

INMOBILIARIA DEL SUR

Raising estimates post Q4 results

- Q4 results below.** Revenues (including JVs) reached €27m, 15% below our €32m, mainly on lower deliveries & development sales. EBITDA came at -€2.5m vs. our +€9m, though including a c.€5m impairment loss. Net profit fell by 25% to €9.5m, including a €22m non-cash one-off gain after obtaining control of the Rio office building. Excluding one-offs, net losses reached €1m in Q4 vs. our +€2m.
- Good start to 2021 pre-sales.** Development sales fell c.30% to €17m in Q4, below our €24m estimate, explained by a delay in delivering a fully-owned project. Insur pre-sold 72 units (€17m) in Q4, below our c.90 estimate. That said, we understand that Insur is off to a good start in 2021 (we estimate >100 pre-sales in Q1, offsetting the Q4 shortfall), better than peers thanks to positive dynamics in core regions to date (Seville and Madrid more than offsetting Costa del Sol).
- Reaches c.90% occupancy target.** Rental revenues rose 8% QoQ to €3.6m (roughly in line) thanks to the Madrid Rio contribution. Occupancy rose 110bps QoQ and reached 89.4%, close to the c.90% occupancy target from the 2016 strategic plan (+23pp since then). For 2021, we expect further growth in rental revenues, with the full contribution of Madrid Rio more than offsetting tenant exits that will amount to 8.8k sqm, or 6.6% of total (€1.3m annual rents).
- NAV & debt update.** GAV (including JVs) stood at €526m, down 2% YoY, mainly reflecting a €14m negative Covid impact on the asset portfolio (we estimate 80% stem from offices & land and 20% from its two hotel assets). Net debt increased by €20m QoQ to €209m (vs. our €200m), leaving LTV at 39.7%. NAV fell 8% to €313m (€18.7 p.s.) or down by just 4% ex €0.32 DPS.
- Raising estimates.** Following the Q4 release, we are raising our 2021 EBITDA & EPS forecasts by 10-15% in order to include the units delayed to 1Q21. For 2022-23, we are raising our estimates in terms of deliveries (units) & ASP by c.5% each to reflect a stronger market recovery, leading us to increase group EBITDA & EPS by 2-3% & 5-7% respectively (2022-23 EBITDA > 2019-20).
- Our view.** Despite the difficult 2020, Insur managed the situation well (small project delays, and we expect growing earnings in 2021-23 despite some occupancy losses and still uncertain environment. The shares trade at 57% discount to NAV, well below both listed developers (-50%) and REITs (-35%), a discount we think is excessive considering the company's good track record, quality asset mix (both regarding offices & development) and comfortable B/S.

Financial Ratios	FY18	FY19	FY20	FY21E	FY22E	FY23E
EBITDA (€m)	23	26	20	29	25	28
Net profit (€m)	11	9	21	12	10	13
EPS (€)	0.66	0.52	1.24	0.71	0.61	0.79
Adj. EPS (*) (€)	0.66	0.78	0.56	0.71	0.61	0.79
P/E (x)	15.6	20.1	7.9	11.3	13.2	10.1
P/E Adj. (x)	15.6	13.5	17.4	11.3	13.2	10.1
EV/EBITDA (x)	15.3	14.1	19.0	11.7	13.0	11.0
Debt/GAV(x)	36.2	36.5	39.7	41.5	40.6	38.1
P/BV (x)	1.6	1.4	1.3	1.0	0.9	0.9
ROE (%)	11.1	9.2	21.1	11.2	8.7	10.8
DPS (€)	0.27	0.32	0.32	0.32	0.32	0.36
Dividend yield (%)	2.6	3.0	3.3	4.0	4.0	4.5

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

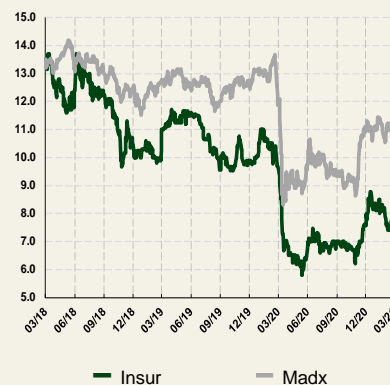
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Share Price € 8.02

ISUR.MC/ ISUR SM

Market Cap € 136 m
Enterprise Value € 334 m
Free Float € 49 m
Nº Shares 17 m
Average Daily Volume € 20 k

