Network

International Payment Solutions

Interim Results 2019

Presentation

14 August 2019

Disclaimer

This document contains certain forward-looking statements with respect to the financial condition, results or operation and businesses of Network International Holdings Plc. Such statements and forecasts by their nature involve risks and uncertainty because they relate to future events and circumstances.

There are a number of other factors that may cause actual results, performance or achievements, or industry results, to be materially different from those projected in the forward-looking statements. These factors include general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance of programmes, or the delivery of products or services under them; structural change in the satellite industry; relationships with customers; competition; and ability to attract personnel.

You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this announcement. We undertake no obligation to update or revise any forward-looking statements to reflect any change in our expectations or any change in events, conditions or circumstances.

These interim results are not necessarily indicative of full year results; and the presentation does not constitute an offer or an invitation for the sale or purchase of the Company’s shares in any jurisdiction.

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Operational overview

Simon Haslam, CEO

Strong financial performance

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Revenues	Underlying EBITDA	Underlying EBITDA Margin*
$152.3m	$76.4m	47.2%
+12.4% YoY	**+13.9% YoY**	**+20 bps YoY**

Note*: Excluding EBITDA share of an associate

Strategic priorities

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SIGNIFICANT GROWTH OPPORTUNITY provided by the shift from cash to digital payments in the world's most underpenetrated markets

- **Capitalise on structural market growth** and regional adoption of digital payments
- **Expand customer base** as partner of choice for customers with pan-regional scale
- **Extend regional leadership position** through rapid new product development and further market penetration
- **Leverage technology investment** to improve operational efficiency and drive economies of scale
- **Actively pursue opportunities** for growth acceleration – organic and inorganic
- **Strategic partnership with Mastercard** to underpin further growth and accelerate payments adoption

Successful operational delivery

- **Transformation on track** – more than 96% of customer revenues now migrated to new technology platforms
- **Continued demand from existing and new customers,** including renewed contracts with Emirates NBD and Emirates Islamic
- **Effective monetisation and cross-sell** of recently launched products, including N-Genius, Falcon and N-Advisors
- **Commercial agreement with Mastercard signed** which will provide upside to the management guidance over the medium-term
- **Investing to unlock incremental growth opportunities** including accelerated market entry into Saudi Arabia

Middle East: Strong, sustained growth

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Healthy growth across both business lines

- Strong TPV growth in direct acquiring & acquirer processing and increase in number of transactions
- Focus on cross-sell of new product capabilities – demand for N-Genius, Falcon and Card Control
- Renewed contracts with two of our largest customers – Emirates NBD and Emirates Islamic – and continued to win new merchant and financial institution clients
- Strategy to enter the Saudi Arabian market developing rapidly, with incremental investments and upside to the management guidance

$111.5m
in revenue

9.3%
increase year-on-year

$81.5m
contribution

73.0%
contribution margin

Africa: Excellent growth trajectory

Superior revenue growth due to the continued evolution of the African payments market

- Significant increase in number of cards hosted and TPV from acquirer processing relationships
- Ongoing cross-sell of products and services to existing 160+ client relationships - growing interest in the N-Genius POS solution, roll-out ahead of plan in H2 2019
- Signed new acquirer processing relationships and prepaid hosting deals, across all the three regions
- Several strategic opportunities under review to unlock further bank outsourcing and financial inclusion potential

$40.8m revenue	**21.6%** increase year-on-year
$28.3m contribution	**69.4%** contribution margin

Growing product portfolio

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ONGOING FOCUS ON PRODUCT DEVELOPMENT

- Continue to monetise recently launched products
- Strong sales pipeline across both the regions
- Positive feedback from new and existing customers
- Continue to further improve product capabilities

SIGNIFICANTLY ENHANCING OUR CUSTOMER OFFERING

MERCHANT SOLUTIONS

- Over 10,000 N-Genius terminals deployed in UAE with POS roll-out to begin in Africa from H2 2019
- Launched N-Genius Online in February; several customers already live with plan to start migrating existing ones in H2 2019
- Multi currency payments – 200+ merchants signed up since launch

ISSUER SOLUTIONS

- Two customers already live on Falcon – our real time fraud monitoring solution launched in late 2018 – growing interest from a number of others
- Highly successful launch of Card Control - allows customers to manage their cards dynamically
- Strong pipeline for prepaid products from customers in both the Middle East and Africa

