EUROBANK Equities

GREECE | EQUITY RESEARCH | Consumer (Car rental)
February 16, 2023 11:29

SPONSORED RESEARCH

AUTOHELLAS

Gearing up for further growth

Leading car rental company with diversified business model – Autohellas is the Hertz franchisee for Greece and 8 other European countries enjoying market leading positions in its territory. Contrary to other car rental companies, Autohellas has a quite diversified business model, offering both short-term car rental (RaC) and long-term leasing while also engaging in auto car trade. This smoothens out the seasonality of tourism-dependent RaC revenues increasing the visibility of the income stream while bolstering utilization rates. Autohellas is thus exposed to both cyclical (corporate demand) and structural drivers (tourism, penetration of leasing in SMEs), while being one of the few stocks to play the secular theme of Greek tourism growth.

Solid track record of margin expansion and rising returns – The group has a solid track record having posted c20% sales CAGR over 2013-2021 and similar EBIT CAGR. This stems from both organic and acquisition-driven growth, as Autohellas has transformed from a local rental company into a multi-national Hertz franchisee. The group has a very efficient structure enjoying industry-leading margins (EBIT margin for its rental business at c23% in 2021, similar to best-in-class peers of greater size) and has proven its ability to address the cost base during recessionary periods and to "de-fleet" during downturns. Thanks to its high margins, lean structure and network/scale advantages, Autohellas has been able to also deliver top-notch returns (ROE>20% in 2022e).

… and a c9% EBIT CAGR profile in 2022-25e – Following an exceptional 2021 (EBIT 28% higher than pre-COVID levels) and a stellar 2022e (EEe EBIT +34% yoy), we envisage quite a solid profit growth profile for Autohellas (9% CAGR over 2022-25e), underpinned by healthy prospects for Greek tourism (3.5-4% growth through to 2030e), proliferation of long-term leasing among SMEs and rising utilization rates. This is quite a compelling proposition in stark contrast to the significant drop in profitability envisaged for other international car rental companies given macro headwinds in the EU/US and normalizing industry conditions (e.g. second-hand car market slowdown).

Low leverage and balance sheet optionality – Despite the heavy fleet investment (gross capex c€780m since 2017), Autohellas retains low gearing (net debt/EBITDA c2x) thanks to its solid cash flow generating capacity underpinned by the high margins and the network/working capital efficiencies. As a result, contrary to the situation in the industry, with most firms using leverage on top of securitized debt being backed by vehicle assets, Autohellas's total net debt is c90% of the vehicle net book value (net debt/vehicle just <€9K). Looking ahead we expect Autohellas to generate >€130m operating CF, more than covering its fleet capex needs. This means there is ample room for the group to step up cash returns or to pursue more aggressive expansion.

Valuation – Despite the hefty >70% total return vs pre-COVID levels, the valuation remains subdued at <4.5x 2023e EV/EBITDA, as profitability (2022e adj. EBITDA) has been re-based at levels c60% higher than pre-pandemic. Our valuation is based on a DCF (10% WACC) and yields an indicative baseline value of €15.5, effectively valuing the stock at c5.0x 2023e EV/EBITDA, still 30% discount vs the median of peers. Flexing our WACC and LT growth inputs by 0.5% yields a fair value range between c€13.3 and c€18.3.

Estimates					
€m unless otherwise stated	**2020**	**2021**	**2022e**	**2023e**	**2024e**
Revenues	491.7	641.6	755.9	858.8	959.1
EBITDA	135.3	178.9	217.9	236.2	254.7
EBIT	41.6	84.8	113.4	121.4	134.6
Net profit	15.8	49.0	70.1	68.1	80.6
EPS (€)	0.32	1.01	1.44	1.40	1.66
DPS (€)	0.22	0.46	1.33	0.42	0.46
Valuation					
Year to end December	**2020**	**2021**	**2022e**	**2023e**	**2024e**
P/E	15.1x	7.2x	6.7x	7.9x	6.7x
EV/EBITDA	4.1x	3.7x	4.1x	4.1x	3.8x
EBIT/Interest Expense	2.7x	5.8x	6.7x	4.7x	5.4x
Dividend Yield	4.7%	6.3%	13.6%	3.8%	4.2%
ROE	5.6%	16.6%	22.1%	19.9%	20.4%

Source: Eurobank Equities Research.

Market Cap (€ mn)	**€536.8**
Closing Price (15/02)	**€11.04**

Stock Data

Reuters RIC	AUTr.AT
Bloomberg Code	OTOEL GA
52 Week High (adj.)	€11.18
52 Week Low (adj.)	€7.44
Abs. performance (1m)	7.2%
Abs. performance (YTD)	6.6%
Number of shares	48.6mn
Avg Daily Trading Volume (qrt)	€327k
Est. 3yr EPS CAGR	18.0%
Free Float	35%

Autohellas Share Price

Analysts

Stamatis Draziotis, CFA
Equity Analyst, Head of Research
Tel: +30 210 37 20 259
E-mail: sdraziotis@eurobankequities.gr

Natalia Svyriadi
Equity Analyst – Consumer
Tel: +30 210 37 20 257
E-mail: nsvyriadi@eurobankequities.gr

Head of Research
Tel: +30 210 37 20 259

Sales/Trading
Tel: +30 210 37 20 117 / 168 / 110

This report was prepared and published in consideration of a fee payable by Autohellas.

See Appendix for Analyst Certification and important disclosures.

Contents

Investment Summary

Leading car rental company diversified across segments (LT vs ST leasing)

Autohellas is the Hertz franchisee for Greece and 8 other European countries (following the latest addition of Portugal) enjoying a market leading position in the car rental market (short and long-term) while also being present in the auto sales industry as a distributor (exclusive for Seat, Kia and Hyundai brands), a retailer (BMW, Volvo, Ford, Mitsubishi, Fiat, Opel) and a seller of used cars. The group's diversified portfolio provides both recurring/visible long-term lease (LTR) revenues and more seasonal Rent-a-Car (RaC) revenues, while delivering scale and network benefits. On that basis the group is well-placed to benefit from incoming leisure traffic (still below pre-COVID levels) and the increasing penetration of long-term leasing in Greece. The fleet comprises c50K vehicles (4-5 years average age), with service offered through c140 PoS (of which 51 airport locations).

… in a fragmented market with several growth drivers

The car rental market is in general quite fragmented, with plenty of scope for consolidation, especially considering that there are c2K firms (domestically) accounting for c40% of the short-term car rental market. Although the industry is largely commoditized with relative limited pricing power (especially given increased pricing transparency due to the online channel shift), the significant barriers to scale mean that big players are well placed to outgrow the market. Long-term prospects in the local market (>80% of group revenues in 2023e) look quite healthy with annual Greek GDP growth of 2-3% in the coming years set to underpin the fleet management business (c20% of group revenues) and inbound traffic poised to drive higher the short-term RaC business (c15% of revenues).

Solid track record of profit growth and cash flow generation

Historically Autohellas has a solid track record having posted c20% sales CAGR over 2013-2021 and similar EBIT CAGR. This stems from both organic and acquisition-driven growth, as the group transformed from a local rental company into a multi-national Hertz franchisee while further expanding into car import and distribution services. The group has a very efficient structure enjoying industry-leading margins (EBIT margin for its rental business at c23% in 2021, similar to best-in-class peers of greater size) and has proven its ability to address the cost base during recessionary periods (group EBIT margin 8.5% in 2020, 12-13% in the difficult 2011-2013 period) and to "de-fleet" during a downturn.

Record 2022...

Following an exceptional 2021, Autohellas is poised to deliver record numbers in 2022, benefiting from pent-up demand for travel in the post-pandemic era, cyclical uptick driving demand for long-term leasing and the tight supply conditions underpinning used car sales. With 9M revenues +17% yoy and 9M EBITDA +28%, Autohellas seems on track to deliver sales above the €750m mark (+18%) and EBITDA near €218m (+22%) underpinned by rising utilization (EEe 61%), pricing (EEe RPD +10%) and higher second-hand sales. Our 2022e assume corporate EBITDA margins (i.e. post vehicle deprecation) expand c1.6pps yoy to c16.1%, with the EBIT margin also settling 1.8pps higher at 15.0%.

… and healthy medium-term prospects; 3-yr EBIT CAGR c9%...

Looking ahead, despite the decelerating fundamentals for foreign car rental companies given macro headwinds in the EU and normalizing industry conditions (second-hand car market slowdown), prospects for Autohellas look quite healthy, especially as Greek tourism is in structural growth and set to grow c3.5% per annum through to 2030 according to SETE. With long-term rental in Greece also poised to enjoy rising penetration from the current low levels, we envisage c10% organic revenue growth for Autohellas (excl. Portugal) over 2023-25e. Given the lean cost structure (in which we deep-dive in this report), we expect this to filter through to c10% organic EBIT CAGR over the same period (9% reported, including the contribution from the Portuguese acquisition). This is quite a compelling proposition in stark contrast to the significant drop in profitability envisaged for other international car rental companies.

Solid track record of cash generation and very high steady-state FCF…

The group's growth has been underpinned by a significant investment in the fleet (+80% since 2013) and M&A (mostly in auto trade) with gross capex (excl. vehicle sales) almost c€780m since 2017. Fleet capex reflects both the cost of replacing sold vehicles and investment in new cars. In general, we estimate replacement capex has ranged between 55% and 70% of total gross investment, with the rest being growth purchases. Despite the big capex envelope, the group has managed to deliver positive equity free cash flow (FCFE) in most years thanks to disciplined working capital management and high margins. Indicative of the solid cash flow generating capacity of Autohellas is that steady-state FCF, namely including only fleet replacement capex (proxy for maintenance capex), has been rebased from <€40m (albeit still positive) in 2015-19 to >€100m post 2020 (i.e. >100% of adjusted EBITDA) on our estimates. Looking ahead, we expect Autohellas to sustain resilient cash flow generation, with adj. FCFE >€45m post 2024e.

… coupled with an underleveraged balance sheet

Autohellas enjoys a healthy financial position, with a net debt/EBITDA ratio just near 2x since 2021, down from 2.5-2.8x in previous years. Looking ahead, we anticipate leverage to stay near the 2x mark in 2023, partly owing to the drag from elevated financing costs, but to start retreating from 2024e towards the c1.6x net debt/EBITDA mark in 2025e. Authohellas's balance sheet strikes out as under-levered compared to the industry norm. As context regarding the car rental balance sheet structure, normally these companies have quite high debt positions since most of them use securitizations to fund the purchase of cars, with LTV typically at high levels (>80%). With securitized fleet-related debt being backed by vehicle assets (which in many cases are guaranteed through pre-agreed buy-back prices), in most cases car rental businesses augment their leverage by using debt on top of fleet debt. This is contrary to the case of Autohellas, which has a very prudent capital structure with total net debt being lower than the vehicle book value (c90%) and no "corporate" debt on top.

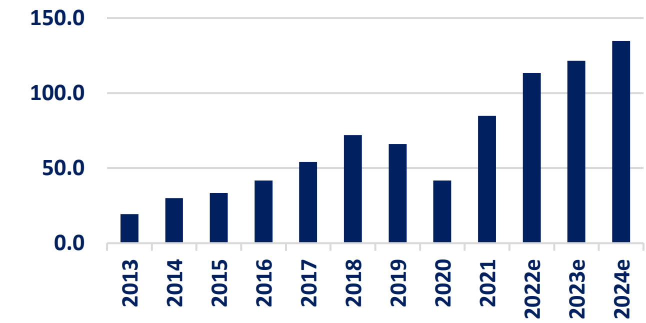
… offering flexibility regarding cash flow usage

The low gearing means there is plenty of balance sheet headroom for Autohellas to either accelerate growth organically or through M&A or to pursue a more generous dividend policy. On the latter we note that mgt proceeded to a €1.0/share capital return (indicating a hefty c10% DY at the time of the announcement) last year (ex-div on 5th December, 2022). Historically, the average payout ratio has been near 45% (as percentage of annual net profits). Looking ahead we have assumed a c25% payout in the medium term, which we believe reflects a well-balanced approach between investing for growth and rewarding shareholders.

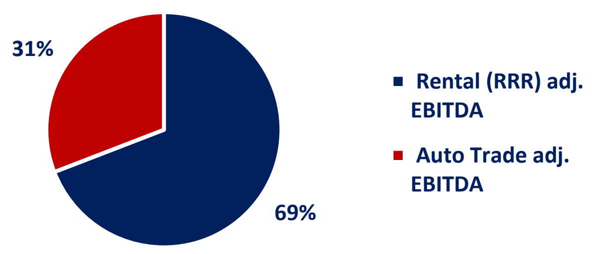
Compelling valuation given growth profile and capital-intensive nature of the industry

Autohellas has posted stellar performance in the last 3 years, more than tripling since the July 2020 lows. Currently the share price is near record highs having returned c70% since the pre-pandemic period (total return, incl. dividends) underpinned by the solid profit momentum and the confluence of tailwinds facing the industry, both domestically and internationally in the post-COVID era. Despite the hefty share price gains, the valuation remains subdued at a mere <4.5x 2023e EV/EBITDA, as profitability (adj. EBITDA) has been re-based at levels c60% higher than pre-pandemic. We find these levels quite compelling for long-term investors, especially considering the combination of solid cash flow generation, healthy balance sheet and the attractive growth profile. We value the group using a DCF-based valuation (WACC at 10%) attempting to capture the cyclicality of the business, the capital intensity of the business model and Autohellas's proven cash flow generating capacity. Our valuation yields a baseline value of €15.5/share, effectively valuing the group at 5.0x 2023e EV/EBITDA, still at some 30% discount vs the median of peers' valuation. Flexing our WACC and perpetuity growth inputs by 0.5% each yields a fair value range between c€13.3 and c€18.3 per share.

Track record of profit growth (EBIT in €m)



Split of adj. (corporate) EBITDA, 2022e



Source: Eurobank Equities Research, Company data.

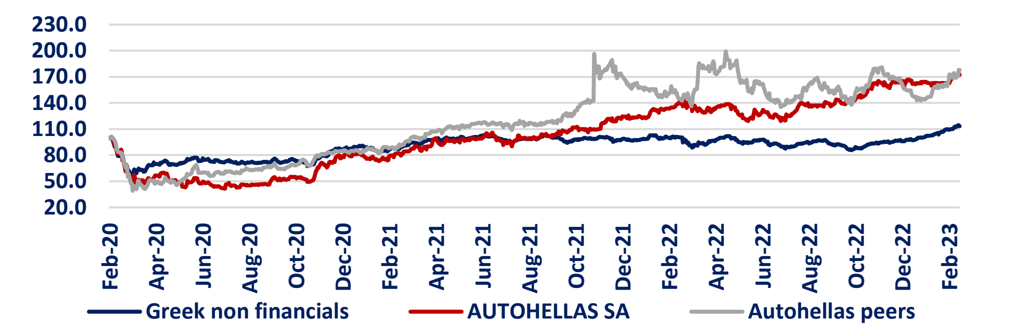
Share price performance and valuation

A. Stock price performance

Stock has returned c70% since the pre-COVID period, and is hovering around record levels

Autohellas has posted stellar performance in the last 3 years, more than tripling since the July 2020 lows. As can be seen, Autohellas's shares have been moving more in tandem with international peers, namely car rental companies exposed to the re-opening theme, than with Greek non-financials, which are more affected by the status of the domestic economy and are trading – as a group – at levels justa a bit above pre-COVID levels. Despite the temporary drop in 2022 in the aftermath of the Russian-Ukraine conflict due to the concerns about the spill-over effect on the tourism industry, Autohellas shares bounced in Q3'22 in the light of the solid tourism trends and the robust results. As a result, currently the share price is near record highs having returned c70% since the pre-pandemic period.

Total return (rebased to 100) – Autohellas vs international peers and Greek non financials

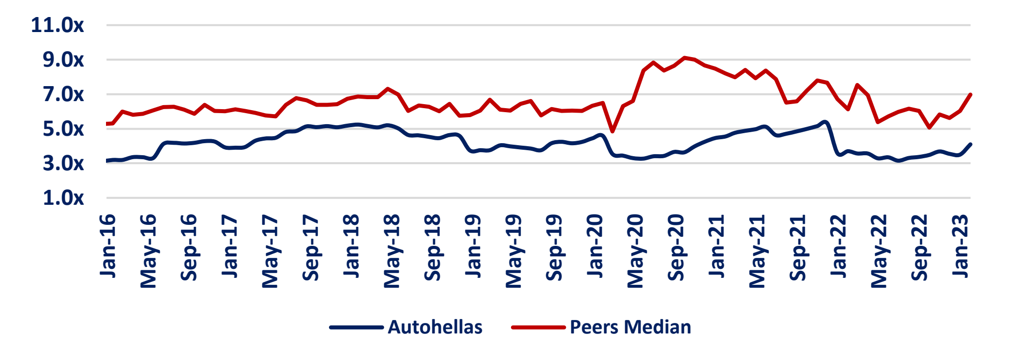


Source: Eurobank Equities Research, Bloomberg.

… but valuation remains attractive and at material discount to peers

From a valuation perspective, investors normally focus on EV/EBITDA multiples in order to assess the relative attractiveness of car rental businesses. Given the cyclical nature of the industry, multiples tend to be higher during periods of depressed earnings (e.g. COVID period), with multiple compression following as earnings increase and the economic cycle matures. From a historic viewpoint, the sector has traded between 5x and 9x 12m fwd EV/EBITDA corresponding to a long-term average of c6.5x. The peer group we are using comprises several international companies operating in the broad car rental market including, among others, Hertz, Avis, Sixt, Budget, Movida and Localiza (short and long-term car rental), Ald and Eclipx in the fleet management business and Motus Holdings (which also provides auto trade services). We caveat that there is quite significant dispersion among the individual companies, with ALD (in the process of merging with Leaseplan) and Eclipx (listed in Australia) trading at multiples in the mid-teens (thus excluded from the historic overview).

12m forward EV/EBITDA valuation – Autohellas vs peers median



Source: Eurobank Equities Research, Bloomberg.

… despite Autohellas's solid balance sheet, dividend support and earnings growth profile

In the table below, we contrast Autohellas's current valuation against the aforementioned select group of peers. As can be seen Autohellas trades at notable discount on traditional metrics while enjoying a stronger balance sheet and offering compelling dividend yield. We stress that car rental companies operating primarily in the long-term rental segment, such as

ALD, seem to trade at higher EV/EBITDA multiples (with ALD's valuation also affected by the low free float, given SocGen's controlling stake) while short-term rental companies, with a higher risk profile, tend to trade at the low end of the valuation spectrum. Overall, we find that Autohellas's muted valuation, at c4x EBITDA, is palatable, especially if one considers the combination of solid cash flow generation, healthy balance sheet and the earnings momentum.

Peer group valuation

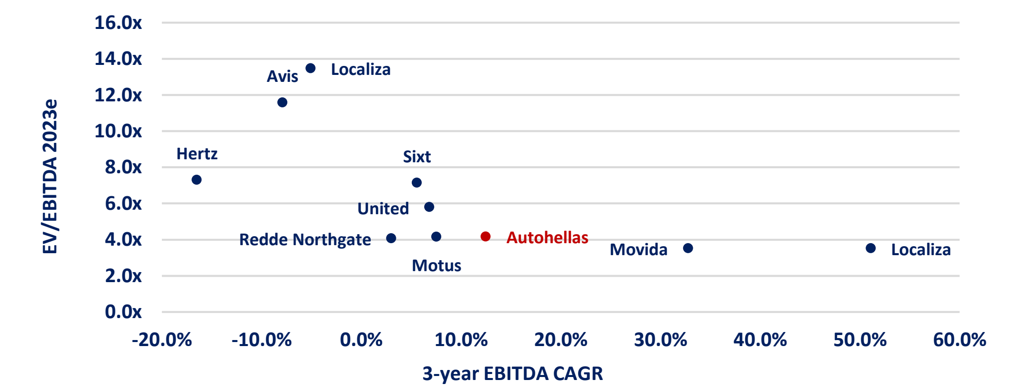
		PE		EV/EBITDA		Dividend yield		Net debt/EBITDA
Stock	Mkt Cap	2023e	2024e	2023e	2024e	2023e	2024e	12mth fwd
Autohellas	**537**	**7.9x**	**6.7x**	**4.1x**	**3.8x**	**4%**	**4%**	**2.0x**
HERTZ GLOBAL HLD	5,887	8.4x	9.3x	7.3x	8.1x	0%	0%	6.6x
AVIS BUDGET GROU	9,584	9.3x	11.0x	11.6x	13.0x	0%	0%	2.1x
SIXT SE	4,894	18.8x	16.7x	7.1x	6.5x	2%	3%	1.7x
REDDE NORTHGATE	1,076	8.5x	8.6x	4.1x	4.0x	6%	6%	1.6x
UNITED INTERNATI	941	15.0x	13.1x	5.8x	5.3x	4%	5%	
MOVIDA PARTICIPA	453	5.6x	3.7x	3.5x	3.2x	7%	8%	3.3x
LOCALIZA	9,980	18.4x	13.9x	7.5x	6.4x	1%	2%	3.1x
ECLIPX GROUP LTD	390	7.7x	8.4x	13.5x	16.0x	0%	2%	6.0x
MOTUS HOLDINGS L	1,174	6.4x	6.1x	4.1x	4.0x	6%	6%	0.6x
Median		**8.5x**	**9.3x**	**7.1x**	**6.4x**	**2%**	**3%**	**2.6x**
Premium / (Discount) vs peers		***-7%***	***-28%***	***-42%***	***-40%***			

Source: Eurobank Equities Research, Bloomberg.

Compelling relative valuation on earnings growth-adjusted metrics, with double digit 3-year EBITDA CAGR

Given that the range of valuation multiples may also reflect differences in companies' growth profile, we have also examined the current valuation of the broad peer group in conjunction with the 3-year profit outlook (2021-24e). As can be seen, Autohellas's valuation looks quite compelling considering it also enjoys among the strongest growth profiles among its international peer group (2-digit EBITDA CAGR). Of note is that several international RaC companies face a material decline in profitability in the coming years, as they move away from peak earnings and an extremely tight car supply market. This is contrary to Autohellas's case, which is poised to grow further its profitability given the structural growth of Greek tourism and rising penetration of long-term leasing.

Autohellas and broad peer group – 2023e valuation vs 3-year expected growth



Source: Eurobank Equities Research, Bloomberg.

B. Valuation: DCF-based-valuation yields c€650-890m intrinsic value range (€13.3-18.3 per share)

DCF-based valuation base-case yields €15.5/share (ex-div)

We value Autohellas using a DCF-based valuation attempting to capture the cyclicality of the business, the capital intensity of the business model and Autohellas's proven cash flow generating capacity.

