Cevasa

LIGHTHOUSE WINNER 2020 Special Mention — European Commission — European Small & Mid-Cap Awards

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Compañía Española de Viviendas en Alquiler, Cevasa (CEV), Cevasa specialises in the development of buildings for long-term renting, mainly in the residential segment in Catalonia, principally in the city of Barcelona and its metropolitan area (where it is the main private property owner).

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A property company "without" risk…

DEMAND FOR RENTED HOUSING HAS CONTINUED TO GROW (SINCE 2008) AND IN SPAIN IS STILL A LONG WAY FROM THE EUROPEAN AVERAGE. Although since the impact of the property crisis in 2008 demand for rented housing has gained ground vs ownership, c. 75% of Spanish homes are still owned vs an average of 70% for the EU (64% in France and 51% in Germany).

CEVASA HAS A UNIQUE EXPOSURE TO RENTED HOUSING... With a GAV of EUR 530Mn (+6.6% CAGR 2016-2021) comprised of: i) rented housing (78%; with the particularity of having invested a large percentage in state-sponsored housing), ii) offices (7%), iii) retail (5%) and iv) a land bank (10%). In other words, CEV has a unique exposure to the Spanish housing segment, unlike the large Spanish listed property companies that have greater exposure to segments such as offices and shopping centres (more sensitive to the cycle).

…WITH A PORTFOLIO CONCENTRATED IN CATALONIA, mainly in Barcelona and its metropolitan area, where it is the main private property owner. A specialisation that is essential in a segment such as the residential one (with demand and supply dynamics that change radically from one city to another).

VISIBILITY IS VERY SIGNIFICANT UNTIL 2024E. Given the defensive profile of the company's rental assets, the visibility of 21-24e revenue and margins is very significant. This leads us to estimate the continuation of the performance seen -5y (low single-digit organic growth) to 24e revenue of EUR 21.7Mn and Rec. EBITDA of EUR 14.6Mn (+3.8% y +3.2% CAGR 21-24e, respectively). With leverage remaining at very prudent levels (LTV < 20%).

WHY CEV IS UNIQUE: A VERY LOW RISK PROPERTY COMPANY. All the above (exposure to housing, high percentage of investment in state-sponsored housing, geographically concentrated asset portfolio…) are factors that make CEV a unique option for investing in the Spanish residential segment that offers very significant visibility (in sales and margins) and so a low business risk and a low risk of 2023e estimates downgrades. This is something that is especially interesting in the current market context (and very difficult to find in the Spanish property sector).

Market Data

Market Cap (Mn EUR and USD)	168.6	174.1
EV (Mn EUR and USD) (1)	337.4	348.5
Shares Outstanding (Mn)	23.3	
-12m (Max/Med/Mín EUR)	7.82 / 6.93 / 6.35	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation (2)	0.5	
Factset / Bloomberg	CEV-ES / CEV SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

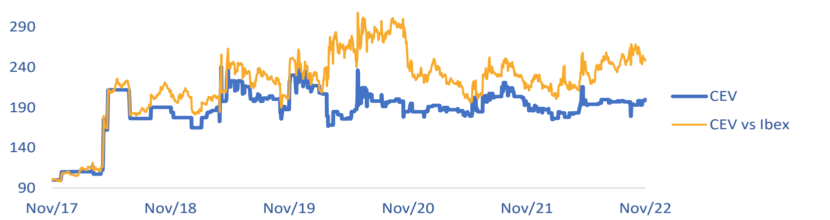
Vaqué-Boix family	61.7
Banco Santander	24.1
Manuel Valiente	6.9
Others	2.3
Free Float	4.9

Financials (Mn EUR)	2021	2022e	2023e	2024e
Adj. nº shares (Mn)	23.2	23.3	23.3	23.3
Total Revenues	19.4	20.4	21.3	21.7
Rec. EBITDA	13.3	13.1	14.3	14.6
% growth	*-1.4*	*-1.4*	*9.6*	*1.8*
% Rec. EBITDA/Rev.	*68.3*	*64.1*	*67.2*	*67.2*
% Inc. EBITDA sector (3)	*11.0*	*17.2*	*4.8*	*7.0*
Net Profit	24.5	28.1	9.1	9.4
EPS (EUR)	1.06	1.21	0.39	0.40
% growth	*164.5*	*14.1*	*-67.5*	*2.7*
Ord. EPS (EUR)	0.40	0.34	0.39	0.40
% growth	*-6.5*	*-14.9*	*14.5*	*2.7*
Rec. Free Cash Flow (4)	3.0	7.0	-2.5	-7.2
Pay-out (%)	*18.9*	*16.5*	*50.8*	*49.5*
DPS (EUR)	0.20	0.20	0.20	0.20
Net financial debt	69.5	63.0	75.4	96.0
ND/Rec. EBITDA (x)	5.2	4.8	5.3	6.6
ROE (%)	*7.1*	*7.6*	*2.4*	*2.4*
ROCE (%) (4)	*5.3*	*4.9*	*2.0*	*2.0*

Ratios & Multiples (x) (5)	2021	2022e	2023e	2024e
P/E	6.9	6.0	18.5	18.0
Ord. P/E	18.0	21.2	18.5	18.0
P/BV	0.5	0.4	0.4	0.4
Dividend Yield (%)	*2.8*	*2.7*	*2.7*	*2.7*
EV/Sales	17.37	16.53	15.82	15.53
EV/Rec. EBITDA	25.4	25.8	23.5	23.1
EV/EBIT	10.5	10.2	23.7	23.3
FCF Yield (%) (4)	*1.8*	*4.1*	*n.a.*	*n.a.*

(1) Please refer to Appendix 3.
(2) Rotation is the % of the capitalisation traded - 12m.
(3) Sector: Stoxx Europe 600 Real State.
(4) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.
(5) Multiples and ratios calculated over prices at the date of this report.

Relative performance (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	3.6	1.4	3.0	5.9	6.6	100.0
vs Ibex 35	-5.9	4.9	15.6	14.0	23.6	149.2
vs Ibex Small Cap Index	-4.8	8.9	21.1	21.3	-1.1	70.6
vs Eurostoxx 50	-10.6	-1.5	16.0	17.7	1.9	85.8
vs Sector benchmark (3)	-14.9	20.7	57.6	63.4	53.5	170.9

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

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The final two pages of this report contain very important legal information regarding its contents.

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A unique option to invest in the Spanish residential segment that offers very significant visibility (in sales and margins) and so low risk

Cevasa (CEV) specialises in the development of buildings for long-term renting. It is one of the main players in the Spanish housing market (and a benchmark for affordable rented housing). In addition to its property management business (where it has a long track record), CEV builds developments for sale (in 2022 it executed the title deeds on a development of 48 homes in Sabadell and has begun building 76 homes in L'Hospitalet) and also has an asset and portfolio management business for third parties (although with no material impact on the P&L as yet).

CEV has been listed since 1970 and is the only PRS (private rented sector) platform on the Spanish continuous trading market. Unlike REITs that have their own tax regime (a tax rate of 0% provided they meet certain requirements vs the corporate tax rate of 25%), CEV belongs to the special rented housing tax regime (with a 40% corporate income tax reduction since 2022 vs the 85% one in force until 2021).

A) Demand for rented housing has continued to grow (since 2008) and Spain is still a long way from European average levels

Home renting is gaining ground on buying

Unlike other European markets, historically the Spanish market has had a high level of owned vs rented housing. Although since the impact of the property crisis in 2008 demand for rented housing has gained ground vs ownership, c. 75% of Spanish homes are still owned (vs an average of 70% for the EU, 64% in France and 51% in Germany).

Although at the moment there are many factors driving demand for rented housing, among which we would highlight:

Although Spain is still a long way from European average levels

- **The increase in house purchase affordability rates,** mainly in cities such as Madrid and Barcelona, where these are now 41.3% and 49.7% of household income, respectively (much higher levels than -1y; 32.5% and 35.4%, respectively).
- **Reduced mortgage facilities,** the percentage of an average mortgage loan (with respect to the value of the property) is now 80% vs > 100% in 2006 (which at that time drove buying over renting).
- **The elimination of tax breaks** for home buyers (that makes buying less attractive).
- **Socio-economic changes,** such as the increased geographical mobility of the population.

A change in direction (towards a more mature rental market) that represents an opportunity

An opportunity for companies with a strong local presence and know how in rented housing. We believe this change in trend in favour of renting still has significant upside until it reaches average levels in Europe, where rented housing markets are far more mature and professionalised (the Spanish market is essentially in private hands). To provide some context, today only 3% of the Spanish rented housing stock is owned by institutional investors vs c. 18% in Germany.

Investment in rented housing is breaking records in Europe (and Spain)

All this is driving investor interest in residential assets: investment in rented housing is breaking records in Europe (and in Spain). All the above points to a structural change in the Spanish housing market towards rented housing. In fact, in 2020 investment in rented housing in Spain doubled its weighting to 24% of total property investment (vs 12% in 2019 and 5% in 2018). Madrid and Barcelona (where there is a bigger problem of access to housing) and their metropolitan areas are seeing the most investor appetite; in addition to the renewed interest of the public authorities in making affordable housing available.

B) In the short term, the current macro situation and interest rate hikes are holding the sector back. Something the market has already priced in?

The worsening of the Spanish macro will impact the property sector's performance

The macro is still the most important variable for the property market (and today the risk is clearly on the downside). Investors usually see a country's property sector as a proxy of its economy, so if the macro is doing well the property sector also does well on the stock market. The current scenario (rocketing inflation, rising interest rates, a credit squeeze, less liquidity…) is fully impacting growth, and its effect is already being reflected in downgrades to estimates. Obviously, the worsening of the Spanish macro, together with rising interest rates (that should mean higher discount rates), will impact the property sector's performance.

Although all the negative impact the macro can have should already be priced in

Something the market has already priced in? The share prices of the main listed property companies already reflect (at least partly) the risk of a significant reduction in the value of their assets. Despite the November rebound (Stoxx Europe 600 Real Estate +6.3% vs -35.7% YTD), the main Spanish REITs are trading at discounts to their NAVs (the main benchmark valuation for a REIT/property company) of c. 50%. You don't need to be a financial analyst to know that the current weakness of the property sector is not going away until the macro uncertainty begins to dissipate. So, whilst the current situation continues, the sector is unlikely to recover the losses of the last year although all the negative impact the macro can have, as this is well-known (and even obvious), should already be priced in.

The snapshot of the residential segment in Spain is, in relative terms, the best possible

Against this backdrop, we think the residential segment offers, in relative terms, the best snapshot in the sector. The property sector is very diverse in nature with dynamics that are by no means equivalent among its various subsectors (offices, retail, residential…) and today everything seems to suggest that the snapshot of the rented housing segment in Spain (less exposure to the cycle, greater preference of the population for renting over owning, shortfall of supply…) is, relatively speaking, the best possible one in the sector.

C) CEV has a property management business model with significant visibility (in sales and margins) with a capacity for long-term growth (beyond 2025e)

CEV combines a number of factors (in our view unique) that make it a rarity in the Spanish property sector. Why?

A property management business model with significant visibility

- **It is the only rented housing property company,** a benchmark in affordable housing, that is listed on the Spanish continuous trading market. With a GAV of EUR 530Mn (+6.6% CAGR 2016-2021) comprised of rented housing (78%), offices (6.5%), retail (4.9%) and a land bank (10.4%). In other words, CEV has a unique exposure to the Spanish housing segment, unlike the large Spanish listed property companies that have greater exposure to segments such as offices and shopping centres (more sensitive to the cycle).

With a very local character (the asset portfolio is concentrated in Catalonia)

- **It is exposed to Catalonia, mainly Barcelona and its metropolitan area,** where 100% of its assets are located and where it is the main private property owner. A specialisation we see as essential in a segment such as the residential one (with demand and supply dynamics that change radically from one city to another).

And its own management team with significant experience in the sector

- **Internalised management (a distinguishing feature compared to other property management companies and REITs)...** CEV has its own management team with significant experience in the sector, resulting in occupancy and efficiency ratios above the Spanish average and in line with those of the big European sector players: EBITDA margin c. 70%, gross yield of 4.1% (vs c. 2.9% for residential segment REITs in Spain) and a 3.3% EPRA net initial yield (vs c. 2.6% for Vonovia, European leader in home rentals).

- **Additional upside from the updating to market prices of old rents (c. 21% of the GAV).** The unique exposure to properties paying old rents (c. 21% of the GAV) well below market prices, offers additional upside for growth/profitability from 2025 (when the situation could gradually correct as the legal regime changes). The updating to market prices of homes paying old rents would result in an improvement of c. 5p.p. in the EBITDA margin to c. 75% (vs c. 70% at present).

Maintaining levels of debt always within prudent limits (LTV < 20%)

- **Low gearing (the lowest in the sector) in all stages of the cycle.** With a LTV of 15.2% vs an average of c. 40% for the REITs listed on the Spanish stock market.

D) What can we expect from CEV's numbers in the next two years?

Having reached this point, the question now is what can we expect from a company like CEV in a situation such as the present one. Our projections for 2022e-2024e can be summarised as follows:

Until 2024e visibility is very significant, both for sales (+4.3% CAGR 21-24e)…

- **Until 2024e visibility is very significant both for sales (Revenues: +3.8% CAGR 21e-24e)...** given the defensive profile of the company's rental assets, the visibility of 21-24e revenue is very significant.

This leads us to estimate that the performance of revenue seen in recent years (low single-digit organic growth) will continue until revenue reaches EUR 21.7Mn in 2024e (+3.8% 21e-24e).

...and margins (EBITDA margin > 65%). EBITDA (+3.2% CAGR 21-24e)

- **... and margins (EBITDA margin > 65%).** CEV has a very streamlined operating structure that allows it to maintain high levels of efficiency. However, in 2022e we think the increase in operating costs will not be fully offset (due to the restriction on raising rents) and this leads us to estimate a 2022e EBITDA margin of c. 65% that, from 2023e, should recover to levels closer to its historical average, pointing to levels of 2024e EBITDA of EUR 14.6Mn (+3.2% CAGR 21-24e)

The development business will drive results for the first time (2022e).

- **For the first time, the development business will drive results (2022e) although we will have to wait until at least 2025e to see it reflected in the P&L again.** This year has seen the execution of the title deeds on a development of 48 homes in Sabadell, that will contribute EUR 13.9Mn in revenue to 2022e results with a high margin (c. 30%) and gross profit of EUR 4.2Mn (that will drive 2022e EBITDA to EUR 17.2Mn). Also, in 2022, construction has begun on land on the balance sheet of a development for sale in L'Hospitalet (Barcelona) comprising 76 homes that we estimate will contribute a margin of c. EUR 4Mn (although its results will not be visible, at least, until 2025e).