Technology supports strategic priorities

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Transformation close to completion	Digitisation journey to drive efficiencies	Separation from Emirates NBD
More than 96% of customer revenues now migrated	Robotics process automation introduced in H1 2019	Separation of shared services from ENBD to commence in H2 2019
On track to complete all migrations before end of 2019	Completed digital onboarding integration for merchants in the UAE	To drive operational flexibility and position Network for long term growth

Technology transformation in-line with strategic principles

2014 2015 2016 2017 2018 2019 2020 and onward

- **Technology Platform Transformation**
- **Customer Migrations and Product Development**
- **Continuous Improvement and Innovation**

Commercial agreement signed with Mastercard

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Agreement to **drive accelerated payment penetration, usage, and acceptance** across MEA

Network to **remain scheme agnostic**

Mastercard to support **product co-development and provide access to their technology**

Commitment to **invest $35m in joint priorities,** spread over five years

Mutual **sales and go-to-market** approach agreed

Joint Steering Committee agreed to **provide strategic guidance and alignment**

Pursuing growth accelerators

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Accelerate market entry into Saudi Arabia

Inclusion in new Saudi Arabian Monetary Authority Sandbox

Legal entity setup and office opened

Customers already signed with robust sales pipeline

Prioritise financial inclusion in key markets

Issued the first cards on the new Meeza payment scheme in Egypt

Roll-out of N-Genius in Africa to enable low cost of acceptance

Opportunity to utilise platform for mobile money acceptance

Consider inorganic growth opportunities

Primary focus will remain on our organic growth drivers

To support product capability or market consolidation

Continue to scan the market to identify potential opportunities

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Financial Review

Rohit Malhotra, CFO

Financial summary

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Six months ended 30 June

	2019 ($m)	2018 ($m)	Change
Total revenue	152.3	135.6	12.4%
Underlying EBITDA	76.4	67.1	13.9%
Underlying EBITDA margin*	47.2%	47.0%	0.2pp
Underlying net income	43.8	41.7	5.1%
Profit from continuing operations	15.8	35.3	(55.4)%
Underlying earnings per share ($c)	8.77	8.35	5.0%
Reported earnings per share ($c)	2.94	6.42	(54.2%)

Note* : Excluding EBITDA share of an associate

- Strong organic revenue growth across Middle East and Africa demonstrating continued execution of our strategy
- Underlying EBITDA margin broadly flat, after absorbing incremental public company costs
  - Reflects benefits of economies of scale and operating leverage inherent in the business
- Underlying net income reflects increase in D&A charge from recent investments
- Statutory results impacted by specially disclosed items

