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Europe | Poland | Automobile

DR. KALLIWODA

RESEARCH GmbH

Initial Coverage

**BUY**

Target price: PLN 40.62

**Industry:** Automobile  
**Country:** Poland  
**ISIN:** PLESLTN00010  
**Reuters:** 4MBP.WA  
**Bloomberg:** 4MB.GR  
**Website:** www.4mobility.pl

**Last Price:** 23.98  
**Price 52 W.:** High 57.00 Low 21.00  
**Market Cap. (PLNm)** 42.40  
**No. of Shares (in m)** 1.768

## Shareholders

**Pawel Blaszcak** 26.10%  
**Piotr Brzeski** 18.90%  
**Reventon** 16.60%  
**Jaroslaw Michalik** 15.70%  
**Free float** 16.80%

## Performance

**1 week** 7.0%  
**4 weeks** -3.9%  
**13 weeks** -20.0%  
**52 weeks** -33.0%

## Dividends

**2016** in PLN 0.00 in % 0.00%

Chart 1y



Analyst

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# 4Mobility S.A

## Car-sharing boom continues

- 4Mobility S.A. is one of the first polish car-sharing services providers.** The business model is based on the use of a mobile application that allows to make a car reservation remotely and securely. 4Mobility's strategy is provide customers with comprehensive, premium services that are part of the shared economy that improves mobility in large cities.
- Business-to-consumer (B2C), one-way trip, free-floating, premium service.** The company rents a premium car to customer who may take the car in one place, go to the destination and park in 4mobility's spots or designated parking zones. A user pays for actual usage (kilometres and additionally for minutes).
- Car-sharing market size is estimated at over USD 1.2 billion in 2015 with 34.8% CAGR estimation from 2016 to 2024.** The global fleet is predicted to increase at 18% CAGR, and the quantity of members is projected to surpass 30-32 million by 2024. U.S. car sharing market led the world-wide market owing to the high adoption rate of the technology in the region.
- High growth company.** The company has been constantly expanding revenues from PLN 0.16k in Q3/16 to PLN 455.6k in Q3/17. The car fleet consists of ca.70 cars located in Warsaw and will reach 300 at the end of 2017. At the end of 2018 the service will be avail. in four Polish cities, including Poznan (at the end of 17E).
- Corporate restructuring and expansion.** We believe that positive impact of the bottom line enhancement will come soon (e.g. logistics, reasonable expansion of car pool and parking spaces) and should be seen in boosting margins in mid-2019 and translate to significant increase in free cash flow margin. With regards to short-term market perspective, the 4Q/17 financials should come out good with record level of revenues providing potential catalyst for the performance of the share market price.
- Based on our valuation framework we set a 12-month target price of PLN 40.62** In our opinion, the company's sales growth, deliberate and well-knit long-term strategy, reasonable expansion of car pool and parking spaces, strong future cash-flow along with the convincing growth of traffic in cities are strong support for good direction of stable, organic development of the company with proper sales management and cost structure on hand.

## Key Facts

| PLNm        | 2016  | 2017E | 2018E | 2019E | 2020E | 2021E | 2022E | 2023E |
|-------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Net sales   | 1.34  | 2.20  | 10.49 | 19.83 | 30.93 | 40.75 | 51.30 | 62.63 |
| EBITDA      | -0.42 | -2.25 | -0.54 | 1.75  | 4.41  | 7.92  | 10.03 | 12.30 |
| EBIT        | -0.52 | -2.76 | -1.21 | 1.03  | 3.62  | 7.06  | 9.07  | 11.23 |
| Net income  | -0.52 | -2.81 | -1.27 | 0.72  | 2.59  | 5.01  | 6.37  | 7.78  |
| EPS         | -0.30 | -1.36 | -0.62 | 0.35  | 1.25  | 2.42  | 3.08  | 3.76  |
| BVPS        | 1.67  | 4.42  | 3.80  | 4.15  | 5.40  | 7.83  | 10.91 | 14.67 |
| RoE         | na.   | na.   | na.   | 8.8%  | 26.2% | 36.7% | 32.9% | 29.4% |
| EBIT margin | na.   | na.   | na.   | 5.2%  | 11.7% | 17.3% | 17.7% | 17.9% |
| P/E         | na.   | na.   | na.   | 68.9  | 19.2  | 9.9   | 7.8   | 6.4   |
| P/BVPS      | 14.39 | 5.42  | 6.30  | 5.8   | 4.4   | 3.1   | 2.2   | 1.6   |
| EV/EBITDA   | na.   | na.   | na.   | 21.3  | 7.9   | 3.7   | 2.4   | na.   |

Source: company, Dr. Kalliwoda Research GmbH © 2017

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## 1. Group Profile

4Mobility S.A. is one of the first Polish car-sharing services providers. The service works by making the company car fleets available for private users and businesses, in return for charges paid based on vehicle usage and distance travelled. The 4Mobility business model is based on the use of a mobile application that allows to make a car reservation remotely and securely. 4Mobility's strategy is provide customers with comprehensive, premium services that are part of the shared economy that improves mobility in large cities. Since May 2016, the Company has been listed on the Polish alternative trading system - NewConnect exchange, originally as E-Solution Software S.A., and since October 2016 as 4Mobility S.A.

## 2. Business Model

The company, which is currently only present in Warsaw, offers car-sharing. 4Mobility focus on renting premium cars. The company offers two sorts of services: car sharing (a trip up to 2 hours, 70% of trips) and smart rental (a trip above 2 hours, 30% of trips).

To rent a car, a user simply needs to have a smartphone with mobile application and valid driving license. The whole process is very simple, a user need to register, select one of the shared automobiles and drive without any deposits or requirements. After the drive, a user parks the car in 4Mobility's own spots or designated parking zones.

4Mobility service is business-to-consumer (B2C), one-way trip, free-floating. Free-floating (in contrary to stationary car sharing) allows customers to pick up and return the vehicle anywhere within a certain area. This means that the company rents a car to customer who may take the car in one place, go to the destination and park in 4mobility's spots and designated parking zones. A user pays for actual usage (kilometres and additionally for minutes). This kind of business model is most popular amongst other market participants like: Zipcar, DriveNow, Car2go, Flinkster, Daimler's, GM's Maven, and BMW's Reach Now. Some companies offer pure subscriptions service (paid per time) Cadillac, Audi, and Porsche. Different business model called "Ride-hailing" offers : Uber and Lyft, which is more expensive because a driver need to be paid additionally.

4Mobility's car fleet consists of ca. 70 cars and will reach 300 at the end of 2017. The fleet is made up of BMWs and Minis. The company has recently signed an agreement with Hyundai for more than 200 i30 cars and plans to offer the service in Poznan with 30 Audi cars with collaboration with Volkswagen Group Poland at the end of 2017.

