



Opus Global 2Q 2023 results

Company Data

Recommendation	under review
Target price*	under review
Closing price	HUF 353.5
52-week range	HUF 101 - HUF 437.5
Market cap (HUF, mn)	248 032
Avg. annual daily turnover (no. of shares)	942 707
Bloomberg code	OPUS HB

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Consolidated Results

Consolidated, HUF '000'	2023 H1	2022 H1	Change
Operating income, total	324 871 155	204 706 687	59%
Operating expenses	304 240 444	196 907 007	55%
Operating EBIT	20 630 711	7 799 680	165%
P/L after Taxes	16 139 655	1 633 953	888%

Source: OPUS

OPUS Global continued to deliver good numbers on an operating level. The first half saw excellent growth dynamics, but it must be noted that second quarter dynamics in operating expenditures exceeded that of revenues on an annual basis. Having said that, operating efficiency seems to be improving in key areas: the flagship industry segment is still doing well, the tourism segment is overperforming the Hungarian average considerably, while operating performance is also seems to be improving in the Food segment. Energy continues to remain a mixed bag, but current losses in electricity distribution is expected to be compensated by the regulatory authority in the next tariff setting periods on the basis of the pricing methodology.

Underlying developments underpin that the stock around May-June was excessively undervalued. Since then, the stock price skyrocketed, which was also fuelled by a share buyback program conducted by the company. The latter sent a strong signal to markets, as the company's prospects were overshadowed by uncertainty given the multitude of investments into various, quite unrelated segments in recent years, and the strong reliance on public procurements in the industry segment. First half results seem to show that, on an operating level, uncertainties are abating.

We put the target price and recommendation for the stock under review.

*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.

Industry Segment

Industry, HUF '000'	2023 H1	2022 H1	Change
Operating income, total	122 176 175	70 379 950	74%
Operating expenses	108 925 438	65 461 413	66%
Operating EBIT	13 250 737	4 918 537	169%
P/L after Taxes	36 926 068	16 878 199	119%

Source: OPUS

The industry segment is dominated by construction, taking up about 90% of total operating income. Just like in the first quarter, half of the growth of operating revenue in the industry segment was delivered by the flagship company 'Mészáros és Mészáros Zrt.' (hereinafter: M&M), according to the report. That said, looking at the second quarter alone, annual dynamics of expenditures slightly exceeded that of revenues in the industry segment. The enormous after-tax P&L was possible due to dividends paid to Mészáros Építőipari Holding Zrt. by subsidiaries. It must be noted that OPUS announced that Mészáros Építőipari Holding Zrt. will be dissolved by means of a demerger and the assets of the company will be distributed between M&M and R-KORD Kft.

Looking forward, it must be noted that EU funded projects are very important to the segment and therefore, the current row with EU authorities represents a risk for revenue prospects. The five projects of M&M highlighted in the report matches those reported in the first quarter, while OPUS also stated that there are 32 projects that M&M is working on at the moment, similar to the first quarter. The five highlighted projects have a remaining expected revenue of around HUF 48 billion, while at the end of 1Q2023, this remaining revenue still stood at less than HUF 61 billion. This highlights that M&M still could expect considerable revenue stream in upcoming quarters, but there will come a time when these get depleted.

Tourism Segment

Tourism, HUF '000'	2023 H1	2022 H1	Change
Operating income, total	15 607 507	12 274 441	27%
Operating expenses	15 517 019	12 650 914	23%
Operating EBIT	90 488 -	376 473	-
P/L after Taxes	687 844 -	2 618 012	-

Source: OPUS

Tourism posted a stronger increase on the income side compared to operating expenses in the first half too. However, this is mainly attributable to performance in the first quarter, while in the second quarter, dynamics was stronger on the expenses side. Given the economic hardship Hungary has been going through, however, the performance in the first half looks good: Hunguest Hotels (responsible for around 90 percent of operating revenue in the segment) recorded an increase of 9.6 percent in guest nights, while there was only a 2.1 percent overall growth in this metric in Hungary in 1H2023, according to the company.

Looking forward, the hotel reconstruction program is proceeding as scheduled, according to OPUS. The company said that 2025 could be the first year when the hotel network could operate at full capacity. Current operating performance, despite the actual economic headwinds in Hungary, makes it more likely than not to see further improvement in the segment, should everything go according to plans.

Agricultural and Food segment

Agricultural and Food segment, HUF '000'	2023 H1	2022 H1	Change
Operating income, total	70 174 920	60 834 014	15%
Operating expenses	63 861 240	61 653 933	4%
Operating EBIT	6 313 680 -	819 919	-
P/L after Taxes	- 1 008 949 -	3 058 051	-

Source: OPUS

Due to increases in sales prices, output in the segment grew by more than 15 percent, while sales volumes actually decreased. Operating expenses grew only slightly, as the decrease in production volumes necessitated lower input volumes too, while the share of energy and raw materials in total costs decreased from around 90 percent to about 88 percent. Therefore, we saw a great improvement on an operating level in 1H 2023.

The two companies of the Food segment, which are responsible for nearly all of sales income, both delivered an improvement on an operating level, according to OPUS. KALL Ingredients (the maize processing company), which still reported a net loss on EBIT in 1H 2022, generated more than HUF 1 billion positive EBIT in the first half of this year, while VIRE SOL (the wheat processor) also increased its EBIT performance considerably. After tax P&L was dragged into negative territory by a financial loss attributable to the revaluation of HUF-based member loans in the company's books due to EUR accounting. Going forward, the non-refundable grant received by KALL as part of the program to support energy-saving projects by the government (launched last year to counterbalance the effects of huge increases in energy prices) could contribute to improving energy efficiency and lowering the costs of production at the plant.

Energy Segment

Energy, HUF '000'	2023 H1	2022 H1	Change
Operating income, total	120 308 138	64 937 597	85%
Operating expenses	120 706 936	60 565 202	99%
Operating EBIT	- 398 798	4 372 395	-109%
P/L after Taxes	- 764 428	4 166 584	-118%

Source: OPUS

The energy segment has been a drag: while the gas distribution segment (TIGÁZ) generated an operating result of more than HUF 7 billion, electricity distribution (TITÁSZ) reported a slightly larger loss on EBIT. Gas distribution was being helped by the fact that distribution fees were increased on 1 October, 2022. As for electricity distribution, although administered prices were hiked as of 1 January this year, this failed to keep up with increasing costs. While the government froze utility system usage fees for this year, utility companies are not expected to remain loss-making on the longer run, as in such case, investments into the utility network would not be economically feasible. As OPUS also states in its report, losses at the electricity distribution will be compensated by the regulatory authority in the next tariff setting periods on the basis of the pricing methodology.


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Equilor's regulatory authority is the Hungarian National Bank.

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