



CEE Equity Research | Car dealership | Hungary
31 January 2020

AutoWallis

Rating: Under Revision (prev. Accumulate)

Target price (12-m): Under Revision (prev. HUF 123)

Share price: HUF 104



Performance	12M	YTD	3M	1M
Absolute	-32.6	-5.5	-14.4	-5.5

Share price close as of 31/01/2020	HUF 104	Bloomberg	AUTOWALL HB
Number of diluted shares [million]	270.3	Reuters	AUTW.HU
Market capitalization [HUF bn/EUR mn]	28.1 / 83	Free float	14.34%
Daily turnover 12M [EUR th]	274	52 week range	HUF 96 – 246

AutoWallis released improved sales figures for FY2019

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- AutoWallis released its preliminary sales figures for FY2019, which showed that the car distributor company sold 6,008 vehicles (new and sold ones altogether) last year, implying 21% growth YoY. Specifically, domestic sales of new vehicles increased by 21.2%, domestic sales of used vehicles by 39%, and the number of new vehicles sold abroad rose by 15%. The most pleasant development was that the Service Provider Business unit, which is far cry the largest EBITDA margin contributor, witnessed a growing number of service hours (+12.6% YoY), while the number of rental days in the field of vehicle rentals increased by 12.5% and the fleet size calculated on the basis of vehicle rentals also grew by 10.7% to 592 vehicles. The small, 1.8% decrease in the number of rental events was counterbalanced by the number of rental days, which increased together with the growth of the average length of rental events to 139,437 (+12.5% YoY), implying an average number of rental days of nearly 6 (+14.5% YoY).

- AutoWallis's preliminary sales figures for FY2019 by business units

	Q1-Q4 2019	Q1-Q4 2018	Changes
International Distribution Business Unit			
Number of new vehicles sold (pcs.)	1,996	1,736	+15.0%
Domestic Distribution Business Unit			
Number of new vehicles sold (pcs.)	3,210	2,648	+21.2%
Number of used vehicles sold (pcs.)	802	577	+39.0%
Automotive Services Business Unit			
Number of service hours (hours)	49,640	44,099	+12.6%
Rental Fleet Size (pcs.)	592	535	+10.7%
Number of rental events (pcs.)	24,619	25,059	-1.8%

Source: Autowallis

- Comment: All these preliminary numbers point out that AutoWallis should deliver an earnings surprise for 2019. We were expecting revenue of about HUF 75.7 bn and EBITDA of HUF 2.4 bn, implying HUF 14.6 per share for FY2019, whilst preliminary sales figures suggest 2019 EPS to come in a range of between HUF 5.7 and 6 on total revenue of around HUF 79 and 81 bn and EBITDA of HUF 2.8-3.0 bn. Believing that AutoWallis continues to improve its profitability and cash position with strong results going forward, we would tend to revise our 12-month TP upward from HUF 123 to HUF 149, leaving a 43% upside potential from the current share price. AutoWallis is now trading at EV/EBITDA multiples, based on our new 2021 preliminary earnings estimates, of 8.1x and 6.4x.
- We are going to upgrade our rating on AutoWallis, which is currently Accumulate.

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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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