EQUITY NOTE: RÁBA Automotive Holding

Recommendation: HOLD (unchanged)

Target price (12M): HUF 1,400 (revised)

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Highlights

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We revised down our 12M target price on Rába Automotive Holding (RABA HB; RABA.BU) to 1,400 HUF/share from the previous HUF 1,476. At the same time, we maintain the previous HOLD recommendation. The new target price is 1.7% lower than the HUF 1,425 closing price on 18 November 2021, one day after the company's Q3 2021 earnings report was released. Total return is estimated at the same -1.7% on a 12-month forecast period, as dividend payment for the current business year became uncertain after weaker second half-year outlook.

Rába recently reported lower-than-expected HUF 9.5bn net sales revenue in Q3 2021, with 11% YoY export growth. Although strong freight demand fuelled the recovery of the transportation sector, Rába's Q3 revenue growth in its core market slowed down more than expected. In the EU market, export revenues added 6% YoY in July-September in FX terms after over 80% YoY dynamics registered in Q2.

Demand from partners in the passenger car market became more sluggish in the past quarter, which weighed on Rába's performance as well. Manufacturers met raw material and/or components shortages that made them lengthen the usual summer breaks and reschedule order from suppliers.

Economic growth in the EU and the euro area is expected to slow down in Q4, with supply chain disruptions weighing on the production side in the manufacturing sector. At the same time, pandemic issues have not evaporated, the imminent new wave of the pandemic is an additional downside risk.

In the short run, Rába has to tackle the double challenge of supply chain problems and intensifying cost-side pressure. We consider the outlook somewhat gloomier than before and decreased the revenue and profitability rate forecasts.

Considerably higher yields due to the rising rate expectation in the past months also had an effect on our valuation, resulting in lower target price.

Despite Rába stocks' rally during the summer, the share price of Rába Automotive is underperforming the BUX this year, as Rába is flat YTD, while the BUX has rallied 24% this year.

Summary

- After the robust figures of Q2 2021, the past quarter brought very mixed results. Despite generally strong demand in the freight market, Rába's revenues remained subdued in its core markets.
- The fluctuating registration figures of heavy- and medium-duty trucks in the EU and the USA were lately down in Europe, as supply-chain disruptions take their toll on the production, despite considerable freight demand.
- Rába Automotive Holding announced lower-than-expected revenue growth in Q3: net sales revenues surged nearly 11% YoY in July-September, to HUF 9.5bn. Export revenues gained almost 13% YoY in HUF terms, with EU sales rising only 6% YoY in EUR terms, and less relevant US sales jumping 67% YoY w/o FX effect.
- Domestic revenues added less than 13% YoY, moderating demand from the passenger car segment has presumably affected the operation of Rába in this market.
- The steep hike in raw material and energy prices plus rising wage costs challenged Rába's cost-cutting efforts again. In Q1, gross profit rate fell to 20% from 26% in Q4 2020, but Q2 brought some relief as gross profit rate surged to near 21%. However, price developments in Q3 went beyond the level that Rába could manage without a considerable deterioration of profitability.
- Gross profit rate declined to 14% in Q3 from 20% in the previous quarters of the year and the same average in 2020. Operating profit rate declined, to negative -4% from the adjusted 4.8% and 3.5% EBIT margins in the previous quarters. EBITDA rate fell to 2.3% from 8.9% and adjusted 9.6% in Q1 and Q2 this year. In the base period, one year earlier, EBIT was also in the negative range but near zero, while EBITDA rate was 4.6%.
- As its European peers, Rába may also have faced persistent supply-chain constraints like shortages of raw materials and other components, extended delivery times, and backlogs.
- As we wrote earlier, the risk factors (covid-related issues, chip shortages, raw material shortages, supply-chain disruptions, delays) pointed to the downside and may prevent deliveries, despite strong order volumes. These fears eventually became reality as supply-chain woes are reaching smaller manufacturers down the supply channel.
- In light of recent developments, we reconsidered our short-term revenue and profit forecasts. The current enterprise value reflects the expectations on weaker profitability as fast-growing raw material and energy prices endanger the strict cost control Rába lately follows, and wage pressure also must be addressed. The pandemic and its possibly imminent next wave still make forecasting challenging. On top of skyrocketing raw material prices, and supply chain woes, rising covid cases and the quickly deteriorating pandemic are additional downside risks.
- We revised down our 12M-target price to 1400 HUF/share. We expect this year's EPS to increase to HUF 66, adjusted EPS to HUF 5/share, while EPS in 2022 may decrease to 59 HUF/share as no property sale is priced in, in lack of such announcement.

