

# AUSTRIACARD

Q124 results

## Outlook points to H2-weighted growth

AUSTRIACARD reported adjusted revenue growth of 1.4% for Q124, reflecting comparison to a particularly strong Q123. Better sales mix and good control over the cost base resulted in expansion of the adjusted EBITDA margin to 15.2% (+0.1pp y-o-y). Contracts signed in all three business areas should drive revenue acceleration from Q2, providing support for management's target of 10% growth in adjusted revenue in FY24. We revise our forecasts to reflect management guidance, higher working capital and the recent LSTech acquisition, resulting in small reductions in our EPS forecasts.

Year end	Revenue* (€m)	PBT** (€m)	EPS** (€)	DPS (€)	P/E (x)	Yield (%)
12/22	314.7	23.0	0.42	0.03	14.0	0.4
12/23	364.6	29.8	0.62	0.10	9.4	1.7
12/24e	398.6	34.5	0.64	0.10	9.1	1.7
12/25e	428.4	42.6	0.81	0.14	7.2	2.4

Note: \*Reported, after hyperinflation adjustment. \*\*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Mixed revenue performance in Q124

In Q124, Secure Chip and Payment Solutions revenue declined 8.4% y-o-y, reflecting slower sales of metal cards, a management decision to reduce the sale of part-finished products and a particularly strong performance in Q123. Document Lifecycle Management grew revenue 9.6% y-o-y, helped by the inclusion of Pink Post from Q223. Digital Transformation Technology revenue was 181.0% higher, reflecting good progress in winning digitalisation projects in Romania and Greece.

## Outlook: Double-digit revenue and EBITDA growth

Management expects to generate c 10% growth in adjusted revenue and 10–12% growth in adjusted EBITDA in FY24. New and renewal contracts signed with challenger and traditional banks, the start of a new EU-funded project in Greece and entry into the PayTV market provide scope for an acceleration in revenues from Q224. We slightly increase our revenue forecasts and slightly reduce our EBITDA forecasts to match company guidance and factor in slightly higher working capital due to the build-up of chip module inventory.

## Valuation: Sustained growth to reduce the discount

With a limited number of listed peers for the smart card business and a growing exposure to digital transformation software and services, peer multiple valuation analysis is of limited relevance. On a discounted cash flow basis, using a WACC of 10%, a terminal growth rate of 2%, our pro forma forecasts to FY26, conservative revenue growth of 3% for FY27–33 and flat EBITDA margins from FY27, we arrive at a per share value of €9.85 (from €10.0/share), 68% above the current share price. In our view, factors that could reduce this gap include further adoption of digital services outside of the Greek public sector, market share gains in the US and other focus payment card markets, customer wins for card-as-a-service and a further increase in free float.

## Software and comp services

5 June 2024

**Price** €5.86

**Market cap** €213m

Net debt (€m) at end Q124 102.6

Shares in issue 36.4m

Free float 28%

Code ACAG

Primary exchange Athens

Secondary exchange Vienna Stock Exchange

## Share price performance



% 1m 3m 12m

Abs (6.0) (2.8) (16.1)

Rel (local) (7.6) (9.4) (26.4)

52-week high/low €7.35 €5.70

## Business description

AUSTRIACARD is a Vienna-headquartered group of companies with a portfolio of services in secure chip and payment solutions, document lifecycle management and digital transformation technologies for the financial, government and wider private sectors.

