



PAX Global Technology Limited (327.HK)

2020 Interim results

Disclaimer



The information contained in these presentation materials has been prepared by PAX Global Technology Limited (“Company” or “PAX”) (incorporated in Bermuda with limited liability) solely for use at the presentation to prospective investors for introduction of the Company. By accepting this document, you are agreeing to maintain absolute confidentiality regarding the information disclosed in this document.

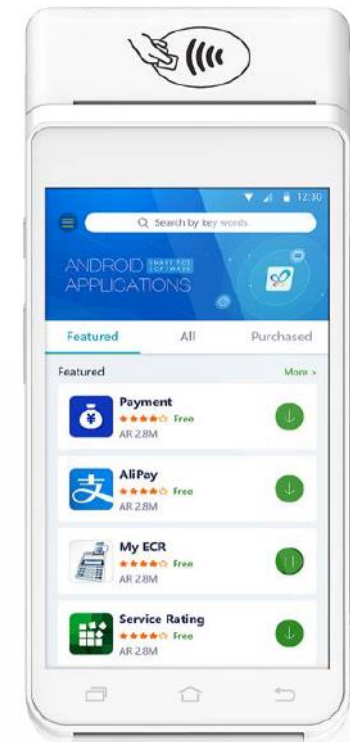
This document has not been independently verified. No representation or warranty, expressed or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information contained herein. The information contained herein shall be studied and considered based on the circumstances at the time as the information has not and will not be updated to reflect progress of events after the date of the presentation.

These materials contain statements that reflect the Company's current beliefs and expectations about the future as of the respective dates indicated herein. You should not place undue reliance on forward-looking statements. These forward-looking statements are based on a number of assumptions about the Company's operations and factors beyond the Company's control and are subject to significant risks and uncertainties. Accordingly, actual results may differ materially from these forward-looking statements. The Company expressly disclaims any no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such dates. There can be no assurance that the results and events contemplated by the forward-looking statements contained in these materials will in fact occur.

The information contained in these materials may be of a price-sensitive nature and the provision of any such information shall constitute you and /or your representatives as “insiders” subject to the laws of Hong Kong or elsewhere. Accordingly, you may not deal in, and will inform your representatives of the restriction against dealing in, any shares in the Company in breach of any applicable laws.

Agenda

- ❖ 2020 Interim results snapshot
- ❖ Opportunities amidst COVID-19
- ❖ Strong growth driver - Android SmartPOS
- ❖ Regional performance
- ❖ Financial targets



2020 Interim results snapshot



+7.4%

Revenue

HK\$ 2,541 million

+15.6%

Gross profit

HK\$ 1,057 million

+3.0pts

Gross profit margin

41.6% (2019 1H: 38.6%)

+17.8%

Operating profit

HK\$ 437 million

+1.5pts

Operating profit margin

17.2% (2019 1H:15.7%)

+18.0%

Profit attributable to the owners of the Company

HK\$ 384 million

2020 Interim results snapshot - key one-off expenses

Share option expenses (2019 share option scheme) - HK\$ 23 million

- Expected 2020 full year expense: ~ HK\$ 38 million
- Expected 2021 expense: ~ HK\$13 million

Net impairment loss on financial assets (individual basis) - HK\$ 23 million

- Certain customers in APAC and USCA regions

Goodwill impairment - HK\$14 million

- Increased uncertainty of the service business in Italy operation in 2020

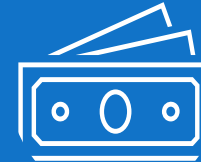
Interim results snapshot – corporate actions



Shares buyback

8 times

- Jan - Jun 2020
- Repurchased 17.3 million shares (1.6% of outstanding shares)
- Total amount of HK\$ 64.6 million