4Mobility has ca. 50 parking spaces in attractive locations in Warsaw, which all are leased, additionally in Warsaw a user may park the car in any designated and convenient place. The company plans to offer 150 parking spots till the end of 2018 in four Polish cities.

### 3. SWOT Analysis

| Strengths                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Weaknesses                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>- Specific business expertise and financial competence at customized solutions for car sharing industry</li> <li>- Strict control over SG&amp;A costs</li> <li>- Management have long experience in car industry</li> <li>- Solid balance sheet with low level of debt</li> <li>- Flexible conditions for leasing cars from different providers</li> <li>- Highly scalable business model allows for significant dividend payouts in the long run</li> <li>- Rising number of new clients</li> <li>- Attractive &amp; stable shareholder structure, key management are largest shareholders, no conflict of interests</li> </ul> | <ul style="list-style-type: none"> <li>- Intense competition, especially in Western Europe</li> <li>- Capital intensive business</li> <li>- Low barrier to entry</li> <li>- Lack of international diversification of revenues streams</li> </ul>                                                                                                                                                                             |
| Opportunities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Risks                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <ul style="list-style-type: none"> <li>- Potential target for takeover by a larger international car manufacturer or car sharing company</li> <li>- Technology will revolutionize car sharing market</li> <li>- Further strengthening of the business model</li> <li>- Car Sharing Market size is estimated at over USD 1.2 billion in 2015 with 34.8% CAGR estimation from 2016 to 2024.</li> </ul>                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>- Improper transportation infrastructure especially in emerging economies, including China, Turkey, Mexico is posing a great threat to car sharing market</li> <li>- Changes of respective laws and regulations</li> <li>- Economic slowdown as the market is strongly correlated with the economic cycle</li> <li>- Political uncertainties in transportation regulations</li> </ul> |

Source: Dr. Kalliwoda Research GmbH

## 4. Valuation

To account for current market valuations, we have valued 4Mobility by only using DCF model.

Our model results in a fair value of PLN 40.62 per share.

### a. DCF-model

#### Discounted Cash Flow Model (Basis 9/2017)

| in PLNm                                    | 2017E        | 2018E       | 2019E       | 2020E       | 2021E       | 2022E       | 2023E       |
|--------------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Total revenues</b>                      | <b>2.2</b>   | <b>10.5</b> | <b>19.8</b> | <b>30.9</b> | <b>40.8</b> | <b>51.3</b> | <b>62.6</b> |
| (y-o-y change)                             | 64%          | 377%        | 89%         | 56%         | 32%         | 26%         | 22%         |
| <b>EBIT</b>                                | <b>-2.8</b>  | <b>-1.2</b> | <b>1.0</b>  | <b>3.6</b>  | <b>7.1</b>  | <b>9.1</b>  | <b>11.2</b> |
| (operating margin)                         | -125%        | -125%       | -12%        | 5%          | 12%         | 17%         | 18%         |
| <b>NOPLAT</b>                              | <b>-1.9</b>  | <b>-0.8</b> | <b>0.8</b>  | <b>2.6</b>  | <b>4.9</b>  | <b>6.4</b>  | <b>19.1</b> |
| + Depreciation & amortisation              | 0.6          | 0.7         | 0.7         | 0.8         | 0.9         | 1.0         | 1.1         |
| = Net operating cash flow                  | -1.3         | -0.2        | 1.5         | 3.4         | 5.8         | 7.4         | 20.2        |
| - Total investments (Capex and WC)         | -0.8         | 0.2         | 0.4         | 0.5         | 0.5         | 0.3         | 0.4         |
| Capital expenditure                        | -0.6         | -0.6        | -0.7        | -0.7        | -0.7        | -0.8        | -0.8        |
| Working capital                            | -0.2         | 0.8         | 1.0         | 1.2         | 1.3         | 1.1         | 1.2         |
| = Free cash flow (FCF)                     | -2.1         | 0.0         | 1.9         | 4.0         | 6.3         | 7.7         | 20.5        |
| <b>PV of FCF's</b>                         | <b>-2.0</b>  | <b>0.0</b>  | <b>1.4</b>  | <b>2.7</b>  | <b>3.8</b>  | <b>4.1</b>  | <b>9.7</b>  |
| PV of FCFs in explicit period              | 19.64        |             |             |             |             |             |             |
| PV of FCFs in terminal period              | 38.45        |             |             |             |             |             |             |
| <b>Implied Enterprise value (EV)</b>       | <b>58.09</b> |             |             |             |             |             |             |
| + Net cash / - net debt                    | 5.58         |             |             |             |             |             |             |
| + Investments / - minorities               | 0.00         |             |             |             |             |             |             |
| <b>Shareholder value</b>                   | <b>63.67</b> |             |             |             |             |             |             |
| <b>Number of shares outstanding (m)</b>    | <b>1.768</b> |             |             |             |             |             |             |
| WACC                                       | 12.8%        |             |             |             |             |             |             |
| Cost of equity                             | 12.8%        |             |             |             |             |             |             |
| Pre-tax cost of debt                       | 4.0%         |             |             |             |             |             |             |
| Normal tax rate                            | 30.0%        |             |             |             |             |             |             |
| After-tax cost of debt                     | 2.8%         |             |             |             |             |             |             |
| Share of equity                            | 100.0%       |             |             |             |             |             |             |
| Share of debt                              | 0.0%         |             |             |             |             |             |             |
| <b>Fair value per share in PLN (today)</b> | <b>36.01</b> |             |             |             |             |             |             |

Source: Company data, Dr. Kalliwoda Research GmbH

## b. Peer Group Analysis

We have identified the following companies, which deliver car sharing services. Most of them are not traded at recognized exchanges. Therefore, we do not perform peer-to-peer valuation.

### International peers:

#### Zipcar

Zipcar (subsidiary of Avis Budget Group) is the world's leading car-sharing network providing over one million members on-demand access to more than 12,000 vehicles in urban areas on college campuses and at airports across Belgium, Canada, Costa Rica, France, Iceland, Spain, Taiwan, Turkey, the United Kingdom and the United States. Zipcar operates in over 500 cities and towns, at over 600 college campuses, and on over 50 airports. Membership costs \$70/year or \$7/month and hourly rates start at just \$7.50/hour and \$69/day. Avis Budget Group, which is listed on the NYSE, currently trades at P/E of 41x, Forward P/E of 11.4x.

