

COMPANY UPDATE

Kapsch TrafficCom

Buy

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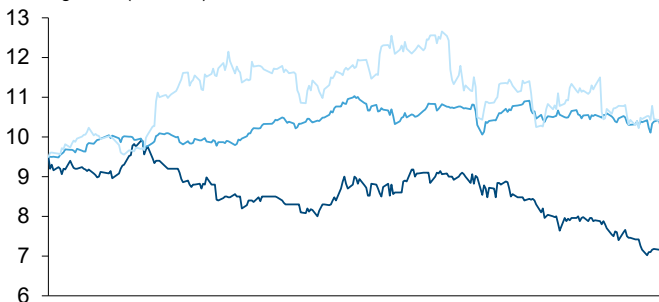
Share price (EUR) close as of 21/11/2024	7.00	Reuters	KTCG.VI	Free float	42.5%
Number of shares (mn)	14.3	Bloomberg	KTCG AV	Shareholders	Kapsch-Group (57.5%)
Market capitalization (EUR mn)	100.1	Div. Ex-date			
Enterprise value (EUR mn)	211.3	Target price	10.00	Homepage:	www.kapsch.net

Key figures Overview

EUR mn	2024	2025e	2026e	2027e
Net sales	538.8	576.2	576.2	587.7
EBITDA	88.5	25.4	34.0	35.0
EBIT	70.3	9.2	18.4	19.7
EBT	36.9	-3.4	11.6	13.3
Net profit	23.2	-6.5	8.8	9.9
EPS (EUR)	1.77	-0.46	0.61	0.69
CEPS (EUR)	3.50	0.69	1.79	1.86
BVPS (EUR)	6.30	6.10	6.71	7.40
Dividend/Share (EUR)	0.00	0.00	0.00	0.00
EV/EBITDA (x)	2.61	8.33	5.98	5.57
P/E (x)	4.81	nm	11.41	10.11
P/CE (x)	2.43	10.20	3.92	3.77
Dividend yield (%)	0.00	0.00	0.00	0.00
EBITDA margin (%)	16.39	4.40	5.90	5.95
Operating margin (%)	13.01	1.60	3.20	3.35
Net profit margin (%)	4.12	-0.44	1.50	1.70

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	9,233	5,672	4,925
Trading value (EUR mn)	0.1	0.0	0.0



—Kapsch TrafficCom —ATX —DJ EURO STOXX Technology

Price performance: in EUR	1M	3M	6M	12M
	-7.2%	-19.5%	-22.2%	-26.3%

Financial Strength

	2024	2025e	2026e	2027e
ROE (%)	31.67	-7.35	9.58	9.81
ROCE (%)	17.15	1.54	6.83	7.25
Equity ratio (%)	18.80	21.49	23.44	26.01
Net debt (EUR mn)	116.17	110.51	102.67	93.98
Gearing (%)	139.25	125.71	106.31	88.18

Recovery to accelerate in 2H

We anticipate growth dynamics to accelerate in 2H24/25 y/y. As the increasing order book will take more time to materialize, pointing to growth taking a breather in next FY25/26e, we reduce our target price to EUR 10 from EUR 13 previously, confirming our Buy recommendation.

An order book is at sound 2.5x annual revenue. B2B was way at 1.9x in 1H25, but only at 1x when excluding a 50y tolling contract booked recently. Positive market dynamics could add bigger, more sizeable contracts to order backlog, which we have not reflect in our estimates.

Profitable change requests should help improving profitability in 2H25, while an end to project revaluations and negative one-offs should stabilize EBIT margin between 3-4% in our model. KTC should do better than that but needs to prove it.

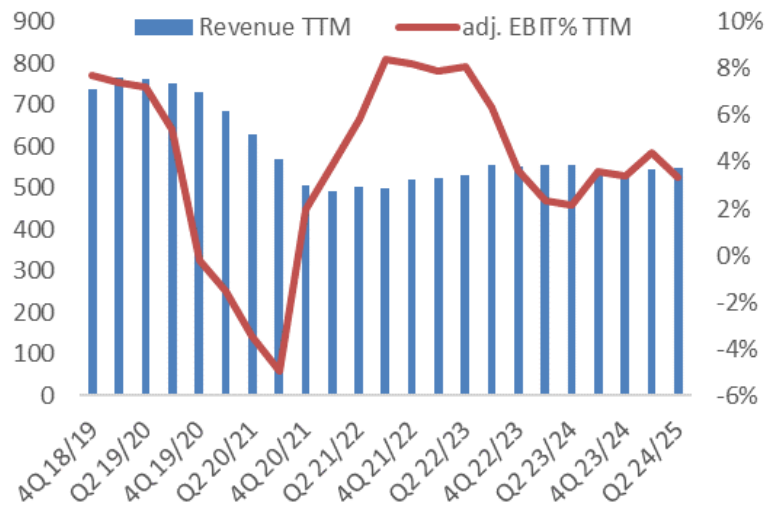
Balance sheet continues to improve, even if only slowly. There is another pending compensation payment ahead amounting to EUR 10-15mn, but likely to only materialize next fiscal year (FY26e).

