

NET 1 UEPS TECHNOLOGIES INC

Form S-1/A

July 19, 2005

Table of Contents

As filed with the Securities and Exchange Commission on July 19, 2005

Registration No. 333-125273

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

**AMENDMENT NO. 3 TO
Form S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

NET 1 UEPS TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Florida
*(State or other jurisdiction of
incorporation or organization)*

7389
*(Primary Standard Industrial
Classification Code Number)*

65-0903895
*(I.R.S. Employer
Identification No.)*

**President Place, 4th Floor
Cnr. Jan Smuts Avenue and Bolton Road
Rosebank, Johannesburg, South Africa
(2711) 343-2000**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Net 1 UEPS Technologies, Inc.

**President Place, 4th Floor
Cnr. Jan Smuts Avenue and Bolton Road
Rosebank, Johannesburg, South Africa
(2711) 343-2000**

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

**Dr. Serge C.P. Belamant
Net 1 UEPS Technologies, Inc.
President Place, 4th Floor
Cnr. Jan Smuts Avenue
and Bolton Road
Rosebank, Johannesburg,
South Africa
Tel: (2711) 343-2000
Fax: (2711) 880-7080**

**Marjorie Sybul Adams,
Esq.
DLA Piper Rudnick
Gray Cary US LLP
1251 Avenue of the
Americas
New York, NY 10020
Tel: (212) 835-6000
Fax: (212) 835-6001**

**Chris Ewing, Esq.
Cliffe Dekker Inc
1 Protea Place
Sandown,
South Africa
Tel:
(2711) 290-7120
Fax:
(2711) 290-7300**

**Paul Kumleben, Esq.
Davis Polk &
Wardwell
99 Gresham Street
London, EC2V 7NG
England
Tel: (4420) 7418-1300
Fax: (4420) 7418-1400**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective

registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Proposed Maximum Aggregate Offering Price(1)(2) | Amount of Registration Fee(3) |
|---|--|--|
| Common stock, par value \$0.001 per share | \$ 145,000,000 | \$ 17,066.50 |

(1) Includes shares of common stock that the underwriters may purchase to cover over-allotments, if any.

(2) In accordance with Rule 457(o) under the Securities Act, the number of shares being registered and the proposed maximum offering price per share are not included in this table.

(3) A \$13,535.50 fee has been previously paid in connection with the registration of an initial aggregate amount of \$115,000,000 on Form S-1 filed on May 26, 2005.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. The selling shareholders and, if the over-allotment is exercised by the underwriters, we may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and the selling shareholders and, if the over-allotment is exercised by the underwriters, we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION. DATED JULY 19, 2005.

PROSPECTUS

**9,850,000 Shares
Common Stock**

This is a public offering of our shares of common stock. All of the shares are being sold by the selling shareholders identified in this prospectus. In connection with this offering, certain of our optionholders are exercising options to purchase the shares that they are selling in this offering. We will not receive any of the proceeds from the sale of shares by the selling shareholders other than proceeds from the exercise of these options. Concurrently with this offering, certain selling shareholders are selling in a private placement an aggregate of \$75.0 million of our shares at the public offering price to investment entities affiliated with General Atlantic LLC. The closing of the private placement is expected to occur concurrently with the closing of this offering.

Our common stock is quoted on the OTC Bulletin Board under the symbol NOUT.OB. The last reported sale price of our common stock on July 14, 2005 was \$18.00 per share. We currently expect the public offering price to be between \$18.00 and \$20.00 per share. Our common stock has been approved for quotation on the Nasdaq National Market under the symbol UEPS.

Investing in our common stock involves risks. See Risk Factors beginning on page 11 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

| | Per Share | Total |
|--|-----------|-------|
| Public offering price | \$ | \$ |
| Underwriting discounts and commissions | \$ | \$ |
| Proceeds, before expenses, to selling shareholders | \$ | \$ |

We have granted the underwriters an option to purchase up to an additional 1,477,500 shares of common stock to cover over-allotments at the public offering price less underwriting discounts and commissions.

The underwriters expect to deliver the shares to purchasers on , 2005.

Morgan Stanley

JPMorgan

Robert W. Baird & Co.

Jefferies & Company, Inc.

Thomas Weisel Partners LLC

The date of this prospectus is , 2005.

