otp Global Markets

AutoWallis Nyrt.

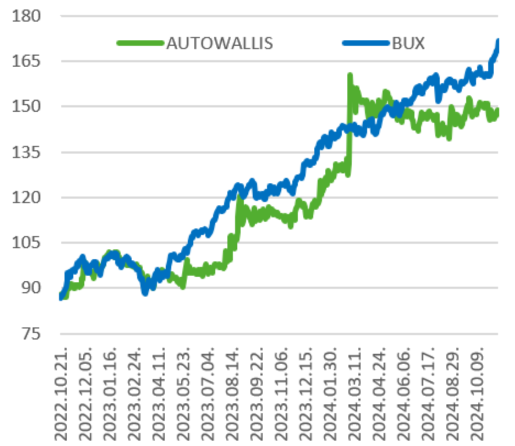
20.11.2024

Recommendation: Buy

12-month target price: HUF 180

Upside potential: 22%

- **After updating our model, we set a 12-month price target of 180 forints and a Buy recommendation on AutoWallis. The company has published a new 5-year plan this year and is continuing on its acquisition path, announcing another significant acquisition in the Czech Republic in November following its first Czech transaction in the spring. The recent deal is not yet included in our model due to limited public information available but we expect it to be accretive.**
- **With new car sales declining in Europe and the major manufacturers struggling to maintain profitability in the face of increasing competition, the automotive market environment poses many challenges for the company. This is also a headwind for dealers. It is therefore important that AutoWallis completes two major acquisitions this year and continues to grow in size, which will help to improve efficiency. The strategic focus on expanding the higher-margin Mobility services business unit and the implementation of business developments (e.g. the opening of a Renault-Dacia showroom in Budapest this year) will allow the company to maintain a profit growth dynamic above the industry average.**
- **The figures for 24Q3 were not very impressive: although sales were up (+9%), profits were significantly down YoY (EBITDA: -30%, net profit: -51%). However, the mobility business was a positive element as it became profitable for the first time this year, with a high EBITDA margin of 50%. In the long term, this business will need to be expanded if AutoWallis is to increase its profit margin.**
- **We expect a mid-single-digit CAGR for revenue and EBITDA over the forecast period, so that, excluding acquisitions, revenue could exceed HUF 500bn and EBITDA could exceed HUF 25bn by 2029. Free cash generation could exceed HUF 10bn from 2026 onwards.**
- **AutoWallis is currently trading below the median valuation of its sector peers. It has slightly higher sales growth potential than its peers, while it is slightly below the group average in terms of earnings growth and one of the smaller companies in terms of size. Overall, we consider AutoWallis to be cheaper than the peer group at current price levels.**



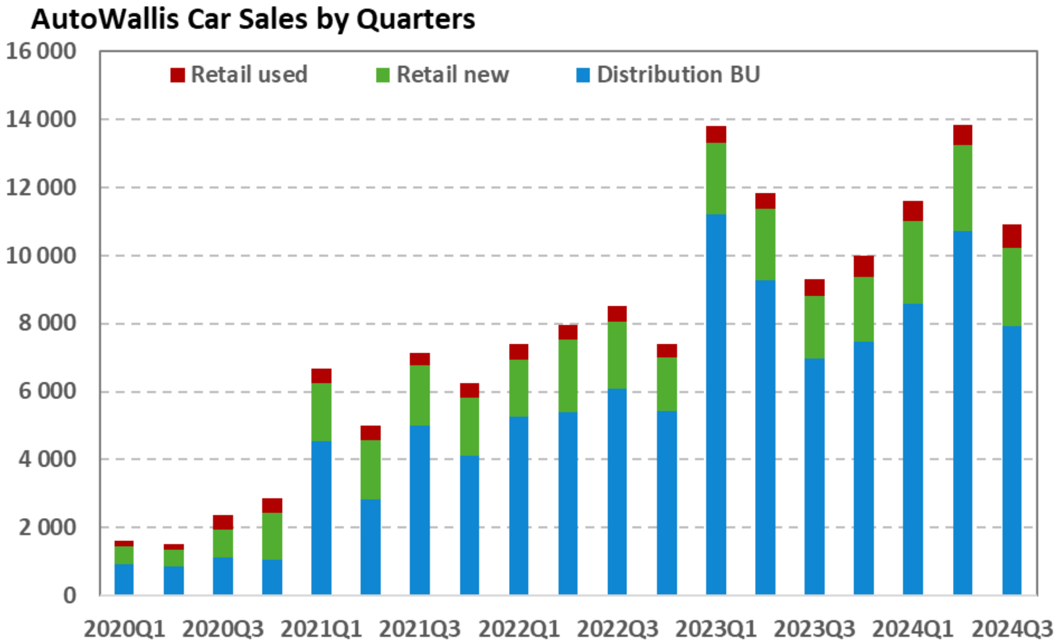
Performance	3 months	6 months	YTD	1 year
AutoWallis	4%	-2%	26%	31%
BUX	10%	16%	30%	39%

m Ft	2023	2024e	2025e
Revenue	366 267	380 917	422 818
EBITDA	19 705	17 124	19 689
EBIT	15 249	12 492	14 972
Net Income	9 843	9 697	12 108
EBITDA Margin	5,4%	4,5%	4,7%
EBIT Margin	4,2%	3,3%	3,5%
EPS	21,3	17,8	22,2
EV/EBITDA	5,4	6,2	5,4
P/E	6,9	8,3	6,7
Price (2024.11.19)			148
Number of Shares (mn):			539,5
Market Cap (mn HUF):			79 300
Free Float:			26,6%
Daily Turnover (mn HUF):			31
Bloomberg:			AUTOWALL HB

