

# Kapsch TrafficCom AG

WKN: A0MUZU | ISIN: AT000KAPSCH9 | Bloomberg: KTCG AV

## H1/21/22 with clearly positive EBIT swing

**H1/21/22 EBIT margin increases to 4.2% (prev. yr.: neg.):** (H1/21/22 Analysts call) H1 consolidated revenues decreased by 0.9% to EUR 255m. While the Maut business declined by 5% y-o-y, the Traffic Management segment achieved growth of 10.8%. As a result of the successful restructuring so far and the economic recovery, the Group's EBIT-margin jumped to 4.2%, compared with a calculated -22.5% in the prior-year period. Free cashflow also improved significantly, but remained negative at EUR -1.2m (EUR -30.0m).

**Stable gearing at 200%:** At the end of September, the gearing ratio was stable at 200%. Kapsch repaid three tranches of the promissory note loan totaling EUR 49.5m; the increase in net debt was limited to EUR 4m. The financial result could be significantly reduced to EUR -2.8m (previous year: EUR -7.8m).

**Financial targets for 2021/22 confirmed:** Kapsch held out the prospect of revenues of approximately EUR 550m for the full year 21/22e. Given an order backlog of approximately EUR 1.3bn, we believe this target is achievable and we have increased our estimate to EUR 545m (+EUR 15m). EBIT margin is expected to reach around 3%. We have reduced our estimate to 3.2% (previously: 3.7%). On our basis, the margin for the second half of the year is 2.3%, lower than the 4.2% achieved in H1/21/22. This decrease is due to the billing composition of orders.

**Kapsch has also used the COVID 19 pandemic to significantly reduce the cost level. First successes were visible in the half-year results. After two years of losses, we expect earnings per share to be positive again in 2021/22e at EUR 0.31. The realization that the EBIT margin will decline again in the second half of the year does not, in our view, provide any short-term share price fantasy. Based on our downwardly revised earnings forecasts, our fair value came slightly down to a rounded EUR 17.30 per share (-3.9%). We confirm our HOLD recommendation.**

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**HOLD**

Before: Hold

Price target EUR **17.30 (18.00)**  
Share price\* EUR 15.80 (+9.5%)

\*last XETRA price

Update	2021/22e	2022/23e	2023/24e
Turnover	15.0	-10.0	-10.0
EBIT	-2.2	-4.6	-5.6
EPS, EUR	-0.13	-0.23	-0.28



Source: Factset

### Basic share data

Number of shares (million)	13.0
Free Float (in %)	36.7
Market cap (EURm)	205.4
Trading volume (Ø)	14,084
High (EUR, 52 weeks)	17.10
Low (EUR, 52 weeks)	12.15

### Shareholder structure

Kapsch Group Beteiligung	63.3%
Shareholder Value Management AG	4.0%
Freefloat	36.7%

### Corporate calendar

9M 21/22 report	23.02.2022
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FY End: 31.03.; in EURm	(20/21-23/24e)	2018/19	2019/20	2020/21	2021/22e	2022/23e	2023/24e
Sales	8.2%	737.8	731.2	505.2	545.0	580.0	640.0
EBITDA	-197.6%	71.5	13.6	-67.1	33.5	49.7	62.5
Margin		9.7%	1.9%	-13.3%	6.1%	8.6%	9.8%
EBIT	-170.5%	57.0	-39.2	-123.2	17.4	31.9	43.1
Margin		7.7%	-5.4%	-24.4%	3.2%	5.5%	6.7%
Net result	-161.6%	47.8	-48.1	-102.9	4.1	15.2	24.0
EPS, EUR	-161.6%	3.68	-3.70	-7.91	0.31	1.17	1.85
Dividend per share, EUR	n.m.	1.50	0.00	0.00	0.00	0.00	0.00
EV/Sales		1.06	1.11	1.18	0.94	0.92	0.88
EV/EBITDA		13.70	-20.79	-4.85	29.48	16.72	13.10
P/E		10.82	-8.14	-2.16	50.18	13.54	8.55
Net debt/EBITDA		1.04	12.98	-2.54	5.58	3.36	2.43

