest rates on our borrowings, which was partially offset by higher over borrowings; and
- ***Foreign exchange movements:*** The U.S. dollar was 5% stronger against the ZAR during the first quarter of fiscal 2025 compared to the prior period, which adversely impacted our U.S. dollar reported results The ZAR was 5% stronger against the U.S. dollar during first quarter of fiscal 2025 compared to the prior period, which positively impacted our U.S. dollar reported results.

Consolidated overall results of operations

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

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

Table 3

	In United States Dollars		
	Three months ended September 30,		
	2024 **$ ’000**	**2023** **$ ’000**	**% change**
Revenue	145,546	136,089	7%
Cost of goods sold, IT processing, servicing and support	110,887	107,490	3%
Selling, general and administration	26,726	22,515	19%
Depreciation and amortization	6,276	5,856	7%
Transaction costs related to Adumo acquisition	1,702	-	nm
Operating (loss) income	(45)	228	nm
Reversal of allowance for EMI doubtful debt receivable	-	250	nm
Interest income	586	449	31%
Interest expense	5,032	4,909	3%
Loss before income tax expense	(4,491)	(3,982)	13%
Income tax expense	78	264	(70%)
Net loss before earnings (loss) from equity-accounted investments	(4,569)	(4,246)	8%
Earnings (Loss) from equity-accounted investments	27	(1,405)	nm
Net loss attributable to us	(4,542)	(5,651)	(20%)

Table 4

	In South African Rand		
	Three months ended September 30,		
	2024 **ZAR ’000**	**2023** **ZAR ’000**	**% change**
Revenue	2,615,690	2,537,659	3%
Cost of goods sold, IT processing, servicing and support	1,993,641	2,004,465	(1%)
Selling, general and administration	479,677	419,861	14%
Depreciation and amortization	112,660	109,166	3%
Transaction costs related to Adumo acquisition	29,997	-	nm
Operating (loss) income	(285)	4,167	nm
Reversal of allowance for EMI doubtful debt receivable	-	4,741	nm
Interest income	10,517	8,368	26%
Interest expense	90,328	91,429	(1%)
Loss before income tax expense	(80,096)	(74,153)	8%
Income tax expense	1,402	4,825	(71%)
Net loss before earnings (loss) from equity-accounted investments	(81,498)	(78,978)	3%
Earnings (Loss) from equity-accounted investments	475	(26,657)	nm
Net loss attributable to us	(81,023)	(105,635)	(23%)

Revenue increased by $9.5 million (ZAR 78.0 million), or 6.9% (in ZAR, 3.1%), primarily due to an increase in the volume of value-added services provided (prepaid airtime and gaming), high transactions volumes from our vault and cash management operations resulting in higher processing fees, an increase in certain issuing fee base prices and transaction activity in our issuing business, and an increase in insurance premiums collected and lending revenues following higher loan originations, which was partially offset by fewer low margin prepaid airtime sales. Refer to discussion above at “—Recent Developments” for a description of key trends impacting our revenue this quarter.

Cost of goods sold, IT processing, servicing and support increased by $3.4 million (or 3.2%) and, in ZAR, decreased by ZAR 10.8 million (or 0.5%), primarily the decrease in low margin prepaid airtime sales, which was partially by higher insurance-related claims and third-party transaction fees.

Selling, general and administration expenses increased by $4.2 million (ZAR 59.8 million), or 18.7% (in ZAR 14.2%). The increase was primarily due to higher employee-related expenses (including annual bonuses and annual salary increases) and higher stock-based compensation charges; higher consulting, legal and travel expenses, and the year-over-year impact of inflationary increases on certain expenses.

Depreciation and amortization expense increased by $0.4 million (ZAR 3.5 million), or 7.2% (3.2%). The increase was due to an increase in depreciation expense related to additional POS devices deployed.

Transaction costs related to Adumo acquisition includes fees paid to external service providers associated with legal and advisory services procured to close the transaction on October 1, 2024.

Our operating (loss) income margin for the first quarter of fiscal 2025 and 2024 was (0.0)% and 0.2%, respectively. We discuss the components of operating loss margin under "—Results of operations by operating segment."

We did not record any changes in the fair value of equity interests in MobiKwik and Cell C during the first quarter of fiscal 2025 or 2024, respectively. We continue to carry our investment in Cell C at $0 (zero). Refer to Note 4 for the methodology and inputs used in the fair value calculation for Cell C.

Interest on surplus cash increased to $0.6 million (ZAR 10.5 million) from $0.4 million (ZAR 8.4 million), primarily due to higher overall average cash balances on deposit during the first quarter of fiscal 2025 compared with 2024.

