

NET 1 UEPS TECHNOLOGIES INC
Form 10-Q
February 09, 2017

**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 December 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 February 6, 2017 (the latest practicable date), 52,529,345 shares of the registrant's common stock, par value \$0.001 per share, net of treasury shares, were outstanding.

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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 December 31, 2016	(A) June 30, 2016
(In thousands, except share data)		
ASSETS		
CURRENT ASSETS		
Cash, cash equivalents and restricted cash	\$ 198,891	\$ 223,644
Pre-funded social welfare grants receivable (Note 3)	3,915	1,580
Accounts receivable, net of allowances of December: \$3,124; June: \$1,669	102,499	107,805
Finance loans receivable, net of allowances of December: \$4,203; June: \$4,494	36,721	37,009
Inventory (Note 4)	14,063	10,004
Deferred income taxes	6,696	6,956
Total current assets before settlement assets	362,785	386,998
Settlement assets (Note 5)	333,242	536,725
Total current assets	696,027	923,723
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of		
December: \$112,475; June: \$99,969	45,876	54,977
EQUITY-ACCOUNTED INVESTMENTS	36,278	25,645
GOODWILL (Note 7)	180,686	179,478
INTANGIBLE ASSETS, net (Note 7)	44,339	48,556
OTHER LONG-TERM ASSETS, including reinsurance assets (Note 6 and Note 8)	39,072	31,121
TOTAL ASSETS	1,042,278	1,263,500
LIABILITIES		
CURRENT LIABILITIES		
Short-term credit facilities (Note 9)	-	-
Accounts payable	10,649	14,097
Other payables	41,180	37,479
Current portion of long-term borrowings (Note 10)	8,288	8,675
Income taxes payable	4,426	5,235
Total current liabilities before settlement obligations	64,543	65,486
Settlement obligations (Note 5)	333,242	536,725
Total current liabilities	397,785	602,211
DEFERRED INCOME TAXES	11,139	12,559
LONG-TERM BORROWINGS (Note 10)	14,872	43,134
OTHER LONG-TERM LIABILITIES, including insurance policy liabilities (Note 8)	2,181	2,376
TOTAL LIABILITIES	425,977	660,280
COMMITMENTS AND CONTINGENCIES (Note 18)		
EQUITY		

COMMON STOCK (Note 11)			
Authorized: 200,000,000 with \$0.001 par value;			
Issued and outstanding shares, net of treasury - December:			
52,521,345;			
June: 55,271,954		74	74
PREFERRED STOCK			
Authorized shares: 50,000,000 with \$0.001 par value;			
Issued and outstanding shares, net of treasury: December: -;			
June: -		-	-
ADDITIONAL PAID-IN-CAPITAL		223,272	223,978
TREASURY SHARES, AT COST: December: 23,621,541; June:			
20,483,932		(273,238)	(241,627)
ACCUMULATED OTHER COMPREHENSIVE LOSS (Note			
12)		(188,643)	(189,700)
RETAINED EARNINGS		743,595	700,322
TOTAL NET1 EQUITY		505,060	493,047
REDEEMABLE COMMON STOCK		107,672	107,672
NON-CONTROLLING INTEREST		3,569	2,501
TOTAL EQUITY		616,301	603,220
TOTAL LIABILITIES AND			
SHAREHOLDERS EQUITY		\$ 1,042,278	\$ 1,263,500
(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		Six months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	(In thousands, except per share data)		(In thousands, except per share data)	
REVENUE	\$ 151,433	\$ 150,281	\$ 307,066	\$ 304,754
EXPENSE				
Cost of goods sold, IT processing, servicing and support	73,518	78,668	148,298	156,050
Selling, general and administration	41,703	36,248	80,171	72,009
Depreciation and amortization	10,623	10,586	20,827	20,701
OPERATING INCOME	25,589	24,779	57,770	55,994
INTEREST INCOME	5,061	3,664	9,365	7,939
INTEREST EXPENSE	510	1,054	1,306	2,028
INCOME BEFORE INCOME TAX EXPENSE	30,140	27,389	65,829	61,905
INCOME TAX EXPENSE (Note 17)	10,984	10,593	22,087	21,490
NET INCOME BEFORE EARNINGS FROM EQUITY-ACCOUNTED INVESTMENTS	19,156	16,796	43,742	40,415
EARNINGS FROM EQUITY-ACCOUNTED INVESTMENTS	74	388	733	576
NET INCOME	19,230	17,184	44,475	40,991
LESS NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	589	526	1,202	1,313
NET INCOME ATTRIBUTABLE TO NET1	\$ 18,641	\$ 16,658	\$ 43,273	\$ 39,678
Net income per share, in U.S. dollars (Note 14)				
Basic earnings attributable to Net1 shareholders	\$ 0.35	\$ 0.35	\$ 0.81	\$ 0.84
Diluted earnings attributable to Net1 shareholders	\$ 0.35	\$ 0.35	\$ 0.81	\$ 0.84

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three months ended December 31,		Six months ended December 31,	
	2016	2015	2016	2015
	(In thousands)		(In thousands)	
Net income	\$ 19,230	\$ 17,184	\$ 44,475	\$ 40,991
Other comprehensive (loss) income				
Net unrealized income on asset available for sale, net of tax	-	-	-	50
Movement in foreign currency translation reserve	(20,766)	(16,960)	1,536	(60,656)
Total other comprehensive (loss) income, net of taxes	(20,766)	(16,960)	1,536	(60,606)
Comprehensive (loss) income	(1,536)	224	46,011	(19,615)
Less comprehensive income attributable				
to non-controlling interest	(624)	(345)	(1,681)	(850)
Comprehensive (loss) income attributable to Net1	\$ (2,160)	\$ (121)	\$ 44,330	\$ (20,465)

See Notes to Unaudited Condensed Consolidated Financial Statements

NET 1 UEPS TECHNOLOGIES, INC.

Unaudited Condensed Consolidated Statement of Changes in Equity for the six months ended December 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) income
Balance July 1, 2016	75,755,886	\$ 74	(20,483,932)	\$ (241,627)	55,271,954	\$ 223,978	\$ 700,322	\$ (189,700)
Repurchase of common stock (Note 11)			(3,137,609)	(31,611)	(3,137,609)			
Restricted stock granted (Note 13)	387,000				387,000			
Stock-based compensation charge (Note 13)						1,138		
Reversal of stock comp charge (Note 13)						(1,827)		