

# HPS /



# Earnings Presentation

Full Year 2022

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# Business & Strategy update



Abdeslam Alaoui, CEO



## Historic level of 2022 FY Results

- ▶ Revenues of >1 billion MAD + 21%, a 1<sup>st</sup> in HPS's history
- ▶ Net Income Group share at 117 MMAD +18%, a record level



## Booming backlog (+27.5%) setting the company up for revenue acceleration in 2023

- ▶ Doubling of sales led to growth of 84% growth in projects backlog and 49% growth in upselling backlog
- ▶ Strong sales performance and backlog is expected to translate into organic 20-25% revenue growth in 2023



## Recurring and regular revenues represent > 70% of HPS revenues



## Successful roll out of PowerCARD V4 with major contracts won



## Pursuit of strategic direction to grow geographic footprint & focus portfolio

# 2022: Governance and Transformation Program

## NEW GOVERNANCE STRUCTURE



- Separation of the functions of Chairman of the Board and CEO
- Appointment of 3 new independent Board members
- Creation of a new “Strategy and CSR committee” at Board level

## STRATEGIC REVIEW



- Appointment of Abdeslam Alaoui as CEO
- Establishment of the new Executive Committee
- Executive Committee evaluating strategic alternatives
- Co-construction of the Transformation Program with all managers

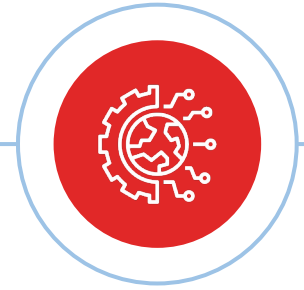
## FUTURE FORWARD



Transformation Program to drive:

- Acceleration to reach an average annual growth comprised between 20% and 25%
- Strengthening group resilience and business sustainability
- Strengthen the group's activities in the Americas and Asia

## ALIGNMENT PROGRAM



Alignment of the organization to support the Transformation program:

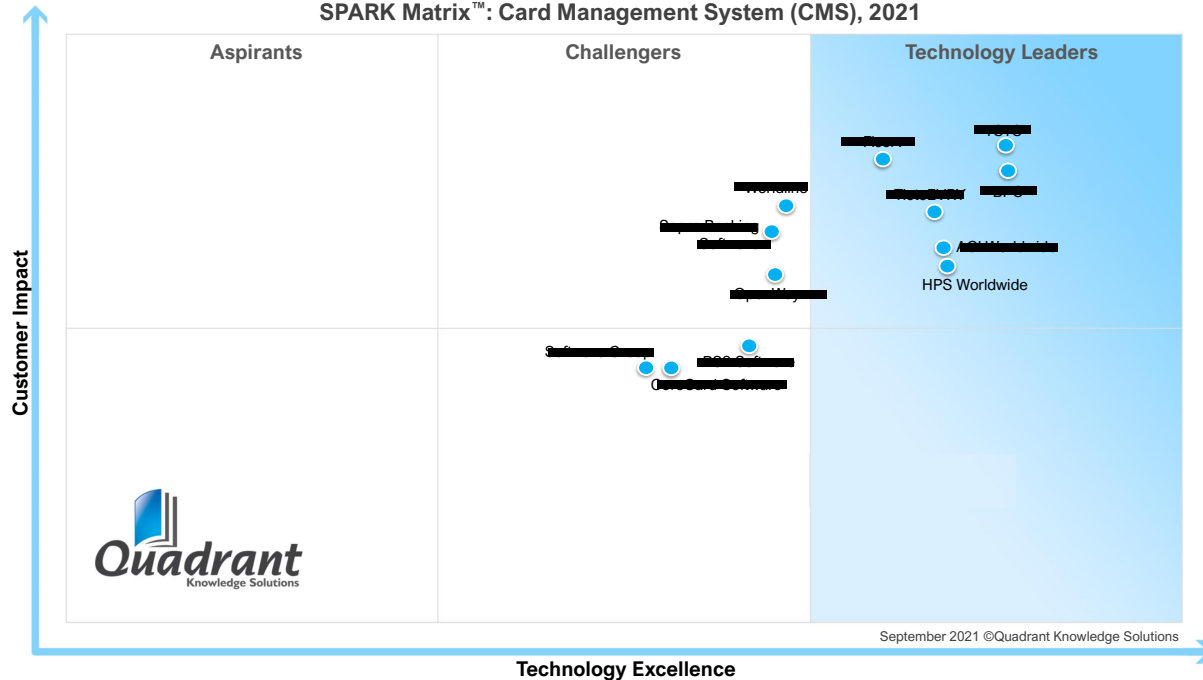
- Place the Innovation at the heart of the company
- Simplify the Sales organisation
- Support the M&A strategy
- Consolidate the CSR strategy

Aligning incentive programs with shareholder value and company performance

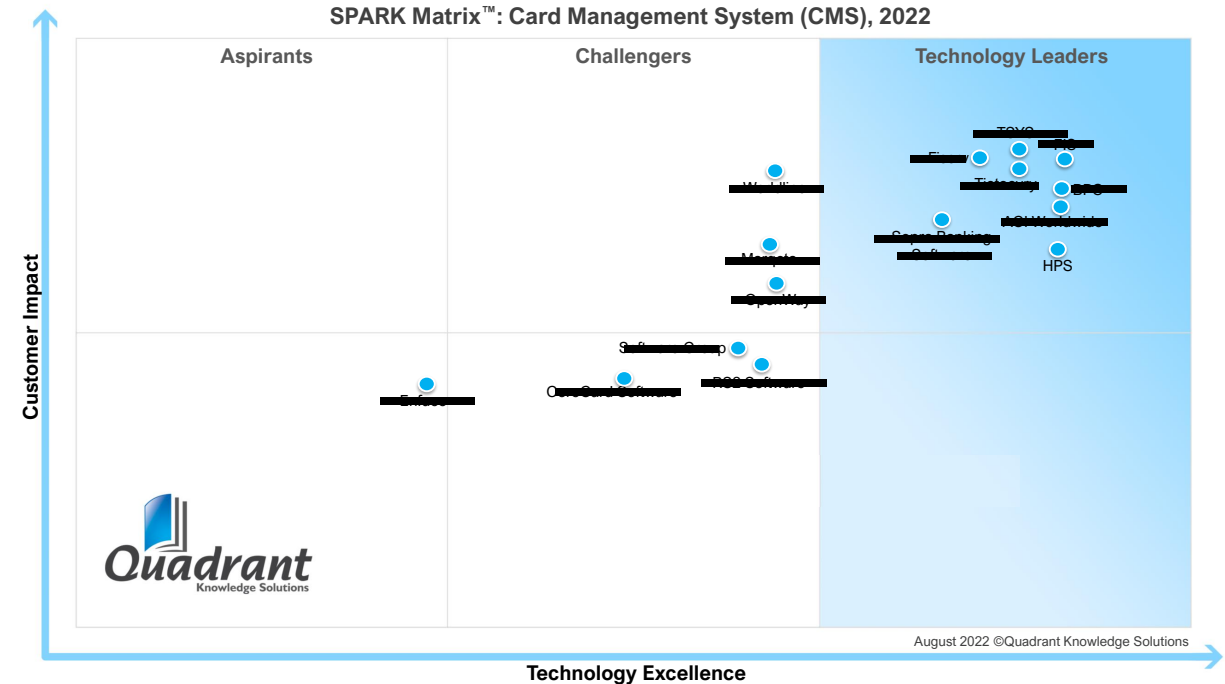
# Why an acceleration now?

- **Strong demand** for payments software and solutions in HPS's core markets
- **Best-in-class software** and this competitive advantage should widen with release of **Version 4.0**
- HPS is winning business of **Tier 1 customers** – some of the biggest banks and companies in the world including markets like US, India, Australia, UK, Canada & Saudi Arabia
- HPS's governance and transformation program has helped the company win market share
- HPS is investing to meet this step-up in demand

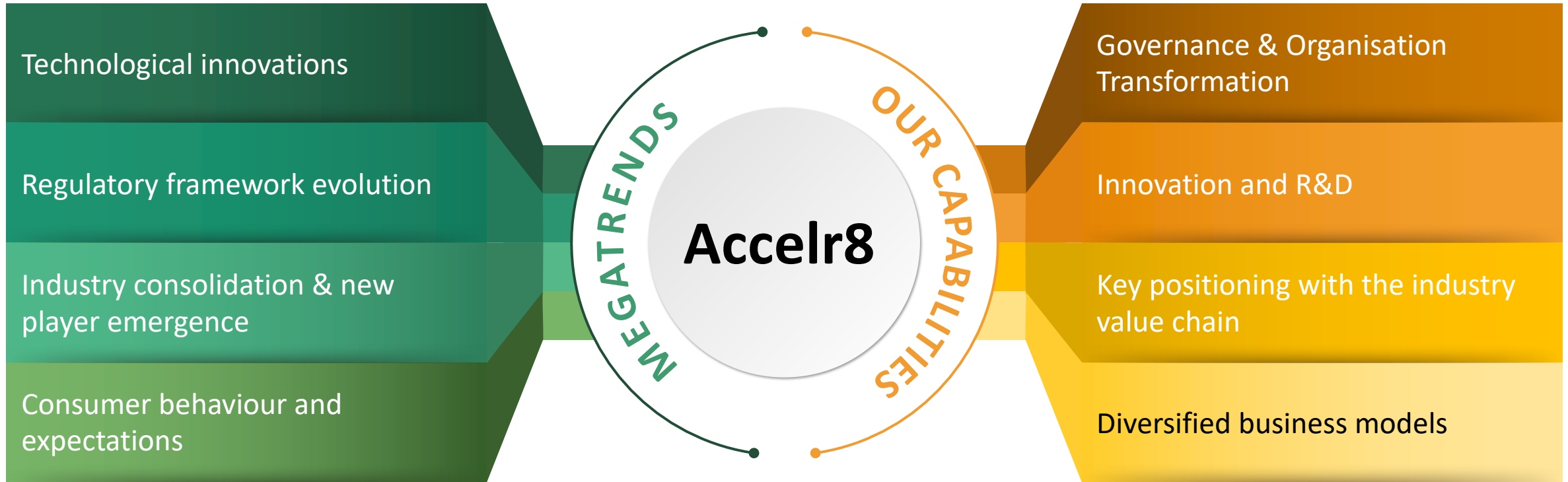
SPARK Matrix™: Card Management System (CMS), 2021



SPARK Matrix™: Card Management System (CMS), 2022



# Accelr8 : Key market drivers to 2027 Ambition



## Sustainable growth

- ▶ New business stream
- ▶ New territories stream
- ▶ New business models
- ▶ M&A stream
- ▶ Partnerships stream

## ESG

- ▶ HPS Corporate Social Responsibility
- ▶ Promote a sustainable industry and infrastructure, and improve innovation
- ▶ Reduce global environmental impact
- ▶ Commitment to youth through HPS Foundation

## Work environment

- ▶ Increase employees' stickiness
- ▶ Strengthen succession planning and continuity in all critical positions
- ▶ Strengthen training plans to reinforce expertise and management streams