Financial highlights of Q3 2021 earnings report

HUFm	2021 Q3	2020 Q3	YoY Change
Domestic sales	2 978	2 645	12.6%
Export sales	6 542	5 905	10.8%
Net sales income	**9 520**	**8 550**	**11.3%**
Direct cost of sales	8 225	6 811	21%
Gross profit	**1 295**	**1 739**	**-26%**
Cost of sales and marketing	100	73	37%
General managing costs	1 536	1 379	11%
Other operating expenses	133	316	-58%
Total operating expenditures	**1 769**	**1 767**	**0%**
Other incomes	95	94	2%
EBIT	**-379**	**65**	**-**
Net financial profit	**-215**	**-252**	**-15%**
Pre-tax profit	-618	-187	230%
Tax	47	76	-39%
After-tax profit	**-665**	**-264**	**152%**

	2021 Q3	2020 Q3	YoY Change
EPS (HUF)	**-49**	**-20**	**149%**
4Q-rolling EPS (HUF)	**163**	**-150**	**-209%**
EBITDA (HUFm)	**215**	**653**	**-67%**
Gross profit rate	**13.6%**	**20.3%**	**-6.7 pp**
EBIT rate	**-4.0%**	**0.8%**	**-4.8 pp**
EBITDA rate	**2.3%**	**7.6%**	**-5.3 pp**
ROE	**-3.1%**	**-1.4%**	**-1.7 pp**
4Q-rolling ROE	**32.9%**	**-30.3%**	**63.2 pp**
ROA	**-1.5%**	**-0.6%**	**-0.9 pp**
4Q-rolling ROA	**5.0%**	**-4.6%**	**9.6 pp**

Source: Rába Automotive

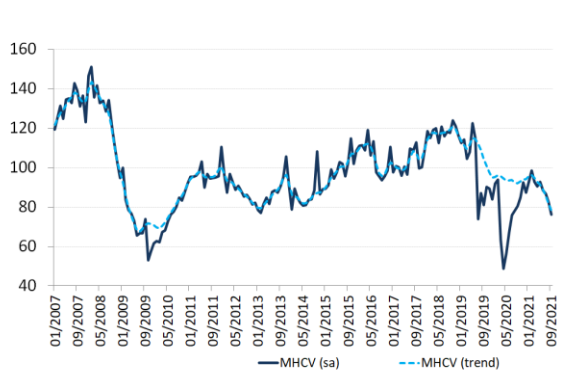
Despite the positive developments in the transport activity, Rába's revenue growth remained subdued in Q3

Rába Automotive's net sales revenue increased to HUF 9.5bn (+11% YoY) in Q3 2021, with domestic sales rising to HUF 3.0bn (+12.6% YoY) and export revenues climbing to HUF 9.5bn (+10.8% YoY). Despite strong freight activity and steadily rising demand in the heavy-duty truck market, Rába was unable to maintain the dynamic sales growth achieved in Q2, due to persistent supply-chain constraints like shortages of raw materials and other components, extended delivery times, and backlogs.

