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## Software segment triggers 2018 revenue growth in Keyware Group

*Keyware reaffirms its strategic shift towards fintech*

Brussels, Belgium – 14 March 2019 – Today, Keyware (EURONEXT Brussels: KEYW), a leading provider of electronic payment solutions and transactions, discloses the financial results for the financial year which ended on 31 December 2018.

### The financial year of 2018 of Keyware Technologies summarized:

- ✓ Revenues increase by kEUR 905 (+4.8%) from kEUR 18,730 to kEUR 19,635
- ✓ EBITDA decreases by kEUR 547 (-14.7%) from kEUR 3,725 to kEUR 3,178
- ✓ Profit before tax decreases by kEUR 1,119 (-54.6%) from kEUR 2,050 to kEUR 931
- ✓ Net profit decreases by kEUR 548 (-46.7%) from kEUR 1,174 to kEUR 626
- ✓ Net financial debt decreases by kEUR 2,228 (-35.8%) from kEUR 6,226 at the end of 2017 to kEUR 3,998 on 31 December 2018, mainly due to reimbursement of loans
- ✓ Cash and cash equivalents increase by kEUR 195 (+5.9%) from kEUR 3,325 at the end of 2017 to kEUR 3,520 at 31 December 2018

### Transformation to Fintech confirmed

- ✓ Importance of traditional segment of payment terminals decreases to the benefit of the software segment; authorizations also record a growth
- ✓ Software segment contributes to revenues growth

### Commercial

*The Belgian fintech specialist Keyware sees its revenues increase again to EUR 19.6 million in 2018, after a tiny stagnation in 2017. This growth was predominantly due to the group's choice to move its strategic course from electronic payment terminals to the development of tailor-made software for merchants and independents. The software segment hence largely contributes to the increase in revenues and, together with the growth in the authorizations segment, offsets the decrease in revenues from payment terminals.*

*This does not mean that electronic payments would be on their way back, since the revenues from the commissions on electronic transactions are also increasing significantly.*

*"Both the number of transactions and their monetary value are increasing, which confirms Keyware's good position in the electronic payment market. Especially our strategic choice to position ourselves increasingly on software development and innovative solutions for merchants, has already paid off given the significant contribution to the growth in revenues."*

*Stephane Vandervelde, CEO of Keyware*

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In 2019, Keyware will complete the transition phase by further deploying solutions offered by EasyOrder (an application that allows merchants to create their own personalized webshop) and Magellan (instalment payments for consumer purchases, anonymisation of sensitive data and complex platforms for electronic payment transactions).

The objective is to increase the penetration of these solutions in the market. Simultaneously, this should trigger synergies for the traditional activity of payment terminals within the Keyware Group.

### Financial

- Revenues grow by kEUR 905 (+4.8 %) from kEUR 18,730 to kEUR 19,635. The increase in revenues is the result of the software segment which contributed a full financial year in 2018, instead of only one semester in 2017. The revenues from payment terminals decrease, which is offset by the higher revenues from authorizations and software
- The EBITDA amounts to kEUR 3,178 in 2018, compared to kEUR 3,725, which is a reduction of kEUR 547 (-14.7%) compared to 2017. The decrease of the EBITDA is expressed in the payment terminals segment, the software segment (important investments in 2018) and in the corporate segment
- The profit before tax amounts to kEUR 931 in 2018, which is a reduction of kEUR 1,119 (-54.6%) compared to kEUR 2,050 in 2017. This reduction is the result of both the lower operational profit (EBIT) (- kEUR 880) and a lower financial result (- kEUR 239)
- Keyware closes the financial year of 2018 with a net profit of kEUR 626 compared to kEUR 1,174 in 2017. However, the decrease is limited to kEUR 548 (-46.7%), mainly because of the positive impact of the reduced corporate tax rate on the deferred taxes of the French subsidiary, representing approximately kEUR 400
- The net financial debt decreases by kEUR 2,228 (-35.8%) from kEUR 6,226 at 31 December 2017 to kEUR 3,998 at 31 December 2018. Despite the loan reimbursements (kEUR 2,885), the payment of a dividend (kEUR 659) and the purchase of treasury shares (kEUR 223), the cash and cash equivalents record an increase of kEUR 195 (+5.9%) from kEUR 3,325 to kEUR 3,520