#### DriveNow

DriveNow, the carsharing joint venture of the BMW Group and Sixt SE, is available in various European cities and offers a range of high-quality premium vehicles of the BMW and Mini with more than 800,000 registered users and 5,500 cars in Munich, Berlin, Dusseldorf, Cologne, Hamburg, Vienna, London, Copenhagen, Stockholm, Brussels and Milan with largest fleet in Berlin (1,100 cars) and the same number in Vancouver, Canada.

#### Car2go

Car2go, the car-sharing company owned by Daimler AG. As of July 2017, car2go is the largest carsharing company in the world with 2,500,000 registered members and a fleet of nearly 14,000 vehicles in 26 locations in North America, Europe and Asia

Other notable competitors operating in the same model as 4Mobility include : Flinkster, Enterprise Car Share, Autolib.

### Polish competitors include:

Trafficar – the prices are similar to 4mobility but cars are of lower quality. Company offers service in Krakow, Warsaw, Poznan, Wroclaw and Gdansk. Trafficar charges PLN 0.80 per km, PLN 0.50 per min and PLN 0.10 per minute of parking.

GoGet.pl – the company offers cars in Wroclaw with prices higher than 4Mobility.

Panek – the company offers service in Warsaw (300 cars) with prices vary competitive against 4mobility but the offer includes rather lower quality cars.

## 5. Recent Financial Results

### a. Revenues, Profitability

In Q3/2017, 4Mobility published its third-quarter results for period ending on 30 September 2017. The Group generated total sales of PLN 0.455m, which corresponded to a growth of +184% y-o-y.

| Q3/17 vs. previous year period |              |              |            |
|--------------------------------|--------------|--------------|------------|
| in PLNm                        | Q3/16        | Q3/17        | change (%) |
| Net sales                      | 0.16         | 0.46         | 184.4%     |
| EBITDA                         | -0.15        | -0.72        | n.a.       |
| EBITDA margin                  | -94.1%       | -158.7%      |            |
| EBIT                           | -0.25        | -0.75        | n.a.       |
| EBIT margin                    | -153.4%      | -165.7%      |            |
| <b>Net income</b>              | <b>-0.25</b> | <b>-0.78</b> | n.a.       |
| Net margin                     | -159.1%      | -171.4%      |            |

Source: Company data, Dr. Kalliwoda Research GmbH

In the first three months of 2017, EBIT and net income reached PLN -1922k and PLN -2002k respectively.

Operating expenses in the reporting period amounted to PLN 1.2m and increased by 14% compared to Q2/2017. Cost increase relative to the previous quarter is connected mainly to the following events: (1) costs of public offering of series F shares, (2) the signing of the contract with Hyundai Motor Polska. 4Mobility received more than 20 cars of The Hyundai i30 and started testing new IT system developed jointly with the ITMagination.

### b. Balance Sheet and Cash Flow

As of 30 September 2017, 4Mobility had equity of PLN 5.39m, which corresponded to a share of 66% in the balance sheet total. Other important balance sheet positions were fixed assets of PLN 2.30m and cash of PLN 4.04m. At the end of Q3/17, 4Mobility had interest-bearing debt of PLN 1.7m, which was related to car leasing contracts.

In Q3 2017, 4Mobility generated an operating cash flow of PLN -150k, which resulted from the net loss. While cash flow from investing equalled PLN -330k, cash flow from financing amounted to PLN 2.18m. The cash flow from financing was obtained by issuing series E shares in amount of 105.264 items. The issuance generated around gross PLN 2.32m of cash .

## 6. Financial Forecast

### a. Revenues and profitability

As of 30 September, the company holds fleet of 70 cars and 50 parking spaces.

Our revenue prediction assumes that the total number of cars will reach 120 on average in 2017E and grow at a CAGR of 68% to 2700 by 2023E. We have assumed that fees will grow in line with GDP rate with moderate inflation of crude oil price and average kilometres per one user will grow in line with higher mobility of Polish/European society, which should also contribute to higher utilisation rate.

|                                          | 2017E            | 2018E             | 2019E             | 2020E             | 2021E             | 2022E             | 2023E             |
|------------------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Car Sharing &amp; Smart Rental</b>    |                  |                   |                   |                   |                   |                   |                   |
| Average number of cars                   | 120              | 550               | 1 000             | 1 500             | 1 900             | 2 300             | 2 700             |
| Number of registered users               | 6 000            | 27 500            | 50 000            | 75 000            | 95 000            | 115 000           | 135 000           |
| Average fee per kilometer (in PLN)       | 0.90             | 0.92              | 0.94              | 0.96              | 0.97              | 0.99              | 1.01              |
| Average fee per minute (in PLN)          | 0.75             | 0.77              | 0.80              | 0.82              | 0.84              | 0.87              | 0.90              |
| Revenue per trip (in PLN) (car sharing)  | 29.00            | 30.45             | 31.03             | 31.62             | 32.22             | 32.83             | 33.45             |
| Revenue per trip (in PLN) (smart rental) | 324.00           | 333.72            | 343.73            | 354.04            | 364.66            | 375.60            | 386.87            |
| <b>Total Revenues in PLN</b>             | <b>2 200 000</b> | <b>10 486 667</b> | <b>19 829 333</b> | <b>30 933 760</b> | <b>40 750 073</b> | <b>51 302 197</b> | <b>62 633 291</b> |

Source: Company data, Dr. Kalliwoda Research GmbH

We assume that the cost of goods sold, which is a mainly cost needed to prepare a car to be used by a customer and cost related to petrol used by shared cars should decrease in relation do revenues because of scale effect and increase in negotiation power. We also assume that the company will look for other countries to offer their service. The management plans to offer the service in CEE countries. These countries are relatively less saturated with car-sharing service then western Europe.

### b. Balance Sheet, Capex and Working Capital

The company leases the cars therefore the increases in fixed assets are not related to cash outflows. We assume steady increase of CAPEX in the range of PLN 0.4 - 0.8m till 2023E.

### c. Macro factors

The concept of carsharing emerges from broader concept of sharing economy also referred to, collaborative consumption, collaborative economy, or peer economy, is an economic model in which individuals can borrow or rent assets owned by someone else. Sharing economies allow individuals and groups to make money from underused assets.

Carsharing gives an option to private car ownership by permitting car use temporarily on an on-demand basis. Operators offer carsharing services using diverse business models and ownership structures. We identify business-to-consumer (B2C) roundtrip and one-way, as well as peer-to-peer (P2P) carsharing. Top industry participants consist of Uber, Lyft, Car2go, Zipcar, Autolib, DriveNow, Hertz Corporation, GoGet, Getaround, Mobility Carsharing, Orix, RelayRides, WhipCar, and Zoomcar. Because of the fragmented nature of the car sharing market, the firms are paying attention to strategies such as price incentives and technological advancement.



