

EQUITY - SPAIN
 Sector: Real Estate

 Closing price: EUR 7.10 (18 Apr 2023)
 Report date: 19 Apr 2023 (08:00h)

Estimates upgrade
 Independent Equity Research

Inmobiliaria del Sur (ISUR), is a property company with headquarters in Seville and a presence in Andalusia and Madrid, whose business model combines a development activity (residential and tertiary) with a property management business, that has a portfolio of rental assets (mainly offices), both activities having a significant weighting in terms of GAV. The board directly and indirectly controls c. 64% of capital.

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2023e: pre-sales are a good starting point, despite the sector's current situation

Market Data

Market Cap (Mn EUR and USD)	132.6	145.3
EV (Mn EUR and USD) ⁽¹⁾	375.3	411.4
Shares Outstanding (Mn)	18.7	
-12m (Max/Med/Min EUR)	8.14 / 7.60 / 6.91	
Daily Avg volume (-12m Mn EUR)	0.05	
Rotation ⁽²⁾	9.5	
Factset / Bloomberg	ISUR-ES / ISUR SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Board of Directors	64.4
Free Float	35.6

Financials (Mn EUR)	2022	2023e	2024e	2025e
Adj. n° shares (Mn)	18.7	18.7	18.7	18.7
Total Revenues	117.8	146.5	198.7	265.0
Rec. EBITDA	20.9	27.3	34.8	50.2
% growth	-7.0	31.0	27.2	44.4
% Rec. EBITDA/Rev.	17.7	18.7	17.5	19.0
% Inc. EBITDA sector ⁽³⁾	10.6	6.7	6.6	4.5
Net Profit	15.0	9.7	14.9	26.4
EPS (EUR)	0.80	0.52	0.80	1.42
% growth	18.8	-35.2	53.4	77.3
Ord. EPS (EUR)	0.46	0.52	0.80	1.42
% growth	-12.2	13.9	53.4	77.3
Rec. Free Cash Flow ⁽⁴⁾	-41.2	-18.7	-1.7	8.5
Pay-out (%)	39.8	40.0	40.0	40.0
DPS (EUR)	0.32	0.21	0.32	0.57
Net financial debt	239.9	264.6	270.1	267.6
ND/Rec. EBITDA (x)	11.5	9.7	7.8	5.3
ROE (%)	11.3	7.0	10.2	16.3
ROCE (%) ⁽⁴⁾	4.0	4.4	5.5	7.9

Ratios & Multiples (x) ⁽⁵⁾

P/E	8.8	13.6	8.9	5.0
Ord. P/E	15.5	13.6	8.9	5.0
P/BV	1.0	0.9	0.9	0.8
Dividend Yield (%)	4.5	2.9	4.5	8.0
EV/Sales	3.19	2.56	1.89	1.42
EV/Rec. EBITDA	18.0	13.7	10.8	7.5
EV/EBIT	19.9	16.2	12.3	8.2
FCF Yield (%) ⁽⁴⁾	n.a.	n.a.	n.a.	6.4

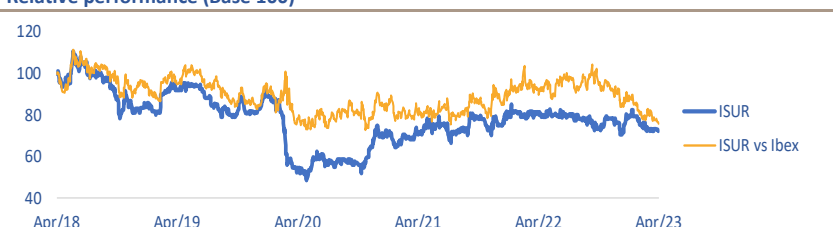
PRE-SALES ARE A GOOD STARTING POINT FOR 2023E. ISUR ended 2022 with a pre-sales portfolio of 680 units (EUR 202.1Mn; +15.7% vs 2021). This level covers c. 90% of forecast deliveries for 2023e and c. 36% for 2024e. Meanwhile, the current land bank ensures a significant increase in activity: ISUR has a land bank that should allow for the construction of c. 4,000 homes, of which 2,200 are already being marketed. This bodes well for a sharp jump in deliveries for ISUR in 2025e (c. 850 homes 2025e vs c. 400 in 2023e).

THE PROPERTY MANAGEMENT BUSINESS CONTINUES TO PROVIDE HIGH VISIBILITY (TO BOTH REVENUE AND MARGINS). The property management business delivered an excellent performance in 2022 (occupancy: +2.7p.p. to 90.4% and Rec. EBITDA margin of 80%), generating c. 65% of total EBITDA in 2022 (even though the business has a high capacity to convert EBITDA into cash).

