



eID

Transport &
Smart Cities

Traceability &
Brand Protection

Payment

Press release – 25 October 2022 – 7.30 am

Record full-year results 2021/22

- **56% growth in revenues with revenues of €131 m**
 - Organic growth of 37%
 - Strong performance of recent acquisitions
 - Success in Strategic Initiatives
- **Improvement in % EBITDA at 8%**
 - Increase in EBITDA of 79% year-on-year
 - % EBITDA in second-half of 8.8%
 - Strong performance in Operating Cash-Flow at +€11 m

First quarter turnover 2022/23

- **Record activity in 1st quarter with revenues of €42.2 m**
- **Growth in first quarter of +65%, of which 51% organic**

Growth in 2022/23 now foreseen at more than 20%

- **Growth target previously communicated had been >10%**

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 has published its consolidated results for the financial year 2021/22, ending June 30, 2022 and its revenue figures for Q1 2022/23. The annual financial accounts were approved by the Board of Directors on October 20, 2022. The procedures for auditing the annual accounts have been carried out and the audit report relating to their certification has been issued by the statutory auditors.

In € million – IFRS standards Audited data	FY 2020/21 (12 months)	H1 2021/22 (6 months)	H2 2021/22 (6 months)	FY 2021/22 (12 months)
Turnover	83.9	56.6	74.2	130.8
EBITDA¹	5.8	3.9	6.5	10.5
<i>EBITDA¹ margin</i>	6.9%	6.9%	8.8%	8.0%
Current operating result	-3.0	-0.8	0.5	-0.3
Non-recurring expenses	-2.1	-0.7	1.3	0.6
Operating result	-5.1	-1.5	1.7	0.2
Financial result	-1.2	-1.0	-1.1	-2.1
Other & taxes	0.7	0.1	-0.7	-0.6
Net result	-5.7	-2.5	0.0	-2.5

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

Apitrak is consolidated since 1st June 2021. Security Label GmbH is consolidated since 1st July 2021. The new subsidiaries EDM Technology is consolidated since 1st October 2021. Urban Things is consolidated since 1st July 2022 (consolidated as from FY 2022/23).

Record revenues of €130,8 m in 2021/22, growing by +56%

Paragon ID posted record revenues in 2021/22 of €130.8 m, representing growth of +56%. Organic growth in the year was 37% at constant exchange rates, significantly ahead of the objective of €120 m communicated in April 2022.

All of the Company's divisions posted strong double-digit in the year.

In **Mass Transit & Smart Cities** (37% of 2021/22 revenue), the 2021/22 financial year saw a strong, post-Covid, rebound in commercial activity, with passengers returning to public transport and a resumption of orders from transport operators for tickets and cards. In total, this division's turnover amounted to €48.6 m, up 81% year-on-year. Organic growth was +67% over the year, illustrating the gains in market share achieved by Paragon ID during and after the pandemic. Within this division, the **Strategic initiative** being undertaken is the development of **Digital Mobile Ticketing and Account-Based-Ticketing Platforms**. During 2020/21, recurring revenues from airweb's mobile ticketing and Paragon ID's "account-based ticketing" activities, continued to grow, with multiple new deployments of these Mobility as a Service (MaaS) offers. Growth in this area will accelerate in 2022/23, with the recent acquisition of UrbanThings in the United-Kingdom.

Track & Trace (34% of 2021/22 revenues) posted turnover of €44.3 m in 2021/22, up 61%, of which organic growth was +27%. The acquisition of Security Label GmbH, Europe's leading supplier of baggage tags and other equipment to the aviation industry, at the beginning of the 2021/22 financial year, contributed significantly to the division's solid growth. There are two **Strategic initiatives** in the **Track & Trace** activities of the Company. The first of these, **UHF RFID tags for IoT in Retail**, progressed strongly during 2021/22, with increasing deliveries of product destined for major household names which are deploying the technology as part of their IoT (*Internet of Things*) strategies. This activity is expected to create further growth in revenues throughout the new financial year 2022/23. The second **Strategic initiative** in **Track & Trace** is the development and deployment of **Real-Time-Locating-Systems (RTLS) Platforms**. Paragon ID launched its RTLS activity in 2018 with the acquisition of RFID Discovery. The acquisition of French start-up "Aptrak" in May 2021 accelerated the development of cloud-based RTLS solutions, which are, in turn, facilitating worldwide distribution of this Platform as a Service offer, particularly in industrial environments.

