LITCHFIELD HILLS RESEARCH

Lesaka Technologies, Inc. LSAK-US/LSK-ZA - Buy $14 PT

Action Summary – 15 Sept. 2026 - Analyst Theodore R. O'Neill – **Raising our price target to $14 from $*8.***

The company reported F4Q26 results that were broadly ahead of expectations. Gross Revenue of $188.3MM exceeded our $183.0MM estimate, while Net Revenue of $98.5MM was modestly below our $98.8MM forecast due to business mix and ZAR/USD translation effects. Fundamental EPS (adjusted EPS) of $0.15 beat our estimate by $0.06, driven by stronger sales and margins, partially offset by higher expenses. GAAP EPS was better by $0.01 due to same factors mentioned above.

Bank Zero impact appears to be a significant catalyst for the stock. The company cited numerous benefits from the completion of the acquisition including increased portfolio of banking services, deposit taking license allowing it to earn interest income on deposits, reduced dependence on 3rd parties and reduction in leverage which will also lower its borrowing costs.

FY27 guidance established. Lesaka released FY27 and F1Q27 guidance. For F1Q27, the company expects Net Revenue between ZAR 1.58 billion and ZAR 1.66 billion; Group Adjusted EBITDA between ZAR 200 million and ZAR 240 million and Adjusted earnings per share between ZAR 0.40 and ZAR 0.60. For FY27, LSAK expects Net Revenue between ZAR 7.0 billion and ZAR 7.7 billion; Group Adjusted EBITDA between ZAR 1.45 billion and ZAR 1.60 billion and Adjusted earnings per share between ZAR 7.50 and ZAR 8.50. Our new FY27 Net Revenue and Adjusted EPS estimates are $426.4MM and $0.49, based on the exchange rate of R16.5/US$. Our previous revenue and Adjusted EPS were $438.3MM and $0.47.

Raising our price target. Our target is based on the discounted value of future earnings, which appear to grow faster than we previously expected. Assuming the company achieves its 40% CAGR Adjusted EPS goal through 2029 and that GAAP EPS follows accordingly, the price target rises to $14 from $8.

Attractive Valuation. The shares currently trade at a discount to peer averages and our price target. Were it to trade to the peer average Market cap to sales of 2.11x, the shares would be trading closer to $20.

9/14 Closing price: $4.16 USD	**Market cap: $366 million**	**2027 Market cap/sales: 0.46x**	**EV/2027 Sales: 0.65x**
Diluted shares: 86 million	**Insider ownership: 32%**	**3-mo avg. daily trading volume: >90,000**	**Dividend 2026 /Yield: NA/NA**

EPS in USD – Revenue and EBITDA in USD millions

Period	Adjusted EBITDA	Net Revenue	Fundamental EPS
1Q25A	$9.36	$58.81	$0.04
2Q25A	$11.81	$77.06	$0.01
3Q25A	$12.80	$73.37	$0.03
4Q25A	$16.72	$82.00	$0.05
FY25A	$49.82	$291.24	$0.12
1Q26A	$15.10	$86.60	$0.06
2Q26A	$17.77	$93.40	$0.08
3Q26A	$20.61	$96.37	$0.11
4Q26A	$22.26	$98.50	$0.15
FY26A	$75.74	$374.87	$0.39
FY27E	$88.63	$426.39	$0.49

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
2026A	$82.2
2027E	$82.2

LT Borrowings (in USD millions)

2023A	$129.5
2024A	$127.5
2025A	$188.8
2026A	$194.6
2027E	$170.0

Adjusted EBITDA (in USD millions)

