

Duna House Holding Nyrt.

Hungary, Business Services

Rating composition

| Business risk profile | | |
|------------------------------|--------------|--------------|
| Industry risk profile | BBB- | BB- |
| Competitive position | BB- | |
| Financial risk profile | | |
| Credit metrics | BB | BB |
| Liquidity | +/-0 notches | |
| Standalone credit assessment | | BB- |
| Supplementary rating drivers | | |
| Financial policy | +/-0 notches | +/-0 notches |
| Governance & structure | +/-0 notches | |
| Parent/government support | +/-0 notches | |
| Peer context | +/-0 notches | |
| Issuer rating | | BB- |

Key metrics

| | | | Scope estimates | |
|----------------------------------------------|---------------------|-------|-----------------|-------|
| Scope credit ratios* | 2023 | 2024 | 2025E | 2026E |
| Scope-adjusted EBITDA interest cover | net interest income | 18.0x | 7.8x | 10.3x |
| Scope-adjusted debt/EBITDA | 4.8x | 2.6x | 2.6x | 1.8x |
| Scope-adjusted funds from operations/debt | 17% | 24% | 27% | 35% |
| Scope-adjusted free operating cash flow/debt | 21% | 16% | 28% | 24% |
| Liquidity | >200% | >200% | No ST Debt | >200% |

Rating sensitivities

The upside scenarios for the ratings and Outlook (collectively):

- Debt/EBITDA maintained below 3.0x.
- Improved business risk profile, e.g. through increased size leading to greater diversification.
- Stabilised group structure.

The downside scenarios for the ratings and Outlook (individually):

- Debt/EBITDA around 4.0x on a sustained basis.
- Increased substitution risk for the issuer's business model, e.g. indicated by declining market shares or deterioration in profitability.

*All credit metrics refer to Scope-adjusted figures.

Issuer

BB-

Outlook

Stable

Senior unsecured debt

BB-

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Related methodologies

[General Corporate Rating Methodology](#), February 2025
[European Business and Consumer Services Rating Methodology](#), Jan 2025

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1. Key rating drivers

Positive rating drivers

- Strong position in Central and Eastern European real estate and loan brokerage markets (ranked first in Hungary, second in Poland) and in the Italian loan brokerage market (top three)
- Asset-light business model, hence little financial debt and moderate financial leverage
- Diversified across several real estate-related services and countries; high customer granularity
- Most debt at fixed rates

Negative rating drivers

- Dependency on general transaction dynamics in the real estate and loan markets in Central and Eastern Europe and Italy, with few non-transaction-based recurring revenues
- Fierce competition in online real estate brokerage
- International expansion via M&A poses execution and integration risks, particularly given the size and complexity of the recent acquisition in Italy
- Volatile cash flows

2. Rating Outlook

The Stable Outlook is based on the expectation that Duna House will successfully implement its expansion strategy while maintaining its current solid credit metrics. This includes debt/EBITDA below 3x, which is supported by organic and inorganic EBITDA growth, thanks to normalising demand in the company's main market.

3. Corporate profile

Duna House Group is based in Budapest and was founded in 1998 as a real estate company providing consulting services to foreign investors. In 2003, the company adopted a franchise business model leading to expansion all over Hungary. In 2004, Duna House further expanded its activities to provide a full range of services to sellers and buyers, which today includes real estate brokerage, loan brokerage, loan insurance and other financial services as well as property appraisals. The company is the largest franchise network of real estate agents in Hungary and Poland, and the second largest loan broker in Italy following the acquisition of Hgroup in January 2022. Duna House is also present in the Czech Republic.

4. Rating history

| Date | Rating action/monitoring review | Issuer rating & Outlook |
|-------------|---------------------------------|-------------------------|
| 11 Jun 2025 | Affirmation | BB-/Stable |
| 17 Jun 2024 | Affirmation | BB-/Stable |
| 16 Nov 2023 | Affirmation | BB-/Stable |

