EQUILOR | 30 YEARS EXPERIENCE IN CAPITAL MARKETS

OPUS INITIATION REPORT

Company Data:	
Recommendation:	Buy
Target Price:	HUF 354
Price:	HUF 243 (30 Sept. 2020.)
52 week range:	HUF 123-394
Market cap (HUF, m):	170 500
Average daily turnover (number of shares):	193 000
Code:	OPUS HB
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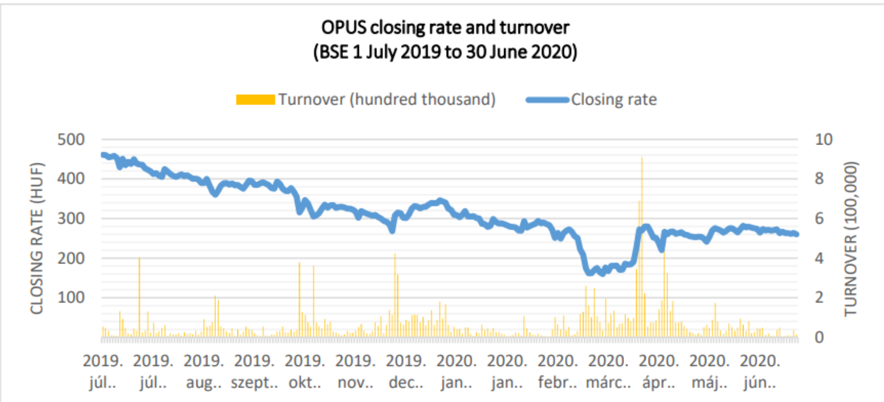
Opus Global

First half results

Consolidated Results

In the first half of 2020 Opus achieved an Operating EBIT of HUF 6.0 bn, compared to a loss of HUF 7.8 bn in the first quarter of 2019. The closing of the Energetics segment, and the Industry segment's excellent performance contributed to the good results.

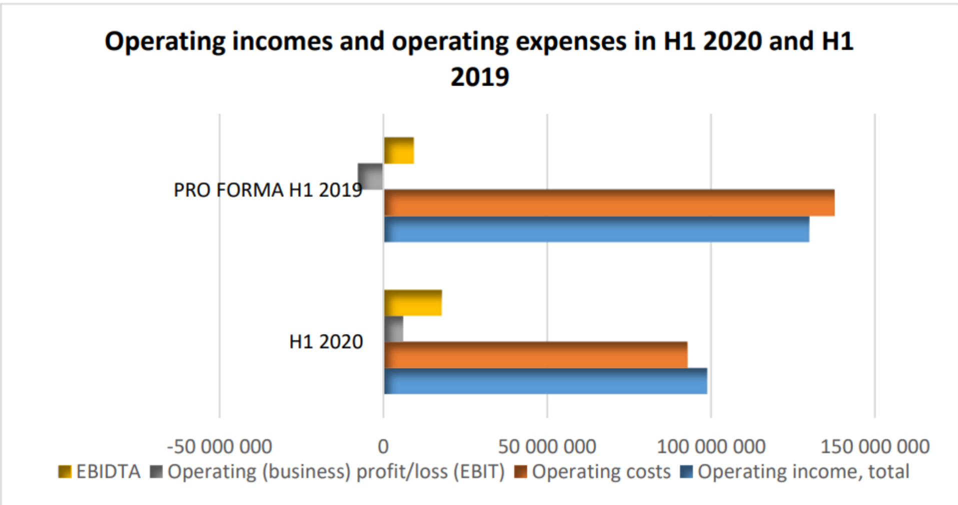


Source: Opus

The revenue of Opus Global decreased by 24% YoY, while the operating costs decreased by 33% YoY resulting in an operating profit. The firm was able to show a profit, even when there was an extra HUF 8.6 bn, amortization cost related to the previously acquired contracts; it was only slightly changed compared to the same period last year.