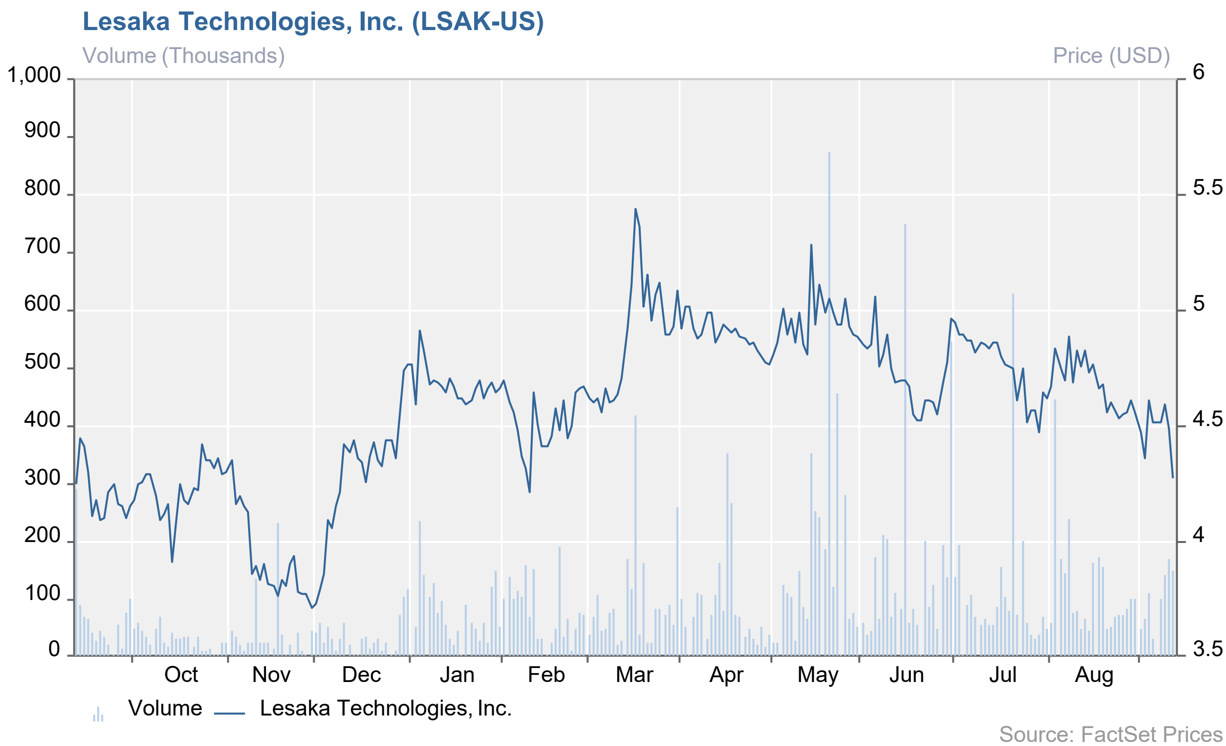
2023A	$30.0
2024A	$36.9
2025A	$49.8
2026A	$75.7
2027E	$88.6

Risks/Valuation

- Risks: competitive marketplace, regulated business, dependence on financial partners and currency risk.
- Our $14 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 Southern Africa's underserviced consumers and merchants. It offers an integrated and holistic multiproduct platform that provides transactional accounts, lending, insurance, merchant acquiring, cash management, software and Alternative Digital Products ("ADP"). It provides targeted solutions and integrations to facilitate payments between consumers, merchants, and enterprises.

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



Quarterly Results

The company reported F4Q26 results that were broadly ahead of expectations. Gross Revenue of $188.3MM exceeded our $183.0MM estimate, while Net Revenue of $98.5MM was modestly below our $98.8MM forecast due to business mix and ZAR/USD translation effects. Fundamental EPS (adjusted EPS) of $0.15 beat our estimate by $0.06, driven by stronger sales and margins, partially offset by higher expenses. GAAP EPS was better by $0.01 due to the same factors mentioned above.

Figure 2 – Lesaka Technologies, Inc. – Quarterly Variance Analysis ($000 except per share)

	FY26 Q4E	FY26 Q4A	Better (Worse) than estimates
Income Statement			
Consumer	38,000	38,830	830
Merchant	127,000	123,388	(3,612)
Enterprise	18,000	26,103	8,103
Corp./eliminations			0
Total Revenue	$183,000	$188,321	5,321
Net Revenue	$98,777	$98,496	*(281)*
Total cost of products sold	126,270	125,596	674
Total Gross Profit	56,730	62,725	5,995
GP%	31.0%	33.3%	
Operating expenses:			
SG&A	40,000	41,055	(1,055)
Depreciation and amortization	12,000	10,341	1,659
Transaction/other costs	$0	$5,020	(5,020)
Reorganization costs	0	0	0
Total Expenses	52,000	56,416	(4,416)
Earnings (loss) from Operations	4,730	6,309	1,579
Total Other income/(expense)	(2,250)	(3,688)	(1,438)
Earnings before taxes	2,480	2,621	141
Tax expense/(benefit)	(124)	(598)	474
Net income from continuing ops	$2,604	$3,219	615
Net income from disc. ops.			
Net income	$2,604	$3,219	$615
EPS from disc. Ops.			
Total GAAP EPS	$0.03	$0.04	$0.01
Fundamental EPS	$0.09	$0.15	$0.06
Diluted common shares	82,588	82,264	(324)

Source: Litchfield Hills Research LLC and Company filings.

