

# Interim results 2022

11<sup>th</sup> August 2022

## | Disclaimer

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.



# Strategic review

Nandan Mer, CEO

# A reminder of our transformation to accelerated growth

## Ambition



Be the **fastest-growing** and **most innovative** **customer-centric** payments company in the Middle East and Africa

## How we get there



### Accelerate

Serve more customers



### Innovate

Serve customers better

## Medium-long term objective

**20%+**

revenue CAGR

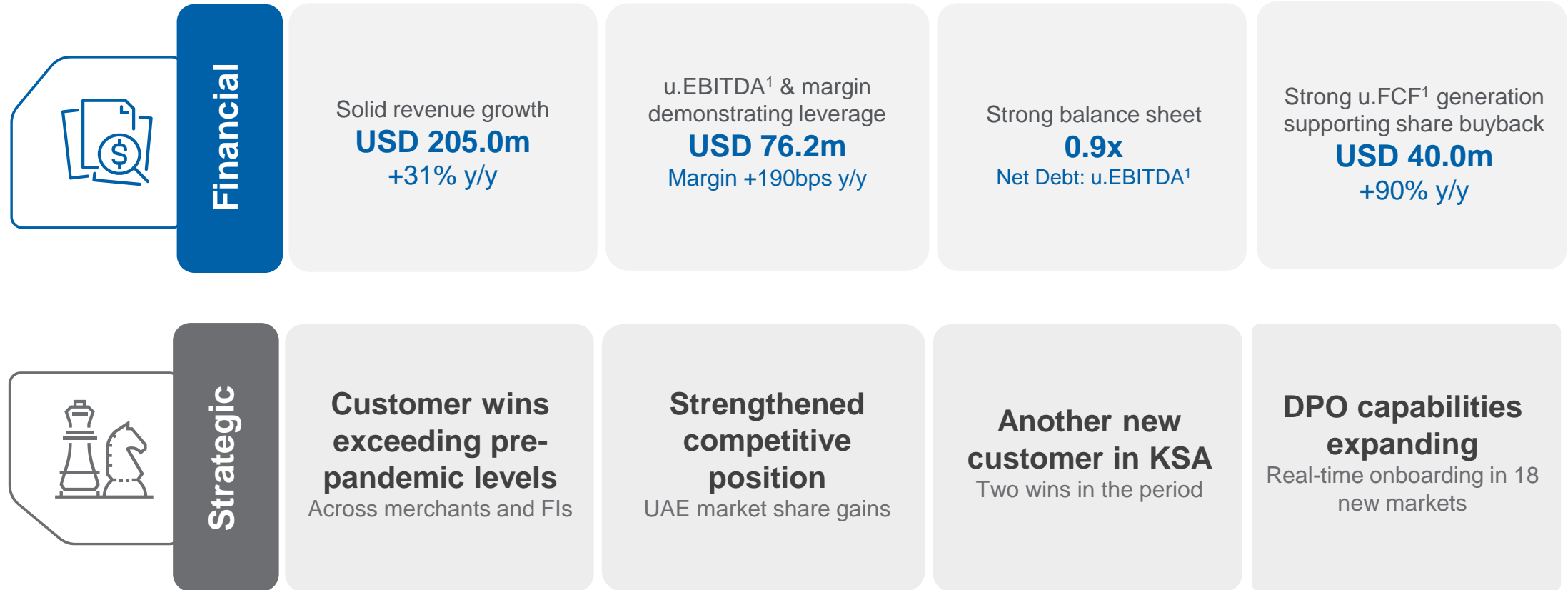
**45-50%**

u.EBITDA<sup>1</sup> margin

Further growth opportunities available, may require further investment

Notes: 1. For definitions of Alternative Performance Measures and Key Performance Indicators, see slides 34-35.

# Executing on our growth strategy in H1 2022



Notes: 1. For definitions of Alternative Performance Measures and Key Performance Indicators, see slides 34-35.

# Significant progress in Merchant Solutions and market share gains

Vs. H1 2021



**Total Processed Volume (TPV)<sup>1</sup>**



Strong growth in strategic focus areas and record signups



**Domestic TPV<sup>2</sup>**  
(from consumers domiciled in the UAE/Jordan)



18% ahead of pre-pandemic H1 2019



**International TPV<sup>2</sup>**  
(from consumers domiciled outside the UAE/Jordan)



7% ahead of pre-pandemic H1 2019



**Online TPV<sup>3</sup>**  
(excluding Airlines/Government TPV)



Supported by new capability launches



**SME TPV<sup>4</sup>**



SME signups double the rate of H1 2019

Note: 1. Network and DPO direct-to-merchant and acquirer processing volumes. 2. Direct-to-merchant TPV in the UAE and Jordan only. 3. Online UAE direct TPV excluding Government and Airlines. 4. SME TPV represents growth in direct-to-merchant TPV amongst our SME merchants in the UAE and Jordan.

# Capability launches are strengthening our position and accelerating customer wins

## Expanded services for online merchants



n-genius™

Proprietary N-Genius™ gateway



DPO Pay

tabby\*

Buy-Now-Pay-Later



Automated onboarding

amazon payment services

Online payments

## Winning strongly in the SME space



Dedicated sales team & digital channel



Tap-on-phone acceptance



Merchant lending<sup>1</sup>



Merchant data dashboards

## Partnerships supporting industry specific solutions

FOODICS®

SMEs in food & beverage

ezetap

Supermarket industry

FREEDOM.PAY

Hospitality industry

## More market-leading capabilities coming soon



Real time payment acceptance



Unified Commerce



Merchant self-service portal

Note: 1. Network International does not provide lending directly. Lending is facilitated through a third-party bank partner.

# DPO growth acceleration in Q2 and strong margin progression



## Good momentum in merchant wins

Including Dischem Baby City, Europcar and Pernod Ricard, supported by sales and marketing channel developments.



## Successfully cross-selling to existing customers

Agreement with RCS Group, enabling over 2 million RCS card holders to pay for goods at DPO merchants.



