

Keyware's shift to fintech confirmed in the first quarter

Brussels, Belgium – 17 May 2018 – Today, Keyware (EURONEXT Brussels: KEYW) discloses the financial results for the first quarter of 2018, which ended on 31 March 2018.

During the first quarter of 2018, the demand for fintech solutions offered by Keyware in Belgium, France and Germany increased. This software segment represents revenues of 576 kEUR thanks to Magellan's revenues growth of 9%.

The first quarter of 2018 of Keyware Technologies can be summarized as follows	
✓	Revenue amounts to 4,629 kEUR compared to 4,528 kEUR (101 kEUR increase or 2.2%)
✓	EBITDA decreases by 221 kEUR from 1,259 kEUR to 1,038 kEUR (-17.6%)
✓	Profit before taxes amounts decreases by 634 kEUR (-58.3%) from 1,088 kEUR to 454 kEUR
✓	Net profit after taxes decreases by 477 kEUR (-66.1%) from 722 kEUR to 245 kEUR
✓	The financial debt amount to 8,528 kEUR as at 31 March 2018 compared to 9,295 kEUR as at 31 December 2017, which is a decrease of 767 kEUR
✓	Increase of cash and cash equivalents by 468 kEUR from 3,325 kEUR as at 31 December 2017 to 3,793 kEUR on 31 March 2018

Commercial

In 2017, Keyware implemented its fintech strategy with the acquisitions of the French company Magellan and the Belgian company EasyOrder. Magellan operates in the field of payment software and tokenisation, EasyOrder offers a universal ordering and payment app. Both companies are moving in a rapidly growing market with increasing demand for such solutions, which puts them at the early stages of their product life cycle. Magellan and EasyOrder are focusing on innovative companies or organizations and so called early adopters in various markets. The growth Keyware is recording among these customers today is expected to result in increasing recurring revenues by 2019-2020, both in the field of software and payment transactions.

Keyware is committed to the expansion of both companies. This obvious long-term choice is reflected by additional personnel hires and investments in the software segment during the first quarter of 2018. Such a transformation obviously requires higher expenses.

In this respect the company affects significant funds to the further development of software in both enterprises as well as in the commercialization of its products. In addition to the expansion of its commercial activities, Keyware also made additional investments in product development. These should allow the company to offer its various fintech solutions in a wide range of international markets, both directly and through partners. Keyware expects to see the first results before the end of the year.

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Stéphane Vandervelde, CEO: "We expect that our fintech solutions will mark the start of a new phase in Keyware's growth and internationalisation process. At the same time, they can ensure synergistic effects in the field of payment terminals and transactions."

Financial

Main result indicators for the first quarter of 2018:

Revenues

- the Group has generated revenues of 4,629 kEUR compared to 4,528 kEUR for the same period in 2017, which represents an increase in revenues of 101 kEUR of 2.23% compared to the first quarter of 2017;
- revenues of the first quarter of 2018 comprise a decrease in the payment terminal segment, offset by an increase of revenues in the authorizations and software segment;
- with respect to the traditional segments, revenues relating to terminals amount to 1,962 kEUR (compared to 2,502 kEUR on 31 March 2017, or a decrease of 540 kEUR or 21.6%) while revenues relating to authorizations amount to 2,091 kEUR (compared to 1,785 kEUR on 31 March 2017, or an increase of 306 kEUR or 17.1%);
- the new software segment contributes 576 kEUR to revenues (compared with 31 kEUR at 31 March 2017, or an increase of 545 kEUR). The increase is due to the ulterior integration of Magellan into the consolidation perimeter (as from 30 June 2017), as a result of which the comparative quarter of 2017 did not yet include these revenues (and related expenses). As an indication, it should be noted that revenues in the first quarter of 2017 amounted to 498 kEUR. As a result, revenues in the first quarter of 2018 increased by 47 kEUR (+9.4%);
- revenues of the first quarter of 2017 also included an amount of 210 kEUR relating to consulting fees, which is not applicable in 2018

