
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 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 12, 2021

Commission file number: 0-22773

NETSOL TECHNOLOGIES, INC.

(Exact name of small business issuer as specified in its charter)

NEVADA
(State or other Jurisdiction of
Incorporation or Organization)

95-4627685
(I.R.S. Employer NO.)

23975 Park Sorrento, Suite 250
Calabasas, CA 91302
(Address of principal executive offices) (Zip Code)

(818) 222-9195 / (818) 222-9197
(Issuer's telephone/facsimile numbers, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|---|--------------------------|--|
| Common Stock, \$.01 par value per share | NTWK | NASDAQ |

Item 2.02 Results of Operations and Financial Condition.

On November 11, 2021, NetSol Technologies, Inc. issued a press release announcing results of operations and financial conditions for the quarter ended September 30, 2021. The press release is furnished as Exhibit 99.1 to this Form 8-K.

The information in this report shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Exhibits

99.1 [News Release dated November 11, 2021](#)

Page 2

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NETSOL TECHNOLOGIES, INC.

Date: November 12, 2021

/s/ Najeeb Ghauri
NAJEEB GHAURI
Chief Executive Officer

Date: November 12, 2021

/s/ Roger Almond
ROGER ALMOND
Chief Financial Officer

Page 3



NETSOL Technologies Reports Fiscal First Quarter 2022 Financial Results

- *Subscription and Support Revenue Jumped 20% to \$6.2 Million, Representing a Nearly \$25 Million Annualized Run Rate with Opportunities for Upside*
- *Otoz Digital Retail Platform Partnership with MINI Anywhere Continues to Gain Traction with 10 Dealerships Now Subscribed and Additional States to be Enabled in the Coming Months; Targeting 100 Dealers by Fiscal Year-End 2022*
- *Company Reaffirms Fiscal 2022 Total Revenues and Subscription and Support Revenues Guidance of at Least 10% and 20%, Respectively*

CALABASAS, Calif., November 11, 2021 – **NETSOL Technologies, Inc.** (Nasdaq: **NTWK**), a global business services and enterprise application solutions provider, reported results for the fiscal first quarter ended September 30, 2021.

Fiscal First Quarter 2022 and Recent Operational Highlights

- Subscription (SaaS and Cloud) and support quarterly revenues increased 20% to \$6.2 million, representing a nearly \$25 million run rate over the coming twelve months with opportunities for upside.
- Generated approximately \$1.5 million by successfully implementing change requests from various customers across multiple regions during the fiscal first quarter.
- Successfully renegotiated certain annual support contracts resulting in additional support revenue of approximately \$1.0 million to be recognized over the term of the combined contracts.
- NETSOL's U.S. based mobility startup Otoz launched its digital automotive retail platform for BMW Group Financial Services in the U.S. for its key brand MINI Anywhere. MINI Anywhere is now live with 10 MINI dealerships as of October; Otoz is also scheduled to onboard additional California-based dealers before an expansion into Florida. Long term, the solution has the potential to be rolled out to over 100 MINI dealerships across all 50 states.
- Regarding previously announced 12-country, \$110 million contract with German auto manufacturing giant, the Company made continued progress with respect to additional NFS Ascent® implementations. The company began the NFS Ascent® implementation process in India during the quarter.
- Signed an agreement with Motorcycle Group to deploy the cloud-based version of NETSOL's flagship NFS Ascent® platform across the customer's entire operations. This agreement marks the first official sale for NFS Ascent in the U.S. market.
- Went "live" with NFS Ascent and NFS Ascent Digital in New Zealand for a leading Japanese equipment manufacturer.

Fiscal First Quarter 2022 Financial Results

Total net revenues for the first quarter of fiscal 2022 were \$13.4 million, compared with \$12.6 million in the prior year period. The increase in total net revenues was primarily driven by an increase in subscription and support revenues of \$1.1 million, slightly offset by a decrease in total services revenues of \$292,000.

-
- Total license fees were \$10,700, compared with \$3,500 in the prior year period.
 - Total subscription (SaaS and Cloud) and support revenues were \$6.2 million, compared with \$5.2 million in the prior year period.
 - Total services revenues were \$7.2 million, compared with \$7.5 million in the prior year period.

