



NET1 UEPS TECHNOLOGIES INC.
net1.com

MAY 2019

INVESTOR PRESENTATION

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

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

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

These risks and uncertainties may include those discussed in the Company’s annual report on Form 10-K for the year ended June 30, 2018, on file with the Securities and Exchange Commission, and other factors which may not be known to us. Any forward-looking statement speaks only as of its date. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

MAY 2019

OVERVIEW



Net1 is a fintech leader in payments, financial services and processing for the unbanked

SOUTH AFRICAN FINTECH LEADER

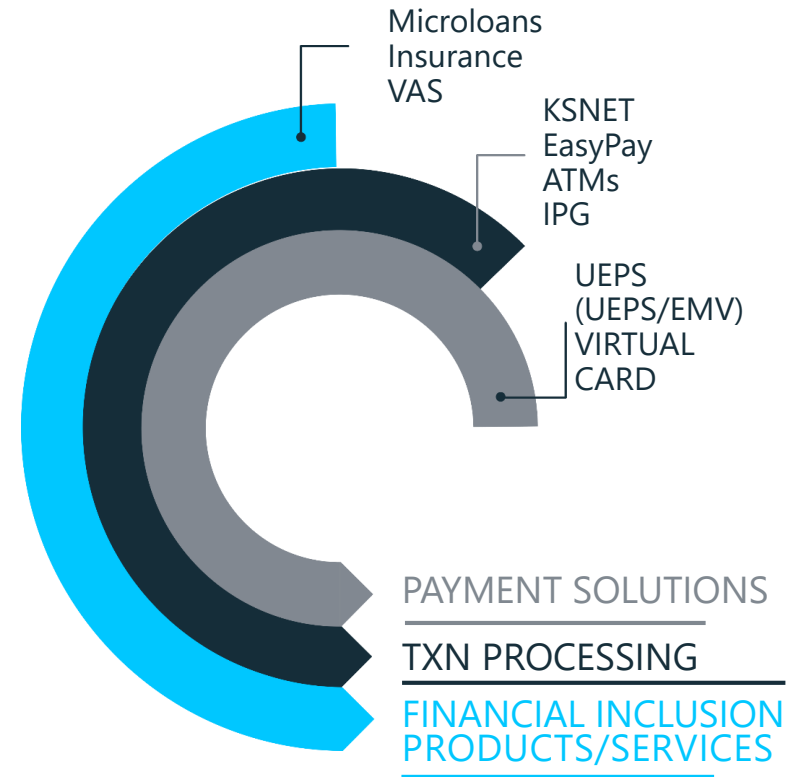
- >1 million banking customers
- Leader in microloans+insurance to unbanked
- Own last mile national distribution network

TOP 3 PROCESSOR IN S. KOREA & SA

- KSNET – >250,000 merchants
- EasyPay – >70,000 merchants
- ATMs - ~1,500 ATMs

INTERNATIONAL PROCESSING

- X-border issuing, acquiring for SMEs
- Blockchain & crypto expansion



Globally, our collection of assets provide a **strong foundation**

GLOBAL REACH

19 office or service locations globally

PARTNERSHIPS

- MasterCard
- Finbond, Cell C, MobiKwik, One-Fi, Zapp
- Bank Frick – Card Acquiring, issuing and Banking services
- China partners for CUP, AliPay & WeChat
- NACHA member ODFI Bank partners for USA ACH
- Cashflows (UK) and PSI Pay – MasterCard and Visa Prepaid card Issuing

TECHNOLOGY

- Core UEPS/EMV platform
- Tokenization – virtual card
- Mobile banking/payments (QR)
- Crypto-asset storage
- Card processing gateways
- ACH processing gateway
- SEPA processing gateway
- Pre-paid card Platform
- Utility Vending Solutions (STS)

PEOPLE

- 100s years combined leadership experience
- Extensive senior industry network
- Local and global experts
- Entrepreneurial ethos

REGULATORY COMPLIANCE

- FCA Licensed AEMI (UK)
 - MFA Licensed AEMI (Malta)
 - PMI (Mauritius)
 - Member of SWIFT
 - Credit and Insurance licenses (SA)
- } “Brexit proof”



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STRATEGIC FOCUS



Following Q2 2019, we set the following short-term goals

1) Obtain **break-even** in our South African operations

Progress:

- Reduced headcount and costs;
- On track for monthly EBITDA break-even in June 2019



2) Strengthen **balance sheet**

Progress:

- Settled \$28 million contingent liability for DNI earnout;
- Early-settled outstanding long-term debt



3) Monetize investments to **maximize shareholder value**

Progress:

- Cut DNI holding from 55% to 30%; and issued call option for remaining stake;
- Board engaged with advisors to evaluate strategic alternatives across entire portfolio



Focus on **four** key pillars to drive long term growth and profitability



SOUTH AFRICA

Financial Inclusion
(Individuals)

Synergies with Finbond,
Cell C and DNI

POS and ATM network



AFRICA

Mobile Payments, Digital
Financial services, UEPS

Synergies with ZappGroup
Africa and One-Fi

Add Net1 Technologies



EU/ASIA (IPG)

Issuing, Acquiring,
Processing (SMEs)

Blockchain and
Cryptocurrencies

Synergies with Bank Frick



KOREA

Improve growth and
profitability

Expand new offerings

Consider strategic alternatives

SUPPORTED BY STRATEGIC INVESTMENTS

▼ **CELL C**

2018 revenue and EBITDA of ZAR 16.8 billion and ZAR 3.5 billion resp.

