



Opus Global 9M results

Company Data

Recommendation	buy
Target price*	232
Closing price	HUF 115
52-week range	HUF 113- HUF 258
Market cap (HUF, mn)	90 372
Average daily turnover (number of shares)	302 057
Bloomberg code	OPUS HB



Consolidated Results

Consolidated, HUF '000'	2022 9M	2021 9M	Change
Operating income, total	352 114 207	188 933 841	86%
Operating expenses	328 211 823	179 600 175	83%
Operating EBIT	23 902 384	9 333 666	156%
P/L after Taxes	13 986 239	23 785 508	-41%

Source: OPUS

Opus reported mixed results in 9M. The addition of TITÁSZ and TIGÁZ makes the comparison to 2021 9M 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 financial costs increased significantly. It is positive that all segments reported positive EBIT and while costs increased significantly, EBIT margins improved in all, but the Tourism segment. The Agriculture and Tourism segments reported the largest turnaround in 9M. Both segment's revenues were up by more than 75%. The Industry segment also reported increasing revenue numbers, it was up by 25% YoY, while costs only increased by 21% YoY. The Energy division also reported positive EBIT aiding the consolidated EBIT to increase by 156% YoY. Consolidated revenue was up by 86% YoY, while costs increased by 83% YoY, but this is not a pro forma comparison, as the Energy division was not fully part of the group in the 9M 2021. The P/L after taxes were down YoY, as the financial costs were up significantly, partially due to the weakening EURHUF and partially due to Mészáros Építőipari Holding Zrt. subsidies paid significantly less dividend to the Industry segment.

*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 9M	2021 9M	Change
Operating income, total	127 962 271	102 274 231	25%
Operating expenses	113 581 865	94 220 679	21%
Operating EBIT	14 380 406	8 053 552	79%
P/L after Taxes	25 630 114	26 333 937	-3%

Source: OPUS

The industry segment improved its operation as total operating income increased by 25% YoY, while costs increased by 21% YoY resulting in a significant boost to margins. As a result, operating EBIT was up by 79% YoY, but as the financial operation, which is one of the most important contributors was down by HUF 6 bn, the segment's P/L after taxes decreased by 3% YoY, as the subsidiaries of Mészáros Építőipari Holding Zrt. have decided to pay a total of HUF 11.8 bn in dividends this year, compared to HUF 19.2 bn last year. The coming periods 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 and 2023.

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 significant revenue increase for the subsegment.

Tourism Segment

Tourism, HUF '000'	2022 9M	2021 9M	Change
Operating income, total	23 530 971	13 108 911	80%
Operating expenses	21 215 032	11 423 124	86%
Operating EBIT	2 315 939	1 685 787	37%
P/L after Taxes	- 1 682 151	448 815	-

Source: OPUS

The tourism segment reported promising numbers, the operating EBIT turned positive for 9M, while P/L after taxes is still negative. The total number of guest nights for the summer reached the pre pandemic level, which provides a positive microenvironment for the segment. The fact that domestic tourism is more important for Hunguest Hotels also helps, as it mitigates the negative effects of the war in Ukraine. The segment also reported better than expected numbers compared to management's expectations, but no guidance was given for 2022 (and we cannot clarify the first statement, as no previous guidance was provided). The most significant challenge for the remaining of the year and 2023 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 and the payment of interests.

Agricultural and Food segment

Agricultural and Food segment, HUF '000'	2022 9M	2021 9M	Change
Operating income, total	104 049 172	56 371 840	85%
Operating expenses	99 529 348	57 140 516	74%
Operating EBIT	4 519 824 -	768 676	-
P/L after Taxes	1 026 955 -	2 628 013	-

Source: OPUS

The Agriculture and Food segment reported strong 9M results, as revenue increased by 85%, while costs were up by 74% resulting in a significant turnaround. Due to the improvements the segment had a positive EBIT contribution of HUF 4.5 bn and also reported a positive P/L after taxes, which is a significant improvement compared to last year's loss. The financial line had a significant negative effect on the P/L, as despite the EURHUF having limited effect, the interest costs reached HUF 3.1 bn for the 9M.

The segment had two main issues that negatively impacted the 9M 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. In the market for finished products the price consolidation continued, and finally the increase in production capacity could keep up with the increase in operating cost. The sale of the main product grew by 83% while the by-product increased by 63% in 9M YoY. Export to EU countries is responsible for around 70% of the revenue of the food segment.

Energy Segment

Energy, HUF '000'	2022 9M	2021 9M	Change
Operating income, total	102 535 919	20 004 955	-
Operating expenses	100 089 021	19 674 021	-
Operating EBIT	2 446 898	330 934	-
P/L after Taxes	1 379 586 -	503 915	-

Source: OPUS

The Energy segment is newly consolidated and already contributed 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 27.5% of the division's total operating income, while OPUS TITÁSZ Zrt. accounted for 62.5% in 9M 2022. 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 network losses increasing significantly for both subsidies, as the EURHUF is weakening and energy costs are up significantly YoY.


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