

INMOBILIARIA DEL SUR

Q2 review: strong pre-sales, rising occupancy

- Q2 results in line.** Revenues (including JVs) reached €21.7m, down 4% YoY, in line, with development marginally below, construction above and rentals in line. EBITDA fell by c.25% to €2.5m, in line despite the worse sales mix. At the bottom line, the company reported a break-even net profit, also in line.
- Record high pre-sales.** Development sales fell QoQ from >€20m to €10m in Q2 (4% below our estimate) due to scheduled deliveries. However, new pre-sales are booming and reached 197 units, well above the 155 of Q1 and pre-Covid levels (c.100 per quarter). This came better than our 170 estimates (although in line in EUR terms). The increase in the number of pre-sales is also allowing InSur to reach minimum pre-sales thresholds and to accelerate construction starts. Orderbook stands at €93m (adjusted by JV participation).
- Strong commercial activity in rentals.** Although GRI stood broadly flat QoQ at €3.6m and in line with estimates, the commercial activity has surprised us positively: GLA signed tripled to c.4.5k sqm (above the average pre-Covid lettings levels of 3.5k sqm) and led occupancy to grow by 2.5pp to 88.3% QoQ. This is much better than our broadly flat estimate and leaves upside risk to our c.84.5% occupancy estimate for year end. In addition, in July, the company delivered a hotel to Hotusa in Seville (8k sqm), which we estimate could add €1m additional annual rents (c.8% of current group rents).
- NAV and debt update.** Net debt increased by c.€20m to €224.5m (above) due to a high investment activity in the period (>€15m in new land purchases). This, combined with a €20m GAV increase (to €535m), led NAV to remain stable QoQ at €307m, equivalent to €16.5p.s. (post 10% share count increase following the bonus issue).
- Our view.** Both developments and rentals had a good performance in the quarter: development is enjoying quite compelling industry tailwinds (secular demand trends, low supply and low interest rates) and is on record pre-sales levels, whilst commercial activity has materially picked up in the rental division, improving group profitability and CF visibility. We think the company is in a good position (good asset base and track record) to benefit from current positive trends, whilst the shares remain undervalued: >50% discount to NAV, vs. c.30% and c.35% of listed the REITs and developers, respectively.

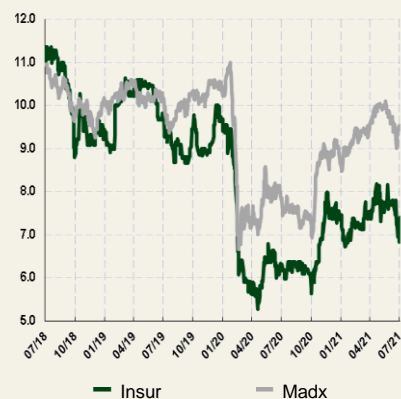
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Share Price € 7.22

ISUR.MC/ ISUR SM

Market Cap € 126 m
Enterprise Value € 326 m
Free Float € 46 m
Nº Shares 17 m
Average Daily Volume € 200 k

Performance	1m	3m	12m
Absolute %	-5.4	2.57	26.75
Relative %	-4.3	1.7	1.5



Financial Ratios	FY18	FY19	FY20	FY21E	FY22E	FY23E
EBITDA (€m)	23	26	20	24	26	27
Net profit (€m)	11	9	21	10	12	13
EPS (€)	0.66	0.52	1.24	0.53	0.65	0.71
Adj. EPS (*) (€)	0.66	0.78	0.68	0.53	0.65	0.71
P/E (x)	15.6	20.1	7.9	14.9	12.1	11.2
P/E Adj. (x)	15.6	13.5	14.3	14.9	12.1	11.2
EV/EBITDA (x)	15.3	14.1	19.0	14.6	13.3	12.9
Debt/GAV (x)	36.2	36.5	39.7	41.6	41.3	41.4
P/BV (x)	1.7	1.7	1.3	1.1	1.1	1.0
ROE (%)	11.1	9.2	21.1	9.3	10.6	11.0
DPS (€)	0.27	0.32	0.40	0.31	0.37	0.40
Dividend yield (%)	2.6	3.0	4.1	4.0	4.6	5.0

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

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INSUR: QUARTERLY PRE-SALES EVOLUTION

(€ m)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Order book BoP	121.1	126.2	121.1	79.9	75.7	79.6
New Pre Sales	17.7	10.2	11.9	12.8	27.5	23.1
Deliveries	(12.6)	(15.3)	(53.1)	(17.0)	(23.6)	(10.2)
Order book EoP	126.2	121.1	79.9	75.7	79.6	92.5