WE ARE UPGRADING OUR 2024E ESTIMATES. We have revised down our estimate for deliveries in 2023e slightly (to 400 homes), but are raising estimate for deliveries in 2024e to c. 500 homes (vs 450 previously and c. 380 in 2022 and 2021). In 2024e, we estimate sales of EUR 200Mn and EBITDA of c. EUR 35Mn (+10% vs our previous estimate).

DESPITE THE INCREASE IN NET DEBT, GEARING WILL REMAIN REASONABLE (LTV < 45%). The strong growth expected in deliveries for 2025e, coupled with the execution of tertiary development projects, will imply a significant increase in investment requirements. Even so, gearing should remain at reasonable levels, with an average LTV of <45% for the period and EBITDA remaining consistently above 3x interest.

A 'RARE' COMBINATION OF VALUE AND LOW RISK. Overall, the situation of the sector at present is not good. However, ISUR boasts several unique factors (land bank, vertical integration, property management business with quality assets) that allow the company to weather periods of uncertainty, like now, with a greater degree of visibility. Even more, the shares are trading at a discount of c. 60% to NAV.

Relative performance (Base 100)


Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-1.4	-8.0	-11.1	1.3	32.8	-27.5
vs Ibex 35	-8.7	-12.8	-17.9	-11.6	-3.1	-24.1
vs Ibex Small Cap Index	-0.5	-5.5	-4.8	-9.1	-8.8	-32.6
vs Eurostoxx 50	-8.8	-12.6	-22.1	-12.6	-12.7	-42.4
vs Sector benchmark ⁽³⁾	-3.9	4.8	38.9	2.7	67.2	10.5

(1) Please refer to Appendix 3.

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

(3) Sector: Stoxx Europe 600 Real State.

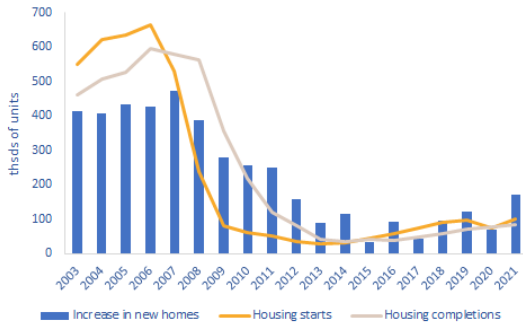
(4) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

(5) Multiples and ratios calculated over prices at the date of this report.

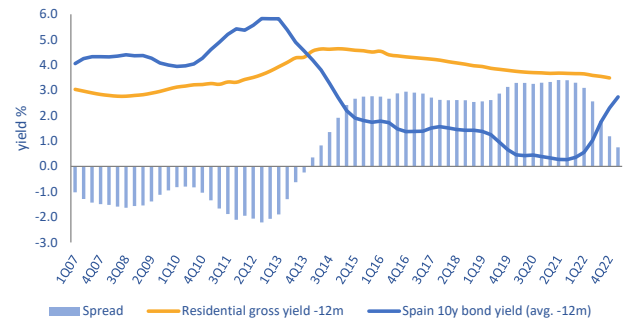
(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

La compañía en 8 gráficos

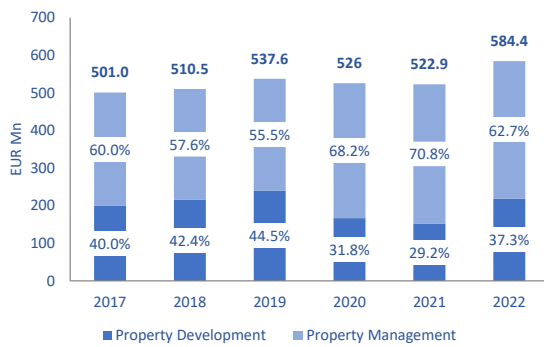
Supply-demand imbalance: a long-term growth driver for the Spanish residential sector



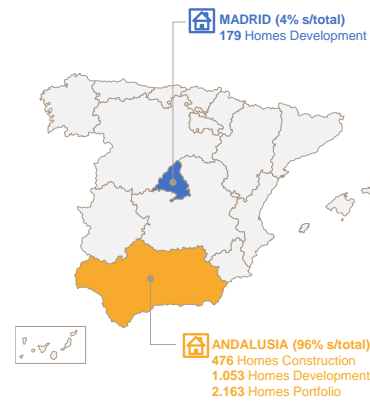
Although the macro and interest rates will weigh heavy in the short term for the property sector



