

COMPANY UPDATE

Kapsch TrafficCom

Buy

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Share price (EUR) close as of 24/02/2025	7.20	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)	103.0	Div. Ex-date			
Enterprise value (EUR mn)	213.4	Target price	10.00	Homepage:	www.kapsch.net

Key figures Overview

EUR mn	2024	2025e	2026e	2027e
Net sales	538.8	567.5	576.1	587.7
EBITDA	88.5	26.7	34.1	35.1
EBIT	70.3	9.2	18.5	19.7
EBT	36.9	-3.4	11.6	13.4
Net profit	23.2	-6.6	8.8	9.9
EPS (EUR)	1.77	-0.46	0.61	0.69
CEPS (EUR)	3.50	0.78	1.79	1.87
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	8.00	6.06	5.65
P/E (x)	4.81	nm	11.72	10.39
P/CE (x)	2.43	9.24	4.01	3.86
Dividend yield (%)	0.00	0.00	0.00	0.00
EBITDA margin (%)	16.39	4.70	5.92	5.97
Operating margin (%)	13.01	1.62	3.20	3.35
Net profit margin (%)	4.12	-0.45	1.51	1.70

Financial Strength

	2024	2025e	2026e	2027e
ROE (%)	31.67	-7.40	9.59	9.82
ROCE (%)	17.15	1.52	6.84	7.24
Equity ratio (%)	18.80	21.63	23.44	26.01
Net debt (EUR mn)	116.17	109.73	103.23	94.45
Gearing (%)	139.25	124.88	106.92	88.63

Recovery on track

We confirm our Buy recommendation and a target price of EUR 10.

3Q24/25 development helped raise confidence that recovery is on track as profitability surged and a favorable free cash flow reduced net debt.

We finetuned our estimates, raising profitability slightly while lowering top line expectations below guidance for this FY24/25. Estimates beyond this year remain unchanged for now, displaying a slow business improvement.

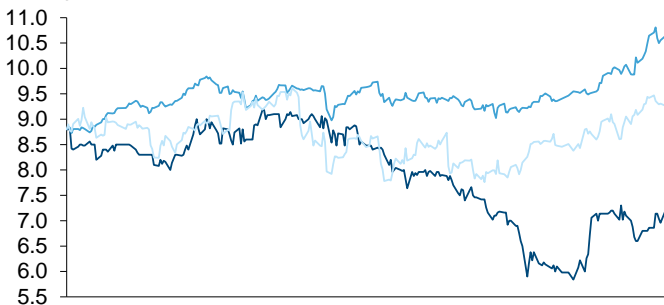
Order intake YTD and in 3Q is on a good level, which can be also seen by the increase in contract liabilities to the highest level ever in both absolute and relative term.

KTC confirmed its FY24/25 guidance of revenue growth exceeding estimated market growth of 7.5% and adj. EBIT exceeding the adj. EBIT of last year of EUR 15.1mn. We believe the latter is very realistic, the former looks stretched.

Valuation: EV/EBITDA for FY24/25-26/27e of 8.0/6.1/5.7x and P/E of 11.7/10.4x for FY25/26-26/27. We think earnings revisions are rather to be expected on the positive side going forward.

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	7,149	6,159	5,246
Trading value (EUR mn)	0.1	0.0	0.0



—Kapsch TrafficCom —ATX —DJ EURO STOXX Technology

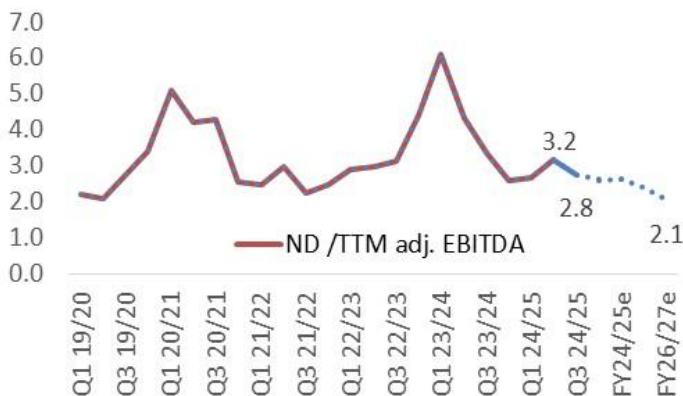
Price performance:	1M	3M	6M	12M
in EUR	0.8%	2.9%	-15.9%	-19.8%

