Network International Holdings Plc
Q3 2020 trading update, 12th October 2020

Network International Holdings plc, the leading enabler of digital commerce across the Middle East and Africa, provides an update on trading performance in the third quarter of the financial year. Unless otherwise stated, all growth figures reflect the Q3 2020 period compared with Q3 2019.

- **Improved trading performance through Q3 2020 with total revenue (17)% y/y**, compared with Q2 2020 where total revenue declined (23)% y/y
- **Merchant Solutions revenue (30)% y/y**
  - Directly acquired Total Processed Volume (TPV) was (21)% y/y, where we continued to see accelerated TPV growth from online merchants of 63% y/y (excluding Government and airline online TPV)
  - In direct TPV; domestic volumes were down only (5)% y/y, whilst international volumes were (78)% y/y
  - Take rates were lower y/y; reflecting the pace of recovery in different verticals and resultant changes in portfolio mix, and the regulatory impact on acquiring fees in Jordan
- **Issuer Solutions revenue (6)% y/y**, where card and transaction volumes continue to show recovery in the Middle East but remain impacted in Africa
- **DPO continues to trade strongly; on track to complete the acquisition.** Q3 TPV growth of over 30%[1] in constant currency, which evidences the strength of DPO's proposition and the high growth nature of online digital payments across the countries in which they operate.
- **Balance sheet and liquidity remains strong, and we will remain within our financial covenants.** Total liquidity position[2] of cUSD300 million, comprised of a total of cUSD190 million in undrawn lending facilities and a cash balance of cUSD110 million
- **Guidance for FY20:** expect to deliver revenue growth of (17)% y/y, at the top end of our guidance range. With improved trading momentum, we have seen a pick-up in some revenue streams that are initially at a lower margin, but drive revenue delivery over the medium term. We therefore expect underlying net income in line with current market expectations
- **Ongoing delivery of strategic and business initiatives:**
  - Africa: further expanded our relationship with GTBank into a ninth country; and have seen new card portfolio additions for six bank customers
  - Middle East: a number of merchant wins including online acquiring for NowNow (part of Noon Group) and Jimmy Choo
  - N-Genius: Rollout continued at pace, where we now have a total of 25,000 POS devices distributed to merchants across 19 countries, and c1500 merchants signed to our online gateway

Simon Haslam, Chief Executive Officer, commented:

"We are very pleased to see the continuation of more positive trading momentum through the third quarter, which reflects the easing of Covid-19 restrictions across our regions and improving

1. *DPO acquisition has not yet completed and is not currently consolidated within our financials. We are providing an indicative view of the trading data supplied by DPO following the Q3 period close*
2. *Excludes funds raised through the August 2020 equity placing for DPO acquisition. Since the end of the half year period, we have partially repaid the drawn balance on our revolver facility, which now has headroom of cUSD40m. Our syndicated lending facility has undrawn headroom of cUSD150m*

consumer spending. This has been supported by the transition from cash to digital payments, where recent indicators point to an acceleration in this trend, which will benefit the size of the digital payments market and long-term growth potential. We have also seen improvement in new business momentum since the height of lockdowns; including growing our issuing services for bank customers; and the pace of online acquiring, where we are particularly pleased with recent merchant wins such as NowNow. Whilst trends are improving, we continue to monitor the outlook and ongoing impact from Covid-19. A number of our bank customers are feeling financial pressure, particularly in Africa, which is creating some short-term delay to business activities.

Our proposed acquisition of DPO remains on track and I am encouraged to see their strong trading momentum through the quarter. This demonstrates the high growth nature of online payments across Africa, as well as DPO's scale and market strength. We are excited by the opportunities they will bring to our group. Long term, our market and business fundamentals remain strong."

