

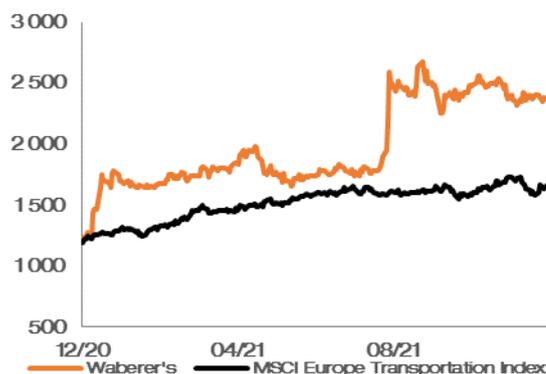
Waberer's

BUY (unch.)

Target price: HUF 3,400 (unch.)

Share price: HUF 2,380

EUR million	2020	2021F	2022F
Revenue	569	595	612
EBITDA	34	72	76
EBIT	-24	23	27
Net profit	-42	15	19
Profit margin	-7%	3%	3%
Truck number	3 021	2,843	2,851
P/E	n.a	8.5x	6.6x
EV/EBITDA	6.0x	3.3x	3.0x
EBITDA/truck [ths EUR]	11.2	25.4	26.7



Share price close as of 13/12/2021	HUF 2,380	Bloomberg	WABERERS HB
Number of shares [million]	17.7	Reuters	WABE.HU
Market capitalization [HUF bn/EUR mn]	41.4/113.3	Free float	28%
Daily turnover 12M [HUF million]	39	52 week range	HUF 1,190 – 2,670

Bold growth plans from the management

Equity Analyst

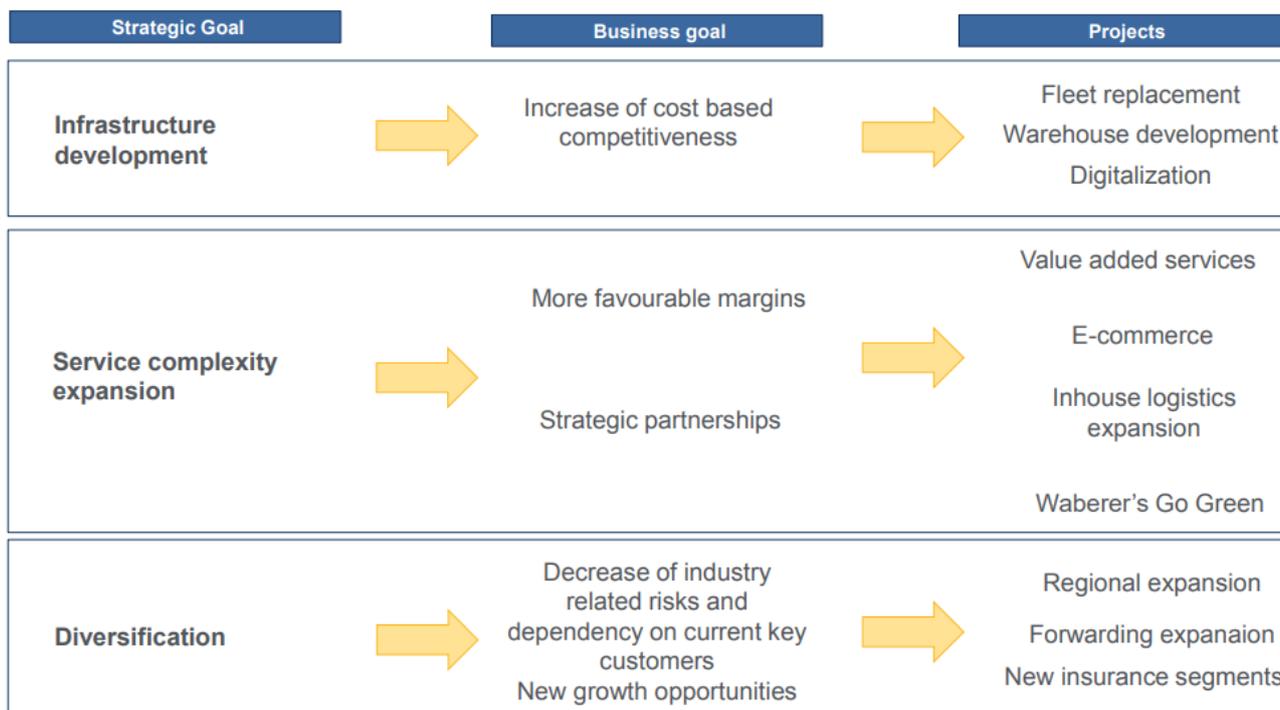
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- Waberer's hosted a Capital Market Day on the 2nd of December where the management came up with an ambitious growth plan for the period between 2022 and 2025. Based on the guidance, the management foresees revenues of EUR 807mn and EBIT of EUR 49mn by 2025, however they didn't give an accurate projection for 2022, 2023 and 2024. They also suggested that Group EBIT will likely come in at around EUR 20mn this year, which is below our estimate. We leave our recommendation on BUY with a TP of 3,400 HUF/sh.
- Valuation:** In our base case scenario, we expect a modest low single-digit growth in revenues, but double-digit increase in EBIT over the forecast period. As a result, we expect an EBIT of EUR 34mn on revenues of EUR 657mn for 2025, but we clearly see that the growth potential is deeply underestimated. Considering the upbeat prospects, the new guidance has been incorporated into our model. In this bull case scenario, we should raise our DCF-based Equity Value estimate for the Transportation segments from 1,976 HUF/sh to 4,570 HUF/sh. This means that the ITS and RCL segments can be worth more than twice as much as we previously thought. Coupled with the Insurance segment, as well as the liquidity discount applied, our fair value estimate would point to 5,700 HUF/sh. Nevertheless, we continue to value the Company with a more conservative approach due to the high execution risk.
- As a reminder, Group EBIT amounted to EUR 27mn on revenues of EUR 674mn in 2017, which was a record year in Waberer's history in terms of profitability. We expect those levels can be achieved in 2023. We strongly believe that Waberer's is on good track to leveraging its position in regional markets, while improving its profitability in Western Europe with high value added services.

