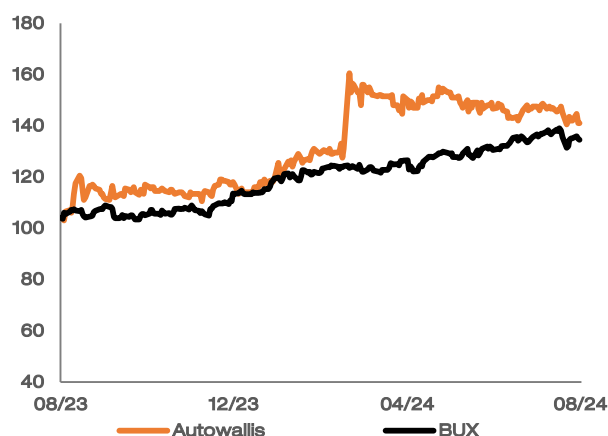


AutoWallis

Rating: BUY (unch.)

Target price (12-m): Under Revision (prev. HUF 218)

HUF million	2023 Q2	2024 Q2	Change (%)
Revenue	93,268	106,041	13.7%
EBITDA	4,728	4,214	-10.9%
EBIT	3,620	2,950	-18.5%
Net profit	2,488	1,854	-25.5%
EPS	5.32	3.44	-35.5%
Gross margin	16.0%	15.7%	-31bps
EBITDA margin	3.9%	2.8%	-109bps
EBIT margin	5.1%	4.0%	-110bps
Profit margin	2.7%	1.8%	-88bps
No. of vehicles sold	11,834	13,835	16.9%
Export ratio	57%	58%	126bps



Share price close as of 15/08/2024	143 HUF	Bloomberg	AUTOWALL HB
Number of diluted shares [mn]	539.5	Reuters	AUTW.BU
Market capitalization [HUF bn/EUR mn]	77.1/195,3	Free float	26.57%
Daily turnover 12M [HUF mn/EUR ths]	30.2/77.4	52-week range	HUF 88.6 – 168.0

Record quarterly revenues, normalizing margins

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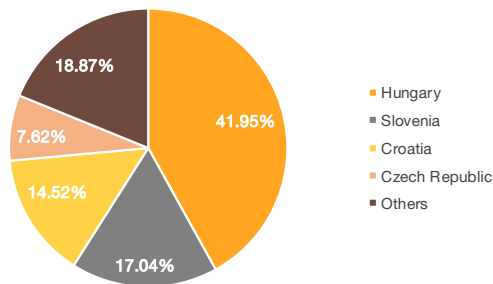
- AutoWallis posted H1/24 results this morning, mainly in line with our estimates. Revenues reached HUF 195 bn (+0.8% vs. H1/23) while no. of vehicles sold decreased by -0.8% YoY to 25,438 vehicles. Revenues came in flat due to the best-ever quarterly revenues of the company at HUF 106 bn in Q2 following a somewhat weaker Q1. EBITDA came in at HUF 9 bn, with a margin of 4.6%, and EBIT amounted to HUF 6.5 bn. The profit attributable to shareholders reached HUF 3.3 bn, with realized and unrealized FX losses and normalizing margins weighing on profitability. Net profit for H1 came in at HUF 3.3 bn, resulting in an EPS of HUF 6.16.
- COGS remained flat YoY, mainly due to the decreased number of vehicles sold, and the discounts received from manufacturers as an incentive to stimulate the markets. Due to this, AW was able to increase its gross margin YoY to 16.7%.
- The 40% increase in personnel expenses was primarily due to the acquisitions carried out in the past years, increasing the average number of

employees to 1,051 in H1/24, as well as the wage increases implemented due to the tight labor market.