Valuation: adj. EV/EBITDA for FY24/25e and FY25/26e is 6.5x and 6x, when assuming an adj. EBIT margin of 2.8% and 3.2%, respectively. P/E for FY25/26e is around 11x. This might not look like a bargain at first sight but does not even reflect on an assumed flattish recovery path beyond.

Slow start to the year, acceleration in 2H24/25

Revenue fell slightly short of our expectation in 2Q24/25 ("2Q25"), as we would have expected some uptick based on the latest order intake. On the other hand, profitability in the quarter was a notch above our expectations. The overall recovery trend is bumpy, but visible.

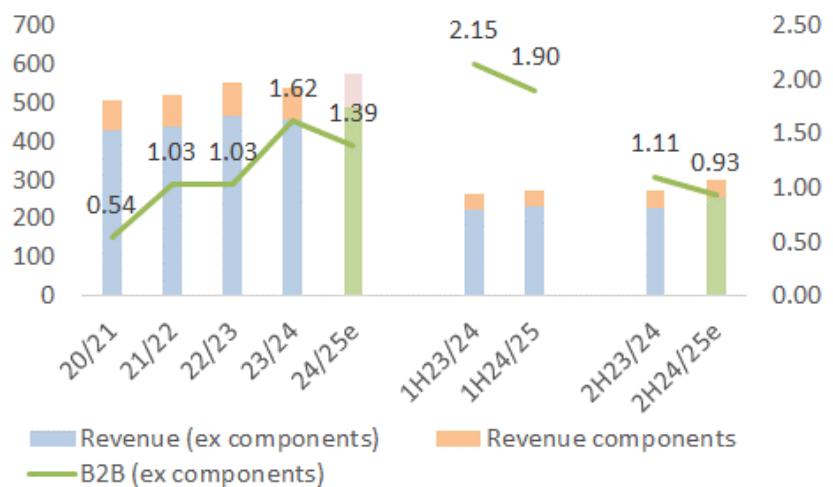
4Q18/19-2Q24/25: TTM Revenue and adj. EBIT margin trend



Source: Company data; Erste Group Research

Order intake was again at a very sound level. Book-to-Bill (B2B) in 1H24/25 ("1H25") was 1.90x, even if down y/y. The increasing market activity after Covid is obvious, even if order intake has been softer in 1H24/25 y/y. 2H24/25 our base case is a similar decline in order intake as seen in 1H24/25 y/y, which was 8%. On the other hand, we would expect contracts for change request increase, positively impacting reported profitability. Order book now stands at EUR 1.5bn, up from EUR 1.4bn. Please note that order intake and book reflect on implementation and operation contracts, while components are excluded.

KTC: Order intake; revenue, Book-to-Bill development



Source: Company; Erste Group Research

One additional important observation when reflecting on order book and order intake is the fact that realization of the order book is being pushed out due to incoming contracts with very long tails. One of these contracts is the installation and 50y operation of a toll bridge solution in Louisiana with a total order volume of EUR 210mn (USD 230mn), signed in 2Q24/25. Excluding this contract, B2B in 1H24/25 stood at 1x. As a consequence, we now expect revenue to be flattish in FY25/26 (i.e. next FY) as a base case.

Market activity looks to be developing well. In the short term, we see tolling contracts close to be awarded in France, and market activity and tender awards in the US at levels not seen for some time. There are also rebounding demand for change requests at existing projects, which should bode well for profitability development in the coming quarters. Hence, there could be positive surprise potential ahead in case one of the large contracts is awarded to KTC.

