REFINITIV

DELTA REPORT

10-Q

LSAK - LESAKA TECHNOLOGIES INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	9366
CHANGES	1706
DELETIONS	2751
ADDITIONS	4909

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 March 31, 2023 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

(IRS Employer

of incorporation or organization)

Identification No.)

President Place, 4

th

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

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 1, May 6, 2024 (the latest latest practicable date),
62,385,662 63,599,696
shares of the registrant's common stock, par value value $0.001 $0.001 per share, net of treasury shares, were outstanding.

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Form 10-Q

LESAKA TECHNOLOGIES, INC.

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LESAKA TECHNOLOGIES, INC.

Unaudited Condensed Consolidated Statements of Comprehensive (Loss) Income

4

Three months ended

Six Nine months ended

December March 31,

December March 31,

2024

2023
2022 **2024**
2023
2022
(In thousands)
(In thousands)
Net loss
$
(2,707) (4,047)
$
(6,649) (5,820)
$
(8,358) (12,405)
$
(17,345) (23,165)
Other comprehensive (loss) income, (loss), net of taxes
Movement in foreign currency translation reserve
6,112 (5,718)

8

LESAKA TECHNOLOGIES, INC

Notes to the Unaudited Condensed Consolidated Financial Statements

for the three and six nine months ended December 31, 2023 March 31, 2024 and 2022 2023

(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. reporting. The results of operations for the of operations for the three and six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, are not necessarily indicative of the results for the full year. The Company believes that the 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, 2023. 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 June 2016, the Financial Accounting Standards Board ("FASB") issued guidance regarding *Measurement of Credit Losses on Financial Instruments*. The guidance replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade and other receivables, loans, and other financial instruments, an entity is required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses, which reflects losses that are probable. Credit

losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. The guidance became effective for the Company beginning July 1, 2023. The adoption of this guidance did not have a material impact on the Company's financial statements and related disclosures, refer to Note 2.

In November 2019, the FASB issued guidance regarding *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842).* The guidance provides a framework to stagger effective dates for future major accounting standards and amends the effective dates for certain major new accounting standards to give implementation relief to certain types of entities,

Allowance for doubtful accounts receivable

including Smaller Reporting Companies. The Company is a Smaller Reporting Company. Specifically, the guidance changes some effective dates for certain new standards on the following topics in the FASB Accounting Standards Codification, namely Derivatives and Hedging (ASC 815), Leases (ASC 842), Financial Instruments — Credit Losses (ASC 326), and Intangibles — Goodwill and Other (ASC 350). The guidance updated the adoption date of guidance regarding *Measurement of Credit Losses on Financial Instruments* by the Company from July 1, 2020 to July 1, 2023. The guidance became effective for the Company beginning July 1, 2023. The adoption of this guidance did not have a material impact on the Company's financial statements and related disclosures, refer to Note 2.

Allowance for doubtful finance loans receivable

The Company uses historical default experience over the lifetime of loans to calculate a loss rate for the lending book. The allowance for credit losses related to finance loans receivable is calculated by multiplying the lifetime loss rate with the month-end outstanding lending book. The allowance for credit losses related to Merchant finance receivables is calculated by adding together actual receivables in default plus multiplying the lifetime loss rate with the month-end outstanding lending book. Prior to July 1, 2023, the Company regularly reviewed the ageing of outstanding amounts due from borrowers and adjusted its allowance based on management's estimate of the recoverability of the finance loans receivable. The Company writes off finance loans receivable and related fees and interest if a borrower is in arrears with repayments for more than three months or is deceased. The Company writes off merchant and working capital finance receivables and related fees when it is evident that reasonable recovery procedures, including where deemed necessary, formal legal action, have failed.

The Company's updated accounting policy regarding allowance for credit losses is as follows:

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1. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Allowance for doubtful accounts receivable (continued)

Allowance for doubtful accounts receivable

The Company uses 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. Prior to July 1, 2023, a specific provision is established where it is considered likely that all or a portion of the amount due from customers renting safe assets, point of sale ("POS") equipment, receiving support and maintenance or transaction services or purchasing licenses or SIM cards from the Company will not be recovered. Non-recoverability is assessed based on a quarterly review by management of the ageing of outstanding amounts, the location and the payment history of the customer in relation to those specific amounts.

Recent accounting pronouncements not yet adopted as of December 31, 2023 March 31, 2024

In November 2023, the 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). The Company is currently assessing the impact of this guidance on its financial statements and related disclosures.

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

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

Accounts receivable, net and other receivables

The Company's accounts receivable, net, and other receivables as of December 31, 2023 March 31, 2024, and June 30,

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.

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2.

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

Accounts receivable, net and other receivables (continued)

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 but, generally speaking, account balances in distress are identified very early and specific allowances are immediately created.

Subsequent recovery from distressed accounts are is generally limited.

Current portion of amount outstanding related to sale of interest in Carbon represents the amount due from the purchaser related to the sale of the Company's interest in Carbon Tech Limited ("Carbon"), an equity-accounted investment of $
0.25
million, net of an allowance for doubtful loans receivable of $
0.25
million as of June 30, 2023, and an amount due related to the sale of the loan, 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
$

Contractual maturities of held to maturity investments

Summarized below is the contractual maturity of the Company's held to maturity investment as of December 31, 2023 March 31, 2024:

... to Note 6 for additional information. The Company received the outstanding $

illion related to the sale of the equity-accounted investment in October 2023, and has reversed the allowance for doubtful

million during the six nine months ended December 31, 2023. The Company has not yet received the outstanding $
0.75
million related to the sale of the
million loan, and continues to engage with the purchaser to recover the outstanding balance.

	Cost basis	Estimated fair value
	$	$
	(1)	
Due in one year or less	3.0	3.0
Due in one year through five years	7.625	8.625
Due in five years through ten years	0	-
Due after ten years	-	-
Total	$ -	$ -

(1) The estimated fair value of the Cedar Cellular note has been calculated utilizing the Company's portion of the assets held by Cedar Cellular, namely, Cedar Cellular's investment in Cell C.

(2) The cost basis is zero ($ - million).

Investment in % of Cedar Cellular Investment 1 (RF) (Pty) Ltd % 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, 2023, March 31, 2024, and June June 30, 2023, respectively was $ - (zero).

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

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2.

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

Finance loans receivable, net

The Company’s finance loans receivable, net, as of December 31, 2023 March 31, 2024, and June 30, 2023, is presented in the table below:

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 $ 13.1 15.2 million as of December 31, 2023 March 31, 2024 have been pledged as security for the Company’s revolving credit facility (refer to Note 8).

Allowance for credit losses

Microlending finance loans receivable

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

The Company has operated this lending book for more than five years and uses historical default experience over the lifetime of loans in order to calculate a lifetime loss rate for the lending book. The allowance for credit losses related to these microlending finance loans receivables is calculated by multiplying the lifetime loss rate with the month end outstanding lending book. The lifetime loss rate as of each of July 1, 2023 July 1, 2023 and December 31, 2023, March 31, 2024, was 6.50 %. The performing component (that is, outstanding loan payments not in arrears) of the book exceeds more than 99 98 % of outstanding lending book as of December 31, 2023 March 31, 2024.

Merchant finance loans receivable

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

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2.

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

Finance loans receivable, net (continued)

Allowance for credit losses (continued)

Merchant finance loans receivable (continued)

The Company has recently (in the past two years .
) commenced lending to merchant customers and uses historical default experience over the lifetime of loans generated thus far in order to calculate a lifetime loss rate for the lending book. The allowance for credit losses related to these merchant finance loans receivables is calculated by adding together actual receivables in default plus multiplying the lifetime loss rate with the month-end outstanding lending lending book. The lifetime loss lifetime loss rate as of each of each of July 1, 2023 July 1, 2023 and December March 31, 2023, 2024, was approximately 1.18 %. The performing component (that is, outstanding loan payments not in arrears), under-performing component (...) non-performing component (that is, outstanding loans for which payments appeared to have ceased) of the book represents approximately 2 84

3. Inventory

The Company's inventory comprised the following categories as of December 31, 2023 March 31, 2024 and June 30, 2023:

	December March 31, 2023 2024	June 30, 2023
Raw materials	$ 2,719 2,437	$ 2,819
Work-in-progress	82 299	30
Finished goods	24,821 19,053	24,488
	$ 27,622 21,789	$ 27,337

As of December March 31, 2023 2024 and June 30, 2023, June 30, 2023, finished goods includes $ 7.8 6.0 million and $ 8.6 million, respectively, respectively, of Cell C airtime inventory that was previously classified as finished goods subject to sale restrictions. In support of Cell C airtime inventory that was previously C's classified as finished goods subject liquidity position to sale restrictions. In support of and pursuant Cell C's liquidity position and pursuant to Cell C's recapitalization process, the Company limited the resale of this airtime to its own distribution channels. On September 30, 2022, Cell C concluded its recapitalization process and the Company and Cell C entered into an agreement under which Cell C agreed to repurchase, from October 2023, up to ZAR 10 million of Cell C inventory from the Company per month. The amount to be repurchased by Cell C is calculated as ZAR 10 million less the face value of any sales made by the Company during that month.

The Company's ability to sell this airtime has increased significantly since the acquisition of Connect because Connect is a significant reseller of Cell C airtime. As a result, the Company has sold higher volumes of airtime through this channel than it did prior to the Cell C recapitalization, however, continued sales at these volumes is dependent on prevailing conditions continuing in the airtime market. If the Company is able to sell at least ZAR 10 million a month through this channel from October 1, 2023, then Cell C would not be required to repurchase any airtime from the Company during any specific month. The Company has agreed to notify Cell C prior to selling any of this airtime, however, there is no restriction placed on the Company on the sale of the airtime

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4. Fair value of financial instruments

Initial recognition and measurement

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

Risk management

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

Currency exchange risk

The Company is subject to currency exchange risk because it purchases components for its safe assets, that the Company

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

Translation risk

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

Interest rate risk

As a result of its normal borrowing activities, the Company's operating results are exposed to fluctuations in interest rates, which it manages primarily through regular financing activities. Interest rates in South Africa have been trending upwards in recent quarters but have now stabilized and are expected to remain at current levels, or perhaps even decline moderately over calendar 2024. Therefore,
ignoring the impact of changes to the margin on its borrowings (refer to Note 8), the Company expects its cost of borrowing to remain stable, or even to decline moderately, in the foreseeable future, however if the upward trend resumes the Company would expect higher interest rates in the future which will increase its cost of borrowing. 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. A significant amount of 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

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4. Fair value of financial instruments (continued)

Risk management (continued)

Equity price and liquidity risk

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

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

Financial instruments

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

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

based techniques that include option pricing models, discounted cash flow models, and similar techniques. Investments valued using such techniques are included in Level 3 investments.

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, 2023 March 31, 2024 and June 30, 2023, respectively, and valued Cell C at $

0.0

(zero) and $

0.0

(zero) as of of December 31, 2023, March 31, 2024, and June 30, 2023, respectively. The Company incorporates the

e cash into the cash flow forecasts and assumes that Cell C's

ver the forecast period. The The Company has increased

(1) translated from ZAR to U.S. dollars at exchange rates applicable as of

December March 31, 31, 2023, 2024.

Weighted Average Cost of Capital ("WACC"):

Between

(2) translated from ZAR to U.S. dollars at 1.0% increase decrease and 1.0% applicable as of June 30,

decrease increase in the WACC rate and the EBITDA margins respectively used in the Cell C valuation on December March 31, 2023, 2024, all amounts translated at exchange rates applicable as of December 31, 2023 March 31, 2024:

The following table presents the impact on the carrying value of the

The fair value of the Cell C shares as of December March 31, 2023, 2024, represented

Sensitivity for fair value of Cell C investment

1.0% increase

0% of the Company's total assets, including these including these shares.

1.0% decrease

Given the current market conditions, The Company utilized the latest revised business plan

shares. The Company expects to hold these shares for an extended period of time and that there will be short-term equity

provided by Cell C management for the period ended December 31, 2025 2027, for the December March 31, 2023, 2024,

price volatility with with respect to these shares particularly given that Cell C remains in a turnaround process.

Marketability discount:

and June 30,

2023, valuations.

Adjustments have been made to the WACC rate to reflect the Company's assessment of risk to Cell C achieving its business plan.

489 553 June 30, 2023)

The following key valuation inputs were used as of December 31, 2023 March 31, 2024 and June 30, 2023:

Minority discount:

EBITDA margin:

[redacted]

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4. Fair value of financial instruments (continued)

Financial instruments (continued)

Derivative transactions - Foreign exchange contracts

As part of the Company's risk management strategy, the Company enters into derivative transactions to mitigate exposures to foreign currencies using foreign exchange contracts. These foreign exchange contracts are over-the-counter derivative transactions. Substantially all of the Company's derivative exposures are with counterparties that have long-term credit ratings of "B"

(or equivalent) or better. The Company uses quoted prices in active markets for similar assets and liabilities to determine fair value

(Level 2). The Company has no derivatives that require fair value measurement under Level 1 or 3 of the fair value hierarchy.

The following table presents presents the Company's Company's assets measured at fair value fair value on a recurring basis as of December 31, March 31, 2024, 2023, according to the fair value hierarchy:

The Company had no

3.

The following table presents the Company's assets measured at fair value on a recurring basis as of June 30, 2023, according to the fair value hierarchy:

r Identical

ther
bservable

evel 2)

There have been no transfers in or out of Level 3 during the three and six nine months ended December 31, March 31, 2024 and 2023, and 2022, respectively.

