WOOD & COMPANY

Duna House

Sponsored research report

Initiation of coverage

Broking loans and selling sunsets

We initiate sponsored research coverage of Duna House (DH), a financial intermediary, a real estate broker and a developer. DH works with a network of c.5k entrepreneurs in Italy, Poland, Hungary and the Czech Republic, across a network of 280, mostly franchise, offices. Following its recent entry into Italy, financial intermediation accounts for around 70% of DH's earnings. The planned sale of a small portfolio of standing apartments and the completion of a residential development project in Budapest under way currently could result in a net cash inflow of around EUR 17-18m, or c.40% of DH's market cap, within the next 2Y, on our estimates. The proceeds could be either distributed as a special dividend (a yield of 20-30% in that case, we estimate), or used to fund entry into a new market through M&A. Rising interest rates and slowing economic growth are likely to result in a steep drop in mortgage origination volumes and fewer real estate transactions, in Poland above all, in our view. This is a headwind for the earnings, which could be amplified by the operating leverage. That said, the entry into Italy and the continued growth of its market share in Poland could offset the pressure. Entry into a new market, or earnings growth in Italy could offer upside to our forecasts. We estimate the fair valuation range at HUF 476-650/share vs. its current share price of HUF 526.

DH was founded in the 1990s by the Dymschiz brothers, who remain co-CEOs, with a 78% stake, combined. With 162 offices and a c.6-7% market share in mortgage intermediation in Hungary, DH is one of the two leading players in its home market. It entered Poland in 2016 through a series of acquisitions. It has 97 offices in Poland and a market share of c.5% (and growing).

In 2022, Duna House entered Italy, acquiring a 70% stake in HGroup, an established financial intermediation player. The deal valued HGroup at an EV of c.EUR 30m (10.5x EBITDA), which is being paid in tranches. We estimate that the transaction could double DH's EBITDA. Management sees significant growth opportunities in Italy, driven by the expansion of its real estate brokerage activites and improved cross-selling. Local management believes Italy could generate around EUR 10m of EBITDA by 2024E – if realised, this would drive very substantial upside vs. our forecast of c.EUR 4m for Italy.

DH targets to operate with net debt to EBITDA of up to 3.0x. Its net debt stood at EUR 16m, or 2.9x EBITDA as of YE21. At 3.0% and 4.5%, the fixed rate that Duna pays on its two HUF bonds (due in 2030 and 2032) is attractive. DH does not face any near-term financing needs.

Valuation range at HUF 476-650/share, set using a combination of a DDM, a DCF and a peers valuation, with a WACC of c.9-10% and a COE of c.12%. On our estimates, where we try to account for the difficult market environment, we see DH trading at 7x EV/EBITDA, 2x P/B and 8-9x P/E on our 2022-23E earnings.

Key risks: macro; rates; loan volumes; real estate market; commission level; and cost pressure.

Triggers: stronger earnings in Italy; a resilient commission rate level in CEE; a special dividend; entry into new markets; and a special dividend.

Expected events

2Q22 report	31 August
3Q22 report	29 November
4Q22 report	28 February 2023

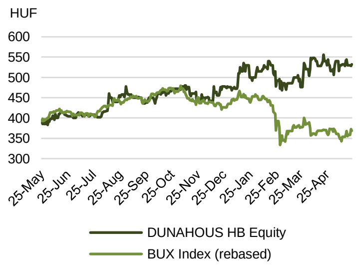
Key data

Market Cap	EUR 46m
Free float	c.22%
Shares outstanding	34.4m
3M ADTV (EUR k)	12
Major Shareholders:	
	Doron Dymschiz (39.2%)
	Guy Dymschiz (39.2%)
Reuters Code	DUNA.HB
Bloomberg Code	DUNAHOUS HB
BUX Index	41,517

Price performance

52-w range	HUF 383-556/share
52-w performance	34%
Relative performance	43%

Duna House 12M share price performance



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
2019	24.3	4.9	3.3	28	0	3.0x	12.6x	10.5x	2.2x	0%
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%
2022E	97.5	10.8	6.1	64	31	2.0x	8.3x	7.1x	2.1x	6%
2023E	93.0	9.5	5.8	62	172	1.2x	8.5x	6.9x	1.9x	33%
2024E	81.9	9.4	5.0	53	27	2.4x	9.9x	8.2x	3.3x	5%

EQUITY RESEARCH

Analysts: Jakub Caithaml, Aidar Ulan
E-mail: jakub.caithaml@wood.cz, aidar.ulan@wood.cz

Prague: +420 222 096 481
Website: www.wood.com

Contents

Closing Prices as of 25 May 2022

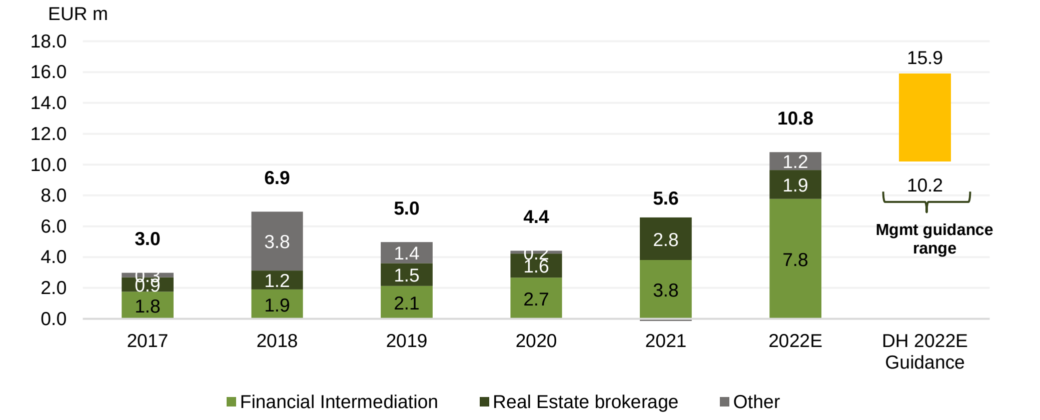
WOOD & Company Financial Services a.s.
Palladium, Namesti Republiky 1079/1a,
110 00 Prague 1 – Czech Republic
tel.: +420 222 096 111
fax: +420 222 096 222
http//:www.wood.cz

Investment case

Duna House (DH) is a financial intermediary, a real estate broker and a developer. The company works with a network of c.5,000 entrepreneurs in Hungary, Poland, the Czech Republic and Italy, across 280 offices. The real estate agents working with Duna assist people with buying and selling apartments, while the financial experts help them to secure financing for these purchases. For this, they earn a transaction fee, or commission income from the banks (in case of the loan intermediation). In the past 3Y, the blended commission fee level has been very stable, at 2.25% of the loan volume intermediated – that said, Duna also receives commissions from other mortgage-related products, which are non-volume-based. This means that the actual average rate of commissions is closer to 2.1%, with the remainder driven by fees on non-volume based products. Duna House has been involved in real estate development historically, but it is winding down the business currently.

The company was founded in the late-1990s in Hungary, by the Dymschiz brothers, who developed the business and continue to run Duna House as co-CEOs, owning a controlling (78%) stake. Historically, the key driver of earnings was the fees that Duna House received for helping its clients buy and sell apartments. The company also offers its clients assistance with securing financing for real estate purchases, and the share of the earnings generated by the commissions from financial intermediation has been growing in recent years. Following its entry into Poland and – more recently – Italy, the financial intermediation should be the major driver of earnings, generating some 70% of the EBITDA, we estimate (excluding the one-off gain from apartment handovers). The second major source of earnings is the franchise fees (about one-quarter of the EBITDA, ex-residential, on our estimates). In 2022E and 2023E, there should be also a contribution from the handovers of apartments in the real estate development project that Duna House is finishing in Budapest.

DH EBITDA split: acquisition of HGroup in Italy boosts earnings significantly



Source: WOOD Research, company guidance; we use a EUR/HUF rate of 360 to convert the guidance into EUR terms, which was presented in HUF previously

Duna House is one of the two leading players in Hungary, its home market. In Hungary, Duna House had 162 franchise branches, of which 13 own offices, at the end of 2021[1]. The franchise network operates under the Duna House name in the country. Duna has one main competitor in Hungary in real estate brokerage and financial intermediation, Otthon Centrum (OC). OC has some 200 franchise offices across Hungary, making it larger than Duna in terms of offices, but it trails DH in terms of revenues (in 2020, DH's loan broker company in Hungary generated 22% more revenue than OC). DH and OC have intermediated c.6-7% each of the total new mortgage loans granted in Hungary, according to our estimates, in recent years. We estimate that around half of the new mortgage loans in Hungary are arranged directly via banks, and around half of mortgage applicants use the services of financial intermediaries. The two top players have a market share of around 30% in financial intermediation. In Hungary, the commission level is fixed, by law, at a maximum of 1.6%, with an additional 0.4% as trailing commission in the first 5Y of the loan. In 2021, Duna House generated revenues of EUR 15m in Hungary, or nearly 40% of its total revenues for the year.

DH entered Poland in 2016 through its acquisition of Metrohouse (the local leading real estate broker), and expanded the loan brokerage business significantly, later, through the acquisitions of Gold Finance (2018) and ATG (2020). Duna House has a network of 97 offices currently (of which 90 franchise and seven own offices) in the country. When it acquired Gold Finance (which was the fifth-largest loan broker then), Duna had a market share of 1.2% in the Polish loan brokerage market (with the existing loan brokerage subsidiary of Metrohouse). Through the acquisition of Gold Finance and ATG (the sixth largest at the time), DH became the number four player in Poland, with a market share of over 5% as of 4Q21. Since last year, it has been also capturing the market share of OpenFinance, formerly

[1] *We refer to franchise and own offices separately. In Duna's reports - franchise office numbers include the number of own offices, because the own offices act as franchise partners.*

one of the leading loan brokers in the country, which declared bankruptcy recently. The largest financial advisor/intermediary in Poland is Expander.pl, which has been on the market for over 20 years, providing credit intermediations services, chiefly mortgages. As a market leader, in 2020, Expander helped originate c.20% of mortgage loans in all of Poland. Unlike in Hungary, the commission level in Poland is not fixed by law. In periods when the banks are looking to attract more business, the commissions are higher; while, during risk-off times, they decline. We estimate that, during the past 3Y, the blended commission level that DH has been receiving in Poland for financial intermediation has stood at around 2.2-2.3%, on average. In 2021, DH generated revenues of EUR 24m in Poland, c.60% of its total top line.

In early-2022, Duna House entered Italy, by acquiring a 70% stake in HGroup, an established financial intermediation company and an up-and-coming real estate brokerage. The deal valued the entity at an EV of c.EUR 30m. The price was agreed as a 10.5x multiple of the 2021E consolidated EBITDA (adjusted for taxes and one-off items) of EUR 2.9m. The transaction will be paid in tranches. DH has paid EUR 11.3m for 45% of the equity in HGroup already, which was based on the expected results for 2021. We note that there could be a price adjustment on the first payment, as the actual 2021 EBITDA figures came in lower than the estimated EBITDA for the year (EUR 3.9m actual vs. the EUR 4.5m target). It is possible that Duna House may receive some cash back, as a result. Going forward, Duna House should pay three additional instalments, each acquiring an 8.4% stake (in total, 25.2%, and 70% if including the first instalment) in 2023E, 2024E and 2025E, based on the consolidated adjusted EBITDA figures of previous years. HGroup offers two major financial services: loan intermediation and insurance brokerage. The Credipass brand, which helps clients obtain mortgages and personal loans, generates the majority of HGroup's earnings. This is followed by Medioinsurance, which offers insurance products. With around EUR 7-8m in operating expenses annually, the HGroup has significant operating leverage. We see a risk that the challenging macro environment ahead could drive the EBITDA well below management's original expectations, laid out at the time of the announcement of the transaction. At the same time, reducing the level of overheads could drive substantial upside for our forecasts – during the start of the pandemic, Duna House proved that it can cut overhead costs quickly, if necessary. Even a 5% reduction of the operating expenses of HGroup (or around EUR 0.3-0.4m of savings) could increase the EBITDA of the Italian entity by around 10%, and the group level EBITDA by some 3-4%, on our estimates. During last year, HGroup generated revenues of EUR 46m, higher than the revenues Duna House generated in 2021 (EUR 40m).

Key highlights: HGroup

EUR m	9M21 LTM	2021	2022E	2023E	2024E
HGroup: Credipass	35.1	35.2	37.0	35.1	36.9
HGroup: Medioinsurance	6.6	6.7	7.0	6.7	7.0
Other	4.2	4.1	4.3	4.1	4.3
Total Revenue from Hgroup	**45.9**	**46.0**	**48.3**	**45.9**	**48.2**
Cost of sales	-32.1	-34.8	-36.6	-34.7	-36.5
Gross profit	**13.8**	**11.2**	**11.7**	**11.2**	**11.7**
Overhead	10.1	7.3	7.7	7.7	7.8
EBITDA	**3.7**	**3.9**	**4.1**	**3.5**	**3.9**
EBITDA (Duna – according to Duna/HGroup agreement*)			**6.4**	**7.5**	**8.6**
Gross profit margin	30%	24%	24%	24%	24%
EBITDA margin	8%	8%	8%	8%	8%

*Source: WOOD Research, company data; we note that each year's earn-out payments for the 8.4% stake are calculated from a 10.5x multiple of previous years' adjusted EBITDA (the EBITDA adjusted for a tax rate of 24%); *the EBITDA estimate we present for Duna/HGroup is the target consolidated EBITDA for the HGroup that the two firms agreed to during the investment agreement at the time of the acquisition. According to our understanding, the original forecast of the Italian management were even more ambitious, with numbers in this table showing 80% of the projections of HGroup's management. If the targets are not reached, this would trigger a change of control, according to the acquisition agreement, where Duna would gain complete control of management in HGroup*

The rate hikes and economic slowdown are likely to have a significant adverse impact on earnings. In the past 4Y, Duna House – operating in Hungary and growing its footprint in Poland – has been generating EBITDA ranging between EUR 4-7m annually. It is difficult to estimate the scale of the economic fallout from the war in Ukraine, and the impact it may have on the volume of real estate transactions, new mortgage origination, and the level of commissions for financial intermediation, going forward. That said, our macro team expects a significant shock to growth, and high inflation to drive rate hikes, in both CEE and the Eurozone (for more details, please see our recent reports on the broader global outlook, global rates, MNB rates and CEE macro and FX). We believe that this is likely to drive a drop in the number of real estate transactions and new mortgage origination. During a risk-off period, the banks could adopt a more defensive stance, while affordability is likely to deteriorate materially. In our forecasts, we try to account for the difficult outlook ahead and price in a substantial decline in loan origination volume. That said, we cannot rule out that DH's earnings could suffer, possibly beyond our forecast horizon.

Exit from residential development could result in substantial cash inflows. Aside from the real estate brokerage and loan intermediation activities, Duna House is also developing apartments in

Budapest. It is completing a project in the Hungarian capital currently, which should generate a net cash inflow of around EUR 12-13m (after the repayment of the project loan), according to the company. It also owns a portfolio of apartments in Budapest, which it plans to sell. The apartments generate a c.5% yield on book value and are financed with equity. The sale could generate a cash inflow of around EUR 5m. As such, from the residential disposals alone, Duna House could generate some EUR 17-18m of net cash inflows during 2022-23E, or some 40% of its current market cap. We believe that the proceeds could be reinvested, as Duna House continues to evaluate opportunities to expand to additional countries in Europe. Alternatively, the proceeds may be used for a special dividend and debt repayment (that said, we note that management would prefer to maintain the net debt to EBITDA at around 2-3x and, rather than reduce the leverage significantly, it would prefer to maintain the current capital structure and invest the money into M&A, possibly entering another European market).

As of the end of 2021, DH's net debt stood at EUR 16m, or 2.9x EBITDA. The company targets to operate with net debt to EBITDA of up to 3.0x. To finance the acquisition of the Italian business, DH issued bonds worth EUR 17m and used part of the proceeds to cover the initial EUR 11m tranche for HGroup. Going forward, there are two key drivers of its financial position. The inflows from the sale and hand-over of the residential development project in Budapest, and the sale of the yielding apartments in the Hungarian capital could result in a net cash inflow of EUR 17-18m. Duna House will also have to pay the remaining tranches for the HGroup. The earn-out payments are calculated as a 10.5x multiple of adjusted EBITDA (excluding one-off items and taxes). Based on DH's original guidance for the Italian entity, the earn-out payments to be paid in the next 3Y could reach up to EUR 13m. We pencil in that Italy could generate EBITDA of EUR 4m annually, some 30-55%% below the level implied by the guidance of Duna House's management. As such, our forecast implies the remaining earn-out payments could reach only c.EUR 5m. Pencilling in that the company will distribute EUR 15m in dividends (a 33% yield) in 2024E from the proceeds from the residential inflows, the net debt would amount to c.EUR 20m from 2024E-onwards (2.0-2.5x EBITDA). At a fixed rate of 3.0% and 4.5%, the interest that Duna pays on its outstanding bonds (HUF denominated) is very attractive, especially following the recent spike in borrowing costs.

The low portion of fixed costs in COGS is helpful, but Italy made the business opex heavy. In Poland and Hungary, the company works with a network of 4.0k entrepreneurs, but had only c.150-160 employees in the two countries. The remaining salesforce are contractors, and their remuneration is derived from the volume of business they bring. That said, especially following the entry to Italy, we estimate the overhead costs of the platform at around EUR 15m. This means the business has substantial operating leverage, and falling volumes, fee levels and margins could all have an outsized impact on EBITDA and the bottom line.

Excluding the one-off tailwind from handing over apartments in 2022-23E, we estimate the combined EBITDA to stand at around EUR 8-10m annually. We pencil in the EBITDA generated by HGroup at around EUR 4m annually, going forward, similar to the levels it generated in 2021 (EUR 3.9m). Duna's official guidance for the Italian business is EBITDA of EUR 4-7m in 2022E. This estimate was issued shortly after Russia invaded Ukraine (on 28 February), and management reduced the lower end of the range of the guidance to account for the uncertain outlook. We understand that the local Italian management of HGroup was budgeting the EBITDA to range around EUR 8-10m annually within the next 3Y (2022-24E). In Poland, Hungary and the Czech Republic, we pencil in the EBITDA (excluding the result from apartment handovers) to range around EUR 5-5.5m in the next 3Y, from EUR 4-6m in the past 3Y. We expect to see a sharp drop in the volume of real estate transactions and loans intermediated in CEE, above all in Poland, in the next 12-24M, compared to the peak levels of the past year. We believe the effect on Duna's earnings could be partly mitigated, if the company manages to use the difficult environment to continue growing its market share, particularly in Poland. Including the one-off gain from apartment handovers, management's 2022E guidance – compiled shortly after the war started – was looking for EBITDA in a range of EUR 10-16m. We pencil in the 2022E EBITDA at EUR 10.8m, at the lower end of the guidance.

The EV should stand at around EUR 70m by YE23E, following the receipt of the cash from the residential sales, on the current share price, we estimate. The exact level will depend on, among other things, the value attributable to the minority stake in the Italian business, itself a function of the level of the EBITDA of HGroup in the coming years. This would translate into an EV/EBITDA of around 7-8x, on our 2022-24E EBITDA, excluding the one-off gains from the residential handovers. In the past 5Y, the stock was trading at an EV/EBITDA of 10x, on average. On the one hand, it is possible that the contraction of new mortgage lending and banks' potential risk-off stance could result in an even more dramatic drop in the volumes and commission fees than we estimate. On the other, there could also be some upside risk for our forecasts as, during times when the market becomes difficult, customers may be more reliant on professional assistance with both selling apartments and securing the funding for purchases. Duna House may also improve the returns and generate more business through better cross-selling, as management takes steps to incentivise the better utilisation of leads in the real estate business for loan intermediation, and vice versa.

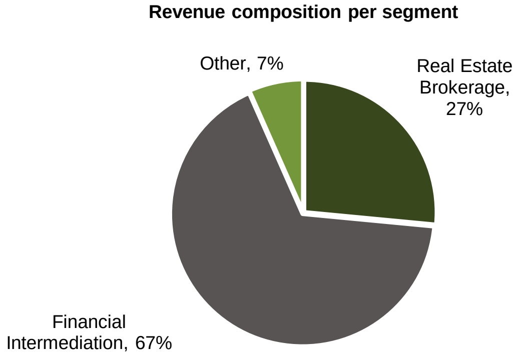
We estimate a potential fair value range at HUF 476-650/share, set using a combination of a DDM, a DCF and a peer valuation. We use a WACC ranging around c.9-10% and a COE ranging around 12% throughout our 10Y valuation horizon. We use risk free rates of 4.0% for Italy, 7.0% for Hungary, 6.5% for Poland and 5.0% for the Czech Republic, weighted by the estimated EBITDA contribution of the individual countries. Using this approach, we arrive at a blended risk free rate of 5.6-5.7%. In our forecasts, we try to account for what we expect to be a challenging operating environment ahead. On our estimates, we see DH trading at 7x EV/EBITDA, 2x P/B and 8-9x P/E on our 2022-23E earnings.

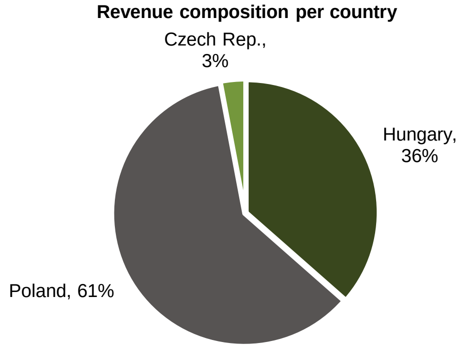
The key risks include the macro, rates, loan volumes, real estate market, commission levels and costs pressure. In a risk-off environment, we believe the banks could behave defensively, which could weigh on the level of commissions, and possibly also result in a lower market share for the third-party loan intermediaries. The rising rates are also likely to translate into a substantial drop in new mortgage origination volumes across all the countries in which DH operates. While the COGS are largely variable, there is a substantial level of operating expenses, which exacerbates the impact of the top-line slowdown on the EBITDA and the net income. There is limited visibility on the economic impact of the war in Ukraine and, although we have tried to reflect the slowdown in our forecasts, it is possible that our figures could prove too optimistic. Duna House still needs to complete and deliver the Forest Hill residential projects in Budapest. Some EUR 22m of the total capex of EUR 25m for the project has been spent already, so the risk of a substantial margin squeeze is limited, in our view. However, the supply chain disruptions, the labour shortages and the rising costs of materials could have an impact on the level and timing of earnings and cash inflows from this residential project. The free float and the liquidity of the shares are low, and entering and – especially – exiting a larger position could be difficult.

Company description

Duna House is a Hungarian-based consumer finance and real estate services group; its two main pillars of business are the financial intermediation of mortgage/personal loans (67% of revenues in 2021) and retail property brokerage (27% of revenues in 2021). Other business segments include real estate related complementary services and residential development; the latter is being phased out currently.

Revenue mix of Duna House in 2021

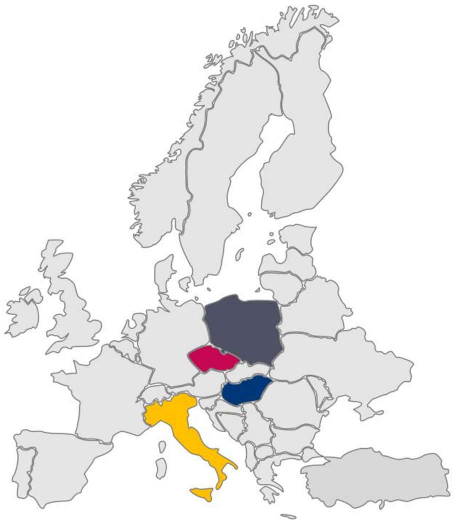




Source: Company data, WOOD Research

For almost two decades, DH was operating in Hungary, but it has grown its presence in Poland quickly during the past 5Y, following its entry into this market. Last year, Poland accounted for over 60% of the revenues DH generated. At the beginning of 2022, DH expanded into Italy via M&A. Going forward, Italy should become the major contributor to DH's revenues. Duna House has also had a smaller presence in the Czech Republic since 2010.

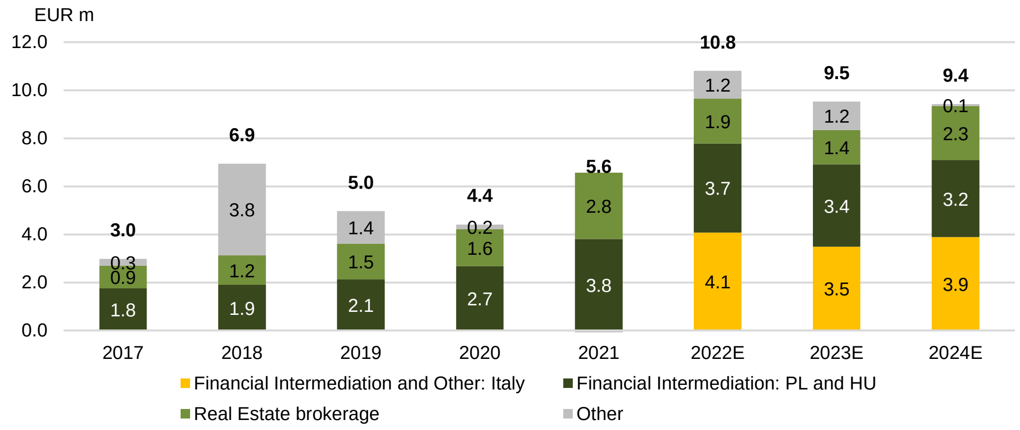
Geographical presence: Hungary, Poland, the Czech Republic and Italy



Source: Duna House investor presentation, WOOD Research

Duna started as a small real estate consultancy and property broker, founded in 1998 in Budapest. However, during the past decade, financial intermediation has become the leading source of its earnings gradually, especially following DH's entry into Poland. In 2021, the financial intermediation segment generated 64% of DH's total EBITDA. From 2022E-onwards, the share of financial intermediation in earnings should increase further, following DH's acquisition of the leading loan broker in Italy, HGroup, in a deal that was closed at the beginning of January 2022. By 2024E, the credit intermediation segment in Poland, Hungary and Italy should drive some 70% of Duna House's EBITDA, on our estimates.

