

NET 1 UEPS TECHNOLOGIES INC
Form 10-Q
May 06, 2016

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2016**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from _____ To _____

Commission file number: **000-31203**

NET 1 UEPS TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction
of incorporation or organization)

98-0171860
(IRS Employer
Identification No.)

**President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road
Rosebank, Johannesburg 2196, South Africa**

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **27-11-343-2000**

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

As of May 4, 2016 (the latest practicable date), 45,636,435 shares of the registrant's common stock, par value \$0.001 per share, net of treasury shares, were outstanding.

Form 10-Q

NET 1 UEPS TECHNOLOGIES, INC.

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Part I. Financial Information

Item 1. Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Balance Sheets

	Unaudited March 31, 2016	(A) June 30, 2015
(In thousands, except share data)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 123,269	\$ 117,583
Pre-funded social welfare grants receivable (Note 3)	1,560	2,306
Accounts receivable, net of allowances of March: \$3,538; June: \$1,956 (Note 1)	111,637	121,335
Finance loans receivable, net of allowances of March: \$4,587; June: \$4,227	43,596	40,373
Inventory (Note 4)	11,555	12,979
Deferred income taxes	5,777	7,298
Total current assets before settlement assets	297,394	301,874
Settlement assets (Note 5)	484,535	661,916
Total current assets	781,929	963,790
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of March: \$106,200; June: \$94,014	56,110	52,320
EQUITY-ACCOUNTED INVESTMENTS	11,259	14,329
GOODWILL (Note 7)	163,338	166,437
INTANGIBLE ASSETS, net (Note 7)	41,870	47,124
OTHER LONG-TERM ASSETS, including reinsurance assets (Note 1, Note 6 and Note 8)	49,299	42,430
TOTAL ASSETS	1,103,805	1,286,430
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	14,880	21,453
Other payables	44,748	45,595
Current portion of long-term borrowings (Note 10)	8,752	8,863
Income taxes payable	7,940	6,287
Total current liabilities before settlement obligations	76,320	82,198
Settlement obligations (Note 5)	484,535	661,916
Total current liabilities	560,855	744,114
DEFERRED INCOME TAXES	9,407	10,564
LONG-TERM BORROWINGS (Note 10)	52,269	50,762
OTHER LONG-TERM LIABILITIES, including insurance policy liabilities (Note 8)	1,708	2,205
TOTAL LIABILITIES	624,239	807,645
COMMITMENTS AND CONTINGENCIES (Note 18)		
EQUITY		
	64	64

COMMON STOCK (Note 11)		
Authorized: 200,000,000 with \$0.001 par value;		
Issued and outstanding shares, net of treasury - March:		
45,636,435; June: 46,679,565		
PREFERRED STOCK		
Authorized shares: 50,000,000 with \$0.001 par value;		
Issued and outstanding shares, net of treasury: March: -;		
June: -	-	-
ADDITIONAL PAID-IN-CAPITAL	224,347	213,896
TREASURY SHARES, AT COST: March: 20,135,140; June:		
18,057,228	(238,432)	(214,520)
ACCUMULATED OTHER COMPREHENSIVE LOSS	(184,382)	(139,181)
RETAINED EARNINGS	675,966	617,868
TOTAL NET1 EQUITY	477,563	478,127
NON-CONTROLLING INTEREST	2,003	658
TOTAL EQUITY	479,566	478,785
TOTAL LIABILITIES AND SHAREHOLDERS		
EQUITY	\$ 1,103,805	\$ 1,286,430
(A) Derived from audited financial statements		

