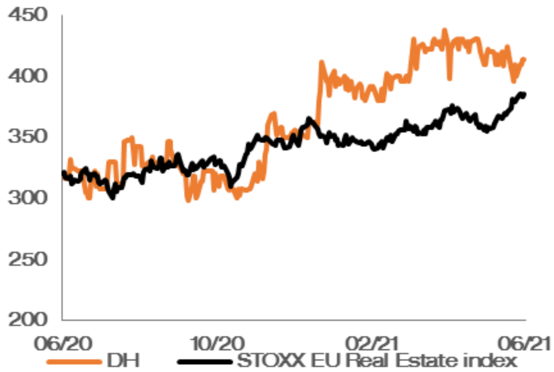
CONCORDE RESEARCH

CEE Equity Research | Hungary | Real Estate
08 July 2021

Duna House

Recommendation: BUY
Target price (12M): HUF 480

Cons. simplified P&L	2020A	2021F	2022F
Revenues [HUF m]	9,217	10,276	11,542
EBITDA [HUF m]	1,550	1,728	1,941
EBIT [HUF m]	1,322	1,499	1,712
Net profit HUF m]	1,332	1,065	1,240
EPS excl. development	38	31	36
P/E	8.3x	13.0x	11.2x
No. of transactions	132,486	149,710	151,207
Int. Loan (HUF bn)	85	89	102



Share price close as of 08/07/2021	HUF 410	Bloomberg	DUNAHOUS HB
Number of shares [million]	34.6	Reuters	DUNAHOUSE.BU
Market capitalization [HUF mn/EUR mn]	13,840 / 38	Free float	30%
Daily turnover 12M [EUR th]	1.46	52 week range	HUF 300-430

Efforts come to fruition in Poland

- **We rolled over our previous price target and updated our earning model that led us to increase Duna House 12m ex-dividend target price to HUF 480 per share with BUY recommendation.**

- **We see 3yr CAGR of 12% in adjusted profit (EPS'23 of 38),** which is rather conservative compared to management expectation of CAGR 27% **(EPS'23 of 54)** compared to an adjusted profit (FX and non-recurring) of 2020. Assuming the growth path the management guides, our TP would increase by HUF 120 / sh to HUF 600 / sh (EPS difference is 16 multiplied by 10x P/E and discounted to 3yrs back.)

- **Valuation-wise**, one should note that excluding the expected cash inflow from developments and the property portfolio from DH's market cap, we end up at HUF 9.5 billion market capitalization. On the other hand, there is 1,065 million and 1,240 million profit for 2021 and 2022 respectively, indicating sub 10x P/E. As for dividend, we see DPS 14 and DPS 17 from CORE operation (excludes extraordinary dividend from development projects) implying a 3.5% and 4.3% dividend yield. **In a nutshell, DH offers a dividend yield of 3-4% and 12% 3 year CAGR profit growth at current sub 10x P/E valuation, with the upside of significantly faster growth if management plans would materialize.**

ANALYST CERTIFIATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 7.

Investment thesis

- **TOP-DOWN**: We expect robust economic activity in Hungary with GDP growth of 4.8% in 2021 and a loan growth (NBH forecast) in the range of 7 – 12% in the upcoming two years coupled with double digit increase in real estate prices. These prognoses tell us that recovery in DH's earnings should not be a surprise and should be supported going forward.

- **EARNINGS FORECAST:** After a difficult year, Duna House clean profit (excluding development) is expected to return to its growth trajectory with a 13% CAGR for the next 3 year, reaching HUF 1.3 billion (EPS 38) by 2023 in our view - the same as in 2020 but without any non-recurring effects. This projection assumes a growth in loan origination and transaction number to increase by 6% per annum until 2023 albeit from low basis of the pandemic hit year of 2020. Apart from the normalization, Polish operation will be another engine of the growth with an expected profit of HUF 330 million by 2023 (+80% vs 2020) on the back of growth in franchise partners +20% by 2023 vs 2020 and increasing operation efficiency (please see our quarterly EBITDA / office KPI below: '21Q1+90% y-o-y), and also thanks to strong macro tailwind. Please note that we projected much slower EBITDA growth than the management 9% vs 22%, where the difference is the pace of expansion in franchise network in Poland, in our view.

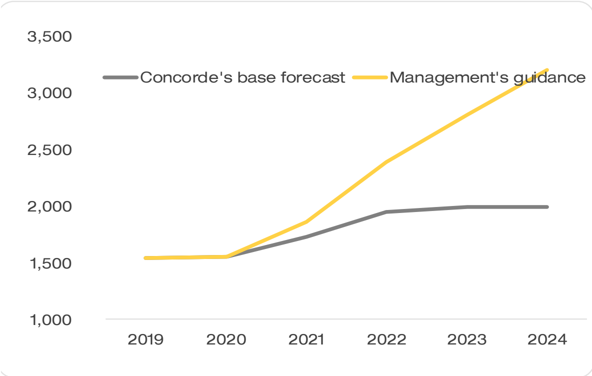
- **VALUATION**: Because DH Group has developments, real estate portfolio and the core operation in two countries, we recommend to adjust market cap with the first and the second in order to see the true market cap for the loan intermediation and franchise business. Excluding the cash inflow from development and the value of real estate Investment properties (HUF 2.6 bn + HUF 1.8 bn) from market capitalization, we end up ca. HUF 9.6 billion for which we forecast ca. HUF 1,065 million profit for 2021, HUF 1,240 million for 2022. Therefore, DH trades at sub 10x P/E for 21' and 22' earnings. Please note that other cyclical sectors trade at 8x – 15x (Banks and Airlines).

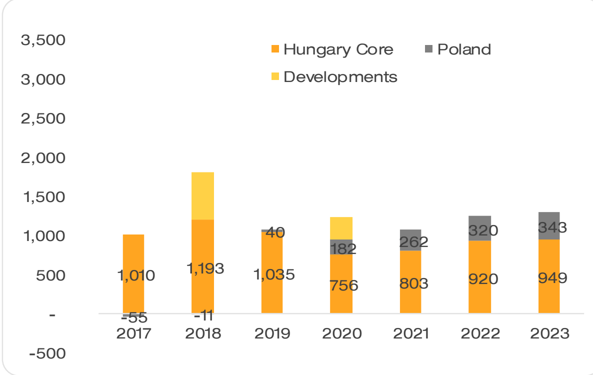
- **DH plans to grow in order to reach a market capitalization to draw international investors' attention.** While the real estate and credit growth exposure to the CEE is desirable, DH's current market capitalization of EUR 38 million and low liquidity is simply not enough. **To address this deficiency, DH targeted to increase profit and probably free-float as well in multiple years, according to management outlook.**

- **We see two additional tailwinds in DH's equity story.** One is related to the inflated commodity prices (lumber, brick, etc.) which rationally increases the price of new houses that may drive up demand for used houses. This may boost transaction volumes for the company. Secondly, management implicitly guides large increase in the number of franchise offices in Poland in the next 4 years, with which the Polish operation could reach 40% of total group EBITDA from current 22%. We pencilled that franchise office number will reach 100 by 2024, any upside from that number would increase our EBITDA by HUF 7 million / office (based on the latest trends).

