



Keyware

Smart Cards-Security / Belgium

Change of Authorisations' partner for further profitability

Earnings/sales releases - 30/03/2021

The results for the year 2020 were mainly marked by both a change of acquiring partner and COVID-19-related issues, although the latter may be beneficial in the mid/long run with growing electronic and contactless payments.

Fact

FY20 key financials

- Group sales down by 28.5% to €12,961k
- EBITDA decreased by 6.2% to €2,812k, FY20 EBITDA margin of 21.7% (vs. 16.5% in FY19)
- Profit before tax amounted €173k (vs. €860k in FY19)
- Group net profit was down by 79.4% to €66k due to lower operating results
- Cash and cash equivalents amounted to €1,549k (+30% yoy)
- Net financial debt decreased by 67.8% from €4,082k to €1,312k

Analysis

Authorisations in troubles for the time being

By division, Authorisations was the main black spot (-72.1% revenue to €3,015k), with the lockdown having reduced the number of payment transactions, but also as Keyware decided to switch to a different Authorisations' partner. For accounting purposes, the group was forced to present 2020 commissions differently than last year as the conclusion of the settlement agreement led to Authorisations' income from the previous partner to still be received for nine months, but not presented as gross income. Presented in the same way as in 2019, Authorisations' revenue would be down by 45.5% to €3,789k.

Keyware expects the total migration from its previous partner to the new one to take up to the middle of 2021 (depending on new lockdown restrictions), while it is already creating greater value translating into higher margin.

Terminal segment's revenue was down by 5.3% to €6,638k due to commercial inactivity during the two lockdowns as well as commercial discounts/introduction of a cheaper range of terminals, which both, however, led to new customers and contract extensions with the existing ones.

Software division on the right track

The pandemic crisis has nevertheless had the merit of increasing demand for payment apps. Combined with the conclusion of major contracts (Magellan), the division reported revenue up by +37.1% to €4,293k. Such a performance shows, once again, that the group has done well to move to become a fintech provider.

Well-managed financial debt

Keyware's solvency has been maintained during the crisis. Financial debt and loans decreased by €2,770k and now amount to €1,312k. The group expects this amount to be mainly cleared by June 2021.



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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy	Upside: 117%
Target Price (6 months)	€ 2.00
Share Price	€ 0.92
Market Cap. €M	20.7
Price Momentum	GOOD
Extremes 12Months	0.61 ▶ 1.09
Sustainability score	4.7 /10
Credit Risk	BB →
Bloomberg	KEYW BB Equity
Reuters	KEYW.BR

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PERF	1w	1m	3m	12m
Keyware	-4.66%	-4.66%	15.0%	36.3%
IT Hardware	1.29%	6.63%	14.3%	62.3%
STOXX 600	0.81%	5.59%	6.47%	37.5%

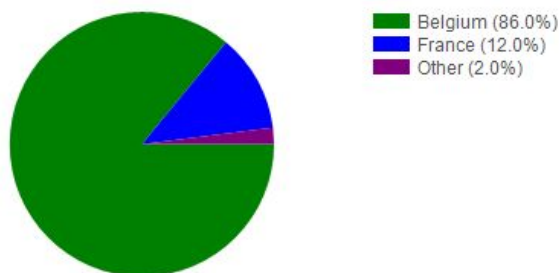
Last updated: 22/01/2020	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	11.6	9.05	6.87	8.07
Dividend yield (%)	2.73	3.17	3.99	3.26
EV/EBITDA(R) (x)	6.90	5.38	3.94	4.25
Adjusted EPS (€)	0.09	0.10	0.11	0.11
Growth in EPS (%)	-26.6	10.5	4.64	4.18
Dividend (€)	0.03	0.03	0.03	0.03
Sales (€th)	19,635	20,597	21,421	22,827
EBIT margin (%)	1.34	1.53	2.01	2.55
Attributable net profit (€th)	626	951	965	1,072
ROE (after tax) (%)	2.28	3.38	3.23	3.32
Gearing (%)	18.6	12.0	7.29	3.00

[Company Valuation](#) - [Company Financials](#)

■ Impact

We will integrate the FY20 results and revise our forecasts for the next three years. The Software division will inflate our top-line expectations, although being offset by the migration to another Authorisations' partner which should continue to have an impact at least in H1 FY21.

