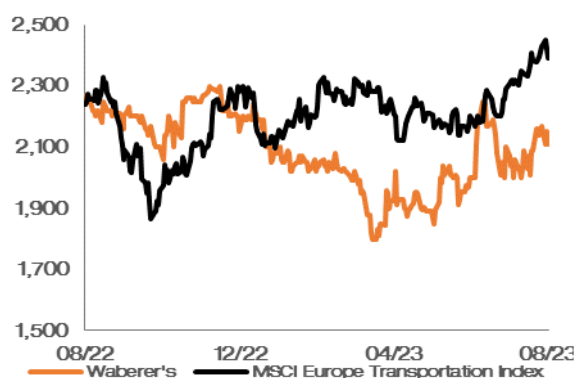


# Waberer's

BUY (unch.)

Target price: HUF 3,990 (unch.)

EUR million	Q2/22	Q2/23	chg. YoY
Revenue	173.2	175.9	2%
EBITDA	21.7	27.4	26%
EBIT	10.3	14.3	39%
Net income	2.5	15.1	504%
Net income (excl. FX)	6.0	10.4	73%
Rec. EBITDA margin	12.6%	15.6%	3.0%pt
Rec. EBIT margin	5.9%	8.1%	2.2%pt
Rec. Profit margin	1.5%	8.6%	7.1%pt



Share price close as of 07/08/2023	HUF 2,220	Bloomberg	WABERERS HB
Number of diluted shares [million]	17.7	Reuters	WABE.HU
Market capitalization [HUF bn/EUR mn]	39.3/101.1	Free float	19%
Daily turnover 12M [HUF million]	13	52 week range	HUF 1,800 – 2,300

## Waberer's raised EBIT guidance after record Q2 earnings

### Equity Analyst

Gabor Bukta  
+361 489 2272  
g.bukta@con.hu

55-61 Alkotás  
Street,  
Budapest  
www.con.hu

- Waberer's reported its Q2/23 results yesterday, where the Company achieved record quarterly EBIT of EUR 14.3mn. Net income came in at EUR 15.1 mn (6x of Q2/22). All three business segments continued to increase their profitability on both a quarterly and half-yearly basis. At EBIT level, results were positively distorted by the impact of the out-of-court settlement, which was announced earlier this year, while net level was also favourably affected by a non-realized FX gain of EUR 4.7mn. As a result, the management raised its EBIT guidance for 2023 from EUR 33mn toward the range of between EUR 37-40mn (roughly +15% vs. prev. guidance excl. the positive one-off from the out-of-court agreement), which can be achievable considering the adjusted H1 EBIT of over EUR 20mn. It's worth noting that Group EBIT may amount to EUR 45-50mn in 2023 without adjustments. All in all, it was a huge surprise again, which underpinned our view that Waberer's is one of the cheapest stocks in the CEE.
- EBITDA contribution by segment:
  - ITS: EBITDA amounted to EUR 13.8mn (+45% YoY). In the ITS, results were boosted by the increase in net prices (excl. the impact of fuel and toll costs) and higher utilization, as well as the financial impact of the out-of-court settlement (only half of the total amount was booked for Q2).
  - RCL: EBITDA totalled EUR 8.4mn (+11% YoY). RCL was negatively impacted by the deteriorating domestic demand, which was offset by the expansion of logistics activity serving the domestic investment activities.
  - Other segment (insurance): EBITDA amounted to EUR 5.2mn (+11% YoY). Financial performance of the insurance segment rose on (1) the growing number of insurance contracts (+16%), (2) high interest rates and (3) lower claims ratio.

- **Key positives:** (1) record quarterly earnings with continued strength at all business units, (2) profit guidance was raised, (3) BVPS rose to c.7.9 EUR/sh, significantly higher than the current share price.
- **Key negatives:** (1) demand for FMCG products drops in Hungary, thus volumes fall, (2) rate hikes may soon weigh on auto sales, despite stable order books in the automotive sector.