Level 3)

Quoted Price in Active Markets for Identical Assets
(Level 1)

Total

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 nine months ended December 31, 2023 March 31, 2024 and 2022. 2023.

Assets

Investment in Cell C

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$

Related to insurance business:

Cash, cash equivalents and restricted cash (included in other long-term assets)

217 213

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4. Fair value of financial instruments (continued)

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 nine months ended December 31, 2023 March 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.

Carrying value

Assets

Summarized below is the movement in the carrying value of assets and liabilities measured at fair value on a recurring basis, and categorized within Level 3, during the three nine months ended December 31, 2022 March 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.

Carrying value

Assets

Balance as of December 31, 2023 March 31, 2024

Balance as of June 30, 2022

$

Foreign currency adjustment (1)

Balance as of December 31, 2022 March 31, 2023

Assets measured at fair value on a nonrecurring basis

The Company measures equity investments without readily determinable fair values at fair value on a nonrecurring basis. The fair values of these investments are determined based on valuation techniques using the best information available and may include quoted market prices, market comparables, and discounted cash flow projections. An impairment charge is recorded when the cost of the asset exceeds its fair value and the excess is determined to be other-than-temporary.

Refer to Note 5 for impairment charges recorded during the reporting periods presented herein. The Company has no liabilities that are measured at fair value on a nonrecurring basis.

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

Refer to Note 9 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2023, 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 March 31, 2024, and June 30, 2023, and June 30, 2023, was as follows:

Finbond

In December 2023, the Company sold its entire remaining equity interest in Finbond which comprised of

December 31, March 31,
June 30,
2023 2024 represented approximately
2023
% of Finbond's issued and outstanding ordinary shares immediately prior to the sale.
Finbond Group Limited ("Finbond")
-
%
27.8
%
Sandulela Technology (Pty) Ltd ("Sandulela")
49.0
%
49.0
%
SmartSwitch Namibia (Pty) Ltd ("SmartSwitch Namibia")
50.0
%
50.0
%

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

Equity-accounted investments (continued)

Finbond (continued)

August 2023 agreement to sell entire stake in Finbond

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 Company did no
t 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 cash proceeds received of ZAR
64.2
million ($
3.5

under our borrowing facilities, refer facilities, refer to Note 8
ns ended *December 31, 2023 March 31, 2023*
any sold
7,357,346
4,818,937
months ended December March 31,

Finbond impairments recorded during the six nine months ended December 31, 2023 March 31, 2024

As noted earlier, the Company has 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
equity-accounted investments in the Company's unaudited condensed consolidated statements of operations.
The following table presents the calculation of the loss on disposal of Finbond shares during the three and
Three months ended
Six Nine months ended
an assessment of its holding in Finbond, including the foreign currency translation reserve and other equity
account, as of September 30,
December March 31,
2023. The Company recorded an impairment loss of $
December March 31,
1.2
2024
million during the quarter ended September 30, 2023, which represented the difference between the determined fair value
2023
of the Company's interest in Finbond and the Company's carrying value, including the foreign currency translation reserve
2023 2024
(before the impairment). The Company used the price of ZAR
2023
0.2911
2022
referenced in the August
Loss on disposal of Finbond shares:
2023 agreement referred to above to calculate the determined fair value for Finbond.
Consideration received in cash
Finbond impairments recorded during the six nine months ended December 31, 2022 March 31, 2023
$
The Company considered the combination of the ongoing losses incurred incurred and reported by by Finbond and its its
3,508
lower share price as impairment indicators. The Company performed an impairment assessment of its holding in Finbond

$ As of September 30, 2022. The
Company recorded an impairment loss of $
$.1
3,508 million during the quarter ended September 30, 2022, related to the other-than-
temporary decrease in Finbond's value, which represented the difference between the determined fair value of the
Company's interest in Finbond and the Company's carrying value (before the impairment). The Company The Company
observed continued limited trading in Finbond
(2,112) on the JSE during the three months ended September 30, 2022, because a small number of shareholders owned
approximately
(2,112)
(160) its issued and outstanding shares between them. The Company calculated a fair value per share for Finbond by
applying a liquidity discount of foreign currency translation reserve from accumulated other comprehensive loss
(5,543)

18

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

Equity-accounted investments (continued)

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 have 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 is was expected to be paid as follows: 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. Both 2024 (the amount has not been received as of March 31, 2024 (refer to Note 2)). Both amounts are were included in the caption accounts receivable, net and other other receivables in the Company's unaudited condensed condensed consolidated balance sheet as of December 31, June 30, 2023. The Company does not expect to pay tax related to the sale of Carbon because the base cost of its investment exceeds the sales consideration received. The Company does not believe that it will be able to utilize the loss generated because Net1 BV does not generate taxable income.

Summarized below is the movement in equity-accounted investments and loans provided to equity-accounted investments during the six months ended December 31, 2023.

The Company has allocated the $ million received on closing to the sale of the equity interest and allocated the the equity interest and will allocate the subsequent funds received first to the sale of the equity interest and then to the loans.

The Company currently believes believed that the fair value of the Carbon shares provided as security is was $ 0 (zero), which is was in line with the the carrying value as of June 30, 2022, and has created an allowance for for doubtful loans receivable related to the $ 1.0 million previously due from from Etobicoke. The Company did not incur any significant transaction costs. The Company has included the gain of $ 0.25 million related related to the sale of the Carbon equity interest in the caption net caption net gain on disposal of equity-accounted investments in the Company's unaudited unaudited condensed consolidated statements of operations.

The following table presents the calculation of the gain on disposal of Carbon in September 2022:

Three months ended September 30,

Gain on disposal of Carbon shares:

Consideration received

Less carrying value

(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.

19

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

Other long-term assets

Summarized below is the breakdown of other long-term assets as of December March 31, 2023, 2024, and June 30, 2023:

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

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

Summarized below are the components of the Company's equity securities without readily determinable fair value and held to maturity investments as of December 31, 2023 March 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 June 30, 2023:

March 31,

Cost basis

Unrealized holding

2023 Cost basis

Unrealized investments

Unrealized holding

Unrealized holding

Carrying

gains losses

Carrying value

gains losses

value

Equity securities:

Investment in MobiKwik

Equity securities: (June 30, 2023:

Investment in MobiKwik

%) at fair value (Note 4)

$

26,993

$

26,993

49,304

$

$

49,304

Investment in

$0

$

% of MobiKwik (June 30, 2023:

76,297

$0

Investment in CPS

76,297

%)

Investment in CPS

76,297

76,297

20

6. **Goodwill and intangible assets, net**

Goodwill

Summarized below is the movement in the carrying value of goodwill for the six nine months ended December 31, 2023 March 31, 2024:

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

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

(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 March 31, 2023, 2024, and June 30, 30, 2023:

(8,876)

foreign currency adjustment

Consumer

,308 (297)

Carrying value

Balance as of June 30, 2023

,923 (270)

Aggregate amortization expense on the finite-lived finite-lived intangible assets for the three months ended December March 31, 2024 and 2023, and 2022, was was $ 3.6 million and $ 3.9 3.8 million, respectively. Aggregate amortization expense on the finite-lived intangible assets for the six nine months ended December 31, March 31, 2024 and 2023, and 2022, was $ million and $ million, respectively. Future estimated annual amortization expense for the next five Future estimated fiscal years and annual amortization expense for the next five fiscal years and thereafter, assuming exchange rates that prevailed on December March 31, 2023, is 2024, is presented in the table below.

ges

ves.

rate fluctuations and other relevant factors.

December 31, 2023 March 31, 2024

of June 30, 2023

Gross carrying value

Fiscal 2024 (six (three months ended December 31, 2023 March 31, 2024)

$ 7,409 3,594

amortization

21

7. **Assets and policyholder liabilities under insurance and investment contracts**

Reinsurance assets and policyholder liabilities under insurance contracts

Summarized below is is the movement in reinsurance movement in reinsurance assets and policyholder liabilities under insurance insurance contracts during the six nine months ended December 31, 2023 March 31, 2024:

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

The Company 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).

Reinsurance Assets

Assets and policyholder liabilities under investment contracts

Summarized below is the movement in assets and policyholder liabilities under investment contracts during the six nine months ended December 31, 2023: ended March 31, 2024:

Balance as of June 30, 2023

600)

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

649) (5,498)

Claims and decrease in policyholders' benefits under insurance contracts

Assets

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

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, 2023, for additional information regarding its borrowings.

Foreign currency adjustment

Balance as of June 30, 2023

South Africa

The amounts below have been translated at exchange rates applicable as of the dates specified. The 3-month Johannesburg

Balance as of December 31, 2023 March 31, 2024

Interbank Agreed Rate ("JIBAR"), the rate at which private sector banks borrow funds from the South African Reserve Bank, on

(244) 1,525

Increase in policyholder benefits under investment contracts

December March 31, 2023, 2024, was

8.40 8.35

(5) (8)

%. The prime rate, the benchmark rate at rate at which private sector banks lend to the public in South Africa, on on December 31, 2023, March 31, 2024, was

Claims and decrease in policyholders' benefits under investment contracts

11.75

%.

(44)

44

Foreign currency adjustment

(3)

(2) (8)

(14) (8)

Balance as of December 31, 2023 March 31, 2024

$

216 213

$

(216) (213)

22

8. Borrowings (borrowings)

South Africa (continued)

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, 2023, March 31, 2024, the Company's Company had not utilized ZAR 115.0 million ($ 6.3 million) any of its ZAR 200 million Facility G revolving credit facility. The interest rate on this facility as of December 31, 2023 March 31, 2024, was JIBAR plus 5.50 %.

On November 24, 2023, the Company, through its wholly owned subsidiary, Lesaka Technologies Proprietary Limited ("Lesaka SA"), entered into an Amendment and Restatement Agreement (the "Amendment"), which includes an Amended and Restated Senior

Facility G Agreement (“Facility G Agreement”) and an Amended and Restated Senior Facility H Agreement (“Facility H Agreement”)
(collectively, the “Loan Documents”) with FirstRand Bank Limited (acting through its Rand Merchant Bank division) (“RMB” or the
“Lenders”).
The Loan Documents were amended to include a Look Through Leverage (“LTL”) ratio, as defined in the Loan Documents, and expressed as times (“x”), to calculate the margin used in the determination of the interest rate. The LTL ratio is calculated as the Total
Attributable Net Debt, as defined in the Loan Documents, to the Total Attributable EBITDA, as defined in the Loan Documents, for the measurement period ending on a specified date.
Interest on Facility G and Facility H is based on the 3-month Johannesburg Interbank Agreed Rate (“JIBAR”) JIBAR in effect from time
to time plus a margin, margin, which as a result of the the
Amendment, from October 1, October 1, 2023, 2023, will be calculated as: (i)
5.50
% if the 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 Company used cash proceeds of ZAR
64.2
million ($
3.5
million) received from the sale of Finbond shares (refer to Note 5)
during the nine months ended March 31, 2024, to repay capitalized interest under Facility G and Facility H.

Available short-term facility - Facility E

As of March 31, 2024, December 31, the aggregate amount of 2023, the aggregate amount of the Company’s short-term South African overdraft facility with RMB was
ZAR
1.4 0.9
billion ($
76.5 47.7
million). As of December 31, March 2023, 31, 2024, the Company had utilized ZAR
0.4 0.1

23

8. Borrowings (borrowings)

South Africa (continued)

Nedbank facility, comprising short-term facilities

As of December March 31, 2023, 2024, the aggregate amount of the the Company’s short-term South African credit credit facility with Nedbank Limited
was ZAR
156.6
million ($
8.6 8.3
million). The credit facility represents indirect and derivative facilities of up to ZAR
156.6
million ($
8.6 8.3
million), which include guarantees, letters of credit and forward exchange contracts.
s of December March 31, 2023 2024 and June 30, 2023, the Company had utilized ZAR
nillion ($
nillion) and ZAR
1
($
ne 30, 2023: ZAR

Movement in short-term credit facilities

Summarized below are the Company’s short-term facilities as as of December 31, 2023, March 31, 2024, and the movement in the Company’s short-
rm facilities from as of June 30, 2023 to as of December 31, 2023 March 31, 2024:

.56.6
million) to enable the the bank to issue guarantees, letters of credit and forward exchange contracts (refer (refer to Note

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

24

8. Borrowings (continued)

Movement in long-term borrowings

Summarized below is the movement in the Company's long-term borrowing from as of as of June 30, 2023 to as of
December March 31,
31, 2023: 2024:

(1) Represents the effects of the fluctuations between the ZAR and the U.S. dollar.
(2) Interest on Facility G and Facility H was calculated based on the 3-month JIBAR in effect from time to time plus a
~~margin of, from~~ January 1, 2023 to September 30, 2023: (i)
5.50
% for as long as the aggregate balance under the Facilities is greater than
ZAR
800
million; (ii)
4.25

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, 2023 March

31, 2024 and 2022, 2023, was $ der the Facilities is equal to or less than ZAR
4.1 4.0
million and and $ der than
ZAR
350 million, respectively. Prepaid facility fees amortized amortized included in interest expense during the three months ended
December March 31, 2024
31, and 2023, and 2022, respectively, were $
0.4
million and $
0.3
million, respectively, is included in the caption cost of goods sold, IT processing, servicing and servicing and support on the condensed consolidated statement of operations for the three months ended March 31, 2024 and 2023.
% if the aggregate balance under the Facilities is less than ZAR
350 million and $
0.2
million. From October 1, 2023,
interest is calculated at the rate expense incurred incurred under the Company's the Company's
K2020 and
Interest on Facility A and Facility B is calculated based on JIBAR plus a margin, of
CCC facilities relates to borrowings utilized to fund a portion of of the Company's merchant finance loans receivable and
3.75
% in effect from time to time.
this interest
(4) Interest is charged at prime plus
expense of $
0.95
% per annum on the utilized balance.
(5) Interest is charged at prime plus
0.75
% per annum on the utilized balance.