STRATEGY UPDATE

The management revealed that the growth strategy consists of 3 pillars: (1) infrastructure development, (2) service complexity expansion, (3) diversification.



Source: Waberer's

- **Infrastructure development I. – Fleet replacement:** During the past 3 years, Waberer's hasn't renewed its fleet as a result of the financial distress and low utilization, but after liquidity position stabilized in 2021, fleet replacement is on the table again. By the end of 2022, Waberer's expects that more than 45% of the fleet will have been replaced. There are a number of positive impacts of the program. Operational costs including fuel and repair costs can be substantially reduced, while carbon footprint is decreasing. As a result, brand value and working conditions can be improved. The management expects EUR 2.5-3.5mn direct cost saving from the fleet replacement, but lease costs will increase somewhat due to the higher purchase price of vehicles.
- **Infrastructure development II. – Warehouse development:** Waberer's intends to develop in 2 or 3 steps a 50-60ths sqm own warehouse close to Budapest, which could help reduce operational cost as well. The warehouse could be installed by a semi-automatic system and solar panels for providing 100% green energy. Between 2022 and 2024, CAPEX of the project could be worth EUR 30-35mn, but the annual cost saving is expected to exceed EUR 1.5mn.
- **Service complexity expansion I. – ITS VAS.:** Waberer's aims to provide high value added services (VAS), including transportation of special goods, intermodal services, Flexible and high volume capacity guarantee, Transportation of high value goods with track & trace service, air cargo services. The Co. also wants to increase the number of alternative fuel vehicles as more and more clients require this type of service to reach carbon neutrality sooner. Currently, VAS services only account for 16% of total revenues, but this is seen at 54% by 2025. More importantly, VAS services are expected to increase margins by at least 5%pts.

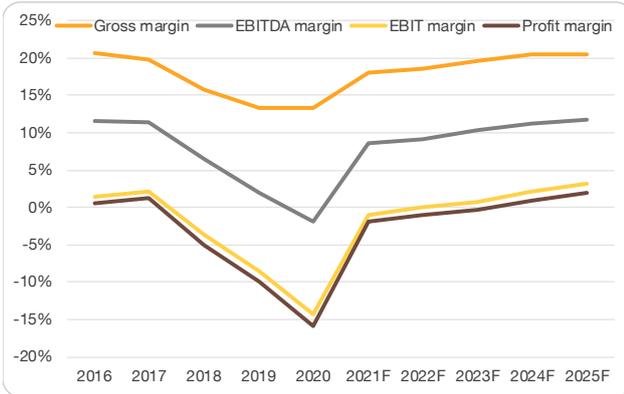
- **Service complexity expansion II. – E-commerce service:** Waberer's intends to exploit the growth of e-commerce with the current service of retail chains. Competition level on the home delivery market of big size products is significantly lower compared to home delivery of small size & FMCG products, while the size & financial strength of Waberer's Group provides good market entry opportunity in case regulation of city logistics requires instant switch to environmental friendly vehicles. Financial impact will be negligible, in our view.
- **Service complexity expansion III. – In-house logistics:** This sub-segment is the highest value added service in the logistics supply chain, but a long sales process is needed to gain orders. Waberer's intends to increase the customer base of strategic partnership and reach deeper integration supply chain process of current customers by also cooperating with the suppliers of these customers. Compared to 2021, revenues and EBIT can be lifted by EUR 25-30mn and EUR 3.5-4.0mn, respectively.
- **Service complexity expansion IV. – Waberer's Go Green: (1)** With intermodal services starting to reform the sector, Waberer's keeps its focus on clients with high quality demand at its intermodal service. They expect EUR +5-6mn revenue increase in 2025, which look quite conservative in our view, given the massively growing trend toward this type of service. **(2)** Waberer's is currently testing alternative fuel vehicles in the RCL segment with Volvo and Renault and an active sales activity launched for temporary and LT services.
- **Diversification I. – Regional expansion:** Waberer's identified further growth opportunities in the CEE region, especially in Serbia, Croatia and Slovakia. Though they didn't disclose the financial impact of the expansion, the management and the strategic owners envisaged to put Waberer's the market leader in regional logistics. Regional consolidation may start next year.
- **Diversification II. – WHB Insurance market strategy:** WHB has gone through an uplifting evolution over the past 5 years as 3rd party revenues more than doubled during this period. At this stage, the management envisaged Growth 3.0 strategy from 2022. They concluded that there is further growth opportunities in real estate and health care insurance segments.

