

Action Summary – 22 October 2025

Analyst Theodore R. O'Neill **Tempest In A Teapot Accounting - Reiterate buy and \$8 price target.**

- **4th quarter accounting correction that has no impact on earnings but makes news.** As a result of a change in the operating process of a supplier, the Company determined that it had incorrectly classified and recorded revenue from the sale of certain vouchers as an Agent instead of as a Principal. Whether or not they make this change, it is not core to understanding the company's business and had no impact on earnings, but it did mean that the Company understated its revenue and cost of goods sold, IT processing, servicing and support by an equal amount. And it did make the news in certain legal circles, but it has no impact on our outlook for the company or view of its business.
- **FY26 guidance and FY27 estimates.** The company gives guidance for Net Revenue and adjusted EBITDA in local currency, and we adjust it to USD in our estimates. We detail the guidance in the body of this note. For 2026, our new estimates for Net Revenue and Fundamental EPS are \$348.5MM and \$0.23, respectively, down slightly from \$356.4MM and \$0.27. For 2026 adjusted EBITDA, our new estimate is \$66.6MM, down slightly from \$69.5MM. The changes stem from our revised calendarization of the quarters, based on guidance for F1Q26. It is not from a change in ZAR based guidance for 2026. For 2027, our new Net revenue and EPS are \$375MM and \$0.37, respectively. For adjusted EBITDA, we are forecasting \$72.9MM. These estimates do not include the impact of its acquisition of Bank Zero.
- **Attractive Valuation.** The shares trade at a discount to peers. LSAK stock not only sells at a discount to peer averages but also trades near the bottom of some metrics despite having an above average 2024 EBITDA growth rate and improving revenue and earnings. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

10/21 Closing price: \$4.23	Market cap: \$350 million	2026 Mkt cap/sales: 0.51x	EV/2026 Sales: 0.74x
Diluted shares outstanding: 81 million	Insider ownership: 44%	3-mo avg. daily trading volume: >20,000	Dividend 2025 /Yield: NA/NA

EPS in USD – Revenue and EBITDA in USD millions

Period	Adjusted EBITDA	Net Revenue	Fundamental EPS
FY24A	<u>\$36.9</u>	<u>\$205.60</u>	<u>\$0.06</u>
1Q25A	\$9.36	\$58.81	\$0.04
2Q25A	\$11.81	\$77.06	\$0.01
3Q25A	\$12.80	\$73.37	\$0.04
4Q25A	<u>\$16.72</u>	<u>\$82.00</u>	<u>\$0.05</u>
FY25A	<u>\$50.69</u>	<u>\$291.24</u>	<u>\$0.13</u>
1Q26E	\$13.15	\$83.74	\$0.03
2Q26E	\$16.10	\$87.98	\$0.04
3Q26E	\$18.73	\$87.72	\$0.08
4Q26E	\$18.58	<u>\$89.10</u>	<u>\$0.07</u>
FY26E	<u>\$66.56</u>	<u>\$348.54</u>	<u>\$0.23</u>
FY27E	<u>\$72.88</u>	<u>\$375.00</u>	<u>\$0.37</u>

Note: Numbers may not add due to rounding or change in share count. See our full model at the back of this report. Upward revisions in **green**, downward revisions in **yellow** and new in **blue**

Cash & STI in USD millions

• 2023A	• \$58.6
• 2024A	• \$65.9
• 2025A	• \$76.6
• 2026E	• \$62.4
• 2027E	• \$85.2

LT Borrowings (in USD millions)

• 2023A	• \$129.5
• 2024A	• \$127.5
• 2025A	• \$188.8
• 2026E	• \$170.0
• 2027E	• \$170.0

Adjusted EBITDA (in USD millions)

