



Business UPDATE

THE FUTURE OF MOBILITY

INTERVIEW Dr. Gottfried Greschner, CEO; Dr. Jürgen Greschner, CSO; Joachim Becker, COO; Matthias Kühn, COO and Bernhard Smolka, CFO

2016 was a year full of far-reaching changes. What was the most important development at init for you?

DR. GOTTFRIED GRESCHNER: The most important change for us was that at a single stroke we became the leading provider for e-ticketing in the US. We were awarded major contracts in this area of business, such as the ones in Tampa, Florida and Honolulu, Hawaii. Another important development in this connection, of course, was that after two weak years we also returned to an outstanding level of incoming orders in 2016. In addition, we strengthened our hand

in the e-ticketing business through the acquisition of a 26 per cent stake in Bytemark, a provider of ticketing apps for smartphones with whom we have had a longstanding working relationship in the US, and through the complete acquisition of HanseCom Public Transport Ticketing Solutions GmbH. HanseCom manages a large part of the fares for German public transport services and has numerous customers in the area of mobile phone ticketing. This area grew by 40 per cent last year. We are hoping for considerable international growth, too, in this respect.

There were some far-reaching political changes in 2016, particularly in the US. Suddenly protectionism is back on the agenda and a worry for many. How do you see these changes in relation to init?

DR. GOTTFRIED GRESCHNER: init has been producing in the US for years because “Buy America” has always applied there. We do not see anything changing in this regard with the new administration. In fact, we may be able to improve our prospects, since providers that do not currently produce in the US to the extent we do, might face difficulties.

Issues like digitisation, big data and Industry 4.0 have shaped public debate this year. How have you felt this in your business?

DR. GOTTFRIED GRESCHNER: All at once we have seen a much greater readiness on the part of our customers to take on board new solutions. For that reason we have also stepped up our research efforts considerably. For instance, we are taking part in a research project concerned with electromobility. Our job in this regard is to optimise planning for transport providers in real time so that buses can be charged efficiently and do not end up stranded somewhere. Another issue is the automatic recognition of and reaction to security critical incidents at stops and in vehicles.

In many markets digitisation is bringing new competitors into play. Is this a trend you see in the market for transport telematics?

DR. GOTTFRIED GRESCHNER: Of course there are new, small-scale providers that are trying to gain a foothold in this market. We have responded to this by expanding our range of products and services accordingly. For instance, we have accommodated a need on the part of our customers to award contracts for technical operations or parts thereof to partners like init. We are already doing this in Luxembourg and we expect to be doing the same in several other cities around the world in the near future. This is an exciting trend because the scale of the work over a number of years means that the order volume for the original investment is actually often exceeded. We have adapted our internal structures with this line of business in mind and we have created a department out of two teams which primarily operates the hotline for our customers but also ensures the smooth operation and maintenance of the systems. This, I believe, is the right way to guarantee an optimal service on the part of and for our customers.

Looking ahead over the next few years, what is the most important technological development for you?

DR. GOTTFRIED GRESCHNER: Digitisation. Previously we had to persuade our customers that digital solutions would benefit them. Nowadays, customers are asking us for them and in particular they want to simplify their IT environment. Here is an example: A customer currently has ticket machines from a competitor, the control system comes from init, while the customer bought its ticketing system and an app for it from someone else. Data must be fed to all

At init, you set your course for the integration of data – also via different transport systems – at an early stage. Was that also one of the motivations for your acquisitions?

In 2016 you invested a great deal in the development of new technologies. That impacted on your margin. How do you see things proceeding in this regard?

That does place a fair amount of hope in the future. How do you see the performance of init's share price against this backdrop?

these systems. That is a lot of effort. We have always offered integrated solutions in this area. There needs to be a centralised data hub that feeds data to all systems and that they can all use in real time. This is the only way to ensure that all data are consistent. That is the key to enabling transport companies to be more competitive in the future. And we are well set up in this area. In Germany, in the US and in the UK we have already carried out major projects and others are in progress. This means that we are in a very good position for further growth, and we seek to be here the leading provider.

DR. GOTTFRIED GRESCHNER: Yes, in this way we were able to enhance our product range in a focused way. Nowadays, an integrated solution also includes ticketing systems, or what are called ID-based systems, with which other ordering and payment systems can be connected up. We can even imagine integrating all the different payment systems for mobility in a city. This begins with the use of an autonomous bus or car sharing as the feeder, moves on via the tram and finishes with the hiring of a bicycle. All of this can be planned, optimised and charged accordingly using our system.

DR. GOTTFRIED GRESCHNER: In 2017, too, the margin can definitely not be as good as it has been in the past in view of increased research expenditure and the adoption of new technologies. However, the margin remains appropriate. I expect that with a considerable increase in revenues in 2018, it will also be possible to return to a better margin. The high level of investment will then pay off.

DR. GOTTFRIED GRESCHNER: I am disappointed with how the share price has performed in comparison with our competitors. There is much more imagination in the US market. A major group to which a competitor in the US belongs, for instance, has a P/E ratio of over 60. It is not clear to me why the P/E ratio of init innovation in traffic systems SE should be so much lower. —

DR.-ING. GOTTFRIED GRESCHNER

- ▶ *Chairman of the Managing Board (CEO)*
- ▶ *Born 1946*
- ▶ *Managing Board member since 2001*

Vita

- ▶ Studies in electrical engineering at the University of Stuttgart. Research work in the field of fleet management systems as an academic assistant at the University of Karlsruhe.
- ▶ 1983 Doctorate at the University of Karlsruhe to gain qualification of Dr.-Ing. (Doctor of Engineering).
- ▶ 1983 Founder of INIT GmbH, Karlsruhe.
- ▶ 1983 Managing Director at INIT GmbH, Karlsruhe.

Awards

- ▶ 1989 innovation award from the federal state of Baden-Wuerttemberg "Dr. Rudolf Eberle Preis".
- ▶ 2002 "Entrepreneur of the Year", awarded by Ernst&Young.
- ▶ 2014 Special Career Service Award as part of the "Talent in Mobility Awards 2014" in Paris.

