

# EQUITY NOTE: ZWACK UNICUM

**Recommendation: HOLD (unchanged)**

**Target price (12M): HUF 17,046 (unchanged)**

**3 Aug 2018**

**Equity Analyst:**  
Orsolya Rátkai

**Phone:**  
+36 1 374 7270

**Email:**  
ratkaio@otpbank.hu

We maintain our HOLD recommendation on Zwack Unicum (Zwack HB; ZWCG.BU) with a 12M target price of 17,046 HUF/share, 1% higher than the HUF 16,800 closing price on August 2, 2018. Estimated total return is 7% on a 12-month forecast period.

## Summary/Earnings Highlights

- Zwack reported HUF 3.6bn net sales income in April-June 2018, somewhat above our expectation. Quarterly net sales revenues were 11% higher than one year before, thanks to the 13% increase in domestic sales. Zwack's sales growth reflects the increase in both volume and prices while the total market size – the domestic spirit consumption in Hungary – decreased in volume YoY in the April-June period.
- Due to significantly higher raw material prices and rising operation-related other costs, gross profit rate slightly dropped, while EBIT grew by 11% to HUF 613m. EBIT and EBITDA rate remained at 17% and 21%, the same level as a year earlier.
- Net profit jumped by 17% to HUF 494m, resulting in HUF 243 EPS vs. HUF 207 in the April-June period of 2017.
- The tax amendment approved by the Parliament on July 20, 2018 will heavily affect Zwack's long-term sales outlook. In accordance with the prospective tax changes, we had revised down our sales and profit forecast in [our previous report, published on June 28, 2018](#).

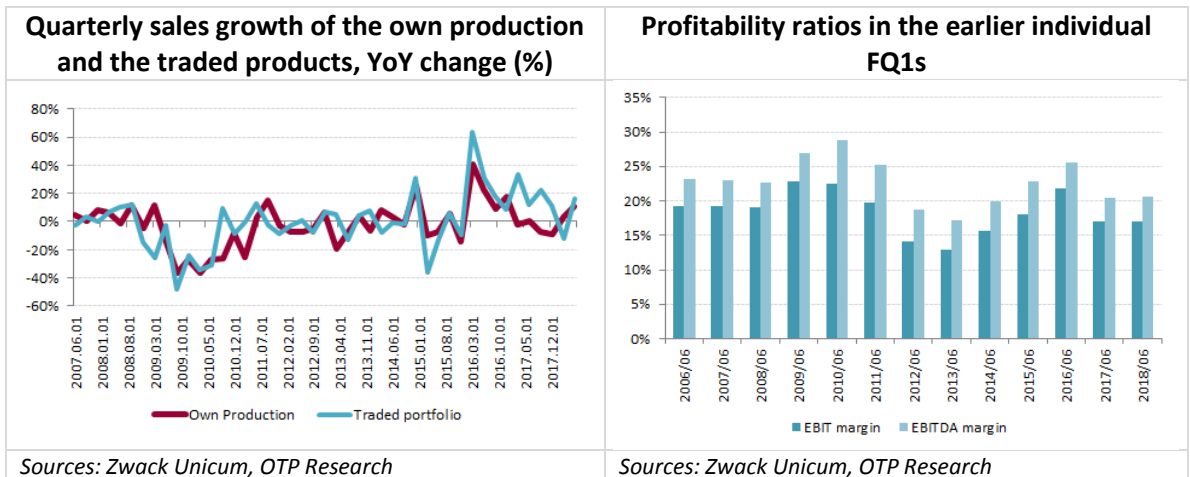
Financial Q1 (HUFm)	2018 Apr-June	2017 Apr-June	YoY Change
Domestic sales	3 251	2 885	13%
Export sales	363	357	2%
<b>Net sales income</b>	<b>3 614</b>	<b>3 242</b>	<b>11%</b>
Material-type costs	1 466	1 284	14%
<b>Gross profit</b>	<b>2 148</b>	<b>1 957</b>	<b>10%</b>
Personnel costs	721	713	1%
Depreciation	134	114	18%
Other operating expenses	821	668	23%
Total operating expenditures	<b>1 676</b>	<b>1 495</b>	<b>12%</b>
Other incomes	141	88	60%
<b>EBIT</b>	<b>613</b>	<b>550</b>	<b>11%</b>
Pre-tax profit	<b>613</b>	<b>551</b>	<b>11%</b>
Tax	119	129	-7%
<b>After-tax profit</b>	<b>494</b>	<b>422</b>	<b>17%</b>