KEY TAKEAWAYS

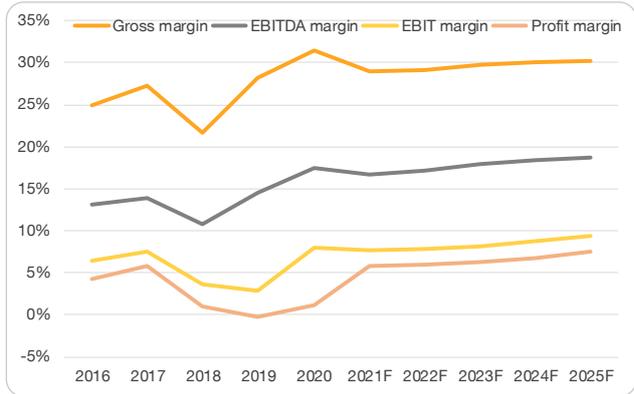
Potential impact of these projects could be significant both in absolute and margin terms. Compared to our base case scenario, Group EBIT margin could widen by 1%pt by 2025 if the management delivers its ambitious guidance. We would highlight some important points regarding the strategy:

- *Waberer's will save millions of euros on investing in new technologies and own warehouse.*
- *The Company is still a unique logistics and transportation service provider in the region, which can be exploited in the mid-term.*
- *We are of the view that customer's demand for alternative fuel vehicles will likely accelerate the consolidation due to higher purchasing prices. This may squeeze smaller players out of the market.*
- *Waberer's could take advantage of its owners' interests in the real estate and healthcare sectors when it comes to the expansion of the insurance segment – Indotek owns a lot of properties, while Gyorgy Waberer owns Waberer Medical Centre, which is a major player in private healthcare in Budapest.*

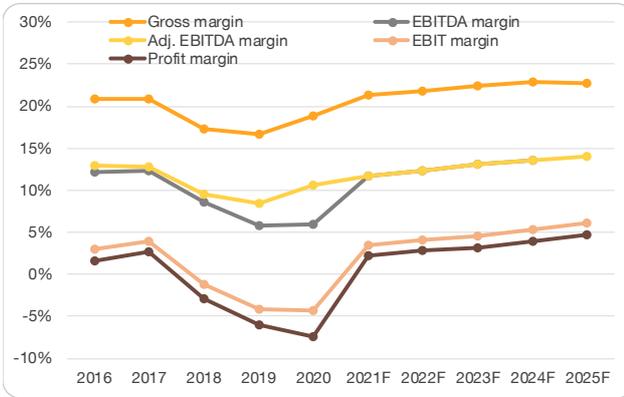
Based on the management's guidance
ITS margins



