



**DUNA HOUSE<sup>®</sup>**  
**GROUP**

# **DUNA HOUSE GROUP**

2017 Highlights

March 2018



[dunahouse.com](http://dunahouse.com)

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## MISSION AND ACTIVITIES

**WE SERVE PEOPLE. REAL ESTATE IS OUR PASSION.**

### OUR SERVICES

#### Real estate brokerage

- Franchise partnership model
- Sales via own offices (18-20% of total network commissions)

#### Financial intermediation

- Mortgage and other loans
- Home savings products
- Real estate insurance

#### Auxiliary services

- Fund management
- Home management
- Valuations
- Energy certificates

#### Real estate investments

- Residential developments
- Real estate portfolio

**Continuous innovation based on spot-on market knowledge.**

Our fully integrated business model gives us the ability to capitalize on many facets of each real estate transaction.

# WE ARE THE LEADING RESIDENTIAL REAL ESTATE BROKER IN CEE



## OUR CURRENT MARKETS






## DH GROUP IN NUMBERS

- DH Group: Hungary, Poland, Czech Republic
- Currently 236 offices in three countries
- 13k successful real estate transactions per year
- HUF 64.7bn (EUR 209.2m) loans intermediated in 2017
- HUF 24.9bn (EUR 80.6m) home savings products intermediated in 2017
- Over 2,300 salespersons
- Residential real estate fund with AuM of HUF 2.3bn (EUR 7.4m)
- Listed on Budapest Stock Exchange with HUF 14.0bn (EUR 45m) market cap

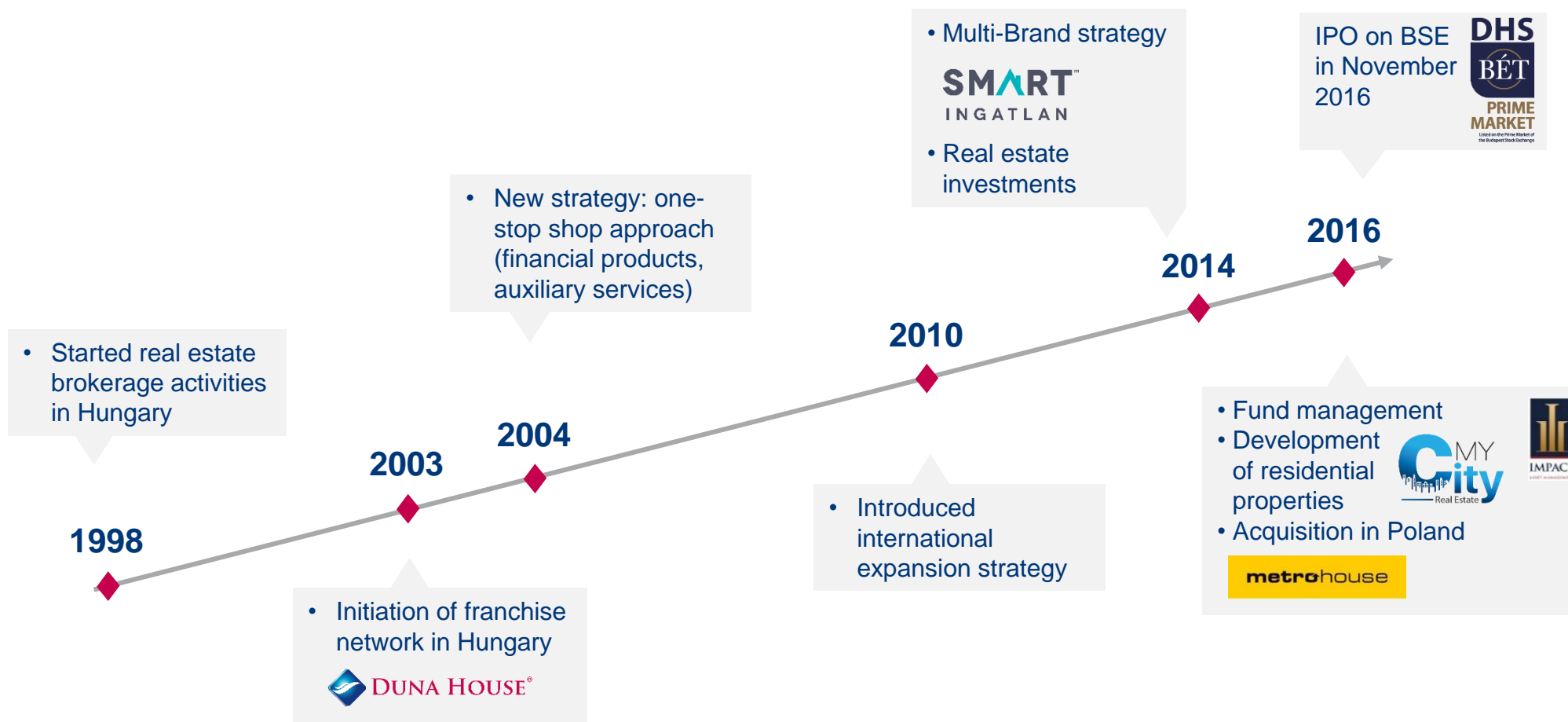
## GEOGRAPHICAL PRESENCE

Our long-term goal is to create a consistent service portfolio in all of our countries.

OUR SERVICES BY COUNTRY*					2017	
						
Contribution to revenues	69%	25%	6%			Total turnover of HUF 4.8bn
Franchise real estate brokerage	✓	✓	! **	—	25%	
Own office real estate brokerage	✓	✓	✓	—	28%	
Loan intermediation	✓	✓	-	}	38%	EBITDA of HUF 1.0bn
Home savings intermediation	✓	-	-			
Home management	✓	! ***	-	}	6%	Net Profit of HUF 0.9bn
Other related services	✓	-	-			
Fund management	✓	-	-	}	2%	
Residential real estate development & investments	✓	-	-			

\*Based on 2017 FY figures; \*\* First franchise agreement signed in Q4 2017; \*\*\* Property management started in Poland in Q4 2017

## PRESENCE AND KNOW-HOW OF TWO DECADES



## COMMITTED TO GROW

### Plans at our IPO

### Results

PILLARS OF OUR STRATEGY

#### 1. The Polish expansion

- Stabilization
- Expanding market presence
- Boosting loans, cross-selling
- Introducing successful services from Hungary

#### 2. The Hungarian core

Steady increase based on strong market position and service innovations

#### 3. Impact R/E fund

- Building track record
- New sales channels

#### 4. R/E development

Taking advantage of positive market momentum and real estate sales expertise

#### 5. M&A

Expanding geographic footprint and range of services by targeted acquisitions

- No. of offices cut to 72 (2017Q1) from 81 (2016Q2). Currently at 74 and expanding. **Turnaround, positive EBIT in 2017.**
- **Loan volumes of HUF 25.2bn in 2017 (+35% YoY)**
- Education, internal audit, marketing services

