REGULATED INFORMATION

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COVID-19 mainly impacts revenues

EBITDA remains comparable due to cost savings

Brussels, Belgium - 27 August 2020 – Keyware Technologies (EURONEXT Brussels: KEYW) today publishes its financial results for the first six months of 2020, ending on 30 June 2020.

The financial picture for the first half of 2020 can be summarised as follows
✓ **Net profit amounts to kEUR 278 compared to kEUR 438 in 2019 (- kEUR 160)**
✓ **EBITDA up from kEUR 1,525 to kEUR 1,532 (+ kEUR 7)**
✓ **Revenues amount to kEUR 7,695 compared to kEUR 9,131 in 2019 (- kEUR 1,436)**
✓ **Profit before tax amounts to kEUR 355 compared to kEUR 542 in 2019 (- kEUR 187)**
✓ **Financial liabilities at 30 June 2020 amount to kEUR 2,842 compared to kEUR 4,209 at 31 December 2019**

Commercial

The results of the first half of 2020 are mainly impacted by on the one hand COVID-19 and on the other hand the decision to choose another authorization partner for the processing of payment transactions. Mainly revenues are adversely impacted whilst EBITDA remains in line with the comparable period of the previous financial year due to cost savings.

COVID-19 triggered a decrease in revenues in some segments such as horeca and retail. Lockdown and capacity restrictions resulted in a decrease of payment transactions and lower activity of the sales force. COVID-19 has also a positive side as the importance of electronic (contactless) payments continues to increase.

The strategic choice for a new authorization partner adversely impacts the results in the short run. Once the onboarding of the contracts is completed, the new partnership should result in higher margins with respect to authorization-revenues.

Compared to the first half of 2019 the portion of the fintech activity in the consolidated revenues increases from 16.2% to 18.2% at 30 June 2020.

Stéphane Vandervelde, CEO :"Both COVID-19 and the choice for a new authorization partner currently impact our numbers. Notwithstanding, we succeed in keeping an important profitability indicator (EBITDA) under control. We expect that COVID-19 shall further contribute to the boost of electronic and contactless payments, whilst our new partnership with respect to payment transactions shall trigger a further improvement of our margins".

Financial

1. Main result indicators for the first half of 2020

Key figures For the period ending on 30 June	1st half year (6 months) 30.06.2020	 30.06.2019	 Difference	 Difference
	kEUR	kEUR	kEUR	%
	(unaudited)	*(unaudited)*		
Revenues	7,695	9,131	(1,436)	*(15.7)*
EBIT	128	276	(148)	*(53.6)*
EBITDA	1,532	1,525	7	*0.5*
Profit before taxes for the period	355	542	(187)	*(34.5)*
Profit for the period	278	438	(160)	*(36.5)*
Gross profit margin (profit before tax / revenues) (%)	*4.6*	*5.9*		
Profit margin (net profit / revenues) (%)	*3.6*	*4.8*		
EBITDA margin (EBITDA / revenues) (%)	*19.9*	*16.7*		

Revenues and gross profit

- the Group achieved revenues of kEUR 7,695 against kEUR 9,131 for the same period in 2019, representing a decrease in revenues of kEUR 1,436 or 15.7% compared to the first six months of 2019;
- the decrease in revenues was mainly observed in the authorizations segment, i.e. commissions received from acquirers relating to transactions processed on the payment terminals. Fewer contracts generating commissions, the shrinking consumption during the lockdown period (COVID-19) and the switch to a different authorization partner account for the decrease in revenues of kEUR 1,122 (-27.1%);
- the payment terminal segment sees a smaller decrease in revenues of kEUR 287 (-8.2%), despite the temporary unemployment of sales representatives during the lockdown period. The decline has been limited thanks to the activities having resumed at the beginning of May 2020 and promotional campaigns undertaken in June 2020;
- The software segment records similar revenues as in the first half of 2019, the fluctuation is tiny. This segment did benefit for a steady demand for the payment application even during the lockdown

Amounts in kEUR	30.06.2020	30.06.2020	30.06.2020	30.06.2020	30.06.2020
	Terminals	Authorizations	Software	Intersegment	
Segment Information	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	3,230	3,015	1,575	(125)	7,695
Cost of sales	(298)	(2,317)	(15)	125	(2,505)
Gross profit	**2,932**	**698**	**1,560**	**-**	**5,190**
Gross profit margin (%)	*90.8*	*23.2*	*99.0*	*-*	*67.4*
Share of revenues (%)	*42.0*	*39.2*	*18.8*	*-*	*100.0*

Amounts in kEUR	30.06.2019	30.06.2019	30.06.2019	30.06.2019	30.06.2019
	Terminals	Authorizations	Software	Intersegment	
Segment Information	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	3,517	4,137	1,609	(132)	9,131
Cost of sales	(402)	(3,274)	(27)	132	(3,571)
Gross profit	**3,115**	**863**	**1,582**	**-**	**5,560**
Gross profit margin (%)	*88.6*	*20.9*	*98.3*	-	*60.9*
Share of revenues (%)	*38.5*	*45.3*	*16.2*	-	*100.0*