### The figures

Key figures for the period ended on 31 December	Financial year ended on	
	31.12.2018	31.12.2017
	kEUR (audited)	kEUR (audited)
Revenues	19,635	18,730
Gross profit	10,927	10,455
EBIT	263	1,143
<b>Profit before taxes</b>	<b>931</b>	<b>2,050</b>
<b>Net profit</b>	<b>626</b>	<b>1,174</b>
EBITDA	3,178	3,725
Gross margin (profit before taxes / revenues) (%)	4.7	10.9
Profit margin (profit/revenues) (%)	3.2	6.3
EBITDA margin (EBITDA/revenues) (%)	16.2	19.9

**Management report on the results of 2018**

- **Revenues and gross profit** can be presented as follows:

Gross profit	Financial year ended on		Fluctuation
	31.12.2018	31.12.2017	
	kEUR (audited)	kEUR (audited)	
Revenues	19,635	18,730	4.8%
Raw materials and consumables	(8,708)	(8,275)	5.2%
<b>Gross profit</b>	<b>10,927</b>	<b>10,455</b>	<b>4.5%</b>
Gross margin percentage	55.7%	55.8%	(0.1%)

Gross profit by segment	Financial year ended on		Fluctuation
	31.12.2018	31.12.2017	
	kEUR (audited)	kEUR (audited)	
Revenues payment terminals	7,163	8,449	(15.2%)
Purchases payment terminals	(1,283)	(1,731)	25.9%
<b>Gross profit payment terminals</b>	<b>5,880</b>	<b>6,718</b>	<b>(12.5%)</b>
Revenues authorizations	9,642	8,510	13.3%
Cost of authorizations	(7,377)	(6,527)	(13.0%)
<b>Gross profit authorizations</b>	<b>2,265</b>	<b>1,983</b>	<b>14.2%</b>
Revenues software	2,830	1,561	81.3%
Cost of software	(48)	(17)	(182.4%)
<b>Gross profit software</b>	<b>2,782</b>	<b>1,544</b>	<b>80.2%</b>
Revenues corporate	-	210	(100.0%)
Cost of corporate	-	-	-
<b>Gross profit corporate</b>	<b>-</b>	<b>210</b>	<b>(100.0%)</b>
Gross profit margin % terminals	82.1	79.5	2.6%
Gross profit margin % authorizations	23.5	23.3	0.2%

- The **consolidated revenues** for the financial year of 2018 amount to kEUR 19,635 compared to kEUR 18,730 in 2017, representing an increase of kEUR 905 or 4.8%.

The revenues in the payment terminal segment amount to kEUR 7,163, which is a decrease of kEUR 1,286 (-15.2%) compared to kEUR 8,449 in 2017. This decrease results from a lower number of newly signed contracts, a higher number of short-term contracts and a reduction in the average rent. The changed product mix, more cheaper devices, continued in 2018 and also reduced the revenues. This segment currently represents a revenue share of 36.5% compared to 45.1% in 2017 due to its decrease in absolute amounts and the increase in the other segments.

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On the contrary, the authorizations segment experiences a continued revenue growth in 2018. The revenues increase by kEUR 1,132 (+13.3%) from kEUR 8,510 to kEUR 9,642, which makes it move further away from payment terminals. Authorizations now represent 49.1% compared to only 45.4% in 2017.

As stated, the previous financial year of 2017 was marked by diversification because of the introduction of a new segment. This software segment already contributed kEUR 1,561 to the revenues of 2017, which increases to kEUR 2,830 in 2018. The increase is mainly the result of the fact that Magellan's contribution was limited to only 2 quarters in 2017, while it represents a full year in 2018. While software represented a share in the revenues of 8.3% in 2017, this increases to 14.4% in 2018.

The corporate activities included non-recurring revenues in the amount of kEUR 210 in 2017.