At the start of a period that will require a significant increase in investment requirements

- **Although new developments and capital contributions to the HMB project will increase cash consumption.** We assume a significant increase in cash requirements for: i) the building of new developments (with the aim of increasing the number of deliveries to c. 50-100 homes/year from 2025e) that we estimate will require c. EUR 30Mn in total over 2022e-2024e and ii) the capital contributions to HMB in which CEV has a 25% interest (a public-private operator set to develop c. 4,500 affordable rented homes) and that will require significant investment (in addition to the c. EUR 6Mn already provided, it will have to invest, at least, a further c. EUR 24Mn over the next 4 years).

Although in relative terms gearing will remain low (LTV < 20%)

- **And despite the temporary rebound in investment, gearing will remain low in relative terms (LTV < 20% and EBITDA > 6x interest).** We estimate that the investment for the building of new developments and capital contributions to the HMB project will increase net debt to c. EUR 95Mn in 2024e (vs EUR 69.5Mn in 2021). However, in relative terms gearing will remain low, with a LTV always below 20% and EBITDA generation that will exceed the interest on the debt by over 6x.

E) This allows us to see CEV as a unique option to invest in the Spanish residential sector. Significant visibility (sales, margins) and so low risk.

Exposure to rented housing, with a portfolio that is concentrated geographically

The snapshot that CEV leaves us with is that of a small property company, well managed, with a very efficient operating structure (with proven soundness in margins) and low gearing (LTV < 20%) to which two additional (also unique) ingredients need to be added: 1) unique exposure in the Spanish stock market to rented housing (less exposed to the cycle than other property segments), and 2) an asset portfolio concentrated in Catalonia, (mainly Barcelona and its metropolitan area).

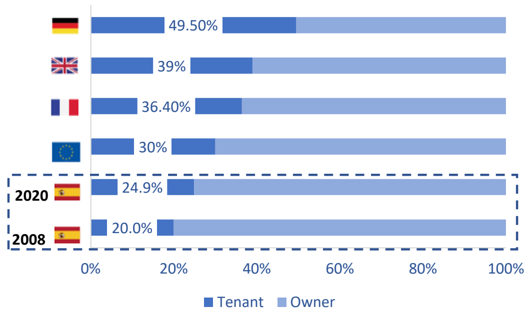
A unique option to invest in the Spanish residential sector

A "niche of niches". All the above are factors (in our view unique ones) that make CEV "a niche of niches". Operating in the property sector, exposure to rented housing, in Spain (where demand for rented housing remains a long way behind average European levels), and with an asset portfolio 100% concentrated in Catalonia (a region with higher growth in demand than that expected for the Spanish market on average). This points to very significant visibility (both in sales and margins until 2024e).

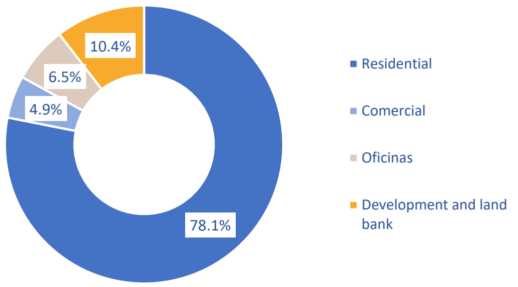
In other words, CEV presents more than enough reasons to make us believe that a company without correlation to the property cycle in Spain is really possible (and not a "laboratory" case). As it waits for the investment made in new developments (with capacity to deliver 50-100 homes/year from 2025e) and its participation in HMB (with c. 4,500 rental homes) to bear fruit. However, perhaps the most interesting aspect is the very significant visibility of the business in coming years (with low levels of operating and financial risk): a circumstance that is especially interesting in the current market context (as it significantly reduces the risk of estimate downgrades).

The company in 8 charts

Demand for rented housing has continued to grow (since 2008) and Spain is still a long way from European average levels

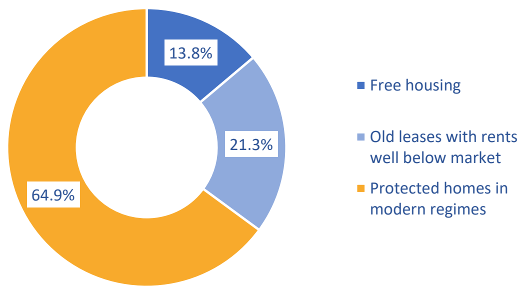


Cevasa (CEV) has a unique exposure to rented housing (78.1% of GAV)...

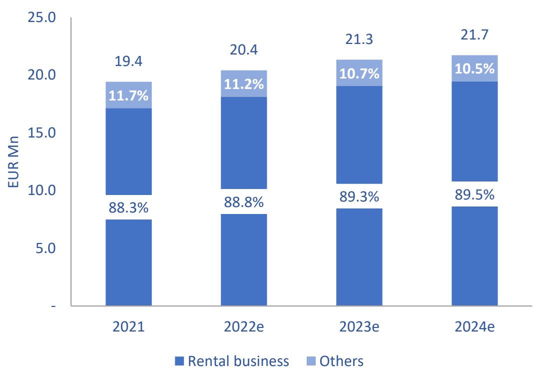


... with a portfolio concentrated in Catalonia (mainly Barcelona and its metropolitan area)

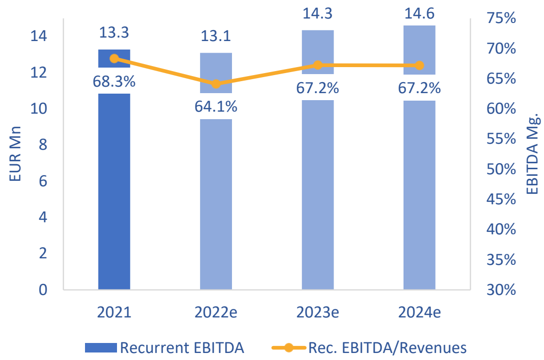
And the particularity of having invested a large percentage in state-sponsored housing



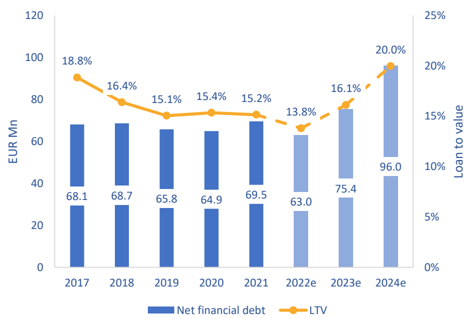
Until 2024e visibility is significant, for revenue (+3.8% CAGR 21-24e)...



... and margins (Rec EBITDA: +3.2% CAGR 21-24e)



Despite the rebound in investment, leverage will remain at very prudent levels (LTV < 20%)



Trading at a discount of c. 60% to its EPRA NRV and c. 55% vs EPRA NDV

EUR Mn	2020	2021	20-21
GAV	501.0	530.2	5.8%
EPRA NRV	431.4	457.9	6.2%
EPRA NTA	354.3	385.3	8.8%
EPRA NDV	353.4	378.2	7.0%
Number of shares	23.2	23.2	0.0%
EPRA NRV per share	*18.63*	*19.78*	6.2%
EPRA NTA per share	*15.30*	*16.64*	8.8%
EPRA NDV per share	*15.26*	*16.33*	7.0%

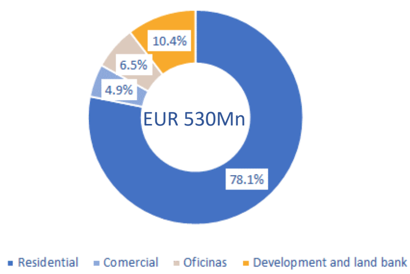
The only home rental company listed on the Spanish stock market

Chart 1. Geographical mix of the asset portfolio

Cevasa (CEV) specialises in the development and acquisition of buildings for long-term rent mainly in the residential segment and focused on affordable housing with exposure to Catalonia, mainly the city of Barcelona and its metropolitan area (where 100% of its assets are located and where it is the main property owner). In addition to its asset management business, CEV also develops properties for sale on land that is of less interest for renting (it is currently executing the title deeds on a development of 48 homes in Sabadell and has begun building 76 homes in L'Hospitalet) and also has an asset and portfolio management business (although with no material impact on the P&L as yet).

CEV has been listed since 1970 and is the only company dedicated to residential renting on the Spanish continuous trading market, although there are several REITs listed on BME Growth specialised in the residential segment such as Testa Residencial (controlled by Blackstone), Vivenio, Albirana, Fidere and Tempore (although all with a free float < 5%). Unlike the REITs that have their own tax regime (a tax rate of 0% vs the corporate tax rate of 25%), CEV belongs to the special home rentals tax regime (with a 40% corporate income tax reduction since 2022; vs the 85% one in force until 2021).

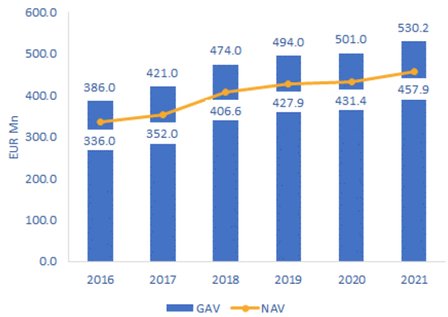
Chart 2. 2021 GAV broken down by type of asset



With a GAV of EUR 530Mn (+6.6% CAGR 2016-2021), offering a yield of 3.3%…

With over 5,600 assets under management, of which 2,228 are homes, at the end of 2021 CEV's asset portfolio had a total value of EUR 530Mn (+5.8% vs 2020) of which 78% were rented homes, 6.5% offices and 4.9% commercial properties. In addition, CEV has a development in progress and a land bank that contribute approx. EUR 55Mn to its GAV (c. 10.4% of the total value; Chart 2). At the end of 1H22 the value of the company's asset portfolio amounted to EUR 534Mn (+0.9% vs 2021; +3.3% excluding the impact of the building sold in 1H22, that better reflects the fluctuation in capital gains on property). With a 4.1% gross yield (annualised rents with a base of December 2021) and a 3.3% EPRA net initial yield (vs c. 2.6% for Vonovia, European leader in home rentals).

Chart 3. GAV and NAV (2016-2021)



Note: EPRA NRV in 2020 and 2021.

The 2021 NAV (main benchmark valuation for a REIT/property management company) was EUR 457.9Mn (Chart 3). The excellent performance of the NAV per share over 2016-2021 (+6.4% CAGR) suggests CEV's internal management (a distinguishing feature compared to other property management companies and REITs run by external managers) and its' not resorting to capital increases to grow has worked, enabling the company to capture the growth in the property sector in recent years. This has been reflected in clear value creation for shareholders: in terms of EPRA NRV per share, CEV ended 2021 with a NRV of €19.8/share (+6.2% vs 2020, growth fully in line with the increase in the GAV and NAV; Table 1). What has the historical relationship been between the NRV and the share price? CEV has always traded at a discount (Chart 4). However, at current prices, the EPRA NRV implies a discount of c. 60% (close to the maximum discount of 70% reached in 2017). In terms of EPRA NDV (equivalent to the disposal value) the discount today would be 55%.

Table 1. GAV, EPRA NAV and EPRA NAV per share (2020-2021)

EUR Mn	2020	2021	20-21
GAV	501.0	530.2	5.8%
EPRA NRV	431.4	457.9	6.2%
EPRA NTA	354.3	385.3	8.8%
EPRA NDV	353.4	378.2	7.0%
Number of shares	23.2	23.2	0.0%
EPRA NRV per share	*18.63*	*19.78*	6.2%
EPRA NTA per share	*15.30*	*16.64*	8.8%
EPRA NDV per share	*15.26*	*16.33*	7.0%

Chart 4. Price per share and discount to EPRA NRV and NDV

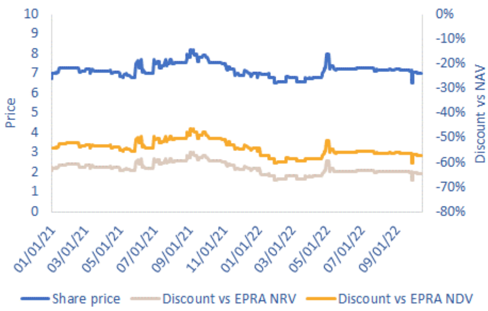


Chart 5. Rental revenue per segment (2016-2021)

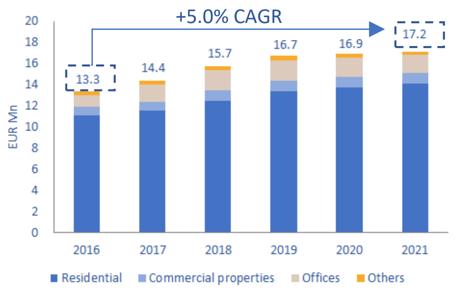
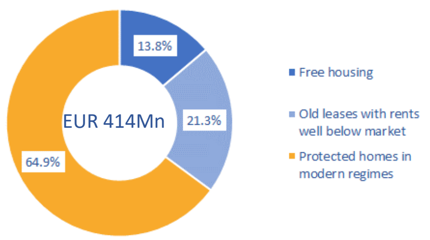


Chart 6. Residential portfolio mix broken down by type of rent (% of the GAV)



... and a unique exposure to the residential sector (82% of revenue from rentals), concentrated mainly in Barcelona, where it is the largest property owner

CEV's asset portfolio is highly concentrated geographically, with a unique exposure to Catalonia and mainly to Barcelona and its metropolitan area (100% of the GAV), where it is the largest private property owner (that implies its asset portfolio is difficult to replicate). In addition to Barcelona, CEV has assets in its metropolitan area with a presence in Sabadell, Igualada, Vic, Cornellá de Llobregat, Santa Coloma de Gramanet and Hospitalet de Llobregat. In 2021 CEV generated rental revenue of EUR 17.2Mn, of which 82% came from the portfolio of residential assets (used as a primary residence), while office and commercial assets contributed 10% and 8%, respectively.

Over 2016-2021 rents received recorded organic growth of 5% CAGR (Chart 5). This growth accelerated in 1H22 (+6.4% vs 1H21) as a result of: 1) the incorporation of a new development in Cornellà (developed entirely by CEV and in operation since September 2021), 2) the increase in prices and 3) a higher occupancy rate. However, despite the resilience shown by the residential segment (+12.7% vs 1H19), rental revenue from offices and commercial properties has yet to recover pre Covid-19 levels (-8.4% and -2.6% vs 1H19, respectively); offering potential for further growth.

CEV adopts policies aimed at keeping its buildings fully occupied, and, as far as possible, at limiting tenant rotation. With current occupancy of c. 95% (almost 100% in its residential buildings; that reflects the high quality of the assets at affordable rents, as occupancy remains very high even in secondary areas), the increase in revenue will depend mainly on the increase in rental prices.

