

6m Results 2023

 Opinion ⁽¹⁾: In line

 Impact ⁽¹⁾: We will maintain our estimates

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Inmobiliaria del Sur (ISUR), is a property company with headquarters in Seville and a presence in Andalusia and Madrid, whose business model combines a development activity (residential and tertiary) with a property management business, that has a portfolio of rental assets (mainly offices), both activities having a significant weighting in terms of GAV. The board directly and indirectly controls c. 64% of capital.

1H23 earnings in line. The P&L reflects the good performance by the development business

Market Data

Market Cap (Mn EUR and USD)	132.6	146.3
EV (Mn EUR and USD) ⁽²⁾	379.3	418.5
Shares Outstanding (Mn)	18.7	
-12m (Max/Med/Mín EUR)	7.95 / 7.28 / 6.78	
Daily Avg volume (-12m Mn EUR)	0.03	
Rotation ⁽³⁾	5.1	
Factset / Bloomberg	ISUR-ES / ISUR SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Board of Directors	64.4
Free Float	35.6

Financials (Mn EUR)	2022	2023e	2024e	2025e
Adj. n° shares (Mn)	18.7	18.7	18.7	18.7
Total Revenues	117.8	146.5	198.7	265.0
Rec. EBITDA	20.9	27.3	34.8	50.2
% growth	-7.0	31.0	27.2	44.4
% Rec. EBITDA/Rev.	17.7	18.7	17.5	19.0
% Inc. EBITDA sector ⁽⁴⁾	12.2	4.3	6.0	5.6
Net Profit	15.0	9.7	14.9	26.4
EPS (EUR)	0.80	0.52	0.80	1.42
% growth	18.8	-35.2	53.4	77.3
Ord. EPS (EUR)	0.46	0.52	0.80	1.42
% growth	-12.2	13.9	53.4	77.3
Rec. Free Cash Flow ⁽⁵⁾	-41.2	-18.7	-1.7	8.5
Pay-out (%)	39.8	40.0	40.0	40.0
DPS (EUR)	0.32	0.21	0.32	0.57
Net financial debt	239.9	264.6	270.1	267.6
ND/Rec. EBITDA (x)	11.5	9.7	7.8	5.3
ROE (%)	11.3	7.0	10.2	16.3
ROCE (%) ⁽⁵⁾	4.0	4.4	5.5	7.9

Ratios & Multiples (x) ⁽⁶⁾

P/E	8.8	13.6	8.9	5.0
Ord. P/E	15.5	13.6	8.9	5.0
P/BV	1.0	0.9	0.9	0.8
Dividend Yield (%)	4.5	2.9	4.5	8.0
EV/Sales	3.22	2.59	1.91	1.43
EV/Rec. EBITDA	18.2	13.9	10.9	7.6
EV/EBIT	20.2	16.4	12.4	8.2
FCF Yield (%) ⁽⁵⁾	n.a.	n.a.	n.a.	6.4

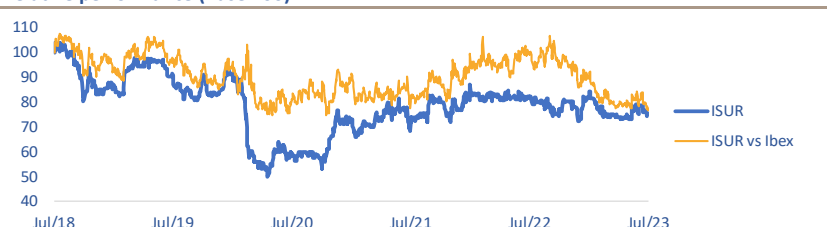
REVENUE IS SHOWCASING THE COMMERCIAL PROWESS IN DEVELOPMENT... ISUR pre-sold 204 units in 1H23 (vs 153 in 1H22). The cumulative pre-sales portfolio increased to 742 units (EUR 182,8Mn proportionate consolidation). The portfolio implies coverage of 95% and 44% of delivery guidance for 2023e and 2024e, respectively. As we were expecting, revenue from the development business gathered considerable momentum vs 1Q23 (142 deliveries in 1H23; EUR 29.7Mn, +36.4%; vs 57 deliveries and revenue -3.3% in 1Q23).

...ENABLING THE COMPANY TO GROW AT CONSOLIDATED LEVEL (DESPITE WEAKNESS IN CONSTRUCTION). Consolidated revenue in 1H23 totalled EUR 45.7Mn (+9.5%; vs -13.7% in 1Q). We were anticipating this pickup, which was driven exclusively by the improvement in the development business. The construction business (revenue of EUR 2.1Mn; -44%) is still struggling, but we expect it to turn around in 2H. Revenue from property management remained strong, with occupancy at c.90% (revenue of EUR 4.5Mn; +3.1% vs. 1H22).

