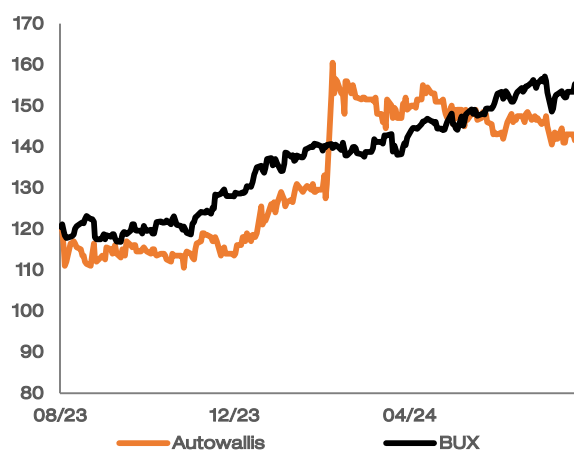


AutoWallis

Rating: BUY (unch.)

Target price (12-m): HUF 230 (prev. 218)

HUF million	2023	2024E	2025E
Revenue	366,267	398,454	454,464
EBITDA	19,705	18,726	21,617
EBIT	15,249	13,945	16,164
Net profit	9,843	9,099	11,031
Gross margin	16.6%	16.5%	16.6%
EBITDA margin	5.4%	4.7%	4.8%
EBIT margin	4.2%	3.5%	3.6%
PBT margin	3.3%	2.8%	3.0%
EPS	21.32	16.50	20.08
DPS	0	0	0
P/E (x)	6.1	8.5	7.0
EV/EBITDA (x)	5.0	5.7	4.8



Share price close as of 23/08/2024	140.5 HUF	Bloomberg	AUTOWALL HB
Number of diluted shares [mn]	539.5	Reuters	AUTW.BU
Market capitalization [HUF bn/EUR mn]	76.0/192.7	Free float	26.57%
Daily turnover 12M [HUF mn/EUR ths]	30.2/77.4	52-week range	HUF 88.6 – 168.0

Changing to the fast lane

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- Following the H1/24 results and the announced acquisitions during the first half of the year, we have reviewed and updated our model and forecasts. We continue to believe, that AutoWallis will be able to achieve a stupendous growth trajectory amidst the rapid changes and considerable uncertainty coming from the European auto industry. We maintain our BUY rating and set our 12-m TP at HUF 230 per share, implying a 64% upside potential from the current share price. Based on our forecasts, we see AutoWallis trading at FY24/25/26 P/E ratios of 8.5x/7.0x/6.0x, respectively. In our view, AutoWallis stands out from the Hungarian equity market with its impressive growth potential, while gradually becoming a regional exposure, as around 60% of its revenues come from export sales.
- AutoWallis achieved outstanding FY23 results and started FY24 with a lower profitability, due to the slowing of the European auto industry. Margins slightly contracted and FX headwinds also left marks on profitability. However,

AutoWallis remained resilient and maintained increased volume levels, which gives a positive outlook in our view.

- The company remains committed to expand through M&A and has already shown impressive deals this year. By lengthening and expanding the distribution contracts with Opel and SsangYong, two of the largest distribution contracts of AutoWallis, the Distribution BU is set for a steady performance in the coming years. The Farizon distribution deal shows that Asian brands are confident that the company is a key player in the CEE region and has the potential to bring in even more opportunities for expansion. Within the Retail BU, the purchase of the BMW BU of Stratos Autos in Czechia gives AW around 10% market share in the Czech BMW sales and strengthens the premium segment within the BU. Moreover, the company has announced the opening of a new Renault and Dacia dealership in Budapest, alongside its strategic partner Salvador Caetano. All the above-mentioned deals are setting AutoWallis up for a healthy expansion cycle, with impressive cash generation down the road.
- Following the successful capital increase in Q1, the company now has more than sufficient cash reserves to implement its long-term strategy of expanding through acquisitions. Based on our estimates AutoWallis has a net debt/EBITDA ratio of 1.6x based on our forecasted FY24 net debt and EBITDA, thanks to its robust cash generation.

Changes to our estimates

- We modestly raise our revenue forecasts. Despite the management having formed a clear view of what the next five years' results should look like with acquisitions, due to the unpredictable nature of the planned transactions, we continue to value AutoWallis without incorporating acquisitions into our model, relying solely on organic growth. As a result, our estimates and the management guidance differ significantly in financial terms. This means that in our base case any future expansion through M&A is assumed at fair value. However, naturally these deals have the potential to create synergies, which may provide additional value to AutoWallis, as we have already seen in the previous years.