Rába Automotive met robust demand in the market of heavy-duty trucks and farm machinery in the past quarter, but economic developments negatively affected the passenger vehicle market. Export revenues to the USA jumped by almost 70% in FX terms and revenues in the segment of 'other markets' (covering miscellaneous countries other than the USA, the EU, the CIS, and Eastern Europe) grew near fivefold. Rába failed to redeliver the impressing revenue growth of Q2 in the EU markets, exports shrank by 6% YoY in FX terms. Export revenue growth of Rába's 'Axles' and 'Components' unit lost momentum in the EU markets, while export revenues of the 'Vehicles' business unit were achingly absent in the past several quarters. Sales to the area covering CIS and Eastern Europe remained flat in Q3, the FX-denominated revenues stagnated, although demand for trucks steadily grew and bus market also showed signs of recovery.

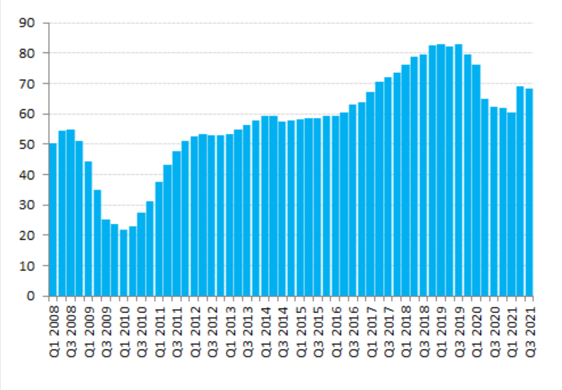
The weakening HUF only marginally supported sales performance in HUF-terms as the EUR/HUF rose only 0.1% and the USD/HUF fell 1.0% YoY when comparing quarterly averages.

New medium & heavy truck registrations in the EU (SA, 2015 average = 100)



Sources: ACEA, OTP Research

12M-trailing EU export sales revenue of Rába Automotive (EURm)



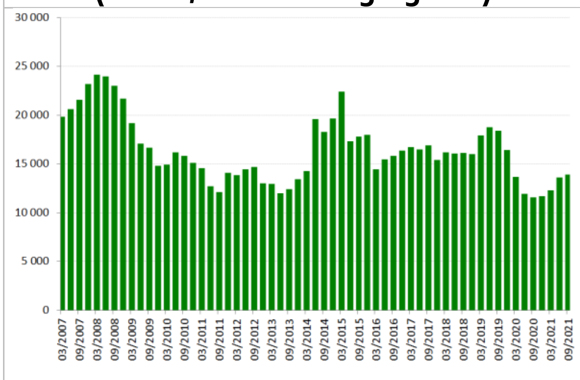
Source: Rába Automotive, OTP Research

With subdued export revenue growth in Rába's core market, export's share in total sales revenue moderated to 69% in July-September this year, still above long-term average, and recalling again quieter times before the epidemic.

Domestic demand lost momentum, rescheduling orders in the passenger car segment restrained robust inland revenue growth

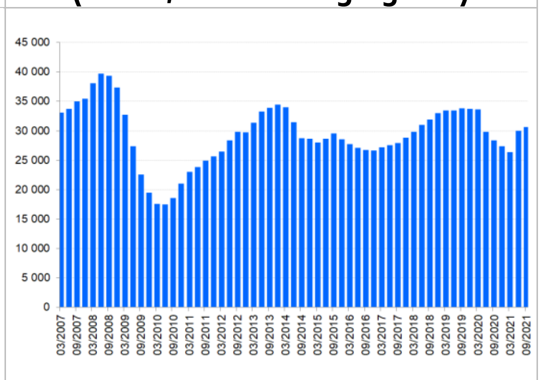
Domestic sales performance also slowed down considerably, Rába's partners in the passenger vehicle segments rescheduled 35–50% of previous orders, the company announced. Presumably it affects domestic revenues as well. Only the 'Axles' unit was able to expand in the domestic market (+45% YoY), domestic sales in the 'Components' unit remained flat in yearly comparison, while operation in the 'Vehicles' unit have been tuned down to a much more modest level compared to its heyday as the company had partly relocated its manufacturing activity to the 'Axles' business unit.