- The **gross profit** for the financial year 2018 amounts to kEUR 10,927 compared to kEUR 10,455 for 2017, or an increase of kEUR 472, or 4.5%.

Broken down per segment, the overall increase of kEUR 472 results from the software and authorizations segment (+ kEUR 1,238 and + kEUR 282), while the payment terminals and corporate segment experience a decrease in their gross profits (- kEUR 838 and - kEUR 210).

The gross profit margin of payment terminals record, in relative terms, an increase of 2.6 pp of 79.5% to 82.1%, primarily because of the lower support costs and the cheaper product mix. The gross profit margin of authorizations increases slightly by 0.2 pp from 23.3% to 23.5%.

The consolidated gross profit margin remains virtually stable at 55.7%.

- The integration of Magellan since 30 June 2017 explains the increase in various items, such as **other operating income**, **personnel costs** and **other operating charges** as the figures of 2018 represent a full year, instead of only a half year in 2017.
- The same reason explains the increase in **depreciation and amortization costs** by kEUR 507 from kEUR 958 to kEUR 1,465.
- The above mentioned elements account for the decrease in the **operating result (EBIT)** by kEUR 880 from kEUR 1,143 to kEUR 263.
- The **specific allowances on current assets** have decreased compared to the previous financial year, primarily due to lower allowances on lease receivables. The largest component remains the allowances on lease receivables, and to some extent the allowances on inventories.
- The **financial result** amounts to kEUR 668 compared to kEUR 907 in 2017. This decrease of kEUR 239 primarily results from the fact that this caption included in 2017 a capital gain on the disposal of shares of kEUR 200.

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- The **profit before tax** amounts to kEUR 931 compared to kEUR 2,050 in 2017. This decrease of kEUR 1,119 (or 54.6%) results primarily from the lower operating profit (- kEUR 880) and the lower financial result (- kEUR 239).
- The **result from participating interests** represents the result of Magellan (40%) for the first semester of 2017.
- The **net profit** in the financial year 2018 amounts to kEUR 626 compared to a net profit of kEUR 1,174 in 2017, which results in a decrease of kEUR 548 (46.7%).
- The **EBITDA** amounts to kEUR 3,178 compared to kEUR 3,725, which results in a decrease of kEUR 547 (or 14.7%). This decrease is smaller than the decrease of the EBIT (- kEUR 880), because the EBIT was substantially affected by the higher depreciation and amortization charges relating to the acquired enterprises.

Broken down by segment, the EBITDA decrease of kEUR 547 is mainly due to the payment terminals (- kEUR 227), the corporate segment (- kEUR 210) and the software segment (- kEUR 77).

EBITDA by segment	Financial year ended on		Fluctuation
	31.12.2018	31.12.2017	
	kEUR (audited)	kEUR (audited)	
Payment terminals	2,012	2,239	(10.1%)
Authorizations	1,164	1,197	(2.8%)
Software	543	620	(12.4%)
Corporate	(541)	(331)	(63.4%)
<b>EBITDA</b>	<b>3,178</b>	<b>3,725</b>	<b>(14.7%)</b>

### Management report on the balance sheet position as at 31 December 2018

The key figures for the financial year can be summarized as follows.

Key figures for the period ended on 31 December	Financial year ended on	
	31.12.2018	31.12.2017
	kEUR (audited)	kEUR (audited)
Net equity	27,592	27,433
Long term (LT) and short term (ST) financial debts and loans	6,450	9,295
Cash and cash equivalents	3,520	3,325
Net financial debt	3,998	6,226
Net equity / total liabilities (%)	64.3	63.9
LT and ST financial debt and loans/ net equity (%)	23.4	33.9

- The net equity has increased by kEUR 159 compared to 31 December 2017. The statement of changes in equity provides a detailed overview of the underlying aspects. Besides the net

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profit of kEUR 626, this mainly concerns a capital increase of kEUR 415 through the exercise of warrants, the distributed dividends (kEUR 659) and the purchased treasury shares to the amount of kEUR 223

