SPONSORED RESEARCH

AUTOHELLAS

Leveraging on tourism drive

Strong 9-month picture with EBIT growing 16% – Autohellas reported a strong set of 9-month results with revenues rising 34% yoy or 20% organic (namely ex Portugal) and EBIT up 16% yoy, despite elevated M&A-related costs (vehicle fleet costs). Net profit grew by a lower 4% yoy due to the impact of higher financial expenses (double last year levels). All three reported segments, namely Greece rentals, International rentals and Auto trade, delivered revenue growth, with the core segment, namely rental revenues posting c40% total growth yoy (boosted from the addition of Portugal) and +7% organic (+6% Greece and +13% lfl International).

Healthy demand and M&A drive 2023e – Our 2023e forecasts picture the healthy demand trends, especially given the better-than-envisaged performance of the recently acquired Portuguese Rent-a-Car business. We model rental revenues of €445m (+30 yoy, or +7% organic) and Auto-trade revenues of €520m (+23% yoy) in 2023, calculating total group sales of c€965m (+26% yoy, or +16% organic). On the cost front we pencil in an EBITDA margin of 27% (-2.5pps yoy erosion) for the current year, given elevated vehicle prices and acquisition-related costs, leading our EBITDA forecast to €261m (+15% yoy). We have also included profit from the FCA JV (51% stake) for the May-Dec 2023 period (c€2.5m). These are partly offset by the elevated net financial expense assumption, resulting in a 2023e net profit estimate of €71m, -8.6% below the record €78m in 2022.

High single digit EBIT CAGR profile looking ahead – Looking post 2023e, prospects for Autohellas look promising, with the group set to benefit from structural growth avenues (tourism, LtR penetration), M&A synergies and cyclical drivers (growing new cars mkt, c2% GDP growth in Greece). Following mid-single digit EBIT growth in 2024e (on +3% sales) given the tough comps, we envisage high single-digit EBIT growth looking further out driven by operating leverage, with EBIT margins reaching 14% by 2026e.

Balance sheet optionality despite high capex envelope – Autohellas enjoys a healthy balance sheet, with low leverage (net debt/EBITDA c2x) underpinned by its cash flow generation capability (>65% OCF conversion). Autohellas' debt is steered to its vehicle fleet, while in the past year it secured c€150m in RRF funding for a 'green' fleet and a €200m 5-year bond to steer towards its fleet and also refinance debt. That said we estimate net fleet capex between €160-170m annually, more than covered by >€180m OCF. This means there is ample room for the group to step up cash returns or to pursue more aggressive expansion. In the meantime, Autohellas has been able to deliver top-notch returns (ROE>20% in 2022) while reinvesting in the business, thanks to its high margins, lean structure and network/scale advantages.

Valuation – We value Autohellas with a DCF model, using a c10% WACC, which we find appropriate in the current elevated rate environment. We come up with an intrinsic value in the range of €13.4-€19.1, with the baseline value of c€16/share effectively valuing the stock at 4.7x 12mth fwd EV/EBITDA, namely a c25% discount vs the median of peers. We believe the stock has room to move higher in the valuation spectrum as its acquisitions bear fruit and it scales up further.

Estimates					
€m unless otherwise stated	2021	2022	2023e	2024e	2025e
Revenues	641.6	765.6	964.8	995.0	1,076.9
EBITDA	178.9	226.4	260.7	274.6	297.4
EBIT	84.8	120.0	127.8	135.6	149.7
Net profit	49.0	77.5	71.0	80.1	93.6
EPS (€)	1.01	1.59	1.46	1.65	1.93
DPS (€)	0.46	1.65	0.66	0.69	0.71
Valuation					
Year to end December	2021	2022	2023e	2024e	2025e
P/E	7.2x	6.1x	8.7x	8.2x	7.0x
EV/EBITDA	3.7x	4.2x	4.4x	4.3x	4.0x
EBIT/Interest Expense	5.8x	7.6x	2.3x	2.2x	2.0x
Dividend Yield	6.3%	17.0%	5.2%	5.1%	5.3%
ROE	16.6%	23.9%	20.1%	20.2%	20.7%

Source: Eurobank Equities Research.

Market Cap (€ mn)	€659.4
Closing Price (24/01)	€13.56

Stock Data

Reuters RIC	AUTr.AT
Bloomberg Code	OTOEL GA
52 Week High (adj.)	€14.76
52 Week Low (adj.)	€10.06
Abs. performance (1m)	3.5%
Abs. performance (YTD)	6.1%
Number of shares	48.6mn
Avg Daily Trading Volume (qrt)	€296k
Est. 3yr EPS CAGR	6.5%
Free Float	35%

Autohellas Share Price

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See Appendix for Analyst Certification and important disclosures.

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Investment Summary

Expanding in both rental and auto trade, while maintaining market lead

Autohellas has been expanding in both its rental market activity and the auto trade business in the past year, with the addition of Portugal's Hertz RaC business (Q4'22) and the formation of a (51-49) JV along with Samelet group for the distribution of Stellantis's brands in Greece (FCA Hellas) (Q2'23). At the same time the group has managed to maintain a leading position in the car rental market, while also enjoying a >25% market share in the new cars trade market, following the addition of FCA Hellas brands. The group's diversified portfolio remains key to its business model as it provides both recurring/visible long-term lease (LTR) revenues and more seasonal Rent-a-Car (RaC) revenues, while delivering scale and network benefits.

Delivery of record operating results continues

Following a record 2022, which benefited from pent-up tourism demand and tight supply conditions in auto trade, 2023 has maintained a solid momentum, with Autohellas growing organic sales in the double digits. In specific, 9M'23 top line results point to: 1) sustained top line growth in Greece rentals (+6% yoy), underpinned by rising long-term leases and strong tourism growth, with Autohellas having grown its fleet to 57K vehicles (vs 53.7K at year end 2022) at peak, 2) scaling-up of international sales (+165% yoy, or +13% organic) thanks to the addition of Portugal's RaC business, which alone has generated more revenues (57% of intl mkts) than all other international markets combined, and 3) a robust +30% growth in auto trade sales, supported by new car registrations growth (+26% in 9M'23) and mild share gains. At the profitability level, EBT was up 5% yoy in the 9-months standing at €95m, negatively impacted by elevated financial costs, yet pointing to another record for the period.

… filtering through to a strong top line

Against this backdrop, we see our 2023e top line forecasts expanding by 26% yoy, eyeing €965m sales, with rental revenues rising 30% yoy (+7% lfl) and auto trade revenues up by +23% yoy. Looking into 2024e, we model a conservative growth rate of +3% yoy, which comes as a result of: a) a normalizing auto trade market, after supply chain disruptions raised delivery times in the post covid-era, b) sustained price pressures in short term rentals, balancing out with vehicle utilization rates, and c) ongoing momentum in long term rentals.

… and only partly offset by elevated costs

At the profitability front, we pencil an EBITDA margin of 27% in 2023e, eyeing EBITDA of €261m (+15% yoy) and calculating some 250bps yoy margin erosion given the fleet additions and the cyclical nature of costs, which we believe fairly reflects the pricing slowdown, the normalization of vehicle supply and the elevated costs faced in Portugal (1st year of Hertz subsidiary operation) during the year. We also model elevated depreciation costs, driven by our assumption for a slightly higher than initially anticipated fleet in Portugal, thus coming up with an adj. EBITDA of €138m in 2023e, up by 6% yoy with the respective margin at 14.3% (-270bps yoy). Finally, we have accounted for elevated financial costs in 2023 (c€31m) and we have assumed some €2.5m profitability from the FCA Hellas JV (treated as an operating income from an equity method investment). As such our 2023e PBT forecast is set at €99m (-5% yoy) corresponding to net profit of €71m (-8% yoy vs the record 2022 figure).

We envisage strengthening growth post 2024e

Looking post 2023e, prospects for Autohellas look quite healthy, especially as Greek tourism is in structural growth (set to grow c3.5% per annum through to 2030 according to SETE data) and Greece's long-term rental market remains underpenetrated (set to be supported by GDP growth of 2-3% in the coming years). Group profitability is mainly driven by the rental market (which accounts for almost ¾ of the total EBIT). Against this background, we envisage c7% organic revenue growth for Autohellas over 2023-26e and expect this to filter through to c9% organic EBIT CAGR over the same period.

Solid cash conversion and tight WC mgt sustained…

Autohellas group has a solid track record of cash flow generation, enjoying a lean operating working capital structure, namely ex car inventory, which allows for net fleet investments (>€150m on our estimates looking ahead). Fleet capex reflects both the cost of replacing sold vehicles and investment in new cars, with Autohellas having invested an average of >€100m per annum in the past 8-years. Looking ahead, we expect Autohellas to sustain resilient cash flow generation with adj. FCFE >€40m post 2024e.

Still underleveraged balance sheet provides optionality

In the meantime, Autohellas enjoys a healthy financial position, with a net debt/EBITDA ratio near 2x (since 2021, down from just >2.5x in the past). Autohellas's balance sheet remains under-levered compared to the industry norm, as car rental companies typically have very high LTV (>80%) and 'corporate debt' on top of the 'fleet debt', which is not the case for Autohellas. 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 2026e towards the c1.7x net debt/EBITDA mark. As a result, Autohellas balance sheet has plenty of room for further acquisitions and higher shareholder remuneration. Historically, the average payout ratio has been near 45% (as percentage of annual net profits). Looking ahead we have assumed an average c35% payout in the medium term, which we believe reflects a well-balanced approach between investing for growth and rewarding shareholders.

Valuation

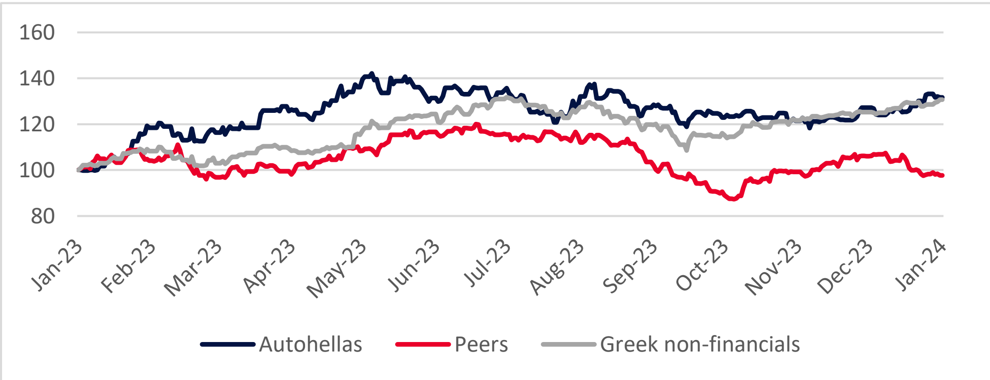
Autohellas's current price levels are indicative of a rather compelling setting (12mth fwd adj. EV/EBITDA at a mere <4.5x) with the EBITDA re-based >60% above pre-pandemic levels and significant growth catalysts ahead. We value Autohellas using a DCF-based valuation (WACC at c10%) trying to capture the cyclicality of the business, the capital intensity of the business model and Autohellas's proven cash flow generating capacity. Our valuation yields a 12mth forward value range of €13.4-19.1/share, effectively valuing the group at c4.7x 12mth fwd EV/EBITDA, at some 25% discount vs the median of peers' valuation.