Interest expense increased to $5.0 million from $4.9 million and, in ZAR, decreased to ZAR 90.3 million from ZAR 91.4 million. In ZAR, the decrease was primarily as a result of lower interest expense incurred on certain of our borrowing for which we were able to negotiate lower rates of interest towards the end of calendar 2024, which was partially offset by higher overall borrowings during the first quarter of fiscal 2025 compared with comparable period in the prior quarter.

Fiscal 2025 tax expense was $0.1 million (ZAR 1.4 million) compared to $0.3 million (ZAR 4.8 million) in fiscal 2024. Our effective tax rate for fiscal 2025 was impacted by the tax expense recorded by our profitable South African operations, a deferred tax benefit related to acquisition-related intangible asset amortization, non-deductible expenses (in transaction-related expenses), the on-going losses incurred by certain of our South African businesses and the associated valuation allowances created related to the deferred tax assets recognized regarding net operating losses incurred by these entities.

Our effective tax rate for fiscal 2024 was impacted by the tax expense recorded by our profitable South African operations, a deferred tax benefit related to acquisition-related intangible asset amortization, non-deductible expenses, the on-going losses incurred by certain of our South African businesses and the associated valuation allowances created related to the deferred tax assets recognized regarding net operating losses incurred by these entities.

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

Table 5	**Three months ended September 30,**		
	2024	**2023**	**$ %**
	$ ’000	**$ ’000**	**change**
Finbond	-	(1,445)	nm
Share of net loss	-	(278)	nm
Impairment	-	(1,167)	nm
Other	27	40	(33%)
Total income (loss) from equity-accounted investments	27	(1,405)	nm

Results of operations by operating segment

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

Table 6	***In United States Dollars***				
	Three months ended September 30,				
Operating Segment	**2024 $ '000**	**% of total**	**2023 $ '000**	**% of total**	**% change**
Consolidated revenue:					
Merchant	125,261	86%	121,361	89%	3%
Consumer	21,072	14%	15,580	11%	35%
Subtotal: Operating segments	146,333	100%	136,941	100%	7%
Eliminations	(787)	-	(852)	-	(8%)
Total consolidated revenue	**145,546**	**100%**	**136,089**	**100%**	**7%**
Group Adjusted EBITDA:					
Merchant(1)(2)	7,916	84%	7,725	96%	2%
Consumer(1)(2)	4,396	47%	2,120	26%	107%
Group costs	(2,949)	(31%)	(1,822)	(22%)	62%
Group Adjusted EBITDA (non-GAAP)	**9,363**	**100%**	**8,023**	**100%**	**17%**

(1) Segment Adjusted EBITDA Merchant and Segment Adjusted EBITDA Consumer include retrenchment costs of $0.01 million and $0.06 million, respectively, for the first quarter of fiscal 2025.

(2) Lease expenses which were previously presented on a separately line in fiscal 2024 are now included in Merchant and Consumer Segment Adjusted EBITDA. The prior period has been re-presented to conform with current period presentation. See also "—Results of Operations— Presentation of Merchant and Consumer by segment for fiscal 2024 and 2023 including lease charges".

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

Table 7	***In South African Rand***				
	Three months ended September 30,				
Operating Segment	**2024 ZAR '000**	**% of total**	**2023 ZAR '000**	**% of total**	**% change**
Consolidated revenue:					
Merchant	2,251,825	86%	2,263,001	89%	(0%)
Consumer	378,063	14%	290,629	11%	30%
Subtotal: Operating segments	2,629,888	100%	2,553,630	100%	3%
Eliminations	(14,198)	-	(15,971)	-	(11%)
Total consolidated revenue	**2,615,690**	**100%**	**2,537,659**	**100%**	**3%**
Group Adjusted EBITDA:					
Merchant(1)(2)	142,078	84%	143,910	96%	(1%)
Consumer(1)(2)	78,681	47%	39,612	26%	99%
Group costs	(52,654)	(31%)	(33,980)	(22%)	55%
Group Adjusted EBITDA (non-GAAP)	**168,105**	**100%**	**149,542**	**100%**	**12%**

(1) Segment Adjusted EBITDA Merchant and Segment Adjusted EBITDA Consumer include retrenchment costs of ZAR 0.2 million and ZAR 1.1 million, respectively, for the first quarter of fiscal 2025.

(2) Lease expenses which were previously presented on a separately line in fiscal 2024 are now included in Merchant and Consumer Segment Adjusted EBITDA. The prior period has been re-presented to conform with current period presentation.

