



# Keyware

Smart Cards-Security / Belgium



**Charles BORDES**  
 IThardware@alphavalue.eu  
 +33 (0) 1 70 61 10 50  
 corporate.alphavalue.com

## Update following the Q1 17 results

Roaring Authorisation offsetting a down-cycle in Terminals - 15/06/2017

### Change in EPS

2017 : € 0.24 vs 0.26	-5.57%
2018 : € 0.25 vs 0.28	-9.27%

Following the Q1 17 results, we have updated our forecasts for the coming years. Our top-line estimate for 2017 is downgraded from €20.7m to €20.2m, mainly due to a cut in the Terminals business (-7.2% yoy vs. -3% previously) in the light of a difficult Q1. In addition, we now see growth of 9.7% in 2018 vs. 12.2% previously, in order to reflect a progressive recovery in the Terminals business.

Despite improvements in both segments, the bottom-line mechanically suffers from the higher share of Authorisations in the mix, for which the gross margin is much lower than Terminals.

### Change in DCF

€ 2.48 vs 2.78	-10.9%
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The DCF is negatively impacted by the top-line downgrade, which translates into a lower cash generation, despite unchanged long-term parameters.

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.

<b>Buy</b>	<b>Upside : 65.0%</b>
Target Price (6 months)	€ 2.64
Share Price	€ 1.60
Market Capitalisation €M	34.6
Price Momentum	<b>GOOD</b>
Extremes 12Months	1.10 ▶ 1.99
Bloomberg	KEYW BB Equity
Reuters	KEYW.BR

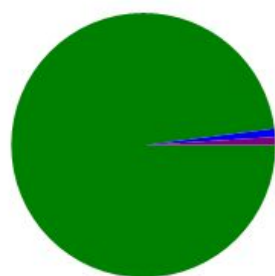
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PERF	1w	1m	3m	12m
Keyware	3.16%	19.3%	22.0%	5.20%
IT Hardware	-1.25%	3.04%	9.63%	17.9%
SXXR Index	-0.34%	-1.72%	5.37%	24.3%

Last updated: 15/06/2017	12/15A	12/16A	12/17E	12/18E
Adjusted P/E (x)	2.80	8.48	6.63	6.28
Dividend yield (%)	0.00	1.11	1.25	1.25
EV/EBITDA(R) (x)	3.95	6.54	5.09	4.17
Adjusted EPS (€)	0.30	0.21	0.24	0.25
Growth in EPS (%)	131	-28.2	13.5	5.57
Dividend (€)	0.00	0.02	0.02	0.02
Sales (€th)	12,491	18,721	20,183	22,150
EBIT margin (%)	25.0	17.0	17.4	17.5
Attributable net profit (€th)	5,182	3,101	3,810	3,908
ROE (after tax) (%)	24.9	12.4	13.2	11.7
Gearing (%)	15.3	16.3	14.9	8.57

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## Sales by Geography



Belgium	(98.0%)
Netherlands	(1.0%)
Other	(1.0%)

## Consolidated P&L Accounts

		12/16A	12/17E	12/18E
Sales	€th	18,721	20,183	22,150
Change in sales	%	49.9	7.81	9.75
Change in staff costs	%	-4.64	32.9	1.99
EBITDA	€th	5,339	5,623	6,075
<b>EBITDA(R) margin</b>	<b>%</b>	<b>28.5</b>	<b>27.9</b>	<b>27.4</b>
Depreciation	€th	-268	-293	-321
Underlying operating profit	€th	5,071	5,330	5,753
<b>Operating profit (EBIT)</b>	<b>€th</b>	<b>3,174</b>	<b>3,514</b>	<b>3,871</b>
Net financial expense	€th	1,018	1,096	1,245
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th			-750
Corporate tax	€th	-1,196	-1,000	-1,058
Equity associates	€th	105	200	600
Minority interests	€th			
<b>Adjusted attributable net profit</b>	<b>€th</b>	<b>4,998</b>	<b>5,626</b>	<b>5,790</b>
NOPAT	€th	3,655	3,931	4,627

