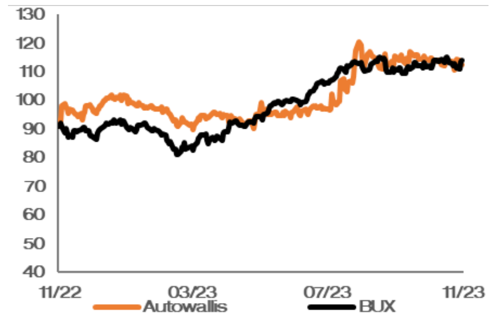
CONCORDE RESEARCH

CEE Equity Research | Transportation | Hungary
30 November 2023

AutoWallis

Recommendation: Coverage in transition (prev. Buy)
Target price (12-m): Under revision (prev. HUF 205)

EUR million	9M/23	9M/22	chg. YoY
Revenue	282,933	208,742	36%
EBITDA	17,489	12,693	38%
EBIT	14,066	10,108	39%
Net profit	10,224	7,644	34%
EBITDA margin	*6.2%*	*6.1%*	+1%pt
EBIT margin	5.0%	4.8%	+2%pt
Profit margin	3.6%	3.7%	-1%pt



Share price close as of 29/11/2023	HUF 112.5	Bloomberg	AUTOWALL HB
Number of diluted shares [million]	442.3	Reuters	AUTW.HU
Market capitalization [HUF bn/EUR mn]	55.4/146.5	Free float	30.2%
Daily turnover 12M [HUF million]	12.0	52-week range	HUF 87.0 – 124.5

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Q1-Q3/23 results exceeded FY22 earnings

- AutoWallis posted revenues of HUF 283bn in 9M/23 (+36% YoY), exceeding the total sales of FY22 (HUF 270 bn). The company sold nearly 35ths vehicles during the period (+46% YoY), all the while export markets grew by 13%, offset by the 3.2% decrease in the Hungarian market. Q3 sales came in at HUF 88.6 bn, representing an increase of 14% YoY and a decrease of -5.9% QoQ. Export sales accounted for 58% of the total.
- 9M/23 EBITDA rose by 35% YoY to HUF 17.5bn, resulting in an EBITDA margin of 6.2%, slightly up from 6.1% compared to the same period of last year.
- Net profit reached HUF 10.2bn (+34% YoY) in 9M/23, resulting in an EPS of HUF 22.6 compared to HUF 17.3 in 9M/22.
- In 9M/23, wholesale segment rose to 27,466 (+64% YoY) primarily due to last years' acquisition of Renault Hungária, however growth without the acquisition is outstanding as well (+20%), mainly driven by strong sales of SsangYong. In the meantime, wholesale EBITDA margin weakened from 6.3% to 6.1%.
- Retail segment also grew by c.5% to 7,459 vehicles sold, including 6,014 new and 1,455 used cars. This meant that AW's retail sales remained on track to outperform the Hungarian new passenger car market, which shrunk by 2.2% during the same period according to DataHouse. EBITDA of the retail division increased by 51.3%YoY to HUF 7.2bn while EBITDA margin also increased from 5.7% to 6.3% in 9M/23.
- The number of service hours in the retail business increased by 9.3% YoY to 132,736, and AutoWallis was able to grow its short-term car rental fleet by 352% YoY, thanks to the acquisition of Nelson Flottalízing Kft. in February, and the Wallis Autómegosztó Zrt. in August.
- Material costs increased by 41% YoY, primarily due to the volume and price of materials used during service activities, as well as, to a lesser extent, the increase in energy costs, the increase in overhead costs due to inflation and other effects.
- The 34% increase of services used is due to the increased costs of logistics, communications, and insurance fees, driven by the increased sales volume of Opel and SsangYong.

- The increase of 41% YoY in personnel expenses was partly driven by the acquisitions (i.e. higher staff) carried out in 2022 and the wage growth, which had to be implemented following rapid consumer inflation and the tight labor market.
- Financial losses amounted to HUF 3.4 bn in 9M/23, representing a HUF 2.2 bn increase compared to the base period of last year, which was fully attributable to the higher interest rate environment and higher financing needs.
- AutoWallis could slightly improve its capital structure in Q3, with the consolidated equity/asset ratio stood at 28.7% (+1.2ppt QoQ) at the end of Sept, 2023. Having said that, the net debt/EBITDA ratio (including leases) stood at 3.5x at the end of Sept 2023 (vs. 2.6x YoY on 31 Dec, 2022 and 2.8x on 30 June, 2023). The higher ND/EBITDA on a quarterly basis was due to the increase in the value of short-term liabilities as the inventory financing and reverse factoring grew together by HUF 26.2bn, or HUF 10.4bn and HUF 15.9bn, respectively.

	Q1-Q3/23	Q1-Q3/22	Ch (%)
Total vehicle sales	34,925	23,890	46.2
new vehicles	33,480	22,494	48.8
used vehicles	1,445	1,396	3.5
Total revenue	**282,933**	**208,742**	14.5
Gross margin	*16.8%*	*15.7%*	*110bps*
EBITDA	**17,489**	**12,693**	37.8
EBITDA margin	*6.2%*	*6.1%*	10bps
Net income	**10,224**	**7,644**	33.7
EPS	**22.6**	**17.3**	30.6
Wholesale business			
No. of new vehicles sold	27,466	16,759	63.9
Revenue (HUF bln)	**169,820**	**125,977**	34.8
EBITDA	**10,337**	**7,966**	29.8
EBITDA margin	*6.1%*	*6.3%*	*-20bps*
Retail business			
No. of new vehicles sold	6,014	5,735	4.9
No. of used vehicles	1,445	1,396	3.5
Total no. of vehicles	7,459	7,131	4.6
Revenue (HUF bln)	**113,113**	**82,765**	36.7
EBITDA	**7,152**	**4,727**	51.3
EBITDA margin	*6.3%*	*5.7%*	*60bps*

Source: Autowallis

Outlook and Valuation

- **Due to the transfer of coverage, we withdraw our earnings forecasts and we put our 12-m TP under revision until further earnings revision.**
- **Our previous TP was set at HUF 205 a share and the recommendation was BUY on Autowallis.**
- AutoWallis trades at extremely low EV/EBITDA and P/E multiples. Based on our previous estimates, Autowallis trades at 23E P/E of 3.9x and 24E P/E of 3.4x, respectively. We are of the view that AutoWallis will unlikely pay a dividend for quite some time at least due to two reasons: 1) it focuses on growth and therefore reinvests its entire cash flow; 2) as long as external financing remains key to financing rapid growth, AutoWallis must maintain an adequate level of equity.

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Buy	Total return is expected to exceed 20% in the next 12 months
Accumulate	Total return is expected to be in the range of 10-20%
Neutral	Total return is expected to be in the range of 10%-(-10%)
Reduce	Total return is expected to be in the range of -10-(-20%)
Sell	Total return is expected to be lower than -20%
Under Revision	The stock is put Under Revision if the covering analyst considers new information may change the valuation materially and if this may take more time.
Coverage in transition	Coverage in transition rating is assigned to a stock if there is a change in analyst.

Securities prices:

Prices are taken as of the previous day's close on the home market unless otherwise stated.

Valuations and risks:

Analysis of specific risks to set stock target prices highlighted in our investment case(s) are outlined throughout the report. For details of methodologies used to determine our price targets and risks related to the achievement of the targets referred to in the main body of the report or at Rating Methodology on our website, visit (https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038)

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