Financial Q1 (HUFm)	2018 Apr-June	2017 Apr-June	YoY Change
EPS (HUF)	243	207	17%
4Q-rolling EPS (HUF)	1118	1040	8%
EBITDA (HUFm)	747	664	12%
Gross profit rate	59.4%	60.4%	-0.9 pp
EBIT rate	17.0%	17.0%	0.0 pp
EBITDA rate	20.7%	20.5%	0.2 pp
ROE	9.5%	8.4%	1.1 pp
4Q-rolling ROE	33.7%	32.0%	1.7 pp
ROA	4.2%	3.8%	0.4 pp
4Q-rolling ROA	20.2%	18.9%	1.3 pp

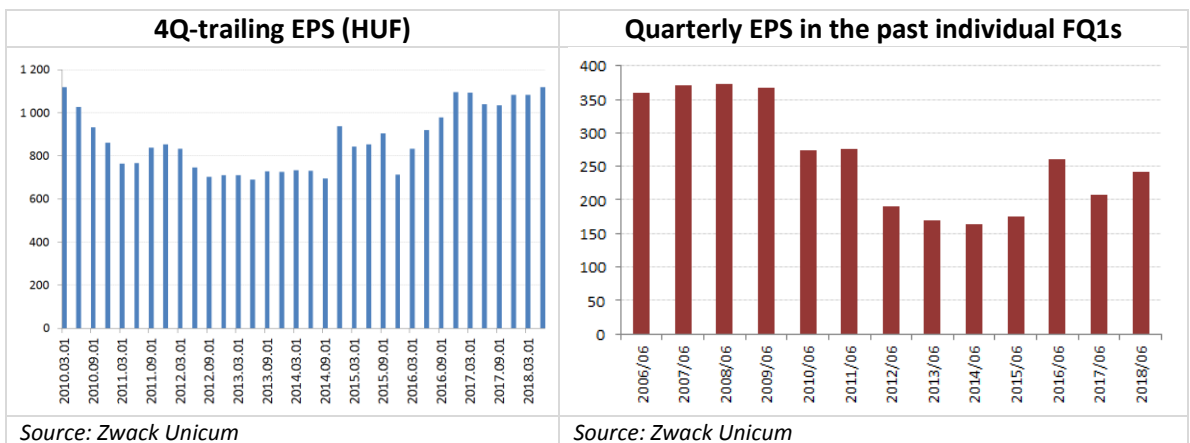
Sources: Zwack Unicum, OTP Research

## The details

- Sales revenues from both the own production and the traded products rose by more than 10% YoY, while consumption in the prime and the quality segments edged higher by 2% and 3%, respectively – according to market research data. Neither the 10.4% growth rate of the sales revenues from the own production, nor the 16% increase of the traded portfolio are extraordinary compared to previous Q1s. Besides growing consumption, the relatively low basis due to earlier stockpiling at the end of 2016 also had a role in double-digit sales growth. Sales income from Zwack’s flagship product, Unicum surged more than the 7% gain registered in the prime segment, while the introduction of Unicum Riserva at the beginning of 2018 also added to the rising sales figures.
- Material-type costs increased by 14% YoY and by exceeding sales growth it resulted in slight (1pp) decrease in gross profit margin. Zwack announced that herbal base material prices had significantly risen, and along with the weakening HUF and higher freight costs, dented profitability.
- EBIT in the April-June period rose to HUF 613m (+11% YoY) and EBITDA increased by 12% YoY to HUF 747m. Both EBIT and EBITDA rates remained at the level reported in April-June last year, and both margins are well above the industrial averages of 8% and 10%, respectively, registered in 2017. Zwack seemingly put a brake on wage costs, but this picture is treacherous: one-time bonus payment increased personnel costs in the base period, while the company increased wages by 8% at the beginning of the current business year resulting in only 1% wage growth YoY. At the same time, other operating expenses increased by 23% YoY due to higher marketing spending. Growing marketing costs are partly related to the introduction of Zwack’s latest new product, Kalimba Madagascar spiced gin, while marketing expenses of Unicum also rose.



- Operating profit margin of the traded portfolio improved to 7.6% from 5.8% in April-June 2017. EBIT rate of the own production slightly decreased to 19.3% from 19.6% in the base period.
- While pre-tax profit increased by 11% YoY, after-tax profit rose by 17% YoY due to smaller tax payment. Effective tax rate dropped to 19% in the April-June period compared to 23% in the same period of last year. After-tax profit margin improved to near 13.7% from 13.0% a year before and equals the long-term average.