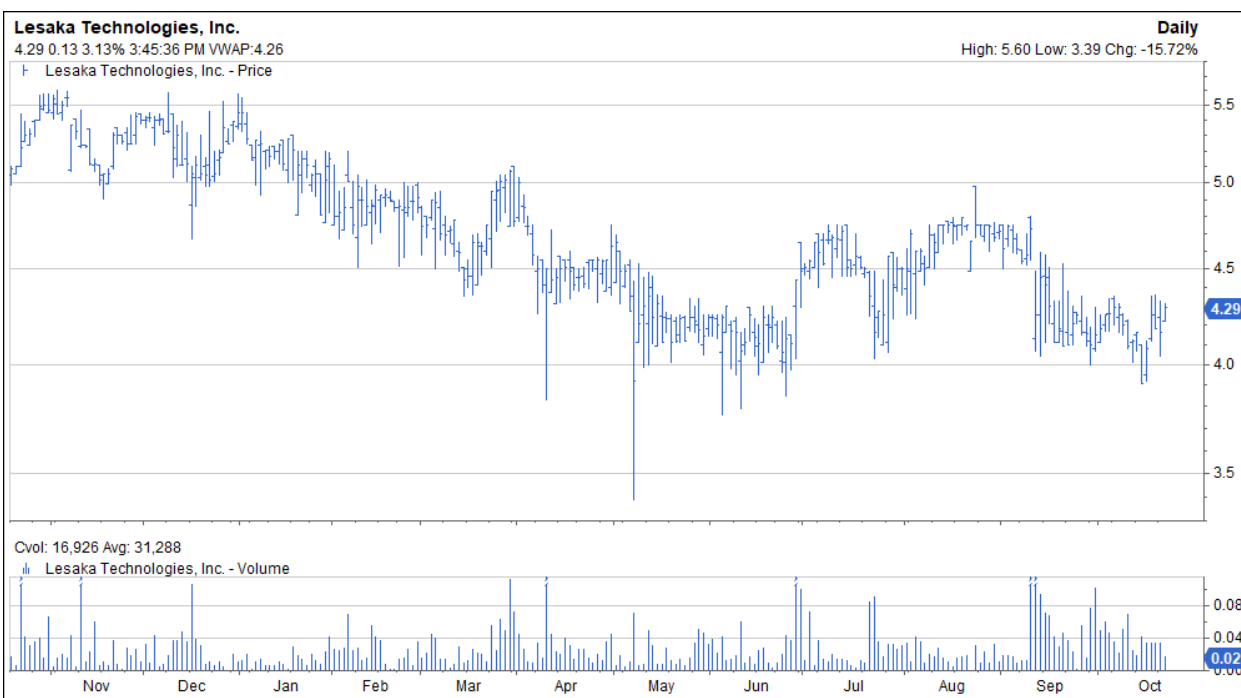
• 2023A	• \$30.0
• 2024A	• \$36.9
• 2025A	• \$50.7
• 2026E	• \$66.6
• 2027E	• \$72.9

Risks/Valuation

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

Company description: Lesaka operates a South African fintech company driven by a purpose to provide financial services, software and other business services to underserved consumers and merchants. It offers an integrated and holistic multi product platform that provides transactional accounts, lending, insurance, merchant acquiring, cash management, software and Alternative Digital Products. Providing targeted solutions and integrations to facilitate payments between consumers, merchants, and enterprises. By providing a full-service fintech platform in its connected ecosystem, it facilitates the digitization of commerce.

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



Source: FactSet

Valuation and Price Target

Valuation Methodology

We believe LSAK is undervalued, and we support that belief with two valuation techniques. To determine our price target, we use a discounted future earnings model, which we then compare 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 \$8.19, which we round to \$8.00.

