

# Duna House

Recommendation: Accumulate

Target price (12M): HUF 4,500

| Hun. Core HUF million     | 2019 Q1 | 2018 Q1 | Ch (%) |
|---------------------------|---------|---------|--------|
| Revenues                  | 1,858   | 2,609   | -29%   |
| EBITDA                    | 298     | 790     | -62%   |
| EBIT                      | 244     | 769     | -68%   |
| Profit                    | 166     | 637     | -74%   |
| EPS                       | 48      | 184     | -74%   |
| Cummulated EPS            | 48      | 184     | -74%   |
| No. of transactions (ths) | 37      | 37      | -1%    |



|                                       |             |               |                 |
|---------------------------------------|-------------|---------------|-----------------|
| Share price close as of 28/05/2019    | HUF 4,050   | Bloomberg     | DUNAHHOU5 HB    |
| Number of shares [million]            | 3,5         | Reuters       | DUNAHOUSE.BU    |
| Market capitalization [HUF mn/EUR mn] | 12,856 / 37 | Free float    | 30%             |
| Daily turnover 12M [EUR th]           | 1.46        | 52 week range | HUF 3,450-4,600 |

## Asset management's contribution soared

**Equity Analyst**  
Gellert Gaal  
+361 489 2228  
g.gaal@con.hu

50 Alkotás Street,  
Budapest  
www.con.hu

**In short:** Duna House Q1 profit arrived to HUF 166 million (-74% y-o-y) this large drop is attributable to the strong Q1 performance last year when the company booked large part of the sale of Revizcky project (one of the development project). Excluding that, **Core operation was really strong** and increased by ca. 11% y-o-y to HUF 166 vs. HUF 157 million which is surprisingly strong if we take into account that one of the segment has basically disappeared (Home-Savings Account (HSA) intermediation). One of the largest contributor was the other related segment (Impact Asset management) which added ca. HUF 56 million. Management **confirmed its FY profit guidance**, but cautioned that potential delays may occur in the development segment due to labour shortages.

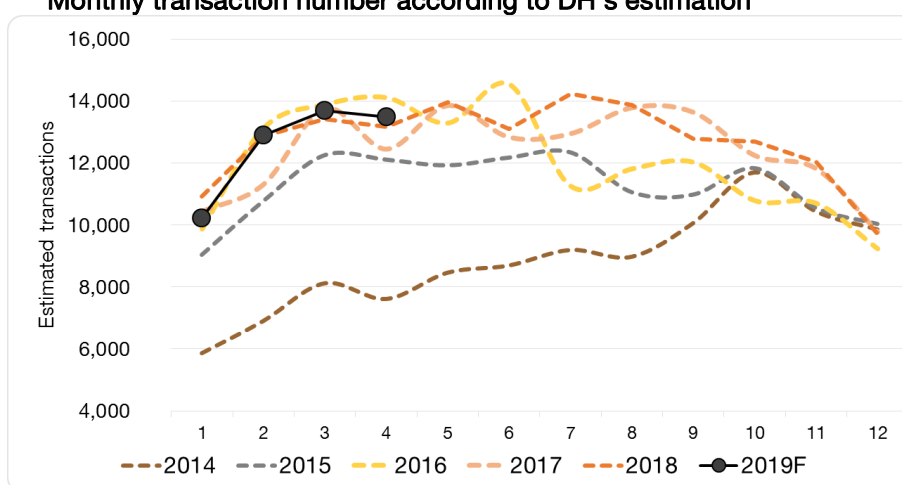
**Financials:** Profit (-74% y-o-y) and EBIT (-68% y-o-y) came lower than a year ago mainly due to the lack of booked project completion this quarter. As result EBIT margin fall to 13% vs. 29% last year Q1.

**In a segment breakdown,** obviously other related segment has achieved the best performance growing by ca. 631% y-o-y to HUF 64 million from HUF 9 million on EBIT level thanks to the large contribution from **asset management** (EBIT margin

jumped to 46% from 11% in 2018 Q1). The Fund achieved a 3% return in Q1 and had an average NAV of 4.2 billion. One may expect the strong performance to continue, especially, as the Fund's NAV has increased by 17% since Q1 to ca HUF 5 billion. As for the other business lines, **franchise** segment has increased by 53% y-o-y to HUF 63 million. Loan intermediation segment's EBIT which includes the segment of HSA, fall by 32% to HUF 70 million, which drop was expected. Investors should follow this segment as the synergies of the recently acquired Gold finance in Poland should materialize in this line from Q2.

**On the country breakdown**, Polish operation remained in the red (HUF -52million) in this quarter, similarly to Q4. As for the Hungarian Operation, it reached a profit of HUF 224 million in Q1 which if continues DH could easily achieve our forecasted FY profit of HUF 978 million.

**Monthly transaction number according to DH's estimation**



Source: Company reports

**Cumulative transaction numbers** in Q1 came slightly lower (-1% y-o-y) compared last year's same quarter. We are in a view that the latest gov's measure to further support families should add impetus to transaction numbers but only after July when it comes to force. Until then, participants may await until the middle of the year to benefit from the new program deferring their purchase.