TABLE OF CONTENTS

| | |
|--|-----|
| <u>Prospectus Summary</u> | 1 |
| <u>Risk Factors</u> | 11 |
| <u>Forward Looking Statements</u> | 30 |
| <u>Use of Proceeds</u> | 31 |
| <u>Price Range of Common Stock</u> | 31 |
| <u>Dividend Policy</u> | 31 |
| <u>Capitalization</u> | 33 |
| <u>Selected Consolidated Financial Data</u> | 34 |
| <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 36 |
| <u>Business</u> | 74 |
| <u>Corporate History</u> | 100 |
| <u>Government Regulation</u> | 103 |
| <u>Management</u> | 108 |
| <u>Certain Relationships and Related Party Transactions</u> | 116 |
| <u>Principal and Selling Shareholders</u> | 118 |
| <u>Description of Capital Stock</u> | 123 |
| <u>Shares Eligible for Future Sale</u> | 127 |
| <u>Enforceability of Civil Liabilities</u> | 129 |
| <u>Material U.S. Federal Tax Consequences for Non-U.S. Holders of Common Stock</u> | 130 |
| <u>Underwriting</u> | 132 |
| <u>Legal Matters</u> | 135 |
| <u>Experts</u> | 135 |
| <u>Where You Can Find Additional Information</u> | 136 |
| <u>Index to Consolidated Financial Statements</u> | F-1 |
| <u>EX-1.1: FORM OF UNDERWRITING AGREEMENT</u> | |
| <u>EX-5.1: OPINION OF DLA PIPER RUDNICK GRAY CARY US LLP</u> | |
| <u>EX-10.16: AGREEMENT</u> | |
| <u>EX-10.19: PATENT AND TECHNOLOGY AGREEMENT</u> | |
| <u>EX-10.20: AGREEMENT</u> | |
| <u>EX-10.21: STOCK PURCHASE AGREEMENT</u> | |
| <u>EX-10.22: PLACEMENT AGENT AGREEMENT</u> | |
| <u>EX-21.1: SUBSIDIARIES OF NET 1 UEPS TECHNOLOGIES, INC.</u> | |
| <u>EX-23.1: CONSENT OF DELOITTE & TOUCHE</u> | |
| <u>EX-23.2: CONSENT OF PKF (JHB) INC.</u> | |
| <u>EX-23.4: CONSENT OF CLIFFE DEKKER INC.</u> | |
| <u>EX-99.1: CONSENT OF FLORIAN P. WENDELSTADT</u> | |

You should rely only on the information contained in this prospectus. Neither we nor the selling shareholders have authorized anyone to provide you with different information. The selling shareholders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our shares of common stock.

Table of Contents

PROSPECTUS SUMMARY

You should read the following summary together with the entire prospectus, including the more detailed information in our audited consolidated financial statements and related notes as well as the unaudited interim financial information appearing elsewhere in this prospectus. You should consider carefully, among other matters, the matters we discuss in Risk Factors. All references in this prospectus to we, us, or our are references to Net 1 UEPS Technologies, Inc. and its consolidated subsidiaries, collectively, except as otherwise indicated or where the context indicates otherwise. All references in this prospectus to Net 1 are to Net 1 UEPS Technologies, Inc., all references to New Aplitec are to Net 1 Applied Technologies South Africa Limited and all references to Aplitec are to Net 1 Applied Technology Holdings Limited. All dollar amounts referred to in this prospectus are in U.S. dollars unless otherwise indicated. As of July 14, 2005, the exchange rate for South African Rand to U.S. dollars was ZAR 6.67 = US\$1.00.

Our Company

We provide our universal electronic payment system, or UEPS, as an alternative payment system for the unbanked and under-banked populations of developing economies. We believe that we are the first company worldwide to implement a system that can enable the estimated four billion people who generally have limited or no access to a bank account to enter affordably into electronic transactions with each other, government agencies, employers, merchants and other financial service providers. To accomplish this, we have developed and deployed the UEPS. This system uses secure smart cards that operate in real-time but offline, unlike traditional payment systems offered by major banking institutions that require immediate access through a communications network to a centralized computer. This offline capability means that users of our system can enter into transactions at any time with other card holders in even the most remote areas so long as a portable offline smart card reader is available. In addition to payments and purchases, our system can be used for banking, health care management, international money transfers, voting and identification.

Our technology is widely used in South Africa today. We have over 3.3 million clients in five provinces who receive social welfare grants using our smart cards. We have started to implement our UEPS for employers to pay wages and provide financial services to their employees. In addition, we are working closely with non-governmental organizations to deploy our new medical application into a number of hospitals and clinics. This application of our system is used to administer the treatment of HIV/ AIDS and other high-risk diseases, record patient progress and manage drug inventory.

Recently, Cell C (Proprietary) Limited, a mobile telephone service provider in South Africa, chose our solution as the transaction payment system for its planned roll-out of approximately 52,000 public cellular pay phones that will provide lower income consumers with telephone access at reduced rates. We believe the implementation of this project could provide us with up to 10,000 access points through which we will be able to market and sell our financial products. This deployment is part of a government initiative for the empowerment of small businesses in rural and semi-urban areas of South Africa.

Outside of South Africa, the Reserve Bank of Malawi has implemented our solution as a national payment system. To date, seven local financial institutions and BP p.l.c., a bulk fuel supplier, are using our system for transaction switching and settlement. We have deployed smaller, more limited versions of our system in Burundi, Ghana, Latvia, Mozambique, Rwanda, and Zimbabwe.