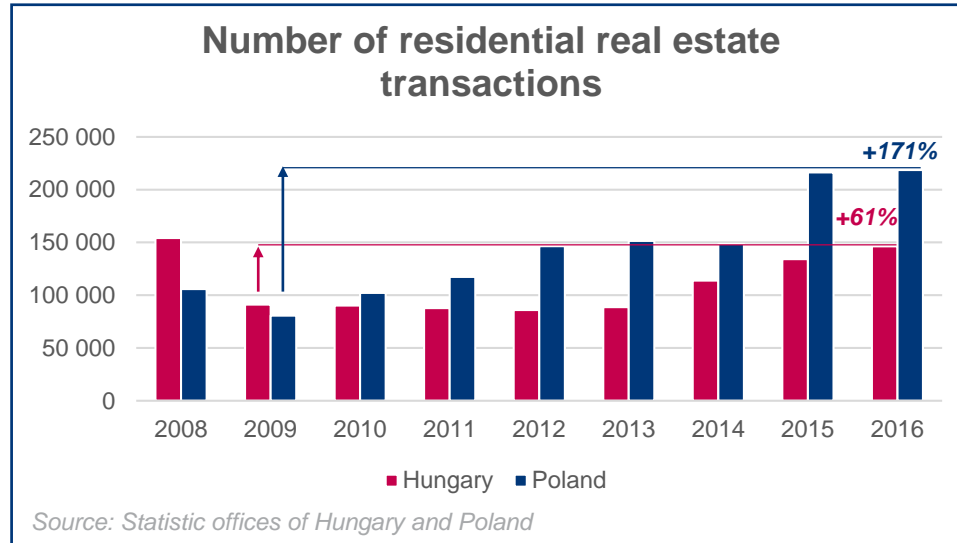
- No. of offices: 161 (+5% YoY) driven by SMART brand
- **RE commissions of HUF 6.9bn in 2017 (+7% YoY)**
- **Loan volumes of HUF 39.9bn in 2017 (+39% YoY)**
- Focus on quality, promoting agents, DH web platform

- **Annual return of 7.1%**
- **Steady increase of AuM exceeding HUF 2.3bn**
- Rebranded as Duna House Magyar Lakás Ingatlanalap
- Distribution agreement with MKB Bank from Q1 2018

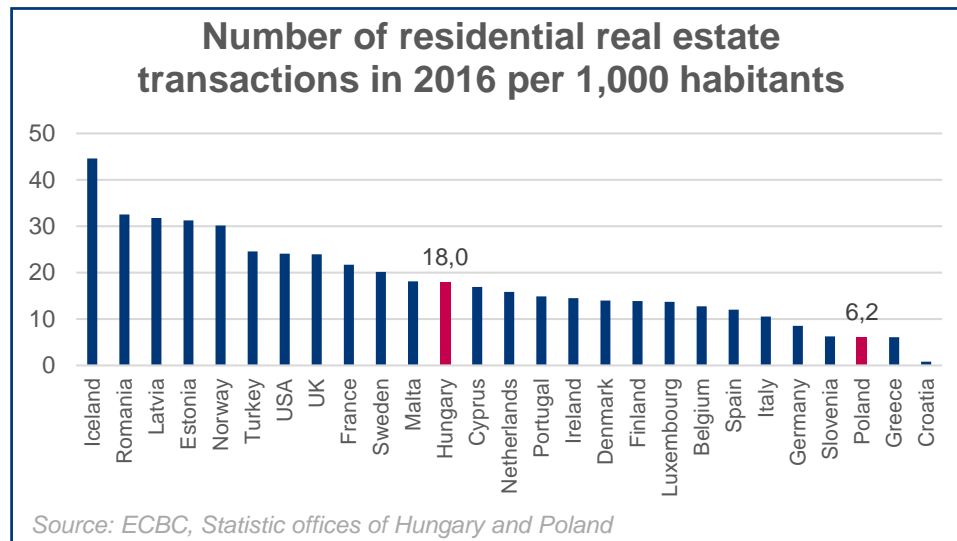
- Buyout of 50% co-investor for EUR 1m in March 2017
- **Reviczky completed, PAT of HUF 680m in 2018**
- **Forest Hill under construction, PAT of HUF 1,060m in 2018**
- Smallest project sold with approx. HUF 50m profit

- Markets under review
- Preliminary talks with selected players
- **Deals between EUR 2-20m**

## REAL ESTATE TRANSACTION VOLUMES HAVE BEEN PICKING UP



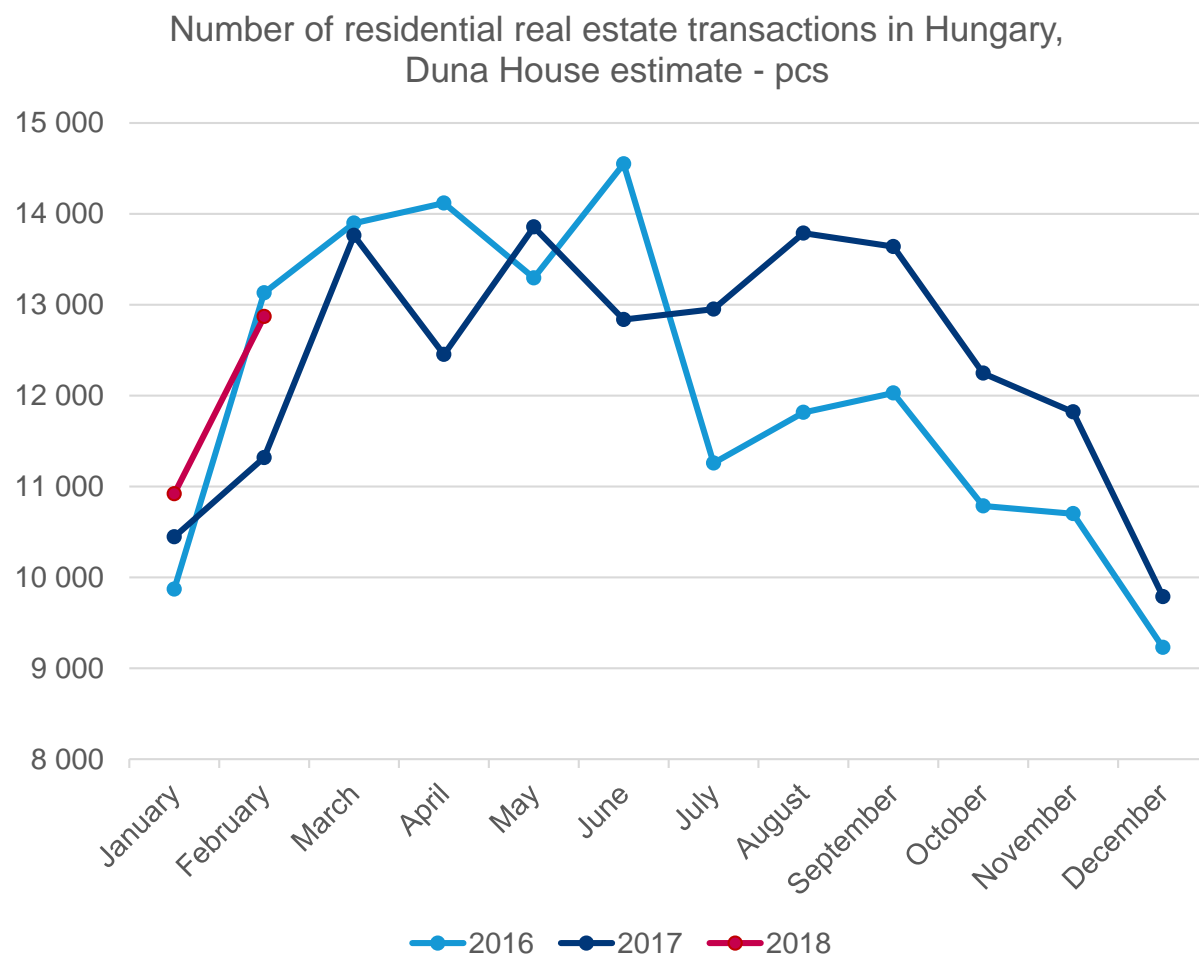
- Both of our main markets performed exceptionally well in the last three years with a **growth of 13% CAGR in Hungary and 18% in Poland**.
- After a decrease of 40% in 2009, the number of residential real estate transactions climbed back to 146k in Hungary. In Poland there was a smaller, 25% decrease in 2009 that has since grown to 219k by 2016.



