CONCORDE RESEARCH

CEE Equity Research | Transportation | Hungary
07 November 2021

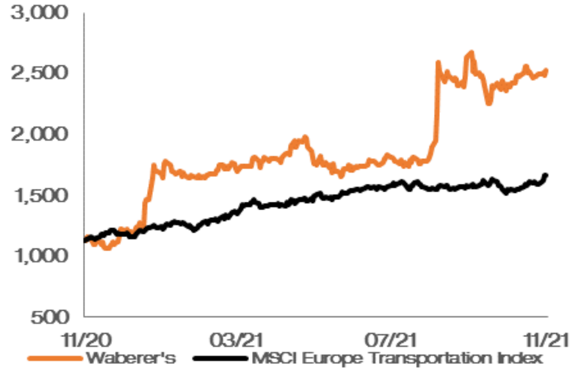
Waberer's

BUY (unch.)

Target price: HUF 3,400 (unch.)

Share price: HUF 2,540

EUR million	Q3/20	Q3/21	chg. YoY
Revenue	137.0	147.8	8%
Gross profit	28.2	31.3	10%
EBITDA	14.0	18.5	32%
EBIT	1.2	6.6	435%
Net income	(1.1)	3.3	-394%
Rec. EBITDA margin	10.2%	12.5%	2.3%pt
Rec. EBIT margin	0.9%	4.5%	3.6%pt
Rec. Profit margin	-0.8%	2.2%	3.1%pt



Share price close as of 05/11/2021	HUF 2,540	Bloomberg	WABERERS HB
Number of diluted shares [million]	17.7	Reuters	WABE.HU
Market capitalization [HUF bn/EUR mn]	44.4/123.2	Free float	28%
Daily turnover 12M [HUF million]	39	52 week range	HUF 1,065 – 2,670

Another profitable quarter despite increasing risks

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- **Waberer's reported an EBIT of EUR 6.6mn on revenues of EUR 148mn for Q3/21 on Friday, AMC. Results for the first 9 months of 2021 came somewhat above our projection, leaving more room for margin deterioration for Q4/21 when the holiday season dampens demand from mid-December as facilities halt production for weeks. Net income totalled EUR 3.3mn, which was negatively affected by (1) higher deferred tax credit incurred in Q3/20 and (2) non-realized FX loss of EUR 1mn.**
- **Key positives:** Group level performance has been stabilized; 83% of our 2021 EBIT estimate had already been achieved by the end of Sept-Q; leverage decreased further to 1.6x ND/TTM EBITDA.
- **Key negatives:** Clouds gather as the number of risks are increasing; Q4 is expected to be lower on QoQ basis due to the volatile volumes and the holiday season.
- **Summary:** Revenues fell 1% QoQ due to seasonal patterns including summer holidays and seasonal production cuts at key customers, but rose 8% YoY at Group level. Group EBIT amounted to EUR 6.6mn, also down a little bit on quarterly basis, but up on annual basis thanks to the aforementioned reasons.
- More importantly, ITS segment continued to improve particularly in margin terms as gross margin for Q3 exceeded 20%, while EBITDA margin increased to 10.6%. This was far the best quarter since 2017, proving that the new operational model works. RCL showed some weakness, which might have been attributable to the fragility of the automotive sector we pointed out in our research reports a couple of times earlier. Other segment (Insurance) achieved weaker-than-expected margins as Waberer's posted a Co-defined EBIT of EUR 2.3mn on revenues of EUR 19.5mn for the Sept-Q

due to higher damage costs. As a result of the stabilized group level performance, both the net indebtedness and leverage ratio decreased further to EUR 112mn and 1.6x ND/TTM EBITDA, respectively.

- **Based on 9M results, Waberer's had delivered 83% of our FY21 EBIT and 81% of our net income estimates by the end of September, which prompts us to keep our full year forecasts unchanged.** Having said that, the environment has become even challenging as volumes are quite unpredictable due to the chip and other components shortage that affects more and more customers. AdBlue shortage, which helps to neutralize harmful gas emissions of diesel engines, also threatens to cripple the European logistics sector as many producers cut production, however, we strongly believe that this issue will be soon resolved. Tightening labor market also increased the pressure according to the management, but we note that Waberer's now operates with a fleet of around 2,000 trucks in the ITS segment, 47% less compared to the peak Q2 of 2018. As a result, we don't expect such a huge pressure from labor shortage as it happened a few years ago.
- **We leave our target price, earnings forecasts and recommendation unchanged.**
- **Conference call starts at 11 am CET on Monday (8 Nov).**

[EUR mn]	2020		2021			Difference	
	Q3	Q4	Q1	Q2	Q3	Y-o-Y	Q-o-Q
P&L							
Revenue	137.0	143.0	142.3	150.0	**147.8**	8%	-1%
Gross profit	28.2	32.0	29.9	32.6	**31.3**	10%	-4%
EBIT	1.2	3.5	4.5	7.7	**6.6**	435%	-14%
EBITDA	14.0	16.0	16.6	19.6	**18.5**	32%	-6%
- ITS	*3.2*	*4.2*	*6.4*	*8.7*	***9.2***	189%	6%
- RCL	*8.3*	*9.2*	*7.2*	*7.9*	***7.0***	-16%	-11%
- Other	*2.5*	*2.6*	*3.0*	*3.0*	***2.3***	-7%	-23%
Net financials, tax	(2.4)	(3.5)	(1.8)	(1.6)	**(3.3)**	39%	106%
Net profit / (loss)	(1.1)	(0.0)	2.7	6.1	**3.3**	-394%	-46%
KPI's							
Avg. no. of trucks	2,814	2,836	2,821	2,816	**2,768**	-2%	-2%
Avg. no. of employees	6,431	6,139	5,984	5,854	**5,772**	-10%	-1%
Avg. no. of truck drivers	3,535	3,566	3,541	3,451	**3,401**	-4%	-1%
Margins							
Gross margin	20.6%	22.4%	21.0%	21.7%	**21.2%**	0.6%pt	-0.6%pt
EBIT margin	0.9%	2.4%	3.2%	5.1%	**4.5%**	3.6%pt	-0.7%pt
EBITDA margin	10.2%	11.2%	11.7%	13.1%	**12.5%**	2.3%pt	-0.5%pt
Net profit margin	-0.8%	0.0%	1.9%	4.1%	**2.2%**	3.1%pt	-1.8%pt

Source: Waberer's, 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 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.

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Valuations and risks:

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