



PAX Global Technology Limited (327.HK)

2021 interim results

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Agenda

- ❖ Results snapshot
- ❖ Android smart terminals and PAXSTORE platform
- ❖ Supply chain strategies
- ❖ Financial targets



Net profit increased significantly by 34.4%



+30.6%

Revenue
HK\$ 3,319 million

+25.6%

Gross profit
HK\$ 1,327 million

-1.6pts

Gross profit margin
40.0%

+35.8%

Operating profit
HK\$ 593 million

+0.7pts

Operating profit margin
17.9%

+34.4%

Profit for the period
HK\$ 519 million

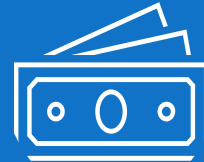


PAX consistently improved shareholder returns and increased interim dividend by 71%



Share buybacks
2 times

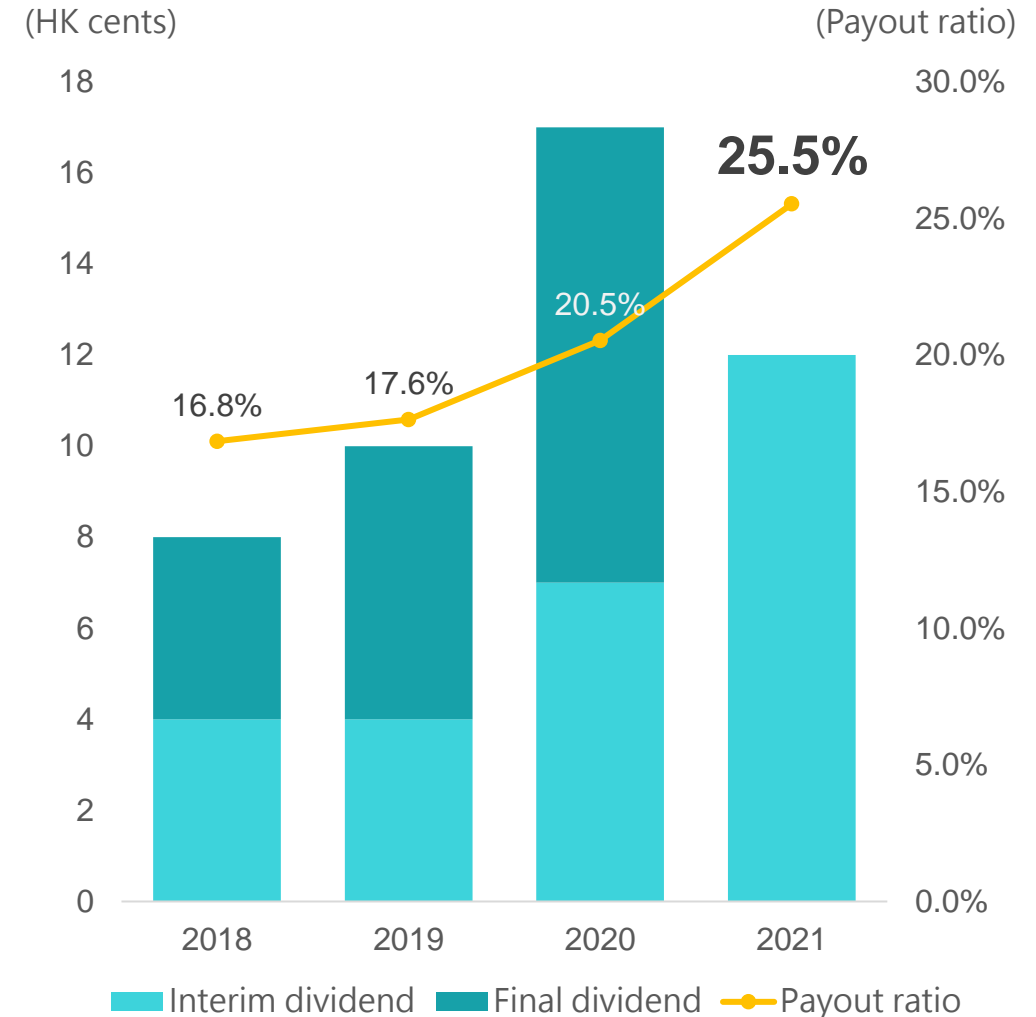
- Jan - Jun 2021
- Repurchased 1.6 million shares
- Total amount of HK\$ 13.6 million



