

CONCORDE RESEARCH

CEE Equity Research | Car dealership | Hungary
13 April 2023

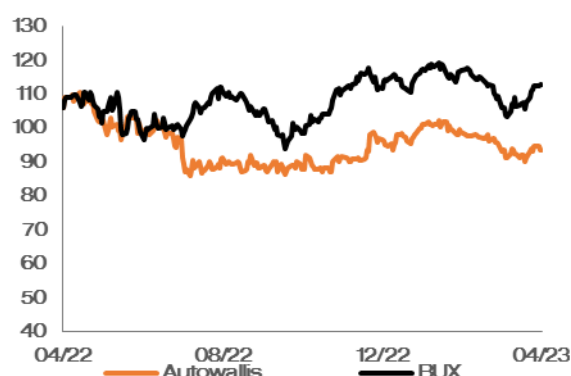
AutoWallis

Rating: BUY (unch.)

Target price (12-m): HUF 199 (unch.)

Share price: HUF 94

HUF million	2022	2023E	2024E
Revenue	270 166	319 115	371 210
EBITDA	14 455	16 740	18 673
EBIT	10 951	11 272	12 053
Net profit	8 300	8 870	9 468
EBITDA margin	5.4%	5.2%	5.0%
PAT margin	3.1%	2.8%	2.5%
EPS	19.3	20.9	22.3
DPS	0.0	0.0	0.0
BVPS	83.4	97.2	119.4
P/E (x)	4.9	4.7	4.4
P/BV (x)	1.1	1.0	0.8
EV/EBITDA (x)	2.8	2.7	2.5



Share price close as of 13/04/2023	HUF 94	Bloomberg	AUTOWALL HB
Number of diluted shares [mn]	442.3	Reuters	AUTW.HU
Market capitalization [HUF mn/EUR mn]	41 347 / 110.1	Free float	38.32%
Enterprise value [HUF mn/EUR mn]	79 214 / 211 0	52 week range	HUF 83 – 112
Daily turnover 12M [EUR th]	18	EURHUF (x)	375.4

Slowdown in Q4/22, but impressive FY22 results

- AutoWallis posted revenue of HUF 61.4 bln for Q4/22 (+24% YoY), therefore during 2022 it generated revenue (HUF 270.2 bln) compared with HUF 195 bln in 2021.
- In addition to the organic expansion growth driven by wholesale of OPEL and SsangYong vehicles, the Slovenian AvtoAktiv's retail sales also contributed significantly to the outstanding sales performance. More than half of AutoWallis' revenues come from export, which was also contributed to by the Slovenian Avto Aktiv, the purchase of which was closed in the spring of 2022.
- EBITDA dropped by 16% YoY to HUF 1.8 bln, resulting in an EBITDA margin of 2.9% (down from 4.2% in Q4/21), while total net profit attributable to shareholders of the parent company came in at HUF 0.9 bln (-7% YoY). As a result, EPS was HUF 2.14 in Q4/22 and HUF 19.3 in 2022 compared with HUF 2.5 in Q4/21 and HUF 9 in 2021, respectively, and broadly in line with our estimate.

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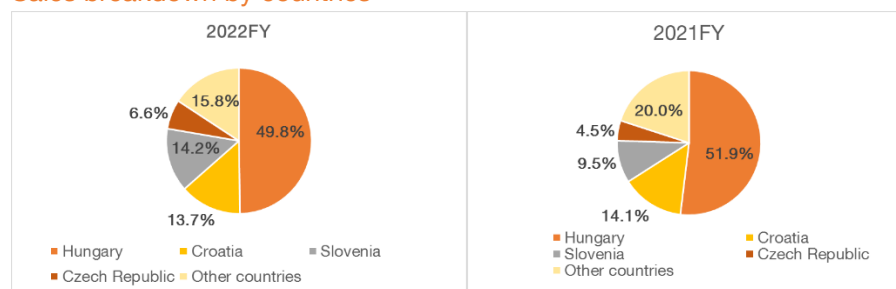
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- AutoWallis maintained its healthy capital structure, with the consolidated equity adequacy ratio staying at 27% at the end of 2022 significantly exceeding the level expected as a financing target (15%). The net debt/EBITDa ratio (including leases) stood at 2.6x at the end of 2022, compared to 0.7x at the end of 2021. In the past two years AutoWallis has strengthened its capital adequacy by increasing the portion of long - term fixed forint financing in its capital structure and the necessary resources to implement the growth plans set out in its medium-term strategy).

FY2022 results

- AutoWallis achieved sales revenue of HUF 270 bln (+39% YoY) with EBITDA of HUF 14.5 bln (+85% YoY). Net profit attributable to shareholders of the parent company came in HUF 8.3 bln, which shows a significant increase compared to HUF 3.1 bln in 2021. and was in line with our estimate.
- The expansion was primarily organic (the sales of the Slovenian Avto Aktiv increased the numbers from the second quarter of 2022) and exceeded the industry trend, so AutoWallis continues to move on a stable growth path.

