



PAX Global Technology Limited (327.HK)

2019 Annual results

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Agenda

❖ Year 2019 highlights

- Key milestones
- 2019 annual results snapshot

❖ Year 2020 recent updates

- Effect from coronavirus disease
- Corporate actions
- China business strategic adjustment

❖ Strategies & targets

- Corporate strategies
- Financial targets



Key milestones in 2019



Record-high

Revenue
HK\$ 4,926 million

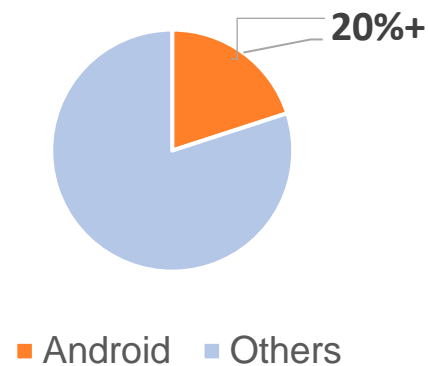
Net profit
HK\$ 625 million

Proposed final dividend
HK\$ 6 cents

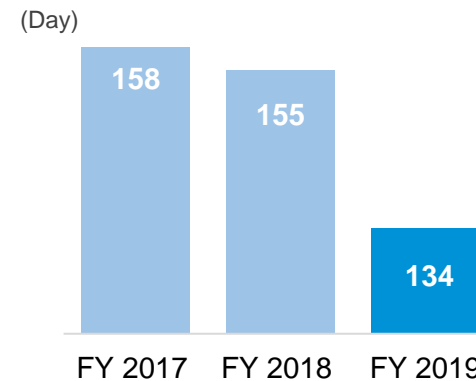


Strong contribution from Android smart solution

Revenue contribution



Improved AR turnover days

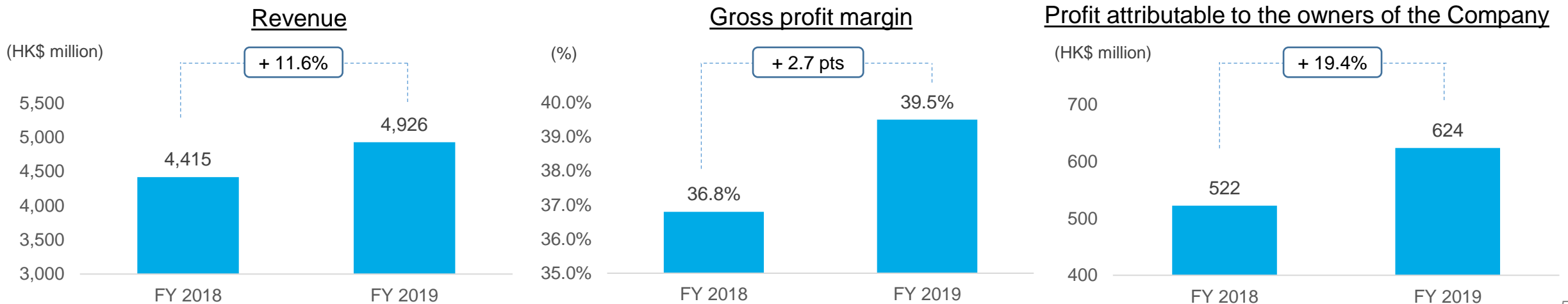


Outperformed financial targets

Topline	+11.6%
GP margin	39.5%
OP margin	15.5%

2019 Annual results snapshot

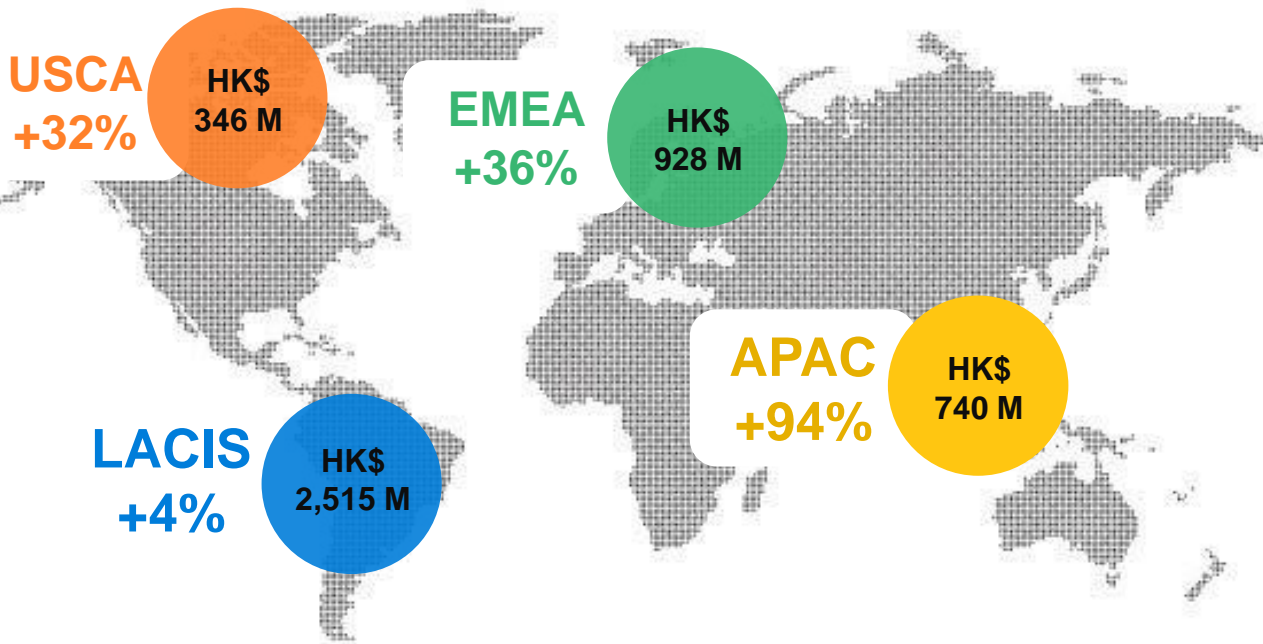
- **Revenue: HK\$ 4,925.7 million**
YoY up 11.6%, driven by strong overseas market performance (+21.3%)
- **Gross profit: HK\$ 1,944.8 million**
YoY up 19.6%, gross profit margin: 39.5% (FY 2018: 36.8%)
- **Operating profit: HK\$ 761.6 million**
YoY up 19.1%, operating profit margin: 15.5%
- **Profit for the year: HK\$ 624.9 million**
YoY up 21.2%
- **Profit attributable to the owners of the Company: HK\$ 623.9 million**
YoY up 19.4%



Robust growth of overseas markets

HK\$ 4,529 M (+21.3% yoy)

Record-high overseas revenue
Accounted for more than 90% of the Group's revenue



- Latin America and the Commonwealth of Independent States
- Europe, the Middle East and Africa
- Asia Pacific (excluding China)
- United States and Canada

LACIS region

- Gained significant market traction from newly launched smart solutions A930 and A50 in Brazil
- Captured more market shares in Mexico, Argentina and Russia

