

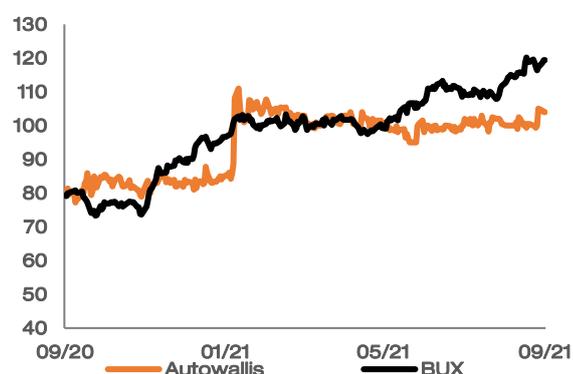
AutoWallis

Rating: Buy (unch.)

Target price (12-m): HUF Under revision (prev. HUF 153)

Share price: HUF 108

HUF million	Q2/21	Q2/20	Ch. (%)
Revenue	48 943	18 000	171.9
EBITDA	1 716	-248	n.a.
EBIT	918	-1 490	n.a.
Net profit	788	-271	n.a.
EBITDA margin	3.5%	-1.4%	+4.9pps
PAT margin	1.6%	-1.5%	+3.1pps
EPS	2.37	-1.04	n.a.
DPS	0.0	0.0	0.0
BVPS	38.16	23.98	59.1



Share price close as of 06/09/2021	HUF 98	Bloomberg	AUTOWALL HB
Number of diluted shares [million]	324.3	Reuters	AUTW.HU
Market capitalization [HUF bn/EUR mn]	35.1 / 100.9	Free float	30.97%
Daily turnover 12M [EUR th]	33	52 week range	HUF 76 – 120

Q2/21 results reflect continued progress in profitable growth

Positives:

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- AutoWallis posted exceptionally strong revenue growth for Q2/21 (+156% YoY), therefore it generated more revenue (HUF 98 bln) during the first six month of 2021 than in the entire last year. In addition to the organic expansion growth the outstanding performance was due to regional transactions made last year.
- EBITDA more than quadrupled to HUF 3.2 billion (+ 320%), implying an EBITDA margin of 3.4% (up from 2% in Q2/20), while total comprehensive net profit was HUF 1.2 bln compared to a loss of HUF 854 mln in the same period of last year. As a result, AutoWallis' earnings per share (EPS) were HUF 3.52 in Q2/21 vs. HUF -3.19 in Q2/20.
- Wholesale sales went up by 181% YoY to HUF 54.9 bln, primarily driven by newly-acquired Opel sales spanning four countries. Sales of the retail division also rose significantly (+130% YoY) to HUF 42.7 bln as a combined result of organic growth and the acquisitions and transactions carried out last year. With a favorable trend in vehicle sales, there was also an increase in car rental (+ 101.5% YoY), albeit from a low base (the number of rental days jumped to 66,183), which was severely affected by the coronavirus epidemic last year.
- Net debt rose to HUF 23.7 bln as of the end of Q2/21 (3.9x ND/annualized EBITDA) compared to HUF 21.6 bln at the end 2020 (implying a 10.1x ND/EBITDA ratio).

Negatives:

- Although supply disruptions have led to a slowdown in sales of certain vehicle brands for the past year, margins have improved partly due to a price increase in the used car market, therefore it was an improvement in terms of profitability. At the same time, the production difficulties of car manufacturers have already had an adverse effect on the market as a whole and may continue to affect volumes in the remainder of the year.

Operation highlights in Q1/2021

	H1/21	H1/20	Ch (%)
Wholesale			
No. of vehicles sold	7 385	1 804	309.4
Net sales	54 919	19 575	180.6
Gross profit	5 295	1 062	4.0
<i>Gross margin</i>	9.6%	5.4%	+4.2pps
EBITDA	1 344	-98	n.a.
<i>EBITDA margin</i>	2.4%	-0.5%	+2.9pps
Retail			
No. of new vehicles sold	3 428	967	247.3
No. of used vehicles sold	842	349	141.3
Total no. of vehicles sold	4 270	1 336	219.6
Net sales	42 732	18 577	130.0
Gross profit	6 725	3 324	102.3
<i>Gross margin</i>	15.7	17.9	-2.2pps
EBITDA	1 837	855	114.8
<i>EBITDA margin</i>	4.3	4.6	-0.3pps
Service hours	62 666	23 772	163.6
Fleet size (in terms of rented cars)	478	438	9.0
Rents	4 396	4 352	1.0
Rental days	66 183	32 850	101.5

Source: AutoWallis' H1/2021 earnings report

Outlook

- Previously, AutoWallis planned sales in excess of HUF 200 bln for 2021, but because of the outstanding delivery delays in the first half of the year due to chip shortages it anticipates revenue will fall short of this expectations. Despite the expected lack of sales volume (number of units and sales revenue), AutoWallis still expects the margin and profit-generating capacity to not decrease and EBITDA to reach around HUF 6 bln this year (the latter broadly is in line with our current estimate)
- We will publish our review of AutoWallis' outlook once it has published its final full-year results for 2020, including the changes required by the new auditor (PWC).

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

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