



eID

Transport &
Smart Cities

Traceability &
Brand Protection

Payment

Press release – 26 October 2021

Results for 2020/21 heavily impacted by Covid-19

- Revenues down -22%: traditional activities in Smart Cities & Mass Transit and e-ID most heavily impacted

EBITDA and cash-flow defended through cost-cutting measures and working capital optimisation

- EBITDA% for financial year held at 6.9% with net loss of -€5.7 million
- Strong operating cash flow of €9.1 million

Transformation strategy progressing

- 24% of revenues in Q1 2021/22 now generated by activities in digital platforms and Payment

Q1 Revenues for 2021/22 growing at +34%

- Strong start to new financial year 2021/22
- Growth prospects in 2022 under threat from shortages of raw materials and electronic components

Paragon ID (Euronext Paris - FR0013318813 - PID), leading provider of identification solutions for e-ID, Smart Cities & Mass Transit, Track & Trace and Brand Protection and Payment has published its consolidated results for the financial year 2020/21, ending June 30, 2021 and its revenue figures for Q1 2021/22. The annual financial accounts were approved by the Board of Directors on October 22, 2021. The procedures for auditing the annual accounts have been carried out and the audit report relating to their certification has been issued by the statutory auditors.

Revenues: business in transformation in 2020/21

Paragon ID reported consolidated revenues of €83.9 million in its financial year 2020/21, declining -22% overall and by -28% on a like-for-like basis (excluding the impact of acquisitions).

Since 2018, Paragon ID has pursued a strategy of transformation, pivoting from being a supplier of commoditised media to a being a provider of high-value, digital technology, accompanying its customers in their adoption of digitalisation and penetrating new fast-growing markets where its technology has pertinence. The company maintained its focus on this transformation, throughout the year, in spite of the impact of the Covid-19 pandemic on its traditional businesses, especially in **Smart Cities & Mass Transit** and in **e-ID**. Whereas these businesses had previously comprised the greater part of Paragon ID's revenues, they declined by more than 50% in the year, representing 32% and 7%, respectively, of the revenues in 2020/21.

In sharp contrast to the sales of traditional tickets and smart cards in **Smart Cities & Mass Transit**, airweb's digital mobile ticketing offer was deployed across an additional sixty networks during 2020/21, building its Software-as-a-Service recurring revenues. In November 2020, Paragon ID increased its shareholding in airweb from 50% to 80%.

The airweb platform is the foundation stone of Paragon ID's own "Account-Based-Ticketing" offers whereby the company provides transport operators with the IT platform, mobile applications, readers and validators they require to manage an entire ticketing system. Paragon ID made its first deployments of these offers during 2020/21, supplying them on a Platform-as-a-Service (PaaS) basis.

Track & Trace and Brand Protection represented 33% of Paragon ID's turnover in 2020/21, showing marginal net positive growth over the full year.

Within this activity, Paragon ID's 2018 acquisition RFID Discovery confirmed its position as the principal supplier of Real-Time-Locating-Systems (RTLS) to the UK's National Health Service's hospitals, deploying its solutions across multiple new sites. Cooperation with newly acquired Apitrak facilitated remote deployment of RTLS solutions in the cloud in both medical and industrial environments.

Also within **Track & Trace and Brand Protection** Paragon ID continued its development of offers in Ultra High Frequency (UHF) RFID. The increasing adoption of UHF RFID in the Retail sector is hastening the adoption of the technology in the management of supply-chains and in the protection of goods against theft and counterfeit. Integration of these RFID elements during the manufacturing process, at the earliest possible stage in the supply chain, is making the Internet of Things a reality.

During 2020/21, Paragon ID became certified to produce UHF tags for the US retail market. It followed this certification with successful audits and approvals to supply some of the biggest companies in the world who serve the US retail market. In July 2021, Paragon ID invested in new industrial capacity at its factory in Argent-sur-Sauldre in France, becoming the only company capable of producing billions of UHF tags in Europe.

UHF RFID is also the technology chosen by the International Air Transport Association (IATA) for the tracking of checked-in baggage. Under its resolution 753, this technology will be adopted universally by airlines, airports and service companies, to improve and optimise the flow of billions of pieces of luggage, every year. Paragon ID has been selected by Air France for the manufacture and supply of its RFID baggage tags.

