

## INMOBILIARIA DEL SUR

### Q1 results slightly above estimates

- Q1 results slightly above.** Revenues (including JVs) reached €35m (+70%YoY), above our €33m estimate, fully driven by better performance in development business. EBITDA grew by 55% YoY to €6.7m, c.10% (vs. our €6.2m) on better sales mix. Net profit doubled YoY, reaching €3.2m, roughly in line with our €3m.
- Strong pick-up in pre-sales.** Development sales jumped by 87% to c.€24m in Q1 (10% above our €21m), thanks to the delivery of a key owned project that was delayed from 4Q20. In terms of new demand, the group reached 155 pre-sales (including JVs), or €27.5m (adjusted by JV participation), somewhat better than our 145 and €25m estimates, respectively. This is a new pre-sales record, implying >50 units per month, well above the c.25 seen in 2020 and 30-40 pre-pandemic. This should allow Insur to quickly reach the minimum pre-sales threshold (c.40%), and thus to accelerate construction works.
- 3pp occupancy fall, in line.** Rentals GRI was flat QoQ at €3.7m (in line), and the occupancy rate fell by >3pp to 85.9%. Insur suffered 6k sqm of tenant exits, of which c.4k sqm were already advanced in 2Q20. The company has been able to re-let c.70% of the remaining 2k sqm with new contracts in the quarter. We expect Insur to lose another c.2k sqm (1.5pp) in Q2-Q3, with limited new entries. Despite this, we expect total GRI to grow by c.10% to €14m in 2021 thanks to the full contribution of Madrid Rio and part of the Hotusa hotel.
- NAV & debt update.** Net debt decreased by €5m QoQ to c.€204m (in line). This, combined with €10m GAV fall (to €515m), led NAV to fall by 2% QoQ (or flat ex-dividend payment) to €307m (€18.1 p.s.). As a reminder, Insur will distribute a €0.20 final DPS in late May and will issue 1.7m new shares (10% of total shares) against reserves, which will be distributed as a bonus issue.
- Our view.** Q1 results were slightly better than we expected, and confirmed the improving trends we anticipated in the development business. The sector has not only been resilient to Covid, but is emerging stronger from the crisis. The occupancy losses in the rental business were expected and in line. It is worth mentioning that renewals are being done with positive release spread, and we believe the reversionary potential offers a comfortable cushion for the ST headwinds. The shares trade at c.55% discount to NAV, well below both listed developers (>40%) and REITs (35%), a discount we think is excessive considering the company's good track record, quality asset mix (both re offices and development) and comfortable B/S (c.40% LTV).

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	0.58	0.72	0.78
Adj. EPS (*) (€)	0.66	0.78	0.68	0.58	0.72	0.78
P/E (x)	15.6	20.1	7.9	14.3	11.6	10.7
P/E Adj. (x)	15.6	13.5	14.3	14.3	11.6	10.7
EV/EBITDA (x)	15.3	14.1	19.0	14.4	13.1	12.7
Debt/GAV (x)	36.2	36.5	39.7	41.6	41.3	41.3
P/BV (x)	1.7	1.7	1.3	1.1	1.0	1.0
ROE (%)	11.1	9.2	21.1	9.3	10.6	10.9
DPS (€)	0.27	0.32	0.40	0.33	0.40	0.44
Dividend yield (%)	2.6	3.0	4.1	3.9	4.8	5.2

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

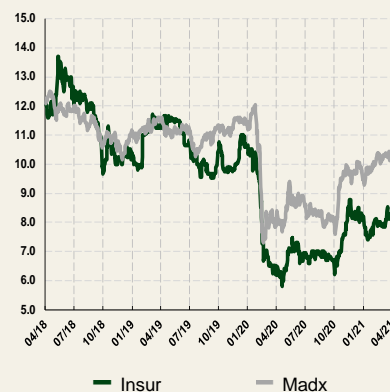
### SPONSORED RESEARCH

Share Price € 8.22

### ISUR.MC/ ISUR SM

Market Cap € 140 m  
Enterprise Value € 349 m  
Free Float € 50 m  
Nº Shares 17 m  
Average Daily Volume € 200 k

Performance	1m	3m	12m
Absolute %	2.8	2.8	32.4
Relative %	-0.3	-8.7	3.8



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INSUR: QUARTERLY PRE-SALES EVOLUTION

(€ m)	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
<b>Order book BoP</b>	<b>148.5</b>	<b>121.1</b>	<b>126.2</b>	<b>121.1</b>	<b>79.9</b>	<b>75.7</b>
New Pre Sales	16.7	17.7	10.2	11.9	12.8	27.5
Deliveries	(67.4)	(12.6)	(15.3)	(53.1)	(17.0)	(23.6)
<b>Order book EoP</b>	<b>121.1</b>	<b>126.2</b>	<b>121.1</b>	<b>79.9</b>	<b>75.7</b>	<b>79.6</b>