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

Discounted future earnings: \$8.19			
Fiscal Year ending June	EPS	Discounted	
		EPS	
2026	\$0.01	\$0.01	
2027	\$0.15	\$0.13	
2028	\$0.18	\$0.15	
2029	\$0.21	\$0.17	
2030	\$0.26	\$0.19	
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 trade at a discount to peers. LSAK stock not only trades at a discount to peer averages, but it also trades near the bottom of all sales metrics despite having an above average 2024 EBITDA growth rate. 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	2026 Consensus			2024 EBITDA Growth Rate
					Market Cap / Sales	EV / Sales	EV / EBITDA	
XYZ-US	Block, Inc. Class A	\$76.50	42,042	47,757	1.75	1.73	11.18	69%
377300-KR	kakaopay Corp.	\$36.01	4,866	3,013	6.58	4.28	35.54	NMF
STNE-US	StoneCo Ltd. Class A	\$18.66	4,750	7,035	1.78	2.36	4.12	-3%
PAYO-US	Payoneer Global Inc.	\$5.96	2,147	1,844	1.95	1.65	6.62	32%
EVTC-US	EVERTEC, Inc.	\$30.65	1,961	2,664	2.07	2.82	7.05	17%
MQ-US	Marqeta, Inc. Class A	\$4.59	1,905	1,407	2.95	1.91	11.46	
PAGS-US	PagSeguro Digital Ltd. Class A	\$9.03	1,889	2,509	0.73	2.27	10.67	1%
FWRY-EG	Fawry For Banking Technology And Electronic Pay	\$0.30	992	894	4.08	3.82	7.78	15%
IIIV-US	i3 Verticals, Inc. Class A	\$32.34	772	1,234	4.53	3.75	13.45	-42%
BLU-ZA	Blu Label Unlimited Group Ltd	\$0.70	641	728				
PAY-GB	PayPoint plc	\$9.89	630	589	2.40	2.00	3.93	18%
PRTN-US	Priority Technology Holdings, Inc.	\$6.99	559	1,430	0.53	1.33	5.45	21%
HPS-MA	Hightech Payment Systems SA	\$55.95	414	443	2.26	2.46	11.58	
PAYS-US	PaySign, Inc.	\$5.63	307	248	3.24	2.27	8.37	43%
544305-IN	One Mobikwik Systems Limited	\$3.02	237	155	1.06	0.72	30.63	
CCRD-US	CoreCard Corporation	\$27.35	213	192				
Average					2.57	2.38	11.99	17%
LSAK-US	Lesaka Technologies, Inc.	\$4.16	348	503	0.51	0.74	7.06	23%
LSAK shares trading at a (discount)/premium to peers:					-80%	-69%	-41%	

Source: Litchfield Hills Research LLC and FactSet

Guidance and Financial Modeling

The company provides near-quarter and full year guidance.

For 1Q FY 2026, it expects:

- Net Revenue between ZAR 1.50 billion and ZAR 1.65 billion.
- Group Adjusted EBITDA between ZAR 260 million and ZAR 300 million

For FY 2026, it expects:

- Net Revenue between ZAR 6.4 billion and ZAR 6.9 billion - unchanged
- Group adjusted EBITDA between ZAR 1.25 billion and ZAR 1.45 billion – unchanged
- Adjusted EPS of at least ZAR 4.60 implying YoY growth of >100% - New
- FY2026 guidance excludes the impact of the Bank Zero acquisition announced (subject to regulatory approval by the Prudential Authority and the South African Reserve Bank and other customary closing conditions).

We are using an exchange ratio of 18 ZAR to USD. Our financial models use both GAAP and Fundamental EPS. Fundamental EPS is an adjusted EPS. Fundamental EPS per share is GAAP EPS adjusted for the amortization of acquisition-related intangible assets (net of deferred taxes), stock-based compensation charges, and unusual non-recurring items, including costs related to acquisitions and transactions consummated or ultimately not pursued.

Figure 4 – Lesaka Technologies, Inc. – Income Statement (\$000 except per share)