Gross profit for the first quarter of fiscal 2022 decreased 14.7% to \$5.4 million (or 40.6% of net revenues), compared to \$6.4 million (or 50.5% of net revenues) in the first quarter of fiscal 2021. The decrease in gross profit was primarily due to increases in cost of revenues of \$1.7 million, offset by a \$773,000 increase in revenue. The increases in cost of sales were primarily due to increases in salaries and consulting costs of \$1.1 million, travel costs of \$110,000, depreciation of \$58,000, and other costs of 407,000.

Operating expenses for the first quarter of fiscal 2022 increased 13.8% to \$6.1 million (or 45.3% of sales) from \$5.3 million (or 42.3% of sales) for the first quarter of fiscal 2021. The increase in operating expenses was primarily due to increases in selling and marketing, general and administrative, and research and development costs.

GAAP net income attributable to NETSOL for the first quarter of fiscal 2022 totaled \$188,000 or \$0.02 per diluted share, compared with GAAP net income of \$718,000 or \$0.06 per diluted share in the first quarter of fiscal 2021. GAAP net income attributable to NETSOL included a \$1.3 million gain on foreign currency exchange transactions in the first quarter of fiscal 2022, which was an increase from a gain of \$296,000 in the prior year period.

Non-GAAP adjusted EBITDA for the first quarter of fiscal 2022 totaled \$770,000 or \$0.07 per diluted share, compared with non-GAAP adjusted EBITDA of \$1.6 million or \$0.14 per diluted share in the first quarter of fiscal 2021 (see note regarding "Use of Non-GAAP Financial Measures," below for further discussion of this non-GAAP measure).

At September 30, 2021, cash and cash equivalents were \$27.0 million, a decrease from \$33.7 million at June 30, 2021.

Stock Repurchase Program

On July 30, 2020, NETSOL's Board of Directors approved a stock repurchase program that authorized potential repurchases of up to \$2 million of its common stock over a six-month period. All shares permitted to be purchased under this July 2020 plan were purchased during the plan's original date and prior to the conclusion of the extension of the plan. On May 21, 2021, the Board of Directors authorized an additional repurchase plan of up to \$2 million worth of shares of common stock through November 20, 2021. Under the program, the Company may repurchase its common stock in the open market from time-to-time, in amounts, at prices, and at such times as the Company deems appropriate, subject to market conditions and federal and state laws governing such transactions. NETSOL expects to fund the repurchase with its existing cash balance and cash generated from operations.

As of September 30, 2021, the Company had repurchased 691,528 shares of its common stock at an aggregate value of \$2,464,887.

Management Commentary

"In the first quarter we capitalized on the strong momentum built over the course of the past year and are firmly positioned to achieve our growth goals for fiscal 2022," said NETSOL Co-Founder, Chairman and Chief Executive Officer Najeeb Ghauri. "Within our core business, the pipeline and mix of opportunities remains robust, particularly in our European and North American growth markets, giving us confidence in our ability to drive additional contract signings over the coming months. Within our more venture-focused operations, the rollout of the Otoz Digital Retail Platform in partnership with MINI Anywhere has been a resounding early success; with 10 dealerships subscribed and additional states going online in the near future, we are encouraged by the initial response and total opportunity. Longer term, we will continue to push the boundaries for new ownership and payment models, supporting our customers where they are today and where they want to go in the future."

Company CFO Roger Almond added: “Our strong financial performance during the quarter was highlighted by an increase in recurring revenues of 10% sequentially and 20% over the prior year, respectively. As we conservatively begin the process of welcoming our employees back to work across our global footprint, we expect a return to sales growth with a related increase in expenses to support our increased business activity. Our cash position remains near record levels, providing additional resources to support our core business as well as strategic investments in high-return, long-term opportunities, including our work in the Otoz Innovation Lab. With these factors in consideration, we are reiterating our full year revenue outlook of 10% topline growth and 20% subscription revenue growth throughout the balance of the year.”

Conference Call

NETSOL Technologies management will hold a conference call today (November 11, 2021) at 4:30 p.m. Eastern time (1:30 p.m. Pacific time) to discuss these financial results. A question and answer session will follow management’s presentation.

U.S. dial-in: 877-407-0789
International dial-in: 201-689-8562

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at 949-574-3860.