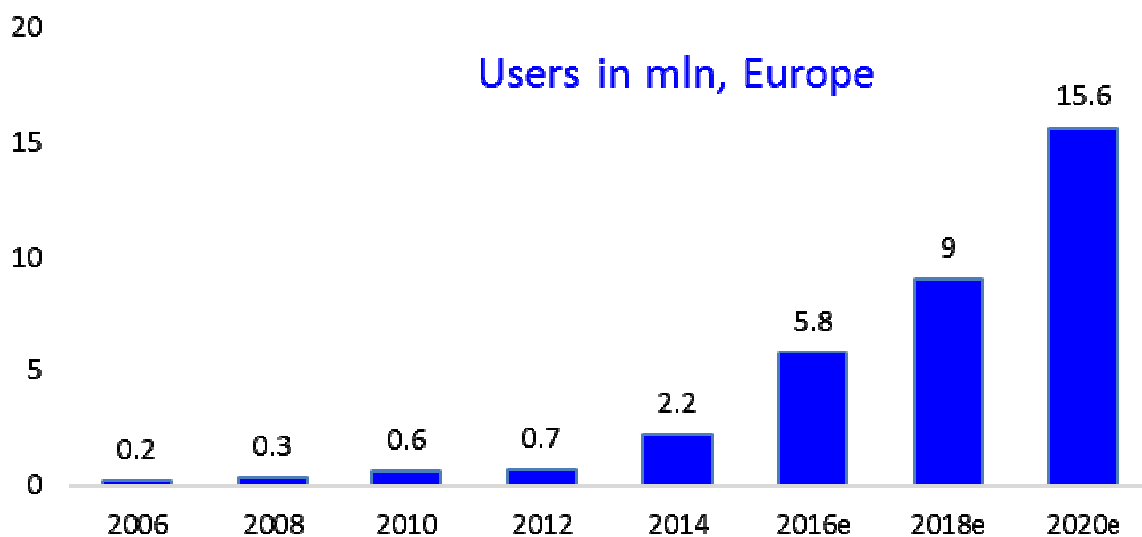
Research demonstrate that versatile carsharing decreases the number of cars in the cities. Older vehicles are substituted with new, low-emission models – or even electric cars. A private car stands around in a parking space or garage for about 23 hours a day. A carsharing car is utilized up to six-times more often.

Carsharing industry, that benefits from growth of business applications, is expected to experience a sizeable upswing over the coming time frame. Raising on-demand mobility amongst corporates is impacting on its large-scale execution in the global business space.

The market size is estimated at over USD 1.2 billion in 2015 with 34.8% CAGR estimation from 2016 to 2024. The global fleet is predicted to increase at 18% CAGR, and the quantity of members is projected to surpass 30 million by 2024. U.S. car sharing market led the world-wide market owing to the high adoption rate of the technology in the region.

Germany is by far the most significant car sharing market in Europe, where expansion has sped up since 2012 (0.26m users), and is anticipated to maintain momentum, achieving 3.1m users by 2020. There are over 125 companies existing in the market and managing a sharing fleet that has raised from more than 900 vehicles in 2000 to 16,000 in 2016.

Car sharing is successful not only in Germany, but as well in additional European countries, with diverse characteristics in each one. Europe has seen an excellent advancement of car sharing in terms of quantity of cars and quantity of users in the past. Currently, Europe makes up about 50% of the global car sharing market and is anticipated to grow further to 15m users by 2020.



Source: Deloitte, Dr. Kalliwoda Research GmbH

The progress of China market is tremendous. China car sharing market is targeted to grow at an annual rate of 40% over 2016-2024. Existence of a substantial amount of established market players including Park24 and Orix Auto is providing the industry growth in this area.

Asia Pacific, primarily motivated by increasing air pollution are advertising car sharing facilities. China and India are forecasted to be major adding countries due to substantial population size and economy growth. Increase of consumer spending capacity and high net worth people will increase the demand in Latin America and Middle East.

The industry is pushed by technological developments and innovation. Companies spend significantly in R&D operations to provide differentiated alternatives to boost market share.

In our opinion the key enablers for carsharing growth are:

- (1) Strong smartphone penetration has so far been, and will keep going to be, a key driver for the progress of the car sharing market.
- (2) Electromobility is vital to future energy concepts, and essential to emerging smart and resource-friendly lifestyle hunters. Electric cars and car sharing are regarded as a very appropriate symbiosis.
- (3) Autonomous driving

Carsharing is likely to decrease vehicle travel expense to the individuals. It also brings decrease in dangerous gas emission, thereby enhancing the overall environmental condition. Firms also concentrate on broadening their services in new regions and considering frequent mergers and acquisitions.

#### d. Summary of outlook

##### Our financial estimates for 2017E-2021E

| Our forecasts 2017E-21E |                |               |              |              |              |
|-------------------------|----------------|---------------|--------------|--------------|--------------|
| in EURm                 | 2017E          | 2018E         | 2019E        | 2020E        | 2021E        |
| <b>Net sales</b>        | <b>2.20</b>    | <b>10.49</b>  | <b>19.83</b> | <b>30.93</b> | <b>40.75</b> |
| <b>EBITDA</b>           | <b>-2.25</b>   | <b>-0.54</b>  | <b>1.75</b>  | <b>4.41</b>  | <b>7.92</b>  |
| <i>EBITDA margin</i>    | <i>-102.2%</i> | <i>-5.2%</i>  | <i>8.8%</i>  | <i>14.3%</i> | <i>19.4%</i> |
| <b>EBIT</b>             | <b>-2.76</b>   | <b>-1.21</b>  | <b>1.03</b>  | <b>3.62</b>  | <b>7.06</b>  |
| <i>EBIT margin</i>      | <i>-125.3%</i> | <i>-11.6%</i> | <i>5.2%</i>  | <i>11.7%</i> | <i>17.3%</i> |
| <b>Net income</b>       | <b>-2.81</b>   | <b>-1.27</b>  | <b>0.72</b>  | <b>2.59</b>  | <b>5.01</b>  |
| <i>Net margin</i>       | <i>-127.6%</i> | <i>-12.1%</i> | <i>3.6%</i>  | <i>8.4%</i>  | <i>12.3%</i> |

Source: Company data, Dr. Kalliwoda Research GmbH

Following strong 1-3Q17 results, 4Q/17 profitability figures should not come as a surprise. Because of the expanding of the business, we do expect the four quarter of 2017 to bring in decrease in q-o-q net income and on the other hand material q-o-q improvement revenues. In 2017E, we are looking at approx. PLN 2.2m in sales for the group and negative net income of PLN -2.81m.

In terms of sales, 4Mobility plans to enter three new cities in Poland : Poznan (the end of 2017) and two other cities. The company's strategy also includes entering into CEE market, which are relatively less competitive.