Duna House: EBITDA split, 2017-24E



Source: Company data, WOOD Research

Financial intermediation. The intermediation of financial products, chiefly mortgage loans, is the company's core business. Duna helps its clients to secure funding for real estate purchases, and obtain personal loans and insurance products in return for commission from banks. Duna House began providing these services in the late-2000s in Hungary; expanding to Poland eventually (in 2016) by acquiring Metrohouse, with its existing loan broker subsidiary; then, subsequently, buying two leading loan brokers in the country (Gold Finance and ATG). Recently, Duna House bought HGroup, the leading Italian financial intermediation group, focused on real estate lending, personal lending (including CQS products – we provide more details on this later in this report), insurance and associated activities. The transaction implied an EV of EUR 30-35m, while the 2021 EBITDA came in at EUR 3.9m. The recent expansion into Italy has increased the size of Duna House's operations significantly. Among other things, its total salesforce of financial and real estate advisors rose by 1k (+25% growth), to a total of 5k.

Real estate brokerage. Duna House operates a network of real estate brokerage offices (across Poland, Hungary and Czechia), offering transaction services to retail clients. Operating from its own offices, over time, the Dymschiz brothers have transformed the brand into a franchise model, expanding the network dramatically. Currently, Duna House has c.240 franchise offices and 21 own offices in Poland, Hungary and Czechia, with an additional c.20 offices in Italy, under the Italian HGroup Realizza brand.

There is great potential for synergies in the real estate brokerage and financial intermediation businesses. The demand for the intermediation of financial products and services goes hand-in-hand with the demand for real estate brokerage services. There is significant potential for cross-selling the products. Duna House has the ability to develop into and serve as a one-stop-shop for customers who want to both buy a house or an apartment and secure financing, at the same time. Duna House can walk clients through the process and deal with the bulk of the admin related to the transaction on their behalf. Acting as both broker and financial advisor, Duna House can originate the lead for loans from real estate transactions, and vice versa. The company sees substantial room for improved cross-selling between its real estate and loan brokerage arms, and hopes that better incentivising the agents to log data and act on leads could be an important organic growth driver.

Residential development. Besides the real estate brokerage and financial intermediation segments, Duna House has been developing residential projects in Budapest, its home market. To date, it has completed and delivered three projects (out of which one was a 50% JV), and delivered a total of 230 apartments with a gross sellable area of 14k sqm. These were priced at around EUR 1.5-2.0k/sqm, on average, which classified them as affordable in the context of Budapest. During the execution of the project, Duna House was struggling with rising input costs and construction delays. Even though the company does have one additional undeveloped land plot, from the current perspective, it is not planning to continue with further development projects and is contemplating selling the plot as a base case. That said, we note that the company may decide to do further development projects on an opportunistic basis. It has one last ongoing project Forest Hill (150 apartments), with a GDV of EUR 30m, which is expected to sell around EUR 2.0-2.5k/sqm, on average. With nearly 90% of the capex spent already, the project should be delivered equally in 2022E and 2023E, and it should generate a gross profit margin of 15%, according to the company.

Lastly, Duna House has ventures in other real estate related segments. It has expanded into other auxiliary business lines, for example, property energy certification, home property management, real estate fund management, real estate proprietary technology services, and residential property leasing. These segments are small in comparison and do not affect the company's earnings materially.

Company history

Duna House was established in 1998 in Hungary by brothers Guy and Doron Dymschiz. The co-founders, who were born in Germany and later studied in Israel, moved to Hungary to start a real estate consultancy business catering to foreign investors. From a single consultancy office, Duna transformed and expanded into a network of real estate brokerages (through its own offices and franchising), connecting home buyers and sellers. Over time, the company began intermediating financial products, such as helping customers obtain mortgage/personal loans and insurance on their properties.

Since 2010, DH has expanded its real estate business internationally, to the Czech Republic and, in 2016, to Poland, by acquiring Metrohouse, a local real estate brokerage firm. In the same year, DH was also listed on the Budapest Stock exchange, raising c.EUR 9m (c.18% of the share capital). This was a key year for Duna House, as it acquired the largest Polish real estate broker, which expanded its network in the real estate brokerage sector greatly, cementing itself as the market leader in Poland. After 2016, the company shifted greater focus to financial intermediation, by helping out customers with obtaining mortgages, personal loans and insurance. The subsequent acquisitions of the Polish loan brokers in 2018 and 2020 slowly cemented the business as a credit intermediary. In January 2022, Duna House completed the acquisition of HGroup, an Italian-based company focused primarily on financial intermediation, strengthening Duna's role as a credit intermediary further. Up to now, the company has a total salespeople of 5k, which include real estate agents and financial advisors in Hungary, Poland, the Czech Republic and Italy. It operates a network of 280 own and franchise offices across the four countries in which it is present currently.

In the course of its 20-year history, Duna House has also been involved in other real estate businesses: developing residential projects in Budapest, launching the first residential property-focused investment fund in Hungary, and offering real estate energy certification and home property management services.

Duna House: timeline

Source: Duna House Investor Presentation, WOOD Research

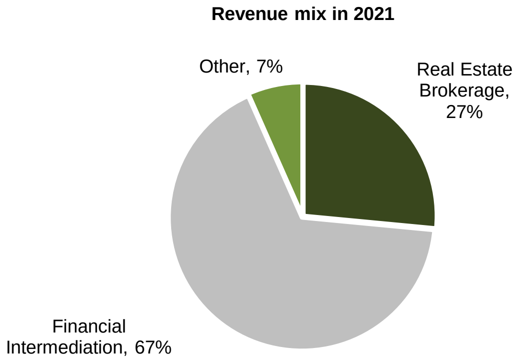
Financial intermediation: the key earnings driver

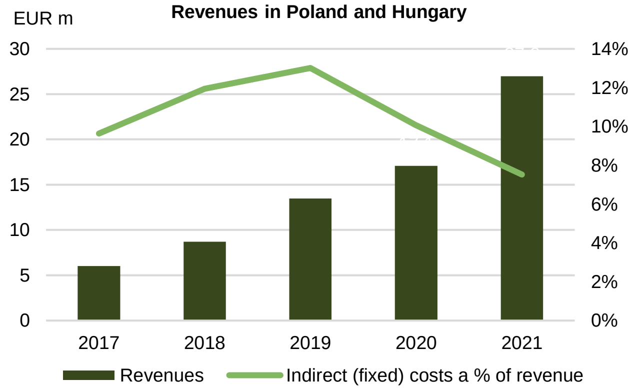
Duna House's core activity is the intermediation of financial products, chiefly mortgage loans. As an intermediary, Duna House helps its clients secure funding for their real estate purchases and gets commission in return from the banks. In Italy, it can also receive commission fees from clients.

In the past 3Y, the blended level of commission fees in relation to the volumes of loans that Duna intermediated was stable, at c.2.25% of the volumes that DH intermediated in Poland and Hungary. However, Duna also receives commissions from other mortgage-related products, which are non-volume based. This means that the actual average rate of commissions is closer to 2.1%, with the remainder driven by fees on non-volume based products.

Duna's market share in mortgage intermediation in Hungary is around 6-7% (historically, it has been stable). In Poland, it has been growing each year since DH entered the market in 2016, ranging between 5.5-6% currently. In Italy, DH has a market share of 1.6%, following its entry into this market this year.

The financial intermediation segment is the largest contributor to Duna House's earnings





Source: Company data, WOOD Research; historical financial results for Poland and Hungary

Duna House began providing financial intermediation for its clients in the mid-2000s in Hungary. Later, Duna expanded into Poland by acquiring Metrohouse, with its loan brokerage unit, and then two of the largest local loan brokers, Gold Finance and ATG, in 2018 and 2020, respectively. Duna House ran the Polish financial intermediation businesses under the Gold Finance brand since its acquisition; however, in May 2022, it rebranded the entities as the Credipass brand, in a broader push to establish a common identity across the countries in which the group operates. Recently, the company acquired Italian entity HGroup, the second-largest loan broker in Italy, according to the company. DH's market share in terms of mortgage volumes intermediated in Hungary is around 6-7%; in Poland, it is around 5.5-6%. Following its entrance into Italy in 2022, DH should have around a 1.6% market share in the country.

Financial intermediation is the largest segment and contributor to Duna House's revenue stream currently. In 2021, it contributed 67% of total revenues, up from 40% in 2017. In terms of EBITDA, the segment contributed 64% of total EBITDA in 2021.

The key market in the financial business for Duna was Poland in the past 3Y, but Italy is likely to take over following Duna's acquisition of HGroup. The total volume of loans intermediated by Duna (in Poland) was EUR 911m in 2021 (vs. EUR 83m in 2017), driven by a combination of organic and inorganic growth, approximately 3x more than what it intermediated in Hungary in the same year. In Hungary, the volume of loans DH intermediated also grew, but more in line with the generally favourable market momentum – it increased from EUR 127m in 2017 to EUR 284m in 2021. Going forward, Italy is likely to take over both Poland and Hungary in terms of the volume of loans intermediated. The preliminary results from the Credipass entity of HGroup (financial business arm) show that it intermediated EUR 1.25bn worth of loans in 2021, up from EUR 1.1bn in 2020.

Financial intermediation brands for Hungary, Poland and Italy

DUNA HOUSE® goldfinance eksperci finansowi medioinsurance credipass

Source: WOOD Research, Google images

Volume of loans intermediated by Duna House in Poland and Hungary

	2017	2018	2019	2020	2021
HU – mortgage & other types of loans (EUR m)	**127**	**174**	**229**	**242**	**284**
Growth in intermediation volumes		37%	32%	6%	17%
HU - market share in mortgage volume intermediated	6.10%	6.40%	6.80%	7.40%	6.70%
PL – mortgage & other types of loans (EUR m)	**83**	**150**	**372**	**518**	**911**
Growth in intermediation volumes		81%	148%	39%	76%
PL - market share in mortgage volume intermediated	n.a.	1.20%	2.60%	3.80%	4.60%
Average blended commissions received by Duna in PL and HU	2.87%	2.69%	2.25%	2.25%	2.26%

Source: Company data, WOOD Research

Key financials from financial intermediation in Poland and Hungary

EUR m	2017	2018	2019	2020	2021
Revenues from Poland and Hungary	**6.0**	**8.7**	**13.5**	**17.1**	**27.0**
Direct expenses	-3.7	-5.8	-9.6	-12.7	-21.1
Gross profit	**2.3**	**2.9**	**3.9**	**4.4**	**5.8**
Indirect expenses	-0.6	-1.0	-1.8	-1.7	-2.0
EBITDA	**1.8**	**1.9**	**2.1**	**2.7**	**3.8**
Gross profit margin	39%	34%	29%	26%	22%
EBITDA margin	29%	22%	16%	16%	14%

Source: Company data, WOOD Research

Historically, over 85% of the costs of the financial intermediation business were variable. In the past 5Y, the indirect expenses – the fixed part of the remuneration – accounted for only around 10-15% of the total costs of the financial intermediation business, according to data from Duna House. The sales force is composed of entrepreneurs, and self-employed people, who derive their remuneration based on the volume of business they bring to the company. In other words, Duna's agents' remuneration is based on an "eat what you kill" model and the COGS are linked directly to the volume of the fees the agents generate for DH. Going forward, the share of the fixed costs in the financial intermediation business is going to increase to around 20%, we estimate, as the Italian business has a higher share of opex than Duna House. Still, around 80% of the expenses should remain variable, on our estimates, a silver lining in what we expect to be a challenging macro environment ahead.

There is significant cross-selling potential between the real estate and financial businesses… The demand for financial intermediated products and services goes hand-in-hand with the real estate brokerage services of Duna House. The company can serve as a one-stop-shop for customers who want to both buy a house or an apartment and secure financing, at the same time. Duna House can walk clients through the process and deal with the bulk of the paperwork related to the transaction on their behalf. Acting as both the real estate broker and the financial advisor, Duna House can originate leads for loans from real estate transactions, and vice versa. We note that these services are conducted by separate agents in Hungary, as the local laws do not allow any financial advisors to perform both real estate brokerage and loan brokerage activities at the same time.

…above all in Poland and Italy. There are two different channels for loan intermediation. Local loan brokers may originate mortgages themselves through existing or new relationships, or from real estate transactions (the latter is more common in Hungary). Duna sees substantial potential for improved cross-selling in both Poland and Italy. In Poland, while the loan intermediation accounts for a higher share of revenue than the real estate brokerage for Duna House, only a small portion of its real estate clients use DH's help when securing a mortgage, according to management. To improve this, Duna House is trying to embed a closer cooperation culture and incentivise brokers to share information with financial advisors (and vice versa) to follow up with customers. Interestingly, the company sees some potential for the financial intermediation segment to become the most important source of new leads, as opposed to the real estate brokerage segment, which has been the case in Hungary so far. In Italy, the intermediation segment is already well developed, Duna House believes that better cooperation and information sharing between its employees in Italy could help to kickstart more brokerage activity, generating another revenue stream.

Commissions

The level of commissions (mainly from mortgages) is the key driver of earnings for Duna, but it differs among the geographies based on the type of product and regulatory framework. Altogether, the blended (volume and non-volume based) rate of commissions that Duna has received in the financial intermediation segment in Poland and Hungary has stood at around 2.25% in the past three years. That said, the actual level of commission rate is lower, as around 10% of the commission fee is linked to the non-volume based services DH provides.

In Hungary, the commission level for mortgage loans is fixed by law – a maximum of 1.6% of the loan volume is paid upfront and an additional maximum of 0.4% as trial commissions paid over the following five years. Other types of products, like personal and cash loans, on average, carry higher commissions

(3-6%), while baby loans (subsidised loans for parents with children, regulated at 0.7%) carry smaller commissions. On top of the volume-based commissions, Duna also receives non-volume based commissions related to mortgages (which are usually sold in a package deal), like helping clients open bank accounts, insurance policies and obtain subsidised green loans (also regulated).

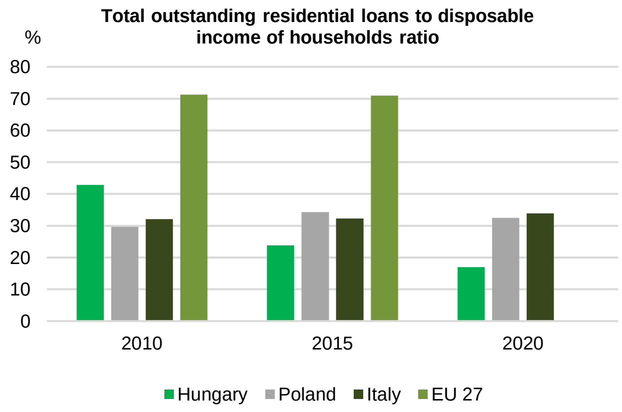
In Poland, the commission levels are not regulated but, based on the company's data, the blended mid-cycle run-rate hovers at around 2.2-2.3% (fixed and variable rate) for volume and non-volume based products. Mortgage loans (which contributed 94% of loan volumes for DH in 2021) carried commission levels of around 2.2% in the past two years, while cash and SME loans (6% of loan volumes in 2021 for DH) carried levels between 2-4%. In Poland, DH also received non-volume based commissions for brokering insurance products, which plays a marginal role for now. As opposed to Hungary, Duna has a greater share of external channels within its financial business in Poland, meaning that most financial advisors are working independently to bring leads themselves and in turn receive higher commissions. In Hungary, on the other hand, a higher share of the entrepreneurs are acting on leads provided by the Duna House platform.

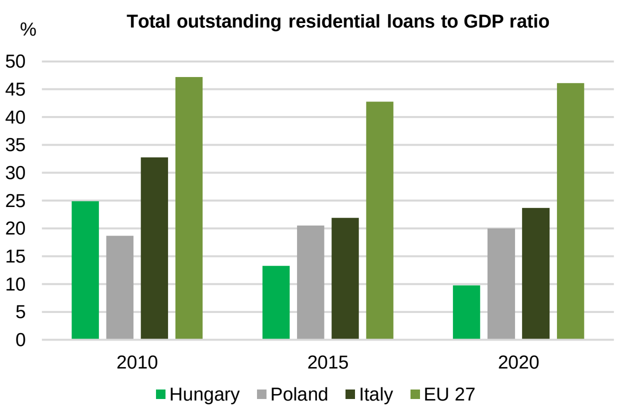
In Italy, HGroup earns visibly higher commissions (blended rate) compared to Poland and Hungary, ranging close to and sometimes exceeding 3%, according to our conversations with the company (we note that, due to the timing of the acquisition, DH is yet to provide comprehensive financials and KPIs for the Italian business). According to our discussions with the company, the higher commission rate is driven by personal and CQS loans, which are higher-margin products. According to Duna House, the commission level it earns on mortgages in Italy is comparable to that in Poland – however, in Italy, part of the commission is paid by the client; whereas, in Poland, the entire commission is paid by the banks. In the real estate brokerage business in Italy, Duna House is also allowed to collect commissions from both the bank and the client, unlike in Hungary and Poland. To illustrate, a broker may receive a 1% commission from the financial institution and an additional 1.5% of the loan volume from the client.

Hungarian mortgage market and DH's presence in Hungary

The low-interest-rate environment in the past 5-7Y, coupled with the increasing wages in Hungary (low unemployment and strong economic growth), provided a good basis for new mortgage originations in the country. According to preliminary estimates from Duna House, the new mortgage volumes in the country should have reached EUR 3.6bn (HUF 1,300bn) in 2021, more than double the levels seen in 2017. Based on the lending data, we estimate that mortgage volume originations have been growing at a 5Y CAGR of 20% between 2016-21E. Last year's strong results were driven by rising house prices, inflation concerns, and the demand brought forward due to the tightening cycle, according to the central bank. Government-backed subsidies, such as the "baby" loans and the appetite to borrow through personal loans also remained strong throughout the COVID-19 crisis. According to the EMF and Eurostat surveys, Hungarian households with a mortgage loan are lower than the European average; and, moreover, the balance of outstanding mortgage loans to GDP (and disposable income) is considerably lower than the EU, which offers room for growth and convergence.

Hungary and Poland have a considerably lower share of mortgage debt to GDP versus the EU average

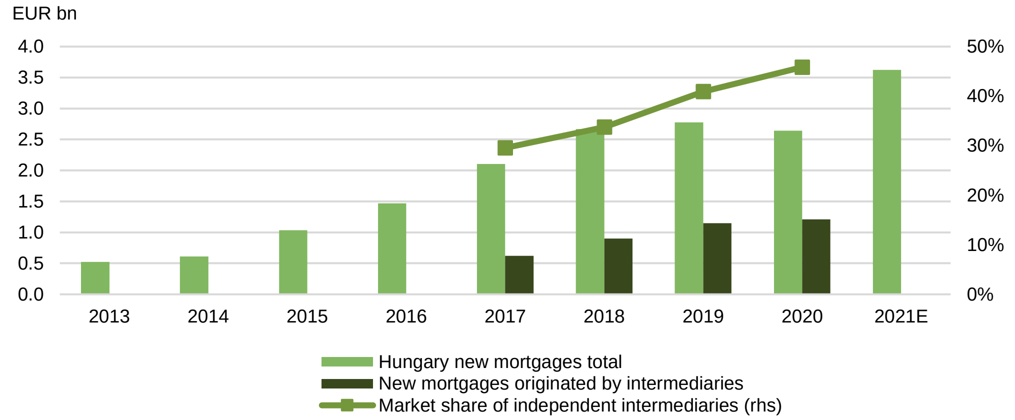




Source: WOOD Research, EMF

Rising popularity of brokers for mortgage intermediation in Hungary. Analysis by the MNB on independent financial credit intermediaries shows that the volume of mortgages that were originated through intermediaries grew at a 3Y CAGR of 55% during 2017-20. Most recently, the volume of new mortgages stood at EUR 2.6bn in Hungary in 2020, of which c.41% were through brokers like Duna House (c.EUR 1.2bn).

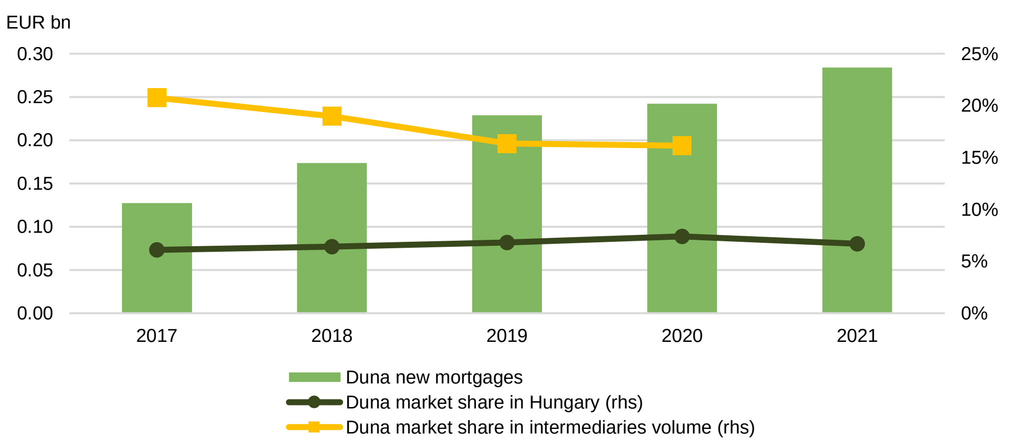
An increasing share of new mortgages are being originated through intermediaries in Hungary – c.45% in 2020



Source: WOOD Research, Duna House, MNB, 2021E are estimates by Duna House for the 2021 mortgage volumes for Hungary, the official data from the MNB have not been released yet

Duna House and Otthon Centrum (OC) are the two market leaders in Hungary for financial intermediation. Similar to Duna House, OC is a real estate service company, offering a range of consumer financial products. Duna House and OC, each, have intermediated c.6-7% of the total new mortgage loans granted in Hungary, historically, according to our estimates and discussions with the company. The two leaders thus make up some 15% of the market share in intermediation, with the rest split between smaller independent companies, so the market is fragmented, but the top players have maintained a stable market share over time. Out of the total volume of loans originated by intermediaries, Duna's market share has ranged between 15-20% historically. In Hungary, in 2021, the total intermediated loan volumes for Duna reached EUR 284m, of which 86% was tied to mortgage loans and the rest attributable to other types of financial products (baby support and personal loans).

Duna's market share in Hungary stable in the past 5Y, at around 6-7%*

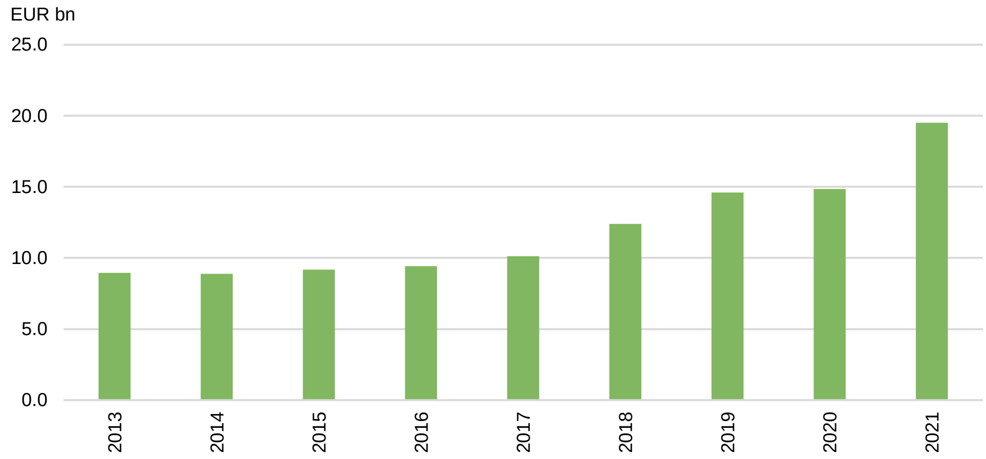


*Source: Company data, WOOD Research, MNB; *we note that there are certain products in Hungary that are included in the housing loan volumes, but are not intermediated by brokers, e.g., renovation, 2021 market share estimate by Duna*

Polish mortgage market and DH's presence in Poland

Poland disbursed record-high mortgage loan volumes in 2021. The new mortgage volumes rose to PLN 89bn (c.EUR 20bn), according to the Polish Credit Information Bureau (BIK), marking a c.40% increase vs. 2020 and 2019. 2021 was an exceptional year for the loan market and, subsequently, loan brokers, despite the pandemic, as the mortgage market advanced, driven by the robust economic backdrop, low interest rates and rising house prices across the country. Pre COVID-19, the new mortgage volumes in Poland ranged between PLN 40-60bn (EUR 10-15bn). In Poland, the total mortgage origination volume grew at a 5Y CAGR of 15% over 2017-21, while the volume of mortgages intermediated by Duna House experienced a 5Y CAGR of 66%, as it expanded in the country both organically and through acquisitions.