RECURRING EBITDA WAS IN LINE. OUR ESTIMATES ARE UNCHANGED. Recurring 1H23 EBITDA came in at EUR 8.6Mn (+26%, adjusted to strip out non-recurring gains on disposals of investment properties), implying a recurring EBITDA margin of 18.7% (+2.5p.p. vs 1H22). In other words, the healthy performance in property management (contributing resilience in the current environment) and the recovery in the development business (vs 1Q) sustained the EBITDA/sales margin (despite the weakness seen in construction) at 18.4% (in line with our estimate for the full year). We are reiterating our estimates as we expect the construction business to fare somewhat better in 2H. Mostly, we estimate the delivery of c.400 homes in 2023 (c. 2/3 of the total in 2H23), resulting in revenue and EBITDA for FY 2023e of EUR 146.5Mn and EUR 27.3Mn, respectively.

LEVERAGE ENDED JUNE AT 40% OF GAV (-2.9PP VS. 1H22). ISUR closed 1H23 with net debt of EUR 244Mn (-5.8% vs. 1H22). Its LTV was 40.2% (vs. 43.1% in 1H22). The decrease in leverage is explained by the slowdown in purchases of land and, above all, the acceleration in deliveries in the development business, which had a positive impact on FCF.

IN SHORT, ISUR'S EARNINGS CONFIRMED THE (EXPECTED) ACCELERATION IN ACTIVITY. Pre-sales volumes foreshadow further resilience in the development business in the coming quarters, so we are leaving our estimates for FY 2023 as they are. Beyond the company's actual earnings, the main takeaway is that ISUR is clearly in the ramp-up stage of business activity. Our estimates are now for deliveries of 450 homes in 2024e (vs 380 in 2022 and 400 in 2023e). So, by next year we should be looking at a company with revenue of c. EUR 200Mn and EBITDA of c. EUR 35Mn. This represents a significant step-up in size. It could also explain the share price performance -12m vs sector (+20.8%). ISUR's momentum is "objectively" favourable.

Relative performance (Base 100)


Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	0.5	1.9	-7.2	3.2	26.8	-24.5
vs Ibox 35	-1.6	-2.7	-22.5	-12.3	-5.1	-23.1
vs Ibox Small Cap Index	-0.2	-1.2	-11.6	-8.6	-2.9	-30.6
vs Eurostoxx 50	-2.2	-0.5	-24.1	-12.3	-6.2	-40.4
vs Sector benchmark ⁽⁴⁾	-8.8	4.0	20.8	5.9	67.9	18.7

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 3.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) Sector: Stoxx Europe 600 Real State.

(5) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

(6) Multiples and ratios calculated over prices at the date of this report.

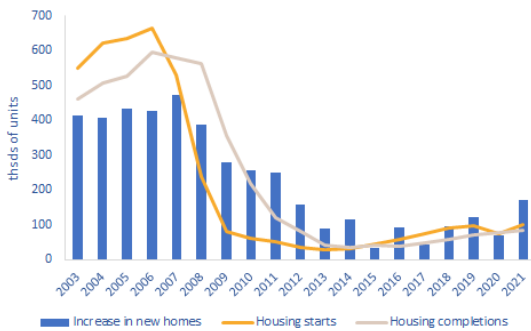
(* Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

6m Results 2023
1H23 Results

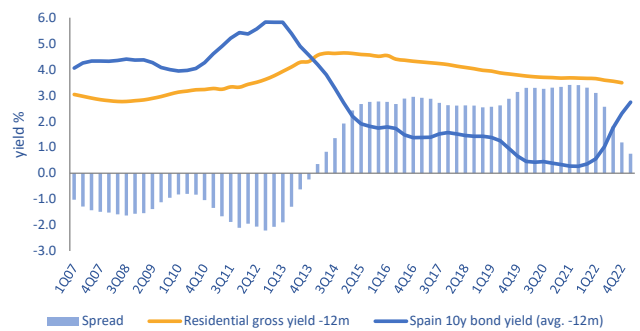
EUR Mn	6m23	6m22	6m23 Real	2023e vs	
	Real		vs 6m22	2023e	2022
Total Revenues	45.7	41.8	9.5%	146.5	24.3%
Property development business	29.7	21.7	36.4%	103.6	26.4%
Rental Revenue	9.1	8.8	3.1%	18.5	5.5%
Construction	5.3	9.5	-44.0%	20.3	34.3%
Administration and marketing	1.7	1.7	-1.0%	4.1	29.0%
Recurrent EBITDA	8.6	6.8	26.0%	27.3	31.0%
<i>Rec. EBITDA/Revenues</i>	<i>18.7%</i>	<i>16.3%</i>	<i>2.5 p.p.</i>	<i>18.7%</i>	<i>1.0 p.p.</i>
EBITDA	17.3	8.0	115.4%	27.3	31.0%
<i>EBITDA/Revenues</i>	<i>37.8%</i>	<i>19.2%</i>	<i>18.6 p.p.</i>	<i>18.7%</i>	<i>1.0 p.p.</i>
EBIT	12.8	14.8	-13.6%	23.1	23.1%
PBT	9.4	12.4	-24.3%	13.0	-35.1%
NP	7.0	11.5	-38.7%	9.7	-35.2%
GAV	606.0	600.8	0.9%		
<i>Rental business GAV</i>	349.5	372.3	-6.1%		
<i>GAV Property development business</i>	256.5	228.5	12.3%		
NAV	362.1	341.9	5.9%		
Net Debt	243.9	259.0	-5.8%	264.6	
LTV	40.2%	43.1%	-2.9 p.p.	43.7%	