Share price performance and valuation

Autohellas total return is up 6% YtD, while it remains >70% above its vs pre-covid levels

Autohellas posted a stellar c30% total return in 2023, running in broad sync with Greek non-financials in general, while it started the year with a +6%. It has returned nearly 70% since the pre-pandemic period, outperforming the Greek non-financials by >30% in the same period, with the latter being more reliant on the status of the domestic economy. As can be seen below, Autohellas shares have emerged since Jan'23 in the light of the solid 2023e tourism trends and robust 2022 results, peaking in May'23. The shares trade c32% higher on a 12mth basis, having outperformed significantly (c34%) international peers, reflecting Autohellas's stronger profit momentum.

Autohellas vs international peer group and Greek non-financials | Total 12mth Return

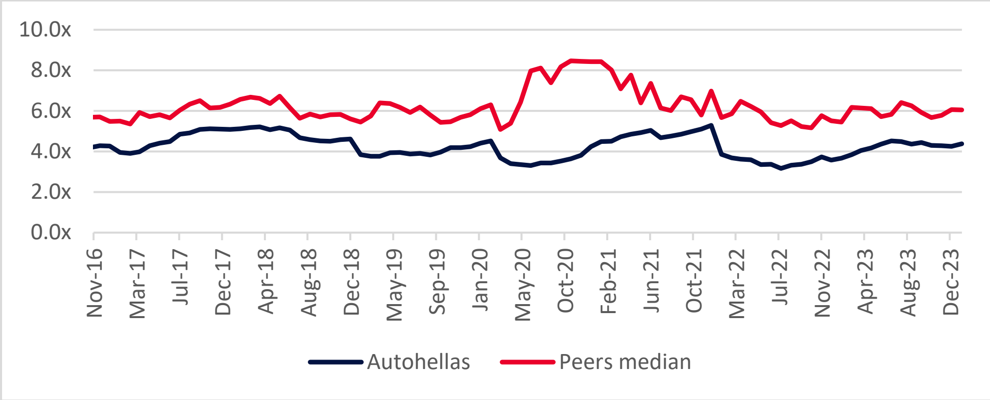


Source: Eurobank Equities Research, Bloomberg.

Valuation attractive vs peers, with Autohellas at significant discount…

From a valuation perspective, our selected peer group has traded between 5x and 9x 12m fwd EV/EBITDA historically, corresponding to a long-term average of c6.5x. As a reminder, the peer group we are using comprises several international companies operating in the broad car rental and auto trade market including, among others, Hertz, Avis, Sixt, Budget, Movida and Localiza, Ald and Motus Holdings.

Autohellas vs peer group medial | 12mth Fwd EV/EBITDA



Source: Eurobank Equities Research, Bloomberg.

…despite healthy balance sheet and cash generation ability

We also contrast Autohellas's current valuation against the aforementioned select group. As can be seen below Autohellas continues trading at a notable discount while enjoying a stronger balance sheet and offering compelling dividend yield. Overall, we find that Autohellas's muted valuation, at c4.3x 2024e EBITDA, is palatable, especially if one considers the combination of solid cash flow generation, healthy balance sheet and the earnings momentum.

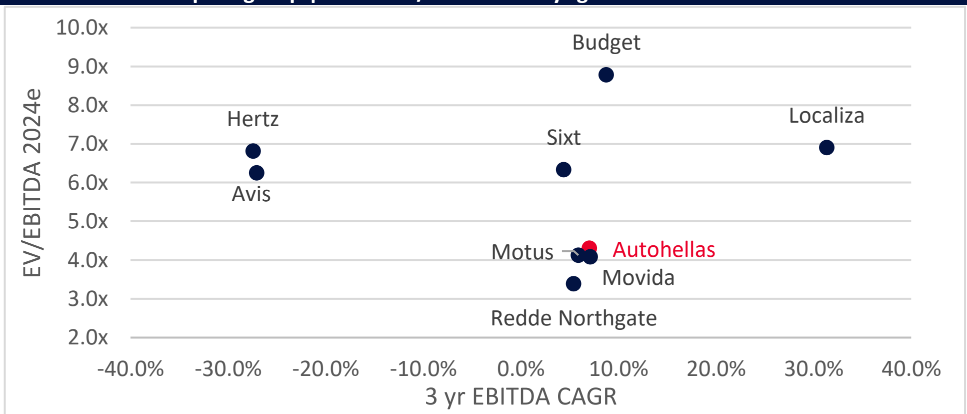
Peer Group	Mkt Cap	PE		EV/EBITDA		Div. Yield		Net debt/EBITDA
		2024e	2025e	2024e	2025e	2024e	2025e	12mth Fwd
Autohellas	**659**	**8.2x**	**7.0x**	**4.3x**	**4.0x**	**5%**	**5%**	**2.2x**
HERTZ GLOBAL HLD	2,429	8.5x	6.1x	7.0x	6.1x	0%	0%	8.9x
AVIS BUDGET GROU	5,557	6.8x	8.0x	6.2x	6.8x	0%	0%	1.6x
SIXT SE	3,840	12.4x	11.4x	6.3x	5.8x	4%	4%	2.4x
REDDE NORTHGATE	923	6.7x	6.9x	3.4x	3.3x	7%	8%	1.7x
BUDGET	1,385	18.0x	15.4x	8.8x	7.9x	3%	3%	0.8x
MOVIDA PARTICIPA	654	8.3x	5.2x	4.1x	3.3x	3%	4%	3.6x
LOCALIZA	11,582	16.2x	12.8x	6.9x	6.0x	2%	2%	2.9x
MOTUS HOLDINGS L	871	5.1x	4.7x	4.1x	3.9x	7%	8%	1.6x
Median Peers		**8.4x**	**7.4x**	**6.3x**	**5.9x**	**3%**	**3%**	**2.0x**

Source: Eurobank Equities Research, Bloomberg.

Compelling valuation underpinned by high single digit 3 year EBITDA CAGR

Given that the range of valuation multiples may also reflect differences in companies' growth profile, we have re-examined the current valuation of the broad peer group in conjunction with the 3-year profit outlook (2023-26e). Autohellas's valuation looks quite compelling considering it also enjoys among the strongest growth profiles among its international peer group.

Autohellas vs broad peer group | 2024e EV/EBITDA vs 3-yr growth



Source: Eurobank Equities Research, Bloomberg.

DCF-based-valuation yields €653-930m intrinsic value range

Indicative value range at €13.4-€19.1 per share

We value Autohellas using a DCF-based valuation, rolling over to 2024 forecasts, as we try 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 c€770m 12-month baseline market cap post dividend, translating to a baseline c€16 price per share. This is predicated on the following assumptions:

- Sales CAGR of c7% over 2023-2028e, following double digit +21.5% in 2023e, driven by strong auto trade, increasing penetration of fleet management and a boost from Portugal (c9% M&A driven)
- Reported EBIT CAGR of 9% over the same period, namely post Portugal inclusion in 2023, effectively incorporating operating leverage. 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 c9% perpetual incremental ROIC,
- We end up with an implied FCF EBITDA cash conversion (FCF/EBITDA) of 10-39% over the forecast horizon, a level we consider feasible given the track record.
- We maintain our c10% 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 Valuation											
EURm unless otherwise stated	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**	**2034E**
Cash EBITDA	238	264	286	306	332	345	358	369	381	391	398
Tax	(24)	(28)	(32)	(36)	(40)	(35)	(37)	(39)	(41)	(43)	(41)
Working Capital/other	(3)	(5)	(4)	(5)	(5)	(6)	(6)	(6)	(7)	(7)	(7)
Capex	(183)	(182)	(190)	(191)	(192)	(193)	(193)	(192)	(188)	(184)	(177)
Unlevered Free Cash Flow	**27**	**49**	**60**	**75**	**94**	**111**	**121**	**132**	**144**	**157**	**173**
Sum of PV of FCF	646										
PV of terminal value	692										
Enterprise Value	**1,338**										
Net cash incl. claims (adj.)	(569)										
Equity value post div.	**769**										
no. of shares (mn)	48.6										
Fair value/share (EUR)	15.8 €										
12-mth PT (EUR)	**16.0 €**										

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 €13.4 and €19.1 per share (€653m to €930m).

DCF Sensitivity of our calculated group PT per share to the WACC and LT growth assumptions						
				WACC		
		11.0%	**10.5%**	**10.0%**	**9.5%**	**9.0%**
	0.0%	10.8 €	12.0 €	13.4 €	15.0 €	16.7 €
Terminal growth	**0.5%**	11.4 €	12.7 €	14.2 €	15.9 €	17.7 €
	1.0%	12.0 €	13.4 €	15.0 €	16.8 €	18.8 €
	1.5%	12.7 €	14.2 €	**16.0 €**	17.9 €	20.1 €
	2.0%	13.5 €	15.1 €	17.0 €	19.1 €	21.6 €

Source: Eurobank Equities Research.

