

## Duna House

Recommendation: Buy

Target price (12M): Under revision

Equity Note

### Temporarily slowdown in the Hungarian loan intermediation?

Duna House published its Q4 KPI's Thursday post market. There were three main points that we would like to highlight.

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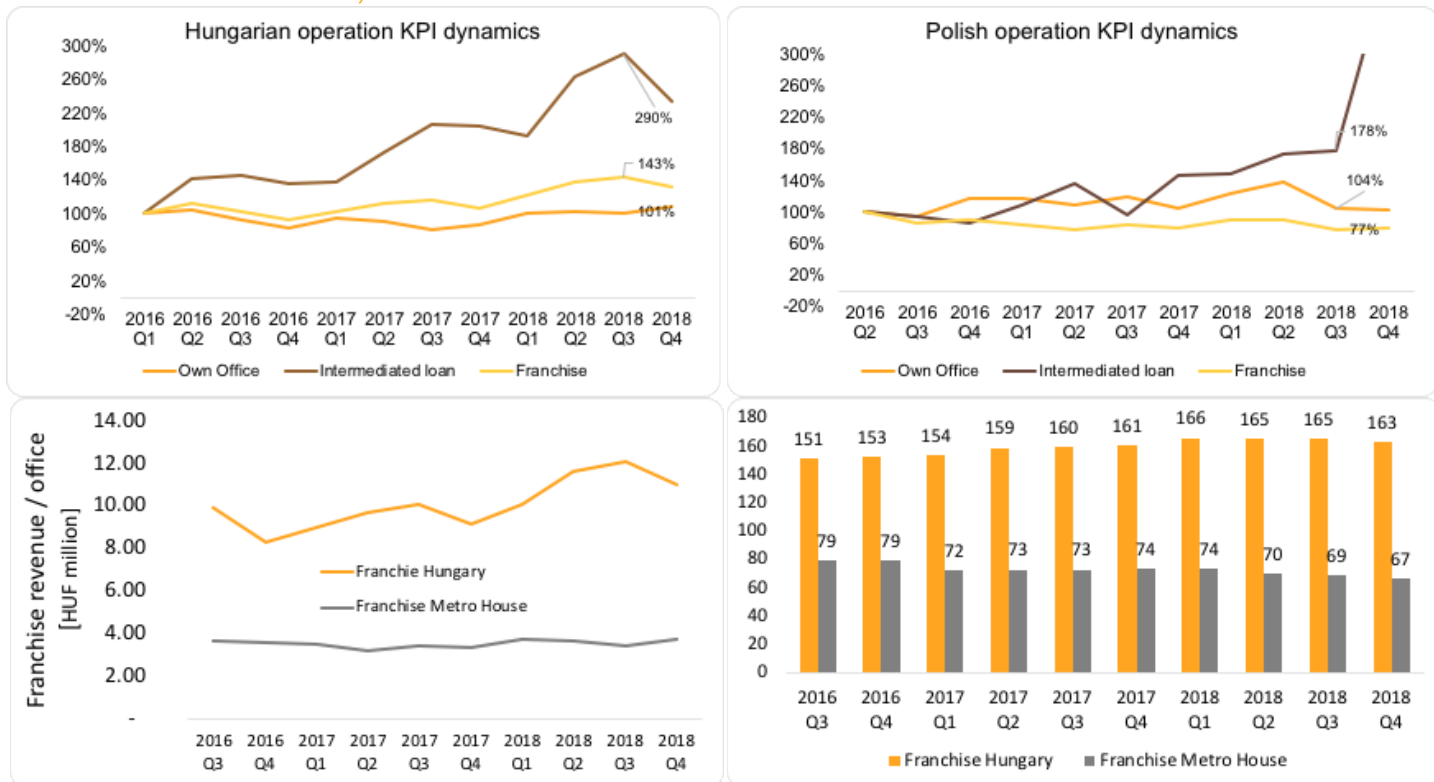
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- One is the jump in the intermediated loan (+184% y-o-y) in Poland as a result of consolidation of the recently acquired Gold Finance (loan broker). It is nice to see, that the volume effectively tripled in a year, but we are rather interested in whether financials would follow the improvement, and that this additional volume would be enough to cover the Cost of equity for DH. After the transaction, Management guided that the acquisition was value creative due to economies of scale, and expected a payback period of 3-4 years, implying a 20-25% return on investment. Additionally, management also highlighted that positive results will only be seen in Q1 as Q4 will be subdued by non-recurring cost related to the acquisition.
- The Second is a rather negative, and is also related to the loan intermediation segment, but to the Hungarian operation. Intermediated loan volume has materially decelerated in the last quarter vs 9M (15% vs. 44%), in line with the market (NBH also indicated a slowdown in November -18% y-o-y). *Please see the graph on the upper left, below.* One might speculate that the slowdown is rather temporary, since a stricter law came into force in Q3 which may have incentivized customers to bring their decision a bit ahead. The truth will be revealed from the next quarter, whether it is a temporary or the overall mortgage lending stepped on the break. We are in a view that was a one-time effect, as banks still

