

NET 1 UEPS TECHNOLOGIES INC
Form 8-K
November 01, 2017

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 1, 2017 (October 27, 2017)**

NET 1 UEPS TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction
of incorporation)

000-31203
(Commission
File Number)

98-0171860
(IRS Employer
Identification No.)

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

(Address of principal executive offices) (ZIP Code)

Registrant's telephone number, including area code: **011-27-11-343-2000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On October 27, 2017, each of KSNET, Inc. and Net1 Applied Technologies Korea (Net1 Korea) entered into a three-year service agreement with Mr. Phil-Hyun Oh, President of KSNET. The service agreements replace the service agreements between each of KSNET and Net1 Korea and Mr. Oh that expired on June 30, 2017.

As of October 27, 2017, the USD/KRW exchange rate was \$1: KRW 1,128.

KSNET service agreement

Under the KSNET service agreement, Mr. Oh is entitled to receive: (i) an annual base salary of KRW 448.2 million and (ii) an annual bonus of up to KRW 564 million, which comprises a quantitative and qualitative portion.

The quantitative portion of the annual bonus is capped at a maximum of KRW 364 million and will be based on the achievement of specified levels of KSNET's free cash flow and profit before interest and tax (defined as profit before interest and tax and any bonus under the service agreement) (PBIT) during any calendar year during the term of the service agreement, as described below.

Mr. Oh is entitled to receive KRW 2 million for every KRW 1 billion of free cash flow (defined as operating cash flow, minus tax and capital expenditures) during the year. The maximum payable in respect of the free cash flow metric is KRW 54 million.

If PBIT is at least 90% but less than 100% of the previous year's PBIT, then Mr. Oh is entitled to receive (i) KRW 225 million, *minus* (ii) KRW 11 million for each 1% by which current PBIT is less than the previous year's PBIT. If PBIT is equal to or greater than the previous year's PBIT, then Mr. Oh is entitled to receive KRW 225 million, *plus* KRW 3.4 million for each 1% increase in PBIT when compared to the previous year (up to a maximum of KRW 85 million in respect of the excess), for a total maximum of KRW 310 million.

The qualitative portion of the annual bonus is capped at a maximum of KRW 200 million and is based on the achievement of certain key objectives to be determined annually by our chairman. Each item comprising the qualitative portion is based on performance during our fiscal year ending June 30. Achievement of the qualitative targets will be determined by our Remuneration Committee each year. The qualitative targets for the 2018 fiscal year are:

- (i) If KSNET maintains or improves its market position in the Korean Card VAN market: KRW 40 million;
 - (ii) If KSNET significantly internally improves the relative contribution of the Banking VAN, PG, WCF, and Purchase business units to more than 15% of gross profit compared to the core VAN business unit: KRW 40 million;
 - (iii) Meaningful progress in growing new business initiatives: KRW 40 million;
 - (iv) If KSNET is not the subject of any adverse regulatory findings, fines, or penalties during the relevant period: KRW 40 million;
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(v) Cooperation with other Net1 group companies to assist with business development initiatives: KRW 20 million; and

(vi) Formulation of a succession plan (emergency and long-term) for the KSNET executive team: KRW 20 million.

Mr. Oh will continue to be eligible for participation in our Amended and Restated 2015 Stock Incentive Plan during the term of the service agreement.

In addition, under the terms of the KSNET service agreement, Mr. Oh is entitled to participate in national health insurance and the national pension plan provided under the laws of Korea, to receive reimbursement for annual physical examinations for him and his spouse, and to make use of KSNET provided car and driver for business and reasonable personal use.

The KSNET service agreement also includes a restraint of trade clause which provides that upon the termination of Mr. Oh's services with KSNET, he is restricted, for a period of 36 months, from soliciting business from certain customers, working for or holding interests in KSNET's competitors or participating in a competitive activity within the territories where KSNET does business.

Mr. Oh may be terminated with or without justifiable cause (as defined in the service agreement). In the case of termination without justifiable cause, he will be entitled to receive his base salary and the bonus (if any) that he would have otherwise received for the remainder of the then-current fiscal year.

Net1 Korea service agreement

Under the Net1 Korea service agreement, Mr. Oh is entitled to receive an annual base salary of KRW 12 million. The other terms of the Net1 Korea service agreement are substantially similar to the terms of the KSNET service agreement.

The foregoing summary of the service agreements is qualified in its entirety by the terms and conditions of the service agreements, which are filed as Exhibits 10.79 and 10.80 to this 8-K and are incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

Exhibit No. Description

10.79 Service Agreement between KSNET, Inc. and Phil-Hyun Oh dated October 27, 2017

10.80 Service Agreement between Net1 Applied Technologies Korea and Phil-Hyun Oh dated October 27, 2017

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NET 1 UEPS TECHNOLOGIES, INC.

Date: November 1, 2017

By: /s/ Herman G. Kotzé

Name: Herman G. Kotzé

Title: Chief Executive Officer,
Chief Financial Officer, Treasurer and
Secretary