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

Merchant

Segment revenue primarily increased due to a higher volume of value-added services provided (prepaid airtime and gaming), and high transactions volumes from our vault and cash management operations resulting in higher processing fees, which was partially offset by fewer low margin prepaid airtime sales. In ZAR, the modest decrease in Segment Adjusted EBITDA is primarily due higher operating expenses incurred, especially employment-related expenditures, to expand our offering, which was partially offset by higher gross margin (calculated as revenue less cost of goods sold, IT processing, servicing and support). Connect records a significant proportion of its airtime sales in revenue (see further below) and cost of sales, while only earning a relatively small margin. This significantly depresses the Segment Adjusted EBITDA margins shown by the business. During the first quarter of fiscal 2025, we experience a shift in the mix between the sale of pinned prepaid airtime and distribution of pinless prepaid airtime, with the volume of pinned airtime sales decreasing, which results in a lower revenue and related cost of sales, and an overall improved margin.

Our Segment Adjusted EBITDA margin (calculated as Segment Adjusted EBITDA divided by revenue) for the first quarter of fiscal 2025 and 2024 was 6.3% and 6.4%, respectively.

Prepaid airtime sales

In South Africa and other countries, mobile network operators (“MNOs”) offer prepaid or contract (or postpaid) services to their customers to telephony services using a mobile telephony network or networks. MNOs also offer similar products (prepaid or postpaid) for mobile data which uses other wireless network protocols such as wireless fidelity (“wifi”). We use the term “prepaid airtime” to include both of these prepaid products.

Generally speaking, the difference between the two models is that prepaid is paid for upfront by the customer and contract is paid in arrears. MNOs sell prepaid products directly to their customers and also indirectly to their customers through distribution channels (which include wholesalers, retailers and other parties, including ourselves).

We sell a variety of products through our distribution channels, including prepaid airtime, prepaid electricity, gaming vouchers. We refer to these products collectively as VAS.

In order to “load” airtime onto a mobile device an MNOs customer requires a prepaid airtime voucher. A unique code is assigned to each prepaid airtime voucher and is required to activate the prepaid airtime on a mobile device. Like certain tangible goods, once sold, our customers cannot return prepaid airtime vouchers to us (except of course if there is a defect in the service provided by us, which rarely occurs).

We can either purchase an agreed quantity of prepaid airtime vouchers upfront directly from wholesalers or other parties (so called “Pinned airtime” - these electronic vouchers are stored on a server owned and maintained by us and we treat these vouchers as inventory) or we can “interface” directly into a wholesaler and deliver the airtime voucher directly to our customers (typically merchants) as the airtime is sold by the merchant to MNOs customers (so called Pinless airtime).

Consumer

Segment revenue increased primarily due to higher transaction fees generated from the higher EPE account holders base, an increase in certain issuing fee base prices and transaction activity in our issuing business, insurance premiums collected and lending revenues following an increase in loan originations. This increase in revenue has translated into improved profitability, which was partially offset by higher insurance-related claims and interest expenses (of approximately ZAR 15.0 million) incurred to fund our lending book and the year-over-year impact of inflationary increases on certain expenses. We intend to obtain a separate lending facility to fund a portion of our lending during fiscal 2025. We expected to have this facility in place on July 1, 2024, however, we have been unable to finalize terms as the separate lending facility will form part of a broader financing package. Therefore, we have included an intercompany interest expense in our Consumer Segment Adjusted EBITDA for the first quarter of fiscal 2025.

Our Segment Adjusted EBITDA margin for the first quarter of fiscal 2025 and 2024 was 20.9% and 13.6%, respectively.

Group costs

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

Our group costs for fiscal 2025 increased compared with the prior period due to higher employee costs resulting from an increase in the number of individuals allocated to group costs and base salary adjustments, higher bonus expense, travel, consulting and legal fees.

