AUSTRIACARD HOLDINGS

Growth story still on course; valuation gap remains

Healthy Q1'24 on tough comps, 2024e guidance underpins 2-digit growth story – Austriacard reported healthy Q1'24 results, growing adj. revenues 1.4% yoy (to €89.7m) and adj. EBITDA +2.2% yoy (to €13.7m) on tough comps. Although Q1 growth may look tepid, management provided a confident 2-digit growth outlook for the full year (revenues +10%, adj. EBITDA 10-12%) indicating back-loaded growth fueled by the phasing of recently signed contracts. The 2024 guidance effectively validates the 2-digit growth story articulated in our initiation report, with ACAG being well placed to benefit from structural drivers, including rising card penetration (mid-single-digit volume growth), accelerating card sophistication (e.g. dual-interface chip, contactless, biometric, metal) and the Greek digitization push.

Modest upgrade to our FY'24 forecasts; we expect 11% adj. EBITDA growth on card volume growth & digitization project execution – Following the FY'23 and Q1'24 results, we have recalibrated our model lifting our 2024 adj. EBITDA by 5%. This follows on from a 3% increase in our revenue forecasts (+10% yoy excl. IAS 29 effects), supported by strong order intake for card solutions, a greater digitization project pipeline, and inorganic growth from the acquisition of LSTech. We see momentum loaded particularly towards H2, given the majority of ACAG's card provision contracts are scheduled for delivery in the 2nd semester. We project +11% growth in 2024e adj. EBITDA excl. IAS 29 effects, anticipating better pricing across card solutions thanks to higher utilization rates and positive mix effects from value-added cards.

Outer-year outlook intact; high-single-digit EBITDA CAGR through 2027e seems feasible – Looking further out, our forecasts pencil in c8% adj. revenue CAGR over 2025-27e, predicated on sustained cards industry volume growth, ACAG's geographic diversification and increased market penetration in challenger banks. Across regions, we see mid-term growth driven by WEST as demand in the US and UK markets recovers, with CEE also increasing in relevance thanks to digital solutions inflows from Greece and Romania. On the profitability front, we expect cost efficiencies from utilization and improvements to the digital portfolio to deliver a >8% EBITDA CAGR over 2025-27e, at the high end among the broad peer group.

Valuation – ACAC shares have slipped c14% since the enlarged entity started trading in March 2023. The shares lost momentum particularly during summer 2023, as concerns about a "higher-for-longer" rates environment weighed on longer duration or tech-exposed stocks. Since then, ACAG has traded range-bound, with the stock coming under renewed pressure recently, slipping 8% ytd and remaining below the price of the recent placement (€6/share). As a result, the valuation is subdued at <6x 2024e EV/EBITDA, a notable discount vs the broad peer group and a valuation close to pure play card peers with inferior growth profile. Our DCF-based valuation (WACC 9.5%) yields a baseline value of €8.2 (slightly higher than our previous €8.0), placing ACAG at 7.1x 2024e EV/EBITDA, still at significant discount vs the median valuation of the broad peer group. Flexing our WACC and perpetuity growth inputs by 0.5% yields a fair value range between c€7.2-€9.5/share.

Estimates					
€m unless otherwise stated	2022	2023	2024e	2025e	2026e
Sales	314.7	364.6	395.1	423.8	455.3
EBITDA - adj.	39.4	50.4	55.7	59.5	64.9
Net profit - reported	4.2	15.8	21.1	24.9	28.9
EPS - adj.	€0.12	€0.44	€0.58	€0.68	€0.80
DPS	€0.05	€0.10	€0.13	€0.15	€0.18

Valuation					
Year to end December	2022	2023	2024e	2025e	2026e
P/E	54.4x	14.8x	10.0x	8.5x	7.3x
EV/EBITDA	8.0x	6.5x	5.6x	5.1x	4.6x
EBIT/Interest expense	2.0x	2.9x	3.9x	4.7x	5.6x
Dividend Yield	0.4%	1.6%	2.2%	2.7%	3.2%
ROE	27.0%	35.8%	32.6%	31.4%	30.1%

Source: Eurobank Equities Research.

Market Cap (€ mn)	**€210.9**
Closing Price (04/06)	**€5.80**

Stock Data

Reuters RIC	ACAGr.AT
Bloomberg Code	ACAG GA
52 Week High (adj.)	€7.70
52 Week Low (adj.)	€5.60
Abs. performance (1m)	-7.1%
Abs. performance (YTD)	-7.9%
Number of shares	36.4mn
Avg Daily Trading Volume (qrt)	€893k
Est. 3yr EPS CAGR	22.3%
Free Float	28%

ACAG Holdings Share Price

Analysts

Stamatis Draziotis, CFA
Equity Analyst, Head of Research
☏: +30 210 37 20 259
✉: sdraziotis@eurobankequities.gr

Marios Bourazanis
Equity Analyst, Small Caps & IT
☏: +30 210 37 20 253
✉: mbourazanis@eurobankequities.gr

Head of Research
☏: +30 210 37 20 259

Sales/Trading
☏: +30 210 37 20 117 / 168 / 110

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See Appendix for Analyst Certification and important disclosures.

We caution that any forecasts included in this report should not be considered a reliable indicator of future performance.

