otp Research

EQUITY NOTE: RÁBA Automotive Holding

Recommendation: BUY

Target price (12M): HUF 1,427

29 Aug 2018

Equity Analyst:
Orsolya Rátkai

Phone:
+36 1 374 7270

Email:
ratkaio@otpbank.hu

Highlights

We revised our previous HOLD recommendation on Rába Automotive Holding (RABA HB; RABA.BU) to BUY with a new 12M target price of 1,427 HUF/share, down from HUF 1,469. The new target price is 9% higher than the HUF 1,310 closing price on August 29. Total return is estimated at 10.7% on a 12-month forecast period. Our new target price reflects the changes in the company's enterprise value, and also features Rába's real estate, expected to be sold in the future, as well as the changes in the interest rate environment and expectations. Robust sales growth is sustained on Rába's key markets and we do not expect considerable change in that in the near term. But high and rising input prices deteriorate profitability and although equipment modernisation is on the way, it cannot yet offset rising production costs. That is why we revised slightly down our short-term earnings expectations, which resulted in somewhat lower target price. The share price is up almost 6% year to date but it declined almost 7% in the past three months. The relatively low price of Rába stocks also supports our BUY recommendation.

Summary

- Rába's sales showed still strong growth of 9% YoY in Q2, as the growing demand in all of its key markets drove sales beyond expectations. In the most important market for Rába, the new heavy truck (beyond 16 tonnes) sales in the EU reflect the very strong demand for transportation services, and it also resulted in high registration figures.
- Sales in the US market fared well, but the earlier depreciation of the USD when comparing quarterly average HUFUSD FX rates of the last quarter and the corresponding period of last year (281.4 in Q2 2017 vs 266.3 in Q2 2018) keeps on erasing dollar-denominated growth, as it happened in Q1, and resulted in a small decrease in HUF terms.
- The stabilisation of steel raw material and energy prices remains to be seen, and rising production costs exceeded revenues' growth rate. Although gross profitability remained close to those registered in previous quarters, the YoY comparison reveals more than 2–3 percentage point deterioration. We maintain our expectation that steel prices remain at the current high level, which adds a downside risk to Rába's profitability. Although Rába seems to have managed to pass the effect of growing material prices on to its customers, higher indirect operational costs (e.g. higher freight costs) weigh on profitability.
- On the basis of the recently published data, we revised our sales and profit forecasts. We expect that the strong growth in the European economy remains persistent and leads to higher sales potential for automotive suppliers. All in all, however, rising operational costs take a toll on profit generation. As a

consequence, we lowered our EPS forecast to HUF 106 from 124 HUF/share for 2018 and to HUF 124/share from the previous HUF 141 forecast.

- The new target price reflects the changes made in the forecast. As we mentioned in our previous report, the possibly increasing yields add a downside risk to our price forecast. As the yield increase occurred as it was anticipated, it also contributed to the somewhat lower enterprise value.

Financial highlights of Q2 2018 earnings report

April-June (HUFm)	2018 Q2	2017 Q2	YoY Change
Domestic sales	3 203	3 342	-4%
Export sales	8 904	7 762	15%
Net sales income	**12 107**	**11 104**	**9%**
Direct cost of sales	9 555	8 533	12%
Gross profit	**2 551**	**2 571**	**-1%**
Cost of sales and marketing	180	161	12%
General managing costs	1 759	1 607	9%
Other operating expenses	204	128	59%
Total operating expenditures	**2 143**	**1 896**	**13%**
Other incomes	85	58	47%
EBIT	**494**	**732**	**-33%**
Pre-tax profit	**364**	**684**	**-47%**
Tax	121	144	-16%
After-tax profit	**243**	**540**	**-55%**

April-June (HUFm)	2018 Q2	2017 Q2	YoY Change
EPS (HUF)	**18**	**40**	**-55%**
4Q-rolling EPS (HUF)	**151**	**117**	**29%**
EBITDA (HUFm)	**1 015**	**1 209**	**-16%**
Gross profit rate	**21.1%**	**23.2%**	**-2.1pp**
EBIT rate	**4.1%**	**6.6%**	**-2.5 pp**
EBITDA rate	**8.4%**	**10.9%**	**-2.5 pp**
ROE	**1.2%**	**2.8%**	**-1.6 pp**
4Q-rolling ROE	**7.4%**	**8.1%**	**-0.8 pp**
ROA	**0.6%**	**1.6%**	**-0.9 pp**
4Q-rolling ROA	**3.9%**	**4.6%**	**-0.7 pp**