Source: Alantra Equities

INSUR: QUARTERLY P&L REVIEW

(€ m)	2Q20	3Q20	4Q20	1Q21	2Q21	% YoY	2Q21E	Dif. Est
Revenues	22.7	62.1	27.4	35.1	21.7	(4%)	21.9	(1%)
Development	15.3	53.1	17.0	23.6	10.2	(33%)	10.6	(4%)
Rental Property	3.0	3.3	3.6	3.7	3.6	20%	3.6	(0%)
Construction	3.6	4.7	6.1	7.1	6.8	87%	6.5	5%
Asset Management	0.7	1.0	0.7	0.7	1.0	39%	1.2	(17%)
Equity method	(0.0)	–	0.0	–	–	(100%)	–	n.m.
EBITDA	3.4	14.4	(2.5)	6.7	2.5	(27%)	2.5	(0%)
Sale of assets	–	0.1	(0.2)	–	–	n.m.	–	n.m.
EBITDA Adj.	3.4	14.3	(2.7)	6.7	2.5	(27%)	2.5	(0%)
D&A and provisions	(0.8)	(0.8)	18.3	(1.0)	(1.1)	31%	(0.9)	22%
EBIT	2.6	13.6	15.6	5.7	1.4	(46%)	1.6	(13%)
Net financials	(1.4)	(1.5)	(1.7)	(1.4)	(1.6)	15%	(1.8)	(11%)
EBT	1.2	12.1	13.9	4.3	(0.2)	n.m.	(0.2)	0%
Income taxes	(0.3)	(3.1)	(4.4)	(1.1)	0.0	(100%)	0.1	(100%)
Net Profit	0.9	9.1	9.5	3.2	(0.2)	n.m.	(0.2)	33%

Source: Alantra Equities

INSUR: GAV, NAV AND LEVERAGE RATIOS

(€ m)	2Q20	3Q20	4Q20	1Q21	2Q21	% YoY	% QoQ
GAV	547.5	524.2	526.0	515.3	534.9	(2%)	4%
Development	246.4	178.2	168.3	154.6	160.5	(35%)	4%
Rental Property	301.1	346.0	357.7	514.3	533.9	77%	4%
Net debt	213.7	189.8	208.9	203.7	224.5	5%	10%
NAV	333.8	334.4	317.1	311.6	310.4	(7%)	(0%)
LTV	39%	36%	40%	40%	42%	3%	6%

Source: Alantra Equities

INSUR: 2Q21 NAV VS. PEERS

Company	GAV (€m)	NAV (€m)	Market Cap (€m)	NAV p.s. (€)	Share price (€)	Disc./prem. to NAV (%)
Colonial	12,017	5,774	4,568	11.36	8.99	(21%)
Merlin Properties	12,893	7,304	4,386	15.75	9.46	(40%)
Lar España	1,475	881	460	10.36	5.40	(48%)
REITs	26,385					(31%)
Metrovacesa	2,724	2,434	1062	16.04	7.00	(56%)
Neinor Homes	2,185	1,417	912	17.74	12.26	(31%)
Aedas Homes	1,907	1,503	1138	33.67	25.50	(24%)
Developers	6,816					(37%)
Grupo Insur	534.9	307	135	16.46	7.22	(56%)

(*) Insur data by 1Q21 whilst peers, 4Q20 reported data; Source: Alantra Equities