Payment (22% of 2021/22 revenues) finished 2021/22 with annual revenues of €28.7 m, up 22% with no change in perimeter nor exchange rate. Thames Card continued to take market share in its traditional activity of gift and loyalty cards. The **Strategic initiative** in **Payment** is the sale of Paragon ID's **own-manufactured Metal Payment Cards**. AmaTech invented proprietary technology which permits a metal payment card to effect a contactless payment. This technology has been successfully licensed to the biggest manufacturers of payment cards in the world, creating recurring royalty revenues. Throughout 2021/22, teams from AmaTech and Thames Card have worked to produce Paragon ID's first own-manufactured contactless metal payment cards. The certifications of these cards have been achieved and new revenues from this activity will commence in the first half of the new financial year 2022/23.

Activity in **e-ID** (7% of 2021/22 revenues) benefited strongly from the reopening of borders and international travel recovery during the year. Turnover amounted to €9.3 m, up 53% on prior year. Strong demand for volumes of passport from existing clients, coupled with major orders for Paragon ID's new polycarbonate products will continue to drive growth throughout 2022/23.

For additional information on the company's revenues in 2021/22, please refer to the specific press release on the subject, dated 26 July 2022.

Growth in EBITDA² volume of +79%, reaching 8.0% in EBITDA margin

Paragon ID posted EBITDA² in 2021/22 of €10.5 m, increasing by more than +79% over the prior year. The EBITDA margin for the year was 8.0%, vs 6.9% in 2020/21. EBITDA margin in the second half of the financial year 2021/22 reached 8.8%.

² Résultat opérationnel courant avant (i) dotations aux amortissements et dépréciations, et (ii) charges calculées liées aux paiements en actions.

- **Gross Margin** percentage improved slightly over the year, despite an unfavourable sales mix effect vs prior year. This improvement, in a year of geopolitical instability, bears witness to the Company's management of its supply chains, its improvements in manufacturing processes and its discipline in passing increases in its costs on to its customers.
- **Absorption of Fixed Costs** improved progressively during the year, as revenues grew strongly from one quarter to the next, despite the accompanying increases in headcount throughout the year. At the end of the financial year, the company's permanent headcount was approximately 700, as compared to 560 one year previously. The fact that a considerable number of people are working on Strategic Initiatives which had not yet produced significant revenues in 2021/22 indicates further potential for improvement in the company's profitability as these activities come on line.
- **Performance of Acquisitions**, in excess of plan, contributed to the improvement in volumes of EBITDA produced, notably in the second half of the year. Both Security Label (acquired in July 2021) and EDM (acquired in September 2021) benefited strongly from the rebound in their activities as countries exited from pandemic-related constraints.

The Company's acquisitions, its investments in its Strategic Initiatives and the growth in its MaaS and PaaS activities, pushed the costs of depreciation and amortisation to €10.7 m (vs. €8.6 m in 2020/21).

Exceptional elements in the year netted to a positive +€0.6 m in 2021/22, largely driven by a write-back in a provision for future additional payments linked to the acquisition of Apittrak.

Financial costs, representing interest on debt and factoring costs, amounted to €-2.1 m, an increase of -€900 k over the previous financial year, reflecting the growth in the company's debt and the increase in the volume of business being factored.

Net Income/(Loss) for 2021/22 was €-2.5 m, as compared to €-5.7 m in the previous year. Net income in the second half of 2021/22 was positive.

