



## Penser Access by Carnegie

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# Sensys Gatso Group

## Healthy growth, with good operational leverage

### Solid report across the board

Sensys Gatso Group (SGG) reported solid Q2'24 results in all respects. Order intake expanded by 37% Y/Y to SEK418m. The key TRaaS business, which drives recurring revenues and should provide space for future margin expansion through software investment scaling effects, accounted for SEK276m or 61% of the order intake. One thing that stood out was the signing of a contract worth SEK73m in Connecticut in the US, which has recently approved automatic traffic surveillance. The robust report and that SGG has maintained guidance for 2025 net sales of SEK1bn, with an EBITDA margin of 15%, should provide a solid foundation for increased confidence in the company and the share.

### Healthy sales growth with good operational leverage

Sales increased by 26% Y/Y, thanks to significant growth in systems of 32% to SEK119m. Revenues in Managed services were marginally higher Y/Y, meaning the solid order intake from TRaaS has still not started to be invoiced. Only SEK100m (or 9%) of the large contracts in Sweden and the Netherlands (SEK1.25bn combined) have been invoiced. Overall, this suggests that growth in these areas will be robust in the future. EBITDA was up 28% Y/Y to SEK25m (SEK19m in Q2'23), implying good operational leverage. The company has thus achieved solid growth with good cost control, which suggests that the sales growth we anticipate should lead to considerably better results during our forecast period. Cash flow was negative at SEK-60m in Q2 and SEK-30m in H1, as the healthy order intake requires capital for the company to handle future deliveries.

### Marginal forecast changes and unchanged fair value

The healthy performance in Q2'24 prompts us to raise our estimates for 2024. We adjust our model to account for a somewhat lower gross margin, but we also trim estimates for operating expenses, which have stabilised in recent quarters, despite the solid sales growth. We forecast slightly lower revenues for 2025–2026, partly affected by FX. Our DCF-based fair value is unchanged at SEK80–100 per share.

Change in estimates				Forecasts (SEKm)				Value and risk			
	24e	25e	26e		2023	2024e	2025e	2026e	Fair value	SEK80.0 - 100	
Total Revenues	2.1%	-1.9%	-1.7%	Total Revenues	624	732	1,054	1,153	Share price	SEK72.7	
EBIT, adj.	7.6%	-7.3%	-2.4%	Revenue growth	26%	17%	44%	9%	Risk level	Medium	
EPS, adj.	8.2%	-7.7%	-2.6%	EBITDA, adj.	85	105	158	179	<b>Price performance 12 months</b>		
<b>Upcoming events</b>				EBIT, adj.	39	61	106	127			
Q2 - report	15 November 2024			EPS, adj.	1.3	3.6	6.7	8.1			
Q4 - report	28 February 2025			EPS growth, adj.	-28%	186%	88%	20%			
<b>Company facts (SEKm)</b>				BV/share	55.2	58.7	65.5	73.6			
Number of shares	12m			EBIT-marg. adj.	6.3%	8.3%	10.1%	11.0%			
Market capitalisation	838			ROE, adj.	2.3%	6.3%	10.9%	11.7%			
Net debt	148			ROCE, adj.	5.3%	7.4%	11.9%	12.9%			
EV	986			EV/Sales	1.6x	1.3x	0.9x	0.9x			
Free float	82%			EV/EBITDA	11.5x	9.4x	6.2x	5.5x			
Daily trading volume, average	12k			EV/EBIT	25.1x	16.2x	9.3x	7.8x			
Bloomberg Ticker	SENS SS EQUITY			P/E, adj.	57.8x	20.2x	10.8x	8.9x	<b>Conflicts of interest</b>		
<b>Analyst</b>				P/BV	1.3x	1.2x	1.1x	1.0x			
Örjan Rödén				FCF yield	Neg.	Neg.	3%	9%			
orjan.rodén@carnegie.se				Net debt / EBITDA	1.3x	1.4x	0.7x	0.3x			
										Yes	No
										Liquidity provider	✓
										Certified adviser	✓
										Transactions 12m	✓

## Investment case

### Higher share of recurring revenues

Sensys Gatso is focusing on a higher share of recurring revenues from TRaaS (traffic enforcement as a service), which implies more revenue stability. Its goal is for TRaaS to account for more than 60% of turnover by 2025. We expect the company to achieve this and for its annual growth in recurring revenues to surpass 20% in the coming five years.