**Developments:** Management cautioned that there could be delays in the completions of the projects given the shortage of labour. Apart from that, 71% of **Forest Hill** project's flat has already been sold and the completions may start from July. The other project which should contribute to the bottom-line - **MyCity Residence's** should be completed by the end of October. For this project ca. 74% of the flats have been sold.

**Opinion:** It is clearly a decent result from Duna House, since the company was able to offset the missing profit of the HSA segment. What is more, we expected ca. HUF 70 million increase from other related segment for full year, but the company almost managed achieve that growth only in Q1 (HUF 55 million).

We would like to highlight that the Group has become even more exposed to the general house price increase in Hungary, as ca. 16 – 20% of EBIT arrived from the asset management arm of the group which contribution could be volatile later on.

In light of the decent result, we **reiterate our target price and recommendation** but highlight that if the asset management arm of the group continues to perform this well, DH may exceed our FY profit forecast by ca. 4-5%.

### Quarterly P&L

|                                 | Q1 2019      | Q1 2018      | Ch (%)      |
|---------------------------------|--------------|--------------|-------------|
| <b>Revenue</b>                  | <b>1,858</b> | <b>2,609</b> | <b>-29%</b> |
| Operating revenue               | 1,832        | 2,576        | -29%        |
| Other income                    | 26           | 33           | -20%        |
| <b>OPEX</b>                     | <b>1,614</b> | <b>1,849</b> | <b>-13%</b> |
| Cost of materials               | 16           | 18           | -7%         |
| Cost of sold goods and services | 236          | 347          | -32%        |
| Used services                   | 1,218        | 1,322        | -8%         |
| Personnel expenses              | 218          | 170          | 28%         |
| Depreciation and amortization   | 54           | 22           | 149%        |
| Other operating expenses        | -129         | -28          | 359%        |
| <b>EBITDA</b>                   | <b>298</b>   | <b>790</b>   | <b>-62%</b> |
| <b>EBIT</b>                     | <b>244</b>   | <b>769</b>   | <b>-68%</b> |
| <i>Franchise</i>                | 63           | 41           | 53%         |
| <i>Own Offices</i>              | 18           | 23           | -19%        |
| <i>Loan intermediation</i>      | 70           | 103          | -32%        |
| <i>Other related</i>            | 64           | 9            | 631%        |
| <i>Real estate mgmt.</i>        | 55           | 600          | -91%        |
| <i>Elimination</i>              | -28          | -7           | 293%        |
| Financial income                | -2           | 7            | -130%       |
| Financial expense               | 32           | 24           | 32%         |
| Revaluation                     | -9           | -3           | 159%        |
| EBT                             | 200          | 748          | -73%        |
| Income tax expense              | -34          | -111         | -69%        |
| <b>Net income</b>               | <b>166</b>   | <b>637</b>   | <b>-74%</b> |
| Transaction Number              | 36,807       | 37,211       | -1%         |
| Intermediated loans [HUF m]     | 37,320       | 18,657       | 100%        |
| EPS                             | 48           | 184          | -74%        |
| EBIT margin                     | 13%          | 29%          |             |

Source: company reports

**Concorde Securities Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interests that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. For analysts certification and other important disclosures, please refer to the “Disclaimer” section at the end of this report.**

#### **DISCLAIMER 1.**

This research report has been prepared by Concorde Securities Ltd., a full-service Hungarian investment banking, investment management and brokerage firm. Concorde Securities Ltd. is under the supervision of the National Bank of Hungary in its capacity as financial supervisory authority.

Concorde Securities Ltd. is registered in Hungary and does not have any subsidiaries, branches or offices outside of Hungary. Therefore we are not allowed to provide direct investment banking services to US investors and restrictions may apply to our potential investment banking services according to your country’s jurisdiction. For important disclosures to U.S. investors, please refer of the “Notice to U.S. Investors” section at the end of this Disclaimer.

Our salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are their own and may be contrary to the opinions expressed in our research products, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed by our analysts or traders.

Our research, sales and trading professionals are paid based on the profitability of the respective divisions of Concorde Securities Ltd., which from time-to-time may include revenues from the firm’s capital market activity. Concorde Securities Ltd. does not prohibit analysts, salespeople and traders from maintaining a financial interest in the securities or futures of any companies that they cover or trade on their clients’ behalf in strict compliance with the Hungarian Capital Markets Act.

#### *ANALYSTS CERTIFICATION*

The research analysts undersigned and responsible for the preparation of this report hereby certify that (i) the views expressed in this research report accurately reflect their personal views about any and all of the securities or issuers referred to in this research report; (ii) no part of the analysts’ compensation was, is or will be directly or indirectly related to the specific recommendation or views expressed in this report and (iii) no part of their compensation is tied to any specific investment transactions performed by Concorde Securities Ltd.