Puzsár József
Senior Analyst

Increasing revenue, decreasing profits

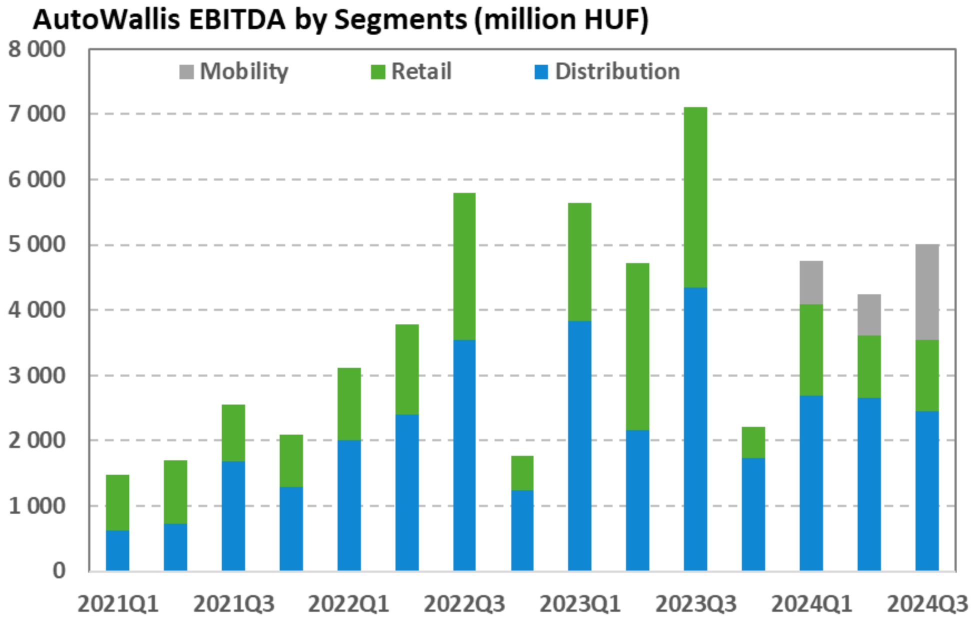
It is not an ideal environment for AutoWallis, as external factors are not at all supportive of the automotive industry at the moment, and this is reflected in the 24Q3 results. As we could already see from the October sales figures, sales are not a problem: thanks to the Czech acquisition (Stratos Auto) and the opening of the new Renault-Dacia showroom in Budapest, the Retail business unit reported a nice YoY increase in sales (24Q3: new: +24%, used: +43%). Distribution business unit growth was lower (24Q3: +14%, YoY) due to the high base effect and the impact of supply chain issues.



Source: AutoWallis, OTP Multi-Asset Strategies

In terms of revenue, Distribution unit sales increased by only 3% YoY, which can be explained by the increase in sales of the Renault and Dacia brands, which are not reflected in the Group's revenue (as they are operated by AutoWallis Caetano Holding, a joint venture with Salvador Caetano, the importer of the Renault-Dacia brands). Retail unit revenue grew by 9% YoY in Q3, well below the volume growth seen, which may have been due to the need to apply significant discounts and promotions to boost sales.

The results on the bottom line are less pretty. While the largest item, COGS, increased in line with the increase in sales, other cost items (personnel, materials, services) increased significantly. Part of this is a transaction effect, but other factors include material price inflation, staff and wage increases, and the introduction of the Extended Producer Responsibility (EPR) scheme. The latter is a new system, introduced in the middle of last year in line with EU legislation, which places the burden not only on producers but also on distributors. The aim of EPR is to ensure that the costs of waste management and recycling are borne by those who benefit from the production and trade of the product. In total, these effects resulted in EBITDA for the third quarter being almost 30% lower than in the same period last year.



Source: AutoWallis, OTP Multi-Asset Strategies

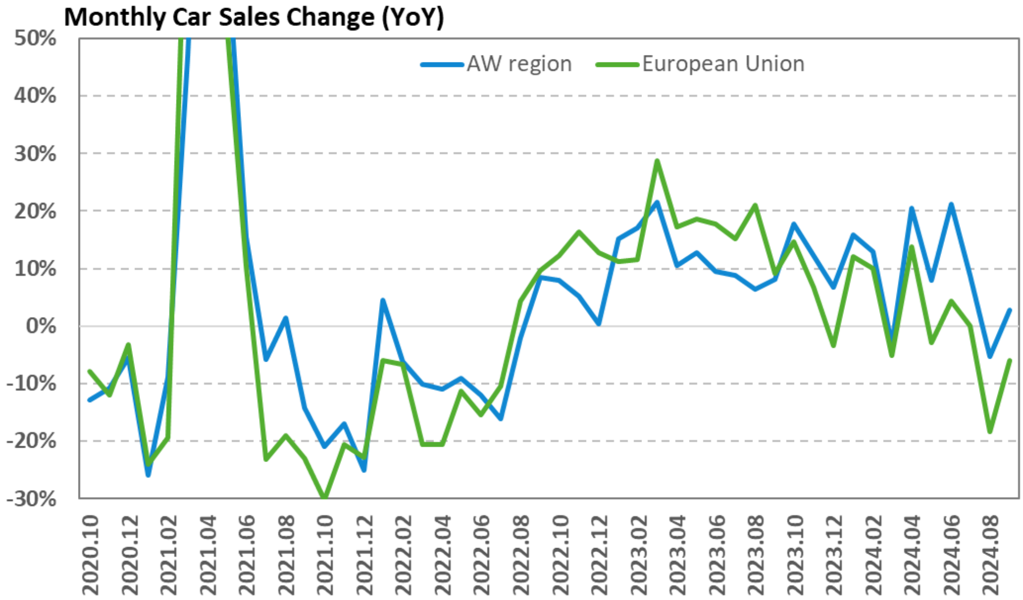
Net financial expenses decreased significantly compared to the third quarter of last year, but this improvement was offset by the significant decrease in the profit attributable to the AutoWallis Group from AutoWallis Caetano Holding (the JV involved in the import of Renault and Dacia brands and the retailing of Renault and Dacia vehicles). This was mainly due to the high base of the previous year, the costs of opening a new showroom and the unfavourable impact of FX rates. As a result of these effects, quarterly net profit also fell sharply (24Q3: HUF 1.3bn, -51% YoY).

