



Opus Global Q2 results

Company Data	
Recommendation	under review
Target price*	under review
Closing price	HUF 129
52-week range	HUF 123- HUF 258
Market cap (HUF, mn)	90 372
Average daily turnover (number of shares)	268 765
Bloomberg code	OPUS HB



Consolidated Results

Consolidated, HUF '000'	2022 H1	2021 H1	Change
Revenue	204 706 687	111 099 163	84%
Operating expenses	196 907 007	108 397 456	82%
Operating EBIT	7 799 680	2 701 707	189%
P/L after Taxes	1 633 953	11 419 769	-86%

Source: OPUS

Opus reported mixed results in H1. The addition of TITÁSZ and TIGÁZ makes the comparison to 2021 H1 moot. It is positive that the Operating EBIT was up YoY even without the addition of the energy segment, but profit after tax plummeted as the tax expense and financial costs increased significantly. The industry and energy segments are the two best performers, as they are responsible for the operating EBIT, as both the tourism and agriculture segments reported negative EBIT. The industry segment reported double digit revenue growth, while costs were up by 8% YoY so the operating margin improved. The tourism segment reported a significant turn around with more than tripling revenue and doubling costs, but it still resulted in a loss and the financial loss on its EUR debts resulted in a HUF 2.2 bn charge. The agricultural segment suffered from increasing costs, as the material prices increased significantly YoY. The energy segment reported a sizable H1 profit, but TIGÁZ was down YoY, as network losses increased to HUF 3 bn, as the gas price increased to drastic levels. The second half of the year will be even more challenging for the firm, as the booming energy prices will be a challenge for the tourism sector and the decreasing government investment can challenge the most important industry segment. Our recommendation and target price are under review currently.

*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'	2022 H1	2021 H1	Change
Revenue	70 379 950	63 614 231	11%
Operating expenses	65 461 413	60 455 668	8%
Operating EBIT	4 918 537	3 158 563	56%
P/L after Taxes	16 878 199	21 678 615	-22%

Source: OPUS

The industry segment improved its operation as total operating income increased by 11% YoY, while costs increased by only 8% YoY resulting in a significant boost to margins. As a result, operating EBIT was up by 56% YoY, but as the financial operation, which is the most important contributor was down by HUF 6 bn, the segment's P/L after taxes decreased by 22% YoY, as the subsidiaries of Mészáros Építőipari Holding Zrt. have decided to pay a total of HUF 12bn in dividends this year, compared to HUF 19.2 bn last year. The second half of the year can have significant challenges, especially the decreasing government investment in infrastructure. The firm has over HUF 100 bn contracts which has not started on time, and there is no timeline available. This is a significant risk, as Mészáros és Mészáros was traditionally strong in the government infrastructure segment. The increasing raw material costs and labor shortages are also reasons for concern for the rest of the year.

The heavy industry subsegment produced significantly less units, as Wamsler decided to discontinue the production of low-cost, low-value added equipment and now focuses on higher quality and more expensive units. This resulted in a net revenue increase of 65% YoY, but still reported negative EBIT, albeit significantly smaller than in H1 2021.

Tourism Segment

Tourism, HUF '000'	2022 H1	2021 H1	Change
Revenue	12 274 441	3 659 006	236%
Operating expenses	12 650 914	5 491 944	130%
Operating EBIT	- 376 473	1 832 938	-80%
P/L after Taxes	- 2 618 012	2 408 217	9%

Source: OPUS

The tourism segment reported promising numbers, but both operating EBIT and P/L after taxes is negative. The total number of guest nights was up by 382% YoY, but the revenue only increased by 336%, so the average revenue per guest night is slightly down YoY. Compared to pre pandemic 2019 H1 numbers the revenue was only down by 15%, even as some of the hotels are still under renovation. The segment also reported better than expected numbers compared to management's expectations, but no guidance was given for H2 (and we cannot clarify the first statement, as no previous guidance was provided). The most significant challenge for H2 is the increasing energy prices which can increase OPEX significantly. The segment also reported a financial loss on the revaluation of the liabilities due to the weakening HUF.

Agricultural and Food segment

Agricultural and Food segment, HUF '000'	2022 H1	2021 H1	Change
Revenue	60 834 014	38 142 104	60%
Operating expenses	61 653 933	37 888 854	63%
Operating EBIT	- 819 919	253 250	-
P/L after Taxes	- 3 058 051	427 093	616%

Source: OPUS

In terms of the agricultural and food segment there were mainly two issues that negatively impacted the second quarter of 2022. The severe lack of rainfall in Q1 caused a drought in Q2 which significantly hampered the growth of arable crops. Drastic increases in the input material prices (fertiliser, pesticides and seeds) and energy prices partially driven by the war in Ukraine negatively impacted the segment profitability. In the market for finished products the price consolidation continued, but unfortunately the increase in production capacity could not keep up with the increase in operating cost. The sale of the main product grew by 65% while the by-product increased by 52% in H1 vs last year. Export to EU countries is responsible for around 74% of the revenue of the food segment.

Regarding the financial performance of the segment the revenue grew to HUF 60.83 bn during H1, which represents a 60% YoY growth, which was driven by increased factory output and product price increases, which are expected to grow further in the upcoming months, although there are many uncertainties both on the demand and on the supply side. The operating cost grew to HUF 61.65 bn which is a 63% growth YoY driven by increase in the price of raw materials and energy prices. The loss after taxes grew to HUF 3.1 bn due to higher expenses and the negative effect of the financial operations. The negative operating margin and the weakening local currency (HUF) in Q2 resulted in an elevated loss in H1.

Energy Segment

Energy, HUF '000'	2022 H1	2021 H1	Change
Revenue	64 937 597	7 817 128	731%
Operating expenses	60 565 202	5 963 290	916%
Operating EBIT	4 372 395	1 853 838	136%
P/L after Taxes	4 166 584	1 106 717	277%

Source: OPUS

The Energy segment is newly consolidated and already contributed significantly towards the group's consolidated results. As no official YoY comparison is available, we have to base our analysis on the management's comments. OPUS TIGÁZ Zrt. accounted for 35% of the division's total operating income, while OPUS TITÁSZ Zrt. accounted for 65% in Q2 2022. While TIGÁZ achieved the 65% of EBIT and TITÁSZ only 38%. OPUS TITÁSZ is planning to invest heavily in the grid for a total amount of HUF 26.6 bn, with a 50% government subsidy coming from the Széchenyi Terv Plusz. The planned phase of investments is scheduled to end in April 2026. The total capacity increase committed under the project is 261MW. TIGÁZ reported worse number compared to 2021 H1, as gas purchases due to the network loss was accounted for HUF 3 bn. The division decided to fund OPTESZ OPUS in order to exploit the future long-term synergies between OPUS TIGÁZ and OPUS TITÁSZ, this new entity will be responsible for the back office and other support activities in the future.


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 The report was closed on the 4th of October, 2022.

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