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



Sources: Rába Automotive, OTP Research

Export revenues (HUFm, 12M-trailing figures)



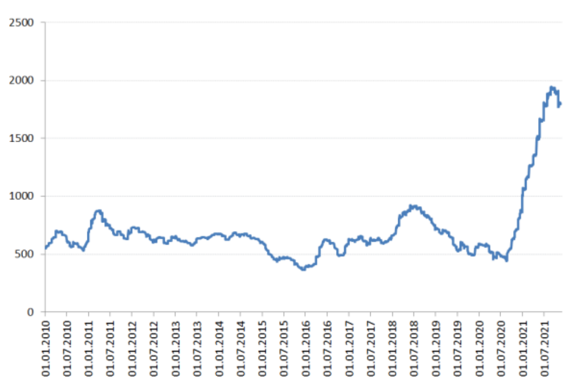
Sources: Rába Automotive, OTP Research

Raw material and energy prices hit new records during the quarter, putting corporate profitability under pressure

In the past quarter, cost-side pressure intensified in the automotive manufacturing just like in other industries as raw material prices rose with lightning speed and rising energy prices in Europe cast a shadow on manufacturing companies' profitability. Galloping metal prices, coupled with outstandingly high energy prices and further wage increase, put Rába's operation under such a pressure that made Rába unable to maintain previous profitability or even remain profitable.

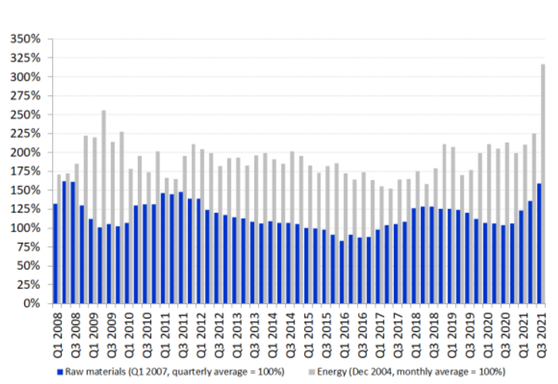
In the cost environment Rába faced in Q3 (in commodity market, steel prices surged near fourfold YoY when comparing quarterly averages, and the YTD increase was 90%, not to mention the astonishing price developments in the European energy market) with muted revenue growth, the considerable deterioration of profitability made no surprise.

Steel market prices slightly decreased after skyrocketing growth but are still over long-term average (hot-rolled coil, USD/MT)



Source: Bloomberg

Input cost indices of Rába Automotive (quarterly averages)



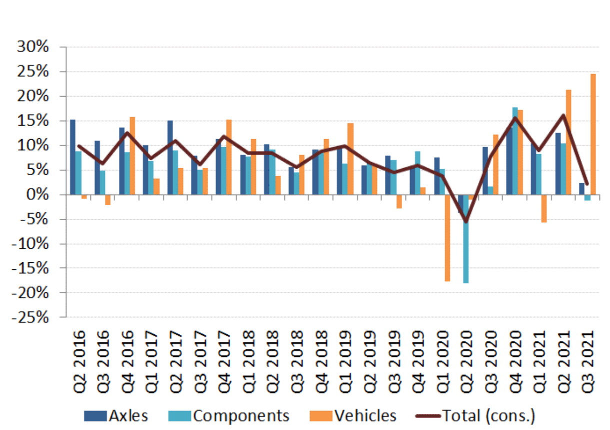
Source: Rába Automotive Holding

Operating profitability turned negative in the past quarter

Quarterly gross profit fell 26% YoY in the July-September period, to HUF 1.3bn and EBIT declined to HUF -379m, from HUF 65m one year before. There were no extraordinary items in the recent quarter that could offset/intensify the underlying effects. Gross profit rate decreased below 14%, which is relatively low even when comparing usually seasonally weak third quarters. EBIT rate fell to negative 4.0% and EBITDA rate declined to a modest 2.3%, down from 4.8% and 9.6% (without one-off items), respectively in Q2. Profitability declined considerably in the 'Axles' and 'Components' units at Rába, where at the moment the bulk of production effectively take place, while the 'Vehicles' unit delivered profit figures well above the long-term average.

