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International Payment Solutions

Interim Results 2020 Presentation

18 August 2020

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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; industry; relationships with customers; competition; and ability to attract personnel.

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Strategic Update

Simon Haslam, CEO

Fundamentals and business drivers remain strong, although near term performance impacted by Covid-19

Revenues
USD134.2m
(11.9)% YoY

Underlying EBITDA¹
USD52.7m
(31.0)% YoY

Underlying EPS¹
USD4.3 cents
+(51.1)% YoY

Liquidity & leverage¹
USD295m
2.0x ND: u.EBITDA

-  Seeing improved trading trends in July for both Merchant and Issuer Solutions, 2020 outlook reiterated
-  Pace of POS merchant signings back to pre Covid levels and online gateway signings remain high
-  Evidence of shift away from cash: increase in contactless Tx, and use of cards in traditionally cash merchants
-  DPO acquisition presents compelling strategic and growth opportunity; completion expected end 2020

Delivering on our strategic priorities

Progress



OUR STRATEGY

Providing solutions that allow our customers to bring digital payments to more consumers

- Capitalising on digital payments adoption and supporting financial inclusion
- Pursuing opportunities for acceleration: new markets (Saudi); acquisitions (DPO); potential large scale outsourcing
- Expanding customer base and focusing on high value segments
- Expanding product range and market penetration
- Leveraging technology and building capabilities
- Developing commercial arrangements with strategic partners



Early evidence of an acceleration from cash to card payments **Network**

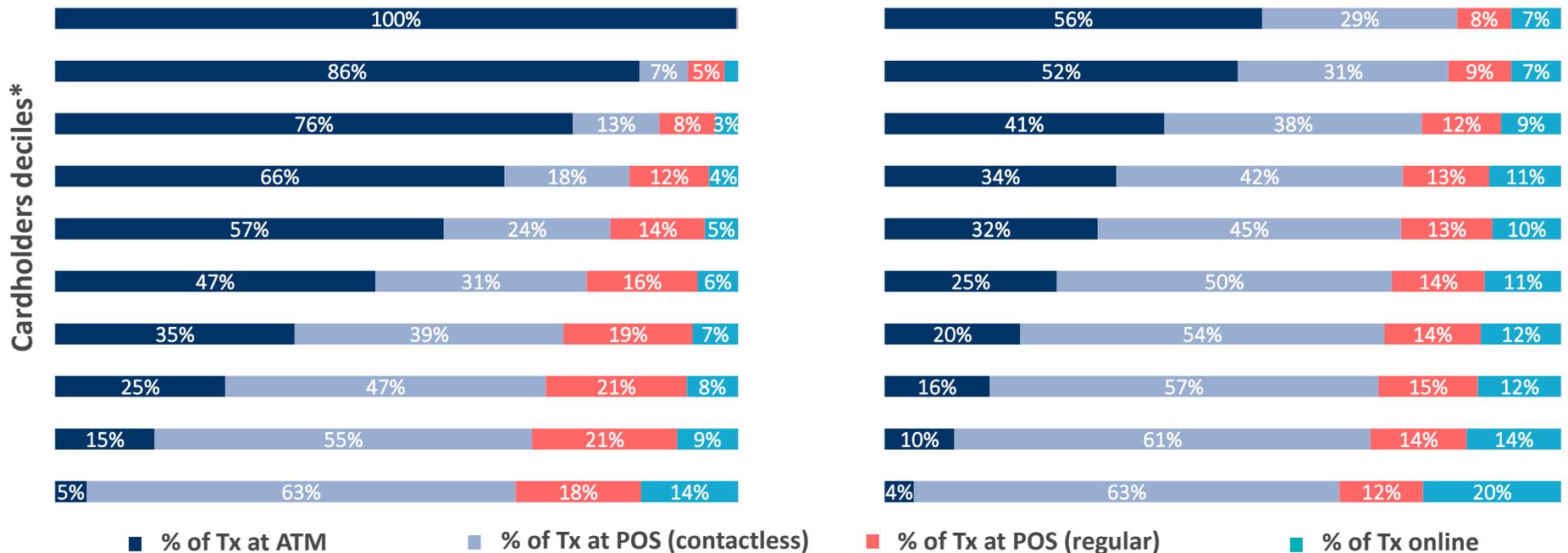
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Mix of payment transactions on cards hosted by Network in the UAE, where card holders across all segments are showing increased adoption of digital payments

Jan 2020: Cardholders split by spending behaviour and participation of their transactions at ATMs



June 2020: Change in behaviour by the same segments of cardholders. Those who mainly used their cards at ATMs are now using their cards with merchants, both online and at POS



