

## INMOBILIARIA DEL SUR

### Raising estimates post FY22 results

- Q4 EBITDA roughly in line.** Sales reached €48m, +13% YoY, 16% above our €41m estimate on higher deliveries and greater contribution from construction. Adj. EBITDA reached €9.5m, in line with our €10m estimate. Net profit stood at €3.2m, below our €4.3m estimate on higher D&A and DMS impact (non-cash).
- Good progress in development.** Q4 development sales reached €39m, 10% above our €35m estimate and InSur's guidance. New pre-sales accelerated QoQ to €25m & 96 units, showing a recovery vs the previous quarter (€12m, 57 units), whilst management indicated that pre-sales remain at good levels YTD. Likewise, order book reached €165m (680 units), and covers 89% & 36% of 2023 & 2024 expected sales, for which management aims to be 20% above 2022 levels in 2023, and 40% above in 2024 (10% above our estimates p.a.).
- Strong KPIs in rental.** Q4 GRI came out in line at €4.5m, +4% YoY, whilst occupancy beat expectations with a 2pp QoQ increase to 90.4%, vs. our +1pp. Passing rents sat at historical highs (€19m), anticipating a sound 2023.
- €18.6 NAVps, +7% YoY.** Net debt fell €20m QoQ to €237m (41% LTV) due to a high volume of deliveries. NAV was flat QoQ & +7% YoY at €347m or €18.6p.s., with a slight rise in yields offset by higher pricing & CF generation. New asset sales in Q4 raised total disposals to €27m in L2Y at an 11% premium to GAV.
- Trimming 2021-25 targets. FY22 DPS above.** Insur has updated its 2021-25 targets to reflect construction delays, the DMS acquisition and higher rental inflation & interest rates. It now expects: 1) sales of €833-925m for the period, vs. the previous €955m and our €800m estimate; 2) EBITDA of €190-205m, vs. €206m previously and our €140m; 3) net profit of €125-150m, vs. €153m previously and our €75m. The new targets imply only a small cut, despite having faced a much more adverse environment than anticipated 1.5Y ago. The revised targets still factor in higher deliveries & margins than our estimates. Lastly, the BoD has proposed a €0.32DPS on FY22 results, above our €0.30 estimate.
- Raising 2023-25 estimates.** Progress in both development & rental leads us to raise our 2023-25 EBITDA & EPS estimates by 3-5% p.a. Our revised numbers still reflect execution risk in development and no capital gains, and we thus remain below company guidance. In our view, Insur is well positioned to cope with the macro slowdown, underpinned by its resilient business model (quality land in development and stable CF from rentals). Yet the shares trade with a 60% discount to NAV, which we find excessive both in absolute and relative terms.

Financial Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
Adj. EBITDA (€m)	19.4	22.4	21.2	25.5	29.0	47.1
Net profit (€m)	21.1	12.1	15.1	7.9	12.0	25.4
EPS (€)	1.24	0.68	0.81	0.43	0.64	1.36
Adj. EPS (€)	0.73	0.58	0.65	0.51	0.64	1.36
P/E (x)	7.9	11.2	9.8	17.1	11.3	5.3
P/E Adj. (x)	13.5	13.1	12.2	14.4	11.3	5.3
EV/EBITDA (x)	19.3	15.1	18.2	15.1	14.2	7.0
LTV	40%	38%	41%	44%	46%	34%
NAV p.s.	18.68	17.41	18.61	17.27	17.53	17.27
Discount to NAV	48%	57%	57%	58%	59%	58%
DPS (€)	0.40	0.30	0.32	0.31	0.33	0.62
Dividend yield (%)	4.1	4.0	4.0	4.2	4.6	8.6

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

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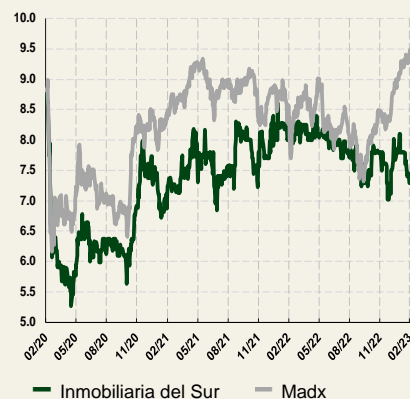
Share Price (\*) € 7.24