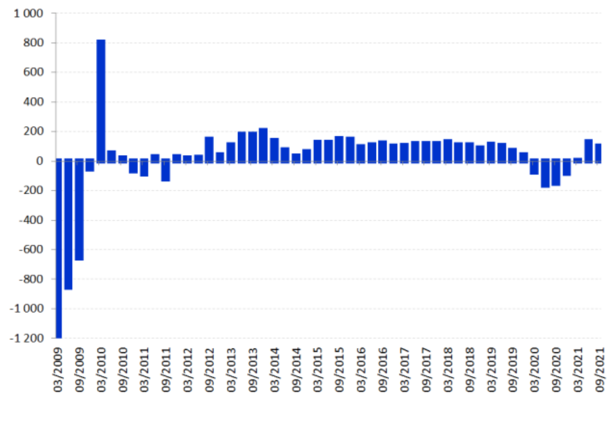
Net financial loss of HUF 214m also weighed on quarterly profitability. After taxation, quarterly loss amounted to HUF 665m after HUF 647m adjusted after-tax profit in Q2 2021, and HUF 267m loss in Q2 2020. Quarterly EPS also fell to the negative range (HUF -49), 12M-trailing EPS w/o one-off items was HUF 103, that is still relatively sound even compared to pre-pandemic years.

EBITDA margin at Rába's business units



Sources: Rába Automotive, OTP Research

12M-trailing EPS (HUF)*



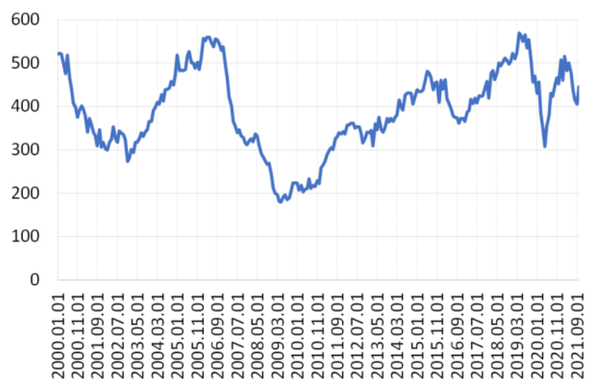
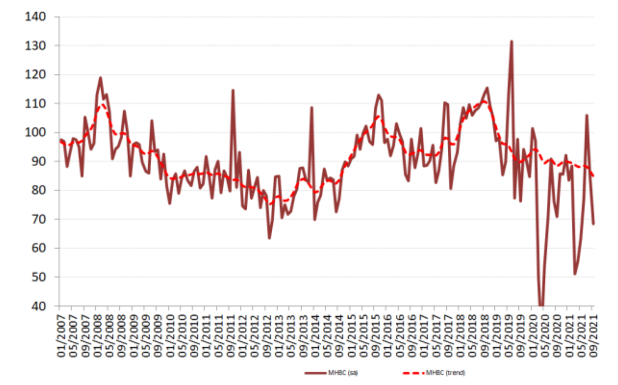
Sources: Rába Automotive, OTP Research

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

Comments

- As it was feared, the robust Q2 recovery of Rába's performance was a temporary phenomenon. Supply chain constraints put a break on revenue growth, while surging raw material and energy prices plus unstoppably rising wages had a big bite from profits.
- **The registration figures of medium and heavy-duty trucks in the EU** declined in the past quarter after supply-chain bottlenecks and subdued supply growth. Strong freight demand and rising freight costs ensure profitability for carriers that may offer good basis for demand for trucks to stabilize at an elevated level. Favourably, just like in the passenger car market, not only fleet renewal but also the demand for used trucks improves outlook for parts manufacturers, as Rába reported.
- Despite the benign environment, Rába failed to keep up its revenue growth. It remains to be seen whether it was supply-side shortages, inadequate pricing, or simply the rescheduling of orders that prevented Rába from increasing sales revenues in its core European market.
- **Rába's two European peers and also major global players reported mixed results for Q3**. Scania posted faintly bigger-than-expected fall in profit, as demand in its main market, Europe, failed to see the usual seasonal pick-up in September. Scania also faced shortage of components that eventually led to the reduction of production volumes and increased costs. Although Scania's truck deliveries in Europe increased 6% YoY in Q3, order intake declined 11%. Volvo's Q3 profit beat forecast, but also reported decreased orders. The net order intake of heavy- and medium-duty trucks fell by a third in Europe, the company announced. Volvo Group also mentioned persistent problems in the supply chain during the quarter, which from time to time forced the company to stop or slow down production.
- At the same time, **demand for medium and heavy buses & coaches** is yet to recover in the EU, ACEA's very volatile registration figures show. The recovery in this segment is much slower as tourism is still exposed to quick regulatory changes if the pandemic worsens,

