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.

Opus Global

Valuation Update

We updated the valuation of the firm and our new Target Price is HUF 369 per share. We are still recommending the company for Buy. The reason for the decreasing target price is explained by the following:

1. The increasing interest rate required us to lift our risk-free rate assumptions, resulting in an increased WACC for the firm, which led to a decrease in the value
2. The firm’s liability increased significantly
3. With the addition of the Energy segment a new approach to minority interest was requested, especially for the Energy and the Industry segments

The model was not significantly altered in terms of our main assumptions for the Industry, Tourism, and Agriculture & Food segments, apart from the WACC change and minority adjustments. The new model includes the Energy segment, the detailed valuation is discussed in the second chapter of this document. The waterfall chart shows our sum of part value of Opus Global:

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1 "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."
Energy Division

Introduction of OPUS TIGÁZ

OPUS TIGÁZ is a natural gas distribution licensee in the north-eastern region of Hungary. TIGÁZ is the largest pipeline gas distributor in Hungary in terms of service area, the company operates natural gas distribution system in seven counties in Hungary. The fundamental purpose of natural gas distribution is to transmit natural gas from the input (natural gas capture station) points of natural gas networks to the boundaries of consumers' plots.

The company carries out its natural gas distribution licensing activities in the geographical area specified in the license issued by the Hungarian Energy and Public Utilities Regulatory Office, based on regulated prices (tariffs set by the authority). The firm has no real competitors in its field of operation. It designs, constructs, operates and reconstructs natural gas pipelines within the framework of a quality assurance system also approved by the Hungarian Office of Mining and Geological Survey (MFBSZ).

OPUS TIGÁZ’s main task is to ensure smooth natural gas supply in Hungary – the company is operating a 33,760 km long gas pipeline network, which connects gas services to over 1 million consumers. The firm has 70-year long operational history.

The company’s activities include:

- Natural gas distribution
- Gas measurement, meter reading
Customer service management
- Dispatcher service and malfunction management
- Provision of network access
- Installation, development and management of gas distribution networks
- Managing gas pipeline connection contracts
- Managing distribution network usage contracts
- Supervision of user systems and technical acceptance after installation
- Installation of user gas systems
- Turning off and on user gas supply
- Additional activities concerning meters and pressure regulators
- Keeping record of places of use
- Inspections, management of breaches of contract and gas thefts

OPUS GLOBAL owns an indirect 49.57% interest in OPUS TIGÁZ Zrt. through MS Energy Holding AG, and OPUS has ownership control over the company. At the end of 2020, the company distributed 2.5 bn m³ gas, and had 1.27 million active consumers.

Valuation
TIGÁZ is a gas distributor company, which is one type of utility companies, so it has the advantage of stable cash flow, it can be a cash cow of the OPUS Group. In the explicit period, revenues can slowly increase due to the growth of GDP and the continuous connection of new customers to the distribution system. The CAGR of the last 4 years was 1.8%, so this number was used as future revenue growth as well. In the TV part, we think that the previous effects can be neutralized by the growing energy efficiency of households and companies and the increasing market penetration of renewable energies. On the cost side, inflation can elevate the cost of materials and personnel expenses.

Slowly increasing EBIT level is assumed for the forthcoming years, while amortization can be the same than in the past, due to the fact, that the company invests approximately the same amount for the reconstruction and the extension of the existing pipeline system. The tax rate is calculated based on a conservative approach, 40% is assumed, where 9% is the normal corporate tax and 31% is a special energy income tax (Robin hood tax).
As a result, the free cash flow to firm is very stable and slowly rising, which can create the opportunity of future dividend payments. The enterprise value became HUF 117 bn, but OPUS has only 49,57% interest in the company, so the share of OPUS is worth HUF 58 bn, which means HUF 85 EV/share.