The company in 8 charts

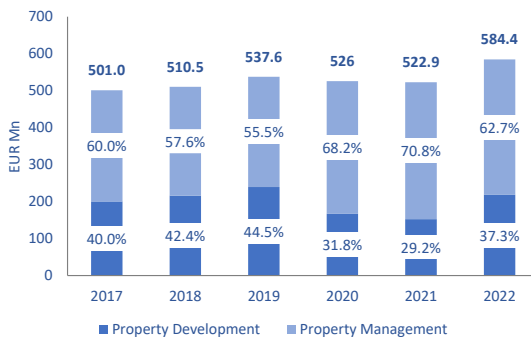
Supply-demand imbalance: a long-term growth driver for the Spanish residential sector



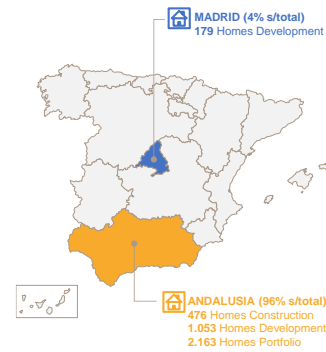
Although the macro and interest rates will weigh heavy in the short term for the property sector



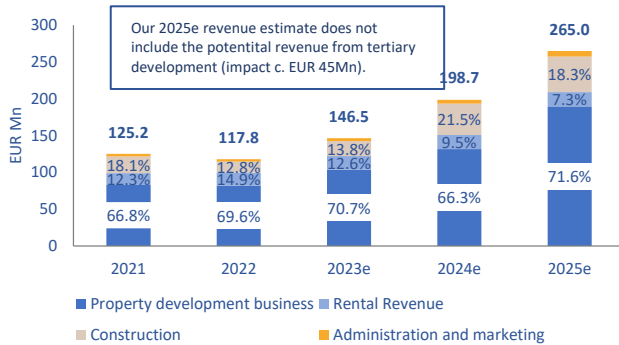
ISUR: A unique property company, combining development and management businesses (both with significant weighting in GAV)



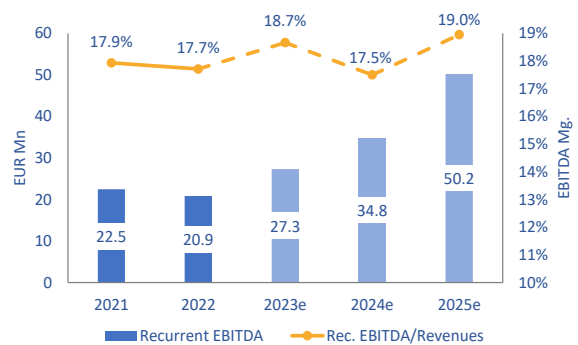
With a land bank for building 4,000 homes (40% being marketed), maintaining unique exposure in Andalusia



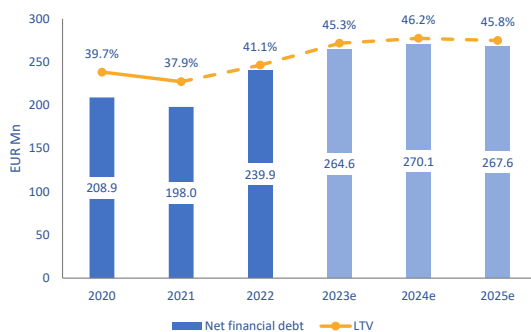
2024e should see a company with revenue of EUR 200Mn...



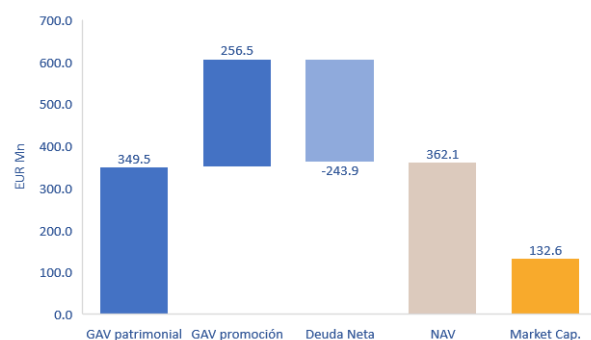
... and EBITDA of c. EUR 35Mn (+29% CAGR 2022-2024e)



despite the rebound in investment, leverage will remain reasonable (LTV c. 45%)



Trading at a discount of 60% vs the NAV



Valuation inputs

Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(11.1)	6.3	16.5	493.9		
Market Cap	132.6	At the date of this report				
Net financial debt	243.9	Debt net of Cash (6m Results 2023)				
					Best Case	Worst Case
Cost of Debt	4.5%	Net debt cost			4.3%	4.8%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.6%	Kd = Cost of Net Debt * (1-T)			3.4%	3.8%
Risk free rate (rf)	3.5%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.1	B (own estimate)			1.0	1.2
Cost of Equity	10.1%	Ke = Rf + (R * B)			9.0%	11.3%
Equity / (Equity + Net Debt)	35.2%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	64.8%	D			=	=
WACC	5.9%	WACC = Kd * D + Ke * E			5.4%	6.4%
G "Fair"	2.0%				2.0%	1.5%

(1) The terminal value reflects the NAV of FCF beyond the period estimated with the WACC and G of the central scenario.