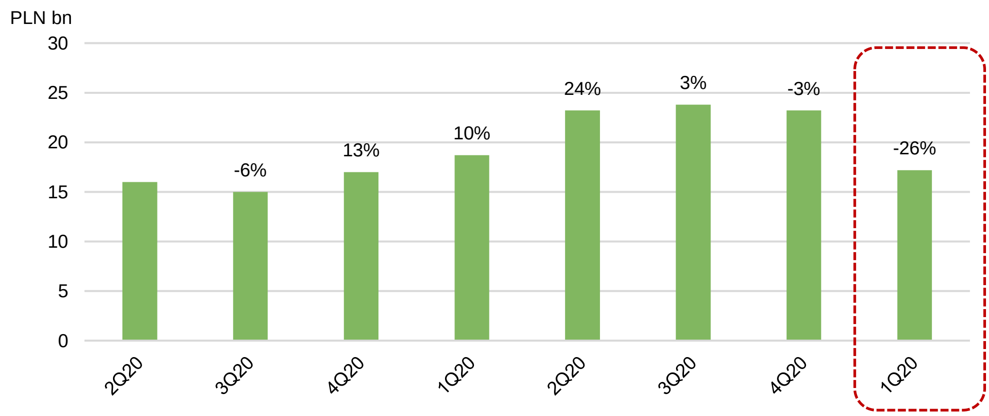
Poland: new mortgage origination volumes



Source: AMRON SAFIN, WOOD Research

Preliminary lending data suggest a sharp decline in new mortgages for Poland in 1Q22. Based on the monthly lending data that BIK (the Credit Information Bureau, a Polish banking trade body that publishes information on the market) publishes, housing loans declined by 26% qoq and 10% on a yoy basis in1Q22; March 2022 alone showed an 18.2% decline yoy. In its press releases, BIK has been commenting on the weak consumer mortgage lending activity in February 2022, followed by an even steeper drop in March 2022. The steep increases in the interest rates are deteriorating affordability and affecting creditworthiness adversely, and BIK expects a sharp drop in new mortgage volumes this year, as it expects the banks to become more restrictive in granting loans. At the beginning of the year, BIK was estimating a c.10% yoy decline in new mortgage volumes for 2022E for Poland. This would imply that activity would remain well above the historical levels. In April, BIK revised its initial forecast on mortgage lending, now guiding for a c.20-30% decline. This is closer to our house view. We believe that the new mortgage origination volumes in Poland could shrink by about 35% this year, and believe the risks to this level are skewed to the downside.

Quarterly mortgage volumes disbursements in Poland (qoq changes)



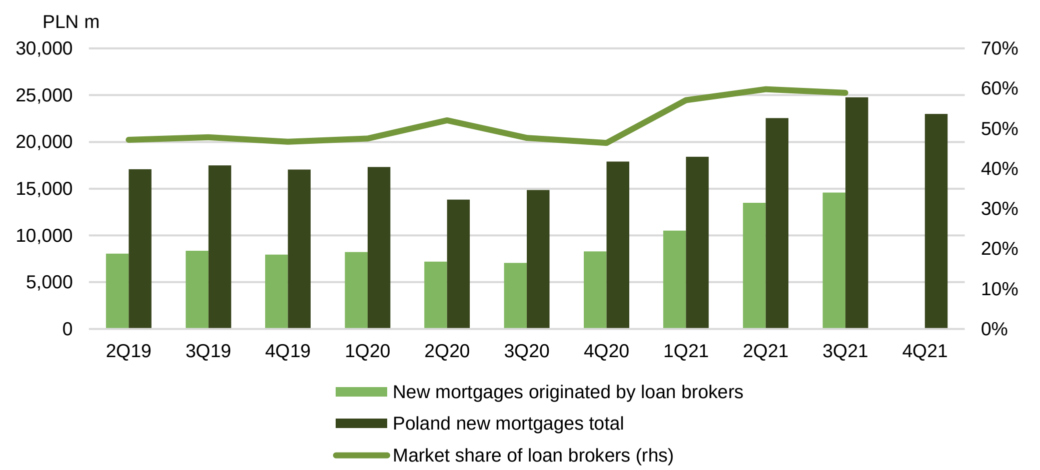
Source: BIK: Polish Credit Information Bureau, WOOD Research

Similar to Hungary, the intermediation of financial products in Poland has become more popular, over time. According to our understanding, customers in Poland prefer to work with financial advisors due to the ease of comparing options, and the abundance of credit intermediaries in Poland. As opposed to Hungary, the market in financial intermediation is led by a few key players, which help originate some 50-60% of mortgage loans in Poland. The largest financial advisor/intermediary in Poland is Expander.pl, which has been on the market for over 20 years providing credit intermediation services, chiefly mortgages. As a market leader, in 2020, Expander helped to originate c.20% of the mortgage loans in all of Poland.

In Poland, following its entry into the loan broker market in 2017, Duna House experienced a high degree of growth in the mortgage volumes intermediated, driven by a combination of inorganic (acquisitions of ATG and Gold Finance) and organic growth. When it acquired Gold Finance (which was then the fifth-largest loan broker in the country), Duna had a market share of 1.2% in the Polish loan brokerage market (with the existing loan brokerage subsidiary of Metrohouse). Through the acquisition of Gold Finance and ATG (the sixth largest at the time), DH became the number four player in Poland, with a market share of over 5% as of 4Q21. In the past 3Y, its organic growth has been boosted by the bankruptcy of OpenFinance, one of the leading loan brokers in Poland. Compared to firms like Expander.pl and Notus Finance, which have a greater share of their businesses in insurance, business and personal loan services, Duna's exposure in Poland is predominantly mortgage loans (94% of its loan volumes). However, the company is also active in personal loans, business loans and insurance. This is different in Hungary, where mortgages accounted for around 86% of the loan volumes in 2021 for Duna, with other various products accounting for the rest.

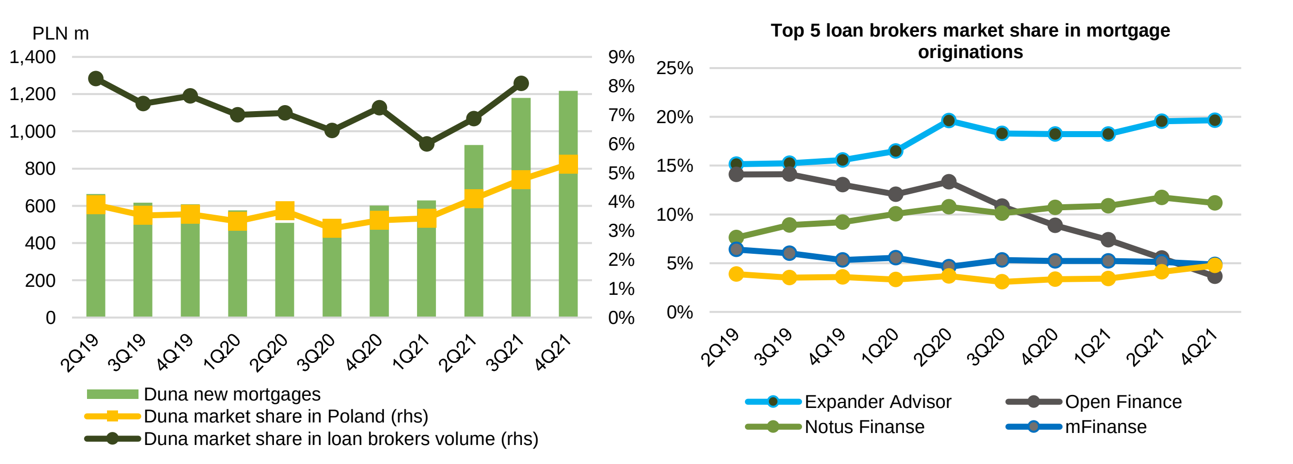
If the level of commissions declines, we cannot rule out that Duna House could either face pressure on margins or struggle to retain a portion of its employees. That said, we note that, in Poland, there have been fierce competition between the market players in the past 2-3Y, due to the bankruptcy of Open Finance. Other brokers were offering competitive remuneration packages, in order to try to gain market share and attract the teams leaving Open Finance. As this process has now ended, Duna House believes that the market players could shift their emphasis from focusing on growth and market share gains to margins.

Mortgage originations by loan brokers in Poland



Source: WOOD Research, Polish Bureau of Credit Information, Polish Association of Loan Brokers, company data

Market share of Duna and loan brokers in Poland

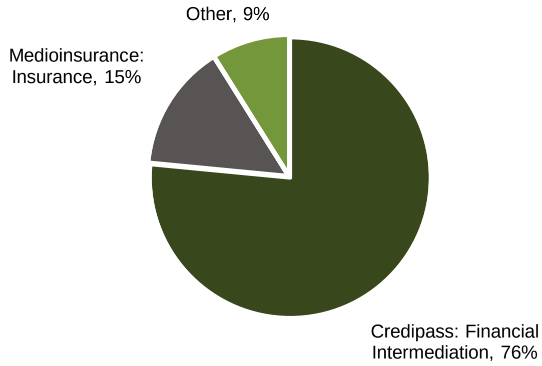


Source: Company data, Polish Bureau of Credit Information, Association of Loan Brokers, WOOD Research

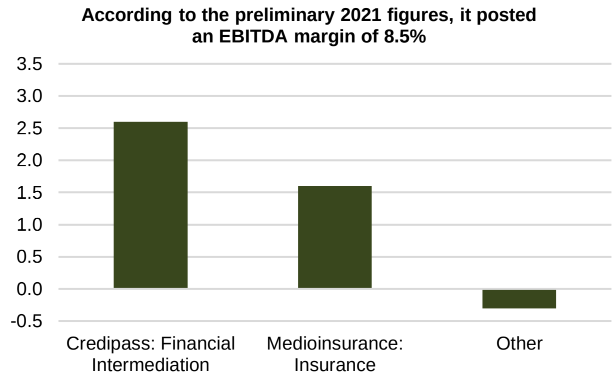
Italian mortgage/CQS market and DH's presence in Italy

The purchase of a controlling stake in HGroup earlier this year marks DH's entry into Italy. HGroup offers two major financial services: loan intermediation and insurance brokerage. The Credipass brand, which helps clients obtain mortgages and personal loans, generates the majority of HGroup's earnings. This is followed by the Medioinsurance brand, which offers insurance products.

HGroup's revenue mix in DH's 2021…



…and 2021 EBITDA results



Source: Company data, WOOD Research; other EBITDA relates to segments like Relabora and Realizza

The main financial product in Italy remains the mortgage loans, but the company also maintains a wider portfolio of products, such as salary/pension backed loans (also called CQS locally), which is unique for Italy. The CQS are relatively small in the total loan market, but popular – they are, essentially, personally guaranteed loans, backed by the salary or pension of the debtor. The purpose of these types of loans can vary, depending on the size of the salary/pension of the person taking out the loan. For example, CQS can act as an alternative method for obtaining partial equity financing for large purchases, e.g., buying an apartment. Based on our conversations with management, we understand that Duna House is earning a higher margin on the CQS loans compared to traditional mortgage intermediation.

CQS is an anti-cyclical product, the company believes. The CQS business may play a bigger role in the earnings mix for Duna, going forward, especially in an environment where mortgage volumes are falling and, with them, the commission revenues. Approximately one-third of Credipass' revenue in 2021 came from commissions earned from intermediating CQS products, according to DH. In the past two years, Credipass has been growing its market share dynamically in the CQS loan market in Italy. It is the number one player in terms of volumes currently. This is relevant, given that CQS is a high-margin product with higher commission levels, which could sometimes have anti-cyclical properties – when clients cannot reach the downpayment required for a mortgage, they may increase their reliance on CQS as a substitute, Duna House believes.

The market share of intermediaries is lower in Italy than in Hungary or Poland currently, but consumers are shifting towards brokers gradually, the company believes. DH estimates that around 20-25% of homebuyers in Italy obtain mortgages through credit intermediaries, like Credipass. This is considerably lower than in Poland and Hungary, where around half of homebuyers arrange their mortgages through loan brokers. However, HGroup's management believes that, in the coming years, more customers will be turning to brokers to obtain loans, after a significant change in clients' mindsets during the COVID-19 pandemic. The typical shopper that visits Credipass are couples in their late twenties, thirties and forties, looking to buy their first home – clients who, typically, prefer to visit real estate agencies and consultants to compare offerings. The company expects this trend to continue, as younger clients increasingly prefer the possibility to compare offers from various banks, and also appreciate the reduction in the administrative burden that working with a realtor provides, according to DH. As the number of traditional bank branches in Italy has been declining, customers have been, reportedly, turning increasingly towards financial intermediaries as a one-stop-shop, a trend that accelerated during the pandemic and that DH expects is likely to continue, going forward. Also, CQS products can be sold through two channels: i) independent agents working with only one bank; and ii) broker agents, like Credipass, who can work with multiple banks. According to HGroup, the market has been shifting lately, as independent agents are transitioning to broker agents. This could be positive for DH, as a higher number of agents working with HGroup would be likely to translate into volume growth.

Mortgage and CQS lending stagnant in the past 5Y. Lending data show static volumes of new mortgages in Italy in the past 5-7Y. Historically, new mortgage volumes hovered in a range of EUR 45-50bn p.a., but, according to local loan brokers, 2021E is expected to reach EUR 60bn (+20% yoy), in line with the double-digit growth trend that we see in Poland and Hungary. CQS loans constituted a smaller portion of retail lending in Italy, with c.EUR 5bn of new CQS loans disbursed historically. Based on the preliminary figures from local loan brokers, they believe that new CQS loan volumes should have reached EUR 8.0bn in 2021E (+30% yoy), up from EUR 6.2bn in 2020.

Three key players dominate the credit intermediary market in Italy. The credit intermediation business in Italy is led by three players: Kiron, Credipass and Euroansa, according to the Association of Financial Agents and Credit Brokers (data compiled by Simplybiz, a local financial newspaper). The top three firms dominate the market in terms of financial advisors, each with a network of over 900+ agents (salesforce); combined, they make up c.50% of the total financial intermediary workforce in Italy. We note that some of Credipass' competitors also deal in personal loan intermediation (like CQS), where the variable commissions are higher and can be remunerated by both the banks and clients. HGroup states that it is the second-largest credit broker in Italy currently. Credipass helped intermediate loans worth EUR 1.1bn in 2020 and EUR 1.25bn in 2021E, according to DH. The loan volume mix at Credipass is c.80% mortgage loans and c.20% personal/CQS loans, according to the company, which would imply c.EUR 880m in mortgage loans intermediated in 2020 and c.EUR 1bn in 2021E. Credipass' (HGroup) market share in the mortgage market is 1.6%, according to Duna House's latest reports.

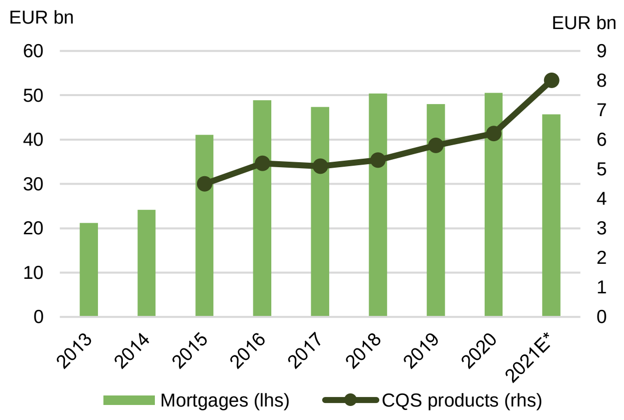
HGroup also runs an insurance brokerage business in Italy. Under the Medioinsurance brand, the company offers home, life, health, credit and professional insurance brokerage services. Duna House's main focus under this brand is to intermediate ancillary insurance products as a means to securing the risk related to one-time life events, like buying a house.

Key highlights: HGroup

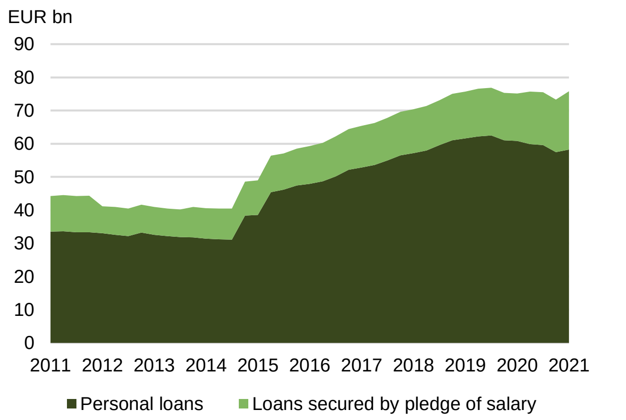
EUR m	9M21 LTM	2021
HGroup: Credipass	35.1	35.2
HGroup: Medioinsurance	6.6	6.7
Other	4.2	4.1
Total Revenues HGroup	**45.9**	**46.0**
HGroup: Credipass	3.3	2.6
HGroup: Medioinsurance	0.5	1.6
Other	-0.1	-0.3
Total EBITDA HGroup	**3.7**	**3.9**
EBITDA margin	8.0%	8.5%

Source: Company data, WOOD Research; 9M21 is the 12 months leading to September 2021

Italy: new mortgage and CQS volumes



Outstanding personal and CQS loans in Italy



*Source: WOOD Research, Bank of Italy, Assofin, Scope Ratings; *mortgage volumes are 1Q-3Q21 data, and 2021E CQS volumes are based on HGroup's expectations for the total CQS volumes for Italy*

HGroup acquisition

Duna House entered the Italian market via an M&A in early-2022, by acquiring a controlling stake (70%) in an established financial intermediation company and an up-and-coming brokerage, HGroup. The deal was signed in December 2021 (completed in January 2022) and valued HGroup at an EV of c.EUR 30-35m, which was based on a 10.5x multiplier on the consolidated 2021E adjusted EBITDA of EUR 2.9m. According to the latest filings, HGroup generated EBITDA of EUR 3.9m in 2021; at the time of the acquisition, the company estimated that the 2021E EBITDA would reach EUR 4.5m. Therefore, the first instalment payment will be subject to a price adjustment based on the 2021 actual figures of EBITDA of EUR 3.9m being lower than expected.

Credipass is HGroup's financial intermediary subsidiary, the second-biggest loan broker in Italy (the market leader: Kiron Partners), according to our conversations with DH. HGroup has additional two subsidiaries, or brands: Medioinsurance, which specialises in insurance brokerage services; and a small real estate brokerage, Realizza, and an auxiliary digital services provider, Relabora.

HGroup – the holding company – has five head offices across Italy, with about 75 employees. The Credipass entity, a leading credit brokerage, employs some 950 financial advisors (consultants) as entrepreneurs over a network of 170 offices. It mediated some EUR 1.1bn in credit loans in 2020, and the expected volume of intermediation is EUR 1.25bn in 2021E, according to HGroup. Medioinsurance, a leading broker in life and home insurance policies, employs about 500 insurance advisors across Italy. Together, Duna and HGroup would have a combined salesforce of 5k collaborators.

The companies under HGroup

Credit intermediation, flagship company of the group, engaged in credit brokerage for retail customers.	**Insurance intermediation,** insurance brokerage company, focusing on the life event of buying a house.	**Digital services,** digital company of the group that supports real estate and loan brokers through different auxiliary services.	**Real estate brokerage,** real estate brokerage company assisting home-seekers with high-tech search tools.

Source: HGroup, Duna House investor presentation, WOOD Research

Duna House closed the acquisition of HGroup in January 2022 and the company will be consolidated from January 2022. There is a possibility to obtain the remaining 30% minority stake in HGroup using future put and call options. The structure could allow Duna House to purchase the remaining 30% stake in HGroup between 2026-28E.

The payment scheme to purchase the 70% equity stake in HGroup is as follows:

i. A first instalment payment of EUR 11.3m for 44.8% of the equity in HGroup. This is based on the 2021E consolidated adjusted EBITDA (EBITDA adjusted for taxes and one of items) of EUR 2.9m, with a 10.5x multiplier. Given the actual figures (EBITDA of EUR 3.9m vs. the EUR 4.5m that was expected for 2021), this is subject to price adjustments, and it is possible that DH could receive part of the first instalment back as a result.

ii. A further three instalment payments, each acquiring an 8.4% stake (in total, 25.2%; and, together, 70% with the first instalment) in 2023E, 2024E and 2025E based on the consolidated adjusted EBITDA figures of the previous year. These earn-out payments will reflect the performance of HGroup.

The further option to acquire the remaining 30% stake is composed as:

i. A put option held by the minorities, which grants them the right to sell to Duna House, which is obliged to purchase.

ii. A call option held by Duna House, which grants it the option to purchase the remaining stake from the minorities.

We note that we have limited visibility on the way the HGroup will be integrated in Duna House's accounts. Based on our conversations with management, we assume that HGroup will be consolidated in DH's financials from 2022E-onwards, and we expect its acquisition to create positive goodwill on DH's balance sheet. We note that, due to the limited information we have available currently about the expected accounting treatment of the acquisition, the actual integration of the financials of the two entities could differ materially from the way we have pencilled it into our model.

Real estate brokerage: historically, a stable stream of income

The real estate brokerage segment (where we include both own office and franchises) has, historically, been a stable business for Duna, generating some EUR 9-10m p.a. in revenues in the past 5Y, with low volatility.

As of the end of 2021, Duna House had a network of c.240 franchise offices, and 21 own offices across Poland and Hungary. DH collects franchise fees (which have a fixed floor and a variable component) from the franchise offices. It also retains part of the transaction fee generated by the brokers in the own offices as franchise fees.

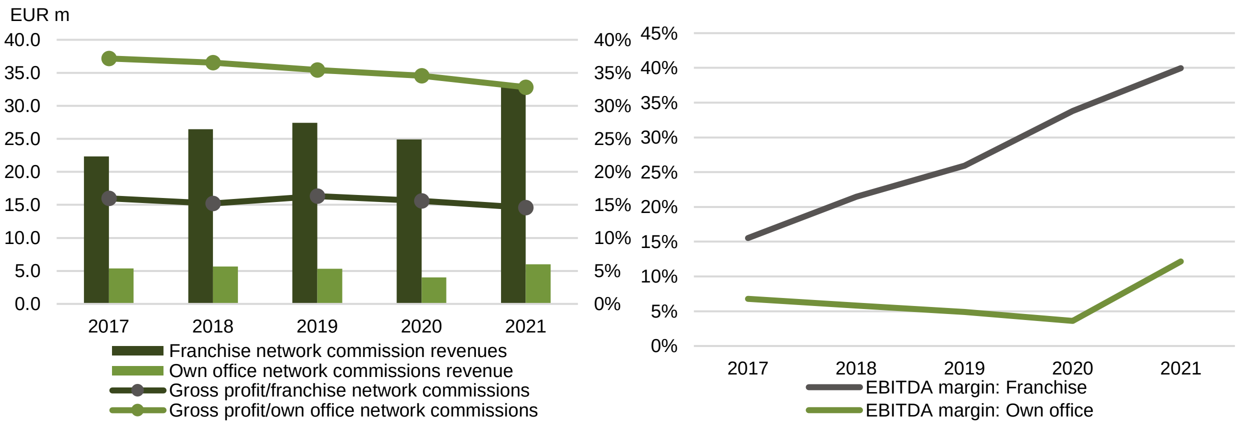
From both an accounting and business model perspective, even the offices owned by DH (own offices) operate as franchise partners. Duna House includes both own and franchise offices under the "franchise" umbrella, when reporting the level of network commissions and the number of offices. That said, it reports the rest of the headline financials for each of the two segments separately. In this report, we refer to the two segments separately.

The franchise offices are a relatively high-margin business for DH, generating around 30-40% EBITDA margins during both 2020 and 2021. Duna House charges a fixed franchise fee to its business partners and, if the revenue exceeds a certain threshold, it also receives an additional variable component. Most of the costs are fixed in this segment, which means that a reduction in the number of offices, or lower volume (translating into a lower variable component of revenue) could affect the margin adversely. At the same time, if Duna continues to grow organically in Poland, and increases the number of its franchise offices in the country, the impact on margins would likely be positive, due to scale.

The own offices are a low-margin business, generating an EBITDA margin ranging between 4-12% historically (in the past 5Y). Around 60-75% of the total costs in the segment have been variable, historically, with the remaining 25-40% fixed (based on the data for the past 5Y). However, relative to network commissions, Duna House earns a higher margin on its own offices, compared to the franchise ones.

Duna has proved that it is capable of cutting fixed costs quickly, when needed. We note that, in 2020, during COVID-19, the company managed to cut its indirect expenses, the overheads, by about 20% in the real estate segment, proving that it can react, on a cost aspect basis, quickly, if necessary.

