



Keyware

Smart Cards-Security / Belgium

A smooth start to the year

Earnings/sales releases - 03/10/2022

We highly welcome the H1 FY22 very good performance. Most of the results' increase was linked to the Payment Solutions acquisition in January, but also thanks to the company's good execution regarding the integration of the new payment partner. The expansion of its sales force remains the big challenge looking forward.

Fact

H1 FY22 key financials :

- Revenue up by +43.3% to €12,211k
- EBIT up by +164.7% to €802k
- EBITDA up by +33.1% to €2,475k
- Net profit up by +95.4% to €856k

Analysis

Strong performance during H1 FY22 through every product and service range. It should be borne in mind that the results were mainly driven by the acquisition of Payment Solutions, which pushed up Terminal division's results: sales up by +37% and gross margin up by +30%. There was nevertheless a notable increase in results excluding this factor. As a reminder, Keyware announced in January the acquisition of Payment Solutions BV, a player in the electronic payment solutions market with clients mainly located in Flanders and Brussels, expected to increase Keyware's customers base by c. 15%. During the first semester, the acquisition's contribution to revenue and EBITDA was €2,162k and €441k respectively, in line with the expectations announced at the beginning of the year.

Excluding the acquisition, H1 FY22 Keyware's sales were up by c. 18%, EBIT up by c. +33% and EBITDA up by c. +9.5%, translating improvement outside the inclusion of Payment Solutions. Indeed, Authorizations segment showed +59% and +67% sales and gross margin growth respectively. The division was driven by the completion (finally!) of the migration to a new payment partner – in June 2021, only 86.7% was achieved-, the recovery of consumer spending since COVID-19, as well as a change in commercial approach.

The software division reported +35% sales and +17% gross margin growth, thanks to an increasing demand for payment applications, such as Keyware's instalment payment solutions offer (Split), and the expansion of the offering with order and payment kiosks.

Looking forward, the company is measuring the potential impact of the overall cost of living, especially energy prices, on the consumption spending patterns of its customers. This should have an indirect impact on the Authorization division. Regarding the Terminal and Software division, most of the development will depend on the company's ability to recruit new and qualified sales representatives (continuing to be one of the company's main issues).



Laura PARISOT

lthardware@alphavalue.eu

+33 (0) 1 70 61 10 50

corporate.alphavalue.com

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: 118%

Target Price (6 months)	€ 2.25
Share Price	€ 1.03
Market Cap. €M	24.3
Price Momentum	STRONG
Extremes 12Months	0.94 ▶ 1.16
Sustainability score	4.1 /10
Credit Risk	BB →
Bloomberg	KEYW BB Equity
Reuters	KEYW.BR

[Download Full Analysis](#)[Company Page](#)

PERF	1w	1m	3m	12m
Keyware	-4.63%	-6.36%	4.04%	-3.74%
IT Hardware	0.96%	-12.3%	-5.78%	-24.4%
STOXX 600	-0.65%	-6.57%	-4.75%	-14.7%

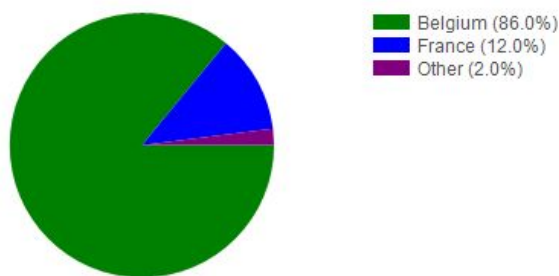
Last updated: 18/05/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	8.22	11.4	8.64	8.08
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	5.66	5.74	4.33	3.71
Adjusted EPS (€)	0.12	0.09	0.12	0.13
Growth in EPS (%)	56.5	-25.7	31.4	7.01
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	17,689	19,539	21,662	22,660
EBIT margin (%)	0.67	2.26	3.74	4.18
Attributable net profit (€th)	478	635	1,006	1,203
ROE (after tax) (%)	1.73	2.14	3.05	3.34
Gearing (%)	10.5	5.26	0.18	-4.94

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

■ Impact

We will integrate the very good H1 FY22 figures, but no major changes are envisaged in our FY22 expectations overall. We have already integrated the positive impact from the Payment Solutions acquisition and were already quite optimistic for the year 2022.