Inputs for the Multiples Valuation Approach

Company	Ticker	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
Metrovacesa	MVC-ES	1,117.9	33.8	9.6%	23.3	6.5%	2.2	6.0%	9.6%	9.9%	24.7%
Aedas Homes	AEDAS-ES	779.8	6.6	-5.6%	5.7	-5.1%	1.0	-3.8%	16.9%	13.3%	-16.2%
Neinor Homes	HOME-ES	714.3	8.7	-10.4%	5.5	-7.6%	1.0	0.7%	17.8%	10.9%	14.1%
Real estate			16.4	-2.1%	11.5	-2.1%	1.4	1.0%	14.7%	11.4%	7.5%
ISUR	ISUR-ES	132.6	13.6	64.9%	13.9	35.5%	2.6	34.5%	18.7%	n.a.	56.7%

Free Cash Flow sensitivity analysis (2024e)

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

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	19.3%	38.3	9.9x
Central	17.5%	34.8	10.9x
Min	15.7%	31.2	12.2x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

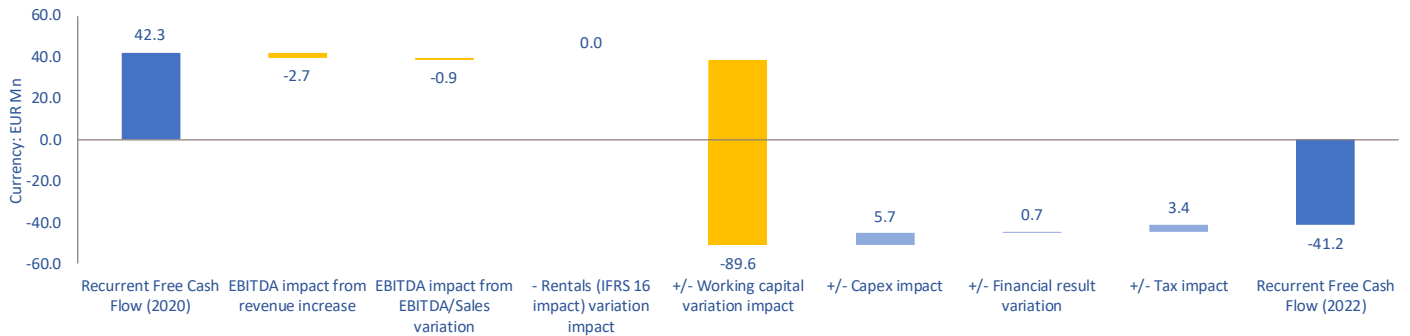
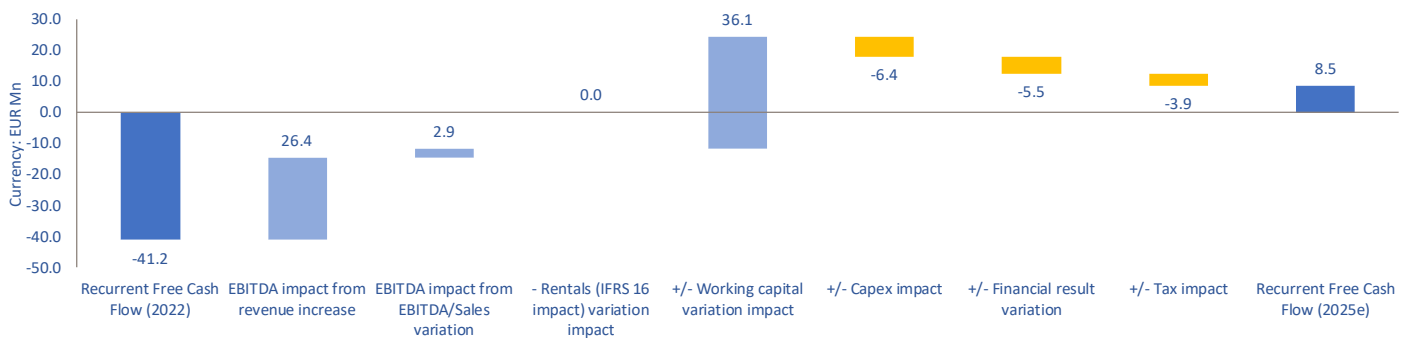
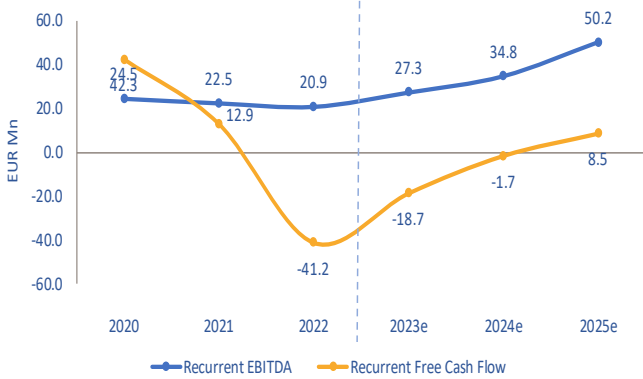
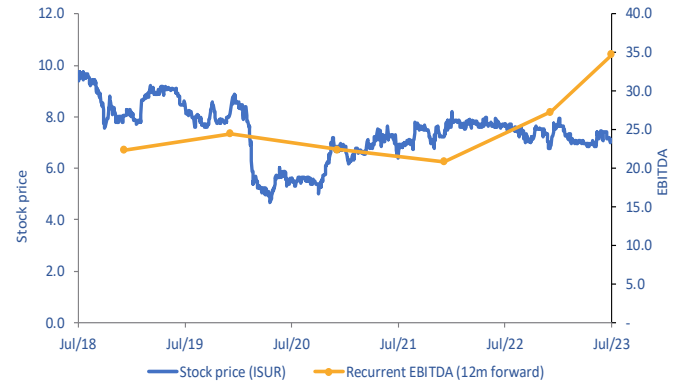
Rec. FCF EUR Mn	CAPEX/Sales 24e				Scenario	Rec. FCF/Yield 24e	
EBITDA 24e	2.2%	2.5%	2.8%		Max	1.9%	1.4%
38.3	2.5	1.9	1.3	➔	Central	n.a.	n.a.
34.8	(1.1)	(1.7)	(2.3)		Min	n.a.	n.a.
31.2	(4.6)	(5.2)	(5.8)				

