

# Duna House

Recommendation: BUY

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

Hun. Core HUF million	2021 Q1	2020 Q1	Ch (%)
Revenues	2,721	2,473	+10%
EBITDA	433	366	+18%
Cleaned core EBITDA	471	372	+27%
EBIT	370	306	+21%
Profit	290	265	+9%
EPS	8	7	+9%
Cumulated EPS	8	7	
No. of transactions (ths)	41	34	+22%



Share price close as of 31/05/2021	HUF 410	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

## Poland was the tailwind in Q1

### In short:

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- Duna House cleaned Core EBITDA and core profit increased by +27% y-o-y and +6% y-o-y respectively, reaching HUF 471 million and HUF 328.2 million in Q1. Profit decreased in Hungary by 10% y-o-y mainly because of timing issues, but strong profit generation in Poland managed to offset the weakness in group level. Group profit reached 26% of the guided profit in Q1. DH trades at 9.5x P/E'21 assuming 100 per share CF from development projects-
- **Key positives:**
  1. Polish operation's profit surged by +170% y-o-y to HUF 59.6 million representing 20% of total profit, with further potential to growth because of organic increase in franchise partners (+6% y-o-y).
- **Key negatives**
  1. Hungarian operation's profit fell by 10% because of flattish loan origination in Q1. We believe this is a timing issue only as loan applications were strong in Q1 (OTP HU reported +35% y-o-y higher number of applications). The reason for the lag is

the high level of new subsidized loan for house renovation which may have swamped capacities.

2. Further delay in case for the Forest Hill project, mgmt. expects the full completion and sale of the flats by the end of 2021.
  3. Still no date for Ex-dividend, we expect it to be announced soon. (DPS 25.5)
- In the end of Q4 Duna House's **cash level** was at HUF 6 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 should an opportunity arise.**
  - **On a country breakdown**, Poland clearly was the outperformer this quarter with HUF 106 million EBITDA (+100% y-o-y) which dynamic further accelerated from Q4 dynamic of 83% y-o-y. Based on management expectation, number of offices in Poland could further gain on the back of the financial uncertainties around one of the largest loan brokerage in Poland.
  - **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**

[HUF mn]	2020				2021	Ch (%)	
	Q1	Q2	Q3	Q4	Q1	Y-o-Y	Q-o-Q
<b>Revenue</b>	<b>2,473</b>	<b>1,939</b>	<b>2,228</b>	<b>2,577</b>	<b>2,721</b>	<b>10%</b>	<b>6%</b>
Operating revenue	2,459	1,892	2,217	2,526	2,539	3%	1%
Other income	14	47	11	51	182	1228%	256%
<b>OPEX</b>	<b>2,167</b>	<b>1,656</b>	<b>1,861</b>	<b>2,212</b>	<b>2,351</b>	<b>9%</b>	<b>6%</b>
Cost of materials	54	63	108	100	59	9%	-41%
Cost of sold goods and services	500	543	666	563	455	-9%	-19%
Used services	1,580	1,169	1,264	1,531	1,652	5%	8%
Personnel expenses	223	155	210	218	191	-14%	-13%
Depreciation and amortization	60	60	53	57	63	7%	11%
Other operating expenses	-249	-334	-441	-258	-69	-72%	-73%
<b>EBITDA</b>	<b>366</b>	<b>342</b>	<b>419</b>	<b>423</b>	<b>433</b>	<b>18%</b>	<b>3%</b>
Franchise	96	60	171	169	184	92%	9%
Own Offices	1	20	25	3	61	8586%	2071%
Loan intermediation	222	241	203	273	200	-10%	-27%
Other related	39	20	37	30	15	-61%	-50%
Real estate mgmt.	38	14	12	-13	-16	-143%	20%
Elimination	-29	-12	-29	-39	-11	-62%	-71%
<b>Cleaned Core EBITDA</b>	<b>372</b>	<b>367</b>	<b>454</b>	<b>459</b>	<b>471</b>	<b>27%</b>	<b>3%</b>
<b>EBIT</b>	<b>306</b>	<b>283</b>	<b>366</b>	<b>366</b>	<b>370</b>	<b>21%</b>	<b>1%</b>
Financial income	51	20	32	51	22	-56%	-56%
Financial expense	30	27	37	62	74	142%	19%
Revaluation	-13	-11	269	51	24	-286%	-52%
EBT	314	265	631	405	343	9%	-15%
Income tax expense	49	60	82	92	53	7%	-42%
<b>Net income</b>	<b>265</b>	<b>205</b>	<b>548</b>	<b>313</b>	<b>290</b>	<b>9%</b>	<b>-8%</b>
Transaction Number	34,034	25,557	37,846	33,923	41,384	<b>22%</b>	<b>22%</b>
Intermediated loans [HUF bn]	69,522	62,314	61,571	73,050	73,534	<b>6%</b>	<b>1%</b>
EPS [after split]	7.3	5.7	15.5	8.0	8.1	<b>11%</b>	<b>1%</b>
EBIT margin	12%	15%	16%	14%	14%	<b>10%</b>	<b>-4%</b>
EBITDA margin	15%	18%	19%	16%	16%	<b>184%</b>	<b>-3%</b>

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HU	312	251	325	275	320	3%	17%
PL	54	90	85	141	106	99%	-25%
CZ	0.8	1.1	9.9	7.1	6.8	750%	-4%

Source: DH

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