Unlike a traditional credit or debit card where the operation of the account occurs on a centralized computer, each of our smart cards effectively operates similar to an individual bank account in the case of financial services or an individual record management system in the case of medical services. All transactions that take place through our system occur between two smart cards at the point of service, or POS, with all of the relevant information necessary to perform and record a transaction held on the smart cards.

Table of Contents

The transfer of money or other information can take place without any communication with a centralized computer since all validation, creation of audit records, encryption, decryption and authorization take place on, or are generated between, the smart cards themselves. Importantly, the cards are protected through the use of biometric fingerprint identification, which is designed to ensure the security of funds and card holder information. Transactions are generally settled by merchants and other commercial participants in the system by sending the transaction data to a mainframe computer on a batch basis. Settlement can be performed online or offline. The mainframe computer provides a central database of transactions, creating a complete audit trail that enables us to replace lost smart cards while preserving the notional account balance, and to identify fraud.

We generate our revenues by charging transaction fees to government agencies, employers, merchants and other financial service providers, by providing financial services such as loans and by selling hardware, software and related technology. In South African rand, our revenues and operating income increased by 32% and 39%, respectively, from fiscal 2003 to 2004, and by 29% and 34%, respectively, from fiscal 2002 to 2003. In South African rand, our revenues and operating income increased 31% and 62%, respectively, for the nine months ended March 31, 2005, as compared to the nine months ended March 31, 2004. We believe this growth reflects the accelerating adoption of our solution.

Market Opportunity

According to the United States Census Bureau, the world's population currently exceeds 6.4 billion people. Yet of this total, it has been reported that over four billion people earn less than the purchasing parity equivalent of two dollars per day. In general, these people either have no bank account or very limited access to banking services. This situation arises when banking fees are too high relative to an individual's income, a bank account provides little meaningful benefit or there is insufficient infrastructure to provide banking services economically in the individual's geographical market. We refer to these people as the unbanked and the under-banked. These individuals generally receive wages, welfare benefits or loans in the form of cash and conduct commercial transactions, including buying food and clothing, in cash.

The use of cash, however, presents significant problems. In the case of recipients, they generally have no secure way of protecting that cash other than by converting it immediately into goods, carrying it with them or hiding it. In cases where an individual has access to a bank account, deposit, withdrawal and account fees meaningfully reduce the money available to meet basic needs. For government agencies and employers, using cash to pay welfare benefits or wages results in significant expense due to the logistics of obtaining that cash, moving it to distribution points and protecting it from theft.

The use of cash or lack of access to a bank account can dramatically increase the cost to, and in some cases completely prevent, individuals from engaging in basic financial transactions. These basic transactions include the routine payment of insurance premiums, the transfer of money to relatives and the use of credit. Without a bank account, it is also difficult for an individual to obtain a loan on attractive terms since that individual lacks a credit history and usually cannot present a reliable means of repayment to the lender.

For governments, assistance programs face significant challenges when dependent on the use of cash. In addition to the costs and difficulties of using cash, corruption becomes an even more challenging problem since there is no clear audit trail. In fact, the absence of an electronic system for the distribution of goods, including foodstuff or medicine, or welfare benefits presents a significant obstacle to ensuring the fair and reliable implementation of government policy or deployment of foreign aid.

Traditional payment systems offered today by the major banking institutions do not address the key requirements of the unbanked and the under-banked populations. In addition to the high cost of maintaining a bank account relative to a customer's income level, customers must generally have basic literacy, administrative and record-keeping abilities and a minimum income level. Additionally, banks operate through online transaction settlement systems, which are often unavailable or costly to implement in undeveloped areas. Finally, having a bank account does not eliminate the need for significant quantities of cash in many instances because customers must withdraw large sums at one time to avoid incremental transaction fees.

Table of Contents

Our Solution

We believe that we are the first company to enable the affordable delivery of financial products and services to the world's unbanked and under-banked people. Our approach takes full advantage of moving processing away from a centralized point to the computer chip embedded on a smart card. A smart card reader or other POS device is used to enable communication between smart cards in real-time during a transaction and indirectly with our mainframe computer at a later time. This architecture has significant implications in terms of the products and services that we can deliver compared to those offered by banking institutions or other card providers.

First, our system enables offline transactions, which is essential in serving the unbanked and under-banked. Second, it means that while offline, the smart card can engage in sophisticated transaction processing, using data encryption and biometric fingerprint protection to ensure security. In fact, our smart cards can calculate the interest owed to the card holder for having funds recorded onto our system without ever coming online. Third, with all of the software and transaction records on the smart card, the POS device itself requires far fewer components, circuitry and memory, substantially reducing costs. Fourth, each transaction is recorded on both participating smart cards, copied in subsequent transactions to additional smart cards, and ultimately reported to our mainframe computer. This creates a full audit trail that significantly reduces the potential for corruption, theft and fraud. Lastly, instead of having to build the overall system to handle peak loads, our system further reduces costs by smoothing the transaction flow over time.