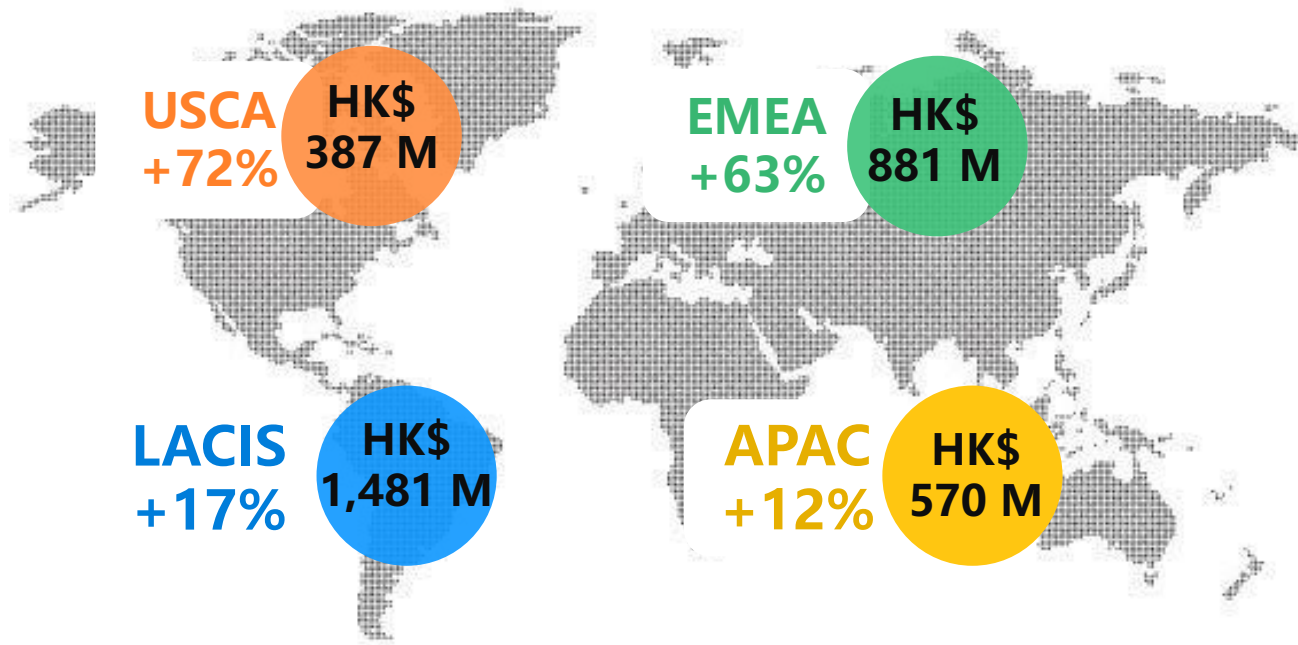
Interim dividend
+71%

12 HK cents per share

Payout ratio: **25.5%**
(2020FY: 20.5%)



Four international regions continued robust growth



- Latin America and the Commonwealth of Independent States (“LACIS”)
- Europe, the Middle East and Africa (“EMEA”)
- Asia Pacific (“APAC”)
- United States and Canada (“USCA”)

LACIS

Brazil :

- Strong sales growth was mainly attributable to the country’s enhancing electronic transaction acceptance infrastructure, coupled with PAX’s local acquiring partners surging nationwide merchant networks.
- PAX successfully launched the first Android PayPhone - M30.

Argentina and Russia : PAX achieved significant sales.

