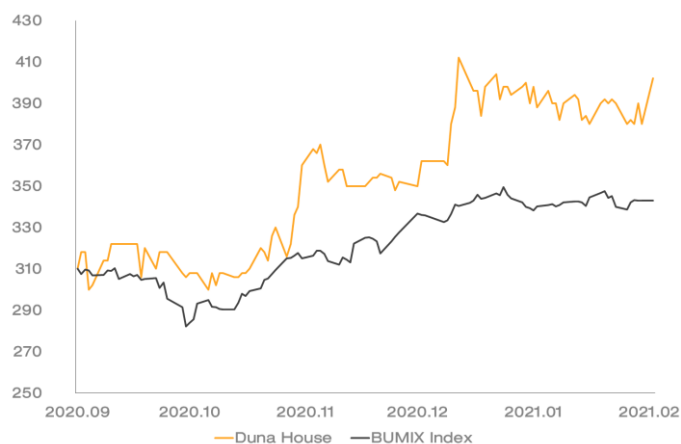


# Duna House

Recommendation: BUY

Target price (12M): under revision (prev: HUF 410)

Hun. Core HUF million	2020 Q4	2019 Q4	Ch (%)
Revenues	2,577	2,113	22%
EBITDA	423	466	-9%
Cleaned core EBITDA	459	400	15%
EBIT	366	412	-11%
Profit	314	315	0%
EPS	9.1	9.1	
Cumulated EPS	37	30	
No. of transactions (ths)	33,923	34,254	-1%



Share price close as of 01/03/2021	HUF 402	Bloomberg	DUNAHHOU5 HB
Number of shares [million]	34,6	Reuters	DUNAHOUSE.BU
Market capitalization [HUF mn/EUR mn]	12,856 / 37	Free float	30%
Daily turnover 12M [EUR th]	1.46	52 week range	HUF 270-450

## Strong results coupled with special dividend

### In short:

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- Duna House reported its Q4 figures on Friday after the bell. The group posted very encouraging quarterly results showing a y-o-y improvement in core EBITDA (+15% y-o-y) mainly thanks to the better operation across all the subsidiaries, while core profit jumped (+10% y-o-y). **But most importantly, the Group surprised investors with a special dividend coming from MyCity project on top of regular dividend (47% of profit), thus DPS will reach 25.5, implying a div yield of 6.3%.**
- **Reported profit** climbed to HUF 313 million (HUF 8 EPS) (-1% y-o-y), while 12 profit reached HUF 1,331 million (HUF 37 EPS) (+24% y-o-y) which exceeded mgmt. FY profit guidance materially (+44%). **Profit from Core operation** was up by 10% on a yearly basis in this quarter while 12M core profit arrived at HUF 1234 million (HUF 35 EPS) (+15% y-o-y). For next year DH's management expects HUF 1,100 million profit please note that core profit excludes profit from development projects (HUF 650 million).

- In the end of Q4 Duna House's **cash level** was at HUF 6.2 billion (restricted cash excluded). Net debt remained at healthy level of HUF 4 billion (excluding loans related to development projects) vs. FY HUF 1.9 billion core EBITDA'21, and the expected cash inflow from (Forest Hill) development HUF 4 billion. DH has been communicating that they expect to grow inorganically using part of the accumulated cash.
- **As for the guidance**, mgmt. reiterated their figures in their 5yr outlook. In which they expect, EPS'21 of HUF 32 EPS'22 of HUF 45 indicating a P/E'21 excluding development of 9.4x and a P/E'22 of 6.7x.
- **On a country breakdown**, Poland clearly was the outperformer this quarter with HUF 141 million EBITDA (+83% y-o-y) while FY EBITDA at HUF 369 million (+115% y-o-y).

