



Keyware

Smart Cards-Security / Belgium

The soft pushed up revenue, while the transition continues to impact profitability

From hardware provider to software developer - 04/07/2019

Change in Target Price

€ 2.06 vs 2.08	-1.12%
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Amadeus IT Group and EdenRed were added to our peers' valuation to reflect Keyware's offers better.

Change in EPS

2019 : € 0.10 vs 0.16	-36.4%
2020 : € 0.11 vs 0.17	-34.2%

Following the integration of the group's annual results, the FY18 EPS has been slightly pushed down. The transition from a hardware provider to a software developer continues to weigh negatively on profitability. Our previous EPS forecasts (€0.16 for FY19, and €0.17 for FY20) were disconnected from the previous full-year results. Therefore, we have lowered our estimates to reflect the current issues better, which we believe will end in the medium term.

Change in DCF

€ 2.28 vs 2.34	-2.68%
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While we have slightly downgraded the EBITDA forecasts for the next three years, our DCF valuation is unchanged. The transition phase should continue to impact negatively, but we are confident that it is a medium-term issue. Consequently, and to reflect the market growth potential, we have decided to increase our long-term growth for both sales and EBITDA by +1.5%.



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AlphaValue is contracted by Keyware to provide equity research on Keyware, using AlphaValue's unique and transparent methods and procedures. Target price and opinion are thus exclusively determined by those methods and procedures.

Buy Upside : 104%

Target Price (6 months)	€ 2.06
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Share Price	€ 1.01
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Market Cap. €M	22.8
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Price Momentum	STRONG
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Extremes 12Months	0.79 ▶ 1.25
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Bloomberg	KEYW BB Equity
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Reuters	KEYW.BR
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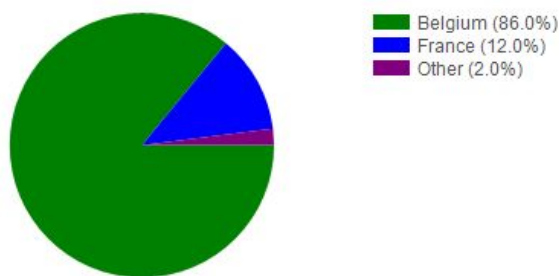

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PERF	1w	1m	3m	12m
Keyware	13.5%	1.00%	3.06%	-2.27%
IT Hardware	1.53%	0.34%	-6.48%	9.07%
SXXR Index	2.76%	6.16%	2.46%	6.42%

Last updated: 04/07/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	13.0	9.66	9.23	8.86
Dividend yield (%)	2.44	2.97	2.97	2.97
EV/EBITDA(R) (x)	7.60	5.70	5.17	4.66
Adjusted EPS (€)	0.09	0.10	0.11	0.11
Growth in EPS (%)	-26.6	10.5	4.64	4.18
Dividend (€)	0.03	0.03	0.03	0.03
Sales (€th)	19,635	20,597	21,421	22,827
EBIT margin (%)	1.34	1.53	2.01	2.55
Attributable net profit (€th)	626	951	965	1,072
ROE (after tax) (%)	2.28	3.38	3.23	3.32
Gearing (%)	18.6	12.0	7.29	3.00

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

Sales by Geography



Consolidated P&L Accounts

	12/18A	12/19E	12/20E
Sales	€th 19,635	20,597	21,421
Change in sales	% 4.83	4.90	4.00
Change in staff costs	% 18.2	5.14	0.00
EBITDA	€th 4,171	4,496	4,723
EBITDA(R) margin	% 21.2	21.8	22.0
Depreciation	€th -1,465	-1,380	-1,392
Underlying operating profit	€th 2,706	3,116	3,331
Operating profit (EBIT)	€th 1,109	1,616	1,731
Net financial expense	€th -178	-257	-352
of which related to pensions	€th	-3.58	-5.26
Exceptional items & other	€th		
Corporate tax	€th -305	-408	-414
Equity associates	€th 0.00		
Minority interests	€th		
Adjusted attributable net profit	€th 2,223	2,451	2,565
NOPAT	€th 1,894	2,184	2,335