## Next events

AGM 9 July

H124 results 29 August

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## Review of Q124 results

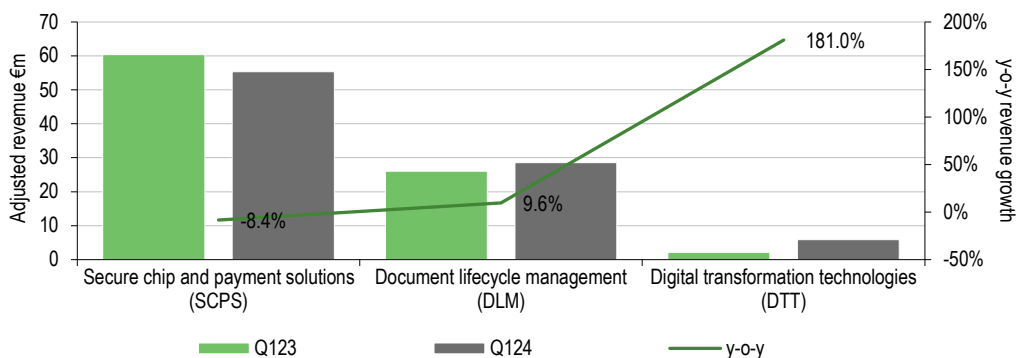
Exhibit 1 summarises AUSTRIACARD's Q124 results. We show both reported and adjusted results (which exclude the impact of accounting for hyperinflation). The effect of IAS 29 hyperinflation accounting for Turkish operations added €2.1m to revenue, and €0.2m to gross profit, operating expenses, adjusted EBITDA, adjusted EBIT, profit before tax and profit after tax.

### Exhibit 1: Q124 results highlights

€m	Before hyperinflation accounting		As reported	
	Q123	Q124	Q123	Q124
Revenue	88.5	89.7	89.8	91.8
Gross profit I	37.7	42.1		
Gross profit II	21.9	22.5	22.1	22.7
Adjusted EBITDA	13.4	13.6	11.6	12.6
D&A	(3.7)	(4.0)	(3.7)	(4.0)
Adjusted EBIT	9.7	9.6		
One-offs	(1.9)	(1.2)		
EBIT	7.8	8.4	7.8	8.6
Finance income	0.0	0.0	0.0	0.2
Finance expense	(1.4)	(1.8)	(1.7)	(2.2)
Associates & JVs	0.0	(0.2)	0.0	0.0
One-offs	0.0	0.0	0.0	0.0
Profit before tax	6.4	6.4	6.2	6.6
Tax	(1.5)	(1.4)	(1.5)	(1.4)
Profit after tax	4.9	5.0	4.7	5.2
Minority interest			(0.4)	(0.1)
Net income			4.3	5.1
Gross margin I	42.6%	46.9%	N/A	N/A
Gross margin II	24.7%	25.1%	24.6%	24.8%
Adjusted EBITDA margin	15.1%	15.2%	12.9%	13.7%
Adjusted EBIT margin	11.0%	10.7%	N/A	N/A
Tax rate	23.4%	21.9%	24.0%	21.7%
Net margin	5.5%	5.6%	5.2%	5.6%
Revenue growth	46.5%	1.4%	48.7%	2.2%

Source: AUSTRIACARD. Note: Gross profit I is after costs of material and mailing; gross profit II is gross profit I less production costs. Gross profit II is equivalent to reported gross profit.

### Exhibit 2: Revenue by solution type



Source: AUSTRIACARD

Based on management accounts (before IAS 29 adjustments):

- **Revenue** grew 1.4% y-o-y. Growth in DTT of €3.8m and in DLM of €2.5m was offset by a decline of €5.8m in revenue from the sale of chip modules and wafers in SCPS (the company decided to significantly reduce sales of semi-finished products). We note that in Q123, the

company reported revenue growth of 49% y-o-y, mainly driven by strong growth in payment cards across the US, the UK and Turkey and to challenger/neobanks.

- **Gross margin** expanded 0.4pp to 25.1% on a better sales mix.
- **Adjusted EBITDA** grew 2.2%, increasing the margin by 0.1pp to 15.2%.
- **Adjusted EBIT** grew at only 0.4%, reflecting higher amortisation due to acquisitions, resulting in an adjusted EBIT margin of 10.8%, down 0.1pp y-o-y.
- **One-off items** included a €1.2m charge for the management participation programme (Q123: €1.9m), €0.1m of foreign exchange gains and a €0.2m charge for the revaluation of financial assets and liabilities through the P&L.
- **Profit after tax** increased by 2% y-o-y due to a slightly lower tax rate and a lower level of one-offs, resulting in a net margin of 5.6%.
- **Net debt** increased by €7.5m from the end of FY23 to €102.6m at the end of Q124, mainly due to higher working capital requirements (+€12.5m vs end FY23). The company's inventory levels are normalising post supply chain disruption.