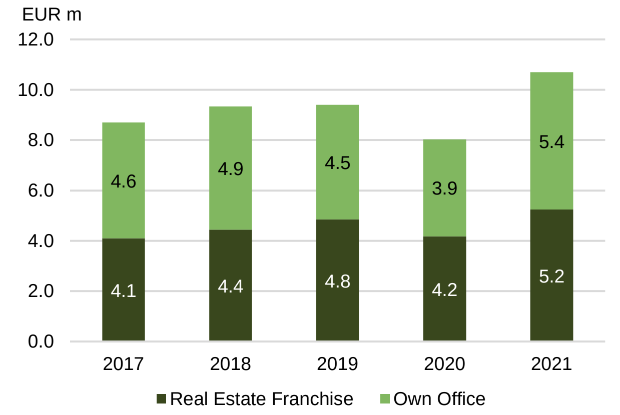
Gross profit margin (gross profit/network commissions revenues) and EBITDA margin



Source: WOOD Research, Company data; in the LHS, we compare the profitability of the own office vs. the franchise segment. We compare the respective gross profits to the network commission revenues. The RHS presents the EBITDA margins of the respective segments

The real estate brokerage segment (own and franchise offices combined) has generated around 30-40% of DH's EBITDA in the past 3Y. Going forward, excluding the one-off impact of the apartment handovers, we pencil in its share in the mix to remain stable, at around one-third of the EBITDA.

Historical revenues in the real estate segment…



…and EBITDA

Source: Company data, WOOD Research

Real estate brokerage brands: Metrohouse (Poland), Duna House (Hungary & Czech Rep.), Realizza (Italy)

Source: WOOD Research, Google images

Franchise real estate brokerage

Duna House operates a franchise real estate brokerage network across Hungary, Poland and Italy. Consolidated, it has some 280 offices, of which 160 are in Hungary, c.100 in Poland, 20 in Italy and 1 in the Czech Republic. Duna House generates revenues from the franchisees two ways: an initial upfront fee for the brand licence, and an ongoing fee that is fixed for a longer term (usually 3-5Y). Additionally, franchisees pay some marketing fees, ensuring a uniform marketing strategy and implementation for the Duna House network.

Duna's competitive advantage: it provides a complete umbrella of comprehensive services to its franchisees. The umbrella that Duna says it provides to its franchisees is an all-inclusive package that includes continuous and up-to-date training materials, high-quality market data on property dynamics, and comprehensive IT services. Although Duna's admits that it requires a higher ongoing fee than other real estate brokerage franchisors, its franchisees appreciate the value-added products and services. As for the franchise fees, out of the total commission revenue from the franchise network, Duna has taken c.10-14% in franchise fees as revenue historically.

The franchise network has been driven primarily by the expansion into Poland in recent years. In the past 5Y, the number of Duna's franchise offices in Hungary was largely stable, but the company was growing fast in Poland. Duna entered the Polish market in 2016 by acquiring Metrohouse, one of the largest brokerages operating own and franchise real offices across Poland. Since 2017, the number of offices has grown, on average, by c.20 in Poland, and the company says that it intends to expand to 200 offices in the next 3-5Y, implying similar momentum. To put this into perspective, in 2021, Duna grew by 14 offices yoy, net. With c.160 offices in Hungary, in the past 5Y, each office has managed to generate c.EUR 160k, which was higher compared to Poland, where the past 5Y average is c.EUR 80k.

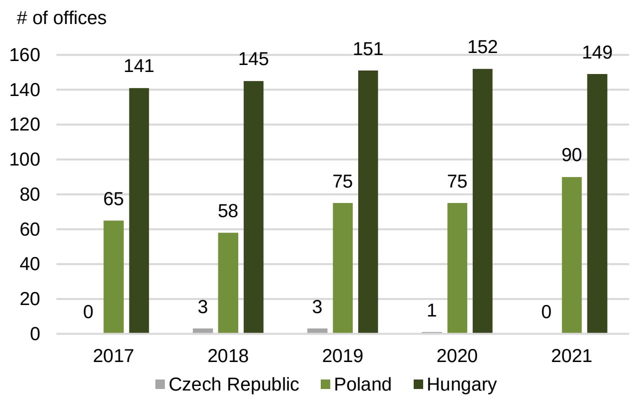
Duna House has one main competitor in Hungary and two in Poland. Otthon Centrum (OC) has operated in Hungary for two decades; it has some 190 franchise offices across the country, making it larger than Duna in terms of offices. Together with Duna, they are the market leaders in the real estate brokerage sector. In Poland, there are two main competitors of Metrohouse in the real estate brokerage business, WGN and Polnoc, each with c.70 franchise offices across Poland. We note that players like

WGN and Polnoc operate a low fixed fee franchise business model and, unlike Duna, do not provide comprehensive franchise services to its network offices; hence, an explicit/direct comparison to peers is not relevant.

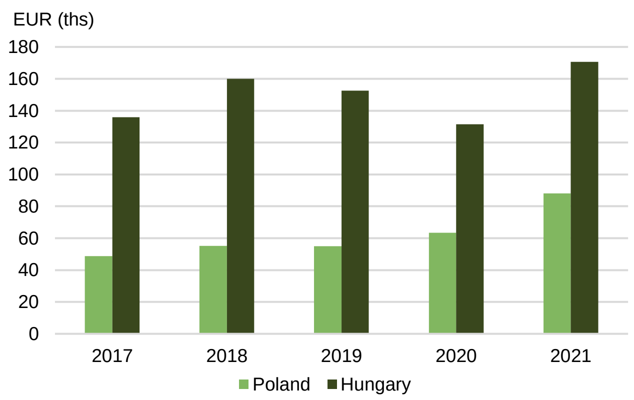
Realizza. Italy-based Realizza was launched in 4Q18 by HGroup and, so far, it has about 20 offices across the country. It is a real estate brokerage business with franchising options focused on the buyer side of the transaction. Furthermore, the business helps HGroup develop cross-selling potential further with the adjacent credit intermediary segment and the insurance house. As it was launched quite recently, the segment is not developed.

The Czech real estate segment is not material yet. Duna entered the Czech market in 2016. Since then, its number franchise offices has dropped from four to only one, by 2021. The sole franchise office – based in the capital – is larger than the typical brokerage size in Hungary and Poland, generating a higher revenue of c.EUR 1.2m per year.

Number of external franchise offices



Network commission revenue per office



Source: Company data, WOOD Research

Key operating and financial highlights of the franchise real estate brokerage

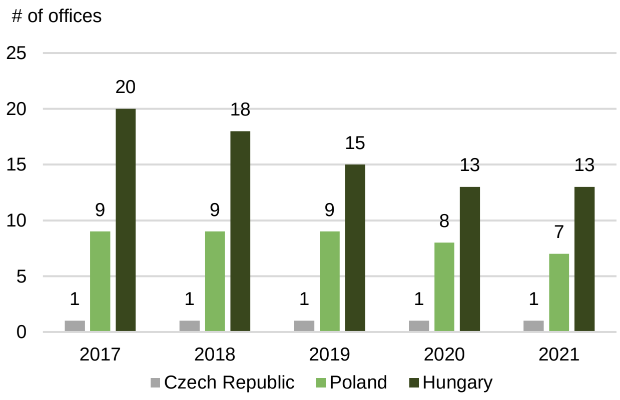
EUR m	2017	2018	2019	2020	2021
Hungary	141	145	151	152	149
Poland	65	58	75	75	90
Czech Republic	0	3	3	1	0
# of external franchise offices (excl. Italy)	**206**	**206**	**229**	**228**	**239**
Hungary	136	160	153	131	171
Poland	49	55	55	63	88
Czech Republic	0	16	84	175	0
Rev per office (EUR k)	**108**	**128**	**120**	**109**	**140**
Commission revenues of the external franchise network	22.3	26.5	27.4	24.9	33.4
Revenues from franchise fees (net of VAT)	**4.1**	**4.4**	**4.8**	**4.2**	**5.2**
Direct expenses	-0.5	-0.4	-0.4	-0.3	-0.4
Gross profit	**3.6**	**4.0**	**4.5**	**3.9**	**4.9**
Indirect expenses	-2.9	-3.1	-3.2	-2.5	-2.8
EBITDA	**0.6**	**1.0**	**1.3**	**1.4**	**2.1**
Gross profit margin	87%	91%	92%	93%	93%
EBITDA margin	16%	21%	26%	34%	40%

Source: Company data, WOOD Research

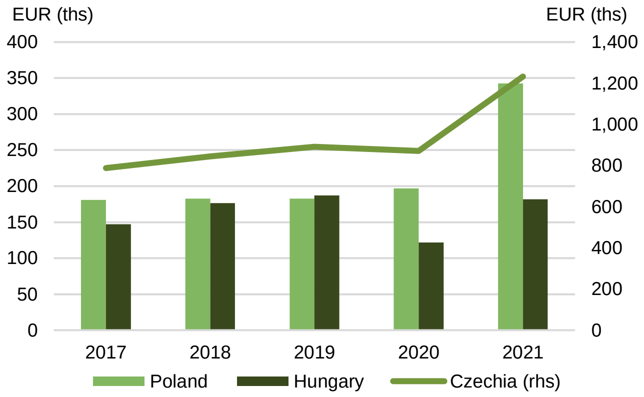
Own offices

Duna also operates its own real estate brokerage offices under the Duna House and Metrohouse brands. This consists of 21 offices spread across Hungary (13), Poland (7) and Czech Republic (1). As opposed to franchise partners, the own offices directly profit Duna House from each transaction through the commissions it receives as a share of the transaction value.

Number of Duna's own real estate brokerage offices



Network commission revenue per office



Source: Company data, WOOD Research

Key operating and financial highlights of the own office real estate brokerage

	2017	2018	2019	2020	2021
Hungary	20	18	15	13	13
Poland	9	9	9	8	7
Czech Republic	1	1	1	1	1
# of own offices	**30**	**28**	**25**	**22**	**21**
Hungary	147	177	187	122	182
Poland	181	183	183	197	343
Czech Republic	788	845	891	872	1,233
Rev per office (EUR k)	**179**	**202**	**214**	**183**	**286**
Commission revenues from the own offices (EUR m)	5.4	5.7	5.3	4.0	6.0
Network gross profit margin (network revenues/gross profit)	37%	37%	35%	35%	33%
Net sales revenue from own office	**4.6**	**4.9**	**4.5**	**3.9**	**5.4**
Direct expenses	-2.6	-2.8	-2.7	-2.5	-3.5
Gross profit	**2.0**	**2.1**	**1.9**	**1.4**	**2.0**
Indirect expenses	-1.7	-1.8	-1.7	-1.3	-1.3
EBITDA	**0.3**	**0.3**	**0.2**	**0.1**	**0.7**
Gross profit margin	43%	42%	42%	36%	36%
EBITDA margin	7%	6%	5%	4%	12%

Source: Company data, WOOD Research

Residential development and investment: phase out to drive cash in

Duna House should receive a significant cash inflow in 2022E and 2023E, driven by the handovers of apartments at the ongoing Forest Hill residential project in Budapest (150 apartments, average selling price of EUR 2.0-2.5k/sqm, see here). This project has a capitalised cost of EUR 22m at the current stage, with a further EUR 3m in development costs to be incurred in 2022E. The total revenue (recognised once the apartments have been handed over) from the project is estimated to be at c.EUR 30m (split evenly between 2022E and 2023E), which implies gross profit of EUR 4-5m, or a c.15% gross profit margin. This is lower than the margins realised by the leading residential developers that we follow in Poland, Romania and Hungary, as the project was affected adversely by cost inflation. The project was financed by some EUR 8m in equity and EUR 16-17m in project loans. We estimate the total net cash flow at around EUR 12-13m. Additionally, Duna House has decided to phase out the property investment segment, selling off its portfolio of Budapest apartments, which is valued at around EUR 5m currently. Combined, the net cash inflow from both segments could reach EUR 17-18m, or around 40% of DH's current market cap.

Duna receives deposits on the apartments it sells. Currently, it has booked approximately EUR 3m (HUF 1.2bn) as advance payments, which are recorded as restricted cash and will be released from the escrow accounts once the apartments have been handed over.

The completed projects that Duna House has sold historically were categorised as standard affordable apartments, in the context of Budapest. According to the company, the residential projects it has developed in the Hungarian capital sold for around EUR 1.5-2.0k/sqm. According to the data from Hungarian online broker ingatlan.com, the average offer price per newly-built apartment exceeded EUR 2.8k per sqm in January 2021. The projected sales prices per sqm at the Forest Hill project are consistent with, or even trail slightly, the average market prices of new apartments in Budapest currently.

Given that some EUR 22m of the total EUR 25m projected development costs have been spent already, and the project is nearing completion, the risk of substantial construction cost overruns seems relatively limited, in our view. So far, Duna House has sold around 60% of the units in the project. We believe the rising construction costs and materials prices, and the rising rent levels could allow Duna House to sell the remaining apartments at higher per sqm prices.

The conclusion of the Forest Hill project effectively ends Duna's development activity. Beyond this, the company does not have any projects in the pipeline, only a plot on the existing land at the Forest Hill project, on which another project (approximately half the size of Forest Hill) could be developed. Given the difficulties that Duna House experienced when developing the original Forest Hill project, we believe the company may decide to sell the plot, instead of trying to develop it itself.

Duna House, to date, has completed and sold three development projects: Reviczky Liget, Irisz Haz and the MyCity residence (a 50% joint venture). In total, it has delivered some 230 apartments, with a gross sellable area of 14k sqm.

Property investment. Duna operates a small number of properties (c.15) for renting in Budapest. The total market value (appraised semi-annually by an independent entity) of the investment property stands currently at some HUF 1.8bn (EUR 5m). The company books some rental income and revaluation for this segment. The investment properties, apartments located in downtown Budapest, do not have any debt attached, they are fully financed with equity and they realise some 4-6% on the net rental yield. Duna has decided to commence the sale of this portfolio, from which it expects to receive net cash inflows of EUR 5m.

The Forest Hill project

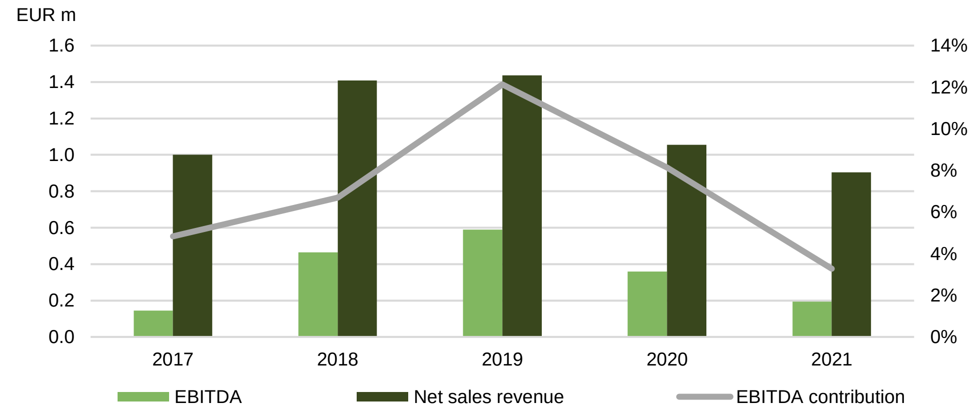
Source: Forest Hill project website, WOOD Research

Complementary services: small, but performing

The complementary service segment is a small, but profitable segment of DH, with potential cross-selling opportunities. The key segments included here are: i) Duna House Fund management' ii) home property management; iii) energy certifications services; iv) property appraisals services; and v) and the newly-established proprietary technology service, Primse.com.

The complementary segment has generated EUR 1.2m of revenues p.a., on average, in the past 5Y (30% EBITDA margin) and contributed c.4% to the company's overall EBITDA in 2021.

Complementary services: past financial performance and EBITDA contribution



Source: Company data, WOOD Research

Duna House Hungarian Residential Property Fund. The Duna House Hungarian Residential Property Fund was established in 2016, as the first investment fund in Hungary dedicated to residential real estate. It provides retail investment opportunities in the Hungarian residential property market. The fund compromises predominantly small residential apartments (30-60 sqm) and some larger apartments (90-150sqm) in central Budapest. The investment horizon is characterised as long term, with a focus on yield generation and capital gains, according to the fund's website. The longer-term investment horizon, combined with the lock-up period on this open-ended fund, which is at 180 days (as per the law), makes the investment vehicle quite illiquid. Management believes that this was one of the chief reasons driving significant investment outflows from the fund during the past two years, as investors turned towards alternative, shorter-term and better-yielding investment opportunities in the Budapest residential market. According to our knowledge, the fund requires a 2% management fee, based on NAV, and a 20% success fee of returns exceeding the RMAX index (local government treasury bill).

Related services: energy certification, appraisal services, property management, IT. Duna House had some 500 properties under management under the Home Management brand in 2021. This segment provides comprehensive management services for residential properties, such as lease payment monitoring, collection, maintenance, and accounting. Since 2009, DH has provided intermediation of real estate appraisals services to banks and other firms. It performs organisation and quality assurance tasks; valuation services are provided by third parties, as sub-contractors. According to the company, it performs more than 1.8k appraisals per year. In 2011, Duna House also began to provide energy certifications to properties as a related service; it has completed some 3k certifications in the past year.

IT development: an interesting new venture, the company established Primse.com in Poland last year, a proprietary technology service that provides sales services to real estate developers. The new start-up provides a platform to connect developers and real estate brokers, bringing together the primary and secondary market offerings in one place in real time. The mutually beneficial co-operation provides brokers with access to newly-built properties and a new sales channel for the developer. The company is expected to be loss making as it in a start-up phase. In Italy, HGroup has a similar proprietary tech arm, Relabora, which provides auxiliary tech-based services for members of the group's real estate and financial brokerage segment. The company is focused on developing a unified umbrella for its credit brokers, financial advisors and real estate brokers by developing a full in-house proprietary digital technology service platform. For instance, in Poland and Italy, the company has its own in-house comparison engines; in Hungary, it has been renting a third-party software. Generally, the company is going in the direction of digital automation for its services, which would allow customers, for example, to obtain a small personal loan within an hour online.

Segment brands: investment fund, proprietary technology, energy certification, home management

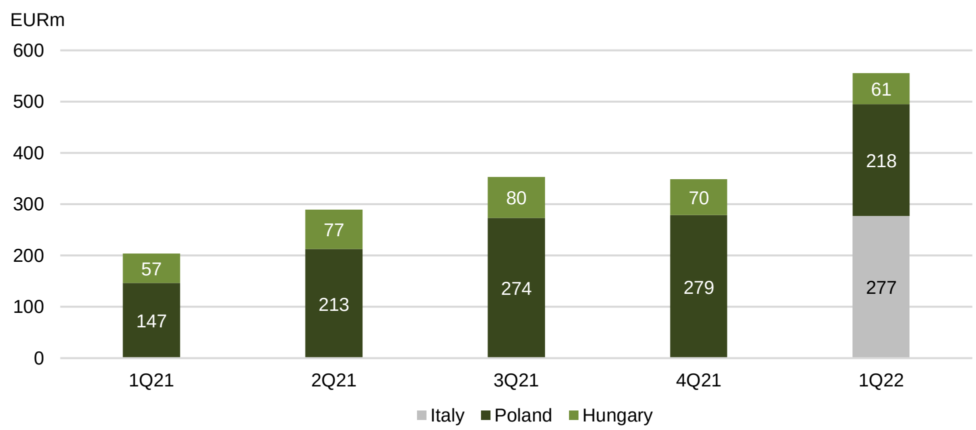
Source: Company website, WOOD Research

1Q22 quarterly KPIs

DH's 1Q22 figures include the results of the recently-acquired Italian HGroup. Following the consolidation, Italy now accounts for the majority of DH's loan origination and earnings in the financial intermediation segment. In the financial intermediation segment, lfl, the first-quarter loan volumes showed signs of continued growth in yoy terms, but a slowdown versus 4Q21. The real estate segment was growing in the first quarter, driven primarily by the strong investor activity in Hungary.

Integration of HGroup in Italy boosts the volume of intermediated loans significantly. In the financial business, the volume of loans intermediated in Italy accounted for c.50% of Duna's total volumes. The financial segment almost tripled yoy in terms of the volume of intermediated loans due to the consolidation of the Italian Credipass entity. Excluding Italy, the loan volumes that DH intermediated were almost 40% higher than the 1Q21 levels. However, it declined qoq by c.20%, driven by the slowdown in both the Polish and Hungarian markets. The preliminary 1Q22 loan volumes intermediated in Hungary grew by 5% yoy (we see a slowdown of 15% qoq); for Poland, the intermediated loan volumes grew by 47% yoy (down 23% qoq). In Italy, the intermediated loan volumes reached c.EUR 277m in the first quarter. To put this into perspective, we estimate that Credipass intermediated a total of EUR 1.25bn of loans in 2021.

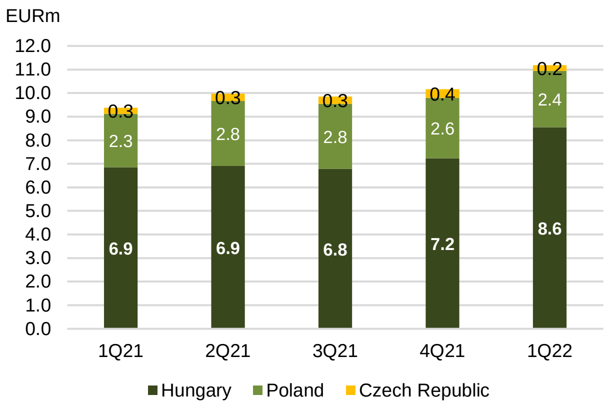
Volumes of loans intermediated by Duna, quarterly



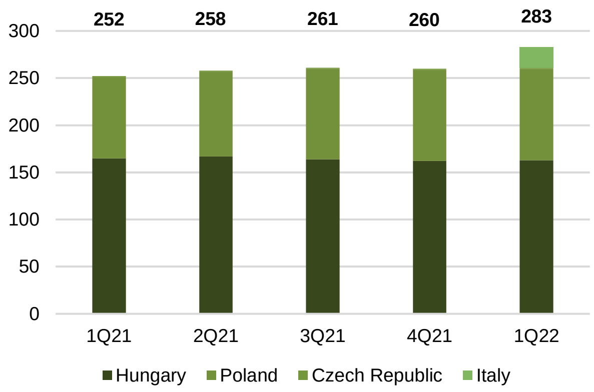
Source: Company data, WOOD Research

The results of Duna's real estate segment reached all-time highs in 1Q22, quarterly record commission volumes. The commission revenues from the real estate network, the total amount that Duna's offices receive as commission for helping clients buy and sell properties, exceeded the previous quarter's results (+13% qoq) and set a new quarterly record, at EUR 11.5m (+23.5% yoy). This was driven primarily by the Hungarian segment, where the commission volumes grew by 26% yoy (+18% qoq). We attribute this to the strong transaction market, especially in Budapest. According to our discussions with the company and Duna's reports on the residential property market, the transaction volumes remained elevated in 1Q22. Despite the qoq slowdown, 1Q22 was the second-strongest first quarter in the past decade in terms of property transactions (trailing only the stellar 1Q21). In Poland, the growth was softer, as the commission volumes grew by 7% yoy (down 7% qoq). In Italy, the Realizza brand generated EUR 0.3m in commission revenues, similar to the Czech Republic, at EUR 0.2m. The number of new office numbers (own and franchise) increased by one in Hungary compared to 4Q21, and by an additional 22 after incorporating HGroup's Realizza offices. As of the end of March 2022, DH had a network of 283 own and franchise offices, up from 260 at the end of 2021. During our discussions, the company stated that there is still room for the expansion of offices in Poland and it intends to grow by c.20 offices p.a. over the next 3-5Y.

Total commissions revenues: real estate



Number of offices at the end of the quarter



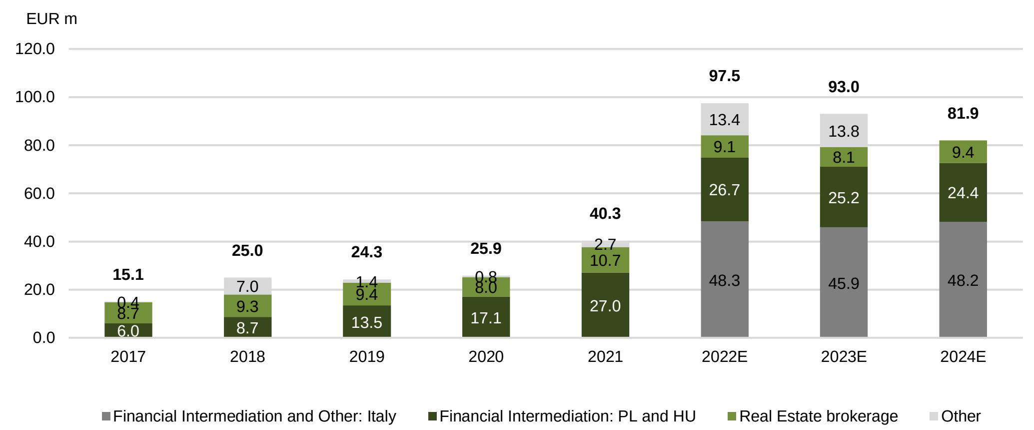
Source: Company data, Wood Research

Our key assumptions and forecasts for Duna House

Real estate brokerage and credit intermediation is a cyclical business. Our macro team expects a significant shock to growth, and high inflation to drive rate hikes, both in CEE and in the Eurozone (for more details, please see our recent reports on the broader global outlook, global rates, MNB rates and CEE macro and FX). We expect these factors to result in a reduced number of real estate transactions, and a decline in the mortgage volumes across CEE. The challenging macro backdrop may have a significant adverse impact on the loan volumes that Duna House intermediates in 2022E and 2023E. At the same time, in a difficult external environment, with higher rates and stricter credit requirements, clients may be more likely to turn to professional companies for assistance when looking to secure financing for a purchase, or when searching for buyers when selling an apartment. This could result in a higher market share for brokers in general, and Duna House in particular. We note that Duna House managed to increase its market share substantially in Hungary in the aftermath of the Great Financial Crisis (GFC).

