

INMOBILIARIA DEL SUR

2021-25 Strategic Plan highlights

• **Details.** Inmobiliaria del Sur has just presented its 2021-25 strategic plan. We highlight the following:

a) In **development**, the following strategic goals were set: a) to maintain its vertical integration model (construction + development); b) to increase projects sizes with higher ASP products; c) to increase presence in Madrid (up to 40% of the total units vs. current 15% units under WIP and <10% under development); d) to grow in tertiary office development in Madrid and Malaga; and e) to enhance profitability. InSur aims to reach €110m revenues p.a. in the period (vs. our c.€75m) and gross margins of >25% (vs. our c.23%).

b) In **rentals**, InSur aims to increase scale and to strengthen its presence in Madrid via asset rotation. It has also targeted a €17.4m annual GRI (10% above our c.€16m estimate).

c) **Targets:** Another goal is to reach annual EBITDA and net profit targets of €37.3m and €20m on average respectively, well above our €28m and €13m estimates. By 2025, InSur also targets GAV of €725m, LTV of 32.5% and NAV of €489m, vs. our c.€500m, <40%, and €300m, respectively.

d) **Funding:** To finance these growth plans, InSur wants to access the capital market via the combination of a €30m corporate bond issue and a capital increase of up to €60m (40% of current market cap).

• **Our views.** InSur has set a very ambitious growth plan that we think makes sense in the current upturn of the RE cycle in Spain: 1) growth will be focused on the development sector, which is enjoying very strong momentum (strong demand, low supply, favourable pricing environment); 2) should this plan materialise, it would increase the group's size, which is positive, 3) we like the increased focus on Madrid, a more premium, lower risk market (consistent demand, favourable migration flows); and 4) InSur has a good management track record in growing the business. The risk to our estimates is on the upside, but we will also have to factor in the funding needs (€30m debt & €60m equity) in order to assess the net value creation of the plan. We will soon publish in-depth research reviewing the strategic plan, the shares trade with a 55% discount to NAV vs. 30% for listed REITs and 35% for listed developers.

| 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 | 12.9 | 10.4 | 9.7 |
| P/E Adj. (x) | 15.6 | 13.5 | 14.3 | 12.9 | 10.4 | 9.7 |
| EV/EBITDA (x) | 15.3 | 14.1 | 19.0 | 13.8 | 12.5 | 12.1 |
| LTV (%) | 36.2 | 36.5 | 39.7 | 41.6 | 41.3 | 41.3 |
| P/BV (x) | 1.7 | 1.7 | 1.3 | 1.0 | 0.9 | 0.9 |
| 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 (%) | 2.62 | 3.05 | 4.08 | 4.36 | 5.36 | 5.79 |

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

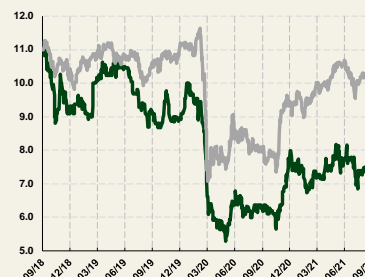
SPONSORED RESEARCH

Share Price € 7.48

ISUR.MC/ ISUR SM

Market Cap € 128 m
Enterprise Value € 337 m
Free Float € 46 m
Nº Shares 17 m
Average Daily Volume € 200 k

| Performance | 1m | 3m | 12m |
|-------------|-----|------|------|
| Absolute % | 2.5 | -3.9 | 29.6 |
| Relative % | 6.2 | 1.5 | 3.5 |



— Inmobiliaria del Sur — Madx

Analyst

Fernando Abril-Martorell

+34 91 550 87 19

fabiilmartorell@alantraequities.com

This 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.

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.

The analysts responsible for the preparation of this report may interact with trading desk personnel, sales personnel and investment managers. 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. 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. Investors should consider this report as only a single factor in making their investment decisions.

The disclosures contained in research reports 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.

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.
