

Keyware positions itself for the future of ordering and electronic payments

The results of 2019 reflect the transition from a service rendering firm to a software developer

Brussels, Belgium - 12 March 2020 - Keyware (EURONEXT Brussels: KEYW), a leading provider of electronic payment solutions and software development, discloses today its financial results for the financial year ended 31 December 2019.

Keyware Technologies' 2019 financial year in summary

- ✓ Revenue decreases by kEUR 1,519 (-7.7%) from kEUR 19,635 to kEUR 18,116
- ✓ EBITDA decreases by kEUR 180 (-5.7%) from kEUR 3,178 to kEUR 2,998
- ✓ Profit before tax decreases by kEUR 71 (- 7.6%) from kEUR 931 to kEUR 860
- ✓ Net profit after tax decreases by kEUR 306 (- 48.9%) from kEUR 626 to kEUR 320
- ✓ Financial debts have been reduced by 2,241 kEUR in 2019, decreasing from 6.450 kEUR at the end of 2018 to 4,209 kEUR at the end of 2019
- ✓ Net financial debt increases by kEUR 84 (+2.1%) from kEUR 3,998 at the end of 2018 to kEUR 4,082 at 31 December 2019

Commercial

In line with the results for the first 9 months of 2019, Keyware closes 2019 with a relative growth in the share of the software segment compared to total revenues. The transition from a pure service rendering firm to a fully-fledged software developer is also reflected in the rest of the figures. It should not be forgotten that within this early adopter market a significant part of the effort is still going to additional software developments and investments with respect to the go-to-market model. These efforts lead to recruiting additional staff. For both EasyOrder and Magellan this results in an increase in the number of customers and contracts.

In the economic field, the market for traditional retail businesses is declining. For Keyware, this is reflected by a decrease in the number of payment terminals and transactions in this segment. In 2019, this was more than offset in terms of payment terminals by an increasing number of start-ups in new sectors, an increase in the number of customers in the higher market segment and Keyware's competitive positioning. In terms of authorization revenues, this could not be fully offset, on the one hand by sharper pricing of the offer and, on the other, by the fact that the number of transactions within the start-up segments is even lower compared to those in traditional retail outlets.

However, it can generally be said that cash payments are further on their way back, which is in the advantage of more payments by debit or credit cards or by payment apps.

Stéphane Vandervelde, President & CEO: *"The digitalization of the order payment world is unstoppable and is even accelerating. Our positioning with a focus on developing such software makes us an important player for the near future."*

Financial

- Revenues decrease by kEUR 1,519 (- 7.7%) from kEUR 19,635 to kEUR 18,116. The decrease in revenue is due to lower authorization revenues in 2019 compared to 2018
- In 2019, EBITDA amounts to kEUR 2,998 compared to kEUR 3,178, which represents a decrease of kEUR 180 (-5.7%) compared to 2018. The decrease in EBITDA is mainly in the authorizations segment, while the corporate segment showed an improvement
- Profit before tax amounts to kEUR 860 in 2019, a decrease of kEUR 71 (-7.6%) compared to kEUR 931 in 2018. The decrease is due to a lower financial result (kEUR 175 lower) as the operating profit (EBIT) is kEUR 104 higher
- Keyware closes the 2019 financial year with a net profit of kEUR 320 compared to kEUR 626 in 2018. The decrease amounts to kEUR 306 (-48.9%) due to higher tax charges in 2019. The comparative year 2018 was also positively influenced by a change in the rate of French corporate taxes (deferred tax revenue of kEUR 406)
- Net financial debt increases from kEUR 3,998 on 31 December 2018 to kEUR 4,082 on 31 December 2019, an increase of kEUR 84 (+2.1%). The increase in net financial debt is largely due to the adverse effect caused by the delay in collection of some trade receivables on the cash position. As regards the financial debt itself, kEUR 2,647 was reimbursed in 2019

The figures

Key figures for the period ended on 31 December	Financial year ended on	
	31.12.2019	31.12.2018
	kEUR (audited)	kEUR (audited)
Revenues	18,116	19,635
Gross profit	10,682	10,927
EBIT	367	263
Profit before taxes	860	931
Net profit	320	626
EBITDA	2,998	3,178
Gross margin (profit before taxes / revenues) (%)	4.7	4.7
Profit margin (profit/revenues) (%)	1.8	3.2
EBITDA margin (EBITDA/revenues) (%)	16.5	16.2