Our base case DCF yields a €756m 12-month baseline market cap, translating to a €15.5 price per share. This is predicated on the following assumptions:

- Sales CAGR of c11% over 2023-2027e, following +18% in 2022e, driven by inbound tourism (propelling the utilization of RaC), increasing penetration of fleet management (long-term leasing) and a modest boost from Portugal; on an organic basis (ex-Portugal) we have penciled in c10% CAGR over the same period, gradually fading to c6%.
- Reported EBIT CAGR of c8.5% over 2023-2027e, or c10% on an organic basis, effectively incorporating limited operating leverage due to persisting inflationary pressures and volume-led growth post 2024e. We assume medium-term EBIT margins in the 14-15% area, similar to the previous cycle (2013-21).
- We use a long-term growth rate of 1.5% based on a reinvestment rate of c28% and just c5% perpetual incremental ROIC, assuming that the group's competitive advantage will fade in the long run.
- We end up with an implied FCF EBITDA cash conversion (FCF/EBITDA) of 12-30% over the forecast horizon, a level we consider feasible given the track record.
- We use a 10% WACC, which we believe captures the relative risk profile of the business vis-à-vis the rest of our coverage universe while also considering factors such as stock liquidity.

DCF											
EURm unless otherwise stated	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**
Cash NOPAT	84.5	92.6	96.8	106.6	115.8	132.2	144.1	155.9	167.6	179.2	187.6
D&A	114.9	120.0	127.8	135.4	142.8	145.8	149.6	154.1	159.4	165.4	172.1
Working Capital/other	(8.0)	(9.8)	(8.5)	(6.3)	(6.8)	(6.7)	(7.1)	(7.5)	(8.0)	(8.4)	(8.9)
Capex	(163.9)	(167.9)	(167.5)	(159.1)	(161.9)	(172.7)	(183.8)	(195.3)	(207.1)	(219.3)	(215.1)
Unlevered Free Cash Flow	**27.5**	**34.9**	**48.6**	**76.6**	**89.9**	**98.6**	**102.8**	**107.2**	**112.0**	**116.9**	**135.6**
Sum of PV of FCF	546.3										
PV of terminal value	622.3										
Enterprise Value	**1,168.5**										
Net cash incl. claims (adj.)	(426.3)										
Equity value	**742.2**										
no. of shares	48.6										
Per share	15.3 €										
12-month fair value per share	**15.5 €**										

Source: Eurobank Equities Research

A basic sensitivity on a combination of WACC and terminal growth rates is presented in the table below. As can be seen, flexing our WACC and perpetuity growth inputs by 0.5% each yields a fair value range between c€13.3 and c€18.3 per share).

DCF Sensitivity of our calculated group fair value per share to the WACC and LT growth assumptions						
				WACC		
		11.0%	**10.5%**	**10.0%**	**9.5%**	**9.0%**
Terminal growth	**0.0%**	11.0 €	12.2 €	13.4 €	14.8 €	16.4 €
	0.5%	11.5 €	12.7 €	14.1 €	15.6 €	17.2 €
	1.0%	12.0 €	13.3 €	14.8 €	16.4 €	18.2 €
	1.5%	12.6 €	14.0 €	**15.5 €**	17.3 €	19.3 €
	2.0%	13.3 €	14.8 €	16.4 €	18.3 €	20.5 €

Source: Eurobank Equities Research.

Strategy and Business model

A. Product and geographic overview

Leading regional car rental & trade company...

Autohellas is a leading car rental & auto trade company, with core activities centered around the lease of automobiles (short term & long term) as well as the import and trade of new cars, spare parts and the after sales services, both in Greece and abroad. It also engages in the sale of used cars, thus enabling the constant renewal and expansion of its fleet. The group operates a fleet of more than 48K cars for Rent-a-Car (RaC) and long-term leases (LTR) through 144 points of sale (of which >50% in the Greek market and >1/3 in airports). The core car rental services (short and long-term leasing) are offered through the Hertz brand, with Autohellas holding the exclusive franchise right for Hertz International brand names (Hertz, Thrifty, Dollar and Firefly) in 8 countries until 2025. Autohellas also enjoys a c20% market share in the auto trade business, being the exclusive distributor of Hyundai, Kia, Seat brands and a retailer through its Velmar store network. **Autohellas's diversified structure is key to the thesis, with the renting business feeding the used car sales segment through the group's own trade network.**

…diversified across short-term and long-term leasing

Autohellas maintains a diversified portfolio with an escalating international presence spanning 9 countries including Greece, namely, Bulgaria, Cyprus, Romania, Serbia, Montenegro, Ukraine, Croatia and more recently Portugal (agreement approved in October 2022). The diversified product offering has proved instrumental in protecting the group's profitability throughout the COVID-19 period (when subdued tourism activity weighed on short-term RaC), as the scale of the fleet management segment, which largely hinges on corporate demand, cautioned the group from the risks related to RaC, which is primarily dependent on leisure traffic. Although the business model is indeed highly interrelated with economic activity, the resilient performance and solid cash flow generation throughout the past two years are testament to the ability of the group to navigate choppy waters thanks to the diversified sales mix.

…with a wide range of brands tailored to a broad customer base

Given its exclusive franchise of Hertz international brands, Autohellas has various offerings positioned across different market segments. In particular, the core Hertz brand offers more upscale vehicles and a superior level of service targeting customers focused more on the user experience (e.g. up-to-date technology) rather than pricing. The Thrifty brand offers Aegean Airlines passengers (Autohellas's strategic partner) preferential rates for car rentals, and on that basis, caters primarily to the needs of cost-conscious travelers. Firefly competes in the low-cost segment aiming to capture demand from holiday travelers. Dollar also sits in the budget segment being the most cost-conscious option. Overall, Autohellas has both premium and value offerings, thereby being well-positioned to target unique customer segments and achieve product differentiation by offering the right vehicles for the correct locations (e.g. budget options for the islands).

Balanced sales mix across Renting and Auto Trade sales

From a business segment standpoint, the company originates its revenues from 2 main sources, namely the **Auto Trade & Spare Parts** segment and the **Renting** division (Greece and International), which can be further subcategorized into car rental (short-term RaC and long-term leasing) and second-hand car sales. The company provides a breakdown for Greece rentals and international rentals (including used car sales), as well as Greece Auto trade.

We describe the main components of the sales mix in more detail below:

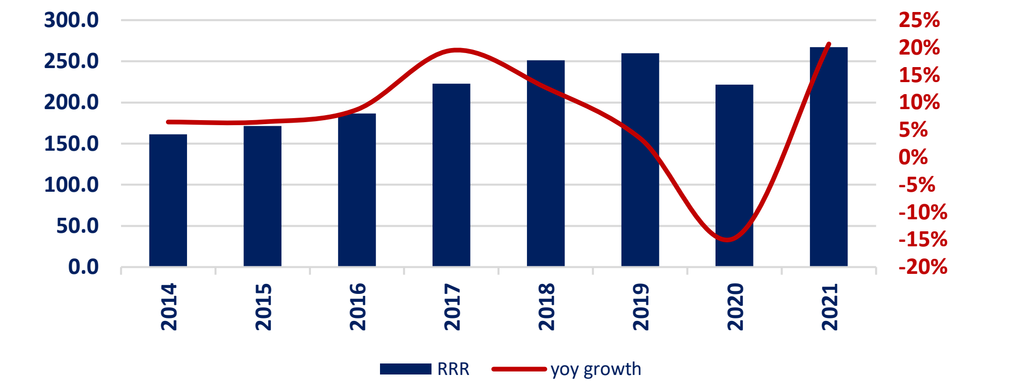
Renting accounting for c43% of sales but >80% of EBITDA, being the overriding driver of profitability

1) **Renting:** The rental mix (RRR) accounts for c43% of group sales and over 80% of group EBITDA, thus making it the most important profitability source for Autohellas. It is divided into Greece rentals and international rentals, each including the sale of used cars (relating to the fleet renewal), as analyzed below:
    a. **Greece rentals:** Greece rentals (c80% of RRR) include revenue generated from short-term rentals (RaC), long-term rentals (LtR) and used car sales. Noticeably, RaC is the key swing factor among the segments and the one offering hefty upside as its profitability hinges on the direct result of the country's tourism industry performance. This is even more so the case as tourism is the growth engine of the

Greek economy, with visitors corresponding to 3x the domestic population in the pre-Covid era. The LtR segment provides a more visible revenue source for the company and depends mainly on corporate demand for long-term leases, with contracts usually spanning 3-4 years. Of note is that Autohellas re-sells independently its fleet through its own trade network over 4-5 years, aiming to maintain a young fleet that will keep up with consumer preferences. Thus, used car sales provide a solid revenue source for Greek rentals.

b. **International rentals:** Similarly, the international segment (c20% of RRR) consists of RaC, LtR and used car sales businesses in 8 countries outside Greece (as mentioned previously). In general, international operations enjoy lower seasonality than the Greek market – as far as RaC is concerned – but on lower profit margins due to scale.

RRR sales evolution (€m) & yoy growth



Source: Eurobank Equities Research, Company.

In what follows, we dig further into the core RRR segment, breaking this down into the **three sub-sectors, namely**: Rent-a-Car (short-term lease), fleet management - LTR (long-term rentals) and used car sales.

RaC is mostly seasonal, driven by air arrivals…

I. **Rent-a-Car (RaC):** The RaC sector (short-term lease) caters to the occasional rental needs of both private individuals and enterprises. The particular business is naturally heavily dependent on tourism arrivals. Indicatively, 55% of total RaC sales in Greece are generated during the July – September period, while this figure in foreign countries hovers around 42% for the summer months. In this respect, short term rental demand is significantly driven by air tourism volumes. As such, Autohellas has 60 POS strategically located in airports aiming to capture demand from air travelers. The re-opening impulse after the COVID-19 induced limitations of the previous two years lays the ground for a strong bounce back in 2022 (as already evidenced by 9M results) and a positive outlook looking ahead (given arrivals are headed for 3-4% CAGR through to 2030 according to SETE). Although the RaC segment is highly commoditized, Autohellas differentiates itself from competitors through its strategic partnership with Aegean (e.g. client incentive programs).

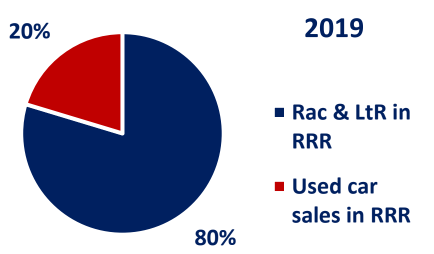
…while LTR balances out seasonality, with a promising growth outlook

II. **Fleet Management / Long term Rentals (LtR):** This segment addresses the long-term rental needs of businesses and the management of corporate fleet. Autohellas's primary focus is on maintaining its existing leasing partnerships with medium and large enterprises, while also expanding its SMEs footprint, as the particular market segment is showcasing the fastest growth. Since the long-term rentals rely mainly on business demand, fleet management is considerably interconnected with corporate profitability and economic activity. In this sense, although the LT lease business is quite competitive, prospects seem quite promising as the Greek economy emerges from COVID and a multi-year recession. In the meantime, the recent expansion of car leasing services to individuals provides an additional growth avenue. The contracted nature of the segment secures a balancing business model which limits the seasonality of the group, while providing greater revenue visibility.

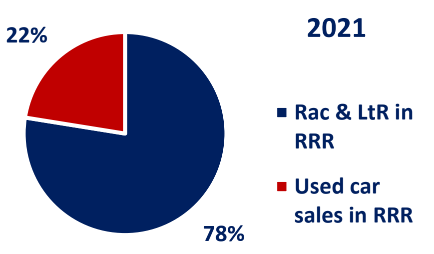
Used car sales facilitate the maintaining of a 'young' fleet

III. **Used Car sales:** In order to maintain a relatively 'young' fleet and sustain a high level of service and customer satisfaction, the group disposes vehicles used in the renting activity within 4-5 years. The re-fleeting process is critical to the business model and provides an add-on turnover (c9% of total 2021 revenues), while also allowing Autohellas to monetize the value of its fleet. The ultimate resale value of the car depends on several factors including supply (new vehicle production by the manufacturers) and demand (consumers and dealers seeking late model cars). Of note is that turnover from this segment has showcased limited variation between the pre and post-COVID period.

RaC & LtR / used car sales: 2019



RaC & LtR / used car sales: 2021

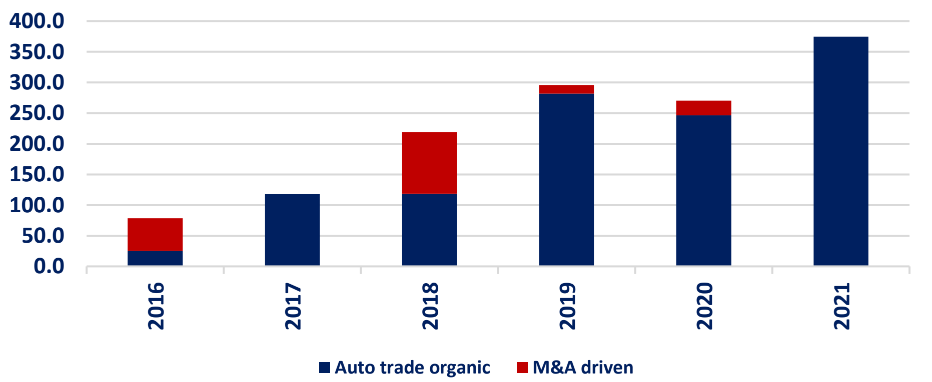


Source: Eurobank Equities Research, Company.

Auto trade division: high sales (c58% of total turnover), low margin

2) **Auto Trade and Spare Parts:** This segment refers to the exclusive import and distribution of cars and spare parts of several brands, as well as to after sales support in Greece through several Greek subsidiaries, namely, Hyundai Hellas, KIA Hellas, Technokar (SEAT), Autotechnica / Velmar and Eltrekka. It accounts for c58% of total sales but is far less important in terms of profitability (c30% of corporate/adj. EBITDA) carrying lower margins as one would expect. The significance of the auto trade segment lies in that it provides cash flow generation that is used to reinvest in fleet capex, in turn boosting the fleet-scale without Autohellas having to resort to substantial amounts of external capital.

Auto trade sales evolution, organic & M&A driven (€m)



Source: Eurobank Equities Research, Company.

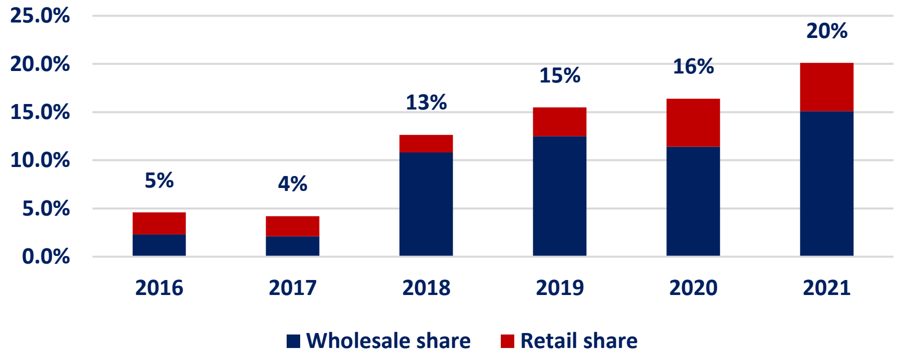
In more detail the auto trade segment consists of:

a. **Hyundai Hellas, Kia Hellas and Technocar**: In late 2015, Autohellas completed the acquisition of Technocar, namely the exclusive importer of SEAT cars in Greece at the time, expanding its activities to importing and selling cars, with a market share of c2% on total new car registrations. In the end of 2017, the group completed the acquisition of a 70% stake in both Hyundai and Kia, which rendered it the exclusive importer and distributor of new cars and spare parts of the brands HYUNDAI and KIA respectively. As such, since 2018 Autohellas is the wholesaler of all three brands

(Hyundai, Kia, Seat) having raised its cumulative wholesale market share to c11%. This has further expanded to >15% in 2021.

b. **Autotechnica Hellas / Velmar:** Through the Velmar brand (acquired in late 2015), Autohellas engages in the retail trade of new and used cars and in the provision of after sales support, including service, spare parts and car body repair services. Brands that are sold through Velmar include: Ford, Opel, SEAT, Fiat, Alpha Romeo, Volvo, Honda, SAAB, Mitsubishi, BMW and Mini. Combined with the group's share in wholesale car sales, the overall market share of Autohellas's auto trade in the total Greek market was c20% in 2021 on our estimates.

Hyundai-KIA-SEAT overall market share based on new car registrations



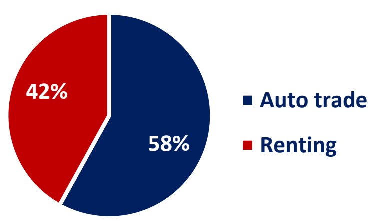
Source: Eurobank Equities Research, Company, SEAA.

c. **Eltrekka:** In May 2019, the company acquired 100% of the shares of ELTREKKA SA, which is active in the import, storage, trade and distribution of aftermarket car spare parts in Greece since 1997, representing the largest manufacturers worldwide. It should be noted that ELTREKKA SA holds 100% of the shares of Fasttrak which distributes the above-mentioned products. ELTREKKA's product portfolio covers the full range of needs for repair and maintenance of cars, commercial vehicles, and motorcycles.

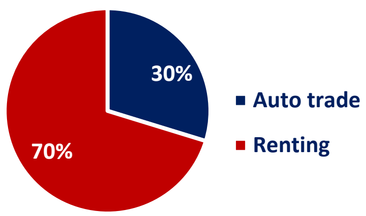
Profitability driven by the car rental segment

The contribution of the Auto trade segment in the sales mix increased to >50% as of 2019, with the 2021 figure settling at c58% of group revenues, indicating significant growth since the segment was formed in 2016. That said, as mentioned above, it is the Car rental segment that is the overriding driver of profitability. Indicatively, c70% of Autohellas's adjusted EBITDA levels stem from the renting segment, translating into a c24% adjusted segmental EBITDA margin (and even higher in 2022e). The latter compares with a c7-9% margin for the auto trade segment.

Sales mix breakdown, 2021



Adj. EBITDA mix breakdown, 2021



Source: Eurobank Equities Research, Company.

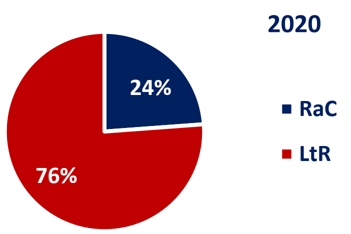
Well-balanced leisure and business mix

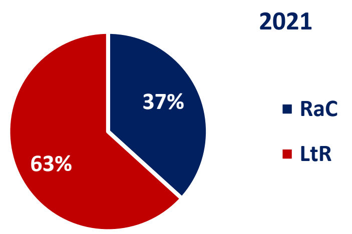
With the Auto Trade segment having an increasing contribution within the group mix, the rental segment (including used car sales) has seen its share fall to c45-50% of group sales from c70% in 2016. That said, RRR has still delivered robust growth benefiting from both the increasing penetration in fleet management in Greece and the rising number of tourist arrivals. As mentioned previously, Autohellas maintains a well-balanced portfolio between short-term and long-term leases, thus managing to diversify its activities across both business and leisure.

…naturally interrupted through the covid-era

During the COVID-affected 2020, the mix within the rental business naturally changed becoming more skewed to long-term leasing as the pandemic-induced limitations compressed the inbound tourism activity. In 2021, the RaC contribution in the rental mix recovered to 42%, more in sync with pre-COVID years. Looking ahead, assuming the leisure market continues its upward march in the light of normalizing activity, we would expect the RaC segment to demonstrate solid growth and rise in significance within the RRR mix.

RaC & LtR mix within Rental-ex used-car sales	RaC & LtR mix within Rental-ex used-car sales



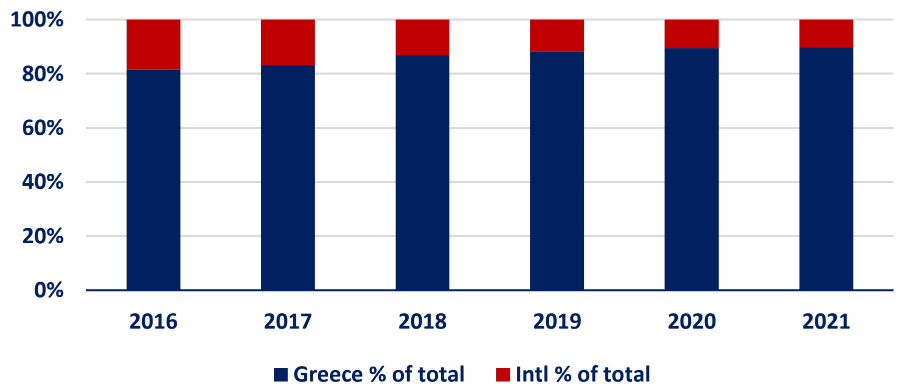


Source: Eurobank Equities Research, Company

Greece remains dominant in the group sales mix (90%), with 5-yr sales CAGR at c22%; clear vision of expanding internationally

In terms of geographic mix, the domestic market remains dominant making up 90% of 2021 revenues. Indicatively, Greece sales CAGR since 2016 has been c22% outstripping the 6% CAGR registered by international activities. That said, the group maintains a broad regional footprint with presence in Bulgaria, Cyprus, Romania, Serbia, Montenegro, Ukraine, and Croatia, while it is ramping up its effort to enhance its presence abroad. Indicative of the group's expansion effort is the recently announced agreement for the acquisition of 85.6% of the share capital of the Portuguese company HR Automóveis, the Hertz franchisee partner in Portugal. In general, Autohellas is focused on tourism destinations where it can capitalize on the brand recognition of Hertz, while also targeting markets that have a more balanced tourism-business model (e.g. Romania, Serbia and Bulgaria).

