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OPUS

OPUS GLOBAL

Company Data:	
Recommendation:	Buy
Target Price*:	HUF 395
Price:	HUF 245 (05. Oct. 2021.)
52 week range:	HUF 196-307
Market cap (HUF, m):	169 798
Average daily turnover (number of shares):	62 191
Code:	OPUS HB
Equity Analyst:	
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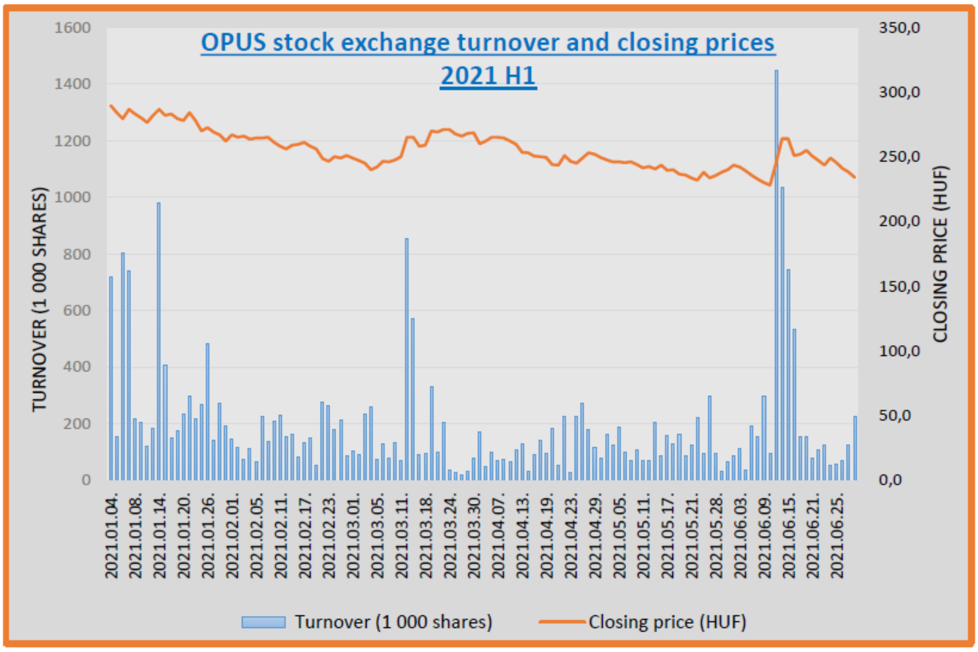
Opus Global

First half results

Consolidated Results

In the first half of 2021 Opus had an Operating EBIT of HUF 2.7 bn, compared to HUF 6.0 bn in the first half of 2020. The main reason for the weakening performance is the Covid pandemic, which had the largest impact on the Tourism segment, but also caused higher operating costs for the Industry and Agricultural segments. The re-addition of the Energy segment is the bright spot of the first year. Altogether, due to the financial transactions the group achieved a Total comprehensive income of HUF 11.1 bn compared to last year's HUF 2.9 bn.

The target price was based on the fundamental analysis of the company and it is not guaranteed that the price of the share will reach the given target price. Please note, that the Valuation and Target Price was not updated after H1 results, as the Energy segment's financial performance has not been incorporated.



Source: Opus

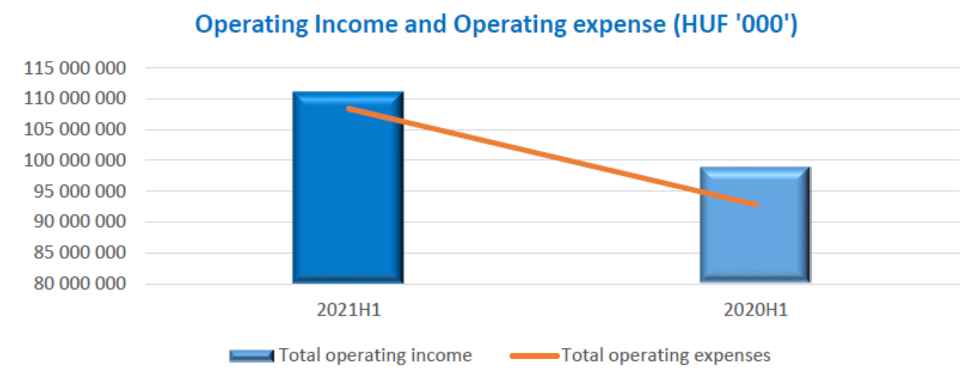
The revenue of Opus Global decreased by 12% YoY, while the operating costs increased by 17% YoY resulting in decreasing operating margins. The revenue increase was mostly coming from the Industrial segment, followed by the Agricultural segment and the Energy segment. The Tourism segment was lagging behind due to Covid restrictions. The contribution of the costs increases followed a similar pattern.