## Product & service quality

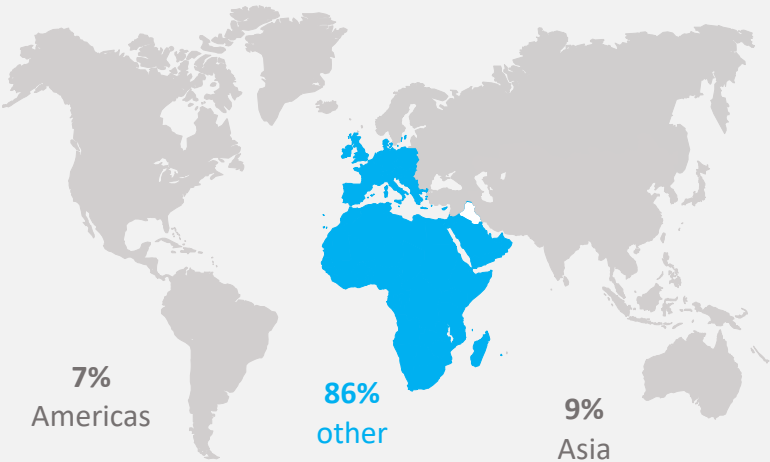
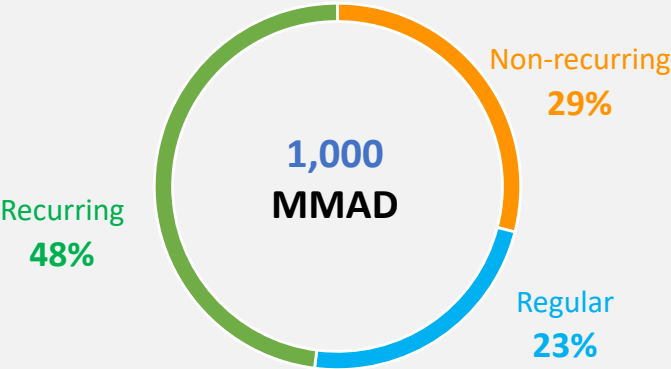
- ▶ Software versions consolidation
- ▶ Package of the software in order to minimize deployment effort
- ▶ Build “ Ready product” to support B2B2C offer

## Operational excellence

- ▶ SaaS infrastructure consolidation
- ▶ Convergence of PowerCARD versions in production
- ▶ Strengthen compliance, IT Security and Data Protection processes

# Accelr8 - Transformation program for 2023-2027

## HPS in 2022



## ACCELR8

Organic growth  
 $12\% < \text{CAGR} < 15\%$

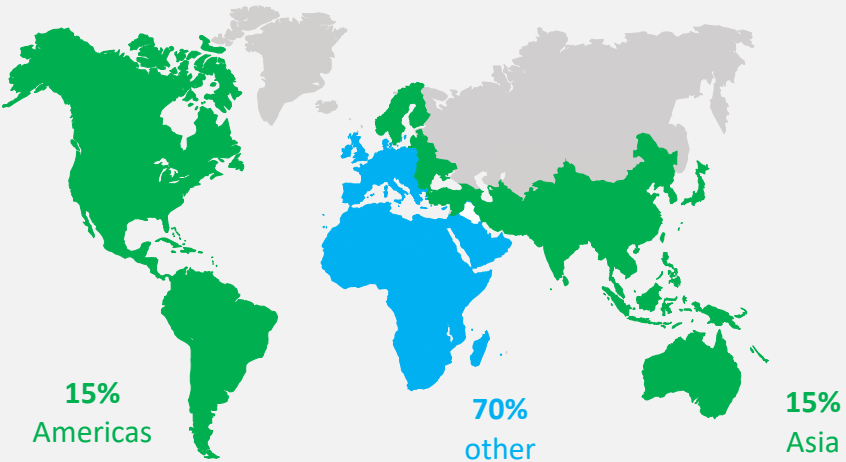
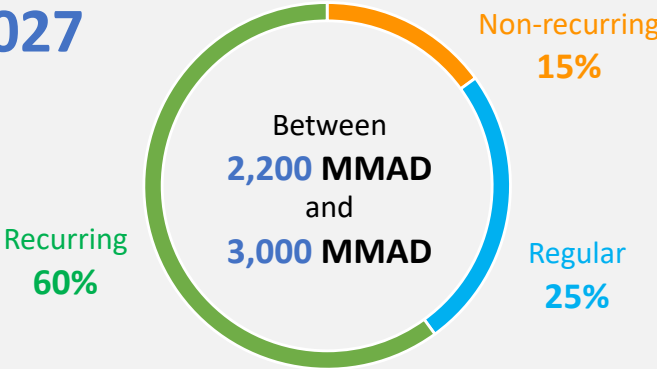
External growth  
Between 400 MMAD and 800 MMAD

EBITDA margin  
Between 25% and 30%

Resilience  
60% recurring in 2027

Geographical positioning  
Americas & Asia between 800 and 1,000 MMAD

## HPS in 2027





Priorities	Priority 1	Priority 2	Priority 3
Expand our geographical footprint			
On premise offer		✓	
SaaS offer	✓		
Consolidate our market shares			
On premise offer			✓
SaaS offer	✓		
Expanding the technology and services offering	✓		
New payment Businesses		✓	

**Priority 1:** Targets that are essential to achieving the HPS' strategic goals. Acquiring these targets would provide a significant competitive advantage

**Priority 2:** These targets are not essential to the company's strategy, but they could still provide valuable benefits. Acquiring these targets could help the company expand into new markets or diversify its product offerings

**Priority 3:** These targets are not a strategic fit for the company. The company should only pursue these targets if they can be acquired at a reasonable price and offer a clear path to generating value

# PowerCARD Version 4 main differentiators

## CLOUD NATIVE

**Scalability:** Customers instantly scale up or down their IT resources helping businesses save costs

**Cost-effectiveness:** Enterprises moving to Cloud technology achieves significant cost saving in addition to transitioning from Capex at Opex models



## MICRO-SERVICES

**Scalability:** Scaling of individual services

**Flexibility:** Microservices developed, deployed, and maintained independently

**Resilience:** Small and independent components will help to increase system resilience and minimize the impact of failures

**Ease of maintenance:** Microservices are easier to maintain than monolithic applications

**Faster development:** Microservices are developed in parallel



## DATABASE AGNOSTIC

**Constraint free:** Utilizing state-of-the-art database technology solutions considered best-in-class for each data storage need

**Costs effective:** Utilizing the cost-effective database technology solutions for each data storage need

**Flexibility:** With database technology-independent software, each implementation is made with the most adapted database technology (regional presence, customer support...)

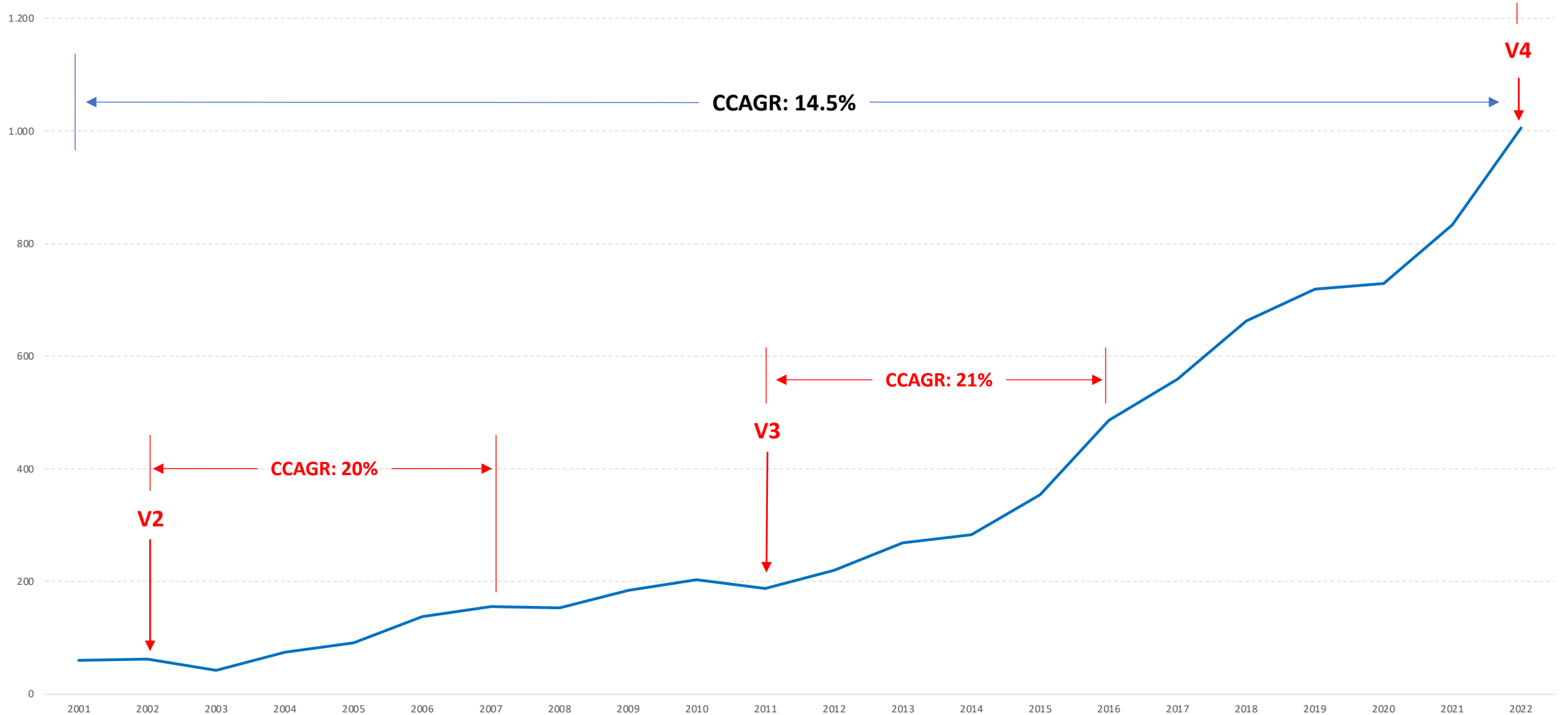


## FUNCTIONALITY COVERAGE


Full Coverage of the Payment value chain and Payment Operations cycles, for Issuing, Acquiring and Switching. Our offer today has the best fit to the needs of incumbent and new-comers of the payment industry (Banks, FinTech's, Retailers, Switches, etc...) by providing the right level of serviced technology to each segment.