Geographic sales mix evolution, % of total

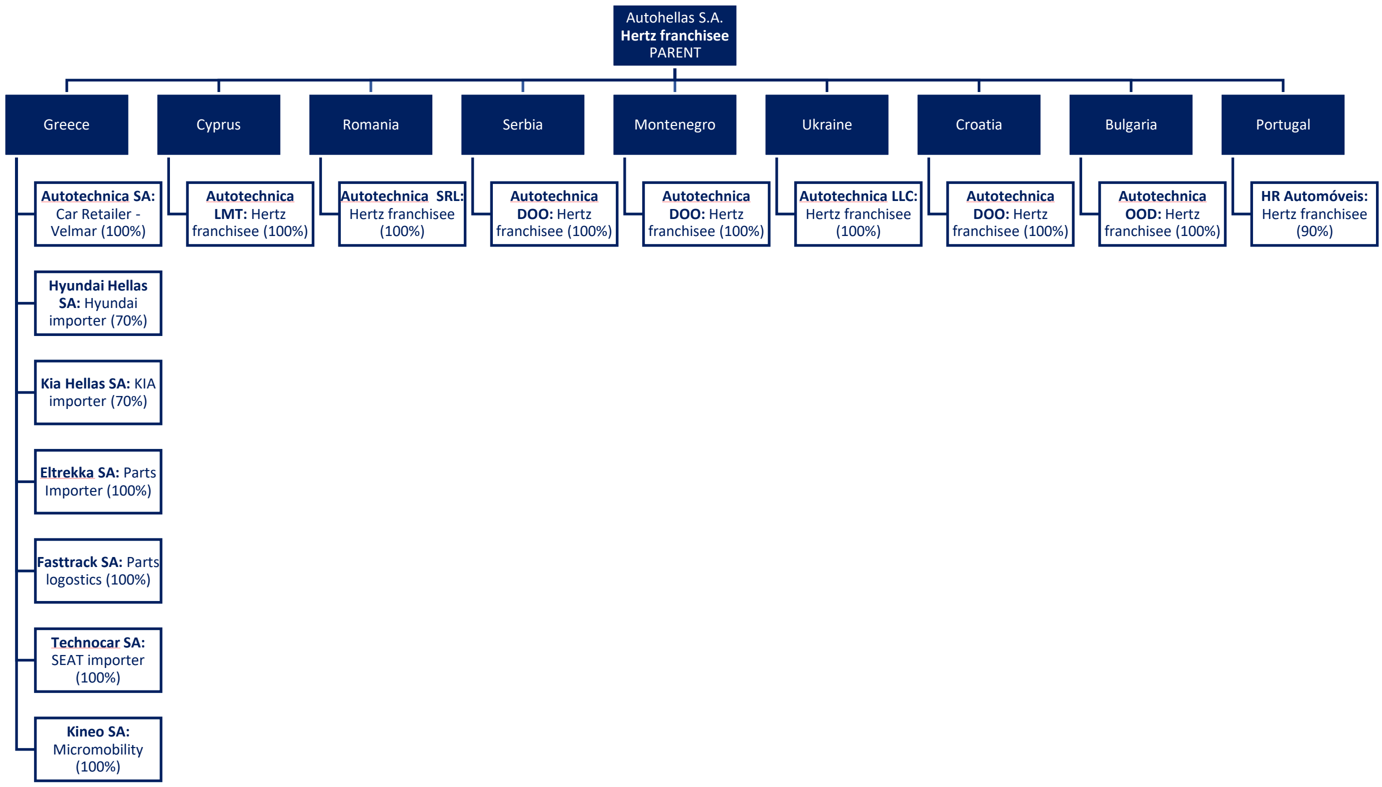


Source: Eurobank Equities Research, Company.

As far as the group's structure is concerned, Autohellas consists of 16 companies spanning 8 countries. The company's Greek subsidiaries are specialized in leasing and the import and trade of new and second-hand cars, spare parts and after sales services. Its foreign subsidiaries serve as hubs for conducting business in and around each corresponding country. The parent company owns c100% of each of the subsidiaries, with the only exception being Hyundai Hellas and Kia Hellas, in which it holds a 70% stake, and HR Automóveis, where it holds c90% stake.

As snapshot of Autohellas's organizational structure can be seen in the chart below.

Autohellas' organizational structure



Source: Eurobank Equities Research, Company.

B. Strategy

Balanced business model taking advantage of synergies among activities

Autohellas's operating model is built on its triple purpose as an importer and distributor of cars and spare parts, short-term car rental provider and long-term leasing company. The group covers a broad spectrum of the automobile value-chain as it is engaged in both the wholesale and retail trade of new and used cars, and after-sales support, while also catering to the rental needs of both individuals and enterprises through its rental fleet (>46K vehicles). The group's strategic priority is to maintain a balanced business model, benefiting through economies of scale and synergies among its activities.

Two-fold strategy for growth, with focus on air travelers and businesses (mostly medium/large enterprises and increasingly SMEs)

Given the dual focus on both short- and long-term leasing, the group has a two-tiered approach to enabling further growth. Within RaC, international air traffic is at the core of management focus, with growth underpinned by Autohellas's wide distribution footprint (airport locations) and strategic partnership with Aegean. Within LtR, focus is on renewing contracts with medium/large enterprises while penetrating the SME customer base. The organic growth opportunity for Autohellas is thus sizeable considering:

- the solid prospects of the Greek tourism sector, with incoming traffic usually outstripping growth in GDP;
- the recovery of the Greek corporate sector after many years of recession and the proliferation of leasing among SMEs.

… with flexibility of "risk" cars enhancing returns and allowing the capturing of opportunities in the second-hand car market

As far as the fleet is concerned, the operation of both a short-term and long-term lease model coupled with the auto trade distribution enable Autohellas to bolster utilisation rates, thereby enjoying best-in-class returns on capital. The typical ownership period is 4-5 years, with Autohellas opting to not rely on car-supplier buybacks. In other words, there is low level of "program" cards (i.e. cars with guaranteed buybacks), with Autohellas assuming – in theory – the risk on the ultimate resale value of the vehicles in exchange for price flexibility. That said, given the group's great scale (one of the biggest car purchasers in Greece), relationships with manufacturers and broad platform of resale, the high portion of "risk" cars is accretive to returns on capital. This is especially the case during periods of strength in the second-hand car market, as evidenced in the last couple of years with demand underpinned by limited new cars' supply.

Mostly indirect distribution, given the significance of LT leasing; c1/3 of RAC stemming from direct channels

Direct sales comprise c1/3 of RaC sales, or some c13% of rental sales, despite the rapid acceleration in the usage of Autohellas's own online channel seen in the past few years. In the case of LT leasing, sales mostly take place via indirect channels. Through a digitalization push and new product initiatives Autohellas seeks to further enhance direct website bookings, but given the strength of the international franchise, a big part of online sales will continue to go through the franchisor web site (effectively an indirect distribution channel given the fee paid to Hertz). The distribution strategy essentially entails growing volumes through all channels, including direct (stations, own booking website) and indirect (Hertz franchisor website, brokers, tour operators, external booking websites and GDSs). In the latter case of course, this comes at the cost of commission expenses.

Commercial partnership with strategic partners also confers competitive advantages

Autohellas has established strategic partnerships with various partners to extend the reach of its own network. The key partnership is with Aegean airlines (in which Autohellas also has a 11.8% stake), but with the group also partnering up with TEMES S.A. and recently with Fourlis's Trade Estates. The establishment of commercial partnerships has allowed Autohellas to strengthen its position in the RaC segment, achieving market-leader status early on and generating extra revenues using partners' distribution channels and participating in their loyalty programs.

Consolidator of the Auto trade segment

The Auto trade business contributed c58% of group sales in 2021, substantially higher than in 2016 (c28%, stemming just from SEAT brand) and 2018 (47%) as new brands came on board. Despite considerable difficulties and delays faced by car manufacturers in production due to chip shortages, covid-19 and war disruptions in the last few years, sales from this segment increased more than 70% over 2018-2021 as the 3 importing companies of the group (Hyundai, Kia, Seat) have expanded their market share by >1pp annually reaching c15% (only wholesale) in 2021. Autohellas' objective is to capitalize on consumer preferences towards newer car models with cutting-edge technology that meet consumers' needs. Recently, Autohellas announced a partnership to represent Stellantis (FCA's Italy Spa subsidiary) in the Greek market through a JV with Samelet group. The JV will be responsible for the import and distribution of 5 brands namely Abarth, Alfa Romeo, Fiat, Fiat Professional and Jeep, which represent >5% of the Greek market's new car registrations (9mth data), thus further boosting Autohellas's market share in the Auto trade business. The transaction is subject to competition authority approval.

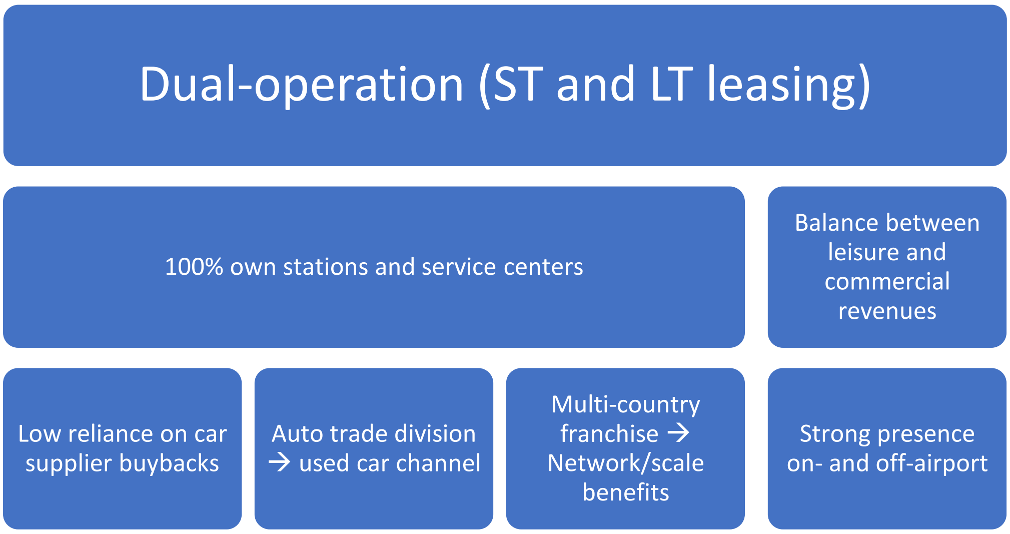
B2B-B2C balance provides broad coverage of the operating cycle, lowers seasonality and balances the mix between leisure and business

Autohellas's revenue stream is also diversified by customer type, with c55% of sales stemming from B2B and c45% from B2C on our estimates. The key wholesale channels of the group (i.e. B2B) mainly relate to the import and distribution of new cars and spare parts along with the long-term rental segment. The B2C segment relates to the 'Velmar' store network and to part of the RaC/LTR business. This nice B2B-B2C balance gives Autohellas exposure to both leisure and business customers thereby not only reducing seasonality but also exposing the group to the different demand drivers for the 2 segments.

Hertz' innovative services offer route for differentiation

With innovation being of primary importance in a sector with relatively limited pricing power, Autohellas is focused on the development of new solutions/products and on the reduction of the environmental impact of its business. Indicatively, in view of the "green" transition, the group invested in KINEO S.A (in Jan' 21), an entity that engages in the field of micromobility and more specifically, in lightweight electric bikes and scooters. It is also in the process of tilting its fleet towards hybrid/electric vehicles, giving a priority to the future of mobility through sustainable development. Besides environmentally-friendly actions, Autohellas's innovative services also offer route for differentiation. Among these services we flag the Hertz 24/7 service which allows customers to rent cars by the hour/day and mobile applications allowing self-check in to the car (rather than going to the counter) and a more seamless experience (e.g. car lock/unlock/start through the app).

Autohellas model in a nutshell



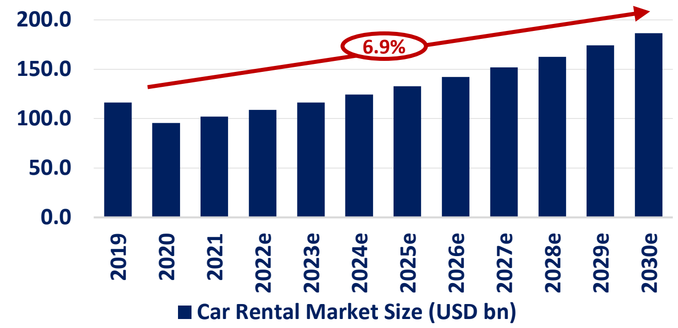
Source: Eurobank Equities Research, Company data.

Market and Competitive Landscape

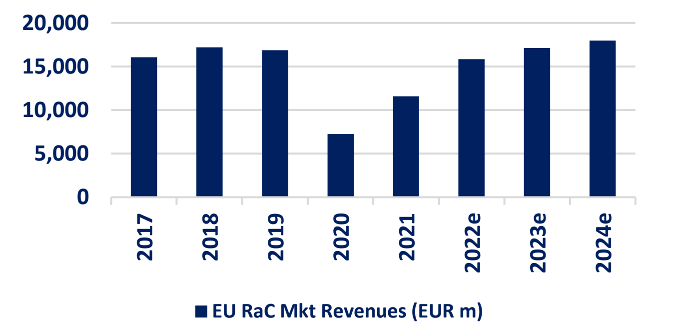
Global car rental market is primed for mid-single digit growth in the mid-term

The global car rental market was worth c$100bn in 2021 and is set to grow to c$187bn by 2030 according to Precedence Research, exhibiting a c7% CAGR during the forecast period. The emergence of the Covid pandemic had a significant impact on global tourism, with the car rental industry naturally weighed down vs pre-COVID levels across all regions (>20% drop). Nonetheless, the market is poised for a full retracement by 2023. Medium-term growth rates are underpinned by GDP growth, with car-rental revenues usually experiencing a magnified change relative to GDP (i.e. a multiplier 2-4x vs GDP growth) given the cyclical nature of the industry and the correlation with air travel.

Car Rental Market Size ($bn) - Global



Car Rental Market Size (€bn) - Europe



Source: Eurobank Equities Research, Precedence Research, Marketline.

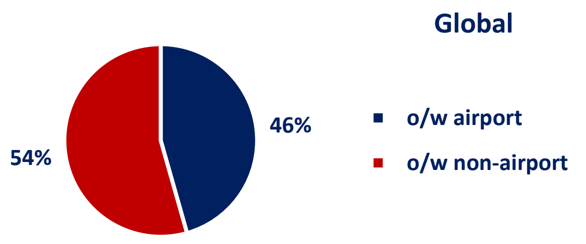
EU market more fragmented than US and undergoing consolidation

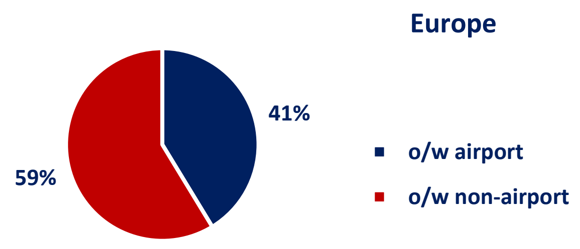
As far as the competitive landscape is concerned, international peers include car rental companies of various sizes that operate in both the RaC and LtR segments. The car rental market is made up of several big multi-national companies, (Enterprise Holding, Hertz Corp., Avis Budget Group, Europcar and Sixt) but in general is rather fragmented. The top players have been consolidating the industry, but Europe remains more fragmented than the US where the top 5 players account for the bulk of the market.

Barriers to entry are low, but barriers to scale are meaningful

The renting market is a largely commoditized industry with limited potential for product differentiation. The ability of consumers to compare prices given the ongoing channel shift to online increases transparency, thereby making market participants “price takers”. Barriers to entry are low, as validated by the fragmented nature of the industry. That said, there are significant barriers to scale considering the procurement benefits for the big players. To exemplify this, fleet capex (replacement & growth) is very high, both from a procurement and financing cost perspective, rendering it difficult for a small rental car company to compete efficiently. In addition, greater density of locations enables incumbents to be close to customers, thus enjoying cost benefits, better fleet utilization while offering better choice to consumers. The latter is further enhanced by the establishment of partnerships with airlines, large corporates and strong operational expertise, all of which become feasible with scale and constitute a key means of differentiation among rental companies. Airport points are, as one might have expected, a key distribution point accounting for c40-45% of booked rentals.

Revenues per distribution point (2019 data)





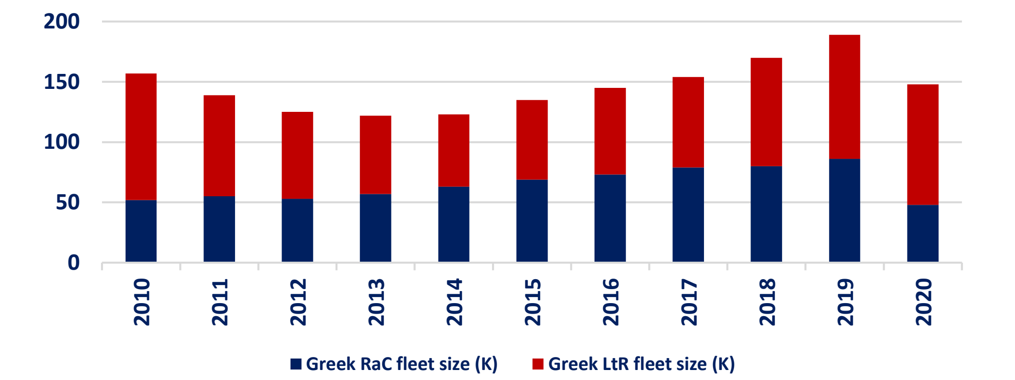
Source: Eurobank Equities Research, Company data, Marketline.

Below we look in more detail into the drivers of the Greek car rental market.

A. Greek Car Rental Market

The Greek car rental market fleet consisted of about 190K vehicles prior to the eruption of COVID-19, having increased by >60K vehicles in the period 2013-2019 (trough to peak). We estimate that 2020 must have resulted in some attrition, potentially in the 35-40K area, mainly in short-term leasing, reflecting the temporary effect of the pandemic, but we believe the market has retraced the previous levels in 2021-22. The industry is almost equally split between long-term fleet management and short-term leasing (with the exception of the pandemic-affected 2020 obviously).

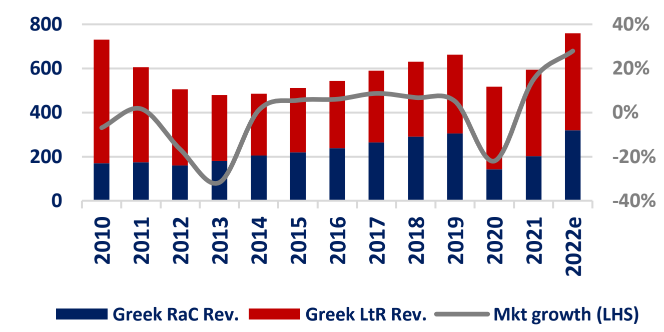
Greek Rental car fleet size split into RaC & LtR fleet (000's vehicles)



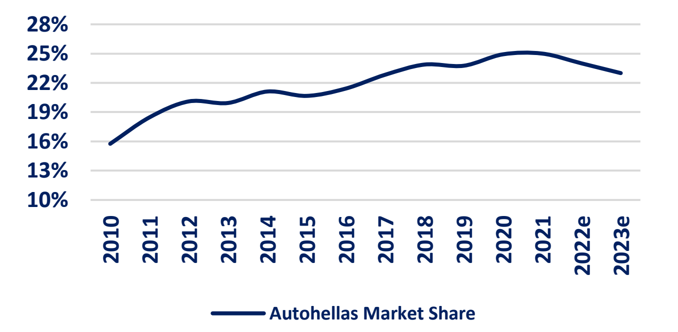
Source: Eurobank Equities Research, Company data, ICAP.

In nominal terms, we estimate the total market size at c€650-660m in 2019, slightly tilted (c55%) to long-term leasing. The pandemic year weighed materially on the performance of short-term RaC, but given data by Leaseplan Hellas (predominantly long-term rentals), we do not believe it affected substantially long-term leasing. As such, with short-term RaC bouncing strongly in 2021 and 2022, we expect the total market to exceed €700m in 2022e, more than fully recovering from the COVID-induced drop. Thanks to its investments in the last decade and the solid execution, we estimate Autohellas has managed to increase its market share to c25% from 16% in 2010.

Greek rental car revenues (EUR m) & growth rate



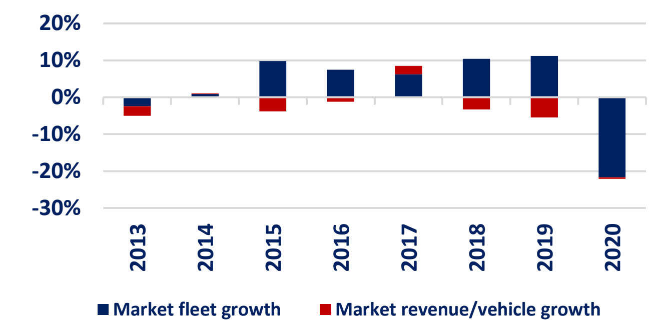
Autohellas total market share (% of revenues)



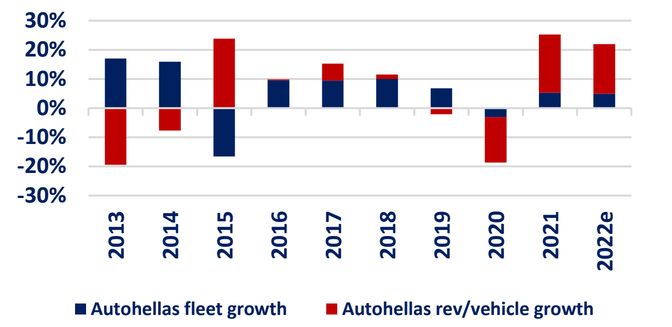
Source: Eurobank Equities Research, Company data.

Below we seek to split the market growth across volume (i.e. changes in fleet size) and price. As can be seen, growth in the total market has been predominantly volume-driven, quite natural given the commoditized nature of the industry which limits market participants' pricing power. Having said that, Autohellas seems to have been more successful in growing price/mix, thus further bolstering volume-driven growth.

Market growth in unit revenues & fleet (Greece)



Autohellas growth in unit revenues & fleet (Greece)



Source: Eurobank Equities Research, Company data, ICAP.

We dig further into the dynamics of the 2 sub-segments of the leasing industry, namely short-term and long-term leasing.

1. Short-term leasing

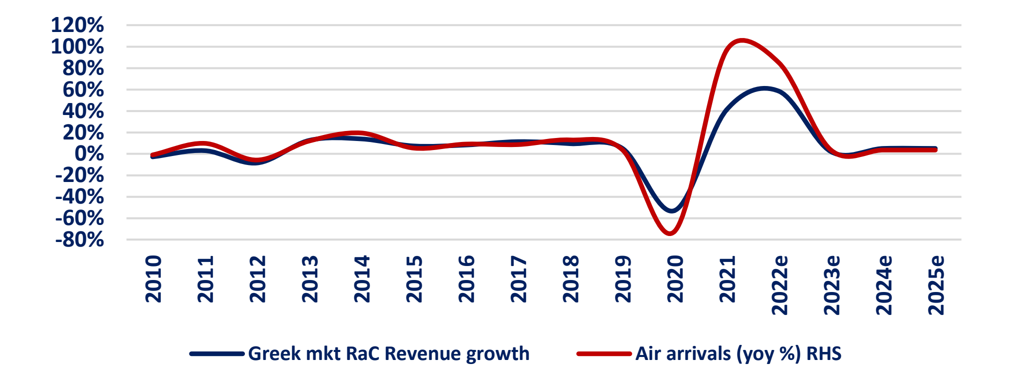
Greek RaC market depending on inbound tourism…

With tourism accounting for c20% of Greek GDP (including indirect contribution), it is quite natural for the domestic short-term RaC market to depend on inbound international travel. The industry's dependence on air traffic is higher than that for hotels, since car rental companies cannot create significant incremental short-term demand simply by discounting or offering special deals. Inbound travel is thus the overriding driver of RaC performance, as validated by the chart below, where we show that RaC market revenues have been moving in broad tandem with international air arrivals (with the multiplier usually being 1-2x).