We believe that our solution delivers benefits to each of the users of our system, including:

Individuals. There is no minimum income requirement for individuals to use our smart card, making our solution universally accessible. It is also inexpensive since the overall cost of the system is much less than widely available solutions, including cash, bank accounts and bank cards that require online access. Our solution additionally has the advantage of working everywhere, including remote areas where many unbanked and under-banked people live. Even more importantly, our solution is secure and smart cards are replaceable. This means that individuals do not have to fear that their money will be stolen or that they will be charged for fraudulent transactions. Since the smart card performs all of the required processing and contains all of the different service features, the smart card can be tailored to meet the needs of the individual. Card holders can also receive interest on their card balances, a benefit not available to them when transacting solely in cash. We believe our solution has the potential to enhance significantly the living standards of the unbanked and under-banked by reducing transaction costs and providing them with new and additional financial products and services.

Merchants and Financial Service Providers. Merchants derive several different benefits from our system. Our system decreases the amount of cash they must hold, improving security and reducing expenses. In addition, it provides a record of transactions that is useful for administrative purposes. For instance, by providing financial services through our POS devices, merchants benefit from new income streams at no additional incremental cost. For formal financial service providers, the use of smart cards provides opportunities to directly sell products and services to a market that was previously difficult to reach. For instance, insurance companies can offer their products with the premium deducted directly from the individual's smart card. In the case of lending, administrative costs are decreased along with the expense of holding cash. Again, the collection of payments can occur directly from the smart card, reducing credit risk and helping to establish credit history.

Employers. Our system enables employers to eliminate cash from the wage payment process. This reduces expenses by avoiding cash handling and management, the need to insure or transport that cash and the bank transaction fees associated with obtaining cash in the first place. The process of paying employees using cash is also time consuming, taking up to half a day per pay period in some instances. The use of our system eliminates this process and thereby increases productivity. In addition, because cash payments are distributed in packets to employees, disputes can arise as to the amount of cash in the packet. Our system also eliminates this problem since the amount reflected on the card holders' accounts are recorded on the back-end system and then distributed on the smart cards. Finally, employers frequently provide

Table of Contents

additional services to their employees out of necessity, particularly loans. Our system enables other service providers to deliver these products.

Government Agencies. A fundamental policy goal for almost any government is to enhance the welfare of the poorest citizens in the country. Yet the use of cash is a poor method for delivering social welfare grants since it is difficult to track, and the recipients endure a range of expenses and dangers that reduce their options. By using our system, government agencies enjoy reduced costs in the delivery of benefits to recipients by eliminating the use of cash while increasing the options available to the recipient. This use of our system intrinsically increases the welfare that government agencies can provide from the same amount of taxes collected. Our system also has the potential to increase the amount of taxes collected by bringing informal businesses into the formal economy. The presence of a full audit trail also means that government agencies can combat corruption. Moreover, the use of smart cards for the delivery of additional services, including insurance products, means that regulatory bodies can expand their oversight of transactions for individuals who are frequently least able to protect themselves. In regard to medical benefits, our system provides comprehensive inventory management and has the potential to improve the treatment of patients significantly. For instance, we have deployed an artificial intelligence program on our smart cards used for the treatment of HIV/ AIDS in South Africa that can be used to adjust a patient's prescription based on data entered by a trained medical worker through the POS device.

Our Business Strengths

We believe our business strengths include:

Technology Leadership. We believe we are the first company to develop, implement and operate an affordable, flexible and secure electronic payment system for the unbanked and under-banked that works offline. Of equal importance, our smart cards have a broad range of additional functionality through the use of wallets that can be turned on as needed or as services become available. We can deliver these services to the population at a fraction of the cost of traditional systems. Our ability to implement an HIV/ AIDS system on the same smart card as financial services demonstrates the flexibility of our approach. In addition, we have validated the security of our smart cards along with our overall system, forming the foundation for a trusted solution. Independent third parties have reviewed and published our security protocols and we have refined our system in a way to provide system integrity over the life of the smart cards. From our inception in 1989 to date, we have not suffered any security breaches or losses of transactions or funds on our system.

Proven Solution. Our system is proven and has been increasingly used. Today over 3.3 million clients in South Africa receive monthly welfare or pension payments through our system under contracts with five provinces. Historically, welfare and pension recipients would only download cash from smart cards, but these recipients increasingly choose to use their smart cards at merchant locations, which generates additional revenue for us. During the nine months ended March 31, 2005, the rate of client purchases using our smart cards rather than merely downloading the value for cash grew at a compounded monthly growth rate of 71% while the value of those transactions grew at a compounded monthly growth rate of 60%. As of March 31, 2005, we had 2,406 POS devices installed at 1,441 participating retail merchants. For the nine months ended March 31, 2005, the total value of transactions processed through our UEPS merchant network was approximately \$59.7 million. During the nine months following our implementation of these retail merchant POS devices in July 2004, the percentage of transactions which consisted of merchant purchases, as opposed to cash downloading only, increased from approximately 0% to approximately 23% of the total number of processed transactions.