- In **Poland**, the current number of transactions is **among the lowest in Europe** according to local statistics.
- **Hungary is around the median** with some further potential for growth in terms of transaction volumes.



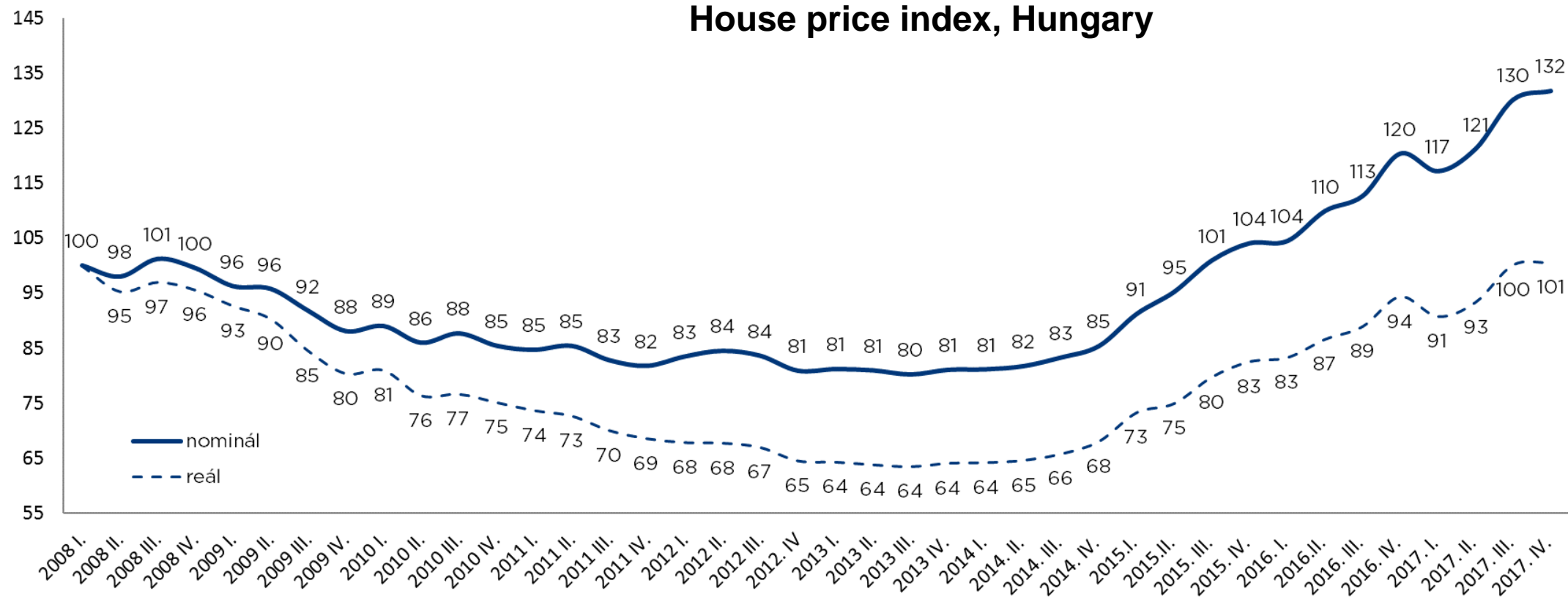
## NORMAL SEASONALITY ON THE HUNGARIAN MARKET IN 2017



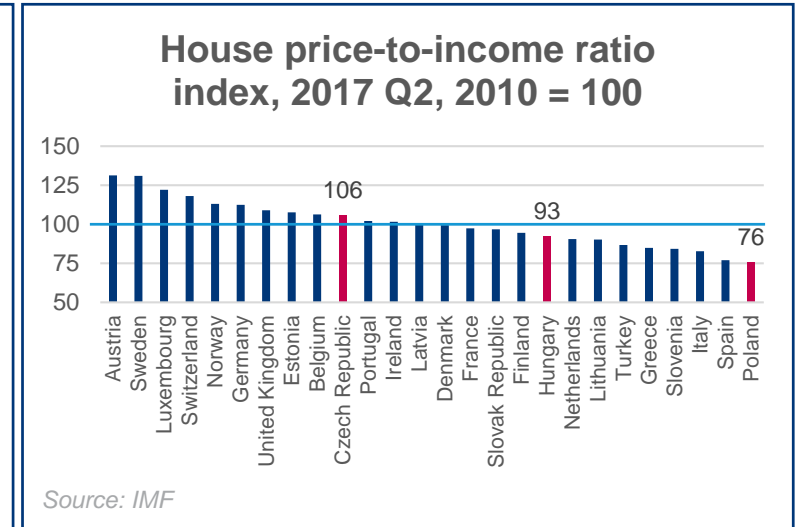
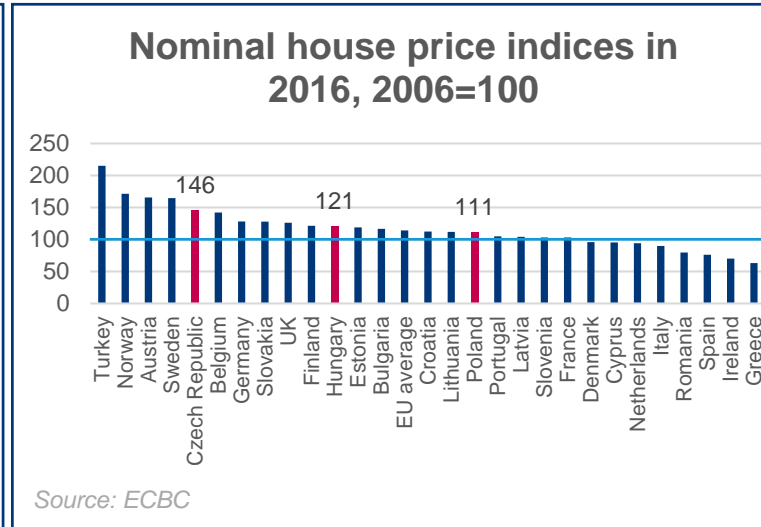
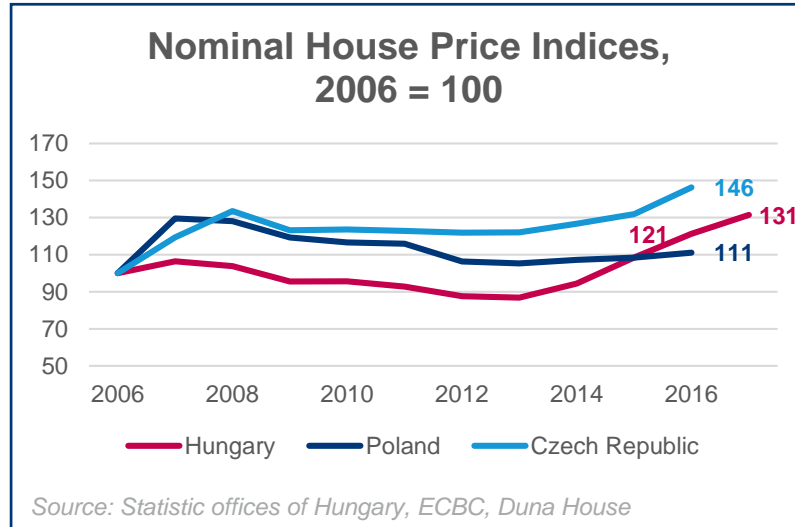
	H1	H2	FY
<b>2016</b>	78 860 + 15.4%	65 810 - 1.5%	<b>144 670</b> + 7.0%
<b>2017</b>	74 670 - 5.3%	74 230 + 12.8%	<b>148 900</b> + 2.9%
<b>2018</b> February YTD	23 790 + 9.3%		

