

INMOBILIARIA DEL SUR

Acquires 50% of a JV with BBVA. Good news

- Details.** InSur has agreed to acquire the 50% it does not own in Desarrollos Metropolitanos del Sur (DMS) from BBVA's subsidiary Anida. The price paid has not been disclosed.
- What is DMS?** DMS was the 50/50 JV created in 2015 by InSur and Anida. The aim was to co-develop a large landbank mainly located in the Entrenucleos sector (located in the South East of Sevilla) and owned by Anida. Insur contributed its industrial know-how (permitting, construction works, and commercialisation) to the JV. According to InSur, since 2015, the JV has developed 17 projects with 1.47k home units, of which 1.01k in Entrenucleos and the remaining spread between Sevilla, Málaga, Cádiz, Granada, and Cáceres. The portfolio acquired does not include subsidised homes and amounts to: a) 832 units under development (either in WIP or launched), which is equivalent to c.40% of the total JV units under development; b) a land plot of 128 equivalent units and options on 3 additional land plots with 880 equivalent units. All units together (1.8k) account for c.40% total portfolio as of March, and we estimate >20% on adjusted terms (i.e., under the proportionate method).
- Makes strategic sense.** We think that the deal makes strategic sense for InSur for two main reasons: 1) it acquires full control of a land bank that it knows well, located in a region with sound demand tailwinds; 2) it secures most of the land purchase targets it set for its 2021-25 plan in a context in which fully-permitted land is very scarce. As a reminder, last December, it issued a €30m bond to fund these purchases. The price paid has not been disclosed. However, considering that the JV was non-core for Anida (BBVA) and that InSur has a good land acquisition track record, we think it has been made at favourable conditions.
- Our view.** The deal is good news for InSur and a step in the good direction towards delivering on its 2021-25 plan, in which it aims to almost double 2016-20 numbers. As we have said on previous occasions, we expect the company's business model to work well under the current challenging environment (cost inflation, supply disruptions) thanks to a mix of its quality land bank (that allows for HPA), the in-house construction unit (thus allowing for flexibility), and tailwinds in the rental business (thanks to inflation). The shares are trading at >50% discount to NAV, which is above peers and, to us, unjustified.

Financial Ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
Adj. EBITDA (€m)	22.4	19.4	22.4	21.4	27.3	41.0
Net profit (€m)	8.8	21.1	12.1	10.0	13.5	24.2
EPS (€)	0.52	1.24	0.68	0.53	0.73	1.30
Adj. EPS (€)	0.70	0.73	0.58	0.53	0.73	1.30
P/E (x)	20.1	7.9	11.1	15.5	11.4	6.4
P/E Adj. (x)	15.0	13.5	13.0	15.5	11.4	6.4
EV/EBITDA (x)	16.7	19.3	15.1	16.7	12.5	7.6
Debt/EBITDA	8.8	10.8	8.8	9.5	6.8	3.8
P/BV (x)	1.7	1.4	1.1	1.2	1.1	1.0
ROE (%)	8.2	16.8	9.2	7.3	9.4	14.9
DPS (€)	0.3	0.4	0.3	0.3	0.4	0.6
Dividend yield (%)	3.0	4.1	4.0	3.2	4.4	7.8

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

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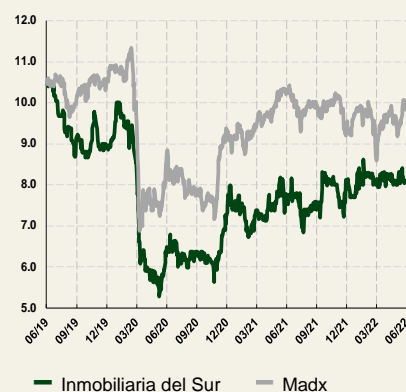
Share Price € 8.30

*Share price at the close of 7, June 2022

ISUR.MC/ ISUR SM

Market Cap	€ 155 m
Enterprise Value	€ 358 m
Free Float	€ 55 m
Nº Shares	19 m
Average Daily Volume	€ 11 k