Sales breakdown by countries



Source: Autowallis, Concorde

- EBITDA already reached the HUF 14-15.2 bln previously set for 2025 target range, and the EBITDA margin increased to 5.4% from last year's 4%.
- AutoWallis sold more than 31,000 cars last year, 25% more than in 2021. Sales revenue in the Group's wholesale business increased to HUF 158.9 bln (+43% YoY), while its retail business increased to HUF 111.2 bln (+32% YoY).
- The wholesale business increased the number of vehicles sold by 34% to 22,174 units. The acquisition of Renault Hungária, which AutoWallis implemented jointly with the Portuguese company Salvador Caetano, also played a role in the growth. The EBITDA margin of the wholesale business improved from 4.7% to 5.8% in 2022.
- In 2022, the retail division sold 7,314 new (+5.7% YoY) and 1,815 used (+12.5% YoY) vehicles, which was already strengthened by Avto Aktiv from the second quarter.
- In the service area of the retail business, the number of service hours increased by 25.7% YoY to 163,862, but an organic growth of 2.8% YoY was observed even without the Avto Aktiv acquisition. In Hungary, Sixt, represented by AutoWallis, increased the number of rental events by 43.9% YoY to 22,525 in 2022, while the number of rental days increased by 28.9% YoY to 211,511. The average fleet size increased by 45.4% YoY to 877 last year thanks to growing tourism. The EBITDA margin of the retail business increased from 4.7% to 5.8% in 2022.

- The increase in sales revenue was accompanied by a significant increase in operational efficiency: gross margin jumped from 14.1% to 16.7% despite the cost of goods sold increasing by 34% YoY, i.e. below sales growth.
- Margin improvement was primarily due to volume accumulation caused by car manufacturers' delivery disruptions and measures implemented to deal with other economic effects (e.g. exchange rate increases), so it is partly the result of non-recurring effects. In the retail business, above average price increases exceeding inflation also contributed significantly to the margin performance.
- The 56% YoY increase in personnel expenses was due primarily to the acquisitions carried out in 2021 and 2022 and the resulting increase in the number of employees (the average number of employees increased by 165 to 860 in 2022), as well as the wage increases implemented following changes in the labor market.
- The net financial income in 2022 was HUF -953 mln, which corresponds to a 35% YoY increase compared to the previous year, which was mainly due to the increased interest rate environment and the unrealized exchange rate loss from the year-end revaluation.

Consolidated financial and operational highlights

	Q4/22	Q4/21	Ch (%)	FY22	FY21	Ch (%)
Total vehicle sales	7 413	6 242	18.8	31 303	25 034	25.0
- new vehicles	6 994	5 834	19.9	29 488	23 421	25.9
- used vehicles	419	408	2.7	1 815	1 613	12.5
Total revenue	61 424	49 552	24.0	270 166	194 956	38.6
<i>Gross margin</i>	<i>20.4%</i>	<i>16.0%</i>	<i>440bps</i>	<i>16.8%</i>	<i>14.1%</i>	<i>267bps</i>
EBITDA	1 762	2 085	-15.5	14 455	7 821	84.8
<i>EBITDA margin</i>	<i>2.9%</i>	<i>4.2%</i>	<i>-130bps</i>	<i>5.4%</i>	<i>4.0%</i>	<i>140bps</i>
Net income	923	989	-6.7	8 300	3 100	167.8
EPS	2.14	2.52	-14.9	19.27	8.95	115.3
ND/EBITDA (x)	2.6-	0.7	271.4	2.6	0.7	271.4
Wholesale business						
No. of new vehicles sold	5 415	4 115	31.6	22 174	16 501	34.4
Revenue (HUF bln)	32 959	24 694	33.5	158 936	110 864	43.4
<i>Gross margin</i>	<i>16.8%</i>	<i>16.4%</i>	<i>40bps</i>	<i>14.4%</i>	<i>12.1%</i>	<i>230bps</i>
EBITDA	1 240	1 295	-4.3	9 206	4 509	104.2
<i>EBITDA margin</i>	<i>3.8%</i>	<i>5.2%</i>	<i>-140bps</i>	<i>5.8%</i>	<i>4.1%</i>	<i>170bps</i>
Retail business						
No. of new vehicles sold	1 579	1 719	-8.1	7 314	6 920	5.7
No. of used vehicles sold	419	408	2.7	1 815	1 613	12.5
Total no. of vehicles sold	1 998	2 127	12.9	9 129	4 263	114.1
Revenue (HUF bln)	28 465	24 859	14.5	111 230	84 092	32.3
<i>Gross margin</i>	<i>24.6%</i>	<i>15.3%</i>	<i>930bps</i>	<i>20.2%</i>	<i>16.7%</i>	<i>350bps</i>
EBITDA	522	790	-33.9	5 249	3 312	58.5
<i>EBITDA margin</i>	<i>1.8%</i>	<i>3.2%</i>	<i>-140bps</i>	<i>4.7%</i>	<i>3.9%</i>	<i>80bps</i>
Service hours	42 394	35 184	20.5	163 862	130 375	25.7
Fleet size (for car rental)	877	603	45.4	877	603	45.4
Rents (units)	5 269	5 098	3.4	22 525	15 648	43.9
Rental days	50 259	41 116	22.2	211 511	164 132	28.9

Source: AutoWallis' Q1-4/22 interim report

- AutoWallis is trading at extremely low EV/EBITDA and P/E multiples, based on our 2023 earnings estimates, of 2.7x and 4.7x, respectively, that we think is very compelling valuation. We reiterate our 12-TP at HUF 199 per share, implying a 117% upside potential from the current share price. We maintain our BUY rating on AutoWallis.

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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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