



eID

Transport &
Smart Cities

Traceability &
Brand Protection

Payment

Press release - 30th march 2020

Half-year results 2019/20: EBITDA increase of 87%

- Sales growth of 12%
- Organic growth 7%
- EBITDA margin: 9.3%

Update on the impact of Covid-19

Paragon ID (Euronext Paris - FR0011980077 - PID), the leading provider of identification solutions for e-ID, Transport & Smart Cities, Traceability & Brand Protection, and Payment, publishes its consolidated accounts for the 1st half (July 1st 2019 to December 31st 2019) of the 2019/20 financial year (ending June 30th, 2020). These consolidated financial statements were approved by the Board on March 26th, 2020 and were the subject of a limited review by the statutory auditors.

In €M - IFRS standards - Limite audit	H1 2018/19 (6 months)	H1 2019/20 (6 months)	Change
Turnover	50.2	56.3	+12%
EBITDA¹	2.8	5.3	+87%
<i>EBITDA margin¹</i>	<i>5.6%</i>	<i>9.3%</i>	
Charges relating to share-based remuneration	-	0.4	
Depreciation and amortizations	2.8	3.7	
Current operating income	0.0	1.2	
Non-recurring income and expenses	(0.3)	(0.2)	
Operating income	(0.3)	1.0	
Financial result	(1.0)	(1.3)	
Net result from continuing activities	(1.3)	(0.5)	
Net results from discontinued activities	(0.2)	(0.0)	
Net result	(1.5)	(0.6)	

¹ Current operating income before (i) depreciation, amortization and (ii) charges relating to share-based remuneration.

Amatech and RFID Discovery are consolidated as and from 1st October and 1st November 2018 respectively. Thames Card Technology is consolidated from 1st November 2019.

At the end of the 1st half of 2019/20, Paragon ID posted turnover of €56.3 million, an increase of +12%. During the period, Paragon ID acquired Thames Card Technology, strengthening its Payment activity, particularly in the smart card market in the United Kingdom.

On a like-for-like basis, organic growth at constant exchange rates was +7%. By integrating the performance of Thames Card Technology, proforma¹ organic growth was +8%.

Increase of +87% in EBITDA in the 1st half of 2019/20: EBITDA margin of 9.3%

EBITDA amounted to €5.3 million in the 1st half of 2019/20, up +87% thanks to the strong growth in revenues and the increase in the Company's Payment activity.

Application of the new IFRS 16 accounting standard, which requires reclassification of certain leasing costs to depreciation and amortization, had a positive impact of € 0.6 million on the half year EBITDA.

The EBITDA margin for the 1st half year of 2019/20 amounts to 9.3% of sales (8.2% excluding IFRS 16 impact).

After accounting for depreciation and amortization (€3.7 million) and for the non-cash expenses relating to share-based remuneration of warrants and free shares (€0.4 million), current operating income stood at €1.2 million in the 1st half of 2019/20, against €45 k a year earlier.

Non-current income and expenses amounted to €(0.2) million (vs. €(0.3) million in the 1st half of 2018/19), including, in particular, fees related to the acquisition of Thames Card Technology.

Operating profit amounted to €1.0 million (vs. €(0.3) million in the 1st half of 2018/19).

After taking into account a financial result of €(1.3) million, including €(0,4) million of interest charges related to convertible bonds that were converted into shares in February 2020, the net income of the company amounted to €0.6 million, as against €(1,5) million a year earlier.

Balance sheet at December 31st, 2019

On the balance sheet, fixed assets amounted to €89.7 million at the end of December, an increase driven by the integration of Thames Card Technology since November 1st, 2019 and by the implementation of the new IFRS 16 standard.

Movement in trade receivables and inventories also reflects the integration of Thames Card Technology. On a like-for-like basis, trade receivables and inventories fell by €(2.3) million and €(0.7) million respectively over the six-month period, reflecting efforts in terms of debt collection and inventory optimization.

Available cash was €4.8 million as of December 31st, 2019, down from June 30th, 2019 mainly due to the acquisition of Thames Card Technology using the Company's existing funds.

Net equity in the business amounted to €28.0 million as at December 31st, 2019.

Financial debts are down slightly, amounting to €15.5 million at the end of December compared to €16.3 million at the end of the 2018/19 financial year.

Loans from related parties were stable at €38.7 million at the end of December 2019, before the conversion of €10 million of convertible bonds by Grenadier Holdings Plc., in February.

As of December 31st, 2019, net financial debt² of Paragon ID stood at €10.7 million (excluding loans with related parties), representing 38 % of equity.

¹ Thames Card Technology consolidated 2 months in 2018/19 and 2 months in 2019/20

² Financial debts (excluding factoring debts) – cash & cash equivalents

Strengthening of Paragon ID's balance sheet after December 31st, 2019

In February 2020, Paragon ID announced the strengthening of its balance sheet through (i) the completion of a capital increase by private placement in the amount of €0.5 million and (ii) the conversion, by Grenadier Holdings Plc. ("Grenadier"), of convertible bonds ("CB") in the amount of €10 million.