On 1 July 2021, Paragon ID concluded the acquisition of one of the world's largest providers of baggage tags to airlines, Security Label GmbH. The progressive return of aviation traffic to pre-Covid-19 levels and the adoption of RFID technology in baggage tags, should provide Security Label and Paragon ID with an opportunity for good organic growth over the coming years.

Payment grew during 2020/21 (+69%), in large part due to the consolidation of Thames Technology for a full year, having been acquired in November 2019. Organic growth in **Payment** (+31%) was supported by the licensing revenues received by Amatech for its unique technologies for contactless payment cards, especially those manufactured with metal inlays. Capital expenditure during 2020/21 included equipment in Thames Technology where Paragon ID will manufacture its own range of metal payment cards.

Paragon ID now generates 28% of its revenues through activity in the **Payment** space.

Resilience in EBITDA¹ - Net loss of -€5.7 million

In € million – IFRS standards Audited data	2020/21 (12 months)	2019/20 (12 months)
Turnover	83.9	108.0
EBITDA¹	5.8	8.4
<i>EBITDA margin¹</i>	6.9%	7.8%
Expenses related to share-based payments	-0.3	-0.6
Amortization and depreciation charges	-8.6	-8.4
Current operating income	-3.0	-0.5
Non-recurring income and expenses	-2.1	-3.0
Operational result	-5.1	-3.5
Financial result	-1.2	-2.3
Other and taxes	0.7	0.1
Net results / loss	-5.7	-5.8

¹ Current operating income before (i) depreciation and amortization, and (ii) calculated charges related to share-based payments

Paragon ID maintained strong discipline in cost management throughout 2020/21 while continuing to keep all of its industrial sites open and continuing to invest carefully in its strategic repositioning.

- The company took full advantage of all governmental support to “furlough” employees for whom it lacked work.
- In France, long-term-partial-activity agreements were negotiated with employee representatives.
- In countries where such support was unavailable, Paragon ID had no choice but to make definitive redundancies.
- Overall, the company reduced its workforce by approximately one-third (full time equivalent).

The measures taken allowed Paragon ID to finish the year 2020/21 with an EBITDA¹ of €5.8 million. (€8.4 million in 2019/20). Percentage EBITDA proved resilient at 6.9%, vs 7.8% the prior year.

Depreciation and amortisation at €8.6 million increased slightly due to the consolidation of Thames Technology for the full year and due to the consolidation of airweb from 1 November 2020. Share-based remuneration for the year was calculated at €0.3 million. Current Operating Income, net of these elements, stood at -€3.0m vs a loss in the prior year of -€0.5 million.

The definitive headcount reductions during the year incurred additional redundancy and restructuring costs of -€2.1m, resulting in a net operating loss of -€5.1 million vs -€3.5 million in 2019/20.

Financial costs reduced significantly due to the conversion by Grenadier Holdings plc, in Feb 2020, of €10 million in convertible bonds which it had held since the takeover of ASK in 2017.

The net loss of the company for 2020/21 was -€5.7 million (-€5.8 million in prior year).

Positive free cash flow despite covid crisis

In € million – IFRS standards Audited data	2020/21 (12 months)	2019/20 (12 months)
EBITDA¹	5.8	8.4
Operating cash-flow before working capital	4.7	6.0
Change in working capital	4.3	7.2
Operating cash-flow	9.1	13.2
CAPEX	7.5	4.5
Free cash-flow	1.6	8.7
Other investment flows	-0.8	-1.5
Financing cash-flow	-7.3	4.4
Change in cash & cash equivalents	-6.5	11.6

¹ Current operating income before (i) depreciation and amortization, and (ii) calculated charges related to share-based payments.

The financial discipline applied during 2020/21 allowed the company to generate €4.7 million in operating cash-flows from trading (vs €6.0 million in 2019/20). Optimisation of working capital freed-up a further €4.3 million in cash, bringing total operating cash-flow to €9.1 million (vs €13.2 million in prior year).

This enabled Paragon ID to maintain Research & Development at €4.1 million for the year and to purchase new industrial equipment, notably for the manufacture of its own range of metal payment cards and for the optimisation of its manufacturing of RFID inlays.

Other flows of funds included reimbursement of external loans (€2.3 million), of debts to related parties (€4.5 million) and payments made for acquisitions net of cash acquired (€0.9 million). It is to be noted that a further €8m in deferred consideration on these acquisitions could be due over the next four years, depending on performance. They would, therefore, have been impossible to realise without the support and accompaniment of Paragon Group, the principal shareholder in Paragon ID.