\*Share price at 16:30h, 02 March 2023

### ISUR.MC/ ISUR SM

Market Cap	€ 136 m
Enterprise Value	€ 386 m
Free Float	€ 50 m
Nº Shares	19 m
Average Daily Volume	€ 5 k

Performance	1m	3m	12m
Absolute %	-3.8	-2.0	-3.3
Relative %	-6.6	-14.4	-22.1



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**INSUR: QUARTERLY PRE-SALES EVOLUTION**

€m	4Q21	1Q22	2Q22	3Q22	4Q22	% YoY	4Q22E	Dif. Est
<b>Order book BoP</b>	<b>110.1</b>	<b>104.0</b>	<b>120.7</b>	<b>187.8</b>	<b>178.3</b>	<b>62%</b>	<b>178.3</b>	<b>0%</b>
New Pre Sales	28.7	25.9	79.6	11.7	25.5	(11%)	-14.3	n.m.
Deliveries	(34.8)	(9.2)	(12.5)	(21.2)	(39.1)	12%	(35.3)	11%
<b>Order book EoP</b>	<b>104.0</b>	<b>120.7</b>	<b>187.8</b>	<b>178.3</b>	<b>164.7</b>	<b>58%</b>	<b>128.7</b>	<b>28%</b>

Source: Alantra Equities

**INSUR: QUARTERLY P&L REVIEW**

(€ m)	4Q21	1Q22	2Q22	3Q22	4Q22	% YoY	4Q22E	Dif. Est
<b>Revenues</b>	<b>42.8</b>	<b>19.0</b>	<b>22.7</b>	<b>28.1</b>	<b>48.2</b>	<b>13%</b>	<b>41.4</b>	<b>16%</b>
Development	34.8	9.2	12.5	21.2	39.1	12%	35.3	11%
Rental Property	4.3	4.3	4.5	4.3	4.5	4%	4.4	1%
Construction	2.7	4.7	4.8	2.1	3.5	30%	1.1	n.m.
Asset Management	1.0	0.8	0.9	0.5	1.1	10%	0.5	n.m.
Equity method	-	-	-	-	-	n.m.	-	n.m.
<b>EBITDA</b>	<b>11.3</b>	<b>4.8</b>	<b>3.2</b>	<b>5.0</b>	<b>10.2</b>	<b>(10%)</b>	<b>10.0</b>	<b>2%</b>
Sale of assets	(1.7)	(1.2)	(0.1)	-	(0.7)	(59%)	-	n.m.
<b>EBITDA Adj.</b>	<b>9.6</b>	<b>3.6</b>	<b>3.1</b>	<b>5.0</b>	<b>9.5</b>	<b>(1%)</b>	<b>10.0</b>	<b>(5%)</b>
D&A and provisions	(1.1)	(1.1)	11.0	(3.3)	(7.7)	n.m.	(2.6)	n.m.
<b>EBIT</b>	<b>10.2</b>	<b>3.7</b>	<b>14.2</b>	<b>1.7</b>	<b>2.5</b>	<b>(75%)</b>	<b>7.4</b>	<b>(66%)</b>
Net financials	(1.5)	(1.2)	(1.2)	(1.2)	(1.6)	7%	(1.7)	(8%)
<b>EBT</b>	<b>8.7</b>	<b>2.5</b>	<b>13.0</b>	<b>0.5</b>	<b>0.9</b>	<b>(90%)</b>	<b>5.6</b>	<b>(84%)</b>
Income taxes	(2.3)	(0.7)	(3.3)	(0.1)	2.3	n.m.	(1.3)	n.m.
<b>Net Profit</b>	<b>6.4</b>	<b>1.8</b>	<b>9.7</b>	<b>0.4</b>	<b>3.2</b>	<b>(50%)</b>	<b>4.3</b>	<b>(26%)</b>