The conference call will be broadcasted live and available for replay [here](#) and via the Investor Relations section of NETSOL’s [website](#).

A replay of the conference call will be available after 7:30 p.m. Eastern time through November 25, 2021.

Toll-free replay number: 844-512-2921
International replay number: 412-317-6671
Replay ID: 13724399

About NETSOL Technologies

NETSOL Technologies, Inc. (Nasdaq: NTKW) is a worldwide provider of IT and enterprise software solutions primarily serving the global leasing and finance industry. The Company’s suite of applications is backed by 40 years of domain expertise and supported by a committed team of more than 1300 professionals placed in eight strategically located support and delivery centers throughout the world. NFS, LeasePak, LeaseSoft or NFS Ascent® – help companies transform their Finance and Leasing operations, providing a fully automated asset-based finance solution covering the complete finance and leasing lifecycle.

About Otoz

Otoz, a division of NETSOL Technologies Inc. (Nasdaq: NTKW), provides business-to-business, white-label technology solutions for new mobility. The Otoz suite of agile and customizable mobility solutions ranges from car sharing and subscription products to AI-enabled chatbots, allowing businesses to engage consumers and facilitate the complete transaction lifecycle intelligently and digitally. Otoz technologies empower automotive companies and start-ups to launch digital retailing and new mobility models quickly and efficiently. The technology Otoz has developed is cloud-native and supported by artificial intelligence (AI), machine learning (ML), internet of things (IoT) and blockchain. Otoz technology drives utilization, while supporting robust and efficient operations.

Forward-Looking Statements

This press release may contain forward-looking statements relating to the development of the Company’s products and services and future operating results, including statements regarding the Company that are subject to certain risks and uncertainties such as the effect of disparate stay at home orders and social distancing requirements imposed internationally by COVID-19 and its resultant impact on our financials and the world economy that could cause actual results to differ materially from those projected. The words “expects,” “anticipates,” variations of such words, and similar expressions, identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, but their absence does not mean that the statement is not forward-looking. These statements are not guarantees of future performance and are subject to certain risks, uncertainties, and assumptions that are difficult to predict. Factors that could affect the Company’s actual results include the progress and costs of the development of products and services and the timing of the market acceptance, as well as the delay in recovery or a prolonged economic downturn that affects our Company, our customers and the world economy. The subject Companies expressly disclaim any obligation or undertaking to update or revise any forward looking statement contained herein to reflect any change in the company’s expectations with regard thereto or any change in events, conditions or circumstances upon which any statement is based.

Use of Non-GAAP Financial Measures

The reconciliation of Adjusted EBITDA to net income, the most comparable financial measure based upon GAAP, as well as a further explanation of adjusted EBITDA, is included in the financial tables in Schedule 4 of this press release.

Investor Relations Contact:

Matt Glover and Tom Colton
Gateway Investor Relations
949-574-3860
investors@netsoltech.com

NETSOL Technologies, Inc. and Subsidiaries Schedule 1: Consolidated Balance Sheets

| | As of September 30, 2021 | | As of June 30, 2021 | |
|--|-----------------------------|------------|------------------------|------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ | 26,999,876 | \$ | 33,705,154 |
| Accounts receivable, net of allowance of \$176,986 and \$166,231 | | 6,043,444 | | 4,184,096 |
| Accounts receivable - related party, net of allowance of \$1,373,099 and \$1,373,099 | | - | | - |
| Revenues in excess of billings, net of allowance of \$70,919 and \$136,976 | | 16,164,012 | | 14,680,131 |

