

Keywords Studios

COVID-19 update

COVID-19 update: FY results delayed

Keywords has complied with FCA and FRC guidance to delay its FY19 audited results announcement, previously scheduled for 31 March 2020. A new date will be confirmed shortly. On COVID-19, management reports the business impact was minimal in the first two months of the year, with some short-term disruption in China affecting Keywords' five studios there, but these have now returned to near full production. This experience has been applied across the group. Keywords has seen an increase in demand for services, as existing and new clients re-appraise production, with management hoping to benefit from this pent-up demand once its operating environment normalises. The group has adequate liquidity but has taken steps to preserve cash, with net debt of €18m (0.4x net debt/adj EBITDA) and total undrawn facilities of €122m at 31 December 2019.

| Year end | Revenue (€m) | PBT* (€m) | EPS* (c) | DPS* (p) | P/E (x) | Yield (%) |
|----------|--------------|-----------|----------|----------|---------|-----------|
| 12/17 | 151.4 | 23.1 | 30.0 | 1.46 | 52.8 | 0.11 |
| 12/18 | 250.8 | 37.9 | 40.1 | 1.61 | 39.5 | 0.12 |
| 12/19e | 326.0 | 41.0 | 46.0 | 1.77 | 34.5 | 0.13 |
| 12/20e | 374.9 | 52.4 | 64.8 | 1.95 | 24.5 | 0.15 |

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Since February, there has been more some short-term business disruption as 4,500 people have converted to work-from-home arrangements, with more production staff expected to move to this model. Given the current environment, management has taken steps to preserve cash, focusing on costs, eliminating discretionary spend and capital projects.

Although disruption from COVID-19 pandemic is expected, the underlying drivers of growth across the video games market remain intact with games companies looking to enhance their production resilience. Keywords is well placed to meet client demand, with its global breadth and increasing work-from-home capacity offering a high degree of resilience to the cycles of the virus in different locations.

With the situation changing rapidly, the board does not believe it is prudent to provide guidance at this time on the potential full-year outcome for FY20. Our FY20e forecasts do not consider the impact of COVID-19 and we will review these once there is further clarity on the impact on the business and its outlook.

Software & comp services

25 March 2020

Price **1,343p**
Market cap **£877m**

€1.09/£

Estimated net debt (€m) at 31 December 2019 18.0

Shares in issue 65.27m

Free float 89%

Code KWS

Primary exchange AIM

Secondary exchange N/A

Share price performance



Business description

Keywords Studios is the largest and most diverse supplier of outsourced services to the games industry. Through regular acquisitions, the company is building its scale, geographic footprint and delivery capability. Its ambition is to become the 'go-to' supplier across the industry.

Analysts

Richard Williamson +44 (0)20 3077 5700

Dan Ridsdale +44 (0)20 3077 5700

tech@edisongroup.com
[Edison profile page](#)

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