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

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended December 31, 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 February 3, 2025 (the latest practicable date), 79,124,599 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

	December 31, 2024	June 30, 2024(A)
	(In thousands, except share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 60,625	$ 59,065
Restricted cash related to ATM funding and credit facilities (Note 9)	112	6,853
Accounts receivable, net and other receivables (Note 3)	46,203	36,667
Finance loans receivable, net (Note 3)	49,529	44,058
Inventory (Note 4)	27,346	18,226
Total current assets before settlement assets	183,815	164,869
Settlement assets	27,550	22,827
Total current assets	211,365	187,696
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of - December: $48,124 June: $49,762	42,295	31,936
OPERATING LEASE RIGHT-OF-USE (Note 17)	7,649	7,280
EQUITY-ACCOUNTED INVESTMENTS (Note 6)	181	206
GOODWILL (Note 7)	200,760	138,551
INTANGIBLE ASSETS, NET (Note 7)	125,964	111,353
DEFERRED INCOME TAXES	6,278	3,446
OTHER LONG-TERM ASSETS, including equity securities (Note 6 and 8)	46,082	77,982
TOTAL ASSETS	640,574	558,450
LIABILITIES		
CURRENT LIABILITIES		
Short-term credit facilities for ATM funding (Note 9)	-	6,737
Short-term credit facilities (Note 9)	51,152	9,351
Accounts payable	16,704	16,674
Other payables (Note 10)	59,416	56,051
Operating lease liability - current (Note 17)	3,257	2,343
Current portion of long-term borrowings (Note 9)	68,300	3,878
Income taxes payable	1,385	654
Total current liabilities before settlement obligations	200,214	95,688
Settlement obligations	26,882	22,358
Total current liabilities	227,096	118,046
DEFERRED INCOME TAXES	36,260	38,128
OPERATING LEASE LIABILITY - LONG TERM (Note 17)	4,819	5,087
LONG-TERM BORROWINGS (Note 9)	80,357	139,308
OTHER LONG-TERM LIABILITIES, including insurance policy liabilities (Note 8)	3,048	2,595
TOTAL LIABILITIES	351,580	303,164
REDEEMABLE COMMON STOCK	88,957	79,429
EQUITY		
COMMON STOCK (Note 11)		
Authorized: 200,000,000 with $0.001 par value;		
Issued and outstanding shares, net of treasury - December: 80,159,292 June: 64,272,243	101	83
PREFERRED STOCK		
Authorized shares: 50,000,000 with $0.001 par value;		
Issued and outstanding shares, net of treasury: December: - June: -	-	-
ADDITIONAL PAID-IN-CAPITAL	421,950	343,639
TREASURY SHARES, AT COST: December: 28,297,365 June: 25,563,808	(302,319)	(289,733)
ACCUMULATED OTHER COMPREHENSIVE LOSS (Note 12)	(199,969)	(188,355)
RETAINED EARNINGS	273,547	310,223
TOTAL LESAKA EQUITY	193,310	175,857
NON-CONTROLLING INTEREST	6,727	-
TOTAL EQUITY	200,037	175,857
TOTAL LIABILITIES, REDEEMABLE COMMON STOCK AND SHAREHOLDERS' EQUITY	$ 640,574	$ 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 December 31,		Six months ended December 31,	
	2024	**2023**	**2024**	**2023**
	(In thousands, except per share		(In thousands, except per share	
REVENUE (Note 16)	$ 146,818	$ 143,893	$ 292,364	$ 279,982
EXPENSE				
Cost of goods sold, IT processing, servicing and support	101,298	114,266	212,185	221,756
Selling, general and administration	36,520	21,507	63,246	44,022
Depreciation and amortization	8,223	5,813	14,499	11,669
Transaction costs related to Adumo acquisition (Note 2)	-	34	1,702	34
OPERATING INCOME	777	2,273	732	2,501
CHANGE IN FAIR VALUE OF EQUITY SECURITIES (Note 5 and 6)	(33,731)	-	(33,731)	-
LOSS ON DISPOSAL OF EQUITY-ACCOUNTED INVESTMENT (Note 6)	161	-	161	-
REVERSAL OF ALLOWANCE FOR DOUBTFUL EMI DEBT RECEIVABLE	-	-	-	250
INTEREST INCOME	721	485	1,307	934
INTEREST EXPENSE	6,174	4,822	11,206	9,731
LOSS BEFORE INCOME TAX (BENEFIT) EXPENSE	(38,568)	(2,064)	(43,059)	(6,046)
INCOME TAX (BENEFIT) EXPENSE (Note 19)	(6,412)	686	(6,334)	950
NET LOSS BEFORE EARNINGS (LOSS) FROM EQUITY-ACCOUNTED INVESTMENTS	(32,156)	(2,750)	(36,725)	(6,996)
EARNINGS (LOSS) FROM EQUITY-ACCOUNTED INVESTMENTS (Note 6)	50	43	77	(1,362)
NET LOSS	(32,106)	(2,707)	(36,648)	(8,358)
LESS NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	28	-	28	-
NET LOSS ATTRIBUTABLE TO LESAKA	$ (32,134)	$ (2,707)	$ (36,676)	$ (8,358)
Net loss per share, in United States dollars (Note 14):				
Basic loss attributable to Lesaka shareholders	$ (0.40)	$ (0.04)	$ (0.51)	$ (0.13)
Diluted loss attributable to Lesaka shareholders	$ (0.40)	$ (0.04)	$ (0.51)	$ (0.13)

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three months ended December 31,		Six months ended December 31,	
	2024	2023	2024	2023
	(In thousands)		(In thousands)	
Net loss	$ (32,106)	$ (2,707)	$ (36,648)	$ (8,358)
Other comprehensive (loss) income, net of taxes				
Movement in foreign currency translation reserve	(22,731)	6,112	(12,206)	5,268
Release of foreign currency translation reserve related to liquidation of subsidiaries (Note 12)	6	(952)	6	(952)
Release of foreign currency translation reserve related to disposal of Finbond equity securities (Note 12)	-	1,543	-	1,543
Movement in foreign currency translation reserve related to equity-accounted investments	-	-	-	489
Total other comprehensive (loss) income, net of taxes	(22,725)	6,703	(12,200)	6,348
Comprehensive (loss) income	(54,831)	3,996	(48,848)	(2,010)
Less comprehensive loss attributable to non-controlling interest	558	-	558	-
Comprehensive (loss) income attributable to Lesaka	$ (54,273)	$ 3,996	$ (48,290)	$ (2,010)

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Lesaka Technologies, Inc. Shareholders											
	Number of Shares	Amount	Number of Treasury Shares	Treasury Shares	Number of shares, net of treasury	Additional Paid-In Capital	Retained Earnings	Accumulated other comprehensive loss	Total Lesaka Equity	Non-controlling Interest	Total	Redeemable common stock
	For the three months ended December 31, 2023 (dollar amounts in thousands)											
Balance – October 1, 2023	88,883,198	$ 83	(25,244,286)	$ (288,238)	63,638,912	$ 337,490	$ 322,012	$ (196,081)	$ 175,266	$ -	$ 175,266	$ 79,429
Shares repurchased (Note 13)			(50,975)	(198)	(50,975)	-			(198)		(198)	
Restricted stock granted (Note 13)	868,996				868,996				-		-	
Exercise of stock options (Note 13)	592	-			592	2			2		2	
Stock-based compensation charge (Note 13)					-	1,812			1,812		1,812	
Reversal of stock-based compensation charge (Note 13)	(14,002)				(14,002)	(8)			(8)		(8)	
Stock-based compensation charge related to equity-accounted investment (Note 6)					-	(147)			(147)		(147)	
Net loss					-		(2,707)		(2,707)	-	(2,707)	
Other comprehensive loss (Note 12)								6,703	6,703	-	6,703	
Balance – December 31, 2023	89,738,784	$ 83	(25,295,261)	$ (288,436)	64,443,523	$ 339,149	$ 319,305	$ (189,378)	$ 180,723	$ -	$ 180,723	$ 79,429

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 six months ended December 31, 2023 (dollar amounts in thousands)											
Balance – July 1, 2023	88,884,532	$ 83	(25,244,286)	$ (288,238)	63,640,246	$ 335,696	$ 327,663	$ (195,726)	$ 179,478	$ -	$ 179,478	$ 79,429
Shares repurchased (Note 13)	-		(50,975)	(198)	(50,975)				(198)		(198)	
Restricted stock granted (Note 13)	868,996				868,996				-		-	
Exercise of stock options (Note 13)	7,385	-			7,385	23			23		23	
Stock-based compensation charge (Note 13)						3,580			3,580		3,580	
Reversal of stock-based compensation charge (Note 13)	(22,129)				(22,129)	(17)			(17)		(17)	
Stock-based compensation charge related to equity-accounted investment						(133)			(133)		(133)	
Net loss							(8,358)		(8,358)	-	(8,358)	
Other comprehensive loss (Note 12)								6,348	6,348	-	6,348	
Balance – December 31, 2023	89,738,784	$ 83	(25,295,261)	$ (288,436)	64,443,523	$ 339,149	$ 319,305	$ (189,378)	$ 180,723	$ -	$ 180,723	$ 79,429

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Lesaka Technologies, Inc. Shareholders											
	Number of Shares	Amount	Number of Treasury Shares	Treasury Shares	Number of shares, net of treasury	Additional Paid-In Capital	Retained Earnings	Accumulated other comprehensive loss	Total Lesaka Equity	Non-controlling Interest	Total	Redeemable common stock
	For the three months ended December 31, 2024 (dollar amounts in thousands)											
Balance – October 1, 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
Shares issued (Note 2 and Note 11)	17,279,803	17	-	-	17,279,803	73,239			73,256		73,256	9,528
Shares repurchased (Note 13)	-		(2,733,557)	(12,586)	(2,733,557)				(12,586)		(12,586)	
Restricted stock granted (Note 13)	1,331,310				1,331,310				-		-	
Exercise of stock options (Note 13)	17,014	1			17,014	51			52		52	
Stock-based compensation charge (Note 13)	-				-	2,655			2,655		2,655	
Reversal of stock-based compensation charge (Note 13)	(37,221)				(37,221)	(11)			(11)		(11)	
Adumo non-controlling interest acquired (Note 2)									-	7,586	7,586	
Net loss							(32,134)		(32,134)	28	(32,106)	
Dividends paid to non-controlling interest									-	(301)	(301)	
Other comprehensive loss (Note 12)								(22,139)	(22,139)	(586)	(22,725)	
Balance – December 31, 2024	108,456,657	$ 101	(28,297,365)	$ (302,319)	80,159,292	$ 421,950	$ 273,547	$ (199,969)	$ 193,310	$ 6,727	$ 200,037	$ 88,957

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 six months ended December 31, 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
Shares issued (Note 2 and Note 11)	17,279,803	17	-	-	17,279,803	73,239			73,256		73,256	9,528
Shares repurchased (Note 13)			(2,733,557)	(12,586)	(2,733,557)				(12,586)		(12,586)	
Restricted stock granted	1,364,110				1,364,110	-			-		-	
Exercise of stock options (Note 13)	17,014	1			17,014	51			52		52	
Stock-based compensation charge (Note 13)	-				-	5,032			5,032		5,032	
Reversal of stock-based compensation charge (Note 13)	(40,321)				(40,321)	(11)			(11)		(11)	
Stock-based compensation charge related to equity-accounted investment (Note 6)						-			-		-	
Adumo non-controlling interest acquired (Note 2)							-		-	7,586	7,586	
Net loss							(36,676)		(36,676)	28	(36,648)	
Dividends paid to non-controlling interest							-		-	(301)	(301)	
Other comprehensive loss (Note 12)								(11,614)	(11,614)	(586)	(12,200)	
Balance – December 31, 2024	108,456,657	$ 101	(28,297,365)	$ (302,319)	80,159,292	$ 421,950	$ 273,547	$ (199,969)	$ 193,310	$ 6,727	$ 200,037	$ 88,957

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three months ended December 31,		Six months ended December 31,	
	2024	2023	2024	2023
	(In thousands)		(In thousands)	
Cash flows from operating activities				
Net loss	$ (32,106)	$ (2,707)	$ (36,648)	$ (8,358)
Depreciation and amortization	8,223	5,813	14,499	11,669
Movement in allowance for doubtful accounts receivable	2,521	1,164	4,020	2,689
Fair value adjustment related to financial liabilities	(454)	(836)	(264)	(870)
Loss on disposal of equity-accounted investments (Note 6)	161	-	161	-
(Earnings) Loss from equity-accounted investments	(50)	(43)	(77)	1,362
Movement in allowance for doubtful loans to equity-accounted investments	-	-	-	(250)
Change in fair value of equity securities (Note 5 and 6)	33,731	-	33,731	-
Profit on disposal of property, plant and equipment	(14)	(163)	(41)	(199)
Movement in interest payable	1,864	(1,573)	3,557	191
Facility fee amortized	68	89	137	316
Stock-based compensation charge (Note 13)	2,644	1,804	5,021	3,563
Dividends received from equity-accounted investments	65	54	65	54
Increase in accounts receivable	(11,988)	(13,157)	(4,295)	(15,502)
Increase in finance loans receivable	(8,325)	(2,889)	(9,915)	(3,377)
(Increase) Decrease in inventory	(4,560)	985	(5,449)	506
Increase (Decrease) in accounts payable and other payables	8,135	13,728	(9,042)	14,103
(Decrease) Increase in taxes payable	(153)	(654)	612	(346)
Decrease in deferred taxes	(8,928)	(1,032)	(9,374)	(1,594)
Net cash (used in) provided by operating activities	(9,166)	583	(13,302)	3,957
Cash flows from investing activities				
Capital expenditures	(6,318)	(2,198)	(10,283)	(5,007)
Proceeds from disposal of property, plant and equipment	475	436	1,325	720
Acquisition of intangible assets	(428)	(47)	(601)	(182)
Acquisitions, net of cash acquired	(3,957)	-	(3,957)	-
Proceeds from disposal of equity-accounted investment (Note 6)	-	3,508	-	3,508
Repayment of loans by equity-accounted investments	-	250	-	250
Net change in settlement assets	(1,266)	(43)	2,304	(11,280)
Net cash (used in) provided by investing activities	(11,494)	1,906	(11,212)	(11,991)
Cash flows from financing activities				
Proceeds from bank overdraft (Note 9)	48,855	69,012	72,748	128,586
Repayment of bank overdraft (Note 9)	(4,512)	(66,048)	(35,540)	(128,841)
Long-term borrowings utilized (Note 9)	12,903	8,557	13,677	11,028
Repayment of long-term borrowings (Note 9)	(8,322)	(3,184)	(13,794)	(5,813)
Acquisition of treasury stock (Note 13)	(12,586)	(198)	(12,586)	(198)
Proceeds from exercise of stock options	51	2	51	23
Guarantee fee	(431)	-	(431)	-
Dividends paid to non-controlling interest	(301)	-	(301)	-
Net change in settlement obligations	1,209	197	(2,439)	10,893
Net cash provided by financing activities	36,866	8,338	21,385	15,678
Effect of exchange rate changes on cash and cash equivalents	(5,278)	2,005	(2,052)	1,562
Net increase (decrease) in cash, cash equivalents and restricted cash	10,928	12,832	(5,181)	9,206
Cash, cash equivalents and restricted cash – beginning of period	49,809	55,006	65,918	58,632
Cash, cash equivalents and restricted cash – end of period (Note 15)	$ 60,737	$ 67,838	$ 60,737	$ 67,838

See Notes to Unaudited Condensed Consolidated Financial Statements

(All amounts in tables stated in thousands or thousands of U.S. dollars, unless otherwise stated)

1. Basis of Presentation and Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements include all majority-owned subsidiaries over which the Company exercises control and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and the rules and regulations of the United States Securities and Exchange Commission for Quarterly Reports on Form 10-Q and include all of the information and disclosures required for interim financial reporting. The results of operations for the three and six months ended December 31, 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 December 31, 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.

In November 2024, the FASB issued guidance regarding *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)* which requires disaggregated disclosure of income statement expenses for public business entities. The guidance does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. This guidance is effective for the Company beginning July 1, 2027. Early adoption is permitted. The Company is currently assessing the impact of this guidance on its financial statements and related disclosures.

2. Acquisitions

The Company did not make any acquisition during the six months ended December 31, 2023. The cash paid, net of cash received related to the Company's acquisitions during the six months ended December 31, 2024, is summarized in the table below:

	Total
Total cash paid	$ 13,392
Less: cash acquired	9,435
Total cash paid, net of cash received	$ 3,957

2. Acquisitions (continued)

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, and at acquisition it served 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. At acquisition, the Company's ecosystem served 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 total purchase consideration was ZAR 1.67 billion ($96.2 million) and comprised the issuance of 17,279,803 shares of the Company's common stock ("Consideration Shares") with a value of $82.8 million (17,279,803 multiplied by $4.79 per share) and cash of $13.4 million. The purchase consideration was settled through the combination of the 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 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 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 resale registration statement was declared effective by the SEC on December 6, 2024.

