

PRESS RELEASE

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Terminals and authorisations drive Keyware's first semester 2023 revenues

Brussels, Belgium – 5 September 2023 - Keyware Technologies (EURONEXT Brussels: KEYW) today announced its financial results for the first half of 2023, which closed on 30 June 2023.

The financial picture for the first half of 2023 can be summarised as follows

Key figures for the period ending on <i>Figures in kEUR</i>	1st semester			
	30.06.2023	30.06.2022	Difference	Diff.
	kEUR <i>(unaudited)</i>	kEUR <i>(unaudited)</i>	kEUR	%
Result indicators				
Revenues	12,838	12,211	627	+ 5.1
EBIT	384	802	(418)	- 52.1
EBITDA	2,430	2,475	(45)	- 1.8
Profit before taxes for the period	679	1,015	(336)	- 33.1
Net profit for the period	269	856	(587)	- 68.6
Balance sheet figures				
	30.06.2023	31.12.2022	Difference	
	<i>(unaudited)</i>	<i>(audited)</i>		
Long and short terms financial debt and loans	1,139	1,432	(293)	
Cash and cash equivalents	2,525	2,231	294	

COMMERCIAL PART

Compared to the first half of 2022, group revenues increased by 5.1% during the first half of 2023. This positive trend reflects a growth in the authorizations and payment terminals divisions and a decline in activities at the ordering and payment app Easyorder.

Within the payment terminals segment, revenues increased by 6.3%, mainly as a result of the activities at Payment Solutions. During the first semester, a new website was realized and the marketing automation program was rolled out. This resulted in an increase in the number of leads and a higher conversion rate for the rental contracts for payment terminals. Further automation of the sales and marketing processes should ensure additional performance. The increase in the number of new contracts can be attributed both to the start-up of new shops and to the replacement of payment solutions from competitors.

The authorisations segment saw the largest increase in revenues, namely 23.1%. This is driven by the growth of the terminal base and the increase in the number of payment transactions per terminal. In general, the trend towards more electronic payments is continuing across almost all economic sectors. The facilitation of contactless payment also ensures an increasing use of electronic payments.

The software segment depicts a revenue decrease of 21.0% compared to the first half of 2022. While the French subsidiary Magellan achieved a strong six months with its solutions for staggered payments and banking payment platforms, the results of the ordering and payment app remained below expectations. The main reasons for this are a decline in the sale of order kiosks and a reduction in the duration of the new contracts. A thorough study is taking place around the activities of EasyOrder with the aim of reducing the financial impact of its operations on Keyware Technologies Group, which shall improve its profitability and cash position.

FINANCIAL PART

KEY FIGURES

Key result indicators

Key figures for the period ending 30 June <i>Figures in kEUR</i>	1st semester (6 months)			
	30.06.2023	30.06.2022	Difference	Diff.
	kEUR (unaudited)	kEUR (unaudited)	kEUR	%
Revenues	12,838	12,211	627	+ 5.1
EBIT	384	802	(418)	- 52.1
EBITDA	2,430	2,475	(45)	- 1.8
Profit before taxes for the period	679	1,015	(336)	- 33.1
Net profit for the period	269	856	(587)	- 68.6
<i>Gross profit margin (profit before tax / revenues) (%)</i>	5.3%	8.3%		
<i>Profit margin (net profit / revenues) (%)</i>	2.1%	7.0%		
<i>EBITDA margin (EBITDA / revenues) (%)</i>	18.9%	20.3%		

Revenues and gross margin

- The Group generates revenues of kEUR 12,838 compared with kEUR 12,211 for the same period in 2022, representing an increase of kEUR 627 or 5.1% compared with the first half of 2022;
- The majority of this revenue increase, kEUR 932 (+23.1%), is attributable to the authorisation segment, which grew from kEUR 4,034 for the six months to 30 June 2022 to kEUR 4,966 for the half-year ended 30 June 2023. These higher revenues result from growth in the total number of terminals and transactions as well as the indexation of commissions, among others;
- The payment terminal segment experienced a smaller revenue increase of kEUR 316 (+6.3%) from kEUR 5,052 in the first half of 2022 to kEUR 5,368 in the first half of 2023, as a result of the continued growth of the Payment Solutions' customer base;
- The software segment, on the other hand, saw a revenues decrease by kEUR 686 (-21.0%), from kEUR 3,269 in the half-year to 30 June 2022 to kEUR 2,583 in the six-month period ended 30 June 2023. The decrease is at EasyOrder and is due to the fact that significantly more kiosks were sold in the previous year as well as the trend towards signing contracts with a much shorter duration. Magellan, for its part, recorded a revenue increase thanks to the sale of various additional licences.

