

Action Summary – 9 May 2023

Analyst Theodore R. O'Neill *is initiating coverage of Lesaka Technologies, Inc. with a Buy rating and an \$8 price target.*

- **Addressing a large financial opportunity in South Africa by digitizing the last mile of millions of small financial transactions** for the massive, underbanked merchants and consumers of South Africa. Lesaka Technologies is a technology company in South Africa providing end-to-end financial services in B2B and B2C (formal and informal) markets.
- **Serving a market with millions of transactions annually.** The ongoing digitization of the South African economy, which has been substantially cash-based, is a significant tailwind for Lesaka's comprehensive product portfolio of financial services. Lesaka's proprietary platforms are facilitating this transition.
- **A transformative acquisition in FY22 more than tripled its revenue base.** Lesaka's 2022 acquisition of the Connect Group kickstarted the company's offering of banking, lending, insurance to consumers and value-added services offering to micro, small and Medium Enterprises (MSMEs). The acquisition added a profitable and growing business with an additional 44,000 MSMEs that is helping the company address the ~1.4 million informal and approximately 700,000 formal MSMEs in South Africa.
- **Attractive Valuation.** Based on our discounted future earnings model, the value of all future earnings is \$8/share. The shares are trading at a 44% - 85% discount to peers. LSAK stock not only sells at a discount to peer averages, but it also trades near the bottom of all metrics despite having a 2024E EBITDA growth rate nearly twice its peer averages. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

5/8 Closing price: \$3.46 USD	Market cap: \$214 million	Multiple of book: 1.0x	EV/2024 Sales: 0.71
Diluted shares outstanding: 62 million	Insider ownership: 34%	3-mo avg. daily trading volume: <20,000	Dividend 2023 /Yield: NA/NA

Adjusted EPS (EPS in USD – Revenue in USD millions)

Period	EPS	Revenue	Net Income Margin
1Q22A	(\$0.22)	\$34.5	
2Q22A	(\$0.13)	\$31.1	
3Q22A	(\$0.05)	\$35.2	
4Q22A	(\$0.09)	\$121.8	
FY22A	(\$0.49)	\$222.6	(19.7%)
1Q23A	(\$0.08)	\$124.8	
2Q23A	(\$0.01)	\$136.1	
3Q23E	(\$0.02)	\$139.0	
4Q23E	(\$0.03)	\$141.0	
FY23E	(\$0.13)	\$540.9	(4.8%)
1Q24E	(\$0.02)	\$142.0	
2Q24E	(\$0.02)	\$144.0	
3Q24E	(\$0.01)	\$146.0	
4Q24E	(\$0.00)	\$147.0	
FY24E	(\$0.05)	\$579.0	(2.6%)

Note: Numbers may not add due to rounding or change in share count. See our full model at the back of this report.

Cash balance (in USD millions)

• 2021A	• \$223.8
• 2022A	• \$104.8
• 2023E	• \$57.3
• 2024E	• \$28.2

LT Borrowings (in USD millions)

• 2021A	• \$0.0
• 2022A	• \$134.8
• 2023E	• \$130.0
• 2024E	• \$125.0

Adjusted EBITDA (in USD millions)

source: FactSet.