2. Acquisitions (continued)

2025 Acquisitions (continued)

October 2024 acquisition of Adumo (continued)

The Company incurred transaction-related expenditures of $1.7 million during the six months ended December 31, 2024, related to the acquisition of Adumo. The Company's accruals presented in Note 10 of as December 31, 2024, includes an accrual of transaction related expenditures of $ 0.6 million and the Company does not expect to incur any further significant transaction costs over the remainder of the 2025 fiscal year.

November 2024 acquisition of Innervation Value Added Services Namibia Pty Ltd (continued)

Effective November 1, 2024, the Company, through its wholly owned subsidiary Adumo Technologies Proprietary Limited ("Adumo AT"), acquired the remaining shares (representing 50% of the issued and outstanding shares) it did not own in Innervation Value Added Services Namibia Pty Ltd ("IVAS Nam") for $0.4 million (ZAR 6.0 million, translated at November 1, 2024 exchange rates). IVAS Nam was accounted for using the equity method prior to the acquisition of a controlling interest in the company. Adumo paid ZAR 2.0 million of the purchase price prior the acquisition of Adumo by the Company and the balance of ZAR 4.0 million will be paid in two equal tranches, one in March 2025 and the other in September 2025. The Company did not incur any significant transaction costs related to this acquisition.

The preliminary purchase price allocation of acquisitions during the six months ended December 31, 2024, translated at the foreign exchange rates applicable on the date of acquisition, in provided is the table below:

Acquisitions during fiscal 2025 through December 31, 2024

	Adumo	IVAS Nam	Total
Cash and cash equivalents	$ 9,219	$ 216	$ 9,435
Accounts receivable	6,800	630	7,430
Inventory	5,121	3	5,124
Property, plant and equipment	9,169	12	9,181
Operating lease right of use asset	1,024	-	1,024
Equity-accounted investment	477	-	477
Goodwill	72,299	432	72,731
Intangible assets	28,383	-	28,383
Deferred income taxes assets	1,060	55	1,115
Other long-term assets	2,809	-	2,809
Current portion of long-term borrowings	(1,178)	-	(1,178)
Accounts payable	(3,266)	(388)	(3,654)
Other payables	(28,045)	(226)	(28,271)
Operating lease liability - current	(1,019)	-	(1,019)
Income taxes payable	(150)	(42)	(192)
Deferred income taxes liabilities	(6,994)	-	(6,994)
Operating lease liability - long-term	(326)	-	(326)
Long-term borrowings	(7,308)	-	(7,308)
Other long-term liabilities	(141)	-	(141)
Settlement assets	8,610	-	8,610
Settlement liabilities	(8,530)	-	(8,530)
Fair value of assets and liabilities on acquisition	$ 88,014	$ 692	$ 88,706

The fair value of the non-controlling interests recorded was $7.6 million. The fair value of the non-controlling interest was determined as the non-controlling interests respective portion of the equity value of the entity acquired by the Company, and which was adjusted for a 20% minority discount. The allocation of the purchase price is preliminary and not yet finalized. The preliminary allocation of the purchase price is based upon preliminary estimates which used information that was available to management at the time the unaudited condensed consolidated financial statements were prepared and these estimates and assumptions are subject to change within the measurement period, up to one year from the acquisition date. Accordingly, the allocation may change. We continue to refine certain inputs to the calculation of acquired intangible assets and the valuation of the non-controlling interest.

2. Acquisitions (continued)

2025 Acquisitions (continued)

Intangible assets acquired

No intangible assets were identified related to the acquisition of IVAS Nam. Summarized below is the fair value of the Adumo intangible assets acquired and the weighted-average amortization period:

		Fair value as of acquisition date	Weighted-average amortization period (in years)
Finite-lived intangible asset:			
Acquired during the six months ended December 31, 2024:			
Adumo – technology assets	$	13,949	3 - 7
Adumo – customer relationships		10,813	5 - 10
Adumo – brands	$	3,621	10 - 15

On acquisition, the Company recognized a deferred tax liability of approximately $7.7 million related to the acquisition of Adumo intangible assets during the six months ended December 31, 2024.

Pro forma results related to acquisitions

Pro forma results of operations have not been presented for the acquisition of IVAS Nam because the effect of the IVAS Nam acquisition is not material to the Company. Since the closing of the IVAS Nam acquisition, it has contributed revenue and net income of $0.9 million and $0.2 million, respectively, for the six months ended December 31, 2024.

The results of Adumo's operations are reflected in the Company's financial statements from October 1, 2024. The following unaudited pro forma revenue and net income information has been prepared as if the acquisition of Adumo had occurred on July 1, 2023 using the applicable average foreign exchange rates for the periods presented:

	Three months ended December 31,	Six months ended December 31,	
	2023	2024	2023
Revenue	$ 159,397	$ 305,748	$ 307,897
Net loss	$ (3,040)	$ (35,024)	$ (15,088)

The unaudited pro forma financial information presented above includes the business combination accounting and other effects from the acquisition including (1) amortization expense related to acquired intangibles and the related deferred tax; (2) the loss of interest income, net of taxation, as a result of funding a portion of the purchase price in cash; and (3) an adjustment to exclude all applicable transaction-related costs recognized in the Company's consolidated statement of operations for six months ended December 31, 2024, and include the applicable transaction-related costs for the year ended June 30, 2024. The unaudited pro forma net income presented above does not include any cost savings or other synergies that may result from the acquisition.

The unaudited pro forma information as presented above is for information purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had occurred on these dates.

Since the closing of the acquisition, Adumo has contributed revenue of $17.0 million and net income attributable to the Company, including intangible assets amortization related to assets acquired, net of deferred taxes, of $0.45 million.

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

Accounts receivable, net and other receivables

The Company's accounts receivable, net, and other receivables as of December 31, 2024, and June 30, 2024, are presented in the table below:

	December 31, 2024	June 30, 2024
Accounts receivable, trade, net	$ 21,407	$ 13,262
Accounts receivable, trade, gross	23,258	14,503
Allowance for doubtful accounts receivable, end of period	1,851	1,241
Beginning of period	1,241	509
Reversed to statement of operations	(200)	(511)
Charged to statement of operations	1,385	1,305
Utilized	(493)	(67)
Foreign currency adjustment	(82)	5
Current portion of amount outstanding related to sale of interest in Carbon, net of allowance: December 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	24,796	23,405
Total accounts receivable, net and other receivables	$ 46,203	$ 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 December 31, 2024, and June 30, 2024, respectively was $0 (zero).

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

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

Finance loans receivable, net

The Company's finance loans receivable, net, as of December 31, 2024, and June 30, 2024, is presented in the table below:

	December 31, 2024	June 30, 2024
Microlending finance loans receivable, net	$ 35,196	$ 28,184
Microlending finance loans receivable, gross	37,642	30,131
Allowance for doubtful finance loans receivable, end of period	2,446	1,947
Beginning of period	1,947	1,432
Reversed to statement of operations	(162)	(210)
Charged to statement of operations	1,927	2,454
Utilized	(1,166)	(1,795)
Foreign currency adjustment	(100)	66
Merchant finance loans receivable, net	14,333	15,874
Merchant finance loans receivable, gross	17,375	18,571
Allowance for doubtful finance loans receivable, end of period	3,042	2,697
Beginning of period	2,697	2,150
Reversed to statement of operations	(23)	(359)
Charged to statement of operations	1,093	2,479
Utilized	(607)	(1,672)
Foreign currency adjustment	(118)	99
Total finance loans receivable, net	$ 49,529	$ 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 $13.6 million as of December 31, 2024 have been pledged as security for the Company's revolving credit facility (refer to Note 9).

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 nine 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 5 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 December 31, 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 December 31, 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 5 related to the Company risk management process related to these receivables.

3. 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 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 December 31, 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 December 31, 2024.

4. Inventory

The Company's inventory comprised the following categories as of December 31, 2024, and June 30, 2024:

	December 31, 2024	June 30, 2024
Raw materials	$ 2,333	$ 2,791
Work-in-progress	145	71
Finished goods	24,868	15,364
	$ 27,346	$ 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 first two months of the six months ended December 31, 2024.

5. 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.

5. 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 remained unchanged for the majority of calendar 2024 however the South African Reserve Bank announced a 25-basis point reduction in the South African repurchase rate in each of September 2024 and November 2024, with further reductions expected in the short-term. Therefore, ignoring the impact of changes to the margin on its borrowings (refer to Note 9) and value of borrowings outstanding, 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.

5. Fair value of financial instruments (continued)

Financial instruments (continued)

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

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

Asset measured at fair value using significant observable inputs – investment in MobiKwik

The Company's owns 6,215,620 equity shares of One MobiKwik Systems Limited ("MobiKwik"). MobiKwik listed on the National Stock Exchange of India ("NSE") on December 18, 2024. Up until its listing MobiKwik did not have a readily determinable fair value and the Company elected to measure its investment in MobiKwik 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 ("cost plus or minus changes in observable prices equity securities"). From the date of MobiKwik's listing, the Company has used MobiKwik's closing price reported on the NSE on the last trading day related to last day of the Company's reporting period to determine the fair value of the equity securities owned by the Company. The Company has determined a fair value per MobiKwik share of $6.85 (INR 586.15 per share at the USD: INR exchange rates applicable as of December 31, 2024). Refer to Note 6 for additional information.

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

The Company's Level 3 asset represents an investment of 75,000,000 class "A" shares in Cell C, a significant mobile telecoms provider in South Africa. The Company used a discounted cash flow model developed by the Company to determine the fair value of its investment in Cell C as of December 31, 2024 and June 30, 2024, respectively, and valued Cell C at $0.0 (zero) and $0.0 (zero) as of December 31, 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 of 24%. The Company utilized the latest business plan provided by Cell C management for the period ending December 31, 2027, for the December 31, 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 December 31, 2024 and June 30, 2024:

Weighted Average Cost of Capital ("WACC"):	Between 21% and 25% 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 - December 31, 2024:(1)	ZAR 7.4 billion ($0.4 billion), no lease liabilities included
Net adjusted external debt - June 30, 2024:(2)	ZAR 7.9 billion ($0.4 billion), no lease liabilities included

(1) translated from ZAR to U.S. dollars at exchange rates applicable as of December 31, 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 December 31, 2024, all amounts translated at exchange rates applicable as of December 31, 2024:

Sensitivity for fair value of Cell C investment	**1.0% increase**	**1.0% decrease**
WACC rate	$ -	$ 426
EBITDA margin	$ 1,059	$ -

The aggregate fair value of the MobiKwik and Cell C's shares as of December 31, 2024, represented 6.6% of the Company's total assets, including these shares. The Company expects that there will be short-term equity price volatility with respect to these shares, and with respect to Cell C specifically, particularly given that Cell C remains in a turnaround process.

5. Fair value of financial instruments

The following table presents the Company's assets measured at fair value on a recurring basis as of December 31, 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	$ -	$ -	$ -	$ -
Investment in MobiKwik	42,566	-	-	42,566
Related to insurance				
Cash, cash equivalents and restricted cash (included in other long-term assets)	217	-	-	217
Fixed maturity investments (included in cash and cash equivalents)	4,532	-	-	4,532
Total assets at fair value	$ 47,315	$ -	$ -	$ 47,315

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 six months ended December 31, 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 six months ended December 31, 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 six months ended December 31, 2024:

	Carrying value
Assets	
Balance as of June 30, 2024	$ -
Foreign currency adjustment[(1)]	-
Balance as of December 31, 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.

5. Fair value of financial instruments

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

	Carrying value
Assets	
Balance as of June 30, 2023	$ -
Foreign currency adjustment(1)	-
Balance as of December 31, 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 6 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.

6. 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 December 31, 2024, and June 30, 2024, was as follows:

	December 31, 2024	June 30, 2024
Sandulela Technology (Pty) Ltd ("Sandulela")	49.0 %	49.0 %
SmartSwitch Namibia (Pty) Ltd ("SmartSwitch Namibia")	50.0 %	50.0 %

Sale and impairment of Finbond shares during the three and six months ended December 31, 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 ($3.5 million), or ZAR 0.2911 per share. The transaction was subject to certain conditions, including regulatory and shareholder approvals, which were finalized in December 2023. The cash proceeds received of ZAR 64.2 million ($3.5 million) were used to repay capitalized interest under the Company's borrowing facilities.

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

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

Equity-accounted investments (continued)

Sale and impairment of Finbond shares during the three and six months ended December 31, 2023 (continued)

The Company sold 7,379,656 shares in Finbond for cash during the three and six months ended December 31, 2023, respectively. The Company did not record a gain or loss on the disposal because the sale proceeds were equivalent to the net carrying value, including accumulated reserves, of the investment in Finbond as of the disposal date. The following table presents the calculation of the disposal of Finbond shares during the three and six months ended December 31, 2023:

	2023
Loss on disposal of Finbond shares:	
Consideration received in cash	$ 3,508
Less: carrying value of Finbond shares sold	(2,112)
Less: release of foreign currency translation reserve from accumulated other comprehensive loss	(1,543)
Add: release of stock-based compensation charge related to equity-accounted investment	147
Loss on sale of Finbond shares	$ -

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 December 31, 2024 (refer to Note 3)).

Summarized below is the movement in equity-accounted investments and loans provided to equity-accounted investments during the six months ended December 31, 2024:

	Total(1)
Investment in equity	
Balance as of June 30, 2024	$ 206
Comprehensive income:	77
Other comprehensive income	-
Equity accounted (loss) earnings	77
Share of net (loss) earnings	77
Impairment	-
Dividends received	(65)
Equity-accounted investment acquired in business combination (Note 2)	477
Disposal of equity accounted investment (Note 2)	(507)
Foreign currency adjustment(2)	(7)
Balance as of December 31, 2024	$ 181

(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.

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

Other long-term assets

Summarized below is the breakdown of other long-term assets as of December 31, 2024, and June 30, 2024:

	December 31, 2024	June 30, 2024
Total equity investments	$ 42,566	$ 76,297
Investment in 5% of Cell C (June 30, 2024: 5%) at fair value (Note 5)	-	-
Investment in 8% of MobiKwik (June 30, 2024: 10%)(1)	42,566	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 8)	217	216
Reinsurance assets under insurance contracts (Note 8)	1,692	1,469
Other long-term assets	1,607	-
Total other long-term assets	$ 46,082	$ 77,982

(1) The Company determined that MobiKwik (up until December 2024) 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.

Refer to Note 5 for additional information regarding the determination of the fair value of Company's investment in MobiKwik as of December 31, 2024. The Company used this valuation as the basis for its adjustment to decrease the carrying value of its investment in MobiKwik by $33.7 million from $76.3 million to $42.6 million as of December 31, 2024. The change in the fair value of MobiKwik for the three and six months ended December 31, 2024, of $33.7 million, is included in the caption "Change in fair value of equity securities" in the consolidated statement of operations for the three and six months ended December 31, 2024.

Summarized below are the components of the Company's equity securities without readily determinable fair value and held to maturity investments as of December 31, 2024:

	Cost basis	Unrealized holding gains	Unrealized holding losses	Carrying value
Equity securities:				
Investment in CPS	$ -	$ -	$ -	$ -
Held to maturity:				
Investment in Cedar Cellular notes (Note 3)	-	-	-	-

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

7. Goodwill and intangible assets, net

Goodwill

Summarized below is the movement in the carrying value of goodwill for the three months ended December 31, 2024:

	Gross value	Accumulated impairment	Carrying value
Balance as of June 30, 2024	$ 157,899	$ (19,348)	$ 138,551
Acquisitions (Note 2)[1]	72,731	-	72,731
Foreign currency adjustment[2]	(10,989)	467	(10,522)
Balance as of December 31, 2024	$ 219,641	$ (18,881)	$ 200,760

(1) – Represents goodwill arising from the acquisition of Adumo and IVAS Namibia and translated at the foreign exchange rates applicable on the date the transactions became effective. This goodwill has been allocated to the Merchant and Consumer reportable operating segments.

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

Goodwill associated with the acquisitions represents the excess of cost over the fair value of acquired net assets. Goodwill arising from these acquisitions is not deductible for tax purposes. See Note 2 for the allocation of the purchase price to the fair value of acquired net assets.

Refer to Note 7 for additional information regarding changes to the Company's reportable segments during the six months ended December 31, 2024. Goodwill has been allocated to the Company's reportable segments as follows:

	Merchant	Consumer	Enterprise	Carrying value
Balance as of June 30, 2024	$ 123,396	$ -	$ 15,155	$ 138,551
Acquisitions (Note 2)	64,241	8,490	-	72,731
Foreign currency adjustment[1]	(9,327)	(674)	(521)	(10,522)
Balance as of December 31, 2024	$ 178,310	$ 7,816	$ 14,634	$ 200,760

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

Intangible assets, net

Carrying value and amortization of intangible assets

Summarized below is the carrying value and accumulated amortization of intangible assets as of December 31, 2024, and June 30, 2024:

	As of December 31, 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[1]	$ 34,945	$ (14,941)	$ 20,004	$ 25,880	$ (14,030)	$ 11,850
Software, integrated platform and unpatented technology[1]	124,690	(31,056)	93,634	115,213	(25,763)	89,450
FTS patent	2,035	(2,035)	-	2,107	(2,107)	-
Brands and trademarks[1]	17,191	(4,865)	12,326	14,353	(4,300)	10,053
Total finite-lived intangible assets	$ 178,861	$ (52,897)	$ 125,964	$ 157,553	$ (46,200)	$ 111,353

(1) December 31, 2024 balances include the intangible assets acquired as part of the Adumo acquisition in October 2024.

