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14th January 2021: Network International Holdings Plc, Q4 2020 trading update

Continued improvement in trading and full year outturn ahead of expectations

Network International Holdings plc, the leading enabler of digital commerce across the Middle East and Africa, provides an update on trading performance in the fourth quarter of the financial year. Unless otherwise stated, all growth figures reflect the Q4 2020 period compared with Q4 2019.

- **FY20 revenue ahead of guidance, totalling USD284m.** Underlying EBITDA¹ also anticipated to be slightly ahead of market expectations
- **Q4 2020 total revenue (19)% y/y, although absolute revenues in Q4 were higher than Q3,** reflecting the continuing recovery in card and digital transactions across our markets, and particularly encouraging trading in December
- **Q4 Merchant Solutions revenue (31)% y/y, exiting 2020 with domestic TPV equal to prior year**
 - Strong TPV growth from online merchants of 68% y/y (excluding Government and airline online TPV) within directly acquired Total Processed Volume (TPV) growth of (18)% y/y
 - In direct TPV, domestic volumes improved, down (3)% y/y, and we saw a full recovery to 2019 levels as we exited the year. International volumes were down (61)% y/y due to tougher comparables, but we saw a stronger than expected recovery in UAE tourism
 - Take rates were lower y/y; reflecting merchant sector mix, the regulatory impact on acquiring fees in Jordan, and higher non-TPV related revenue streams in the prior year
- **Q4 Issuer Solutions revenue (13)% y/y, against a strong comparator in the prior year.** Absolute revenues were higher than the Q3, reflecting improving KPIs across cards and transactions
- **DPO's strong revenue growth continues,** with over 30%² Q4 TPV growth in constant currency
- **Balance sheet remains strong and we are comfortably inside financial covenants** Total liquidity position of cUSD325 million, comprised of cUSD190 million in undrawn lending facilities and a cash balance of cUSD135 million (excluding the funds raised for the DPO acquisition)
- **New products and market entry delivered:**
 - Mastercard partnership collaborations: new digital platform and corporate card products launching, which will support the acceleration towards digital payments across all our markets
 - Africa: new market entry to Sudan in conjunction with Mastercard, providing Issuer Solutions services to Faisal Islamic Bank
 - Middle East: renewed our contract with ADCB for fully outsourced Merchant Solutions services; and signed new merchants and partnership arrangements with several global brands in the online acquiring space

Simon Haslam, Chief Executive Officer, commented:

“We continued to see encouraging market trends throughout the final quarter and are pleased to report that we exited the year with positive momentum across all of our business lines.

1. Refers to underlying EBITDA definition on a comparable basis with the prior year. Underlying EBITDA is defined as earnings from continuing operations before interest, taxes, depreciation and amortisation, impairment losses on assets, gain on sale of investment securities, share of depreciation of an associate and specially disclosed items affecting EBITDA
2. DPO acquisition not yet completed and not consolidated in our financials. We are providing an indicative view of the trading data provided by DPO

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In our core market of the UAE, domestic direct acquiring TPV has fully recovered to 2019 levels, supported by strong e-commerce spending, while international volumes also benefitted from a pick-up in tourism over the holiday period.

Our acquisition of DPO is expected to complete in the first quarter and it is pleasing to see their business going from strength-to-strength, with strong Q4 performance supported by Black Friday trading. We have already seen a strong indication of interest from a number of our existing bank customers, for DPO's services, demonstrating both the highly complementary nature of our businesses and our ability to generate anticipated strong revenue synergies. DPO remains one of our key future growth accelerators.

The long-term structural trends toward digital payment acceptance continue apace, with an acceleration across the MEA region. Looking ahead, whilst we remain cautious around the development of the pandemic, there are signs of improving consumer spending, underpinning our confidence in our ability to take advantage of the exciting opportunities on offer in the world's most underpenetrated markets."

