

Trading update for the first quarter of 2020

Brussels, Belgium – 15 May 2020 – Keyware (EURONEXT Brussels: KEYW) publishes today its trading update for the first quarter of 2020 as well as an estimate of the COVID-19 impacts.

Trading update for the first quarter of 2020 summarized	
✓	Revenues decrease by 504 kEUR (-10.7%) from 4,689 kEUR in Q1-2019 to 4,185 kEUR in Q1-2020
✓	Terminal activity records a decrease in revenues of 343 kEUR (-17.2%) from 1,997 kEUR in Q1-2019 to 1,654 kEUR in Q1-2020
✓	Revenues from authorizations record a decrease of 186 kEUR (-9.6%) from 1,940 kEUR in Q1-2019 to 1,754 kEUR in Q1-2020
✓	Revenues from the software segment record a small increase of 15 kEUR (+1.8%) from 820 kEUR in Q1-2019 to 835 kEUR in Q1-2020

Commercial

The results of the first quarter come to a decrease in revenues for the payment terminals and authorization segments, and an increase in revenues for the software segment. The share of the latter further increases to 20% of sales.

The Corona-impact on the results are to be found in certain specific segments: horeca, retail, service rendering shops such as barber shops or beauty parlours, but also liberal professions. Amongst existing customers this resulted in a decrease of payment transactions whilst installations at new customers could not be executed.

With regards to the software segment mainly EasyOrder recorded an increase in the number of new customers and demands. The order and payment application represents an excellent alternative for merchants who want to put their activity on line in a quick, efficient and cost saving manner. Even merchants which realize by now having missed the digital train, can immediately turn to the EasyOrder application and can put their portfolio in just a few clicks on line.

Stéphane Vandervelde, President & CEO : "The digitalization of orders and payments is further on the rise. With EasyOrder we participate in the growth market and we offer to customers an additional sales and marketing channel on top of their traditional servicing. We expect a further positive impact of our Fintech software on our results".

REGULATED INFORMATION

Revenues for the first quarter of 2020

Revenues by segment	Terminals	Authorizations	Software	Intersegment	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues Q1-2020	1,654	1,754	835	(58)	4,185
Revenues Q1-2019	1,997	1,940	820	(68)	4,689
Difference	(343)	(186)	15	10	(504)
Difference (%)	(17.2)	(9.6)	1.8	(14.7)	(10.7)
Share % in Q1-2020	39.5	41.9	20.0	(1.4)	100.0
Share % in Q1-2019	42.6	41.4	17.5	(1.5)	100.0

The consolidated revenues of the first quarter of 2020 amount to 4,185 kEUR, which is a decrease of 504 kEUR (-10.7%) compared to the first quarter of 2019.

The main reason behind the decline in revenues lies in the payment terminals segment. This segment has recorded a decrease of 343 kEUR (-17.2%) as revenues drop from 1,997 kEUR for the first quarter of 2019 to 1,654 kEUR for the first quarter of 2020. This decrease of 343 kEUR represents a portion of 68.1% in the overall decrease of 504 kEUR. As a result, this segment only accounts for 39.5% of the aggregate compared to 42.6% one year ago.

The decrease in revenues is mainly triggered by a lower number of newly signed contracts, as the SWAPS and renewals are in line with those of the first quarter of 2019. The lower number of newly signed contracts is a direct consequence of the lockdown measures adopted by the government imposing merchants to close as from mid-March onwards. As a result, neither the signing of new contracts nor the installations of terminals have been realized.

A second driver behind the decrease in revenues is the lower income from authorization commissions. They decrease by 186 kEUR (-9.6%) from 1,940 kEUR for the first quarter of 2019 to 1,754 kEUR for the first quarter of 2020. This decrease of 186 kEUR represents a portion of 36.9% in the aggregate decrease of 504 kEUR.

The declining installed base of terminals also triggers a decline in the revenues from authorizations which are linked to it. As their decrease in revenues is relatively smaller than the overall decrease in revenues, this segment represents a higher portion of 41.9% in consolidated revenues compared to 41.4% for the first quarter of 2019.

In addition, the software segment records an increase of 15 kEUR (+1.8%) from 820 kEUR to 835 kEUR. This increase mainly results from more EasyOrder payment application sales throughout the first quarter. Even during the lockdown period new contracts have been signed. Taking into account the decrease in other segments, the share of the software segment eventually increases from 17.5% to 20.0%.

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KPI's for the first quarter of 2020

Main KPI's For the period ended on 31 March	1st quarter	
	31.03.2020	31.03.2019
	kEUR	kEUR
	(unaudited)	(unaudited)
Revenues	4,185	4,689
Pre-tax profit	251	592
Net profit	206	368
EBITDA	804	1,010
<i>Gross margin (pre tax profit / revenues)(%)</i>	6.0	12.6
<i>Net profit margin (net profit / revenues) (%)</i>	4.9	7.9
<i>EBITDA margin (EBITDA / revenues) (%)</i>	19.2	21.5

COVID-19 impact

Impacts on the first quarter of 2020

The COVID-19 measures have partly impacted the first quarter of 2020. Their estimate on a Group level for the month of March 2020 can be summarized as follows:

Covid-19	Revenues	Cost of sales	Personnel and contractors	EBITDA	Net profit
Impact on Q1/2020	kEUR	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues loss	-275			-275	
Savings in cost of sales		45		45	
Personnel and contractors			69	69	
EBITDA	-275	45	69	-161	
Net profit	-220	34	50	-136	-136

The loss in revenues is estimated at 275 kEUR. This mainly represents the payment terminals segment and to a smaller extent also the software segment.

With respect to the payment terminals segment, there is a cost saving in purchases estimated at 45 kEUR.

The impact on the authorizations segment is considered insignificant.

A portion of personnel and contractors was no longer active anymore in the Group given the temporary unemployment. This represents a lower personnel cost of 69 kEUR.

On aggregate, the impact of the COVID-19 pandemic on EBITDA for the first quarter of 2020 can be estimated at – 161 kEUR. With regards to the impact on net profit for the first quarter of 2020, it can be estimated at – 136 kEUR. In this respect, the calculation takes into account the particular fiscal position of the related companies.

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Impacts on the second quarter of 2020

Notwithstanding the fact that enterprises and merchants have resumed their activity in respectively the week of 4 May 2020 and 11 May 2020, the impact of COVID-19 on the second quarter of 2020 cannot be estimated precisely by now as it will also depend from the revenues that will be generated the coming 6 weeks up to 30 June 2020. The impact will be disclosed as soon as this will be possible.

About Keyware

Keyware (EURONEXT Brussels: KEYW) is a leading supplier of electronic-payment solutions and software development. Keyware is based in Zaventem, Belgium, and more information is available on www.keyware.com.

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Financial calendar

22-05-2020: General Shareholders Assembly (Ordinary) with respect to financial year 2019
28-08-2020: half year results ended on 30 June 2020
12-11-2020: trading update for the third quarter of 2020 ended on 30 September 2020