7. Goodwill and intangible assets, net (continued)

Intangible assets, net (continued)

Aggregate amortization expense on the finite-lived intangible assets for the three months ended December 31, 2024 and 2023, was $4.9 million and $3.6 million, respectively. Aggregate amortization expense on the finite-lived intangible assets for the six months ended December 31, 2024 and 2023, was $8.8 million and $7.2 million, respectively. Future estimated annual amortization expense for the next five fiscal years and thereafter, assuming exchange rates that prevailed on December 31, 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 six months ended December 31, 2024)	$ 9,291
Fiscal 2026	18,581
Fiscal 2027	18,286
Fiscal 2028	18,061
Fiscal 2029	17,699
Thereafter	44,046
Total future estimated annual amortization expense	$ 125,964

8. Assets and policyholder liabilities under insurance and investment contracts

Reinsurance assets and policyholder liabilities under insurance contracts

Summarized below is the movement in reinsurance assets and policyholder liabilities under insurance contracts during the six months ended December 31, 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	550	(5,028)
Claims and decrease in policyholders' benefits under insurance contracts	(260)	4,582
Foreign currency adjustment(3)	(67)	102
Balance as of December 31, 2024	$ 1,692	$ (2,585)

(1) Included in other long-term assets (refer to Note 6);
(2) Included in other long-term liabilities;
(3) Represents the effects of the fluctuations of the ZAR against the U.S. dollar.

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

Assets and policyholder liabilities under investment contracts

Summarized below is the movement in assets and policyholder liabilities under investment contracts during the six months ended December 31, 2024:

	Assets(1)	Investment contracts(2)
Balance as of June 30, 2024	$ 216	$ (216)
Increase in policy holder benefits under investment contracts	8	(8)
Foreign currency adjustment (3)	(7)	7
Balance as of December 31, 2024	$ 217	$ (217)

(1) Included in other long-term assets (refer to Note 6);
(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.

9. 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.

Reference rate reform

After the transition away from certain interbank offered rates in foreign jurisdictions ("IBOR reform"), the reforms to South Africa's reference interest rate are now accelerating rapidly. The Johannesburg Interbank Average Rate ("JIBAR") will be replaced by the new South African Overnight Index Average ("ZARONIA"). Certain of the Company's borrowings reference JIBAR as a base interest rate. ZARONIA reflects the interest rate at which rand-denominated overnight wholesale funds are obtained by commercial banks. There is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect our borrowings. The Company is engaging with its borrowers to negotiate changes to its existing borrowing agreements or to introduce language to cater for the transition to ZARONIA in its future borrowing agreements.

South Africa

The Company is currently renegotiating its borrowing facilities and expects the process to be concluded before March 31, 2025. The amounts below have been translated at exchange rates applicable as of the dates specified. The JIBAR, an average of 3 month negotiable certificates of deposit ("NCD") rates, on December 31, 2024, was 7.75%. The prime rate, the benchmark rate at which private sector banks lend to the public in South Africa, on December 31, 2024, was 11.25%, and reduced to 11.00% on January 31, 2025, following a 0.25% reduction in the South African repo rate, the rate at which private sector banks borrow funds from the South African Reserve Bank.

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

Long-term borrowings - Facility G and Facility H

As of December 31, 2024, Lesaka SA's facilities included (i) Facility G of ZAR 627.0 million ($33.3 million); (ii) Facility H of ZAR 390.1 million ($20.8 million) (both fully utilized); and (iii) the Facility G revolver of ZAR 200.0 million ($10.6 million) (of which ZAR 199 million ($10.6 million) has been utilized). The interest rate on these facilities as of December 31, 2024, was JIBAR plus 4.75%.

Available short-term facility - Facility E

The Company cancelled its Facility E facility agreement in November 2024. The overdraft facility could only be used to fund ATMs and therefore the overdraft utilized and converted to cash to fund the Company's ATMs was considered restricted cash. The interest rate on this facility was equal to the prime rate.

RMB Bridge Facilities, comprising a short-term facility obtained in October 2024 and amended in December 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"). As of December 31, 2024, the Company had utilized all of the ZAR 665 million bridge 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 2); (ii) pay Crossfin Holdings (RF) Proprietary Limited ("Crossfin Holdings") ZAR 207.2 million under a share purchase agreement concluded between Lesaka SA and Crossfin Holdings (refer to Note 11); (iii) pay an amount of ZAR 147.5 million, which includes interest, notified by Investec Bank Limited to Adumo and Lesaka SA as a result of the transaction described in Note 2, 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.

On December 10, 2024, Lesaka SA and RMB entered into a First Addendum to the Facility Letter (the "F2024 Addendum Letter"). The F2024 Addendum Letter provides Lesaka SA with an additional ZAR 250.0 million general banking facility ("GBF Facility") which may be used for general corporate purposes. As of December 31, 2024, the Company had utilized ZAR 98.2 million of the bridge facility.

Interest on the Facility and the GBF Facility is calculated at the prime rate plus 1.80%. The Facility and the GBF Facility are unsecured and are required to be repaid in full on or before February 28, 2025.

9. **Borrowings (borrowings) (continued)**

South Africa (continued)

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

As of December 31, 2024, the Connect Facilities include (i) an overdraft facility (general banking facility) of ZAR 170.0 million (of which ZAR 170.0 million ($9.0 million) has been utilized); (ii) Facility A of ZAR 700.0 million ($37.2 million); (iii) Facility B of ZAR 550.0 million ($29.2 million) (both fully utilized); and (iv) an asset-backed facility of ZAR 200.0 million ($10.6 million) (of which ZAR 151.6 million ($8.1 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 with the final repayment due on February 15, 2025.

CCC Revolving Credit Facility, comprising long-term borrowings

As of December 31, 2024, the amount of the CCC Revolving Credit Facility was ZAR 300.0 million (of which ZAR 215.7 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 0.90% per annum.

RMB facility, comprising indirect facilities

As of December 31, 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 December 31, 2024 and June 30, 2024, the Company had utilized ZAR 33.1 million ($1.8 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 20).

Nedbank facility, comprising short-term facilities

As of December 31, 2024, the aggregate amount of the Company's short-term South African credit facility with Nedbank Limited was ZAR 156.6 million ($8.3 million). The credit facility represents indirect and derivative facilities of up to ZAR 156.6 million ($8.3 million), which include guarantees, letters of credit and forward exchange contracts.

As of December 31, 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 20).

9. Borrowings (borrowings) (continued)

South Africa (continued)

Movement in short-term credit facilities (continued)

Summarized below are the Company's short-term facilities as of December 31, 2024, and the movement in the Company's short-term facilities from as of June 30, 2024 to as of December 31, 2024:

	RMB Facility E	RMB Bridge	RMB Indirect	RMB Connect	Nedbank Facilities	Total
Short-term facilities available as of December 31, 2024	$ -	$ 48,594	$ 7,170	$ 14,339	$ 8,314	$ 78,417
Overdraft	-	48,594	-	14,339	-	62,933
Indirect and derivative facilities	-	-	7,170	-	8,314	15,484
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	43,200	-	5,655	-	72,748
Repaid	(31,028)	-	-	(3,374)	-	(34,402)
Guarantee fee paid	-	(431)	-	-	-	(431)
Foreign currency	398	(2,683)	-	(566)	-	(2,851)
Balance as of December 31, 2024	-	40,086	-	11,066	-	51,152
No restrictions as to use	$ -	$ 40,086	$ -	$ 11,066	$ -	$ 51,152
Interest rate as of December 31, 2024 (%)(2)	N/A	13.05	N/A	11.15	N/A	
Movement in utilized indirect and derivative facilities:						
Balance as of June 30, 2024	$ -	$ -	$ 1,821	$ -	$ 116	$ 1,937
Foreign currency adjustment(1)	-	-	(63)	-	(4)	(67)
Balance as of December 31, 2024	$ -	$ -	$ 1,758	$ -	$ 112	$ 1,870

(1) Represents the effects of the fluctuations between the ZAR and the U.S. dollar.
(2) Facility E interest was set at prime, RMB Bridge at prime plus 1.8% and the Connect facility at prime less 0.10%.

Interest expense incurred under the Company's South African short-term borrowings and included in the caption interest expense on the condensed consolidated statement of operations during the three months ended December 31, 2024 and 2023, was $1.8 million and $0.6 million, respectively. 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 six months ended December 31, 2024 and 2023, was $2.4 million and $1.3 million, respectively.

The Company cancelled Adumo's overdraft arrangements on October 1, 2024, and settled Adumo's outstanding overdraft balance of ZAR 20.0 million ($1.1 million) on the same day. The repayment is included in the caption repayment of bank overdraft included on the Company's unaudited condensed consolidated statements of cash flows for the three and six months ended December 31, 2024.

9. 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 December 31, 2024:

	Facilities				
	Lesaka RMB G & H	Connect RMB A&B	CCC RMB	Connect Wesbank 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	11,022	-	559	2,096	13,677
Facilities repaid	(3,911)	-	(554)	(2,117)	(6,582)
Non-refundable fees amortized	88	24	21	-	133
Capitalized interest	3,735	-	-	-	3,735
Capitalized interest repaid	(95)	-	-	-	(95)
Foreign currency adjustment(1)	(2,374)	(2,302)	(414)	(307)	(5,397)
Closing balance as of December 31, 2024	64,616	64,537	11,453	8,051	148,657
Included in current	64,616	-	-	3,684	68,300
Included in long-term	-	64,537	11,453	4,367	80,357
Unamortized fees	-	(149)	-	-	(149)
Due within 2 years	-	4,978	-	2,873	7,851
Due within 3 years	-	7,634	11,453	1,119	20,206
Due within 4 years	-	52,074	-	333	52,407
Due within 5 years	$ -	$ -	$ -	$ 42	$ 42
Interest rates as of December 31, 2024 (%):	12.50	11.50	12.15	12.00	
Base rate (%)	7.75	7.75	11.25	11.25	
Margin (%)	4.75	3.75	0.90	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, which margin is calculated as (i) 4.00% if the Leverage Ratio ("LR") is greater than 3.50x; (ii) 3.75% if the LR is less than 3.50x but greater than 2.50x; (iii) 3.40% if the LTL ratio is less than 2.50x.

(4) Interest is charged at prime plus 0.90% per annum on the utilized balance.

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

Interest expense incurred under the Company's South African long-term borrowings and included in the caption interest expense on the condensed consolidated statement of operations during the three months ended December 31, 2024 and 2023, was $4.3 million and $4.1 million, respectively. Prepaid facility fees amortized included in interest expense during the three months ended December 31, 2024 and 2023, respectively, were $0.1 million and $0.1 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 December 31, 2024 and 2023.

9. Borrowings (continued)

Movement in long-term borrowings (continued)

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 six months ended December 31, 2024 and 2023, was $8.5 million and $8.1 million, respectively. Prepaid facility fees amortized included in interest expense during the six months ended December 31, 2024 and 2023, respectively, were $0.1 million and $0.3 million, respectively. Interest expense incurred under the Company's CCC facilities relates to borrowings utilized to fund a portion of the Company's merchant finance loans receivable and this interest expense of $0.8 million and $0.7 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 six months ended December 31, 2024 and 2023.

The Company cancelled Adumo's long-term borrowings arrangements on October 1, 2024, and settled Adumo's outstanding balances of ZAR 126.7 million ($7.2 million) on the same day. The repayment is included in the caption repayment of long-term borrowings included on the Company's unaudited condensed consolidated statements of cash flows for the three and six months ended December 31, 2024.

10. Other payables

Summarized below is the breakdown of other payables as of December 31, 2024, and June 30, 2024:

	December 31, 2024	June 30, 2024
Clearing accounts	$ 8,093	$ 17,124
Vendor wallet balances	18,657	14,635
Accruals	12,522	7,173
Provisions	5,873	7,442
Value-added tax payable	2,088	1,191
Payroll-related payables	1,942	922
Participating merchants' settlement obligation	2	1
Other	10,239	7,563
	$ 59,416	$ 56,051

Other includes deferred income, client deposits and other payables.

11. Capital structure

October 2024 repurchase of common stock

On October 1, 2024, the Company, through Lesaka SA, and Crossfin Holdings 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 have been included in the Company's treasury shares included in its unaudited condensed consolidated statement of changes in equity for the three and six months ended December 31, 2024. The repurchase was made outside of the Company's $100 million share repurchase authorization.

Redeemable common stock issued pursuant to transaction with the IFC Investors

Put Option

Refer to 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, for additional information regarding its redeemable common stock issued pursuant to transaction with the IFC Investors. Certain IFC Investors were investors in Adumo and the Company issued an aggregate of 1,989,162 additional shares of its common stock at a price of $4.79 to these IFC Investors pursuant to the Purchase Agreement. The Company and the IFC Investors amended and restated the Policy Agreement ("Amended and Restated Policy Agreement") to include these additional shares issued to the IFC Investors to also be covered by the put right included in the Amended and Restated Policy Agreement. The Company accounted for these 1,989,162 shares as redeemable common stock as a result of the put option. The Company believes that the put option has no value and, accordingly, has not recognized the put option in its consolidated financial statements.

11. Capital structure (continued)

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

The following table presents a reconciliation between the number of shares, net of treasury, presented in the unaudited condensed consolidated statement of changes in equity during the six months ended December 31, 2024 and 2023, respectively, and the number of shares, net of treasury, excluding non-vested equity shares that have not vested as of December 31, 2024 and 2023, respectively:

	December 31, 2024	December 31, 2023
Number of shares, net of treasury:		
Statement of changes in equity	80,203,148	64,443,523
Less: Non-vested equity shares that have not vested as of end of period	2,902,303	3,205,580
Number of shares, net of treasury, excluding non-vested equity shares that have not vested	77,300,845	61,237,943

12. Accumulated other comprehensive loss

The table below presents the change in accumulated other comprehensive loss per component during the three months ended December 31, 2024:

	Three months ended December 31, 2024	
	Accumulated foreign currency translation reserve	Total
Balance as of October 1, 2024	$ (177,830)	$ (177,830)
Release of foreign currency translation reserve related to liquidation of subsidiaries	6	6
Movement in foreign currency translation reserve	(22,145)	(22,145)
Balance as of December 31, 2024	$ (199,969)	$ (199,969)

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

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

12. Accumulated other comprehensive loss (continued)

The table below presents the change in accumulated other comprehensive loss per component during the six months ended December 31, 2024:

	Six months ended December 31, 2024	
	Accumulated foreign currency translation reserve	Total
Balance as of July 1, 2024	$ (188,355)	$ (188,355)
Release of foreign currency translation reserve related to liquidation of subsidiaries	6	6
Movement in foreign currency translation reserve	(11,620)	(11,620)
Balance as of December 31, 2024	$ (199,969)	$ (199,969)

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

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

The movement in the foreign currency translation reserve represents the impact of translation of consolidated entities which have a functional currency (which is primarily ZAR) to the Company's reporting currency, which is USD.

During each of the three and six months ended December 31, 2024, the Company reclassified a loss of $0.006 million, respectively, from accumulated other comprehensive loss (accumulated foreign currency translation reserve) to net loss related to the liquidation of subsidiaries During each of the three and six months ended December 31, 2023, the Company reclassified losses of $1.5 million, respectively, from accumulated other comprehensive loss (accumulated foreign currency translation reserve) to net loss related to the disposal of shares in Finbond (refer to Note 6). The Company also reclassified a gain of $1.0 million from accumulated other comprehensive loss (accumulated foreign currency translation reserve) to net loss related to the liquidation of subsidiaries.

13. 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 six months ended December 31, 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
Granted - December 2024	350,000	6.00	-	433	1.24
Granted - December 2024	250,000	8.00	-	177	0.71
Exercised	(17,014)	3.02	-	38	-
Forfeited	(13,333)	11.23	-	-	8.83
Outstanding - December 31, 2024	5,487,901	8.48	4.04	1,418	1.76
Outstanding - June 30, 2023	673,274	4.37	5.14	239	1.67
Granted – December 2023	500,000	3.50	5.17	880	1.76
Exercised	(7,385)	3.07	-	5	-
Forfeited	(186,846)	3.71	-	-	1.28
Outstanding - December 31, 2023	979,043	4.07	5.50	48	1.80

The Company awarded 600,000 stock options to an executive officer during the three and six months ended December 31, 2024. The Company awarded a further 400,000 to the same executive officer in January 2025 with strike prices ranging from $8 to $14. The 1,000,000 stock options will vest on December 31, 2026, and vesting is subject to the executive officers continued employment with the Company through to the vesting date. The 1,000,000 stock options expire on January 31, 2029. The Company awarded 500,000 stock options to Ali Mazanderani, the Company's Executive Chairman, during the three and six months ended December 31, 2023. These options vested in December 2024, but may only be exercised during a period commencing from January 31, 2028 to January 31, 2029.

