



eID

Transport &
Smart Cities

Traceability &
Brand Protection

Payment

Press release - 30th October 2019

2018/19 annual results: double-digit growth and 9.5% EBITDA¹ profitability in the 2nd half

- Overall growth in revenues of +7%, of which 17% in 2nd half
- EBITDA¹ margin in the year of 7.6%, of which 9.5% in the 2nd half
- Operating income doubling (+97%) in year

Objectives for 2019/20: double-digit growth and further improvement in profitability

1st quarter 2019/20, revenues ahead of plan

Paragon ID (Euronext Paris - FR0011980077 - PID), leading provider of identification solutions for Transport, e-ID, Traceability, Brand Protection and Payment has published its yearly consolidated results for the financial year 2018/19 ending June 30, 2019. These annual financial accounts have been approved by the Board of Directors on October 22, 2019. The procedures for auditing the accounts have been carried out and the audit report relating to their certification has been issued by the statutory auditors.

Consolidated annual results (€ M) – IFRS standards Audited results	2017/18 (12 months)	2018/19 (12 months)	Variation	H1 2018/19 (6 months)	H2 2018/19 (6 months)
Turnover	100.9	108.0	+7%	50.2	57.8
EBITDA¹	7.3	8.3	+14%	2.8	5.5
<i>EBITDA margin¹</i>	<i>7.2%</i>	<i>7.6%</i>		<i>5.6%</i>	<i>9.5%</i>
Depreciation and amortization	6.0	5.7		2.8	2.9
Current operating income	1.3	2.5	+97%	0.0	2.5
Non-recurring income and expenses	-3.4	-2.3		-0.3	-2.0
Financial income / expenses	-2.2	0.2		-0.3	0.5
Résultat financier	-1.8	-2.0		-1.0	-1.0
Net result from continuing activities	-3.0	-1.5		-1.3	-0.2
Net result from discontinued activities	-2.1	-0.2		-0.2	0.0
Net result	-5.1	-1.8		-1.5	-0.3

¹ Operating income before depreciation, amortization and non-recurring items.

The Amatech and RFID Discovery companies have been consolidated respectively since October 1st and November 1st, 2018. The participation held in the company airweb has not been consolidated.

Important events during the financial year 2018/19

The year 2018/19 was a pivotal year in the development of Paragon ID SA. Financial performance in the beginning of the year was strongly impacted by the completion of the industrial reorganisation commenced in 2017/18 and by the bedding-in of a totally reconfigured Supply Chain.

As and from the second quarter, the group was in a position to refocus on its strategic priorities, making two acquisitions to expand its technological offering - "**AmaTech Group**", specialist in contactless payment technology and "**RFID Discovery**", specialist in RFID-based identification solutions in the health sector. In November 2018, the group took a significant stake in **airweb**, a specialist in Mobile Ticketing.

As the company reached the end of the challenges associated with its restructuring and reorganisation, all the teams' efforts could be mobilized around the acceleration of the Company's growth in the 3rd and 4th quarters.

Strong growth in activity in the 2nd half of 2018/19: + 17%

At the end of the 2018/19 financial year, Paragon ID's consolidated sales amounted to € 108.0 million, an annual increase of +7% (+6% at constant exchange rates).

Having finalised its reorganisation, the Group was able to return to growth in the second quarter of the year (+3%), before radically accelerating its growth in the 2nd half, with a progression of +17% over the six-month period.

While all of the company's activities contributed to the second-half growth, the following points are particularly noteworthy: **(i)** sustained growth in the Mass Transit activity, mostly in the second half of the year (+17%), **(ii)** strong growth in e.ID (+13% for the full year), and **(iii)** first billings in the new business line "Payment" in the last quarter, triggered by the first deliveries of payment card inlays² and royalties on technology licensing agreements, derived from AmaTech's technologies, acquired in October 2018.

9.5% EBITDA margin in the 2nd half and positive operating result in the 2018/19 financial year

As expected, the combined effect of significant acceleration of the growth rate and a better absorption of fixed costs, and the new technologies effect's improved profitability in 2018/19, in line with the targets set by management.