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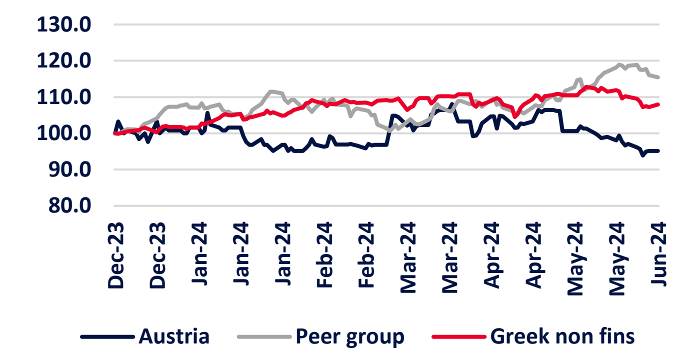
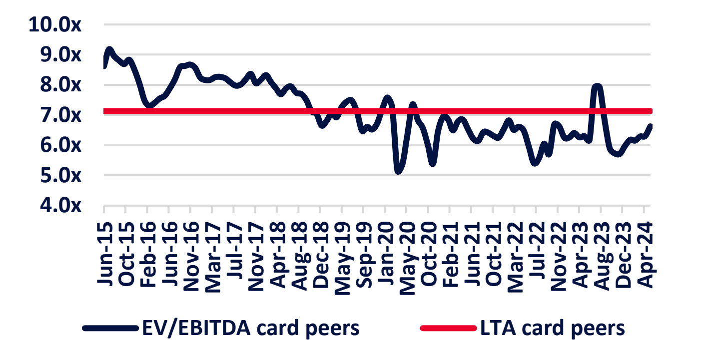
Investment case in 6 charts

Total return index: ACAG has been underperforming its Greek non-fins & intl peers

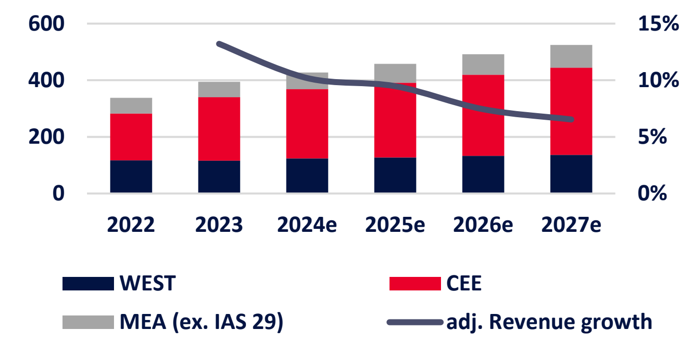


... with its EV/EBITDA valuation remaining markedly below that of its international card peers, despite ACAG's superior growth

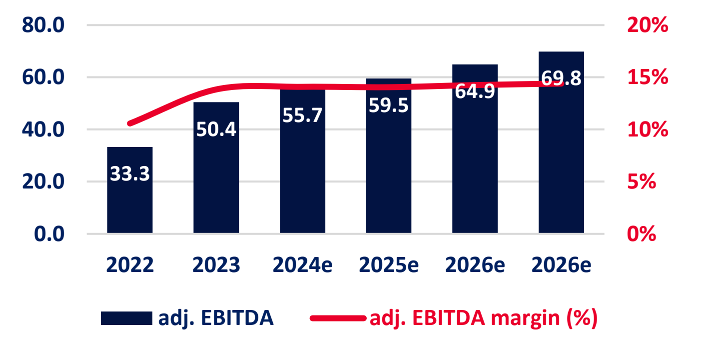


Source: Eurobank Equities Research, Bloomberg.

Strong revenue growth outlook remains intact

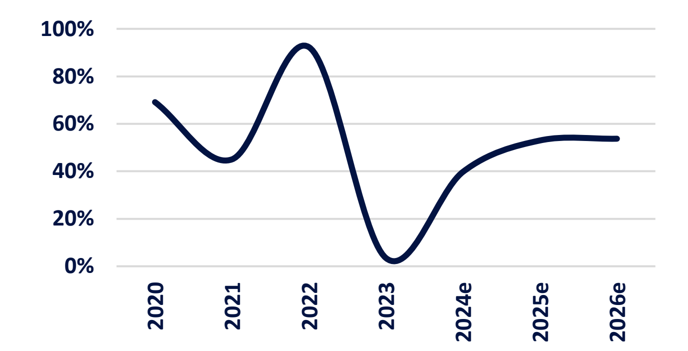


11% EBITDA growth in 2024e followed by high single-digit thereafter on mild margin accretion, particularly in WEST & CEE

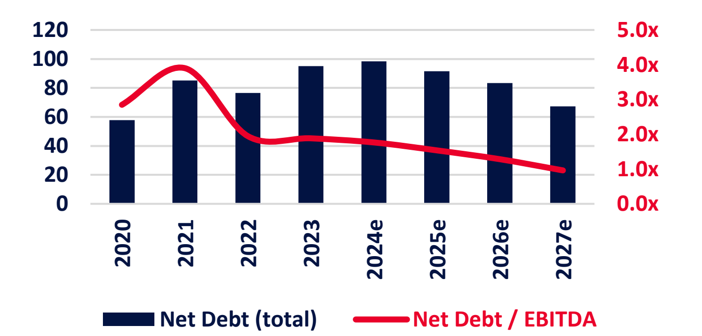


Source: Eurobank Equities Research, Company data.

OCF conversion to tick higher as WC dynamics settle following inventory build-up in 2023



Net debt trajectory to improve post 2024e



Source: Eurobank Equities Research, Company data.

Valuation: DCF-based valuation yields c€7.2-9.5 intrinsic value range per share

DCF-based valuation base-case yields baseline €8.2/share

We value Austriacard using a DCF-based valuation in order to capture the expected high earnings growth in the coming years, given the secular tailwinds for the industry, and the long-term earnings potential of the business.

