

COMPANY UPDATE

Kapsch TrafficCom

Buy

Analyst: Daniel Lion, CIAA +43 (0)5 0100 - 17420 daniel.lion@erstegroup.com

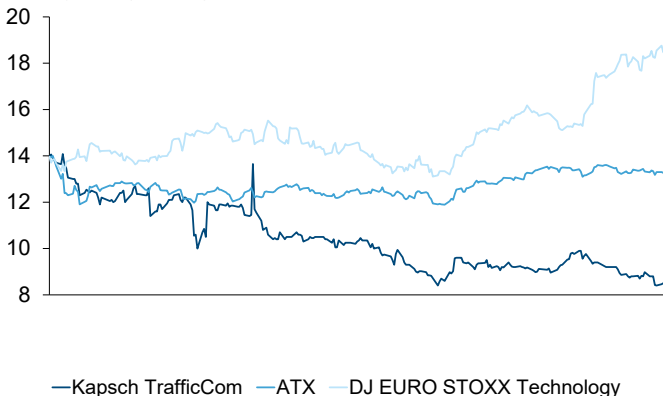
Share price (EUR) close as of 06/03/2024	8.50	Reuters	KTCG.VI	Free float	42.5%
Number of shares (mn)	14.3	Bloomberg	KTCG AV	Shareholders	Kapsch-Group (57.5%)
Market capitalization (EUR mn)	121.6	Div. Ex-date			
Enterprise value (EUR mn)	246.5	Target price	15.0	Homepage:	www.kapsch.net

Key figures Overview

EUR mn	2023	2024e	2025e	2026e
Net sales	553.4	550.1	556.9	601.4
EBITDA	29.4	90.7	38.5	46.3
EBIT	7.6	72.8	20.3	28.3
EBT	-9.9	43.7	12.1	21.1
Net profit	-24.8	34.4	11.1	16.6
EPS (EUR)	-1.91	2.63	0.78	1.16
CEPS (EUR)	0.20	4.33	2.14	2.55
BVPS (EUR)	4.33	7.16	7.94	9.10
Dividend/Share (EUR)	0.00	0.00	0.00	0.00
EV/EBITDA (x)	12.39	2.72	5.91	4.60
P/E (x)	nm	3.24	10.96	7.30
P/CE (x)	61.11	1.96	3.97	3.33
Dividend yield (%)	0.00	0.00	0.00	0.00
EBITDA margin (%)	5.30	16.49	6.92	7.70
Operating margin (%)	1.37	13.24	3.64	4.71
Net profit margin (%)	-4.36	6.07	1.63	2.63

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	5,288	5,764	8,899
Trading value (EUR mn)	0.0	0.1	0.1



Price performance:	1M	3M	6M	12M
in EUR	-7.6%	-7.8%	-17.9%	-39.1%

Financial Strength

	2023	2024e	2025e	2026e
ROE (%)	-35.56	43.36	10.27	13.66
ROCE (%)	5.87	17.10	6.57	9.39
Equity ratio (%)	10.69	21.37	24.33	27.10
Net debt (EUR mn)	206.90	131.00	114.34	100.34
Gearing (%)	403.27	135.88	108.42	82.74

KTC - Time to finish troubled projects

We confirm our Buy recommendation on KTC as business recovery progresses, even if the issue with troubled projects remains stickier than previously assumed. Our target price is EUR 15 (previously: EUR 15.1).

A clean adjusted EBIT margin at around 3-4% is a good starting point for further improvements that are expected once economies of scale come in from the order book build-up.

We expect to be in the final innings of project revaluations so that it should not take long until reported EBIT and cash flow start to improve sustainably.

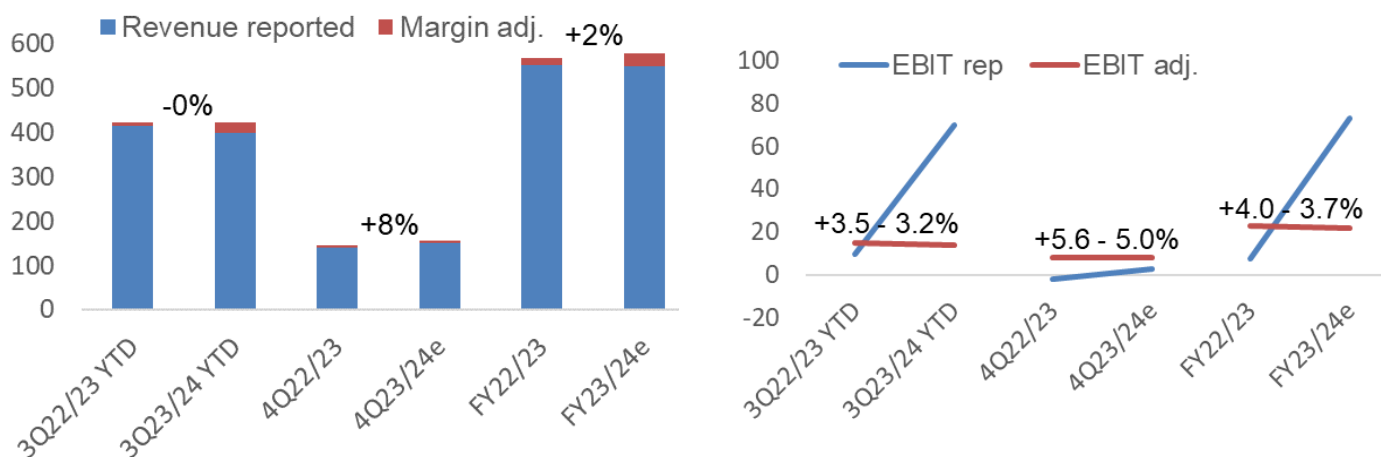
Market dynamics continue to be favorable and we see good chances of KTC announcing bigger contracts soon.