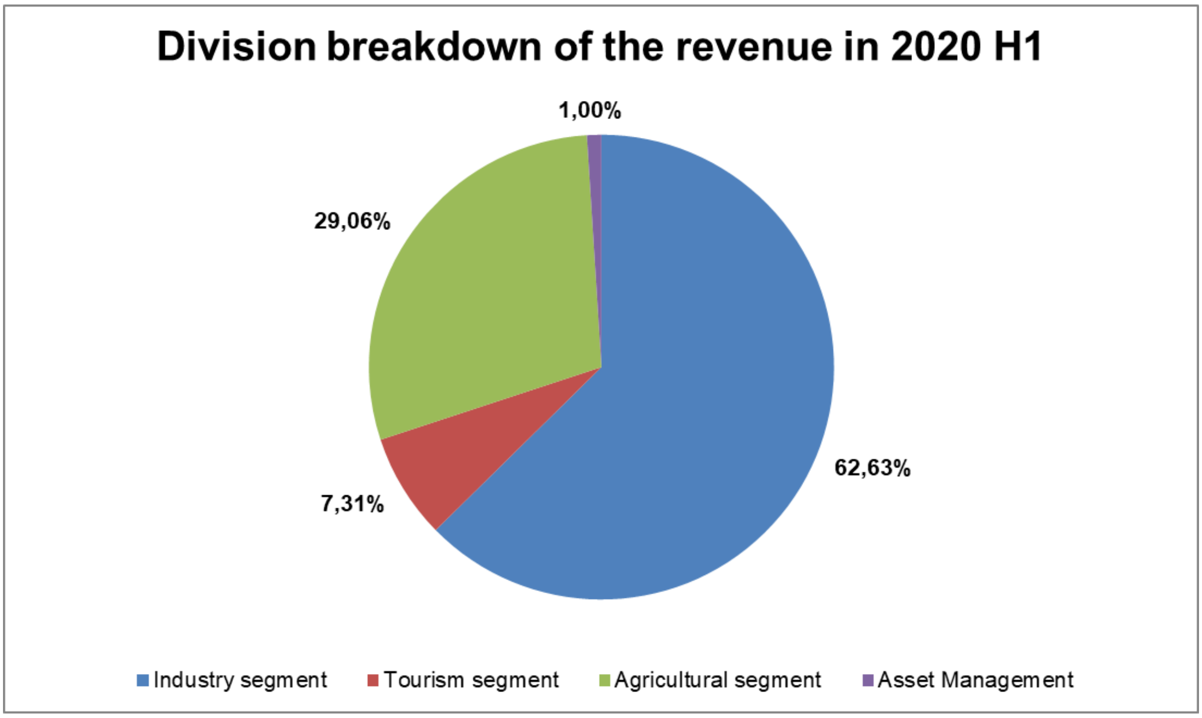
Consolidated	2020 H1	2019 H1	Change
Revenue	98 865 705	130 005 115	-23,95%
Operating expenses	92 827 286	137 789 708	-32,63%
Operating EBIT	6 038 419	- 7 784 593	
P/L after Taxes	4 050 883	- 1 540 200	

The sale of the Energetics segment also decreased the total balance sheet by 20% YoY. The cash and equivalents also decreased by 8% YoY. As there was a significant dividend payment in the industrial segment, decreasing the cash line.



Source: OPUS

The Covid-19 had a limited effect on the firms operation in the first half. The revenue breakdown shows that in the first quarter the industry segment dominated the firms. It was responsible for 63% of the revenue, while the agricultural segment contributed with 29% and tourism lagged as the Covid-19 pandemic hit the segment, it contribution was only 7%.



Industry segment

The segment was not held back by the Covid-19 pandemic in the first half. The construction industry companies in the segment were able to operate in a full capacity. Only Wamsler SE saw some disruptions, and it is expected to see minimal difficulties in H2. During the period, the agreement for the Budapest-Belgrade railway line was signed and as a result the work has begun at RM International. The segment, due to its low leverage, decided to not participate in the loan moratorium.

In the first half of 2020 the revenues increased by 8.4% YoY, while the operating expenses were down by 11.1% YoY. This resulted in a significant improvement in operating margin. If we compare the earnings after taxes the segment achieved a significant, 540% YoY growth.