## Divisional performance

<b>Exhibit 3: Divisional performance excluding hyperinflation accounting and as reported</b>			
		Q123	Q124
<u>Revenue growth</u>			
Western Europe/Nordics/Americas		N/A	-25.0%
Central Eastern Europe/DACH		N/A	23.0%
Turkey/Middle East/Africa		N/A	34.7%
Corporate & eliminations		N/A	60.4%
<b>Total – before IAS 29 adjustment</b>		<b>N/A</b>	<b>1.4%</b>
<b>Reported revenue growth</b>		<b>N/A</b>	<b>2.3%</b>
<u>Gross margin I</u>			
Western Europe/Nordics/Americas		43.6%	50.3%
Central Eastern Europe/DACH		39.3%	44.1%
Turkey/Middle East/Africa		21.0%	15.8%
<b>Total – before IAS 29 adjustment</b>		<b>42.7%</b>	<b>46.9%</b>
<b>Reported gross margin I</b>		<b>42.3%</b>	<b>46.2%</b>
<u>Gross margin II</u>			
Western Europe/Nordics/Americas		28.7%	29.0%
Central Eastern Europe/DACH		20.7%	23.3%
Turkey/Middle East/Africa		12.0%	10.1%
<b>Total – before IAS 29 adjustment</b>		<b>24.7%</b>	<b>25.1%</b>
<b>Reported gross margin II</b>		<b>24.5%</b>	<b>24.8%</b>
<u>Adjusted EBITDA margin</u>			
Western Europe/Nordics/Americas		20.9%	19.7%
Central Eastern Europe/DACH		10.5%	12.9%
Turkey/Middle East/Africa		9.9%	7.8%
<b>Total – before IAS29 adjustment</b>		<b>15.1%</b>	<b>15.2%</b>
<b>Reported adjusted EBITDA margin</b>		<b>15.0%</b>	<b>15.1%</b>
<u>Adjusted operating margin</u>			
Western Europe/Nordics/Americas		17.0%	14.1%
Central Eastern Europe/DACH		6.0%	8.9%
Turkey/Middle East/Africa		9.0%	7.4%
<b>Total – before IAS 29 adjustment</b>		<b>10.9%</b>	<b>10.8%</b>
<b>Reported adjusted operating margin</b>		<b>10.8%</b>	<b>10.7%</b>

Source: AUSTRIACARD

### Western Europe, Nordics, Americas

In Q124, revenue declined €8.6m or 25.0% y-o-y, with €6.4m of the decline from Secure Chip and Payment Solutions. As mentioned above, most of the decline was due the decision to stop selling part-finished products (€5.1m). The company signed significant contracts in Q124, which include the supply of metal cards to a leading challenger bank and renewing a long-term agreement with a

major fintech company as exclusive supplier of personalisation services. Gross margin increased by 0.3pp to 29.0% on a better sales mix. Adjusted EBITDA declined 29.4%, resulting in the margin declining 1.2pp to 19.7%. Adjusted operating margin declined 2.9pp to 14.1%.

### **Central Eastern Europe**

Q124 revenue grew €11.6m or 23.0% y-o-y. The March 2023 Pink Post acquisition contributed €2.8m to revenue growth, strong growth in DTT added €3.8m and the production of cards for Turkey helped drive Secure Chip and Payment Solutions revenue up €5.8m. The business signed key contract renewals with major banking groups (one for five years, one for three years), entered the PayTV market (supplying access cards), and won new card clients in Romania and Bulgaria. DTT continues to grow as it implements agreements for services such as digital conversion and electronic archiving, including the start of public sector contracts in Greece funded by the EU's Recovery and Resilience Facility (RRF). Gross margin increased by 2.7pp to 23.3% on higher sales. Adjusted EBITDA increased 51.0% resulting in margin expansion of 2.4pp to 12.9%. Adjusted operating margin increased 2.9pp to 8.9%.

### **Turkey/Middle East and Africa**

Q124 revenue grew €5.2m or 34.7% y-o-y, mainly due to strong demand for payment products. The business won Turkey's largest bank as a client and now supplies all of Turkey's major banks. It sees ongoing opportunities in the MEA smart card and citizen identity markets. Gross margin declined 2pp to 10.1% due to the sales mix. Adjusted EBITDA increased 6.1% resulting in the margin declining 2.1pp to 7.8%. Adjusted operating margin declined 1.6pp to 7.4%.