Strong volume growth

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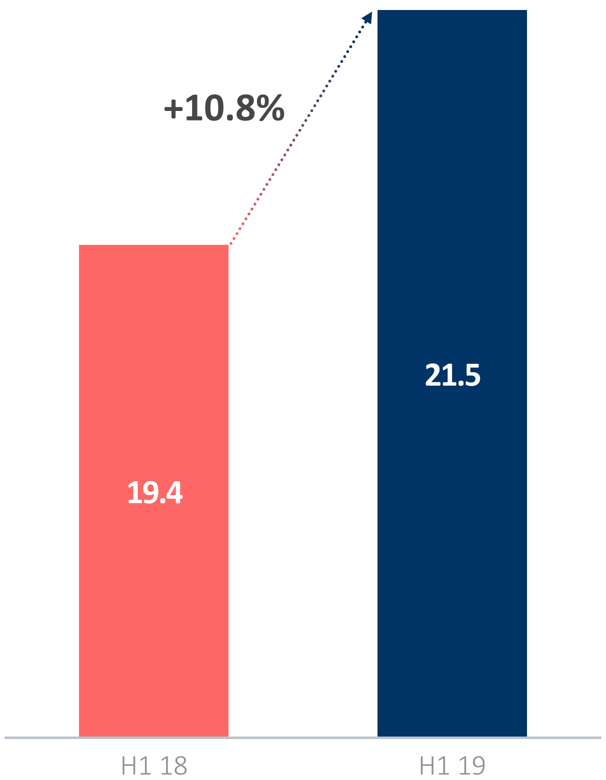
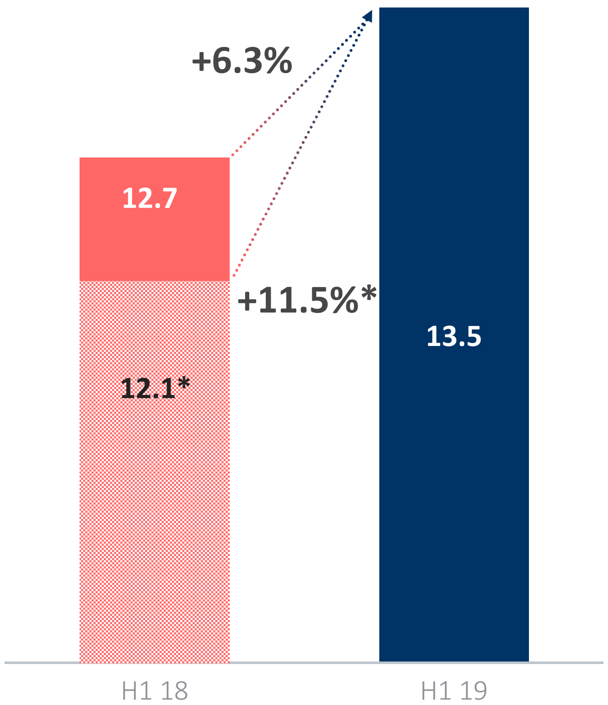
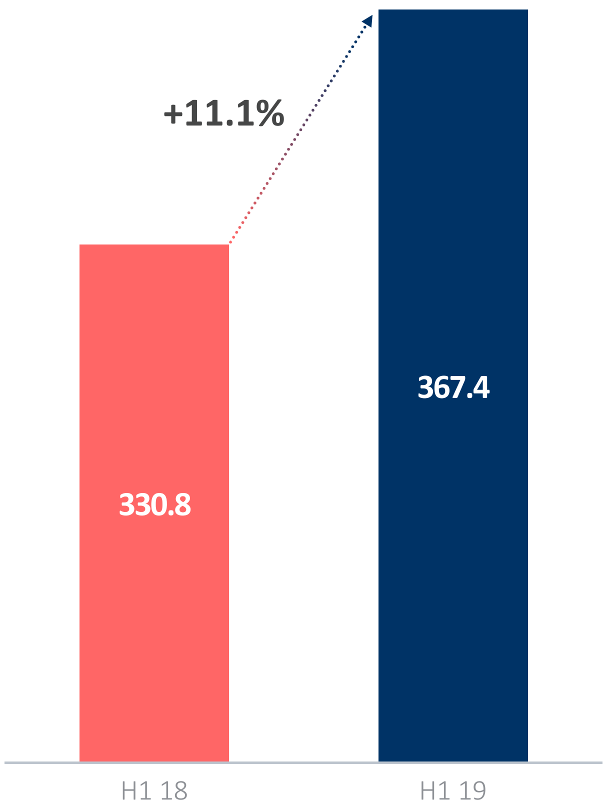
Total processed volume (TPV) ($bn)



Average number of cards hosted (m)



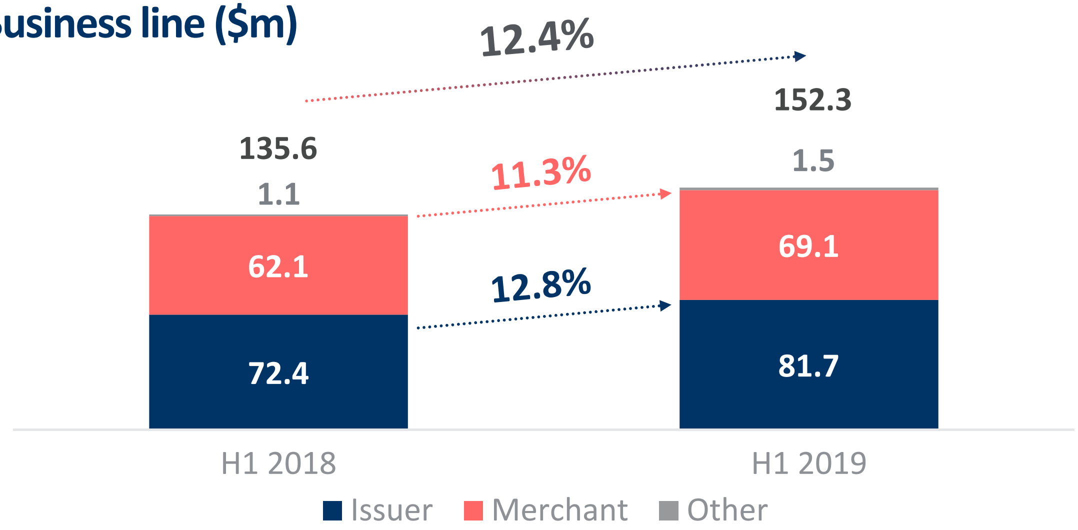
Number of transactions (m)