# New versions have historically accelerated revenue growth




# ESG priorities aligned with UN sustainable development goals

**13 CLIMATE ACTION**  


**CLIMATE ACTION**

- Mitigating the effects of climate change
- Reducing the carbon footprint of HPS
- Raising employee awareness of sustainable development
- Improving waste management

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**  


**INDUSTRY, INNOVATION & INFRASTRUCTURE**

- Keeping R&D at a high level
- Promote the production and consumption of responsible services
- Promote accessibility to technologies
- Opening up new markets



**4 QUALITY EDUCATION**  


**QUALITY EDUCATION**

Actions under responsibility of HPS Foundation

- Contribute to the improvement of quality education in Morocco and Africa
- Fight against school drop-out
- Promote equal opportunities
- Promote science and technology

**8 DECENT WORK AND ECONOMIC GROWTH**  


**DECENT WORK & ECONOMIC GROWTH**

- Promote diversity and well-being at work
- Promote the development of skills
- Ensuring health and safety at work
- CSR sensibilisation
- Fighting business corruption

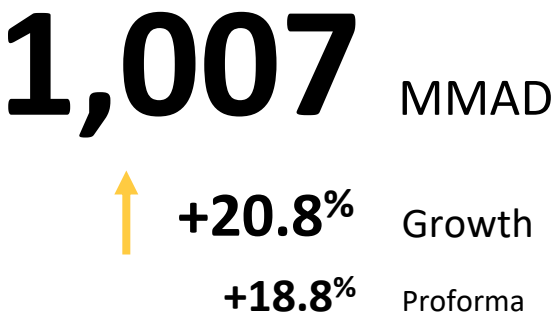
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# Operating & Financial performance

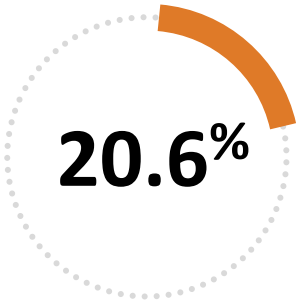
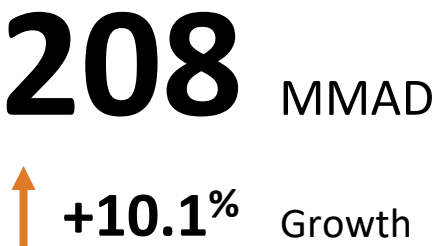


# Historical financial performance

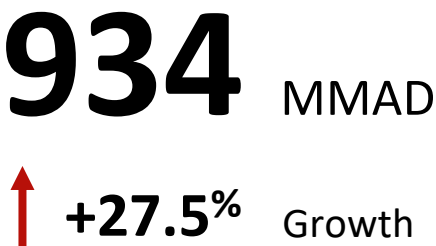
## REVENUE



## EBITDA / MARGIN

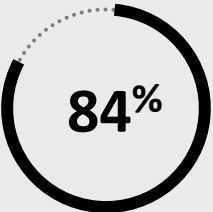
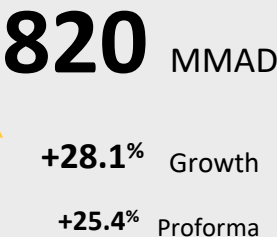


## BACKLOG

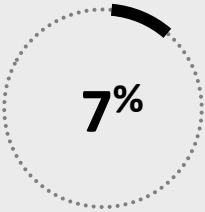
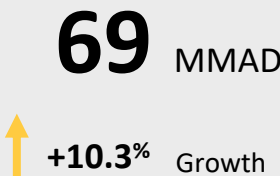


## SEGMENT PERFORMANCE

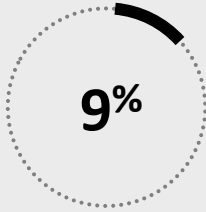
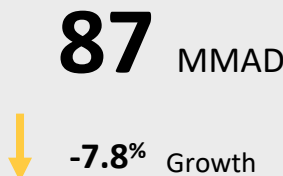
### PAYMENT ACTIVITY

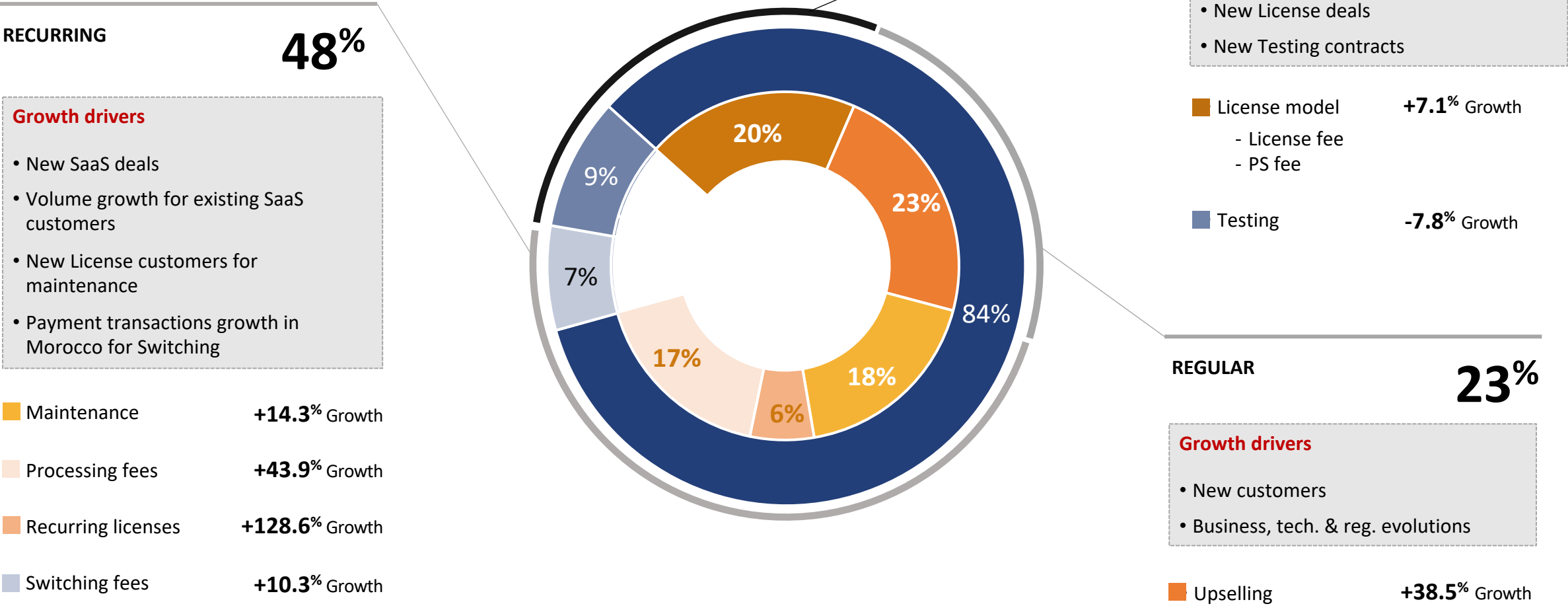


### SWITCHING ACTIVITY



### TESTING ACTIVITY





## License Model

- ▶ Confirmation of our technology by **one of the largest banks worldwide** with the Credit Card module after Debit Card in 2019
- ▶ Continued rollout of PowerCARD for the Debit Card module: UK, Hong Kong and Mexico and 1<sup>st</sup> deployment in India
- ▶ License agreement with **one of the largest oil company worldwide** to implement PowerCARD in 29 countries
- ▶ 1<sup>st</sup> release of PowerCARD V4
- ▶ New contract to implement PowerCARD for the **National Switch in Gambia**
- ▶ Successful Go-live for Credit cards module for **Capitec in South Africa**
- ▶ Successful Go-live of PowerCARD-Switch for **one of the largest bank in Asia**.
- ▶ Continued migration of existing customers from V2 and V3.2 to V3.5, and strong Upselling activity with our existing customers (growth of by 38%)

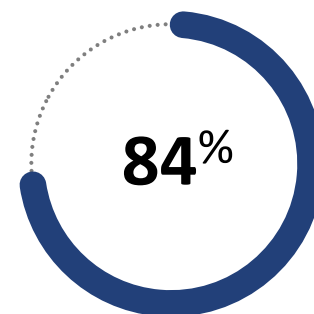
## Outlook

- ▶ New PowerCARD projects Backlog growth: **84%**
- ▶ Upselling Backlog growth: **49%**

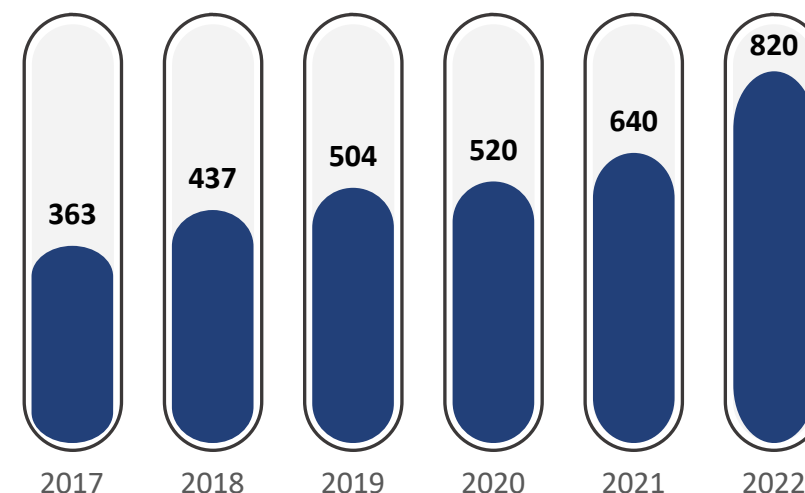
## Share in Consolidated Revenues

**820** MMAD

**+28,1%** growth  
**+25,4%** proforma



## Revenues in MMAD - CAGR 18%





## SaaS Model

- ▶ Continued Rollout of PowerCARD on the Amazon Cloud for **Uno Bank** in Philippines
- ▶ Signature of our 1<sup>st</sup> contract in SaaS in **Saudi Arabia**
- ▶ Completion of the discovery phase with our 1<sup>st</sup> SaaS reference in **North America**. Final agreement being finalized
- ▶ Completion of the discovery phase with our 1<sup>st</sup> SaaS reference in **Australia**. Final agreement being finalized
- ▶ Internal project launched to consolidate platforms and PowerCARD versions used on SaaS model
- ▶ New monitoring contract with **BOA** for all its African ATM business
- ▶ Business extension with **Loomis** (France and Belgium). 100 ATMs on HPS platform

