

Software segment growth confirmed in the first quarter

Brussels, Belgium – 16 May 2019 – Keyware (EURONEXT Brussels: KEYW) publishes today its financial results for the first quarter of 2019, ended on 31 March 2019.

The first quarter of 2019 compared to 2018 summarized	
✓	Revenues increase by 60 kEUR (+1.3%) from 4,629 kEUR to 4,689 kEUR
✓	Software segment increases by 30.6% from 576 kEUR to 752 kEUR
✓	EBITDA remains stable
✓	Pre-tax profit increases by 138 kEUR (+30.4%) from 454 kEUR to 592 kEUR
✓	Net profit grows by 123 kEUR (+50.2%) from 245 kEUR to 368 kEUR
✓	Financial debts are reduced by 375 kEUR, from 6,450 kEUR at 31 December 2018 to 6,075 kEUR at 31 March 2019

Commercial

In 2017, Keyware decided to make the transition from a provider of payment terminals and transaction agreements to a developer of fintech software. As part of this strategy, the French company Magellan and the Belgian company EasyOrder were acquired, two promising companies active in the so-called early adopter markets for order and payment apps (EasyOrder), spread payments (SPLIT), adaptive payment platforms (SET2U) and the anonymization of (transaction) data (S-TOKEN). Typically, these software products are still at the start of their product lifecycle, which entails major investments in development and in expansion of the commercial operations.

For EasyOrder, the focus was on developing a number of features that benefit both the merchant and the consumer: facilitating personalized promotional campaigns, additional interaction with social media, the creation of digital loyalty cards, etc.

Regarding S-TOKEN, the largest contract since the introduction of the software was signed, fully in line with the increasing demand for optimum data security and the new data protection guidelines. The number of requests for SPLIT and SET2U, characterized by longer sales cycles, is also on the rise.

The largest growth for the first quarter is in the software segment. As a result, the financial software part now represents 16% of sales, compared to 12% a year earlier.

In order to further develop the geographical potential, investments were made consisting of the opening of an office in Paris and the establishment of a subsidiary in Luxembourg. The intention is on the one hand to bring the commercial teams closer to the end customer, and on the other hand to respond to various so-called cross-selling opportunities. This allows, for example, the payment terminal expertise from the Belgian organization to be used for fintech projects in France, whilst SPLIT technology can be introduced on the Belgian or Luxembourg market. So far, such opportunities have not contributed to sales.

Stéphane Vandervelde, CEO: *“Our investments in fintech are the engine for our future growth. Although our solutions are located in various early stage market segments, we already see a substantial contribution to sales. We see this only getting bigger in the future.”*

Financial
Main result indicators of the first quarter of 2019:
Revenues and gross margin

- the Group has generated revenues of 4,689 kEUR compared to 4,629 kEUR in the same period of 2018, which represents an increase in revenues of 60 kEUR or 1.3% compared to the first quarter of 2018;
- revenues of the first quarter of 2019 reflect an increase in the segments of payment terminals and software, offset by a decrease in authorizations;
- the traditional segment records revenues from payment terminals of 1,997 kEUR (compared to 1,962 kEUR at 31 March 2018, or an increase of 35 kEUR or 1.8%) whilst authorizations has generated revenues of 1,940 kEUR (compared to 2,091 kEUR at 31 March 2018, or a decrease of 151 kEUR or 7.2%). In the first case the increase is due to a higher number of signed contracts in 2019 whilst the second case is due to a lower number of contracts that generate commissions;
- the software segment records a contribution to revenues of 752 kEUR (compared to 576 kEUR at 31 March 2018, or an increase of 176 kEUR or 30.6%). The increase is mainly due to a strong quarter of EasyOrder albeit Magellan also improves. Software represents at present 16% of consolidated revenues compared to 12,4% at 31 March 2018;
- with respect to gross profit margin an increase of 3.1 pp can be reported from 61.1% to 64.2% which is mainly attributable to higher gross margins from authorizations (+2.3 pp)

Analytical gross margin by segment	1st quarter – 31.03.2019				
	Terminals	Authorizations	Corporate	Software	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenues	1,997	1,940	-	752	4,689
Cost of goods sold	(201)	(1,452)	-	(26)	(1,679)
Gross profit	1,796	488	-	726	3,010
<i>Gross profit margin (%)</i>	89.9	25.2	-	96.5	64.2
<i>% share in revenues</i>	42.6	41.4	-	16.0	100.0

