EQUITY NOTE: RÁBA Automotive Holding

Recommendation: SELL (unchanged)

Target price (12M): HUF 1,115 (revised up)

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Equity Analyst:
Ákos Szemán

Phone:
+36 1 486 6277

Email:
akos.szeman@otpbank.hu

Highlights

We revised up our 12M target price on Rába Automotive Holding (RABA HB; RABA.BU) to 1,115 HUF / share from the previous HUF 1,100. At the same time, we maintain the previous SELL recommendation. The company had strong revenue growth in Q2 and as a result the group achieved the highest sales revenue of the last decade both at half yearly and quarterly level. Raw material and energy prices, however, remained elevated, while a large exchange rate loss also weighed heavily on quarterly profitability. Additionally, the economic outlook keeps deteriorating given rising interest rates and slowing GDP growth, which could potentially result in lower demand for Rába's products. Finally, it is worth mentioning that the company acquired the remaining 75.1% of Rekard Hajtómű és Gépgyártó Kft. on July 1 and as a result it will operate as a wholly owned subsidiary going forward.

In terms of revenues the company had a very strong Q2, group sales increased to HUF 16.74bn (+35.8% YoY), domestic numbers rose to HUF 4.49bn (+25.5% YoY) and export reached HUF 12.25bn (+40% YoY). Export activities were especially strong in the EU and USA, but the smaller CIS and other markets segments registered a large decline of 100% and 40%, respectively YoY. In compliance with sanctions in force against Russia, Rába had no commercial activities with Russian partners in Q2.

The uncertainties caused by the Russia-Ukraine situation and the impact of sanctions raised inflationary pressures to unprecedented levels, the long-term outlook remains uncertain. The company faced extremely high raw material purchase prices in Q2. As a result, direct cost of sales rose by 36.5% in Q2 on a YoY basis to HUF 13.35bn, while G&A expenses grew by 6.9% YoY to HUF 2.09bn. Overall, the company had an operating profit of HUF 1.23bn and a net profit of only HUF 317.6 million primarily due to the above-mentioned exchange rate loss.

The broader economic outlook keeps deteriorating, the EC's latest economic forecast now projects 2.7% real GDP growth in 2022 and 1.5% in 2023 in the EU, while inflation is projected to peak at historical highs this year at 8.3%. It is also worth noting, that energy prices reached record highs in recent weeks in Europe.

Financial highlights of Q2 2022 earnings report

HUFm	2022 Q2	2021 Q2	YoY Change
Domestic sales	4 493	3 579	26%
Export sales	12 249	8 751	40%
Net sales income	**16 742**	**12 330**	**36%**
Direct cost of sales	13 347	9 775	37%
Gross profit	**3 395**	**2 555**	**33%**
Cost of sales and marketing	116	124	-7%
General managing costs	2 090	1 955	7%
Other operating expenses	174	167	4%
Total operating expenditures	**2 380**	**2 247**	**6%**
Other incomes	219	1 097	-80%
EBIT	**1 234**	**1 405**	**-12%**
Net financial profit	**-842**	**194**	**-**
Pre-tax profit	445	1 618	-72%
Tax	128	155	-18%
After-tax profit	**318**	**1 462**	-78%

	2022 Q2	2021 Q2	YoY Change
EPS (HUF)	**23**	**109**	**-79%**
4Q-rolling EPS (HUF)	**-60**	**193**	**-**
EBITDA (HUFm)	**1 854**	**1 995**	**-7%**
Gross profit rate	**20.3%**	**20.7%**	**-0.4pp**
EBIT rate	**7.4%**	**11.4%**	**-4pp**
EBITDA rate	**11.1%**	**16.2%**	**-5.1pp**
ROE	**1.5%**	**6.7%**	**-5.2pp**
4Q-rolling ROE	**-3.9%**	**13.3%**	**-17.2pp**
ROA	**0.6%**	**3.2%**	**-2.6pp**
4Q-rolling ROA	**-1.7%**	**6.2%**	**-7.9pp**

