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OPUS INITIATION REPORT

Opus Global

Company Data:	
Recommendation:	Buy
Target Price:	HUF 354
Price:	HUF 230 (23 Sept. 2020.)
52 week range:	HUF 123-394
Market cap (HUF, m):	160 677
Average daily turnover (number of shares):	45 281
Code:	OPUS HB
Equity Analyst:	
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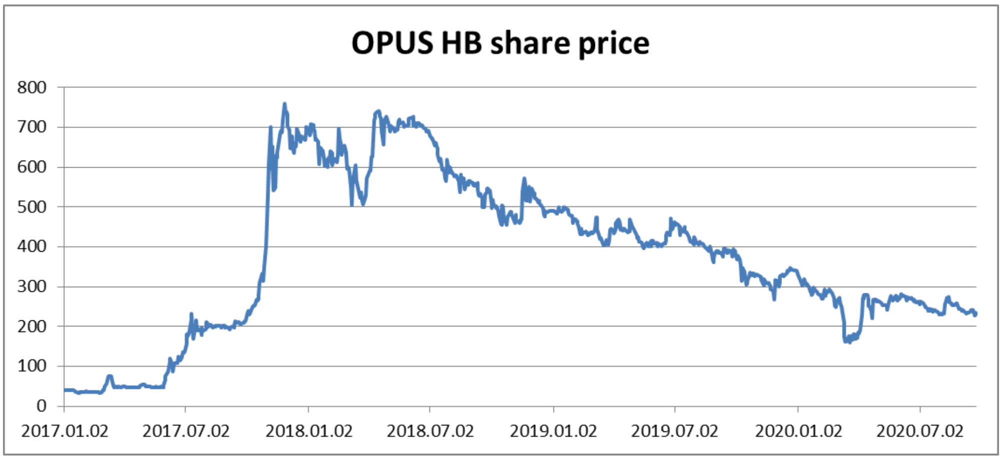
Introduction

Opus Global is a Hungarian investment holding company. The firm has four major segments: **Industry, Tourism, Agriculture and Food, and Asset Management**. Previously Opus had an Energy arm, and through future acquisitions it may decide to return to the field. The current company is the result of the **merger between Opus and Konzum**, and it became the **fifth largest publicly traded Hungarian company**.

The firm gained its current form through **two milestone events**. Firstly, in **2017** both the **management and ownership** had a significant **change**, secondly the aforementioned **Konzum merger**. In 2017, with the change in ownership and management, the firm also changed its focus, and increased its asset significantly. Due to this shift, the firm also **entered** into the **BSE Premium program**.



Source: Bloomberg

The aim of this analysis is to determine the fundamental value of Opus Global Nyrt.. In order to do that we use a **sum of part fundamental analysis**, by **discounting the future expected cash flow**s of the firm. We used the methodology of Damodaran on Valuation: Security Analysis for Investment and Corporate Finance and McKinsey's Valuation: Measuring and Managing the Value of Companies. The detailed analysis and our expectations are discussed at the relevant parts of the paper.

The end result of our analysis is that the **target price of Opus Global is HUF 354 per share**.

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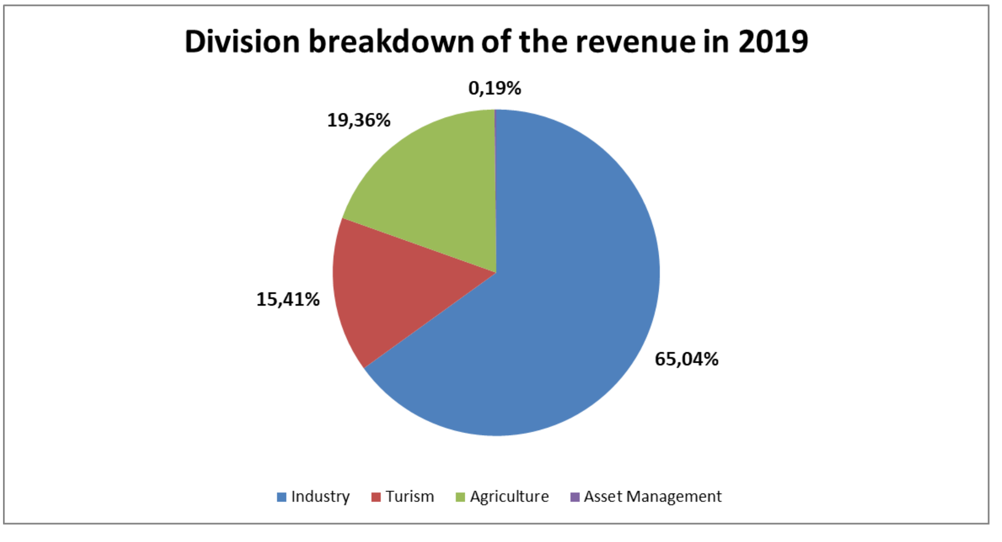
Investment case

Opus Global is one of the largest Hungarian firms, and its **holding structure allows investors to invest in the growth of the Hungarian economy**. The revenues of the firm are coming from numerous sources, making it **more resilient to external shocks**. The **Agricultural and Food** division is indifferent to the macroeconomic environment providing a **stable cash flow** for the holding. The **Tourism** segment provides **significant growth opportunities after the Coronavirus pandemic**. The **Industrial** division can capitalize in the **expansions of the government's infrastructural programs**, and it participates in the largest projects of the country, including the new **Budapest-Belgrade railways**. Our view is that **Opus Global, through its diverse operations, provides one of the best opportunities to capitalize on the expansion of the Hungarian economy.**



Source: OPUS

Ownership Structure

The largest owner of the company is **Konzum PE Magántőkealap**, which is owned by the second largest owner **Mészáros Lőrinc**. The details of the owners with more than 5% stake are shown below:

Owner	Number of shares owned at 2020.07.28.	Ownership
KONZUM PE Magántőkealap	**178 240 361**	**25,40%**
direct	177 154 196	25,25%
indirect (through KPE INVEST Kft.)	1 086 165	0,15%
Mészáros Lőrinc	**172 792 796**	**24,63%**
direct	146 314 411	20,85%
indirect (through STATUS CAPITAL KOCKÁZATI TŐKEALAP-KEZELŐ Zrt.)	26 478 385	3,77%
Talentis Group Beruházás-szervező Zrt.	**46 998 875**	**6,70%**
KONZUM MANAGEMENT Kft.	**49 809 673**	**7,10%**

Source: OPUS

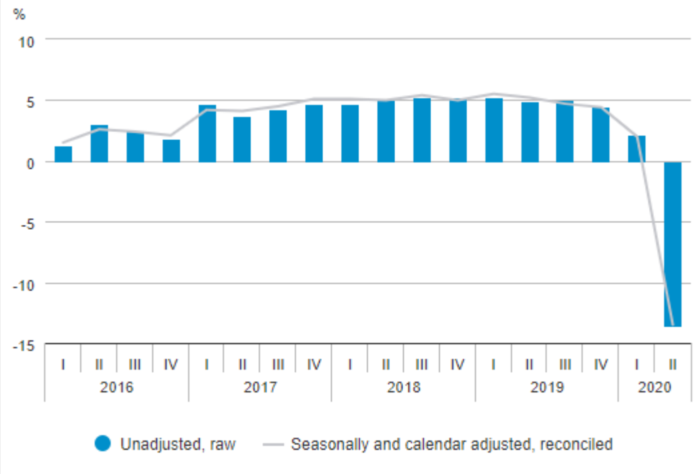
The free float of the company is 26.43%.

Macroeconomic Outlook

Coronavirus

Hungarian GDP decreased by 13.6% YoY in the second quarter. The coronavirus pandemic had a significant, negative effect in most sectors of the economy.

Figure 1: Volume change of GDP
(compared to corresponding period of previous year)



Source: KSH

Using the production approach, we observed that **industrial production fell by 20.1%**, in the subsector level **manufacturing fell by 21.7%**, and the weakest was vehicle production, on the other hand the expansion of pharmaceutical production offset the overall decline in manufacturing. The **services sector decreased by 12.2%**, the worst falls were in arts, entertainment and in the transportation subsector, while the volume of financial and insurance activities increased.

NACE	Industry	2019			2020	
		quarter				
		II	III	IV	I	II
A	Agriculture, forestry and fishing	99.4	98.0	101.0	99.4	97.9
B–E	Manufacturing, mining and quarrying and other industry	103.8	107.6	103.2	101.7	79.9
C	Of which: manufacturing	103.3	108.1	103.0	101.3	78.3
F	Construction	127.2	118.4	111.3	103.0	86.8
G–T	Services, total, of which:	104.3	104.0	104.6	102.4	87.8
G+I	Wholesale and retail trade and accommodation and food service activities	107.7	109.4	110.7	105.0	87.4
H	Transportation and storage	105.5	106.1	106.1	102.6	75.4
J	Information and communication	105.1	106.5	106.9	108.8	98.2
K	Financial and insurance activities	103.9	104.1	104.5	104.4	103.4
L	Real estate activities	104.6	103.9	104.3	102.5	93.2
M–N	Professional, scientific, technical and administrative activities	107.3	106.1	105.8	105.0	85.9
O–Q	Public administration, education and health and social work activities	99.6	97.6	98.0	97.2	87.0
R–T	Arts, entertainment and other services	102.1	101.9	103.1	100.0	72.9
	GDP, total (at purchasers' prices)	**104.9**	**105.0**	**104.5**	**102.2**	**86.4**

Source: KSH

Using the expenditure approach revealed that **household consumption fell by 8.6%**; most of the decline was **caused** by backwardness of **non-resident consumers and tourists**. Gross fixed capital formation fell by 13.5%, while **investment in construction and machinery equipment also fell sharply**. Based on data already published **in the third quarter**, the **industrial production volume showed an upward correction. It fell by only 7.8% in June and 8.1% in July YoY**, after the unprecedented shocks of April and May.

Items of use	2019			2020	
	quarter				
	II	III	IV	I	II
Household final consumption expenditure	104.8	105.0	105.4	105.0	91.6
Social transfers in kind from government	103.0	98.7	102.3	101.1	88.9
Social transfers in kind from NPISHs	108.8	100.6	102.9	103.7	99.8
Actual final consumption of households	104.7	103.8	104.8	104.3	91.4
Actual final consumption of government	98.0	104.0	107.0	102.4	105.8
Actual final consumption, total	103.7	103.8	105.1	104.0	93.4
Gross fixed capital formation	117.8	116.1	107.0	97.4	86.5
Changes in inventories[a)]	x	x	x	x	x
Acquisitions less disposals of valuables[a)]	x	x	x	x	x
Gross capital formation, total	112.3	105.9	109.7	104.3	95.0
Domestic use, total	105.8	104.8	106.6	104.0	93.9
Exports, of which:	103.7	110.2	103.3	99.5	76.0
Exports of goods	102.8	110.3	101.3	100.7	80.1
Exports of services	107.0	109.8	110.6	94.5	61.9
Imports, of which:	104.6	110.2	105.9	101.3	84.2
Imports of goods	104.6	110.4	105.1	102.5	85.0
Imports of services	104.6	109.2	110.2	95.2	79.7
External balance of goods and services[a)]	x	x	x	x	x
Gross domestic product (GDP), total	**104.9**	**105.0**	**104.5**	**102.2**	**86.4**

Source: KSH

We are **expecting an overall 5% economic downturn this year, and an increase by 4.5% in 2021, and 4% in 2022.**

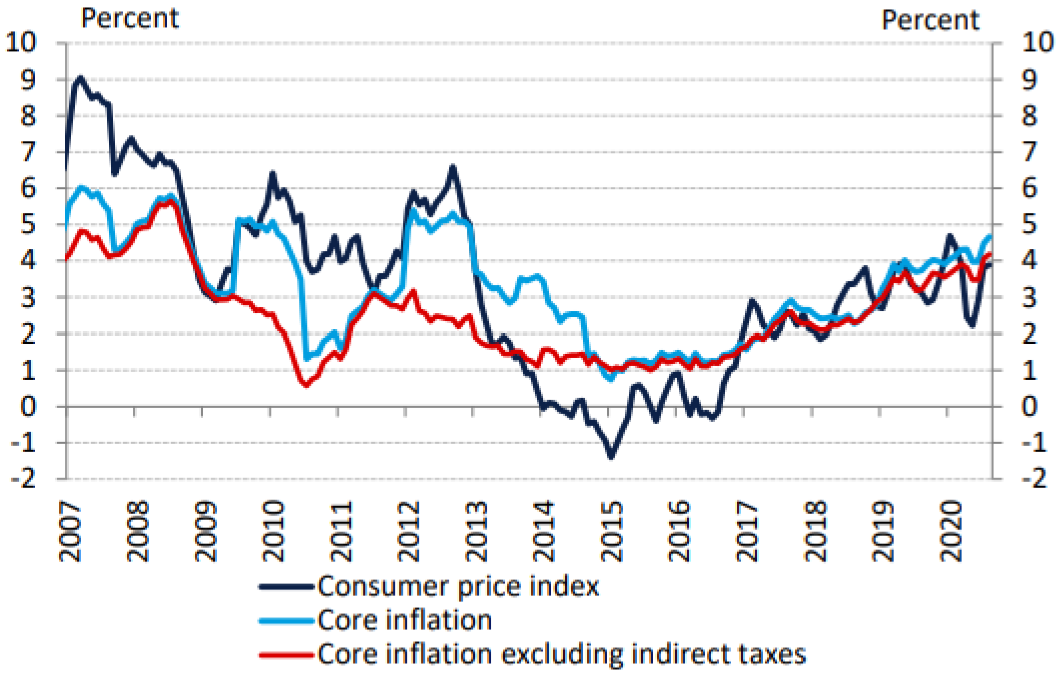
Hungary's GDP growth forecasts:

Institution	2020e	2021e
Hungarian Central Bank	-5,1-6,8%	4,4-6,8%
Ministry of Finance Hungary	-5,00%	4,80%
IMF	-3,10%	4,20%
OECD - single-hit scenario	-8,00%	4,60%
OECD - double-hit scenario	-10,00%	1,50%
European Commission	-7,00%	6,00%

Inflationary pressures

The inflationary pressures intensified this year, primarily due to the significant weakening of the forint. The consumer price rises may moderate somewhat in the last months of the year, which can be mostly explained by the base effect, **it is well above the 3% target level of the central bank**, but still within the tolerance band this year. **We are expecting the inflation to be 3.2% from 2021**, however **monetary tightening may be necessary**

in the future to sustain this level. If the central bank decides to tolerate higher inflation and does not raise interest rates, **the inflation trajectory may shift further in the longer term.**



Source: Hungarian Central Bank

Hungary's CPI forecasts:

Institution	2020e	2021e
Hungarian Central Bank	3,5-3,6%	3,4-3,6%
Ministry of Finance Hungary	2,80%	3,00%
IMF	3,00%	3,10%
OECD - single-hit scenario	3,50%	2,10%
OECD - double-hit scenario	3,50%	1,80%
European Commission	3,00%	2,70%

Our expectations

According to our calculations the **Debt-to-GDP ratio can rise to 75.9%** by the end of the year, as long as the general government **deficit can be 8%**. The debt may decrease again next year, but at a slower pace than previously experienced. It can be 75.5% in 2021 and 74.8% in 2022. The general government **deficit can return close to 3% by 2022**.

Equilor macroeconomic forecasts	2019	2020e	2021e	2022e
GDP growth YoY	4.9%	-5.0%	4.5%	4.0%
CPI YoY	3.4%	3.4%	3.2%	3.2%
ESA balance	-2.0%	-8.0%	-4.0%	-3.0%
Debt-to-GDP ratio	66.3%	75.9%	75.5%	74.8%

Fiscal policy

The Hungarian government has taken several measures against the negative economic effects of the coronavirus pandemic. The programs amounted to HUF 9 000 billion, which consisted of fiscal programs, monetary programs and state guarantees. **A general moratorium on loan repayments** was announced in mid-March for retail and corporate loans, valid until the end of the year. For the next year the moratorium was extended to certain households and companies which revenue declined by more than 25% YoY. **A "Kurzarbeit" program**, a 70% wage subsidy for part-time employees who have lost their working, **has been introduced for the summer** as well as a job-creating investment program worth HUF 450 billion. **The social contribution tax was reduced from 17.5% to 15.5%,** and the SME corporate tax rate was reduced from 12% to 11%. **The tourism sector is strongly supported** by the government, and a **special program for the development of accommodation has been launched.** The sector was supported with HUF 300 billion, in total and the **VAT was reduced to 5% from 18% and the 4% extra tax was suspended**. The most important program was the **Kisfaludy program, where Opus won a significant non-refundable aid**. The finance minister has announced that **new measures will soon be taken**, primarily to support corporate investment and job retention.

Monetary policy

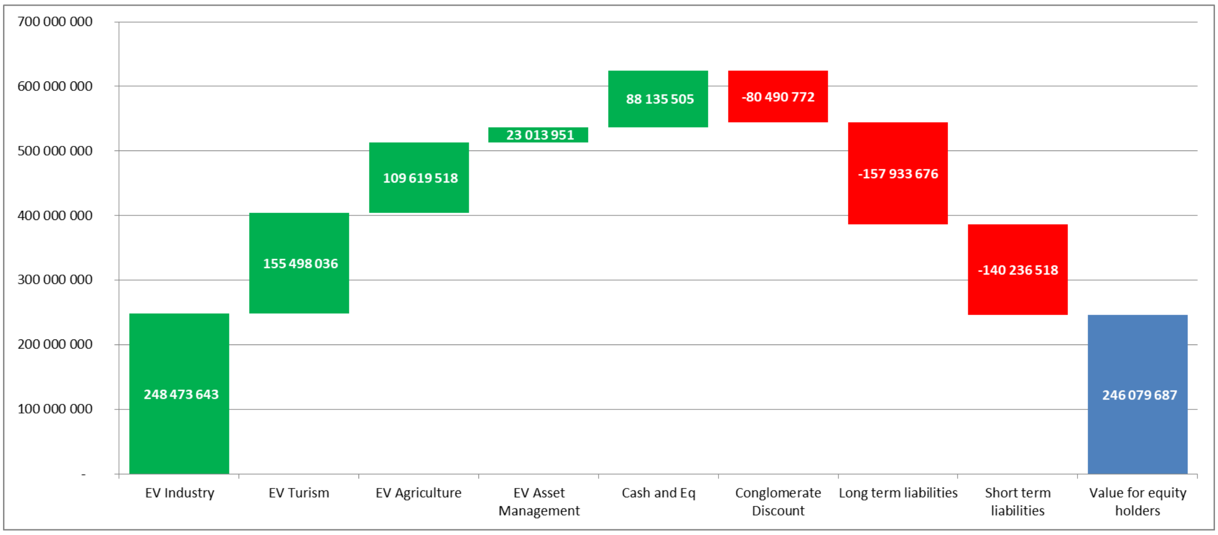
The Hungarian Central Bank cut the key interest rate by another 30 basis points from 0.9% to 0.6%. These steps were justified by the **negative effects of the coronavirus pandemic**. The decision makers of the Central Bank communicated that **there is no room for further interest rate cuts.** If the growth outlook deteriorates permanently, investments will be supported directly by the **Növekedési Hitelprogram Hajrá and the Növekedési Kötvényprogram.** The **possible further weakening of the forint** can indicate a serious upside risk to inflation. In early September, to avoid that, the Central Bank announced the introduction of a **swap facility providing foreign currency liquidity**. The new instrument is made to stabilize foreign exchange swap yields, but it also intended to **reduce the volatility of the EURHUF exchange rate**. Especially at the end of the quarters, greater volatility occurred usually coupled with the weakening of the forint. We expect the Central Bank to dampen this tender at the end of September. We expect that the **interest rates will not fall further**. **Inflation to increase on a lasting basis resulting in interest rates rise in the last quarter of 2021**. If the economy recovers quickly from the crisis caused by the coronavirus pandemic, a **slow but steady monetary tightening may be necessary**. In the recent period, the interest rate differential between Hungary and other countries in the region has disappeared, as the Czech, Polish and Romanian Central Banks have also implemented multi-stage interest rate cuts.

Equilor exchange rate and base rate forecasts:

Equilor exchange rate and Base Rate forecasts	2019	2020e	2021e	2022e
EURUSD	1.1214	1.2000	1.2200	1.2300
EURHUF	330.52	365.00	360.00	355.00
USDHUF	294.74	304.17	295.08	288.62
Fed Base Rate	1.75%	0.25%	0.25%	0.25%
ECB Main Ref. Rate	0.00%	0.00%	0.00%	0.00%
MNB Base Rate	0.90%	0.60%	0.90%	1.20%

Valuation

In order to value Opus Global we used a **sum of parts method** then used a conglomerate discount of 15% to adjust for the corporate costs and the growth potential lost due to the complexity of the operation. We added the **enterprise values of the four main divisions** then we used the **conglomerate discount** then **added the cash and cash equivalent** of the company and finally **extracted the liabilities** of the firm.

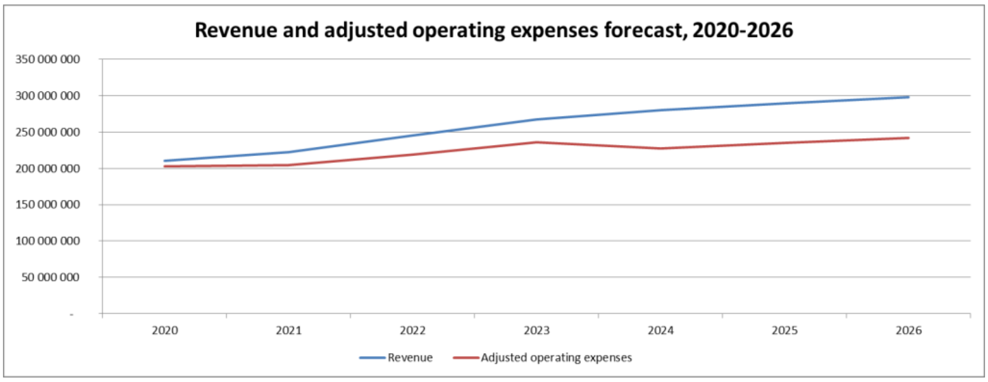


The detailed valuations of the divisions are discussed at the relevant chapters. In general, we used the aforementioned methodologies and used a **scenario analysis** for each business unit as well as **unique WACC**, then **discounted the forecasted cash flows**.

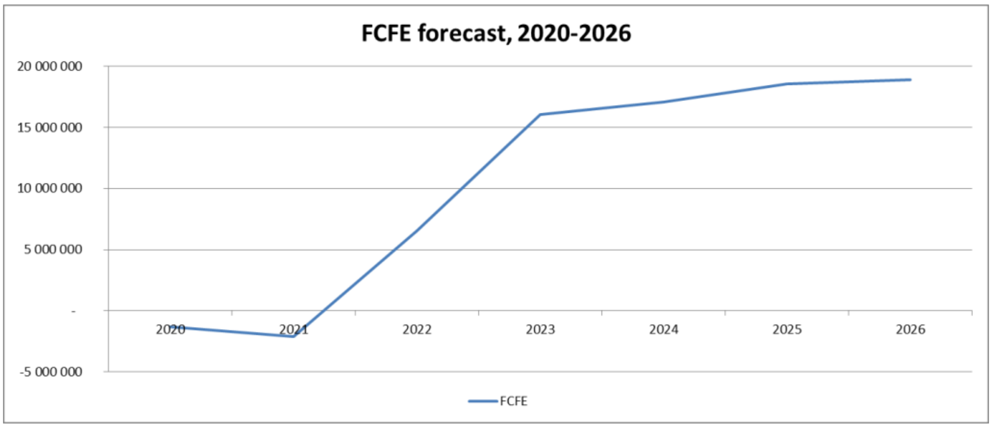
The **weighted revenue and adjusted operating expense forecast** (adjusted with the amortization of the industrial contracts shown as operating expenses) **shows that the company is expected to have positive operating EBIT** in the following years and although the **free cash flow to firm is expected to decrease from 2020 to 2021**, it will **exponentially grow from that year**.

For the tax rate we calculated for a 10% flat rate, that is including a 9% corporate tax rate and an estimate of 1% for the average municipal tax rate.

For estimating segment Beta and the optimal segment leverage we used Damodaran's dataset.[1]



The free cash flow to equity holders' shows a similar picture. It will be **negative in 2020 and 2021**, but from **2023 we expect a stable cash flow generation.** Our view is that **from 2023 the management will be in a position to pay dividend**, even with a conservative **pay out policy of 50% will result in a HUF 12 per share dividend.** The different risk factors will be discussed at a division level.



Industry segment

Opus Global considers the **Industrial Production segment**, which includes Construction and Heavy Industry companies, to be the **most**

[1] http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/Betas.html

important player in its portfolio. It is **accounting for 32% of the Group's consolidated balance sheet and 65% of the revenue**.

Mészáros és Mészáros Kft. primarily performs work related to the **construction of bridges, roads, utilities, waterworks, and engineering facilities in the fields of environmental protection and nuclear energy**. The expertise in the subsidiary has enabled the company to be involved in a **number of largescale projects**. The other 100% subsidiary of Mészáros Építőipari Holding is R-Kord Kft. whose main activity is the **construction, maintenance, planning and licensing of railway overhead lines**. Mészáros és Mészáros Kft. and R-Kord Kft. own 50-50% of the business share of RM International Zrt. which is closely related to the railway development. They also own 19.4-19.5% of the share of Mészáros M1 Autókereskedő Kft.

The Industrial Production segment also includes Wamsler SE and its subsidiaries, which is 99.93% owned by the Parent Company. Wamsler SE is the **largest fireplace and stove manufacturer of Central and Eastern Europe**, its European market share is around 7-8%, according to HKI Industrieverband.

Construction

In 2019, **92% of the revenue of Industrial Production segment came from Construction** activities, while **8% came from Heavy Industry activities**. **Construction companies accounted for 81%, while Heavy Industry companies accounted for 19% of the EBIT line**. There was a significant change in the distribution of sales by business lines compared to 2018 for R-Kord Kft. and Mészáros és Mészáros Kft. The focus shifted within the activities on R-Kord, the **sales from construction and maintenance of railway tracks decreased** by about 8%, while the **sales of telecommunication equipment increased** by the same amount. A similar trend can be observed in Mészáros és Mészáros Kft. where the **ratio of utility and civil engineering has increased significantly**, while **road and rail construction decreased** by the same amount.