The bottom line enhancements plan assumes corporate solidification that focuses on:

- Optimisation of logistics process within the Group
- Optimisation of business segments – reduction of unprofitable segments
- Increasing cars utilisation rate
- Increasing gross margin to 40%

Although the very bottom line of P&L is hampered by costs related to rolling out new cars and share issuance, the company presents very solid gross margin per trip which equals 80% (this includes only petrol cost). If the margin is successfully kept and the planned number of cars and cars utilisation will increase, there is enormous potential for growth in net profitability.

We believe that its fundamental drivers, including sustained car utilisation growth, execution of pricing initiatives bode well for the future. We envision strong Polish demand trends for the company as travel volumes keep going to perform well. We foresee strong travel trends for both leisure and commercial travellers and maintained expansion of these trends.

Looking at the Company's perspectives, we get the feeling that the Group seems to be managed in the right direction. The Group focuses both on the top line improvement (increase in sales, introducing its service into cities) and on the bottom line enhancement. The steps undertaken by the Group allow to increase in productivity of labour and make assets utilisation higher. In results the corporate reorganisation and expansion should generate substantial increase in profitability from 2019E upwards.

In our view total sales should constantly increase due constant growth of traffic and increasing quality of infrastructure in Poland. Although long-term margins trend might go downwards due to increase in competition, our study assumes strong, positive operating cash flows in 2019E and upwards due to massive revenue potential in the market.

We see some risks to the 2017E-2023E financials of 4Mobility such as: (i) rise in crude oil price may negatively affecting the net margin on sales, (ii) entering into the market small local entities offering less expensive service (although the company focus on premium clients, this may have moderate impact on margins), (iii) giant car manufactures may enter more aggressively into Polish car-sharing market if there will be acceptable demand for car sharing service and may not extend agreements with 4Mobility or offer unattractive conditions, (iv) in the future, the company may see a rise in competition from car manufacturers offering car-sharing services like Daimler's Car2Go, GM's Maven, and BMW's Reach Now, and subscription services by Cadillac, Audi, and Porsche.

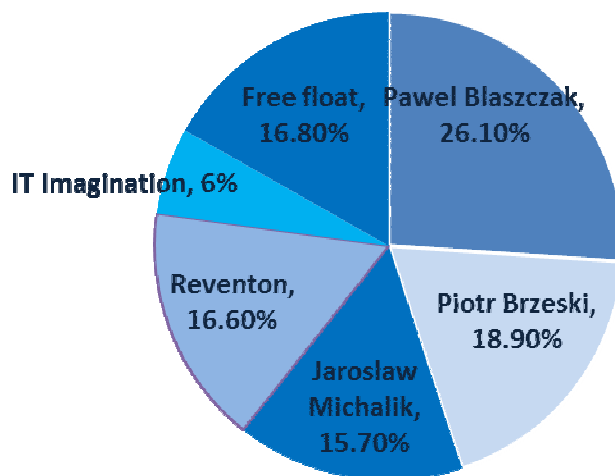
On the other hand, the Polish economy expansion should positively affect the sales development at consumer sentiment driven companies in the high-end part of the market. What's more, the corporate restructuring and expansion should position the Group very competitive to capture a hefty share of the Polish market. Although we may not see effects of this strategy in the short term, the company has been growing as a corporate in our view.

In our opinion, the company's sales growth, deliberate and well-knit long-term strategy, reasonable expansion of car pool and parking spaces, strong future cash-flow along with the convincing growth in traffic in cities are strong support for good direction of stable, organic development of the company with proper sales management and cost structure on hand.

