

INMOBILIARIA DEL SUR

Increasing growth visibility

- Q1 results in line.** P&L was weak but broadly in line with expectations on back-end loaded deliveries (c.10% in Q1, >70% in H2). Total revenues fell by 14% to €16.2m due to lower construction activity, but adj. EBITDA was flat at €3.6m. Earnings were roughly at break-even (€0.2m).
- Reassuring guidance in development.** Q1 pre-sales amounted to 99 units or €22m (proportional), in line and stable QoQ which is remarkable. The backlog reached 722 units or €177m (€300k ASP), covering 92% & 39% of 2023 & 2024 of scheduled deliveries, respectively. Construction starts jumped to c.650 units, a strong pick-up vs. previous quarters (c.100) which raises medium-term visibility (total WIP + finished products amounted to 1.28k units, >55% pre-sold, to be delivered in the next 2Y). InSur is guiding for €100-105m of development sales in 2023, of which <10% were delivered in Q1, and >85% of what remains has already been pre-sold. The guidance is marginally above our €99m estimate. In commercial development, InSur began the Ágora project (9.5k sqm) and maintained the scheduled start dates for the remaining two (Q2-Q3, c.20k sqm).
- Rental: capturing CPI, stable occupancy.** Occupancy fell by 30bps QoQ to 90.1%, but is up 170bps YoY. This, together with CPI, led to a >3% YoY increase in GRI to €4.5m, in line. Passing rents jumped by c.10% YoY to record high levels (€19.1m) due to CPI. Margins fell by >1pp YoY to 78.4%.
- Stable NAV post DPS.** GAV grew by 4% to €607m (a record high) including >€13m in land plots purchases. Debt rose by >€25m QoQ (vs. our +€15m) which led to a 2pp increase in LTV (43%). NAV was stable QoQ at €18.5p.s. post the €0.15 DPS paid, which implies >60% discount vs. current market prices.
- Our view.** 2023 has started well from an operating standpoint: pre-sales remain unaffected by the challenging environment, whilst construction starts have finally picked up and GRI trends remain positive. LTV is above REIT & developer peers as the company is undergoing a significant ramp-up in capex that should turn into very attractive growth prospects (>30% EBITDA growth in 2022-24 plus another step-up in 2025). Although we think the macro slowdown and rising interest rates will affect sector prospects at some point, we think InSur's balanced business model, high pre-sales visibility with a healthy occupancy ratio and track record should allow it to navigate the downturn well. Meanwhile, the shares trade at a larger discount than peers, which does not make sense in our view.

Financial Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA (€m)	19.4	22.4	21.2	25.2	28.4	46.0
Net profit (€m)	21.1	12.1	15.1	7.8	11.5	24.6
EPS (€)	1.24	0.68	0.81	0.42	0.62	1.32
Adj. EPS (*) (€)	0.73	0.58	0.65	0.50	0.62	1.32
P/E (x)	7.9	11.2	9.8	17.1	11.5	5.4
P/E Adj. (x)	13.5	13.1	12.2	14.3	11.5	5.4
EV/EBITDA (x)	19.3	15.1	18.2	15.1	14.4	7.1
LTV (%)	40%	38%	41%	45%	48%	39%
P/BV (x)	18.68	17.41	18.61	16.28	16.23	16.12
ROE (%)	48%	57%	57%	56%	56%	56%
DPS (€)	0.40	0.30	0.32	0.30	0.32	0.60
Dividend yield (%)	4.1	4.0	4.0	4.3	4.5	8.5

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

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Share Price (*) € 7.10

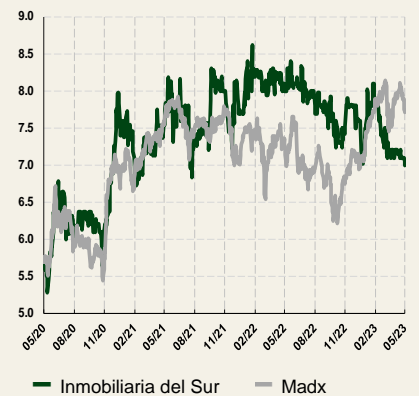
*Share price at the close of 04 May 2023

ISUR.MC/ ISUR SM

Market Cap	€ 131 m
Enterprise Value	€ 379 m
Free Float	€ 48 m
Nº Shares	19 m
Average Daily Volume	€ 30 k