Change in estimates

Consolidated, IFRS (EUR, mn)	2024/25e = FY25e			2025/26e = FY26e			2026/27e = FY27e		
	Now	Before	Change	Now	Before	Change	Now	Before	Change
Revenues	576.2	582.1	-1.0%	576.2	612.8	-6.0%	587.7	642.4	-8.5%
EBITDA	25.4	25.6	-0.8%	34.0	36.7	-7.4%	35.0	39.6	-11.6%
EBITDA margin	4.4%	4.4%	0.3%	5.9%	6.0%	-1.5%	6.0%	6.2%	-3.4%
EBIT	9.2	9.4	-2.0%	18.4	21.2	-12.9%	19.7	24.3	-19.0%
EBIT margin	1.6%	1.6%	-1.0%	3.2%	3.5%	-7.3%	3.3%	3.8%	-11.4%
Net profit	-6.5	-6.3	2.8%	8.8	10.9	-19.3%	9.9	13.4	-26.1%
Net margin after min.	-1.1%	-1.1%	3.8%	1.5%	1.8%	-14.1%	1.7%	2.1%	-19.2%
EPS	-0.46	-0.44	2.8%	0.61	0.76	-19.3%	0.69	0.94	-26.1%
EPS adjusted	0.03	0.05	-26.5%	0.61	0.76	-19.3%	0.69	0.94	-26.1%
DPS	0.00	0.00	nm	0.00	0.00	nm	0.00	0.26	nm

Source: Erste Group Research

FY24/25e ("FY25e"): We continue to expect KTC to meet its FY24/25 guidance of at least EUR 15mn on adjusted operating level. Such a figures excludes EUR 7mn non-cash impact from deconsolidating large parts of the African business in 1Q25.

On revenue level, our new estimates reflect top line growth of 7% y/y, slightly below KTC's guidance of above 7.5% growth, which marks market growth. While a sizeable part of our growth assumption in 2H25 is covered by the order backlog, the effective development will also be dependent on change request coming in and delivered and components to be sold.

FY25/26e ("FY26e"): Based on a slightly softer order intake in 1H24/25 y/y but especially the fact that it will take longer for the order book to materialize, we now expect business to develop flattish y/y in FY26e. Such an assumption implies a doubling of the reported profitability y/y and no more one-offs. There is a chance, though, that the German arbitration court decided the pending case for a compensation payment for the illegally cancelled German toll enforcement contract. In case KTC will be compensated, at least parts of the compensation might be P&L effective.

FY26/27e ("FY27e"): We have set top line growth at 2% y/y from FY27. Profitability is now expected to be 3.3% on EBIT level and increase only slightly to 3.8% in the years thereafter. Such an assumption is below KTC's mid term targets of at least 5% EBIT margin. We have also shifted our dividend payout assumption by one year to FY28 as this would be the year KTC reached 30% equity ratio, a precondition for resuming dividends.

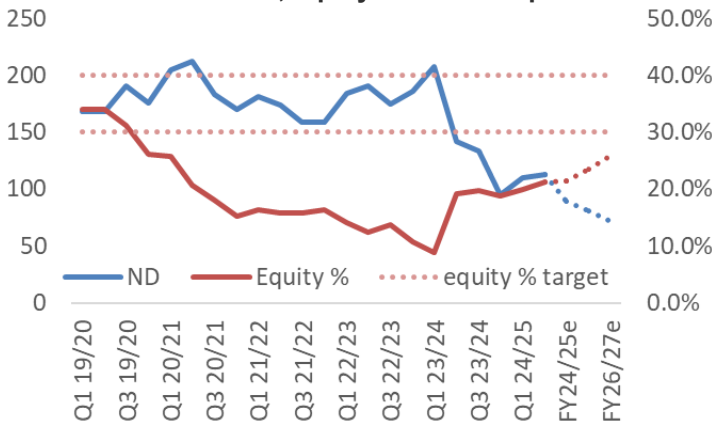
Other relevant developments

Compensation payment Germany: It looks it will take some more time to see the compensation for the German toll enforcement contract materialize. After the first compensation of more than EUR 100mn overall has been granted and transferred for the illegally cancelled German ETC tolling contract in FY23/24, we believe a ruling in the separately awarded tolling enforcement contract can only be in KTC's favor as well. We would assume some EUR 10-15mn as compensation based on the calculation of the compensation payment for the ETC tolling contract. We have not reflected such a payment in our estimates.