Profitability indicators

- operating profit (EBIT) of the first quarter of 2018 amounts to 269 kEUR compared to 832 kEUR for the first quarter of 2017, which is a decrease of 563 kEUR or 67.7%. This decrease is mainly due to the integration of Magellan into the consolidation perimeter, which triggers significant increases in overheads, personnel costs as well as depreciation and amortization; the additional revenue of 544 kEUR contributes to the increase in the quarterly revenue. In this comparison, it should be noted that the comparative period presents a loss of 75 kEUR, which represented the initial stake in Magellan's result at that time;
- operating cashflow (EBITDA) of the first quarter of 2018 amounts to 1,038 kEUR compared to 1,259 kEUR for the first quarter of 2017, which is a decrease of 221 kEUR or 17.6%. The decrease is due to higher general and personnel expenses (mainly due to the integration of Magellan) which exceed higher revenues. It should be noted that in the comparative quarter of 2017, the 40% shareholding in Magellan SAS at that time was included in the caption result in associated enterprises, hence outside EBITDA. The share of the software segment in the first quarter's EBITDA of 2018 amounts to 106 kEUR compared to 17 kEUR in the first quarter of 2017, which is an increase of 89 kEUR over the same period;
- profit before taxes for the first quarter of 2018 amounts to 454 kEUR compared to 1,088 kEUR for the first quarter of 2017, which is a decrease of 634 kEUR or 58.3%, mainly as a result of a lower operating profit (EBIT) (563 kEUR lower) and a lower financial result (71 kEUR lower). The latter is partly due to a decrease in the discount rate on the most recent

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contracts as well as higher interest costs relating to the financing of acquisitions. In June 2017, 4.5 million EUR was borrowed in this respect;

- net profit of the first quarter of 2018 amounts to 245 kEUR compared to 722 kEUR for the first quarter of 2017, which represents a decrease of 477 kEUR or 66.1% compared to the first quarter of 2017. Whilst the profit before taxes is 634 kEUR lower, the decrease in net profit is more limited due to lower (deferred) taxes and to the no longer applicable share in the result of associated enterprises (as a result of the full consolidation of Magellan)

Key figures For the period ended on 31 March	1st quarter	
	31.03.2018	31.03.2017
	kEUR (unaudited)	kEUR (unaudited)
Revenues	4,629	4,528
Profit before taxes	454	1,088
Profit of the period	245	722
EBITDA	1,038	1,259
<i>Gross margin (profit before taxes / revenues) (%)</i>	<i>9.81</i>	<i>24.03</i>
<i>Profit margin (net profit / revenues) (%)</i>	<i>5.29</i>	<i>15.95</i>
<i>EBITDA margin (EBITDA / revenues) (%)</i>	<i>22.42</i>	<i>27.80</i>

Modified perimeter

Compared to the numbers of the first quarter of 2017, the current numbers of the first quarter of 2018 are affected by the following change in the consolidation perimeter.

Until 30 June 2017, the Group only held a 40% stake in the company incorporated under French law, Magellan SAS. Between 30 September 2016 and 30 June 2017, this participation was therefore accounted for on the basis of the equity method, with the share in the result being presented as a separate caption at the bottom of the profit and loss account. As from 30 June 2017 onwards, this company became a subsidiary and is fully consolidated since then.

The contribution to the result of the first quarter of 2017 amounted to a loss of 75 kEUR, for a 40% stake, and was accordingly presented separately in the profit and loss statement. Extrapolating to a 100%, this basically came to a loss of 188 kEUR for the first quarter of 2017, which would mainly be retrieved as part of EBIT.

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Main points of attention on the financial position on 31 March 2018:

- net equity amounts to 27,454 kEUR and represents 65.56% of liabilities. The fluctuation in shareholders' equity amounts to 21 kEUR and is composed of the result of the period (+245 kEUR) and additional purchases of own shares (-224 kEUR);
- financial debt, long and short term aggregated, amounts to 8,528 kEUR compared to 9,295 kEUR as at 31 December 2017. They were in fact reduced by 767 kEUR during the first quarter of 2018;
- trade, tax and social debts decrease by 579 kEUR compared to 31 December 2017 and amount to 2,550 kEUR compared to 3,129 kEUR;
- cash and cash equivalents increase from 3,325 kEUR as at 31 December 2017 to 3,793 kEUR as at 31 March 2018, representing an increase of 468 kEUR

Key figures For the period ended on	31.03.2018	31.12.2017	31.03.2017
	kEUR	kEUR	kEUR
	(<i>unaudited</i>)	(<i>audited</i>)	(<i>unaudited</i>)
Net equity	27,454	27,433	27,456
Long term and short term financial debt	8,528	9,295	5,797
<i>Net equity / total liabilities (%)</i>	65.56	63.95	73.99
<i>Long term and short term financial debt / net equity (%)</i>	31.06	33.88	21.11

Important events during the first quarter of 2018

No significant events have occurred during the first quarter of 2018.

Lexicon

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 losses on debtors are part of EBIT and therefore not comprised in EBITDA
kEUR	Thousands of euros
KPI	Key Performance Indicators

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About Keyware

Keyware (Euronext Brussels: KEYW) is a leading supplier of electronic payment solutions, loyalty systems, identity applications and related transaction management.

Keyware is based in Zaventem, Belgium. More information is available on www.keyware.com.

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