Valuation-wise, KTC trades at hefty discounts, which are only partially justified, in our view. We assume it should not take long until we see KTC starting to monetize on its market position and demand trends.

Project recalculations cover up underlying improvement

Kapsch TrafficCom has been benefitting from an improving market environment in past quarters, with an increasing order backlog that has slowly started to add to the top line. Order intake has surged 100% y/y in 1H23/24, as the order backlog reached EUR 1.4bn. While order intake has been softer in 3Q23/24, it should again improve in 4Q23/24.

3Q YTD, 4Q23/24e and FY23/24e y/y – revenue (left graph), EBIT, EBIT margin (right graph) reported vs. adjusted



Source: Company; Erste Group Research

Following items were adjusted in above graphs:

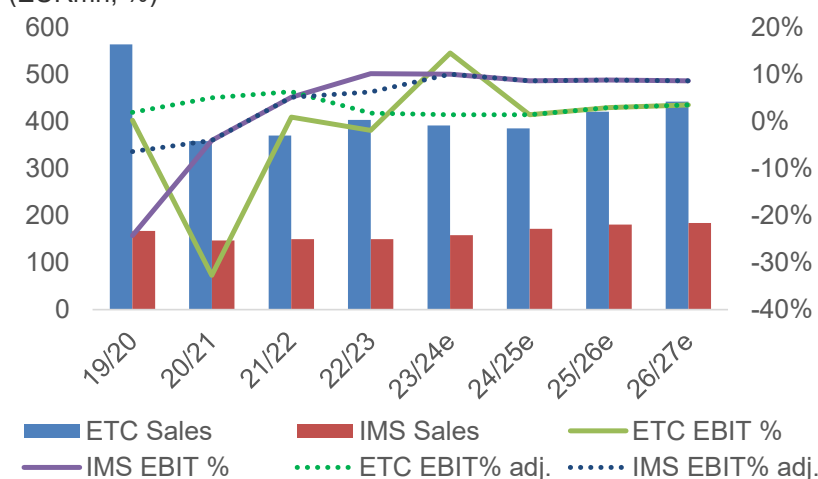
- Revenue:** Margin adjustments as reported by the company amounted to EUR 18mn in 3Q23/24 YTD. In addition, KTC provided a client a credit allowance amounting to EUR 6mn. For 4Q23/24, we assume another margin adjustment amounting to EUR 5mn. Last year (FY22/23), KTC recorded only about EUR 15mn in margin adjustments and initially expected this impact to be further reduced this year upon completion of the related project, which needed to be recalculated. In total, we assume about EUR 30mn in negative adjustments on the revenue level for this FY23/24. There are currently two projects left from the initial ~10-15 that have a zero margin in KTC's books. These will either be finalized in due time or a settlement with the client needs to be reached.
- EBIT:** Margin adjustments usually have a slightly higher absolute impact on EBIT vs. revenue. Following the reimbursement for the cancelled ETC system in Germany (EUR +72mn net), the mentioned margin adjustments (EUR ~24mn) and reversal of a previous allowance related to the credit allowance (EUR +4mn), the netted impact on the EBIT level is highly positive and we anticipate overall positive adjustments of EUR 51mn.
- Financial result:** There is also a negative one-time effect on the financial result and net profit stemming from the advanced repayment of a refinancing agreement with banks signed ahead of the reimbursement from Germany. The impact is EUR 11mn (2Q). Additionally, consulting costs related to the refinancing come on top. Starting with 4Q23/24, financial costs should return to normal, driven by interest costs and FX effects.

Change in estimates

Our revised estimates reflect the updated development with regards to project revaluations in FY23/24 that were more severe than previously anticipated. On the other hand, the underlying (i.e. adjusted) EBIT margin provides confidence that overall profitability and cash flow should increase going forward – as soon as the burden from project recalculations comes to an end.

KTC has already managed to turn around its IMS division, which should generate a sound ~10% EBIT margin the second year in a row this FY22/23. It should not take too long to at least stabilize the larger ETC division upon a finalization of troubled projects and by getting hold of the cost inflation impact on other projects without cost escalation clauses. The sound backlog should also help bring economies of scale once the newly signed contracts start contributing.

FY19/20-26/27e: KTC divisional business and margin development (EURmn; %)



Source: Company; Erste Group Research

Our new estimates reflect an ongoing business and margin stabilization in the coming years. So far, we have assumed an end to South African ETC system operations by June 2024, in line with current contract terms. While we would not be surprised if the contract was again extended, as no political solution seems to be in the cards with regards to SANRAL's (highway association) debt coverage once the ETC system is terminated, an end to the contract would likely be slightly negative for KTC's profitability until it is compensated for by new business.

Tender update: Market activity remains dynamic in all regions. We expect the Swiss tender for the ETC system enforcement to be communicated soon (project scope likely in the high double-digit EUR mn range). With regards to the Croatian nationwide ETC system tender on highways, Skytoll has been selected to provide the system, as it offered the lowest price. KTC is now contesting this decision, claiming that Skytoll does not have an adequate reference for a microwave tolling system, which has been a precondition for this tender. We believe there is a good chance of KTC's appeal bearing fruit, as Skytoll indeed has no history of supplying microwave-based ETC solutions, but rather satellite systems, which it has implemented and has been operating in several countries. The contract

volume for the tender is now seen at about EUR 100mn, even if Skytoll has offered EUR 80mn, due to cost inflation.