A strong 2023e

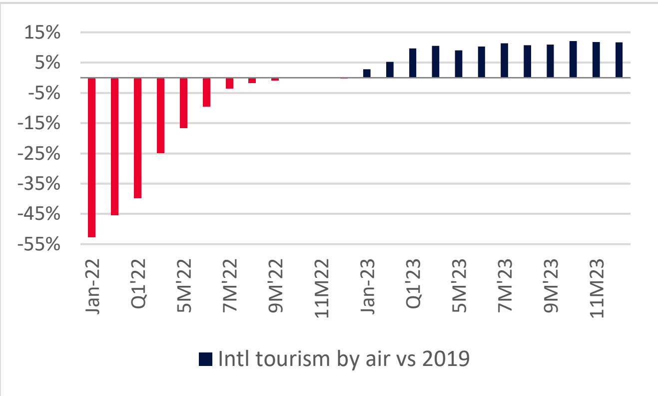
Tourism bounce-back and healthy demand drive another strong year with double digit top line growth…

Solidified 2-digit growth in 2023, underpinned by share gains and tourism rebound above 2019 levels

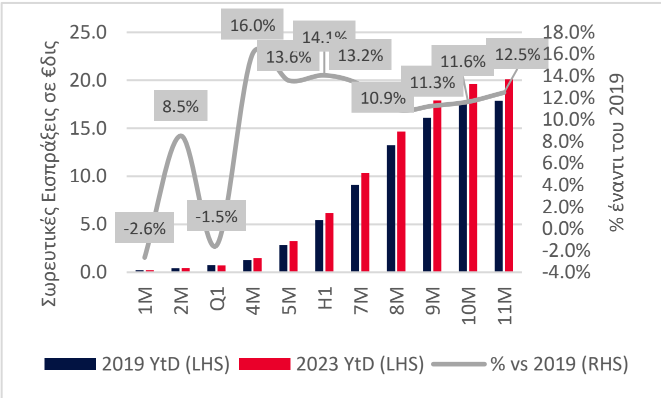
In a year with tourism recovering above 2019 levels, Autohellas has further increased its renting fleet to >50K cars further growing its market share, while also seeing its car trade vision benefit from sustained demand trends. 2023 also features the incorporation of the Portuguese Hertz franchise (since Q4'22), while the group has also added FCA Hellas brands (Fiat, Jeep, Abarth, Alfa Romeo) to its auto trade network, following the acquisition of FCA Hellas via a JV with Samelet Group (since May 2023). The used car sales segment has thrived, with prices remaining higher for longer than previously anticipated, despite gradual normalization of supply chain challenges. 9M'23 results are indicative of Autohellas's strong performance in all segments despite rising competition, showcasing double-digit top line growth (+34% yoy), with auto-trade running +30% yoy and renting +39% yoy (or +7% l-f-l, ex Portugal).

We showcase below 2023 YtD tourism data, which indicate c12% rebound in 2023 inbound air traffic vs 2019, with tourism receipts also displaying a similar trajectory.

Annual tourism by air % chg vs 2019 (cumulative data)



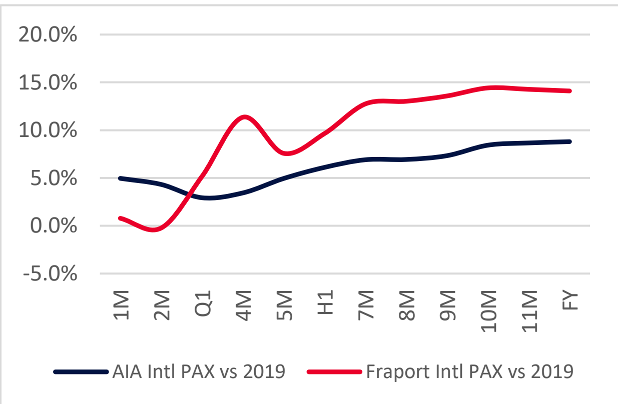
Tourism receipts EUR bn cumulative data & 2023 vs 2019 % chg



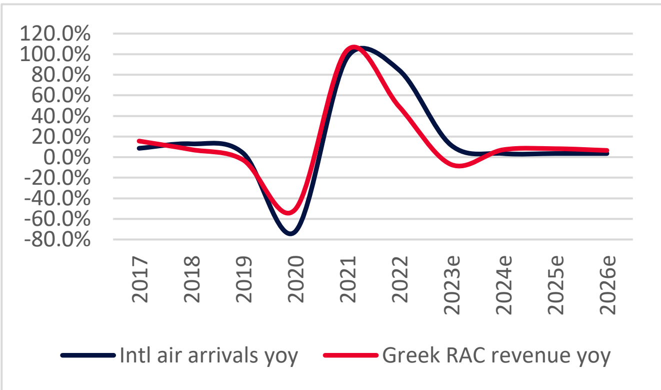
Source: Eurobank Equities Research, SETE, BoG Travel data

Looking closer into traffic figures per airport, where Hertz has many of its bases, we notice a significant passenger increase in regional airports serviced by Fraport (+12.3% in 2023 vs 2019), led by solid growth in Crete, Rhodes and Corfu, with Thessaloniki also bouncing above 2019 levels. Mykonos and Santorini remain close to flat or a bit below last year levels, although trending above 2019 levels. Regarding the Athens airport (AIA), 2023 traffic has grown by 10% vs the respective 2019 period. Autohellas has channelled its rising fleet towards big hubs (Athens/Thessaloniki) as city-break tourism is gaining ground. Overall, Autohellas's short term renting revenue is moving in sync with inbound tourism (as shown below).

AIA and Key Fraport airports traffic recovery map 2023 vs 2019



Renting revenue growing moving in sync with inbound tourism



Source: Eurobank Equities Research, AIA traffic data, Fraport traffic data

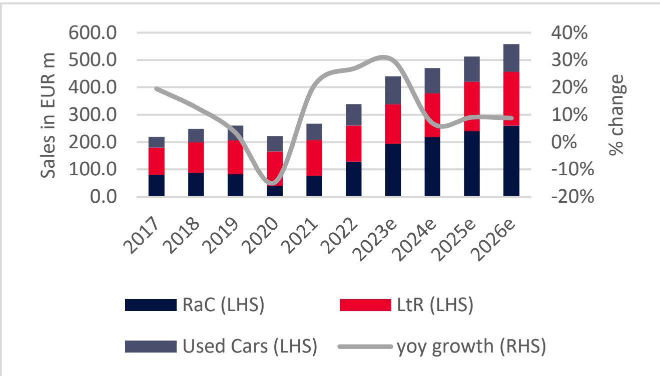
We see +26% group sales growth in 2023, on c55K renting fleet and c38K new & used car units sold…

Against this background and given the 9M results, Autohellas is primed for 2-digit growth in 2023, continuing on the solid historic track record (>20% sales CAGR in the 2014-22 period, with all years delivering 2-digit revenue growth except for COVID-affected 2020). Filtering through the robust trends ytd, we have forecast 2023 revenues of €965m (+26% yoy).

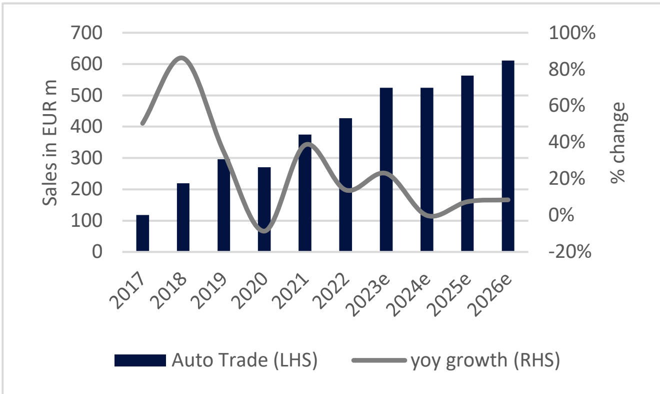
As seen in the charts below, our renting segment revenue breakdown (short & long-term rental plus used car sales) indicates +30% yoy growth (both organic & inorganic) in the current year, with sales adding up to €445m. This is based on a c55K renting fleet (22K of which for short term renting and 32K for long term renting on our numbers) topped by the sale of c12K used cars in the year.

As regards the Auto-trade Greece division, based on new car registration data which indicate a solid growth rate of +28% YoY in 2023, we forecast a 23% yoy growth rate for Autohellas' new car sales, assuming c26K units will be sold at average prices c9% higher yoy, which translate into €520m revenues for the Greek auto trade division in 2023e. All the above amalgamate to €965m revenues in 2023, indicating +26% yoy growth (or +16% organic ex Portugal).

Renting revenues (Greece & International)



Auto trade revenues



Source: Eurobank Equities Research, Company data.

… with operating profitability growing modestly, amid higher costs in 2023e

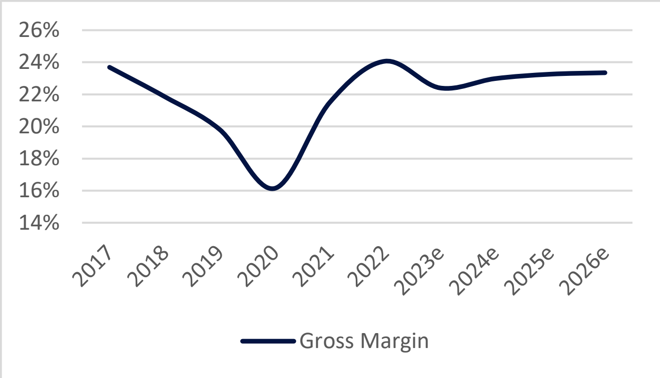
Cost forecasts include M&A related expenses within an elevated cost environment

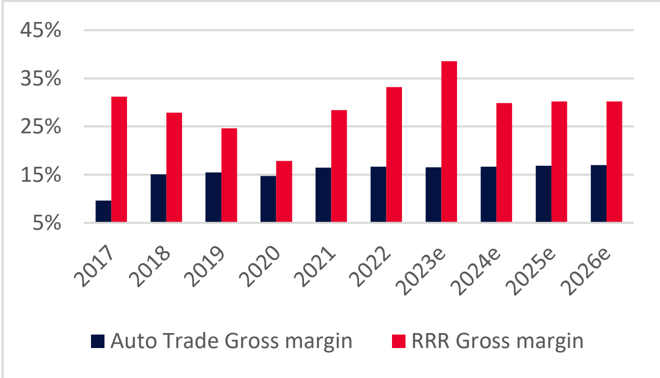
Outlining our cost forecasts as we are looking into a somewhat challenging operational environment (pricing slowdown, normalization of supply of vehicles, and rising depreciation costs), we mirror also the elevated costs faced in Portugal (1st year of Hertz subsidiary operation) and price pressures stemming from the capacity uptick. As a reminder, Autohellas' cost base is mainly COGS-driven (in both Auto trade and Renting divisions), as inventory forms the bulk of the cost base (c63% of total costs). Depreciation, a key element of fleet holding costs, is the second largest cost item, comprising c16% of costs, with personnel costs following accounting for c8%.

Group gross margin shapes near the 22% level in 2023e, indicating 170bps margin erosion…

We model a quite healthy group gross margin at 22% (-1.7pps yoy) in 2023e rising towards the 24% level as we look ahead. This incorporates COGS at a 65-66% of sales and depreciation costs at c11-12% of sales (primarily related to renting vehicles). In **Auto trade** we pencil a gross margin near the 16% level, coherent to historic data (following a temporary boost in 2022) as increasing scale continues to drive further efficiencies, partly offsetting inflationary pressures. In **Renting** we assume a gross margin near 30%, in the mid of the historic 25-34% range (down from 33% in 2022) weighed by the international division gross margin erosion as Portugal feeds in the figures. Attempting to breakdown Greece vs International renting gross profit, we anticipate a c10pps erosion in the latter's profitability margin (vs 30% in 2022) as a result of Hertz Portugal 1st time inclusion (rise in costs-fleet) in 2023, while we assume Greece renting gross margin remains fairly unchanged. Looking ahead we assume only a marginal bounce back in renting gross margins.

