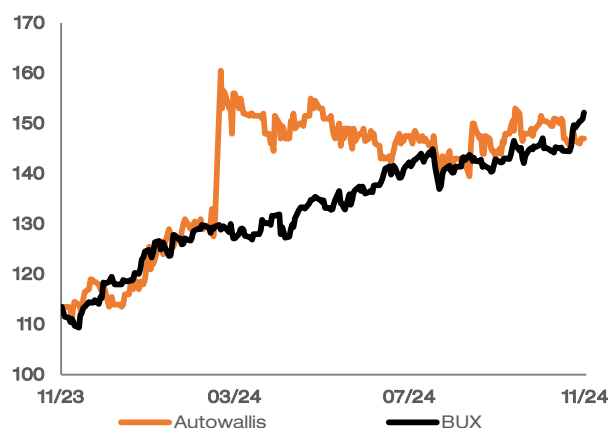


# AutoWallis

Rating: BUY (unch.)

Target price (12-m): 230 (unch.)

HUF million	2023 Q3	2024 Q3	Change (%)
Revenue	88,120	96,080	9.0%
EBITDA	7,117	5,012	-29.6%
EBIT	5,706	3,374	-40.9%
Net profit	2,677	1,340	-50.0%
EPS	5.77	2.49	-56.9%
Gross margin	18.7%	18.9%	14bps
EBITDA margin	6.5%	3.5%	-286bps
EBIT margin	8.1%	5.2%	-296bps
PBT margin	3.0%	2.0%	-108bps
No. of vehicles sold	9,291	10,908	17.4%
Export ratio	58%	59%	100bps



Share price close as of 14/11/2024	147 HUF	Bloomberg	AUTOWALL HB
Number of diluted shares [mn]	539.5	Reuters	AUTW.BU
Market capitalization [HUF bn/EUR mn]	79.3/193,4	Free float	26.57%
Daily turnover 12M [HUF mn/EUR ths]	31.8/81.1	52-week range	HUF 111 – 168

## Encouraging top line with weak profitability, while Mobility outperforms

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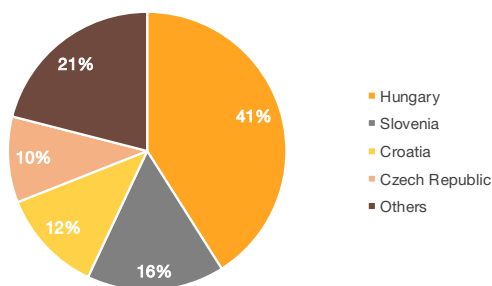
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- AutoWallis posted mixed Q3/24 results this morning. Quarterly revenues increased by 9% on the year to HUF 96 bn, while 9M revenues are up 3.4% YoY. EBITDA came in at HUF 5 bn, while EBIT reached HUF 3.4 bn. Results are in line with the dynamics seen in H1, however, below EBIT level they are missing our current estimates (Concorde FY24 estimated EPS: HUF 16.5 vs. 9M actual EPS: HUF 8.7). Depressed profitability is partly due to the weaker performance of the Retail BU, where PBT came in at only HUF 160 mn, surprisingly outperformed by the Mobility BU, where PBT reached HUF 410 mn, turning profitable on this level for the first time. Financial results dragged down earnings, and looking at the current trend of the EURHUF, we expect another large FX loss in Q4. Based on the lower profitability and the expected FX loss, we revised our short-term estimates below EBIT level, changing our FY24 EPS forecast to HUF 12.2. Nevertheless, we continue to believe in AutoWallis' long-term strategy and since the changes in our estimates do not affect FCF, we leave our 12m TP at HUF 230 and our recommendation on Buy.