Interest expense incurred during the nine months ended March 31, 2024 and 2023, was $
12.1
million and $
5.7
million,
respectively. Prepaid facility fees amortized included in interest expense during the nine months ended March 31, 2024
and 2023,
respectively, were $
0.3
million and $
0.4
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 $
1.1
million and $
0.5
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 nine months ended December 31, 2023 March 31, 2024 and 2022. 2023.

25

9. Other payables

Summarized below is the breakdown of other payables as of December March 31, 2023, 2024,
and June 30, 2023:

(1) Clearing accounts and vendor wallet balances (previously defined as transactions-switching funds payables) as of
June 30,
2023, were previously included in Other and have been reclassified to separate captions to conform with presentation as of
December March 31,
31, 2023. 2024. Clearing accounts and vendor wallet balances may fluctuate due to day (weekend or public holiday) on
which the Company's quarter or year end falls because certain elements of transactions within these accounts are not settled
Other includes deferred income, client deposits and other payables.

10. Capital structure

Issue of shares to Connect sellers pursuant to April 2022 transaction

The total purchase consideration pursuant to the Connect acquisition in April 2022 includes
3,185,079
shares of the Company's common stock. These shares of common stock will be issued in three
equal tranches on each of the first, second and third anniversaries of the April 14, 2022 closing. The Company legally
issued
1,061,693
shares of its common stock, representing the second tranche, to the Connect sellers in April 2024, and this had no impact
on the number of shares, net of treasury, presented in the unaudited condensed consolidated statement of changes during
the nine months ended March 31, 2024 because the
3,185,079
shares are included in the number of shares, net of treasury, as of June 30, 2023, and March 31, 2024.

The table below 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 nine months ended December 31, ended March 31,
and 2022, respectively, and the number of of shares, net of treasury, excluding non-vested equity shares

11. Accumulated other comprehensive loss

The table below presents the change in accumulated other comprehensive loss per component during the three months

	December March 31,	June 30,
	2023 2024	2023
Clearing accounts		

Non-vested equity shares that have not vested as of end of period

Three months ended

3,205,580 3,131,469 nts' settlement obligation

December March 31, 2023 2024

3,289,920 3,194,463

Accumulated

Number of shares, net of treasury, excluding non-vested equity shares that have not vested

foreign currency

61,237,943 61,335,361

translation reserve

60,461,417 60,549,437

Total

5,958

Balance as of October 1, 2023 January 1, 2024

$

$

45,115 49,470

(196,081) (189,378)

$

36,297

(196,081)

Release of foreign currency translation reserve related to the disposal of Finbond equity securities (Note 5)

26

11. Accumulated other comprehensive loss (continued)

The table below presents the change in accumulated other comprehensive loss per component during the three months ended

Three months ended

December 31, 2022

Accumulated

foreign currency

translation reserve

The table below presents the change in accumulated other comprehensive loss per component during the six months ended

188,490)

curities

Three months ended

March 31, 2023

Movement in foreign currency translation reserve

Accumulated

The table below presents the change in accumulated other comprehensive loss per component during the nine months ended

translation reserve

Six

January 1, 2023

Release of foreign currency translation reserve related to disposal of Finbond equity securities

Nine months ended

Movement in foreign currency translation reserve related to equity-accounted investment

December March 31, 2023 2024

Accumulated Accumulate

The table below presents the change in accumulated other comprehensive loss per component during the six nine months ended

d foreign currency foreign currency translation reserve

March 31, 2022, 2023:

of July 1, 2023 March 31, 2023

Six Nine months ended of foreign currency translation reserve related to disposal of Finbond

December March 31, Note 2022 2023

Accumulated Accumulate

During The movement in the three and six 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. of foreign currency translation reserve related to liquidation of subsidiaries

During the nine months ended December March 31, 2023, and the 2024, three and six months ended December 31, 2022, the Company

reclassified losses of $ in foreign currency translation reserve related to equity-accounted

31

12. Stock-based compensation (continued)

Stock option and restricted stock activity (continued)

Restricted stock (continued)

As fully 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, 2023, June 30, 2023, the Company granted a further 12,962 and 32,405 shares to an advisor during the three and six nine months ended December March 31, 2022, 2023, respectively, which were ineligible for transfer until the earlier of December 31, 2022, or the occurrence of the agreed event.

Vesting

In July 2023, 78,800 shares of restricted stock granted granted to Mr. Meyer Meyer vested. In November, and December 2023, February 2024 and March 2024, an aggregate of 176,906 261,003 shares of restricted stock granted granted to employees vested. Certain employees elected for 50,975 53,486 shares to be withheld to satisfy the withholding tax liability on the vesting of their shares. These 50,975 53,486 shares have been included in the Company's treasury shares.

In July 2022, 78,801 shares of restricted stock granted to Mr. Meyer vested and he elected for 35,460 shares to be withheld to satisfy the withholding tax liability on the vesting of these shares. In November, and December 2022, February 2023 and March 2023, an aggregate of 66,893 155,358 shares of restricted stock granted to employees vested vested. and they Certain employees elected for 30,102 38,008 shares to be withheld to satisfy the withholding tax liability on the vesting of these shares. These 65,562 73,468 (35,460 plus 30,102 38,008) shares have been included in our treasury shares.

Forfeitures

During the three and nine months ended March 31, 2024, respectively, employees forfeited 55,539 and 77,668 shares of restricted stock following their termination of employment with the Company. During the three and six nine months ended December March 31, 2023, respectively, employees forfeited 14,002 and 22,129 18,798 shares of restricted stock following their termination of employment with the the Company.

No shares of restricted stock were forfeited during the three and six months ended December 31, 2022.

Stock-based compensation charge and unrecognized compensation cost

The Company recorded a stock-based compensation charge, net during the three months ended December 31, 2023 March

32

12. Stock-based compensation (continued)

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

The Company recorded a stock-based compensation charge, net during the six nine months ended December March 31, 2024 and 2023, and 2022, of

$

3 6.0

million respectively, which comprised:

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, 2023, March 31, 2024, the total unrecognized compensation cost related to stock options was $

0.9 0.6

million, which the Company

Company expects to recognize over two years

. As of March December 31, 2023, 2024, the total the total unrecognized compensation cost related to to restricted stock awards was $

7.4 5.9

million, which the Company expects to recognize over two years

13. (Loss) Earnings per share

As of December 31, 2023, March 31, 2024, and June 30, 2023, June 30, 2023, respectively, the Company recorded a deferred tax asset of $

0.9 1.1

million and $

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 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 nine months ended March 31, 2024 ended December 31, and 2023. Accordingly, 2023 and 2022. the two-class 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, 2023.

million, related to the stock-based compensation charge charge recognized related to employees related to employees of Lesaka. As of Lesaka. As March 31, 2024, and of December 31, 2023, and June June 30, 2023, respectively, the Company the Company recorded a valuation allowance of $

0.9 1.1

million and $

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 nine months ended December March 31, 2023 2024 and 2022, 2023, reflects only undistributed earnings. The computation below of basic (loss) earnings per share excludes the income 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.

Total charge

Allocated to cost of goods sold, IT

million, related to the deferred tax asset asset because it does not believe that that the stock-based compensation deduction stock-based compensation would be utilized deduction would as it be utilized as it does not anticipate generating sufficient sufficient taxable income in the United States. The Company deducts the difference between the market market value on the date of exercise by the by the option recipient and the exercise price from income subject to taxation in in the United States.

Selling, general and administration

Six Nine months ended December 31, 2023 March 31, 2024

Stock-based compensation charge

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 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

51,704 42,770

and

76,572 185,902

shares of common stock stock from the calculation of diluted loss per share during during the six nine months ended December March 31, 2023 2024 and 2022, 2023, because the effect would be antidilutive.

Reversal of stock compensation charge related to stock options forfeited

(17) (129)

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. 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, 2023.

(17) (129)

Total - six nine months ended December 31, 2023 ended March 31, 2024

33

13. (Loss) Earnings per share (continued)

The vesting conditions for all awards made are discussed in Note 17 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended June 30, 2023.

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:

Options to purchase
755,006 742,543
shares of the Company's common stock at prices ranging from $
3.50
to $
11.23

14. Supplemental cash flow information

per share were outstanding during the three months months ended March December 31, 2024, 2023, but were not

The following table presents supplemental cash flow disclosures for the three and six nine months ended

computation of diluted (loss) earnings per per share because the options' exercise price was exercise

ice was greater than the average market price of the Company's common stock. Options to purchase

022: 2023:
3,949
hares of the Company's common stock at prices ranging from $
1.23

were
d in in the computation of diluted (loss) earnings per share because the options' exercise price was greater
erage market price of the Company's common stock. The options, which expire at various dates through
2032, were still outstanding as of December 31, 2023 March 31, 2024.

hree months ended
onths ended

34

14. 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 8 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, 2023 March 31, 2024 and

Leases

The following table presents supplemental cash flow disclosure related to leases for the three and nine months three ended March 31

15. Revenue recognition

Disaggregation of revenue

The following table presents the Company's revenue disaggregated by major revenue streams, including a reconciliation to reportable segments for the three months ended December 31, 2023 March 31, 2024:

Three months ended

March 31,

2023

2022 2024

2023

35

15. Revenue recognition (continued)

Disaggregation of revenue (continued)

The following table presents the Company's revenue disaggregated by major revenue streams, including a reconciliation to reportable segments for the three months ended December 31, 2022 March 31, 2023:

The following table presents the Company's revenue disaggregated by major revenue streams, including a reconciliation to reportable segments for the six nine months ended December 31, 2023 March 31, 2024:

36

15. Revenue recognition (continued)

Disaggregation of revenue (continued)

The following table presents the Company's revenue disaggregated by major revenue streams, including a reconciliation to reportable segments for the six nine months ended December 31, 2022 March 31, 2023:

16. Leases

The Company has entered into leasing arrangements classified as operating leases under accounting guidance. These leasing arrangements relate primarily to the lease of its corporate head office, administration offices and branch locations through which the

Company operates its consumer business in South Africa. The Company's operating leases have remaining lease terms of between one and five years

. The Company also operates parts of its consumer business from locations which it leases for a period of less than one year
. The Company's operating lease expense during the three months ended March December 31, 2024 and 2023 and 2022 was $
0.7 0.9
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, 2023 March 31, 2024 and June 30, 2023:

$0.7

six months ended December 31,

$2.2
million and $
respectively.
December March 31, also entered into short-term leasing arrangements, primarily for the lease of branch locations and June 30, other locations, to operate its consumer business in South Africa. The Company's short-term lease expense during the
2023 2024 months ended
December March 31, 2024 and 2023, was $
0.9
Right of use assets obtained in exchange for lease obligations:
Weighted average remaining lease term (years) and 2022, was $
3.7 3.4
1.8 million, and $
0.9
Weighted average discount rate (percent)
million, respectively. The Company's short-term lease expense during the nine six months ended December 31,
10.0 10.1
2023 March 31, 2024 and 2022, 2023, was $
9.7
1.9 2.8
million and $
2.0 3.0

37

16. Leases (continued)

The maturities of the Company's operating lease liabilities as of December 31, 2023 March 31, 2024 are presented below:

17. Operating segments

Operating segments

The Company discloses segment information as reflected in the management information systems reports that its chief operating decision maker uses in making decisions and to report certain entity-wide disclosures about products and services, and the countries in which the entity holds material assets or reports material revenues. A description of the Company's operating segments is contained in
Note 21 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended
June 30, 2023.

The Company analyzes its business and operations in terms of two inter-related but independent operating segments:
(1) Consumer Division ("Consumer") and (2) Merchant Division ("Merchant").
external customers for the three months ended
December March 31,
2024 and 2023, and 2022, is as follows:

Maturities of operating lease liabilities
d June 30,
024 (excluding six nine months to December 31, 2023 March 31, 2024)

1,863 2,070
Revenue

[redacted]

38

17. Operating segments (continued)

Operating segments (continued)

The reconciliation of the reportable segment's revenue to revenue from external customers for the six nine months ended December March 31,
31, 2024 and 2023, and 2022, is as follows:

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 of profit or or loss. The The Company does does not allocate allocate once once-off items, -off items, stock-based compensation charges, certain certain lease charges expenses
("Lease adjustments"), 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, interest expense, income tax expense or (earnings) 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 compliance with the Sarbanes-Oxley Sarbanes-Oxley Act of 2002; non-employee non-employee directors' fees; legal fees; group and US-listed group and US-listed related audit fees; and directors and officer's insurance premiums. Once-off items represents non-recurring expense items, including costs related to acquisitions and transactions consummated or ultimately not pursued. Unrealized loss FV for currency

-market adjustments on certain intercompany accounts. The Lease adjustments reflect lease charges directors
nd the officer's Stock-based compensation adjustments reflect stock-based compensation expense and are both excluded
lculation of Segment Adjusted
BITDA insurance and premiums. are therefore reported as reconciling Once-off items to represents non-recurring
ems, including costs related to acquisitions and transactions consummated or ultimately not pursued.
nrealized loss FV for currency adjustments represents foreign currency mark-to-market adjustments on certain
ny accounts. The Lease adjustments reflect lease expenses and the Stock-
ed compensation expense and are both excluded from the calculation
t
BITDA and are therefore reported as reconciling items to reconcile the reportable segments' Segment Adjusted
the to the Company's loss before income income tax expense
liation of the reportable segments' measure of profit or loss to loss before income taxes for the three and six
024 and 2022, 2023, is as follows:
),244

7,985

91

six nine months ended December 31, 2023 March 31, 2024

0,435

39

17. Operating segments (continued)

Operating segments (continued)

The following tables summarize supplemental segment information for the three and six nine months ended December 31, 2023 March 31, 2024 and 2022: 2023:

Three months ended

Six Nine months ended

December March 31,

December March 31,

2024

2023

2022 2024

2023

2022

(1) Segment Adjusted EBITDA for Merchant Consumer includes retrenchment costs of $ 0.01 million (ZAR (ZAR 0.2 million) and Consumer for the three months ended March 31, 2024. Segment Adjusted EBITDA for Merchant includes retrenchment costs of $ 0.1 0.2 million (ZAR 1.3) and Consumer for the three months ended December 31, 2023. Segment Adjusted EBITDA for Merchant and Consumer includes retrenchment costs of $ 0.2 million (ZAR 4.7) includes retrenchment costs of

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

18. Income tax

Income tax in interim periods

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

For the three and six nine months ended December March 31, 2023, 2024, the Company's effective tax rate was impacted by the tax expense recorded by the Company's effective profitable tax South rate African was operations, impacted 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 expense recorded by the Company's assets 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.