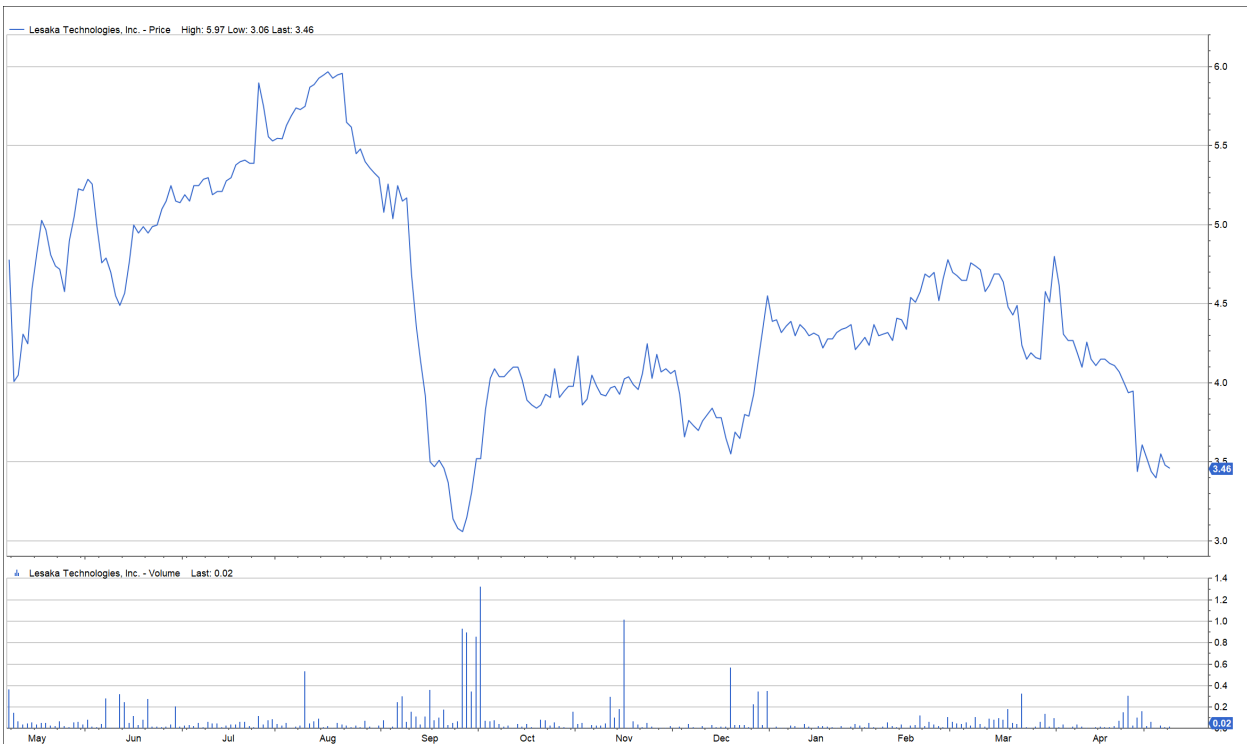
• 2021A	• (\$42.9)
• 2022A	• (\$18.6)
• 2023E	• \$29.9
• 2024E	• \$40.3

Risks/Valuation

- Risks: competitive marketplace, highly regulated business, dependence on financial partners and, currency risk
- Our \$8 price target is derived from our discounted future earnings model.

Company description: Lesaka Technologies is a South African fintech company that utilizes its proprietary banking and payment technologies to deliver superior financial services solutions to merchants (B2B) and consumers (B2C) in Southern Africa. The company's mission is to drive true financial inclusion for both merchant and consumer markets by offering affordable financial services to previously underserved sectors of the economy.

Figure 1 – Lesaka Technologies, Inc. – One-Year Trading snapshot



Source: FactSet

Investment Thesis

We are initiating coverage of Lesaka Technologies, Inc. with a Buy rating and an \$8 price target. Our investment thesis is driven by:

Addressing a large financial opportunity in South Africa by digitizing the last mile of millions of small financial transactions for the massive, underbanked consumers and merchants of South Africa. Lesaka Technologies is a banking and technology company in South Africa providing end-to-end financial services in B2B and B2C (formal and informal) markets. The informal market is one not covered or insufficiently covered by formal arrangements and generally refers to working people who are largely excluded from the exchanges that take place in the recognized system. The company has a significant distribution footprint of 58,000 points of presence across its two segments: Merchant and Consumer.

Serving a market with millions of transactions annually. Lesaka's proprietary platforms facilitate a largely cash-based economy and tap into the low level of credit card usage among merchants. Indeed, this is one of the fastest growing segments in its product portfolio. The ongoing digitization of the South African economy is an important tailwind for Lesaka's business growth. Low levels of financial literacy, lack of connectivity, and solid mobile phone penetration enhance the opportunity for Lesaka's comprehensive product portfolio of financial services to find attractive opportunities.

A transformative acquisition in FY22 more than tripled its revenue base. In 2022 Lesaka acquired the Connect Group, a profitable and growing South African fintech company offering banking, lending, insurance to consumers and value-added services to Micro, Small and Medium Enterprises (MSMEs). This acquisition kickstarted the company's MSME business by adding 44,000 MSMEs into the merchant business segment. After the acquisition of Connect, Lesaka can address approximately 1.4 million informal and approximately 700,000 formal MSMEs in South Africa.

Operational turnaround: The Consumer segment returned to adjusted EBITDA profitability in fiscal Q2 2023, the most recently reported quarter, signaling a successful ongoing turnaround, largely led by its new management team.

Valuable non-core assets offer upside to our current financial model. Lesaka's legacy strategy took it down several paths no longer considered key by current management. We expect some or all these assets, worth ~\$50 million to \$100 million, could be used to pay down debt.

Attractive Valuation. Based on our discounted future earnings model, the value of all future earnings is \$8/share. The shares are trading at a 44% to 85% discount to their peers. LSAK stock not only sells at a discount to peer averages, but it also trades near the bottom of all metrics despite having a 2024E EBITDA growth rate of nearly twice the average. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

Valuation and Price Target

Valuation Methodology

We believe LSAK is undervalued, and we support that belief with two valuation techniques. For the purpose of determining our price target we use a discounted future earnings model, which we then compare to its valuation relative to peers.