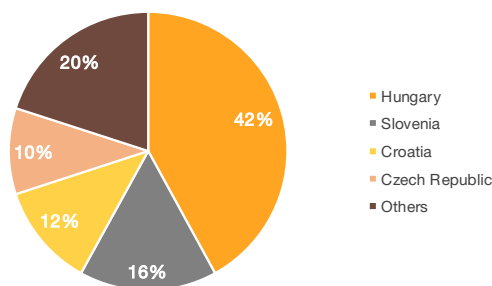
- COGS slightly increased YoY, but due to increased revenues gross margin widened to 18.9% compared to the 18.7% seen in Q3/23. Personnel expenses grew by 35%, primarily due to the acquisitions carried out in the past years, increasing the average number of employees to 1,181.
- Financial results came in at a loss of HUF -1.5 bn in Q3, which was partly due to unfavourable FX movements and the increased lease expenses linked to Wallis Autómegosztó.
- AutoWallis' capital structure remained reasonably strong, with a consolidated equity adequacy ratio of 33%. Net debt/EBITDA (TTM) ratio (including leases) increased to 3.4x, which is due to the acquisition of NC Auto, whose liabilities appear in the balance sheet, while only three months of EBITDA is shown in the P&L. Another notable item causing the change in ND is the increased financing needs of the larger inventory within the Distribution BU, which is expected to decrease going into the year end.
- Sales revenues of the group's Distribution BU slightly increased to HUF 52.6 bn (+3.1% YoY), while the Retail BU increased sales to HUF 40.5 bn (+7.8% YoY). The EBITDA margin of the Distribution BU decreased to 4.7% from the exceptionally high base of 8.5%. The Retail BU EBITDA margin came in at 2.7%, decreasing from 7.4% in Q3/23. Surprisingly, the Mobility BU performed well in Q3, turning the cumulated negative PBT to positive in the first nine months of 2024, which could turn skeptic investor sentiment about the BU. EBITDA margin of the Mobility BU increased to 50%, where seasonality played a key role, therefore we expect margins to normalize slightly in the future. Export ratio of Q3 reached 59%.

Sales breakdown by countries

Country breakdown of sales - 2024 Q3

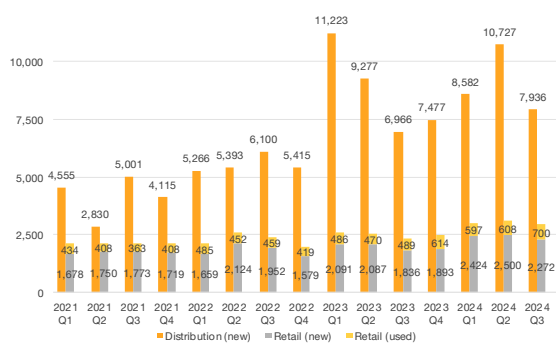


2023 Q3

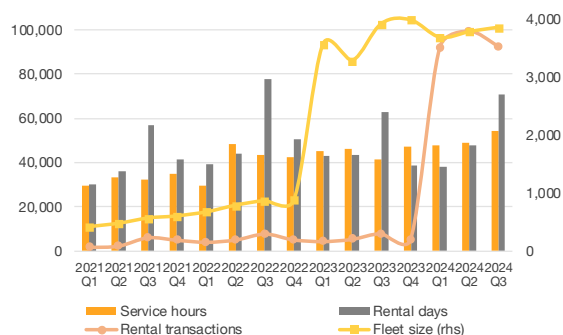


Source: Autowallis, Concorde Research

Quarterly number of vehicles sold



Service and Mobility KPIs



Source: Autowallis, Concorde Research

- As stated above, due to unfavourable FX movements in Q4, we expect AutoWallis to report a large FX loss in the last quarter. In our estimates, we did not count on any significant impact below EBIT level priorly. Based on the current price action of the EURHUF, and our macroeconomic forecasts, we changed our FY24 EPS estimates to HUF 12.2. Above EBIT level, we believe our forecasts represent AutoWallis' performance accurately, therefore we leave all other estimates intact.

Concorde est. FY24	old	new	% change
Revenues	398,454	398,454	0%
EBIT	13,945	13,945	0%
EBITDA	18,726	18,726	0%
PBT	11,096	8,297	-25%
EPS	16.50	12.24	-26%

Source: Concorde Research

- AutoWallis issued a statement of intent yesterday evening, regarding the planned acquisition of the Czech car dealer group Milan Král. The target company sells new (BMW, Mercedes, Ford) and used cars, while engaging in service activities (BMW, Mercedes, Ford, Opel). The transaction is yet to be approved by the Czech competition authority. According to the latest data provided by Milan Král, the target company sells over 1,300 new and over 700 used vehicles annually and operates in five locations in Ceské Budejovice, therefore this could potentially be one of the largest acquisitions the group has ever made.

