

INMOBILIARIA DEL SUR

Fine-tuning estimates post Q1 results

- Q1 results in the lower range of estimates.** Revenues (including JVs) and adj. EBITDA (ex-capital gains) fell by c.45% YoY to €19m and €3.6m respectively, a touch below our €21m and €3.8m estimates. The sharp YoY fall is due to lower delivery volumes, as those are expected to be more back-end loaded in the year. Net profit fell 44% YoY to €1.8m, above our €1.1m, mainly explained by the capital gains from asset sales (+€1.2m) and lower-than-expected financial costs.
- 2022 delivery guidance in line. Q1 pre-sales above.** Development sales reached €9m (vs. our €10m) below the c.€20m average last year due to lower deliveries (60, vs. 100 average in 2021). That said, the group expects deliveries to accelerate and to reach 390 in 2022 (in line). Meanwhile, pre-sales remained healthy in Q1, with 120 units and €25.6m adjusted by JV (vs. €28m average in record-high 2021), above our 100 units and €21m estimates. Sales backlog reached €121m (+50% YoY). InSur is confident in mitigating CCI via HPA in WIP projects. In parallel, the company is planning to develop its second office building in Málaga, totalling c.€30m investment (incl. land costs) and c.10k sqm of GLA.
- Rental business above.** GRI jumped 16% YoY and was flat QoQ at €4.3m (vs. our €4.1m estimate) despite asset sales, reflecting inflation tailwinds and a slight improvement in occupancy (up >0.5pp QoQ to 88.6%, roughly in line). In addition, we expect further tailwinds arising out of the recovery in parking revenues (5-10% of total GRI). This, combined with inflation and occupancy rise (to c.90% by YE), should lead InSur to report €17m record GRI in 2022 (+10% YoY).
- NAV update. New asset sales at premium to GAV.** Net debt decreased by €2m QoQ to c.€196m (in line). This, combined with a €4m GAV fall (to €519m, 70% rental portfolio), led NAV to fall c.1% QoQ (flat ex-dividend) to €323m, equivalent to €17.30p.s. At the same time, InSur sold non-core assets worth c.€5m at a 14% premium to GAV (vs. €9m sold in 2021 at a 17% premium to GAV).
- Our view.** We are fine-tuning estimates post-Q1 results. Although the environment for the development business has been clouded due to the rising construction cost inflation and likely small project delays (already reflected in our numbers), we expect InSur to manage these challenges thanks to: 1) new HPA; 2) additional flexibility of having a proprietary construction company; and 3) inflation tailwinds in the rental business (+10% in March). The shares remain trading at a large discount to NAV (c.55%) and greater than peers', which we think is unjustified considering InSur's resilient business model and the good track record seen to date in asset sales (conducted at a double-digit premium to GAV).

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	15.2	11.2	6.3
P/E Adj. (x)	15.0	13.5	13.0	15.2	11.2	6.3
EV/EBITDA (x)	16.7	19.3	15.1	16.5	12.3	7.5
Debt/EBITDA	8.8	10.8	8.8	9.5	6.8	3.8
P/BV (x)	1.7	1.4	1.1	1.1	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	3.3	4.5	8.0

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

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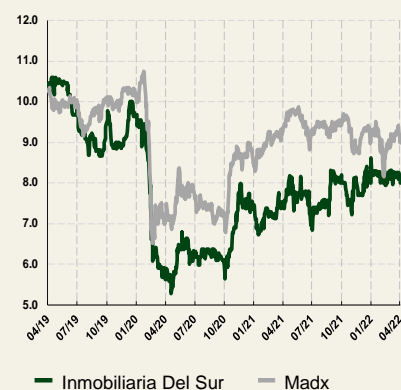
Share Price € 8.10

*Share price at 10:28 am, 03 May 2022

ISUR.MC/ ISUR SM

Market Cap	€ 149 m
Enterprise Value	€ 354 m
Free Float	€ 54 m
Nº Shares	19 m
Average Daily Volume	€ 22 k