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$8 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings on a GAAP basis and discount them at 8%. We assume the company becomes GAAP EPS profitable in 2026 and earnings growth ramps up for another 8 years until growth eventually slows to GDP. Our valuation model is shown in Figure 2 below. Note, this model understates future new services and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$7.58 which we round to \$8.00.

Figure 2 – Lesaka Technologies, Inc. – Price Target Calculation

Discounted future earnings: \$7.58		
YEAR	EPS	Discounted EPS
2024	(\$0.24)	(\$0.24)
2025	(\$0.10)	(\$0.09)
2026	0.00	\$0.00
2027	0.20	\$0.16
2028	0.30	\$0.22
Terminal Value		\$7.54

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 3 is a summary of our LSAK peer comparison. The shares are trading at a 44% to 85% discount to peers. LSAK stock not only trades at a discount to peer averages, but it also trades near the bottom of all metrics despite having a 2024E EBITDA growth rate of nearly twice the average. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

Figure 3 – Lesaka Technologies, Inc. – Valuation of Peers

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2024 Consensus Multiples				2024 EBITDA Growth Rate
					LTM Revenue USD	LTM Sales / Market Cap	2024 EV / Sales	2024 EV / EBITDA	
SQ-US	Block, Inc. Class A	\$60.43	32,716	37,706	16,681	1.96	1.41	17.42	35%
377300-KR	kakaopay Corp.	\$43.24	5,790	4,216	396	14.61	7.23	69.25	NMF
STNE-US	StoneCo Ltd. Class A	\$12.68	3,566	4,123	807	4.42	1.63	3.24	11%
NETW-GB	Network International Holdings Plc	\$4.81	2,565	2,723			4.84	11.24	21%
EVTC-US	EVERTEC, Inc.	\$34.05	2,216	2,463	604	3.67	3.68	8.60	7%
PAGS-US	PagSeguro Digital Ltd. Class A	\$10.10	2,059	3,013	2,796	0.74	1.40	6.18	22%
MQ-US	Marqeta, Inc. Class A	\$4.14	2,003	746	712	2.81	0.65		-71%
PAYO-US	Payoneer Global Inc.	\$5.35	1,896	1,613	597	3.17	1.51	9.35	24%
FWRY-EG	Fawry For Banking Technology And Electronic Pay	\$0.19	620	462	100	6.17	3.40	9.95	38%
IIIV-US	i3 Verticals, Inc. Class A	\$23.24	537	1,248	314	1.71	2.47	8.84	13%
HPS-MA	Hightech Payment Systems SA	\$620.22	436	419	120	3.62	3.10	14.46	17%
PAY-GB	PayPoint plc	\$5.47	397	425			1.81	4.02	11%
PRTH-US	Priority Technology Holdings, Inc.	\$3.33	263	1,074	631	0.42	1.32	5.80	18%
PAY-CA	Payfare, Inc.	\$4.77	227	87	100	2.28	0.43	2.90	55%
BLU-ZA	Blue Label Telecoms Limited	\$0.23	210	246					
CCRD-US	CoreCard Corporation	\$24.26	206	180	58	3.56	2.42	6.97	61%
0021-MY	GHL Systems Bhd.	\$0.18	205	173	89	2.30	1.54	9.41	10%
PAYS-US	PaySign, Inc. Class B	\$3.34	175	99	36	4.84	1.78	10.64	31%
ML-US	MoneyLion Inc Class A	\$12.05	4	1,100	324	0.01	0.77	14.34	NMF
	Average					3.52	2.30	12.51	19%
LSAK-US	Lesaka Technologies, Inc.	\$3.16	211	316	398	0.53	0.71	7.00	35%
	LSAK shares trading at a (discount)/premium to peers:					-85%	-69%	-44%	84%

Source: Litchfield Hills Research LLC and FactSet

Company Background and Strategy

Lesaka Technologies is a South African financial technology company. The company was incorporated in 1997 under the name Net 1 UEPS Technologies, Inc. In 2004, it acquired a public company listed on the Johannesburg Stock Exchange, Net1 Applied Technology Holdings Limited. In 2005, Lesaka debuted on the stock market completing its Initial Public Offering on the NASDAQ. In 2008, it stepped on the Johannesburg Stock Exchange in a secondary listing.

