

Keyware remains profitable by increasing revenues from software activities

Zaventem, Belgium - 7 November 2019 – Keyware (EURONEXT Brussels: KEYW) today publishes its financial results over the first nine months of 2019, ending on 30 September 2019. The technical financial specialist confirmed the strategy by increasing revenues from software activities.

The key figures for the first nine months of 2019 may be summarized as follows:

First nine months of 2019 summarized	
✓	Revenues amount to 13,608 kEUR in comparison to 14,126 kEUR on 30 September 2018
✓	Profit before tax amounts to 665 kEUR in comparison to 606 kEUR on 30 September 2018
✓	EBITDA decreases from 2,467 kEUR on 30 September 2018 to 2,205 kEUR
✓	Net profit increased to 363 kEUR in comparison to 91 kEUR on 30 September 2018
✓	The financial debts amount to 4,710 kEUR in comparison to 6,450 kEUR on 31 December 2018

Commercial part

Since the Keyware Group converted from a pure service company to a fully-fledged software developer, a number of investments have been made that are starting to become more profitable as the software division expands.

EasyOrder has more and more clients. The platform offers sellers the opportunity to offer their clients an online webshop and a personalised app that can be used to process orders and payments. Among others chip shop owners, bakers, deli owners, sandwich vendors, butchers, ... are grateful to be able to use the app and reduce waiting lines. Since the orders also increases the predictability of the quantities, revenues of many stores also increased.

Magellan also grows. The software supplier originating from France offers SaaS (Software as a Service) services in the financial sector, for example by processing online payments and authorizations. In Belgium, the first shop owners signed a contract to provide their clients the opportunity to spread their payment by using the SPLIT product.

Cash payments are dropping

The payment terminal rentals suffered a more difficult quarter, especially with small-sized businesses. However, revenues from transactions do increase, because the payments per terminal are on the rise. This means that cash payments are dropping further, to the benefit of electronic transactions.

CEO Stéphane Vandervelde: "Cash payment are becoming less and less popular. Belgium was lagging behind the Netherlands in that regard, but now more and more Belgians are noticing the benefits of card payments."

Main result indicators for the first nine months of 2019

Key figures for the period ending on 30 September	First 9 months	
	30.09.2019	30.09.2018
	kEUR (unaudited)	kEUR (unaudited)
Revenues	13,608	14,126
Profit/(loss) before taxes	665	606
Profit/(loss) for the period	363	91
EBITDA	2,205	2,467
Gross profit margin (profit before tax / revenues) (%)	4.9	4.3
Profit margin (net profit / revenues) (%)	2.7	0.6
EBITDA margin (EBITDA / revenues) (%)	16.2	17.5

Revenues and gross profit

- the Group has generated revenues of 13,608 kEUR compared to 14,126 kEUR for the same period in 2018, which comes down to a decrease in revenues by 518 kEUR or 3.7% compared to the first nine months of 2018;
- The revenues of the first nine months of 2019 consists of respectively 5,304 kEUR for income from payment terminals (in comparison to 5,525 kEUR on 30 September 2018) and 6,224 kEUR for income from authorisations (in comparison to 6,651 kEUR on 30 September 2018). On the other hand the contribution of the software segment to the revenues amounts to 2,080 kEUR (in comparison to 1,950 kEUR on 30 September 2018);
- in the payment terminal segment, the decrease of kEUR 221 or 4.0% is explained by a lower number of new contracts signed in the first nine months of 2019 compared to 2018 with a similar product mixture in favour of cheaper terminals;
- The authorizations segment also decreases by 427 kEUR or 6.4% due to lower commissions;
- The software segment's revenues increase by 130 kEUR, or 6.7%. This increase is mainly realized by EasyOrder. This segment represents 15,3% of revenues

Amounts in kEUR	30.09.2019	30.09.2019	30.09.2019	30.09.2019	30.09.2019
	Terminals	Authorisations	Corporate	Software	
Segment Information	(Not audited)	(Not audited)	(Not audited)	(Not audited)	(Not audited)
Revenues	5,304	6,224	-	2,080	13,608
Raw materials and consumables	(824)	(4,758)	-	(45)	(5,627)
Gross profit	4,480	1,466	-	2,035	7,981
Gross profit margin (%)	84.4	23.6	-	97.8	58.7
Share in revenues (%)	39.0	45.7	-	15.3	100.0

