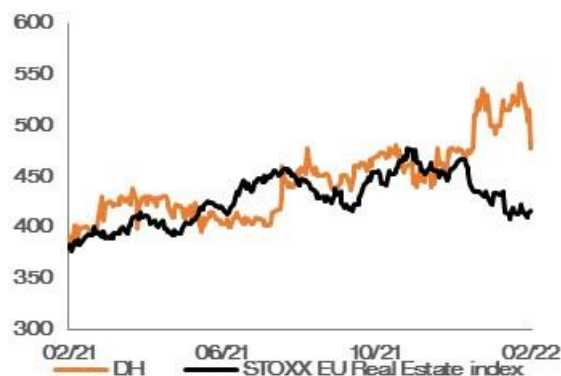


Duna House

Recommendation: BUY

Target price (12M): Under Revision (Prev: HUF 560)

| Hun. Core HUF million | 2021 Q4 | 2020 Q4 | Ch (%) |
|---------------------------|---------|---------|--------|
| Revenues | 4.789 | 2.561 | 87% |
| EBITDA | 622 | 430 | 45% |
| Cleaned core EBITDA | 611 | 466 | 31% |
| EBIT | 536 | 365 | 47% |
| Profit | 561 | 327 | 72% |
| EPS | 15,7 | 8,8 | 78% |
| Cumulated EPS | 44 | 38 | 17% |
| No. of transactions (ths) | 33.970 | 33.923 | 0% |



| | | | |
|---------------------------------------|-------------|---------------|--------------|
| Share price close as of 01/03/2022 | HUF 490 | Bloomberg | DUNAHHOU5 HB |
| Number of shares [million] | 34,6 | Reuters | DUNAHOUSE.BU |
| Market capitalization [HUF mn/EUR mn] | 15,570 / 44 | Free float | 30% |
| Daily turnover 12M [EUR th] | 1.46 | 52 week range | HUF 270-480 |

Good result, spectacular guidance, low valuation!

In short:

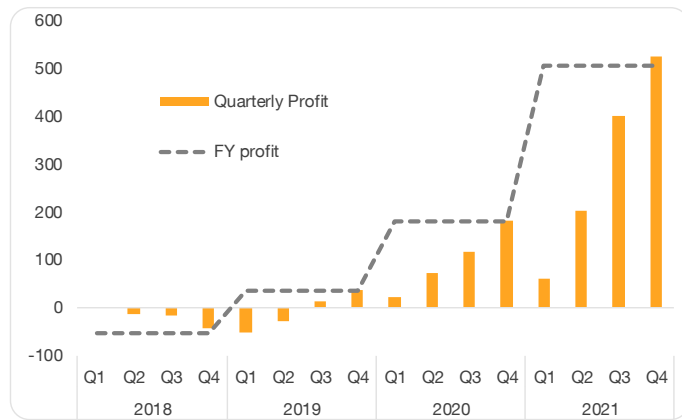
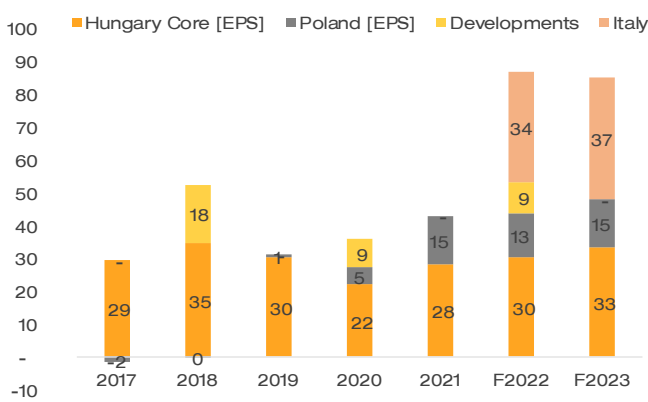
Senior Equity Analyst
Gellert Gaal
+361 489 2228
g.gaal@con.hu

50 Alkotás Street,
Budapest
www.con.hu

- DH reported its Q4 and FY guidance, proposed a HUF 32 per share dividend (DY: 6.5%) and gave a very promising guidance for 2022.
- **Key positives of the Q4 report:**
 - Reported profit arrived HUF 1.5 bn pushing down by a HUF 0.2bn one-off
 - Core profit exceeded the top of the guided range and came in at HUF 1.75 bn or 51 HUF per share.
 - Q4 result, core EBIDTA and core profit were +31 % and 42% (FX gain) higher than a year ago thanks to strong underlying operation which was present last quarter as well (Q3: EBIDTA +47%, profit +54% y-o-y).
 - Mgmt is planning to divest its investment portfolio which is valued at HUF 1.8 bn or 53 HUF / share.
 - Mgmt expect robust CF from development of FOREST HILL project to amount HUF 4.7 bn.
 - In total cash inflow from the above mentioned could reach HUF 6.5 bn translating to almost 40% of DH's market cap. Excluding that from market cap and comparing it to this year and next year with the

