



Q4 2022 Trading Update 19th January 2023



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19th January 2023: Network International Holdings Plc, Q4 2022 trading update

Strong strategic delivery, record merchant wins and FY results expected in line with guidance

	Q4 22 vs Q4 21
Total revenue	+13%
Merchant Solutions revenue	+20%
Network Merchant Solutions revenue excluding DPO	+22%
DPO Group revenue	+12% (+22% constant FX)
Issuer Solutions revenue	0%

Strong revenue growth in-line with guidance¹

- **Expected FY22 Group revenue of USD 438m**, up 27%¹ y/y or 29%¹ excluding FX translation impacts. Continued margin expansion with FY22 u.EBITDA anticipated to be in line with market expectations².

1. Revenue growth quoted based on 2021 revenue of USD345m, excluding the three-month contribution from DPO, as per company guidance. 2. Company compiled consensus average for 2022 underlying EBITDA of USD179m. Financials are subject to audit and final figures will be published with 2022 preliminary results on 9th March 2023.

Merchant Solutions growth acceleration vs pre-pandemic during Q4, driven by the UAE

- **Q4 direct-to-merchant Total Processed Volume (TPV) in the UAE and Jordan up 23% y/y**, with domestic TPV up 21% y/y (38% vs. 2019) and international TPV up 28% y/y (34% vs. 2019).
- **Growth momentum supported by focus and execution in strategic growth areas**, with Q4 online TPV (excl. Government/Airlines) up 40% y/y and SME TPV up 47% y/y.
- **DPO Q4 TPV growth of 25% y/y in constant FX**, which whilst strong, has been impacted by more challenging macroeconomic conditions and underlying market growth in South Africa.
- **Successfully launched direct-to-merchant services in Egypt**, with the first SME merchants now onboarded and transacting through Network's point-of-sale terminals.

Issuer Solutions delivered another year of growth, Q4 impacted by signing and onboarding delays

- **FY Issuer Solutions revenue grew 12% y/y. Whilst Q4 revenue was flat y/y**, impacted by the delayed signing of some new business streams and non-recurring revenues in the prior year; we expect to see higher growth resume as we move through 2023.
- **Five new financial institution wins in the quarter, securing 18 in the year**, in addition to the renewal of a ten-year contract with one of Egypt's largest private banks.
- **Two new processing customers in the Kingdom of Saudi Arabia**, further underpinning this new market entry and bringing our customer portfolio to six in total.

2023 growth outlook remains strong but will see more challenging economic and inflationary impacts

- **Growth and strategic execution across our markets remains strong**, albeit we are mindful of weakening global macro-economic conditions and growth slowing in some markets across Africa.
- **We expect further EBITDA margin expansion in 2023** although this will be lower than that delivered in 2022, impacted by inflationary pressures, particularly employee costs.

Nandan Mer, Chief Executive Officer, commented:

“We ended 2022 in a position of strength, having set out a refreshed strategy and delivering on several key commitments, including revenue growth acceleration and financial results in-line with guidance. In the merchant business we saw a record number of wins alongside new capability launches. The successful acquisition of DPO in Africa has doubled our e-commerce merchant revenues, added alternative payment capabilities and accelerated SME signings across the Group. In the processing business we saw strong full year revenue growth as a result of new customer wins and the accelerated transition to digital payments across all our markets. We have also launched a number of new revenue growth opportunities; including processing services in Saudi Arabia where we are live with a number of customers, merchant payments in Egypt and commercial payment services in the region. Looking ahead we continue to see a high growth outlook, supported by structural market expansion and continued strategic delivery.”

Merchant Solutions business line review

Year on year growth	Q1 ¹	Q2 ¹	Q3 ¹	Q4 ¹	FY22
Total Merchant Solutions revenue	+64%	+44%	+39%	+20%	+38%
Network Merchant Solutions revenue excluding DPO	+40%	+21%	+17%	+22%	+24%
DPO Group (constant FX)	+22%	+35%	+29%	+22%	+27%
Direct-to-merchant TPV in UAE/Jordan	+38%	+26%	+27%	+23%	+28%
of which domestic consumers	+22%	+19%	+19%	+21%	+20%
of which international consumers	+120%	+64%	+84%	+28%	+64%
Direct-to-merchant TPV in Africa, DPO Group (constant FX)	+33%	+33%	+30%	+25%	+30%

Direct to merchant TPV, y/y	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Direct TPV in UAE & Jordan	24%	44%	47%	29%	25%	23%	27%	27%	27%	27%	21%	20%
Retail	15%	34%	41%	37%	17%	22%	34%	32%	38%	40%	17%	23%
Supermarkets	3%	4%	11%	11%	7%	9%	8%	14%	16%	14%	18%	17%
Travel & Entertainment	59%	112%	116%	57%	62%	44%	48%	50%	43%	22%	10%	5%
Government, Healthcare, Education & others	19%	37%	33%	20%	17%	20%	21%	21%	20%	28%	31%	30%
Direct TPV in UAE & Jordan	24%	44%	47%	29%	25%	23%	27%	27%	27%	27%	21%	20%
Domestic consumers	13%	27%	26%	21%	16%	19%	18%	18%	20%	24%	21%	18%
International consumers	70%	139%	164%	69%	73%	49%	94%	92%	70%	37%	22%	25%
Direct TPV in Africa (DPO)^{1,2}	33%	31%	34%	34%	33%	34%	31%	29%	29%	26%	25%	23%

1. DPO Group was acquired on 28 Sept 2021 and therefore DPO TPV and revenue is not present in the Q1-Q3 2021 base. Q1-Q3 y/y proforma data is presented for information only, with Q4 on an actual basis. 2. Constant FX.