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Intangible assets	-	-	-	-	-	-	-	-		
Fixed assets	139.1	146.7	216.0	216.9	216.2	215.7	216.4	218.8		
Other Non Current Assets	-	-	-	-	-	-	-	-		
Financial Investments	2.1	1.8	1.2	0.5	0.3	0.3	0.3	0.3		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	226.4	263.5	196.9	185.2	250.1	289.3	323.6	362.8		
Total assets	367.7	412.1	414.1	402.6	466.6	505.2	540.4	581.9		
Equity	103.8	107.2	122.3	128.3	137.3	141.0	152.1	172.6		
Minority Interests	-	-	3.2	3.2	3.1	3.1	3.1	3.1		
Provisions & Other L/T Liabilities	-	-	-	-	-	-	-	-		
Other Non Current Liabilities	-	-	-	-	-	-	-	-		
Net financial debt	184.8	196.4	208.9	198.0	239.9	264.6	270.1	267.6		
Current Liabilities	79.0	108.4	79.7	73.1	86.3	96.5	115.1	138.6		
Equity & Total Liabilities	367.7	412.1	414.1	402.6	466.6	505.2	540.4	581.9		
P&L (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	19-22	22-25e
Total Revenues	113.9	122.8	132.7	125.2	117.8	146.5	198.7	265.0	-1.4%	31.0%
<i>Total Revenues growth</i>	<i>n.a.</i>	<i>7.8%</i>	<i>8.1%</i>	<i>-5.7%</i>	<i>-5.9%</i>	<i>24.3%</i>	<i>35.6%</i>	<i>33.4%</i>		
COGS	(51.5)	(47.2)	(73.2)	(63.8)	(64.3)	(80.5)	(101.4)	(143.2)		
Gross Margin	62.4	75.6	59.6	61.3	53.5	66.0	97.2	121.8	-10.9%	31.6%
<i>Gross Margin/Revenues</i>	<i>54.8%</i>	<i>61.6%</i>	<i>44.9%</i>	<i>49.0%</i>	<i>45.4%</i>	<i>45.0%</i>	<i>48.9%</i>	<i>46.0%</i>		
Personnel Expenses	(9.0)	(9.7)	(9.0)	(9.1)	(11.1)	(11.2)	(11.2)	(11.2)		
Other Operating Expenses	(36.0)	(43.5)	(26.0)	(29.8)	(21.5)	(27.5)	(51.3)	(60.4)		
Recurrent EBITDA	17.4	22.4	24.5	22.5	20.9	27.3	34.8	50.2	-2.3%	34.0%
<i>Recurrent EBITDA growth</i>	<i>n.a.</i>	<i>28.6%</i>	<i>9.5%</i>	<i>-8.5%</i>	<i>-7.0%</i>	<i>31.0%</i>	<i>27.2%</i>	<i>44.4%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>15.3%</i>	<i>18.2%</i>	<i>18.5%</i>	<i>17.9%</i>	<i>17.7%</i>	<i>18.7%</i>	<i>17.5%</i>	<i>19.0%</i>		
Restructuring Expense & Other non-rec.	-	-	(5.1)	-	-	-	-	-		
EBITDA	17.4	22.4	19.4	22.5	20.9	27.3	34.8	50.2	-2.3%	34.0%
Depreciation & Provisions	(3.6)	(2.5)	(6.3)	(4.3)	(4.2)	(4.2)	(4.2)	(4.2)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Income from the sale of property investments	6.1	4.1	0.3	3.8	2.2	-	-	-		