<i>Figures in kEUR</i>	30.06.2023	30.06.2023	30.06.2023	30.06.2023	30.06.2023
	Terminals	Authorisations	Software	Intersegment	Conso
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	5,368	4,966	2,583	(79)	12,838
Cost of sales	(1,000)	(3,079)	(180)	79	(4,180)
Gross margin	4,368	1,887	2,403	-	8,658
<i>Share of revenues (%)</i>	<i>41.8%</i>	<i>38.7%</i>	<i>20.1%</i>	<i>(0.6)%</i>	<i>100.0%</i>

<i>Figures in kEUR</i>	30.06.2022	30.06.2022	30.06.2022	30.06.2022	30.06.2022
	Terminals	Authorisations	Software	Intersegment	Conso
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	5,052	4,034	3,269	(144)	12,211
Cost of sales	(1,346)	(2,648)	(456)	144	(4,306)
Gross margin	3,706	1,386	2,813	-	7,905
<i>Share of revenues (%)</i>	<i>41.4%</i>	<i>33.0%</i>	<i>26.8%</i>	<i>(1.2)%</i>	<i>100.0%</i>

Consolidated gross margin is not a representative measure since for the software segment it does not include the main component of direct cost, namely personnel costs. In absolute terms, the gross margin saw an increase from kEUR 7,905 at 30 June 2022 to kEUR 8,658 at 30 June 2023, with the increase of kEUR 753 (+9.5%) being recorded in the payment terminals and authorisation segments. In the software segment, it declined.

Profitability indicators

- **Operating profit (EBIT)** for the first half of 2023 was at kEUR 384 compared to kEUR 802 for the first half of 2022, or a decrease of kEUR 418 (or -52.1%). The EBIT decrease results from the fact that the higher gross margin of kEUR 753 is offset by higher other expenses (+kEUR 402), personnel costs (+kEUR 184), higher allowances on current assets (+kEUR 395) as well as provisions (cost of kEUR 130 at 30 June 2023 compared to a reversal of kEUR 150 at 30 June 2022). A general explanation for the other expenses and the personnel costs is provided by the higher indexation of January 2023, which could not be fully passed on to customers;
- **EBITDA** presented a slight decrease of kEUR 45 (-1.8%) during the first half of 2023, evolving from kEUR 2,475 at 30 June 2022 to kEUR 2,430 at 30 June 2023. Compared to EBIT the EBITDA decrease is much lower as the higher allowances on current assets are not taken into account to determine EBITDA. The higher gross margin (+kEUR 753) is offset by higher other expenses (+kEUR 402), higher personnel costs (+kEUR 184) and the provisions (they have a global impact of – kEUR 280);
- **Profit before taxes** amounted to kEUR 679 at 30 June 2023 compared to kEUR 1,015 for the first half of 2022, a decrease of kEUR 336 (or 33.1%). Thus, a better financial result ensures that despite lower operating profit, a proportionate pre-tax result is achieved. It is worth noting here the higher financial income arising from finance lease contracts (and receivables);
- **Net profit** dropped to kEUR 269 at 30 June 2023 compared to kEUR 856 at 30 June 2022, representing a decrease of kEUR 587 (or 68.6%). On the one hand deferred taxes provide an explanation as the increase in financial lease revenues triggers additional deferred tax charges. On the other hand, in certain entities more corporate income taxes is to be paid due to higher (fiscal) results.