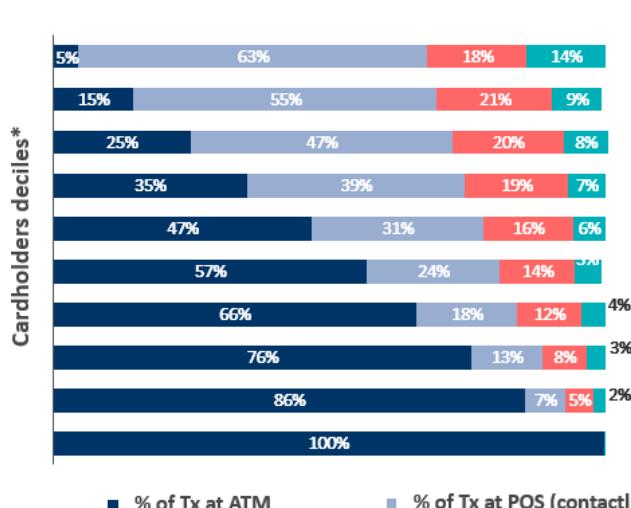
Strategic and business initiatives

Market shift to digital payments

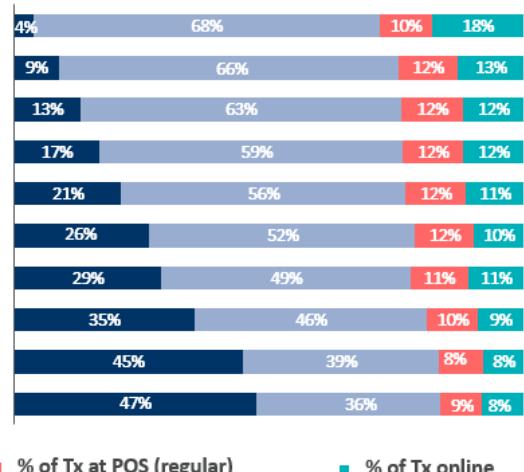
We continue to see a shift in consumer behaviour towards digital payments. This shift is supported by trends in the card data we host on behalf of bank customers. For example; if we look at a cohort of consumers who used their cards almost exclusively at ATMs in January 2020, one year later, those consumers are now only using their card at the ATM for less than half of their transactions, with the remainder taking place at a POS terminal or online.

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



December 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 Dec 2020

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Middle East

Customer wins and contract renewals: In the Middle East, we secured several new merchant wins alongside customer contract renewals. Most notably, we renewed a significant contract with Abu Dhabi Commercial Bank to provide fully outsourced Merchant Solutions, with acquirer processing and value added services, reflecting our longstanding relationship with another leading regional financial institution. We have also signed new merchants and partnership arrangements with several global brands in the online acquiring space.

Growth in online payments and cross-sell of value added services: Our N-Genius™ roll-out continues apace and we now have c1,900 merchants using our online gateway; an increase of c1,600 during the year, and we saw record volumes processed through our platform during December. Our performance in the region is supported by the structural shifts toward online payments solutions, as well as our ability to successfully cross-sell services to existing customers. As part of this, we have expanded our contracts with UAE based tourism authorities, that will see them leverage merchant spending data in order to better understand domestic consumer and tourist spending patterns, including specific seasonal events such as festivals and religious holidays, building on the existing data analytics services we already provide to them.

Africa

Customer wins and expanded contracts: New business wins have accelerated in the fourth quarter, where we won outsourcing contracts for Access Bank Kenya, providing both Issuer and Merchant Solutions, and for CCA Cameroon Bank to provide Merchant Solutions. We continue to upsell to existing customers across the region, signing expanded contracts with Polaris Bank Nigeria and ARCA Nigeria. We will also be supporting Wema Bank in Nigeria with virtual card issuance and processing; and e-commerce Merchant Solutions using our N-Genius payment gateway for NBS Bank Malawi.

New market entry: In Africa, we will be launching services in Sudan, a new market entry which has been supported through our partnership with Mastercard. We will be providing Issuer Solutions to Faisal Islamic Bank, enabling the bank to issue and accept Mastercard branded debit, credit and prepaid cards through ATMs, Point-Of-Sale terminals, and online. This makes Faisal Islamic Bank one of the first in the country to obtain a card issuing and acquiring license from Mastercard.

DPO

DPO continues to perform well, with TPV growth of over 30% in constant currency, supported by Black Friday performance. We expect the acquisition to complete in the first quarter, as we work towards the final regulatory approvals and pre completion diligence activities. We are excited by the opportunity to cross sell DPO's services to our existing clients. Initial conversations with a number of our bank customers indicate a strong interest that reinforces our belief in delivering revenue synergies over the coming months and years. The feedback from clients has conveyed that they believe DPO's capabilities can underpin their acceleration into e-commerce.