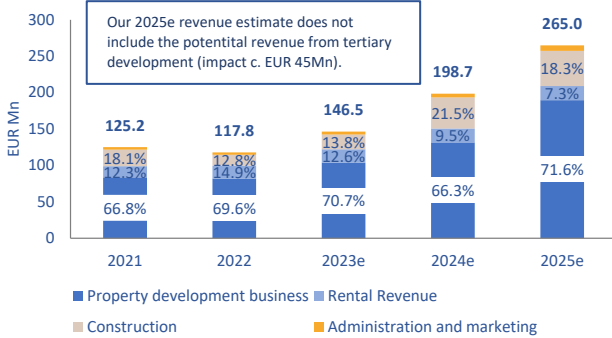
ISUR: A unique property company, combining development and management businesses (both with significant weighting in GAV)



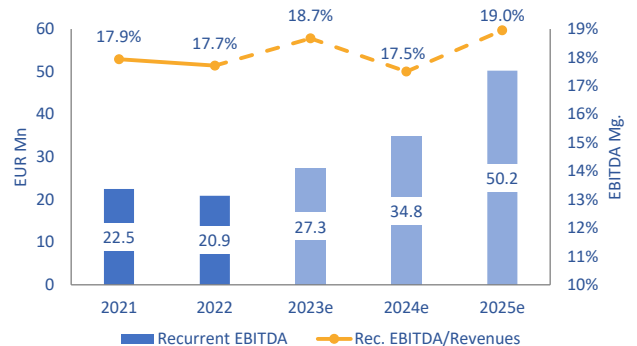
With a land bank for building 4,000 homes (40% being marketed), maintaining unique exposure in Andalusia



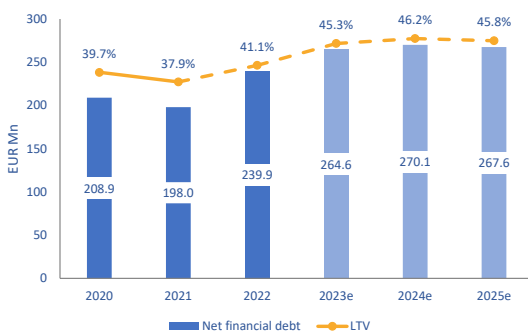
2024e should see a company with revenue of EUR 200Mn...



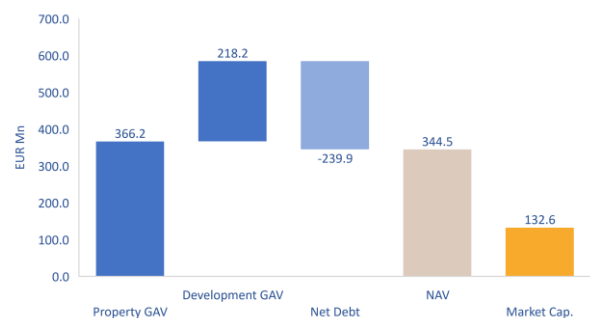
... and EBITDA of c. EUR 35Mn (+29% CAGR 2022-2024e)



despite the rebound in investment, leverage will remain reasonable (LTV c. 45%)