Robust sales growth is persistent in all of Rába's key markets. Rába announced HUF 12.1bn total net sales in Q2 2018, up by 9% YoY. This growth rate slowed compared to the 18% YoY change reported in Q1 this year. Domestic sales declined by 4% YoY in the past quarter, after the near 30% YoY increase in Q1. Domestic sales' decline is mainly due to falling domestic sales revenues in the vehicle segment after earlier state orders expired.

Exports revenue growth speeded up in Q2, as the YoY growth rate registered in the previous quarters (Q3 2017: 6%; Q4 2017: 14%; Q1 2018: 10%) jumped to 15%. Considering all geographical areas and market segments, FX-denominated sales increased in the period of April-June. The steepest rise in the sales of axles was in the CIS market (by 60% YoY), while the growth rate of the same segment in the USA was the slowest (4% USD-denominated YoY sales growth).

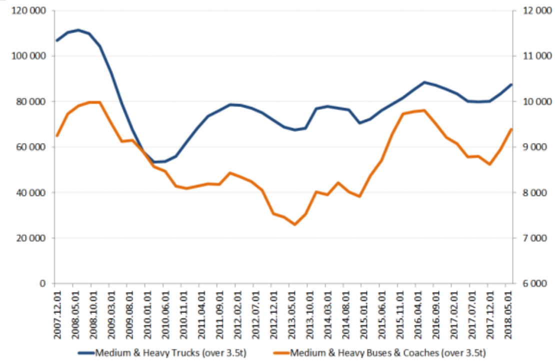
EU sales were dominant in exports, when considering geographical areas with a share of over 80% in Q2 (exactly 81.1%, down from 82.6% in Q1 2018; the decline is due to the increase in CIS sales in quarter-on-quarter comparison). Strong economic growth in the EU raises demand for transport services and this, along with high capacity utilization requirements, recreates demand for new fleets, driving heavy truck sales closer to new highs. The registration number of heavy commercial vehicles was nearing 81,000 in Q2, a level not seen since the global crisis.

Strong demand still persists in the CIS market of heavy trucks and buses, the total truck market in Russia witnessed over 20% growth rate in the first half of 2018 compared to the corresponding period of 2017. In HUF terms, CIS exports sales revenues surged 70% YoY in the past quarter. Despite Rába's impressing sales growth in the CIS market, the share of CIS sales is under 10% of total export revenues (in HUF).

Dollar-denominated US sales growth slowed to 4% YoY in Q2, after the 9% YoY increase reported in Q1 2018. Thanks to the favourable economic conditions, the strong demand on the heavy truck market still prevails in the USA: the monthly registration figures of heavy commercial vehicles showed double-digit yearly growth rates in the past 12 months. Seasonally adjusted, annualized monthly registration figures stabilised at high level this year, reflecting the generally favourable conditions on the machinery market. However, Raba already has smaller share in the US truck business than in other machinery segments, being a supplier to John Deere and Marmon-Herrington. Flattering as the US market is, the weakening dollar slightly deteriorates Rába's position in the US market and withers sales growth in HUF terms.

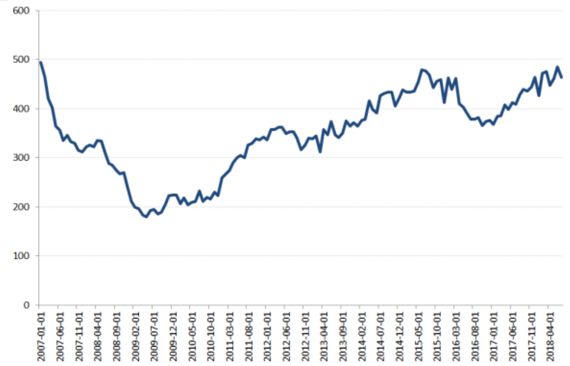
With falling domestic sales and robust sales growth in non-domestic markets, exports' share in the total sales revenues was over 73% in Q2, well above the long-term average, and hitting a three-year high.