Looking closely at its portfolio of residential assets, CEV is unique in having invested in protected homes (it is a pioneer in Spain in the private development of state-sponsored housing for rent). Specifically, c. 65% of the value of the company's residential assets (Chart 6) corresponds to protected homes in modern regimes, where the local administration caps rents for a certain period of time, and c. 21% are old leases, with rents that are well below market levels and that cannot be updated in coming years (limiting revenue growth). This situation could gradually correct from 2025 when the legal regime changes. Only 14% of the GAV corresponds to free housing that has higher revenue per m2/month (the average revenue per m2/month for free housing is c. €10.97 vs €6.53 for state-sponsored housing). In terms of energy certification, most of the property complexes have classifications in categories A, B and C.

In addition to the long-term rental business, there are the development and property asset management services activities

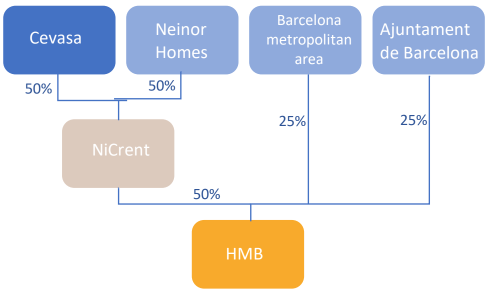
In addition to its core business (long-term rentals; 90% of revenue), CEV has two other complementary businesses: 1) property and land development and 2) third party property asset management services that whilst as yet making a residual contribution to revenue (< 1%) are one of the company's main avenues of growth (underpinned by the know-how accumulated in the management of rented buildings).

In 1H22, CEV executed the title deeds to the sales of most of the units (47 out of a total of 48; that implies significant growth vs 2021) of its development in Sabadell (finished at the end of 2021) in an amount of EUR 13.0Mn (gross profit of approx. EUR 4Mn; margin 30%). This will mean a significant step-up in results in 2022e (as over 2016-2021 the P&L did not reflect any revenue for this item).

In addition, CEV has a land bank with a total buildable area of c. 125,000 m2 that is mainly residential (with an appraisal value of c. EUR 33Mn), of which c. 10,700 m2 are under construction (giving visibility to the development business). In 2022, construction began on land on the balance sheet of a promotion for sale in L'Hospitalet (Barcelona) comprising 76 homes, the results of which are expected to be visible in 2025e (estimated gross margin of c. EUR 3.9Mn), this being the only development in progress at present.

In addition, in 2021 CEV and Neinor Homes (Homes-MCE) were designated to participate as private partners in the "Habitatge Metròpolis Barcelona" (HMB) project, promoted by the metropolitan area and local government of Barcelona. HMB, with mixed capital (50% public and 50% private) will develop and manage 4,500 affordable rental homes in the next 6 years in

Chart 7. HMB shareholder structure



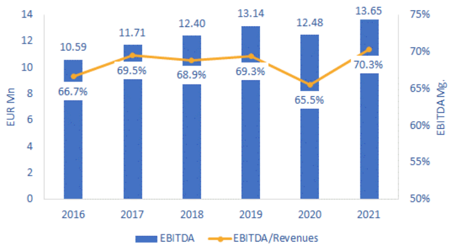
Barcelona and its metropolitan area (once in operation this will drive the company's asset management business). To participate in HBM, CEV and Neinor each hold a 50% interest in NiCrent Residencial (owner of 50% of HBM; Chart 7).

HMB is a strategic investment for CEV, in which it will have to invest c. EUR 30Mn over the next four years. This will consolidate the company's leading position in Spain in affordable housing and as the largest private property owner in Barcelona and its metropolitan area. At the end of 1H22, it had already provided EUR 6Mn.

A profitable P&L with internal management that results in very high margins (EBITDA margin 70%)

The company's EBITDA generation depends mainly on: (i) rental prices, (ii) occupancy levels and (iii) the management of direct costs associated with the rental business and indirect expenses (administration and structure). As a significant part of the rental assets are old rents and occupancy is close to 100%, the management of administration and structure costs is critical.

Chart 8. EBITDA and EBITDA Mg. (2016-2021)



Unlike comparable companies with external or "pseudo-external" management systems and remuneration linked to NAV that explicitly fuels growth *per se* (not necessarily implying value creation for shareholders), CEV does not have a management company and all the employees and costs belong to the company. In our view, this does away with possible conflicts of interest. In addition, the asset portfolio comprises whole buildings (with ownership of c. 100% of the properties), resulting in greater control over residents' associations and more efficient management.

This translates to a really streamlined operating structure (with little room for improvement but also little risk) and is reflected in high margins (vs other sector companies). In 2016-2021, CEV had an average EBITDA margin of 68% (Chart 8) and ended 2021 with an EBITDA margin of 70% that, stripping out the impact of properties paying old rents and updating their rents to market prices, would amount to 75% (Chart 10). This is a much higher EBITDA margin than the Spanish average for home rentals companies (< 50%; Chart 9) and in line with the most efficient European operators such as Vonovia (EBITDA margin c. 70%).

Chart 9. EBITDA margin (2021) vs main Spanish peers (home rentals)

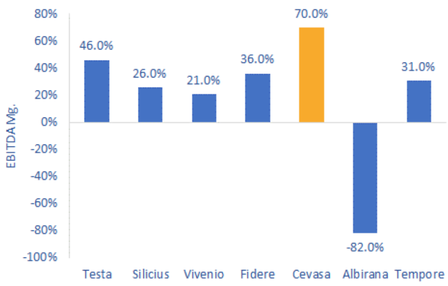
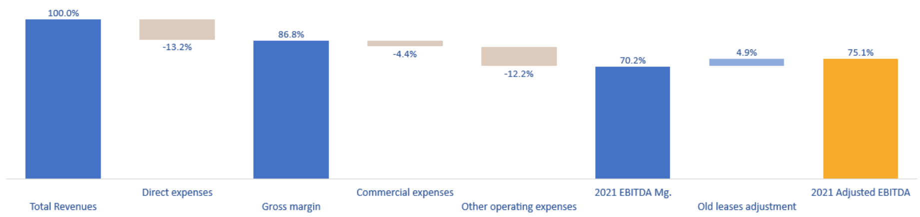


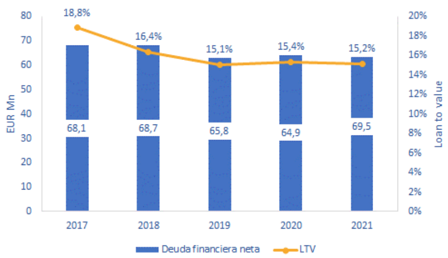
Chart 10. From Revenues to 2021 adjusted EBITDA (base 100)



In 2021 the company reported a gearing of 15.2% of its GAV, one of the lowest in the sector (endorsing its capacity to invest and continue to grow)

Despite self-funding all its growth with equity (without the need for capital increases, like other property companies/REITs), CEV has maintained a very healthy balance sheet structure at all stages of the cycle (including the big property crisis of 2008), always keeping its level of gearing within prudent limits.

Chart 11. Net Debt and LTV (2016-2021)



Note: Loan to Value (LTV) on net financial debt adjusted to match the value of the subsidised loans to their repayment values.

Throughout the historical period analysed, debt has always remained below 20% of the GAV (Chart 11), with EBITDA always over 6x interest. Specifically, at the end of 2021, net debt was EUR 69.5Mn calculated according to the fair value of the subsidised loans (EUR 80.4Mn including the adjustment to match the fair value of the subsidised loans to their repayment values and other non-current financial assets), that implies a gearing on the GAV of around 15.2% (vs an average of c. 40% for the sector listed on the Spanish stock market).

At the 2021 close, the average loan maturity was 18.4 years, with interest indexed to the 1-year Euribor rate (81% of the total) or to the IRPH (18%). CEV has taken out two hedge swaps on 49% of the Euribor indexed loan portfolio (32% of the total loan portfolio) for the next 5 years.

A 100 bp rate hike would result in a c. 20% increase in cumulative financial expenses in respect of interest and swap settlements in the next 30 years.

In conclusion, a very solvent balance sheet structure, with one of the lowest gearing ratios in the sector, and sufficient liquidity not only to handle the current sector context (under pressure from tough monetary policy) in which the availability of equity will be crucial, but also to continue to invest in new developments (such as the ambitious HMB project).

Chart 12. Dividend per share

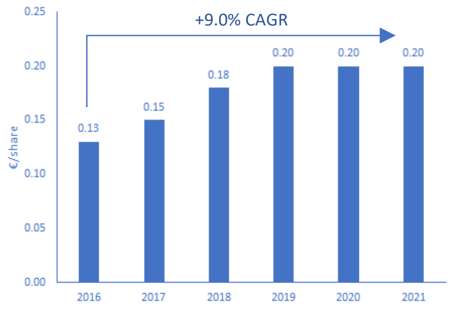
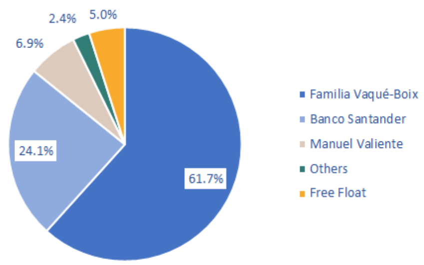


Chart 13. Shareholder structure



With a very stable dividend policy (pay-out c. 50%, dividend yield 2.9%).

The company's recent dividend policy involves payment of a single annual dividend, made in the middle of the year against reserves after approval by the AGM (normally in July). Although there is no specific pay-out objective, historically the pay-out has been around 50% (vs a minimum of 80% paid by the REITs).

This not only gives CEV a bigger cushion to maintain its dividend in the current scenario, but could also allow the company to increase it or use the remaining amount to buy back shares for their subsequent cancellation. In 2019-2022, the dividend per share has been €0.2/share (Chart 12). A dividend yield of 2.9% at current prices (vs c. 3% for all the REITs listed in Spain).

A shareholder structure controlled by the founding family. Free Float 5% (although a theoretical flowback by Santander could increase the Free Float to c. 30%)

The Vaqué-Boix family is the de facto owner, directly and indirectly controlling c. 60% of capital (Chart 13), with a presence on the Board of Directors.

Banco Santander is also a shareholder (24.1%; inherited in 2017 after the acquisition of Banco Popular) and is also present on the Board of Directors. Although the amount of this stake is not significant for Banco Santander with respect to the size of its balance sheet, the bank has high exposure to the Spanish property sector. A theoretical flowback by Santander could increase the Free Float to a maximum of 30%.

In conclusion: What is CEVASA? Why is CEV a rarity in the Spanish property sector?

CEV combines a number of factors (in our view unique) that make it a rarity in the Spanish property sector. Why?

- **It is the only home rentals property company specialised in affordable housing** listed on the Spanish stock market unlike the large Spanish listed property companies with greater exposure to segments such as offices and shopping centres (more sensitive to the cycle).

- **It is exposed to Catalonia, mainly Barcelona and its metropolitan area,** where 100% of its assets are located and is the main private property owner (that implies its asset portfolio is difficult to replicate). This is a specialisation we see as essential in a segment such as the residential one (with demand and supply dynamics that change radically from one city to another).

- **Internal management (a distinguishing feature compared to other property management companies and REITs)...** CEV has its own management team with significant experience in the sector, resulting in occupancy and efficiency ratios above the Spanish average and in line with those of the big European sector players. Gross yield of 4.1% (vs c. 2.9% for residential segment REITs in Spain) and a 3.3% EPRA Net initial yield (vs c. 2.6% for Vonovia, European leader in home rentals).

- **… And without remuneration linked to the GAV,** that promotes growth per se. In our view, this does away with possible conflicts of interest.

- **Additional upside from the updating to market prices of old rents (c. 21% of the GAV).** The unique exposure to properties paying old rents (c. 21% of the GAV) at well below market prices, offers additional upside for growth/profitability from 2025 (when the situation could gradually correct as the legal regime changes). The updating to market prices of homes paying old rents would result in an improvement of c. 5p.p. in the EBITDA margin to c. 75% (vs c. 70% at present).

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- **Low gearing (the lowest in the sector) in all stages of the cycle.** With a LTV of 15.2% vs an average of c. 40% for all the REITs listed on the Spanish stock market.

In conclusion, all the previous points indicate a unique business model that, combined with its small relative size, could allow CEV to decouple from the property cycle and report better results than the market as a whole (as happened during the Spanish property crisis that began in 2008, maintaining positive levels of net profit even at the lowest points of the cycle).

The macro is still the most important variable for the property market (and the toughening of monetary policy already weighs on the sector)

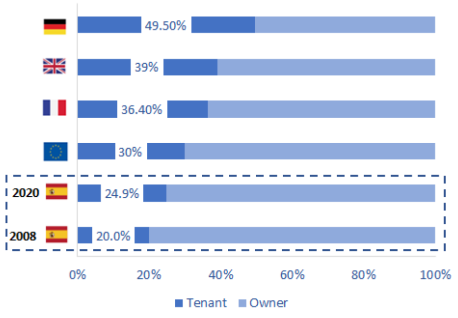
Investors usually see a country's property sector (offices, shopping centres, residential…) as a proxy for its economy, so if the macro is doing well the property sector also does well on the stock market (and vice versa). This is a totally logical correlation that is obviously applicable to the residential property market too (where it is in fact greater), on which our analysis is focused.

In this section we will analyse the supply and demand dynamics of the Spanish rented housing market as this is where CEV has the bulk of its asset portfolio.

Owning vs renting: demand for rented housing continues to grow (since 2008). And in Spain is still a long way from European average levels

Unlike other European markets, historically the Spanish property market has had a high level of owned vs rented housing. And, although since the start of the financial and property crisis in 2008 demand for rented housing has gained ground vs ownership, c. 75% of Spanish homes are still owned (vs an average of 70% for the EU, 63.6% in France and 51.5% in Germany; Chart 14).

Chart 14: Owning vs renting in Europe (2020)

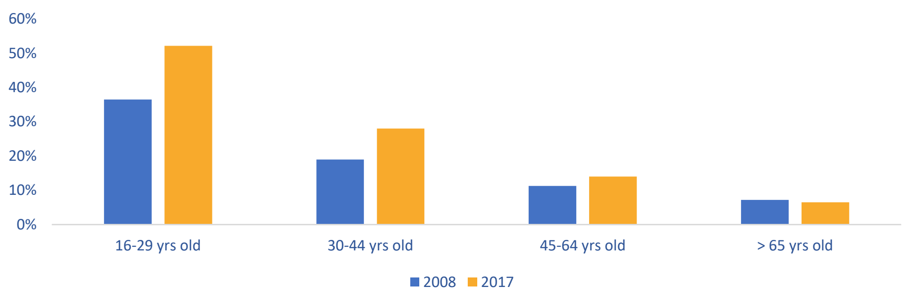


Source: Eurostat.