The purchase of the Italian HGroup should drive a step-up in revenues, up 142% yoy in 2022E, on our estimates. On a like-for-like basis (excluding the Italian group and the property investment segment), we expect the earnings to decline from the elevated 2021 levels. We pencil in a lfl drop in revenues (excluding Italy and the property investment) of 5% in 2022E. The key drivers of the drop are our expectations of falling volumes of real estate transactions, a drop in new mortgage loan volumes and slightly weaker commission levels. That said, we believe that DH should be able to continue to increase its market share in Poland and, marginally, also in Hungary, which could offset the market-wide drop in volumes partly. The revenues, excluding the Italian group and property investment segment, should amount to c.EUR 35m in 2022E and 2023E, down from EUR 38m in 2021. On top, we expect DH to record revenues from the residential development Forest Hill in Budapest, which could, cumulatively, reach EUR 30m over the next two years (we split this equally over 2022E and 2023E). Duna House experienced moderate growth in revenues in 2017-20, which accelerated further in 2021 (+56% yoy), driven primarily by the low-interest rates and booming loan volumes in Hungary and Poland. Looking forward, excluding the one-off residential development tailwind, we forecast Duna's consolidated revenues to range around EUR 80m during 2022-24E, driven by the entry into Italy.

A step up in revenues: HGroup transforms DH's scale

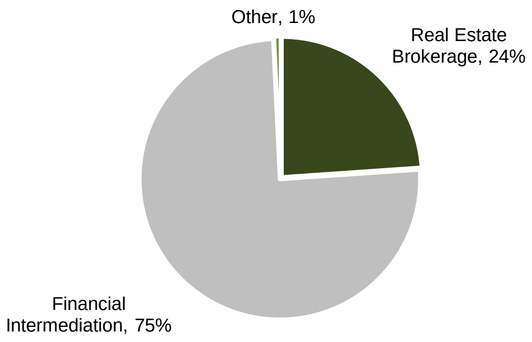


Source: WOOD Research, company data; the other segment includes the complementary, other and property investment segments

Financial intermediation is the largest contributor to Duna House's revenue stream currently. However, because of the relatively high operating leverage in the Italian business, our adjustments on the volumes intermediated and margins have an outsized impact on the operating profitability of HGroup, and Duna's EBITDA, subsequently. We forecast the share of the financial intermediation segment in the earnings to increase, generating almost 75% of the total EBITDA by 2024E, on our estimates. We estimate the EBITDA to range around EUR 10m annually in the next 3Y, up from the historical range of EUR 4-6m in the past 5Y. Excluding the one-off tailwind from the residential development segment (which we estimate will contribute around EUR 1m to EBITDA in both 2022E and 2023E), we pencil in the EBITDA to range between EUR 8-10m in 2022E and 2023E.

In 2021, the financial segment contributed 67% of total revenues, up from 40% in 2017. It contributed 68% of total EBITDA in 2021, up from 59% in 2017.

EBITDA mix at Duna House by 2024E



Source: WOOD Research, company data

Key financial highlights of our forecasts for Duna House

EUR m	2017	2018	2019	2020	2021	2022E	2023E	2024E
Total Revenue	**15.1**	**25.0**	**24.3**	**25.9**	**40.3**	**97.5**	**93.0**	**81.9**
Direct Expenses	-7.2	-13.1	-13.3	-15.8	-25.5	-72.7	-69.4	-59.1
Gross profit	**7.9**	**12.0**	**11.0**	**10.1**	14.8	24.8	23.7	22.8
Indirect Expenses	-5.0	-5.0	-6.1	-5.7	-9.2	-14.0	-14.1	-13.4
EBITDA	**3.0**	**6.9**	**4.9**	**4.4**	**5.6**	**10.8**	**9.5**	**9.4**
Net Profit	2.9	5.3	3.2	3.8	4.1	7.0	6.5	5.8
Minorities & other comprehensive income	0.1	0.0	0.1	0.0	0.1	-0.9	-0.7	-0.8
Net profit to shareholders of Duna House	**3.0**	**5.4**	**3.3**	**3.9**	**4.2**	**6.1**	**5.8**	**5.0**
Gross profit margin	53%	48%	45%	39%	37%	25%	25%	28%
EBITDA margin	20%	28%	20%	17%	14%	11%	10%	11%
Net profit margin	20%	21%	13%	15%	10%	6%	6%	6%
DPS (EUR/share), fiscal	0.06	0.08	0.00	0.11	0.09	0.08	0.44	0.07
Dividend payout ratio (ordinary), fiscal	66%	50%	0%	98%	73%	47%	259%	47%
BVPS (EUR/share)	0.43	0.50	0.49	0.55	0.55	0.63	0.71	0.41
Net Debt	5.7	6.9	14.4	15.1	16.4	22.1	11.4	22.7
ROE	20%	31%	19%	20%	22%	28%	24%	36%

Source: Company data, WOOD Research

Financial intermediation in Poland and Hungary

The volume of loans that DH intermediates in Poland and Hungary is likely to drop significantly in 2022E, we believe. The preliminary lending data suggest a sharp decline in new mortgages for Poland in 1Q22. Based on the monthly lending data that the Polish Bureau of Credit (BIK) publishes, the 1Q22 housing loans declined by 26% qoq and 10% yoy. March 2022 alone saw an 18.2% decline yoy. We expect that the new mortgage origination volumes in Poland could shrink by about 35% this year, and believe that the risks to this level are skewed to the downside. In Hungary, we pencil in the mortgage and personal loan volumes to drop by around 15% yoy, as the link between the MNB rate and the average rate on new mortgages is not as strong, due to the complex system of state subsidies.

We estimate the commission level in Poland and Hungary to fall slightly, from 2.25% to 2.2% in 2022E and 2023E, and remain constant from 2024E-onwards at 2.1%. The level of commissions is a key value driver of the investment case. A steeper drop would drive substantial downside for both our forecasts and valuation range. On the other hand, if the level of commissions remained constant at around the current level of c.2.2-2.3%, there could be upside for our estimates. We note that Duna House's management is substantially more bullish on the level of commission than our forecasts imply. It expects that it could increase the average commission rate from the current levels with the introduction of new products, including a growing presence in the insurance brokerage market.

We have increased Duna's market share in Poland and Hungary to 7.5% in 2022E, settling gradually at 7.0% by 2024E. Based on our discussions with the company, during previous times of adverse macro environments, Duna has been able to gain market share. For example, during the GFC in Hungary, Duna's market share rose from 2% to 6% by 2010. In 2020, Duna gained market share in Hungary and Poland, as brokers became more popular, stemming from the closure of traditional bank branches. Given the global macro headwinds ahead, we see several factors that could result in higher market shares for brokers in general, and Duna House particularly. These include: i) increasing consumer preferences for optionality to obtain the best loan conditions (especially during harsh economic times); ii) the shrinking mortgage market; iii) Duna's competitive advantage in providing better services than the competition; and iv) Duna's growing market share in Poland. Although we do not have exact guidance from Duna, for Poland, the company believes that a market share of around 7.5% should be attainable this year, and we forecast a sustainable rate of 7.0% in the medium term. In February 2022, the market share in Poland was 5.77% (based on the company's data), up by c.100bps from 4.6% in 2021, reflecting DH's expansion in the Polish market throughout last year. In Hungary, Duna's historical average market share was around 6-7%. Given DH's track record in expanding its footprint during periods of adverse macro backdrops, we believe a slight increase in its market share to 7.5% in Hungary could also be attainable.

Together, we estimate the financial business in Poland and Hungary to generate c.EUR 27m in revenues for 2022E, flat vs. the 2021 results. Going forward, we pencil in the revenues DH should generate in the financial intermediation business at around EUR 25m in Poland and Hungary during 2022-24E.

Key assumptions for the financial intermediation segment in Poland and Hungary

	Historical			WOOD's assumptions		
	2019	**2020Y**	**2021**	**2022E**	**2023E**	**2024E**
Macro: growth rate in mortgage volume originations in (yoy):						
Poland	16%	-3%	47%	-34%	-5%	10%
Hungary	6%	3%	40%	-15%	5%	0%
Duna: growth in the volume of loans intermediated (yoy):						
Poland	148%	39%	76%	5%	-6%	3%
Hungary	32%	6%	17%	-11%	-7%	-1%
Market Share in Hungary	6.8%	7.4%	6.7%	7.5%	7.0%	7.0%
Market Share in Poland	2.6%	3.8%	4.6%	7.5%	7.5%	7.0%
Average blended commissions level in PL and HU	2.25%	2.25%	2.26%	2.21%	2.21%	2.10%
Growth in the commissions level	-17%	0%	0%	-2%	0%	-5%
Gross profit margin	29%	26%	22%	22%	22%	22%

Source: Company data, WOOD Research

Forecasts for the financial intermediation segment in Poland and Hungary

EUR m	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
HU - mortgage & other types of loans (EURm)	229	242	284	252	230	228
growth	32%	6%	17%	-11%	-9%	-1%
HU - market share in mortgage volume intermediated	6.8%	7.4%	6.7%	7.5%	7.0%	7.0%
PL - mortgage (EUR m)	372	518	911	956	912	936
growth	148%	39%	76%	5%	-5%	3%
PL - market share in mortgage volume intermediated	2.6%	3.8%	4.6%	7.5%	7.5%	7.0%
Average blended commissions level in PL and HU	2.2%	2.2%	2.3%	2.2%	2.2%	2.1%
Revenue from Poland and Hungary (EUR m)	**13.5**	**17.1**	**27.0**	**26.7**	**25.2**	**24.4**
Direct expenses	-9.6	-12.7	-21.1	-20.8	-19.7	-19.1
Gross profit	**3.9**	**4.4**	**5.8**	**5.9**	**5.6**	**5.4**
Indirect expenses	-1.8	-1.7	-2.0	-2.2	-2.1	-2.2
EBITDA	**2.1**	**2.7**	**3.8**	**3.7**	**3.4**	**3.2**
Gross profit margin	29%	26%	22%	22%	22%	22%
EBITDA margin	16%	16%	14%	14%	14%	14%

Source: Company data, WOOD Research

HGroup: Italy

Based on our discussions with Duna, we believe that mortgage origination volumes could remain resilient in Italy in 2022E. However, we expect that the: i) relatively high operating leverage; ii) rising wage costs in Eurozone (inflation); and iii) expected economic slowdown in the Eurozone are likely to weigh on the operating profitability of DH's recently-acquired HGroup.

We expect the fallout from the war and the sanctions to have a significant impact on growth in the Eurozone, potentially shaving as much as 4ppts from our base-line former forecast (click **here** for further details). At the same time, we believe that the high inflation is likely to force the ECB to hike interest rates, eventually (click **here** for further details). We continue to expect some interest rate increase in 4Q from the ECB, so we could see some mortgage originations slow down towards the end of 2022E.

HGroup operates at significantly higher operating leverage compared to Duna's financial business in Poland and Hungary. Given the high level of overhead costs (around c.EUR 7-8m annually, based on the feedback we received from HGroup's Italian management), even relatively small adjustments in the volume and margins have an outsized impact on the operating profitability.

Based on the KPI results from the first quarter and our discussion with Duna House, 1Q22 was another strong quarter for HGroup, with continued positive trends in the credit intermediation business. We pencil in the revenues of HGroup, across all its segments, to expand by 5% yoy in 2022E and contract by 5% yoy in 2023E. We estimate the gross profit margin to be largely stable (at 24%) compared to the previous year.

On revenues, HGroup is bigger than all of Duna House's segments combined, based on the preliminary figures for 2021. The 2021 EBITDA for HGroup was EUR 3.9m, with revenues of EUR 46m, implying an 8.5% EBITDA margin. The company has not published the detailed annual results for HGroup yet. At the time of the acquisition, management said that it expects EBITDA of EUR 4.5m for 2021. Looking forward, we pencil in HGroup to generate revenues around sub-EUR 50m p.a. during 2022-24E, with EBITDA of EUR 4m annually. HGroup will be substantial for Duna as a whole, with its contribution at 50% in 2022E, later reaching 60% by 2024E in terms of revenues, on our estimates.

The Credipass entity is the loan broker arm of HGroup, and it should be the main driver of HGroup's revenues (accounting for c.75% of the top line). We do not forecast the evolution of the revenue mix at HGroup; thus, we assume the share of revenues from each of HGroup's entities remains stable over time

Key assumptions for HGroup's segments

	WOOD's assumptions		
	2022E	**2023E**	**2024E**
Growth in HGroup segments:			
Credipass: Financial Intermediation	5.0%	-5.0%	5.0%
Medioinsurance: Insurance	5.0%	-5.0%	5.0%
Other	5.0%	-5.0%	5.0%
Gross profit margin	24.3%	24.3%	24.3%
Overhead costs	5.0%	0.0%	2.0%

Source: Company data, WOOD Research

Financial forecasts for HGroup

EUR m	**2021**	**2022E**	**2023E**	**2024E**
Credipass: Financial Intermediation	35.2	37.0	35.1	36.9
Medioinsurance: Insurance	6.7	7.0	6.7	7.0
Other	4.1	4.3	4.1	4.3
Total Revenue from HGroup	**46.0**	**48.3**	**45.9**	**48.2**
Cost of sales	-34.8	-36.6	-34.7	-36.5
Gross profit	**11.2**	**11.7**	**11.2**	**11.7**
overhead	-7.3	-7.7	-7.7	-7.8
EBITDA	**3.9**	**4.1**	**3.5**	**3.9**
Interest costs	n.a	-0.2	-0.2	-0.2
PBT	**n.a**	**3.9**	**3.3**	**3.7**
Taxes	n.a	-0.9	-0.8	-0.9
Profit	**n.a**	**2.9**	**2.5**	**2.8**
o/w attributable to DH	n.a	2.1	1.7	2.0
o/w attributable to minorities	n.a	0.9	0.7	0.8
Gross profit margin	24%	24%	24%	24%
EBITDA margin	8%	8%	8%	8%

Source: Company data, WOOD Research

Real estate brokerage segment

For the real estate business, we assume a slowdown in the market, as housing affordability is deteriorating. On average, we pencil in the revenues generated per office to drop by 12% in 2022E and 2023E. Looking forward, we expect the revenues in the real estate brokerage to drop to EUR 9.1m in 2022E and to EUR 8.2m in 2023E, from EUR 10.7m in 2021.

We believe the result will be more stable in the franchise business – which is driven by fees – compared to the own office business. Nevertheless, both are exposed to the real estate transactions market. Between Poland and Hungary, we believe that Poland should see a stronger negative impact, given the housing affordability outlook. For Hungary, although 2022 was the second strongest start to the year in the residential property markets in the past decade, we can see a slightly declining trend already. The Duna House Barometer – a monthly residential report tracking property transactions in Hungary – reports that April's property transactions declined by 12% yoy and 18% mom. We pencil in a softer decline in property transactions for Hungary than for Poland, as we view the housing affordability situation as more stable in that country.

In Poland, Duna should expand the franchise network, as per the company's guidance. The company intends to expand into 200 franchise offices in the next 3-5Y, from the current 97 in Poland (of which seven are own-branded). This would imply a net c.20 new franchise network acquisitions annually. To put this into perspective, in 2021, the Polish network expanded by 14 offices, in net terms. We remain cautious and believe it will be challenging for Duna to grow by 20 per year; however, in a market downturn, it is reasonable to assume a consolidation in the market, as smaller independent real estate brokers are likely to turn toward large brokers with franchising options, like Duna. We pencil in growth of 10 franchise offices per year for Duna in Poland, keeping the number of offices in other regions constant.

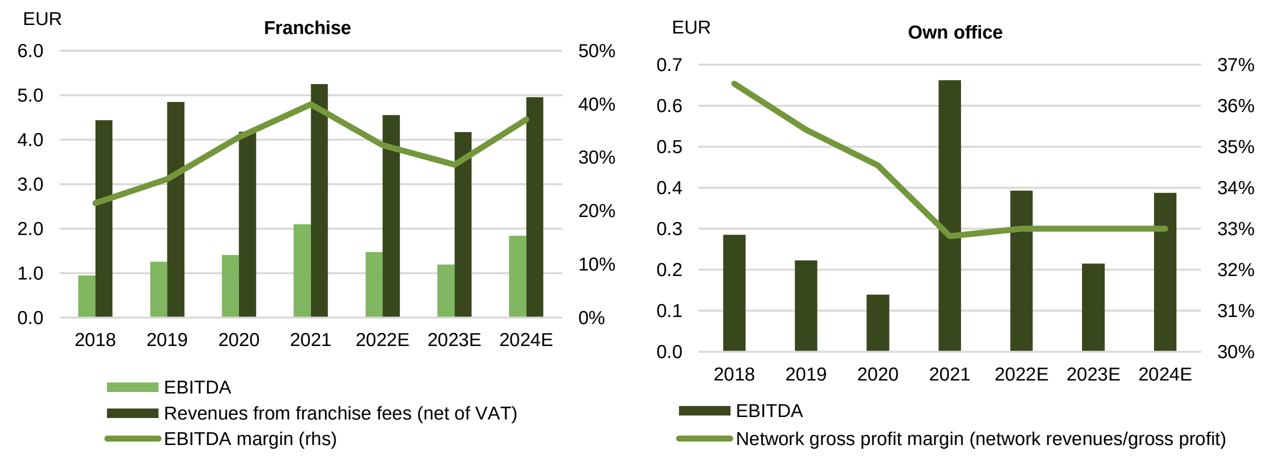
Share of real estate business in the earnings mix declined further, following the entry into Italy. In 2017, the real estate brokerage segment accounted for 60% of Duna's revenues. By 2021, its share declined to 30%. We expect this to decline further in 2022E, attributable to the one-offs from the residential segment; nevertheless, we forecast the share of revenue contribution to hover around 12% by 2024E. In terms of EBITDA, the real estate brokerage segment should contribute c.25% of Duna's total EBITDA by 2024E.

Key assumptions for the real estate brokerage segment

	Historical			WOOD's assumptions		
	2019	2020	2021	2022E	2023E	2024E
Franchise						
Sales Revenue per office growth	-5%	-1%	30%	-12%	-11%	11%
Number of offices	229	228	239	250	260	270
Gross profit margin	92%	93%	93%	89%	89%	89%
Own office						
Sales Revenue per office growth	8%	-7%	59%	-12%	-8%	13%
Number of offices	25	22	21	21	21	21
Network gross margin (network revenues/gross profit)	35%	35%	33%	33%	33%	33%

Source: Company data, WOOD Research

Forecasts for the franchise and own office segments



Source: WOOD Research, company data

Key operating and financial forecasts for the franchise real estate brokerage

EUR m	2019	2020	2021	2022E	2023E	2024E
Hungary	151	152	149	150	150	150
Poland	75	75	90	100	110	120
Czech Republic	3	1	0	0	0	0
# of external franchise offices (excl. Italy)	**229**	**228**	**239**	**250**	**260**	**270**
Hungary	153	131	171	153	133	146
Poland	55	63	88	68	52	67
Czech Republic	84	175	0	0	0	0
Rev per office (EUR k)	**120**	**109**	**140**	**120**	**100**	**111**
Commission revenues of the external franchise network	27.4	24.9	33.4	29.9	26.0	29.9
Revenues from franchise fees (net of VAT)	**4.8**	**4.2**	**5.2**	**4.5**	**4.1**	**4.9**
Direct expenses	-0.4	-0.3	-0.4	-0.5	-0.5	-0.6
Gross profit	**4.5**	**3.9**	**4.9**	**4.0**	**3.6**	**4.3**
Indirect expenses	-3.2	-2.5	-2.8	-2.6	-2.4	-2.5
EBITDA	**1.3**	**1.4**	**2.1**	**1.5**	**1.2**	**1.8**
Gross profit margin	92%	93%	93%	89%	89%	89%
EBITDA margin	26%	34%	40%	32%	29%	38%

Source: Company data, WOOD Research

Key operating and financial highlights for the own office real estate brokerage

	2019	2020	2021	2022E	2023E	2024E
Hungary	15	13	13	13	13	13
Poland	9	8	7	7	7	7
Czech Republic	1	1	1	1	1	1
# of own offices	**25**	**22**	**21**	**21**	**21**	**21**
Hungary	187	122	182	159	141	155
Poland	183	197	343	270	217	261
Czech Republic	891	872	1,233	1,155	1,095	1,205
Rev per office (EUR k)	**214**	**183**	**286**	**243**	**212**	**241**
Commission revenues from the own offices (EUR m)	5.3	4.0	6.0	5.1	4.5	5.1
Network gross profit margin (network revenues/gross profit)	35%	35%	33%	33%	33%	33%
Net sales revenue from own office	**4.5**	**3.9**	**5.4**	**4.5**	**4.0**	**4.5**
Direct expenses	-2.7	-2.5	-3.5	-2.8	-2.5	-2.9
Gross profit	**1.9**	**1.4**	**2.0**	**1.7**	**1.5**	**1.7**
Indirect expenses	-1.7	-1.3	-1.3	-1.3	-1.2	-1.3
EBITDA	**0.2**	**0.1**	**0.7**	**0.4**	**0.2**	**0.4**
Gross profit margin	42%	36%	36%	37%	37%	37%
EBITDA margin	5%	4%	12%	9%	6%	9%

Source: Company data, WOOD Research

Key highlights of the revenues and EBITDA for all segments

Revenue by segments (EUR m)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Real Estate Franchise Brokerage	4.1	4.4	4.8	4.2	5.2	4.5	4.1	4.9
Real Estate: Own Office Segment	4.6	4.9	4.5	3.9	5.4	4.5	4.0	4.5
Financial Intermediation: HU and PL	6.0	8.7	13.5	17.1	27.0	26.7	25.2	24.4
Financial Intermediation and Other: Italy	0.0	0.0	0.0	0.0	0.0	48.3	45.9	48.2
Complementary/Related Services	1.0	1.4	1.4	1.1	0.9	0.9	0.8	0.8
Property Investment / Residential Segment	0.4	6.7	1.0	0.6	2.8	13.5	13.9	0.0
Other	-1.0	-1.1	-1.1	-0.8	-1.0	-1.0	-1.0	-1.0
Total Revenues	**15.1**	**25.0**	**24.3**	**25.9**	**40.3**	**97.5**	**93.0**	**81.9**
Revenue by segments (%)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Real Estate Franchise Brokerage	27%	18%	20%	16%	13%	5%	4%	6%
Real Estate: Own Office Segment	30%	20%	19%	15%	13%	5%	4%	6%
Financial Intermediation: HU and PL	40%	35%	56%	66%	67%	27%	27%	30%
Financial Intermediation and Other: Italy	0%	0%	0%	0%	0%	50%	49%	59%
Complementary/Related Services	7%	6%	6%	4%	2%	1%	1%	1%
Property Investment / Residential Segment	3%	27%	4%	2%	7%	14%	15%	0%
Other	-7%	-4%	-4%	-3%	-3%	-1%	-1%	-1%
Revenue growth	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Real Estate Franchise Brokerage		8%	9%	-14%	26%	-13%	-9%	19%
Real Estate: Own Office Segment		6%	-7%	-15%	41%	-17%	-12%	14%
Financial Intermediation: HU and PL		44%	55%	27%	58%	-1%	-5%	-3%
Financial Intermediation and Other: Italy		n.a	n.a	n.a	n.a	n.a	-5%	5%
Total		66%	-3%	7%	56%	142%	-5%	-12%
EBITDA by segments (EUR m)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Real Estate Franchise Brokerage	0.6	1.0	1.3	1.4	2.1	1.5	1.2	1.8
Real Estate: Own Office Segment	0.3	0.3	0.2	0.1	0.7	0.4	0.2	0.4
Financial Intermediation: HU and PL	1.8	1.9	2.1	2.7	3.8	3.7	3.4	3.2
Financial Intermediation and Other: Italy	0.0	0.0	0.0	0.0	0.0	4.1	3.5	3.9
Complementary/Related Services	0.1	0.5	0.6	0.4	0.2	0.2	0.2	0.2
Property Investment / Residential Segment	0.2	3.5	1.0	0.1	-0.8	1.1	1.1	0.0
Other	0.0	-0.2	-0.2	-0.3	-0.4	-0.1	-0.1	-0.1
Total EBITDA	**3.0**	**6.9**	**5.0**	**4.4**	**5.6**	**10.8**	**9.5**	**9.4**
EBITDA by segments (%)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Real Estate Franchise Brokerage	21%	14%	26%	32%	37%	14%	13%	20%
Real Estate: Own Office Segment	10%	4%	5%	3%	12%	4%	2%	4%
Financial Intermediation: HU and PL	59%	27%	44%	61%	68%	34%	36%	34%
Financial Intermediation and Other: Italy	0%	0%	0%	0%	0%	38%	37%	41%
Complementary/Related Services	5%	7%	12%	8%	3%	2%	2%	2%
Property Investment / Residential Segment	6%	51%	20%	3%	-14%	10%	12%	0%
Other	-1%	-3%	-4%	-7%	-6%	-1%	-1%	-1%
EBITDA growth	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Real Estate Franchise Brokerage		50%	32%	12%	49%	-30%	-18%	53%
Real Estate: Own Office Segment		-8%	-22%	-37%	376%	-40%	-40%	73%
Financial Intermediation: HU and PL		8%	12%	26%	43%	-2%	-8%	-6%
Financial Intermediation and Other: Italy		n.a	n.a	n.a	n.a	n.a	-14%	12%
Total		133%	-28%	-11%	27%	92%	-12%	-1%

Source: Company data, WOOD Research

WOOD's forecasts vs. management's guidance

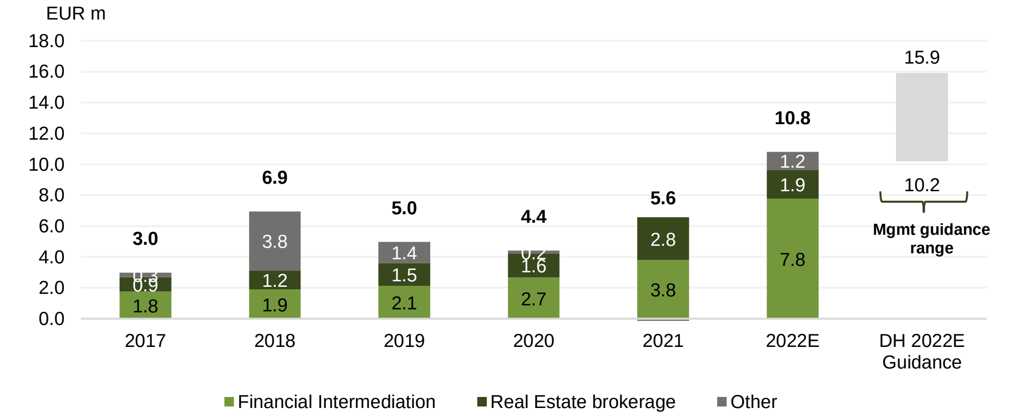
Duna's management published its guidance for 2022E at the end of February, right after the conflict began in Ukraine. We understand that management lowered the bottom range of its guidance relative to its original estimates, to reflect the uncertainty brought about by the conflict.