Introducing the main companies in the Industry segment

Thanks to its **special expertise** related to **railway safety devices**, R-Kord developed into a medium sized company with two hundred employees within a few years. The development was accompanied by the expansion of the related infrastructure and activities. The company **operates on a project basis, primarily as a main contractor, sometimes with the involvement of subcontractors**. R-Kord Kft. primarily takes part in **large projects**; however, considering that it is **one of the few specialized players in the field of railway safety devices**, it is also a key player in small projects as well as **occasional or regular maintenance tasks**.

R-Kord operates in the following business lines

- Railway safety equipment business
- Railway overhead line business
- Railway telecommunication devices business

Railway safety equipment business

The company carries out a wide range of activities mainly in the following fields:

- Transformation of electrical safety equipment during railway track construction, design and installation of temporary safety equipment.
- Installation of electrical safety equipment in cooperation with the manufacturers (Thales, Siemens.)
- Integration of electrical safety equipment into KÖFI (Central Traffic Control System).
- As part of the safety equipment, the company also designs and builds the necessary cable structures and networks.

Railway overhead line business

The company carries out a wide range of activities mainly in the following fields:

- The construction and renovation of a 25kV, 50 Hz electrical overhead line suitable for the railway track.

- Installation and construction of various electrical equipment and transformer units connected to the overhead line.
- Construction, renovation and conversion of overhead energy remote control systems. Construction of local remote-control systems, which includes meteorological measuring stations, short-circuits sensors and uninterruptible power supplies.
- Construction of low and medium voltage power supply networks.
- Complete construction, renovation, transformation and integration of railway lighting and public lighting networks into central control systems.
- Construction of lighting for underpasses and platform roofs, as well as design of energy supply for mechanical equipment, elevators and pumps connected to underpasses.

Railway telecommunication devices business

The company carries out a wide range of activities mainly in the following fields, implementation of railway telecommunication systems, which includes transmission equipment, radio systems, dispatcher equipment, instruction systems, audible and visual passenger systems, fire protection systems and construction of optical and copper cable networks.

The most significant ongoing projects of the railway telecommunications systems are the design and implementation of the GSM-R radio network on the nearly 2255 km public railway line.

Vision and strategy

In addition to its **small number of major renovation contracts, the company has live contracts for many small and local projects**. The company expects **dynamic revenue growth in the coming years**. The objective of the subsidiary is to **become a dominant player in the domestic market** by increasing their share in the field of **railway construction**. It intends to expand its activities in the long run in order to ensure stable future operations.

Mészáros és Mészáros Kft.

In addition to its own capacity, Mészáros és Mészáros Kft. carries out its projects with subcontractors. As a general contractor, it typically performs tasks related to **technical preparation**, **project management**, **technical supervision and control** with its highly qualified employees. Mészáros és Mészáros Kft. carries out its tasks on a **project basis and takes part in larger investments**.

Mészáros és Mészáros operates in the following business lines

- Utility business
- Civil Engineering business
- Transportation business
- Environmental Protection business
- Atomic Energy business

Utility Business

The business line includes works related to **wastewater investments, water utilities and gas supply** infrastructure. The company is committed to ensure that every household in Hungary receives a high-quality public utility service, for which the company has almost twenty years of experience. Most of the projects are implemented with the support of the European Union, within the framework of the Environmental and Energy Efficiency Operational Program.

Civil Engineering business

The company's civil engineering business includes **classic water management, construction related to flood protection, developments related to increasing protection capacity and the rehabilitation of rivers**. The tasks are large projects in terms of volume, so the water works business is one of the most significant areas of the company.

Transportation business

The company has more than 15 years of experience in **road, rail and bridge construction and reconstruction works**. They consider the participation in the expansion of Hungary's transportation network to be extremely important.

Environmental Protection business

The company has significant experience in building **complex waste management systems required by EU and domestic legislation**. It modernizes municipal waste management infrastructure and technology in line with EU objectives. In addition to the construction of new systems, it also deals with the modernization of the existing sorting systems.

Atomic Energy business

Paksi Atomerőmű Zrt., a crucial power generating company for Hungary's electricity demand, which had a number of tasks for Mészáros és Mészáros Kft. corresponding to the company's core activities last year. The projects require a **strictly controlled, quality work**, so the company has set up a separate business line to carry out them. Mészáros és Mészáros Kft. has the **nuclear energy certification** required for constructions related to atomic energy. The successfully completed projects prove their suitability for work in the field of nuclear energy.

By diversifying the business lines, it is possible to reduce the dependence to one area to another. Based on the experience gained during the past, Mészáros és Mészáros Kft. is able to maintain its decisive role in the construction industry.

Vision and strategy

The company's goal is to be at the **disposal of its customers in solving new social challenges in the field of environmental protection, climate change and energy dependence** and to ensure the company's long term, successful operation. **The company expects a 25-30% increase in revenue** this year compared to the previous year.

Wamsler SE Háztartástechnikai Európai Részvénytársaság

Founded in 1894, the iron foundry and machine factory, merged with the German Wamsler HKT GMBH, has been using the Wamsler name since

1992. The company, which employs around 600 people, has been operating as a European joint stock company since 2008 and has been a member of the Group since 2012.

Wamsler SE is the **largest fireplace and stove manufacturer in Central and Eastern Europe**, its **market share in the region is around 7-8%.** The vast majority of the products, around three-quarters, are **exported mainly to the German, Austrian, and Dutch markets**, but they also have a **significant share in the domestic market**. The Westminster and ClubEdition brands also belong to the company. These brands were created by the Wamsler Group to serve different customer segment.

The company **manufactures self-designed coal, wood, and pellet fired stoves and fireplaces** for its own sales network. They also **manufacture gas fired and electric fireplaces** for large European customers.

Wamsler SE is headquartered in Salgótarján but it also operates two more sites in the city and a branch in Budapest. Production and warehousing take place on the three properties in Salgótarján. The company operates a sample store in the capital. For the sake of accessing Western Europe, primarily Germany they cooperate with the German subsidiary of Wamsler HKT.

Unlike many of its competitors, the plant has **production capacity for the full range of iron and metalworking technologies** required for the production. It has traditional and modern CNC controlled metal processing machines. In 2019, the outdated, loss making foundry was removed from the production chain.

The company has its own experimental lab, helping to develop state of the art energy saving devices. Wamsler put a great emphasis on applying environmentally friendly technologies and the recycling of generated waste.

Strategy

From 2020, R-Kord Kft. has a 60% share in R-Kord Network Kft. which was established with the purpose of **strengthening its role in the business of**

manufacturing power safety devices and **telecommunication equipment** and performs some of its tasks at its own capacity at a predictable price.

Mészáros és Mészáros Kft. intends to ensure the risk of dependence on certain areas by further strengthening its new business lines.

Drawing on more than 140 years of experience, the developments aim to develop forward-looking technologies that will enable Wamsler to become a market leader in the mid-price category.

Valuation

The management expects significant growth in the near future, as the **size of the signed contracts increased significantly from the previous years**. We expect that the **capacity expansions and manufacturing optimizations also increase the potential capacity of the division**. We expect **significant growth** in the next years, but due to the **uncertainty related to the Hungarian economy and the sector we decided to calculate with three different scenarios**. Based on our best estimates we decided to use a **60% weight for the base scenario, a 25% weight for the optimistic scenario, and a 15% weight for the pessimistic scenario**, as our expectation is that the **business is likely to outperform the industry**, and it is likely that the **government will increase infrastructure spending** in order to stimulate the economy.

The main difference between the scenarios is the growth rate in the revenue. The **base model** expects that the **20% growth in contracts will materialize by 2022**, and thus we expect **8%, 7%, and 6% revenue growth rate in the next three years, gradually decreasing to 3% by 2026** and then the operation will have a **2% terminal growth rate**. The optimistic scenario **expect the materialization earlier**, and we also calculated with an **increased infrastructural spending**, resulting in a significantly **larger revenue expansion**. The **pessimistic scenario** is based on the assumption that the **Hungarian economy will be slow to recover** and the **government will decide to decrease infrastructural**

spending, resulting in a **very slow growth rate for the company**. In this scenario we expect the company to have a **minimal terminal growth rate**.

The expectation is that the **company will improve operating margins in the future due to the recent investments** and the decrease in administrative expenses. There is a significant difference between the different scenarios, we are also **more optimistic about margins in the optimistic scenario**. It is important to note, that **amortization related to the contract values of the acquired companies, will have a significant negative effect on the operational EBIT**. We expect that the **contract values currently on the book will reduce to zero by 2024, until then we expect and additional HUF 20 billion of amortizations.** To **compensate for the amortization** effect, which is included in the operating expenses, we **only increased the adjusted 2019 operating expense line**, and then **adding back the amortization effect**. For the amortization we do not differentiate between the scenarios, we expect a constant HUF 2.5 billion and an additional amortization of HUF 20 billion until 2024 related to the acquired contracts.

The **tax rate is expected to be 10%** through the entire analysed time frame, and for **capital expenditure** we expect that the company will have to invest **7% of the yearly revenue in the base scenario, slightly less in the optimistic scenario, and significantly more in the pessimistic scenario**.

	2018	2019
Revenue	30 054 343	140 248 587
Operating cost	31 972 485	146 890 703
EBIT	- 1 918 142	- 6 642 116
EBITDA	- 1 505 576	15 108 406
Non-operating or other	- 170 337	11 411 950
Earnings before tax	- 2 088 479	4 769 834
Net income	- 1 896 640	4 320 025

To estimate **WACC** we made the following assumptions:

- We used a beta of **1.6** as per Damodaran's beta for engineering/construction companies.
- We also calculated with the industry average for the **optimal leverage** of the division, gathering the data from Damodaran's D/E ratio to estimate the D/EV and E/EV ratio of the division.
- We used a **country risk premium of 3.23**, based on the Damodaran data set.
- We calculated with a **3.18% cost of debt**, which is estimated using the only publicly traded fixed income instrument of the company. The management made it clear that they are intended to keep the debt rating, so we expect the yield to stay in this level in the future.
- We expect the **Hungarian risk free rate to gradually increase** in the future.
- The tax rate is 10%.
- We arrived at a **WACC range of 10.5-11.5%.**

WACC calculation	2020	2021	2022	2023	2024	2025	2026
WACC	10,45%	10,45%	10,74%	11,10%	11,46%	11,46%	11,46%
Cost of equity	13,43	13,43	13,83	14,33	14,83	14,83	14,83
Risk free rate	0,60	0,60	1,00	1,50	2,00	2,00	2,00
Equity risk premium	6,00	6,00	6,00	6,00	6,00	6,00	6,00
Country risk premium	3,23	3,23	3,23	3,23	3,23	3,23	3,23
Beta	1,60	1,60	1,60	1,60	1,60	1,60	1,60
Cost of debt	3,18	3,18	3,18	3,18	3,18	3,18	3,18
Risk free rate	0,60	0,60	1,00	1,50	2,00	2,00	2,00
Risk premium	1,20	1,20	1,20	1,20	1,20	1,20	1,20
Tax shield	0,90	0,90	0,90	0,90	0,90	0,90	0,90

D/E as Damodaran	39,27%
Debt/EV	28,20%
Equity/EV	71,80%

As a result we arrived at an **enterprise value of the division to be HUF 248 473 643 thousand**, based on the **base scenario the value is 20% lower, while the optimistic scenario values the division to be twice as**

valuable, under the pessimistic assumption the value is 80% lower. To combine these results with the scenario probabilities we arrived that the **per share enterprise value** of the division is **HUF 357**. **The division is not just the largest contributor to the revenue, but also has the most valuable division of Opus Global.**