Group gross margin evolution	**Auto trade and Renting gross margin evolution**





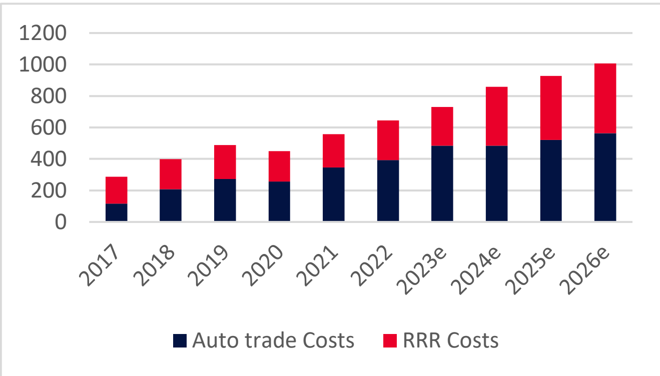
Source: Eurobank Equities Research, Company data.

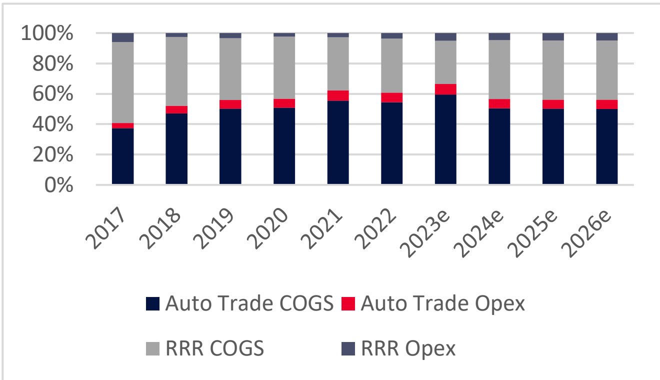
...and opex/sales at c9% at the high end of the historical range

The remaining operating costs (c10%) have historically corresponded to an opex/sales ratio in the 6-8% range. We forecast opex at 8.9% of sales for 2023e (reflecting the inflated cost environment and M&A), narrowing towards 8% as we move ahead and acquisitions mature.

We calculate total costs (including D&A) at €827m in 2023e, thus implying an EBIT margin of 13.3% at group level (-2.4pps yoy). This is predicated on a 20.9% margin in renting (RRR) and a lower 6.7% EBIT margin in Auto Trade, given the different structure across the two segments. Auto trade costs account for >50% of group total costs as we showcase in the graphs below.

Total costs base per activity in EUR mn ...	**... and as % of total costs**

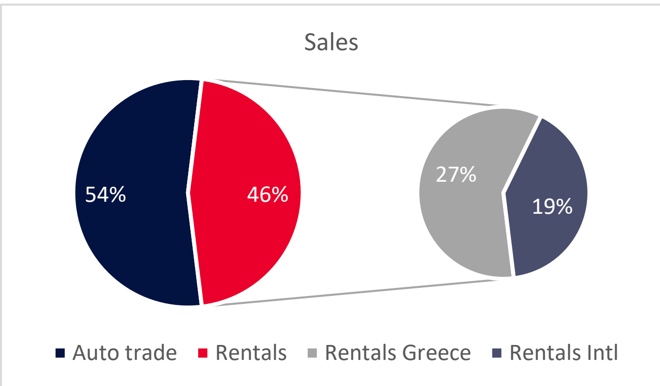


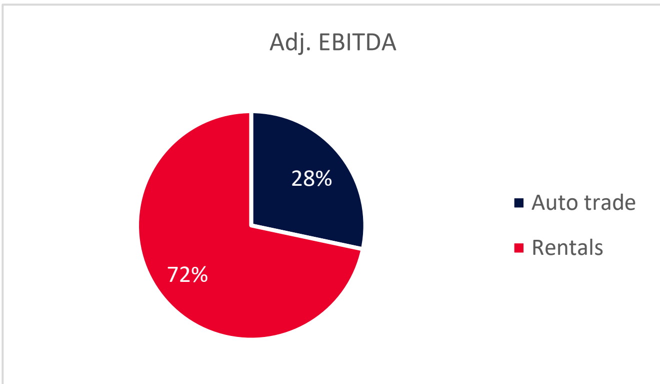


Source: Eurobank Equities Research, Company data.

The rentals segment remains the most significant profitability source accounting for almost ¾ of total adj. EBITDA (2023e figures) despite the almost equal weight split in revenues.

2023e Sales split	**2023e Adj. EBITDA split**



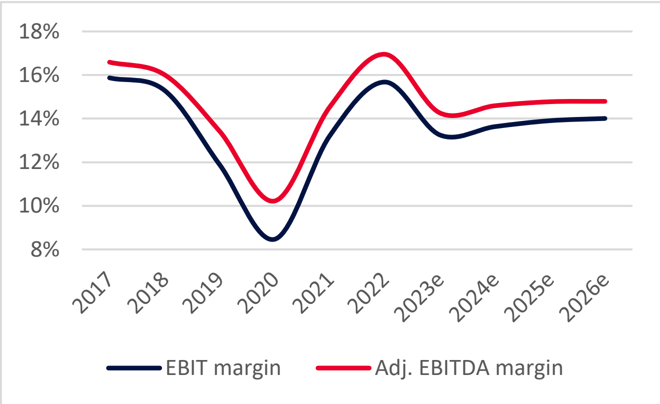


Source: Eurobank Equities Research

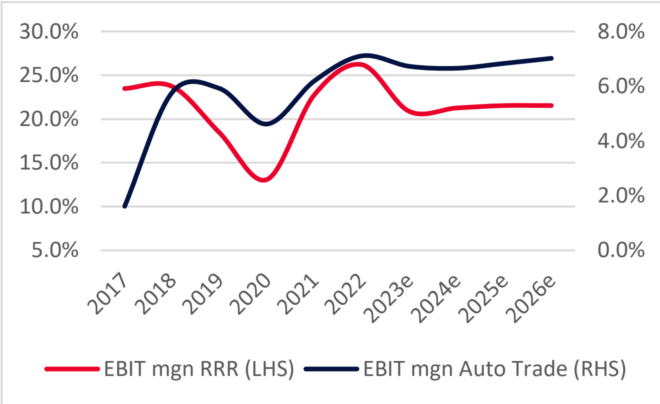
…thus leading to 6.5% 2023e EBIT growth

Following the acquisitions integrated in 2023, we model a 30% yoy rise in costs on a slower c26% yoy growth in the top line, led by a 39% yoy rise in RRR (renting division) costs and by a 24% yoy rise in Auto Trade costs. Against this background, we see a mild EBIT margin erosion (-2.4pps yoy) in 2023e, landing at 13.3%, followed by a slight recovery as cost efficiencies and synergies feed in the numbers. We believe that a group EBIT margin in the range of c14-15% is sustainable and largely underpinned by operating leverage looking ahead, taking into account Autohellas's "best-in-class" rental margin by international standards. As a reminder, Autohellas's rental segment screens out as one of the highest-margin businesses, with an EBIT margin near 22% on average (except for 2020 covid year), standing very close to that of foreign peers despite the lower size. This can be justified by the scale benefits achieved in the company's expanded network and the duality of short-term and long-term rental operations.

Group EBIT and Adj. EBITDA margin evolution



Renting & Auto Trade EBIT margin

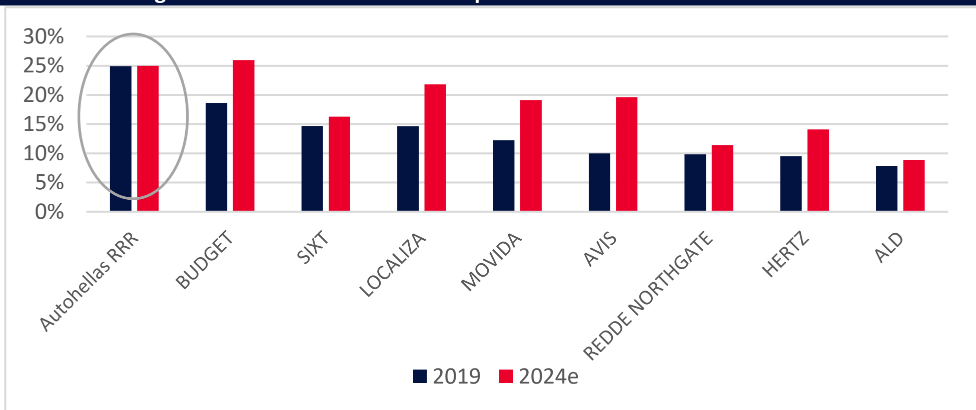


Source: Eurobank Equities Research, Company data.

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

Taking a glimpse below into Autohellas' positioning vs international peers in terms of margins, as we can see in the chart below, Autohellas had superior margins vs peers before the pandemic and looks poised to retain its 'top-end' spot looking ahead, despite margin erosion. As a reminder, our international peer group comprises both companies offering primarily short-term rentals (e.g. US peers) and names operating a dual model (e.g. Localiza, Movida).

Rental EBIT margins Autohellas vs international peers



Source: Eurobank Equities Research, Company data, Bloomberg.

2023e profitability weighed down by high net financials

Turning to our bottom-line forecasts, we incorporate a spike in financing costs, owing to the rise in the floating loan rates during 2023. In total, we see net financial costs of c€31m for 2023e. We stress that our numbers also include profit from the 51% stake Autohellas owns in the FCA Hellas JV, which we account as operating income from equity method investments and which boost our FY23e by c€2.5m. We come up with a 2023e EBT forecast of €99.1m, below record last year levels (€104.0m). Applying a c22% effective tax rate and accounting for higher minorities vs 2022 (including a full year 10% for the Portuguese subsidiary) our net profit estimate stands at €71m, modestly lower than the record €77.5m delivered in 2022.

