

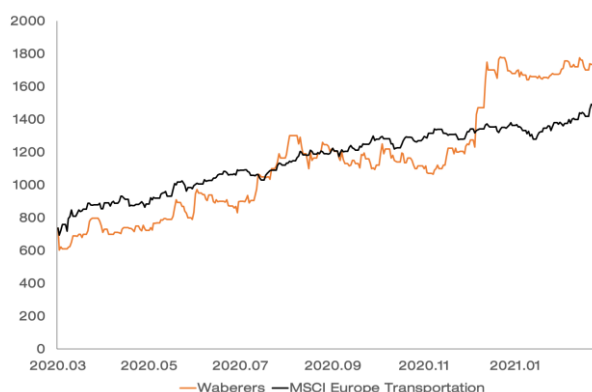
Waberer's

Recommendation: BUY (unch.)

Target price (e-o-y): HUF 1,910 (unch.)

Share price: HUF 1740

EUR million	Q4/19	Q4/20	chg. YoY %
Revenue	171.6	143.0	-17%
Rec. EBITDA	15.8	16.0	1%
Rec. EBIT	-0.6	3.5	-683%
Rec. Net income	-4.2	0.0	100%
Reported Net income	-22.1	-19.8	-10%
Rec. EBITDA margin	9.2%	11.2%	2.0ppts
Rec. EBIT margin	-0.3%	2.4%	2.8ppts
Rec. Profit margin	-2.4%	0.0%	2.4ppts



Share price close as of 16/03/2021	HUF 1,740	Bloomberg	WABERERS HB
Number of diluted shares [million]	17.7	Reuters	WABE.HU
Market capitalization [HUF bn/EUR mn]	30.8/83.8	Free float	28%
Daily turnover 12M [HUF million]	22	52 week range	HUF 604 – 1,780

Operating results continued to improve in Q4/20

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- Waberer's rec. net income came in at breakeven (EUR 0mn) in Q4/20 vs. a recurring net loss of EUR 4.2mn for Q4/19. Reported net profit, however, was at EUR -19.8mn mainly as a result of (1) a goodwill impairment (related to Link, the Polish subsidiary, in an extent of EUR 13.9mn) and (2) other one-offs related to the ITS restructuring. 2020 reported loss amounted to EUR 41.8mn (0% YoY), but the recurring net loss shrunk to EUR 15.2mn from EUR -23.4mn in 2019. The good news is that the major part (c.80-90% of the costs) of the ITS restructuring completed successfully during 2020 despite the pandemic, but the BV of the Company fell to EUR 56.4mn as at 31 Dec, 2020 from EUR 103.6mn a year earlier. Financial indebtedness, however, improved significantly, with cash and cash equivalents rising to EUR 76mn and net leverage ratio falling to 2.2x LTM Rec. EBITDA on consolidated level from 2.9x in Q3/20 due to better cash generation and WK management. In our view, Waberer's is well on track to improve gradually over the next quarters.
- During Q4, the improvement of the operating results continued as the loss-making ITS slightly recovered on recurring basis, while RCL performed better than in Q3/20. As a result of the restructuring and fleet reduction program, revenues fell by c17% YoY to EUR 143mn in Q4/20. Recurring EBIT grew to EUR 3.5mn in Q4/20 from EUR 1.2mn in Q3/20.
- In 2020, Gross profit decreased by 5% YoY to EUR 111.3mn, but gross margin improved significantly to 19.6% from 16.9% in 2019. EBITDA margin also grew by 1.3pp YoY to 9.7% in 2020. Recurring EBIT amounted to EUR 2.1mn from EUR -11.0mn a year earlier.
- CEO comment: "2020 was a successful year from the scope of establishing the LT profitability of the Company, but we still have a lot to do with fine-tuning the newly

established operational model. Our goal is to finalize the turnaround period by the end of 2021 and concentrate on new business development in the future.”