OPUS Global Industry division DCF-model		2020	2021	2022	2023	2024	2025	2026
Revenue	Base	151 468 474	162 071 267	171 795 543	180 385 320	187 600 733	193 228 755	199 025 618
		8,00%	7,00%	6,00%	5,00%	4,00%	3,00%	3,00%
	Optimistic	161 285 875	177 414 463	191 607 620	205 020 153	217 321 362	228 187 430	235 033 053
		15,00%	10,00%	8,00%	7,00%	6,00%	5,00%	3,00%
	Pessimistic	144 456 045	148 789 726	153 253 418	157 851 020	162 586 551	167 464 147	172 488 072
		3,00%	3,00%	3,00%	3,00%	3,00%	3,00%	3,00%
Operating expenses	Base	155 773 052	163 919 435	171 115 407	177 160 023	161 874 824	166 731 069	171 733 001
		7,00%	6,00%	5,00%	4,00%	3,00%	3,00%	3,00%
	Optimistic	162 117 587	173 486 994	182 696 214	192 457 987	179 356 306	184 736 996	190 279 105
		12,00%	8,00%	6,00%	6,00%	4,00%	3,00%	3,00%
	Pessimistic	150 697 424	154 618 347	158 656 897	162 816 604	147 101 102	151 514 135	156 059 559
		3,00%	3,00%	3,00%	3,00%	3,00%	3,00%	3,00%
Operational EBIT	Base	- 4 304 578	- 1 848 168	680 136	3 225 297	25 725 909	26 497 686	27 292 617
	Optimistic	- 831 712	3 927 468	8 911 406	12 562 166	37 965 056	43 450 435	44 753 948
	Pessimistic	- 6 241 379	- 5 828 621	- 5 403 479	- 4 965 584	15 485 449	15 950 012	16 428 512
Tax rate		10,00%	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%
NOPLAT	Base	- 3 874 120	- 1 663 351	612 122	2 902 767	23 153 318	23 847 918	24 563 355
	Optimistic	- 748 541	3 534 721	8 020 265	11 305 949	34 168 550	39 105 391	40 278 553
	Pessimistic	- 5 617 242	- 5 245 759	- 4 863 132	- 4 469 025	13 936 904	14 355 011	14 785 661
Ammortization (until 2023 it is inflated)	Base	22 500 000	22 500 000	22 500 000	22 500 000	2 500 000	2 500 000	2 500 000
	Optimistic	22 500 000	22 500 000	22 500 000	22 500 000	2 500 000	2 500 000	2 500 000
	Pessimistic	22 500 000	22 500 000	22 500 000	22 500 000	2 500 000	2 500 000	2 500 000
CAPEX	Base	10 602 793	11 344 989	12 025 688	12 626 972	13 132 051	13 526 013	13 931 793
		7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%
	Optimistic	11 290 011	10 644 868	11 496 457	10 251 008	10 866 068	11 409 372	11 751 653
		7,00%	6,00%	6,00%	5,00%	5,00%	5,00%	5,00%
	Pessimistic	14 445 604	14 878 973	15 325 342	12 628 082	13 006 924	13 397 132	13 799 046
		10,00%	10,00%	10,00%	8,00%	8,00%	8,00%	8,00%
FCFF	Base	8 023 086	9 491 660	11 086 434	12 775 795	12 521 267	12 821 905	13 131 562
	Optimistic	10 461 448	15 389 854	19 023 808	23 554 942	25 802 482	30 196 020	31 026 900
	Pessimistic	2 437 154	2 375 269	2 311 527	5 402 893	3 429 980	3 457 879	3 486 615
WACC		10,45%	10,45%	10,74%	11,10%	11,46%	11,46%	11,46%
DCFF	Base	8 023 086	8 593 615	9 064 242	9 402 161	8 267 744	7 596 092	6 979 962
	Optimistic	10 461 448	13 933 757	15 553 820	17 334 918	17 037 278	17 889 055	16 492 065
	Pessimistic	2 437 154	2 150 535	1 889 899	3 976 181	2 264 802	2 048 554	1 853 279

EV			
TV	Base	2,00%	141 656 851
	Optimistic	3,00%	377 957 090
	Pessimistic	0,00%	30 436 489
EV per scenario	base	199 583 753	60,00%
	optimistic	486 659 430	25,00%
	pessimistic	47 056 893	15,00%
EV total			248 473 643
Fair Value of the division (HUF)			**356,60**

Risks related to the Industry segment

Companies in the construction sector operate on a project basis, mainly in large investments. The largest risk for construction companies is the **implementation of public procurement investments supported by the European Union and financed from domestic sources**. The **profitability** of the companies **depends on the size and volume of the tenders won**. The **largest customer** of the division is the different entities of the **Hungarian government**.

In the case of **Wamsler Group**, the economic outlook may be affected in the short-term by the **demand of households**, while in the longer term, by the increasing quality and price competition. The heating market is highly seasonal. In terms of sales the most significant is the period from August to November (high season).

At the time of publishing the report, the impact of COVID-19 on the operations of the Wamsler Group and other construction companies is uncertain. The expectation is that it **will have a small impact on the operation**, as there was **no general lock down** before the publication of the report.

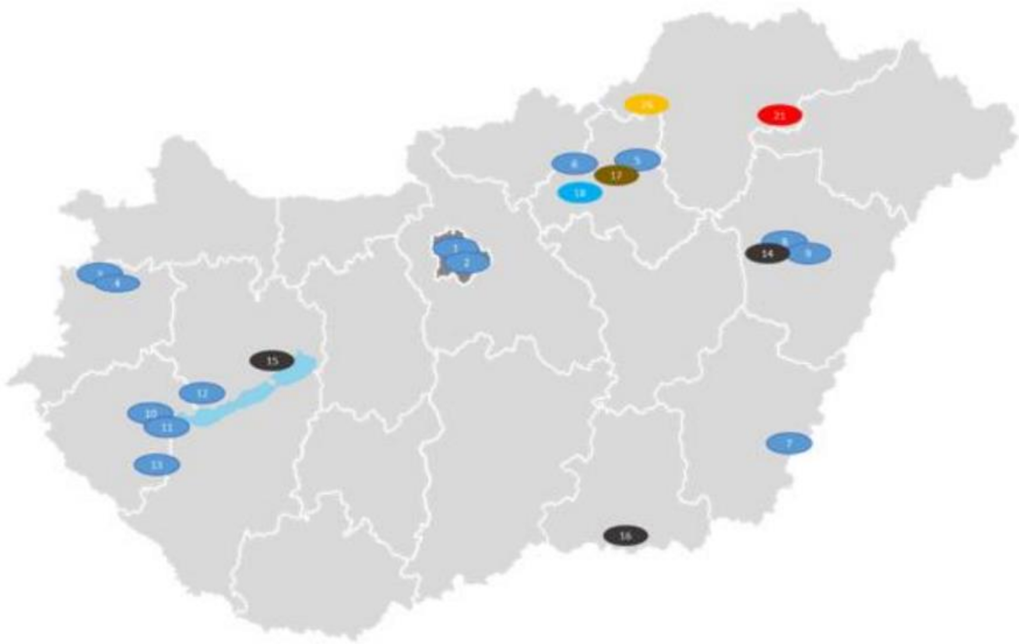
Tourism segment

General

The tourism division of Opus Global is the second most important division of Opus Global, despite the recent turmoil in the sector. The firm **acquired the assets with the KONZUM merger** and it became the owner of **HUNGEST Hotels** which is the **largest domestic hotel operator** owned by a Hungarian entity. The segment operates **domestic hotels and baths** (Hungest Hotels), **foreign hotels** in Austria, Montenegro and Romania (Hungest Hotels) and **camping at Lake Balaton** (Balatontourist). Hungest Hotels **operates 26 hotels**, 20 in Hungary and 6 foreign hotels in the region. The hotels operated by the firm are providing **numerous services** apart from accommodation, most importantly spa and wellness services.

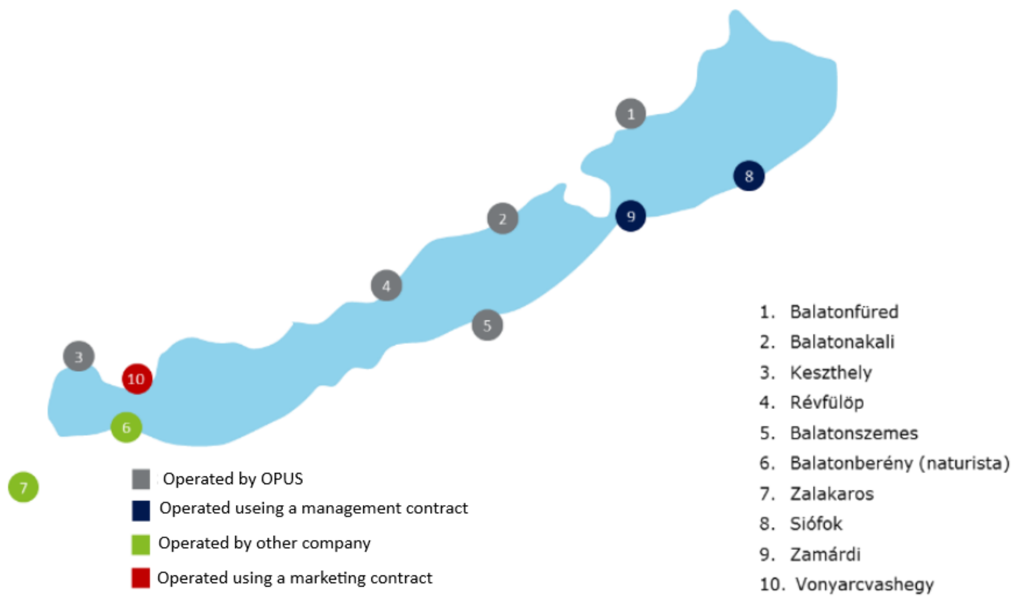
Hotel	Number of available rooms
Aqua Sol	142
Béke/Béke Gyógyfürdő	224
Forrás/Napfényfürdő Aquapolis	196
Grandhotel Galya	126
Répce-Répce Gold	351
Pelion	228
Bál Resort	209
Erkel	308
Saliris/Saliris fürdő	204
Lifestyle	114
Flóra	190
Helios/Helios Gyógyfürdő	210
Panoráma	205
Freya	162
Apolló	55
Sóstó	123
Millennium	122
Platánus	182
Palota	133
Andrássy	41
SunResort (CG)	229
Heiligenblut (A)	113
Landhotel Post (A)	50
Relax Resort (A)	91
Alpenblick (A)	43
Fenyő (RO)	100
Total	**4151**

Source: OPUS



Source: OPUS

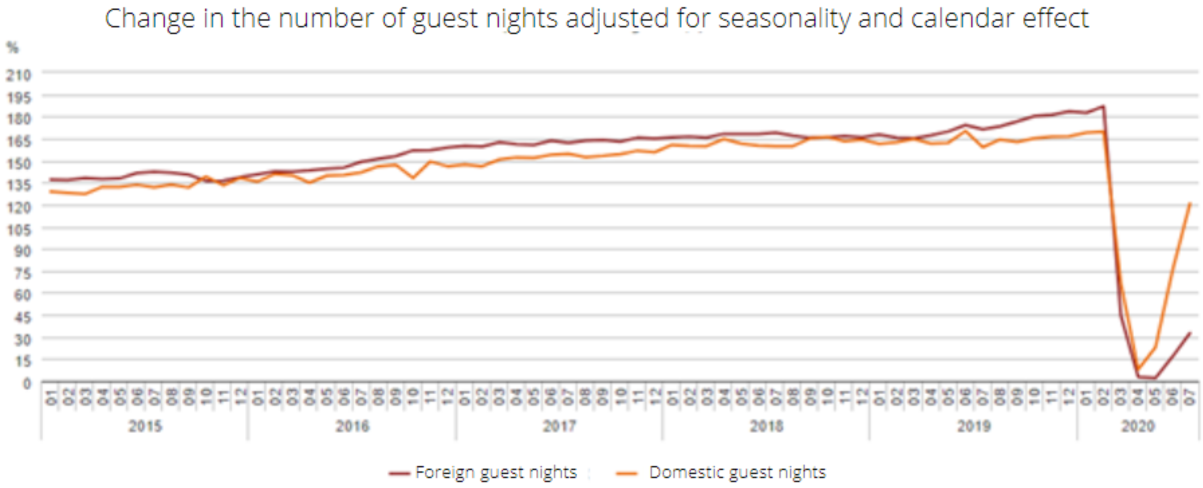
Balatontourist, the non-hotel arm of the segment, **has ten camping around Lake Balaton** either as an operator or in a franchise system. It is the **largest operator in Hungary**. The company operates five camping and the other five is in a franchise. **Balatontourist does not own the camping**, it is mostly **owned by the municipalities** or other private entities, and the company **rents** the areas for operation.



Source: OPUS

Economic conditions and environment of the segment's industry

The tourism segment was **hit one of the hardest in Hungary** and in the region due to the **Covid-19 pandemic**. According to KSH the **number of guest nights in Hungary was down by 97% YoY in April**, and from that point it **increased slightly until July**, when it was **down by 42% YoY**. Until July the total **revenue of the sector was down by 55% YoY**, while the **number of guest nights decreased by 56% YoY**. The decrease was even worse if we only look at **guest nights by foreign tourists** which **collapsed to a 68% YoY** decline. **Budapest was hit the worst**, where even in July the total guest nights declined by 84% YoY (88% decline by foreign and 44% decline by domestic tourists). The **July numbers** show that **hotels registered an 8.6% YoY decline**, while **camping were hit hardest with a 33% YoY decrease.**



Source: KSH

The second half of the year does not seem better for the industry. Due to the increasing diagnosed Covid cases the government decided to **close the borders** and only allow foreigners from the Visegrád countries (Czech Republic, Slovakia, and Poland). This means that the **number of guest nights by foreigners will be minimal from September**, some hotels, especially in **Budapest, become uneconomical to operate**; we expect that some of the **hotels will choose to close or not reopen**.

The sector **received help from the government** this year. At the beginning of 2020 the **VAT was decreased** to 5% from 18% previously, and the introduced **4% tourism contribution was suspended** due to Covid. If everything else would have stayed the same, this **would have increased net revenues by 12% this year**. The government also allocated **extra funds for the Kisfaludy program**, helping the operators to **renovate** their properties. Finally, some of the largest operators were the main **benefactors of the Hungarian "Kurzarbeit" program**, reducing their wage costs.