Investment thesis in Graphs

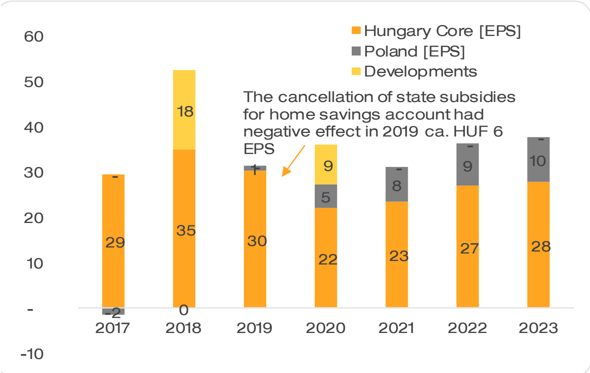
Core EBITDA [HUF mn] & Group profit breakdown [HUF mn]

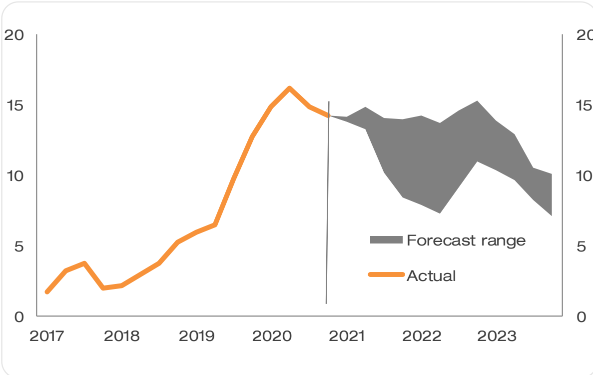




source: Concorde, DH

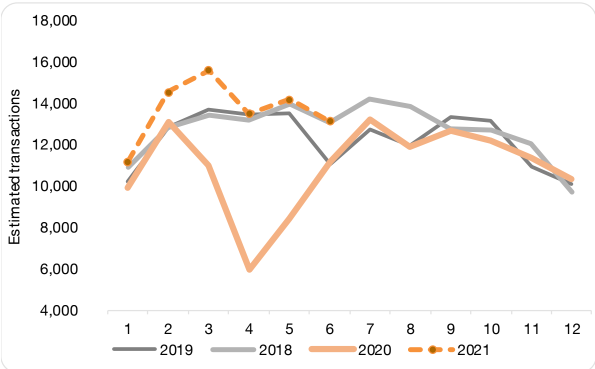
Group EPS & Household loan portfolio, growth rate (%), actual and NBH forecast

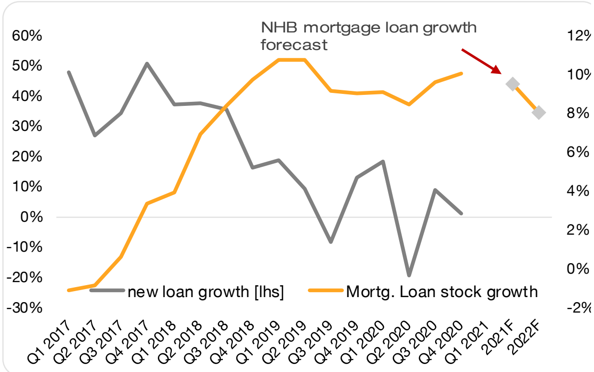




source: Concorde, DH, NBH

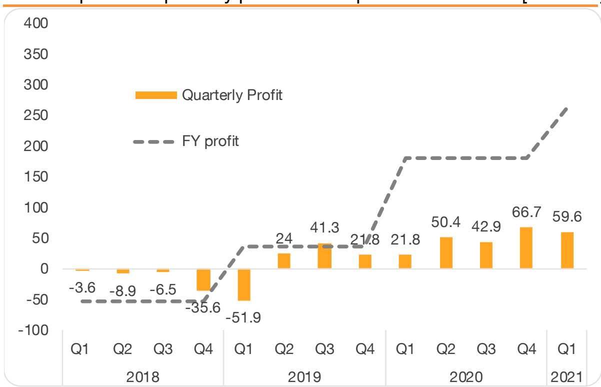
Evolution of transaction numbers & Housing loan stock growth y-o-y

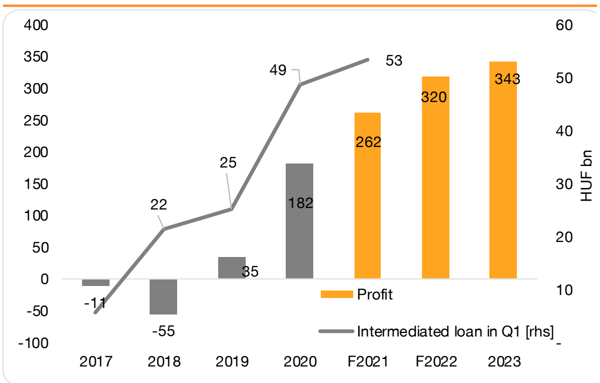




source: Concorde, DH, NBH

Polish operation quarterly profit and FY profit and forecast [HUF mn]





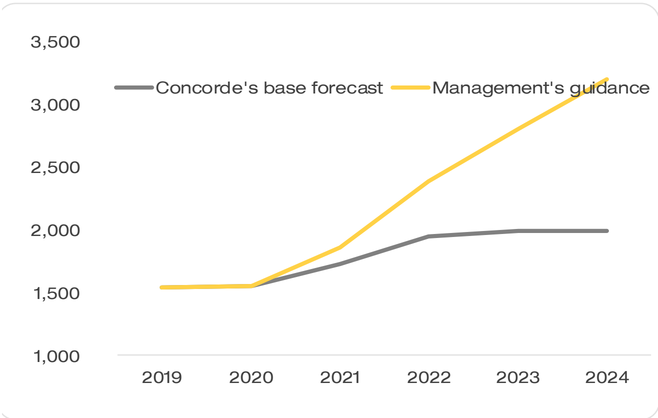
source: Concorde, DH

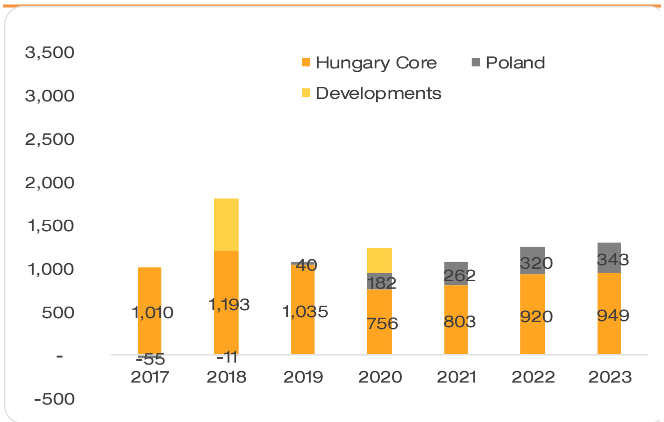
Forecast

We expect 9% and 13% CAGR in group EBITDA and in profit (excluding development) respectively in the next 3 years fuelled predominantly by the increase in office number in Poland (by ca. 20%). Please note that, our earnings projection is significantly below mgmt's guidance for 2022 and afterwards. While DH's management guided HUF 3 billion EBITDA excluding development by 2023 we pencilled HUF 2 billion. The difference is stemming from the growth in earnings in Poland, in our view. One of the main driver in Poland apart from the macro is the growth in number of offices in the franchise business which stood at 86 in the end of 21'Q1. Based on the recent trends one Poland office could generate ca. HUF 7 million EBITDA / p.a.