Trading at a discount of 60% vs the NAV at September 2022e

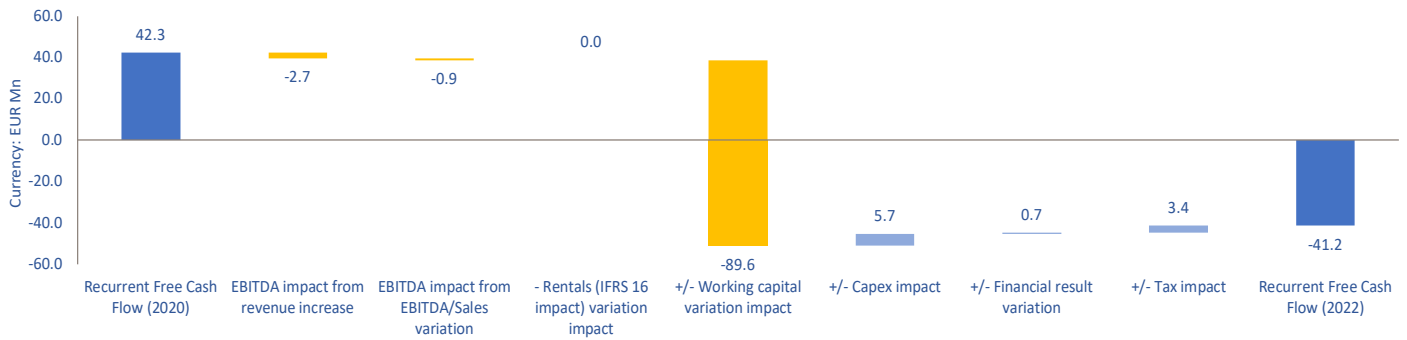
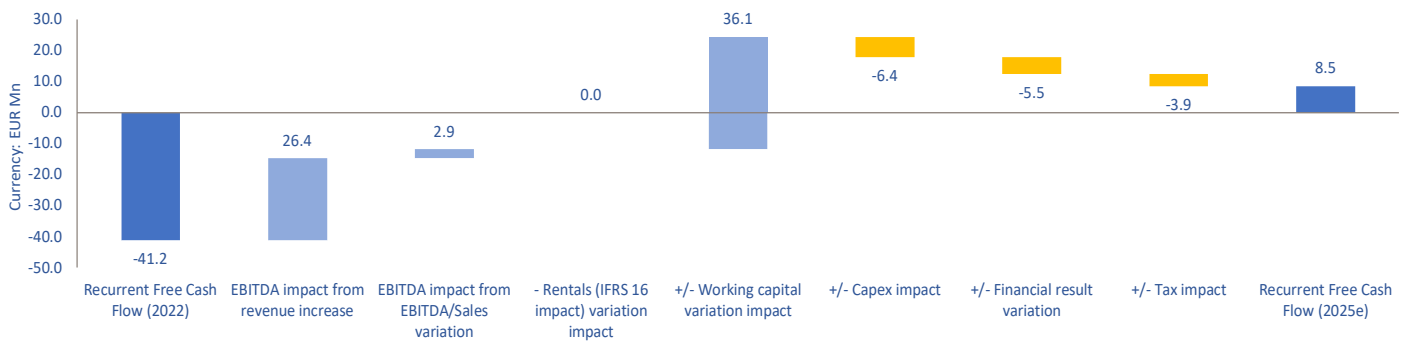
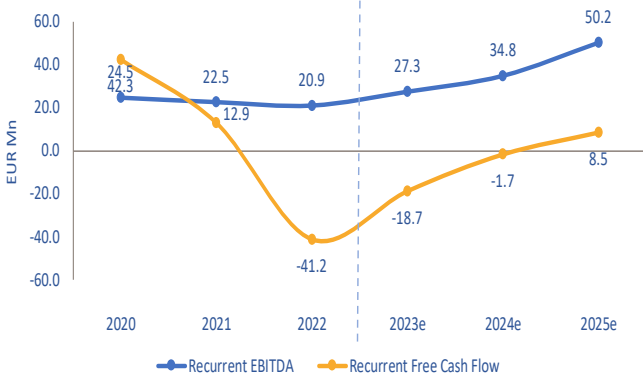
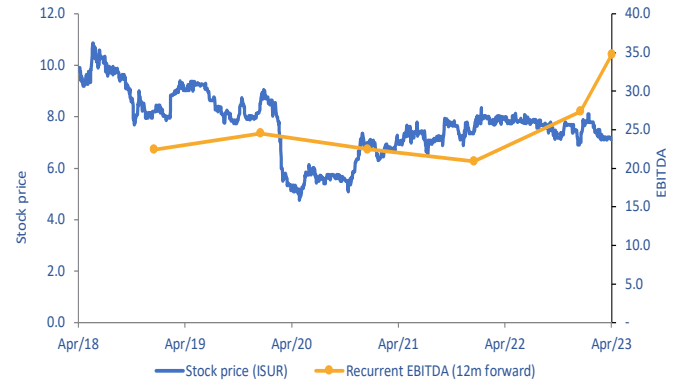


Appendix 1. Financial Projections (proportional consolidation)