However, currently there are many factors driving demand for rented housing, among which we would highlight: i) the increase in housing affordability (mainly in cities such as Madrid and Barcelona, where this is now 41.3% and 49.7% of household income, much higher than -1y), ii) fewer mortgage facilities (the percentage of a mortgage loan is now 80% vs > 100% in 2006), iii) the elimination of tax breaks on home purchases and iv) socio-economic changes with an increase in the geographical mobility of the population (requiring greater flexibility).

All the above points to a structural change in the Spanish housing market towards rented housing. And although renting predominates mainly in younger households (below 30 years of age) its weight is growing in the other segments too (Chart 15).

Chart 15: Percentage of the population renting in Spain by age segment (2022)



Source: INE (2022).

This change in trend still has significant upside to reach average levels in Europe, especially in countries such as France and Germany, with rented housing markets that are far more mature and professionalised (the Spanish market is highly fragmented, essentially in private hands).

To provide some context, only 3% of the Spanish rented housing stock is owned by institutional investors vs c. 18% in Germany. We think this represents an opportunity for companies with a strong local presence and know how (such as CEV; Chart 16). At present, Madrid and Barcelona concentrate 47% and 11.5%, respectively, of rented assets managed professionally.

Chart 16: Main owners of rented housing in Spain (thsds of units)

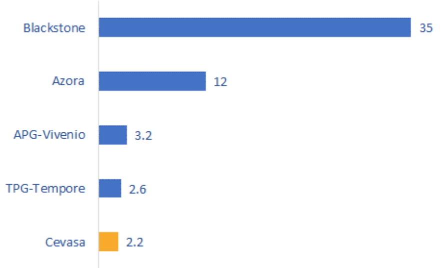
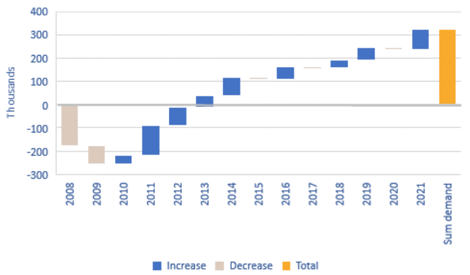


Chart 17: Supply and demand (growth in the number of homes vs housing completions)



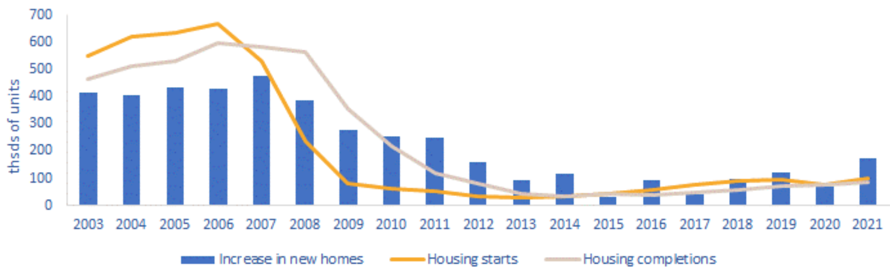
Source: Lighthouse from Mitma data (2022). An increase in the chart above implies higher growth in the number of homes vs housing completions.

Current housing supply is still limited (private housing starts remain around 100,000 units p.a.)

The bursting of the Spanish property bubble (2008) led to a significant slump in the domestic property sector, with a sharp contraction in the number of housing starts (-85% 2009 vs. 2006), bottoming out in 2013 (<30,000 units).

In 2021 the number of private housing starts increased to c. 100,000 (+32% vs 2020, due to the impact of the pandemic and +4.4% vs 2019). This level remains well below the highs reached pre-2008 crisis (c. 650,000 in 2006) and below expected growth in demand: in 2021 the average number of homes grew by c. 172,000 (+0.9% vs 2020). Over 2008-2021 the increase in new homes exceeded (in cumulative terms) the number of private housing completions by c. 300,000 (Chart 17).

Chart 18: New homes vs housing starts and housing completions in Spain



Source: INE (2022)

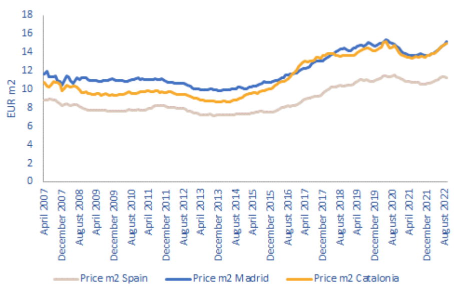
The National Statistics Office predicts a CAGR of 0.9% for the next 15 years in the number of homes at the national level. Growth to be led by the Balearics, Murcia and Madrid (with CAGRs of 1.3%-1.6%) and with an expected increase for Catalonia of 1.1% (also higher than that expected for the national market average). This means that if the current number of housing starts is maintained (c. 100,000), supply will continue to be lower than demand, especially as regards rented housing (as only 9% of the pipeline of private housing to be delivered in 2023 is for the rental market).

This, together with rising demand, is driving rental prices in Spain (growing since 2013)…

The imbalance between supply and demand due to the lack of home building in general, and of the supply of rented housing in particular, has led to a significant rebound in rents.

In fact, since lows of October 2013, the average rental price in Spain rose by 57.7% to September 2022. However, it is important to stress that given the large number of nuances in the housing market (no two property assets are the same) and that supply and demand dynamics are local, average prices only offer a partial view.

Chart 19: Average rental price in Catalonia, Madrid and Spain



Source: Idealista

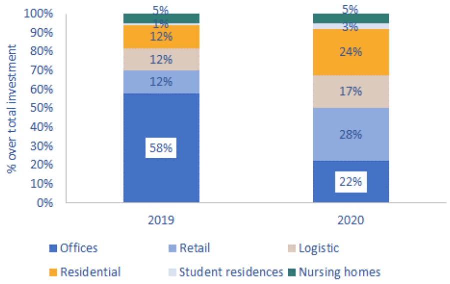
By cities, the strong growth of rents in Catalonia stands out, with the average price per square meter increasing by 74.4% since lows of October 2013 (Chart 19). On average in Spain, rental prices are now 18% above levels of April 2007 (+35% vs 2007 in the case of Catalonia), while house prices are still -11.8% below levels at that time. This reflects the current imbalance between rented housing supply and demand (an imbalance that, given the current level of rented housing starts, will continue to apply pressure to prices).

… and investor interest in residential assets: investment in rented housing is breaking records in Europe (and in Spain)

All the above means Spain is seen as a market with potential for Build to Rent (BTR) product. There have been BTR operations in Spain since 2017, although it has only been since 2020 that investment in rented housing has begun to gain traction.

Focusing on total property investment, investment in residential assets for rent (as an asset class) obtained the best results in terms of volume (together with the logistics sector) in 2020.

Chart 20. Investment in property assets in Spain



Source: JLL (2022)

Chart 21. Discount of main Spanish property companies vs EPRA NTA

Source: Factset

According to JLL and BME data, investment in rented housing in Spain doubled its weighting of total property investment, reaching 24% of the total in 2020 (vs 12% in 2019 and vs c. 5% in 2018; Chart 7). This trend has continued in 2022: according to Savills data, property investment in rented or multifamily housing broke records in Europe in 1H22. And Spain was the market that saw the second largest increase (+48% vs 1H21; only exceeded by Denmark), with an investment volume of EUR 1,875Mn (7% of total investment in this segment in Europe).

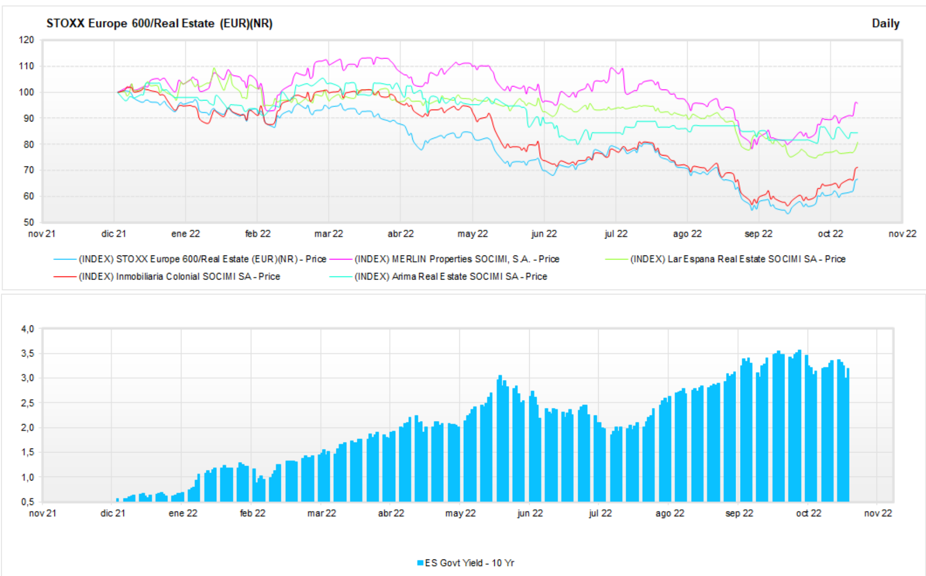
By cities, Madrid and Barcelona, and their metropolitan areas, saw the biggest investor appetite. Principal sector deals include the German fund Patrizia's acquisition of a portfolio of 1,500 rented homes in various municipalities of the Barcelona metropolitan area for EUR 600Mn (the largest build to rent transaction in Spain) and the acquisition of the Elix Vintage Residencial REIT by Allianz for EUR 140Mn (closed in 2021).

In addition, and with the goal of reducing the imbalance between supply and demand, the Spanish public authorities are also promoting rented housing projects, including: i) the *Plan Nacional de Vivienda Asequible* or National Affordable Housing Plan (100,000 homes in the long term), ii) the *Plan Vive Madrid* (25,000 affordable rented homes) and iii) the *Habitatge Metròpolis Barcelona* project (4,500 units in the next 6 years; in which Cevasa participates as private partner together with Neinor Homes with a 50% interest).

Although in the short term the current macro situation and interest rate hikes are holding the sector back. Something already discounted by sector share prices?

Now there is only one question: What impact will the current situation have on the Spanish property sector? The current scenario (rocketing inflation, rising interest rates, a credit squeeze, less liquidity…) is fully impacting the macro, and its effect is already being reflected in downgrades to growth estimates. For example, BBVA Research has reduced its forecast for Spanish GDP in 2023e to 1% (-0.8p.p. vs previous estimate). Obviously, the worsening of the Spanish macro, together with rising interest rates (that should mean higher discount rates), will impact the property sector's performance. And today, the risk of changes to estimates is clearly on the downside.

Chart 22: Share prices of main Spanish property companies vs 10yr Spanish bond



Source: Factset.

In fact, the principal Spanish REITs are currently trading at maximum discounts (c. 50%) to their NAVs (main valuation metric for a REIT/property company; Chart 21). In other words, Spanish property sector stocks are already discounting a recession (and significant reductions in the value of their assets in the face of rate hikes; Chart 22).

Having reached this point, we can conclude that: 1) The macro is still the most important variable for the property market (and at present risk is clearly on the downside) and 2) the share prices of the main listed property companies already discount (at least in part) the risk of a significant reductions in the value of their assets.

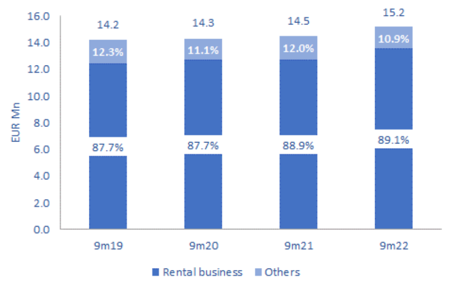
Accepting the above, there is a third key point when looking at a company like CEV: 3) the property sector is very diverse in nature with dynamics that are by no means equivalent (offices, retail, residential…) and today everything seems to suggest that the snapshot of the rented housing segment in Spain (less exposure to the cycle, greater preference of the population for renting over owning, shortfall of supply…) is, relatively speaking, the best possible one in the sector.

A property management business with significant visibility and so low risk that is capable of growth

CEV has a property management business model with a very long-term vision and is run by a management team with significant experience in the sector. Its property assets portfolio has a very defensive profile, with c. 80% of the GAV in residential assets used as first homes (of which c. 85% is state-sponsored housing). This is a key point as, although CEV will always be subject to a certain level of uncertainty (like any business), in relative terms its asset portfolio will allow it to weather the current situation with a unique visibility compared to other segments of the property market (something that became clear in 2020, when the company managed to increase its rental revenue by 1.3%).

If we analyse the rents received from its property investments over 2016-2021, we see an organic CAGR growth of 5% (demonstrating the company's ability to raise prices) that is very stable (the lowest growth being 1.3% in 2020). This growth continued in the first 9 months of 2022 (+6.3% vs 9m21) as a result of: 1) the increase in prices (albeit still restricted and below inflation -1y), 2) the incorporation of a new development in Cornellà (in operation since September 2021, that accounts for c. 30% of growth in the period) and, to a lesser degree, 3) a slight increase in occupancy.

Chart 23. Property management business revenue (9m19 - 9m22)



Note: Other revenue includes subsidies received for investment in state-sponsored housing and other revenue for various services.

A property management business model (very recurrent) that provides significant visibility (revenue from property investment rents: +4.3% CAGR 21-24e)

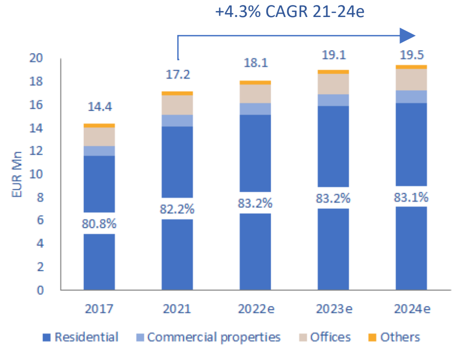
Given the defensive profile of the company's rental assets, the visibility of 21-24e revenue is very significant. This leads us to estimate that the performance of revenue seen in recent years (low single-digit organic growth) will continue over the estimated period. What are the main assumptions underlying our numbers?

- **Property investment rents (+4.3% CAGR 21-24e; c. 90% of revenue).** Our scenario envisages the continuation of low single-digit organic growth in revenue with rental revenue of EUR 19.5Mn in 2024e (Chart 24; +4.3% CAGR 2021-204e; fully in line with 2016-2021) due to: i) the incorporation of the new development in Cornellà (in operation since September 2021), ii) an increase in rents due to inflation (limited to 2% in 2022e) and the renegotiation of leases (+5% in 2023e and +2% in 2024e; we assume that there will be no restrictions on rent increases in 2023e and following years), and iii) a high occupancy rate (c. 95%; in line with that seen -5y).