### TRaaS – future revenue source in the public sector

TRaaS represents increased revenues for public entities without having to invest capital or increase current operating costs. Sensys Gatso undertakes the entire operational and investment responsibility and shares the revenues with clients. TRaaS will thus allow a higher share of public spending by clients, while also reducing the costs of traffic injuries and mortality.

### Greater geographical presence

Sensys Gatso is growing a broad geographical footprint, including in North and South America and the Middle East. The need for traffic control in these markets is extensive. There is also great openness towards the TRaaS model compared with Scandinavia, for example. This allows for a higher share of TRaaS revenues over time. The potential is most prominent in the US.

### High tech content suggests greater value creation

At first glance, Sensys Gatso appears to be a company with low tech content: traffic cameras are not, by definition, an advanced technology. But in reality, its tech content is growing as peripheral services around the surveillance itself increase. This ensures greater profitability and more consistent sales in the future.

### Focus on traffic safety, a better environment, and lower energy use creates favourable growth conditions

Society's efforts towards greater sustainability offer superb opportunities for future demand. The strongest driver of this is the focus on improved traffic safety to save lives and reduce injuries, which, as well as minimising suffering, also saves considerable societal resources. Lower speeds thanks to traffic control also lead to reduced emissions, which is positive for health and the environment, helping to reduce energy consumption.

## Company profile

Sensys Gatso is the result of a 2015 merger between Sweden's Sensys and Gatso of the Netherlands. The company sells traffic safety products and services to various public players. Examples of its products include speed cameras and traffic lights. Sensys Gatso has also developed software that can automate the entire process of fines for traffic offences. A typical example is a speed camera that photographs the speeding driver, with the vehicle's owner identified with the help of Sensys Gatso's software and the fine then issued by the system. Sensys Gatso can also manage the financial aspects of the fines.

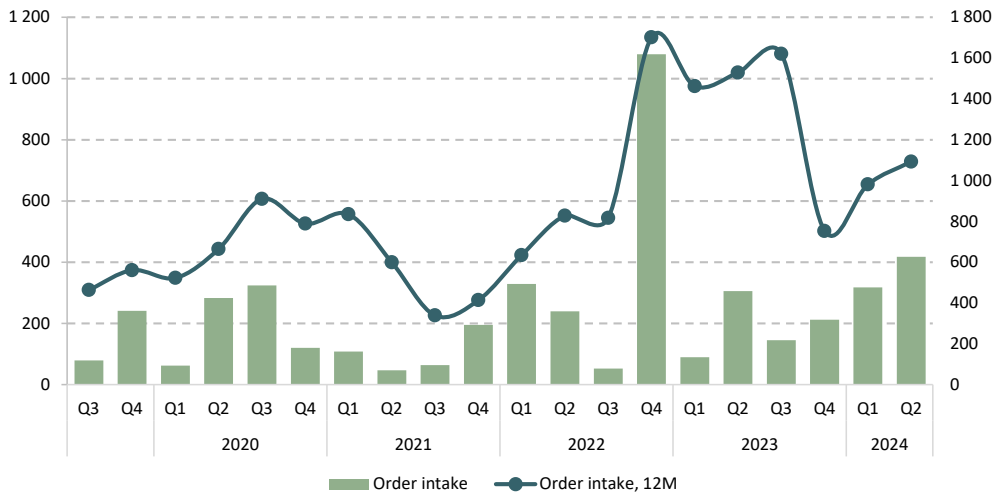
## Valuation

We value Sensys Gatso using a DCF model, including WACC of 12%, a sustainable operating margin of 13%, and long-term growth of 3%. This suggests a DCF value of SEK84 per share. We believe the company will achieve its 2025 target and continue its growth thereafter. A greater share of revenues from software overall, and TRaaS in particular, would ensure higher margins in the long term than before.

## Brief overview of the quarter

Sensys Gatso Group (SGG) reported solid Q2(24) results in all respects. Order intake expanded by 37% Y/Y to SEK418m.

