

Q2 2018 Investor Presentation



Safe Harbor Statement

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

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

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

These risks and uncertainties may include those discussed in the Company’s annual report on Form 10-K for the year ended June 30, 2017, on file with the Securities and Exchange Commission, and other factors which may not be known to us. Any forward-looking statement speaks only as of its date. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

Defined Terms

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

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

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

Reconciliation of US GAAP measures to EBITDA, Adjusted EBITDA, Fundamental Earnings and Earnings Per Share: The reconciliation is included in the attached supplemental data.

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

FINANCIAL HIGHLIGHTS

Second Quarter 2018



Q2 2018 Financial Report

Quarterly Financial Highlights

- **Revenue - \$148.4 million**
 - 2% decrease from \$151.4 million in Q2 2017
 - 4% decrease on a constant currency basis
- **Adjusted EBITDA - \$33.0 million**
 - 12% decrease from \$37.5 million in Q2 2017
 - 22% Adjusted EBITDA Margin compared to 25% in Q2 2017
- **Fundamental Net1 Income - \$22.4 million**
 - 1% decrease from \$22.6 million in Q2 2017
 - 4% decrease on a constant currency basis
- **Fundamental EPS - \$0.39**
 - 9% decrease from \$0.43 in Q2 2017
 - 11% decrease on a constant currency basis

Note: \$7.8 million allowance for credit losses; transaction related costs are included in corporate expense and are excluded from Adjusted EBITDA and Fundamental EPS. See reconciliations for additional details.

Q2 2018 Financial Report

Year to date Financial Highlights

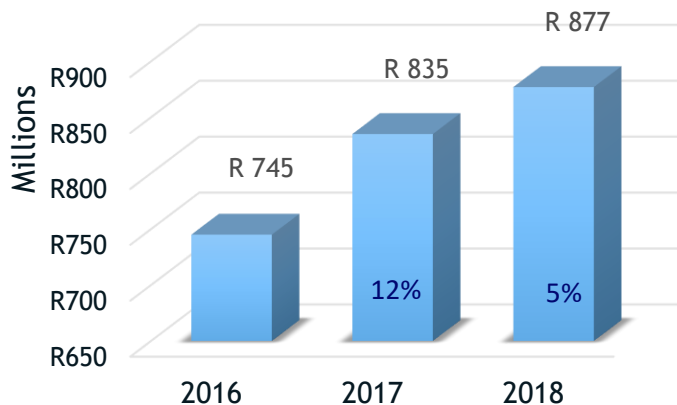
- **Revenue - \$301.0 million**
 - 2% decrease from \$307.1 million in 2017
 - 6% decrease on a constant currency basis
- **Adjusted EBITDA - \$68.4 million**
 - 14% decrease from \$80.1 million in 2017
 - 23% Adjusted EBITDA Margin compared to 26% in 2017
- **Fundamental Net1 Income - \$46.9 million**
 - 3% decrease from \$48.4 million in 2017
 - 8% decrease on a constant currency basis
- **Fundamental EPS - \$0.83**
 - 9% decrease from \$0.91 in 2017
 - 14% decrease on a constant currency basis

Note: \$7.8 million allowance for credit losses; transaction related costs are included in corporate expense and are excluded from Adjusted EBITDA and Fundamental EPS. See reconciliations for additional details.

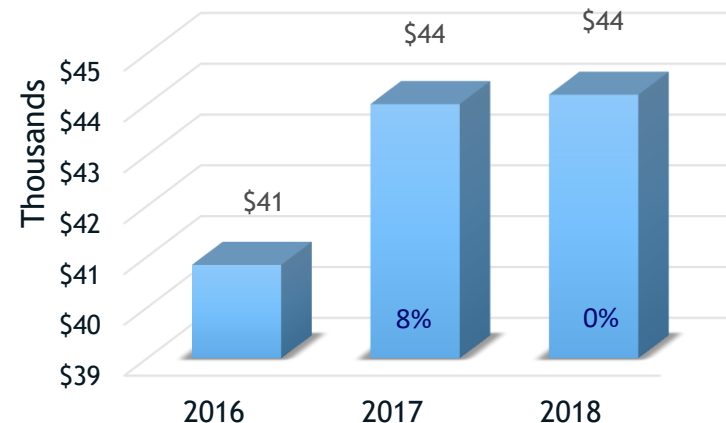
Q2 2018 Financial Report

Business Segment Results – Second quarter

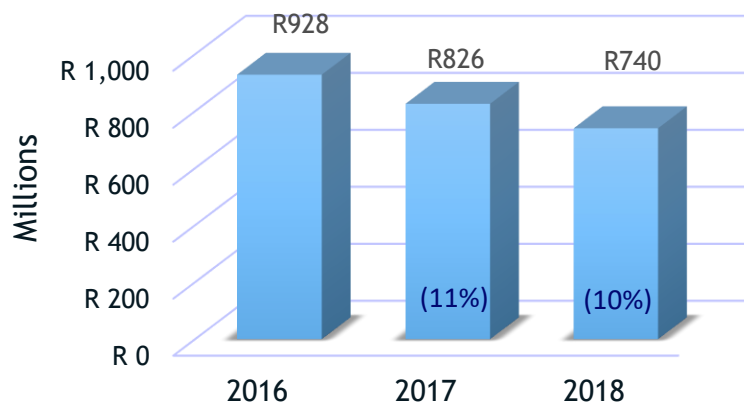
2Q const. currency SATP revenue



2Q USD ITP Revenue



2Q const. currency FIAT revenue



- **SATP 2 year const. currency revenue grew 8%**
 - Growth in ATM and NPS transactions, # of grants, VAS
- **ITP 2 year USD revenue grew 4%**
 - Growth in MP offset by ongoing regulatory impact in Korea
- **FIAT 2 year const. currency revenue declined 11%**
 - Growth in financial services offset by decline in prepaid airtime/ electricity and fewer ad-hoc hardware sales

