

# Duna House

Recommendation: BUY

Target price (12M): HUF 800 (under revision)

Hun. Core HUF million	2023 Q1	2022 Q1	Ch (%)
Revenues	9.425	3.905	141%
EBITDA	832	565	47%
Cleaned core EBITDA	1.574	893	76%
EBIT	585	482	21%
Profit	700	513	36%
EPS*	19,8	14,3	36%
Cumulated EPS	19,8	14,3	+36%
Loan volume HUFbn	142	202	-30%

\*after minorities



Share price close as of 02/06/2023	HUF 730	Bloomberg	DUNAHOUS HB
Number of shares [million]	34,6	Reuters	
Market capitalization [HUF mn/EUR mn]	25,200 / 70	Free float	30%
Daily turnover 12M [EUR th]	1.46	52 week range	HUF 350-560

## Weak core, development and financial income saved bottom line

### In short:

Although headline numbers looked decent with profit up by 36% yoy, under the hood there is very fragile financial numbers from core operation (-40% yoy) - excluding profit from development.

Nevertheless, Management confirmed a FY core profit guidance of HUF 1.8bn (EPS: 51) vs HUF 0.3 bn (EPS:9) - which needs stronger quarters later to meet.

Please note that without financial income (HUF 570 mn) and development profit (of HUF 480 mn) bottom line would have been in deep red (reported profit: HUF 700m).

### • Key positives of the Q3 report:

- Earning's cushions of the development segment and the financial income worked well
- Management sees the signs of turnaround in activity though the pace of recovery is uncertain – HU transaction numbers were indeed strong in May
- Despite the weakness in core operation, DH has a decent strategic option as the co is awash with cash.

### • Key negatives of the Q3 report:

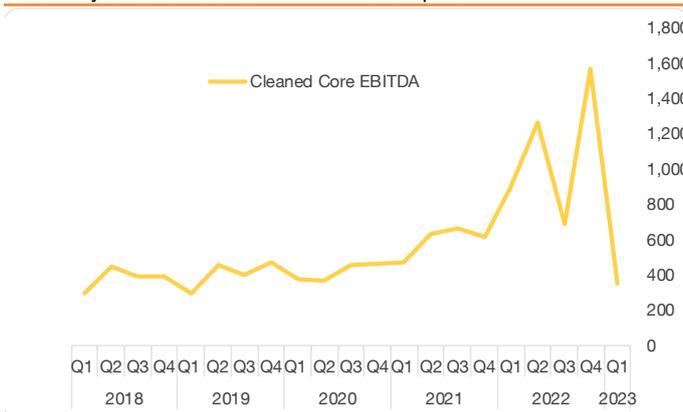
- Without the cushions profit would be in the red

### Senior Equity Analyst

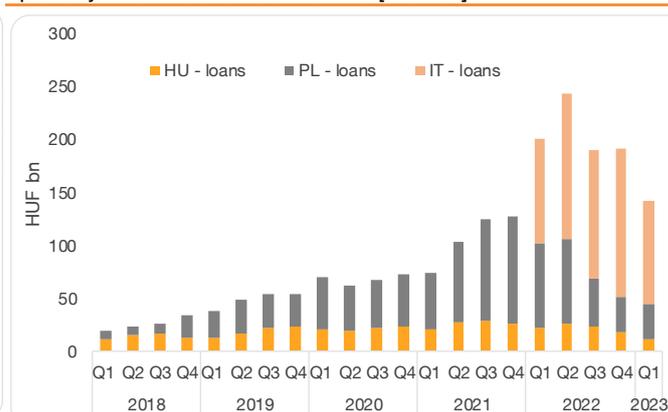
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Quarterly Cleaned Cored EBITDA Development