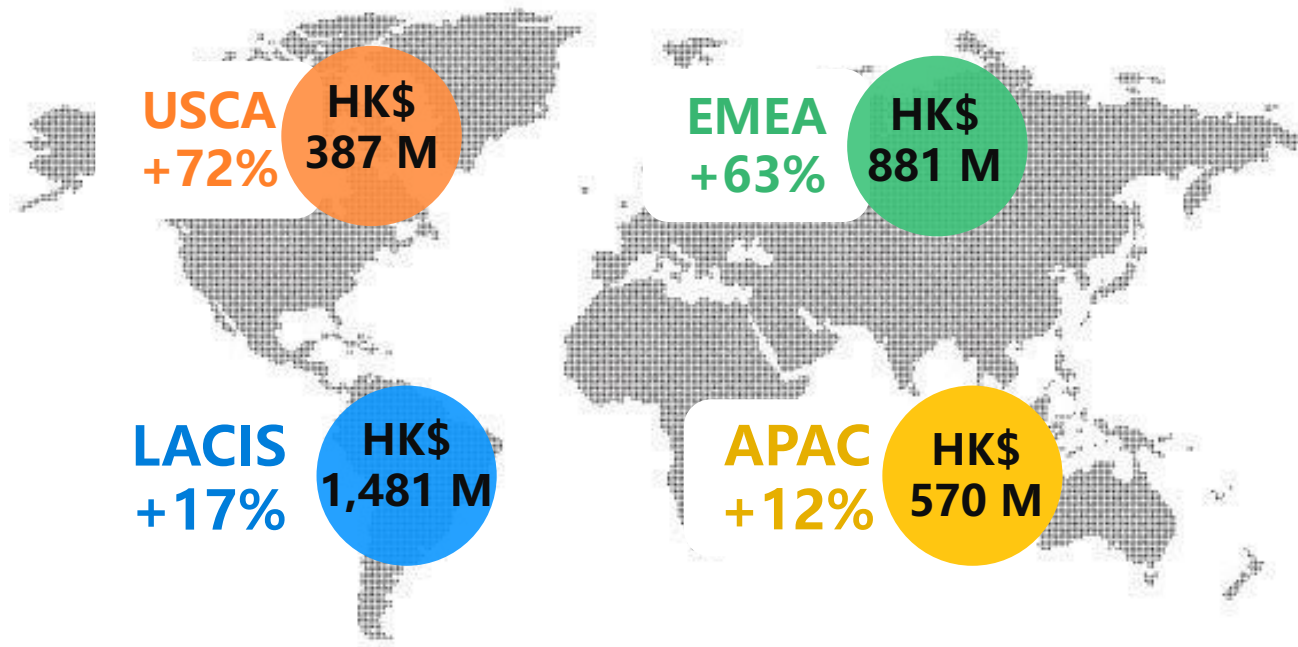
APAC

The shipment of PAX Android smart terminals has been rising across the region, particularly in India, Malaysia and Vietnam.

China: China market has a significant strategic value to PAX and has been creating more synergies with other Asia-Pacific markets. The Group has decided to group the sales of China under the APAC region.

India: PAX is considered as the leading payment terminal supplier. Our local sales have more than doubled, thanks to multiple digital payment initiatives by the central bank and local government to ramp up the expansion of the national digital payment infrastructure.

Four international regions continued robust growth



- Latin America and the Commonwealth of Independent States (“LACIS”)
- Europe, the Middle East and Africa (“EMEA”)
- Asia Pacific (“APAC”)
- United States and Canada (“USCA”)

EMEA

Europe : PAX delivered positive performances in Italy, the United Kingdom, Greece, Germany and Poland, thanks to:

- the rising transaction limits for contactless payments among many European countries during the pandemic;
- the market demand shift toward Android smart terminals; and
- the replacement cycle of legacy devices with older PCI 3.0 certification.

The Middle East and Africa :

- The accelerating adoption of digital financial services and better electronic payment infrastructures fuelled PAX terminal demand.
- PAX demonstrated a remarkable growth in Nigeria, Egypt and Saudi Arabia.

USCA

Contactless payments have been booming since the outbreak of the pandemic. PAX has continued to focus on enhancing strategic partnerships with mainstream acquirers; more merchants adopting A920 Android smart terminals in the first half of 2021.

PAX Android smart terminal ranks No.1 in Europe and the U.S. & is becoming the global trend

- With PAX Android smart terminals, digital transformation is no longer the exclusive remit of large enterprises, small merchants can also embrace the opportunities.
- PAX Android smart terminals have been popular across Europe, North America, Latin America and the Asia-Pacific regions.
- Merchants can analyse customer behaviours, create automated marketing campaigns, manage inventory and more.



