

## INMOBILIARIA DEL SUR

### Q3 results above estimates

- Q3 results above.** Revenues (including JVs) fell by 17% YoY to €62.2m (in line), EBITDA rose to €14.3m vs. €2.5m in 3Q19 and 10% above our €13m estimate, net profit increased to €9.1m vs. loss-making in 3Q19, above our €7.8m estimate.
- Development sales above.** Sales (including JVs) reached €53m in Q3 (above our €47m), implying a 20% YoY jump, mainly explained by the delivery of the Madrid Rio building. With this, sales reached €81m in 9M, on track to reach our c.€110m FY20 estimate. Pre-sales stood at €11.8m vs. €10.2m in 2Q20, somewhat below our c.€17m due to higher contribution from JVs and lower ASP. As a result, pre-sales backlog decreased QoQ from €121m to c.€80m.
- Rentals in line.** The occupancy rate decreased by 60bps QoQ to 88.3% (vs. 88.9% in 2Q20), whilst revenues grew by 12% QoQ (in line). Going forward, the group has anticipated the loss of three tenants in 2021, amounting to 8.8k sqm (6% of total), equivalent to €1.3m annualised rents (€14.3m in 2021). The loss should be offset by the contribution from Madrid Rio (recently delivered), which we expect to add >€2m incremental rents in 2021. As a reminder, this will start to be reported at the consolidated level as of late October after closing the acquisition of a 40% stake in the building (to 90%) for €8.9m.
- NAV & debt update.** GAV (including JVs) fell 4% QoQ to €524m due to the high level of deliveries during 3Q20. However, net debt decreased QoQ from c.€214m to c.€190m, with LTV decreasing by 280pp to 36.2%, as expected. As a result, NAV was flat QoQ, sitting at €334m.
- Fine-tuning estimates.** In view of this set of results, we are fine-tuning our estimates for 2020, trimming revenues and EBITDA by c.2% (on lower development & construction), but leaving our €14m net profit unchanged (on slightly lower D&A and financial expenses). That said, we feel comfortable with our 2021-23 estimates, which already reflect our expected cycle downturn.
- Our view.** Insur currently trades at a 69% discount to the last reported NAV vs. the 57% average discount for both REITs & listed developers. We do not see fundamental reasons for Insur to trade at such a high discount, 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	31	30	23	21	25
Net profit (€m)	10	9	14	9	7	11
EPS (€)	0.59	0.52	0.80	0.55	0.43	0.63
Adj. EPS (*) (€)	0.59	0.52	0.80	0.55	0.43	0.63
P/E (x)	17.4	20.1	8.5	12.5	16.0	10.8
P/E Adj. (x)	17.4	20.1	8.5	12.5	16.0	10.8
EV/EBITDA (x)	11.4	11.4	9.4	12.0	13.3	10.4
Debt/EBITDA (x)	0.4	0.4	0.3	0.3	0.3	0.2
P/BV (x)	1.6	1.5	1.0	0.9	0.9	0.9
ROE (%)	11.1	9.2	13.4	8.6	6.3	9.0
DPS (€)	0.27	0.17	0.37	0.25	0.20	0.29
Dividend yield (%)	2.6	1.6	5.4	3.7	2.9	4.3

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

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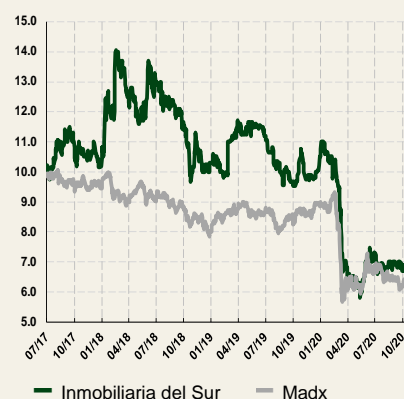
Share Price € 6.08

### ISUR.MC/ ISUR SM

Market Cap € 107 m  
Enterprise Value € 287 m  
Free Float € 39 m  
Nº Shares 17 m  
Average Daily Volume € 11 k

### Performance 1m 3m 12m

Absolute % -9.5 -7.6 -40.2  
Relative % -8.6 0.6 -13.3



### Analyst

Fernando Abril-Martorell  
+34 91 550 87 19  
fabrilmartorell@alantraequities.com

### Analyst

Beatriz Bernal  
+34 91 550 87 15  
bbernal@alantraequities.com

INSUR: QUARTERLY PRE-SALES EVOLUTION

€m	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
<b>Backlog BoP</b>	<b>127.4</b>	<b>129.2</b>	<b>148.5</b>	<b>121.1</b>	<b>126.2</b>	<b>121.1</b>
New Pre-Sales	11.7	21.1	16.7	17.7	10.2	11.8
Deliveries	9.9	1.8	(67.4)	(12.6)	(15.3)	(53.1)
<b>Backlog EoP</b>	<b>129.2</b>	<b>148.5</b>	<b>121.1</b>	<b>126.2</b>	<b>121.1</b>	<b>79.8</b>