  By segments, although we estimate similar growth in all the asset portfolio (residential, offices and retail), office rents (c. 11% of total 2022e rents) and retail rents (c. 5.6% of total 2022e rents) estimated for 24e will still be below those seen in 2019 (-13.4% and -2.3%, respectively) due to the impact of the pandemic in 2020.

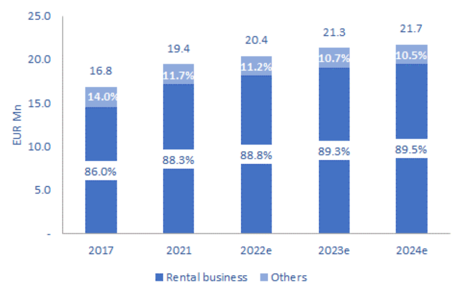
- **Subsidies for investment in state-sponsored housing (c. 10% of revenue).** In line with recent years, we estimate revenue of c. EUR 2Mn/year from subsidies received for investment in state-sponsored housing.

Chart 24. Mix of rents on property investments (2017-2024e)



All the above points to total revenue of EUR 20.4Mn in 2022e (+5.1% vs 2021; mainly due to the incorporation of Cornellá and new leases) and EUR 21.7Mn in 2024e (+3.8% CAGR 21-24e; Chart 25), levels that should be achieved with little downside risk (given the large weighting of affordable housing in the portfolio). In addition, the unique exposure to properties with old rents (c. 21% of the GAV) offers additional upside from 2025 (when the rents on these properties could begin to be corrected; although as this is a more long-term driver we have not included it in our estimates). However, and although this does not offer room for improvement in the short term (before 2025e), it does reduce the downside risk for home rental revenue (as their prices are well below market levels).

Chart 25. Total revenue (2017-2024e)



Note: Other revenue includes subsidies received for investment in state-sponsored housing and other revenue for various services.

Chart 26. Recurrent EBITDA and Recurrent EBITDA margin (2017-2024e)

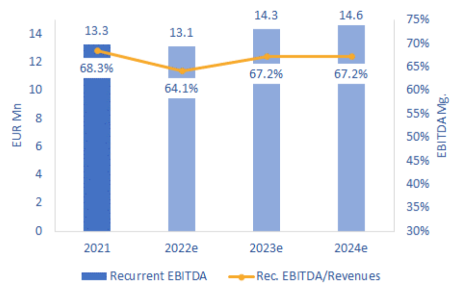


Chart 27. Impact of the development business on 2022e EBITDA

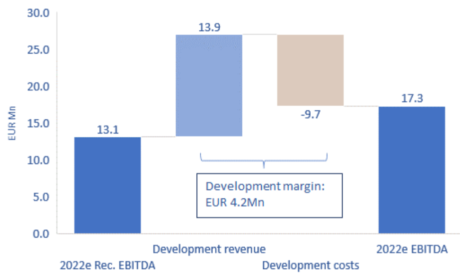
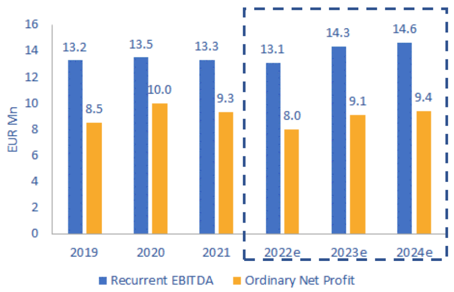
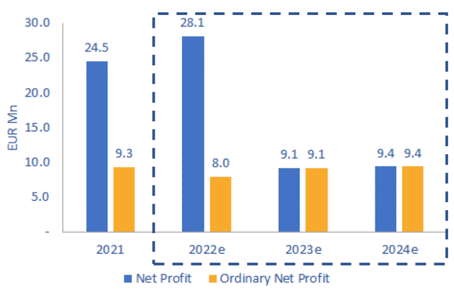


Chart 28. Recurrent EBITDA and Ordinary Net Profit



Note: Ordinary net profit does not include changes in the value of the properties or extraordinary and non-recurrent items.

Chart 29. Net profit and Ordinary Net Profit (2019-2024e)



With a very efficient operating structure allowing very high margins to be maintained: until 2024e visibility is very significant (Recurrent EBITDA margin > 65%)

An evident strength of CEV's business are its margins, with an average Recurrent EBITDA margin of 68% in 2016-2021, in line with the sector's most efficient operators, such as Vonovia (EBITDA margin of c. 70%). CEV does not have a management company and all the employees and costs belong to the company. This translates to a very streamlined operating structure that allows CEV to maintain high efficiency ratios in the management of its assets.

In 2022e we think the increase in operating costs (mainly due to the increase in personnel and other operating costs arising from the start-up of new projects, such as HMB) will not be fully offset (due to the restriction on raising rents) and this leads us to estimate a 2022e EBITDA margin of c. 65% (in line with that seen in 9m22 results) that, from 2023e, should recover to levels closer to its historical average (2023e EBITDA margin of c. 67%) pointing to levels of 2024e EBITDA of EUR 14.5Mn (+3.2% CAGR 21-24e).

The development business will drive results for the first time (2022e). However, we will have to wait until at least 2025e to see it reflected in the P&L again

CEV complements its property management business with the development of homes for sale. This business will be visible in the P&L for the first time (2022) with the execution of the title deeds on a development of 48 homes in Sabadell, that will contribute EUR 13.9Mn in revenue to 2022e results with a high margin (c. 30%) and gross profit of EUR 4.2Mn (already visible in 9m22 results) that will drive 2022e EBITDA (Chart 27) to EUR 17.2Mn. Given the non-recurrent nature of CEV's development business at present, we have included the net revenue obtained by this business in 2022e below Recurrent EBITDA.

In addition, CEV has a land bank with a total buildable area of 125,000 m2 (mainly residential), of which c. 10,700 m2 are under construction (that should give continuity to the development business, although this will not be visible in the P&L until at least 2025e). In 2022, construction began on land on the balance sheet of a development for sale in L'Hospitalet (Barcelona) comprising 76 homes, that we estimate will contribute revenue of c. EUR 25Mn and a margin of c. EUR 4Mn from 2025e (this being the only development in progress at present).

High capacity to convert Rec. EBITDA into Ordinary Net Profit (> 60%)

Over 2019-2021, CEV converted c. 70% of the Rec. EBITDA generated into Ordinary Net Profit (calculated as net profit not including the impact of changes in the value of the properties or extraordinary and non-recurrent items). Over 2022e-2024e, the main items between EBITDA and ordinary NP are:

- Financial expenses, that we estimate at c. EUR 1.6Mn in 2022e (+7% vs 2021; cost of debt 2%) and that we expect to increase to c. EUR 2Mn from 2023e as a result of rising interest rates (we estimate a cost of debt of c. 2.5 p.p. ;+0.5p.p.) and the increase in debt.

- Tax rate: we estimate an increase in the tax rate to 23% in 2022e (vs 16% in 2021) due to the reduction of the tax deduction for entities dedicated to rented housing from 85% to 40%. As we do not see a risk of further reduction, we assume that the tax rate for 2022e will continue in 2023e and 2024e (a return to the previous level of tax deduction would take the tax rate back to < 20%).

- Minority shareholders, corresponding to the 20% stake that CEV does not control in SBD Lloguer Social, with an impact of c. EUR 1Mn in 2022e.

In addition, in 2022e it is important to take into account the following (due to the impact on net profit):

- The change in the value of the properties, with an increase that in 1H22 (last available figure) was 3.3% (included in our 2022e estimates with an impact of EUR 15.9Mn on the P&L).

- Extraordinary items for EUR 5.7Mn, corresponding to the favourable ruling by which CEV will recover EUR 4.4Mn in local taxes (paid in previous years) and EUR 1.3Mn in applicable interest.

All the above leads us to estimate 2022e net profit of EUR 28.1Mn that, excluding the impact of the restatement of assets (EUR 15.9Mn), extraordinary items (EUR 6Mn) and the non-recurrent profit of the development business (EUR 4.2Mn), results in 2022e Ordinary Net Profit of EUR 8Mn (c. 60% of Recurrent EBITDA; Table 2).

Table 2: From Recurrent EBITDA to Ordinary Net Profit

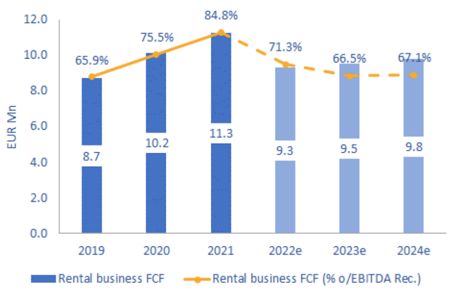
							CAGR	
EUR Mn	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**	**19-21**	**21-24e**
Recurrent EBITDA	**13.2**	**13.5**	**13.3**	**13.1**	**14.3**	**14.6**	**0.1%**	**3.2%**
Rec. EBITDA/Revenues	*69.9%*	*70.7%*	*68.3%*	*64.1%*	*67.2%*	*67.2%*		
Net development revenue and other non-rec	(0.1)	(1.0)	0.4	4.2	-	-		
Depreciation & Provisions	(0.2)	(0.1)	0.4	(0.1)	(0.1)	(0.1)		
Change in value of the properties	16.8	0.2	17.9	15.9	-	-		
Net Financial Result	(1.6)	(1.3)	(1.5)	(1.6)	(2.0)	(2.0)	-4.5%	10.2%
Extraordinary Results	-	-	-	6.0	-	-		
Profit Before Tax	**28.2**	**11.3**	**30.5**	**37.5**	**12.2**	**12.5**		
Tax Expense	(5.4)	(1.5)	(5.2)	(8.5)	(2.8)	(2.9)		
Effective Tax Rate	*19.1%*	*13.2%*	*16.9%*	*22.8%*	*22.8%*	*22.8%*		
Minority Interest	(0.8)	(0.6)	(0.9)	(0.9)	(0.3)	(0.3)		
Net Profit	**22.0**	**9.3**	**24.5**	**28.1**	**9.1**	**9.4**		
Ordinary Net Profit	**8.5**	**10.0**	**9.3**	**8.0**	**9.1**	**9.4**	**4.8%**	**0.1%**
EBITDA/Ordinary Net Profit	*64.1%*	*73.9%*	*70.2%*	*60.8%*	*63.5%*	*64.1%*		

Note: Ordinary net profit does not include changes in the value of the properties or extraordinary and non-recurrent items, applying an effective tax rate.

Free Cash Flow: new developments and capital contributions to the HMB project will increase cash consumption

CEV's property management business model with no Capex (the maintenance, repairs and conservation of the buildings are assigned directly to the P&L) or significant investment in working capital, has significant capacity to convert EBITDA into Cash Flow. Financial expenses (c. EUR 2Mn/year from 2023e) and the payment of taxes (tax rate c. 23%) are the main items between Rec. EBITDA and the Free Cash Flow of the property management business. Accordingly, EBITDA of c. EUR 14-15Mn (our central scenario for 2023e and 2024e) will mean cash generation will always be above EUR 9.5Mn/year (Chart 30).

Chart 30: Cash Flow property management business



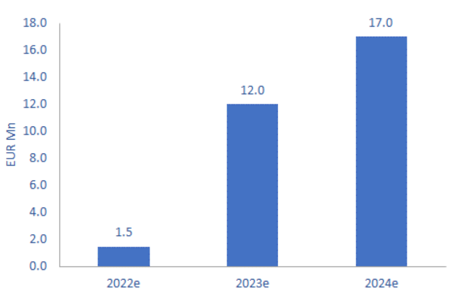
Note: Estimated by Lighthouse. Excluding the impact on taxes of extraordinary revenue and of the property development business.

Beyond the recurrent Cash Flow generated by the rents on its property investments, CEV finds itself at the beginning of a growth stage (although this will not be visible until, at least, 2025e) that will require a significant increase in investment requirements. Specifically, we highlight:

1) **Capex needed for the building of new developments.** The expected delivery of homes in 2022e will increase the company's cash flow generation. But the resumption of a recurrent development activity will increase the requirements for cash in order to develop new housing projects.

   We assume an increase in cash requirements in 2023e and 2024e mainly due to: i) the building of the development for sale in L'Hospitalet (Barcelona) of 76 homes and ii) the building of new developments from 2023e with the aim of increasing the number of deliveries to c. 50-100 homes/year from 2025e (that points to a sharp increase in investment for the development business with cumulative investment of c. EUR 30Mn in 2022e-2024e; Chart 31).

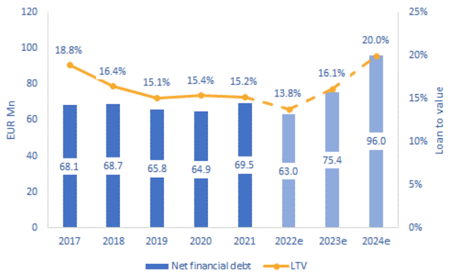
Chart 31: Capex of the development business



2) **Contributions of capital to NiCrent (Habitatge Metròpolis Barcelona project),** a public-private operator that will develop 4,554 affordable rented homes in the next 6 years in the metropolitan area of Barcelona, in which CEV participates with a 25% stake through its 50% interest in NiCrent Residencial.

   This is a large project that will result in significant growth for CEV (visible in the P&L from 2026 via the provision of rental management services) but that will require a large investment: in addition to the c. EUR 6Mn already provided, CEV will have to invest, at least, a further c. EUR 24Mn (c. 40% of its current net debt) over the next four years. The investment in the HMB project will increase CEV's specialisation in rented housing.

Chart 32: Net debt and LTV (2017-2024e)



Note: LTV 22e-24e using as reference the EPRA GAV at the close of 1H22 (EUR 534.9Mn) and net debt adjusted to match the value of the subsidised loans to their repayment values.

And despite the temporary rebound in investment, gearing will remain low (LTV < 20% and EBITDA > 6x interest)

The high capacity for cash generation of the business has allowed the company to use equity to self-finance all its growth (without the need for capital increases), maintaining at all times a very healthy balance sheet structure during all stages of the cycle (and keeping its level of gearing within prudent limits: LTV systematically < 20%; Chart 32).

Although the high level of investment estimated for coming years will increase net debt to c. EUR 95Mn in 2024e (Chart 32), in relative terms gearing will remain low, with a LTV always below 20% and EBITDA generation that will exceed the interest on the debt by over 6x. In other words, an especially interesting financial position given the backdrop against which the sector will have to operate in coming years (with downside risk for asset values).

