

EQUITY NOTE: PANNERGY NYRT.

Recommendation: BUY

Target price (12M): HUF 1,387

29 March 2021

Highlights

Equity Analyst:
Dániel Módos

Phone:
+36 1 301 2810

Email:
modosd@otpbank.hu

The 12M target price for Pannergy is increased from HUF 1,204 to HUF 1,387 due to two main developments: 1) on the company's side, the expected capacity increase this year will result in higher EBITDA going forward, 2) the peers's EV to EBITDA ratio increased from 9.1 to 10.6, reflecting the positive effects of global liquidity injections on valuations. Additionally, **the management improved its EBITDA guidance as well**. For 2022, the company expects the EBITDA to be around HUF 3-3.1 billion and HUF 3.15-3.25 billion for 2023. Moreover the company may start to pay dividends (HUF 15 per share) if the proposal is accepted on the General Meeting, while continuing the share repurchase program may be also on the table.

Concerning 2020, production was slightly lower than a year before, however EBITDA increased from HUF 2.665 billion to HUF 2.735 billion. Net income decreased from HUF 734 million to HUF 237 million due to the negative effect of the depreciating HUF on the financial results.

Overall, the financial results for 2020 did not bring major surprises; the effect of the depreciating HUF was expected. Aside from that, the capacity-enhancing measures and the improved forward guidance is a good news.

Financial highlights of the earnings report

Revenue for 2020 was HUF 5,923 billion (+4.9% YoY), while revenue from geothermal heat sales amounted to HUF 5,07 billion, exceeding our forecast of HUF 5,005 billion. Revenue from other operations increased from HUF 588 million to HUF 853 million, mainly reflecting the effect of the depreciation of the HUF. However, the margin on this kind of sales is almost zero; therefore, it has no effect on profitability.

In 2020, heat sales reached 1,601,882 GJ, somewhat smaller than the management's plan and the production level in 2019. The smaller production is due to lower output in Q4, which is a result of temporarily lower output due to some capacity enhancing investment. Due to this, production levels could be somewhat higher this year.

Direct costs amounted to HUF 4,478 billion (+6.8% YoY), which can be mainly attributed to the increase in revenue of other operations (cost of goods sold, mediated services category). Without this item, costs are almost stagnated.

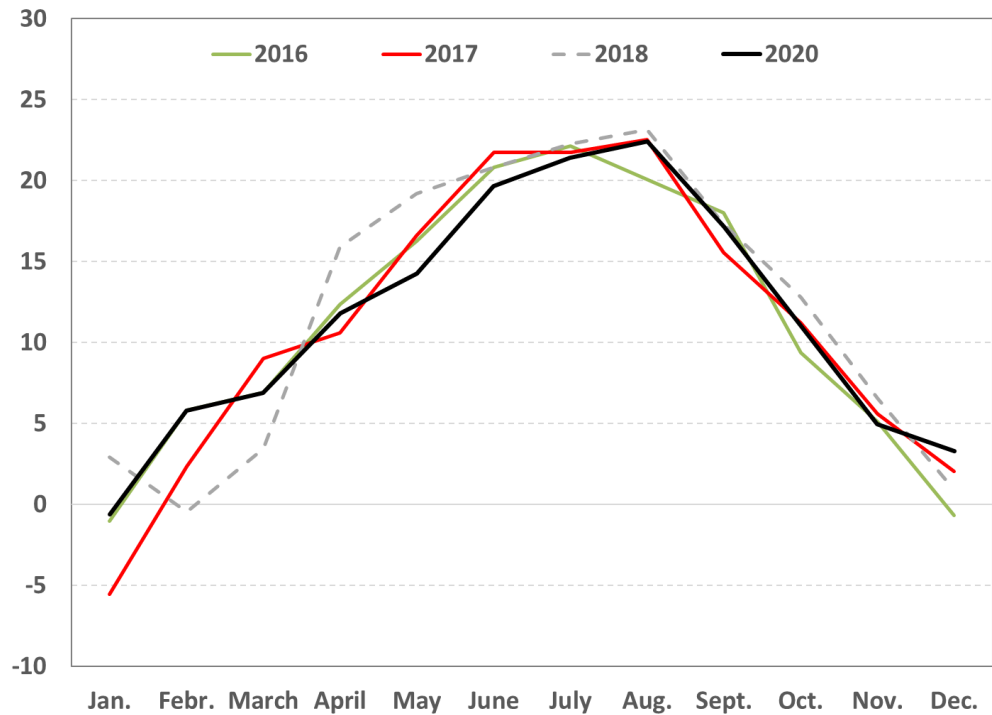
Depreciation is increased from HUF 1,468 billion to HUF 1,66 billion due to the activation of some capacity-enhancing investment and the revision and adjustment of the useful life of some asset categories. Among the direct costs items, **maintenance costs** increased by 5.9%, reflecting the costs of the capacity-enhancement measures. The other items were broadly in line. Because of the interaction of revenue and direct costs, **gross profit margin**