Consolidated	2021 H1	2020 H1	Change
Revenue*	111 099 163	98 865 705	12,37%
Operating expenses*	108 397 456	92 827 286	16,77%
Operating EBIT*	2 701 707	6 038 419	-55,26%
P/L after Taxes*	11 419 769	2 578 883	342,82%

**in thousand HUF*

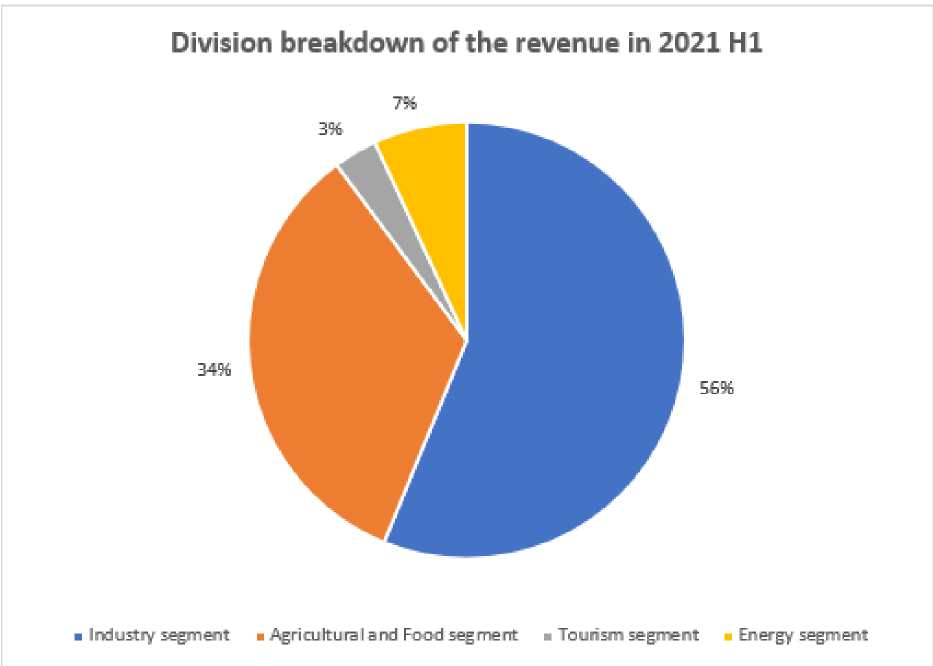
The group's consolidated P/L after taxes was aided by the significant financial contribution of Mészáros Építőipari Holding Zrt., which received dividends in the second quarter. On the other hand the operating EBIT decreased by 55% YoY.

The re-addition of the Energetics segment, through the acquisition of TIGÁZ increased the Balance sheet by 25% YoY. The cash and equivalents increased by 11% YoY. But long-term liabilities increased significantly, partially due to the issuance of new bonds in the NKP program.



Source: OPUS

The Covid-19 had a larger effect on the firm's operation in the first half of the year. The revenue breakdown shows that in the first half the industry segment had the largest contribution. It was responsible for 56% of the revenue, while the agricultural segment contributed with 34% and tourism lagged as the Covid-19 pandemic hit the segment the most, its contribution was only 3%, the new Energy segment with only Q2 results, already contributed with 7%.