Q2 2018 Financial Report

Business Segment Results – Second quarter

USD (Millions)	Revenue		Operating Income		Operating Margin	
	2Q 2018	2Q 2017	2Q 2018	2Q 2017	2Q 2018	2Q 2017
SATP % Change*	\$ 64.1	\$ 59.9 7%	\$ 13.5	\$ 15.4 (12%)	21%	26%
ITP % Change*	44.2	44.0 (7%)	(5.0)	3.9 (228%)	(11%)	9%
FIAT % Change*	54.1	59.3 (9%)	12.7	14.1 (10%)	24%	24%
Sub-total % Change*	162.5	163.1 (0%)	21.2	33.4 (36%)	13%	20%
Inter-segment Eliminations % Change*	(14.0)	(11.7) 22%	(4.9)	(7.8) 37%	Nm	Nm
Total % Change*	\$ 148.4	\$ 151.4 (2%)	\$ 16.3	\$ 25.6 (36%)	11%	17%

*% change in constant currency

Q2 2018 Financial Report

Business Segment Results – Year to date

USD (Millions)	Revenue		Operating Income		Operating Margin	
	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017
SATP % Change*	\$ 130.6	\$ 117.4 11%	\$ 25.8	\$ 28.9 (11%)	20%	25%
ITP % Change*	90.2	90.2 (0%)	0.3	9.7 (97%)	0%	11%
FIAT % Change*	108.4	122.8 (12%)	26.7	29.3 (9%)	25%	24%
Sub-total % Change*	329.2	330.4 (0%)	52.8	67.9 (11%)	16%	21%
Inter-segment Eliminations % Change*	(28.3)	(23.4) 21%	(11.5)	(10.2) 13%	Nm	Nm
Total % Change*	\$ 301.0	\$ 307.1 (2%)	\$ 41.3	\$ 57.8 (28%)	14%	19%

*% change in constant currency

Q2 2018 Financial Report

Balance Sheet Overview

USD (Millions)	Dec 31, 2017	June 30, 2017
Cash	\$ 64.9	\$ 258.5
Investments and Equity Accounted Investments	345.9	52.0
Total Assets	1,370.0	1,450.8
Total Equity, including temporary equity	778.4	708.0
Total Debt	94.2	16.2
Book Value / Share	13.70	12.51
Net Cash / Share	\$ 0.08	\$ 4.30
Debt / Equity	0.12	0.02

Q2 2018 Financial Report

Key Investments

	% held	Balance Sheet (Dec 2017)	Value
<u>Equity Accounted:</u>			
DNI	45%	\$77 million	>\$77 million (3)
Bank Frick	30%	\$41 million	>\$41 million (1)
Finbond (JSE listed)	26%	\$22 million	\$56 million (1)
KZ One	25%	\$5 million	>\$5 million (3)
<u>Investments:</u>			
Cell C	15%	\$162 million	>\$162 million (3)
MobiKwik	12%	\$27 million	\$35 million (2)
TOTAL		\$328 million	\$369 million

1) 205m shares at R3.39 at \$1/R12.4

2) 12% of \$290m (recent MobiKwik valuation at Bajaj investment)

3) Based on latest trading results

Values at carrying value unless stated otherwise

BUSINESS OVERVIEW

SOUTH AFRICAN TRANSACTION PROCESSING

Second Quarter 2018



SATP Segment Highlights

Q2 2018 Financial Highlights

- **Revenue - \$64.1 million**
 - 7% increase from \$59.9 million in Q2 2017
 - 5% increase on a constant currency basis
- **Operating Income - \$13.5 million**
 - 12% decrease from \$15.4 million in Q2 2017
 - 14% decrease on a constant currency basis

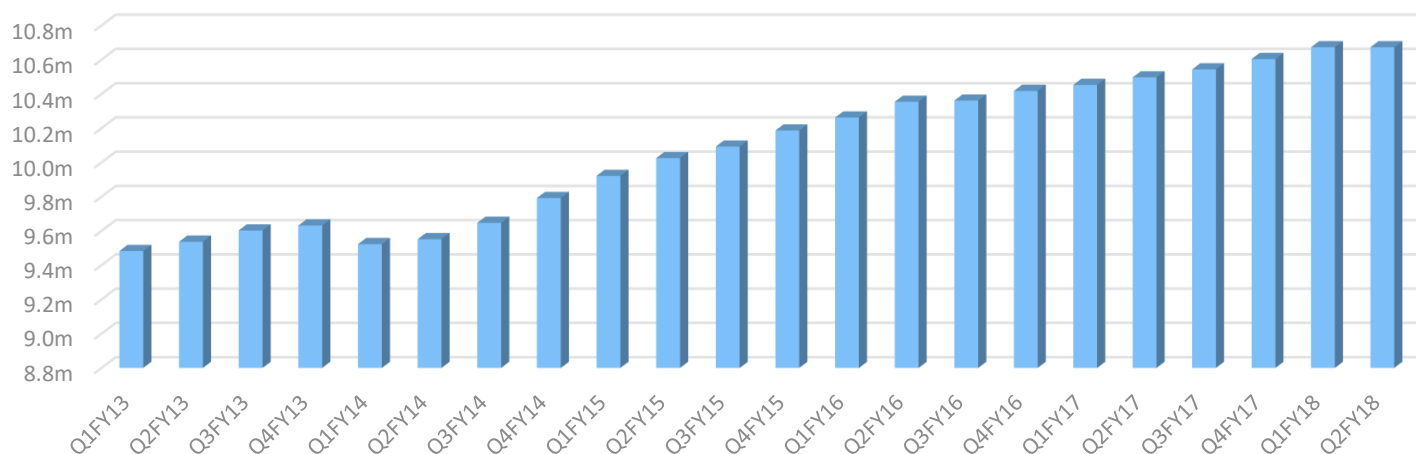
SATP Segment Highlights (cont.)