# REAL PRICES ARE BACK AT 2008 LEVELS

## House price index, Hungary



## PRICE INCREASE SUPPORTED BY INCOME GROWTH



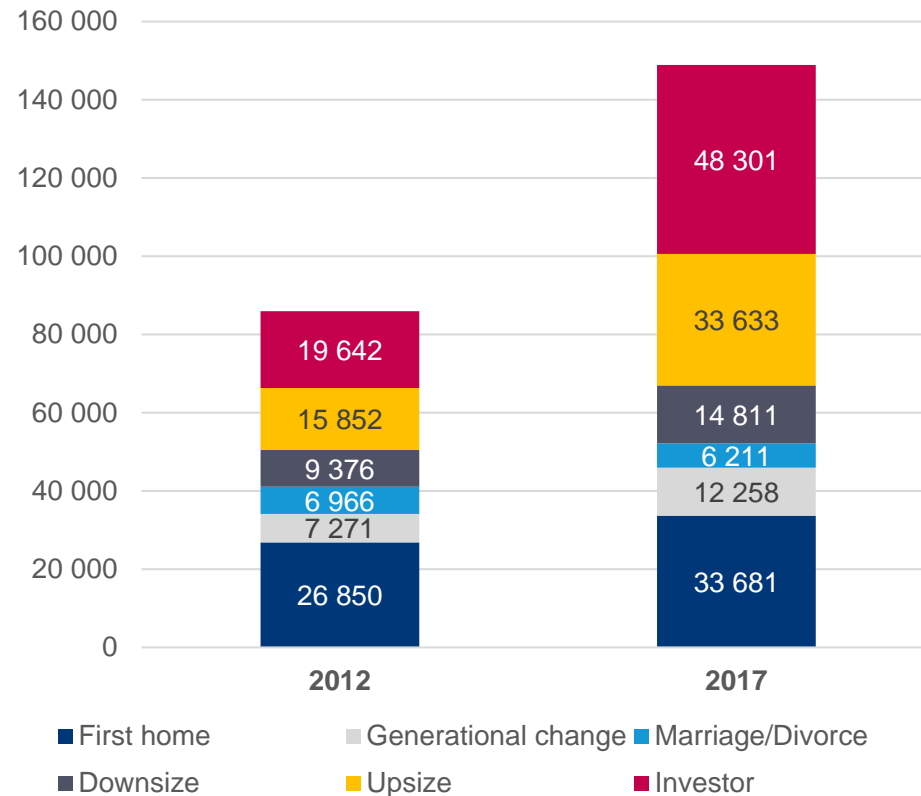
- By 2016, nominal house prices of Hungary and the Czech Republic have recovered from a 6 year long depression between 2008 and 2013.
- **Polish prices are still 18% below the historic highs of 2007.**

- Most European countries have exceeded pre-crisis nominal price levels.
- Nominal increases seen in the Czech Republic and Hungary areprecedented.

- **Household incomes have increased above house prices in Hungary and Poland** allowing further growth through affordability of home purchases.

