

# EQUITY NOTE: ZWACK UNICUM

Recommendation: HOLD (unchanged)

Target price (12M): HUF 17,382 (revised up)

06 Aug 2021

---

**Equity Analyst:**  
Orsolya Rátkai

**Phone:**  
+36 1374 7270

**Email:**  
ratkaio@otpbank.hu

We revised up our 12M target price to HUF 17,382 from the previous TP of 17,054 HUF/share for Zwack Unicum (Zwack HB; ZWCG.BU) and maintain the HOLD recommendation.

Zwack's revenues bounced back in April-June 2021 as the on-premise channel could benefit from the gradual reopening in Q2, sustained home consumption is driving the off-premise channel, and due to a favourable comparison base and successful product innovation. Zwack announced that the commercial introduction of 'Unicum Barista', a new member of Unicum brand surpassed the company's own expectation and also added to the revenue growth of the retail channel. Product innovation and diversification is an additional driver at Zwack that helps to overcome hardships during the pandemic.

With mass immunisation at elevated level in Hungary and gradual reopening starting from the second half of April, bars & restaurant severely hit in last year's restrictions witnessed a considerable rebound in Q2. At the same time, off-premise channel also remained resilient, consumer demand generated considerable growth in the retail segment even after a price increase from 1 January 2021.

Although we are aware of the downside risks local lockdowns and restrictions in the wake of new covid variants may pose, we expect Hungary's tourism & restaurant industry to recover quickly (unspent cafeteria plan benefits also support demand) and Zwack will gain from this development. However, regulatory risk and rising inflation are also factors that must be closely monitored. Considering profitability issues, Zwack had to tackle growing raw material and packaging costs, and strengthening wage dynamics may also pose a risk to maintaining the usual profitability level.

The change in the MNB's monetary stance stopped the long depreciation trend of the HUF. As a consequence, the strengthening HUF may temper the price increase of imported raw materials and packaging, but at the same time, it stops supporting Zwack's HUF-denominated export performance.

We expect EBIT to increase to HUF 2.3bn in the current business year (1 April 2020 –31 March 2022) from 1.8bn in 2020/2021. EPS is expected to increase to 916 HUF/share in 2021/2022 and to HUF 924 in 2022/2023 from the previous year's HUF 706. Changes in our yield forecast had a downside effect on the discounted cash flows.

Our current target price is 4.1% higher than the HUF 16,700 closing price on 6 August 2021, the day Zwack's earnings report was released. Expected total return is 8% on a 12-month horizon. We assume 90% payout ratio from last year's profit as Zwack returns to 'business as usual' as economies normalise.

## Summary/Earnings Highlights

- Zwack reported higher-than-expected HUF 3.6bn net sales revenue in April-June 2021, bringing to mind pre-pandemic level. Top-line growth was 55% YoY.
- Sky-rocketing domestic sales revenues (+56% YoY) gave evidence that the catering industry, hit by restrictions, bounces back quickly as measures are gradually easing, and Zwack could benefit from it.
- Export revenues in HUF terms gained 46% YoY and a slight HUF strengthening moderated HUF-denominated growth.
- Profitability rates also returned to levels rarely seen in this period of the year (April-June), with gross profit margin jumping to 67%, and EBIT and EBITDA rate improving to 18% and 22%, respectively.
- We maintain our optimistic assessment of future sales growth, even though we are aware of the downside risks that may negatively affect our forecast. We revised up the domestic sales forecast and the forecast on export revenues in line with recent expectations of consumption growth in the EU and earnings releases of Zwack's European peers. Our updated model also reflects the significant rise in yields from January 2021. In the current business year, we expect net sales revenues to climb to HUF 15.3bn, representing 17% top-line growth. The EPS of the current FY is expected to rise to 916 HUF/share, from last year's HUF 706.
- The new HUF 17,382 target price reflects our expectations for the next 12 months, although risks related to new covid variants and its consequences still linger. We maintain the previous HOLD recommendation.