Recovery on track

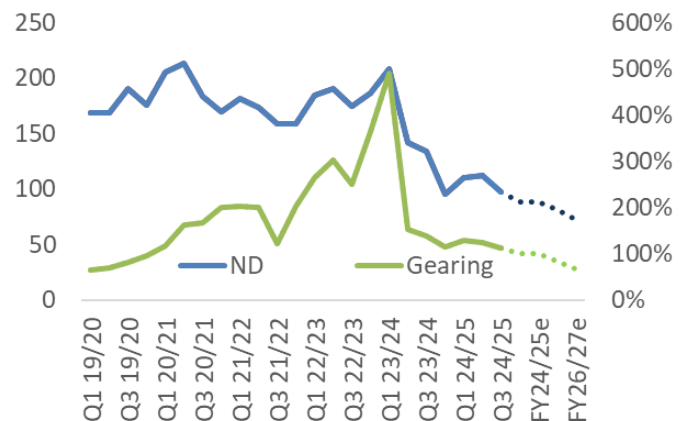
3Q24/25 results showed KTC's recovery is on track. The deconsolidation of TMT in 1Q24/25 has its impact on especially top line, which grew 2% y/y for the quarter and 3% YTD y/y. Adjusting for the TMT deconsolidation, growth would have been about 6% YTD y/y. On EBIT level we see the positive effects from efficiency measures and new projects slowly starting to contribute as EBIT margin reached almost 5% for the quarter, which compares to -2% last year. YTD, EBIT margin is at 1%, and at 3% when adj. for the EUR 7mn TMT deconsolidation effect in 1Q24/25. The posted quarterly EBIT margin was the highest in years. Net profit was positive in the quarter, the first time for several quarters.

Cash flow was strong in 3Q24/25. While OCF from the result was about stable at EUR 8mn compared to past quarters, project finalizations helped reduce contract assets by EUR 16mn, to an overall OCF of EUR 23mn, and FCF of EUR 20mn. Hence, debt ratios improved, equity ratio flattish due to negative FX effects.

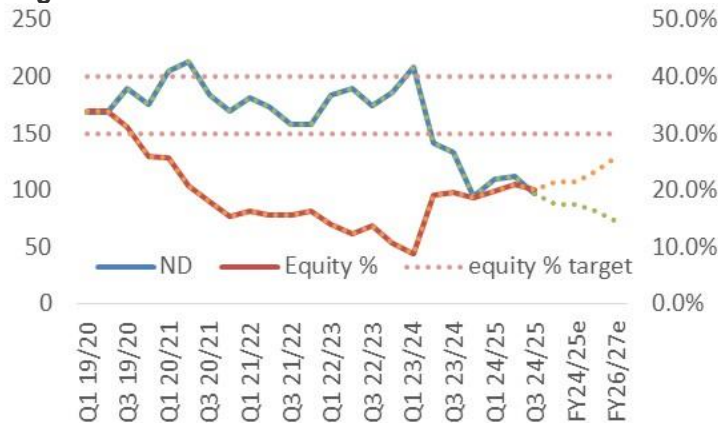
1Q19/20-FY26/27e: ND/TTM adj. EBITDA



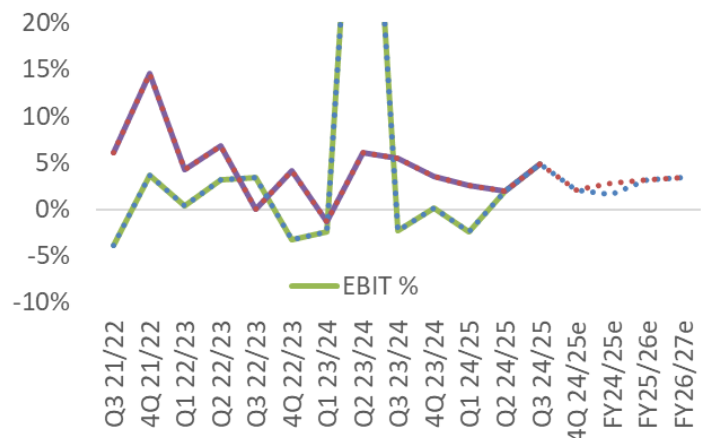
1Q19/20-FY26/27e: ND & Gearing history & development & projection



1Q19/20-FY26/27e: ND; Equity ratio; equity ratio target range



3Q21/22-FY26/27e: EBIT% vs adj. EBIT%



Source: Company; Erste Group Research

Change in estimates

KTC confirmed its FY24/25 guidance with regards to top line growth and adj. EBIT. Hence, KTC expects revenue in FY24/25 to grow above market, i.e. >7.5%, while adj. EBIT is said to be above last year's adjusted level of EUR 15.1mn.