Consolidated financial and operational highlight

[HUF bn - except per share]	2023				2024			Diff.	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Y-o-Y	Q-o-Q
<b>P&amp;L</b>									
Revenues	100,324	93,268	88,120	84,554	89,125	106,041	96,080	9.0%	-9.4%
EBITDA	5,644	4,728	7,117	2,212	4,758	4,249	5,012	-29.6%	18.0%
EBIT	4,740	3,620	5,706	1,183	3,540	2,950	3,374	-40.9%	14.4%
PBT	5,700	2,965	3,244	21	2,018	2,420	1,886	-41.8%	-22.1%
Net income (parent)	4,974	2,488	2,677	-408	1,411	1,854	1,340	-50.0%	-27.7%
Comprehensive income	4,672	2,383	3,032	-525	1,708	1,885	1,363	-55.0%	-27.7%
EPS	11.55	5.32	5.77	-1.31	2.70	3.47	2.49	-56.9%	-28.2%
<b>Margins</b>									
Gross margin	14.7%	16.0%	18.7%	17.4%	17.8%	15.7%	18.9%	14bps	313bps
EBITDA margin	5.6%	5.1%	8.1%	2.6%	5.3%	4.0%	5.2%	-286bps	121bps
EBIT margin	4.7%	3.9%	6.5%	1.4%	4.0%	2.8%	3.5%	-296bps	73bps
PBT margin	5.0%	2.7%	3.0%	-0.5%	2.3%	2.3%	2.0%	-108bps	-32bps
<b>Distribution BU</b>									
Revenues	63,356	55,427	51,037	47,490	47,492	61,180	52,644	3.1%	-14.0%
EBITDA	3,828	2,159	4,350	1,731	2,692	2,660	2,458	-43.5%	-7.6%
PBT	4,961	2,045	2,226	1,105	1,409	1,944	1,316	-40.9%	-32.3%
Gross margin	12.4%	13.4%	17.2%	15.0%	16.5%	13.7%	15.5%	-171bps	184bps
EBITDA margin	6.0%	3.9%	8.5%	3.6%	5.7%	4.3%	4.7%	-385bps	32bps
PBT margin	7.8%	3.7%	4.4%	2.3%	3.0%	3.2%	2.5%	-186bps	-68bps
No. of new vehicles sold	11,223	9,277	6,966	7,477	8,582	10,727	7,936	13.9%	-26.0%
<b>Retail and Services BU</b>									
Revenues	36,968	37,841	37,084	37,064	40,209	42,895	40,486	9.2%	-5.6%
EBITDA	1,816	2,569	2,767	485	1,392	957	1,086	-60.8%	13.5%
PBT	739	919	1,018	-1,085	763	274	160	-84.3%	-41.6%
Gross margin	19.2%	21.0%	21.8%	17.8%	16.8%	15.5%	18.5%	-330bps	298bps
EBITDA margin	4.9%	6.7%	7.4%	1.4%	3.5%	2.2%	2.7%	-469bps	45bps
PBT margin	2.0%	2.4%	2.7%	-3.0%	1.9%	0.6%	0.4%	-231bps	-24bps
No. of new vehicles sold	2,091	2,087	1,836	1,893	2,424	2,500	2,272	23.7%	-9.1%
No. of used vehicles sold	486	470	489	614	597	608	700	43.1%	15.1%
Total no. of vehicles sold	2,577	2,557	2,325	2,507	3,021	3,108	2,972	27.8%	-4.4%
Service hours	45,004	46,090	41,642	47,073	47,763	48,863	54,424	30.7%	11.4%
<b>Mobility</b>									
Revenues	-	-	-	-	1,424	1,966	2,950	-	50.1%
EBITDA	-	-	-	-	673	633	1,468	-	132.0%
PBT	-	-	-	-	-154	-243	410	-	-268.6%
Gross margin	-	-	-	-	89.4%	85.1%	84.0%	-	-112bps
EBITDA margin	-	-	-	-	47.3%	32.2%	49.8%	-	1758bps
PBT margin	-	-	-	-	-10.8%	-12.4%	13.9%	-	2626bps
Fleet size (rental)	3,565	3,281	3,915	3,979	3,678	3,775	3,853	-1.6%	2.1%
Rents (units)	4,556	5,553	8,141	5,483	91,920	99,204	92,515	1036.4%	-6.7%
Rental days	43,060	43,558	62,559	38,687	38,302	47,824	70,916	13.4%	48.3%

Source: AutoWallis reports, 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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