### Financial highlights of Zwack's FQ1 2021/2022 earnings report

Financial Q1 (HUFm)	Apr-June 2021	Apr-June 2020	YoY Change
Domestic sales	3 148	2 018	56%
Export sales	438	301	46%
<b>Net sales income</b>	<b>3 586</b>	<b>2 319</b>	<b>54,6%</b>
Material-type costs	1 188	878	35%
<b>Gross profit</b>	<b>2 398</b>	<b>1 441</b>	<b>66%</b>
Employee benefits	759	707	7%
Depreciation	136	115	18%
Other operating expenses	953	649	47%
<b>Total operating expenditures</b>	<b>1 848</b>	<b>1 471</b>	<b>26%</b>
Other incomes	101	52	94%
<b>EBIT</b>	<b>651</b>	<b>22</b>	<b>2859%</b>
<b>EBITDA</b>	<b>787</b>	<b>137</b>	<b>474%</b>
Pre-tax profit	696	14	4871%
Tax	125	47	166%
<b>After-tax profit</b>	<b>571</b>	<b>-33</b>	<b>-1830%</b>

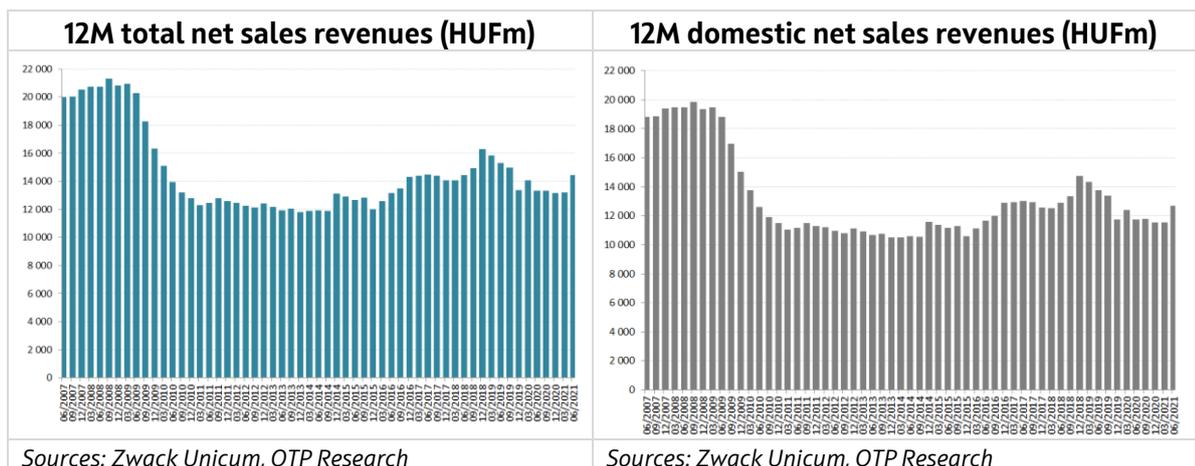
Financial Q1 (HUFm)	Apr-June 2020	Apr-June 2019	YoY Change
<b>EPS (HUF)</b>	<b>281</b>	<b>-16</b>	<b>-1856%</b>
<b>4Q-rolling EPS (HUF)</b>	<b>1 002</b>	<b>704</b>	<b>42%</b>
<b>Gross profit rate</b>	<b>66.9%</b>	<b>62.1%</b>	<b>4.7 pp</b>
<b>Operating profit rate</b>	<b>18.2%</b>	<b>0.9%</b>	<b>17.3 pp</b>
<b>EBITDA rate</b>	<b>21.9%</b>	<b>5.9%</b>	<b>16.0 pp</b>
<b>ROE</b>	<b>8.7%</b>	<b>-0.6%</b>	<b>9.2 pp</b>
<b>4Q-rolling ROE</b>	<b>34.8%</b>	<b>26.3%</b>	<b>8.5 pp</b>
<b>ROA</b>	<b>4.2%</b>	<b>-0.3%</b>	<b>4.5 pp</b>
<b>4Q-rolling ROA</b>	<b>15.0%</b>	<b>11.7%</b>	<b>3.3 pp</b>

Sources: Zwack Unicum, OTP Research

## Outstanding sales performance despite near 6-month lockdown

Zwack reported outstanding HUF 3.6bn net sales revenue in April-June 2021. Top-line growth was 55% YoY as the lockdown in Q2 was less damaging than one year earlier. Domestic sales rose to HUF 3.1bn (+56% YoY) as Zwack benefited largely from the on-premise channel, bouncing back after the gradual reopening from the second half of April. Home consumption also remained sustained, and the base effect also contributed to double-digit sales growth in the domestic market. Another significant factor that supported the off-premise channel's performance was the impressively successful introduction of Unicum Barista, a new variant of the Unicum brand.