Based on our earning trajectory and our valuation for developments, DH's core operation trades on 8.8x P/E'21 and 7.6x P/E'22 and 7.2x P/E'23.

Core EBITDA [HUF mn] & Group profit breakdown [HUF mn]





source: Concorde, DH

Consolidated profit and loss [HUF million]

	2018A	2019	2020	F2021	F2022	F2023
Revenue	**8,340**	**8,139**	**9,217**	**10,276**	**11,542**	**11,824**
OPEX	6,225	6,743	7,895	8,777	9,829	10,064
EBITDA	**2,215**	**1,616**	**1,550**	**1,728**	**1,941**	**1,989**
- Franchise	*259*	*409*	*496*	*567*	*619*	*675*
- Own segment	*79*	*71*	*49*	*46*	*46*	*46*
- Financial intermediary	*602*	*692*	*938*	*1,035*	*1,196*	*1,187*
- Other	*147*	*192*	*126*	*100*	*100*	*100*
- Real estate mgmt	*1,095*	*311*	*50*	*50*	*50*	*50*
- Elimination	*-67*	*-58*	*-109*	*-70*	*-70*	*-70*
EBIT	2,115	1,396	1,322	1,499	1,712	1,760
EBT	2,014	1,295	1,615	1,291	1,504	1,566
Income taxes	-310	-181	-283	-226	-264	-275
Net income	**1,708**	**1,114**	**1,332**	**1,065**	**1,240**	**1,292**
Net income excluding development & FX effects		*1,074*	*912*	*1,065*	*1,240*	*1,292*

KPI		2019	2020	F2021	F2022	F2023
Total number of offices		252	277	284	290	294
growth		8%	10%	2%	2%	1%
HU		168	194	194	194	194
growth		0%	16%	0%	0%	0%
PL		84	83	90	96	100
growth		*25%*	*-1%*	*8%*	*7%*	*4%*
Transaction numbers [HU]	152,801	147,207	132,486	149,710	151,207	158,767
growth	3%	-4%	-10%	13%	1%	5%
Intermediated loans [HUF m] [HU]	68,271	74,421	85,100	88,640	101,994	101,471
growth	*25%*	*9%*	*14%*	*4%*	*15%*	*-1%*
DPS		0	38	14	17	18
EPS		31	38	31	36	37

Source: Concorde's forecast
Please note: We did not incorporate the earnings from the development projects.

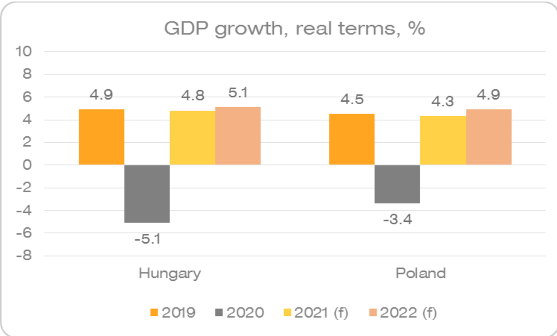
Looking at the **headline numbers of 2020**, especially the profit, one may have concluded that + 20% y-o-y would be an extraordinary dynamic even at normal times, but it was a COVID year. However, looking under the hood instead we see 15% decline in profit if we exclude earnings from developments, portfolio revaluation and FX gains. Still a decent result taking into account that the whole globe halted for a while.

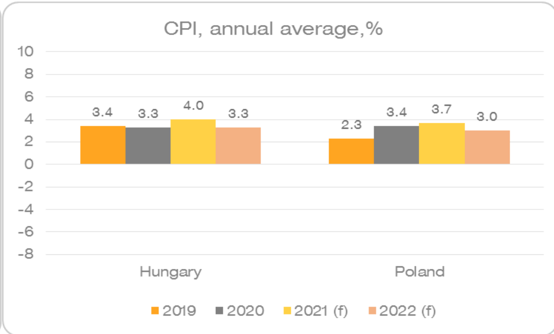
As mentioned, majority of the EBITDA (60% in 2020) is depending on **intermediate loan growth,** out of which ca. 75% comes from Hungary therefore that is one of the most important KPIs for DH's profitability. In 2020, FY EBITDA from financial segment arrived to HUF 938 million (+35% y-o-y), as a result of integration of the second loan intermediator agency (ATG) DH acquired in the last two years. Going forward, in Hungary, we incorporated NBH's mortgage loan growth expectations for the upcoming years. Please note that, there is a phenomena which helps DH to cushion the deceleration of mortgage loan growth that is the increase of DH's market share in the new loan market. When banks turn risk off mode, and try to limit their loan disbursement, DH's offices are a huge help to choose the best bank for the customers. This phenomena worked as a buffer when the economy slowed.

Franchise segment is driven by the number of offices and the transaction numbers. The latter seemed rather strong (cumulatively +10% vs 2019 and +6% vs. 2018) thanks to the pent up demand and to the generous subsidies from government. As for the former, we pencilled less ambitious growth trajectory for the Polish franchise network (CAGR of 7% in the next 3 years) than management might have assumed based on the guided earnings growth until 2024. The network may gain further growth momentum as one of DH's main competitor in loan intermediation went bankrupt – *please see the chapter of Momentum that could further fuel growth in Poland for further information.*

After an initial restructuring of the franchise model, interest for the franchise model started to gain momentum. To put the expansion potential into context, the Hungarian franchise offices amounts to 160, double the size compared to Poland.

Macro outlook





Source: Concorde

Hungary

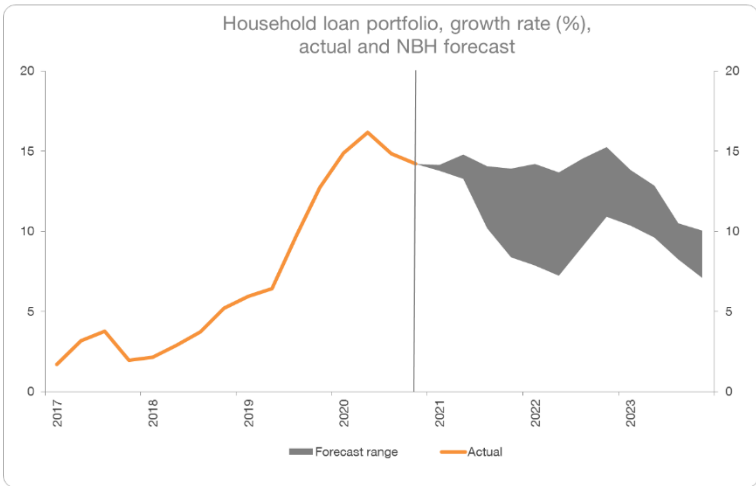
Q1 GDP growth came better-than-expected with a 2.0% growth versus Q4 2020 and a contraction of 1.6% in y/y terms. Following a sharp 2020 recession GDP is likely to show full recovery in 2021, earlier-than-expected. This is a result of a projected GDP growth close to 5.0% this year, which comes with further positive upward potential, even up to 5.5% or higher. Inflation risks have risen this year, but not for the next one: 2022 is expected to deliver an average CPI only slightly above 3% again.

