

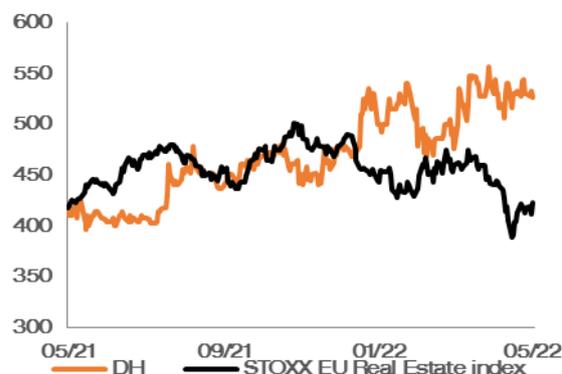
Duna House

Recommendation: BUY

Target price (12M): HUF 800

Hun. Core HUF million	2022 Q1	2021 Q1	Ch (%)
Revenues	7,984	2,721	193%
EBITDA	890	433	106%
Cleaned core EBITDA	893	471	90%
EBIT	738	370	100%
Profit	563	290	94%
EPS*	14.3	8.1	77%
Cumulated EPS	14.3	8.1	77%
No. of transactions (ths)	33,970	39,156	-5%

*after minorities



Share price close as of 01/06/2022	HUF 584	Bloomberg	DUNAHOUS HB
Number of shares [million]	34,6	Reuters	
Market capitalization [HUF mn/EUR mn]	20,570 / 51	Free float	30%
Daily turnover 12M [EUR th]	1.46	52 week range	HUF 350-560

Profit exploded on Italy, guidance is kept despite surging interest rates

In short:

- After the consolidation of the Italian operation every fin. Figure increased materially. 2022 Q1 EPS reached 14.3 HUF (+78% yoy). For us the main takeaway is that mgmt kept its guidance unchanged despite that mortgage loan demand is expected to fall given the surging interest rates (FY Guidance is EPS 65). Q1 was supported by heavy Hungarian volumes - green loan - but the margin on subsidized loans are significantly lower.
- Ex div date for the DPS is 9th June.
- **Key positives of the Q1 report:**
 - Realization of Forest Hill project started – total CF is equivalent of 25% of the market cap.
 - Mgmt. kept its profit guidance despite strong headwinds (FY cleaned EPS: 65 vs. Q1: HUF 14)
 - Valuation is still attractive: Excluding the real estate portfolio (HUF 50 per share) and the expected CF from development portfolio (HUF 134 per share) from share price (HUF 564 per share) we end up with a **P/E'22 of 5.8x.**

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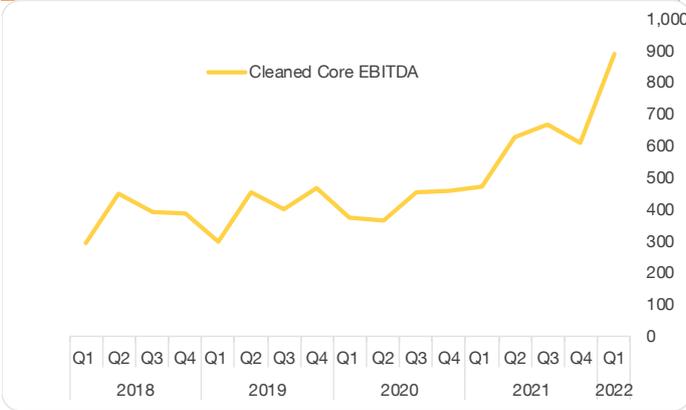
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- To show the true upside in Italy, mgmt. pointed out that the share of loan intermediation in total loan origination in Italy is 20% vs in HU or PL where it is around 50%. Please note Italy's share in group's profit is around 35%.
- Mortgage loan volumes in Italy dropped 25% y-o-y in Q1, yet EBITDA almost doubled as DHG increased its market share, and focused on other financial product's intermediation.
- Mgmt increased its market cap target to EUR 200 million in 4-5 yrs from former EUR 150m.

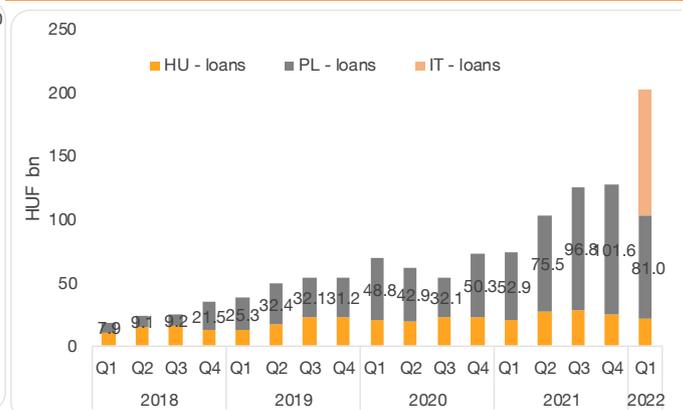
• **Key negatives of the Q1 report:**

- Loan intermediation in Poland on a market level showed a signs of weakness and decreased by 10% y-o-y.
- DHG indicated that they either distribute or look for another M&A target from the inflow of Forest Hill. The latter may seem to be risky in an environment where more liquidity is rather an advantage.