Change in estimates

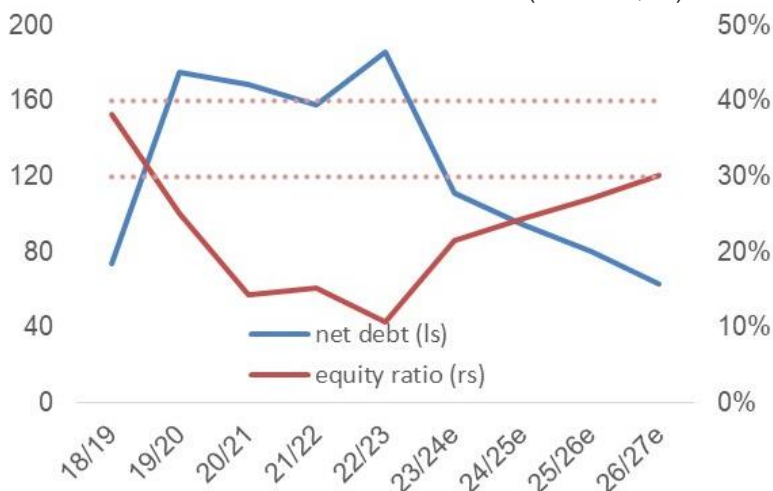
Consolidated, IFRS (EUR, mn)	2023/24e = FY24e			2024/25e = FY25e			2025/26e = FY26e		
	Now	Before	Change	Now	Before	Change	Now	Before	Change
Revenues	550.1	568.7	-3.3%	556.9	568.0	-2.0%	601.4	590.7	1.8%
EBITDA	90.7	110.3	-17.7%	38.5	38.7	-0.3%	46.3	44.7	3.5%
EBITDA margin	16.5%	19.4%	-15.0%	6.9%	6.8%	1.7%	7.7%	7.6%	1.7%
EBIT	72.8	90.6	-19.6%	20.3	19.1	5.9%	28.3	25.3	12.0%
EBIT margin	13.2%	15.9%	-16.9%	3.6%	3.4%	8.0%	4.7%	4.3%	10.0%
Net profit	34.4	73.6	-53.3%	11.1	10.6	4.1%	16.6	14.3	16.3%
Net margin after min.	6.3%	12.9%	-51.7%	2.0%	1.9%	6.2%	2.8%	2.4%	14.3%
EPS	2.63	5.66	-53.6%	0.78	0.82	-5.3%	1.16	1.10	5.8%
DPS	0.00	0.00	nm	0.00	0.00	nm	0.00	0.33	nm

Source: Erste Group Research

While we have reflected another round of margin adjustments in 4Q23/24 of EUR 5mn, we have modelled a clean business development from FY24/25. Obviously, it remains to be seen if our assumption holds or if KTC will get hold of developments, forcing project recalculations.

Based on our current assumptions, we should see net debt gradually decrease and balance sheet ratios improve. As we assume that KTC is satisfied maintaining or even slightly expanding its cash position, we only arrive at a 30% equity ratio level by FY26/27e. Such a level has so far been communicated as the minimum for resuming dividend payments. Hence, we have shifted the first dividend payment expectation by one year.

FY18/19-26/27e: KTC balance sheet health (EUR mn; %)



Valuation

KTC's balance sheet and liquidity situation continues to improve, but not as swiftly as we would have expected in the short term, with greater improvement to come in the mid / long term. Consequently, we have implemented the following:

- We have lowered the equity ratio assumption to 80% in the detailed period and to 95% in the TV, from the previous 88% and 80%, respectively.
- We have maintained the equity risk premium of 8.5% in the detailed period and at 8.0% in the TV.
- Following market trends, the risk-free rate is not 3% in both the detailed period and TV, while it was higher on average in the detailed period and at 2.9% in the TV.
- We see KTC continuing to be traded at massive discounts to peers, with EV/EBITDA of around 6x and P/E of 11x for FY24/25. (i.e. 2025e).

Target price composition

	DCF	Multiple	Weight	12-month target price	act. share price	upside to target price	Recommendation
Kapsch TrafficCom	15.0	17.4	100/0	15.0	8.5	76.5%	Buy