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 $14 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 earnings growth continues to ramp over the next six years before gradually moderating to GDP growth. Our valuation model is shown in Figure 3 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 $13.77, which we round to $14.00.

Figure 3 – Lesaka Technologies, Inc. – Price Target Calculation

Discounted future earnings: $13.77		
Fiscal Year ending June	EPS	Discounted EPS
2027	$0.21	$0.21
2028	$0.29	$0.27
2029	$0.41	$0.35
2030	$0.50	$0.40
2031	$0.60	$0.44
Terminal Value		$12.10

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 4 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 EBITDA growth rate. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

Figure 4 – Lesaka Technologies, Inc. – Valuation of Peers

FactSet Ticker	Company Name	Closing Price	Market Cap $MM	EV $MM	2027 Consensus Market Cap / Sales	EV / Sales	EV / EBITDA
XYZ-US	Block, Inc. Class A	$79.21	42,838	49,970	1.65	1.66	8.32
377300-KR	kakaopay Corp.	$34.37	4,650	2,589	4.39	2.57	15.40
PAYO-US	Payoneer Global Inc.	$7.12	2,413	2,301	1.95	1.73	6.59
STNE-US	StoneCo Ltd. Class A	$10.10	2,315	4,194	0.79	1.31	2.49
EVTC-US	EVERTEC, Inc.	$29.27	1,749	2,874	1.49	2.47	6.22
PAGS-US	PagSeguro Digital Ltd. Class A	$10.12	1,589	8,112	0.63	2.43	10.87
MQ-US	Marqeta, Inc. Class A	$16.33	1,566	906	2.14	1.02	4.63
FWRY-EG	Fawry For Banking Technology And Electronic Pay	$0.37	1,274	1,150	3.94	3.57	6.57
PAYS-US	Paysign, Inc.	$13.01	735	658	5.44	4.69	13.52
HPS-MA	Hightech Payment Systems SA	$69.06	511	524			
BLU-ZA	Blu Label Unlimited Group Ltd	$0.55	498	441			
PRTH-US	Priority Technology Holdings, Inc.	$5.94	490	1,418	0.44	1.28	5.64
PAY-GB	PayPoint plc	$8.13	480	474	1.75	1.97	4.01
IIIV-US	i3 Verticals, Inc. Class A	$15.55	280	657	1.80	2.37	8.64
544305-IN	One Mobikwik Systems Limited	$2.19	173	105	0.99	0.62	
	Average				**2.11**	**2.13**	**7.74**
LSAK-US	Lesaka Technologies, Inc.	$4.27	366	516	0.46	0.65	6.53
	LSAK shares trading at a (discount)/premium to peers:				**-78%**	**-70%**	**-16%**

Source: Litchfield Hills Research LLC and FactSet

Guidance and Financial Modeling

We use an exchange ratio of 16.5 ZAR to USD. Our financial models present earnings on both a GAAP and Fundamental EPS basis. Fundamental EPS represents adjusted EPS and is calculated as 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.

Lesaka Technologies, Inc.

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Figure 5 – Lesaka Technologies, Inc. – Income Statement ($000 except per share)