Cash dividend

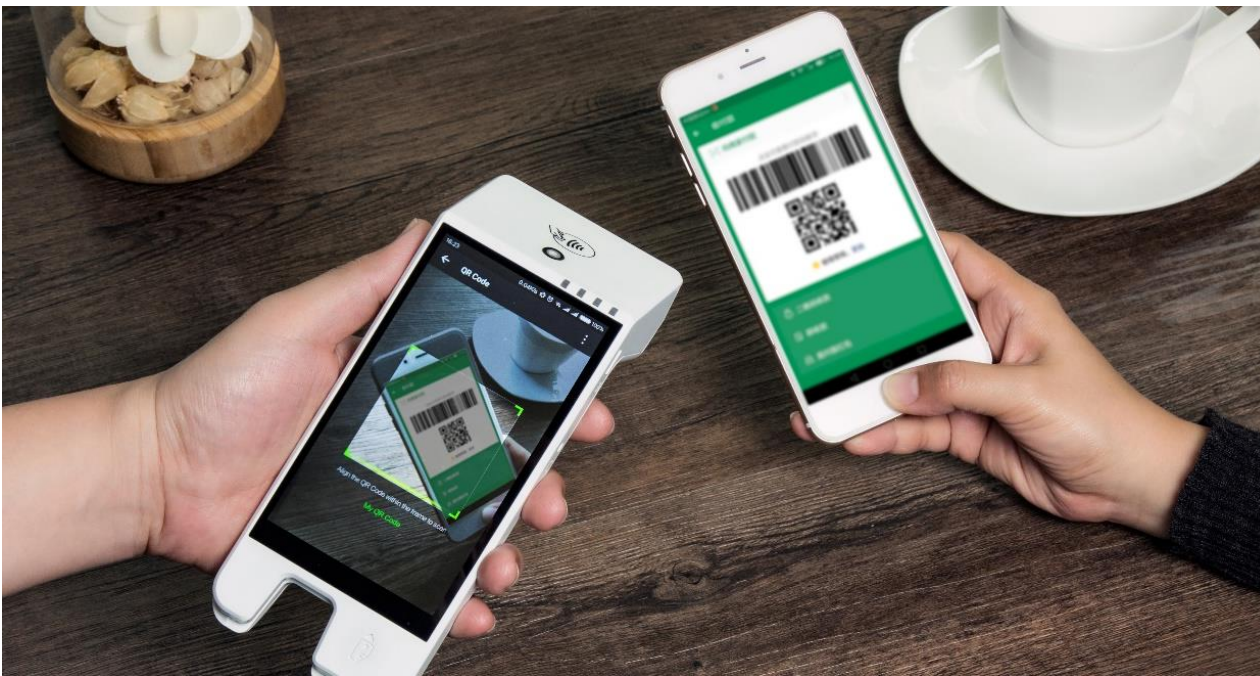
+75%

Interim dividend of
HK\$ 7 cents per share

Opportunities amidst COVID-19

Cashless society accelerates

- Governments encourage in-store electronic payments, driving the demand of payment terminals
- According to Visa and Mastercard, offline contactless payments increased dramatically since the onset of COVID-19



Consumer behavior changes

- The World Health Organization stated virus may spread through cash transactions
- Started from March, more than 20 European countries have increased the limit for contactless payment.
- Consumers tend to use more hygienic and faster electronic payments, i.e. contactless NFC and QR code

Strong growth driver - Android SmartPOS solutions

- PAX's Android smart terminal connects to PAXSTORE, the SaaS cloud-based application platform, carrying a library of industry value-added applications
- Deployment across the United States, Europe and Asia Pacific markets