€10.6 million operating cash-flow in 2021/22

In € million – IFRS standards Audited data	FY 2021/22 (12 months)	FY 2020/21 (12 months)
EBITDA¹	10.5	5.8
Operating cash-flow before working capital	9.8	4.7
Change in working capital	0.8	4.3
Operating cash-flow	10.6	9.1
CAPEX	-9.6	-7.5
Free cash-flow	1.0	1.6
Acquisitions-related flows (External growth)	-7.3	-0.9
Other investment flows	0.1	0.1
Financing cash-flow	6.6	-7.3
Change in cash	0.3	-6.5

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

In 2021/22, Paragon ID generated Operating Cash Flow Before Changes in Working Capital of €9.8 m, more than double that achieved in 2020/21. The prior year's reduction in working capital reversed over the course of 2021/22 as the business returned to growth. Operating Cash Flow After Changes in Working Capital was €10.6 m.

During the financial year, the Company invested €9.6 m in Capital Expenditure, of which €4.5 m was in Research & Development and €5.1 m in industrial equipment, notably linked to its Strategic Initiatives (new industrial tools for the manufacture of metal payment cards and RFID inlays). Despite this 40% increase in Capital Expenditure vs 2020/21, Free Cash Flow remained positive for the second year in a row, at €1.0 m.

In 2021/22, Paragon ID spent €7.3 m on acquisitions, of which €5.4 m (net cash position) for the three companies acquired during the year (Security Label, EDM and UrbanThings) and €1.9 m for earn-out payments on previous acquisitions.

The Group took out new bank loans totaling €11.1 m during the year (including €5.0 m in the form of a Green Loan from Bpifrance and €3.7 m in the form of a Recovery Equity Loan guaranteed by the French State). The Paragon Group granted Paragon ID €3.4 m in new loans to support the external growth strategy. Loan repayments of €3.7 m were made in 2021/22, and €1.7 m was paid in financial interest.

Overall, the total change in cash was an increase of +€0.3 m in 2021/22, compared to -€6.5 m in 2020/21.

Balance sheet as at 30 June 2021

In € million - IFRS standards Audited data	30/06 2022	30/06 2021 ¹	In € million - IFRS standards Audited data	30/06 2022	30/06 2021 ¹
Non-current assets	101.5	96.1	Equity	22.8	27.8
Incl. goodwill	62.0	59.8	Financial Debts	40.7	32.6
Current assets	45.4	28.2	Of which bank loans	36.3	27.8
Of which trade & other receivables	14.9	8.6	Of which bank overdrafts	4.4	4.7
Of which inventories	23.0	13.3	Related-party loans	25.8	22.6
Cash	14.2	13.7	Rental debts	6.1	6.4
			Trade & other payables	37.3	23.8
			Other liabilities	28.3	24.7
TOTAL	161.0	137.9	TOTAL	161.0	137.9

¹ Current operating income before (i) depreciation, amortisation and impairment, and (ii) calculated share based payment expenses.

The Company's acquisitions during the financial year resulted in an increase in non-current assets to €101.5 m at 30 June 2022, of which €62.0 m was represented by Goodwill.

Current assets increased due to the strong growth of the business, requiring investment in trade receivables and inventories. The additional investment of €10 m in inventories reflects measures taken to counter difficulties in supply chains, notably shortages of the electronic chips needed to manufacture RFID inlays.

The cash position remained solid at €14.2 m at the end of the year.

On the liabilities side, shareholders' equity stood at €22.8 m at 30 June 2022.

Financial debts have been increased to €40.7 m, following the subscription of the new loans (Green Loan from Bpifrance and Recovery Equity Loan guaranteed by the French State).

Borrowings from the Paragon Group amounted to €25.8 m at the end of June 2022. They consist of a €10 m simple bond, maturing in September 2024, and cash advances from the reference shareholder to support growth, including a €10.3 m bullet loan maturing in June 2026.

As of 30 June 2022, Paragon ID's net financial debt³ stood at €26.5 m (excluding loans with related parties and rental debt).

³ Financial debts (excluding factoring debts) – cash & cash equivalents

Record activity in the first quarter of 2022/23, achieving growth of 65%

In M€ - IFRS standards Unaudited data	2021/22 consolidated	2022/23 consolidated	Variation	Variation at constant perimeter
Q1 Turnover	25.7	42.2	+65%	+51%

The subsidiary EDM Technology has been consolidated since 1^{er} October 2021. The companies Urban Things and Tracktio have been consolidated since 1^{er} July 2022.

