

03 June 2024

Duna House (DUNAHOU5 HB)

NOT RATED

Duna House: 1Q24 – firing on all cylinders

Duna House had an outstanding start to the year, with all the key countries performing strongly. In Italy, falling interest rates prompted a mortgage market turnaround in 1Q24, and Duna House continues to gain market share. In Poland, the end of the mortgage subsidy programme at the end of 2023 had a less negative impact on the activity at the start of the year than expected, and the disbursements related to the last months of the programme drove high loan volumes. In Hungary, the credit and real estate markets activity continues to improve steadily, as the market turned the corner in 1Q23, and the sales of the residential apartments at the Forest Hill project continue bring in cash inflows. The proceeds from the Forest Hill apartment sales allowed the company to pay another large dividend in May. Relative to the share price at the beginning of 2023, the last two dividends, cumulatively, generated a dividend yield of almost 60%.

POSITIVE

Duna House 1Q24 results review

EUR m	1Q23	2Q23	3Q23	4Q23	1Q24	yoy	qoq	Wood	vs. Wood
Real estate franchise brokerage	1.5	1.5	1.5	1.4	1.5	3%	10%	1.3	18%
Own office brokerage	0.9	0.9	1.1	1.1	1.1	26%	-3%	1.0	7%
Financial intermediation	13.1	15.6	15.2	19.7	19.6	49%	-1%	15.0	30%
Complementary	0.2	0.3	0.2	0.3	0.2	4%	-26%	0.3	-23%
Investment/Development	8.7	1.2	0.9	1.7	0.7	-91%	-56%	1.0	-25%
Other	-0.2	-0.3	-0.3	-0.3	-0.2	3%	-11%	-0.2	2%
Total Revenues	24.2	19.3	18.6	23.9	22.9	-5%	-4%	18.3	25%
-Direct costs	-17.6	-13.1	-12.8	-16.5	-15.9	-10%	-4%	-14.0	13%
Gross Profit	6.6	6.2	5.8	7.4	7.0	7%	-5%	4.3	62%
-Indirect costs	-4.4	-3.5	-4.0	-5.7	-4.5	1%	-22%	-3.2	39%
Real estate franchise segment	0.1	0.1	0.2	0.0	0.2	327%	n/m	0.0	n/m
Own office segment	-0.1	0.0	0.1	0.1	0.1	-211%	-20%	0.0	n/a
Financial segment	0.9	1.9	1.4	1.2	2.1	127%	72%	1.0	110%
Complementary segment	0.0	0.1	0.1	-0.1	0.0	-136%	-94%	0.0	n/m
Investment segment	1.3	0.5	0.1	0.6	0.1	-89%	-77%	0.2	n/m
Other segment	-0.1	0.0	-0.1	-0.2	0.0	-134%	-113%	-0.1	-123%
Total EBITDA	2.1	2.7	1.8	1.6	2.6	19%	56%	1.1	129%
-D&A	-0.6	-0.8	-0.8	-0.8	-1.0	56%	18%	-0.7	42%
EBIT	1.5	1.8	1.1	0.8	1.6	4%	95%	0.4	274%
Net interest expense and other	0.7	1.0	-0.2	2.1	-0.2	-121%	-107%	0.3	-150%
PBT	2.2	2.8	0.9	2.9	1.4	-37%	-52%	0.7	97%
-Income taxes	-0.4	-0.5	-0.2	-0.6	-0.5	20%	-29%	-0.6	-24%
-Minorities and other	-1.3	0.0	-0.1	0.1	0.0	-96%	-176%	-0.5	-91%
Net profit to Duna shareholders	0.6	2.3	0.6	2.4	0.9	52%	-62%	-0.4	-338%
Gross margin	27%	32%	31%	31%	31%	13%	-1%	24%	
EBITDA margin	9%	14%	10%	7%	11%	26%	63%	6%	
EBIT margin	6%	9%	6%	3%	7%	10%	104%	2%	
Loan Volumes (EUR m)									
Italy	252	265	246	287	266	6%	-7%		
Poland	84	134	159	307	328	289%	7%		
Hungary	29	45	56	56	65	122%	16%		
Total	366	444	461	650	659	80%	1%		
Commission rate	3.59%	3.51%	3.30%	3.03%	2.97%				
Total Debt	38.3	39.2	36.9	36.6	35.1				
Cash	26.8	19.4	18.2	21.6	20.8				
Net Debt	11.5	19.7	18.8	15.0	14.4				
Equity	15.8	8.2	9.6	14.3	15.9				

Source: Company data, WOOD Research

Results

1Q24 was a great start to the year for Duna House. Revenues reached EUR 23m, driven chiefly by a strong showing from the financial intermediation segment (EUR 20m), which also generated over 80% of the 1Q24 EBITDA of EUR 2.6m.