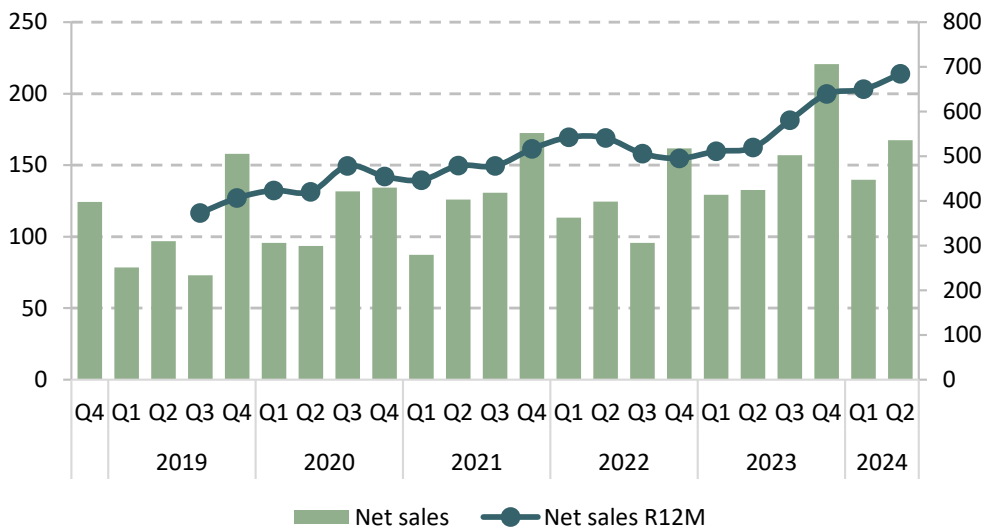
Exhibit 1: Order intake, quarterly and 12M



Source: Company data, Penser by Carnegie

The key TRaaS business, which drives recurring revenues and should provide space for future margin expansion through software investment scaling effects, accounted for SEK276m or 61% of the order intake. One thing that stood out was the signing of a contract worth SEK73m in Connecticut in the US, which has recently approved automatic traffic surveillance.

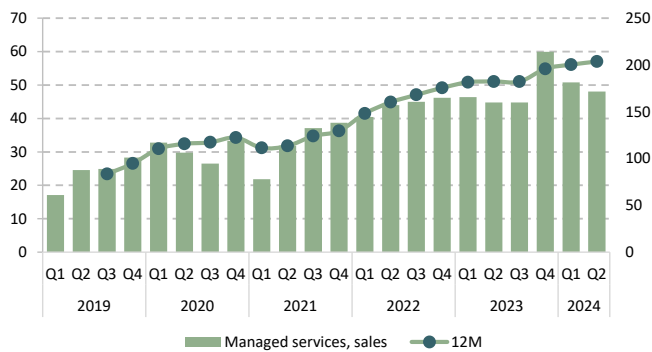
Exhibit 2: Net sales, quarterly and 12M



Source: Company data, Penser by Carnegie

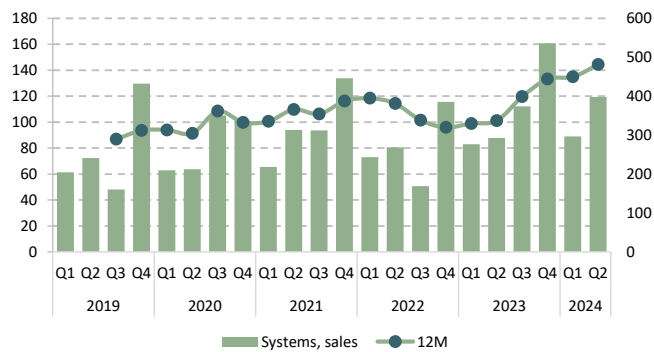
Net sales expanded by 26% Y/Y, owing to significant growth in systems of 32% to SEK119m. Revenues in operator services were marginally higher Y/Y, meaning the solid order intake from TRaaS has still not started to be invoiced.

