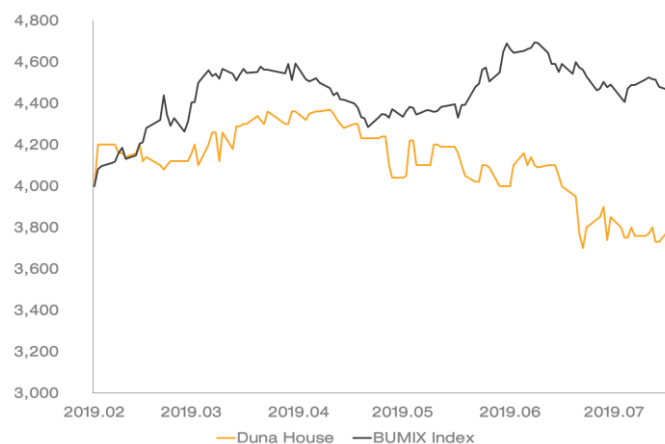


Duna House

Recommendation: Accumulate

Target price (12M): HUF 4,500

Hun. Core HUF million	2019 Q2	2018 Q2	Ch (%)
Revenues	2,115	2,071	2%
EBITDA	453	646	-30%
EBIT	399	623	-36%
Cleaned Core EBIT	326	247	32%
Profit	338	526	-36%
EPS	92	152	-40%
Cummulated EPS	140	323	-57%
No. of transactions (ths)	38,073	40,245	-5%



Share price close as of 27/08/2019	HUF 3,700	Bloomberg	DUNAHHOU5 HB
Number of shares [million]	3,5	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 3,450-4,600

Finally, turnaround in Poland!

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In short: Duna House **cleaned Q2 EBIT arrived to HUF 326 million** (+32% y-o-y) thanks to the extremely strong loan intermediation segment (+35% y-o-y) and the turnaround in Poland. Reported profit declined by 36% y-o-y due to the time mismatch in the completion of development projects (booked large completions in last year Q2). **Management confirmed its FY core profit guidance**, of which ca.44% has been reached so far. There is only one negative point in the report, the potential delays in the project completions due to labour shortage.

DH started to report “clean core EBIT” which is adjusted by non-recurring (gain on disposals, penalties) and non-cash items (asset revaluation gains), in order to better see the underlying trends of the company’s financials and the sector.

Financials: Profit declined by 36% because of the time mismatch in project completions, but cleaned core EBIT that showed a +32% y-o-y increase which is a more important financial figure, in our view. The increase was attributable to (I) jump in the loan intermediation (+35% y-o-y); and (II) the positive contribution from Poland – last year Q2 was - HUF 10 million vs +HUF 26 million in 2019.

In a segment breakdown on EBIT level, as mentioned the main contributor was the loan intermediation segment (+35%), but Franchise grew significantly in a relative terms (+35%) as well, thanks to the new office openings (+5% y-o-y) and increase in house prices. Surprisingly, own office segments EBIT plunged to 0 in Q2, because of lower revenue and increase in cost (affected by the lower transaction numbers in Budapest). Other related services was essentially flat on a yearly comparison.

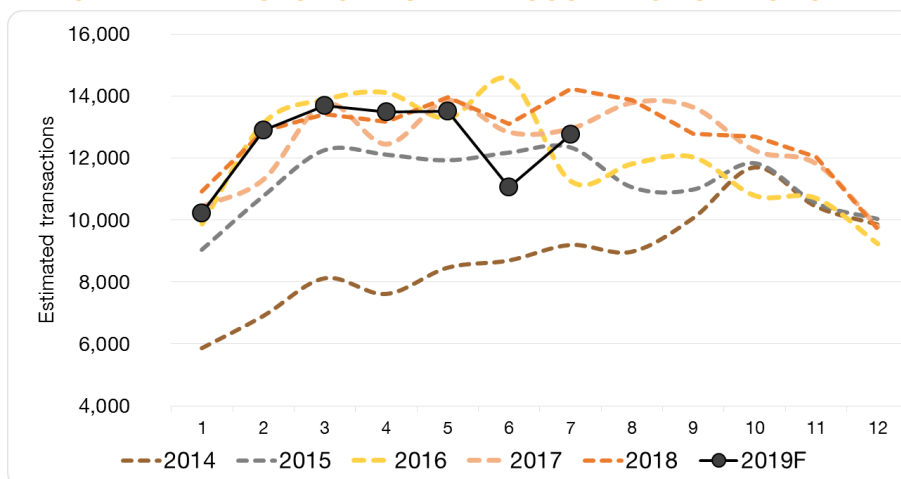
SEGMENT BREAKDOWN ON EBIT LEVEL.