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Amounts in kEUR	30.09.2018	30.09.2018	30.09.2018	30.09.2018	30.09.2018
	Terminals	Authorisations	Corporate	Software	
Segment Information	(Not audited)	(Not audited)	(Not audited)	(Not audited)	(Not audited)
Revenues	5,525	6,651	-	1,950	14,126
Raw materials and consumables	(915)	(5,122)	-	(46)	(6,083)
Gross profit	4,610	1,529	-	1,904	8,043
Gross profit margin (%)	83.4	23.0	-	97.6	56.9
Share in revenues (%)	39.1	47.1	-	13.8	100.0

Profitability indicators

- the operating profitability (EBITDA) for the first nine months of 2019 amounts to 2,205 kEUR, versus 2,467 kEUR for the first nine months of 2018, which represents a decrease of 262 kEUR or 10.6%; This reduction can mainly be attributed to an increase in personnel charges due to the expansion of the software division and the launch of the activities in Luxembourg;
- profit before tax amounted to 665 kEUR in comparison to 606 kEUR for the first nine months of 2018, which represents an increase of 59 kEUR or 9.7%; This increase was mainly caused by a higher operating profit (186 kEUR more) whilst the financial result is 127 kEUR less;
- the net profit was 363 kEUR compared to 91 kEUR in the first nine months of 2018, which is an increase of 272 kEUR or 299%. Apart from the higher profit before tax (59 kEUR more), it can also be attributed to the lower tax charges (213 kEUR less)

Main result indicators for the third quarter of 2019

Key figures for the period ending on 30 September	3rd quarter	
	30.09.2019	30.09.2018
	kEUR (unaudited)	kEUR (unaudited)
Revenues	4,477	4,384
Profit/(loss) before taxes	123	(54)
Profit / loss	(75)	(234)
EBITDA	680	514
<i>Gross profit margin (profit before tax / revenues) (%)</i>	2.7	(1.2)
<i>Profit margin (net profit / revenues) (%)</i>	(1.7)	(5.3)
<i>EBITDA margin (EBITDA / revenues) (%)</i>	15.2	11.7

Revenues and gross profit

- during the third quarter of 2019, the Group realized revenues of 4,477 kEUR in comparison with 4,384 kEUR for the same period in 2018, which represents an increase in revenues of 93 kEUR or 2.1% in comparison to the third quarter of 2018;
- revenues of the third quarter of 2019 mainly consist of 1,787 kEUR from revenues related to payment terminals (in comparison to 1,486 kEUR in 2018), 2,087 kEUR from revenues from authorizations (in comparison to 2,270 kEUR in 2018) and 603 kEUR from revenues related to software (in comparison to 628 kEUR in 2018);
- concerning the terminal activity it is striking that the increase with 301 kEUR (or 20.2%) is the highest of the past year. This can be explained by the fact that in the similar third quarter of

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2018 there were delays in the preparative administrative process that delayed the installation cycle further so that a many contracts could not be recognized in the third quarter. This increase ensured that the accumulated decrease for the first 3 quarters is reduced to 221 kEUR;

- the authorizations segment realizes a decrease of 183 kEUR or 8.1% in comparison with the third quarter of 2018; the decrease is the reflection of the evolution in the customer base;
- the software segment records a decrease of kEUR 25, or 4.0%, compared to the third quarter of 2019

Profitability indicators

- the operational profitability (EBITDA) for the third quarter amounts to 680 kEUR compared to 514 kEUR for the third quarter of 2018, i.e. an increase of 166 kEUR or 32.3%. This increase originated from the fact that the higher gross profit percentage and the lower general expenses when added together are higher than the increase in the personnel charges. The higher gross profit was mostly triggered by the payment terminals segment;
- the income before tax amounts to a profit of 123 kEUR compared to a loss before tax of 54 kEUR for the third quarter of 2018, i.e. an increase of 177 kEUR or 328%, mainly due to an increase in the operating result (204 kEUR higher) given the lower financial result (27 kEUR lower);
- the net loss amounts to 75 kEUR compared to a net loss of 234 kEUR for the third quarter of 2018, which represents an increase of 159 kEUR or 67.9% in comparison thereto. The decrease is due to the above-mentioned factors