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Intangible assets	-	-	-	-	-	-	-	-		
Fixed assets	139.1	146.7	216.0	216.9	216.2	215.7	216.4	218.8		
Other Non Current Assets	-	-	-	-	-	-	-	-		
Financial Investments	2.1	1.8	1.2	0.5	0.3	0.3	0.3	0.3		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	226.4	263.5	196.9	185.2	250.1	289.3	323.6	362.8		
Total assets	367.7	412.1	414.1	402.6	466.6	505.2	540.4	581.9		
Equity	103.8	107.2	122.3	128.3	137.3	141.0	152.1	172.6		
Minority Interests	-	-	3.2	3.2	3.1	3.1	3.1	3.1		
Provisions & Other L/T Liabilities	-	-	-	-	-	-	-	-		
Other Non Current Liabilities	-	-	-	-	-	-	-	-		
Net financial debt	184.8	196.4	208.9	198.0	239.9	264.6	270.1	267.6		
Current Liabilities	79.0	108.4	79.7	73.1	86.3	96.5	115.1	138.6		
Equity & Total Liabilities	367.7	412.1	414.1	402.6	466.6	505.2	540.4	581.9		
P&L (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Total Revenues	113.9	122.8	132.7	125.2	117.8	146.5	198.7	265.0	19-22	22-25e
<i>Total Revenues growth</i>	<i>n.a.</i>	<i>7.8%</i>	<i>8.1%</i>	<i>-5.7%</i>	<i>-5.9%</i>	<i>24.3%</i>	<i>35.6%</i>	<i>33.4%</i>	<i>-1.4%</i>	<i>31.0%</i>
COGS	(51.5)	(47.2)	(73.2)	(63.8)	(64.3)	(80.5)	(101.4)	(143.2)		
Gross Margin	62.4	75.6	59.6	61.3	53.5	66.0	97.2	121.8	-10.9%	31.6%
<i>Gross Margin/Revenues</i>	<i>54.8%</i>	<i>61.6%</i>	<i>44.9%</i>	<i>49.0%</i>	<i>45.4%</i>	<i>45.0%</i>	<i>48.9%</i>	<i>46.0%</i>		
Personnel Expenses	(9.0)	(9.7)	(9.0)	(9.1)	(11.1)	(11.2)	(11.2)	(11.2)		
Other Operating Expenses	(36.0)	(43.5)	(26.0)	(29.8)	(21.5)	(27.5)	(51.3)	(60.4)		
Recurrent EBITDA	17.4	22.4	24.5	22.5	20.9	27.3	34.8	50.2	-2.3%	34.0%
<i>Recurrent EBITDA growth</i>	<i>n.a.</i>	<i>28.6%</i>	<i>9.5%</i>	<i>-8.5%</i>	<i>-7.0%</i>	<i>31.0%</i>	<i>27.2%</i>	<i>44.4%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>15.3%</i>	<i>18.2%</i>	<i>18.5%</i>	<i>17.9%</i>	<i>17.7%</i>	<i>18.7%</i>	<i>17.5%</i>	<i>19.0%</i>		
Restructuring Expense & Other non-rec.	-	-	(5.1)	-	-	-	-	-		
EBITDA	17.4	22.4	19.4	22.5	20.9	27.3	34.8	50.2	-2.3%	34.0%
Depreciation & Provisions	(3.6)	(2.5)	(6.3)	(4.3)	(4.2)	(4.2)	(4.2)	(4.2)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Income from the sale of property investments	6.1	4.1	0.3	3.8	2.2	-	-	-		
EBIT	19.9	24.0	13.3	21.9	18.8	23.1	30.6	46.0	-7.8%	34.7%