*Cardholder deciles on cards hosted by Network International in the UAE. The left hand chart shows cohorts of cardholders from January 2020, split by their spend behaviours and whether they used their cards mostly at ATMs, or with merchants. The right hand chart shows the same cohorts of cardholders, and how their behaviours have changed, in July

New business momentum has been maintained

Merchant Solutions

Issuer Solutions

New customer wins and partnerships

- Luxury Fashion Group
- Dubai franchisees of
 - Alexander McQueen
 - Bvlgari
 - Adidas



Globus Bank



Expanded mandates and cross sell of products



Standard Bank



بنك دبي التجاري
Commercial Bank of Dubai



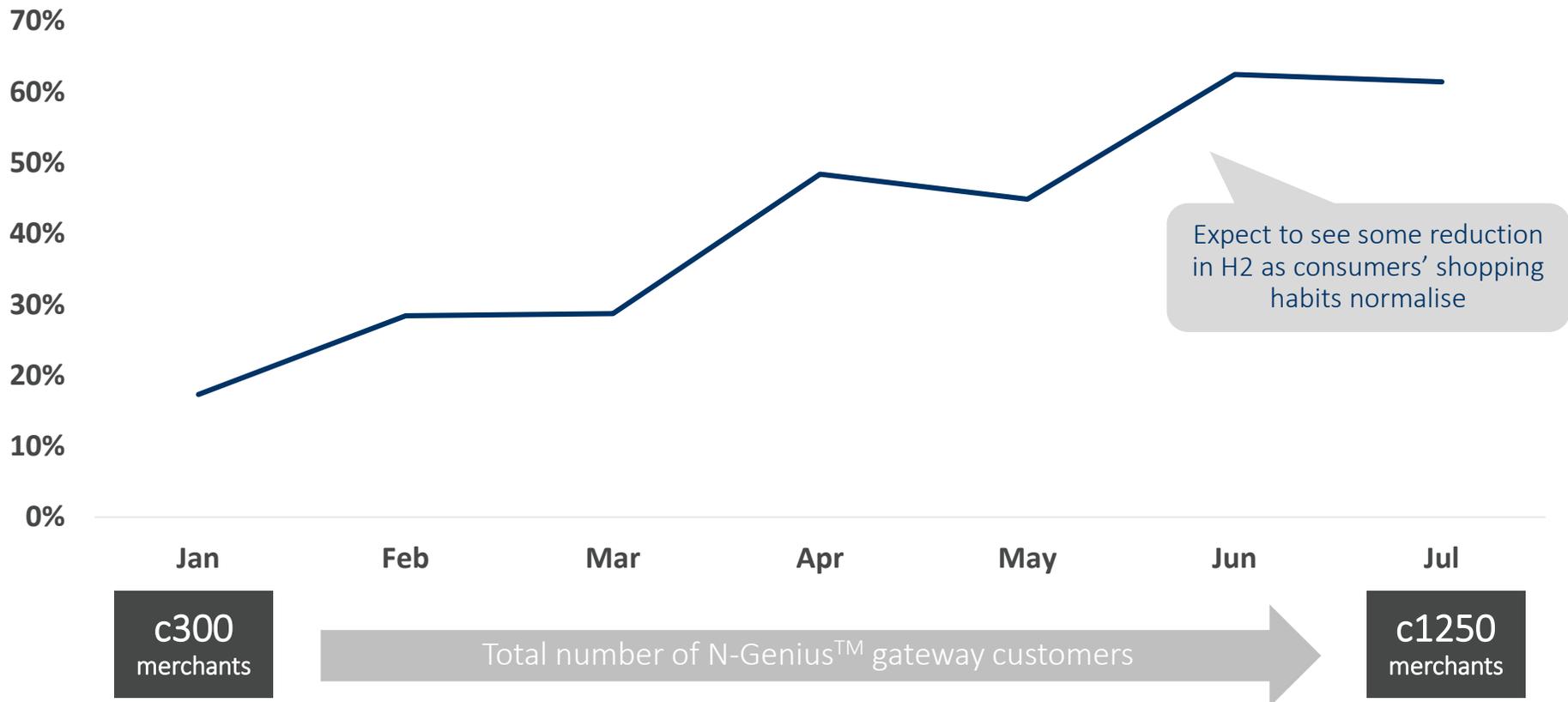
البنك العربي الافريقي الدولي
arab african international bank



Online gateway merchant signings have increased, alongside **Network** International Payment Solutions growth in e-commerce payments

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Year-on-year growth in directly acquired e-commerce TPV ²(excl. Government and airlines)



Notes: 2. Growth in online TPV represents the increase in both TPV processed for existing merchants, as well as TPV processed for those merchants who are newly signed. Not all merchants who are signed in July may yet be generating online TPV, as there is often a short time delay between signup and transactions occurring