Source: Kapsch TrafficCom, FMR

## Valuation: Update

### Kapsch: Valuation overview

Method	Fair Value, EUR	Weight
Discounted Cash Flow, base case	19.76	50%
Peer-group valuation	14.77	50%
<b>Fair Value per share, EUR</b>	<b>17.26</b>	<b>100%</b>
Current share price	15.80	
Upside (+) / Downside (-) potential	9.3%	

Source: FactSet (closing price as of 19.11.2021), FMR Research

### Kapsch: Model update leads to slightly lower target price

EURm	PHASE 1			PHASE 2						PHASE 3	
	2020/21e	2021/22e	2022/23e	2023/24e	2024/25e	2025/26e	2026/27e	2027/28e	2028/29e	2029/30e	
Sales	545.0	580.0	640.0	710.0	770.4	824.3	865.5	900.1	927.1	945.7	
Y-o-Y growth	7.9%	6.4%	10.3%	10.9%	8.5%	7.0%	5.0%	4.0%	3.0%	2.0%	
EBIT	17.4	31.9	43.1	52.5	56.8	60.7	63.7	66.3	68.3	69.7	
EBIT margin	3.2%	5.5%	6.7%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	
Income tax on EBIT	-1.0	-4.7	-7.7	-10.1	-11.4	-12.5	-13.5	-14.4	-15.2	-15.8	
Depreciation and amortisation	16.1	17.8	19.4	21.1	23.0	24.7	26.0	27.0	27.8	28.4	
Change in net working capital	-16.2	4.1	-11.6	-13.5	-11.7	-10.4	-8.0	-6.7	-5.2	-3.6	
Net capital expenditure	-16.4	-17.4	-19.2	-21.3	-23.1	-24.7	-26.0	-27.0	-27.8	-28.4	
<b>Free cash flow</b>	<b>-0.1</b>	<b>31.7</b>	<b>24.0</b>	<b>28.6</b>	<b>33.7</b>	<b>37.8</b>	<b>42.3</b>	<b>45.2</b>	<b>47.9</b>	<b>50.2</b>	
<b>Present values</b>	<b>-0.1</b>	<b>27.4</b>	<b>18.7</b>	<b>20.1</b>	<b>21.3</b>	<b>21.4</b>	<b>21.6</b>	<b>20.8</b>	<b>19.8</b>	<b>18.7</b>	<b>222.6</b>
Present value Phase 1	46.0										
Present value Phase 2	143.6										
Present value Phase 3	222.6										
<b>Total present value</b>	<b>412.3</b>										
+ Excess cash/Non-operating assets	102.0										
- Financial debt	-247.5										
+ Minority interests	-9.9										
<b>Fair value of equity</b>	<b>256.8</b>										
Number of shares (m)	13.0										
<b>Fair value per share (in EUR)</b>	<b>19.76</b>										

  

Risk free rate	2.00%	Target equity ratio	60%
Equity risk premium	8.00%	Beta	1.6
Debt risk premium	4.00%	<b>WACC</b>	<b>10.56%</b>
Tax shield (Phase 3)	30.0%	<b>Terminal growth</b>	<b>2.00%</b>

  

	Sensitivity analysis					
		Terminal growth rate				
		1.0%	1.5%	2.0%	2.5%	3.0%
	9.56%	22.80	24.05	25.47	27.09	28.96
	10.06%	20.57	21.64	22.84	24.20	25.75
<b>WACC</b>	<b>10.56%</b>	18.58	19.49	<b>19.76</b>	21.67	22.97
	11.06%	16.79	17.58	18.46	19.44	20.55
	11.56%	15.17	15.86	16.62	17.46	18.41

Source: FMR Research

The moderate reduction of our earnings estimates for the coming years also leads to a 3.9% lower fair value for the Kapsch share. Our new target price implies a P/E ratio 2021/22e to 2023/24e of 55.8x, 14.8x and 9.4x.

