



eID

Transport &
Smart Cities

Traceability &
Brand Protection

Payment

Press release – 27th october 2020

Annual results 2019/20 and revenues of Q1 2020/21 heavily impacted by Covid-19

- Resilience of 2019/20 EBITDA margin at 7.8%
- 1st quarter 2020/21 revenues down -28% in total
- Strengthening of the balance sheet with €21.2 million of available cashflow

Agility, rapid adaptation of production capacities in the new economic environment and reduction of the cost structure

Paragon ID (Euronext Paris FR0013318813 - 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 2019/20 ending June 30, 2020 and its revenue figures for Q1 2020/21. The annual financial accounts have been approved by the Board of Directors on October 22, 2020. The procedures for auditing the annual accounts have been carried out and the audit report relating to their certification is currently being issued by the statutory auditors. As a reminder, AmaTech has been consolidated since October 1, 2018, RFID Discovery since November 1, 2018 and Thames Technology since November 1, 2019.

In € million – IFRS standards Audited results	2018/19 (12 months)	S1 2019/20 (6 months)	S2 2019/20 (6 months)	2019/20 (12 months)
Turnover	108.0	56.3	51.7	108.0
EBITDA¹	8.3	5.3	3.2	8.4
<i>EBITDA margin¹</i>	7.6%	9.3%	6.2%	7.8%
Expenses related to share-based payments	0.0	0.4	0.2	0.6
Amortization and depreciation charges	5.7	3.7	4.6	8.4²
Current operating income	2.5	1.2	(1.6)	(0.5)
Non-recurring income and expenses	(2.3)	(0.2)	(2.8)	(3.0)
Operational result	0.2	1.0	(4.4)	(3.5)
Financial result	(2.0)	(1.3)	(1.0)	(2.3)
Net results	(1.8)	(0.6)	(4.9)	(5.5)

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

² including € 1.6 million of depreciation and amortization exclusively related to leases, consequence of IFRS 16 (applied from the opening of the 2019/20 financial year on July 1, 2019)

The year 2019/20: decline in historical activities in the last four months of the year because of the pandemic, development in Payment activity

After a very strong performance in the 1st half of 2019/20, marked by the signing of major commercial contracts and an increase of + 87% in EBITDA, the group was hit hard by the health crisis linked to Covid-19 and its economic consequences.

Consolidated sales in the 2019/20 financial year amounted to €108.0 million, stable compared to the previous year, but some €20m less than foreseen prior to the appearance of Covid-19. At constant exchange rates, annual sales were down -9%, organically.

The historical activities of Paragon ID were hardest hit by the pandemic. While they registered a growth mid-year (reminder: + 3% growth in the 1st half), their full-year decline was -11% (-1% for eID, -14% for Transport & Smart Cities and -7% in Traceability & Brand Protection), strongly impacted by the health crisis since mid-March and its consequences (drop in use of public transport infrastructure, sudden stop of activity in automotive and aeronautics sectors and closure of shops for retail customers).

More positively, the 2019/20 financial year was marked by the group's development in the payment world, driven by the acquisition of Thames Technology in November 2019 and by growth in revenues from AmaTech technology licensing contracts. The new Payment division represented 13% of activity in 2019/20 (compared to 2% in 2018/19).

By geographic area, the UK's share of turnover increased to 32% (from 26% a year earlier), driven by the acquisition of Thames Technology. The EMEA (Europe Middle East & Africa) zone represented 52% of sales in 2019/20 (vs. 62% in 2018/19), and the United States 13% (vs. 11% a year earlier).

Resilience of the EBITDA margin in 2019/20 at 7.8% despite the impact of the pandemic in the 2nd half

Paragon ID slowed its production as and from March 2020. Partial - employment activity programs were implemented across all countries in which it operates and aggressive savings plans launched to lower the cost structure.