decreased from 25.8% to 24.4%. The average gross profit margin between 2016 and 2018 was 19.4%.

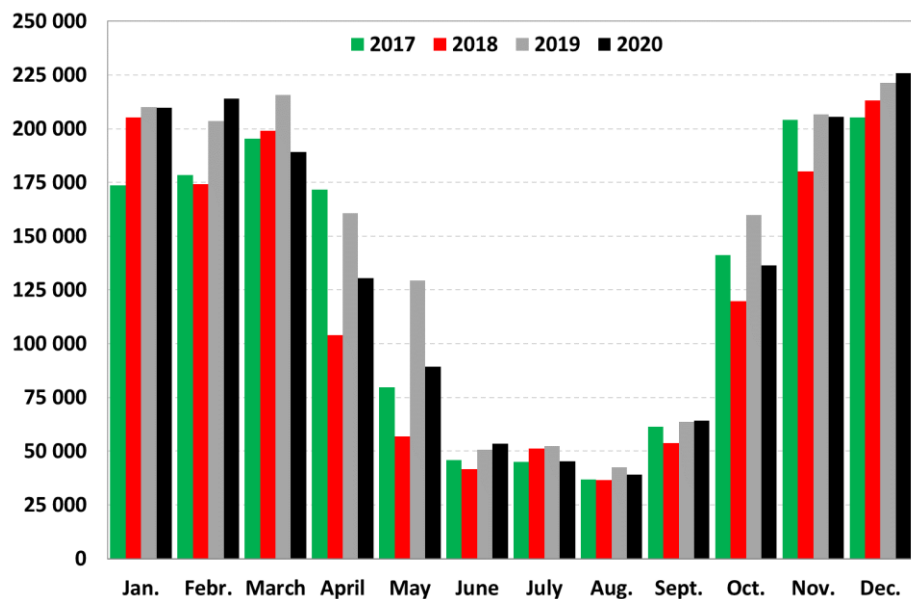
SGA costs increased by 11.3 YoY due to the increase in administrative and projects costs related to the refinancing of the existing loans. The effect of COVID-19 on the office costs was negligible. This brings the **EBIT to HUF 1,075 million (-10% YoY)**.

EBITDA amounted to HUF 2,735 billion (+3% YoY), while the EBITDA ratio declined to 46.2% from 47.2%. The decline is the indirect results of the increase in revenues from electricity sales (which is an almost no-margin operation).

Combined average monthly temperatures (°C) in Miskolc and Győr



Consolidated heat sales (GJ)



The company reported a financial loss of HUF 813 million, which is almost HUF 400 million higher than, it was in 2019. The difference can be attributed to the depreciating HUF (10.65%) in 2020 and the results of financial settlement relating to investment credit agreements. However looking ahead, the FX rate fluctuations will be a lot smaller issue. The share of FX loans was 56%, but due to the refinancing operations, its share decreased to 22.8%. This means, that when the HUF depreciates the financial loss will be lower, but the positive effect on the revenue side will stay the same.

Overall, the company reported HUF 236 million net income after tax, which is lower than the HUF 728 million net income in 2020. The difference is mainly due to the effect of the depreciation of the HUF and the increase in cost items related to capacity-enhancing measures.