We estimate combined EBITDA of c.EUR 10.8m in 2022E. Excluding the one-off tailwind from the handover of apartments, the EBITDA should stand at c.EUR 9.7m, on our estimates. This is at the bottom end of Duna House's guidance range, which was compiled shortly after the conflict began in Ukraine. The guidance was looking for an EBITDA range of EUR 10-16m.

The key factors driving the delta between our estimates and management's guidance are: 1) our expectation of a significant slowdown in new mortgage origination volumes in Poland (-34% yoy) and Hungary (-15%) yoy; 2) our outlook on the housing transaction market; and 3) our more conservative estimates on the expansion of the Italian business (we pencil in Italy to generate EBITDA of EUR 4m in 2022E, vs. management's guidance of EUR 4-7m).

Duna House's 1Q22 figures do not indicate a contraction of the magnitude of the loans intermediated in 1Q22. This is mainly a factor of DH's growing market share in Poland. As a result, Duna House intermediated 47% higher volume of loans in Poland in 1Q22 than in 1Q21. In Hungary, the volumes intermediated were broadly stable yoy, for both DH and the market overall. Assuming that mortgage volumes in Poland and Hungary remain flat yoy, but keeping all of our other estimates unchanged (i.e., commissions and market share, and Italy the same), then we reach an EBITDA forecast of c.EUR 13m in 2022E.

DH: EBITDA split – our forecasts are at the lower end vs. management's guidance range



Source: WOOD Research, Duna House Management Guidance 2022E; we use EUR/HUF = 360 to convert the published guidance into EUR

For HGroup, we pencil in the revenues to expand by 5% yoy in 2022E and contract by 5% yoy in 2023E. Due to the relatively high operating leverage – with overhead costs of around EUR 7-8m p.a. – these relatively minor changes on the top line have an outsized impact on the earnings. Our estimates imply EBITDA of c.EUR 4m p.a. in the next 3Y. This is c.30-50% lower than the guidance, published at the time of the acquisition, implied.

When Duna House acquired HGroup at the beginning of the 2022, the two parties set financial performance targets for the consolidated EBITDA for 2022-24E at HGroup. We note that this was set and agreed upon before the Russian invasion of Ukraine. The agreement of the two parties regarding the performance targets was stipulated in the acquisition agreement. If the targets are not reached, this would trigger a change of control, according to the acquisition agreement, where Duna would gain complete control of management at HGroup. Duna has budgeted HGroup's EBITDA to range between EUR 6-8m p.a. in 2022E and 2023E, while the EBITDA that the Italian management has envisioned is c.20% higher than Duna's guidance (EUR 8-10m p.a.).

Management's guidance implies significant upside for our figures for the Italian entity. We believe that reaching the guidance would require double-digit growth in HGroup's EBITDA, which we view as challenging in the current environment. As we factor the challenging macro backdrop into our forecasts, even delivering EBITDA broadly in line with the levels HGroup generated in 2020-21 would mean material upside for our numbers.

WOOD vs. management guidance for EBITDA: Duna guides for EUR 4-7m in 2022E for Italy

(EUR m)	2021	2022E	2023E	2024E
Actual	3.9			
WOOD		**4.1**	**3.5**	**3.9**
Duna (according to Duna/HGroup agreement)*		6.4	7.5	8.6
Italy mgmt. (c.20% higher than in the acquisition agreement)		8.1	9.4	10.7
Duna vs WOOD upside		58%	115%	120%
Italy mgmt. vs. WOOD upside		98%	169%	175%

*Source: WOOD Research, company data; *if the performance target is not reached, Duna House will be able to gain complete management control over HGroup. We note that the targets were based on the forecasts provided by management of the Italian HGroup at the time of the transaction, and do not reflect the recent deterioration of the macro and geopolitical backdrop. In the official guidance that Duna House published for 2022E, it expects the Italian entity to reach EBITDA of EUR 4-7m*

Funding: net debt to EBITDA of sub-3x

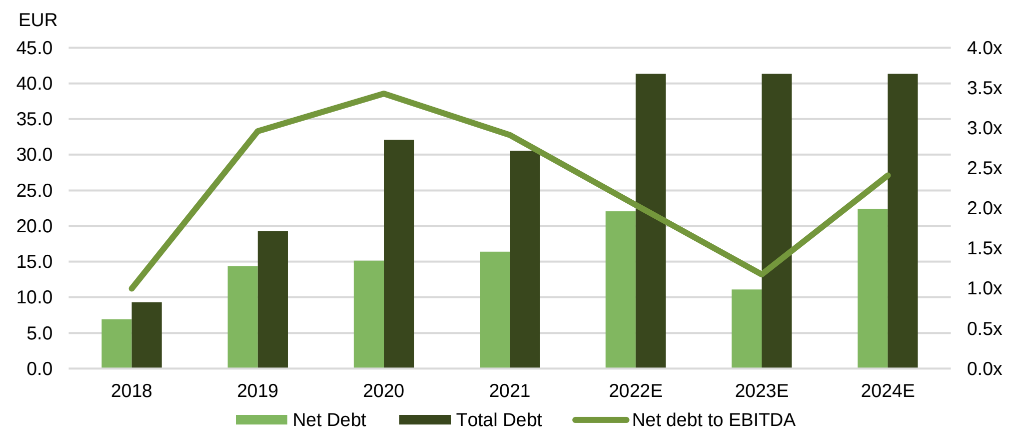
Duna ended 2021 with total debt of EUR 30m (and net debt/EBITDA of 2.9x). We expect the company's leverage to increase by the end of 2022E, with the total debt reaching EUR 41m. We believe that the debt is likely to increase, due to: i) the bonds it placed at the beginning of this year, worth EUR 17m, to finance the purchase of HGroup; ii) the consolidation of HGroup's debt, worth EUR 6m; and iii) the repayment of the project loans from the residential project, worth EUR 12m. We forecast the net debt/EBITDA to stand at 2.0x in 2022E and drop to 1.2x in 2023E, due to the cash inflow from the delivery of the apartments in the residential development, and the planned sale of the small portfolio of yielding apartments in Budapest. By end-2023E, we forecast a cash position of EUR 30m.

Given the company's target net debt/EBITDA leverage ratio of 3.0x, the significant cash position by end-2023E should allow DH flexibility to pay out special dividends from the cash inflows from the residential development in Budapest. We estimate that DH could have the capacity to pay around EUR 15m in 2024E, implying a c.260% payout ratio and a 33% dividend yield. Pencilling in the payment of special dividends, the net debt/EBTDA should stand at around 2.4x at the year-end 2024E, we estimate.

Alternatively, instead of special dividends, Duna House could re-invest the proceeds into additional M&A opportunities. Management continues to evaluate potential acquisition targets and expansion into new markets in the EU, leveraging its experience and platform in the real estate and financial intermediation sectors. As to the size of the investment, in the case of a more positive macro backdrop than we expect in our forecasts, we believe that Duna House could consider targets with EVs similar to the HGroup acquisition. In the case of a more adverse macro backdrop, maintaining the 3x target level of net debt to EBITDA would most likely restrict Duna House to smaller targets.

All of the debt is at a fixed rate and HUF denominated currently. From this perspective, the depreciation of the Forint could be positive for the company, given that the majority of its earnings are in EUR and PLN. We also note that, following the series of rate hikes, Duna House is currently earning a higher rate on the cash deposits than it pays on its fixed-rate bonds.

Duna House: debt and leverage structure



Source: Company data, WOOD Research

Bond issuances

In the past, Duna House successfully issued two bonds, one in 2020 and one in 2022, as part of the National Bank of Hungary's Bond Funding for Growth scheme. Duna House placed the first bonds worth EUR 19m in 2020 to re-finance its outstanding loans related to the Polish expansion. The second loan, which placed EUR 17m at the beginning of 2022, was used to partially pay the initial acquisition purchase price of HGroup – EUR 11.3m. The remaining proceeds will be used to pay off the future earn-out payments related to the HGroup acquisition in 2022E, 2023E and 2024E. The earn-out payments are a function of the previous years' consolidated adjusted EBITDA (derived from a 10.5x multiple). Based on DH's original guidance for the Italian entity, the earn-out payments, to be paid in the next 3Y, could reach up to EUR 13m. Given that our estimates trail the guidance significantly, we pencil in the earn-out payments to reach only c.EUR 5m, using the same formula.

Combined, the cash proceeds of the two bond issuances were c.EUR 36m. The coupon rates were 3.0% and 4.5%, with average yields of 2.3% and 4.7%, respectively.

As part of the scheme, the bonds were rated by Scope Agency, and received (and re-affirmed) a BB-stable outlook. Click here for the report, which was published mid-2021; we summarise the key points of the report below:

- The financial risk profile is constrained currently by the high volatility of cash flows caused by the real estate development activities, as well as a high dependency on the real estate transactions market in CEE.
- Moreover, the Stable outlook reflects the expectations that Duna will be able to keep its financial leverage (Scope adjusted debt/EBITDA) at below 3.0x.
- The liquidity in the balance sheet is adequate. The company's unrestricted cash balance and free operating cash flow excluding discretionary spending cover short-term debt repayment needs by well over 2x, going forward.
- A negative rating action could be warranted if Duna shows an increase in its financial leverage to above 4.0x on a sustained basis.
- Going forward, DH anticipates a return to a moderate leverage of c.1.2x.
- Average cost of financial debt of 3.25% to 3.5%, vs. roughly 3% as of mid-2021.

Valuation range at HUF 476-650/share

Our valuation range of HUF 476-650/share for Duna House is based on three major valuation tools:

- A discounted cash flow model, implying a fair value of HUF 650/share, 24% upside.
- A discounted dividend model, implying a fair value of HUF 579/share, 10% upside.
- A peer valuation based on the average 2022-24E P/E, EV/EBITDA and P/B ratios, implying a fair value range between HUF 307-637/share, with a mid-point of HUF 476/share (9% downside).

Valuation summary: DCF and DDM

Valuation models	Fair value (HUF)	Upside/(downside)
DCF	650	24%
DDM	579	10%
Peers	307-637	-9% (to mid-point)
Share price	526	

Source: WOOD Research

We base our DCF and DDM on the following assumptions:

- ✓ Risk free rates of 4.0% for Italy, 7.0% for Hungary, 6.5% for Poland and 5.0% for the Czech Republic, weighted by our estimated EBITDA contribution of the individual countries. We arrive at a blended risk free rate of 5.6-5.7%.
- ✓ An equity risk premium of 4.5% for all regions.
- ✓ A terminal growth rate of 2.0%.
- ✓ An unlevered beta corrected for cash of 0.87x, based on Damodaran's beta for real estate service companies.
- ✓ A cost of equity hovering around 12% for most of our 10Y valuation horizon.
- ✓ A WACC of 9-10%.
- ✓ Liquidity and size risk premium: 1.0%

Our DCF model implies a fair value of HUF 650/share, 24% upside

EUR m	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Sales	**97.5**	**93.0**	**81.9**	**84.2**	**86.1**	**87.7**	**89.3**	**91.0**	**92.7**	**94.5**
growth		-5%	-12%	3%	2%	2%	2%	2%	2%	2%
EBITDA	**10.8**	**9.5**	**9.4**	**9.8**	**10.1**	**10.3**	**10.5**	**10.7**	**10.9**	**11.1**
as a % of Sales	11.1%	10.2%	11.5%	11.7%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%
- Depreciation	-1.5	-1.4	-1.5	-1.5	-1.6	-1.6	-1.7	-1.7	-1.8	-1.9
EBIT	**9.3**	**8.1**	**7.9**	**8.3**	**8.6**	**8.7**	**8.8**	**9.0**	**9.1**	**9.3**
EBIT margin	9.5%	8.8%	9.7%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.8%
growth		-12%	-3%	5%	3%	2%	2%	2%	2%	2%
- Tax	-1.8	-1.6	-1.6	-1.7	-1.7	-1.7	-1.8	-1.8	-1.8	-1.8
Tax rate (%)	-19%	-19%	-20%	-20%	-20%	-20%	-20%	-20%	-20%	-20%
+ Depreciation	1.5	1.4	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.9
- CAPEX	-12.3	-3.8	-2.8	-3.2	-1.6	-1.7	-1.7	-1.8	-1.8	-1.9
- Proceeds from sale	2.3	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Dividends to preference shares	-0.2	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.3
- WC change	5.0	8.5	0.3	-0.5	0.0	-0.2	-0.1	-0.2	-0.2	-0.2
= FCF to the Firm	**3.8**	**14.5**	**4.9**	**4.2**	**6.5**	**6.4**	**6.6**	**6.6**	**6.8**	**6.9**
PV of FCF	3.6	12.8	3.9	3.0	4.3	3.8	3.6	3.3	3.1	2.9
SUM of PV of FCF	44									
Terminal Value Growth	2%									
Terminal Value	90.8									
PV of terminal value	37.6									
Enterprise Value	**81.9**									
Less Net Debt (YE21)	16.4									
Dividend paid out from 2021 profit	0.0									
Less Minorities	8.5									
Equity Value	**57.1**									
Shares Outstanding	34.4									
Value per Share (EUR, HUF)	**1.7**	**650**								
Share price (EUR, HUF)	1.3	526								
Upside	24%	24%								

Source: WOOD Research

Our DDM model implies a fair value of HUF 579/share, 10% upside

EUR m	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net profit (this year)	**6.1**	**5.8**	**5.0**	**5.4**	**5.6**	**5.7**	**5.8**	**5.9**	**5.2**	**5.3**
Dividend payout ratio	47%	259%	47%	94%	94%	94%	94%	94%	94%	94%
Implied dividend from last year to be paid this year	**3.1**	**2.9**	**15.0**	**2.3**	**5.0**	**5.2**	**5.3**	**5.4**	**5.5**	**4.9**
DPS	0.1	0.4	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1
Discount factor	1.0	0.9	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3
Present value of Dividends	**3.0**	**2.6**	**11.9**	**1.7**	**3.2**	**2.9**	**2.7**	**2.4**	**2.2**	**1.7**
Sum of PV of dividends	**34.2**									
Terminal value growth	2.0%									
Terminal value	47.6									
Present value of terminal value	16.7									
Equity value	**50.8**									
Shares Outstanding	34.4									
Value per Share (EUR, HUF)	**1.5**	**579**								
Share price (EUR, HUF)	1.3	526								
Upside	10%	10%								

Source: WOOD Research

Cost of equity and WACC calculation

	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Company's capital structure										
Cash and cash equivalents	19	30	19	15	15	15	15	15	14	14
Total Debt	42	42	42	37	37	37	37	37	37	37
Total Equity	46	46	46	46	46	46	46	46	46	46
Total Capital Outstanding	88	88	88	83	83	83	83	83	83	83
[A] Debt/Capital Ratio (%)	47%	47%	47%	45%	45%	45%	45%	45%	45%	45%
[C] Equity/Capital Ratio (%)	53%	53%	53%	55%	55%	55%	55%	55%	55%	55%
Cost of Debt:										
Marginal Cost of Debt (%)	6%	7%	8%	8%	8%	8%	8%	8%	8%	8%
x Marginal Tax Rate (%)	19%	19%	20%	20%	20%	20%	20%	20%	20%	20%
[B] Cost of Debt (post tax) (%)	4.8%	5.6%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
Cost of Equity:										
Unlevered beta corrected for cash	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.87
Unlevered Beta	0.68	0.57	0.68	0.72	0.71	0.72	0.72	0.72	0.73	0.73
Beta	1.17	0.99	1.17	1.17	1.17	1.17	1.18	1.18	1.19	1.19
Equity Risk Premium (%)	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Risk Free Rate (%)	5.7%	5.7%	5.6%	5.6%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
[D] Cost of Equity (%)	12.1%	11.1%	12.0%	12.1%	12.1%	12.1%	12.1%	12.1%	12.2%	12.2%
[A x B] + [C x D] = WACC:	8.7%	8.5%	9.3%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%

Source: WOOD Research

Peers valuation

For our peer valuation, we derive the fair value of Duna House based on our forecasts for 2022-24E and the 2022-24E trading multiples of its peers from the Bloomberg consensus data. If we take the equal-weighted average of the EV/EBITDA, P/B and P/E multiples, we reach a fair value estimate of HUF 476/share, which would imply 9% downside to the current share price level.

Peer valuations on 2022-23E P/B, EV/EBITDA and P/E ratios

Valuation models	Fair value (HUF)	Weight	Upside/(downside)
P/B	307	33%	-42%
EV/EBITDA	637	33%	21%
P/E	484	33%	-8%
Weighted average fair value	**476**		**-9%**
Share price	526		

Source: WOOD Research

Looking at CEE (and the wider European region), there is a lack of publicly listed firms that operate in a similar business model as Duna, with the key segments in both the financial intermediation and real estate brokerage. That said, when we compare Duna's real estate brokerage segment to peers, we look at similar real estate brokerage companies in the US such as Realogy and REMAX (which also offer franchise services). Our peer basket also includes the wider real estate service firms like JLL, Cushman and Wakefield and CBRE. Due to the lack of close comparable peers, we admit this is not a perfect basket, as it does not include significant peers in the financial intermediation segment. The peers are also much larger, and more liquid, often representing global, established brands.

On our estimates, Duna House is currently trading at a 2022-24E EV/EBITDA of c.7.5x and a P/E of c.9x, broadly in line with how its real estate peers in the US are trading (based on the Bloomberg consensus data). On a P/B basis, Duna's is trading at a premium vs. its peers for 2022-24E, at an average of 2.5x vs. 1.3x.

Duna house real estate services peers multiples for 2022-24E

	Price	Mkt Cap	P/BV (x)			EV/EBITDA (x)			P/E (x)		
	(LCU)	(EUR m)	22E	23E	24E	22E	23E	24E	22E	23E	24E
Duna House	**526.0**	**46**	**2.1**	**1.9**	**3.3**	**7.1**	**6.9**	**8.2**	**8.3**	**8.5**	**9.9**
Remax	22.7	677	0.8	0.7	0.7	8.7	8.3	8.3	9.2	8.7	8.2
Realogy	11.8	1,307	0.6	0.5	0.4	6.5	6.3	5.8	5.1	4.7	3.9
CBRE	79.3	24,257	2.9	2.5	2.1	9.3	8.5	8.0	12.9	11.7	10.5
JLL	188.6	8,626	1.4	1.2	1.1	8.4	8.0	7.8	9.5	8.9	8.0
Cushman & Wakefield	17.9	3,773	2.0	1.5	1.2	6.6	6.2	5.9	7.1	6.5	6.0
Peers avg.			**1.5**	**1.3**	**1.1**	**7.9**	**7.5**	**7.1**	**8.7**	**8.1**	**7.3**

Source: WOOD Research, Bloomberg consensus

Risks

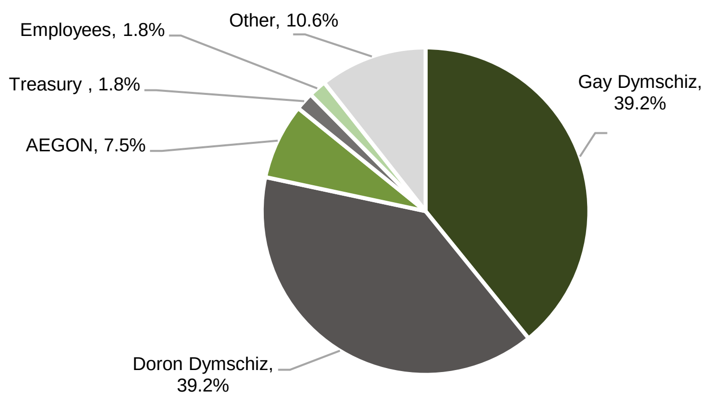
- ✓ **The further escalation of the war in Ukraine.**
- ✓ **An increase in the interest rates and the macroeconomic slowdown.** Our macro team expects a significant shock to growth, and high inflation to drive rate hikes, in both CEE and the Eurozone. We believe this is likely to drive a steep drop in the number of real estate transactions and new mortgage origination (to illustrate, in Poland, our banks team pencils in a drop in new mortgage origination of 34% yoy in 2022E). During a risk-off period, we believe that the banks are unlikely to compete for new business, which could also adversely affect the level of commissions they are offering to financial intermediaries. In light of the potential drops in new mortgage origination across geographies, combined with some credit risk-related issues ahead in light of the economic slowdown, the banks may be less willing to award mortgages via third parties – which could weigh further on the level of commission that the banks are prepared to offer. Higher interest rates could also affect the cost of capital adversely, and could affect funding negatively.
- ✓ **Housing affordability is deteriorating materially everywhere;** even without taking Central Bank policy rates into positive territory in real terms, we believe that consumers could feel significant financial strain by the end of the year. House prices are rising rapidly across the region, supported by still-negative real interest rates, revaluation expectations from improved insulation and as money chases assets perceived as inflation hedges. The current policy strategy is creating strong risks of overvalued real estate over the long run.
- ✓ **Level of commissions.** The level of commissions for financial intermediation is regulated in Hungary, but the commission levels in Poland and Italy are subject to a variable component by the banks (in addition, in Italy, part of the commission is paid by the clients). In a prolonged unfavourable macroeconomic environment for retail financing, the banks may decide to re-structure the fixed and variable components of commissions, which would stall the commission growth. We see a risk that the commission levels in the mortgage and personal loans market could be subject to downside risk.
- ✓ **Property development risk.** One-third of the Forest Hill project has been completed already, and the apartments are being handed over to customers currently. The Forest Hill project has been in the pipeline longer than expected, because it experienced cost overruns, construction delays and sales returns. Although the remaining two-thirds of the project are scheduled for full completion by the end of June 2022E (according to the company's projections), we note that the company is still facing potential development risks, which could result in delays of the delivery of apartments past the 2023E target, as well as a risk of construction cost overruns, which could squeeze margins and reduce the expected cash inflows.
- ✓ **Currency risk.** Our macro team expects the deteriorating inflation and a worsening trade deficit to continue to keep the HUF under pressure (please click **here** for further details). As the majority of Duna House's business is now outside Hungary, from a Forint perspective, the impact on the valuation from HUF depreciation would be positive – even though the exact magnitude would depend on the timing of the depreciation relative to the cash inflows from the Budapest residential assets, and on the degree of Italy's contribution to the earnings. We estimate that Hungary could account for around 10-20% of revenues, once the residential handovers have been completed. That said, we note that, from an EUR perspective, the depreciation of the Forint and potentially also the Zloty would have an adverse impact on its valuation. As majority of its earnings are outside Hungary, we present the financials in EUR, while forecasting each of the respective business lines and countries in their respective currencies.
- ✓ **Online mortgage and personal lending.** Although mortgage brokers have become more popular recently and originated an increasing share of mortgages in Hungary and Poland, changes in consumer preferences towards online lending platforms may pose a risk for the traditional bricks and mortar business model. Deregulation in online lending could see a rise in the popularity of local digital lending platforms, which would make it easier for clients to obtain funding.
- ✓ **Digital real estate platforms.** New digital real estate platforms have become available to people who are planning to buy/sell and rent properties. The increase in digital services, such as these, will allow parties to skip the real estate agents, who once dominated the market. By creating a marketplace where interested parties do not have to pay commission as a value of the transaction, the market would have less need for real estate agents and brokers.
- ✓ **The liquidity of the shares is low.**
- ✓ **Taxes.** There is a risk that new taxes could be introduced, affecting the business negatively.