## BUYERS ON THE HUNGARIAN R/E MARKET

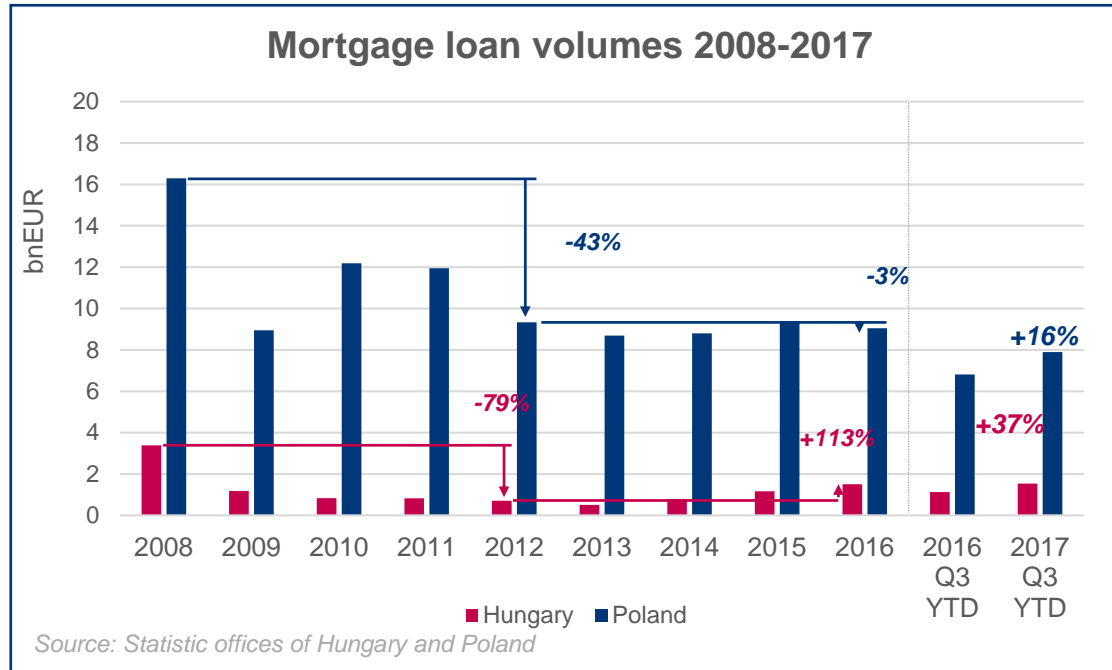
Number of transaction by buyer group



- Investors dominate the market in Hungary
- All other buyer types increased their transaction numbers, as well
- No signs of younger generations withdrawing from the overall market
- Owner occupancy rate (86% in 2015) might decrease over the long term

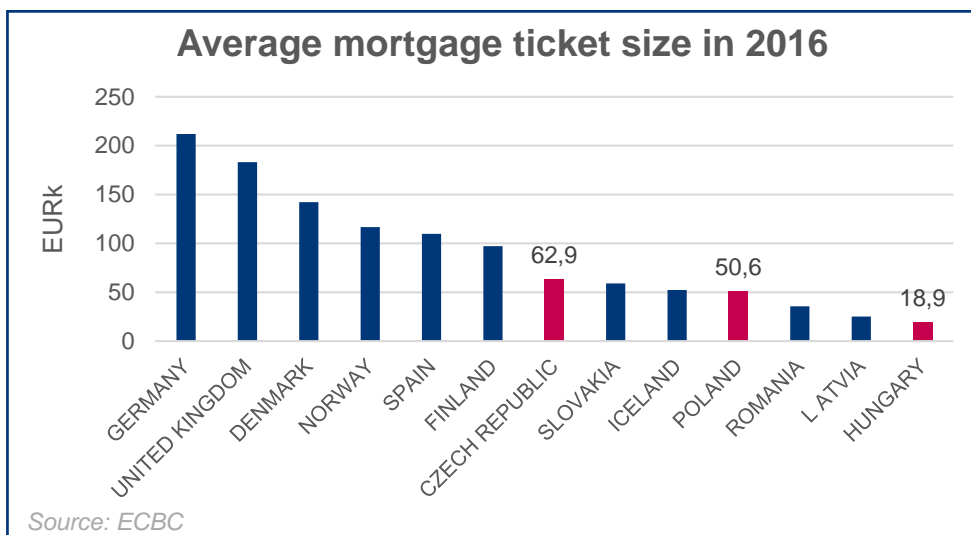
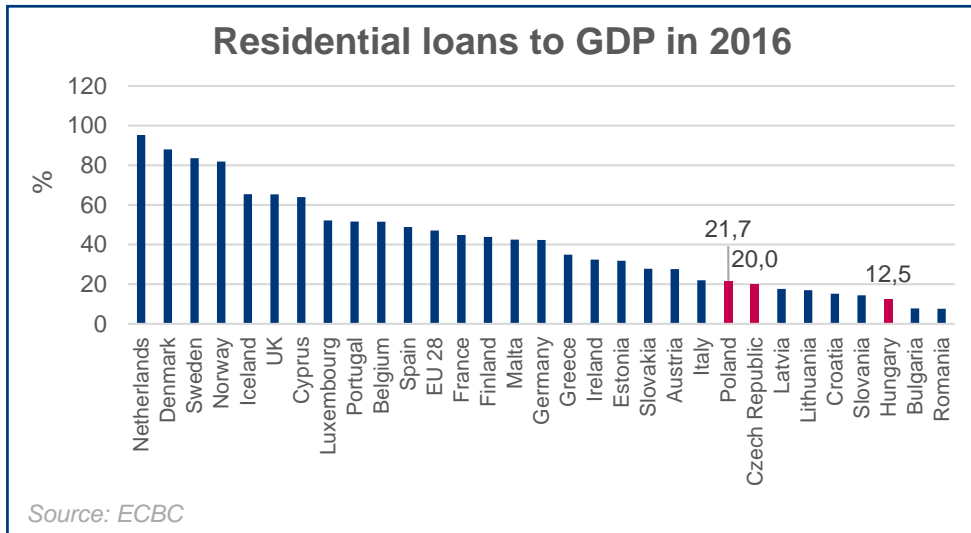
Source: Duna House own estimate

## UPSWING IN BOTH OF OUR LOAN MARKETS



- Residential mortgage loan volumes suffered significantly and dropped by 80% in **Hungary** from 2008 to 2012. Followed by **continuous growth**, current outlooks are positive.
- **Polish** mortgage loan figures have seen a less dramatic, but still substantial fall, by 43% from 2008 to 2012. After stagnating until 2016, recent volumes show a positive turn in **2017 with 16% YoY growth.**

## LOW INDEBTEDNESS IN CEE



- Even after years of expansion, Central Eastern European countries have **very low residential loan to GDP ratios** compared to the rest of Europe.
- Average mortgage ticket sizes are also well below Western and Northern European countries.
- Hungary, in particular, is lagging behind with only **12.5% residential loans to GDP** and an average ticket size of **EUR 18.9 thousand** in 2016.

## BACK TO THE CORE

Million HUF	2015 FY	2016 FY	2017 FY	YoY
Sale of investment property		1,097	10	-99%
Service revenue	2,833	3,687	4,675	+27%
Other revenue	232	279	135	-52%
<b>Total revenue</b>	<b>3,066</b>	<b>5,064</b>	<b>4,820</b>	<b>-5%</b>
<b>Operating costs</b>	<b>1,955</b>	<b>4,261</b>	<b>3,956</b>	<b>-7%</b>
<b>Operating profit</b>	<b>1,111</b>	<b>803</b>	<b>864</b>	<b>+8%</b>
<i>EBIT-margin</i>	36.2%	15.9%	17.9%	+207bp
<b>EBITDA</b>	<b>1,185</b>	<b>880</b>	<b>951</b>	<b>+8%</b>
Profit on financial activities	10	21	147	+600%
Revaluation of investments	0	505	81	-84%
<b>Profit before tax</b>	<b>1,121</b>	<b>1,329</b>	<b>1,092</b>	<b>-18%</b>
Tax	-156	-161	-174	+8%
<b>Profit after tax</b>	<b>966</b>	<b>1,168</b>	<b>918</b>	<b>-21%</b>
<i>Net profit margin</i>	31.5%	23.1%	19.1%	-401bp
<i>Return on Equity</i>	57.2%	45.0%	20.8%	
<i>PAT without Developments</i>			981	
<i>Adjusted core PAT*</i>	783	537	932	+74%
<i>Adjusted core EPS*</i>	235	158	274	+74%