Mastercard strategic partnership

Our strategic partnership with Mastercard is progressing well and we are launching a new digital product platform, which will accelerate the adoption of digital payments across all our markets. With this new digital platform, we will help our customers to enable mobile-based payments for their end-consumers and merchants across various payment channels. Merchants will now have one simple-to-use technology interface through which they will be able to accept multiple payment types, ranging

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from USSD (text message), QR codes, to POS terminals and ecommerce, with mobile money and SoftPoS (technology which allows merchants to accept contactless card payments directly on their smartphone or tablet) coming later in 2021. Payment issuers and banks will be able to offer their consumers state-of-the-art payment solutions including digital wallets, person-to-person (P2P) payments and virtual cards. The launch of this platform is the first in a series of steps towards delivering simplified, collaborative payment solutions across the payments value chain in the Middle East and Africa.

Fourth quarter trading

y/y growth	Q1	Q2	H1	Q3	Q4	FY
Total revenue	0%	(23)%	(12)%	(17)%	(19)%	(15)%
of which Merchant Solutions	(8)%	(43)%	(26)%	(30)%	(31)%	(28)%
of which Issuer Solutions	2%	(10)%	(4)%	(6)%	(13)%	(7)%

Total revenues in the fourth quarter were (19)% compared with the prior year, which was the largest quarter in 2019. Revenues in the fourth quarter were sequentially higher than the third quarter across both business lines, reflecting the ongoing recovery in digital transactions across our markets.

In **Merchant Solutions**, revenue was (31)% y/y, within which directly acquired TPV was (18)% y/y. We have seen a continuous improvement in domestic volumes, which were down only (3)% y/y for the quarter, but had recovered fully to 2019 levels as we exited the year. International volumes (which are largely spends from international travellers) remained significantly lower at (61)% y/y, but as we exited the year were at (45)% y/y which was ahead of our expectations, driven by the UAE being one of the few nations open to tourism amidst the pandemic. We have seen an increase in visitor numbers from the UK and Russia, alongside those from Israel (albeit still a small number in total) and are pleased to note the opening of borders with Qatar in recent days.

All merchant segments (excluding supermarkets) have shown improved TPV growth when compared to 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 68% y/y from e-commerce merchants in Q4 (excluding Government and airline online TPV), which reflects an acceleration compared with the Q3 due to: i) continuing channel shift ii) new Apple launches iii) a strong White Friday (the terminology used for Black Friday in the UAE).

Take rates were lower in the period when compared with the prior year, reflecting merchant sector mix, the regulatory impact on acquiring fees in Jordan (as previously announced), and higher non-TPV related revenue streams in the prior year

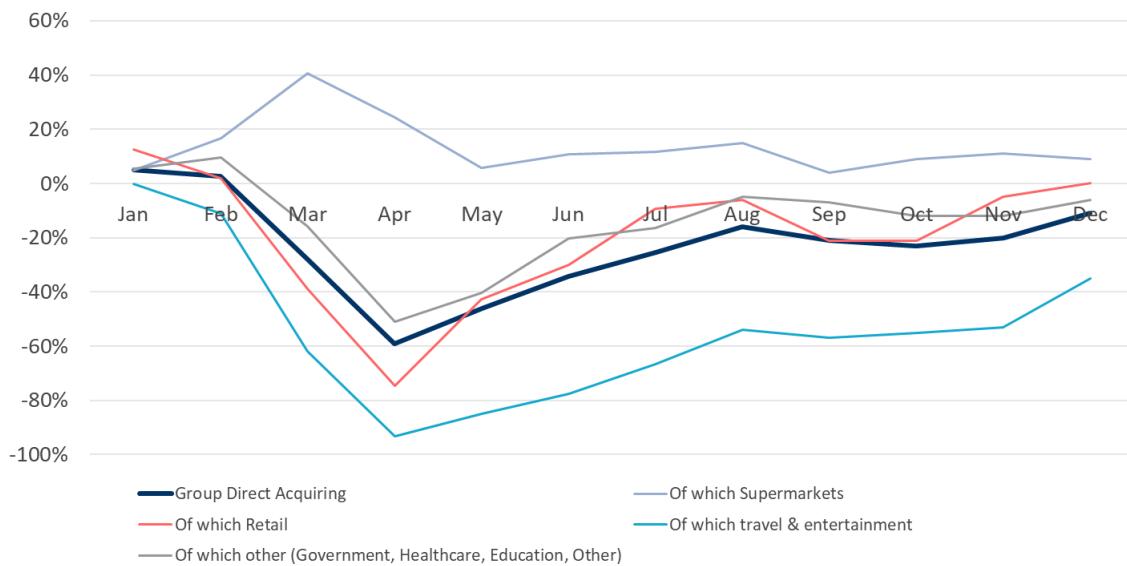
Refunds and chargebacks remain low and within expected tolerances through the pandemic, with no significant increases in unrecoverable chargebacks, or single client losses.

