

Authorizations and software activities trigger Keyware's revenue growth in the third quarter

Brussels, Belgium – 9 November 2017 – Today, Keyware (EURONEXT Brussels: KEYW) discloses the financial results for the first nine months of 2017, which ended on 30 September 2017.

The key figures for the first nine months of 2017 can be summarized as follows:

The first nine months of 2017 summarized
✓ Revenue amounts to 13,773 kEUR compared to 13,239 kEUR
✓ Profit before taxes amounts to 2,079 kEUR compared to 3,200 kEUR
✓ EBITDA decreases from 3,671 kEUR to 2,852 kEUR
✓ Net profit amounts to 1,388 kEUR compared to 2,397 kEUR
✓ Lower profitability mainly occurred during the first semester. The third quarter of 2017 shows an increase in revenue, partly due to the positive contribution of Magellan's results (as from 1 July 2017) and higher authorization revenues
✓ Lower profitability is also explained by additional personnel costs and other expenses by Keyware T&P GmbH as well as EasyOrder, both start-up companies, and higher depreciations
✓ The acquisition of the remaining 60% of the shares in Magellan took place at 30 June 2017 and amounted to 6,000 kEUR, financed for 1,500 kEUR and 4,500 kEUR through respectively own funds and bank loans
✓ The EasyOrder investment amounts to 700 kEUR, of which 200 kEUR still has to be paid. Fully financed by own funds
✓ With respect to the share buy-back programme, the company held 279 kEUR worth of shares at 30 September 2017
✓ At 30 September 2017, the Group holds 3,357 kEUR in cash and cash equivalents compared to 1,045 kEUR at 31 December 2016; the financial debts amount to 9,862 kEUR compared to 6,292 kEUR

Main result indicators for the first nine months of 2017

- the Group has generated revenues of 13,773 kEUR compared to 13,239 kEUR for the same period in 2016, which represents an increase in revenues of 534 kEUR or 4.0% compared to the first nine months of 2016;
- the revenues of the first nine months of 2017 comprise respectively 6,607 kEUR of revenues from payment terminals (compared to 7,626 kEUR at 30 September 2016) and 6,266 kEUR of revenues from authorizations (compared to 5,613 kEUR on 30 September 2016). On the other hand, the revenue contribution by the software segment amounts to 690 kEUR (compared to zero at 30 September 2016);
- for the payment terminal segment, the decrease of 1,019 kEUR or 13.4% is explained by a significantly lower number of new contracts signed in the first nine months of 2017 (and especially in the first semester) compared to 2016 as well as by different product mix for the benefit of cheaper terminals;

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- on the other hand, the authorizations segment confirms its growth due to the increase of 653 kEUR or 11.6% by both better kickbacks and the increase in the number of contracts which generate authorization revenues;
- the software segment has generated revenues of 690 kEUR, which relates to the activity of Magellan (as of 1 July 2017) and EasyOrder;
- the operational profitability (EBITDA) for the first nine months amounts to 2,852 kEUR compared to 3,671 kEUR for the first nine months of 2016, which is a decrease of 819 kEUR or 22.3%. This decrease is due to the lower number of contracts signed in the payment terminal segment (lower gross margin), the higher general expenditure and the impact of the activities in Germany in 2017. This decrease of the EBITDA is mainly attributable to the first semester of 2017;
- the profit before taxes amounts to 2,079 kEUR compared to 3,200 kEUR for the first nine months of 2016, which is a decrease of 1,121 kEUR or 35.0% as a result of a lower operating profit (EBIT) (1,046 kEUR lower) and a lower financial result (75 kEUR lower);
- the net profit amounts to 1,388 kEUR compared to a net profit of 2,397 kEUR for the first nine months of 2016, which represents a decrease of 1,009 kEUR or 42.1% compared to the first nine months of 2016. The decrease can be accounted for by the factors mentioned above (especially the decreased profitability in the payment terminals segment)

Key figures For the period ended on 30 September	First 9 months	
	30.09.2017	30.09.2016
	kEUR (unaudited)	kEUR (unaudited)
Revenues	13,773	13,239
Profit before taxes of the period	2,079	3,200
Profit of the period	1,388	2,397
EBITDA	2,852	3,671
<i>Gross margin (profit before taxes / revenues) (%)</i>	<i>15.1</i>	<i>24.2</i>
<i>Profit margin (net profit / revenues) (%)</i>	<i>10.1</i>	<i>18.1</i>
<i>EBITDA margin (EBITDA / revenues) (%)</i>	<i>20.7</i>	<i>27.7</i>