… and poised to grow in the mid to high-single digits in the coming years

Given the solid prospects for Greek tourism, underpinned by the emergence of Athens (c28% of international arrivals annually) as a city break destination and the expansion of capacity/investment in infrastructure of the regional airports, **we believe the Greek RaC market is primed for mid-to-high single digit growth in the coming years following a full retracement of pre-COVID levels in 2022.**

Greek RaC Market vs Inbound Tourism by Air (yoy growth)



Source: Eurobank Equities Research, Company data, SETE.

Autohellas is market leader in a fragmented industry with plenty of room for consolidation

In terms of market structure, the domestic short-term RaC segment is highly fragmented, with Autohellas and Avis, the two market leaders, accounting for more than 40% of the market. In 2019, Autohellas had a c21% market share but we believe this has increased further post COVID given the exit of small companies from the industry. Enterprise and Sixt are also notable participants, albeit with single-digit market shares. Indicative of the industry fragmentation is the fact that the remaining >40% is accounted for by over 2,000 companies. Autohellas has consistently grown its market share (c13% in 2011) and we expect this situation to continue as the group capitalizes on its scale and distribution efficiencies, especially taking into account the US market paradigm (c95% of mkt held by three top players). Despite the commoditized nature of the industry, there is scope for differentiation through reward programs, strategic partnerships (e.g. Aegean-Autohellas) and innovation.

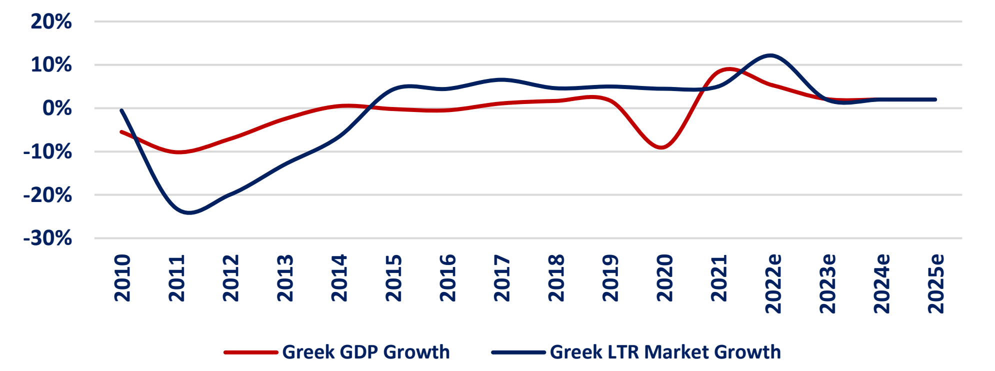
2. Long-term leasing

LtR market depends on economic activity, is less seasonal and offers visibility on the revenue stream

The long-term rental market depends mostly on the demand that derives from corporates and economic activity in general. Besides the health of the corporate segment, an overriding driver of growth has been the penetration of fleet management in the economy, with Greece being largely an underpenetrated market and therefore offering plenty of scope for market expansion. The shift from car ownership to usership is an additional avenue of growth for the future, with technological change and evolving consumer preferences likely to reshape the industry in the coming years. **Contrary to short-term rental, long-term leasing enjoys low seasonality and a more stable revenue stream, given the contracted nature of the business, as validated durng the peak of the COVID-induced restrictions.**

In the chart below we depict the correlation between the Greek LtR market and GDP growth. We showcase that growth in the long-term rental market has outstripped the economic expansion post 2014, indicative of a market underpinned both by structural and cyclical pillars. It is worth noting that during 2009-2014 (namely at the peak of the Greek recession) the long-term car rental went through a debasement mainly driven by a rationalization of the fleet.

Greek GDP Growth VS Greek LtR Market Growth

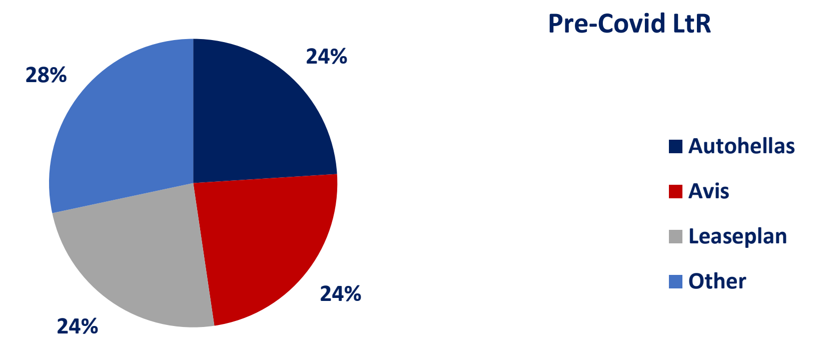


Source: Eurobank Equities Research, World Tourism Organization data.

LTR market more consolidated but with limited pricing power; customer relationships matter

As far as the structure is concerned, all major international players seem to have a wide footing in the Greek market. The long-term leasing industry is less fragmented than the short-term rental market, with the top 3 companies commanding a >75-80% share. Leaseplan, Autohellas and Avis are the dominant players, enjoying shares c24-25% pre COVID. We estimate Autohellas's share dropped during 2021-22, to c21% due to emphasis given to the rent-a-car business, given the constrained car supplies in the period. Although the market is more consolidated than RaC, pricing power is limited in our view. The stronger the customer relationships the higher the renewal rates without the need to undercut prices relative to competition.

Greek LtR Market Players (Pre covid market shares)



Source: Eurobank Equities Research, Companies' data, IBISWorld data.

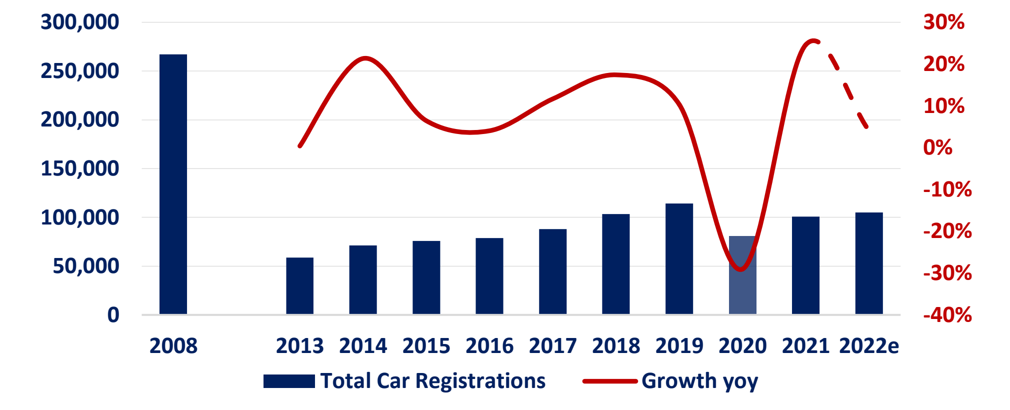
B. Auto trade market

Car registrations still c12% below 2019 levels; recovery to 2/3 of peak levels would translate into 2-digit growth rates

Autohellas's Auto trade segment obviously depends on car registrations and the state of the Greek economy. Market registrations at the 2008 peak were 267K, corresponding to 24 per 1,000 people (EU average in 2021 near 21.7). In 2012 the market troughed at 59K (-78% from peak) and gradually ramped up to 114K in 2019 (10% growth rate vs just 0.2% for the economy over the same period) as Greek consumers replaced vehicles with latest car models. In 2020, covid related lockdowns led to a sharp (-29%) drop in new car sales as deteriorating business and consumer confidence undermined the market. Demand posted a strong rebound in 2021 (+25% yoy), despite the global shortage of semiconductors that curtailed manufacturers' supply. That being said, new car registrations remain c12% below pre-pandemic levels in 2021.

Looking ahead, we see room for market growth at least in sync with economic expansion, especially as Greece has one of the oldest vehicle fleets in Europe (c15 years). Were the market to recoup c2/3 of the volumes lost during the recession, we estimate that annual CAGR could be in the low teens.

Total Greek Car Registrations in units and yoy change



Source: Eurobank Equities Research, SEAA, ELSTAT.

EUROBANK Equities

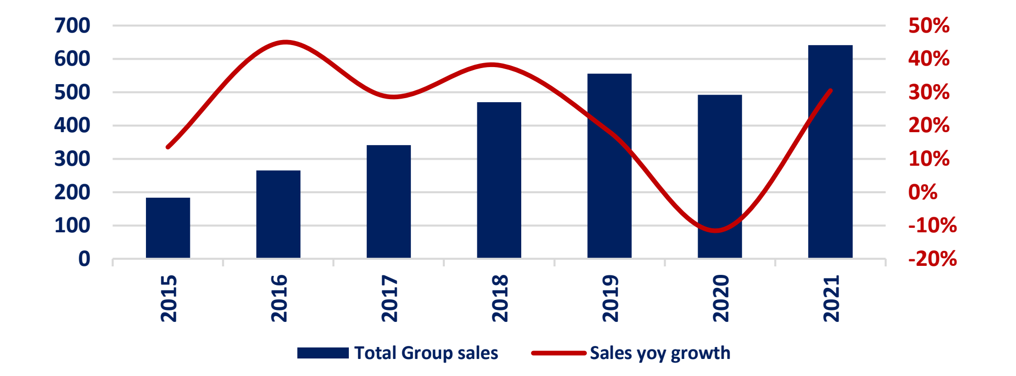
Top line overview

A. Historic performance: solid 2-digit growth track record

Solid track record of 2-digit top line growth…

Autohellas group has a solid track record of top line performance, sustaining double-digit growth every year since 2015 except for the pandemic-affected 2020 when it suffered a 2-digit dip, albeit still outstripping the market performance. Remarkably, the company has achieved this through growth in both of its main segments (as we explain in detail below), namely Auto Trade and RRR (Renting), testament to its multipurpose and well-balanced operating structure built around sustainable revenue through covering a broad spectrum of activities in the business ecosystem.

Autohellas top line performance and growth



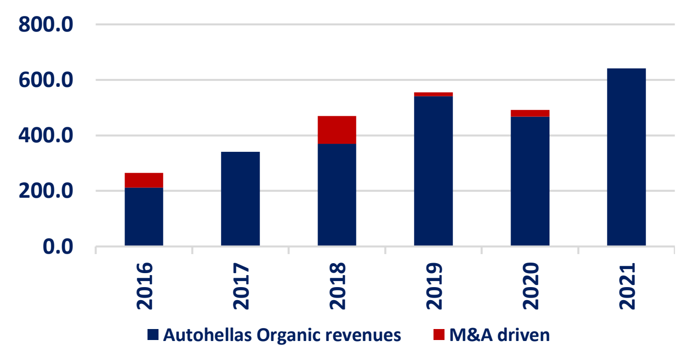
Source: Eurobank Equities Research, Company data.

… with strong organic growth topped up by acquisitions

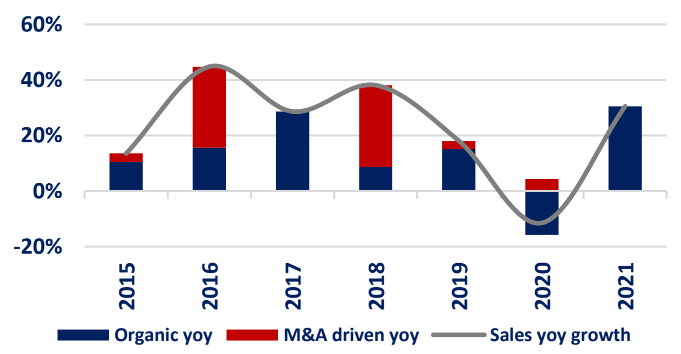
Organic growth has been quite strong since 2014, with Autohellas managing to deliver 9-30% like-for-like growth on our estimates. Organic performance has been further topped up by acquisitions, which constitute a key pillar of growth, particularly for the group's Auto Trade business. Through targeted M&A, Autohellas has expanded both its brand portfolio, while also tapping new markets strengthening its international footing.

Indicatively, recent M&A activity includes the merger of Velmar (a company involved in the retail trade of cars and after sales support) and Technocar (exclusive importer of SEAT cars and spare parts in Greece) in end 2015, and the expansion in Ukraine and Croatia (also in 2015). In 2017 the group proceeded with the acquisition of a 70% stake in HYUNDAI HELLAS and KIA HELLAS, becoming the exclusive importer and distributor of new cars and spare parts of the brands HYUNDAI and KIA respectively. In May 2019 the group acquired ELTREKKA SA which engages primarily in the import, storage, trade and distribution of car spare parts. Below we showcase the evolution of group sales and annual growth rates while separating organic from acquisition-driven growth. We note that more recently Autohellas wrapped up an agreement for the acquisition of Hertz's franchisee in Portugal (Oct'22), a transaction which we present in more detail in a separate section in this report.

Autohellas's organic vs acquisition driven revenues (EUR m)



Yoy growth: Organic vs acquisition driven revenue growth



Source: Eurobank Equities Research, Company data.

In what follows, we set out the dynamics and historical performance of each business segment:

A diversified product offering, with RaC and LtR dual operation offering diversification and smoothening seasonality

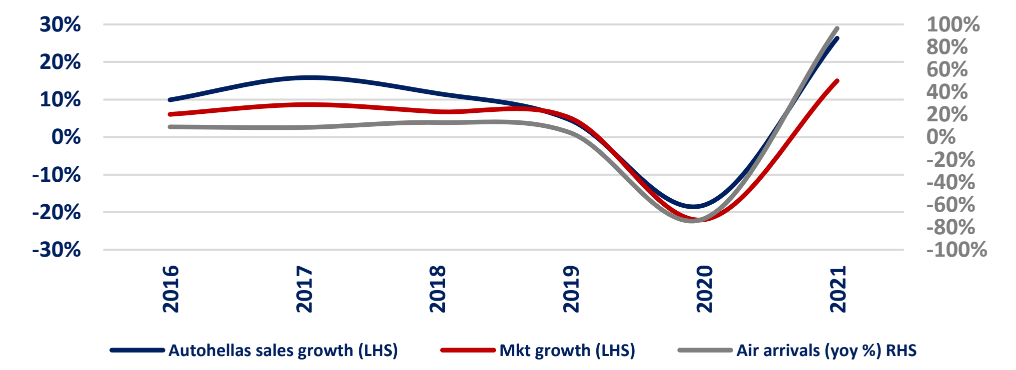
Renting: The renting services (RRR) are the most crucial pillar of profitability for the group, making up c75% of Autohellas's operating profits. Renting services comprise the core – and high margin/return – activities of the group, namely short-term leasing (RaC), long-term rental (LtR) and the resale of used cars after an average holding period of 4-5 years. As mentioned above, RaC profitability hinges on tourism arrivals while LtR is mainly dependent on corporate demand, constituting a factor of stability for the group while also conferring the most significant single source of recurring revenues. The profit on the sale of used cars depends on vehicles' residual value, with the latter being a function of supply (new vehicle production by the manufacturers, off-lease cars) and demand (consumers and dealers seeking late model cars). Since 2014 used car values have recovered, underpinned by improved liquidity conditions in the Greek economy and relatively limited new car supply, with the latter being further exacerbated recently by the supply chain frictions.

From a geographic perspective, the bulk (c77%) of rental revenues stem from Greece with the rest being accounted for by international operations.

Track record of outstripping the market

Historically, Autohellas has outstripped the overall market in terms of growth rates from rental services, recording 7.5% 5-year CAGR (2016-21) compared to c2% CAGR for the Greek market. The outperformance has been the result of Autohellas's dual operation (RaC/LtR) allowing better fleet utilization, the ownership of stations and cost efficiencies. This is evident from the chart below where we show that despite the c70% plummet in the number of tourist arrivals, Autohellas suffered a much milder drop in RRR revenues (-16%) thanks to its diversified portfolio. This compared to a >20% decline for the Greek rental market as a whole during the particular year.

Autohellas' Rental growth (RRR) vs Greek market (RaC & LtR) and air arrivals growth rate



Source: Eurobank Equities Research, Company data.

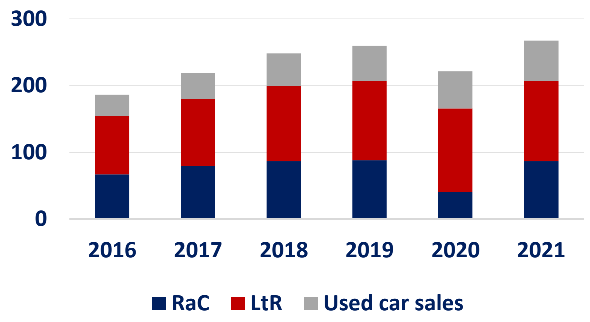
Covid-19 induced a tilt of the RRR mix towards fleet management, which fully unwound in 2021

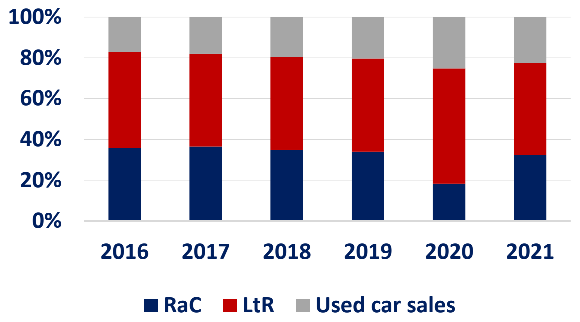
Within RRR, long-term leasing has historically represented c45% of segmental revenues, with short-term leasing making up c35% and used car sales contributing the remaining c20%. The emergence of Covid titled the mix more towards fleet management, as the LtR segment became even more important given the shortfall from RaC revenues. This trend almost fully unwound in 2021, with our future numbers envisaging a rising importance of RaC in the mix underpinned by the solid tourism trends and relatively resilient pricing.

Resale efficiency underpinning rising used car sales contribution

As far as used car sales are concerned, the contribution of this segment in the RRR mix has varied between 17% and 25%. Used car transactions depend on several factors, including not only the supply of new vehicles but also incentives for new cars and other drivers that may affect the pricing power of late model used vehicles. In recent years, the balance between supply and demand for new cars has been very positive and, coupled with limited new car supply, has underpinned a strong price backdrop for used cars. We expect this segment to contribute c€75-85m annually through to 2025e (namely c17-24% of the RRR mix) assuming Autohellas sells c9-11K vehicles per annum in order to replace cars purchased in the previous 4-5 years.

Autohellas's Renting mix (EUR m)	Autohellas' Renting mix (% of total)





Source: Eurobank Equities Research, Company data.

Overall, as depicted from the chart above, RRR has already recouped its pre-COVID level since 2021, with total renting revenues reaching c€270m last year, some c3% above the 2019 mark.

Below we investigate the dynamics of the 2 key sub-segments comprising the RRR division, namely RaC and LtR.

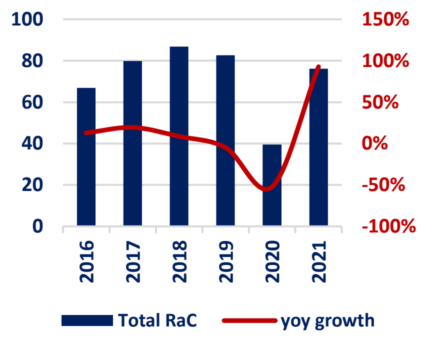
1. RaC:

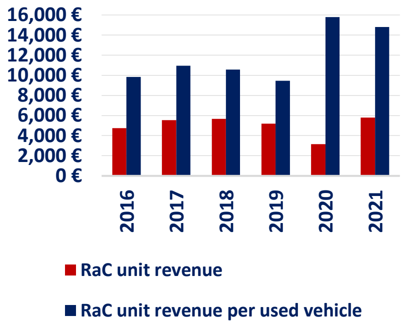
RaC revenues hinging on tourism; back to pre-COVID levels in 2021, driven by a bounce in utilization; pricing has also been strong historically

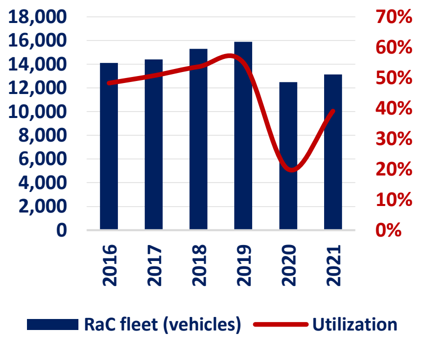
Revenues in RaC are driven by supply (i.e. number of vehicles), utilisation (% of days these vehicles are rented) and pricing. The number of vehicles times the utilization rate gives rental transaction days while unit revenue per day (RPD) reflects the rental fee along with other ancillary sales such as children seats etc.

RaC revenues grew strongly (2-digits) in 2016-17 mainly underpinned by volumes and utilization. Run rates were more tepid in 2018-19 (9%/-5% respectively) due to mild price compression which only partly offset the further pick-up of utilization. In 2020 COVID precipitated a plunge in utilization, with the business quickly bouncing back in 2021 (revenues back to c92% of 2019 levels on our estimates).

RaC sales (€ m) and growth	RaC Unit Revenues (also per usage)	RaC fleet (cars) & Utilization rate







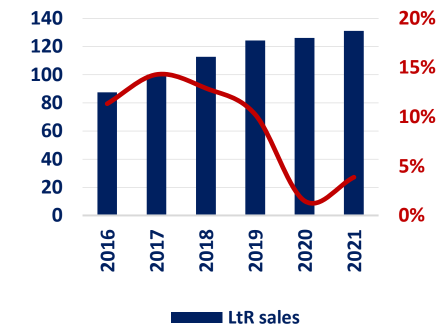
Source: Eurobank Equities Research, Company data. Figures post 2020 are based on our estimates.

2. LtR

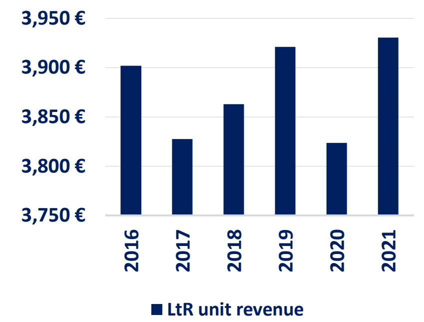
Fleet management mostly driven by volumes, with pricing in general being rather subdued

Long-term rentals (LtR) constitute a key pillar of Autohellas's business model, offsetting the seasonality of the RaC business and providing more visibility to the revenue stream. Key growth pillar historically has been the growth in fleet (12.3% CAGR over 2016-19), which has led to a similar (c12.5%) growth in revenues. Due to intense competition, despite the oligopolistic nature of the industry, pricing has historically acted as a headwind (prices near €4K per annum). That said, the LtR segment was less severely affected by the COVID-induced restrictions with revenues mostly maintained given the resilient corporate demand for long-term leasing, although the fleet has grown at a decelerating pace vs the past.