Merchant Solutions momentum reflects strategic progress and strong underlying market growth

UAE and Jordan: Overall TPV continued to deliver growth ahead of our expectations, with exceptionally strong growth vs pre-pandemic levels. Domestic TPV (which represents spending from consumers domiciled in the region) was up 21% y/y (38% vs. Q4 2019), supported by the structural growth in digital transactions and broader economic conditions. International TPV (which represents consumer spending by overseas visitors) was up 28% y/y (34% vs. Q4 2019), supported by the seasonally higher inflow of tourists and sporting events in the region such as the FIFA World Cup. Trends across strategic focus

segments was also very strong in the final quarter of the year, with Q4 online TPV (excluding Government & airline TPV) growing 40% y/y and SME volumes up 47% y/y.

Africa (DPO Group): DPO saw Q4 TPV up 12% y/y or 25% in constant FX. Whilst growth in markets outside of South Africa remains strong, South Africa is experiencing challenging macro-economic conditions driven by an unreliable energy supply, high unemployment and rising interest rates. This has negatively impacted consumer spending.

Strong momentum in merchant signings

New merchant signings reached record levels in 2022. Q4 saw significant wins across SME and key enterprise segments, including Lincoln Investment Group, Wane by Somya and the Fujairah Government. As previously highlighted, the acceleration in merchant wins has been supported by the launch of new digital capabilities, including self-service and digital onboarding for UAE merchants, with APIs accelerating the integration of new capabilities and value-added services.

Enhancing our payment acceptance capabilities and value-added-services

- **Introduced a series of e-commerce plugins for SME merchants:** including Magento 2.0, providing merchants with FX support and search engine optimisation; and PrestaShop, providing merchants with an online store, shopping cart and checkout in 48hrs.
- **Widened our choice of merchant lenders:** having partnered with RAKBANK in the UAE to facilitate the promotion of lending services to SME merchants.
- **Enhanced loyalty and data solutions:** in collaboration with 'Reward', a leader in loyalty and benefits, providing merchants and issuers in over 50 countries with deeper insights into consumer spending.
- **Expanded Mastercard partnership in the online acquiring space:** by providing merchants with 'Click to Pay', Mastercard's checkout solution which securely enrolls and stores consumer payment details.
- **Apple Pay implementation** for two existing financial institution customers in Jordan.

DPO's new capabilities continuing to diversify our merchant reach across sectors

We saw continued growth in customers at DPO, with notable new wins in the period including Guess and Footgear in South Africa, alongside Forever Living and Jubilee Life Insurance in other African markets. We have integrated DPO's payment capabilities with Skidata, a car parking systems and solutions provider operating across Africa, allowing car park operators in shopping malls and hotels to accept payments through DPO. Similarly, DPO has partnered and integrated its systems with Amadeus, an online travel inventory management and booking platform, to enable more travel agents across Africa to accept online payments.

Egypt direct-to-merchant services now live

We have launched direct-to-merchant payment services in Egypt following the approval of our Payment Facilitator and Payment Services License, with the first SME merchants onboarded and transacting through Network's point-of-sale terminals. We are focused on building out and training our local sales team and have a healthy merchant pipeline in place. As previously highlighted, direct-to-merchant services is a new revenue opportunity, which we expect to build during 2023.

Issuer Solutions business line review

Year on year growth	Q1	Q2	Q3	Q4	FY22
Total revenue	+17%	+18%	+15%	+0%	+12%
New customers signed	3	6	4	5	18

Q4 revenue growth impacted by timing of new business revenue streams

Issuer Solutions full year revenue growth of 12% y/y saw supportive dynamics across new business signings, credentials hosted and transaction levels. Whilst Q4 revenue was flat y/y, growth in the period was impacted by a number of unrelated factors, the timing of which coalesced in the final quarter. We saw a few financial institutions choosing not to renew particular services or card portfolios, alongside the presence of non-recurring (or one-off) revenue streams in the prior year. Whilst this is typical throughout the year, we also experienced the delayed signing of some new business revenue streams and longer lead times to onboard signed customers towards the end of the year, which would normally have offset the factors mentioned above.

Five new financial institutions wins, totaling 18 in the year

We secured five new financial institutions during Q4, including Pivot Bank in East Africa for the issuance of debit cards, and two new institutions in Jordan; Ila Bank Jordan and the Royal Hashemite Court. We expanded our services with Arab Jordan Investment Bank to issue, host and process the Group's new prepaid virtual card, providing their banking customers with easy and seamless methods to pay for goods and services. We also extended several contracts, including a five-year renewal with Dubai Financial Market and two contracts in Egypt, extending our relationship with QNB Al-Ahli for a further ten years, to provide one of the region's largest private banks with processing services; and with Attijariwafa Bank Egypt for a further three years.

We continue to make good progress in the Kingdom of Saudi Arabia with two fintech processing customer wins during Q4, bringing our number of customers in the region to six in total. This provides a further underpin to our medium-long term USD 50 million revenue target. The initial investment capex to deliver processing in the region is also complete. We remain encouraged by the opportunity in the region, where we have a healthy customer pipeline in place, with operations now PCI PIN certified and compliant with the global payment's security standard.

New capabilities including the issuance and management of virtual cards

- **Provision of digital wallet services** through Network's white label solutions, supporting the issuance, processing and management of virtual cards for several financial institutions.
- **Mobile wallet provisioning**, enabling financial institutions to directly enroll cards on mobile wallets, including the likes of Apple and Samsung, using their banking App.

Upcoming events

- FY22 preliminary results: 9th March 2023
- Q1 2023 trading statement: 19th April 2023

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