- Zwack reported a quarterly EPS of HUF 243 compared to HUF 422 a year before. In historical comparison, the EPS of April-June 2018 is the 2<sup>nd</sup> biggest value in the past six years, when comparing EPS figures of the same period (financial Q1). The company said that such profit growth was not sustainable in the coming quarters.



## Comments

- Zwack’s sales and profit figures in the April-June period exceeded somewhat our quarterly forecast. The public health product tax ('NETA' in Hungarian) will rise by 20% from January 1, 2019 and from that day Unicum and ‘pálinka’ will also be taxed compared to the tax exemption they benefit from now. This implies that wholesalers and retailers probably start building inventories but capacity constraints may hold up heavy stockpiling. Concerning our sales forecasts for the whole business year of 2018/2019, risks are tilted to the upside. Although the macroeconomic environment is favourable, distilled beverages are non-cyclical products; its consumption does not show wide swings at economic up- and downturns. Stockpiling may increase this year’s sales revenues more than

expected, but next year's sales performance can be poorer than, and all in all, it does not affect our long-term cash-flow forecast.

- Higher NETA payment will affect sales volume from 2019 and onward. Therefore we earlier revised down our forecast slightly for the current business year and more markedly for the coming years, as detailed in our equity note of June 28 2018.
- Risks that input costs will grow are now on the upside. With increasing sales prices from 2019 due to higher taxes, it is questionable whether Zwack will be able to pass rising input costs on to customers, as well. If not, future profitability will be under pressure.

## Conclusion

- After the recently announced financial figures of the April-June period, we leave our yearly forecast unchanged.
- We also maintain our long-term forecast; our 12-month target price is HUF 17,046/share with HOLD recommendation.
- The HUF 17,046/share target price is 2% above yesterday's closing price of HUF 16,800, and equals 7.1% 1Y expected total return.

## Risks surrounding our forecast

As Zwack does not publish product level data or data on sold quantities, the uncertainty regarding our sales forecast is moderate to high. When analysing different scenarios we suppose the demand's price elasticity is near -1, but due to the lack of information we did not factor in the probably existing substitution effect among different products or different brands. The substitution effects can play a role as the relative price of Unicum products will be higher after tax changes than competitors' products. We emphasize that, for lack of available data, the forecast bears a considerable uncertainty both to the downside and the upside. If any new information emerges, we will update our forecast.