Exhibit 3: Managed services, sales quarterly and 12M



Source: Company data, Penser by Carnegie

Exhibit 4: Systems, sales quarterly and 12M

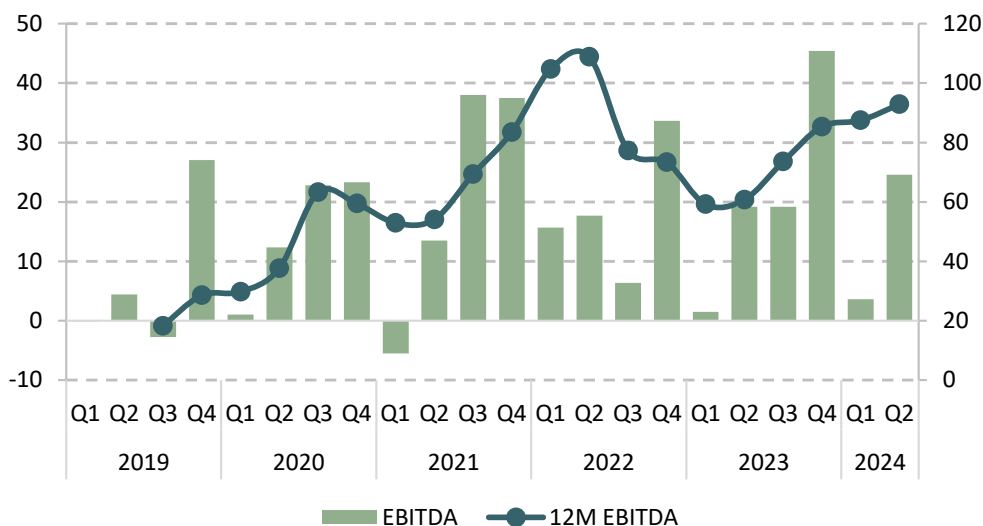


Source: Company data, Penser by Carnegie

Only SEK100m (or 9%) of the large contracts in Sweden and the Netherlands (SEK1.25bn combined) have been invoiced. Overall, this suggests that growth in these areas will be robust in the future.

EBITDA was up 28% Y/Y to SEK25m (SEK19m in Q2(23)), implying good operational leverage. The company has thus achieved solid growth with good cost control, which suggests that the sales growth we anticipate should lead to considerably better results during our forecast period.

Exhibit 5: EBITDA, quarterly and 12M



Source: Company data, Penser by Carnegie

Cash flow was negative at SEK-60m in Q2 and SEK-30m in H1, as the healthy order intake requires capital for the company to handle future deliveries.

## Forecast adjustments and valuation

The healthy performance in Q2(24) prompts us to raise our estimates for 2024. We adjust our model to account for the somewhat lower gross margin, but we also trim estimates for operating expenses, which have stabilised in recent quarters, despite the solid sales growth. We forecast slightly lower revenues for 2025–2026 partly affected by FX, which also impacts our EBIT and EPS estimates.

### Exhibit 6: Estimate changes

	24e	25e	26e
Total Revenues	2.1%	-1.9%	-1.7%
EBIT, adj.	7.6%	-7.3%	-2.4%
EPS, adj.	8.2%	-7.7%	-2.6%

Source: Penser by Carnegie

Our DCF-based fair value is unchanged at SEK80–100 per share.

### Exhibit 7: DCF, summary

Valuation output		WACC assumptions		Terminal value assumptions	
Sum of PV of FCF (explicit period)	512	Risk free nominal rate	2,5%	Long term growth rate	3,0%
PV of terminal value (perpetuity formula)	607	Risk premium	5,5%	Long term EBIT margin	13,0%
<b>Enterprise value</b>	<b>1 119</b>	Extra risk premium	4,0%	Depreciation (% of sales)	6,0%
Latest net debt	148	Beta	0,0	Capex (% of sales)	6,0%
Minority interests & other	0	<b>WACC</b>	<b>12,0%</b>	Working cap. (% of sales)	1,8%
<b>Equity value</b>	<b>971</b>			Tax rate	20%
No. of shares outstanding (millions)	12				
<b>Equity value per share</b>	<b>84</b>				

Source: Company data, Penser by Carnegie

### Exhibit 8: DCF, sensitivity analysis

		Long-term growth rate					Long-term EBIT margin						
		1,0%	2,0%	3,0%	4,0%	5,0%			8,0%	10,5%	13,0%	15,5%	18,0%
WACC	11,0%	85	91	98	108	120	WACC	11,0%	49	74	98	123	147
	11,5%	80	85	91	99	109		11,5%	45	68	91	114	136
	12,0%	75	79	84	91	99		12,0%	42	63	84	106	127
	12,5%	70	74	78	84	91		12,5%	39	58	78	98	118
	13,0%	66	69	73	78	84		13,0%	36	54	73	92	110