Source: Alantra Equities

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

(€ m)	4Q21	1Q22	2Q22	3Q22	4Q22	% YoY	% QoQ
<b>GAV</b>	<b>522.9</b>	<b>518.9</b>	<b>600.8</b>	<b>602.7</b>	<b>584.4</b>	<b>12%</b>	<b>(3%)</b>
Development	152.8	152.5	228.5	229.3	218.2	43%	(5%)
Rental Property	370.1	366.4	372.3	373.4	366.2	(1%)	(2%)
<b>Net debt</b>	<b>197.9</b>	<b>195.7</b>	<b>259.0</b>	<b>258.8</b>	<b>237.0</b>	<b>20%</b>	<b>(8%)</b>
<b>NAV</b>	<b>325.0</b>	<b>323.2</b>	<b>341.8</b>	<b>343.9</b>	<b>347.4</b>	<b>7%</b>	<b>1%</b>
<b>NAV p.s.</b>	<b>17.4</b>	<b>17.3</b>	<b>18.3</b>	<b>18.4</b>	<b>18.6</b>	<b>7%</b>	<b>1%</b>
LTV	38%	38%	43%	43%	41%		

Source: Alantra Equities

KEY DATA

P&L account (€m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	Cash flow (€m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Sales	123	133	125	118	139	170	311	Net profit	9	21	12	15	8	12	25
Cost of sales	(88)	(95)	(89)	(83)	(97)	(124)	(240)	Depreciation	4	4	4	4	4	4	4
<b>Gross margin</b>	<b>35</b>	<b>38</b>	<b>37</b>	<b>35</b>	<b>41</b>	<b>46</b>	<b>71</b>	Minorities	-	-	-	-	-	-	-
Opex	(13)	(18)	(14)	(14)	(16)	(17)	(24)	Non-cash adjustments	(10)	(17)	8	(13)	2	(0)	0
<b>Adj. EBITDA</b>	<b>22</b>	<b>19</b>	<b>22</b>	<b>21</b>	<b>25</b>	<b>29</b>	<b>47</b>	<b>Total cash-flow (CF)</b>	<b>3</b>	<b>8</b>	<b>24</b>	<b>6</b>	<b>14</b>	<b>16</b>	<b>29</b>
Adjustments	4	0	4	2	-	-	-	Capex	(67)	(71)	(84)	(98)	(108)	(133)	(134)
<b>EBITDA</b>	<b>27</b>	<b>20</b>	<b>26</b>	<b>23</b>	<b>25</b>	<b>29</b>	<b>47</b>	Deliveries	48	75	64	64	77	85	197
Depreciation & Amortization	(4)	(4)	(4)	(4)	(4)	(4)	(4)	Working capital	2	4	5	12	12	10	(1)
Changes in provisions & Other	1	19	0	3	(2)	-	-	<b>Operating FCF</b>	<b>(15)</b>	<b>15</b>	<b>9</b>	<b>(16)</b>	<b>(5)</b>	<b>(23)</b>	<b>91</b>
<b>EBIT</b>	<b>23</b>	<b>35</b>	<b>22</b>	<b>22</b>	<b>19</b>	<b>25</b>	<b>43</b>	Financial investments	-	-	-	-	-	-	-
Financial costs	(12)	(6)	(5)	(5)	(9)	(9)	(9)	Disposals/(acquisitions)	7	(22)	9	(17)	-	-	-
Associates	-	-	-	-	-	-	-	Rights issues	-	-	-	-	-	-	-
<b>Ordinary profit</b>	<b>10</b>	<b>29</b>	<b>16</b>	<b>17</b>	<b>11</b>	<b>16</b>	<b>34</b>	Other	-	-	-	-	-	-	-
Extraordinary items	-	-	-	-	-	-	-	<b>FCF before dividends</b>	<b>(7)</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>10</b>	<b>29</b>	<b>16</b>	<b>17</b>	<b>11</b>	<b>16</b>	<b>34</b>	Dividends	(5)	(5)	(7)	(6)	(6)	(6)	(6)
Taxes	(1)	(8)	(4)	(2)	(3)	(4)	(8)	<b>Free-cash-flow (FCF)</b>	<b>(12)</b>	<b>(12)</b>	<b>11</b>	<b>(39)</b>	<b>(11)</b>	<b>(28)</b>	<b>85</b>
Discontinued activities	-	-	-	-	-	-	-	Buy-backs	-	-	-	-	-	-	-
Minorities	-	-	-	-	-	-	-	<b>FCF after buy backs</b>	<b>(12)</b>	<b>(12)</b>	<b>11</b>	<b>(39)</b>	<b>(11)</b>	<b>(28)</b>	<b>85</b>
