

INMOBILIARIA DEL SUR

Our views on Q4

- Residential segment: limited Covid impact so far.** Q3 data published recently by INE reflects a limited impact from Covid-19 so far on the Spanish residential segment: 1) prices of new homes accelerated to +7.6% (vs. +4-6% in Q2 and Q1). In Andalusia, home prices continued to grow at mid-single digit (+c.6%); 2) home transaction demand fell by c.15% YoY, but new homes grew by 2%, recovering pre-Covid levels. YTD new home transactions are still down 15%; and 3) housing starts in both August & September grew YoY, showing some “normalization” vs the 30-50% falls seen since the start of the pandemic.
- What do we expect for Q4?** We expect a good Q4 for pre-sales, with pre-Covid levels of 30-35 units per month (in line with Q3) and with above average ASP thanks to a better product mix (larger contribution from Madrid developments). In terms of deliveries, our impression is that some units could have been delayed to 1Q21 and that sales could range from €20-25m vs. our current €25-30m estimate. Regarding the rental segment, we expect revenues >+15% QoQ (to c.€4m) due to the contribution of the 40% stake acquisition of Madrid Rio building, from the end of October. Occupancy should remain broadly flat QoQ at 88%. As for net debt, we expect a slight increase QoQ (+€10m) to c.€200m, equivalent to c.36% LTV.
- Interim DPS of €0.20.** Yesterday, the company announced that it will pay a €0.20 interim DPS (2.4% yield) in January vs. 2020 profits, implying a c.15% YoY increase vs. 2019's. This sits roughly in line with estimates and is a good sign of the solid financial position of the company.
- Our 2020-23 estimates.** We are only fine-tuning our 2020-21 development units (delaying some deliveries from 4Q20 to 1Q21), leading us to cut our development sales by 5% in 2020 and to raise those of 2021 by 6%). We look for €31m EBITDA in 2020, €25m (21), €22m (22) and €27m (23), and a net profit range of €8-13m (20-23).
- Our view.** The home sector is proving more resilient than we anticipated, and we believe Insur is well positioned to navigate through the challenges thanks to a good level of pre-sales, a comfortable B/S and a quality & visible rental CFs. The shares are down c.20% YTD (vs -15% for the Ibex) and trades at a 58% discount to the last reported NAV vs. c.35%-45% average discount for listed developers & REITs. We think this discount looks excessive, both in absolute (we rule out a crash in prices or debt problems) and relative terms (small & well-located land bank, less exposed to holiday homes).

Financial Ratios	FY18	FY19	FY20E	FY21E	FY22E	FY23E
EBITDA (€m)	30	27	31	25	22	27
Net profit (€m)	11	5	13	10	8	12
EPS (€)	0.66	0.28	0.77	0.59	0.46	0.70
Adj. EPS (*) (€)	0.66	0.28	0.77	0.59	0.46	0.70
P/E (x)	15.6	38.2	10.9	14.2	18.2	11.9
P/E Adj. (x)	15.6	38.2	10.9	14.2	18.2	11.9
EV/EBITDA (x)	12.2	14.1	11.0	13.0	14.8	11.4
Debt/EBITDA (x)	0.4	0.4	0.4	0.3	0.3	0.3
P/BV (x)	1.6	1.6	1.2	1.2	1.1	1.0
ROE (%)	11.1	9.2	13.0	9.5	7.0	10.2
DPS (€)	0.27	0.32	0.35	0.27	0.21	0.32
Dividend yield (%)	2.6	3.0	4.2	3.2	2.5	3.9

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

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Share Price € 8.34

ISUR.MC/ ISUR SM

Market Cap € 142 m
Enterprise Value € 339 m
Free Float € 51 m
Nº Shares 17 m
Average Daily Volume € 22 k