Our base case DCF yields a c€8.2 12-month baseline price per share. This is predicated on the following assumptions:

- High single digit sales CAGR over 2024-2027e, driven by: 1) volume growth, given the expanding cards market and further underpinned by ACAG's diversified geographical footprint and underpenetrated markets; 2) price/mix growth supported by adjacency opportunities including contactless, premium (e.g. metal) and biometric cards; 3) the digitization push underpinning Austria's digital transformation technologies business. We assume growth fades to c3.5% by 2033e, translating to a CAGR of c6% over the entire 10-year period.
- Adj. EBITDA growth of 11% in 2024e followed by 8-9% in the ensuing 3 years, driven by the robust top line growth, implying c0.6pps margin expansion vs 2023 levels on positive operating leverage and improving price/mix. We assume that medium-term EBITDA margins settle in the 14.5% area, from 12% over 2020-22. This would still be below the respective margins of bigger peers, due to the group's smaller scale.
- We use a long-term growth rate of 1% based on a reinvestment rate >30% and low-single digit incremental ROIC in perpetuity, conservatively assuming that the group's competitive advantage will fade.
- The implied FCF conversion (FCF/EBITDA) in the medium term will settle near c40%, a level we consider feasible given the headroom vs current capacity in terms of utilization and the existence of a proprietary operating system which the group developed years ago.
- 9.5% WACC, which we believe captures the relative risk profile of the business vis-à-vis the rest of our coverage universe (including the aspect of low stock liquidity).

DCF

EURmn unless otherwise stated	2024e	2025e	2026e	2027e	2028e	2029e	…	TV
NOPAT	29.3	32.8	36.6	40.1	42.0	45.3		55.2
Reinvestment	(18.6)	(11.7)	(13.3)	(7.5)	(10.3)	(11.7)		(18.8)
Unlevered Free Cash Flow	**10.7**	**21.2**	**23.3**	**32.5**	**31.7**	**33.6**	…	**36.4**
Sum of PV of FCF	193.6							
PV of terminal value	191.2							
Enterprise Value	**384.8**							
Net debt	(80.3)							
Other claims (net)	(15.1)							
Equity value ex-div	**289.3**							
no. of shares	36.4							
Per share (year-end)	8.0 €							
12-month fair value per share ex div	**8.2 €**							

Source: Eurobank Equities Research

A basic sensitivity on a combination of WACC and terminal growth rates is presented in the table below. As can be seen, flexing our WACC and perpetuity growth inputs by 0.5% each yields a fair value range between c€7.2 and c€9.5 per share, thus indicating plenty of upside to be crystallised if our future estimates materialize.

DCF Sensitivity of our calculated group fair value per share to the WACC and LT growth assumptions

		WACC				
		10.5%	**10.0%**	**9.5%**	**9.0%**	**8.5%**
Terminal growth	**2.0%**	7.9	8.5	9.3	10.1	11.1
	1.5%	7.4	8.0	8.7	**9.5**	10.3
	1.0%	7.0	7.6	**8.2**	8.9	9.6
	0.5%	6.7	**7.2**	7.7	8.3	9.0
	0.0%	6.3	6.8	7.3	7.9	8.5

Source: Eurobank Equities Research.

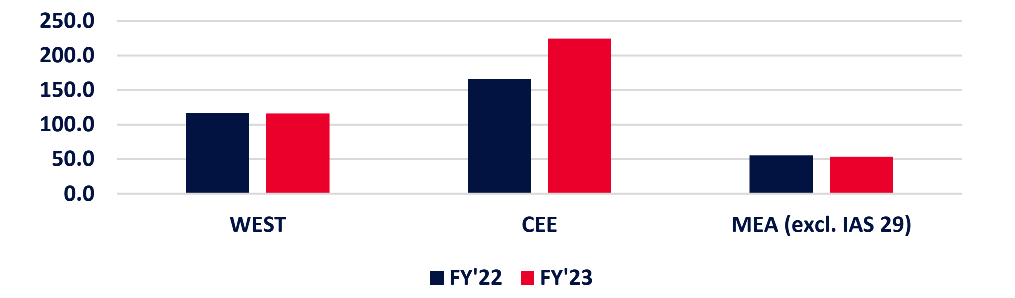
FY'23 review

2023: transformational year with strong growth

Austriacard reported solid results for FY'23, with adj. revenue (namely excluding the effect of hyperinflation accounting) at €351.3m, +13.2% driven by organic growth in Secure Chip & Payment Solutions and increased document digitization project execution. The group top line was further boosted by the acquisition of the Pink Post business in Q1'23. From a card volume perspective, the number of sold and invoiced cards rose +5.6% yoy, validating the healthy growth trajectory of the segment in general and ACAG in particular.

Across regions, 2023 top line was driven by strong performance in CEE & DACH (+35% yoy), on elevated sales volumes for payment cards and first-time inflows from Greek state digitization projects. As mentioned above, growth in this region was also supported by the consolidation of the Pink Post business. In WEST, top line performance was little-changed yoy (-0.6%) due to the less favorable macro environment for US regional banks, which impacted order intake. Finally, revenue in MEA (ex. IAS 29) decreased by c3% yoy as a result of base effects from one-off revenues related to the 2022 Kenyan elections. Adjusting for this effect, comparable revenues came in c76% higher.

Top line performance per region, in €m



Source: Eurobank Equities Research, Company data.

Adj. EBITDA in FY'23 shaped at €49.3m (again, excluding the effects of IAS 29 hyperinflation accounting), +27% vs. FY'22 on c1.6pps higher margins, fueled by pricing/mix in cards and higher-margin digitization service revenues. This margin uptrend translated to an adjusted FY'23 PBT of €26.1m, +30% yoy. Reported net profit post hyperinflation effects and other non-recurring items settled at €15.8m, up substantially from €4.2m in FY22.