EBIT	19.9	24.0	13.3	21.9	18.8	23.1	30.6	46.0	-7.8%	34.7%
<i>EBIT growth</i>	<i>n.a.</i>	<i>20.6%</i>	<i>-44.4%</i>	<i>64.2%</i>	<i>-14.2%</i>	<i>23.1%</i>	<i>32.1%</i>	<i>50.4%</i>		
<i>EBIT/Revenues</i>	<i>17.5%</i>	<i>19.5%</i>	<i>10.1%</i>	<i>17.5%</i>	<i>16.0%</i>	<i>15.8%</i>	<i>15.4%</i>	<i>17.4%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(6.6)	(6.6)	(5.9)	(5.6)	(5.2)	(10.2)	(10.7)	(10.7)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	13.3	17.4	7.4	16.4	13.6	13.0	19.9	35.3	-7.9%	37.5%
<i>Ordinary Profit Growth</i>	<i>n.a.</i>	<i>31.1%</i>	<i>-57.2%</i>	<i>120.1%</i>	<i>-17.1%</i>	<i>-4.5%</i>	<i>53.4%</i>	<i>77.3%</i>		
Extraordinary Results	-	(4.4)	21.9	-	6.4	-	-	-		
Profit Before Tax	13.3	13.0	29.4	16.4	20.0	13.0	19.9	35.3	15.5%	20.8%
Tax Expense	(3.2)	(4.1)	(8.3)	(4.3)	(4.9)	(3.2)	(5.0)	(8.8)		
<i>Effective Tax Rate</i>	<i>24.1%</i>	<i>31.9%</i>	<i>28.2%</i>	<i>26.0%</i>	<i>24.4%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>		
Minority Interests	-	-	(0.0)	(0.1)	(0.1)	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	10.1	8.8	21.1	12.0	15.0	9.7	14.9	26.4	19.3%	20.8%
<i>Net Profit growth</i>	<i>n.a.</i>	<i>-12.2%</i>	<i>138.4%</i>	<i>-43.0%</i>	<i>24.9%</i>	<i>-35.2%</i>	<i>53.4%</i>	<i>77.3%</i>		
Ordinary Net Profit	10.1	9.3	8.8	9.2	8.5	9.7	14.9	26.4	-2.8%	45.8%
<i>Ordinary Net Profit growth</i>	<i>n.a.</i>	<i>-7.8%</i>	<i>-5.3%</i>	<i>5.0%</i>	<i>-7.6%</i>	<i>13.9%</i>	<i>53.4%</i>	<i>77.3%</i>		
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	19-22	22-25e
Recurrent EBITDA						27.3	34.8	50.2	-2.3%	34.0%
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(29.0)	(15.8)	(15.6)		
Recurrent Operating Cash Flow						-1.6	19.0	34.7	-60.0%	46.2%
CAPEX						(3.7)	(5.0)	(6.6)		
Net Financial Result affecting the Cash Flow						(10.2)	(10.7)	(10.7)		
Tax Expense						(3.2)	(5.0)	(8.8)		
Recurrent Free Cash Flow						(18.7)	(1.7)	8.5	n.a.	30.2%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestitures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(18.7)	(1.7)	8.5	-72.7%	30.7%
Capital Increase						-	-	-		
Dividends						(6.0)	(3.9)	(6.0)		
Net Debt Variation						24.7	5.6	(2.5)		

Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								20-22	22-25e
Recurrent EBITDA	22.4	24.5	22.5	20.9	27.3	34.8	50.2	-7.8%	34.0%
<i>Recurrent EBITDA growth</i>	28.6%	9.5%	-8.5%	-7.0%	31.0%	27.2%	44.4%		
<i>Rec. EBITDA/Revenues</i>	18.2%	18.5%	17.9%	17.7%	18.7%	17.5%	19.0%		
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(7.7)	37.9	5.1	(51.7)	(29.0)	(15.8)	(15.6)		
= Recurrent Operating Cash Flow	14.7	62.4	27.6	(30.8)	(1.6)	19.0	34.7	-57.9%	46.2%
<i>Rec. Operating Cash Flow growth</i>	111.3%	324.1%	-55.9%	-211.9%	94.8%	n.a.	82.9%		
<i>Rec. Operating Cash Flow / Sales</i>	12.0%	47.0%	22.0%	n.a.	n.a.	9.5%	13.1%		
- CAPEX	(1.9)	(5.9)	(4.9)	(0.2)	(3.7)	(5.0)	(6.6)		
- Net Financial Result affecting Cash Flow	(6.6)	(5.9)	(5.6)	(5.2)	(10.2)	(10.7)	(10.7)		
- Taxes	(4.1)	(8.3)	(4.3)	(4.9)	(3.2)	(5.0)	(8.8)		
= Recurrent Free Cash Flow	2.1	42.3	12.9	(41.2)	(18.7)	(1.7)	8.5	-72.4%	30.2%
<i>Rec. Free Cash Flow growth</i>	101.6%	n.a.	-69.6%	-419.7%	54.6%	91.1%	609.5%		
<i>Rec. Free Cash Flow / Revenues</i>	1.7%	31.9%	10.3%	n.a.	n.a.	n.a.	3.2%		
- Restructuring expenses & others	-	-	-	-	-	-	-		
- Acquisitions / + Divestments	(3.9)	(51.9)	4.0	5.4	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(5.2)	2.6	(2.6)	(0.5)	-	-	-		
= Free Cash Flow	(7.0)	(7.0)	14.3	(36.3)	(18.7)	(1.7)	8.5	n.a.	30.7%
<i>Free Cash Flow growth</i>	94.6%	0.2%	303.3%	-353.9%	48.5%	91.1%	609.5%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	1.6%	31.9%	9.7%	n.a.	n.a.	n.a.	6.4%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	n.a.	n.a.	10.8%	n.a.	n.a.	n.a.	6.4%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	(130.0)	2.1	42.3	12.9	(41.2)	(18.7)	(1.7)		
EBITDA impact from revenue increase	1.4	1.8	(1.4)	(1.3)	5.1	9.7	11.6		
EBITDA impact from EBITDA/Sales variation	3.6	0.3	(0.7)	(0.3)	1.4	(2.3)	3.8		
= Recurrent EBITDA variation	5.0	2.1	(2.1)	(1.6)	6.5	7.4	15.5		
- Rentals (IFRS 16 impact) variation impact	-	-	-	-	-	-	-		
+/- Working capital variation impact	139.7	45.6	(32.8)	(56.8)	22.7	13.1	0.3		
= Recurrent Operating Cash Flow variation	144.7	47.7	(34.9)	(58.4)	29.2	20.6	15.7		
+/- CAPEX impact	(1.9)	(4.1)	1.1	4.7	(3.5)	(1.3)	(1.7)		
+/- Financial result variation	(6.6)	0.7	0.4	0.3	(5.0)	(0.5)	(0.0)		
+/- Tax impact	(4.1)	(4.1)	4.0	(0.6)	1.6	(1.7)	(3.8)		
= Recurrent Free Cash Flow variation	132.1	40.2	(29.4)	(54.0)	22.5	17.0	10.2		
Recurrent Free Cash Flow	2.1	42.3	12.9	(41.2)	(18.7)	(1.7)	8.5		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	24.0	13.3	21.9	18.8	23.1	30.6	46.0	18.7%	34.7%
* Theoretical Tax rate	30.0%	28.2%	26.0%	24.4%	25.0%	25.0%	25.0%		
= Taxes (pre- Net Financial Result)	(7.2)	(3.8)	(5.7)	(4.6)	(5.8)	(7.6)	(11.5)		
Recurrent EBITDA	22.4	24.5	22.5	20.9	27.3	34.8	50.2	-7.8%	34.0%
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(7.7)	37.9	5.1	(51.7)	(29.0)	(15.8)	(15.6)		
= Recurrent Operating Cash Flow	14.7	62.4	27.6	(30.8)	(1.6)	19.0	34.7	-57.9%	46.2%
- CAPEX	(1.9)	(5.9)	(4.9)	(0.2)	(3.7)	(5.0)	(6.6)		
- Taxes (pre- Financial Result)	(7.2)	(3.8)	(5.7)	(4.6)	(5.8)	(7.6)	(11.5)		
= Recurrent Free Cash Flow (To the Firm)	5.7	52.7	17.0	(35.6)	(11.1)	6.3	16.5	-63.6%	35.1%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	104.2%	830.7%	-67.8%	-309.9%	69.0%	157.4%	160.7%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	4.6%	39.7%	13.6%	n.a.	n.a.	3.2%	6.2%		
- Acquisitions / + Divestments	(3.9)	(51.9)	4.0	5.4	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(5.2)	2.6	(2.6)	(0.5)	-	-	-		
= Free Cash Flow "To the Firm"	(3.5)	3.4	18.4	(30.8)	(11.1)	6.3	16.5	n.a.	36.4%
<i>Free Cash Flow (To the Firm) growth</i>	97.4%	196.7%	441.6%	-267.3%	64.1%	157.4%	160.7%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	1.5%	13.9%	4.5%	n.a.	n.a.	1.7%	4.4%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	n.a.	0.9%	4.9%	n.a.	n.a.	1.7%	4.4%		

Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)

Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)

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	132.6	
+ Minority Interests	3.1	6m Results 2023
+ Provisions & Other L/T Liabilities	-	6m Results 2023
+ Net financial debt	243.9	6m Results 2023
- Financial Investments	0.3	6m Results 2023
+/- Others		
Enterprise Value (EV)	379.3	

Appendix 4. Historical performance ⁽¹⁾

Historical performance (EUR Mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
															19-22	22-25e
Total Revenues	-	-	-	-	-	-	113.9	122.8	132.7	125.2	117.8	146.5	198.7	265.0	-1.4%	31.0%
Total Revenues growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.8%	8.1%	-5.7%	-5.9%	24.3%	35.6%	33.4%		
EBITDA	-	-	-	-	-	-	17.4	22.4	19.4	22.5	20.9	27.3	34.8	50.2	-2.3%	34.0%
EBITDA growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28.6%	-13.3%	15.6%	-7.0%	31.0%	27.2%	44.4%		
EBITDA/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.3%	18.2%	14.6%	17.9%	17.7%	18.7%	17.5%	19.0%		
Net Profit	-	-	-	-	-	-	10.1	8.8	21.1	12.0	15.0	9.7	14.9	26.4	19.3%	20.8%
Net Profit growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-12.2%	138.4%	-43.0%	24.9%	-35.2%	53.4%	77.3%		
Adjusted number shares (Mn)	-	-	-	-	-	-	-	18.5	18.5	17.8	18.7	18.7	18.7	18.7		
EPS (EUR)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.48	1.14	0.68	0.80	0.52	0.80	1.42	19.0%	20.8%
EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-40.8%	18.8%	-35.2%	53.4%	77.3%		
Ord. EPS (EUR)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.50	0.48	0.52	0.46	0.52	0.80	1.42	-3.0%	45.8%
Ord. EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-5.0%	9.2%	-12.2%	13.9%	53.4%	77.3%		
CAPEX	-	-	-	-	-	-	-	(1.9)	(5.9)	(4.9)	(0.2)	(3.7)	(5.0)	(6.6)		
CAPEX/Sales %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0%	1.5%	4.5%	3.9%	0.2%	2.5%	2.5%	2.5%		
Free Cash Flow	-	-	-	-	-	-	(130.0)	(7.0)	(7.0)	14.3	(36.3)	(18.7)	(1.7)	8.5	#####	30.7%
ND/EBITDA (x) ⁽²⁾	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10.6x	8.8x	10.8x	8.8x	11.5x	9.7x	7.8x	5.3x		
P/E (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.5x	5.8x	10.7x	8.6x	13.6x	8.9x	5.0x		
EV/Sales (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.14x	3.04x	2.63x	2.75x	3.19x	2.59x	1.91x	1.43x		
EV/EBITDA (x) ⁽²⁾	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	20.5x	16.6x	18.0x	15.3x	18.0x	13.9x	10.9x	7.6x		
Absolute performance	-27.7%	291.2%	-61.6%	31.5%	1.0%	30.1%	1.9%	4.0%	-20.3%	8.3%	-4.7%	3.2%	1.9%	7.6%		
Relative performance vs Ibex 35	-24.2%	222.2%	-62.9%	41.7%	3.1%	21.1%	19.8%	-7.0%	-5.7%	0.3%	0.9%	-12.3%				

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 2023e

		Real estate				ISUR
EUR Mn		Metrovacesa	Aedas Homes	Neinor Homes	Average	ISUR
Market data	Ticker (Factset)	MVC-ES	AEDAS-ES	HOME-ES		ISUR-ES
	Country	Spain	Spain	Spain		Spain
	Market cap	1,117.9	779.8	714.3		132.6
	Enterprise value (EV)	1,332.6	976.1	636.2		379.3
Basic financial information	Total Revenues	598.2	1,015.2	648.5		146.5
	Total Revenues growth	15.2%	10.4%	-15.3%	3.4%	24.3%
	2y CAGR (2023e - 2025e)	6.0%	-3.8%	0.7%	1.0%	34.5%
	EBITDA	57.3	171.4	115.1		27.3
	EBITDA growth	n.a.	12.0%	-4.6%	3.7%	31.0%
	2y CAGR (2023e - 2025e)	6.5%	-5.1%	-7.6%	-2.1%	35.5%
	EBITDA/Revenues	9.6%	16.9%	17.8%	14.7%	18.7%
	EBIT	47.8	167.9	119.4		23.1
	EBIT growth	705.2%	13.2%	2.5%	240.3%	23.1%
	2y CAGR (2023e - 2025e)	14.2%	-5.3%	-11.7%	-0.9%	41.0%
	EBIT/Revenues	8.0%	16.5%	18.4%	14.3%	15.8%
	Net Profit	32.3	111.2	88.1		9.7
	Net Profit growth	237.5%	5.8%	-8.4%	78.3%	-35.2%
	2y CAGR (2023e - 2025e)	9.6%	-6.3%	-15.5%	-4.1%	64.9%
CAPEX/Sales %	8.3%	0.3%	10.3%	6.3%	2.5%	
Free Cash Flow	111.2	103.7	78.0		(18.7)	
Net financial debt	241.3	339.4	264.5		264.6	
ND/EBITDA (x)	4.2	2.0	2.3	2.8	9.7	
Pay-out	365.8%	81.5%	62.3%	169.9%	40.0%	
Multiples and Ratios	P/E (x)	33.8	6.6	8.7	16.4	13.6
	P/BV (x)	0.6	0.7	0.8	0.7	0.9
	EV/Revenues (x)	2.2	1.0	1.0	1.4	2.6
	EV/EBITDA (x)	23.3	5.7	5.5	11.5	13.9
	EV/EBIT (x)	27.9	5.8	5.3	13.0	16.4
	ROE	1.9	11.2	8.7	7.3	7.0
	FCF Yield (%)	9.9	13.3	10.9	11.4	n.a.
	DPS	0.78	2.08	0.91	1.26	0.21
Dvd Yield	10.6%	12.5%	10.2%	11.1%	2.9%	

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).

LIGHTHOUSE

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
31-Jul-2023	n.a.	7.10	n.a.	n.a.	6m Results 2023	Alfredo Echevarría Otegui
12-Jun-2023	n.a.	7.31	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
08-May-2023	n.a.	6.96	n.a.	n.a.	3m Results 2023	David López Sánchez
19-Apr-2023	n.a.	6.96	n.a.	n.a.	Estimates upgrade	David López Sánchez
01-Mar-2023	n.a.	7.16	n.a.	n.a.	12m Results 2022	David López Sánchez
22-Dec-2022	n.a.	7.05	n.a.	n.a.	Initiation of Coverage	David López Sánchez

