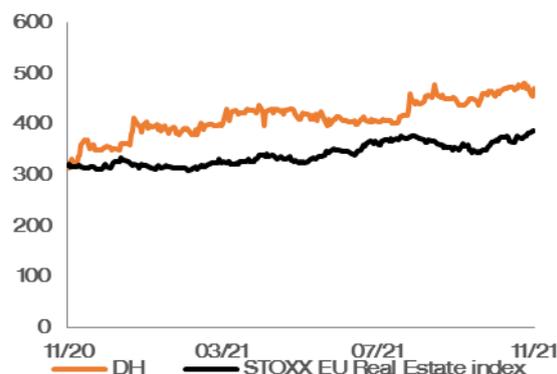


Duna House

Recommendation: BUY

Target price (12M): HUF 560 (Prev: HUF 540)

Hun. Core HUF million	2021 Q3	2020 Q3	Ch (%)
Revenues	3,842	2,228	+72%
EBITDA	563	419	+34%
Cleaned core EBITDA	685	454	+47%
EBIT	471	366	+28%
Profit	463	548	-13%
EPS	13	16	-13%
Cumulated EPS	29	28,5	+6%
No. of transactions (ths)	34.3	37.8	-9%



Share price close as of 29/11/2021	HUF 460	Bloomberg	DUNAHHOU5 HB
Number of shares [million]	34,6	Reuters	DUNAHOUSE.BU
Market capitalization [HUF mn/EUR mn]	15,570 / 44	Free float	30%
Daily turnover 12M [EUR th]	1.46	52 week range	HUF 270-480

Another positive profit warning

In short:

- Duna House Q3 cleaned Core EBITDA and cleaned core profit jumped significantly by +47% y-o-y and +54% y-o-y respectively, reaching HUF 685 million and HUF 494 million in Q3. EBITDA was distorted by a large development related expense (HUF 122m) that drove reported EBITDA and profit lower. Nevertheless, management increased FY profit guidance again, this time by 15% thanks to improving margins and higher number of franchise office in Poland. DH trades at 8 x adj. P/E'21 assuming 75 per share CF from development projects. Since DH posted such a strong earnings growth in Poland (9M profit +240% y-o-y reaching HUF 402m) we adjust our earnings model which led us to increase our **TP to HUF 560 per share from HUF 540 per share.**

• Key positives of the Q3 report:

1. Management lifted its FY EBITDA and profit guidance by 5% and 15% to HUF 2.3 bn and HUF 1.6 bn (EPS 48) respectively. Ahead of our forecast of FY EBITDA and profit by 6% and 14%.
2. Also management expects that DH Group will reach its 2022 EBITDA and profit this year – a year ahead of their plan! This

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is predominantly because of its strong earnings momentum in Poland.

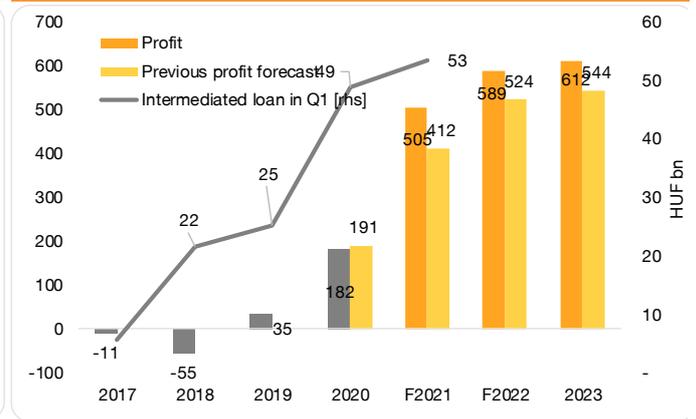
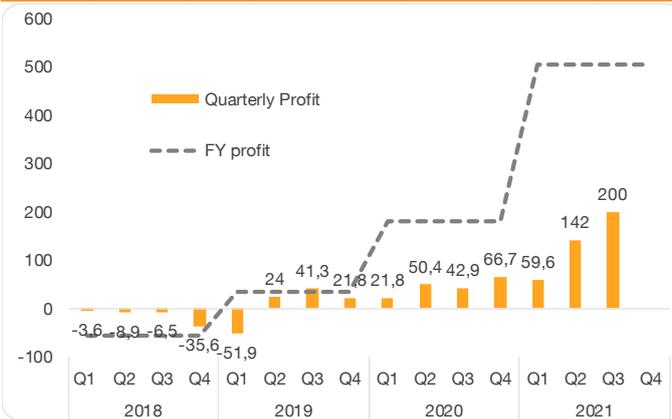
3. Q3 EBITDA from Poland was higher than from Hungary, albeit due to one-off items in Hungary.

