



Opus Global Q3 2024 results

Company Data	
Recommendation	Hold
Target price*	HUF 527
Closing price	HUF 502
52-week range	HUF 350 - HUF 536
Market cap (HUF, mn)	350,586
Average daily turnover (12M, no. of shares)	414,155
Bloomberg code	OPUS HB

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Largely on track to meet 2024 goals

Opus Global published its latest third quarterly report on 13th December. In general, the first nine months shows the same story as in previous quarters, despite declining revenues, earnings match the figures seen in 2023. On the other hand, comparing only the Q3 figures another picture emerges, both revenue and operating expenses decreased cca 20 percent year-over-year, which negatively impacted both EBIT and EBITDA, which decreased with 26.7 and 12.1 percent respectively year-over-year. However, even though the nominal value of earnings decreased year-over-year, and earnings margins were mixed, EBIT margins decreased 0.5 percentage point year-over year, while EBITDA margin improved 1.3 percentage point.

Opus decided to divest two of its less profitable assets, the company announced the divestment Csabatáj on 5th of December, and the divestment of Wamsler SE on 12th of December. Both subsidiaries were loss making, low impact members of the portfolio. The two subsidiaries contributed HUF 0.1 bn to the current 9-month earnings. The question is what will the management do with the revenue from the divestiture of the subsidiaries.

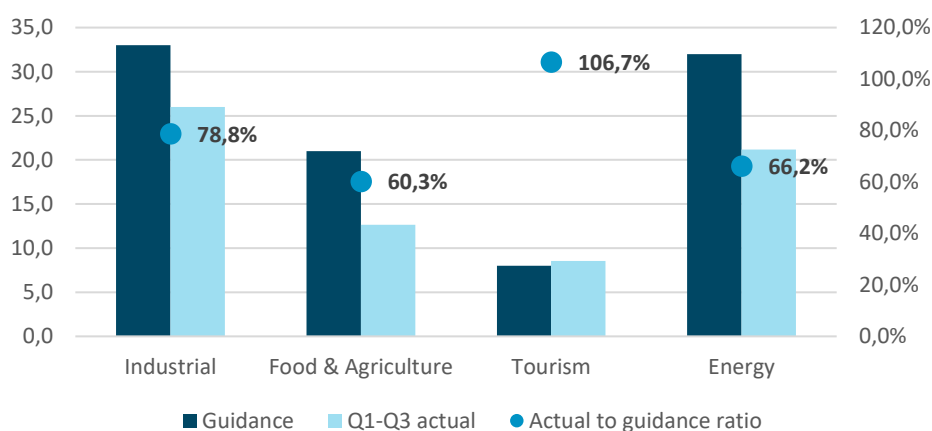
On November 13th Opus completed its share repurchase program, which increased the amount of treasury shares to 159,8 million common shares, or 22.89 percent of the total shares outstanding. It is an important question, what the Company will do with this huge amount of treasury shares, as in our opinion there are two paths that Opus can choose. One option is to cancel the treasury shares, effectively removing this 22.89 percent from the shares outstanding, providing 30 percent upside in intrinsic value to current shareholders. On the other hand, Opus can choose to use the treasury shares to fund the fifth division acquisition in the expansion phase of 2027-2029, which in theory should add approximately HUF 20bn additional EBITDA to the current portfolio, improving the planned 2029 EBITDA by cca 18.5 percent. Currently we see the second option more likely, as the Company cancelled only 3.3 million shares of its 49.0 million treasury share stock (6.67 percent) in June 2024, and the fact, while the Company increased the maximum limit of treasury shares to 25 percent of the share count

*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.

In the remainder of the analysis, we will discuss each of the four main business segments separately.

Conglomerate, HUF bn	2024 Q3	2023 Q3	Change
Operating income, total	148,0	185,8	-20,3%
Operating expenses	139,8	174,7	-19,9%
Operating EBIT	8,2	11,2	-26,7%
EBIT%	5,5%	6,0%	-0,5p%
EBITDA	20,8	23,7	-12,1%
EBITDA%	14,1%	12,7%	1,3p%
P/L after Taxes	9,8	14,5	-32,5%
<i>Source: OPUS</i>			

Opus FY 2024 EBITDA guidance vs Q1-Q3 actuals (HUF bn)



Assessment of Segments

INDUSTRIAL SEGMENT

In the third quarter the construction sector in Hungary contracted 6.1 percent year-over-year, and contracted 5.7 percent compared to the second quarter. However, thanks to the low base, specialty construction output increased 20.9 percent year-over-year. Revenue of the Industrial Segment decreased by 21.4 percent in the third quarter, but operating expenses declined at an elevated, 24.4 percent rate, improving EBIT by HUF 1.5 bn, EBITDA by HUF 0.1 bn year-over-year. Operating margins improved significantly as well, EBIT margin grew to 8.9 percent, while EBITDA margin increased to 13.9 percent. The positive earnings of the third quarter further decreased the EBIT and EBITDA shortfall compared to 2023 to HUF 1.7 bn and 3.2 bn.

