

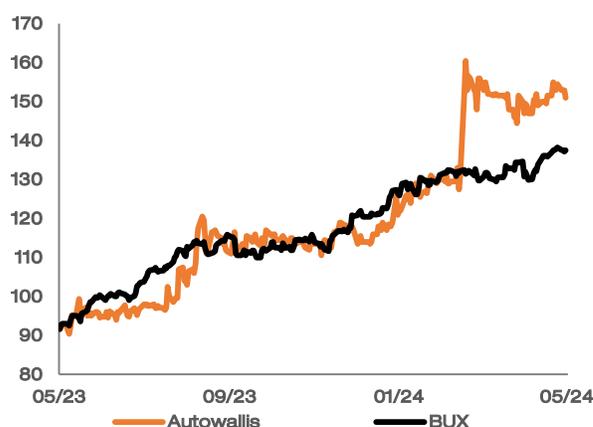
AutoWallis

Rating: BUY (unch.)

Target price (12-m): HUF 218 (unch.)

Share price: HUF 151

HUF million	2023 Q1	2024 Q1	Change (%)
Revenue	100,324	89,125	-11.2%
EBITDA	5,644	4,758	-15.7%
EBIT	4,740	3,540	-25.3%
Net profit	4,974	1,411	-71.6%
EPS	11.55	2.70	-76.7%
Gross margin	14.7%	17.8%	308bps
EBITDA margin	4.7%	4.0%	-75bps
EBIT margin	5.6%	5.3%	-29bps
Profit margin	5.0%	1.6%	-337bps
No. of vehicles sold	13,800	11,603	-15.9%
Export ratio	55%	57%	162bps



Share price close as of 16/05/2024	151 HUF	Bloomberg	AUTOWALL HB
Number of diluted shares [mn]	539.5	Reuters	AUTW.BU
Market capitalization [HUF bn/EUR mn]	81.5/210	Free float	27.25%
Daily turnover 12M [HUF mn/EUR ths]	28.5/73.5	52-week range	HUF 88.6 – 168.0

One-offs and high base weigh on Q1 results

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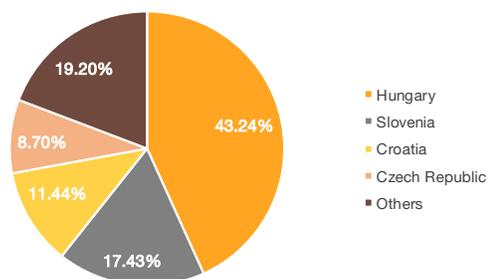
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- AutoWallis posted Q1/24 results this morning. Revenues reached HUF 89 bn (-11.2% YoY and +5.4 QoQ). The decrease in revenues is due to the exceptionally high base figures in the Distribution BU, as well as to the disruptions in sea freight causing transitional loss of volume. These current losses are expected to boost Q2 revenues.
- EBITDA decreased by -15.7% YoY to HUF 4.8 bn, resulting in an EBITDA margin of 5.3%, -29bps compared to Q1/23, while achieving a net income of HUF 1.4 bn (-71.6% YoY), resulting in an EPS of HUF 2.70. EBIT also decreased on a yearly basis while improving quarterly, coming in at HUF 3.5 bn with a margin of 4.0% (Q1/23: 4.7%).
- COGS decreased by 14% YoY, mainly due to the decreased number of vehicles sold, and the discounts received from manufacturers as an incentive to stimulate the markets. Due to this, AW was able to increase its gross margin both YoY and QoQ, to 17.8%.