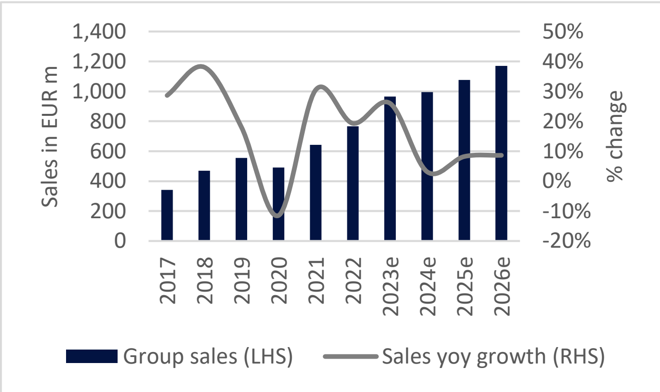
9% EBIT CAGR looking ahead

7% sales CAGR in 2023-26e…

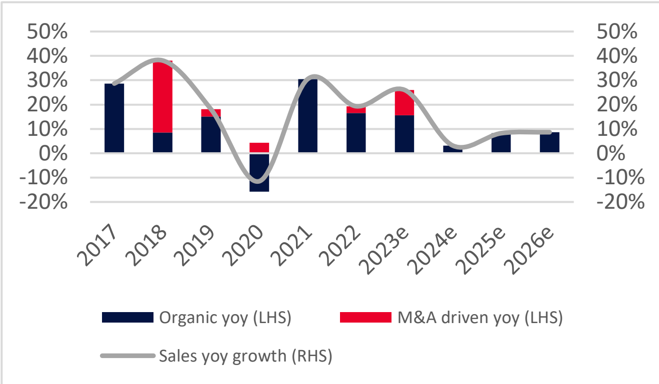
Looking further out, we estimate c3% yoy revenue growth in 2024e. We pencil in almost flat car sale prices amid moderating unit sales in both new and used car sales. We further assume continuing investments in fleet renewal, with pent up demand for long term renting in Greece offsetting price pressures anticipated in Greece short term rentals, while in the international rentals segment we eye low teens growth in 2024e, following the first full year of Portugal integration.

We envisage stronger growth in both 2025 and 2026, near 8% assuming: 1) rising mkt share in Greece Auto Trade (+5.3% CAGR over 2023-26e); 2) increasing utilization and unit revenue for the rental division (+8.2% CAGR in rentals ex used car sales) and 3) flat used car sales amid near-term average pricing pressures given the tight market. All these add up to c+6.6% revenue CAGR over 2023-26e.

Group Revenues (in EUR m) and yoy growth



Organic and inorganic revenue growth



Source: Eurobank Equities Research, Company data.

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

Revenues segmental breakdown

EURm	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
RRR ex. used car sales	202	207	166	207	261	338	379	421	457
Used car sales	47	58	58	65	83	107	97	98	106
Greece & International Renting	**250**	**265**	**224**	**272**	**344**	**445**	**475**	**518**	**563**
yoy	*12%*	*6%*	*-16%*	*22%*	*26%*	30%	7%	9%	9%
Auto trade Greece	**221**	**290**	**268**	**370**	**422**	**520**	**520**	**559**	**607**
yoy	*86%*	*32%*	*-8%*	*38%*	*14%*	23%	0%	8%	9%
Group sales	**470**	**555**	**492**	**642**	**766**	**965**	**995**	**1077**	**1170**
yoy	*38%*	*18%*	*-11%*	*30%*	*19%*	26%	3%	8%	9%

Source: Eurobank Equities Research

…leading to 9% EBIT CAGR in the same period

On the profit front, we forecast a bounce-back in the EBIT margin trending towards the 14% level in the 2024-26e period, while also pencilling in some €5-8m from the JV investment in 2-3 years' time. As far as financials are concerned, we expect net financials to fade down to c€25m by 2026e, driven by decelerating rates. It is worth noting that we have adjusted for the successful completion of the €200m bond loan (at 4.25% yield), issued in January 2024, which will be partly used to repay existing loans, and thus trim the net financial costs. We calculate EBT will reach c€147m and net profit of €107m by 2026e. This indicates a 14.8% 2023-2026e profit CAGR.

P&L Snanpshot

EURm	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Sales	470	555	492	642	766	965	995	1077	1170
COGS	-368	-445	-412	-504	-581	-749	-766	-826	-897
Gross Profit	**103**	**110**	**79**	**138**	**184**	**216**	**229**	**250**	**273**
Gross Margin	22%	20%	16%	21%	24%	22%	23%	23%	23%
- Opex	-31	-44	-38	-53	-64	-88	-93	-101	-109
Adj. EBIT	**72**	**66**	**42**	**85**	**120**	**128**	**136**	**150**	**164**
EBIT margin	15%	12%	8%	13%	16%	13.3%	13.6%	13.9%	14.0%
+ D&A (ex-cars)	3	9	9	8	10	10	10	9	9
Adj. EBITDA (post vehicle D&A)	**75**	**75**	**50**	**93**	**130**	**138**	**145**	**159**	**173**
Adj. EBITDA margin	16%	13%	10%	15%	17%	14.3%	14.6%	14.8%	14.8%
Net Profit	**38**	**44**	**16**	**49**	**78**	**71**	**80**	**94**	**107**

Source: Eurobank Equities Research

Investments continuing unfettered underpinned by strong FCF

Ongoing fleet investments raise number of vehicles >55K, supported also through RRF financing

Autohellas investment plans are continual, with the company constantly renewing/growing its fleet. Against this background, the group has entered in two RRF-funded projects regarding its fleet green transition within 2022 and 2023. In specific, for investments amounting to €300m, RRF will cover €150m (50% of total), banks will contribute €90m (30%) while the remaining €60m will be financed by Autohellas's own funds. The group's fleet has scaled up to c57K in the 9-month period (peak), from c40K in 2017, and we assume it will rise >60K by 2026e, with a rising share of new technology electric/hybrid vehicles in total (c29% of total vehicles).

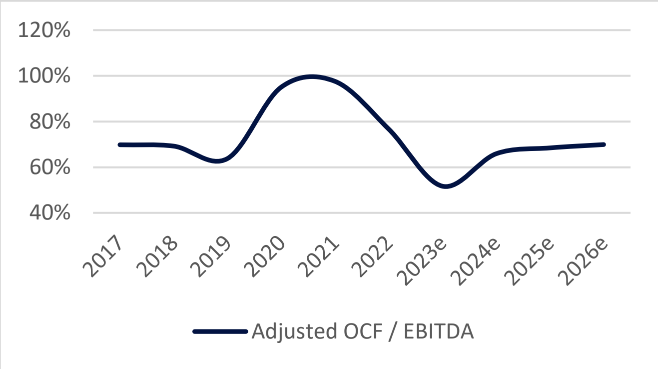
Net fleet capex at c60% of EBITDA looking ahead

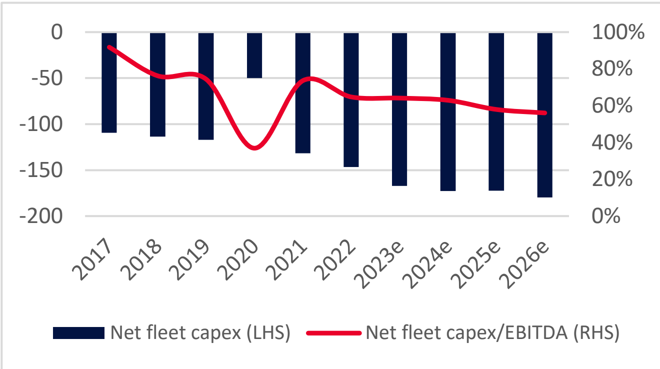
Net fleet investments have varied between €110-150m in the past 5 years (excluding covid driven 2020) with our future forecasts ticking higher (between €160-180m). This is a result of the more costly purchase price of hybrid/electric vehicles, as Autohellas replaces 'older technology' lower cost vehicles, while at the same time we are assuming decelerating used car sale prices (vs c35% yoy spike in 2022 pricing). It is worth highlighting that net fleet investments effectively reflect the net amount Autohellas spends on new vehicles (both growth and replacement capex) post receipts stemming from used fleet sales. With this in mind, Autohellas has been spending c70% of EBITDA on average on net fleet investments. Our estimates call for a decelerating trend in fleet investments as a percentage of EBITDA looking ahead, down to 50-65%, with net investments nominal value in the €160m-€180m area, as we incorporate net additions of some 2.5-3K vehicles per year (vs 3K-4K net during pre-pandemic years).

Solid cash conversion and tight WC mgt sustained

The group has a solid track record of cash flow generation enjoying a lean operating WC structure, namely ex car inventory. As we have seen, adjusted OCF has consistently exceeded 50% of reported EBITDA, while it has overshoot near 85-91% in 2020-21 as a result of the supply chain bottlenecks during covid. Looking ahead, we assume normalization will filter through to adj. OCF conversion >60% of EBITDA, underpinned by working capital discipline.

Adj. OCF conversion (OCF ex cars /EBITDA)	**Net fleet investments in EUR mn and as % of EBITDA**



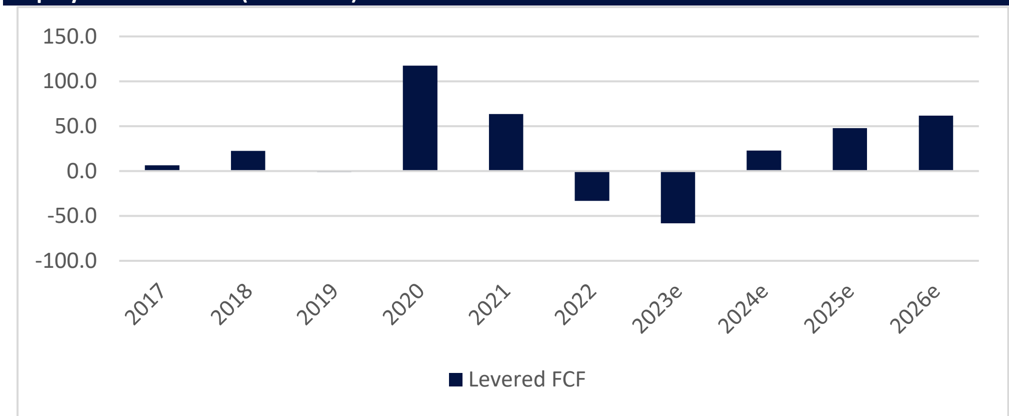


Source: Eurobank Equities Research, Company data.

Resilient cash generation ability despite heavy investments

As we have raised our near-term investment assumption, including M&A carried out and higher fleet capex than our prior expectations, we calculate negative equity free cash flow will be sustained in 2023. We reckon this should not be seen as a matter of concern, as the company had piled up significant cash in covid-affected years (2020-21). Looking ahead we expect Autohellas to preserve its resilient cash flow generation ability, thus allowing for further fleet purchases and the maintaining of an attractive remuneration policy.

Equity Free Cahs Flow (in EUR mn)



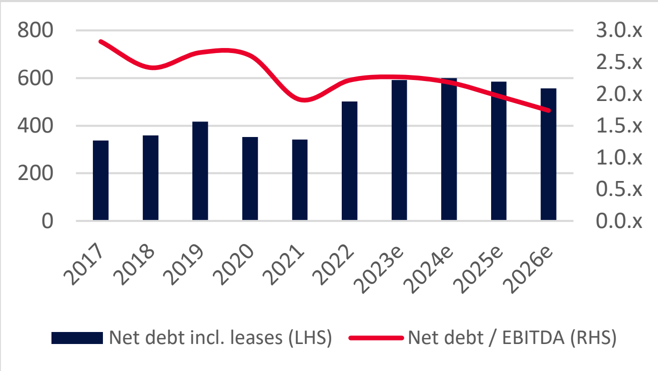
Source: Eurobank Equities Research, Company data.