Profit & Loss Statement (HUF m)	2015/2016	2016/2017	2017/2018	2018/2019F	2019/2020 F	2020/2021F
Domestic net sales	11 033	12 854	12 418	12 962	13 161	13 424
Export sales	1 425	1 427	1 540	1 570	1 585	1 610
<b>Net sales income</b>	<b>12 458</b>	<b>14 281</b>	<b>13 958</b>	<b>14 533</b>	<b>14 746</b>	<b>15 034</b>
Material-type costs	5 306	6 044	6 032	6 557	6 730	6 529
<b>Gross profit</b>	<b>7 152</b>	<b>8 237</b>	<b>7 926</b>	<b>7 976</b>	<b>8 016</b>	<b>8 505</b>
<b>Total operating expenditures</b>	<b>5 781</b>	<b>6 021</b>	<b>6 051</b>	<b>6 234</b>	<b>6 558</b>	<b>7 054</b>
<b>EBIT</b>	<b>2 160</b>	<b>2 959</b>	<b>2 580</b>	<b>2 325</b>	<b>2 066</b>	<b>2 081</b>
<b>Pre-tax profit</b>	<b>2 177</b>	<b>2 940</b>	<b>2 582</b>	<b>2 325</b>	<b>2 066</b>	<b>2 081</b>
Tax	483	714	378	325	289	291
<b>Profit after tax</b>	<b>1 694</b>	<b>2 226</b>	<b>2 204</b>	<b>1 999</b>	<b>1 777</b>	<b>1 790</b>
Dividend	1 725	2 137	2 137	1 933	1 730	1 730
<b>EPS (HUF)</b>	<b>832</b>	<b>1 094</b>	<b>1 083</b>	<b>982</b>	<b>873</b>	<b>880</b>
<b>DPS (HUF)</b>	<b>850</b>	<b>1 050</b>	<b>1 050</b>	<b>950</b>	<b>850</b>	<b>850</b>

Balance sheet (HUFm)	2015/2016	2016/2017	2017/2018	2018/2019F	2019/2020F	2020/2021F
Property, plant, equipment	2 845	2 891	3 205	3 500	3 710	3 803
Intangible assets	119	106	89	94	103	103
<b>Non-current assets</b>	<b>3 283</b>	<b>3 157</b>	<b>3 447</b>	<b>3 838</b>	<b>4 067</b>	<b>4 166</b>
Inventories	1 876	1 862	2 185	2 496	2 321	2 289
Receivables and other current assets	2 162	2 208	2 275	2 395	2 604	2 549
Cash and cash equivalents	2 257	2 809	2 770	2 785	2 804	2 835
<b>Current assets</b>	<b>6 295</b>	<b>6 879</b>	<b>7 230</b>	<b>7 677</b>	<b>7 729</b>	<b>7 674</b>
<b>TOTAL ASSETS</b>	<b>9 578</b>	<b>10 036</b>	<b>10 677</b>	<b>11 515</b>	<b>11 796</b>	<b>11 840</b>
Share capital	2 000	2 000	2 000	2 000	2 000	2 000
Capital reserve	165	165	165	165	165	165
Retained earnings	4 045	4 558	4 662	4 716	4 646	4 853
<b>Total Equity</b>	<b>6 210</b>	<b>6 723</b>	<b>6 827</b>	<b>6 881</b>	<b>6 811</b>	<b>7 018</b>
Long-term loans and other liabilities	360	427	410	406	389	389
<b>Non-current liabilities</b>	<b>360</b>	<b>427</b>	<b>410</b>	<b>406</b>	<b>389</b>	<b>389</b>
Loans and credits	0	0	0	20	23	11
Payables and other short-term liabilities	2 310	2 889	3 384	4 136	4 545	4 397
<b>Current Liabilities</b>	<b>3 008</b>	<b>2 886</b>	<b>3 440</b>	<b>4 228</b>	<b>4 597</b>	<b>4 433</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9 578</b>	<b>10 036</b>	<b>10 677</b>	<b>11 515</b>	<b>11 797</b>	<b>11 840</b>

