



Keyware

Smart Cards-Security / Belgium



Charles BORDES
 IThardware@alphavalue.eu
 +33 (0) 1 70 61 10 50
 corporate.alphavalue.com

Update following the Q3 17 earnings release

Acquisitions in Software to diversify operations - 05/12/2017

Change in EPS

2017 : € 0.17 vs 0.19	-13.4%
2018 : € 0.20 vs 0.20	+0.50%

Following the Q3 17 earnings release, we have updated our model to integrate the most recent figures. Although estimated revenues have been upgraded following the integration of the recent acquisitions in Software, these activities remain in their launching phase, while the operating costs are already being recorded, which therefore explain the EPS downgrade.

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 : 46.2%
Target Price (6 months)	€ 2.22
Share Price	€ 1.52
Market Cap. €M	32.9
Price Momentum	STRONG
Extremes 12Months	1.10 ▶ 1.74
Bloomberg	KEYW BB Equity
Reuters	KEYW.BR

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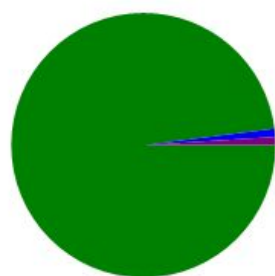


PERF	1w	1m	3m	12m
Keyware	8.88%	10.1%	5.78%	-11.1%
IT Hardware	-2.78%	-4.85%	-8.85%	8.15%
SXXR Index	0.68%	-2.04%	3.87%	17.2%

Last updated: 05/12/2017	12/15A	12/16A	12/17E	12/18E
Adjusted P/E (x)	2.80	8.48	9.08	7.69
Dividend yield (%)	0.00	1.11	0.00	0.00
EV/EBITDA(R) (x)	3.95	6.54	7.53	5.04
Adjusted EPS (€)	0.30	0.21	0.17	0.20
Growth in EPS (%)	131	-28.2	-21.2	18.0
Dividend (€)	0.00	0.02	0.00	0.00
Sales (€th)	12,491	18,721	19,944	23,213
EBIT margin (%)	25.0	17.0	12.8	15.2
Attributable net profit (€th)	5,182	3,101	2,409	2,753
ROE (after tax) (%)	24.9	12.4	8.54	8.51
Gearing (%)	15.3	16.3	25.4	25.2

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

Sales by Geography



Belgium	(98.0%)
Netherlands	(1.0%)
Other	(1.0%)

Consolidated P&L Accounts

		12/16A	12/17E	12/18E
Sales	€th	18,721	19,944	23,213
Change in sales	%	49.9	6.53	16.4
Change in staff costs	%	-4.64	32.9	1.99
EBITDA	€th	5,339	4,964	6,784
EBITDA(R) margin	%	28.5	24.9	29.2
Depreciation	€th	-268	-919	-1,509
Underlying operating profit	€th	5,071	4,045	5,275
Operating profit (EBIT)	€th	3,174	2,556	3,534
Net financial expense	€th	1,018	854	1,027
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th			-750
Corporate tax	€th	-1,196	-1,000	-1,058
Equity associates	€th	105		
Minority interests	€th			
Adjusted attributable net profit	€th	4,998	3,899	4,494
NOPAT	€th	3,655	2,832	3,693

Cashflow Statement

EBITDA	€th	5,339	4,964	6,784
Change in WCR	€th	-3,468	-3,091	-3,014
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	0.00	-1,000	-1,058
Exceptional items	€th			-750
Other operating cash flows	€th	-53.0		
Total operating cash flows	€th	1,818	873	1,962
Capital expenditure	€th	-311	-339	-371
Total investment flows	€th	-4,541	-9,781	-371
Net interest expense	€th	1,018	854	1,027
Dividends (parent company)	€th	-424	0.00	0.00
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	76.0	3,519	-400
Total financial flows	€th	2,787	8,638	-1,781
Change in cash position	€th	64.0	-270	-191
Free cash flow (pre div.)	€th	2,525	1,388	2,617

Per Share Data

No. of shares net of treas. stock (year...	Th	21,212	20,725	20,117
Number of diluted shares (average)	Th	23,538	23,288	22,741
Benchmark EPS	€	0.21	0.17	0.20
Restated NAV per share	€			
Net dividend per share	€	0.02	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 1.99	35%	● Gemalto
NAV/SOTP per share	€ 2.31	20%	● Ingenico
EV/Ebitda	€ 3.04	20%	● Dassault Systemes
P/E	€ 3.04	10%	● Logitech International
Dividend Yield	€ 0.00	10%	
P/Book	€ 3.04	5%	
TARGET PRICE	€ 2.22	100%	

NAV/SOTP Calculation

Balance Sheet

		12/16A	12/17E	12/18E
Goodwill	€th	5,248	7,866	7,630
Total intangible	€th	5,398	14,686	14,245
Tangible fixed assets	€th	491	821	862
Financial fixed assets	€th	4,585		
WCR	€th	19,236	22,327	25,341
Other assets	€th	2,056	1,994	1,934
Total assets (net of short term liab.)	€th	31,766	39,828	42,383
Ordinary shareholders' equity	€th	26,436	29,963	34,735
Quasi Equity & Preferred	€th			
Minority interests	€th			
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th			
Total provisions for risks and liabilities	€th	0.00	0.00	0.00
Tax liabilities	€th			
Other liabilities	€th			
Net debt (cash)	€th	5,330	9,865	7,647
Total liab. and shareholders' equity	€th	31,766	39,828	42,383

Capital Employed

Capital employed after depreciation	€th	29,710	37,834	40,448
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Profits & Risks Ratios

ROE (after tax)	%	12.4	8.54	8.51
ROCE	%	12.3	7.48	9.13
Gearing (at book value)	%	16.3	25.4	25.2
Adj. Net debt/EBITDA(R)	x	1.00	1.99	1.13
Interest cover (x)	x	-4.98	-4.74	-5.14

Valuation Ratios

Reference P/E (benchmark)	x	8.48	9.08	7.69
Free cash flow yield	%	6.61	4.41	8.56
P/Book	x	1.44	1.05	0.88
Dividend yield	%	1.11	0.00	0.00

EV Calculation

Market cap	€th	38,172	31,502	30,578
+ Provisions	€th	0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	5,330	9,865	7,647
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	8,585	4,000	4,000
+ Minority interests (fair value)	€th	0.00	0.00	0.00
= EV	€th	34,917	37,367	34,225
EV/EBITDA(R)	x	6.54	7.53	5.04
EV/Sales	x	1.87	1.87	1.47

Analyst : Charles Bordes, Changes to Forecasts : 05/12/2017.