Source: Bloomberg; Erste Group Research

Peer Group comparison

Peers	MarketC (EURmn)	P/E			EV/EBITDA			EV/EBIT		
		2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
SENSYS GATSO GROUP AÆ	76	2239.0x	14.5x	8.8x	11.1x	7.9x	5.5x	24.1x	12.4x	7.8x
EDENRED	12,015	50.6x	21.5x	18.7x	11.6x	10.4x	9.3x	16.0x	12.6x	11.3x
CEPTON INC	37	-	-	1.6x	-	6.4x	1.3x	-	-	3.1x
SINGAPORE TECH ENGINE	8,454	20.7x	18.1x	16.0x	13.1x	11.9x	10.9x	21.6x	19.2x	17.6x
ITERIS INC	204	21.9x	15.4x	11.3x	17.3x	12.0x	7.3x	47.9x	18.3x	9.0x
INIT INNOVATION IN TRAFF	328	21.7x	17.3x	14.6x	11.0x	-	7.9x	16.7x	13.0x	10.8x
IVU TRAFFIC TECHNOLOGI	241	21.9x	18.1x	15.6x	11.4x	9.9x	8.7x	14.2x	12.6x	10.8x
TAGMASTER AB	26	25.1x	-	-	8.1x	5.2x	4.6x	25.6x	12.6x	10.3x
WAG PAYMENT SOLUTIONS	629	16.0x	13.0x	10.2x	8.7x	7.5x	6.4x	12.9x	11.4x	9.4x
MEDIAN broader peers		21.9x	17.3x	12.9x	11.2x	8.9x	7.3x	19.2x	12.6x	10.3x
Kapsch TrafficCom	121.6	3.2x	11.0x	7.3x	2.7x	5.9x	4.6x	3.4x	11.2x	7.5x
prem. / disc median		-85.2%	-36.8%	-43.4%	-75.8%	-33.3%	-37.3%	-82.3%	-10.9%	-27.1%
Peers	Share price	P/B			ROE			Dividend yield		
		2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
SENSYS GATSO GROUP AÆ	6.6	1.3x	1.3x	1.1x	1.9%	6.0%	12.0%	0.0%	-	-
EDENRED	48.1	-	-	364.7x	-	-192.9%	180.0%	2.0%	2.5%	2.7%
CEPTON INC	2.4	0.4x	0.4x	-	-	-	-	-	-	-
SINGAPORE TECH ENGINE	2.7	4.9x	4.7x	4.2x	24.1%	26.6%	28.0%	5.1%	4.1%	4.2%
ITERIS INC	4.8	3.3x	2.8x	2.3x	-	-	-	-	-	-
INIT INNOVATION IN TRAFF	32.7	2.6x	2.4x	2.1x	11.0%	14.5%	16.9%	2.1%	2.1%	2.4%
IVU TRAFFIC TECHNOLOGI	13.6	2.7x	2.4x	2.1x	-	-	-	1.9%	2.1%	2.2%
TAGMASTER AB	1.8	1.3x	-	-	5.3%	7.0%	8.0%	0.0%	-	-
WAG PAYMENT SOLUTIONS	0.9	2.0x	1.8x	1.6x	10.8%	13.5%	16.8%	0.0%	0.0%	0.0%
MEDIAN broader peers		2.3x	2.4x	2.1x	10.8%	10.2%	16.8%	1.9%	2.1%	2.4%
Kapsch TrafficCom	8.5	1.2x	1.1x	0.9x	43.4%	10.3%	13.7%	0.0%	0.0%	0.0%
prem. / disc median		-48.2%	-54.9%	-55.4%	300%	0.4%	-18.8%	nm	nm	-100.0%
Per KTC share (EUR) 2024e		56.3								
Per KTC share (EUR) 2025e			14.8							
Per KTC share (EUR) 2026e				16.4						
Period weight		0%	80%	20%						
NPV as of Mar 2024 EUR		15.1								
Cost of Equity		15.4%								
NPV as of Mar 2025 EUR		17.4								

Source: Bloomberg, Erste Group Research

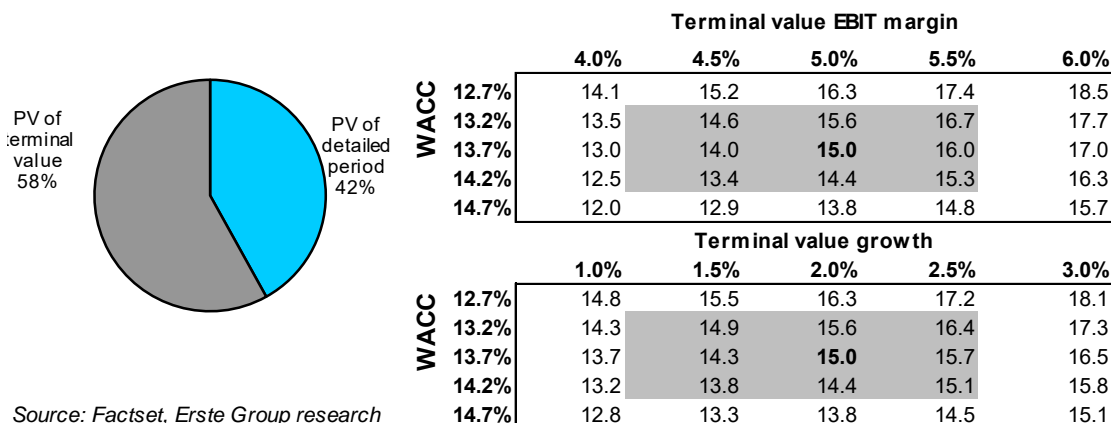
WACC calculation

	2025e	2026e	2027e	2028e	2029e	2030e (TV)
Risk free rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Equity risk premium	8.5%	8.5%	8.5%	8.5%	8.5%	8.0%
Beta	1.5	1.5	1.5	1.5	1.5	1.4
Cost of equity	15.4%	15.4%	15.4%	15.4%	15.4%	14.2%
Cost of debt	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Effective tax rate	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
After-tax cost of debt	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
Equity weight	80%	80%	80%	80%	80%	95%
WACC	13.1%	13.1%	13.1%	13.1%	13.1%	13.7%