## Outlook

- ▶ Processing fees Backlog growth: **16%**

## Share in Consolidated Revenues

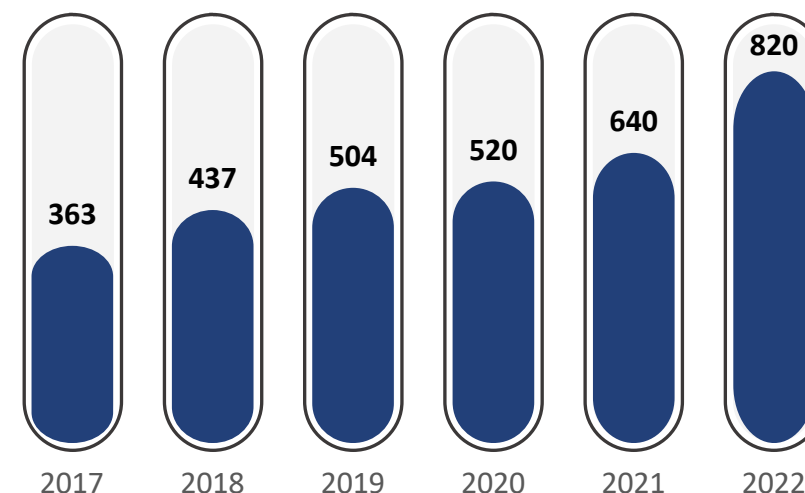
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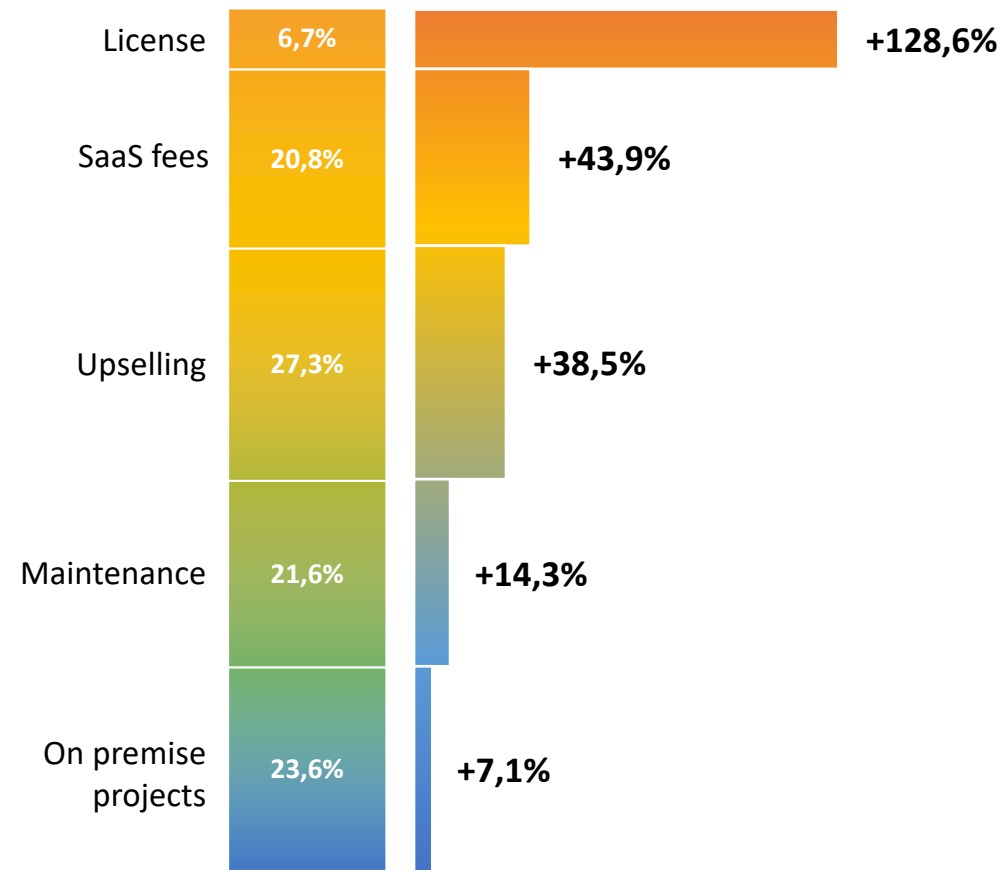
+25,4% proforma

**84%**

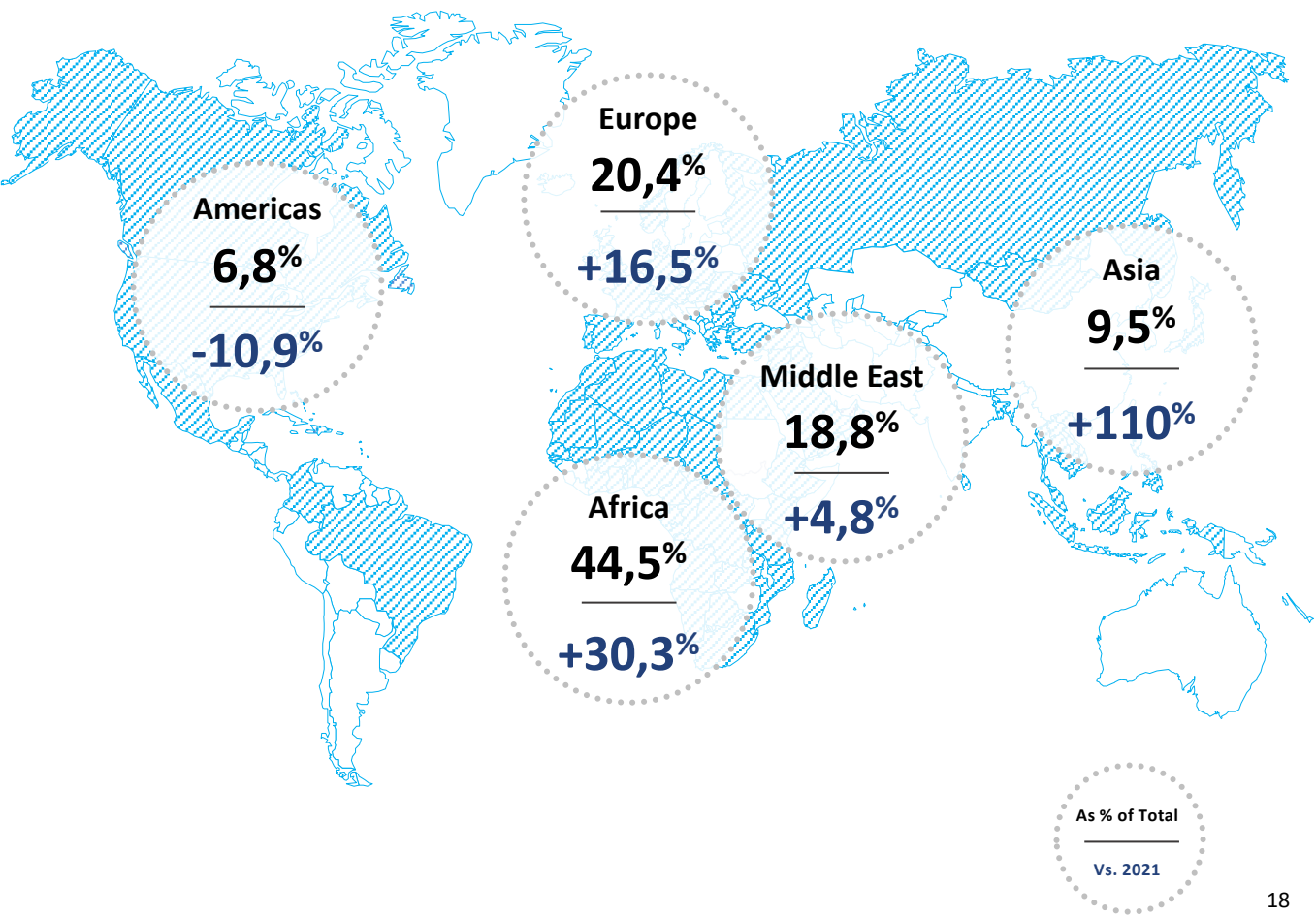
## Revenues in MMAD - CAGR 18%



Revenues Breakdown & Growth by Sub-activity



Revenues Breakdown & Growth By Geographic Area



## Cards Switching

- ▶ Full business recovery after the Covid period. Return in 2022 to a normalized situation
- ▶ Strong acceleration of cards payments and e-commerce transactions after the Covid
- ▶ Internal project launched to build an Active-Active platform for the Switch
- ▶ PCI-DSS and ISO 27001 certifications renewed

## Mobile Switching

- ▶ 7.5 millions of Mobile wallets at end 2022
- ▶ 1,1 billion MAD of transactions on Wallets, 1% interoperable

### Outlook

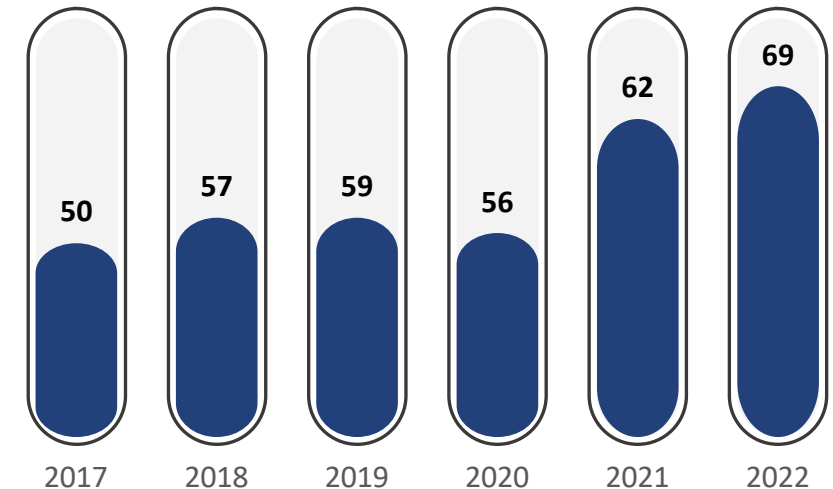
- ▶ Advanced discussions with Visa to propose new added value services on our Switching platform
- ▶ Huge potential growth for Cards Switching business due to the low use of cards today and the low development of merchants
- ▶ Mobile Switching business start to grow, but need standardization and structuration to accelerate the growth in the future.

### Contribution to Consolidated Revenues

**69** MMAD  
+10.3% growth

**7,0%**

### Revenues in MMAD - CAGR 7%



# Morocco Electronic Payment Figures in 2022

## Total Payment Cards Outstanding

18.9 million cards  
+1 million vs. 2021

## Transactions

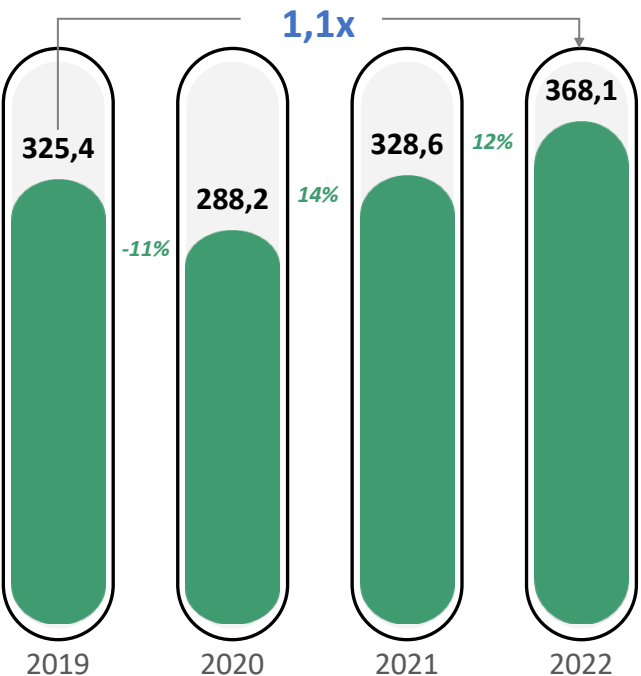
543.7 million transactions  
+18.1% vs. 2021