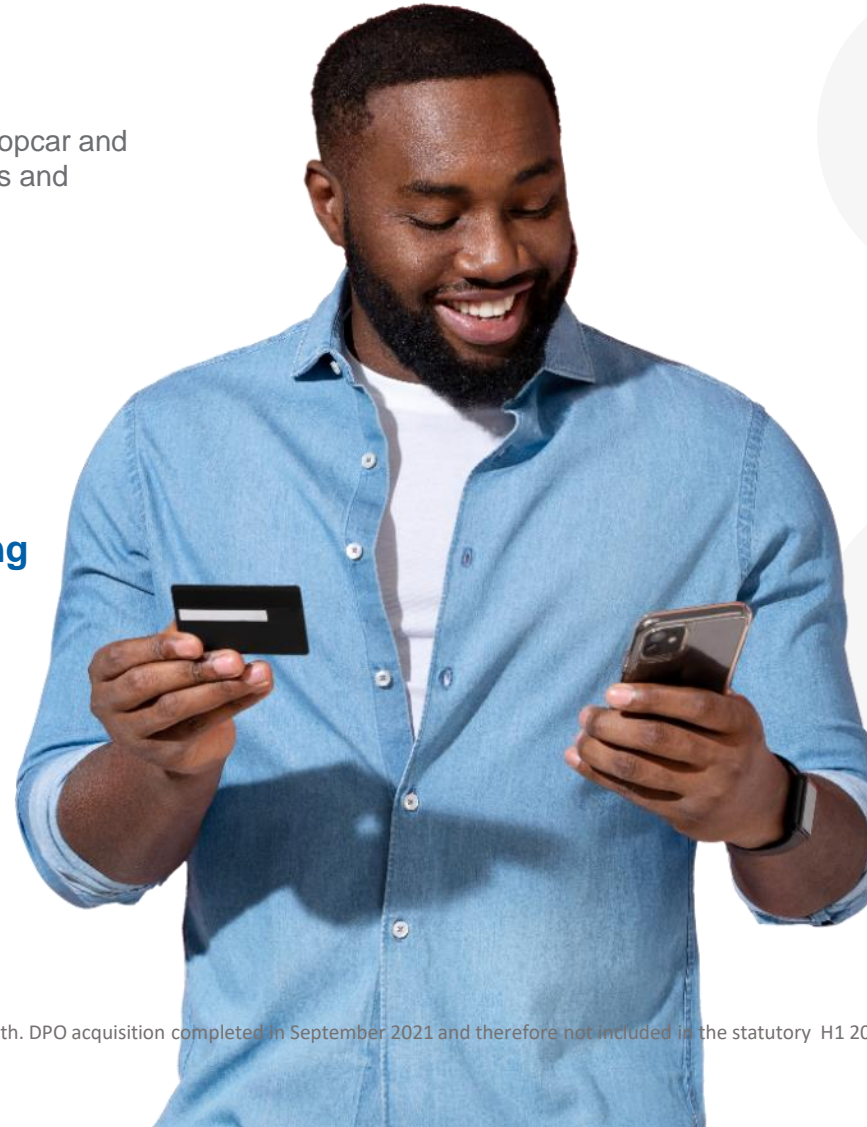
## New capabilities launched

- › Real-time onboarding in 18 new markets
- › A2A<sup>2</sup> payments for all merchants in South Africa & Nigeria
- › Airtel money acceptance in a further three markets



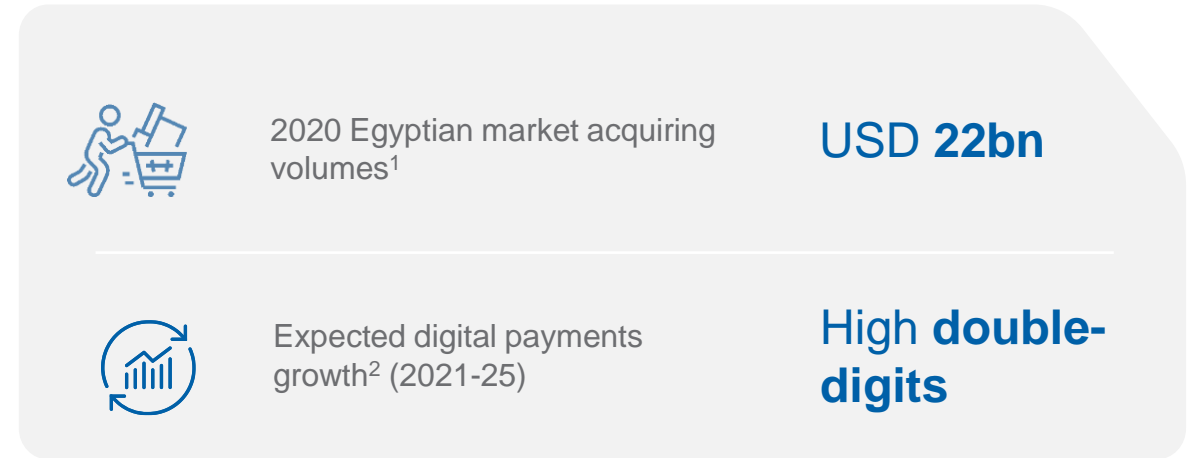
## Strong margin progression

- › Acceleration in Q2 revenue growth, up 35%<sup>1</sup> y/y
- › Margin leverage with H1 EBITDA growth 65%<sup>1</sup>





# Egypt direct-to-merchant services launching in H2 2022



## Ready to launch when license is approved

- › License application awaiting Central Bank approval
- › Approval received from major payment schemes
- › POS and e-commerce technology deployment complete

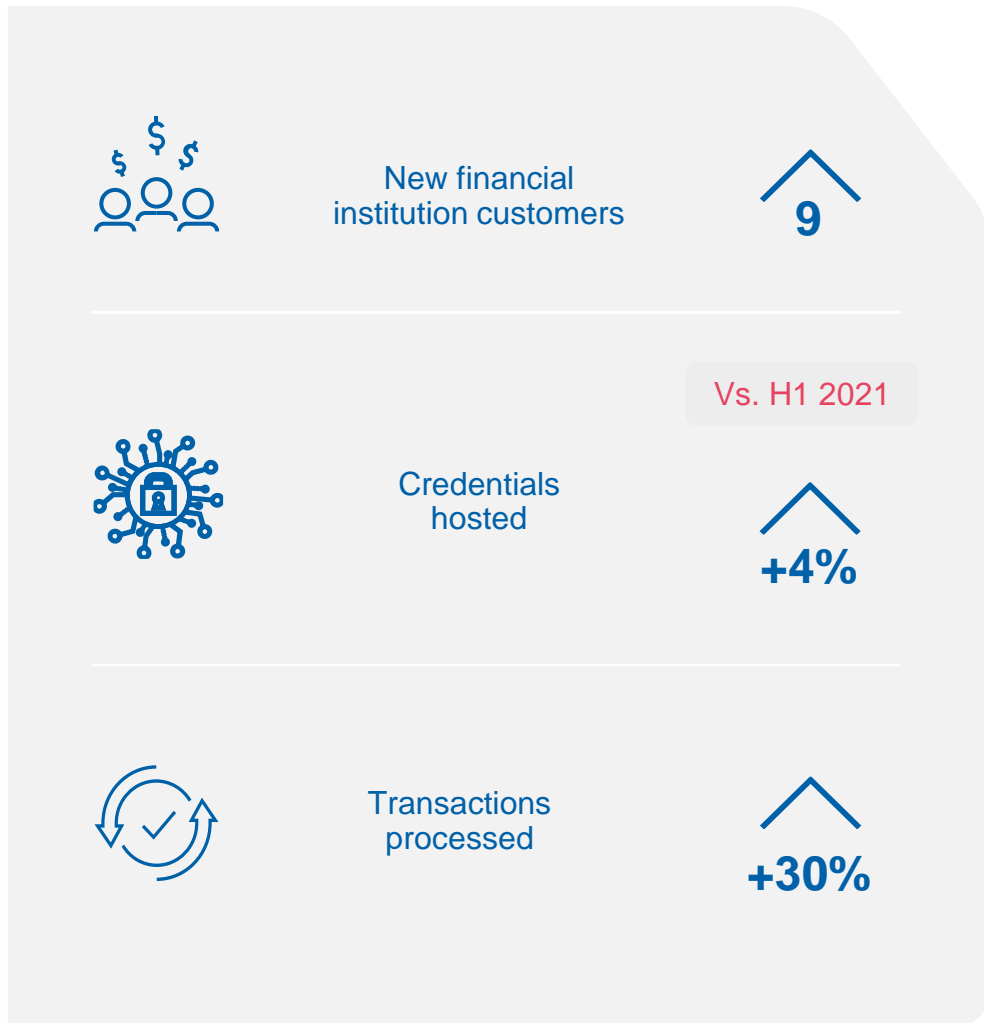


## Substantial addressable revenue pool

- › Egypt is already an established and successful processing services market for Network
- › Merchant launch is focused on SMEs and expanding our existing relationships with multiple large-scale customers
- › Initial capital investment of USD3-4 million in 2022

**Note:** 1. Edgar Dunn and Company. 2. Transaction value, non-cash payments, excluding account to account.

# Issuer Solutions customer wins and new business ahead of pre-pandemic levels



## Selected new Financial Institution customers



## Expanded services and renewals



Notes: 1. For definitions of Key Performance Indicators, see slides 34-35.