5. Financial overview (financial data in HUF '000s)

| Scope credit ratios | Scope estimates | | | | | |
|----------------------------------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2023 | 2024 | 2025E | 2026E | 2027E |
| EBITDA interest cover | net interest income | net interest income | 18.0x | 7.8x | 10.3x | 12.9x |
| Debt/EBITDA | 3.1x | 4.8x | 2.6x | 2.6x | 1.8x | 1.7x |
| Funds from operations/debt | 24% | 17% | 24% | 27% | 35% | 38% |
| Free operating cash flow/debt | 71% | 21% | 16% | 28% | 24% | 28% |
| Liquidity | >200% | >200% | >200% | No ST Debt | >200% | >200% |
| EBITDA | | | | | | |
| Reported EBITDA | 4,450,453 | 3,159,634 | 5,277,447 | 7,858,006 | 8,540,448 | 10,729,729 |
| add: recurring dividends from associates | 194,500 | 91,500 | 1,500 | 2,607 | 2,607 | 2,607 |
| Other items (incl. one-offs) ¹ | (1,000,000) | (819,000) | (600,000) | (1,620,022) | - | - |
| EBITDA | 3,644,953 | 2,432,134 | 4,678,947 | 6,240,591 | 8,543,055 | 10,732,336 |
| Funds from operations (FFO) | | | | | | |
| EBITDA | 3,644,953 | 2,432,134 | 4,678,947 | 6,240,591 | 8,543,055 | 10,732,336 |
| less: interest | 64,395 | 390,765 | (260,166) | (799,907) | (826,959) | (829,291) |
| less: cash tax paid | (1,006,956) | (837,860) | (1,509,095) | (2,039,303) | (2,309,490) | (3,113,695) |
| Other non-operating charges before FFO | - | - | - | 1,030,941 | (111,768) | (124,552) |
| Funds from operations | 2,702,392 | 1,985,039 | 2,909,686 | 4,432,322 | 5,294,838 | 6,664,798 |
| Free operating cash flow (FOCF) | | | | | | |
| Funds from operations | 2,702,392 | 1,985,039 | 2,909,686 | 4,432,322 | 5,294,838 | 6,664,798 |
| Change in working capital | 5,320,190 | 311,909 | 149,091 | 1,200,241 | (369,558) | (441,772) |
| Non-operating cash flow | (214,439) | - | - | - | - | - |
| less: capital expenditures (net) | 510,665 | 601,998 | (506,444) | (469,662) | (688,937) | (666,929) |
| less: lease amortisation | (236,731) | (502,717) | (566,137) | (566,137) | (566,136) | (566,137) |
| Free operating cash flow | 8,082,077 | 2,396,229 | 1,986,196 | 4,596,765 | 3,670,206 | 4,989,960 |
| Interest | | | | | | |
| Net cash interest per cash flow statement | (64,395) | (390,765) | 260,166 | 799,907 | 826,959 | 829,291 |
| Interest | (64,395) | (390,765) | 260,166 | 799,907 | 826,959 | 829,291 |
| Debt | | | | | | |
| Reported financial (senior) debt | 16,583,460 | 15,742,300 | 15,170,362 | 19,271,262 | 17,308,405 | 18,316,976 |
| less: cash and cash equivalents ² | (5,369,457) | (4,146,575) | (2,828,335) | (3,140,066) | (2,174,974) | (581,416) |
| add: non-accessible cash | 92,553 | - | - | - | - | - |
| Debt | 11,306,553 | 11,595,726 | 12,342,028 | 16,131,196 | 15,133,431 | 17,735,560 |

¹ EBITDA from the real estate development business, considered non-core.

² Cash differs from the one reported in the liquidity table as in the calculation of the adjusted debt we only consider 50% of cash netting as permanent and accessible.

6. Environmental, social and governance (ESG) profile³

| Environment | Social | Governance |
|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency) | Labour management | Management and supervision (supervisory boards and key person risk)  |
| Efficiencies (e.g. in production) | Health and safety (e.g. staff and customers) | Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)  |
| Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables) | Clients and supply chain (geographical/product diversification) | Corporate structure (complexity)  |
| Physical risks (e.g. business/asset vulnerability, diversification) | Regulatory and reputational risks | Stakeholder management (shareholder payouts and respect for creditor interests)  |

ESG factors:  credit-positive  credit-negative  credit-neutral

No material ESG risk has been identified.

ESG assessment is neutral

As a real estate agency, the major ESG risks Duna House is exposed to are typically regulatory, reputational and governance-related. Environmental risks are not significant given the asset-light business model. However, ESG risks could materialise from a mis-selling of loans (social) and the current lack of independent oversight of the board (governance).

We acknowledge a good level of transparency and the timely disclosure of financial information.

³ These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

7. Business risk profile: BB-

Duna House is a Hungarian real estate agency, which provides services including loan brokerage, insurance, real estate brokerage, real estate management and property appraisal. The company has also been active in real estate development (industry risk of B) but will mostly be exposed to business services in the future. Our methodology on business services indicates a BBB- industry risk profile, based on the asset-light business model and specialised workforce.

