

INMOBILIARIA DEL SUR

Pre-sales pick up, NAV up 6% QoQ

- Q2 EBITDA in the lower range. Net profit above.** Revenues (including JVs) reached €22.7m, 7% above our €21.3m estimate. EBITDA stood at €3.1m, below our €3.5m. Net profit was €9.7m, way above our <€1m. The difference was due to a €9.2m non-cash positive impact that arose from the 50% stake acquisition of DMS from BBVA, as the price paid (€18m) stood below fair value.
- Pre-sales picked up. Revenue guidance looks good.** Q2 pre-sales reached €80m or c.€30m excluding the consolidation impact of DMS, accelerating vs. Q1 (<€25m), also with strong pick-up in units (161 vs. 120 in Q1 and 145 quarterly avg. in 2021). Following the consolidation of DMS, InSur expects development sales of €59m in H2 (vs. €22m in H1), €10m above our estimates.
- Strong bet on commercial development.** InSur has invested €33m in Q2 in the acquisition of land plots for the development of: 1) Two office buildings in Malaga (a city that is enjoying strong momentum) with 20k sqm combined GLA and €60m planned capex (including land costs); 2) One (fully-owned) office building in Madrid with 9k sqm GLA and €39m capex; and 3) a business campus that includes 36.k sqm GLA of office use and €100m capex.
- Rental business above (again).** GRI jumped 25% YoY and 5% QoQ to €4.5m (vs. our €4.3m estimate). Occupancy rate stood at 88.2%, flat QoQ. We remain confident in our 89.5% occupancy rate forecast for year-end.
- NAV up c.6% QoQ.** Net debt increased by €63m QoQ reflecting the above-mentioned acquisitions plus the DMS purchase (€23m impact on net debt), raising LTV to 43%. NAV increased by 6% QoQ to €342m or €18.3p.s., c.25% of it explained by the NAV accretion generated with the DMS deal
- Our view.** We are raising our 2022-24 EBITDA estimates by 7-15% p.a. to reflect the acquisitions made and the strong contribution of commercial in 2024. InSur continues to execute well on the development business (800 units pre-sold, >100% of our expected deliveries for 2H22 and 2023), closing NAV-accretive deals and delivering on rental (raising prices while maintaining occupancy). Although the B/S has weakened, this will be temporary, as we expect strong CF flowing into 2024 that should drive LTV down again to normal levels (below 40%). The shares trade at >55% discount to NAV, higher than peers, which we think is not justified by the positive fundamentals.

Financial Ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
EBITDA (€m)	22.4	19.4	22.4	23.2	31.7	47.3
Net profit (€m)	8.8	21.1	12.1	19.5	15.6	27.8
EPS (€)	0.52	1.24	0.68	1.04	0.83	1.49
Adj. EPS (*) (€)	0.70	0.73	0.58	0.56	0.83	1.49
P/E (x)	20.1	7.9	11.1	7.7	9.7	5.4
P/E Adj. (x)	15.0	13.5	13.0	14.4	9.7	5.4
EV/EBITDA (x)	16.7	19.3	15.1	17.1	12.5	7.2
Debt/EBITDA (x)	8.8	10.8	8.8	10.6	7.8	4.1
P/BV (x)	1.7	1.4	1.1	1.1	1.0	0.9
ROE (%)	8.2	16.8	9.2	13.4	10.3	16.2
DPS (€)	0.3	0.4	0.3	0.52	0.42	0.74
Dividend yield (%)	3.0	4.1	4.0	6.5	5.2	9.2

(*) Historical multiples based on average share price of the year

SPONSORED RESEARCH

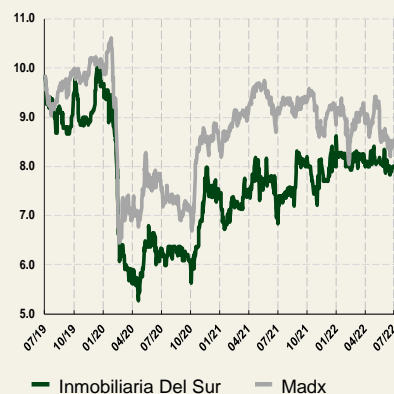
Share Price (*) € 7.90

*Share price at the close of 29 July 2022

ISUR.MC/ ISUR SM

Market Cap	€ 149 m
Enterprise Value	€ 354 m
Free Float	€ 54 m
Nº Shares	19 m
Average Daily Volume	€ 26 k