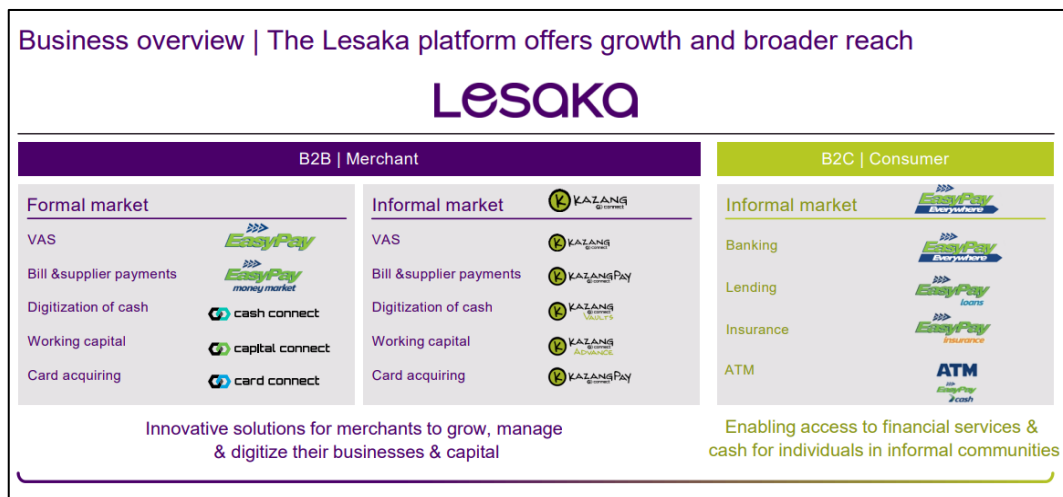
Lesaka delivers financial services to merchants (B2B) and consumers (B2C) through its proprietary banking and payment technologies, when it acquired Connect Group in 2022. Lesaka's vision is to build and operate the leading South African full-service fintech platform, offering cash management, payment, and financial services. Its mission is to bring financial inclusion to merchants and consumers in Southern Africa by building a world-class fintech platform. The majority of its current revenue comes from its Connect Group product portfolio which is only B2B.

Its growth strategy includes expanding products and adding customers as well as synergistic acquisitions at reasonable valuations.

Business Operations

Lesaka operates a dual-sided financial ecosystem offering banking, lending, and insurance to consumers, and cash, card, capital, payment, and Value-Added Services solutions to micro, small, and medium enterprises (see Figure 4). This ecosystem contains two overlapping segments namely Merchant and Consumer. Lesaka has a distribution footprint of over 58,000 points of presence across the two segments.

Figure 4 - Lesaka Technologies, Inc.- The Lesaka Portfolio of Financial Platforms



Source: Lesaka Technologies

Merchant Segment

Within the Merchant segment, Lesaka offers cash management and digitization, card acquiring, growth capital, VAS, and bill and supplier payment services to MSME customers. At a broader level, the company offers bill and supplier payments and VAS through its proprietary financial switch, point-of-sale devices and maintenance, bank and SIM card production, and other specialized technology products. Through the acquisition of Connect in 2022, the company has also added new products to its portfolio such as Kazang and Kazang Connect, Capital Connect, Cash Connect and Card Connect. The products are:

- **Kazang and Kazang Connect.** Virtual vending products that allow merchants to sell prepaid airtime and data, electricity, DStv payments, gaming top-up vouchers and money transfer services.
- **Capital Connect** - Frictionless unsecured, short-term business funding solutions for the retail sector.
- **Cash Connect** - Retail cash management and payment solutions to small, medium, and micro enterprises (SMMEs) in both informal and formal markets. An automated cash vault or smart retail ATM, built to SABS Category 4 standards, is like putting a bank in a merchant's retail store. No need to leave your premises to manually bank your cash to get value in your bank account. Once cash is deposited into the cash vault or smart retail ATM, Cash Connect guarantees the funds in your bank account on the same day (depending on processing time). Retailers all over South Africa rely on this including those in Figure 5. Merchants can also **Click & Borrow** to access working capital in just 24 hours. With Capital Connect they get access to business funding that will help them stock up, do bulk buys at discounted rates, or renovate to #thrive.

Figure 5 - Lesaka Technologies, Inc. - Blue-chip Cash Connect Customers



Source: Cash Connect website

- **Card Connect** – Card Connect provides merchants with a range of point-of-sale card reading payment options that can connect through dual sim cards or Wi-Fi. Enables merchants to process Amex, Diners Club, MasterCard, and VISA cards.

Within the Merchant segment, the fastest growing business is Kazang, in which mobile POS devices are distributed to very small "micro" merchants, who then use the device to accept credit cards, sell valued-added services (VAS), and an increasing number of related financial services to consumers. The ratio of customer acquisition cost to lifetime value for Kazang is attractive, and merchant customers represent a very large opportunity. We believe Kazang has found a "product-market fit".

