

Business description

Libertas 7 (LIB), is a family group with headquarters in Valencia (Spain) structured around three areas: (i) property development and management, (ii) tourism management, with the leasing of 76 apartments and the management of a hotel, and (iii) financial investment, via the management of its own assets through investment in stocks and private equity. It is managed and controlled by the founding family (c. 70% of capital).

Market Data

Market Cap (Mn EUR and USD)	19.5	20.8
EV (Mn EUR and USD) ⁽²⁾	28.7	30.6
Shares Outstanding (Mn)	21.9	
-12m (Max/Med/Mín EUR)	1.93 / 1.14 / 0.87	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	3.9	
Factset / Bloomberg	LIB-ES / LIB SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Noguera Family and others	80.0
Treasury stock	3.8
Free Float	16.2

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-8.2	-1.1	-35.0	-57.5
vs Ibex 35	-10.5	-10.8	-42.9	-55.6
vs Ibex Small Cap Index	-10.1	-13.5	-38.6	-65.2
vs Eurostoxx 50	-9.2	-6.5	-41.9	-65.8
vs Sector benchmark ⁽⁴⁾	-2.5	-1.8	-4.5	-42.1

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Stoxx Europe 600 Real Estate.

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

The start of a new development cycle (visible from 2025e) that does not seem to have been priced yet

A DELAY IN THE EXECUTION OF THE TITLE DEEDS OF A DEVELOPMENT HAS IMPACTED THE REVENUE OF THE DEVELOPMENT BUSINESS... LIB's property development business closed 2022 with the delivery of 28 homes (essentially of the Drassanes building, vs our estimate of 39). A difference in deliveries explained exclusively by the delay in the delivery of the Crisálida building (33 homes) of which we were expecting delivery of 15 homes in 4Q and that will finally be delivered in 2023e (already started in January; impact of c. EUR 7Mn). The above translates to revenue from the property business of EUR 7.3Mn (vs EUR 13.8Mn in 2021).

... THE GOOD NEWS COMES FROM SALES AND RESERVATIONS OF DEVELOPMENTS IN PROGRESS (EUR 12.2Mn). At the 2022 close the volume of pre-sales in new build developments was EUR 12.2Mn out of a stock of 106 homes, of which 31% already have a contract (the Crisálida building) and 23% a reservation. Current stock pending sale is EUR 13.8Mn, plus the new San Antonio de Benagéber plot (estimated sales of c. EUR 10.5Mn).

WITH A TOURISM BUSINESS ALREADY AMPLY EXCEEDING 2019 LEVELS (REVENUE: +15% VS 2019). LIB's tourism business (76 rental apartments and a hotel with 42 rooms) ended 2022 with revenue of EUR 2.5Mn, an amount that not only amply exceeds that obtained in the same period of 2021, but also amply exceeds that generated in 2019 (+15%).

AND, DESPITE THE BACKDROP, THE INVESTMENT PORTFOLIO GENERATED A RETURN OF 1.2%, ENDING THE YEAR WITH A MARKET VALUE OF EUR 50.4Mn. 2022 was a particularly difficult year for the equity market, with significant losses in the main indices (SP500 -19.5%, Eurostoxx 50 -11.7%). Despite, this the overall return on LIB's portfolio was 1.2% leaving its market value at EUR 50.4Mn (EUR 57.9Mn including liquidity). The dividends obtained increased to EUR 1.2Mn (+19.5%; yield 2.5%).

NET DEBT, EUR 33.3Mn (-4% VS 2021; ND/ASSETS 28%). Despite the acquisition of three new plots of land (with which to start a new growth stage), LIB ended 2022 with net debt (ex investment portfolio) of EUR 33.3Mn (-4% vs 2021). This implies ND/assets of 28% (vs 30% in 2021). This represents a very comfortable financial position (and is smaller than the company's investment portfolio).

ALL THE ATTENTION SHOULD BE FOCUSED ON 2025E. Results in line with expectations, except for the delay in the delivery of the Crisálida building to 2023e (that will lead us to adjust our estimates for 2023) and that mark the beginning of a new cycle for the development business (whose fruits will be obtained in 2025e, when turnover should exceed EUR 20Mn, above highs of EUR 17Mn in 2021 and EUR 11.5Mn in 2022).

POTENTIAL RESERVE OF VALUE. If we subtract from the investment portfolio (EUR 50.4Mn; very liquid) the net debt (EUR 33.3Mn) we obtain a very similar amount to the current capitalisation (EUR 17Mn vs EUR 19.5Mn cap.). A potential (evident?) reserve of value apparently unnoticed by the market as the current market cap. is not assigning any value to the development business (pre-sales of EUR 12.2Mn, stock pending sale for a further EUR 13.8Mn) or the tourism activity (76 apartments valued at EUR 21.5Mn).

Appendix 1. Results table

EUR Mn	12m22 Real		
	12m22 Real	12m21	vs 12m21
Total Revenues	11.6	16.5	-29.8%
EBITDA	1.9	0.7	188.3%
Rec. EBITDA/Revenues	16.6%	4.0%	12.5 p.p.
EBIT	2.8	2.5	11.9%
PBT	2.2	1.6	38.0%
NP	1.5	1.2	23.4%
	2022	2021	
Net Debt	33.3	34.7	-3.9%
Book value	92.3	91.5	0.9%
Investment Portfolio	50.4	53.8	-6.4%

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	19.5	
+ Minority Interests	-	12m Results 2022
+ Provisions & Other L/T Liabilities	0.2	12m Results 2022
+ Net financial debt	33.3	12m Results 2022
- Financial Investments	1.5	12m Results 2022
+/- Others ⁽¹⁾	(22.9)	12m Results 2022
Enterprise Value (EV)	28.7	

(1) Related to: (i) the book value (not actuarial) of deferred tax assets and liabilities (EUR 35.9Mn and EUR 13.7Mn, respectively) and (ii) the market value of treasury stock (EUR 0.7Mn)

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
02-Mar-2023	n.a.	0.89	n.a.	n.a.	12m Results 2022	David López Sánchez
28-Oct-2022	n.a.	0.96	n.a.	n.a.	9m Results 2022	David López Sánchez
02-Aug-2022	n.a.	1.10	n.a.	n.a.	6m Results 2022	David López Sánchez
03-May-2022	n.a.	1.66	n.a.	n.a.	3m Results 2022	David López Sánchez
02-Mar-2022	n.a.	1.37	n.a.	n.a.	12m Results 2021	David López Sánchez
25-Oct-2021	n.a.	1.88	n.a.	n.a.	9m Results 2021	David López Sánchez
02-Aug-2021	n.a.	2.19	n.a.	n.a.	6m Results 2021	David López Sánchez
07-Jul-2021	n.a.	2.52	n.a.	n.a.	Initiation of Coverage	David López Sánchez