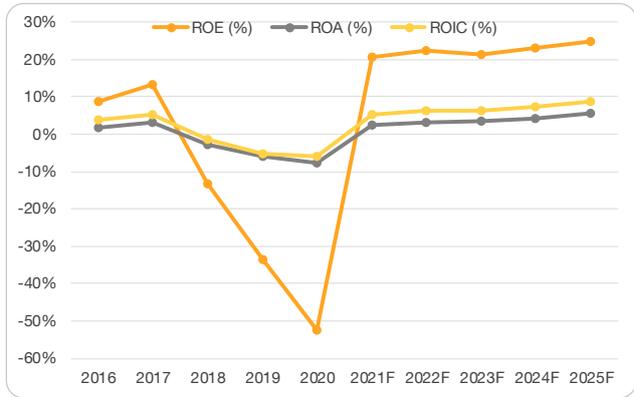
RCL margins



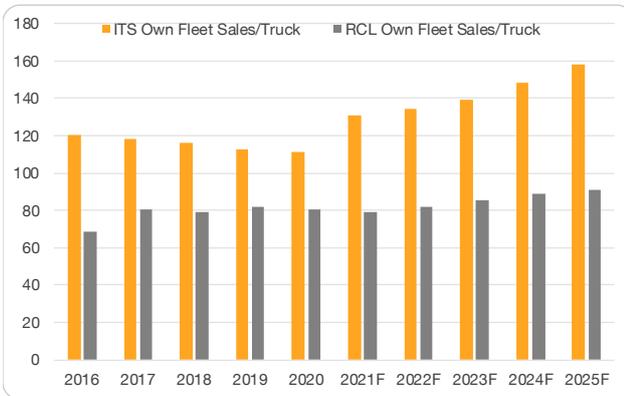
Group margins



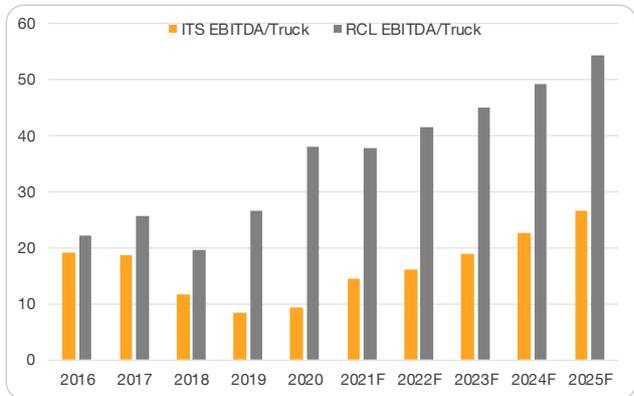
Group profitability



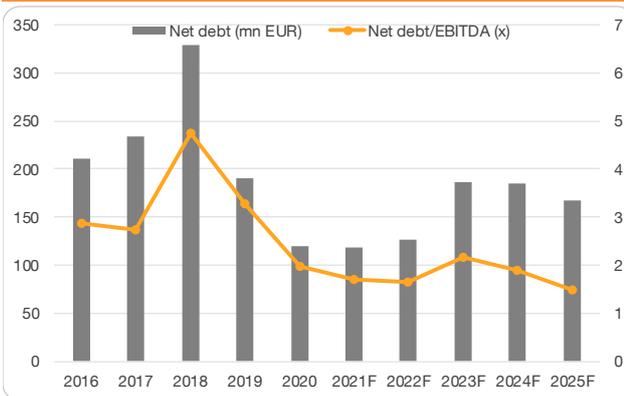
Avg. revenues per truck [ths EUR]



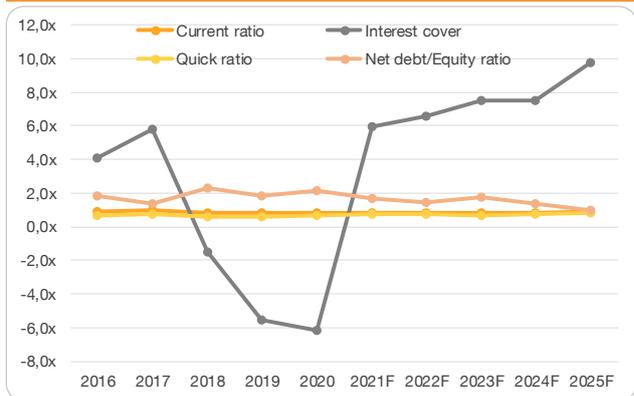
Avg. EBITDA per truck [ths EUR]