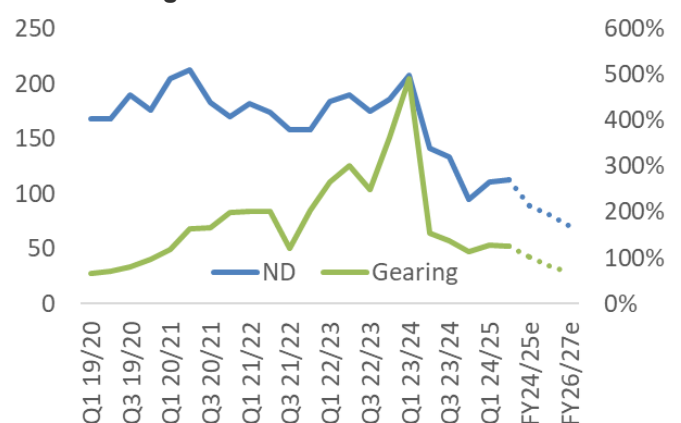
Balance sheet development

KTC has been improving its balance sheet health in recent quarters. The latest uptick in balance sheet equity ratio in 2Q25 is purely driven by FX changes. Gearing has been increasing after 4Q/FY24, driven by WC build up. By FY25e, we expect balance sheet to show further improvement, which is to continue in the coming years. Obviously, there is no compensation payment or any potential release of provisions included in our estimates.

1Q20-4Q27e KTC: ND, equity ratio development



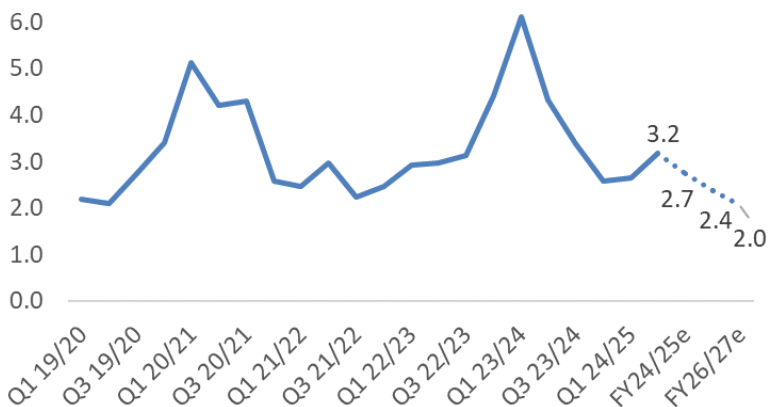
ND & Gearing



Source: Company; Erste Group Research

A similar picture can be derived for ND/TTM adj. EBITDA. After an uptick after 4Q/FY24, we would expect an improvement towards year end and a ND/EBITDA of well below 3x in the coming years.

1Q20-4Q27e KTC: ND / TTM adj. EBITDA development



Source: Company; Erste Group Research

Valuation

We have reduced our estimates to align for KTC's recovery path, which looks to be slower than previously anticipated. We are nevertheless positive to see recovery materialize. Our DCF assumptions mirror KTC's and market development.

- RFR now 2.7% in both the detail and TV periods (down from 3% previously).
- Equity ratio kept at 55% in the detailed period, but lifted to 80% in TV, based on our estimates FY30.
- TV EBIT margin remained at 2.5%
- TV growth rate confirmed at 2%
- Cost of debt at 6.2% in the detailed period, and in TV.
- Cost of equity at 15.3% in the detailed period, 14% in TV.

Our new target price continues to show significant upside. Still, one needs to point to the lower value derived from only using current year's multiples. While we continue to stick to DCF for deriving our target price, arriving at EUR 10 per share, multiple comparison based only on reported FY24/25e estimates shows a relative target value of EUR 4.6. When already reflecting on next year's multiples, target value is already at EUR 10.6. Hence, the current share price at around EUR 7 reflects to a lower extent on recovery than we do. We expect this to change going forward, which is the reason we confirm our Buy recommendation.

