

**Keyware consolidates thanks to growth in software***Increasing revenues from transactions reflects a decline in cash payments*

Zaventem, Belgium – 8 November 2018 – Today, Keyware (EURONEXT Brussels: KEYW) discloses the financial results for the first nine months of 2018, which ended on 30 September 2018. The fintech specialist again records an increase in revenues from the software division – both the webshop platform for retailers EasyOrder and the financial service provider Magellan are doing well. In authorizations, the number of transactions increased, which indicates that cash payments are on the way back. However, the payment terminals record a decrease in revenues.

The key figures for the first nine months of 2018 can be summarized as follows:

The first nine months of 2018 summarized	
✓	revenues amount to 14,126 kEUR compared to 13,773 kEUR on 30 September 2017
✓	profit before taxes amounts to 606 kEUR compared to 2,079 kEUR on 30 September 2017
✓	EBITDA decreases from 2,852 kEUR on 30 September 2017 to 2,467 kEUR
✓	net profit amounts to 91 kEUR compared to 1,388 kEUR on 30 September 2017
✓	on 30 September 2018, the Group holds 4,211 kEUR cash and cash equivalents compared to 3,325 kEUR on 31 December 2017
✓	the financial debts amount to 7,236 kEUR compared to 9,295 kEUR on 31 December 2017

**Commercial part**

Since the Keyware Group has made the transition from a pure service company to a full-fledged software developer, a lot of investments have been made that now show their return as the software division continues to grow.

EasyOrder gains more and more customers. The platform offers traders the opportunity to offer their customers an online webshop and a personalized app, through which they can process orders and payments. Fries shop owners, bakers, trendy food shops, sandwich bars, butchers, ... make grateful use of these tools to reduce queues. Because the orders also make the quantities more predictable, revenues are increasing in many businesses.

Magellan is growing too. The originally French software supplier offers services in the financial sector, for example to secure online payments. In Belgium, the first traders signed contracts to offer their customers the opportunity to pay their purchases in instalments.

**Cash payments on their way down**

The rental of payment terminals went through a more difficult quarter, mainly for independent businesses and SMEs. Revenues from transactions do increase because more payments are processed per terminal. This indicates that cash payments are on their way down and are being replaced by electronic transactions.

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CEO Stéphane Vandervelde: “Cash payments are becoming less and less popular. Belgium was lagging behind compared to for instance the Netherlands, but now more and more Belgians are also starting to see the benefits of card payments.”

### Main result indicators for the first nine months of 2018

- the Group has generated revenues of 14,126 kEUR compared to 13,773 kEUR for the same period in 2017, which represents an increase in revenues of 353 kEUR or 2.6% compared to the first nine months of 2017;
- the revenues for the first nine months of 2018 consist of 5,525 kEUR respectively from revenues related to terminals (compared to 6,607 kEUR on 30 September 2017) and 6,651 kEUR from revenues related to authorizations (compared to 6,266 kEUR on 30 September 2017). On the other hand, the contribution to the revenues of the software segment amounts to 1,950 kEUR (compared to 690 kEUR on 30 September 2017);
- when it comes to the terminal activity, the decrease of 1,082 kEUR or 16.4% is explained by a significantly lower number of new contracts signed in the first nine months of 2018 (especially in the first and third quarter) compared to 2017 with again a product mix consisting of more cheap terminals;
- on the other hand, the authorizations segment confirms the growth by an increase of 385 kEUR or 6.1% due to better commissions;
- the software segment has generated revenues of 1,950 kEUR, i.e. an increase of 1,260 kEUR or 182.6% compared to the same period in 2017. This increase is mainly due to the fact that Magellan is only since 1 July 2017 fully consolidated so that it is only included for one quarter whilst the 2018 figures include three quarters;
- the operating profitability (EBITDA) for the first nine months amounts to 2,467 kEUR compared to 2,852 kEUR for the first nine months of 2017, which represents a decrease of 385 kEUR or 13.5%. This decrease can be attributed to the lower gross margin in the payment terminals segment, the integration of Magellan (more general expenses and personnel costs as well as EasyOrder’s start-up phase);
- the profit before taxes amounts to 606 kEUR compared to 2,079 kEUR for the first nine months of 2017, i.e. a decrease of 1,473 kEUR or 70.9% due to both a lower operating result (EBIT) (1,316 kEUR lower) and a lower financial result (157 kEUR lower);
- the net profit amounts to 91 kEUR compared to a net profit of 1,388 kEUR for the first nine months of 2017, which implies a decrease of 1,297 kEUR or 93.4% compared to this. The decrease is due to the factors mentioned above