MTN tower sharing agreement operational in November 2018

Offer from Buffet Consortium as a new minority investor

ONE-Fi ▼

Carbon: expanded offering to be a full-fledged digital financial services platform

Currently disbursing 50,000 loans/month

Q3-2019
KEY UPDATES

Contracted with largest bank in Ghana and 2 of 3 largest telcos

Integrated with Switch to get access to 25,000 merchants

Commenced activities to sign customers in Nigeria

Digital financial services now account for 25% of revenue vs. 0% last year

Issuing >1,500 loans/day with >USD 60 million disbursed to date

▲ **ZAPPGROUP AFRICA**

YE March 2019, revenue more than doubled while loss halved

MOBIKWIK ▲

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VALUATION



KEY INVESTMENTS

	% Held	Balance Sheet (Mar 2019)	Value
Equity Accounted	▼	▼	▼
Bank Frick	35%	\$46 million	>\$46 million (1)
Finbond (JSE listed)	29%	\$46 million	\$87 million (2)
OneFi	25%	\$8 million	\$25-\$35 million (3)
DNI	38%	\$74 million	\$74 million (4)
Investments			
Cell C	15%	\$122 million	\$122 million
MobiKwik	12%	\$27 million	\$35 million (5)
TOTAL ▶		\$323 million	>\$389 million (6)

1) Based on carrying value

2) 268m shares at R4.69 at \$1/R14.48

3) Based on peer analysis of other neobanks

4) 8% of DNI sold on 5/3/19. Balance 30% call option at \$59.3 million

5) 12% of \$290m (MobiKwik valuation at Bajaj investment)

6) Compared with Net1 market cap of \$204 million (56.8M shares x \$3.59)

Values at carrying value unless stated otherwise

F19 losses due to SASSA contract expiry & EPE auto-migration

EV = \$180m; FY19e Adj. EBITDA \$(15)m vs \$125m in FY18

Our transaction processing businesses alone had **\$25-30m EBITDA*** in FY 2019

NOTE: Excludes core SA ops (EPE, CPS, financial services, hardware), and IPG

**Adjusted EBITDA is a non-GAAP measure and excludes non-recurring items, transaction related costs and certain other items detailed in the reconciliation to GAAP in our earnings release. FY Figures represent annualized numbers*

SOTP (Excl. core SA ops)	MKT CAP \$ m	LOW \$ m	MID \$ m	HIGH \$ m
<u>KSNET, EasyPay, ATMs and Fihrst = EBITDA* \$25-30 million</u>				
EV/EBITDA Multiple		6x	9x	12x
Valuation		\$150	\$247	\$360
<u>Investments</u>				
Cell C		122	125	130
DNI		74	74	74
OneFi		8	25	35
Finbond		46	87	87
Bank Frick		46	48	50
MobiKwik		27	35	45
Investments:		323	394	421
Net cash		24	24	24
Valuation	\$204	\$497	\$665	\$805
Value/share (\$)	\$3.59	\$8.75	\$11.71	\$14.17

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APPENDIX



YTD Fiscal 2019 highlights :

- Revenue of \$310 million and Fundamental EPS of \$(0.07) (excl. non-cash adjustments of \$1.41)
- Adjusted EBITDA* of \$(12) million
- EPE accounts down from 2.5 million at June 30, 2018 to 1.1 million at March 31, 2019
- \$323 million – value of strategic investments on balance sheet

Fiscal Q3 2019 highlights:

- Revenue of \$86 million and Fundamental EPS of \$(0.18) (excl. non-cash adjustments of \$0.44)
- Adjusted EBITDA* of \$(1) million
- EPE accounts stable at ~1.1 million since November 2018
- On track for EBITDA break-even in June 2019 and deleveraged balance sheet

Investment Portfolio performance:

- Cell C had a difficult H2 2019, leading to fair value adjustment
- One-Fi and MobiKwik trading towards achieving break-even in next fiscal year
- Finbond results for the year ended February 2019 expected in late May 2019

**Adjusted EBITDA is a non-GAAP measure and excludes non-recurring items, transaction related costs and certain other items detailed in the reconciliation to GAAP in our earnings release*

Progression of revenue contributors in South Africa in 2019

	Q1 - 2019	Q2 - 2019	Q3 - 2019	Q4 - 2019
SASSA/CPS	✓	✗	✗	✗
SASSA/Grindrod	✓	✓	✗	✗
DNI	✓	✓	✓	✗
NET1	✓	✓	✓	✓

