

EQUITY NOTE: RÁBA Automotive Holding

Recommendation: HOLD (unchanged)

Target price (12M): HUF 1,476 (unchanged)

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News:

As a supplement to the invitation for its extraordinary general meeting (EGM) scheduled for 30 September, 2021, Rába Automotive Holding Plc announced the proposed draft resolutions on 9 September, 2021.

The recent announcement details the agenda items released earlier:

- 1) Shareholder's motion submitted by NVII Zrt., the majority owner of the company
 - A) **Modification of the remuneration** of the members of the BoD and the members of the Supervisory Board. The [draft resolution](#) details the monthly remuneration the chairmen and the members of the boards should receive.
 - B) **Election of the new members of the BoD**

The draft resolution proposes the election of Mr. László Jakab and Dr. Károly Szász as members of the BoD, from 30 September 2021 until 19 May 2026.
 - C) [Amendments in the wording](#) of the current Articles of Association (p. 2 and p. 3)
 - D) **Amendment of the Remuneration rules and policy** (Annex to Shareholder's motion No. 1 (NVII Zrt.))
- 2) Shareholder's motion submitted by the shareholder T-invest 91' Kft, holding more than one per cent of the votes in the company:
 - A) **Authorisation of the Board of Directors to acquire treasury shares** in order to create value for the shareholders and to maintain share price and increase liquidity.

The EGM would authorise the BoD to acquire 216,155 pieces of treasury shares, which are registered ordinary shares with a face value of HUF 1,000 each, within stock exchange transactions from the Company's assets above the registered capital in accordance with the provisions of 3:222 and 3:223 § of Act V of 2013 of Hungary's Civil Code, for the purpose of share price maintenance and/or in order to provide the number of shares necessary to implement the Company's strategic objectives. Treasury shares can be acquired within 18 months of the date when this resolution is adopted. The minimum purchase price payable for the treasury shares is the average stock-exchange price weighted with the turnover of the five trading days

preceding the date of the acquisition -10%, whereas the maximum purchase price payable for the shares is the average stock price weighted with the turnover of the five trading days preceding the date of the acquisition +10%.

- B) **Amendment of the Company's current dividend policy:** According to the current dividend policy, 'in the event of substantial proceeds resulting from the real assets that can be sold, case-by-case decisions are needed.' The draft resolution urges the revenues derived from the sale of investment property (as a whole or in tranches) to be distributed in part or in total among shareholders as dividend.

Comments:

1A) NVII, as majority owner of Rába Automotive Holding and presenter of the motion submitted on the modification of BoD and SB members' remuneration considers the change appropriate 'regarding to the Company's growing role in the defence industry and the increasing tasks and responsibility of the BoD and SB members.' Until now, the majority owners have been reluctant to give any signs of considering the role of Rába Automotive as part of the national assets or in any industry. However, it remains to be seen if this remark will materialise in a new corporate strategy.

1B) Both would-be members of the BoD are linked to state entities: Mr. László Jakab is the CEO of Rába's majority owner NVII, while Dr. Károly Szász, former chairman of Hungary's Financial Supervisory Authority (then called 'PSZÁF') and former chancellor of the medical school 'Semmelweis University'. According to media reports, Dr. Szász joined the Ministry of Innovation & Technology at the end of 2019, but the scope of his activities has not been disclosed.

2A) This is not the first time when minority owners submit proposals for a general meeting. Although the purchase of treasury shares can be reasonable in order to maintain stock price, the majority owner may have other considerations and fail to vote for the minority shareholder's proposal. The approval of the proposal will definitely have implications on our valuation of Rába, as well.

2B) Great anticipation surrounds the sale of Rába's so-called investment property in the Városrét district of Győr. No information has been released whether any headway had been made lately, and a deal of such magnitude is not expected to conclude in the short term. Anyhow, we do not expect the majority shareholder or the BoD to engage in direct dividend payout when the details of the future property sale are unknown and hang in the air.

On the whole, we expect that at the EGM – planned to take place in person – the majority owner will approve the initiations submitted by itself. Considering the proposals submitted by minority shareholders, the one referring to the BoD's authorization for the purchase of treasury shares can be approved as it does not oblige them to anything. Nevertheless, in case the dividend policy is modified as the minority shareholders proposed, a refusal seems to be more probable.

Notes:

[The initiation report, which contains the assumptions of the models used, is available here.](#)

[The valuation methodology used in this present equity research note to determine our price targets and recommendations is available here. \(Also available in Hungarian\)](#)

This investment recommendation has not used proprietary models.

The risk warning, which includes the adequate explanations of the length of time of the investment to which the recommendation relates as well as a sensitivity analysis of the assumptions, is indicated in the part of this recommendation where the length of time and the risks of the investment are presented.

Any information relating to the date and time for the price mentioned in this recommendation is revealed in the part of the recommendation where the given price is indicated.

OTP Bank Plc's recommendations and price targets history for Rába Automotive Holding in the past twelve months:

Period	Recommendations	Percent of Recommendations
Q3 2020	BUY	0%
	HOLD	100%
	SELL	0%
Q4 2020	BUY	100%
	HOLD	0%
	SELL	0%
Q1 2021	BUY	0%
	HOLD	100%
	SELL	0%
Q2 2021	BUY	0%
	HOLD	100%
	SELL	0%

Date	Recommendation	Target Price	Publication
13/08/2020	HOLD	HUF 891	Quarterly Earnings Update
03/12/2020	BUY	HUF 1197	Quarterly Earnings Update
18/02/2021	HOLD	HUF 1280	Quarterly Earnings Update
21/05/2021	HOLD	HUF 1353	Quarterly Earnings Update
26/08/2021	HOLD	HUF 1476	Quarterly Earnings Update
01/09/2021	HOLD	HUF 1476	Equity Note

[The list of all recommendations made in the past 12 months is available here.](#)

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