



## Opus Global 1Q 2023 results

Company Data	
Recommendation	Buy
Target price*	HUF 232
Closing price	HUF 121
52-week range	HUF 102 - HUF 179
Market cap (HUF, mn)	86 864
Average daily turnover (number of shares)	247 553
Bloomberg code	OPUS HB

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## Consolidated Results

Consolidated, HUF '000'	2023 Q1	2022 Q1	Change
Operating income, total	167 054 560	97 546 139	71%
Operating expenses	151 947 888	94 599 669	61%
Operating EBIT	15 106 672	2 946 470	413%
P/L after Taxes	10 842 331	207 864	-

Source: OPUS

OPUS reported considerable improvement on bottom line on a consolidated level for the first quarter this year. Although it is not a surprise that the company faced a major increase in (especially material-related) costs, operating income could eventually outperform this large increase, which could therefore translate into a meaningful improvement on EBIT. Important to mention is that the company has reported that no significant acquisitions took place that would blur data comparability, making the reported improvement a more genuine phenomenon.

The improvement on an operating level resulted in an increase in EBIT by more than HUF 12 billion y/y (to HUF 15.1 billion). Profit after tax exceeded HUF 10 billion due to these developments. Such a level of quarterly after-tax P/L represents nearly half (49%) of last year's full-year after-tax profit.

The company also reported significant increase in its cash balance, but this was mostly due to a large cash receipt thanks to state subsidies. Cash flow from operating expenditures was negative (HUF - 8.5bn), but this was mainly due to a large increase in working capital.

The 1Q23 report is good news for the company that has to prove that organic growth is viable after major acquisitions have been carried out. While the stock performance as of late indicates some relief, the economic outlook remains uncertain, and outlook for government orders are also hard to predict.

\*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 Q1	2022 Q1	Change
Operating income, total	50 262 136	30 089 424	67%
Operating expenses	42 572 014	28 416 897	50%
Operating EBIT	7 690 122	1 672 527	360%
P/L after Taxes	10 014 896	1 146 117	774%

Source: OPUS

The industry segment is dominated by construction, taking up about 90% of total operating income. Top line increased by nearly 72% y/y in 1Q23 in this subsegment (+67% on a consolidated industry level), while operating expenses increased by nearly 54% in construction (almost 50% on a consolidated industry level). Material costs surged 48% in the total segment, which is more than 82% of total operating costs on the segment level. About half of the growth of operating revenue in the industry segment was delivered by the flagship company 'Mészáros és Mészáros Zrt.', according to the report.

While the construction sector reported notable improvement, the economic outlook remains difficult, and the outlook for government orders uncertain.

The heavy industries subsegment also could deliver positive profit on the operating level, but contributing to the total industry segment only marginally. While the heavy industries subsegment is moving towards higher value-added products, sales could gradually decline according to the earnings report, as the stability of gas supply has significantly improved in recent months.

## Tourism Segment

Tourism, HUF '000'	2023 Q1	2022 Q1	Change
Operating income, total	7 137 699	5 141 364	39%
Operating expenses	7 072 063	6 005 911	18%
Operating EBIT	65 636 -	864 547	-
P/L after Taxes	1 397 307 -	1 451 658	-

Source: OPUS

The tourism segment delivered a notable improvement and could report a positive operating EBIT. The most important contributor to this segment, HUNGUEST Hotels (95% of operating revenue and 90% of OPEX of the tourism segment), realized a significant increase in sales in the 1Q23 y/y. This is due to the increase in total guest nights in the tourism market, the post-pandemic recovery in the willingness to travel, and the 6.7% increase in the average exchange rate of EUR/HUF in Q1 (i.e. the weakening of the forint). The company also praised booking promotion activities behind this outcome.

Given that the forint has appreciated after 1Q23 and the economic situation in Hungary remains weak, while on the other hand, 2Q-3Q could be more healthy with regards to tourism expenditure of households, it remains to be seen how much the company can keep this segment profitable in upcoming quarters.

## Agricultural and Food segment

Agricultural and Food segment, HUF '000'	2023 Q1	2022 Q1	Change
Operating income, total	41 588 291	26 420 041	57%
Operating expenses	38 759 076	29 787 540	30%
Operating EBIT	2 829 215 -	3 367 499	-
P/L after Taxes	- 920 438 -	4 216 295	-

Source: OPUS

The agricultural and food segment also delivered a positive result on the operating level, although after-tax P/L was negative. The latter was due to a considerable loss on financial operations. The loss still represents a considerable improvement on an annual basis, however.

The food subsegment is the major part of this segment, where export sales to the EU represented 67%, sales to Hungary at around 27%, while the rest (about 6%) was shipped outside of the EU. As for the product composition of sales, the sale of main products (representing 64% of sales) increased by 29%, while side-products reported for a larger increase y/y (+68%).

While the first quarter of 2023 showed a notable increase in operating income for the segment, the increase of sales volume (so discarding the major increase in prices) remained below the company's plans according to the report, and produced amounts also lagged behind that of the base period of 1Q22. Stocks of purchasers are perceived by the company to be saturating, which may reduce demand going forward. This backdrop makes the outlook for sales rather uncertain, given that agricultural prices have also considerably eased since the outbreak of the Russian-Ukraine war and its associated impact on prices.

## Energy Segment

Energy, HUF '000'	2023 Q1	2022 Q1	Change
Operating income, total	68 915 589	37 680 973	83%
Operating expenses	66 132 429	31 950 485	107%
Operating EBIT	2 783 160	5 730 488	-51%
P/L after Taxes	- 314 484	3 456 722	-

Source: OPUS

The energy segment was a mixed bag in 1Q23. Gas distribution could improve its performance on basically all levels. Operating EBIT came in at HUF 7.177 billion in this subsegment, nearly doubling y/y in 1Q23. After-tax profit also jumped by more than 92% y/y, to HUF 4.292 billion. Electricity distribution, on the other hand, delivered a loss on an operating level already, showing an operating EBIT of HUF - 4.394 billion, a major decline compared to the HUF 2.102 billion profit in the first quarter a year earlier. The combined performance therefore fell by more than 50% on the operating level in this segment.

As for gas distribution, the so-called 'justified costs' now seem to have appeared in tariffs, contributing to revenue increase in that segment y/y. Earlier in 2022, the fact that such costs did not immediately appear in sales prices (as opposed to operating expenditures at the gas distribution subsegment), this has been a considerable drag. The electricity subsegment delivered 9% less electrical energy y/y vs 1Q22. The ongoing integration process also requires complex IT-infrastructure developments according to the company, which has high resource requirements.


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