For the three and six nine months ended December March 31, 2022, 2023, the Company's effective tax rate was impacted by a reduction in the enacted South African corporate income tax rate from 28 % to 27

Revenues

Merchant

(ZAR 70 121,013

million) for the six nine months ended December 31, 2023 March 31, 2024.

249,231 370,244

$ 4.7 416,348,508

144,577 138,917

260,854 394,822

Segment Adjusted EBITDA

Merchant

(1)

% from January 2023 (but backdated to July 1, 2022), the tax expense recorded by the Company's effective 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 rate

40

18. Income tax (continued)

Uncertain tax positions

The Company had no
significant uncertain tax positions during the three months ended December March 31, 2023, 2024, and therefore, the Company had no
accrued interest related to uncertain tax positions on its balance sheet. The Company does no
t expect changes related to its unrecognized tax benefits will have a significant impact on its results of operations or financial position in the next 12 months.

The Company has no
unrecognized tax benefits. The Company files income tax returns mainly in South Africa, Botswana and in the U.S. federal jurisdiction. As of December 31, 2023, of March 31, 2024, the Company's South South African subsidiaries are no longer subject to income tax tax examination by the South by the African Revenue Service for South African Revenue Service for periods before June 30, 2019. The Company is subject to is subject to income tax in other other jurisdictions outside South Africa, none of which are individually material to its financial position, statement of which are individually material to its financial position, statement of cash flows, or results results of operations.

19. Commitments and contingencies

Guarantees

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

RMB has issued guarantees to these third parties amounting to ZAR
33.1
million ($
1.8
million, translated at exchange rates applicable as of December 31, 2023) March 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, 2023) March 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.

20. Subsequent events

April 2024 acquisition of Touchsides

The Company has not recognized any obligation related to these guarantees in its consolidated balance sheet as of

In February 2024, the Company announced that it had entered into a Sale and Purchase Agreement with Heineken International B.V. to acquire all of the outstanding equity of Touchsides (Pty) Ltd ("Touchsides"). The transaction was subject to customary closing conditions and the final conditions were satisfied in April 2024. The transaction closed on April 30, 2024. The total purchase consideration was ZAR 42.4 million ($ 2.3 million, translated at exchange rates applicable as of April 30, 2024). The Company has commenced the purchase price allocation related to this transaction however the process had not been completed as of the date of filing this Quarterly Report on Form 10-Q on May 8, 2024. The Company expects to include its preliminary allocation of the purchase consideration related to this acquisition in its audited financial statements to be included in its Annual Report on Form 10-K for the year ended June 30, 2024. The Company incurred transaction related expenditures of $ 0.1 million (ZAR 1.9 million) during the nine months to March 31, 2024, related to the acquisition of Touchsides. These transaction related expenditures are included in the caption selling, general and administration in the Company's unaudited condensed consolidated statements of operations. The Company does not expect to incur any significant expenditure related to the transaction during the three months ended June 30, 2024.

The maximum potential amount that the Company could pay under these guarantees is ZAR

million, translated at exchange rates applicable as rates applicable as of December 31, 2023). March 31, 2024). As disclosed in Note 8, the Note 8, Company has ceded and the Company pledged certain bank accounts to has ceded Nedbank and pledged as security certain bank accounts to Nedbank as for security for the guarantees issued by

3). March 31, 2024). The guarantees have reduced the amount available under its indirect and derivative derivative facilities in the Company's short-term short-term credit facilities described in Note 8.

Contingencies

urse
ate, will

41

20. Subsequent events (continued)

April 2024 acquisition of Touchsides (continued)

Touchsides is a leading data analytics and insights company, and highly complementary with the Company's Kazang business.
The acquisition significantly expands Kazang's footprint in the informal market by adding an established solution that has a strong presence in the licensed tavern market. Touchsides has an installed base of over
10,000
active POS terminals across South Africa's licensed taverns, and processes more than
1.5
million transactions per day. The business provides platform-as-a-service ("PaaS") and software-as-a-service ("SaaS") solutions to licensed tavern outlets, enabling the measurement of sales activity in real-time,
management of stock levels and informing commercial decisions, such as pricing and promotional offers.
The data and insights gathered from these terminals carries significant value and potential to be monetized through relationships with a range of clients including fast-moving consumer goods companies, retailers, wholesalers, route-to-market suppliers, and financiers.
Touchsides has been allocated to our Merchant operating segment.

May 2024 offer to acquire Adumo

On May 7, 2024, the Company entered into a Sale and Purchase Agreement (the "Sale Agreement") with Lesaka SA"), and the
Sellers (as defined in the Sale Agreement). Pursuant to the Sale 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 purchase consideration will be settled through the combination of an issuance of
17,279,803
shares of the Company's common stock and a ZAR
232
million ($
12.5
million, translated at the prevailing rate of $1: ZAR 18.5 as of May 7, 2024) payment in cash. The share issuance was based off of the Base Purchase Consideration, as defined in the Sale Agreement, of ZAR
1.59
billion
($
85.9
million), less the ZAR
232
million cash payment, implying a value per share of $
4.25
((ZAR
1.59
billion – ZAR
0.232
billion)/
17,279,803
/ ZAR 18.5).
The Sale Agreement includes customary covenants from the Sellers, including (i) to conduct the business in the ordinary course during the period between the execution of the Sale Agreement and the closing of the transactions contemplated thereby, and (ii) not to engage in certain kinds of transactions during such period.
The closing of the transaction is 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) the Company obtaining confirmation from RMB that it has sufficient funds to settle the cash portion of the purchase consideration; (iv) approval of Adumo shareholders (including preference shareholders) with respect to entering into and implementation of the Sale Agreement, and all other agreements and transactions contemplated in the Sale Agreement by June 6,
2024; (v) obtaining the consent of Adumo's lender regarding Adumo entering into and implementing the Sale Agreement, and all other agreements and transactions contemplated in the Sale Agreement by June 5, 2024, (vi) the release of certain

42

20. Subsequent events (continued)

May 2024 offer to acquire Adumo (continued)

The Company has agreed to file a resale registration statement with the United States Securities and Exchange Commission
("SEC") covering the resale of the Consideration Shares by the Sellers following the closing of the transaction. The Company has undertaken to use its commercially reasonable efforts to have the resale registration statement declared effective by the SEC following its filing.
The Company incurred transaction-related expenditures of $
0.6
million and $
0.7

million during the three and nine months ended
March 31, 2024, related to the process to acquire Adumo. The Company expects to incur a further $
2.2
million in transaction costs over the remainder of the 2024 calendar year.

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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, 2023, 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, 2023. 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 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

As of the date hereof, we have been successfully executing on our strategic objectives in building a leading fintech platform and consolidating Southern African fintech. We experienced continued improvement in our financial performance in the second third quarter of fiscal 2024 with year-on-year revenue and profitability quarter of fiscal 2024 with revenue and profitability improving improvements in both Merchant and Consumer and Merchant divisions.

Revenue of $143.9 million (ZAR 2.7 billion) was within our revenue guidance of ZAR 2.7 billion to ZAR 2.8 billion for second quarter of fiscal 2024, despite prevailing negative macroeconomic and socio-political conditions in South Africa.

Operating income of $2.3 million $0.8 million (ZAR 42.5 million 15.0 million) improved 211% 145% in ZAR, compared with an operating loss of $2.2 million $1.9 million

(ZAR 38.4 million 33.2 million) during the second third quarter of fiscal 2023.

We exceeded the upper end of guidance of ZAR 170.0 million to Group ZAR 180.0 million for second quarter of Adjusted fiscal 2024, delivering

Group Adjusted EBITDA, a non-GAAP measure, of $9.6 million (ZAR180.5 million) this quarter, a 38% increase in ZAR, compared to $7.4 non-GAAP measure, of $9.7 million (ZAR 130.4 183.3 million) this quarter, a 47% increase in ZAR, compared to $7.0 million (ZAR 124.6 million) in the second third quarter of fiscal 2023. The continued resilience of our business model in a challenging environment for our merchant and consumer customers demonstrates the value they our customers place on our services.

Our mission at Lesaka is to enable merchants to compete and grow, and to improve the lives of South Africa's grant beneficiaries by providing access to innovative financial technology and value creating solutions. We achieve this through our vision to build and operate the leading full-service fintech platform in Southern Africa, offering cash management, payment processing, Value Added Services ("VAS"), capital and financial services to merchants and underserved consumers.

Merchant Division

The year-on-year growth achieved by our Merchant Division is supported by the robust secular trends underpinning financial inclusion, cash management and digitalization for micro, small and medium enterprises ("MSMEs"), especially in the informal micro-markets merchant sector of South Africa, where we have a leading market position.

42

Performance in our Merchant division has been driven by:

●

Kazang, our VAS and supplier payments business, business, continues to see adoption adoption by MSMEs in the informal micro-merchants, sector, with a 23% 12% year-on-year year-on-year and 3% quarter-on-quarter growth in the number of devices deployed.

o

We had approximately 79,000 80,250 devices deployed as of December March 31, 2023, 2024, compared to approximately 64,500 71,800 devices devices one year ago, and approximately 77,000 79,000 devices at the end of the second quarter of the first quarter. fiscal 2024. Core to our device placement placement strategy is the decision to focus on quality business and optimizing our existing fleet, which is reflected in a healthy throughput and margin per device.

44

o

As previously communicated, our product mix for VAS sales has changed with low-margin money transfers reducing significantly due to a change in the regulatory environment impacting the industry as a whole. Money
transfers currently comprise approximately 5% of VAS throughput, compared to approximately 25% a year ago.
This change has had limited impact on profitability as money transfers are a very low margin product.

o

VAS throughput, excluding the low-margin money transfers, increased 21% 36% year-on-year and 17% quarter-on-quarter. was flat The quarter-on-
quarter, as expected, which is due to seasonality, with second quarter of our fiscal year is being traditionally our traditionally our strongest quarter due to higher activity over the year-end festive festive season benefitting certain product lines.

o

As communicated Whilst we saw since growth in our traditional VAS products of electricity, airtime and gaming, much of the fourth quarter growth has been driven by the uptake of our supplier payments platform by micro-merchants. of fiscal As we bring more suppliers onto
2023, our product platform, mix for we VAS should sales has see changed these with low-

margin money transfers reducing significantly due to a change in the regulatory environment impacting the volumes industry as a whole. Money transfers currently comprise approximately 5% of VAS continue throughput, compared to approximately
25% growing. a Supplier year ago. This change has had limited impact on profitability as money transfers are a very low margin product.
o
VAS payment throughput excluding the low-margin money transfers, volumes increased 51% year-on-year and 16% quarter-on-quarter.
●
We provide card acquiring solutions in the informal sector via Kazang Pay and in the formal sector we through Card Connect.
Card-enabled POS devices increased to approximately 48,200 as of December 31, 2023, a year-on-year growth of 40% and quarter-on-quarter growth of 4%. Throughput on deployed devices increased 31% year-on-year and 15% quarter-on-quarter to R4.1 billion.
●
Our current Merchant Credit offering is Capital Connect in the formal SME market. Kazang Pay Advance in the informal sector remains suspended as we reported 100% in the previous third quarter quarter. compared to a year ago and now accounts for approximately 35% of our
VAS throughput volumes, compared to approximately 20% a year ago.
●
We provide card acquiring solutions to micro-merchants via Kazang Pay and to small and medium merchants through Card
Connect. Card-enabled POS devices increased to approximately 50,200 as of March 31, 2024, a year-on-year growth of 21%.
Throughput on deployed devices increased 21% year-on-year to R3.9 billion.
●
Our current Merchant Credit offering through Capital Connect in the SME market. Kazang Pay Advance in the micro-merchant sector remains suspended as we reported in the previous quarter. Capital Connect disbursed ZAR 219 170 million during this this quarter, compared to approximately ZAR 205 million 194 million in the comparable period last year, representing a 17% decrease. In the formal market we continue to see demand for our merchant credit offering however the deteriorating performance and financial strength of many of our merchants means they do not meet our credit criteria, resulting in fewer and smaller extensions. Whilst strict application of our credit criteria has led to negative growth, it has protected and maintained the quality of our book through this cycle. Our loan book as of December 31, 2023 was R253 million compared to R290 million as of December 31, 2022. 13% increase.
●
Our automated digital cash management offering, offerings, Cash Connect and Kazang Cash Connect, Vaults, effectively "puts "puts the bank" in approximately 4,480 merchants' 4,460
merchants' stores, compared to approximately 4,320 4,370 merchants' stores a year ago. We provide robust cash vaults in the ago. Cash Connect is a provider of robust cash vaults in SME
the formal sector and is building a presence in the informal sector. micro-merchant sector, Cash Connect which enables enables our merchant customer base to significantly significantly mitigate their operational risks pertaining to cash management and to cash management and security. Our new ATM recycler is generating strong interest, and this business has been transferred to our Merchant Division, where it has been fully integrated into our
Cash Connect proposition as an alternative to vaults for our merchant customers.