In June 2022, CEV paid a dividend (2022) of EUR 0.2/share (EUR 4.6Mn; yield 2.7%). For 2023e and 2024e we assume the company will maintain a similar dividend to that seen in the last 3 years (EUR 4.6Mn); pay-out of c. 50% on 2023e net profit.

In conclusion, a business model offering very significant visibility until 2024e (both for sales and margins). And with capacity to grow in the long term

Today the worsening of the Spanish macro is a fact and downgrades to growth estimates will impact the property sector's performance (with this already showing signs of slowdown in 3Q). So today, the risk of changes to estimates is clearly on the downside.

However, the snapshot that CEV leaves us with is that of a small property company, well managed, with a very efficient operating structure (with proven strength of margins) and low gearing (LTV < 20%) to which two additional (also unique) ingredients need to be added: 1) an exposure to rented housing that is unique in the Spanish stock market (less exposed to the cycle than other property segments), and 2) an asset portfolio concentrated in Catalonia, (mainly Barcelona and its metropolitan area).

All the above are factors (in our view unique ones) that make CEV "a niche of niches". Operating in the property sector, exposure to rented housing, in Spain (where demand for rented housing remains a long way behind average European levels) and with an asset portfolio concentrated in Catalonia (a region with higher growth in demand than that expected for the Spanish market on average). This points to very significant visibility (both in sales and margins until 2024e).

In other words, CEV presents more than enough reasons to make us believe that a company without correlation to the property cycle in Spain is really possible (and not a "laboratory" case), as it waits for the investment made in new developments (with capacity to deliver 50-100 homes/year from 2025e) and its participation in HMB (with c. 4,500 rental homes) to bear fruit.

Valuation inputs

Inputs for the DCF Valuation Approach

	2022e	2023e	2024e	Terminal Value [1]
Free Cash Flow "To the Firm"	**9.7**	**(6.2)**	**(14.5)**	**n.a.**

			Best Case	Worst Case
Market Cap	**168.6**	At the date of this report		
Net financial debt	**59.0**	Debt net of Cash (6m Results 2022)		
Cost of Debt	5.3%	Net debt cost	5.1%	5.6%
Tax rate (T)	20.0%	T (Normalised tax rate)	=	=
Net debt cost	**4.2%**	**Kd = Cost of Net Debt * (1-T)**	**4.0%**	**4.4%**
Risk free rate (rf)	3.2%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	6.0%	R (own estimate)	5.5%	6.5%
Beta (B)	1.0	B (own estimate)	1.0	1.1
Cost of Equity	**9.2%**	**Ke = Rf + (R * B)**	**8.7%**	**10.3%**
Equity / (Equity + Net Debt)	74.1%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	25.9%	D	=	=
WACC	**7.9%**	**WACC = Kd * D + Ke * E**	**7.5%**	**8.8%**
G "Fair"	**2.0%**		**2.0%**	**1.5%**

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 22e	EPS 22e-24e	EV/EBITDA 22e	EBITDA 22e-24e	EV/Sales 22e	Revenues 22e-24e	EBITDA/Sales 22e	FCF Yield 22e	FCF 22e-24e
Metrovacesa	MVC-ES	1,072.4	32.2	-13.5%	20.8	-4.7%	2.0	0.3%	9.5%	13.0%	11.6%
Aedas Homes	AEDAS-ES	633.8	5.7	-6.6%	4.9	-6.2%	0.9	-3.1%	18.2%	19.3%	-17.3%
Neinor Homes	HOME-ES	627.1	6.3	-7.6%	3.4	-5.1%	0.6	-8.0%	17.2%	14.7%	-57.8%
Insur	ISUR-ES	147.5	11.8	22.3%	16.5	19.2%	3.3	19.4%	19.7%	n.a.	55.3%
Real estate			**14.0**	**-1.4%**	**11.4**	**0.8%**	**1.7**	**2.1%**	**16.2%**	**15.7%**	**-2.0%**
Merlin Properties	MRL-ES	4,303.1	15.9	4.6%	23.6	5.7%	18.1	5.1%	77.0%	21.7%	-59.0%
Colonial	COL-ES	3,175.6	18.6	7.4%	35.0	10.7%	n.a.	9.4%	78.0%	n.a.	n.a.
Lar España	LRE-ES	346.5	8.6	4.7%	16.1	9.9%	10.8	5.6%	67.2%	6.5%	20.0%
Árima	ARM-ES	220.3	35.8	34.7%	n.a.	n.a.	n.a.	58.9%	n.a.	n.a.	60.5%
REITs			**19.7**	**12.8%**	**24.9**	**8.8%**	**14.5**	**19.7%**	**74.1%**	**14.1%**	**7.2%**
CEV	**CEV-ES**	**168.6**	**6.0**	**-42.3%**	**25.8**	**-8.1%**	**16.5**	**3.2%**	**84.6%**	**4.1%**	**-85.3%**

Free Cash Flow sensitivity analysis (2023e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 23e	EBITDA 23e	EV/EBITDA 23e
Max	70.6%	15.1	22.4x
Central	67.2%	14.3	23.5x
Min	63.8%	13.6	24.8x

What could go wrong?

We consider risks to be those that could have a significant negative impact on our projections, mainly those for operating profit and free cash flow:

- **Worsening macro.** The current macro scenario (rocketing inflation, rising interest rates, a credit squeeze, reduced liquidity…) is fully impacting growth, and its effect is already being reflected in downgrades to estimates. This could imply slower than expected growth in rents (especially in the office and retail segments, that have greater exposure to the cycle; 18% of revenue).

  A decline in rental revenue of 2% in 2023e (vs estimated growth of 3%) would cause a 6% reduction in 2023e EBITDA (a strictly theoretical risk as even in 2020 rental revenue grew organically by 1.3%).

- **Level of occupancy of the properties.** Historically, CEV has always had very high occupancy rates, that have been close to full occupation (c. 95%; 4.59% EPRA Vacancy rate) and our estimates envisage this continuing. A reduction in the high rate of occupancy would have a negative impact on the company's results (a risk applicable mainly to the office and retail segments; 18% of revenue from the rental portfolio).

- **A worse performance by margins.** In 2023e we expect an EBITDA margin of 67.2% (fully in line with the average for 2016-2021; average Recurrent EBITDA margin -6y: 69.2%) as a result of the business' very efficient operating structure. A return to margins similar to those seen in 2020 (EBITDA margin 65.5%; due to extraordinary provisions for defaulting due to the pandemic) would mean a decrease in 2023e EBITDA of 5%.

- **Interest rate hikes.** At the 2021 close, the average loan maturity was 18.4 years, with interest indexed to the 1-year Euribor rate (81% of the total) or to the IRPH (18%). However, CEV has two hedge swaps on 49% of the Euribor indexed loan portfolio (32% of the total loan portfolio) for the next 5 years.

  Our estimates envisage an increase of 100 bp in the average cost of debt in 2023e to 2.5% (vs 2% in 2022). An additional 100 bp increase in interest rates would imply a c. 20% increase in estimated financial expenses for 2023e in respect of interest.

- **HMB project and estimated Capex.** In addition to the c. EUR 6Mn already invested, CEV will have to invest a further c. EUR 24Mn (c. 40% of current net debt) over the next four years in the HMB project, a mixed capital venture (50% public and 50% private). This is a long-term project (that will develop and operate over 4,500 affordable rented homes in the next 6 years) that will not provide positive cash flow in the next 6 years (but will require investment). Any deviation in deadlines or costs could imply an increase in the company's investment requirements (that would reduce its FCF).

- **Rebound in discount rates and its impact on asset valuation.** The rebound in the yield on the 10-yr Spanish bond (now c. 3.4% vs 0.5% at the beginning of the year) makes property less attractive as an investment asset.

  Under equal conditions, an increase in the yields required of the residential sector (today close to 3.6% vs c. 5% in 2014) would inevitably reduce the valuation of the assets. Currently at maximum levels.

- **Geographical concentration of product and market:** 100% of CEV's asset portfolio is in Catalonia, mainly in Barcelona and its metropolitan area. Any change in the specific regulations of this region (or changes in its particular financial conditions), could affect CEV's results.

- **Regulatory risk.** The residential sector in Spain is highly regulated. For example, to avoid rents being increased in line with the CPI, the government has established a cap of 2% on annual increases in home rents until 31 December 2022. The continuation of this measure in 2023e would reduce the company's ability to increase residential rents.

An activity (affordable housing) that is "naturally inclined" towards high standards of corporate governance

Table 3. Board of Directors

Board Member	Category	Position	Date	% Capital
Manuel Valiente Margeli	Propietary	Board Member	1993	6.85%
Montserrat Guillen Estany	Independent	Board Member	2015	0.00%
Angel Segarra Ferré	Independent	Board Member	2012	0.01%
Jaume Dedeu Bargallo[1]	Propietary	Board Member	2001	18.16%
María Vaqué Boix	Other external	Board Member	2006	1.80%
Carlos Manzano Cuesta[2]	Propietary	Board Member	2018	24.10%
Bru Pellisa Vaqué[3]	Propietary	Board Member	2006	16.81%
Donato Muñoz Montes	Executive	CEO	2020	0.05%
			% total	67.8%

Note: The % of capital includes personal stakes and those of the companies they represent (direct and indirect).
Note 1: Proprietary board member proposed by Eulalia Vaqué Boix (18.16% of capital).
Note 2: Proprietary board member proposed by Banco Santander (24.1% of capital).
Note 3: Proprietary board member representing Taller de Turisme I Medi Ambient (16.81%; controlled by Empar Vaqué Boix).

The Vaqué-Boix family (founders of the company in 1968) remain the core shareholders with a total stake of 61.7% (joint sum of all the members of the family), having been associated with the company from its creation (occupying 3 of the 8 seats on the Board, although at the date of this report they do not hold senior management positions). CEV's team has over 30 years' experience of the management of rental housing (being pioneers in affordable housing). From the point of view of governance, we would highlight:

- **A Board of Directors with high exposure to the share price...** With 4 of the 8 board members being proprietary directors (representing shareholders accounting as a whole for c. 68% of capital; Table 3), the board is, essentially, the owner. This means the Board has high exposure to the share price. In addition to the Vaqué-Boix family, other core shareholders such as Manuel Valiente (a 6.85% stake, associated with CEV since 1978) and Banco Santander (24.1%) are also represented on the Board.

- **Few independent board members.** Independent directors account for 25% of the total (vs a recommendation of 33.3% in the CNMV's Code of Good Governance for companies with low capitalisation). This makes it more difficult for its committees to maintain their independence.

Table 4. Main KPIs

KPI	2019	2020	2021
% of independent board members	28.57%	25.00%	25.00%
% of propietary board members	57.14%	50.00%	50.00%
% of executive board members	0.00%	12.50%	12.50%
% of women on the board of directors	25.00%	25.00%	25.00%
% of women out of total workforce	42.65%	43.75%	46.38%
Board + senior management remuneration/staff costs	23.27%	25.62%	25.70%
Number of confirmed corruption cases	0	0	0

- **Board remuneration has grown in the last 3 years.** Board remuneration is capped at EUR 700k and in 2021 amounted to a total of EUR 518k (+39% vs 2020) accounting for 15.4% of personnel costs (Table 4). In addition, the remuneration of the executive director includes the delivery of shares on the following terms: 2,200 in 2022, 3,300 in 2023 and 4,400 in 2024 (cumulative total amount of c. 70 thousand euros at market prices) that will be paid on January 15 of the year following each annual period.

- **... with liabilities for the provision of salary funds.** Although strictly speaking there is no pension plan for members of the Board, annual provisions are made to an internal fund to cover length-of-service bonuses. Specifically, non-executive board members have the right to receive 10 thousand euros for each year of service, up to a maximum of 100 thousand euros (200 thousand euros in the case of the Chair).

- **Remuneration of senior management.** In 2021, total senior management remuneration was EUR 348k (-18.7% vs 2020).

  In addition, since 2016 CEV makes annual contributions to an external pension fund equivalent to 8.26% of senior management's fixed salary (booked as a non-current provision that will materialise as a remuneration when the appropriate requirements are met or when retirement age is reached).

- **An internal management model without the use of capital increases to fund growth.** From the point of view of governance, two points stand out in CEV's management model: 1) internal management with a proprietary team with over 30 years' experience in the sector and 2) not using capital increases to fund growth (as other Spanish property management companies have done); preventing unwanted dilutions (a factor to bear in mind in terms of corporate governance).

- **With an explicit diversity policy for choosing board members.** In 2020 the Board of Directors approved a policy for selecting board members that stipulates that board candidates must be people whose appointment favours professional, knowledge and gender diversity (avoiding, at all times, any kind of implicit bias impeding the selection of persons or one or the other sex).

  Although the percentage of women board members has been stable in the last 3 years (25% of the total), in 2021 the percentage of women in the workforce continued to increase (42.65%, 2019; 43.75%, 2020; 46.38%, 2021).

- **With a sustainability and environment committee.** Oversight of compliance with policies and rules in respect of environmental matters is the responsibility of the sustainability and environment committee.

- **Contribution to society:** CEV allocates 0.7% of net profit from current activities (EPRA Earnings) to social activities, financially supporting non-profit entities working with the most vulnerable sectors of society (mainly related with infancy and social integration).

- **Stable shareholder remuneration.** The company's recent dividend policy involves payment of a single annual dividend, made in the middle of the year against reserves after approval by the AGM (normally in July). Although there is no specific pay-out objective, historically the pay-out has been around 50% (vs a minimum of 80% paid by the REITs).

  In 2019-2022, the dividend per share has been €0.2/share, a dividend yield of 2.7% at current prices (vs c. 3% for the REITs listed in Spain).

- **Related party transactions.** Specifically, with Banco Santander (owner of 24.1% of capital) in the form of: 1) loans for EUR 8.8Mn, 2) credit lines (EUR 6Mn, with EUR 4.3Mn having been drawn down at the 2021 close) and 3) hedging instruments (total amount hedged of EUR 27.5Mn; c. 32% of the total loan portfolio). Interest and expenses for commissions accrued in 2021 on all the transactions carried out with Banco Santander amounted to EUR 0.6Mn.