#### Further highlights of H1 21/22

- The Toll segment contributed EUR 1.3m (previous year: EUR -52.1m) to the H1/21/22 Group EBIT of EUR 10.6m (previous year: EUR -57.8m), while the Traffic Management segment contributed EUR 9.3m (EUR -5.7m): The Toll segment had to absorb negative special effects of EUR 4m
- Based on the company's financial targets, it is foreseeable that the EBIT margin in H2/21/22 will be lower than in H1. Based on our estimate, the reported EBIT for H1/21/22 of 10.6 million euros results in a figure of 6.8 million euros for the second half of the year; however, EBIT will be burdened by already known special effects
- The increase in operating cashflow is due in particular to the improvement in earnings. Together with the improved investment cashflow, FCF made a significant progress to EUR -1.2m (previous year: EUR -30.0m).

#### Financial calendar

23.02.2022: 9M-report 2021/22

15.06.2022: Results publication FY 2021/22

17.08.2022: Q1-report 2022/23

07.09.2022: AGM

16.11.2022: H1-report 2022/23

22.02.2023: 9M-report 2022/23

## Appendix

### Profit and loss statement

in EURm	31.03.2019	31.03.2020	31.03.2021	31.03.2022e	31.03.2023e	31.03.2024e
<b>Revenues</b>	<b>737.8</b>	<b>731.2</b>	<b>505.2</b>	<b>545.0</b>	<b>580.0</b>	<b>640.0</b>
YoY growth	6.4%	-0.9%	-30.9%	7.9%	6.4%	10.3%
Changes in inventory as % of revenues	20.9 2.8%	-6.1 -0.8%	-6.2 -1.2%	0.0 0.0%	0.0 0.0%	0.0 0.0%
Other operating income as % of revenues	15.3 2.1%	11.3 1.6%	5.9 1.2%	5.5 1.0%	5.8 1.0%	7.0 1.1%
Cost of materials as % of revenues	-323.5 -43.8%	-334.9 -45.8%	-243.5 -48.2%	-228.9 -42.0%	-237.2 -40.9%	-256.0 -40.0%
Personnel costs as % of revenues	-252.7 -34.3%	-269.2 -36.8%	-243.8 -48.3%	-202.0 -37.1%	-213.1 -36.7%	-235.1 -36.7%
Other operating expenses as % of revenues	-126.3 -17.1%	-118.7 -16.2%	-84.7 -16.8%	-86.1 -15.8%	-85.8 -14.8%	-93.4 -14.6%
<b>EBITDA</b>	<b>71.5</b>	<b>13.6</b>	<b>-67.1</b>	<b>33.5</b>	<b>49.7</b>	<b>62.5</b>
as % of revenues	9.7%	1.9%	-13.3%	6.1%	8.6%	9.8%
Depreciation and amortisation (incl. PPA) as % of revenues	-14.5 -2.0%	-45.9 -6.3%	-56.0 -11.1%	-16.1 -2.9%	-17.8 -3.1%	-19.4 -3.0%
<b>EBIT</b>	<b>57.0</b>	<b>-39.2</b>	<b>-123.2</b>	<b>17.4</b>	<b>31.9</b>	<b>43.1</b>
as % of revenues	7.7%	-5.4%	-24.4%	3.2%	5.5%	6.7%
Net financial results incl. equity results	-1.7	-23.1	-9.6	-13.3	-13.0	-12.4
<b>EBT (Earnings before income taxes)</b>	<b>55.1</b>	<b>-63.4</b>	<b>-133.1</b>	<b>4.1</b>	<b>18.9</b>	<b>30.7</b>
as % of revenues	7.5%	-8.7%	-26.4%	0.8%	3.3%	4.8%
Income taxes as % of EBT	-8.5 -15.4%	7.7 -12.2%	27.8 -20.9%	-1.0 -25.0%	-4.7 -25.0%	-7.7 -25.0%
<b>Net income</b>	<b>46.6</b>	<b>-55.7</b>	<b>-105.3</b>	<b>3.1</b>	<b>14.2</b>	<b>23.0</b>
Minorities	1.3	7.6	2.4	1.0	1.0	1.0
<b>Adjusted net income after minorities</b>	<b>47.8</b>	<b>-48.1</b>	<b>-102.9</b>	<b>4.1</b>	<b>15.2</b>	<b>24.0</b>
Net margin in %	6.5%	-6.6%	-20.4%	0.8%	2.6%	3.8%
Shares outstanding (in m)	13.0	13.0	13.0	13.0	13.0	13.0
<b>Earnings per share</b>	<b>3.68</b>	<b>-3.70</b>	<b>-7.91</b>	<b>0.31</b>	<b>1.17</b>	<b>1.85</b>