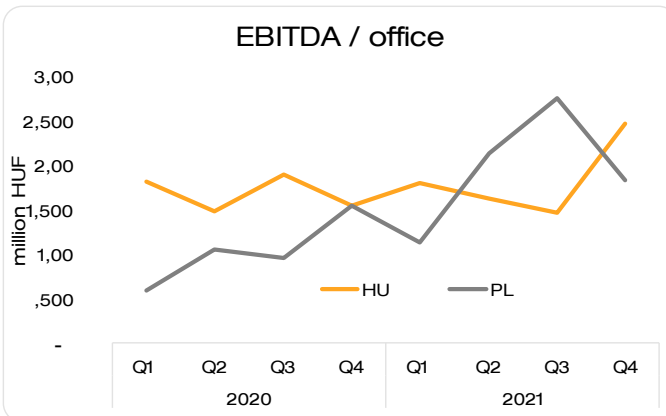
- middle of the guided profit P/E'21 would be 6.0x and P/E'22 would be 4x.
- o Please note that, mgmt. guide jump in profit as they consolidate (100% while DH's stake is 70%) the Italian acquisition that significantly boost profit from HUF 1750 million to HUF 2900 million (EPS'22 of 85).
 - o DPS for this year will be 32 HUF per share (DY: 6.4%), while next year keeping payout ratio flat should be 40 HUF per share (DY: 8%)
 - o Last but not least on debt level, which is important because DH fuelled its acquisition chiefly by debt. So net debt to EBITDA was 0.7x in the end of 2021, before the transaction, after the transaction it will go up to 2x net debt to EBITDA.

Group EPS & mgmt forecast & cummulative quarterly polish profit



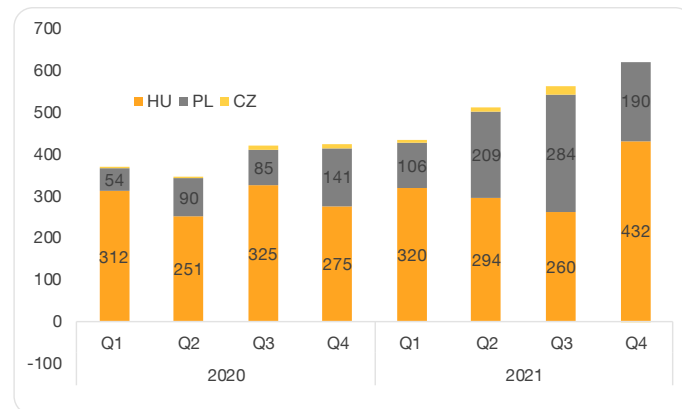
source: Concorde, DH

Strong improvement in profitability in Poland



source: Concorde, DH

quarterly EBITDA country breakdown



Opinion: We like the idea of streamlining the group's profile by selling the group investment property portfolio, and along with huge CF inflow from completion of the development project that mgmt. plans to either distribute as dividend or fuel further acquisition. Also, the guidance is really encouraging and implies decent dividend yield (DY'22: 6.5% DY'23:8%) for investors who would participate in the growth story of DH.

Valuation-wise, DH trades at very low valuation, based on reported profit'21 valuation implies a 9.6x, excluding the cash inflow from development project (HUF 4.8 bn) and the latest BV (1.8bn) of the investment portfolio from market capitalization we end up HUF 10.1 bn market cap. This should be compared with this year's adj. profit'21 of 1.75 bn and guided profit for next year of HUF 2.6 bn, translating to 6x and 4x P/E'21 and P/E'22 respectively. To put this in perspective, IPO valuation was around 12x P/E.

The foreign expansion was fuelled by debt, however the capital structure was rather suboptimal at 0.7x net debt / EBITDA level, which became healthy at post transaction level of 2.0 x net debt to EBITDA (bond issuance etc.), in our view. Please note that the second HUF 6 billion bond issuance occurred in 2022 therefore it is not visible in DH's 2021 EOY figures. We think mgmt. took the right steps to increase leverage especially at such an optimal interest expense of 3% (2020) and 4.5% (2022).

We refine our earnings model and incorporate the Italian operation along with the latest figures to assess our new target price.