Reconciliation of non-GAAP measures

Third quarter – Fundamental Net (Loss) Income and Negative EBITDA

	Three months ended			
	Mar-19		Mar-18	
	\$ '000	EPS, basic	\$ '000	EPS, basic
Fundamental net (loss) income (Non-GAAP)	(34,951)	(0.62)	53,759	0.95
Impairment loss	(5,305)		(19,865)	
Loss on disposal of DNI	(5,140)		-	
Amortisation of intangible assets, net of tax	(4,380)		(2,268)	
Retrenchment costs, net of tax	(3,270)		-	
Accreted interest on DNI contingent consideration	(1,012)		-	
Amortization, net related to non-controlling interest	918		-	
Transaction costs	(873)		(110)	
Stock-based charge(2)	(578)		(575)	
Amortisation of intangible assets, net of tax - equity accounted investments	(142)		(431)	
Facility fee	(51)		(120)	
Refund of Korean indirect taxes	-		1,985	
Net (loss) income attributable to net1 (GAAP)	(54,784)	(0.96)	32,375	0.57
Change in fair value of equity securities	26,263		(37,843)	
Loss on disposal of DNI	5,140			
Non-controlling interest	(728)		302	
Earnings from equity-accounted investments	464		(3,960)	
Interest income	959		(5,154)	
Interest expense	3,493		2,426	
Income tax expense	(2,490)		19,418	
Impairment loss	5,305		19,865	
Depreciation and amortization	9,881		9,341	
(Negative) EBITDA (Non-GAAP)	(6,497)		36,770	
Adjusted for:				
Transaction costs	4,542		110	
Refund of Korean indirect taxes	-		(2,545)	
Adjusted (Negative) EBITDA (Non-GAAP)	(1,082)		34,335	

Reconciliation of non-GAAP measures

Year to date – Fundamental Net (Loss) Income

	Nine months ended			
	Mar-19		Mar-18	
	\$ '000	EPS, basic	\$ '000	EPS, basic
Fundamental net income (Non-GAAP)	(83,781)	(1.48)	100,656	1.77
Impairment loss	(13,502)		(19,865)	
Loss on disposal of DNI	(5,140)		-	
Amortisation of intangible assets, net of tax	(13,496)		(6,644)	
Retrenchment costs, net of tax	(3,775)		-	
Accreted interest on DNI contingent consideration	(1,848)		-	
Amortization, net related to non-controlling interest	2,737		-	
Transaction costs	(2,723)		(2,050)	
Stock-based charge(2)	(1,763)		(2,010)	
Amortisation of intangible assets, net of tax - equity accounted investments	(427)		(1,925)	
Facility fee	(206)		(467)	
Non-recurring Mastertrading allowance for doubtful accounts	-		(7,803)	
Refund of Korean indirect taxes	-		1,985	
Change in US tax rate	-		(860)	
Profit on sale of Xeo	-		463	
Net income attributable to net1 (GAAP)	(123,924)	(2.18)	61,480	1.08

Reconciliation of non-GAAP measures

Year to date –Negative EBITDA

	Nine months ended			
	Mar-19		Mar-18	
	\$ '000	EPS, basic	\$ '000	EPS, basic
Net income attributable to net1 (GAAP)	(123,924)	(2.18)	61,480	1.08
Change in fair value of equity securities	42,099		(37,843)	
Loss on disposal of DNI	5,140		-	
Non-controlling interest	2,339		903	
Earnings from equity-accounted investments	338		(7,389)	
Interest income	(586)		(14,903)	
Interest expense	9,030		6,872	
Income tax expense	1,702		39,757	
Impairment loss	13,496		19,865	
Depreciation and amortization	30,528		27,030	
EBITDA (Non-GAAP)	(19,838)		95,772	
Adjusted for:				
Retrenchment costs	5,243		2,207	
Transaction costs	2,723		(2,545)	
Non-recurring Mastertrading allowance for doubtful accounts	-		7,803	
Profit on sale of Xeo	-		(463)	
Adjusted EBITDA (Non-GAAP)	(11,872)		102,774	

Reconciliation of non-GAAP measures

Third quarter – Negative EBITDA (continuing and discontinued operations)

Three months ended March 31, 2019:	Continuing	Discontinued	Total
Operating income (GAAP)	(22,355)	672	(21,683)
Depreciation and amortization	7,454	2,427	9,881
Impairment loss	-	5,305	5,305
(Negative) EBITDA (Non-GAAP)	(14,901)	8,404	(6,497)
Adjusted for:			
Retrenchment costs	4,542		4,542
Transaction costs	873		873
Adjusted (Negative) EBITDA (Non-GAAP)	(9,486)	8,404	(1,082)
Nine months ended March 31, 2019:	Continuing	Discontinued	Total
Operating income (GAAP)	(75,543)	11,681	(63,862)
Depreciation and amortization	22,502	8,026	30,528
Impairment loss	8,191	5,305	13,496
(Negative) EBITDA (Non-GAAP)	(44,850)	25,012	(19,838)
Adjusted for:			
Retrenchment costs	5,243		5,243
Transaction costs	2,723		2,723
Adjusted (Negative) EBITDA (Non-GAAP)	(36,884)	25,012	(11,872)

Be Included



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