

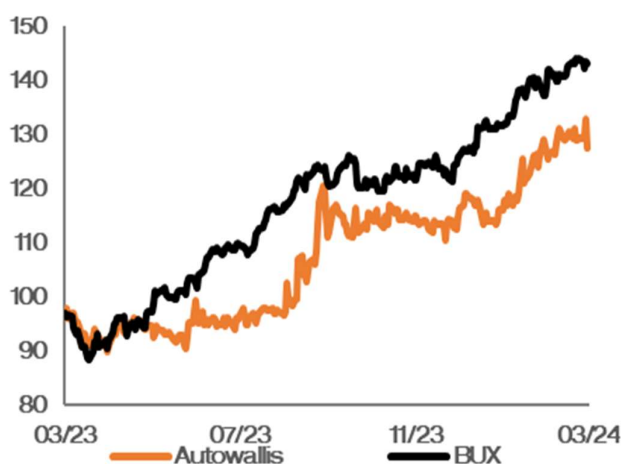
AutoWallis

Rating: BUY (prev. Under revision)

Target price (12-m): HUF 218 (prev. Under revision)

Share price: HUF 127.5

HUF million	2023	2024E	2025E
Revenue	366 267	397 630	450 180
EBITDA	19 705	19 701	23 607
EBIT	15 249	14 532	17 754
Net profit	9 843	11 124	14 251
Gross margin	16.6%	16.3%	16.4%
EBITDA margin	5.4%	5.0%	5.2%
EBIT margin	4.2%	3.7%	3.9%
Profit margin	2.7%	2.8%	3.1%
EPS	21.32	22.53	28.93
DPS	0.0	0.0	0.0
P/E (x)	6.1	5.7	4.4
EV/EBITDA (x)	5.3	4.9	3.8



Share price close as of 29/02/2024	127.5 HUF	Bloomberg	AUTOWALL HB
Number of diluted shares [mn]	488.7	Reuters	AUTW.BU
Market capitalization [HUF mn]	62,310	Free float	40.8%
Daily turnover 12M [HUF mn]	16	52-week range	HUF 87 – 134

Positioning for the auto sector recovery

Equity Analyst

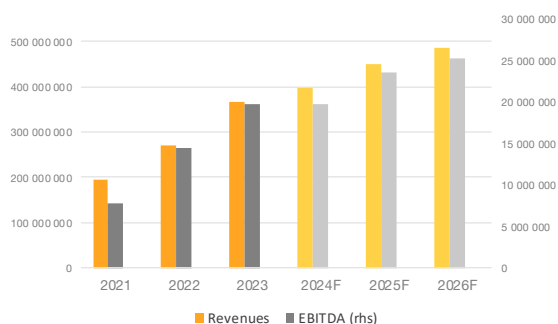
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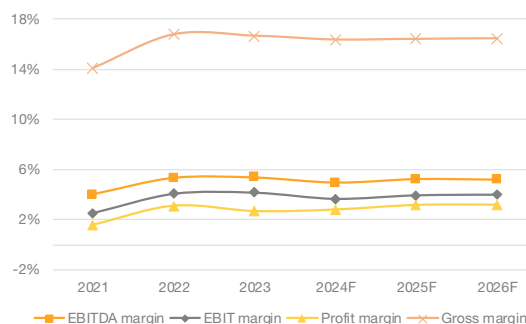
- This is a transfer of coverage, and we reviewed our model and earnings forecasts. We are convinced that AutoWallis will continue its outstanding growth story, with estimated FY24 revenues of HUF 398 bn, an EBITDA of HUF19.7 bn, and an EPS of HUF 22.53. Based on our 2024 earnings estimates, AutoWallis is trading at an EV/EBITDA and P/E multiples of 5.7x and 4.9x, respectively, that we think is a very pleasing valuation for the company. We set our 12-m TP at HUF 218 per share, implying a 71% upside potential from the current share price. We reiterate our BUY rating.
- Following the impressive growth of the past years, we expect AutoWallis to publish an upgraded strategy with new sales and profit guidance in the following months. Having maintained a strong balance sheet and capital structure with more than sufficient cash reserves, the management is keen on maintaining the expansion of the group through acquisitions. However, based on the lack of detail around these expansions, we have not

incorporated any acquisition into our valuation. Therefore, any announced acquisition could offer more upside potential if value accretive compared to our TP. After seeing the FY23 results, we are convinced that the diverse product range and the geographical diversity of the company can survive economic downturns, and even get through them with impressive results.