Presentation of Merchant and Consumer by segment for fiscal 2024 and 2023 including lease charges

The tables below present Merchant and Consumer EBITDA for fiscal 2024 and 2023, including lease charges, as well as the U.S. dollar/ ZAR exchange rates applicable per fiscal quarter and year:

Table 8

	Fiscal 2024				
	In United States dollars				
	Quarter 1 $ '000	**Quarter 2 $ '000**	**Quarter 3 $ '000**	**Quarter 4 $ '000**	**F2024 $ '000**
Group Adjusted EBITDA:					
Merchant	7,725	8,388	8,145	7,843	32,101
Consumer	2,120	2,575	3,757	4,227	12,679
Group costs	(1,822)	(2,011)	(2,199)	(1,812)	(7,844)
Group Adjusted EBITDA (non-GAAP)	**8,023**	**8,952**	**9,703**	**10,258**	**36,936**
Income and expense items: $1 = ZAR	18.71	18.71	18.88	18.47	18.68

Table 9

	Fiscal 2023				
	In United States dollars				
	Quarter 1 $ '000	**Quarter 2 $ '000**	**Quarter 3 $ '000**	**Quarter 4 $ '000**	**F2023 $ '000**
Group Adjusted EBITDA:					
Merchant	7,580	8,780	7,980	7,924	32,264
Consumer	(1,893)	171	1,263	2,134	1,675
Group costs	(2,300)	(2,256)	(2,293)	(2,260)	(9,109)
Group Adjusted EBITDA (non-GAAP)	**3,387**	**6,695**	**6,950**	**7,798**	**24,830**
Income and expense items: $1 = ZAR	17.13	17.52	17.93	18.74	17.94

Use of Non-GAAP Measures

U.S. securities laws require that when we publish any non-GAAP measures, we disclose the reason for using these non-GAAP measures and provide reconciliations to the most directly comparable GAAP measures. The presentation of Group Adjusted EBITDA is a non-GAAP measure. We provide this non-GAAP measure to enhance our evaluation and understanding of our financial performance and trends. We believe that this measure is helpful to users of our financial information understand key operating performance and trends in our business because it excludes certain non-cash expenses (including depreciation and amortization and stock-based compensation charges) and income and expenses that we consider once-off in nature.

Non-GAAP Measures

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

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

Table 10	Three months ended	
	2024	2023
	$ ’000	$ ’000
Loss attributable to Lesaka - GAAP	**(4,542)**	**(5,651)**
(Earnings) loss from equity accounted investments	(27)	1,405
Net loss before (earnings) loss from equity-accounted investments	(4,569)	(4,246)
Income tax expense	78	264
Loss before income tax expense	(4,491)	(3,982)
Interest expense	5,032	4,909
Interest income	(586)	(449)
Reversal of allowance for doubtful EMI loan receivable	-	(250)
Operating income (loss)	(45)	228
PPA amortization (amortization of acquired intangible assets)	3,747	3,608
Depreciation and amortization	2,529	2,248
Stock-based compensation charges	2,377	1,759
Interest adjustment	(831)	-
Once-off items[(1)]	1,805	78
Unrealized (gain) loss FV for currency adjustments	(219)	102
Group Adjusted EBITDA - Non-GAAP	**9,363**	**8,023**

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

Table 11	Three months ended	
	2024	2023
	$ ’000	$ ’000
Transaction costs	103	78
Transaction costs related to Adumo acquisition	1,702	-
Total once-off items	**1,805**	**78**

Once-off items are non-recurring in nature, however, certain items may be reported in multiple quarters. For instance, transaction costs include costs incurred related to acquisitions and transactions consummated or ultimately not pursued. The transactions can span multiple quarters, for instance in fiscal 2025 we incurred significant transaction costs related to the acquisition of Adumo over a number of quarters, and the transactions are generally non-recurring.

Liquidity and Capital Resources

As of September 30, 2024, our cash and cash equivalents were $49.7 million and comprised of U.S. dollar-denominated balances of $2.0 million, ZAR-denominated balances of ZAR 791.0 million ($46.0 million), and other currency deposits, primarily Botswana pula, of $1.7 million, all amounts translated at exchange rates applicable as of September 30, 2024. The decrease in our unrestricted cash balances from June 30, 2024, was primarily due to the utilization of cash reserves to fund certain scheduled and other repayments of our borrowings, purchase ATMs and vaults, pay annual bonuses, pay for expenses included in our group costs, and to make an investment in working capital, which was partially offset by positive contribution from our Merchant and Consumer operations and utilization.

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

Historically, we have financed most of our operations, research and development, working capital, and capital expenditures, as well as acquisitions and strategic investments, through internally generated cash and our financing facilities. When considering whether to borrow under our financing facilities, we consider the cost of capital, cost of financing, opportunity cost of utilizing surplus cash and availability of tax efficient structures to moderate financing costs. For instance, in fiscal 2022, we obtained loan facilities from RMB to fund a portion of our acquisition of Connect. Following the acquisition of Connect, we now utilize a combination of short and long-term facilities to fund our operating activities and a long-term asset-backed facility to fund the acquisition of POS devices and vaults. Refer to Note 12 to our consolidated financial statements for the year ended June 30, 2024, for additional information related to our borrowings.

