



PAX Global Technology Limited (327.HK)

2023 interim results





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Agenda

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02 >

Key developments

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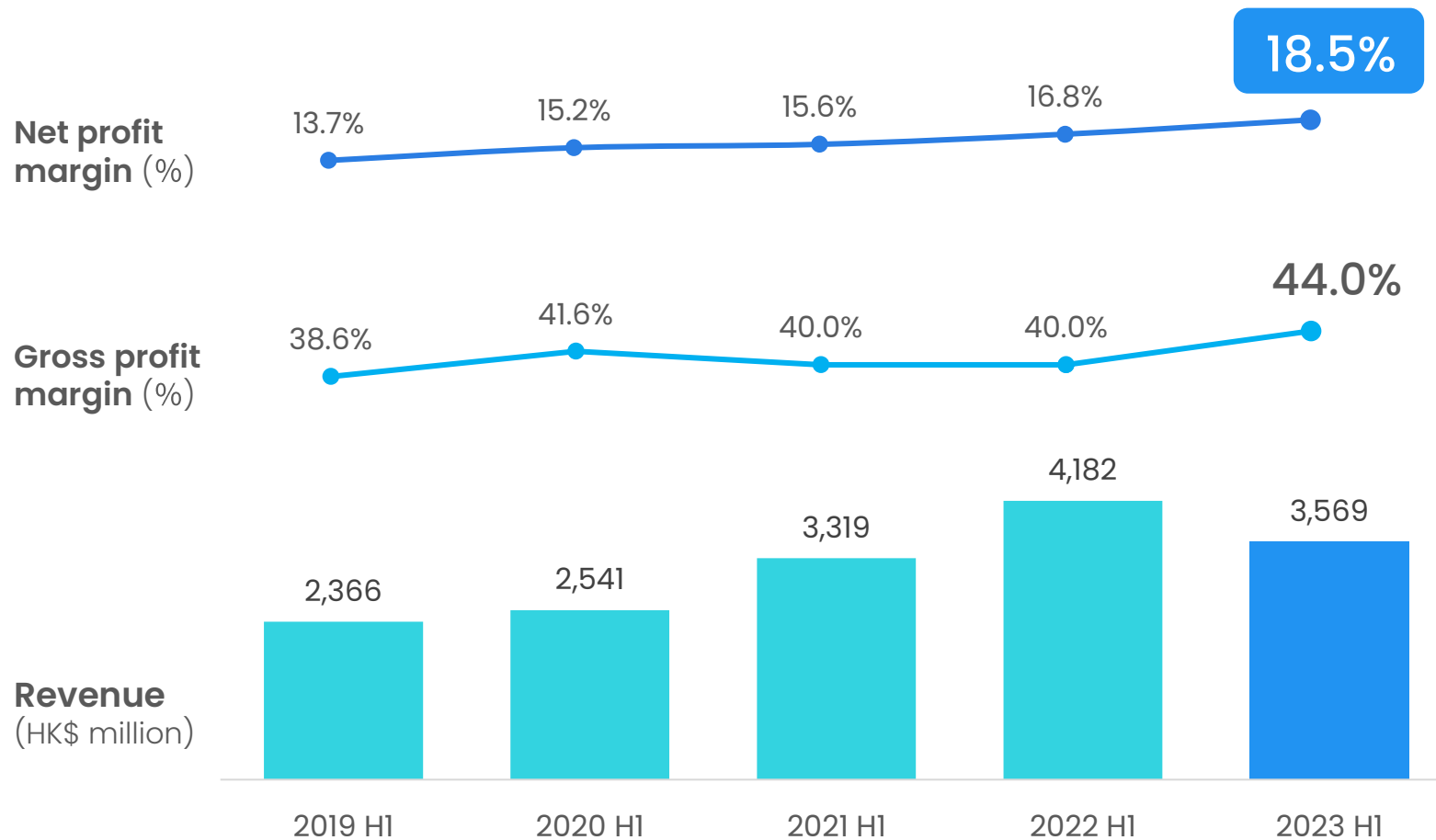
Financial targets





