

Press Release

Kapsch TrafficCom – Results for financial year 2019/20.

- > Despite the loss of two major projects (nation-wide toll system in the Czech Republic and infrastructure charge in Germany), revenues were just slightly below the previous year's level.
- > Significant one-time effects and operative challenges that resulted in huge costs led to a negative EBIT.
- > Positive EBIT excluding one-time effects.
- > Positive free cash flow.
- > Dividend proposed to the AGM: probably EUR 0.25 per share.

„ 2019/20 was a cursed year. We encountered more challenges than in previous years, and some of these challenges were rather unusual. It is not currently possible to quantify the effects of COVID-19 on our business. We only see a slight effect at present; however, things are being postponed in a few regions. I anticipate that 2020/21 will be better than the previous financial year and that we will manage to generate a clearly positive EBIT again,“ says Georg Kapsch, CEO of Kapsch TrafficCom.

Unless otherwise stated, all values in EUR million	2018/19	2019/20	+/-
Revenues	737.8	731.2	-0.9%
EBIT	57.0	-39.2	> -100%
EBIT margin	7.7%	-5.4%	-13.1%
Profit for the period attributable to equity holders	47.8	-48.1	> -100%
Earnings per share (EUR)	3.68	-3.70	> -100%

Vienna, June 16, 2020 –The final earnings for financial year 2019/20 published today by Kapsch TrafficCom hardly deviate from the anticipated revenues and operating result (EBIT) announced on April 20, 2020.

The Group revenues went down by about one percent to EUR 731 million. The operating result (EBIT) was EUR -39 million. (previous year: EUR 57 million), corresponding to an EBIT margin of -5% (previous year: 8%). The EBIT included about EUR 40 million of one-time effects. In addition, the profitability of the Group was burdened by operational issues, mainly the following two developments:

- > The significant need for personnel in North America meant that sufficient capacities were not available for realizing projects normally. It should not be forgotten that the many new employees often need to first be trained by experienced colleagues. This means that productivity will fall along with a simultaneous increase in costs until it is possible to achieve the full potential of the expanded team. This must be partly compensated by outsourcing. It is therefore understandable that profitability of the Group will suffer temporarily.
- > Considerable additional expenses for the demanding implementation of new software in existing customer systems led to significant cost over-runs.

In 2019/20, the financial result amounted to EUR -23 million (previous year: EUR -2 million). This amount included losses from foreign currency of EUR -9 million (previous year: EUR -5 million). Moreover, the shares in Q-Free ASA, Norway, had to be written down (due to the decline of the stock price) by EUR 6 million.

Income taxes amounted to EUR 8 million (previous year: EUR -8 million). Consequently, the earnings attributable to the shareholders of the company were significantly negative at EUR -48 million (previous year: EUR 48 million). This corresponds to earnings per share of EUR -3.70 (previous year: EUR 3.68).

Despite the negative earnings for the period, the balance sheet total went up by 8% to EUR 727 million. The crucial factor for this was the capitalization of leasing liabilities due to the initial application of IFRS 16. For this reason and due to the negative earnings contribution, the equity capital ratio fell to 25%.

Net debt reached EUR 176 million (March 31, 2019: EUR 73 million). This corresponds to a debt ratio of 96% (March 31, 2019 adjusted: 29%). The increase in the net debt resulted primarily from the initial application of IFRS 16, the increase in financial liabilities, the negative cash flow from investing activities, and the dividend payment (about EUR 20 million). Without the application of IFRS 16, the net debt would have been EUR 112 million, with a debt ratio of 61%.

The net working capital amounted to EUR 168 million as of March 31, 2020 (March 31, 2019: EUR 193 million). This development was the main reason for Kapsch TrafficCom's positive free cash flow of EUR 2 million in financial year 2019/20.

Segment results.

The ETC segment accounted for around 77% of total revenues in financial year 2019/20; the IMS segment for around 23%. 55% of the total revenues was generated in the Europe, Middle East, Africa (EMEA) region, 40% in the North, Central and South America (Americas) region, and 5% in the Asia Pacific (APAC) region.

ETC (ElectronicToll Collection).