Proposed acquisition of DPO will accelerate our growth



> **Consolidates our presence in Africa, the most underpenetrated and fast growing payments market in the world**

- Africa expected to be c40% of Group revenue by 2024



> **Broadens our Merchant Solutions offering and strengthens our position across the payments value chain in Africa.**

- Africa segment expected to have balanced revenue across Merchant & Issuer Solutions by 2024



> **Widens our capabilities and exposure in fast growing online and mobile money**

- Expected to double our e-commerce exposure over time



> **Combined capabilities and solutions provide significant cross-sell opportunities to our customers**

DPO has a strong standalone growth profile, which combined with synergies, will deliver attractive returns

DPO GROUP Standalone
Think Payments

- > Revenue trajectory:
 - > Historical standalone revenue growth of c.40% (2017-2019 CAGR)
 - > Future revenue growth assumed to be marginally lower than that achieved historically
 - > Prudent considering market growth potential and indication of Covid-19 driven acceleration
- > Cost base well-invested:
 - > Established presence across the continent: local sales forces, local offices and license infrastructure
 - > Integrated their technology platforms with the relevant acquiring banks and MNOs
- > Clear path to profitability:
 - > Well-invested business with high fixed cost base demonstrating strong operating leverage
 - > Expected to deliver c.30% EBITDA margin within 3 - 4 years



Synergies

- > Predominantly revenue synergies
- > 3 key areas:

1	Cross-sell of acquiring capabilities to Network International's existing Issuer Solutions Bank customers
2	Improve transaction acceptance rates
3	Cross-sell Network International's POS and mPOS solutions into DPO's customer base

- > High contribution margin on incremental revenue synergies

Underpins delivery of double digit ROCE within 3-4 years

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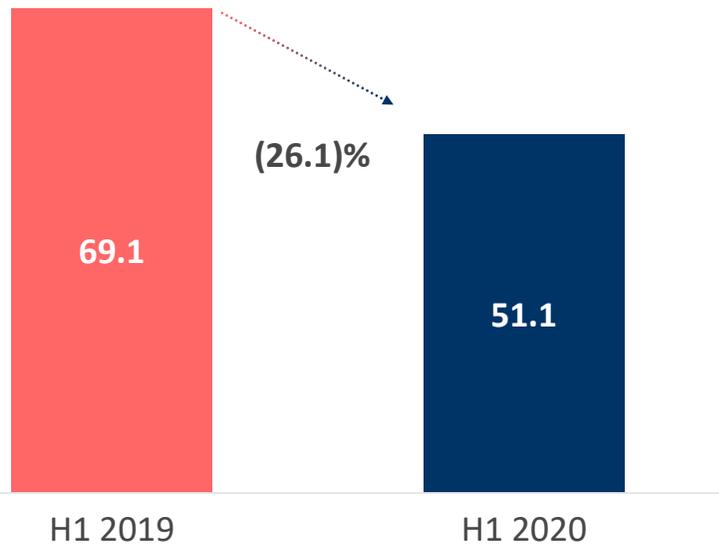
Financial Review

Rohit Malhotra, CFO

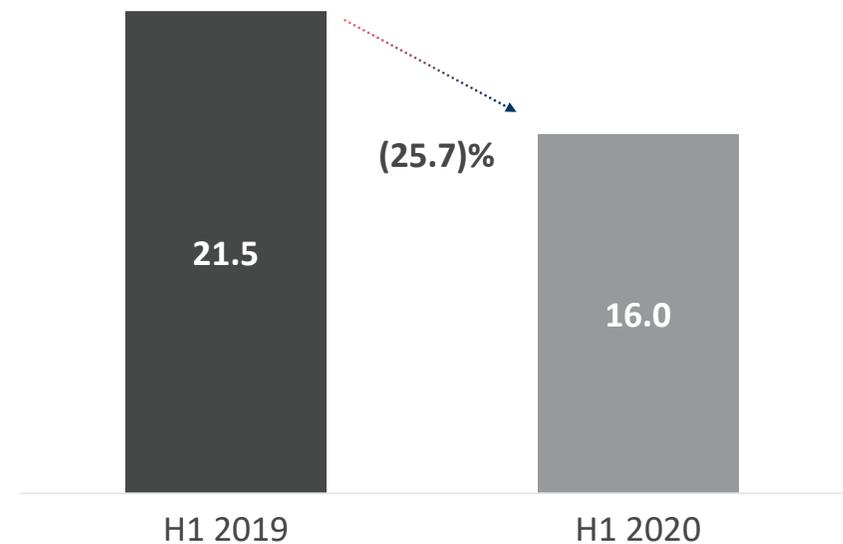
Merchant Solutions performance reflects lockdown measures **Network**

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Revenue (USDm)