# New capabilities gaining momentum and driving cross-sell to customers

## Accelerated onboarding



New APIs<sup>1</sup> to automate onboarding  
Simplifying the integration of new capabilities

## Innovating and developing value-added services



FICO Falcon  
Fraud Manager



3D Secure 2.0 /  
Biometrics



Card Control

## Solutions for digitally focused FIs and fintechs



Fintech-in-a-box



Chat Banking

## Coming soon



Business in a box  
(Bundled processing solutions)



Expanded data  
advisory

Note: 1. APIs– Application Programming Interface

# Good progress on Kingdom of Saudi Arabia entry



## Two new customer wins

- › Two Issuer Solutions processing contracts won in the period
- › Connectivities established with domestic and international schemes
- › Onboarding the two new wins and working towards live processing
- › Healthy pipeline of potential future customers in place



Existing business and new wins provide a 20%+ underpin to our revenue target

**Five year**  
financial plan<sup>1</sup>

**USD 50m**  
Annual revenue

**c50%**  
EBITDA margin

- › Initial new customer revenues expected in 2022
- › Capital investment of up to USD 10 million, expected to complete in H2 2022
- › Payback expected in 3-4 years

Note: 1. Implies 2026 financial year



# H1 2022 financial review

Rohit Malhotra, CFO

# Solid start to the year and strong cashflow generation

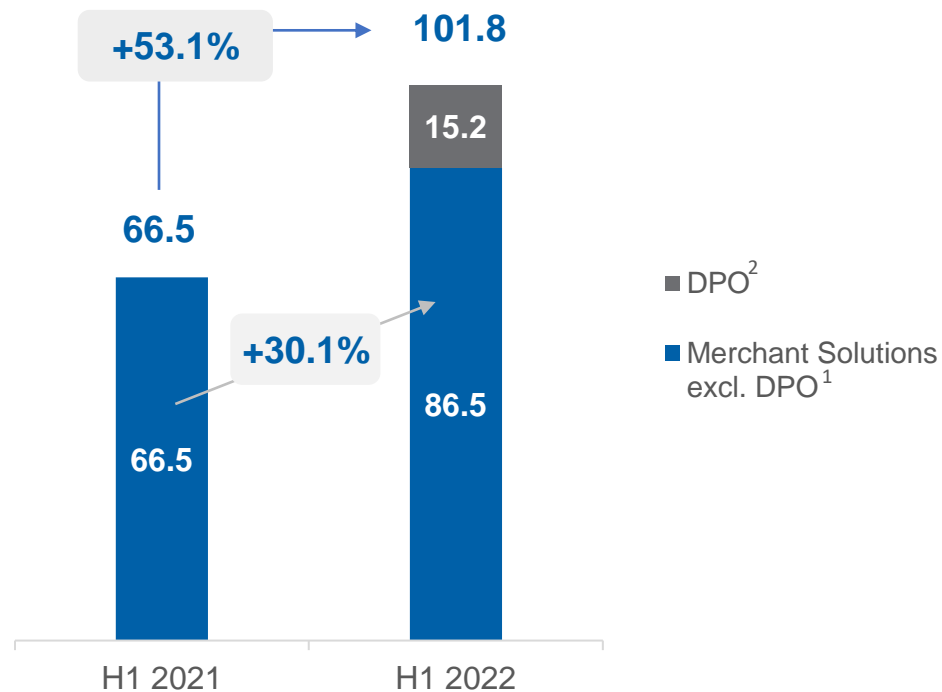
(USDm)	H1 2022	H1 2021	y/y	y/y (excl. DPO)
Revenue <sup>2</sup>	205.0	156.4	+31.1%	+21.4%
Underlying EBITDA <sup>1,2</sup>	76.2	60.4	+26.2%	+22.8%
Underlying EBITDA margin <sup>1,2</sup>	37.2%	35.3%	+190bps	+370bps
Underlying EPS <sup>1,2</sup>	6.1c	4.0c	+52.5%	
Underlying FCF <sup>1,2</sup>	40.0	21.1	+89.6%	
Leverage	0.9x	0.9x (FY 2021)	-	

+32%  
u.EBITDA  
growth excl.  
TG Cash and  
Mercury  
contribution in  
H1 2021

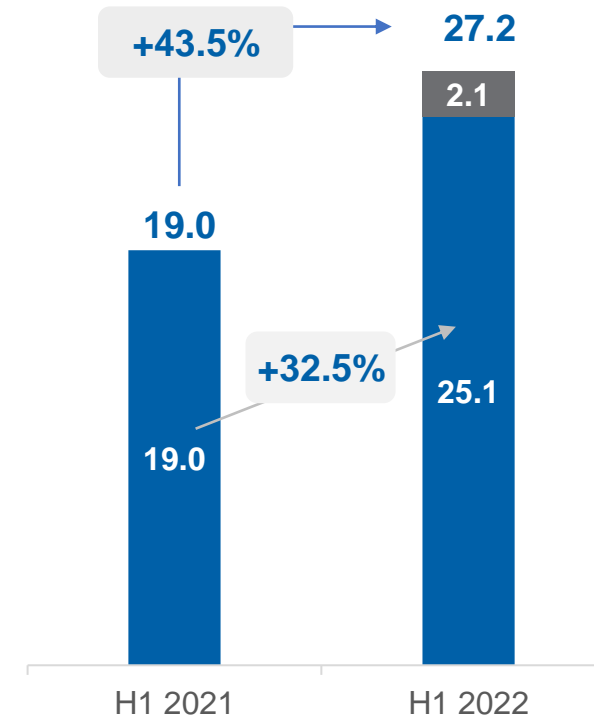
Notes: 1. For definitions of Alternative Performance Measures and Key Performance Indicators, see slides 34-35. 2. There is a six-month contribution from DPO Group, not present in the prior year period.

