# ALANTRA Equities

# **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.</p>
  - 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 indepth 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 bas	ed on average sh	are price of the	year			

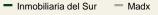
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Share Price	€ 7.48
	C 7.40

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





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#### Inmobiliaria del Sur

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P&L account (€m)	FY18	FY19	FY20E	FY21E	FY22E	FY23E	Cash flow (€m)	FY18	FY19	FY20E	FY21E	FY22E	FY2
Sales	114	123	133	122	124	115	Net profit	11	9	21	10	12	
Cost of sales	(65)	(87)	(98)	(88)	(87)	(79)	Depreciation	3	3	3	3	3	
Gross margin	49	36	35	35	37	35	Minorities	0	0	0	0	0	
Other income	(28)	(3)	0	(3)	(4)	(1)	Non-cash adjustments	(2)	(8)	(52)	(3)	(5)	(
Opex & Overheads	(3)	(10)	(10)	(7)	(7)	(7)	Total cash-flow (CF)	12	5	(27)	11	11	
EBITDA	23	26	20	24	26	27	Capex	(47)	(40)	(23)	(21)	(18)	(1
BITDA adjusted	17	22	25	24	26	27	Deliveries	53	17	27	20	9	
Depreciation & Amortization	4	(3)	16	(3)	(3)	(3)	Working capital	(7)	12	4	(4)	1	
BIT	22	24	35	21	23	24	Operating FCF	11	(7)	(19)	7	3	
Financial costs	(7)	(12)	(6)	(8)	(7)	(6)	Financial investments	0	0	0	0	0	
Ordinary profit	15	11	29	13	16	18	Disposals/(acquisitions)	9	7	(31)	0	0	
Extraordinary items	0	0	0	0	0	0	Rights issues	0	0	0	0	0	
Pre-tax Profit	15	11	29	13	16	18	Other	(6)	(9)	18	0	0	
axes	(4)	(3)	(8)	(3)	(4)	(4)	Dividends from JVs	1	4	9	3	5	
Discontinued activities	0	0	0	0	0	0	FCF before dividends	16	(4)	(23)	9	8	
<i>V</i> inorities	0	0	0	0	0	0	Dividends	(2)	(5)	(5)	(7)	(6)	
Net profit, reported	11	9	21	10	12	13	Free-cash-flow (FCF)	14	(9)	(28)	3	2	
Adjustments	0	4	(10)	0	0	0			(-)	()	-	-	
Net profit adjusted	11	13	12	10	12	13							
		10		10		10	Balance sheet (€m) (*)	FY18	FY19	FY20E	FY21E	FY22E	FY2
l⁰ of shares (m)	17	17	17	17	17	17	Equity	104	107	126	129	136	1
v of shares adjusted (m)	17	17	17	17	17	17	Minority interests	0	0	3	3	3	
Freasury stock (m)	0	0	0	0	0	0	Provisions & others	11	8	-9	-9	-9	
	0	0	0	Ũ	0	Ū	Net debt [cash]	163	172	200	198	196	1
oY Growth	FY18	FY19	FY20E	FY21E	FY22E	FY23E	Capital invested	278	287	320	321	326	3
Sales	35%	8%	8%	(8%)	2%	(8%)							-
BITDA	79%	13%	(26%)	24%	8%	3%	Goodw ill	4	4	4	4	4	
vet profit	169%	(21%)	139%	(53%)	23%	8%	Intangible assets	0	1	1	1	1	
lot profit	10070	(2170)	10070	(0070)	2070	0,0	Tangible assets	141	149	217	217	217	2
Sales by division	FY18	FY19	FY20E	FY21E	FY22E	FY23E	DTAs	13	12	13	13	13	-
Development	76.60	65.06	98.03	69.32	70.73	58.98	Associates	34	43	38	38	38	
Rental assets	12.18	13.70	13.29	14.10	15.15	16.49	Working capital	85	79	48	48	53	
Construction	21.61	39.56	18.50	34.34	33.03	33.03	Capital employed	278	287	320	321	326	3
Asset Management	3.52	4.45	2.99	4.52	5.25	6.15	Working capital/sales	75%	65%	36%	39%	43%	4
-	0.02	4.40	2.00	4.02	0.20	0.10	working oupliarouldo	1070	0070	0070	0070	4070	
<b>I</b> AV	FY18	FY19	FY20E	FY21E	FY22E	FY23E	Financial ratios	FY18	FY19	FY20E	FY21E	FY22E	FY2
GAV	510	538	526	501	484	477	Net debt/EBITDA	7.9X	7.4X	10.6X	8.5X	7.6X	7
Vet debt	(185)	(196)	(209)	(208)	(200)	(197)	Net debt/GAV (LTV)	36%	37%	40%	42%	41%	4
/inorities & Other	0	0	0	0	0	0	Gearing (*)	157%	160%	155%	150%	141%	13
INAV	326	341	317	293	284	280	Interest cover (*)	3.3X	1.9X	6.0X	2.7X	3.5X	3
	320	341	517	293	204	200		3.37	1.57	0.07			
	FY18	FY19	FY20E	FY21E	FY22E	FY23E	Margins & ratios	FY18	FY19	FY20E	FY21E	des JVs co FY22E	FY:
Per share data (€)	1110	1113		0.58	0.72	0.78	· · · · · · · · · · · · · · · · · · ·	20.6%	21.6%		20.0%	21.2%	
	0.66	0.50	1 0 4		0.72	0.78	EBITDA margin	20.0%	21.0%	14.8%	20.0%	21.2%	23.
PS	0.66	0.52	1.24			0.70	EPIT margin	10.00/	10 50/	26.00/	17 00/	10 50/	-
PS PS 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.
PS PS adjusted XFPS	0.66 0.71	0.78 0.28	0.68 (1.62)	0.58 0.63	0.72 0.64	0.75	Reported tax rate	25.0%	23.0%	28.2%	25.5%	25.4%	25.
Per share data (€) EPS EPS adjusted CFPS ECFPS SVPS	0.66	0.78	0.68	0.58	0.72		-						

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