

Key Highlights

- ▶ Consolidated revenues up 20.8% and 71% contribution from recurring & regular revenues
- ▶ Delivery of first PowerCARD version 4 projects
- ▶ Strong order intake and backlog up +27.5%
- ▶ 18.4% increase in net income Group share

« HPS Group has achieved a remarkable performance that underlines the relevance of its strategic choices, the successful diversification of its business models and the strength of its fundamentals. This performance highlights the balance between our strategic initiatives, in terms of external growth, innovation and research & development, and the strength of our positioning within payment industry value chain » Mr. Mohamed HORANI Chairman of the Board of Directors of HPS Group.

« 2022 marked a strategic turning point for HPS Group as it passed the 1 billion MAD revenue milestone and exceeded the 100 million MAD net income threshold, thanks to the successful execution of its roadmap and the confirmation of its growth potential. HPS confirmed its ability to deliver solid operational performance, deploy large-scale projects and to offer its customers and partners a new version of its state-of-the-art platform » Mr. Abdesselam ALAOUI SMAILI CEO of HPS Group.

The Board of Directors of HPS met on March 24th, 2023 under the chairmanship of Mr. Mohamed HORANI to review the company's activity and close the accounts as of December 31th, 2022.

Business Review

Consolidated Revenues

HPS consolidated revenues totaled 1,007 M MAD in 2022, up 20.8% and 14.8% at constant exchange rates. The strong revenue growth underlines the sustained commercial momentum of the Group's activities and the consolidation of its business models thanks to the successful integration of the various acquisitions. The Group delivered organic growth of 20.9% and external growth of 1.7%, with ICPS having been fully consolidated in 2022 vs 9 months in 2021. On a proforma basis, revenue growth amounted to 18.8%.

Recurring & regular revenues from the Group's activities continued to grow in line with the strategy, and represented a share of 71% compared to 64% in 2022.

Payment Activity

In 2022, the Payment activity recorded strong growth of 28.1% (25.4% a proforma basis), driven by sustained sales momentum, the deployment of projects with new customers and by the changing needs of existing customers. The growing interest in PowerCARD solutions based on the SaaS model also contributed to the strong increase in revenues and the strengthening of HPS' positioning in high-potential markets. Indeed, thanks to the consolidation of its SaaS business model, HPS has capitalized on its know-how in Africa to deploy its solutions in Asia and America.

Switching Activity

HPS Switch increased its efforts to strengthen further the availability of its platform to users, while continuing its strategic initiatives in the development of new electronic payment methods (especially mobile payment). As a result, interoperable transactions increased by 15.4% for withdrawals and 32.7% for payments, in line with the evolution of electronic payment indicators in Morocco. Switching revenues increased by 10.3% compared to 2021.

Testing Activity

Testing revenues declined by 7.8% in 2022, mainly due to the postponement of several qualification projects with customers, given the challenging economic environment. However, efforts to refer clients and strengthen the teams continued throughout the year, enabling the Group to finalize major projects with several industrial groups in France.

Profitability & Earnings

The acceleration of the growth momentum and the scale of the first milestones completed for a number of projects, resulted in increased operating costs during 2022 which impacted the overall financial performance:

- A 21.4% increase in staffing costs driven by the increase in resources, salary inflation, and the scope change.
- The acceleration of the pace of project execution and research and development content resulted in a 19.2% increase in outsourcing costs.
- A 53% increase in sales & marketing costs with the resumption in sales efforts, trade fair attendance and travel.

HPS recorded an EBITDA of 207.6 M MAD, up 10.1%, representing an EBITDA margin of 20.6%, in spite of the increase in operating cost. Operating income for the year amounted to 163.5 M MAD, up 13.2% compared to 2021.

In parallel to the commercial momentum and the operational performance, the financial result for the year benefited from the favorable evolution of the MAD/USD exchange rate. The Group's share of net income for the year totaled 117.1 M MAD, up 18.4%.

Major achievements

Payment +28,1% / +25,4% proforma



- ▶ Delivery of first PowerCARD version 4 projects
- ▶ First milestones completed on major projects awarded H1 2022

Switching +10,3%



- ▶ Strengthening the availability of services
- ▶ Continued efforts to boost mobile payments in Morocco

Testing -7,8%



- ▶ Impact of the economic and geopolitical context
- ▶ Deferral of project rollouts and continuation of referral initiatives

Backlog

Thanks to the commercial momentum generated by the Group's activities, within the framework of its new organization, the Backlog at the end of 2022 stood at 934.5 M MAD, up 27.5% compared to 2021. This increase reflects the sustained pace of order intake across the various business segments, particularly in Europe and Asia. The year was marked by several major global banking groups launching projects with HPS and the transfer of their payment operations to the PowerCARD platform. In this context, recurring & regular revenues represent 64.4% of the backlog for the year.