Source: Rába Automotive

Strong export growth in EU and USA, highest sales revenue of the last decade

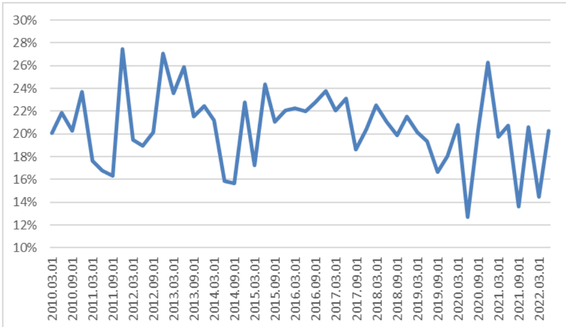
Rába Automotive's net sales revenue increased to HUF 16.74bn (+35.8% YoY) in Q2 2022, with domestic sales rising to HUF 4.49bn (+25.5% YoY) and export revenues rising to HUF 12.25bn (+40% YoY). Overall, in H1 2022 net sales revenue was up by 26.6% to HUF 30bn. The company mentioned that over H1 2022 there was still substantial business activity on the European truck and global agricultural vehicle markets, however, the passenger vehicle segment was characterised by a substantial decline due to supply issues. The strong demand for shipping and the corresponding increase in shipping costs incentivised the expansion and renewal of commercial vehicle fleets. **As a result, Rába Group achieved the highest sales revenue of the last decade both at half yearly and quarterly level.**

Export revenues to the USA jumped by 91.4% to HUF 1,131 million in Q2 2022 on a YoY basis. **There was strong revenue growth in the EU markets as well, exports were up by 51% in HUF-terms (~10.5bn) YoY.** Similar to last quarter, the CIS and 'other markets' geographical segments did not perform well, revenues were down 100% and 40%, respectively YoY. These markets, however, represent a relatively smaller portion of the overall revenues (~9.7% in Q2 2021 and ~3.6% in Q2 2022). The company stated as well that **in compliance with sanctions in force against Russia, Rába had no commercial activities with Russian partners in Q2 2022.**

In terms of business units, the export performance was driven by 'Axles' in Q2 as USA sales jumped by 91.4% to HUF 1.13bn and EU sales were up by 51.1% to HUF 7.58bn YoY, which more than offset the continued decline in CIS and 'other markets' revenues. The 'Automotive Components' segment performed good as well, EU sales grew by 39.5% YoY to HUF 2.7bn, while the 'Vehicles' segments delivered HUF 212 million export revenues during Q2 2022 (none in base period).

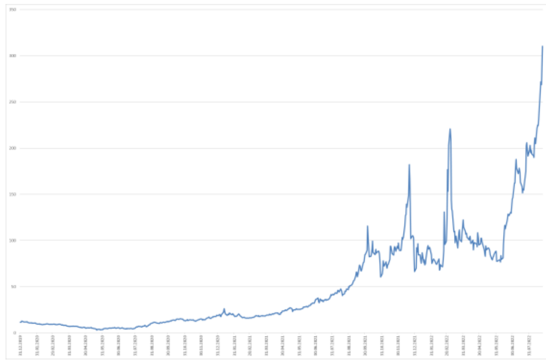
The weakening HUF supported sales performance in HUF-terms as the EUR/HUF rose by 8.8% and the USD/HUF rose by 23.2% YoY when comparing quarterly averages.

Historical rate of gross margin at Rába Automotive (quarterly)



Sources: Rába Automotive Holding, OTP Multi-Asset

Gas prices at record levels, way above the long-term average (ICE Dutch TTF, EUR/MWh)



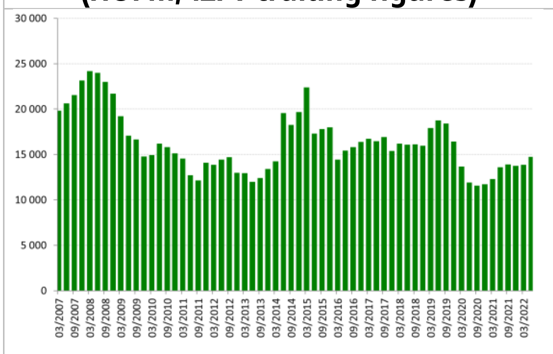
Source: Bloomberg, OTP Multi-Asset

As a result of continued strong export revenue growth on a Group level, the export's share in total sales volume increased to 73.2% in Q2 2022, the same ratio was 71% in Q2 2021.