<i>EBIT growth</i>	<i>n.a.</i>	<i>20.6%</i>	<i>-44.4%</i>	<i>64.2%</i>	<i>-14.2%</i>	<i>23.1%</i>	<i>32.1%</i>	<i>50.4%</i>		
<i>EBIT/Revenues</i>	<i>17.5%</i>	<i>19.5%</i>	<i>10.1%</i>	<i>17.5%</i>	<i>16.0%</i>	<i>15.8%</i>	<i>15.4%</i>	<i>17.4%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(6.6)	(6.6)	(5.9)	(5.6)	(5.2)	(10.2)	(10.7)	(10.7)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	13.3	17.4	7.4	16.4	13.6	13.0	19.9	35.3	-7.9%	37.5%
<i>Ordinary Profit Growth</i>	<i>n.a.</i>	<i>31.1%</i>	<i>-57.2%</i>	<i>120.1%</i>	<i>-17.1%</i>	<i>-4.5%</i>	<i>53.4%</i>	<i>77.3%</i>		
Extraordinary Results	-	(4.4)	21.9	-	6.4	-	-	-		
Profit Before Tax	13.3	13.0	29.4	16.4	20.0	13.0	19.9	35.3	15.5%	20.8%
Tax Expense	(3.2)	(4.1)	(8.3)	(4.3)	(4.9)	(3.2)	(5.0)	(8.8)		
<i>Effective Tax Rate</i>	<i>24.1%</i>	<i>31.9%</i>	<i>28.2%</i>	<i>26.0%</i>	<i>24.4%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>		
Minority Interests	-	-	(0.0)	(0.1)	(0.1)	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	10.1	8.8	21.1	12.0	15.0	9.7	14.9	26.4	19.3%	20.8%
<i>Net Profit growth</i>	<i>n.a.</i>	<i>-12.2%</i>	<i>138.4%</i>	<i>-43.0%</i>	<i>24.9%</i>	<i>-35.2%</i>	<i>53.4%</i>	<i>77.3%</i>		
Ordinary Net Profit	10.1	9.3	8.8	9.2	8.5	9.7	14.9	26.4	-2.8%	45.8%
<i>Ordinary Net Profit growth</i>	<i>n.a.</i>	<i>-7.8%</i>	<i>-5.3%</i>	<i>5.0%</i>	<i>-7.6%</i>	<i>13.9%</i>	<i>53.4%</i>	<i>77.3%</i>		
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Recurrent EBITDA						27.3	34.8	50.2	-2.3%	34.0%
Rentals (IFRS 16 impact)	-	-	-	-	-	-	-	-		
Working Capital Increase	-	-	-	-	-	(29.0)	(15.8)	(15.6)		
Recurrent Operating Cash Flow						-1.6	19.0	34.7	-60.0%	46.2%
CAPEX	-	-	-	-	-	(3.7)	(5.0)	(6.6)		
Net Financial Result affecting the Cash Flow	-	-	-	-	-	(10.2)	(10.7)	(10.7)		
Tax Expense	-	-	-	-	-	(3.2)	(5.0)	(8.8)		
Recurrent Free Cash Flow						(18.7)	(1.7)	8.5	n.a.	30.2%
Restructuring Expense & Other non-rec.	-	-	-	-	-	-	-	-		
- Acquisitions / + Divestures of assets	-	-	-	-	-	-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow	-	-	-	-	-	-	-	-		
Free Cash Flow						(18.7)	(1.7)	8.5	-72.7%	30.7%
Capital Increase	-	-	-	-	-	-	-	-		
Dividends	-	-	-	-	-	(6.0)	(3.9)	(6.0)		
Net Debt Variation						24.7	5.6	(2.5)		

