21st of June, 2022

Opus Global Q1 results

Company Data	
Recommendation	Buy
Target price*	HUF 353
Closing price	HUF 171
52-week range	HUF 142- HUF 277
Market cap (HUF, mn)	119 981
Average daily turnover (number of shares)	67 264
Bloomberg code	OPUS HB

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Consolidated Results

Consolidated, HUF '000'	2022 Q1	2021 Q1	Change
Operating income, total	97 546 139	45 694 499	114%
Operating expenses	94 599 669	46 549 895	103%
Operating EBIT	2 946 470	- 855 396	-
P/L after Taxes	- 207 864	8 095 259	-

Source: OPUS

Opus reported positive Operating EBIT after last year's loss, but the P/L after taxes still turned red. Out of the four large segments two were loss maker, especially the Food segment had a significant loss. The Q1 results show that the addition of the Energy segment was a significant boost, as that segment had the largest operating income and Operating EBIT. The YoY comparison is a bit misleading as that segment was not part of the group last year, without the consolidation OPUS still reported significant revenue growth, but a very sizable loss, as both the Tourism and Food segment suffered due to increasing costs and negative financial performance. Mixed communication in the Q1 report and the constantly changing management of the firm can be one of the reasons why the company's stock underdelivered lately.

**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 Q1	2021 Q1	Change
Operating income, total	30 089 424	27 540 339	9%
Operating expenses	28 416 897	27 402 195	4%
Operating EBIT	1 672 527	138 144	1111%
P/L after Taxes	1 146 117	- 168 151	-

Source: OPUS

The industry segment improved its operation as total operating income increased by 9% YoY, while costs increased by only 4% YoY resulting in a significant boost to margins. The bad news is that it is possible that Q1 was the bright spot for the segment, as constructions are expected to stagnate in 2022 due to the adverse effects of the war. A decline in government orders is likely, due to the conflict over EU funds, thus the infrastructure construction, civil engineering, road and rail divisions may stagnate. The management is still optimistic about housing construction, renovation, logistics, agricultural and industrial constructions; they expect a slight increase. 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.

Tourism Segment

Tourism, HUF '000'	2022 Q1	2021 Q1	Change
Operating income, total	5 141 364	759 517	577%
Operating expenses	6 005 911	2 068 315	190%
Operating EBIT	- 864 547	- 1 308 798	-
P/L after Taxes	- 1 451 658	- 1 435 747	-

Source: OPUS

The tourism segment reported mixed numbers and the management's communication related to the segment is not clear. The improving income is no surprise as 2022 is probably less likely effected by Covid-19 lockdowns compared to last year, but it seems that expenses are also increasing. The key will be Q2 and Q3 of 2022 when full capacity is expected (except for the renovations). Management claimed that they achieved better number's than their expectations, but it is hard to verify, as those were not published previously. The segment had a significant loss on the financial operations, but details were not shared in the report. The acquisition of Hotel Eger & Park strengthens the portfolio in the Bükk region and fits well in the previous strategy. The renovations are under way and on schedule.

Agricultural and Food segment

Agricultural and Food segment, HUF '000'	2022 Q1	2021 Q1	Change
Operating income, total	26 420 041	18 633 789	42%
Operating expenses	29 787 540	17 882 494	67%
Operating EBIT	- 3 367 499	751 295	-
P/L after Taxes	- 4 216 295	- 15 351	-

Source: OPUS

In terms of the agricultural and food segment there were mainly two issues that negatively impacted the first quarter of 2022. The severe lack of rainfall in Q1 significantly hampered the growth of arable crops and autumn sowings which was mixed with a minor frost damage occurred in April. Drastic increases in the input material prices (fertilizer, 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, the wheat prices showed a year-on-year increase of 82 percent, while maize prices rose by 55 percent in Q1. The sale of both the main product and by-product increased by 45% 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 26.42 bn during Q1, which represents a 42% YoY growth, which was driven by increased factory output and food prices increases, which are expected the grow further in the upcoming months. The operating cost grew to HUF 29.79 bn which is a 67% growth YoY driven by increase in the price of raw materials and energy prices. The loss after taxes grew to HUF 4.2 bn due to higher expenses and the negative effect of the financial operations.

Energy Segment

Energy, HUF '000'	2022 Q1	2021 Q1	Change
Operating income, total	37 680 973	-	
Operating expenses	31 994 620	56	
Operating EBIT	5 686 353	- 56	
P/L after Taxes	4 027 138	10 015	

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 40% of the division's total operating income, while OPUS TITÁSZ Zrt. accounted for 60% in Q1 2022. While TIGÁZ achieved the 64% of EBIT and TITÁSZ only 36%. Both TIGÁZ and TITÁSZ achieved better than planned revenue numbers (claimed by management), as volumes increased for both increased. TIGÁZ YoY profit was down by HUF 900 million YoY due to an increase of HUF 300 million in depreciations and increasing network losses of HUF 600 million, as the price of gas increased significantly.

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The report was closed on the 21st of June, 2022.

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