Key figures For the period ended on 30 September	First nine months	
	30.09.2018	30.09.2017
	kEUR (unaudited)	kEUR (unaudited)
Revenues	14,126	13,773
Profit/(loss) before taxes	606	2,079
Profit/(loss)	91	1,388
EBITDA	2,467	2,852
Gross margin (profit before taxes / revenues) (%)	4.3	15.1
Profit margin (net profit / revenues) (%)	0.6	10.1
EBITDA margin (EBITDA / revenues) (%)	17.5	20.7

### Main points of attention on the financial position on 30 September 2018

- the net equity amounts to 27,057 kEUR and represents 67.9% of liabilities. The percentage increase is mainly the result of the decrease of the balance sheet total, which decreased more significantly than the decrease in net equity itself;
- as changes of the net equity we can report the result of the period (91 kEUR), the purchase of own shares (223 kEUR and a write-off of -178 kEUR) as well as the capital increase due to the exercise of warrants (415 kEUR) and the distribution of an interim dividend (659 kEUR);
- the financial debts amount to 7,236 kEUR which is a decrease by 2,059 kEUR compared to 31 December 2017. The net decrease is the result of the reimbursements of the existing loans while no significant new loans were raised;
- the cash and cash equivalents amount to 4,211 kEUR on 30 September 2018 and increased by 886 kEUR compared to 31 December 2017

Key figures For the period ended on	30.09.2018	31.12.2017	30.09.2017
	kEUR	kEUR	kEUR
	(unaudited)	(audited)	(unaudited)
Net equity	27,057	27,433	27,978
Long-term and short-term financial debt and loans	7,236	9,295	9,862
Cash and cash equivalents	4,211	3,325	3,357
<i>Net equity / total liabilities (%)</i>	67.9	63.9	64.0
<i>Long term and short-term financial debt and loans / net equity (%)</i>	26.7	33.9	35.2

### Main result indicators of the third quarter of 2018

- during the third quarter of 2018, the Group generated revenues of 4,384 kEUR compared to 4,763 kEUR for the same period in 2017, which represents a decrease in revenues by 379 kEUR or 8.0% compared to the third quarter of 2017;
- revenues of the third quarter of 2018 comprise of 1,486 kEUR respectively from revenues related to terminals (compared to 2,019 kEUR in 2017), 2,270 kEUR from revenues related to authorizations (compared to 2,136 kEUR in 2017) and 628 kEUR from activities related to software (compared to 608 kEUR in 2017);
- with respect to the terminal activity, it should be noted that the decrease of 533 kEUR (or 26.4%) is the highest of the current year. Part of the decrease is due to delays in the preparatory administrative process, which in some case caused the installations to take longer and could therefore not be recognized in the third quarter. This decrease of 26.4% causes this segment to decrease by 16.4% over 9 months;
- on the other hand, an increase of 134 kEUR or 6.3% compared to the third quarter of 2017 was recorded in the segment of authorizations. This is in line with the general increase of 6.1% over 9 months;
- the software segment records an increase of 20 kEUR or 3.3% in the third quarter of 2018;
- the operational profitability (EBITDA) for the third quarter amounts to 514 kEUR compared to 788 kEUR for the third quarter of 2017, which is a decrease of 274 kEUR or 34.8%. This decrease results mainly from the lower gross margin of the payment terminals segment mainly in the third quarter, the higher general costs and the personnel costs of Magellan as well as EasyOrder's start-up phase;

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- the result before taxes is a loss of 54 kEUR compared to a profit before taxes of 496 kEUR in the third quarter of 2017, or a decrease of 550 kEUR or 110.9% mainly due to a lower operating result (462 kEUR lower) and financial result (88 kEUR lower);
- the net result comes to a loss of 234 kEUR compared to a net profit of 328 kEUR for the third quarter of 2017, which implies a decrease of 562 kEUR or 171.3% compared to this. The decrease is due to the factors mentioned above

