

Keyware Technologies N.V- valuation update as of 30.09.2015

December 21, 2015

- This memorandum brings the main updates regarding Keyware Technologies N.V's (hereinafter 'Keyware' or the 'Company') valuation report as of September 30, 2015 (hereinafter: "Memo date) with respect to the main report from December 31, 2014. (Hereinafter: "Report") and the last two valuation update memos as of March 31, 2015 and June 30, 2015.
- This memorandum includes the main changes in the valuation parameters used in the Report and the effect on Keyware's value, as of the Memo date.
- This memorandum is an unseparated and an integral part of the Report and shall not be read or used with disregarding the Report.
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A. financial highlights- 30.09.2015

- **Revenues**- the revenues generated for the first nine months of 2015, amounted to 9,281€ thousands, compared to 6,636€ thousands in the same period in 2014. The increase is due to the continuing growth of Keyware as presented in 2014 results compared to previous years, the purchase of contracts from Global pay transferred on January 1, 2015 and a greater portion of contracts with a higher tariff.
- **EBITDA margin and operating margin** - the EBITDA margin in the first nine months of 2015 amounted to about 37.2% compared to about 21.4% in the same period of 2014. The operating margin for the first nine months of 2015 amounted to about 26% compared to about 10% in the same period of 2014.
- **Income before tax and financial expenses (hereinafter 'IBTFE')** - the Company recognizes a revenue in the PT segment according to IAS 17-Leases. Therefore, a significant key factor in Keyware's financials is the financial income recognized from leasing contracts. The IBTFE to revenues ratio for the first nine months of 2015 amounted to about 35.5% compared to about 19% in the same period of 2014.
- **Profit margin**- the profit margin for the first nine months of 2015 amounted to about 39%, compared to about 15.3% in the same period in 2014. The reason for this increase, besides the increase in revenues as afore mentioned, is a deferred tax income of 634€ thousands triggered by the recognition of additional deferred tax assets relating to tax losses.

Valuation update analysis

- the estimation of Keyware's fair value was updated due to several main financial and operational key indicators which were selected by us, due to our understanding Keyware's activity and materiality
- The main key indicators that were updated, in each business segment, are described as follow:

1. PT segment model

- **Contracts IB- the IB** was updated due to the IB as of September 30,2015;
- **Revenues 2015** - the revenues of 2015 were calculated for the remaining 3 months, as well as the discount period factor;
- **Income tax-** the income taxes were updated due to the updated tax asset balance as of the Memo date.
- **WACC-** the WACC was updated due to changes in risk free rate, beta and debt structure of Keyware as of the Memo date.

2. TS segment model

- **Revenues 2015-** the revenues of 2015 were calculated for the remaining 3 months, as well as the discount period factor;
- **WACC-** the WACC was updated due to changes in risk free rate, beta and debt structure of Keyware as of the Memo date.

Another update was made due to the change in net debt balance as of the Memo date.

The following table presents the changes in Keyware's value from December 31, 2014 throughout the first nine months of 2015. Furthermore, the table presents the gross effect of the aforementioned parameters that have been updated from the previous update in June 30, 2015.

<i>Currency: 000'€</i>	31.12.2014	31.03.2015	30.06.2015	30.09.2015	Maximum estimated effect (from previous update)
Net debt	3,923	4,993	4,927	4,532	297
WACC	12.7%	11.9%	12.9%	12.6%	744
Carry forward tax losses balance	15,000	12,053	11,381	10,766	(147)
IB	14,236	15,489	16,128	16,459	825
Enterprise value	45,293	50,210	55,169	56,494	
Financial debt, net	(3,923)	(4,993)	(4,927)	(4,532)	
Equity value	41,370	45,217	50,242	51,962	

Based on our analysis, the fair value of Keyware was estimated within the range of € 46,425 thousands and € 59,358 thousands, with an average of € 51,962 thousands.

Reconciliation and reasonableness

- The operating margin in 2015 in the valuation report as of 31.12.2014 was estimated in about 29%. The operating margin for the first nine months of 2015 was about 26%, compared to an operating margin of 14% and 10% in 2014 and the first nine months of 2014, respectively. Considering the fact that we refer to the operating margin in the valuation model as equivalent to the IBTFE in Keyware's financial statements, the IBTFE margin for the first nine months of 2015 was about 35.5%, compared to 24% in 2014 and 19% in the first nine months of 2014
- IB growth- the growth of the IB in the first nine months of 2015 amounted to 2,223 contracts, of them about 840 contracts related to the Global Pay transaction. Meaning, based on a gross linear calculation, an annual growth estimation of 1,844 contracts in 2015 (excluding the one-time growth due to the Global Pay transaction). The net annual growth estimated to be in 2015 in the valuation report as of 31.12.2014 was 1,194 contracts and 1,792 in this current update, meaning a gross average estimation of 299 and 448 contracts growth per quarter in the valuation report as of 31.12.14 and in the update as of the Memo date, respectively.
- Market trends- Recent market research (please refer to the "Valuation update analysis" section) indicates that the global POS terminals market is expected to grow at a CAGR of 11.6% between- 2015-2020. Keywares' revenues CAGR is expected to be 27%, according to the nine months' results and under linear assumptions regarding the annual revenues in 2015. The average growth rate of the IB is about 10% and 7% in the current update and in the valuation report as of 31.12.14, respectively. Therefore, we find our estimations in accordance and within reasonableness with both market expectations and the actual results of the Company.

The following table presents selected financial key indicators as of the Memo date of Keyware and comparable companies:

<u>Comparable name</u>	<u>Ticker</u>	<u>Country</u>	<u>Share price (€)</u>	<u>Market cap (Millions €)</u>	<u>EBITDA margin</u>	<u>Profit margin</u>	<u>P/E***</u>
INGENICO	ING FP	FRANCE	107.80	6,575	0%	N/A	N/A
WIRECARD	WDI GR	GERMANY	42.07	5,195	30%	19%	38.95
WORLDLINE*	WLN FP	FRANCE	22.90	3,021	N/A	N/A	N/A
GLOBAL PAYMENTS	GPN US	UNITED STATES	51.30	6,663	24%	12%	25.46
TOTAL SYSTEM SERVICES	TSS US	UNITED STATES	40.63	7,473	32%	17%	24.37
FISERV	FISV US	UNITED STATES	77.45	18,169	34%	17%	27.12
HEARTLAND PAYMENT SYSTEMS	HPY US	UNITED STATES	56.35	2,071	10%	3%	29.23
MI-PAY GROUP	MPAY LN	BRITAIN	0.4	17	N/A	N/A	N/A
SHENZHEN XINGUODU TECHNOLOGIES	300130 CH	CHINA	3.29	751	N/A	5%	66.88
Keyware Technologies**	KEYW BB	BELGIUM	2.54	16.35	44%	45%	12.91

*Worldline's wasn't taken into account as a comparable company for the WACC calculation, due to the fact that Worldline is not traded enough time and using its trading data would result a significant inaccuracy.

** Keyware's EBITDA margin (quarterly-latest quarter) as of the Memo Date was taken from the press release from November 2015. The share price of keyware presented in this table is based on the derived share price from this updated value of Keyware as of September 30 2015, while the comparable companies share price presented is according to the quoted share price as of the Memo Date.

***The P/E multiple of Keyware is based on the quoted share price as of the Memo date and not on the derived share price from Keyware's fair value estimation as of September 30,2015.

****Please note that the EBITDA margin and Profit margin of the comparable above, as well as the Company's, refer to the latest quarterly data available.

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