DCF valuation

(EUR mn)	2025e	2026e	2027e	2028e	2029e	2030e (TV)
<i>Sales growth</i>	1.2%	8.0%	4.1%	4.1%	4.2%	2.0%
EBIT	20.3	28.3	31.4	35.9	37.4	34.6
<i>EBIT margin</i>	3.6%	4.7%	5.0%	5.5%	5.5%	5.0%
<i>Tax rate</i>	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
Taxes on EBIT	-4.7	-6.5	-7.2	-8.2	-8.6	-8.0
NOPLAT	15.6	21.8	24.2	27.6	28.8	26.7
+ Depreciation	18.3	18.0	17.8	17.6	17.5	17.5
<i>Capital expenditures / Depreciation</i>	22.6%	23.0%	23.4%	23.7%	23.9%	25.0%
+/- Change in working capital	10.9	-4.8	-2.0	-1.9	-1.9	-1.4
<i>Chg. working capital / chg. Sales</i>	161.5%	-10.7%	-8.1%	-7.3%	-7.2%	-10.0%
- Capital expenditures	-4.1	-4.1	-4.2	-4.2	-4.2	-4.4
Free cash flow to the firm	40.7	30.9	35.8	39.2	40.2	38.4
<i>Terminal value growth</i>						2.0%
Terminal value						334.7
<i>Discount factor</i>	0.88	0.78	0.69	0.61	0.54	0.54
Discounted free cash flow - Mar 31 2024	35.9	24.1	24.7	23.9	21.7	180.5
Enterprise value - Mar 31 2024	310.9					
Minorities	-8.0					
Non-operating assets	0.0					
Net debt	131.0					
Equity value - Mar 31 2024	187.9					
Number of shares outstanding (mn)	14.3					
Cost of equity	15.4%					
12M target price per share (EUR)	15.0					
Current share price (EUR)	8.5					
<i>Up/Downside</i>	76.5%					

Enterprise value breakdown Sensitivity (per share)