Looking ahead, the company expects heat sales to reach 1,733,000 GJ in 2021 and EBITDA could be between HUF 2.8-2.88 billion (+2.4-5.3% YoY).

Financial highlights of the 2020 report

P/L Table consolidated (million HUF)	2015	2016	2017	2018	2019	2020
Revenue	2 726	4 529	4 699	4 679	5 648	5 923
Net other revenue	871	101	537	407	192	132
OPEX	1 983	2 914	3 012	2 903	2 982	3 320
From which:						
* SGA	1 180	684	492	456	457	501
* Depreciation	1 241	1 435	1 300	1 317	1 468	1 660
EBITDA	1 614	1 715	2 241	2 231	2 666	2 735
EBIT	373	281	923	906	1 198	1 075
EBT	217	-131	626	525	782	262
Income Taxes	183	28	121	90	47	25
Net income	78	-151	488	434	728	236
EPS (HUF)	4,28	-8,47	27,60	23,55	40,77	14,01

	2015	2016	2017	2018	2019	2020
EPS (HUF)	4,28	-8,47	27,60	23,55	40,77	14,01
EBITDA (HUFm)	1 614	1 715	2 241	2 231	2 666	2 735
Gross profit rate	25,0%	19,0%	18,7%	20,4%	25,8%	24,4%
EBIT rate	13,7%	6,2%	19,6%	19,4%	21,2%	18,2%
EBITDA rate	59,2%	37,9%	47,7%	47,7%	47,2%	46,2%
ROE	0,8%	-1,7%	5,4%	4,6%	7,3%	2,4%
ROA	0,3%	-0,6%	1,9%	1,7%	2,8%	0,9%
ROS	2,9%	-3,3%	10,4%	9,3%	12,9%	4,0%

New capacity enhancing measures for 2021:

Several – small-scale – capacity-enhancing measures planned for the year and could take effect from around the start of the winter season. The proposed measures are: 1) drilling a new producing well in Miskolc, increasing the lower well-head temperature from 86 °C to 102-103 °C. This is expected to be completed in 2022 and would result in +70TJ (+4.3% capacity). 2) Increase the flow capacity of the secondary pipe system in Győr (+5TJ, +0.3%), 3) increase some important back-up technical and electrical equipment (no data regarding capacity increase), 4) increase heat transfer capacities at heat centres through

expansion and conversion (+ 21-28 TJ, +1.3-.17%), 5) achieve direct system access to certain direct local consumers (+7-10 TJ, +0.4-0.6%), 6) carry out technological improvements in order to enable the more efficient, more economical and safer installation (no data on the expected output).

Overall, the above measures expected to increase the capacity by 33-43 TJ in 2021 and 70 TJ in 2022. This would increase the EBITDA by HUF 340-380 million. However, the materials also contains the following sentence: “In the event the plans for drilling a new well in Miskolc are scrapped, the EBITDA projected for 2023 would be identical with that of 2022.” Due to that sentence, a conservative approach applies. **All the capacity enhancement measures will be incorporated, except the drilling of a new well in Miskolc. The resulted increase in capacity will take off from the beginning of 2022. For the new well, we do not incorporate any increase in production for now. If it will be certain that it will be completed, we will incorporate its effect into the valuation.**

Announcements and proposals for the General Meeting meeting:

There will be many issues on the meeting; we only highlight those, which might have an effect on the valuation of the company.

- 1) **Dividends:** HUF 15 per ordinary shares dividend is proposed, financed by last year’s profit and retained earnings. (1.8% dividend yield, BUX: 0.66%, Stoxx 600 Utilities: 3.65%)
- 2) **Share-repurchases:** The share repurchase programme is expected to continue with a capacity of HUF 0.5 billion, until the share price reaches HUF 900. The period would be one year. For now, we do not incorporate the effects of dividends and share repurchased until accepted on the General Meeting.