Performance	1m	3m	12m
Absolute %	2.0	0.5	5.9
Relative %	-6.6	-16.9	4.7



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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	111	139	195	Net profit	9	21	12	10	14	24
Cost of sales	(88)	(95)	(89)	(78)	(99)	(141)	Depreciation	4	4	4	3	3	3
Gross margin	35	38	36	33	40	54	Minorities	-	-	-	-	-	-
Opex	(13)	(18)	(14)	(12)	(12)	(13)	Non-cash adjustments	(8)	0	(0)	-	-	-
Adj. EBITDA	22	19	22	21	27	41	Total cash-flow (CF)	5	25	16	13	17	27
Adjustments	4	0	4	1	-	-	Capex	(80)	(80)	(93)	(67)	(81)	(88)
EBITDA	27	20	26	23	27	41	Deliveries	48	75	65	50	63	102
Depreciation & Amortization	(4)	(4)	(4)	(3)	(3)	(3)	Working capital	12	4	(10)	(1)	14	2
Changes in provisions & Other	1	19	0	-	-	-	Operating FCF	(15)	24	(22)	(5)	13	43
EBIT	23	35	22	20	24	38	Financial investments	-	-	-	-	-	-
Financial costs	(12)	(6)	(5)	(6)	(6)	(6)	Disposals/(acquisitions)	7	(31)	9	-	-	-
Associates	-	-	-	-	-	-	Rights issues	-	-	-	-	-	-
Ordinary profit	10	29	16	13	18	32	Other	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-	FCF before dividends	(7)	(7)	(13)	(5)	13	43
Pre-tax Profit	10	29	16	13	18	32	Dividends	(5)	(5)	(7)	(6)	(5)	(7)
Taxes	(1)	(8)	(4)	(3)	(5)	(8)	Free-cash-flow (FCF)	(12)	(12)	(20)	(10)	8	36
Discontinued activities	-	-	-	-	-	-	Buy-backs	-	-	-	-	-	-
Minorities	-	-	-	-	-	-	FCF after buy backs	(12)	(12)	(20)	(10)	8	36
Net profit, reported	9	21	12	10	14	24							
Adjustments	3	(9)	(2)	-	-	-	Balance sheet (€m)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net profit adjusted	12	12	10	10	14	24	Equity	107	122	128	133	141	159
							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	203	185	156
Treasury stock (m)	0	0	0	0	0	0	Capital invested	336	355	378	388	378	367
							Goodwill	-	-	-	-	-	-
YoY Growth	FY19	FY20	FY21	FY22E	FY23E	FY24E	Intangible assets	1	1	0	0	0	0
Sales	8%	8%	(6%)	(11%)	25%	41%	Tangible assets	149	217	218	218	218	218
Adj. EBITDA	29%	(13%)	15%	(4%)	27%	50%	Financial assets	31	25	47	47	47	47
Net profit	(12%)	139%	(43%)	(18%)	36%	79%	Associates	2	1	0	(5)	(14)	(33)
Adjusted net profit	18%	4%	(16%)	(4%)	36%	79%	Working capital	154	112	112	128	126	134
							Capital employed	336	355	378	388	378	367
EBITDA by division	FY19	FY20	FY21	FY22E	FY23E	FY24E	Working capital/sales	125%	84%	90%	115%	91%	69%
Development	36%	43%	52%	34%	44%	61%							
Servicing	46%	53%	53%	62%	50%	34%							
Rental and legacy	18%	4%	(5%)	4%	6%	4%							
NAV	FY19	FY20	FY21	FY22E	FY23E	FY24E	Financial ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
GAV	538	526	523	530	537	506	Net debt/EBITDA	7.4X	10.6X	7.6X	9.0X	6.8X	3.8X
Net debt	196	209	198	203	185	156	Net debt/GAV (LTV)	37%	40%	38%	38%	34%	31%
Minorities & Other	-	-	-	-	-	-	Gearing	183.2%	166.4%	150.6%	149.7%	128.1%	96.6%
NNAV	341	317	325	322	337	342	Interest cover	1.8X	6.0X	4.0X	3.1X	4.0X	6.8X
Per share data (€)	FY19	FY20	FY21	FY22E	FY23E	FY24E	Margins & ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
EPS	0.52	1.24	0.68	0.53	0.73	1.30	EBITDA margin	21.6%	14.8%	20.9%	20.4%	19.6%	21.0%
EPS adjusted	0.70	0.73	0.58	0.53	0.73	1.30	EBIT margin	18.6%	26.6%	17.4%	17.5%	17.4%	19.4%
CFPS	0.32	1.48	0.92	0.70	0.89	1.46	Reported tax rate	14.3%	28.1%	25.7%	25.0%	25.0%	25.0%
FCFPS	(0.85)	1.43	(1.23)	(0.24)	0.70	2.28	Pay-out	45.9%	55.2%	51.5%	50.1%	50.2%	50.1%
BVPS	6.32	7.21	7.20	7.11	7.57	8.50	ROCE (EBIT/CE)	6.8%	9.9%	5.8%	5.0%	6.4%	10.3%
DPS	0.32	0.40	0.30	0.27	0.36	0.65	ROE	8.2%	16.8%	9.2%	7.3%	9.4%	14.9%

(*) Excluding trapped cash

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