Main points of attention on the financial position on 30 September 2017

- Keyware Technologies has acquired the remaining 60% of Magellan’s shares, which fully consolidates this company as a 100% subsidiary as from 30 June 2017. This has impacted the various balance sheet items (see quarterly report on interim results as at 30 June 2017);
- the net equity amounts to 27,978 kEUR and represents 64.0% of liabilities. The decrease is mainly a result of the integration of Magellan, which caused the balance sheet total to increase more significantly than the net equity itself;
- the financial debt amounts to 9,862 kEUR and increase on aggregate by 3,570 kEUR compared to 31 December 2016. This increase is mainly due to a bank financing of 4,500 kEUR in connection with the acquisition of the remaining 60% of shares in Magellan;
- the cash and cash equivalents amount to 3,357 kEUR at 30 September 2017

Key figures For the period ended on	30.09.2017	31.12.2016	30.09.2016
	kEUR	kEUR	kEUR
	(unaudited)	(audited)	(unaudited)
Net equity	27,978	26,436	25,626
Long term and short term financial debt	9,862	6,292	6,572
Cash and cash equivalents	3,357	1,045	648
<i>Net equity / total liabilities (%)</i>	<i>64.0</i>	<i>73.0</i>	<i>73.2</i>
<i>Long term and short term financial debt / net equity (%)</i>	<i>35.2</i>	<i>23.8</i>	<i>25.7</i>

Main result indicators of the third quarter of 2017

- during the third quarter of 2017, the Group has generated revenues of 4,482 kEUR compared to 3,988 kEUR for the same period in 2016, which represents an increase in revenues of 775 kEUR or 19.4% compared to the third semester of 2016;
- the revenues of the third quarter of 2017 comprise mainly respectively 2,019 kEUR of revenues from payment terminals (compared to 2,170 kEUR in 2016), 2,136 kEUR of revenues from authorizations (compared to 1,818 kEUR in 2016) and 608 kEUR of revenues from software;
- for the payment terminals segment, it should be noted that the decrease of 151 kEUR (or 7.0%) is significantly lower than the decrease in the two previous quarters;
- the segment of the authorizations records an increase of 318 kEUR or 17.5% compared to the third quarter of 2016;
- the software segment is a new activity in 2017. In the third quarter revenues of 608 kEUR have been generated by the activities of Magellan and EasyOrder;
- the operational profitability (EBITDA) of the third quarter amounts to 788 kEUR compared to 931 kEUR for the third quarter of 2016, which is a decrease of 143 kEUR or 15.4%. This decrease is mainly the result of lower gross margin, higher general expenditure and the impact of the start-up activities of Keyware T&P GmbH and EasyOrder in 2017;
- the profit before taxes amounts to 496 kEUR compared to 897 kEUR for the third quarter in 2016, which is a decrease of 401 kEUR or 44.7% mainly as a result of a lower operational profit (373 kEUR lower) and a lower financial result (28 kEUR lower);
- the net profit amounts to 328 kEUR compared to a net profit of 532 kEUR for the third quarter in 2016, which represents a decrease of 204 kEUR or 38.3% in comparison. The difference can be accounted for by the factors mentioned above

Key figures For the period ended on 30 September	3 rd quarter	
	30.09.2017	30.09.2016
	kEUR (unaudited)	kEUR (unaudited)
Revenues	4,763	3,988
Profit before taxes	496	897
Profit	328	532
EBITDA	788	931
<i>Gross margin (profit before taxes / revenues) (%)</i>	<i>10.4</i>	<i>22.5</i>
<i>Profit margin (net profit / revenues) (%)</i>	<i>6.9</i>	<i>13.3</i>
<i>EBITDA margin (EBITDA / revenues) (%)</i>	<i>16.5</i>	<i>23.3</i>

Modified perimeter

Compared to the numbers of the first nine months of 2016, the current numbers of 2017 are impacted by the following changes in the consolidation perimeter:

- The incorporation of the subsidiary under German law **Keyware Transactions & Processing GmbH** in June 2016. This company is still in its start-up phase. On 30 September 2017, 5 people were employed by this entity.

The contribution to the revenues, EBITDA and net result at 30 September 2017 respectively amounts to 23 kEUR and -283 kEUR (loss) for both EBITDA and net result. The comparative figures of 2016 are almost nil because the activity did not start before October 2016.

- The acquisition of the company under Belgian law **EasyOrder BVBA** in January 2017. This company is also in its start-up phase. On 30 September 2017, 4 people were employed.

