CONCORDE RESEARCH

CEE Equity Research | Transportation | Hungary
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Waberer's

NEUTRAL (unch.)
Target price: HUF 2,170 (unch.)
Share price: HUF 1,750

EUR million	Q1/20	Q1/21	chg. YoY
Revenue	173.8	142.3	-18.1%
Gross margin	29.4	29.9	1.5%
EBITDA	15.4	16.6	7.9%
EBIT	0.1	4.5	n.a.
Net income	-2.5	2.7	n.a.
Rec. EBITDA margin	8.9%	11.7%	2.8ppts
Rec. EBIT margin	0.1%	3.2%	3.1ppts
Rec. Profit margin	-1.5%	1.9%	3.3ppts

Share price close as of 07/05/2021	HUF 1,750	Bloomberg	WABERERS HB
Number of diluted shares [million]	17.7	Reuters	WABE.HU
Market capitalization [HUF bn/EUR mn]	30.6/85.3	Free float	28%
Daily turnover 12M [HUF million]	26	52 week range	HUF 716 – 1,985

Slow recovery continued in Q1/21

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- **Waberer's posted a net income of EUR 2.7mn at Group level for Q1/21 (no one-offs incurred). The recovery continued at a slow pace, in line with our expectation. EBIT grew by EUR 1.0mn QoQ to EUR 4.5mn. It is disappointing that 40% of this gain derived from the Insurance arm, and only 60% of that from the transportation segments (RCL deteriorated QoQ, ITS improved QoQ).**
- **Key positives:** (1) Financial results continued to improve in Q1/21 despite the challenging macro environment at Group level. After 3 years of losses, Waberer's reported a positive net income. (2) Thanks to the better operating results and shrinking fleet size, net leverage ratio decreased to 2.1x from 2.2x. (3) The Management is confident that the gradual improvement is sustainable.
- **Key negatives:** (1) ITS EBITDA is far from the desired level. Gross margin grew +1.2%pt QoQ or +3.3%pt YoY to 17.2%, but we don't yet know how much of the gain comes from Link, which was temporarily hit hard by Brexit in Q4/20. Before 2018, the measure was above 20%. (2) Revenue growth stalled, while EBITDA dropped QoQ in the RCL segment in Q1/21. This downturn, if persists, may make it difficult to achieve EBITDA covenants by the year-end and then. However, we think that this was in part due to seasonality. (3) Cash liquidity dropped by EUR 8.6mn due to the negative effect of the change in Working Capital.
- **Opinion: We conclude that Waberer's is on track to achieve better returns and growing profitability going forward, but the pace of the recovery is still slow, in our view. Insurance arm meant the difference in Q1/21, while we are looking for a convincing improvement at the transportation segments. As we highlighted in our recent note, we are concerned over**

the strict EBITDA covenants, which would lead to financial difficulties and stress the earliest by the end of this year if oil prices continued to grow or chip shortage hit the automotive sector significantly in Europe in the next months. Despite that, we are expecting stable margins at the RCL and looking forward a gradual gross margin improvement in the ITS. Insurance segment looks exceptionally strong.

- We leave our Target price, earnings forecasts and recommendation unchanged.

[HUF bn]	2020				2021	Difference	
	Q1	Q2	Q3	Q4	Q1A	Y-o-Y	Q-o-Q
P&L							
Revenue	173.8	115.5	137.0	143.0	**142.3**	-18%	0%
Gross profit	29.4	21.5	28.2	32.0	**29.9**	2%	-7%
EBIT	0.1	(2.7)	1.2	3.5	**4.5**		29%
EBITDA	15.4	9.9	14.0	16.0	**16.6**	8%	4%
- ITS	*6.7*	*1.3*	*3.2*	*4.2*	***6.4***	-4%	52%
- RCL	*7.0*	*5.8*	*8.3*	*9.2*	***7.2***	2%	-22%
- Other	*1.7*	*2.7*	*2.5*	*2.6*	***3.0***	76%	15%
Net financials, tax	(2.6)	(8.8)	(2.4)	(3.5)	**(1.8)**	-32%	-49%
Net profit / (loss)	(2.5)	(11.5)	(1.1)	(0.0)	**2.7**	-206%	
KPI's							
Avg. no. of trucks	3 758	2 673	2 814	2 836	**2 821**	-25%	-1%
Avg. no. of employees	8 002	7 428	6 431	6 139	**5 984**	-25%	-3%
Avg. no. of truck drivers	5 055	3 777	3 535	3 566	**3 541**	-30%	-1%
Margins							
Gross margin	16.9%	18.6%	20.6%	22.4%	**21.0%**	4.1%pt	-1.4%pt
EBIT margin	0.1%	-2.4%	0.9%	2.4%	**3.2%**	3.1%pt	0.7%pt
EBITDA margin	8.9%	8.6%	10.2%	11.2%	**11.7%**	2.8%pt	0.5%pt
Net profit margin	-1.5%	-10.0%	-0.8%	0.0%	**1.9%**	3.4%pt	1.9%pt

Source: Waberer's, Concorde Research

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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.

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Valuations and risks:

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