Export revenues in HUF terms gained 46% YoY, as German markets still perform well, and duty-free sales also showed signs of some revival as mobility eased and tourism started to come around, even though this segment is still well below the pre-pandemic level. Sales to Italy are still on a downhill but sales to Romania was outstanding, Zwack announced.



## Profitability returned to levels not seen in a long time

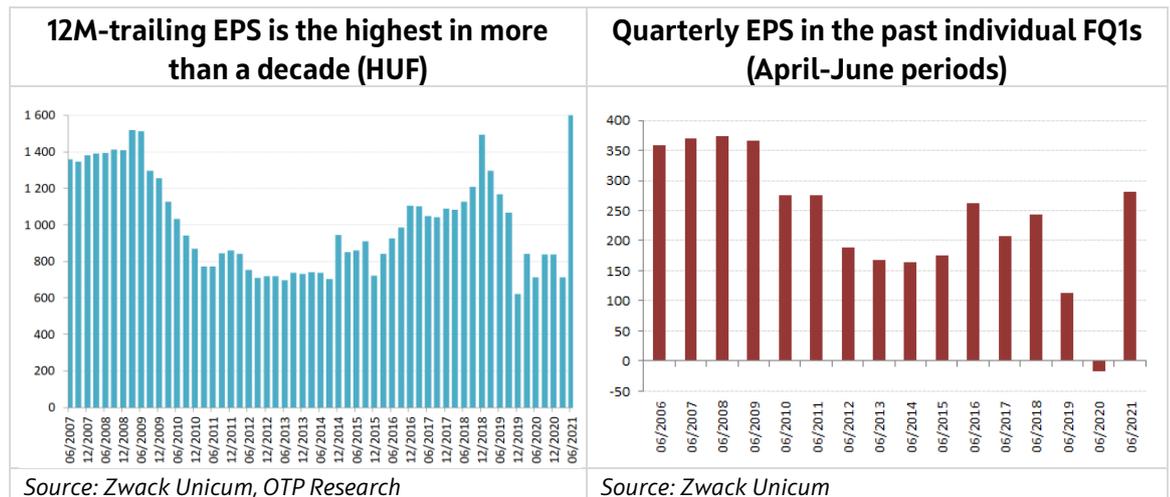
As material-type costs' hike was not as steep as that of revenues, gross profit increased to HUF 2.4bn (+67% YoY) and gross profit margin improved to over 66%, bringing to mind the less turbulent pre-pandemic era. The dominance of the own-produced high-margin goods in the revenues has changed the profit margin favourably, and the strengthening HUF also contributed to the higher profitability.

As business activities started to return to the normal, marketing expenditure also steeply rose compared to last year, when marketing activities had been postponed. The increase in payroll expenses was moderate, and was mainly caused by the usual yearly wage increase, while depreciation grew partly because of the installation of new machinery in the Dunaharaszti plant, while the change in the accounting method applied for low-value tangible assets also had a minor role.

All in all, EBIT jumped to HUF 651m, from the tiny 21m one year ago, while EBIT margin improved to 18%, and EBITDA rose to 22% from 1% and 6%, respectively in April-June 2020.

Zwack Unicum closed the latest quarter with HUF 45m balance of financial incomes and expenses. By selling its investment in associate company Morello Ltd., the company gained HUF 45m, while the incomes from financial assets almost fully covered the interest costs.

After taxation, net profit climbed to HUF 571m in April-June 2021 compared to 16m loss in the same quarter of the previous year. EPS rose to HUF 281, the highest value in more than 10 years.