Thanks to these actions (€3.5 million of savings already achieved in the 4th quarter of 2019/20) and the greater contribution of the activities of the Payment division, Paragon ID was able to cushion the impact of the pandemic on its financial results. In the 2nd half of the year, the EBITDA margin stood at 6.2%, significantly above the target of breakeven EBITDA for the entire 2nd half which was set at the end of April.

Over the full year, EBITDA amounted to €8.4 million, a slight increase of +2%, in large part due to the adoption of IFRS 16. The EBITDA margin stood at 7.8% (6.5% excluding the impact of IFRS 16), versus 7.6% in 2018/19.

After taking into account net depreciation and amortization charges of €8.4 million, including €1.6 million related to the new application of IFRS 16, €0.4 million coming from the integration of Thames Technology and non-cash charges linked to share-based remuneration (€0.6 million), the current operating loss amounted to -€0.5 million compared to a profit of €2.5 million a year earlier.

Other non-current income and expenses amounted to -€3.0 million (vs. -€2.3 million in 2018/19), consisting primarily of redundancies carried out in the 4th quarter and the corresponding accounting treatment of some of the payroll costs eliminated, mainly in the United Kingdom, to adapt the company's production capacities to the current economic environment.

Operating profit came down significantly to -€3.5m, compared to a breakeven a year earlier (€0.2m in 2018/19).

After taking into account a financial result of -€2.3 million, including -€1.6 million of interest charge related to bond debt, the net result stands at -€5.5 million in 2019/20.

Balance sheet at June 30th, 2020

The 2019/20 financial year was marked by a strengthening of Paragon ID's balance sheet, despite the impact of the health crisis on its activities,

In € million - IFRS standards Audited data	30/06 2019	30/06 2020
Non-current assets	77.3	84.1
Incl. goodwill	49.7	50.1
Current assets	31.9	29.8
Of which trade and other receivables	10.4	9.8
Of which inventories	14.3	13.4
Cash	8.6	21.2
TOTAL	117.8	135.2

In € million - IFRS standards Audited data	30/06 2019	30/06 2020
Equity	26.2	31.5
Financial debts	16.3	31.7
Of which bank loans	9.1	24.9
Of which bank overdrafts	4.8	5.8
Of which factoring debts	0.1	0.0
Related-party loans	38.8	26.1
Rental debts	0.9	4.4
Trade & other payables	23.1	21.8
Other liabilities	13.4	19.7
TOTAL	117.8	135.2

On the asset side of the balance sheet, non-current assets grew to €84.1 million at the end of June, following the integration of Thames Technology and the application of IFRS 16 (rights of use).

In addition to the efforts made in terms of debt collection and optimization of stocks, the evolution in trade receivables and inventories reflects the slowdown in activity at the end of the year.

Available cash was increased to €21.2 million as of June 30, 2020 (compared to €8.6 million a year earlier), including, in particular, €15 million in bank loans guaranteed by the State (PGE) obtained in June 2020 as part of the support measures for companies impacted by the Covid-19 pandemic.

On the liability side of the balance sheet, Paragon ID's shareholders' equity stood at €31.5 million as at June 30, 2020. In the 2nd half of the year, it benefited from the conversion of €10 million of convertible bonds (CBs) held by Grenadier Holdings Plc, at a price of €35 per new share issued. The conversion of the CBs will make it possible to avoid in 2020/21 the financial charges related to this bond (€0.8 million in 2019/20).

Borrowings from Paragon Group fell to €26.1 million, following the conversion of the CBs. They now consist of a simple bond debt of €10 million, with a repayment due in September 2024, and €16.1 million in cash advances from the main shareholder to support the development of Paragon ID, including €10.3 million via a loan repayable by bullet payment before June 2026.

In addition to the Paragon Group debt, financial debts amounted to €31.7 million as at June 30, 2020, including €15 million in respect of the PGE subscribed at the end of the financial year. Paragon ID's net financial debt¹ stood at €10.5 million (excluding borrowings with related parties and rental debts), representing 33% of equity.