Performance	1m	3m	12m
Absolute %	-7.8	1.9	-18.4
Relative %	-13.8	.6	-9.6



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INSUR: QUARTERLY P&L REVIEW

(€ m)	4Q19	1Q20	2Q20	3Q20	4Q20	% YoY	4Q20E	Dif. Est
Revenues	60.3	20.6	22.7	62.1	27.4	(55%)	32.1	(15%)
Development	44.8	12.6	15.3	53.1	17.0	(62%)	23.5	(28%)
Rental Property	4.0	3.4	3.0	3.3	3.6	(10%)	4.0	(9%)
Construction	10.4	4.0	3.6	4.7	6.1	(41%)	5.1	20%
Asset Management	1.1	0.6	0.7	1.0	0.7	(36%)	(0.4)	n.m.
Equity method	–	(0.0)	(0.0)	–	0.0	n.m.	0.0	0%
EBITDA	16.0	4.3	3.4	14.4	(2.5)	n.m.	8.9	n.m.
Sale of assets	2.0	–	–	0.1	(0.2)	n.m.	(0.1)	n.m.
EBITDA Adj.	14.0	4.3	3.4	14.3	(2.7)	n.m.	8.9	n.m.
D&A and provisions	1.6	(0.8)	(0.8)	(0.8)	18.3	n.m.	(0.8)	n.m.
EBIT	15.6	3.5	2.6	13.6	15.6	(0%)	8.1	93%
Net financials	(2.5)	(1.4)	(1.4)	(1.5)	(1.7)	(32%)	(2.9)	(41%)
EBT	13.1	2.2	1.2	12.1	13.9	6%	5.2	n.m.
Income taxes	(0.4)	(0.5)	(0.3)	(3.1)	(4.4)	n.m.	(3.3)	34%
Net Profit	12.7	1.6	0.9	9.1	9.5	(25%)	1.9	n.m.

Source: Alantra Equities

INSUR: QUARTERLY PRE-SALES EVOLUTION

€m	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Backlog BoP	129.2	148.5	121.1	126.2	121.1	79.9
New Pre-Sales	21.1	16.7	17.7	10.2	11.9	12.8
Deliveries	1.8	(67.4)	(12.6)	(15.3)	(53.1)	(17.0)
Backlog EoP	148.5	121.1	126.2	121.1	79.9	75.7

Source: Alantra Equities

INSUR: GAV, NAV AND LEVERAGE RATIOS

(€ m)	4Q19	1Q20	2Q20	3Q20	4Q20	% YoY	% QoQ
GAV	537.6	538.9	547.5	524.2	526.0	(2%)	0%
Development	241.9	237.1	246.4	178.2	168.3	(30%)	(6%)
Rental Property	295.7	301.8	301.1	346.0	357.7	21%	3%
Net debt	196.4	208.1	213.7	189.9	208.9	6%	10%
NAV	341.2	330.8	333.8	334.3	317.1	(7%)	(5%)
LTV	37%	39%	39%	36%	40%	3%	3%

Source: Alantra Equities

INSUR: 4Q20 NAV VS. PEERS

Company	GAV (€m)	NAV (€m)	Market Cap (€m)	NAV p.s. (€)	Share price (€)	Disc./prem. to NAV (%)
Colonial	12,020	5,728	4,309	11.27	8.48	(25%)
Merlin Properties	12,811	7,364	4,173	15.88	9.00	(43%)
Lar España	1,475	881	428	10.36	5.03	(51%)
REITs						(35%)
Metrovacesa	2,679	2,499	972	16.48	6.41	(61%)
Aedas Homes	1,962	1,578	904	32.90	18.84	(43%)
Neinor Homes (*)	1,540	1,400	824	17.50	10.34	(41%)
Developers						(50%)
Grupo Insur	526	317	136	18.68	8.02	(57%)