Acquisition of Touchsides

In February 2024 we announced the acquisition of Touchsides (Pty) Ltd ("Touchsides"). ("Touchsides"), With closing conditions now satisfied, the deal closed on April 30, 2024. Touchsides is a leading data analytics and insights company, and insights company, from Heineken International B.V. The Touchsides and Kazang businesses are highly complementary and the acquisition with our significantly expands Kazang business. The acquisition significantly expands Kazang's footprint in the informal market by adding an established solution
that has a strong presence in the informal licensed tavern market. Touchsides has an installed base of over 10,000 active POS terminals across

South Africa's informal licensed taverns, and processes more and processes than 1.5 million transactions more than per day. The business provides platform-as-a-service ("PaaS") and 1.5 million software-as-a-service ("SaaS") transactions per solutions to day. licensed tavern The business outlets, enabling provides platform-as-a-service the measurement (PaaS) and software-as-a-service (SaaS) solutions to licensed tavern outlets, enabling the measurement of sales activity in real-time, real-time, management of stock levels and informing commercial decisions, such as pricing and promotional offers. The data and insights gathered from these terminals carries significant value and promotional offers. potential to be monetized through relationships with a range of clients including fast-moving consumer goods companies, retailers, wholesalers, route-to-market suppliers, and financiers. Touchsides has been allocated to our Merchant operating segment.

Acquisition of Adumo

In May 2024 we announced the acquisition of Adumo RF (Pty) Ltd, subject to shareholder and regulatory approvals. Adumo's serves approximately 23,000 active merchants. Its primary operations include card acquiring, integrated payments and reconciliation services processing more than ZAR 24 billion in throughput per year. The company's corporate card services cover over 245,000 card holders supporting payroll, incentives, rewards, and expense management. Adumo ISV, also known as GAAP, is the largest POS and
Software-as-a-Service solutions provider to the hospitality sector in Southern Africa.

The data acquisition continues Lesaka's consolidation in the Southern African fintech sector. The Lesaka ecosystem will serve 1.7
million active consumers, 119,000 merchants, and insights gathered from these terminals carries significant value processes over ZAR 250 billion in throughput (cash, card and potential to VAS) per year. The
Group will have over 3,300 employees operating on the ground in 5 countries: South Africa, Namibia, Botswana, Zambia, and Kenya.

The acquisition enhances Lesaka's strengths in both the consumer and merchant markets.

The purchase consideration will be monetized settled through relationships the combination of an issuance of 17,279,803 shares of our common stock with and a ZAR 232 million ($12.5 million, translated at the prevailing rate of $1: ZAR 18.5 as of May 6, 2024) payment in cash. The share issuance was based off of the Base Purchase Consideration, as defined in the transaction agreement, of ZAR 1.59 billion ($85.9
million), less the ZAR 232 million cash payment, implying a range value per share of clients $4.25 including ((ZAR fast-moving 1.59 consumer billion goods – companies, ZAR retailers, 0.232 wholesalers, billion)/
17,279,803 route-to-market / ZAR suppliers, 18.5). and Adumo shareholders include Apis Growth Fund I, a private equity fund managed by Apis Partners LLP
We
financiers. ("Apis"), African Rainbow Capital ("ARC"), the acquisition largest shareholder of Crossfin Holdings (RF) Pty Ltd ("Crossfin"), as well as the International Finance Corporation and Adumo management.

The transaction is expected to close in March the third calendar quarter of 2024 and it is subject to shareholder and regulatory approvals and satisfaction of customary closing conditions.

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Consumer Division

Over the past six quarters we have We consistently referenced the three levers continue to deliver against our strategic focus areas underpinning our growth strategy in our Consumer Division and our mission to improve the lives of returning South Africa's grant beneficiaries. Progress made on these levers: (i) growing active EasyPay
Everywhere ("EPE") account numbers, (ii) increasing average revenue per user ("ARPU") through cross-selling and (iii) cost optimization, and (iv) enhancing our product and service offering, resulted in revenue and profitability growth in the Consumer Division to profitability – (i) growing active EasyPay Everywhere ("EPE") account numbers, (ii) increasing average revenue per user ("ARPU") through cross-selling and (iii) cost optimization. With the progress made on these levers and the improved performance in third quarter of the Consumer division we are now focusing on enhancing our product and service offering.

43 fiscal 2024.

The progress on our three key initiatives is as follows:

●

Driving customer acquisition o

Gross EPE account activations, for the permanent base, during our current quarter showed significant improvement due year-on-year improvement due to various strategic initiatives. We achieved approximately 122,000 63,000 gross account activations in the second third quarter, compared to approximately 38,000 in the 43,000 in the second third quarter of fiscal 2023. After accounting for churn, net active account growth for the quarter was approximately 28,000 accounts, compared to approximately 1,000 92,000 accounts, compared to approximately 10,000 in third second quarter of fiscal 2023.

o

Our total active EPE transactional account base stood at approximately 1.4 million 1.46 million at the end of December 2023, March 2024, of which more than approximately 1.2 1.28 million (or more than 85%) (or approximately 87%) are permanent grant recipients. The balance balance comprises

Social Relief

of Distress ("SRD") grant recipients, which was introduced introduced during the COVID pandemic and extended in calendar year 2023.

o

Our priority is to grow our permanent grant recipient customers base, where we can build deeper relationships by offering other 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.

o

The South African Post Office, which is the largest service provider to South African grant beneficiaries, experienced increasing grant distribution and financial challenges during the last two quarters, resulting in many grant beneficiaries migrating to alternative financial service providers. The measures taken by EasyPay Everywhere over the past 18 months to enhance our products, sales, onboarding and customer service capabilities put us in a good position to benefit from this migration.

●

Progress on cross selling

EasyPay Loans

o

We originated approximately 278,000 266,000 loans during the quarter with our consumer loan book, before allowances, increasing 26% 28% to ZAR 509 million as at March 31, 2024, compared to ZAR 397 to ZAR 503 million as at December 31, 2023, compared to ZAR 398 million as of December 31, 2022. March 31, 2023.

o

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, and growth in EPE bank account customer base and improved cross-selling capabilities.

o

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 during the current quarter.

o

The portfolio loss ratio, calculated as the loans written off during the period as a percentage of the total loan book, remained at approximately 6% on an annualized basis, in line with the first quarter and second quarter of fiscal 2024.

EasyPay Insurance

o

Our funeral insurance product continued its strong growth and is a material contributor to the improvement in our overall ARPU. We have been able to improve customer penetration to more than 30% of our active permanent grant account base as of December March 31, 2023, 2024, compared to approximately 25% 28% as of December March 31, 2022. 2023. Approximately 46,000

42,000 new policies were written in the quarter, compared to approximately new policies were written 36,000 in the comparable period in the quarter, fiscal 2023.

The total compared to number of approximately 29,000 in the comparable period in fiscal 2023. The total number of active policies has grown by 31% by 34% to approximately 384,000 414,000 policies as as of December March 31, 2024, 31, 2023, compared to December 31, 2022 March 31, 2023.

ARPU

o

ARPU for our permanent client base has increased to over approximately ZAR 85 90 for the second third quarter of fiscal 2024, from from approximately ZAR 74 78 in the second third quarter of fiscal 2023.

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Notwithstanding the challenging operating environment, our Merchant and Consumer Divisions continue to demonstrate the resilience of our business model, which is firmly underpinned by the relevance and value of our offering to our target market.

Management changes

The Board has appointed Ali Mazanderani as Executive Chairman and Kuben Pillay as Lead Independent Director. Chris Meyer will conclude his tenure as Group CEO on February 29, 2024. During his nearly three years as Group CEO, Chris has led the successful turnaround and building majority of the Lesaka Mr. fintech Meyer's platform. responsibilities Chris will remain a director of Lesaka. Ali Mazanderani will assume the as Executive Chairman role on February 1, 2024. Ali has been a member of the Lesaka board since 2020 and he played a lead role in setting the vision to build the leading fintech platform in Southern Africa that set Lesaka on its journey. He presented this strategy to the market at Lesaka's Q4 2020 earnings call and has played a key role in Lesaka's evolution, serving as a board director and a member of the Capital Allocation Committee.

Ali brings deep experience to the Lesaka executive team and is a well-known and respected global fintech leader and entrepreneur. Ali is co-founder and Chairman of Lesaka Teya, on a March 1, leading 2024. European Ali Mazanderani has been fintech integral to the development of Lesaka's strategy and has been a Non-Executive Director since 2020. As part of the change in leadership, Mr. Kuben Pillay, step down as our Chairman on January 31, 2024, and has commenced his served role as a Lead Independent Director of Lesaka on February 1, 2024.

director

of
global
fintech companies, including StoneCo in Brazil and Network International

in the UAE.

Improvement in our Broad Based Black Economic

Empowerment (“B-BBEE”) rating to level 4

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

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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 2023, we made significant progress in terms of improving our empowerment credentials and in September 2023 we reported that our independently verified B-BBEE rating improved to a level 5 rating from a level 8 rating, simultaneously setting out our aim to achieve a level 4 rating by the end of fiscal year 2024. We achieved this target during the second quarter of fiscal 2024 and have received an independently verified B-BBEE rating of level 4.

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, 2023:

- 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.

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45
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, 2023 March 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, 2023, March 31, 2024, including the expected dates of adoption and effects on our financial effects on our financial condition,
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
Six Nine months ended
Year ended
December March 31,
December March 31,
June 30,
2023
2022 2024
2023
2022 2024
2023
2023
ZAR : $ average exchange rate
18.7313
17.6279 17.7506
18.6885 18.7536
17.3240 17.4641
17.7641
Highest ZAR : $ rate during period
19.4568
18.3617 18.6008
19.4568
18.3617 18.6008
19.7558
Lowest ZAR : $ rate during period
18.2076

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46 47

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 six months ended March 31, 2024 and 2023, vary slightly December 31, 2023 from the averages shown in the table above. and 2022, vary Except 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:

Three months ended
Six Nine months ended
Year ended
Table 2
December March 31,
December March 31,
June 30,
2023
2022 2024
2023
2022 2024
2023
2023
Income and expense items: $1 = ZAR
18.7108 18.8780
17.5160 17.9318
18.7124 18.7571
17.2482 17.4037
17.9400
Balance sheet items: $1 = ZAR
18.2982 18.8760
17.0212 17.7936
18.2982 18.8760
17.0212 17.7936
18.8376
We have translated the the results of operations and of operations and operating segment information for the three and six nine months ended March ended December 31,
31, 2023, 2024, provided in in the tables below using the actual average exchange exchange rates per month (i.e. for each of October 2023, November
2023, and December January 2024, February 2023 2024,
and March 2024 for the third second quarter of fiscal fiscal 2024) between the USD and ZAR in order to to reduce the reconciliation reconciliation of information information presented to our chief operating 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 exchange rates per

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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 Note 17 to those statements. Our chief chief operating decision maker is was our Group
Group Chief Executive Officer until February 29, 2024 and is he our Executive Chairman evaluates from March 1, segment 2024, and each of them 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 once-off items (as

defined below), stock-based compensation charges, depreciation and amortization,

impairment of goodwill or other other intangible assets,
certain lease charges expenses ("Lease adjustments" expenses"), other items (including gains or losses on disposal of investments, fair value adjustments to equity securities, fair of investments, fair value adjustments to equity securities, fair value adjustments to currency options), interest interest income, interest expense, income tax expense or loss from from equity-accounted equity-
accounted investments to our reportable segments. Once-off items represents non-recurring expense items, represents including costs related to non-recurring acquisitions and transactions consummated or ultimately not pursued. The Lease expenses reflect lease expenses (refer to Note 16 to our unaudited condensed consolidated financial statements) and the Stock-based compensation adjustments reflect stock-based compensation expense items, including costs related to acquisitions and transactions consummated or ultimately not pursued. The
Lease adjustments reflect lease charges and 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.
Group both Adjusted excluded EBITDA from represents the calculation of Segment Adjusted EBITDA after and are therefore reported as reconciling items to reconcile the reportable segments' Segment Adjusted EBITDA to our loss before income tax expense.
Group Adjusted EBITDA represents Segment Adjusted EBITDA after deducting Lease expenses and group costs. Refer also
"Results of
Operations—Use of Non-GAAP Measures" below.
Connect is included for the entire year to date of fiscal 2024 and 2023.
We analyze our business and operations in terms of two inter-related but independent operating segments: (1) Merchant Division
and (2) Consumer Division. In addition, corporate activities that are impracticable to allocate directly to the operating segments, as well as any inter-segment eliminations, are included in Group costs. Inter-segment revenue eliminations are included in Eliminations.