CONSOLIDATED CASH FLOW (HUFm)						
	2015/2016	2016/2017	2017/2018	2018/2019F	2019/2020F	2020/2021F
EBITDA	2 674	3 474	3 068	2 806	2 734	2 710
Cash flow from operation	2 132	2 601	2 854	2 816	2 777	2 354
Cash flow from investment	-698	-371	-765	-852	-878	-708
FCFF	1 434	2 230	2 089	1 965	1 900	1 646
FCFE	1 445	2 232	2 091	1 985	1 903	1 621

Sources: Zwack Unicum, OTP Research

### Deduction of 12M Target Price

Zwack's valuation (HUFm)	Base Year	2019/2018	2020/2019	2021/2020	2022/2021	2023/2022	FCFE in the explicit period
FCFE	2 091	1 985	1 903	1 621	2 022	2 120	
Discount factor	0,91	0,91	0,91	0,91	0,91	0,90	
DCF	1 913	1 812	1 731	1 470	1 830	1 912	8 755
Terminal Value (HUFm)							33 142
Net Present Value - FCFE (HUFm)							28 889
Net debt							-2 359
Equity value (HUFm)							31 248
Number of shares							2 035 000
Expected return on equity							9,5%
12M Target price (DCF)							16 818
12M Target price (DDM)							17 275
12M Weighted Target price (HUF)							<b>17 046</b>
Current price							16 800
Upside/Downside							1,5%
TR Upside/Downside							7,1%

Source: OTP Research

### Risks surrounding Zwack's economic activity

**Regulatory risk:** In recent years regulatory changes in the industry caused headwinds to the company's profitability. The most notable was the liberalization of spirit distillation at home in small quantities in 2010. The EU lately expressed criticism on discriminative

taxing policy of spirits in Hungary and threatened to start infringement procedure against Hungary. The new regulatory changes (increasing NETA) are aimed to resolve this conflict with the EU and boost budget revenues at the same time.

**Exchange-rate risk:** As the company operates in foreign markets as well and the share of export is increasing among the revenues, in case of an appreciating HUF the exchange-rate risk can be an issue, if not managed properly. At the moment, the weakening HUF poses more risks on the cost side, as most of Zwack's raw materials' price is denominated in EUR, so a significant depreciation of the HUF against the EUR could weigh on the company's profitability. That can be counterbalanced to a certain extent by the higher export revenue in HUF.

**Cost-inflation risk:** Due to the improving economic conditions and labour shortages in various industries, real wages started to increase significantly in 2016 and kept on rising last year. This landscape is hardly expected to change in the near future. As Zwack's business is somewhat labour-intensive (the share of personnel cost is around 30%), it will be heavily affected by sustaining high wages, denting profitability.

**Notes:**

[The initiation report, which contains the assumptions of the models used, is available here.](#)

[The valuation methodology used in this present equity research note to determine our price targets and recommendations is available here. \(Also available in Hungarian\)](#)

This investment recommendation has not used proprietary models.

The risk warning, which includes the adequate explanations of the length of time of the investment to which the recommendation relates as well as a sensitivity analysis of the assumptions, is indicated in the part of this recommendation where the length of time and the risks of the investment are presented.

Any information relating to the date and time for the price mentioned in this recommendation is revealed in the part of the recommendation where the given price is indicated.

OTP Bank Plc's recommendations and price targets history for Zwack Unicum in the past twelve months:

Date	Recommendation	Target Price	Publication
15/12/2017	BUY	HUF 17,668	Initiation Coverage
06/02/2018	HOLD	HUF 17,781	Quarterly Earnings Update
24/05/2018	HOLD	HUF 17,891	Quarterly Earnings Update
28/06/2018	HOLD	HUF 17,046	Earnings Update
20/07/2018	HOLD	HUF 17,046	News Comment
03/08/2018	HOLD	HUF 17,046	Earnings Update