Performance

	1m	3m	12m
Absolute %	1.4	-7.2	-6.4
Relative %	4.1	-6.4	-17.1



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INSUR: QUARTERLY PRE-SALES EVOLUTION								
€m	1Q22	2Q22	3Q22	4Q22	1Q23	% YoY	1Q23E	Dif. Est
Backlog BoP	104.0	120.7	187.8	178.3	164.7	62%	164.7	0%
New Pre-Sales	25.9	79.6	11.7	25.5	21.6	(11%)	23.0	(6%)
Deliveries	(9.2)	(12.5)	(21.2)	(39.1)	(8.9)	12%	(9.0)	(1%)
Backlog EoP	120.7	187.8	178.3	164.7	177.4	58%	178.7	(1%)

Source: Alantra Equities

INSUR: QUARTERLY P&L REVIEW								
(€ m)	1Q22	2Q22	3Q22	4Q22	1Q23	% YoY	1Q23E	Dif. Est
Revenues	19.0	22.7	28.1	48.2	16.4	(14%)	16.8	(3%)
Development	9.2	12.5	21.2	39.1	8.9	(3%)	9.0	(1%)
Rental Property	4.3	4.5	4.3	4.5	4.5	3%	4.5	(1%)
Construction	4.7	4.8	2.1	3.5	2.1	(55%)	2.5	(16%)
Asset Management	0.8	0.9	0.5	1.1	0.9	13%	0.8	13%
EBITDA	4.8	3.2	5.0	10.2	3.6	(25%)	3.5	4%
Sale of assets	(1.2)	(0.1)	–	(0.7)	–	(100%)	–	n.m.
EBITDA Adj.	3.6	3.1	5.0	9.5	3.6	0%	3.5	4%
D&A and provisions	(1.1)	11.0	(3.3)	(7.7)	(1.7)	55%	(1.4)	21%
EBIT	3.7	14.2	1.7	2.5	1.9	(49%)	2.1	(8%)
Net financials	(1.2)	(1.2)	(1.2)	(1.6)	(1.7)	42%	(1.8)	(6%)
EBT	2.5	13.0	0.5	0.9	0.2	(92%)	0.3	(26%)
Income taxes	(0.7)	(3.3)	(0.1)	2.3	–	(100%)	(0.1)	(100%)
Net Profit	1.8	9.7	0.4	3.2	0.2	(89%)	0.2	(1%)

Source: Alantra Equities

INSUR: GAV, NAV AND LEVERAGE RATIOS								
(€ m)	1Q22	2Q22	3Q22	4Q22	1Q23	% YoY	% QoQ	
GAV	518.9	600.8	602.7	584.4	607.0	17%	4%	
Development	152.5	228.5	229.3	218.2	240.1	57%	10%	
Rental Property	366.4	372.3	373.4	366.2	366.9	0%	0%	
Net debt	195.7	259.0	258.8	237.0	261.3	34%	10%	
NAV	323.2	341.8	343.9	347.4	345.7	7%	(0%)	
NAV p.s.	17.3	18.3	18.4	18.6	18.5	7%	(0%)	
LTV	37.7%	43.1%	42.9%	40.6%	43.0%			