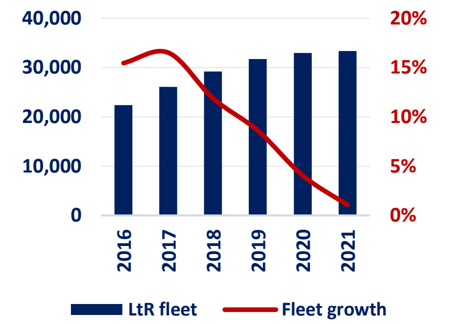
LtR sales (€ m) and growth



LtR Unit revenue



LtR fleet & growth



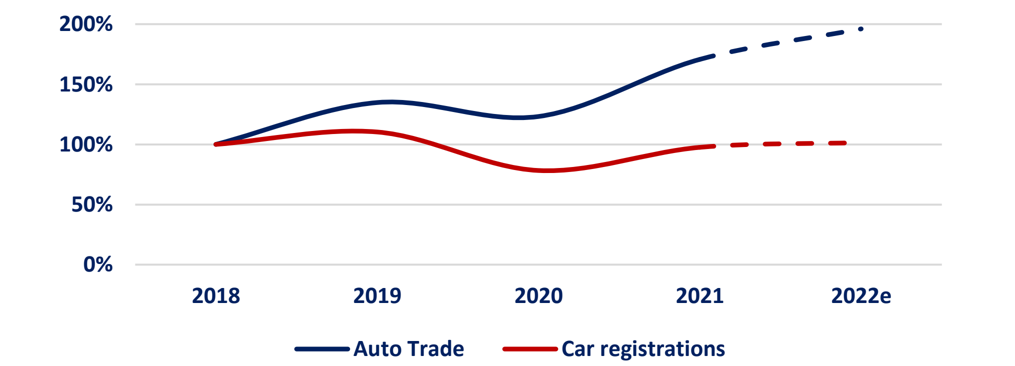
Source: Eurobank Equities Research, Company data. Figures post 2020 are based on our estimates.

Impressive trade track record with +20% CAGR 2018-21, constantly outperforming the market

Auto Trade & Spare Parts: The Auto trade segment exhibits lower profitability margins than the renting division, however it is important from a revenue perspective while having a rising profit contribution. Indicatively pre-tax profit from Auto Trade more than doubled between 2020 and 2021 (to €21m), with another c€8m yoy growth envisaged by our estimates for 2022e. Underpinning the particular division has been the rising demand for the purchase of new cars as evidenced by the evolution of car registrations. Indicatively, car registrations demonstrated double digit growth each year since 2017, except for the pandemic-affected 2020 as consumers sought to replace their cars with new more fuel-efficient and eco-friendly vehicles.

Interestingly, Autohellas's auto trade division has outstripped the market by a significant margin having delivered c20% CAGR between 2018 and 21 compared with a flat market in terms of registrations. This points to consistent share gains. Given that the average life of vehicles in Greece stands around 15-16 years (ACEA data), among the highest within the EU, and that 2021 car registrations (of c100K) are still less than half of peak (2008) figures, there is clearly scope for further market growth. As we mentioned previously, a return of the market to c2/3 of previous peak levels would point to 2-digit growth between 2023e and 2027e.

Autohellas' Auto trade vs Greek market car registration - rebased to 2018



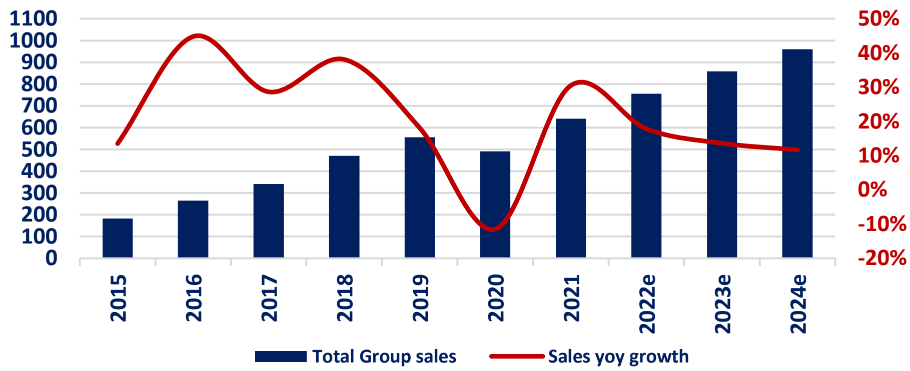
Source: Eurobank Equities Research, Company data, SEAA.

B. Looking ahead: c12% sales CAGR over 2022-25e

Double-digit growth profile underpinned by strong tourism, rising penetration of long-term leasing and accelerating fleet-scale

We forecast group sales CAGR of c12% over 2022-2025e following +17.8% in 2022e (9M +17%) driven by: 1) the full recovery of inbound leisure tourism, 2) rising market share in Auto trade segment, 3) resilient pricing in leasing, given still healthy demand and 4) limited downward pressure on used car prices in the very near term given the tight market. We expect c3% boost on top line CAGR to come from the recent addition of Portugal in the short-term rental business.

Autohellas top line: a 2-digit growth profile over 2022-25e (10% organic)



Source: Eurobank Equities Research, Company data.

A summary of our divisional estimates can be seen in the table below:

Segmental breakdown									
EURm	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**	**2025e**
Used car sales	39	49	53	56	60	78	86	79	78
RRR excl. used car sales	183	201	212	168	212	253	335	367	397
Greece & International Renting	**222**	**250**	**265**	**224**	**272**	**331**	**421**	**446**	**475**
yoy	17.1%	12.4%	6.2%	-15.6%	21.6%	21.6%	27.2%	5.9%	6.5%
Auto trade Greece	**119**	**221**	**290**	**268**	**370**	**425**	**438**	**513**	**583**
yoy	57.8%	86.3%	31.6%	-7.7%	37.9%	15.0%	3.0%	17.2%	13.6%
Group sales	**341**	**470**	**555**	**492**	**642**	**756**	**859**	**959**	**1058**
yoy	28.6%	38.1%	18.1%	-11.5%	30.5%	17.8%	13.6%	11.7%	10.3%

Source: Eurobank Equities Research

Rental activity growing strongly, in sync with improved market dynamics and a growing fleet-scale

As far as the group's core – and high margin – activity is concerned, namely RRR, we forecast total rental revenues to grow in the double-digits (c13% CAGR over 2022-2025e). This comes as a result of:

- a growing fleet scale (2022-2025e CAGR of c3.6%)
- rising utilization rates (in the 66%-67% range) driven by still solid airline demand, with enplanement trends for 2023 also looking quite promising (high single digit growth in the summer period). Despite softening consumer confidence heading into 2023, RaC hinges primarily on inbound tourism – which we expect will stay resilient – while LtR ought to be cautioned by the still underpenetrated long-term rental domestic market.
- A still healthy pricing environment, as reflected in our assumption for >2% unit price growth (revenue per day) post 2023e (following +10% in 2022e and +12% in 2023), broadly in line with forecast inflation.

Overall, our RRR model assumes that growth will be mainly volume-driven, as implied by the 9%/18% growth in transaction days in 2022-23e.

We stress that our forecasts also include the recently announced deal with Portuguese HR Automóveis (analyzed in a separate section below).

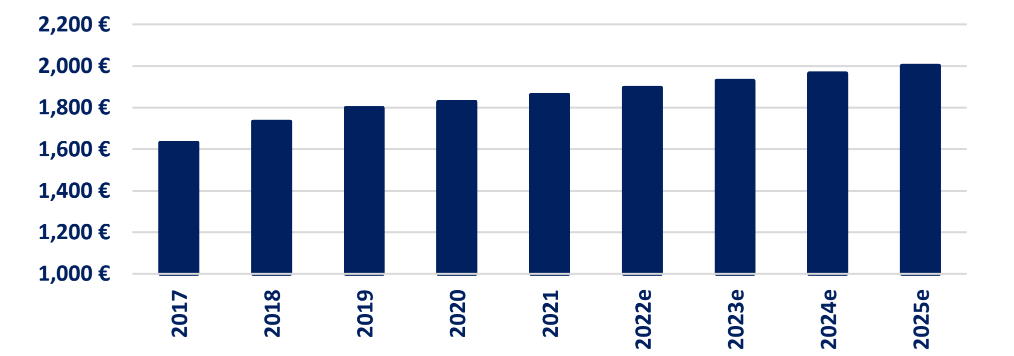
Renting revenue pillars										
EURm	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Vehicles (avg)	34,350	38,500	42,500	46,050	46,550	46,000	50,750	55,250	56,930	59,801
Yoy	10.5%	12.1%	10.4%	8.4%	1.1%	(1.2%)	10.3%	8.9%	3.0%	5.0%
Total RRR utilization rate	60%	62%	65%	65%	54%	61%	61%	66%	67%	67%
Total Transaction Days ('000s)	7,495	8,666	10,007	10,882	9,200	10,312	11,251	13,307	13,896	14,720
Yoy	11.7%	15.6%	15.5%	9.1%	(15.5%)	12.1%	9.1%	18.3%	4.4%	5.9%
Total RPD (revenue per day)	21 €	21 €	20 €	19 €	18 €	20 €	22 €	25 €	26 €	27 €
yoy	0%	3%	-4%	-6%	-5%	12%	10%	12%	5%	2%
Renting sales (excl. used car sales)	**1543**	**183.4**	**202.4**	**207.0**	**165.7**	**207.2**	**248.2**	**330.2**	**361.7**	**391.6**
yoy	11.9%	18.8%	10.4%	2.3%	-19.9%	25.1%	19.8%	33.0%	9.5%	8.3%

Source: Eurobank Equities Research

Used car market appears quite resilient, although we believe it is reasonable to expect normalization

As for used car sales, we expect these to continue contributing a considerable (c15-20%) proportion of the group's RRR sales, as Autohellas will continue to upgrade its fleet in sync with the usual 4-5 years' average holding period. As we mentioned previously, Autohellas is exposed to the second-hand car market given the bulk of its fleet are "risk" cars with no fixed repurchase contracts. On that basis, the group is affected by depreciation rates, which hinge on the state of the second-hand car market and the extent of profits/losses booked on disposals. Historically, depreciation per vehicle has been near €1.7-1.9K per vehicle per annum, which would point to an annual depreciation rate near 12-15% on our estimates translating to a residual value near 40-50% of the vehicle purchase price.

Annual Depreciation per vehicle

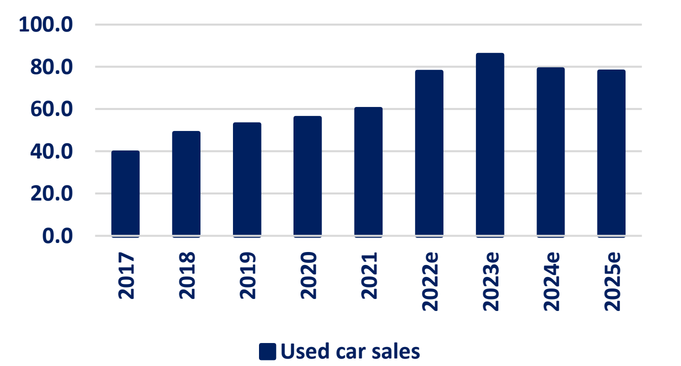


Source: Eurobank Equities Research.

Using this as a template going forward and assuming 10-11K units are sold every year with selling prices trending near €7K) thanks to the low supply of vehicles, we model used car sales growing to €80-85m in 2023-24e from c€75m we estimate in 2022e.

Car sales in units and sale price in EUR'000s

Used car sales in EURm

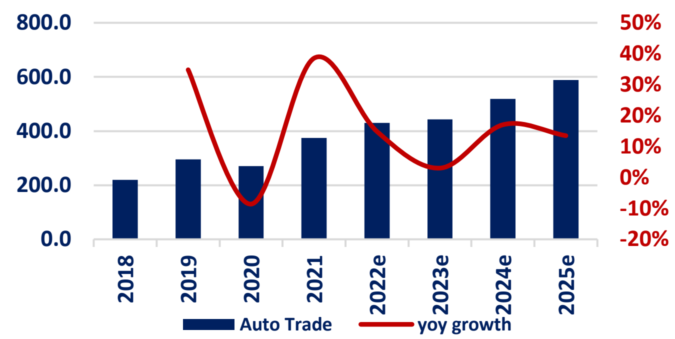


Source: Eurobank Equities Research, Company data.

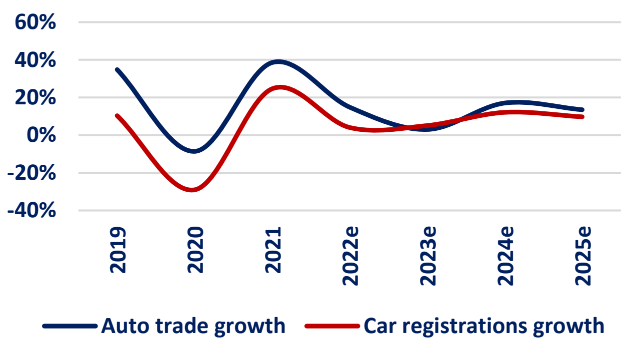
Further growth in Auto trade as market is still markedly below its previous peak and the Greek fleet is aged

With regard to the auto trade division, following an almost 40% bounce in 2021, 2022 continues on a strong trajectory (9M sales +14%) despite the supply chain challenges. We estimate FY'22 auto trade sales of €425m, +15% yoy while modelling c11% CAGR over 2022-2025e supported by the vast room for the market's mean reversion (market still down c60% from the peak in 2021). Although we do not envisage a full retracement of 2008 peak levels, we believe the market is poised for a partial come-back taking into account the ageing fleet (~15-16 years).

Auto trade sales



Auto trade growth vs Greek market growth



Source: Eurobank Equities Research, Company data, SEAA.

Costs

A. Cost structure

Cost base mainly reflecting COGS, with a different margin structure between the 2 main segments

The cost structure of car rental companies comprises direct operating costs (partly variable), fleet costs (purely variable) and SG&A. Costs tend to be cyclical, in other words they tend to increase in an economic downturn (e.g. rise in financing costs, increase in fleet depreciation), and as a result, utilization is an overriding driver of performance, returns and margins. Viewed in this light, Autohellas's operation of both a short-term and long-term lease model coupled with the auto trade distribution enable the group to bolster utilisation rates, and consequently, to enjoy best-in-class margins among its peers as we show later in this section.

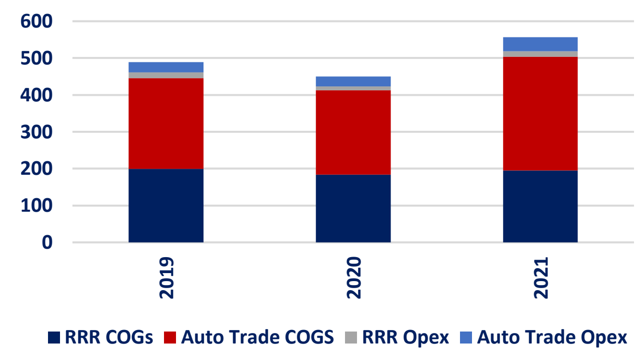
Autohellas' cost base amounted to >€550m in 2021, corresponding to 87% of revenues thus leaving c13% as EBIT margin at group level. Given the different margin structure of the group's two main segments, namely RRR (rental-related) and Auto Trade, it is worth stressing that the latter accounts for >60% of the total cost base (mostly within COGS).

Segmental overview			
EURm unless otherwise stated	2019	2020	2021
Renting Greece & International			
Renting sales	265	224	272
Renting COGS	-200	-184	-195
Renting Gross profit	**65**	**40**	**77**
Renting Gross margin	25%	18%	28%
- Opex RRR	-16	-11	-15
EBIT Renting	**49**	**29**	**62**
EBIT margin RRR	18%	13%	23%
Auto Trade Greece	2019	2020	2021
Auto Trade sales	290	268	370
Auto Trade COGS	-246	-229	-309
Auto Trade Gross profit	**45**	**39**	**61**
Auto Trade Gross margin	15%	15%	16%
- Opex Auto Trade	-28	-27	-38
EBIT Auto Trade	**17**	**12**	**23**
EBIT margin Auto Trade	6%	5%	6%
Group	2019	2020	2021
Sales	555	492	642
COGS	-445	-412	-504
Gross profit	**110**	**79**	**138**
Gross margin	20%	16%	21%
Opex	-44	-38	-53
EBIT	**66**	**42**	**85**
EBIT margin	12%	8%	13%

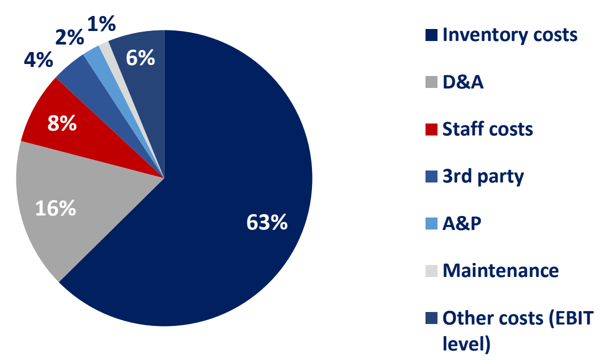
Source: Eurobank Equities Research

As far as the cost categories are concerned, as one would expect inventory forms the bulk of the expenses' base making up c63% of total costs. The next most important single cost component is depreciation (16% of costs), a key element of fleet holding costs for the group. Staff costs are the third largest item (c8% of costs), with 3rd party expenses contributing c4% of the cost base (encompassing royalties/commission expenses). The remaining expenses comprise advertising, maintenance, insurance, utilities and other costs.

Cost breakdown (% of total costs)



Autohellas' Cost Base (2021)



Source: Eurobank Equities Research, Company data.

Gross margin recovered to pre-Covid levels; expecting a mild erosion in the coming years as several tailwinds start to roll off (e.g. supply chains, pricing, tourism-driven boom)

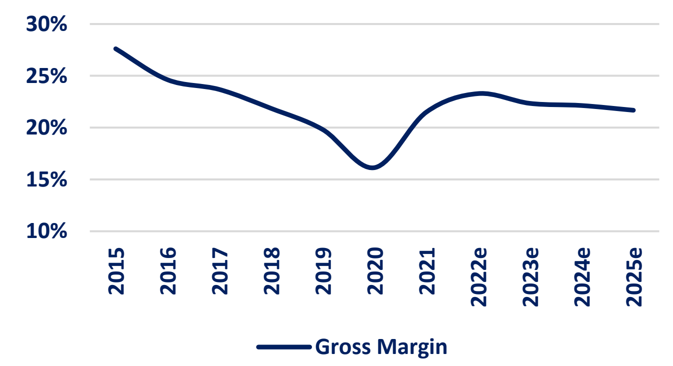
From a historical viewpoint, the rising contribution of Auto Trade in the group revenue mix drove a margin erosion post 2016, with group gross margins decreasing from 28% in 2015 to 20% in 2019. Following a temporary further de-debasement in 2020 precipitated by COVID, group gross margins bounced to 21% in 2021. Across the 2 main segments, we note the following:

- **Auto trade:** Since 2018, the gross margin of auto trade has been hovering near 15-16%. We envisage limited variation from current levels (following a temporary boost in 2022e) as increasing scale continues to drive further efficiencies offsetting any inflationary pressures.

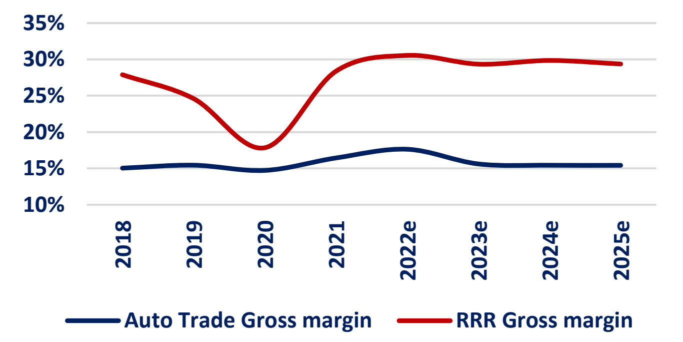
- **RRR:** The rental segment has enjoyed superior gross margins, namely in the 25-34% range (with COVID-affected 2020 troughing at a still respectable 18% level). The gross margin in 2021 retraced closer to the 30% mark and looks set to reach 31% in 2022e on account of increased utilization underpinned by tourism/corporate demand and a very robust used-cars market. We do anticipate segmental margins to trend somewhat lower post 2023 as pricing slows, supply of vehicles across the auto ecosystem starts to normalize and depreciation costs start to increase.

At group level, what this boils down to is a 1.8pps margin expansion this year and a mild erosion post 2024e, but with group gross margins remaining healthy at a robust 22% level.

Autohellas group gross margin



Gross margins by segment: Auto trade and renting margin



Source: Eurobank Equities Research, Company data.

Of note is that the aforementioned reported gross profit/margins are net of the depreciation, the bulk of which is accounted for in COGS (and mainly relates to cars D&A). Further down in the P&L, the remaining operating costs account for c10% of the total cost base corresponding to an opex/sales ratio near 8%.

The table below presents an overview of our forecasts for the group. As can be seen, we expect the benefits of operating leverage to be manifested in a fairly unchanged opex/sales ratio which will partly offset the mild gross margin erosion described above (from 2023 onwards). As such, we envisage resilient, though slightly decelerating, adjusted EBITDA margins (namely post vehicle D&A only) in the 15% level (16% in 2022e), thereby leading to c8/9% adj. EBITDA/EBIT CAGR over 2022-2025e.