Despite the fair mid-term inflation outlook central bank's vice-governor effectively pre-announced a rate-hike for the June NBH meeting. In line with the pre-commitment the NBH raised the base rate by 30bps to 0.90% and the 1W depo rate was also raised to the same level (15bps hike). With this move the base rate became effective in the sense that the 1W depo rate will be automatically equal to the base rate.

The tightening move came following an inflation surge to above 5% in April and May, though core inflation has remained in the 3.0-3.5% range. The hike had already been priced-in to a large extent on the back of central bankers' comments. The move was announced to be the beginning of a tightening cycle, with the next move to arrive as soon as in July.

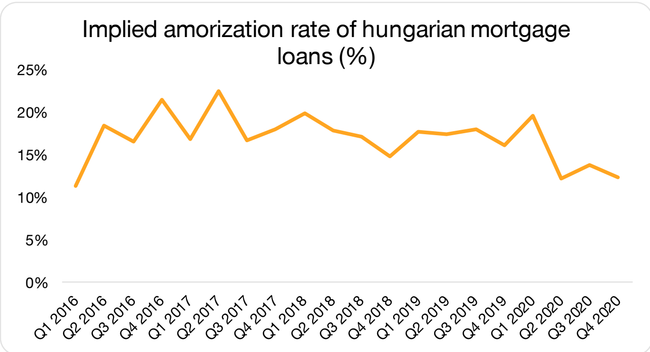
NBH	*June 2021*	May 2021
Base rate	***0.75%***	**0.60%**
O/N depo rate	*-0.05%*	-0.05%
1W depo rate	***0.95%***	**0.75%**

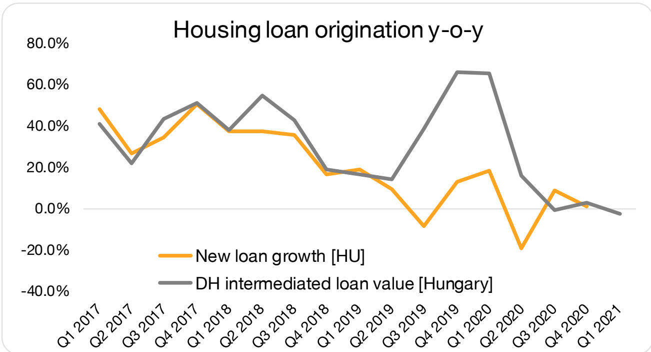
Source: Concorde



Source: NBH

NBH EXPECTS SLOWER LOAN GROWTH WHICH WILL INFLUENCE LOAN ORIGINATION





Source: NBH, DH, Concorde

Please note that the difference in dynamics from 2019Q2 and 2020Q2 is explained by the Baby loans DH included into his figures

Poland

Q1 GDP growth essentially matched market expectations with a 0.9% growth versus Q4 2020 and a contraction of 1.2% in y/y terms. Following the mildest 2020 recession in CEE, Poland is likely to show GDP growth at 4.0-4.5%, reflecting an increasing probability of a full recovery in 2021. Inflation risks have risen for this year, but not for the next one: 2022 is expected to bring an average CPI close to 3% again. Nevertheless, the central bank has started to communicate 'normalisation' in June, which may arrive in some forma as soon as this year. The central bank suggested that 80-90% of the Polish economy has exited crisis in H1 2021.

The National Bank of Poland held its benchmark reference rate at a record low of 0.10% percent during its June 2021 meeting, as it had been widely expected. The annual inflation rate picked up to 4.8% in May (after 4.3% in April), the highest since 2011 and above the central bank's medium-term target of 2.5%. Inflation risks have also prompted MPC members' comments on a potential rate hike to arrive at the end of the year or early 2022, but the rate-setting body has remained divided on the issue. We expect no change in 2021, but a moderate hawkish turn in ongoing and a rate hike in Q4 2021 cannot be ruled out.

The growth rate of lending to the non-financial sector following the COVID-19 pandemic slowed down significantly (to essentially zero rate in September 2020), but it is important to note this was not due to the excessive restriction of credit availability by banks (no credit crunch), but rather and largely as a result of the reduced demand for credit. Among all the loan categories, the lowest decrease in growth rate was recorded for housing loans. Following the lifting of most of the restrictions related to the COVID-19 pandemic, the demand for credit has gradually rebounded, essentially fully correcting the crisis dip.

Acquisitions – grow big to reach visibility

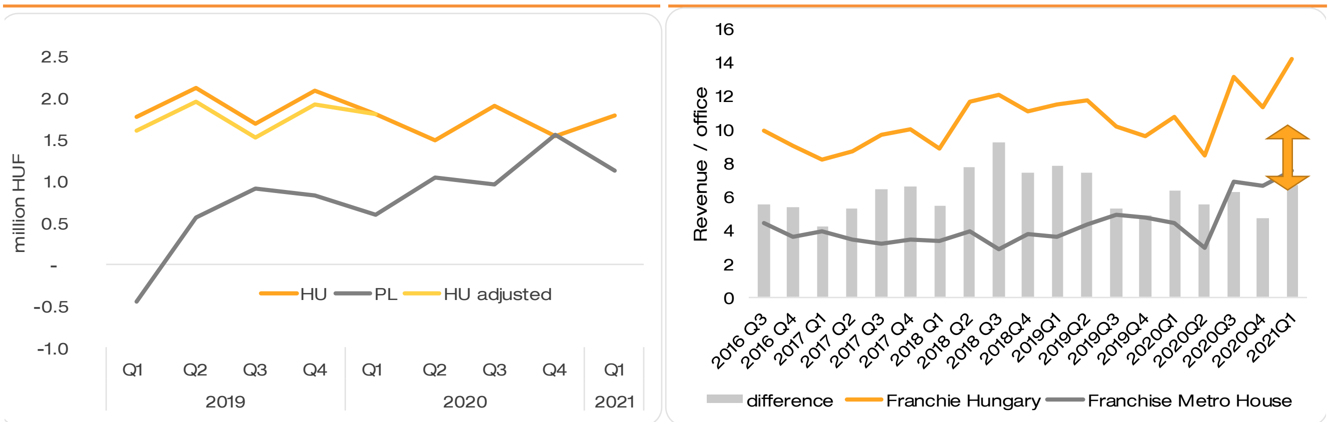
DH plans to grow in order to reach a market capitalization to draw international investors' attention. While the real estate and credit growth exposure to the CEE is desirable, DH's current market capitalization of EUR 40 million and low liquidity is simply not enough. **To address this deficiency DH targeted to increase profit and probably free-float as well in multiple years**. As for the former, DH entered into Poland in 2016 with an acquisition of Metrohouse a realtor which was followed by two additional acquisition of credit intermediators which helped to finally turn around the operation to a profitable entity. On our calculation, PRE-COVID-19 the IRR for the Polish expansion would have been at 10.5%, assuming the below FCF (as capex need is negligible given the franchise model).