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	567.5	576.2	-1.5%	576.1	576.2	0.0%	587.7	587.7	0.0%
EBITDA	26.7	25.4	5.2%	34.1	34.0	0.3%	35.1	35.0	0.3%
EBITDA margin	4.7%	4.4%	6.8%	5.9%	5.9%	0.3%	6.0%	6.0%	0.3%
EBIT	9.2	9.2	-0.7%	18.5	18.4	0.1%	19.7	19.7	0.1%
EBIT margin	1.6%	1.6%	0.9%	3.2%	3.2%	0.1%	3.4%	3.3%	0.1%
Net profit	-6.6	-6.5	0.7%	8.8	8.8	0.2%	9.9	9.9	0.1%
Net margin after min.	-1.2%	-1.1%	2.2%	1.5%	1.5%	0.2%	1.7%	1.7%	0.1%
EPS	-0.46	-0.46	0.7%	0.61	0.61	0.2%	0.69	0.69	0.1%
EPS adjusted	0.03	0.03	-8.8%	0.61	0.61	0.2%	0.69	0.69	0.1%
DPS	0.00	0.00	nm	0.00	0.00	nm	0.00	0.00	nm

Source: Erste Group Research

Based on the latest development, we have finetuned our estimates for this FY24/25, while leaving our projections beyond basically unchanged. While we have reduced our revenue estimates again by a notch, as guidance looks stretched on the top line, we confirm our absolute EBIT assumption for this year. Reflecting on the EUR 7mn one-off deconsolidation effect, our adj. EBIT margin for this year is 3.2%, on reported level it is 1.6%

For FY25/26 we expect a flattish top line development and doubling of the reported EBIT margin to the adjusted level seen this year.

The risk of negative one-offs is decreasing, even if there are still 1-2 troubled projects. On the other hand, we should come closer to a second compensation payment from Germany, which relates to the enforcement contract of the scrapped German ETC system. We continue to believe a compensation of EUR 10-14mn is likely as we base such a calculation on the compensation paid for the ETC system implementation last year (2Q23/24).

Valuation

Our valuation assumptions remain unchanged with regards to WACC and TV growth. The minor adjustments to our estimates did not have an impact on our target price, which remains at EUR 10 and is derived from our DCF.

Target price composition

	DCF	Multiple	Weight	12-month target price	act. share price	upside to target price	Recommendation
Kapsch TrafficCom	10.0	7.4	100/0	10.0	7.2	38.9%	Buy

Source: Reuters, Erste Group Research

The multiple valuation displays a more short term valuation view on the stock and is therefore also closer to the current share price. The more we shift KTC towards a multiple valuation based on FY26 (March 2026) and FY27 (March 2027), the closer we come to our DCF value and target price. Hence, our target price obviously gives KTC already credit beyond the current FY24/25 ending in March 2025.

Peers	MarketC (EURmn)	P/E			EV/EBITDA			EV/EBIT		
		2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
EDENRED	7,354	15.3x	12.7x	11.4x	7.2x	6.7x	6.3x	8.9x	8.2x	7.6x
SINGAPORE TECH ENGINE	11,217	22.3x	19.6x	17.6x	13.8x	12.7x	11.9x	21.8x	19.8x	18.5x
INIT INNOVATION IN TRAFF	350	19.5x	15.0x	12.1x	10.3x	-	6.9x	15.2x	11.6x	9.5x
IVU TRAFFIC TECHNOLOGI	284	21.6x	19.3x	17.0x	12.7x	11.6x	10.4x	16.2x	14.5x	12.7x
TAGMASTER AB	19	41.4x	142.5x	15.8x	7.0x	6.0x	4.2x	29.0x	24.1x	10.8x
WAG PAYMENT SOLUTIONS	516	14.1x	11.2x	8.7x	6.8x	6.1x	5.3x	11.0x	9.6x	8.7x
MEDIAN broader peers		20.6x	17.1x	14.0x	8.8x	6.7x	6.6x	15.7x	13.1x	10.2x
Kapsch TrafficCom	103.0	nm	11.7x	10.4x	8.0x	6.1x	5.6x	23.3x	11.2x	10.1x
prem. / disc median		nm	-31.6%	-25.7%	-8.6%	-8.9%	-15.0%	48.5%	-14.4%	-1.2%
Peers	Share price	P/B			ROE			Dividend yield		
		2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
EDENRED	30.4	-	-	-	-	-78.7%	63.1%	3.8%	4.4%	5.0%
SINGAPORE TECH ENGINE	3.6	5.9x	5.3x	4.7x	27.0%	28.0%	28.2%	3.2%	3.2%	3.3%
INIT INNOVATION IN TRAFF	34.9	2.7x	2.4x	2.1x	13.8%	18.9%	21.7%	2.1%	2.4%	2.7%
IVU TRAFFIC TECHNOLOGI	16.0	3.0x	2.6x	2.2x	-	-	-	1.8%	1.9%	2.8%
TAGMASTER AB	1.3	0.7x	-	-	1.7%	1.0%	5.0%	0.0%	-	-
WAG PAYMENT SOLUTIONS	0.7	1.9x	1.7x	1.5x	9.4%	12.0%	14.6%	0.0%	0.0%	0.0%
MEDIAN broader peers		2.7x	2.5x	2.1x	12.4%	15.4%	23.7%	1.9%	2.4%	2.8%
Kapsch TrafficCom	7.2	1.2x	1.1x	1.0x	-7.4%	9.6%	9.8%	0.0%	0.0%	0.0%
prem. / disc median		-55.7%	-56.8%	-54.7%	-160%	-37.8%	-58.6%	nm	nm	-100.0%
Per KTC share (EUR) 2025e		4.4								
Per KTC share (EUR) 2026e			11.4							
Per KTC share (EUR) 2027e				10.7						
Period weight		70%	20%	10%						
NPV as of Feb 2025 EUR		6.4								
Cost of Equity		15.3%								
NPV as of Feb 2026 EUR		7.4								