June ending year	2024A	2025A				2025A	2026A				2026A	2027E				2027E
	Year	Q1A	Q2A	Q3A	Q4A	Year	Q1A	Q2A	Q3A	Q4A	Year	Q1E	Q2E	Q3E	Q4E	Year
Total revenue	$564,222	$153,568	$176,216	$161,450	$168,467	$659,701	$171,448	$178,734	$183,051	$188,321	$721,554	$182,000	$201,000	$208,000	$206,000	$797,000
YoY Growth	7%	13%	22%	17%	15%	17%	12%	1%	13%	12%	9%	6%	12%	14%	9%	10%
Net Revenue	$205,598	$58,809	$77,060	$73,368	$82,005	$291,242	$86,606	$93,403	$96,368	$98,496	$374,873	$97,370	$107,535	$111,280	$110,210	$426,395
YoY Growth		21%	49%	46%	50%	42%	47%	21%	31%	20%	29%	12%	15%	15%	12%	14%
Net Revenue % of Total		38%	44%	45%	49%	44%	51%	52%	53%	52%	52%	54%	54%	54%	54%	54%
Cost of Goods	442,673	118,909	130,696	117,013	120,568	487,186	118,440	122,691	123,924	125,596	490,834	127,400	139,695	141,440	140,080	548,615
Gross Profit	**121,549**	**34,659**	**45,520**	**44,437**	**47,899**	**172,515**	**53,008**	**56,043**	**59,127**	**62,725**	**230,720**	**54,600**	**61,305**	**66,560**	**65,920**	**248,385**
Gross Margin	**21.5%**	**22.6%**	**25.8%**	**27.5%**	**28.4%**	**26.2%**	**30.9%**	**31.4%**	**32.3%**	**33.3%**	**32.0%**	**30.0%**	**30.5%**	**32.0%**	**32.0%**	**31.2%**
SG&A	$92,001	$26,726	$36,520	$34,217	$34,299	$123,727	$39,637	$36,075	$39,249	$41,055	$153,473	$42,500	$41,000	$41,000	$41,000	$165,500
% of total revenue	16.3%	17.4%	20.7%	21.2%	20.4%	18.8%	23.1%	20.2%	21.4%	21.8%	21.3%	23.4%	20.4%	19.7%	19.9%	20.8%
Depreciation and amortization	23,665	6,276	8,223	8,429	10,793	33,721	12,894	13,568	10,543	10,341	47,346	11,000	11,000	11,000	11,000	44,000
Transaction/other costs	2,293	1,702	-	1,222	31,848	43,033	94	4,250	144	5,020	17,220	1,000	1,000	1,000	1,000	4,000
Reorganization costs	-	-	-	-	-	-	-	-	5,106	-	-	-	-	-	-	-
Total Operating Expenses	117,959	34,704	44,743	43,868	76,940	200,481	52,625	53,893	55,042	56,416	218,039	54,500	53,000	53,000	53,000	213,500
Operating Income	**3,590**	**(45)**	**777**	**569**	**(29,041)**	**(27,966)**	**383**	**2,150**	**4,085**	**6,309**	**12,681**	**100**	**8,305**	**13,560**	**12,920**	**34,885**
Operating Margin	**0.6%**	**0.0%**	**0.4%**	**0.4%**	**-17.2%**	**-4.2%**	**0.2%**	**1.2%**	**2.2%**	**3.4%**	**1.8%**	**0.1%**	**4.1%**	**6.5%**	**6.3%**	**4.4%**
Adjusted EBITDA	$36,936	$9,363	$11,810	$12,797	$16,718	$49,822	$15,095	$17,777	$20,612	$22,258	$75,742	$14,212	$21,940	$26,749	$25,724	$88,626
Adjusted EBITDA % of Net Sales		16%	15%	17%	20%		17.4%	19.0%	21.4%	22.6%	20%	15%	20%	24%	23%	21%
									53,484							
Total Other Items	(17,667)	(4,419)	(39,323)	(25,561)	(9,299)	(78,973)	(4,826)	2,165	(2,030)	(3,688)	(8,494)	(3,500)	(3,500)	(3,500)	(3,500)	(14,000)
Pre-Tax Income	**(14,077)**	**(4,464)**	**(38,546)**	**(24,992)**	**(38,340)**	**(106,939)**	**(4,443)**	**4,315**	**2,055**	**2,621**	**4,187**	**(3,400)**	**4,805**	**10,060**	**9,420**	**20,885**
Pre-Tax Margin	**-2.5%**	**-2.9%**	**-21.9%**	**-15.5%**	**-22.8%**	**-16.2%**	**-2.6%**	**2.4%**	**1.1%**	**1.4%**	**0.6%**	**-1.9%**	**2.4%**	**4.8%**	**4.6%**	**2.6%**
Taxes (benefit)	**3,363**	**78**	**(6,412)**	**(2,934)**	**(8,930)**	**(15,982)**	**(146)**	**670**	**1,503**	**(598)**	**1,429**	**(612)**	**865**	**1,811**	**1,696**	**3,759**
Tax Rate	-23.9%	-1.7%	16.6%	11.7%	23.3%	14.9%	3.3%	15.5%	73.1%	-22.8%	34.1%	18.0%	18.0%	18.0%	18.0%	18.0%
Net income from continuing ops	**(17,440)**	**(4,542)**	**(32,134)**	**(22,058)**	**(29,410)**	**(90,957)**	**(4,297)**	**3,645**	**552**	**3,219**	**2,758**	**(2,788)**	**3,940**	**8,249**	**7,724**	**17,126**
Net income from disc. ops.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net income	**($17,440)**	**($4,542)**	**($32,134)**	**($22,058)**	**($29,410)**	**($90,957)**	**($4,297)**	**$3,645**	**$552**	**$3,219**	**$2,758**	**($2,788)**	**$3,940**	**$8,249**	**$7,724**	**$17,126**
Net Margin	**-3.1%**	**-3.0%**	**-18.2%**	**-13.7%**	**-17.5%**	**-13.8%**	**-2.5%**	**2.0%**	**0.3%**	**1.7%**	**0.4%**	**-1.5%**	**2.0%**	**4.0%**	**3.7%**	**2.1%**
Fundamental EPS	$0.06	$0.04	$0.01	$0.03	$0.05	$0.12	$0.06	$0.08	$0.11	$0.15	$0.39	$0.03	$0.12	$0.17	$0.17	$0.49
Total GAAP EPS	**($0.27)**	**($0.07)**	**($0.40)**	**($0.27)**	**($0.36)**	**($1.19)**	**($0.05)**	**$0.04**	**$0.01**	**$0.04**	**$0.03**	**($0.03)**	**$0.05**	**$0.10**	**$0.09**	**$0.21**
Diluted Shares Outstanding	64,179	64,293	79,753	81,282	81,186	76,466	81,327	81,719	82,488	82,264	82,249	82,364	82,464	82,564	82,664	82,514