Available short-term borrowings

Summarized below are our short-term facilities available and utilized as of September 30, 2024:

Table 12	RMB Facility E		RMB Indirect		RMB Connect		Nedbank	
	$ '000	ZAR '000	$ '000	ZAR '000	$ '000	ZAR '000	$ '000	ZAR '000
Total short-term facilities available, comprising:								
Overdraft	-	-	-	-	9,895	170,000	-	-
Overdraft restricted as to use(1)	52,384	900,000	-	-	-	-	-	-
Total overdraft	52,384	900,000	-	-	9,895	170,000	-	-
Indirect and derivative facilities(2)	-	-	7,858	135,000	-	-	9,112	156,556
Total short-term facilities available	**52,384**	**900,000**	**7,858**	**135,000**	**9,895**	**170,000**	**9,112**	**156,556**
Utilized short-term facilities:								
Overdraft	-	-	-	-	9,895	170,000	-	-
Indirect and derivative facilities(2)	-	-	1,927	33,100	-	-	123	2,110
Total short-term facilities available	**-**	**-**	**1,927**	**33,100**	**9,895**	**170,000**	**123**	**2,110**
Interest rate, based on		11.50%				11.40%		

(1) Overdraft may only be used to fund ATMs and upon utilization is considered restricted cash. We did not utilize this facility at the end of September 2024, and expect to cancel the facility in the second quarter of fiscal 2025.

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

Long-term borrowings

We have aggregate long-term borrowing outstanding of ZAR 2.6 billion ($148.5 million translated at exchange rates as of September 30, 2024) as described in Note 8. These borrowings include outstanding long-term borrowings obtained by Lesaka SA of ZAR 1.0 billion, including accrued interest, which was used to partially fund the acquisition of Connect. The Lesaka SA borrowing arrangements were amended in March 2023 to include a ZAR 200 million revolving credit facility. We have settled all drawn amounts in full as of September 30, 2024, with the full balance available for utilization in the future. In contemplation of the Connect transaction, Connect obtained total facilities of ZAR 1.3 billion, which were utilized to repay its existing borrowings, to fund a portion of its capital expenditures and to settle obligations under the transaction documents, and which has subsequently been upsized for its operational requirements and has an outstanding balance as of September 30, 2024, of ZAR 1.2 billion, We also have a revolving credit facility, of ZAR 300.0 million which is utilized to fund a portion of our merchant finance loans receivable book.

On September 30, 2024, we obtained a ZAR 665.0 million funding facility from RMB which has been used on October 1, 2024 to (i) settle an amount of ZAR 232.2 million due to the Adumo sellers; (ii) pay ZAR 207.2 million to acquire 2,601,410 shares of our common stock from one of the Adumo sellers' indirect shareholders; (iii) pay ZAR 147.5 million notified by Investec Bank Limited to Adumo and us as a result of the acquisition, (iv) pay an origination fee of ZAR 7.6 million to RMB and (v) pay ZAR 70.0 million of transaction-related expenses.

Restricted cash

As of September 30, 2024, we had credit facilities with RMB in order to access cash to fund our ATMs in South Africa. Utilization of this facility is included in our cash, cash equivalents and restricted cash presented in our consolidated statement of cash flows. We did not utilize the facility at the end of September 2024. Any cash drawn under the facility may only be used to fund ATMs and is considered restricted as to use and therefore is classified as restricted cash on our consolidated balance sheet.

We have also entered into cession and pledge agreements with Nedbank related to our Nedbank indirect credit facilities and we have ceded and pledged certain bank accounts to Nedbank. The funds included in these bank accounts are restricted as they may not be withdrawn without the express permission of Nedbank. Our cash, cash equivalents and restricted cash presented in our consolidated statement of cash flows as of September 30, 2024, includes restricted cash of $0.1 million that has been ceded and pledged.

Arrangement with African Bank to fund our ATMs

In September 2024, we entered into an arrangement with African Bank Limited ("African Bank") and certain cash-in-transit service providers to fund our ATMs. Under this arrangement, African Bank will use its cash resources to fund our ATMs and it is specifically recorded that the cash in our ATMs are African Bank's property. Therefore, as we have not utilized a facility to obtain the cash, and do not own or control the cash for an extended period of time, we do not record cash or cash equivalents and borrowings in our consolidated statement of financial position. Cash withdrawn from our ATMs by our EPE customers and other consumers are settled through the interbank settlement system from the ATM users bank account to African Bank's bank accounts. We pay African Bank a monthly fee for the service provided which is calculated based on the cumulative daily outstanding balance of cash utilized multiplied by the South African prime interest rate less 1%. We are exposed to the risk of cash lost while it is in our ATMs (i.e. from theft) and are required to repay African Bank for any shortages.

