



Keyware

Smart Cards-Security / Belgium

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Update following the Q4 16 earnings release

Roaring Authorisation offsetting a down-cycle in Terminals - 17/03/2017

Change in EPS

2016 : € 0.21 vs 0.21	+1.61%
2017 : € 0.26 vs 0.28	-9.28%

Following the Q4 16 earnings release, we have updated our model with the final 2016 figures (except for divisional EBIT figures, which have yet to be communicated).

In 2017, the EPS comes in lower due to a higher opex run rate leading to a lower EBIT margin (18.6% vs. 20.1% previously) as well as due to a lower impact of the income from Magellan SAS (€200k vs. €600k).

In 2018, we have also integrated a €750k charge in case of an unsuccessful appeal.

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 : 99.0%

Target Price (6 months) € 2.52

Share Price € 1.27

Market Capitalisation €M 26.7

Price Momentum **NEGATIVE**

Extremes 12Months 1.27 ▶ 1.99

Bloomberg KEYW BB Equity

Reuters KEYW.BR

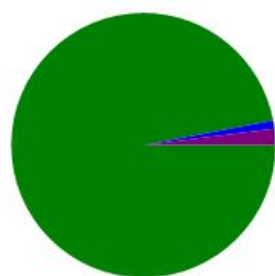
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PERF	1w	1m	3m	12m
Keyware	-8.12%	-18.7%	-23.3%	-31.5%
IT Hardware	1.30%	10.9%	10.1%	-5.57%
SXXR Index	1.38%	2.41%	5.45%	14.1%

Last updated: 17/03/2017	12/14A	12/15A	12/16E	12/17E
Adjusted P/E (x)	5.12	2.80	8.48	4.97
Dividend yield (%)	0.00	0.00	1.11	1.58
EV/EBITDA(R) (x)	6.62	3.95	6.49	3.43
Adjusted EPS (€)	0.13	0.30	0.21	0.26
Growth in EPS (%)	18.9	131	-28.2	20.2
Dividend (€)	0.00	0.00	0.02	0.02
Sales (€th)	9,718	12,491	18,721	20,683
EBIT margin (%)	14.1	25.0	17.0	18.6
Attributable net profit (€th)	1,910	5,182	3,101	4,148
ROE (after tax) (%)	11.3	24.9	12.4	14.3
Gearing (%)	22.1	15.3	16.3	12.5

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

Sales by Geography



Belgium	(97.0%)
Netherlands	(1.0%)
Other	(2.0%)

Consolidated P&L Accounts

		12/15A	12/16E	12/17E
Sales	€th	12,491	18,721	20,683
Change in sales	%	28.5	49.9	10.5
Change in staff costs	%	2.03	3.45	5.13
EBITDA	€th	5,163	5,339	6,013
EBITDA(R) margin	%	41.3	28.5	29.1
Depreciation	€th	-251	-268	-300
Underlying operating profit	€th	4,912	5,071	5,713
Operating profit (EBIT)	€th	3,127	3,174	3,852
Net financial expense	€th	792	1,018	1,096
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th			
Corporate tax	€th	1,263	-1,196	-1,000
Equity associates	€th		105	200
Minority interests	€th			
Adjusted attributable net profit	€th	6,967	4,998	6,009
NOPAT	€th	3,438	3,655	4,199

Cashflow Statement

		12/15A	12/16E	12/17E
EBITDA	€th	5,163	5,339	6,013
Change in WCR	€th	-5,042	-1,543	-2,481
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	0.00	-1,196	-1,000
Exceptional items	€th			
Other operating cash flows	€th	-1.00	236	500
Total operating cash flows	€th	120	2,836	3,032
Capital expenditure	€th	-380	-311	-352
Total investment flows	€th	-631	-4,541	-952
Net interest expense	€th	792	1,018	1,096
Dividends (parent company)	€th		-424	-424
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	411	76.0	
Total financial flows	€th	577	1,769	-1,118
Change in cash position	€th	66.1	64.0	963
Free cash flow (pre div.)	€th	532	3,543	3,777

Per Share Data

		12/15A	12/16E	12/17E
No. of shares net of treas. stock (year...	Th	21,064	21,064	21,064
Number of diluted shares (average)	Th	23,559	23,544	23,544
Benchmark EPS	€	0.30	0.21	0.26
Restated NAV per share	€			
Net dividend per share	€	0.00	0.02	0.02

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 2.78	35%	● Gemalto
NAV/SOTP per share	€ 2.43	20%	● Ingenico
EV/Ebitda	€ 2.54	20%	● Dassault Systemes
P/E	€ 2.54	10%	● Logitech International
Dividend Yield	€ 1.77	10%	
P/Book	€ 2.54	5%	
TARGET PRICE	€ 2.52	100%	

NAV/SOTP Calculation

Balance Sheet

		12/15A	12/16E	12/17E
Goodwill	€th	5,248	5,248	5,248
Total intangible	€th	5,448	5,398	5,383
Tangible fixed assets	€th	428	491	516
Financial fixed assets	€th	325	4,585	4,677
WCR	€th	17,693	19,236	21,717
Other assets	€th	3,066	2,056	1,994
Total assets (net of short term liab.)	€th	26,960	31,766	34,287
Ordinary shareholders' equity	€th	23,683	26,436	31,709
Quasi Equity & Preferred	€th			
Minority interests	€th			
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th			
Total provisions for risks and liabilities	€th	0.00	0.00	0.00
Tax liabilities	€th			
Other liabilities	€th			
Net debt (cash)	€th	3,277	5,330	2,577
Total liab. and shareholders' equity	€th	26,960	31,766	34,287

Capital Employed

		12/15A	12/16E	12/17E
Capital employed after depreciation	€th	23,894	29,710	32,292

Profits & Risks Ratios

		12/15A	12/16E	12/17E
ROE (after tax)	%	24.9	12.4	14.3
ROCE	%	14.4	12.3	13.0
Gearing (at book value)	%	15.3	16.3	12.5
Adj. Net debt/EBITDA(R)	x	0.63	1.00	0.43
Interest cover (x)	x	-6.20	-4.98	-5.21

Valuation Ratios

		12/15A	12/16E	12/17E
Reference P/E (benchmark)	x	2.80	8.48	4.97
Free cash flow yield	%	3.05	9.35	14.1
P/Book	x	0.74	1.43	0.84
Dividend yield	%	0.00	1.11	1.58

EV Calculation

		12/15A	12/16E	12/17E
Market cap	€th	17,430	37,906	26,709
+ Provisions	€th	0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	3,277	5,330	2,577
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	325	8,585	8,677
+ Minority interests (fair value)	€th	0.00	0.00	0.00
= EV	€th	20,382	34,651	20,610
EV/EBITDA(R)	x	3.95	6.49	3.43
EV/Sales	x	1.63	1.85	1.00

Analyst : Charles Bordes, Changes to Forecasts : 17/03/2017.