## ATM Network

8,151 units  
+211 installations vs. 2021

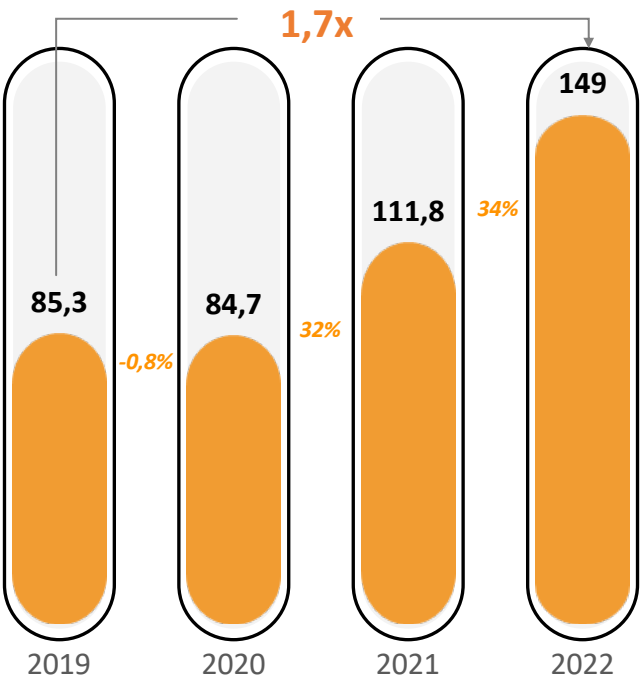
### Withdrawal

Number of transactions in Millions



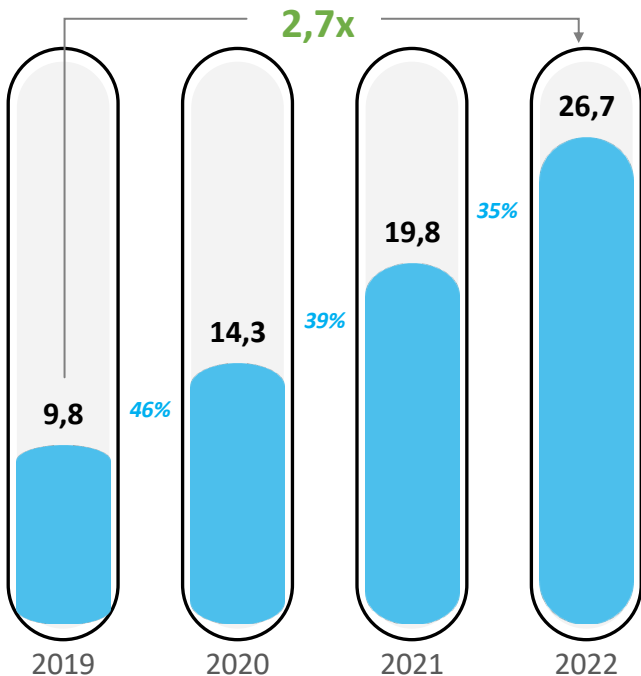
### POS Payment

Number of transactions in Millions



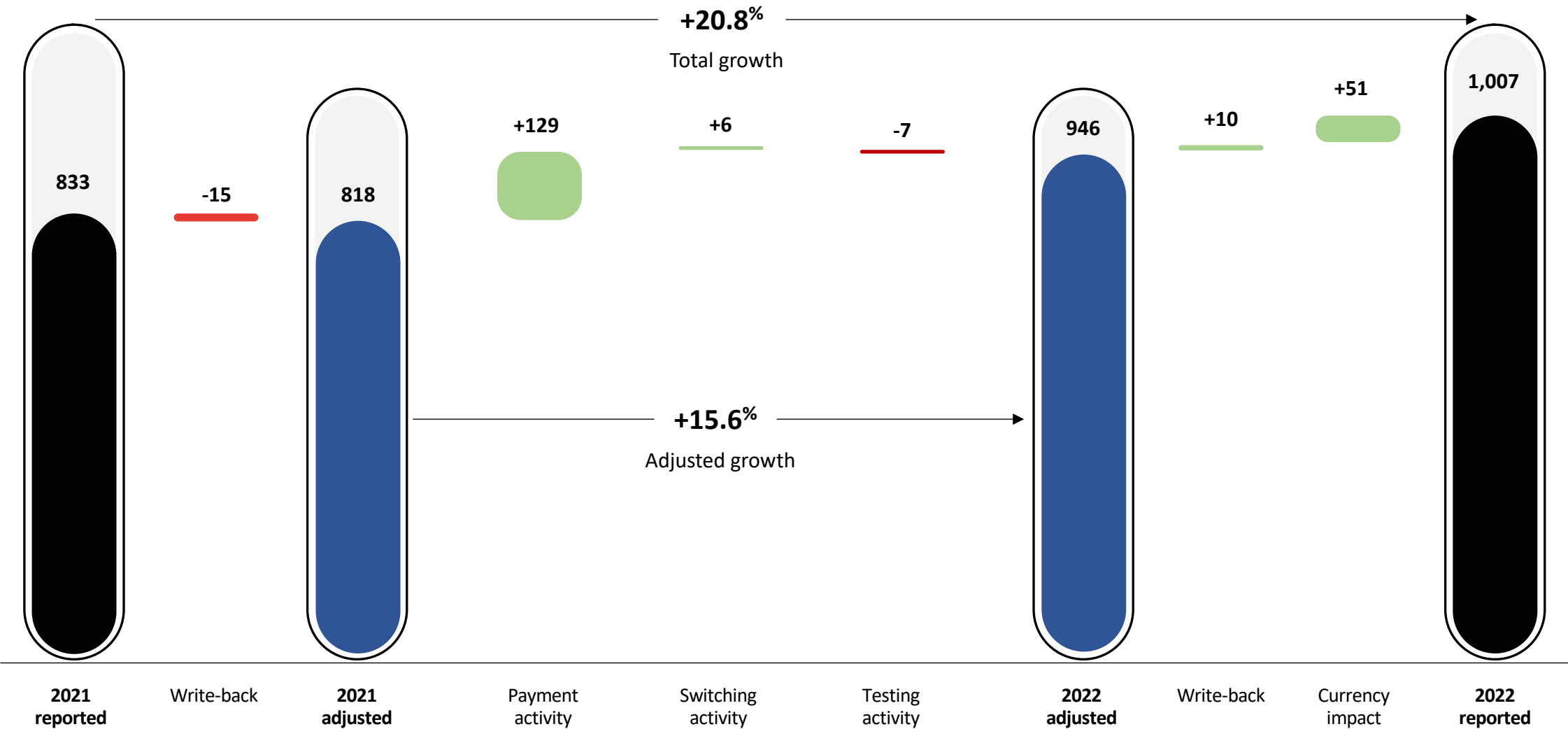
### E-Commerce

Number of transactions in Millions



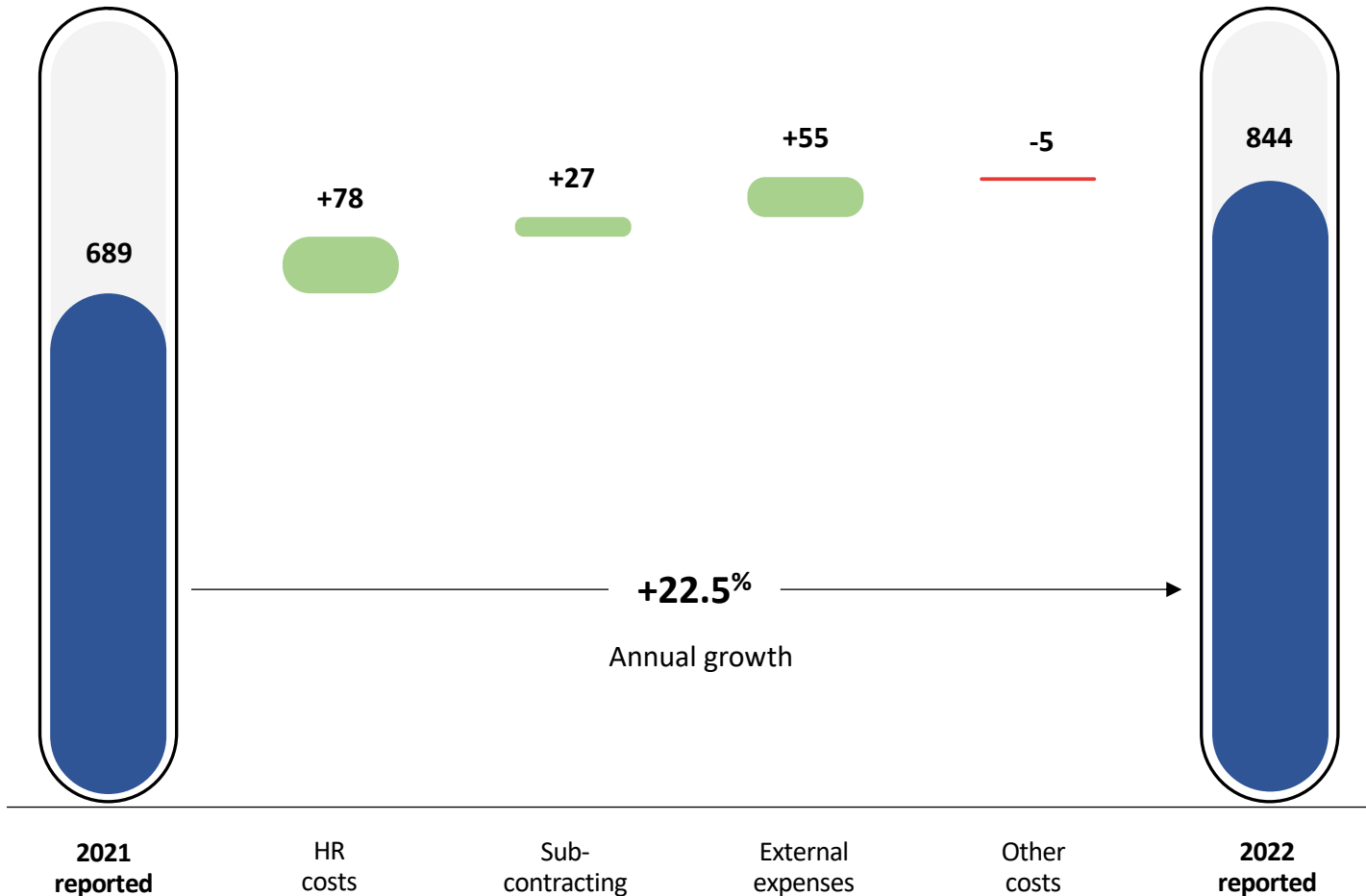
# Adjusted Revenue growth

Amounts in MMAD



# Operating Expenses

Amounts in MMAD



► **HR Costs : 443 MMAD vs. 365 MMAD (+21%)**

- Increase in headcount by **14.5%**
- Salaries increases to address high inflation in 2022. Impact of **4.4%**
- Redesign of the position map resulting in an exceptional salary adjustment for certain positions. Impact of **2,7%**

No additional salary adjustment is expected for 2023

► **Subcontracting: 165 MMAD vs. 138 MMAD (+19.6%)**

Controlled growth in subcontracting purchases to support the development of the business and the strong R&D dynamic