Cash flows from operating activities

First quarter

Net cash used operating activities during the first quarter of fiscal 2025 was $4.1 million (ZAR 73.3 million) compared to net cash provided by operating activities of $3.4 million (ZAR 63.1 million) during the first quarter of fiscal 2024. Excluding the impact of income taxes, our cash used in operating activities during the first quarter of fiscal 2025 includes cash utilized for the settlement of working capital movements within our merchant business related to quarter-end transaction processing activities and which were settled in the following week (our fourth quarter of fiscal 2024 closed on a Sunday), and the net growth in our consumer and merchant finance loans receivable books, which was partially offset by was positively impacted by the contribution from Merchant and Consumer businesses.

We didn't pay any significant taxes during the first quarter of fiscal 2025. During the first quarter of fiscal 2024, we paid second provisional South African tax payments of $- million (ZAR - million) related to certain Connect entities' 2024 tax year that had not yet been aligned with ours.

Taxes (refunded) paid during the first quarter of fiscal 2025 and 2024 were as follows:

Table 13	**Three months ended September 30,**			
	2024	**2023**	**2024**	**2023**
	$	**$**	**ZAR**	**ZAR**
	'000	**'000**	**'000**	**'000**
Taxation paid related to prior years	-	572	-	10,859
Tax refund received	(113)	(31)	(2,053)	(640)
Total South African taxes paid	(113)	541	(2,053)	10,219
Foreign taxes paid	68	63	1,213	1,196
Total tax (refund) paid	(45)	604	(840)	11,415

Cash flows from investing activities

First quarter

Cash used in investing activities for the first quarter of fiscal 2025 included capital expenditures of $4.0 million (ZAR 70.3 million), primarily due to the acquisition of vaults and POS devices.

Cash used in investing activities for the first quarter of fiscal 2024 included capital expenditures of $2.8 million (ZAR 52.6 million), primarily due to the acquisition of vaults.

Cash flows from financing activities

First quarter

During the first quarter of fiscal 2025, we utilized $23.9 million from our South African overdraft facilities to fund our ATMs and our cash management business through Connect, and repaid $31.0 million of those facilities. We utilized $0.8 million of our long-term borrowings to fund the acquisition of certain capital expenditures and for working capital requirements. We repaid $5.5 million of long-term borrowings in accordance with our repayment schedule as well as to settle a portion of our revolving credit facility utilized.

During the first quarter of fiscal 2024, we utilized $59.6 million from our South African overdraft facilities to fund our ATMs and our cash management business through Connect, and repaid $62.8 million of those facilities. We utilized approximately $2.5 million of our long-term borrowings to fund the acquisition of certain capital expenditures and for working capital requirements. We repaid approximately $2.6 million of long-term borrowings in accordance with our repayment schedule as well as to settle a portion of our revolving credit facility utilized.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Capital Expenditures

We expect capital spending for the second quarter of fiscal 2025 to primarily include spending for acquisition of POS devices, vaults, computer software, computer and office equipment, as well as for our ATM infrastructure and branch network in South Africa. Our capital expenditures for the first quarter of fiscal 2025 and 2024 are discussed under "—Liquidity and Capital Resources—Cash flows from investing activities." All of our capital expenditures for the past three fiscal years were funded through internally generated funds, or, following the Connect acquisition, our asset-backed borrowing arrangement. We had outstanding capital commitments as of September 30, 2024, of $0.3 million. We expect to fund these expenditures through internally generated funds and available facilities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

We have short and long-term borrowings in South Africa which attract interest at rates that fluctuate based on changes in the South African prime and 3-month JIBAR interest rates. The following table illustrates the effect on our annual expected interest charge, translated at exchange rates applicable as of September 30, 2024, as a result of changes in the South African prime and 3-month JIBAR interest rates, using our outstanding short and long-term borrowings as of September 30, 2024. The effect of a hypothetical 1% (i.e. 100 basis points) increase and a 1% decrease in the interest rates applicable to the borrowings as of September 30, 2024, are shown. The selected 1% hypothetical change does not reflect what could be considered the best- or worst-case scenarios.

