

Duna House (DUNAHOU5 HB)

BUY

Duna House: a good set of 3Q24 numbers; postcard from WOOD's Winter Wonderland conference

DUNAHOU5 HB	
Market Cap (USD mil)	81
Price	920
Price target	1,189
Upside (%)	29.2

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In this flash note, we review Duna House's (DH) 3Q24 results (which were solid), and summarise the takes from our meeting with the company during our Winter Wonderland conference, held in Prague, last week (3-6 December). DH's recent results continue to be fuelled by tailwinds from real estate sales and – as of late – the inflection of the Italian market, where the mortgage market has started to pick up, after 2Y of declines. In the past 3Y, DH has paid out EUR 25m of dividends to its shareholders. We estimate that, in the next 2Y (2025-26E), DH could pay out over EUR 20m of dividends (a c.13-15% dividend yield p.a. in the next 2Y). We estimate that around half of this amount may be financed by the net proceeds from asset sales, with the rest via the FCF generated from the brokerage business. Alternatively, the company may spend the disposal proceeds on M&A, either entering a new market, or strengthening its presence in some of the countries where it operates already (we see the largest potential in Italy, DH's main market currently). In case of a sizeable acquisition, DH may also tap the market for new equity. Currently, the two founders control 78% of the shares. DH's long-term goal is to increase the free float to around 50%, doubling it from the current levels. This could boost the liquidity of the shares (LTM ADTV of only c.EUR 50k).

POSITIVE

The 3Q24 results

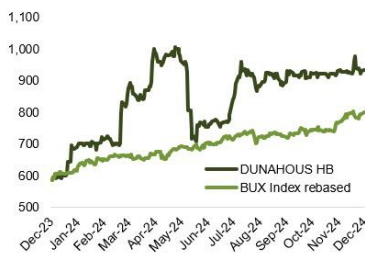
Duna House generated good results in 3Q24. The numbers were ahead of our estimates, thanks chiefly to the strong financial intermediation result. Here, DH achieved revenues of EUR 20m in 3Q24, putting the 9M24 revenue from financial intermediation at EUR 61m. This means that the company appears to be en route to beating our estimate of EUR 76m for the year. Intermediated loan volumes were materially higher (30-50% yoy) across all the segments in which DH operates.

In Italy, DH sees a positive dynamic at Credipass, which is growing at an accelerating pace, with the total volume of loans brokered by the group increasing by 35% yoy. In Poland, it saw a stabilisation of the credit and real estate market in the summer, after a sharp decline, following the phasing out of the subsidised lending programmes. In Hungary, the recovery of the credit and real estate markets continued, in spite of the seasonally weak summer period, which appears promising for the end of the year, in our view. We also note that, after the recent change at the top of the MNB, we may see the rates coming down in Hungary faster than expected originally during next year. The positive impact on DH's earnings (which we track in EUR, given the importance of Italy in the earnings mix) may be offset partly by a prospective weakening of the HUF, which may result from the softer monetary policy.

In the property investment segment, DH achieved EUR 2.7m in revenues in 3Q24, ahead of our estimate of EUR 2.0m.

Given that 4Q24E should see volumes pick up, due to seasonality, and benefitting from easing interest rates expectations (in particular, in Italy), we believe our estimate of EUR 14m for the year looks attainable. This is the total figure, which also includes income from real estate sales.

The company reiterated that it expects the clean, core EBITDA for the year to be within the upper half of its guidance of EUR 8.7-11.6m. The clean-core EBITDA excludes the – often variable – result from the real estate investment segment, where Duna House books the results from the sale of apartments and other buildings. Excluding this segment, we reconcile the 9M24 EBITDA at EUR 7.7m.