Consumer Segment

Lesaka focuses on consumers who are not traditionally targeted by the legacy "Big Four" banks in South Africa. They include consumers within Living Standards Measures (LSM) 1 to 6, having comparatively lower access to wealth. The products are:

- **EasyPay Everywhere** - Cash withdrawals and deposits, balance inquiries, and debit orders with simple and transparent pay-as-you-transact pricing.
- **EasyPay Insurance** - Long-term Insurance License, offers consumers access to Smart 1 and the Pensioners Plan insurance plans.
- **EasyPay Loans** - Short-term loans through an established and widespread EasyPay Everywhere distribution network.
- **Device Lending and Device Purchase** - Access to more affordable smart technology.
- Provision of financial access through **ATMs and Cash Management** to underserved consumers and merchants.

Market Opportunity

Underdeveloped 'Kasi' economy

South Africa is primarily a cash-based economy, with approximately 60% of transactions conducted in cash. The informal sector of South Africa (known as the Kasi economy) is a largely overlooked and hidden economy where businesses can grow attractively. The informal sector merchants are generally smaller and operate in rural areas or informal urban areas, having limited access to traditional banking products. The informal business contributes a significant share of the country's gross domestic product. The COVID-19 pandemic made merchants more comfortable with digital payment channels for business expansion and higher efficiency. Lack of financial literacy, infrastructure gaps, and inadequate internal skills to adapt to the digital space to pace up the business operations are the primary barriers to the achievement of the full potential of these businesses.

On the merchant side, less than 8% of merchants have access to formal credit and less than 4% of informal merchants can accept digital payments. And for consumers, the LSM 1 to 6 population in South Africa represents approximately 26 million adults in the country, of which approximately 12 million people are reliant on permanent grants from the South African government. Lesaka concentrates more on these social grant recipients, the majority of whom are being insufficiently served by the current system.

With its large informal market distribution and affordable financial services, Lesaka is well-poised to address the needs of these consumers. On the MSME front, out of approximately 2.1 million MSMEs, 1.4 million operate in informal markets and only 4% of them accept digital payments. This presents Lesaka with potential opportunities to offer its comprehensive product set of cash, card, payment, VAS, and capital solutions. The company doesn't have any major competitors in the informal merchant market, which enhances its market position.

MSME segment opportunity

According to a McKinsey report, SMEs across South Africa represent more than 98% of businesses, employ between 50% and 60% of the country's workforce across all sectors, and are responsible for a quarter of job growth in the private sector. And while the GDP contributions from South Africa's SMEs lag other regions- 39% compared to 57% in the EU- there is no doubt that this sector is a critical engine of the economy. MSME is therefore a crucial business segment for Lesaka to develop and expand its business. In 2022, Lesaka acquired the Connect Group, a profitable, high-growth, and leading South African fintech company. This acquisition will aid Lesaka in becoming South Africa's leading fintech platform. The acquisition enhanced Lesaka's B2B offering, adding 44,000 micro, small and medium enterprises (MSMEs) into the merchant business segment.

With the acquisition of Connect, Lesaka filled four of the gaps in its product offerings namely value-added services directly to MSMEs, digitized cash management, merchant acquiring, and merchant lending. This has enabled Lesaka to offer multiple products to a single customer, which helps in attracting and retaining more customers. The trend of shifting MSMEs from manual to digitized cash management and from physical cash to digital payment methods is an important growth catalyst for the merchant business to flourish.

Lesaka expects Connect's product offerings to create significant growth opportunities as it can now address approximately 1.4 million informal and approximately 700,000 formal MSMEs in South Africa. Connect is a fundamentally strong company that has delivered a more than 40% historic three-year compound annual growth rate in EBITDA for its fiscal year ending February 28, 2022. Connect bears significant growth opportunities for continued growth within its current addressable market, estimated at more than ZAR 100 billion (\$6.6 billion), in merchant financial services for MSMEs in South Africa.

Strengthening of competitive position through Project Spring

Lesaka aims to augment its cost base and pivot its business towards a sales-focused and client solution-driven financial services organization. To achieve this aim, Lesaka launched Project Spring during the financial year 2022. Project Spring focuses on the restructuring of the company's financial services business and justification of its distribution network which

includes the identification of underperforming branches and optimization of points of presence to cater needs of its customer base. Within this Project Spring, Lesaka commenced the retrenchment process which led to a reduction in cost due to the slicing of headcount. The company also eliminated a large fleet of mobile ATMs and the associated distribution and security costs. Lesaka is re-examining the performance of its points of presence and also looking for opportunities for partnering with retailers rather than having its brick-and-mortar branches. An efficient cost structure will help the company to generate higher profits and attract more investors.

Partnership with the South African Social Security Agency (SASSA)

In the consumer segment, Lesaka is continuing to develop its partnership with SASSA through proactive engagement at a local, provincial, and national level, to recognize their needs and provide support in improving the delivery of social grants to over 12 million grant recipients. In South Africa, there is a prevailing crisis where a substantial number of grant recipients are unable to access their grants, while some are not being paid at all.