Q2 2018 Key Trends

- **Social Grant Distribution**

- SASSA continues to evaluate options to in-source distribution of grants per Constitutional Court's instructions and has asked the Court to extend our services by another six months
- CPS has extended its full support to government and SA citizens and in the interim continues to deliver uninterrupted service

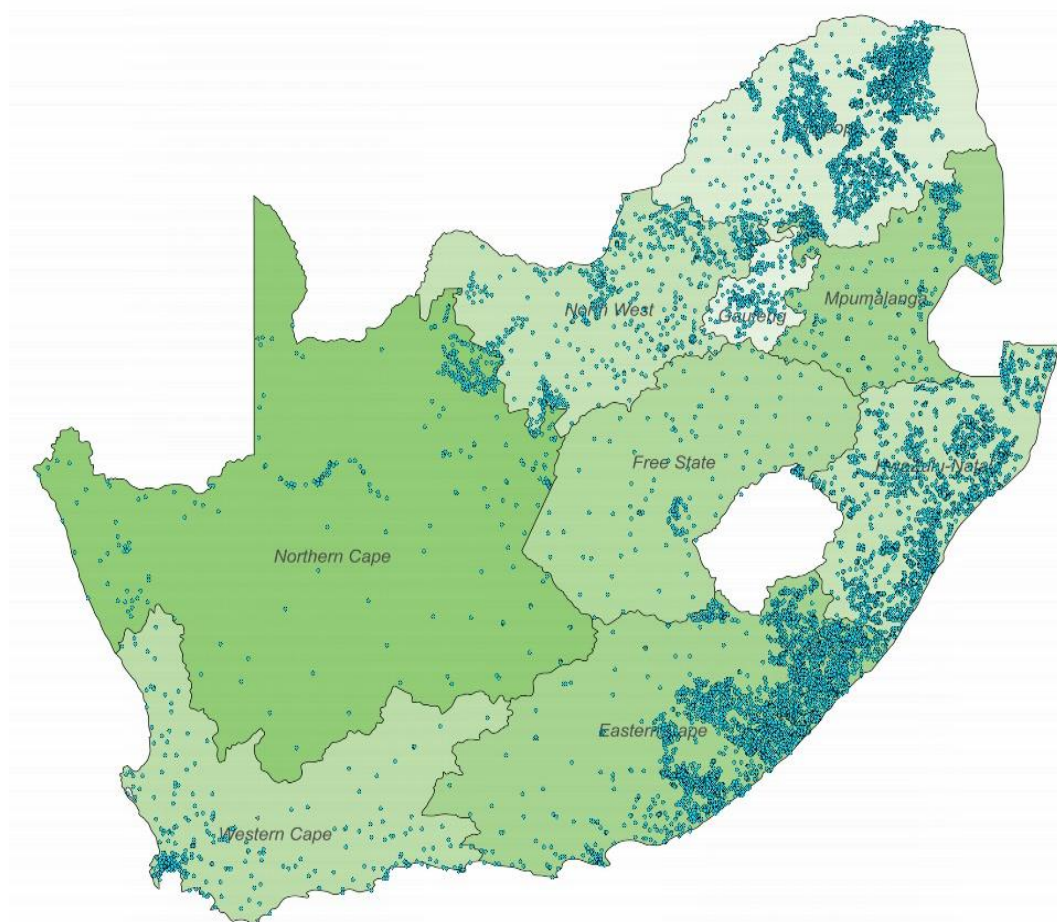
Number of Social Grants Paid



SATP Segment Highlights

Q2 2018 Key Trends

CPS has a nationwide distribution footprint and an unmatched distribution network in rural areas. We have the last mile connectivity and presently can reach every South African within a 3-mile radius.

