



Keyware

Smart Cards-Security / Belgium

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Transition year is behind, brighter outlook

Brighter outlook after a transition year - 22/03/2018

Change in EPS

2018 : € 0.18 vs 0.20	-8.03%
2019 : € 0.22 vs 0.26	-17.3%

After a difficult year of transition for Keyware, which was mainly seen through the Payment Terminal (PT) division's lower revenues and profitability, we have decreased our earnings forecasts for the years to come. The PT division should remain under pressure, but the company should quickly and quite strongly benefit from the development of its Software division and from its recent acquisitions. Thanks to these, we keep a positive opinion on the company which should quickly see synergies between its acquisitions and its home market. FY 17 looked like a transition year and Keyware's evolution towards software is sound in the competitive PT market.



Marc LAUBEL

IThardware@alphavalue.eu

+33 (0) 1 70 61 10 50

corporate.alphavalue.com

AlphaValue is contracted by Keyware to provide equity research on Keyware, using AlphaValue's unique and transparent methods and procedures. Target price and opinion are thus exclusively determined by those methods and procedures.

Buy Upside : 17.1%

Target Price (6 months)	€ 1.79
Share Price	€ 1.53
Market Cap. €M	32.8
Price Momentum	GOOD
Extremes 12Months	1.10 ▶ 1.68
Bloomberg	KEYW BB Equity
Reuters	KEYW.BR

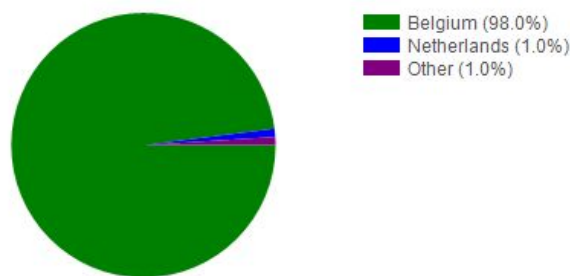
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PERF	1w	1m	3m	12m
Keyware	-0.65%	-4.09%	2.76%	33.8%
IT Hardware	-1.22%	-1.57%	4.24%	-5.58%
SXXR Index	0.11%	-0.56%	-3.56%	2.45%

Last updated: 22/03/2018	12/16A	12/17A	12/18E	12/19E
Adjusted P/E (x)	8.41	11.2	8.39	7.07
Dividend yield (%)	1.12	0.00	0.00	0.00
EV/EBITDA(R) (x)	6.49	9.23	7.15	5.48
Adjusted EPS (€)	0.21	0.13	0.18	0.22
Growth in EPS (%)	-28.2	-38.9	40.1	18.7
Dividend (€)	0.02	0.00	0.00	0.00
Sales (€th)	18,721	18,651	20,096	21,704
EBIT margin (%)	17.0	6.13	12.8	16.0
Attributable net profit (€th)	3,101	1,174	2,400	3,196
ROE (after tax) (%)	12.4	4.36	7.92	8.97
Gearing (%)	16.3	21.1	15.0	5.16

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Sales by Geography



Consolidated P&L Accounts

		12/17A	12/18E	12/19E
Sales	€th	18,651	20,096	21,704
Change in sales	%	-0.37	7.75	8.00
Change in staff costs	%	29.1	9.05	3.75
EBITDA	€th	3,960	4,963	5,860
EBITDA(R) margin	%	21.2	24.7	27.0
Depreciation	€th	-958	-575	-581
Underlying operating profit	€th	3,002	4,388	5,280
Operating profit (EBIT)	€th	1,143	2,566	3,467
Net financial expense	€th	907	945	983
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th			
Corporate tax	€th	-854	-1,112	-1,253
Equity associates	€th	-22.0		
Minority interests	€th			
Adjusted attributable net profit	€th	3,033	4,222	5,009
NOPAT	€th	2,079	3,072	3,696

Cashflow Statement

		12/17A	12/18E	12/19E
EBITDA	€th	3,960	4,963	5,860
Change in WCR	€th	-1,850	-1,488	-1,855
Actual div. received from equity holdi...	€th	400	0.00	0.00
Paid taxes	€th	0.00	-1,112	-1,253
Exceptional items	€th			
Other operating cash flows	€th	-230		
Total operating cash flows	€th	2,280	2,364	2,753
Capital expenditure	€th	-696	-322	-326
Total investment flows	€th	-3,826	-322	-326
Net interest expense	€th	907	945	983
Dividends (parent company)	€th	0.00	0.00	0.00
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	-174	-400	
Total financial flows	€th	3,144	-263	43.5
Change in cash position	€th	1,598	1,779	2,471
Free cash flow (pre div.)	€th	2,491	2,987	3,410

Per Share Data

		12/17A	12/18E	12/19E
No. of shares net of treas. stock (year...	Th	20,877	20,877	20,877
Number of diluted shares (average)	Th	23,379	23,227	23,227
Benchmark EPS	€	0.13	0.18	0.22
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 1.71	35%	■ Gemalto
NAV/SOTP per share	€ 2.19	20%	■ Ingenico
EV/Ebitda	€ 2.07	20%	
P/E	€ 2.19	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 2.31	5%	
TARGET PRICE	€ 1.79	100%	

NAV/SOTP Calculation

Balance Sheet

		12/17A	12/18E	12/19E
Goodwill	€th	7,993	7,753	7,521
Total intangible	€th	14,672	14,232	13,805
Tangible fixed assets	€th	992	1,042	1,094
Financial fixed assets	€th	150		
WCR	€th	19,197	20,685	22,539
Other assets	€th	932	904	877
Total assets (net of short term liab.)	€th	35,943	36,862	38,315
Ordinary shareholders' equity	€th	27,433	33,192	38,054
Quasi Equity & Preferred	€th			
Minority interests	€th			
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th	230		
Total provisions for risks and liabilities	€th	230	0.00	0.00
Tax liabilities	€th	2,023		
Other liabilities	€th			
Net debt (cash)	€th	6,257	3,670	260
Total liab. and shareholders' equity	€th	35,943	36,862	38,315

Capital Employed

		12/17A	12/18E	12/19E
Capital employed after depreciation	€th	35,011	35,958	37,438

Profits & Risks Ratios

		12/17A	12/18E	12/19E
ROE (after tax)	%	4.36	7.92	8.97
ROCE	%	5.94	8.54	9.87
Gearing (at book value)	%	21.1	15.0	5.16
Adj. Net debt/EBITDA(R)	x	1.58	0.74	0.04
Interest cover (x)	x	-3.75	-4.64	-5.37

Valuation Ratios

		12/17A	12/18E	12/19E
Reference P/E (benchmark)	x	11.2	8.39	7.07
Free cash flow yield	%	8.24	9.38	10.7
P/Book	x	1.10	0.96	0.84
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/17A	12/18E	12/19E
Market cap	€th	30,226	31,837	31,837
+ Provisions	€th	230	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	6,257	3,670	260
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	150	0.00	0.00
+ Minority interests (fair value)	€th	0.00	0.00	0.00
= EV	€th	36,563	35,507	32,098
EV/EBITDA(R)	x	9.23	7.15	5.48
EV/Sales	x	1.96	1.77	1.48

Analyst : Marc Laubel, Changes to Forecasts : 22/03/2018.