New truck sales in the EU (pcs) (4Q-rolling average)



Sources: ACEA, OTP Research

Heavy weight truck retail sales in the US (seasonally adjusted annual rate, thousand units)



Source: US Bureau of Economic Analysis

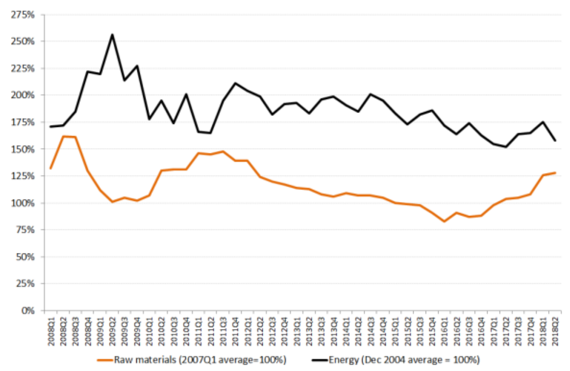
Rising steel prices strongly affected Rába's profitability in Q2. Market conditions in the international steel market have not changed lately. Having increased considerably in the past quarters, benchmark steel prices stabilized at relatively high level in the current quarter. According to Rába Automotive's own calculated input cost indices, base material prices increased by 23% in Q2 YoY after soaring 29% in Q1, while energy costs were 4% higher in Q2 2018 compared to the corresponding period of 2017. Energy costs grew 13% YoY in Q1 2018.

Despite the unsupportive environment on the purchase side, Rába managed to maintain gross profitability at the level of the long-term average. However, gross profit margin deteriorated to 21% from 23% registered in Q1 2018 and Q2 2017. Quarterly gross profit, at HUF 2.6bn, is only 1% lower than in the base period one year earlier, though it falls well behind gross profit figures reported in Q1 and Q4 2017. Indirect costs of operation, including shipment, also increased and also at the same pace (12% YoY) as direct costs. While the growth of direct costs slowed in Q2 after jumping 17% in Q1, the increase of other operational costs picked up compared to the previous quarters. The HUF 494 mn EBIT in Q2 is about two-thirds of the base value reported one year earlier, and it represents 4% EBIT ratio. The EBITDA rate declined to 8%, from 11% in Q2 2017.

Steel price on the rise (hot-rolled coil, USD/metric tonnes)

Source: Bloomberg

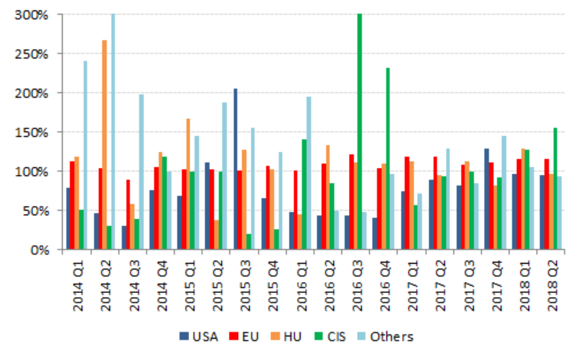
Input cost indices of Rába Automotive



Source: Rába Automotive Holding

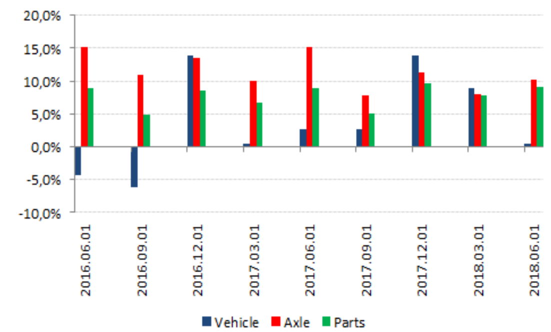
All business units suffered certain deterioration in EBIT or EBITDA margins, or both. The components business unit, which usually operates with higher and less volatile profit margins than other segments, managed to maintain profitability above the long-term average. At the same time, the axle and the vehicle arms' YoY profit margins declined somewhat more.