These two transactions combined, carried out at a price of €35 per new share issued, have strengthened Paragon ID's balance sheet, by reducing its debt by €10 million and by strengthening its equity by than €10.5 million. In addition, the conversion of the convertible bonds eliminates annual interest charges attached to this bond which amounted to €0.8 million in the 2018/19 financial year (ending June 30th 2019) and €0.4 million for the 1st half of 2019/20.

As a result of these operations, the debt to related parties is now reduced to €28.7 million, consisting of a single bond debt of €10 million, with a maturity of September 2024, and €18.7 million of cash advances from the controlling shareholder to support the development of Paragon ID, including €10.3 million via a loan repayable in June 2026.

Following these operations, Paragon ID's net financial debt³ now represents 26% of the equity.

In €M - IFRS standards - Limite audit	06/30 2019	12/31 2019	12/31 2019 post conversion	In €M - IFRS standards - Limite audit	06/30 2019	12/31 2019	12/31 2019 post conversion
Non-current assets	77.3	89.7	89.7	Equity	26.2	28.0	38.5
Incl. Goodwill	49.7	51.6	51.6	Financial debts	16.3	15.5	15.5
Current assets	31.9	34.9	34.9	of which bank loans	9.1	9.1	9.1
of which trade and other receivables	10.4	11.2	11.2	of which bank overdrafts	4.8	2.9	2.9
of which Inventories	14.3	15.1	15.1	Financial debts	0.1	2.2	2.2
Cash & cash equivalents	8.6	4.8	5.3	Related party loans	38.8	38.7	28.7
				Rental loans	0.9	5.4	5.4
				Trade & other payables	23.1	25.1	25.1
				Other liabilities	13.4	16.6	16.6
TOTAL	117.8	129.3	129.8	TOTAL	117.8	129.3	129.8

Covid-19: update

The company has implemented business continuity plans at its various sites to ensure the safety of its employees, to help prevent the spread of the virus and to minimize the impact of the pandemic on its activity and that of its customers.

Since mid-March, all employees who can work from home have been directed to so do. Strict sanitary rules have been implemented at all of the company's industrial sites. Paragon ID has production units based in Europe (France and Romania), the United Kingdom and the United States, ensuring supply as close as possible to its customers.

To date, containment measures that are becoming widespread around the world are starting to affect the activity of many of Paragon ID's customers, in particular in the Mass Transit activity. The significant declines in the numbers of people travelling and commuting in large urban areas has, in recent days, resulted in a decrease in orders and drawdowns.

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

In this context, Paragon ID has adapted its production, in line with the drop in demand and has taken measures to place some of its people on partial activity or has had recourse to the temporary unemployment measures made available in certain countries.

Due to its nature, the situation is changing all of the time and its duration is uncertain. However, the impact of the pandemic on our activity over the next four months will be significant, and will make it impossible to achieve the financial objectives for the full year to 30th June 2020, which had been to make significant growth while steadily increasing EBITDA margins.

In the medium term, Paragon ID's ambitions remain unchanged: a double-digit growth in revenues combined with double-digit percentage EBITDA margins.

From a financial point of view, Paragon ID benefits from a balance sheet situation which enables it to approach this worrying context with confidence. In consultation with its banking partners, the company is currently studying financial support measures to preserve its cash flow during this period. In addition, during the Board of Directors meeting on March 26th, 2020, the representatives of the Paragon Group, the largest shareholder in Paragon ID with 78.4% of the capital, reiterated the group's full financial support.

Clem Garvey, Paragon ID CEO, comments:

"The results for the 1st half of 2019/20 are fully in line with our ambitions, delivering sustained growth in revenues and an immense improvement in our profitability, materialised by the strong increase in the EBITDA margin.

Today, our achievements have been overshadowed by the Covid-19 pandemic and its economic consequences. Faced with this situation, I would like to say how proud I am of the mobilisation and adaptability shown by the Paragon ID teams in recent days. I have no doubt that we will emerge from this crisis as a stronger organisation whose greatest asset is the commitment and engagement of our employees."

Financial agenda for the 2019/2020 financial year

2019/20 Q3 turnover	28 April 2020
2019/20 Q4 turnover	23 July 2020
2019/20 annual results	27 October 2020

These dates are given for information only, they are subject to change. 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 Traceability & Brand Protection sectors. It recently entered the area of Payment through its acquisition of AmaTech Group and has built on this through its acquisition of Thames Card Technology in November 2019.

Paragon ID employs more than 750 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 €1.3 billion and 8,000 employees. For further information about Paragon Group, visit Paragon-europe.com.

Euronext Paris - Share identification: Paragon ID - ISIN Code: FR0013318813 - Mnemonic code: PID.

For further information about Paragon ID, visit Paragon-id.com.

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