



CEE Equity Research | Hungary | Real Estate
12 April 2018

Duna House

Recommendation: Buy

Target price (12M): HUF 4,751

Equity Note

Technical issues at the development subsidiaries

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Duna House has announced that in two of its subsidiaries (related to developments), the equity has decreased to negative territory due to losses incurred in 2017. As long as the flats have not received the occupancy permits, the subsidiaries are not allowed to recognise any revenue, however costs incurred led to losses at the beginning of the projects. Therefore, losses in the first year decreased equity more than the original amount resulting in negative equity which has to be taken care of to comply with the regulation.

Opinion: According to Duna House, it is only a technical issue, they will convert their liabilities in the subsidiary into equity. Moreover this solution will not entail any cash flow movement, thus they will not need to transfer any more cash to raise capital in their subsidiaries.

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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.

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