Unless otherwise stated, all values in EUR million	2018/19	2019/20	+/-
Revenues	558.4	563.5	0.9%
EBIT	64.9	1.5	-97.7%
EBIT margin	11.6%	0.3%	-11.4%

In financial year 2019/20 ETC revenues reached EUR 563 Mio. (+1 %). The largest contribution to revenues at EUR 315 million (previous year: EUR 334 million) was once again generated in the EMEA region. Revenues in the Americas region increased substantially to EUR 221 million in the past financial year (+27%). In the APAC region, there was a decline in revenues from EUR 50 million to EUR 27.0 million relative to the comparable period of the previous year. This is primarily due to the decline in implementation revenues.

The EBIT of the ETC segment was at EUR 1 million (previous year: EUR 65 million). The EBIT margin was slightly positive (previous year: 12%). This sharp decline is largely due to the higher cost of materials and other production services as well as due to higher staff costs. This related, in particular, to the Americas region where the volume of implementation projects increased sharply.

Impairments, high legal and consulting fees as well as compensation for non-acceptance of financing due to early termination of the projects for the German infrastructure charge (passenger vehicle toll) had a negative impact on the segment's EBIT of roughly EUR 8 million. In addition, one-time expenses of about EUR 2 million occurred in connection with the end of the toll project in the Czech Republic. In financial year 2019/20, Kapsch TrafficCom sold 13.2 million on-board units (previous year: 13.5 million).

IMS (Intelligent Mobility Solutions).

Unless otherwise stated, all values in EUR million	2018/19	2019/20	+/-
Revenues	179.4	167.7	-6.5%
EBIT	-7.9	-40.7	-413.5%
EBIT margin	-4.4%	-24.2%	-19.8%

In financial year 2019/20 IMS revenues reached EUR 168 Mio. (-7 %). This was mainly due to lower revenues from operations projects and components.

Although the majority of the IMS projects were profitable, EBIT in the IMS segment totaled EUR -41 million in financial year 2019/20 (previous year: -8 million). Mainly one-off effects were responsible for these negative earnings. Impairment charges and allowances on trade receivables and contract assets in connection with updated estimates for the IMS segment, in particular with regard to the future course of business in Zambia, amounted to EUR -27 million. The costs for the termination of the activities of Streetline, USA (intelligent on-street parking solutions) had an impact of EUR 3 million.

Outlook.

A large number of negative effects came together in the 2019/20 financial year. Many challenges have already been taken care of, and other economically burdensome factors are known: The personnel shortage in North America will presumably last until the end of 2020. Additional expenses for the implementation of new software will probably be incurred up to the first half of the year. At the same time, the company is facing the challenge of making up for the loss of the nation-wide toll project in the Czech Republic—with a high revenue and result contribution—at the end of November 2019.

In the US, Kapsch TrafficCom is currently rolling out a new mobility service that makes it possible to pay tolls using a cell phone. Development costs were already incurred for this in the last few years. The management plans to continue to invest in developing this service in the 2020/21 and 2021/22 financial years as well. In return, the management expects that this will contribute noticeably to revenues and results in the years to come.

Because of the COVID-19 pandemic visibility, particularly with regard to invitations to tender, has come down. It is therefore too early to provide a quantitative outlook for the financial year 2020/21. The management anticipates that 2020/21 will be better than the previous year and that Kapsch TrafficCom will manage to generate a clearly positive EBIT again.

***Kapsch TrafficCom** is a provider of intelligent transportation systems in the fields of tolling, traffic management, smart urban mobility, traffic safety and security, and connected vehicles. As a one-stop solutions provider, Kapsch TrafficCom offers end-to-end solutions covering the entire value creation chain of its customers, from components and design to the implementation and operation of systems. The mobility solutions supplied by Kapsch TrafficCom help make road traffic safer and more reliable, efficient, and comfortable in urban areas and on highways while helping to reduce pollution.*

Kapsch TrafficCom is an internationally renowned provider of intelligent transportation systems thanks to the many projects it has brought to successful fruition in more than 50 countries around the globe. As part of the Kapsch Group, Kapsch TrafficCom with headquarters in Vienna, has subsidiaries and branches in more than 30 countries. It has been listed in the Prime Market of the Vienna Stock Exchange since 2007 (ticker symbol: KTCG). Kapsch TrafficCom's about 5,100 employees generated revenues of EUR 731 million in financial year 2019/20.

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