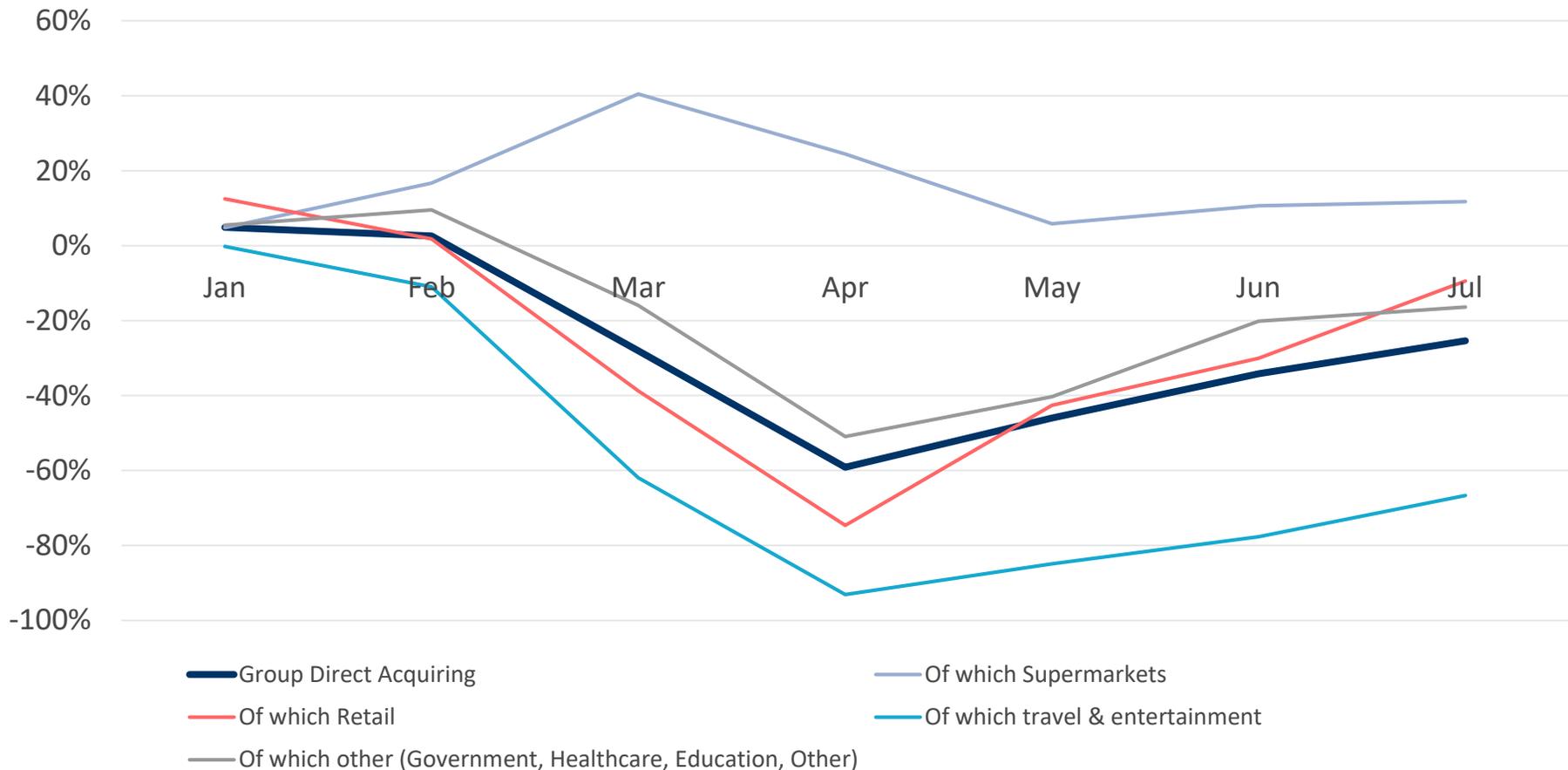
Total Processed Volume (TPV) (USDbn)¹



- Merchant Solutions largely focused on direct acquiring markets of the UAE and Jordan
- Performance closely linked to lockdown measures and related reduction in consumer spending
- Refunds and chargebacks remain within expected levels, with no significant increases