During each of the three and six months ended December 31, 2024, the Company received $0.05 million from the exercise of 17,014 stock options, respectively. During the three and six months ended December 31, 2023, the Company received $0.002 million and $0.02 million from the exercise of 592 and 7,385 stock options, respectively. Employees forfeited an aggregate of 13,333 stock options during each of the three and six months ended December 31, 2024. Employees and a non-employee director forfeited an aggregate of 11,070 and 186,846 stock options during the three and six months ended December 31, 2023.

The fair value of each option is estimated on the date of grant using the Cox Ross Rubinstein binomial model that uses the assumptions noted in the following table. The estimated expected volatility is calculated based on the Company's 730- day volatility. The estimated expected life of the option was determined based on the historical behavior of employees who were granted options with similar terms.

The table below presents the range of assumptions used to value stock options granted during the six months ended December 31, 2024 and 2023:

	Six months ended December 31, 2024	Six months ended December 31, 2023
Expected volatility	42 %	56 %
Expected dividends	0 %	0 %
Expected life (in years)	2	5
Risk-free rate	4.3 %	2.1 %

13. Stock-based compensation (continued)

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

Stock option and restricted stock activity (continued)

Options (continued)

The following table presents stock options vested and expected to vest as of December 31, 2024:

	Number of shares	Weighted average exercise price ($)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value ($'000)
Vested and expecting to vest - December 31, 2024	5,487,901	8.48	4.04	1,418

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

The following table presents stock options that are exercisable as of December 31, 2024:

	Number of shares	Weighted average exercise price ($)	Weighted average remaining contractual term (in years)	Aggregate intrinsic value ($'000)
Exercisable - December 31, 2024	360,995	4.56	5.03	428

No stock options became exercisable during each of the three and six months ended December 31, 2024 and 2023. The Company issues new shares to satisfy stock option exercises.

13. Stock-based compensation (continued)

Stock option and restricted stock activity (continued)

Restricted stock

The following table summarizes restricted stock activity for the six months ended December 31, 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	1,331,110	4,850
Granted – August 2024	32,800	154
Granted – October 2024	100,000	490
Granted – November 2024, with performance conditions	1,198,310	4,206
Total vested	(473,432)	2,469
Vested – July 2024	(78,801)	394
Vested – November 2024	(213,687)	1,134
Vested – November 2024, with performance conditions	(103,638)	524
Vested – December 2024	(77,306)	417
Forfeitures	(40,321)	216
Non-vested – December 31, 2024	2,902,303	11,348
Non-vested – June 30, 2023	2,614,419	11,869
Total Granted	868,996	3,394
Granted – October 2023	333,080	1,456
Granted – October 2023, with performance awards	310,916	955
Granted – October 2023	225,000	983
Total vested	(255,706)	965
Vested – July 2023	(78,800)	302
Vested – November 2023	(109,833)	429
Vested – December 2023	(67,073)	234
Forfeitures	(22,129)	91
Non-vested – December 31, 2023	3,205,580	13,880

Grants

In August 2024 and October 2024, respectively, the Company granted 32,800 and 100,000 shares of restricted stock to employees which have time -based vesting conditions and which are subject to the employees continued employment with the Company through the applicable vesting dates.

In November 2024, the Company awarded 1,198,310 shares of restricted stock to a group comprising employees and three executive officers and which are subject to a time-based vesting condition and a market condition and vest in full only on the date, if any, that the following conditions are satisfied: (1) a compounded annual 15% appreciation in the Company's stock price off a base price of $5.00 over the measurement period commencing on September 30, 2024 through September 30, 2027, and (2) the recipient is employed by the Company on a full-time basis through to September 30, 2027. If either of these conditions is not satisfied, then none of the shares of restricted stock will vest and they will be forfeited. The Company's closing price on September 30, 2024, was $5.00.

The appreciation levels (times and price) and annual target percentages to earn the awards as of each period ended are as follows:

- Prior to the first anniversary of the grant date: 0%;
- Fiscal 2026, the Company's 30-day volume weighted-average stock price ("VWAP") before September 30, 2025 is approximately 1.15 times higher (i.e. $5.75 or higher) than $5.00: 33%;
- Fiscal 2027, the Company's VWAP before September 30, 2026 is 1.32 times higher (i.e. $6.61 or higher) than $5.00: 67%;
- Fiscal 2028, the Company's VWAP before November 1, 2027 is 1.52 times higher (i.e. $7.60) than $5.00: 100%.

The fair value of these shares of restricted stock was calculated using a Monte Carlo simulation. In scenarios where the shares do not vest, the final vested value at maturity is zero. In scenarios where vesting occurs, the final vested value on maturity is the share price on vesting date. In its calculation of the fair value of the restricted stock, the Company used an equally weighted volatility of 47.7% for the closing price (of $5.50), a discounting based on U.S. dollar overnight indexed swap rates for the grant date, and no future dividends. The equally weighted volatility was extracted from the time series for closing prices as the standard deviation of log prices for the three years preceding the grant date.

13. Stock-based compensation (continued)

Stock option and restricted stock activity (continued)

Restricted stock (continued)

Grants (continued)

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

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

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

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

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

The Company has agreed to grant an advisor 5,500 shares per month in lieu of cash for services provided to the Company. The Company and the advisor have agreed that the Company will issue the shares to the advisor, in arrears, on a quarterly basis. During the three and six months ended December 31, 2024, the Company recorded a stock-based compensation charge of $0.2 million and included the issuance of 33,000 shares of common stock in its issued and outstanding share count.

Vesting

In July 2024, 78,801 shares of restricted stock granted to Mr. Meyer, our former Group CEO, vested. In November and December 2024, an aggregate of 290,993 shares of restricted stock granted to employees vested. Certain employees elected for 132,147 shares to be withheld to satisfy the withholding tax liability on the vesting of their shares. These 132,147 shares have been included in the Company's treasury shares. In November 2024, 103,638 shares of restricted stock with performance conditions (share price targets) vested following the achievement of the agreed performance condition.

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

Forfeitures

During the three and six months ended December 31, 2024, respectively, employees forfeited 37,221 and 40,321 shares of restricted stock following their termination of employment with the Company or the failure to achieved agreed performance conditions (29,121 shares were forfeited following the failure to achieved agreed share performance targets). During the three and six months ended December 31, 2023, respectively, employees forfeited 14,002 and 22,129 shares of restricted stock following their termination of employment with the Company.

13. Stock-based compensation (continued)

Stock-based compensation charge and unrecognized compensation cost

The Company recorded a stock-based compensation charge, net during the three months ended December 31, 2024 and 2023, of $2.6 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 December 31, 2024			
Stock-based compensation charge	$ 2,655	$ -	$ 2,655
Reversal of stock compensation charge related to stock options and restricted stock forfeited	(11)	-	(11)
Total - three months ended December 31, 2024	$ 2,644	$ -	$ 2,644
Three months ended December 31, 2023			
Stock-based compensation charge	$ 1,812	$ -	$ 1,812
Reversal of stock compensation charge related to stock options and restricted stock forfeited	(8)	-	(8)
Total - three months ended December 31, 2023	$ 1,804	$ -	$ 1,804

The Company recorded a stock-based compensation charge, net during the six months ended December 31, 2024 and 2023, of $5.0 million and $3.6 million respectively, which comprised:

	Total charge	Allocated to cost of goods sold, IT processing, servicing and support	Allocated to selling, general and administration
Six months ended December 31, 2024			
Stock-based compensation charge	$ 5,032	$ -	$ 5,032
Reversal of stock compensation charge related to stock options and restricted stock forfeited	(11)	-	(11)
Total - six months ended December 31, 2024	$ 5,021	$ -	$ 5,021
Six months ended December 31, 2023			
Stock-based compensation charge	$ 3,580	$ -	$ 3,580
Reversal of stock compensation charge related to stock options and restricted stock forfeited	(17)	-	(17)
Total - six months ended December 31, 2023	$ 3,563	$ -	$ 3,563

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

As of December 31, 2024, the total unrecognized compensation cost related to stock options was $3.5 million, which the Company expects to recognize over two years. As of December 31, 2024, the total unrecognized compensation cost related to restricted stock awards was $6.3 million, which the Company expects to recognize over two years.

During the three months ended December 31, 2024 and 2023, the Company recorded a deferred tax benefit of $0.5 million and $0.3 million, respectively, related to the stock-based compensation charge recognized related to employees of Lesaka. During the six months ended December 31, 2024 and 2023, the Company recorded a deferred tax benefit of $0.8 million and $0.3 million, respectively, related to the stock-based compensation charge recognized related to employees of Lesaka. During these periods the Company recorded a valuation allowance related to the full 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.

14. (Loss) Earnings per share

The Company has issued redeemable common stock which is redeemable at an amount other than fair value. Redemption of a class of common stock at other than fair value increases or decreases the carrying amount of the redeemable common stock and is reflected in basic earnings per share using the two-class method. There were no redemptions of common stock, or adjustments to the carrying value of the redeemable common stock during the three and six months ended December 31, 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 and six months ended December 31, 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 257,445 and 51,704 shares of common stock from the calculation of diluted loss per share during the three months ended December 31, 2024 and 2023 because the effect would be antidilutive. The Company has excluded employee stock options to purchase 338,725 and 46,756 shares of common stock from the calculation of diluted loss per share during the six months ended December 31, 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.

14. (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 December 31,		Six months ended December 31,	
	2024	2023	2024	2023
	(in thousands except percent and per share data)		(in thousands except percent and per share data)	
Numerator:				
Net loss attributable to Lesaka	$ (32,134)	$ (2,707)	$ (36,676)	$ (8,358)
Undistributed loss	(32,134)	(2,707)	(36,676)	(8,358)
Percent allocated to common shareholders (Calculation 1)	97%	96%	97%	95%
Numerator for loss per share: basic and diluted	$ (31,034)	$ (2,588)	$ (35,430)	$ (7,961)
Denominator				
Denominator for basic (loss) earnings per share:				
weighted-average common shares outstanding	77,024	60,990	69,589	60,134
Effect of dilutive securities:				
Denominator for diluted (loss) earnings per share: adjusted weighted average common shares outstanding and assuming conversion	77,024	60,990	69,589	60,134
Loss per share:				
Basic	$ (0.40)	$ (0.04)	$ (0.51)	$ (0.13)
Diluted	$ (0.40)	$ (0.04)	$ (0.51)	$ (0.13)
(Calculation 1)				
Basic weighted-average common shares outstanding (A)	77,024	60,990	69,589	60,134
Basic weighted-average common shares outstanding and unvested restricted shares expected to vest (B)	79,753	63,805	72,037	63,134
Percent allocated to common shareholders (A) / (B)	97%	96%	97%	95%

Options to purchase 4,743,500 shares of the Company's common stock at prices ranging from $6.00 to $14.00 per share were outstanding during the three and six months ended December 31, 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 755,006 shares of the Company's common stock at prices ranging from $4.87 to $11.23 per share were outstanding during the three and six months ended December 31, 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 December 31, 2024.

15. Supplemental cash flow information

The following table presents supplemental cash flow disclosures for the three and six months ended December 31, 2024 and 2023:

	Three months ended December 31,		Six months ended December 31,	
	2024	2023	2024	2023
Cash received from interest	$ 716	$ 482	$ 1,297	$ 927
Cash paid for interest	$ 4,242	$ 6,308	$ 7,513	$ 9,233
Cash paid for income taxes	$ 3,253	$ 2,806	$ 3,208	$ 3,410

15. Supplemental cash flow information (continued)

Disaggregation of cash, cash equivalents and restricted cash

Cash, cash equivalents and restricted cash included on the Company's unaudited condensed consolidated statement of cash flows includes restricted cash related to cash withdrawn from the Company's debt facilities to fund ATMs. This cash may only be used to fund ATMs and is considered restricted as to use and therefore is classified as restricted cash. Cash, cash equivalents and restricted cash also includes cash in certain bank accounts that has been ceded to Nedbank. As this cash has been pledged and ceded it may not be drawn and is considered restricted as to use and therefore is classified as restricted cash as well. Refer to Note 9 for additional information regarding the Company's facilities. The following table presents the disaggregation of cash, cash equivalents and restricted cash as of December 31, 2024 and 2023, and June 30, 2024:

	December 31, 2024	December 31, 2023	June 30, 2024
Cash and cash equivalents	$ 60,625	$ 44,316	$ 59,065
Restricted cash	112	23,522	6,853
Cash, cash equivalents and restricted cash	$ 60,737	$ 67,838	$ 65,918

Leases

The following table presents supplemental cash flow disclosure related to leases for the three and nine months ended December 31, 2024 and 2023:

	Three months ended December 31,		Six months ended December 31,	
	2024	2023	2024	2023
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	$ 1,212	$ 679	$ 2,216	$ 1,372
Right-of-use assets obtained in exchange for lease obligations				
Operating leases	$ 708	$ 243	$ 1,218	$ 983

16. Revenue recognition

Disaggregation of revenue

The following table presents the Company's revenue disaggregated by major revenue streams, including a reconciliation to reportable segments for the three months ended December 31, 2024:

	Merchant	Consumer	Enterprise	Total
Processing fees	$ 37,931	$ 7,862	$ 5,825	$ 51,618
South Africa	36,068	7,862	5,825	49,755
Rest of Africa	1,863	-	-	1,863
Technology products	8,121	65	1,187	9,373
South Africa	8,057	65	1,187	9,309
Rest of Africa	64	-	-	64
Prepaid airtime sold	66,653	23	1,660	68,336
South Africa	59,874	23	1,660	61,557
Rest of Africa	6,779	-	-	6,779
Lending revenue	-	7,376	-	7,376
Interest from customers	1,610	120	-	1,730
Insurance revenue	-	4,868	-	4,868
Account holder fees	-	1,765	-	1,765
Other	902	850	-	1,752
South Africa	845	850	-	1,695
Rest of Africa	57	-	-	57
Total revenue, derived from the following geographic locations	115,217	22,929	8,672	146,818
South Africa	106,454	22,929	8,672	138,055
Rest of Africa	$ 8,763	$ -	$ -	$ 8,763

16. Revenue recognition (continued)

Disaggregation of revenue (continued)

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

	Merchant	Consumer	Enterprise	Total
Processing fees	$ 22,984	$ 6,175	$ 6,820	$ 35,979
South Africa	21,528	6,175	6,820	34,523
Rest of Africa	1,456	-	-	1,456
Technology products	557	12	2,646	3,215
South Africa	518	12	2,646	3,176
Rest of Africa	39	-	-	39
Prepaid airtime sold	90,620	52	1,339	92,011
South Africa	85,618	52	1,339	87,009
Rest of Africa	5,002	-	-	5,002
Lending revenue	-	5,586	-	5,586
Interest from customers	1,453	-	-	1,453
Insurance revenue	-	2,897	-	2,897
Account holder fees	-	1,502	-	1,502
Other	654	483	113	1,250
South Africa	604	483	113	1,200
Rest of Africa	50	-	-	50
Total revenue, derived from the following geographic locations	116,268	16,707	10,918	143,893
South Africa	109,721	16,707	10,918	137,346
Rest of Africa	$ 6,547	$ -	$ -	$ 6,547

The following table presents the Company's revenue disaggregated by major revenue streams, including a reconciliation to reportable segments for the six months ended December 31, 2024:

	Merchant	Consumer	Enterprise	Total
Processing fees	$ 63,002	$ 15,392	$ 12,337	$ 90,731
South Africa	59,337	15,392	12,337	87,066
Rest of Africa	3,665	-	-	3,665
Technology products	9,966	67	2,478	12,511
South Africa	9,829	67	2,478	12,374
Rest of Africa	137	-	-	137
Prepaid airtime sold	151,806	40	3,238	155,084
South Africa	139,147	40	3,238	142,425
Rest of Africa	12,659	-	-	12,659
Lending revenue	-	14,332	-	14,332
Interest from customers	3,286	120	-	3,406
Insurance revenue	-	9,208	-	9,208
Account holder fees	-	3,464	-	3,464
Other	2,199	1,378	51	3,628
South Africa	2,085	1,378	51	3,514
Rest of Africa	114	-	-	114
Total revenue, derived from the following geographic locations	230,259	44,001	18,104	292,364
South Africa	213,684	44,001	18,104	275,789
Rest of Africa	$ 16,575	$ -	$ -	$ 16,575

16. Revenue recognition (continued)

Disaggregation of revenue (continued)

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

	Merchant	Consumer	Enterprise	Total
Processing fees	$ 45,310	$ 11,908	$ 13,254	$ 70,472
South Africa	42,494	11,908	13,254	67,656
Rest of Africa	2,816	-	-	2,816
Technology products	1,068	31	4,172	5,271
South Africa	978	31	4,172	5,181
Rest of Africa	90	-	-	90
Prepaid airtime sold	176,856	93	2,416	179,365
South Africa	167,100	93	2,416	169,609
Rest of Africa	9,756	-	-	9,756
Lending revenue	-	10,959	-	10,959
Interest from customers	2,973	-	-	2,973
Insurance revenue	-	5,508	-	5,508
Account holder fees	-	2,870	-	2,870
Other	1,424	918	222	2,564
South Africa	1,325	918	222	2,465
Rest of Africa	99	-	-	99
Total revenue, derived from the following geographic locations	227,631	32,287	20,064	279,982
South Africa	214,870	32,287	20,064	267,221
Rest of Africa	$ 12,761	$ -	$ -	$ 12,761

17. Leases

The Company has entered into leasing arrangements classified as operating leases under accounting guidance. These leasing arrangements relate primarily to the lease of its corporate head office, administration offices and branch locations through which the Company operates its consumer business in South Africa. The Company's operating leases have remaining lease terms of between one and five years. The Company also operates parts of its consumer business from locations which it leases for a period of less than one year. The Company's operating lease expense during the three months ended December 31, 2024 and 2023 was \$ 1.2 million and \$ 0.7 million, respectively. The Company's operating lease expense during the six months ended December 31, 2024 and 2023 was \$ 2.2 million and \$ 1.4 million, respectively.