## Comments

- Zwack's quarterly sales figures surpassed our positive expectations and in certain aspect the company's own expectations and plans as well. A luckier timing of 3<sup>rd</sup> wave restrictions, gradual easing of lockdown restrictions with positive effect on the hospitality sector, successful product innovation and strong off-premise demand all helped Zwack's sales performance to reach pre-pandemic levels.
- The increase of domestic revenues must be also outstanding in real terms, though Zwack raised prices from January 1, 2021, it did not seem to have harmed demand. According to market research data, off-premise market increased 14.8% YoY in real and 21.4% in nominal terms. Easter holiday, UEFA Euro 2020 also might have helped demand bouncing back in the past quarter.
- The fact that immunisation in Hungary reached relatively early an elevated level in European comparison was a main driver helping the battered hospitality and other service industries to recover, starting from the second half of calendar Q2 2021. Strong and pent-up demand is also supported by employees' yet unspent cafeteria plan benefits.
- However, by the mid-/end-Summer new risk factors emerged. Hungary is losing its relative advantage in vaccination and new covid variant (delta) got recently to the limelight with a chance of provoking a new wave of infections from end of Summer or beginning of this Autumn. Though we also think, Zwack Unicum left the worst period behind, some uncertainty still lingers around the

economic developments in short- and medium-term. The pandemic has not ended, and it may have a longer-term effect on consumer demand. Future local and/or periodic lockdowns are not out of the question; higher unemployment and CPI, as well as more cautious consumer behaviour also add to downside risks.

## Valuation

- We revised up our revenue forecast to HUF 15.3bn in the current financial year (2021/2022) and to HUF 15.8bn in 2022/2023. In the past quarter, Zwack benefited from the gradual easing of restrictions and we maintain our previous view that Zwack may benefit from the quick recovery of domestic tourism and restaurant businesses in the current quarter and the rest of the year. Besides, EU export markets also show signs of recovery as the latest earnings report of Zwack's European peers confirm. The return of international tourism and thus the revival of the duty-free segment would be the icing on the cake regarding Zwack's export sales.
- We do not forget the risks our forecast bears: future sales growth is subject to downside risk stemming from the emergence of new covid variants that may undermine the ongoing recovery. Higher inflation pressure may consume purchase power in the worst case, while regulatory risk is also a factor that may dent profitability.
- With the Hungarian economy returning to the path of recovery, and inflation coming to the fore, the MNB had earlier flagged the possibility of base rate hikes. In the past months, the national bank raised interest rates twice. The tightening of monetary conditions aims to stop the long depreciation trend of the HUF that has characterized the market and also fend off rising inflation. As a consequence, the strengthening HUF stops supporting Zwack's HUF-denominated export performance, while on the cost side it will have the opposite effect.
- Our estimate for the current and next business year's EBIT stands at HUF 2.3bn and 2.4bn, while EPS is expected to increase to 916 HUF/share (FY 2022/2021) and 924 HUF/share (FY 2023/2022).
- We revised up our target price to 17,382 HUF/share from the previous 17,054 HUF/share. We modified the discount rate in our valuation models in line with the yield curve movements. Accordingly, our DCF (FCFE) model indicates 17,176 HUF/share 12M target price, while the valuation from DDM reflecting future dividend payments suggests 17,587 HUF/share 12-month target price. In our DDM we applied 90% theoretical payout ratio after the current business year, while the latest AGM approved 700 HUF/share dividend after the past business year (FY 2020/2021).
- Our target price of 17,382 HUF/share is 4.1% higher than the HUF 16,700 closing price on 5 August 2021, the day Zwack's quarterly earnings report was

released. The 12-month estimated total return is expected to be over 8%. We maintain the previous HOLD recommendation.

## Deduction of 12M TP

Zwack's valuation (HUFm)	Base Year							FCFE in the explicit period
	2019/2020	2020/2021	2021/2022*	2022/2023*	2023/2024*	2024/2025*	2025/2026*	
FCFE	2 264	2 818	176	1 025	2 582	3 331	2 507	
Discount factor	0,92	0,91	0,91	0,91	0,91	0,90	0,90	
DCF	2 076	2 577	160	849	1 941	2 264	1 541	6 755
Terminal Value (HUFm)								37 285
Net Present Value - FCFE (HUFm)								29 828
Net debt								-2 208
Equity value (HUFm)								32 036
Number of shares								2 035 000
Expected return on equity								9,9%
12M Target price (DCF)								17 298
12M Target price (DDM)								17 711
12M Weighted Target price (HUF) - Dec 31, 2021								<b>17 382</b>
Closing price on 05.08.2021								16 700
Upside/Downside								4,1%
TR Upside/Downside								8,3%