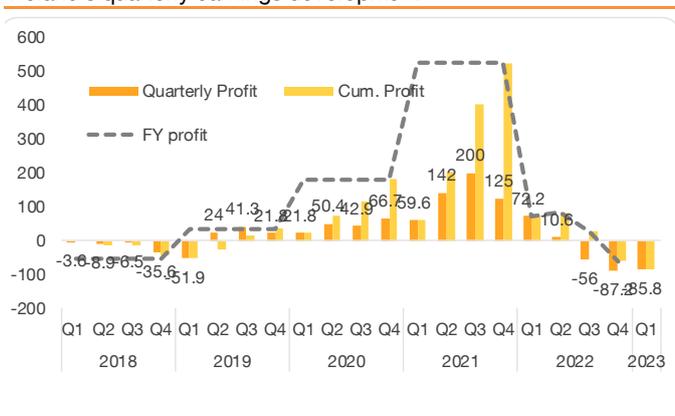


quarterly Intermediated loan volume [HUF bn]

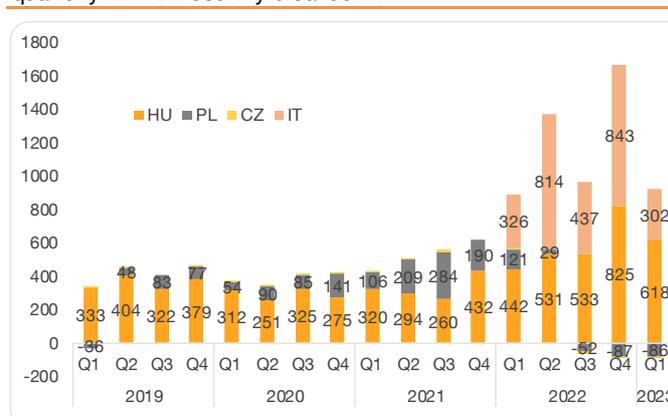


source: Concorde, DH

Poland's quarterly earnings development



quarterly EBITDA country breakdown



source: Concorde, DH

Profit arrived at HUF 700 million or +36% yoy helped mainly by development (HUF 480 million) and financial income (HUF 573 million). Cleaned Core EBITDA was 351 mn -36% y-o-y showing the real underlying operation that was driven by 30% yoy lower volume on loan intermediation on a group level and 50% yoy lower transaction volume. Financial income was HUF 573 million – out of which HUF 334 million was interest income implying an annualized 14% on the 10bn cash and cash equivalents. If these financial conditions prevail could result in a 1.2 – 1.3 bn profit vs. HUF 1.8 bn guidance.

On a country level HU and IT core operation posted HUF 135 m -62% yoy and HUF 302m -7% yoy respectively, and the PL plunged into red to HUF -97 m

**Opinion:** Share price has increased significantly this year posting 80% return YTD and 46% over the last 3months triggered by the large DPS announcement during Q4 report. This rally has caught us by surprise, as our previous target price was set at HUF 800 per share that assumed ca 10% decline in core profit and flat afterward, instead it seem that underlying operation is rather collapsed – in Q1 only Hungary and Italy were in the black on EBITDA level. Please note that we refer to core operation excluding development and the financial income arriving from investing in Hungarian short term financial market. It is rather interesting to see that DH is trading at similar valuation levels (13.8x and 11.8X (excluding DPS) P/E'23) to the IPO ~ 13x P/E'16 when the macro environment is so strikingly different.

While we admit that Duna House has indeed a valuable option having such a huge cash (HUF 10bn) buffer that protects earnings via financial income and at the same time offers a growth option via

acquisition if an opportunity arises. Admittedly, the macro headwind may help to acquire great companies at a reasonable price. This value may be the reason for the share price rally.

All in all, optimistic tune from mgmt. about the improving macro is definitely positive for us, but given the Hungarian macro headwinds we would like to see more confirmation of the turnaround story (ie: strong months of transaction numbers coupled with accelerating loan volumes) that would justify the close to ATH P/E multiple. Absent of that we tend to believe that the strong transaction number in Hu and in the region is not sustainable, given the still high interest rate environment. We will update our target price soon.