Management report on the results for 2019

- **Revenues and gross profit** can be presented as follows:

Gross profit	Financial year ended on		Fluctuation
	31.12.2019	31.12.2018	
	kEUR (audited)	kEUR (audited)	
Revenues	18,116	19,635	(1,519)
Raw materials and consumables	(7,434)	(8,708)	1,274
Gross profit	10,682	10,927	(245)
Gross profit margin (%)	59.0	55.7	

Gross profit by segment	Financial year ended on		Fluctuation
	31.12.2019	31.12.2018	
	kEUR (audited)	kEUR (audited)	
Revenues payment terminals	7,010	7,163	(153)
Purchases payment terminals	(1,143)	(1,283)	140
Gross profit payment terminals	5,867	5,880	(13)
Revenues authorizations	8,317	9,642	(1,325)
Cost of authorizations	(6,247)	(7,377)	1,130
Gross profit authorizations	2,070	2,265	(195)
Revenues software	2,789	2,830	(41)
Cost of software	(44)	(48)	4
Gross profit software	2,745	2,782	(37)
Gross profit margin % terminals	83.7	82.1	
Gross profit margin % authorizations	24.9	23.5	

- The **consolidated revenues** for financial year 2019 amount to kEUR 18,116 compared to kEUR 19,635 for 2018, representing a decrease of kEUR 1,519 or 7.7%.

The revenues in the payment terminal segment amount to kEUR 7,010, which represents a decrease of kEUR 153 (-2.1%) compared to kEUR 7,163 in 2018. This decrease arises from market pressure on prices. The changed product mix in favour of cheaper devices was confirmed in 2019 as well. This segment currently represents a revenue share of 38.7% compared to 36.5% in 2018, as its decrease in absolute terms is smaller than the decrease in consolidated revenues.

The authorizations segment decreases in 2019 by kEUR 1,325 from kEUR 9,642 to kEUR 8,317 (-13.7%). The lower number of contracts generating such commissions is the main reason. As a result, authorizations represent only 45.9% compared to 49.1% in 2018.

Finally the software segment, which represents revenues of kEUR 2,789 in 2019 compared to kEUR 2,830 in 2018. However, this amount is net, after deduction of intersegment revenue of kEUR 342. As a result, the software segment contributes 15.4% of the total, compared to 14.4% in 2018.

- The **gross profit** for financial year 2019 amounts to kEUR 10,682 compared to kEUR 10,927 for 2018, a decrease of kEUR 245 or 2.2%.

Broken down by segment it can be stated that the overall decrease of kEUR 245 is mainly attributable to the authorizations segment (- kEUR 195).

The gross profit margin of payment terminals increases in relative terms by 1.6 pp from 82.1% to 83.7%, mainly due to lower support costs and the cheaper product mix. The gross profit margin of authorizations also improves by 1.4 pp from 23.5% to 24.9%.

The consolidated **gross profit margin** increases from 55.7% in 2018 to 59.0% in 2019. The increase is due to the fact that authorizations, which have the lowest gross profit margin amongst the segments, account for a smaller proportion of the aggregate total in 2019.

- **Personnel costs** increased by kEUR 471 (+20.8%) from kEUR 2,259 in 2018 to kEUR 2,730 in 2019. This can be explained by the recruitment of additional sales staff, mainly in the software segment, and the launch of terminal activities in Luxembourg.
- On the other hand, **other expenses** have decreased due to savings and by performing certain services in-house. This leads to an overall decrease of kEUR 420 (-6.7%) to kEUR 5,840 compared to kEUR 6,260 in 2018.
- **Depreciation and amortization costs** increased by kEUR 183 (+12.5%) from kEUR 1,465 to kEUR 1,648. The increase is, among other things, the effect of capex made in the previous financial year.
- **Impairment losses on current assets** decreased significantly by kEUR 513 (-32.1%) compared to kEUR 1,597 in the previous financial year. This is the effect of both reversals on write-offs of inventories and lower losses due to fewer bankruptcies in 2019.
- The above mentioned elements account for the increase in the **operating result (EBIT)** by kEUR 104 (+39.5%) from kEUR 263 in 2018 to kEUR 367 in 2019.
- The **financial result** in 2019 amounts to kEUR 493 compared to kEUR 668 in 2018. This decrease of kEUR 175 (-26.2%) results from financial revenue and is mainly due to lower discount rates ("WACC") applied on finance lease receivables since 2017 as well as the generally decreasing installed base of terminals.
- The **profit before taxes** amounts to kEUR 860 compared to kEUR 931 in 2018. This decrease of kEUR 71 (-7.6%) is mainly due to the lower financial result of kEUR 175 as the operating result is kEUR 104 higher in 2019.
- The **net profit** for the financial year 2019 amounts to kEUR 320 compared to a net profit of kEUR 626 in 2018, a decrease of kEUR 306 (-48.9%). This decrease is partly due to the fact that the comparative figures of 2018 include a deferred tax revenue of kEUR 406 as a result of the reduction in French corporate tax rates.
- **EBITDA** amounts to kEUR 2,998 compared to kEUR 3,178, a decrease of kEUR 180 (or 5.7%). The lower EBITDA despite the higher EBIT is due to the fact that the previous financial year 2018 recorded higher non-cash costs.