June ending year	2024A				2024A Year	2025A				2025A Year	2026E				2026E Year	2027E Year
	Q1A	Q2A	Q3A	Q4A		Q1A	Q2A	Q3A	Q4A		Q1E	Q2E	Q3E	Q4E		
Total revenue	\$136,089	\$143,893	\$138,194	\$146,046	\$564,222	\$153,568	\$176,216	\$161,450	\$168,467	\$659,701	\$158,000	\$166,000	\$165,500	\$165,000	\$654,500	\$702,500
YoY Growth	9%	6%	3%	10%	7%	13%	22%	17%	15%	17%	3%	-6%	3%	-2%	-1%	7%
Net Revenue	\$48,763	\$51,730	\$50,333	\$54,772	\$205,598	\$58,809	\$77,060	\$73,368	\$82,005	\$291,242	\$83,740	\$87,980	\$87,715	\$89,100	\$348,535	\$374,998
YoY Growth						21%	49%	46%	50%	42%	42%	14%	20%	9%	20%	8%
Net Revenue % of Total						38%	44%	45%	49%	44%	53%	53%	53%	54%	53%	53%
Cost of Goods	107,490	114,266	107,854	113,063	442,673	118,909	130,696	117,013	119,928	486,546	113,760	117,860	115,850	115,500	462,970	488,185
Gross Profit	28,599	29,627	30,340	32,983	121,549	34,659	45,520	44,437	48,539	173,155	44,240	48,140	49,650	49,500	191,530	214,315
Gross Margin	21.0%	20.6%	22.0%	22.6%	21.5%	22.6%	25.8%	27.5%	28.8%	26.2%	28.0%	29.0%	30.0%	30.0%	29.3%	30.5%
SG&A	\$22,515	\$21,541	\$23,124	\$24,821	\$92,001	\$26,726	\$36,520	\$34,217	\$34,299	\$131,762	\$33,000	\$36,000	\$35,000	\$35,000	\$139,000	\$151,000
% of total revenue	16.5%	15.0%	16.7%	17.0%	16.3%	17.4%	20.7%	21.2%	20.4%	20.0%	20.9%	21.7%	21.1%	21.2%	21.2%	21.5%
Depreciation and amortization	5,856	5,813	5,791	6,205	23,665	6,276	8,223	8,429	10,793	33,721	10,000	10,000	10,000	10,000	40,000	40,000
Transaction/other costs	-	-	631	1,662	2,293	1,702	-	1,222	31,848	34,772	-	-	-	-	-	-
Reorganization costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	28,371	27,354	29,546	32,688	117,959	34,704	44,743	43,868	76,940	200,255	43,000	46,000	45,000	45,000	179,000	191,000
Operating Income	228	2,273	794	295	3,590	(45)	777	569	(28,401)	(27,100)	1,240	2,140	4,650	4,500	12,530	23,315
Operating Margin	0.2%	1.6%	0.6%	0.2%	0.6%	0.0%	0.4%	0.4%	-16.9%	-4.1%	0.8%	1.3%	2.8%	2.7%	1.9%	3.3%
Adjusted EBITDA	\$8,023	\$8,952	\$9,703	\$10,258	\$36,936	\$9,363	\$11,810	\$12,797	\$16,718	\$50,688	\$13,152	\$16,097	\$18,733	\$18,575	\$66,557	\$72,881
Adjusted EBITDA % of Net Sales	16%	17%	19%			16%	15%	17%	20%	17%	16%	18%	21%	21%	19%	19%
Total Other Items	(5,615)	(4,337)	(3,910)	(3,805)	(17,667)	(4,419)	(39,323)	(25,561)	(9,299)	(78,602)	(3,000)	(3,000)	(3,000)	(3,000)	(12,000)	(12,000)
Pre-Tax Income	(5,387)	(2,064)	(3,116)	(3,510)	(14,077)	(4,464)	(38,546)	(24,992)	(37,700)	(105,702)	(1,760)	(860)	1,650	1,500	530	11,315
Pre-Tax Margin	-4.0%	-1.4%	-2.3%	-2.4%	-2.5%	-2.9%	-21.9%	-15.5%	-22.4%	-16.0%	-1.1%	-0.5%	1.0%	0.9%	0.1%	1.6%
Taxes (benefit)	264	686	931	1,482	3,363	78	(6,412)	(2,934)	(8,930)	(18,198)	88	43	(83)	(75)	(27)	(566)
Tax Rate	-4.9%	-33.2%	-29.9%	-42.2%	-23.9%	-1.7%	16.6%	11.7%	23.7%	17.2%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Net income from continuing ops	(5,651)	(2,750)	(4,047)	(4,992)	(17,440)	(4,542)	(32,134)	(22,058)	(28,770)	(87,504)	(1,848)	(903)	1,733	1,575	557	11,881
Net income from disc. ops.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net income	(5,651)	(2,750)	(4,047)	(4,992)	(17,440)	(4,542)	(32,134)	(22,058)	(28,770)	(87,504)	(1,848)	(903)	1,733	1,575	557	11,881
Net Margin	-4.2%	-1.9%	-2.9%	-3.4%	-3.1%	-3.0%	-18.2%	-13.7%	-17.1%	-13.3%	-1.2%	-0.5%	1.0%	1.0%	0.1%	1.7%
Fundamental EPS	(\$0.00)	\$0.01	\$0.02	\$0.02	\$0.06	\$0.04	\$0.01	\$0.04	\$0.05	\$0.13	\$0.03	\$0.04	\$0.08	\$0.07	\$0.23	\$0.37
Total GAAP EPS	(\$0.09)	(\$0.04)	(\$0.06)	(\$0.08)	(\$0.27)	(\$0.07)	(\$0.40)	(\$0.27)	(\$0.35)	(\$1.14)	(\$0.02)	(\$0.01)	\$0.02	\$0.02	\$0.01	\$0.15
Diluted Shares Outstanding	63,805	63,805	63,805	64,527	64,179	64,293	79,753	81,282	81,186	76,486	81,286	81,386	81,486	81,586	81,436	81,836

