

## INMOBILIARIA DEL SUR

### Q2 results in line, small NAV growth

- Underlying Q2 results in line.** Total revenues reached €29.4m (+30% YoY), 15% above our estimates on higher-than-expected deliveries and ASP. Adj. EBITDA stood at €5m, in line. Reported EBITDA was c.€14m thanks to a c.€8.5m capital gain coming from an asset sale (Capitolio). The capital gain fed through the net profit, which amounted to €7m, above our €1m estimate.
- FY23 development sales target reiterated.** Q2 deliveries reached 85 units (vs. our 75 estimate) with an ASP of €264k (vs. €252k in Q1). The company has reiterated its c.€100m development sales target for FY23 (in line). Net pre-sales rose QoQ from #99 & €22m to #106 & €26m, and left a total backlog of #742 & €183m (>€300k ASP) which covers 95% & 44% of FY23 & FY24's scheduled deliveries, respectively. Likewise, WIP & finished units reached 1.2k, offering strong visibility until 2025.
- Occupancy fell, but margins improved.** GRI grew by 4% YoY to €4.6m, with the asset sale and a >3pp occupancy fall QoQ to c.87% (worse than our 1pp fall, partly due to perimeter changes) largely compensated for by price increases. Passing rents stood at €18.1m, implying a healthy 5.2% gross yield (+40bps in the L12M). The positive news came from the lower-than-expected opex (down c.20% YoY on higher propex recharged to tenants), which boosted EBITDA and margins by 13% (vs. our +8%) and >5pp to c.79%.
- Small NAV growth despite rising yields.** Despite the office building sale (€11.7m at a c.5% discount to Dec-22 GAV) and rising yields, GAV stood flat QoQ at €606m, thanks to the development capex and rising rental prices. This, together with a >€15m debt fall (to €244m, 40% LTV), led NAV to grow by 5% QoQ vs. Dec-22 to €362m or €19.40p.s.
- Widening discount to NAV.** Q2 results have come broadly in line with expectations, with good progress in development (visibility on its ambitious growth prospects continue to increase) and a sound improvement in profitability within rental despite the occupancy drop. Despite this and the resilient NAV still reflecting rising yields, the share price discount continues to widen and now stands above 60% (vs. peers' c.45%), which we think is excessive.

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	7.0	11.5	24.6
EPS (€)	1.24	0.68	0.81	0.38	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	18.9	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 (%)	39.7	37.9	40.6	45.0	47.8	39.0
NAV p.s.	18.7	17.4	18.6	16.3	16.2	16.1
Discount to NAV (%)	47.5	56.6	57.5	56.4	56.3	56.0
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

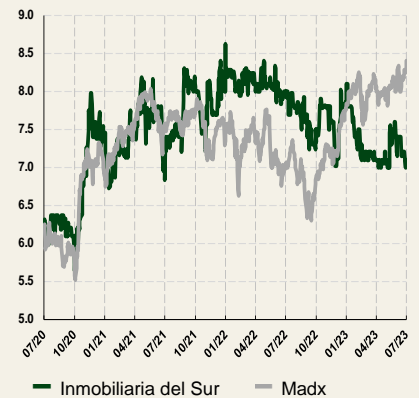
### SPONSORED RESEARCH

Share Price (\*) € 7.10  
\*Share price at the close of 31 July 2023

#### ISUR.MC/ ISUR SM

Market Cap € 133 m  
Enterprise Value € 381 m  
Free Float € 49 m  
Nº Shares 19 m  
Average Daily Volume € 14 k

Performance	1m	3m	12m
Absolute %	-1.8	2.4	-7.4
Relative %	-4.5	-2.9	-31.9



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**INSUR: QUARTERLY PRE-SALES EVOLUTION**

€m	2Q22	3Q22	4Q22	1Q23	2Q23	% YoY	2Q23E	Dif. Est
<b>Order book BoP</b>	<b>120.7</b>	<b>187.8</b>	<b>178.3</b>	<b>164.7</b>	<b>177.4</b>	<b>47%</b>	<b>177.4</b>	<b>0%</b>
New Pre Sales	79.6	11.7	25.5	21.6	26.2	(67%)	27.0	(3%)
Deliveries	(12.5)	(21.2)	(39.1)	(8.9)	(20.8)	66%	(16.0)	30%
<b>Order book EoP</b>	<b>187.8</b>	<b>178.3</b>	<b>164.7</b>	<b>177.4</b>	<b>182.8</b>	<b>(3%)</b>	<b>188.4</b>	<b>(3%)</b>