- **Key negatives**

1. Profit from development projects continue to be delayed

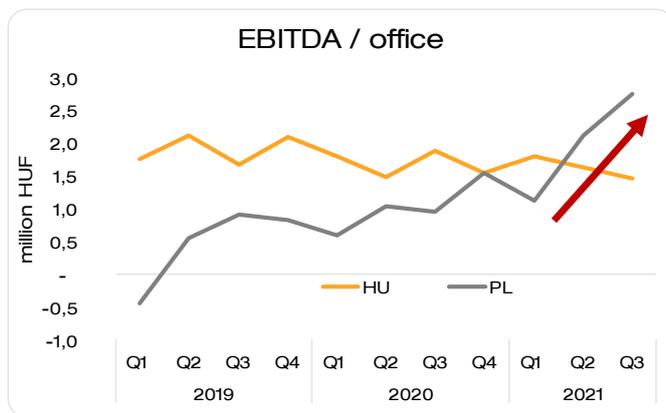
- **Due the stronger than expected profit growth in Poland** (9M profit reached 102% of our FY profit forecast for Poland) – we again increased our FY profit forecast from Poland by 22% on the back of higher than forecasted profitability (EBITDA / office) and a bit higher franchise offices (96 vs. 90). As a result, our expected profit increased to HUF 505 million for '21 (vs. HUF 412 million previously) which will further grow, but its pace should decelerate next year, in our view. We pencil HUF 589 million for '22 from the Polish segment. With that robust pace of profit growth Poland's profit in the Group is expected to reach ca 35% in 2021. The robust numbers showed that Duna House was able to poach loan brokers from competitor who went bankrupt which helped accelerate the pace of organic growth in Poland, in our view.

Polish operation quarterly profit and FY profit and forecast [HUF mn]

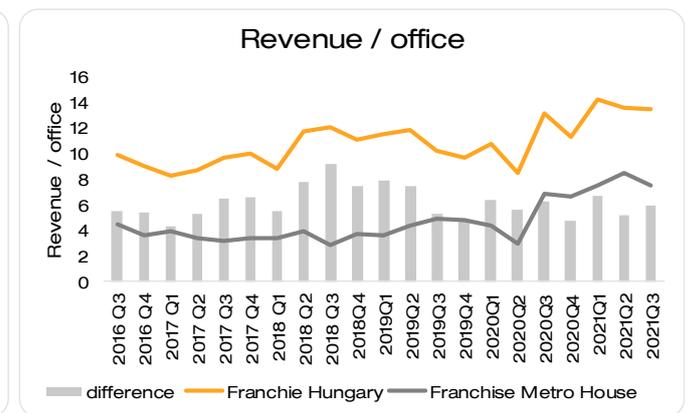


source: Concorde, DH

Strong improvement in profitability in Poland



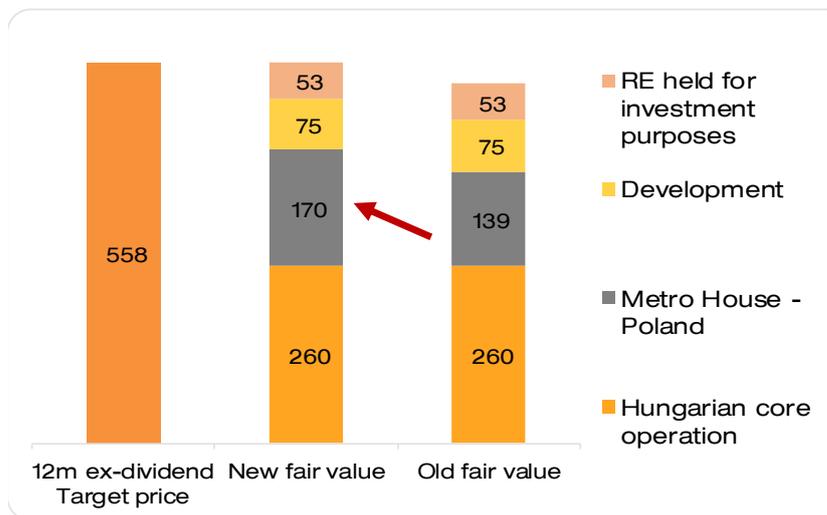
source: Concorde, DH



- **Improved outlook for the Polish operation prompt us to slightly increase our target price by 4% to HUF 560 per share.** Previously, in our SOTP (Sum Of The Parts)

valuation we assigned 12x P/E to the Polish operation which multiple remained unchanged however our profit forecast was raised significantly to HUF 505 million vs. HUF 412 million (+22%) second time for 2021 that drove the increase in our TP. This leaves 20% share price upside potential and total return of 21% in DH's case in 12 months' time period in our view.