Sales by Geography



Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	€th	19,635	20,597	21,421
Change in sales	%	4.83	4.90	4.00
Change in staff costs	%	18.2	-6.15	-0.94
EBITDA	€th	4,171	4,496	4,723
EBITDA(R) margin	%	21.2	21.8	22.0
Depreciation	€th	-1,465	-1,380	-1,392
Underlying operating profit	€th	2,706	3,116	3,331
Operating profit (EBIT)	€th	1,109	1,616	1,731
Net financial expense	€th	-178	-257	-352
of which related to pensions	€th		-3.58	-5.26
Exceptional items & other	€th			
Corporate tax	€th	-305	-408	-414
Equity associates	€th	0.00		
Minority interests	€th			
Adjusted attributable net profit	€th	2,223	2,451	2,565
NOPAT	€th	1,894	2,184	2,335

Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	€th	4,171	4,496	4,723
Change in WCR	€th	1,100	-803	-903
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	0.00	-408	-414
Exceptional items	€th			
Other operating cash flows	€th	-261	-200	-150
Total operating cash flows	€th	5,010	3,085	3,256
Capital expenditure	€th	-1,198	-618	-643
Total investment flows	€th	-1,204	-618	-643
Net interest expense	€th	-178	-257	-352
Dividends (parent company)	€th	-659	-659	-659
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	192	-400	-400
Total financial flows	€th	-3,789	-3,832	-2,143
Change in cash position	€th	17.0	-1,365	471
Free cash flow (pre div.)	€th	3,634	2,211	2,261

Per Share Data

		12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Th	22,544	22,543	22,543
Number of diluted shares (average)	Th	23,499	23,453	23,453
Benchmark EPS	€	0.09	0.10	0.11
Restated NAV per share	€			
Net dividend per share	€	0.03	0.03	0.03

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 3.02	35%	EdenRed
NAV/SOTP per share	€ 1.98	20%	Amadeus IT Group
EV/EBITDA based	n/a	20%	
P/E	€ 0.46	10%	
Dividend Yield	€ 0.00	10%	
P/book based	n/a	5%	
TARGET PRICE	€ 2.00	100%	

NAV/SOTP Calculation

Balance Sheet

		12/18A	12/19E	12/20E
Goodwill	€th	7,993	8,393	8,435
Total intangible	€th	14,325	15,041	15,116
Tangible fixed assets	€th	2,050	2,153	2,260
Financial fixed assets	€th	156	150	150
WCR	€th	16,390	17,193	18,096
Other assets	€th	2,889	1,000	1,000
Total assets (net of short term liab.)	€th	35,810	35,536	36,623
Ordinary shareholders' equity	€th	27,592	28,625	31,069
Quasi Equity & Preferred	€th			
Minority interests	€th			
Provisions for pensions	€th		147	157
Other provisions for risks and liabilities	€th	138		
Total provisions for risks and liabilities	€th	138	147	157
Tax liabilities	€th	4,057	3,897	3,737
Other liabilities	€th			
Net debt (cash)	€th	4,023	2,868	1,660
Total liab. and shareholders' equity	€th	35,810	35,536	36,623

Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	€th	32,921	34,536	35,623

Profits & Risks Ratios

		12/18A	12/19E	12/20E
ROE (after tax)	%	2.28	3.38	3.23
ROCE	%	5.75	6.32	6.56
Gearing (at book value)	%	18.6	12.0	7.29
Adj. Net debt/EBITDA(R)	x	0.96	0.64	0.35
Interest cover (x)	x	15.2	12.3	9.61

Valuation Ratios

		12/18A	12/19E	12/20E
Reference P/E (benchmark)	x	11.6	9.05	6.87
Free cash flow yield	%	14.7	10.4	13.4
P/Book	x	0.90	0.74	0.54
Dividend yield	%	2.73	3.17	3.99

EV Calculation

		12/18A	12/19E	12/20E
Market cap	€th	24,778	21,322	16,930
+ Provisions	€th	138	147	157
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	4,023	2,868	1,660
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	156	150	150
+ Minority interests (fair value)	€th	0.00	0.00	0.00
= EV	€th	28,783	24,187	18,597
EV/EBITDA(R)	x	6.90	5.38	3.94
EV/Sales	x	1.47	1.17	0.87

Analyst : Laura Parisot, Changes to Forecasts : 22/01/2020.