



Keyware

Smart Cards-Security / Belgium

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From hardware to software

12/11/2018

Change in EPS

2018 : € 0.14 vs 0.18	-23.9%
2019 : € 0.16 vs 0.20	-17.0%

The company has reported its Q3 18 results, which showed revenue growth but lower operating profitability due to the transition from a hardware provider to a software developer. We have updated our model to integrate these most recent figures, which were slightly lower than we had expected at the beginning of the year. The costs of transition have been higher than our former forecasts, which explains the lower EPS in FY18 and FY19. However, we remain confident about the company's capability to reap higher profits in the following years and continue to grow, particularly in the software division.



Laura PARISOT

lthardware@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.alphavalue.com

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.

Buy Upside : 77.6%

Target Price (6 months)	€ 1.97
Share Price	€ 1.11
Market Cap. €M	23.4
Price Momentum	UNFAVORABLE
Extremes 12Months	1.02 ▶ 1.60
Bloomberg	KEYW BB Equity
Reuters	KEYW.BR

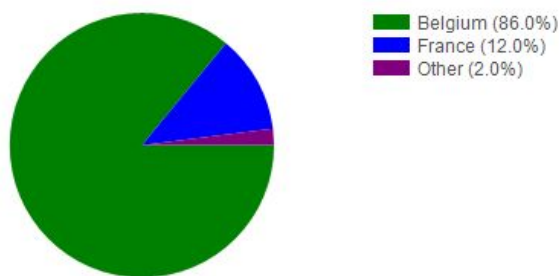

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PERF	1w	1m	3m	12m
Keyware	-4.72%	-3.90%	7.40%	-17.4%
IT Hardware	0.66%	8.40%	7.57%	32.4%
SXXR Index	0.49%	-0.22%	-5.92%	-3.60%

Last updated: 12/11/2018	12/16A	12/17A	12/18E	12/19E
Adjusted P/E (x)	8.15	11.3	8.08	6.76
Dividend yield (%)	1.16	2.13	2.70	2.70
EV/EBITDA(R) (x)	5.11	7.01	5.01	3.98
Adjusted EPS (€)	0.21	0.13	0.14	0.16
Growth in EPS (%)	-28.2	-41.0	9.64	19.5
Dividend (€)	0.02	0.03	0.03	0.03
Sales (€th)	18,721	18,730	20,598	21,719
EBIT margin (%)	17.0	6.10	8.12	11.3
Attributable net profit (€th)	3,101	1,174	940	1,484
ROE (after tax) (%)	12.4	4.36	3.25	4.63
Gearing (%)	16.3	21.1	19.3	13.6

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Sales by Geography



Consolidated P&L Accounts

		12/17A	12/18E	12/19E
Sales	€th	18,730	20,598	21,719
Change in sales	%	0.05	9.97	5.44
Change in staff costs	%	32.9	45.7	6.82
EBITDA	€th	5,097	5,470	6,008
EBITDA(R) margin	%	27.2	26.6	27.7
Depreciation	€th	-919	-1,442	-1,455
Underlying operating profit	€th	4,178	4,028	4,553
Operating profit (EBIT)	€th	2,319	1,672	2,453
Net financial expense	€th	-269	-329	-334
of which related to pensions	€th		0.00	-3.58
Exceptional items & other	€th			
Corporate tax	€th	-854	-403	-636
Equity associates	€th	-22.0		
Minority interests	€th			
Adjusted attributable net profit	€th	3,033	3,296	3,584
NOPAT	€th	2,903	2,820	3,190

Cashflow Statement

		12/17A	12/18E	12/19E
EBITDA	€th	5,097	5,470	6,008
Change in WCR	€th	-1,850	-2,389	-1,685
Actual div. received from equity holdi...	€th	400	0.00	0.00
Paid taxes	€th	0.00	-403	-636
Exceptional items	€th			
Other operating cash flows	€th	-230	-142	-186
Total operating cash flows	€th	3,417	2,537	3,502
Capital expenditure	€th	-696	-371	-434
Total investment flows	€th	-3,826	-371	-434
Net interest expense	€th	-269	-329	-334
Dividends (parent company)	€th	0.00	-659	-358
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	-174	-400	-600
Total financial flows	€th	3,144	-3,796	-5,349
Change in cash position	€th	2,735	-1,630	-2,281
Free cash flow (pre div.)	€th	2,452	1,837	2,734

Per Share Data

		12/17A	12/18E	12/19E
No. of shares net of treas. stock (year...	Th	20,804	19,785	18,210
Number of diluted shares (average)	Th	24,193	23,980	21,818
Benchmark EPS	€	0.13	0.14	0.16
Restated NAV per share	€			
Net dividend per share	€	0.03	0.03	0.03

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 1.98	35%	● Ingenico
NAV/SOTP per share	€ 2.07	20%	
EV/Ebitda	€ 2.22	20%	
P/E	€ 1.67	10%	
Dividend Yield	€ 1.42	10%	
P/Book	€ 2.22	5%	
TARGET PRICE	€ 1.97	100%	

NAV/SOTP Calculation

Balance Sheet

		12/17A	12/18E	12/19E
Goodwill	€th	7,993	7,753	7,521
Total intangible	€th	14,672	14,232	13,805
Tangible fixed assets	€th	992	1,042	1,094
Financial fixed assets	€th	150	150	150
WCR	€th	19,197	21,586	23,271
Other assets	€th	932	904	877
Total assets (net of short term liab.)	€th	35,943	37,913	39,196
Ordinary shareholders' equity	€th	27,433	30,471	33,655
Quasi Equity & Preferred	€th			
Minority interests	€th			
Provisions for pensions	€th		100	138
Other provisions for risks and liabilities	€th	230		
Total provisions for risks and liabilities	€th	230	100	138
Tax liabilities	€th	2,023	1,863	1,703
Other liabilities	€th			
Net debt (cash)	€th	6,257	5,479	3,700
Total liab. and shareholders' equity	€th	35,943	37,913	39,196

Capital Employed

		12/17A	12/18E	12/19E
Capital employed after depreciation	€th	35,011	37,009	38,319

Profits & Risks Ratios

		12/17A	12/18E	12/19E
ROE (after tax)	%	4.36	3.25	4.63
ROCE	%	8.29	7.62	8.32
Gearing (at book value)	%	21.1	19.3	13.6
Adj. Net debt/EBITDA(R)	x	1.23	1.00	0.62
Interest cover (x)	x	17.0	12.2	13.8

Valuation Ratios

		12/17A	12/18E	12/19E
Reference P/E (benchmark)	x	11.3	8.08	6.76
Free cash flow yield	%	8.35	8.36	13.5
P/Book	x	1.07	0.72	0.60
Dividend yield	%	2.13	2.70	2.70

EV Calculation

		12/17A	12/18E	12/19E
Market cap	€th	29,369	21,962	20,213
+ Provisions	€th	230	100	138
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	6,257	5,479	3,700
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	150	150	150
+ Minority interests (fair value)	€th	0.00	0.00	0.00
= EV	€th	35,706	27,391	23,901
EV/EBITDA(R)	x	7.01	5.01	3.98
EV/Sales	x	1.91	1.33	1.10

Analyst : Laura Parisot, Changes to Forecasts : 12/11/2018.