Source: Company data, Penser by Carnegie

Income statement								
	2019	2020	2021	2022	2023	2024e	2025e	2026e
<b>Net sales</b>	<b>406</b>	<b>455</b>	<b>507</b>	<b>495</b>	<b>624</b>	<b>732</b>	<b>1,054</b>	<b>1,153</b>
Cost of goods sold	-208	-244	-274	-270	-371	-436	-627	-686
<b>Gross profit</b>	<b>198</b>	<b>210</b>	<b>233</b>	<b>225</b>	<b>253</b>	<b>297</b>	<b>427</b>	<b>467</b>
Other Operating Expenses	-169	-151	-150	-152	-167	-192	-269	-288
<b>EBITDA</b>	<b>29</b>	<b>59</b>	<b>84</b>	<b>73</b>	<b>85</b>	<b>105</b>	<b>158</b>	<b>179</b>
<b>EBITDA, adjusted</b>	<b>29</b>	<b>59</b>	<b>84</b>	<b>73</b>	<b>85</b>	<b>105</b>	<b>158</b>	<b>179</b>
Depreciation	-53	-49	-38	-43	-46	-44	-52	-52
<b>EBITA, adjusted</b>	<b>-24</b>	<b>11</b>	<b>46</b>	<b>31</b>	<b>39</b>	<b>61</b>	<b>106</b>	<b>127</b>
<b>EBIT</b>	<b>-24</b>	<b>11</b>	<b>46</b>	<b>31</b>	<b>39</b>	<b>61</b>	<b>106</b>	<b>127</b>
<b>EBIT, adjusted</b>	<b>-24</b>	<b>11</b>	<b>46</b>	<b>31</b>	<b>39</b>	<b>61</b>	<b>106</b>	<b>127</b>
Net Financial Items	-3	-8	1	2	-15	-5	-5	-5
<b>Profit before tax</b>	<b>-28</b>	<b>2</b>	<b>47</b>	<b>33</b>	<b>25</b>	<b>56</b>	<b>101</b>	<b>122</b>
<b>Profit before tax, adjusted</b>	<b>-28</b>	<b>2</b>	<b>47</b>	<b>33</b>	<b>25</b>	<b>56</b>	<b>101</b>	<b>122</b>
Taxes	12	1	-12	-13	-10	-14	-23	-28
<b>Net income</b>	<b>-15</b>	<b>4</b>	<b>35</b>	<b>20</b>	<b>14</b>	<b>41</b>	<b>78</b>	<b>94</b>
<b>Net income, adjusted</b>	<b>-15</b>	<b>4</b>	<b>35</b>	<b>20</b>	<b>14</b>	<b>41</b>	<b>78</b>	<b>94</b>
<i>Sales Growth</i>	<i>Neg.</i>	<i>12%</i>	<i>11%</i>	<i>-2%</i>	<i>26%</i>	<i>17%</i>	<i>44%</i>	<i>9%</i>
<i>Gross Margin</i>	<i>48.7%</i>	<i>46.3%</i>	<i>46.0%</i>	<i>45.5%</i>	<i>40.5%</i>	<i>40.5%</i>	<i>40.5%</i>	<i>40.5%</i>
<i>EBIT Margin, Adjusted</i>	<i>Neg.</i>	<i>2.4%</i>	<i>9.1%</i>	<i>6.2%</i>	<i>6.3%</i>	<i>8.3%</i>	<i>10.1%</i>	<i>11.0%</i>
<i>EPS, Adjusted</i>	<i>-1.41</i>	<i>0.36</i>	<i>3.04</i>	<i>1.74</i>	<i>1.26</i>	<i>3.60</i>	<i>6.75</i>	<i>8.12</i>
<i>EPS Growth, Adjusted</i>	<i>N.m.</i>	<i>N.m.</i>	<i>N.m.</i>	<i>-43%</i>	<i>-28%</i>	<i>186%</i>	<i>88%</i>	<i>20%</i>