Austriacard | FY'23 results overview

amounts in €m	FY'22	FY'23	*% yoy*
Revenue *	**310.3**	**351.3**	***13%***
- COGS *	-235.9	-264.5	*12%*
Gross profit *	**74.4**	**86.8**	***17%***
*Gross margin **	*24%*	*25%*	*0.7pps*
- Opex *	-35.7	-37.5	*5%*
Adj. EBITDA *	**38.7**	**49.3**	***27%***
*Adj. EBITDA margin **	*12%*	*14%*	*1.6pps*
PBT	**8.4**	**21.0**	***150%***
- Tax	-3.5	-4.2	*19%*
Net profit	**4.2**	**15.8**	***281%***
Operating cash flow (EE definition)	36.3	1.8	
Capex/investments	-20.5	-12.2	
FCFE post leases	**12.0**	**-13.3**	
Net debt	**76.6**	**95.0**	

Source: Eurobank Equities Research, Company data. *Ex. the impact of IAS 29 Hyperinflation accounting.

On the cash flow front, cash generation came in slightly lower than we had anticipated in our initiation report, primarily a result of higher inventories. This was effectively the result of supply chain normalization during 2023, with ACAG proceeding to smart card chip module purchases in order to rebuild inventory. The €35m working capital outflow led FY'23 net debt to near €95m from €76m in 2022.

Q1’24 review

Austriacard reported healthy Q1’24 results, growing adj. revenues 1.4% yoy (to €89.7m) and adj. EBITDA +2.2% yoy (to €13.7m) on tough comps. Mgt indicated a backloaded growth in the rest of the year (especially given several contracts secured in Q1), guiding for 10-12% growth in adj. EBITDA in 2024, which is in sync with our line of thinking in our initiation report. Mgt also notes “structural improvements” in the sales mix and cost base, manifested by the 15.2% adj. EBITDA margin (+0.1ppt yoy) delivered in Q1.

In more detail, quarterly performance was driven by c€3.8m growth in digital solutions (Greek state digitization projects in particular) as well as M&A-based add-ons from the consolidation of Pink Post Romania (acquired March 2023). Growth in these segments was sufficient to offset the c€5.8m decline in payment solutions, mostly on account of mgt’s strategic decision to limit sales of semi-finished products (e.g. chip modules, wafers).

Across geographies, CEE and MEA accounted for the majority of growth, the former boosted by digital solutions and the latter benefiting from stronger volume growth in payment solutions in the Turkish market. Q1’24 results in the WEST region were lower yoy due to signed contracts for payment solutions being loaded towards the back-half of the year. As such, mgt is confident this trend will reverse as the year progresses.

Gross profit (ex. IAS 29 effects) grew to €22.5m in Q1’24 (+3% yoy) on c0.4pps higher margins vs. Q1’23. This margin uptick was mainly the result of an increased contribution of value-added services in the mix, though an additional benefit came from higher average prices across payment cards. Group Adj. EBITDA (ex. IAS 29) increased to €13.7m in Q1’24 (+2.2% yoy) on 0.1pps higher margins yoy (c15.2%) mirroring the growth in gross profit.

Higher net financials partly diluted the growth in operating profits, thus leading to a PBT of €6.4m in Q1’24 (+1.7% yoy). Net profit reached €5m in Q1’24 (+4% vs Q1’23) on the back of reduced expenses on special items (e.g. mgt participation program, FX gains).

Austriacard | Q1'24 results overview			
amounts in €m	**Q1'23**	**Q1'24**	***% yoy***
Revenue*	**88.5**	**89.7**	***1.4%***
- COGS*	-66.6	-67.2	
Gross profit*	**21.9**	**22.5**	***3.0%***
Gross margin	*24.7%*	*25.1%*	*0.4pps*
Adj. EBITDA*	**13.4**	**13.7**	***2.2%***
Adj. EBITDA margin	*15.1%*	*15.2%*	*0.1pps*
PBT	**6.3**	**6.4**	***1.7%***
Net profit	**4.8**	**5.0**	***3.8%***
Net debt	**82.5**	**102.6**	

Source: Eurobank Equities Research, Company data. *Ex. the impact of IAS 29 hyperinflation accounting.

On the cash flow front, group net debt shaped at €102.6m in Q1’24, implying c€7.5m outflows compared to end December 2023, on account of a quarterly increase in working capital related to the normalization of inventory levels following the easing of supply chain disruptions.

Overall, with the company cycling tough comps, the EBITDA growth run rate dissipated to c2.2%, but the guidance provided for the full year – with management calling for 10-12% EBITDA growth and 10% revenue growth – certainly underpins the 2-digit growth story, indicating a backloaded growth trajectory in 2024.

Summary of estimate changes and main assumptions

Following on from ACAG's Q1'24 results and management guidance for 2-digit growth in 2024e, we have recalibrated our model making just modest changes to our estimates, to reflect the following:

- Marginal top line uplift on a reported basis, partly relating to the impact of hyperinflation accounting and partly to underlying performance (mid-single digit growth in smart card market volumes, positive price/mix on rising sales of value-added products/services).
- The effect from the recently-announced acquisition of LSTech, a UK-based data analytics company (for EV of €1.6m) which ought to bolster ACAG's digital solutions business.
- A bit higher cost inflation, mainly relating to distribution, personnel and materials, in sync with the higher-for-longer rates environment. We expect this to be more than offset by improvements in ACAG's sales mix and cost base.
- A somewhat higher starting net debt position in 2023, due to the higher than we had expected working capital outlay last year. This, coupled with the higher investment spending as a result of the LSTech acquisition, result in higher financial expenses than we had previously incorporated, thus explaining the modest trimming of our net profit estimates.