Of the three main subsidiaries of the Industrial segment, only RMI could outperform the first nine months of 2023 in terms of revenue, while both Mészáros és Mészáros (M&M) and R-Kord lagged behind, resulting in a total of HUF 10.8 bn decrease in revenue in the Q1-Q3 2024 period. On the bottom-line M&M was the main driver of profitability of the segment, while RMI, mainly thanks to the project company nature, experienced operating loss in the first nine months. During the quarter, M&M successfully closed two projects, including the Hajdúnánás KFCS project (total project value HUF 17.0 bn), while it brought in two new projects, and the construction of Nyíregyháza Industrial Park has started in the third quarter. R-Kord did not start any new construction project in Q3, and the suspension of financing regarding the GSM-R radio network project is still ongoing, freezing HUF 2.5 bn of potential revenue.

Wamsler SE, the fourth main subsidiary in the segment posted HUF 3.2 bn revenue decline compared to Q1-Q3 of 2023 to HUF 10.0 bn. Profits at the fireplace and stove producing company decreased by 0.6 bn, driven by the lackluster demand for these products. The first three quarter EBITDA was HUF 0.1 bn.

Current EBITDA in YTD 2024 amounts to HUF 26.0 billion which is 78.8 percent for the stated FY2024 EBITDA target of HUF 33 billion. In FY2021-FY2023 the Q4 EBITDA amounted to approximately 19-48 percent of the annual EBITDA, based on this the lowest 19 percent of this range would result in a 2 percent miss compared to the management guidance. Due to the high range of the Q4 earnings to full year earnings we see likely, that the Industrial Segment can reach, and surpass, its full year EBITDA goal.

Industry, HUF bn	2024 Q3	2023 Q3	Change
Operating income, total	68.8	87.5	-21.4%
Operating expenses	62.6	82.8	-24.4%
Operating EBIT	6.2	4.7	30.0%
<i>EBIT%</i>	8.9%	5.4%	3.5p%
EBITDA	9.6	9.5	1.3%
<i>EBITDA%</i>	13.9%	10.8%	3.1p%
P/L after Taxes	6.7	3.3	104.7%

Source: OPUS

ENERGY SEGMENT

The Energy Segment is the Group's second largest business in terms of sales. It operates in a highly regulated market, where revenue prices are set by the Hungarian Energy and Utility Regulatory Office (MEKH). As service prices are regulated, and the segment has no control on demand, profitability can be achieved through the control of expenses. All in all, the segment's revenue decreased by HUF 17 bn year-over-year, with the electricity distribution business (TITÁSZ) leading the decrease in revenue (HUF -18.1 bn). The decrease in the revenue of TITÁSZ was still mainly driven by the new regulation from 1 January 2024, that reduced the turnover-based tariffs, and according to the management the volume of energy distributed declined as well. The revenue of the gas distribution business (TIGÁZ) increased by HUF 1.0 bn compared to the January-September 2023 period, despite the reduction of the turnover-based tariffs in October 2023, probably thanks to the increase in the distributed volume. TITÁSZ EBITDA increased HUF 2 bn quarter-on-quarter, but the EBIT decreased to the negative territory (HUF -1.2 bn). In the meantime, TIGÁZ EBITDA and EBIT decreased by HUF 1.2 bn year-over-year.

In the third quarter electricity prices increased above the EUR 100/MWh levels seen in H1 2024, with volatility increasing significantly as well. In the October-mid December period the average energy price increased to EUR 135.4 per MWh, with prices spiking above EUR 200 on occasion. TTF gas prices increased as well in the fourth quarter, average price per MWh increased to 41 euros from 35 euros in Q1-Q3. The management expects EBITDA of HUF 32 billion in FY2024, which is 66.2 percent fulfilled in Q1-Q3 2024. In the prior full fiscal years, the fourth quarter added 38-41 percent of the full year EBITDA, as in Q4 the heating season ramps up. Based on the current earnings, it is probable that earnings meet the annual goal, assuming no significant shift in energy demand compared to prior years.