Source: Alantra Equities

**INSUR: QUARTERLY P&L REVIEW**

(€ m)	2Q22	3Q22	4Q22	1Q23	2Q23	% YoY	2Q23E	Dif. Est
<b>Revenues</b>	<b>22.7</b>	<b>28.1</b>	<b>48.2</b>	<b>16.4</b>	<b>29.4</b>	<b>30%</b>	<b>25.5</b>	<b>15%</b>
Development	12.5	21.2	39.1	8.9	20.8	66%	16.0	30%
Rental Property	4.5	4.3	4.5	4.5	4.6	4%	4.6	1%
Construction	4.8	2.1	3.5	2.1	3.2	(33%)	4.0	(20%)
Asset Management	0.9	0.5	1.1	0.9	0.8	(11%)	0.9	(11%)
<b>EBITDA Adj.</b>	<b>3.1</b>	<b>5.0</b>	<b>9.5</b>	<b>3.6</b>	<b>5.0</b>	<b>61%</b>	<b>5.1</b>	<b>(2%)</b>
Sales of assets	0.1	–	0.7	–	8.7	n.m.	–	n.m.
<b>EBITDA</b>	<b>3.2</b>	<b>5.0</b>	<b>10.2</b>	<b>3.6</b>	<b>13.7</b>	<b>n.m.</b>	<b>5.1</b>	<b>n.m.</b>
D&A and provisions	11.0	(3.3)	(7.7)	(1.7)	(2.8)	n.m.	(1.5)	87%
<b>EBIT</b>	<b>14.2</b>	<b>1.7</b>	<b>2.5</b>	<b>1.9</b>	<b>10.9</b>	<b>(23%)</b>	<b>3.6</b>	<b>n.m.</b>
Net financial expenses	(1.2)	(1.2)	(1.6)	(1.7)	(1.7)	42%	(1.8)	(6%)
<b>EBT</b>	<b>13.0</b>	<b>0.5</b>	<b>0.9</b>	<b>0.2</b>	<b>9.2</b>	<b>(29%)</b>	<b>1.8</b>	<b>n.m.</b>
Income taxes	(3.3)	(0.1)	2.3	–	(2.3)	(30%)	(0.4)	n.m.
<b>Net Profit</b>	<b>9.7</b>	<b>0.4</b>	<b>3.2</b>	<b>0.2</b>	<b>6.9</b>	<b>(29%)</b>	<b>1.3</b>	<b>n.m.</b>

Source: Alantra Equities

**INSUR: GAV, NAV AND LEVERAGE RATIOS**

(€ m)	2Q22	3Q22	4Q22	1Q23	2Q23	% YoY	% QoQ
<b>GAV</b>	<b>600.8</b>	<b>602.7</b>	<b>584.4</b>	<b>607.0</b>	<b>606.0</b>	<b>1%</b>	<b>(0%)</b>
Development	228.5	229.3	218.2	240.1	256.5	12%	7%
Rental Property	372.3	373.4	366.2	366.9	349.5	(6%)	(5%)
<b>Net debt</b>	<b>259.0</b>	<b>258.8</b>	<b>237.0</b>	<b>261.3</b>	<b>243.9</b>	<b>(6%)</b>	<b>(7%)</b>
<b>NAV</b>	<b>341.8</b>	<b>343.9</b>	<b>347.4</b>	<b>345.7</b>	<b>362.1</b>	<b>6%</b>	<b>5%</b>
<b>NAV p.s.</b>	<b>18.3</b>	<b>18.4</b>	<b>18.6</b>	<b>18.5</b>	<b>19.4</b>	<b>6%</b>	<b>5%</b>
LTV	43.1%	42.9%	40.6%	43.0%	40.2%		

Source: Alantra Equities

**INSUR: 1H22 NAV VS. PEERS**

	Colonial	Merlin	Lar	REITs	Neinor	Aedas	Metrovacesa	Developers	InSur
NAV p.s.	10.88	15.36	10.76		16.51	33.48	13.73		19.40
Market Price	5.87	8.47	5.97		9.00	16.26	7.32		7.10
Discount	(46%)	(45%)	(45%)	<b>(45%)</b>	(45%)	(51%)	(47%)	<b>(48%)</b>	<b>(63%)</b>