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e
Intangible assets	1.1	1.0	1.0	1.0	1.1	1.1	1.1	1.1
Fixed assets	384.1	437.0	456.2	461.7	479.8	497.1	509.0	525.8
Other Non Current Assets	3.2	4.3	4.0	4.0	3.4	9.3	9.3	9.3
Financial Investments	10.6	10.3	10.0	7.1	10.3	10.3	15.5	24.4
Goodwill & Other Intangilbles	-	-	-	-	-	-	-	-
Current assets	23.3	22.7	23.0	26.3	34.3	32.3	32.5	32.5
Total assets	**422.2**	**475.2**	**494.1**	**500.0**	**528.8**	**550.1**	**567.4**	**593.2**
Equity	275.5	316.0	332.8	337.2	357.5	381.0	385.4	390.2
Minority Interests	7.9	9.3	10.0	10.5	11.4	12.3	12.6	12.9
Provisions & Other L/T Liabilities	66.3	79.1	83.1	83.7	85.3	89.4	89.4	89.4
Other Non Current Liabilities	-	-	-	-	-	-	-	-
Net financial debt	68.1	68.7	65.8	64.9	69.5	63.0	75.4	96.0
Current Liabilities	4.4	2.2	2.5	3.7	5.0	4.5	4.6	4.7
Equity & Total Liabilities	**422.2**	**475.2**	**494.1**	**500.0**	**528.8**	**550.1**	**567.4**	**593.2**

									CAGR	
P&L (EUR Mn)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**	**17-21**	**21-24e**
Total Revenues	**16.8**	**18.0**	**19.0**	**19.1**	**19.4**	**20.4**	**21.3**	**21.7**	***3.6%***	***3.8%***
Total Revenues growth	*6.1%*	*6.9%*	*5.3%*	*0.6%*	*1.9%*	*5.1%*	*4.5%*	*1.9%*		
COGS	(0.6)	(0.7)	(0.9)	(0.8)	(1.2)	(1.8)	(1.3)	(1.4)		
Gross Margin	**16.3**	**17.3**	**18.1**	**18.2**	**18.2**	**18.6**	**20.0**	**20.4**	***2.8%***	***3.8%***
Gross Margin/Revenues	*96.6%*	*96.3%*	*95.3%*	*95.7%*	*93.8%*	*91.2%*	*93.7%*	*93.7%*		
Personnel Expenses	(2.9)	(3.2)	(3.2)	(3.1)	(3.4)	(3.7)	(3.8)	(3.9)		
Other Operating Expenses	(1.7)	(1.6)	(1.6)	(1.6)	(1.6)	(1.8)	(1.8)	(1.9)		
Recurrent EBITDA	**11.7**	**12.5**	**13.2**	**13.5**	**13.3**	**13.1**	**14.3**	**14.6**	***3.3%***	***3.2%***
Recurrent EBITDA growth	*9.5%*	*7.4%*	*5.7%*	*1.7%*	*-1.4%*	*-1.4%*	*9.6%*	*1.8%*		
Rec. EBITDA/Revenues	*69.3%*	*69.6%*	*69.9%*	*70.7%*	*68.3%*	*64.1%*	*67.2%*	*67.2%*		
Net development revenue and non-rec.	0.0	(0.1)	(0.1)	(1.0)	0.4	4.2	-	-		
EBITDA	**11.7**	**12.4**	**13.1**	**12.5**	**13.7**	**17.3**	**14.3**	**14.6**	***3.9%***	***2.3%***
Depreciation & Provisions	(0.1)	(0.4)	(0.2)	(0.1)	0.4	(0.1)	(0.1)	(0.1)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Change in the value of the properties	5.9	49.0	16.8	0.2	17.9	15.9	-	-		
EBIT	**17.5**	**61.0**	**29.8**	**12.6**	**32.0**	**33.1**	**14.2**	**14.5**	***16.3%***	***-23.2%***
EBIT growth	*-51.9%*	*248.4%*	*-51.2%*	*-57.7%*	*154.1%*	*3.3%*	*-56.9%*	*1.8%*		
EBIT/Revenues	*n.a.*	*n.a.*	*n.a.*	*66.1%*	*n.a.*	*n.a.*	*66.7%*	*66.7%*		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(1.2)	(1.4)	(1.6)	(1.3)	(1.5)	(1.6)	(2.0)	(2.0)		
Income by the Equity Method	-	-	-	-	(0.0)	-	-	-		
Ordinary Profit	**16.3**	**59.6**	**28.2**	**11.3**	**30.5**	**31.5**	**12.2**	**12.5**	***17.0%***	***-25.7%***
Ordinary Profit Growth	*-52.9%*	*265.5%*	*-52.7%*	*-59.8%*	*169.9%*	*3.1%*	*-61.2%*	*2.7%*		
Extraordinary Results	-	-	-	-	-	6.0	-	-		
Profit Before Tax	**16.3**	**59.6**	**28.2**	**11.3**	**30.5**	**37.5**	**12.2**	**12.5**	***17.0%***	***-25.7%***
Tax Expense	(0.8)	(13.0)	(5.4)	(1.5)	(5.2)	(8.5)	(2.8)	(2.9)		
Effective Tax Rate	*5.2%*	*21.8%*	*19.1%*	*13.2%*	*16.9%*	*22.8%*	*22.8%*	*22.8%*		
Minority Interests	(0.9)	(1.6)	(0.8)	(0.6)	(0.9)	(0.9)	(0.3)	(0.3)		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	**14.5**	**45.0**	**22.0**	**9.3**	**24.5**	**28.1**	**9.1**	**9.4**	***13.9%***	***-27.5%***
Net Profit growth	*-42.6%*	*209.4%*	*-51.2%*	*-57.9%*	*164.8%*	*14.4%*	*-67.5%*	*2.7%*		
Ordinary Net Profit	**8.9**	**6.8**	**8.5**	**10.0**	**9.3**	**8.0**	**9.1**	**9.4**	***1.1%***	***0.1%***
Ordinary Net Profit growth	*60.8%*	*-23.6%*	*24.4%*	*17.2%*	*-6.4%*	*-14.7%*	*14.5%*	*2.7%*		

									CAGR	
Cash Flow (EUR Mn)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**	**17-21**	**21-24e**
Recurrent EBITDA						**13.1**	**14.3**	**14.6**	***3.3%***	***3.2%***
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						1.5	0.0	0.0		
Recurrent Operating Cash Flow						**14.6**	**14.3**	**14.6**	***-8.4%***	***31.0%***
CAPEX						(1.5)	(12.0)	(17.0)		
Net Financial Result affecting the Cash Flow						(1.6)	(2.0)	(2.0)		
Tax Expense						(4.5)	(2.8)	(2.9)		
Recurrent Free Cash Flow						**7.0**	**(2.5)**	**(7.2)**	***21.0%***	***-63.4%***
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	(5.3)	(8.8)		
Extraordinary Inc./Exp. Affecting Cash Flow						4.2	-	-		
Free Cash Flow						**11.2**	**(7.8)**	**(16.0)**	***81.5%***	***n.a.***
Capital Increase						-	-	-		
Dividends						(4.6)	(4.6)	(4.6)		
Net Debt Variation						**(6.5)**	**12.4**	**20.6**		

Note: Ordinary net profit does not include changes in the value of the properties or extraordinary and non-recurrent items, applying an effective tax rate.

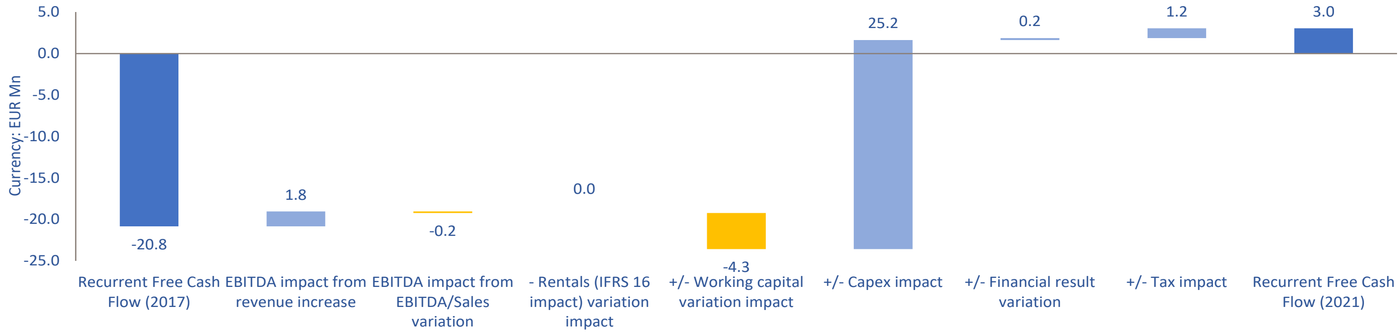
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 18-21	CAGR 21-24e
Recurrent EBITDA	**12.5**	**13.2**	**13.5**	**13.3**	**13.1**	**14.3**	**14.6**	*1.9%*	*3.2%*
Recurrent EBITDA growth	*7.4%*	*5.7%*	*1.7%*	*-1.4%*	*-1.4%*	*9.6%*	*1.8%*		
Rec. EBITDA/Revenues	*69.6%*	*69.9%*	*70.7%*	*68.3%*	*64.1%*	*67.2%*	*67.2%*		
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(1.6)	(0.0)	(2.1)	(6.8)	1.5	0.0	0.0		
= Recurrent Operating Cash Flow	**11.0**	**13.2**	**11.4**	**6.5**	**14.6**	**14.3**	**14.6**	*-16.0%*	*31.0%*
Rec. Operating Cash Flow growth	*18.5%*	*20.8%*	*-14.1%*	*-42.8%*	*123.6%*	*-1.4%*	*2.0%*		
Rec. Operating Cash Flow / Sales	*60.9%*	*69.9%*	*59.7%*	*33.5%*	*71.3%*	*67.3%*	*67.3%*		
- CAPEX	(3.1)	(2.2)	(4.6)	(1.5)	(1.5)	(12.0)	(17.0)		
- Net Financial Result affecting Cash Flow	(1.4)	(1.7)	(1.4)	(1.4)	(1.6)	(2.0)	(2.0)		
- Taxes	(3.3)	(2.8)	(1.9)	(0.6)	(4.5)	(2.8)	(2.9)		
= Recurrent Free Cash Flow	**3.2**	**6.5**	**3.5**	**3.0**	**7.0**	**(2.5)**	**(7.2)**	*-1.5%*	*-63.4%*
Rec. Free Cash Flow growth	*115.2%*	*105.6%*	*-46.1%*	*-13.6%*	*130.5%*	*-135.2%*	*-191.7%*		
Rec. Free Cash Flow / Revenues	*17.6%*	*34.4%*	*18.4%*	*15.6%*	*34.3%*	*n.a.*	*n.a.*		
- Restructuring expenses & others	-	-	-	-	-	-	-		
- Acquisitions / + Divestments	1.0	0.4	1.8	(9.4)	-	(5.3)	(8.8)		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(0.6)	0.6	0.1	6.3	4.2	-	-		
= Free Cash Flow	**3.6**	**7.5**	**5.4**	**(0.0)**	**11.2**	**(7.8)**	**(16.0)**	*-26.1%*	*n.a.*
Free Cash Flow growth	*120.0%*	*107.8%*	*-27.5%*	*-100.4%*	*n.a.*	*-169.4%*	*-106.3%*		
Recurrent Free Cash Flow - Yield (s/Mkt Cap)	*1.9%*	*3.9%*	*2.1%*	*1.8%*	*4.1%*	*n.a.*	*n.a.*		
Free Cash Flow Yield (s/Mkt Cap)	*2.1%*	*4.5%*	*3.2%*	*n.a.*	*6.6%*	*n.a.*	*n.a.*		

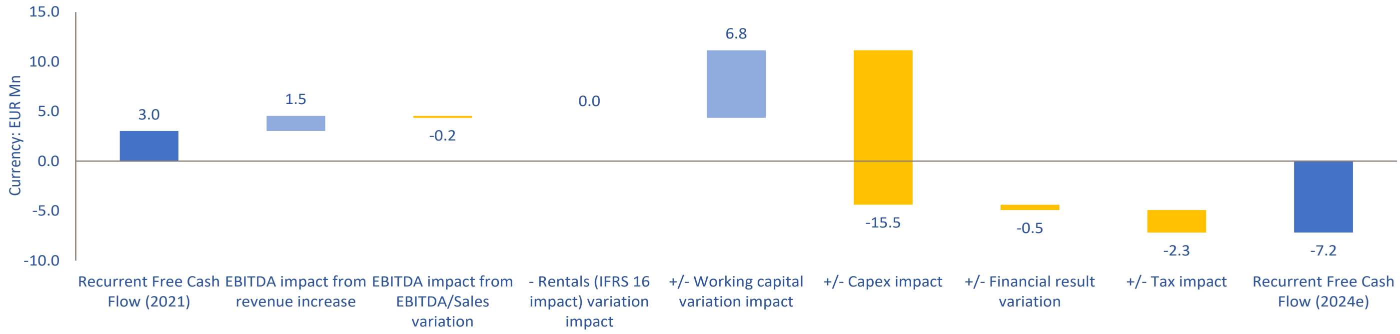
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)	2018	2019	2020	2021	2022e	2023e	2024e
Recurrent FCF(FY - 1)	**(20.8)**	**3.2**	**6.5**	**3.5**	**3.0**	**7.0**	**(2.5)**
EBITDA impact from revenue increase	0.8	0.7	0.1	0.3	0.7	0.6	0.3
EBITDA impact from EBITDA/Sales variation	0.1	0.1	0.1	(0.5)	(0.9)	0.7	(0.0)
= Recurrent EBITDA variation	**0.9**	**0.7**	**0.2**	**(0.2)**	**(0.2)**	**1.3**	**0.3**
- Rentals (IFRS 16 impact) variation impact	-	-	-	-	-	-	-
+/- Working capital variation impact	0.8	1.6	(2.1)	(4.7)	8.2	(1.5)	0.0
= Recurrent Operating Cash Flow variation	**1.7**	**2.3**	**(1.9)**	**(4.9)**	**8.0**	**(0.2)**	**0.3**
+/- CAPEX impact	23.5	0.9	(2.4)	3.1	(0.0)	(10.5)	(5.0)
+/- Financial result variation	0.3	(0.3)	0.3	(0.1)	(0.1)	(0.5)	0.1
+/- Tax impact	(1.5)	0.4	0.9	1.3	(3.9)	1.7	(0.1)
= Recurrent Free Cash Flow variation	**24.0**	**3.3**	**(3.0)**	**(0.5)**	**4.0**	**(9.5)**	**(4.7)**
Recurrent Free Cash Flow	**3.2**	**6.5**	**3.5**	**3.0**	**7.0**	**(2.5)**	**(7.2)**