Equilor expect that the **next year will be better for the sector, but we will not return to the previous guest nights levels until 2022**. Unless the vaccine will be ready in the next months, and the large part of the population will be vaccinated, the expectation is that **some restrictions**

will be still in place during next year, **decreasing revenue from foreign tourists**. The general economic activity is not expected to return to 2019 levels, which will decrease revenue from domestic tourism. The two factors will result in a **Nike swoosh recovery in the sector**.

Valuation

The tourism segment of the firm **faces the largest difficulties in the following years** due to the uncertainty caused by the Covid-19 pandemic. To decrease the dependency on our initial expectations, we decided to use a **scenario analysis** to assess the value of the division. Our **base expectation is that there will be a Nike swoosh like recovery** in the tourism sector, and **occupancy rates will only return in 2022** and the **average room price will increase from 2022** due to the **significant renovations** in the hotels. We gave a **55% chance** to this scenario. In the **optimistic scenario we expect a quicker recovery** and more **significant increase in room prices**, this scenario is only likely if there is a **Covid vaccine** in the near future. We gave a **15% weight** to this scenario. The second most likely and final scenario is **pessimistic**. There will be a **slow recovery** in the sector and **occupancy rates will not return to pre-Covid levels**. Even in this scenario by **2024 we expect the average room price to be higher** than in 2019 due to the **4*plus strategy**. The **likelihood** of the scenario is **30%** according to our expectations.

The management is decided to **renovate the hotels** in the following years in order to **maximize further value**, and to **minimalize lost income**, as the revenue is uncertain due to the pandemic. We calculated the **capital expenditure and yearly average available rooms based on the renovation schedule**, which is summarized in the table below. **The CapEx expectation is the same for all scenarios, and is based on a 50% contribution by the Kisfaludy program**.

Hotel	Number of available rooms	Cost of development (HUF)	Details
Aqua Sol	142	1 589 900 000	raising standards and family-friendly hotel development
Béke/Béke Gyógyfürdő	224	1 290 200 000	raising standards and developing it into a wellness and spa hotel
Forrás/Napfényfürdő Aquapolis	196	1 300 000 000	raising standards and increasing room capacity
Grandhotel Galya	126	1 053 300 000	raising standards and improving wellness
Répce-Répce Gold	351	1 474 850 000	segmentation of hotel, development of a new product in the family and wellness market
Pelion	228	1 957 073 881	development of a wellness and conference hotel and expansion of its family-friendly services
Bál Resort	209	1 454 167 596	development of a wellness and conference hotel
Erkel	308	996 611 035	raising the standard, improving services
Saliris/Saliris fürdő	204	994 131 770	raising the standard, improving services
Lifestyle	114	819 333 720	wellness hotel development
Flóra	190	2 866 250 000	development into a wellness, conference and city hotel
Helios/Helios Gyógyfürdő	210	1 050 081 525	development of wellness and spa hotel, raising the standard
Panoráma	205	458 125 000	general development and improvement
Freya	162	420 050 000	family-friendly development

Source: OPUS

		Development period			Capex			
Hotel	Number of available rooms	Starts	Ends	Available capacity during development	2020	2021	2022	2023
Aqua Sol	142	2022.01.01	2023.04.30	0,00%	-	-	1 192 425 000	397 475 000
Béke/Béke Gyógyfürdő	224	closed	2022.05.31	0,00%	376 308 333	645 100 000	268 791 667	-
Forrás/Napfényfürdő Aquapolis	196	2021.03.01	2022.12.31	50,00%	-	557 142 857	742 857 143	-
Grandhotel Galya	126	closed	2021.05.31	0,00%	614 425 000	438 875 000	-	-
Répce-Répce Gold	351	closed	2023.01.31-06.30	0,00%	279 025 676	478 329 730	478 329 730	239 164 865
Pelion	228	2021.01.01	2022.05.31	50,00%	-	1 381 463 916	575 609 965	-
Bál Resort	209	closed	2021.07.31	0,00%	727 083 798	727 083 798	-	-
Erkel	308	2021.09.01	2022.08.31	0,00%	-	332 203 678	664 407 357	-
Saliris/Saliris fürdő	204	2021.01.01	2021.08.31	80,00%	-	994 131 770	-	-
Lifestyle	114	2021.04.01	2021.12.31	80,00%	-	819 333 720	-	-
Flóra	190	closed	2022.03.31	0,00%	911 988 636	1 563 409 091	390 852 273	-
Helios/Helios Gyógyfürdő	210	closed	2022.02.28	0,00%	350 027 175	600 046 586	100 007 764	-
Panoráma	205	closed	2021.07.31	0,00%	229 062 500	229 062 500	-	
Freya	162	2022.03.01	2023.03.31	0,00%	-	-	323 115 385	96 934 615
				Total	**3 487 921 118**	**8 766 182 646**	**4 736 396 283**	**733 574 480**

	Available rooms			
Hotel	2020	2021	2022	2023
Aqua Sol	142	142	-	95
Béke/Béke Gyógyfürdő	-	-	131	224
Forrás/Napfényfürdő Aquapolis	196	115	98	220
Grandhotel Galya	-	74	126	126
Répce-Répce Gold	-	-	-	176
Pelion	228	114	180	228
Bál Resort	-	87	209	209
Erkel	308	205	103	308
Saliris/Saliris fürdő	204	177	204	204
Lifestyle	114	90	114	114
Flóra	-	-	143	190
Helios/Helios Gyógyfürdő	-	-	175	210
Panoráma	-	85	205	205
Freya	162	162	27	121
Total	**1 354**	**1 251**	**1 715**	**2 630**

Source: OPUS

Related to **non-hotel revenues** we forecasted that even in the **base scenario the revenues will decline this year**, and will **only be higher than pre-Covid level in 2023**, and in the case of **Saliris Fürdő and Napfényfürdő** we expect the **revenue to drop in 2020**, and **only increase significantly after their reopening.**

			2019	2020	2021	2022	2023	2024	2025	2026
Revenue	Hungest Hungary	Base	26 861 672	10 540 475	12 737 570	21 998 203	32 224 343	33 809 138	34 823 412	35 868 114
		Optimistic		12 240 159	13 583 176	23 184 941	35 036 895	37 941 416	39 586 654	40 774 253
		Pessimistic		9 123 716	8 968 059	15 601 853	24 652 291	27 433 584	28 234 235	29 058 459
	Hotels	Base	24 676 976	8 574 249	12 303 994	20 443 329	29 749 312	31 238 588	32 175 746	33 141 018
		Optimistic		10 153 716	13 101 426	21 501 727	32 328 347	35 079 945	36 620 618	37 719 237
		Pessimistic		7 288 112	8 597 811	14 253 039	22 469 576	25 197 927	25 953 865	26 732 481
	Avarage available rooms		3 351	2 010	1 907	2 371	3 286	3 350	3 350	3 350
	Occupancy rate	Base	67,50%	40,00%	55,00%	70,00%	70,00%	70,00%	70,00%	70,00%
		Optimistic		45,00%	60,00%	72,00%	73,00%	74,00%	75,00%	75,00%
		Pessimistic		38,00%	45,00%	60,00%	65,00%	65,00%	65,00%	65,00%
	Number of available room nights		1 223 115	733 650	696 055	865 415	1 199 390	1 222 750	1 222 750	1 222 750
	Number of guest nights	Base	825 603	293 460	382 830	605 791	839 573	855 925	855 925	855 925
		Optimistic		330 143	417 633	623 099	875 555	904 835	917 063	917 063
		Pessimistic		278 787	313 225	519 249	779 604	794 788	794 788	794 788
	Avarage room price	Base	30 756	29 218	32 140	33 747	35 434	36 497	37 592	38 720
				-5,00%	10,00%	5,00%	5,00%	3,00%	3,00%	3,00%
		Optimistic	30 756	30 756	31 371	34 508	36 923	38 769	39 933	41 130
				0,00%	2,00%	10,00%	7,00%	5,00%	3,00%	3,00%
		Pessimistic	30 756	26 142	27 449	27 449	28 822	31 704	32 655	33 635
				-15,00%	5,00%	0,00%	5,00%	10,00%	3,00%	3,00%
	Saliris Fürdő	Base	948 617	853 755	-	1 043 479	1 095 653	1 128 522	1 162 378	1 197 249
				-10,00%	-100,00%	10,00%	5,00%	3,00%	3,00%	3,00%
		Optimistic	948 617	948 617	-	1 090 910	1 200 001	1 260 001	1 297 801	1 336 735
				0,00%	-100,00%	15,00%	10,00%	5,00%	3,00%	3,00%
		Pessimistic	948 617	758 894	-	948 617	977 076	996 617	1 016 549	1 036 880
				-20,00%	-100,00%	0,00%	3,00%	2,00%	2,00%	2,00%
	Napfényfürdő	Base	728 973	656 076	-	-	838 319	880 235	906 642	933 841
				-10,00%	-100,00%		15,00%	5,00%	3,00%	3,00%
		Optimistic	728 973	656 076	-	-	874 768	936 001	982 801	1 012 285
				-10,00%	-100,00%		20,00%	7,00%	5,00%	3,00%
		Pessimistic	728 973	656 076	-	-	765 422	788 384	804 152	820 235
				-10,00%	-100,00%		5,00%	3,00%	2,00%	2,00%
	Subscription revenue	Base	208 095	187 286	177 921	204 609	225 070	236 324	243 414	250 716
				-10,00%	-5,00%	15,00%	10,00%	5,00%	3,00%	3,00%
		Optimistic	208 095	197 690	197 690	237 228	260 951	273 999	282 219	290 685
				-5,00%	0,00%	20,00%	10,00%	5,00%	3,00%	3,00%
		Pessimistic	208 095	166 476	141 505	148 580	163 438	168 341	171 708	175 142
				-20,00%	-15,00%	5,00%	10,00%	3,00%	2,00%	2,00%
	Other revenue	Base	299 011	269 110	255 654	306 785	315 989	325 469	335 233	345 290
				-10,00%	-5,00%	20,00%	3,00%	3,00%	3,00%	3,00%
		Optimistic	299 011	284 060	284 060	355 076	372 829	391 471	403 215	415 311
				-5,00%	0,00%	25,00%	5,00%	5,00%	3,00%	3,00%
		Pessimistic	299 011	254 159	228 743	251 618	276 780	282 315	287 961	293 721
				-15,00%	-10,00%	10,00%	10,00%	2,00%	2,00%	2,00%

We expect **Balatontourist and the foreign hotels to have a higher setback** then the Hungarian Hungest operation. **Balatontourist** is significantly **more dependent on foreign tourist** than the Hungest hotels (43% vs 68% revenue coming from domestic tourists). The **foreign operation is hit extremely hard this year**, especially **Montenegro**, where the **hotels were fully operational for only 40 days**. We expect that even with a significant increase next year the **2019 revenues from the operation will only be exceeded in 2022 or 2023.**

			2019	2020	2021	2022	2023	2024	2025	2026
Revenue	Balatontourist	Base	2 003 987	901 794	1 533 050	2 069 618	2 131 706	2 195 657	2 261 527	2 329 373
				-55,00%	70,00%	35,00%	3,00%	3,00%	3,00%	3,00%
		Optimistic	2 003 987	1 102 193	1 928 837	2 411 047	2 531 599	2 607 547	2 685 774	2 766 347
				-45,00%	75,00%	25,00%	5,00%	3,00%	3,00%	3,00%
		Pessimistic	2 003 987	801 595	1 282 552	1 667 317	2 000 781	2 040 796	2 081 612	2 123 244
				-60,00%	60,00%	30,00%	20,00%	2,00%	2,00%	2,00%
	Hungest foreign	Base	4 035 762	1 614 305	2 744 318	4 390 909	4 610 455	4 840 977	4 986 207	5 135 793
				-60,00%	70,00%	60,00%	5,00%	5,00%	3,00%	3,00%
		Optimistic	4 035 762	1 816 093	3 178 163	4 767 244	5 100 951	5 355 998	5 516 678	5 682 179
				-55,00%	75,00%	50,00%	7,00%	5,00%	3,00%	3,00%
		Pessimistic	4 035 762	1 008 941	2 522 351	3 783 527	4 161 880	4 369 974	4 457 373	4 546 520
				-75,00%	150,00%	50,00%	10,00%	5,00%	2,00%	2,00%

We expect the **operating expenses to decrease significantly in the following years compared to 2019**, firstly due to the **renovation** of the hotels, secondly due to the **participation in the government programs** during the lockdown. Even with the decrease we expect **negative free cash flow to the firm in the next two years**, as **capital expenditures** will have a **significant effect**. **We expect a significant increase in 2023**, as this will be the first year, when **most of the hotels will be fully operational** and can realize the **higher room prices**. The **negative free cash flow will require** some kind of **financing**, but we **do not expect this to affect the group's debt rating**.

