

INMOBILIARIA DEL SUR

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Raising estimates post Q4 results

- Q4 results below.** Revenues (including JVs) reached €27m, 15% below our €32m, mainly on lower deliveries & development sales. EBITDA came at -€2.5m vs. our +€9m, though including a c.€5m impairment loss. Net profit fell by 25% to €9.5m, including a €22m non-cash one-off gain after obtaining control of the Rio office building. Excluding one-offs, net losses reached €1m in Q4 vs. our +€2m.
- Good start to 2021 pre-sales.** Development sales fell c.30% to €17m in Q4, below our €24m estimate, explained by a delay in delivering a fully-owned project. Insur pre-sold 72 units (€17m) in Q4, below our c.90 estimate. That said, we understand that Insur is off to a good start in 2021 (we estimate >100 pre-sales in Q1, offsetting the Q4 shortfall), better than peers thanks to positive dynamics in core regions to date (Seville and Madrid more than offsetting Costa del Sol).
- Reaches c.90% occupancy target.** Rental revenues rose 8% QoQ to €3.6m (roughly in line) thanks to the Madrid Rio contribution. Occupancy rose 110bps QoQ and reached 89.4%, close to the c.90% occupancy target from the 2016 strategic plan (+23pp since then). For 2021, we expect further growth in rental revenues, with the full contribution of Madrid Rio more than offsetting tenant exits that will amount to 8.8k sqm, or 6.6% of total (€1.3m annual rents).
- NAV & debt update.** GAV (including JVs) stood at €526m, down 2% YoY, mainly reflecting a €14m negative Covid impact on the asset portfolio (we estimate 80% stem from offices & land and 20% from its two hotel assets). Net debt increased by €20m QoQ to €209m (vs. our €200m), leaving LTV at 39.7%. NAV fell 8% to €313m (€18.7 p.s.) or down by just 4% ex €0.32 DPS.
- Raising estimates.** Following the Q4 release, we are raising our 2021 EBITDA & EPS forecasts by 10-15% in order to include the units delayed to 1Q21. For 2022-23, we are raising our estimates in terms of deliveries (units) & ASP by c.5% each to reflect a stronger market recovery, leading us to increase group EBITDA & EPS by 2-3% & 5-7% respectively (2022-23 EBITDA > 2019-20).
- Our view.** Despite the difficult 2020, Insur managed the situation well (small project delays) and we expect growing earnings in 2021-23 despite some occupancy losses and still uncertain environment. The shares trade at 57% discount to NAV, well below both listed developers (-50%) and REITs (-35%), a discount we think is excessive considering the company's good track record, quality asset mix (both regarding offices & development) and comfortable B/S.

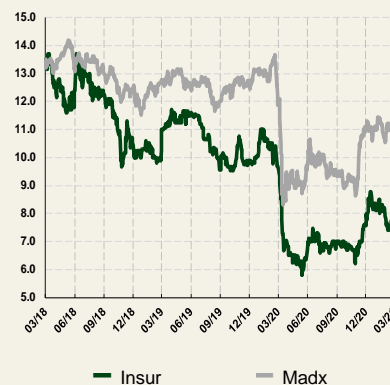
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Share Price € 8.02

ISUR.MC/ ISUR SM

Market Cap € 136 m
Enterprise Value € 334 m
Free Float € 49 m
Nº Shares 17 m
Average Daily Volume € 20 k

Performance	1m	3m	12m
Absolute %	-7.8	1.9	-18.4
Relative %	-13.8	0.6	-9.6



Financial Ratios	FY18	FY19	FY20	FY21E	FY22E	FY23E
EBITDA (€m)	23	26	20	29	25	28
Net profit (€m)	11	9	21	12	10	13
EPS (€)	0.66	0.52	1.24	0.71	0.61	0.79
Adj. EPS (*) (€)	0.66	0.78	0.56	0.71	0.61	0.79
P/E (x)	15.6	20.1	7.9	11.3	13.2	10.1
P/E Adj. (x)	15.6	13.5	17.4	11.3	13.2	10.1
EV/EBITDA (x)	15.3	14.1	19.0	11.7	13.0	11.0
Debt/GAV(x)	36.2	36.5	39.7	41.5	40.6	38.1
P/BV (x)	1.6	1.4	1.3	1.0	0.9	0.9
ROE (%)	11.1	9.2	21.1	11.2	8.7	10.8
DPS (€)	0.27	0.32	0.32	0.32	0.32	0.36
Dividend yield (%)	2.6	3.0	3.3	4.0	4.0	4.5

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

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