Source: Alantra Equities

INSUR: QUARTERLY P&L REVIEW

(€ m)	1Q20	2Q20	3Q20	4Q20	1Q21	% YoY	1Q21E	Dif. Est
<b>Revenues</b>	<b>20.6</b>	<b>22.7</b>	<b>62.1</b>	<b>27.4</b>	<b>35.1</b>	<b>70%</b>	<b>32.7</b>	<b>7%</b>
Development	12.6	15.3	53.1	17.0	23.6	87%	21.4	10%
Rental Property	3.4	3.0	3.3	3.6	3.7	10%	4.0	(8%)
Construction	4.0	3.6	4.7	6.1	7.1	76%	6.5	9%
Asset Management	0.6	0.7	1.0	0.7	0.7	17%	0.8	(13%)
Equity method	(0.0)	(0.0)	–	0.0	–	(100%)	–	n.m.
<b>EBITDA</b>	<b>4.3</b>	<b>3.4</b>	<b>14.4</b>	<b>(2.5)</b>	<b>6.7</b>	<b>55%</b>	<b>6.2</b>	<b>8%</b>
Sale of assets	–	–	0.1	(0.2)	–	n.m.	–	n.m.
<b>EBITDA Adj.</b>	<b>4.3</b>	<b>3.4</b>	<b>14.3</b>	<b>(2.7)</b>	<b>6.7</b>	<b>55%</b>	<b>6.2</b>	<b>8%</b>
D&A and provisions	(0.8)	(0.8)	(0.8)	18.3	(1.0)	26%	(0.8)	25%
<b>EBIT</b>	<b>3.5</b>	<b>2.6</b>	<b>13.6</b>	<b>15.6</b>	<b>5.7</b>	<b>61%</b>	<b>5.4</b>	<b>6%</b>
Net financials	(1.4)	(1.4)	(1.5)	(1.7)	(1.4)	3%	(1.4)	3%
<b>EBT</b>	<b>2.2</b>	<b>1.2</b>	<b>12.1</b>	<b>13.9</b>	<b>4.3</b>	<b>98%</b>	<b>4.0</b>	<b>6%</b>
Income taxes	(0.5)	(0.3)	(3.1)	(4.4)	(1.1)	n.m.	(1.0)	10%
<b>Net Profit</b>	<b>1.6</b>	<b>0.9</b>	<b>9.1</b>	<b>9.5</b>	<b>3.2</b>	<b>95%</b>	<b>3.0</b>	<b>5%</b>

Source: Alantra Equities

INSUR: GAV, NAV AND LEVERAGE RATIOS

(€ m)	1Q20	2Q20	3Q20	4Q20	1Q21	% YoY	% QoQ
<b>GAV</b>	<b>538.9</b>	<b>547.5</b>	<b>524.2</b>	<b>526.0</b>	<b>515.3</b>	<b>(4%)</b>	<b>(2%)</b>
Development	237.1	246.4	178.2	168.3	154.6	(35%)	(8%)
Rental Property	301.8	301.1	346.0	357.7	514.3	70%	44%
<b>Net debt</b>	<b>208.1</b>	<b>213.7</b>	<b>189.8</b>	<b>208.9</b>	<b>203.7</b>	<b>(2%)</b>	<b>(2%)</b>
<b>NAV</b>	<b>330.8</b>	<b>333.8</b>	<b>334.4</b>	<b>317.1</b>	<b>311.6</b>	<b>(6%)</b>	<b>(2%)</b>
<b>LTV</b>	<b>39%</b>	<b>39%</b>	<b>36%</b>	<b>40%</b>	<b>40%</b>	<b>1%</b>	<b>(0%)</b>

Source: Alantra Equities

INSUR: 1Q21 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	4,299	11.27	8.46	(25%)
Merlin Properties	12,811	7,364	4,312	15.88	9.30	(41%)
Lar España	1,475	881	454	10.36	5.34	(48%)
<b>REITs</b>	<b>14,286</b>					<b>(34%)</b>
Metrovacesa	2,679	2,499	1176	16.48	7.75	(53%)
Aedas Homes	1,962	1,578	1055	32.90	22.00	(33%)
Neinor Homes	1,540	1,400	833	18.81	11.2	(40%)
<b>Developers</b>	<b>6,181</b>					<b>(43%)</b>
<b>Grupo Insur</b>	<b>515.3</b>	<b>307</b>	<b>140</b>	<b>18.11</b>	<b>8.22</b>	<b>(55%)</b>

