

Trading update for the third quarter of 2020

Brussels, Belgium – November 12, 2020 – Keyware (EURONEXT Brussels: KEYW), announces today's trading update for the third quarter of 2020

Cumulative revenues, till the third quarter of 2020

Cumulative revenues per segment (9 months)	Terminals	Authorisations	Software	Intersegment	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales Q3-2020	5,162	4,478	2,583	(192)	12,031
Sales Q3-2019	5,304	6,224	2,272	(192)	13,608
Difference	(142)	(1,746)	311	-	(1,577)
<i>Difference (%)</i>	(2.7)	(28.1)	13.7	-	(11.6)

Consolidated revenues for the first 3 quarters of the 2020 amounts to k€ 12,031, which is a decrease of k€ 1,577 (-11.6%) in comparison to the same period in 2019.

The first 3 quarters of 2020, indicate that the primary reason for the decrease in revenues is in the area of **authorisations**, with a decline by 1,746 kEUR (-28.1%), decreasing from 6,224 kEUR to 4,478 kEUR for the first 3 quarters. The reasons for this decrease are as follows: a delay in the migration of contracts to a different payer of the transactions (the 'acquirer'), declining commissions from the previous acquirer as well as the impact of an outstanding decline in installed base. This decrease in revenues is mainly the result of the transition process that is taking place. At the end of September 2020 approximately 30% of the contracts have been migrated. As mentioned before, it is expected that this transition will continue until approximately mid-2021.

The traditional segment of **payment terminals** saw a decline for the first 3 quarters of k€ 142 (-2.7%), in which sales decreased from 5,304 kEUR to 5,162 kEUR over that period. The decrease in revenues triggered by, on the one hand the decline of the number of payment terminals, and on the other hand promotions offering contracts at lower prices. The decrease in revenues is mainly observed in the first quarter of this year, afterwards better results were generated, especially in the third quarter of the year. Therefore, the effect of the lockdown on the results of this segment has been limited.

On the other hand the **software** segment saw an increase of 311 kEUR (+13.7 %) from 2,272 kEUR to 2,583 kEUR for the first 3 quarters of this year. The increase was primarily due to increased revenues from the payment app EasyOrder, throughout the entire period of time. During the *lockdown* period still new contracts have been signed.

Revenues for the third quarter of 2020

Third quarter per segment (3 months)	Terminals	Authorisations	Software	Intersegment	Total
	KEUR	KEUR	KEUR	KEUR	KEUR
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales Q3-2020	1,932	1,463	1,008	(67)	4,336
Sales Q3-2019	1,787	2,087	663	(60)	4,477
Difference	145	(624)	345	(7)	(141)
<i>Difference (%)</i>	8.1	(29.9)	52.0	(11.7)	(3.1)

The **payment terminals** segment has generated higher revenues amounting to 1,932 kEUR for the third quarter of 2020 in comparison to 1,787 kEUR in 2019, which represents an increase of 145 kEUR (or 8.1%). The explanation can be found in the increased number of contracts signed during the quarter, both for new customers and new contracts for existing clients ('SWAPS').

The **authorisations** segment experienced lower revenues reaching 1,463 kEUR, compared to 2,087 kEUR in 2019, representing a decrease of 624 kEUR (or 29.9%). This decrease is a result of the transition to a different payment partner, which is very much in progress. As this is being built up, revenues fell momentarily, but we shall see an increase on the basis of the progress of the migration. The decline in the installed base and the lower number of transactions also account for a portion of the revenues decrease.

The **software** segment saw an increase of 345 kEUR (for 52.0%), as a result of which the revenues increased from 663 kEUR to 1,008 kEUR in the third quarter of 2020. A higher number of contracts signed by EasyOrder at a higher price range is the underlying reason.

Events after September 30, 2020

Of importance is the new lockdown, which the government imposed nationally for about 6 weeks, covering November 2, 2020 through December 13, 2020, following an imposed closure of the horeca.

Covid-19 impact and outlook

The COVID-19 government measures have had a major impact mainly on the first and the second quarter of 2020, as many businesses closed then, and a large part of the Keyware Group staff were technically unemployed back then. Please refer to the press release of August 27, 2020 in order to have a detailed calculation of its impact.

For the third quarter of 2020 such a calculation is not applicable, as the shops remained open during the months of July through September 2020, with the exception of annual leave. The only impact that is worth mentioning is that there is a delay with respect to the recovery of the merchant's revenues, it will still take a while before those merchants will record a comparable revenue as before the outbreak of the pandemic. Those revenues have a correlation with the authorisations segment, which, after all, gets commissions on those revenues. The precise estimate of their decline on the decline in commissions cannot be elaborated accurately.



Taking into account the above, we expect consolidated revenues and EBITDA to decrease significantly in the second half of 2020.

About Keyware

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

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