Research & Development

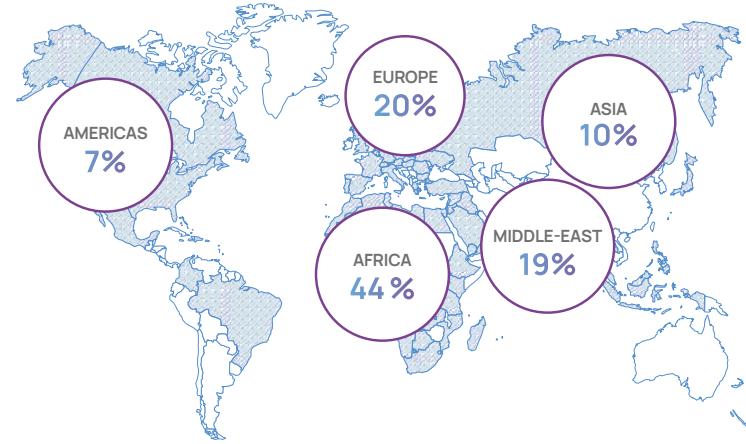
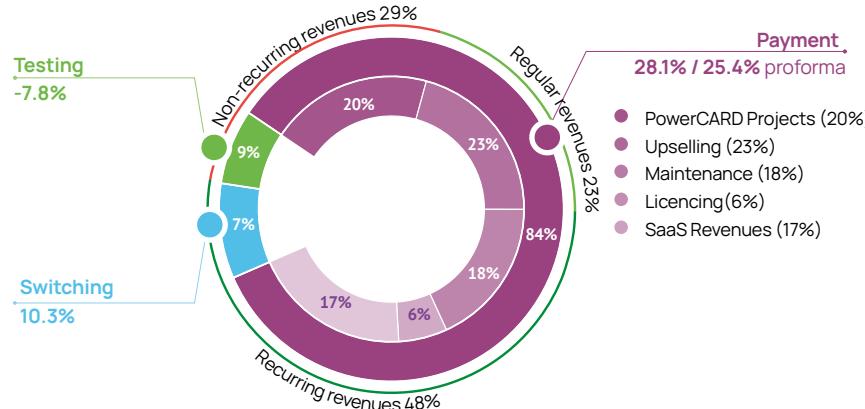
2022 saw an acceleration of HPS's Research & Development efforts to meet the major changes and transformation that characterize the payment industry today.

During the year, HPS Group invested 130 M MAD on Research & Development, up 25.7% compared to 2021. Research & Development spend in 2022 represented 12.9% of consolidated revenues and focused in particular on finalizing the last milestones of the new functionalities of PowerCARD version 4.

Cash Position & Financial Strength

HPS continues to benefit from a strong liquidity position, thanks to cashflow optimization allowing efficient project deployment and the execution of various strategic development initiatives. The Group's financial strength was key in 2022 to funding the strong growth in activity together with the resulting working capital requirements, the Group's recurring CAPEX needs, as well as the repayment of loans taken out to fund external growth operations. At the end of 2022, HPS had cash and cash equivalents of 238.3 M MAD, compared with 305.2 M MAD at the end of 2021.

Revenues Breakdown by Activity and Geographic Area as of December 31st, 2022



Consolidated Key Figures

AMOUNT IN M MAD	2022	2021	CHANGE	2021 PROFORMA	CHANGE
Operating revenues	1 007.1	833.3	20,8%	847.4	18,8%
of which recurring & regular revenues	695.4	521.8	33,3%	547.3	27,1%
EBITDA	207.6	188.7	10,1%	189.0	9,9%
EBITDA Margin	20.6%	22.6%	- 2.0 pt	22.3%	- 1.7 pt
Operating result	163.5	144.4	13,2%	144.4	13,2%
Operating margin	16.2%	17.3%	- 1.1 pt	17.0%	- 0.8 pt
Net income (Groupe share)	117.1	98.9	18,4%	97.6	19,9%
Net margin	11.6%	11.9%	- 0.3 pt	11.5%	0.1 pt
EPS (in MAD)	166.4	140.5	18,4%	138.8	19,9%
Research and Development	129.7	103.2	25,7%	-	-
Cash & cash equivalents	238.3	305.8	-22,1%	-	-
Backlog	934.8	733.5	27,5%	-	-

Outlook

In a constantly evolving industry, HPS Group has a solid positioning based on relevant technological choices, diversified business models and a corporate culture focused on innovation and research & development. The consolidation of the new organization adopted at the end of 2021 and the successful integration of acquisitions allow the Group to continue to expand its geographical footprint and explore new development opportunities with global partners and customers. In addition, the successful launch of version 4 of PowerCARD and the development momentum of the Business Innovation division should strengthen the Group's growth and profitability credentials.

In addition to its role in financial inclusion and the generalization of payment methods, HPS Group remains committed to its values as a company that is involved with its various stakeholders (regulators, users, customers & partners, employees and local communities).

About HPS

HPS is a multinational leader in the supply of payment solutions and services for issuers, buyers, mobile network operators, mass distribution and independent sales organizations as well as national and regional switches in the world. PowerCARD is a complete series of HPS solutions that covers the entire chain of value of payments. It makes innovative payments possible thanks to its open platform which provides processing of all transactions initiated by all means of payment coming through any channel. PowerCARD is used by more than 500 institutions in more than 90 countries. HPS has been listed on the Casablanca Stock Exchange since 2000. Its offices located in the principle business centres (Africa, Europe, Asia, Middle East). For further information: www.hps-worldwide.com