Performance	1m	3m	12m
Absolute %	-1.7	2.0	14.0
Relative %	-1.4	4.5	16.7



Analyst

Fernando Abril-Martorell

+34 91 550 87 19

fabriilmartorell@alantraequities.com

INSUR: QUARTERLY PRE-SALES EVOLUTION

€m	2Q21	3Q21	4Q21	1Q22	2Q22	% YoY
Order book BoP	79.6	92.5	110.1	104.0	120.7	52%
New Pre Sales	23.1	32.6	28.7	25.9	79.6	n.m.
Deliveries	(10.2)	(15.0)	(34.8)	(9.2)	(12.5)	23%
Order book EoP	92.5	110.1	104.0	120.7	187.8	n.m.

Source: Alantra Equities

INSUR: QUARTERLY P&L REVIEW

(€ m)	2Q21	3Q21	4Q21	1Q22	2Q22	% YoY	2Q21E	Dif. Est
Revenues	21.7	25.8	42.8	19.0	22.7	5%	21.3	7%
Development	10.2	15.0	34.8	9.2	12.5	23%	10.0	25%
Rental Property	3.6	3.8	4.3	4.3	4.5	25%	4.2	7%
Construction	6.8	6.1	2.7	4.7	4.8	(29%)	6.0	(20%)
Asset Management	1.0	0.9	1.0	0.8	0.9	(10%)	1.1	(18%)
Equity method	–	–	–	–	–	n.m.	–	n.m.
EBITDA	2.5	5.7	11.3	4.8	3.2	28%	3.5	(9%)
Sale of assets	–	(2.0)	(1.7)	(1.2)	(0.1)	n.m.	–	n.m.
EBITDA Adj.	2.5	3.7	9.6	3.6	3.1	24%	3.5	(12%)
D&A and provisions	(1.1)	(1.1)	(1.1)	(1.1)	11.0	n.m.	(0.8)	n.m.
EBIT	1.4	4.6	10.2	3.7	14.2	n.m.	2.7	n.m.
Net financials	(1.6)	(1.0)	(1.5)	(1.2)	(1.2)	(25%)	(1.6)	(25%)
EBT	(0.2)	3.6	8.7	2.5	13.0	n.m.	1.1	n.m.
Income taxes	0.0	(0.9)	(2.4)	(0.7)	(3.3)	n.m.	(0.4)	n.m.
Net Profit	(0.2)	2.7	6.3	1.8	9.7	n.m.	0.8	n.m.

Source: Alantra Equities

INSUR: GAV, NAV AND LEVERAGE RATIOS

(€ m)	2Q21	3Q21	4Q21	1Q22	2Q22	% YoY	% QoQ
GAV	534.9	527.5	522.9	518.9	600.8	12%	16%
Development	160.5	162.2	152.8	152.5	228.5	42%	50%
Rental Property	374.4	365.3	370.1	366.4	372.3	(1%)	2%
Net debt	224.5	219.2	197.9	195.7	259.0	15%	32%
NAV	310.4	308.3	325.0	323.2	341.8	10%	6%
LTV	42%	42%	38%	38%	43%		

Source: Alantra Equities

INSUR: 1H22 NAV VS. PEERS

	Colonial	Merlin	Lar	REITs	Neinor	Aedas	Metrovacesa	Developers	InSur
NAV p.s.	12.49	17.10	10.42		17.17	33.68	15.52		18.31
Market Price	6.46	10.47	5.33		10.52	16.74	6.80		7.90
Discount	(48%)	(39%)	(49%)	(45%)	(39%)	(50%)	(56%)	(48%)	(57%)