		2019	2020	2021	2022	2023	2024	2025	2026
Total Revenue	Base	32 901 421	13 056 574	17 014 938	28 458 729	38 966 504	40 845 772	42 071 146	43 333 280
	Growth		-60,32%	30,32%	67,26%	36,92%	4,82%	3,00%	3,00%
	Optimistic	32 901 421	15 158 445	18 690 176	30 363 231	42 669 445	45 904 962	47 789 106	49 222 779
	Growth		-53,93%	23,30%	62,46%	40,53%	7,58%	4,10%	3,00%
	Pessimistic	32 901 421	10 934 252	12 772 962	21 052 698	30 814 951	33 844 354	34 773 221	35 728 224
	Growth		-66,77%	16,82%	64,82%	46,37%	9,83%	2,74%	2,75%
Operating expenses	Base	29 135 279	11 654 112	14 567 640	23 308 223	31 466 101	32 724 745	33 706 488	34 717 682
	Growth		-60,00%	25,00%	60,00%	35,00%	4,00%	3,00%	3,00%
	Optimistic	29 135 279	11 654 112	13 984 934	22 375 894	30 878 734	32 422 671	33 395 351	34 397 211
	Growth		-60,00%	20,00%	60,00%	38,00%	5,00%	3,00%	3,00%
	Pessimistic	29 135 279	11 654 112	12 819 523	20 511 236	27 690 169	29 905 383	30 503 490	31 418 595
	Growth		-60,00%	10,00%	60,00%	35,00%	8,00%	2,00%	3,00%
Operating EBIT	Base	3 766 142	1 402 463	2 447 298	5 150 506	7 500 402	8 121 027	8 364 658	8 615 598
	Growth		-62,76%	74,50%	110,46%	45,62%	8,27%	3,00%	3,00%
	Optimistic	3 766 142	3 504 334	4 705 242	7 987 337	11 790 711	13 482 291	14 393 755	14 825 567
	Growth		-6,95%	34,27%	69,75%	47,62%	14,35%	6,76%	3,00%
	Pessimistic	3 766 142	- 719 860	- 46 561	541 461	3 124 782	3 938 971	4 269 730	4 309 629
	Growth		-119,11%	-93,53%	-1262,90%	477,10%	26,06%	8,40%	0,93%

To estimate WACC we made the following assumptions:

- We used a **beta of 1.26** as per Damodaran's beta for hotel/gaming companies.
- We also calculated with the **industry average for the optimal leverage** of the division, gathering the data from Damodaran's D/E ratio to estimate the D/EV and E/EV ratio of the division.
- We used a **country risk premium of 3.23**, based on the Damodaran data set.
- We calculated with a **3.18% cost of debt**, which is the estimated using the only publicly traded fixed income instrument of the company. The management made it clear that they are intended to keep the debt rating, so we expect the yield to stay in this level in the future.
- We expect the **Hungarian risk free rate to gradually increase** in the future.
- The **tax rate is 10%.**
- We arrived at a **WACC range of 8.3-9.2%.**

WACC calculation	2020	2021	2022	2023	2024	2025	2026
WACC	8,31%	8,31%	8,57%	8,89%	9,21%	9,21%	9,21%
Cost of equity	11,39	11,39	11,79	12,29	12,79	12,79	12,79
Risk free rate	0,60	0,60	1,00	1,50	2,00	2,00	2,00
Equity risk premium	6,00	6,00	6,00	6,00	6,00	6,00	6,00
Country risk premium	3,23	3,23	3,23	3,23	3,23	3,23	3,23
Beta	1,26	1,26	1,26	1,26	1,26	1,26	1,26
Cost of debt	3,18	3,18	3,18	3,18	3,18	3,18	3,18
Risk free rate	0,60	0,60	1,00	1,50	2,00	2,00	2,00
Risk premium	1,20	1,20	1,20	1,20	1,20	1,20	1,20
Tax shield	0,90	0,90	0,90	0,90	0,90	0,90	0,90

D/E as Damodaran	56,41%
Debt/EV	36,07%
Equity/EV	63,93%

Based on our assumptions and the weights we gave to the different scenarios, we calculated the **division's enterprise value to be HUF 155 498 036 thousand**. If we have a quick recovery and the **optimistic scenario materializes than the value is 105% higher**, while the **base scenario values the division 3% higher**. If the **virus will be part of our everyday** life in the following years, then the **value of the tourism sector is 58% lower** than our calculated enterprise value. The result of our model is that the **per share enterprise value of the tourism sector is HUF 223**.

TV		2019	2020	2021	2022	2023	2024	2025	2026
Tax rate		10,00%	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%
NOPLAT	Base	3 389 528	1 262 217	2 202 569	4 635 456	6 750 362	7 308 924	7 528 192	7 754 038
	Optimistic		3 153 900	4 234 718	7 188 603	10 611 640	12 134 062	12 954 379	13 343 011
	Pessimistic		- 647 874	- 41 905	487 315	2 812 304	3 545 074	3 842 757	3 878 666
Amortization		- 2 147 037	- 1 500 000	- 1 530 000	- 1 560 600	- 1 591 812	- 1 623 648	- 1 656 121	- 1 689 244
				2,00%	2,00%	2,00%	2,00%	2,00%	2,00%
CAPEX		3 000 000	3 487 921	8 766 183	4 736 396	733 574	806 932	871 486	915 061
							10,00%	8,00%	5,00%
Change in working capital		- 814 628	-	-	-	-	-	-	-
FCFF	Base	3 351 193	- 725 705	- 5 033 614	1 459 659	7 608 600	8 125 641	8 312 827	8 528 221
	Optimistic		1 165 979	- 3 001 464	4 012 807	11 469 878	12 950 778	13 739 014	14 117 193
	Pessimistic		- 2 635 795	- 7 278 088	- 2 688 481	3 670 541	4 361 791	4 627 392	4 652 848
WACC			8,31%	8,31%	8,57%	8,89%	9,21%	9,21%	9,21%
DCF	Base		- 725 705	- 4 647 228	1 241 239	5 941 850	5 810 512	5 443 089	5 113 227
	Optimistic		1 165 979	- 2 771 068	3 412 339	8 957 271	9 260 889	8 996 059	8 464 182
	Pessimistic		- 2 635 795	- 6 719 413	- 2 286 183	2 866 467	3 119 045	3 029 933	2 789 687

EV			
TV	base	3,00%	141 463 566
	optimistic	4,00%	281 833 303
	pessimistic	2,00%	65 829 225
EV	base	159 640 550	55,00%
	optimistic	319 318 954	15,00%
	pessimistic	65 992 967	30,00%
EV total			**155 498 036**
Fair Value of the division (HUF)			**223,16**

Risks and Mitigation

The Covid-19 pandemic will last longer than expected: it is already clear that **tourism hit by one of the hardest** due to the virus, but the exact proportion of the damage is still uncertain. We expect that **the sector will return to normal by 2022**, but there is a possibility that the effects will last longer. One of the **tail risks** is that some of the **flight operators default**, which can have a **long lasting effect** on the sector. To mitigate the longitude of the impact, Hungest Hotels decided to **renovate** and **improve their hotels in the next three years**, the company will only return to full **capacity by H2 2023.**

Hungest was a beneficiary of the Erzsébet program, the financing of the program is in question: The government introduced a program where the socially deprived could have applied for a coupon worth HUF 30 000-60 000 and spend it for hospitality services in selected accommodation, Hungest was one of the largest providers. The **future of the program is in question**, as there is limited financing for it, and the government decided to **change the cafeteria system**. Due to Covid-19, the government decided to **increase the cafeteria limit for hospitality services**, so **Hungest** can expect **higher revenue from domestic tourism**, which can **offset** the decreasing revenues from the **Erzsébet program**.

Increasing operating costs due to increasing wages and closing and reopening costs: Hungest was hit hard by the **increasing minimal wage**, as it increased operating costs significantly, a further increase in the minimal wage can decrease operating margins. The government **decreased employer contributions**, which partially offset the increased wage. The increased wages may **decrease employee fluctuation**, decreasing the related costs. Hungest applied for the **Hungarian "Kurzarbeit"** government aid program to **decrease wage costs**, and **mitigate the onetime costs of opening and closing**. In 2020 Hungest **consolidates** the subsidiaries which can result in a significant **reduction in administration costs**.

Increased competition in the sector: Pre Covid the Hungarian tourism sector saw an unprecedented growth in the sector, which **increased competition** significantly. The **Kisfaludy government program also helped operators to renovate**, **increasing the quality of the service** provided. Hungest mitigating the risk by **improving their service**, all their hotels will have a **4* plus** rating by 2023, and it has one of the **strongest brand recognition** in the industry. The **guest card loyalty program** also helps the company to have returning customers and builds **brand recognition** as well. It has more than **110 thousand customers** and they spent more than **HUF 5 billion** in 2019.

Agricultural and Food segment

General

Beside the industrial division the **agricultural and food segment** has a **major importance within the Opus Global**. The given portfolio contributes about **30% to the consolidated balance sheet** of the holding. Opus Global holdings in the agricultural and food industry include the agricultural company of Csabatáj Ltd (74.18% ownership), food industry related VIRESOL Ltd (51% ownership) and KALL Ingredients Ltd (83% ownership) including its subsidiaries.

The division's activities typically focus on **food raw materials, forage materials, starch products, alcohols, egg production and grain production**.

The first element of the given division was Csabatáj Plc which was acquired by Opus Global Plc in 2017. Csabatáj Plc operates in the **mixed farming and egg production segments**. Then in the summer of 2018 the holding acquired 100% of KALL Ingredients in which the ownership of Opus decreased to 83% after MFB Invest Ltd increased the company's capital to 7 million EUR in 2019. KALL Ingredients has one of the biggest **isoglucose factories** in the Central and Eastern Europe region in terms of production capacity. VIRESOL Ltd was acquired in September, 2018. Opus Global has a 51% ownership in VIRESOL Ltd which has one of the **largest starch factories** in the CEE region with a processing capacity of 250,000 tons of wheat per year.

Agricultural and Food division				
Company	**Main business activity**	**Connection**	**Ownership at 2019.12.31.**	**Revenue distribution in 2019**
Csabatáj Agricultural Ltd.	Egg production, mixed farming	Direct	74,18%	5,00%
KALL Ingredients Commercial Ltd.	Maize processing, isoglucose factory	Direct	100,00%	81,00%
KALL Ingredients Trading Commercial Ltd.	Cereal, feed materials	Indirect	100,00%	
TTKP Energy supplier Ltd.	Air conditioning	Indirect	100,00%	
VIRESOL Ltd.	Starch factory	Direct	51,00%	14,00%

Source: OPUS

Economic conditions and environment of the segment's industry:

The **domestic agriculture** industry's performance has been on a **growing** trend for years. The Hungarian **agrarian output** is the **leader in the European Union** in terms of **output growth since 2010** according to the National Chamber of Agriculture. Every year, almost **HUF 500 billion of EU and national aid** is contributed to the actors in the sector to **stabilize income**, reduce risks and help their funding situation to spur growth.

The domestic **agricultural production** contributed **2%** to the total **European Union output** in 2019, which is in line with the previous years' performance. The total output value of agriculture **increased by 3.1% in 2019**, which was contributed by a 0.7% decrease in production volume and a **3.8% increase in producer prices**. The volume of crop production decreased by 2.3%, while animal husbandry increased by 1.7% and that of services by 1%. With the exception of cereals, live animals and potatoes, agricultural production has stagnated or declined[2].

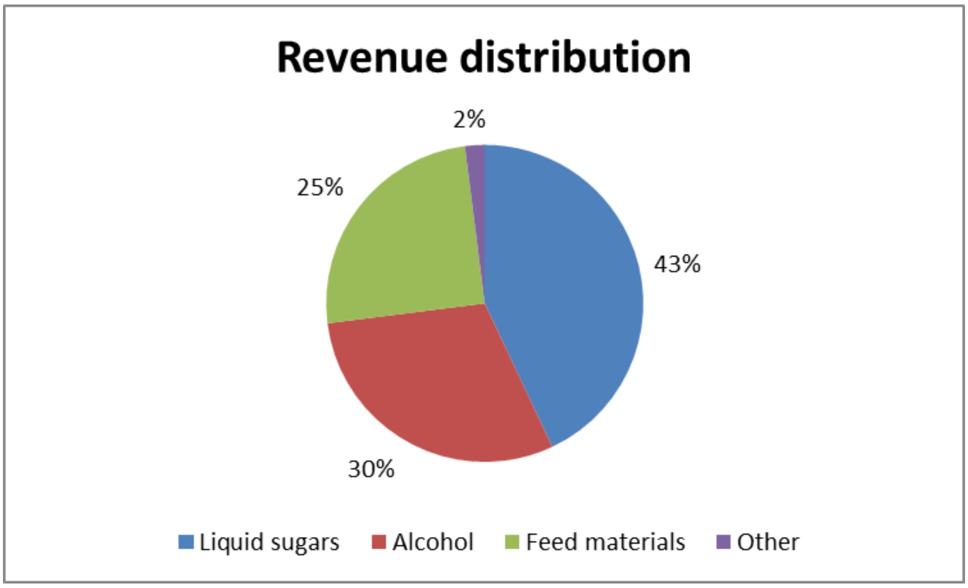
[2] According to the Hungarian Central Statistical Office

Holdings

KALL Ingredients Ltd

Opus Global acquired 100% of KALL Ingredients in the summer of 2018 in which the ownership of Opus decreased to 83% after MFB Invest Ltd increased the company's capital to 7 million EUR in 2019. The company had a 81% contribution to the division's revenue in 2019.

KALL Ingredients Ltd is a **maize processing company** that produces **high value-added food industry raw materials** as well as **feed raw materials** exclusively from GMO-free Hungarian maize. The final products include **liquid sugars, alcohol and feed materials**. KALL Ingredients has one of the **biggest isoglucose factory** in the Central and Eastern Europe region in terms of production capacity. The factory is able to process more than 500,000 tons of GMO-free Hungarian maize annually. The € 160 million greenfield investment has been built with the best available technology to process very clean, waste-free products.