Source: Alantra Equities

INSUR: QUARTERLY P&L REVIEW

(€ m)	3Q19	4Q19	1Q20	2Q20	3Q20	% YoY	3Q20E	Dif. Est
<b>Revenues</b>	<b>74.9</b>	<b>1.0</b>	<b>20.6</b>	<b>22.6</b>	<b>62.2</b>	<b>(17%)</b>	<b>62.9</b>	<b>(1%)</b>
Development	44.1	2.5	12.6	15.3	53.1	20%	47.1	13%
Rental Property	13.6	(6.6)	3.4	3.0	3.3	(75%)	3.2	5%
Construction	(9.7)	29.9	4.0	3.6	4.7	n.m.	12.0	(61%)
Asset Management	26.8	(24.7)	0.6	0.7	1.0	(96%)	0.6	64%
Equity method	(0.0)	–	(0.0)	0.0	–	(100%)	–	n.m.
<b>EBITDA</b>	<b>2.5</b>	<b>16.1</b>	<b>4.3</b>	<b>3.4</b>	<b>14.3</b>	<b>n.m.</b>	<b>13.0</b>	<b>10%</b>
Sale of assets	2.1	2.0	–	–	0.1	(95%)	–	n.m.
<b>EBITDA Adj.</b>	<b>2.5</b>	<b>16.1</b>	<b>4.3</b>	<b>3.4</b>	<b>14.3</b>	<b>n.m.</b>	<b>13.0</b>	<b>10%</b>
D&A and provisions	(0.6)	(0.5)	(0.8)	(0.8)	(0.8)	29%	(0.9)	(10%)
<b>EBIT</b>	<b>1.9</b>	<b>15.6</b>	<b>3.5</b>	<b>2.6</b>	<b>13.6</b>	<b>n.m.</b>	<b>12.2</b>	<b>11%</b>
Net financials	(7.1)	(2.5)	(1.4)	(1.4)	(1.5)	(80%)	(1.8)	(19%)
<b>EBT</b>	<b>(5.2)</b>	<b>13.1</b>	<b>2.2</b>	<b>1.2</b>	<b>12.1</b>	<b>n.m.</b>	<b>10.4</b>	<b>17%</b>
Income taxes	(0.0)	(0.0)	(0.5)	(0.3)	(3.0)	n.m.	(2.6)	17%
<b>Net Profit</b>	<b>(5.2)</b>	<b>13.1</b>	<b>1.6</b>	<b>0.9</b>	<b>9.1</b>	<b>n.m.</b>	<b>7.8</b>	<b>17%</b>

Source: Alantra Equities

INSUR: GAV, NAV AND LEVERAGE RATIOS

(€ m)	3Q19	4Q19	1Q20	2Q20	3Q20	% YoY	% QoQ
<b>GAV</b>	<b>543.3</b>	<b>537.6</b>	<b>538.9</b>	<b>547.5</b>	<b>524.2</b>	<b>(4%)</b>	<b>(4%)</b>
Development	249.9	241.9	237.1	246.4	178.2	(29%)	(28%)
Rental Property	293.4	295.7	301.8	301.1	346.0	18%	15%
<b>Net debt</b>	<b>219.9</b>	<b>196.4</b>	<b>208.1</b>	<b>213.7</b>	<b>189.9</b>	<b>(14%)</b>	<b>(11%)</b>
<b>NAV</b>	<b>323.4</b>	<b>341.2</b>	<b>330.8</b>	<b>333.8</b>	<b>334.3</b>	<b>3%</b>	<b>0%</b>
<b>LTV</b>	<b>543.3</b>	<b>537.6</b>	<b>538.9</b>	<b>547.5</b>	<b>524.2</b>	<b>(4%)</b>	<b>(4%)</b>

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 (%)
Colonial	12,164	5,697	3,059	11.21	6.02	(46%)
Merlin Properties	12,193	7,365	2,657	15.89	5.73	(64%)
Lar España	1,506	905	270	10.64	3.17	(70%)
<b>REITs</b>	<b>25,863</b>	<b>13,967</b>	<b>5,985</b>			<b>(57%)</b>
Metrovacesa	2,626	2,589	745	17.07	4.91	(71%)
Aedas Homes	1,962	1,578	815	32.90	17	(48%)
Neinor Homes	1,650	1,246	789	16.74	10.6	(37%)
<b>Developers</b>	<b>6,238</b>	<b>5,413</b>	<b>2,349</b>			<b>(57%)</b>
<b>Grupo Insur</b>	<b>547.5</b>	<b>334.3</b>	<b>103</b>	<b>19.70</b>	<b>6.08</b>	<b>(69%)</b>

Source: Alantra Equities



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