expect strong mortgage loan disbursement going forward and Q3 numbers were immensely strong.

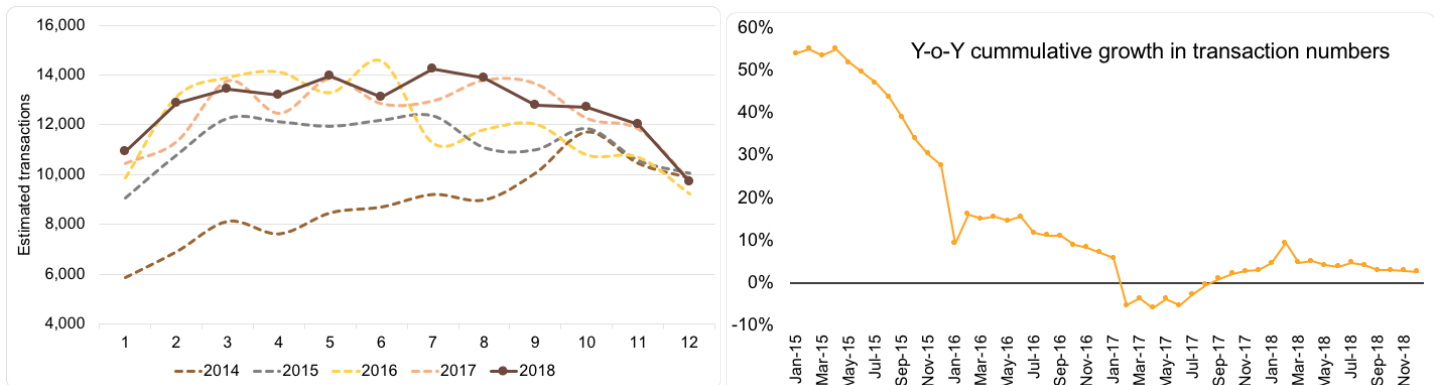
- Change in management of the own office segment seems to bear its fruit. Segment's revenue growth has accelerated to 25% from avg. 15% in 9M.

**KPI'S: DEVELOPMENT OF THE SEGMENTS IN THE TWO COUNTRIES [2016Q1 =100%], NUMBER OF OFFICES, AND THE EFFICIENCY OF FRANCHISE SEGMENTS**



Source: DH, Concorde

**TRANSACTION NUMBERS ENDED UP 3% HIGHER IN 2018 COMPARED TO LAST YEAR.**



Source: DH, Concorde

**Opinion:** The picture what we see from the quarterly KPI's is mixed. Financial segment is obviously the cash cow business line of the company, thus a permanent slowdown in loan intermediation would materially affect earnings in the future. However, we are in the view that the above-mentioned deceleration is only temporary. On the other hand, the improvement in the own office segment is spectacular (+25% growth y-o-y).

We are currently fine-tuning our earnings model to better reflect the underlying operation of the polish operation, which may entail change in our Target price.

Duna House will release its Q4 results in 27<sup>th</sup> February, where investor may receive a FY profit guidance for 2019 and further information regarding the status of development and the level of dividend.

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Sell	Total return is expected to be lower than -20%
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