Growth continues in Poland

Financials improved significantly in Poland mainly thanks to the acquisition and integration of the latest loan intermediary agency. EBITDA and profit climbed by 116% and 415% respectively and reached HUF 369 million and HUF 181 million. With this growth Poland accounts for 22% of group EBIT which is expected to further grow to 27% in our forecast by 2023.

EBITDA / office which could be deemed as a proxy for efficiency improved in tandem with financials. Going forward we expect the revenue driver to be the growth in office numbers. Unfortunately we do not have any visibility on the growth path of the offices in Poland, as office number fluctuated between 69 and 86 and has been on a growing trend since 2020 Q2. We incorporated a moderate increase in offices to address positive sentiment towards Metrohouse franchise business model in the next three years by ca 20% in total, which will drive the earnings of the Polish operation.

EBITDA / office & Revenue / office

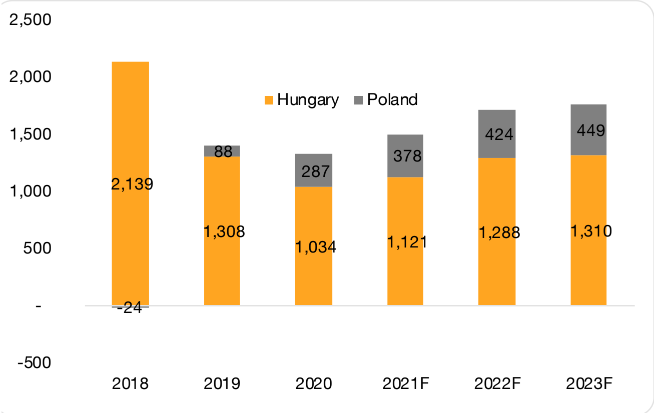


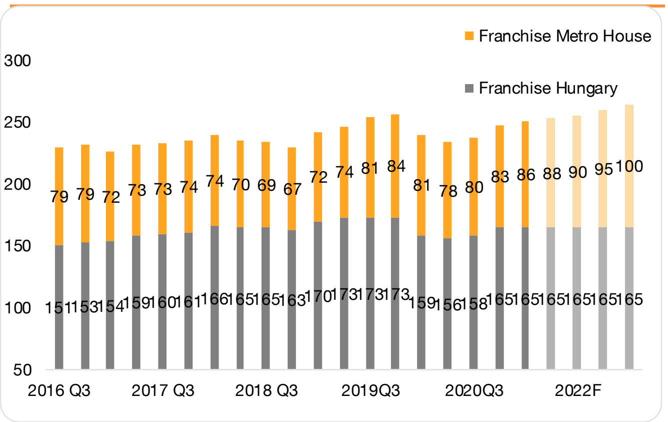
source: Concorde, DH

Fuelled by the growing network and the efficiency gain we see in Q1, we forecast a profit of HUF 262 million (+44% y-o-y) and HUF 352 million (+34%) for 2021 and 2022 respectively mainly on the back network expansion.

COUNTRY SPECIFIC KPI'S

Country breakdown on EBIT level [HUF mn] & Number of franchise offices

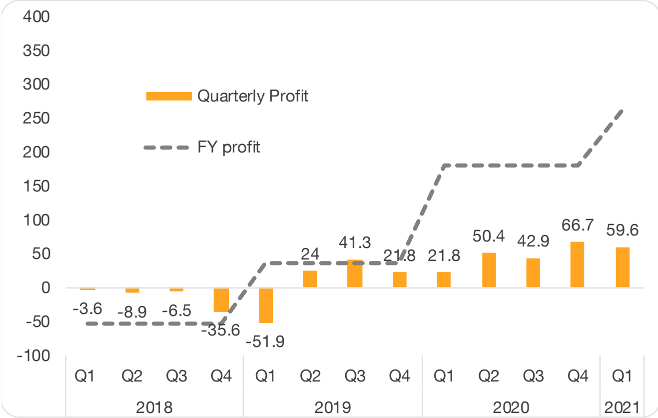


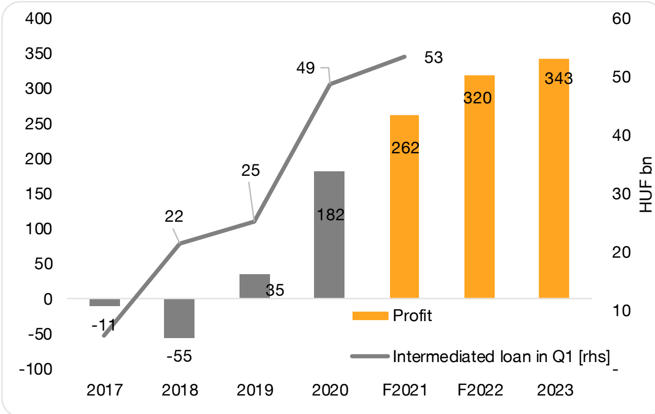


source: Concorde, DH

EFFORT HAS COME TO FRUITION

Polish operation quarterly profit and FY profit and forecast [HUF mn]