Indebtedness



Liquidity ratios



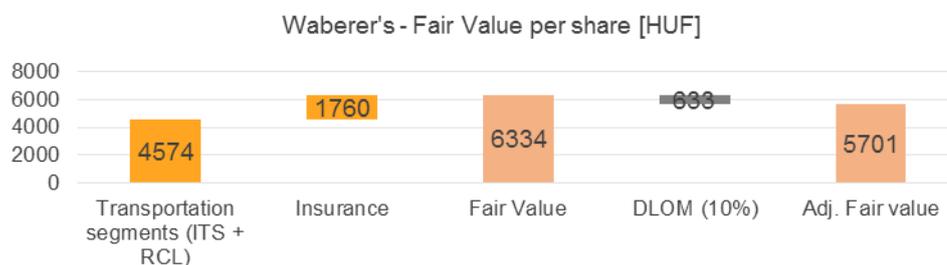
Source: Waberer's, Concorde Research

BULL CASE DCF

Transportation segments (ITS+RCL)	2022F	2023F	2024F	2025F	2026F
Revenue	551	577	630	709	735
Gross Profit	123	134	150	169	178
<i>Gross margin</i>	<i>22,3%</i>	<i>23,2%</i>	<i>23,8%</i>	<i>23,8%</i>	<i>24,2%</i>
Recurring EBITDA	66	75	87	100	107
-D&A	-51	-56	-59	-63	-63
EBIT	15	19	28	37	44
<i>EBIT margin</i>	<i>2,8%</i>	<i>3,3%</i>	<i>4,4%</i>	<i>5,3%</i>	<i>6,0%</i>
-TAX	-2	-2	-3	-4	-5
NOPLAT	14	17	24	33	39
+D&A	51	56	59	63	63
+/- WC	-5	0	-1	-1	0
- (CAPEX + Lease payment)	-71	-86	-84	-83	-63
<i>Capex/Sales</i>	<i>13%</i>	<i>15%</i>	<i>13%</i>	<i>12%</i>	<i>9%</i>
<i>Capex/Depreciation</i>	<i>140%</i>	<i>154%</i>	<i>143%</i>	<i>133%</i>	<i>100%</i>
FCFF	-12	-14	-2	11	38
WACC	8,5%	8,5%	8,5%	8,5%	8,5%
DF	0,92	0,85	0,78	0,72	0,67
DCF	-11	-12	-1	8	26
TV growth	1,0%				
EV (TV)	344				
Enterprise Value (e-o-y 2021)	354				
-Debt (Estimated)	195				
+Cash (Estimated)	64				
-Minority	0				
Equity Value	223				
Number of shares	17,7				
Fair Value	4574				

Source: Concorde Research

BULL CASE FAIR VALUE ESTIMATE



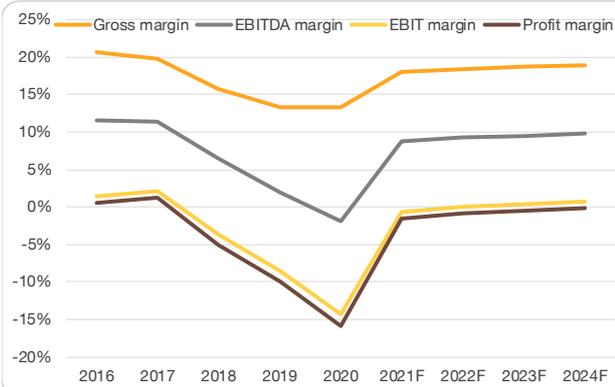
Source: Concorde Research

RISKS

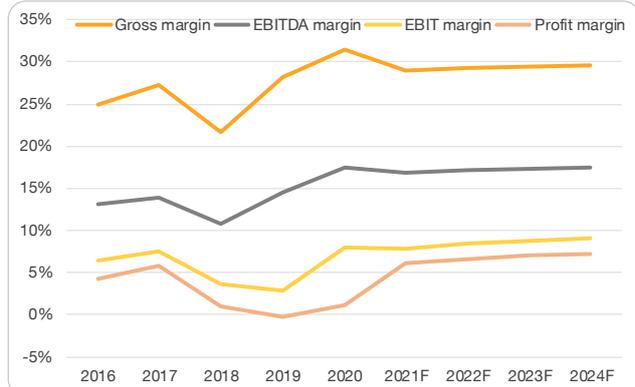
- **Market risks** - changing macroeconomic environment or sector-specific conditions have significant influence on the financial performance
- **Execution risk** - the Company goes through a substantial transformation
- **Regulatory risk** – the Company is exposed to the changes in the regulatory environment where it operates in Europe
- **Financial risk** – the Company has to comply with strict covenants as well as is exposed to FX translation risk
- **Insurance-specific risk**