Period	Recommendations	Percent of recommendation
2017Q4	BUY	100%
	HOLD	0%
	SELL	0%
2018Q1	BUY	0%
	HOLD	100%
	SELL	0%
2018Q2	BUY	0%
	HOLD	100%
	SELL	0%
2018Q3	BUY	0%
	HOLD	100%
	SELL	0%

[The list of all recommendations made in the past 12 months is available here.](#)

**Disclaimer 1**

This research/commentary was prepared by the assignment of the Budapest Stock Exchange Ltd. (registered seat: 1054 Budapest, Szabadság tér 7. Platina torony I. ép. IV. emelet; company registration number: 01-10-044764, hereinafter: BSE) under the agreement that was concluded by and between BSE and OTP Bank Plc (registered seat: H-1051 Budapest, Nádor utca 16., Hungary, company registration number: 01-10-041585, hereinafter: OTP Bank or Investment Service Provider).

The BSE shall not be liable for the content of this research/commentary, especially for the accuracy and completeness of the information therein and for the forecasts and conclusions. The Service Provider is entitled to all copyrights regarding this research/commentary however BSE is entitled to use and advertise/disseminate it without amending its content.

This research/commentary shall not be qualified as investment advice specified in Point 9 Section 4 (2) of Act No. CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the Regulations Governing their Activities. Furthermore, this document shall not be qualified as an offer or call to tenders for the purchase, sale or hold of the financial instrument(s) concerned by the research/commentary.

## **Disclaimer 2**

1. Pursuant to the Commission-delegated regulation 2017/565/EU of the European Parliament, the content of this document shall be considered as an investment research, which recommends or suggests an investment strategy, explicitly or implicitly concerning one or more financial instruments or the issuers of financial instruments, including any opinion as to the present or future value or price of such instruments. The statements in this investment research contain objective or independent explanation. Furthermore, pursuant to Directive 2014/65/EU of the European Parliament and of the Council, this document shall be considered as investment recommendation. This document does not take into account investors' individual interests, circumstances, or objectives; therefore, in the absence of personal recommendation, it shall not be considered as an investment advice.  
OTP Bank intends to make this document available to its clients or to the public, or to make it accessible to other persons in a way that allows this document to be disseminated to the public.
2. Information herein reflects the market situation at the time of writing. It provides only momentary information and may change as market conditions and circumstances develop. Additional information may be available on request. Where a figure relates to a period on or before the date of communication, the figure relates to the past and indicates a historic data. Past performance is not a reliable indicator of future results and shall be not treated as such. OTP Bank makes no representation or warranty, express or implied, is made regarding future performance of any financial instrument mentioned in this communication. OTP Bank shall have no liability for the information contained in this for any loss or damage whether direct, indirect, financial, economic, or consequential, whether or not caused by the negligent act or omission of OTP Bank, provided that such limitation of liability shall not apply to any liability which cannot be excluded or limited under the applicable law.
3. The issuer of this report does not claim that the information presented herein is perfectly accurate or complete. However it is based on sources available to the public and widely believed to be reliable. Also the opinions and estimates presented herein reflect a professional subjective judgment at the original date of publication and are therefore subject to change thereafter without notice. Furthermore there can be no guarantees that any market developments will unfold as forecasted. Opinions and estimates constitute our judgment and are subject to change without notice.
4. The issuer(s) of the product(s) mentioned in this document do not hold more than 5% of OTP Bank's registered capital. OTP Bank is a market maker of the financial instrument that is discussed in this document. Neither was OTP Bank a lead-manager (organizer) or joint lead manager (organizer) of any public placement of the issuer's financial instruments (e.g. securities) in the previous 12 months. Regarding investment services defined in Sections A and B of Annex 1 of Directive 2014/65/EU, OTP Bank is not a party of the agreement with the issuer. OTP Bank maintains a conflict of interest policy and it keeps such records, and is has requirements that regulate the transmission of bank secrets and securities secrets, which requirements shall be considered as the effective internal organizational and management solutions as well as information barriers to prevent or manage conflicts of interest. The remuneration of the person(s) participating in preparing the recommendation is not directly related to the transactions carried out as part of the investment services specified in Sections A and B of Annex 1 of Directive 2014/65/EU, or to transactions carried out by them or by other legal entities of the same group or to trading fees that they or another legal person of the same group receive. OTP Bank does not hold net long or short positions that exceed 0.5% threshold of the issuer's total registered capital.
5. OTP Bank has developed appropriate internal procedures for (i) the personal transactions and tradings of financial analysts and other relevant persons, (ii) the physical separation of the financial analysts involved in the production of investment research and other relevant persons; moreover, information barriers have been implemented, (iii) for accepting and managing incentives and remuneration.