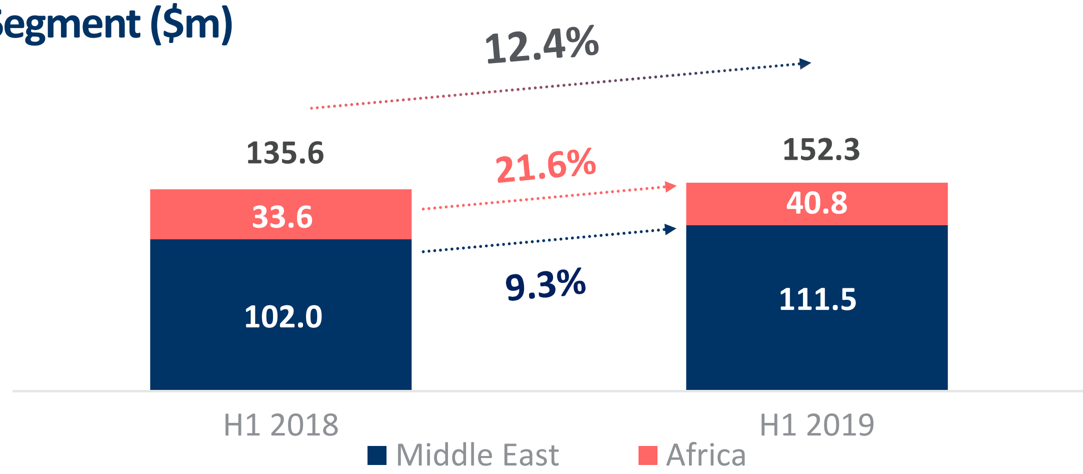
Note*: Growth in number of cards hosted excluding the First Gulf Banks demigrated in Jan 2019

Continued growth across all businesses

Business line ($m)



Segment ($m)



Merchant solutions

- TPV growth in direct acquiring in UAE and Jordan
- Strength in acquirer processing relationships
- Progression in SME customer base
- Product cross-sell - N-Genius, Multi CCY payments

Issuer solutions

- Strong volume growth in cards and transactions
- Cross-sell of existing and new capabilities
- Incremental project based revenue performing well

Middle East

- Strong TPV and transaction growth
- Contract renewed with Emirates NBD and others
- New customer signings including in Saudi Arabia

Africa

- Strong volume growth trajectory – cards and TPV
- Increased cross-sell to 160+ client relationships
- New customer deals in all three regions

Stable underlying EBITDA margins

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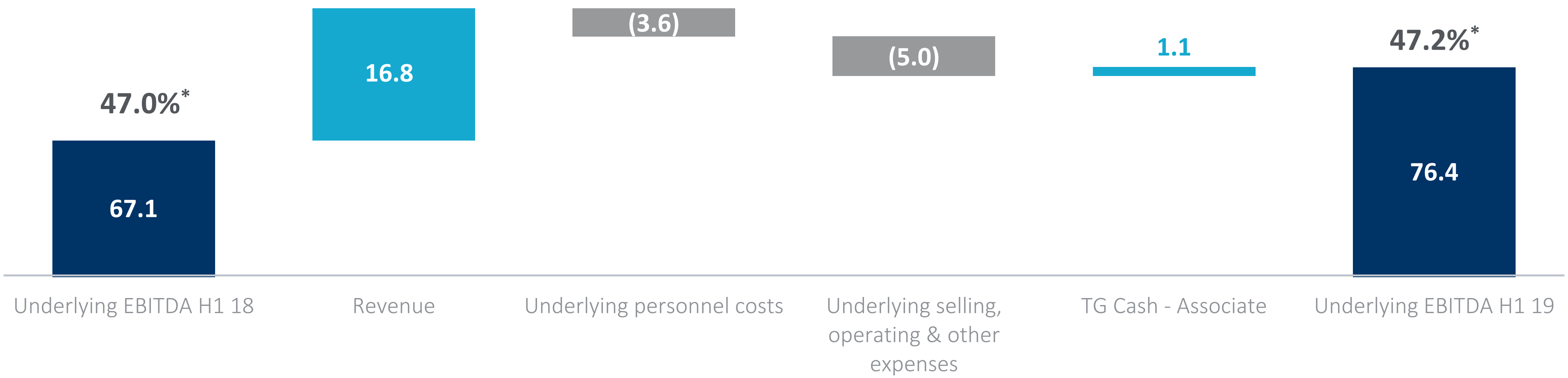
Underlying EBITDA bridge ($m)