WABERER'S IN CHARTS – BASE CASE

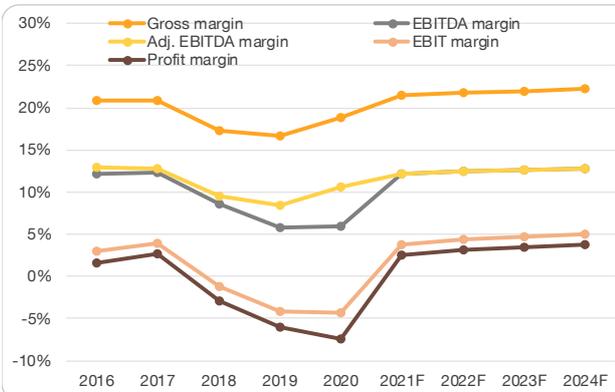
ITS margins



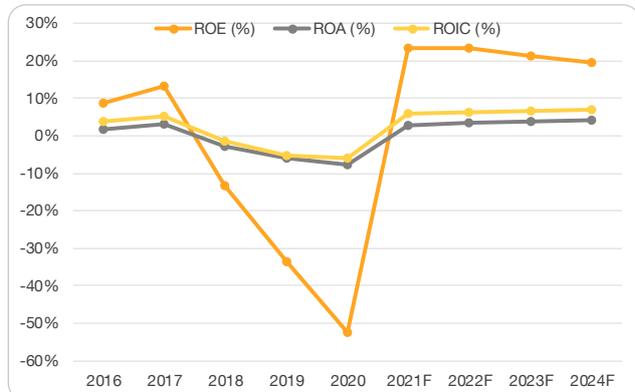
RCL margins



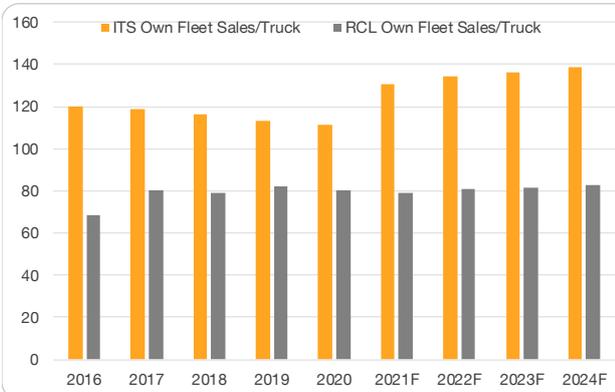
Group margins



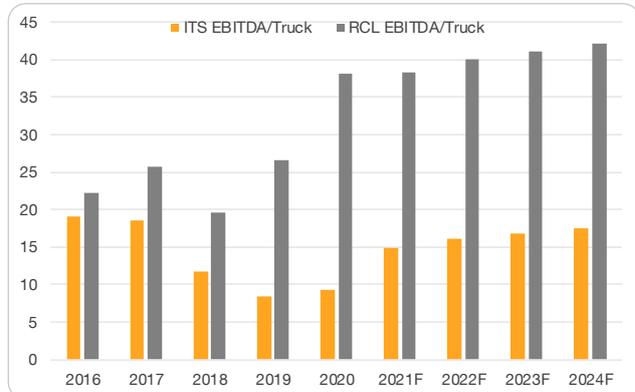
Group profitability



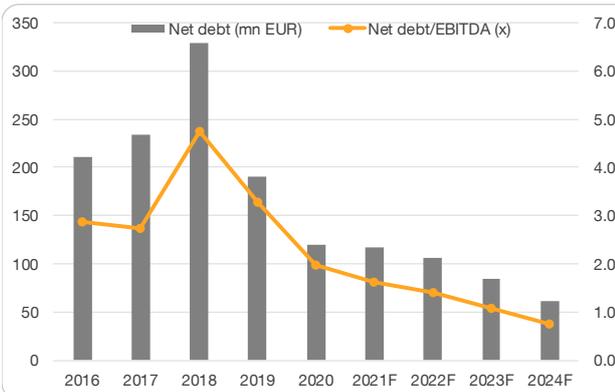
Avg. revenues per truck [ths EUR]



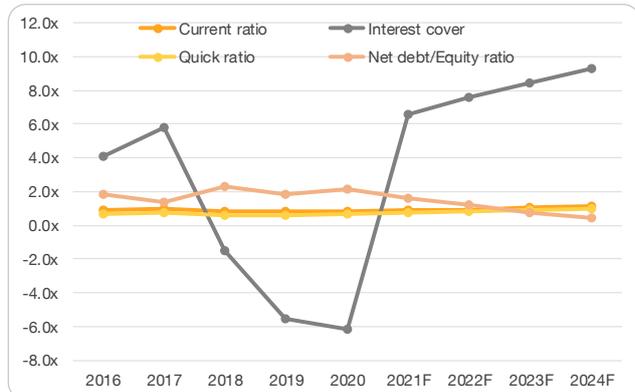
Avg. EBITDA per truck [ths EUR]



Indebtedness



Liquidity ratios



Source: Waberer's, Concorde Research

APPENDIX

PROFIT AND LOSS [EUR MILLION]

	2020	2021	2022	2023
Revenue	569	595	612	625
OPEX	-462	-467	-478	-488
Gross profit	107	128	133	137
EBITDA	34	72	76	79
Non-recurring items	27	0	0	0
Recurring EBITDA	60	72	76	79
Depreciation and amortization	-58	-49	-50	-50
EBIT	-24	23	27	29
Net financial result	-13	-3	-4	-3
EBT	-37	19	23	26
Tax	-4	-4	-4	-5
Net Income	-42	15	19	21
Recurring Net Income	-15	15	19	21

BALANCE SHEET [EUR MILLION]