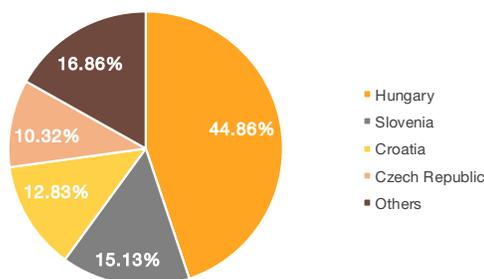
- The 32% increase in personnel expenses was primarily due to the acquisitions carried out in the past years, increasing the average number of employees to 1038 in Q1/24, as well as the wage increases implemented due to the tight labor market.
- Financial incomes and expenses netted a loss of HUF -1.6 bn, which was mainly caused by the weakening Hungarian forint.
- AutoWallis' capital structure remained strong, with the consolidated equity adequacy ratio staying above 33%. Net debt/EBITDA ratio (including leases) decreased both on a yearly and quarterly basis to 1.8x.
- AutoWallis sold 11,603 cars in Q1/24, representing a -15.9% decrease from Q1/23. Sales revenue of the group's Distribution BU decreased to HUF 47.5 bn (-25% YoY and flat QoQ), selling 8,582 vehicles, while the Retail BU increased sales to HUF 40.2 bn (+8.1% YoY), selling 2,424 new and 597 used vehicles. The EBITDA margin of the Distribution BU decreased to 5.7% from 6.0% in Q1/23 but increased on a quarterly basis from 3.6% in Q4/23. The Retail BU EBITDA margin came in in at 3.5%, decreasing from 4.9% in Q1/23, but increasing as well compared to Q4/23 from 1.4%. Export ratio of Q1 reached 57%, an increase of around 160 bps YoY.

Sales breakdown by countries

Country breakdown of sales - 2024 Q1



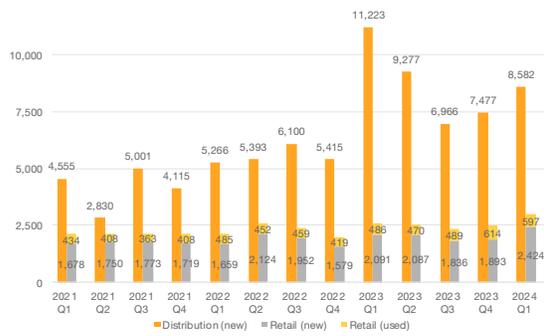
2023 Q1



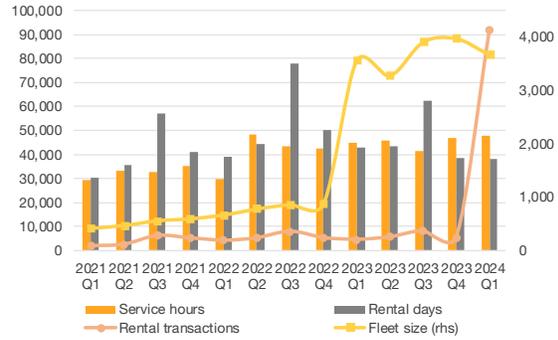
Source: Autowallis, Concorde

- Within the Retail BU, the number of service hours increased by 6.1% YoY to 47,763. No. of rental events increased to 91,920, due to displaying the rental events of wigo in this line. Number of rental days decreased by -11.0% YoY to 38,302, while average fleet size slightly increased YoY to 3,678.
- The company started to report results of wigo and Nelson under the Mobility BU from Q1/24, becoming the third separate BU of AutoWallis. Revenues from the Mobility BU amounted to HUF 1.4 bn, with a gross margin of 89.4%. EBITDA of the new BU came in at HUF 673 mn, with an impressive EBITDA margin of 47.3%. Mobility is not profitable yet, Q1 resulted in a PBT of HUF -154 mn.

Quarterly number of vehicles sold



Service KPIs



Source: Autowallis, Concorde

- We note that the setback on most lines is due to the unique and outstanding base of Q1/23, with FX movements also weighing on earnings, while QoQ dynamics are encouraging.
- AutoWallis continued its inorganic expansion in the first quarter of 2024. The company purchased the BMW BU of the Czech dealer Stratos Autos, which sold 737 vehicles last year (1.6% of AW 2023 sales). Additionally, AutoWallis extended its contract with Opel, for the distribution of Opel vehicles in four countries in the region. SsangYong also extended distribution contract with the company, which is now representing the Asian brand in nine regional markets. Last, but not least, the company will become the sole importer of Farizon (brand of Geely Group) vehicles in eight CEE countries.
- AutoWallis also published their 5-year guidance, where the management plans to double every main item by 2028 compared to 2023 figures. We believe the published figures are achievable and are not at all excessive.
- Our earnings forecasts, which have not included any acquisition estimates for the future, looks outdated compared to the management guidance and the recently announced acquisitions. However, until further model update, we leave our estimates unchanged. We reiterate our Buy rating on AutoWallis, with a 12-m TP of HUF 218/share.