YoY sales growth in different geographical areas in the past individual quarters (previous year = 100%)



Source: Rába Automotive Holding

EBITDA-margins at Rába's business units

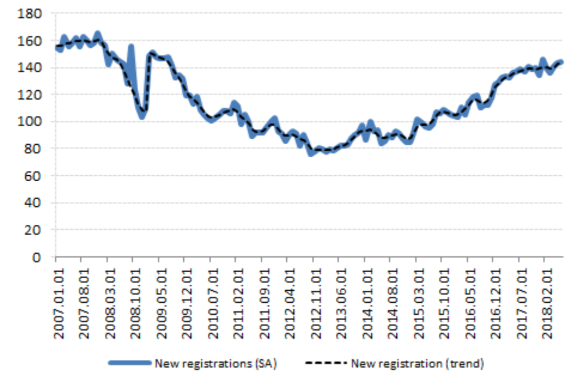


Source: Rába Automotive Holding

Positive sales outlook both in the domestic and non-domestic markets. We maintain our expectation of strong demand in the short run, in and outside the EU. At the same time we expect the domestic sales to grow steadily, especially in the parts' segment. Recent European registration figures for Suzuki, whom Rába's parts unit (Rába Járműalkatrész) supplies with components, reflect continuing strong growth also in 2018. When the supplier contract between Rába (vehicle unit) and the Hungarian Army ends, the growth in the parts' arm may counterbalance the decreasing sales of the vehicle business. Besides, public tenders may offer further smaller orders for the automotive company.

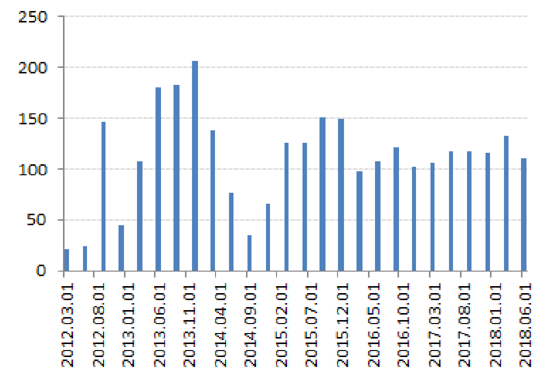
This year's economic slowdown in the EU may pose a downside risk on our revenues forecast in the single market as the slowdown in the USA and Russia next year is also part of the baseline scenarios. In the short run, there are no signals of losing steam at the moment.

New Suzuki registrations in EU27 and EFTA countries
(monthly average of 2015 = 100; SA)



Sources: *ACEA, OTP Research*

4Q-rolling EPS is on the rise (HUF)



Source: *Rába Automotive Holding*

CONSOLIDATED INCOME STATEMENT HUFm	2014	2015	2016	2017	2018E	2019E	2020E
Domestic sales	19 526	17 838	16 216	15 233	15 393	15 393	15 393
Export sales	28 390	28 315	26 413	28 609	32 468	36 327	37 982
Total sales revenue	47 916	46 154	42 629	43 842	47 861	51 719	53 375
Direct cost of sales	-38 725	-36 317	-33 200	-34 577	-38 289	-40 341	-41 632
Gross profit	9 191	9 837	9 429	9 265	9 572	11 378	11 742
Indirect costs of sales	-7 299	-7 640	-7 429	-7 116	-7 562	-9 103	-9 394
EBIT	1 891	2 196	2 000	2 149	2 010	2 276	2 348
EBITDA	4 122	4 465	4 122	4 100	4 499	4 712	4 939
Net financial profit/loss	-584	-104	-11	-101	-157	-100	-50
Profit before tax	1 308	2 093	1 989	2 048	1 853	2 176	2 298
Tax	-456	-410	-612	-479	-426	-500	-529
After-tax profit	852	1 682	1 378	1 569	1 427	1 675	1 770
Dividend	0	0	272	307	407	543	543
EPS	66	129	103	117	106	124	131
DPS			20	23	30	40	40