# Merchant Solutions supported by strong UAE consumer spending and DPO

## Revenue (USDm)



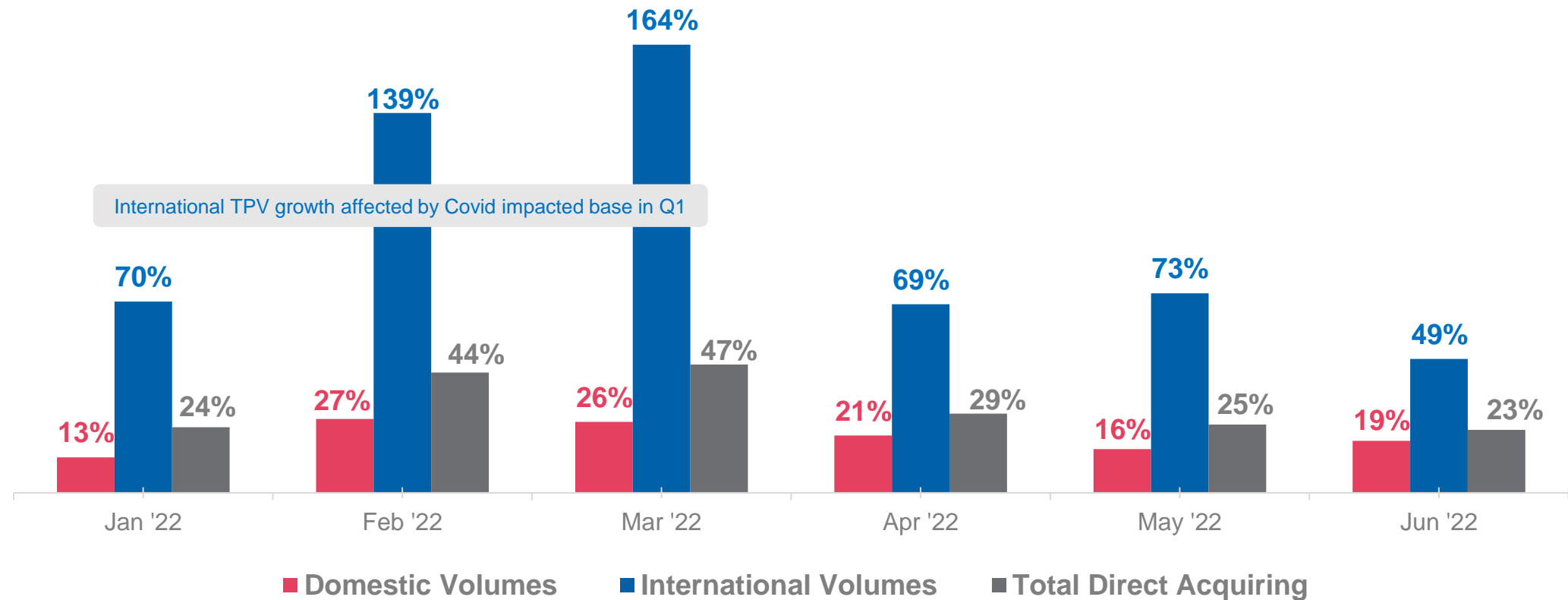
## Total Processed Volume (TPV<sup>3</sup>) (USDbn)



**Notes.** 1. Merchant Solutions excl. DPO relates to direct-to-merchant services in the UAE and Jordan, and acquirer processing across the Middle East and Africa. 2. DPO acquired in September 2021, therefore not included in H1 2021 base. DPO's business activities include direct-to-merchant services across Africa. 3. For definitions of Alternative Performance Measures and Key Performance Indicators, see slides 34-35.

# UAE domestic consumer spending and confidence is buoyant; International TPV growth reflects the strong rebound of tourism into the region

Growth in direct-to-merchant TPV in the UAE & Jordan Vs. 2021<sup>1</sup>

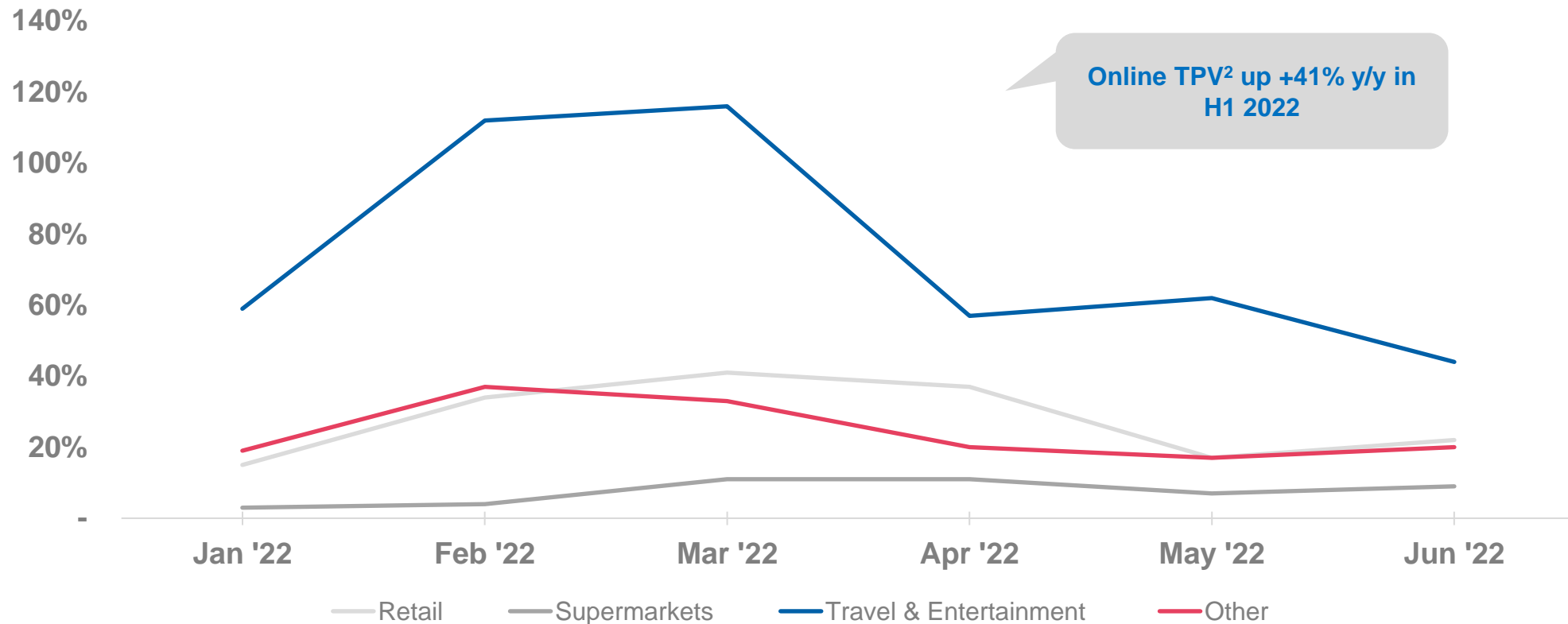


Notes. 1. Relates to TPV growth trends for Network's direct-to-merchant business in UAE & Jordan only, not including African markets through DPO. For definitions of Alternative Performance Measures and Key Performance Indicators, see slides 34-35.



