

CONCORDE RESEARCH

CEE Equity Research | Car dealership | Hungary
06 September 2021

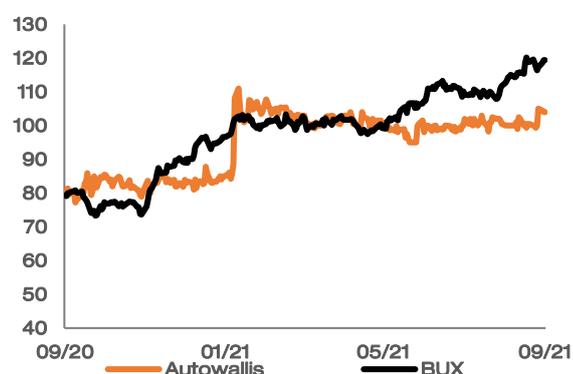
AutoWallis

Rating: Buy (unch.)

Target price (12-m): HUF Under revision (prev. HUF 153)

Share price: HUF 108

| HUF million | Q2/21 | Q2/20 | Ch. (%) |
|---------------|--------|--------|---------|
| Revenue | 48 943 | 18 000 | 171.9 |
| EBITDA | 1 716 | -248 | n.a. |
| EBIT | 918 | -1 490 | n.a. |
| Net profit | 788 | -271 | n.a. |
| EBITDA margin | 3.5% | -1.4% | +4.9pps |
| PAT margin | 1.6% | -1.5% | +3.1pps |
| EPS | 2.37 | -1.04 | n.a. |
| DPS | 0.0 | 0.0 | 0.0 |
| BVPS | 38.16 | 23.98 | 59.1 |



| | | | |
|---------------------------------------|--------------|---------------|--------------|
| Share price close as of 06/09/2021 | HUF 98 | Bloomberg | AUTOWALL HB |
| Number of diluted shares [million] | 324.3 | Reuters | AUTW.HU |
| Market capitalization [HUF bn/EUR mn] | 35.1 / 100.9 | Free float | 30.97% |
| Daily turnover 12M [EUR th] | 33 | 52 week range | HUF 76 – 120 |

Q2/21 results reflect continued progress in profitable growth

Positives:

Equity Analyst

Attila Vágó
+361 489 2265
a.vago@con.hu

55-61 Alkotás
Street,
Budapest
www.con.hu

- AutoWallis posted exceptionally strong revenue growth for Q2/21 (+156% YoY), therefore it generated more revenue (HUF 98 bln) during the first six month of 2021 than in the entire last year. In addition to the organic expansion growth the outstanding performance was due to regional transactions made last year.
- EBITDA more than quadrupled to HUF 3.2 billion (+ 320%), implying an EBITDA margin of 3.4% (up from 2% in Q2/20), while total comprehensive net profit was HUF 1.2 bln compared to a loss of HUF 854 mln in the same period of last year. As a result, AutoWallis' earnings per share (EPS) were HUF 3.52 in Q2/21 vs. HUF -3.19 in Q2/20.
- Wholesale sales went up by 181% YoY to HUF 54.9 bln, primarily driven by newly-acquired Opel sales spanning four countries. Sales of the retail division also rose significantly (+130% YoY) to HUF 42.7 bln as a combined result of organic growth and the acquisitions and transactions carried out last year. With a favorable trend in vehicle sales, there was also an increase in car rental (+ 101.5% YoY), albeit from a low base (the number of rental days jumped to 66,183), which was severely affected by the coronavirus epidemic last year.
- Net debt rose to HUF 23.7 bln as of the end of Q2/21 (3.9x ND/annualized EBITDA) compared to HUF 21.6 bln at the end 2020 (implying a 10.1x ND/EBITDA ratio).

Negatives:

- Although supply disruptions have led to a slowdown in sales of certain vehicle brands for the past year, margins have improved partly due to a price increase in the used car market, therefore it was an improvement in terms of profitability. At the same time, the production difficulties of car manufacturers have already had an adverse effect on the market as a whole and may continue to affect volumes in the remainder of the year.

Operation highlights in Q1/2021

| | H1/21 | H1/20 | Ch (%) |
|--------------------------------------|--------------|--------------|--------------|
| Wholesale | | | |
| No. of vehicles sold | 7 385 | 1 804 | 309.4 |
| Net sales | 54 919 | 19 575 | 180.6 |
| Gross profit | 5 295 | 1 062 | 4.0 |
| <i>Gross margin</i> | 9.6% | 5.4% | +4.2pps |
| EBITDA | 1 344 | -98 | n.a. |
| <i>EBITDA margin</i> | 2.4% | -0.5% | +2.9pps |
| Retail | | | |
| No. of new vehicles sold | 3 428 | 967 | 247.3 |
| No. of used vehicles sold | 842 | 349 | 141.3 |
| Total no. of vehicles sold | 4 270 | 1 336 | 219.6 |
| Net sales | 42 732 | 18 577 | 130.0 |
| Gross profit | 6 725 | 3 324 | 102.3 |
| <i>Gross margin</i> | 15.7 | 17.9 | -2.2pps |
| EBITDA | 1 837 | 855 | 114.8 |
| <i>EBITDA margin</i> | 4.3 | 4.6 | -0.3pps |
| Service hours | 62 666 | 23 772 | 163.6 |
| Fleet size (in terms of rented cars) | 478 | 438 | 9.0 |
| Rents | 4 396 | 4 352 | 1.0 |
| Rental days | 66 183 | 32 850 | 101.5 |

Source: AutoWallis' H1/2021 earnings report

Outlook

- Previously, AutoWallis planned sales in excess of HUF 200 bln for 2021, but because of the outstanding delivery delays in the first half of the year due to chip shortages it anticipates revenue will fall short of this expectations. Despite the expected lack of sales volume (number of units and sales revenue), AutoWallis still expects the margin and profit-generating capacity to not decrease and EBITDA to reach around HUF 6 bln this year (the latter broadly is in line with our current estimate)
- We will publish our review of AutoWallis' outlook once it has published its final full-year results for 2020, including the changes required by the new auditor (PWC).