► **External expenses: 159 MMAD vs. 104 MMAD (+53%)**

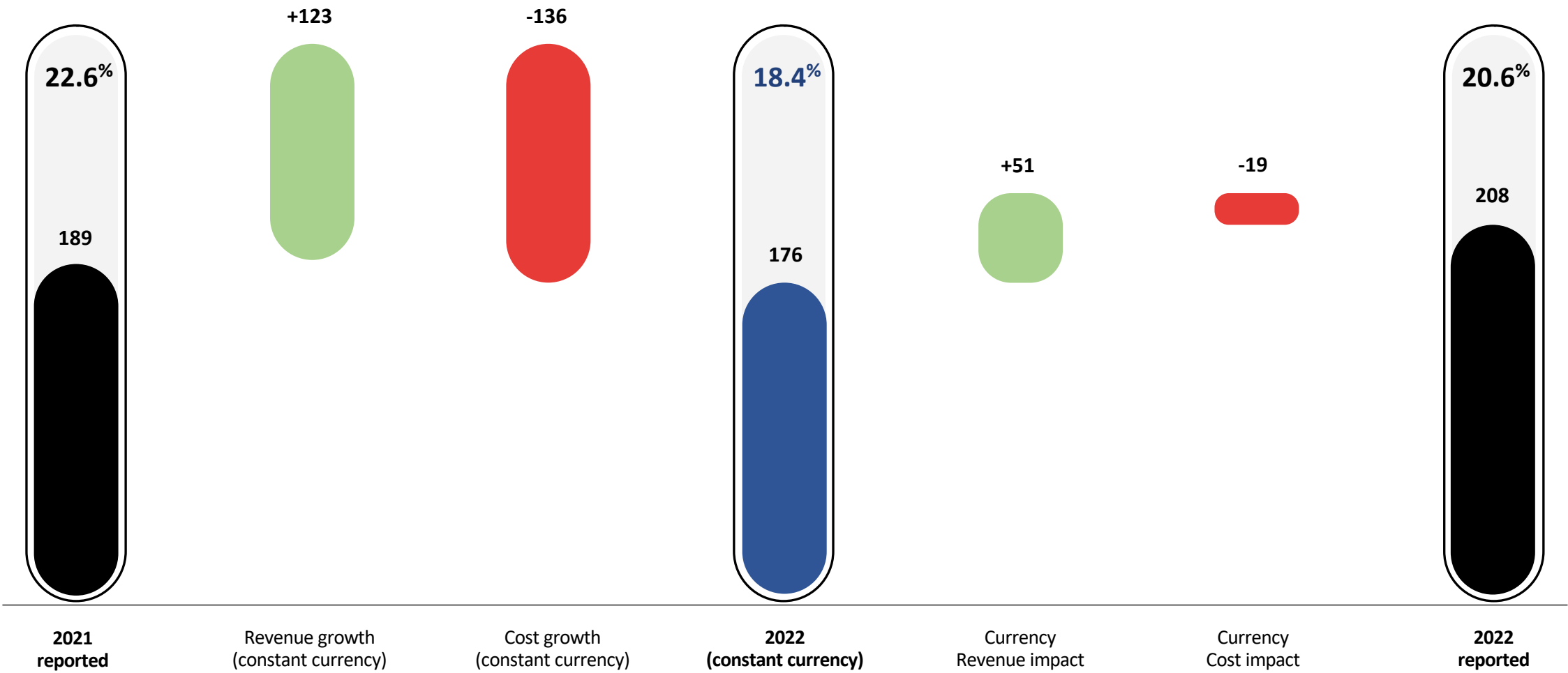
Strong growth due to the recovery of travel linked to the commercial effort and to the travel of our teams in the context of projects deployment

► **Currency impact: 19 MMAD (expenses +2.8%)**

Expenses rose by 2.8% overall due to currency impact, particularly the USD

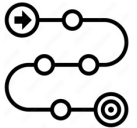
# Adjusted EBITDA growth at constant currency

Amounts in MMAD





Exceptional salary adjustments (inflation and new organization) compared to normal fiscal year: **impact of 1% lower EBITDA margins**. No additional adjustments expected for 2023



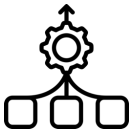
Some large projects were essentially PS provision with a low level of license. Global license level is 60% in 2022 against 64% in 2021. **Impact on EBITDA estimated at 2% lower EBITDA margins**



Strong investment to accelerate sales (sales doubled between 2021 and 2022). Sales effort 3.5% of revenue in 2022 against 2% in 2021. **Impact on EBITDA at 1.5% lower EBITDA margins**



Strong evolution of fees mainly linked to the execution of our M&A strategy (Due Diligence fees). **Impact on EBITDA at 0.8% lower EBITDA margins**

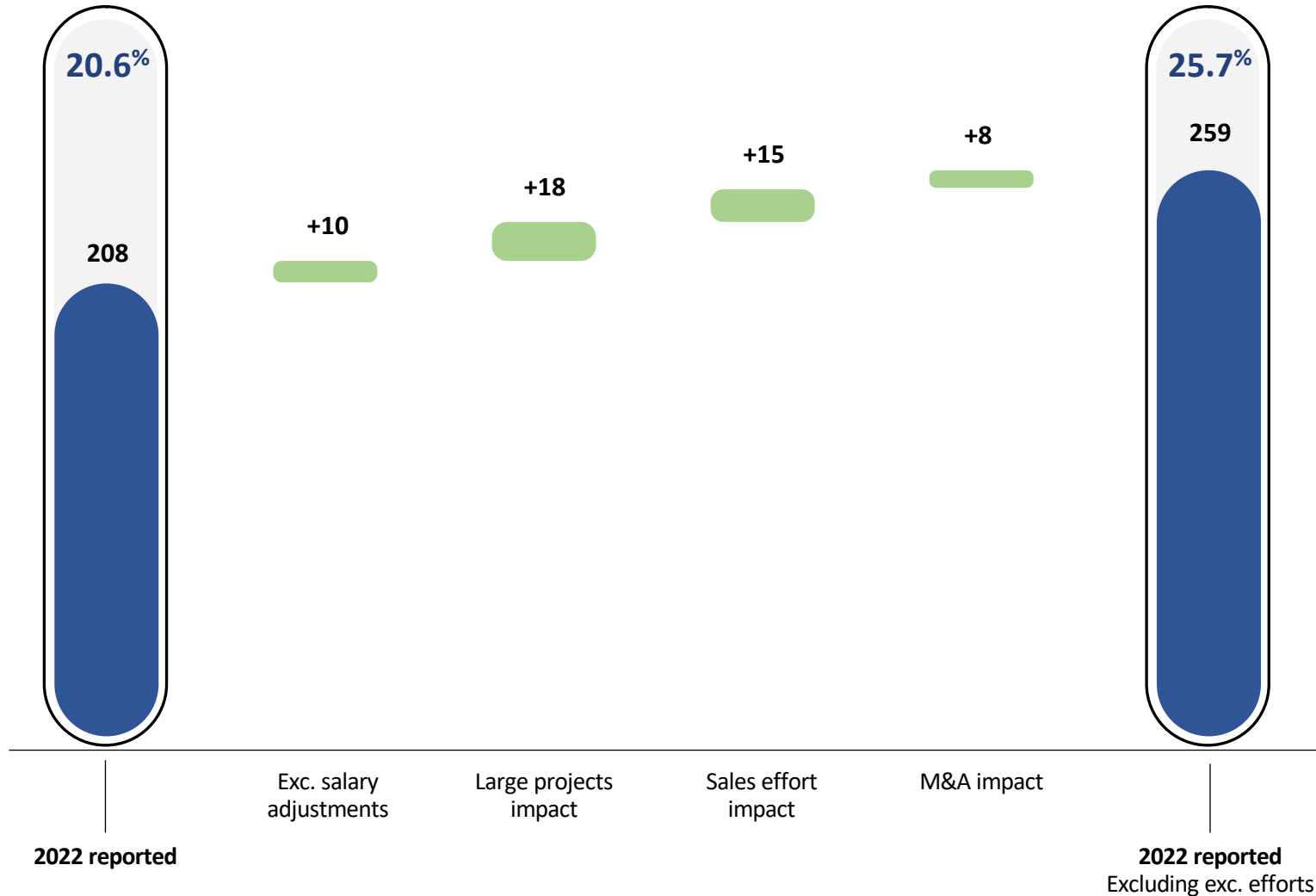


Other investments to accelerate our growth started in 2022: PowerCARD versions consolidation, SaaS platform consolidation, etc.



# EBITDA analysis

Amounts in MMAD



- ▶ The transformation program will require some investment to be deployed, which will slightly impact our margins in the short term
- ▶ Margin levels will remain broadly unchanged in 2023 and 2024
- ▶ Our objective is to achieve an EBITDA margin of between 25% and 30% by 2027
- ▶ Increases in expenses have led to an acceleration in backlog growth and 2023 revenue growth



On-Premise and Cloud-enabled: Hybrid Cloud



Micro-services & Composable Technology



Limitless scalability



Works on all database systems

## Version 4 progress

- ▶ PowerCARD-Switch, PowerCARD-xPOS, PowerCARD-ATM, PowerCARD-Fraud and PowerCARD-eSecure ready
- ▶ Certification PCI PA-DSS finalized

## Outlook

- ▶ PowerCARD-Issuer and PowerCARD-Web publisher ready in 2023
- ▶ PowerCARD-Acquirer and PowerCARD-Wallet ready in 2024
- ▶ Strong impact on sales and revenue expected thanks to Version 4