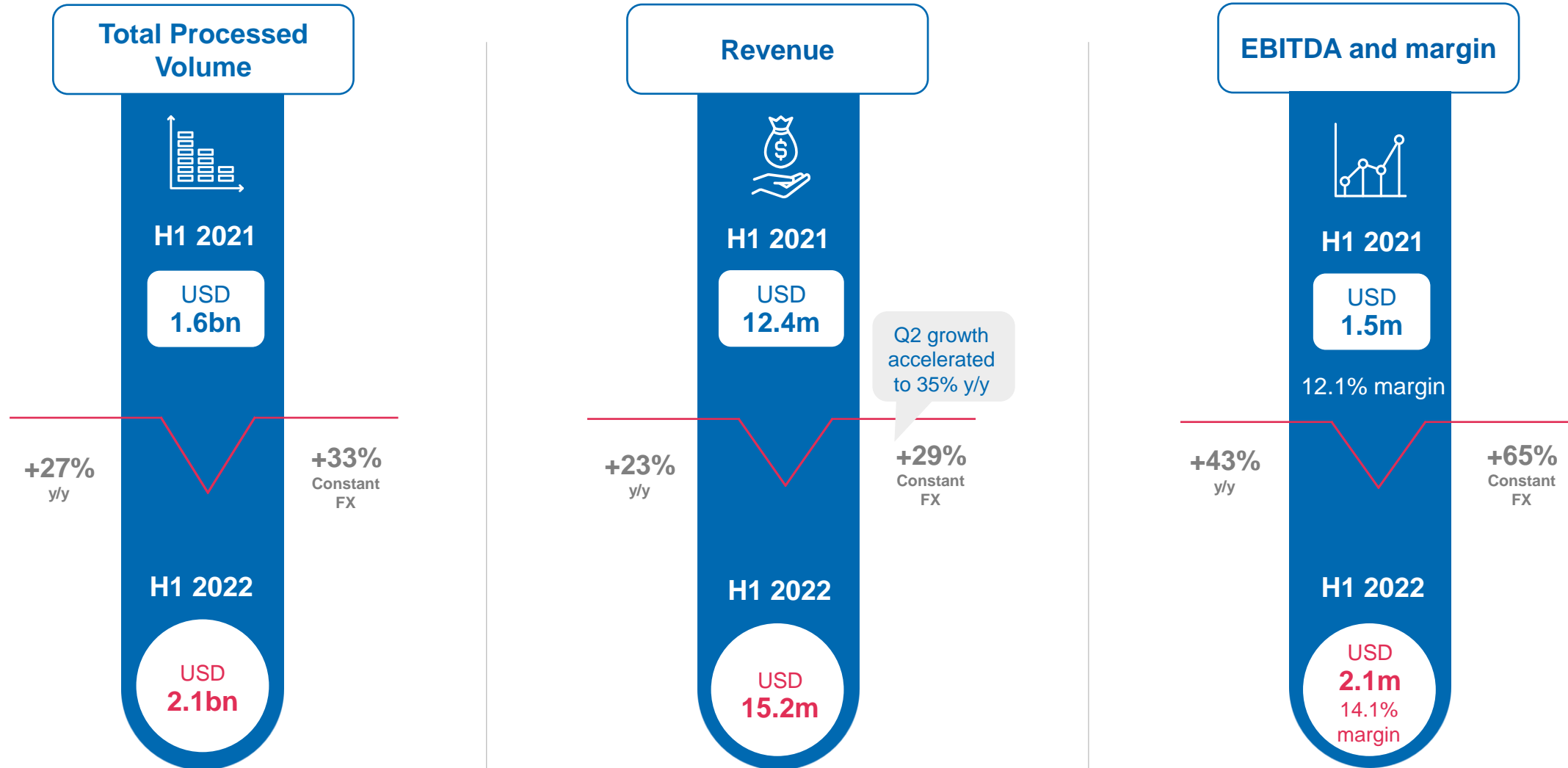
# High growth seen across the T&E sector is aligned with the return of tourism

## Growth in direct-to-merchant TPV in the UAE & Jordan Vs. 2021<sup>1</sup>



**Notes:** 1. Relates to TPV growth trends for Network's direct-to-merchant business in the UAE & Jordan only, not including DPO. 2. Represents UAE online TPV, excluding online TPV from Government and airlines. For definitions of Alternative Performance Measures and Key Performance Indicators, see slides 34-35.

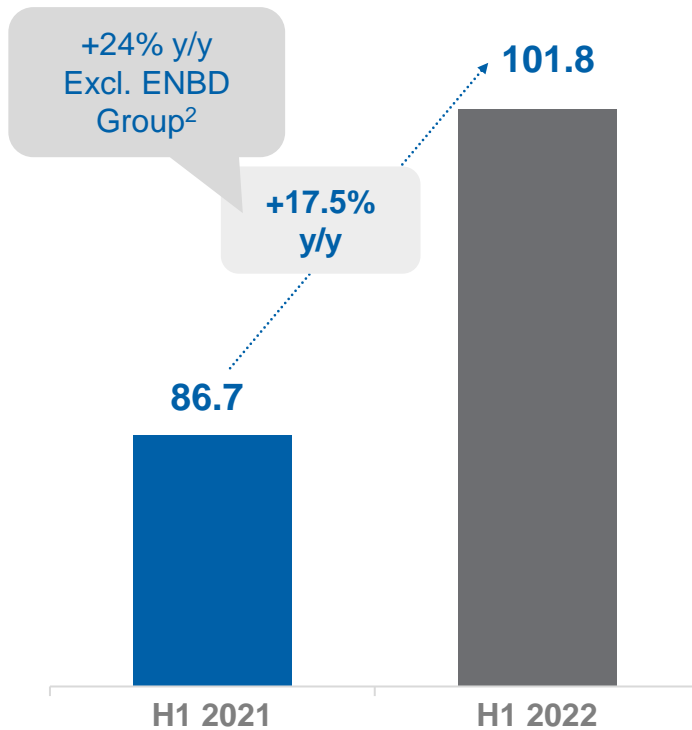
# DPO growth acceleration in Q2 and margin leverage ahead of expectations



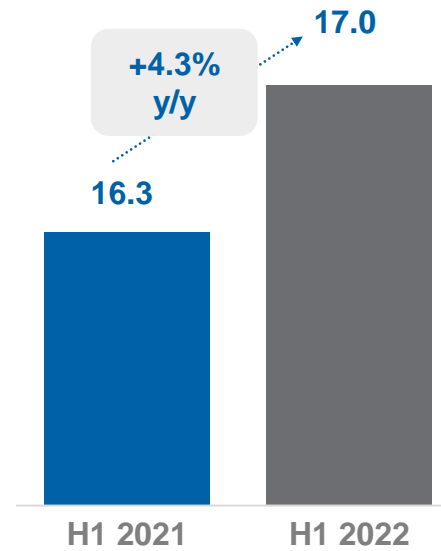
Notes. DPO was acquired in September 2021 and no contribution is present in the H1 2021 statutory financials base. Proforma twelve-month H1 2021 revenue and other information is provided for information only.

# Issuer Solutions delivering record revenue growth

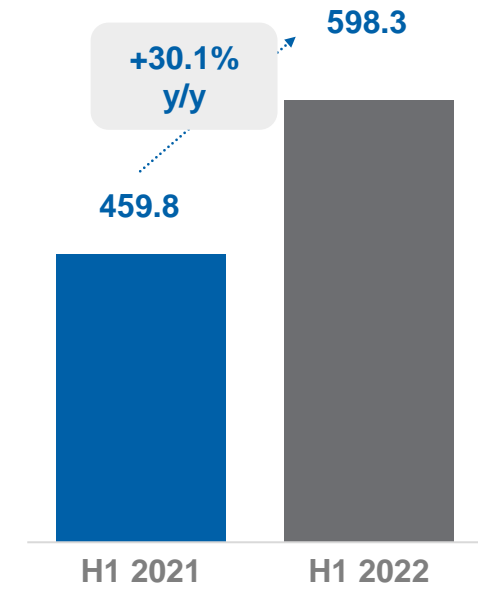
## Revenue (USDm)



## Credentials hosted (m)<sup>1</sup>



## No. of transactions (m)<sup>1</sup>



**Notes:** 1. For definitions of Alternative Performance Measures and Key Performance Indicators, see slides 34-35. 2 Issuer Solutions revenue growth excluding our contract with major customer Emirates NBD Group, where some of the contract has revenue growth caps in place.

# Broad-based growth across all regions



## Middle East

- › Strong performance in domestic and international TPV.
- › Improvement in credentials hosted, with very strong growth in transactions processed.
- › Contribution margin supported by operating leverage, whilst also investing in capabilities and Kingdom of Saudi Arabia market entry.

USD  
**136.6m**  
Revenue

**21.5%**  
vs H1 2021

USD  
**95.5 m**  
contribution<sup>1</sup>

**70.0%,  
+220 bps**  
contribution margin<sup>1</sup>



## Africa<sup>2</sup>

- › Strong revenue growth supported by the inclusion of DPO.
- › Excl. DPO, Northern and Sub-Saharan Africa relatively stronger vs. Southern Africa.
- › Associated KPI performance also strong, particularly transactions processed.
- › Contribution margins reflects strong revenue growth alongside a largely fixed cost base.