Profitability evolution

€ m	2018	2019	2020	2021	2022e	2023e	2024e	2025e	22-25e CAGR
Revenues	**470.4**	**555.4**	**491.7**	**641.6**	**755.9**	**858.8**	**959.1**	**1,057.9**	**11.9%**
- o/w Renting	249.6	265.0	223.6	271.9	330.7	420.8	445.6	474.6	
- o/w Auto Trade GR	220.8	290.5	268.1	369.8	425.2	438.1	513.4	583.3	
COGS	367.5	445.4	412.4	503.7	579.9	666.9	746.8	828.5	
Gross profit rep.	**102.8**	**110.0**	**79.4**	**137.9**	**176.0**	**191.9**	**212.3**	**229.3**	**9.2%**
margin	21.9%	19.8%	16.1%	21.5%	23.3%	22.3%	22.1%	21.7%	
Opex	27.9	34.1	37.9	54.0	62.8	71.0	78.2	85.0	
Opex/sales	5.9%	6.1%	7.7%	8.4%	8.3%	8.3%	8.1%	8.0%	
EBIT	**71.9**	**66.0**	**41.6**	**84.8**	**113.4**	**121.4**	**134.6**	**144.8**	**8.5%**
- o/w Renting	12.7	48.8	29.3	61.9	81.2	98.4	108.8	115.1	
- o/w Auto Trade GR	59.2	17.2	12.4	22.9	32.2	23.0	25.8	29.7	
EBIT margin	15.3%	11.9%	8.5%	13.2%	15.0%	14.1%	14.0%	13.7%	
Non cars D&A	3.4	8.5	8.6	8.5	8.4	8.3	8.2	8.2	
Adj. EBITDA	**75.3**	**74.5**	**50.3**	**93.3**	**121.8**	**129.7**	**142.9**	**153.0**	**7.9%**
Adj. EBITDA margin	16.0%	13.4%	10.2%	14.5%	16.1%	15.1%	14.9%	14.5%	

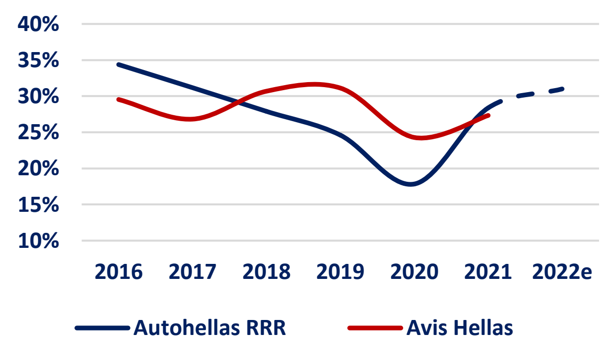
Source: Eurobank Equities Research

Autohellas's rental margins are best-in-class among international peers

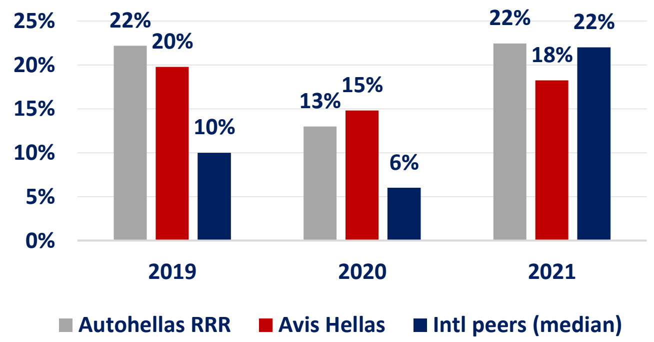
Contrasting the margins of Autohellas against those of peers, once can see that Autohellas screens as one of the best-in-class car rental companies. In particular:

- Compared with its domestic competitor Avis Hellas, Autohellas has gross margins which are quite similar and have moved broadly in tandem. As we display below, Autohellas's rental gross margin (i.e. excluding the trade segment) has fluctuated between 20% and 35% in the last 6 years, settling at 28% in 2021. This was a tad above the respective margin of Avis Hellas. Leaseplan Hellas had a 25% gross margin in 2021, while Sixt Hellas delivered margins a bit higher than that. In general, gross margins for Greek car rental companies tend to be in the 25-30% range.
- Compared with its international peers, Autohellas's rental segment screens out as one of the highest-margin businesses, with an EBIT margin near 22% in 2021, similar to that of foreign peers. This is a testament to the benefits from scale and network effects (given Autohellas's regional presence and significant size in Greece) as well as the dual operation of short- and long-term leasing. Of note is that the latter protected Autohellas's profitability to a great extent during the tough 2020 period, as it managed to deliver a respectable mid-teens operating margin compared with a single-digit figure for international peers. In fact, several peers switched into the red, including the franchisor Hertz, Avis and Sixt. In general peers operating long-term fleet management services in addition to short-term car rental fared much better than the rest (e.g. Movida, Localiza).

Autohellas' renting gross margin vs Greek peers



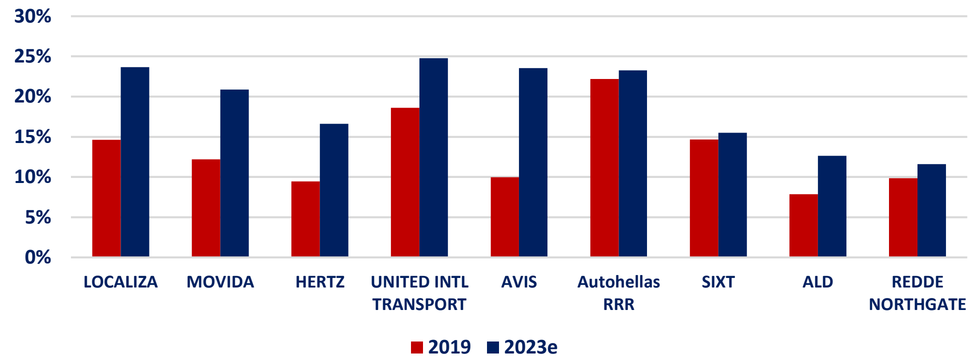
Autohellas' EBIT renting margin vs Peers



Source: Eurobank Equities Research, Companies' data, Bloomberg.

The below table validates the aforementioned observations regarding Autohellas's positioning among international peers in terms of margins. As we show, Autohellas enjoyed superior margins to other peers even before the pandemic erupted and looks poised to retain this advantage in 2023e. As far as the peer group is concerned, we note that this comprises both companies offering primarily short-term rentals (e.g. US peers) and names operating a dual model (e.g. Localiza, Movida).

International peers EBIT margin vs Autohellas' EBIT renting margin



Source: Eurobank Equities Research, Bloomberg.

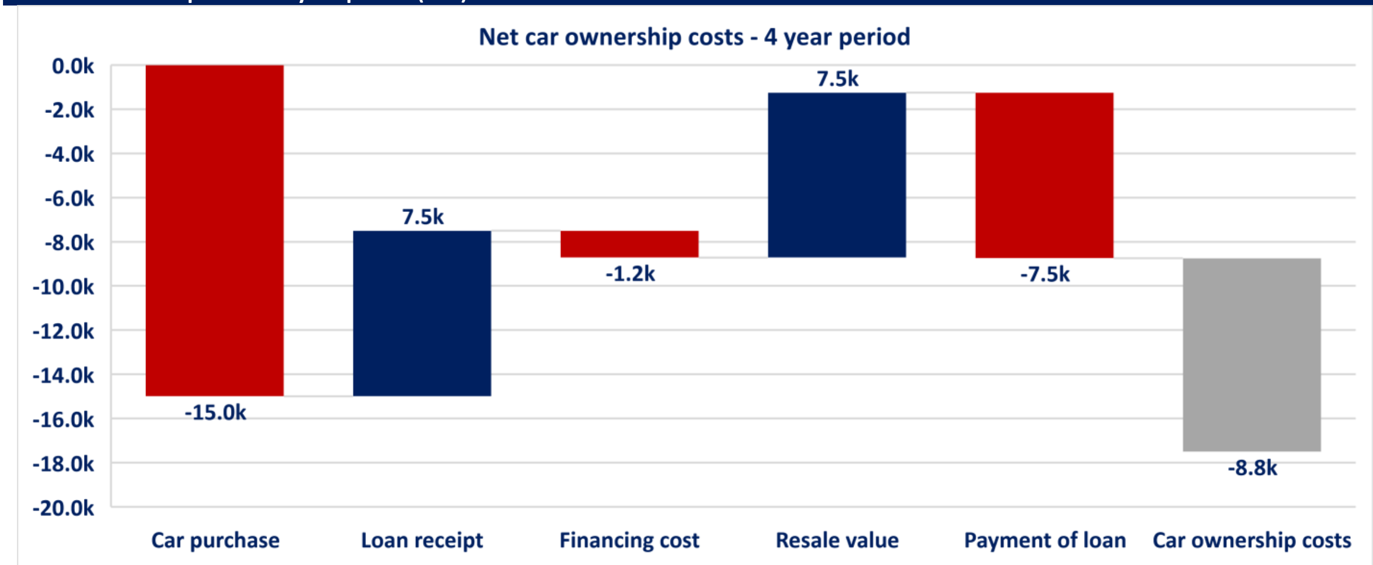
In the section that follows we seek to explain the economics of the rental business in terms of revenue generation, associated costs related to the holding period of an average vehicle and the potential return that is extracted on average.

Vehicle 'lifecycle' for Autohellas is 4 years; expenses comprising holding costs (depreciation, financing), operating and overheads

B. Unit costs and return per holding period

- **Lump sum inflows/outflows:** The holding period starts with the investment in a new car, with the purchase price obviously hinging on the buying power of the rental company. The purchase price along with the re-sale price determine to a great extent fleet ownership costs and the resulting return on investment. Clearly a dual-operation business offering fleet management in addition to short-term rental is better placed to match fleet size to demand while enjoying the necessary scale required to secure better purchase terms. In our simplified return model, we have assumed a purchase price near c€15K per car. Given there is no guaranteed buyback price, Autohellas assumes the risk of the second-hand car market, with the sale price depending on the depreciation during the holding period.
- **Other ownership costs: fleet depreciation plus financing costs**
  - **a. Fleet depreciation:** This is calculated as the initial price being paid for a vehicle minus the residual value at the end of the assumed holding period. Depreciation rates are affected by a variety of factors, among which the status of the second-hand car market, the fleet age, the vehicle mix etc. Depreciation per vehicle has been between €150-160 per unit per month in the last 7-8 years, and on that basis, we estimate a total of €7.5K depreciation over the 4-year holding period. This would translate into a residual value near 50% of the initial purchase price.
  - **b. Financing costs:** Fleet acquisition is normally funded using >50% loan-to-value (through securitized financing). In Autohellas's case, for the purpose of this exercise we have assumed a 50% LTV, thereby resulting in an interest cost near €1.2K for the 4-year holding period (assuming 4% financial expense).
- Overall, we estimate that net car ownership costs amount to c€8.8K for a 4-year typical holding period.

Net car ownership costs – 4 year period (in €)



Source: Eurobank Equities Research

We estimate unit adj. EBITDA near €7K per vehicle

As far as the rest of the fleet costs is concerned:

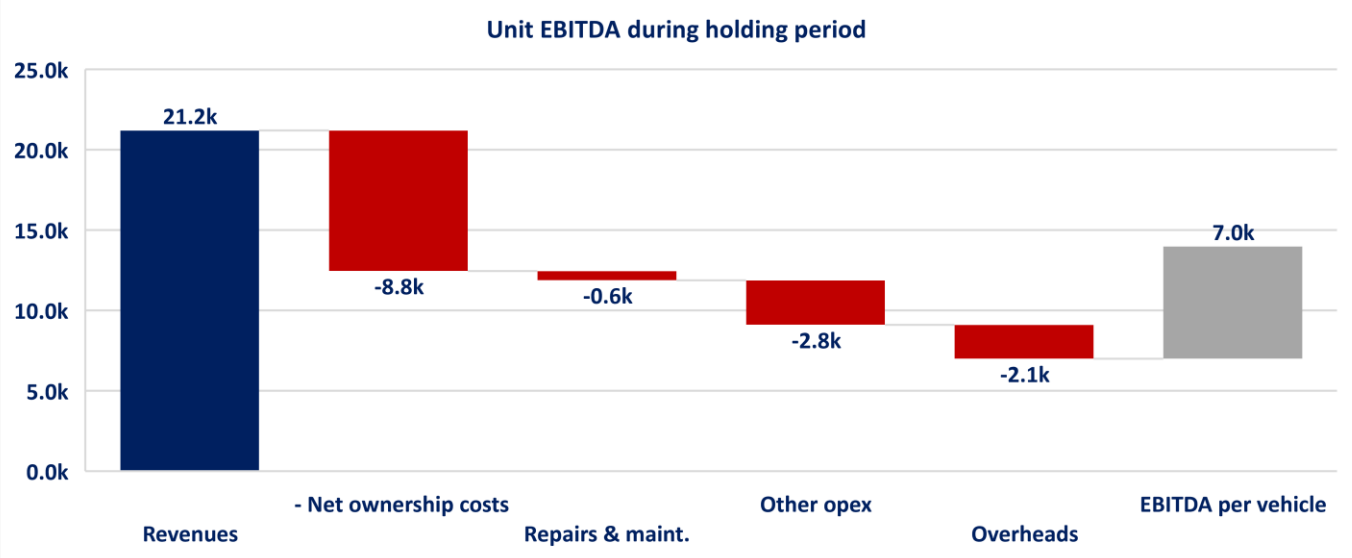
- **Vehicle operating costs:** these include all costs related to managing the fleet, including car repair & maintenance costs, 3rd party commissions (e.g. booking agents), car wash/petrol, airport POS rents and direct staff costs. Overall, we estimate that the aforementioned costs amount to c€3.4K per vehicle during the holding period.
- **Overheads:** We consider headquarter costs, IT costs and marketing costs as overheads.

Assuming an average utilization rate of c66% (in sync with the pre-COVID period and our forecast for 2023e) and a unit revenue of c€22 per transaction day, we estimate that each vehicle brings about c€21.2K revenues in a 4-year holding period. Taking into account the aforementioned ownership and operating costs, we estimate a contribution margin per vehicle near €9.1K This can comfortably cover the overheads resulting in an EBITDA per vehicle near €7K for the 4 years (or €1.7K per annum), quite a high figure by international standards, indicative of Autohellas's high efficiency and solid positioning in the region.

… pointing to returns on investment >20%

As far as returns are concerned, the robust unit economics lead to >20% return on investment. This is quite natural, since the 50% LTV means that the net investment (the equity portion) is half of the purchase value while the lean operating model leads to contribution margins >40%.

Profitability per vehicle over a 4-year lifetime (€)



Source: Eurobank Equities Research

Indicative of the importance of utilization is the sensitivity of profitability/returns to a swing in utilization rates. In particular, we estimate that a 1% change in this rate (which effectively corresponds to a c1.5% increase in rental days) drives a 4% increase in EBITDA, with the operating leverage stemming from the fact that ownership costs are fixed (along with the overheads). On its turn, this would drive returns on investment up by c4pps.

Cash flow generation

Solid cash conversion record, on tight working capital management

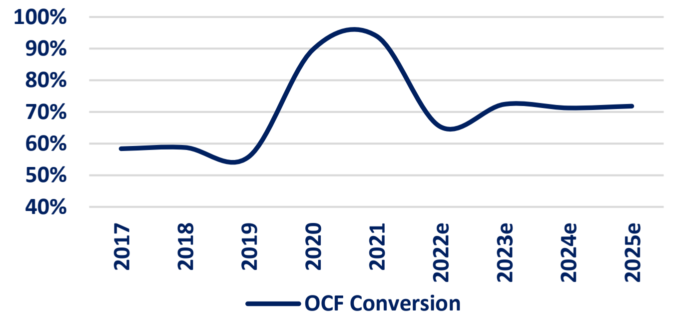
The group has a solid track record of cash flow generation enjoying a lean operating working capital structure (excluding car inventory). Adjusted operating cash flow (excluding investments in cars) has consistently exceeded 50% of reported EBITDA, while it has recently been rebased even higher (c90-95%), given the tight management of working capital. In specific, Autohellas's trade segment has accumulated backlog orders that significantly reduced the WC needs, underpinning the very solid cash conversion of the group. Looking forward, we expect that as chip shortages wane, the OCF conversion will somewhat retrace lower towards c65%-c75% of EBITDA, supported by working capital discipline.

Capital intensive industry, with net fleet capex at c70% of EBITDA

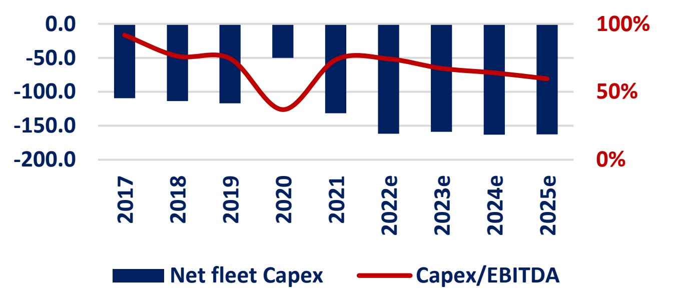
Operating in a capital-intensive industry, over the last 5 years Autohellas has invested c€780m in fleet purchases (gross, i.e. excluding vehicle sales), with its fleet size scaling up from c40K in 2017 to >48K currently. Fleet capex reflects both the cost of replacing sold vehicles and investment in new vehicle capex. In general, we estimate replacement capex has ranged between 55% and 70% of total gross investment, with the rest being growth purchases. Post fleet sales (usually near €50-55m per annum), net investment (namely capex for fleet growth and replacement net of the fleet sold) has ranged between €110m and €132m in the last 5 years. This means that Autohellas has been spending c70% of EBITDA on average in net investment (outlay for fleet growth, outlay for replacement of vehicles sold, inflow from cars disposed). Obviously, 2020 was an exception as COVID led to a pause in Autohellas's investment plans.

Looking ahead, we expect net investment to be in the €150m-€165m area, higher than in the past in nominal value, albeit a lower % of EBITDA (c50-70% post 2024), as we incorporate net additions of some 2K vehicles per year (vs 3K-4K net during pre-pandemic years).

Cash conversion (Adj. OCF/EBITDA)



Autohellas' net capex & as % of EBITDA



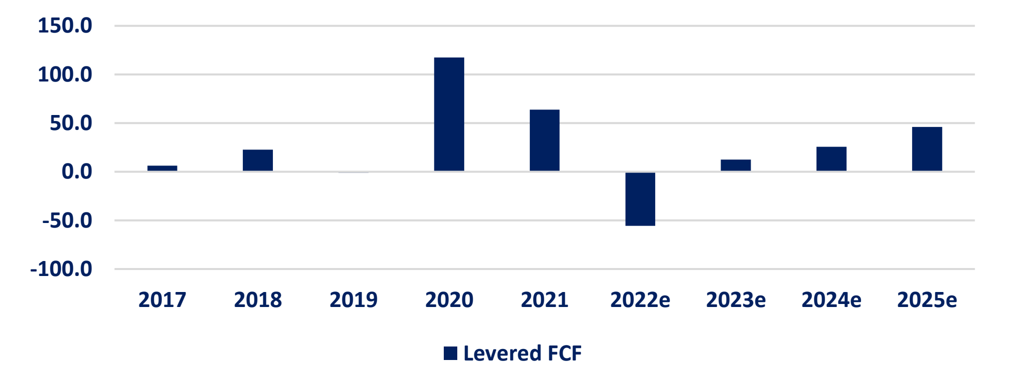
Source: Eurobank Equities Research, Company data.

Cash flow generation to continue providing a key funding source for fleet purchases

In terms of overall cash flow generation, namely equity Free Cash Flow, the healthy OCF conversion thanks to disciplined working capital management has allowed Autohellas to comfortably finance its fleet purchases. As a result, equity free cash flow (FCFE) has been positive in most years, despite the heavy investment plan, allowing Autohellas to pay quite generous dividends, as we explain in more detail in the next section, and to reduce its debt-to-equity ratio from c150% to c120%. Indicative of the solid cash flow generating capacity of Autohellas is that steady state FCF, namely including only fleet replacement capex (proxy for maintenance capex) has been rebased from <€40m (albeit still positive) in 2015-19 to higher levels post 2020.

Looking ahead, we expect Autohellas to sustain resilient cash flow generation, supported by solid operating results, enough to not only finance a significant proportion of fleet capex but also continue to have in place an attractive dividend policy.

Autohellas' FCF evolution (levered FCF) in €m

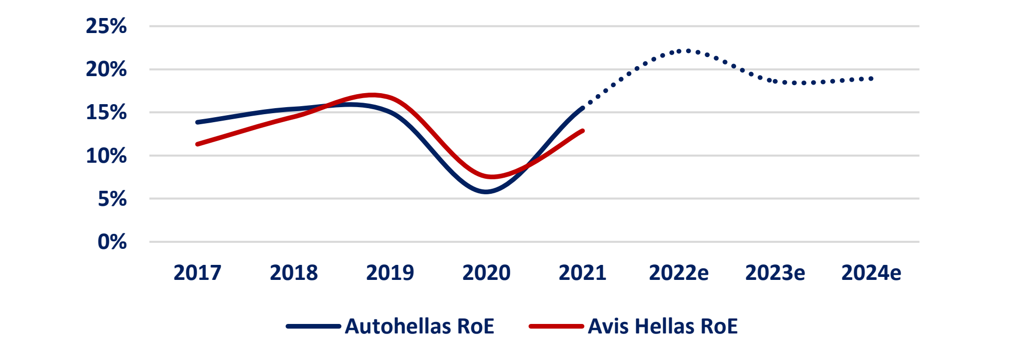


Source: Eurobank Equities Research.

… with ROE in the 20% area

As a result of the high margins, Autohellas has delivered quite robust ROE (Return on Equity), namely c15% during normal years. As can be seen, this has been broadly in sync with the returns delivered by Avis, quite natural given both groups' solid positioning in the regional market. Looking ahead, Autohellas is on track to deliver ROE above 20% in 2022, with our numbers envisaging a peak in 2022-23 and a retracement lower in the outer years, albeit still near the 20% mark.

Autohellas vs Avis Hellas RoE



Source: Eurobank Equities Research, Company data.

…and resilient cash flow generation despite heavy fleet investments

Below we summarize the main cash flow pillars for the group for the period 2018-2024e. As can be seen, we expect the EBITDA increase to filter through to rising operating cash flow (>€165m operating CF post 2023) underpinned by healthy tourism dynamics and market share gains for Autohellas. This will allow the group to comfortably fund investments of €150-160m, retain a compelling dividend policy (c25% payout assumed in our model) and keep net debt at near €450m levels by 2025e).