Results snapshot

PAX achieved solid profit margins



Profit for the period

660

HK\$ million

PAX continues to strengthen shareholder returns

+24%

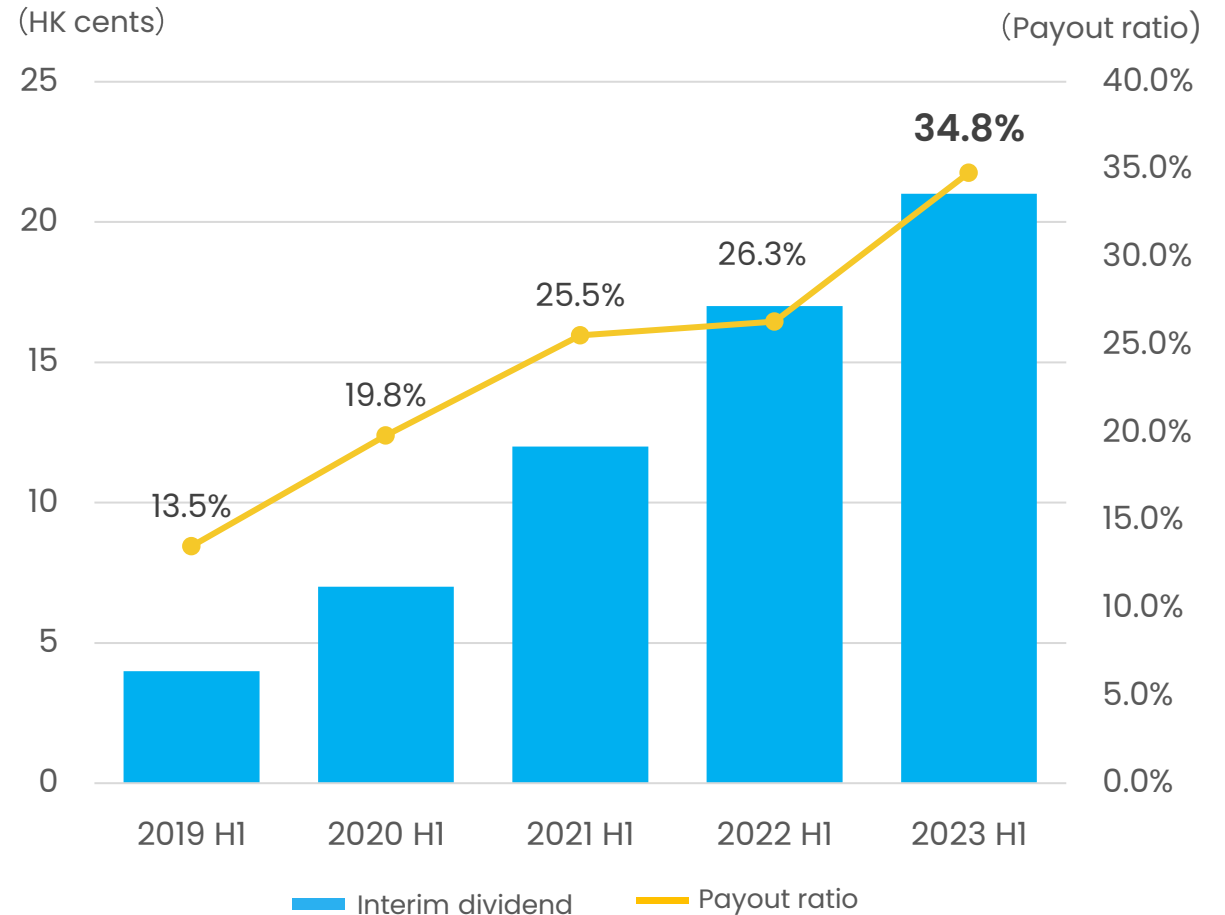
Interim dividend

2023 H1: 21 HK cents per share
(2022 H1: 17 HK cents per share)

HK\$ 43 M+

Repurchases

(2023 H1)





PAX strategically manages the working capital

	At 30 Jun 2023	At 31 Dec 2022	At 30 Jun 2022
	HK\$ '000	HK\$ '000	HK\$ '000
Inventories	2,148,231	2,527,293	2,323,030
Trade and bills receivables	2,409,464	2,350,368	2,683,564
Trade payables	1,053,995	1,699,530	1,926,473
Cash and cash equivalents*	2,876,585	3,160,238	2,980,731