KEY DATA

P&L account (€m)	FY18	FY19	FY20	FY21E	FY22E	FY23E	Cash flow (€m) (*)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Sales	114	123	133	122	124	115	Net profit	11	9	21	10	12	13
Cost of sales	(65)	(87)	(98)	(88)	(87)	(79)	Depreciation	3	3	3	3	3	3
Gross margin	49	36	35	35	37	35	Minorities	–	–	–	–	–	–
Other income	(28)	(3)	0	(3)	(4)	(1)	Non-cash adjustments	(2)	(8)	(52)	(3)	(5)	(4)
Opex & Overheads	(3)	(10)	(10)	(7)	(7)	(7)	Total cash-flow (CF)	12	5	(27)	11	11	13
EBITDA	23	26	20	24	26	27	Capex	(47)	(40)	(23)	(21)	(18)	(16)
EBITDA adjusted	17	22	25	24	26	27	Deliveries	53	17	27	20	9	9
Depreciation & Amortization	4	(3)	16	(3)	(3)	(3)	Working capital	(7)	12	4	(4)	1	1
EBIT	22	24	35	21	23	24	Operating FCF	11	(7)	(19)	7	3	7
Financial costs	(7)	(12)	(6)	(8)	(7)	(6)	Financial investments	–	–	–	–	–	–
Ordinary profit	15	11	29	13	16	18	Disposals/(acquisitions)	9	7	(31)	–	–	–
Extraordinary items	–	–	–	–	–	–	Rights issues	–	–	–	–	–	–
Pre-tax Profit	15	11	29	13	16	18	Other	(6)	(9)	18	–	–	–
Taxes	(4)	(3)	(8)	(3)	(4)	(4)	Dividends from JVs	1	4	9	3	5	4
Discontinued activities	–	–	–	–	–	–	FCF before dividends	16	(4)	(23)	9	8	11
Minorities	–	–	–	–	–	–	Dividends	(2)	(5)	(5)	(7)	(6)	(7)
Net profit, reported	11	9	21	10	12	13	Free-cash-flow (FCF)	14	(9)	(28)	3	2	4
Adjustments	–	4	(10)	–	–	–							
Net profit adjusted	11	13	12	10	12	13							
N° of shares (m)	17	17	17	19	19	19	Balance sheet (€m) (*)	FY18	FY19	FY20	FY21E	FY22E	FY23E
N° of shares adjusted (m)	17	17	17	19	19	19	Equity	104	107	126	129	136	142
Treasury stock (m)	0	0	0	0	0	0	Minority interests	–	–	3	3	3	3
							Provisions & others	11	8	(9)	(9)	(9)	(9)
YoY Growth	FY18	FY19	FY20	FY21E	FY22E	FY23E	Net debt [cash]	163	172	200	198	196	192
Sales	n.m	8%	8%	(8%)	2%	(8%)	Capital invested	278	287	320	321	326	328
EBITDA	n.m	13%	(26%)	24%	8%	3%	Goodwill	4	4	4	4	4	4
Net profit	n.m	(21%)	139%	(53%)	23%	8%	Intangible assets	0	1	1	1	1	1
							Tangible assets	141	149	217	217	217	217
Sales by division	FY18	FY19	FY20	FY21E	FY22E	FY23E	DTAs	13	12	13	13	13	13
Development	76.6	65.1	98.0	69.3	70.7	59.0	Associates	34	43	38	38	38	38
Rental assets	12.2	13.7	13.3	14.1	15.2	16.5	Working capital	85	79	48	48	53	56
Construction	21.6	39.6	18.5	34.3	33.0	33.0	Capital employed	278	287	320	321	326	328
Asset Management	3.5	4.5	3.0	4.5	5.2	6.1	Working capital/sales	75%	65%	36%	39%	43%	49%
NAV	FY18	FY19	FY20	FY21E	FY22E	FY23E	Financial ratios	FY18	FY19	FY20	FY21E	FY22E	FY23E
GAV	510	538	526	501	484	477	Net debt/EBITDA	7.9X	7.4X	10.6X	8.5X	7.6X	7.3X
Net debt	(185)	(196)	(209)	(208)	(200)	(197)	Net debt/GAV (LTV)	36%	37%	40%	42%	41%	41%
Minorities & Other	–	–	–	–	–	–	Gearing (*)	157 %	160 %	155 %	150 %	141 %	132 %
NNAV	326	341	317	293	284	279	Interest cover (*)	3.3X	1.9X	6.0X	2.7X	3.5X	3.9X
Per share data (€)	FY18	FY19	FY20	FY21E	FY22E	FY23E	Margins & ratios	FY18	FY19	FY20	FY21E	FY22E	FY23E
EPS	0.66	0.52	1.24	0.53	0.65	0.71	EBITDA margin	20.6%	21.6%	14.8%	20.0%	21.2%	23.5%
EPS adjusted	0.66	0.78	0.68	0.53	0.65	0.71	EBIT margin	19.0%	19.5%	26.6%	17.2%	18.5%	20.8%
CFPS	0.71	0.28	(1.62)	0.57	0.58	0.68	Reported tax rate	25.0%	23.0%	28.2%	25.5%	25.4%	25.4%
FCFPS	0.68	(0.42)	(1.10)	0.35	0.15	0.39	Pay-out	40.8%	61.4%	32.2%	59.0%	56.0%	56.0%
BVPS	6.12	6.32	7.40	6.90	7.26	7.61	ROCE (EBIT/CE)	7.8%	8.3%	11.0%	6.5%	7.1%	7.3%
DPS	0.27	0.32	0.40	0.31	0.37	0.40	ROE	11.1%	9.2%	21.1%	9.3%	10.6%	11.0%

(*) Excludes JVs contribution

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