### COUNTRY BREAKDOWN

adatok millió Ft-ban	Magyarország		Lengyelország		Csehország		Duna House összesen	
	2020 Q4	2019 Q4	2020 Q4	2019 Q4	2020 Q4	2019 Q4	2020 Q4	2019 Q4
Értékesítés nettó árbevétele	985,7	981,1	1 426,7	955,4	113,9	79,2	2 526,3	2 015,7
EBITDA	274,5	379,1	141,0	77,4	7,1	10,0	422,6	466,4
Működési eredmény	239,0	346,4	119,7	55,9	7,1	9,9	365,8	412,2
Adózott eredmény	223,3	282,4	66,7	26,4	23,3	2,4	313,3	311,2

adatok millió Ft-ban	Magyarország		Lengyelország		Csehország		Duna House összesen	
	2020 Q1-4	2019 Q1-4	2020 Q1-4	2019 Q1-4	2020 Q1-4	2019 Q1-4	2020 Q1-4	2019 Q1-4
Értékesítés nettó árbevétele	3 621,1	3 922,1	5 153,3	3 661,4	320,1	308,2	9 094,5	7 891,7
EBITDA	1 162,2	1 438,0	369,2	171,0	18,8	7,2	1 550,2	1 616,3
Működési eredmény	1 015,3	1 302,9	287,2	88,2	18,8	7,1	1 321,3	1 398,2
Adózott eredmény	1 120,3	1 027,5	181,8	39,8	29,7	1,2	1 331,7	1 068,5

Source: DH

### SEGMENT BREAKDOWN ON EBIT LEVEL.

	Q4 2020	Q4 2019	Ch (%)
<b>EBITDA</b>	<b>423</b>	<b>466</b>	<b>-11%</b>
Franchise	169	92	83%
Own Offices	3	-5	-155%
Loan intermediation	273	238	15%
Other related	30	45	-34%
Real estate mgmt.	-13	111	-112%
Elimination	-39	-15	153%

Source: DH, Concorde

- **Furthermore, we believe that DH is in a unique position to exploit the current uncertainties in the Polish loan & home brokerage segment.** The third largest player in the home brokerage segment went bankrupt in the last year (Home Broker) which has close ties with the second largest player (Open Finance) in the loan brokerage segment. Due to the bankruptcy of Home Broker, employees from Open Finance as well as from Home Broker started to flee as they assume that liquidity issues may spread over to the loan brokerage as well. This uncertainties has created opportunity for DH to increase its market share in Poland. Although this opportunity has a front loaded cost effect (ca HUF 100 million indicated by mgmt.) - as DH will acquire the

employees – and will entail with temporarily lower commissions for the company but the long term gains (fewer market participants thus better leverage at banks to increase commission) will still outweigh the cons, in our view.

- **Opinion: We put out target price under revision to assess the net effect of potential accelerated increase in market share and the temporarily lower avg. commissions.**

#### DH'S SIMPLIFIED P&L

	Q4 2020	Q4 2019	Ch (%)
<b>Revenue</b>	<b>2,577</b>	<b>2,113</b>	<b>22%</b>
Operating revenue	2,526	2,016	25%
Other income	51	98	-48%
<b>OPEX</b>	<b>2,211</b>	<b>1,701</b>	<b>30%</b>
Cost of materials	100	81	23%
Cost of sold goods and services	563	502	12%
Used services	1,531	1,152	33%
Personnel expenses	218	210	4%
Depreciation and amortization	57	54	5%
Other operating expenses	-258	-298	-13%
<b>EBITDA</b>	<b>423</b>	<b>466</b>	<b>-9%</b>
Franchise	169	92	83%
Own Offices	3	-5	-155%
Loan intermediation	273	238	15%
Other related	30	45	-34%
Real estate mgmt.	-13	111	-112%
Elimination	-39	-15	153%
<b>Cleaned Core EBITDA</b>	<b>459</b>	<b>400</b>	<b>15%</b>
<b>EBIT</b>	<b>366</b>	<b>412.1</b>	<b>-11%</b>
Financial income	51	19	169%
Financial expense	62	44	41%
Revaluation	51	-11	-559%
<b>EBT</b>	<b>406</b>	<b>376</b>	<b>8%</b>
Income tax expense	92	61	51%
<b>Net income</b>	<b>314</b>	<b>315</b>	<b>0%</b>
Transaction Number	33,923	34,254	-1%
Intermediated loans [HUF bn]	72,189	53,941	34%
EPS [after split]	9	9	0%
EBIT margin	14%	20%	-27%
EBITDA margin	16%	22%	-42%

Source: DH

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Neutral	Total return is expected to be in the range of 10%-(-10%)
Reduce	Total return is expected to be in the range of -10-(-20%)
Sell	Total return is expected to be lower than -20%
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