Versatile Application. Once an individual begins using our smart card, we become a logical provider of a broad range of additional products and services. For instance, a card holder using our system for the administration of medical treatment can also use the same smart card for receiving welfare payments or wages as well as making purchases. Because use of each smart card is secured biometrically, the smart card can also be used for identification and voting. These additional uses mean that once we have enrolled

Table of Contents

and delivered a smart card to an individual, our revenue potential increases significantly beyond the initial service for which that individual has signed up.

Broad Appeal that Drives Opportunities. Because our system provides economic benefits to all participants, we believe there are strong incentives for government agencies and employers to adopt our system in many developing countries. Our solution is also appealing because a single deployment enables the delivery of a broad array of new services to those who are potentially most in need of them, often at a lower cost than alternative distribution methods.

Increasing Returns to Scale. The initial establishment of our system in a province or country requires upfront expenditures for computers, distribution infrastructure and card holder registration. Once in place, though, the cost to us of supplying additional products to users is low. For instance, if a customer receives welfare payments on one of our smart cards and then chooses to purchase insurance through our system, there is almost no additional expense for us to deduct the insurance premium regularly. As a result, the operating margin for that customer increases significantly, offset only by any marketing or administrative costs associated with that product.

Our Strategy

We intend to provide the leading system for the world's estimated four billion unbanked and under-banked people to engage in electronic transactions globally. To achieve this goal, we intend to pursue the following strategies:

Disciplined Approach to New Markets. We carefully evaluate new opportunities in order to deploy our business development resources effectively. We believe there are significant opportunities for our system in developing economies, such as Brazil, India, Mexico and Indonesia, where the unbanked and under-banked comprise a majority of the population. Where we believe it makes sense, we will use partnerships or make acquisitions to accelerate our entry into new markets.

Unlock Target Markets with a Key Product. The first step in establishing our system within a new province or country is to establish a broad base of smart card users around a single application. One of our preferred routes is to secure contracts to implement payment systems for government programs having large numbers of potential card holders. We believe another effective route will be the delivery of medical management applications, such as for HIV/AIDS. However, we are not dependent on government agencies to establish an initial base. Employers are widely examining our system to address their wage payment challenges and we are currently pursuing opportunities to deliver this solution.

Expand Our Products Within the Markets We Serve. With the establishment of a strong base of card holders and related infrastructure, we can then move to providing additional products and services. As part of broadening our card holders' options, we will also sell our smart card readers and POS devices to merchants to enable them to enter into transactions. Additionally, we will work to establish relationships with post offices, banks and other financial service providers with the goal of making our system ubiquitous in the markets we serve.

Provide Products and Services Ourselves Where the Profit Potential is Compelling. Our system can dramatically reduce transaction costs and improve data collection for a broad set of products and services. We intend to offer those products and services ourselves where the profit potential is significant. For instance, we engage in lending in South Africa. We are able to offer this service at a lower interest rate than competitors due to our ability to deduct interest and principal directly from a borrower's smart card and our knowledge of that individual's payment history.

Establish Partnerships or Make Acquisitions When Appropriate. As part of our disciplined approach to growing our presence globally, we will evaluate and enter into partnerships where we can draw on local knowledge and infrastructure to drive the rapid adoption of our system. We believe that this will enable us to focus on our core strength in technology as well as product development and delivery. In some instances, we will make acquisitions where we believe that our approach will enable us to gain customers and realize operational benefits rapidly from the deployment of our more efficient solution.

Table of Contents

Concurrent Private Placement

Concurrently with this offering, certain selling shareholders are selling in a private placement an aggregate of \$75.0 million of our shares at the public offering price to investment entities affiliated with General Atlantic LLC, or General Atlantic. The closing of the private placement is expected to occur concurrently with the closing of this offering. Under the General Atlantic stock purchase agreement, we will add one seat to our board of directors and cause to be elected to the board one person designated by General Atlantic. See Certain Relationships and Related Party Transactions General Atlantic Private Placement.

Corporate Information

We were incorporated in Florida in May 1997. In June 2004, we acquired substantially all of the business and assets of Aplitec, a South African company listed on the JSE Securities Exchange South Africa, and the former shareholders of Aplitec obtained a majority voting interest in us. The Aplitec transaction is discussed in more detail under Corporate History.

Our principal executive offices are located at President Place, 4th Floor, Cnr. Jan Smuts Avenue and Bolton Road, Rosebank, Johannesburg, South Africa. Our phone number is (2711) 343-2000. Our website address is www.net1ueps.com. The information on our website, including any information accessible by a hyperlink or on another website accessible through our website, does not constitute part of this prospectus.

Our trademarks include NET1, FTS and UEPS. All other trademarks, trade names and service marks appearing in this prospectus are the property of their respective owners.