Source: OTP Research

Profit & Loss Statement (HUF m)	2018/2019	2019/2020	2020/2021	2021/2022F	2022/2023F	2023/2024F
Domestic net sales	14 238	12 281	11 442	13 658	14 068	14 771
Export sales	1 501	1 679	1 641	1 656	1 722	1 757
<b>Net sales income</b>	<b>15 739</b>	<b>13 960</b>	<b>13 083</b>	<b>15 314</b>	<b>15 790</b>	<b>16 528</b>
Material-type costs	5 723	5 287	5 149	5 973	5 795	5 975
<b>Gross profit</b>	<b>10 016</b>	<b>8 673</b>	<b>7 934</b>	<b>9 342</b>	<b>9 995</b>	<b>10 553</b>
<b>Total operating expenditures</b>	<b>7 355</b>	<b>6 965</b>	<b>6 509</b>	<b>7 416</b>	<b>7 564</b>	<b>7 702</b>
<b>EBIT</b>	<b>3 079</b>	<b>2 169</b>	<b>1 787</b>	<b>2 336</b>	<b>2 979</b>	<b>3 436</b>
<b>Pre-tax profit</b>	<b>3 310</b>	<b>2 184</b>	<b>1 780</b>	<b>2 421</b>	<b>2 441</b>	<b>2 634</b>
Tax	460	488	344	557	561	606
<b>Profit after tax</b>	<b>2 850</b>	<b>1 696</b>	<b>1 436</b>	<b>1 864</b>	<b>1 880</b>	<b>2 028</b>
Dividend	2 442	611	1 425	1 678	1 692	1 825
<b>EPS (HUF)</b>	<b>1 288</b>	<b>833</b>	<b>706</b>	<b>916</b>	<b>924</b>	<b>997</b>
<b>DPS (HUF)</b>	<b>1 200</b>	<b>300</b>	<b>700</b>	<b>825</b>	<b>831</b>	<b>897</b>

Balance sheet (HUFm)	2018/2019	2019/2020F	2020/2021F	2021/2022F	2022/2023	2021/2022F
Property, plant, equipment	3 330	3 336	3 442	3 513	3 477	3 443
Intangible assets	84	102	85	83	75	100
<b>Non-current assets</b>	<b>3 582</b>	<b>3 585</b>	<b>3 652</b>	<b>3 766</b>	<b>3 729</b>	<b>3 727</b>
Inventories	2 386	2 661	2 800	3 002	3 282	2 775
Receivables and other current assets	2 115	3 007	2 617	3 396	2 923	3 292
Cash and cash equivalents	3 064	2 709	3 989	2 785	2 991	2 830
<b>Current assets</b>	<b>7 565</b>	<b>8 377</b>	<b>9 406</b>	<b>8 527</b>	<b>9 159</b>	<b>9 035</b>
<b>TOTAL ASSETS</b>	<b>11 147</b>	<b>11 962</b>	<b>13 058</b>	<b>12 294</b>	<b>12 888</b>	<b>12 762</b>
Share capital	2 000	2 000	2 000	2 000	2 000	2 000
Capital reserve	165	165	165	165	165	165
Retained earnings	4 915	4 011	4 847	4 151	4 996	4 344
<b>Total Equity</b>	<b>7 080</b>	<b>6 176</b>	<b>7 012</b>	<b>6 316</b>	<b>7 161</b>	<b>6 509</b>
Long-term loans and other liabilities	472	453	531	400	384	369
<b>Non-current liabilities</b>	<b>472</b>	<b>453</b>	<b>531</b>	<b>400</b>	<b>384</b>	<b>369</b>
Loans and credits	0	1 250	1 250	1 250	220	220
Payables and other short-term liabilities	3 567	4 071	4 255	4 253	5 049	5 583
<b>Current Liabilities</b>	<b>3 595</b>	<b>5 333</b>	<b>5 515</b>	<b>5 577</b>	<b>5 342</b>	<b>5 885</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11 147</b>	<b>11 962</b>	<b>13 058</b>	<b>12 294</b>	<b>12 887</b>	<b>12 762</b>

CONSOLIDATED CASH FLOW (HUFm)						
	2018/2019F	2019/2020F	2020/2021F	2021/2022F	2022/2023F	2023/2024F
EBITDA	3 643	2 646	2 311	2 990	3 101	3 315
Cash flow from operation	3 215	1 482	3 414	859	2 660	3 242
Cash flow from investment	-655	-480	-591	-748	-605	-660
FCFF	2 560	1 002	2 823	110	2 055	2 582
FCFE	2 563	2 264	2 818	176	1 025	2 582