USD  
**68.5m**  
Revenue

**55.8%**  
vs H1 2021

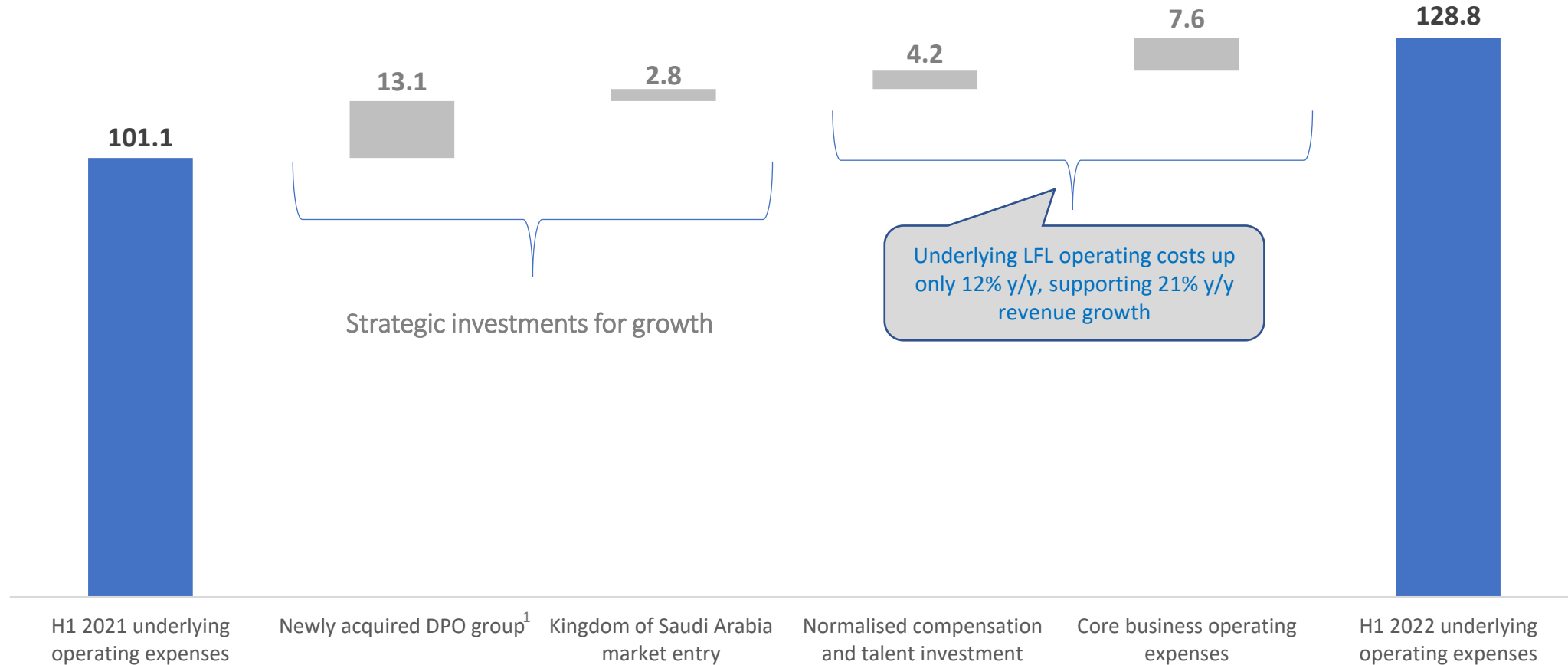
USD  
**50.2 m**  
contribution<sup>1</sup>

**73.3%,  
+980 bps**  
contribution margin<sup>1</sup>

Notes: 1. For definitions of Alternative Performance Measures and Key Performance Indicators, see slides 34-35. 2. Africa revenue includes six-month contribution from DPO.

# Prudent cost management alongside continued strategic investment for growth

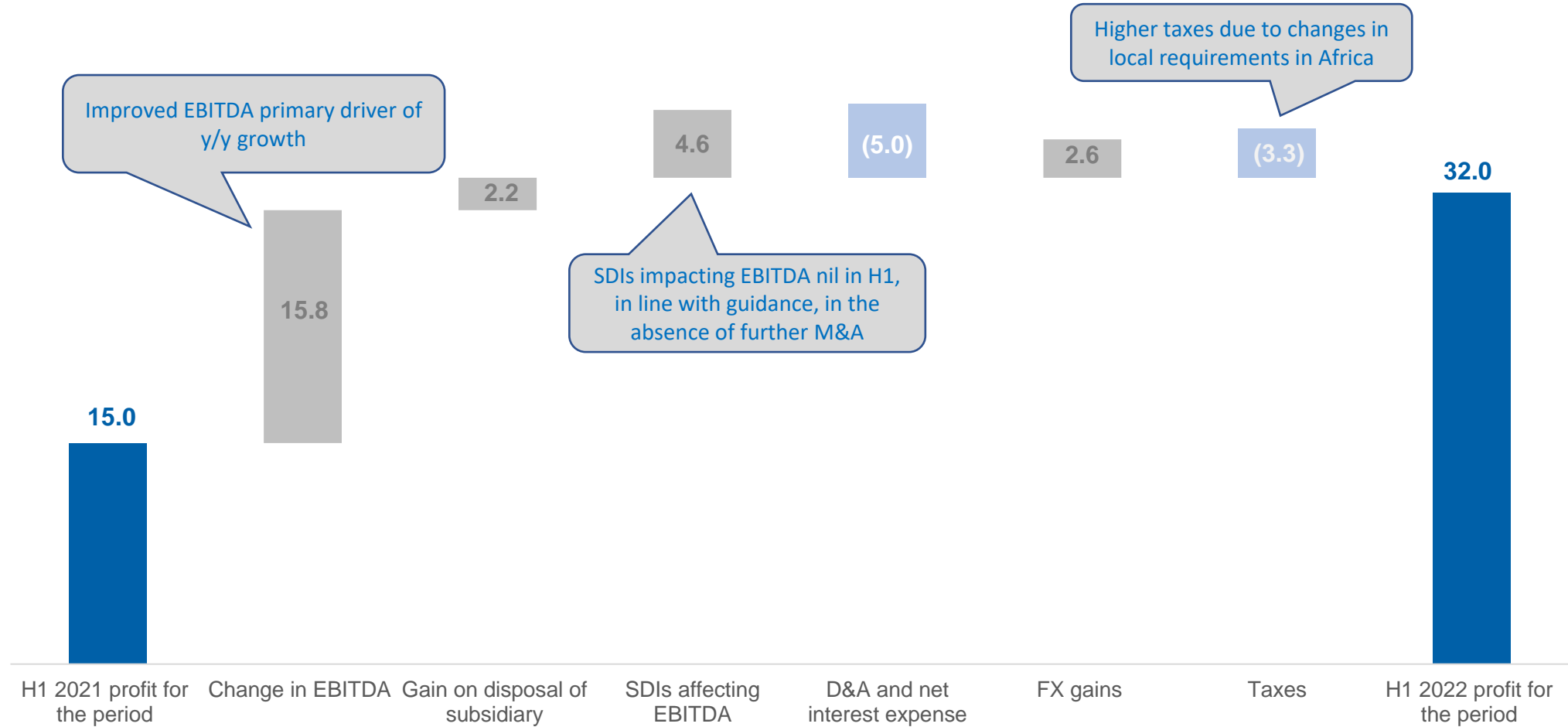
Underlying operating cost bridge (USDm)



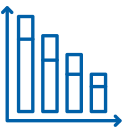
Notes: 1. DPO acquisition was completed in September 2021 and therefore not included in the H1 2021 base

# Strong growth in profit for the period

Profit bridge (USDm)




# Capital expenditure continues to support our high growth strategy




**Strategic projects**

- › Good progress on Kingdom of Saudi Arabia market entry; remaining cUSD 5m investment ongoing in 2022
- › Emirates NBD separation largely reflects migration of data centre (which is now complete) and ongoing ERP implementation.