Table 14	**As of September 30, 2024**		
	Annual expected interest charge ($ '000)	**Hypothetical change in interest rates**	**Estimated annual expected interest charge after hypothetical change in interest rates ($ '000)**
Interest on South African borrowings	19,780	1%	21,367
		(1%)	18,190

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our executive chairman and our group chief financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of September 30, 2024.

We previously identified and disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the year ended June 30, 2024, material weaknesses in our internal control over financial reporting related to: (1) information technology general controls ("ITGCs"), specifically insufficient risk assessment, design and implementation, monitoring activities and training of individuals to operate controls in the areas of user access and program-change management for certain information technology systems that support our financial reporting processes and (2) insufficient design and implementation of controls and associated policies and procedures in our annual goodwill impairment assessment. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

As a result of insufficient time to design and implement procedures to remediate the material weaknesses discussed in our Annual Report on Form 10-K for our fiscal year ended June 30, 2024 (as described above), the executive chairman and the group chief financial officer concluded that our disclosure controls and procedures were not effective as of September 30, 2024.

Notwithstanding the previously identified material weaknesses, management believes the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented in accordance with GAAP.

Changes in Internal Control over Financial Reporting

We have commenced with the design and implementation of the remediation plan during the three months ended September 30, 2024 which includes:

- the review of ITGCs and implementation of changes to certain controls to address the issues related to the material weaknesses identified above; and
- the review and implementation of changes to the design of the controls related to the goodwill impairment assessment.

The remediation plan may be adjusted as is appropriate, as we continue to evaluate and enhance our internal control over financial reporting. Other than the design and implementation of the remediation plan, there have not been any changes in our internal control over financial reporting during the fiscal quarter ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1A. Risk Factors

See “Item 1A RISK FACTORS” in Part I of our Annual Report on Form 10-K for the fiscal year ended June 30, 2024, for a discussion of risk factors relating to (i) our business, (ii) operating in South Africa and other foreign markets, (iii) government regulation, and (iv) our common stock. Except as set forth below, there have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

We may not be able to successfully integrate Adumo’s operations with our business.

On October 1, 2024, we announced the closing of our ZAR 1.67 billion ($96.2 million) investment to acquire a 100% interest in Adumo. Integrating Adumo into our company may require significant attention from our senior management which may divert their attention from our day-to-day business. The difficulties of integration may be increased by cultural differences between our two organizations and the necessity of retaining and integrating personnel, including Adumo’s key employees and management team. The services of these individuals will be important to the continued growth and success of Adumo’s business and to our ability to integrate Adumo with us. If we were to lose the services of these key employees or fail to sufficiently integrate them, our ability to operate Adumo successfully would likely be materially and adversely impacted.

As such, if we are unable to successfully integrate Adumo’s operations into our business we could be required to record material impairments, and as a result, our financial condition, results of operations, cash flows and stock price could suffer.

We depend upon third-party suppliers, making us vulnerable to supply shortages and price fluctuations, which could harm our business.

We obtain our smart cards, ATMs, electronic payment and POS devices, components for our safe assets, components to repair the ISV (independent software vendor) division’s POS hardware, and the other hardware we use in our business from a limited number of suppliers, and do not manufacture this equipment ourselves. We generally do not have long-term agreements with our manufacturers or component suppliers. If our suppliers become unwilling or unable to provide us with adequate supplies of parts or products when we need them, or if they increase their prices, we may not be able to find alternative sources in a timely manner and could be faced with a critical shortage. This could harm our ability to meet customer demand and cause our revenues to decline. Even if we are able to secure alternative sources in a timely manner, our costs could increase as a result of supply or geopolitical shocks, which may lead to an increase in the prices of goods and services from third parties. A supply interruption, such as the recent global shortage of semiconductors, or an increase in demand beyond current suppliers’ capabilities could harm our ability to distribute our equipment and thus to acquire new customers who use our technology. Any interruption in the supply of the hardware necessary to operate our technology, or our inability to obtain substitute equipment at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers, which would have an adverse effect on our business.

We do not have a South African banking license and, therefore, we provide our EPE solution through an arrangement with a third-party bank, which limits our control over this business and the economic benefit we derive from it. If this arrangement were to terminate, we would not be able to operate our EPE business without alternate means of access to a banking license. We are also required to comply with the requirements of payment schemes, including VISA and Mastercard. Furthermore, we provide certain of our services under partnerships with South African banks. We will be unable to provide our payments and card-acquiring businesses if we fail to comply with payment scheme rules, and/or fails to maintain certain regulatory licenses and registrations, and/ or if we were unable to continue to partner with South African banks to provide our payments and card acquiring services.

