



# Keyware

Smart Cards-Security / Belgium

## All lights are green after Authorisation's partner change

Earnings/sales releases - 18/05/2022

**Strong execution during FY21 led to higher-than-expected results. The successful transition to the new partner definitely drove the growth, while low comps also helped. The sky is getting brighter looking forward.**

### Fact

#### FY21 key financials

- Sales up by +36.5% to €17,689k
- EBIT up by +129.8% to €119k
- EBITDA up by +40.6% to €3,955k
- Profit up by +889.4% to €653k

### Analysis

#### All divisions contributed to growth

Keyware published FY21 results that came in higher than our expectations with substantial growth in all three segments due to low comps linked to the pandemic and the completion of the transition to the new transaction partner.

The payment terminal's revenue was up by +6.5% to €7,072k with higher signed contracts during the year thanks to significant commercial actions and promotions. The software segment was up by +14.1% to €604k. The division continues to contribute more and more to the group's results (27% of total revenue) and the additional investments to implement the commercial SAAS contracts (launched in 2019, maintained in 2022) will increase it further. Lastly, what actually boosted the top-line performance strongly was the authorisations segment, up by +158.4% to €5,995k thanks to the successful/completed migration to the new partner during the year which has also translated into improved profitability and higher margins.

#### Improved profitability

Despite higher personnel costs (up by +12.8%), due to low comps as 2020 was under periods of temporary unemployment, higher operating charges and provisions, Keyware was able to deliver an EBITDA margin improvement (22.4% vs. 21.7% in FY20). This is explained by the higher gross margin due to higher authorisation revenues (new transaction partner) and subscription, as well as a higher contribution from software whose number of merchants offering SPLIT (electronic transactions with deferred payments to consumer) has continued to rise and boosted profitability.

#### Payment solution acquisition

In January 2022, Keyware announced the acquisition of Payment Solutions BV, a player in the electronic payment solutions market with clients mainly located in Flanders and Brussels. The transaction implies c. 15% growth in Keyware's customer base, while synergies are expected in the terminals and authorisations segments throughout 2022. The contribution to this acquisition to FY22 revenue and EBITDA is expected to be €2,300k and €440k, 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

<b>Buy</b>	<b>Upside: 89.4%</b>
Target Price (6 months)	€ 2.05
Share Price	€ 1.08
Market Cap. €M	25.4
Price Momentum	<b>GOOD</b>
Extremes 12Months	0.92 ▶ 1.16
Sustainability score	4.1 /10
Credit Risk	BB →
Bloomberg	KEYW BB Equity
Reuters	KEYW.BR

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PERF	1w	1m	3m	12m
Keyware	-0.92%	5.88%	3.85%	11.3%
IT Hardware	4.37%	-4.71%	-12.4%	-14.4%
STOXX 600	4.44%	-4.53%	-5.51%	-0.75%

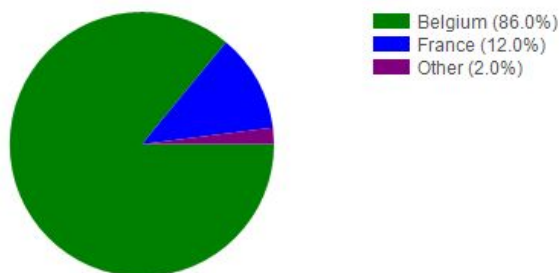
Last updated: 24/11/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	9.64	11.9	12.0	10.9
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	5.79	6.36	6.37	5.36
Adjusted EPS (€)	0.08	0.08	0.09	0.10
Growth in EPS (%)	32.7	7.98	6.55	10.3
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	12,961	15,302	16,568	18,589
EBIT margin (%)	-3.08	2.59	2.88	4.08
Attributable net profit (€th)	66.0	682	811	1,028
ROE (after tax) (%)	0.24	2.37	2.58	3.02
Gearing (%)	13.4	9.66	4.95	0.45

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

## ■ Impact

We will integrate the higher-than-expected FY21 figures and should positively revise our expectations looking forward given the strong execution in FY21 which gives us a positive sentiment. The Payment Solutions integration is also expected to drive FY22 forecasts up.