Sales by Geography



Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	€th	17,689	19,539	21,662
Change in sales	%	36.5	10.5	10.9
Change in staff costs	%	12.8	0.00	0.00
EBITDA	€th	4,610	4,400	5,407
EBITDA(R) margin	%	26.1	22.5	25.0
Depreciation	€th	-1,600	-1,954	-2,166
Underlying operating profit	€th	2,835	2,447	3,241
Operating profit (EBIT)	€th	441	947	1,441
Net financial expense	€th	-106	-100	-100
of which related to pensions	€th		-5.03	-5.63
Exceptional items & other	€th			
Corporate tax	€th	143	-212	-335
Equity associates	€th			
Minority interests	€th			
Adjusted attributable net profit	€th	2,872	2,135	2,806
NOPAT	€th	1,985	1,716	2,273

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	€th	4,610	4,400	5,407
Change in WCR	€th	-1,842	-792	-1,018
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	0.00	-212	-335
Exceptional items	€th			
Other operating cash flows	€th	-533	-800	-800
Total operating cash flows	€th	2,235	2,597	3,254
Capital expenditure	€th	-870	-1,172	-1,300
Total investment flows	€th	-870	-1,172	-1,300
Net interest expense	€th	-106	-100	-100
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	0.00	0.00	0.00
Total financial flows	€th	-1,408	-433	-383
Change in cash position	€th	-43.0	992	1,571
Free cash flow (pre div.)	€th	1,259	1,325	1,854

Per Share Data

		12/21A	12/22E	12/23E
No. of shares net of treas. stock (year...	Th	23,544	23,544	23,544
Number of diluted shares (average)	Th	23,544	23,544	23,544
Benchmark EPS	€	0.12	0.09	0.12
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 3.18	35%	EdenRed
NAV/SOTP per share	€ 2.05	20%	Worldline
EV/Ebitda	€ 2.06	20%	Nexi
P/E	€ 2.06	10%	Adyen
Dividend Yield	€ 0.00	10%	Amadeus IT Group
P/Book	€ 2.06	5%	
TARGET PRICE	€ 2.25	100%	

NAV/SOTP Calculation

Balance Sheet

		12/21A	12/22E	12/23E
Goodwill	€th	7,762	8,041	8,041
Total intangible	€th	12,212	13,838	13,838
Tangible fixed assets	€th	1,209	2,177	2,177
Financial fixed assets	€th	168	150	150
WCR	€th	16,694	17,486	18,504
Other assets	€th	3,075	1,000	1,000
Total assets (net of short term liab.)	€th	33,358	34,650	35,668
Ordinary shareholders' equity	€th	27,892	31,499	34,373
Quasi Equity & Preferred	€th			
Minority interests	€th			
Provisions for pensions	€th		158	162
Other provisions for risks and liabilities	€th	332		
Total provisions for risks and liabilities	€th	332	158	162
Tax liabilities	€th	2,811	2,000	2,000
Other liabilities	€th			
Net debt (cash)	€th	2,323	993	-867
Total liab. and shareholders' equity	€th	33,358	34,650	35,668

Capital Employed

		12/21A	12/22E	12/23E
Capital employed after depreciation	€th	30,283	33,650	34,668

Profits & Risks Ratios

		12/21A	12/22E	12/23E
ROE (after tax)	%	1.73	2.14	3.05
ROCE	%	6.55	5.10	6.56
Gearing (at book value)	%	10.5	5.26	0.18
Adj. Net debt/EBITDA(R)	x	0.50	0.23	-0.16
Interest cover (x)	x	26.7	25.8	34.3

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	8.22	11.4	8.64
Free cash flow yield	%	5.34	5.46	7.65
P/Book	x	0.85	0.77	0.71
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/21A	12/22E	12/23E
Market cap	€th	23,597	24,250	24,250
+ Provisions	€th	332	158	162
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	2,323	993	-867
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	168	150	150
+ Minority interests (fair value)	€th	0.00	0.00	0.00
= EV	€th	26,084	25,251	23,395
EV/EBITDA(R)	x	5.66	5.74	4.33
EV/Sales	x	1.47	1.29	1.08

Analyst : Laura Parisot, Changes to Forecasts : 18/05/2022.