



eID

Transport &
Smart Cities

Traceability &
Brand Protection

Payment

Press release – 29th March 2023 - 07:30 am

2022/23 half-year results: strong growth in business activity and continued improvement in profitability; increase in net debt

- Half-year revenue growth of +59%, (organic growth of 50%)
- EBITDA up +68% for the 1st half of the financial year and EBITDA margin reaching 7.3%
- Positive current operating income (+€1,8 M) and net profit breakeven for the half-year
- Confirmation of 2022/23 revenue target: more than €170m, representing 30% annual growth
- Net debt (excluding non-recourse factoring) standing at €71.5m, of which €32.2m owed to Paragon Group
- Increasingly complex business environment slowing growth in some Strategic Initiatives

Paragon ID (Euronext Paris - FR0013318813 - PID), leading provider of identification solutions for e-ID, Smart Cities & Mass Transit, Track & Trace and Brand Protection and Payment, publishes its consolidated results for the 1st half of the 2022/23 financial year (1st July 2022 - 31 December 2022), which will close on 30th June 2023. These consolidated results were the subject of a limited review by the company's auditors and approved by the board of directors of Paragon ID SA on 28th March 2023.

In € million – IFRS standards	H1 2021/22 (6 months)	H1 2022/23 (6 months)	Change	FY 2021/22 (12 months)
Turnover	56.6	89.9	+59%	130.8
EBITDA¹	3.9	6.6	+68%	10.5
<i>EBITDA¹margin</i>	<i>6.9%</i>	<i>7.3%</i>		<i>8.0%</i>
Expenses related to share-based payments	-0.0	-		
Amortization and depreciation charges	-4.7	-4.8		
Current operating income	-0.8	1.8	+2.6 M€	-0.3
Non-recurring expenses	-0.7	-0.0		0.6
Operating loss	-1.5	1.7		0.2
Financial result	-1.0	-1.3		-2.1
Other & taxes	0.1	-0.6		-0.6
Net result	-2.5	-0.1	+2.3 M€	-2.5

¹ Current operating income before (i) depreciation and amortization, and (ii) calculated charges related to share-based payments.

The subsidiary EDM Technology has been consolidated since 1st October 2021. The companies Urban Things and Tracktio have been consolidated since 1st July 2022. The activity related to the acquisition of the assets of Uwinloc is accounted for as of 1st January 2023.

Record half-year turnover 2022/23 of €89.9m, representing +59% growth in revenues

Total revenues in the 1st half of the 2022/23 financial year, were €89.9m, growing some 59% vs prior year. Organic growth in the 1st half was 50%, at constant perimeter and exchange rates. €89.9m is equal to 69% of the total revenues achieved in the previous financial year (€130.8m in the full financial year 2021/22), positioning the company well ahead of its original annual plan.

This growth reflects a sharp progression of traditional activities, with half-yearly increases of more than 50%, and the success of our strategic initiatives and the performance of the companies we have acquired recently.

In **Mass Transit & Smart Cities**, sales grew +68% in the 1st half as commuters progressively returned to urban transport systems, accelerated by the growth in market share achieved by Paragon ID, particularly in the US market.

Track and Trace posted growth of +51% in H1, driven in particular by very strong demand for baggage tags and other material for the aviation sector (above the pre-pandemic level of Security Label GmbH). Real Time Locating Systems offers contributed to growth in the Track & Trace activity, as did the sale of RFID tags destined for IoT projects in the US Retail sector.

In **Payment**, the company posted growth of +22%, showing strong acceleration in the 2nd quarter (end of calendar year), which benefited from orders for gift and loyalty cards, particularly in the UK. Commercialisation of Paragon ID's own-manufactured metal payment cards commenced in H1 and will contribute more substantially to the company's growth in H2.

In **e-ID**, growth was particularly strong at +173% in H1, with strong demand for traditional passport e-covers. New major orders received for slim polycarbonate data-pages for passports and for polycarbonate electronic identity cards, representing several tens of millions of euros in revenues over the next few years, will contribute to increasing turnover in this activity in H2.

