



CEE Equity Research | Hungary | Real Estate
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Duna House

Recommendation: Buy

Target price (12M): HUF 4,605 (previously HUF 4,585)

Equity Note

Sale of a development plot for HUF 250 million

Equity Analyst
Gellert Gaal
+361 489 2228
g.gaal@con.hu

50 Alkotás Street,
Budapest
www.con.hu

- Duna House has announced the sale one of its projects of development for HUF 250 million which is roughly HUF 50 million higher than the latest book value of the property.
- Originally, DH had four development projects Reviczky (86 flats), Forest Hill (196), My City Residence (103) and Írisz Ház (43). Out of these the company has just sold the latest one (Írisz Ház - Zsinór 39 Projekt Kft).
- We see this transaction as a positive, not only because it increases our target price by ca. HUF 20 to HUF 4,605, but it also could mean an opportunity for higher dividend from 2017 profit as the company will receive an extra HUF 250 million cash.
- In our valuation, we calculated with the latest available land value in the balance sheet (HUF 190 million) given the fact that developing 43 flats at current inflated labour cost might not be economically optimal. As for the potential higher dividend, Duna House has ample of cash in the beginning of 2018, since development project Reviczky has been completed and should receive roughly HUF 400 million (EPS 120) from that project and HUF 250 million (EPS 73) from the latest land sale. Adding these up, management has HUF 650 million at their disposal on top of the cash it has made on core operations last year. If we apply the last years pay-out ratio (47%) for this sum DH should distribute an extra DPS 100 on top its "business as usual" dividend of ca. DPS 120, meaning a total DPS 220 dividend yield of 5.5%.

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