while in the case of public transport, local or central governments seem to be reluctant to invest in such projects under the present circumstances.

Heavy weight truck retail sales in the USA (thousand units, SA)	**Registrations of medium and heavy buses & coaches in the EU (SA, 2015 average = 100)**
	
Source: US Bureau of Economic Analysis	*Source: ACEA*

- **After dynamic economic growth in Q2 in Europe, momentum in the second half of the year is fading.** Recently reported Q3 GDP figures in the EU and the euro area witnessed considerable YoY slowdown after double-digit growth rates, and the same about 2% QoQ increase as in the previous quarter. The EC's latest economic forecast (European Economic Forecast – Autumn 2021) projects 5% real GDP growth this year in the euro area and the EU, revised up from 4.3 and 4.2% respectively in the Spring forecast. However, Q3 growth figures were mixed and there is still a huge amount of variation among countries. In Q4, GDP growth in Rába's main market is expected to further slowdown, with supply chain disruptions weighing on the production side. Several countries are entering a new wave of the pandemic, which is an additional downside risk.

- As **supply-chain constraints take their tolls on Rába's production** as well, the continuous surge in raw material and energy prices plus wage costs put the company's operation under double pressure. The correction of metal prices in the global commodity markets was limited (YTD price increase – mid-November vs. year-end 2020 – is near 80% as prices eased a little bit in Q4) and energy prices in Europe have somewhat moderated but are very volatile. Taking into account that Rába is able to forward price increases in the range of 3 to 6 months in case of raw materials but it has not got this tool concerning energy price hikes, and we see only weak signs of moderating production costs, profitability outlook is dim in the short run.

Valuation

- The short-term outlook for Rába became dimmer than had been expected as challenges for automotive suppliers have doubled. Uncertainties abound in both the revenue and the cost sides, which makes forecasting challenging.
- Recent figures show that the robust revenue growth in Q2 may have become short-lived as shortages and other woes pass through the supply channel, and may reach smaller suppliers.

- As we wrote earlier, these risk factors (covid-related issues, chip shortages, raw material shortages, supply-chain disruptions, delays) point to the downside and may prevent deliveries, despite strong order volumes.
- Although Q2 profitability ratios even after adjustments gave proof that the company's efforts to keep in check the cost side can bear fruit, Q3 figures showed the opposite when raw material and energy prices plus labour costs keep rising, and deteriorating profitability can consume even one-off incomes that could serve as puffer.
- In light of the recent developments, we revised somewhat down this year's revenue and profit forecasts. We expect HUF 1.2bn EBIT in Y2021 while adjusted EBIT (without the one-off effect of property sale in Q2 2021) can reach HUF 308m.
- After 12M EPS of HUF -83 last year, our forecasts suggest 12M EPS to climb to HUF 66 in Y2021 and to HUF 59 in Y2022. Adjusted EPS in 2021 may grow to tiny HUF 5/share after last year's loss.
- However, we are aware of the downside and upside risks to our forecast. The question is how Rába manages the costs of skyrocketing raw material prices or raw material shortages in the longer run, while slowing vaccine rollout in many countries, coupled with new covid variants, may harm the solid economic recovery, and may necessitate restrictive measures again.
- We revised down our 12M target price to 1,400 HUF/share from the previous HUF 1,476. The new TP also reflects the considerable changes in our yield forecast. Our valuation model focuses on the forecast horizon between 2021 and 2025.
- The new 12M TP is 1.7% lower than the HUF 1,500 closing price on 18 November, the day after the Q3 2021 earnings report was released. The new target price offers the same -1.7% TR as dividend payment became less certain.