An encouraging point in the quarterly report is that the Mobility (wigo fleet (formerly Nelson), wigo carsharing, Sixt, FlizzR), which has been reported as a separate business unit since the beginning of the year, reported a positive pre-tax result for the first time (24Q3: HUF 410 million), which is significantly higher than the current result of the retail business (24Q3: HUF 160 million). Mobility business unit is also characterised by seasonality, as significantly more people use these services (car rental) in the summer and early autumn. As this division operates with a much higher margin than the retail and distribution unit, the growth and business development of this segment is essential for AutoWallis to increase its profitability at the group level.

Challenging business environment

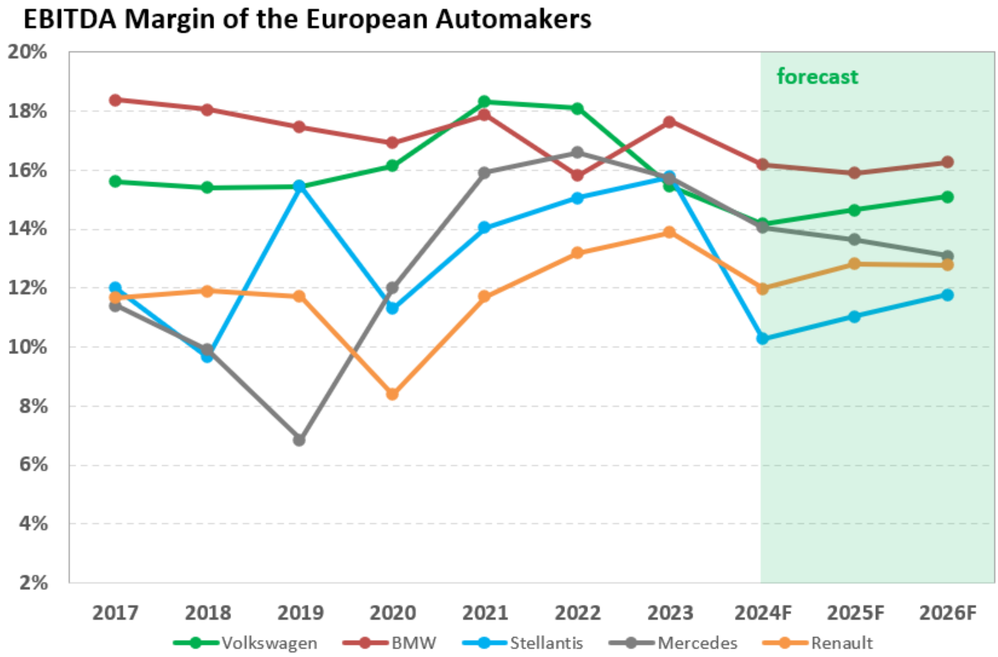
Looking at the business environment in which AutoWallis operates, it is clear that the company is facing strong headwinds. European manufacturers are currently in a difficult situation, and almost all companies have reduced their previous earnings forecast. The challenges are not new: increasing competition from China, fragile European demand, the slowdown in the adoption of electric vehicles and increasingly stringent European environmental standards have been with us for some time. Earlier this autumn, the EU decided to impose tariffs of between 17% and 35% on Chinese carmakers, and although the Chinese response has so far been delayed (China is a dominant market for many European manufacturers), it is unclear whether similar sanctions on European manufacturers will lead to a tariff war. Meanwhile, the outcome of the US election also carries the risk of higher tariffs for European manufacturers.

New car sales have slumped this year, with European manufacturers particularly hard hit in the first nine months. BMW, JLR, Stellantis, which are AutoWallis' main brands, are all down in the low single digits, but Renault's sales have also stagnated. From this perspective, AutoWallis is in a better position as a dealer that sells not just a few brands, but now has a sufficiently diversified portfolio to be less affected by each brand's specific challenges.



Source: ACEA, OTP Multi-Asset Strategies

The profit warnings from the German manufacturers were mainly caused by sales difficulties in China, but to compensate for the pressure on margins they would have to raise prices in markets outside China, but given the weak sales figures in Europe and the challenges in the US market, this will not be easy. In addition, the margins available on electric vehicles are currently lower than on traditional models, while the past few years have been about building up the electric vehicle portfolio. The guidance cuts have not been limited to German premium manufacturers, with Stellantis also reducing its forecasts.