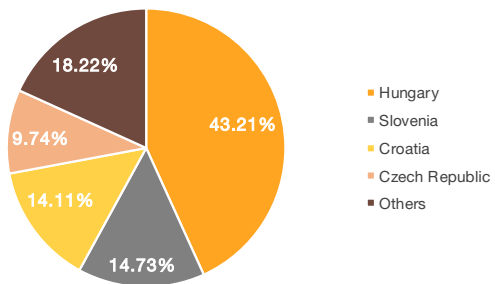
- Financial incomes and expenses netted a loss of HUF -2.5 bn, which is due to the unfavourable FX movements of the last six months. D&A also increased YoY by HUF 442 mn, attributable to the growing fleet of the Mobility BU.
- AutoWallis' capital structure gained further strength, with the consolidated equity adequacy ratio increasing to 36%. Net debt/EBITDA (TTM) ratio (including leases) remained at 1.8x.
- AutoWallis sold 25,438 cars in H1/24, representing a -0.8% decrease from H1/23. Sales revenue of the group's Distribution BU decreased to HUF 108.6 bn (-8.5% YoY), selling 19,309 vehicles, while the Retail BU increased sales to HUF 83.1 bn (+15% YoY), selling 4,924 new and 1,205 used vehicles. The EBITDA margin of the Distribution BU decreased to 4.9% from 5.0% in the first six months compared to the base period. The Retail BU EBITDA margin came in in at 2.8%, decreasing from 4.8% in H1/23. EBITDA margin of the Mobility BU increased from last year's 28.4% to 30.1%. Export ratio of H1 reached 58%
- Profit margins normalized significantly, with Disribution/Retail/Mobility net profit margins coming in at 3.1%/1.25%/-9.2%, respectively.

Sales breakdown by countries

Country breakdown of sales - 2024 Q1

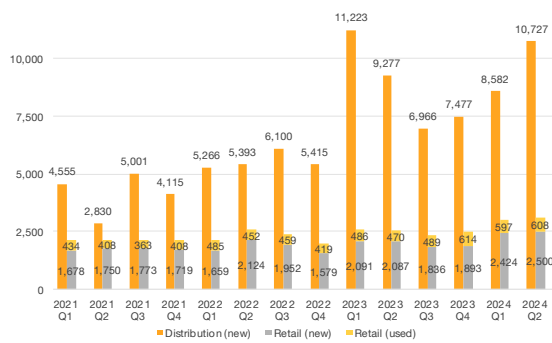


2023 Q1

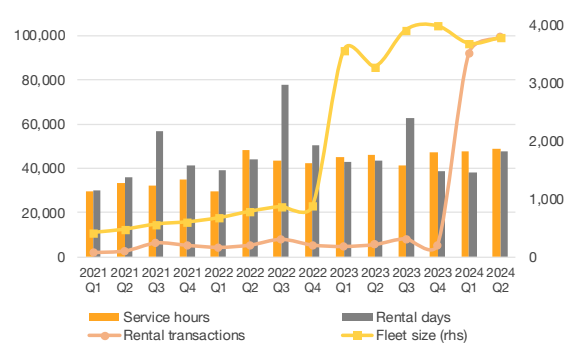


Source: Autowallis, Concorde Research

Quarterly number of vehicles sold



Service and Mobility KPIs



Source: Autowallis, Concorde Research

- We note that the setback of profitability is highly impacted by the outstanding base of H1/23 and unfavourable FX movements. The management continues to expect slightly normalizing levels of margins, while being confident about the expected growth of the second half of the year.
- AutoWallis remained committed to its strategy and continued its inorganic expansion in the first half of 2024. The company purchased the BMW BU of the Czech dealer Stratos Autos, which sold 737 vehicles last year (1.6% of AW 2023 sales). Additionally, AutoWallis extended its contract with Opel, for the distribution of Opel vehicles in four countries in the region. SsangYong also extended distribution contract with the company, which is now representing the Asian brand in nine regional markets. Last, but not least, the company will become the sole importer of Farizon (brand of Geely Group) vehicles in eight CEE countries.
- **Our earnings forecasts, which have not included any acquisition estimates for the future, looks outdated compared to the management guidance and the recently announced acquisitions. We reiterate our Buy rating on AutoWallis, while placing our TP Under Revision.**

