



Keyware

Smart Cards-Security / Belgium

The right time to establish itself as a software provider

Earnings/sales releases - 26/05/2020

Not immune to the COVID-19 crisis, Keyware nevertheless boosted the revenues of its software division, within which the EasyOrder application was a success during the lockdown period. The payment terminals and authorisations segments should face further headwinds during the year (and especially in Q2), which finally confirms that the company's transformation into a software developer has come at the right time.

Fact

Q1 FY20 key financials

- Revenue down by 10.7% to €4,185k
- EBITDA down by 20% to €804k with an EBITDA margin of 19.2%
- Net profit down by 44% to €206k

Analysis

The lockdown as an opportunity for EasyOrder

The Q1 FY20 revenue decline (-10.7% to €504k) was mainly driven by the payment terminals segment (-17.2% to €1,654k), which saw a fewer number of newly-signed contracts as an obvious consequence of the lockdown measures from mid-March. SWAPS and renewals were, however, in line with those of Q1 FY19. Consequently, the authorisations segment reported a 9.6% revenue decline to €1,754k due to lower commissions.

However, the group has managed to take advantage of the sanitary crisis through its software segment (+1.8% to €835k) which was pushed up by the EasyOrder payment application. Digitalisation of orders and payments has been reinforced during the lockdown and is expected to continue to develop as a direct consequence of changing consumer habits.

All in all, Keyware continues its transformation from purely a terminal provider to a fully-fledged software developer, to the benefit of the top-line results. The share of the software segment has grown to 20% (from 17.5% yoy), while the payment terminals segment now represents 39.5% (vs. 42.6% yoy) and the authorisations segment 41.9% of the group's total activity.

COVID-19 impact

Keyware has estimated a €275k loss in revenue as a result of the COVID-19 pandemic, mainly due to payment terminals. Cost savings in purchases (from terminals) have been estimated at €45k, while personnel costs were down by €69k.

Finally, the impacts from the pandemic to the Q1 FY20 EBITDA and Q1 FY20 net profit are €-161k and €-136k, respectively.

We expect that Q2 FY20 should be relatively worse, as Q1 was only impacted from mid-March. Enterprises and merchants resumed their activities in the week of 4 May 2020 and 11 May 2020, respectively.



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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: 178%
Target Price (6 months)	€ 2.04
Share Price	€ 0.74
Market Cap. €M	16.6
Price Momentum	GOOD
Extremes 12Months	0.60 ▶ 0.99
Bloomberg	KEYW BB Equity
Reuters	KEYW.BR

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PERF	1w	1m	3m	12m
Keyware	-12.5%	9.70%	-19.2%	-22.7%
IT Hardware	4.20%	12.3%	7.83%	-6.52%
STOXX 600	1.05%	4.73%	-14.7%	-8.17%

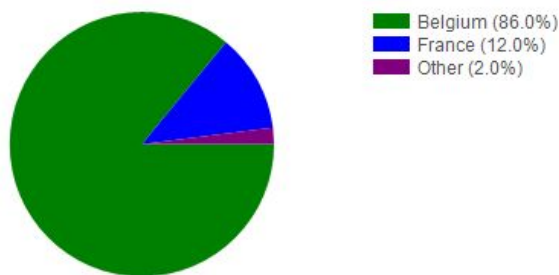
Last updated: 22/01/2020	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	11.6	9.40	6.72	6.45
Dividend yield (%)	2.73	3.05	4.08	4.08
EV/EBITDA(R) (x)	6.90	5.56	3.86	3.41
Adjusted EPS (€)	0.09	0.10	0.11	0.11
Growth in EPS (%)	-26.6	10.5	4.64	4.18
Dividend (€)	0.03	0.03	0.03	0.03
Sales (€th)	19,635	20,597	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 Q1 figures and revise our estimates to integrate the COVID-19 impact. The payment terminals and authorisations divisions are expected to experience significant headwinds during the year, while we believe that this crisis will strengthen the software division and boost the segment's revenue.

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	€ 2.81	35%	■ EdenRed
NAV/SOTP per share	€ 1.98	20%	● Amadeus IT Group
EV/Ebitda	€ 1.47	20%	● Ingenico
P/E	€ 1.47	10%	
Dividend Yield	€ 1.47	10%	
P/Book	€ 1.47	5%	
TARGET PRICE	€ 2.04	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	9.40	6.72
Free cash flow yield	%	14.7	9.98	13.6
P/Book	x	0.90	0.77	0.53
Dividend yield	%	2.73	3.05	4.08

EV Calculation

		12/18A	12/19E	12/20E
Market cap	€th	24,778	22,141	16,569
+ 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	25,006	18,236
EV/EBITDA(R)	x	6.90	5.56	3.86
EV/Sales	x	1.47	1.21	0.85

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