Activity for the 1st quarter of 2020/21

In € million - IFRS standards Audited data	2019/20 consolidated	2020/21 consolidated	Change
Q1 turnover	26.8	19.3	-28%

Thames Technology is consolidated since 1st November 2019.

¹ Financial debts (excluding factoring debts) – cash & cash equivalents

The new 2020/21 financial year started under particularly difficult market conditions, leading to a sharp deterioration in activity, as announced at the end of July.

In the 1st quarter of 2020/21, Paragon ID achieved consolidated sales of €19.3 million, down -28% compared to the 1st quarter of 2019/20. Excluding Thames Technology, the change at constant exchange rates and perimeter is -42%.

Historical activities fell by -47% in the 1st quarter, strongly impacted by the consequences of the health crisis linked to Covid-19, marked slowdown in passenger traffic in mass transit for the **Transport & Smart Cities** activity, border closures and travel restrictions for **e.ID**.

The **Traceability & Brand Protection** activity performed well in 1st quarter 2020/21, benefiting from the rebound in the retail sector after the lockdown period. However, the activity did not return to the pre-crisis level, due to the slowdown in key industries (mainly automotive and aeronautics). The decline has been limited to -8% over the quarter.

Finally, the acquisition of Thames Technology has resulted in the **Payment** activity increasing its turnover by a factor of more than 5, going from €1.0 million to €5.5 million in the 1st quarter of 2020/21. This activity also benefits from the surge of contactless or NFC payment, e-commerce and the sustained demand for metal payment cards, especially in the United States. **Payment** now represents 29% of the group's turnover over the period.

Agility and adaptation of industrial capacities and cost structure

Faced with the particularly adverse market conditions for its historical activities, Paragon ID continues to show agility and to adapt its industrial capacities and structural costs, initiated in the 4th quarter 2019/20.

In addition to the departures already made in the United Kingdom, during the summer, the company reduced the workforce of its industrial unit in Romania by almost half. This unit produces RFID Tickets for the Mass Transit and Passport e-Covers for e-ID division. In total, across all geographic areas, the group's workforce has now been reduced to around 500, compared to more than 750 before the emergence of the crisis.

In addition, the group implemented partial unemployment in all of the countries in which this system is possible, and in particular in France, the group has implemented long-term partial activity agreements with its social partners in order to be able to adapt its production over the long term and stand ready to rebound and capture the upturn in activity as soon as the crisis will end.

Clem Garvey, Paragon ID CEO, comments:

"After a 1st phase in the pandemic which was marked by the immediate management of the health crisis, we are now at the heart of a 2nd phase which consists of adapting the company and its industrial footprint to the major economic challenges impacting our traditional activities, in particular our Transport & Smart Cities and e.ID divisions, where there is no evidence of recovery in the short term.

Paragon ID needs to show – and is showing – agility and flexibility in order to significantly reduce its costs, but without compromising our ability to develop in growth areas and to bounce back from the crisis. Thanks to the actions carried out over the past six months and those in progress, we have managed to lower Paragon ID's fixed cost structure significantly. In addition, the long-term partial activity agreements will allow us to continue to show great flexibility and agility in the face of possible new lockdowns.

I am highly confident in the ability of the management team and our employees to reconcile these objectives, ensuring that Paragon ID will return to solid growth as soon as we start to emerge from this crisis."

In view of the current economic environment, the company is not giving guidance with regard to its financial objectives for the 2020/21 financial year.

Financial agenda for the financial year 2020/21

2020/21 Q2 turnover	28 January 2021
2020/21 Half year results	30 March 2021
2020/21 Q3 turnover	5 May 2021
2020/21 Q4 turnover	22 July 2021
2020/21 Yearly results	26 October 2021

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 Traceability & 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 Identification and Customer Communications services. Paragon Group has a turnover of €838 million and employs over 8,500 staff. 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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