Source: Factset, Erste Group research

Group Research

Head of Group Research Friedrich Mostböck, CEFA®, CESGA®	+43 (0)5 0100 11902	Institutional Equity Sales Czech Republic Head: Michal Rizek Pavel Krabicka Martin Havlan Jiri Feres	+420 224 995 537 +420 224 995 411 +420 224 995 551 +420 224 995 554
CEE Macro/Fixed Income Research Head: Juraj Kotian (Macro/FI) Katarzyna Rzentarzewska (Fixed income) Jakub Cery (Fixed income)	+43 (0)5 0100 17357 +43 (0)5 0100 17356 +43 (0)5 0100 17384	Institutional Equity Sales Hungary Levente Nándori Balázs Zánkay Krisztián Kandik	+361 235 5141 +361 235 5156 +361 235 5140
Croatia/Serbia Alen Kovac (Head) Mate Jelić Ivana Rogic	+385 72 37 1383 +385 72 37 1443 +385 72 37 2419	Institutional Equity Sales Poland Jacek Jakub Langer (Head) Tomasz Galanciak Wojciech Wysocki Przemyslaw Nowosad Maciej Senderek	+48 22 257 5711 +48 22 257 5715 +48 22 257 5714 +48 22 257 5712 +48 22 257 5713
Czech Republic David Navratil (Head) Jiri Polansky Michal Skorepa	+420 956 765 439 +420 956 765 192 +420 956 765 172	Institutional Equity Sales Romania Valerian Ionescu	+40 3735 16541
Hungary Orsolya Nyeste János Nagy	+361 268 4428 +361 272 5115	Group Markets Retail and Agency Business Head: Christian Reiss	+43 (0)5 0100 84012
Romania Ciprian Dascalu (Head) Eugen Sinca Dorina Ilasco Vlad Nicolae Ionita	+40 3735 10108 +40 3735 10435 +40 3735 10436 +40 7867 15618	Markets Retail Sales AT Head: Markus Kaller	+43 (0)5 0100 84239
Slovakia Maria Valachyova (Head) Matej Hornak	+421 2 4862 4185 +421 902 213 591	Group Markets Execution Head: Kurt Gerhold	+43 (0)5 0100 84232
Major Markets & Credit Research Head: Gudrun Egger, CEFA® Ralf Burchert, CEFA® (Sub-Sovereigns & Agencies) Hans Engel (Global Equities) Margarita Grushanina (Austria, Quant Analyst) Peter Kaufmann, CFA® (Corporate Bonds) Heiko Langer (Financials & Covered Bonds) Stephan Lingnau (Global Equities) Carmen Riefler-Kowarsch (Financials & Covered Bonds) Rainer Singer (Euro, US) Bernadett Povazsai-Römhild, CEFA®, CESGA® (Corporate Bonds) Elena Staelov, CIIA® (Corporate Bonds) Gerald Walek, CFA® (Euro, CHF)	+43 (0)5 0100 11909 +43 (0)5 0100 16314 +43 (0)5 0100 19835 +43 (0)5 0100 11957 +43 (0)5 0100 11183 +43 (0)5 0100 85509 +43 (0)5 0100 16574 +43 (0)5 0100 19632 +43 (0)5 0100 17331 +43 (0)5 0100 17203 +43 (0)5 0100 19641 +43 (0)5 0100 16360	Retail & Sparkassen Sales Head: Uwe Kolar	+43 (0)5 0100 83214
CEE Equity Research Head: Henning Eßkuchen Daniel Lion, CIIA® (Technology, Ind. Goods&Services) Michael Marschallinger, CFA® Nora Nagy (Telecom) Christoph Schultes, MBA, CIIA® (Real Estate) Thomas Unger, CFA® (Banks, Insurance) Vladimira Urbankova, MBA (Pharma) Martina Valenta, MBA	+43 (0)5 0100 19634 +43 (0)5 0100 17420 +43 (0)5 0100 17906 +43 (0)5 0100 17416 +43 (0)5 0100 11523 +43 (0)5 0100 17344 +43 (0)5 0100 17343 +43 (0)5 0100 11913	Corporate Treasury Prod. Distribution Head: Martina Kranzl-Carvell	+43 (0)5 0100 84147
Croatia/Serbia Mladen Dodig (Head) Boris Pevalek, CFA® Marko Plastic Matej Pretkovic Bruno Barbic Davor Spoljar, CFA® Magdalena Basic	+381 11 22 09178 +385 99 237 2201 +385 99 237 5191 +385 99 237 7519 +385 99 237 1041 +385 72 37 2825 +385 99 237 1407	Group Securities Markets Head: Thomas Einramhof	+43 (0)50100 84432
Czech Republic Petr Bartek (Head, Utilities) Jan Safranek	+420 956 765 227 +420 956 765 218	Institutional Distribution Core Head: Jürgen Niemeier	+49 (0)30 8105800 5503
Hungary József Miró (Head) András Nagy Tamás Pletser, CFA® (Oil & Gas)	+361 235 5131 +361 235 5132 +361 235 5135	Institutional Distribution DACH+ Head: Marc Friebertshäuser Bernd Bollhof Andreas Goll Mathias Gindele Ulrich Inhofner Sven Kienzle Rene Klases Christopher Lampe-Traupe Michael Schmolz Christoph Ungerböck Klaus Vosseler	+49 (0)711 810400 5540 +49 (0)30 8105800 5525 +49 (0)711 810400 5561 +49 (0)711 810400 5562 +43 (0)5 0100 85544 +49 (0)711 810400 5541 +49 (0)30 8105800 5521 +49 (0)30 8105800 5523 +43 (0)5 0100 85542 +43 (0)5 0100 85558 +49 (0)711 810400 5560
Poland Cezary Bernatek (Head) Piotr Bogusz Lukasz Jańczak Krzysztof Kawa, CIIA® Jakub Szkopek	+48 22 257 5751 +48 22 257 5755 +48 22 257 5754 +48 22 257 5752 +48 22 257 5753	Slovakia Šarlota Šipulová Monika Směliková	+421 2 4862 5619 +421 2 4862 5629
Romania Caius Rapanu	+40 3735 10441	Institutional Distribution CEE & Insti AM CZ Head: Antun Burić Jaromir Malak	+385 (0)7237 2439 +43 (0)5 0100 84254
Group Institutional & Retail Sales		Czech Republic Head: Ondrej Cech Milan Bartoš Jan Porvich Pavel Zdichynec	+420 2 2499 5577 +420 2 2499 5562 +420 2 2499 5566 +420 2 2499 5590
Group Institutional Equity Sales Head: Michal Rizek	+420 224 995 537	Croatia Head: Antun Burić Zvonimir Tukač Natalija Zujic	+385 (0)7237 2439 +385 (0)7237 1787 +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 Gergő Szabo	+36 1 237 8211 +36 1 237 8205 +36 1 237 8209
Institutional Equity Sales Croatia Matija Tkalicanac	+385 72 37 21 14	Romania Head: Octavian Florin Munteanu	+40 746128914
Group Institutional Equity Sales Head: Michal Rizek	+420 224 995 537	Institutional Asset Management Czech Republic Head: Petr Holeček Petra Madérová Martin Peřina David Petráček Blanca Weinerová Petr Valenta	+420 956 765 453 +420 956 765 178 +420 956 765 106 +420 956 765 809 +420 956 765 317 +420 956 765 140
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	Group Fixed Income Securities Markets Head: Goran Hobljaj	+43 (0)50100 84403
Institutional Equity Sales Croatia Matija Tkalicanac	+385 72 37 21 14	FISM Flow Head: Gorjan Hobljaj Margit Hraschek Bernd Thaler Ciprian Mitu Christian Kiensberger Zsuzsanna Toth	+43 (0)5 0100 84403 +43 (0)5 0100 84117 +43 (0)5 0100 84119 +43 (0)5 0100 85612 +43 (0)5 0100 84323 +36-1-237 8209
		Poland Pawel Kielek Michal Jarmakowicz	+48 22 538 6223 +43 50100 85611

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 a 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.