Source: Alantra Equities

KEY DATA

P&L account (€m)	FY19	FY20	FY21	FY22E	FY23E	FY24E	Cash flow (€m)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Sales	123	133	125	136	193	269	Net profit	9	21	12	19	16	28
Cost of sales	(88)	(95)	(89)	(98)	(145)	(207)	Depreciation	4	4	4	(8)	4	4
Gross margin	35	38	36	37	48	62	Minorities	-	-	-	-	-	-
Opex	(13)	(18)	(14)	(14)	(16)	(15)	Non-cash adjustments	(8)	(0)	(0)	-	-	-
Adj. EBITDA	22	19	22	23	32	47	Total cash-flow (CF)	5	25	16	11	20	32
Adjustments	4	0	4	1	-	-	Capex	(80)	(79)	(92)	(103)	(128)	(113)
EBITDA	27	20	26	24	32	47	Deliveries	48	75	65	59	84	159
Depreciation & Amortization	(4)	(4)	(4)	8	(4)	(4)	Working capital	12	4	(10)	(1)	13	(2)
Changes in provisions & Other	1	19	0	-	-	-	Operating FCF	(15)	24	(21)	(33)	(13)	76
EBIT	23	35	22	32	28	43	Financial investments	-	-	-	-	-	-
Financial costs	(12)	(6)	(5)	(7)	(7)	(6)	Disposals/(acquisitions)	7	(31)	9	(19)	-	-
Associates	-	-	-	-	-	-	Rights issues	-	-	-	-	-	-
Ordinary profit	10	29	16	26	21	37	Other	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-	FCF before dividends	(7)	(7)	(12)	(51)	(13)	76
Pre-tax Profit	10	29	16	26	21	37	Dividends	(5)	(5)	(7)	(6)	(10)	(8)
Taxes	(1)	(8)	(4)	(6)	(5)	(9)	Free-cash-flow (FCF)	(12)	(12)	(19)	(57)	(22)	68
Discontinued activities	-	-	-	-	-	-	Buy-backs	-	-	-	-	-	-
Minorities	-	-	-	-	-	-	FCF after buy backs	(12)	(12)	(19)	(57)	(22)	68
Net profit, reported	9	21	12	19	16	28							
Adjustments	3	(9)	(2)	(9)	-	-	Balance sheet (€m)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net profit adjusted	12	12	10	10	16	28	Equity	107	122	128	142	148	168
							Minority interests	-	3	3	3	3	3
Nº of shares	17	17	19	19	19	19	Provisions & others	32	21	48	48	48	48
Nº of shares adjusted (m)	17	17	18	19	19	19	Net debt [cash] (*)	196	209	198	245	246	192
Treasury stock (m)	0	0	0	0	0	0	Capital invested	336	355	378	439	446	411
							Goodwill	-	-	-	-	-	-
YoY Growth	FY19	FY20	FY21	FY22E	FY23E	FY24E	Intangible assets	1	1	0	0	0	0
Sales	8%	8%	(6%)	8%	42%	40%	Tangible assets	149	217	218	248	247	246
Adj. EBITDA	29%	(13%)	15%	3%	37%	49%	Financial assets	31	25	47	47	47	47
Net profit	(12%)	139%	(43%)	61%	(20%)	79%	Associates	2	1	0	8	(0)	(22)
Adjusted net profit	18%	4%	(16%)	1%	49%	79%	Working capital	154	112	112	136	152	140
							Capital employed	336	355	378	439	446	411
EBITDA by division	FY19	FY20	FY21	FY22E	FY23E	FY24E	Working capital/sales	125%	84%	90%	100%	79%	52%
Development	36%	43%	52%	38%	50%	66%							
Servicing	46%	53%	53%	59%	45%	31%							
Rental and legacy	18%	4%	(5%)	3%	4%	3%							
NAV	FY19	FY20	FY21	FY22E	FY23E	FY24E	Financial ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
GAV	538	526	523	574	578	507	Net debt/EBITDA	7.4X	10.6X	7.6X	10.1X	7.8X	4.1X
Net debt	196	209	198	245	246	192	Net debt/GAV (LTV)	37%	40%	38%	43%	43%	38%
Minorities & Other	-	-	-	-	-	-	Gearing	183.2%	166.4%	150.6%	168.6%	163.0%	111.9%
NNAV	341	317	325	319	301	298	Interest cover	1.8X	6.0X	4.0X	5.0X	4.0X	6.9X
Per share data (€)	FY19	FY20	FY21	FY22E	FY23E	FY24E	Margins & ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
EPS	0.52	1.24	0.68	1.04	0.83	1.49	EBITDA margin	21.6%	14.8%	20.9%	18.0%	16.5%	17.6%
EPS adjusted	0.70	0.73	0.58	0.56	0.83	1.49	EBIT margin	18.6%	26.6%	17.4%	24.0%	14.3%	16.1%
CFPS	0.32	1.45	0.92	0.61	1.05	1.70	Reported tax rate	14.3%	28.1%	25.7%	25.0%	25.0%	25.0%
FCFPS	(0.85)	1.43	(1.19)	(1.76)	(0.67)	4.08	Pay-out	45.9%	55.2%	51.5%	93.1%	50.0%	50.1%
BVPS	6.32	7.21	7.20	7.62	7.93	9.00	ROCE (EBIT/CE)	6.8%	9.9%	5.8%	7.4%	6.2%	10.5%
DPS	0.32	0.40	0.30	0.52	0.42	0.74	ROE	8.2%	16.8%	9.2%	13.4%	10.3%	16.2%