Table of Contents

| | Summary of the Offering |
|--|--|
| Common stock offered by the selling shareholders | 9,850,000 shares |
| Common stock outstanding prior to this offering, as of March 31, 2005 | 27,175,135 shares |
| Special convertible preferred stock outstanding prior to this offering, as of March 31, 2005 | 27,525,259 shares |
| Special convertible preferred stock converted into common stock and sold in this offering | 9,186,163 shares |
| Common stock outstanding after this offering and concurrent private placement | 36,606,493 shares |
| Special convertible preferred stock outstanding after this offering and concurrent private placement | 18,339,096 shares |
| Total shares outstanding after this offering and concurrent private placement | 54,945,589 |
| Use of proceeds | Certain of the selling shareholders may exercise options to purchase the shares of common stock that they are selling in this offering. We will not receive any proceeds from this offering other than proceeds we receive from the exercise of any of these options and from any shares sold pursuant to the exercise by the underwriters of the over-allotment option. We will use any proceeds we receive for working capital and general corporate purposes. |
| Purposes of this offering | To achieve a broader shareholder base, to increase visibility in the U.S. marketplace and to provide increased liquidity for our shareholders. The offering is also intended to provide our existing South African shareholders who desire to sell their shares with the opportunity to sell their shares in a broadly marketed underwriting. |
| Nasdaq National Market symbol | UEPS |
| <p>The number of shares of our common stock referred to above as outstanding after the offering and concurrent private placement and, unless otherwise indicated, the other information in the prospectus excludes:</p> <p>27,525,259 shares of common stock issuable upon conversion of an equal number of outstanding shares of our special convertible preferred stock; and</p> <p>2,906,980 shares of common stock issuable upon the exercise of options and other stock-based awards outstanding as of March 31, 2005, granted under our 2004 Stock Incentive Plan at a weighted average exercise price of \$1.50 per share.</p> <p>Unless otherwise indicated, the information in this prospectus:</p> | |

reflects a one-for-six reverse stock split of our common stock and special convertible preferred stock which became effective on June 13, 2005. The effect of this reverse stock split was to decrease the number of issued and outstanding shares by a factor of six and correspondingly increase the earnings per share by a factor of six; and

assumes no exercise of the underwriters' over-allotment option.

Table of Contents

The South African Invitation to Participate

An invitation to participate was distributed in South Africa on June 17, 2005, which invited holders of our linked units to offer for sale in this offering their shares of our common stock issuable upon conversion of the special convertible preferred stock these holders are entitled to receive upon giving of an irrevocable exercise form to the trustee of the South African trust. As described under Corporate History The Aplitec Transaction, the South African trustee holds for the benefit of the linked unit holders the New Aplitec B class loan accounts and B class preference shares which are part of the linked units. Our invitation to participate was sent only to holders of linked units who have mailing addresses in South Africa as reflected on the records of the South African trustee. We did not recommend that any holders of linked units participate in this offering, and we are not purchasing any of the shares of common stock offered in this offering.

The selling shareholders in this offering include holders of linked units who accepted the invitation to participate and gave the conversion notice to the trustee of the South African trust. Each holder of linked units who has elected to participate in this offering has deposited with the trustee of the South African trust an irrevocable exercise form instructing the trustee of the South African trust to convert up to a specified number of special convertible preferred shares, effective only upon the closing of the offering.

The successful completion of these transactions by us, the selling shareholders and the trustee is a condition precedent to the underwriters' obligations to purchase any shares in the offering.

Table of Contents**Summary Consolidated Financial Data**

The following table sets forth our summary consolidated balance sheet data as of March 31, 2005 and our consolidated statements of operations data for the years ended June 30, 2004, 2003 and 2002, and for the nine months ended March 31, 2005 and 2004. You should read the following summary consolidated financial data together with Selected Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, the consolidated financial statements and notes thereto and other financial information included elsewhere in this prospectus. In connection with U.S. generally accepted accounting principles, we accounted for the Aplitec transaction as a reverse acquisition, which requires that the company whose shareholders retain a majority voting interest in a combined business be treated as the acquiror for accounting purposes. Therefore, for all periods after June 7, 2004, our consolidated financial statements and management's discussion and analysis reflect the operations of Net 1 and its consolidated subsidiaries and, for prior periods, reflect the operations of Aplitec and its consolidated subsidiaries, but not Net 1. The summary consolidated statements of operations data for the years ended June 30, 2004, 2003 and 2002, have been derived from our audited consolidated financial statements which are included elsewhere in this prospectus. Our audited consolidated financial statements are prepared in U.S. dollars and in accordance with accounting principles generally accepted in the United States. The summary consolidated balance sheet data as of March 31, 2005 and the summary consolidated statements of operations data for the nine months ended March 31, 2005 and 2004 are derived from unaudited interim financial information and have been prepared in accordance with accounting principles generally accepted in the United States. Results for interim periods are not necessarily indicative of the results expected for the entire year. You should also read the following summary of consolidated financial data in conjunction with the exchange rate information contained in Management's Discussion and Analysis of Financial Condition and Results of Operations Currency Exchange Rate Information.