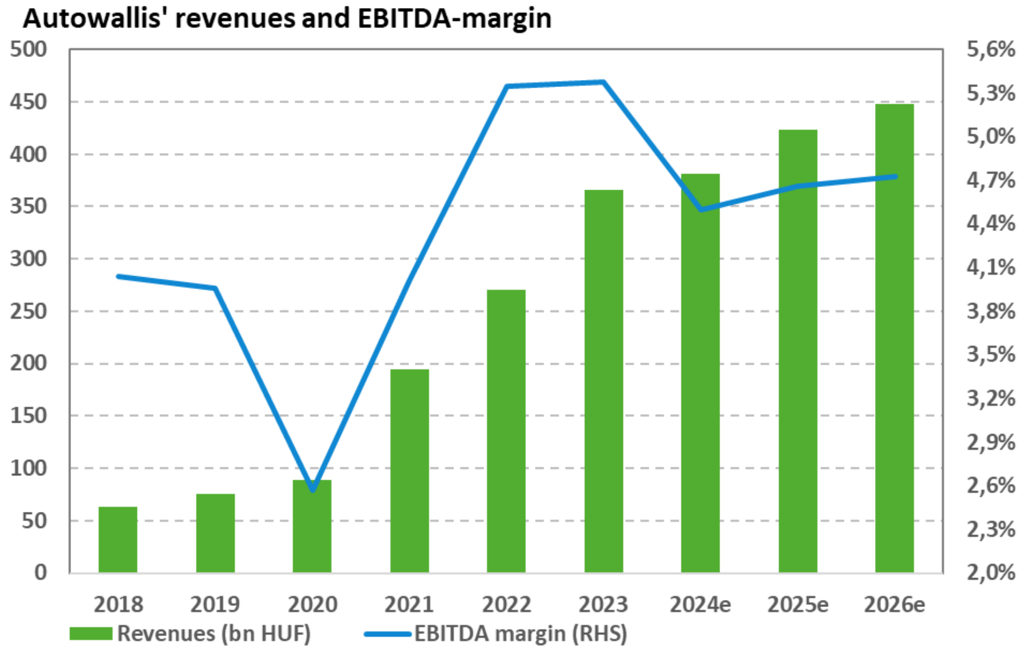
Source: Bloomberg, OTP Multi-Asset Strategies

This is the current situation, and if we accept that we may be closer to the bottom of the cycle, we can expect the market to get back on track over the next few years. An expanding European economy, coupled with a lower inflation and interest rate environment, could provide some tailwind for car sales despite the structural challenges. However, even with all these factors, analysts expect margins for European carmakers to remain flat or decline over the next three years.

Although AutoWallis is not a manufacturer, we believe that in such an environment it will be difficult to counter general industry trends, but there are factors that can significantly mitigate the impact:

1. Several brands, including BMW, will soon switch to an agency model (direct to consumer) for car sales, which will have several consequences for dealers. In short, the model means that the customer does not buy the car from the dealer, but directly from the car manufacturer, while the intermediary dealer (sales agent) receives a fee. This will have a negative impact on AutoWallis' revenues, but management believes that the new system will also have a number of advantages. These include a more predictable agent fee income and the elimination of price competition between dealers, allowing them to differentiate their services. Most importantly, it will remove the burden of inventory financing for the dealer and reduce other costs, which could have an overall positive impact on margins.
2. In a low-margin business such as a car dealership, the ability of the company to improve profitability is very important, as even a small change can significantly alter the value of the company. In a low-margin business, the risk of one-off items is even greater, as they can very easily wipe out a large proportion of the profit. In recent years, there has almost always been a 'one-off' item that has had a negative impact on the company, such as the pandemic, supply chain issues, the chip shortage, the energy price explosion caused by the Russian-Ukrainian war. This is why AutoWallis is keen to continue its expansion not only in the traditionally low-margin retail and distribution business unit, but also in the much higher-margin mobility services business. A major step in this direction was the acquisition of fleet leasing company Nelson at the end of 2022 and then of car-sharing company ShareNow in 2023. As a result of these transactions, the business has become more dominant and has been reported separately as the Mobility business unit since the beginning of this year. In the first nine months of this year, Mobility services generated revenues of HUF 6.3 billion and EBITDA of HUF 2.8 billion, representing an EBITDA margin of almost 44%. In the same period, the EBITDA margin of the retail business unit was 2.8% and that of the distribution business unit 4.8%.
3. Size really does matter in the car dealership business, as there are many areas where a larger group can operate more efficiently, whether it's inventory procurement, marketing, insurance, etc. The most important element of the strategy is therefore continued acquisition activity, as this not only allows market share to be gained, but also increases efficiency. However, peer group data shows that there is a limit to how far margins can be improved. In our view, while AutoWallis may also be able to achieve synergies in the operational side of the business, the real potential for margin improvement may lie in the development of its mobility business unit.

Overall, the industry environment does not appear to be supportive, but the individual factors at AutoWallis are positive. Thus, although we expect margins to fall considerably this year, we should see a slight improvement next year from the local low of 2024. In other words, although margins are not expected to reach the peaks of 2022-23 in our forecast horizon, they could still be significantly higher than in the years before 2020.



Source: AutoWallis, OTP Multi-Asset Strategies

Still on the path of acquisitions

As noted above fundamentally beneficial effects on margins, which is why steps that either lead to a company entering a new market with a substantial transaction or increasing its share of an existing market are fundamentally positive. Entering the Czech retail market is a significant milestone as the Czech Republic is one of the largest and most dominant car markets in the CEE region and could be a key driver for the company to achieve its growth targets. In the spring, the purchase of Stratos Auto's three BMW dealerships gave the company 10% of the BMW market in the Czech Republic, including the related repair services.