MANAGEMENT REPORT FOR THE FIRST HALF OF 2023

Management discussion and analysis of the results

The financial information in this management report should be read in conjunction with the condensed consolidated interim financial report and the consolidated financial statements for the year ended 31 December 2022. This condensed consolidated interim report has *not been audited or subjected to a limited review by the auditor, Mazars Bedrijfsrevisoren*.

The trends of the individual headings of the profit and loss account for the **first half of 2023** can be summarised as follows:

- **Consolidated revenues** for the first half of 2023 amounted to kEUR 12,838 compared to kEUR 12,211 for the same period in 2022, or an increase of kEUR 627 (5.1%). As previously explained, increases are mainly in the area of authorisations and payment terminals as the software segment is recording a drop in revenues from EasyOrder's ordering and ordering app;
- The **cost of sales** for the half-year to 30 June 2023 reached kEUR 4,180 compared to kEUR 4,306 at 30 June 2022, hence experiencing only a slight decrease of kEUR 126 (-2.9%);
- **Gross margin** expressed in absolute terms increased by kEUR 753 (or 9.5%) to kEUR 8,658 at 30 June 2023 compared to kEUR 7,905 for the first half of 2022, as stated mainly attributable to the payment terminal and authorisation segments. The software segment saw its margin shrink due to a decline in sales of the ordering app;
- **Personnel costs** at 30 June 2023 amounted to kEUR 2,180 compared to kEUR 1,996 at 30 June 2022, which is an increase of kEUR 184 (+9.2%). This is mainly explained by the indexations of 2023 and to a smaller extent by recruitments;
- **Depreciations and amortizations** amounted to kEUR 577 at 30 June 2023, thereby depicting no significant change compared to the same period of 2022;
- The operating results include **a provision** of kEUR 130 (cost) for the half-year ended 30 June 2023 against a reversal of the provision of kEUR 150 in the period ended on 30 June 2022. This reversal of the provision was related to an effectively paid charge of kEUR 150 recognised in other expenses;
- **Allowances on current assets** amounted to kEUR 1,528 at 30 June 2023 compared to kEUR 1,133 for the same period in 2022, which is an increase of kEUR 395 (or 34.9%). The increase was mainly explained by higher allowances on accounts receivable of the software segment triggered by a high churn and higher insolvencies;
- **Other expenses** amounted to kEUR 4,197 at 30 June 2023 compared to kEUR 3,795 for the first half of 2022, or an increase of kEUR 402 or 10.6%. Besides an increase due to indexations, there were higher fees paid to external parties and higher marketing-related expenses;
- **Financial income** increased by kEUR 90 in the first half of 2023, from kEUR 269 at 30 June 2022 to kEUR 359 at 30 June 2023 due to the increase in the number of payment terminals. The higher lease revenues achieved through growth are related to higher financial revenues;
- The **financial charges** amounting to kEUR 64 were in line with the first half of 2022;
- **Deferred taxes** present a cost of kEUR 94 in the period ended 30 June 2023 compared to a revenue of kEUR 54 in the period to 30 June 2022. The explanation lies in the higher finance lease income, which gives rise to a deferred tax expense

Management discussion and analysis of the financial position

The main points for attention with respect to the **financial position as at 30 June 2023** are:

Key figures for the period ended on <i>Figures in kEUR</i>	30.06.2023	31.12.2022
	kEUR	kEUR
	(unaudited)	(audited)
Shareholders' equity	29,801	29,532
Long-term and short-term financial debts and loans	1,139	1,432
Cash and cash equivalents	2,525	2,231
Total liabilities	40,179	39,737
<i>Shareholders' equity / total liabilities (%)</i>	74.2%	74.3%
<i>Long-term and short-term financial debt and loans / shareholders' equity (%)</i>	3.8%	4.8%

- Shareholders' equity at 30 June 2023 was established at kEUR 29,801, representing 74.2% of liabilities;
- Financial debts and loans decreased by kEUR 293 compared to 31 December 2022, and amounted to kEUR 1,139 at 30 June 2023. The fluctuation is solely due to contractual repayments;
- Cash and cash equivalents amounted to kEUR 2,525 at 30 June 2023 compared to kEUR 2,231 at 31 December 2022, an increase of kEUR 294. In terms of cash flows, this increase of kEUR 294 can be broken down into operating cash flows (kEUR 965), investments (-kEUR 292) as well as repayments of loans and lease obligations (-kEUR 379).