| | | |
|--|----------------------|----------------------|
| Revenues in excess of billings - related party, net of allowance of \$8,163 and \$8,163 | - | - |
| Other current assets, net of allowance of \$1,243,633 and \$1,243,633 | 2,937,927 | 3,009,393 |
| Total current assets | 52,145,259 | 55,578,774 |
| Revenues in excess of billings, net - long term | 969,456 | 957,603 |
| Convertible note receivable - related party, net of allowance of \$4,250,000 and \$4,250,000 | - | - |
| Property and equipment, net | 10,821,869 | 12,091,812 |
| Right of use of assets - operating leases | 1,197,453 | 1,345,869 |
| Long term investment | 2,995,104 | 3,155,852 |
| Other assets | 59,638 | 55,127 |
| Intangible assets, net | 3,183,317 | 3,904,656 |
| Goodwill | 9,516,568 | 9,516,568 |
| Total assets | \$ 80,888,664 | \$ 86,606,261 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | | |
|---|-----------|-------------------|----------------------|
| Current liabilities: | | | |
| Accounts payable and accrued expenses | \$ | 6,369,870 | \$ 6,696,035 |
| Current portion of loans and obligations under finance leases | | 10,423,215 | 11,366,171 |
| Current portion of operating lease obligations | | 828,879 | 857,729 |
| Unearned revenue | | 3,387,902 | 4,556,626 |
| Total current liabilities | | 21,009,866 | 23,476,561 |
| Loans and obligations under finance leases; less current maturities | | 396,771 | 699,841 |
| Operating lease obligations; less current maturities | | 438,423 | 564,257 |
| Total liabilities | | 21,845,060 | 24,740,659 |
| Commitments and contingencies | | | |
| Stockholders' equity: | | | |
| Preferred stock, \$.01 par value; 500,000 shares authorized; | | - | - |
| Common stock, \$.01 par value; 14,500,000 shares authorized; 12,183,570 shares issued and 11,244,539 outstanding as of September 30, 2021 and 12,181,585 shares issued and 11,265,064 outstanding as of June 30, 2021 | | 121,836 | 121,816 |
| Additional paid-in-capital | | 129,030,982 | 129,018,826 |
| Treasury stock (at cost, 939,031 shares and 916,521 shares as of September 30, 2021 and June 30, 2021, respectively) | | (3,920,856) | (3,820,750) |
| Accumulated deficit | | (38,613,313) | (38,801,282) |
| Other comprehensive loss | | (34,013,886) | (31,868,481) |
| Total NetSol stockholders' equity | | 52,604,763 | 54,650,129 |
| Non-controlling interest | | 6,438,841 | 7,215,473 |
| Total stockholders' equity | | 59,043,604 | 61,865,602 |
| Total liabilities and stockholders' equity | \$ | 80,888,664 | \$ 86,606,261 |

NETSOL Technologies, Inc. and Subsidiaries Schedule 2: Consolidated Statement of Operations

| | For the Three Months Ended September 30, | |
|--|---|-------------------|
| | 2021 | 2020 |
| Net Revenues: | | |
| License fees | \$ 10,716 | \$ 3,475 |
| Subscription and support | 6,230,389 | 5,171,863 |
| Services | 7,179,656 | 7,472,040 |
| Total net revenues | 13,420,761 | 12,647,378 |
| Cost of revenues: | | |
| Salaries and consultants | 5,662,410 | 4,526,649 |
| Travel | 214,132 | 103,752 |
| Depreciation and amortization | 765,735 | 707,249 |
| Other | 1,335,461 | 928,153 |
| Total cost of revenues | 7,977,738 | 6,265,803 |
| Gross profit | 5,443,023 | 6,381,575 |
| Operating expenses: | | |
| Selling and marketing | 1,619,993 | 1,609,604 |
| Depreciation and amortization | 214,271 | 221,790 |
| General and administrative | 3,973,139 | 3,427,636 |
| Research and development cost | 275,230 | 85,989 |
| Total operating expenses | 6,082,633 | 5,345,019 |
| Income (loss) from operations | (639,610) | 1,036,556 |
| Other income and (expenses) | | |
| Loss on sale of assets | (110,600) | (21,742) |
| Interest expense | (101,013) | (103,327) |
| Interest income | 443,133 | 200,821 |
| Gain on foreign currency exchange transactions | 1,284,148 | 296,041 |
| Share of net loss from equity investment | (160,965) | (107,850) |
| Other income | 3,029 | 87,272 |
| Total other income (expenses) | 1,357,732 | 351,215 |

| | | |
|---|-------------------|-------------------|
| Net income before income taxes | 718,122 | 1,387,771 |
| Income tax provision | (167,627) | (264,294) |
| Net income | 550,495 | 1,123,477 |
| Non-controlling interest | (362,526) | (405,923) |
| Net income attributable to NetSol | <u>\$ 187,969</u> | <u>\$ 717,554</u> |
| Net income per share: | | |
| Net income per common share | | |
| Basic | \$ 0.02 | \$ 0.06 |
| Diluted | \$ 0.02 | \$ 0.06 |
| Weighted average number of shares outstanding | | |
| Basic | 11,254,205 | 11,787,233 |
| Diluted | <u>11,254,205</u> | <u>11,787,233</u> |

