SHADOWFALL

CAPITAL & RESEARCH

ShadowFall Capital & Research LLP
55 Bartholomew Close
London, EC1A 7BF
Direct: +44(0)20 7952 2805
Web: www.shadowfall.com

Ron Kalifa, OBE
Chairman
Network International LLC
Network Building
Al Barsha 2
Level 1
Dubai
United Arab Emirates

23 December 2020

Dear Mr Kalifa,

On 28 July 2020, Network International announced its intention to acquire the DPO Group (DPO) for USD 288 million. Contemporaneously, Network International raised GBP 205 million in gross proceeds to fund the acquisition of DPO. Several weeks later, on 18 August 2020, Network International indicated that there would be USD 11-12 million in due diligence and advisory fees related to the acquisition of DPO. Following the Network International "Business Update" released on 21 December 2020, and according to an article in the Financial Times, we now understand that Network International appointed Freshfields Bruckhaus Deringer LLP (Freshfields) in October 2020, to conduct further due diligence into DPO.

Regarding this extended due diligence, we believe that Network International's shareholders would welcome some clarity on the following areas:

1. DPO acquired a German based business, AconaOnline GmbH, in 2013 from parties, amongst which included a former Wirecard executive, Dietmar Knöchelmann, who has since been convicted of money laundering offenses and fraud. This was the only business that DPO appears to have owned and managed until around 2016, when it then embarked upon an M&A spree across Africa, financed by Apis Partners, which is co-managed by a former Network International Director. We note, in addition to the connection to Dietmar Knöchelmann, that DPO's auditor until 2017, Andy Quinn, was an ex-colleague to Dietmar Knöchelmann. Since 2017, a colleague of Andy Quinn has undertaken DPO's audit. In the light of this, and as you might expect, we would question the quality of DPO's audits.

   In addition to the instruction of Freshfields, will Network International's extended due diligence include a review of DPO's historical audits by a separate independent auditor?

2. Both the initial company secretary, Liam Grainger, and a director appointed to DPO, Bob Richmond, also served as directors to Greymountain Management Limited (Greymountain). As of 2 September 2020, Greymountain is referenced in a civil enforcement action by the US Commodity Futures Trading Commission (CFTC) regarding a USD 165 million Global Binary Options Fraud Scheme.

Can Network International provide clarification as to what these two individuals involvement with DPO has been and what assurances it can provide that neither they, nor any associated parties, continue to have involvement in DPO?

3. On what date did Network International become aware that DPO had such connections (as detailed above) to Wirecard and the individuals connected to Greymountain?

4. We presume that since the USD 11-12 million in due diligence and advisory fees was guided in August 2020, that any subsequent fees – due to Freshfields being instructed in October 2020 – will now be greater than this initial guidance.

   Did the initial due diligence reveal the Wirecard and Greymountain connections or is this now being investigated by Freshfields?

   Could Network International provide an update to its guidance as to what it anticipates the total fees to be?

   Aside from what we view as already high levels of fees to acquire a business with little revenue greater than these fees, who were these initial fees paid to?

5. In Network International's "Business Update" from 21 December 2020, it is stated:

   "DPO has been a customer of certain European payment companies ("acquirers") that are, or may have been, connected with Dietmar Knoechelmann or certain of his associates (together with Acona, the "Relevant Entities")."

   Could Network International name which European payment companies it refers to?

6. The 21 December 2020 "Business Update" also states:

   "These acquirers were used to process volumes for the European cardholders purchasing travel services from DPO's merchant customers in order to reduce processing costs."

   Could Network International provide further information as to whether any of these travel related merchant customers are current or former related parties to the shareholders of DPO?

7. We note that in August 2019, DPO acquired 84.2% of the equity in PayFast (Pty) Limited for net consideration of USD 17.2 million. PayFast is indicated to have generated USD 3.8 million in revenue in the final five months of FY19, suggesting pro-forma annualised revenue of USD 9.1 million. DPO appears to have paid net consideration of c. 2.2x PayFast's pro-forma revenue (accounting for the 84.2% equity interest). We calculate that PayFast contributes c. 37% of DPO's pro-forma revenue. Further, based on DPO's prior acquisitions, we calculate that DPO has typically paid between 1x-2.5x revenue for its acquired businesses.

