

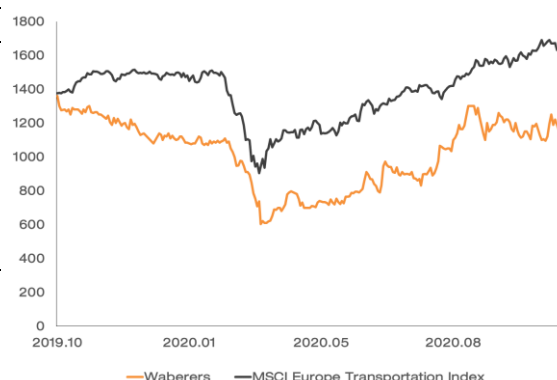
# Waberer's

Recommendation: BUY

Target price (e-o-y): HUF 1,910

Share price: HUF 1,135

EUR million	Q3/19	Q3/20	chg. YoY %
Revenue	169.8	137.0	-19.3%
EBITDA	12.5	12.0	-3.8%
Adj. EBITDA	15.3	14.0	-8.8%
Adj. EBIT	-1.7	1.2	n.a.
Net income	-8.5	-4.6	46.1%
Adj. Net income	-5.6	-1.1	79.7%
Rec. EBITDA margin	9.0%	10.2%	1.2ppts
Rec. EBIT margin	-1.0%	0.9%	1.9ppts
Rec. Profit margin	-3.3%	-0.8%	2.5ppts



Share price close as of 06/11/2020	HUF 1135	Bloomberg	WABERERS HB
Number of diluted shares [million]	17.7	Reuters	WABE.HU
Market capitalization [HUF bn/EUR mn]	20.1/55.1	Free float	28%
Daily turnover 12M [HUF million]	11	52 week range	HUF 604 – 1,300

## More positives than negatives

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- Waberer's reported a rec. net loss of EUR 1.1mn for Q3/20 vs. net loss of EUR 5.6mn for Q3/19. Reported net profit was at EUR -4.6mn due to one-offs associated with ITS restructuring.
- During Q3, recovery had continued as all segments performed better. As a result of the restructuring, revenues fall by c20% YoY. Recurring EBIT turned positive once again after Q1 at Group level.
- CEO comment: Company managed to establish the long-term stability in the recent months with the support of its major stakeholders and creditors. Starting in July, they smoothly launched the new Trade Lane model at HU-based ITS. Poland-based Link (acquired in 2017) introduced the same model last year, and CEO believes turnaround is achievable. CEO sees that a possible second lockdown or hard Brexit could be manageable.

### Opinion:

- **Positives:**
  - ✓ **RCL segment delivered outstanding results.** EBIT came in at EUR 4.2mn (+132% YoY) on revenues of EUR 44.6mn (+21.7% YoY) mainly due to Audi contract where Waberer's provides in-house logistics.
  - ✓ **Insurance segment performed well and achieved stellar results.** Revenues in the other segment (insurance) grew 6.2% to EUR 18.3mn in Q3. Company defined EBIT was at EUR 2.4mn (+54% YoY) on lower damage ratio on insured vehicles.
  - ✓ **Cash position improved by 2.5mn during the previous quarter. Net leverage ratio stands at 2.9x as at 30 Sept, vs. 3.3x as at 31 Dec.**

- **Negatives:**
  - ✓ Revenues at **ITS segment** dropped by 36% thanks to a meaningful cut in fleet size. As opposed to RCL segment, profitability is under pressure. Recurring EBIT amounted to EUR -5.3mn in Q3/20 vs. -5.1mn in Q3/19.
- All in all, we view that RCL and Insurance are on track to reach solid profit for 2020, which underpin our EV estimates (1,445 HUF/sh and 1,335 HUF/sh, respectively) for the two segments. However, we are worried that turnaround at ITS segment is not manageable given the high fix costs. ITS segment hasn't been able to deliver better margins despite shrinking fleet size so far, but we've seen broadly flat OPEX line there. It suggests that there's limited room to improve. Unless shipping fees improve significantly, international segment remains in cash-burning mode. As a result, we maintain our view that Waberer's Group may close this operations soon.
- We leave our Target price and recommendation unchanged.

Profit and loss [EUR million]	Q3/19	Q3/20	chg. YoY%
<b>Revenues</b>	<b>169.8</b>	<b>137.0</b>	-19%
Direct costs	-140.3	-108.8	-22%
<b>Gross profit</b>	<b>29.4</b>	<b>28.2</b>	-4%
OPEX	-14.1	-14.2	1%
<b>Recurring EBITDA</b>	<b>15.3</b>	<b>14.0</b>	-8%
D&A	-17.1	-12.8	-25%
<b>Recurring EBIT</b>	<b>-1.7</b>	<b>1.2</b>	
Net financial result	-2.5	-2.2	-12%
Tax	-1.3	-0.2	-85%
<b>Net income</b>	<b>-5.6</b>	<b>-1.1</b>	<b>-80%</b>
One-offs	-2.9	-3.4	17%
<b>Recurring Net income</b>	<b>-8.5</b>	<b>-4.6</b>	<b>-46%</b>
Rec. Ebitda margin	9.0%	10.2%	1.2ppts
Rec. EBIT margin	-1.0%	0.9%	1.9ppts
Rec. Profit margin	-5.0%	-3.4%	1.6ppts

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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