NETSOL Technologies, Inc. and Subsidiaries
Schedule 3: Consolidated Statement of Cash Flows

| | For the Three Months Ended September 30, | |
|---|---|----------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Net income | \$ 550,495 | \$ 1,123,477 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 980,006 | 929,039 |
| Provision for bad debts | (45,274) | (258,160) |
| Share of net loss from investment under equity method | 160,965 | 107,850 |
| Loss on sale of assets | 110,600 | 21,742 |
| Stock based compensation | 3,003 | 90,995 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (2,034,434) | 3,823,299 |
| Revenues in excess of billing | (1,952,228) | 394,995 |
| Other current assets | (35,342) | (393,253) |
| Accounts payable and accrued expenses | (43,293) | 255,239 |
| Unearned revenue | (1,086,151) | (1,383,619) |
| Net cash provided by (used in) operating activities | <u>(3,391,653)</u> | <u>4,711,604</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (216,112) | (489,289) |
| Sales of property and equipment | 19,705 | 32,673 |
| Investment in associates | - | (60,500) |
| Net cash used in investing activities | <u>(196,407)</u> | <u>(517,116)</u> |
| Cash flows from financing activities: | | |
| Purchase of treasury stock | (100,106) | (464,676) |
| Proceeds from bank loans | - | 697,295 |
| Payments on finance lease obligations and loans - net | (363,464) | (143,506) |
| Net cash provided by (used in) financing activities | <u>(463,570)</u> | <u>89,113</u> |
| Effect of exchange rate changes | <u>(2,653,648)</u> | <u>434,934</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(6,705,278)</u> | <u>4,718,535</u> |
| Cash and cash equivalents at beginning of the period | 33,705,154 | 20,166,830 |
| Cash and cash equivalents at end of period | <u>\$ 26,999,876</u> | <u>\$ 24,885,365</u> |

NETSOL Technologies, Inc. and Subsidiaries
Schedule 4: Reconciliation to GAAP

| | For the Three Months Ended September 30, 2021 | For the Three Months Ended September 30, 2020 |
|--|--|--|
| Net Income (loss) attributable to NetSol | \$ 187,969 | \$ 717,554 |
| Non-controlling interest | 362,526 | 405,923 |
| Income taxes | 167,627 | 264,294 |
| Depreciation and amortization | 980,006 | 929,039 |
| Interest expense | 101,013 | 103,327 |
| Interest (income) | (443,133) | (200,821) |
| EBITDA | <u>\$ 1,356,008</u> | <u>\$ 2,219,316</u> |
| Add back: | | |
| Non-cash stock-based compensation | 3,003 | 90,995 |
| Adjusted EBITDA, gross | <u>\$ 1,359,011</u> | <u>\$ 2,310,311</u> |
| Less non-controlling interest (a) | (588,879) | (698,844) |
| Adjusted EBITDA, net | <u>\$ 770,132</u> | <u>\$ 1,611,467</u> |

| | | |
|---|------------|------------|
| Weighted Average number of shares outstanding | | |
| Basic | 11,254,205 | 11,787,233 |
| Diluted | 11,254,205 | 11,787,233 |

| | | |
|-------------------------|---------|---------|
| Basic adjusted EBITDA | \$ 0.07 | \$ 0.14 |
| Diluted adjusted EBITDA | \$ 0.07 | \$ 0.14 |

(a)The reconciliation of adjusted EBITDA of non-controlling interest to net income attributable to non-controlling interest is as follows

| | | |
|--|------------|------------|
| Net Income (loss) attributable to non-controlling interest | \$ 362,526 | \$ 405,923 |
| Income Taxes | 52,666 | 48,649 |
| Depreciation and amortization | 287,631 | 264,565 |
| Interest expense | 29,400 | 31,520 |
| Interest (income) | (143,344) | (65,957) |
| EBITDA | \$ 588,879 | \$ 684,700 |
| Add back: | | |
| Non-cash stock-based compensation | - | 14,144 |
| Adjusted EBITDA of non-controlling interest | \$ 588,879 | \$ 698,844 |