- 27% increase in core revenues
- Improvement of EBIT margins to 18%
- 74% increase in core PAT (excl. developments and appraisals)
- HUF 600 million dividend to common shares (HUF 176 DPS)

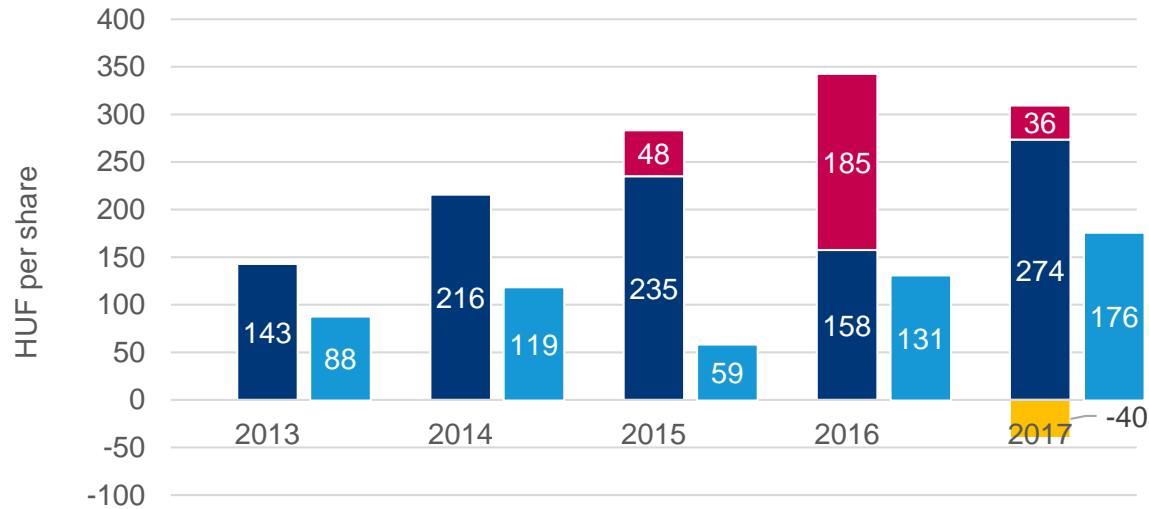
**PAT guidance for 2017:** HUF 850 to 1,000 million (excl. MyCity residential development projects)

\* Adjusted core PAT: excluding the PAT impact of i) real estate appraisal, ii) MyCity development projects, and iii) revaluation of investments  
 Adjusted core EPS: Adjusted PAT per share

Source: Audited consolidated IFRS reports and unaudited report for 2017

# DELIVERING RETURNS TO SHAREHOLDERS

## Adjusted EPS and DPS of Duna House Group\* - HUF per share



**Current dividend: HUF 176 per share (4.4% yield on IPO price)\*\***

Paid out of core operations plus  
Reviczky's cash flow

■ Core profit per share ■ Revaluations per share ■ Development profit per share ■ diluted DPS

\* All figures calculated with current number of shares (excluding treasury shares)

Core profit per share: Adjusted core PAT per share (as per page 15)

Revaluations per share: after tax profit from i) real estate appraisals, and ii) revaluation of investments, per share

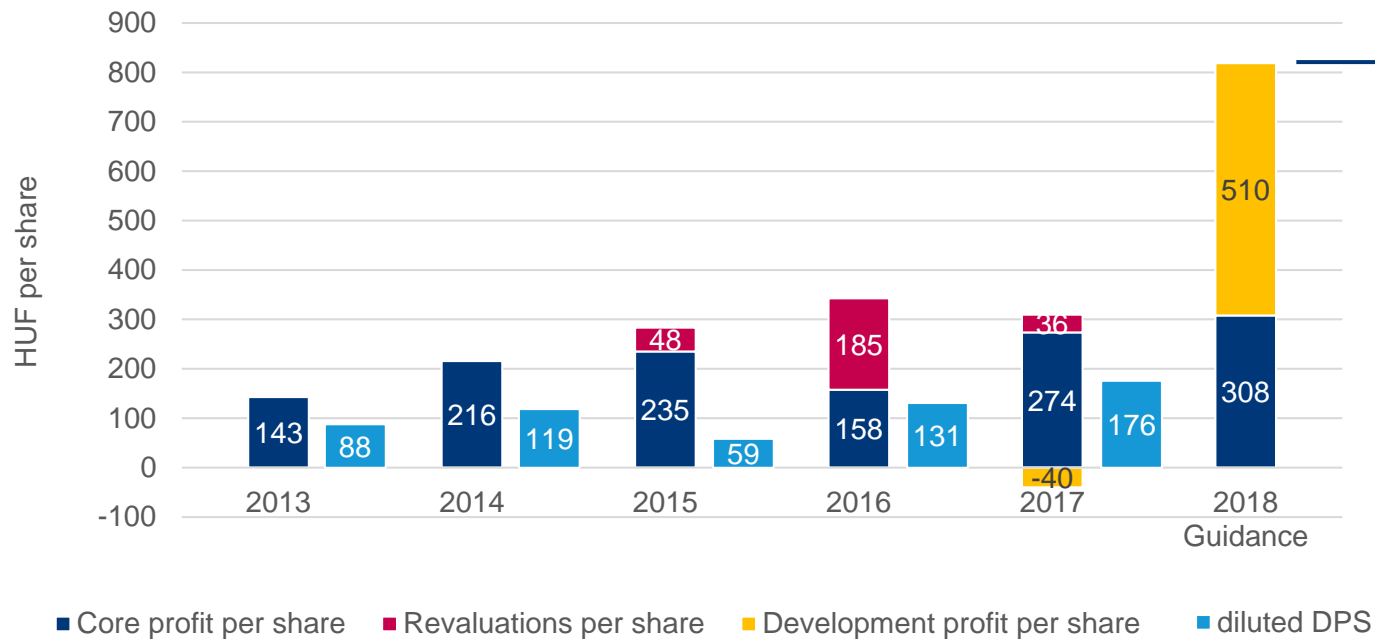
Development profit per share: profit of MyCity development projects, per share

\*\* Final dividend is subject to the audited consolidated accounts for year 2017 and the approval by the General Meeting



# DELIVERING RETURNS TO SHAREHOLDERS

**Adjusted EPS and DPS of Duna House Group\***  
- HUF per share



**NET PROFIT GUIDANCE**  
HUF 2.7 – 2.9 billion

**Core operation**  
HUF 950-1,150 million  
(HUF 279-337 EPS)

**Completed Reviczky Liget**  
HUF 680 million\*\*  
(HUF 200 EPS)

**78% completion of Forest Hill**  
HUF 1,060 million\*\*  
(HUF 310 EPS)

## Dividend policy

- 47% of Adjusted Net Profit\*\*\* paid to common shares

\* All figures calculated with current number of shares (excluding treasury shares)

Core profit per share: Adjusted core PAT per share (as per page 14)

Revaluations per share: after tax profit from i) real estate appraisals, and ii) revaluation of investments, per share

Development profit per share: profit of MyCity development projects, per share

Final 2017 dividend is subject to the audited consolidated accounts for year 2017 and the approval by the General Meeting.