BBB- industry risk profile

The issuer's market position is credit-positive. Duna House has the leading platform in Poland and is one of the two largest real estate brokerage platforms in Hungary (the other is Otthon Centrum, which has a similar size in terms of listings, offices and salespersons). With the recent acquisition of Hgroup, Duna House is now also a top three loan broker in Italy. After a slowdown in 2023, primarily driven by the interest rate spike, all Duna House markets recovered in 2024. This led to robust 33% year-over-year revenue growth (excluding non-core business), marking the issuer's return to strong expansion. Moving forward, we anticipate high revenue growth, fuelled by both organic development and acquisitions.

Leading market position in Hungary, Poland and Italy...

Nonetheless the issuer remains a small player when compared to international real estate brokers. Duna House operates in very fragmented markets, limiting potential pricing opportunities. However, all these markets present opportunities for growth through consolidation. We therefore see Duna House as well positioned to further improve its market share in all of them.

...but relatively small size

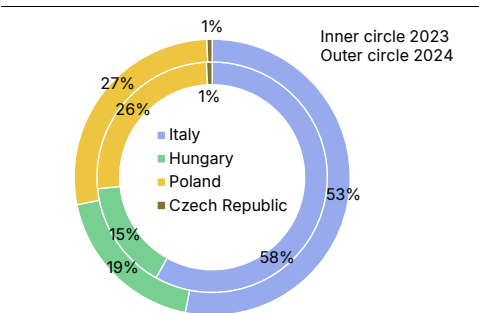
The issuer's presence in four European countries (Italy with 53% of 2024 revenue, Poland with 27%, Hungary with 19% and the Czech Republic with 1%) indicates good geographical outreach. Following the acquisition of the Italian company Hgroup, geographical diversification has increased, with Italy now generating the largest share of the issuer's revenue and EBITDA. Although moderate concentration risk exists due to Italy's significant contribution (53% of revenue, 56% of EBITDA in 2024), this risk is partially mitigated by operations in countries with different macroeconomic trends. The company's plans for further expansion outside of existing markets suggest that diversification will likely improve over time.

Good geographical outreach

Customer granularity is very high with Duna House targeting retail brokerage clients and real estate buyers. However, the product offer is highly cyclical, as it is vulnerable to macroeconomic trends and interest rate fluctuations. This negative driver is partially mitigated by the offer of long-term services, such as insurance and property management, as well as efforts to enhance cross-selling opportunities, underpinned by the recent agreement with Professione Casa, a real estate broker in Italy. The Hgroup subsidiaries Credipass and Medioinsurance will be the exclusive loan brokerage and insurance providers to the clients of Professione Casa for 15 years.

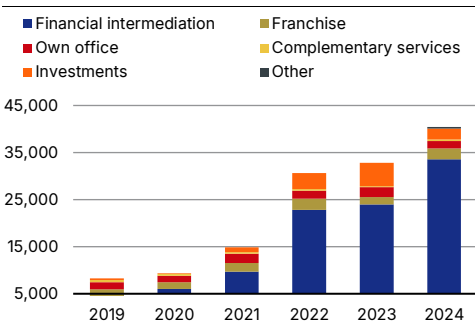
Products sensitive to macro-economic trends

Figure 1: Revenue by country



Sources: Duna House, Scope

Figure 2: Revenue; product category (HUF m)



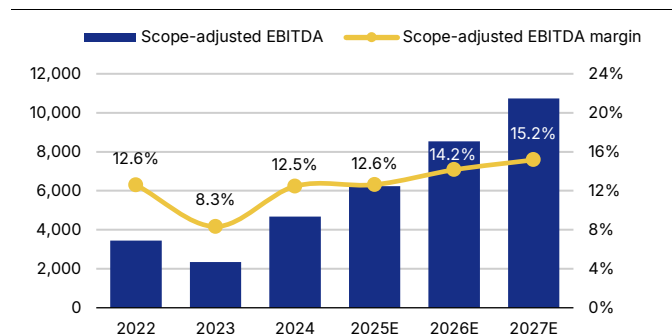
Sources: Duna House, Scope

Operating profitability, as measured by the EBITDA margin, has been in the range of 15% to 30% in recent years. Despite growing revenues, EBITDA margins have been declining for years as the aggressive expansion policy has penalised efficiency on the cost side. After declining to around 8% in 2023 due to inflation and rising operating costs, the EBITDA margin returned to 12% in 2024, supported by higher revenue growth (up 32% YoY) thanks to less severe inflation and a general market recovery. The completed onboarding of the Italian business also supported the higher margins. Looking ahead, we anticipate slight margin volatility amid the expected return to an