- The gross profit margin for the first half of 2020 amounts to 67.4%, compared to 60.9% for the first half of 2019. The fact that software accounts for a larger share of total revenues has a positive impact on the gross profit margin, as the cost of sales in this segment are in essence personnel charges which are not included in the gross profit;
- This higher pross profit margin triggers the fact that gross profit expressed in absolute numbers only decreased by 6.7% (-370 kEUR compared to 5,560 kEUR) whilst revenues decrease by 15.7%

Profitability indicators

- operating profit (EBIT) for the first half of 2020 amounts to kEUR 128 compared to kEUR 276 for the first half of 2019, representing a decrease of kEUR 148 or 53.6%. The decrease in EBIT is attributable to the lower gross margin of kEUR 370 and higher allowances of current assets (kEUR 269), whist savings of kEUR 507 have been realized on general expenses;
- EBITDA remains at a similar level as the lower gross margin of kEUR 370 and the lower other operating income of kEUR 59 on aggregate are inferior to the savings realised on general expenses (kEUR 507). These savings relate to, among other things, sponsorship, fees of third parties and subcontractors, publicity and marketing expenses;
- profit before taxes amounts to kEUR 355 compared to kEUR 542 for the first half of 2019, representing a decrease of kEUR 187 or 34.5%, due to both a lower operating profit or EBIT (down by kEUR 148) and a lower financial result (down by kEUR 39). Lower financial revenues are the result of the decrease of the installed base of rented payment terminals;
- net profit amounts to kEUR 278 as at 30 June 2020, compared to net profit of kEUR 438 for the first half of 2019, representing a decrease of kEUR 160 or 36.5% therewith. This decrease is in line with the decrease in pre-tax profit

2. Quarterly sales information

Revenues per segment and per quarter can be presented as follows:

Revenues per segment	Terminals	Authorizations	Software	Intersegment	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenues Q1-2020	1,654	1,754	835	(58)	4,185
Revenues Q1-2019	1,997	1,940	820	(68)	4,689
Difference	(343)	(186)	15	10	(504)
Revenues Q2-2020	1,576	1,261	740	(67)	3,510
Revenues Q2-2019	1,520	2,197	789	(64)	4,442
Difference	56	(936)	(49)	(3)	(932)
Revenues H1-2020	3,230	3,015	1,575	(125)	7,695
Revenues H1-2019	3,517	4,137	1,609	(132)	9,131
Difference	(287)	(1,122)	(34)	7	(1,436)

The main reason for the general decline in revenues is thus to be found in the authorisation segment and more specifically in the first half of the second quarter, during which many retailers and companies were closed. This is reflected in lower commissions. This decrease is not only triggered by COVID-19 but is also the consequence of the chosen strategy to move to another authorization partner.

The terminal segment actually suffered less than authorizations, as even better revenues have been generated in the second quarter of 2020 compared to the second quarter of 2019.

Lower revenues in the software segment in the second quarter are due to the lockdown in France. As stated, in Belgium there have rather been sales opportunities for the payment app.

3. COVID-19 impact

The estimate of the impact is presented per quarter, figures for the first quarter having already been disclosed in the previous press release. This information is included hereafter.

Impact on the first quarter of 2020

The first quarter of 2020 was partially affected by COVID-19 measures. Group figures for the impact felt in March 2020 may be summarized as follows:

Covid-19 Impact on Q1/2020 (in kEUR)	Revenues	Cost of sales	Personnel and subcontractors	EBITDA	Net profit
	kEUR	kEUR	kEUR	kEUR	kEUR
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Loss of revenues	-275			-275	
Lower cost sales		45		45	
Personnel and subcontractors			69	69	
EBITDA	-275	45	69	-161	
Net profit	-220	34	50	-136	-136

The loss of revenues is estimated at kEUR 275. This mainly concerns the payment terminals segment and, to a lesser extent, the software segment. The impact on the terminals segment is offset by an estimated kEUR 45 reduction in the cost of sales.
Part of the employees and some subcontractors were no longer active in the group, being temporarily inactive. This led to a reduction in personnel costs of kEUR 69.
The overall impact of the COVID-19 pandemic on EBITDA in the first quarter of 2020 is estimated at - kEUR 161. The impact on net profit for the first quarter of 2020 amounts to - kEUR 136. This takes account of the tax position of the companies concerned.

Impact on the second quarter of 2020

Belgian companies and retail businesses were able to reopen in the weeks of 4 May 2020 and 11 May 2020 respectively, thus mainly affecting activity in the first 5 weeks. Activities in France and Luxembourg were resumed at a later date. The impact is as follows:

Covid-19 Impact on Q2/2020 (in kEUR)	Revenues	Cost of sales	Personnel and subcontractors	EBITDA	Net profit
	kEUR	kEUR	kEUR	kEUR	kEUR
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Loss of revenues	-553			-553	
Lower cost of sales		283		283	
Personnel and subcontractors			225	225	
EBITDA	-553	283	225	-45	
Net profit	-533	280	210	-43	-43

The higher loss of revenues is attributable to authorizations, where commissions fell sharply, and additionally to software. The loss of revenues in the payment terminals segment turns out to be very small. The decrease in cost of sales mainly relates to authorizations.
During the six to eight weeks lockdown period the Group has made savings in personnel expenses and received government support adding up to kEUR 225. This translates into an EBITDA impact of - kEUR 45 in the second quarter of 2020, with a corresponding loss of net profit.