All merchant sectors showing recent recovery

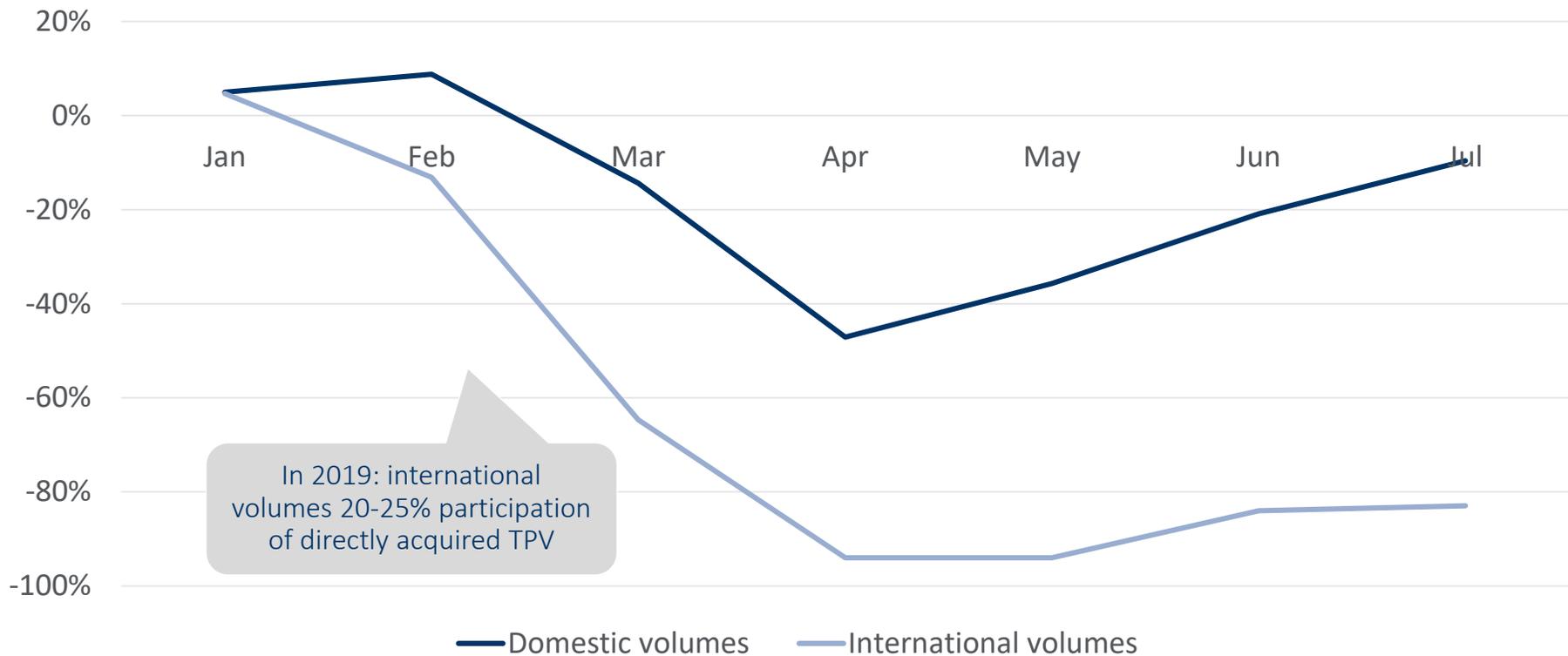
Year-on-year growth in directly acquired TPV¹



Notes: 1. For definitions of Alternative Performance Measures and Key Performance Indicators, see pages 27-28

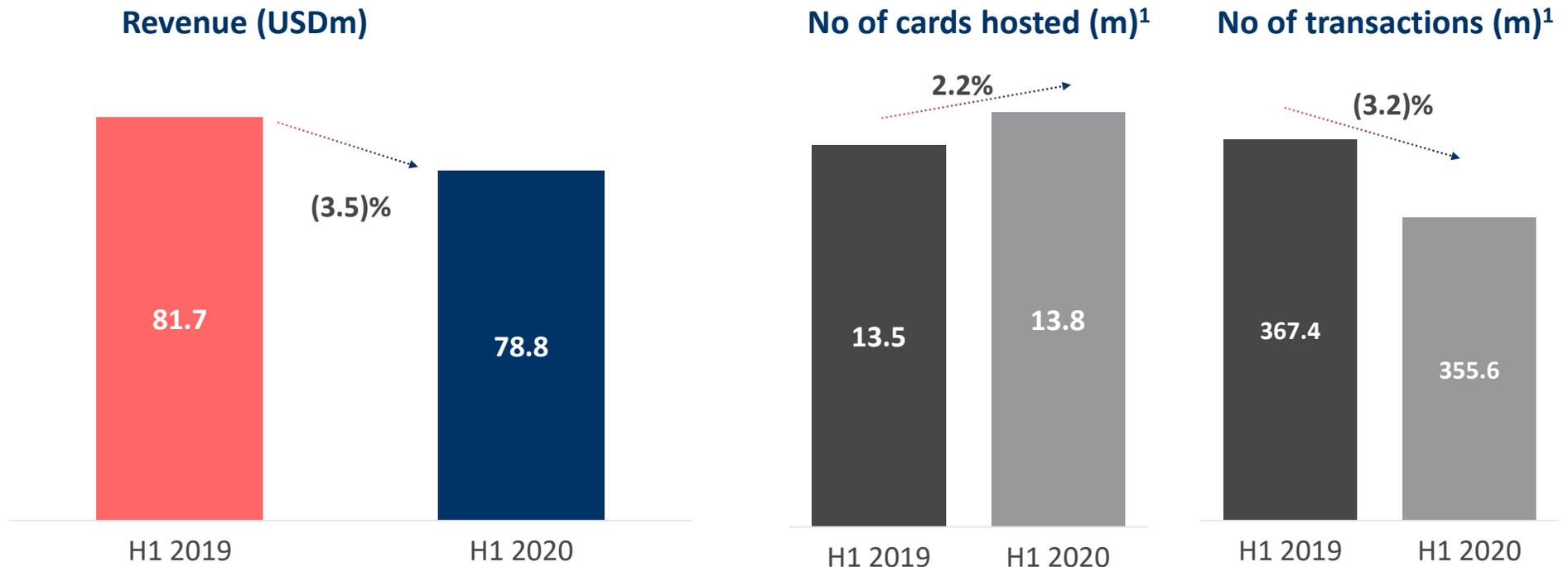
Domestic spending has shown a strong recovery whilst international / tourist spending is still low as expected