Cashflow Statement

	12/18A	12/19E	12/20E
EBITDA	€th 4,171	4,496	4,723
Change in WCR	€th 1,100	-803	-903
Actual div. received from equity holdi...	€th 0.00	0.00	0.00
Paid taxes	€th 0.00	-408	-414
Exceptional items	€th		
Other operating cash flows	€th -261	-200	-150
Total operating cash flows	€th 5,010	3,085	3,256
Capital expenditure	€th -1,198	-618	-643
Total investment flows	€th -1,204	-618	-643
Net interest expense	€th -178	-257	-352
Dividends (parent company)	€th -659	-659	-659
Dividends to minorities interests	€th 0.00	0.00	0.00
New shareholders' equity	€th 192	-400	-400
Total financial flows	€th -3,789	-3,832	-2,143
Change in cash position	€th 17.0	-1,365	471
Free cash flow (pre div.)	€th 3,634	2,211	2,261

Per Share Data

	12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Th 22,544	22,543	22,543
Number of diluted shares (average)	Th 23,499	23,453	23,453
Benchmark EPS	€ 0.09	0.10	0.11
Restated NAV per share	€		
Net dividend per share	€ 0.03	0.03	0.03

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 2.28	35%	■ Ingenico
NAV/SOTP per share	€ 1.98	20%	■ Amadeus IT Group
EV/Ebitda	€ 2.02	20%	■ EdenRed
P/E	€ 2.02	10%	
Dividend Yield	€ 1.59	10%	
P/Book	€ 2.02	5%	
TARGET PRICE	€ 2.06	100%	

NAV/SOTP Calculation

Balance Sheet

	12/18A	12/19E	12/20E
Goodwill	€th 7,993	8,393	8,435
Total intangible	€th 14,325	15,041	15,116
Tangible fixed assets	€th 2,050	2,153	2,260
Financial fixed assets	€th 156	150	150
WCR	€th 16,390	17,193	18,096
Other assets	€th 2,889	1,000	1,000
Total assets (net of short term liab.)	€th 35,810	35,536	36,623
Ordinary shareholders' equity	€th 27,592	28,625	31,069
Quasi Equity & Preferred	€th		
Minority interests	€th		
Provisions for pensions	€th	147	157
Other provisions for risks and liabilities	€th 138		
Total provisions for risks and liabilities	€th 138	147	157
Tax liabilities	€th 4,057	3,897	3,737
Other liabilities	€th		
Net debt (cash)	€th 4,023	2,868	1,660
Total liab. and shareholders' equity	€th 35,810	35,536	36,623

Capital Employed

	12/18A	12/19E	12/20E
Capital employed after depreciation	€th 32,921	34,536	35,623

Profits & Risks Ratios

	12/18A	12/19E	12/20E
ROE (after tax)	% 2.28	3.38	3.23
ROCE	% 5.75	6.32	6.56
Gearing (at book value)	% 18.6	12.0	7.29
Adj. Net debt/EBITDA(R)	x 0.96	0.64	0.35
Interest cover (x)	x 15.2	12.3	9.61

Valuation Ratios

	12/18A	12/19E	12/20E
Reference P/E (benchmark)	x 13.0	9.66	9.23
Free cash flow yield	% 13.1	9.71	9.93
P/Book	x 1.00	0.80	0.73
Dividend yield	% 2.44	2.97	2.97

EV Calculation

	12/18A	12/19E	12/20E
Market cap	€th 27,682	22,768	22,768
+ Provisions	€th 138	147	157
+ Unrecognised actuarial losses/(gains)	€th 0.00	0.00	0.00
+ Net debt at year end	€th 4,023	2,868	1,660
+ Leases debt equivalent	€th 0.00	0.00	0.00
- Financial fixed assets (fair value)	€th 156	150	150
+ Minority interests (fair value)	€th 0.00	0.00	0.00
= EV	€th 31,687	25,633	24,435
EV/EBITDA(R)	x 7.60	5.70	5.17
EV/Sales	x 1.61	1.24	1.14

Analyst : Laura Parisot, Changes to Forecasts : 04/07/2019.