(*) Includes Quabit's deal; 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	151	131	128	Net profit	11	9	21	12	10	13
Cost of sales	(65)	(87)	(98)	(117)	(96)	(91)	Depreciation	3	3	3	4	3	3
Gross margin	49	36	35	34	35	37	Minorities	-	-	-	-	-	-
Other income	(28)	(3)	0	3	1	(2)	Non-cash adjustments	(2)	(8)	(52)	(3)	(4)	(4)
Opex & Overheads	(3)	(10)	(10)	(3)	(10)	(7)	Total cash-flow (CF)	12	5	(27)	13	10	13
EBITDA	23	26	20	29	25	28	Capex	(47)	(42)	(26)	(26)	(25)	(21)
EBITDA adjusted	17	22	25	29	25	28	Deliveries	53	17	27	30	20	18
Depreciation & Amortization	4	(3)	16	(4)	(3)	(3)	Working capital	(7)	12	4	(13)	4	4
EBIT	22	24	35	25	22	25	Operating FCF	11	(9)	(22)	4	8	13
Financial costs	(7)	(12)	(6)	(8)	(7)	(6)	Financial investments	-	-	-	-	-	-
Ordinary profit	15	11	29	17	15	19	Disposals/(acquisitions)	9	7	(31)	-	-	-
Extraordinary items	-	-	-	-	-	-	Rights issues	-	-	-	-	-	-
Pre-tax Profit	15	11	29	17	15	19	Other	(5)	(8)	21	-	-	-
Taxes	(4)	(3)	(8)	(5)	(5)	(6)	Dividends from JVs	-	4	9	3	4	4
Discontinued activities	-	-	-	-	-	-	FCF before dividends	16	(4)	(23)	7	12	17
Minorities	-	-	-	-	-	-	Dividends	(2)	(5)	(5)	(5)	(5)	(5)
Net profit, reported	11	9	21	12	10	13	Free-cash-flow (FCF)	14	(9)	(28)	1	7	11
Adjustments	-	4	(12)	0	0	0							
Net profit adjusted	11	13	10	12	10	13							
Nº of shares (m)	17	17	17	17	17	17							
Nº of shares adjusted (m)	17	17	17	17	17	17							
Treasury stock (m)	0	0	0	0	0	0							
YoY Growth	FY18	FY19	FY20	FY21E	FY22E	FY23E	Balance sheet (€m) (*)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Sales	n.m	8%	8%	14%	(13%)	(3%)	Equity	107	126	132	137	145	151
EBITDA	n.m	13%	(26%)	47%	(13%)	12%	Minority interests	3	3	3	3	3	-
Net profit	n.m	(21%)	139%	(44%)	(15%)	31%	Provisions & others	4	(14)	(16)	(12)	(15)	(9)
							Net debt [cash]	163	172	200	205	200	189
							Capital invested	278	287	320	333	334	331
							Goodwill	4	4	4	4	4	4
							Intangible assets	0	1	1	1	1	1
							Tangible assets	141	149	217	217	217	217
							DTAs	13	12	13	13	13	13
							Associates	34	43	38	38	38	38
							Working capital	85	79	48	57	57	54
							Capital employed	278	287	320	330	329	326
							Working capital/sales	75%	65%	36%	38%	43%	42%
NAV	FY18	FY19	FY20	FY21E	FY22E	FY23E	Financial ratios	FY18	FY19	FY20	FY21E	FY22E	FY23E
GAV	510	538	526	490	472	453	Net debt/EBITDA	7.9X	7.4X	10.6X	6.8X	7.3X	5.8X
Net debt	(185)	(196)	(209)	(203)	(192)	(172)	Net debt/GAV (LTV)	36%	37%	40%	42%	41%	38%
Minorities & Other	-	-	-	4	6	6	Gearing (*)	148 %	134 %	148 %	146 %	135 %	125 %
NNAV	326	341	317	287	280	280	Interest cover (*)	3.3X	1.9X	6.0X	3.2X	3.1X	4.0X
Per share data (€)	FY18	FY19	FY20	FY21E	FY22E	FY23E	Margins & ratios	FY18	FY19	FY20	FY21E	FY22E	FY23E
EPS	0.66	0.52	1.24	0.70	0.60	0.78	EBITDA margin	20.6%	21.6%	14.8%	19.2%	19.3%	22.2%
EPS adjusted	0.66	0.78	0.56	0.70	0.60	0.78	EBIT margin	19.0%	19.5%	26.6%	16.6%	16.6%	19.9%
CFPS	0.71	0.28	(1.62)	0.77	0.59	0.74	Reported tax rate	25.0%	23.0%	28.2%	30.6%	31.8%	30.6%
FCFPS	0.68	(0.50)	(1.31)	0.24	0.49	0.76	Pay-out	40.8%	61.4%	25.7%	45.6%	53.6%	45.8%
BVPS	6.32	7.40	7.80	8.09	8.57	8.91	ROCE (EBIT/CE)	7.8%	8.3%	11.0%	7.6%	6.6%	7.8%
DPS	0.27	0.32	0.32	0.32	0.32	0.36	ROE	11.1%	9.2%	21.1%	11.2%	8.7%	10.8%

(*) Excludes JVs contribution

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