The Company has also entered into short-term leasing arrangements, primarily for the lease of branch locations and other locations, to operate its consumer business in South Africa. The Company's short-term lease expense during the three months ended December 31, 2024 and 2023, was \$1.2 million and \$ 1.0 million, respectively. The Company's short-term lease expense during the six months ended December 31, 2024 and 2023, was \$ 2.3 million and \$ 1.9 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 December 31, 2024 and June 30, 2024:

	December 31, 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)	10.5	10.5

17. Leases (continued)

The maturities of the Company's operating lease liabilities as of December 31, 2024, are presented below:

Maturities of operating lease liabilities	
Year ended June 30,	
2025 (excluding six months to December 31, 2024)	$ 2,338
2026	3,200
2027	2,155
2028	1,369
2029	279
Thereafter	40
Total undiscounted operating lease liabilities	9,381
Less imputed interest	1,305
Total operating lease liabilities, included in	8,076
Operating lease liability - current	3,257
Operating lease liability - long-term	$ 4,819

18. 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.

Change to internal reporting structure and recast of previously reported information

The Company's chief operating decision maker is the Company's Executive Chairman. He changed the Company's operating and internal reporting structures to present a new segment, Enterprise, separately. The chief operating decision maker has decided to analyze the Company's operating performance primarily based on three operational lines, namely,

(i) Merchant, which focuses on both formal and informal sector merchants. Formal sector merchants are generally in urban areas, have higher revenues and have access to multiple service providers. Informal sector merchants, which are often sole proprietors and usually have lower revenues compared with formal section merchants, operate in rural areas or in informal urban areas and do not always have access to a full-suite of traditional banking products;

(ii) Consumer, which primarily focuses on individuals who have historically been excluded from traditional financial services and to whom we offer transactional accounts (banking), insurance, lending (short-term loans), payments solutions (digital wallet) and various value-added services; and

(iii) Enterprise, which comprises large-scale corporate and government organizations, including but not limited to banks, mobile network operators ("MNOs") and municipalities.

Reallocation of certain activities among operating segments

The change in our operating segments during the second quarter of fiscal 2025 included the separation of Enterprise out of Merchant. The Company has also allocated the majority of Adumo's operations to Merchant, with a smaller part of its operations focusing on the provision of physical and digital prepaid and secure payout solutions for South African businesses with large individual end-users being allocated to Consumer. Previously reported information has been recast.

The Merchant segment includes revenue generated from the sale of prepaid airtime, and fees earned from the provision of value-added services ("VAS") and card-acquiring services to informal sector merchants. It also includes activities related to the provision of goods and services provided to corporate and other juristic entities. The Company earns fees from processing activities performed (including card acquiring and the provision of a payment gateway services) for its customers, and rental and license fees from the provision of point of sales ("POS") hardware and software to the hospitality industry. The Company also provides cash management and payment services to merchant customers through a digital vault which is located at the customer's premises and through which the Company is able to provide the services which generate processing fee revenue. From July 1, 2023, the segment includes fees earned from transactions performed by customers utilizing its ATM infrastructure.

18. Operating segments (continued)

Reallocation of certain activities among operating segments (continued)

The Consumer segment includes activities related to the provision of financial services to customers, including a bank account, loans and insurance products. The Company charges monthly administration fees for all bank accounts. Customers that have a bank account managed by the Company are issued cards that can be utilized to withdraw funds at an ATM or to transact at a merchant POS. The Company earns processing fees from transactions processed for these customers. The Company also earns fees on transactions performed by other banks' customers utilizing its ATM (until June 30, 2023) or POS. The Company provides short-term loans to customers in South Africa for which it earns initiation and monthly service fees, and interest revenue from the second quarter of fiscal 2025. The Company writes life insurance contracts, primarily funeral-benefit policies, and policy holders pay the Company a monthly insurance premium. The Company also earns fees from the provision of physical and digital prepaid and secure payout solutions for South African businesses.

The Enterprise segment provides its business and government-related customers with transaction processing services that involve the collection, transmittal and retrieval of all transaction data. This segment also includes sales of hardware and licenses to customers. Hardware includes the sale of POS devices, SIM cards and other consumables which can occur on an ad hoc basis. Licenses include the right to use certain technology developed by the Company.

The reconciliation of the reportable segment's revenue to revenue from external customers for the three months ended December 31, 2024 and 2023, is as follows:

	Revenue		
	Reportable Segment	Inter-segment	From external customers
Merchant	$ 115,811	$ 594	$ 115,217
Consumer	22,929	-	22,929
Enterprise	8,933	261	8,672
Total for the three months ended December 31, 2024	$ 147,673	$ 855	$ 146,818
Merchant	$ 117,182	$ 914	$ 116,268
Consumer	16,707	-	16,707
Enterprise	11,921	1,003	10,918
Total for the three months ended December 31, 2023	$ 145,810	1,917	143,893

The reconciliation of the reportable segment's revenue to revenue from external customers for the six months ended December 31, 2024 and 2023, is as follows:

	Revenue		
	Reportable Segment	Inter-segment	From external customers
Merchant	$ 231,441	$ 1,182	$ 230,259
Consumer	44,001	-	44,001
Enterprise	20,815	2,711	18,104
Total for the six months ended December 31, 2024	$ 296,257	$ 3,893	$ 292,364
Merchant	$ 229,243	$ 1,612	$ 227,631
Consumer	32,287	-	32,287
Enterprise	21,388	1,324	20,064
Total for the six months ended December 31, 2023	$ 282,918	$ 2,936	$ 279,982

18. 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 is working on obtaining 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 refinancing of the Company's facilities. Therefore, the Company has included an intercompany interest expense in its Consumer Segment Adjusted EBITDA for the three and six months ended December 31, 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 represent 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 (now Merchant, Enterprise and Consumer) operating segments.

The reconciliation of the reportable segments' measure of profit or loss to loss before income taxes for the three and six months ended December 31, 2024 and 2023, is as follows:

	Three months ended December 31,		Six months ended December 31,	
	2024	2023	2024	2023
Reportable segments' measure of profit or loss	$ 14,630	$ 10,963	$ 26,942	$ 20,808
Operating loss: Group costs	(2,820)	(2,011)	(5,769)	(3,833)
Once-off costs	(488)	816	(2,293)	738
Interest adjustment	757	-	1,588	-
Unrealized Loss FV for currency adjustments	(435)	122	(216)	20
Stock-based compensation charge adjustments	(2,644)	(1,804)	(5,021)	(3,563)
Depreciation and amortization	(8,223)	(5,813)	(14,499)	(11,669)
Loss on disposal of equity-accounted investments	(161)	-	(161)	-
Change in fair value of equity securities	(33,731)	-	(33,731)	-
Reversal of allowance of EMI doubtful debt	-	-	-	250
Interest income	721	485	1,307	934
Interest expense	(6,174)	(4,822)	(11,206)	(9,731)
Loss before income tax expense	$ (38,568)	$ (2,064)	$ (43,059)	$ (6,046)

18. Operating segments (continued)

Operating segments (continued)

The following tables summarize supplemental segment information for the three and six months ended December 31, 2024 and 2023:

	Three months ended December 31,		Six months ended December 31,	
	2024	2023	2024	2023
Revenues				
Merchant	$ 115,811	$ 117,182	$ 231,441	$ 229,243
Enterprise	8,933	11,921	20,815	21,388
Consumer	22,929	16,707	44,001	32,287
Total reportable segment revenue	147,673	145,810	296,257	282,918
Segment Adjusted EBITDA				
Merchant(1)(2)	10,319	7,497	17,873	14,407
Enterprise(2)	(31)	891	331	1,706
Consumer(1)(2)	4,342	2,575	8,738	4,695
Total Segment Adjusted EBITDA	14,630	10,963	26,942	20,808
Depreciation and amortization				
Merchant	3,027	1,944	5,254	3,904
Enterprise	94	97	194	215
Consumer	235	179	437	348
Subtotal: Operating segments	3,356	2,220	5,885	4,467
Group costs	4,867	3,593	8,614	7,202
Total	8,223	5,813	14,499	11,669
Expenditures for long-lived assets				
Merchant	5,783	2,052	9,669	4,736
Enterprise	24	26	46	105
Consumer	511	120	568	166
Subtotal: Operating segments	6,318	2,198	10,283	5,007
Group costs	-	-	-	-
Total	$ 6,318	$ 2,198	$ 10,283	$ 5,007

(1) Segment Adjusted EBITDA for the three months ended December 31, 2024, includes retrenchments costs for Consumer of \$0.01 million (ZAR 0.1 million). Segment Adjusted EBITDA for Merchant includes retrenchment costs of \$0.01 million (ZAR 0.1 million) and Consumer includes retrenchment costs of \$0.1 million (ZAR 1.3 million) for the three months ended December 31, 2023.

(2) Segment Adjusted EBITDA for the six months ended December 31, 2024, includes retrenchments costs for Consumer of \$0.1 million (ZAR 1.2 million) and Enterprise of \$0.0 million (ZAR 0.2 million). Segment Adjusted EBITDA for Merchant includes retrenchment costs of \$0.2 million (ZAR 4.7 million) and Consumer includes retrenchment costs of \$0.2 million (ZAR 2.8 million) for the six months ended December 31, 2023.

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

19. Income tax

Income tax in interim periods

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

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

Uncertain tax positions

As of three months ended December 31, 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 December 31, 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.

20. Commitments and contingencies

Guarantees

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

RMB has issued guarantees to these third parties amounting to ZAR 33.1 million ($1.8 million, translated at exchange rates applicable as of December 31, 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 December 31, 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 December 31, 2024. The maximum potential amount that the Company could pay under these guarantees is ZAR 35.2 million ($2.1 million, translated at exchange rates applicable as of December 31, 2024). As discussed in Note 9, the Company has ceded and pledged certain bank accounts to Nedbank as security for the guarantees issued by them with an aggregate value of ZAR 2.1 million ($0.1 million, translated at exchange rates applicable as of December 31, 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 9.

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.

21. Subsequent events

Proposed acquisition of Recharger

On November 20, 2024, the Company announced the acquisition of Recharger (Pty) Ltd ("Recharger"). The acquisition is subject to the satisfaction of customary closing conditions, including certain regulatory approvals. As of January 29, 2025, all regulatory approvals, including approval by the Competition Commission (South Africa), were satisfied. The acquisition is expected to close in the third quarter of fiscal 2025.

The purchase consideration of ZAR 507 million will be paid over two tranches with the first tranche settled at closing and the second tranche a year later. The purchase consideration will be settled through a combination of ZAR 332 million in cash and ZAR 175 million in shares of the Company's common stock. The share price applied to determine the number of shares of common stock to be issued for the equity consideration will be based on the volume-weighted average price of the Company's common shares for the three-month period prior to the disbursal of each tranche. The Company will also make a ZAR 43 million contribution to Recharger at closing which will be used exclusively to repay a loan due by Recharger to the seller.

The Company expects the acquisition to act as an entry point for it into the South African private utilities space while augmenting the Enterprise division's alternative payment offering.

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

Beginning in the second quarter of fiscal year 2025, Lesaka has commenced disclosing its financial results across three distinct operating divisions: Merchant, Consumer and Enterprise. We are building an integrated multiproduct platform that is organized around addressing a number of customer needs.

The Consumer Division ("Consumer") will remain substantially the same. We offer consumers a transactional account, loans and insurance. On 1 October the Adumo Payouts business officially became part of Consumer.

The Merchant Division ("Merchant") serves merchants and micro-merchants, combining existing Connect, Kazang and Kazang Insights (previously known as Touchsides) operations, as well as the bulk of Adumo, specifically its merchant acquiring and processing business and its GAAP hospitality platform. Combined the Lesaka offering will be amongst the most comprehensive in the market in meeting the needs of micro and medium size businesses in the region. Our integrated multi-product range provides merchants with card acquiring, cash management, lending, software and Alternative Digital Payments ("ADP"). ADP includes our pre-paid solutions and supplier enabled payments (previously referred to as our value-added services).

Our Enterprise Division ("Enterprise") focuses on large corporates, mobile network operators, banks, governments and municipalities. Our offering includes our bill and utility payments platform, a new payment switch, Prism Switch, as well as Hardware Security Modules, a third party vending and security business. Enterprise serves third party corporates and the technology needs of our Consumer and Merchant Divisions.

Merchant Division

This division provides merchant acquiring, software, cash management services, lending and ADP, that empower merchants and micro-merchants to transact efficiently and fulfill their potential.

Performance in Merchant has been driven by:

Merchant acquiring

Fiscal quarter ended December 31,	Q2 2025	Q2 2024	Q2 2023
Number of devices in deployment	80,178	48,199	34,216
Total Throughput for the quarter (ZAR billions)	11.3	4.1	3.1

- Merchant acquiring includes 80,178 devices deployed under the Adumo, Card Connect and Kazang brands. Q2 2025 is inclusive of approximately 27,000 devices deployed under the Adumo brand with the Adumo transaction closing on October 1, 2024.
- Throughput increased to ZAR 11.3 billion for the quarter, driven mainly by the inclusion of Adumo in Q2 2025 and supported by 19% year-on-year increase in throughput attributable to Kazang Pay.

Software

Our software solutions are offered through GAAP, a subsidiary of Adumo. GAAP has operations in South Africa, Botswana, 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.

Fiscal quarter ended December 31,	Q2 2025
Number of GAAP sites	9,705
Approximate ARPU per site (ZAR)[1]	3,300

1. *ARPU is calculated on a revenue per site basis, as monthly figure based on a three-month rolling average for the quarter ending December 31, 2024.*

- The Adumo transaction closed on October 1, 2024. The number of GAAP sites was 9,705 as of December 31, 2024.
- ARPU per site, which combines hardware, software and acquiring revenue, was approximately ZAR 3,300 per month.

Cash management

Our cash management and digitalization solutions effectively "puts the bank" in 4,664 merchants' stores.

Fiscal quarter ended December 31,	Q2 2025	Q2 2024	Q2 2023	2025 vs. 2024
Number of devices in deployment	4,664	4,484	4,325	4%
Cash settlements (throughput) for the quarter (ZAR billions)	30.4	29.9	29.5	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 merchant sector (Cash Connect) and are building a presence in the micro-merchant sector (Kazang Vaults), which enables our merchant customer base to mitigate their operational risks pertaining to cash management and security.

Lending

Our lending solutions are offered to merchants through Capital Connect and Adumo Capital, a joint venture with Retail Capital (a division of Tyme Bank) for Merchant Cash Advance ("MCA"), with a 50:50 profit share.

Fiscal quarter ended December 31,	Q2 2025	Q2 2024	Q2 2023
Total credit disbursed (ZAR millions)[1]	178	170	205
Total net loan book size at period end (ZAR millions) [1]	343	253	290

1. *Amounts reflected above includes 100% of Adumo Capital's credit disbursed and net loan book.*

- Q2 2025 is inclusive of credit disbursed under the Adumo brand with the Adumo transaction closing on October 1, 2024.
- Capital Connect's lending proposition is an important component in enabling the merchants we serve to compete and grow.
- Adumo Capital, a 50:50 joint venture with Retail Capital, enables merchants to access working capital in exchange for a portion of future turnover at POS. Merchants can apply online and have access to funds within 24 hours.

Alternative Digital Payments

ADP includes our pre-paid solutions and supplier enabled payments (previously referred to as our value-added services).

Pre-paid solutions comprise airtime, electricity and gaming vouchers. Supplier enabled payments predominantly includes supplier payments, with the balance attributable to international money transfers, bill payments, satellite (digital) television offerings.

Fiscal quarter ended December 31,	**Q2 2025**	**Q2 2024**	**Q2 2023**	**2025 vs. 2024**
Number of devices in deployment[1]	89,571	79,051	64,428	13%
Total throughput for the quarter (ZAR billions)	11.1	8.4	6.9	32%
Pre-paid solutions throughput for the quarter (ZAR billions)	4.9	4.6	3.7	7%
Supplier enabled payments throughput for the quarter (ZAR billions)	6.2	3.8	3.2	63%

1. *2025 includes 5,714 devices attributable to the acquisition of Kazang Insights (formerly known as Touchsides), effective May 1, 2024, which are not enabled for Alternative Digital Payments.*

- We had 89,571 devices deployed as of December 31, 2024, representing a 13% year-on-year growth compared to 79,051 devices as of December 31, 2023. This includes 5,714 devices in Kazang Insights *(formerly known as Touchsides)* sites that are not yet enabled for ADP.
- 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.
- Total throughput increased 32% to ZAR 11.1 billion year-on-year, driven by a 63% increase in supplier enabled payments.