Estimate changes

amounts in €m	2024e	2025e
New		
Sales	395.1	423.8
Adj. EBITDA	55.7	59.5
Net profit	21.1	24.9
Previous		
Sales	384.6	419.0
Adj. EBITDA	52.9	58.5
Net profit	21.8	25.8
% change		
Sales	3%	1%
Adj. EBITDA	5%	2%

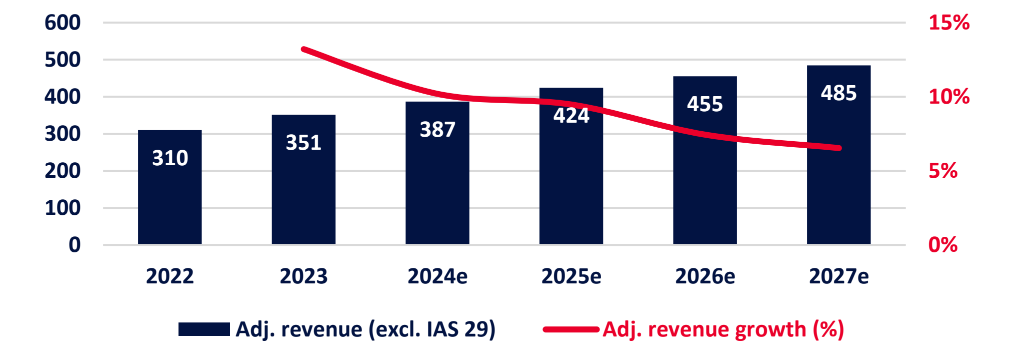
Source: Eurobank Equities Research, Company data.

2-digit growth momentum to be sustained in 2024

In more detail:

- We model slightly higher top line at group level, reaching c€395.1 for 2024e on a reported basis (some +3% above our previous numbers) and +10% on an adj. basis (excl. the effect of IAS 29 hyperinflation accounting) to €387m. We see improvements in 2024 prospects driven by higher-than-initially-estimated volumes for cards solutions in the latter half of 2024 and an increased contribution from digital solutions in the overall mix, underpinned by sustained strong momentum in Greek state digitization projects and the recent acquisition of LSTech. Looking further ahead, we incorporate c9.5% growth in 2025e followed by 6-7% in 2026-27e.

Group top line evolution, in €m



Source: Eurobank Equities Research, Company data.

- Across geographies, we pencil in a return to growth for the WEST region (W. Europe, Nordics & Americas) following a slightly negative performance in 2023, driven by accelerating momentum from the US market and challenger banks, as well as cross-selling opportunities following the LSTech acquisition. For CEE/DACH (which also includes Greece) we pin high single-digit growth propelled by EU-funded document digitization project implementation (especially in Greece and Romania) and digital transformation technologies momentum. We envisage strong growth for the MEA region, on account of easier base comps vs 2023.

Segmental presentation (excl. IAS 29)

amounts in €m	2022	2023	2024e	2025e	2026e	2027e
WEST	115.2	112.3	119.5	123.1	128.6	132.1
CEE	140.3	185.4	202.6	217.8	236.3	254.4
MEA, excl. IAS 29	54.9	53.6	65.1	82.9	90.4	98.5
Group revenues	**310.3**	**351.3**	**387.1**	**423.8**	**455.3**	**485.1**
WEST (% yoy)		-2.5%	6.4%	3.1%	4.5%	2.7%
CEE (% yoy)		32.1%	9.3%	7.5%	8.5%	7.7%
MEA, excl. IAS 29 (% yoy)		-2.3%	21.5%	27.3%	9.1%	9.0%
Group (% yoy)		**13.2%**	**10.2%**	**9.5%**	**7.4%**	**6.5%**

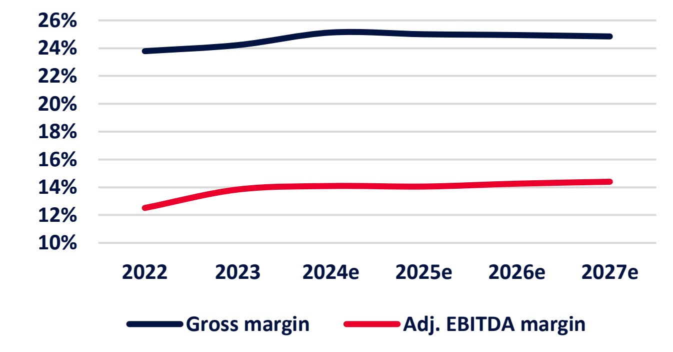
Source: Eurobank Equities Research, Company data.

- On the margin front, we anticipate better pricing across card solutions thanks to higher utilization rates and positive mix effects from value-added cards (i.e. contactless, metal) to drive a c0.9pps improvement in 2024 gross margin vs. 2023 reported figures. In absolute terms, this corresponds to gross profit of €99.3m for 2024e (vs €88.3m in 2023). On to operating expenses, considering our expectation for greater geographic diversification in the cards sales mix, we incorporate a small uptick in distribution costs in 2024e. We note that this mostly relates to volumes, as variations in freight rates are largely mitigated by ACAG's geographically diversified production network.

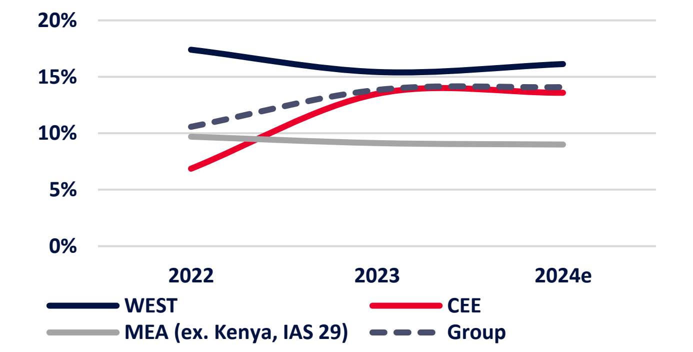
Considering the above and our expectation for greater mix contributions from digital solutions (i.e. document digitization, data analytics), our forecast for 2024e adj. EBITDA now stands at €55.7m (+10% yoy incl. the effect from IAS 29) on c0.3pps adj. margin accretion yoy (at 14.1%).