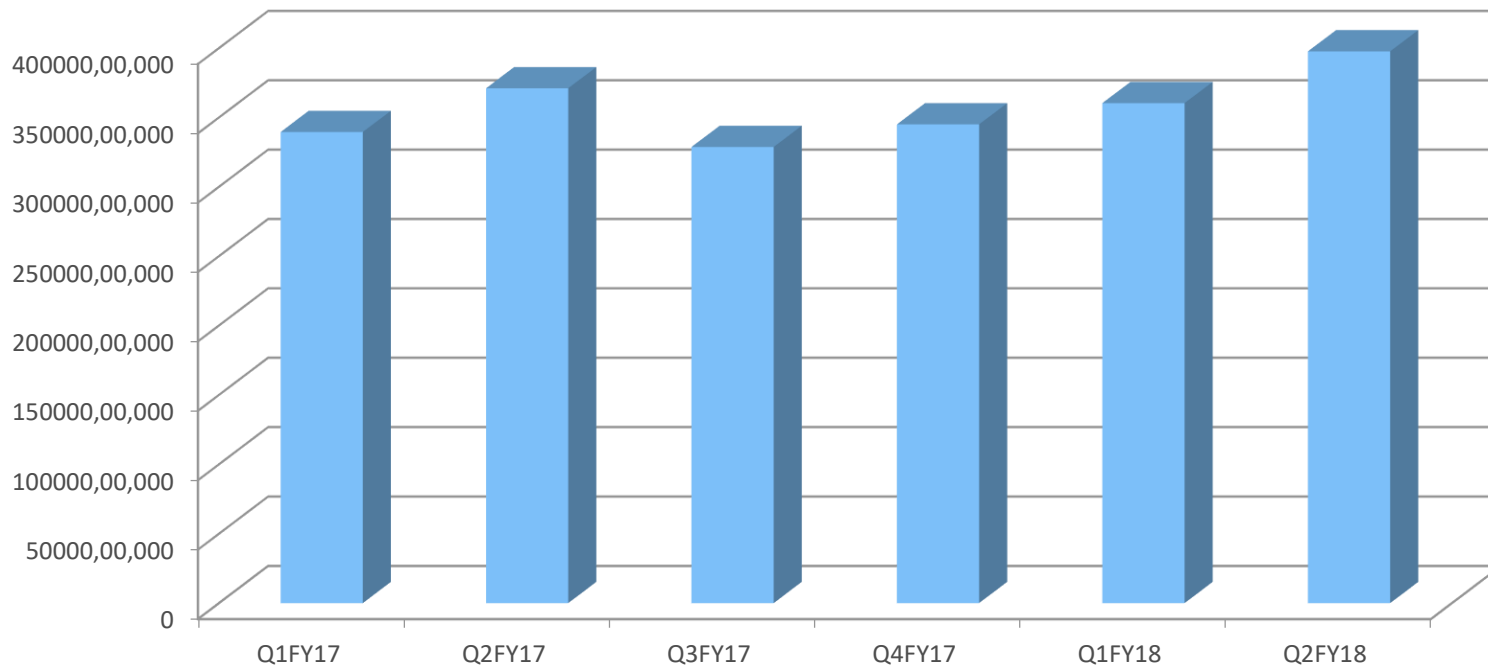


SATP Segment Highlights

Q2 2018 Key Trends

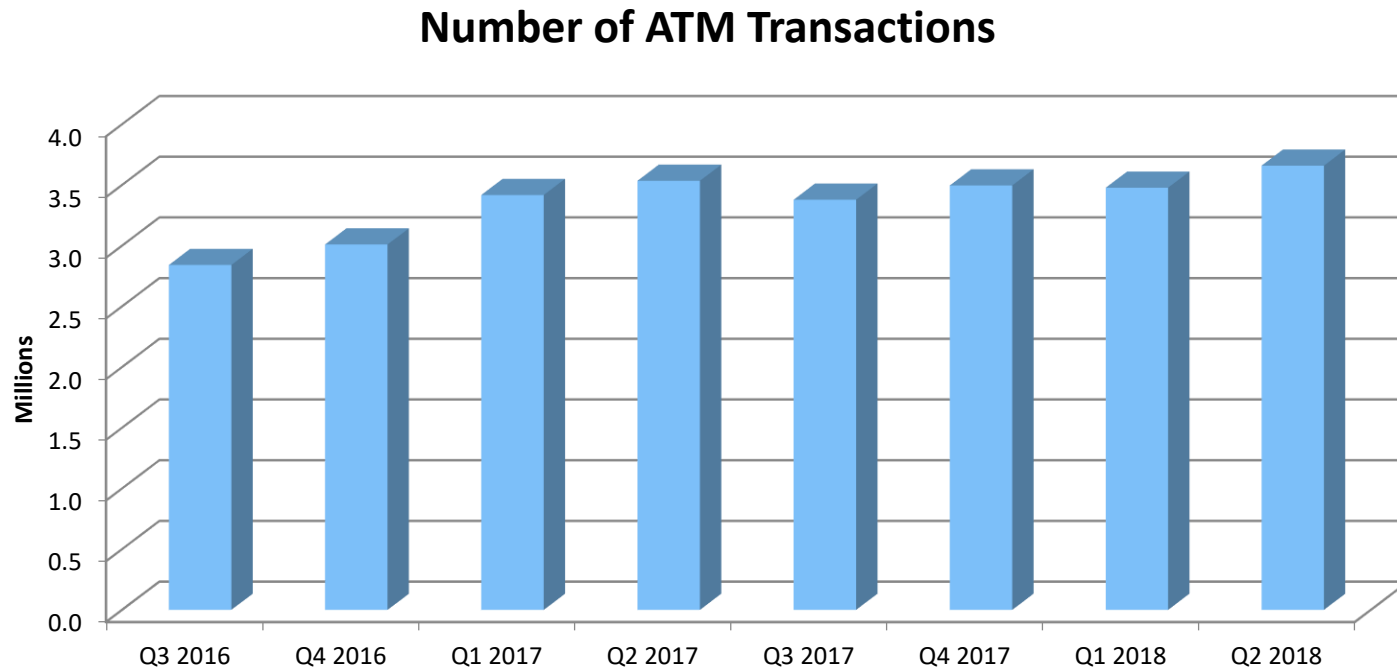
EasyPay

Number of EasyPay Transactions



SATP Segment Highlights

Q2 2018 Key Trends continued...



BUSINESS OVERVIEW

INTERNATIONAL TRANSACTION PROCESSING

Second Quarter 2018



ITP Segment Highlights

Q2 2018 Financial Highlights

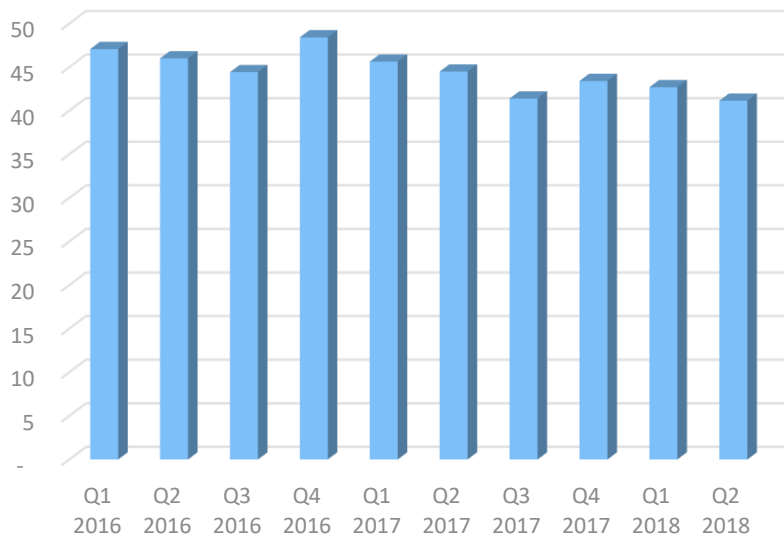
- **Revenue - \$44.2 million**
 - Flat compared to \$44 million in Q2 2017
 - 2% decrease on a constant currency basis
- **Operating loss - \$5.0 million**
 - 228% decrease from \$3.9 million in Q2 2017
 - 225% decrease on a constant currency basis
 - Adjusted operating income of \$2.8 million (net of \$7.8 million allowance) - 28% decrease compared with Q2 2017, 29% on constant currency basis