In October 2022, SASSA handed over the responsibility of social grant payments to Postbank, ceding it from the South African Post Office (SAPO), without informing and giving reasons to the grant holders. But since November 2022, Post Bank is unable to pay grants to the recipients due to technical glitches and cybercrime attacks. Lesaka sees this challenging situation as a potential opportunity to assist in the grant distribution process in South Africa which will fuel cross-selling opportunities and grow its customer base.

Expected growth of Fintech in South Africa

South Africa is known to be a significant investment hub for the African continent to do business. The country is now having an increasing number of people with bank accounts and mobile phones, which are two essentials for the development of a fintech platform. Previously, the launch of mobile money or fintech platforms wasn't successful as the majority of citizens had a traditional bank account and another barrier was the regulations behind using mobile money. Internet and mobile banking have shown some uptick in the local market, but the use of mobile money is still challenging.

According to Statista, assets under management (AUM) and average AUM per user in the fintech industry of South Africa are predicted to grow positively in the upcoming years. All the above factors indicate a compelling opportunity for Lesaka to showcase and implement its full-fledged portfolio of fintech services and attract additional consumers and merchants.

Financial Projections and Guidance

Our projections assume Lesaka makes steady progress toward profitability and becomes profitable at the operating income line sometime in fiscal 2H 2023. There are three or more possible routes to achieving profitability and our forecast assumes it will come with increased revenue, but it also could be achieved through higher gross profit margins or improved operational efficiency or a combination of all three. Our model holds margins flat, assumes an increase in revenue and some operational improvement. Margin improvement would be incremental to our model.

In addition to its core operating business, the company has some investments in non-core assets that it may seek to monetize. If successful, these core assets could bring sufficient cash to pay down the bulk of its long-term debt. We have made no assumptions about any disposition, but were that to happen, it would provide an upside to our estimates.

Guidance

While Lesaka reports its financial results in USD, it measures operating performance and provides guidance in South African Rand (ZAR).

It expects the following for Q3 2023:

- Revenue between ZAR 2.5 billion and ZAR 2.8 billion.
- Merchant Segment Adjusted EBITDA of between ZAR 140 million and ZAR 145 million.

- Consumer Segment Adjusted EBITDA of between ZAR 40 million and ZAR 45 million.
- Group costs normalized (previously referred to as Corporate/Eliminations) to be between (ZAR 45 million) and (ZAR 40 million).
- Group Adjusted EBITDA of between ZAR 135 million and ZAR 150 million.

It expects the following for the year ending June 2023:

- Revenue between ZAR 8.7 billion and ZAR 9.3 billion.
- Merchant Segment Adjusted EBITDA of between ZAR 550 million and ZAR 565 million.
- Consumer Segment Adjusted EBITDA of between ZAR 95 million and ZAR 110 million.
- Group costs normalized expected to be between ZAR 165 million to ZAR 150 million, which was previously disclosed as between ZAR 165 million to ZAR 155 million on November 8, 2022.
- Adjusted EBITDA of between ZAR 480 million and ZAR 525 million.

We note that were we to adhere to both Lesaka's Q3 and full year 2023 revenue guidance, it would imply a 25% drop in F4Q revenue, which is not in our forecast. We expect the full year guidance to move upward to ZAR ~9.8 billion.

Management

The management of Lesaka is all new in the last two years and largely responsible for the turnaround in fortunes at the firm. Management and the company's largest shareholder, Value Capital Partners (Pty) Ltd. have been adding to their positions of LSAK stock. According to FactSet, Insider and Stakeholders have added a net 3.174MM shares in the last 12 months.



Chris G.B. Meyer, Group Chief Executive Officer, and Director

Meyer has been Lesaka's Group Chief Executive Officer since July 1, 2021. Before joining Lesaka, he was the Head of Corporate & Investment Banking and Joint Managing Director at Investec Bank Plc, a London Stock Exchange-listed specialist bank, and wealth manager. He is a member of the South African Institute of Chartered Accountants, holds an MSc in Finance from the London Business School, and a Post Graduate Diploma in Accounting from the University of Cape Town. He has expertise in corporate transactions and possesses strong leadership skills.



Naeem E. Kola, Group Chief Financial Officer, Treasurer, Secretary, and Director

Kola was appointed as Lesaka's Chief Financial Officer on March 1, 2022. He has held progressively senior finance roles across the Middle East and Africa, based in Dubai, most notably as Chief Financial Officer of Emerging Markets Payments Group (EMP), a high growth fintech business that was recently sold to an LSAK public comparable, Network International. He is a member of the South African Institute of Chartered Accountants and has done BAcc Honors from the University of the Witwatersrand. He has expertise in financial and accounting, corporate transactions, and capital markets.