| | Nine Months Ended March 31, | | Year Ended June 30, | | |
|--|--|-------------|----------------------------|-------------|-------------|
| | 2005 | 2004 | 2004 | 2003 | 2002 |
| (In thousands, except per share data) | | | | | |
| Consolidated Statements of Operations Data: | | | | | |
| Revenue | \$ 134,885 | \$ 91,463 | \$ 131,098 | \$ 74,924 | \$ 51,793 |
| Cost of goods sold, IT processing, servicing and support | 41,207 | 28,206 | 39,134 | 25,935 | 14,170 |
| General and administrative charges | 33,804 | 25,625 | 39,677 | 26,399 | 21,637 |
| Depreciation and amortization | 4,897 | 4,110 | 5,676 | 3,323 | 3,128 |
| Reorganization costs | | 3,537 | 11,133 | | |
| Operating income | 54,977 | 29,985 | 35,478 | 19,267 | 12,858 |
| Interest, net | 1,497 | 2,464 | 3,640 | 2,600 | 1,381 |
| Income before taxes | 56,474 | 32,449 | 39,118 | 21,867 | 14,239 |
| Income tax expense | 22,534 | 13,896 | 25,927 | 9,473 | 5,554 |
| Income from continuing operations | 34,420 | 18,553 | 13,278 | 11,942 | 8,518 |
| Net income attributable to shareholders(1) | 34,420 | 18,553 | 13,278 | 13,117 | 8,518 |
| Income from continuing operations per share: | | | | | |
| Basic(2) | \$ 0.63 | \$ 0.58 | \$ 0.40 | \$ 0.37 | \$ 0.27 |
| Diluted(2) | \$ 0.62 | \$ 0.58 | \$ 0.38 | \$ 0.37 | \$ 0.27 |
| Cash dividend per share(3) | \$ | \$ | \$ 1.14 | \$ 0.12 | \$ 0.06 |

- (1) Net income attributable to shareholders for 2003 includes an extraordinary item of \$0.9 million and the results of a change in accounting policy of \$0.3 million as a result of the adoption and application of *Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets*.

Table of Contents

- (2) The basic and diluted earnings per share have been restated as a result of the transaction described in notes 1, 10 and 11 to our consolidated financial statements and the one-for-six reverse stock split.
- (3) The cash dividend per share has been restated as a result of the transaction described in notes 1, 10 and 11 to our consolidated financial statements and the one-for-six reverse stock split. The cash dividend per share for 2004 was calculated based on 32,161,190 Aplitec shares and represents the dividend paid to shareholders of Aplitec as a result of the transaction.

As of March 31, 2005**(In thousands)****Consolidated Balance Sheet Data:**

| | | |
|----------------------------|----|---------|
| Cash and cash equivalents | \$ | 92,712 |
| Total current assets | | 141,960 |
| Total assets | | 175,318 |
| Total current liabilities | | 32,650 |
| Total debt | | |
| Total shareholders' equity | | 128,680 |

Table of Contents

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the following risk factors, as well as the other information in this prospectus, before deciding to invest in our shares of common stock. If any of the following risks actually occurs, our business, financial condition and results of operations would suffer. If this happens, the trading price of our common stock would likely decline and you might lose all or part of your investment in our common stock.

Risks Relating to Our Business

The provincial governments of South Africa are our largest customers, and any non-renewal or termination of our government social welfare contracts would materially and adversely affect our business and revenues, results of operations and cash flows.

A substantial portion of our current business involves the distribution of social welfare grants on behalf of five of the nine provincial governments of South Africa. For the foreseeable future, our revenues, results of operations and cash flows will depend on this concentrated group of customers. During the year ended June 30, 2004 and the nine months ended March 31, 2005, we derived approximately 82% and 77%, respectively, of our revenues from our government social welfare contracts. In general, these contracts provide for terms of three years and are extendable at the option of the provincial governments for an additional two year period. Our contracts with the governments of the Eastern Cape, KwaZulu-Natal and North West provinces will expire in 2005, unless renewed by consent of both parties. Our contracts with the governments of the Limpopo and Northern Cape provinces currently are scheduled to expire in November and December 2006, respectively. In addition, any of these contracts may be terminated at any time by the respective governments in the event of a material breach. The early termination, or our failure to obtain extensions, of any of these contracts would have a material adverse effect on our business and revenues, results of operations and cash flows. Moreover, because we incur a significant portion of the expenses associated with these contracts during the initial implementation phase, we have historically enjoyed higher profit margins on these contracts after the completion of the implementation period, which averages approximately 18 months. Therefore, the early termination of, or our failure to extend, any of these contracts would also adversely affect our margins. We cannot assure you that we will be successful in renewing any of these contracts upon expiration of the respective contract periods or that they will not otherwise be terminated.