Below EBITDA, we model a moderate step-up in depreciation to reflect increased investment for product development, and elevated net financial expenses due to the higher-for-longer rates environment. We thus slightly lower our forecast for 2024e group PBT, now estimating c€28.5m (vs €30.9m before). This translates to 2024 net profit of c€21.1m, up by a commendable +34% yoy.

Gross margin & Adj. EBITDA margin evolution



Adj. EBITDA margin per segment

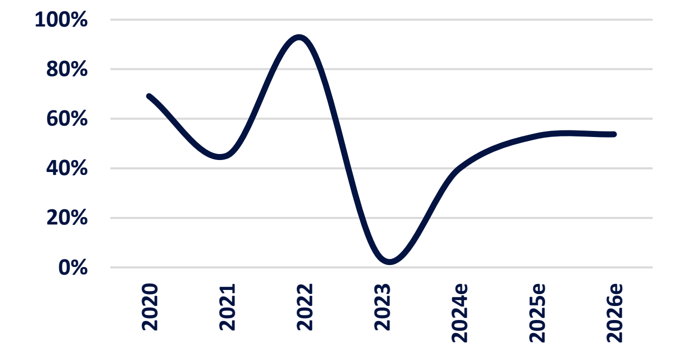


Source: Eurobank Equities Research, Company data.

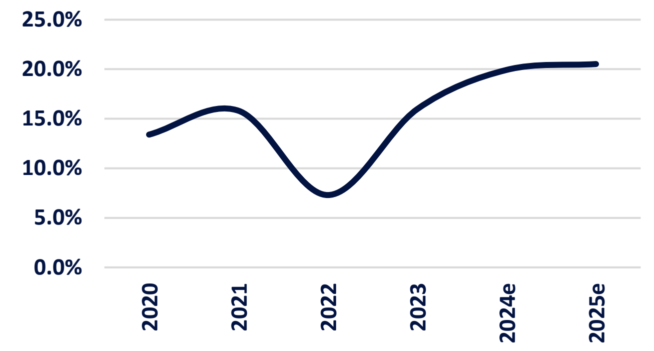
The combination of a diversified client base and long-duration card issuance contracts, bolstered by a 4-year card replacement cycle, improves visibility for future cash generation. OCF conversion hovered above 45% during 2020-22, quite healthy levels, but fell to <5% in 2023 as ACAG proceeded to stock-up, restating inventory to normal levels as supply chains normalized.

Looking ahead, we model rising cash conversion to c40% of EBITDA in 2024e and further improvement to c50% in 2025e, expecting inventories to revert to a steady state following the build-up in previous quarters. This will be driven by a stabilization of WC/sales near 20-21% (c16% in 2023).

OCF conversion (OCF/EBITDA)



WC as % of sales

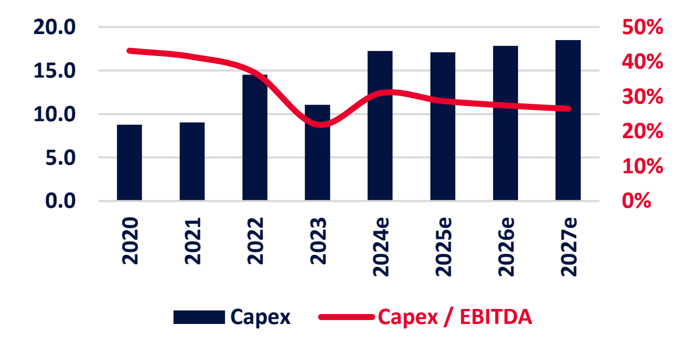


Source: Eurobank Equities Research, Company data.

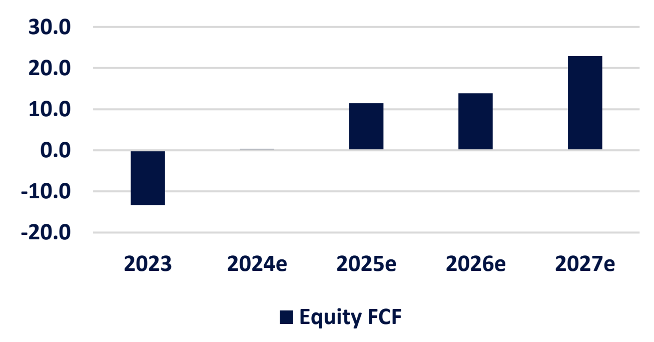
Austriacard has invested a total of c€43m into organic capex since 2020, equivalent to 1/3 of cumulative EBITDA for the period. Organic growth capex typically relates to investments targeted towards improving the card solutions portfolio (e.g. chip cards, contactless) or developing the group's digital solutions. Other major capex requirements include maintenance costs for card production/personalization facilities. Looking ahead, we anticipate slightly higher capex investment over 2024-27e compared to our previous numbers, factoring in spending to support growth, including that of the recently acquired LSTech.

We see FCF generation turning slightly positive in 2024e, as effects from operating growth will be more than enough to cover the acquisition of LSTech, the mildly higher capex requirements, and working capital investment as inventories normalize. Barring potential effects from M&A ahead, we expect ACAG to generate FCFE >€10m in the ensuing years.