Source: Kapsch TrafficCom AG, FMR Research AG

**Balance sheet**

in EURm	31.03.2019	31.03.2020	31.03.2021	31.03.2022e	31.03.2023e	31.03.2024e
<b>Assets</b>						
<b>Non-current assets</b>	<b>182.2</b>	<b>227.3</b>	<b>185.9</b>	<b>186.2</b>	<b>185.9</b>	<b>185.7</b>
as % of total assets	26.9%	31.3%	31.3%	33.3%	31.6%	29.2%
Intangible assets (incl. Goodwill)	84.6	59.9	36.2	36.3	36.2	36.2
Property and buildings	3.4	3.0	3.0	3.0	3.0	3.0
Financial assets	35.8	43.5	42.0	42.0	42.0	42.0
Other assets	58.3	120.9	104.7	104.9	104.6	104.5
<b>Current assets</b>	<b>494.4</b>	<b>499.8</b>	<b>407.2</b>	<b>373.0</b>	<b>401.7</b>	<b>449.5</b>
as % of total assets	73.1%	68.7%	68.7%	66.7%	68.4%	70.8%
Inventories	64.1	55.7	41.7	45.4	48.3	53.3
Accounts receivable	209.4	177.0	130.0	136.3	133.4	147.2
Other receivables and other assets	126.3	144.6	133.4	130.8	139.2	153.6
Cash and cash equivalents	94.7	122.6	102.0	60.6	80.8	95.4
<b>Total assets</b>	<b>676.6</b>	<b>727.2</b>	<b>593.2</b>	<b>559.3</b>	<b>587.6</b>	<b>635.2</b>
<b>Shareholders' equity and liabilities</b>						
<b>Shareholders' equity</b>	<b>257.5</b>	<b>182.5</b>	<b>84.8</b>	<b>87.9</b>	<b>102.0</b>	<b>125.0</b>
as % of total equity and liabilities	38.1%	25.1%	14.3%	15.7%	17.4%	19.7%
Subscribed capital	13.0	13.0	13.0	13.0	13.0	13.0
Other equity	244.4	175.2	78.2	82.3	97.5	121.5
<b>Equity attributable to shareholders</b>	<b>257.4</b>	<b>188.2</b>	<b>91.2</b>	<b>95.3</b>	<b>110.5</b>	<b>134.5</b>
Minorities	0.1	-5.7	-6.5	-7.5	-8.5	-9.5
<b>Financial debt</b>	<b>169.3</b>	<b>299.6</b>	<b>272.5</b>	<b>247.5</b>	<b>247.5</b>	<b>247.5</b>
as % of total equity and liabilities	25.0%	41.2%	45.9%	44.3%	42.1%	39.0%
Long-term financial liabilities	139.3	235.3	156.6	156.6	156.6	156.6
Short-term financial liabilities	29.9	64.3	115.9	90.9	90.9	90.9
<b>Liabilities</b>	<b>205.3</b>	<b>207.2</b>	<b>194.1</b>	<b>190.8</b>	<b>203.0</b>	<b>224.0</b>
as % of total equity and liabilities	30.3%	28.5%	32.7%	34.1%	34.5%	35.3%
Accounts payable	89.6	92.4	59.4	65.4	69.6	76.8
Other liabilities	115.7	114.8	134.7	125.4	133.4	147.2
<b>Provisions</b>	<b>44.5</b>	<b>37.9</b>	<b>41.7</b>	<b>33.1</b>	<b>35.0</b>	<b>38.7</b>
as % of total equity and liabilities	6.6%	5.2%	7.0%	5.9%	6.0%	6.1%
Pension provisions and similar obligations	26.1	27.6	25.4	22.2	23.4	25.9
Provisions	6.7	4.3	5.3	5.5	5.8	6.4
Other liabilities	11.7	6.0	11.0	5.5	5.8	6.4
<b>Total equity and liabilities</b>	<b>676.6</b>	<b>727.2</b>	<b>593.2</b>	<b>559.3</b>	<b>587.6</b>	<b>635.2</b>

