

## Keyware Technologies N.V.-

### Valuation update as of 31.03.2016

June 27, 2016

- This memorandum brings the main updates regarding Keyware Technologies N.V's (hereinafter 'Keyware' or the 'Company') valuation report as of March 31, 2016 (hereinafter: "Memo date) with respect to the main report from December 31, 2014.(hereinafter: "Report")
- 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.
- This memorandum is subjected to the disclaimer attached and should not be read or used without regarding the attached disclaimer.

#### A. financial highlights- 31.03.2016

- **<sup>1</sup>Revenues-** the revenues generated for the first three months of 2016, amounted to 4,021€ thousands, compared to 3,918€ thousands in the same period in 2015. The increase is due to the continuing growth of Keyware as presented in 2015 results compared to previous years.
- **EBITDA margin and operating margin** - the EBITDA margin in the first three months of 2016 amounted to about 29% compared to about 20% in the same period of 2015. The operating margin for the first three months of 2016 amounted to about 19% compared to about 14% in the same period of 2015.
- **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 three months of 2016 amounted to about 28% compared to about 21% in the same period of 2015.
- **Profit margin-** the profit margin for the first three months of 2016 amounted to about 19%, compared to about 24% in the same period in 2015. The reason for this decrease is a deferred tax charge of 255€ thousands compared to a deferred tax income of 210€ thousands triggered by the recognition of additional deferred tax assets relating to tax losses in the first three months of 2015.

#### 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

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<sup>1</sup>We note that as from January 1, 2016, the Company has modified the presentation of the revenues in its financial statements. Thus, the revenues related to the first three months of 2015 mentioned above are different from the revenues of the same period mentioned in the 31.03.2015 valuation update. For further information please refer to page 2 in the press release of the Company's results for the first three months of 2016 from May 19, 2016.

- 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 March 31,2016;
- Revenues-** the revenues of 2016 were calculated for the remaining 9 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-** the revenues of 2016 were calculated for the remaining 9 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.
- Breakdown of Brokering model and Spread Income model contracts-** We have updated the revenue forecast due to the updated contracts with authorization revenues, including the updated breakdown between the old model and new model of revenues

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

The following table summarizes the results of the update of the valuation report as of the Memo date:

<i>Currency: 000'€</i>	31.12.2015	31.03.2016	Maximum estimated effect
Net Debt	3,277	3,522	(93)
WACC	11.9%	12.2%	(3,066)
Carry forward tax losses balance 31.03.2016	9,886	9,136	(196)
*IB as of 31.03.2016	16,947	17,246	4,616
<b>Enterprise value</b>	<b>62,960</b>	<b>64,466</b>	
Financial debt, net	(3,277)	(3,522)	
<b>Equity value</b>	<b>59,683</b>	<b>60,944</b>	<b>1,261</b>

\*Including the effect on both PT and TS segments

**Based on our analysis, the fair value of Keyware was estimated within the range of € 52,913 thousands and € 72,203 thousands, with an average of € 60,944 thousands**

## Benchmark data

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

Comparable name	Ticker	Country	Share price (€)	Market cap (Millions €)***	EBITDA margin	P/E***	Profit margin
INGENICO	ING FP	France	100.9	6,157	NA	NA	NA
WIRECARD	WDI GR	Germany	33.5	4,139	29%	27.2	17%
WORLDLINE*	WLN FP	France	22.6	2,989	NA	NA	NA
GLOBAL PAYMENTS	GPN US	United States	57.4	7,416	22%	25.9	10%
TOTAL SYSTEM SERVICES	TSS US	United States	41.8	7,658	30%	24.3	12%
FISERV	FISV US	United States	90.1	20,094	33%	29.2	22%
HEARTLAND PAYMENT SYSTEMS	HPY US	United States	84.9	3,139	10%	42.9	3%
MI-PAY GROUP	MPAY LN	UK	0.3	13	NA	NA	NA
SHENZHEN XINGUODU TECHNOLOGIES	300130 CH	China	4.3	976	NA	85.3	3%
<b>KEYWARE**</b>	<b>KEYW BB</b>	<b>Belgium</b>	<b>2.9</b>	<b>41</b>	<b>29%</b>	<b>13</b>	<b>19%</b>

\*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 as of the Memo Date was taken from the press release from May 2016. The share price of keyware presented in this table is based on the derived share price from this updated value of Keyware as of March 31 2016, while the comparable companies share price presented is according to the quoted share price as of the Memo Date.

\*\*\*Both the P/E multiple and market cap of Keyware are 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 March 31,2016

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