Ownership and management, liquidity, dividend policy, trading history

Duna House (Duna House Holding Nyrt.; Bloomberg ticker: DUNAHOUS HB) was listed on the Budapest Stock Exchange in late-2016, issuing c.0.7m shares (c.18%) and raising EUR 9m. The IPO valued the company at c.EUR 50m.

The company is controlled by the co-founders. The two founders, who are brothers, built the company from the ground in 1998 and hold a controlling stake currently, 39.2% of the share capital each. Guy and Doron Dymschiz have been instrumental in the growth and success of Duna House, and have run the company together. According to the 2021 annual report, AEGON Hungary is the third-largest shareholder, with ownership of 7.5%. Combined, the treasury shares and employee shares of Duna House compose 3.5% of the ownership. Currently, around 22% of the shares are free float, we estimate. The company sees the low liquidity as an issue and, over the long term, would like to increase the free float to c.50%.

Shareholder structure of Duna House

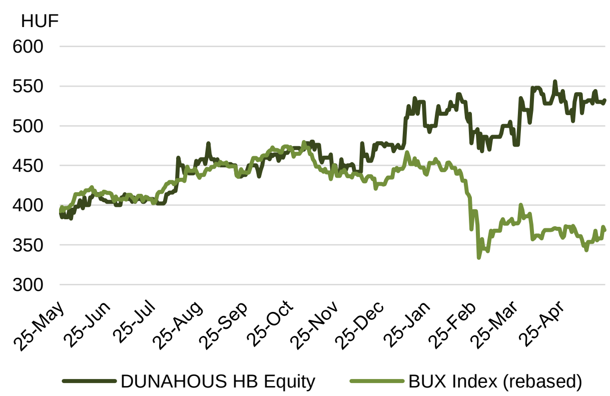


Source: WOOD Research, Duna House Annual Report 2020

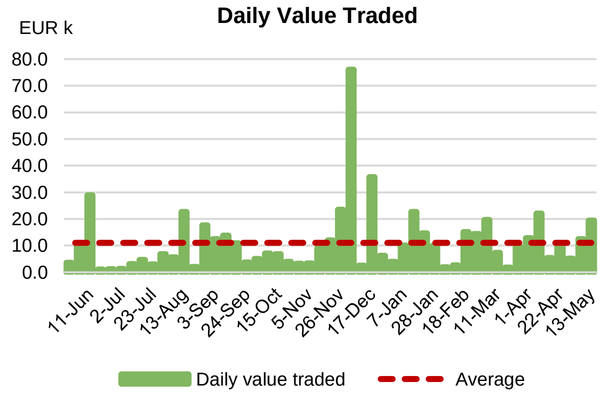
The liquidity of DH shares is low. In the past 12M, the ADTV has been at EUR 11k/day. Capital transactions like an ABB could lead to an increase in the free float, which could, in turn, improve the liquidity and provide a better investment opportunity.

In the past year, the share price of Duna House has fluctuated between HUF 400-550/share. Compared to the 12M share performance, currently, the share price remains elevated, reaching an all-time high of HUF 556 in April 2022. The 12M performance of Duna's stock is 34%, and it has outperformed the BUX index by 43% over the LTM.

Duna's shares outperform the BUX by 43%...



...and traded c.EUR 11k per day (on average) in the LTM



Source: WOOD Research, Bloomberg

Dividend policy

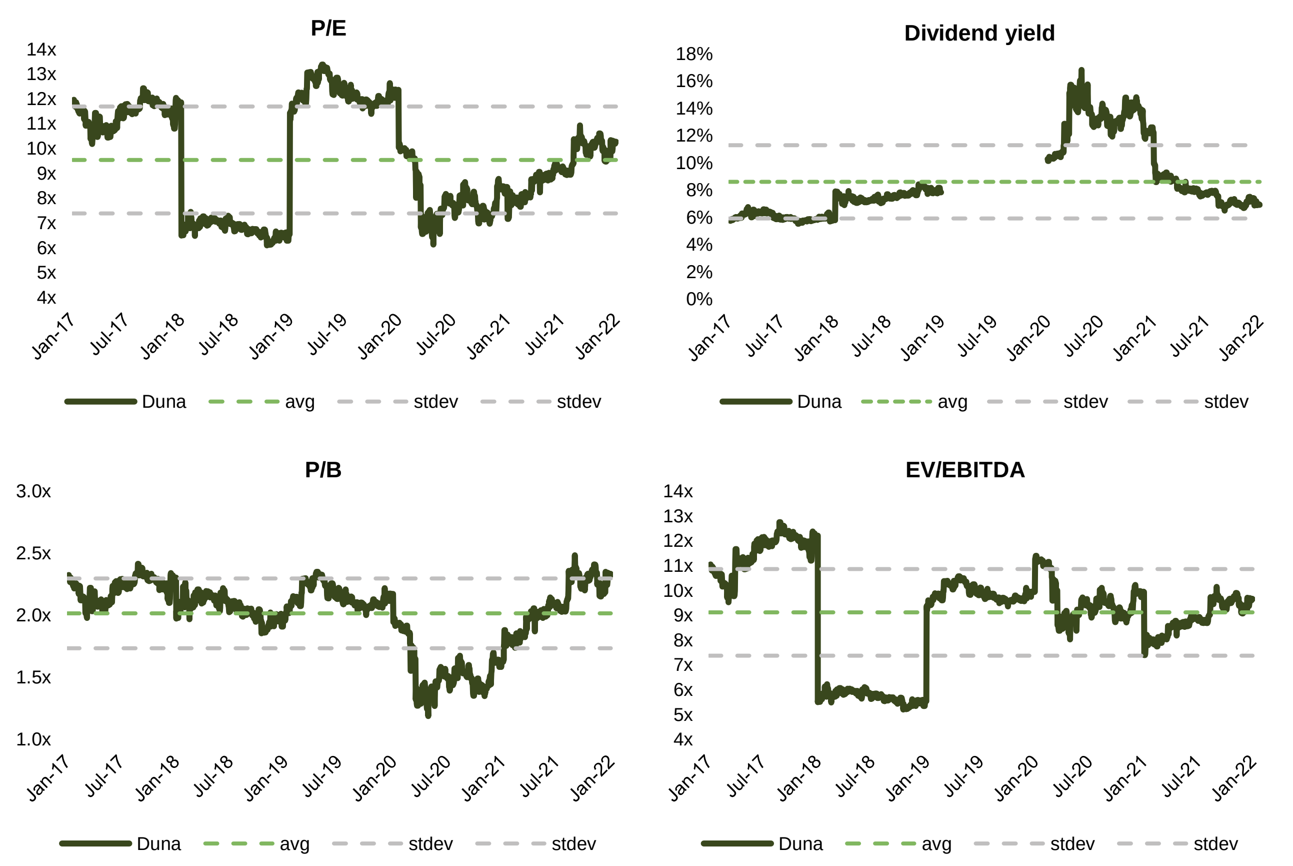
Duna maintains a sustainable policy of paying out dividends: the company states that it intends to distribute, yearly, 53% (6% to preference shares and 47% to ordinary shares) of the profit after tax, including adjustments for revaluations and other one-off items. Historically, Duna House has been quite generous in paying out dividends: on average, in the past 5Y, it has had a payout ratio of c.70% (excluding 2019, when it did not pay dividends) to ordinary shareholders, which amounts to EUR 12m cumulatively. On the year-end share price, this implies a dividend yield of 8%, on average, in the past 5Y. We note that, for FY19, the unpaid dividend was paid as an advance dividend at the beginning of 2021.

Dual class shares, with preferred dividends as a remuneration scheme for management. We note that Duna House has granted preferential shares to its management as an incentive scheme, which constitutes dual class shares in the share capital. The ordinary Class A shares have a nominal value of HUF 5 per share. There are 34.3m ordinary shares, of which 0.7m are classified as treasury shares. Class B shares are preferential employee shares. There are 1,000 Class B shares outstanding, accounting for 0.003% of the total shares. They have a nominal value of HUF 50 each, and each of the Class B shares also has 10x higher number of votes per share than the ordinary shares. Still, combined, the Class B shares only control 0.03% of the total votes. The Class B shares have a preferential right to dividends prior to the ordinary shares for 6% of the consolidated profit after tax and the preferred dividends are not cumulative. Duna has also approved share-based benefit programmes for members of the company, which include management and employees who are based in Hungary, and international management.

Trading history

We plot the average trading history of Duna House, using the 1YF multiples (for P/E, P/E, EV/EBITDA and dividend yield) on the actual reported results. Duna House has been trading at, average, at a P/E level of 9.0x in the past year, with a 5Y average P/E level of 9.5x. The EV/EBITDA has been evolving at similar levels, at a range of 7.0-11x, with a 5Y EV/EBITDA average of 9.1x. The trading levels in terms of P/B range between 1.7-2.3x, with a 5Y historical P/B of 2.0x. Duna has been paying out dividends in the past 5Y, with the exception of FY19, and the historical dividend yields traded at 6-9% levels during 2017-18. During FY20, the historical dividend yields traded at exceptional yields of over 10%, when it paid out almost a 100% dividend ratio.

Trading history: 1YF multiples on the actual reported results



Source: WOOD Research, Company data, Bloomberg; we note that Duna reported a one-off EBITDA contribution in 2018 from a development project, which accounted for c.50% of the year's total EBITDA. This explains the sudden drop in the EV/EBITDA and P/E charts in 2018

Executive management of Duna House

The company continues to be led by the founders and controlling shareholders, the Dymschiz brothers, who own 78% of the shares of Duna House, combined. They are supported by Máté Ferenc and Daniel Schilling, the COO and CFO, who have been with the company for 17 years combined.

The preferred employee shares are distributed among the founders and the top management of Duna. According to the 2021 annual report, the Dymschiz brothers each hold 219 of the 1k of preferred employee shares. The rest is shared mainly among Máté Ferenc (the COO – 225 shares), Daniel Schilling (the CFO – 77 shares), and other management members. Among the executive management, Máté Ferenc holds c.300k ordinary shares in Duna as well.

Guy Dymschiz – Co-Chief Executive Officer and member of the BoD: co-founder, managing director and, later, a member of the executive management of Duna House. He graduated from the Tel-Aviv University in legal studies and obtained an LLB degree. Later, he worked for the Gissin & Keset company as a lawyer. He is a legal expert on M&A fusions and buyouts, voting trusts and investment agreements.

Doron Dymschiz – Co-Chief Executive Officer and member of the BoD: co-founder of Duna House and member of the Board of Directors. He attended the University of Haifa, obtaining a BA degree in Economics and Management in 1997. Later, he also received his MBA from University of Bradford. Previously, he was also a sales manager at Computer Direct North Ltd, later becoming the CEO.

Máté Ferenc – Chief Operating Officer and member of the BoD: graduated from the Budapest University of Economics and Public Administration (MSc.). In 2005, he obtained auditor qualification ACCA, in 2011 the FCCA. Since 2009, he has been a chartered accountant in Hungary. Previously, he worked as senior associated at PwC, and as the financial and operation manager at Promix company. He also founded a private consultation company in 2008. He joined Duna House as managing director in 2009, rising through the ranks to deputy CEO and then COO.

Dániel Schilling – Chief Financial Officer and member of the BoD: graduated from the Corvinus University of Budapest in 2008, after which he worked in Barcelona in the post-merger integration team of Zurich Financial Services AG for a year and a half. Later, Mr. Schilling worked for Concorde Corporate Finance on international and domestic acquisitions and capital market transactions. He joined Duna in 2017 (working in the investor relations and M&A departments) and was later promoted to CFO. He has been a member of the BoD since 2019.

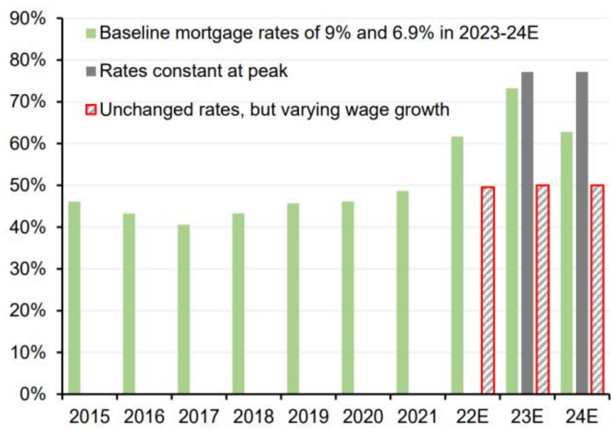
Housing affordability outlook in Hungary, Poland and Italy

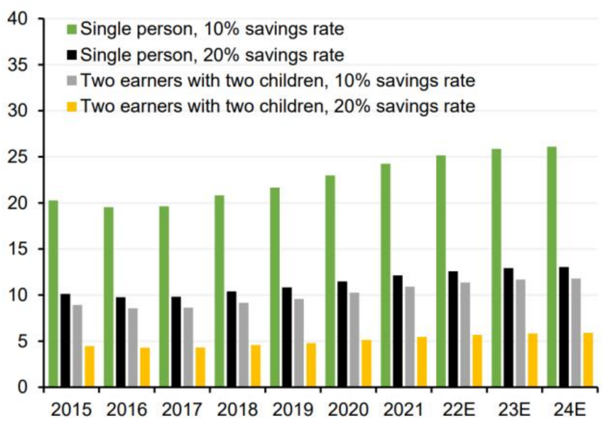
Recently, our macro team published an update on housing affordability for our coverage universe. In this section, we present, for Poland, Hungary and the Eurozone, our standardised calculations on the affordability of an average 20-year mortgage, given our expectations for the monetary tightening cycle and the outlook for the labour market.

In general, affordability is deteriorating materially everywhere, even without taking the Central Bank policy rates into positive territory in real terms, we believe that consumers could feel significant financial strain by the end of the year. House prices are rising rapidly across the region, supported by still-negative real interest rates, revaluation expectations from improved insulation and as money chases assets perceived as inflation hedges. The current policy strategy is creating strong risks of overvalued real estate over the long run.

Hungary. Housing affordability is stable, as a result of widespread fixed-interest mortgages, which would not reflect interest rate increases by the MNB. These should still work their way through the economy via exchange rate support and lower investment. Employment generation is strong, with a healthy rising share of tertiary-educated workers. Overall, continuing brisk house price gains appear justified by the fundamentals.

Hungary: monthly mortgage servicing-to-income ratio and years of savings required to accumulate a 20% deposit

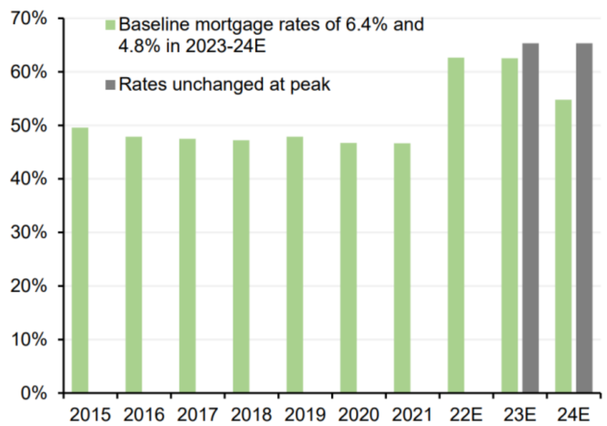


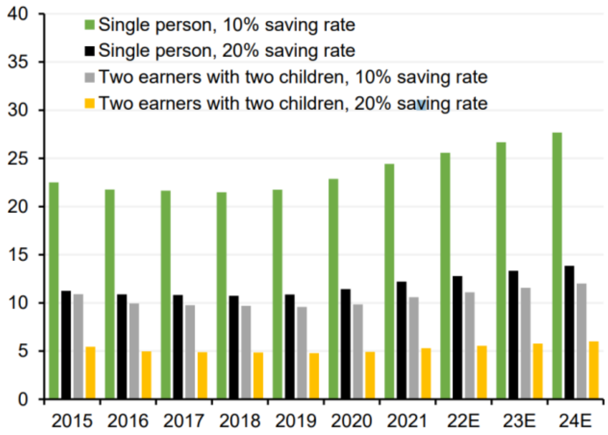


Source: CEIC, Eurostat, ADA Economics in association with WOOD Research; the LHS chart calculates the share of the average wage that one borrower earning an average salary (as published by the national statistical office) spends every month if they take out a 20-year mortgage, priced at the prevailing mortgage rate, with a 20% down-payment for an average house. Where possible, we have tried to standardise this to an 80sqm flat. The RHS chart is an affordability calculation that takes the Eurostat net earnings estimates for four types of workers: with and without children, and with 20% and 10% savings rates. It uses these values to calculate how many years it takes for this representative worker to save the deposit of 20% of a house's value, used in the debt servicing estimates

Poland. Housing affordability is worsening materially, notwithstanding strong wage growth, as a result of both very high house prices, which are likely to persist due to the increase in the population, and of the sizeable policy tightening in the context of widespread variable interest rate mortgages. The government is deploying significant fiscal tools to offset the energy shock, which could support the GDP performance in the coming year, but worsens the inflation picture, for both CPI and housing.

Poland: monthly mortgage servicing-to-income ratio and years of savings required to accumulate a 20% deposit

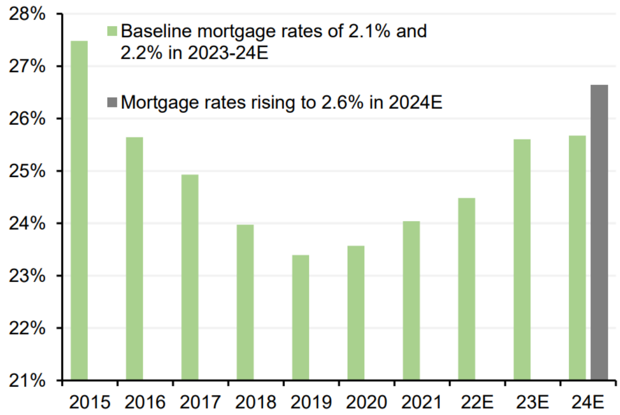


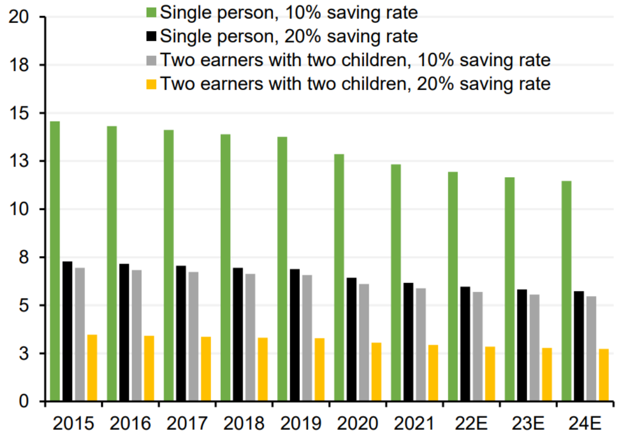


Source: CEIC, Eurostat, ADA Economics in association with WOOD Research; the LHS chart calculates the share of the average wage that one borrower earning an average salary (as published by the national statistical office) spends every month if they take out a 20-year mortgage, priced at the prevailing mortgage rate, with a 20% down-payment for an average house. Where possible, we have tried to standardise this to an 80sqm flat. The RHS chart is an affordability calculation that takes the Eurostat net earnings estimates for four types of workers: with and without children, and with 20% and 10% savings rates. It uses these values to calculate how many years it takes for this representative worker to save the deposit of 20% of a house's value, used in the debt servicing estimates

Eurozone. Affordability looks better in the core Eurozone countries relative to Eastern Europe because interest rates are low today, and are likely to rise very little thanks to the ECB's strategy, and also because average incomes are meaningfully higher than in Central Europe. That said, a recurrent concern from our side is that within the income distribution, the wage trajectories for primary-, secondary- and tertiary-educated workers vary materially. France and Germany could, plausibly, experience a period when less well-educated workers see their earnings being eroded sharply, and this would represent the experience of the majority of workers. Italy's situation looks less bad than previously, partly because a great deal of wage compression has already happened, and partly because there is a minor improvement in potential real GDP. That said, across the core Eurozone, there is a serious risk that housing valuations could prove too high from a long-term perspective, boosted further, in the near term, by policy-driven investment in green insulation and the redeployment of house savings into real estate, as a perceived inflation hedge.

Italy: monthly mortgage servicing-to-income ratio and years of savings required to accumulate a 20% deposit





Source: CEIC, Eurostat, ADA Economics in association with WOOD Research; the LHS chart calculates the share of the average wage that one borrower earning an average salary (as published by the national statistical office) spends every month if they take out a 20-year mortgage, priced at the prevailing mortgage rate, with a 20% down-payment for an average house. Where possible, we have tried to standardise this to an 80sqm flat. The RHS chart is an affordability calculation that takes the Eurostat net earnings estimates for four types of workers: with and without children, and with 20% and 10% savings rates. It uses these values to calculate how many years it takes for this representative worker to save the deposit of 20% of a house's value, used in the debt servicing estimates

Overview of key 2022 data used to calculate the affordability of the housing market

		Monthly compensation (EUR)	House price value (EURk)	Mortgage interest rate	Wage growth assumed
Hungary	Ave. gross wage	1,270	133	4.6	10
	Net earnings, single person 100% avg.	850			
Poland	Ave. gross wage	1,308	82	5.7	10
	Net earnings, single person 100% avg.	894			
Italy	Ave. gross wage	2,356	148	1.5	0.5
	Net earnings, single person 100% avg.	2,075			

Source: CEIC, Eurostat, ADA Economics in association with WOOD Research; notes: average gross wage is usually taken by the National statistical office, while the net earnings calculations come from Eurostat and are converted into euros at the current exchange rate. Mortgage rates as of February. House prices for a standardised 80sqm apartment, quoted in thousands of euros. EUR at current exchange rate

Financials

P&L, margins and per share figures

P&L (EUR m)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Real Estate: Franchise	4.1	4.4	4.8	4.2	5.3	4.5	4.1	4.9
Real Estate: Own Office	4.6	4.9	4.5	3.9	5.4	4.5	4.0	4.5
Financial Intermediation	6.0	8.7	13.5	17.1	27.0	75.0	71.1	72.6
Complementary/Related	1.0	1.4	1.4	1.1	0.9	0.9	0.8	0.8
Property Investment	0.4	6.7	1.0	0.6	2.8	13.5	13.9	0.0
Other	-1.0	-1.1	-1.1	-0.8	-1.0	-1.0	-1.0	-1.0
Total Revenue	**15.1**	**25.0**	**24.3**	**25.9**	**40.3**	**97.5**	**93.0**	**81.9**
Direct Costs	-7.2	-13.1	-13.3	-15.8	-25.5	-72.7	-69.4	-59.1
Gross Profit	7.9	12.0	11.0	10.1	14.8	24.8	23.7	22.8
Indirect Costs	-5.0	-5.0	-6.1	-5.7	-9.2	-14.0	-14.1	-13.4
EBITDA	**3.0**	**6.9**	**4.9**	**4.4**	**5.6**	**10.8**	**9.5**	**9.4**
D&A	-0.3	-0.3	-0.7	-0.7	-0.9	-1.5	-1.4	-1.5
EBIT	**2.7**	**6.6**	**4.2**	**3.7**	**4.7**	**9.3**	**8.1**	**7.9**
Financial Revenues	0.6	0.1	0.2	0.4	0.6	0.8	1.4	0.8
Financial Expenses	-0.2	-0.3	-0.4	-0.5	-0.8	-1.4	-1.4	-1.4
Profit from JV	0.3	-0.1	-0.2	0.9	0.4	0.0	0.0	0.0
Profit before tax	**3.4**	**6.3**	**3.8**	**4.6**	**5.0**	**8.7**	**8.1**	**7.3**
Income taxes	-0.6	-1.0	-0.6	-0.8	-0.9	-1.7	-1.6	-1.5
Net Profit	**2.9**	**5.3**	**3.2**	**3.8**	**4.1**	**7.0**	**6.5**	**5.8**
Other comprehensive income	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	-0.9	-0.7	-0.8
Net profit to shareholders of Duna House	**3.0**	**5.4**	**3.3**	**3.9**	**4.2**	**6.1**	**5.8**	**5.0**