**We initiate our coverage of 4Mobility with a *Buy rating*.**

## 7. Shareholder Structure and market price development

### Shareholder Structure



## 8. Financials

### Profit and loss statement

| Profit and loss statement - 4Mobility |              |              |              |              |              |              |              |              |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Figures in PLNm                       | 2016         | 2017E        | 2018E        | 2019E        | 2020E        | 2021E        | 2022E        | 2023E        |
| <b>Total revenues</b>                 | <b>1.34</b>  | <b>2.20</b>  | <b>10.49</b> | <b>19.83</b> | <b>30.93</b> | <b>40.75</b> | <b>51.30</b> | <b>62.63</b> |
| Change of inventories                 | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| Capitalised items                     | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| <b>Total output</b>                   | <b>1.34</b>  | <b>2.20</b>  | <b>10.49</b> | <b>19.83</b> | <b>30.93</b> | <b>40.75</b> | <b>51.30</b> | <b>62.63</b> |
| Cost of goods sold                    | -1.47        | -3.74        | -10.28       | -16.85       | -24.75       | -30.56       | -38.48       | -46.97       |
| <b>Gross profit</b>                   | <b>-0.13</b> | <b>-1.54</b> | <b>0.21</b>  | <b>2.97</b>  | <b>6.19</b>  | <b>10.19</b> | <b>12.83</b> | <b>15.66</b> |
| Other operating income                | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| Personnel costs                       | -0.11        | -0.40        | -0.63        | -1.19        | -1.86        | -2.45        | -3.08        | -3.76        |
| Depreciation & amortisation           | -0.10        | -0.61        | -0.67        | -0.72        | -0.79        | -0.86        | -0.96        | -1.07        |
| Other operating expenses              | -0.31        | -0.21        | -0.13        | -0.03        | 0.08         | 0.18         | 0.28         | 0.40         |
| <b>Operating income</b>               | <b>-0.52</b> | <b>-2.76</b> | <b>-1.21</b> | <b>1.03</b>  | <b>3.62</b>  | <b>7.06</b>  | <b>9.07</b>  | <b>11.23</b> |
| Net financial result                  | -0.03        | -0.05        | -0.06        | -0.07        | -0.08        | -0.09        | -0.10        | -0.11        |
| <b>EBT</b>                            | <b>-0.54</b> | <b>-2.81</b> | <b>-1.27</b> | <b>0.96</b>  | <b>3.54</b>  | <b>6.97</b>  | <b>8.97</b>  | <b>11.12</b> |
| Income taxes                          | 0.02         | 0.00         | 0.00         | -0.24        | -0.96        | -1.95        | -2.60        | -3.34        |
| Minorities                            | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| <b>Net income / loss</b>              | <b>-0.52</b> | <b>-2.81</b> | <b>-1.27</b> | <b>0.72</b>  | <b>2.59</b>  | <b>5.01</b>  | <b>6.37</b>  | <b>7.78</b>  |
| EPS                                   | -0.30        | -1.36        | -0.62        | 0.35         | 1.25         | 2.42         | 3.08         | 3.76         |
| DPS                                   | -0.12        | -0.54        | -0.25        | 0.14         | 0.50         | 0.97         | 1.23         | 1.51         |
| <b>Change y-o-y</b>                   |              |              |              |              |              |              |              |              |
| Total revenues                        |              | 63.9%        | 376.7%       | 89.1%        | 56.0%        | 31.7%        | 25.9%        | 22.1%        |
| Total output                          |              | 63.9%        | 376.7%       | 89.1%        | 56.0%        | 31.7%        | 25.9%        | 22.1%        |
| Cost of goods sold                    |              | 154.9%       | 174.8%       | 64.0%        | 46.8%        | 23.5%        | 25.9%        | 22.1%        |
| Gross profit                          |              | 1132.0%      | -113.6%      | 1318.2%      | 108.0%       | 64.7%        | 25.9%        | 22.1%        |
| Personnel costs                       |              | 263.6%       | 57.3%        | 89.1%        | 56.0%        | 31.7%        | 25.9%        | 22.1%        |
| Depreciation & amortisation           |              | 514.6%       | 9.9%         | 8.0%         | 8.9%         | 9.8%         | 10.7%        | 11.6%        |
| Other operating expenses              |              | -32.6%       | -39.8%       | -74.5%       | -347.4%      | 124.1%       | 59.5%        | 40.1%        |
| Operating income                      |              | 432.2%       | -56.0%       | -184.9%      | 251.7%       | 94.7%        | 28.6%        | 23.7%        |
| Net financial result                  |              | 92.3%        | 20.0%        | 16.7%        | 14.3%        | 12.5%        | 11.1%        | 10.0%        |
| EBT                                   |              | 415.9%       | -54.6%       | -175.4%      | 269.0%       | 96.6%        | 28.8%        | 23.9%        |
| Net income / loss                     |              | 435.6%       | -54.6%       | -156.5%      | 259.1%       | 93.9%        | 27.0%        | 22.2%        |
| EPS                                   |              | 357.9%       | -54.6%       | -156.5%      | 259.1%       | 93.9%        | 27.0%        | 22.2%        |
| <b>Share in total revenues</b>        |              |              |              |              |              |              |              |              |
| Total revenues                        | 100.0 %      | 100.0 %      | 100.0 %      | 100.0 %      | 100.0 %      | 100.0 %      | 100.0 %      | 100.0 %      |
| Change of inventories                 | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       |
| Capitalised items                     | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       |
| Total output                          | 100.00 %     | 100.0 %      | 100.0 %      | 100.0 %      | 100.0 %      | 100.0 %      | 100.0 %      | 100.0 %      |
| Cost of goods sold                    | -109.3 %     | -170.0 %     | -98.0 %      | -85.0 %      | -80.0 %      | -75.0 %      | -75.0 %      | -75.0 %      |
| Gross profit                          | -9.31 %      | -70.00 %     | 2.00 %       | 15.00 %      | 20.00 %      | 25.00 %      | 25.00 %      | 25.00 %      |
| Other operating income                | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       |
| Personnel costs                       | -8.20 %      | -18.18 %     | -6.00 %      | -6.00 %      | -6.00 %      | -6.00 %      | -6.00 %      | -6.00 %      |
| Depreciation & amortisation           | -7.38 %      | -27.66 %     | -6.38 %      | -3.64 %      | -2.54 %      | -2.12 %      | -1.87 %      | -1.71 %      |
| Other operating expenses              | -23.03 %     | -9.47 %      | -1.20 %      | -0.16 %      | 0.26 %       | 0.43 %       | 0.55 %       | 0.63 %       |
| Operating income                      | -38.60 %     | -125.30 %    | -11.57 %     | 5.19 %       | 11.71 %      | 17.31 %      | 17.69 %      | 17.93 %      |
| Net financial result                  | -1.94 %      | -2.27 %      | -0.57 %      | -0.35 %      | -0.26 %      | -0.22 %      | -0.19 %      | -0.18 %      |
| EBT                                   | -40.54 %     | -127.58 %    | -12.15 %     | 4.84 %       | 11.45 %      | 17.09 %      | 17.49 %      | 17.75 %      |
| Income taxes                          | 1.49 %       | 0.00 %       | 0.00 %       | -1.21 %      | -3.09 %      | -4.79 %      | -5.07 %      | -5.33 %      |
| Minorities                            | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       | 0.00 %       |
| Net income / loss                     | -39.05 %     | -127.58 %    | -12.15 %     | 3.63 %       | 8.36 %       | 12.31 %      | 12.42 %      | 12.43 %      |

