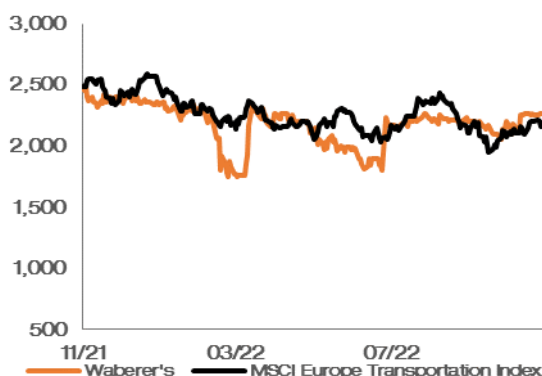


# Waberer's

BUY (unch.)

Target price: HUF 3,990 (unch.)

EUR million	Q3/21	Q3/22	chg. YoY
Revenue	147.8	174.6	18%
Gross profit	31.3	35.5	13%
EBITDA	18.5	20.9	13%
EBIT	6.6	9.7	47%
Net income	3.3	4.1	24%
Rec. EBITDA margin	12.5%	12.0%	-0.5%pt
Rec. EBIT margin	4.5%	5.6%	1.1%pt
Rec. Profit margin	2.2%	2.3%	0.1%pt



Share price close as of 07/11/2022	HUF 2,280	Bloomberg	WABERERS HB
Number of diluted shares [million]	17.7	Reuters	WABE.HU
Market capitalization [HUF bn/EUR mn]	40.3/100.9	Free float	28%
Daily turnover 12M [HUF million]	18	52 week range	HUF 1,750 – 2,470

## Dividend proposal on table, mgmt. sees higher EBIT in '22

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- Waberer's posted a strong set of results for Q3/22 on Monday, AMC. Revenues increased by 18% YoY in Q3 to EUR 174.6mn, reflecting the spectacular improvement in the ITS (+27% revenue growth) and the stable double-digit (+15%) growth in the RCL segment as well. EBIT reached EUR 9.7mn, or +46% YoY, driven by the more complex services of Waberer's and the successful cost management. In case of no further disruption in the supply chain, the management expects Group EBIT to exceed 2021 level, which is seen at above EUR 30mn at this stage. Surprisingly, the BoD has decided that they may propose a dividend from 2022 profit if there is no significant deterioration in macro and business environment. The timing of the announcement is rather interesting, since the decision was made during the public takeover offer. However, we think that the dividend proposal may also depend on the result of the public takeover offer which is open until next Friday.
- CEO highlighted that "European and domestic customers have already felt the first signs of a slowdown in retail consumption, which is reflected in lower level of logistics demand." However, "financial results were not negatively impacted during Q3" as a result of the diversified portfolio. CEO didn't expect such a huge turnover in Q4 like was in the same period of last year, however it may enable them to reach the highest EBIT in 10 years, he added.
- **Key positives:** (1) earnings looks sustainable despite the volatile macro environment; (2) EBIT guidance for 2022 is ahead of our forecast of EUR 26mn; (3) the management is considering to propose dividend from 2022 profit next year.
- **Key negatives:** basically external factors - (1) devaluation of the HUF negatively impacts the financial results (both on operational and net level); (2) the extent of the economic backdrop is hardly predictable; (3) lower margins on quarterly level can be also attributed to the changing macro picture rather than internal issues.

- **Segments:**
  - **ITS:** Revenues rose to EUR 110mn (+27% YoY), while EBIT reached EUR 3.5mn (+152% YoY), the highest operational result since 2017. ITS was favourably affected by active fleet management and the price correction mechanism. Despite gross margin having shrunk by 2.1ppts, gross profit grew by 14% to around EUR 20mn. Also noteworthy is that ITS was the most profitable segment of Waberer's in Q3 in absolute terms.
  - **RCL:** Revenues increased to EUR 51mn (+15% YoY), driven by higher transportation revenues, while warehousing revenues remained flat. Gross and EBIT margins also shrunk, however, EBIT could reach EUR 3.4mn in Q3.
  - **Other segment (incl. Insurance or WHB):** Revenues fell 13% in EUR terms on the back of the HUF depreciation, but the Company said that they were flat in HUF terms. Having said that, EBIT came in at EUR 2.8mn, a 25% YoY increase, mainly as a result of the revaluation effect of the financial investments and lower damage costs.
- **More importantly, due to the favourable financial performance of the Group, Waberer's disclosed that the BoD may decide on a dividend next year. In our opinion, the timing of the announcement is rather interesting, since the decision was made during the public takeover offer. We assume that this may be a factor influencing the opinion of shareholders regardless of whether they will accept the offer or not.**
- **We leave our estimates, TP and recommendation unchanged. After the Public Purchase Offer dated 1 July, we revisited our model and set our new TP at HUF 3,990 per share, well above the offered price of 2,336 HUF a share. We are looking forward to the result of the coordinated buyout offer. The period for the acceptance of the purchase offer is open until 18 November (next Friday).**
- **Due to the considerably strong 9M/22 results, we are confident that the company will be able to achieve its EBIT guidance of over EUR 30mn this year even if an economic downturn threatens. However, there is a very low visibility on medium-term macroeconomic trends as well as the demand for consumer goods (both durables and non-durables) in 2023. Next year's growth may also be hampered by the fact that regional expansion may be more difficult than expected. Last week, Fortenova said that Sberbank had sold its 43% stake in Fortenova to a UAE investor, despite the fact that Indotek, the current majority owner of Waberer's, was an earlier bidder for the shares. If this is approved by the regulators, Waberer's may have to rethink its growth plans, suggesting Serbian rather than Croatian expansion.**

[EUR mn]	2021		2022			Difference	
	Q3	Q4	Q1	Q2	Q3	Y-o-Y	Q-o-Q
<b>P&amp;L</b>							
Revenue	147.8	150.7	158.9	173.2	<b>174.6</b>	18%	1%
Gross profit	31.3	31.9	27.4	36.4	<b>35.5</b>	13%	-2%
EBIT	6.6	8.3	4.6	10.3	<b>9.7</b>	47%	-6%
EBITDA	18.5	19.4	16.3	21.7	<b>20.9</b>	13%	-4%
- ITS	9.2	8.4	6.0	9.5	<b>11.3</b>	23%	19%
- RCL	7.0	6.2	7.4	7.6	<b>6.8</b>	-3%	-11%
- Other	2.3	4.9	2.8	4.6	<b>2.9</b>	26%	-37%
Net financials, tax	(3.3)	(2.4)	(2.9)	(7.8)	<b>(4.2)</b>	27%	-46%
Net profit / (loss)	3.3	5.9	1.7	2.5	<b>4.1</b>	24%	64%
<b>KPI's</b>							
Avg. no. of trucks	2,768	2,787	2,845	2,769	<b>2,741</b>	-1%	-1%
Avg. no. of employees	5,772	5,818	5,805	5,801	<b>5,743</b>	-1%	-1%
Avg. no. of truck drivers	3,401	3,479	3,500	3,440	<b>3,406</b>	0%	-1%
<b>Margins</b>							
Gross margin	21.2%	21.2%	17.2%	21.0%	<b>20.3%</b>	-0.8%pt	-0.7%pt
EBIT margin	4.5%	5.5%	2.9%	5.9%	<b>5.6%</b>	1.1%pt	-0.4%pt
EBITDA margin	12.5%	12.9%	10.3%	12.6%	<b>12.0%</b>	-0.5%pt	-0.6%pt
Net profit margin	2.2%	3.9%	1.1%	1.5%	<b>2.3%</b>	0.1%pt	0.8%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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