Margins and growth	2017	2018	2019	2020	2021	2022E	2023E	2024E
Gross Profit margin	**53%**	**48%**	**45%**	**39%**	**37%**	**25%**	**25%**	**28%**
Net Profit margin (to Duna shareholders)	20%	21%	13%	15%	10%	6%	6%	6%
Net Profit margin (consolidated)	19%	21%	13%	15%	10%	7%	7%	7%
EBITDA margin	**20%**	**28%**	**20%**	**17%**	**14%**	**11%**	**10%**	**11%**
EBIT margin	18%	26%	17%	14%	12%	10%	9%	10%
Revenues growth	n.a	66%	-3%	7%	56%	142%	-5%	-12%
Gross Profit growth	n.a	51%	-8%	-8%	47%	67%	-5%	-3%
EBITDA growth	n.a	133%	-30%	-9%	28%	92%	-12%	-1%
EBIT growth	n.a	146%	-37%	-11%	26%	96%	-12%	-3%
Net Profit growth	n.a	86%	-40%	20%	8%	71%	-7%	-11%

EPS/DPS/BVPS	2017	2018	2019	2020	2021	2022E	2023E	2024E
Dividends per share (EUR, paid in the following year)	0.06	0.08	0.00	0.11	0.09	0.08	0.44	0.07
Earnings per share (EUR)	0.08	0.15	0.09	0.11	0.12	0.17	0.16	0.14
Book Value per share (EUR)	0.43	0.50	0.49	0.55	0.55	0.63	0.71	0.41
Dividends Per share (HUF, paid in the following year)	17.6	24.7	0.0	38.6	32.0	31.1	172.2	27.0
Earnings per share (HUF)	25.6	48.2	28.2	37.4	41.8	63.7	62.2	53.4
Book Value per share (HUF)	132.4	160.0	163.2	200.3	203.1	249.7	278.8	160.0

Source: WOOD Research, company data; EPS is calculated by subtracting previous years' preferred dividends from earnings

Balance sheet and cash flow

(EUR m)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Investment property	3.4	4.5	5.5	5.1	5.0	16.7	14.4	14.4
Goodwill	3.4	4.1	4.1	4.7	4.8	20.8	20.8	20.8
PP&E, Intangible assets and Other	3.8	3.8	4.4	4.7	4.4	3.8	4.1	4.0
Non-current assets	**10.6**	**12.4**	**14.1**	**14.5**	**14.2**	**41.4**	**39.3**	**39.2**
Inventories	11.0	12.1	16.6	19.6	20.1	12.5	0.7	0.7
Trade Receivables	1.5	2.2	2.6	2.4	5.7	10.4	10.9	10.7
Restricted cash	3.0	2.3	2.7	2.0	3.4	0.0	0.0	0.0
Cash and equivalents	1.6	2.4	4.9	17.0	14.1	19.4	30.1	18.9
Other	2.8	3.1	3.8	3.4	3.7	7.5	7.1	7.3
Current Assets	**19.8**	**22.1**	**30.7**	**44.4**	**47.0**	**49.8**	**48.8**	**37.6**
Total Assets	**30.4**	**34.5**	**44.7**	**58.9**	**61.2**	**91.2**	**88.1**	**76.8**
Capital	5.4	4.8	4.5	4.1	4.0	4.0	4.0	4.0
Retained Earnings	9.3	12.3	12.4	14.8	14.9	17.8	20.3	10.0
Shareholders' equity	**14.7**	**17.1**	**17.0**	**18.9**	**18.9**	**21.8**	**24.3**	**13.9**
Non-controlling Interests	-0.2	-0.2	-0.2	-0.2	-0.2	8.5	8.3	8.4
Total equity	**14.5**	**16.9**	**16.8**	**18.7**	**18.7**	**30.2**	**32.6**	**22.4**
Long-Term Borrowings	4.1	0.7	18.3	19.1	18.7	29.7	29.7	29.7
Other	0.5	0.5	1.0	1.0	1.6	1.4	1.4	1.4
Non-Current Liabilities	**4.6**	**1.3**	**19.3**	**20.0**	**20.3**	**31.1**	**31.1**	**31.1**
Short term Borrowings	3.2	8.5	1.0	13.0	11.8	11.8	11.8	11.8
Accounts payables	1.3	1.9	2.4	2.4	3.6	7.9	7.5	7.8
Other	6.8	5.9	5.3	4.7	6.8	4.9	2.0	2.1
Liability connected with the purchase of the Italian entity	0.0	0.0	0.0	0.0	0.0	5.2	2.9	1.6
Current Liabilities	**11.3**	**16.3**	**8.7**	**20.1**	**22.2**	**29.8**	**24.3**	**23.3**
Total Liabilities	**15.9**	**17.5**	**28.0**	**40.1**	**42.5**	**61.0**	**55.4**	**54.4**
Total equity and liabilities	**30.4**	**34.5**	**44.7**	**58.9**	**61.2**	**91.2**	**88.1**	**76.8**

Capital Structure (EUR m)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Total debt	7.3	9.3	19.3	32.1	30.5	41.5	41.5	41.5
Cash and cash equivalents	1.6	2.4	4.9	17.0	14.1	19.4	30.1	18.9
Net debt	5.7	6.9	14.4	15.1	16.4	22.1	11.4	22.7
EBITDA	3.0	6.9	4.9	4.4	5.6	10.8	9.5	9.4
Net debt to EBITDA	1.9x	1.0x	3.0x	3.4x	2.9x	2.0x	1.2x	2.4x

Cash Flow (EUR m)	2017	2018	2019	2020	2021	2022E	2023E	2024E
Profit after tax	**2.9**	**5.3**	**3.3**	**3.8**	**4.1**	**7.0**	**6.5**	**5.8**
Financial Results	0.1	0.2	0.2	0.0	0.2	0.5	0.0	0.6
D&A	0.3	0.3	0.7	0.7	0.9	1.5	1.4	1.5
Tax Payable	0.0	0.0	0.5	0.7	0.8	1.7	1.6	1.5
Other	-1.0	-0.7	-0.2	-0.8	-0.7	0.0	0.0	0.0
Operating Profit Before Changes in Working Capital	**2.2**	**5.1**	**4.5**	**4.4**	**5.3**	**10.8**	**9.5**	**9.4**
Inventory	-4.6	-1.4	-5.0	-4.6	-0.5	7.6	11.8	0.0
Accounts Receivable, restricted cash and other receivables	-2.7	-0.9	-1.6	0.4	-4.7	-5.1	-0.1	-0.1
Accounts Payable and Related Liabilities	0.9	-0.6	0.2	0.4	3.2	2.5	-3.3	0.3
Other	-0.3	-0.1	-1.3	-1.0	-1.1	-1.7	-1.6	-1.5
Cash flows from operating activities	**-4.5**	**2.2**	**-3.1**	**-0.3**	**2.3**	**14.1**	**16.4**	**8.2**
CAPEX on infrastructure	-0.8	-1.2	-1.1	-0.6	-0.6	-1.0	-1.6	-1.5
Acquisitions/Disposals	-0.6	-0.9	0.0	-1.0	0.0	-11.3	-2.2	-1.3
Sale of assets	0.0	0.2	0.0	0.2	0.3	2.3	2.3	0.0
Other	0.0	0.8	0.0	0.0	1.0	0.0	0.0	0.0
Cash flows used in investing activities	**-1.3**	**-1.1**	**-1.1**	**-1.3**	**0.7**	**-10.0**	**-1.5**	**-2.8**
Dividends paid to minority investors	0.0	0.0	0.0	0.0	0.0	0.0	-0.9	-0.7
Dividends to Duna shareholders	-1.6	-2.0	-2.8	-0.2	-3.9	-3.3	-3.3	-15.3
Change in debt	4.0	2.2	10.4	14.9	-1.9	5.0	0.0	0.0
Interest Received (Paid)	-0.1	-0.2	-0.4	-0.2	-0.1	-0.5	0.0	-0.6
Other	0.0	-0.4	-0.5	-0.4	-0.1	0.0	0.0	0.0
Cash flows from Financing Activities	**2.2**	**-0.3**	**6.7**	**14.1**	**-6.0**	**1.2**	**-4.2**	**-16.7**
Cash BoP	**5.1**	**1.6**	**2.4**	**5.0**	**17.6**	**14.1**	**19.4**	**30.1**
Net Change in Cash	**-3.6**	**0.9**	**2.5**	**12.6**	**-3.0**	**5.3**	**10.7**	**-11.3**
FX rate differences	0.0	0.0	0.2	0.3	0.3	0.0	0.0	0.0
Cash EoP	**1.6**	**2.4**	**4.9**	**17.0**	**14.1**	**19.4**	**30.1**	**18.9**

Source: WOOD Research, company data

Number of shares, share price and multiples

Number of shares and share price	2017	2018	2019	2020	2021	2022E	2023E	2024E
Number of shares (m)	34.4	34.4	34.4	34.4	34.4	34.4	34.4	34.4
Treasury Shares (m)	0	0	0	1	1	1	1	1
Average price/share (HUF)	292	327	345	300	415	514	526	526
Lowest price (HUF)	262	297	311	232	327	468	526	526
Highest price (HUF)	314	352	371	358	480	556	526	526
Closing price (HUF)	303	318	354	325	476	526	526	526
Enterprise Value, eop (EUR m)	39	41	51	46	61	76	66	77
Market cap, average (EUR m)	33	35	36	29	40	48	46	46
Market cap, eop (EUR m)	34	34	37	31	44	46	46	46
Profitability and valuation multiples	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
PE	11.8x	6.6x	12.6x	8.7x	11.4x	8.3x	8.5x	9.9x
P/BV	2.3x	2.0x	2.2x	1.6x	2.3x	2.1x	1.9x	3.3x
Dividend yield	6%	8%	0%	12%	7%	6%	33%	5%
EV/EBITDA	13.2x	5.9x	10.5x	10.3x	10.8x	7.1x	6.9x	8.2x

Source: WOOD Research, company data; number of shares before 2020 adjusted for stock split

Important disclosures

This investment research is published by WOOD & Company Financial Services, a.s. ("WOOD&Co") and/or one of its branches who are authorised and regulated by the Czech National Bank (CNB) as Home State regulator and in Poland by the Polish Financial Supervision Authority (KNF), in Slovakia by the National Bank of Slovakia (NBS), in Italy by the Companies and Stock Exchange Commission (CONSOB) and in the UK by the Financial Conduct Authority (FCA) as Host State regulators.

This investment research has been commissioned by Duna House and prepared by WOOD&Co. in consideration of a fee payable by Duna House. This investment research was prepared by WOOD&Co. independently as an outsider's view in accordance with applicable laws. The draft of this investment research was sent to Duna House before publication for factual check. In accordance with WOOD&Co.'s policies: i) the factual check made by the subject company is limited to the verification of he factual accuracy of the investment research draft; and ii) the investment research draft sent for factual check to the subject company cannot include a valuation, an investment summary, a recommendation or a price target, as the case may be.

This investment research was completed on 31/05/2022 at 19:30 CET and disseminated on 01/06/2022 at 07:40 CET.

WOOD&Co's rating and price target history for Duna House over the preceeding 12-month period:

Date	Rating	Date	PT
01/06/2022	n.a.	01/06/2022	n.a.

The history of all WOOD&Co's investment research disseminated during the preceeding 12-month period can be accessed via our website at **https://research.wood.com**.

The meanings of recommendations made in WOOD&Co's investment research are as follows:
BUY: The stock is expected to generate total returns of over 15% during the next 12 months as measured by the price target.
HOLD: The stock is expected to generate total returns of 0-15% during the next 12 months as measured by the price target.
SELL: The stock is expected to generate a negative total return during the next 12 months as measured by the price target.
RESTRICTED: Financial forecasts, and/or a rating and/or a price target is restricted from disclosure owing to Compliance or other regulatory/legal considerations such as a blackout period or a conflict of interest.
NOT RATED: Suspension of rating after 30 consecutive weekdays where the current price vis-à-vis the price target has been out of the range dictated by the current BUY/HOLD/SELL rating.
COVERAGE IN TRANSITION: Due to changes in the Research team, the disclosure of a stock's rating and/or price target and/or financial information are temporarily suspended.

As of the end of the last calendar quarter, the proportion of all WOOD&Co's investment research vis-à-vis the proportion of subject companies that were investment banking clients over the previous 12 months is as follows:

	BUY	HOLD	SELL	Restricted	NOT RATED	Coverage in transition
Equity Research Coverage	61%	32%	6%	1%	n.a.	n.a.
IB Clients	1%	1%	n.a.	n.a.	n.a.	n.a.

Any prices of financial instruments quoted in this investment research are taken as of the previous day's market close on the home market unless otherwise stated.

Details of the methodologies used to determine WOOD&Co's price targets and risk assessment related to the achievement of the targets are outlined throughout the most recent substantive report/note on the subject company.

It should be assumed that the risks and valuation methodology presented in daily news or flash notes, and not changing WOOD&Co's estimates or ratings, are as set out in the most recent substantive research report/note on the subject company and can be found on our website at **https://research.wood.com**.

WOOD&Co's policy is to update investment research as it deems appropriate, based on developments in the subject company, sector or market that may have a material impact on the views or opinions stated in the investment research.

WOOD Research Disclosures (as of 1 June 2022)

Company	Disclosures
Alior Bank	5
Alpha Services and Holdings	1, 2, 3
AmRest	5
Astarta Holding	4
Banca Transilvania	5
Bank of Cyprus	4
Benefit Systems	1, 2, 3
BRD	5
Bucharest Stock Exchange	5
CCC	5
CD Projekt	5
CEZ	5
Colt CZ Group SE	3, 5
Dino	5
DO&CO	5
Electrica	5
Erste Group Bank	5
Eurobank	4
Eurocash	5
Fondul Proprietatea	4, 5
Globe Trade Centre	1, 2, 3
Kazatomprom	5
Kernel	5
KGHM	5
Kofola CS	5
Komercni	4, 5
Kruk	5
Lotos	5
MedLife	4
MONETA Money Bank	5
NLB Group	5
Nuclearelectrica	5
O2 Czech Republic	4, 5
OMV Petrom	5
Orange PL	5
Piraeus Financial Holdings	1, 2, 3
Pekao	4, 5
PGE	5
PGNiG	5
Philip Morris CR	5
PKN Orlen	5
PKO BP	4, 5
PZU	4, 5
Romgaz	5
Santander Bank Polska	5

Shoper	**1, 2, 3**
Siauliu Bankas	**5**
STS	**1, 2, 3**
Ten Square Games	**3**
Transelectrica	**5**
Transgaz	**5**

#	Description
1	The company currently is, or in the past 12 months was, a client of WOOD&Co or any of its affiliates for the provision of corporate finance/investment banking services.
2	In the past 12 months, WOOD&Co or any of its affiliates have received compensation for corporate finance/investment banking services from the company.
3	In the past 12 months, WOOD&Co or any of its affiliates have been lead manager or co-lead manager of a publicly disclosed offer of the company's financial instruments.
4	In the past 12 months, WOOD&Co or any of its affilates have acted as broker to the company
5	WOOD&Co or any of its affiliates are market maker(s) or liquidity provider(s) in relation to financial instruments of the company.
6	In the past 12 months, WOOD&Co or any of its affiliates have provided to the company any services set out in Sections A and B or Annex I to the Directive 2014/65/EU of the European Parliament and of the Council, other than services listed under points 1, 3, 4 or 5 above, or received compensation for such services from the company.
7	The authoring analyst or any individual involved in the preparation of this investment research have purchased/received shares in the company prior to a public offering of those shares; and the price at which they were acquired along with the date of acquisition are disclosed above.
8	The authoring analyst or any individual involved in the preparation of this investment research has a direct ownership position in securities issued by the company.
9	A partner, director, officer, employee or agent of WOOD&Co and its affiliates, or a member of his/her household, is an officer, or director, or serves as an advisor or board member of the company.
10	WOOD&Co or its affiliates hold a net long or short position exceeding the threshold of 0,5% of the total issued share capital of the company, calculated in accordance with Artcle3 of Regulation (EU) No 236/2012 and with Chapters III and IV of Commission Delegated Regulation (EU) No 918/2012.
11	The company owns more than 5% of the total issued share capital in WOOD&Co or any of its affiliates.

The authoring analysts who are responsible for the preparation of this investment research have received (or will receive) compensation based upon (among other factors) the overall profits of WOOD&Co, which includes corporate finance/investment banking, sales and trading and principal trading revenues. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific activities, or to recommendations contained in the investment research. One factor in equity research analyst compensation is arranging corporate access events/meetings between institutional clients and the management teams of covered companies (with the company management being more likely to participate when the analyst has a positive view of the company).

WOOD&Co and its affiliates may have a corporate finance/investment banking or other relationship with the company that is the subject of this investment research and may trade in any of the designated investments mentioned herein either for their own account or the accounts of their clients, in good faith or in the normal course of market making. Accordingly, WOOD&Co or their affiliates, principals or employees (other than the authoring analyst(s) who prepared this investment research) may at any time have a long or short position in any such designated investments, related designated investments or in options, futures or other derivative instruments based thereon.

WOOD&Co manages conflicts of interest arising as a result of preparation and publication of research through its use of internal databases, notifications by the relevant employees and Chinese Walls as monitored by Compliance. For further details, please see our website at **https://www.wood.cz/mifid-information/**.

The information contained in this investment research has been compiled by WOOD&Co from sources believed to be reliable, but (with the exception of the information about WOOD&Co) no representation or warranty, express or implied, is made by WOOD&Co, its affiliates or any other person as to its fairness, accuracy, completeness or correctness. WOOD&Co has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this investment research constitute WOOD&Co' judgement as of the date of this investment research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

WOOD&Co salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desk that reflect opinions that are contrary to the opinions expressed in this investment research. WOOD&Co's affiliates, proprietary trading desk and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this investment research.

This investment research is provided for information purposes only and does not constitute or form part of an offer or invitation or solicitation to engage in investment activity or to buy or sell any designated investments discussed herein in any jurisdiction. As a result, the designated investments discussed in this investment research may not be eligible for offer or sale in some jurisdictions. This investment research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction.

This investment research is prepared for general circulation to WOOD&Co's clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should consider this report as only a single factor in making their investment decision and obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of WOOD&Co, its affiliates or any other person accepts any liability whatsoever for any direct or consequential loss arising from or in connection with the use of this investment research.

For United Kingdom or EU Residents:
This investment research is only for persons who are eligible counterparties or professional clients within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 (or any analogous legislation) on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom or Europe to retail clients, as defined under the rules of the Financial Conduct Authority.

For United States Residents:
This investment research distributed in the United States by WOOD&Co, and in certain instances by Brasil Plural Securities LLC ("Brasil Plural"), a U.S. registered broker dealer, only to "major U.S. institutional investors", as defined under Rule 15a-6 promulgated under the U.S. Securities Exchange Act of 1934, as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC"). This investment research is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research and are not a major U.S. institutional investor, you are instructed not to read, rely on or reproduce the contents hereof, and to destroy this research or return it to WOOD&Co or to Brasil Plural. Analyst(s) preparing this report are employees of WOOD&Co who are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore the analyst(s) are not be subject to Rule 2711 of the Financial Industry Regulatory Authority ("FINRA") or to Regulation AC adopted by SEC which, among other things, restrict communications with a subject company, public appearances and personal trading in securities by a research analyst. Any major U.S. Institutional investor wishing to effect transactions in any securities referred to herein or options thereon should do so by contacting a representative of Brasil Plural. Brasil Plural is a broker-dealer registered with the SEC and a member of FINRA and the Securities Investor Protection Corporation. Its address is 545 Madison Avenue, 8th Floor, New York, NY 10022 and its telephone number is 212-388-5613. WOOD&Co is not affiliated with Brasil Plural or any other U.S. registered broker-dealer.

The views and sentiments expressed in this investment research and any findings thereof accurately reflect the analyst's truthful views about the subject securities and or issuers discussed herein.

WOOD & COMPANY

CONTACTS

Czech Republic
namesti Republiky 1079/1a
Palladium
110 00 Praha 1
Czech Republic
Tel +420 222 096 111
Fax +420 222 096 222

Romania
Lamda Building
7A Bucuresti-Ploiesti Street
4th Floor
013682 Bucharest 1
Tel.: +40 316 30 11 81

Poland
Centrum Marszalkowska
Marszalkowska 126/134
7th Floor
00 008 Warszawa
Poland
Tel +48 22 222 1530
Fax +48 22 222 1531

UK
16 Berkeley Street
London
W1J 8DZ

Tel +44 20 3530 0691

Italy
Via Luigi Settembrini, 35
20124 Milan
Italy

Tel +39 02 36692 500

Kristen Andrasko
Head of Equities
+420 222 096 253
kristen.andrasko@wood.com

Bloomberg page
WUCO

www.wood.com

Research

Co-Head of Research/ Head of Research Poland
Marta Jezewska-Wasilewska
+48 22 222 1548
marta.jezewska-wasilewska@wood.com

Co-Head of Research/Head of Greek Research
Alex Boulougouris
+30 216 200 5261
alex.boulougouris@wood.com

Head of Consumer/Industrials
Lukasz Wachelko
+48 22 222 1560
lukasz.wachelko@wood.com

Macroeconomics
Raffaella Tenconi
+44 20 3530 0685
raffaella.tenconi@wood.com

Head of Turkey Research
Atinc Ozkan
+90 542 202 3632
atinc.ozkan@wood.com

Head of Russia Research
Ildar Davletshin
+44 203 530 0631
ildar.davletshin@wood.com

Head of Romania Research
Iuliana Ciopraga
+40 316 30 1185
iuliana.ciopraga@wood.com

Macroeconomics
Alessio Chiesa
+44 75177 06102
alessio.chiesa@wood.com

Head of Financials
Can Demir
+44 20 3530 0623
can.demir@wood.com

Head of TMT
Piotr Raciborski
+48 22 222 1551
piotr.raciborski@wood.com

Energy
Jonathan Lamb
+44 20 3530 0621
jonathan.lamb@wood.com

Utilities/Mining/Pharma
Bram Buring
+420 222 096 250
bram.buring@wood.com

Consumer/Real Estate
Jakub Caithaml
+420 222 096 481
jakub.caithaml @wood.com

Poland
Pawel Wieprzowski
+48 22 222 1549
pawel.wieprzowski@wood.com

Energy/Utilities
Ondrej Slama
+420 222 096 484
ondrej.slama@wood.com

Metals/Mining
Artem Bagdasaryan
+79 163 393 842
artem.bagdasaryan@wood.com

Gaming/Mid-caps
Maria Mickiewicz
+48 602 450 718
maria.mickiewicz@wood.com

Financials
David Lojkasek
+420 222 096 256
david.lojkasek@wood.com

Turkey
Can Yurtcan
+420 222 096 780
can.yurtcan@wood.com

Greece
Fani Tzioukalia
+30 216 200 5260
fani.tzioukalia@wood.com

Russia
Dmitry Vlasov
+44 750 714 6702
dmitry.vlasov@wood.com

CEE
Aidar Ulan
+420 739 627 170
aidar.ulan@wood.cz

Sales

Head of Sales
Kristen Andrasko
+420 222 096 253
kristen.andrasko@wood.cz

Jan Koch
+48 22 222 1616
jan.koch@wood.com

Piotr Kopec
+48 22 222 1615
piotr.kopec@wood.com

Ioana Pop
+44 20 3530 0693
ioana.pop@wood.com

Grzegorz Skowronski
+48 22 222 1559
grzegorz.skowronski@wood.com

Jarek Tomczynski
+44 203 530 0688
jarek.tomczynski@wood.com

Kostas Tsigkourakos
+30 694 082 5810
kostas.tsigkourakos@wood.com

Tatiana Sarandinaki
Brasil Plural in association with WOOD&Co.
1 212 388 5613
tsarandinaki@wood-brasilplural.com

Sales Trading and Execution Services

Zuzana Mora
+420 222 096 283
zuzana.mora@wood.com

Ermir Shkurti
+420 222 096 847
ermir.shkurti@wood.com

Vladimir Vavra
+420 222 096 397
vladimir.vavra@wood.com

RECENTLY PUBLISHED REPORTS

Date	Company/Sector	Title	Analyst
31/05/22	Alro	Loss-making without State aid	Iuliana Ciopraga, Alex Boulougouris
30/05/22	Benefit Systems	Regaining power post-pandemic	Maria Mickiewicz, Pawel Wieprzowski
27/05/22	Cognor Holding	Record results could serve as re-rating trigger	Artem Bagdasaryan, Ildar Davletshin
26/05/22	EME Macro/Strategy	Overview charts for peripheral countries	Alessio Chiesa, Raffaella Tenconi
26/05/22	Bittnet Systems	1Q22 results confirm full-year outlook	Piotr Raciborski, Iuliana Ciopraga
25/05/22	Immofinanz	CPI offer is attractive	Jakub Caithaml, Ondrej Slama
25/05/22	Komercijalna Banka	Performing well, but remains expensive	David Lojkasek, Alex Boulougouris
25/05/22	Photon Energy	Discover a great solar growth proxy	Ondrej Slama, Bram Buring
24/05/22	Turkish Automotive	Ready for the ride	Can Yurtcan, Atinc Ozkan
23/05/22	Logo Yazilim	Strong tailwinds, solid execution	Atinc Ozkan, Can Yurtcan
18/05/22	Kcell	Attractively-valued frontier exposure	Piotr Raciborski, Atinc Ozkan
13/05/22	EME Macro/Strategy	Housing affordability considerations	Alessio Chiesa, Raffaella Tenconi