



Keyware

Smart Cards-Security / Belgium

FY21 will continue to be challenging, while we expect mid-term profitability growth

From hardware provider to fintech expert - 17/05/2021

Change in Target Price

€ 2.07 vs 2.03 +1.65%

The company continues to face challenges which weigh on the results, but both the change of acquiring partner and COVID-19-related issues are expected to be beneficial in the mid/long term. Keyware expects the total migration from its previous partner to the new one to take up to the middle of 2021 (depending on new lockdown restrictions), while it is already creating greater value translating into a higher margin. The COVID-19 pandemic has led to growing electronic and contactless payments. Furthermore, with its transition, from hardware provider to fintech specialist, the group should return to profitability growth in mid-term.

Change in EPS

2021 :
2022 :

Our FY19 and FY20 EPS have been pushed down by the integration of the annual results. We have also slightly lowered our FY21 EPS for different reasons: 1) the transition from a hardware provider to a software developer continues to weigh negatively on profitability, 2) the restrictions across Europe will continue to impact Payment Terminals and Payment Authorisations divisions, and 3) the change in the Authorisation's partner results in a drop in the results in the short term, but should lead to higher margins in the coming years.

Change in DCF

€ 2.87 vs 3.09 -7.26%

Our DCF has been downgraded due to the deteriorated earnings estimates for FY21 because of the reasons mentioned above.



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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy

Upside : 118%

Target Price (6 months)	€ 2.07
Share Price	€ 0.95
Market Cap. €M	22.4
Price Momentum	GOOD
Extremes 12Months	0.62 ▶ 1.09
Bloomberg	KEYW BB Equity
Reuters	KEYW.BR

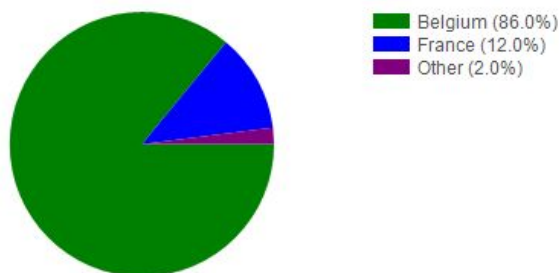

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PERF	1w	1m	3m	12m
Keyware	4.40%	1.06%	-5.00%	10.5%
IT Hardware	-6.08%	-0.28%	1.05%	43.7%
SXXR Index	-0.46%	1.91%	8.04%	38.4%

Last updated: 17/05/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	9.64	11.3	10.2	8.54
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	5.79	6.36	5.73	4.80
Adjusted EPS (€)	0.08	0.08	0.09	0.11
Growth in EPS (%)	32.7	7.93	11.0	19.2
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	12,961	14,804	16,120	18,186
EBIT margin (%)	-3.08	2.76	4.31	6.94
Attributable net profit (€th)	66.0	681	899	1,320
ROE (after tax) (%)	0.24	2.39	2.93	4.04
Gearing (%)	13.4	9.85	5.85	2.51

[Company Valuation](#) - [Company Financials](#)

Sales by Geography



Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Sales	€th	12,961	14,804	16,120
Change in sales	%	-28.5	14.2	8.89
Change in staff costs	%	0.00	0.00	0.00
EBITDA	€th	3,660	3,882	4,146
EBITDA(R) margin	%	28.2	26.2	25.7
Depreciation	€th	-1,564	-1,480	-1,451
Underlying operating profit	€th	2,096	2,402	2,696
Operating profit (EBIT)	€th	288	1,102	1,396
Net financial expense	€th	-115	-130	-112
of which related to pensions	€th		-5.03	-5.63
Exceptional items & other	€th			
Corporate tax	€th	-107	-292	-385
Equity associates	€th			
Minority interests	€th			
Adjusted attributable net profit	€th	1,874	1,981	2,199
NOPAT	€th	1,467	1,685	1,891

Cashflow Statement

		12/20A	12/21E	12/22E
EBITDA	€th	3,660	3,882	4,146
Change in WCR	€th	512	-529	-980
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	0.00	-292	-385
Exceptional items	€th			
Other operating cash flows	€th	-497	-800	-800
Total operating cash flows	€th	3,675	2,261	1,981
Capital expenditure	€th	-743	-888	-967
Total investment flows	€th	-748	-888	-967
Net interest expense	€th	-115	-130	-112
Dividends (parent company)	€th	0.00	0.00	0.00
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	-146	0.00	0.00
Total financial flows	€th	-2,680	-871	-330
Change in cash position	€th	247	502	684
Free cash flow (pre div.)	€th	2,817	1,243	902

Per Share Data

		12/20A	12/21E	12/22E
No. of shares net of treas. stock (year...	Th	23,544	23,544	23,544
Number of diluted shares (average)	Th	24,044	23,544	23,544
Benchmark EPS	€	0.08	0.08	0.09
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 2.87	35%	Amadeus IT Group
NAV/SOTP per share	€ 2.00	20%	Adyen
EV/Ebitda	€ 1.90	20%	Nexi
P/E	€ 1.90	10%	Worldline
Dividend Yield	€ 0.00	10%	EdenRed
P/Book	€ 1.90	5%	
TARGET PRICE	€ 2.07	100%	

NAV/SOTP Calculation

Balance Sheet

		12/20A	12/21E	12/22E
Goodwill	€th	7,762	8,041	8,041
Total intangible	€th	13,030	13,838	13,838
Tangible fixed assets	€th	1,685	2,177	2,177
Financial fixed assets	€th	168	150	150
WCR	€th	16,463	16,992	17,973
Other assets	€th	2,811	1,000	1,000
Total assets (net of short term liab.)	€th	34,157	34,157	35,137
Ordinary shareholders' equity	€th	27,239	29,697	31,581
Quasi Equity & Preferred	€th			
Minority interests	€th			
Provisions for pensions	€th		158	162
Other provisions for risks and liabilities	€th	142		
Total provisions for risks and liabilities	€th	142	158	162
Tax liabilities	€th	3,226	2,000	2,000
Other liabilities	€th			
Net debt (cash)	€th	3,550	2,302	1,394
Total liab. and shareholders' equity	€th	34,157	34,157	35,137

Capital Employed

		12/20A	12/21E	12/22E
Capital employed after depreciation	€th	31,346	33,157	34,137

Profits & Risks Ratios

		12/20A	12/21E	12/22E
ROE (after tax)	%	0.24	2.39	2.93
ROCE	%	4.68	5.08	5.54
Gearing (at book value)	%	13.4	9.85	5.85
Adj. Net debt/EBITDA(R)	x	0.97	0.59	0.34
Interest cover (x)	x	18.2	19.3	25.4

Valuation Ratios

		12/20A	12/21E	12/22E
Reference P/E (benchmark)	x	9.64	11.3	10.2
Free cash flow yield	%	15.9	5.56	4.03
P/Book	x	0.65	0.75	0.71
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/20A	12/21E	12/22E
Market cap	€th	17,682	22,367	22,367
+ Provisions	€th	142	158	162
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	3,550	2,302	1,394
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	168	150	150
+ Minority interests (fair value)	€th	0.00	0.00	0.00
= EV	€th	21,206	24,676	23,772
EV/EBITDA(R)	x	5.79	6.36	5.73
EV/Sales	x	1.64	1.67	1.47

Analyst : Laura Parisot, Changes to Forecasts : 17/05/2021.