Target price composition

	DCF	Multiple	Weight	12-month target price	act. share price	upside to target price	Recommendation
Kapsch TrafficCom	10.0	6.7	100/0	10.0	7.0	42.9%	Buy

Source: Bloomberg; Erste Group Research

Multiple comparison

Peers	MarketC (EURmn)	P/E			EV/EBITDA			EV/EBIT		
		2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
CONDUENT INC	559	-	-	11.4x	6.2x	5.2x	-	-	-	-
SENSYS GATSO GROUP A€	49	23.7x	7.7x	5.7x	8.9x	4.7x	3.9x	19.2x	7.1x	5.4x
EDENRED	7,071	13.8x	12.3x	10.9x	6.9x	6.4x	5.9x	8.3x	7.7x	6.9x
SINGAPORE TECH ENGINE	10,389	20.5x	18.1x	16.4x	13.0x	12.0x	11.2x	20.6x	18.7x	17.5x
ITERIS INC	297	19.4x	18.9x	-	17.9x	12.9x	9.1x	38.3x	17.7x	-
INIT INNOVATION IN TRAFF	362	20.2x	15.5x	12.6x	10.5x	-	7.1x	15.4x	11.8x	9.7x
IVU TRAFFIC TECHNOLOGI	236	18.0x	16.0x	14.1x	10.3x	9.5x	8.5x	13.2x	11.9x	10.3x
TAGMASTER AB	14	-	110.0x	12.2x	8.5x	4.9x	3.3x	-	29.6x	9.9x
WAG PAYMENT SOLUTIONS	672	17.7x	13.2x	10.5x	8.0x	6.9x	5.9x	13.0x	10.9x	9.2x
MEDIAN broader peers		19.4x	15.8x	12.2x	9.6x	6.9x	6.5x	15.4x	11.9x	9.7x
Kapsch TrafficCom	100.1	nm	11.4x	10.1x	8.3x	6.0x	5.6x	22.9x	11.0x	9.9x
prem. / disc median		nm	-27.6%	-17.3%	-13.4%	-13.5%	-14.4%	48.2%	-7.1%	1.9%
Peers	Share price	P/B			ROE			Dividend yield		
		2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
CONDUENT INC	3.5	0.7x	0.6x	0.5x	-	-	-	-	-	-
SENSYS GATSO GROUP A€	4.3	0.9x	0.8x	0.7x	4.0%	10.0%	13.0%	-	-	-
EDENRED	29.0	-	-	-	-0.9x	-117.3%	175.6%	4.2%	4.6%	5.0%
SINGAPORE TECH ENGINE	3.3	5.5x	4.9x	4.4x	27.1%	28.0%	28.1%	3.4%	3.5%	3.5%
ITERIS INC	6.9	4.1x	3.5x	-	12.4%	21.7%	25.8%	-	-	-
INIT INNOVATION IN TRAFF	36.1	2.8x	2.5x	2.2x	13.8%	18.9%	21.7%	2.1%	2.3%	2.6%
IVU TRAFFIC TECHNOLOGI	13.3	2.5x	2.1x	1.8x	-	-	-	2.1%	2.3%	3.4%
TAGMASTER AB	1.0	-	-	-	-6.0%	1.0%	5.0%	-	-	-
WAG PAYMENT SOLUTIONS	1.0	2.4x	2.1x	1.8x	10.7%	13.7%	18.5%	0.0%	0.0%	0.0%
MEDIAN broader peers		2.6x	2.3x	1.8x	10.7%	13.7%	21.7%	2.1%	2.3%	3.4%
Kapsch TrafficCom	7.0	1.1x	1.0x	0.9x	-7.3%	9.6%	9.8%	0.0%	0.0%	0.0%
prem. / disc median		-56.0%	-55.0%	-48.6%	-169%	-30.2%	-54.7%	nm	nm	-100.0%
Per KTC share (EUR) 2025e		4.6								
Per KTC share (EUR) 2026e			10.6							
Per KTC share (EUR) 2027e				9.5						
Period weight		80%	20%	0%						
NPV as of Nov 2024 EUR		5.8								
Cost of Equity		15.5%								
NPV as of Nov 2025 EUR		6.7								