Sources: Zwack Unicum, OTP Research

### **Risks surrounding Zwack's economic activity**

**Covid-effect:** Although Zwack operates in the non-cyclical consumer sector, a considerable part of demand for Zwack products comes from the catering and event business, the sectors that took the biggest hit from covid-19. While the pandemic had a positive effect on Zwack's sales performance in the January-March 2020 period, April 2020 sales plunged. With restrictions lifted, Zwack's revenues showed quick recovery in Q3, but September was also somewhat depressed in the wake of the second wave of the pandemic. With on-site consumption prohibited and night curfew introduced, the new restrictions implemented in November added a further blow to the restaurant industry. Zwack lost a considerable part of its on-trade revenue in the past two quarters of FY 2021/2020 while in terms of export, duty-free sales also plunged due to very subdued air travels. With mass immunisation at elevated level by May 2021 and reopening already having started, the outlook for economic recovery has improved. Q2 figures showed impressive recovery and Q3 2021 is expected to witness considerable rebound as more and more industries contribute to the aggregate economic growth. The hospitality sector was expected to revive and Zwack can easily be one of the recovery's beneficiaries. However, the pop-up of new covid variants may endanger the expected and persistent recovery and pose considerable downside risks to our forecast.

**Regulatory risk:** In recent years, regulatory changes in the industry caused headwinds to the company's profitability. The most notable was the liberalization of spirit distillation at home in small quantities in 2010. The EU lately expressed criticism of discriminative taxing policy of spirits in Hungary and threatened to start infringement process against Hungary. The latest regulatory changes (increase of NETA), which took effect on 1 January 2019, were aimed to resolve this conflict with the EU and increase budget revenues at the same time.

In the summer of 2020, the EU's decision-making body modified the initiative on the taxation of home-distillery of 'palinka'. According to the new regulation, every citizen of full age in the EU is entitled to distil tax-free 86 litres of fruit spirits a year. Hungary introduced the new regulation from 1 January 2021.

**Exchange-rate risk:** As the company operates in foreign markets as well, and the share of exports among revenues is increasing, in case of HUF appreciation, the exchange rate risk can be an issue, if not managed properly. The HUF's weakening poses more risk on the cost side, as most of Zwack's raw material prices are EUR-denominated, so a significant depreciation of the HUF against the EUR could weigh on the company's profitability. That can be counterbalanced to a certain extent by the higher export revenue in HUF.

**Cost-inflation risk:** Due to the improving economic conditions and labour shortages in various industries, real wages started to increase significantly in 2016 and kept rising since then. With the imminent and fast post-covid recovery of the Hungarian economy, the unemployment accumulated due to the pandemic may get absorbed very quickly, and result in tight labour market. This will further strengthen wage

dynamics, which did not really lose steam even in the period hit by the pandemic. Further increasing payroll expenses may dent profitability again.

In its latest earnings report Zwack indicated that, as an economic consequence of the epidemic, it experienced rising prices of raw and packaging materials. The company considers this development a commodity risk, and estimates it to be at 3% of raw material and packaging expenses.

**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 Zwack Unicum in the past twelve months:

Period	Recommendation	% of recommendations
Q3 2020	BUY	0
	HOLD	100
	SELL	0
Q4 2020	BUY	0
	HOLD	100
	SELL	0
Q1 2021	BUY	0
	HOLD	100
	SELL	0
Q2 2021	BUY	0
	HOLD	100
	SELL	0

Date	Recommendation	Target Price	Publication
21/05/2020	HOLD	HUF 15,214	Quarterly Earnings Update
05/06/2020	HOLD	HUF 15,214	News Comment
10/06/2020	HOLD	HUF 15,214	News Comment
07/08/2020	HOLD	HUF 15,407	Quarterly Earnings Update
15/12/2020	HOLD	HUF 17,083	Quarterly Earnings Update
05/02/2021	HOLD	HUF 17,083	Quarterly Earnings Update
27/05/2021	HOLD	HUF 17,054	Quarterly Earnings Update
06/08/2021	HOLD	HUF 17,382	Quarterly Earnings Update

[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](mailto: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 3:40:14 PM on 06 August 2021