Source: Duna House Group

\*\* According to the Company's current development plans, 100% of Reviczky Liget and 78% of Forest Hill will be handed over in 2018.

\*\*\* After tax profit excluding i) real estate appraisals, and ii) revaluation of investments

## ASSET-LIGHT BUSINESS MODEL

Million HUF	2015 FY	2016 FY	2017 FY
Goodwill	19	992	1,049
Investments	1,324	1,446	1,268
Financial instruments	48	66	70
Other long term assets	583	817	889
<b>Total long term assets</b>	<b>1,974</b>	<b>3,321</b>	<b>3,275</b>
Inventory and assets for sale	8	12	3,595
Receivables from customers	76	286	482
Receivables from affiliated companies	0	379	141
Cash and cash equivalents	416	1,584	1,428
Other short term assets	477	411	534
<b>Total short term assets</b>	<b>978</b>	<b>2,671</b>	<b>6,181</b>
<b>Total assets</b>	<b>2,951</b>	<b>5,992</b>	<b>9,456</b>
<b>Total equity</b>	<b>1,688</b>	<b>2,543</b>	<b>4,530</b>
Long term loans	495	583	1,272
Other long term liabilities	49	97	145
<b>Total long term liabilities</b>	<b>544</b>	<b>680</b>	<b>1,416</b>
Short term loans	114	199	997
Suppliers	35	69	388
Payables to affiliated companies	11	1,741	582
Other short term liabilities	559	760	1,543
<b>Total short term liabilities</b>	<b>720</b>	<b>2,769</b>	<b>3,510</b>
<b>Equity and liabilities</b>	<b>2,951</b>	<b>5,992</b>	<b>9,456</b>

- Asset-light business model, only real estate development projects represent substantial assets and financing.
- Residential real estate developments are booked at HUF 3.6 bn asset value. Additional investment property of HUF 1.1 bn.
- Bank loans and affiliated financing of HUF 2.2 bn related to developments.
- Total equity of HUF 4.5bn from accumulated earnings and IPO proceeds of HUF 1.5bn.

Source: Audited consolidated IFRS reports and unaudited report for 2017

## PROPERTY DEVELOPMENT STATUS AND TIMELINE

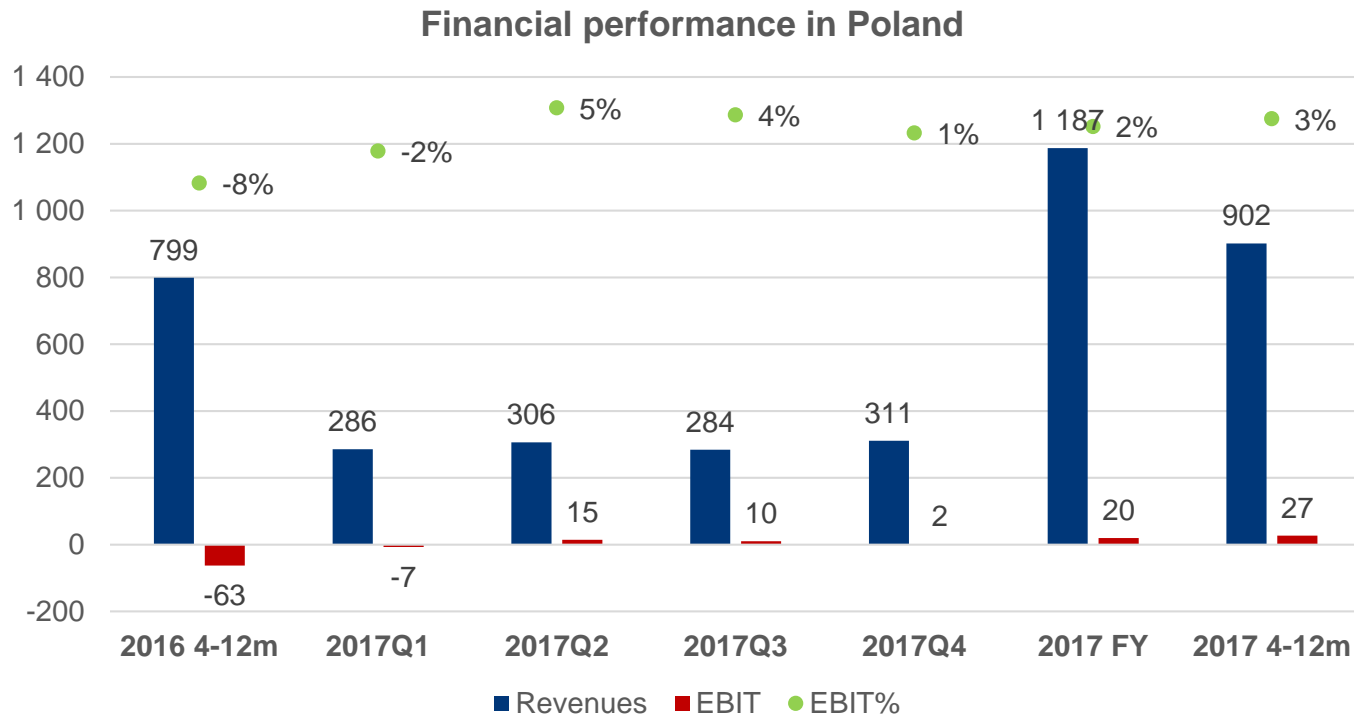
Duna House Group manages the development of 385 flats in 3 projects under MyCity brand, as follows:



	Forest Hill Budapest III. district	Reviczky Liget Budapest XVIII. district	MyCity Residence Budapest III. district	TOTAL
Duna House Group's share in Project	<b>100%</b>	<b>100%</b>	<b>50%</b>	
Landsize (m2)	29 314*	5 625	3 345	<b>38 284</b>
Sellable area (m2)	16 085*	4 672	6 882	<b>27 639</b>
Number of Apartements (pcs.)	148 in phase 1 (+48 in phase 2)*	86	103	<b>385</b>
Average Apartements size (m2)	80,0	54,3	68,8	<b>71,3</b>
<b>Actual status of Projects</b>				
Construction status	September 2018	Completed	October 2019	
% of flats sold	50%	83%	38%	
Handover of flats in progress		✓		
Expected profit in 2018	HUF 1,060 million (78% of phase 1 flats)	HUF 680 million		