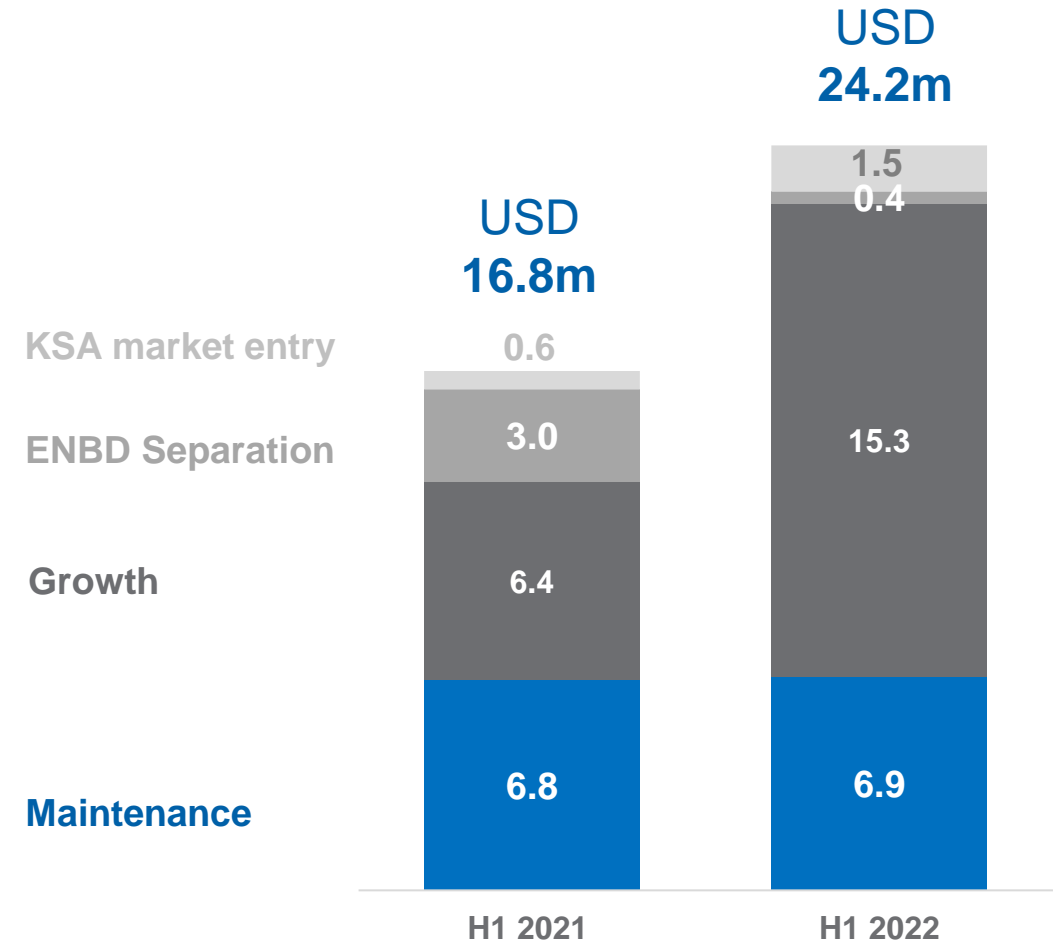
**Growth**

- › Investment in point-of-sale terminals, supporting the acceleration of our SME signups and onboarding
- › Development of new product capabilities across both issuing and acquiring, in addition to the onboarding of new processing customers



**Maintenance**

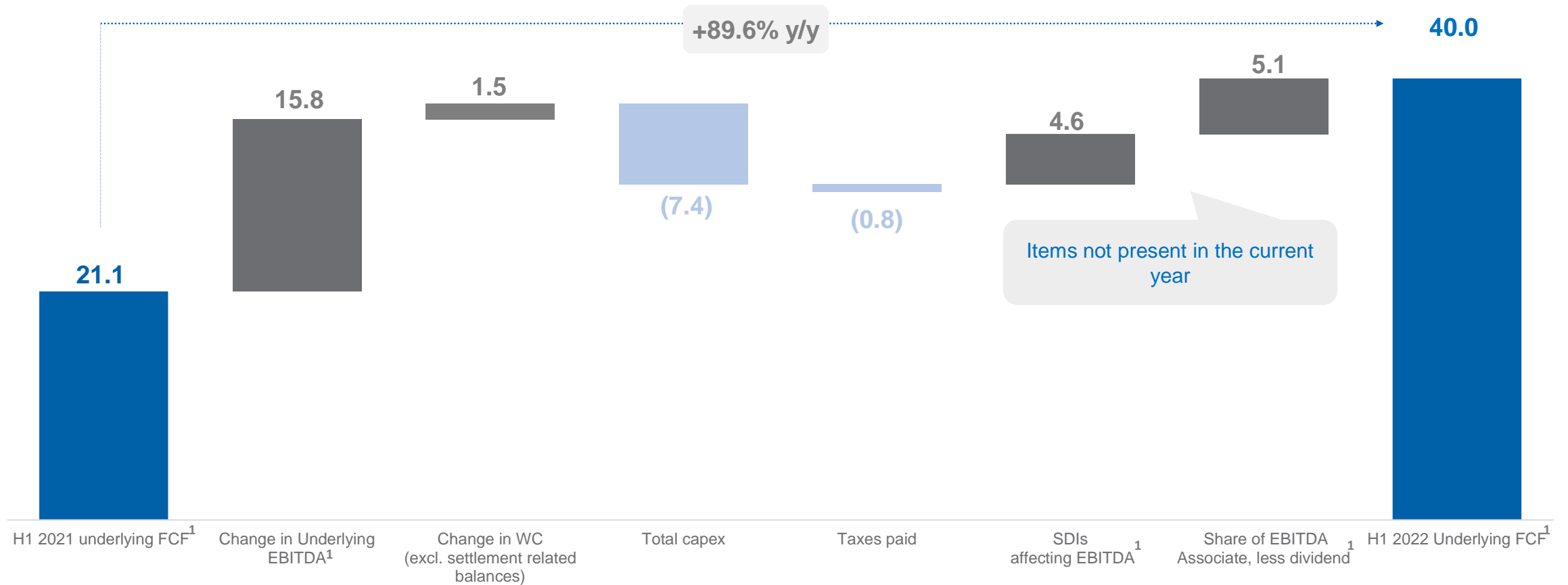
- › Enhancement of existing tech infrastructure



Capex guidance remains unchanged – expect total capital expenditure of USD 55-60 million.

# Higher free cash flow generation driven by core business growth

Underlying free cash flow<sup>1</sup> bridge y/y (USDm)



Notes: 1. For definitions of Alternative Performance Measures and Key Performance Indicators, see slides 34-35.



# Returning excess cash through a share buyback

## Reminder of our capital allocation policy



Investment for further growth opportunities

- › Selective and disciplined M&A, transformational outsourcing, new markets or other growth accelerators. Investments rigorously **assessed against internal strategic and financial lenses, such as ROCE**



Stable balance sheet

- › Leverage in the **range of 1–2x over the medium to long term**, with comfort to extend in the short term for selective M&A



Shareholder returns

- › Opportunity to deploy returns when appropriate

## Share buyback of up to USD 100 million



- › Leverage currently below target alongside strong free cash flow generation
- › Excess cash therefore being deployed to a buyback in the current environment
- › Capital allocation prioritises investment for growth when those opportunities arise, buyback represents a tactical approach to deploy excess cash

## Reconfirmed financial guidance



### Solid H1 performance underpins our FY 2022 outlook

- › Group revenue growth of 27-29%<sup>1</sup>.
- › Modest Group underlying EBITDA margin expansion y/y.