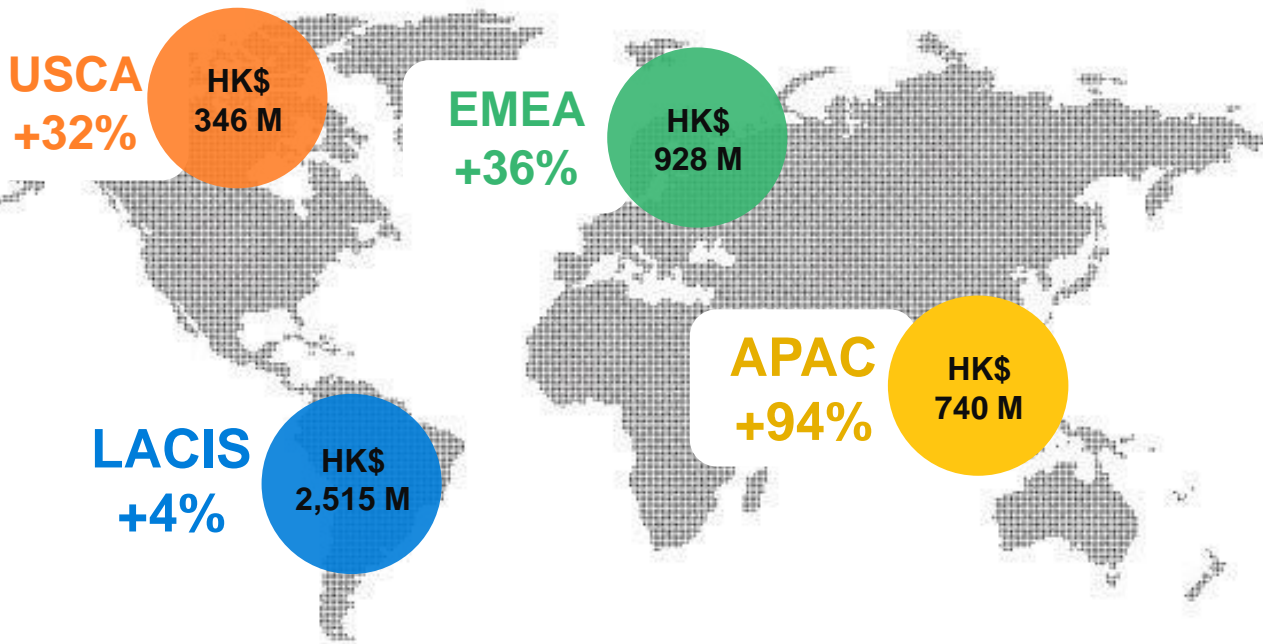
EMEA region

- Gained more interests from payment services providers & acquiring banks for smart terminal solutions
- Achieved robust sales growth in Italy, UK and Germany
- Captured the trend of governments' initiatives on boosting cashless societies in the Middle East and Africa

Robust growth of overseas markets

HK\$ 4,529 M (+21.3% yoy)

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Accounted for more than 90% of the Group's revenue



- Latin America and the Commonwealth of Independent States
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APAC region

- Selected as one of the main smart terminal solution suppliers by many local acquiring institutions & payment service providers
- Continued high growth momentum, with a record high of shipments exceeding 600,000 units in India
- Achieved strong terminal shipment driven by government cashless promotion and global events in Japan

USCA region

- Received magnificent interests and orders from partners for smart terminal solutions
- Obtained important certifications with nationwide telecommunications service providers

Increasing demand of Android smart solutions

- Contributed **more than 20%** of the Group's total revenue in FY 2019
- Launched **more than 15** Android models
- Increasing interests for PAX SmartPOS & Smart ECR solutions globally



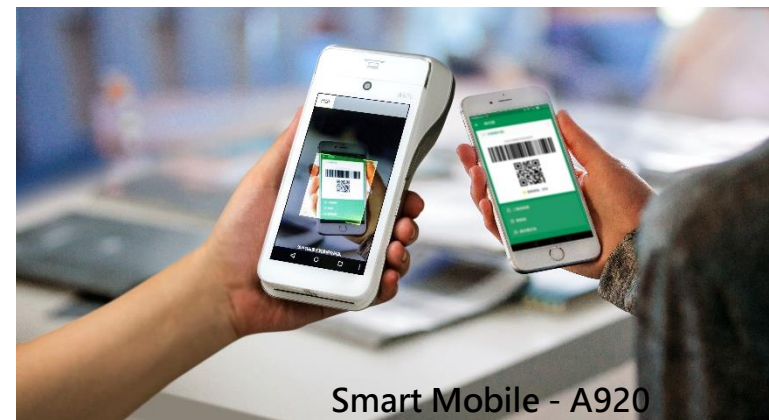
Smart Mobile - A77



Smart ECR - E800



Smart Tablet - AR8



Smart Mobile - A920



Smart Mobile - A50

Effects on Coronavirus disease (COVID-19)

- **Supply chain management** (Short-term impact on shipment)
 - EMS manufacturing in China
 - ❖ **More than 90%** of its production capacity has been recovered
 - Major suppliers in China
 - ❖ **More than 90%** of the suppliers have recovered their production capacities
- **Customers' orders** (Uncertainty remains)
 - COVID-19 created uncertainties to global economy and terminal demands
 - PAX remained conservative on customers' orders expectation

Prompt actions taken

- A Disease Prevention and Control Committee led by the Group CEO
- Stringent preventive measures implemented in workplaces globally

China business strategic adjustment

Revised strategy in China in 2019

- Focus more on serving reputable and strong banks and third-party payment processors