2021 1H

Revenue contribution

>HK\$ 1,290M
(+ 86%)

Of total revenue

>35%
(2020FY: >30%)

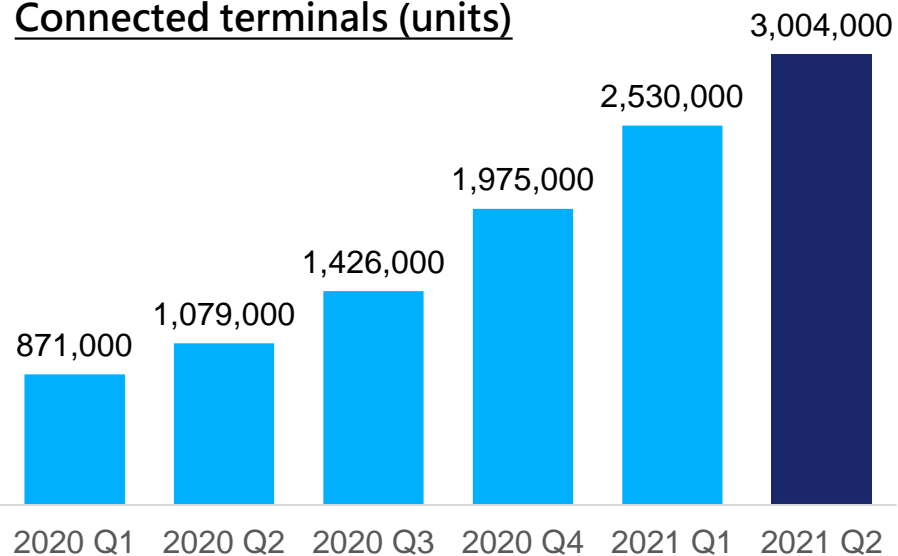


PAXSTORE platform is the largest in the market with huge potential

PAXSTORE ecosystem continues to expand, it operates in more than 80 countries around the world, with over 5,000 applications.

Applications covers: payment, ordering, ticketing, inventory handling, marketing & loyalty initiatives, tax refunds, etc.

Connected terminals (units)



2021 1H

SaaS solutions revenue

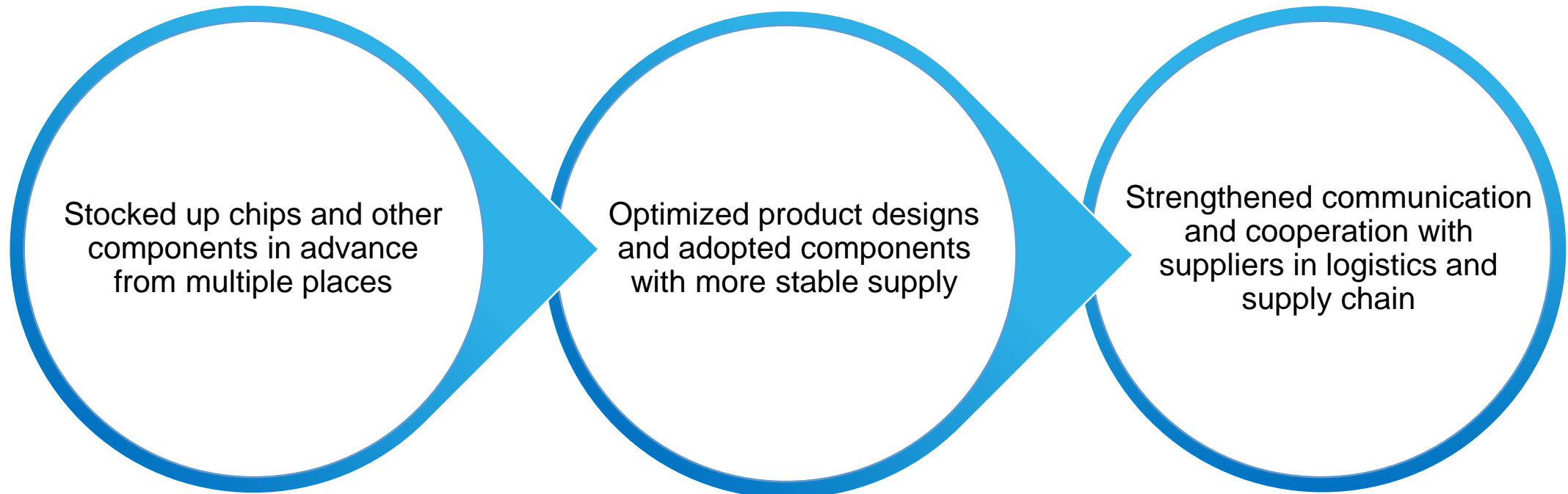
>HK\$ 20M
(+320%)

Connected terminals

>3M



To cope with the challenge of components shortage, PAX stocked up, optimized designs and strengthened cooperation