Healthy balance sheet sustained

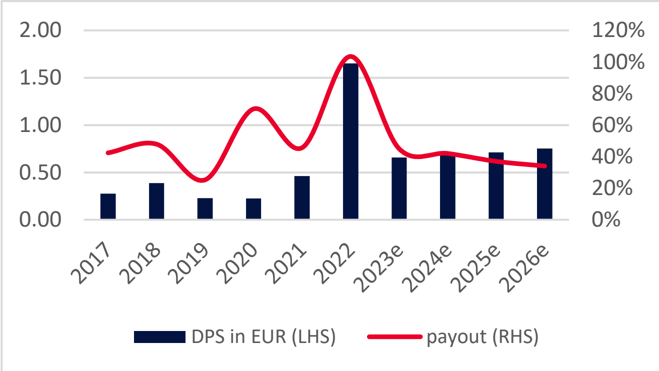
Healthy financial position; net debt/EBITDA decelerating and shareholders remuneration sustained

Autohellas's financial position remains very strong, with a net debt/EBITDA ratio <2.5x since 2021, down from 2.5-2.8x in the previous years. Our forecasts envisage decelerating leverage towards the 1.7x mark (net debt/EBITDA) by 2026e, largely owing to the highly cash-generative ability as described above. At the same time, Autohellas has exhibited a solid track record of rewarding shareholders with an average payout ratio near 45% of net profit in the past. This was further topped up in 2022 with an extraordinary capital return (€1.0/share, leading to a total payout >100% of net profit). In the years ahead, we consider a balanced capital allocation approach between investments and shareholder remuneration, thus inputting a payout ratio between 30-45%.

Net debt in EUR mn and ratio over EBITDA



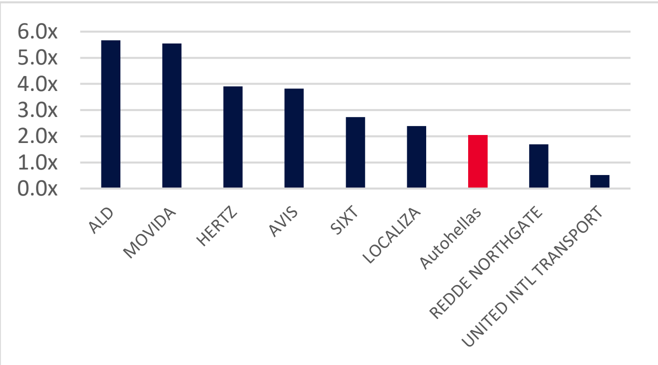
Payout ratio (% of earnings) and dividend per share



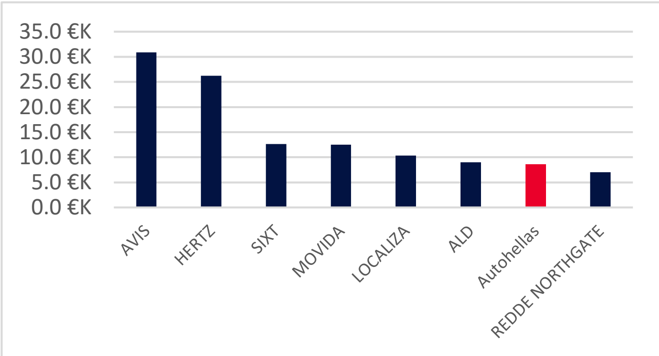
Source: Eurobank Equities Research, Company data.

Trying to map the evolution of net debt over EBITDA vs peers, we reiterate Autohellas's strong positioning. It is worth reminding that in fact global rental companies have extra leverage on top of fleet debt, which is not the case for Autohellas. As we showcase in the charts below Autohellas screens at the low-end among its peers in terms of both net debt/EBITDA (c2x) and net debt per vehicle (<€9K).

Net debt/EBITDA vs peers (10yrs avg)



Net debt/vehicle vs peers (2023e)



Source: Eurobank Equities Research, Company data, Bloomberg.

Main assumptions and divisional overview

Rental segment revenue pillars

Greece renting

The performance of Greece rentals segment in 2023e is set to be somewhat subdued (+1.6% yoy) as Autohellas is cycling a high base (+19.7% in 2022 and +26.3% in 2021). That said, the segment exhibits healthy trends thanks to strong tourism. We pencil in a moderate rise in overall unit rental prices (+1.8% Greek RPD in 2023), mainly driven by long-term rental rates (average monthly rental >€350/car), which we expect to counterbalance the price pressures across short term car rentals (RPD at c€41 in 2023e, vs €45 in 2022). From a fleet perspective, we assume the net fleet size in Greece remains fairly unchanged in the year, something we expect to provide underpinning to utilization rates (just below 50% on our assumption) despite rising market capacities. Looking ahead, we assume unit prices will continue on an upward trajectory as the number of electric/hybrid vehicles rises in the fleet, while we also see a gradual bounce-back in short term rental prices. In the meantime, the long-term rental domestic market remains underpenetrated providing scope for further revenue growth.

International renting

Looking into the International rental segment, short-term rental figures include for the first time Hertz's franchise in Portugal, which we estimate will generate >€85m revenues in 2023e. This will double the size of the group's international revenues, rendering Portugal the single largest franchisee within Autohellas' foreign markets. With the addition of Portugal (only RaC), long term international rentals make up for a smaller portion in renting revenues (c20% of international renting on our estimates). Overall, we make similar assumptions as in Greece, namely a rising monthly lease rate led by rising demand for more expensive cars, while we see a significant recovery in RaC utilization rates near 67% (seen bank in 2017-18), assuming a spike in RPD above Greece levels (>€41 in 2023e).

Used car sales

Both Greece and International divisions benefit from the disposal of used cars (re-fleeting). However, the value achieved in the second-hand market remains a key risk area, regarding the extent to which profit/loss is booked over the residual value of each vehicle. In the past few years, the used cars markets enjoyed significant gains driven by the production constraints and supply challenges. We believe 2023e is set to benefit further with our revenue forecast for Autohellas at €102m (up from c€80m in 2022). This stems primarily from a rising fleet for sale (c11-12K used cars, vs 5K-9K in 2013-20 period), as Autohellas will continue to upgrade its fleet in sync with the usual 4-5 years' average holding period, while we also see higher sale prices per vehicle, climbing to >€7K, closer to €8.5K as we look ahead. We forecast that used car sales will continue contributing a considerable (c16-23%) proportion of the group's RRR sales.

+8% RRR sales CAGR, following 3-years of exceptional >20% yoy growth

Summing up the above, we forecast 2023e **RRR sales** of €445m, advancing by +29.5% yoy or +16% on a like for like basis (ex-Portugal). Our average fleet assumption is >50K vehicles, with average utilization rates in the 67-69% range and revenue per renting day growing c12% in 2023e and 56% thereafter driven by long term rental price increases. Overall, in the 2023-26 period we estimate 8.2% revenue CAGR, underpinned by a growing fleet scale (+5% CAGR) and an elevated pricing environment, as reflected in our assumption for c5% unit price growth (revenue per day) post 2023e.

Rental revenues pillars

EURm	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Average Vehicles ('000s)	42,500	46,050	46,550	46,000	50,100	54,100	55,975	58,939	61,927
yoy	10%	8%	1%	-1%	9%	8%	3%	5%	5%
Total RRR Utilization rates	64.8%	65.3%	54.5%	61.9%	62.0%	66.7%	67.9%	68.5%	68.1%
Total Transaction Days ('000s)	10,058	10,978	9,258	10,387	11,329	13,162	13,868	14,726	15,393
yoy	16%	9%	-16%	12%	9%	16%	5%	6%	5%
Total RPD	20 €	19 €	18 €	20 €	23 €	26 €	27 €	29 €	30 €
yoy	-5%	-6%	-5%	11%	15%	12%	6%	5%	4%
Rental sales (ex used car sales)	202.4	207.0	165.7	207.2	260.6	338.3	378.7	420.6	456.9
Used Cars & Other	47.2	58.0	57.9	64.7	83.0	106.7	96.8	97.7	106.5
RRR	**249.6**	**265.0**	**223.6**	**271.9**	**343.6**	**445.0**	**475.5**	**518.2**	**563.4**
growth	*12%*	*6%*	*-16%*	*22%*	*26%*	*30%*	*7%*	*9%*	*9%*

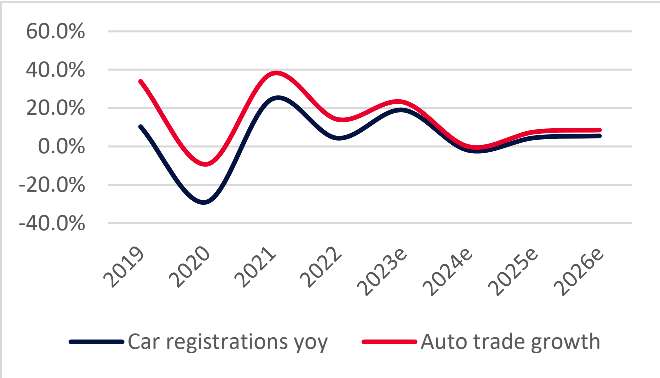
Source: Eurobank Equities Research

Auto trade segment revenues

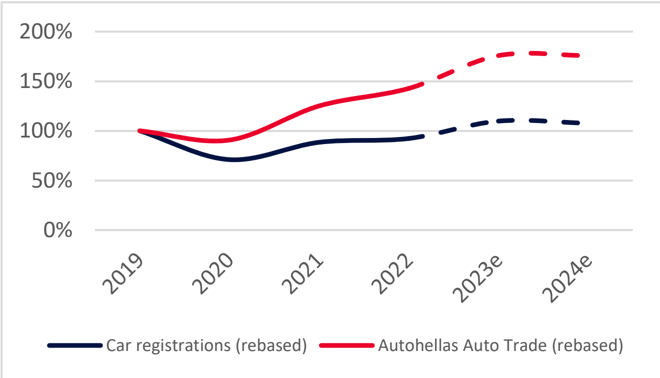
Market share gains in Auto Trade with +5.3% revenue CAGR over 2023-26e vs +4% for total car registrations in the same period

In **Auto trade** we forecast a strong +23% yoy performance from new car sales in 2023e, led by a solid +28% spike in new car registrations in Greece. We believe this is largely driven by the normalization in the supply of vehicles, underpinned further by Autohellas' rising share in total new registrations. We expect this to fade in 2024e, when we pencil a flat performance, before bouncing to a more sustainable high single digit rate, with the 2023-26 revenue CAGR at 5.3% lying ahead of the market likely growth (c4%). This points to a rising share for Autohellas, also seen in the graphs below.