Energy, HUF bn	2024 Q3	2023 Q3	Change
Operating income, total	47.8	51.2	-6.7%
Operating expenses	53.9	52.6	2.4%
Operating EBIT	- 6.1	- 1.4	331.6%
<i>EBIT%</i>	-13%	-3%	-10.0%
EBITDA	0.5	3.9	13.6%
<i>EBITDA%</i>	1%	8%	-6.6%
P/L after Taxes	- 3.4	2.9	n.a

Source: OPUS

FOOD & AGRICULTURE SEGMENT

In Q1-Q3 2024, the Food & Agriculture Segment experienced decreasing revenues, similarly to the Energy segment. The two leading companies in the segment, Kall and Viresol, are setting prices rapidly to include changes in commodity prices (grain, electricity and natural gas), which is the main driver of the 17.5 percent decline in the segment's first nine-months of 2024 sales, as both energy and grain prices were significantly lower in this period compared with the same months of 2023. On a quarterly basis, sales contracted 18.5 percent as well. Across the product portfolio Kall and Viresol experienced more pronounced price competition in starches, while the market for gluten the companies experienced oversupply, but demand for alcohols developed favorably.

The segment's performance indicators were also similar to those of the Energy segment, owing to the fact that both businesses are exposed to movements in energy prices. In terms of nominal values, both EBIT and EBITDA declined, but the EBITDA margin improved by 1.9 percentage points and the EBIT margin by 0.3 percentage points compared to 2023. The margin improvement was mainly driven by the earlier mentioned input cost reductions, which shrunk material costs by 23.2 percent, despite a 16 percent increase in raw material volumes.

Compared to the FY2024 EBITDA goals the Food & Agriculture Segment still seems to lag behind, the YTD EBITDA of HUF 12.7 bn amounts to 60.3 percent of the stated goal. In earlier fiscal years the EBITDA addition of the last quarter amounted to 25-33 percent of the full year, in our opinion an earnings miss is likely in 2024.

Food and Agriculture segment, HUF bn	2024 Q3	2023 Q3	Change
Operating income, total	27.1	33.2	-18.5%
Operating expenses	25.2	31.0	-18.7%
Operating EBIT	1.8	2.2	-15.0%
<i>EBIT%</i>	6.8%	6.5%	0.3p%
EBITDA	3.6	3.8	-5.1%
<i>EBITDA%</i>	13.2%	11.3%	1.9p%
P/L after Taxes	0.4	3.3	-87.9%

Source: OPUS

TOURISM SEGMENT

The Tourism segment impressed again in the third quarter. The segment delivered 16.9 percent revenue growth, compared to Q3 2023, when the Hungarian tourism segment achieved 14,9 percent growth, while the number of guest nights increased by 6.6 percent year-over-year in the third quarter, while at a constant capacity rate the Hunguest Hotels experienced 7.7 percent growth in guest nights. As per the

management, the number of guest nights was higher than expected, but at a lower capacity utilization. The growth rate is probably not only due to improved occupancy rates and higher prices, as the renovation of Hunguest Gyula, Szeged and Saliris was only completed in H2 2023, which amounts to 22 percent Q1-Q3 2024 room capacity. Hotel Flóra opened recently in December, and Hotel Béke is open for bookings from January 2025. In Q3 2024 the renovation works on Hotel Flora and Hotel Béke, were still ongoing, when finished will add 414 rooms to the business.

At the profitability level, there was significant improvement: YTD 2024 EBITDA margin rose to 23.4 percent from 15.8 percent in H1 2023, surpassing 2022 and 2023 profits. Historically the third quarter is the strongest quarter of the year, in Q3 2024 the segment achieved 33.4 percent EBITDA margin, surpassing Q3 2023 figures by 4.7 percentage point. In the fourth quarter it is expected that margins will deteriorate below the current 23.4 percent levels, as the touristic season ended in Hungary.

The Tourism segment already outperformed the 2024 goals. Given that the segment does not incur losses in the fourth quarter, the segment is expected to exceed the FY2024 targets.

Tourism, HUF bn	2024 Q3	2023 Q3	Change
Operating income, total	16.3	14.0	16.9%
Operating expenses	11.7	10.7	8.5%
Operating EBIT	4.7	3.2	44.5%
	<i>EBIT%</i>	<i>23.2%</i>	<i>5.5p%</i>
EBITDA	5.5	4.0	36.1%
	<i>EBITDA%</i>	<i>28.7%</i>	<i>4.7p%</i>
P/L after Taxes	4.5	1.7	163.8%

Source: OPUS



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