HUF bn	AutoWallis 2023	AutoWallis Strategy 2028	CAGR 2023-2028	Concorde Estimate 2024.03.01	Diff vs Concorde Estimate
Revenues	366	750	15%	534	40%
EBITDA	20	40	15%	28	43%
Profit before tax	12	25	16%	22	14%
Vehicles sold - Retail (pc)	9,966	25,000	20%	-	-
Vehicles sold - Distribution (pc)	34,943	75,000	17%	-	-

Source: Autowallis, Concorde Research

Consolidated financial and operational highlights

[HUF mn]	2023				2024	Diff.	
	Q1	Q2	Q3	Q4	Q1	Y-o-Y	Q-o-Q
P&L							
Revenues	100,324	93,268	88,120	84,554	89,125	-11.2%	5.4%
EBITDA	5,644	4,728	7,117	2,212	4,758	-15.7%	115.1%
EBIT	4,740	3,620	5,706	1,183	3,540	-25.3%	199.3%
Profit before tax	5,700	2,965	3,243	21	2,018	-64.6%	9609.8%
Net income (parent)	4,974	2,488	2,677	-408	1,411	-71.6%	-445.6%
Comprehensive income	4,671	2,383	3,032	-525	1,708	-63.4%	-425.1%
EPS	11.55	5.32	5.77	-1.31	2.70	-76.7%	-305.8%
Margins							
Gross margin	14.7%	16.0%	18.7%	17.4%	17.8%	308bps	38bps
EBIT margin	4.7%	3.9%	6.5%	1.4%	4.0%	-75bps	257bps
EBITDA margin	5.6%	5.1%	8.1%	2.6%	5.3%	-29bps	272bps
Profit margin	5.0%	2.7%	3.0%	-0.5%	1.6%	-337bps	207bps
Distribution BU							
No. of new vehicles sold	11,223	9,277	6,966	7,477	8,582	-23.5%	14.8%
Revenues	63,356	55,427	51,037	47,490	47,492	-25.0%	0.0%
Gross margin	12.4%	13.4%	17.2%	15.0%	16.5%	410bps	148bps
EBITDA	3,828	2,159	4,350	1,731	2,692	-29.7%	55.6%
EBITDA margin	6.0%	3.9%	8.5%	3.6%	5.7%	-37bps	202bps
PBT	4,961	2,045	2,226	36	1,409	-71.6%	3833.7%
PBT margin	7.8%	3.7%	4.4%	0.1%	3.0%	-486bps	289bps
Retail and Services BU							
No. of new vehicles sold	2,091	2,087	1,836	1,893	2,424	15.9%	28.1%
No. of used vehicles sold	486	470	489	614	597	22.8%	-2.8%
Total no. of vehicles sold	2,577	2,557	2,325	2,507	3,021	17.2%	20.5%
Revenues	36,968	37,841	37,084	37,064	40,209	8.8%	8.5%
Gross margin	19.2%	21.0%	21.8%	17.8%	16.8%	-237bps	-99bps
EBITDA	1,816	2,569	2,767	485	1,392	-23.3%	187.0%
EBITDA margin	4.9%	6.7%	7.4%	1.4%	3.5%	-142bps	211bps
PBT	739	919	1,018	-1,085	763	3.3%	-170.3%
PBT margin	2.0%	2.4%	2.7%	-3.0%	1.9%	-9bps	492bps
Service hours	45,004	46,090	41,642	47,073	47,763	6.1%	1.5%
Fleet size (rental)	3,565	3,281	3,915	3,979	3,678	3.2%	-7.6%
Rents (units)	4,556	5,553	8,141	5,483	91,920	1917.6%	1576.5%
Rental days	43,060	43,558	62,559	38,687	38,302	-11.0%	-1.0%
Mobility							
Revenues	-	-	-	-	1,423,914	-	-
Gross margin	-	-	-	-	89.4%	-	-
EBITDA	-	-	-	-	673,308	-	-
EBITDA margin	-	-	-	-	47.3%	-	-
PBT	-	-	-	-	-153,888	-	-
PBT margin	-	-	-	-	-10.8%	-	-

Source: Autowallis, Concorde Research

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Rating	Trigger
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 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](https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038) on our website. (https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038)

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