HUF bn	AutoWallis 2023	AutoWallis Strategy 2028	CAGR 2023-2028	Concorde Estimate 2024.08.26	Diff vs Concorde Estimate
Revenues	366	750	15%	560	34%
EBITDA	20	40	15%	26	51%
Profit before tax	12	25	16%	19	30%
Vehicles sold - Retail (pc)	9,966	25,000	20%	-	-
Vehicles sold - Distribution (pc)	34,943	75,000	17%	-	-

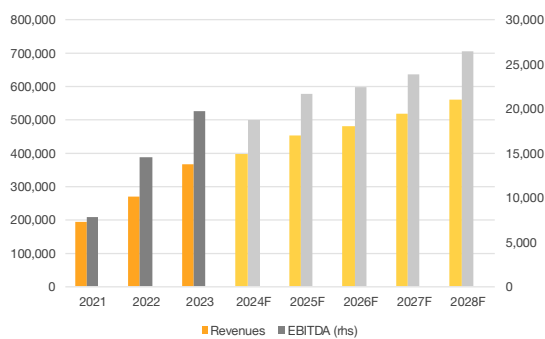
Source: Autowallis, Concorde Research

- Despite increasing volumes, we remain cautious about profitability, due to the uncertainties of the global auto industry. European OEMs are in a difficult position, as Asian brands developed excessive capacities that offer lower

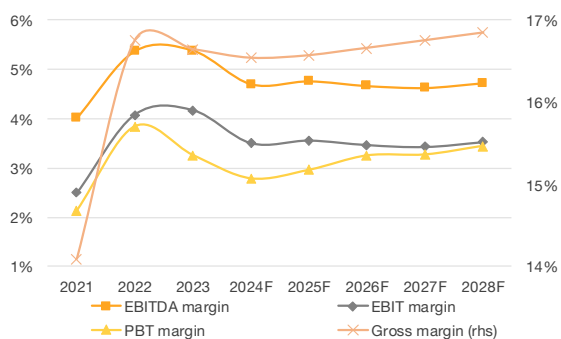
prices, while electrification is gradually slowing, as does demand for car purchases. Luxury brands have performed worse than anticipated for a year and mass brands are expected to lose some of their market share due to China’s rapid and aggressive expansion. We are of the view that AutoWallis is in a much better position in the value-chain compared to OEMs. That said, considering the overall state of the industry, we forecast margins to remain contracted in the next couple of years compared to 2022 and 2023.

- BMW plans to implement the agency model from 2026, therefore we forecast a decrease of inventory in 2026. This is seen to be favorable for AutoWallis overall, because despite the slightly decreasing revenues, all inventory related risk and financing would be gone, putting the company in a better overall financial position.

