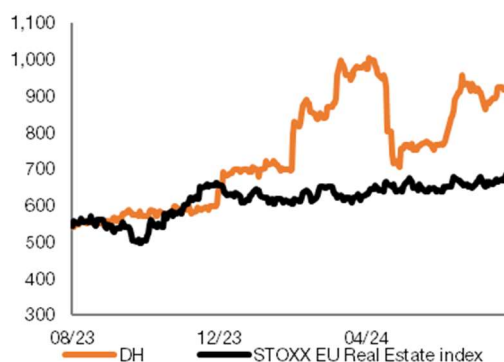


Duna House

Recommendation: Neutral (unch.)

Target price (12M): 975 (unch.)

HUF mn	2024 Q2	2023 Q2	Ch (%)
Revenues	9,704	7,261	34%
EBITDA	1,293	990	31%
Cleaned Core EBITDA	1,182	802	47%
EBIT	967	676	43%
Net profit	590	854	-31%
Cleaned Core Net Profit	664	615	8%
EPS (after split)	16	24	-32%
Loan volume [HUF bn]	250	166	51%



Share price as of 29/08/2024	HUF 922	Bloomberg	DUNAHOUS HB
Number of shares [million]	34.4	Reuters	DUNA.BU
Market capitalization [HUF bn/EUR mn]	31.7 / 80.9	Free float	22.3%
Daily turnover 12M [EUR th]	49	52-week range	HUF 540-1,005

Growth from Italy resulted in solid Q2 results

Duna House continued the strong performance in the second quarter of this year. Revenues increased by 34% YoY, cleaned core EBITDA was up by 47% YoY and cleaned core net profit came 17% higher YoY mainly supported by the continued growth in loan intermediation thanks to the awakening Italian market and the solid growth in the Hungarian segment.

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Key positives of the Q2 report:

- New loan origination in Italy started to increase and drove the intermediated loan volume to levels not seen since the end of 2022, while in Hungary it reached a record level.
- EBITDA margin improved in the franchise segment thanks to strong commissions earned in Hungary.
- DH is preparing for the Golden Visa program in Hungary which can provide an upside potential for the company in the future.

Key negatives of the Q2 report:

- Sales of the Forest Hill apartments is still slow, 20 units remaining to be sold.
- Even the strong growth in loan intermediation, DH's share decreased in Hungary.

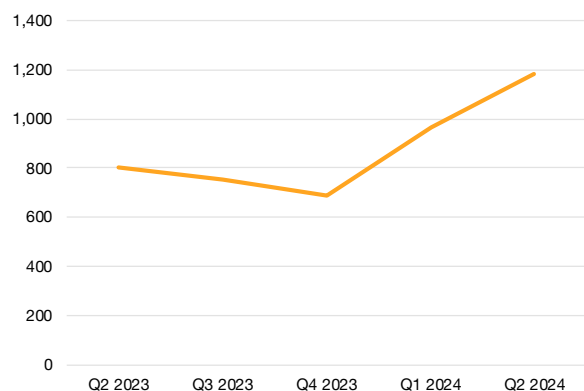
Revenues increased by 34% YoY and 8% QoQ and came in at HUF 9.6bn, mainly driven by the loan intermediation segment. Loan intermediation accounted for 86% of total revenues this quarter and showed a 42% YoY growth. Total intermediated loan volume decreased to HUF 250bn on a quarterly basis (-2.5% QoQ), however more than doubled compared to the same period of last year. **The Italian market showed an impressive 33% YoY growth, reaching HUF 132bn, taking out more than 52% of the total intermediated loan volume in Q2. Hungary also performed well, reaching record level of intermediated loan volume of HUF 34bn thanks to lower interest rate environment which contributed to the increasing trend in mortgage origination.** Intermediation in Poland decreased by 34% QoQ as it was expected due to the expiration of First Home subsidized loan scheme, however it still showed a 67% YoY increase this quarter. **New mortgage loan origination decreased to PLN 19.4bn (-28% QoQ), although the July monthly data reported by BIK shows a turnover in the decreasing trend and it is expected that new origination will likely pick up as we approach the end of 2025 due to the new subsidized loan programs announced earlier.** EBITDA margin has improved in the financial intermediary segment to 13%, a level not seen since 2022.