ITP Segment Highlights

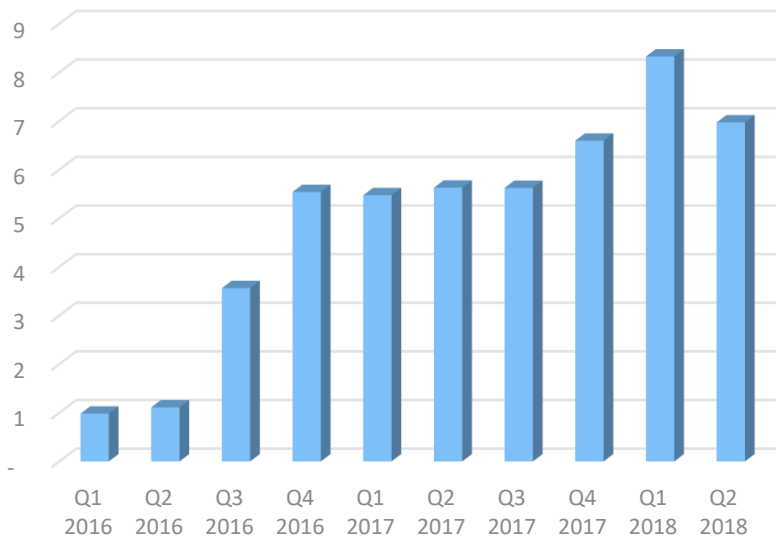
Q2 2018 Key Trends

- **South Korea and Rest of the World (ROW) Growth**
 - South Korea revenue continues to be adversely impacted by pricing impact of interchange regulation
 - MP revenue improved due to new processing customer (Bitstamp)
 - ROW initiatives and investment starting to reflect in revenue growth

Revenue KRW Billions



Revenue ROW-ITP USD Millions



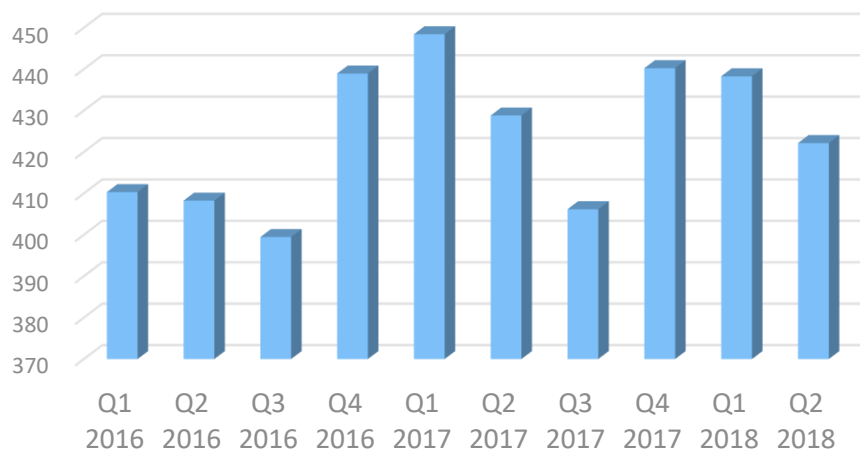
ITP Segment Highlights

Q2 2018 Key Trends

- **South Korea Transaction Growth and Cash Flow**
 - KSNET continues to pick up market share as interchange regulations have put pressure on smaller players
 - Regulations also now prohibit using POS terminals to incentivize merchants, resulting in lower capex and higher cash flow

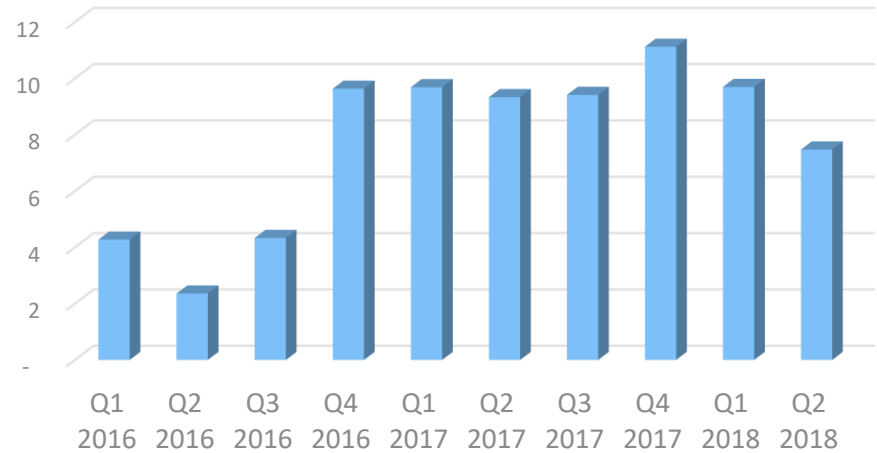
South Korea Transaction Growth

Number of Transactions in Millions



South Korea Cash Flow

EBITDA less Capex (KRW billions)