Consolidated financial and operational highlight

[HUF mn]	2023			2024		Diff.	
	Q2	Q3	Q4	Q1	Q2	Y-o-Y	Q-o-Q
P&L							
Revenues	93,268	88,120	84,554	89,125	106,041	13.7%	19.0%
EBITDA	4,728	7,117	2,212	4,758	4,214	-10.9%	-11.4%
EBIT	3,620	5,706	1,183	3,540	2,950	-18.5%	-16.7%
Profit before tax	2,965	3,243	21	2,018	2,420	-18.4%	19.9%
Net income (parent)	2,488	2,677	-408	1,411	1,854	-25.5%	31.4%
Comprehensive income	2,383	3,032	-525	1,708	1,885	-20.9%	10.4%
EPS	5.32	5.77	-1.31	2.70	3.46	-34.9%	28.5%
Margins							
Gross margin	16.0%	18.7%	17.4%	17.8%	15.7%	-31bps	-207bps
EBITDA margin	5.1%	8.1%	2.6%	5.3%	4.0%	-109bps	-136bps
EBIT margin	3.9%	6.5%	1.4%	4.0%	2.8%	-110bps	-119bps
PBT margin	2.7%	3.0%	-0.5%	1.6%	1.8%	-88bps	21bps
Distribution BU							
Revenues	55,427	51,037	47,490	47,492	61,180	10.4%	28.8%
EBITDA	2,159	4,350	1,731	2,692	2,660	23.2%	-1.2%
PBT	2,045	2,226	36	1,409	1,944	-5.0%	37.9%
Gross margin	13.4%	17.2%	15.0%	16.5%	13.7%	25bps	-285bps
EBITDA margin	3.9%	8.5%	3.6%	5.7%	4.3%	45bps	-132bps
PBT margin	3.7%	4.4%	0.1%	3.0%	3.2%	-51bps	21bps
No. of new vehicles sold	9,277	6,966	7,477	8,582	10,727	15.6%	25.0%
Retail and Services BU							
Revenues	37,841	37,084	37,064	40,209	42,895	13.4%	6.7%
EBITDA	2,569	2,767	485	1,392	957	-62.8%	-31.3%
PBT	919	1,018	-1,085	763	274	-70.2%	-64.1%
Gross margin	21.0%	21.8%	17.8%	16.8%	15.5%	-549bps	-130bps
EBITDA margin	6.7%	7.4%	1.4%	3.5%	2.2%	-446bps	-123bps
PBT margin	2.4%	2.7%	-3.0%	1.9%	0.6%	-176bps	-126bps
No. of new vehicles sold	2,087	1,836	1,893	2,424	2,500	19.8%	3.1%
No. of used vehicles sold	470	489	614	597	608	29.4%	1.8%
Total no. of vehicles sold	2,557	2,325	2,507	3,021	3,108	21.5%	2.9%
Service hours	46,090	41,642	47,073	47,763	48,863	6.0%	2.3%
Mobility							
Revenues	-	-	-	1,424	1,966	-	38.1%
EBITDA	-	-	-	673	633	-	-6.0%
PBT	-	-	-	-154	-243	-	58.0%
Gross margin	-	-	-	89.4%	-55.3%	-	-14466bps
EBITDA margin	-	-	-	47.3%	32.2%	-	-1511bps
PBT margin	-	-	-	-10.8%	-12.4%	-	-156bps
Fleet size (rental)	3,281	3,915	3,979	3,678	3,775	15.1%	2.6%
Rents (units)	5,553	8,141	5,483	91,920	99,204	1686.5%	7.9%
Rental days	43,558	62,559	38,687	38,302	47,824	9.8%	24.9%

Source: Autowallis, Concorde Research

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

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