Paragon ID's high double-digit growth in the final quarter of the financial year 2021/22 continued, unabated, in the first quarter of 2022/23. For the first time in the Company's history, revenues in a single quarter exceeded €40 m.

Revenue in the first quarter of 2022/23 grew by +65%, accumulating to €42.2 m. Of this, €2.6 m was contributed by the recent acquisitions EDM, UrbanThings and Tracktio. On a like-for-like basis and at constant exchange rates, the organic growth came to +53%, well in excess of expectations.

Transport & Smart Cities recorded a growth of +90% in the first quarter of the financial year. This growth was driven by strong orders across all regions, particularly in the US, where in the prior year, shipments of cards and tickets had been almost nothing.

Track& Trace and Brand Protection is up +57%, with activity driven by continuing deployment of RFID tags and labels in the *retail* sector, the success of real-time equipment location offers and very strong growth in the airline sector.

The **Payment** division reported quarterly growth of +13%, driven by sales of RFID modules for contactless payment and licensing revenues from AmaTech. Sales of Paragon ID's proprietary contactless metal payment cards have begun and will contribute to the division's accelerating growth in the coming quarters.

In **e-ID**, sales were up +170%, driven by large orders for polycarbonate passports and ID cards, as well as a return to more normal levels of demand in the traditional passport e-cover business.

Outlook for 2022/23: continued strong growth

While remaining particularly vigilant to the economic and geopolitical context (raw material price inflation, electronic component penury, supply chain and transport disruptions), Paragon ID has set itself the objective of continuing to deliver strong and sustained growth in its activity during 2022/23.

Given the high growth achieved in the first quarter, the orders which have already been received and the current visibility of provision of materials, the Company has now reset its targeted growth at a minimum of 20% for the 2022/23 financial year, which would take revenues to more than €155 m (compared with €130.8 m in 2021/22).

Clem Garvey, CEO, said:

"The annual results of the Company to 30th June 2022 are a source of satisfaction to all of us in Paragon ID. Our traditional activities are benefiting from the return to more normal levels of trading, where our market share has increased through the consolidation which occurred during the pandemic. The acquisitions we have made over the last four years are contributing strongly to the business, providing opportunities for the creation of new offers and new sources of value for our customers. The Company's Strategic Initiatives are progressing satisfactorily. The growth in first quarter revenues and the visibility of orders for the rest of this financial year confirm the capacity of Paragon ID to achieve revenues this year which will be almost double those of 2020/21."

Financial agenda for financial year 2022-2023

Shareholders general assembly	Thursday 15 December 2022
2021/22 Q2 turnover	Wednesday 25 January 2023
2021/22 Half year results	Wednesday 29 March 2023
2021/22 Q3 turnover	Wednesday 26 April 2023
2021/22 Q4 turnover	Wednesday 26 July 2023
2021/22 Yearly results	Wednesday 25 October 2023
2022/23 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 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. Euronext Paris - Share identification: Paragon ID - ISIN Code: FR0013318813 - Mnemonic code: PID. For further information about Paragon ID, visit Paragon-id.com.

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Appendices - Alternative performance indicators

EBITDA

Paragon ID defines EBITDA as Current operating income before (i) depreciation and amortization, and (ii) calculated charges related to share-based payments.

In € million – IFRS standards Audited data	FY 2020/21 (12 months)	H1 2021/22 (6 months)	H2 2021/22 (6 months)	FY 2021/22 (12 months)
Operating result	-5.1	-1.5	1.7	0.2
Non-recurring expenses	-2.1	-0.7	1.3	0.6
Current operating result	-3.0	-0.8	0.5	-0.3
Amortization and depreciation charges	-8.6	-4.7	5.9	-10.7
Current operating result before amortization and depreciation charges	5.5	3.9	6.4	10.3
Expenses related to share-based payments	-0.3	0.0	0.1	0.1
EBITDA	5.8	3.9	6.5	10.5
<i>EBITDA Margin</i>	<i>6.9%</i>	<i>6.9%</i>	<i>8.8%</i>	<i>8.0%</i>