DH'S SIMPLIFIED P&L

[HUF mn]	2022				2023	Ch (%)	
	Q1	Q2	Q3	Q4	Q1	Y-o-Y	Q-o-Q
<b>Revenue</b>	<b>3,905</b>	<b>9,300</b>	<b>8,455</b>	<b>9,001</b>	<b>9,425</b>	<b>141%</b>	<b>5%</b>
Operating revenue	3,862	9,079	8,385	8,938	9,391	143%	5%
Other income	43	221	70	63	34	-20%	-45%
<b>OPEX</b>	<b>3,423</b>	<b>8,086</b>	<b>7,711</b>	<b>7,751</b>	<b>8,841</b>	<b>158%</b>	<b>14%</b>
Cost of materials	67	53	57	51	38	-44%	-26%
Cost of sold goods and services	555	557	542	388	493	-11%	27%
Used services	2,337	6,270	5,853	5,995	4,789	105%	-20%
Personnel expenses	243	615	441	366	578	138%	58%
Depreciation and amortization	83	159	159	323	248	198%	-23%
Other operating expenses	138	431	659	627	2,695	1851%	330%
<b>EBITDA</b>	<b>565</b>	<b>1,373</b>	<b>904</b>	<b>1,573</b>	<b>832</b>	<b>47%</b>	<b>-47%</b>
Franchise	178	111	68	36	20	-89%	-44%
Own Offices	85	30	-48	-21	-25	-129%	18%
Loan intermediation	620	1103	593	1044	358	-42%	-66%
Other related	-30	5	2	12	3	-111%	-72%
Real estate mgmt.	114	125	312	560	507	343%	-9%
Elimination	-78	0	-22	-57	-32	-59%	-44%
<b>Cleaned Core EBITDA</b>	<b>893</b>	<b>1,267</b>	<b>685</b>	<b>1,574</b>	<b>351</b>	<b>-61%</b>	<b>-78%</b>
<b>EBIT</b>	<b>482</b>	<b>1,214</b>	<b>744</b>	<b>1,250</b>	<b>585</b>	<b>21%</b>	<b>-53%</b>
Financial income	51	189	269	385	573	1026%	49%
Financial expense	128	141	162	248	293	129%	18%
Revaluation	155	58	1	1	3	-98%	133%
<b>EBT</b>	<b>560</b>	<b>1,320</b>	<b>853</b>	<b>1,388</b>	<b>867</b>	<b>55%</b>	<b>-38%</b>
Income tax expense	47	287	126	370	167	254%	-55%
<b>Net income</b>	<b>513</b>	<b>1,033</b>	<b>727</b>	<b>1,018</b>	<b>700</b>	<b>36%</b>	<b>-31%</b>
Transaction Number	39,156	35,289	27,926	22,800	19,893	-49%	-13%
Intermediated loans [HUF bn]	201,900	243,800	190,000	191,700	142,100	-30%	-26%
EPS [after split]	14.3	24.4	18.6	33.6	19.8	38%	-41%
EBIT margin	12%	13%	9%	14%	6%	-50%	-55%
EBITDA margin	14%	15%	11%	17%	9%	-39%	-49%

[HUF mn]	2022				2023	Ch (%)	
	Q1	Q2	Q3	Q4	Q1	Y-o-Y	Q-o-Q
<b>EBITDA</b>	<b>565</b>	<b>1,372</b>	<b>904</b>	<b>1,574</b>	<b>832</b>	<b>21%</b>	<b>74%</b>
HU	442	531	533	825	618	91%	55%
PL	121	29	-52	-87	-86	-146%	66%
CZ	2	-2	-13	-7	-3	1675%	-45%
IT	326	814	437	843	302	-7%	93%

Source: DH

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Accumulate	Total return is expected to be in the range of 10%-20%
Neutral	Total return is expected to be in the range of 10%-(-10%)
Reduce	Total return is expected to be in the range of -10%-(-20%)
Sell	Total return is expected to be lower than -20%
Under Revision	The stock is put Under Revision if covering analyst considers new information may change the valuation materially and if this may take more time.
Coverage in transition	Coverage in transition rating is assigned to a stock if there is a change in analyst.

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