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Merchant sector trends in directly acquired Total Processed Volume (TPV)

Directly acquired TPV, y/y growth	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Total	5%	3%	(28)%	(59)%	(46)%	(34)%	(25)%	(16)%	(21)%	(23)%	(20)%	(11)%
of which Retail	12%	2%	(39)%	(75)%	(43)%	(30)%	(9)%	(6)%	(21)%	(21)%	(5)%	0%
of which Supermarkets	5%	17%	40%	24%	6%	11%	12%	15%	4%	9%	11%	9%
of which T&E	0%	(11)%	(62)%	(93)%	(85)%	(78)%	(67)%	(54)%	(57)%	(55)%	(53)%	(35)%
of which Other*	5%	10%	(16)%	(51)%	(40)%	(20)%	(16)%	(5)%	(7)%	(12)%	(12)%	(6)%

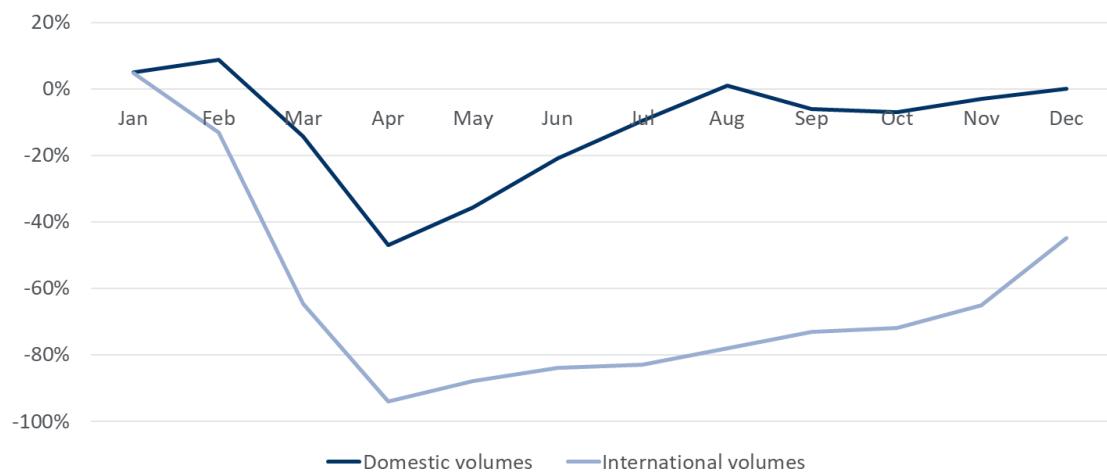
*Includes Government, Healthcare & Education, Other



Domestic and International trends in directly acquired Total Processed Volume (TPV)

Directly acquired TPV, y/y growth	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Domestic	5%	9%	(14)%	(47)%	(36)%	(21)%	(10)%	1%	(6)%	(7)%	(3)%	0%
International	5%	(13)%	(65)%	(94)%	(88)%	(84)%	(83)%	(78)%	(73)%	(72)%	(65)%	(45)%

Domestic volumes reflect the spends on cards issued by banks in the UAE and Jordan. International volumes reflect the spends on cards issued by banks in countries outside of those regions, and are largely reflective of tourism and business travellers



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Issuer Solutions continued to show a more resilient performance than Merchant Solutions, with revenue (13)% y/y. This growth profile reflects a strong comparator in the prior year, where we would usually see higher card renewals and issuance as banks utilise their budgets before year end. However, this still showed an absolute improvement versus Q3 revenues, and throughout the final quarter we saw an improvement in KPIs across both the Middle East and Africa, with growing numbers of cards hosted and transaction volumes.

Full year outturn

Total revenue for FY20 was USD284m, (15)% y/y and ahead of guidance. Underlying EBITDA¹ is also anticipated to be slightly ahead of market expectations

Full and audited financial results will be released on 8 March 2021.

Response to Shadowfall report

We take any critique of the company seriously and previously acknowledged the report published by ShadowFall Research at the end of December 2020. The report contains a number of factual inaccuracies and repeats questions that have previously been raised and responded to. For ease of reference, we intend to update our website to include responses to frequently asked questions on a range of topics, including material questions raised in the Shadowfall report.

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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.