Industry segment

While previously the segment was not held back by the Covid-19 pandemic, the first half was a bit different. The construction industry companies in the segment were able to operate in a full capacity, but the increasing raw material prices, wages and the costs of safety equipment and education increased operating costs significantly. The management thinks this is one off and the operating margins will improve in the coming periods. Disruptions at Wamsler SE is mostly over, and it achieved a YoY growth. The segment, due to its low leverage, decided to not participate in the loan moratorium.

In the first half of 2021 the revenues increased by 2.7% YoY, while the operating expenses were up by 7.0% YoY. This resulted in a decline in operating margin. If we compare the earnings after taxes the segment achieved a 10% YoY growth, due to the 19% YoY growth in the financial operations. Which was the increased dividend payment from Mészáros Építőipari Holding Zrt..

The sub segment level indicates that 91,7% of revenue came from the construction arm. The sub segment's revenue breakdown shows, that 44,5% of revenue came from road and railway constructions and the management expects this revenue source to be the most important. Water management and civil engineering contributed 20.5%, while Public Utility's contribution was 12.0%.

Wamsler was able to increase production, the number of units produced was up by 95.4% YoY, while sales increased by 49.9% YoY.

Production and sales data for the Wamsler Group:

Business management factors	2021 H1	2020 H1	Change year-on-year %	Change year-on-year
Total number of products	25,121	12,859	95.4	12,262
Total number of products sold	25,718	17,152	49.9	8,566
- of which: exported	23,082	13,103	76.2	9,979
- of which: sold in Hungary	2,636	4,049	-34.9	-1,413
Aver. headcount (persons)	494	553	-10.7	-59
Closing headcount	479	538	-11	-59

Source: OPUS

The construction arm is able to increase revenue, but the costs were increasing quicker, which reduced margins. If the costs of the divisions will not improve, then the margins can remain low, which will reduce the profitability of the segment on the long run. Without the increased dividend contributions, the segment's Total comprehensive income would have decreased significantly.

Industry segment	2021 H1	2020 H1	Change
Revenue*	63 614 231	61 917 601	2,74%
Operating expenses*	60 455 668	56 734 189	6,56%
Operating EBIT*	3 158 563	5 183 412	-39,06%
P/L after Taxes*	21 678 615	19 620 056	10,49%

**in thousand HUF*

Tourism segment

The segment faces the largest difficulties due to the Covid-19 pandemic. The effect is universal and we observed unprecedented collapse in global travel which can affect the segment in the medium term as well.

To offset the negative effect the Hungest Group decided to participate in numerous government aid programs. The most important is the loan moratorium; this is the only arm of the firm which decided to enter the program. The tourism tax was suspended for the year and there were significant changes in the cafeteria program in Hungary, which will benefit the domestic tourism sector. The renovation of the hotels is ongoing, no major delay was reported.

During the first half, until May nearly all hotels were closed, only Hotel Platánus was open, and Hotel Sóstó and Hotel Pelion were opened occasionally to accommodate business travellers. The hotels reopened in May 2021, improving Q2 results compared to Q1 2021, but for the whole period booking numbers were down significantly.

The foreign hotels in Austria were not open for the main skying season, while the Montenegrin hotel is operating in accordance with local regulation. The renovation of the Montenegrin hotel was postponed to the autumn.

The camping operation had to delay opening to May, but were fully functional from that time. The domestic bookings continued to climb, even from the high base of last year, but foreign bookings decreased. As a result domestic travellers predominated the subsegment.

Due to the effect of the pandemic revenue was down 49% YoY, while operating expenses only decreased by 45%. This significant decrease in margins resulted in an operating loss and the earnings after taxes show a loss of HUF 2.4 bn, compared to a loss of HUF 3.8 bn last year in the same period. Although revenue decreased by more than we expected, the cost cutting was also quicker than our projections.

The revenue decrease can be explained by the closure of the hotels as a result of the pandemic, but the management is optimistic about the rest of the year.