Year-on-year growth on domestic vs international cards in directly acquired TPV¹



Notes: 1. For definitions of Alternative Performance Measures and Key Performance Indicators, see pages 27-28

Issuer Solutions resilience linked to multiple revenue streams and contract structures



- Revenues generated from: card hosting, transaction volumes and value added services
- Contracts typically have fixed revenue elements or minimum volumes, providing some protection
- Lockdowns have significantly reduced transaction volumes and new card issuance. Also seeing increased card cancellations than would normally occur

Regional performance reflects business line mix

Middle East

Balanced across Merchant and Issuer Solutions

- Broadly flat performance through Q1, where we saw normal transaction volumes
- February saw a gradual slowing as a result of reduced tourism into the UAE
- More significant impacts in Q2 as a result of lockdown measures and reduced consumer spending



USD94.5m
revenue

(15.3)%
year-on-year

USD62.0m
contribution¹

65.6% (737)bps
contribution margin

Africa

Higher proportion of Issuer Solutions and more resilience in revenue performance

- Major markets of South Africa, Egypt and Nigeria all experienced stringent lockdowns through April - early June
- Whilst measures are easing, the situation is fluid
- Covid-19 also yet to peak across much of Africa



USD36.6m
revenue

(10.5)%
year-on-year

USD24.5m
contribution¹

67.1% (229)bps
contribution margin

Underlying EBITDA reflects our high fixed cost base, with some benefit from our cost mitigation programme

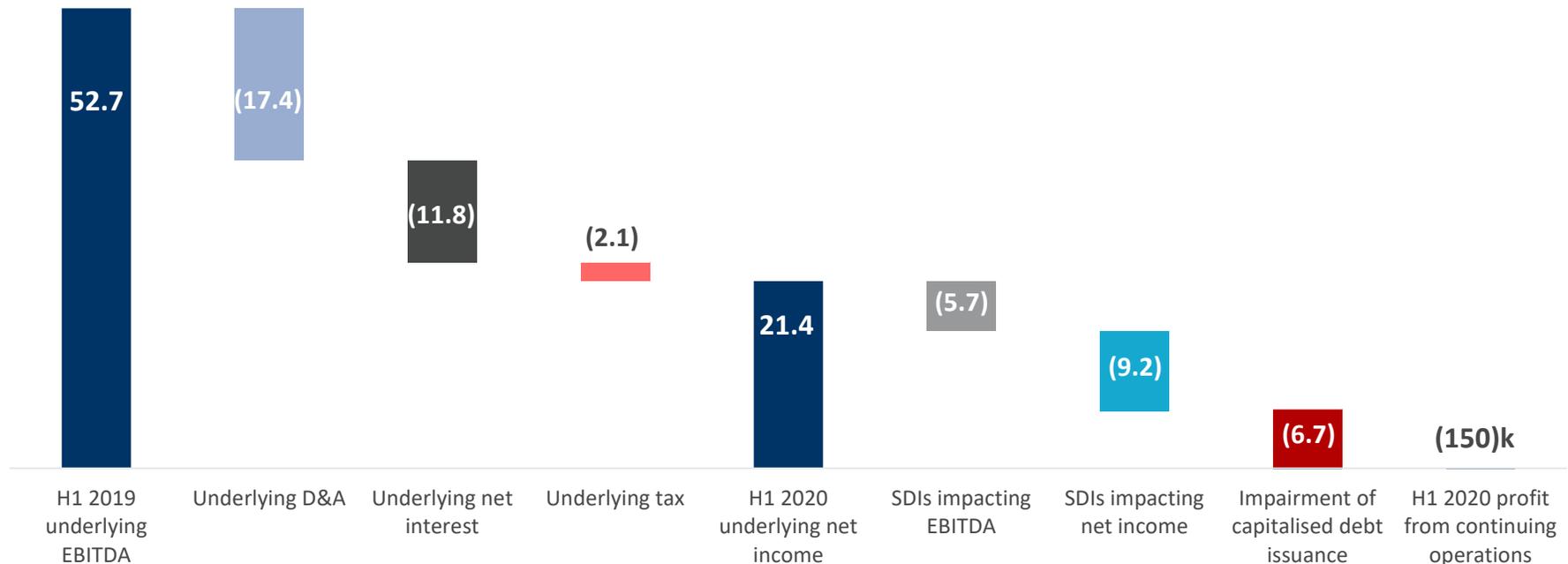
Underlying EBITDA¹ bridge (USDm)