Impact on the first half of 2020

Covid-19 Impact on Q2/2020 (in kEUR)	Revenues	Cost of sales	Personnel and subcontractors	EBITDA	Net profit
	kEUR	kEUR	kEUR	kEUR	kEUR
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Loss of revenues	-828			-828	
Lower cost of sales		328		328	
Personnel and subcontractors			294	294	
EBITDA	-828	328	294	-206	
Net profit	-753	314	260	-179	-179

At 30 June 2020 the goodwill is not subject to any impairment.
The goodwill relates to the payment terminals and software segments. Their reported numbers for the first 6 months did not trigger any impairment indicators which would have led to an adjustment to the goodwill. In the authorizations segment there is no goodwill.

Outlook and impact after 30 June 2020

The further impact of COVID-19 post 30 June 2020 can difficulty be assessed accurately.

To our best assessment, we expect that revenues from authorizations for the second half of 2020 to be not only inferior to the comparable second semester of 2019 but also inferior to their level of the first semester of 2020.
On the one hand there is still the consequence of the COVID-19 pandemic as the merchants' businesses recover slowly so that it can take a while before they get back at their levels before the outbreak of the pandemic.
On the other hand there is the migration to another authorization partner. In this respect we expect a further decrease in authorization revenues for the second semester of 2020, also because the migration is still ongoing. Depending on technical restrictions it could take up to mid-2021 before the migration is accomplished.

For the segments payment terminals and software there are no indicators that the second half of 2020 would suffer severely under COVID-19, based upon the trends of the first semester of 2020 and the opportunities created by an increased demand for payment apps and for contactless payment terminals.

4. Financial position at 30 June 2020

The main areas of concern regarding the **financial position as at 30 June 2020** are:

Key figures for the period ending	30.06.2020	31.12.2019	30.06.2019
	kEUR	kEUR	kEUR
	(unaudited)	(audited)	(unaudited)
Net equity	27,483	27,319	27,949
Long term and short term financial debts and loans	2,842	4,209	5,572
Cash and cash equivalents	1,319	1,187	2,692
Net equity / total liabilities (%)	*72.5*	*69.4*	*66.9*
Long and short term financial debts and loans / net equity (%)	*10.3*	*15.4*	*19.6*

- net equity amounts to kEUR 27,483, representing 72.5% of liabilities. The increase in this percentage is due to the increase in net equity by the net profit of kEUR 278, partly offset by purchases of treasury shares;
- financial debts and loans decrease by kEUR 1,367 compared to 31 December 2019, so that at 30 June 2020 they amount to kEUR 2,842. The portion exceeding one year now merely represents kEUR 194;
- cash and cash equivalents amount to kEUR 1,319 at 30 June 2020, compared to kEUR 1,187 at 31 December 2019. The increase is partly due to the collection of significant trade receivables that were still outstanding at 31 December 2019;
- additionally, it should be mentioned that COVID-19 has neither led to any delays in payments nor to problems relating to the reimbursements of debts

Important events during the first six months of 2020 and after 30 June 2020

In addition to the above-mentioned migration to another authorization partner and the consequences of the outbreak of the COVID-19 pandemic, there are no other significant events to be reported. Likewise, there are no significant events to be reported after 30 June 2020 up to date.

Share buy-back Programme

In August 2018 the Board of Directors adopted a new Share buy-back Programme. This programme was due to start on 1 October 2018 for a maximum period of one year, but the first purchases did not take place until January 2019.

The proposed objective to buy-back shares up to an amount of kEUR 1,000 will not be reached for up to 21 August 2020 a total of 479,272 treasury shares have been purchased for an amount of 419 kEUR and this over a 20-month term. The Board of Directors of 29 August 2019 had already decided to extend the initial duration by one extra year, which would elapse soon.
The Board of Directors decided on 27 August 2020 (today) not to extend this program any longer and to terminate it.

The summarized overview of the purchases made under this program shall be disclosed in a press release next week.

Glossary

EBIT	Earnings Before Interest and Taxes Regarded as the operating result or therefore operating profit/loss
EBITDA	Earnings Before Interest, Taxes, Depreciations and Amortizations Defined as the Operating Result (EBIT) + Amortizations + depreciation of stocks + depreciations of debtors + impairments Realised losses of debtors form part of the EBIT and therefore not of the EBITDA
kEUR	Thousand euros

About Keyware

Keyware (EURONEXT Brussels: KEYW) is a leading supplier of electronic-payment solutions for electronic payments and software development. Keyware is based in Zaventem, Belgium. More information can be found at www.keyware.com.

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