	Q2 2019	Q2 2018	Ch (%)
EBIT	399	623	-36%
Franchise	93	69	35%
Own Offices	0	26	-100%
Loan intermediation	189	140	35%
Other related	39	40	-4%
Real estate mgmt.	94	357	-74%
Elimination	-17	-8	106%

Source: DH, Concorde

On the country breakdown, Polish operation finally turned to positive in this quarter fuelled by the synergies of Gold finance and the organic growth. In this quarter polish operation added HUF 26 million EBIT, while in cumulative terms it is still HUF -30 million. So Metrohouse should make ca. HUF 100 million EBIT in the second half of the year to meet management guidance of HUF 75 million.

MONTHLY TRANSACTION NUMBER ACCORDING TO DH'S ESTIMATION



Source: Company reports

Cumulative transaction number is down by 4% compared to last year. We see a few reasons for the phenomena, one is what we had flagged side-effect of the very attractive retail bond of MAP+ that provides ca. 5% avg. yield which could be a substitution of real estate purchase, second is also related to the government's new policy which is the additional family subsidy scheme eligible from 1 July that may have prompted buyers to postpone their purchase to receive the government's help.

Developments: Management cautioned that there could be delays in the completions of the projects given the shortage of labour. Apart from that, 71% of **Forest Hill** project's flat has already been sold and the completions may start from July. The other project which should contribute to the bottom-line - **My City Residence's** should be completed by the end of October. For this project ca. 77% of the flats have been sold.

Opinion: All in all, we see strong set of numbers from DH if we focus on the core operation. The positive contribution in Poland is definitely the best part of the report, though to meet management FY profit guidance we should see further improvement from that segment as H1 EBIT reached HUF -30 million and the guidance is HUF 75 million (Q2 EBIT HUF 26 million). On the development projects, we may see similar delays than last year, when DH did not managed to book the completion of the project in Q4, which is a bit negative. In light of the generally positive trends, we reiterate our TP and recommendation.

Quarterly P&L

	Q2 2019	Q2 2018	Ch (%)
Revenue	2,115	1,960	8%
Operating revenue	2,051	1,927	6%
Other income	64	33	93%
OPEX	1,716	1,448	19%
Cost of materials	16	15	4%
Cost of sold goods and services	294	386	-24%
Used services	1,701	996	71%
Personnel expenses	199	157	27%
Depreciation and amortization	54	23	133%
Other operating expenses	-548	-130	321%
EBITDA	453	646	-30%
Cleaned Core EBIT	326	247	32%
EBIT	399	623	-36%
<i>Franchise</i>	93	69	35%
<i>Own Offices</i>	0	26	-100%
<i>Loan intermediation</i>	189	140	35%
<i>Other related</i>	39	40	-4%
<i>Real estate mgmt.</i>	94	357	-74%
<i>Elimination</i>	-17	-8	106%
Financial income	-31	21	-248%
Financial expense	31	15	108%
Revaluation	-15	-7	108%
EBT	383	622	-38%
Income tax expense	-45	89	-151%
Net income	338	526	-36%
Transaction Number	38,073	40,245	-5%
Intermediated loans [HUF m]	48,268	23,788	103%
<i>EPS</i>	98	152	-36%
EBIT margin	19%	32%	-41%

Source: company reports

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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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