

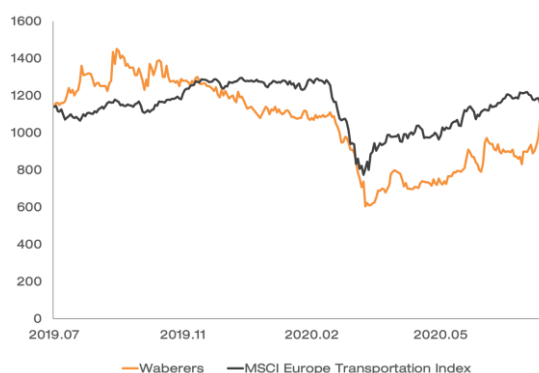
Waberer's

Recommendation: BUY

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

Share price: HUF 1,035

EUR million	Q2/19	Q2/20	chg. YoY %
Revenue	172.7	115.5	-33%
EBITDA	11.9	9.0	-24%
Adj. EBITDA	12.0	8.7	-28%
EBIT	-5.9	-5.9	0%
Net income	-9.1	-14.6	60%
Adj. Net income	-9.2	-14.3	55%
Rec. EBITDA margin	6.9%	7.5%	0.6ppts
EBIT margin	-3.4%	-5.1%	-1.7ppts
Rec. Profit margin	-5.3%	-12.4%	-7.1ppts



Share price close as of 06/08/2020	HUF 1035	Bloomberg	WABERERS HB
Number of diluted shares [million]	17.7	Reuters	WABE.HU
Market capitalization [HUF bn/EUR mn]	18.6/53.9	Free float	28%
Daily turnover 12M [HUF million]	8	52 week range	HUF 604 – 1,450

Non-cash FX effect distorts losses, liquidity improved

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- Waberer's reported a rec. net loss of EUR 14.3 mn for Q1/20 vs net loss of EUR 9.2mn for Q2/19. This huge difference came from non-cash FX effects of EUR 5.8 mn. All in all, this is unsurprising considering the unprecedented crisis, which hit the global economy. Cash position improved by EUR 7.8 mn in the second quarter mainly as a result of extraordinary measures and the debt moratorium regulation introduced in Hungary.
- On outlook, Mgmt. expects a long road back to pre-crisis levels in the European long-haul transportation market, but the Company will continue to focus on profitability and cash generation. According to the guidance, ITS will gradually shrink, in line with our expectation, while the Group intends to gain market share in RCL. CEO predict challenging H2 as the demand for transportation and logistics is still well below pre-crisis levels and the chances of a second wave of a pandemic-driven economic crisis have increased in past weeks. However, Mr. Erdelyi is confident that they are "well prepared to tackle these challenges and find the right solution for clients, colleagues and investors even in the most adverse market environment."
- Group revenues declined 33% YoY to EUR 116mn as a result of the coronavirus. Bottom line was negatively affected by non-cash unrealized FX loss. Having that said, Group EBITDA margin could improve due to cost cutting measures driven by improving RCL and Insurance segments. At EBIT level, Waberer's remained stable at EUR -5.9mn in Q2/20 compared to the same period of last year.
- Segments:
 - ✓ Revenues in the ITS plunged nearly 49% YoY driven by the lacklustre order number thanks to the covid crisis. Due to the unprecedented crisis, EBITDA disappeared in this segment.

- ✓ **RCL's** sales remained stable (+1.6% YoY) was partly driven by higher demand for consumer staples replacing the volumes lost in other market segments. RCL's EBITDA increased by 14.2% reflecting the positive effects of the repricing effort and lower fuel prices.
- ✓ **Insurance** segment delivered improving sales (+2.5% YoY) and company-defined EBITDA, which amounted to EUR 2.7mn (+59% YoY). This difference came from lower damage payments as insured vehicles were utilised less as a result of the pandemics-driven restrictions
- **Opinion: Q2/20 results are not a huge surprise.** We are of the view that short-term and long-term measures will result in gradual margin improvement in the next quarters despite challenging environment. However, debt moratorium in Hungary supports Waberer's to remain financially healthy and stabilize its liquidity position. RCL and Insurance segments are on good track to deliver improving earnings over the next quarters.
- **We leave our forecasts unchanged.** Based on our SOTP valuation method, Waberer's trades below its fair equity value and the Co. might be an attractive investment either to strategic or financial investors. However, it seems that Mid Europa, as a financial investor, is under pressure to partially or fully sell its Waberer's stake. We admit that Waberer's is one of the riskiest plays in our coverage universe and there are numerous risks to the carrier's future activity.
- **We stress that, if occurs, any proceeds from divestments may differ to a great degree from our segmental EV estimates.** RCL and Insurance segments are worth c. 1,445 HUF/sh and 1,325 HUF/sh, respectively, however, restructuring of the international segment destroying the shareholder's value, in our view. Our fair value estimate for Waberer's Group point to 1,910 HUF/sh.

Profit and loss [EUR million]	Q2/19	Q2/20	chg. YoY%
Revenues	172.7	115.5	-33%
Direct costs	-146.8	-95.2	-35%
Gross profit	25.9	20.3	-22%
OPEX	-14.0	-11.3	-19%
EBITDA	11.9	9.0	-24%
Non-recurring items	0.1	-0.3	-400%
Recurring EBITDA	12.0	8.7	-28%
D&A	-17.9	-15.3	-15%
EBIT	-6.0	-5.5	-8%
Recurring EBIT	-5.9	-5.9	0%
Net financial result	-1.7	-6.8	300%
Tax	-1.5	-2.0	33%
Net income	-9.1	-14.6	60%
Recurring Net income	-9.2	-14.3	55%
Rec. Ebitda margin	6.9%	7.5%	0.6ppts
Rec. EBIT margin	-3.4%	-5.1%	-1.7ppts
Rec. Profit margin	-5.3%	-12.4%	-7.1ppts

Source: Waberer's

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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%
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