Profitability improved following a weak 2023

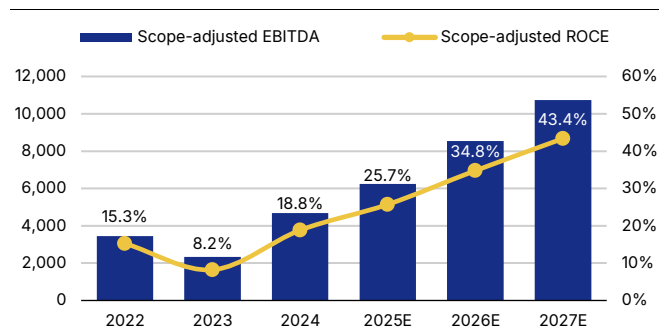
acquisition strategy. However, we project that robust cost control, a more moderate inflationary environment, the potential realisation of economies of scale, and revenue growth will collectively enable margins to be sustained within the 11%-15% range.

Figure 3: EBITDA margin (excl. development; EBITDA in HUF m)



Sources: Duna House, Scope estimates

Figure 4: EBITDA return on capital invested (excl. development; EBITDA in HUF m)



Sources: Duna House, Scope estimates

Service strength is a negative rating driver. While Duna House has a well-established brand in its three main countries of operation, the nature of the services it provides (mostly one-off) afford limited opportunities to established long-term client relationships. In addition, the high competition in the brokerage markets makes it easier for buyers to switch from one provider to the other, depending on the offer. Service strength could be improved by a focus on cross-selling opportunities, especially insurance packages, which source recurring revenues and long-term clients.

Service strength is low

8. Financial risk profile: BB

We continue to assess Duna House's financial risk profile at BB. This reflects strong interest coverage and liquidity but also the risk of higher leverage and volatile cash flows amid the expansion strategy.

In 2023, leverage, as measured by debt/EBITDA, temporarily spiked to 4.8x due to a decline in EBITDA. However, as we anticipated in our previous forecast, the ratio returned to below 3x in 2024. This improvement was driven by a recovery in EBITDA, fuelled by better market conditions across all operating regions and effective cost efficiency measures.

Leverage to remain moderate

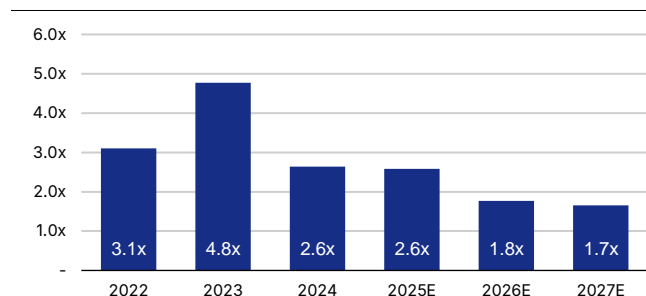
Duna House plans to finance its upcoming acquisitions with approximately 70% of cash and 30% of new loans. The company is nearing an agreement for a HUF 4.1bn loan at a 5% interest rate with a seven-year term, expected to be issued in 2025. This initial financing, however, might not be sufficient to cover all planned acquisitions. Consequently, we anticipate an additional HUF 3bn in debt issuance during the forecast period.

...despite partially debt financed acquisitions

We project that the EBITDA growth from both current operations and new businesses will largely offset the increase in debt, supporting a reduction in leverage to below 2x from 2026 onwards.