Lincoln C. Mali, Chief Executive Officer: Southern Africa, and Director

Mali was appointed as Lesaka's Chief Executive Officer of Southern Africa on May 1, 2021. He is a financial services executive with over 25 years in the industry. Mali holds Bachelor of Arts (BA) and Bachelor of Laws (LLB) degrees from Rhodes University, an MBA from Henley Management College, various diplomas, and attended an Advanced Management Program at Harvard Business School. He has expertise in developing strong relationships and networks with key industry players in South Africa and has a motivational leadership style.



Lesaka Technologies, Inc.

LSAK-US/LSK-ZA - Buy \$8 PT



Steven J. Heilbron, Chief Executive Officer: Connect Group, and Director

Heilbron has been the Chief Executive Officer of the Connect Group since 2013 and joined Lesaka following the acquisition of Connect in the same capacity and is an Executive Director since 2022. Heilbron has two decades of financial services experience, having spent 19 years working for Investec in South Africa and the UK. He is a member of the South African Institute of Chartered Accountants and completed his bachelor's in commerce. He possesses strong leadership skills and has expertise in banking, payments, and payment technologies.

Figure 6 – Lesaka Technologies, Inc. – Income Statement (\$millions except per share)

June ending year	2021A Year	2022A				2022A Year	2023E				2023E Year	2024E				2024E Year
		Q1A	Q2A	Q3A	Q4A		Q1A	Q2A	Q3E	Q4E		Q1E	Q2E	Q3E	Q4E	
Total revenue	\$130,786	\$34,504	\$31,114	\$35,202	\$121,789	\$222,609	\$124,786	\$136,068	\$139,000	\$141,000	\$540,854	\$142,000	\$144,000	\$146,000	\$147,000	\$579,000
<i>Growth</i>	162%	-2%	-4%	22%	253%	70%	262%	337%	295%	16%	143%	14%	6%	5%	4%	7%
Cost of Goods	96,248	24,207	20,580	23,008	100,522	168,317	100,528	108,824	109,810	111,390	430,552	112,180	113,760	115,340	116,130	457,410
Gross Profit	34,538	10,297	10,534	12,194	21,267	54,292	24,258	27,244	29,190	29,610	110,302	29,820	30,240	30,660	30,870	121,590
Gross Margin	26.4%	29.8%	33.9%	34.6%	17.5%	24.4%	19.4%	20.0%	21.0%	21.0%	20.4%	21.0%	21.0%	21.0%	21.0%	21.0%
SG&A	\$84,063	\$20,442	\$17,746	\$15,184	\$21,663	\$74,993	\$22,931	\$23,517	\$22,000	\$23,000	\$91,448	\$23,000	\$23,000	\$23,000	\$23,000	\$92,000
% of total revenue	64.3%	59.2%	57.0%	43.1%	17.8%	33.7%	18.4%	17.3%	15.8%	16.3%	16.9%	16.2%	16.0%	15.8%	15.6%	15.9%
Depreciation and amortization	4,347	895	726	463	5,491	7,575	5,998	5,919	6,000	6,000	23,917	6,000	6,000	6,000	6,000	24,000
Transaction costs	-	185	1,489	116	4,235	5,894	-	-	-	-	-	-	-	-	-	-
Reorganization costs	-	-	-	5,852	-	6,025	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	88,411	21,523	19,962	21,615	31,389	94,487	28,929	29,436	28,000	29,000	115,365	29,000	29,000	29,000	29,000	116,000
Operating Income	(53,873)	(11,226)	(9,428)	(9,421)	(10,122)	(40,195)	(4,671)	(2,192)	1,190	610	(5,063)	820	1,240	1,660	1,870	5,590
Operating Margin	-41.2%	-32.5%	-30.3%	-26.8%	-8.3%	-18.1%	-3.7%	-1.6%	0.9%	0.4%	-0.9%	0.6%	0.9%	1.1%	1.3%	1.0%
Total Other Items	23,375	(1,583)	(2,881)	6,564	(5,454)	(3,354)	(5,994)	(4,093)	(5,000)	(5,000)	(20,087)	(5,000)	(5,000)	(5,000)	(5,000)	(20,000)
Pre-Tax Income	(30,498)	(12,809)	(12,309)	(2,857)	(15,576)	(43,549)	(10,665)	(6,285)	(3,810)	(4,390)	(25,150)	(4,180)	(3,760)	(3,340)	(3,130)	(14,410)
Pre-Tax Margin	-23.3%	-37.1%	-39.6%	-8.1%	-12.8%	-19.6%	-8.5%	-4.6%	-2.7%	-3.1%	-4.7%	-2.9%	-2.6%	-2.3%	-2.1%	-2.5%
Taxes (benefit)	7,560	186	98	470	(427)	327	31	364	191	220	805	209	188	167	157	721
Tax Rate	-24.8%	-1.5%	-0.8%	-16.4%	2.7%	-0.8%	-0.3%	-5.8%	-5.0%	-5.0%	-3.2%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Net income from continuing ops	(38,057)	(12,994)	(12,406)	(3,327)	(15,149)	(43,876)	(10,696)	(6,649)	(4,001)	(4,610)	(25,955)	(4,389)	(3,948)	(3,507)	(3,287)	(15,131)
Net income from disc. ops.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net income	(38,057)	(12,994)	(12,406)	(3,327)	(15,149)	(43,876)	(10,696)	(6,649)	(4,001)	(4,610)	(25,955)	(4,389)	(3,948)	(3,507)	(3,287)	(15,131)
Net Margin	-29.1%	-37.7%	-39.9%	-9.5%	-12.4%	-19.7%	-8.6%	-4.9%	-2.9%	-3.3%	-4.8%	-3.1%	-2.7%	-2.4%	-2.2%	-2.6%
Adjusted EPS	(0.87)	(0.22)	(0.13)	(0.05)	(0.09)	(0.49)	(0.08)	(0.01)	(0.02)	(0.03)	(0.13)	(0.02)	(0.02)	(0.01)	(0.00)	(0.05)
Total GAAP EPS	(0.67)	(0.23)	(0.22)	(0.06)	(0.25)	(0.75)	(0.17)	(0.11)	(0.06)	(0.07)	(0.41)	(0.07)	(0.06)	(0.06)	(0.05)	(0.24)
Diluted Shares Outstanding	56,898	56,678	57,204	57,791	61,619	58,364	62,445	62,763	63,000	63,000	62,802	63,000	63,000	63,000	63,000	63,000