Overall, cash consumption totalled -€6.5 million in 2020/21 compared to +€11.6 million for 2019/20.

¹ Current operating income before (i) depreciation and amortization, and (ii) calculated charges related to share-based payments

Balance sheet as at 30 June 2021

In € million - IFRS standards Audited data	30/06 2021	30/06 2020
Non-current assets	99.7	84.1
Incl. goodwill	63.4	50.1
Current assets	28.2	29.8
Of which trade & other receivables	8.6	9.8
Of which inventories	13.3	13.4
Cash	13.7	21.2
TOTAL	141.5	135.2

In € million - IFRS standards Audited data	30/06 2021	30/06 2020
Equity	27.8	31.5
Financial debts	32.6	31.7
Of which bank loans	27.3	24.9
Of which bank overdrafts	4.7	5.8
Related-party loans	22.6	26.1
Rental debts	6.4	4.4
Trade & other payables	23.8	21.8
Other liabilities	28.3	19.7
TOTAL	141.5	135.2

Goodwill increased from €50 million to €63.4 million during the year as a consequence of the consolidation of airweb (from 1 November 2020) and of Apittrak where the company took a majority stake in the company in June 2021.

Available cash stood at €13.7 million as at end of June 2021 vs €21.2 million as at end of June 2020. Available cash at end December 2020 stood at €12.6 million.

On the liability side of the balance sheet, financial debt stood at €32.6 million at the end of June 2021, up slightly on the previous year due to:

- i) financing arrangements associated with newly acquired machinery;
- ii) consolidation of the State-Guaranteed-Loans within airweb and Apittrak.

As at end of June 2021, State-Guaranteed-Loans (€15.9 million) represented 58% of the total bank loans of Paragon ID (€27.3 million).

Debts outstanding to the Paragon Group stand at €22.6 million, of which €10 million is represented by a bond with a maturity date of 2024. The balance comprises funds provided for the development of Paragon ID, of which €9.5 million is a loan with a maturity date of June 2026.

As of 30 June 2021, net financial debt² (excluding related parties and rental debts) stood at €18.9 million, representing some 68% of net equity.

Q1 2021/22: strong commercial activity during summer 2021

In M€ - IFRS standards Unaudited data	2019/20 consolidated	2020/21 consolidated	2021/22 consolidated	Variation	Variation at constant perimeter
Q1 turnover	26.8	19.3	25.7	+34%	+21%

The company airweb has been consolidated since 1 November 2020. Apittrak has been consolidated since 1 June 2021. Security Label has been consolidated since 1 July 2021.

Paragon ID made a strong start to its new financial year 2021/22 (from 1 July 2021 to 30 June 2022), posting growth of 34%. This growth included contributions from recently consolidated acquisitions – airweb (since 1 November 2020), Apittrak (since 1 June 2021) and Security Label (since 1 July 2021). Excluding these elements, organic growth for the quarter stood at 21%.

At the end of the 1st quarter of 2021/22, 24% of Paragon ID's revenues were generated by the activities in Platforms (RFID Discovery, airweb, Apittrak) and Payments (Amatech, Thames Card Technology) coming

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

from the strategic acquisitions concluded since 2018. The historical activities of the company, which represented 94% of revenues in Q1 2019/20, now account for less than 76% of its turnover.

All of the company's activities are showing growth in this first quarter because of the particularly favourable comparative period of the first phases of lockdowns. **e-ID** showed +62% growth. **Track & Trace and Brand Protection** grew by +64% and is now bigger than it was prior to the pandemic, due in large part to the success of RFID Discovery's Real Time Locating Systems (RTLS) and the recent acquisition of Apitrak. **Smart Cities & Mass Transit** grew slower, +28%, reflecting the gradual nature of the return to "normal" levels of frequentation of public transport systems. Growth in **Payment** was more modest at +4% reflecting the resilience of this activity during the pandemic and some postponement of anticipated orders.

Notwithstanding the above, **Smart Cities & Mass Transit** recorded a number of big wins in traditional ticketing and media in the first months of the new financial year. Paragon ID was chosen by its clients in London and Paris for the supply of large volumes of smart cards and smart tickets in their first major orders made since the arrival of Covid-19 in Europe in Spring 2020. The combined value of these orders is likely to exceed €5 million in the current financial year.