Structural adjustments

- Optimize and streamline the operating structure of China business
 - Headcounts reduction as of 30 March 2020: ~160
 - 2019 one-off cost: ~ HK\$ 6 million
 - Expected annual saving: ~ HK\$ 20 million

Corporate actions



Shares buyback

In Jan & Feb 2020

Repurchased 12.6 million shares
(**1.15%** of its ordinary shares)

Repurchased **5** times in 2020

Paid HK\$ 49.4 million in total



Cash dividend

+ 50%

Proposed final dividend of
HK\$ **6 cents** per share



Share option scheme

- Granted to employees in 2019
- ~ 82.5 million shares
(7.5% of total number of shares)
- 2019 expense: ~ HK\$ 39 million
- Expected 2020 expense: ~ HK\$ 38 million
- Expected 2021 expense: ~ HK\$13 million

Corporate strategies

Corporate strategies

Raise PAX brand recognition

Investment and M&A

Increase resources in key overseas markets

Increase investment in R&D

Reinforce global sales network



Raise PAX brand recognition



- Roll out diversified Android product series and software products
- Introduce dedicated market strategies and channel agency policies
- Support global partners to become superior local companies
- Exhibit in global payment and fintech events, host global and regional partner conferences



2019 World Partner Conference - Macau

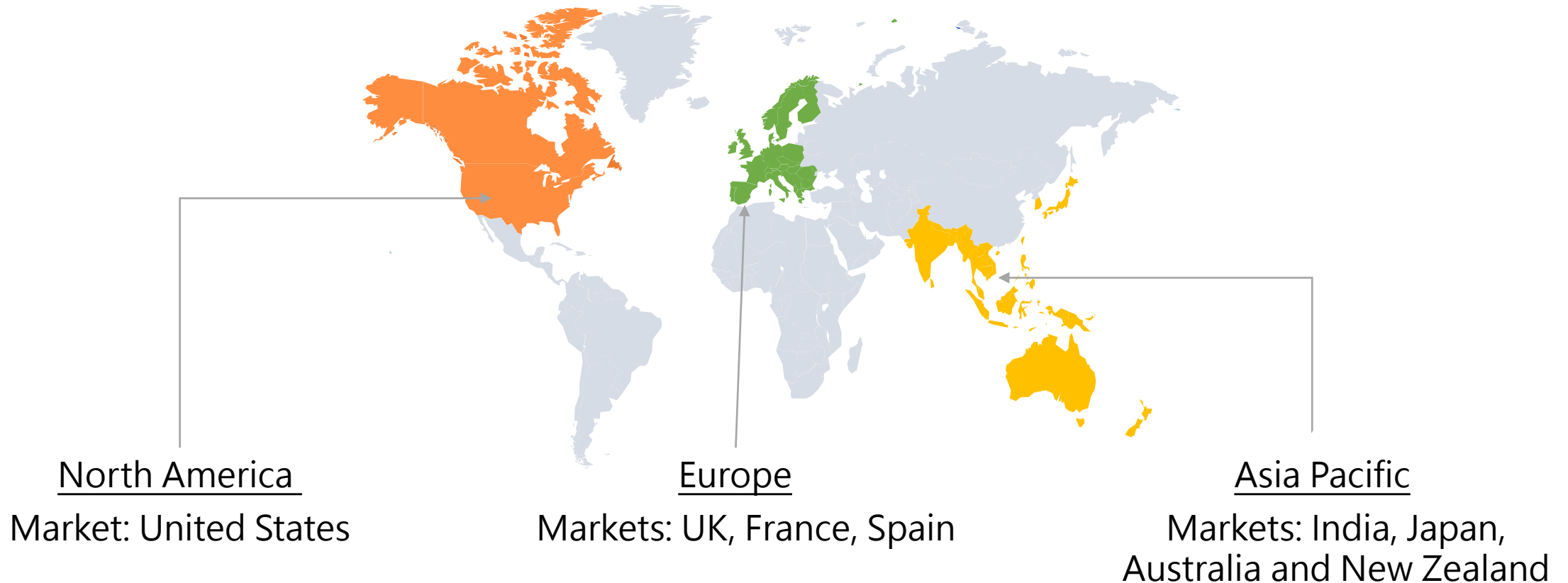


2018 TRUSTECH - France

Increase resources in key overseas markets



- Riding on the global cashless trend, accelerate the overseas business layout and boost PAX's market share



