



Keyware

Smart Cards-Security / Belgium

Back in positive territory thanks to recovery in authorisations segment

Earnings/sales releases - 16/09/2021

Strong set of H1 FY21 results thanks to both easy comps linked to the pandemic and, especially, the continuing evolution of the migration to the new transaction partner.

Fact

H1 FY21 key financials

- Revenue up by 47.1% to €8,521k
- EBIT up by +136.7% to €303k
- EBITDA up by 21.3% to €1,859k with an EBITDA margin of 21.8% (vs. 26.5% in H1 FY20)
- Net profit reached €438k (+57.6% yoy)

Analysis

Significant progress in the change of authorisations' partner

During the first half year of 2020 (in February), the decision was taken by Keyware to move to another payment partner and a settlement was signed to still ensure authorisation of fixed income during the first 9 months of 2020 (no longer after September 2020), but at a decreasing rate. However, the transfer to the other partner is taking time and Keyware has lost a major part of its authorisation income (-27.1% revenue in H1 FY20). At 30 June 2020, the percentage migration of contracts to the new partner was 14.6%, 29.1% at 30 September 2020, 63.8% at 30 December 2020, and finally 86.7% at 30 June 2021. Given such progress, the group was able to post 128% authorisations revenue growth in H1 FY21. The division will continue to post major improvements in H2 FY21, as Keyware estimates that the remaining c. 10% should be transferred by 31 December 2021.

The payment terminals segment posted +13.9% revenue growth to €3,679k with a higher number of signed contracts and higher subscription income led by a more flexible period yoy (many shops became accessible again).

Software segment led by EasyOrder

The third "lockdown" and associated closure of the badly hit catering sector led to a boom in the delivery and takeout formulas during that period (including restaurants, but also dark kitchens which work purely online). There has been and still is an increasing demand for the SPLIT application among retailers. Consequently, the software segment, with the strong performance of EasyOrder, showed +53.1% revenue growth to €537k. Magellan also contributed, to a lesser extent, to the segment's performance. The group is, however, worried about not finding the additional representatives needed to develop the activity even more in the coming months (becoming the company's main focus).

Impact

We will integrate the H1 FY21 figures and should positively revise our expectations for the year as the half-year results came in ahead of our expectations, while H2 is also expected to be good thanks, in particular, to comparables that should continue to be favourable.



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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: 98.2%

Target Price (6 months) € 2.06

Share Price € 1.04

Market Cap. €M 24.5

Price Momentum **STRONG**

Extremes 12Months 0.62 ▶ 1.09

Sustainability score 4.7 /10

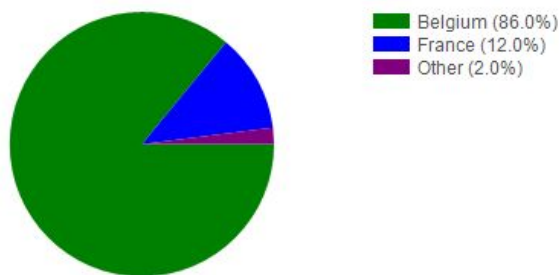
Credit Risk **BB** →Bloomberg **KEYW BB Equity**Reuters **KEYW.BR**
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PERF	1w	1m	3m	12m
Keyware	6.67%	7.22%	6.12%	42.5%
IT Hardware	-3.38%	-4.03%	-6.44%	20.4%
STOXX 600	-0.85%	-2.01%	1.11%	25.1%

Last updated: 17/05/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	9.64	12.4	11.1	9.34
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	5.79	6.90	6.24	5.25
Adjusted EPS (€)	0.08	0.08	0.09	0.11
Growth in EPS (%)	32.7	7.93	11.0	19.2
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	12,961	14,804	16,120	18,186
EBIT margin (%)	-3.08	2.76	4.31	6.94
Attributable net profit (€th)	66.0	681	899	1,320
ROE (after tax) (%)	0.24	2.39	2.93	4.04
Gearing (%)	13.4	9.85	5.85	2.51

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

Sales by Geography



Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Sales	€th	12,961	14,804	16,120
Change in sales	%	-28.5	14.2	8.89
Change in staff costs	%	0.00	0.00	0.00
EBITDA	€th	3,660	3,882	4,146
EBITDA(R) margin	%	28.2	26.2	25.7
Depreciation	€th	-1,564	-1,480	-1,451
Underlying operating profit	€th	2,096	2,402	2,696
Operating profit (EBIT)	€th	288	1,102	1,396
Net financial expense	€th	-115	-130	-112
of which related to pensions	€th		-5.03	-5.63
Exceptional items & other	€th			
Corporate tax	€th	-107	-292	-385
Equity associates	€th			
Minority interests	€th			
Adjusted attributable net profit	€th	1,874	1,981	2,199
NOPAT	€th	1,467	1,685	1,891

Cashflow Statement

		12/20A	12/21E	12/22E
EBITDA	€th	3,660	3,882	4,146
Change in WCR	€th	512	-529	-980
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	0.00	-292	-385
Exceptional items	€th			
Other operating cash flows	€th	-497	-800	-800
Total operating cash flows	€th	3,675	2,261	1,981
Capital expenditure	€th	-743	-888	-967
Total investment flows	€th	-748	-888	-967
Net interest expense	€th	-115	-130	-112
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	-871	-330
Change in cash position	€th	247	502	684
Free cash flow (pre div.)	€th	2,817	1,243	902

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
Benchmark EPS	€	0.08	0.08	0.09
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 2.67	35%	EdenRed
NAV/SOTP per share	€ 2.00	20%	Worldline
EV/Ebitda	€ 2.08	20%	Nexi
P/E	€ 2.08	10%	Adyen
Dividend Yield	€ 0.00	10%	Amadeus IT Group
P/Book	€ 2.08	5%	
TARGET PRICE	€ 2.06	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	16,992	17,973
Other assets	€th	2,811	1,000	1,000
Total assets (net of short term liab.)	€th	34,157	34,157	35,137
Ordinary shareholders' equity	€th	27,239	29,697	31,581
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			
Net debt (cash)	€th	3,550	2,302	1,394
Total liab. and shareholders' equity	€th	34,157	34,157	35,137

Capital Employed

		12/20A	12/21E	12/22E
Capital employed after depreciation	€th	31,346	33,157	34,137

Profits & Risks Ratios

		12/20A	12/21E	12/22E
ROE (after tax)	%	0.24	2.39	2.93
ROCE	%	4.68	5.08	5.54
Gearing (at book value)	%	13.4	9.85	5.85
Adj. Net debt/EBITDA(R)	x	0.97	0.59	0.34
Interest cover (x)	x	18.2	19.3	25.4

Valuation Ratios

		12/20A	12/21E	12/22E
Reference P/E (benchmark)	x	9.64	12.4	11.1
Free cash flow yield	%	15.9	5.08	3.68
P/Book	x	0.65	0.82	0.78
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/20A	12/21E	12/22E
Market cap	€th	17,682	24,486	24,486
+ Provisions	€th	142	158	162
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	3,550	2,302	1,394
+ 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	26,795	25,891
EV/EBITDA(R)	x	5.79	6.90	6.24
EV/Sales	x	1.64	1.81	1.61

Analyst : Laura Parisot, Changes to Forecasts : 17/05/2021.