



eID

Transport &
Smart Cities

Traceability &
Brand Protection

Payment

Press release – April 28, 2020

Revenues in third quarter 2019/20: Growth of +6%

- Negative organic growth of -9% in 3rd quarter due to impact of Covid-19
- Cumulative revenues to date of €85,3 M over three quarters, representing total growth of +10% including acquisition of Thames Card Technology
- YTD organic growth declines to +1%

Fourth quarter expected to decline significantly due to impact of Covid-19

Paragon ID (Euronext Paris - FR0013318813 - PID), the leading provider of identification solutions for e-ID, Transport & Smart Cities, Traceability & Brand Protection, and Payment, publishes its consolidated revenues for the third quarter of the financial year 2019/2020 (year-ending 30th June 2020).

€M – IFRS standard Non-audited data	2018/19 consolidated	2019/20 consolidated	Variation
Turnover Q1	24.9	26.8	+7%
Turnover Q2	25.2	29.5	+17%
Turnover Q3	27.2	29.0	+6%
Turnover 9 months	77.4	85.3	+10%

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.

Paragon ID's consolidated revenues in the third quarter of the 2019/2020 financial year totalled €29,0 M, growing +6% over the same quarter in 2018/19 (+7% at constant exchange rates).

Organic growth in the third quarter was negative by -9%.

The month of March was marked by a significant reduction in sales as Covid-19 started to impact on its Mass Transit and Track & Trace customers. As indicated at time of communication of the half-yearly results, the effective suspension of travel in many major urban areas resulted in reduced ticketing orders and requests to suspend deliveries.

At the end of the first nine months of the financial year 2019/2020, Paragon ID's consolidated revenues totalled €85,3 M, representing a growth rate of +10% (also +10% at constant exchange rates). Year-to-date organic growth at constant exchange rates remains positive at +1%.

Continuing development of Paragon ID's Payment activity and impact on the geographical split of the business

Paragon ID's Payment activity now represents 12% of its revenues, due to the acquisition of Thames Card Technology in November 2019 and to the increasing contribution of licensing revenues realised with the AmaTech technology. For the first nine months of the current financial year, revenues from Payment totalled more than €10,1 M. In the same period in the prior year, revenues from Payment represented less than 1% of Paragon ID's total turnover.

The historical activities of Paragon ID, notably Transport & Smart Cities and Track & Trace) are those which have been most penalised by the events of mid-March, resulting in negative cumulative growth year-to-date of -3% (from +3% cumulative growth at the end of the first half).

Geographically, it is noteworthy that revenues realised in the UK now represent almost one-third (32%) of the total turnover of Paragon ID for the first nine months of the year, benefiting from the contribution of Thames Card Technology. Last year, the UK represented 26% of Paragon ID's business.

EMEA (Europe Middle East & Africa) now accounts for 53% of sales (vs. 62% last year).

Paragon ID's activities in the US continue to post encouraging numbers, despite the seriousness of the Covid-19 epidemic. The US factory continues to produce at 100% of its capacity. Revenues achieved in the US accounted for 15% of turnover (vs. 12% last year).

Clem Garvey, CEO of Paragon ID commented:

"I am very proud of the way the Paragon ID teams have managed the current situation.

From the very first indications of impending danger, all possible measures were taken to protect the health of our employees. This was our first priority – protecting lives.

Our second priority has been to protect the livelihoods of our employees and of all stakeholders in Paragon ID. At time of writing, we have managed to keep all five of our factories open, continuing to serve our customers and our local economies. While many of our clients have closed their doors, many others in the food industry, in the pharmaceutical and medical sectors, in Mass Transit and in e-ID rely on us to continue to function. We have not been found failing in our commitment to them and in our commitment to maintaining the economic activity in the countries in which we operate.

We are grateful and recognisant of the significant support provided by governmental programmes to support enterprise at this difficult time and we have taken advantage of these to ensure that the economic impact of the Covid-19 crisis on our employees has been minimised during this period of reduced activity.

The commitment shown by our teams to the company, to our clients and to each other inspire me with confidence that Paragon ID can successfully negotiate this very difficult period."