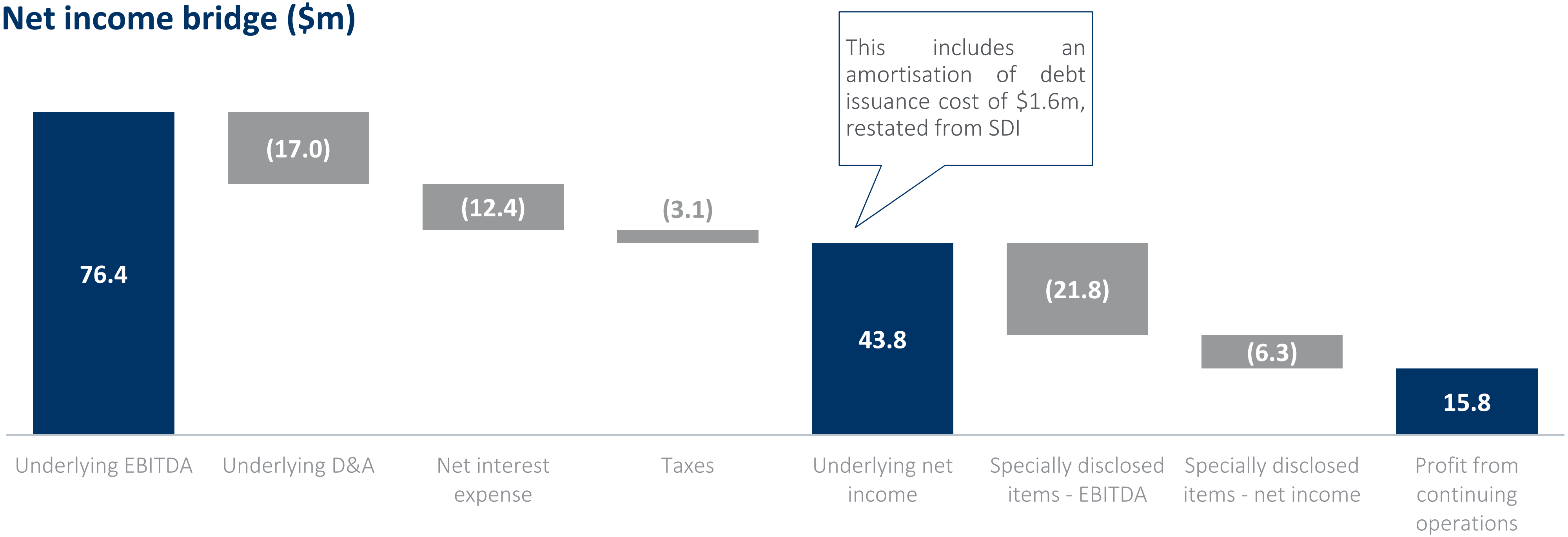
Underlying EBITDA increased 13.9% year-on-year

- Revenues converted to contribution efficiently due to operational leverage; expected to support future growth
- Partially offset by increase in public company costs and investments made to strengthen select capabilities
- Selling, operating & other expenses increased as a result of an increase in third party costs and legal expenses
- Share of TG Cash EBITDA increased by 32% due to acquisition of G4S Cash Services and organic growth in the business

Note*: Underlying EBITDA margin excluding share of an associate

Solid net income progression

Net income bridge ($m)



Underlying net income increased 5.1% year-on-year

- Underlying D&A increased to $17m due to charge on additions made in 2019 and annualisation of 2018 additions
- Successfully completed repricing of acquisition financing facility at 75bps lower margin,
- Net interest expense includes amortisation of debt issuance cost, which was earlier being considered as a SDI
- Favourable tax regime with underlying effective tax rate of 6.7% due to higher profits from taxable jurisdiction
- Increase in SDIs – one off costs incurred in relation to IPO and charge for incentive plans in place pre-listing