Auto trade revenue growth and car market growth…



…also rebased to 2019 showing Autohellas' outperformance



Source: Eurobank Equities Research, Company data.

Group overview

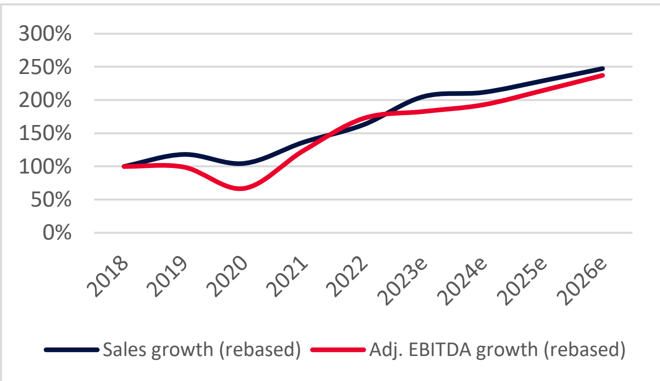
+7% sales CAGR in 2023-26e…

Incorporating the above into group sales, we see 2023 group sales of €965m (+26% yoy, or +16% like for like), with the three segments, namely Rentals Greece, International car rental and Auto Trade Greece, growing 5%, 96% (or +7% lfl) and 23% yoy respectively. Looking ahead to 2024e, we anticipate a slowing +3% yoy growth rate, with 2025-26 recovering to +8-9% yoy, supported by the renewal of an ageing fleet (~16-17 years in Greece on average) with new technology vehicles, the rising penetration in the long-term lease market and the ongoing tourism momentum.

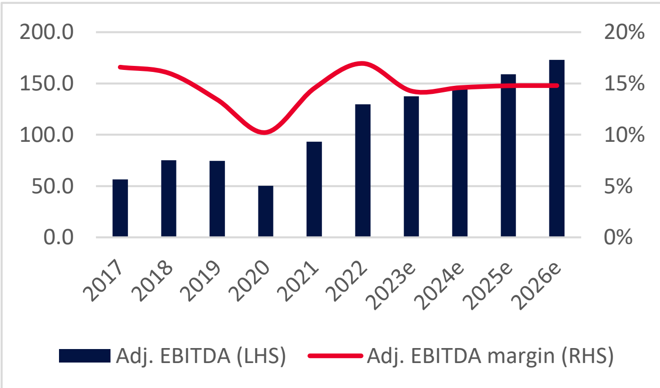
…with operating leverage feeding post 2023 leading to 9% 2023-26e operating profit CAGR

On the profit front, we expect to see the benefits of operating leverage feeding post 2023, with adj. EBITDA margin settling between 14.3% and 15.3% (vs 17% in 2022). We anticipate that total costs will remain in the 85-86% of sales level up to 2026e, manifested through c77-78% cogs/sales ratio and a fairly stable opex/sales ratio (8.8% of sales). This will result to a moderate 6% annual growth in 2023-24e adj. EBITDA, following a blowout +39% yoy in 2022 and +86% in 2021, rising to c8-10% in the outer years. Our forecasts envisage EBIT growing at 9% CAGR in the 2023-26 period.

Sales and adj. EBITDA growth (rebased to 2018)



Adj. EBITDA in EURm & margin evolution



Source: Eurobank Equities Research, Company data.

The table below presents an overview of our forecasts for the group.

Main forecasts overview									
(in EUR mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
- RRR	**249.6**	**265.0**	**223.6**	**271.9**	**343.6**	**445.0**	**475.5**	**518.2**	**563.4**
growth	*12%*	*6%*	*-16%*	*22%*	*26%*	*30%*	*7%*	*9%*	*9%*
o/w Renting Greece	187.4	199.4	171.7	206.4	250.8	263.4	273.0	296.5	318.7
o/w Renting Intl	62.2	65.5	51.9	65.5	92.8	181.6	202.4	221.7	244.7
- Auto trade Greece	**220.8**	**290.5**	**268.1**	**369.8**	**422.0**	**519.8**	**519.6**	**558.7**	**606.5**
growth	*86%*	*32%*	*-8%*	*38%*	*14%*	*23%*	*0%*	*8%*	*9%*
Sales	**470.4**	**555.4**	**491.7**	**641.6**	**765.6**	**964.8**	**995.0**	**1,076.9**	**1,169.9**
growth	*38%*	*18%*	*-11%*	*30%*	*19%*	*26%*	*3%*	*8%*	*9%*
COGS	-367.5	-445.4	-412.4	-503.7	-581.3	-748.6	-766.3	-826.5	-896.7
Gross Profit	**102.8**	**110.0**	**79.4**	**137.9**	**184.2**	**216.1**	**228.7**	**250.5**	**273.2**
Gross Margin	22%	20%	16%	21%	24%	22%	23%	23%	23%
Opex	-30.9	-44.0	-37.7	-53.2	-64.2	-88.3	-93.0	-100.7	-109.3
Adj. EBIT	**71.9**	**66.0**	**41.6**	**84.8**	**120.0**	**127.8**	**135.6**	**149.7**	**163.9**
EBIT margin	15%	12%	8%	13%	16%	13%	14%	14%	14%
growth	*33%*	*-8%*	*-37%*	*104%*	*42%*	*7%*	*6%*	*10%*	*9%*
- EBIT RRR	**59.2**	**48.8**	**29.3**	**61.9**	**90.0**	**92.9**	**101.1**	**111.6**	**121.3**
- EBIT RRR margin	24%	18%	13%	23%	26%	21%	21%	22%	22%
- EBIT Auto Trade	**12.7**	**17.2**	**12.4**	**22.9**	**30.0**	**35.0**	**34.6**	**38.2**	**42.6**
- EBIT Auto Trade margin	6%	6%	5%	6%	7%	7%	7%	7%	7%
D&A (ex cars)	3.4	8.5	8.6	8.5	9.8	9.8	9.6	9.4	9.2
Corporate EBITDA	**75.3**	**74.5**	**50.3**	**93.3**	**129.8**	**137.6**	**145.2**	**159.1**	**173.1**
EBITDA margin	16%	13%	10%	15%	17%	14%	15%	15%	15%
growth	*33%*	*-1%*	*-33%*	*86%*	*39%*	*6%*	*6%*	*10%*	*9%*
EBT	**55.2**	**57.3**	**24.2**	**64.6**	**104.0**	**99.3**	**111.2**	**128.8**	**146.6**
growth	*33%*	*4%*	*-58%*	*167%*	*61%*	*-5%*	*12%*	*16%*	*14%*
Net profit	**38.2**	**44.2**	**15.8**	**49.0**	**77.5**	**71.0**	**80.1**	**93.6**	**107.3**
growth	*21%*	*16%*	*-64%*	*210%*	*58%*	*-8%*	*13%*	*17%*	*15%*
Source: Eurobank Equities Research									

…and resilient cash flow generation despite heavy fleet investments

Summarizing our main cash flow assumptions below, we see slight pressure in the current year primarily weighed by the elevated net financials, as the group continues with its investment plans. Looking ahead, we expect the EBITDA increase to filter through to rising operating cash flow (>€180m) post 2023e, underpinned by healthy tourism dynamics and market share gains for Autohellas. This will allow the group to comfortably continue funding investments (€140-160m annually) and retain a compelling dividend policy (>30% payout on our estimates). As a result of the above, we believe that Autohellas will be able to lower its net financial debt from 2027e onwards below the €550m level.

Summary Cash Flow									
(in EUR mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
EBITDA reported	148.9	157.3	135.3	178.9	226.4	260.7	274.6	297.4	320.5
Change in Working Capital (ex-fleet)	-3.6	-21.4	18.5	24.7	15.3	-25.2	-3.3	-4.5	-4.0
Cars sold profit	-15.6	-12.5	-14.1	-12.5	-41.4	-47.8	-36.8	-33.7	-34.8
Net interest	-13.8	-11.3	-11.6	-13.3	-12.4	-31.1	-29.1	-27.3	-25.4
Tax	-11.3	-13.2	-1.0	-3.8	-14.5	-21.8	-24.5	-28.3	-32.3
Other	-1.6	1.4	1.4	0.6	0.3	0.0	0.0	0.0	0.0
Adj. Operating Cash Flow	**103.1**	**100.3**	**128.6**	**174.6**	**173.6**	**134.7**	**180.9**	**203.5**	**224.0**
Net fleet Capex	-83.6	-104.8	-7.2	-101.9	-139.1	-140.7	-146.3	-144.2	-151.2
Other investing	1.5	7.9	0.3	-3.7	-62.2	-46.5	-6.1	-5.8	-5.4
Net Investing Cash Flow	**-82.0**	**-96.9**	**-6.9**	**-105.6**	**-201.3**	**-187.2**	**-152.4**	**-150.0**	**-156.6**
Capital repaym. of lease obligations	0.0	-4.5	-4.2	-5.3	-5.5	-5.5	-5.6	-5.6	-5.7
Free Cash Flow (Levered)	**21.0**	**-1.1**	**117.5**	**63.7**	**-33.1**	**-58.0**	**22.9**	**47.9**	**61.7**
Dividends/shareholders returns paid	-13.4	-19.0	-11.2	-11.1	-75.3	-31.6	-32.0	-33.6	-34.6
Other	-30.1	-37.8	-41.5	-41.9	-51.4	0.1	0.8	0.4	0.4
Inflow / (Outflow)	**-22.4**	**-57.8**	**64.8**	**10.7**	**-159.8**	**-89.5**	**-8.3**	**14.6**	**27.5**
Net debt / (cash)	**359.4**	**417.2**	**352.4**	**341.7**	**501.5**	**590.9**	**599.2**	**584.6**	**557.1**
Source: Eurobank Equities Research									

9M'23 overview

Milestone 9M performance continues…

Autohellas released very strong Q3 results with a 32% yoy rise in revenues at €285m, a 14% yoy increase in EBITDA at €94.5m and a lower 3% yoy rise in net profit due to the impact of higher financial expenses. This translated to 9M'23 revenue growth of 34% yoy, reported EBITDA growth of 20% yoy and net profit growth of 4.4% yoy.

In specific 9M'23 sales shaped at €762.5m (+34% yoy). Per segment, 9M'23 rentals Greece grew 6.1% yoy, rentals international hiked 165% yoy with the inclusion of Portugal (or +12.8% organic), and auto trade revenues increased by a substantial 30% yoy. The rental fleet exceeded 57K cars in the 9m-month period, with c12K new car purchases in the period.