Performance	1m	3m	12m
Absolute %	-3.4	-3.6	10.4
Relative %	-2.8	-2.5	10.0



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INSUR: QUARTERLY PRE-SALES EVOLUTION

€m	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Backlog BoP	79.9	75.7	79.6	92.5	110.1	104.0
New Pre-Sales	12.8	27.5	23.1	32.6	28.7	25.9
Deliveries	(17.0)	(23.6)	(10.2)	(15.0)	(34.8)	(9.2)
Backlog EoP	75.7	79.6	92.5	110.1	104.0	120.7

Source: Alantra Equities

INSUR: QUARTERLY P&L REVIEW

(€ m)	1Q21	2Q21	3Q21	4Q21	1Q22	% YoY	1Q21E	Dif. Est
Revenues	35.1	21.7	25.8	42.8	19.0	(46%)	20.8	(9%)
Development	23.6	10.2	15.0	34.8	9.2	(61%)	10.0	(8%)
Rental Property	3.7	3.6	3.8	4.3	4.3	16%	4.0	8%
Construction	7.1	6.8	6.1	2.7	4.7	(34%)	6.0	(22%)
Asset Management	0.7	1.0	0.9	1.0	0.8	14%	0.8	0%
Equity method	–	–	–	–	–	n.m.	–	n.m.
EBITDA	6.7	2.5	5.7	11.3	4.8	(28%)	3.8	26%
Sale of assets	–	–	(2.0)	(1.7)	(1.2)	n.m.	–	n.m.
EBITDA Adj.	6.7	2.5	3.7	9.6	3.6	(46%)	3.8	(5%)
D&A and provisions	(1.0)	(1.1)	(1.1)	(1.1)	(1.1)	10%	(0.8)	38%
EBIT	5.7	1.4	4.6	10.2	3.7	(35%)	3.0	23%
Net financials	(1.4)	(1.6)	(1.0)	(1.5)	(1.2)	(14%)	(1.6)	(25%)
EBT	4.3	(0.2)	3.6	8.7	2.5	(42%)	1.4	79%
Income taxes	(1.1)	0.0	(0.9)	(2.4)	(0.7)	(36%)	(0.3)	n.m.
Net Profit	3.2	(0.2)	2.7	6.3	1.8	(44%)	1.1	67%

Source: Alantra Equities

INSUR: GAV, NAV AND LEVERAGE RATIOS

(€ m)	1Q21	2Q21	3Q21	4Q21	1Q22	% YoY	% QoQ
GAV	515.3	534.9	527.5	522.9	518.9	1%	(1%)
Development	154.6	160.5	162.2	152.8	152.5	(1%)	(0%)
Rental Property	360.7	374.4	365.3	370.1	366.4	2%	(1%)
Net debt	203.7	224.5	219.2	197.9	195.7	(4%)	(1%)
NAV	311.6	310.4	308.3	325.0	323.2	4%	(1%)
LTV	40%	42%	42%	38%	38%		

Source: Alantra Equities

INSUR: 1H20 NAV VS. PEERS

Company	GAV (€m)	NAV (€m)	Market Cap (€m)	NAV p.s. (€)	Share price (€)	Disc./prem. to NAV (%)
Merlin Properties	13,041	7,568	4,890	16.11	10.41	(35%)
Colonial	12,436	6,496	4,301	12.04	7.97	(34%)
Lar España	1,424	860	408	10.42	4.94	(53%)
REITs						(35%)
Aedas Homes	1,906	1,577	1,039	33.68	22.20	(34%)
Neinor Homes	1,907	1,366	857	17.08	10.72	(37%)
Metrovacesa	2,599	2,327	1,074	15.82	7.30	(54%)
Developers						(42%)
Grupo Insur	518.9	323	151	17.31	8.10	(53%)

Source: Alantra Equities

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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