



CEE Equity Research | Hungary | Real Estate
30 March 2020

Duna House

Recommendation: Accumulate

Target price (12M): Under Revision

DH pays no dividend due to the quarantine (NEG)

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"In the Q4 2019 quarterly report, the Board of Directors of the Company has published its intention to propose dividend of HUF 450 million to the Annual General Meeting. The BoD hereby informs its Investors that in light of the crisis caused by the Covid-19 pandemic since the publication of the Q4 2019 report, it does not suggest dividend payment to the AGM on April 17, 2020.

The economic impact of the Covid-19 pandemic and its effect on the Company's markets cannot be forecasted, at the moment. In the current uncertainty, the key short term goal of the BoD is to maintain business continuity and preserve the outstanding liquidity of the Company, therefore made a precautionary decision. The BoD is committed to stable dividend payment and will return to the dividend policy kept since the IPO in 2016, as soon as the residential development projects planned to complete in 2020 and the liquidity position of the group allow that."

Opinion: It is not uncommon to preserve cash by cut dividends in this severe economic shock. Duna House business model relies heavily on services especially on loan intermediation (ca. 50% of EBIT) which activity should significantly slow as a result of the quarantine. DH fixed FY cost amounted to HUF 1.0 – 1.2 bn (HUF 0.2 bn/months) vs EBIT of HUF 1.4 bn in 2019. In the end of last year had HUF 1.6 bn cash, HUF 1.8 bn worth of investment properties while on the liability side the company had HUF 6 bn debt out of which ca. HUF 5 bn is related to the development projects. We expect negative price reaction.

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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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Valuations and risks:

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