Performance	1m	3m	12m
Absolute %	10.0	27.2	-17.6
Relative %	10.3	4.8	-5.2



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KEY DATA

P&L account (€m)	FY18	FY19	FY20E	FY21E	FY22E	FY23E	Cash flow (€m)	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Sales	114	123	137	129	102	122	Net profit	17	9	13	10	8	12
Cost of sales	(65)	(86)	(99)	(98)	(73)	(86)	Depreciation	2	3	3	3	3	3
Gross margin	49	37	38	32	28	36	Minorities	-	-	-	-	-	-
Other income	(22)	(5)	(0)	2	2	2	Non-cash adjustments	(7)	(3)	-	0	(0)	-
Opex & Overheads	(3)	(10)	(7)	(9)	(8)	(11)	Total cash-flow (CF)	12	8	16	13	11	15
EBITDA	30	27	31	25	22	27	Capex	(61)	(54)	(82)	(50)	(47)	(46)
EBITDA adjusted	23	22	31	25	22	27	Deliveries	65	47	80	56	36	51
Depreciation & Amortization	(2)	(3)	(3)	(3)	(3)	(3)	Working capital	7	(17)	(10)	(3)	7	(0)
EBIT	28	24	28	22	19	24	Operating FCF	22	(15)	4	17	7	20
Financial costs	(7)	(12)	(8)	(8)	(7)	(7)	Financial investments	-	-	-	-	-	-
Ordinary profit	21	12	20	14	12	18	Disposals/(acquisitions)	9	7	-	-	-	-
Extraordinary items	-	-	-	-	-	-	Rights issues	-	-	-	-	-	-
Pre-tax Profit	21	12	20	14	12	18	Other	-	14	-	-	-	-
Taxes	(4)	(3)	(7)	(5)	(4)	(6)	Dividends from JVs	-	4	9	4	5	6
Discontinued activities	-	-	-	-	-	-	FCF before dividends	32	11	14	20	12	26
Minorities	-	-	-	-	-	-	Dividends	(2)	(5)	(5)	(6)	(5)	(4)
Net profit, reported	17	9	13	10	8	12	Free-cash-flow (FCF)	30	6	8	14	7	22
Adjustments	(6)	(4)	-	-	-	-							
Net profit adjusted	11	5	13	10	8	12							
N° of shares (m)	17	17	17	17	17	17							
N° of shares adjusted (m)	17	17	17	17	17	17							
Treasury stock (m)	0	0	0	0	0	0							
YoY Growth	FY18	FY19	FY20E	FY21E	FY22E	FY23E	Balance sheet (€m) (*)	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Sales	n.m	8%	12%	(6%)	(21%)	20%	Equity	107	115	119	122	130	135
EBITDA	n.m	(10%)	17%	(18%)	(12%)	23%	Minority interests	-	-	-	-	-	-
Net profit	n.m	(58%)	179%	(24%)	(22%)	53%	Provisions & others	7	0	4	5	(0)	3
							Net debt [cash]	163	172	183	171	173	163
							Capital invested	278	287	306	298	303	301
							Goodwill	4	4	4	4	4	4
							Intangible assets	0	1	(2)	(6)	(9)	(12)
							Tangible assets	141	149	157	157	157	157
							DTAs	13	12	12	12	12	12
							Associates	34	43	43	43	43	43
							Working capital	85	79	93	88	96	97
							Capital employed	278	287	306	298	303	301
							Working capital/sales	75%	65%	68%	68%	95%	80%
NAV	FY18	FY19	FY20E	FY21E	FY22E	FY23E	Financial ratios	FY18	FY19	FY20E	FY21E	FY22E	FY23E
GAV	510	538	546	572	573	564	Net debt/EBITDA	6.3X	7.4X	6.4X	7.4X	8.3X	6.1X
Net debt	(185)	(196)	(198)	(187)	(185)	(169)	Net debt/GAV (LTV)	36%	37%	36%	33%	32%	30%
Minorities & Other	-	-	-	-	-	-	Gearing (*)	152 %	150 %	154 %	140 %	133 %	120 %
NNAV	326	341	348	385	388	395	Interest cover (*)	4.2X	1.9X	3.7X	2.9X	2.7X	3.7X
Per share data (€)	FY18	FY19	FY20E	FY21E	FY22E	FY23E	Margins & ratios	FY18	FY19	FY20E	FY21E	FY22E	FY23E
EPS	1.02	0.52	0.77	0.59	0.46	0.70	EBITDA margin	25.9%	21.6%	22.5%	19.6%	21.9%	22.5%
EPS adjusted	0.66	0.28	0.77	0.59	0.46	0.70	EBIT margin	24.3%	19.6%	20.2%	17.0%	18.8%	19.9%
CFPS	0.70	0.47	0.96	0.78	0.64	0.89	Reported tax rate	17.8%	23.8%	35.4%	31.2%	35.8%	32.9%
FCFPS	1.31	(0.88)	0.24	0.97	0.39	1.18	Pay-out	26.5%	61.8%	46.0%	46.0%	46.0%	46.0%
BVPS	6.32	6.77	7.00	7.19	7.68	7.97	ROCE (EBIT/CE)	10.0%	8.4%	9.1%	7.4%	6.3%	8.1%
DPS	0.27	0.32	0.35	0.27	0.21	0.32	ROE	11.1%	9.2%	13.0%	9.5%	7.0%	10.2%

(*) Excludes JVs contribution

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