Turnover days

Inventories	211	194	168
Trade and bills receivables	131	106	109
Trade payables	128	129	115
Cash conversion	214	171	162

*2023 H1 key cash flow analysis

- Net cash generated from operating activities (approx. HK\$ 112 M)
- Financing activities: paid dividends and share repurchases (approx. HK\$ 248 M)
- Investing activities: construction projects in Shenzhen and Huizhou (approx. HK\$ 110 M)



Other financial items analysis

- Gross profit margin**
(yoy +400 bps)

 - Decrease in costs due to the RMB depreciation
 - Change in geographical sales mix

- Effective tax rate**
(yoy -544 bps)

 - Additional tax incentives for R&D

- Administrative expenses**
(yoy +7.3%)

 - Increase in R&D investment
 - Increase in staff costs

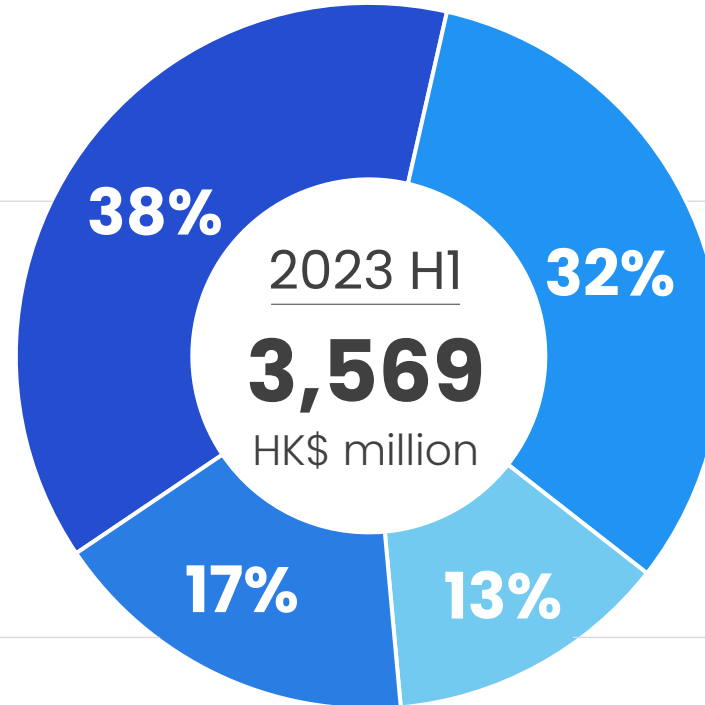
PAX has a more diversified global footprint

LACIS (HK\$ 1,371 M)

- Strong growth in Chile, Mexico & Argentina
- Conservative business sentiment in Brazil influenced by challenging economic conditions

USCA (HK\$ 592 M)

- Over 20% sales growth
- Surging shipment of Android products
- Positive market feedback of newly launched Elys solutions



EMEA (HK\$ 1,156 M)

- Notable sales in Italy, UK, Turkey, Spain, Germany & France
- More opportunities in South Africa & UAE

APAC (HK\$ 450 M)

- Significant sales growth in Indonesia
- Growing shipment of Android solutions in Japan
- Successful market expansion in New Zealand

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



Key developments



PAX obtains recognition from the global industry standards body

- PAX is the **first Asian payment terminal provider** to join the Payment Card Industry Security Standards Council (PCI SSC) Advisory Board¹
- As a strategic partner, PAX brings regional & technological insights to PCI SSC



About PCI SSC

PCI SSC takes charge of formulating and maintaining payment security standards, including the widely recognized Data Security Standard (PCI DSS). This standard stands as the world's most stringent and advanced financial data security benchmark, with a primary focus on safeguarding cardholder information and ensuring secure transactions.

