

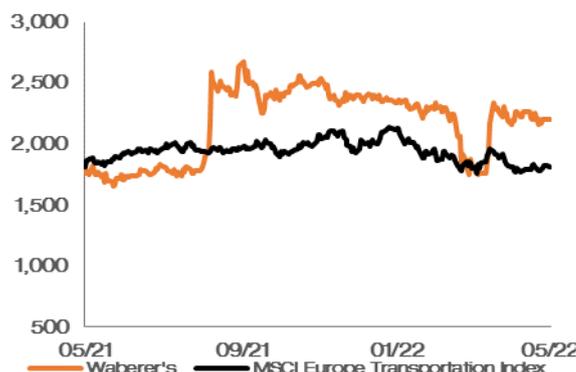
Waberer's

BUY (unch.)

Target price: HUF 3,400 (unch.)

Share price: HUF 2,180

EUR million	Q1/21	Q1/22	chg. YoY
Revenue	142.3	158.9	12%
Gross margin	29.9	27.4	-8%
EBITDA	16.6	16.3	-2%
EBIT	4.5	4.6	2%
Net income	2.7	1.7	-37%
Rec. EBITDA margin	11.7%	10.3%	-1.4%pt
Rec. EBIT margin	3.2%	2.9%	-0.3%pt
Rec. Profit margin	1.9%	1.1%	-0.8%pt



Share price close as of 05/05/2022	HUF 2,180	Bloomberg	WABERERS HB
Number of diluted shares [million]	17.7	Reuters	WABE.HU
Market capitalization [HUF bn/EUR mn]	38.5/100	Free float	28%
Daily turnover 12M [HUF million]	31	52 week range	HUF 1,660 – 2,670

Tiny EBIT gain cements our bullish view

Equity Analyst

Gabor Bukta
+361 489 2272
g.bukta@con.hu

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

- Waberer's posted a net income of EUR 1.7mn at Group level for Q1/22 vs. EUR 2.7mn a year ago due to a non-realized FX loss. However, EBIT came in at EUR 4.6mn in Q1 compared to EUR 4.5mn in the same period of last year, which translated into a tiny 1% gain. As was expected, all 3 segments reached same level of EBIT due to the seasonal effects, but EBIT margin shrunk by 30bps YoY to 2.9% on cost inflation. The management remained confident that they could perform well over the next quarters as price hikes will offset the increasing costs.**
- Key positives:** (1) Very stable results in absolute terms. (2) Thanks to the more efficient fleet utilization, net leverage ratio stood at 1.7x ND / LTM EBITDA. (3) The Management is very confident that 2022 guidance is manageable despite steep cost inflation and disruption in international supply chains. (4) Price correction mechanism due to the fuel price change has been shortened from time delay of 1–3-month to a few weeks. (5) Fleet renewal resumed, 270 new vehicles arrived, but an additional 1,242 have been ordered with a total value of EUR 82.5mn which will be fully leased.
- Key negatives/risks:** (1) Margins deteriorated. (2) Although the RU-UKR war hasn't materially affected the Group, supply chain issues could deepen in the next months. (3) Inflation may bite into customer's wallet and discretionary spending may decelerate, which could ultimately lead to a drop in orders.
- Opinion:** We conclude that Waberer's is on track to achieve improving results going forward due to the Management's strategy. However, we are a bit concerned about the escalation of the war and inflation also poses a significant risk. Having said that, our bullish view on Waberer's hasn't changed as the fleet size is much more manageable than it was

2-3 years ago and partner contracts protect the Group to achieve a more stable financial performance. We leave our target price of HUF 3,400 a share unchanged, implying a 56% upside potential. We also stress that the company posts earnings in EUR terms and the HUF depreciation against EUR should be supportive for the share price.

■ **Important events from April**

Waberer's acquires the logistics operation of Gyarmati Trans

- ✓ Waberer's Group announced that its fully owned subsidiary, WSZL Kft or also known as the dominant part of Waberer's RCL unit, signed a purchase agreement of the logistics and domestic transportation activities of Gyarmati Trans Kft. However, the price of the transaction hasn't been disclosed.
- ✓ Gyarmati Trans focuses on refrigerated warehousing and transportation in Eastern Hungary, serving food industry (primarily meat) companies in e.g. Gyula and Oroshaza. Waberer's plans to acquire the customer base of Gyarmati Trans, but they don't intend to take over all assets of the company.
- ✓ Gyarmati Trans is expected to generate over HUF 1 bn in annual revenues for RCL segment (c. 1.6% of segment revenues). Serving the new customers could be integrated to Waberer's existing operation that provides room for significant synergy opportunities compared to the size of the transaction. The transaction is subject to customary anti-trust clearance and is expected to close by the beginning of Q3/22.
- ✓ Since the purchase price is yet to be known, it is difficult to assess the transaction. Gyarmati Trans suffered a setback in 2021, based on the latest financial reports of the company. Net profit amounted to HUF 80mn and HUF 94mn on revenues of over HUF 1.3bn and HUF 1.4bn in 2019 and 2020, respectively. However, revenues fell 15% YoY to HUF 1.16bn in 2021, while net profit came in at HUF 7mn (-93% YoY).

Bond issuance

- ✓ Further expansion of Waberer's is under way as the Company is in a very comfortable position in terms of its liquidity position. Waberer's issued a EUR 111mn 10Y fixed bond via private placement on the 1st of April. Pricing hasn't been disclosed, however, a cost of debt at below 5% in EUR would be very attractive given the spiking yields across developed markets and risk profile of Waberer's. In line with the strategy - presented in December 2021 - the Company will use the proceeds to build its own warehouse, finance regional acquisitions and fleet replacement, as well as refinance its existing EUR 43.5mn loans (already executed). Accordingly, the remaining EUR 67.5mn will be used for organic and inorganic growth, including M&A activity in the Balkan according to the strategy.

[EUR mn]	2021				2022	Difference	
	Q1	Q2	Q3	Q4	Q1	Y-o-Y	Q-o-Q
P&L							
Revenue	142.3	150.0	147.8	150.7	158.9	12%	5%
Gross profit	29.9	32.6	31.3	31.9	27.4	-8%	-14%
EBIT	4.5	7.7	6.6	8.3	4.6	2%	-45%
EBITDA	16.6	19.6	18.5	19.4	16.3	-2%	-16%
- ITS	6.4	8.7	9.2	8.4	6.0	-6%	-29%
- RCL	7.2	7.9	7.0	6.2	7.4	3%	19%
- Other	3.0	3.0	2.3	4.9	2.8	-7%	-43%
Net financials, tax	(1.8)	(1.6)	(3.3)	(2.4)	(2.9)	61%	21%
Net profit / (loss)	2.7	6.1	3.3	5.9	1.7	-37%	-71%
KPI's							
Avg. no. of trucks	2,821	2,816	2,768	2,787	2,845	1%	2%
Avg. no. of employees	5,984	5,854	5,772	5,818	5,805	-3%	0%
Avg. no. of truck drivers	3,541	3,451	3,401	3,479	3,500	-1%	1%
Margins							
Gross margin	21.0%	21.7%	21.2%	21.2%	17.2%	-3.8%pt	-3.9%pt
EBIT margin	3.2%	5.1%	4.5%	5.5%	2.9%	-0.3%pt	-2.6%pt
EBITDA margin	11.7%	13.1%	12.5%	12.9%	10.3%	-1.4%pt	-2.6%pt
Net profit margin	1.9%	4.1%	2.2%	3.9%	1.1%	-0.8%pt	-2.8%pt

Source: Waberer's, Concorde Research

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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.

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