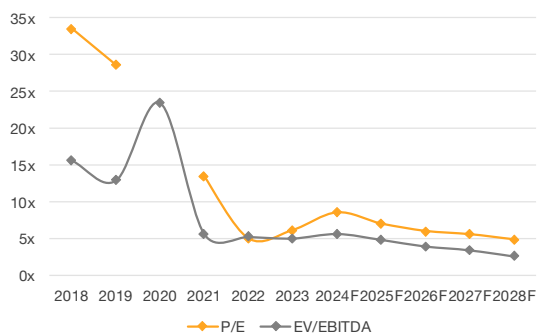
Revenue and EBITDA forecast - HUF mn



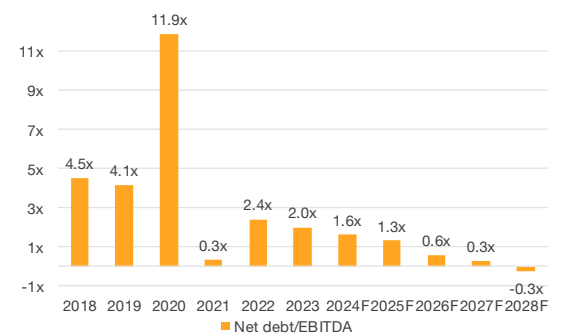
Group margins



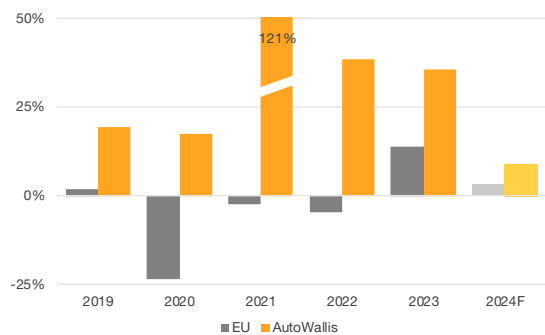
Historical valuation



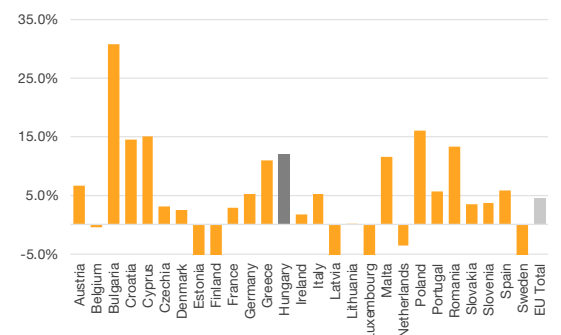
Net debt to EBITDA



Sales growth - YoY



Change in new vehicle registrations - H1/24 vs H1/23



Source: Autowallis, Concorde Research

APPENDIX

Indicators	2022	2023	2024F	2025F	2026F	2027F	2028F
EPS	19.3	21.3	16.5	20.1	23.5	25.3	28.9
BVPS	79.6	107.6	118.1	138.2	161.6	187.0	215.9
CFPS	-51.9	9.0	14.6	11.0	34.0	17.6	29.8
P/E	5.0x	6.1x	8.5x	7.0x	6.0x	5.5x	4.9x
EV/EBITDA	5.2x	5.0x	5.6x	4.8x	3.9x	3.4x	2.6x
P/BV	1.2x	1.2x	1.2x	1.0x	0.9x	0.8x	0.7x
P/S	0.2x	0.2x	0.2x	0.2x	0.2x	0.1x	0.1x
P/CF	-1.9x	14.4x	9.6x	12.8x	4.1x	8.0x	4.7x
ROE	30.2%	23.6%	16.1%	16.0%	15.9%	14.7%	14.6%
ROA	6.6%	6.2%	5.2%	5.7%	6.5%	6.5%	6.8%
ROIC	16.3%	15.2%	12.2%	13.2%	13.3%	13.9%	14.8%
Gross margin	16.7%	16.6%	16.5%	16.6%	16.7%	16.7%	16.8%
EBITDA margin	5.4%	5.4%	4.7%	4.8%	4.7%	4.6%	4.7%
EBIT margin	4.1%	4.2%	3.5%	3.6%	3.5%	3.4%	3.5%
PBT margin	3.8%	3.3%	2.8%	3.0%	3.3%	3.3%	3.4%

Source: AutoWallis, Concorde Research

Income Statement	2022	2023	2024F	2025F	2026F	2027F	2028F
Revenues	270,166	366,267	398,454	454,464	481,845	517,370	559,977
OPEX	-254,413	-346,005	-379,992	-433,136	-459,678	-493,759	-533,876
Depreciation	-3,440	-4,452	-4,781	-5,454	-5,782	-6,208	-6,720
Other income / expenses	-1,304	-560	263	289	302	318	338
Operating profit	11,008	15,249	13,945	16,164	16,686	17,720	19,719
EBITDA	14,512	19,705	18,726	21,617	22,469	23,928	26,438
Financial profit	-953	-4,391	-4,012	-4,039	-2,419	-2,324	-2,067
Profit before taxes	10,373	11,929	11,096	13,452	15,675	16,907	19,287
Taxes	-1,693	-2,086	-1,997	-2,421	-2,822	-3,043	-3,472
Profit after tax	8,680	9,843	9,099	11,031	12,854	13,864	15,816
Comprehensive income	9,180	9,561	9,099	11,031	12,854	13,864	15,816

Source: AutoWallis, Concorde Research

Cash Flow Statement	2022	2023	2024F	2025F	2026F	2027F	2028F
Cash Flow from Operation	143,441	206,834	14,164	12,317	24,984	16,502	22,313
Cash Flow from Investing	-8,108	-3,767	-6,216	-6,817	-6,939	-7,450	-6,854
Cash Flow from Financing*	-143,156	-206,834	3,071	-1,487	-6,590	-1,494	-2,506
Opening Cash	24,699	16,887	13,097	24,117	28,130	39,586	47,144
Change in Cash	-7,812	-3,790	11,020	4,013	11,456	7,558	12,953
Closing Cash	16,887	13,097	24,117	28,130	39,586	47,144	60,097