Name and job title of individuals involved in the production of this report are disclosed at the end of this report.

Concorde Securities Ltd. is a leading manager and underwriter of Hungarian equity offerings. We have investment banking and other business relations with a substantial percentage of the companies traded on the Budapest Stock Exchange and covered by our research department. Concorde Securities Ltd, its directors and employees may have a position in these securities, which may change at any time.

Concorde Securities Ltd. acted as Lead Manager of the private and public share placement of the shares of FHB in 2003, Masterplast in 2012 and Duna House in 2016. Concorde Securities Ltd. acted as the Co-lead Manager of Gedeon Richter’s exchangeable bond issue in September 2004. Concorde Securities Ltd. has provided financial advice to Magyar Telekom.

*EXPLANATION OF RATINGS AND METHODOLOGY*

| Rating                 | Trigger   |
|------------------------|---|
| 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.   |

**Securities prices:**

Prices are taken as of the previous day's close on the home market unless otherwise stated.

**Valuations and risks:**

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](https://www.con.hu/wp-content/uploads/2016/04/Methodology_concorde_research.pdf?tstamp=201710021038))

**Research disclosures:**

Concorde Securities Ltd. may have published other investment recommendations in respect of the same securities/instruments recommended in this report during the preceding 12 months. Disclosure of previous investment recommendations produced by Concorde Securities Ltd. in the previous 12 months can be found at [Rating history](https://www.con.hu/wp-content/uploads/2016/04/Rating-history.pdf?tstamp=201710021038). (<https://www.con.hu/wp-content/uploads/2016/04/Rating-history.pdf?tstamp=201710021038>)

*GENERAL*

This report is provided for information purposes only and does not represent an offer for sale, or the solicitation of any offer to buy or sell any securities.

The information, and any opinions, estimates and forecast have been obtained from sources believed by us to be reliable, but no representation or warranty, express or implied is made by us as to their accuracy or completeness. The information, opinions, estimates and forecasts may well be affected by subsequent changes in market conditions. This document may not be reproduced in whole or in part, or published for any purpose.

REPRODUCTION OR REBROADCAST OF ANY PORTION OF THIS RESEARCH REPORT IS STRICTLY PROHIBITED WITHOUT THE WRITTEN PERMISSION OF CONCORDE SECURITIES LTD.

**NOTICE TO US INVESTORS**

This report was prepared, approved, published and distributed Concorde Securities Ltd. located outside of the United States (a "non-US Group Company"). This report is distributed in the U.S. by LXM LLP USA, a U.S. registered broker dealer, on behalf of Concorde Securities Ltd. only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this report must be effected through LXM LLP USA.

Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization.

Analyst Certification. Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report. Please bear in mind that (i) Concorde Securities Ltd. is the employer of the research analyst(s) responsible for the content of this report and (ii) research analysts preparing this report are resident outside the United States and are not associated persons of any US regulated broker-dealer and that therefore the analyst(s) is/are not subject to supervision by a US broker-dealer, and are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with US rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Important US Regulatory Disclosures on Subject Companies. This material was produced by Concorde Securities Ltd. solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient. It is distributed in the United States of America by LXM LLP USA and elsewhere in the world by Concorde Securities Ltd. or an authorized affiliate Concorde Securities Ltd. This document does not constitute an offer of, or an invitation by or on behalf of Concorde Securities Ltd. or its affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources, which Concorde Securities Ltd. or its Affiliates consider to be reliable. None of Concorde Securities Ltd. accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.

LXM LLP USA assumes responsibility for the research reports content in regards to research distributed in the U.S. LXM LLP USA or its affiliates has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, does not expect to receive and does not intend to seek compensation for investment banking services from the subject company in the next 3 months. LXM LLP USA has never owned any class of equity securities of the subject company. There are not any other actual, material conflicts of interest of LXM LLP USA at the time of the publication of this research report. As of the publication of this report LXM LLP USA, does not make a market in the subject securities.

## **DISCLAIMER 2.**

This research/commentary was prepared by the assignment of Budapest Stock Exchange Ltd. (registered seat: 1054 Budapest, Szabadság tér 7. Platina torony I. ép. IV. emelet; company registration number: 01-10-044764, hereinafter: BSE) under the agreement which was concluded by and between BSE and Concorde Securities Ltd. (registered seat: H-1123 Budapest Alkotás utca 50., company registration number: 01-10-043521, hereinafter: Investment Service Provider)

BSE shall not be liable for the content of this research/commentary, especially for the accuracy and completeness of the information therein and for the forecasts and conclusions; the Service Provider shall be solely liable for these. The Service Provider is entitled to all copyrights regarding this research/commentary however BSE is entitled to use and advertise/spread it but BSE shall not modify its content.

This research/commentary shall not be qualified as investment advice specified in Point 9 Section 4 (2) of Act No. CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the Regulations Governing their Activities. Furthermore, this document shall not be qualified as an offer or call to tenders for the purchase, sale or hold of the financial instrument(s) concerned by the research/commentary.