Significant growth in domestic sales contributed to Group results as well

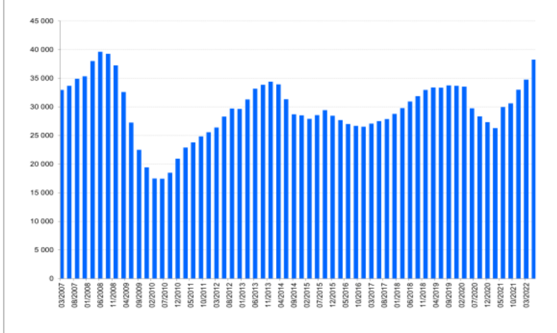
Domestic sales performance was very strong in Q2, revenues jumped by 25.5% YoY to HUF 4.49bn. The 'Axles' unit was able to expand in the domestic market by 45.8% YoY to HUF 1.86bn. The 'Automotive Components' segment performed good as well, domestic sales were up by 27.1% YoY to HUF 2.54bn. At the same time, the 'Vehicles' segment was down by 20.1% YoY to HUF 290 million. The sales figures of the 'Vehicles' business unit are fundamentally influenced by the reorganisation of the production of steel structures for civilian applications from the 'Vehicles' business unit into the activities of the 'Axles' business unit.

Domestic sales revenue (HUFm, 12M-trailing figures)



Sources: Rába Automotive, OTP Multi-Asset

Export revenues (HUFm, 12M-trailing figures)



Sources: Rába Automotive, OTP Multi-Asset

Record high purchase prices, increasing expenses and significant uncertainty

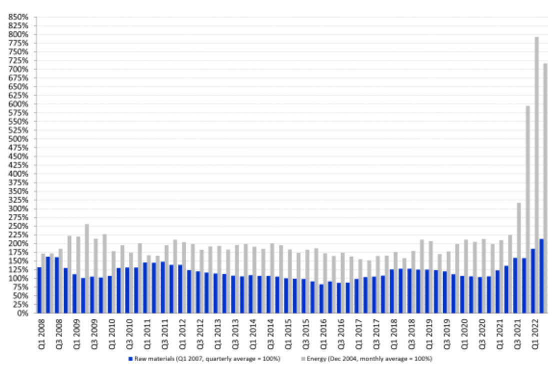
The company notes that uncertainties caused by the Russia-Ukraine situation and the impact of the sanctions raised inflationary pressures to unprecedented levels and regarding the long-term outlook, extended uncertainty and continued drastically high purchase prices can be expected. Over Q2 2022, the Group still faced with extremely high steel raw material purchase prices, which were up by 56.3% YoY. It is worth noting that the steel market has somewhat cooled over the recent weeks due to recessionary fears, but significant uncertainty remains. Energy prices, however, reached unprecedented levels, European natural gas prices have spiked above 300 EUR / MWh, which is 30-40x higher compared to the levels seen in 2020 August and almost 7x higher YoY. The electricity market is also characterised by record prices, while oil remains around USD 100 / barrel, which is also high in historical context. The company mentions that their contracting terms made it difficult to fix energy purchase prices, so they primarily manage the effects of the energy crisis by increasing integrity and making sales prices more flexible.

The direct cost of sales rose by 36.5% in Q2 on a YoY basis to HUF 13.35bn, while G&A expenses grew by 6.9% YoY to HUF 2.09bn. This was slightly offset by a 6.5% decrease in sales and marketing expenses. Overall, in H1, direct cost of sales jumped by 30.6%, while G&A expenses are up by 26.9%, which compares to a 26.6% increase in sales revenues.