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.

Consumer

Fiscal quarter ended December 31,	**Q2 2025**	**Q2 2024**	**Q2 2023**	**2025 vs. 2024**
Transactional accounts (banking) - EasyPay Everywhere ("EPE")				
Total active EPE transactional account base at quarter end (millions)	1.6	1.4	1.2	11%
Total active EPE transactional account base at quarter end - Permanent grant recipients (millions)[1]	1.4	1.2	1.0	16%
Approximate Gross EPE account activations for the quarter -Permanent grant recipients (number)	99,000	137,000	43,000	(27%)
Approximate Net EPE account activations for the quarter - Permanent grant recipients (number)[1]	65,000	102,000	10,000	(37%)
Lending - EasyPay Loans				
Approximate number of loans originated during the quarter (number)	336,000	278,000	225,000	21%
Gross advances in the quarter (ZAR millions)	617	447	339	38%
Loan book size, before allowances, at quarter end[2] (ZAR millions)	709	503	398	41%
Insurance - EasyPay Insurance				
Approximate number of insurance policies written in the quarter (number)	50,000	42,000	29,000	19%
Total active insurance policies on book at quarter end (number)	496,488	384,338	294,157	29%
Average revenue per customer per month, as of December 31, (permanent grant beneficiaries) (ZAR)	94	85	74	11%
Adumo Payouts				
Approximate number of active cardholders	200,000	-	-	-
Approximate load value for the quarter (ZAR millions)	170	-	-	-

1. *Source: SASSA statistical reports portal (2024) | Permanent grant customers per SASSA's monthly Social Assistance report (December 31, 2024).*
2. *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 99,000 gross account activations in the quarter, compared to approximately 137,000 in the second quarter of fiscal 2024 which was higher than normal due to operational issues at the Post Bank specific to that quarter; and approximately 71,000 gross activations a quarter ago (Q1 2025). After accounting for churn, net active account growth (*permanent grant customers per SASSA's monthly Social Assistance report for December 31, 2024, on the SASSA statistical reports portal)* for the quarter was approximately 65,000 accounts, compared to approximately 102,000 in the second quarter of fiscal 2024, and 33 000 in the first quarter of fiscal 2025.
  - Our total active EPE transactional account base stood at approximately 1.6 million at the end of December 2024, of which approximately 1.4 million (or approximately 89%) are permanent grant recipients (*permanent grant customers per SASSA's monthly Social Assistance report for December 31, 2024, on the SASSA statistical reports portal).* The balance comprises Social Relief of Distress ("SRD") grant recipients, which was introduced during the COVID pandemic and extended in calendar year 2024.
  - 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 336,000 loans during the quarter, with our consumer loan book, before allowances ("gross book"), increasing 41% to ZAR 709 million as of December 31, 2024, compared to ZAR 503 million as of December 31, 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, has remained stable at approximately 6% on an annualized basis, compared to quarter two 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 35% of our active permanent grant account base as of December 31, 2024, compared to 31% as of December 31, 2023. Approximately 50,000 new policies were written in the quarter, compared to approximately 42,000 in the comparable period in fiscal 2024. The total number of active policies has grown 29% to approximately 496,000 policies as of December 31, 2024, compared to 384,000 policies as of December 31, 2023.

ARPU

  - ARPU for our permanent client base has increased to approximately ZAR 94 per month for the second quarter of fiscal 2025, from approximately ZAR 85 in the second quarter of fiscal 2024.

Adumo Payouts

  - On 1 October the Adumo Payouts business officially became part of the Consumer Division.
  - The number of active card holders was approximately 200,000 at the end of the second quarter of fiscal 2025, with a load value of approximately ZAR 170 million for quarter ended December 31, 2024.

Enterprise Division

In our Enterprise Division we deliver software and payment technology to enterprise clients, who are generally large-scale corporate and government organizations, including but not limited to banks, mobile network operators and municipalities, driving efficiency and innovation.

Fiscal quarter ended December 31,	**Q2 2025**	**Q2 2024**	**2025 vs. 2024**
Bill Payments			
Total Throughput for the quarter (ZAR billions)	8.3	7.3	13%
Utility Payments			
Total Throughput for the quarter (ZAR billions)	1.6	2.0	(16%)
Hardware Security Modules			
Units	147	138	7%
Switching[1]			
Approximate number of transactions (million)	34	-	-

1. *Our new payment switch, Prism Switch has been in production since June 2024 thus prior period comparatives are not applicable.*

Acquisition of Recharger

On November 20, 2024, we announced the acquisition of Recharger (Pty) Ltd ("Recharger"), an acquisition subject to satisfaction of customary closing conditions. As of January 29, 2025, all regulatory approvals, including approval by the Competition Commission, have been satisfied. The transaction is expected to close in the third quarter of fiscal 2025, once the remaining procedural customary closing conditions are satisfied.

The purchase consideration of ZAR 507 million will be paid over two tranches with the first tranche settled at closing and the second tranche a year later. The purchase consideration will be settled through a combination of ZAR 332 million in cash and ZAR 175 million in shares of our common stock. The share price applied to determine the number of shares of our common stock to be issued for the equity consideration will be based on the volume-weighted average price of our shares for the three-month period prior to the disbursal of each tranche. We will also make a ZAR 43 million contribution to Recharger at closing which will be used exclusively to repay a loan due by Recharger to the seller.

We expect the acquisition to act as an entry point for us into the South African private utilities space while augmenting the Enterprise division's alternative payment offering.

Improvement in our Broad Based Black Economic Empowerment ("B-BBEE") rating to level 3

B-BBEE is a key strategic priority for us. Achievement of B-BBEE objectives is measured by a scorecard which establishes a weighting for various elements. Scorecards are independently reviewed by accredited BEE verification agencies which issue a certificate that presents an entity's BEE Contributor Status Level, with level 1 being the highest and "no rating" (a level below level 8) as the lowest. During fiscal 2025 we reported that our independently verified B-BBEE rating improved to a level 3 rating from a level 4 rating achieved in fiscal year 2024.

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 December 31, 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 December 31, 2024, including the expected dates of adoption and effects on our financial condition, results of operations and cash flows.

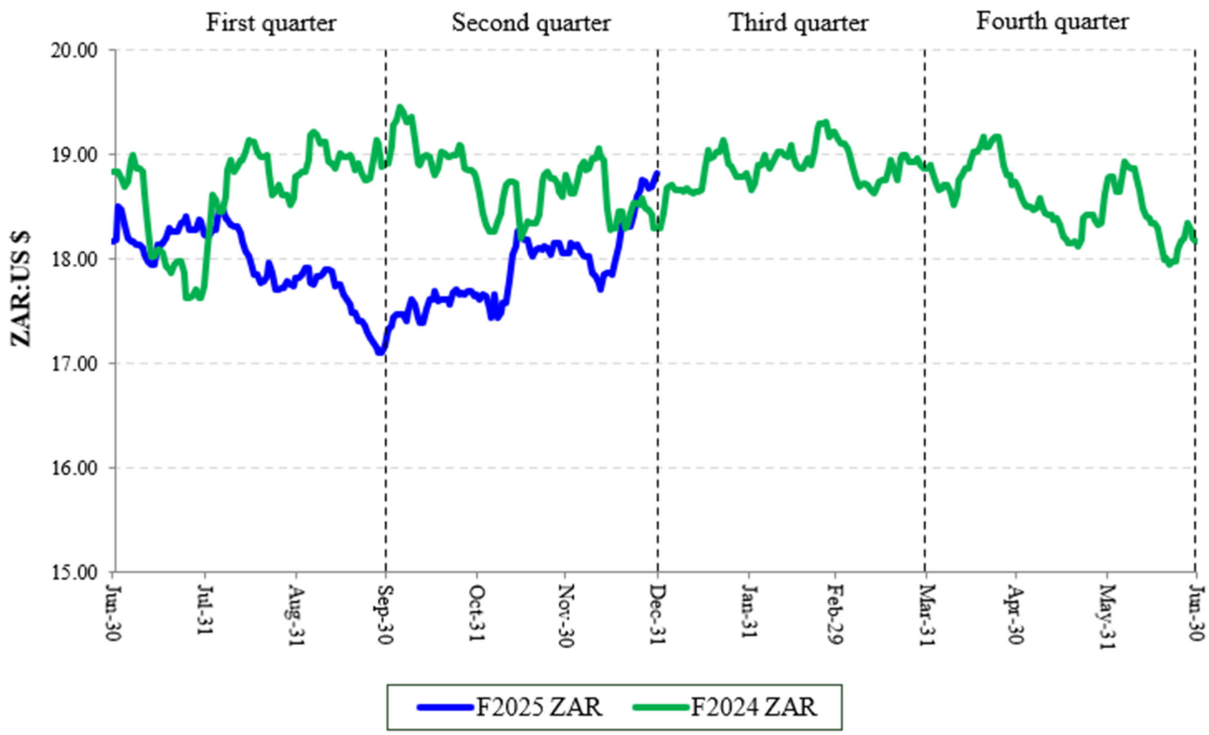
Currency Exchange Rate Information

Actual exchange rates

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

Table 1	**Three months ended December 31,**		**Six months ended December 31,**		**Year ended June 30,**
	2024	**2023**	**2024**	**2023**	**2024**
ZAR : $ average exchange rate	17.9054	18.7313	17.9327	18.6885	18.7070
Highest ZAR : $ rate during period	18.8296	19.4568	18.8296	19.4568	19.4568
Lowest ZAR : $ rate during period	17.3354	18.2076	17.1144	17.6278	17.6278
Rate at end of period	18.8296	18.2982	18.8296	18.2982	18.1808

ZAR: US $ Exchange Rates



Translation exchange rates for financial reporting purposes

We are required to translate our results of operations from ZAR to U.S. dollars on a monthly basis. Thus, the average rates used to translate this data for the three and six months ended December 31, 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 December 31,		Six months ended December 31,		Year ended June 30,
	2024	2023	2024	2023	2024
Income and expense items: $1 = ZAR	17.8495	18.7108	17.7967	18.7124	18.6844
Balance sheet items: $1 = ZAR	18.8296	18.2982	18.8296	18.2982	18.1808

We have translated the results of operations and operating segment information for the three and six months ended December 31, 2024 and 2023, provided in the tables below using the actual average exchange rates per month (i.e. for each of October 2024, November 2024, and December 2024 for the second 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 18 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 represent 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 (and now Merchant, Consumer and Enterprise) operating segments.

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

Our fiscal 2025 financial results include Adumo from October 1, 2024. Adumo is not included in our financial results for fiscal 2024.

We analyze our business and operations in terms of three inter-related but independent operating segments: (1) Merchant (2) Enterprise and (3) Consumer. In addition, corporate activities that are impracticable to allocate directly to the operating segments, as well as any inter-segment eliminations, are included in Group costs. Inter-segment revenue eliminations are included in Eliminations.

Second quarter of fiscal 2025 compared to second quarter of fiscal 2024

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

- ***Lower revenue in ZAR:*** Our revenues decreased 2% in ZAR, primarily due to fewer low margin prepaid airtime sales and a lower contribution from Enterprise, which was partially offset by the inclusion of Adumo, an increase in value-added services activity in Merchant, as well as higher transaction, insurance and lending revenues in Consumer;
- ***Operating income decrease:*** Operating income decreased primarily due to higher costs and the increase in amortization of acquisition-related intangible assets related to the acquisition of Adumo, which was partially offset by contribution from Adumo from October 1, 2024;
- ***Non-cash fair value adjustment related to equity securities:*** We recorded a non-cash fair value loss of $33.7 million during the second quarter of fiscal 2025 related to our investment in MobiKwik;
- ***Higher net interest charge:*** Net interest charge increased to $5.5 million (ZAR 97.7 million) from $4.3 million (ZAR 81.2 million) primarily due to higher overall borrowings, which was partially offset by an increase in interest received as a result of the inclusion of Adumo; and
- ***Foreign exchange movements:*** The U.S. dollar was 5% weaker against the ZAR during the second 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 December 31,		
	2024 $ ’000	2023 $ ’000	% change
Revenue	146,818	143,893	2%
Cost of goods sold, IT processing, servicing and support	101,298	114,266	(11%)
Selling, general and administration	36,520	21,541	70%
Depreciation and amortization	8,223	5,813	41%
Operating income	777	2,273	(66%)
Change in fair value of equity securities	(33,731)	-	nm
Loss on disposal of equity-accounted investments	161	-	nm
Interest income	721	485	49%
Interest expense	6,174	4,822	28%
Loss before income tax (benefit) expense	(38,568)	(2,064)	1,769%
Income tax (benefit) expense	(6,412)	686	nm
Net loss before earnings from equity-accounted investments	(32,156)	(2,750)	1,069%
Earnings from equity-accounted investments	50	43	16%
Net loss	(32,106)	(2,707)	1,086%
Less net income attributable to non-controlling interest	28	-	nm
Net loss attributable to us	(32,134)	(2,707)	1,087%

Table 4

	In South African Rand		
	Three months ended December 31,		
	2024 ZAR ’000	2023 ZAR ’000	% change
Revenue	2,629,200	2,694,506	(2%)
Cost of goods sold, IT processing, servicing and support	1,814,111	2,139,730	(15%)
Selling, general and administration	653,756	403,443	62%
Depreciation and amortization	147,086	108,863	35%
Operating income	14,247	42,470	(66%)
Change in fair value of equity securities	(614,710)	-	nm
Loss on disposal of equity-accounted investments	2,886	-	nm
Interest income	12,886	9,080	42%
Interest expense	110,580	90,329	22%
Loss before income tax (benefit) expense	(701,043)	(38,779)	1,708%
Income tax (benefit) expense	(116,954)	12,845	nm
Net loss before earnings from equity-accounted investments	(584,089)	(51,624)	1,031%
Earnings from equity-accounted investments	891	805	11%
Net loss	(583,198)	(50,819)	1,048%
Less net income attributable to non-controlling interest	496	-	nm
Net loss attributable to us	(583,694)	(50,819)	1,049%

Revenue increased by $2.9 million (or 2.0%) but decreased by ZAR 65.3 million (or 2.4%), and in ZAR, the decreased was primarily due to fewer low margin prepaid airtime sales, which was partially offset by the inclusion of Adumo, an increase in the volume of value-added services provided (prepaid airtime and gaming), 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. 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 decreased by $13.0 million (ZAR 325.6 million) or 11.3% (in ZAR 15.2%), primarily due to the decrease in low margin prepaid airtime sales, which was partially offset by the inclusion of Adumo, higher commissions paid related to VAS revenue generated, and higher insurance-related claims and third-party transaction fees.

Selling, general and administration expenses increased by $15.0 million (ZAR 250.3 million), or 69.5% (in ZAR 62.0%). The increase was primarily due to the inclusion of Adumo; higher employee-related expenses (including the impact of annual salary increases); higher stock-based compensation charges, audit and travel expenses; and the year-over-year impact of inflationary increases on certain expenses.

Depreciation and amortization expense increased by $2.4 million (ZAR 38.2 million), or 41.5% (35.1%). The increase was due to the inclusion of acquisition-related intangible asset amortization related to intangible assets identified pursuant to the Adumo acquisition and an increase in depreciation expense related to additional POS devices deployed.

Our operating income margin for the second quarter of fiscal 2025 and 2024 was 0.5% and 1.6%, respectively. We discuss the components of operating loss margin under "—Results of operations by operating segment."

The change in fair value of equity securities of $33.7 million during the first half of fiscal 2025 represents a non-cash fair value adjustment loss related to MobiKwik. We did not record any changes in the fair value of equity interests in MobiKwik during the second quarter of fiscal 2024, or any fair value adjustments for Cell C during the second quarter of fiscal 2025 or 2024, respectively. We continue to carry our investment in Cell C at $0 (zero). Refer to Note 5 for the methodology and inputs used in the fair value calculation for MobiKwik and Cell C.

We recorded a loss of $0.2 million related to the change in our investment in an equity security recorded under the equity method to consolidation during fiscal 2025. Refer to Note 2 to our consolidated financial statements for additional information regarding this loss.

Interest on surplus cash increased to $0.7 million (ZAR 12.9 million) from $0.5 million (ZAR 9.1 million), primarily due to the inclusion of Adumo.

Interest expense increased to $6.2 million (ZAR 110.6 million) from $4.8 million (ZAR 90.3 million. In ZAR, the increase was primarily by higher overall borrowings during the second quarter of fiscal 2025 compared with the comparable period in the prior quarter.

Fiscal 2025 tax expense was $(6.4) million (ZAR (117.0) million) compared to $0.7 million (ZAR 12.8 million) in fiscal 2024. Our effective tax rate for fiscal 2025 was impacted by deferred tax impact related to the fair value adjustment to our equity securities, 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.