Deduction of 12M target price

Rába's valuation (HUFm)	2019	2020	2021	2022	2023	2024	2025	FCFF in the explicit period
FCFF	-278	-1 185	-1 283	-1 933	2 329	2 500	1 042	
Discount factor	0,95	0,96	0,95	0,89	0,82	0,76	0,69	
DCF	-263	-1 134	-1 161	-1 549	1 534	1 247	378	449
Terminal value (HUFm)								32 543
Net present value (HUFm) of TV								23 440
Enterprise Value (incl. possible future property sale) HUFm								25 633
Net debt								8 242
Equity value - Dec 31 2021, HUFm								17 391
Number of shares								13 352 765
Expected return on equity								7,8%
12M Target price								**1 400**
Current price								1 500
Upside/Downside								-6,6%
TR Upside/Downside								-6,6%

Source: OTP Research

CONSOLIDATED INCOME STATEMENT	2018	2019	2020	2021E	2022E	2023E
HUFm						
Domestic sales	15 827	16 257	11 560	13 756	13 904	13 643
Export sales	32 805	33 525	27 194	30 683	33 849	35 916
Total sales revenue	48 632	49 782	38 754	44 439	47 753	49 559
Direct cost of sales	-38 262	-40 463	-30 722	-36 657	-38 680	-40 143
Gross profit	10 370	9 319	8 032	7 782	9 073	9 416
Indirect costs of sales	-8 564	-7 979	-7 964	-6 659	-7 641	-7 830
EBIT	**1 807**	**1 340**	**68**	**1 123**	**1 433**	**1 586**
EBITDA	**3 846**	**3 455**	**2 409**	**3 520**	**3 485**	**3 618**
Net financial profit/loss	-109	-411	-909	95	-300	-300
Profit before tax	1 698	1 004	-785	1 218	1 133	1 286
Tax	-501	-433	-345	-334	-351	-296
After-tax profit	**1 197**	**572**	**-1 130**	**884**	**781**	**990**
Dividend	238	267	0	0	156	198
EPS	**90**	**43**	**-83**	**66**	**59**	**74**
*Adjusted EPS***	**90**	**43**	**-83**	**5**	**59**	**74**
DPS	18	20	0	0	12	15

**Unconfirmed, estimated on the basis of official consolidated total sales and preliminary export sales figures.*

***W/o one-off effect of property sale terminated in Q2 2021*

CONSOLIDATED BALANCE SHEET	2018	2019	2020	2021E	2022E	2023E
HUFm						
Property, plant, equipment	19 145	25 394	25 986	26 246	27 097	26 555
Intangible assets	198	148	89	61	52	48
Non-current assets	20 021	26 563	26 979	27 164	28 088	27 856
Inventories	9 072	7 651	5 863	7 765	8 580	7 672
Receivables and other current assets	12 266	6 488	5 948	7 592	9 353	10 489
Cash and cash equivalents	684	805	3 303	4 621	2 398	1 949
Current assets	22 057	15 006	15 226	19 978	20 330	20 111
TOTAL ASSETS	42 078	41 569	42 205	47 142	48 419	47 967
Share capital	13 473	13 473	13 473	13 473	13 473	13 473
Own shares	-109	-109	-109	-109	-109	-109
Capital reserve	0	0	0	0	0	0
Stock option reserve	0	0	0	0	0	0
Retained earnings	7 500	7 833	6 533	6 924	7 549	8 341
Total Equity	20 865	21 197	19 897	20 288	20 913	21 705
Long-term loans and other liabilities	5 916	3 567	6 207	8 621	7 184	5 987
Provisions	245	237	40	40	40	40
Non-current liabilities	6 265	3 917	6 540	8 771	7 334	6 138
Loans and credits	2 186	5 354	3 505	4 242	5 677	4 480
Payables and other short-term liabilities	12 517	10 929	11 811	13 332	13 910	15 014
Current Liabilities	14 948	16 455	15 769	18 082	20 172	20 123
TOTAL EQUITY AND LIABILITIES	42 078	41 569	42 205	47 142	48 419	47 967