<b>Net profit, reported</b>	<b>9</b>	<b>21</b>	<b>12</b>	<b>15</b>	<b>8</b>	<b>12</b>	<b>25</b>								
Adjustments	3	(9)	(2)	(3)	2	-	-	<b>Balance sheet (€m)</b>	<b>FY19</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>12</b>	<b>10</b>	<b>12</b>	<b>9</b>	<b>12</b>	<b>25</b>	Equity	107	122	128	143	145	152	172
Nº of shares	17	17	19	19	19	19	19	Minority interests	-	3	3	(3)	(3)	(3)	(3)
Nº of shares adjusted (m)	17	17	18	19	19	19	19	Provisions & others	32	21	48	38	23	3	17
Treasury stock (m)	0	0	0	0	0	0	0	Net debt [cash]	196	209	198	237	248	277	192
								<b>Capital invested</b>	<b>336</b>	<b>355</b>	<b>378</b>	<b>416</b>	<b>413</b>	<b>429</b>	<b>377</b>
<b>YoY Growth</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	Goodwill	-	-	-	-	-	-	-
Sales	8%	8%	(6%)	(6%)	18%	22%	83%	Intangible assets	1	1	0	0	0	0	0
Adj. EBITDA	29%	(13%)	15%	(5%)	20%	14%	62%	Tangible assets	149	217	218	217	213	211	209
Net profit	(12%)	139%	(43%)	25%	(47%)	51%	112%	Financial assets	31	25	47	35	35	35	35
Adjusted net profit	18%	4%	(16%)	17%	(22%)	27%	112%	Associates	2	1	0	0	(1)	(5)	(27)
								Working capital	154	112	112	163	166	187	160
<b>EBITDA by division</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	<b>Capital employed</b>	<b>336</b>	<b>355</b>	<b>378</b>	<b>416</b>	<b>413</b>	<b>429</b>	<b>377</b>
Development	36%	71%	66%	55%	58%	60%	72%	Working capital/sales	125%	84%	90%	138%	120%	111%	52%
Rental	46%	51%	53%	67%	57%	52%	33%								
Construction & other	18%	(22%)	(18%)	(21%)	(15%)	(11%)	(5%)								
								<b>Financial ratios</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
<b>NAV</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	Net debt/EBITDA	7.4X	10.6X	7.6X	10.2X	9.7X	9.5X	4.1X
GAV	538	526	523	584	567	604	524	Net debt/GAV (LTV)	37%	40%	38%	41%	44%	46%	37%
Net debt	196	209	198	237	248	277	192	Gearing	183.2%	166.4%	150.6%	168.9%	174.1%	185.4%	113.4%
Minorities & Other	-	-	-	-	-	-	-	Interest cover	1.8X	6.0X	4.0X	4.3X	2.2X	2.8X	4.7X
NAV	341	317	325	347	319	327	332								
								<b>Margins &amp; ratios</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
<b>Per share data (€)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>	EBITDA margin	21.6%	14.8%	20.9%	19.7%	18.4%	17.1%	15.1%
EPS	0.52	1.24	0.68	0.81	0.43	0.64	1.36	EBIT margin	18.6%	26.6%	17.4%	18.8%	14.0%	14.8%	13.8%
EPS adjusted	0.70	0.73	0.58	0.65	0.51	0.64	1.36	Reported tax rate	14.3%	28.2%	26.1%	10.9%	25.0%	25.0%	25.0%
CFPS	0.17	0.47	1.36	0.33	0.75	0.86	1.57	Pay-out	45.9%	55.2%	51.8%	49.4%	61.0%	52.0%	45.8%
FCFPS	(0.85)	0.91	0.49	(0.87)	(0.27)	(1.22)	4.90	ROCE (EBIT/CE)	6.8%	9.9%	5.8%	5.3%	4.7%	5.8%	11.4%
BVPS	6.32	7.21	7.20	7.67	7.79	8.15	9.20	ROE	8.2%	16.8%	9.2%	10.8%	5.6%	8.0%	15.0%
DPS	0.32	0.40	0.30	0.32	0.31	0.33	0.62								

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