   We further note that DPO's latest filing (signed 2 July 2020) highlights "Material uncertainty in relation to going concern [page 6 of the FY19 Annual Report]". DPO then highlights in note 5:

   "In the meantime, the group [DPO] continues to rely on the support of the shareholders in order to fulfil ongoing capital requirements. The group raised c. $7.3m in Q2 2020 from existing shareholders as an added liquidity measure to ensure the group can operate at full capacity

during the Covid-19 affected period, this is in addition to the $2.46m raised via shareholders loans."

How did Network International arrive at the USD 288 million valuation for DPO of c. 12x pro-forma revenue, when less than a year prior to the acquisition announcement, DPO was itself buying a significant portion of its revenue for c. 2.2x revenue?

There might be a perception that Network International's M&A pursuits only raise questions regarding DPO. However, we also have concern with Network International's prior M&A activity, with the TimesOfMoney (ToM) businesses, which were acquired for c. USD 71 million and then a few years thereafter disposed to Finablr in several parts in 2017 and then in 2018, apparently for a combined USD 17.7 million. Network International attributes significant losses to "discontinued operations" in this period. We elaborate in more detail on these business disposals in our research report. However, we would welcome clarification on the following:

8. When the ToM businesses was first acquired, despite being based in India, they were held under a Singapore entity: Network International Investment Pte Ltd (NII).
   NII was registered to the same address as Wirecard Asia, as well as Wirecard related re-sellers.

   What was the rationale for registering NII, simply as a holding company for ToM, in Singapore?

9. We find numerous inconsistencies between disclosures which Network International provides in its IPO prospectus relating to its discontinued operations and those of the local filings and the announcements by the buyers.

   For example, when disposing of the ToM Technology Services Private Limited (TTSPL) business, in August 2017, Network International's prospectus details that this was disposed for USD 12.9 million. However, NII (the holding company) discloses that TTSPL was sold for USD 14.95 million. Further, Finablr, which acquired TTSPL, states that it acquired the business for USD 15.3 million in cash.

   Could Network International clarify precisely what TTSPL was disposed for and why there is a discrepancy between its IPO prospectus, its own subsidiary's filings and the filings of the purchaser of that business?

10. Another example again relates to the remainder of the ToM business disposed in November 2018, again to Finablr. Network International's IPO prospectus and its FY19 Annual Report indicates that the final part of ToM was sold to Finablr for USD 4.8 million in cash. However, Finablr reports that it acquired this business for USD 4.8 million in cash, but it came with USD 6.8 million in cash. As such, Finablr reports a USD 2.0 million <u>cash inflow</u>, as compared to Network International also reporting a <u>cash inflow</u> but for USD 4.8 million in its investment cash flow.

    Could Network International identify if USD 6.8 million in cash was disposed with the remainder of ToM to Finablr? If so, where is this reflected in Network International's disclosures? For clarity, the NII filings would suggest to us that this USD 6.8 million was not restricted cash.

11. Network International details operating losses of USD 5.6 million, USD 11.0 million, and USD 4.1 million attributable to "discontinued operations" in FY16, FY17, and FY18, respectively. This is before significant impairment losses and foreign exchange related losses are accounted for.

However, we are unable to reconcile the scale of these losses with either the NII filings, the local Indian filings, and the filings by purchasers of these businesses, such as Finablr.

Could Network International clarify precisely what revenue and profit/(loss) was attributable to these "discontinued operations" and why the discrepancies exist between the filings of NII, the local Indian filings and those presented by Finablr?

Based on the above, in our view, it would be beneficial to investors for Network International to expand its investigation beyond DPO and to clarify the issues which we have identified above, as well as the further issues we identify in our report.

For full disclosure, funds managed by ShadowFall Capital & Research LLP hold a short position in the securities of Network International.

Yours sincerely,

Matthew Earl
Managing Partner
ShadowFall Capital & Research LLP