Source: Sensys Gatso Group, Penser by Carnegie

Cash flow statement								
	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBIT	-24	11	46	31	39	61	106	127
Other Cash flow Items	56	47	24	30	45	32	35	33
Changes in working capital	-36	-42	-61	64	-103	-43	-41	-12
<b>Cash flow from operating activities</b>	<b>-4</b>	<b>15</b>	<b>9</b>	<b>126</b>	<b>-18</b>	<b>50</b>	<b>100</b>	<b>147</b>
Investments in Fixed Assets	-41	-19	-24	-19	-83	-50	-50	-50
Investments in intangible fixed assets	-4	-14	-18	-26	-20	-35	-25	-25
<b>Cash flow from Investments</b>	<b>-45</b>	<b>-33</b>	<b>-42</b>	<b>-45</b>	<b>-103</b>	<b>-85</b>	<b>-75</b>	<b>-75</b>
<b>Free cash flow</b>	<b>-49</b>	<b>-18</b>	<b>-33</b>	<b>81</b>	<b>-121</b>	<b>-35</b>	<b>25</b>	<b>72</b>
New share issue / repurchase	0	71	0	0	0	0	0	0
Other items	24	2	-4	-55	71	20	0	0
<b>Cash flow from financing</b>	<b>24</b>	<b>73</b>	<b>-4</b>	<b>-55</b>	<b>71</b>	<b>20</b>	<b>0</b>	<b>0</b>
<b>Cash flow</b>	<b>-25</b>	<b>55</b>	<b>-36</b>	<b>25</b>	<b>-50</b>	<b>-15</b>	<b>25</b>	<b>72</b>
<b>Net debt</b>	<b>77</b>	<b>10</b>	<b>44</b>	<b>-24</b>	<b>109</b>	<b>144</b>	<b>118</b>	<b>46</b>

Source: Sensys Gatso Group, Penser by Carnegie

## Balance sheet

	2019	2020	2021	2022	2023	2024e	2025e	2026e
<b>ASSETS</b>								
Goodwill	257	242	251	277	273	273	273	273
Other intangible assets	53	47	57	69	88	101	100	99
Tangible fixed assets	101	86	92	105	128	156	180	204
Financial assets	0	0	0	0	9	9	9	9
Other fixed assets	45	40	36	40	35	28	17	3
<b>Total fixed assets</b>	<b>457</b>	<b>416</b>	<b>436</b>	<b>491</b>	<b>533</b>	<b>567</b>	<b>579</b>	<b>588</b>
Inventories	87	127	97	85	100	117	158	196
Accounts receivable	75	68	141	67	182	212	211	231
Other current assets	35	47	51	85	99	117	169	184
Cash and cash equivalents	52	108	72	100	49	33	59	131
<b>Total current assets</b>	<b>249</b>	<b>351</b>	<b>361</b>	<b>337</b>	<b>430</b>	<b>480</b>	<b>596</b>	<b>742</b>
<b>TOTAL ASSETS</b>	<b>706</b>	<b>767</b>	<b>797</b>	<b>828</b>	<b>964</b>	<b>1,048</b>	<b>1,175</b>	<b>1,330</b>
<b>EQUITY AND LIABILITIES</b>								
Equity	450	517	561	626	636	677	755	849
Minority interest	-1	-2	0	0	0	0	0	0
<b>Total equity</b>	<b>449</b>	<b>515</b>	<b>562</b>	<b>626</b>	<b>636</b>	<b>677</b>	<b>755</b>	<b>849</b>
Long-term interest-bearing liabilities	39	37	44	44	71	71	71	71
Long-term lease liabilities	23	19	14	12	12	12	12	12
Other long-term liabilities	14	9	7	19	20	20	20	20
<b>Total long-term liabilities</b>	<b>77</b>	<b>66</b>	<b>65</b>	<b>75</b>	<b>103</b>	<b>103</b>	<b>103</b>	<b>103</b>
Short-term interest-bearing liabilities	57	53	50	9	64	84	84	84
Accounts payable	47	62	37	20	55	73	105	115
Short-term lease liabilities	10	9	9	10	10	10	10	10
Other current liabilities	66	63	75	87	96	100	117	169
<b>Total current liabilities</b>	<b>180</b>	<b>187</b>	<b>170</b>	<b>127</b>	<b>225</b>	<b>267</b>	<b>317</b>	<b>378</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>706</b>	<b>767</b>	<b>797</b>	<b>828</b>	<b>964</b>	<b>1,048</b>	<b>1,175</b>	<b>1,330</b>