Italy remains the key driver of the results – here, the revenues may have turned a corner, with the declines seen during previous periods coming to a halt, and revenues up 2% yoy. Thanks to cost-reduction initiatives, the EBITDA generated by Italy jumped by a whopping 47% yoy. In Italy, the credit market turned a corner in 1Q24, growing 2%, after 2Y of steady declines. Duna House has increased its loans volume by 6% yoy, gaining market share. Since the pandemic, the share of financial advisors and intermediaries has increased from around 10% to c.20% in Italy, which may still offer some potential for market share gains, we believe.

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In Poland, the revenue tripled yoy, thanks to the combined impact of easing credit rules, lower interest rates, and the remaining effect of the mortgage subsidy, which ended in December 2023, but under which loans were still being closed at the beginning of this year. Looking ahead, we should see another mortgage subsidy scheme rolled out by the current government, with a likely start at some point in the second half of the year.

In Hungary, the results are volatile, due to the lumpy recognition of revenues from the Forest Hill project. That said, also here, the underlying trend for the mortgage market and the real estate market seems positive. In 1Q24, mortgage disbursements increased 130% yoy, to HUF 265bn, according to data from the MNB, according to Duna House. With slowing inflation, a gradual decline in interest rates could boost lending further in the remainder of 2024E, Duna House's management believes.

Forest Hill

Out of the total 154 apartments, 132 (86%) have been sold already, with 22 (14%) remaining to be sold after the end of 1Q24. Duna House expects the sales of the remaining apartments to generate around EUR 7m of net cash proceeds. The apartments sold so far have generated net cash proceeds of almost EUR 9m, as the initial sales proceeds have been used to repay the construction loan.

On the same plot, there is still room to develop c.57 additional apartments, Duna House estimates. The MyCity Panorama project would be the second phase of the Forest Hill development. The company may not develop the apartments itself – management is considering the potential sale of the plot.

Dividend

In May 2024, Duna House paid another special dividend, of HUF 125/share. This was driven by the proceeds from the continued sell-down of the Forrest Hill residential project in Budapest. This brings the cumulative dividend paid during the past two years to over HUF 230/share. On the share price at the beginning of 2023 (HUF 400/share), this translates into a cumulative dividend yield of almost 60%.

Balance sheet

The net debt declined marginally qoq, to EUR 14m. On a trailing 12M basis, the net debt was at 1.7x EBITDA.

Share price performance

In the year-to-date, the shares have generated a total return (including dividends) of 35%, in EUR terms. This marks a c.25% outperformance vs. both the local BUX Index, as well as the broader MSCI Europe.

Over the past year and a half, since the end of 2022, Duna House has returned over 160% to its shareholders, fuelled by the two special dividends, paid first in 2023, and then again in May 2024. Over the period, the BUX Index returned c.60% in EUR terms, and the broader European equities have generated less than a 30% return. This means that, over the past 17M, Duna House has generated a little over 100% better returns than the Hungarian equities, and over 130% better than the broader European stocks.

Year	Revenue (EUR m)	EBITDA (EUR m)	Net Profit (EUR m)	EPS (HUF)	DPS (HUF)	Net Debt/ EBITDA	P/E	EV/EBITDA	P/B	Dividend Yield
2020	25.9	4.4	3.9	37	39	3.4x	8.7x	10.3x	1.6x	12%
2021	40.3	5.6	4.2	42	32	2.9x	11.4x	10.8x	2.3x	7%
2022	78.4	11.4	9.2	85	107	1.0x	5.6x	4.7x	3.2x	23%
2023	86.0	8.3	5.7	40	125	2.6x	13.8x	9.6x	3.5x	23%
2024E	81.9	9.4	5.0	53	27	2.4x	11.2x	8.8x	3.7x	5%
2025E	84.2	9.8	5.4	58	58	2.2x	10.3x	8.4x	3.1x	10%

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This investment research was completed on 03/06/2024 at 08:40 CET and disseminated on 03/06/2024 at 09:00 CET.

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