Source: Alantra Equities

KEY DATA

P&L account (€m)	FY20	FY21	FY22	FY23E	FY24E	FY25E	Cash flow (€m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Sales	133	125	118	138	169	310	Net profit	21	12	15	8	11	25
Cost of sales	(95)	(89)	(83)	(97)	(123)	(240)	Depreciation	4	4	4	4	4	4
Gross margin	38	37	35	41	45	70	Minorities	-	-	-	-	-	-
Opex	(18)	(14)	(14)	(16)	(17)	(24)	Non-cash adjustments	(17)	8	(13)	2	(0)	0
Adj. EBITDA	19	22	21	25	28	46	Total cash-flow (CF)	8	24	6	14	15	29
Adjustments	0	4	2	-	-	-	Capex	(71)	(84)	(98)	(108)	(133)	(134)
EBITDA	20	26	23	25	28	46	Deliveries	75	64	64	77	85	197
Depreciation & Amortization	(4)	(4)	(4)	(4)	(4)	(4)	Working capital	4	5	12	12	9	(1)
Changes in provisions & Other	19	0	3	(2)	-	-	Operating FCF	15	9	(16)	(5)	(23)	91
EBIT	35	22	22	19	24	42	Financial investments	-	-	-	-	-	-
Financial costs	(6)	(5)	(5)	(9)	(9)	(9)	Disposals/(acquisitions)	(22)	9	(17)	-	-	-
Associates	-	-	-	-	-	-	Rights issues	-	-	-	-	-	-
Ordinary profit	29	16	17	10	15	33	Other	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-	FCF before dividends	(7)	18	(34)	(5)	(23)	91
Pre-tax Profit	29	16	17	10	15	33	Dividends	(5)	(7)	(6)	(6)	(6)	(6)
Taxes	(8)	(4)	(2)	(3)	(4)	(8)	Free-cash-flow (FCF)	(12)	11	(39)	(11)	(29)	85
Discontinued activities	-	-	-	-	-	-	Buy-backs	-	-	-	-	-	-
Minorities	-	-	-	-	-	-	FCF after buy backs	(12)	11	(39)	(11)	(29)	85
Net profit, reported	21	12	15	8	11	25							
Adjustments	(9)	(2)	(3)	2	-	-	Balance sheet (€m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net profit adjusted	12	10	12	9	11	25	Equity	122	128	143	145	152	171
							Minority interests	3	3	(3)	(3)	(3)	(3)
Nº of shares	17	19	19	19	19	19	Provisions & others	21	48	38	23	3	17
Nº of shares adjusted (m)	17	18	19	19	19	19	Net debt [cash]	209	198	237	249	278	193
Treasury stock (m)	0	0	0	0	0	0	Capital invested	355	378	416	414	429	378
							Goodwill	-	-	-	-	-	-
YoY Growth	FY20	FY21	FY22	FY23E	FY24E	FY25E	Intangible assets	1	0	0	0	0	0
Sales	8%	(6%)	(6%)	17%	22%	83%	Tangible assets	217	218	217	213	211	209
Adj. EBITDA	(13%)	15%	(5%)	19%	12%	62%	Financial assets	25	47	35	35	35	35
Net profit	139%	(43%)	25%	(49%)	48%	114%	Associates	1	0	0	(1)	(5)	(27)
Adjusted net profit	4%	(16%)	17%	(23%)	24%	114%	Working capital	112	112	163	166	188	161
							Capital employed	355	378	416	414	429	378
EBITDA by division	FY20	FY21	FY22	FY23E	FY24E	FY25E	Working capital/sales	84%	90%	138%	120%	111%	52%
Development	71%	66%	55%	59%	61%	74%							
Rental	51%	53%	67%	57%	51%	32%	Financial ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
Construction & other	(22%)	(18%)	(21%)	(15%)	(12%)	(6%)	Net debt/EBITDA	10.6X	7.6X	10.2X	9.8X	9.8X	4.2X
							Net debt/GAV (LTV)	40%	38%	41%	45%	48%	39%
NAV	FY20	FY21	FY22	FY23E	FY24E	FY25E	Gearing	166.4%	150.6%	168.9%	174.5%	186.7%	115.0%
GAV	526	523	584	552	580	494	Interest cover	6.0X	4.0X	4.3X	2.2X	2.7X	4.6X
Net debt	209	198	237	249	278	193							
Minorities & Other	-	-	-	-	-	-	Margins & ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
NAV	317	325	347	304	303	301	EBITDA margin	14.8%	20.9%	19.7%	18.2%	16.8%	14.9%
							EBIT margin	26.6%	17.4%	18.8%	13.9%	14.4%	13.6%
Per share data (€)	FY20	FY21	FY22	FY23E	FY24E	FY25E	Reported tax rate	28.2%	26.1%	10.9%	25.0%	25.0%	25.0%
EPS	1.24	0.68	0.81	0.42	0.62	1.32	Pay-out	55.2%	51.8%	49.4%	61.0%	52.1%	45.8%
EPS adjusted	0.73	0.58	0.65	0.50	0.62	1.32	ROCE (EBIT/CE)	9.9%	5.8%	5.3%	4.7%	5.7%	11.1%
CFPS	0.47	1.36	0.33	0.74	0.83	1.53	ROE	16.8%	9.2%	10.8%	5.4%	7.7%	14.7%
FCFPS	0.91	0.49	(0.87)	(0.29)	(1.25)	4.85							
BVPS	7.21	7.20	7.67	7.78	8.12	9.14							
DPS	0.40	0.30	0.32	0.30	0.32	0.60							

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