This was followed in November by the acquisition of the Milan Král Group. The company is active in the sale and repair of 4 brands (BMW, Mercedes-Benz, Mercedes-Benz Trucks, Ford), manufacturer-authorised repairs of Opel vehicles and its own brand of used vehicles (auto.pro.Tebe), as well as operating its own bodyshop and paint facilities. The transaction will strengthen the company's position in the BMW network and increase its retail market share in the Czech Republic from 13 to 20 percent. The acquisition will also add new brands to the company's portfolio and with the sale and repair of the Mercedes-Benz Truck brand, it will now have a presence in the truck market of a regional country.

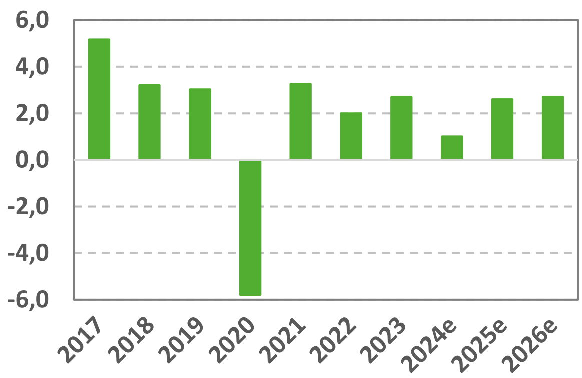
The 2023 revenue of the MILAN KRÁL GROUP was roughly HUF 50 billion and its EBITDA was HUF 2.9 billion achieving an EBITDA margin of approx. 6%. As the transaction is expected to close before the end of this year, the company's figures could be fully consolidated in AutoWallis' reports from 2025 onwards. These are significant figures, as we expect AutoWallis' revenues to reach HUF 381 bn and EBITDA to exceed HUF 17 bn this year, meaning that the new acquisition alone could add up to 13-16% to these two earnings figures.

However, we do not have more detailed information at the moment, so we cannot yet include the transaction effect in our model, as we do not know how much AutoWallis bought the company for, how much debt it is taking on and exactly what assets it is acquiring. Overall, however, we can say that the acquisition is in line with management's plans, as it expands the company in a large market in the region, acquires a significant business and a company with a higher EBITDA margin, which is a positive in a weak market environment. In addition, the Group may even be able to achieve synergies in the

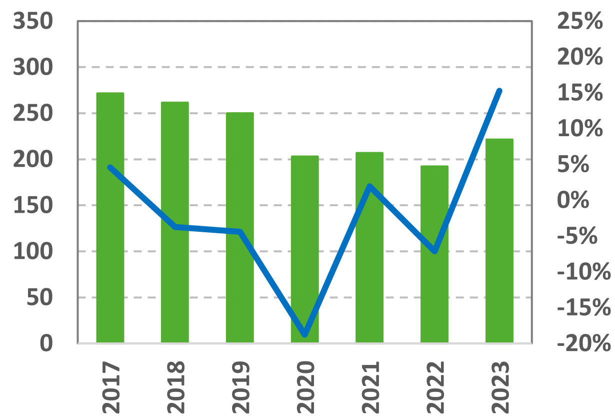
Czech market due to the increased size of the company. Although it is too early to say what impact the transaction will have on the fair value of the share, we can say that the acquisition is expected to be accretive to shareholder value.

The importance of acquisitions is also illustrated by the fact that the Czech car market is twice the size of the Hungarian market, with new car registrations up 6% in the first nine months of this year, compared to 2.6% in Hungary and -19% in Slovenia (key markets for AutoWallis). It should be added that the third quarter was weak, with a decline of 11% (Hungary: +1.5%, Slovenia: -25%).

GDP growth in Czech Republic (%, YoY)



New Car Registrations in Czech Republic



Source: ACEA, Bloomberg, OTP Multi-Asset Strategies

Updated long-term strategy

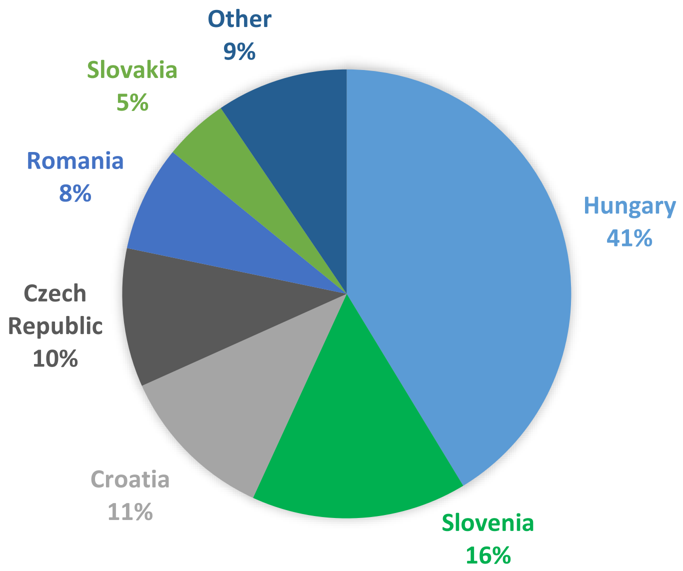
This year management has updated its long-term strategy, which also aims to respond to the industry challenges mentioned above. The key elements of the strategy are to sell 100,000 vehicles by 2028 and to increase the size of the rental fleet to 10,000 vehicles. The company would more than double its 2023 revenue to HUF 750 billion by 2028, while EBITDA would increase to HUF 40 billion by 2028. These are ambitious targets, as they would imply average annual growth of 15%, which would certainly require acquisitions. The EBITDA margin would rise to 5.3%, broadly in line with 2023, but significantly higher than this year's expected figure of closer to 4.5%. Over the past five years, the company has managed to outperform its previous plans, which gives us confidence that it has set realistic and achievable targets for 2028.