Disclaimer

This investment research (the "Document") has been prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively for the purpose of providing additional economical information about the analyzed company or companies. The Document is based on reasonable knowledge of Erste Group's analyst in charge of producing the Document as of the date thereof and may be amended from time to time. It only serves for the purpose of providing non-binding information and does not constitute investment advice or marketing communication. This Document does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation to subscribe for or purchase any financial or connected financial instrument, and neither this Document nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a financial or connected financial instrument in a trading strategy. The document is also not a prospectus in the sense of the Prospectus Regulation, the Austrian Capital Market Act 2019 or comparable legal provisions. All information, analysis and conclusions provided herein are of general nature. This Document does not purport to provide a comprehensive overview about any investment, the potential risks and results nor does this Document take into account any individual needs of an investor (the "Investor") in relation to proceeds, tax aspects, risk awareness and appropriateness of the financial instrument or connected financial instruments. Therefore, this Document does not replace any investor- and investment-related evaluation nor any comprehensive risk disclosure; any financial instrument has a different risk level. Performance charts and example calculations do not provide any indication for future performance of a financial instrument resp. connected financial instruments. Information about past performance does not necessarily guarantee a positive development in the future and investments in financial instruments incl. connected financial instruments can be of risk and speculative nature. All projections, forecasts and price targets are clearly and prominently labelled as such, and the material assumptions made in producing or using them are indicated. Forecasts of future developments are based purely on estimates and assumptions. Actual future developments may differ from the forecast. Forecasts are therefore not a reliable indicator of future results and developments. The weaker the Company's credit-worthiness is, the higher the risk of an investment will be. Not every investment is suitable for every investor. Neither this document nor any of its components form the basis of any contract or commitment whatsoever. Therefore, Investors shall consult their advisors (in particular legal and tax advisors) prior to taking any investment decision to ensure that – irrespective of information provided herein – an intended transaction of a financial or connected financial instrument is appropriate for the Investor's needs and intention, that the Investor has understood all risks and that, after due examination, the Investor has concluded to make the investment and is in a position to bear the economical outcome of such investment. Investors are referred, for instance, to the suitability test according to the Austrian Securities Supervision Act 2018 and are advised to mind the client information pursuant to the Austrian Securities Supervision Act 2018. The performance of an investment is reduced by commissions, fees and other charges that depend on the individual circumstances of the investor. As a result of currency fluctuations, the investment result may increase or decrease. Investment research is produced by Erste Group Research within the framework provided by applicable laws. The opinions featured in the equity and credit research reports may vary. Investors in equities may pursue different interests compared to those of investors on the credit side, related to the same issuer. The analyst has no authority whatsoever to make any representation or warranty on behalf of the analyzed company resp. issuer, Erste Group, one of its companies, or any other person. Care is taken, that all substantially material sources of information are clearly and prominently indicated. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-to-dateness, completeness and correctness of the content of this Document. Facts are clearly distinguished in the document from interpretations, estimates, opinions, and other types of non-factual information. Neither Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers or other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this Document. Erste Group as well as representatives and employees principally may, to the extent permitted by law, have a position in stated financial instruments resp. connected financial instruments and may provide trading support or otherwise engage in transactions involving these financial instruments and/or connected financial instruments. Further, Erste Group as well as representatives and employees may principally offer investment banking services or advice to, or may take over management function in a company or issuer referred to in this Document. This Document has been produced in line with Austrian law and for the territory of Austria. Forwarding this Document as well as marketing of financial instruments resp. connected financial instruments described herein are restricted or interdicted in certain jurisdictions. This, inter alia, applies to the United States, Canada, Switzerland, Australia, Korea and Japan. In particular, neither this Document nor any copy hereof may be taken or transmitted or distributed, directly or indirectly, into the United States or to US Persons (as defined in the U.S. Securities Act of 1933, as amended) unless applicable laws of the United States or certain federal states of the United States provide for applicable exemptions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction. Persons receiving possession of this Document are obliged to inform themselves about any such restrictions and to adhere to them. By accepting this Document, the recipient agrees to be bound by the foregoing limitations and to adhere to applicable regulations. The document may not be reproduced or redistributed to other persons without the consent of Erste Group. Further information may be provided by Erste Group upon request. This Document and information, analysis, comments and conclusions provided herein are copyrighted material. Erste Group reserves the right to amend any opinion and information provided herein at any time and without prior notice. Erste Group further reserves the right not to update any information provided herein or to cease updates at all. Misprints and printing errors reserved.

If one of the clauses provided for in this disclaimer is found to be illicit, inapplicable or not enforceable, the clause has to be treated separately from other clauses provided for in this disclaimer to the largest extent possible. In any case, the illicit, inapplicable or not enforceable clause shall not affect the licitness, applicability or enforceability of any other clauses.

Important Disclosures

THIS DOCUMENT MAY NOT BE BROUGHT INTO THE UNITED STATES OF AMERICA, CANADA, SWITZERLAND, AUSTRALIA, KOREA OR JAPAN, TO ANY PERSON WHO IS A CITIZEN OF THOSE STATES, OR SENT OR DISTRIBUTED TO ANY MEDIA IN ANY OF THOSE STATES.

General disclosures

All recommendations given by Erste Group Research are independent, objective and are based on the latest company, industry and other general information publicly available which Erste Group Research considers being reliable; however, Erste Group does not represent or assume any liability for the completeness of accuracy of such information or its recommendation. The best possible care and integrity is used to avoid errors and/or misstatements. No influence on the rating and/or target price is being exerted by either the covered company or other internal departments of Erste Group. Each research drawn up by an analyst is reviewed by a senior research executive or agreed with a senior analyst/deputy (4-eyes-principle). Erste Group has implemented extensive Compliance Rules on personal account dealings of analysts (please see "Conflicts of Interest"). Analysts are not allowed to involve themselves in any paid activities with the covered companies except as disclosed otherwise. No part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document. Erste Group may engage in transactions with financial instruments, on a proprietary basis or otherwise, in a manner inconsistent with the view taken in this research report. In addition, others within Erste Group, including strategists and sales staff, may take a view that is inconsistent with that taken in this research report.

