



Net1 expands global reach

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Johannesburg - Although Net1 reported solid results this week, the group hopes it has four billion reasons to expect much better things from the future.

That's the estimated number of people worldwide who are either under-banked or not banked at all.

The firm is a leading provider of smart card technology, delivering wages and government grants to the traditionally unbanked, often in rural areas. Net1 also has the EasyPay electronic bill payment and prepaid electricity service.

The firm stepped up its global reach in August 2008, when it acquired 80.1% in BGS, an Austrian-based IT company focused on developing and integrating smart card-based offline and online financial transaction systems.

BGS has customers in Russia, the Ukraine, Uzbekistan, India and Oman.

Net1 plans to overlay its own value-added model onto BGS's Dual Universal Electronic Transaction (DUET) system thereby creating new revenue streams.

The fit looks perfect, with BGS's DUET system having originally being developed as a derivative of the very first version of Net1 UEPS technology, which the company licensed to BGS in 1993.

"We are now in a position to generate new international income streams," said Net1 CEO, Dr Serge Belamant.

Some 40 000 beneficiaries have been issued with the UEPS card to date, with Belamant confirmed that an additional 1.1m cards had been ordered since December. Net1 concluded its first UEPS transaction in Iraq last year.

"We will also be launching EasyPay on a worldwide basis following strong demand."

The company reported a strong set of results for the interim period to 31 December 2008, with fundamental net income up 32% at R198m, and earnings per share up 33% at 351c. Fundamental (core) earnings exclude the effects of a substantial foreign exchange gain of \$26m earned from the unwinding of a short-term asset swap entered into at the time of the BSG acquisition.

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The inclusion of this gain pushes net income up to R272m for the period.

The company has settled the \$110m financing facility obtained for the BGS acquisition out of cash.

The weaker rand, however, has hurt the dollar earnings of the company, which is listed on the US Nasdaq exchange.

The average rand/dollar exchange rate of 9.83 was 45% lower year-on-year, which sent fundamental net income down 9% to \$20.2m, whilst earnings per share fell 8% to 39c.

The company is cash rich and is well placed to extend its geographical footprint, said Belamant. He believes that the current state of global banking has provided further opportunities for the company's smart card services, even in some developed nations.

Growth opportunities in Russia look particularly promising. Sberbank, the largest financial institution in Russia, is the largest customer of BGS.

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