AutoWallis 2028 targets data (units)	2020	2021	2022	2023	2028
Distribution	3 980	16 501	22 174	34 943	~75 000
Retail	4 395	8 533	9 129	9 966	~25 000
Total Vehicle Sales	8 375	25 034	31 303	44 909	~100 000
Fleet Size - car rental	425	603	877	3 979	~10 000
				Revenue	750
			Targets (bn HUF)	**EBITDA**	40
				Pre-tax profit	25

Source: AutoWallis

AutoWallis has a much more diversified brand portfolio than it had a few years ago, and the strategy is to expand it further, making the company's operations more stable and less dependent on any one manufacturer. But the company is now more diversified not only in terms of its brands, but also geographically, with the Slovenian, Romanian and Czech markets now much more important in terms of sales than were before, although Hungary is still the most important.

Revenues by region (2023)



Source: AutoWallis, OTP Multi-Asset Strategies

The regional consolidator role is the most important part of the AutoWallis investment story. If we assume that the countries in Central Eastern Europe and the Balkans where AutoWallis is present can achieve higher economic growth in the coming years and that their car markets can grow faster than their more developed Western counterparts, then this strategy can pay off. In addition, there is less of a presence of large international car dealers in this region, as it is characterised by small, fragmented markets that are not attractive enough for them. However, AutoWallis has gained enough experience through acquisitions in recent years to be in a good position to consolidate in the future. The company has recently reached a size where it should be seen as a consolidator rather than primarily an acquisition target. Of course, the group could be of interest to a large Western European player as part of an expansion, but we currently give this scenario a low probability.

By 2028, we expect the company to be able to generate revenues of approximately HUF 490 billion and EBITDA of HUF 23.7 billion organically, excluding acquisitions. We should emphasise that this does not include the impact of the recent Milan Král transaction and, of course, the impact of other future acquisitions, so we have used more conservative estimates in our modelling than management's forecasts for the coming years.

Valuation considerations

The fair value of AutoWallis was determined using a DCF model. We set our 12-month price target at HUF 180, which implies an upside of 22% from the current market price.

- We have only included completed transactions in the valuation of the company as, although management is committed to acquisitions in the period to 2028, the direction and timing of the transactions, their financing and the purchase price have a significant impact on the valuation.

- We expect the acquisition of Startos Auto alone to account for about half of the sales growth in 2025. In addition, the Milan Král Group could add around HUF 50 bn to revenues. However, the organic growth rate will gradually decline from 2026 onwards, impacted by BMW's switch to an agency model, and management does not plan any significant acquisitions from the following year. In estimating revenue growth, we have considered the cyclical nature of the industry and the close link between the car market and overall economic growth. We will update our model when we have more information on the Milan Král transaction or in case of any further new acquisitions.

- Although the Western European car market will face challenges in the near future, we believe that the Central and Eastern European and Balkan regions, where AutoWallis operates, will be in a slightly better position due to their higher growth potential (lower car penetration).

- Over the forecast period, we expect only a slight margin improvement, as we believe this will require further acquisition synergies and expansion of the mobility business unit. Even if the latter can be achieved without transactions through business development, we do not believe that the current high dealer margins can be maintained in the short term, and thus the two opposing effects could result in stable profitability. If this approach proves too conservative, we may be underestimating the company's current fair value. However, despite stagnating profitability, growth and not too high capital investment needs could push free cash flow generation above HUF 10 billion on a sustained basis from 2026.

- The cost of capital was calculated using the following assumptions: the risk-free rate was assumed to be constant (6.5%) over the forecast period, while for the terminal period it was assumed to be 6%. The beta was calculated using the unlevered betas observed in the industry (Damodaran), whose value is essentially constant over the forecast horizon. The equity risk premium is assumed to be 6.5%. We have assumed a fixed cost of debt of 7%, which is only 50 bps above the risk-free rate, but a significant portion of AutoWallis' debt is fixed at a significantly lower level over the forecast horizon.

Autowallis DCF model							
mn HUF	**2024e**	**2025e**	**2026e**	**2027e**	**2028e**	**2029e**	**TV**
EBIT	12 492	14 972	16 116	16 451	18 406	19 986	
Tax	-2 185	-2 618	-2 818	-2 877	-3 219	-3 495	
NOPLAT	**10 308**	**12 354**	**13 298**	**13 575**	**15 188**	**16 491**	
D&A	4 632	4 716	5 074	5 221	5 355	5 491	
Working capital change	-762	5 235	-626	2 653	2 129	1 633	
CAPEX	9 052	10 174	6 736	6 514	6 069	6 117	
FCFF	6 649	1 662	12 262	9 628	12 345	14 232	
TV growth							2,0%
TV							152 496
PV of FCFF	5 932	1 326	8 755	6 150	7 052	7 271	69 983
Enterprise value	106 471						
Net debt	33 505						
Minorities	-1 092						
Associates	2 888						
Equity value	74 761						
Number of shares	539 456 846						
Cost of capital	15%						
12-m target price	180						

Source: OTP Multi-Asset Strategies

Autowallis WACC calculation

	2024e	2025e	2026e	2027e	2028e	2029e	TV
Risk free rate	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,0%
Levered beta	1,3	1,3	1,3	1,3	1,3	1,3	1,3
Equity risk premium	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%
Cost of equity	**15,0%**	**15,1%**	**15,1%**	**15,1%**	**15,0%**	**14,9%**	**14,5%**
Cost of debt	8,0%	7,0%	7,0%	7,0%	7,0%	7,0%	6,5%
Tax rate	17,5%	17,5%	17,5%	17,5%	17,5%	17,5%	17,5%
After tax cost of debt	6,6%	5,8%	5,8%	5,8%	5,8%	5,8%	5,4%
Debt (%)	35,0%	35,4%	35,5%	35,4%	34,5%	33,7%	34,5%
Equity (%)	65,0%	64,6%	64,5%	64,6%	65,5%	66,3%	65,5%
WACC	**12,08%**	**11,79%**	**11,78%**	**11,79%**	**11,80%**	**11,82%**	**11,33%**

Source: OTP Multi-Asset Strategies

Peer group analysis

AutoWallis has been compared to its sector peers using EV/EBITDA and P/E ratios. We screened for companies operating in Europe in the retail or wholesale distribution of cars and/or auto parts or providing automotive services (car rental, car sharing).