C) "FCF to the Firm" (pre debt service) (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 18-21	CAGR 21-24e
EBIT	**61.0**	**29.8**	**12.6**	**32.0**	**33.1**	**14.2**	**14.5**	*-19.3%*	*-23.2%*
** Theoretical Tax rate*	*21.8%*	*19.1%*	*13.2%*	*16.9%*	*22.8%*	*22.8%*	*22.8%*		
= Taxes (pre- Net Financial Result)	(13.3)	(5.7)	(1.7)	(5.4)	(7.5)	(3.2)	(3.3)		
Recurrent EBITDA	**12.5**	**13.2**	**13.5**	**13.3**	**13.1**	**14.3**	**14.6**	*1.9%*	*3.2%*
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(1.6)	(0.0)	(2.1)	(6.8)	1.5	0.0	0.0		
= Recurrent Operating Cash Flow	**11.0**	**13.2**	**11.4**	**6.5**	**14.6**	**14.3**	**14.6**	*-16.0%*	*31.0%*
- CAPEX	(3.1)	(2.2)	(4.6)	(1.5)	(1.5)	(12.0)	(17.0)		
- Taxes (pre- Financial Result)	(13.3)	(5.7)	(1.7)	(5.4)	(7.5)	(3.2)	(3.3)		
= Recurrent Free Cash Flow (To the Firm)	**(5.5)**	**5.3**	**5.2**	**(0.4)**	**5.5**	**(0.9)**	**(5.7)**	*59.2%*	*n.a.*
Rec. Free Cash Flow (To the Firm) growth	*70.0%*	*197.4%*	*-3.7%*	*-107.2%*	*n.a.*	*-116.3%*	*-532.4%*		
Rec. Free Cash Flow (To the Firm) / Revenues	n.a.	28.2%	27.0%	n.a.	27.0%	n.a.	n.a.		
- Acquisitions / + Divestments	1.0	0.4	1.8	(9.4)	-	(5.3)	(8.8)		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(0.6)	0.6	0.1	6.3	4.2	-	-		
= Free Cash Flow "To the Firm"	**(5.0)**	**6.3**	**7.1**	**(3.4)**	**9.7**	**(6.2)**	**(14.5)**	*12.1%*	*-61.7%*
Free Cash Flow (To the Firm) growth	*67.6%*	*225.6%*	*11.8%*	*-148.4%*	*382.8%*	*-163.9%*	*-134.1%*		
Rec. Free Cash Flow To the Firm Yield (o/EV)	*n.a.*	*1.6%*	*1.5%*	*n.a.*	*1.6%*	*n.a.*	*n.a.*		
Free Cash Flow "To the Firm" - Yield (o/EV)	*n.a.*	*1.9%*	*2.1%*	*n.a.*	*2.9%*	*n.a.*	*n.a.*		

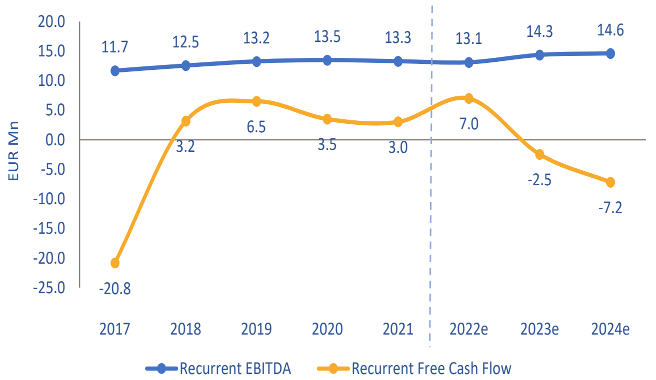
Recurrent Free Cash Flow accumulated variation analysis (2017 - 2021)



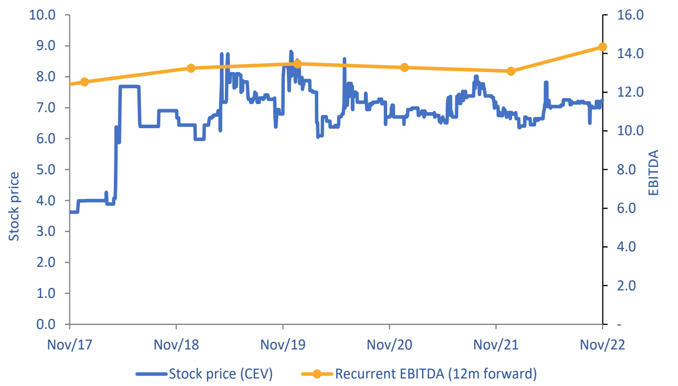
Recurrent Free Cash Flow accumulated variation analysis (2021 - 2024e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	168.6	
+ Minority Interests	12.4	6m Results 2022
+ Provisions & Other L/T Liabilities	87.2	6m Results 2022
+ Net financial debt	59.0	6m Results 2022
- Financial Investments	(10.3)	6m Results 2022
+/- Others		
Enterprise Value (EV)	**337.4**	

Appendix 4. Historical performance[1]

Historical performance (EUR Mn)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 11-21	CAGR 21-24e
Total Revenues	18.6	18.2	19.6	17.4	16.4	13.9	16.8	18.0	19.0	19.1	19.4	20.4	21.3	21.7	0.4%	3.8%
Total Revenues growth	-0.8%	-2.3%	8.1%	-11.5%	-5.5%	-15.5%	21.2%	6.9%	5.3%	0.6%	1.9%	5.1%	4.5%	1.9%		
EBITDA	8.2	6.8	8.0	7.3	8.5	8.6	11.7	12.4	13.1	12.5	13.7	17.3	14.3	14.6	5.2%	2.3%
EBITDA growth	135.6%	-17.0%	17.7%	-9.0%	16.1%	2.0%	35.5%	5.9%	6.0%	-5.0%	9.3%	26.5%	-16.9%	1.8%		
EBITDA/Sales	44.2%	37.5%	40.8%	42.0%	51.5%	62.2%	69.5%	68.9%	69.3%	65.5%	70.3%	84.6%	67.2%	67.2%		
Net Profit	4.7	2.5	3.0	22.6	5.6	13.0	14.5	45.0	22.0	9.3	24.5	28.1	9.1	9.4	17.9%	-27.5%
Net Profit growth	-37.9%	-47.5%	21.3%	647.0%	-75.3%	134.2%	11.6%	209.4%	-51.2%	-57.9%	164.8%	14.4%	-67.5%	2.7%		
Adjusted number shares (Mn)	23.9	23.3	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.3	23.3	23.3		
EPS (EUR)	0.20	0.11	0.13	0.97	0.24	0.56	0.63	1.94	0.95	0.40	1.06	1.21	0.39	0.40	18.2%	-27.5%
EPS growth	n.a.	-46.0%	21.5%	n.a.	-75.3%	n.a.	11.6%	n.a.	-51.1%	-57.9%	n.a.	14.1%	-67.5%	2.7%		
Ord. EPS (EUR)	0.20	0.11	0.13	0.97	0.24	0.56	0.39	0.29	0.37	0.43	0.40	0.34	0.39	0.40	7.3%	0.0%
Ord. EPS growth	n.a.	-46.0%	21.5%	n.a.	-75.3%	n.a.	-31.5%	-23.5%	24.4%	17.2%	-6.5%	-14.9%	14.5%	2.7%		
CAPEX	(9.8)	(6.1)	(1.8)	(0.6)	(1.4)	(4.4)	(26.6)	(3.1)	(2.2)	(4.6)	(1.5)	(1.5)	(12.0)	(17.0)		
CAPEX/Sales %)	52.7%	33.5%	9.0%	3.2%	8.4%	31.8%	158.2%	17.4%	11.7%	24.0%	7.5%	7.3%	56.3%	78.2%		
Free Cash Flow	(7.3)	(2.7)	1.5	3.8	(1.6)	(4.5)	(18.1)	3.6	7.5	5.4	(0.0)	11.2	(7.8)	(16.0)	44.3%	n.a.
ND/EBITDA (x)[2]	6.1x	8.0x	5.5x	7.0x	6.5x	4.9x	5.8x	5.5x	5.0x	5.2x	5.1x	3.6x	5.3x	6.6x		
P/E (x)	34.0x	61.3x	48.9x	5.3x	23.8x	14.7x	6.4x	3.3x	8.8x	16.8x	6.5x	6.0x	18.5x	18.0x		
EV/Sales (x)	12.65x	12.93x	11.05x	11.16x	12.78x	19.08x	13.91x	17.19x	18.78x	16.52x	16.41x	16.53x	15.82x	15.53x		
EV/EBITDA (x)[2]	28.6x	34.5x	27.1x	26.6x	24.8x	30.7x	20.0x	25.0x	27.1x	25.2x	23.4x	19.5x	23.5x	23.1x		
Absolute performance	2.0%	-2.5%	-3.2%	-18.8%	10.8%	44.5%	-51.7%	61.5%	29.6%	-19.7%	2.1%	5.9%				
Relative performance vs Ibex 35	17.3%	2.2%	-20.3%	-21.7%	19.4%	47.5%	-55.1%	89.9%	15.9%	-5.1%	-5.4%	14.0%				

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices. The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Factset.
Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main peers 2022e

		Real estate					REITs					
	EUR Mn	**Metrovacesa**	**Aedas Homes**	**Neinor Homes**	**Insur**	**Average**	**Merlin Properties**	**Colonial**	**Lar España**	**Árima**	**Average**	**CEV**
Market data	Ticker (Factset)	MVC-ES	AEDAS-ES	HOME-ES	ISUR-ES		MRL-ES	COL-ES	LRE-ES	ARM-ES		CEV-ES
	Country	Spain	Spain	Spain	Spain		Spain	Spain	Spain	Spain		Spain
	Market cap	1,072.4	633.8	627.1	147.5		4,303.1	3,175.6	346.5	220.3		168.6
	Enterprise value (EV)	1,134.7	828.2	490.9	418.6		8,163.0	9,508.8	935.4	241.7		337.4
Basic financial information	Total Revenues	575.8	923.0	831.8	128.6		450.0	347.8	86.7	6.2		20.4
	Total Revenues growth	*12.7%*	*20.6%*	*-9.3%*	*20.4%*	*11.1%*	*-4.5%*	*8.0%*	*10.1%*	*3.1%*	*4.2%*	*5.1%*
	2y CAGR (2022e - 2024e)	*0.3%*	*-3.1%*	*-8.0%*	*19.4%*	*2.1%*	*5.1%*	*9.4%*	*5.6%*	*58.9%*	*19.7%*	*3.2%*
	EBITDA	54.4	168.4	142.8	25.4		346.3	271.5	58.3	(1.3)		17.3
	EBITDA growth	*98.8%*	*14.9%*	*8.6%*	*56.1%*	*44.6%*	*-20.7%*	*8.9%*	*12.1%*	*1.1%*	*0.3%*	*26.5%*
	2y CAGR (2022e - 2024e)	*-4.7%*	*-6.2%*	*-5.1%*	*19.2%*	*0.8%*	*5.7%*	*10.7%*	*9.9%*	*n.a.*	*8.8%*	*-8.1%*
	EBITDA/Revenues	*9.5%*	*18.2%*	*17.2%*	*19.7%*	*16.2%*	*77.0%*	*78.0%*	*67.2%*	*n.a.*	*74.1%*	*84.6%*
	EBIT	55.5	165.7	137.8	24.5		398.5	262.1	40.6	13.8		33.1
	EBIT growth	*69.6%*	*15.6%*	*8.9%*	*104.2%*	*49.6%*	*-8.4%*	*8.7%*	*-22.0%*	*n.a.*	*-7.2%*	*3.3%*
	2y CAGR (2022e - 2024e)	*-4.9%*	*-6.3%*	*-4.9%*	*14.9%*	*-0.3%*	*1.6%*	*17.2%*	*-62.0%*	*3.2%*	*-10.0%*	*-33.8%*
	EBIT/Revenues	*9.6%*	*17.9%*	*16.6%*	*19.0%*	*15.8%*	*88.6%*	*75.4%*	*46.8%*	*n.a.*	*70.2%*	*n.a.*
	Net Profit	31.3	109.7	98.9	13.0		277.7	182.6	50.1	12.1		28.1
	Net Profit growth	*69.7%*	*17.8%*	*-4.0%*	*8.2%*	*22.9%*	*-45.8%*	*-61.5%*	*94.4%*	*-53.9%*	*-16.7%*	*14.4%*
	2y CAGR (2022e - 2024e)	*-3.9%*	*-1.6%*	*-6.7%*	*3.8%*	*-2.1%*	*4.5%*	*6.6%*	*-89.1%*	*3.3%*	*-18.7%*	*-42.3%*
	CAPEX/Sales %	*14.0%*	*0.2%*	*16.4%*	*51.7%*	*20.6%*	*10.8%*	*132.1%*	*16.2%*	*322.6%*	*120.4%*	*7.3%*
	Free Cash Flow	139.2	122.4	92.2	(33.3)		932.1	(63.6)	22.4	(27.0)		11.2
	Net financial debt	232.9	279.6	342.0	246.4		3,811.1	5,287.0	615.3	20.8		63.0
	ND/EBITDA (x)	4.3	1.7	2.4	9.7	4.5	11.0	19.5	10.6	n.a.	13.7	4.8
	Pay-out	*567.2%*	*88.0%*	*54.6%*	*48.7%*	*189.6%*	*192.1%*	*69.2%*	*66.7%*	*0.0%*	*82.0%*	*16.5%*
Multiples and Ratios	P/E (x)	32.2	5.7	6.3	11.8	14.0	15.9	18.6	8.6	35.8	19.7	6.0
	P/BV (x)	0.6	0.6	0.6	1.1	0.7	0.6	0.5	n.a.	n.a.	0.6	0.4
	EV/Revenues (x)	2.0	0.9	0.6	3.3	1.7	18.1	n.a.	10.8	n.a.	14.5	16.5
	EV/EBITDA (x)	20.8	4.9	3.4	16.5	11.4	23.6	35.0	16.1	n.a.	24.9	25.8
	EV/EBIT (x)	20.4	5.0	3.6	17.1	11.5	20.5	36.3	23.1	17.6	24.3	10.2
	ROE	*1.7*	*10.2*	*9.4*	*8.9*	*7.6*	*3.9*	*2.8*	*n.a.*	*n.a.*	*3.4*	*7.6*
	FCF Yield (%)	*13.0*	*19.3*	*14.7*	*n.a.*	*15.7*	*21.7*	*n.a.*	*6.5*	*n.a.*	*14.1*	*4.1*
	DPS	*1.17*	*2.13*	*0.71*	*0.36*	*1.09*	*1.14*	*0.25*	*0.40*	*0.00*	*0.45*	*0.20*
	Dvd Yield	*16.6%*	*15.8%*	*9.0%*	*4.5%*	*11.5%*	*12.5%*	*4.2%*	*9.6%*	*0.0%*	*6.6%*	*2.7%*

Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).
Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

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14-Nov-2022	n.a.	7.25	n.a.	n.a.	Initiation of Coverage	David López Sánchez