**Segment comments:**

- **ITS:** In the International Transport Segment, falling fuel prices led to a slight (-1.1%) decrease in revenues due to automatic repricing, but it was offset by an increase in average net prices (+10%) (excl. fuel and toll cost effect) and a slight increase in mileage (+2%) and fleet size (+3%). **The ITS segment's Q2 results include the half of the financial impact of the out-of-court settlement in the period.**
- **RCL:** The distribution business serving retail chains in the RCL segment continues to face declining order volumes due to negative retail consumption trends, however, the segment successfully offsets these negative effects by the lower fuel consumption of the vehicles, by serving newly acquired customers in the free warehouse spaces and by the improving performance of the inhouse logistics business and the container transportation activity.
- **Other segment (insurance)** continued to improve its financial performance, driven by the 16% increase in the number of insurance contracts, a lower claims ratio and higher financial results in a favorable interest rate environment.

**Recommendation:**

- **We leave our estimates, TP and recommendation unchanged. Waberer's distributed 101 HUF/sh as dividend to its shareholders for the first time since its IPO. This was a major step to lure investors' attention, but the low liquidity of the stock may keep investors away from Waberer's. Having said that, the management's efforts are remarkable, while the stock is dirt cheap in our view. Q2 report cemented our view that the Company is well on track to grow despite macro challenges. CEO highlighted that they were "able to win large volumes of new orders from new customers who value the high quality, customer-focused logistics services" they provide. We note that Waberer's could capitalize on the growing presence of Asian battery manufacturers and the new BMW plant in Hungary if they were successful at tenders in the near future. Overall, the demand for logistics services will likely grow in our region, so we are confident that the financial performance of the Group is sustainable in the long term.**

[EUR mn]	2022		2023		Q2 YoY	H1		H1 YoY
	Q1	Q2	Q1	Q2		2022	2023	
<b>P&amp;L</b>								
Revenue	158.9	173.2	176.7	<b>175.9</b>	2%	332.1	<b>352.6</b>	6%
EBIT	4.6	10.3	11.2	<b>14.3</b>	39%	14.9	<b>25.5</b>	71%
EBITDA	16.3	21.7	23.6	<b>27.4</b>	26%	38.0	<b>51.0</b>	34%
- ITS	6.0	9.5	10.1	<b>13.8</b>	45%	15.5	<b>23.9</b>	54%
- RCL	7.4	7.6	8.0	<b>8.4</b>	11%	15.0	<b>16.4</b>	9%
- Other	2.8	4.6	5.5	<b>5.2</b>	13%	7.4	<b>10.7</b>	45%
Net financials, tax	(2.9)	(7.8)	(0.8)	<b>0.8</b>	-110%	(10.7)	-	-100%
Net profit / (loss)	1.7	2.5	10.4	<b>15.1</b>	504%	4.2	<b>25.5</b>	507%
Net profit (excl. FX)	2.9	6.0	8.2	<b>10.4</b>	73%	8.9	<b>18.6</b>	109%
<b>KPI's</b>								
Avg. no. of trucks	2,845	2,769	2,787	<b>2,847</b>	3%	2,807	<b>2,840</b>	1%
Avg. no. of employees	5,805	5,801	5,818	<b>6,013</b>	4%	5,803	<b>6,007</b>	4%
Avg. no. of truck drivers	3,500	3,440	3,479	<b>3,668</b>	7%	3,470	<b>3,662</b>	6%
<b>Margins</b>								
EBIT margin	2.9%	5.9%	6.3%	<b>8.1%</b>	2.2%pt	4.5%	7.2%	2.7%pt
EBITDA margin	10.3%	12.6%	13.4%	<b>15.6%</b>	3%pt	11.4%	14.5%	3%pt
Net profit margin	1.1%	1.5%	5.9%	<b>8.6%</b>	7.1%pt	1.3%	7.2%	6%pt

Source: Waberer's, 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%
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