Revenues of Franchise segment decreased by 2% YoY and 9% QoQ, however EBITDA doubled compared to a year before, contributing to a 3%ppt improvement in EBITDA margin which came in at 17% in this quarter. DH added 4 franchise office in Poland, hence number of franchise offices gained to 241. **Total commissions earned increased by 33% YoY, mainly driven by the Hungarian operation where the number of housing transactions continuously growing since last year.** Own office segment performed weaker in this quarter, although revenues increased by 10% YoY, EBITDA came in at HUF 8mn showing 56% decrease YoY due to fluctuations in operating costs.

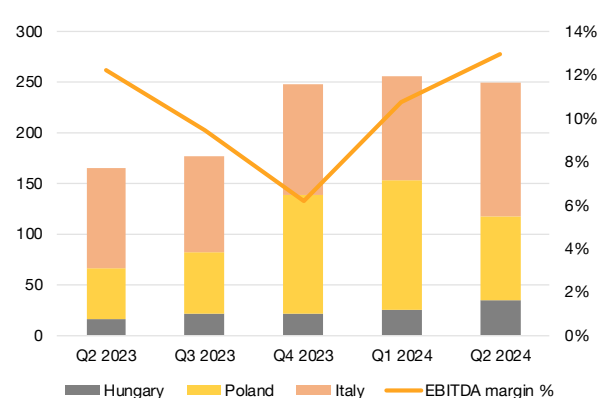
Real estate investment segment revenues amounted to HUF 408mn due to the real estate development activity of MyCity, which is 11% lower YoY. The Group real estate portfolio generated HUF 5mn EBITDA while MyCity contributed by HUF 153mn to the segment EBITDA which were down 21% YoY. DH's approval for the Golden Visa program is still pending approval at the respective authorities, though they purchased HUF 1.3bn worth of properties that could be sold to direct real estate investors.

Operating expenses were up by 33% YoY due to increase in cost of sold goods and services which grew with the business. Expense growth mainly came from Poland where DH could successfully apply the cost cuts during the high inflationary period and when the business activity was muted. Although the rebound in origination and transaction activity resulted in accelerated expenses, primarily in the contracted services and personnel costs. EBITDA margin improved by 2%ppt compared to previous quarter, though still 1%ppt lower than one year ago. Lower interest rate environment led to a normalization of interest income which shows an 84% decrease YoY added HUF 97mn to DH's profitability. Financial expenses came in 32% lower YoY, at HUF 166mn which mainly constituted of the interest payment on DH's outstanding bonds. Reported net profit is down by 31% YoY, while the cleaned core net income increased by 8% YoY and came in at HUF 664mn thanks to the non-recurring and non-cash adjustments.

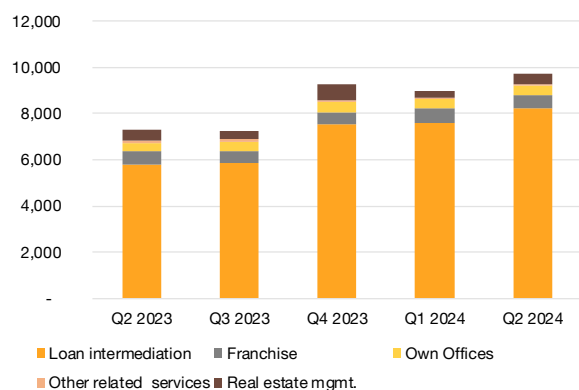
Cleaned core EBITDA dynamics (HUF mn)



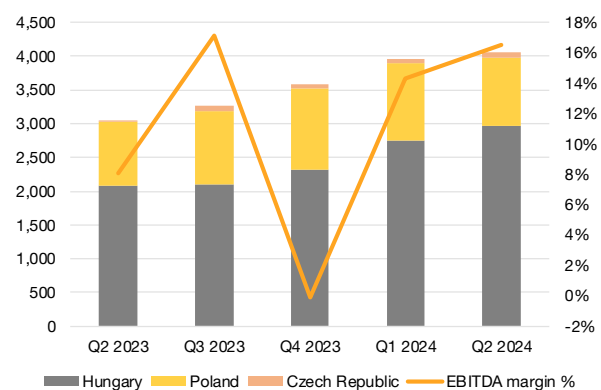
Quarterly Intermediated loan volume (HUF bn)



