



# Keyware

Smart Cards-Security / Belgium

## Strategic acquisition of Payment Solutions

M&amp;A /Corp. Action - 13/01/2022

**Keyware is now strengthening its division with a strategic acquisition in Belgium that will greatly expand its portfolio**

### Fact

Keyware announced the acquisition of Payment Solutions, a Belgium player active in the electronic payment solutions market.

### Analysis

Keyware has reached an agreement to acquire 100% of Payment Solutions's shares. The company will continue to operate as before: no reshuffling of employees and management, as Keyware did with EasyOrder and Magellan. The arrival of the CEO of Payment solutions in the management of Keyware would therefore not be a surprise.

After focusing on the development of its software business, the company is returning to its roots with the intention to expand its customer base in the payment terminals and authorization segments. The operation will expand its existing portfolio by c. 2,500 contracts, representing growth of c.15% in the Keyware customer base. The clientele is mainly located in Flanders and Brussels.

Keyware sees major synergies (optimization of the terminal and acquiring offer), and contributions from this acquisition of k€2,300 to FY22 consolidated revenue and k€440 to FY22 EBITDA.

### Impact

We will integrate the expected contributions to the revenue and EBITDA. Keyware didn't communicate about the acquisition's price but looking at the TSS' valorisation (Terminal services and Solutions), c.€2.5bn for €1.2bn of sales, we estimate the multiple for the Keyware transaction at about 2x, implying an acquisition price of c. k€4,600. The company plans to communicate more about this acquisition at the time of its annual results, when we should also have more information about its financing, allowing us to integrate this into our model.



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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

**Buy** **Upside: 87.8%**

Target Price (6 months) € 2.14

Share Price € 1.14

Market Cap. €M 26.8

Price Momentum **STRONG**

Extremes 12Months 0.84 ▶ 1.16

Sustainability score 4.7 /10

Credit Risk **BB** →

Bloomberg **KEYW BB Equity**

Reuters **KEYW.BR**

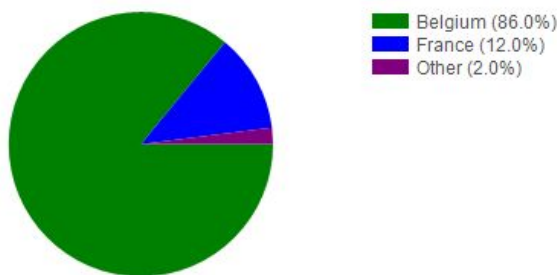

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PERF	1w	1m	3m	12m
Keyware	4.59%	0.88%	4.59%	20.0%
IT Hardware	-0.58%	4.99%	0.85%	18.8%
STOXX 600	-1.65%	2.68%	6.34%	19.0%

Last updated: 24/11/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	9.64	11.9	12.7	11.5
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	5.79	6.36	6.71	5.67
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](#)

## 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	€ 2.70	35%	● Adyen
NAV/SOTP per share	€ 2.00	20%	● Nexi
EV/Ebitda	€ 2.28	20%	● Amadeus IT Group
P/E	€ 2.28	10%	● EdenRed
Dividend Yield	€ 0.00	10%	● Worldline
P/Book	€ 2.28	5%	
TARGET PRICE	€ 2.14	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>12.7</b>
Free cash flow yield	%	15.9	5.28	5.07
P/Book	x	0.65	0.78	0.82
<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	26,840
+ 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	27,784
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>5.79</b>	<b>6.36</b>	<b>6.71</b>
EV/Sales	x	1.64	1.69	1.68

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