BUSINESS OVERVIEW

FINANCIAL INCLUSION & APPLIED TECHNOLOGIES

Second Quarter 2018



FIAT Segment Highlights

Q2 2018 Financial Highlights

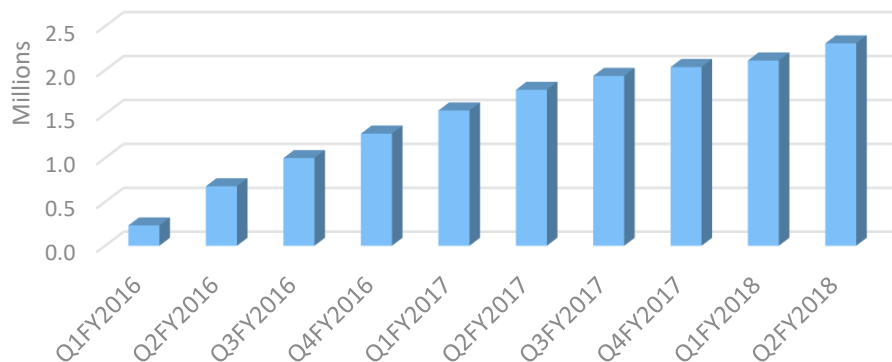
- **Revenue - \$54.1 million**
 - 9% decrease from \$59.3 million in Q2 2017
 - 10% decrease on a constant currency basis
- **Operating Income - \$12.7 million**
 - 10% decrease from \$14.1 million in Q2 2017
 - 11% decrease on a constant currency basis
- **EPE Accounts**
 - 2.3 million EPE accounts, 28% increase from Q2 2017
- **Smart Life Policies**
 - 470,000 million Smart Life policies, 68% increase from Q2 2018
 - Smart Life is now the largest life insurer in its market segment