DH'S SIMPLIFIED P&L

| [HUF mn] | 2020 | | | | 2021 | | | | Ch (%) | |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Y-o-Y | Q-o-Q |
| Revenue | 2.473 | 1.939 | 2.228 | 2.577 | 2.721 | 3.407 | 3.842 | 4.789 | 86% | 13% |
| Operating rev | 2.459 | 1.892 | 2.217 | 2.526 | 2.539 | 3.372 | 3.817 | 4.733 | 87% | 13% |
| Other income | 14 | 47 | 11 | 51 | 182 | 35 | 25 | 56 | 9% | -29% |
| OPEX | 2.167 | 1.656 | 1.861 | 2.212 | 2.351 | 2.977 | 3.372 | 4.253 | 92% | 13% |
| Cost of materi | 54 | 63 | 108 | 100 | 59 | 76 | 61 | 66 | -34% | -19% |
| Cost of sold g | 500 | 543 | 666 | 563 | 455 | 602 | 665 | 496 | -12% | 10% |
| Used services | 1.580 | 1.169 | 1.264 | 1.531 | 1.652 | 2.105 | 2.560 | 2.654 | 73% | 22% |
| Personnel exp | 223 | 155 | 210 | 218 | 191 | 212 | 216 | 222 | 2% | 2% |
| Depreciation & | 60 | 60 | 53 | 57 | 63 | 81 | 93 | 86 | 51% | 14% |
| Other operatir | -249 | -334 | -441 | -258 | -69 | -99 | -222 | 730 | -383% | 125% |
| EBITDA | 366 | 342 | 419 | 423 | 433 | 511 | 563 | 622 | 47% | 10% |
| Franchise | 96 | 60 | 171 | 169 | 184 | 137 | 180 | 137 | -19% | 31% |
| Own Offices | 1 | 20 | 25 | 3 | 61 | 59 | 52 | 60 | 2029% | -11% |
| Loan interm | 222 | 241 | 203 | 273 | 200 | 374 | 397 | 393 | 44% | 6% |
| Other relate | 39 | 20 | 37 | 30 | 15 | 17 | 15 | 23 | -23% | -12% |
| Real estate | 38 | 14 | 12 | -13 | -16 | -82 | -102 | 37 | -381% | 24% |
| Elimination | -29 | -12 | -29 | -39 | -11 | 8 | 21 | -28 | -26% | 166% |
| Cleaned Core | 372 | 367 | 454 | 459 | 471 | 629 | 667 | 611 | 33% | 6% |
| EBIT | 306 | 283 | 366 | 366 | 370 | 430 | 471 | 536 | 46% | 9% |
| Financial incon | 51 | 20 | 32 | 51 | 22 | 5 | 81 | 117 | 131% | 1522% |
| Financial expe | 30 | 27 | 37 | 62 | 74 | 110 | 73 | 38 | -39% | -33% |
| Revaluation | -13 | -11 | 269 | 51 | 24 | 17 | 70 | 46 | -10% | 314% |
| EBT | 314 | 265 | 631 | 405 | 343 | 342 | 549 | 661 | 63% | 60% |
| Income tax ex | 49 | 60 | 82 | 92 | 53 | 72 | 83 | 100 | 9% | 16% |
| Net income | 265 | 205 | 548 | 313 | 290 | 270 | 463 | 561 | 79% | 72% |
| Transaction Nur | 34.034 | 25.557 | 37.846 | 33.923 | 41.384 | 40.874 | 34.296 | 33.970 | 0% | -16% |
| Intermediated loa | 69.522 | 62.314 | 61.571 | 73.050 | 73.534 | 103.900 | 125.100 | 127.100 | 74% | 20% |
| EPS [after split] | 7,3 | 5,7 | 15,5 | 8,0 | 8,1 | 8,1 | 13,0 | 15,7 | 96% | 60% |
| EBIT margin | 12% | 15% | 16% | 14% | 14% | 13% | 12% | 11,2% | -21% | -3% |
| EBITDA margin | 15% | 18% | 19% | 16% | 16% | 15% | 15% | 13,0% | -21% | -2% |

| [HUF mn] | 2020 | | | | 2021 | | | | Ch (%) | |
|---------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Y-o-Y | Q-o-Q |
| EBITDA | 366 | 343 | 419 | 423 | 433 | 512 | 563 | 622 | 46% | 10% |
| HU | 312 | 251 | 325 | 275 | 320 | 294 | 260 | 432 | 57% | 66% |
| PL | 54 | 90 | 85 | 141 | 106 | 209 | 284 | 190 | 35% | -33% |
| CZ | 0,8 | 1,1 | 9,9 | 7,1 | 6,8 | 8,5 | 19,1 | -0,4 | -106% | -102% |

Source: DH

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|------------------------|---|
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| 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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