■ **Positives:**

- ✓ **RCL segment delivered outstanding results.** EBIT came in at EUR 5.1mn (+241% YoY or 21% QoQ) on revenues of EUR 45.8mn (+12.9% YoY or 2.7% QoQ) mainly due to Audi contract where Waberer’s provides in-house logistics.
- ✓ **Insurance segment performed well.** Revenues in the other segment (insurance) grew 2.5% YoY to EUR 18.2mn in Q4, but Company defined EBIT was at EUR 2.5mn (-41.5% YoY) due to the high basis as a result of the recalculation of damage cost related provision in Q4/19. However, underlying business was stable on QoQ basis, but revenues dropped slightly by EUR 0.1mn to EUR 18.4mn.
- ✓ **ITS segment is seemingly recovering** as Waberer’s posted a rec. EBIT of EUR -4.1mn for Q4/20 vs. EUR -5.3mn for Q3/20. This is surprising if we take into account the effect of the Brexit at the end of December 2020. Though, Brexit generated administrative and operational difficulties between the UK and the continental Europe, Waberer’s managed to maintain its service and still committed to serving its partners or clients in the UK.
- ✓ **Financial indebtedness improved significantly,** with cash and cash equivalents rising to EUR 76mn and net leverage ratio falling to 2.2x LTM Rec. EBITDA on consolidated level from 2.9x in Q3/20. In our view, Waberer’s is well on track to improve gradually over the next quarters.

■ **Negatives:**

- ✓ **No major negative news in today’s statement.** The goodwill impairment related to Link was reasonable, in our view, as the acquisition from IPO proceeds failed to deliver the required synergies and the value of the goodwill hadn’t reflected the real economic value of the Polish arm.

- **Recurring net loss was slightly better than our estimate of EUR -17mn for 2020. We are still concerned over the turnaround of the ITS segment given the relatively high fix costs, but we admit that there is a light at the end of the tunnel. ITS segment has been able to achieve better margins on recurring basis despite shrinking fleet size in the reported quarter, which was not the case in the last quarters. In addition to this, RCL and Insurance segments of Waberer’s proved to have a resilient business model, which underpins our view that the Company have valuable assets that worth altogether more than the current share price.**

- **We leave our Target price and recommendation unchanged.**

Profit and loss [EUR million]	Q4/19	Q4/20	chg. %	2019	2020	chg. %
Revenues	171.6	143.0	-17%	696.2	569.3	-18%
Direct costs	-139.4	-111.1	-20%	-578.9	-458.0	-21%
Gross profit	32.1	32.0	0%	117.3	111.3	-5%
OPEX	-16.3	-16.0	-2%	-59.0	-56.0	-5%
Recurring EBITDA	15.8	16.0	1%	58.4	55.3	-5%
D&A	-16.5	-12.4	-25%	-69.4	-53.2	-23%
Recurring EBIT	-0.6	3.5	-683%	-11.0	2.1	-119%
Net financial result	-0.9	-2.3	156%	-6.0	-12.9	115%
Tax	-2.7	-1.3	-52%	-6.4	-4.5	-30%
Recurring net income	-4.2	0.0	-100%	-23.4	-15.2	-35%
One-offs	-17.9	-19.8	11%	-18.4	-26.6	45%
Reported net income	-22.1	-19.8	-10%	-41.8	-41.8	0%
Rec. Ebitda margin	9.2%	11.2%	2ppts	8.4%	9.7%	1.3ppts
Rec. EBIT margin	-0.3%	2.4%	2.8ppts	-1.6%	0.4%	1.9ppts
Rec. Profit margin	-2.4%	0.0%	2.4ppts	-3.4%	-2.7%	0.7ppts
Avg. Number of trucks	3 842	2 836	-26%	4 094	3 021	-26%
Avg. Number of employees	7 552	6 139	-19%	7 657	7 000	-9%
Avg. Number of truck drivers	5 279	3 566	-32%	5 507	3 984	-28%

Source: Waberer’s, 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 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:

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