Capex, in €m and Capex/EBITDA



Equity FCF, in €m

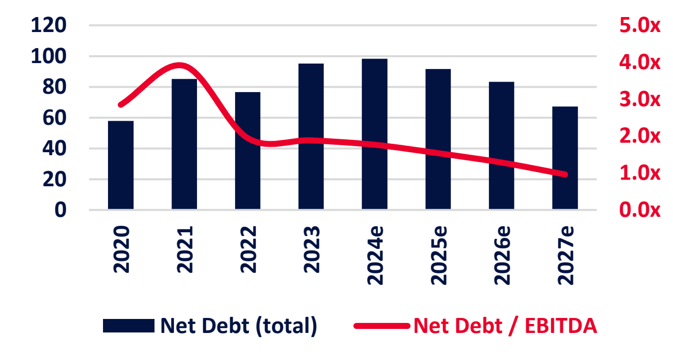


Source: Eurobank Equities Research, Company data.

The previous year's card chip inventory build-up led to a higher net debt position than we had anticipated in end 2023, at c€95m (vs EEe c€78m). Notably though, the increase in net debt was accompanied by similar growth in group EBITDA, which led 2023 net debt/EBITDA to remain little-changed yoy at c1.9x. On a relative basis, this still places ACAG at the lower end in terms of leverage compared to its broad peer group. In Q1'24, seasonality required further working capital being tied up in the business (inventory build-up), thus leading net debt to increase further to €103m.

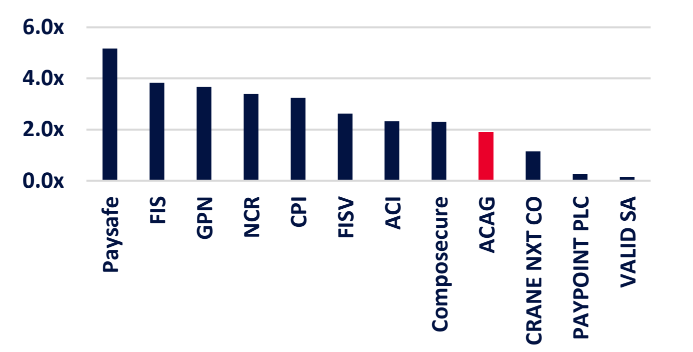
Looking ahead, we model a gradual de-escalation of net debt as FCF generation gathers pace, underpinned by the strong EBITDA growth. We thus envisage ACAG's net debt/EBITDA ratio falling to <1.5x by 2026e.

Net Debt (total) in €m and Net Debt/EBITDA



Source: Eurobank Equities Research, Company data.

Net Debt/EBITDA benchmark vs. broad peers (2023)



Source: Eurobank Equities Research, Bloomberg.

Group Financial Statements

EUR mn					
Group P&L	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Sales	**314.7**	**364.6**	**395.1**	**423.8**	**455.3**
Gross Profit	74.9	88.3	99.3	106.0	113.6
EBITDA (reported)	**31.2**	**47.5**	**54.5**	**59.5**	**64.9**
% change	*16.7%*	*52.3%*	*14.6%*	*9.3%*	*9.0%*
EBITDA margin	*9.9%*	*13.0%*	*13.8%*	*14.1%*	*14.3%*
EBIT - adjusted	**16.8**	**31.4**	**37.5**	**42.1**	**46.9**
Financial income (expense)	-8.5	-10.4	-9.0	-8.6	-8.0
Other income	0.1	0.1	0.0	0.0	0.0
PBT - reported	8.4	21.0	28.5	33.5	38.9
Income tax	-3.5	-4.2	-6.3	-7.4	-8.5
Non-controlling interest	-0.7	-1.0	-1.1	-1.2	-1.4
Net Profit - reported	**4.2**	**15.8**	**21.1**	**24.9**	**28.9**
EPS - adjusted (EUR)	**0.12**	**0.44**	**0.58**	**0.68**	**0.80**
DPS (EUR)	**0.05**	**0.10**	**0.13**	**0.15**	**0.18**
Group Cash Flow Statement	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Adj. EBITDA	39.4	50.4	55.7	59.5	64.9
Change in Working Capital	2.7	-35.3	-18.2	-12.0	-13.4
Net Interest	-1.6	-6.4	-6.3	-7.4	-8.5
Tax	-4.1	-7.4	-9.0	-8.6	-8.0
Other	-0.1	0.4	0.0	0.0	0.0
Operating Cash Flow	**36.3**	**1.8**	**22.1**	**31.6**	**34.9**
Capex	-14.5	-11.1	-17.2	-17.1	-17.8
Other investing	-6.0	-1.1	-1.6	0.0	0.0
Net Investing Cash Flow	**-20.5**	**-12.2**	**-18.8**	**-17.1**	**-17.8**
Dividends	0.0	-0.9	-3.6	-4.7	-5.6
Other (incl. capital repayment of leases)	-7.3	-7.1	-2.9	-3.0	-3.3
Net Debt (cash)	**76.6**	**95.0**	**98.3**	**91.5**	**83.3**
Free Cash Flow (adj.)	**12.0**	**-13.3**	**0.4**	**11.5**	**13.9**
Group Balance Sheet	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Tangible Assets	90.4	96.3	95.7	95.4	95.4
Intangible Assets	57.2	55.5	58.0	64.8	72.1
Other Long-term assets	6.2	5.0	4.3	4.3	4.3
Non-current Assets	**153.8**	**156.8**	**158.1**	**164.5**	**171.8**
Inventories	36.1	58.2	83.0	91.1	100.2
Trade Receivables	40.0	44.7	51.4	56.7	62.8
Other receivables	18.7	38.3	33.8	35.4	37.1
Cash & Equivalents	21.6	23.8	20.6	27.4	35.6
Current assets	**116.4**	**164.9**	**188.7**	**210.6**	**235.7**
Total Assets	**270.2**	**321.7**	**346.7**	**375.1**	**407.5**
Shareholder funds	69.2	106.4	123.9	144.1	167.5
Non-controlling interest	11.6	0.8	1.9	3.1	4.5
Total Equity	**80.8**	**107.2**	**125.8**	**147.2**	**171.9**
Long-term debt	62.0	91.5	91.5	91.5	91.5
Other long-term liabilities	27.9	23.7	23.7	23.7	23.7
Long Term Liabilities	**90.0**	**115.2**	**115.2**	**115.2**	**115.2**
Short-term debt	25.3	12.7	12.6	12.7	12.8
Trade Payables	57.8	62.0	66.4	71.9	78.0
Other current liabilities	16.4	24.7	26.7	28.1	29.6
Current liabilities	**99.4**	**99.3**	**105.8**	**112.7**	**120.4**
Equity & Liabilities	**270.2**	**321.7**	**346.7**	**375.1**	**407.5**
Key Financial Ratios	**2022**	**2023**	**2024e**	**2025e**	**2026e**
P/E	54.4x	14.8x	10.0x	8.5x	7.3x
P/BV	3.3x	2.2x	1.7x	1.5x	1.3x
EV/EBITDA	8.0x	6.5x	5.6x	5.1x	4.6x
EBIT/Interest expense	2.0x	2.9x	3.9x	4.7x	5.6x
Net Debt (cash)/EBITDA	1.9x	1.9x	1.8x	1.5x	1.3x
Dividend Yield	0.4%	1.6%	2.2%	2.7%	3.2%
ROE	27.0%	35.8%	32.6%	31.4%	30.1%
Free Cash Flow yield	5.3%	-5.7%	0.2%	5.4%	6.6%
Payout Ratio	21.8%	23.0%	22.0%	22.5%	23.0%

