



CEE Equity Research | Hungary | Real Estate
16 October 2018

Duna House

Recommendation: Buy

Target price (12M): HUF 4,750

Equity Note

Management quantified the potential loss

The Management yesterday reacted to the sudden termination of subsidies of home saving account. The main points of the extraordinary are:

- 1) The management **confirmed its end year profit guidance** of HUF 950 m – 1,150 m for core operation. Despite the potentially missing volume and earnings in LTP in Q4, loan intermediation has been so robust that (in three quarters they have reached last year total intermediated loan volume) it should offset the missing earnings from LTP.
- 2) Mgmt. also quantified that until H1 the intermediation of LTP have contributed with ca HUF 68 million to gross profit. Thus the annualized figure for LTP gross profit of ca HUF 140 million is slightly lower than our first estimation for losses (HUF 150-200 million). **This means that the effect should be ca 340 HUF per share, 100 HUF per share lower compared to our first calculation of 440 HUF per share.**
- 3) Furthermore, the expected changes in legislation **might bring consolidation to the loan brokerage sector** over the mid or long term, whereby the Company's market share in mortgage loans might increase offsetting partly or completely the loss in revenues, according to the DH's management.

Opinion: We believe that the overall effect on the company is still negative however the impact might be lower than we initially estimated.

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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.
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Valuations and risks:

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