Source: Kapsch TrafficCom AG, FMR Research AG

**Cash flow statement**

in EURm	31.03.2019	31.03.2020	31.03.2021	31.03.2022e	31.03.2023e	31.03.2024e
<b>Net income</b>	46.6	-55.7	-105.3	3.1	14.2	23.0
Depreciation and amortisation	14.5	52.8	56.0	16.1	17.8	19.4
Other transactions	79.1	-75.3	23.2	0.2	0.4	0.6
Change in Working Capital	-98.4	38.7	59.4	-16.2	4.1	-11.6
<b>Cash flow from operating activities</b>	<b>41.8</b>	<b>-39.5</b>	<b>33.4</b>	<b>3.1</b>	<b>36.4</b>	<b>31.4</b>
CAPEX	-13.6	-43.8	-19.8	-16.4	-17.4	-19.2
Other investing activities	-4.4	12.8	13.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-18.0</b>	<b>-31.0</b>	<b>-6.8</b>	<b>-16.4</b>	<b>-17.4</b>	<b>-19.2</b>
Change in debt	0.8	130.3	-27.0	-25.0	0.0	0.0
Dividend payments	-19.5	-19.5	0.0	0.0	0.0	0.0
Other financing activities	-28.2	-137.9	58.5	-3.2	1.2	2.4
<b>Cash flow from financing activities</b>	<b>-46.9</b>	<b>-27.1</b>	<b>31.4</b>	<b>-28.2</b>	<b>1.2</b>	<b>2.4</b>
<b>Total change in cash and cash equivalents</b>	<b>-23.0</b>	<b>-97.6</b>	<b>58.0</b>	<b>-41.4</b>	<b>20.2</b>	<b>14.6</b>
FX effects	-4.4	-2.6	-5.8	0.0	0.0	0.0
Cash and cash equivalents at the start of the period	181.8	94.7	122.6	102.0	60.6	80.8
<b>Cash and cash equivalents at year's end</b>	<b>154.4</b>	<b>-5.6</b>	<b>174.8</b>	<b>60.6</b>	<b>80.8</b>	<b>95.4</b>

Source: Kapsch TrafficCom AG, FMR Research AG

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Company	Disclosure(s)
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Kapsch TrafficCom	--
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(ii.) was involved in the management of a syndicate within the past five months that issued financial instruments of the issuer in the context of a public tender;

(iii.) managed financial instruments of the issuer on a market by means of concluding purchase or sale agreements:

(iv.) has, within the past twelve months, concluded an agreement regarding services in connection with investment banking business or received a service or performance promise from such agreement, with issuers which either themselves or the financial instruments thereof, are the subject of the financial analysis;

(v.) is in possession of a net sales or purchase position which exceeds the threshold of 0.5% of the total issued share capital of the issuer;

(vi.) has concluded an agreement regarding the preparation of investment recommendations with the issuer.

(vii.) has other significant interests with regard to the company being analysed, for example clients with the company being analysed.