The **e-ID** division has received major purchase orders for new polycarbonate identity cards and new volumes of passport inlays. However, there remain multiple challenges on the industrialisation and supply chain fronts to realise this potential (see below).

In **Payment**, Paragon ID's subsidiary Thames Technology was awarded the contract for the manufacture and personalisation of the first "stimulus cards" in the United Kingdom. Under this government-sponsored initiative, citizens of a specific region will receive a payment card which will be credited with £100, to be spent in local shops and services. Thames Technology was also selected by one of the UK's largest retail chains for the manufacture, personalisation, and distribution of millions of the cards used in its loyalty programme. The combined value of these contracts for Paragon ID in the current financial year will be of the order of £3 million.

Acquisition of business and assets of Electronic Data Magnetics, Inc. in US in Q1 2021/22

During Q1 2021/22, Paragon ID announced its acquisition of the business and assets of Electronic Data Magnetics, Inc., (in Chapter 11), America's biggest manufacturer of tickets for the Mass Transit market ([see press release of 24 September 2021](#)).

EDM's customers include nearly two-thirds of the U.S. transit operators and authorities, including hundreds of smaller municipalities and agencies. As a result of this acquisition, Paragon ID will further strengthen its position as the leading supplier of transport tickets for the world's largest cities, while opening access to the US market for airweb's mobile solutions.

Acquisition of the EDM facility will also enable further development of industrial capacity for other RFID markets in the US, such as RFID tags for the retail and airline industries.

The newly created subsidiary (EDM Technology Inc.) is consolidated into Paragon ID's accounts from October 1st, 2021.

Perspectives for 2021/22: strong return to growth, coupled with tensions in worldwide supply chains

Paragon ID anticipates its return to sustainable growth during 2021/22, as societies progressively return to more open borders and to more normal usage of Mass Transit systems. At this stage, Paragon ID remains cautious as to the effective return to a normalized situation, particularly in Europe, which has seen strong resurgence of the epidemic in a number of countries in recent weeks.

Paragon ID's Payment and Platform activities will gradually build volumes of highly profitable recurring revenues. Its projects to bring Metal payment cards and new UHF Internet Of Things inlays to market will further drive growth in the top line.

It must be noted, however that the current worldwide tensions in supply chains, particularly in the lead-times for electronic components, are already having an impact on Paragon ID's businesses. Price increases in raw materials and lack of visibility in delivery dates for components will inevitably inhibit the company's return to growth and its timing. All information available suggests that these conditions may not change until the end of calendar year 2022.

Clem Garvey, CEO of Paragon ID comments:

“We are fortunate to have enjoyed the accompaniment of the Paragon Group throughout the last eighteen months. It has enabled us to negotiate the challenges posed by the pandemic without having to deviate from our strategy of transformation.

The performance in the first quarter confirms the gradual and progressive return to a more normal situation in our traditional markets of Smart Cities & Mass Transit and e-ID, while our investments in Track & Trace and Brand Protection and in Payment are delivering the growth we anticipated.

Recent wins of big contracts encourage us to be confident that we will see a return to sustainable growth in 2021/22. The development of our portfolio of offers – particularly in the areas of Platforms and in Payment – should underpin this growth in terms of recurrence and in terms of profitability.

However, we can't be complacent with regard to the impact of the current tensions in the Supply Chain on our businesses. The dearth of semi-conductors for our smart cards, tickets and tags is starting to undermine the confidence of our clients in choosing RFID as their preferred technology for their adoption of Internet Of Things. We are working closely with all of our technology partners to minimise the impact on our customers and to provide us with the maximum possible numbers of chips.”

Financial agenda for financial year 2021/2022

2020/21 Q2 turnover	27 January 2022
2020/21 Half year results	25 March 2022
2020/21 Q3 turnover	27 April 2022
2020/21 Q4 turnover	26 July 2022
2020/21 Yearly results	25 October 2022

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, Smart Cities & Mass Transit, Track & Trace and Brand Protection and Payment sectors.

Paragon ID employs more than 500 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 Customer Communications. Identification solutions and Graphic services. Paragon Group is present in more than 20 countries with more than 9,000 employees around the world and achieved consolidated sales of € 1.1 billion at the end of the 2019/20 financial year (closed June 30, 2020), recording a growth of 29%. For further information about Paragon Group, visit Paragon-europe.com.

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

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