## Cashflow Statement

		12/16A	12/17E	12/18E
EBITDA	€th	5,339	5,623	6,075
Change in WCR	€th	-3,468	-2,517	-2,120
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	0.00	-1,000	-1,058
Exceptional items	€th			-750
Other operating cash flows	€th	-53.0		
Total operating cash flows	€th	1,818	2,106	2,146
Capital expenditure	€th	-311	-343	-377
Total investment flows	€th	-4,541	-943	-577
Net interest expense	€th	1,018	1,096	1,245
Dividends (parent company)	€th	-424	-417	-401
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	76.0	-500	-500
Total financial flows	€th	2,787	-1,611	-1,464
Change in cash position	€th	64.0	-448	106
<b>Free cash flow (pre div.)</b>	<b>€th</b>	<b>2,525</b>	<b>2,859</b>	<b>3,015</b>

## Per Share Data

		12/16A	12/17E	12/18E
No. of shares net of treas. stock (year...	Th	21,212	20,837	20,038
Number of diluted shares (average)	Th	23,538	23,345	22,758
<b>Benchmark EPS</b>	<b>€</b>	<b>0.21</b>	<b>0.24</b>	<b>0.25</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 2.48	35%	■ Gemalto
NAV/SOTP per share	€ 2.37	20%	■ Ingenico
EV/Ebitda	€ 3.20	20%	■ Dassault Systemes
P/E	€ 3.20	10%	■ Logitech International
Dividend Yield	€ 1.80	10%	
P/Book	€ 3.20	5%	
TARGET PRICE	€ 2.64	100%	

### NAV/SOTP Calculation

## Balance Sheet

		12/16A	12/17E	12/18E
Goodwill	€th	5,248	5,480	5,480
Total intangible	€th	5,398	6,289	6,208
Tangible fixed assets	€th	491	636	668
Financial fixed assets	€th	4,585	4,677	4,770
WCR	€th	19,236	21,753	23,873
Other assets	€th	2,056	1,994	1,934
Total assets (net of short term liab.)	€th	31,766	35,349	37,454
<b>Ordinary shareholders' equity</b>	<b>€th</b>	<b>26,436</b>	<b>31,361</b>	<b>35,380</b>
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			
<b>Net debt (cash)</b>	<b>€th</b>	<b>5,330</b>	<b>3,988</b>	<b>2,074</b>
Total liab. and shareholders' equity	€th	31,766	35,349	37,454

## Capital Employed

		12/16A	12/17E	12/18E
Capital employed after depreciation	€th	29,710	33,355	35,519

## Profits & Risks Ratios

		12/16A	12/17E	12/18E
<b>ROE (after tax)</b>	<b>%</b>	<b>12.4</b>	<b>13.2</b>	<b>11.7</b>
ROCE	%	12.3	11.8	13.0
<b>Gearing (at book value)</b>	<b>%</b>	<b>16.3</b>	<b>14.9</b>	<b>8.57</b>
Adj. Net debt/EBITDA(R)	x	1.00	0.71	0.34
Interest cover (x)	x	-4.98	-4.86	-4.62

## Valuation Ratios

		12/16A	12/17E	12/18E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>8.48</b>	<b>6.63</b>	<b>6.28</b>
Free cash flow yield	%	6.61	8.58	9.41
P/Book	x	1.44	1.06	0.91
<b>Dividend yield</b>	<b>%</b>	<b>1.11</b>	<b>1.25</b>	<b>1.25</b>

## EV Calculation

		12/16A	12/17E	12/18E
Market cap	€th	38,172	33,319	32,041
+ 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	5,330	3,988	2,074
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	8,585	8,677	8,770
+ Minority interests (fair value)	€th	0.00	0.00	0.00
= EV	€th	34,917	28,630	25,344
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>6.54</b>	<b>5.09</b>	<b>4.17</b>
EV/Sales	x	1.87	1.42	1.14

Analyst : Charles Bordes, Changes to Forecasts : 15/06/2017.