Source: Company reports and Litchfield Hills Research LLC

Figure 6 – Lesaka Technologies, Inc. – Balance Sheet ($000)

June ending year	FY2027E	FY2026A	FY2025A
Balance sheet			
Current Assets			
Cash and S.T.I.	$82,226	$82,168	$76,639
Accounts receivable	46,000	43,765	42,525
Inventories	22,000	20,113	23,551
Other assets	120,000	121,684	101,208
Total Current Assets	**270,226**	**267,730**	**243,923**
Net PP&E	50,000	50,212	44,924
Goodwill and intangibles	338,000	338,723	338,610
Other non-current	42,000	42,623	24,037
Total Assets	**$700,226**	**$699,288**	**$651,494**
Current Liabilities			
Accounts and other payables	$120,000	$107,248	$95,902
Short term borrowings	35,000	36,785	36,425
Other current liabilities	25,000	24,629	32,102
Total current liabilities	**180,000**	**168,662**	**164,429**
Long-term debt net of current	170,000	194,597	188,813
Other non-current	50,000	51,705	43,041
Total Liabilities	**400,000**	**414,964**	**396,283**
Redeemable common stock	**80,000**	**78,972**	**88,957**
Stockholders' Equity			
Preferred stock			
Total stockholders' equity	220,226	205,352	166,254
Total Liabilities and equity	**$700,226**	**$699,288**	**$651,494**

Source: Company reports and Litchfield Hills Research LLC

Figure 7 – Lesaka Technologies, Inc. – Cash Flow ($000)

	2027E	2026A	2025A
Net Income	$17,126	$2,758	($90,957)
Accounts receivable	(2,235)	(1,240)	(5,858)
Inventories	(1,887)	3,438	(5,325)
Other assets	1,684	(20,476)	(34,323)
Net PP&E	212	(5,288)	(12,988)
Goodwill and intangibles	723	(113)	(88,706)
Other non-current	623	(18,586)	64,877
Accounts and other payables	12,752	11,346	23,177
Short term borrowings	(671)	(3,798)	8,381
Current portion LTD	(1,114)	4,158	(3,763)
Other current liabilities	371	(7,473)	6,747
Long-term debt net of current	(24,597)	5,784	61,346
Other non-current	(1,705)	8,664	(2,769)
Redeemable common stock	1,028	(9,985)	9,528
Common stock	(1)	0	1
Capital in excess of par	1,446	17,049	(208,134)
Accumulated other comp. income	(3,681)	19,307	2,729
Treasury stock and note	(16)	(16)	289,515
Dividend/Financing/Adj. Other	0	0	0
Total Cash Flow	$58	$5,529	$13,478

Source: Litchfield Hills Research LLC

Disclosures:

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We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

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Total return is defined as price appreciation plus dividend yield.

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