Steel market prices have significantly declined over recent period (hot-rolled coil, USD/MT)

Source: Bloomberg, OTP Multi-Asset

Input cost indices of Rába Automotive (quarterly averages)



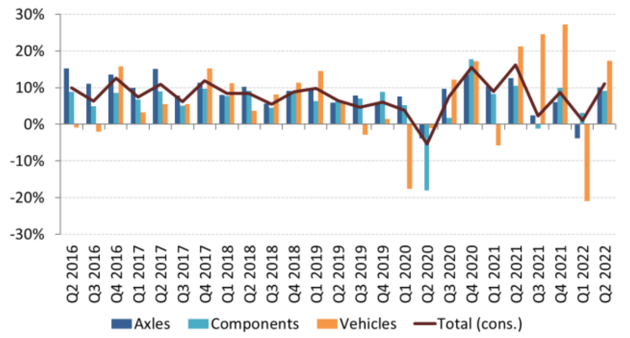
Source: Rába Automotive Holding, OTP Multi-Asset

Following a significant Q1 loss the company was profitable again

Quarterly gross profit rose by 32.9% YoY in the April-June period, to HUF 3.39bn, while EBIT was down by 12.2% to HUF 1.23bn. The latter is mostly the result of an 80% decline in other revenues (last year the company sold a real estate item, which resulted in a large 'other revenue' figure). Gross profit rate was 20.3% in Q2 and 0.4pp lower YoY given strong revenue growth was more than offset by cost increases. The EBITDA rate was 11.1% (HUF 1.85bn), down by 5.1pp YoY. The 'Axles' unit generated HUF 692 million, the 'Automotive Components' unit HUF 357 million, while the 'Vehicle' segment HUF 85 million operating profit in Q2.

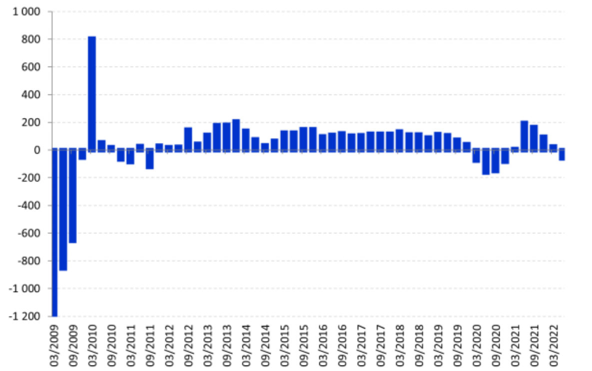
Net financial loss amounted to HUF 842 million, which heavily weighed on quarterly profitability (mostly a result of exchange rate loss). After taxation, quarterly profit was HUF 317.6 million after HUF 569.6 million loss in Q1 2022 and HUF 1.46bn profit in Q2 2021. As a result, quarterly EPS was HUF 23, while it was HUF 109 a year before. The large difference between the EPS figures is, however, mostly the result of the above-mentioned real estate transaction and FX losses.

EBITDA margin at Rába's business units



Sources: Rába Automotive, OTP Multi-Asset

12M-trailing EPS (HUF)*



Sources: Rába Automotive, OTP Multi-Asset

*Q2 and Q3 2021 EPS w/o one-off effect of property sale in Q2 2021.