The main points of attention in the financial position on 30 September 2019

Key figures For the period ending	30.09.2019	31.12.2018	30.09.2018
	kEUR	kEUR	kEUR
	(unaudited)	(audited)	(unaudited)
Net equity	27,444	27,592	27,057
Long term and short term financial debts	4,710	6,450	7,236
Cash and cash equivalents	1,446	3,520	4,211
<i>Net equity / total liabilities (%)</i>	<i>67.7</i>	<i>64.3</i>	<i>67.9</i>
<i>Long term and short term financial debts / net equity (%)</i>	<i>11.6</i>	<i>15.0</i>	<i>26.7</i>

- net equity amounts to 27,444 kEUR and represents 66.7% of the liabilities. The increase was mainly cause by a deduction in the balance sheet total, which decreased more significantly than the decrease in the net equity;
- as changes in the net equity, a net decrease of 148 kEUR, can be enumerated apart from the result for the period (363 kEUR net profit), the share buy-back (167 kEUR), the capital increase due to the exercise of warranties (569 kEUR) and the attribution of an interim dividend (913 kEUR);
- financial debts amount to 4,710 kEUR and decrease on aggregate by 1,740 kEUR in comparison to 31 December 2018. The net decrease was caused by the repayment of the existing loans;
- cash and cash equivalents amount to 1,446 kEUR on 30 September 2019 and decrease by 2,074 kEUR in comparison to 31 December 2018, due to among others the payment of the interim dividend

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Modified perimeter

In comparison to the figures of the first nine months of 2018, the current figures of 2019 were influenced by the following change in the consolidation perimeter.

On 4 April 2019, the Luxembourg subsidiary Keyware SARL was incorporated. The contribution to the figures on 30 September 2019 is limited and resulted in a net loss of 78 kEUR (ditto EBITDA of - 78 kEUR). In the segment analysis, this company is included amongst payment terminals.

On the other hand there was a merger involving PayItEasy BVBA in July 2019. The acquiring company ('absorbing') was Keyware Transaction & Processing NV. The merger was elaborated to simplify the group structure.

Important events during the first nine months of 2019

INCORPORATION OF KEYWARE SARL

The company governed by Luxembourg law Keyware SARL was incorporated on 4 April 2019. The same activities as in Belgium will be performed in Luxembourg as well as in the North East France region.

SHARE BUY-BACK PROGRAM

The 2018 share buy-back program was extended for one year until 30 September 2020 by a decision of the Board of Directors of 29 August 2019. On aggregate, 192,285 treasury shares have been purchased for an amount of 191 kEUR up to 30 September 2019.

EXERCISE OF WARRANTS

During the first 9 months of 2019, the last 1,000,000 warrants of the 2014 Warrants Scheme have been exercised. The notarial deed was passed in June 2019. Pursuant to the exercise of the warrants, the capital and share premiums were increased by respectively kEUR 370 and kEUR 199. Hence, there are no outstanding warrants any longer.

INTERIM DIVIDEND

In September 2019 an interim dividend of 0,04 EUR (four cents) per share has been paid, which amounts to a gross amount of 913 kEUR. The previous year the interim dividend was 0.03 EUR (three cent) per share, which amounted to a payment of 659 kEUR.

Important events after 30 September 2019

Up to date, no important events occurred since 30 September 2019.

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Glossary

EBIT	Earnings Before Interest and Taxes Regarded as the operating result or therefore operating profit/loss
EBITDA	Earnings Before Interest, Taxes, Depreciations and Amortizations Defined as the Operating Result (EBIT) + Amortizations + depreciation of stocks + depreciations of debtors + impairments Realized losses of debtors form part of the EBIT and therefore not of the EBITDA
kEUR	Thousand euros
KPIs	Key Performance Indicators
SMEs	Small and Medium sized Companies

About Keyware

Keyware (EURONEXT Brussels: KEYW) is a leading supplier of electronic-payment solutions for electronic payments and software development. Keyware is located in Zaventem, Belgium, and more information is available on www.keyware.com.

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