The table below presents the relative earnings (loss) from our equity-accounted investments:

Table 5	**Three months ended December 31,**		
	2024	**2023**	**$ %**
	$ '000	**$ '000**	**change**
Other	50	43	16%
Total income (loss) from equity-accounted investments	50	43	16%

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 December 31,				
Operating Segment	**2024 $ ’000**	**% of total**	**2023 $ ’000**	**% of total**	**% change**
Consolidated revenue:					
Merchant	115,811	79%	117,182	81%	(1%)
Consumer	22,929	16%	16,707	12%	37%
Enterprise	8,933	6%	11,921	8%	(25%)
Subtotal: Operating segments	147,673	101%	145,810	101%	1%
Eliminations	(855)	(1%)	(1,917)	(1%)	(55%)
Total consolidated revenue	**146,818**	**100%**	**143,893**	**100%**	**2%**
Group Adjusted EBITDA:					
Merchant(1)(2)	10,319	87%	7,497	84%	38%
Consumer(1)(2)	4,342	37%	2,575	29%	69%
Enterprise(2)	(31)	-	891	10%	nm
Group costs	(2,820)	(24%)	(2,011)	(23%)	40%
Group Adjusted EBITDA (non-GAAP)(3)	**11,810**	**100%**	**8,952**	**100%**	**32%**

(1) Segment Adjusted EBITDA for the three months ended December 31, 2024, includes retrenchments costs for Consumer of $0.01 million. Segment Adjusted EBITDA for Merchant includes retrenchment costs of $0.01 million and Consumer includes retrenchment costs of $0.1 million for the three months ended December 31, 2023.

(2) Lease expenses which were previously presented on a separately line in fiscal 2024 are now included in Merchant, Consumer and Enterprise Segment Adjusted EBITDA. The prior period has been re-presented to conform with current period presentation. See also “—Results of Operations— Presentation of Merchant, Consumer and Enterprise by segment for fiscal 2025 to date and fiscal 2024”.

(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 December 31,				
Operating Segment	**2024 ZAR ’000**	**% of total**	**2023 ZAR ’000**	**% of total**	**% change**
Consolidated revenue:					
Merchant	2,074,003	79%	2,194,260	81%	(5%)
Consumer	410,687	16%	312,767	12%	31%
Enterprise	159,846	6%	223,193	8%	(28%)
Subtotal: Operating segments	2,644,536	16%	2,730,220	12%	(3%)
Eliminations	(15,336)	84%	(35,714)	88%	(57%)
Total consolidated revenue	**2,629,200**	**100%**	**2,694,506**	**100%**	**(2%)**
Group Adjusted EBITDA:					
Merchant(1)(2)	185,108	87%	140,429	84%	32%
Consumer(1)(2)	77,488	37%	48,233	29%	61%
Enterprise(2)	(537)	-	16,779	10%	nm
Group costs	(50,265)	(24%)	(37,663)	(23%)	33%
Group Adjusted EBITDA (non-GAAP)(3)	**211,794**	**100%**	**167,778**	**100%**	**26%**

(1) Segment Adjusted EBITDA Merchant and Segment Adjusted EBITDA Consumer include retrenchment costs of ZAR 0.1 million, respectively, for the second quarter of fiscal 2025. Segment Adjusted EBITDA for Merchant includes retrenchment costs of ZAR 0.1 million and Consumer includes retrenchment costs of ZAR 1.3 million for the three months ended December 31, 2023.

(2) Lease expenses which were previously presented on a separately line in fiscal 2024 are now included in Merchant, Consumer and Enterprise 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 decreased due fewer low margin prepaid airtime sales ("Pinned airtime"), which was partially offset by the inclusion of Adumo, a higher volume of value-added services provided (prepaid airtime and gaming). In ZAR, the increase in Segment Adjusted EBITDA is primarily due to the inclusion of Adumo, which was partially offset by higher operating expenses incurred, especially employment-related expenditures, to expand our offering. We recorded a significant proportion of our 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. From the first quarter of fiscal 2025, we have experienced a shift in the mix between the sale of Pinned Airtime and distribution of pinless prepaid airtime ("Pinless Airtime"), and this trend has continued through to the second quarter of fiscal 2025, 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 for the second quarter of fiscal 2025 and 2024 was 8.9% and 6.4%, respectively.

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, lending revenues following an increase in loan originations and the inclusion of Adumo. This increase in revenue has translated into improved profitability, which was partially offset by a higher allowance for credit losses following an increase in loan originations in December 2024, higher insurance-related claims, interest expense (of approximately ZAR 13.6 million) incurred to fund our lending book, higher computer software license costs, and the year-over-year impact of inflationary increases on certain expenses. As noted during the first quarter of fiscal 2025, 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 refinancing of the Company's facilities. Therefore, we have included an intercompany interest expense in our Consumer Segment Adjusted EBITDA for the second quarter of fiscal 2025 compared with the second quarter of fiscal 2024.

Our Segment Adjusted EBITDA margin for the second quarter of fiscal 2025 and 2024 was 18.9% and 15.4%, respectively.

Enterprise

Segment revenue decreased primarily due to fewer ad hoc hardware sales as well as lower revenue generated from the sale of prepaid airtime vouchers. In ZAR, the significant decrease in Segment Adjusted EBITDA is primarily due to the impact of fewer sales.

Our Segment Adjusted (loss) EBITDA margin for the second quarter of fiscal 2025 and 2024 was (0.35)% and 7.5%, 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, travel, audit, consulting and legal fees.

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

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

- ***Flat revenue:*** Our revenues were flat and increased 0.2% in ZAR, primarily due to the inclusion of Adumo, an increase in value-added services activity in Merchant, as well as higher transaction, insurance and lending revenues in Consumer, which was partially offset by fewer Pinned Airtime sales and a lower contribution from Enterprise;
- ***Operating income decrease, before transaction costs:*** Operating income, before Adumo-related transaction costs, decreased primarily due to increased costs and the increase in amortization of acquisition-related intangible assets related to the acquisition of Adumo, which was partially offset by contribution from Adumo from October 1, 2024;
- ***Non-cash fair value adjustment related to equity securities:*** We recorded a non-cash fair value loss of $33.7 million during the first half of fiscal 2025 related to our investment in MobiKwik;
- ***Higher net interest charge:*** Net interest charge increased to $9.9 million (ZAR 177.5 million) from $8.8 million (ZAR 164.3 million) primarily due to higher overall borrowings, which was partially offset by an increase in interest received as a result of the inclusion of Adumo; and
- ***Foreign exchange movements:*** The U.S. dollar was 5% weaker against the ZAR during the first half of fiscal 2025 compared to the prior period, which adversely impacted our U.S. dollar reported results.

Consolidated overall results of operations

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

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

Table 8

	In United States Dollars		
	Six months ended December 31,		
	2024 $ ’000	2023 $ ’000	% change
Revenue	292,364	279,982	4%
Cost of goods sold, IT processing, servicing and support	212,185	221,756	(4%)
Selling, general and administration	63,246	44,056	44%
Depreciation and amortization	14,499	11,669	24%
Transaction costs related to Adumo acquisition	1,702	-	nm
Operating income	732	2,501	(71%)
Change in fair value of equity securities	(33,731)	-	nm
Loss on disposal of equity-accounted investments	161	-	nm
Reversal of allowance for EMI doubtful debt receivable	-	250	nm
Interest income	1,307	934	40%
Interest expense	11,206	9,731	15%
Loss before income tax (benefit) expense	(43,059)	(6,046)	612%
Income tax (benefit) expense	(6,334)	950	nm
Net loss before income (loss) from equity-accounted investments	(36,725)	(6,996)	425%
Income (Loss) from equity-accounted investments	77	(1,362)	nm
Net loss	(36,648)	(8,358)	338%
Less net income attributable to non-controlling interest	28	-	nm
Net loss attributable to us	(36,676)	(8,358)	339%

Table 9

	In South African Rand		
	Six months ended December 31,		
	2024 ZAR ’000	2023 ZAR ’000	% change
Revenue	5,244,890	5,232,165	0%
Cost of goods sold, IT processing, servicing and support	3,807,752	4,144,195	(8%)
Selling, general and administration	1,133,433	823,304	38%
Depreciation and amortization	259,746	218,029	19%
Transaction costs related to Adumo acquisition	29,997	-	nm
Operating income	13,962	46,637	(70%)
Change in fair value of equity securities	(614,710)	-	nm
Loss on disposal of equity-accounted investments	2,886	-	nm
Reversal of allowance for EMI doubtful debt receivable	-	4,741	nm
Interest income	23,403	17,448	34%
Interest expense	200,908	181,758	11%
Loss before income tax (benefit) expense	(781,139)	(112,932)	592%
Income tax (benefit) expense	(115,552)	17,670	nm
Net loss before income (loss) from equity-accounted investments	(665,587)	(130,602)	410%
Income (Loss) from equity-accounted investments	1,366	(25,852)	nm
Net loss	(664,221)	(156,454)	325%
Less net income attributable to non-controlling interest	496	-	nm
Net loss attributable to us	(664,717)	(156,454)	325%

Revenue increased by $12.4 million (ZAR 12.7 million), or 4.4% (in ZAR, 0.2%), primarily due to the inclusion of Adumo, an increase in the volume of value-added services provided (Pinless Airtime and gaming), 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 Pinned Airtime sales.

Cost of goods sold, IT processing, servicing and support decreased by $9.6 million (or 4.3%) and, in ZAR, decreased by ZAR 336.4 million (or 8.1%), primarily due to the decrease in Pinned Airtime sales, which was partially offset by the inclusion of Adumo, higher commissions paid related to VAS revenue generated, and higher insurance-related claims and third-party transaction fees.

Selling, general and administration expenses increased by $19.2 million (ZAR 310.1 million), or 43.6% (in ZAR 37.7%). The increase was primarily due to the inclusion of Adumo; higher employee-related expenses (including annual bonuses and annual salary increases); higher stock-based compensation charges, consulting fees, audit fees, and travel expenses; and the year-over-year impact of inflationary increases on certain expenses.

Depreciation and amortization expense increased by $2.8 million (ZAR 41.7 million), or 24.3% (19.1%). The increase was due to the inclusion of acquisition-related intangible asset amortization related to intangible assets identified pursuant to the Adumo acquisition and 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 half of fiscal 2025 and 2024 was 0.3% and 0.9%, respectively. We discuss the components of operating loss margin under "—Results of operations by operating segment."

The change in fair value of equity securities of $33.7 million during the first half of fiscal 2025 represents a non-cash fair value adjustment loss related to MobiKwik. We did not record any changes in the fair value of equity interests in MobiKwik during the first half of fiscal 2024, or any fair value adjustments for Cell C during the first half of fiscal 2025 or 2024, respectively. We continue to carry our investment in Cell C at $0 (zero).

We recorded a loss of $0.2 million related to the change in our investment in an equity security recorded under the equity method to consolidation during fiscal 2025. Refer to Note 2 to our consolidated financial statements for additional information regarding this loss.

Interest on surplus cash increased to $1.3 million (ZAR 23.4 million) from $0.9 million (ZAR 17.4 million), primarily due to the inclusion of Adumo and higher overall average cash balances on deposit during the first half of fiscal 2025 compared with 2024.

Interest expense increased to $11.2 million from $9.7 million and, in ZAR, decreased to ZAR 200.9 million from ZAR 181.8 million. In ZAR, the increase was primarily as a result of higher overall borrowings during the first half of fiscal 2025 compared with the comparable period in the prior quarter, which was partially offset by lower interest expense incurred on certain of our borrowing for which we were able to negotiate lower rates of interest towards the end of calendar 2024.

Fiscal 2025 tax expense was $(6.3) million (ZAR (115.6) million) compared to $1.0 million (ZAR 17.7 million) in fiscal 2024. Our effective tax rate for fiscal 2025 was impacted by deferred tax impact related to the fair value adjustment to our equity securities, 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 half and its annual results during our fourth quarter. We sold our entire remaining interest in Finbond during the first half of fiscal 2024. The table below presents the relative (loss) earnings from our equity-accounted investments:

Table 10	**Six months ended December 31,**		
	2024	**2023**	**$ %**
	$ '000	**$ '000**	**change**
Finbond	-	(1,445)	nm
Share of net loss	-	(278)	nm
Impairment	-	(1,167)	nm
Other	77	83	(7%)
	77	(1,362)	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 11

	In United States Dollars				
	Six months ended December 31,				
Operating Segment	**2024 $ ’000**	**% of total**	**2023 $ ’000**	**% of total**	**% change**
Consolidated revenue:					
Merchant	231,441	80%	229,243	82%	1%
Consumer	44,001	15%	32,287	12%	36%
Enterprise	20,815	7%	21,388	8%	(3%)
Subtotal: Operating segments	296,257	102%	282,918	102%	5%
Eliminations	(3,893)	(2%)	(2,936)	(2%)	33%
Total consolidated revenue	**292,364**	**100%**	**279,982**	**100%**	**4%**
Group Adjusted EBITDA:					
Merchant(1)(2)	17,873	84%	14,407	85%	24%
Consumer(1)(2)	8,738	41%	4,695	28%	86%
Enterprise(1)(2)	331	2%	1,706	10%	(81%)
Group costs	(5,769)	(27%)	(3,833)	(23%)	51%
Group Adjusted EBITDA (non-GAAP)(3)	**21,173**	**100%**	**16,975**	**100%**	**25%**

(1) Segment Adjusted EBITDA Consumer and Segment Adjusted EBITDA Enterprise include retrenchment costs of $0.01 million and $0.00 million, respectively, for the first half of fiscal 2025. Segment Adjusted EBITDA for Merchant includes retrenchment costs of $0.2 million and Consumer includes retrenchment costs of $0.2 million for the first half of fiscal 2024.

(2) Lease expenses which were previously presented on a separately line in fiscal 2024 are now included in Merchant, Consumer and Enterprise 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”.

Table 12

	In South African Rand				
	Six months ended December 31,				
Operating Segment	**2024 ZAR ’000**	**% of total**	**2023 ZAR ’000**	**% of total**	**% change**
Consolidated revenue:					
Merchant	4,152,856	80%	4,283,655	82%	(3%)
Enterprise	373,825	7%	399,914	8%	(7%)
Consumer	788,750	15%	603,396	12%	31%
Subtotal: Operating segments	5,315,431	101%	5,286,965	101%	1%
Eliminations	(70,541)	(1%)	(54,800)	(1%)	29%
Total consolidated revenue	**5,244,890**	**100%**	**5,232,165**	**100%**	**0%**
Group Adjusted EBITDA:					
Merchant(1)(2)	320,618	84%	269,145	85%	19%
Enterprise(1)(2)	6,031	2%	31,973	10%	(81%)
Consumer(1)(2)	156,169	41%	87,845	28%	78%
Group costs	(102,919)	(27%)	(71,643)	(23%)	44%
Group Adjusted EBITDA (non-GAAP)(3)	**379,899**	**100%**	**317,320**	**100%**	**20%**

(1) Segment Adjusted EBITDA Consumer and Segment Adjusted EBITDA Enterprise include retrenchment costs of ZAR 0.1 million and ZAR 0.0 million, respectively, for the first half of fiscal 2025. Segment Adjusted EBITDA for Merchant includes retrenchment costs of ZAR 4.7 million and Consumer includes retrenchment costs of ZAR 2.8 million for the first half of fiscal 2024.

(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 the inclusion of Adumo, a higher volume of value-added services provided (Pinless Airtime and gaming), which was partially offset by fewer Pinned Airtime sales. In ZAR, the increase in Segment Adjusted EBITDA is primarily due to the inclusion of Adumo, which was partially offset by higher operating expenses incurred, especially employment-related expenditures, to expand our offering. From the first quarter of fiscal 2025, we have experienced a shift in the mix between the sale of Pinned Airtime and distribution of Pinless Airtime, and this trend has continued through to the second quarter of fiscal 2025, 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 half of fiscal 2025 and 2024 was 7.7% and 6.3%, respectively.

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, lending revenues following an increase in loan originations and the inclusion of Adumo. This increase in revenue has translated into improved profitability, which was partially offset by a higher allowance for credit losses following an increase in loan originations in December 2024, higher insurance-related claims, interest expense (of approximately ZAR 28.5 million) incurred to fund our lending book, higher computer software license costs, and the year-over-year impact of inflationary increases on certain expenses. As discussed in our commentary for the second quarter of fiscal 2025, we have included an intercompany interest expense in our Consumer Segment Adjusted EBITDA for first half of fiscal 2025 compared with the first half of fiscal 2024.

Our Segment Adjusted EBITDA margin for the first half of fiscal 2025 and 2024 was 19.9% and 14.5%, respectively.

Enterprise

Segment revenue decreased primarily due to fewer ad hoc hardware sales as well as lower revenue generated from the sale of prepaid airtime vouchers. In ZAR, the significant decrease in Segment Adjusted EBITDA is primarily due to the impact of few sales.

Our Segment Adjusted EBITDA margin for the first half of fiscal 2025 and 2024 was 1.6% and 8.0%, respectively.

Group costs

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, audit, consulting and legal fees.