(\*) 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
<b>Gross margin</b>	<b>49</b>	<b>36</b>	<b>35</b>	<b>35</b>	<b>37</b>	<b>35</b>	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)	<b>Total cash-flow (CF)</b>	<b>12</b>	<b>5</b>	<b>(27)</b>	<b>11</b>	<b>11</b>	<b>13</b>
<b>EBITDA</b>	<b>23</b>	<b>26</b>	<b>20</b>	<b>24</b>	<b>26</b>	<b>27</b>	Capex	(47)	(40)	(23)	(21)	(18)	(16)
<b>EBITDA adjusted</b>	<b>17</b>	<b>22</b>	<b>25</b>	<b>24</b>	<b>26</b>	<b>27</b>	Deliveries	53	17	27	20	9	9
Depreciation & Amortization	4	(3)	16	(3)	(3)	(3)	Working capital	(7)	12	4	(4)	1	1
<b>EBIT</b>	<b>22</b>	<b>24</b>	<b>35</b>	<b>21</b>	<b>23</b>	<b>24</b>	<b>Operating FCF</b>	<b>11</b>	<b>(7)</b>	<b>(19)</b>	<b>7</b>	<b>3</b>	<b>7</b>
Financial costs	(7)	(12)	(6)	(8)	(7)	(6)	Financial investments	-	-	-	-	-	-
<b>Ordinary profit</b>	<b>15</b>	<b>11</b>	<b>29</b>	<b>13</b>	<b>16</b>	<b>18</b>	Disposals/(acquisitions)	9	7	(31)	-	-	-
Extraordinary items	-	-	-	-	-	-	Rights issues	-	-	-	-	-	-
<b>Pre-tax Profit</b>	<b>15</b>	<b>11</b>	<b>29</b>	<b>13</b>	<b>16</b>	<b>18</b>	Other	(6)	(9)	18	-	-	-
Taxes	(4)	(3)	(8)	(3)	(4)	(4)	Dividends from JVs	1	4	9	3	5	4
Discontinued activities	-	-	-	-	-	-	<b>FCF before dividends</b>	<b>16</b>	<b>(4)</b>	<b>(23)</b>	<b>9</b>	<b>8</b>	<b>11</b>
Minorities	-	-	-	-	-	-	Dividends	(2)	(5)	(5)	(7)	(6)	(7)
<b>Net profit, reported</b>	<b>11</b>	<b>9</b>	<b>21</b>	<b>10</b>	<b>12</b>	<b>13</b>	<b>Free-cash-flow (FCF)</b>	<b>14</b>	<b>(9)</b>	<b>(28)</b>	<b>3</b>	<b>2</b>	<b>4</b>
Adjustments	-	4	(10)	-	-	-							
<b>Net profit adjusted</b>	<b>11</b>	<b>13</b>	<b>12</b>	<b>10</b>	<b>12</b>	<b>13</b>							
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							
<b>YoY Growth</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>	<b>Balance sheet (€m) (*)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Sales	n.m	8%	8%	(8%)	2%	(8%)	Equity	104	107	126	129	136	142
EBITDA	n.m	13%	(26%)	24%	8%	3%	Minority interests	-	-	3	3	3	3
Net profit	n.m	(21%)	139%	(53%)	23%	8%	Provisions & others	11	8	(9)	(9)	(9)	(9)
							Net debt [cash]	163	172	200	198	196	192
							<b>Capital invested</b>	<b>278</b>	<b>287</b>	<b>320</b>	<b>321</b>	<b>326</b>	<b>328</b>
							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	48	53	56
							<b>Capital employed</b>	<b>278</b>	<b>287</b>	<b>320</b>	<b>321</b>	<b>326</b>	<b>328</b>
							Working capital/sales	75%	65%	36%	39%	43%	49%
<b>NAV</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>	<b>Financial ratios</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
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	280	Interest cover (*)	3.3X	1.9X	6.0X	2.7X	3.5X	3.9X
<b>Per share data (€)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>	<b>Margins &amp; ratios</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	0.66	0.52	1.24	0.58	0.72	0.78	EBITDA margin	20.6%	21.6%	14.8%	20.0%	21.2%	23.5%
EPS adjusted	0.66	0.78	0.68	0.58	0.72	0.78	EBIT margin	19.0%	19.5%	26.6%	17.2%	18.5%	20.8%
CFPS	0.71	0.28	(1.62)	0.63	0.64	0.75	Reported tax rate	25.0%	23.0%	28.2%	25.5%	25.4%	25.4%
FCFPS	0.68	(0.42)	(1.10)	0.39	0.16	0.43	Pay-out	40.8%	61.4%	32.2%	56.3%	56.0%	56.0%
BVPS	6.12	6.32	7.40	7.59	8.00	8.39	ROCE (EBIT/CE)	7.8%	8.3%	11.0%	6.5%	7.1%	7.3%
DPS	0.27	0.32	0.40	0.33	0.40	0.44	ROE	11.1%	9.2%	21.1%	9.3%	10.6%	10.9%

(\*) Excludes JVs contribution

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