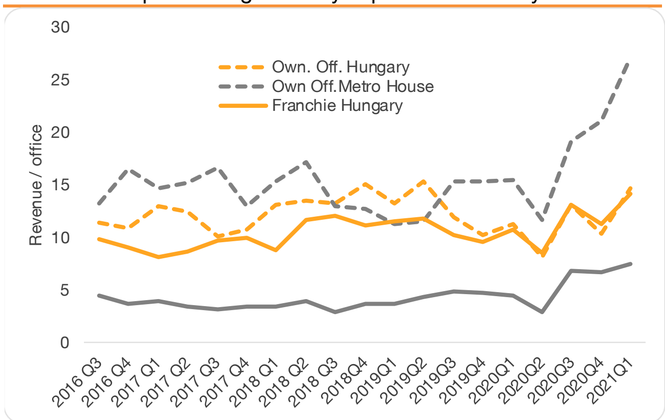


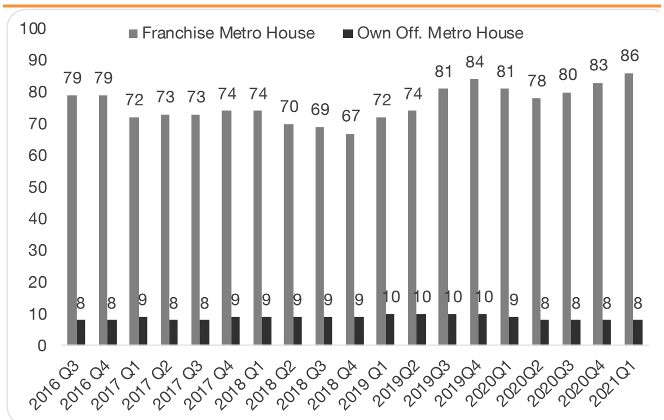


source: Concorde, DH

THE LATEST ACQUISITION SIGNIFICANTLY IMPROVED EFFICIENCY IN POLAND

The latest acquisition significantly improved efficiency in Poland

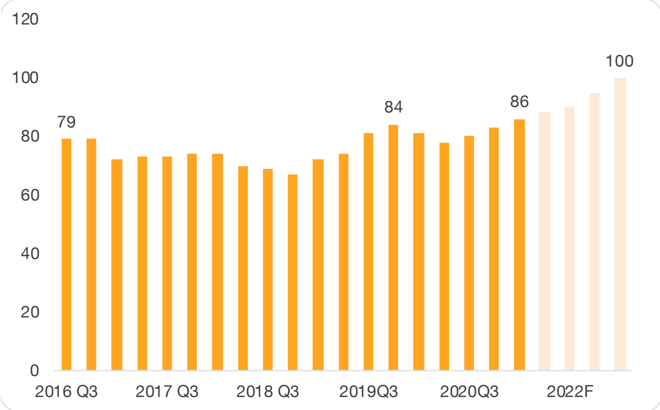


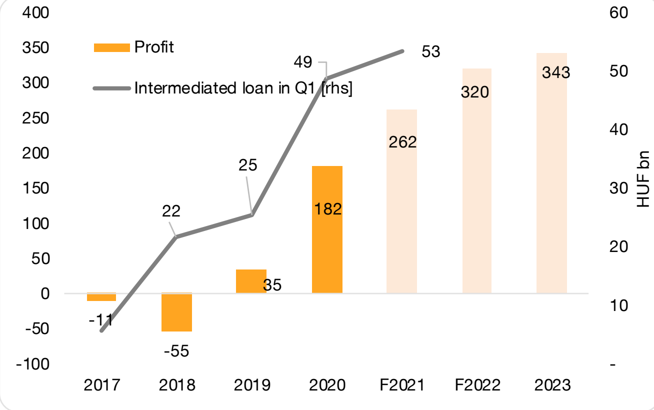


source: Concorde, DH

Source: DH, Concorde

Number of Offices in Poland & Profit [HUF mn]





source: Concorde, DH

How large the upside is in the Polish operation?

It is essential to break the operation down into two main segments to loan intermediation and real estate brokerage, combined the two made ca. HUF 370 million EBITDA last year. Although we do not see the breakdown of the two, we believe at least the operation has the potential to double its 2020 earnings. Compared to DH's market share in Hungary (8%) its share in loan intermediation in Poland was only half of that last year (3.9%). As for its brokerage arm, DH has 164 offices in its franchise network in Hungary, but only 84 offices in Poland. Proportional to the country's population, office number in Poland could grow multiple times (6x) to reach the same market share than in Hungary, in our view. We would like to highlight that it is all theoretical, the rest relies on the management's execution whether they could exploit those opportunities.

In 2020, the Polish operation's bottom line was HUF 180 million or EPS of 5 vs. EPS 22 of the Hungarian operation. Based on the above mentioned proportions, EPS could be 10 or even 30 at the Polish Operation if it reaches the same market shares than in Hungary.

Momentum that could further fuel growth in Poland

DH is in a unique position to exploit the current uncertainties in the Polish loan & home brokerage segment. The third largest player in the home brokerage segment went bankrupt in the last year (Home Broker) which has close ties with the second largest player (Open Finance) in the loan brokerage segment. Due to the bankruptcy of Home Broker, employees from Open Finance as well as from Home Broker started to flee as they assume that liquidity issues may spread over to the loan brokerage as well. This uncertainty has created opportunity for DH to increase its market share in Poland. Although this opportunity has a front loaded cost effect (ca HUF 100 million indicated by mgmt.) - as DH may poach employees – and will entail with temporarily lower commissions for the company but the long term gains (fewer market participants thus better leverage at banks to increase commission) will still outweigh the cons, in our view.

Group's leverage at healthy level

On the financial side, DH accumulated a gross debt of 11 bn in 2020 which number includes the issued bond (HUF 7 bn) in the framework of the Hungarian National Bank, and the loans related to developments. However, DH has not spent the proceeds of the bond that is still on the balance sheet mitigating net debt figure to HUF 5.5 bn only translating to a 3.6 x net debt to EBITDA. This ratio should gradually ease as the development projects turn to fruition, excluding the loans strictly related to developments the ratio would come down to sub 1x net debt to core EBITDA.

Please note, that going forward DH is aiming to acquire a business units in the CEE region in similar fashion compared to entering into Poland, which would entail with the utilization of the large cash pile on the balance sheet (HUF 6 billion in the end of 2020). **Therefore one should not be surprised if leverage would jump post transaction.** One factor that influences the extent of the net debt to EBITDA is the target company EBITDA generation capacity.

Dividend

Based on the dividend policy - DH distributes 47% of the annual profit – we see DPS 14 and DPS 17 from core operation that may be supplemented by profit from development in a total of 75 per share.

Valuation

We valued DH by two approaches, one is the sum-of-the-parts method and the other is a DCF model. The first concentrates on the short term earnings while the DCF focuses on the longer term. **Therefore to reflect both the short term and the long term potential we gave equal weights to the two methods, with which our 12 month TP arrives to 480 HUF/sh.**

- **Base case – Fair value at HUF 490 per share**
    - 2020 – 2023 with Mortgage loan growth of CAGR 6%
    - Total number of franchise offices grows CAGR 2% with Poland in the driving seat of 7% CAGR
    - TV growth at 2%
    - Liquidity discount of 10%

WACC CALCULATION

	2020	2021	2022	2023	TV
Risk free rate	2.5%	2.5%	3.0%	3.0%	4.0%
Equity risk premium	5.5%	5.5%	5.5%	5.5%	5.5%
Beta	1.2	1.2	1.2	1.2	1.3
Cost of Equity	9.1%	9.1%	9.6%	9.6%	11.2%
Debt premium over risk free	2%	2%	2%	2%	3%
Effective tax rate	15%	15%	15%	15%	15%
Cost of debt	1.7%	1.7%	1.7%	1.7%	2.1%
Net Debt/EV	83.3%	29.8%	27.4%	25.0%	27.4%
WACC	2.9%	6.9%	7.4%	7.6%	8.7%