	2017	2018	2019	2020	2021F	2022F	2023F
Property	21	69	69	61	64	67	67
Vehicles	294	322	154	93	93	93	93
Total property, plant and equipment	324	399	228	158	161	164	164
Intangible assets	62	61	50	34	34	34	34
TOTAL NON-CURRENT ASSETS	453	543	389	166	166	166	166
Inventories	4	4	4	3	3	3	3
Trade receivables	119	114	112	73	98	104	106
Cash and cash equivalents	59	58	51	76	79	89	110
TOTAL CURRENT ASSETS	229	231	217	175	203	220	243
TOTAL ASSETS	681	774	606	499	530	550	573
Shareholder's equity	163	139	98	56	71	90	111
Non-controlling interest	8	0	0	0	0	0	0
TOTAL SHAREHOLDERS' EQUITY	175	145	104	56	71	90	112
Long-term portion of leasing	207	261	129	102	102	102	102
TOTAL LONG-TERM LIABILITIES	278	342	237	224	224	224	224
Short-term loans and borrowings	5	18	49	32	32	32	32
Short-term portion of leasing	81	106	65	62	62	62	62
Trade payables	114	133	118	82	98	99	101
TOTAL CURRENT LIABILITIES	228	286	266	218	234	235	238
TOTAL EQUITY AND LIABILITIES	681	774	606	499	530	550	573

CASH-FLOW STATEMENT [EUR MILLION]

Simplified Cash Flow	2017	2018	2019	2020	2021F	2022F	2023F
EBIT	27	-8	-29	-24	23	27	29
D&A	56	71	69	58	49	50	50
Working cap	9	23	-12	1	-9	-5	0
Others	-12	-9	19	41	-8	-8	-8
Operating Cash-Flow	80	77	47	75	55	63	71
CAPEX (incl. Lease payment)	-91	-76	-85	-34	-52	-53	-50
Investing Cash-Flow	-11	1	-37	41	2	11	21
Financing Cash-Flow	39	-2	31	-16	0	0	0
Changes in cash	32	59	58	51	76	79	89
Cash and cash eq. at e-o-y	59	58	51	76	79	89	110

KPIS

	2017	2018	2019	2020	2021F	2022F	2023F
Price (HUF) (year-end)	4 700	2 300	1 080	1 700	2 370	2 370	2 370
EURHUF (year-end)	309	319	330	363	365	365	365
EPS (HUF)	322	-377	-780	-858	280	361	415
EPS growth (%)	99%	-217%	107%	10%	-133%	29%	15%
EPS (EUR)	1.0	-1.2	-2.4	-2.4	0,8	1,0	1,1
EPS growth (%)	100%	-214%	100%	0%	-132%	29%	15%
DPS (HUF)	0.0	0.0	0.0	0.0	0,0	0,0	0,0
DPS (EUR)	0.0	0.0	0.0	0.0	0,0	0,0	0,0
BVPS (HUF)	2 923	2 612	1 931	1 152	1 439	1 800	2 216
BVPS growth (%)	56%	-11%	-26%	-40%	25%	25%	23%
BVPS (EUR)	9.5	8.2	5.9	3.2	3,9	4,9	6,1
BVPS growth (%)	57%	-13%	-29%	-46%	24%	25%	23%
TBVP (HUF)	1 833	1 508	1 006	449	732	1 093	1 508
TBVP growth (%)	24%	-18%	-33%	-55%	63%	49%	38%
TBVP (EUR)	5.9	4.7	3.0	1.2	2,0	3,0	4,1
TBVP growth (%)	25%	-20%	-36%	-59%	62%	49%	38%
Total no. of shares (mln)	17.7	17.7	17.7	17.7	17,7	17,7	17,7
Total no. of shares w/o Treasury	17.4	17.4	17.5	17.5	17,5	17,5	17,5
Book Value	167	145	104	56	70	87	107
Tangible Book Value	105	84	54	22	35	53	73
Market capitalization (EUR)	269	128	58	83	115	115	115
-Cash & Equivalents	-59	-58	-51	-76	-77	-87	-107
+Minority	8	0	0	0	0	0	0
+Total debt	293	387	242	195	195	195	195
Enterprise value	512	457	249	202	233	224	204
Invested Capital	535	596	405	343	356	374	394

Source: Concorde's estimate

BREAKDOWNS

REVENUE BREAKDOWN	2017	2018	2019	2020	2021F	2022F	2023F
ITS	74%	74%	69%	57%	57%	57%	57%
RCL	18%	18%	21%	30%	30%	30%	31%
Insurance	7%	8%	10%	13%	13%	12%	12%
EBITDA BREAKDOWN	2017	2018	2019	2020	2021F	2022F	2023F
ITS	72%	67%	48%	34%	42%	43%	43%
RCL	20%	23%	37%	50%	42%	42%	42%
Profit margin	8%	10%	15%	16%	15%	14%	14%
EBIT BREAKDOWN	2017	2018	2019	2020	2021F	2022F	2023F
ITS	39%	n.a	n.a	n.a	n.a	1%	5%
RCL	35%	n.a	n.a	n.a	n.a	59%	57%
Insurance	25%	n.a	n.a	n.a	n.a	40%	38%
COST BREAKDOWN	2017	2018	2019	2020	2021F	2022F	2023F
Direct wages	16%	16%	17%	18%	19%	19%	19%
Indirect wages	5%	5%	5%	6%	5%	5%	5%
Fuel	18%	18%	16%	12%	13%	13%	13%
Toll & transit	17%	17%	16%	14%	15%	15%	15%
Subcontractors & reinsurance	22%	22%	17%	16%	21%	21%	21%
Depreciation	9%	9%	10%	10%	9%	8%	8%
Others	12%	13%	19%	22%	19%	19%	19%