Reinforce global sales network



- Broaden channel sales networks in Asia Pacific, Middle East, Africa and other regions
- Set up subsidiaries or acquire local distributors to further expand sales channels
- Explore the feasibility of setting up R&D teams and production bases overseas
- Construct a cloud-based technical information exchange platform (PAX Partner Network- PPN)



Asia Pacific



Middle East



Africa

Increase investment in R&D

- Diversify revenue stream from single hardware business through R&D investment



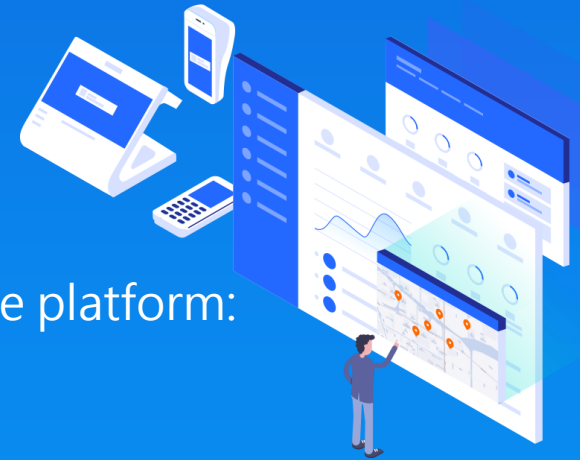
Hardware

- Focus on the next generation of smart product series
- Broaden the application scenarios of self-service payment
- Introduce 3-5 new products every year



Software

- Software: gateway products
- Platform: PAXSTORE, PAXPAY
- Cloud-based technical info exchange platform: PAX Partner Network – PPN
- Technical support: PAXRhino



Investment and M&A



1

Incubate potential companies through PAX's investment

2

Set up overseas subsidiaries in consideration of the market conditions

3

Invest in potential distributors and partners

4

Acquire companies with synergies globally

3 years financial targets

FY 2020

Topline :

Flattish

Gross profit margin:

Above 39%

Operating profit margin:

Above 15%

FY 2021

Topline :

Low double-digit growth

Operating profit margin:

Above 15%

FY 2022

Topline :

Low double-digit growth

Operating profit margin:

Above 15%

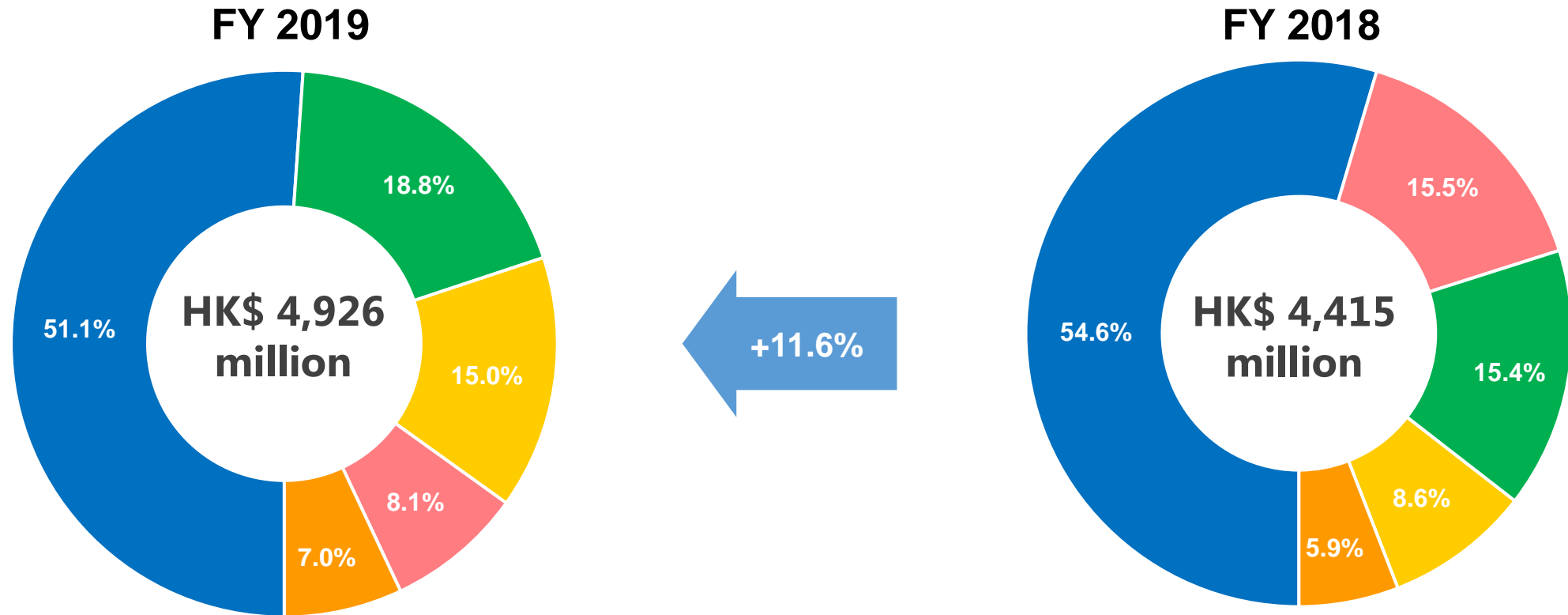
Investor relations contacts

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Appendix: revenue by geographical region



- Latin America and the Commonwealth of Independent States
- China
- Europe, the Middle East and Africa
- Asia Pacific (excluding China)
- United States and Canada

Appendix: financial summary

Income statement	For the year ended 31 December	
	2019	2018
	HK\$' 000	HK\$' 000
Revenue	4,925,733	4,415,409
Cost of sales	(2,980,900)	(2,788,728)
Gross profit	1,944,833	1,626,681
Other income	79,056	76,929
Other gains	12,774	7,577
Selling expenses	(465,657)	(437,809)
Administrative expenses	(743,466)	(590,819)
<i>Research and development costs (included in administrative expenses)</i>	<i>(398,759)</i>	<i>(332,016)</i>
Net impairment losses on financial assets	(65,914)	(43,290)
Operating profit	761,626	639,269
Finance cost	(5,155)	(4,768)
Share of results of investments accounted for using the equity method	(1,798)	(1,759)
Profit before income tax	754,673	632,742
Income tax expense	(129,809)	(117,344)
Profit for the year	624,864	515,398
Earnings per share for the profit attributable to the owners of the Company:	HK\$ per share	HK\$ per share
- Basic	0.567	0.475
- Diluted	0.567	0.475
Financial ratios		
Gross profit margin	39.5%	36.8%
Operating profit margin	15.5%	14.5%
Net profit margin	12.7%	11.7%
Return on equity	13.2%	12.4%
Return on assets	9.3%	9.0%

Appendix: condensed consolidated balance sheet

	As at 31 December	
	2019	2018
	HK\$' 000	HK\$' 000
Non-current assets	522,520	431,818
*Right-of-use assets	221,347	-
Property, plant and equipment	69,610	72,368
Others	231,563	359,450
Current assets	6,196,703	5,343,736
Cash and cash equivalents	3,230,005	2,160,192
Trade and bills receivables	1,513,374	1,919,408
Inventories	1,301,459	1,182,015
Others	151,865	82,121
Non-current liabilities	104,217	21,964
*Lease liabilities	88,213	-
Others	16,004	21,964
Current liabilities	1,875,654	1,540,982
Trade and bills payables	1,382,487	1,190,447
Others	493,167	350,535
Total equity	4,739,352	4,212,608

*Change in accounting standards

- The Group has adopted the new accounting policy, HKFRS 16 Leases, and made retrospective adjustments
- A new single accounting model is introduced for lessee accounting to recognise assets (i.e. Right-of-use asset) and liabilities (i.e. Lease liability) arising from the commitments in the lease arrangements, unless the relevant lease term is short and the value of the underlying asset is low

Appendix: working capital

	As at 31 December		+/-
	2019	2018	
	HK\$ '000	HK\$ '000	
Trade and bills receivables	1,513,374	1,919,408	-21.2%
Inventories	1,301,459	1,182,015	+10.1%
Trade and bills payables	1,382,487	1,190,447	+16.1%
Cash and cash equivalents	3,230,005	2,160,192	+49.5%

Turnover days

	As at 31 December		+/-
	2019	2018	
	Trade and bills receivables	134	
Inventories	164	146	+18
Trade and bills payables	158	140	+18
Cash and cash equivalents	140	161	-21