- Cost mitigation programme includes: hiring freeze, strict controls on discretionary spend (marketing, travel) and Executive pay reductions
- Savings from the programme partly realised in H1, with the full benefits to flow through in H2

Profit from continuing operations impacted by revenue decline and write-off of capitalised fees from previous debt facility

Net income¹ bridge (USDm)



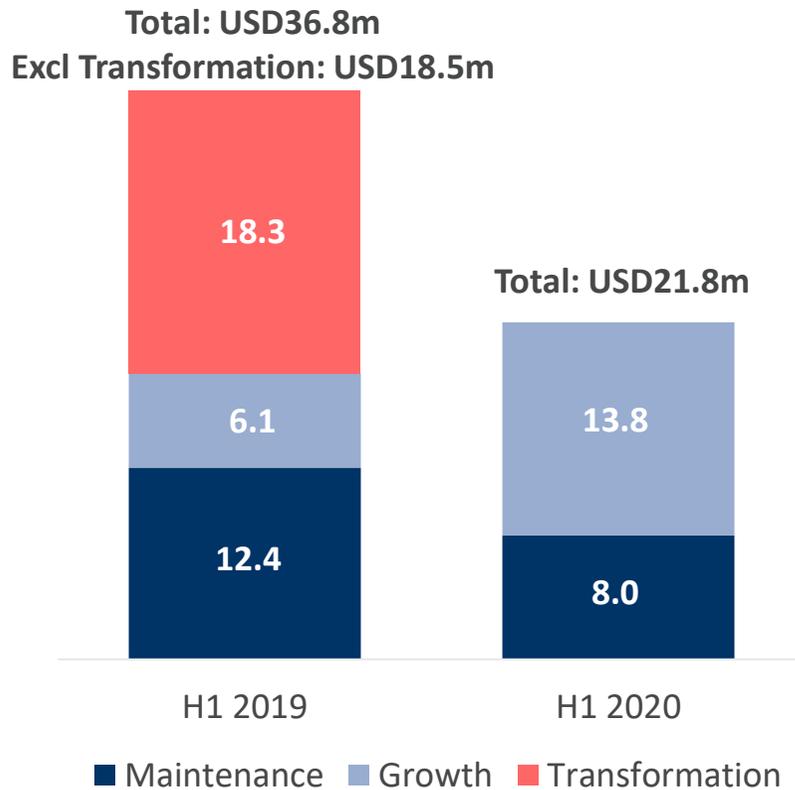
- Growth in underlying D&A reflective of core capex investments in 2019 and H1 2020
- Net interest reduction, benefitting from lower underlying rates compared with prior year
- Underlying tax rate slightly higher due to the change in geographical profit mix as a result of Covid-19

Specially Disclosed Items are presented in order to provide a more comparable view of underlying performance

USDm	H1 2020	H1 2019	
SDIs affecting EBITDA	5.7	21.8	
M&A and IPO related costs	0.8	15.7	M&A costs related to DPO. IPO costs no longer recurring. (Expecting USD11-12m of costs related to DPO in H2)
Share based compensation	5.1	5.2	Related to incentive programme in place prior to IPO
Reorganisation, restructuring & settlements	-	1.1	One-off initiatives to reduce the cost base and improve efficiency of the business. None incurred in the period
Other one-off items	(0.2)	(0.2)	Mainly: cash support paid to SMEs during Covid-19, and (gains)/losses on FX balances
SDIs affecting net income	9.2	6.3	
Amortisation related to IT transformation	7.0	4.2	Transformation capex completed, amortisation ongoing
Amortisation of acquired intangibles	2.1	2.1	Related to EMP acquisition in 2016
Total SDIs	14.9	28.1	