PAX plans to build a Smart Terminal Industrial Park to increase production capacity and enhance supply chain management



1

Increase production capacity

- Current annual capacity: approx. 12m units; expected annual capacity (at least): approx. 22m units
- Effectively meet the huge demand of payment terminals in the future
- Further enhance PAX's international competitive advantage

2

Build an enhanced and concentrated supply chain

- Invite suppliers and sub-contractors
- Strengthen cooperation and relationship with suppliers and sub-contractors
- Continue to mainly outsource the manufacturing process

Design concept



Expected additional
annual production
capacity

At least
10 million units

Smart Terminal Industrial Park is located in a favourable position of the electronics industry



Location

Zhongkai High-tech Zone, Huizhou City, Guangdong Province, the PRC

- Huizhou City is an important electronics industry cluster. It has geographical advantages with a comprehensive transportation network of highway, sea, air and rail, to achieve convenient logistics and transportation.



Consideration

RMB 417.4 million (HK\$ 501.4 million)



Gross floor area

~ 274,000 square meters

- Comprising production plants, logistic warehouses, technology centre, and employee dormitories



Construction planning

- Expected completion: Q4 2022 (at the earliest)
- Expected commencement of production: Q2 2023 (at the earliest)



- Operational headquarters
- Financial headquarters
- Offices

PAX raised 2021 full year revenue target



2021FY target	Revised target (August 2021)	Target (March 2021)
Revenue :	Above 25% growth	Above 10% growth
Gross profit margin:	38% to 40%	39% to 41%
Operating profit margin:	17% to 19%	18% to 20%

Investor relations contacts

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Appendix: financial summary

Condensed consolidated income statement

	Six months ended 30 June	
	2021	2020
	HK\$' 000	HK\$' 000
Revenue	3,318,671	2,540,779
Cost of sales	(1,991,506)	(1,484,048)
Gross profit	1,327,165	1,056,731
Other income	60,218	44,853
Other gains/(losses), net	18,656	(3,691)
Selling expenses	(333,734)	(236,865)
Administrative expenses	(443,710)	(381,436)
<i>Research and development costs (included in administrative expenses)</i>	(231,521)	(195,332)
Net impairment losses on financial assets	(35,691)	(42,964)
Operating profit	592,904	436,628
Finance costs	(3,528)	(3,826)
Share of results of investments accounted for using the equity method	908	(3,683)
Profit before income tax	590,284	429,119
Income tax expense	(71,656)	(43,149)
Profit for the period	518,628	385,970
Profit for the period attributable to:		
Owners of the Company	515,022	384,108
Non-controlling interests	3,606	1,862
Earnings per share for the profit attributable to the owners of the Company:	HK\$ per share	HK\$ per share
- Basic	0.470	0.353
- Diluted	0.455	0.353
Financial ratios		
Gross profit margin	40.0%	41.6%
Operating profit margin	17.9%	17.2%
Net profit margin	15.6%	15.2%

Appendix: condensed consolidated balance sheet

	At 30 Jun 2021	At 31 Dec 2020
	HK\$' 000	HK\$' 000
Non-current assets	765,294	681,943
Right-of-use assets	282,323	291,137
Property, plant and equipment	186,872	129,240
Others	296,099	261,566
Current assets	6,967,774	6,955,116
Cash and cash equivalents	3,344,135	3,802,741
Trade and bills receivables	1,849,588	1,434,253
Inventories	1,683,634	1,629,901
Others	90,417	88,221
Non-current liabilities	101,665	109,168
Current liabilities	1,606,771	1,954,319
Trade payables and bills payables	1,154,258	1,371,267
Others	452,513	583,052
Total equity	6,024,632	5,573,572

Appendix: working capital

	At 30 Jun 2021	At 31 Dec 2020	At 30 Jun 2020
	HK\$ '000	HK\$ '000	HK\$ '000
Trade and bills receivables	1,849,588	1,434,253	1,737,000
Inventories	1,683,634	1,629,901	1,282,235
Trade and bills payables	1,154,258	1,371,267	1,367,623
Cash and cash equivalents	3,344,135	3,802,741	2,983,600

Turnover days

	At 30 Jun 2021	At 31 Dec 2020	At 30 Jun 2020
Trade and bills receivables	110	102	124
Inventories	161	183	174
Trade and bills payables	120	152	169
Cash conversion	151	133	129