CONSOLIDATED BALANCE SHEET HUFm	2014	2015	2016	2017	2018E	2019E	2020E
Property, plant, equipment	14 977	14 832	14 410	15 818	16 300	18 581	19 800
Intangible assets	1 071	789	500	282	231	157	129
Non-current assets	17 276	16 723	15 799	16 876	17 393	19 791	21 267
Inventories	6 629	6 211	5 728	7 008	7 696	9 429	9 682
Recievables and other current assets	11 304	8 375	10 075	9 864	9 572	9 637	10 675
Cash and cash equivalents	1 025	3 199	1 900	2 638	1 952	1 971	1 925
Current assets	18 976	17 807	17 703	19 562	19 220	21 037	22 282
TOTAL ASSETS	36 252	34 530	33 502	36 438	36 676	40 829	43 549
Share capital	13 048	13 138	13 473	13 473	13 473	13 473	13 473
Own shares	0		-109	-109	-109	-109	-109
Capital reserve	73	64	0	0	0	0	0
Stock option reserve	97	67	0	0	0	0	0
Retained earnings	1 857	3 837	5 314	6 613	7 631	8 763	9 990
Total Equity	15 075	17 107	18 679	19 978	20 996	22 128	23 354
Long-term loans and other liabilities	6 424	3 006	2 239	4 373	3 567	4 745	5 888
Provisions	315	261	150	163	174	141	145
Non-current liabilities	6 739	3 267	2 434	4 619	3 741	4 886	6 033
Loans and credits	3 185	3 570	746	1 582	1 823	3 247	2 628
Payables and other short-term liabilities	11 252	10 587	11 541	10 140	9 986	10 427	11 389
Current Liabilities	14 438	14 156	12 389	11 841	11 939	13 815	14 162
TOTAL EQUITY AND LIABILITIES	36 252	34 530	33 502	36 438	36 676	40 829	43 549

CONSOLIDATED CASH FLOW	2014	2015	2016	2017	2018E	2019E	2020E
HUFm							
EBITDA	4 122	4 463	4 122	4 100	4 499	4 712	4 939
Cash flow from operation	3 778	6 641	3 244	1 906	3 576	2 771	4 079
Cash flow from investment	-3 278	-1 790	-1 203	-3 097	-2 942	-4 803	-4 100
FCFF	500	4 851	2 041	-1 191	633	-2 032	-21
FCFE	1 107	1 924	-1 556	130	513	-71	464

Source: OTP Research

Deduction of 12M target price

Rába's valuation (HUFm)	2017	2018	2019	2020	2021	2022	FCFF in the explicit period
FCFF	-2 106	633	-2 032	-21	3 340	2 242	
Discount factor		0,91	0,90	0,90	0,89	0,89	
DCF		574	-1 658	-15	2 184	1 308	2 393
Terminal value (HUFm)							29 910
Net present value (HUFm) of TV							16 882
Enterprise Value (incl. possible future property sale) HUFm							20 557
Net debt							3 518
Equity value - Dec 31 2017, HUFm							17 040
Number of shares							13 352 765
Expected return on equity							11,9%
12M Target price							1 427
Current price							1 310
Upside/Downside							9,0%
TR Upside/Downside							10,7%

Source: OTP Research

Risks surrounding Rába's economic activity

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 is estimated to grow from 62% in 2016 to 70% by next year.

Raw material & energy prices: Raw material (steel) prices increased further in the second half of last year. Steel prices on the global commodity market kept on rising in the first few months of the current year. In the recent months they stabilized at relative high levels.

Labour supply: The present labour market developments, particularly the prevailing labour shortage may arrive 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 robotisation, or may lead to chronic capacity shortage. Rába is located in Western Hungary, where unemployment practically vanished, and the local labour market is supply-driven.

Risks surrounding Rába's property for sale: Although we do not expect this property to be sold soon, if it happens, the sales revenue adds relatively significant value to Rába's enterprise value. Should the property be reclassified as residential area, from the present classification as arable land, that would be a strong value generating factor.

Ownership: Apparently, the state-owned MNV's 75% ownership in Rába made no palpable changes to the company's operation or strategy. A significant part of MNV's asset portfolio consists of companies linked to public services – from this point of view Rába, an industrial manufacturer which operates under market conditions, does not seem to fit the owner's portfolio. MNV has not published a comprehensive strategy or a clear view on its goals with Rába, except the declaration at the time of the buyout on the strengthening of the state's presence in strategic sectors like the automotive industry. A further risk is that directives centrally declared on the operation of state-owned companies make no difference between companies, and do not take into consideration the sector's characteristics. Although we consider the dominant state ownership a real risk, this research does not factor it in.