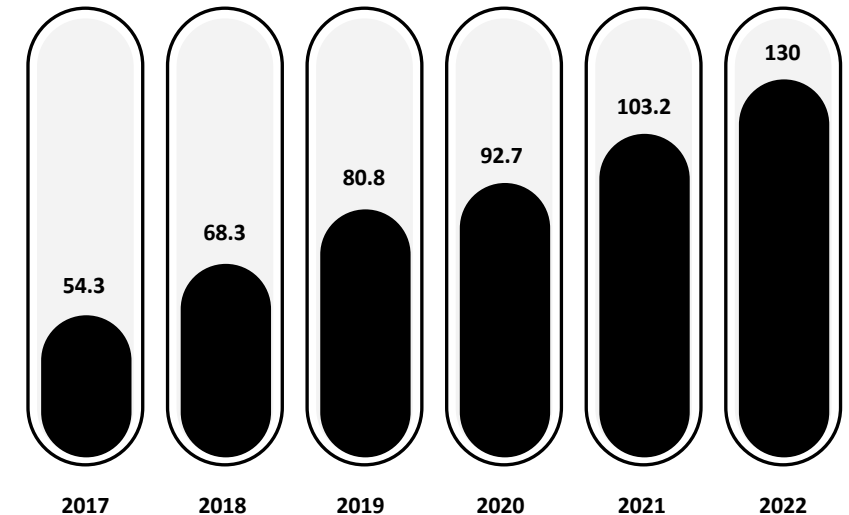
## Share in Consolidated Revenues

**130** MMAD

+25.7% growth

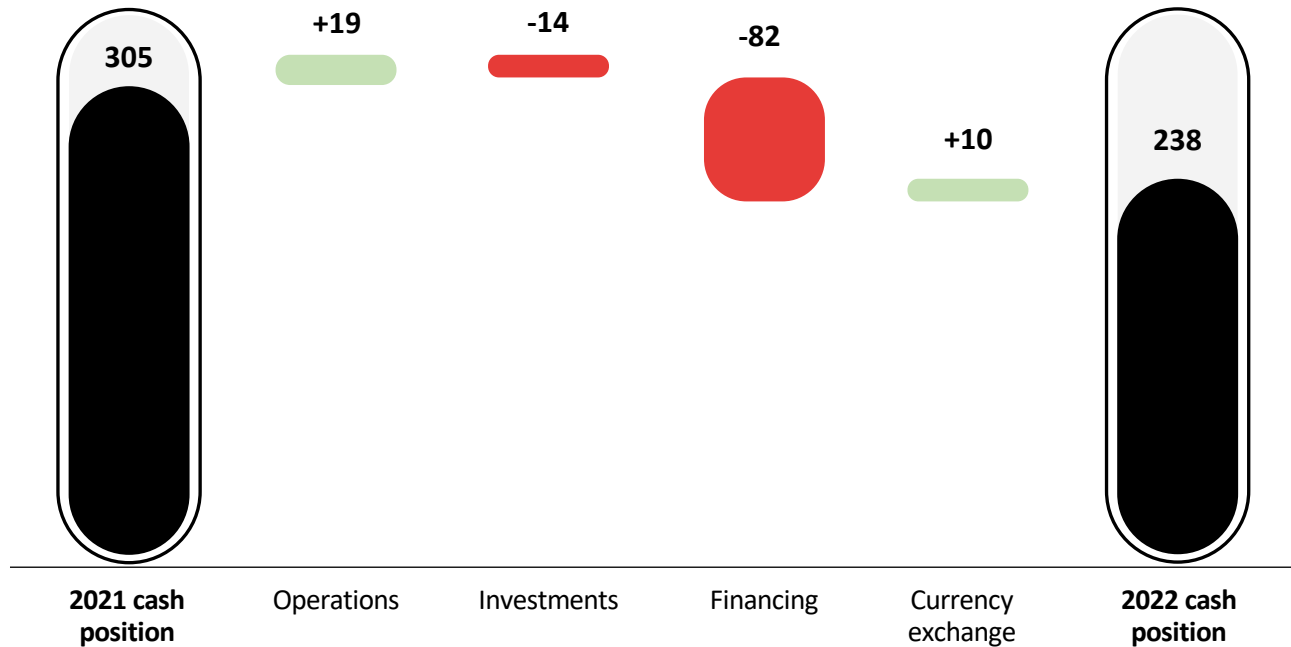
**12.9%**

## R&D in MMAD - CAGR 19.1%



# Net cash

Amounts in MMAD



- ▶ **Operational cash flow:** Increase in working capital in the context of large-scale projects. In 2022, 30% of invoicing took place in the last 2 months, so the company hasn't had a chance to collect, impacting cash flow by 100 MDH compared to 2021. Historically strong cash flow conversion is expected to continue
- ▶ **Cash flow from financing:** Dividends payment and repayment of loans taken out to finance external growth operations

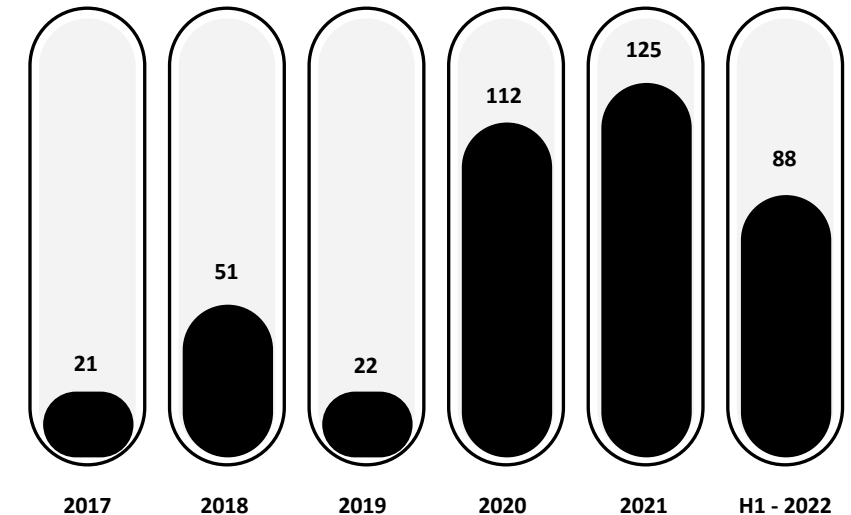
## LT Debt compared to equity

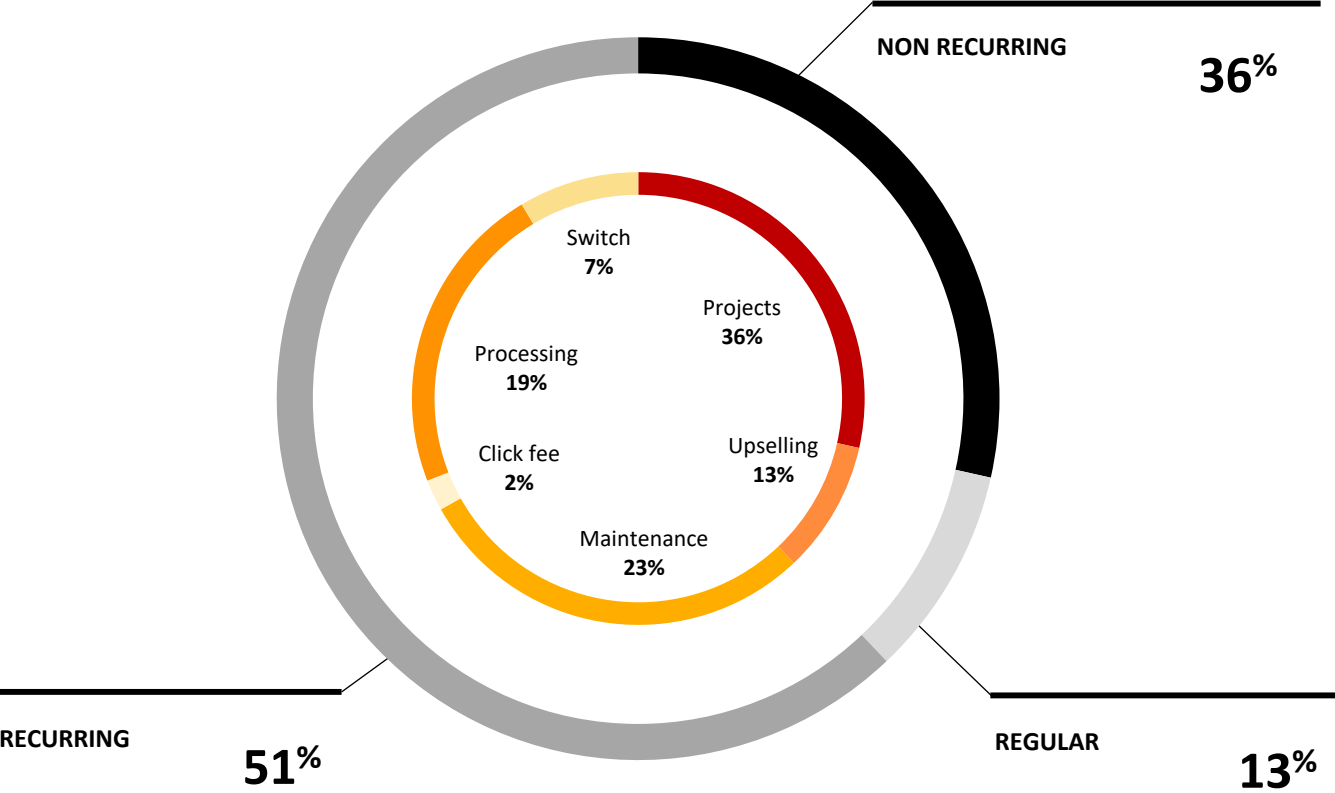
149.9 MMAD

-16.7% growth

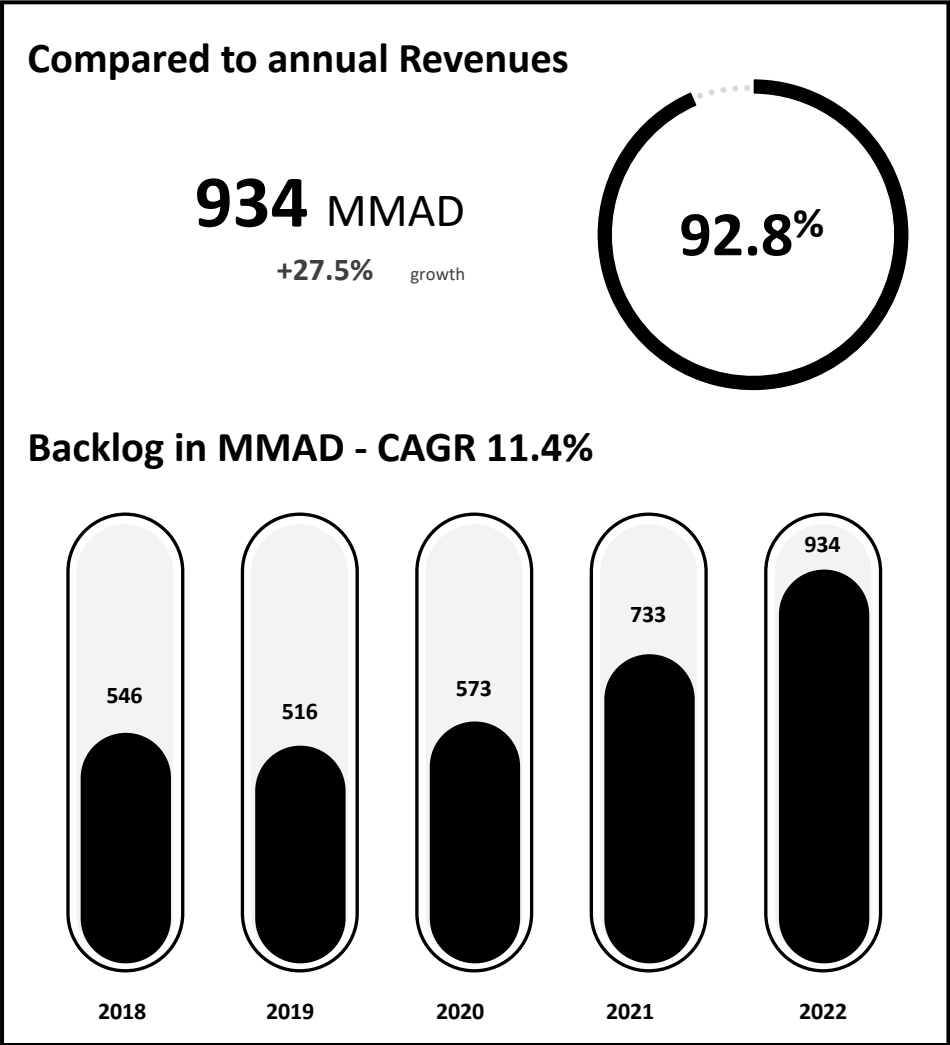
23.0%

## Net cash in MMAD - CAGR 39.8%





- ▶ High level of sales contributing to a strong increase in the backlog
- ▶ Significant contribution from recurring and regular revenues: 64% of the backlog



# Key takeaways & 2023 guidance

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**Reinforced Backlog** giving strong visibility for 2023 and beyond



Ambitious **Acceleration program** with a slight impact on the margin in the short term