Third quarter of fiscal 2024 compared to third quarter of fiscal 2023

The following factors had a significant impact on our results of operations during the third quarter of fiscal 2024 as compared with the same period in the prior year:

●

Higher revenue:

Our revenues increased 9% in ZAR, primarily due to an increase in low margin prepaid airtime sales and other value-added services, as well as higher transaction, insurance and lending revenues, which was partially offset by lower hardware sales revenue in our POS hardware distribution business given the lumpy nature of bulk sales;

- ***Operating income generated:*** Operating profitability continues to improve as a result of the increase in the trading activity as noted above off of a stable selling, general and administration base;
- ***Lower net interest charge:*** The net interest charge decreased to $4.0 million (ZAR 74.6 million) from $4.5 million (ZAR 81.0 million) primarily due to higher interest rates; and
- ***Foreign exchange movements:*** The U.S. dollar was 5% stronger against the ZAR during the third quarter of fiscal 2024 compared to the prior period, which adversely impacted our U.S. dollar reported results.

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Revenue increased by $7.8 million (ZAR 0.3 billion), or 5.8% (in ZAR, 13.1%), primarily due to the increase in low margin prepaid airtime sales and other value-added services, as well as higher transaction, insurance and lending revenues, which was partially offset by lower hardware sales revenue in our POS hardware distribution business given the lumpy nature of bulk sales.

Cost of goods sold, IT processing, servicing and support increased by $5.4 million (ZAR 0.2 billion), or 5.0% (in ZAR, 12.3%),

primarily due to the increase in low margin prepaid airtime sales, which were partially offset by the benefits of various cost reduction initiatives in Consumer and lower insurance-related claims.

Selling, general and administration expenses decreased by $2.0 million (ZAR 8.5 million), or 8.4% (in ZAR 2.1%). The decrease was primarily due to the benefits of various cost reduction initiatives in Consumer and lower stock-based compensation charges, which were partially offset by higher employee-related expenses and the year-over-year impact of inflationary increases on certain expenses. 50

Depreciation and amortization expense decreased by $0.1 million $0.2 million, or 1.8% 3.1%, and in ZAR increased by ZAR 5.2 million 2.2 million or 5.0% 2.1%.

In the ZAR, the increase was due to an increase in depreciation expense related to additional POS devices deployed.

Transaction costs related to Adumo acquisition includes fees paid to external service providers associated with legal, commercial,

financial and tax due diligence activities performed and other legal and advisory services procured.

Our operating income (loss) margin for margin for the second third quarter of fiscal 2024 and 2023 was 0.6% and(1.4) 1.6% and(1.6)%, respectively. We discuss the components of operating loss margin under "—Results of operations by operating segment."

We did not record any changes in the fair the fair value of equity interests in MobiKwik and Cell C during the third the second quarter of fiscal 2024

2024 or 2023, respectively. We continue to carry our investment in Cell C C at $0 (zero). Refer to Note Note 4 for the methodology and inputs used used in the fair value calculation for Cell C.

We recorded a loss of $0.3 million during the third quarter of fiscal 2023 related to the disposal of a minor portion of our investment in Finbond.

Interest on surplus cash increased to $0.5 million (ZAR 9.1 $0.6 million (ZAR 11.9 million) from $0.4 million (ZAR 6.8 million), primarily due to higher interest rates.

Interest expense increased to $4.8 from $0.5 million (ZAR 90.3 million) 8.4 from $4.4 million (ZAR 76.9 million), primarily due to higher interest rates.

Interest expense decreased to $4.6 million (ZAR 86.5 million) from $5.0 million (ZAR 89.4 million), primarily as a result of lower interest expense incurred on certain of our borrowing for which we were able to negotiate lower rates of interest towards the end of calendar 2023, which was partially offset by higher overall base interest rates and higher overall borrowings during the second third quarter of fiscal 2024 compared with 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 during the latter half of fiscal 2023. quarter.

Fiscal 2024 tax expense was $(0.7) $0.9 million (ZAR 17.6 million) compared to a tax benefit of $(0.9) million (ZAR (12.8) (15.4) million) compared to $0.4 million in (ZAR 6.4 million) in fiscal 2023. Our effective 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 incurred by certain of our South African businesses and and the associated valuation allowances created created related to the deferred tax

tax assets recognized regarding net operating losses incurred by these entities.

Our effective tax rate for fiscal 2023 was impacted by the tax rate for fiscal 2023 was impacted by a reduction in the enacted South African corporate income tax rate from

28% to 27% from January 2023 (but backdated to July 1, 2022), the tax expense recorded by our profitable South African operations,

a deferred tax 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

49 51

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 March 31

and cost of sales, while only earning a relatively small margin. This significantly depresses the Segment Adjusted Segment Adjusted EBITDA margins shown by the business.

52

Our Segment Adjusted EBITDA margin (calculated (calculated as Segment Adjusted EBITDA Adjusted EBITDA divided by revenue) for the second third quarter of of fiscal 2024 and 2023 was 6.8% 6.9% and 7.6% 7.0%, respectively.

Prepaid airtime sales

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

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

We sell a variety of products through our distribution channels, including prepaid airtime, prepaid electricity, gaming vouchers.

We refer to these products collectively as VAS.

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

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

Consumer

Segment revenue increased primarily due to more higher transaction fees generated from the higher EPE account holders base, higher insurance premiums collected and lending revenues and following an increase in lending revenue as a result of an increase in loan originations. This increase in revenue has translated into improved profitability, together with the cost reduction which was partially initiatives initiated in fiscal offset by higher 2022 insurance-related claims and through fiscal 2023, have higher employee-related translated into a turnaround expenses and in the Consumer

Division and the realization year-over-year impact of sustained positive Segment Adjusted EBITDA. inflationary increases on certain expenses.

Our Segment Adjusted EBITDA margin for the second third quarter of fiscal 2024 and 2023 was 17.6% 24.3% and 3.7% 10.4%, 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 2024 decreased compared decreased modestly compared with the prior period period due to lower external external audit, legal and consulting legal fees and and lower provision for executive bonuses, which was partially offset offset by higher employee costs. (base salary) costs, consulting fees and travel

First half of expenses.

Year to date fiscal 2024 compared to first half of year to date fiscal 2023

The following factors factors had a significant significant impact on our our results of operations operations during the year the first half to date fiscal of fiscal 2024 as compared as compared with the same period in the prior year:

- ***Higher revenue:***

Our revenues increased 16% 14% in ZAR, primarily due to an increase in low margin prepaid airtime sales and other value added value-added services, as well as as higher transaction, insurance and lending revenues, which was partially offset by lower hardware sales revenue in our POS hardware distribution business given the lumpy nature of bulk sales;

- ***Operating income generated:***

Operating profitability was achieved following years of operating losses as a result of the various cost reduction initiatives in Consumer implemented in prior periods as well as the contribution from Connect;

- ***Higher net interest charge:***

The net interest charge increased to $8.8 12.8 million (ZAR 164.3 239.0 million) from million) from $7.6 $12.1 million (ZAR 131.5 211.3 million) primarily due to higher interest rates; and

- ***Foreign exchange movements:***

The U.S. dollar was 8% stronger against the ZAR during the first half of year to date fiscal 2024 compared compared to the prior period, which adversely impacted our U.S. dollar reported 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,

	2023	**2022**	**%**
	$ '000	**$ '000**	**change**
Revenue	279,982	260,854	7%
Cost of goods sold, IT processing, servicing and support	221,756	209,352	6%
Selling, general and administration	44,056	46,448	

(5%)
Depreciation and amortization
11,669
11,917
(2%)
Operating income (loss)
2,501
(6,863)
nm
Reversal of allowance for EMI doubtful debt receivable
250
-
nm
Net gain on disposal of equity-accounted investments
-
136
nm
Interest income
934
800
17%
Interest expense
9,731
8,424
16%
Loss before income tax expense
(6,046)
(14,351)
(58%)
Income tax expense
950
395
141%
Net loss before loss from equity-accounted investments
(6,996)
(14,746)
(53%)
Loss from equity-accounted investments
1,362
2,599
(48%)
Net loss attributable to us
(8,358)
(17,345)
(52%)

51

53

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

	Nine months ended March 31,		
	2024	**2023**	**%**
	$ ’000	**$ ’000**	**change**
Revenue	418,176	394,822	6%
Cost of goods sold, IT processing, servicing and support	329,610	314,651	5%
Selling, general and administration			

compensation charges.

54

Depreciation and amortization expense decreased by $0.2 million $0.4 million, or 2.1% 2.4%, and in ZAR increased by ZAR 12.5 million 16.0 million or 6.1% 5.1%.

In the ZAR, the increase was due to an increase in depreciation expense related to additional POS devices deployed.

Transaction costs related to Adumo acquisition includes fees paid to external service providers associated with legal, commercial,
financial and tax due diligence activities performed and other legal and advisory services procured.
Our operating income (loss) margin for the first half of year to date fiscal 2024 and 2023 was 0.9% 0.8% and (2.6) (2.2)%, respectively. We We discuss the components of operating loss margin under "—Results of operations by operating segment."
We did not record any changes in the fair value of equity interests in MobiKwik and Cell C during the first half of year to date fiscal 2024 or or 2023, respectively.
During the first half of year to date fiscal 2024, we received an outstanding amount of $0.3 $0.3 million related to the sale Carbon in fiscal 2023,
which resulted in the reversal of an allowance for doubtful loans receivable of $0.3 million recorded in fiscal 2023.
We
recorded a gain of $0.3 $0.3 million million related to the disposal of our entire interest in Carbon during the first half of fiscal 2023. our entire interest in Carbon during the year to date fiscal 2023. Refer to Note 5 to our unaudited condensed consolidated financial statements for additional information regarding this disposal.
We recorded a net loss of $0.2 million comprising a loss of $0.4 million related to the disposal of a minor portion of our investment in Finbond and a $0.25 million gain related to the disposal of our entire interest in Carbon during the year to date fiscal 2023. Refer to
Note 5 to our unaudited condensed consolidated financial statements for additional information regarding this disposal.
Interest on surplus cash increased to $0.9 1.6 million (ZAR 17.4 29.3 million) from $0.8 1.3 million (ZAR 13.8 22.1 million), primarily due to higher interest rates.
Interest expense increased to $9.7 million (ZAR $14.3 million 181.8 million) from (ZAR 268.3 million) $8.4 million (ZAR from $13.4 million 145.3 million), primarily (ZAR 233.3 million), primarily as a result of of higher overall interest rates and higher overall borrowings during the first half of year to date fiscal 2024 compared with comparable period in the the prior year to date, which was was partially offset offset by lower interest expense incurred on certain of our borrowing for which which we were able able to negotiate lower rates of interest during the latter half of fiscal 2023 and again towards the end of calendar 2023.
Fiscal 2024 tax expense was $(1.0) million (ZAR (17.7) million) $1.9 million (ZAR 35.2 million) compared to $0.4 million a tax benefit of $(0.5) million (ZAR (8.1) million) in
(ZAR 6.8 million) in fiscal 2023. Our
effective tax rate for fiscal 2024 was impacted by by the tax expense recorded by our profitable South South African operations,
a deferred tax
benefit related to to acquisition-related intangible asset amortization, non-deductible expenses, the on-going losses incurred by certain of our incurred by certain of our South African businesses and and the associated valuation allowances created related to the deferred deferred tax assets recognized regarding regarding net operating losses incurred by these entities.
Our effective tax rate for fiscal 2023 was impacted by a reduction in the enacted South African corporate income tax rate from
28% to 27% from January 2023 (but backdated to July 1, 2022), 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.
The table below presents the relative (loss) earnings from our equity-accounted investments:
Table 10
Nine months ended March 31,
2024
2023
$ %
$ '000
$ '000
change
Finbond
(1,445)
(2,631)
(45%)
Share of net loss
(278)
(1,521)
(82%)
Impairment
(1,167)
(1,110)

5%
Other
126
49
157%
(1,319)
(2,582)
(49%)

Our effective tax rate for fiscal 2023 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. The table below presents the relative (loss) earnings from our equity-accounted investments:

Table 10
Six months ended December 31,
2023
2022
$ %
$ ’000
$ ’000
change
Finbond
(1,445)
(2,631)
(45%)
Share of net loss

(278)

55

Results of operations by operating segment

The composition of revenue and the contributions of our business activities to operating

53 loss are illustrated below:

Table 12 11

In South African Rand United States Dollars

Six Nine months ended December March 31,

2023 2024

% of

2022 2023

% of

% change

Operating Segment

ZAR $ ’000

total

ZAR $ ’000

total

Consolidated revenue:

Merchant

4,657,516 370,244

89%

3,974,261 348,508

88%

17% 6%

56

Merchant

Segment revenue increased due to the increase in prepaid in low margin airtime vouchers sold and other value-added services provided, which was partially offset prepaid airtime by a lower sales and other value-added services, which was partially offset by lower number of hardware sales revenue given in our POS hardware distribution business given the lumpy nature of bulk sales. The bulk sales as well as lower revenue generated from a decrease in certain valued-added services transaction volumes processed (such as international money transfers). In ZAR, the increase in Segment Adjusted EBITDA EBITDA is primarily due to the higher sales activity, which which was partially offset by lower hardware sales. sales

Our Segment Adjusted EBITDA margin for the first half year of to date fiscal 2024 and 2023 was 6.7% 6.8% and 7.4% 7.3%, respectively.