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.

Any information relating to the date and time for the price mentioned in this recommendation is revealed in the part of the recommendation where the given price is indicated.

OTP Bank Plc's recommendations and price targets history for Rába Automotive Holding in the past twelve months:

Date	Recommendation	Target price	Publication
15/12/2017	HOLD	HUF 1380	Initiation coverage
22/02/2018	HOLD	HUF 1475	Equity note
13/04/2018	HOLD	HUF 1475	Equity note
17/05/2018	HOLD	HUF 1469	Equity note
29/08/2018	BUY	HUF 1427	Equity note

Period	Recommendations	Percent of recommendations
2017Q4	BUY HOLD SELL	0% 100% 0%
2018Q1	BUY HOLD SELL	0% 100% 0%
2018Q2	BUY HOLD SELL	0% 100% 0%

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

Disclaimer 1

This research/commentary was prepared by the assignment of the Budapest Stock Exchange Ltd. (registered seat: 1054 Budapest, Szabadság tér 7. Platina torony I. ép. IV. emelet; company registration number: 01-10-044764, hereinafter: BSE) under the agreement that was concluded by and between BSE and OTP Bank Plc (registered seat: H-1051 Budapest, Nádor utca 16., Hungary, company registration number: 01-10-041585, hereinafter: OTP Bank or Investment Service Provider).

The BSE shall not be liable for the content of this research/commentary, especially for the accuracy and completeness of the information therein and for the forecasts and conclusions. The Service Provider is entitled to all copyrights regarding this research/commentary however BSE is entitled to use and advertise/disseminate it without amending its content.

This research/commentary shall not be qualified as investment advice specified in Point 9 Section 4 (2) of Act No. CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the Regulations Governing their Activities. Furthermore, this document shall not be qualified as an offer or call to tenders for the purchase, sale or hold of the financial instrument(s) concerned by the research/commentary.

Disclaimer 2

1. Pursuant to the Commission-delegated regulation 2017/565/EU of the European Parliament, the content of this document shall be considered as an investment research, which recommends or suggests an investment strategy, explicitly or implicitly concerning one or more financial instruments or the issuers of financial instruments, including any opinion as to the present or future value or price of such instruments. The statements in this investment research contain objective or independent explanation. Furthermore, pursuant to Directive 2014/65/EU of the European Parliament and of the Council, this document shall be considered as investment recommendation. This document does not take into account investors' individual interests, circumstances, or objectives; therefore, in the absence of personal recommendation, it shall not be considered as an investment advice.
   OTP Bank intends to make this document available to its clients or to the public, or to make it accessible to other persons in a way that allows this document to be disseminated to the public.

2. Information herein reflects the market situation at the time of writing. It provides only momentary information and may change as market conditions and circumstances develop. Additional information may be available on request. Where a figure relates to a period on or before the date of communication, the figure relates to the past and indicates a historic data. Past performance is not a reliable indicator of future results and shall be not treated as such. OTP Bank makes no representation or warranty, express or implied, is made regarding future performance of any financial instrument mentioned in this communication. OTP Bank shall have no liability for the information contained in this for any loss or damage whether direct,

indirect, financial, economic, or consequential, whether or not caused by the negligent act or omission of OTP Bank, provided that such limitation of liability shall not apply to any liability which cannot be excluded or limited under the applicable law.

3. The issuer of this report does not claim that the information presented herein is perfectly accurate or complete. However it is based on sources available to the public and widely believed to be reliable. Also the opinions and estimates presented herein reflect a professional subjective judgment at the original date of publication and are therefore subject to change thereafter without notice. Furthermore there can be no guarantees that any market developments will unfold as forecasted. Opinions and estimates constitute our judgment and are subject to change without notice.