- At the end of 2018, the net equity represents a share of 64.3% of the balance sheet, compared to 63.9 % on 31 December 2017
- The financial debts and loans record on aggregate a decrease of kEUR 2,845 compared to the end of 2017. This indicates significant reimbursements in 2018
- The cash and cash equivalents amount to kEUR 3,520 compared to kEUR 3,325 or an increase of kEUR 195 (+5.9%). Reference is made to the cash flow statement in this respect
- The significant reimbursements and higher cash position trigger a reduction of the net financial debt from kEUR 6,226 to kEUR 3,998, which represents kEUR 2,228 in a single year. The definition of net financial debt also includes the lease obligations with respect to the right-of-use assets (kEUR 1,068 on 31 December 2018).

### **Important events of 2018**

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#### LAWSUIT BY PUBLIC PROSECUTOR AGAINST KEYWARE SMART CARD DIVISION

The Public Prosecutor filed a lawsuit against Keyware Smart Card Division NV. The Court of First Instance of Brussels sentenced Keyware Smart Card Division NV to the payment of an amount of approximately kEUR 750 (including kEUR 22 for the civil parties) on 15 December 2016.

Keyware appealed against this sentence on 13 January 2017, suspending the sentence and ensuring that it was not immediately enforceable.

In appeal, Keyware Smart Card Division NV was acquitted on all accounts on 5 February 2019.

On 27 February 2019, we were informed that the Public Prosecutor filed a cassation appeal on 14 February 2019. We are unaware of the grounds. The Public Prosecutor has a two month term to file a memorandum of substantiation.

#### SHARE BUY-BACK

The share buy-back programme which started on 1 June 2017 was completed in 2018. A total of 625,576 shares have been purchased for an amount of kEUR 912. At balance sheet date, 573,245 shares are still held. A portion of the shares has been used in relation to contractual obligations arising from the acquisition of EasyOrder.

A new share buy-back programme capped to kEUR 1,000 has been approved by the Board of Directors of 30 August 2018. For the sake of clarification, please note that this programme is conducted by an independent broker in accordance with the "Safe Harbour" regulations (cfr. article 3 of the Delegated Regulation 2016/1052). The first purchases under this programme took place in early January 2019, just outside the financial year 2018.

### **Post balance sheet events**

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Apart from the above mentioned acquittal in the penal case, to date, we do not have to report any other specific events having occurred post balance sheet date.

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### Declaration of the statutory auditor

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Our statutory auditor, Ernst & Young Bedrijfsrevisoren CVBA, represented by Marleen Mannekens, has confirmed that the review of the consolidated accounts has been substantially completed and that no meaningful corrections have come to its attention that would require an adjustment to the financial information included in this press release.

### Lexicon

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<b>EBIT</b>	Earnings Before Interest and Taxes It is seen as the operating result, i.e. operating profit or loss
<b>EBITDA</b>	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 losses on debtors are part of EBIT and therefore not of EBITDA
<b>kEUR</b>	Thousands of euros
<b>LT</b>	Long term
<b>Net financial debt</b>	LT and ST loans and lease liabilities minus cash and cash equivalents
<b>ST</b>	Short term

### About Keyware

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Keyware (EURONEXT Brussels: KEYW) is a leading supplier of electronic payment solutions and processing of transactions as well as a software developer. Keyware is based in Zaventem, Belgium. More information is available on [www.keyware.com](http://www.keyware.com).

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**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

Consolidated profit and loss accounts can be summarized as follows:

Consolidated profit and loss account for the financial year ended on	Financial year	
	31.12.2018	31.12.2017
	kEUR (audited)	kEUR (audited)
<b>Continued operations</b>		
Revenues	19,635	18,730
Other operating income	917	570
Raw materials and consumables	(8,708)	(8,275)
Personnel charges	(2,259)	(1,857)
Depreciations and amortizations	(1,465)	(958)
Net allowances on current assets	(1,597)	(1,859)
Other operating charges	(6,260)	(5,208)
<b>Operating profit</b>	<b>263</b>	<b>1,143</b>
Financial income	846	1,176
Financial charges	(178)	(269)
<b>Profit for the financial year before taxes</b>	<b>931</b>	<b>2,050</b>
Taxes on the result	(305)	(854)
Results from participations in associates	-	(22)
<b>Profit for the financial year from continued operations</b>	<b>626</b>	<b>1,174</b>
Profit for the financial year from discontinued operations	-	-
<b>Profit for the financial year</b>	<b>626</b>	<b>1,174</b>
<b>EBITDA</b>	<b>3,178</b>	<b>3,725</b>
Weighted average number of issued ordinary shares	21,629,552	21,486,854
Weighted average number of shares for the diluted earnings per share	22,985,552	23,384,662
Profit per share from continued and discontinued operations		
Profit per share	0.0289	0.0546
Profit per diluted share	0.0272	0.0502



**CONSOLIDATED BALANCE SHEET**

Consolidated balance sheet for the financial year ended on	Financial year	
	31.12.2018	31.12.2017
	kEUR	kEUR
	(audited)	(audited)
<b>Assets</b>		
Goodwill	7,993	7,993
Intangible fixed assets	6,332	6,679
Tangible fixed assets	2,050	992
Deferred tax assets	2,713	860
Receivables from finance leases	7,798	10,556
Other assets	156	150
<b>Non-current assets</b>	<b>27,042</b>	<b>27,230</b>
Inventories	928	1,276
Trade and other receivables	2,899	2,812
Receivables from finance leases	8,342	8,183
Deferred charges	176	72
Cash and cash equivalents	3,520	3,325
<b>Current assets</b>	<b>15,865</b>	<b>15,668</b>
<b>Total assets</b>	<b>42,907</b>	<b>42,898</b>
<b>Equity and liabilities</b>		
Issued capital	7,682	7,412
Share premiums	3,208	3,063
Other reserves	797	797
Treasury shares	(557)	(609)
Retained earnings	16,462	16,770
<b>Equity attributable to owners of the parent company</b>	<b>27,592</b>	<b>27,433</b>
<b>Provisions</b>	<b>138</b>	<b>230</b>
<b>Deferred tax liabilities</b>	<b>4,057</b>	<b>2,023</b>
Borrowings	2,337	6,426
Lease liabilities	861	39
<b>Non-current liabilities</b>	<b>3,198</b>	<b>6,465</b>
Trade, fiscal and social liabilities	3,050	3,129
Borrowings	4,113	2,869
Lease liabilities	207	217
Miscellaneous debts	25	31
Accrued charges and deferred revenues	527	501
<b>Current liabilities</b>	<b>7,922</b>	<b>6,747</b>
<b>Total liabilities</b>	<b>11,120</b>	<b>13,212</b>
<b>Total equity and liabilities</b>	<b>42,907</b>	<b>42,898</b>