Source: Concorde

CASH FLOW FOR VALUATION PURPOSES – OUR BASE CASE SCENARIO

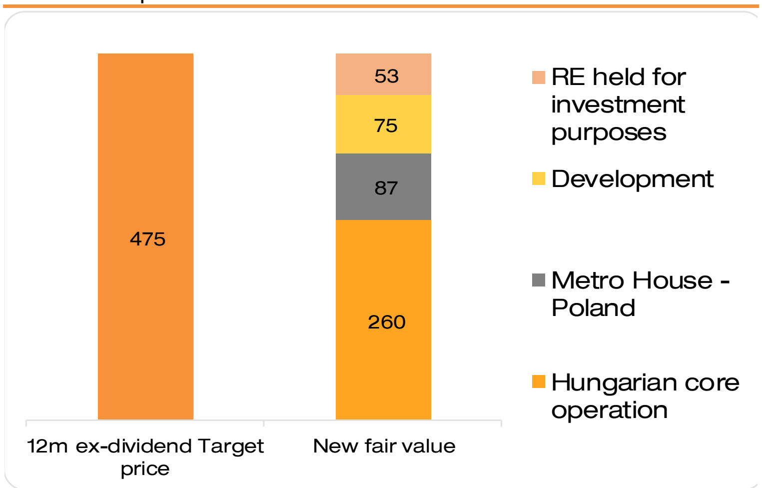
		2017	2018	2019	2020	2021F	2022F	2023F
EBIT [HU & PL]	-	951	2,115	1,396	1,322	1,499	1,712	1,760
as of development		*10*	*782*	*50*	*-*	*-*	*-*	*-*
as of Poland			*- 24*	*88*	*287*	*378*	*424*	*449*
Poland share in EBIT(%)			*-2%*	*7%*	*22%*	*25%*	*25%*	*26%*
depreciation		87	100	217	229	228.90	229	229
interest paid		49	101	144	156	208	208	193
tax		174	310	237	283	226	264	275
OCF		815	1,803	1,232	**1,112**	**1,294**	**1,469**	**1,521**
CAPEX [M&A included]		-	344	347	439	300	300	300
CAPEX/DD&A			345%	160%	192%	131%	131%	131%
FCFF		815	1,459	885	672	994	1,169	1,221
DF						1.00	0.93	0.86
PV					-	**994**	**1,088**	
SZUM	**18,059**							**15,978**
Development	2,600							
TOTAL EV	20,659							
Net debt'21 [eoy]	3,517							
Equity value	**17,142**							
Per share Equity value	495							
Liquidity discount	10%							
Fair value per share	446							
12months target price	**487**							
Current share price	402							
Upside	21%							

Source: Concorde

SUM OF THE PARTS

To value the Hungarian and Polish operation we use 10x P/E'21 and 12x P/E'21, reflecting the growth potential in the Polish subsidiary. Apart from that, the development worth ca. HUF 75 per share and the BV of the real estate investment property portfolio is ca. HUF 53 per share. **All in all with this method our 12 month ex-dividend target price would be HUF 475 per share.** Please see the more detailed assessments for the segments below.

Sum of the parts method

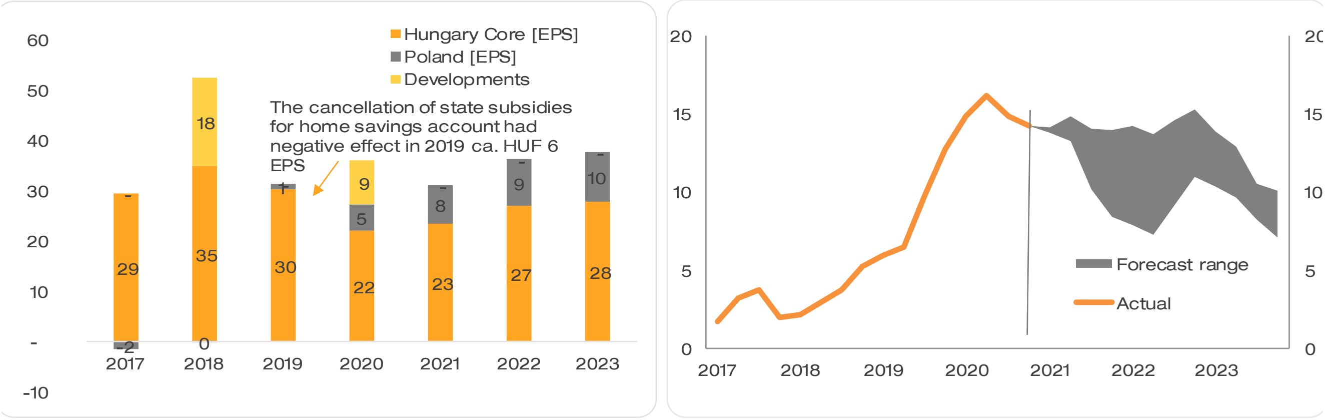


source: Concorde

1. Hungarian Core – HUF 260 per share implying a 10x P/E'21.

Hungarian operation excluding development generated an average profit of 900 million (ca. 29 EPS) in the last few years, fuelled mainly by accelerating loan origination. In 2019 the cancellation of state subsidies negatively affected the operation (ca. HUF 6 EPS), and 2020 was an extraordinarily negative year. Going forward NHB expects the dynamic of loan growth to slow and rationally one may expect that thus would result in the deceleration of loan origination. However, given moratorium the amortization rate of mortgage loan distorts the whole picture – (please note that NHB expected moratorium to be phased out in the end of 2021 therefore 2022 will be a normal year). We incorporated the NBH's loan forecast and used the historical amortization rate to derive the dynamic of loan origination.

Group EPS & Household loan portfolio, growth rate (%), actual and NBH forecast



source: Concorde, DH, NBH

Source: DH, Concorde, NBH

2. **Development – 75 per share representing only the Forest Hill project as cash flow from project MyCity started flow in.**

In our calculation we estimated the cash inflow at HUF 2.6 billion representing a HUF 17 million per flat. Please note that previously we expected HUF 3.5 billion out of which ca. HUF 900 million was attributable to Mycity project. Also, there is another project called Panorama (flat of 50) that we excluded from the calculation as management is hesitant whether to continue the project at this current environment.

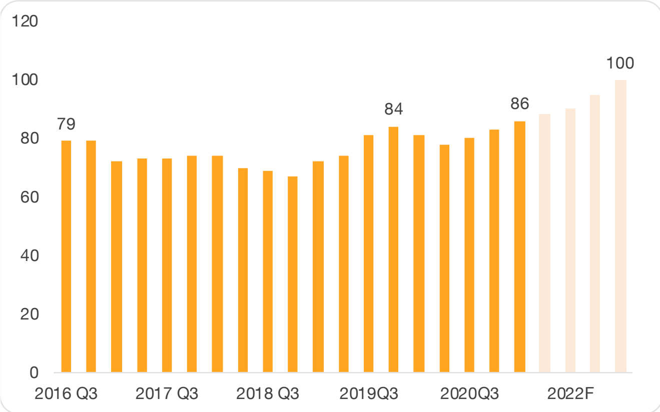
3. **Book Value of investment properties is 53 per share**

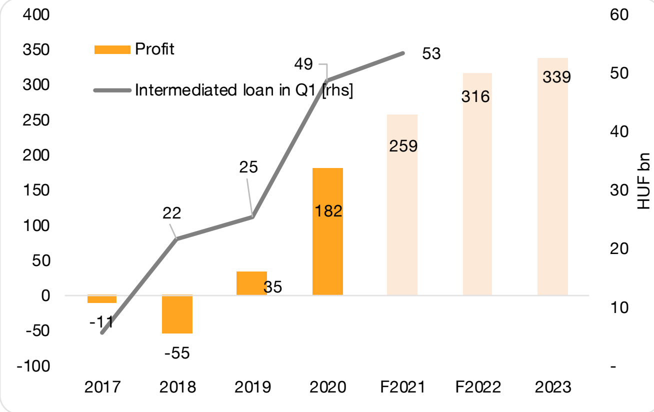
Investors should see and value this segment separately as its cash flow is relatively safe compared to the cash flow from a financial segment. DH has 15 flats in BP with a total book value of HUF 1.8 billion.