Broken down at segment level, the EBITDA decrease of kEUR 180 is mainly attributable to the software segment (-kEUR 287 due to an expansion of the sales department) and the authorizations segment (-kEUR 135 due to lower gross profit). On the other hand, the corporate segment increased by kEUR 279 so that in the end overall decrease in EBITDA is limited to kEUR 180 (-5.7%).

EBITDA by segment	Financial year ended on		Fluctuation
	31.12.2019	31.12.2018	
	kEUR (audited)	kEUR (audited)	
Payment terminals	1,975	2,012	(37)
Authorizations	752	887	(135)
Software	533	820	(287)
Corporate	(262)	(541)	279
EBITDA	2,998	3,178	(180)

Management report on the balance sheet position as at 31 December 2019

The key figures can be summarized as follows.

Key figures for the period ended on 31 December	Financial year ended on	
	31.12.2019	31.12.2018
	kEUR (audited)	kEUR (audited)
Net equity	27,319	27,592
Long term (LT) and short term (ST) financial debts and loans	4,209	6,450
Cash and cash equivalents	1,187	3,520
Net financial debt	4,082	3,998
Net equity / total liabilities (%)	69.4	64.3
LT and ST financial debt and loans/ net equity (%)	15.4	23.4

- Net equity amounts to kEUR 27,319 and decreased by kEUR 273 compared to 31 December 2018. The statement of changes in equity provides a detailed overview of the underlying factors. Apart from the net profit of kEUR 320, the main movements during 2019 are the capital increase through the exercise of warrants (kEUR 569) and the (interim) dividend payment (kEUR 913).
- At the end of 2019, net equity represents a share of 69.4% of the balance sheet total, compared to 64.3% on 31 December 2018. The increase in this percentage is purely due to the decrease in the balance sheet total.
- The financial debts and loans amount to kEUR 4,209 and show a total decrease of kEUR 2,241 compared to the end of 2018. New loans were raised for kEUR 406 and existing loans were reimbursed for kEUR 2,647.
- Cash and cash equivalents amount to kEUR 1,187 compared to kEUR 3,520 which is a decrease of kEUR 2,333 (-66.3%). The decrease is due to a delay in the collection of some trade receivables. A large portion of the overdue receivables has been collected after the balance sheet date. For more information on cash flow dynamics, please refer to the cash flow statement.

Important events of 2019

COURT CASE BY THE PUBLIC PROSECUTOR AGAINST KEYWARE SMART CARD DIVISION

On 6 February 2019, Keyware Smart Card Division won on appeal the lawsuit filed by the Public Prosecutor. The Public Prosecutor has lodged an appeal in cassation against it. This only relates to the portion of the verdict about prohibited advertising. There have been no developments so far in this case.

SHARE BUY-BACK

On 30 August 2018, a new share buy-back programme was approved by the Board of Directors for a maximum amount of kEUR 1,000, in accordance with the "*safe harbour*" regulation (cf. article 3 of the Delegated Regulation 2016 / 1052). The first purchases under this programme took place in early January 2019.

During the financial year 2019, a total of 290,179 shares were purchased for an amount of kEUR 274. This is the number of treasury shares purchased under the current programme.