> 650M

Revenue generated

> 25%

Revenue proportion

15+

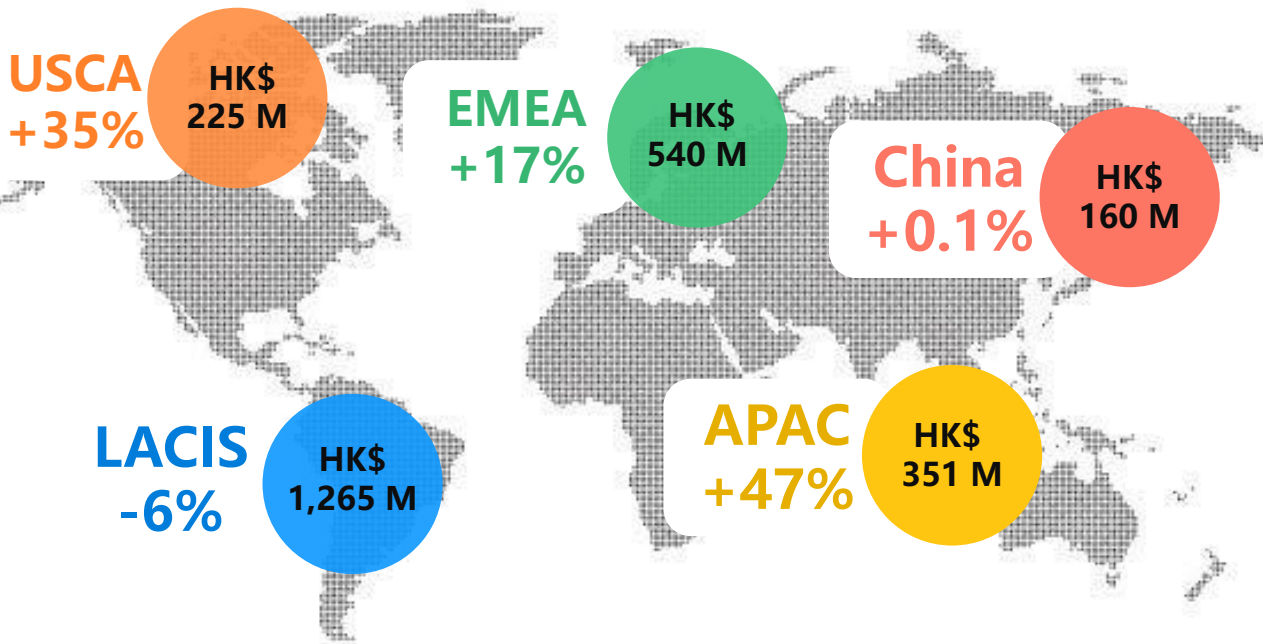
Models

A920
Best-selling flagship model

Overseas markets: robust growth continues

HK\$ 2,381M (+7.9% yoy)

Accounted for **93.7%** 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

- Brazilian fintech industry has boomed in the recent years. PAX is cautiously optimistic about the prospects of electronic payment in Brazil
- PAX launched more new-generation Android SmartPOS models, recording significant sales of models like A50 and A930

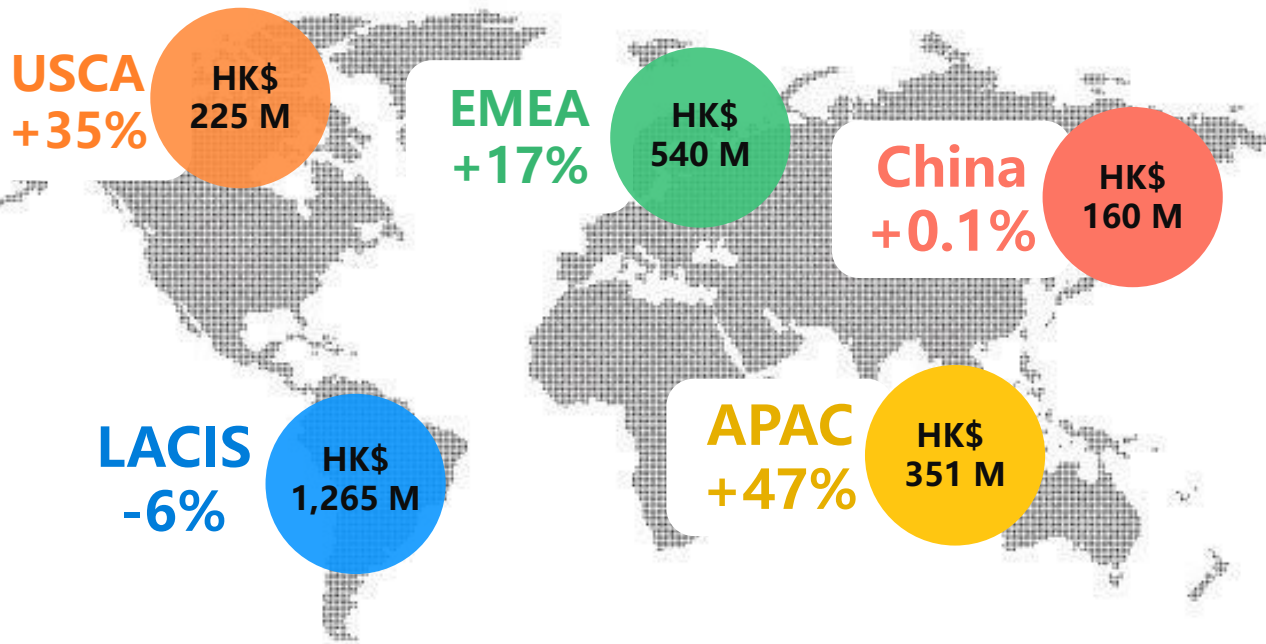
EMEA region

- PAX's A-series, E-series, IM-series and SK-series products are in high demand, driven by the advantages offered by the connectivity of the Group's PAXSTORE SaaS cloud-based platform
- Across Africa and the Middle East: efforts by governments towards electronic payment infrastructure have continued to drive the demand for PAX's solutions