Key figures For the period ended on 30 September	3 <sup>rd</sup> quarter	
	30.09.2018	30.09.2017
	kEUR (unaudited)	kEUR (unaudited)
Revenues	4,384	4,763
Profit/(loss) before taxes	(54)	496
Profit/(loss)	(234)	328
EBITDA	514	788
<i>Gross profit margin (profit before taxes / revenues) (%)</i>	<i>(1.2)</i>	<i>10.4</i>
<i>Profit margin (net profit / revenues) (%)</i>	<i>(5.3)</i>	<i>6.9</i>
<i>EBITDA margin (EBITDA / revenues) (%)</i>	<i>11.7</i>	<i>16.5</i>

### Modified perimeter

Compared with the figures for the first nine months of 2017, the current figures for 2018 are influenced by the following change in the consolidation perimeter regarding Magellan.

The initial stake of 40% in this company under French law Magellan SAS acquired on 30 September 2016 was followed by the acquisition of the remaining 60% on 30 June 2017, changing the aforementioned company to a full-fledged subsidiary on that date.

This participation was recorded upon in the comparative year 2017 on the basis of the equity method until 30 June 2017. The contribution to the result of the first semester of 2017 amounted to a loss of 22 kEUR. From 1 July 2017, the results of Magellan are fully included in the consolidation. This translates into the contribution to revenues, EBITDA and net result of the third quarter of 2017 of respectively 593 kEUR, 241 kEUR and 71 kEUR. This makes abstraction of the result triggered by transition from the 40% participation to the 100% ownership, being a loss of 84 kEUR which was recorded amongst financial charges on 30 June 2017.

In concrete terms, this means that the comparative figures for 2017 only include 100% of Magellan's third quarter activities in the consolidation, whilst in the 2018 figures Magellan contributes for three full quarters.

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### **Important events of the first nine months of 2018**

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#### EASYORDER

During the first nine months of 2018, the new release with additional functionalities came out. Investments are being made in a digital marketing platform for customer acquisition. In addition to the far-reaching automation of communication with the prospects, this platform has the advantage that it is easier to operate outside the country's borders. There were collated marketing campaigns on various target groups of EasyOrder.

#### SHARE BUY-BACK

The 2017 share buyback programme has been terminated. On 30 September 2018, the Company holds 573,245 treasury shares, representing 2.54% of the number of shares. In total, 625,576 shares were acquired under this programme for 912 kEUR. There were 2 disposals for a total of 64,287 shares. For more information, reference is made to the press release of 5 June 2018.

The Board of Directors of 30 August 2018 has approved a new share buy-back programme for a maximum amount of 1,000 kEUR. The programme covers the period from 1 October 2018 to 30 September 2019. The programme has not yet started.

#### EXERCISE WARRANTS

During the first nine months of 2018, 730,000 warrants were exercised under the Warrant Plan 2014. The notarial deed was received on 27 June 2018. As a result of the exercise of the warrants, capital and issuance premiums have been increased by 270 kEUR and 145 kEUR respectively. The number of remaining warrants is 1,000,000. The exercise price is 0.569 EUR.

#### INTERIM DIVIDEND

In September 2018 an interim dividend of EUR 0.03 (three cents) per share was attributed, which corresponds to a gross amount of 659 kEUR.

### **Important events after 30 September 2018**

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#### CRIMINAL COURT CASE

On 6 November 2018 the first hearing day of the criminal proceedings was held. The second day is scheduled for 27 November 2018. A verdict can be expected by January 2019.

#### RESIGNATION DIRECTOR

Moirai Management BVBA, Director of Keyware Technologies, has notified its resignation. Keyware Technologies thanks Mister Johan Bohets for his involvement throughout the execution of his mandate.

**Lexicon**

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EBIT	Earnings Before Interest and Taxes It is seen as the operating result, i.e. operating profit or loss
EBITDA	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 loss on debtors are part of EBIT and therefore not of EBITDA
kEUR	Thousands of euros
KPIs	Key Performance Indicators
R&D	Research and Development
SMEs	Small and medium-sized enterprises

**About Keyware**

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Keyware (EURONEXT Brussels: KEYW) is a leading supplier of electronic payment solutions and related transaction management. Keyware is based in Zaventem, Belgium. More information is available on [www.keyware.com](http://www.keyware.com).

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