Recent information’s effect on our valuation

Overall, Pannergy’s valuation is lifted from HUF 1,204 to HUF 1,387. The large upgrade is mainly due to the relative valuation, where the average EV/EBITDA ratio increased from 9.1 to 10.6, mirroring the positive effect of large scale, global liquidity injections on valuations. The remaining part of the upgrade is due to the expected capacity-enhancing measures taking place in 2021. As mentioned before, the analysis does not contain the effect of the planned upgraded well in Miskolc. We incorporate it later, when there is more certainty about it.

Risks surrounding PannErgy’s economic activity

1. **Price risk:** The administered price is set at a level that takes into account the cost of doing business and providing a fair profit. However, the administered price setting has inherent risks related to the administrative authority.

Moreover, at the moment PannErgy provides heat at a lower cost than its peers (natural gas). However, if natural gas prices fall significantly, then consumers who do not have mandatory purchase agreement with PannErgy could switch to other sources of heat.

2. **Environmental risks:** Extreme weather conditions during the heating season could harm the company's profit target. If the winter season is too short or too cold – due to

global warming or other extreme weather conditions – the costs are higher, as the output from the drilling wells drops.

3. **Operational risks:** Maintenance costs increased significantly at the Győr Project in 2016 due to scaling issues concerning the tubing and pumps, and this has reduced production. Although the problem was addressed, we identify it as a source of risk in the future as well. This could be a risk to our depreciation forecast as well.

4. **Improving energy efficiency risk:** It is not necessarily a PannErgy-specific risk, but in the long term, the building of passive houses and the coming investment – which increases the energy efficiency of houses and flats – could decrease demand for heat.

5. **Pandemic risks:** Based on our current knowledge, covid-19 has no material effect on the company. However, the covid crisis and its economic effects may change rapidly and unpredictably in the future. This may pose some unforeseen risks for PannErgy as well.

Appendix:

Income statement

P/L Table consolidated (million HUF)	2018	2019	2020	2021F	2022F	2023F
Revenue from geothermal-heat	4 152	5 060	5 070	5 065	5 183	5 185
Other revenue	407	192	132	115	117	95
OPEX	2 903	2 982	3 320	3 266	3 337	3 354
from which: Depreciation	1 317	1 468	1 660	1 635	1 644	1 650
EBITDA	2 231	2 666	2 735	2 768	2 816	2 778
EBIT	906	1 198	1 075	1 133	1 171	1 129
EBT	525	782	262	969	1 053	1 055
Income Taxes	90	47	25	116	126	127
Non-controlling interest	1	0	0	0	0	0
Net income	434	728	236	853	927	929
EPS (HUF)	25	43	14	51	55	55

Balance sheet

Balance sheet - consolidated (million HUF)	2017	2018	2019	2020	2021F	2022F	2023F
Non-current assets	21 633	22 780	23 177	23 634	22 559	21 505	19 745
Current assets	3 389	3 030	2 796	3 099	3 753	3 673	4 502
Total assets	25 022	25 810	25 973	26 733	26 312	25 178	24 247
Total equity	9 025	9 867	10 213	9 747	10 600	11 526	12 455
Non-current liabilities	13 066	12 256	11 910	14 441	12 581	10 721	8 861
Current liabilities	2 931	3 687	3 850	2 545	3 131	2 931	2 931
Total equity and liabilities	25 022	25 810	25 973	26 733	26 312	25 178	24 247

Cash flow statement

Cash flow statement (million HUF)	2018	2019	2020	2021F	2022F	2023F
Profit before taxes	525	782	262	969	1 053	1 055
Cash flow from operations	2 266	2 601	1 238	3 417	2 371	2 578
Cash flow from investment	-2 766	-1 790	-1 639	-314	-220	-220
Cash flow from financing activities	320	-575	-278	-1 989	-1 640	-1 640
Change in cash and cash equivalents	-180	236	-679	1 114	511	718