Overseas markets: robust growth continues

HK\$ 2,381M (+7.9% yoy)

Accounted for **93.7%** 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

APAC region

- In Japan and India: PAX succeeded in capturing more market share, thanks to strategic cooperation with leading acquiring banks and payment service providers
- Digital transformation is accelerating across the retail, catering and other merchant segments in APAC, divining market demand for PAX's Android POS with innovative value-added applications
- PAX continues to strengthen the business in potential Southeast Asian markets like Indonesia, Malaysia, Thailand and the Philippines, to speed up the deployment of Android SmartPOS

USCA region

- PAX's Android terminals won the "2020 Visa U.S. Qualified Tap to Pay Point of Sale Program Award"
- PAX partnered with AxiaMed, a healthcare payment technology provider, to offer healthcare institutions with Android POS that support NFC contactless payment

Financial targets

FY2020 targets	Revised targets (Aug 2020)	Targets (Mar 2020)
Topline :	Flattish	Flattish
Gross profit margin :	Above 40%	Above 39%
Operating profit margin:	Above 16%	Above 15%

Investor relations contacts

- Calvin Pei, Assistant Vice President - Corporate Finance & Strategy
- Mina Pang, Investor Relation Manager

Email: ir@pax.com.hk

Tel: +852 2500 8510

Appendix: financial summary

Income statement	Six months ended 30 June	
	2020	2019
	HK\$' 000	HK\$' 000
Revenue	2,540,779	2,366,261
Cost of sales	(1,484,048)	(1,451,822)
Gross profit	1,056,731	914,439
Other income	44,853	32,196
Other (losses)/gains, net	(3,691)	7,718
Selling expenses	(236,865)	(227,040)
Administrative expenses	(381,436)	(326,513)
<i>Research and development costs (included in administrative expenses)</i>	(195,332)	(187,608)
Net impairment losses on financial assets	(42,964)	(30,256)
Operating profit	436,628	370,544
Finance cost	(3,826)	(1,696)
Share of results of investments accounted for using the equity method	(3,683)	(1,577)
Profit before income tax	429,119	367,271
Income tax expense	(43,149)	(42,051)
Profit for the period	385,970	325,220
Earnings per share for the profit attributable to the owners of the Company:	HK\$ per share	HK\$ per share
- Basic	0.353	0.296
- Diluted	0.353	0.296

Financial ratios

Gross profit margin	41.6%	38.6%
Operating profit margin	17.2%	15.7%
Net profit margin	15.2%	13.7%

Appendix: condensed consolidated balance sheet

	At 30 Jun 2020	At 31 Dec 2019
	HK\$' 000	HK\$' 000
Non-current assets	535,906	522,520
Property, plant and equipment	75,189	69,610
Others	460,717	452,910
Current assets	6,251,023	6,196,703
Cash and cash equivalents	2,983,600	3,230,005
Trade and bills receivables	1,737,000	1,513,374
Inventories	1,282,235	1,301,459
Others	248,188	151,865
Non-current liabilities	107,101	104,217
Current liabilities	1,728,962	1,875,654
Trade and bills payables	1,367,623	1,382,487
Others	361,339	493,167
Total equity	4,950,866	4,739,352

Appendix: working capital

	At 30 Jun 2020	At 31 Dec 2019	At 30 Jun 2019
	HK\$ '000	HK\$ '000	HK\$ '000
Trade and bills receivables	1,737,000	1,513,374	2,090,407
Inventories	1,282,235	1,301,459	1,217,279
Trade and bills payables	1,367,623	1,382,487	1,610,925
Cash and cash equivalents	2,983,600	3,230,005	2,577,076

Turnover days

	At 30 Jun 2020	At 31 Dec 2019	At 30 Jun 2019
Trade and bills receivables	124	134	161
Inventories	174	164	162
Trade and bills payables	169	158	175
Cash and cash equivalents	129	140	148