Within the peer group, companies can be divided into three main categories:

1. The majority of the list is dominated by companies involved in the retail and wholesale distribution of motor vehicles, with lower EBITDA margins, although there is a wide range within the peer group. The same is true for EBITDA growth, where we can see a contraction in the 2023-2025 period, but also high double-digit growth. The median 2024 EV/EBITDA for the group is below 7.

2. The mobility services companies are Sixt, Ayvens, Zigup and Autohellas. They mostly have high EBITDA margins of more than 20%, but their EBITDA growth is lower than the sector as a whole, while their valuation ratios tend to be low, with the exception of one company.

3. AutoPartner, Meko or Intercars are the companies selling auto parts. These companies have an EBITDA margin of around 9%, which is better than that of the dealership companies, but they do not have outstanding growth, with an EV/EBTDA multiple of 6-10.

AutoWallis ranks below the peer group median. AutoWallis has a slightly higher sales growth potential than the peer group, while its earnings growth is slightly below the peer group average, and it is one of the smaller companies in terms of size. All in all, AutoWallis is cheaper than the peer group at current price levels and therefore appears to be a slightly better choice.

Company	Country	Market cap (EUR)	Net Debt/EBITDA	Rev. growth (23-25)	EBITDA Margin 2023	EBITDA Margin 2024	EBITDA growth (23-25)	EV/EBITDA 2024	EV/EBITDA 2025	P/E 2024	P/E 2025
Sixt	Germany	3 193	2,42	7,9%	36,7%	34,6%	1,5%	4,8	4,7	13,7	10,4
Zigup	Britain	986	1,62	2,4%	24,3%	24,7%	3,3%	3,4	3,3	6,8	8,0
Inchcape	Britain	3 602	1,43	-8,5%	7,2%	7,8%	-3,3%	5,5	5,2	10,6	9,0
Motorpoint Group	Britain	141	2,04	5,7%	0,9%	2,1%	75,8%	7,0	5,7	40,9	17,5
Kamux	Finland	139	1,81	5,2%	3,1%	2,9%	10,3%	6,5	5,1	15,0	9,3
Dogus Otomotive	Turkey	1 244	0,11	9,2%	18,7%	11,1%	-30,2%	2,8	3,5	5,0	4,3
Auto Partner	Poland	692	1,31	11,9%	9,5%	8,2%	7,9%	10,0	8,5	14,0	11,8
Inter Cars	Poland	1 592	1,72	8,0%	6,8%	6,5%	8,3%	7,1	6,4	9,3	8,2
Bilia	Sweden	1 089	3,06	5,3%	6,6%	6,1%	4,1%	8,3	7,3	15,3	10,3
D'Ieteren	Belgium	10 838	0,95	7,6%	8,3%	8,1%	0,6%	17,4	17,1	14,5	15,1
Meko	Sweden	705	2,61	8,1%	11,1%	10,3%	5,7%	6,9	6,3	12,0	9,7
Autohellas	Greece	540	1,51	1,7%	27,1%	27,4%	1,4%	3,5	3,4	7,3	7,0
Auto1	Germany	1 871	4,21	8,4%	-0,8%	1,1%	-	34,4	24,8	-	88,7
Ayvens	France	5 449	39,58	14,0%	7,5%	4,8%	8,0%	44,4	32,6	-	5,2
Vertu Motors	Britain	272	0,64	5,9%	2,0%	1,9%	5,3%	3,1	2,8	-	7,5
Wetteri	Finland	59	5,16	21,2%	5,8%	4,4%	11,0%	7,5	6,2	-	15,0
Median			**1,8**	**7,7%**	**7,4%**	**7,2%**	**5,3%**	**7,0**	**5,9**	**12,8**	**9,5**
AutoWallis	**Hungary**	**163**	**1,7**	**9,0%**	**5,4%**	**4,9%**	**4,0%**	**5,6**	**5,1**	**7,0**	**6,0**

Source: Bloomberg, OTP Multi-Asset Strategies

Profit and loss m HUF	2021	2022	2023	2024e	2025e	2026e
Revenue	**194 956**	**270 166**	**366 267**	**380 917**	**422 818**	**448 187**
COGS	-167 487	-224 919	-305 319	-316 161	-350 094	-369 755
Interest income from finance leases	0	57	1 703	1 919	2 015	2 075
Material used	-3 759	-5 870	-7 874	-8 380	-9 302	-9 860
Services	-9 498	-12 693	-17 902	-20 570	-22 832	-24 202
Personal expenses	-6 985	-10 931	-14 911	-20 601	-22 917	-25 257
EBITDA	**7 821**	**14 455**	**19 705**	**17 124**	**19 689**	**21 189**
Depreciation	-6 985	-10 931	-14 911	-20 601	-22 917	-25 257
EBIT	4 872	11 008	15 249	12 492	14 972	16 116
Financial results	-707	-1 010	-4 391	-1 854	-1 534	-1 483
Profit before taxes	4 165	10 316	11 929	11 752	14 674	15 942
Taxation	-923	-1 693	-2 086	-2 055	-2 566	-2 788
Net profit	**3 242**	**8 623**	**9 843**	**9 697**	**12 108**	**13 154**