Tourism segment	2021 H1	2020 H1	Change
Revenue*	3 659 006	7 228 794	-49,38%
Operating expenses*	5 491 944	10 007 196	-45,12%
Operating EBIT*	- 1 832 938	- 2 778 402	-34,03%
P/L after Taxes*	- 2 408 217	- 3 819 997	-36,96%

*in thousand HUF

Agricultural and Food segment

The activities and the core business of the companies in the agricultural and food segment were not significantly affected by the emergence of the COVID-19 pandemic last year. Whilst the general price increases in 2021 H1 had a negative impact on the segment profitability. Regarding the performance of the food industry segment which consists of VIRESOL Kft. and KALL Ingredients Kft. three factors affected its performance in the first half of this year which were the following: significant price increase in raw materials (including corn and wheat) versus 2020 H1, significant growth in energy prices and the negative impact on the finished product side, which means the price correlation between the raw materials and finished product is slow and delayed.

In terms of the income statement the revenue grew to HUF 38.1 bn during H1 which represents a 33% YoY growth, which was driven by increased factory output. The operating cost grew to HUF 37.9 bn during H1 which is a 37% growth YoY driven by increase in the price of raw materials and energy prices versus last year. The loss after taxes grew to HUF 427 mn due to the lower operating margin and the negative effect of the financial operations.

Agricultural and Food segment	2021 H1	2020 H1	Change
Revenue*	38 142 104	28 731 840	32,75%
Operating expenses*	37 888 854	27 690 841	36,83%
Operating EBIT*	253 250	1 040 999	-75,67%
P/L after Taxes*	- 427 093	- 88 687	381,57%

*in thousand HUF

Power engineering segment

In line with the strategy of OPUS, in 2021 the holding company took significant steps in building up its energy portfolio, and as of 31 March 2021 OPUS acquired indirect ownership and control of TIGÁZ Zrt., thus establishing one of the main pillars of the OPUS Group's Energy segment. Through a chain of ownerships, OPUS has acquired a 49.57 percent participating interest in the now OPUS TIGÁZ Földgázelosztó Zártkörűen Működő Részvénytársaság.

For comparability purposes, it is important to note that in the consolidated profit and loss account, in the base period (2020 H1), the energy division's results have not yet impacted the earnings figures. This is explained by the fact that the energy generation companies of the division were sold by the end of March last year, while the acquisition of the TIGÁZ Group was only completed on 31 March this year, so only the results of Q2 2021 were included in the OPUS Group's results for the acquired companies.

On 30.06.2021, OPUS Group closed with a consolidated balance sheet total of HUF 700.9 billion, up by HUF 140.8 billion, or more than 25 percent on the year-end base data, mainly due to the acquisition of TIGÁZ on 31 March

2021. But in Q2 2021 the division's P/L also contributed to the OPUS Group's profitability, thus improving the Group's consolidated operating P/L.

The revenue of TIGÁZ (according to Hungarian Accounting Law) jumped from HUF 6 billion to HUF 6.9 billion in Q2 YoY, the main reason for the increased revenue compared to Q2 2020 is the increase in the value of natural gas distributed in Q2 2021, mostly due to the prolonged cold season. In the base period 318 million m3 was distributed, and in Q2 2021 440 million m3. The company's operating costs increased by more than the rate of inflation compared to the same period last year. This increase is mainly due to higher natural gas prices. The EBIT of TIGÁZ could grow to HUF 1.7 billion from HUF 0,97 billion YoY, and therefore OPUS TIGÁZ Zrt. recorded a significant increase in profit after tax compared to the same period last year, which jumped from HUF 245 million to HUF 851 mn YoY.

Energy segment	2021 H1	2020 H1	Change
Revenue*	7 817 128	-	-
Operating expenses*	5 963 290	-	-
Operating EBIT*	1 853 838	-	-
P/L after Taxes*	1 106 717	-	-

*in thousand HUF

The liability arising from the bond issue of HUF 39 billion issued by the Parent Company on 29 April 2021 and the acquisition of the TIGÁZ Group increased by HUF 88.8 billion compared to 31 December 2020. The liability from the bond issue represents 27 per cent of long-term liabilities.

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Equilor's regulatory authority is the Hungarian National Bank.

The report was closed on the 6th of October 2021.

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