Consumer

Segment revenue increased primarily due to more transaction fees generated from the higher EPE account holders base, higher insurance revenues, and an increase in lending revenue as a result of an increase in loan originations. This increase in revenue, together with the cost reduction initiatives initiated in fiscal 2022 and through fiscal 2023, have translated into a turnaround in the Consumer Division and the realization of sustained positive Segment Adjusted EBITDA in year to date fiscal 2024 compared with year to to date fiscal 2023. Consumer Segment Adjusted EBITDA during the year to date fiscal 2024 was also impacted by higher credit losses (as a result of an increase in originations) and higher insurance-related claims (as a result of a higher number of insurance policies) compared with the year to date fiscal 2023.

Our Segment Adjusted EBITDA margin for the first half of year to date fiscal 2024 and 2023 was 16.8% 19.5% and (2.7)% 1.8%, respectively.

Group costs

Our group costs for fiscal 2024 decreased compared with the prior period due to lower external audit, legal and consulting fees and lower provision for executive bonuses, which was partially offset by higher employee costs. costs and travel expenses.

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. performance and trends. We believe that this measure is helpful to users of our financial information understand key operating performance and trends in our business because it excludes certain non-cash expenses (including depreciation and amortization and stock-based compensation charges) and income and expenses that we consider once-off in nature.

Non-GAAP Measures

Group Adjusted EBITDA is earnings before interest, tax, depreciation and amortization ("EBITDA"), adjusted for non-operational transactions (including loss on disposal of equity-accounted investments, gain related to fair value adjustments to currency options), (earnings) loss from equity-accounted investments, stock-based compensation charges, lease adjustments and once-off items.

Lease adjustments reflect lease charges and once-off items items. Once-off items represents non-recurring income and expense items, including costs related to related to acquisitions and transactions consummated or ultimately not pursued.

Lease expenses which were previously excluded from the calculation of Group Adjusted EBITDA have now been included in the calculation. This change is in response to comments received from the staff of the SEC in March 2024 regarding our non-GAAP financial reporting. Comparative information has been adjusted to conform with the updated presentation.

54 57

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

Table 13

Three months ended

working

56 59

Long-term borrowings

We have aggregate long-term borrowing outstanding of ZAR 2.6 billion ($135.7 million translated at exchange rates as of March
31, 2024) as described in Note 8. These borrowings include outstanding long-term borrowings obtained by Lesaka SA of ZAR 1.0
billion, including accrued interest, which was used to partially fund the acquisition of Connect. The Lesaka SA borrowing arrangements were amended in March 2023 to include a ZAR 200 million revolving credit facility. We used this revolving credit facility during the nine months ended March 31, 2024, and settled all drawn in full as of March 31, 2024, with the full balance available for utilization in the future. In contemplation of the Connect transaction, Connect obtained total facilities of ZAR 1.3 billion, which were utilized to repay its existing borrowings, to fund a portion of its capital expenditures and to settle obligations under the transaction documents, and which has subsequently been upsized for its operational requirements and has an outstanding balance as of March 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.

Restricted cash

We have credit facilities with RMB in order to access cash to fund our ATMs in South Africa. Our cash, cash equivalents and restricted cash presented in our consolidated statement statement of cash flows as of December March 31, 2023, 2024, includes restricted cash of $23.5 of $4.4 million related to cash withdrawn from our debt facility 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 on our consolidated balance sheet.

We have also entered into cession and pledge agreements with Nedbank related to our Nedbank indirect credit facilities and we have ceded and pledged certain bank accounts to Nedbank. The funds included in these bank accounts are restricted as they may not be withdrawn without the express permission of Nedbank. Our cash, cash equivalents and restricted cash presented in our consolidated statement of cash flows as of December 31, 2023 March 31, 2024, includes restricted cash of $0.1 million $0.1 million that has been ceded and pledged.

Cash flows from operating activities

Second Third quarter

Net cash provided by operating activities during the third quarter of fiscal 2024 was $19.2 million (ZAR 362.1 million) compared to net cash used in operating activities of $5.1 million (ZAR 91.6 million) during the second third quarter of fiscal 2024 was $0.6 million (ZAR 10.9 million) compared to $3.4 million (ZAR 59.9 million) during the second quarter of fiscal 2023. Excluding the impact of income taxes, our cash provided of income taxes, our cash provided by operating activities during the second third quarter of fiscal 2024 was positively impacted by the contribution from Merchant and Consumer, Christmas which was partially offset by growth in our consumer and merchant finance loans receivable books consumer and temporary working merchant finance loans receivable books and temporary working capital movements within our merchant business as a result of quarter-end transaction processing activities closing on a Sunday, and further impacted by a Sunday public holiday on April 1, 2024, and which were During We didn't pay any significant taxes during the second third quarter of fiscal 2024, 2024. During the third quarter of fiscal 2023, we paid first second provisional South African tax payments of $0.3 of $0.1 million million (ZAR 1.3 million) 5.1
million) related to our certain Connect entities' 2023 tax year and South African tax payments related to prior years of $0.1 million (ZAR 1.3 million). During the second that had quarter of fiscal 2023, we paid first provisional South African tax payments of $2.5 million (ZAR 42.6 million) related to our 2023
tax year, and additional second provisional South African tax payments of $0.01 million (ZAR 0.2 million) related to our 2022 tax year. not yet been aligned with ours.

Taxes paid during the second third quarter of fiscal 2024 and 2023 were as follows:

Table 16

Three months ended December March 31,

2024

2023

2022 2024

2023

2022

$

$
ZAR
ZAR
‘000
‘000
‘000
‘000
First provisional payments
2,662 1
2,463 -
49,516 18
42,582 -
Taxation paid related to prior years Second provisional payments
69 36
10 280
1,328 691
180 5,090
Tax refund received
-
(141) (7)
-
(2,570) (128)
-
Total South African taxes paid
2,731 30
2,332 280
50,844 581
40,192 5,090
Foreign taxes paid
75 58
50 156
1,409 1,072
889 2,759
Total tax paid
2,806 88
2,382 436
52,253 1,653
41,081

First half

Net cash provided by operating activities during the first half of fiscal 2024 was $4.0 million (ZAR 74.0 million) compared to net cash used in operating activities of $4.2 million (ZAR 73.1 million) during the first half of fiscal 2023. Excluding the impact of income taxes, our cash provided by operating activities during the first half of fiscal 2024 was positively impacted by the contribution from Merchant and Consumer, which was partially offset by growth in our consumer and merchant finance loans receivable books and temporary working capital movements within our merchant business as a result of quarter-end transaction processing activities closing on a Sunday and settled in the following week.

During the first half of fiscal 2024, we paid first provisional South African tax payments of $0.6 million (ZAR 12.2 million) related to our 2023 tax year and South African tax payments related to prior years of $0.6 million (ZAR 12.2 million). During the first half of fiscal 2023, we paid first provisional South African tax payments of $3.0 million (ZAR 50.8 million) related to our 2023 tax year, and additional second provisional South African tax payments of $0.2 million (ZAR 3.4 million) related to our 2022 tax year. 7,849

57 60

Year to date

Net cash provided by operating activities during the year to date of fiscal 2024 was $23.1 million (ZAR 434.0 million) compared to net cash used in operating activities of $9.3 million (ZAR 162.7 million) during the year to date of fiscal 2023. Excluding the impact of income taxes, our cash provided by operating activities during the third quarter of fiscal 2024 was positively impacted by the contribution from Merchant and Consumer, which was partially offset by growth in our consumer and merchant finance loans receivable books and temporary working capital movements within our merchant business as a result of quarter-end transaction processing activities closing on a Sunday, and further impacted by a public holiday on April 1, 2024, and which were settled in the following week.

During the year to date 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).

During the year to date of fiscal 2023, we paid first provisional South African tax payments of $3.0 million (ZAR 50.8 million) related to our 2023 tax year, and additional second provisional South African tax payments of $0.5 million (ZAR 8.5 million) related to our 2022 tax year and as discussed above.

Taxes paid during the first half year to date of fiscal 2024 and 2023 were as follows:

Table 17

Six Nine months ended December March 31,

2024

2023

2022 2024

2023

2022

$

$

ZAR

ZAR

‘000

‘000

‘000

‘000

First provisional payments

61

Cash flows from financing activities

Second Third quarter

During the second third quarter of fiscal 2024, we utilized $69.0 million $24.9 million from our South African overdraft facilities to fund our ATMs

and our cash management business through Connect, and repaid $66.0 43.4 million of those facilities. We utilized $8.6 million $3.4 million of our long-

term borrowings to fund the acquisition of certain capital expenditures and for working capital requirements. We repaid $3.2 7.2 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.

During the second third quarter of fiscal 2023, we utilized $167.2 $128.2 million from our South African overdraft facilities to fund our ATMs

and our cash management business through Connect, and repaid $136.0 million of those facilities. We utilized approximately $12.9

million of our long-term borrowings to fund our merchant finance loans receivable business, to fund the acquisition of certain capital expenditures and for working capital requirements. We repaid approximately $2.0 million of long-term borrowings in accordance with our repayment schedule. We received $0.1 million from the exercise of stock options. 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 and to settle the strike price due and taxes due related to the exercise of stock options.

Year to date

During the year to date of fiscal 2024, we utilized $153.5 million from our South South African overdraft facilities to to fund our ATMs
and our cash management business through Connect, and repaid $175.4 $172.2 million of those facilities. We utilized $9.1 $14.4 million of our long-term borrowings to fund our merchant finance loans receivable business and to fund the acquisition of certain capital expenditures. We repaid $1.7 million of long-term borrowings in accordance with our repayment schedule. We received $0.3 million from the exercise of stock options. We also paid $0.1 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 2024, we utilized $128.6 million from our South African overdraft facilities to fund our ATMs and our cash management business through Connect, and repaid $128.8 million of those facilities. We utilized $11.0 million of our long-
term borrowings to fund the acquisition of certain capital expenditures and for working capital requirements. We repaid $5.8 million $13.1
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.

During the first half year to date of fiscal 2023, we utilized $313.3 million $441.5 million from our South African overdraft facilities to fund our ATMs
and our and our cash management business through through Connect, and repaid $312.3 million $448.3 million of those facilities. We utilized $10.1 million approximately $23.0
million of our long-
term long-term borrowings to fund our merchant finance loans receivable business, and to fund the acquisition of certain capital expenditures.
We repaid $3.3 million of certain capital expenditures and for working capital requirements. We repaid approximately $5.3 million of long-term borrowings in accordance with
accordance with our repayment schedule. We received $0.3 million $0.4 million from the exercise of stock options. We also paid $0.3 million $0.5 million to repurchase shares

shares from employees in order for the employees to settle taxes due related to the vesting of shares of restricted stock. stock and to settle the strike price due and taxes due related to the exercise of stock options.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Capital Expenditures

We expect capital capital spending for for the fourth third quarter of of fiscal 2024 2024 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 third quarter of fiscal 2024 and 2023 are discussed under "—Liquidity and Capital Resources—Cash Cash flows from investing activities." All of our capital expenditures for capital expenditures the past three fiscal for years were funded through internally generated funds, or, following 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 commitments as of December 31, 2023 March 31, 2023, of $0.1 million $0.2 million. We expect expect to fund these expenditures through internally generated funds and available available facilities.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

We have short and long-term borrowings in South Africa which attract interest at rates that fluctuate based on changes in the South African prime and 3-month JIBAR interest rates. The following table illustrates the effect on our annual expected interest charge, translated at exchange rates applicable as as of December 31, 2023, March 31, 2024, as a result of changes changes in the South African prime and 3-month JIBAR interest rates, using using our outstanding short and long-term borrowings borrowings as of December March 31, 2023. 2024. The effect of a a hypothetical 1% (i.e. 1% (i.e. 100 100 basis points) increase and a 1% decrease in the interest rates applicable to the borrowings as of December March 31, 2023, 2024, are shown. The The selected 1% hypothetical change does not reflect what could be considered the the best- or worst-case scenarios.

Table 18

As of December 31, 2023 March 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
22,345 18,644
1%
24,105 20,139
(1%)
20,585 17,150

60 63

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our executive chairman and our group chief executive officer and our group chief 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 Rule 13a-15(e)
promulgated under the Securities Exchange Act of Exchange Act of 1934, as amended, as of December March 31,
2023. 2024. Management recognizes that any controls and procedures, Management recognizes that any controls and procedures, no matter how well designed and operated, can can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on
Based on this evaluation, the group chief executive officer chairman and the group chief financial officer concluded that our disclosure
March
31,
disclosure controls and procedures were effective as of 2December 31, 2023.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting during the fiscal quarter ended December 31, March 31, 2024,
2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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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, 2023, 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. There 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, 2023. June 30, 2023.

Failure to complete, or delays in completing, the Adumo acquisition, could materially and adversely affect our results of operations and stock price.

The completion of the Adumo acquisition is subject to a number of conditions precedent, including receipt of shareholder and regulatory approvals and certain third-party consents. Some of these conditions are outside our control.

We will need to obtain approval from our shareholders to issues shares of our common stock to the Adumo sellers as part consideration of the purchase price. Under the terms of the of the transaction agreement we need to obtained this approval by no later than October 31, 2024. We will need to prepare and provide certain materials to our shareholders in order for them to approve the issuance of the shares to the Adumo sellers. We will need to engage external service providers to assist us with the preparation and distribution of these materials. The transaction may fail if we are unable to prepare these materials in a timely manner and obtain the necessary shareholder approvals.

To complete the acquisition, we must make certain filings with and obtain certain consents and approvals from various governmental and regulatory authorities. The regulatory approval processes may take a lengthy period of time to complete, and there can be no assurance as to the outcome of the approval processes, including the undertakings and conditions that may be required for approval, or whether the regulatory approvals will be obtained at all.