Comments

- **Rába's performance in Q2 was significantly better relative to the previous quarter driven by strong sales growth.** The large net profit difference YoY is also skewed by a real estate transaction, a one-off item. Nonetheless, the external environment remains extremely challenging due to the record energy prices, other inflationary pressures and a deteriorating economic outlook. This could potentially result in lower demand for Rába's products.
- **The registration figures of medium and heavy-duty trucks in the EU** showed a slight improvement of 2.2% in June YoY (26,736 vs. 26,158), where Spain posted the biggest gain (+25.6%) according to ACEA. France and Germany, however, recorded losses, 10.9% and 4.2%, respectively. Over the first half of 2022, medium and heavy-duty vehicle registrations in the EU dropped by 2.5% and with the exception of Spain, all major markets recorded declines. It is worth noting that the medium and heavy-duty market is still holding up significantly better than the light commercial vehicles market, which registered a 23.9% decline over the first half of 2022 and 26.8% in June YoY.
- **Rába's European peer, Volvo, reported strong growth and improved profitability in Q2.** Net sales increased by 31% YoY in Q2 (SEK 118.9bn vs. 90.6bn), while operating income was up by close to 21% (SEK 13.7bn), which translates into an operating margin of 11.6%. Net income for the quarter was SEK 10.5bn, which is an improvement of 16% YoY. The company said that it had extra costs related to supply chain disruptions and higher costs for material but continued to work proactively and successfully with price management to mitigate these effects. Truck deliveries increased by 27% to 29,809 vehicles in Europe in Q2 YoY, but order intake declined by 25% to 26,595 vehicles due to restrictive order-slotting for 2023.

Another peer, Scania, had a worse Q2: while net sales were up by 2% YoY, operating income declined by 40% resulting in a significantly worse operating margin (7.6% vs. 13% YoY). Net income was also down by 35% in Q2 YoY. The company noted that earnings were negatively affected by lower vehicle volume and increased cost of input goods, weaker capacity utilisation in production due to component shortage, and by revalued assets and provisions for bad debt made due to the developments in Ukraine and Russia.

- The **demand for medium and heavy buses & coaches in the EU** dropped by 8.7% in June YoY (2,394 vs. 2,622). Overall, new bus and coach registrations across the EU over the first half of 2022 rose by 2.8% given the strong boost provided in March and May. Among the key markets, Spain posted the strongest result (+46.2%), while German demand was weak (-20.5%).

- **The Russia-Ukraine situation continues to negatively affect the EU economy, which means lower growth and higher inflation.** The seasonally adjusted GDP in Q2 2022 increased by 0.7% in the euro area and by 0.6% in the EU QoQ according to Eurostat. Compared with the same quarter of the previous year, seasonally adjusted GDP increased by 4% both in the euro area and in the EU. The EC's latest economic forecast (European Economic Forecast – Summer 2022) projects that real GDP will grow by 2.7% in 2022 and 1.5% in 2023 in the EU. The Spring 2022 forecast had the same figure for this year, but estimated a higher, 2.3% growth for 2023. At the same time, the forecast for inflation has been revised considerably upwards compared to the Spring forecast. The Russia-Ukraine situation has put additional pressures on energy and food commodity prices and a further surge in gas prices is set to pass through to consumers via electricity prices as well. Annual average inflation is now projected to peak at historical highs in 2022, at 8.3% in the EU, before easing in 2023 to 4.6%. The forecast warns, however, that further increases of gas prices could strengthen the stagflationary forces at play and they could lead to a sharper tightening of financial conditions that would not only weigh on growth, but also on financial stability.

- **Raw material prices are down but energy remains a serious concern:** steel market prices have significantly declined over the past few weeks due to strong recessionary fears, which would result in lower demand from the construction, automotive and other industries. As an example, US Midwest HRC prices are down 45% YTD and almost 60% YoY. On the other hand, energy prices remain extremely high. European natural gas prices are at record levels given reduced gas flows from Russia, the Dutch TTF spot spiked above 300 EUR / MWh, which is almost 7x higher YoY and 30-40x higher compared to the levels seen in 2020 August. We can see a very similar pattern in European electricity prices given natural gas plays an important role in power generation: German, French and Hungarian day-ahead prices are now hovering around 600-700 EUR / MWh, an unprecedented level. This naturally translates into higher electricity and heating costs, which weighs on energy intensive industries given elevated costs of production and higher utility bills. Finally, oil prices are still close to 100 USD / barrel despite recessionary fears given tight market conditions and possible gas-to-oil switch during the winter.