The sub segment level shows that 95% of revenue came from the construction arm. As the sales at Wamsler group was down by 3 179 units and production also decreased by 19 488 units compared to H1 2019. The low production was due to Wamsler SE decided to reduce working hours for the majority of the employees and brought forward the planned annual leave.

All together the division achieved significant growth in top, and especially in bottom lines. The division was only partially affected and the signing of the Budapest-Belgrade railway line is huge step forward for the segment.

Industry Segment	2020 H1	2019 H1	Change
Revenue	61 917 601	57 122 134	8,40%
Operating expenses	56 734 189	63 786 597	-11,06%
Operating EBIT	5 183 412	- 6 664 463	
P/L after Taxes	19 620 056	3 065 678	539,99%

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 Hungarian government also decreased employer contribution, which decreased wage costs for the segment. 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 foreign arm of the segment was hit first in Austria the hotels had to be closed in the 14th of March, and a onetime cost of EUR 110 thousand was occurred due to quarantine in one of the hotels.

Hungary was also partially affected in the first half, as management decided to close all but one of the hotels on the 22nd of March. The management also decided to advance the yearly maintenance work and decided to go ahead with firing some of the employees due to significant renovations in the future.

The company published the reopening schedule as follows:

Hotel	Date of reopening
HUNGUEST Hotel Forrás	15/05/2020
Lifestyle Hotel Mátra	15/05/2020
Hunguest Hotel Aqua-Sol	29/05/2020
Hunguest Hotel Freya	29/05/2020
Hunguest Hotel Erkel	12/06/2020
Hunguest Hotel Pelion	12/06/2020
Hunguest Hotel Sóstó	12/06/2020
Hunguest Hotel Répce Gold	01/07/2020
Saliris Resort	01/07/2020
Hunguest Hotel Apollo	03/07/2020
Hunguest Hotel Sun Resort (Montenegro)	20/06/2020
Relax Resort (Austria)	15/07/2020
Hunguest Hotel Heiligenblut (Austria)	17/06/2020

Source: Opus

The camping were also effected in the period, as they usually open in April, while in this year they only opened on the 15th of May. For H2 the management expects good results, as the two high months were not affected significantly, and they are planning to extend the autumn season in order to compensate for the weak spring.

Due to the effect of the pandemic revenue was down 50.1% YoY, while operating expenses only decreased by 30.6%. This significant decrease in margins resulted in an operating loss and the earnings after taxes also show a loss of HUF, compared to a gain last year.

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 summer, as occupancy was massive during July and August.

Tourism Segment	2020 H1	2019 H1	Change
Revenue	7 228 794	14 475 506	-50,06%
Operating expenses	10 007 196	14 421 327	-30,61%
Operating EBIT	- 2 778 402	54 179	
P/L after Taxes	- 3 842 814	1 002 019	

Agricultural and Food segment

The activities and the main business of the companies in the agricultural segment were not significantly affected by the emergence of the COVID-19 pandemic. In the case of liquid sugar the market prices continued to improve from the beginning of 2020, but the widening of the pandemic situation had a negative impact on sales volume and distribution during the second quarter. The volume of starch production was lower than planned as all plants slowed down the testing of new products due to the restrictions. The food market and the alcohol market were stable in H1, as demand was high for gluten and alcohol for sanitizers. In the segment Kall Ingredients realized the largest growth, with a 61% YoY revenue growth.

In terms of the income statement the revenue grew to HUF 28.7 bn during H1 which represents a 53% YoY growth, which was driven by increased factory output and the result of the production optimization. The operating cost grew to HUF 27.7 billion during H1 which is a 31% growth YoY, resulting better operating EBIT margin which turned to positive during H1. The loss after taxes is due to the negative effect of the financial operations, which is caused by interests paid on loans and the negative FX contribution.

Agriculture Segment	2020 H1	2019 H1	Change
Revenue	28 731 840	18 822 140	52,65%
Operating expenses	27 690 841	21 122 457	31,10%
Operating EBIT	1 040 999	- 2 300 317	
P/L after Taxes	- 88 687	- 3 457 135	

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