6. This communication does not contain a comprehensive analysis of the described issues; it is only for information purposes. No part, chapter, or the entirety of this information shall be considered as investment advice, not even if any part of this document contains a description of a certain financial instrument in terms of its possible price or yield development, and the related investment options. This information shall not be considered as legal, tax or accounting advice.
7. This information reflects the market situation at the time when the document was prepared. You may request more information from OTP Bank. This document was prepared based on publicly accessible information made available to OTP Bank from one or more sources. This document was prepared using data, facts and information from the following essential sources: Bloomberg, Reuters, Hungarian Central Statistical Office, Eurostat, Magyar Nemzeti Bank (Hungary's central bank), and European Central Bank (ECB). Although the information in this document has been prepared in good faith from sources that OTP Bank believes to be reliable, we do not represent or warrant its accuracy or completeness. This document represents the opinion and estimations of analysts at OTP Research, based on publicly available data. You may receive different recommendation from the staff of OTP Bank, in particular if you are provided investment advice based on an investment advice agreement. The content of this document is based on the opinion of OTP Research's analyst at the time when the document was prepared, and they may be subject to change at any time in the future without further notice.
8. Please be informed that, irrespective of the statements of this investment research, OTP Bank is entitled to deal or trade as market maker, acting in good faith and in accordance with the usual way of market-making, with the financial instruments distributed by the issuer(s) specified in this document, as well as to provide other investment activities or ancillary (investment) services, and/or other financial or ancillary financial services to the issuer and other persons.
9. This document shall not be a basis for any further analysis in relation to the financial instruments contained therein. Any reference in this document to the future distribution of a financial instrument shall be construed as indicative, preliminary and informative, and any analysis of such financial instrument is exclusively based on publicly available information listed in the respective prospectus or announcement. The content of this document shall not imply that OTP Bank acts as an agent, a fiduciary, or an advisor to, or on behalf on, any prospective purchaser of the financial instruments discussed herein.
10. For certain persons, access to the products and/or services discussed in this document may not be granted, or it may be limited. The act of preparing this document by OTP Bank, its uploading to the website, its publication may under no circumstances be considered as OTP Bank's intention to make available product and/or service information in the prospectus to persons whom any country or state prohibits from having or obtaining the given product and/or service, including the promotion and the advertisement thereof. This communication and any of the financial instruments and information contained herein are not intended for the use of private investors in the UK and US. OTP Bank is not allowed to provide direct investment services to US investors. Any individual decision or investment made based on this publication is made solely at the risk of the client and OTP Bank shall not be held responsible for the success of the investment decisions or for attaining the Client's target.
11. This publication contains generic presentation of information and knowledge, thus it does not take into account the individual clients' unique and special interests, financial condition, or their ability and willingness to take risks. Therefore please contact our staff or contact your banking consultant for advice before you make an investment decision. The assessment and the consideration of the individual circumstances is provided by the suitability and compliance tests that assess clients' financial knowledge, experience, risk-taking abilities, as well as the examination of the target market.
12. Before making an informed decision to invest and to use the services, please carefully read through all documents, including the documentation, prospectus, regulations, terms and conditions, announcements and key information documents for that product/service, and carefully consider the subject, the risk, the fees and costs of your investment, the possibility of any loss, and seek information about the tax regulations regarding the product and the investment. The prices of financial instruments and securities are changing, outright sales are realized at then current market prices, which may involve losses. The information and opinions in this document do not substitute or take the place of the issuance

documentation for the given financial assets (e.g. prospectus, fund management rules), or their brochures or announcements.