## Sales by Geography



## Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Sales	€th	12,961	15,302	16,568
Change in sales	%	-28.5	18.1	8.27
Change in staff costs	%	0.00	0.00	0.00
EBITDA	€th	3,660	4,073	4,138
<b>EBITDA(R) margin</b>	<b>%</b>	<b>28.2</b>	<b>26.6</b>	<b>25.0</b>
Depreciation	€th	-1,564	-1,683	-1,657
Underlying operating profit	€th	2,096	2,390	2,482
<b>Operating profit (EBIT)</b>	<b>€th</b>	<b>288</b>	<b>1,090</b>	<b>1,182</b>
Net financial expense	€th	-115	-116	-100
of which related to pensions	€th		-5.03	-5.63
Exceptional items & other	€th			
Corporate tax	€th	-107	-292	-270
Equity associates	€th			
Minority interests	€th			
<b>Adjusted attributable net profit</b>	<b>€th</b>	<b>1,874</b>	<b>1,982</b>	<b>2,111</b>
NOPAT	€th	1,467	1,676	1,741

## Cashflow Statement

		12/20A	12/21E	12/22E
EBITDA	€th	3,660	4,073	4,138
Change in WCR	€th	512	-1,101	-1,013
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	0.00	-292	-270
Exceptional items	€th			
Other operating cash flows	€th	-497	-400	-400
Total operating cash flows	€th	3,675	2,280	2,455
Capital expenditure	€th	-743	-918	-994
Total investment flows	€th	-748	-918	-994
Net interest expense	€th	-115	-116	-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	-146	0.00	0.00
Total financial flows	€th	-2,680	-857	-318
Change in cash position	€th	247	505	1,143
<b>Free cash flow (pre div.)</b>	<b>€th</b>	<b>2,817</b>	<b>1,246</b>	<b>1,361</b>

## Per Share Data

		12/20A	12/21E	12/22E
No. of shares net of treas. stock (year...	Th	23,544	23,544	23,544
Number of diluted shares (average)	Th	24,044	23,544	23,544
<b>Benchmark EPS</b>	<b>€</b>	<b>0.08</b>	<b>0.08</b>	<b>0.09</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 2.54	35%	● Adyen
NAV/SOTP per share	€ 2.00	20%	● Nexi
EV/Ebitda	€ 2.16	20%	● Amadeus IT Group
P/E	€ 2.16	10%	● EdenRed
Dividend Yield	€ 0.00	10%	● Worldline
P/Book	€ 2.16	5%	
TARGET PRICE	€ 2.05	100%	

### NAV/SOTP Calculation

## Balance Sheet

		12/20A	12/21E	12/22E
Goodwill	€th	7,762	8,041	8,041
Total intangible	€th	13,030	13,838	13,838
Tangible fixed assets	€th	1,685	2,177	2,177
Financial fixed assets	€th	168	150	150
WCR	€th	16,463	17,564	18,577
Other assets	€th	2,811	1,000	1,000
Total assets (net of short term liab.)	€th	34,157	34,728	35,741
<b>Ordinary shareholders' equity</b>	<b>€th</b>	<b>27,239</b>	<b>30,271</b>	<b>32,647</b>
Quasi Equity & Preferred	€th			
Minority interests	€th			
Provisions for pensions	€th		158	162
Other provisions for risks and liabilities	€th	142		
Total provisions for risks and liabilities	€th	142	158	162
Tax liabilities	€th	3,226	2,000	2,000
Other liabilities	€th			
<b>Net debt (cash)</b>	<b>€th</b>	<b>3,550</b>	<b>2,299</b>	<b>933</b>
Total liab. and shareholders' equity	€th	34,157	34,728	35,741

## Capital Employed

		12/20A	12/21E	12/22E
Capital employed after depreciation	€th	31,346	33,728	34,741

## Profits & Risks Ratios

		12/20A	12/21E	12/22E
<b>ROE (after tax)</b>	<b>%</b>	<b>0.24</b>	<b>2.37</b>	<b>2.58</b>
ROCE	%	4.68	4.97	5.01
<b>Gearing (at book value)</b>	<b>%</b>	<b>13.4</b>	<b>9.66</b>	<b>4.95</b>
Adj. Net debt/EBITDA(R)	x	0.97	0.56	0.23
Interest cover (x)	x	18.2	21.5	26.3

## Valuation Ratios

		12/20A	12/21E	12/22E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>9.64</b>	<b>11.9</b>	<b>12.0</b>
Free cash flow yield	%	15.9	5.28	5.35
P/Book	x	0.65	0.78	0.78
<b>Dividend yield</b>	<b>%</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## EV Calculation

		12/20A	12/21E	12/22E
Market cap	€th	17,682	23,597	25,427
+ Provisions	€th	142	158	162
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	3,550	2,299	933
+ 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	21,206	25,904	26,372
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>5.79</b>	<b>6.36</b>	<b>6.37</b>
EV/Sales	x	1.64	1.69	1.59

Analyst : Laura Parisot, Changes to Forecasts : 24/11/2021.