Strategic and business initiatives

In the Middle East, we have seen new customer wins through the third quarter. In Merchant Solutions, this included a number of new direct acquiring merchants, including NowNow (the online personal delivery business of Noon Group) and Jimmy Choo. We have seen the successful cross sell of online acquiring and data services to Majid Al Futtaim Management Services, a major shopping mall, retail brand and hospitality operator in the UAE. In Issuer Solutions, we have renewed our contract with United Arab Bank for a further three years. We also saw good demand for our Easy Payment Plan, which allows consumers to set up a monthly repayment plan for goods or services purchased through a POS terminal (where permitted by the consumer's card issuer). In the United Arab Emirates (UAE), our core market, we continue to see a shift in consumer behaviour, away from cash and towards card and digital payments. This shift is supported by trends in the card data we host on behalf of bank customers. For example; if we look at a cohort of consumers who used their cards almost exclusively at ATMs in January 2020, those consumers are now only using their card at the ATM for just over half of their transactions, with the remainder taking place at a POS terminal or online. This changing behaviour is apparent across multiple cohorts of consumers, which can be seen in more detail within the Q3 trading update presentation.

In Africa, we have further expanded our relationship with GTBank into a ninth country, supporting their subsidiary in Cote'D'Ivoire. Woolworths Financial Services in South Africa has renewed our Issuer Solutions contract for a further four years. We have agreed to support a number of customers with the issuance and processing of expanded card portfolios from which we will largely see the financial benefit in 2021, including: GTBank in Ghana, Rokel Commercial Bank in Ghana, Access Bank in Ghana, Centenary Bank in Uganda; and virtual cards with Wema Bank and Access Bank in Nigeria. We are also continuing to expand our Merchant Solutions services with TymeBank to support their entry into the small and micro business banking market in South Africa, and as previously announced, saw the successful migration of an additional 2 million cards for RCS during the quarter.

Demand for online payment acceptance continues to be strong, with c300 merchants signed to the N-Genius™ gateway during the quarter, bringing the total number of N-Genius™ gateway customers to c1,500. N-Genius™ POS rollout continued at pace, with over 5,000 devices distributed across both the UAE and Africa in the period, bringing the total number of N-Genius™ devices across our regions to c25,000. We are now providing customers with N-Genius™ devices across 19 countries, including:

merchants across the UAE; and bank customers such as Arab African International Bank, Commercial Bank of Dubai, Standard Bank and Orabank.

Our strategic partnership with Mastercard continues to progress and we will launch two specific payments solutions during the fourth quarter: a corporate card solution for bank customers; and a smartphone App with QR code payment acceptance for merchants. Our partnership is also driving new business, as we work together to deliver payments solutions to potential bank customers.

We remain on track to complete the acquisition of DPO. DPO is the largest online commerce platform operating at scale across Africa, which offers online and mobile money payments services to over 47,000 merchants. DPO will further consolidate our presence in Africa, strengthen our position across the entire payments value chain and accelerate our growth. This acquisition will widen our capabilities across online, mobile and alternative payments; bring an extensive and diverse range of direct merchant relationships to our business; and provide a wider range of solutions for our existing customers. Whilst not consolidated as part of our financial performance, we are also providing an update on DPO's trading through the third quarter, which saw strong growth in TPV of over 30% y/y in constant currency, while take rates remained stable. DPO has seen a strong rebound in trading performance following the stringent lockdown measures implemented across South Africa during Q2; particularly in April where there was also a ban on e-commerce activities for some merchants, and DPO experienced negative TPV growth of (34)% in constant currency.

We are also very pleased to have seen the results of our annual employee engagement survey during the period. Overall, we saw both an improvement in survey participation, where 83% of colleagues participated (prior year: 72%), and a significant step up in overall engagement to 73% (prior year: 65%). Colleagues were also highly satisfied with the business' approach to employee wellbeing, care and remote working arrangements through the Covid-19 pandemic.

Third quarter trading

Total revenues in the third quarter were (17)% compared with the prior year.