Source: Bloomberg, Erste Group Research

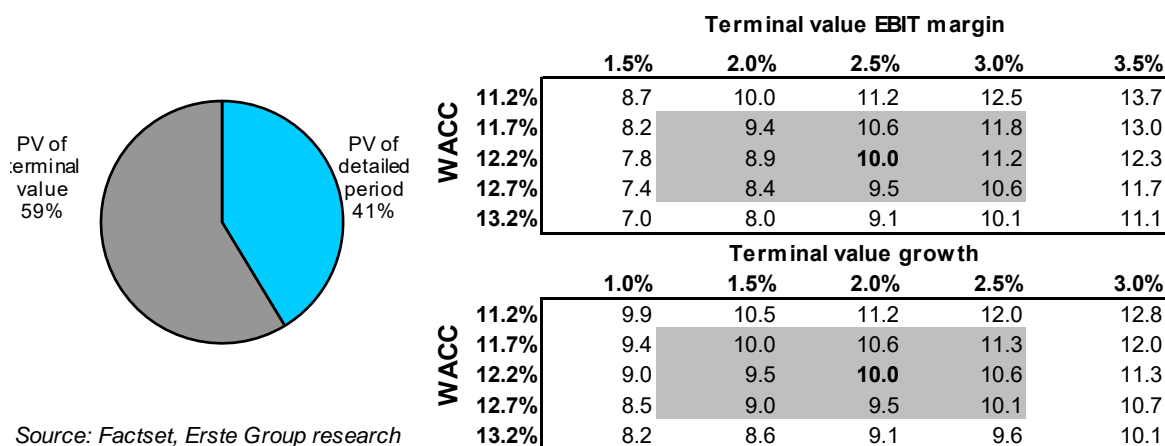
WACC calculation

	2026e	2027e	2028e	2029e	2030e	2031e (TV)
Risk free rate	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Equity risk premium	8.7%	8.7%	8.7%	8.7%	8.7%	8.1%
Beta	1.5	1.5	1.5	1.5	1.5	1.4
Cost of equity	15.3%	15.3%	15.3%	15.3%	15.3%	14.1%
Cost of debt	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Effective tax rate	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
After-tax cost of debt	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
Equity weight	55%	55%	55%	55%	55%	80%
WACC	10.6%	10.6%	10.6%	10.6%	10.6%	12.2%

DCF valuation

(EUR mn)	2026e	2027e	2028e	2029e	2030e	2031e (TV)
<i>Sales growth</i>	0.0%	2.0%	2.0%	2.0%	2.0%	1.0%
EBIT	18.4	19.7	21.9	22.2	22.5	15.8
<i>EBIT margin</i>	3.2%	3.3%	3.6%	3.6%	3.6%	2.5%
<i>Tax rate</i>	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
Taxes on EBIT	-4.2	-4.5	-5.0	-5.1	-5.2	-3.6
NOPLAT	14.2	15.2	16.8	17.1	17.3	12.1
+ Depreciation	15.6	15.3	15.4	15.5	15.5	15.5
<i>Capital expenditures / Depreciation</i>	24.5%	24.9%	24.8%	24.7%	24.7%	25.0%
+/- Change in working capital	-0.6	-1.9	-0.6	-0.6	-0.6	-0.3
<i>Chg. working capital / chg. Sales</i>	<i>nm</i>	-16.1%	-5.1%	-4.8%	-4.8%	-5.0%
- Capital expenditures	-3.8	-3.8	-3.8	-3.8	-3.8	-3.9
Free cash flow to the firm	25.4	24.8	27.8	28.2	28.4	23.5
<i>Terminal value growth</i>						2.0%
Terminal value						234.2
<i>Discount factor</i>	0.90	0.82	0.74	0.67	0.61	0.61
Discounted free cash flow - Mar 31 2025	22.9	20.3	20.6	18.8	17.2	141.8
Enterprise value - Mar 31 2025	241.6					
Minorities	0.7					
Non-operating assets	0.0					
Net debt	110.5					
Equity value - Mar 31 2025	130.4					
Number of shares outstanding (mn)	14.3					
Cost of equity	15.3%					
12M target price per share (EUR)	10.0					
Current share price (EUR)	7.0					
<i>Up/Downside</i>	42.9%					

Enterprise value breakdown Sensitivity (per share)



Source: Factset, Erste Group research

Group Research

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Group Institutional Equity Sales Head: Michal Rizek	+420 224 995 537	Croatia Head: Antun Burić Zvonimir Tukač Ana Tunjić Natalija Zujic	+385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 2225 +385 (0)7237 1638
Cash Equity Sales Werner Fuerst Viktoria Kubalцова Thomas Schneidhofer Oliver Schuster	+43 (0)5 0100 83121 +43 (0)5 0100 83124 +43 (0)5 0100 83120 +43 (0)5 0100 83119	Hungary Head: Peter Csizmadia Gábor Bálint Balázs Papay Gergő Szabo	+36 1 237 8211 +36 1 237 8205 +36 1 237 8213 +36 1 237 8209
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Company description

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