4. **Polish operation**

The Group's growth engine lies in the Poland operation. We forecast increasing profit for the next few years, which we valued at 12x P/E addressing its growth potential vs. the Hungarian operation multiplier of 10x P/E.

Number of Offices in Poland & Profit [HUF mn]





source: Concorde, DH

RISKS

- **Regulatory risk** – as occurred in the past, commission and fee levels are subject to regulatory risk which may dent DH's profitability in the future.
- **Prolonged and deeper recession**. In our base case we applied a NBH's projection on mortgage loan growth i.e. 5% and 4% loan growth for 2020 and 2021 respectively then an acceleration to 7%. Therefore deeper and longer recession will risk our earnings trajectory.
- **Higher than expected sales price** discount at the development projects may lead to lower realized cash inflow vs. our forecast amount of HUF 3.5 billion which already includes a 10% discount.
- **New wave of the coronavirus.**
- **Higher interest rates may dent demand for mortgage loans –** ca 60% of the EBIT is derived from loan intermediation in 2020. The deceleration in loan growth has amplified effect on volumes of loan intermediation, consequently on DH's profit.

APPENDIX

Consolidated profit and loss [HUF million]

	2019	2020	F2021	F2022	F2023
Revenue	**8,139**	**9,217**	**10,276**	**11,542**	**11,824**
OPEX	6,743	7,895	8,777	9,829	10,064
EBITDA	**1,616**	**1,550**	**1,728**	**1,941**	**1,989**
- Franchise	*409*	*496*	*567*	*619*	*675*
- Own segment	*71*	*49*	*46*	*46*	*46*
- Financial intermediary	*692*	*938*	*1,035*	*1,196*	*1,187*
- Other	*192*	*126*	*100*	*100*	*100*
- Real estate mgmt	*311*	*50*	*50*	*50*	*50*
- Elimination	*-58*	*-109*	*-70*	*-70*	*-70*
EBIT	1,396	1,322	1,499	1,712	1,760
EBT	1,295	1,615	1,291	1,504	1,566
Income taxes	-181	-283	-226	-264	-275
Net income	**1,114**	**1,332**	**1,065**	**1,240**	**1,292**
Net income excluding development & FX effects	*1,074*	*912*	*1,065*	*1,240*	*1,292*

KPI	2019	2020	F2021	F2022	F2023
Total number of offices	252	277	284	290	294
growth	8%	10%	2%	2%	1%
HU	168	194	194	194	194
growth	0%	16%	0%	0%	0%
PL	84	83	90	96	100
growth	*25%*	*-1%*	*8%*	*7%*	*4%*
Transaction numbers [HU]	147,207	132,486	149,710	151,207	158,767
growth	-4%	-10%	13%	1%	5%
Intermediated loans [HUF m] [HU]	74,421	85,100	88,640	101,994	101,471
growth	*9%*	*14%*	*4%*	*15%*	*-1%*

Ratios

Valuation [cons. Group level]

	2018	2019	2020	2021	2022	2023
P/E	8.0x	13.9x	8.3x	13.0x	11.2x	10.7x
P/BV	2.5x	2.5x	1.6x	2.3x	2.7x	2.5x
EV/EBITDA	7.1x	11.4x	4.3x	11.4x	9.8x	9.3x
Net debt/EBITDA	1.0x	2.9x	3.6x	3.4x	2.7x	2.3x

Valuation [cons. Group level]

	2018	2019	2020	2021	2022	2023
P/E	8.0x	13.9x	8.3x	13.0x	11.2x	10.7x
P/BV	2.5x	2.5x	0.2x	0.2x	0.3x	0.2x
EV/EBITDA	7.1x	11.4x	4.3x	11.4x	9.8x	9.3x
Net debt/EBITDA	1.0x	2.9x	3.6x	3.4x	2.7x	2.3x

Other ratios [cons. Group level]

	2018	2019	2020	2021	2022
EBITDA margin (%)	26.5%	19.8%	16.8%	16.8%	16.8%
EBIT margin (%)	25.4%	17.2%	14.3%	14.6%	14.8%
Net profit margin (%)	20.4%	12.6%	14.5%	10.4%	10.7%
ROE (%)	34.2%	18.6%	21.5%	16.7%	22.4%
ROA (%)	15.4%	6.9%	6.2%	5.9%	7.5%

Consolidated cash flow [HUF million]

	2018	2019	2020	2021	2022
EBITDA	2,214	1,613	1,550	1,728	1,941
Net cash from operating activities	701	-836	-92	1,378	1,564
Net cash from investing activities	-344	-347	-439	-300	-300
Net cash from financing activities	-85	2,230	4,968	-3,819	-1,402
Dividend paid to shareholders	-632	-898	0	-1,330	-500
Change in cash and equivalents	271	994	4,541	-2,741	-139

Consolidated balance sheet [HUF million]

	2018	2019	2020	2021	2022
Intangible assets	1,387	1,405	1,718	1,405	1,405
Property	1,964	2,286	2,293	2,064	1,835
Equipment	171	250	316	316	316
NON-CURRENT ASSETS	3,984	4,654	5,269	4,737	4,508
Inventories	3,883	5,508	7,119	7,119	5,936
Trade receivables	711	849	888	888	888
Cash and cash equivalents	1,510	2,526	6,888	4,146	4,007
CURRENT ASSETS	7,094	10,151	16,152	13,410	12,089
TOTAL ASSETS	**11,078**	**14,805**	**21,421**	**18,147**	**16,597**
Share capital	153	153	153	153	153
Retained earnings	3,917	3,995	4,941	4,278	3,517
Non-controlling interest	-56	-63	-71	-71	-71
TOTAL EQUITY	5,445	5,548	6,816	5,908	5,146
Long-term loans	236	6,049	6,945	6,945	6,945
NON CURRENT LIABILITIES	408	6,394	7,291	7,291	7,291
Short-term loans	2,746	331	4,730	2,365	1,577
Trade payables	599	790	859	859	859
CURRENT LIABILITIES	5,225	2,863	7,314	4,949	4,160
TOTAL EQUITY AND LIABILITIES	**11,078**	**14,805**	**21,421**	**18,147**	**16,597**

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Neutral	Total return is expected to be in the range of 10%-(-10%)
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Sell	Total return is expected to be lower than -20%
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