Revenue and EBITDA forecast - HUF thousands



Group margins



Valuation - (HUF mn)	2024F	2025F	2026F	2027F	2028F	TY
NOPAT	11 917	14 559	15 959	16 542	17 902	
+ D&A	5 169	5 852	5 829	6 150	5 874	
+/- WC	-1 590	-5 675	-4 452	-2 185	-2 955	
- CAPEX	-8 012	-8 779	-8 161	-7 994	-6 168	
FCFF	7 483	5 957	9 175	12 512	14 653	
WACC	11%	11%	11%	11%	11%	
DCF	6 742	4 836	6 710	8 244	8 698	98 658
LT growth						2.0%
EV	133 889					
- Net Debt	-33 807					
- Minority	-1 107					
Associates	2 888					
Equity Value	101 862					
No. of shares (mn)	489					
Liquidity discount	10%					
Fair value / share	188					
12-m TP	218					

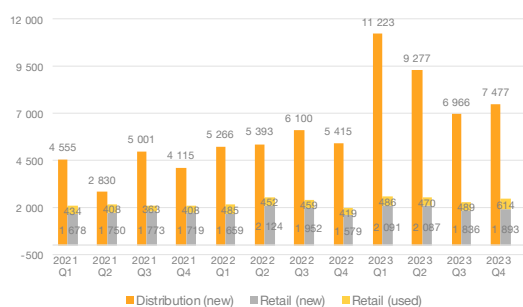
Sensitivity		WACC				
		12.0%	11.5%	11.0%	10.5%	10.0%
LT g	1.0%	169	182	195	210	226
	1.5%	178	191	206	222	240
	2.0%	188	202	218	236	256
	2.5%	198	214	231	251	274
	3.0%	210	227	247	269	294

Source: Concorde Research

Closing a spectacular year

- AutoWallis posted outstanding FY23 revenues yesterday of HUF 366 bn for FY23 (+35.6% YoY), closing yet another record year. Besides the effect of acquisitions, the company grew organically as well, mainly driven by the sales of SsangYong and Opel in the Distribution BU.
- EBITDA increased by 36.3% YoY to HUF 19.7 bn, resulting in an EBITDA margin of 5.4%, the same as in FY22, while achieving a net income of HUF 9.8 bn (13.4% YoY), resulting in an EPS of HUF 21.32. Despite the more than HUF 80 bn increase in COGS, AutoWallis was able to maintain its gross margin of 16.6%, compared to 16.7% in 2022. Following the strong results of FY22, profitability slightly decreased, resulting in a ROE of 23.6% (vs. 30.2% in 2022).
- The cost of materials and services used significantly increased, mainly due to the increased price and volume in Services, and the increased costs of logistics, communications and insurance related to the increased selling of Opel and SsangYong. The increase in other expenses was due to the impairment regarding an Asian brand's insurance event.
- AutoWallis further strengthened its capital structure, with the consolidated equity adequacy ratio reaching 33% at the end of 2023 from 26.5% in 2022. Net debt/EBITDA ratio (including leases) stood at 2.3x at the end of 2023, vs. 2.6x at the end of 2022. (Since then, AutoWallis received 5.7 bn from Wallis Group in a closed capital increase)
- The 36% increase in personnel expenses was primarily due to the acquisitions carried out in the past two years, increasing the average number of employees to 983 in 2023, as well as the wage increases implemented due to the tight labor market.
- AutoWallis sold 44,909 cars last year, up +43.5% from 2022. Sales revenue of the group's Distribution BU increased to HUF 217 bln (+37% YoY), selling nearly 35 ths vehicles, while its Retail business increased sales to HUF 149 bln (+34% YoY), with the sale of 7,907 new and 2,059 used vehicles. The EBITDA margin of the Distribution BU decreased to 5.6% from 5.8% in 2022, with Retail BU EBITDA margin coming in at 5.1%, increasing from 4.8% in 2022.