Source: Eurobank Equities Research.

Company description

ACAG is a leading provider of smart cards, personalization and payment solutions, as well as secure data management and digitization services. The group is the result of the cross-border merger of two entities, namely the previously non-listed parent holding company ACAG and its c71% previous Greek-listed subsidiary Inform Lykos S.A., with the latter having a long track record spanning 125 years.

Risks and sensitivities

•**Macro:** ACAG's card business is to an extent dependent on consumer credit trends and the macroeconomic environment. In that regard, there is a downside risk to our estimates under a weaker macro scenario, especially if tighter credit standards lead to slower card volume growth.

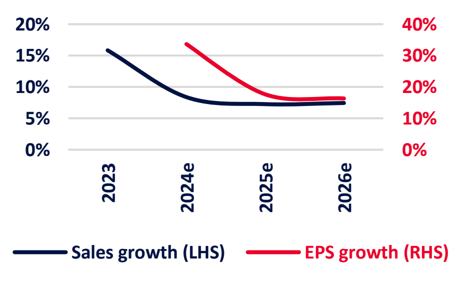
•**Industry competition:** The payment card market is quite competitive, with providers competing on the basis of quality, design, production capacity and price. That said, there are significant barriers to entry for new players, especially as far as the breadth of service offerings and the technical expertise are concerned.

•**Card replacement cycle:** A longer-than-usual replacement card cycle (normally 4 years) would result in lower demand for the issuance of cards, thus weighing on group numbers.

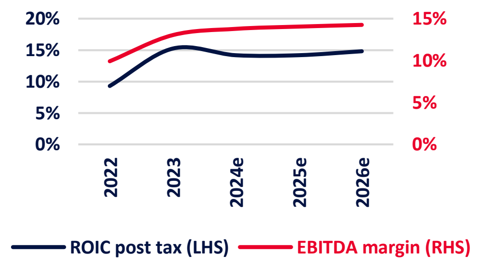
•**Tech advancements:** The fast pace and constant evolution of the industry gives rise to risks for the business model of card printing businesses, since enhanced card capabilities (e.g. near field communication for contactless payments, biometric cards, eco-friendly products etc.) are important in driving future revenue growth.

•**Sensitivity:** We estimate that a 1% change in revenue results in a 3% change in EBITDA.

Sales and EPS growth



Profitability and returns



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Authorisation No: 6/149/12.1.1999
VAT No: 094543092, Reg. No. 003214701000

10 Filellinon Street
105 57 Athens, Greece

Telephone: +30 210-3720 000
Facsimile: +30 210-3720 001
Website: www.eurobankequities.gr
E-mail: research@eurobankequities.gr

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This report has been submitted to Austriacard Holdings for review prior to its publication. Some changes have been made by Eurobank Equities S.A. to this report as a result of the review from Austriacard Holdings.

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This report has been written by Stamatios Draziotis, CFA and Marios Bourazanis (Equity Analysts).

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12-month Rating History of Austriacard Holdings

Date	Rating	Stock price	Target price
05/06/2024	Not Rated	€ 5.80	-
22/01/2024	Not Rated	€ 6.00	-
21/11/2023	Not Rated	€ 6.05	-

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients		Other Material Investment Services Clients (MISC) - as of Apr 15	
	Count	Total	Count	Total	Count	Total
Buy	24	71%	3	13%	10	48%
Hold	2	6%	0	0%	1	50%
Sell	0	0%	0	0%	0	0%
Restricted	1	3%	0	0%	1	100%
Under Review	2	6%	1	50%	2	100%
Not Rated	5	15%	2	40%	3	60%
Total	34	100%				

Coverage Universe: A summary of historic ratings for our coverage universe in the last 12 months is available here.

Analyst Stock Ratings:

Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
Sell:	Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
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Under Review:	Our estimates, target price and recommendation are currently under review
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