Appendix 2. Free Cash Flow (proportional consolidation)

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								20-22	22-25e
Recurrent EBITDA	22.4	24.5	22.5	20.9	27.3	34.8	50.2	-7.8%	34.0%
<i>Recurrent EBITDA growth</i>	28.6%	9.5%	-8.5%	-7.0%	31.0%	27.2%	44.4%		
<i>Rec. EBITDA/Revenues</i>	18.2%	18.5%	17.9%	17.7%	18.7%	17.5%	19.0%		
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(7.7)	37.9	5.1	(51.7)	(29.0)	(15.8)	(15.6)		
= Recurrent Operating Cash Flow	14.7	62.4	27.6	(30.8)	(1.6)	19.0	34.7	-57.9%	46.2%
<i>Rec. Operating Cash Flow growth</i>	111.3%	324.1%	-55.9%	-211.9%	94.8%	n.a.	82.9%		
<i>Rec. Operating Cash Flow / Sales</i>	12.0%	47.0%	22.0%	n.a.	n.a.	9.5%	13.1%		
- CAPEX	(1.9)	(5.9)	(4.9)	(0.2)	(3.7)	(5.0)	(6.6)		
- Net Financial Result affecting Cash Flow	(6.6)	(5.9)	(5.6)	(5.2)	(10.2)	(10.7)	(10.7)		
- Taxes	(4.1)	(8.3)	(4.3)	(4.9)	(3.2)	(5.0)	(8.8)		
= Recurrent Free Cash Flow	2.1	42.3	12.9	(41.2)	(18.7)	(1.7)	8.5	-72.4%	30.2%
<i>Rec. Free Cash Flow growth</i>	101.6%	n.a.	-69.6%	-419.7%	54.6%	91.1%	609.5%		
<i>Rec. Free Cash Flow / Revenues</i>	1.7%	31.9%	10.3%	n.a.	n.a.	n.a.	3.2%		
- Restructuring expenses & others	-	-	-	-	-	-	-		
- Acquisitions / + Divestments	(3.9)	(51.9)	4.0	5.4	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(5.2)	2.6	(2.6)	(0.5)	-	-	-		
= Free Cash Flow	(7.0)	(7.0)	14.3	(36.3)	(18.7)	(1.7)	8.5	n.a.	30.7%
<i>Free Cash Flow growth</i>	94.6%	0.2%	303.3%	-353.9%	48.5%	91.1%	609.5%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	1.6%	31.9%	9.7%	n.a.	n.a.	n.a.	6.4%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	n.a.	n.a.	10.8%	n.a.	n.a.	n.a.	6.4%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	(130.0)	2.1	42.3	12.9	(41.2)	(18.7)	(1.7)		
EBITDA impact from revenue increase	1.4	1.8	(1.4)	(1.3)	5.1	9.7	11.6		
EBITDA impact from EBITDA/Sales variation	3.6	0.3	(0.7)	(0.3)	1.4	(2.3)	3.8		
= Recurrent EBITDA variation	5.0	2.1	(2.1)	(1.6)	6.5	7.4	15.5		
- Rentals (IFRS 16 impact) variation impact	-	-	-	-	-	-	-		
+/- Working capital variation impact	139.7	45.6	(32.8)	(56.8)	22.7	13.1	0.3		
= Recurrent Operating Cash Flow variation	144.7	47.7	(34.9)	(58.4)	29.2	20.6	15.7		
+/- CAPEX impact	(1.9)	(4.1)	1.1	4.7	(3.5)	(1.3)	(1.7)		
+/- Financial result variation	(6.6)	0.7	0.4	0.3	(5.0)	(0.5)	(0.0)		
+/- Tax impact	(4.1)	(4.1)	4.0	(0.6)	1.6	(1.7)	(3.8)		
= Recurrent Free Cash Flow variation	132.1	40.2	(29.4)	(54.0)	22.5	17.0	10.2		
Recurrent Free Cash Flow	2.1	42.3	12.9	(41.2)	(18.7)	(1.7)	8.5		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	24.0	13.3	21.9	18.8	23.1	30.6	46.0	18.7%	34.7%
* Theoretical Tax rate	30.0%	28.2%	26.0%	24.4%	25.0%	25.0%	25.0%		
= Taxes (pre- Net Financial Result)	(7.2)	(3.8)	(5.7)	(4.6)	(5.8)	(7.6)	(11.5)		
Recurrent EBITDA	22.4	24.5	22.5	20.9	27.3	34.8	50.2	-7.8%	34.0%
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(7.7)	37.9	5.1	(51.7)	(29.0)	(15.8)	(15.6)		
= Recurrent Operating Cash Flow	14.7	62.4	27.6	(30.8)	(1.6)	19.0	34.7	-57.9%	46.2%
- CAPEX	(1.9)	(5.9)	(4.9)	(0.2)	(3.7)	(5.0)	(6.6)		
- Taxes (pre- Financial Result)	(7.2)	(3.8)	(5.7)	(4.6)	(5.8)	(7.6)	(11.5)		
= Recurrent Free Cash Flow (To the Firm)	5.7	52.7	17.0	(35.6)	(11.1)	6.3	16.5	-63.6%	35.1%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	104.2%	830.7%	-67.8%	-309.9%	69.0%	157.4%	160.7%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	4.6%	39.7%	13.6%	n.a.	n.a.	3.2%	6.2%		
- Acquisitions / + Divestments	(3.9)	(51.9)	4.0	5.4	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(5.2)	2.6	(2.6)	(0.5)	-	-	-		
= Free Cash Flow "To the Firm"	(3.5)	3.4	18.4	(30.8)	(11.1)	6.3	16.5	n.a.	36.4%
<i>Free Cash Flow (To the Firm) growth</i>	97.4%	196.7%	441.6%	-267.3%	64.1%	157.4%	160.7%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	1.5%	14.0%	4.5%	n.a.	n.a.	1.7%	4.4%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	n.a.	0.9%	4.9%	n.a.	n.a.	1.7%	4.4%		

Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)

Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)

Recurrent EBITDA vs Recurrent Free Cash Flow

Stock performance vs EBITDA 12m forward

Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	132.6	
+ Minority Interests	3.1	12m Results 2022
+ Provisions & Other L/T Liabilities	-	12m Results 2022
+ Net financial debt	239.9	12m Results 2022
- Financial Investments	0.3	12m Results 2022
+/- Others		
Enterprise Value (EV)	375.3	