## **Business update**

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### **Acquisition of LSTech enhances data analytics capabilities**

As we previously [wrote](#), AUSTRIACARD acquired a UK-based data analytics specialist for €1.6m on 21 May. This should strengthen the digital transformation technology practice.

### **RRF-funded contract won in Greece**

In April, INFORM signed a contract in Greece to digitise the archives of the Public Health System following a tender process; the project is funded by the EU Recovery Fund. The contract includes the digitisation of more than 197 million pages and images, including medical records, X-rays and ECG/EEG films. The aim of digitising records is to improve care, reduce costs and modernise the system.

### **Free float increased via secondary placement**

On 30 April, a secondary placement saw 5,470,321 shares (15.05% of share capital) sold to qualified investors at a range of €6.0–6.1. This included 2.2 million shares (6.05% of share capital) held by Chairman Nikolaos Lykos, whose stake has now reduced to 71.5%. This increases the company's free float to 28%.

## **Outlook and changes to forecasts**

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Management expects to achieve adjusted revenue growth of c 10% for FY24 and growth in adjusted EBITDA in the range of 10–12%, potentially enhancing margins. After limited growth in Q124, management expects revenue to accelerate as new contracts across all three business

areas are implemented. Management is putting in place measures to reduce working capital, particularly inventory, and is targeting working capital/sales in the range 16–20% by year-end.

We have revised our forecasts to reflect slightly higher growth in adjusted revenue and slightly lower growth in adjusted EBITDA, in line with guidance. We have increased our working capital assumptions, with working capital/sales of 17.9% for FY24. We have also factored in the LSTech acquisition. Overall, this results in cuts to our normalised diluted EPS of 3.5% in FY24, 1.9% in FY25 and 0.6% in FY26.

#### Exhibit 4: Changes to forecasts

€m	FY24e				FY25e				FY26e			
	Old	New	Change	y-o-y	Old	New	Change	y-o-y	Old	New	Change	y-o-y
Revenues	395.2	398.6	0.9%	9.3%	424.7	428.4	0.9%	7.5%	455.2	459.1	0.9%	7.2%
EBITDA	57.1	55.9	-2.1%	10.8%	64.6	63.8	-1.2%	14.1%	72.4	72.1	-0.4%	13.0%
EBITDA margin	14.4%	14.0%	-0.4%	0.2%	15.2%	14.9%	-0.3%	0.9%	15.9%	15.7%	-0.2%	0.8%
Normalised operating profit	43.0	41.8	-2.8%	13.6%	50.0	49.2	-1.6%	17.6%	57.2	56.9	-0.5%	15.7%
Normalised operating margin	10.9%	10.5%	-0.4%	0.4%	11.8%	11.5%	-0.3%	1.0%	12.6%	12.4%	-0.2%	0.9%
Reported operating profit	35.0	33.8	-3.4%	7.7%	42.0	41.2	-1.9%	21.7%	49.2	48.9	-0.6%	18.7%
Reported operating margin	8.9%	8.5%	-0.4%	-0.1%	9.9%	9.6%	-0.3%	1.1%	10.8%	10.6%	-0.2%	1.0%
Normalised PBT	35.7	34.5	-3.4%	15.8%	43.4	42.6	-1.8%	23.7%	51.4	51.1	-0.6%	20.0%
Reported PBT	26.5	25.3	-4.5%	20.4%	34.2	33.5	-2.3%	32.2%	42.3	42.0	-0.7%	25.5%
Normalised net income	26.3	25.3	-3.5%	11.1%	32.6	32.0	-1.9%	26.2%	39.0	38.8	-0.6%	21.4%
Reported net income	19.2	18.3	-4.8%	15.6%	25.4	24.8	-2.4%	35.8%	31.9	31.6	-0.7%	27.3%
Normalised basic EPS (€)	0.72	0.70	-3.5%	7.1%	0.90	0.88	-1.9%	26.3%	1.07	1.07	-0.6%	21.4%
Normalised diluted EPS (€)	0.66	0.64	-3.5%	3.0%	0.83	0.81	-1.9%	26.3%	0.99	0.98	-0.6%	21.4%
Reported basic EPS (€)	0.53	0.50	-4.8%	-22.6%	0.70	0.68	-2.4%	35.9%	0.88	0.87	-0.7%	27.3%
Dividend per share (€)	0.11	0.10	-4.8%	1.8%	0.14	0.14	-2.4%	35.9%	0.18	0.18	-0.7%	27.3%
Net debt	61.8	68.2	10.2%	-15.2%	36.5	41.2	13.0%	-39.5%	6.4	10.0	56.9%	-75.7%
Net debt including leases	76.5	82.9		-12.8%	51.2	55.9		-32.5%	21.1	24.7		-55.8%