In order to pay an obligation, an amount of kEUR 25 was settled by the disposal of 26,323 treasury shares in early January 2019. This is the only disposal to be reported in 2019.

LAUNCH OF ACTIVITIES IN LUXEMBOURG

In April 2019, the subsidiary Keyware SARL was incorporated under Luxembourg law. Its aim is to develop terminal activities in our neighbouring country. The contribution to consolidated revenues is limited to kEUR 30. EBITDA as well as net result are present a deficit of kEUR 130 (loss).

CAPITAL INCREASE THROUGH THE EXERCISE OF WARRANTS

In June 2019, capital was increased by kEUR 569 through the exercise of 1,000,000 warrants. As a result, there are no more outstanding warrants.

Post balance sheet events

So far there are no specific events to report that have occurred after the balance sheet date.

Declaration of the statutory auditor

Our statutory auditor, Ernst & Young Bedrijfsrevisoren CVBA, represented by Marleen Mannekens, has confirmed that the review of the consolidated accounts has been substantially completed and that no meaningful corrections have come to its attention that would require an adjustment to the financial information included in this press release.

Lexicon

EBIT	Earnings Before Interest and Taxes Is seen as the operating result, i.e. operating profit / loss
EBITDA	Earnings Before Interest, Taxes, Depreciations and Amortizations Is defined as operating result (EBIT) + depreciation and amortization + allowances on inventories + allowances on receivables + impairments Realized losses on receivables are part of EBIT and therefore not part of EBITDA
kEUR	Thousands of euros
LT	Long term
Net financial debt	LT and ST loans and lease liabilities minus cash and cash equivalents
Pp	Percentage point
ST	Short term

About Keyware

Keyware (EURONEXT Brussels: KEYW) is a leading provider of electronic payment solutions and processing of transactions, as well as a software developer for payment solutions. Keyware is located in Zaventem, Belgium. More information is available on www.keyware.com

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

Consolidated profit and loss accounts can be summarized as follows:

Consolidated profit and loss account for the financial year ended on	Financial year	
	31.12.2019	31.12.2018
	kEUR (audited)	kEUR (audited)
Continued operations		
Revenues	18,116	19,635
Other operating income	987	917
Raw materials and consumables	(7,434)	(8,708)
Personnel charges	(2,730)	(2,259)
Depreciations and amortizations	(1,648)	(1,465)
Net allowances on current assets	(1,084)	(1,597)
Other operating charges	(5,840)	(6,260)
Operating profit	367	263
Financial income	637	846
Financial charges	(144)	(178)
Profit for the financial year before taxes	860	931
Taxes on the result	(540)	(305)
Profit for the financial year from continued operations	320	626
Profit for the financial year from discontinued operations	-	-
Profit for the financial year	320	626
EBITDA	2.998	3,178
Weighted average number of issued ordinary shares	22,361,654	21,629,552
Weighted average number of shares for the diluted earnings per share	22,846,585	22,985,552
Profit per share from continued and discontinued operations		
Profit per share (in EUR)	0.0143	0.0289
Profit per diluted share (EUR)	0.0140	0.0272

CONSOLIDATED BALANCE SHEET

Consolidated balance sheet for the financial year ended on	Financial year	
	31.12.2019	31.12.2018
	kEUR	kEUR
	(audited)	(audited)
Assets		
Goodwill	7,993	7,993
Intangible fixed assets	5,762	6,332
Tangible fixed assets	2,073	2,050
Deferred tax assets	2,784	2,713
Receivables from finance leases	7,306	7,798
Other assets	163	156
Non-current assets	26,081	27,042
Inventories	996	928
Trade and other receivables	3,531	2,899
Receivables from finance leases	7,366	8,342
Deferred charges	182	176
Cash and cash equivalents	1,187	3,520
Current assets	13,262	15,865
Total assets	39,343	42,907
Equity and liabilities		
Issued capital	8,052	7,682
Share premiums	3,407	3,208
Other reserves	797	797
Treasury shares	(799)	(557)
Retained earnings	15,862	16,462
Equity attributable to owners of the parent company	27,319	27,592
Provisions	130	138
Deferred tax liabilities	3,558	4,057
Borrowings	1,415	2,337
Lease liabilities	815	861
Non-current liabilities	2,230	3,198
Trade, fiscal and social liabilities	2,552	3,050
Borrowings	2,794	4,113
Lease liabilities	245	207
Miscellaneous debts	9	25
Accrued charges and deferred revenues	506	527
Current liabilities	6,106	7,922
Total liabilities	8,336	11,120
Total equity and liabilities	39,343	42,907

CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement For the financial year ended on	Financial year	
	31.12.2019	31.12.2018
	kEUR	kEUR
	(audited)	(audited)
<u>Cash flows from operating activities</u>		
Profit of the financial year	320	626
Financial income	(637)	(846)
Financial charges	144	178
Depreciations and amortizations on non-current assets	1,648	1,465
Net allowances on finance lease receivables	1,247	1,485
Net allowances on inventories	(163)	112
Deferred taxes	(586)	181
Operating cash flow before changes in working capital components	1,973	3,201
Decrease/(increase) of inventories	95	236
Decrease/(increase) of finance lease receivables	221	1,114
Decrease/(increase) of trade and other receivables	(632)	(87)
Decrease/(increase) of deferred charges	(6)	(104)
Increase/(decrease) of trade, fiscal and social liabilities	(498)	(79)
Increase/(decrease) of other debts, accrued charges and deferred revenue	(37)	20
Changes in working capital components	(857)	1,100
Increase / (decrease) of provisions	-	(92)
Increase / (decrease) of deferred tax liabilities	-	-
Non cash corrections relating to provisions, deferred tax liabilities and other	21	133
Interest paid	(144)	(178)
Interest received	637	846
Cash flows from operating activities	1,630	5,010
<u>Cash flows from investing activities</u>		
Acquisition of intangible and tangible fixed assets	(986)	(1,360)
Disposal of intangible and tangible fixed assets	86	162
(Increase)/Decrease of warranties	(7)	(6)
Cash flows from investing activities	(907)	(1,204)
<u>Cash flows from financing activities</u>		
Capital increase (included share premiums)	569	415
Proceeds from LT and ST borrowings	406	40
(Reimbursements) from LT and ST borrowings	(2,647)	(2,885)
Proceeds from LT and ST leases	-	-
(Reimbursements) from LT and ST borrowings	(222)	(299)
Purchase of treasury shares	(274)	(223)
Disposal of treasury shares	25	-
Paid dividends	(913)	(659)
Cash flows from financing activities	(3,056)	(3,611)
Net (decrease)/increase in cash and cash equivalents	(2,333)	195
Cash and cash equivalents at the beginning of the financial year	3,520	3,325
Cash and cash equivalents at the end of the financial year	1,187	3,520

STATEMENT OF THE CHANGES IN EQUITY

Component of changes in equity for the financial year ended on 31.12.2019	Number of shares	Capital	Share premiums	Other reserves	Treasury shares	Retained earnings	Attributable to the shareholders of the parent company
(Audited)		kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
at 01.01.2019	22,543,793	7,682	3,208	797	(557)	16,462	27,592
Change during the financial year	-	-	-	-	-	320	320
Change during the financial year on treasury shares	-	-	-	-	7	(7)	-
Change during the financial year from the realized and unrealized results for the year	-	-	-	-	7	313	320
Increase from the issue of shares	1,000,000	370	199	-	-	-	569
Decrease from the payment of treasury shares	-	-	-	-	-	(913)	(913)
Change during the financial year from the purchase of treasury shares	-	-	-	-	25	-	25
Change during the financial year from the sale of treasury shares	-	-	-	-	(274)	-	(274)
at 31.12.2019	23,543,793	8,052	3,407	797	(799)	15,862	27,319

Amount of changes in equity for the financial year ended on 31.12.2018	Number of shares	Capital	Share premiums	Other reserves	Treasury shares	Retained earnings	Attributable to the shareholders of the parent company
(Audited)		kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
At 01.01.2018	21,813,793	7,412	3,063	797	(609)	16,770	27,433
Decrease for the financial year	-	-	-	-	-	626	626
Increase for the financial year	-	-	-	-	275	(275)	-
Net change from the realized and unrealized results for the financial year	-	-	-	-	275	351	626
Decrease for the financial year	730,000	270	145	-	-	-	415
Decrease for the financial year	-	-	-	-	-	(659)	(659)
Decrease for the financial year	-	-	-	-	(223)	-	(223)
At 31.12.2018	22,543,793	7,682	3,208	797	(557)	16,462	27,592