Quarterly Cleaned Cored EBITDA Development

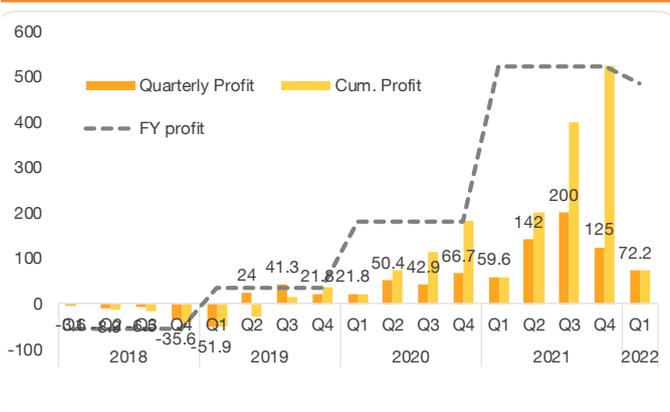


quarterly Intermediated loan volume [HUF bn] & quarterly EBITDA



source: Concorde, NBH

Poland's quarterly earnings development



quarterly EBITDA country breakdown



source: Concorde, DH

Valuation-wise, DH trades at very low valuation, based on reported profit'22 valuation implies a 9x, excluding the cash inflow from development project (HUF 4.8 bn) and the latest BV (1.8bn) of the investment portfolio from market capitalization we end up HUF 13.7 bn market cap. This should be compared with this year's adj. profit'22 of 2.3 bn and translating to 5.8x P/E'22. To put this in perspective, IPO valuation was around 12x P/E.

Opinion: DH reported very decent figures, which was by and large expected – in Q1 DH reached 23% of our FY net income to parent forecast. It was encouraging that mgmt. kept its guidance despite the surging interest rates. For next year we believe that profit should be lower by ca 11% as higher interest rate dents mortgage demand in the CEE, however please note that ca 50% of the EBITDA now is arriving from Italy.

For us the moment of truth moment will come in Q3 when we can truly see the net effect of higher market share in certain markets and the slowing mortgage demand. In Q2 Hungarian loan intermediation should be partly supported by the green loan, which is program was exhausted in May. Nevertheless, we think that earnings from Forest Hill project will mitigate the potential deceleration of mortgage demand.

In light of the Q1 development we reiterate our TP and Recommendation.

DH'S SIMPLIFIED P&L

[HUF mn]	2020				2021				2022	Ch (%)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Y-o-Y	Q-o-Q
Revenue	2,473	1,939	2,228	2,577	2,721	3,407	3,842	4,789	7,984	193%	67%
Operating revenue	2,459	1,892	2,217	2,526	2,539	3,372	3,817	4,733	7,916	212%	67%
Other income	14	47	11	51	182	35	25	56	68	-63%	22%
OPEX	2,167	1,656	1,861	2,212	2,351	2,977	3,372	4,253	7,246	208%	70%
Cost of materials	54	63	108	100	59	76	61	66	67	15%	2%
Cost of sold goods and services	500	543	666	563	455	602	665	496	627	38%	27%
Used services	1,580	1,169	1,264	1,531	1,652	2,105	2,560	2,654	5,774	250%	118%
Personnel expenses	223	155	210	218	191	212	216	222	522	173%	135%
Depreciation and amortization	60	60	53	57	63	81	93	86	152	140%	77%
Other operating expenses	-249	-334	-441	-258	-69	-99	-222	730	103	-250%	-86%
EBITDA	366	342	419	423	433	511	563	622	890	106%	43%
Franchise	96	60	171	169	184	137	180	137	178	-3%	31%
Own Offices	1	20	25	3	61	59	52	60	85	40%	43%
Loan intermediation	222	241	203	273	200	374	397	393	620	210%	58%
Other related	39	20	37	30	15	17	15	23	-30	-298%	-227%
Real estate mgmt.	38	14	12	-13	-16	-82	-102	37	114	-814%	206%
Elimination	-29	-12	-29	-39	-11	8	21	-28	-78	606%	174%
Cleaned Core EBITDA	372	367	454	459	471	629	667	611	893	90%	46%
EBIT	306	283	366	366	370	430	471	536	738	100%	38%
Financial income	51	20	32	51	22	5	81	117	60	170%	-49%
Financial expense	30	27	37	62	74	110	73	38	154	109%	305%
Revaluation	-13	-11	269	51	24	17	70	46	22	-10%	-53%
EBT	314	265	631	405	343	342	549	661	666	95%	1%
Income tax expense	49	60	82	92	53	72	83	100	103	95%	3%
Net Income	265	205	548	313	290	270	463	561	563	94%	0%
Transaction Number	34,034	25,557	37,846	33,923	41,384	40,874	34,296	33,970	39,156	-5%	15%
Intermediated loans [HUF bn]	69,522	62,314	61,571	73,050	73,534	103,900	125,100	127,100	201,900	175%	59%
EPS [after split]	7.3	5.7	15.5	8.0	8.1	8.1	13.0	15.7	14.3	77%	-9%
EBIT margin	12%	15%	16%	14%	14%	13%	12%	11%	9%	-32%	-17%
EBITDA margin	15%	18%	19%	16%	16%	15%	15%	13%	11%	-30%	-14%

[HUF mn]	2020				2021				2022	Ch (%)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Y-o-Y	Q-o-Q
EBITDA	366	343	419	423	433	512	563	622	565	100%	-9%
HU	312	251	325	275	320	294	260	432	442	38%	2%
PL	54	90	85	141	106	209	284	190	121	14%	-36%
CZ	0.8	1.1	9.9	7.1	6.8	8.5	19.1	-0.4	1.7	-75%	-525%
IT									326		

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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