Quarterly number of vehicles sold



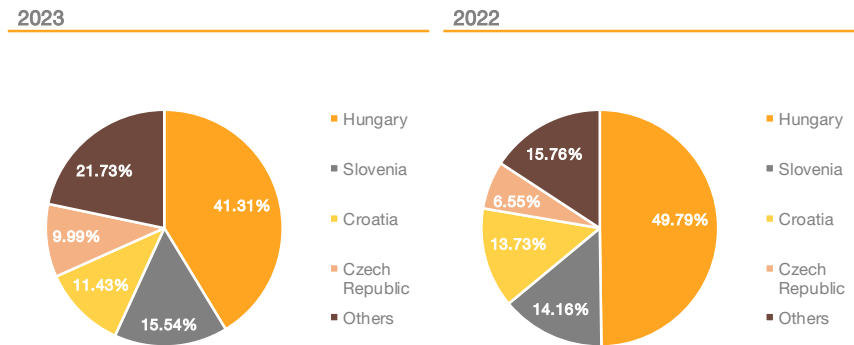
Service KPIs



Source: Autowallis, Concorde

- Within the Retail BU, the number of service hours increased by 9.7% YoY to 179,809. In Hungary, Sixt, represented by AutoWallis, increased the number of rental events by 5.4% YoY to 23,733 in 2023, while the number of rental days decreased by -11.2% YoY to 187,864. The average fleet size increased by 354% YoY to 3,979, thanks to the acquisition of Nelson and wigo.
- AutoWallis continued its export expansion, in 2023 nearly 60% of the group's revenues came from export countries, compared to 50% in 2022.

Sales breakdown by countries



Source: Autowallis, Concorde

Seasonality and one-offs caused weak Q4'23 results

- Despite the superb FY23 revenues, AutoWallis posted a somewhat disappointing set of results for Q4'23, achieving a net loss of HUF -0.4 bln, compared to a net profit of HUF 1.0 bn in 2022, all the while EBIT (+33.8% YoY) and an EBITDA (+36.3% YoY) both increased. PBT came in positive, with HUF 20 mn. The weaker results were driven by one-off impairments and the usual unsupportive year-end seasonality; therefore, we do not expect to see a major setback in the future.

Consolidated financial and operational highlights

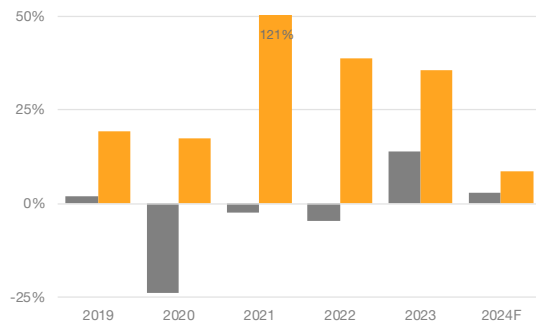
[HUF mn]	2022		2023					Diff. (Q4)		Diff. (FY)
	Q4	FY	Q1	Q2	Q3	Q4	FY	Y-o-Y	Q-o-Q	Y-o-Y
P&L										
Revenues	61 424	270 166	100 324	93 268	88 120	84 554	366 267	38%	-4%	36%
EBIT	884	11 008	4 740	3 620	5 706	1 183	15 249	34%	-79%	39%
EBITDA	1 762	14 455	5 644	4 728	7 117	2 212	19 705	26%	-69%	36%
Profit before tax	1 335	10 373	5 700	2 965	3 243	21	11 929	-98%	-99%	15%
Net income (parent)	923	8 300	4 974	2 488	2 677	-408	9 731	-144%	-115%	17%
EPS	2.14	19.27	11.55	5.32	5.77	-1.31	21.32	-161%	-123%	11%
Margins										
Gross margin	20.4%	16.7%	14.7%	16.0%	18.7%	17.4%	16.6%	-302bps	-129bps	-11bps
EBIT margin	1.4%	4.1%	4.7%	3.9%	6.5%	1.4%	4.2%	-4bps	-508bps	9bps
EBITDA margin	2.9%	5.4%	5.6%	5.1%	8.1%	2.6%	5.4%	-25bps	-546bps	3bps
Profit margin	1.6%	3.1%	5.0%	2.7%	3.0%	-0.5%	2.7%	-208bps	-352bps	-42bps
Distribution BU										
No. of new vehicles sold	5 415	22 174	11 223	9 277	6 966	7 477	34 943	38%	7%	58%
Revenues	32 959	158 936	63 356	55 427	51 037	47 490	217 310	44%	-7%	37%
Gross margin	16.8%	14.4%	12.4%	13.4%	17.2%	15.0%	14.4%	-180bps	-219bps	1bps
EBITDA	1 240	9 206	3 828	2 159	4 350	1 731	12 068	40%	-60%	31%
EBITDA margin	3.8%	5.8%	6.0%	3.9%	8.5%	3.6%	5.6%	-12bps	-488bps	-24bps
PBT	1 199	7 686	4 961	2 045	2 226	1 106	10 338	-8%	-50%	34%
PBT margin	3.6%	4.8%	7.8%	3.7%	4.4%	2.3%	4.8%	-131bps	-203bps	-8bps
Retail and Services BU										
No. of new vehicles sold	1 579	7 314	2 091	2 087	1 836	1 893	7 907	20%	3%	8%
No. of used vehicles sold	419	1 815	486	470	489	614	2 059	47%	26%	13%
Total no. of vehicles sold	1 998	9 129	2 577	2 557	2 325	2 507	9 966	25%	8%	9%
Revenues	28 465	111 230	36 968	37 841	37 084	37 064	148 956	30%	0%	34%
Gross margin	24.6%	20.2%	19.2%	21.0%	21.8%	17.8%	19.9%	-684bps	-398bps	-21bps
EBITDA	522	5 249	1 816	2 569	2 767	485	7 637	-7%	-82%	45%
EBITDA margin	1.8%	4.7%	4.9%	6.7%	7.4%	1.4%	5.1%	-48bps	-601bps	41bps
PBT	136	2 630	739	919	1 018	-1 085	1 591	-895%	-207%	-40%
PBT margin	0.5%	2.4%	2.0%	2.4%	2.7%	-3.0%	1.1%	-351bps	-574bps	-130bps
Service hours	42 394	163 862	45 004	46 090	41 642	47 073	179 809	11%	13%	10%
Fleet size (rental)	877	877	3 565	3 281	3 915	3 979	3 979	354%	2%	354%
Rents (units)	5 269	22 525	4 556	5 553	8 141	5 483	23 733	4%	-33%	5%
Rental days	50 259	211 511	43 060	43 558	62 559	38 687	187 864	-23%	-38%	-11%

