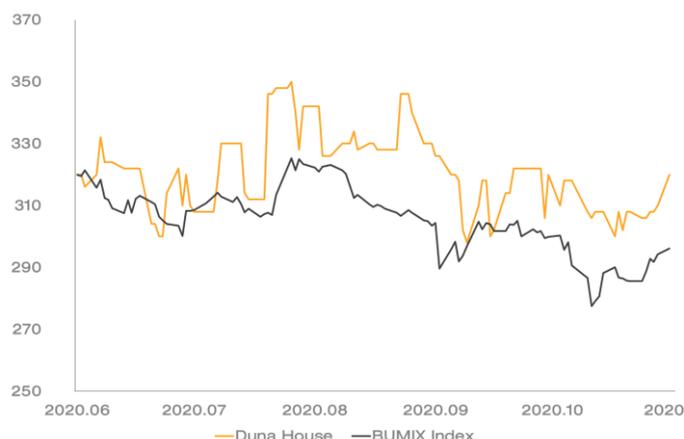


Duna House

Recommendation: BUY

Target price (12M): HUF 410

Hun. Core HUF million	2020 Q3	2019 Q3	Ch (%)
Revenues	2,227	2,030	10%
EBITDA	419	400	5%
Cleaned core EBITDA	454	398	14%
EBIT	367	344	6%
Profit	549	258	117%
EPS	16	7	125%
Cumulated EPS	29	21	36%
No. of transactions (ths)	37,846	38,073	-1%



Share price close as of 30/11/2020	HUF 360	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

Decent results, dividend is on the table

In short:

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- Duna House reported its Q3 figures on Friday BMO. The group posted decent quarterly results showing a y-o-y improvement in EBITDA (+5% y-o-y) mainly thanks to the better operation across all the subsidiaries, while profit jumped (+117% y-o-y) because of the consolidation of one of the development projects – in which DH does not have 100% stake. **But most importantly, the Group announced the return of dividend even for the last year (DPS 13) and the return of their dividend policy, with which together the company will pay out a DPS of 30 – 33 next year (DY:8.5 – 9%).**
- **Reported profit** climbed to HUF 549 million (HUF 10.6 EPS) (+117% y-o-y), while 9M profit reached HUF 1,018 million (HUF 29 EPS) (+34% y-o-y). **Profit from Core operation** was up by 19% on a yearly basis in this quarter while 9M core profit arrived at HUF 913 million (HUF 25 EPS) (+16% 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.

- In the end of Q3 Duna House's **cash level** was at HUF 6 billion (restricted cash excluded) after the bond issuance. Net debt remained at healthy level of HUF 4 billion (excluding loans related to development projects) vs. FY HUF 1.8 billion core EBITDA'21, and the expected cash inflow from developments HUF 2-3 billion. DH has been communicating that they expect to grow inorganically using part of the accumulated cash.
- **As for the guidance**, since 9M cleaned core profit **has already reached management (+6%) and way above our FY profit expectations** for this year (+42%), therefore it is not a question to meet by year end. Profit came much better than we had forecasted primarily because of DH's cost cutting initiatives, which may prompt us to revise our earnings trajectories. On the development side, due to postponement of the completion of the Forest Hill Park to 2021 will also delay the realization of the expected profit.
- **On a country breakdown**, Hungarian operation was flat (9M -16% y-o-y), while polish subsidiary came slightly above last year's Q3 EBITDA (+3% y-o-y; 9M +143% y-o-y).

COUNTRY BREAKDOWN

in million HUF	Hungary		Poland		Czech Republic		Duna House Group	
	2020Q3	2019Q3	2020Q3	2019Q3	2020Q3	2019Q3	2020Q3	2019Q3
Net sales revenue	961,9	940,5	1.172,3	973,6	82,7	79,2	2.216,9	1.993,2
EBITDA	324,7	322,1	84,7	82,5	9,9	-4,5	419,2	400,1
Operating income	292,1	287,1	64,5	61,8	9,9	-4,5	366,5	344,4
Profit after tax	499,7	216,6	42,9	41,3	6,0	-5,2	548,5	252,7

in million HUF	Hungary		Poland		Czech Republic		Duna House Group	
	2020Q1-Q3	2019Q1-Q3	2020Q1-Q3	2019Q1-Q3	2020Q1-Q3	2019Q1-Q3	2020Q1-Q3	2019Q1-Q3
Net sales revenue	2.635,3	2.941,1	3.726,6	2.706,0	206,2	229,0	6.568,2	5.876,0
EBITDA	887,7	1.059,0	228,1	93,7	11,7	-2,8	1.127,6	1.149,8
Operating income	776,3	956,5	167,5	32,3	11,7	-2,8	955,5	986,0
Profit after tax	896,9	745,1	115,0	13,4	6,4	-1,3	1.018,4	757,3

Source: DH

SEGMENT BREAKDOWN ON EBIT LEVEL.

	Q3 2020	Q3 2019	Ch (%)
EBITDA	419	400	6%
Franchise	171	115	49%
Own Offices	25	24	6%
Loan intermediation	203	192	6%
Other related	37	38	-2%
Real estate mgmt.	12	38	-68%
Elimination	-29	-7	337%

Source: DH, Concorde

Opinion: Valuation-wise, DH trades at 10 x P/E'21 (excluding profit from developments) and 7.4x P/E'22 based on management's profit expectations. We are in the view that at this share price level DH is an attractive investment opportunity thus we reiterate our recommendation.

DH'S SIMPLIFIED P&L

	Q3 2020	Q3 2019	Ch (%)
Revenue	2,228	2,031	10%
Operating revenue	2,217	1,993	11%
Other income	11	37	-71%
OPEX	1,861	1,686	10%
Cost of materials	108	15	601%
Cost of sold goods and services	663	293	126%
Used services	1,264	1,574	-20%
Personnel expenses	211	186	13%
Depreciation and amortization	52	56	-6%
Other operating expenses	-438	-438	0%
EBITDA	419	400	5%
<i>Franchise</i>	<i>171</i>	<i>115</i>	<i>49%</i>
<i>Own Offices</i>	<i>25</i>	<i>24</i>	<i>6%</i>
<i>Loan intermediation</i>	<i>203</i>	<i>192</i>	<i>6%</i>
<i>Other related</i>	<i>37</i>	<i>38</i>	<i>-2%</i>
<i>Real estate mgmt.</i>	<i>12</i>	<i>38</i>	<i>-68%</i>
<i>Elimination</i>	<i>-29</i>	<i>-7</i>	<i>337%</i>
Cleaned Core EBITDA	454	398	14%
EBIT	367	344.4	6%
Financial income	32	15	115%
Financial expense	37	37	-1%
Revaluation	269	-17	-1721%
EBT	631	306	106%
Income tax expense	-82	-53	55%
Net income	549	253	117%
Transaction Number	37,846	38,073	-1%
Intermediated loans [HUF bn]	62	55	14%
<i>EPS [after split]</i>	<i>16</i>	<i>7</i>	<i>117%</i>
EBIT margin	16%	17%	-3%
EBITDA margin	19%	20%	48%

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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Coverage in transition	Coverage in transition rating is assigned to a stock if there is a change in analyst.

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