Important events during the first half of 2023 and after 30 June 2023

There are no significant events to report that have occurred during the first half of 2023.

An in-depth exercise is taking place with regards to EasyOrder. The Group no longer wishes to release additional funds in the second half of 2023 to finance this loss-making subsidiary. Discussions have started around the partial transfer of the business ('handelsfonds'/'fonds de commerce'). If this transfer takes place in 2023, EasyOrder will end up in discontinuity. The effect on the financial results of a discontinuity valuation is estimated at approximately EUR 7 million loss. For the avoidance of doubt, the aforementioned amount of EUR 7 million includes the net loss of EUR 1.7 million for the first half of 2023. EasyOrder's EBITDA for the first half of 2023 is - EUR 0.9 million.

An important consequence to the former is that the Group will no longer have to fund EasyOrder's negative cash flow ranging between kEUR 125 and kEUR 150 per month. This decision shall, on the one hand, have a positive impact on the cash position of the company and the Group and, on the other hand, shall support the operating cash flow of the second half of 2023 by eliminating the current loss.

There are no other significant events to report having occurred after 30 June 2023.

Outlook

As for the payment terminals segment, we note strong growth at our Payment Solutions subsidiary, with the 2022 trend continuing into 2023. With the expansion of the product range in the first half of 2023, more payment solutions can now be offered, benefiting both Payment Solutions and Keyware Smart Card Division sales. The key to realising an ambitious sales plan is having sufficient sales staff available to achieve the sales targets set on an ongoing basis.

The authorisation segment saw strong growth in both 2022 and 2023. The migration to the new payment partner had already been fully completed by early 2022. The increase in revenue is therefore due to more transactions (more consumer spending) and higher commissions (due to the application of indexation). This revenue source is closely linked to the evolution of the customer base at payment terminals so that the growth of one drives the growth of the other.

In the software segment, it can be said that Magellan achieved an outstanding six months whereby newly signed licences will generate additional revenues in the coming years. As for the order and payment app, EasyOrder continues to perform below expectations not only in terms of revenues but also profitability, which adversely affects group EBITDA. We refer to what is stated higher in the chapter “Events after 30 June 2023”, i.e. that the Group is elaborating a solution to drastically reduce the financing of this subsidiary.

Change in financial department

After a 10-year career within Keyware Technologies Group, Alain HUBERT (CFO) is leaving the Group today for a new challenge.

Steve LERNOUT has taken up the position of finance director at 1 September 2023.

Glossary

APM	Alternative Performance Measures
Gross margin ratio	Gross margin/revenues (%)
EBIT	Earnings Before Interest and Taxes
	Considered the operating result, i.e. operating profit/loss
EBITDA	Earnings Before Interest, Taxes, Depreciations and Amortisations
	Defined as the operating result (EBIT) + depreciations and amortisations + depreciations on inventories + depreciations on receivables + impairments
	The portion of impairments that relates to the period's revenues is not added back to determine EBITDA
IFRS	International Financial Reporting Standards
kEUR	Thousands of Euros
KPIs	Key Performance Indicators
ST	Short term
LT	Long term

APMs

The reconciliation between EBIT and EBITDA is as follows:

EBIT – EBITDA <i>Figures in kEUR</i>	30.06.2023	30.06.2022
	kEUR	kEUR
	(unaudited)	(unaudited)
Operating profit / operating loss (EBIT)	384	802
Depreciations and amortisations	577	619
Net allowances on inventories, trade and lease receivables, <i>adjusted</i> for the losses relating to revenues originating during the period	1,469	1,054
EBITDA	2,430	2,475
<i>EBITDA margin (%)</i>		
EBITDA	2,430	2,475
Revenues	12,838	12,211
<i>EBITDA margin (%): EBITDA / revenues</i>	<i>18.9%</i>	<i>20.3%</i>

About Keyware

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

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