

INMOBILIARIA DEL SUR

Weak Q3 but FY23 sales target reiterated

- Q3 results below on mix and timing effect.** Total sales reached €23.5m, slightly above our €22.8m, and EBITDA came out at €2.7m vs. our €2.8m. However, when excluding a stake sale in several residential projects/land and a small RE disposal, results came below expectations due to a lower ASP in the delivery mix and fewer deliveries. Net losses amounted to €1.2m vs. our -€1m.
- FY23 development sales target reiterated.** The delivery of a legacy project (80% of total, ASP of just €157k) impacted Q3 sales. That said, it led the pre-sales backlog ASP to grow by 3% QoQ (and +15% YoY) to €322k, the highest in 4Y. InSur expects €63m of proportional sales in Q4, and thus c.€100m in FY23, in line with previous guidance (although more back-end loaded than we expected). After pre-selling c.€25m (vs. our €28m), coverage ratio reached a healthy 96% & 53% of expected deliveries for 2023 & 2024. Lastly, the company initiated the construction of 221 units and reached 866 YTD, the highest ever by the company and thus providing good visibility on the next 2-3Y. On a separate note, InSur monetised a 50% stake in a land plot and an ongoing project for c.€6m. This goes in line with its strategy of reducing risk while crystallising value in the process.
- Small occupancy improvement.** GRI fell by 6% to €4m (vs. our €4.2m), reflecting asset sales and lower occupancy. The company sold a retail asset for €2.2m (18% premium vs. GAV) and c.€14.5m YTD (3% discount). Passing rent stood stable QoQ at €18.1m.
- Stable NAV.** Net debt increased slightly to €360m and led LTV to sit at 41% after a strong investment effort (>€75m). That said, the delivery of >€60m in Q4 should drive debt down by year-end. NAV stood stable QoQ at €19.2p.s.
- Our view.** Despite weak Q3 results, the company's targets remained unchanged, which is good news. In addition, the company is continuing with its construction ramp-up while providing healthy pre-sales visibility, and improving occupancy is the pending task. Valuation wise, the shares remain depressed (65% discount to NAV, higher than peers). We will be publishing an in-depth report in the coming weeks and more comments will follow.

Financial Ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
Adj. 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	18.1	11.0	5.2
P/E Adj. (x)	13.5	13.1	12.2	13.7	11.0	5.2
EV/EBITDA (x)	19.3	15.1	18.2	14.9	14.2	7.0
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
NAV discount (%)	47.5	56.6	57.5	58.3	58.1	57.9
DPS (€)	0.40	0.30	0.32	0.30	0.32	0.60
Dividend yield (%)	4.1	4.0	4.0	4.4	4.7	8.9

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

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Share Price (*) € 6.80

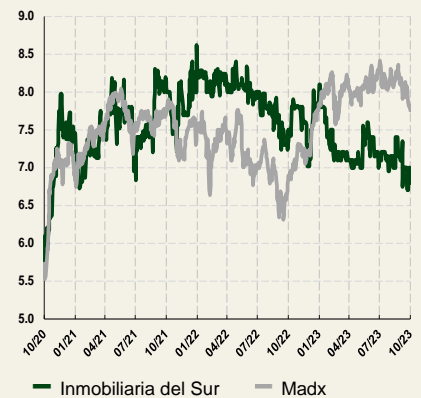
*Share price at the close of 27 October 2023

ISUR.MC/ ISUR SM

Market Cap	€ 127 m
Enterprise Value	€ 376 m
Free Float	€ 47 m
Nº Shares	19 m
Average Daily Volume	€ 30 k

Performance

	1m	3m	12m
Absolute %	-4.2	-4.2	-5.4
Relative %	0.6	3.0	-23.2



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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	0	0	0	0	0	0
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 & Oth	19	0	3	(2)	-	-	Operating FCF	15	9	(16)	(5)	(23)	91
EBIT	35	22	22	19	24	42	Financial investments	0	0	0	0	0	0
Financial costs	(6)	(5)	(5)	(9)	(9)	(9)	Disposals/(acquisitions)	(22)	9	(17)	0	0	0
Associates	-	-	-	-	-	-	Rights issues	0	0	0	0	0	0
Ordinary profit	29	16	17	10	15	33	Other	0	0	0	0	0	0
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	0	0	0	0	0	0
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	0	0	0	0	0	0
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%							
Servicing	51%	53%	67%	57%	51%	32%	Financial ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
Rental and legacy	(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%	151%	169%	175%	187%	115%
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	-	-	-	-	-	-							
NNAV	317	325	347	304	303	301							
Per share data (€)	FY20	FY21	FY22	FY23E	FY24E	FY25E	Margins & ratios	FY20	FY21	FY22	FY23E	FY24E	FY25E
EPS	1.24	0.68	0.81	0.42	0.62	1.32	EBITDA margin	14.8%	20.9%	19.7%	18.2%	16.8%	14.9%
EPS adjusted	0.73	0.58	0.65	0.50	0.62	1.32	EBIT margin	26.6%	17.4%	18.8%	13.9%	14.4%	13.6%
CFPS	0.47	1.36	0.33	0.74	0.83	1.53	Reported tax rate	28.2%	26.1%	10.9%	25.0%	25.0%	25.0%
FCFPS	0.91	0.49	(0.87)	(0.29)	(1.25)	4.85	Pay-out	55.2%	51.8%	49.4%	61.0%	52.1%	45.8%
BVPS	7.21	7.20	7.67	7.78	8.12	9.14	ROCE (EBIT/CE)	9.9%	5.8%	5.3%	4.7%	5.7%	11.1%
DPS	0.40	0.30	0.32	0.30	0.32	0.60	ROE	16.8%	9.2%	10.8%	5.4%	7.7%	14.7%

(*) Excluding trapped cash ipped cash

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