Sum of the parts method



source: Concorde

Source: Concorde

	TP	Weights
SOTP	558	50%
DCF @ base case	560	50%
	559	

Source: Concorde

Opinion: This is the third extremely strong quarter from Poland in this year which convinced us that the Polish operation's growth is rather sustainable and fuelled by network (+20% y-o-y) and margin (EBITDA / office +186% y-o-y vs. in Q2 dynamic of 103% y-o-y) expansion. Management expects the growth momentum to be remained in the last quarter as well. We were surprised by the intense growth from Poland and estimated that by the end of the year DH's market share in loan intermediation in Poland should reach ca. 6-7% close to its Hungarian market share of 8%.

We have been waiting for a larger M&A transaction since DH issued its HUF 7 bn bond last year which is in line with mgmt's guidance.

Valuation-wise, DH trades at 8x P/E'21 and 7x P/E'22 based on management profit guidance (HUF 1.6 billion) and with the assumptions of HUF 2.6 billion cash inflow from developments and excluding the BV of investment properties (HUF 1.8 billion) from market cap (HUF 15.7 billion). Assuming further growth in Poland we think DH is undervalued at current share price as it does not reflect the potential organic growth opportunities DH has in Poland (3 years of profit CAGR 22% from 2020). Our new TP leaves 22% share

price upside potential and total return of 26% in DH's case in 12 months' time period in our view.

DH'S SIMPLIFIED P&L

[HUF mn]	2020				2021			Ch (%)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Y-o-Y	Q-o-Q
Revenue	2.473	1.939	2.228	2.577	2.721	3.407	3.842	72%	13%
Operating revenue	2.459	1.892	2.217	2.526	2.539	3.372	3.817	72%	13%
Other income	14	47	11	51	182	35	25	133%	-29%
OPEX	2.167	1.656	1.861	2.212	2.351	2.977	3.372	81%	13%
Cost of materials	54	63	108	100	59	76	61	-43%	-19%
Cost of sold goods and services	500	543	666	563	455	602	665	0%	10%
Used services	1.580	1.169	1.264	1.531	1.652	2.105	2.560	102%	22%
Personnel expenses	223	155	210	218	191	212	216	3%	2%
Depreciation and amortization	60	60	53	57	63	81	93	75%	14%
Other operating expenses	-249	-334	-441	-258	-69	-99	-222	-50%	125%
EBITDA	366	342	419	423	433	511	563	34%	10%
Franchise	96	60	171	169	184	137	180	5%	31%
Own Offices	1	20	25	3	61	59	52	107%	-11%
Loan intermediation	222	241	203	273	200	374	397	96%	6%
Other related	39	20	37	30	15	17	15	-60%	-12%
Real estate mgmt.	38	14	12	-13	-16	-82	-102	-942%	24%
Elimination	-29	-12	-29	-39	-11	8	21	-173%	166%
Cleaned Core EBITDA	372	367	454	459	471	629	667	47%	6%
EBIT	306	283	366	366	370	430	471	28%	9%
Financial income	51	20	32	51	22	5	81	153%	1522%
Financial expense	30	27	37	62	74	110	73	99%	-33%
Revaluation	-13	-11	269	51	24	17	70	-74%	314%
EBT	314	265	631	405	343	342	549	-13%	60%
Income tax expense	49	60	82	92	53	72	83	2%	16%
Net income	265	205	548	313	290	270	463	-15%	72%
Transaction Number	34.034	25.557	37.846	33.923	41.384	40.874	34.296	-9%	-16%
Intermediated loans [HUF bn]	69.522	62.314	61.571	73.050	73.534	103.900	125.100	103%	20%
EPS [after split]	7,3	5,7	15,5	8,0	8,1	8,1	13,0	-16%	60%
EBIT margin	12%	15%	16%	14%	14%	13%	12%	-26%	-3%
EBITDA margin	15%	18%	19%	16%	16%	15%	15%	-22%	-2%

[HUF mn]	2020				2021			Ch (%)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Y-o-Y	Q-o-Q
EBITDA	366	343	419	423	433	512	563	28%	18%
HU	312	251	325	275	320	294	260	17%	-8%
PL	54	90	85	141	106	209	284	132%	96%
CZ	0,8	1,1	9,9	7,1	6,8	8,5	19,1	673%	25%

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%
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