Source: Concorde's estimate

MARGINS, MULTIPLES, RATIOS

GROUP margins	2017	2018	2019	2020	2021F	2022F	2023F
Gross margin	21%	17%	17%	19%	21%	22%	22%
EBITDA margin	12%	8%	6%	6%	12%	12%	13%
Adj. EBITDA margin	13%	9%	8%	11%	12%	12%	13%
EBIT margin	4%	-1%	-4%	-4%	4%	4%	5%
Profit margin	3%	-3%	-6%	-7%	3%	3%	3%
ITS margins	2017	2018	2019	2020	2021F	2022F	2023F
Gross margin	20%	16%	13%	13%	18%	18%	19%
EBITDA margin	11%	7%	2%	-2%	9%	9%	10%
Adj. EBITDA margin	12%	8%	6%	6%	9%	9%	10%
EBIT margin	2%	-4%	-9%	-14%	-1%	0%	0%
Profit margin	1%	-5%	-10%	-16%	-2%	-1%	-1%
RCL margins	2017	2018	2019	2020	2021F	2022F	2023F
Gross margin	27%	22%	28%	31%	29%	29%	29%
EBITDA margin	14%	11%	14%	18%	17%	17%	17%
EBIT margin	8%	4%	3%	8%	8%	8%	9%
Profit margin	6%	1%	0%	1%	6%	7%	7%
Insurance margins	2017	2018	2019	2020	2021F	2022F	2023F
Gross margin	14%	13%	15%	14%	17%	17%	17%
EBITDA margin	14%	11%	13%	13%	15%	14%	14%
EBIT margin	13%	11%	13%	13%	14%	14%	14%
Profit margin	10%	9%	11%	12%	13%	13%	13%
Multiples	2017	2018	2019	2020	2021F	2022F	2022F
P/E	14.6x	n.a	n.a	n.a	8,5x	6,6x	5,7x
P/BV	1.6x	0.9x	0.6x	1.5x	1,6x	1,3x	1,1x
P/TBV	2.6x	1.5x	1.1x	3.8x	3,2x	2,2x	1,6x
EV/CF	1.1x	4.6x	n.a	0.2x	10,3x	1,2x	0,5x
EV/sales	0.8x	0.6x	0.4x	0.4x	0,4x	0,4x	0,3x
EV/EBITDA	6.2x	8.0x	6.2x	6.0x	3,3x	3,0x	2,6x
Dividend yield (%)	0%	0%	0%	0%	0%	0%	0%
FCF yield (%)	10%	4%	-57%	50%	1%	8%	17%
Ratios	2017	2018	2019	2020	2021F	2022F	2023F
Sales growth (%)	18%	9%	-5%	-18%	4%	3%	2%
ROE (%)	13%	-13%	-34%	-52%	24%	23%	21%
ROA (%)	3%	-3%	-6%	-8%	3%	3%	4%
ROIC (%)	5%	-1%	-5%	-6%	6%	6%	7%
Net debt/EBITDA (x)	2.7x	5.1x	3.3x	2.0x	1.6x	1.4x	1.1x
Net debt (mn EUR)	234	327	191	119	117	106	85
CAPEX/Depreciation (x)	1.2x	1.3x	1.5x	0.6x	1.1x	1.1x	1.0x
Depreciation/Sales (%)	8%	9%	10%	10%	8%	8%	8%
Liquidity	2017	2018	2019	2020	2021F	2022F	2023F
Current ratio	1.0x	0.8x	0.8x	0.8x	0.9x	0.9x	1.0x
Interest cover	5.8x	-1.9x	-5.5x	-6.1x	6.5x	7.6x	8.4x
Quick ratio	0.8x	0.6x	0.6x	0.7x	0.8x	0.8x	0.9x
Net debt/Equity ratio	1.3x	2.3x	1.8x	2.1x	1.6x	1.2x	0.8x
Working Cap turnover days	2017	2018	2019	2020	2021F	2022F	2023F
Inventories	2	2	2	2	2	2	2
Receivables	65	57	59	47	60	62	62
Payables	71	72	66	56	60	59	59
Avg. returns [in EUR ths]	2017	2018	2019	2020	2021F	2022F	2022F
ITS EBITDA/Truck	19	12	8	9	15	16	17
RCL EBITDA/Truck	26	20	27	38	38	40	41
ITS Own Fleet Sales/Truck	118	116	113	111	130	134	136
RCL Own Fleet Sales/Truck	80	79	82	80	79	81	82

Source: Concorde's estimate

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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 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.

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, visit (https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038)

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