Prudent capital spending and deployment of growth capex to fund Mastercard initiatives

Capital expenditure (USDm)



Maintenance

- Enhancement of existing technology infrastructure; hardware, software, storage and compliance
- Procurement of POS terminals for existing customers
- Spend on ENBD separation before project was paused due to Covid-19

Growth

- Procurement of POS terminals for new customers
- On boarding new customers
- Product development and Mastercard funded initiatives

Capex spend deferred

- Further spend on ENBD separation paused
- Saudi market entry also on hold but will resume when borders re-open

A strong balance sheet and liquidity position

Underlying FCF¹ generation

USDm	H1 2020	H1 2019
Underlying EBITDA ¹	52.7	76.4
Working capital changes before settlement related balances	1.5	8.2
Tax paid	(3.4)	(6.3)
Capital expenditure	(21.8)	(18.5)
Underlying FCF¹	29.0	59.8

Liquidity and balance sheet

- H1 2020 net debt: u.EBITDA 2.0x
- Total liquidity available of USD 295m
- Operational cash inflows will be broadly equal to outflows for FY 2020
- Expect to remain comfortably within financial covenant of 3.5x net debt : u.EBITDA

2020 outlook remains unchanged

- Good recent momentum in both business lines, although July is typically a lower revenue month
- Domestic spends in UAE and TX volumes recovering, tourism spends will remain low
- Change to merchant acquiring fees in Jordan, implemented from August, will have a minor impact on Merchant Solutions
- Africa performance subject to further pressure as Covid-19 continues to peak
- Overall outlook for 2020 therefore unchanged



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Closing remarks

Simon Haslam, CEO

Strategic approach remains unchanged and we continue to pursue the growth opportunities in our markets

- **Markets continue to show a fast moving transition from cash to digital payments** with early evidence this is accelerating as a result of Covid-19
- **Covid-19 impacting near term performance, but we are confident this is temporary**
Our strategy remains the right one and customer relationships are strong
- **Excited by the opportunity DPO presents;** near term enhancement to capabilities and acceleration in growth over medium to long term
- **Further growth accelerator opportunities remain:** through our entry to Saudi Arabia when borders re-open, or substantial outsourcing contracts

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Appendix

- > **Group revenue growth** (17)-(20)% year-on-year
- > **Underlying operating costs:** flat year-on-year, reflecting the cost mitigation programme
- > **Underlying depreciation and amortisation:** USD35 – 38 million
- > **Underlying net interest cost:** USD22 – 24 million
- > **SDIs will impact EBITDA** by cUSD24-25m (which includes USD11-12m related to DPO costs)
> **SDIs will impact net income** by a further cUSD18m
- > **Underlying tax rate:** c7-8%, linked to the geographical profit mix as a result of Covid-19
- > **Capital expenditure:** USD40 – 45 million

Alternative performance measures

The Group uses these Alternative Performance Measures to enhance the comparability of information between reporting periods either by adjusting for uncontrollable or one-off 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: 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 other non US backed currencies that have a significant impact on the Group as a result of foreign operations in Nigeria and South Africa are the Nigerian Naira (NGN) and the South African Rand (ZAR) 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 : is defined as earnings from continuing operations before interest, taxes, depreciation and amortisation, write-off of unamortised debt issuance cost, share of depreciation of an associate and specially disclosed items affecting EBITDA.

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

Underlying Effective Tax Rate : is defined as the underlying taxes as a percentage of the Group's underlying net income before tax

Underlying Net Income: represents the Group's profit from continuing operations adjusted for write-off of unamortised debt issuance cost and specially disclosed items.

Underlying Earnings per share : is defined as the underlying net income divided by the number of ordinary shares (i.e. 500,000,000).

Specially disclosed items: are items of income or expenses that have been recognised in a given period which management believes, due to their materiality and being one-off / exceptional in nature, should be disclosed separately, to give a more comparable view of the period-to-period underlying financial performance

Underlying Free Cash Flow : is calculated as underlying EBITDA adjusted for changes in working capital before settlement related balances, taxes paid, maintenance capital expenditure and growth capital expenditure

Key performance indicators

To assist in comparing the Group's financial performance from period-to-period, the Group uses certain key performance indicators which are defined as follows.

Total Processed Volume (TPV) (USD billion)

TPV is defined as the aggregate monetary volume of purchases processed by the Group within its Merchant Solutions business line.

Number of cards hosted (million)

Number of cards hosted is defined as the aggregate number of cards hosted and billed by the Group within its Issuer Solutions business line.

Number of transactions (million)

Number of transactions is defined as the aggregate number of transactions processed and billed by the Group within its Issuer Solutions business line.