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## Balance sheet

| Balance sheet - 4Mobility             |             |              |              |              |              |              |              |              |
|---------------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Figures in PLNm                       | Fiscal year |              |              |              |              |              |              |              |
|                                       | 2016        | 2017E        | 2018E        | 2019E        | 2020E        | 2021E        | 2022E        | 2023E        |
| <b>Assets</b>                         |             |              |              |              |              |              |              |              |
| Inventories                           | 0.00        | 0.59         | 1.62         | 2.66         | 3.90         | 4.82         | 6.07         | 7.41         |
| Trade receivables                     | 0.36        | 0.18         | 0.83         | 1.58         | 2.46         | 3.24         | 4.08         | 4.98         |
| Tax receivables                       | 0.00        | 0.00         | 0.02         | 0.03         | 0.05         | 0.06         | 0.08         | 0.09         |
| Other assets                          | 0.15        | 0.00         | 0.02         | 0.03         | 0.05         | 0.06         | 0.07         | 0.09         |
| Securities and other financial assets | 0.00        | 0.02         | 0.12         | 0.22         | 0.34         | 0.45         | 0.56         | 0.69         |
| Cash & cash equivalents               | 2.28        | 7.67         | 11.02        | 17.79        | 27.59        | 39.87        | 53.59        | 69.04        |
| <b>Current assets</b>                 | <b>2.79</b> | <b>8.48</b>  | <b>13.62</b> | <b>22.30</b> | <b>34.38</b> | <b>48.50</b> | <b>64.45</b> | <b>82.30</b> |
| Property, plant and equipment         | 1.33        | 2.80         | 3.36         | 4.03         | 4.84         | 5.81         | 6.97         | 8.36         |
| Assets-for-sale                       | 0.00        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| At-Equity shareholdings               | 0.00        | 0.03         | 0.14         | 0.27         | 0.42         | 0.56         | 0.70         | 0.86         |
| Financial assets                      | 0.00        | 0.20         | 0.21         | 0.22         | 0.23         | 0.24         | 0.26         | 0.27         |
| Other assets                          | 0.20        | 0.24         | 0.29         | 0.35         | 0.42         | 0.51         | 0.61         | 0.73         |
| Intangible assets                     | 0.29        | 0.49         | 0.69         | 0.89         | 1.09         | 1.29         | 1.49         | 1.69         |
| Goodwill                              | 0.00        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| Deferred tax assets                   | 0.00        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| <b>Non-current assets</b>             | <b>1.83</b> | <b>3.77</b>  | <b>4.70</b>  | <b>5.77</b>  | <b>7.01</b>  | <b>8.40</b>  | <b>10.02</b> | <b>11.91</b> |
| <b>Total assets</b>                   | <b>4.61</b> | <b>12.25</b> | <b>18.32</b> | <b>28.07</b> | <b>41.39</b> | <b>56.91</b> | <b>74.47</b> | <b>94.21</b> |
| <b>Liabilities</b>                    |             |              |              |              |              |              |              |              |
| Tax payables                          | 0.00        | 0.01         | 0.03         | 0.06         | 0.09         | 0.13         | 0.16         | 0.19         |
| Pension provisions                    | 0.00        | 0.00         | 0.02         | 0.04         | 0.06         | 0.08         | 0.10         | 0.12         |
| Other provisions                      | 0.00        | 0.03         | 0.12         | 0.23         | 0.36         | 0.48         | 0.60         | 0.74         |
| Short-term financial debt             | 0.00        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| Trade payables                        | 0.50        | 0.66         | 3.15         | 5.95         | 9.28         | 12.23        | 15.39        | 18.79        |
| Other liabilities                     | 0.23        | 0.30         | 0.30         | 0.30         | 0.30         | 0.30         | 0.30         | 0.30         |
| <b>Current liabilities</b>            | <b>0.73</b> | <b>1.00</b>  | <b>3.62</b>  | <b>6.58</b>  | <b>10.10</b> | <b>13.22</b> | <b>16.56</b> | <b>20.14</b> |
| Pension provisions                    | 0.00        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| Other provisions                      | 0.01        | 0.01         | 0.01         | 0.01         | 0.01         | 0.01         | 0.01         | 0.01         |
| Financial and leasing debt            | 0.92        | 2.10         | 6.82         | 12.89        | 20.11        | 26.49        | 33.35        | 40.71        |
| Long-term trade payables              | 0.00        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| Other liabilities                     | 0.00        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| Deferred tax liabilities              | 0.00        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| Liabilities from assets-for-sale      | 0.00        | 0.00         | 0.00         | 0.00         | 0.00         | 1.00         | 2.00         | 3.00         |
| <b>Long-term liabilities</b>          | <b>0.93</b> | <b>2.11</b>  | <b>6.83</b>  | <b>12.90</b> | <b>20.12</b> | <b>27.50</b> | <b>35.36</b> | <b>43.72</b> |
| <b>Total liabilities</b>              | <b>1.66</b> | <b>3.10</b>  | <b>10.45</b> | <b>19.48</b> | <b>30.22</b> | <b>40.72</b> | <b>51.91</b> | <b>63.87</b> |
| <b>Shareholder's equity</b>           | <b>2.95</b> | <b>9.14</b>  | <b>7.87</b>  | <b>8.59</b>  | <b>11.17</b> | <b>16.19</b> | <b>22.56</b> | <b>30.34</b> |
| Minority interests                    | 0.00        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| <b>Total equity and liabilities</b>   | <b>4.61</b> | <b>12.25</b> | <b>18.32</b> | <b>28.07</b> | <b>41.39</b> | <b>56.91</b> | <b>74.47</b> | <b>94.21</b> |

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## Cash flow statement

| Cash flow statement - 4Mobility                   |              |              |              |              |              |              |              |              |
|---------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Figures in PLNm                                   | Fiscal year  |              |              |              |              |              |              |              |
|                                                   | 2016         | 2017E        | 2018E        | 2019E        | 2020E        | 2021E        | 2022E        | 2023E        |
| Net income / loss before minority share deduction | -0.52        | -2.81        | -1.27        | 0.72         | 2.59         | 5.01         | 6.37         | 7.78         |
| Depreciation & amortisation                       | 0.10         | 0.61         | 0.67         | 0.72         | 0.79         | 0.86         | 0.96         | 1.07         |
| Change of working capital                         | 0.19         | -0.18        | 0.82         | 1.03         | 1.22         | 1.27         | 1.09         | 1.17         |
| Others                                            | -0.43        | 0.03         | 0.10         | 0.11         | 0.13         | 0.12         | 0.12         | 0.13         |
| <b>Net operating cash flow</b>                    | <b>-0.66</b> | <b>-2.36</b> | <b>0.31</b>  | <b>2.58</b>  | <b>4.73</b>  | <b>7.27</b>  | <b>8.54</b>  | <b>10.16</b> |
| <b>CAPEX</b>                                      | <b>-0.25</b> | <b>-0.60</b> | <b>-0.63</b> | <b>-0.66</b> | <b>-0.69</b> | <b>-0.73</b> | <b>-0.77</b> | <b>-0.80</b> |
| Free cash flow                                    | -0.91        | -2.96        | -0.32        | 1.92         | 4.03         | 6.54         | 7.78         | 9.35         |
| <b>Cash flow from financing</b>                   | <b>0.91</b>  | <b>8.35</b>  | <b>3.66</b>  | <b>4.85</b>  | <b>5.77</b>  | <b>5.75</b>  | <b>5.94</b>  | <b>6.10</b>  |
| Change of cash                                    | 0.00         | 5.40         | 3.34         | 6.77         | 9.80         | 12.28        | 13.72        | 15.45        |
| Cash at the beginning of the period               | 0.65         | 2.28         | 7.67         | 11.02        | 17.79        | 27.59        | 39.87        | 53.59        |
| Cash at the end of the period                     | 2.28         | 7.67         | 11.02        | 17.79        | 27.59        | 39.87        | 53.59        | 69.04        |