Difficult 4th quarter 2019/2020 ahead

The impact of the pandemic will be stronger again during the last quarter, as announced in the press release of 30 March.

The closures of more than 50% of our Track & Trace customers since mid-March, the accumulation of stocks of unsold tickets and smart cards in our Transport and Smart Cities clients and the almost complete suspension of activities such as automotive and aviation will result in a very significant decrease in production and in shipments in the fourth quarter.

While the Payment activity has performed well to date, the Retail activity within Thames Card Technology will almost certainly decline significantly in the fourth quarter, such that total revenues of Paragon ID in its final quarter of the year will probably be of the order of €20 M vs €30,6 M in the same quarter in 2018/19, despite the contribution of Thames.

In the face of the declining demand on the part of its customers, Paragon ID has slowed its production since the second half of March and has placed a significant number of employees on "partial activity" or on "temporary unemployment" status, depending on the governmental measures

available in each particular country in which the company operates. A significant majority of our employees in EMEA and UK regions will be inactive during the 4th quarter.

At the same time, the company has immediately launched a series of cost-cutting measures (reduction in remuneration of senior management, suspension of temporary employment contracts, suspension of certain marketing programmes etc.) in order to minimise the net impact of the slowdown on the company's earnings.

These savings, combined with the measures of governmental support to which reference is made above, should reduce the company's cost base by between €3.5 M and €4 M in the remaining quarter.

Based on the above hypotheses, Paragon ID believes that it can limit losses, at the Underlying EBTIDA level, in the final quarter of the year to € 1M and to deliver a second half which remains at break-even at EBITDA level (for reference, the company produced Underlying EBITDA of 9.3% in the first half of the current financial year and of 7.6% in the full year 2018/19).

With regard to cash management, Paragon ID has taken all possible measures to optimise its position during the period of the downturn (taking advantage of governmental measures permitting delayed payment of various charges, extended repayment terms on bank loans, etc.)

As noted in the recently published accounts for the first half of the current financial year, Paragon ID continues to benefit from the financial support of the Paragon Group which is its principal shareholder, holding 81,0% of the issued share capital.

With its help, Paragon ID was able to put additional banking credit facilities in place to allow the company to manage the current decrease in activity over the coming weeks.

Notwithstanding the above, Paragon ID is exploring obtaining state-guaranteed loans in France and elsewhere, which are being made available to support enterprise during the current crisis.

Multiple characteristics underpinning Paragon ID's resilience

The current pandemic has raised people's awareness of the significant advantages attaching to contactless technology, in Mass Transit smart cards, in payment cards and other RFID and IoT applications.

In the medium term, a return to normal levels of economic activity should result in strong demand for contactless solutions in Mass Transit and for the latest technologies in mobile ticketing and in the platforms which underpin it, in which the Paragon ID organisation is particularly strong. Moreover, most of Paragon ID's Mass Transit business is conducted under long-term contracts of periods between three and five years, with firm commitments in respect of both value and volume of products and services to be delivered. Consequently, revenues lost in quarters 3 and 4 should be recovered over time.

In Track & Trace, an acceleration of the modernisation of Supply Chains through the deployment of RFID technology should feature in the progressive exit from the current crisis, as will the tracking of medical equipment in the hospital and healthcare domains.

In e.ID, requirements for secured identification documents for all individuals should result in authorities seeking to deploy the latest generations of products and technologies.

In Payment, the strong growth in contactless payments, the increase in the limits for card payment above which a PIN numbers is required, the acceleration of growth in the digital economy and the ongoing demand for metal payment cards should all contribute to solid growth in this activity.

In the shorter term, however, Paragon ID cannot hope to be untouched by the impact of Covid-19 on the macroeconomic climate, worldwide. For these reasons, it is not possible for the company to provide clearer guidance on its ambitions for 2020/2021, at this time.

Once this pandemic is over, the ambitions of Paragon ID will remain unchanged: to report, in due time, both double-digit growth and double-digit EBITDA.

Financial agenda for the 2019/2020 financial year

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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