Source: Edison Investment Research

**Exhibit 5: Financial summary**

Year end 31 December	€m	2019	2020	2021	2022	2023	2024e	2025e	2026e
<b>INCOME STATEMENT</b>									
Revenue		135.0	173.9	178.0	314.7	364.6	398.6	428.4	459.1
Cost of sales		(105.2)	(134.2)	(137.1)	(239.9)	(276.3)	(300.4)	(320.9)	(342.4)
Gross profit		29.8	39.7	40.9	74.9	88.3	98.1	107.5	116.7
Operating costs		(16.8)	(18.5)	(19.1)	(35.7)	(37.9)	(42.2)	(43.7)	(44.6)
EBITDA		13.0	21.1	21.8	39.1	50.4	55.9	63.8	72.1
Normalised operating profit		6.2	12.3	11.4	27.2	36.8	41.8	49.2	56.9
Amortisation of acquired intangibles		(0.1)	(1.4)	(1.4)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)
Exceptionals		0.0	(1.1)	5.0	(7.9)	(2.9)	(5.5)	(5.5)	(5.5)
Share-based payments		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported operating profit		6.1	9.8	15.0	16.8	31.4	33.8	41.2	48.9
Net Interest		(2.7)	(3.3)	(2.7)	(4.3)	(7.1)	(7.4)	(6.6)	(5.8)
Joint ventures & associates		0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Exceptionals		0.0	0.0	(0.0)	(4.2)	(3.4)	(1.2)	(1.2)	(1.2)
Profit Before Tax (norm)		3.4	8.9	8.7	23.0	29.8	34.5	42.6	51.1
Profit Before Tax (reported)		3.3	6.5	12.3	8.4	21.0	25.3	33.5	42.0
Reported tax		(1.8)	(1.0)	(2.2)	(3.5)	(4.2)	(5.8)	(7.4)	(9.0)
Profit After Tax (norm)		1.5	7.5	7.2	13.3	23.8	26.5	33.2	40.1
Profit After Tax (reported)		1.5	5.4	10.0	4.8	16.8	19.5	26.1	32.9
Minority interests		(0.1)	(0.3)	(0.8)	(0.7)	(1.0)	(1.2)	(1.3)	(1.3)
Net income (normalised)		1.5	7.2	6.4	12.6	22.8	25.3	32.0	38.8
Net income (reported)		1.4	5.1	9.2	4.2	15.8	18.3	24.8	31.6
Basic average number of shares outstanding (m)		29.3	29.3	29.3	30.0	35.0	36.3	36.3	36.3
EPS - basic normalised (€)		0.05	0.25	0.22	0.42	0.65	0.70	0.88	1.07
EPS - diluted normalised (€)		0.05	0.25	0.22	0.42	0.62	0.64	0.81	0.98
EPS - basic reported (€)		0.10*	0.35*	0.63*	0.28*	0.65*	0.50	0.68	0.87
Dividend (€)		0.00	0.00	0.00	0.03	0.10	0.10	0.14	0.18
Revenue growth (%)			28.8%	2.4%	76.9%	15.8%	9.3%	7.5%	7.2%
EBITDA Margin (%)		9.7%	12.1%	12.3%	12.4%	13.8%	14.0%	14.9%	15.7%
Normalised Operating Margin (%)		4.6%	7.1%	6.4%	8.6%	10.1%	10.5%	11.5%	12.4%
<b>BALANCE SHEET</b>									
Fixed Assets		114.2	115.2	145.4	153.8	156.8	156.6	155.2	154.2
Intangible Assets		29.3	31.4	60.7	57.2	55.5	54.6	52.2	50.2
Tangible Assets		80.3	79.6	83.0	90.4	96.3	97.1	98.0	99.1
Investments & other		4.6	4.2	1.8	6.2	5.0	5.0	5.0	5.0