Analytical gross margin by segment	1st quarter – 31.03.2018				
	Terminals	Authorizations	Corporate	Software	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenues	1,962	2,091	-	576	4,629
Cost of goods sold	(188)	(1,613)	-	-	(1,801)
Gross profit	1,774	478	-	576	2,828
<i>Gross profit margin (%)</i>	90.4	22.9	-	100.0	61.1
<i>% share in revenues</i>	42.4	45.2	-	12.4	100.0

REGULATED INFORMATION

Profitability KPI's

- the operating profit (EBIT) for the first quarter of 2019 amounts to 450 kEUR compared to 269 kEUR for the first quarter of 2018, which is an increase of 181 kEUR or 67.3%. The higher profitability is triggered by a higher gross margin and lower allowances on debtors (less defaults) and inventories;
- the operating cashflow (EBITDA) of the first quarter of 2019 amounts to 1,010 kEUR compared to 1,038 kEUR at 31 March 2018, which is a decrease of 28 kEUR or 2.7%;
- the pre-tax profit of the first quarter of 2019 amounts to 592 kEUR compared to 454 kEUR for the first quarter of 2018, which is an improvement of 138 kEUR or 30.4%. The higher operating result (EBIT) of 181 kEUR is partially offset by a lower financial result of 43 kEUR. This is amongst others due to the reduction of the WACC applied to the most recently signed contracts;
- the net profit for the first quarter of 2019 amounts to 368 kEUR compared to a net profit of 245 kEUR for the first quarter of 2018, which represents an increase of 123 kEUR or 50.2% compared to the first quarter of 2018. Mainly the improved operating profit (EBIT) triggers this

Main KPI's For the periode ended on 31 March	1st quarter	
	31.03.2019	31.03.2018
	kEUR (<i>unaudited</i>)	kEUR (<i>unaudited</i>)
Revenues	4,689	4,629
Pre-tax profit	592	454
Net profit	368	245
EBITDA	1,010	1,038
<i>Gross margin (pre tax profit / revenues)(%)</i>	12.6	9.8
<i>Net profit margin (net profit / revenues) (%)</i>	7.9	5.3
<i>EBITDA margin (EBITDA / revenues) (%)</i>	21.5	22.4

Main points of attention on the financial position at 31 March 2019:

- the net equity amounts to 27,886 kEUR and represents 65.0% of liabilities. The movement of net equity amounts to 294 kEUR and comprises the result of the period (+368 kEUR) and the additional share buy-backs (-74 kEUR);
- the financial debts, short term and long term together, amount to 6,075 kEUR compared to 6,450 kEUR at 31 December 2018. A decrease of 375 kEUR has been recorded during the first quarter of 2019

Main KPI's For the periode ended on	31.03.2019	31.12.2018	31.03.2018
	kEUR	kEUR	kEUR
	(<i>unaudited</i>)	(<i>audited</i>)	(<i>unaudited</i>)
Net equity	27,886	27,592	27,454
Long term and short term financial debts	6,075	6,450	8,528
<i>Net equity / total liabilities (%)</i>	65.0	64.3	65.6
<i>LT and ST financial debts / net equity (%)</i>	21.8	23.4	31.1

REGULATED INFORMATION

Significant events of the first quarter of 2019

On 5 February 2019 the court case Public Prosecutor / Keyware Smart Card Division has been sentenced in favour of Keyware. The Public Prosecutor has however filed a request for cassation and the related hearings are scheduled for June 2019.

There are no other significant events to be reported with respect to the first quarter of 2019.

Subsequent events post first quarter of 2019

A significant event to be reported is the incorporation of Keyware SARL, subsidiary under Luxembourg law, on 4 April 2019. Both the traditional activities and the fintech activities of the Group will be deployed in Luxembourg as well as in the North East France region.

Lexicon

EBIT	Earnings Before Interest and Taxes Is regarded as the operating result of operating profit / loss
EBITDA	Earnings Before Interest, Taxes, Depreciations and Amortizations Is defined as operating result (EBIT) + depreciation and amortization + allowances on inventories + allowances on debtors + impairment losses Realized losses on debtors are part of EBIT but not of EBITDA
kEUR	Thousands of euros
pp	Percentage point

About Keyware

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

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Financial calendar

24-05-2019:	General Shareholders Assembly (Ordinary) with respect to financial year 2018
29-08-2019:	half year results ended on 30 June 2019
07-11-2019:	quarterly results ended on 30 September 2019