

# Waberer's

BUY (unch.)

Target price: HUF 3,400 (unch.)

Share price: HUF 2,240

## Waberer's could gain on Indotek's Croatian expansion

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- **The read across from Indotek's Croatian expansion to Waberer's is very positive as the Hungarian fund buys Sberbank's 43% stake in Fortenova.**
- Fortenova grupa was formed on April 1, 2019, with the successful implementation of the creditors' settlement in Agrokor. The Group has over 50,000 employees through core businesses, including agriculture, retail and food, as well as non-core operations. By means of vertical integration, via agricultural and food production as well as its own retail network, Fortenova Group is the largest retailer in Southeast Europe, generating around EUR 300mn in EBITDA with annual revenues of nearly EUR 4 billion. However, Fortenova's CEO earlier said that the group had invested €125 mn in the region in 2021, and it also plans to invest another EUR 130 mn in 2022.
- Though we are talking about a vertically integrated group of companies - after the restructuring of Agrokor - Fortenova hasn't integrated the logistics services into its portfolio yet. We are therefore of the view that **the appearance of Indotek could be a breakthrough for the future of Waberer's**. With an extensive experience in logistics and transportation, Waberer's could carry out this logistics activity in the future, thus exploiting significant synergies within a reasonable timeframe. As a short reminder, Waberer's has been seeking opportunities to acquire logistics companies in the Balkan to gain market share on the back of Indotek's regional expansion. Earlier, we may have assumed that Serbia could be a better choice despite Croatia's EU membership as the latter country is characterized by a very weird look with dozens of islands. This makes transportation and logistics quite difficult.
- Indotek has just filed for the application of acquisition of Sberbank's stake and it would be too early to draw consequences for Waberer's. However, in case of regulatory approvals, we could add more likelihood to Waberer's appearance in the Croatian market.
- **Momentum is there. If the deal closes and Indotek could later gain management support for Waberer's to do the logistics service, it could probably add millions of euros at profit levels in 2023 at the earliest. As a result, that would be a value-accretive investment for Waberer's, promising a stable and higher profitability in the longer term, not to mention the huge shareholder returns. Having said that, this is rather considered an option and upside risk as we are currently not at a stage to assess accurately the positive impact of a potential deal. However it would probably add hundreds of HUFs to our target price.**
- **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, based on our estimate and talk with mgmt., we assume it to be attractive which is positive given the spiking yields across developed markets. 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, and refinance existing loans. This suggests that the Company may plan to repay existing bank loans of around EUR 40-45 mn, while the rest to be used for organic and inorganic growth, including M&A activity in the Balkan according to the strategy.

- *In this note, we don't intend to change our target price, recommendation and estimates so we left our forecasts unchanged.*

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