In addition, the completion of the acquisition is conditional on, among other things, no action or circumstance occurring that would result in a material adverse effect on the Adumo’s business operations or financial results.

We cannot provide any assurance regarding if or when all conditions precedent to the acquisition will be satisfied or waived. If, for any reason, the acquisition is not completed, or its completion is materially delayed and/or the transaction agreement is terminated,

the market price of our common stock may be materially and adversely affected.
In addition, if the acquisition is not completed for any reason, there are risks that (i) the announcement of the acquisition and (ii)
the dedication of management's attention and other of our resources to the completion thereof, could have a negative impact on our relationships with our stakeholders and could have a material adverse effect on our current and future operations, financial condition and prospects.

We may not realize some or all of the anticipated benefits from the Adumo acquisition.

Even if we complete the Adumo acquisition, we may experience unforeseen events, changes or circumstances that may adversely affect us. For example, we may incur unexpected costs, charges or expenses resulting from the transaction, including charges to future earnings if Adumo's business does not perform as expected. Our expectations regarding Adumo's business and prospects may not be realized, including as a result of changes in the financial condition of the markets that Adumo serves. In addition, there are risks associated with Adumo's product and service offerings or results of operations, including the risk of failing to comply with certain regulatory rules required to operate its business. Further, there are numerous challenges, risks and costs involved with integrating the operations of Adumo with ours. For example,
integrating Adumo into our company will require significant attention from our senior management which may divert their attention from our day-to-day business. The difficulties of integration may also be increased by cultural

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below presents information relating to purchases of shares of our common stock during the second third quarter of fiscal
2024:

Table 19
(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-23 Jan-24
-
-
100,000,000
Nov-23 Feb-24
(1)
26,925 2,511
4.55 3.68
-
100,000,000
Dec-23 Mar-24
(1)
24,050
3.14 -
-
100,000,000
Total
50,975 2,511
-

(1) Relates to the delivery of shares of our common common stock to us by certain of our employees to settle their income income tax liabilities.

These shares do not reduce the repurchase authority under the share repurchase program.
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 Exchange Act. During the quarter quarter ended December 31, 2023, March 31, 2024, no officers or or directors, as defined in in Rule 16a-1(f),
adopted
, modified, or terminated

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Item 6. Exhibits
The following exhibits are filed as part of this Form 10-Q:
Incorporated by Reference Herein
Exhibit
No.
Description of Exhibit
Included
Herewith
Form
Exhibit
Filing Date
10.44 10.46
Letter of Amendment, and Restatement Agreement, dated November January 22, 2024, among
24, 2023, between Lesaka Technologies Proprietary Proprietary Limited and FirstRand Bank Limited
Limited (as borrower), and FirstRand Bank Limited (acting
(acting through its Rand Merchant Bank division) (as , lender), and as
FirstRand Bank Limited (acting through its Rand Merchant lender, related to the amendment to the Senior Facility E
Bank division) (as facility agent) Agreement
8-K
10.1
December 1,
2023
10.45 January 23, 2024
Employment Agreement, dated as of December 4, 2023, 10.47
Consulting Agreement, dated as of March 1, 2024, between
Lesaka Technologies, Inc. and Ali Mazanderani Chris Meyer
8-K
10.1
December 4,
2023 X
31.1
Certification of Principal Executive Officer pursuant to
Rule 13a-14(a) under the Exchange Act
X
31.2
Certification of Principal Financial Officer pursuant to Rule
13a-14(a) under the Exchange Act
X
32
Certification pursuant to 18 USC Section 1350
X
101.INS
XBRL Instance Document
X
101.SCH
XBRL Taxonomy Extension Schema
X
101.CAL
XBRL Taxonomy Extension Calculation Linkbase

X
101 DEF

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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 6, 2024. May 8, 2024.

LESAKA TECHNOLOGIES, INC.

By: /s/ Chris G.B. Meyer Ali Mazanderani

Chris G.B. Meyer Ali Mazanderani

Group Chief Executive Officer Chairman

By: /s/ Naeem E. Kola

Naeem E. Kola

Group Chief Financial Officer, Treasurer and Secretary

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Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO RULES 13A-14(A) AND 15D-14(A)

UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Chris G.B. Meyer, Ali Mazanderani, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lesaka Technologies, Inc. ("Lesaka") for the quarter ended December March 31, 2023; 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Lesaka as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Lesaka and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Lesaka, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of Lesaka's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in Lesaka's internal control over financial reporting that occurred during Lesaka's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Lesaka's internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Lesaka's auditors and the Audit Committee of Lesaka's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Lesaka's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Lesaka's internal control over financial reporting.

Date: February 6, 2024 May 8, 2024

/s/ Chris G.B. Meyer Ali Mazanderani

Chris G.B. Meyer Ali Mazanderani

Group Chief Executive Officer Chairman

1

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO RULES 13A-14(A) AND 15D-14(A)

UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Naeem E. Kola, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lesaka Technologies, Inc. ("Lesaka") for the quarter ended December March 31, 2023; 2024;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Lesaka as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-
15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for
Lesaka and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Lesaka, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of Lesaka's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in Lesaka's internal control over financial reporting that occurred during Lesaka's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Lesaka's internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Lesaka's auditors and the
Audit Committee of Lesaka's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Lesaka's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in
Lesaka's internal control over financial reporting.

Date: February 6, 2024 May 8, 2024

/s/ Naeem E. Kola

Naeem E. Kola

Group Chief Financial Officer

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Exhibit 32

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Lesaka Technologies, Inc. ("Lesaka") on Form 10-Q for the quarter ended December March 31, 2023, 2024, as filed with the Securities and Exchange Commission on the date hereof (the (the "Report"), Chris G.B. Meyer Ali Mazanderani and
Naeem E. Kola, Executive Chairman and Group Chief Executive Officer and Group Chief Financial Officer, respectively, of Lesaka, certify, pursuant to 18
U.S.C. § 1350, that to their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Lesaka.

Date: February 6, 2024 May 8, 2024

/s/: Chris G.B. Meyer Ali Mazanderani

Name: Chris G.B. Meyer Ali Mazanderani

Group Chief Executive Officer Chairman

Date: February 6, 2024 May 8, 2024
/s/: Naeem E. Kola

Name: Naeem E. Kola

Group Chief Financial Officer

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CONSULTING AGREEMENT
This Consulting Agreement ("
Agreement
") is entered into by and between Lesaka Technologies, Inc., a Florida corporation
("
Company
"), and Chris Meyer ("
Consultant
") effective as March 1, 2024 (the "
Effective Date
").
WHEREAS, the Company wishes to engage Consultant on a consulting basis for a limited period of time.
1.
Retention of Services. Effective March 1, 2024, the Company shall retain Consultant, and Consultant agrees to be retained by the Company on a consulting basis to consult with the Company on such matters as the Company may reasonably request from time to time, including, but not limited to, the transition of Ali Mazanderani to the role of Executive Chairman, M&A and post-
merger integration, and financial and personnel matters (the "
Services
") until Services are terminated in accordance with Section 1(h)
hereof. It is expected that Consultant will be available to provide Services for at least twenty percent (20%) of his business time.
Consultant shall report to the Executive Chairman of the Board of Directors (the "Board") or his designee. For purposes of clarity,

Consultant shall act in an advisory role only and shall not be authorized to act on behalf of the Company or otherwise direct the business of the Company without the approval of the Executive Chairman or his designee.

(a)

Consulting Fees. The Consultant shall receive a consulting fee in the amount of $11,333 per month, plus any applicable value-added tax (VAT), prorated for a partial month ("

Consulting Fee

"), and paid in monthly instalments in arrears on the last business day of the month following the month in which the Services were rendered. Upon the termination of this Agreement,

Consultant shall be entitled to receive all unpaid Consulting Fees accrued up to the date of termination.

(b)

Independent Contractor Relationship. During the time that the Consultant provides Services, the Consultant's relationship with the Company will be that of an independent contractor, and nothing in this Agreement is intended to, or should be construed to, create a partnership, agency, joint venture or employment relationship. Consultant will not be entitled to any of the benefits that the Company may make available to its employees, including, but not limited to, group health, life insurance, profit-

sharing or retirement benefits, paid vacation, holidays or sick leave. Consultant will be solely responsible for obtaining any business or similar licenses required by any governmental authority for him to perform the Services. Consultant will be solely responsible for,

and will file on a timely basis, all tax returns and payments required to be filed with, or made to, any tax authority with respect to the

Services and receipt of compensation under this Agreement.

This Agreement constitutes a contract for the provision of services and not a contract of employment. As such, the Consultant

shall bear exclusive responsibility for the payment of any National Insurance, income tax and any other form of taxation or social security cost ("

Taxation

[redacted]

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Company Property and (b) all tangible media of expression in Consultant's possession or control which incorporate or contain any

Confidential Information (as defined herein).

(f)

Observance of Company Rules. At all times while on the Company's premises, Consultant will observe the Company's rules and regulations with respect to conduct, health and safety and protection of persons and property.

(g)

Non-Exclusivity; No Conflict of Interest. This Agreement is not exclusive for either party; provided that Consultant shall not perform work or accept an obligation inconsistent or incompatible with Consultant's obligations, or the scope of the Services

rendered for Company under this Agreement.

(h)

Termination. This Agreement shall extend until January 31, 2025, subject to earlier termination as follows:

i.

Termination by Company. Company may terminate this Agreement at any time, with termination effective ninety (90) days after Company's delivery to Consultant of written notice of termination.

ii.

Termination by Consultant. Consultant may terminate this Agreement at any time, with such termination effective ninety (90) days after Consultant's delivery to Company of written notice of termination. In such case, no further payments under this Agreement shall be made to Consultant by the Company other than Consulting Fees accrued through the termination date and reimbursement for any expenses incurred by Consultant through the termination date.

iii.

Termination for Material Breach. Either party may terminate this Agreement at any time in the event that the other party is in material breach of any material provision of this Agreement and fails to cure such breach within fifteen (15) days following receipt of written notice from the non-breaching party of such breach, with such termination to be effective immediately upon written notice to the breaching party. In such case, no further payments under this Agreement shall be made to Consultant by the

Company other than Consulting Fees accrued through the termination date and reimbursement for any expenses incurred by Consultant

through the termination date. For avoidance of doubt, a material breach by Consultant shall include failure to time provide Services

to the Company's reasonable satisfaction.

2.

Indemnification. Consultant does not have a right to indemnification with respect to the services provided under this Agreement under Company's articles of incorporation, bylaws or any insurance policy; provided however, nothing in this Agreement shall supersede or otherwise impair Mr. Meyer's rights to indemnification for services provided as a member of the Company's Board.

3.

Publicity; Non-disparagement.

(a)

Except as required by applicable law, neither party will issue, absent prior written consent of the other party, any press release or make any public announcement with respect to this Agreement or the consulting relationship between them, or the ending of such relationship (except as required by applicable securities laws or exchange requirements).

(b)

To the extent permitted by law, from and after the Effective Date, Consultant shall not, in public or private, make any false, disparaging, derogatory or defamatory statements to any person or entity, including, but not limited to, any media outlet, industry group, financial institution or current or former employee, current or future Board member, consultant, client or customer of the Company, regarding the Company or the Company's business affairs, business prospects, or financial condition. In turn, and to the extent permitted by law, from and after the Effective Date, the Company shall not, and

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deemed modification is not satisfactory in the judgment of such court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

d.

Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York. Each party consents to the jurisdiction and venue of the state or federal courts in the State of New York, as applicable, in any action, suit, or proceeding arising out of or relating to this Agreement.

e.

Notices. All notices, requests, demands, and other communications under this Agreement shall be in writing signed by or on behalf of the party making the same and shall be deemed to have been duly given when delivered in person, or by email with receipt confirmed addressed to the other party as set forth on the signature pages hereof. Either party may change the designated person or address to which notices are to be sent by giving written notice to the other party in the manner set forth herein.

f.

Counterparts. This Agreement may be executed in counterparts and by facsimile or electronic mail, and each counterpart and facsimile or electronic transmission shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned. For all purposes, a facsimile copy or electronic copy of this Agreement, including the signature pages hereto, shall be deemed an original.

g.

Entire Agreement. This Agreement constitutes the entire agreement between the parties relating to this subject matter and supersedes all prior or simultaneous representations, discussions, negotiations, and agreements, whether written or oral; provided, however, that this provision is not intended to abrogate any other written agreement between the parties executed with or after this Agreement. This Agreement may be amended or modified only with the written consent of the Company and Consultant.

[SIGNATURE PAGE FOLLOWS]

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NOW, THEREFORE, is agreed by and between the undersigned as follows:

THE PARTIES TO THIS AGREEMENT HAVE READ THE FOREGOING AGREEMENT AND FULLY UNDERSTAND EACH

AND EVERY PROVISION CONTAINED HEREIN. WHEREFORE, THE PARTIES HAVE EXECUTED THIS AGREEMENT

ON THE DATES SHOWN BELOW TO BE EFFECTIVE AS OF THE EFFECTIVE DATE.

Lesaka Technologies, Inc.

Dated: March 1, 2024

/s/ Naeem E. Kola

Naeem E. Kola

Notice Address: naeem.kola@lesakatech.com

Lesaka Technologies, Inc.

President Place, 4th floor

Cnr. Jan Smuts Avenue and Bolton Road

Rosebank, Johannesburg

South Africa

Attention: Naeem E. Kola

Dated: March 1, 2024

/s/ Chris Meyer

Chris Meyer

Notice Address: XXX

REFINITIV