\* 148 flats with building permits at present

# FINANCIAL PERFORMANCE IN POLAND

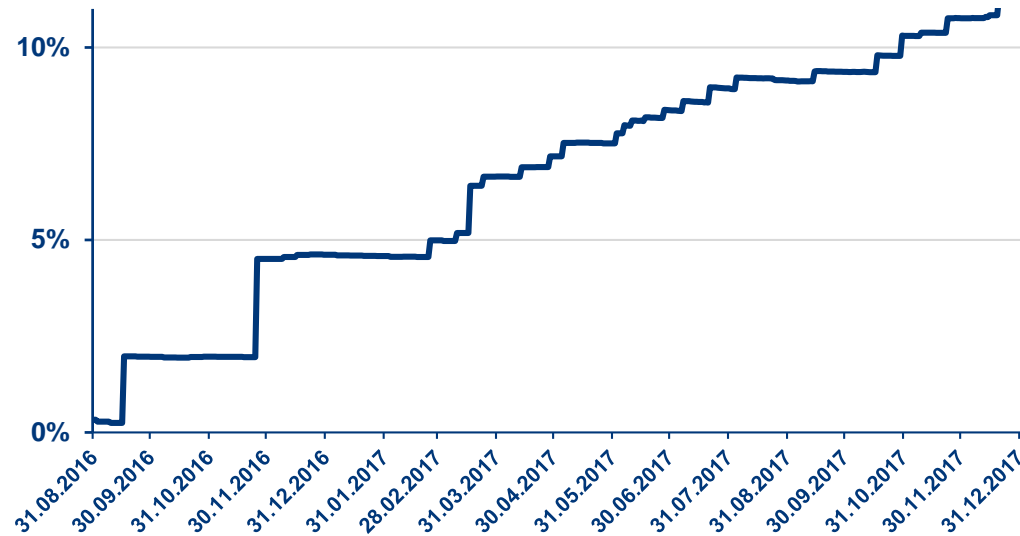


- Turnaround has happened driven by revenue growth
- Drop in real estate commissions was compensated by loan commissions
- Revenues are up by 12%, EBIT by HUF 90 million in 4-12m of 2017

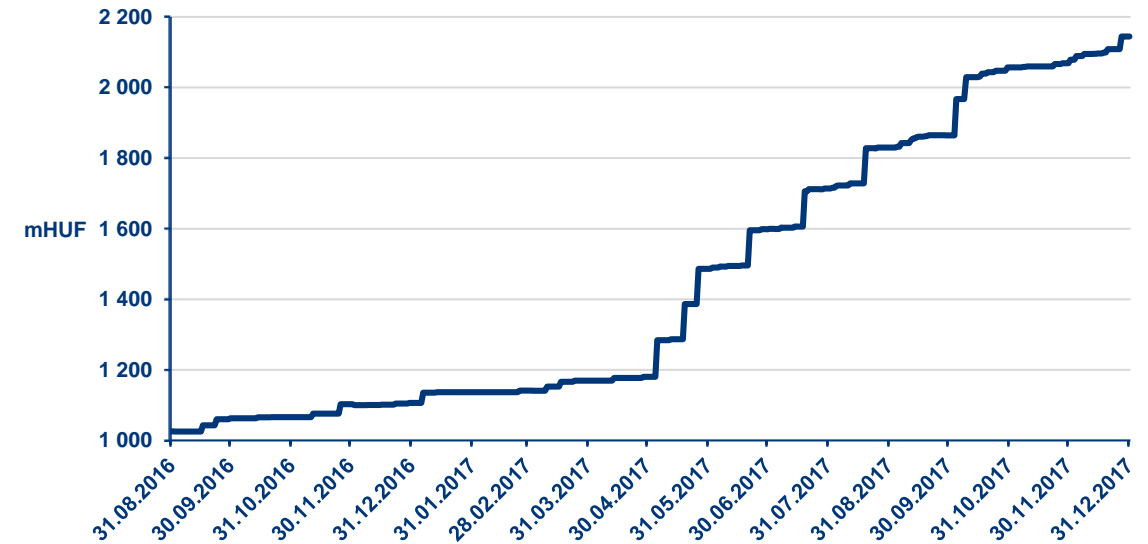
Source: Audited and unaudited accounts of Duna House Group

# DUNA HOUSE HUNGARIAN RESIDENTIAL REAL ESTATE FUND

Generated yield from the beginning by Impact Residential Property Investment Fund



Net asset value development from the beginning by Impact Residential Property Investment Fund



Source: BAMOSZ

On December 29, 2017, the Impact Investment Fund was renamed to Duna House Hungarian Residential Real Estate Fund, in order to emphasize the real estate market knowledge behind the fund.

Annual yield of the Duna House Fund was 7.1% as of February 27, 2018.

The net asset value of the fund averaged HUF 2.1 billion in Q4 2017 and amounted to HUF 2.3 billion as of February 27, 2018.

The Group has signed distribution agreement with MKB Bank Zrt. (effective from January 2018) with the aim to increase the net asset value of the fund.

## FOCUSED M&A APPROACH

**We aspire to become the leading residential real estate broker in Europe.**

We intend to continue to do highly targeted M&A for gaining access to new markets, as well as to expand our capabilities in existing ones. We look for targets with the following characteristics:

### Overall requirements

#### our **Baseline expectations**

- Deal value between EUR 2 and 20 million
- Operations in European markets, where a dual real estate - loan brokerage model is possible
- Positive EBITDA, or successful turnaround

### Market-specific acquisition focus

#### in **New markets**

- Spearhead, core acquisitions to gain significant market position
- Real estate brokerage and / or Financial intermediation are of key interest

#### in **Existing markets**

(Hungary, Poland, Czech Republic)

- Add-ons to current activities in each of our markets
- Additional customers or new sales channels
- Innovative technologies
- Services of interest include real estate brokerage, mortgage or other financial product intermediation, real estate management services, relocation services, online brokerage

## COMMITTED TO GROW

**Our vision is to become a significant player in Europe in residential real estate services.**

**2018**

PILLARS OF OUR STRATEGY

**1. The Polish expansion**

- Expanding market presence, new offices
- Improving operative efficiency in franchise segment
- Continued loan focus

**2. The Hungarian core**

- Market outlook: 5-20% transaction volume growth, 5-10% price growth, 15-20% loan volume growth
- Focus on education and service quality
- Expansion in SMART network

**3. Impact R/E fund**

- Track record
- New sales channels

**4. R/E development**

- Successful completion of existing projects, significant cash-inflow
- Investment strategy going forward: conservative capital exposure, opportunistic approach

**5. M&A**

- In the lookout for synergies

**Expected PAT of HUF 950-1,150 million**

**Expected PAT of HUF 1,740 million**



# DUNA HOUSE<sup>®</sup> GROUP

## Duna House Group

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