Presentation of Merchant, Consumer and Enterprise by segment for fiscal 2025 to date and fiscal 2024

The tables below present Merchant, Consumer and Enterprise revenue and EBITDA for fiscal 2025 to date and fiscal 2024, including lease charges, as well as the U.S. dollar/ ZAR exchange rates applicable per fiscal quarter and year:

Table 13	**Fiscal 2025**		
	In United States dollars		
	Quarter 1 $ ’000	**Quarter 2 $ ’000**	**F2025 $ ’000**
Revenue			
Merchant	115,630	115,811	231,441
Consumer	21,072	22,929	44,001
Enterprise	11,882	8,933	20,815
Subtotal: Operating segments	148,584	147,673	296,257
Eliminations	(3,038)	(855)	(3,893)
Total consolidated revenue	**145,546**	**146,818**	**292,364**
Group Adjusted EBITDA:			
Merchant	7,554	10,319	17,873
Consumer	4,396	4,342	8,738
Enterprise	362	(31)	331
Group costs	(2,949)	(2,820)	(5,769)
Group Adjusted EBITDA (non-GAAP)	**9,363**	**11,810**	**21,173**
Income and expense items: $1 = ZAR	17.72	17.85	17.80

Table 14	Fiscal 2024				
	In United States dollars				
	Quarter 1 $ '000	Quarter 2 $ '000	Quarter 3 $ '000	Quarter 4 $ '000	F2024 $ '000
Revenue					
Merchant	112,061	117,182	111,801	118,746	459,790
Consumer	15,580	16,707	17,904	19,020	69,211
Enterprise	9,467	11,921	11,322	14,187	46,897
Subtotal: Operating segments	137,108	145,810	141,027	151,953	575,898
Eliminations	(1,019)	(1,917)	(2,833)	(5,907)	(11,676)
Total consolidated revenue	**136,089**	**143,893**	**138,194**	**146,046**	**564,222**
Group Adjusted EBITDA:					
Merchant	6,910	7,497	7,420	7,343	29,170
Consumer	2,120	2,575	3,757	4,227	12,679
Enterprise	815	891	725	500	2,931
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

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, change in fair value of equity securities), (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 15

	Three months ended December 31,		Six months ended December 31,	
	2024	**2023**	**2024**	**2023**
	$ ’000	**$ ’000**	**$ ’000**	**$ ’000**
Loss attributable to Lesaka - GAAP	**(32,134)**	**(2,707)**	**(36,676)**	**(8,358)**
Less net income attributable to non-controlling interest	(28)	-	(28)	-
Net loss	(32,106)	(2,707)	(36,648)	(8,358)
(Earnings) loss from equity accounted investments	(50)	(43)	(77)	1,362
Net loss before (earnings) loss from equity-accounted investments	(32,156)	(2,750)	(36,725)	(6,996)
Income tax (benefit) expense	(6,412)	686	(6,334)	950
Loss before income tax expense	(38,568)	(2,064)	(43,059)	(6,046)
Interest expense	6,174	4,822	11,206	9,731
Interest income	(721)	(485)	(1,307)	(934)
Reversal of allowance for doubtful EMI loan receivable	-	-	-	(250)
Net loss on disposal of equity-accounted investment	161	-	161	-
Change in fair value of equity securities	33,731	-	33,731	-
Operating income	777	2,273	732	2,501
PPA amortization (amortization of acquired intangible assets)	4,867	3,592	8,614	7,200
Depreciation and amortization	3,356	2,221	5,885	4,469
Stock-based compensation charges	2,644	1,804	5,021	3,563
Interest adjustment	(757)	-	(1,588)	-
Once-off items(1)	488	(816)	2,293	(738)
Unrealized loss (gain) FV for currency adjustments	435	(122)	216	(20)
Group Adjusted EBITDA - Non-GAAP	**11,810**	**8,952**	**21,173**	**16,975**

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

Table 16

	Three months ended December 31,		Six months ended December 31,	
	2024	**2023**	**2024**	**2023**
	$ ’000	**$ ’000**	**$ ’000**	**$ ’000**
Transaction costs	684	102	787	180
Transaction costs related to Adumo acquisition	-	34	1,702	34
Indirect taxes provision release	(196)	-	(196)	-
Income recognized related to closure of legacy businesses	-	(952)	-	(952)
Total once-off items	**488**	**(816)**	**2,293**	**(738)**

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.

Indirect tax provision release relates to the reversal of a non-recurring indirect tax provision created in fiscal 2023 which was resolved in fiscal 2025 following settlement of the matter with the tax authority. Income recognized related to closure of legacy businesses represents (i) gains recognized related to the release of the foreign currency translation reserve on deconsolidation of a subsidiaries and (ii) costs incurred related to subsidiaries which we are in the process of deregistering/ liquidation and therefore we consider these costs non-operational and ad hoc in nature.

Liquidity and Capital Resources

As of December 31, 2024, our cash and cash equivalents were $60.6 million and comprised of U.S. dollar-denominated balances of $3.1 million, ZAR-denominated balances of ZAR 961.0 million ($55.9 million), and other currency deposits, primarily Botswana pula, of $1.6 million, all amounts translated at exchange rates applicable as of December 31, 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.

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, as well as Note 9 to these condensed consolidated financial statements for additional information related to our borrowings.

Available short-term borrowings

Summarized below are our short-term facilities available and utilized as of December 31, 2024:

Table 17	**RMB GBF**		**RMB Indirect**		**RMB Connect**		**Nedbank**	
	$ ’000	**ZAR ’000**	**$ ’000**	**ZAR ’000**	**$ ’000**	**ZAR ’000**	**$ ’000**	**ZAR ’000**
Total short-term facilities available, comprising:								
Total overdraft	48,594	915,000	-	-	14,339	270,000	-	-
Indirect and derivative facilities(1)	-	-	7,170	135,000	-	-	8,314	156,556
Total short-term facilities available	**48,594**	**915,000**	**7,170**	**135,000**	**14,339**	**270,000**	**8,314**	**156,556**
Utilized short-term facilities:								
Overdraft	40,086	762,382	-	-	11,066	208,364	-	-
Indirect and derivative facilities(1)	-	-	1,758	33,095	-	-	112	2,106
Total short-term facilities available	**40,086**	**762,382**	**1,758**	**33,095**	**11,066**	**208,364**	**112**	**2,106**
Interest rate, based on South		13.05%		N/A		11.15%		N/A

(1) 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 3.6 billion ($188.7 million translated at exchange rates as of December 31, 2024) as described in Note 9. 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 utilized ZAR 199.0 million of this facility as of December 31, 2024. In contemplation of the Connect transaction, Connect obtained total facilities of ZAR 1.3 billion, which were utilized to repay its existing borrowings, to fund a portion of its capital expenditures and to settle obligations under the transaction documents, and which has subsequently been upsized for its operational requirements and has an outstanding balance as of December 31, 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 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. On December 10, 2024, we obtained a ZAR 250.0 million general banking facility from RMB which is repayable in full by the end of February 2025. We have included additional information regarding this general banking facility under available short-term borrowings.

Restricted cash

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

Second quarter

Net cash used operating activities during the second quarter of fiscal 2025 was $9.2 million (ZAR 163.6 million) compared to net cash provided by operating activities of $0.6 million (ZAR 10.9 million) during the second quarter of fiscal 2024. Excluding the impact of income taxes, our cash used in operating activities during the second quarter of fiscal 2025 includes cash utilized for the significant net growth in our Consumer finance loans receivable book, which was partially offset by was positively impacted by the contribution from our Merchant and Consumer businesses.

During the second quarter of fiscal 2025, we paid first provisional South African tax payments of $3.1 million (ZAR 56.3 million) related to our 2025. We also paid taxes totaling $0.1 million in other tax jurisdictions, primarily in Botswana during the second quarter of fiscal 2025. During the second quarter of fiscal 2024, we paid first provisional South African tax payments of $2.7 million (ZAR 49.5 million) related to our 2024 tax year and South African tax payments related to prior years of $0.07 million (ZAR 1.3 million). We also paid taxes totaling 0.1 million in other tax jurisdictions, primarily in Botswana.

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

Table 18	**Three months ended December 31,**			
	2024 $ '000	**2023 $ '000**	**2024 ZAR '000**	**2023 ZAR '000**
First provisional payments	3,088	2,662	56,264	49,516
Taxation paid related to prior years	93	69	1,660	1,328
Total South African taxes paid	3,181	2,731	57,924	50,844
Foreign taxes paid	72	75	1,332	1,409
Total tax (refund) paid	3,253	2,806	59,256	52,253

First half

Net cash used operating activities during the first half of fiscal 2025 was $13.3 million (ZAR 236.7 million) compared to net cash provided by operating activities of $4.0 million (ZAR 74.0 million) during the first half of fiscal 2024. Excluding the impact of income taxes, our cash used in operating activities during the first half of fiscal 2025 includes cash utilized for the settlement of working capital movements within our Merchant and Enterprise businesses 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 the significant net growth in our Consumer finance loans receivable book, which was partially offset by was positively impacted by the contribution from Merchant and Consumer businesses.

During the first half of fiscal 2025, we paid first provisional South African tax payments of $3.1 million (ZAR 56.3 million) related to our 2025. We also paid taxes totaling $0.1 million in other tax jurisdictions, primarily in Botswana during the first half of fiscal 2025. During the first half of fiscal 2024, we paid first provisional South African tax payments of $2.7 million (ZAR 49.5 million) related to our 2024 tax year and South African tax payments related to prior years of $0.6 million (ZAR 12.2 million). We also paid taxes totaling $0.1 million in other tax jurisdictions, primarily in Botswana.

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

Table 19	Six months ended December 31,			
	2024 $ '000	2023 $ '000	2024 ZAR '000	2023 ZAR '000
First provisional payments	3,088	2,662	56,264	49,516
Taxation paid related to prior years	93	641	1,660	12,187
Tax refund received	(113)	(31)	(2,053)	(640)
Total South African taxes paid	3,068	3,272	55,871	61,063
Foreign taxes paid	140	138	2,545	2,605
Total tax paid	3,208	3,410	58,416	63,668

Cash flows from investing activities

Second quarter

Cash used in investing activities for the second quarter of fiscal 2025 included capital expenditures of $6.3 million (ZAR 112.8 million), primarily due to the acquisition of vaults and POS devices. During the second quarter of fiscal 2025, we paid $4.0 million related to acquisition of certain businesses, including Adumo.

Cash used in investing activities for the second quarter of fiscal 2024 included capital expenditures of $2.2 million (ZAR 41.1 million), primarily due to the acquisition of vaults and POS devices. During the second quarter of fiscal 2024, we received proceeds of $3.5 million related to the sale of remaining interest in Finbond and $0.25 million related to the second (and final) tranche from the disposal of our entire equity interest in Carbon.

First half

Cash used in investing activities for the first half of fiscal 2025 included capital expenditures of $6.3 million (ZAR 112.8 million), primarily due to the acquisition of vaults and POS devices. During the first half of fiscal 2025, we paid $4.0 million related to acquisition of certain businesses, including Adumo.

Cash used in investing activities for the first half of fiscal 2024 included capital expenditures of $2.2 million (ZAR 41.1 million), primarily due to the acquisition of vaults. During the first half of fiscal 2024, we received proceeds of $3.5 million related to the sale of remaining interest in Finbond and $0.25 million related to the second (and final) tranche from the disposal of our entire equity interest in Carbon.

Cash flows from financing activities

Second quarter

During the second quarter of fiscal 2025, we utilized $48.9 million from our South African overdraft facilities to fund our ATMs and our cash management business through Connect, and repaid $4.5 million of those facilities. We utilized $12.9 million of our long-term borrowings to settle a portion of the Adumo purchase consideration, pay certain transaction expenses, repay Adumo's borrowings, repurchase shares of our common stock, fund the acquisition of certain capital expenditures and for working capital requirements. We repaid $8.3 million of long-term borrowings in accordance with our repayment schedule and paid $7.2 million to settle Adumo's borrowings. We also paid an origination fee of $0.4 million to secure additional borrowings as well as paid dividends to the non-controlling interest of $0.3 million.

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

First half

During the first half of fiscal 2025, we utilized $48.9 million from our South African overdraft facilities to fund our ATMs and our cash management business through Connect, and repaid $4.5 million of those facilities. We utilized $12.9 million of our borrowings to settle a portion of the Adumo purchase consideration, pay certain transaction expenses, repay Adumo's borrowings, repurchase shares of our common stock, fund the acquisition of certain capital expenditures and for working capital requirements. We repaid $8.3 million of long-term borrowings in accordance with our repayment schedule, paid $7.2 million to settle Adumo's borrowings, and settled a portion of our revolving credit facility utilized. We also paid an origination fee of $0.4 million to secure additional borrowings as well as paid dividends to the non-controlling interest of $0.3 million.

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

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Capital Expenditures

We expect capital spending for the third 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 second 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 December 31, 2024, of $0.5 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 5 to the unaudited condensed consolidated financial statements for a discussion of market risk.

We have short and long-term borrowings in South Africa which attract interest at rates that fluctuate based on changes in the South African prime and 3-month JIBAR interest rates. The following table illustrates the effect on our annual expected interest charge, translated at exchange rates applicable as of December 31, 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 December 31, 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 December 31, 2024, are shown. The selected 1% hypothetical change does not reflect what could be considered the best- or worst-case scenarios.

Table 20	**As of December 31, 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	17,874	1%	25,855
		(1%)	23,390

The following table summarizes our exchange-traded equity security with equity and liquidity price risk as of December 31, 2024. The effects of a hypothetical 10% increase and a 10% decrease in market prices as of December 31, 2024, is also shown. The selected 10% hypothetical change does not reflect what could be considered the best or worst case scenarios. Indeed, results could be far worse due both to the nature of equity markets and the liquidity risk associated with the equity security.

Table 21	**As of December 31, 2024**			
	Fair value ($ '000)	**Hypothetical price change**	**Estimated fair value after hypothetical change in price ($ '000)**	**Percentage Increase (Decrease) in Shareholders' Equity**
Exchange-traded equity securities	42,566	10%	46,823	2%
		10%	38,309	(2%)

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 December 31, 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 December 31, 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.

Remediation Plan

Management is actively working to remediate the identified material weakness and is committed to remediating the material weakness in a timely manner. Our remediation process is ongoing and includes, but is not limited to, the following steps:

- 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 December 31, 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

On February 5, 2020, our board of directors approved the replenishment of our existing share repurchase authorization to repurchase up to an aggregate of $100 million of common stock. The authorization has no expiration date.

The table below presents information relating to purchases of shares of our common stock during the second quarter of fiscal 2025:

Table 22	**(a)**	**(b)**	**(c)**	**(d)**
Period	**Total number of shares purchased**	**Average price paid per share (US dollars)**	**Total number of shares purchased as part of publicly announced plans or programs**	**Maximum dollar value of shares that may yet be purchased under the plans or programs**
Oct 1, 2024 - Oct 31, 2024[1]	2,601,410	4.59	-	100,000,000
Nov 1, 2024 - Nov 30, 2024[2]	61,821	4.96	-	100,000,000
Dec 1, 2024 - Dec 31, 2024[2]	70,326	4.99	-	100,000,000
Total	2,733,557		-	

(1) Relates to the repurchase of 2,601,410 shares of our common stock from Crossfin Holdings (RF) Proprietary Limited in connection with our acquisition of Adumo. These shares do not reduce the repurchase authority under the share repurchase program.

(2) Relates to the delivery of 61,821 and 70,326 shares of our common stock in November and December, respectively, to us by certain of our employees to settle their income tax liabilities. These shares do not reduce the repurchase authority under the share repurchase program.

Other than as reported in a Current Report on Form 8-K, we did not sell any securities that were not registered under the Securities Act during the second quarter of fiscal 2025.

Item 5. Other Information

Our Section 16 officers and directors, as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934 (the "Exchange Act"), may from time to time enter into plans for the purchase or sale of our common stock that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act. During the quarter ended December 31, 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
10.40	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		10-Q	10.41	November 6, 2024
10.42	First Addendum to the Facility Letter dated December 10, 2024 between Lesaka Technologies (Proprietary) Limited and FirstRand Bank Limited (acting through its Rand Merchant Bank division)		8-K	10.1	December 10, 2024
10.43	Amended & Restated Policy Agreement, dated October 28, 2024, among Lesaka Technologies, Inc. and the IFC Investors	X			
10.44	Trust Deed of the Lesaka Employee Share Trust entered into between Lesaka Technologies, Inc. and Nomaxabiso Norma Teyise and Zwelethu Masinga		14A	A	October 2, 2024
10.45	Relationship Agreement between Lesaka Technologies, Inc. and the Trustees for the time being of the Lesaka Employee Share Trust		14A	B	October 2, 2024
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act	X			
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act	X			
32	Certification pursuant to 18 USC Section 1350	X			
101.INS	XBRL Instance Document	X			
101.SCH	XBRL Taxonomy Extension Schema	X			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X			
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X			
101.LAB	XBRL Taxonomy Extension Label Linkbase	X			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X			
104	Cover page formatted as Inline XBRL and contained in Exhibit 101				

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 5, 2025.

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