*Actuals include reverse factoring items

Source: AutoWallis, Concorde Research

Balance Sheet	2022	2023	2024F	2025F	2026F	2027F	2028F
Assets							
PP&E	21,001	21,885	22,459	23,004	23,467	23,964	24,017
Operating lease assets	2,695	2,696	2,839	2,976	3,091	3,215	3,229
ROU assets	2,170	6,106	6,465	6,806	7,095	7,405	7,439
Goodwill	935	5,460	5,460	5,460	5,460	5,460	5,460
Intangibles	2,401	3,037	3,395	3,736	4,025	4,336	4,369
Other LT assets	2,763	11,312	13,334	15,949	17,987	20,315	22,931
Inventories	54,998	58,385	62,224	69,726	59,406	63,785	64,436
Other inventories	166	139	139	139	139	139	139
Trade receivables	8,691	15,851	16,375	18,677	18,482	19,844	21,479
Other current assets	20,977	13,981	14,130	14,690	14,963	15,319	15,745
Cash and equivalents	16,887	13,097	24,117	28,130	39,586	47,144	60,097
Total assets	133,684	151,949	170,938	189,293	193,701	210,927	229,341
Equity							
Issued capital	5,529	6,163	6,743	6,743	6,743	6,743	6,743
Share premium	16,027	20,293	25,412	25,412	25,412	25,412	25,412
Share-based reserves	109	285	285	285	285	285	285
Treasury shares	-524	-243	-243	-243	-243	-243	-243
Translation difference	521	239	239	239	239	239	239
Retained earnings	12,619	22,377	31,276	42,106	54,760	68,424	84,040
NCI	1,184	995	1,195	1,395	1,595	1,795	1,995
Liabilities							
Bonds	9,535	9,522	9,600	9,600	8,940	8,280	7,620
LT loans	5,842	5,660	5,660	5,660	5,660	5,660	5,660
LT leases	1,904	9,036	9,036	9,036	9,036	9,036	9,036
LT deferred income	0	187	187	187	187	187	187
Non interest-bearing	828	808	808	808	808	808	808
ST loans	1,385	3,284	3,284	3,284	3,284	3,284	3,284
Inventory financing loans	4,301	8,207	8,746	9,798	8,350	8,964	9,056
Trade payables	21,218	25,033	27,291	31,128	26,402	28,349	30,684
ST leases	1,262	4,540	4,540	4,540	4,540	4,540	4,540
Reverse factoring (IB)	27,091	11,674	12,442	13,942	11,878	12,754	12,884
Other interest bearing	288	476	476	476	476	476	476
Reverse factoring (non IB)	3,146	6,134	6,682	7,618	8,068	8,654	9,356
Other ST liabilities	21,419	17,278	17,278	17,278	17,278	17,278	17,278
Equity and liabilities	133,684	151,949	170,938	189,293	193,701	210,927	229,341

Source: AutoWallis, Concorde Research

Valuation - (HUF mn)	2024F	2025F	2026F	2027F	2028F	TY
NOPAT	11,435	13,254	13,683	14,530	16,169	
+ D&A	4,781	5,454	5,782	6,208	6,720	
+/- WC	-2,105	-5,967	5,790	-3,796	50	
- CAPEX	-6,216	-6,817	-6,939	-7,450	-6,854	
FCFF	7,895	5,924	18,317	9,493	16,085	16,407
WACC	10.8%	10.8%	10.9%	10.9%	11.0%	
DCF	7,126	4,822	13,432	6,269	9,556	108,590
LT growth						2.0%
EV	149,794					
- Net Debt	-39,490					
- Minority	-995					
Associates	2,888					
Equity Value	112,197					
No. of shares (mn)	539					
Liquidity discount	10%					
Fair value / share	187					
12-m TP	230					

Source: Concorde Research

Sensitivity		LT WACC				
		12.0%	11.5%	11.0%	10.5%	10.0%
LT g	1.0%	179	192	206	221	239
	1.5%	188	202	217	234	254
	2.0%	198	213	230	249	270
	2.5%	209	226	244	265	289
	3.0%	221	240	260	284	311

Source: 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 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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