Appendix 4. Main peers 2023e

		Real estate				
EUR Mn		Metrovacesa	Aedas Homes	Neinor Homes	Average	ISUR
Market data	Ticker (Factset)	MVC-ES	AEDAS-ES	HOME-ES		ISUR-ES
	Country	Spain	Spain	Spain		Spain
	Market cap	1,145.2	662.8	748.7		132.6
	Enterprise value (EV)	1,288.9	1,059.0	748.7		375.3
Basic financial information	Total Revenues	616.6	901.4	670.6		146.5
	Total Revenues growth	18.8%	17.7%	-26.9%	3.2%	24.3%
	2y CAGR (2023e - 2025e)	7.2%	3.5%	-0.7%	3.3%	34.5%
	EBITDA	59.3	158.6	126.9		27.3
	EBITDA growth	<i>n.a.</i>	8.3%	-3.5%	2.4%	31.0%
	2y CAGR (2023e - 2025e)	3.6%	0.9%	-9.2%	-1.5%	35.5%
	EBITDA/Revenues	9.6%	17.6%	18.9%	15.4%	18.7%
	EBIT	59.8	155.5	127.2		23.1
	EBIT growth	30.6%	8.5%	0.5%	13.2%	23.1%
	2y CAGR (2023e - 2025e)	3.2%	-0.6%	-9.5%	-2.3%	41.0%
	EBIT/Revenues	9.7%	17.2%	19.0%	15.3%	15.8%
	Net Profit	35.2	101.7	90.2		9.7
	Net Profit growth	249.9%	9.2%	-12.5%	82.2%	-35.2%
	2y CAGR (2023e - 2025e)	8.6%	0.5%	-17.3%	-2.7%	64.9%
	CAPEX/Sales %	3.9%	0.5%	17.9%	7.4%	2.5%
Free Cash Flow	147.0	26.3	23.8		(18.7)	
Net financial debt	280.5	344.0	380.2		264.6	
ND/EBITDA (x)	4.7	2.2	3.0	3.3	9.7	
Pay-out	<i>n.a.</i>	84.5%	57.1%	70.8%	40.0%	
Multiples and Ratios	P/E (x)	31.3	5.8	8.5	15.2	13.6
	P/BV (x)	0.6	0.6	0.7	0.7	0.9
	EV/Revenues (x)	2.1	1.2	1.1	1.5	2.6
	EV/EBITDA (x)	21.7	6.7	5.9	11.4	13.7
	EV/EBIT (x)	21.5	6.8	5.9	11.4	16.2
	ROE	2.0	10.2	8.5	6.9	7.0
	FCF Yield (%)	12.8	4.0	3.2	6.7	<i>n.a.</i>
	DPS	0.83	1.90	0.67	1.13	0.21
	Dvd Yield	11.0%	13.4%	7.2%	10.5%	2.9%

Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Valuation inputs

Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(11.1)	6.3	16.5	493.0		
Market Cap	132.6	At the date of this report				
Net financial debt	239.9	Debt net of Cash (12m Results 2022)				
					Best Case	Worst Case
Cost of Debt	4.5%	Net debt cost			4.3%	4.8%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.6%	$K_d = \text{Cost of Net Debt} * (1-T)$			3.4%	3.8%
Risk free rate (rf)	3.5%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.1	B (own estimate)			1.0	1.2
Cost of Equity	10.1%	$K_e = R_f + (R * B)$			9.0%	11.3%
Equity / (Equity + Net Debt)	35.6%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	64.4%	D			=	=
WACC	5.9%	$WACC = K_d * D + K_e * E$			5.4%	6.5%
G "Fair"	2.0%				2.0%	1.5%

(1) The terminal value reflects the NAV of FCF beyond the period estimated with the WACC and G of the central scenario.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
Metrovacesa	MVC-ES	1,145.2	31.3	6.4%	21.7	3.6%	2.1	7.2%	9.6%	12.8%	2.0%
Aedas Homes	AEDAS-ES	662.8	5.8	-2.4%	6.7	0.9%	1.2	3.5%	17.6%	4.0%	76.9%
Neinor Homes	HOME-ES	748.7	8.5	-13.1%	5.9	-9.2%	1.1	-0.7%	18.9%	3.2%	-61.8%
Real estate		15.2	13.6	-3.0%	11.4	-1.5%	1.5	3.3%	15.4%	6.7%	5.7%
ISUR	ISUR-ES	132.6	13.6	64.9%	13.7	35.5%	2.6	34.5%	18.7%	n.a.	56.7%

Free Cash Flow sensitivity analysis (2024e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	19.3%	38.3	9.8x
Central	17.5%	34.8	10.8x
Min	15.7%	31.2	12.0x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

FCF Rec. EUR Mn	CAPEX/Sales 24e			Scenario	Rec. FCF/Yield 24e		
	EBITDA 24e	2.2%	2.5%		2.8%	Max	Central
38.3	2.5	1.9	1.3	Max	1.9%	1.4%	1.0%
34.8	(1.1)	(1.7)	(2.3)	Central	n.a.	n.a.	n.a.
31.2	(4.6)	(5.2)	(5.8)	Min	n.a.	n.a.	n.a.

LIGHTHOUSE

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19-Apr-2023	n.a.	7.10	n.a.	n.a.	Estimates upgrade	David López Sánchez
01-Mar-2023	n.a.	7.30	n.a.	n.a.	12m Results 2022	David López Sánchez
22-Dec-2022	n.a.	7.19	n.a.	n.a.	Initiation of Coverage	David López Sánchez