Source: Autowallis, Concorde Research

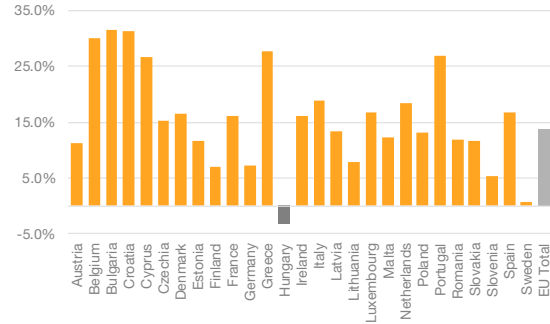
Outlook

- The European automotive sales growth will most likely slow down in 2024, while prices are expected to drop, following the increasing supply from resolved supply chain issues, but decreasing demand driven by high inflation and higher interest rates. As a result of this, we expect AutoWallis' margins to slightly contract this year from the higher values achieved in 2022 and 2023, however, looking at AutoWallis' historical performance compared to its market, we are convinced, that profitability will be maintained by higher sales volume. Despite the weaker Q4 and some slower growth in H1 '24, we expect to see some additional growth in the second half of 2024.

Sales growth - YoY



Change in new vehicle registrations - 2022 vs 2023



Source: Autowallis, ACEA, Concorde Research

APPENDIX

Indicators	2022	2023	2024F	2025F	2026F	2027F	2028F
EPS	19.3	21.3	23.3	28.9	31.3	32.7	36.0
BVPS	80	111	139	164	195	228	264
CFPS	-52.0	9.4	15.8	12.2	18.8	25.6	30.0
P/E	5.0x	6.1x	5.5x	4.4x	4.1x	3.9x	3.5x
EV/EBITDA	5.5x	5.3x	4.8x	3.8x	3.2x	2.6x	2.0x
P/BV	1.2x	1.2x	0.9x	0.8x	0.7x	0.6x	0.5x
P/S	0.2x	0.2x	0.2x	0.1x	0.1x	0.1x	0.1x
P/CF	-1.8x	13.8x	8.1x	10.5x	6.8x	5.0x	4.3x
ROE	30.2%	23.6%	19.4%	19.5%	17.6%	15.6%	14.7%
ROA	6.6%	6.2%	6.1%	7.0%	6.9%	6.6%	6.7%
ROIC	12.8%	14.2%	12.8%	14.3%	14.7%	14.7%	15.5%
EBIT margin	4.1%	4.2%	3.7%	3.9%	4.0%	3.9%	4.1%
EBITDA margin	5.4%	5.4%	5.0%	5.2%	5.2%	5.1%	5.2%
Profit margin	3.1%	2.7%	2.8%	3.1%	3.2%	3.1%	3.3%
Gross margin	16.7%	16.6%	16.3%	16.4%	16.4%	16.4%	16.4%