FIAT Segment Highlights

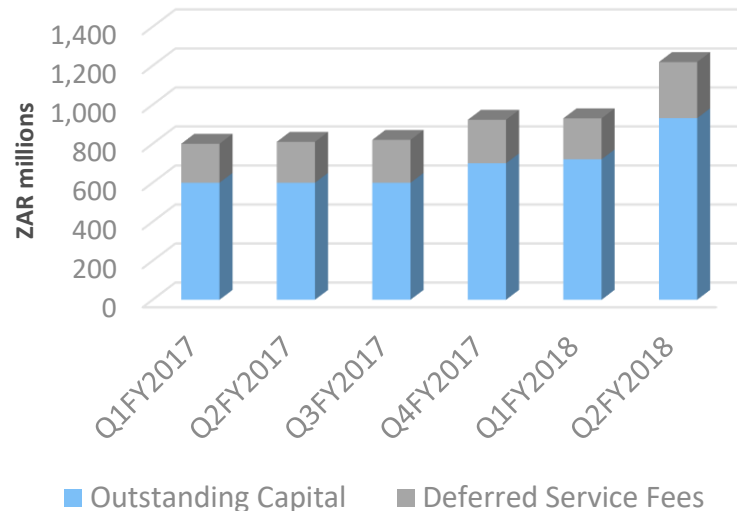
Q2 2018 Key Trends

Expect growth to be driven by new initiatives with Cell C/DNI

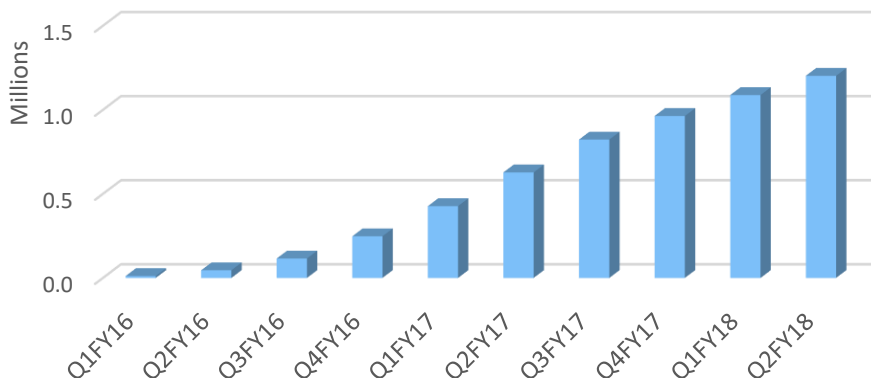
Number of EPE Accounts



Value of Loans Outstanding



Number of SmartLife Policies

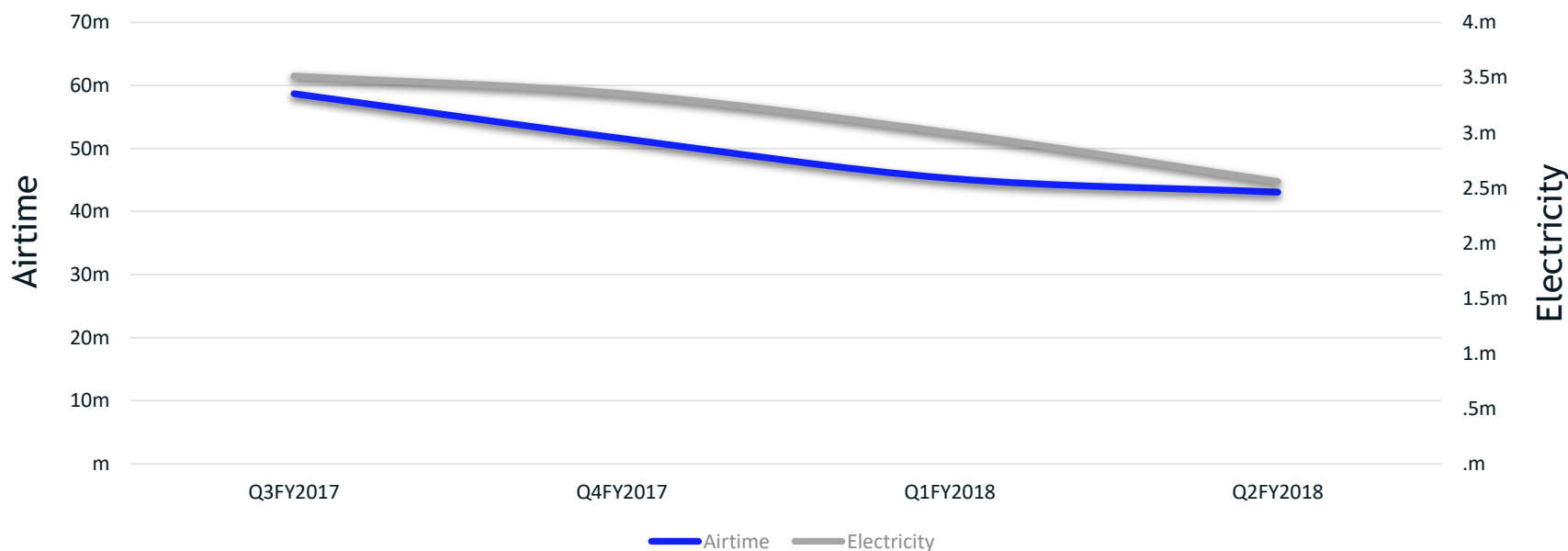


FIAT Segment Highlights

Q2 2018 Key Trends

- **Key Umoya Manje and Power Manje Trends**
 - The introduction of our enhanced security features resulted in a short term reduction in number of prepaid services
 - The declines are now starting to bottom out sequentially

Number of Mobile (Manje) Transactions in Millions



NET1 OPPORTUNITIES



South Africa – Biggest Near Term Opportunity

SOUTH AFRICA IS NET1'S CORE MARKET, ONE IN WHICH WE HAVE MAXIMUM EXPERTISE, INFRASTRUCTURE AND DISTRIBUTION. WE INTEND TO EXPAND OUR CUSTOMER BASE AS WELL AS THE PRODUCTS PROVIDED TO THAT BASE.

Q2 2018 PROGRESS UPDATES:



EPE

Introduction of 500 additional portable work stations and sales people have resulted in a re-acceleration of accounts opened; Development of mobile banking solution nearing completion

Cell C

Certified our SIM mask and we expect to begin delivery of our first batch of SIM cards during Q3 2018

Net1/ Cell C/ DNI

To commence marketing of new Cell C's products to our customer base; Handling of EFT collections for Cell C's post paid customers; Mobile banking product currently available in Beta

Finbond

Technical development for Finbond to issue and acquire UEPS/EMV cards is underway; completion expected by June 2018

Blockchain and Cryptocurrencies

Q2 2018 PROGRESS UPDATES:

▪ Bank Frick

Establishment of blockchain department to pursue and execute opportunities in collaboration with Net1 and its IPG division

- We will focus on issuing, acquiring, processing and banking blockchain opportunities and not trading or mining of cryptocurrencies
- Commenced processing for Bitstamp in December 2017
- Signed a new ICO in December 2017 and a pipeline of opportunities is growing
- Product development roadmap for medium and long-term applications is underway

It is a little known or understood fact that the UEPS technology has always been based on a form of blockchain technology. We have always referred to the distributed ledger as “multiple-audit trails”. In a way, UEPS was, and still is, the first offline application of a distributed ledger payment system.

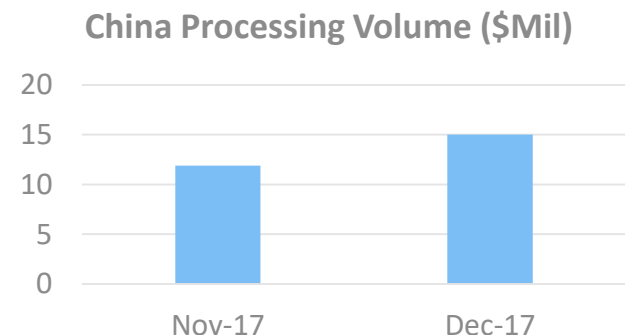
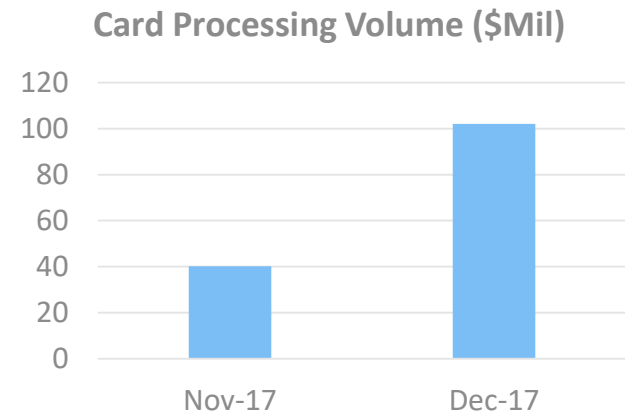
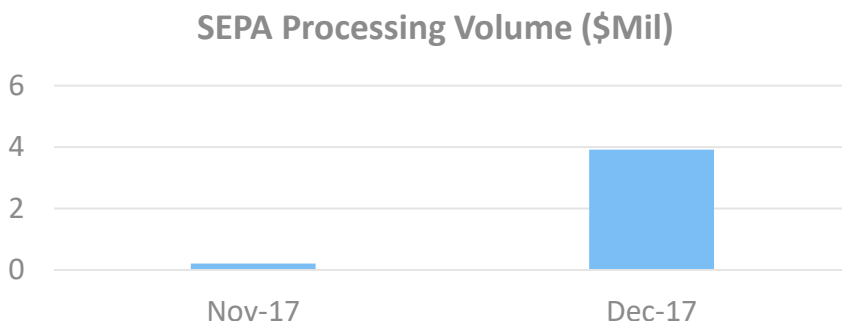
We are focusing on the application of blockchain technology in the payments space with an objective to remain at the forefront in offline and biometric blockchain payment applications, and together with our expertise in IPG and Bank Frick, we will position Net1 at the bleeding edge of technological innovation.