In Merchant Solutions, revenue was (30)% y/y, within which directly acquired TPV was (21)% y/y. We have seen an ongoing improvement in domestic volumes, which were down only (5)% y/y, whilst international volumes (which are largely spends from international travellers) remain significantly depressed at (78)% y/y. Nearly all merchant segments have shown improved TPV growth in Q3 when compared with the height of lockdowns in April and May, particularly travel and entertainment (as shown in the table below). We continue to see a growing participation of online TPV, with growth of 63% y/y from e-commerce merchants in Q3 (excluding Government and airline online TPV). Take rates were lower in the period when compared with the prior year, which largely reflects; the varied pace of recovery across domestic and international spending and different merchant sectors, and resultant changes in portfolio mix. Take rates have also been impacted by the regulatory changes introduced in Jordan during August (as previously announced).

Refunds and chargebacks remain within expected levels, with no significant increases, or single client losses.

Network

Trends in directly acquired Total Processed Volume (TPV)

Directly acquired TPV, y/y growth	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Total	5%	3%	-28%	-59%	-46%	-34%	-25%	-16%	-21%
of which Retail	12%	2%	-39%	-75%	-43%	-30%	-9%	-6%	-21%
of which Supermarkets	5%	17%	40%	24%	6%	11%	12%	15%	4%
of which Travel & Entertainment	0%	-11%	-62%	-93%	-85%	-78%	-67%	-54%	-57%
of which Other*	5%	10%	-16%	-51%	-40%	-20%	-16%	-5%	-7%

*Includes Government, Healthcare & Education, Other

Issuer Solutions continued to show a more resilient performance with revenue (6)% y/y. This largely represents improving transaction volumes in the UAE and a slightly easier comparable period for all regions in the prior year. Transaction volumes and new card issuance in Africa remain significantly lower than the prior year; which reflects the impact of the ongoing first wave of Covid-19.

Guidance and outlook

We expect to deliver total revenue growth of (17)% y/y, at the top end of our guidance range. This reflects the positive trading momentum we have seen and progressive improvement in consumer spending.

Year-on-year total revenue growth in the fourth quarter will be below that of the third quarter. The third quarter has seen higher staycation spending from UAE residents, and the release of pent up consumer demand in retail, which has benefitted Merchant Solutions performance. The fourth quarter is seasonally the highest comparable period of the year and largest quarter from a revenue perspective, where this year underlying trends will be different as a result of Covid-19. In the UAE, Q4 2019 saw the highest proportion of international spending throughout the year, against which Q4 2020 will continue to see significantly depressed international volumes. In Africa, Q4 2019 included higher card renewals and issuance, where bank customers typically utilise budgets and prioritise projects before year end. This year will see less activity of this nature as bank customers are limiting their expenditure.

With the improved trading momentum, we have also seen an increase in revenue streams at a lower margin, which includes the sale of POS terminals to a number of acquirer processing bank customers and some project related services for issuing customers. Such revenue streams incur additional variable cost, but this investment will drive recurring revenue in the medium term and enhanced customer loyalty. We therefore expect to see total FY20 underlying cost growth of 2-3% when compared with FY19.

All other technical guidance elements remain as previously published.

As we have stated previously, our guidance does not include the re-implementation of any severe lockdown measures across our markets, as we saw through the second quarter period.

Conference call

A conference call dial-in facility including live Q&A, and a listen only webcast with a short slide presentation for analysts and investors, will be held today at 9am UK / 12pm GST.

- Webcast link: https://www.investis-live.com/networkinternational/5f7eff1ad33b270c006bfb80/svbs
- Conference call dial-ins: UK: 020 3936 2999 / UAE: 800 0357 04553 / US: 1 646 664 1960 using the confirmation code: 081855

A replay will also be available following the presentation through the same link above one hour after the presentation finishes.

Investor Relations enquiries

Network International InvestorRelations@Network.Global

Amie Gramlick, Head of Investor Relations

Media enquiries

Finsbury Network-Lon@Finsbury.com

James Leviton, Rob Allen

Forward Looking Statements

This announcement 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; 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.