Source: AutoWallis, OTP Multi-Asset Strategies

Balance sheet m HUF	2021	2022	2023	2024e	2025e	2026e
Property, plant and equipment	13 378	21 001	21 885	22 795	23 458	23 620
Assets held for operating leases	2 828	2 695	2 696	2 808	2 929	3 058
Right-of-use assets	4 594	2 170	6 106	6 476	6 748	6 947
Goodwill	899	935	5 460	5 460	5 460	5 460
Non-current assets total	**25 104**	**31 965**	**50 496**	**53 210**	**54 972**	**55 980**
Goods	24 128	54 998	58 385	60 071	66 518	66 556
Trade receivables	5 179	8 691	15 851	13 332	14 799	15 687
Net investment in lease (short term)	425	523	3 836	4 321	4 537	4 673
Cash and cash equivalents	24 699	16 887	13 094	25 197	30 258	41 176
Current assets total	**63 263**	**101 719**	**101 450**	**113 979**	**128 346**	**141 038**
Assets total	**88 977**	**133 684**	**151 946**	**167 189**	**183 318**	**197 018**
Issued capital (legal parent)	5 315	5 529	6 163	6 163	6 163	6 163
Share premium	13 681	16 027	20 293	20 293	20 293	20 293
Retained earnings	4 494	12 619	22 377	31 976	43 963	56 986
Non-controlling interest	1 040	1 184	995	1 092	1 213	1 345
Shareholder's equity	**24 272**	**35 465**	**50 109**	**59 903**	**72 132**	**85 417**
Long term debentures	2 360	5 842	5 660	5 660	5 660	5 660
Long term loans	9 547	9 535	9 522	9 517	9 501	9 485
Long term lease liabilities	4 715	1 904	9 036	9 036	9 036	9 036
Long term liabilities	**17 328**	**18 109**	**25 214**	**25 021**	**25 005**	**24 989**
Short term loans	253	1 385	3 284	3 284	3 284	3 284
Inventory financing loans	1 991	4 301	8 207	6 007	6 652	6 656
Short term lease liabilities	1 867	1 262	4 540	4 540	4 540	4 540
Liabilities from reverse factoring (interest bearing)	5 767	27 091	11 674	13 865	14 136	14 382
Advance payment received from customers	6 651	8 365	3 394	8 794	9 761	10 347
Trade payables	15 253	21 218	25 033	24 961	27 640	29 192
Liabilities from reverse factoring (non-interest bearing)	3 081	3 146	6 134	6 453	6 161	5 027
Short term liabilities	**47 327**	**80 110**	**76 627**	**82 265**	**86 181**	**86 612**
Liabilities	**64 705**	**98 219**	**101 841**	**107 287**	**111 186**	**111 601**
Equity and liabilities	**88 977**	**133 684**	**151 950**	**167 189**	**183 318**	**197 018**

Source: AutoWallis, OTP Multi-Asset Strategies

Risks

Economic cyclicality: The performance of companies in the automotive sector is closely linked to the economic cycle, meaning that a slowdown or even a decline in economic growth poses a serious risk to their profitability. Although analyst consensus forecasts GDP growth for our region over the next few years, the rate of growth could be negatively affected by many factors.

Monetary policy: Inflation has now come down to manageable levels across Europe, but the possibility of inflationary shocks cannot be ruled out in the period ahead. This could lead to higher borrowing costs for companies, lower equity market valuations and a deterioration in overall investor sentiment.

Rising risk aversion: If global risk appetite were to decline significantly, this would also have a negative impact on AutoWallis due to its significant working capital funding requirements.

Rising raw material prices: Significant increases in raw material prices can also pose risks in terms of sales volumes by reducing the willingness to buy cars (if manufacturers pass on cost increases to consumers) and tightening margins for manufacturers and dealers (if they are unable to pass on cost increases).

Wage increases: The labour market remains tight in the CEE and Balkan region where AutoWallis operates, which could lead to an increase in the cost of skilled labour, which could affect the company's ability to generate profits.

Industry disruption: The automotive industry is undergoing a major transformation, with a number of megatrends identified, underpinned by changing consumer demands, tightening environmental regulations and advances in technology. Most industry outlooks predict a major transformation by 2030, driven by the penetration of electric and alternative vehicles and a shift in consumer preferences towards online shopping. All this could lead to increased competition and lower sales volumes and margins for car dealers. In addition, further tightening of environmental regulations could accelerate these trends, which may require even more proactive (and potentially more investment- and cost-intensive) adaptation by industry players.

Acquisition risks: AutoWallis' strategy is based on growth through acquisitions. This may, in the worst case, involve actions that could potentially erode shareholder value. In parallel with rapid growth through acquisitions, the company will need to continue to place considerable emphasis on developing the organisation so that high growth in the short term does not ultimately become a source of problems.

Currency fluctuations: A sudden and significant weakening of the forint could result in realised and unrealised currency losses for AutoWallis, although the company actively manages its currency hedging.

Liquidity: AutoWallis' shares are currently illiquid, with an average daily trading volume of approximately HUF 30 million, but even at this level the shares are among the 10-12 most liquid listed securities on the Budapest Stock Exchange this year. Significant transaction volumes could even lead to a significant swing in the share price. The stake of the major shareholder is significant, which could lead to the marginalisation of the interests of small investors.

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