Source: Sensys Gatso Group, Penser by Carnegie

## Growth and margins

	2019	2020	2021	2022	2023	2024e	2025e	2026e
Revenue growth	Neg.	12%	11%	-2%	26%	17%	44%	9%
EBITDA growth, adjusted	Neg.	108%	40%	-12%	16%	23%	51%	13%
EBIT growth, adjusted	Neg.	Neg.	324%	-33%	27%	55%	75%	19%
EPS growth, adjusted	N.m.	N.m.	N.m.	-43%	-28%	186%	88%	20%
Gross margin	48.7%	46.3%	46.0%	45.5%	40.5%	40.5%	40.5%	40.5%
EBITDA margin	7.0%	13.1%	16.5%	14.8%	13.7%	14.3%	15.0%	15.5%
EBITDA margin, adjusted	7.0%	13.1%	16.5%	14.8%	13.7%	14.3%	15.0%	15.5%
EBIT margin	Neg.	2.4%	9.1%	6.2%	6.3%	8.3%	10.1%	11.0%
EBIT margin, adjusted	Neg.	2.4%	9.1%	6.2%	6.3%	8.3%	10.1%	11.0%
Profit margin, adjusted	Neg.	0.9%	6.9%	4.0%	2.3%	5.7%	7.4%	8.1%

Source: Sensys Gatso Group, Penser by Carnegie

## Return

	2019	2020	2021	2022	2023	2024e	2025e	2026e
ROE, adjusted	Neg.	1%	7%	3%	2%	6%	11%	12%
ROCE, adjusted	Neg.	2%	7%	4%	5%	7%	12%	13%
ROIC, adjusted	Neg.	2%	8%	5%	6%	8%	13%	14%

Source: Sensys Gatso Group, Penser by Carnegie

### Capital efficiency

	2019	2020	2021	2022	2023	2024e	2025e	2026e
Inventory / total revenue	21%	28%	19%	17%	16%	16%	15%	17%
Accounts receivable / total revenue	19%	15%	28%	14%	29%	29%	20%	20%
Accounts payable / COGS	23%	26%	14%	8%	15%	17%	17%	17%
Total short-term liabilities / total cost	48%	47%	40%	30%	42%	43%	35%	39%
Working capital / total revenue	21%	26%	35%	26%	37%	37%	30%	28%
Capital turnover rate	0.7x	0.7x	0.7x	0.7x	0.8x	0.9x	1.1x	1.1x

Source: Sensys Gatso Group, Penser by Carnegie

### Financial position

	2019	2020	2021	2022	2023	2024e	2025e	2026e
Net debt	77	10	44	-24	109	144	118	46
Equity ratio	64%	67%	70%	76%	66%	65%	64%	64%
Net debt / EBITDA	2.7x	0.2x	0.5x	-0.3x	1.3x	1.4x	0.7x	0.3x

Source: Sensys Gatso Group, Penser by Carnegie

### Per share data

	2019	2020	2021	2022	2023	2024e	2025e	2026e
EPS	-1.41	0.36	3.04	1.74	1.26	3.60	6.75	8.12
EPS, adjusted	-1.41	0.36	3.04	1.74	1.26	3.60	6.75	8.12
FCF per share	-4.53	-1.60	-2.85	6.99	-10.5	-3.06	2.20	6.28
Book value per share	41.8	46.8	48.8	54.4	55.2	58.7	65.5	73.6
Number of shares, m	10.8	11.0	11.5	11.5	11.5	11.5	11.5	11.5
Number of shares after dilution, average	10.8	11.0	11.5	11.5	11.5	11.5	11.5	11.5