Note:

1) PCI SSC Board of Advisors – [link](#)

The newly launched commercial POS solutions are making strides



Product design honours

» Elys smart business solution honoured with 2023 **Red Dot Award**¹ & **iF Design Award**²



reddot winner 2023



DESIGN
AWARD
2023



Customer recognition

» Stepped into the US market & achieved encouraging sales contribution in 2023 H1



Notes:

- 1) Red Dot Award (Product Design) – [link](#)
- 2) iF Design Award – [link](#)



PAX strategically set up a dedicated division Zolon to expand Business IoT



<p>Business model</p>	<ul style="list-style-type: none"> • Provision of Business Internet of Things (BIoT) solutions, including SaaS (e.g. MAXSTORE) & commercial POS solutions (e.g. Elys) • Dedicated division with specialised R&D team & sales team
<p>Capital increase summary¹</p>	<ul style="list-style-type: none"> • Objectives: diversify the shareholding structure of Zolon & broaden the sources of funding to further develop its business • Amount : RMB 26.3 million (32% of the enlarged registered capital) • Valuation : using asset-based approach performed by an independent professional valuer

Note:

1) Announcement released on 23 June 2023 – [link](#)



PAX SaaS ecosystem continues its expansion

+84%

SaaS solutions revenue

2023 H1: HK\$ 46 million
(2022 H1: HK\$ 25 million)

~10 million

MAXSTORE's connected terminals

(as of 30 June 2023)





Financial targets



PAX adjusts financial targets following the macroeconomic challenges in 2023

- Revenue ~ 10% decrease
- Gross profit margin 41% to 43%
- Operating profit margin 16% to 18%



Investor relations contacts

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PAX is included in the key market indexes*

➤ MSCI Hong Kong Small Cap Index

➤ Hang Seng Sub-indexes

Market-Cap weighted indexes	Composite Industry Index - Information Technology	Composite MidCap & SmallCap Index	Composite SmallCap Index	Small Cap (Investable) Index
	Stock Connect Hong Kong Index	Stock Connect Hong Kong MidCap & SmallCap Index	Stock Connect Hong Kong SmallCap Index	SCHK HK Companies Index
Sector indexes	Information Technology Index	Information Technology (Investable) Index	SCHK Information Technology Index	SCHK Information Technology (Investable) Index

- PAX is the eligible stock under the **Shanghai-Hong Kong Stock Connect** & **Shenzhen-Hong Kong Stock Connect**

* As of 30 Jun 2023



Interim condensed consolidated income statement

	Six months ended 30 June	
	2023	2022
	HK\$' 000	HK\$' 000
Revenue	3,568,564	4,182,493
Cost of sales	(1,997,647)	(2,511,207)
Gross profit	1,570,917	1,671,286
Other income	36,076	31,357
Other loss	(1,987)	(1,252)
Selling expenses	(354,447)	(381,423)
Administrative expenses	(581,019)	(541,281)
<i>Research and development costs (included in administrative expenses)</i>	<i>(306,873)</i>	<i>(266,985)</i>
Net reversal of impairment losses on financial assets	20,025	2,409
Operating profit	689,565	781,096
Finance costs	(2,425)	(3,112)
Share of results of investments accounted for using the equity method	2,533	2,227
Profit before income tax	689,673	780,211
Income tax expense	(30,059)	(76,425)
Profit for the period	659,614	703,786
Profit attributable to:		
Owners of the Company	650,643	699,770
Non-controlling interests	8,971	4,016
Earnings per share for profit attributable to the owners of the Company:	HK\$ per share	HK\$ per share
- Basic	0.603	0.646
- Diluted	0.589	0.631
Financial ratios		
Gross profit margin	44.0%	40.0%
Operating profit margin	19.3%	18.7%
Net profit margin	18.5%	16.8%



Interim condensed consolidated balance sheet

	As at 30 Jun 2023	As at 31 Dec 2022
	HK\$' 000	HK\$' 000
Total non-current assets	1,372,922	1,317,315
Property, plant and equipment	817,877	769,372
Right-of-use assets	217,476	230,567
Others	337,569	317,376
Total current assets	7,585,309	8,173,014
Cash and cash equivalents	2,876,585	3,160,238
Trade and bills receivables	2,409,464	2,350,368
Inventories	2,148,231	2,527,293
Others	151,029	135,115
Total non-current liabilities	77,561	74,973
Total current liabilities	1,634,863	2,509,506
Trade payables	1,053,995	1,699,530
Others	580,868	809,976
Total equity	7,245,807	6,905,850