Revenue organic growth for 2023 between **20% and 25%**

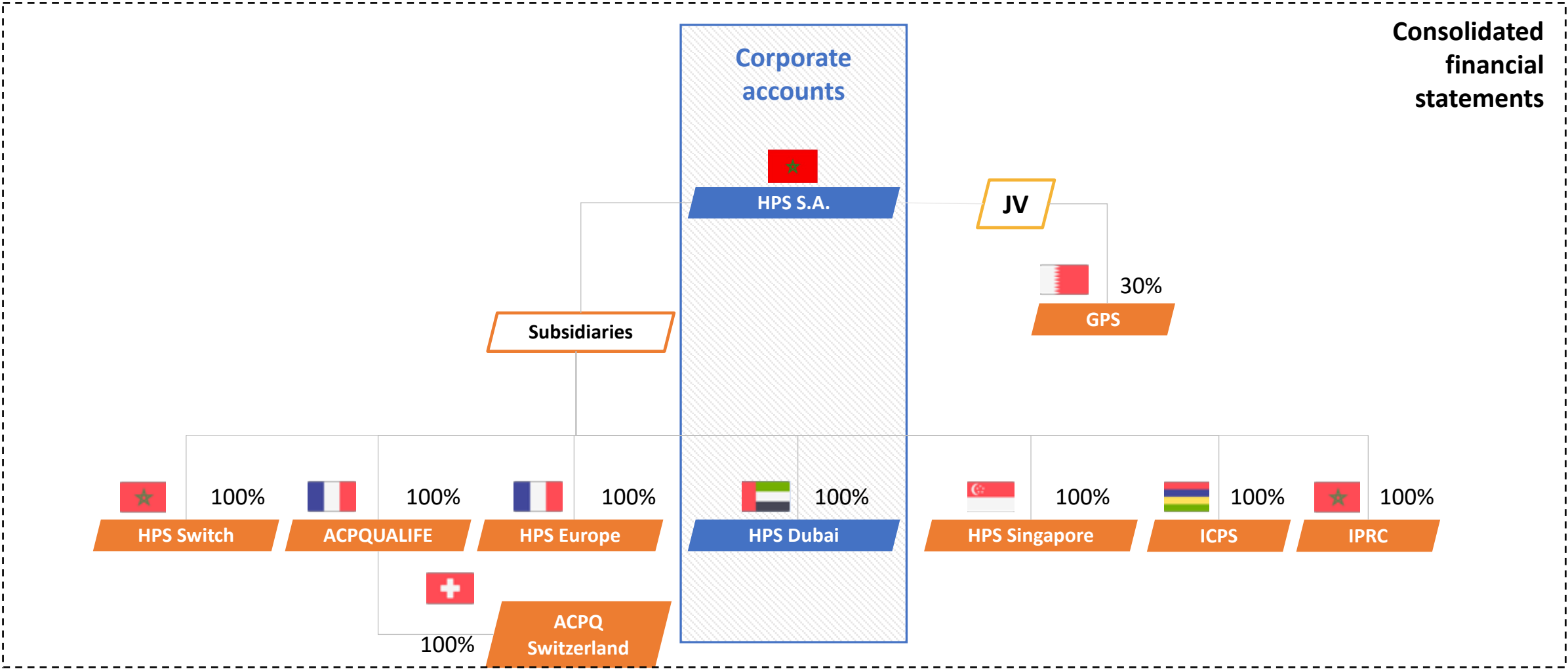


Profitability preserved for 2023  
**EBITDA  $\approx$  250 MDH**

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# Annexes

# Scope of consolidation at December 31, 2022



# Consolidated Balance Sheet (in MAD)

ASSETS	31/12/2022	31/12/2021
<b>Fixed assets</b>	<b>300 052 568</b>	<b>293 636 527</b>
Goodwill	92 321 077	103 589 946
Intangible assets	88 102 765	89 980 610
Property, plant and equipment	42 480 826	38 175 789
Financial assets	4 987 012	3 863 551
Investments in equity affiliates	72 160 888	58 026 630
<b>Current assets</b>	<b>1 253 249 269</b>	<b>1 072 019 170</b>
Inventories and work in progress	81 515 590	73 786 898
Trade receivables and related accounts	850 594 345	609 663 322
Deferred tax assets	4 163 908	5 067 906
Other receivables and accruals	78 720 752	77 715 988
Marketable securities	-	-
Availability	238 264 666	305 785 055
<b>Total Assets</b>	<b>1 553 301 837</b>	<b>1 365 655 697</b>

LIABILITIES	31/12/2022	31/12/2021
<b>Shareholders' equity</b>	<b>652 158 218</b>	<b>556 582 145</b>
- Capital	70 359 900	70 359 900
- Share premium	31 623 410	31 623 410
- Consolidated reserves	433 096 313	355 745 559
- Consolidated results	117 078 596	98 853 277
<b>Shareholders' equity, Group share</b>	<b>652 158 218</b>	<b>556 582 145</b>
- Minority interests	-	-
<b>Total Shareholders' equity</b>	<b>652 158 218</b>	<b>556 582 145</b>
<b>Long-term liabilities</b>	<b>155 123 635</b>	<b>185 492 666</b>
- Long-term financial liabilities	149 919 881	179 938 745
- Grant received	-	-
- Provisions for liabilities and charges	5 203 754	5 553 921
<b>Current liabilities</b>	<b>745 987 975</b>	<b>623 580 886</b>
- Accounts payable and related accounts	55 474 136	66 298 856
- Other liabilities and accruals	690 996 683	554 717 641
- Deferred tax liabilities	1 549 165	1 951 177
- Cash and cash equivalents	-	613 213
<b>Total Liabilities</b>	<b>1 553 301 837</b>	<b>1 365 655 697</b>



# Consolidated P&L (in MAD)

	31/12/2022	31/12/2021	Variation	12/31/2021 PRO FORMA	Variation
Sales figures	980 722 582	796 695 604	23.1%	812 542 709	20.7%
Change in product inventories	1 989 444	2 152 441	-7.6%	197 606	NA
Capitalized production	- 509 252	-	NA	-	NA
Other operating income	24 860 711	34 481 187	-27.9%	34 614 122	-28.2%
<b>Operating revenues</b>	<b>1 007 063 486</b>	<b>833 329 233</b>	<b>20.8%</b>	<b>847 354 437</b>	<b>18.8%</b>
Purchases resold of Goods	- 5 848 620	- 28 161	NA	- 28 161	NA
Purchases consumed	- 165 036 487	- 138 014 359	19.6%	- 143 312 247	15.2%
External expenses	- 158 701 505	- 103 725 845	53.0%	- 105 292 350	50.7%
Personnel costs	- 443 239 513	- 365 161 711	21.4%	- 372 002 218	19.1%
Other operating expenses	- 5 174 285	- 16 227 439	-68.1%	- 16 227 439	-68.1%
Taxes	- 21 413 129	- 21 491 992	-0.4%	- 21 495 021	-0.4%
Operating allowances	- 44 191 539	- 44 248 226	-0.1%	- 44 623 926	-1.0%
<b>Operating expenses</b>	<b>- 843 605 078</b>	<b>- 688 897 731</b>	<b>22.5%</b>	<b>- 702 981 362</b>	<b>20.0%</b>
<b>Operating result</b>	<b>163 458 408</b>	<b>144 431 501</b>	<b>13.2%</b>	<b>144 373 075</b>	<b>13.2%</b>
<i>Operating margin</i>	<i>16.2%</i>	<i>17.3%</i>	<i>-1.1 Pt</i>	<i>17.0%</i>	<i>-0.8 Pt</i>
Financial income and expenses	19 451 129	- 2 379 932	NA	- 402 250	NA
<b>Current income of integrated companies</b>	<b>182 909 536</b>	<b>142 051 569</b>	<b>28.8%</b>	<b>143 970 825</b>	<b>27.0%</b>
Non-current income and expenses	- 26 901 605	- 10 477 761	156.7%	- 10 477 761	156.7%
Income taxes	- 44 039 793	- 34 320 340	28.3%	- 34 963 725	26.0%
<b>Net income of consolidated companies</b>	<b>111 968 138</b>	<b>97 253 469</b>	<b>15.1%</b>	<b>98 529 339</b>	<b>13.6%</b>
Share in the results of MEE companies	16 379 327	10 698 548	53.1%	10 402 524	57.5%
Amortization of goodwill	- 11 268 869	- 9 098 740	23.9%	- 11 306 985	-0.3%
<b>Net income of the consolidated group</b>	<b>117 078 596</b>	<b>98 853 277</b>	<b>18.4%</b>	<b>97 624 878</b>	<b>19.9%</b>
Minority interests	-	-	NA	-	NA
<b>Net income (Group share)</b>	<b>117 078 596</b>	<b>98 853 277</b>	<b>18.4%</b>	<b>97 624 878</b>	<b>19.9%</b>
<i>Net margin</i>	<i>11.6%</i>	<i>11.9%</i>	<i>-0.3 Pt</i>	<i>11.5%</i>	<i>-0.3 Pt</i>
<i>Net earnings per share</i>	<i>166.40</i>	<i>140.50</i>	<i>+25.90</i>	<i>138.75</i>	<i>+27.65</i>

# Cash Flow Statement (in MAD)

	31/12/2022	31/12/2021
<b>Net income</b>	<b>117 078 596</b>	<b>98 853 277</b>
Elimination of non-cash and non-operating income and expenses	-	-
- Depreciation and amortization	34 700 113	33 048 322
- Change in deferred taxes	656 307	927 547
- Gain or loss on disposal	-	- 865 198
Other non-cash income (expense), net	112 166	- 45 195
- Share of profit of associates, net of dividends received	- 6 743 044	- 4 894 510
<b>Cash flow from operations of consolidated companies</b>	<b>145 804 138</b>	<b>127 024 242</b>
Dividends received from companies accounted for by the equity method	-	-
Change in working capital requirements related to operations	- 126.662.493	54 863 594
<b>Net cash flow from operating activities</b>	<b>19.141.645</b>	<b>181 887 836</b>
Acquisition of tangible and intangible assets	- 14 516 926	- 12 348 284
Disposal of fixed assets net of tax	-	896 744
Disposal of shares in companies accounted for by the equity method	-	-
Net acquisition of shares in consolidated companies	-	- 115 765 321
<b>Cash flows from investing activities</b>	<b>- 14 516 926</b>	<b>- 127 216 861</b>
Dividends paid to shareholders of the parent company	- 38.697.945	- 35 179 950
Capital increase in cash	-	-
Other	- 1 123 460	- 306 154
Changes in borrowings	- 42 104 774	66 813 989
<b>Flow of financing operations</b>	<b>- 81.926.179</b>	<b>31 327 886</b>
Conversion movements	10 394 284	- 4 384 169
<b>Increase (decrease) in cash</b>	<b>- 66 907 177</b>	<b>81 614 693</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>305 171 842</b>	<b>223 557 149</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>238 264 665</b>	<b>305 171 842</b>

# Subsidiaries accounts - In MAD

Subsidiaries	31-Dec-22			31-Dec-21		
	Operating revenues	Operating result	Net income	Operating revenues	Operating result	Net income
<b>Full consolidation (Morocco)</b>						
HPS SA	754 640 292	100 660 922	85 500 797	613 754 290	72 235 220	76 555 397
HPS Switch	71 423 458	31 904 801	20 946 671	64 534 695	31 685 393	21 596 079
<b>Full consolidation (International)</b>						
HPS Europe	16 602 698	530 405	359 453	12 846 425	205 242	268 040
Acpqualife	167 114 187	2 862 251	2 948 179	177 849 399	8 620 901	2 601 072
Acpqualife Switzerland	-	-297 188	-297 188	-242 150	-471 303	-470 064
HPS Singapore	52 456 507	1 278 056	472 010	56 337 737	12 020 414	9 742 604
ICPS*	130 498 752	20 541 009	16 796 088	73 025 537	8 044 215	6 417 742
IPRC	23 528 923	7 339 732	4 684 750	19 731 245	7 943 243	5 454 182
<b>Equivalence Setting</b>						
GPS	137 272 408	56 268 028	56 268 028	116 426 361	41 945 884	41 945 884

\*18 months from July 1, 2021 to December 31, 2022 for ICPS Vs 12 months from July 1, 2020 to June 30, 2021

# HPS /



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