The contribution to revenues, EBITDA and net result at 30 September 2017 amounts respectively to 97 kEUR, 28 kEUR and - 44 kEUR (loss). The loss arises from the fact that EasyOrder's acquired intangible fixed assets are amortized over 5 years, representing an annual amortization charge of 140 kEUR. A portion of 105 kEUR thereof is included in the result of the first nine months of 2017.

- The acquisition of a stake of 40% in the company under French law **Magellan SAS** on 30 September 2016, followed by the acquisition of the remaining 60% on 30 June 2017. The activity of this software company is rather cyclical by nature with a peak towards the fourth quarter. On 30 September 2017, 20 people on aggregate are employed.

This participation was recorded by the equity method until 30 June 2017. The contribution to the result of the first semester of 2017 is a loss of 22 kEUR. As from 1 July 2017, Magellan's results are fully consolidated upon. This translates into the contribution to revenue, EBITDA and net result of respectively 593 kEUR, 241 kEUR and 71 kEUR. Abstraction is made of the impact of the transition from the 40% participation to the 100% participation, which lead to a loss of 84 kEUR. This loss was recorded as financial charges on 30 June 2017.

The purchase price was allocated to intangible fixed assets. The amortization of these acquired intangible assets amounts to 370 kEUR on an annual basis. A portion of 93 kEUR thereof is included in the result of the third quarter of 2017.

Important events during the first nine months of 2017

DIVERSIFICATION BY ACQUISITION OF EASYORDER

Firstly, the acquisition of the shares of EasyOrder VOF for a consideration of 700 kEUR needs to be mentioned. EasyOrder VOF has developed a payment app which can be seen as a complementary solution next to payment terminals. On 31 March 2017, EasyOrder became a private limited company (BVBA under Belgian law).

The investment represents an amount of 700 kEUR of which a portion of 425 kEUR has been paid in cash in January 2017, followed by 75 kEUR in shares on 30 June 2017. With respect to the balance of 200 kEUR, it will be paid in 2017 and in 2018 on the basis of the achieved KPIs as agreed between parties. There can be second payment of maximum 100 kEUR at the end of 2017 and a final payment of maximum 100 kEUR at the end of 2018. Should the consideration of 700 kEUR not be paid in full by the end of 2018, the balance shall be paid in 2019 under the assumption that the defined KPIs will be attained.

During the first nine months, the app was further developed and a sales team was compiled.

MAGELLAN BECOMES SUBSIDIARY

On 30 September 2016, 4,000 kEUR was paid for 40% of the shares and on 30 June 2017, 6,000 kEUR was paid for the remaining 60% of the shares. In the meantime, however, a dividend of 400 kEUR was received. As from 30 June 2017, this company will be fully consolidated.

The total purchase price of 10,000 kEUR is paid in the amount of 2,500 kEUR using own funds and in the amount of 7,500 kEUR by bank loans. A portion of 2,000 kEUR of the bank loan is to be reimbursed at the latest by 30 June 2019 (bullet loan), whilst the balance of 5,500 kEUR is reimbursed in 48 equal monthly instalments as from October 2017.

PURCHASE OF TREASURY SHARES

At the end of May 2017, the Board of Directors approved a new share buy-back programme for a maximum amount of 1,000 kEUR. The programme started on 1 June 2017 and should be completed by 31 May 2018.

A portion of the purchased shares will be utilized as a partial payment in the acquisition of the EasyOrder shares. At 30 June 2017, 75 kEUR was already paid in shares whilst 2 payments of 25 kEUR in shares still have to be made.

At 30 September 2017, the treasury shares represent an amount of 279 kEUR (198,322 shares).

COURT CASE

With respect to the Court Case Prosecution / Keyware Smart Card Division, Keyware has lodged an appeal on 13 January 2017 against the verdict of 15 December 2016 that condemned Keyware to the payment of an amount of 750 kEUR. The Prosecution also lodged an appeal to the verdict. No evolution has been noted in this case since then. The pleadings are scheduled for November 2018.

Lexicon

EBIT	Earnings Before Interest and Taxes It is seen as the operating result, i.e. operating profit or loss
EBITDA	Earnings Before Interest, Taxes, Depreciations and Amortizations It is defined as the operating result (EBIT) + depreciations and amortizations + allowances on inventories + allowances on receivables + impairments Realized loss on debtors are part of EBIT and therefore not of EBITDA
kEUR	Thousands of euros
KPI's	Key Performance Indicators
R&D	Research & Development

About Keyware

Keyware (EURONEXT Brussels: KEYW) is a leading supplier of electronic payment solutions, loyalty systems, identity applications and related transaction management. Keyware is based in Zaventem, Belgium. More information is available on www.keyware.com.

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