

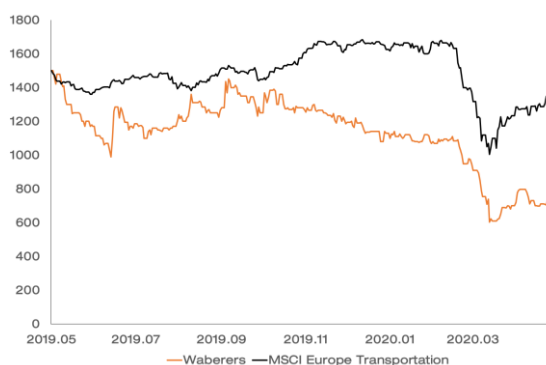
Waberer's

Recommendation: BUY

Target price (e-o-y): Under revision

Share price: HUF 716

EUR million	Q1/19	Q1/20	chg. YoY %
Revenue	182.2	173.8	-5%
EBITDA	17.7	14.8	-16%
Adj. EBITDA	15.2	15.4	1%
EBIT	-2.7	0.1	n.a
Net income	-2.0	-3.1	55%
Adj. Net income	-4.4	-2.5	-43%
Rec. EBITDA margin	8.3%	8.9%	0.5ppts
EBIT margin	-1.5%	0.1%	1.5ppts
Rec. Profit margin	-2.4%	-1.4%	1ppts



Share price close as of 07/05/2020	HUF 716	Bloomberg	WABERERS HB
Number of diluted shares [million]	17.7	Reuters	WABE.HU
Market capitalization [HUF bn/EUR mn]	12.8/36.3	Free float	28%
Daily turnover 12M [HUF million]	10	52 week range	HUF 604 – 1,500

Rec. EBIT turned positive on solid RCL performance

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- Waberer's reported a rec. net loss of EUR 2.5 mn for Q1/20 vs net loss of EUR 4.4mn for Q1/19. Group revenues fell 5% to EUR 174mn. International transportation segment (ITS) shrunk due to fleet reduction program, which resulted in a 17% YoY decline in revenues, but Regional segment (RCL) mitigated the negative impact of deteriorating ITS as sales jumped by 33% due to client acquisitions. Group EBITDA was up by 1% YoY, totalling EUR 15.4mn in Q1/20 vs EUR 15.2mn in Q1/19. EBIT amounted to EUR 0.1mn, resulted in the first profitable quarter on operating level since Q3/18. CEO Mr. Erdélyi said that Q1/20 results were in line with their expectations, with showing better utilization rates as a result of transformation initiatives and successful client acquisitions (CEO may refer to AUDI contract). CEO highlighted that COVID-19 has a significant impact on the Company as demand for international transportation plunged by 40-50% in mid-March. In contrast, coronavirus pandemic had a short-term positive impact on regional segment as volumes grew, but it changed rapidly as stockpiling effect is running out. However, in light of the weakness of automotive industry, order flow will be subdued. Financial stability remained secured partly as a result of debt moratorium in Hungary. Strategic review process has been suspended. Reported figures include non-recurring items in an extent of EUR -0.6mn related to advisory costs.
- Opinion:** In our previous note, we stayed on BUY but our TP has been withdrawn as our estimates were no longer valid as a result of coronavirus pandemic. We are of the view that short-term and long-term measures will likely result in a margin improvement in the next quarters but significant fluctuation in volumes is expected, which can hurt the Company's profitability. However, debt moratorium in Hungary supports Waberer's to remain financially healthy. In addition to deferred debt payment, decreasing fuel prices will also mitigate the demand drop in the short run, but recovery may take several quarters.

Segments:

- **International (ITS):** Due to the weak European economic environment, International Transportation segment suffered. Revenues declined by 17% YoY on lower volumes, while gross profit slumped 21% YoY in Q1. It was predominantly driven by the extra expenses related to the repatriation and halting of vehicles in the last 2 weeks of the quarter, having unfavourable effects on gross profit and gross margin. Rec. EBITDA fell 29% YoY, resulting in an EBITDA margin of 6.0% in Q1/20 vs 7.0% in Q1/19.
- **Regional Contract Logistics (RCL): Revenues jumped more than 33% YoY in Q1/20 due to Audi Contract as Waberer's provides in-house logistics services in Győr from Dec/19.** Starting in mid-March, the coronavirus had a serious impact on the structure of the activities of the segment shifting towards the logistics and transportation orders of consumer staples, replacing services related to the manufacturing sector as factories shut down in especially the automotive industry. Gross profit grew by 40% YoY in Q1/20, with gross margin increasing by 1.3ppt to 27.3%. EBITDA climbed 54% YoY to EUR 7mn.
- **Insurance:** WHB expanded its activities in the MTPL segment. Revenues were up by 11% YoY in Q1/20, while EBITDA grew by 35% to EUR 1.7mn. Profitability improved, which is attributable to lower damage payments, stemming from travel restrictions.

Profit and loss [EUR million]	Q1/19	Q1/20	chg. YoY%
Revenues	182.2	173.8	-5%
Direct costs	-152.3	-144.4	-5%
Gross profit	29.8	29.4	-1%
OPEX	-12.1	-14.6	21%
Non-recurring items	-2.5	0.6	
EBITDA	17.7	14.8	-16%
Recurring EBITDA	15.2	15.4	1%
D&A	-18.0	-15.3	-15%
EBIT	-0.3	-0.5	67%
Recurring EBIT	-2.7	0.1	
Net financial result	-0.9	-1.6	78%
Tax	-0.9	-1.1	22%
Net income	-2.0	-3.1	55%
Recurring Net income	-4.4	-2.5	-43%
Rec. Ebitda margin	8.3%	8.9%	0.5ppts
Rec. EBIT margin	-1.5%	0.1%	1.5ppts
Rec. Profit margin	-2.4%	-1.4%	1ppts

Source: Waberer's

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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%
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