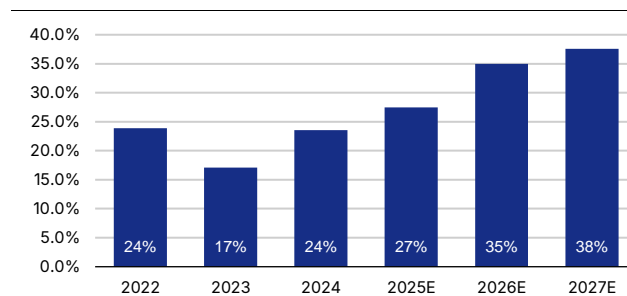
Robust interest coverage

Figure 5: Debt/EBITDA



Sources: Duna House, Scope estimates

Figure 6: Funds from operations/debt



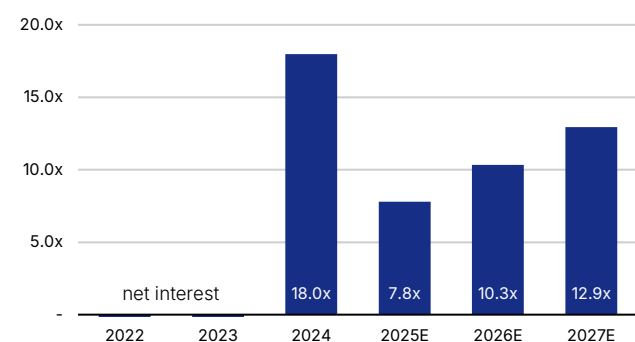
Sources: Duna House, Scope estimates

EBITDA interest cover has been very comfortable over the last few years, even after the new bond issuance, thanks to the asset and debt light business model. In 2022 and 2023, net positive interest income was generated thanks to the high interest rate on deposits, while the ratio fell in 2024 due to lower interest income on deposits. While the upcoming debt issuance is expected to carry a higher interest rate, likely around 5%, our forecast scenario anticipates an average cost of debt slightly above 4% (compared to 3.8% in 2024). With approximately 89% of the company's debt carrying a fixed interest rate, interest cover is projected to temporarily decline to around 8x in 2025 before rebounding to levels above 10x in 2026, driven by strong EBITDA growth linked to the organic and inorganic expansion.

While EBITDA and funds from operations have been relatively stable, we see elevated volatility of free operating cash flows, caused by the company's real estate development activities. We anticipate reduced cash flow volatility going forward, largely due to the discontinuation of development activities. We project cash flow consistently sustained between 20% and 30%.

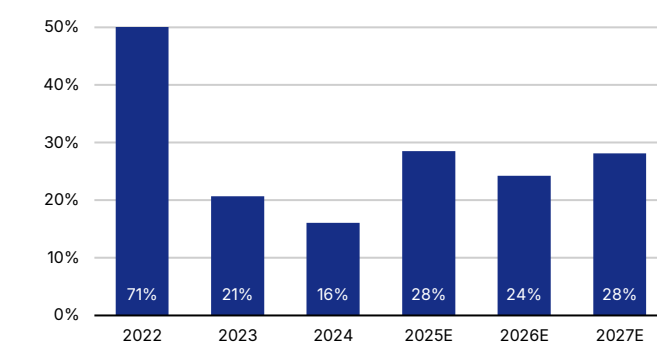
Cash flow to stabilise

Figure 7: EBITDA/Interest cover



Sources: Duna House, Scope estimates

Figure 8: Free operating cash flow/debt



Sources: Duna House, Scope estimates

However, we note the uncertainty surrounding future EBITDA and the potential for higher-than-expected capital expenditures for the newly acquired companies. These factors could easily lead to cash flow fluctuations.

Liquidity is adequate, supported by strong available cash (around HUF 5.6bn at year-end 2024) and positive free operating cash flow. Approximately HUF 2bn in debt repayment is projected in 2026 (one of the bonds starts amortising at a 20% rate and other loans), which is largely covered by available cash.

Adequate liquidity

Duna House's senior unsecured bonds issued under the Hungarian National Bank's Bond Funding for Growth Scheme have a covenant requiring the accelerated repayment of the outstanding nominal debt amount (HUF 12.9bn) if the debt rating of the bonds stays below B+ for more than two years (grace period) or drops below B- (accelerated repayment within 15 days). Such a development could adversely affect the company's liquidity profile. The rating headroom to entering the grace period is one notch. We therefore see no significant risk of the rating-related covenant being triggered.

Table 1. Liquidity sources and uses (in HUF m)

| | 2024 | 2025E | 2026E |
|-------------------------|-----------------|-----------------|-----------------|
| Unrestricted cash (t-1) | 8,293 | 5,656 | 6,280 |
| FOCF (t) | 1,986 | 4,596 | 3,670 |
| Short-term debt (t-1) | 309 | - | 1,962 |
| Liquidity | >200% | >200% | >200% |

Sources: Duna House, Scope estimates

9. Debt rating

We have affirmed the BB- rating on all senior unsecured debt issued by Duna House. Our recovery assessment is based on an ongoing concern in a hypothetical default scenario in 2026 and indicates an 'average' recovery for bond holders.

Senior unsecured debt rating: BB-

Duna House has issued two bonds through the Hungarian central bank's Bond Funding for Growth Scheme. The first bond was issued in September 2020 (HUF 6.9bn, HU0000359914) with a tenor of 10 years and a fixed coupon of 3%. Bond repayment starts in 2026 with 20% early amortisation. The second bond was issued in January 2022 (HUF 6bn, HU0000361217), with a tenor of 10 years and a fixed coupon of 4.5%. Bond repayment starts in 2028 with a 20% yearly amortisation.

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