The South African retail banking market is highly regulated. Under current law and regulations, our EasyPay Everywhere (“EPE”) business activities require us to be registered as a bank in South Africa or to have access to an existing banking license. We are not currently so registered, but we have an agreement with Grindrod Bank, a subsidiary of African Bank Limited, that enables us to implement our EPE program in compliance with the relevant laws and regulations. If this agreement were to be terminated, we would not be able to operate these services unless we were able to obtain access to a banking license through alternate means. Furthermore, we have to comply with the South African Financial Intelligence Centre Act, 2001 and money laundering and terrorist financing control regulations, when we open new bank accounts for our customers and when they transact. Failure to effectively implement and monitor responses to the legislation and regulations may result in significant fines or prosecution of Grindrod Bank and ourselves.

We are required to comply with the requirements of payment schemes, including VISA and Mastercard. We have deployed a significant number of devices, and any mandatory compliance upgrades to our deployed POS devices would require significant capital expenditures and/or be disruptive to our customer base. Failure to comply with the payment schemes’ rules may result in significant fines and/or a loss of license to participate in the scheme(s).

We provide card acquiring services to our customers by partnering with Nedbank Limited and ABSA Bank Limited, and payment processing services in partnership with the largest banks in South Africa. If these agreements were to be terminated, Adumo would not be able to operate its payment services unless it were able to obtain alternative card acquiring or payment processing agreements with other partners or obtain a direct designation license with the scheme's and regulatory bodies. In addition, if we were to lose our PASA registrations or fail to have them renewed, it would be unable to operate its payment services.

Compliance with the requirements under these various regulatory regimes may cause us to incur significant additional costs and failure to comply with such requirements could result in the shutdown of the non-complying facility, the imposition of liens, fines and/or civil or criminal liability.

In addition, the South African Financial Advisory and Intermediary Services Act, 2002, requires persons who act as intermediaries between financial product suppliers and consumers in South Africa to register as financial service providers. EasyPay Insurance was granted a Financial Service Provider, or FSP, license on June 9, 2015, and EasyPay Financial Services (Pty) Ltd was granted a FSP license on July 11, 2017. If our FSP licenses are withdrawn or suspended, we may be stopped from continuing our financial services businesses in South Africa unless we are able to enter into a representative arrangement with a third party FSP.

Furthermore, the proposed Conduct of Financial Institutions Bill will make significant changes to the current licensing regime however, the current proposal is that existing licences will be converted. The second draft of the Conduct of Financial Institutions Bill was published for public comment on September 29, 2020.

Item 5. Other Information

Our Section 16 officers and directors, as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934 (the “Exchange Act”), may from time to time enter into plans for the purchase or sale of our common stock that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act. During the quarter ended September 30, 2024, no officers or directors, as defined in Rule 16a-1(f), adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

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

Exhibit No.	Description of Exhibit	Included Herewith	Incorporated by Reference Herein		
			Form	Exhibit	Filing Date
2.2	First Addendum to Sale and Purchase Agreement, dated October 1, 2024, between Lesaka Technologies Proprietary Limited; Lesaka Technologies, Inc. and the parties listed in Annexure A		8-K	2.2	October 1, 2024
10.39	Facility Letter dated September 30, 2024 between Lesaka Technologies (Proprietary) Limited and FirstRand Bank Limited (acting through its Rand Merchant Bank division)		8-K	10.1	October 1, 2024
10.40	Sale of Shares Agreement dated October 1, 2024, between Lesaka Technologies Proprietary Limited and Crossfin Holdings Proprietary Limited		8-K	10.2	October 1, 2024
10.41	Third Addendum to Facility Letter no.: LM/CCMS/01/2021 between FirstRand Bank Ltd, Cash Connect Management Solutions (Pty) Ltd, Main Street 1723 (Pty) Ltd, Cash Connect Rentals (Pty) Ltd; and K2020 Connect (Pty) Ltd dated October 29, 2024	X			
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act	X			
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act	X			
32	Certification pursuant to 18 USC Section 1350	X			
101.INS	XBRL Instance Document	X			
101.SCH	XBRL Taxonomy Extension Schema	X			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X			
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X			
101.LAB	XBRL Taxonomy Extension Label Linkbase	X			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X			
104	Cover page formatted as Inline XBRL and contained in Exhibit 101				

SIGNATURES

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

LESAKA TECHNOLOGIES, INC.

By: /s/ Ali Mazanderani

Ali Mazanderani

Executive Chairman

By: /s/ Dan L. Smith

Dan L. Smith

Group Chief Financial Officer, Treasurer and Secretary