In addition, there are legislative proposals and other initiatives underway in South Africa that could materially affect the way we do our business. The South African government passed legislation during 2004 for the creation of the South African Social Security Agency, or SASSA. The primary purpose of SASSA is to consolidate at the central government level the administration of social welfare grants, which is currently performed primarily at the provincial level. SASSA commenced operations on April 1, 2005. SASSA may appoint a single contractor to perform the distribution of social welfare grants on a national basis, following the expiration of the various contracts entered into by the individual provinces. If SASSA does not appoint us as a national social welfare grant contractor, then we may not be able to renew some or all of our social welfare distribution contracts when they expire, which could have a material adverse effect on our financial condition, cash flows and results of operations.

We may not maintain our current level of profitability or rates of growth.

We believe that our continued profitability and growth will depend in large part on our ability to do the following: continue to enroll new smart card users in South Africa;

hire and train personnel capable of marketing, installing and integrating our solution, supporting customers and managing operations;

continue to expand the range of applications that use our technology and to market these applications successfully;

Table of Contents

successfully identify and enter other markets for our products; and

manage the costs of our business, including the costs associated with maintaining and developing our technology and expanding our operations internationally.

If we are not able to achieve any or all of the above, our profitability and/or growth rate will likely decline.

Changes in current government regulations relating to social welfare grants could adversely affect our revenues and cash flows.

We derive a substantial portion of our current business from the distribution of social welfare grants onto smart cards in South Africa and the transaction fees resulting from use of these smart cards. Because social welfare eligibility and grant amounts are regulated by the government, any changes to or reinterpretations of the government regulations relating to social welfare may result in the non-renewal or reduction of grants for certain individuals, or a determination that currently eligible social welfare grant recipients are no longer eligible. If any of these changes were to occur, the number of smart cards in use could decrease, the amount of money on any particular smart card could decrease or the amount of transactions effected on any particular smart card may decrease, all of which could result in a reduction of our revenues and cash flows.

We may have difficulty managing our growth which could limit our ability to increase sales and cash flow.

We have recently been experiencing significant growth, both in the scope of our operations and size of our organization. This growth is placing significant demands on our management, as well as on our operational resources. In order to achieve our business objectives, however, we anticipate that we will need this growth to continue. Continued growth would increase the challenges involved in:

implementing appropriate operational and financial systems;

expanding our sales and marketing infrastructure and capabilities;

providing adequate training and supervision to maintain high quality standards; and

preserving our culture and values.

Additionally, continued growth will place significant additional demands on our management and our financial and operational resources, and will require that we continue to develop and improve our operational, financial and other internal controls. If we cannot scale and manage our business appropriately, we will not experience our projected growth and our financial results may suffer.

There are risks relating to operating in South Africa that could adversely affect our business, operating results, cash flows and financial condition.

Our primary operations are located in South Africa and we currently generate substantially all of our revenues from our operations in South Africa. As a result, we are subject to any political, economic and regulatory uncertainties in South Africa.

The changing political and social environment. South Africa faces certain social, political and economic challenges, which may adversely affect our business, operating results, cash flows and financial condition. The country is experiencing high levels of unemployment and there are significant differences in the level of economic and social development among its people, with large parts of the population, particularly in the rural areas, having limited access to education, healthcare, housing and other basic services. Furthermore, South Africa faces challenges in building adequate infrastructure. These problems, together with a shortage of skilled labor, may in the future have an adverse impact on productivity.

Inflation and interest rates. The economy of South Africa is currently characterized by low inflation and interest rates. As of May 2005, the inflation rate was approximately 3.9%. The Reserve Bank s

Table of Contents

base lending rate is currently approximately 7.0% per annum. However, the economy of South Africa in the past has been, and in the future may be characterized by high rates of inflation and high interest rates. High rates of inflation could increase our South African-based costs and decrease our operating margins. High interest rates could adversely affect our ability to obtain cost-effective debt financing in South Africa.

Regulatory uncertainty regarding black economic empowerment. The South African government, over the past five years, has been developing an economic indigenization program referred to as black economic empowerment, or BEE. BEE is regulated pursuant to an Act of the South African Parliament, namely the Broad-Based Black Economic Empowerment Act 53 of 2003, or the BBBEE Act. The BBBEE Act recognizes two distinct mechanisms for the achievement of BEE objectives: (1) codes of good practice issued under the Act and (2) sectoral transformation charters developed by specific industry sectors and which may be recognized by the Minister of Trade and Industry if they have been developed by the major stakeholders in the relevant industry and advance the objectives of the BBBEE Act. Draft codes of good practice have recently been published for public comment, but none of them is, as yet, enforceable. The information and communication technology sector, or ICT sector, and the financial services sector have both developed sectoral transformation charters, but they have not yet been published in the Government Gazette and, consequently, they do not currently enjoy any formal status. The ICT sector has attempted to ensure as great a degree of comparability between its sectoral transformation charter and the draft codes of good practice, thereby assuring the probable publication of that charter in the Government Gazette by the Minister of Trade and Industry. By contrast, there are no indications that the financial services sector has made any attempt to achieve significant alignment between its transformation charter and the draft codes of good practice. Once the cod