IPG Consolidation and Expansion

IPG PLAYS AN INTEGRAL ROLE IN PROVIDING END-TO-END SOLUTIONS FOR ISSUING, ACQUIRING AND PROCESSING GLOBALLY.

Q2 2018 PROGRESS UPDATES:

- Consolidation of various business units largely complete with appropriate management structure, licenses, sales and business development, and operations
- Commenced processing for Bitstamp in December 2017
- Large SEPA merchant went live in December 2017
- Continued growth in China processing volume



UEPS International

OUR NEW JOINT VENTURE FOCUSED ON LARGE SCALE UEPS/EMV OPPORTUNITIES WAS INCORPORATED IN JANUARY 2018. WE SEE AN OPPORTUNITY TO HAVE 50 – 100 MILLION ACTIVE ACCOUNT HOLDERS ACROSS 10-20 COUNTRIES IN THE NEXT 5 YEARS

Financial Inclusion JV company established for the rapid commercialization and internationalization of Net1's social disbursement payments & identification technology and capabilities.

Carl Scheible will head up the JV, and is a fintech industry veteran with previous executive roles at PayPal, Moneygram, eNett.

Carl will now commence with the process of hiring a team comprising senior, junior and functional leaders with industry-specific experience and track record.

London based for rapid implementation and ramp-up and access to payments talent, fully operational starting late Q3 2018.

SUMMARY & OUTLOOK

Second Quarter 2018



Q2 2018 Summary & Outlook

- **Q2 2018 Fundamental EPS of \$0.39**
- **SATP - steady growth.** Drivers - further ATM network expansion and more transacting consumers including at EasyPay (POS)
- **ITP - expect Korea to decline mid-single digit % in 2018 and return to positive growth in 2019.** IPG revenue should grow though continued investments to continue weighing on segment margins in 2018. Q2 2018 includes once-off \$7.8 million allowance for doubtful WCF receivables
- **FIAT - expect growth in financial services.** Prepaid services expected to decline 10-15% in 2018. Financial services and new products rolled out through Cell C/DNI will provide incremental growth.
- **2018 GUIDANCE: Fundamental EPS of at least \$1.61, assuming**
 - No significant disruptions in any of our key business units
 - Modest dilution from Cell C/DNI transactions
 - USD/ZAR rate of 13.62
 - 56.6 million shares and tax rate of 34-36%

SUPPLEMENTAL INFORMATION



Reconciliation of non-GAAP measures

Second quarter

	Three months ended			
	Dec-17		Dec-16	
	\$ '000	EPS, basic	\$ '000	EPS, basic
Fundamental net income (Non-GAAP)	22,405	0.39	22,648	0.43
Non-recurring Mastertrading allowance for doubtful accounts	(7,803)		-	
Amortisation of intangible assets, net of tax	(2,199)		(2,709)	
Amortisation of intangible assets, net of tax - equity accounted investments	(951)		-	
Transaction costs	(611)		(1,246)	
Stock-based charge	(608)		(635)	
Profit on sale of XeoHealth	463			
Change in US tax rate	(860)			
Facility fees for debt	(214)		(31)	
Refund related to litigation finalized in Korea, net	-		643	
US government investigations-related and US lawsuit expenses	-		(29)	
Net income attributable to Net1 (GAAP)	9,622	0.17	18,641	0.35
Non-controlling interest	357		589	
Earnings from equity-accounted investments	(1,354)		(74)	
Interest income	(4,705)		(5,061)	
Interest expense	2,325		510	
Income tax expense	10,062		10,984	
Depreciation and amortization	8,723		10,623	
EBITDA (Non-GAAP)	25,030		36,212	
Adjusted for:				
Non-recurring Mastertrading allowance for doubtful accounts	7,803		-	
Transaction costs	611		1,246	
Profit on sale of XeoHealth	(463)		-	
Adjusted EBITDA (Non-GAAP)	32,981		37,458	

Reconciliation of non-GAAP measures

Year to date

	Six months ended				Year end	
	Dec-17		Dec-16		Jun-17	
	\$ '000	EPS, basic	\$ '000	EPS, basic	\$ '000	EPS, basic
Fundamental net income (Non-GAAP)	46,875	0.83	48,392	0.91	94,721	1.74
Non-recurring Mastertrading allowance for doubtful accounts	(7,803)		-		-	
Amortisation of intangible assets, net of tax	(4,354)		(4,867)		(10,491)	
Amortisation of intangible assets, net of tax - equity accounted investments	(1,494)		-		-	
Transaction costs	(1,940)		(1,488)		(3,347)	
Stock-based charge	(1,435)		689		(1,982)	
Profit on sale of XeoHealth	463		-		-	
Change in US tax rate	(860)		-		-	
Facility fees for debt	(347)		(67)		(1,294)	
Former CEO separation payment, net of tax	-		-		(5,200)	
Refund related to litigation finalized in Korea, net	-		643		643	
US government investigations-related and US lawsuit expenses	-		(29)		(96)	
Net income attributable to Net1 (GAAP)	29,105	0.51	43,273	0.81	72,954	1.34
Non-controlling interest	601		1,202		1,694	
Earnings from equity-accounted investments	(3,429)		(733)		(2,664)	
Interest income	(9,749)		(9,365)		(20,897)	
Interest expense	4,446		1,306		3,484	
Income tax expense	20,339		22,087		42,472	
Depreciation and amortization	17,689		20,827		41,378	
EBITDA (Non-GAAP)	59,002		78,597		138,421	
Adjusted for:						
Non-recurring Mastertrading allowance for doubtful accounts	7,803		-		-	
Transaction costs	2,097		1,488		3,347	
Profit on sale of XeoHealth	(463)		-		-	
Stock-based compensation reversal related to former CEO	-		-		250	
Former CEO separation payment	-		-		8,000	
Adjusted EBITDA (Non-GAAP)	68,439		80,085		150,018	



Thank you!