Valuation

- The group had strong revenue growth in Q2, and the steel market has somewhat cooled over the recent weeks, however, energy prices are still at record highs and inflationary pressures remain, while the economic outlook is clearly deteriorating. The outlook in terms of profitability remains challenging, while uncertainties abound in both the revenue and the cost sides, which makes forecasting difficult.
- The profitability ratios in Q2 show a decline on a YoY basis, however last year's figures were higher than usual given a substantial real estate transaction that had HUF 815 million impact on profitability (HUF 61 impact on EPS). There was also a large net financial loss item because of exchange rate loss, which heavily weighed on quarterly profitability.
- The company acquired the remaining 75.1% of Rekard Hajtómű és Gépgyártó Kft. (Phase 2) using the option offered to Rába after H1 closing on July 1. As a result, Rekard will operate as a wholly owned subsidiary of Rába. In 2021, Rekard had a revenue of HUF 3.43bn (69% from exports), EBIT of HUF 40 million and net income of HUF -0.6 million.
- We have increased our revenue expectations for 2022 from HUF 47.8bn to HUF 55.9bn given strong sales growth in H1 and the above-mentioned acquisition. We expect HUF 1.12bn EBIT and HUF 3.49bn EBITDA in 2022, up from HUF 478m and HUF 2.85bn, respectively.
- After 12M EPS of HUF 94 last year, our forecasts suggest 12M EPS could decrease to HUF 17 in 2022 (revised up from HUF 12). We assume no dividends paid in 2022 and 2023 given the challenges.
- We revised slightly up our 12M target price to 1,115 HUF/share from the previous HUF 1,100. The new TP reflects the stronger sales growth, which is largely offset by rising costs and interest rates, while the economic outlook keeps deteriorating. Our valuation model focuses on the forecast horizon between 2022 and 2026.
- The new 12M TP is 2.6% lower than the HUF 1,145 closing price on 26 August.

Deduction of 12M target price

Rába's valuation (HUFm)	2020	2021	2022	2023	2024	2025	2026	FCFF in the explicit period
FCFF	2 466	-2 450	-3 383	566	679	749	1 444	
Discount factor	0,95	0,94	0,89	0,79	0,70	0,64	0,59	
DCF	2 334	-2 300	-3 022	448	477	480	848	-770
Terminal value (HUFm)								43 745
Net present value (HUFm) of TV								25 673
Enterprise Value (incl. possible future property sale) HUFm								26 647
Net debt								12 889
Equity value - Dec 31 2022, HUFm								13 758
Number of shares								13 352 765
Expected return on equity								8,2%
12M Target price								**1 115**
Current price								1 145
Upside/Downside								-2,6%
TR Upside/Downside								-2,6%

Source: OTP Multi-Asset

CONSOLIDATED INCOME STATEMENT	HUFm					
	2019	2020	2021	2022E	2023E	2024E
Domestic sales	16 257	11 560	13 578	15 208	14 200	14 342
Export sales	33 525	27 194	32 857	40 743	38 393	38 777
Total sales revenue	49 782	38 754	46 436	55 951	52 594	53 120
Direct cost of sales	-40 463	-30 722	-37 617	-45 600	-42 864	-42 761
Gross profit	9 319	8 032	8 819	10 351	9 730	10 358
Indirect costs of sales	-7 979	-7 806	-6 841	-9 232	-8 994	-8 765
EBIT	**1 340**	**227**	**1 978**	**1 119**	**736**	**1 594**
EBITDA	**3 455**	**2 568**	**4 370**	**3 487**	**3 081**	**3 915**
Net financial profit/loss	-411	-900	-208	-900	-300	-300
Profit before tax	1 004	-669	1 775	327	436	1 294
Tax	-433	-361	-503	-101	-135	-401
After-tax profit	**572**	**-1 030**	**1 272**	**226**	**301**	**893**
Dividend	267	0	0	0	0	177
EPS	**43**	**-77**	**94**	**17**	**23**	**67**
*Adjusted EPS***	**43**	**-77**	**33**	**17**	**23**	**67**
DPS	20	0	0	0	0	13

**Unconfirmed, estimated on the basis of official consolidated total sales and preliminary export sales figures.*
***W/o one-off effect of property sale terminated in Q2 2021*