Duna House 3Q24 results review

EUR m	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	yoy	qoq	Wood	vs. Wood
Real estate franchise brokerage	1.5	1.5	1.4	1.5	1.4	1.3	-8%	-7%	1.2	11%
Own office brokerage	0.9	1.1	1.1	1.1	1.0	0.8	-21%	-15%	1.0	-17%
Financial intermediation	15.6	15.2	19.7	19.6	21.1	20.3	33%	-4%	17.0	19%
Complementary	0.3	0.2	0.3	0.2	0.3	0.2	-6%	-12%	0.3	-13%
Investment/Development	1.2	0.9	1.7	0.7	1.0	2.7	212%	163%	2.0	37%
Other	-0.3	-0.3	-0.3	-0.2	-0.2	-0.3	1%	2%	-0.3	0%
Total Revenues	19.3	18.6	23.9	22.9	24.5	25.2	35%	3%	21.2	19%
-Direct costs	-13.1	-12.8	-16.5	-15.9	-16.9	-17.1	34%	1%	-14.5	18%
Gross Profit	6.2	5.8	7.4	7.0	7.6	8.0	36%	5%	6.7	19%
-Indirect costs	-3.5	-4.0	-5.7	-4.5	-4.3	-4.6	17%	8%	-4.5	3%
Real estate franchise segment	0.1	0.2	0.0	0.2	0.2	0.0	-87%	n/m	0.1	-68%
Own office segment	0.0	0.1	0.1	0.1	0.0	0.0	-140%	-313%	0.0	-210%
Financial segment	1.9	1.4	1.2	2.1	2.7	2.4	70%	-11%	2.0	19%
Complementary segment	0.1	0.1	-0.1	0.0	0.0	0.0	-191%	2676%	0.0	-228%
Investment segment	0.5	0.1	0.6	0.1	0.4	1.0	1641%	151%	0.6	59%
Other segment	0.0	-0.1	-0.2	0.0	-0.1	0.0	-78%	-85%	0.0	0%
Total EBITDA	2.7	1.8	1.6	2.6	3.3	3.4	83%	2%	2.8	19%
-D&A	-0.8	-0.8	-0.8	-1.0	-0.7	-0.6	-26%	-15%	-0.8	-29%
EBIT	1.8	1.1	0.8	1.6	2.6	2.8	161%	7%	2.0	37%
Net interest expense and other	1.0	-0.2	2.1	-0.2	-0.2	-0.3	44%	77%	-0.2	53%
PBT	2.8	0.9	2.9	1.4	2.5	2.5	190%	2%	1.8	36%
-Income taxes	-0.5	-0.2	-0.6	-0.5	-0.8	-0.6	226%	-27%	-0.4	56%
-Minorities and other	0.0	-0.1	0.1	0.0	0.0	-0.1	-7%	43%	0.0	n/a
Net profit to Duna shareholders	2.3	0.6	2.4	0.9	1.6	1.9	204%	15%	1.5	26%
Gross margin	32%	31%	31%	31%	31%	32%	1%	2%	32%	
EBITDA margin	14%	10%	7%	11%	13%	13%	35%	0%	13%	
EBIT margin	9%	6%	3%	7%	11%	11%	93%	4%	10%	
Loan Volumes (EUR m)										
Italy	265	246	287	266	337	324	32%	-4%		
Poland	134	159	307	328	214	233	46%	9%		
Hungary	45	56	56	65	87	82	46%	-6%		
Total	444	461	650	659	638	638	38%	0%		
Comission rate	3.51%	3.30%	3.03%	2.97%	3.30%	3.17%				
Total Debt	39.2	36.9	36.6	35.1	34.6	34.2				
Cash	19.4	18.2	21.6	20.8	8.1	12.0				
Net Debt	19.7	18.8	15.0	14.4	26.5	22.1				
Equity	8.2	9.6	14.3	15.9	6.3	8.0				
Trailing 12M EPS (EUR)	0.24	0.22	0.20	0.18	0.16	0.18				
Trailing P/E	5.0x	5.9x	7.0x	9.0x	11.4x	10.8x				
BVPS (EUR)	0.24	0.28	0.42	0.46	0.18	0.23				
P/B	6.3x	5.1x	3.9x	4.7x	10.6x	10.0x				
EV (EUR m)	71.6	68.8	71.3	90.5	94.3	103.3				
Trailing EV/EBITDA	8.0x	8.3x	12.1x	16.7x	17.9x	18.8x				

Source: Company data, WOOD Research

Postcard from Prague – WOOD's Winter Wonderland

- The company continues to see significant potential for cross-selling in Hungary and Poland.
- The dividend is to be announced during the publication of the 4Q report, with the policy to pay out 47% of the net profit from core activities (real estate and loan brokerage), which may be boosted by the proceeds from sales (which may, however, also be used for M&A).
- The company plans to boost the free float from 22% to around 50%; this could happen if DH sees an attractive acquisition target for which it would be looking to raise funding.
- DH expects to raise HUF 5.1bn (EUR 12.4m) from upcoming real estate sales.
- An inflection point in Italy, the mortgage market is picking up now (up 13% yoy in 3Q24), after two years of declines (when the market was falling by 20-25% p.a.). This should be beneficial for volumes, but could weigh on fees, as the high-margin CQS product – which people tend to take during more difficult market conditions – may drop as a share of intermediated volumes.

Year	Revenue (EUR m)	EBITDA (EUR m)	Net profit (EUR m)	EPS (HUF)	DPS (HUF)	Net debt/ EBITDA	P/E	P/BV	Div. Yield	ROE
2021	40	6	4	42	32	2.9x	9.4x	1.9x	8%	22%
2022	77	11	8	99	108	0.9x	4.8x	3.2x	23%	70%
2023	86	8	7	69	131	1.8x	8.1x	3.6x	24%	47%
2024E	91	14	7	82	122	1.3x	11.3x	8.5x	13%	79%
2025E	102	19	12	137	132	1.1x	6.5x	7.1x	15%	113%
2026E	95	17	9	102	100	1.4x	8.7x	9.7x	11%	117%

09 December 2024

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Date	Rating	Date	PT
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09/09/2024	BUY	09/09/2024	HUF 1,189

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