+68% increase in EBITDA² in the first half of 2022/23 and +40 basis points improvement in EBITDA margin

In the 1st half of 2022/23, Paragon ID achieved an EBITDA² of €6.6m, up +68% compared to the 1st half of 2021/22.

In a context of strong growth in business activity, the gross margin rate fell slightly due to (i) the increase in raw material costs and tensions in supply chains, part of which is passed on to customers in the sales prices, (ii) an adverse business mix, mainly linked to the impact of subcontracted activities.

In terms of operating expenses, the sustained increase in business activity has, however, enabled better absorption of fixed costs and in particular personnel costs.

The EBITDA margin was 7.3%, compared to 6.9% the previous year, an improvement of +40 bps.

After taking into account net depreciation and amortisation charges that were virtually unchanged in comparison to the previous six months, current operating income for the half-year was largely positive at €1.8m, compared with a current operating loss of €0.8m a year earlier.

The financial result, consisting of interest charges on financial debt and factoring, increased to € -1.3m, compared with € -1.0m in the first half of 2021/22. This reflects the increase in bank debt to support the external growth policy and the financing of working capital as well as the first impacts of the increases in interest rates.

After accounting for a tax charge of €0.6m, net profit for the half year was almost break-even at -€0.1m, compared with a net loss of -€2.5m at the end of H1 2021/22.

² Current operating income before (i) depreciation and amortization, and (ii) calculated charges related to share-based payments.

Balance sheet as at 31 December 2022

In € million - IFRS standards	31/12 2022	30/06 2022	In € million - IFRS standards	31/12 2022	30/06 2022
Non-current assets	101.0	101.5	Equity	21.4	22.8
Incl. goodwill	61.1	62.0	Financial Debts	46.7	40.7
Current assets	61.0	45.4	Of which bank loans	42.6	36.3
Of which trade & other receivables	17.2	14.9	Of which bank overdrafts	4.0	4.4
Of which inventories	30.4	23.0	Related-party loans	32.2	25.8
Cash	7.4	14.2	Rental debts	5.2	6.1
			Trade & other payables	35.3	37.3
			Other liabilities	28.6	28.3
TOTAL	169.4	161.0	TOTAL	169.4	161.0

Increase in inventories at the end of December 2022 to manage the strong growth in business activity and consequent increase in indebtedness

Non-current assets, including goodwill, changed little during the half-year, which was marked by the sole acquisition of the Spanish location tracking / RTLS company Tracktio.

Current assets increased significantly, with trade receivables, net of non-recourse-factoring, up by only €2.3m despite the strong growth in business activity.

Inventories increased more significantly from €23.0m to €30.4m, reflecting early purchases of key components, particularly the electronic chips required to manufacture RFID inlays. This was to enable the first deliveries in the second half of the year of the large orders for polycarbonate eID products received at the end of the calendar year.

Available cash amounted to €7.4m at 31 December 2022, compared with €14.2m at 30 June 2022. This change (-€6.8m) should be compared with the change in inventories over the same period (+€7.4m).

On the liabilities side, shareholders' equity stood at €21.4m at 31 December 2022.

Financial debt increased to €46.7m, as Paragon ID signed a new €10m financing agreement with its main shareholder's banking pool at the end of the first half-year, as part of the "PGE Résilience" scheme (French state-guaranteed loan). This debt offers attractive fixed interest rates in line with market conditions, without financial covenants, and an amortization period of up to five years.

Borrowings from the Paragon Group totalled €32.2m at the end of December 2022, with a new €6m loan implemented during the first half of the year to support Paragon ID's strong growth. They are made up of a €10m simple bond debt, maturing in September 2024, and cash advances from the reference shareholder to support the company's development, including €10.3m of bullet loans maturing in June 2026. The Paragon Group has confirmed its agreement to continue its support to the Company.

At 31 December 2022, Paragon ID's net financial debt stood at €39.3m (excluding related-party loans and rental debts). Recent repeated increases in interest rates, across all of the jurisdictions in which Paragon ID operates, will compound the cost of this overall increase in the company's indebtedness.