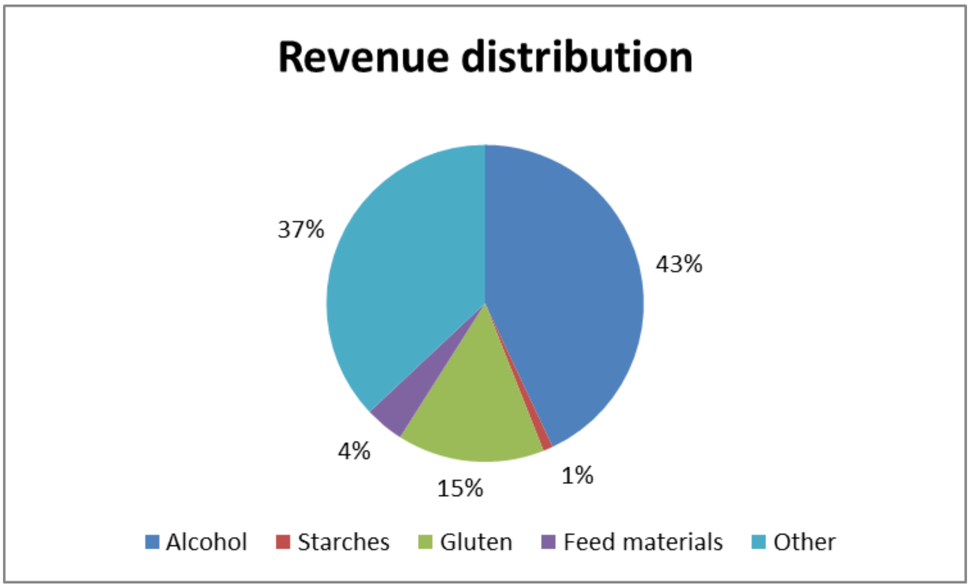


Source: OPUS

VIRESOL Ltd

VIRESOL Ltd was acquired in September, 2018. Opus Global has a 51% ownership in the company which has one of the **largest starch factories** in the CEE region with a processing capacity of 250,000 tons of wheat per year. VIRESOL had a 1**4% contribution to the division's revenue** in 2019.

It is the only plant in Hungary that produces **high-quality wheat-based products** beyond the milling industry. The plant produces a **high value-added commodity** through the processing of the significant portion of the country's wheat export surplus. The raw material is entirely produced in Hungary. The end products are sold in Hungary, European Union and other markets of other European countries. The **export contribution** to VIRESOL's 2019 revenue **was about 50%**. 97% of the company's export revenue came from EU members in 2019. The product groups manufactured by VIRESOL are the following: **native and modified starches, maltodextrin, industrial alcohol, vital wheat gluten, wheat DDGS**. On the customer side the products are sold to the **food, paper, and chemical and feed industries**.



Source: OPUS

Csabatáj Ltd

Csabatáj was the first element of the given division of Opus which was acquired in 2017. The company operates mainly in the **egg production and mixed farming industry** including agricultural services. The company had a **5% contribution to the division's revenue** in 2019.

The main driver of the company is the **egg production segment**, which was responsible for nearly **half of the total revenue** of Csabatáj Ltd in recent years. The eggs are sold only on **domestic market** due to their transport over long distances is not profitable. Csabatáj had a **3.6%** contribution to the **total domestic egg production** of Hungary in 2019.

The company's vision and the stability of the company are ensured by the **strategic development** of commodity egg production, the continuous, safe supply of related crop production and agricultural services, the **modernization and development of existing technologies**.

Valuation

We found **great growth opportunities in the agricultural division** of the holding, given the ongoing **production capacity expansion** and **manufacturing optimization** potential. Although due to the **sector related risks** we decided to calculate with **three scenarios**. Based on our best estimates we decided to use a 70**% weight for the base scenario, a 15% weight for the optimistic scenario, and a 15% weight for the pessimistic scenario**. We focus on **cash flows generated from current businesses** without assuming any other acquisitions Opus may seek in the future in order to expand the division.

The **main difference** between the scenarios is the **growth rate**. The **base model** expects that **9% growth** will materialize in 2020 and thus we expect **8%, 7% and 6% revenue growth rate in the next three years, gradually decreasing to 2% by 2026** and then the operation will have a **2% terminal growth rate**. The **optimistic scenario** expect **greater impact from the manufacturing optimization** on the revenue side, with **lower operating cost increase** resulting in **significantly larger operating margin**. The

pessimistic scenario is based on the assumption that the **domestic economy will be slow to recover resulting in a very slow growth rate for the company**. In this scenario we expect the companies to have a **minimal terminal growth rate**.

We assumed **robust top line growth in the upcoming 2-3** years as the **production capacity expansion** and **manufacturing optimization** will affect the division's revenue growth mainly in these years. In 2019 we saw elevated operating cost due to production capacity expansion related cost and the manufacturing optimization. **Going forward we calculated with moderate operating cost increase** and we **arrive at a high single digit operating margin on the long term**.

To estimate **WACC** we made the following assumptions:

- We used a **beta of 0.89** as per Damodaran's beta for farming and agricultural companies. We also calculated with the **industry average for the optimal leverage** of the division, gathering the data from Damodaran's D/E ratio to estimate the D/EV and E/EV ratio of the division.
- We used a **country risk premium of 3.23**, based on the Damodaran data set.
- We calculated with a **3.18% cost of debt**, which is the estimated using the only publicly traded fixed income instrument of the company. The management made it clear that they are intended to keep the debt rating, so we expect the yield to stay in this level in the future.
- We expect the **Hungarian risk free rate to gradually increase** in the future.
- The **tax rate is 10%.**
- We arrived at a **WACC range of 6.5-7.6%.**

WACC calculation	2020	2021	2022	2023	2024	2025	2026
WACC	6,75%	6,75%	6,99%	7,30%	7,61%	7,61%	7,61%
Cost of equity	9,17	9,17	9,57	10,07	10,57	10,57	10,57
Risk free rate	0,60	0,60	1,00	1,50	2,00	2,00	2,00
Equity risk premium	6,00	6,00	6,00	6,00	6,00	6,00	6,00
Country risk premium	3,23	3,23	3,23	3,23	3,23	3,23	3,23
Beta	0,89	0,89	0,89	0,89	0,89	0,89	0,89
Cost of debt	3,18	3,18	3,18	3,18	3,18	3,18	3,18
Risk free rate	0,60	0,60	1,00	1,50	2,00	2,00	2,00
Risk premium	1,20	1,20	1,20	1,20	1,20	1,20	1,20
Tax shield	0,90	0,90	0,90	0,90	0,90	0,90	0,90

D/E as Damodaran	62,39%
Debt/EV	38,42%
Equity/EV	61,58%

We assumed **CAPEX will decline heavily in the next 2 years** as the division **finalized the production expansion** related expenditures and then **CAPEX will stabilize**.

As a result we arrived at a **total enterprise value of the division to HUF 109 619 518 thousand,** based on the **base scenario the value is 12% lower, while the optimistic scenario values the division to be 2.4x valuable, under the pessimistic assumption the value is 82% lower.** This equals a **per share enterprise value of 157 HUF for the agricultural and food division** of Opus Global.

OPUS Global Agricultural division DCF-model

P&L		2020	2021	2022	2023	2024	2025	2026
Revenue	Base	44 852 978	48 441 216	51 832 101	54 423 706	56 600 655	58 298 674	59 464 648
		9,00%	8,00%	7,00%	5,00%	4,00%	3,00%	2,00%
	Optimistic	47 321 949	53 473 803	57 751 707	60 639 292	64 277 650	66 848 756	68 854 218
		15,00%	13,00%	8,00%	5,00%	6,00%	4,00%	3,00%
	Pessimistic	43 618 492	45 799 417	47 173 399	48 116 867	49 079 205	50 060 789	50 561 397
		6,00%	5,00%	3,00%	2,00%	2,00%	2,00%	1,00%
Operating cost	Base	44 864 066	47 107 269	49 462 633	50 946 512	52 474 907	54 049 154	55 130 138
		5,00%	5,00%	5,00%	3,00%	3,00%	3,00%	2,00%
	Optimistic	45 718 620	48 918 923	51 364 869	52 905 815	54 492 990	55 310 385	56 140 040
		7,00%	7,00%	5,00%	3,00%	3,00%	1,50%	1,50%
	Pessimistic	44 864 066	47 107 269	48 520 487	49 490 897	50 480 715	51 490 329	52 520 136
		5,00%	5,00%	3,00%	2,00%	2,00%	2,00%	2,00%
Opertaing EBIT	Base	- 11 088	1 333 947	2 369 468	3 477 194	4 125 747	4 249 520	4 334 510
	Optimistic	1 603 329	4 554 879	6 386 837	7 733 477	9 784 660	11 538 371	12 714 178
	Pessimistic	- 1 245 574	- 1 307 853	- 1 347 088	- 1 374 030	- 1 401 510	- 1 429 541	- 1 958 739
TV								
Tax rate		10,00%	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%
NOPLAT	Base	- 9 979	1 200 552	2 132 522	3 129 475	3 713 173	3 824 568	3 901 059
	Optimistic	1 442 996	4 099 391	5 748 154	6 960 129	8 806 194	10 384 534	11 442 760
	Pessimistic	- 1 121 016	- 1 177 067	- 1 212 379	- 1 236 627	- 1 261 359	- 1 286 587	- 1 762 865
D&A	Base	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000
	Optimistic	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000
	Pessimistic	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000	3 500 000
CAPEX	Base	2 145 906	1 716 724	1 733 892	1 751 231	1 768 743	1 786 430	1 804 295
		-20,00%	-20,00%	1,00%	1,00%	1,00%	1,00%	1,00%
	Optimistic	2 011 787	1 609 429	1 155 034	1 212 786	1 285 553	1 336 975	1 377 084
		-25,00%	-20,00%	2,00%	2,00%	2,00%	2,00%	2,00%
	Pessimistic	2 280 025	1 824 020	471 734	481 169	490 792	500 608	505 614
		-15,00%	-20,00%	1,00%	1,00%	1,00%	1,00%	1,00%
FCFF	Base	1 344 115	2 983 828	3 898 630	4 878 244	5 444 430	5 538 137	5 596 764
	Optimistic	2 931 210	5 989 962	8 093 120	9 247 343	11 020 641	12 547 559	13 565 676
	Pessimistic	98 959	498 913	1 815 887	1 782 204	1 747 849	1 712 806	1 231 521
WACC		6,75%	6,75%	6,99%	7,30%	7,61%	7,61%	7,61%
DCFF	Base	1 344 115	2 795 247	3 413 532	3 980 640	4 128 524	3 902 646	3 665 097
	Optimistic	2 931 210	5 611 391	7 086 110	7 545 818	8 356 978	8 842 085	8 883 618
	Pessimistic	98 959	467 381	1 589 940	1 454 276	1 325 398	1 206 989	806 474

EV			
TV	Base	2,00%	66 654 791
	Optimistic	3,00%	198 544 707
	Pessimistic	1,00%	12 325 433
EV per scenario	Base	96 338 939	70,00%
	Optimistic	261 940 218	15,00%
	Pessimistic	19 274 850	15,00%
EV total			**109 619 518**
Fair Value of the division (HUF)			**157,32**

Risks

Weather: The agricultural and food industry is specifically **sensitive to the weather**. **Extreme weather conditions** increase frost damage, floods, inland waters damage and the summer is getting longer and drier which can hurt the product quality, yield and **increase the cost side** of the given business due to more irrigation need.

Volatility in the commodity prices: beside the weather related risk, the main risk is the **fluctuating commodity prices** of the segment's products even on medium term. **Changes in average yield** or **unfavourable development** of **wholesale activity** can result in **price fluctuations**.

FX fluctuations of HUF to EUR: the company publishes its results in HUF **while a significant amount of its revenue is incurred in EUR**. Sudden or

dramatic fluctuations in the **EUR/HUF exchange rates** can happen, although the **mid- or long-term trend is more predictable**. On the other hand, **significant strength in the HUF may put pressure in KALL Ingredients and VIRESOL business** as both companies rely heavily on its export.

Change in the regulatory environment: The recent trends show the regulatory environment has become **more environment conscious**. Opus Global holdings' **factories are built based on the most modern technology** to increase both energy and cost efficiency. Despite all the effort, significant **changes in EU regulations** can hurt the business and its margins.

Asset management segment

Opus Global is one of the **most diversified Hungarian holdings** that invest in **high growth potential and strategically important sectors** in Hungary and Eastern Europe. The Company holds **direct and indirect minority interests in companies**, which are managed by **Opus Asset Management**. Opus Global developed its portfolio along a conscious strategy and prepared the merger of Konzum Nyrt., which took place on June 30, 2019. The Asset Management segment in addition to the Parent Company and the four main segments, it **manages liquid and minority ownership investments**. The Asset Management segment includes **three types of institutions**, such as **subsidiaries, associated companies and companies treated as financial instruments**.