4. The issuer(s) of the product(s) mentioned in this document do not hold more than 5% of OTP Bank's registered capital. OTP Bank is a market maker of the financial instrument that is discussed in this document. Neither was OTP Bank a lead-manager (organizer) or joint lead manager (organizer) of any public placement of the issuer's financial instruments (e.g. securities) in the previous 12 months. Regarding investment services defined in Sections A and B of Annex 1 of Directive 2014/65/EU, OTP Bank is not a party of the agreement with the issuer. OTP Bank maintains a conflict of interest policy and it keeps such records, and is has requirements that regulate the transmission of bank secrets and securities secrets, which requirements shall be considered as the effective internal organizational and management solutions as well as information barriers to prevent or manage conflicts of interest. The remuneration of the person(s) participating in preparing the recommendation is not directly related to the transactions carried out as part of the investment services specified in Sections A and B of Annex 1 of Directive 2014/65/EU, or to transactions carried out by them or by other legal entities of the same group or to trading fees that they or another legal person of the same group receive. OTP Bank does not hold net long or short positions that exceed 0.5% threshold of the issuer's total registered capital.

5. OTP Bank has developed appropriate internal procedures for (i) the personal transactions and tradings of financial analysts and other relevant persons, (ii) the physical separation of the financial analysts involved in the production of investment research and other relevant persons; moreover, information barriers have been implemented, (iii) for accepting and managing incentives and remuneration.

6. This communication does not contain a comprehensive analysis of the described issues; it is only for information purposes. No part, chapter, or the entirety of this information shall be considered as investment advice, not even if any part of this document contains a description of a certain financial instrument in terms of its possible price or yield development, and the related investment options. This information shall not be considered as legal, tax or accounting advice.

7. This information reflects the market situation at the time when the document was prepared. You may request more information from OTP Bank. This document was prepared based on publicly accessible information made available to OTP Bank from one or more sources. This document was prepared using data, facts and information from the following essential sources: Bloomberg, Reuters, Hungarian Central Statistical Office, Eurostat, Magyar Nemzeti Bank (Hungary's central bank), and European Central Bank (ECB). Although the information in this document has been prepared in good faith from sources that OTP Bank believes to be reliable, we do not represent or warrant its accuracy or completeness. This document represents the opinion and estimations of analysts at OTP Research, based on publicly available data. You may receive different recommendation from the staff of OTP Bank, in particular if you are provided investment advice based on an investment advice agreement. The content of this document is based on the opinion of OTP Research's analyst at the time when the document was prepared, and they may be subject to change at any time in the future without further notice.

8. Please be informed that, irrespective of the statements of this investment research, OTP Bank is entitled to deal or trade as market maker, acting in good faith and in accordance with the usual way of market-making, with the financial instruments distributed by the issuer(s) specified in this document, as well as to provide

other investment activities or ancillary (investment) services, and/or other financial or ancillary financial services to the issuer and other persons.

9. This document shall not be a basis for any further analysis in relation to the financial instruments contained therein. Any reference in this document to the future distribution of a financial instrument shall be construed as indicative, preliminary and informative, and any analysis of such financial instrument is exclusively based on publicly available information listed in the respective prospectus or announcement. The content of this document shall not imply that OTP Bank acts as an agent, a fiduciary, or an advisor to, or on behalf on, any prospective purchaser of the financial instruments discussed herein.

10. For certain persons, access to the products and/or services discussed in this document may not be granted, or it may be limited. The act of preparing this document by OTP Bank, its uploading to the website, its publication may under no circumstances be considered as OTP Bank's intention to make available product and/or service information in the prospectus to persons whom any country or state prohibits from having or obtaining the given product and/or service, including the promotion and the advertisement thereof. This communication and any of the financial instruments and information contained herein are not intended for the use of private investors in the UK and US. OTP Bank is not allowed to provide direct investment services to US investors. Any individual decision or investment made based on this publication is made solely at the risk of the client and OTP Bank shall not be held responsible for the success of the investment decisions or for attaining the Client's target.

11. This publication contains generic presentation of information and knowledge, thus it does not take into account the individual clients' unique and special interests, financial condition, or their ability and willingness to take risks. Therefore please contact our staff or contact your banking consultant for advice before you make an investment decision. The assessment and the consideration of the individual circumstances is provided by the suitability and compliance tests that assess clients' financial knowledge, experience, risk-taking abilities, as well as the examination of the target market.