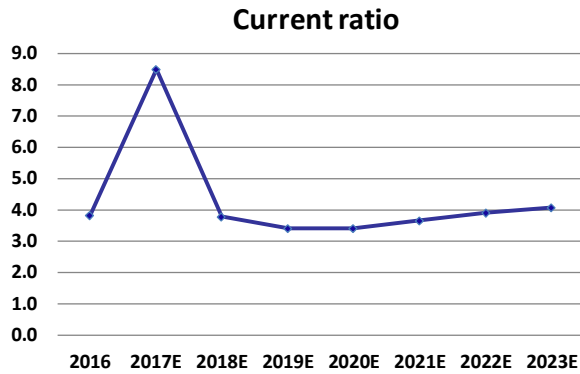
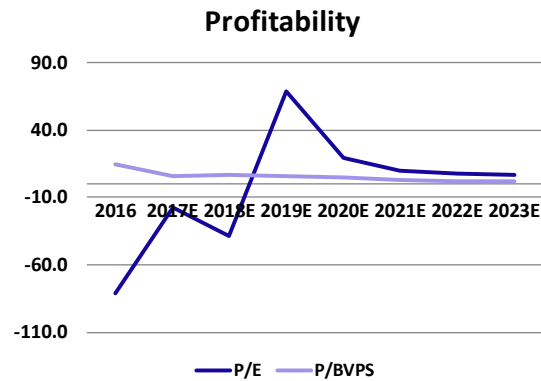
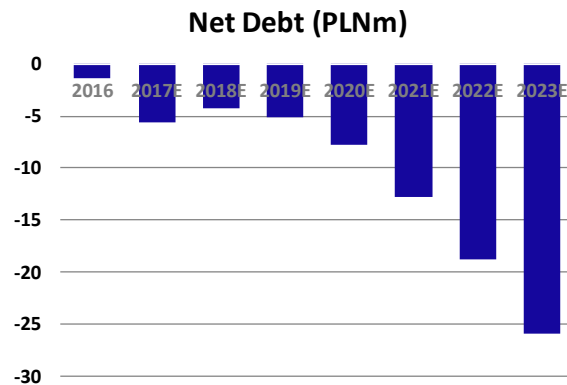
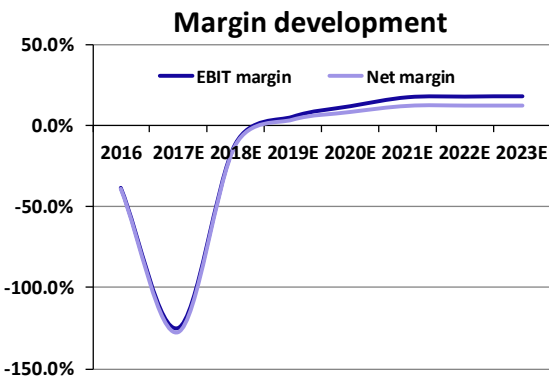
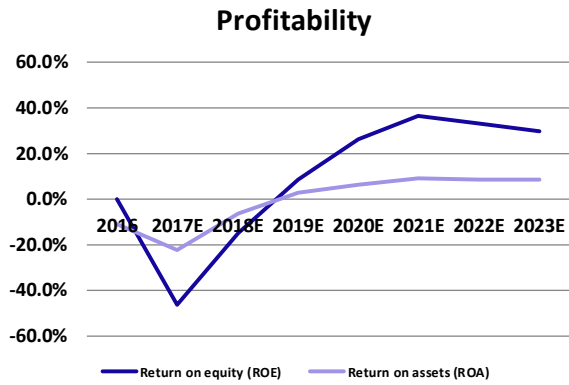
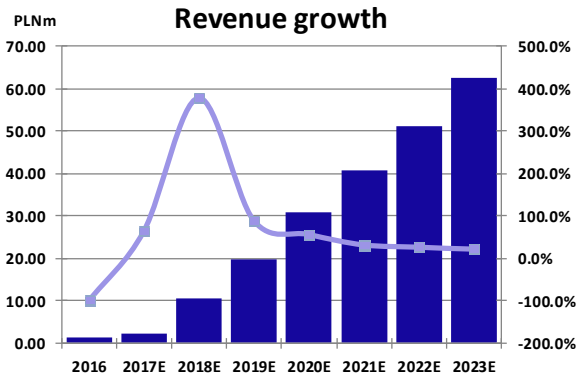
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## Financial ratios

| Ratios                         | 2016   | 2017E   | 2018E  | 2019E  | 2020E  | 2021E  | 2022E  | 2023E  |
|--------------------------------|--------|---------|--------|--------|--------|--------|--------|--------|
| Gross margin                   | -9.3%  | -70.0%  | 2.0%   | 15.0%  | 20.0%  | 25.0%  | 25.0%  | 25.0%  |
| EBITDA margin                  | -31.2% | -102.2% | -5.2%  | 8.8%   | 14.3%  | 19.4%  | 19.6%  | 19.6%  |
| EBIT margin                    | -38.6% | -125.3% | -11.6% | 5.2%   | 11.7%  | 17.3%  | 17.7%  | 17.9%  |
| Net margin                     | -39.0% | -127.6% | -12.1% | 3.6%   | 8.4%   | 12.3%  | 12.4%  | 12.4%  |
| Return on equity (ROE)         | -0.1%  | -46.4%  | -15.0% | 8.8%   | 26.2%  | 36.7%  | 32.9%  | 29.4%  |
| Return on assets (ROA)         | -10.8% | -22.5%  | -6.6%  | 2.8%   | 6.4%   | 9.0%   | 8.7%   | 8.4%   |
| Return on capital employed (R) | -9.3%  | -17.2%  | -5.8%  | 3.6%   | 8.5%   | 11.6%  | 11.1%  | 10.6%  |
| Current ratio                  | 3.8    | 8.5     | 3.8    | 3.4    | 3.4    | 3.7    | 3.9    | 4.1    |
| Quick ratio                    | 3.6    | 7.9     | 3.3    | 3.0    | 3.0    | 3.3    | 3.5    | 3.7    |
| Net interest cover             | -19.9  | -55.1   | -20.2  | 14.7   | 45.3   | 78.4   | 90.7   | 102.1  |
| Net debt/EBITDA                | 3.2    | 2.5     | 7.9    | -2.9   | -1.8   | -1.6   | -1.9   | -2.1   |
| Book value per share           | 1.7    | 4.4     | 3.8    | 4.2    | 5.4    | 7.8    | 10.9   | 14.7   |
| Working capital/Sales          | -27.8% | -8.6%   | -9.6%  | -10.3% | -10.6% | -11.1% | -11.0% | -10.9% |
| EV/Sales                       | 30.6   | 16.7    | 3.6    | 1.9    | 1.1    | 0.7    | 0.5    | n.a.   |
| EV/EBITDA                      | -98.0  | -16.4   | -69.9  | 21.3   | 7.9    | 3.7    | 2.4    | n.a.   |
| EV/EBIT                        | -79.2  | -13.4   | -31.4  | 36.2   | 9.6    | 4.2    | 2.6    | n.a.   |
| P/BVPS                         | 14.4   | 5.4     | 6.3    | 5.8    | 4.4    | 3.1    | 2.2    | 1.6    |
| P/E                            | -81.0  | -17.7   | -38.9  | 68.9   | 19.2   | 9.9    | 7.8    | 6.4    |

Source: Company data, Dr. Kalliwoda Research GmbH





Source: Company data, Dr. Kalliwoda Research GmbH

## 9. Contacts

|                                                                                                                                                         |                                                                                                            |                                                                                                                                                                     |
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