CONSOLIDATED BALANCE SHEET	HUFm					
	2019	2020	2021	2022E	2023E	2024E
Property, plant, equipment	25 394	25 986	25 417	26 644	26 911	27 180
Intangible assets	175	89	41	11	6	4
Non-current assets	26 563	26 979	26 285	27 424	27 686	27 549
Inventories	7 651	5 863	9 942	13 148	12 885	12 218
Receivables and other current assets	6 488	5 948	7 683	11 190	11 571	11 686
Cash and cash equivalents	805	3 303	1 246	1 119	1 315	1 594
Current assets	15 006	15 226	18 872	25 458	25 771	25 497
TOTAL ASSETS	41 569	42 205	45 156	52 882	53 457	53 047
Share capital	13 473	13 473	13 473	13 473	13 473	13 473
Own shares	-109	-109	-109	-109	-109	-109
Capital reserve	0	0	0	0	0	0
Stock option reserve	0	0	0	0	0	0
Retained earnings	7 833	6 533	7 816	8 041	8 343	9 057
Total Equity	21 197	19 897	21 180	21 406	21 707	22 421
Long-term loans and other liabilities	3 567	6 207	8 253	8 726	9 598	9 119
Provisions	237	40	0	0	0	0
Non-current liabilities	3 917	6 540	8 516	8 939	9 708	9 230
Loans and credits	5 354	3 505	2 128	5 282	4 409	4 889
Payables and other short-term liabilities	10 929	11 811	12 781	16 479	16 915	15 806
Current Liabilities	16 455	15 769	15 460	22 537	22 042	21 396
TOTAL EQUITY AND LIABILITIES	41 569	42 205	45 156	52 882	53 457	53 047

CONSOLIDATED CASH FLOW	HUFm					
	2019	2020	2021	2022E	2023E	2024E
EBITDA	3 455	2 568	4 370	3 487	3 081	3 915
Cash flow from operation	8 379	5 541	-1 468	125	3 172	2 864
Cash flow from investment	-8 658	-3 074	-981	-3 508	-2 606	-2 185
FCFF	-278	2 466	2 450	-3 383	566	679
FCFE	111	2 499	2 843	-378	359	472

Sources: Rába Automotive, OTP Multi-Asset

Risks surrounding Rába's economic activity

Liquidity risk: In the current covid crisis, liquidity and debt issues came to the fore as companies must maintain liquidity and solvency at a time when revenues decline in a better case, or simply vanish for a period in the worst case. In industry comparison, Rába operates with relatively low liquidity, which further decreases in times of economic distress (e.g. the financial crisis of 2008/2009). Earlier data prove that Rába's liquidity position already weakened by end-2019 and remained at the same low level in Q1 2020. In Q2, liquidity ratios deteriorated, but by end-Q4 2020 current ratio, quick ratio and cash ratio also improved compared to end-2019. When assessing Rába's indebtedness, it stands out that it is lower than it was in 2008/2009. The company had a Net Debt / EBITDA ratio of 2.5x at the end of 2020, while it was 2.1x at the end of 2021.

FX risk: As export sales have a dominant share in Rába's sales performance, the company is exposed to exchange rate fluctuations. About 60–70% of the total sales revenue is FX-dominated, which climbed from 65% in 2017, to 67% in 2018 and in 2019, to 70% in 2020, and to 71% in 2021. Exports' weight in sales revenues is expected to remain above 70% in the coming years.

With the Hungarian economy returning to the path of recovery and as inflation came to fore, the MNB started a tightening cycle and raised the base rate from 0.6% to 10.75% in several steps. The aim was to reverse the HUF's weakening trend and tackle inflation, but the results were mixed. The tightening of monetary conditions is expected to cause gradual HUF appreciation and consequently, the strengthening HUF stops supporting Rába's HUF-denominated export performance.