### Whilst mindful of macroeconomic challenges, our markets continue to see solid trading

- › Strong rebound from the pandemic and appreciation of the USD have somewhat contained inflationary pressures.
- › Seeing steady trading in our major markets

**Notes.** 1. Revenue guidance of 27-29% y/y is based on 2021 revenue of USD345 million, excluding three-month contribution from DPO in 2021, in line with previous guidance.



# Summary

Nandan Mer, CEO

# Encouraged by the progress in our growth focused strategy



**Ambition to be the fastest-growing and most innovative customer centric payments company in the Middle East and Africa**



**2022 outlook reconfirmed**

- › Whilst mindful of potential macroeconomic and inflationary pressures



**Successful strategic execution**

- › Strong broad-based revenue growth across all regions
- › UAE competitive position continues to strengthen
- › DPO trading improved through Q2
- › Market entry into KSA progressing well



**Organic growth remains the core driver, but we will monitor for disciplined M&A opportunities**



# Appendix

# Reminder of FY 2022 financial guidance



## 2022 financial guidance:



Group revenue growth of 27-29%<sup>1</sup> y/y.



Modest Group underlying EBITDA margin expansion y/y.



## Reminder of technical guidance:

- › Underlying D&A of USD 65-70 million.
- › Underlying tax rate c14%.
- › Total capital expenditure of USD 55-60 million, including an initial cUSD3-4 million to pursue a further growth opportunity, expanding our direct-to-merchant services into Egypt
- › Interest cost USD 15-17 million.
- › Specially Disclosed Items lower: i) impacting underlying EBITDA to be nil, in the absence of further M&A; ii) impacting net income to be c.USD 11 million – including ongoing amortisation of acquired intangibles from EMP acquisition of c.USD 4 million, ceasing after H1 2023; amortisation of acquired intangibles from DPO of c.USD 7 million

**Notes.** 1. Revenue guidance of 27-29% y/y is based on 2021 revenue of USD345 million, excluding three-month contribution from DPO in 2021, in line with previous guidance.

## Segment results, KPIs and revenue

	Six months ended 30 <sup>th</sup> June	
	H1 2022	H1 2021
	(USD'000)	(USD'000)
<b>Segmental Results</b>		
Middle East revenue	136,567	112,366
Africa revenue	68,465	43,956
Others	-	60
Middle East contribution	95,549	76,164
Africa contribution	50,219	27,901
Middle East contribution margin	70.0%	67.8%
Africa contribution margin	73.3%	63.5%
<b>Key Performance Indicators</b>		
Total Processed Volume (TPV) (USD m)	27,209	18,962
Total number of credentials hosted (m)	17.0	16.3
Total number of transactions (m)	598.3	459.8

	Six months ended 30 <sup>th</sup> June	
	H1 2022	H1 2021
	(USD'000)	(USD'000)
<b>Revenue</b>	<b>205,032</b>	<b>156,382</b>
Merchant Solutions	101,791	66,505
Issuer Solutions	101,808	86,669
Other revenue	1,433	3,208

# Income statement

	Six months ended 30 <sup>th</sup> June	
	H1 2022	H1 2021
	(USD'000)	(USD'000)
<b>Revenue</b>	<b>205,032</b>	<b>156,382</b>
Personnel expenses	(60,287)	(49,747)
Selling, operating and other expenses	(68,529)	(56,020)
Depreciation and amortisation	(36,189)	(28,174)
Share of profit of an associate	-	2,882
<b>Profit before interest, tax and gain on disposal of a subsidiary</b>	<b>40,027</b>	<b>25,323</b>
Unrealised foreign exchange gains / (losses)	2,191	(423)
Net interest expense	(7,128)	(7,882)
Gain on disposal of a subsidiary	2,170	-
<b>Profit before tax</b>	<b>37,260</b>	<b>17,018</b>
Taxation	(5,263)	(1,973)
<b>Profit for the period</b>	<b>31,997</b>	<b>15,045</b>
<b>Attributable to:</b>		
Equity holders of the Group	32,061	15,317
Non-controlling interest	(64)	(272)
<b>Profit for the period</b>	<b>31,997</b>	<b>15,045</b>
<b>Underlying EBITDA</b>	<b>76,216</b>	<b>60,372</b>
<b>Earnings per share (Basic and diluted) – in USD / cents</b>	<b>5.7</b>	<b>2.8</b>
<b>Underlying earnings per share (Basic and diluted) – in USD / cents</b>	<b>6.1</b>	<b>4.0</b>



# Balance Sheet and Cash Flow

	As at	
	30 <sup>th</sup> June 2022	30 <sup>th</sup> June 2021
	(USD'000)	(USD'000)
<b>Assets</b>		
Total non-current assets	799,272	556,084
Total current assets	614,346	654,389
<b>Total assets</b>	<b>1,413,618</b>	<b>1,210,473</b>
<b>Liabilities</b>		
Total non-current liabilities	351,432	371,919
Total current liabilities	436,949	329,310
Total liabilities	788,381	701,229
Total shareholders' equity	625,237	509,244
<b>Total liabilities and shareholders' equity</b>	<b>1,413,618</b>	<b>1,210,473</b>

	As at	
	30 <sup>th</sup> June 2022	30 <sup>th</sup> June 2021
	(USD'000)	(USD'000)
<b>Net cashflows before working capital balances</b>	<b>65,580</b>	<b>40,512</b>
<b>Net cashflows from operating activities<sup>1</sup></b>	<b>90,604</b>	<b>(11,277)</b>
<b>Net cashflows from investing activities</b>	<b>(30,673)</b>	<b>(22,460)</b>
<b>Net cashflows from financing activities</b>	<b>(75,423)</b>	<b>(7,857)</b>
Net decrease in cash and cash equivalents	(15,492)	(41,594)
Effect of movements in exchange rate on cash	(1,214)	(612)
Cash and cash equivalents at the beginning of the period	280,056	421,650
<b>Cash and cash equivalents at the end of the period<sup>1</sup></b>	<b>263,350</b>	<b>379,444</b>

Notes. 1. Cash flow from operating activities for the comparative period has been restated to reflect the recent change in the IFRS guidance on the presentation of restricted cash in the statutory cash flows

# Alternative performance measures

The Group uses 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 pegged currencies that have a significant impact on the Group as a result of foreign operations in South Africa, Ghana and Kenya are the South African Rand (ZAR), Ghanaian Cedi (GHS) and Kenyan Shilling (KES), respectively.



**Contribution:** is defined as segment revenue less operating costs (personnel cost and selling, operating and 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 profit before interest, taxes, depreciation and amortisation, gain on the disposal of a subsidiary, unrealised foreign exchange (gains) / losses, share of depreciation from associate and SDIs affecting EBITDA.



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



**Underlying Earnings per share:** is defined as the underlying net income adjusted for non-controlling interest, divided by the weighted average number of ordinary shares at the end of the relevant period.



**Underlying Free Cash Flow:** is calculated as underlying EBITDA adjusted for changes in working capital before settlement related balances, taxes paid, total capital expenditure, SDI affecting EBITDA and adjustment for share of EBITDA of associate, less dividend.



**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 for the period adjusted for gain on the disposal of a subsidiary and specially disclosed items.



**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.

# 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)

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



## Number of credentials hosted

Number of credentials hosted is defined as the aggregate number of consumers' payment credentials managed and billed by the Group within its Issuer Solutions business line.



## Number of transactions

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