13. You assume total responsibility and risk for any specific decision or investment; OTP Bank shall not be held responsible for the effectiveness of investment decisions or for reaching your purpose, nor for the individual investment decision made based on this document or any part thereof, or for their consequences. Investments in financial instruments carry a certain degree of risk, which may affect the effectiveness of the investment decision, and investors may not receive the whole amount they had expected the investment to yield in their investment targets; they may not preserve even the invested amount, therefore the invested capital might even decrease, be wholly lost, or even lead to additional payment obligation.

14. Trading with leveraged products (such as foreign exchange contracts, or shares and indices that have underlying products) carries a considerable amount of risk, and these products are not suitable for all investors. Trading with leveraged products carries the risk of losing all capital, and it may incur losses that exceed the amount invested.

15. **The figures and information described herein refer to the past, and past performance is not a reliable indicator of future yields, changes, or performance.**

The changes on money and capital markets, the fluctuation of prices, the development of investments and their yields are influenced by the combined effect of multiple factors; one important factor of them is the change in investors' expectations. **The development of prices, the future yield of financial assets, indices or indicators, the examination of their changes, trends, and future performance is based on estimations and forecasts, which forecasts do not allow reliable conclusions to be drawn about the future moves of prices, real future yields, changes, or performance.** For each product and service, please assess their tax accounting implications, and other tax consequences, taking into account that they cannot be precisely assessed without knowing the effective tax regulations of the client's individual circumstances; and these legislative provisions as well as the circumstances may change over time.

16. OTP Bank reserves the right to modify this document in the future, without prior notice. The planned frequency of updates to the recommendation is quarterly. The initiation report preceding this research was published on 18 December 2017.

17. OTP Bank (business registration number: 01-10-041-585; registered seat: Nádor utca 16., Budapest H-1051, Hungary; authorised by Magyar Nemzeti Bank (former supervisory authority: Hungarian Financial Supervisory Authority, 'PSZÁF'). Supervisory authority: Magyar Nemzeti Bank (National Bank of Hungary – H-1054 Budapest, Szabadság tér 9); financial customer services: H-1013 Budapest, Krisztina krt. 39. The terms and conditions of this equity research and disclaimer shall be governed by and construed in accordance with Hungarian law.

18. Please note that the Internet is not a secure environment and OTP Bank does not accept any liability for any loss caused by the result of using this report in a form altered or delayed by the wilful or accidental interception, corruption or virus infection.

19. OTP Bank, in compliance with the applicable law, assumes no responsibility, obligation, warranty or guarantee whatsoever for any direct or indirect damage (including losses arising from investments), or for the costs or expenses, detrimental legal consequences or other sanctions (including punitive and consequential damage) sustained by any natural or legal person as a result of the purchase or sale of financial instruments or engaging investment services described herein, even if OTP Bank was warned of the possibility of such occurrences.

20. If you received this document from OTP Bank Plc, then it was sent to you with your previous consent. You may withdraw this permission by sending an e-mail to [research@otpbank.hu](mailto:research@otpbank.hu) or writing a letter addressed to 'Research Center', Hungary H-1051, Budapest, Nádor utca 21. Please refer to your name and e-mail address in both cases.

21. The personal data in this investment research are processed by OTP Bank. The legal basis for processing the data is the legitimate interest of OTP Bank. The detailed information about the processing of personal data and the related rights of data subjects is available [here](#).

This document was prepared by:

Orsolya Rátkai

Senior Equity Analyst

OTP Research

This document was finalized at 6:14:18 PM on 03 August 2018