Income Statement	2022	2023	2024F	2025F	2026F	2027F	2028F
Revenues	270 166	366 267	397 630	450 180	485 745	512 461	533 984
OPEX	-254 413	-346 005	-378 662	-427 551	-461 596	-487 405	-507 646
Depreciation	-3 440	-4 452	-5 169	-5 852	-5 829	-6 150	-5 874
Other income / expenses	-1 387	-2 516	-1 369	-1 369	-1 369	-1 369	-1 369
Operating profit	11 008	15 249	14 532	17 754	19 463	20 173	21 831
EBITDA	14 455	19 705	19 702	23 607	25 291	26 323	27 705
Financial profit	-953	-4 391	-2 128	-1 691	-2 068	-2 060	-1 806
Profit before taxes	10 373	11 929	13 566	17 379	18 813	19 610	21 585
Taxes	-1 693	-2 086	-2 442	-3 128	-3 386	-3 530	-3 885
Profit after tax	8 680	9 843	11 124	14 251	15 427	16 080	17 699
Comprehensive income	9 180	9 561	10 818	13 904	15 052	15 686	17 288

Cash Flow Statement	2022	2023	2024F	2025F	2026F	2027F	2028F
Cash Flow from Operation	-25 991	4 987	17 291	17 074	19 520	22 596	22 822
Cash Flow from Investing	-7 861	-9 910	-8 012	-8 779	-8 161	-7 994	-6 168
Cash Flow from Financing	25 777	1 716	5 175	763	-864	-1 711	-1 350
Opening Cash	24 699	16 887	13 097	27 551	36 609	47 105	59 996
Change in Cash	-8 074	-3 206	14 454	9 059	10 495	12 891	15 304
Closing Cash	16 625	13 680	27 551	36 609	47 105	59 996	75 299

Source: Autowallis, Concorde Research

Balance Sheet	2022	2023	2024F	2025F	2026F	2027F	2028F
Assets							
PP&E	21 001	21 885	22 868	23 879	24 684	25 322	25 423
Operating lease assets	2 695	2 696	3 290	3 901	4 389	4 774	4 835
ROU assets	2 170	6 106	6 708	7 328	7 821	8 212	8 274
Goodwill	935	5 460	5 460	5 460	5 460	5 460	5 460
Intangibles	2 401	3 037	3 701	4 386	4 931	5 362	5 431
Other LT assets	2 763	11 312	11 312	11 312	11 312	11 312	11 312
Inventories	54 998	58 385	62 891	70 126	75 628	78 615	81 916
Other inventories	166	139	139	139	139	139	139
Trade receivables	8 691	15 851	17 208	19 482	21 021	22 177	23 408
Other current assets	20 977	13 981	13 981	13 981	13 981	13 981	13 981
Cash and equivalents	16 887	13 097	27 551	36 609	47 105	59 996	75 299
Total assets	133 684	151 949	175 110	196 603	216 471	235 349	255 479
Equity							
Issued capital	5 529	6 163	6 619	6 619	6 619	6 619	6 619
Share premium	16 027	20 293	20 293	20 293	20 293	20 293	20 293
Share-based reserves	109	285	285	285	285	285	285
Treasury shares	-524	-243	-243	-243	-243	-243	-243
Translation difference	521	239	239	239	239	239	239
Retained earnings	12 619	22 377	38 633	52 771	68 086	84 054	101 641
NCI	1 184	995	1 107	1 220	1 332	1 444	1 556
Liabilities							
Bonds	9 535	9 522	9 600	9 600	8 940	8 280	7 620
Long-term loans	5 842	5 660	5 660	5 660	5 660	5 660	5 660
LT leases	1 904	9 036	9 036	9 036	9 036	9 036	9 036
LT deferred income	0	187	187	187	187	187	187
Non interest-bearing	828	808	750	757	761	765	768
Short-term loans	1 385	3 284	3 284	3 284	3 284	3 284	3 284
Inventory financing loans	4 301	8 207	8 839	9 854	10 625	11 044	11 507
Trade payables	21 218	25 033	29 167	33 000	35 590	37 547	39 124
ST leases	1 262	4 540	4 540	4 540	4 540	4 540	4 540
Reverse factoring (IB)	27 091	11 674	12 575	14 022	15 122	15 719	16 380
Other interest bearing	288	476	476	476	476	476	476
Reverse factoring (non IB)	3 146	6 134	6 684	7 563	8 156	8 605	8 966
Other ST liabilities	21 419	17 278	17 379	17 441	17 484	17 516	17 542
Equity and liabilities	133 684	151 949	175 110	196 603	216 471	235 349	255 479

Source: Autowallis, 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 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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