**CONSOLIDATED CASH FLOW STATEMENT**

Consolidated cash flow statement For the financial year ended on	Financial year	
	31.12.2018	31.12.2017
	kEUR	kEUR
	(audited)	(audited)
<u>Cash flows from operating activities</u>		
Profit of the financial year	626	1,174
Financial income	(846)	(1,176)
Financial charges	178	269
Depreciations and amortizations on non-current assets	1,465	958
Net allowances on finance lease receivables	1,485	1,726
Net allowances on inventories	112	133
Deferred taxes	181	1,019
<b>Operating cash flow before changes in working capital components</b>	<b>3,201</b>	<b>4,103</b>
Decrease/(increase) of inventories	236	(208)
Decrease/(increase) of finance lease receivables	1,114	(19)
Decrease/(increase) of trade and other receivables	(87)	(1,861)
Decrease/(increase) of deferred charges	(104)	(36)
Increase/(decrease) of trade, fiscal and social liabilities	(79)	210
Increase/(decrease) of other debts, accrued charges and deferred revenue	20	64
<b>Changes in working capital components</b>	<b>1,100</b>	<b>(1,850)</b>
Increase / (decrease) of provisions	(92)	230
Increase / (decrease) of deferred tax liabilities	-	2,023
Non cash corrections relating to provisions, deferred tax liabilities and other	133	(1,963)
Interest paid	(178)	(160)
Interest received	846	979
<b>Cash flows from operating activities</b>	<b>5,010</b>	<b>3,362</b>
<u>Cash flows from investing activities</u>		
Acquisition of subsidiaries (net of acquired cash and cash equivalents)	-	(3,719)
Acquisition of intangible and tangible fixed assets	(1,360)	(798)
Disposal of intangible and tangible fixed assets	162	102
Divestments of participations	-	597
Result from investments in associates	-	22
Dividends from investments in associates	-	400
(Increase)/Decrease of warranties	(6)	(8)
<b>Cash flows from investing activities</b>	<b>(1,204)</b>	<b>(3,404)</b>
<u>Cash flows from financing activities</u>		
Capital increase (included share premiums)	415	413
Proceeds from LT and ST borrowings	40	4,452
(Reimbursements) from LT and ST borrowings	(2,885)	(1,732)
Proceeds from LT and ST leases	-	-
(Reimbursements) from LT and ST borrowings	(299)	(221)
Purchase of treasury shares	(223)	(690)
Disposal of treasury shares	-	100
Paid dividends	(659)	-
<b>Cash flows from financing activities</b>	<b>(3,611)</b>	<b>2,322</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>195</b>	<b>2,280</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>3,325</b>	<b>1,045</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>3,520</b>	<b>3,325</b>

**CONSOLIDATED STATEMENT OF THE CHANGES IN EQUITY**

Statement of changes in equity for the financial year ended on 31.12.2018	Number of shares	Capital	Issue premiums	Other reserves	Purchase own shares	Retained earnings	Attributable to the shareholders of the parent company	Minority interests	Total
Audited		kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
<b>Balance at 01.01.2018</b>	<b>21,813,793</b>	<b>7,412</b>	<b>3,063</b>	<b>797</b>	<b>(609)</b>	<b>16,770</b>	<b>27,433</b>	-	<b>27,433</b>
Profit for the financial year	-	-	-	-	-	626	626	-	626
Allowances on treasury shares	-	-	-	-	275	(275)	-	-	-
<b>Total of the realized and unrealized results for the financial year</b>	-	-	-	-	<b>275</b>	<b>351</b>	<b>626</b>	-	<b>626</b>
Capital increase	<b>730,000</b>	270	415	-	-	-	415	-	415
Dividend payment	-	-	-	-	-	(659)	(659)	-	(659)
Purchase of treasury shares	-	-	-	-	(223)	-	(223)	-	(223)
<b>Balance at 31.12.2018</b>	<b>22,543,793</b>	<b>7,682</b>	<b>3,208</b>	<b>797</b>	<b>(557)</b>	<b>16,462</b>	<b>27,592</b>	-	<b>27,592</b>

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Statement of changes in equity for the financial year ended on 31.12.2017	Number of shares	Capital	Issue premiums	Other reserves	Purchase own shares	Retained earnings	Attributable to the shareholders of the parent company	Minority interests	Total
Audited		KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
<b>Balance at 01.01.2017</b>	<b>21,223,793</b>	<b>7,194</b>	<b>2,868</b>	<b>797</b>	<b>(19)</b>	<b>15,596</b>	<b>26,436</b>	-	<b>26,436</b>
Profit for the financial year	-	-	-	-	-	1,174	1,174	-	1,174
<b>Total of the realized and unrealized results for the financial year</b>	-	-	-	-	-	<b>1,174</b>	<b>1,174</b>	-	<b>1,174</b>
Capital increase	<b>590,000</b>	218	195	-	-	-	413	-	413
Disposal of treasury shares	-	-	-	-	100	-	100	-	100
Purchase of treasury shares	-	-	-	-	(690)	-	(690)	-	(690)
<b>Balance at 31.12.2017</b>	<b>21,813,793</b>	<b>7,412</b>	<b>3,063</b>	<b>797</b>	<b>(609)</b>	<b>16,770</b>	<b>27,433</b>	-	<b>27,433</b>