Investment approach in line with strategy

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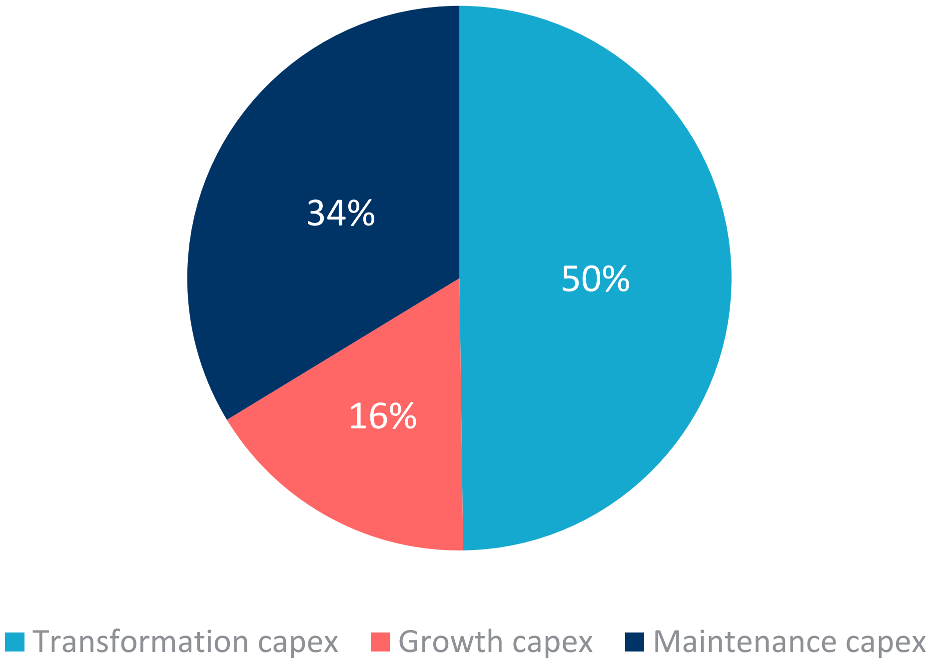
H1 19 capex breakdown



Total H1 19 capex: $36.8m (24% of total revenue)

1 Transformation*

- Development of Network One platform
  - WAY4 card management system – include migrations
  - Upgrade Base 24 Switch including capacity increase
  - Investment in proprietary gateway – first in MEA
- Expected to be completed by end of FY19

2 Growth

- Based on disciplined allocation principles
- On boarding new customers and products – N-Genius
- Investments to unlock Saudi Arabia opportunity to be launched from second half

3 Maintenance

- Spends required to sustain current level of operations
- Higher in H1 2019 due to enhancing tech infrastructure - storage capacity and software licenses to support growth
- New central facility in Cairo to drive productivity gains; not expected to recur