Source: Sensys Gatso Group, Penser by Carnegie

### Valuation

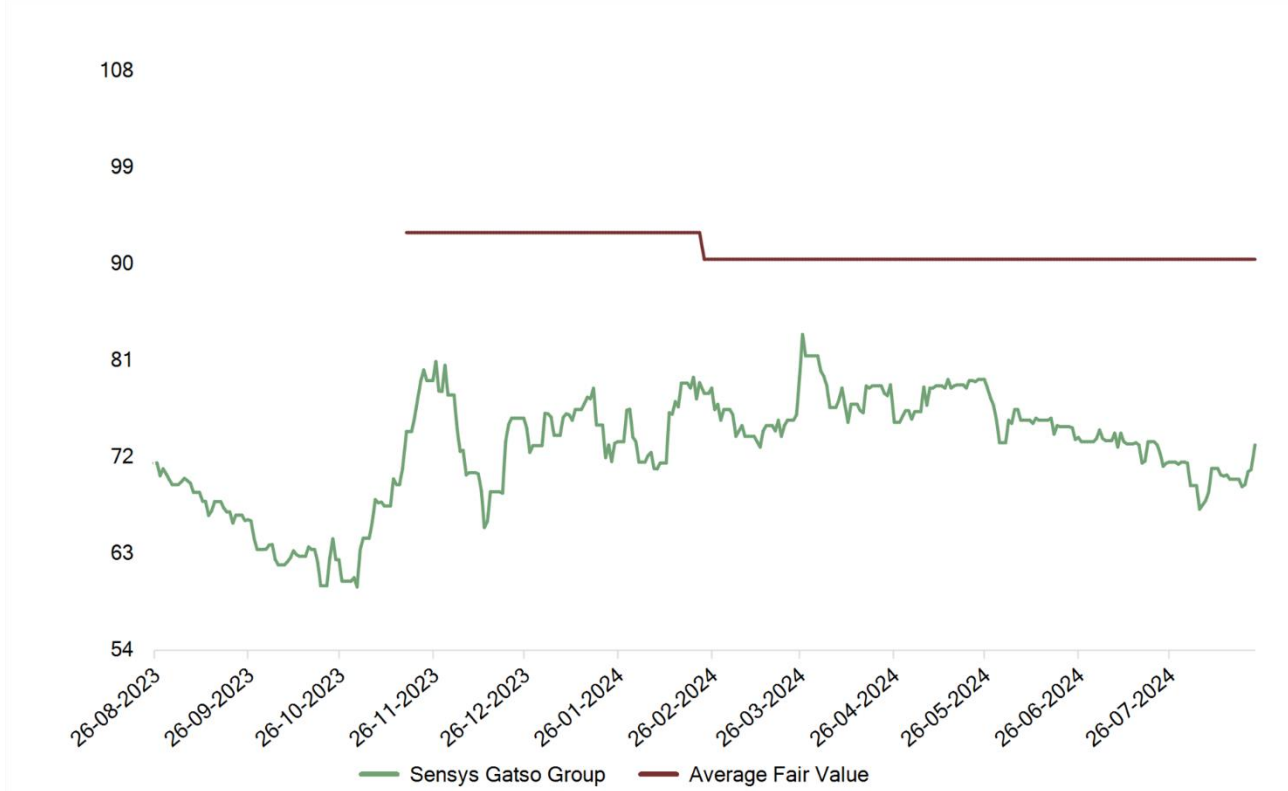
	2019	2020	2021	2022	2023	2024e	2025e	2026e
P/E, adjusted	Neg.	100x	25.2x	45.9x	57.8x	20.2x	10.8x	8.9x
P/BV	2.6x	2.9x	1.6x	1.5x	1.3x	1.2x	1.1x	1.0x
P/FCF	Neg.	Neg.	Neg.	11.4x	Neg.	Neg.	33.0x	11.6x
FCF-yield	Neg.	Neg.	Neg.	9%	Neg.	Neg.	3%	9%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Payout ratio, adjusted	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Sales	3.1x	3.3x	1.8x	1.8x	1.6x	1.3x	0.9x	0.9x
EV/EBITDA, adjusted	43.6x	24.9x	11.1x	12.2x	11.7x	9.4x	6.2x	5.5x
EV/EBIT, adjusted	Neg.	100x	20.2x	29.0x	25.3x	16.2x	9.3x	7.8x
EV	1,245	1,480	925	895	996	986	986	986
Share price, year end	109	134	76.5	79.8	72.6	72.7	72.7	72.7

Source: Sensys Gatso Group, Penser by Carnegie



## Share Price and Average Fair Value Chart

Sensys Gatso Group (SENS SS EQUITY)



Source: Penser by Carnegie, IDC

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