Revenue target of more than 170 M€ for 2022/23, representing an annual growth rate of over 30%

In view of the strong growth in business activity delivered in the first half of the year, the sustained order intake since the beginning of 2023 and the gradual and regular improvement of the supply chain (raw materials and components), the Group reaffirms its objective of delivering sustained growth in 2022/23.

Paragon ID therefore expects to achieve growth of more than +30% over the 2022/23 financial year (compared with the initial target of +10%, which was raised to +20% at the end of October 2022 and then to +30% at the end of January 2023).

This increase would bring the annual turnover for the financial year 2022/23 to more than €170m (vs. €130.8m in 2021/22).

In the second half of 2022/23, the Group's e-ID activity will benefit from the first deliveries of the orders received at the end of the year for its new polycarbonate products. As a reminder, these orders for "Data Pages" products aimed at passports and ID cards will represent several tens of millions of euros of revenue. These will be recognised over the next few financial years.

Trading context and outlook

While the Company will finish the financial year 2023/23 in strong growth, this has resulted in a correspondingly strong increase in working capital and consequently in a sharp rise in its indebtedness. The ongoing increases in interest rates across the world are driving the costs of this indebtedness to levels which will challenge the Company's capacity to deliver a positive net income result. It is the intention of the board of directors of Paragon ID to explore different alternatives to finance the Company's high rates of growth and working capital needs.

These increases in interest rates, the inflationary economic conditions and the geopolitical situation, generally, have slowed investment and growth in a number of the markets targeted by Paragon ID's Strategic Initiatives. Specifically, adoption of RFID technology in the IoT Retail market in the US is running at around 50% of the expected growth rate and investments in digital platforms in Mass Transit have disappointed in the current financial year. These headwinds are expected to continue in the near term but the Company is satisfied that its strategy is the correct one.

Clem Garvey, CEO of Paragon ID states:

"The results of this first half of the financial year 2022/23 have been very strong in Sales and in EBITDA volume. They are a proud testament to the work and the dedication of Paragon ID's people. We have sufficient momentum to continue to grow this business strongly in the near to medium term. However, we have to recognize that current high inflationary tendencies and continuing increases in interest rates are eating into our cash flows. These same pressures, felt by our clients across the world, have slowed the uptake of a number of our offers, notably those related to our Strategic Initiatives (IoT Retail, Real-Time-Locating-Systems Platforms, Digital and Mobile Ticketing and Metal Payment Cards). We will remain vigilant with regard to our capacity to pursue all of these initiatives at the same time in a fast-evolving and challenging economic environment."

Eligibility of Paragon ID shares for PEA-PME scheme

Paragon ID confirms that it complies with all of the PEA-PME eligibility criteria in accordance with the L.221-32-2 and D.221-113-5 articles and following of the French Monetary and Financial Code.

Accordingly, Paragon ID shares (Euronext Paris - FR0013318813 - PID) remain eligible for incorporation into PEA-PME accounts which benefit from the same tax benefits as traditional equity savings plans (PEA).

Financial agenda

2022/23 Q3 turnover	Wednesday 26 April 2023
2022/23 Q4 turnover	Wednesday 26 July 2023
2022/23 Yearly results	Wednesday 25 October 2023
2023/24 Q1 turnover	

These dates are given for information only. They are likely to be modified if necessary. The publications will take place before the opening of the Euronext markets.

About Paragon ID

Paragon ID is a leader in identification solutions, in particular in the e-ID, Transport & Smart Cities, Traceability & Brand Protection and Payment sectors. Paragon ID employs more than 650 staff, with manufacturing sites in US and Europe, close to its customers.

Paragon ID is listed on Euronext Paris (Euronext Paris - FR0013318813 - PID) with a majority of its shares being held by Paragon Group, a leading provider of Customer Communications, Identification, Graphics Services and Office Services. Paragon Group has a turnover of €1.5 billion and more than 9,000 employees. Paragon Group combines generations of experience with the latest innovations in technology and smart data to enable responsive and meaningful interactions between organisations and their customers. For further information about Paragon Group, visit Paragon-Europe.com.

For further information about Paragon ID, visit Paragon-id.com.

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