(*) Excluding trapped cash

Alantra Equities: This report (the “**Report**”) has been prepared by Alantra Equities Sociedad de Valores, S.A. (“**Alantra Equities**”), a company pertaining to the Alantra Group that provides investment banking, asset management, equities brokerage, capital markets and financial advisory services. The date and hour of preparation of this investment recommendation refers to the date and hour of preparation and disclosure indicated on the first page of the Report.

Alantra Equities Sociedad de Valores, S.A. is a Spanish investment firm located in Madrid, calle José Ortega y Gasset 29, registered at the *Comisión Nacional del Mercado de Valores* (CNMV) with number 245.

Analyst certification: Each research analyst primarily responsible for the content of this research Report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this Report: (i) all the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, and (ii) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that research analyst in this research Report.

Important disclosures:

Alantra Equities receives remuneration from the issuer that this Report refers to in consideration of the research services that Alantra Equities provides to it. Therefore, this Report is considered sponsored research or marketing material for the purposes of the provisions of the Markets in Financial Instruments Directive.

This Report is solely for the information of clients of Alantra Equities and for distribution only under such circumstances as may be permitted by applicable law. Alantra Equities specifically prohibits the redistribution of this material in whole or in part without the prior written permission of Alantra Equities and therefore Alantra Equities accepts no liability whatsoever for the actions or third parties in this respect.

The opinions contained in this report and in other media used by Alantra Equities (such as the internet), reflect the opinion of the respective Analyst on the date of publication of such material and, therefore, may be subject to change at any time and without notice.

Nothing in this Report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. This Report is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor it is intended to be a complete statement or summary of the securities or markets referred to in this Report. Alantra Equities does not undertake that investors will obtain profits nor accept any liability for any investment losses arising from any use of this Report or its contents. Investments involve risks and investors should exercise prudence in making their investment decisions. This Report should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this Report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas of the Alantra Group as a result of using different assumptions and criteria. Research will be initiated, updated and coverage ceased solely at the discretion of Alantra Equities. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Alantra Equities is under no obligation to keep current the information contained in this Report.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this Report.

Any prices stated in this Report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices.

Neither Alantra Equities nor any of the companies pertaining to the Alantra Group nor any of their shareholders, directors, employees or agents accept any liability for any loss or damage arising out of the use of all or any part of this Report.

Except as otherwise specified herein, this material is communicated by Alantra Equities to persons who are eligible counterparties or professional clients and is only available to such persons. The information contained herein does not apply to retail clients.

Important disclosures on conflicts of interest:

The analysts responsible for the preparation of this Report may interact with trading desk personnel, sales personnel and investment managers. Alantra Equities belongs to the Alantra Group, a group that is engaged in financial advisory services, asset management as well as securities trading and brokerage, and capital markets. Alantra Equities, any other company pertaining to the Alantra Group, and any of their shareholders, directors, employees may, to the extent permitted by law, have a position or otherwise be interested in any transactions, in any investments directly or indirectly the subject of this publication. The Alantra Group relies on information barriers to control the flow of information contained in one or more areas within the Alantra Group, into other areas, units, groups or affiliates of the Alantra Group. The Alantra Group may do and seek to do business with companies covered in its research reports. As a result, investors should be aware that the Alantra Group may have a conflict of interest.

For the purposes of mitigating any conflict of interests, the Alantra Group has established, implemented and maintains an effective conflicts of interest policy appropriate to its size and organisation and to the nature, scale and complexity of its business. The policy, periodically revised, can be consulted at the Alantra Equities website through the following link: Conflicts of Interest. Investors should consider this Report as only a single factor in making their investment decisions.

In addition, Alantra Group's website (www.alantra.com) provides information on closed and public corporate transactions, not subject to confidentiality, in which the Alantra Group, through its subsidiaries in the investment banking area, has acted as financial advisor, from time to time.

The disclosures contained in research Report produced by Alantra Equities shall be governed by and construed in accordance with Spanish law.

The receipt of this Report implies full acceptance by its recipients of the contents of this disclaimer.