Source: Bloomberg, Erste Group Research

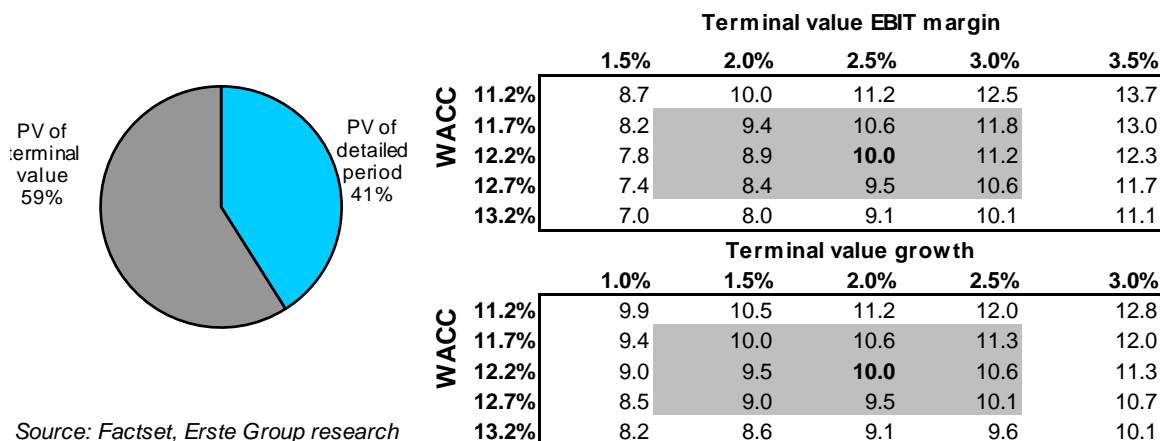
WACC calculation

	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>	1.5%	2.0%	2.0%	2.0%	2.0%	1.0%
EBIT	18.5	19.7	21.9	22.2	22.5	15.8
<i>EBIT margin</i>	3.2%	3.4%	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	15.4	15.5	15.5	15.6	15.6
<i>Capital expenditures / Depreciation</i>	27.5%	24.8%	24.7%	24.6%	24.6%	25.0%
+/- Change in working capital	-1.6	-1.9	-0.6	-0.6	-0.6	-0.3
<i>Chg. working capital / chg. Sales</i>	-18.2%	-16.1%	-5.1%	-4.9%	-4.8%	-5.0%
- Capital expenditures	-4.3	-3.8	-3.8	-3.8	-3.8	-3.9
Free cash flow to the firm	24.0	24.9	27.9	28.2	28.5	23.5
<i>Terminal value growth</i>						2.0%
Terminal value						234.6
<i>Discount factor</i>	0.90	0.82	0.74	0.67	0.61	0.61
Discounted free cash flow - Mar 31 2025	21.7	20.4	20.6	18.9	17.3	142.0
Enterprise value - Mar 31 2025	240.9					
Minorities	0.7					
Non-operating assets	0.0					
Net debt	109.7					
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)	7.2					
<i>Up/Downside</i>	38.9%					

Enterprise value breakdown Sensitivity (per share)



Source: Factset, Erste Group research

Group Research

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Company description

Kapsch TrafficCom is among the market leaders in Electronic Toll Collection (ETC) systems and the clear no.1 worldwide in Dedicated Short Range Communication (DSRC). KTC has an strong track record of winning 5 out of 11 nationwide ETC systems in Europe (SUI, AUT, CZE, POL, BLR) and supplies the worldwide biggest interoperable ETC system - the E-ZPass system in the USA. KTC's solutions combine an excellent performance rate & low operating costs. KTC always strives to be technologically independent.

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