Company	Disclosure(s)
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Kapsch TrafficCom	iii, vi
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Recommendation history over last 12 months:

Date	Recommendation	Share price at publishing date	Target price
05.10.2020	HOLD	11.70	16.50
23.10.2020	UNDER REVIEW	12.55	-
10.11.2020	HOLD	11.80	13.50
20.11.2020	HOLD	12.75	12.00
23.02.2021	HOLD	15.15	18.00
19.04.2021	HOLD	15.10	18.00
24.06.2021	HOLD	15.00	18.00
16.08.2021	HOLD	15.30	18.00
22.11.2021	HOLD	15.80	17.30

#### 4. Creation and distribution

a) Responsibility for creation and distribution

FMR Frankfurt Main Research AG

Registered office: Frankfurt am Main; Commercial Register No. HRB 113537, Frankfurt am Main district court; Chairman: Marcus Silbe

b) Issuer

Winfried Becker, Senior Equity Analyst

c) This study may only be used for the internal purposes of the addressee within the EEA or Switzerland.

#### **5. Investment recommendation details**

Investment recommendation details - stocks:

**BUY:** In our opinion, the stock will demonstrate an absolute price gain of at least 10 % in a 12-month period.

**HOLD:** In our opinion, the stock will not exceed or fall below an absolute price gain or loss of 10% in a 12-month period.

**Sell:** In our opinion, the stock will demonstrate an absolute price loss of at least 10 % in a 12-month period.

#### **6. Sensitivity of the evaluation parameters**

The figures from profit and loss calculations, cash flow statements and balance sheets which form the basis of the company evaluation are date-related estimates and therefore subject to risks. These may change at any time without prior notice. Regardless of the evaluation methods used, there are significant risks that the price goal/trend will not be achieved within the expected time frame. The risks include unforeseeable changes with regard to competition pressure, demand for the products of an issuer and the offer situation with respect to materials required for production as well as non-occurrence of the assumed development. Such deviations may be the result of changes relating to technology and changes relating to the economy, legal situation and exchange rates. No claim is made that this statement of evaluation methods and risk factors is complete.

#### **7. Key sources of information**

We have acquired the information upon which this document is based from sources that we consider in principle to be reliable. However, we have not verified all this information. Therefore, we cannot guarantee or ensure the accuracy, completeness or correctness of the information or opinions contained in this document. National and international media and information services (e.g. Factset, Bloomberg etc.), the financial press (e.g. BörsenZeitung, FAZ, Handelsblatt, Wallstreet Journal, etc.), specialist press, published statistics, the internet, as well as publications, details and information of the issuer that is the subject of the analysis.

#### **8. Summary of the basis for evaluation**

Individual issuers: Current and recognised evaluation methods (e.g. DCF method and Peer Group Analysis) are used for company analysis purposes. The DCF method calculates the value of the issuer based on the sum of the discounted cash flows, i.e. the cash value of the future cash flows of the issuer. The value is therefore determined on the basis of expected future cash flows and the applied discount rate. In Peer Group Analysis, issuers listed on the stock exchange are evaluated by comparing ratios (e.g. price/profit ratio, Enterprise Value/turnover, Enterprise Value/EBITDA, Enterprise Value/EBIT). The comparability of the ratios is primarily determined with reference to the business activity and economic prospects.

#### **9. Internal organisational and regulatory measures for the prevention or management of conflicts of interest**

Employees of FMR Frankfurt Main Research AG who are involved with the compilation and/or presentation of financial analyses are subject to the internal compliance regulations. The internal compliance regulations correspond to the provisions of the directive for the substantiation of the organisational obligations of investment service companies pursuant to Section 80 Securities Trading Act and EU/ESMA legislation on the basis of the Market Abuse Regulation.

The analysts of FMR Frankfurt Main Research AG do not receive any direct or indirect remuneration from the investment banking business of FMR Frankfurt Main Research AG.

On acceptance of the financial analysis, the recipient accepts that the above restrictions are binding.