For the full year, EBITDA finished at € 8.3 million, up +14% on 2018/19, representing an EBITDA margin of 7.6%. In the second half of the year, the acceleration of growth led to an EBITDA margin close to double-digits, at 9.5% compared to 5.6% in the 1st half.

Depreciation and provisions amounted to € 5.7 million in 2018/19, a slight decrease compared to the previous year. After taking these allocations into account, current operating income amounted to €2.5 million, almost twice that of 2017/18 (+97%).

Non-recurring expenses amounted to € 2.3 million, compared to € 3.4 million in 2017/18, mainly consisting of additional costs related to the restructuring and closure of sites which took place during the year. After two years of significant non-recurring expenses following the planned reorganisation, Paragon ID does not anticipate any further charges of this nature in 2019/20.

Despite these non-recurring expenses in 2018/19, Paragon ID reports a positive operating income of € 0.2 million, compared with an operating loss of € -2.2 million in the prior year.

² embedded chip and antenna

Financial costs amounted to € -2.0 million in the 2018/19 financial year, relatively stable as compared to prior year. They consist, essentially, of the interest on the company's bonds and on the costs of factoring.

Overall, the net loss of the group in the year dropped significantly, from € -5.1 million in 2017/18 to € -1.8 million, including a € -0.2 million loss in 2018/19 from discontinued operations (shutdown of production in China).

Balance sheet as at June 30th, 2019

On the asset side of the balance sheet, trade receivables declined significantly, from € 16.6 million a year earlier to € 10.4 million as at June 30, 2019, due to the extension of non-recourse factoring across the Paragon ID group. There was no cash impact from this accounting treatment.

Inventories increased slightly as a result of the sharp acceleration of growth in the 2nd half of the year and the stockpiling of materials by the UK subsidiaries in anticipation of potential risks attaching to a hard Brexit.

Available cash amounted to € 8.6 million, down € 2.8 million at the end of June, due to the conservative inventory policy and the last disbursements made in full and final settlements to employees impacted by the French restructuring for which provisions were made in the 2017/18 accounts.

On the liabilities side of the balance sheet, Paragon ID's shareholders' equity amounted to € 26.2 million as of June 30, 2019.

Financial debts were up slightly over one year, to € 16.3 million, with the subscription of new loans from banking partners during the year to finance investments and growth.

Borrowings from related parties, amounting to € 38.8 million at the end of June 2019, consist of:

- two Paragon Group bonds of € 10 million each (one convertible, one not) subscribed at the time of the merger between Paragon ID and ASK;
- 18.8 M€ in loans from the reference shareholder to support the development of Paragon ID, of which € 10.3 million will become repayable only after 7 years.

As of June 30, 2019, Paragon ID's net financial debt³ stood at € 7.6 million (excluding borrowings with related parties), representing 29% of shareholders' equity.

Consolidated annual results (€ M) IFRS standards	30/06 2018	30/06 2019
Non-current assets	74.1	77.3
Incl. Goodwill	50.0	49.7
Current assets	34.3	31.9
of which trade and other receivables	16.6	10.4
of which Inventories	11.5	14.3
Cash & cash equivalents	11.4	8.6
TOTAL	119.7	117.8

Consolidated annual results (€ M) IFRS standards	30/06 2018	30/06 2019
Equity	28.7	26.2
Financial debts	15.4	16.3
of which bank loans	5.7	9.1
of which bank overdrafts	2.7	4.8
of which factoring debts	4.5	0.1
Related-party loans	34.2	38.8
Trade & other payables	25.5	23.1
Other liabilities	15.9	13.4
TOTAL	119.7	117.8

³ Financial debts (excluding factoring debts) – cash & cash equivalents

Issue of share warrants and free shares to key managers of Paragon ID

During the Summer, the Paragon ID Board of Directors decided to issue new share subscription warrants, subscribed by Paragon ID's key managers and corporate officers, in accordance with the delegation granted at the Shareholders' General Meeting of December 12, 2018.

A total of 51,250 warrants were allotted to these key contributors, at a unit price of € 1.75 per warrant, representing an investment amount of € 90,000. Each warrant entitles the holder to purchase 1 new share at the exercise price of € 33.25, carrying the total price acquisition of each share from the warrants to € 35.