<table>
<thead>
<tr>
<th>HUF mn</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
</tr>
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<tbody>
<tr>
<td>Total Revenue</td>
<td>42 927</td>
<td>43 706</td>
<td>44 500</td>
<td>45 308</td>
<td>46 131</td>
<td>46 969</td>
</tr>
<tr>
<td>Direct costs (materials)</td>
<td>- 10 076</td>
<td>- 10 378</td>
<td>- 10 690</td>
<td>- 11 010</td>
<td>- 11 341</td>
<td>- 11 681</td>
</tr>
<tr>
<td>Personal costs</td>
<td>- 8 799</td>
<td>- 9 063</td>
<td>- 9 335</td>
<td>- 9 615</td>
<td>- 9 903</td>
<td>- 10 200</td>
</tr>
<tr>
<td>Other costs</td>
<td>- 5 120</td>
<td>- 5 274</td>
<td>- 5 432</td>
<td>- 5 595</td>
<td>- 5 763</td>
<td>- 5 936</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>- 7 011</td>
<td>- 7 011</td>
<td>- 7 011</td>
<td>- 7 011</td>
<td>- 7 011</td>
<td>- 7 011</td>
</tr>
<tr>
<td>EBIT</td>
<td>11 921</td>
<td>11 981</td>
<td>12 033</td>
<td>12 077</td>
<td>12 114</td>
<td>12 141</td>
</tr>
<tr>
<td>NOPLAT</td>
<td>7 153</td>
<td>7 189</td>
<td>7 220</td>
<td>7 246</td>
<td>7 268</td>
<td>7 285</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>7 011</td>
<td>7 011</td>
<td>7 011</td>
<td>7 011</td>
<td>7 011</td>
<td>7 011</td>
</tr>
<tr>
<td>CAPEX</td>
<td>- 7 011</td>
<td>- 7 011</td>
<td>- 7 011</td>
<td>- 7 011</td>
<td>- 7 011</td>
<td>- 7 011</td>
</tr>
<tr>
<td>FCFF</td>
<td>7 153</td>
<td>7 189</td>
<td>7 220</td>
<td>7 246</td>
<td>7 268</td>
<td>7 285</td>
</tr>
</tbody>
</table>

To estimate the WACC we made the following assumptions:

- We used a beta of 0.74 as per Damodaran's beta for utility companies.
- We also calculated with the industry average for the optimal leverage of the division, gathering the data from Damodaran's D/E ratio to estimate the D/EV and E/EV ratio of the division.
- We used a country risk premium of 2.13, based on the Damodaran data set.
- We calculated with a 3.3% cost of debt, which is estimated using the publicly traded fixed income instrument of the company.
- We expect the Hungarian risk-free rate to gradually increase in the future.
- The tax rate is 40%.
- We arrived at a WACC range of 5.6-6.6%.

**Risks**

The revenue structure of OPUS TIGÁZ is very concentrated, the state owned MVM Next Energiazeroskedelmi Zrt. provides more than 85% of the company’s total revenues.

The revenue is almost fully regulated, so there is some political risk to decrease tariffs further in order to make gas cheaper to residents. Utility
and Robin Hood tax increase can further be a risk, but however an opportunity as well if these were decreased by the government.

The development of natural gas prices on European exchanges and the EUR/HUF cross exchange rate has an impact on one of the company's major cost elements, the cost of natural gas purchased to make up for network losses. The cost of network losses is recognized in the company's tariffs, regulated by MEKH, in the amount and at the price set by the MEKH. However, the real costs of network losses can be higher than the recognized amount by the regulator.

Inflation has an impact on the company's management mainly through the development of operating costs, while the construction price index has an impact on the development of construction investment costs.

Distributed volume is highly dependent on temperature. Global warming can decrease the gas consumed by clients in the future. Moreover, the increasing penetration of renewable energies and energy efficiency through better insulation of buildings can further decrease the distributed gas volume.
<table>
<thead>
<tr>
<th>Research:</th>
<th>Institutional sales:</th>
<th>Equities Department:</th>
</tr>
</thead>
<tbody>
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</tr>
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</table>

Equilor’s regulatory authority is the Hungarian National Bank.

The report was closed on the 15th of October 2021.

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