FCFF valuation

Valuation summary (million HUF)	2020 last year	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	Terminal year
Revenue from geothermal heat	5 070	5 065	5 183	5 185	5 187	5 234	5 338	5 445	5 554	5 665	5 778	5 894
EBITDA	2 735	2 768	2 816	2 778	2 764	2 771	2 808	2 846	2 883	2 921	2 959	3 018
Depreciation	1 660	1 635	1 644	1 650	1 655	1 660	1 660	1 660	1 660	1 660	1 660	1 660
Working capital sales	106	380	0	0	0	0	0	0	0	0	0	0
Capex	93	93	93	93	93	93	93	93	93	40	40	40
FCFF	2 407	2 159	2 583	2 550	2 539	2 545	2 578	2 611	2 644	2 730	2 763	2 815
WACC		7,7	7,7	7,7	7,7	7,7	7,7	7,7	7,7	7,7	7,7	9,2
PV(FCFF)		2 005	2 227	2 043	1 888	1 758	1 654	1 555	1 463	1 403	1 318	16 287

Share price estimation	
Enterprise value	33 601
Net debt (-)	10 767
Equity value	22 834
Number of shares	16 854
Required return on equity	12,9
Target price for the next 12 M (HUF)	1530

Relative valuation			
Company name	Country	Market capitalization (billion HUF)	EV/EBITDA
Plaris Infrastructure	Canada	89,5	5,1
Ormat Technologies	USA	1282,3	11,9
ARISE	Germany	58,9	12,2
ABO Invest	Germany	47,0	10,0
Northland Power	Canada	2228,6	11,6
Falck	Denmark	669,1	13,0
		Average	10,6
		Median	11,7

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.

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 PannErgy in the past twelve months:

Date	Recommendations	Target Price	Publication
15/12/2017	BUY	HUF 1,024	Initiation of coverage
16/01/2018	BUY	HUF 1,024	Equity note
13/02/2018	BUY	HUF 1,024	Equity note
21/03/2018	BUY	HUF 1,032	Equity note
17/04/2018	BUY	HUF 1,032	Equity note
17/07/2018	BUY	HUF 1,032	Equity note
03/08/2018	BUY	HUF 1,032	Equity note
04/09/2018	BUY	HUF 1,046	Equity note
02/10/2018	BUY	HUF 1,072	Equity note
16/10/2018	BUY	HUF 1,072	Equity note
16/01/2019	BUY	HUF 1,090	Equity note
25/03/2019	Under revision	-	Equity note
16/04/2019	Under revision	-	Equity note
30/04/2019	BUY	HUF 1,106	Equity note
16/07/2019	BUY	HUF 1,106	Equity note
04/09/2019	BUY	HUF 1,106	Equity note
16/10/2019	BUY	HUF 1,196	Equity note
16/01/2020	BUY	HUF 1,196	Equity note
30/03/2020	BUY	HUF 1,196	Equity note
15/04/2020	BUY	HUF1,196	Equity note
20/07/2020	BUY	HUF 1,196	Equity note
20/07/2020	BUY	HUF 1,216	Equity note
16/10/2020	BUY	HUF 1,204	Equity note
18/01/2021	BUY	HUF 1,204	Equity note

Period	Recommendations	Percent of recommendation
2017Q4	BUY HOLD SELL	100% 0% 0%
2018Q1	BUY HOLD SELL	100% 0% 0%
2018Q2	BUY HOLD SELL	100% 0% 0%
2018Q3	BUY HOLD SELL	100% 0% 0%
2018Q4	BUY HOLD SELL	100% 0% 0%
2019Q1	BUY HOLD SELL Under revision	93,5% 0% 0% 6,5%
2019Q2	BUY HOLD SELL Under revision	67% 0% 0% 33%
2019Q3	BUY HOLD SELL	100% 0% 0%
2019Q4	BUY HOLD SELL	100% 0% 0%
2020Q1	BUY HOLD SELL	100% 0% 0%
2020Q2	BUY HOLD SELL	100% 0% 0%
2020Q3	BUY HOLD SELL	100% 0% 0%
2020Q4	BUY HOLD SELL	100% 0% 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 of, 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, outright 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:

Dániel Módos
Senior Equity Analyst
OTP Research

This document was finalized at 7:17:29 PM on 29 March 2021