Current Assets		77.3	66.2	81.0	116.4	164.9	181.7	205.4	234.3
Stocks		19.2	19.8	23.2	36.1	58.2	66.7	68.1	70.4
Debtors		21.3	19.3	29.3	40.0	44.7	48.8	52.5	56.3
Cash & cash equivalents		22.3	11.0	11.5	21.6	23.8	26.0	43.0	64.1
Other		14.5	16.1	17.1	18.7	38.3	40.2	41.8	43.5
Current Liabilities		(90.3)	(49.3)	(62.9)	(99.4)	(99.3)	(104.8)	(109.2)	(113.7)
Creditors		(32.1)	(29.8)	(40.3)	(64.8)	(79.4)	(84.9)	(89.3)	(93.8)
Tax and social security		(0.4)	(0.3)	(1.6)	(3.5)	(3.0)	(3.0)	(3.0)	(3.0)
Short term borrowings		(54.6)	(14.9)	(16.2)	(25.3)	(12.7)	(12.7)	(12.7)	(12.7)
Lease liabilities		(2.7)	(2.5)	(4.5)	(2.3)	(3.8)	(3.8)	(3.8)	(3.8)
Other		(0.5)	(1.8)	(0.2)	(3.5)	(0.5)	(0.5)	(0.5)	(0.5)
Long-term Liabilities		(44.6)	(71.4)	(97.3)	(90.0)	(115.2)	(105.2)	(95.2)	(85.2)
Long-term borrowings		(19.6)	(46.4)	(72.3)	(62.0)	(91.5)	(81.5)	(71.5)	(61.5)
Lease liabilities		(6.8)	(5.1)	(3.5)	(8.6)	(10.9)	(10.9)	(10.9)	(10.9)
Other long-term liabilities		(18.2)	(20.0)	(21.4)	(19.3)	(12.8)	(12.8)	(12.8)	(12.8)
Net Assets		56.5	60.7	66.2	80.8	107.2	128.3	156.2	189.6
Minority interests		(12.5)	(12.0)	(13.0)	(11.6)	(0.8)	(2.0)	(3.2)	(4.5)
Shareholders' equity		44.0	48.7	53.3	69.2	106.4	126.3	153.0	185.1
<b>CASH FLOW</b>									
Op Cash Flow before WC and tax		3.3	6.5	12.3	8.4	21.0	25.3	33.5	42.0
Working capital		2.0	(2.0)	(4.0)	2.7	(35.3)	(9.1)	(2.4)	(3.2)
Exceptional & other		9.9	13.8	6.5	31.4	29.8	29.4	29.2	29.0
Tax		(0.2)	(1.4)	(1.6)	(1.6)	(6.4)	(5.8)	(7.4)	(9.0)
Net operating cash flow		15.0	16.9	13.2	40.9	9.1	39.8	52.9	58.7
Capex		(5.3)	(8.8)	(9.0)	(14.5)	(11.1)	(11.7)	(12.5)	(13.4)
Acquisitions/disposals		(18.7)	0.2	(16.5)	(2.9)	(1.1)	(1.6)	0.0	0.0
Net interest		(2.2)	(2.3)	(2.4)	(4.1)	(7.4)	(7.4)	(6.6)	(5.8)
Equity financing		0.0	0.0	0.0	0.0	0.0	(0.2)	0.0	0.0
Dividends		(0.8)	(0.7)	0.0	0.0	(0.9)	(3.6)	(3.7)	(5.0)
Other		(2.1)	(3.2)	(11.0)	(7.4)	(2.9)	(3.1)	(3.2)	(3.3)
Net Cash Flow		(14.2)	2.2	(25.8)	12.0	(14.2)	12.2	27.0	31.2
Opening net debt/(cash)		35.9	51.9	50.2	77.1	65.7	80.3	68.2	41.2
FX		(0.1)	(0.5)	(0.3)	(0.6)	(0.7)	0.0	0.0	0.0
Other non-cash movements		(1.7)	0.0	(0.7)	(0.1)	0.3	(0.0)	0.0	0.0
Closing net debt/(cash)		51.9	50.2	77.1	65.7	80.3	68.2	41.2	10.0

Source: AUSTRIACARD, Edison Investment Research. Note: \*Not adjusted for share split in August 2023.

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