See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Operations

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	2016	2015
	(In thousands, except per share data)		(In thousands, except per share data)	
REVENUE	\$ 134,736	\$ 151,121	\$ 439,490	\$ 461,693
EXPENSE				
Cost of goods sold, IT processing, servicing and support	63,266	71,094	219,316	217,274
Selling, general and administration	35,998	38,001	108,007	118,122
Depreciation and amortization	9,281	10,060	29,982	30,391
OPERATING INCOME	26,191	31,966	82,185	95,906
INTEREST INCOME	3,345	4,211	11,284	11,888
INTEREST EXPENSE	852	941	2,880	3,360
INCOME BEFORE INCOME TAX EXPENSE	28,684	35,236	90,589	104,434
INCOME TAX EXPENSE (Note 17)	9,816	10,305	31,306	32,156
NET INCOME BEFORE EARNINGS FROM EQUITY-ACCOUNTED INVESTMENTS	18,868	24,931	59,283	72,278
EARNINGS FROM EQUITY-ACCOUNTED INVESTMENTS	2	65	578	233
NET INCOME	18,870	24,996	59,861	72,511
LESS NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	450	638	1,763	1,690
NET INCOME ATTRIBUTABLE TO NET1	\$ 18,420	\$ 24,358	\$ 58,098	\$ 70,821
Net income per share, in U.S. dollars (Note 14)				
Basic earnings attributable to Net1 shareholders	\$ 0.40	\$ 0.52	\$ 1.24	\$ 1.51
Diluted earnings attributable to Net1 shareholders	\$ 0.40	\$ 0.52	\$ 1.23	\$ 1.51

See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Comprehensive Income

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	2016	2015
	(In thousands)		(In thousands)	
Net income	\$ 18,870	\$ 24,996	\$ 59,861	\$ 72,511
Other comprehensive income (loss)				
Net unrealized income on asset available for sale, net of tax	642	648	692	422
Movement in foreign currency translation reserve	14,359	(11,596)	(46,297)	(49,182)
Total other comprehensive income (loss), net of taxes	15,001	(10,948)	(45,605)	(48,760)
Comprehensive income	33,871	14,048	14,256	23,751
Less comprehensive income attributable to non-controlling interest	(509)	(601)	(1,359)	(1,604)
Comprehensive income attributable to Net1	\$ 33,362	\$ 13,447	\$ 12,897	\$ 22,147

See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.

Unaudited Condensed Consolidated Statement of Changes in Equity for the Nine months ended March 31, 2016 (dollar amounts in thousands)

Net 1 UEPS Technologies, Inc. Shareholders

	Number of Shares	Amount	Number of Treasury Shares	Treasury Shares	Number of shares, net of treasury	Additional Paid-In Capital	Retained Earnings	Accumulated other comprehensive loss
Balance July 1, 2015	64,736,793	\$ 64	(18,057,228)	\$ (214,520)	46,679,565	\$ 213,896	\$ 617,868	\$ (139,180)
Repurchase of common stock (Note 11)			(2,077,912)	(23,912)	(2,077,912)			
Restricted stock granted (Note 13)	319,492				319,492			
Exercise of stock option (Note 13)	323,645	-			323,645	3,762		
Stock-based compensation charge (Note 13)						2,645		
Income tax benefit from vested stock awards						67		
Issue of Smart Life shares						14		
T24 acquisition (Note 2)	391,645				391,645	3,963		
Net income							58,098	
Other comprehensive loss (Note 12)								(45,200)
Balance March 31, 2016	65,771,575	\$ 64	(20,135,140)	\$ (238,432)	45,636,435	\$ 224,347	\$ 675,966	\$ (184,380)

See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.
Unaudited Condensed Consolidated Statements of Cash Flows

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	2016	2015
	(In thousands)		(In thousands)	
Cash flows from operating activities				
Net income	\$ 18,870	\$ 24,996	\$ 59,861	\$ 72,511
Depreciation and amortization	9,281	10,060	29,982	30,391
Earnings from equity-accounted investments	(2)	(65)	(578)	(233)
Fair value adjustments	(2,387)	(449)	613	(270)
Interest payable	343	(23)	1,697	1,276
Profit on disposal of property, plant and equipment	(29)	(64)	(113)	(295)
Gain on fair value of T24 (Note 2)	(1,909)	-	(1,909)	-
Stock-based compensation charge	954	731	2,645	2,682
Facility fee amortized	34	36	103	170
Decrease (Increase) in accounts receivable, pre-funded social welfare grants receivable and finance loans receivable	15,914	3,379	(15,211)	5,534
Increase in inventory	(340)	(26)	(495)	(2,771)
Increase (Decrease) in accounts payable and other payables	4,009	4,735	1,563	(7,654)
Increase in taxes payable	4,479	7,465	3,444	4,113
Decrease in deferred taxes	(19)	(1,467)	(256)	(2,025)