Quarterly breakdown of revenues (HUF mn)



Quarterly Total Commissions (HUF mn)



Source: DH, Concorde Research

Italian intermediation rebounded after two years of weak performance and boosted the EBITDA in the second quarter of 2024. New origination in Poland decreased compared to previous quarter as it was expected, though still at a higher level than a year ago and it will likely pick up at the end of this year, beginning of 2025. Hungarian loan origination still gains momentum thanks to lower inflation levels and decreased lending rates. Management expects this trend to further continue in 2024 and reiterated the full year guidance of HUF 3,865-4,550mn cleaned core EBITDA and HUF 1,770-2,340mn cleaned core net income.

Results were mainly in line with our expectations therefore we leave our Neutral recommendation and TP of HUF 975 unchanged.

[HUF mn]	2023			2024		Change (%)	
	Q2	Q3	Q4	Q1	Q2	Y-o-Y	Q-o-Q
Revenue	7,261	7,261	9,280	8,990	9,704	34%	8%
Operating revenue	7,175	7,138	9,133	8,889	9,602	34%	8%
Other income	86	123	147	101	102	18%	1%
OPEX	6,585	6,848	8,975	8,314	8,737	33%	5%
Consumable and raw materials	29	34	38	30	27	-10%	-12%
Cost of goods and services sold	303	313	348	56	61	-80%	10%
Contracted services	5,045	5,286	6,813	6,927	7,205	43%	4%
Personnel costs	529	484	569	672	703	33%	5%
Depreciation and amortization	313	297	321	315	327	4%	4%
Other operating expenses	366	435	887	313	415	13%	32%
EBITDA	990	710	626	992	1,293	31%	30%
<i>Loan intermediation</i>	<i>711</i>	<i>550</i>	<i>467</i>	<i>815</i>	<i>1,067</i>	<i>50%</i>	<i>31%</i>
<i>Franchise</i>	<i>47</i>	<i>96</i>	<i>0</i>	<i>86</i>	<i>93</i>	<i>100%</i>	<i>9%</i>
<i>Own Offices</i>	<i>18</i>	<i>42</i>	<i>34</i>	<i>27</i>	<i>8</i>	<i>-56%</i>	<i>-70%</i>
<i>Other related services</i>	<i>25</i>	<i>21</i>	<i>-21</i>	<i>-1</i>	<i>-1</i>	<i>-103%</i>	<i>-43%</i>
<i>Real estate mgmt.</i>	<i>200</i>	<i>22</i>	<i>229</i>	<i>54</i>	<i>159</i>	<i>-21%</i>	<i>194%</i>
<i>Elimination</i>	<i>-12</i>	<i>-22</i>	<i>-82</i>	<i>11</i>	<i>-32</i>	<i>179%</i>	<i>-399%</i>
Cleaned Core EBITDA	802	755	686	966	1,182	47%	22%
EBIT	676	413	305	677	967	43%	43%
Financial income	618	223	1,089	163	97	-84%	-41%
Financial expense	-245	-303	-260	-223	-166	-32%	-26%
Revaluation	0	-2	-8	1	1	225%	18%
EBT	1,049	331	1,126	618	899	-14%	45%
Income tax expense	-196	-68	-246	-176	-309	58%	75%
Net income	854	264	880	442	590	-31%	34%
Cleaned Core Net income	615	561	346	528	664	8%	26%
Total commission [HUF mn]	3,050	3,264	3,584	3,965	4,050	33%	2%
Intermediated loans [HUF mn]	165,555	176,846	248,400	256,000	249,600	51%	-3%
<i>EPS [after split]</i>	<i>24</i>	<i>7</i>	<i>26</i>	<i>12</i>	<i>16</i>	<i>-32%</i>	<i>31%</i>
EBIT margin	9%	6%	3%	8%	10%	7%	32%
EBITDA margin	14%	10%	7%	11%	13%	-2%	21%

Source: DH, Concorde Research

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Buy	Total return is expected to exceed 20% in the next 12 months
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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Analysis of specific risks to set stock target prices highlighted in our investment case(s) are outlined throughout the report. For details of methodologies used to determine our price targets and risks related to the achievement of the targets referred to in the main body of the report or at [Rating Methodology](https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038) on our website. (https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038)

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