Introducing the most important companies of the Group

Parent Company

The parent company, Opus Global has been a member of the Budapest Stock Exchange since 1998. It has been assigned to perform the central administration of the holding structure since 2017 after a significant change of image. Opus is **constantly expanding its investments**. The company intends to conduct **long-term and efficient capital management** by maximizing the utilization of existing portfolios, properties and other resources.

The four subsidiaries

Obra Kft. which is 100% owned by Opus Global has a sole interest in Révay 10 Kft. which owns the **building at 10 Révay Street, Budapest**. Obra Kft. deals exclusively with asset management and does not generate any sales revenue. In terms of streamlining the Holding's portfolio, they decided in March 2020 to merge Obra Kft into its subsidiary, Révay 10 Kft.

The Révay office building is located in the 6th district between Saint Stephen's Basilica and the Opera. The main activity of the company is the **rental of real estate**; its income comes from the utilization of the real estate located at its headquarters. **The occupancy rate** of the building in 2019 **was over 97%.**

Sz és K 2005. Kft. is 100% owned by the Holding which deals with **real estate utilization**. The company performs **wealth management** tasks of the **real estate in Eger**. The company earns its revenue from the rental of parts of the property.

In 2017, Opus Global acquired 40% of KPRIA Magyarország Zrt. that deals with **technical consultancy**. The company was consolidated by Opus Global after the merger as a subsidiary at the end of 2019 with 51.09% stake. Last year the Parent Company recognized KPRIA as an associated company in the Energy sector with a 40% stake at that time, while in 2019 it was reclassified to the Asset Management sector.

Five associated companies

Opus Global acquired 24.67% of **Status Capital Tőkealap-kezelő Zrt.** in July 2017. With this step Opus strengthened its position in the field of **fund management**. They acquired shares in companies with significant potential, like Takarékinfó Központi Adatfeldolgozó Zrt. or Diófa Alapkezelő Zrt. **Status Capital** Zrt. has been possessing Opus shares since 2017, they **currently have a 3.77%** stake in the Parent Company.

In July 2017 Opus Global acquired 24.87% of Takarékinfó Központi Adatfeldolgozó Zrt. The main profile of this company is the **IT and telecommunications support** of the savings cooperative sector, the operation and maintenance of these systems and the implementation of new developments. The services of the company cover the full range of banking and financial institution applications: application operation, architecture design, development, managed telecommunication services and IT technology solutions.

The funds managed by Opus Global Befektetési Alapkezelő Zrt. **hold shares in several public companies listed on the Budapest Stock Exchange**, including the **48.62% stake of the ordinary shares of MKB Bank Zrt.** The company focuses primarily on companies in the **Hungarian energy, financial and real estate sectors**. The Group does not have any ownership interest in their funds.

The main activity of **CIG Pannónia Életbiztosító** Nyrt. is **life insurance**, related insurance and financial insurance services. The non-life insurance services are performed by its 100% subsidiary, CIG Pannónia Első Magyar Általános Biztosító Zrt. (EMABIT). EMABIT focuses on small and medium sized enterprises, state and local government institutions, corporations, professional chambers, associations and federations.

Konzum Management Kft. has been **possessing Opus Global shares** since 2017 and currently has a **7.10% stake** in the Parent Company. Konzum is **treated as an associated company** by the Parent Company, together with two of its subsidiaries (**BLT Ingatlan Kft. and Zion Európa Kft.**).

Fixed financial assets

After the merger with Konzum on June 2019, the **real estate investment activity** of Konzum was inherited by Opus including the **18.7% stake in Appeninn Vagyonkezelő Holding Nyrt**. The main activities of Appeninn include **real estate leasing, related maintenance, operation and marketing services and real estate portfolio management**. After the merger, real estate management is no longer represented among the main segments, so they decided to **sell that division**. The sales took place in **two phases** in November 2019. The **initial** share **decreased from 18.7% to 13.83%** in the first step and **later it decreased by another 9%**. As of 31st of December 2019 the Parent Company has a total shareholding of **4.83%** in Appeninn., which was sold in 2020.

In June 2018, Opus Global submitted a mandatory public tender offer to the Hungarian National Bank as part of a coordinated process, which resulted in the **acquisition of a 13.79% stake in 4iG Nyrt**. By the end of 2019 the shares of the Parent Company decreased to 9.95%. During the second quarter of 2020 they sold the entire stake in the company.

Company	Main business activity	Connection	Ownership at 2019.12.31.
OBRA Ingatlankezelő Kft.	Asset management	Direct	100,00%
Révay 10 Ingatlanfejlesztési Kft.	Asset management, rental of real estate	Indirect	100,00%
STATUS Capital Kockázati Tőkealap-kezelő Zrt.	Fund management	Direct	24,88%
SZ és K 2005. Ingatlanhasznosító Kft.	Real estate utilization	Direct	100,00%
Takarékinfó Központi Adatfeldolgozó Zrt.	IT and telecommunications support	Direct	24,87%
4iG Nyrt.	IT services	Direct	0%*
KONZUM MANAGEMENT Kft.	Real estate investment	Direct	30,00%
BLT Ingatlan Kft.	Asset management	Indirect	30,00%
Zion Europe Ingatlanforgalmazó és Hasznosító Kf	Asset management, rental of real estate	Indirect	30,00%
Appeninn Vagyonkezelő Holding Nyrt.	Real estate leasing, related maintenance, operation and marketing services and real estate portfolio management	Direct	0%*
OPUS GLOBAL Befektetési Alapkezelő Zrt.	Fund management	Direct	47,00%
CIG Pannónia Nyrt.	Life insurance, related insurance and financial insurance services	Direct	24,85%
KPRIA Magyarország Zrt.	Technical consultancy	Direct	50,89%

*OPUS sold its shares in both company during summer, previously OPUS had a 9.95% ownership in 4iG and a 4.83% ownership in Appeninn Vagyonkezelő Holding.

Source: OPUS

Strategy

Opus Global **provides funding** opportunities for its **member institutions** for the sake of achieving profitable growth potential in the medium and long term. Opus Global considers their shares in **CIG Pannónia and Appeninn as a liquid investment** where their basic goal is to generate the highest profit. In the strategic divisions, such as Industry, Food and Agriculture Industry, Tourism and Energy sector, **Opus Global** can create **integrations** that together are more valuable than on their own.

Valuation

In case of the valuation of the asset management division we opted for a simple way to evaluate its fair value. Given the majority of the companies are private companies **our estimates are based on the holdings equity value at the end of 2019**. As OPUS **sold** its stake from the publicly traded companies of **4iG and Appeninn Vagyonkezelő** Holding during summer we **calculated** with the **closing price of each company's stock** on the **day of the publication** of the transactions which is 1 of July and 15 of June respectively. Thus we arrive at a **fair value of HUF 23 013 951 thousand** which translates to a **per share enterprise value of HUF 33 for the asset management division**.

Company	Equity value of Opus at 2019.12.31. (in thousand HUF)
OBRA Ingatlankezelő Kft.	31 056
Révay 10 Ingatlanfejlesztési Kft.	984 986
STATUS Capital Kockázati Tőkealap-kezelő Zrt.	2 242 593
SZ és K 2005. Ingatlanhasznosító Kft.	103 207
Takarékinfó Központi Adatfeldolgozó Zrt.	427 260
4iG Nyrt.*	5 613 790
KONZUM MANAGEMENT Kft.	4 816 778
BLT Ingatlan Kft.	2 379
Zion Europe Ingatlanforgalmazó és Hasznosító Kf	14 418
Appeninn Vagyonkezelő Holding Nyrt.*	811 599
OPUS GLOBAL Befektetési Alapkezelő Zrt.	184 208
CIG Pannónia Nyrt.	7 767 033
KPRIA Magyarország Zrt.	14 643

*OPUS sold its shares in both company during summer, we calculated with the closing price of each company's stock on the day of the publication of the transactions which is 1 of July and 15 of June respectively.

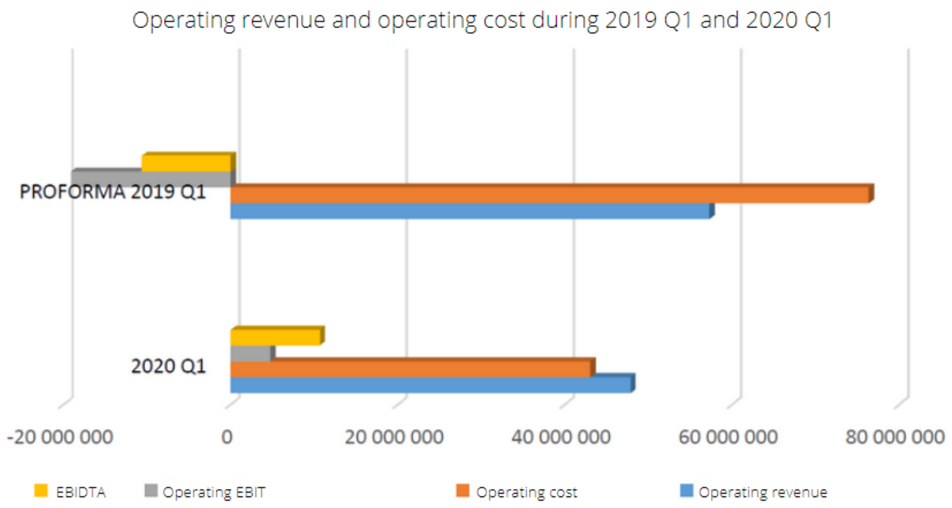
First quarter results

Consolidated Results

In the first quarter of 2020 Opus achieved an Operating EBIT of HUF 4.8 bn, compared to a loss of HUF 19.1 bn in the first quarter of 2019. The sale of the Mátra Erömű and thus the closing of the Energetics segment was the most important reason for the significant YoY change.

The revenue of Opus Global decreased by 16% YoY, while the operating costs decreased by 44% YoY resulting in an operating profit. The firm was able to show a profit, even when there was an extra HUF 4.4 bn, badwill like, amortization cost related to the previously acquired contracts.

The sale of the Energetics segment also decreased the total balance sheet by 17% YoY. The Covid-19 had a limited effect on the firms operation in the first quarter. It only had a significant effect on the Tourism segment.



Source: OPUS

Industry segment

The segment was not held back by the Covid-19 pandemic in the first quarter. Both the construction and the heavy industry companies in the segment were able to operate in a full capacity. Only Wamsler SE saw some disruptions, and it is expected to see more difficulties in Q2. The segment, due to its low leverage, decided to not participate in the loan moratorium.

In the first quarter of 2020 the revenues increased by 10.8% YoY, while the operating expenses were down by 25.5% YoY. This resulted in a significant improvement in operating margin. If we compare the earnings after taxes the segment achieved a significant, 1 200% YoY growth.

The sub segment level shows that 93% of revenue came from the construction arm. As the sales at Wamsler group was down by 1 340 units and production also decreased by 10 075 units compared to Q1 2019.

Tourism division

The segment faces the largest difficulties due to the Covid-19 pandemic. The effect is universal and we observed unprecedented collapse in global travel which can affect the segment in the medium term as well.

To offset the negative effect the Hungest Group decided to participate in numerous government aid programs. The most important is the loan moratorium; this is the only arm of the firm which decided to enter the program. The Hungarian government also decreased employer contribution, which decreased wage costs for the segment. The tourism tax was suspended for the year and there were significant changes in the cafeteria program in Hungary, which will benefit the domestic tourism sector.

The foreign arm of the segment was hit first. In Austria the hotels had to be closed in the 14th of March, and a onetime cost of EUR 110 thousand was occurred due to quarantine in one of the hotels.

Hungary was also partially affected in the first quarter, as management decided to close all the hotels on the 22nd of March. The management also decided to advance the yearly maintenance work and decided to go ahead with firing some of the employees due to significant renovations in the future. The camping were not affected in the first quarter, as they usually open in April.

Due to the effect of the pandemic revenue was down 10.6% YoY, while operating expenses only decreased by 3.9%. This significant decrease in margins resulted in an operating loss and the earnings after taxes also show a loss of HUF, compared to a gain last year.

The revenue decrease can be explained by a significant drop in the occupancy rate, as it was down to 53.6% compared to 60.7% in the same period last year.

Agricultural and Food division

The activities and the main business of the companies in the agricultural segment were not significantly affected by the emergence of the COVID-19 pandemic. In the case of liquid sugar the market prices continued to improve from the beginning of 2020, but the widening of the pandemic situation had a negative impact on sales volume and distribution during the last month of the quarter. The volume of starch production was lower than planned as all plants slowed down the testing of new products due to the restrictions. Another slightly negative impact of the pandemic is that the absence of foreign engineers and professionals has hampered the progress of several projects. Due to pandemic, the sales of alcohol, which is the raw material of hand sanitizers, increased compared to the use for other purposes during the quarter.

In terms of the income statement the revenue grew to HUF 15.1 billion during the quarter which represents a 108% YoY growth, which was driven by increased factory output and the result of the production optimization. The operating cost grew to HUF 13.9 billion during Q1 which is 57% growth YoY, resulting better operating EBIT margin which turned to positive during the quarter. Operating EBIT grow to HUF 1.1 billion vs HUF -1.2 billion in Q1 2019. The net income of the segment grew to HUF 546 million vs a loss of HUF 1 846 million last year.

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