The exercise of the totality of these warrants would result in the issue of 51,250 new shares, representing 3.1% of the current share capital and leading to the completion of a capital increase of 1.8%.

At the same meeting, Paragon ID's Board of Directors also granted 21,950 free shares to the same key managers and corporate officers, representing 1.3% of the current share capital. Both free shares and warrants vest over a period of three years and are contingent upon long-term presence in the company.

First quarter 2019/20 activity ahead of the annual business plan

Paragon ID also announces its turnover for the first quarter (1 July 2019 - 30 September 2019) of the financial year 2019/20.

€ M - IFRS standards Non-audited data	2018/19 consolidated	2019/20 consolidated	Variation
Q1 turnover	24.9	26.8	+7%

Amatech and RFID Discovery have been consolidated respectively since October 1st and November 1st. The participation held in the company airweb has not been consolidated.

Paragon ID achieved a solid first quarter 2019/20.

Consolidated sales amounted to € 26.8 million, up +7%, a slower pace than in the 3rd and 4th quarters of 2018/19 due to the seasonality of the business. The production capacities available during the summer are lower due to breaks and stoppages scheduled annually at the production sites and the slower activity generally encountered during the summer.

Notwithstanding, the performance of the 1st quarter of 2019/20 puts the company ahead of its operating plan for the 2019/20 financial year.

2019/20 objectives: continued sustained growth and further improvement in profitability

During the 2018/19 financial year, particularly in the 2nd half of the year, Paragon ID returned to a financial performance in line with its ambitions, reinforcing the company's medium-term objectives of achieving both double-digit growth and double-digit EBITDA margin.

In addition, the past financial year has demonstrated the company's capacity to successfully identify, negotiate and integrate acquisitions and strategic partnerships (RFID Discovery, Amatech Technologies and airweb) that are complementary to the existing businesses and create value in the short term. The example of AmaTech Group is particularly noteworthy in that its acquisition underpinned the launch of the new business line in Payment and contributed significantly to the financial performance in the final quarter of the year.

The 2019/20 financial year, which recently started, will build on the momentum of the 2nd half of 2018/19, both in terms of business activity and profitability, with the objective of delivering sustained double-digit growth in revenue over the full year, while continuing to improve overall profitability.

At the same time, the group is actively pursuing several external growth initiatives in order to strengthen its positions, both technologically and commercially. Paragon ID may turn to the stock market to finance this growth while strengthening its balance sheet.

Clem Garvey, Paragon ID CEO, comments:

“I am very proud of the work done by the PID team and am delighted to see the first palpable results of our efforts. The performance of the Company in the second half of the year is a testament to the quality of the industrial configuration we have built and to the determination of our people to deliver on our commitments. We are all ambitious for our Company and are quietly confident in our capacity to build a major, internationally renowned leader in the applications of RFID and other IOT technologies.”

Financial Agenda for the financial year 2019/20

2019/2020 Q2 turnover	30 January 2020
2019/20 Half Year results	30 March 2020
2019/2020 Q3 turnover	28 April 2020
2019/2020 Q4 turnover	23 July 2020
2019/2020 yearly results	27 October 2020

These dates are given for information only, they are likely to be modified if necessary. The publications will take place before the opening of the Euronext markets.

About Paragon ID

Paragon ID is a leader in identification solutions, in particular in the e-ID, Transport & Smart Cities and Track & Trace and Brand Protection sectors. It has recently entered the area of Payment through its acquisition of AmaTech Group. Paragon ID employs more than 600 staff, with manufacturing sites in US and Europe, close to its customers. Paragon ID is listed on Euronext Paris with a majority of its shares being held by Paragon Group, a leading provider of Identification and Customer Communications services. Paragon Group has a turnover in excess of €800 million (2018 fiscal year) and over 6,000 employees. On October 29, 2019, Paragon Group announced the acquisition of RRD’s European Global Document Solutions (GDS) business, bringing the proforma total revenues of the Paragon Group to more than €1 billion. For further information about Paragon Group, visit www.paragon-europe.com. Euronext Paris - Share identification: Paragon ID - ISIN Code: FR0013318813 - Mnemonic code: PID. For further information about Paragon ID, visit www.Paragon-id.com.

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