

Duna House

Recommendation: Buy

Target price (12M): HUF 4,585

Equity Note

Equity Analyst

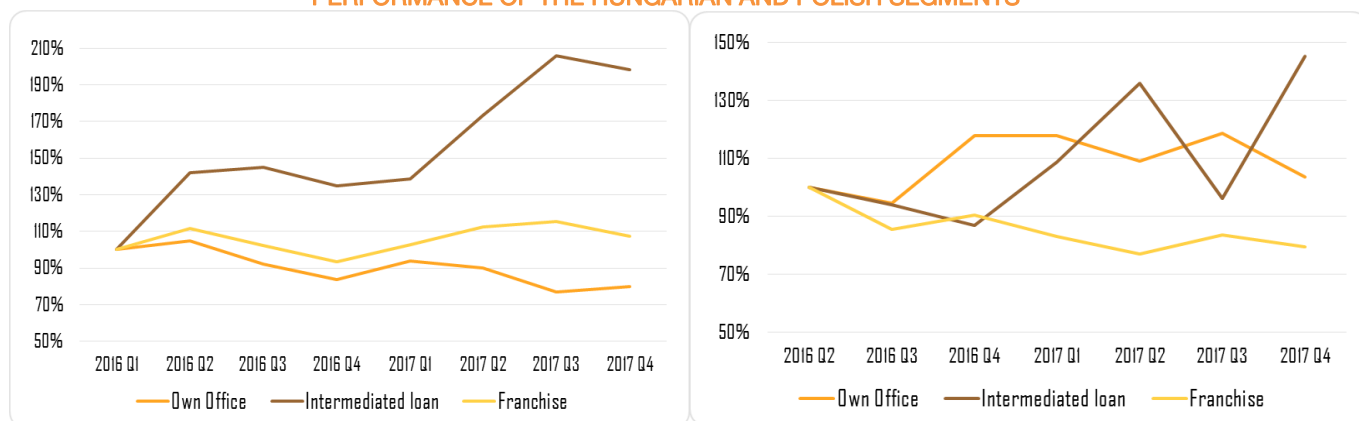
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Credit intermediation segment was strong again

- Duna House has released its preliminary KPI (key performance indicators) for the last quarter of 2017. Numbers reaffirm our bullish investment case for Duna House.
- In nutshell, financial intermediary segment have been again the strongest part of the report (growing by +54% y-o-y¹), franchise segment's commission has also increased (+9% y-o-y) but revenue from own offices has not managed to show the same trend as the other two (-7% y-o-y).
- Although not all of the business lines have been able to increase, financial intermediary – with the highest EBIT margins – was strong again, and should keep the group's margin elevated in the next quarterly results.

PERFORMANCE OF THE HUNGARIAN AND POLISH SEGMENTS



Source: DH; Concorde

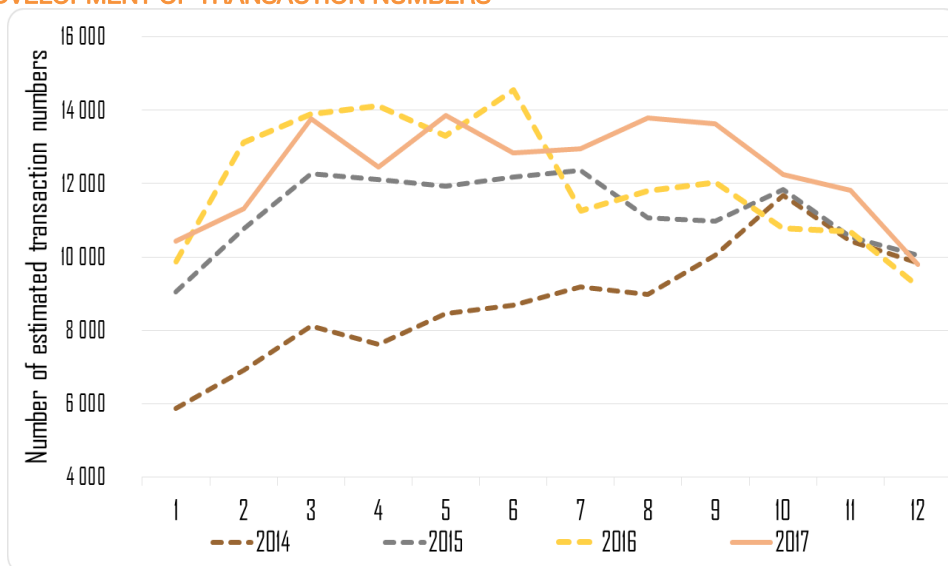
- On a country level, in Poland it is positive that the amount of intermediated loan have reached new high at HUF 7.5 billion, and that the number of offices has increased. On the other hand, franchise and own office segments have both remained below there last year's numbers. Despite the weaker results for the previously mentioned segments, we still expect strong results as the cash cow part

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¹ Since seasonality plays an important role in KPI's we use only yearly comparisons.

of business is expanding remarkably. In Hungary, due to seasonality the amount of intermediated loan has decreased on a quarterly basis by a low single digit percentage, but on the yearly comparison it climbed significantly showing the strong macro environment in the country. The black sheep of the Hungarian operation should be the own office segment as its quarterly contribution was less than a year ago.

THE DEVELOPMENT OF TRANSACTION NUMBERS



Source: DH; Concorde

- As for the transaction numbers, December's figure came above last years by 6% pushing the annual number 3% above last years
- DH is going to report it Q4 figures in 26th February. Since there was no major change in fundamentals, we reiterate out buy recommendation.

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Rating	Trigger
Buy	Total return is expected to exceed 20% in the next 12 months
Accumulate	Total return is expected to be in the range of 10-20%
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%
Under Revision	The stock is put Under Revision if covering analyst considers new information may change the valuation materially and if this may take more time.
Coverage in transition	Coverage in transition rating is assigned to a stock if there is a change in analyst.

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Valuations and risks:

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