Note*: D&A charge on Transformation capex is part of SDIs affecting net income

Underlying Free Cash Flow

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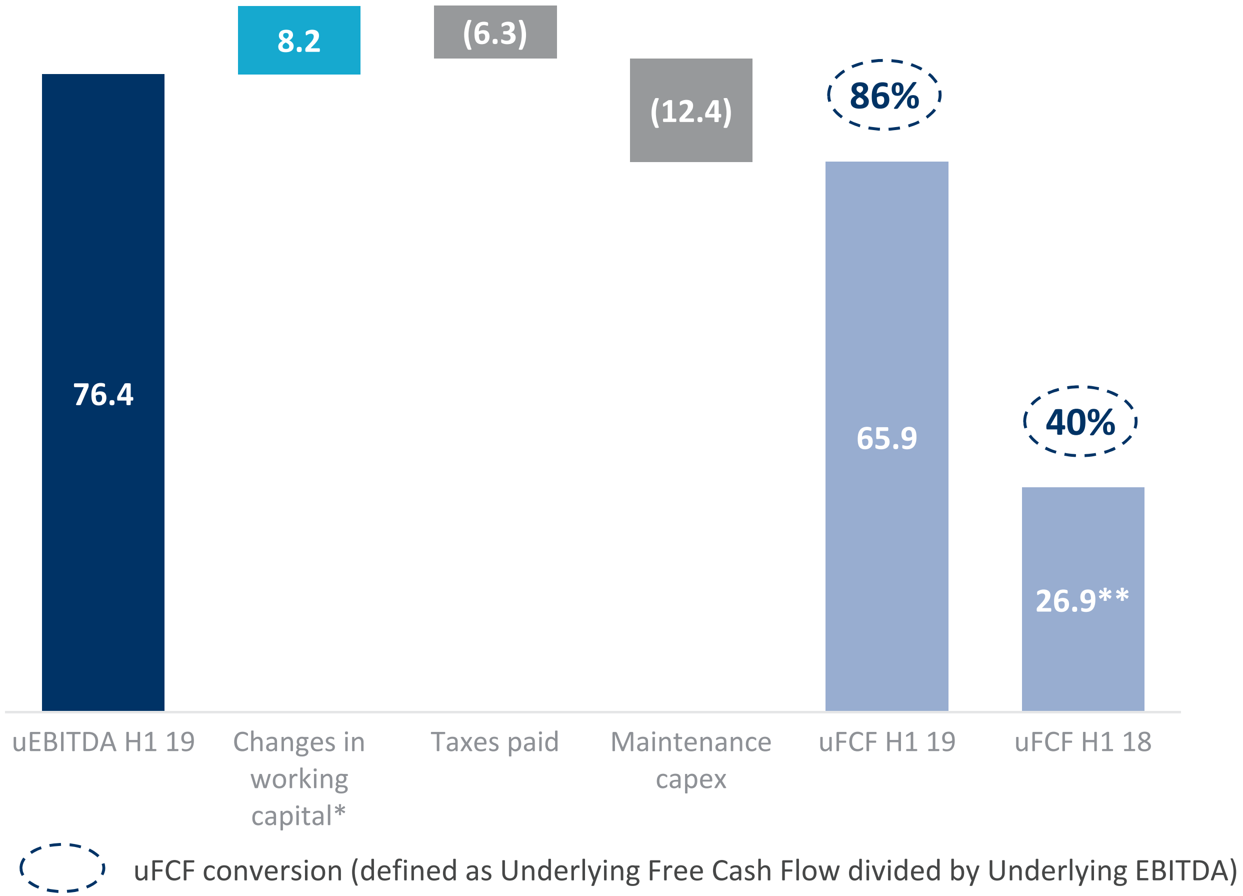
Underlying FCF bridge ($m)



Note*: Before settlement related balances

Note**: Lower uFCF primarily due to larger negative changes in WC

Changes in working capital largely due to timing of various payments

Higher taxes paid in H1 2019 compared to H1 2018 as part of tax payments for 2017 and 2018 were delayed until H1 2019 pending discussions with tax authorities

Maintenance capex increase due to spends on enhancing technology infrastructure and new central facility in Cairo

Conservative Balance Sheet with leverage of 1.9x as at June 2019

Total debt includes amount outstanding under acquisition financing facility and working capital overdraft (to meet acquiring timing cut-offs)

Outlook

- **Low, double-digit organic revenue growth** for FY19 (on constant currency basis), in line with previous management guidance
- **Stable underlying EBITDA** margin excluding share of an associate for FY19, in line with pervious management guidance
- **Commercial agreement signed with Mastercard** to provide upside in the medium term
- **Transformation capex** to finish in H2 2019 following completion of the programme
- Investments to **unlock incremental Saudi Arabia opportunity** to be launched
- **SDIs will impact 2019 EBITDA and net income*** by approximately $32m and $47m respectively

Note* : $4m of SDIs affecting net income have been reclassified since the time of the IPO

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Closing remarks

Simon Haslam, CEO

Summary

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- **Strong financial and operating performance** in the first six months
- **Strong customer momentum** with number of new wins and contract renewals
- **Robust product development and sales pipeline** in place across both business lines
- **Technology migration on track** to complete by end of 2019
- **Mastercard strategic partnership** will provide upside to guidance in the medium-term
- Continue to **pursue various incremental growth accelerators** across the business

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Appendix

Interim Results Presentation 2019

Income Statement

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	Six months ended 30 June (Unaudited)		Year ended 31 December (Audited)
	2019 (USD'000)	**2018** (USD'000)	**2018** (USD'000)
Revenues	152,345	135,592	297,935
Personnel expenses	(45,605)	(35,275)	(88,084)
Selling, operating & other expenses	(56,646)	(38,256)	(85,455)
Depreciation and amortisation	(21,436)	(15,984)	(34,572)
Impairment losses on assets	-	-	(17,945)
Share of profit of an associate	2,641	2,012	3,325
Profit before interest and tax	31,299	48,089	75,204
Net interest expense	(12,405)	(9,473)	(20,159)
Gain on disposal of investment securities	-	-	2,648
Profit before tax	18,894	38,616	57,693
Taxes	(3,130)	(3,300)	(10,956)
Profit from continuing operations	15,764	35,316	46,737
Discontinued operations:			
Loss from discontinued operations, net of taxes	(1,380)	(3,432)	(23,317)
Profit for the period	14,384	31,884	23,420
Attributable to:			
Equity holders of the Group	14,711	32,076	26,235
Non-controlling interest	(327)	(192)	(2,815)
Profit for the period	14,384	31,884	23,420
Earnings per share (Basic and diluted) – in USD / cents	2.942	6.415	5.247
Earnings per share – Continuing operations – in USD / cents	3.152	7.063	9.347