Raw material & energy prices: Steel prices on the global commodity market started to decline in mid-2018. Since the second half of 2018, benchmark steel prices have been dropping, and by the middle of 2019, prices fell more than 20%, when comparing quarterly averages. Steel benchmark kept on falling throughout the second half of Y2019 and the first half of 2020 and bottomed out in Q3 2020. Since then, hot-rolled coil benchmark price has skyrocketed: the average price in Q4 2021 was 230% above the quarterly average registered in Q4 2020, however, this was followed by a sharp downturn towards the end of the year. This did not last long, and prices bounced back after the start of the Russia-Ukraine conflict. Recently, however, due to recessionary fears raw material prices have fallen back again.

Economic environment: The economic landscape radically changed in Q1 2020 due to the coronavirus pandemic, and economies went off from their previously expected growth paths. There is still a lot of uncertainty considering the possible recovery and normalization, which also adds downside risk to our forecast. And while Hungary's monetary and exchange rate policies are also changing, in case of an external shock, like the current one, we can see that the monetary policy will be able to accommodate itself to that situation through exchange rates.

Risks surrounding Rába's property for sale: According to Rába's earlier announcement on the resolutions of the BoD on behalf of the shareholders' AGM in 2020, the management was authorized the sell part of the company's property portfolio. It is expected to be fulfilled in one year's time. When it happens, the sales revenue as a one-off item will add some 83 HUF/share to Rába's enterprise value, calculated based on the disclosed data. However, in the current environment, companies may postpone their investment plans, while administrative and regulatory hurdles may also hinder the transaction.

Labour supply: Labour market developments, particularly the labour shortage that prevailed earlier, may have arrived at a point when it may harm the companies' growth potential, and result in higher labour costs, or extra capex need to substitute labour force with robotization, or may lead to chronic capacity shortage. Rába is located in Western Hungary, where unemployment practically vanished, and the local labour market is very supply-driven. However, covid may change the landscape in this sense as well, but its effect is hardly palpable at this point, as wage dynamics in the manufacturing industry remained at an elevated level this year, the latest statistics show.
With the fast recovery of the Hungarian economy, the unemployment caused by the pandemic may get absorbed very quickly, and result in tight labour market. This will further strengthen wage dynamics, which did not really lose steam even in the period hit by the pandemic. Further increasing payroll expenses may dent Rába's profitability again.

Ownership: In mid-July Rába announced an ownership change concerning Rába's main shareholder MNV (Hungarian National Asset Management Inc.). Under the recently amended decree, Nemzeti Védelmi Ipari Innovációs Zártkörűen Működő Részvénytársaság (National Defence Industry Innovation Ltd.; NVII) has been appointed to exercise all of the rights and obligations of the state as owner, as of 4 June, 2021. The shares of Rába Automotive Holding owned by the Hungarian state were transferred on 20 July 2021 from the securities account of MNV Zrt to the securities account of NVII. On 23 August, Rába published an announcement about the disposal of voting rights, informing that the influence of NVII in Rába Automotive has changed. According to media reports, which offer more details, the tight-lipped official announcement covers that 20% of Rába's voting right has been placed from NVII to the 'Foundation for Széchenyi University'. Furthermore, the company announced on 18 February 2022 that the remaining voting rights of NVII have been acquired by the Ministry for Innovation and Technology. As a result, the voting rights of NVII decreased from 54.83% to 0%.

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 2021	BUY	0%
	HOLD	**100%**
	SELL	0%
Q4 2021	BUY	0%
	HOLD	**100%**
	SELL	0%
Q1 2022	BUY	0%
	HOLD	**100%**
	SELL	0%
Q2 2022	BUY	0%
	HOLD	0%
	SELL	**100%**

Date	Recommendation	Target Price	Publication
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**
18/11/2021	**HOLD**	**HUF 1400**	**Quarterly Earnings Update**
25/02/2022	**HOLD**	**HUF 1350**	**Quarterly Earnings Update**
22/04/2022	**HOLD**	**HUF 1350**	**Equity Note**
23/05/2022	**SELL**	**HUF 1100**	**Quarterly Earnings Update**

The list of all recommendations made in the past 12 months is available here.

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This document was prepared by:
Ákos Szemán
Equity Analyst

OTP Research

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