DISCLAIMER

Concorde Securities Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interests that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. For analysts' certification and other important disclosures, please refer to the "Disclaimer" section at the end of this report.

DISCLAIMER I.

This research report has been prepared by Concorde Securities Ltd., a full-service Hungarian investment banking, investment management and brokerage firm. Concorde Securities Ltd. is under the supervision of the National Bank of Hungary in its capacity as financial supervisory authority.

Concorde Securities Ltd. is registered in Hungary and does not have any subsidiaries, branches or offices outside of Hungary. Therefore we are not allowed to provide direct investment banking services to US investors and restrictions may apply to our potential investment banking services according to your country's jurisdiction.

Our salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are their own and may be contrary to the opinions expressed in our research products, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed by our analysts or traders.

Our research, sales and trading professionals are paid based on the profitability of the respective divisions of Concorde Securities Ltd., which from time-to-time may include revenues from the firm's capital market activity. Concorde Securities Ltd. does not prohibit analysts, salespeople and traders from maintaining a financial interest in the securities or futures of any companies that they cover or trade on their clients' behalf in strict compliance with the Hungarian Capital Markets Act.

ANALYSTS CERTIFICATION

The research analysts undersigned and responsible for the preparation of this report hereby certify that (i) the views expressed in this research report accurately reflect their personal views about any and all of the securities or issuers referred to in this research report; (ii) no part of the analysts' compensation was, is or will be directly or indirectly related to the specific recommendation or views expressed in this report and (iii) no part of their compensation is tied to any specific investment transactions performed by Concorde Securities Ltd.

Name and job title of individuals involved in the production of this report are disclosed at the end of this report.

Concorde Securities Ltd. is a leading manager and underwriter of Hungarian equity offerings. We have investment banking and other business relations with a substantial percentage of the companies traded on the Budapest Stock Exchange and covered by our research department. Concorde Securities Ltd, its directors and employees may have a position in these securities, which may change at any time.

Concorde Securities Ltd. acted as Lead Manager of the private and public share placement of the shares of FHB in 2003, Masterplast in 2012 and Duna House in 2016. Concorde Securities Ltd. acted as the Co-lead Manager of Gedeon Richter's exchangeable bond issue in September 2004. Concorde Securities Ltd. has provided financial advice to Magyar Telekom.

EXPLANATION OF RATINGS AND METHODOLOGY

| 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 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)

Research disclosures:

Concorde Securities Ltd. may have published other investment recommendations in respect of the same securities/instruments recommended in this report during the preceding 12 months. Disclosure of previous investment recommendations produced by Concorde Securities Ltd. in the previous 12 months can be found at [Rating history](#). (<https://www.con.hu/wp-content/uploads/2016/04/Rating-history.pdf?tstamp=201710021038>)

GENERAL

This report is provided for information purposes only and does not represent an offer for sale, or the solicitation of any offer to buy or sell any securities.

The information, and any opinions, estimates and forecast have been obtained from sources believed by us to be reliable, but no representation or warranty, express or implied is made by us as to their accuracy or completeness. The information, opinions, estimates and forecasts may well be affected by subsequent changes in market conditions. This document may not be reproduced in whole or in part, or published for any purpose.

REPRODUCTION OR REBROADCAST OF ANY PORTION OF THIS RESEARCH REPORT IS STRICTLY PROHIBITED WITHOUT THE WRITTEN PERMISSION OF CONCORDE SECURITIES LTD.

DISCLAIMER II.

This research/commentary was prepared by the assignment of Budapest Stock Exchange Ltd. (registered seat: 1054 Budapest, Szabadság tér 7. Platina torony I. ép. IV. emelet; company registration number: 01-10-044764, hereinafter: BSE) under the agreement which was concluded by and between BSE and Concorde Securities Ltd. (registered seat: H-1123 Budapest Alkotás utca 50., company registration number: 01-10-043521, hereinafter: Investment Service Provider)

BSE shall not be liable for the content of this research/commentary, especially for the accuracy and completeness of the information therein and for the forecasts and conclusions; the Service Provider shall be solely liable for these. The Service Provider is entitled to all copyrights regarding this research/commentary however BSE is entitled to use and advertise/spread it but BSE shall not modify its content.

This research/commentary shall not be qualified as investment advice specified in Point 9 Section 4 (2) of Act No. CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the Regulations Governing their Activities. Furthermore, this document shall not be qualified as an offer or call to tenders for the purchase, sale or hold of the financial instrument(s) concerned by the research/commentary.

Sales:

Norbert Harcsa
+36 1 489 2340
n.harcsa@con.hu

Tamas Hegedus
+ 36 1 489 2388
t.hegedus@con.hu

Trade:

Steve Simon
+36 1 489 2335
i.simon@con.hu

Peter Rimar
+36 1 489 2230
p.rimar@con.hu