Summary Cash Flow								
EUR mn	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**	**2025e**
EBITDA reported	148.9	157.3	135.3	178.9	217.9	236.2	254.7	272.6
Change in Working Capital	-3.6	-21.4	18.5	26.4	-25.2	-8.0	-9.8	-8.5
Cars sold profit	-15.6	-12.5	-14.1	-12.5	-24.5	-18.8	-20.6	-23.4
Net interest	-13.8	-11.3	-4.8	-7.2	-14.7	-23.9	-23.0	-17.7
Tax	-11.3	-13.2	-1.0	-3.8	-18.4	-18.1	-21.5	-24.6
Other	-17.2	-11.1	-12.7	-13.6	0.0	0.0	0.0	0.0
Adj. Operating Cash Flow	**87.5**	**87.8**	**121.3**	**168.1**	**135.1**	**167.5**	**179.8**	**198.4**
Net fleet Capex	-113.5	-117.1	-49.9	-131.7	-161.8	-158.9	-162.9	-162.5
Other investing	1.5	9.6	-6.4	-9.7	-51.5	-5.0	-0.1	2.0
Net Investing Cash Flow	**-112.0**	**-107.5**	**-56.4**	**-141.4**	**-213.3**	**-163.9**	**-163.0**	**-160.5**
Capital repayment of lease obligations	0.0	-4.5	-4.2	-5.3	-5.4	-5.5	-5.5	-5.6
Free Cash Flow (Levered)	**-24.5**	**-24.2**	**60.7**	**21.4**	**-83.6**	**-1.9**	**11.3**	**32.3**
Dividends/shareholders returns paid	-13.4	-19.0	-11.2	-11.1	-74.0	-19.4	-20.4	-22.6
Other	15.5	-14.7	15.3	0.4	28.1	14.5	14.4	14.0
Inflow / (Outflow)	**-22.4**	**-57.8**	**64.8**	**10.7**	**-129.5**	**-6.8**	**5.3**	**23.7**
Net debt / (cash)	**359.4**	**417.2**	**352.4**	**341.7**	**471.1**	**478.0**	**472.6**	**448.9**

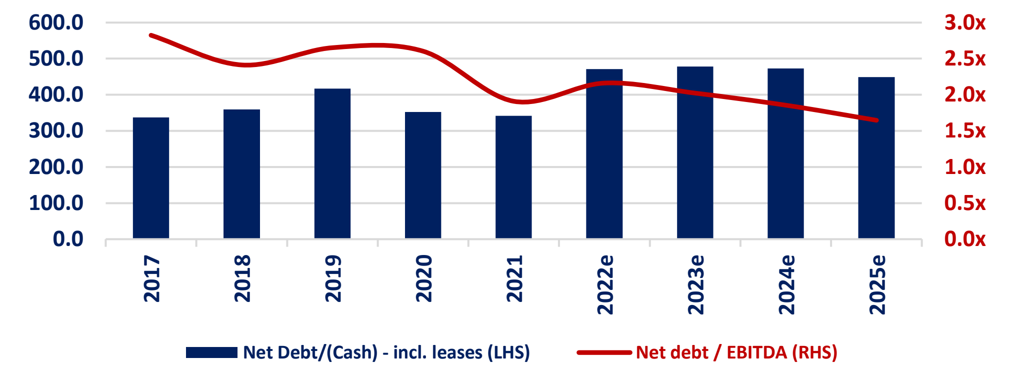
Source: Eurobank Equities Research

Balance sheet and shareholder returns

Healthy financial position with net debt to EBITDA trending to 1.6x by 2025e

Autohellas enjoys a healthy financial position, with a net debt/EBITDA ratio <2x since 2021, down from 2.5-2.8x in previous years. Effectively, thanks to its proven ability to “de-fleet” in a downturn (as shown in the 2015 and 2020 periods), Autohellas has preserved cash during difficult years. During growth periods, Autohellas remains highly cash generative being able to at least partly finance its investments through internally generated FCF. Looking ahead, we anticipate leverage to retreat further closer to c1.6x net debt/EBITDA by 2025e.

Autohellas’ net debt / (cash) in €m and ratio over EBITDA

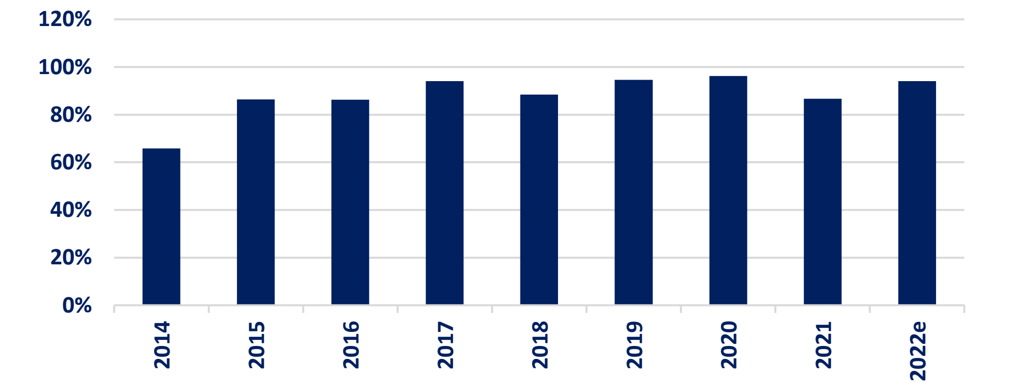


Source: Eurobank Equities Research, Company data.

… and an underleveraged balance sheet compared with sector norm

As context regarding the car rental balance sheet structure, normally these companies have quite high debt positions since most of them use securitizations to fund the purchase of cars, with LTV typically at high levels (>80%). With securitized fleet-related debt being backed by vehicle assets (which in many cases are guaranteed through pre-agreed buy-back prices), normally car rental businesses top up their leverage by using loans on top of fleet debt. This is contrary to the case of Autohellas, which has a very prudent capital structure with total net debt being lower than the vehicle book value (<100%) and no “corporate” debt on top.

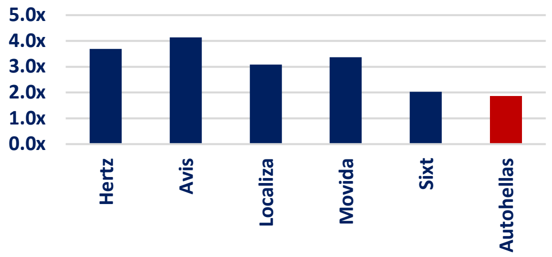
Autohellas net debt as % of Vehicle Book Value



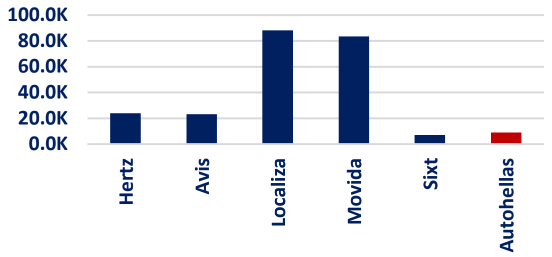
Source: Eurobank Equities Research, Company data.

The aforementioned point is validated in the chart below, where we show that Autohellas’s leverage remains markedly below the levels of other big international rental companies (usually near 3-4x EBITDA). In fact, as mentioned above, given that these companies normally have extra leverage on top of fleet debt, Autohellas looks unlevered in that respect (zero corporate debt). This is also evident on a per unit basis, with Autohellas net debt at just <€9K per vehicle, namely comparable to the level of Sixt and markedly below the usual >€20K for other car rental companies.

Net debt/EBITDA



Net debt/vehicle (€)



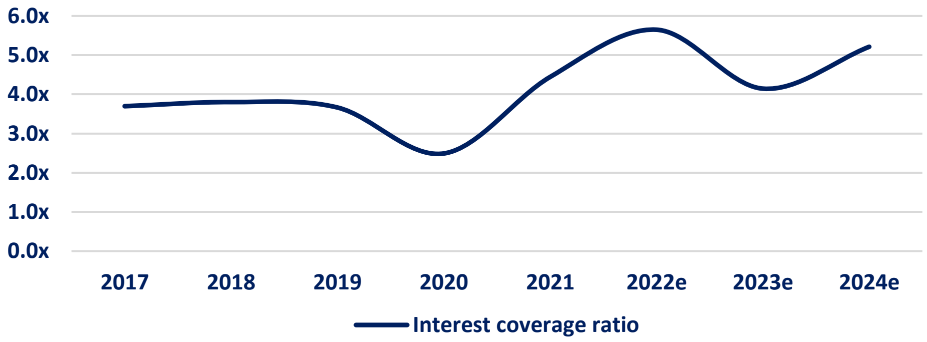
Source: Eurobank Equities Research, Bloomberg.

We note that the high debt levels of several international car rental companies, along with operating inefficiencies in some cases, have catalysed industry consolidation in recent years. Indicatively ALD is on set to merge with Leaseplan (with a rights issue as part of the deal), Localiza has merged with Unidas while Europcar has been acquired by Green Mobility Holding (JV owned by VW).

…with very comfortable liquidity/coverage ratios

Against this background, and taking into account the cyclicality of costs, it becomes clear that the ability to generate enough returns to cover interest costs is a sine qua non. As we display below, Autohellas's interest coverage has been c4x over 2017-2021 (with the exception of COVID-affected 2020). In that regard, the group's resilient cash flow generation provides a material cushion against the increasing interest rates and fleet financing costs. Indicatively, in the case of a 1ppt higher interest rates, EBIT coverage would be near 6x on our estimates.

Autohellas's EBIT coverage (EBIT/net interest expense)

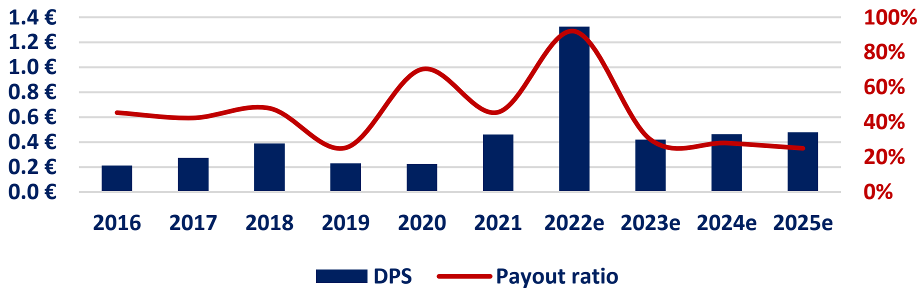


Source: Eurobank Equities Research, Company data.

Balanced capital allocation policy and consistent returns to shareholders

Autohellas has a solid track record of rewarding shareholders while also growing the dividend over time, notwithstanding the substantial investment program over the recent years. Testament to mgt's willingness to reward shareholders was the announced a €1.0/share capital return (indicating a hefty c10% DY at the time of the announcement). The average payout ratio has been near 45% (as percentage of annual net profits). Looking ahead we have assumed a c25% payout, which we believe reflects a well-balanced approach between investing for growth and rewarding shareholders.

Payout ratio (% of earnings) and dividend per share



Source: Eurobank Equities Research, Company data.

Estimates and main assumptions overview

Key pillars to our estimates are our assumptions for ongoing strength in the tourism market, with 2023 set to benefit from the reopening effect as Q1'22 incoming traffic was still >30% below pre-COVID levels. We expect this driver to underpin RRR utilization rates (utilization to 66-67% vs >70% usually for international peers) and prices (EEe envisaging 10-12% growth in RPD in 2022-23e) and be coupled with a rising contribution from LtR and a boost from Portugal, thereby leading to >20-27% yoy growth in RRR in 2022-23e. Looking further out, we have assumed slowing growth trending down to a high single-digit figure mainly driven by volumes (cars and utilization) rather than pricing. We expect RRR numbers to be further underpinned by Long-Term Rental structural drivers, namely the rising penetration in SMEs.

As far as used car sales are concerned, residual value is indeed a key area of risk (as is the case for all leasing businesses). Production constraints and supply snarls have underpinned strong second-hand prices in recent quarters, but these factors ought to wane at some point, thereby potentially putting some pressure on used car unit prices. The latter will effectively translate into a higher ownership cost for Autohellas. On the other hand, a weakening of the second-hand car market may also coincide with a softening of demand for new cars, which is likely to mean better sourcing terms for Autohellas, thereby acting as an offset to the above. In any case, our model assumes c€8m growth in used car sales in 2023 and lower numbers thereafter.

Incorporating our estimates for 3-17% growth in the low-margin Auto trade business in 2023-24e, we come up with 14% group growth in 2023e following 18% in 2022e. We expect this to fade to 12% in 2024 and c9-10% thereafter.

On the profit front, we have incorporated limited positive operating leverage anticipating that costs will increase slightly to 85% of sales in the next 3 years (similar to 2021), feeding to an adj. EBITDA margin between 14.5% and 16%. This will correspond to 7% growth in 2023 adj. EBITDA following a blowout 31% growth in 2022e, rising to c10% in 2024e (on positive operating leverage) and c6-7% in the outer years.

Cash flow wise, we expect cash conversion rates in the c70% area, with dividend payout at c25% and an avg. net fleet capex/EBITDA investment ratio of c55-70%. Using these assumptions, Autohellas will be able to lower its net debt from 2024e onwards.

Main estimates and assumptions

EUR mn	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Average Vehicles	42,500	46,050	46,550	46,000	50,750	55,250	56,930	59,801
yoy	10.4%	8.4%	1.1%	(1.2%)	10.3%	8.9%	3.0%	5.0%
Total RRR Utilization rates	64%	65%	54%	61%	61%	66%	67%	67%
Total Transaction Days ('000s)	9,976	10,882	9,200	10,312	11,251	13,307	13,896	14,720
yoy	15.1%	9.1%	(15.5%)	12.1%	9.1%	18.3%	4.4%	5.9%
Total RPD	20 €	19 €	18 €	20 €	22 €	25 €	26 €	27 €
yoy	-4%	-6%	-5%	12%	10%	12%	5%	2%
Total RRR sales (ex used car sales)	**202.4**	**207.0**	**165.7**	**207.2**	**248.2**	**330.2**	**361.7**	**391.6**
yoy	10.4%	2.3%	-19.9%	25.1%	19.8%	33.0%	9.5%	8.3%
Used car sales	48.7	52.8	55.8	60.0	77.7	85.7	78.9	77.8
Total Auto Trade	**219.3**	**295.6**	**270.2**	**374.4**	**430.0**	**443.0**	**518.5**	**588.5**
Group Sales	**470.4**	**555.4**	**491.7**	**641.6**	**755.9**	**858.8**	**959.1**	**1,057.9**
growth	*38.1%*	*18.1%*	*-11.5%*	*30.5%*	*17.8%*	*13.6%*	*11.7%*	*10.3%*
EBITDA reported	**148.9**	**157.3**	**135.3**	**178.9**	**217.9**	**236.2**	**254.7**	**272.6**
margin	*32%*	*28%*	*28%*	*28%*	*29%*	*28%*	*27%*	*26%*
Vehicles depreciation	-73.6	-82.8	-85.1	-85.6	-96.1	-106.5	-111.8	-119.6
Adj EBITDA	**75.3**	**74.5**	**50.3**	**93.3**	**121.8**	**129.7**	**142.9**	**153.0**
Adj. EBITDA margin	16.0%	13.4%	10.2%	14.5%	16.1%	15.1%	14.9%	14.5%
Costs (corporate EBITDA level)	-395.1	-480.9	-441.5	-548.4	-634.2	-729.1	-816.2	-904.9
Costs % of sales	84.0%	86.6%	89.8%	85.5%	83.9%	84.9%	85.1%	85.5%
Net profit	**38.2**	**44.2**	**15.8**	**49.0**	**70.1**	**68.1**	**80.6**	**93.0**
OCF	87.5	87.8	121.3	168.1	135.1	167.5	179.8	198.4
Cash conversion (on EBITDA)	*59%*	*56%*	*90%*	*94%*	*62%*	*71%*	*71%*	*73%*
Net investment	-116.6	-112.5	-58.2	-143.4	-213.3	-163.9	-167.9	-167.5
Net Debt (cash)	**359.4**	**417.2**	**352.4**	**341.7**	**471.1**	**478.0**	**472.6**	**448.9**
DPS (EUR)	**0.39**	**0.23**	**0.22**	**0.46**	**1.33**	**0.42**	**0.46**	**0.48**

Source: Eurobank Equities Research

Portugal

Portuguese acquisition with lower seasonality…

In early August 2022 Autohellas announced it signed a binding offer for the acquisition of an 85.6% stake in Portuguese HR Automóveis (90% including treasury), the franchisee of Hertz in the country, for €31.5m. The agreement includes an earnout of up to €7.5m subject to profitability targets set for the period 2022-24. The deal was formally completed in October.

Through this acquisition, the company will be able to penetrate an international market enjoying a growing tourism segment with solid long-term potential and a well-balanced seasonality that provides greater revenue visibility. It is worth noting that Portugal has similar macroeconomic drivers with Greece (e.g. GDP, tourism market, population) while enjoying a better-spread tourism leisure market than the latter, thereby being able to offer higher utilization rates for car rental companies.

… poised to boost top line growth by c9% and profitability by a similar c9%

We note that the new subsidiary is a Rent-a-Car company engaging solely in the short-term rental activity, benefiting directly from the tourism market and the re-opening impulse. According to the deal announcement, its sales for 2022 ought to have settled near c€75-80m on a fleet of 6K vehicles. In the table below, we present an indicative estimate of this business's numbers. Due to higher utilization and RPD we estimate revenues will boost the top line by some 9%, nonetheless we suspect that the Portuguese business is prone to higher operating costs (not as lean as Autohellas), thus estimating an adj. EBITDA margin below Autohellas's RRR margin. As such, we expect an adj. EBITDA contribution near €11m in the first full year (2023). This means that this business will contribute c9% of group EBITDA in 2023. Taking into account the value paid by Autohellas, we estimate a value creation for Autohellas's shareholders near €0.5 per share.

HR Automoveis metrics and impact on group numbers		
EUR mm	**2023e**	**2024e**
HR Automotive estimates		
Sales	77.5	83.1
Adj. EBITDA	11.3	12.4
margin	14.6%	14.9%
Group figures		
Group sales	**858.8**	**959.1**
% of group	9.0%	9.0%
Group adj. EBITDA	**129.7**	**142.9**
% of group	8.9%	8.5%
Value per share	**0.5 €**	

Source: Eurobank Equities Research

9M'22 overview

Milestone 9M performance, with Autohellas benefiting from strong tourism trends

Autohellas group reported robust 9M'22 results, with both revenues and profitability at new record high levels. EBITDA increased 28% yoy to €178.2m on +17% sales growth (€568.6m) while net profit swelled 54% yoy to €71.5m. Revenues from the rental car division surged >20% on a fleet of >49K vehicles (+9K new vehicles). Auto trade revenues increased +14% yoy to €321.7m, with the group enjoying a mkt share of 15%.

As far as the car rental operations are concerned, Greece sales swelled 25% yoy while international increased by 5% yoy (not including the newly acquired Portuguese HR Automóveis which will be consolidated as of Q4'22).

Group PBT surged 57% yoy in the 9-month period shaping at €90m, while net profit amounted to €71.5m vs €46m in the respective period a year ago.

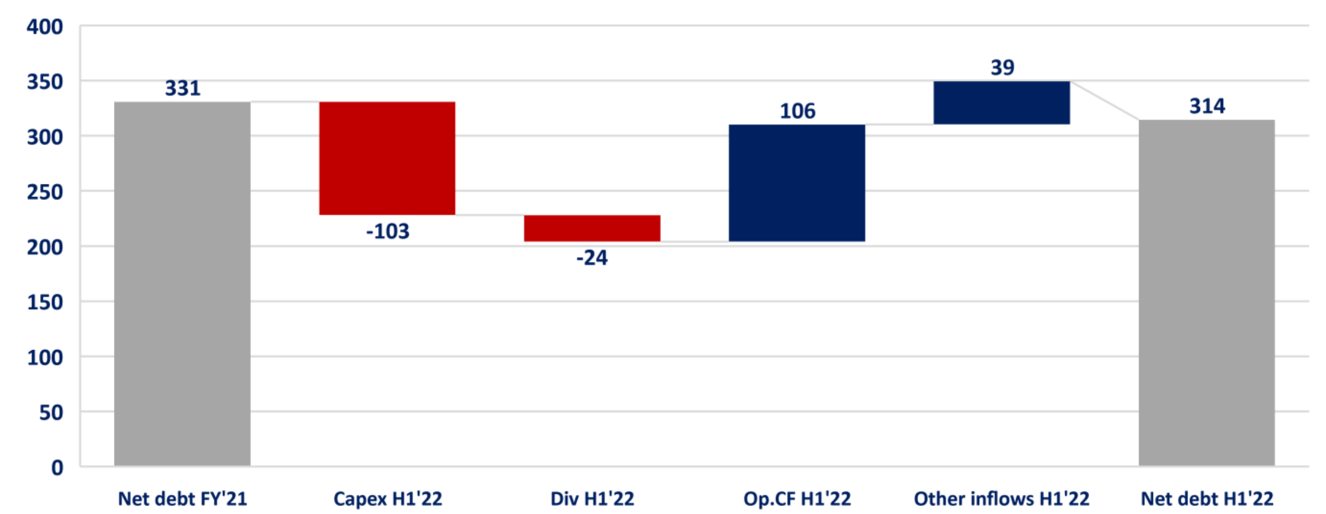
Autohellas 9M'22 results overview

(EUR mn)	9M 21	9M 22	yoy %
Rentals Greece	*156.0*	*195.5*	*25%*
Intl car rental	*48.9*	*51.3*	*5%*
Auto Trade Greece	*281.1*	*321.7*	*14%*
Total revenues	**485.9**	**568.6**	**17%**
EBITDA	**139.1**	**178.2**	**28%**
EBITDA margin	*28.6%*	*31.4%*	*2.7pps*
EBIT	**69.6**	**100.9**	**45%**
EBIT margin	*14.3%*	*17.7%*	*3.4pps*
PBT	**57.3**	**90.1**	**57%**
Taxes	-10.9	-18.6	
Effective tax rate	*19.0%*	*20.6%*	
Net profit	**46.4**	**71.5**	**54%**

Source: Eurobank Equities Research, Company data

Looking at cash flow generation, H1'22 results affirmed the cash generating capacity of the business with Autohellas generating >€100m adjusted operating cash flow (i.e. excl. vehicle purchases) enough to cover capex (net fleet capex of c€103m in H1 vs €67.4m in the respective period a year ago). As a result, the group managed to reduce its net debt position to c€314m as of end June 2022, despite the c€24m dividend payment during the period. As a reminder, the group is returned another €1.0/share (c€49m) to shareholders in December 2022.

Net debt bridge FY'2021 to H1'2022



Source: Eurobank Equities Research, Company data

History and Shareholder Structure

Autohellas was founded in 1966 after Theodoros Vassilakis signed a contract to represent Hertz in Crete under 'Th. Vassilakis S.A.', with an initial fleet of 6 Volkswagen Beetles. As the company expanded its presence and fleet through the years, it was renamed to Autohellas S.A. in 1974 when Theodoros Vassilakis bought out Hertz Hellas, a subsidiary of Hertz International, and started to represent Hertz in the whole of Greece.

Between 1983-1986, Autohellas was awarded twice the European Highest Overall Standards Cup by Hertz Europe, while in 1989 it became the first company in Greece to introduce the practice of Fleet Management (operating leasing and fleet management) in order to best meet the needs of businesses.

More than a decade later, in 1998, the franchise agreement with Hertz Corporation was renewed for another 26 years, until 31/12/2023, still further extended to 31/12/2025, while in 1999 Autohellas got listed on the Main Market of the Athens Stock Exchange. In 2001, Hertz won for the fifth consecutive year the Business Traveller Award for Best Car Rental Company Worldwide.