Conflicts of interest

Erste Group Bank AG ensures with internal policies that conflicts of interest are managed in a fair and reasonable manner. The policy „Managing Conflict of Interest in Connection with Investment Research“ is provided under the following link:

https://www.erstegroup.com/legal/Managing_Conflicts_of_Interest_-_Umgang_mit_IK.pdf

Disclosures of potential conflicts of interest relating to Erste Group Bank AG and affiliated companies as well as relevant employees and representatives with respect to the issuer(s) resp. financial instruments are updated daily. An overview of conflicts of interest for all analysed companies by Erste Group Research is provided under the following link:

[Disclosure | Erste Group Bank AG.](#)

If this financial analysis is sponsored research by the company or the issuer, this is disclosed as conflict of interest point number 4. If this financial analysis is sponsored research financed by third parties, this is disclosed as conflict of interest point number 5. In principle, analysts are prohibited from holding stocks in shares they analyse. Nevertheless, should the exceptional case arise that an analyst and/or another natural person involved in the production of the financial analysis holds a position in the issued share capital of the issuer to which the financial analysis refers, this is disclosed via conflict of interest point number 8.

The distribution of all recommendations and the distribution of recommendations in relation to which investment services have been provided is available under the following link:

https://www.erstegroup.com/legal/Recommendations_Distribution.pdf

Erste Group rating definitions

Buy	> +20% from target price
Accumulate	+10% < target price < +20%
Hold	0% < target price < +10%
Reduce	-10% < target price < 0%
Sell	< -10% from target price

Our target prices are established by determining the fair value of stocks, taking into account additional fundamental factors and news of relevance for the stock price (such as M&A activities, major forthcoming share deals, positive/negative share/sector sentiment, news) and refer to 12 months from now. All recommendations are to be understood relative to our current fundamental valuation of the stock. The recommendation does not indicate any relative performance of the stock vs. a regional or sector benchmark.

A history of all recommendations within the last 12 months is provided under the following link:

[Research Disclaimer | Erste Group Bank AG](#)

Explanation of valuation parameters and risk assessment

Unless otherwise stated in the text of the financial investment research, target prices in the publication are based on a discounted cash flow valuation and/or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, from changes in social values. Valuations may also be affected by changes in taxation, in exchange rates, in the capital market sentiment and in regulatory provisions. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, political, economic and social conditions.

All market prices within this publication are closing prices of the previous trading day (unless otherwise mentioned within the publication).

Detailed information about the valuation and methodology of investment research by the Erste Group Bank AG is provided under the following link:

https://www.erstegroup.com/legal/Bewertungsmethoden_and_Valuations.pdf

Planned frequency of updates

Target prices for individual stocks are meant to be 12 month target prices, starting from the date of the publication. Target prices and recommendations are reviewed usually upon release of quarterly reports, or whenever circumstances require.

Periodical publications are identified by their respective product name and indicate update frequency as such (e.g. Quarterly). Recommendations mentioned within these publications are updated in an according frequency, unless otherwise mentioned (e.g. a 12M TP is not updated on a monthly base, even when mentioned in summarizing monthly/quarterly product).

If a recommendation change has been made in this publication, please see the following link for a detailed overview of the previous recommendation(s):

<https://www.erstegroup.com/en/research/research-legal>

Links

Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Erste Group does not accept responsibility whatsoever for any such material, including in particular the completeness and accuracy, nor for any consequences of its use.

Additional notes to readers in the following countries:

Austria: Erste Group Bank AG is registered in the Commercial Register at Commercial Court Vienna under the number FN 33209m. Erste Group Bank AG is authorized and regulated by the European Central Bank (ECB) (Sonnenmannstraße 22, D-60314 Frankfurt am Main, Germany) and by the Austrian Financial Market Authority (FMA) (Otto-Wagner Platz 5, A-1090, Vienna, Austria).

Germany: Erste Group Bank AG is authorised for the conduct of investment business in Germany by the Austrian Financial Market Authority (FMA) and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

United Kingdom (UK): Erste Group Bank AG is regulated for the conduct of investment business in the UK by the Financial Conduct Authority and the Prudential Regulation Authority. This document is directed exclusively to eligible counterparties and professional clients. It is not directed to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this document. Erste Group Bank AG does not deal for or advise or otherwise offer any investment services to retail clients.

Czech Republic: Česká spořitelna, a.s. is regulated for the conduct of investment activities in Czech Republic by the Czech National Bank (CNB).

Croatia: Erste Bank Croatia is regulated for the conduct of investment activities in Croatia by the Croatian Financial Services Supervisory Agency (HANFA).

Hungary: Erste Bank Hungary ZRT. And Erste Investment Hungary Ltd. Are regulated for the conduct of investment activities in Hungary by the Hungarian Financial Supervisory Authority (PSZAF).

Serbia: Erste Group Bank AG is regulated for the conduct of investment activities in Serbia by the Securities Commission of the Republic of Serbia (SCRS).

Romania: Banca Comerciala Romana is regulated for the conduct of investment activities in Romania by the Romanian National Securities Commission (CNVM).

Poland: Erste Securities Polska S.A. is regulated for the conduct of investment activities in Poland by the Polish Financial Supervision Authority (PFSA).

Slovakia: Slovenská sporiteľňa, a.s. is regulated for the conduct of investment activities in Slovakia by the National Bank of Slovakia (NBS).

Switzerland: This research report does not constitute a prospectus or similar communication in connection with an offering or listing of securities as defined in Articles 652a, 752 and 1156 of the Swiss Code of Obligation and the listing rules of the SWX Swiss Exchange.

Hong Kong: This document may only be received in Hong Kong by 'professional investors' within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made there under.

© Erste Group Bank AG 2024. All rights reserved.

Published by:

Erste Group Bank AG
Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna
Erste Group Homepage: www.erstegroup.com