12. Before making an informed decision to invest and to use the services, please carefully read through all documents, including the documentation, prospectus, regulations, terms and conditions, announcements and key information documents for that product/service, and carefully consider the subject, the risk, the fees and costs of your investment, the possibility of any loss, and seek information about the tax regulations regarding the product and the investment. The prices of financial instruments and securities are changing, outrights sales are realized at then current market prices, which may involve losses. The information and opinions in this document do not substitute or take the place of the issuance documentation for the given financial assets (e.g. prospectus, fund management rules), or their brochures or announcements.

13. You assume total responsibility and risk for any specific decision or investment; OTP Bank shall not be held responsible for the effectiveness of investment decisions or for reaching your purpose, nor for the individual investment decision made based on this document or any part thereof, or for their consequences.
    Investments in financial instruments carry a certain degree of risk, which may affect the effectiveness of the investment decision, and investors may not receive the whole amount they had expected the investment to yield in their investment targets; they may not preserve even the invested amount, therefore the invested capital might even decrease, be wholly lost, or even lead to additional payment obligation.

14. Trading with leveraged products (such as foreign exchange contracts, or shares and indices that have underlying products) carries a considerable amount of risk, and these products are not suitable for all investors. Trading with leveraged products carries the risk of losing all capital, and it may incur losses that exceed the amount invested.

15. **The figures and information described herein refer to the past, and past performance is not a reliable indicator of future yields, changes, or performance.** The changes on money and capital markets, the fluctuation of prices, the development of investments and their yields are influenced by the combined effect of multiple factors; one important factor of them is the change in investors' expectations. **The development**

of prices, the future yield of financial assets, indices or indicators, the examination of their changes, trends, and future performance is based on estimations and forecasts, which forecasts do not allow reliable conclusions to be drawn about the future moves of prices, real future yields, changes, or performance. For each product and service, please assess their tax accounting implications, and other tax consequences, taking into account that they cannot be precisely assessed without knowing the effective tax regulations of the client's individual circumstances; and these legislative provisions as well as the circumstances may change over time.

16. OTP Bank reserves the right to modify this document in the future, without prior notice.
    The planned frequency of updates to the recommendation is quarterly. The initiation report preceding this research was published on 18 December 2017.

17. OTP Bank (business registration number: 01-10-041-585; registered seat: Nádor utca 16., Budapest H-1051, Hungary; authorised by Magyar Nemzeti Bank (former supervisory authority: Hungarian Financial Supervisory Authority, 'PSZÁF'). Supervisory authority: Magyar Nemzeti Bank (National Bank of Hungary – H-1054 Budapest, Szabadság tér 9); financial customer services: H-1013 Budapest, Krisztina krt. 39. The terms and conditions of this equity research and disclaimer shall be governed by and construed in accordance with Hungarian law.

18. Please note that the Internet is not a secure environment and OTP Bank does not accept any liability for any loss caused by the result of using this report in a form altered or delayed by the wilful or accidental interception, corruption or virus infection.

19. OTP Bank, in compliance with the applicable law, assumes no responsibility, obligation, warranty or guarantee whatsoever for any direct or indirect damage (including losses arising from investments), or for the costs or expenses, detrimental legal consequences or other sanctions (including punitive and consequential damage) sustained by any natural or legal person as a result of the purchase or sale of financial instruments or engaging investment services described herein, even if OTP Bank was warned of the possibility of such occurrences.

20. If you received this document from OTP Bank Plc, then it was sent to you with your previous consent. You may withdraw this permission by sending an e-mail to research@otpbank.hu or writing a letter addressed to 'Research Center', Hungary H-1051, Budapest, Nádor utca 21. Please refer to your name and e-mail address in both cases.

21. The personal data in this investment research are processed by OTP Bank. The legal basis for processing the data is the legitimate interest of OTP Bank. The detailed information about the processing of personal data and the related rights of data subjects is available here.

This document was prepared by:
Orsolya Rátkai
Senior Equity Analyst
OTP Research

This document was finalized at 8:35:31 AM on 30 August 2018