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	7	11	25
Cost of sales	(95)	(89)	(83)	(97)	(123)	(240)	Depreciation	4	4	4	4	4	4
<b>Gross margin</b>	<b>38</b>	<b>37</b>	<b>35</b>	<b>41</b>	<b>45</b>	<b>70</b>	Minorities	-	-	-	-	-	-
Opex	(18)	(14)	(14)	(16)	(17)	(24)	Non-cash adjustments	(17)	8	(13)	3	(0)	0
<b>Adj. EBITDA</b>	<b>19</b>	<b>22</b>	<b>21</b>	<b>25</b>	<b>28</b>	<b>46</b>	<b>Total cash-flow (CF)</b>	<b>8</b>	<b>24</b>	<b>6</b>	<b>14</b>	<b>15</b>	<b>29</b>
Adjustments	0	4	2	-	-	-	Capex	(71)	(84)	(98)	(108)	(133)	(134)
<b>EBITDA</b>	<b>20</b>	<b>26</b>	<b>23</b>	<b>25</b>	<b>28</b>	<b>46</b>	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	(3)	-	-	<b>Operating FCF</b>	<b>15</b>	<b>9</b>	<b>(16)</b>	<b>(5)</b>	<b>(23)</b>	<b>91</b>
<b>EBIT</b>	<b>35</b>	<b>22</b>	<b>22</b>	<b>18</b>	<b>24</b>	<b>42</b>	Financial investments	-	-	-	-	-	-
Financial costs	(6)	(5)	(5)	(9)	(9)	(9)	Disposals/(acquisitions)	(22)	9	(17)	-	-	-
Associates	-	-	-	-	-	-	Rights issues	-	-	-	-	-	-
<b>Ordinary profit</b>	<b>29</b>	<b>16</b>	<b>17</b>	<b>9</b>	<b>15</b>	<b>33</b>	Other	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-	<b>FCF before dividends</b>	<b>(7)</b>	<b>18</b>	<b>(34)</b>	<b>(5)</b>	<b>(23)</b>	<b>91</b>
<b>Pre-tax Profit</b>	<b>29</b>	<b>16</b>	<b>17</b>	<b>9</b>	<b>15</b>	<b>33</b>	Dividends	(5)	(7)	(6)	(6)	(6)	(6)
Taxes	(8)	(4)	(2)	(2)	(4)	(8)	<b>Free-cash-flow (FCF)</b>	<b>(12)</b>	<b>11</b>	<b>(39)</b>	<b>(11)</b>	<b>(29)</b>	<b>85</b>
Discontinued activities	-	-	-	-	-	-	Buy-backs	-	-	-	-	-	-
Minorities	-	-	-	-	-	-	<b>FCF after buy backs</b>	<b>(12)</b>	<b>11</b>	<b>(39)</b>	<b>(11)</b>	<b>(29)</b>	<b>85</b>
<b>Net profit, reported</b>	<b>21</b>	<b>12</b>	<b>15</b>	<b>7</b>	<b>11</b>	<b>25</b>							
Adjustments	(9)	(2)	(3)	2	-	-	<b>Balance sheet (€m)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
<b>Net profit adjusted</b>	<b>12</b>	<b>10</b>	<b>12</b>	<b>9</b>	<b>11</b>	<b>25</b>	Equity	122	128	143	144	151	170
							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	248	277	193
Treasury stock (m)	0	0	0	0	0	0	<b>Capital invested</b>	<b>355</b>	<b>378</b>	<b>416</b>	<b>413</b>	<b>428</b>	<b>377</b>
							Goodwill	-	-	-	-	-	-
<b>YoY Growth</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	Intangible assets	1	0	0	0	0	0
Sales	8%	(6%)	(6%)	17%	22%	83%	Tangible assets	217	218	217	212	210	208
Adj. EBITDA	(13%)	15%	(5%)	19%	12%	62%	Financial assets	25	47	35	35	35	35
Net profit	139%	(43%)	25%	(54%)	64%	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
							<b>Capital employed</b>	<b>355</b>	<b>378</b>	<b>416</b>	<b>413</b>	<b>428</b>	<b>377</b>
<b>EBITDA by division</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	Working capital/sales	84%	90%	138%	120%	111%	52%
Development	71%	66%	55%	59%	61%	74%							
Rental	51%	53%	67%	57%	51%	32%	<b>Financial ratios</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
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%
<b>NAV</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	Gearing	166.4%	150.6%	168.9%	175.3%	187.4%	115.4%
GAV	526	523	584	552	580	494	Interest cover	6.0X	4.0X	4.3X	2.1X	2.7X	4.6X
Net debt	209	198	237	248	277	193							
Minorities & Other	(0)	0	0	0	0	0	<b>Margins &amp; ratios</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
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%	13.2%	14.4%	13.6%
<b>Per share data (€)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	Reported tax rate	28.2%	26.1%	10.9%	25.0%	25.0%	25.0%
EPS	1.24	0.68	0.81	0.38	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%	4.4%	5.7%	11.1%
CFPS	0.47	1.36	0.33	0.75	0.83	1.53	ROE	16.8%	9.2%	10.8%	4.9%	7.8%	14.7%
FCFPS	0.91	0.49	(0.87)	(0.27)	(1.25)	4.85							
BVPS	7.21	7.20	7.67	7.74	8.08	9.10							
DPS	0.40	0.30	0.32	0.30	0.32	0.60							

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