Source: Company reports and Litchfield Hills Research LLC

Figure 5 – Lesaka Technologies, Inc. – Balance Sheet (\$000)

June ending year	FY2027E	FY2026E	FY2025A	FY2024A	FY2023A
Balance sheet					
Current Assets					
Cash and S.T.I.	\$85,239	\$62,359	\$76,639	\$65,918	\$58,632
Accounts receivable	46,000	46,000	42,525	36,667	25,665
Inventories	21,000	24,000	23,551	18,226	27,337
Other assets	<u>77,000</u>	<u>110,000</u>	<u>101,208</u>	<u>66,885</u>	<u>52,002</u>
Total Current Assets	229,239	242,359	243,923	187,696	163,636
Net PP&E	46,000	45,000	44,924	31,936	27,447
Other non-current assets	<u>54,000</u>	<u>30,000</u>	<u>26,253</u>	<u>88,914</u>	<u>95,811</u>
Total Assets	<u>\$689,239</u>	<u>\$667,359</u>	<u>\$653,710</u>	<u>\$558,450</u>	<u>\$542,234</u>
Current Liabilities					
Accounts and other payables	\$120,000	\$110,000	\$91,946	\$72,725	\$48,677
Short term borrowings	45,000	45,000	36,425	31,807	35,709
Other current liabilities	<u>30,000</u>	<u>30,000</u>	<u>32,102</u>	<u>25,355</u>	<u>17,526</u>
Total current liabilities	195,000	185,000	160,473	129,887	101,912
Long-term debt net of current	170,000	170,000	188,813	127,467	129,455
Other non-current	<u>50,000</u>	<u>50,000</u>	<u>43,041</u>	<u>45,810</u>	<u>51,960</u>
Total Liabilities	415,000	405,000	392,327	303,164	283,327
Redeemable common stock	89,000	89,000	88,957	79,429	79,429
Stockholders' Equity					
Preferred stock					
Total stockholders' equity	<u>185,239</u>	<u>173,359</u>	<u>172,426</u>	<u>175,857</u>	<u>179,478</u>
Total Liabilities and equity	<u>\$689,239</u>	<u>\$667,359</u>	<u>\$653,710</u>	<u>\$558,450</u>	<u>\$542,234</u>

Source: Company reports and Litchfield Hills Research LLC

Figure 6 – Lesaka Technologies, Inc. – Cash Flow (\$000)

	<u>2027E</u>	<u>2026E</u>	<u>2025A</u>	<u>2024A</u>
Net Income	\$11,881	\$557	(\$87,504)	(\$17,440)
Accounts receivable	0	(3,475)	(5,858)	(11,002)
Inventories	3,000	(449)	(5,325)	9,111
Other assets	33,000	(8,792)	(34,323)	(14,883)
Net PP&E	(1,000)	(76)	(12,988)	(4,489)
Goodwill and intangibles	(10,000)	(11,390)	(88,706)	5,436
Other non-current	(24,000)	(3,747)	62,661	6,897
Accounts and other payables	10,000	18,054	19,221	24,048
Short term borrowings	0	531	8,381	(15,958)
Current portion LTD	0	8,044	(3,763)	12,056
Other current liabilities	0	(2,102)	6,747	7,829
Long-term debt net of current	0	(18,813)	61,346	(1,988)
Other non-current	0	6,959	(2,769)	(6,150)
Redeemable common stock	0	43	9,528	0
Common stock	0	(20)	20	0
Capital in excess of par	0	3,050	83,311	7,943
Accumulated other comp. income	0	(4,336)	2,691	7,371
Treasury stock and note	0	1,682	(1,949)	(1,495)
Dividend/Financing/Adj. Other	0	0	0	0
Total Cash Flow	<u>\$22,881</u>	<u>(\$14,281)</u>	<u>\$10,721</u>	<u>\$7,286</u>

Source: Litchfield Hills Research LLC

Disclosures:

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Lesaka Technologies, Inc.

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

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