Source: Company reports and Litchfield Hills Research LLC

Figure 7 – Lesaka Technologies, Inc. – Balance Sheet (\$millions)

June ending year	FY2024E	FY2023E	FY2022A	FY2021A
Balance sheet				
Current Assets				
Cash and S.T.I.	\$28,164	\$57,294	\$104,800	\$223,765
Accounts receivable	38,000	35,000	28,898	26,583
Inventories	37,000	36,000	34,226	22,361
Other assets	60,000	60,000	49,808	21,608
Total Current Assets	163,164	188,294	217,732	294,317
Net PP&E	30,000	28,000	24,599	7,492
Other non-current assets	90,000	90,000	94,875	97,011
Total Assets	\$581,164	\$613,294	\$656,565	\$428,330
Current Liabilities				
Accounts and other payables	\$62,000	\$59,000	\$55,074	\$34,957
Short term borrowings	73,000	73,000	73,022	14,245
Other current liabilities	10,000	10,000	17,774	3,288
Total current liabilities	145,000	142,000	145,870	52,490
Long-term debt net of current	125,000	130,000	134,842	0
Other non-current	57,000	57,000	61,504	14,881
Total Liabilities	327,000	329,000	342,216	67,371
Redeemable common stock	79,429	79,429	79,429	84,979
Stockholders' Equity				
Preferred stock				
Total stockholders' equity	174,735	204,865	234,920	275,980
Total Liabilities and equity	\$581,164	\$613,294	\$656,565	\$428,330

Source: Company reports and Litchfield Hills Research LLC

Figure 8 – Lesaka Technologies, Inc. – Cash Flow (\$millions)

	2024E	2023E	2022A
Net Income	(\$15,131)	(\$25,955)	(\$43,876)
Accounts receivable	(3,000)	(6,102)	(2,315)
Inventories	(1,000)	(1,774)	(11,865)
Other assets	0	(10,192)	(28,200)
Net PP&E	(2,000)	(3,401)	(17,107)
Goodwill and intangibles	9,000	12,359	(289,849)
Other non-current	0	4,875	2,136
Accounts and other payables	3,000	3,926	20,117
Short term borrowings	0	(218)	51,973
Current portion LTD	0	196	6,804
Other current liabilities	0	(7,774)	14,486
Long-term debt net of current	(5,000)	(4,842)	134,842
Other non-current	0	(4,504)	46,623
Redeemable common stock	0	0	(5,550)
Common stock	0	0	3
Capital in excess of par	0	7,109	25,932
Accumulated other comp. income	(15,000)	(11,160)	(23,119)
Treasury stock and note	0	(49)	0
Dividend/Financing/Adj. Other			
Total Cash Flow	(\$29,131)	(\$47,506)	(\$118,965)

Source: Litchfield Hills Research LLC

Disclosures:

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