Balance Sheet and Cash Flow

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	Six months ended 30 June (Unaudited)		Year ended 31 December (Audited)
	2019 (USD'000)	**2018** (USD'000)	**2018** (USD'000)
Assets			
Total non-current assets	534,172	505,755	516,338
Total current assets	451,472	481,955	433,129
Total assets	985,644	987,710	949,467
Liabilities			
Total non-current liabilities	268,068	293,898	306,314
Total current liabilities	508,657	426,968	451,457
Equity attributable to equity holders	210,461	265,436	192,911
Total shareholders' equity	208,919	266,844	191,696
Total liabilities and shareholders' equity	985,644	987,710	949,467

	Six months ended 30 June (Unaudited)		Year ended 31 December (Audited)
	2019 (USD'000)	**2018** (USD'000)	**2018** (USD'000)
Net cash flows from operating activities before settlement related balances	42,429	15,846	104,194
Changes in settlement related balances	549	121,613	12,685
Net cash flows from operating activities	42,978	137,459	116,879
Net cash outflows from investing activities	(42,530)	(27,788)	(45,233)
Net cash outflows from financing activities	(12,027)	(17,698)	(92,155)
Net increase / (decrease) in cash and cash equivalents	(11,579)	91,973	(20,499)
Cash reclassified as part of held for sale	(2,000)	(4,655)	(1,977)
Cash and cash equivalents at the beginning of the period	(42,466)	(19,990)	(19,990)
Cash and cash equivalents at the end of the period	(56,045)	67,328	(42,466)

Alternative performance measures

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The Group uses these alternative performance measures to enhance the comparability of information between reporting periods, by adjusting for uncontrollable or one-offs items, to aid the user of the financial statements in understanding the activities taking place across the Group. In addition, these alternative measures are used by the Group as key measures of assessing the Group's underlying performance on day-to day basis, developing budgets and measuring performance against those budgets and in determining management remuneration.

Constant Currency Revenue: Constant Currency Revenue is current period revenue recalculated by applying the average exchange rate of the prior period to enable comparability with the prior period revenue. Foreign currency revenue is primarily denominated in Egyptian Pound (EGP); the average rate of one EGP per USD for first half of 2018 and 2019 are 17.8 and 17.3 respectively.

Contribution : Contribution is defined as business segment revenue less operating costs (personnel cost and selling, operating & other expenses) that can be directly attributed to or controlled by the segments. Contribution does not include allocation of shared costs that are managed at group level and hence shown separately under central function costs.

Underlying EBITDA : Underlying EBITDA is defined as earnings before interest, taxes, depreciation & amortisation, impairment losses on assets (if any), gain on sale of investment securities, share of depreciation of associate and specially disclosed items affecting Underlying EBITDA.

Underlying EBITDA Margin Excluding Share of Associate : Underlying EBITDA Margin Excluding Share of Associate is defined as Underlying EBITDA before Share of Associate divided by the revenue.

Underlying Net Income: Underlying Net Income represents the Group's Profit from continuing operations adjusted for impairment losses on assets, gain on disposal of investment securities and specially disclosed items.

Underlying Free Cash Flow : Underlying Free Cash Flow is calculated as the profit from continuing operations adjusted for depreciation & amortisation, impairment losses (if any), net interest expense, taxes, gain on disposal of investment securities, share of depreciation of an associate, specially disclosed items affecting Underlying EBITDA, changes in working capital before settlement related balances, taxes paid and maintenance capital expenditure.

Underlying Effective Tax Rate : The Group's Underlying Effective Tax Rate is defined as the tax expense (excluding taxes for legacy matters) as a percentage of the Group's Underlying Net Income before Tax.

Underlying Earnings per share : The Group's underlying EPS is defined as the underlying net income (as explained above) divided by the number of ordinary shares as at 30 June 2019 (i.e. 500,000,000).