At the profitability front, 9-month reported EBITDA shaped at €214m, with the respective margin at 28.1% (-3.3pps yoy, and better to H1'23 25.1%), indicating a 40% yoy rise in costs. After deducting depreciation costs (including cars depreciation costs) EBIT shaped at €117m (+16% yy). The record operating performance was only partly offset by higher financial expenses (double vs last year) leading to EBT of €95m (+5.5% yoy) and net profit of €74.7m (+4.4% yoy). It is worth highlighting that the FCA Greece activity is incorporated in Q3'23 results (started May 2023) but is not reflected in revenues (auto trade) as it is consolidated with the equity method due to the joint control with Samelet.

Autohellas 9M'23 results overview

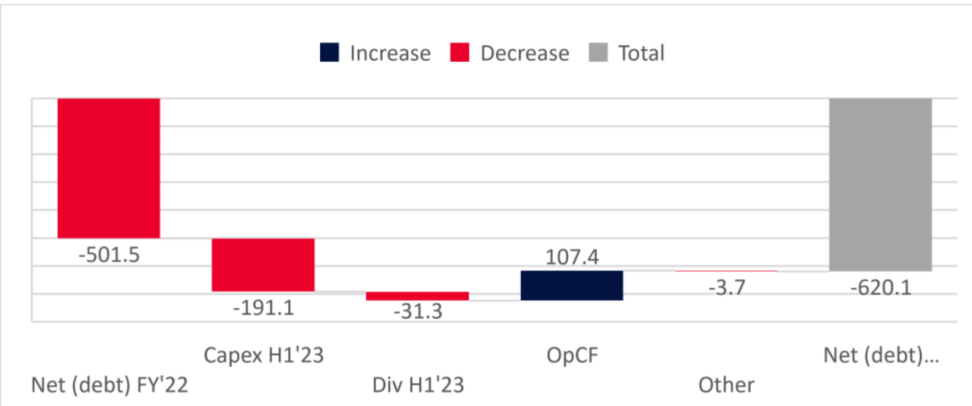
(EUR mn)	9M'22	9M'23	yoy %
Rentals Greece	*195.5*	*207.3*	*6%*
Intl car rental	*51.3*	*135.9*	*165%*
Auto Trade Greece	*321.7*	*419.3*	*30%*
Total revenues	**568.6**	**762.5**	**34%**
EBITDA	**178.2**	**214.2**	**20%**
EBITDA margin	*31.4%*	*28.1%*	-3.3pps
EBIT	**100.9**	**116.9**	**16%**
EBIT margin	*17.7%*	*15.3%*	-2.4pps
PBT	**90.1**	**95.0**	**5%**
Taxes	-18.6	-20.3	5%
Effective tax rate	*20.6%*	*21.4%*	
Net profit	**71.5**	**74.7**	**4%**

Source: Eurobank Equities Research, Company data

…amid sustained solid cash generation ability despite heavy investments and shareholder returns

Looking at cash flow generation we dig into H1'23 results, which affirm the cash generating capacity of the business with Autohellas generating >€100m adjusted operating cash flow (i.e. excl. vehicle purchases). This has partially redeemed the heavy investments undergone (c€190m) within the first semester of the year. In total, the group net debt position increased to €620m by the end of June 2023, though we anticipate this will drop a bit by end-December 2023e (to c€550m) driven by the seasonally strong summer operating performance.

Net debt bridge FY'22 to H1'23



Source: Eurobank Equities Research, Company data.

Group Financial Statements

EUR mn					
Group P&L	**2021**	**2022**	**2023e**	**2024e**	**2025e**
Sales	**641.6**	**765.6**	**964.8**	**995.0**	**1,076.9**
Gross Profit	219.6	274.7	329.2	346.9	376.1
EBITDA	**178.9**	**226.4**	**260.7**	**274.6**	**297.4**
EBITDA margin	27.9%	29.6%	27.0%	27.6%	27.6%
Corporate EBITDA (ex-cars D&A)	**93.3**	**129.8**	**137.6**	**145.2**	**159.1**
EBIT	**84.8**	**120.0**	**127.8**	**135.6**	**149.7**
Net financials - income/(costs)	-19.1	-16.1	-31.1	-29.1	-27.3
Exceptionals	-0.3	-0.6	2.5	4.6	6.3
PBT	**65.4**	**103.4**	**99.3**	**111.2**	**128.8**
Income tax	-12.2	-21.5	-21.8	-24.5	-28.3
Net profit - reported	**49.0**	**77.5**	**71.0**	**80.1**	**93.6**
EPS (EUR)	**1.01**	**1.59**	**1.46**	**1.65**	**1.93**
DPS (EUR)	**0.46**	**1.65**	**0.66**	**0.69**	**0.71**
Group Cash Flow Statement	**2021**	**2022**	**2023e**	**2024e**	**2025e**
EBITDA	178.9	226.4	260.7	274.6	297.4
Changes in Working Capital (ex-fleet)	26.4	15.3	-25.2	-3.3	-4.5
Net Interest	-7.2	-12.4	-31.1	-29.1	-27.3
Tax	-3.8	-14.5	-21.8	-24.5	-28.3
Other	-13.6	-41.1	-47.8	-36.8	-33.7
Operating Cash Flow	**180.6**	**173.6**	**134.7**	**180.9**	**203.5**
Capex (incl vehicle purchases net)	-113.2	-174.7	-150.7	-156.3	-154.2
Other investing (acquisitions/disposals)	1.6	-26.6	-36.5	3.9	4.2
Net Investing Cash Flow	**-111.6**	**-201.3**	**-187.2**	**-152.4**	**-150.0**
Dividends paid	-11.1	-75.3	-31.6	-32.0	-33.6
Other	-41.9	-51.4	0.1	0.8	0.4
Net Debt (cash)	**341.7**	**501.5**	**590.9**	**599.2**	**584.6**
Free Cash Flow	**63.7**	**-33.1**	**-58.0**	**22.9**	**47.9**
Group Balance Sheet	**2021**	**2022**	**2023e**	**2024e**	**2025e**
Tangible Assets	483.3	591.2	675.7	719.6	754.3
Intangible Assets	27.8	63.0	63.0	63.0	63.0
RoU Assets	74.0	96.9	96.4	99.3	102.3
Other non-current Assets	134.8	181.0	207.0	220.0	230.0
Non-current Assets	**719.8**	**932.1**	**1,042.2**	**1,102.0**	**1,149.6**
Inventories	51.4	75.8	109.0	113.6	125.4
Trade & Other receivables	77.6	98.0	118.2	124.3	137.3
Cash & Equivalents	115.0	93.8	144.7	139.3	150.8
Current Assets	**244.0**	**267.6**	**371.9**	**377.2**	**413.4**
Total Assets	**963.9**	**1,199.6**	**1,414.1**	**1,479.2**	**1,563.0**
Shareholder funds	316.0	333.9	373.3	421.5	481.5
Non-controlling interest	5.3	11.0	17.5	24.1	30.9
Total Equity	**321.3**	**345.0**	**390.8**	**445.6**	**512.4**
Long-term debt (incl securit. & leases)	266.5	525.0	646.4	642.9	641.0
Other long-term liabilities	23.0	33.5	33.5	33.5	33.5
Long Term Liabilities	**289.5**	**558.4**	**679.9**	**676.4**	**674.5**
Short-term debt (incl securit. & leases)	190.2	70.3	89.2	95.6	94.4
Trade Payables	153.6	211.5	239.9	247.4	267.8
Other current liabilities	9.3	14.4	14.3	14.2	14.0
Current Liabilities	**353.1**	**296.3**	**343.4**	**357.2**	**376.2**
Equity & Liabilities	**963.9**	**1,199.6**	**1,414.1**	**1,479.2**	**1,563.0**
Key Financial Ratios	**2021**	**2022**	**2023e**	**2024e**	**2025e**
P/E	7.2x	6.1x	8.7x	8.2x	7.0x
P/BV	1.1x	1.4x	1.7x	1.6x	1.4x
Adj. EV/EBITDA	3.7x	4.2x	4.4x	4.3x	4.0x
EBIT/Interest expense	5.8x	7.6x	3.8x	4.3x	5.0x
Net Debt (Cash)/EBITDA	1.9x	2.2x	2.3x	2.2x	2.0x
Dividend Yield	6.3%	17.0%	5.2%	5.1%	5.3%
ROE	16.6%	23.9%	20.1%	20.2%	20.7%
Free Cash Flow yield	18.0%	-7.0%	-9.4%	3.5%	7.3%
Payout Ratio	45.7%	103.5%	45.0%	42.0%	37.0%

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, with core services in ST Car Rentals and 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.

•**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.

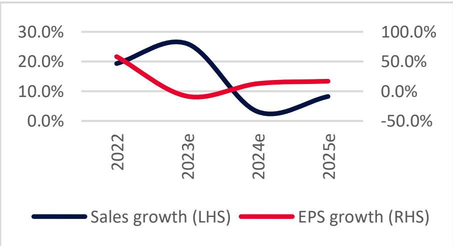
•**Quite complex business model:** The model of car rental companies is quite complex involving high holding costs and quite elevated leverage in most cases. In addition, cost deleveraging becomes pronounced in a downturn, as several expenses increase (higher financing costs, higher depreciation, lower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

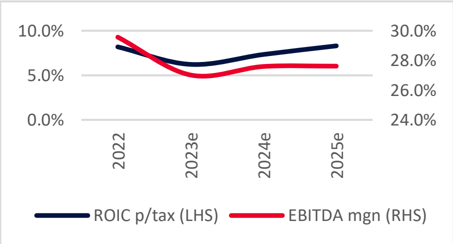
•**Franchise License Expiration:** The group's franchise agreement with Hertz Corporation is set to expire on 31/12/2025, indicating a risk regarding the continuation and the related cost.

•**Sensitivity:** We estimate that a c1% change in utilization drives a c4% change in EBITDA.

Sales and EPS growth



Profitability and returns



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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.

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This report has been written by Natalia Svyriadi and Stamatis Draziotis (CFA) (Equity Analysts).

Analyst Compensation:

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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
25/01/2024	Not Rated	€ 13.56	-
22/01/2024	Not Rated	€ 13.72	-
16/02/2023	Not Rated	€ 11.04	-

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients		Other Material Investment Services Clients (MISC) - as of 15th Jan 2024	
	Count	Total	Count	Total	Count	Total
Buy	19	68%	2	11%	11	61%
Hold	1	4%	0	0%	2	100%
Sell	0	0%	0	0%	0	0%
Restricted	1	4%	0	0%	0	0%
Under Review	2	7%	1	50%	2	100%
Not Rated	5	18%	1	20%	1	20%
Total	**28**	**100%**				

Coverage Universe: A summary of historic ratings for our coverage universe in the last 12 months is available here.

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