Expanding further its cooperation with Hertz, in 2003 Autohellas acquired Bulgarian 'Bemal Auto Ltd', the local Hertz franchisee and in 2005 it became the Hertz franchisee in Cyprus. In 2007 Autohellas established the Romanian 'Autotechnica Fleet Services SRL' under the franchise license of the Hertz brand and in 2009 the company further expanded its activities in Greece with the introduction of Hertz' Equipment Rental service. In 2010 and 2011 Autohellas established two more subsidiaries in Serbia and Montenegro, namely 'Autotechnica Serbia D.O.O.' and 'Autotechnica Montenegro D.O.O.', using the franchise license for the Hertz brand. In 2014 Autohellas acquired the exclusive right to use all Hertz International brand names (Hertz, Thrifty, Dollar, Firefly). In 2015 the company established the Ukraininan subsidiary 'Autotechnica Fleet Services LLC' in 2016 it initiated its operations in Croatia, following the acquisition of 'ANTERRA DOO' the former national Hertz licensee. By 2016 Autohellas had a dynamic presence in 8 countries including Greece, namely Bulgaria, Cyprus, Romania, Serbia, Mortenegro, Croatia and Ukraine.

In 2016, Autohellas developed further its activities to importing and selling cars (Auto trade business) through the acquisition of Technocar and Velmar. It was thus named the exclusive importer of SEAT cars in Greece at the time, while licensed to distribute and repair FORD, OPEL, SEAT, SAAB, HONDA, ALFA ROMEO, FIAT, ABARTH, MITSUBISHI and VOLVO cars. Additionally, in 2017, the group made important additions to its product portfolio, as it became the exclusive importer of HYUNDAI and KIA vehicles in Greece and licensed distributor and repairer of BMW, BMW MOTO and MINI, Hyundai and KIA cars.

Furthermore, in 2021 Autohellas established the company KINEO+, introducing the micro mobility sector. The company is active in electric mobility with the use of light electric vehicles such as e-scooters and e-bikes. In accordance, the same year Autohellas created its first Corporate Responsibility and Sustainable Development report.

Regarding the group's BoD, Mrs. Emmanouela Vassilakis is the Chairwoman (since May 2018) and co-founder of the group. Mrs Vassilakis co-founded the Autohellas Group jointly with Theodore Vassilakis in 1966 and since then she has dedicated over 55 years exclusively to the car rental industry and the management of Autohellas. She has been an executive board member of Autohellas since its listing in 1999, also acting as General Manager.

Mr. Eftichios Vassilakis is the CEO of Autohellas, as well as the Executive Chairman of Aegean and Olympic Air. Mr. Vassilakis holds a B.A. in Economics from Yale University and an MBA from the Columbia Business School of New York and is known for his position and work on a variety of BoD's and federations on the Greek market.

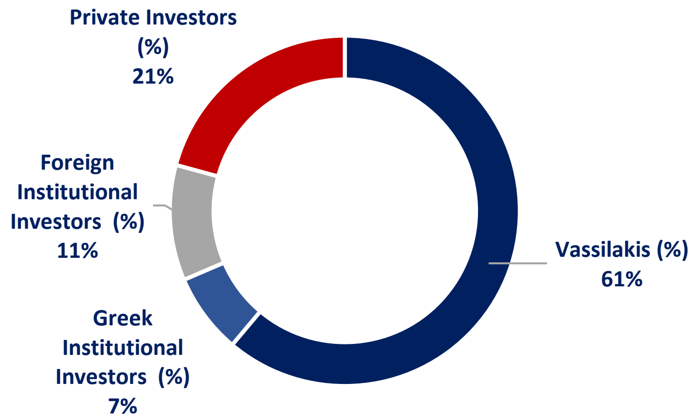
Mr. George Vassilakis started working in Autohellas SAAB Importing Company and during the next ten years he gradually undertook the monitoring of its automotive distribution activities. He is a member of the Board of Directors of Autohellas, Aegean and PHAEA Resorts and of the Hellenic Association of Motor Vehicle Importers and Representatives, in which he holds the position of President for the past 12 years.

Mr. Dimitrios Mangioros has been working in Autohellas since 1986 passing through Internal Audit, Financial Analysis and Long-term Leases while since 1994 he holds the position of Deputy General Manager. He also maintains the position of Director/member of the BoDs in Autohellas subsidiaries such as Romania, Bulgaria, Cyprus, Serbia, Montenegro, Croatia, and Ukraine. He is the Chairman of the Greek Association of Car Rental Tourism Companies (STEEA) since 2005.

Mr. Marinos Yannopoulos has been the Vice-Chairman and independent non-executive member of the Autohellas group, while currently serving as a Managing Partner of X-PM Consulting.

In terms of the shareholding structure, Mr. Vassilakis holds 61% of the share capital. Foreign investors hold c11% while Greek institutional investors have c7%. The remaining c21% is owned by private investors/other.

Shareholder Structure



Source: Eurobank Equities Research, Company data, Bloomberg.

ESG Overview

As the importance of the ESG criteria has been growing among investors, an analysis of the Company's compliance with these standards is crucial. More specifically, we will examine Autohellas's approach regarding environmental sustainability issues, ethical responsibilities vis-à-vis employees, as well as adherence to corporate governance best practices.

A. Environmental and Social overview

Autohellas's operation has been consistent with regulations pertaining to good environmental practices through the years, with its code of ethics prioritizing environmental sustainability. The group has been consistent in updating its operating framework to reduce energy consumption in its company buildings, recycle materials and consumables and maintain a relatively young fleet. Furthermore, the Group also invests in eco-friendly vehicles and encourages customers to not only select eco-friendly vehicles, but to also reduce fuel consumption and greenhouse gas emissions through the "Become a Green Driver!" program, through which guidelines on clever ecological driving are being given.

On the social side, Autohellas has emphasized equal opportunity in its business ethics code of conduct, while also prioritizing occupational health and safety by organizing periodic doctor visits at stations and headquarters, designing and implementing appropriate tools and measures for protection, and monitoring the company's activities in order to identify potential risks and take appropriate preventive measures.

Additionally, the group has underlined the importance of diversity, equality, and personal and professional growth, by providing employees with access to various training programs and seminars. As for women representation, the percentage of female employees was 19% in 2021, with the respective figure at 30% among managerial positions. In terms of impact on the community, the group has been an active supporter of various Greek and international NGOs, while also participating in a number of charitable causes throughout the years.

B. Corporate governance overview

As far as corporate governance is concerned, we have utilized our own framework for evaluating compliance with best practices, as laid out in the new Greek Code of Corporate Governance published in June 2021. We have focused our study on key metrics of governance which we believe are closely watched by investors, including board structure and independence, executive compensation, monitoring through independent committees etc. We note that we have proceeded to a similar analysis for all stocks in our universe, and are thus able to gauge Autohellas's relative positioning vis-à-vis the other companies under our coverage.

The KPIs we have used to measure performance in each broad category related to corporate governance are the following:

1. **BoD Structure**
   a. **BoD size:** Best practice suggests that the BoD should be made up of 7-15 members (3-15 stipulated under the Greek law). In the case of Autohellas, the BoD consists of 10 members.
   b. **Chairman/CEO separation:** We consider best practice the separation of the two roles, in line with the corporate governance framework in the vast majority of OECD jurisdictions.
   c. **Term of BoD members (period of election):** we consider best practice cases where BoD members are submitted for election every 4 years or less (in sync with the Code).
   d. **Average tenure of BoD members:** we score more highly companies where directors serve on the board for an average period of 3 years or less. Although shorter average tenure may not be directly linked to operational performance, it does reinforce internal discipline and control while also minimizing the likelihood of director misconduct.

e. **BoD diversity:** One of the main features of a diverse group of BoD members is gender representation, with the law suggesting that this should be 25% at minimum. In our analysis we give credit to companies that go a bit beyond this level (min 30%), which is also the case for Autohellas.

2. **Board Independence and System of Internal Controls**
   a. **% of independent directors in the BoD:** The most recent law for corporate governance suggests that independent directors should account for at least 1/3 of the members of the board. That said, the recommendation included in the Code calls for a minimum of 50% independent directors (e.g. Australia, UK, Sweden, Austria, France, Denmark, Netherlands, Portugal), something which would be in sync with the framework in other jurisdictions and which we also consider as best-practice.
   b. **% of non-executive members in the BoD:** A board of directors in which non-executive members constitute at least 60% is the best practice principle we assess.
   c. **Independent vice-chairman:** Credit is given to companies that have an independent Vice-Chairman who safeguards the independence of the board.
   d. **Independence of remuneration committee:** The Greek law was recently amended to not only make the existence of a remuneration committee mandatory but also to safeguard its independence (majority independent members), as a way of introducing a mechanism for normative controls on management's pay. We credit companies where all members of the remuneration committee are independent.
3. **Alignment of Incentives**
   a. **Granularity on executive remuneration:** alignment of the various stakeholders' incentives is facilitated through a good level of disclosure regarding executive pay, e.g. how remuneration of executive directors is determined, balance between fixed and variable components, KPIs for executive bonus, other contractual arrangements (pensions, stock options, long-term incentive schemes etc.).
4. **Audit Firm Quality**
   a. **Big-6:** Our exercise rewards listed entities audited by Big-6 accounting firms.

Deviations from best practices mainly relating to BoD structure, quite natural for companies with strong main shareholder

We present a snapshot of our findings in the table below, where we highlight the areas where there is a deviation from corporate governance best practices. Overall, we observe compliance with several key standards including non-executive and female representation in the BoD. Some of the deviations we observe relate to the long-term nature of the BoD, both in terms of board duration and tenure, though these are typical for most Greek-listed corporations that have relatively low free float and/or a dominant shareholder.

Corporate Governance Overview	
Board Structure	
Board Size	10
CEO/Chairman separation?	Yes but this is in name only given the relationship between the two
Board duration	5
Tenure of the CEO	Long-term
Average Tenure of BoD	Long-term
Female representation on the BoD	30%
Board Independence and system of internal controls	
% of Non-executive directors on the BoD	60%
% of Independent directors on the BoD	40%
Nomination committee Chair Independence	Yes
Independent directors on compensation committee	67%
Independent Deputy Chair?	Yes
Alignment with minority shareholders	
Granularity on CEO max compensation	Yes
Criteria for CEO bonus	Yes
Quality of auditor	
Big 6	Yes

Source: Eurobank Equities Research, Company data.

Group Financial Statements

EUR mn

Group P&L	2020	2021	2022e	2023e	2024e
Sales	**491.7**	**641.6**	**755.9**	**858.8**	**959.1**
Gross Profit	165.0	219.6	266.8	291.6	316.5
EBITDA	**135.3**	**178.9**	**217.9**	**236.2**	**254.7**
EBITDA margin	27.5%	27.9%	28.8%	27.5%	26.6%
Corporate EBITDA (ex-cars D&A)	**50.3**	**93.3**	**121.8**	**129.7**	**142.9**
EBIT	**41.6**	**84.8**	**113.4**	**121.4**	**134.6**
Net financials - income/(costs)	-16.7	-19.1	-20.1	-29.3	-25.8
Exceptionals	-0.5	-0.3	-0.5	-0.5	-0.5
PBT	**24.4**	**65.4**	**92.8**	**91.6**	**108.3**
Income tax	-6.9	-12.2	-18.4	-18.1	-21.5
Net profit - reported	**15.8**	**49.0**	**70.1**	**68.1**	**80.6**
EPS (EUR)	**0.32**	**1.01**	**1.44**	**1.40**	**1.66**
DPS (EUR)	**0.22**	**0.46**	**1.33**	**0.42**	**0.46**

Group Cash Flow Statement	2020	2021	2022e	2023e	2024e
EBITDA	135.3	178.9	217.9	236.2	254.7
Changes in Working Capital (ex-fleet)	18.5	26.4	-25.2	-8.0	-9.8
Net Interest	-4.8	-7.2	-14.7	-23.9	-23.0
Tax	-1.0	-3.8	-18.4	-18.1	-21.5
Other	-12.7	-13.6	-24.5	-18.8	-20.6
Operating Cash Flow	**135.4**	**180.6**	**135.1**	**167.5**	**179.8**
Capex (incl vehicle purchases net)	-15.2	-113.2	-138.6	-149.4	-153.5
Other investing (acquisitions/disposals)	1.5	1.6	-46.5	0.0	4.9
Net Investing Cash Flow	**-13.7**	**-111.6**	**-185.1**	**-149.4**	**-148.6**
Dividends paid	-11.2	-11.1	-74.0	-19.4	-20.4
Other	-41.5	-41.9	0.0	0.0	0.0
Net Debt (cash)	**352.4**	**341.7**	**471.1**	**478.0**	**472.6**
Free Cash Flow	**117.5**	**63.7**	**-55.5**	**12.6**	**25.7**

Group Balance Sheet	2020	2021	2022e	2023e	2024e
Tangible Assets	453.0	483.3	592.0	641.1	688.9
Intangible Assets	27.9	27.8	27.8	27.8	27.8
RoU Assets	54.5	74.0	74.3	76.3	78.6
Other non-current Assets	109.0	134.8	135.2	136.5	137.1
Non-current Assets	**644.4**	**719.8**	**829.3**	**881.6**	**932.4**
Inventories	58.9	51.4	75.6	92.8	111.3
Trade & Other receivables	68.8	77.6	91.4	104.8	118.2
Cash & Equivalents	111.1	115.0	100.1	100.1	100.1
Current Assets	**238.9**	**244.0**	**267.0**	**297.7**	**329.6**
Total Assets	**883.2**	**963.9**	**1,096.3**	**1,179.3**	**1,261.9**
Shareholder funds	272.9	316.0	317.1	365.7	425.9
Non-controlling interest	1.9	5.3	9.5	14.4	20.1
Total Equity	**274.8**	**321.3**	**326.5**	**380.1**	**446.0**
Long-term debt (incl securit. & leases)	320.5	266.5	399.6	419.1	438.5
Other long-term liabilities	25.9	23.0	23.0	23.0	23.0
Long Term Liabilities	**346.4**	**289.5**	**422.6**	**442.1**	**461.5**
Short-term debt (incl securit. & leases)	143.0	190.2	171.6	158.9	134.2
Trade Payables	116.8	153.6	166.3	188.9	211.0
Other current liabilities	2.3	9.3	9.3	9.3	9.3
Current Liabilities	**262.1**	**353.1**	**347.2**	**357.1**	**354.4**
Equity & Liabilities	**883.2**	**963.9**	**1,096.3**	**1,179.3**	**1,261.9**

Key Financial Ratios	2020	2021	2022e	2023e	2024e
P/E	15.1x	7.2x	6.7x	7.9x	6.7x
P/BV	0.9x	1.1x	1.5x	1.5x	1.3x
Adj. EV/EBITDA	4.1x	3.7x	4.1x	4.1x	3.8x
EBIT/Interest expense	2.7x	5.8x	6.7x	4.7x	5.4x
Net Debt (Cash)/EBITDA	2.6x	1.9x	2.2x	2.0x	1.9x
Dividend Yield	4.7%	6.3%	13.6%	3.8%	4.2%
ROE	5.6%	16.6%	22.1%	19.9%	20.4%
Free Cash Flow yield	49.4%	18.0%	-11.8%	2.4%	4.8%
Payout Ratio	70.2%	45.7%	92.0%	30.0%	28.0%

Source: Eurobank Equities Research.

Company description

Autohellas engages in the car, light truck and equipment rental and car import, distribution and sales sectors, holding the exclusive rights for the Hertz brands. The Company's core services comprise ST Car Rentals, LT Leasing in Greece, as well as in Cyprus, Romania, Bulgaria, Serbia, Montenegro, Ukraine, Croatia and Portugal.

Risks and Sensitivities

•**Macro:** Autohellas's top line hinges on tourism trends and demand from businesses/consumers. In that regard, there is a downside risk to our estimates in a weaker macroeconomic backdrop. Revenues and profitability may also be affected by events such as pandemics.

•**Industry structure:** The industry is quite competitive with lack of pricing power and limited barriers to entry (although there are clear scale/network benefits). In addition, the short-term rental segment is rather seasonal, thereby exposing companies to the risk of underutilization of their fleet if demand is poorer than expected.

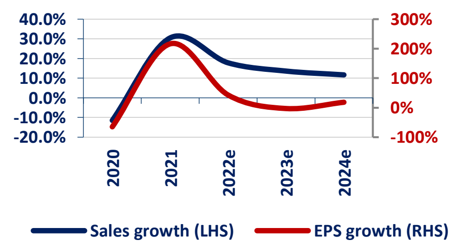
•**Quite complex business model:** The model of car rental companies is quite complex involving high holding costs and quite elevated leverage in most cases. In addition, cost deleveraging becomes pronounced in a downturn, as several expenses increase (higher financing costs, higher depreciation, lower residual values) exacerbating the impact of falling revenues.

•**Technological disruption:** The fast pace and constant evolution of the industry and shared mobility transportation give rise to risks for the business model of car rental companies in the long run (e.g. car sharing, autonomous driving).

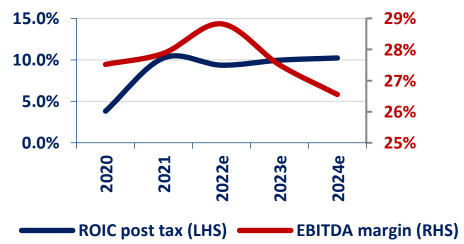
•**Franchise License Expiration:** The group's franchise agreement with Hertz Corporation is set to expire on 31/12/2025, indicating a risk regarding the continuation and the related cost.

•**Sensitivity:** We estimate that a 1% change in utilization drives a 4% change in EBITDA.

Sales and EPS growth



Profitability and returns



Eurobank Equities Investment Firm S.A.
Member of Athens Exchange,
Cyprus Stock Exchange and Eurobank Group.

Regulated by the Hellenic Capital Markets Commission
Authorisation No: 6/149/12.1.1999
VAT No: 094543092, Reg. No. 003214701000

10 Filellinon Street
105 57 Athens, Greece

Telephone: +30 210-3720 000
Facsimile: +30 210-3720 001
Website: www.eurobankequities.gr
E-mail: research@eurobankequities.gr

Important Disclosures

This report has been issued by Eurobank Equities Investment Firm S.A., a member of the Athens Exchange, a member of the Cyprus Stock Exchange and a member of EUROBANK Ergasias S.A. Eurobank Equities Investment Firm S.A. is regulated by the Hellenic Capital Markets Commission (HCMC) with authorisation number 6/149/12.1.1999.This report may not be reproduced in any manner or provided to any other persons. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell securities mentioned herein. The investments discussed in this report may be unsuitable for investors, depending on their specific investment objectives and financial position. The investments discussed in this report are subject to risks and in respect of some investments there is risk for multiplied losses to be caused in respect to the capital invested.
The information on this research report is only intended to be available to non-U.S. investors and/or residents outside of the United States, Australia, Canada, Japan and South Africa. In certain jurisdictions, including but not limited to the United States, Australia, Canada, Japan and South Africa, the furnishing of such information may be restricted or prohibited by applicable laws. Potential users of the information are requested to inform themselves about and observe any such restrictions, and if you are not permitted to view material on this report or are in any doubt as to whether you are permitted to view these materials, please discard/ignore this report.
By reading this research report, you warrant that you are not located in the United States or in any other jurisdiction in which the furnishing of such information may be restricted or prohibited and you agree that you will not transmit or otherwise send any information contained in this report to any person in the United States or to publications with a general circulation in the United States or any other restricted jurisdiction.
Any information provided on this report does not constitute or implicitly substitutes a recommendation for the purchase, sale, subscription, redemption, exchange, retention of a specific financial instrument or the exercise of any right a specific financial instrument grants for the purchase, sale, subscription, exchange or redemption of a financial instrument and thus, it cannot be considered as provision of investment advice or as any solicitation whatsoever.
The information contained herein has been obtained from sources believed to be reliable, but it has not been verified by Eurobank Equities Investment Firm S.A.
This report has been submitted to Autohellas for review prior to its publication. Some changes have been made by Eurobank Equities S.A. to this report as a result of the review from Autohellas.
The opinions expressed herein may not necessarily coincide with those of any member of the Eurobank Group. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility of liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank Equities Investment Firm S.A. or any of its directors, officers or employees.
Eurobank Equities Investment Firm S.A. follows procedures under Eurobank Group policies that set up Chinese Walls, restricting communication between Research and other departments inside the Company or the Group so that Eurobank Equities Investment Firm S.A. complies with regulations on confidential information and market abuse.
Eurobank Equities Investment Firm S.A., or any of its related legal persons, does not hold shareholdings exceeding 0.5% (net long or short position) of the total issued share capital in Autohellas.
None of the subject companies mentioned in this report holds shareholdings exceeding 5% of the total issued share capital of Eurobank Equities Investment Firm S.A., or any of its related legal persons.
Eurobank Equities Investment Firm S.A., or any of its related legal persons, is a market maker of Autohellas.
Eurobank Equities Investment Firm S.A. prepared and published this report in consideration of a fee payable by Autohellas. Fees are always paid in cash only.
Eurobank Equities Investment Firm S.A, or any of its related investment banking services' legal persons, has not received compensation for investment banking services provided within the last twelve months from Autohellas.
Eurobank Equities Investment Firm S.A. occasionally trades for own account on investment instruments related to Autohellas

Analyst Certification:

This report has been written by Stamatios Draziotis, CFA (Equity Analyst) and Natalia Svyriadi (Equity Analyst).

Analyst Compensation:

The remuneration of Stamatios Draziotis and Natalia Svyriadi is not tied to the investment banking services performed by Eurobank Equities Investment Firm S.A. or any of its related legal persons.
Stamatios Draziotis and Natalia Svyriadi did not receive or purchase the shares of Autohellas prior to a public offering of such shares.
Stamatios Draziotis and Natalia Svyriadi do not have a significant financial interest in one or more of the financial instruments which are the subject of this report or a significant conflict of interest with respect to the subject companies mentioned in this report a) that are accessible or reasonably expected to be accessible to the persons involved in the preparation of this report or b) known to persons who, although not involved in the preparation of this report, had or could reasonably be expected to have access to this report prior to its dissemination to customers or the public.

Planned Frequency of Updates:

Eurobank Equities Investment Firm S.A. provides updates on Autohellas based on the terms of the agreement between the two parties and at least but not limited to bi-annually after the publication of financial statements of Autohellas.

12-month Rating History of Autohellas

Date	Rating	Stock price	Target price
16/02/2023	Not Rated	€ 11.04	-

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients	
	Count	Total	Count	Total
Buy	14	50%	1	7%
Hold	4	14%	0	0%
Sell	0	0%	0	0%
Restricted	1	4%	0	0%
Under Review	3	11%	1	33%
Not Rated	6	21%	0	0%
Total	**28**	**100%**		

Analyst Stock Ratings:

Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
Sell:	Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
Restricted:	Under Eurobank Group policy and / or regulations which do not allow ratings
Under Review:	Our estimates, target price and recommendation are currently under review
Not Rated:	Refers to Sponsored Research reports