CONSOLIDATED CASH FLOW	2018	2019	2020	2021E	2022E	2023E
HUFm						
EBITDA	3 790	3 455	2 409	3 821	3 485	3 618
Cash flow from operation	1 243	8 379	1 584	5 516	1 043	4 128
Cash flow from investment	-5 189	-8 658	-2 769	-2 246	-2 976	-1 800
FCFF	-3 946	-278	-1 185	3 271	-1 933	2 329
FCFE	-1 878	111	1 644	3 055	-2 141	-297

Sources: Rába Automotive, OTP Research

Risks surrounding Rába's economic activity

Liquidity risk: In the current covid crisis, liquidity and debt issues came to the fore as companies must maintain liquidity and solvency at a time when revenues decline in a better case, or simply vanish for a period in the worst case. In industry comparison, Rába operates with relatively low liquidity, which further decreases in times of economic distress (e.g. the financial crisis of 2008/2009). Earlier data prove that Rába's liquidity position already weakened by end-2019 and remained at the same low level in Q1 2020. In Q2, liquidity ratios deteriorated, but by end-Q4 2020 current ratio, quick ratio and cash ratio also improved compared to end-2019. When assessing Rába's indebtedness, it stands out that it is lower than it was in 2008/2009. However, by end-2020 leverage increased and net debt/EBITDA climbed to 3.0x from 2.4x at end-2019. Debt/EBITDA ratio grew from 2.7x at the end-2019 to 5.7 by the end of 2020**.**

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

With the Hungarian economy returning to the path of recovery and as inflation came to fore, the MNB started a tightening cycle and raised the base rate from 0.6% to 2.1% in six steps. The aim was to reverse the HUF's weakening trend and tackle inflation, but the results were mixed. The tightening of monetary conditions is expected to cause gradual HUF appreciation and as a consequence, the strengthening HUF stops supporting Rába's HUF-denominated export performance.

Raw material & energy prices: Steel prices on the global commodity market started to decline in mid-2018. Since the second half of 2018, benchmark steel prices have been dropping, and by the middle of 2019, prices fell more than 20%, when comparing quarterly averages. Steel benchmark kept on falling throughout the second half of Y2019 and the first half of 2020, and bottomed out in Q3 2020. Since then, hot-rolled coil benchmark price has skyrocketed: the average price in Q3 2021 was 250% above the quarterly average registered in Q4, while the price in the middle of November 2021 was 80% higher than at the end of 2020.

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

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

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

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

Notes:

The initiation report, which contains the assumptions of the models used, is available here.

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

This investment recommendation has not used proprietary models.

The risk warning, which includes the adequate explanations of the length of time of the investment to which the recommendation relates as well as a sensitivity analysis of the assumptions, is indicated in the part of this recommendation where the length of time and the risks of the investment are presented.
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OTP Bank Plc's recommendations and price targets history for Rába Automotive Holding in the past twelve months:

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

Date	Recommendation	Target Price	Publication
03/12/2020	**BUY**	**HUF 1197**	**Quarterly Earnings Update**
18/02/2021	**HOLD**	**HUF 1280**	**Quarterly Earnings Update**
21/05/2021	**HOLD**	**HUF 1353**	**Quarterly Earnings Update**
26/08/2021	**HOLD**	**HUF 1476**	**Quarterly Earnings Update**
01/09/2021	**HOLD**	**HUF 1476**	**Equity Note**
18/11/2021	**HOLD**	**HUF 1400**	**Quarterly Earnings Update**

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

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