

9m Results 2023
Opinion ⁽¹⁾: Above expectations

Impact ⁽¹⁾: We will have to raise our estimates

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Business description

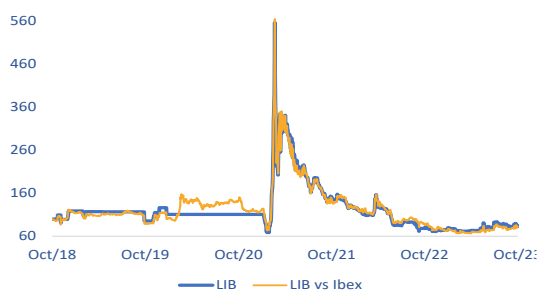
Libertas 7 (LIB), is a family group with headquarters in Valencia (Spain) structured around three areas: (i) property development and management, (ii) tourism management, with the leasing of 76 apartments and the management of a hotel, and (iii) financial investment, via the management of its own assets through investment in stocks and private equity. It is managed and controlled by the founding family (c. 70% of capital).

Market Data

Market Cap (Mn EUR and USD)	21.9	23.1
EV (Mn EUR and USD) ⁽²⁾	28.4	29.9
Shares Outstanding (Mn)	21.9	
-12m (Max/Med/Mín EUR)	1.13 / 0.95 / 0.84	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	3.2	
Factset / Bloomberg	LIB-ES / LIB SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Noguera Family and others	80.0
Treasury stock	3.8
Free Float	16.2

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-1.0	-10.7	5.7	-17.4
vs Ibex 35	3.5	-4.4	-7.2	-19.6
vs Ibex Small Cap Index	3.0	-1.0	-3.7	-29.3
vs Eurostoxx 50	1.0	-4.2	-5.9	-36.1
vs Sector benchmark ⁽⁴⁾	6.9	1.8	19.2	35.0

(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 2.

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

(4) vs Stoxx Europe 600 Real State.

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

9M23 earnings: excellent performance in tourist rentals. We'll be raising estimates. Clear-cut store of value.

NO SURPRISES IN THE DEVELOPMENT BUSINESS: THE COMPANY BOOKED ALL THE REVENUE ANTICIPATED IN FY23E IN 1Q WITH "CRISÁLIDA". Revenue of EUR 7.1 Mn (+14.5% vs 9M22), almost entirely attributable to delivery of the 33-home Crisálida development in 1Q, as scheduled (only development due delivery this year). Other business metrics are very strong, with the company's unsold stock valued at EUR 21.3 Mn, nearly double the stock at September 2022. In broad brushstrokes, we are reiterating our estimate for the delivery of c.30-35 homes/year in 2023-2024 (years of transition for LIB's development business), with volumes doubling (c.65) in 2025. This means both sales and revenue will double.

THE GOOD NEWS CAME FROM TOURIST RENTALS... Extending the excellent momentum seen in 1H23 (revenue: +28%), which is clearly being driven by sector tailwinds. In 9M23 revenue reached EUR 2.8 Mn (+20%), thanks to strong demand, evident in the growth in occupancy (+7%) and the ADR (+12%).

...WHICH WILL PROMPT US TO RAISE OUR ESTIMATES FOR 2023. No surprises in development but the tourist rental business was stronger than expected. As a result, 9M23 EBITDA (EUR 2.5 Mn; +22.9%) is already ahead of our FY23 estimate (EUR 2.1 Mn). Even assuming (as expected) no contribution from development, the tourist rental business will make a difference and should push consolidated EBITDA to c. EUR 3 Mn in 2023e (EBITDA margin: c.25%). All indicators (weather, strength of demand from international visitors, bookings) foreshadow continued strong momentum in this business in 4Q, with an impact on earnings. On top of that, there is scope for a contribution from the investment area if returns on private equity investments close to maturity materialise.

POSITIVE FCF GENERATION CONTINUES TO KEEP NET DEBT IN CHECK. The current EBITDA levels are keeping FCF generation positive with two effects: (i) funding for the dividend policy (yield: 3.4%); and (ii) keeping net debt in check (stable at c.EUR 30 Mn) and compatible with ongoing investment in the development business in order to cement the "leap" in home deliveries/year to over 65 units in 2025, the crux of this company's equity story. LIB continues to be uniquely positioned in the listed real estate sector for its low-risk model: a development business that is ramping up in a region where demand is relatively stronger, complemented by revenue from property management/tourist rentals. This objectively gives the company the ability to outperform the sector in adverse times such as these.

A STORE OF VALUE THAT SEEMS EVIDENT. The absence of catalysts and scale/liquidity have so far prevented the market from pricing in the company's apparently obvious store of value. The reason for that store of value is unchanged: net of debt, the investment portfolio alone (EUR 26 Mn) exceeds the company's current market cap (EUR 23 Mn). Without factoring in the development business, let alone the portfolio of rental assets, which a buyer can theoretically get "for free", LIB has underperformed the IBEX 35 by 7% in the last 12 months. Albeit outperforming its peers by a wide margin (c.+20%). The strength of the tourist rental area and its positive impact on EBITDA has now emerged as a catalyst capable of injecting momentum into the share price. Although the development business is not expected to take off until 2025, the market is likely to discount the upside sooner.

Appendix 1. Results 9m23

EUR Mn	9m23 Real		
	9m23 Real	9m22	vs 9m22
Total Revenues	11.5	9.8	17.6%
EBITDA	2.5	2.0	22.9%
EBITDA/Revenues	21.8%	20.8%	0.9 p.p.
EBIT	2.5	2.1	19.4%
NP	1.2	1.4	-13.3%

	9m23 Real	9m22	
Net Debt	29.7	30.8	-3.6%
Book value	94.2	88.6	6.4%
Investment Portfolio	55.7	48.3	15.5%

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	21.9	
+ Minority Interests	-	9m Results 2023
+ Provisions & Other L/T Liabilities	-	9m Results 2023
+ Net financial debt	29.7	9m Results 2023
- Financial Investments	1.4	9m Results 2023
+/- Others ⁽¹⁾	(21.8)	9m Results 2023
Enterprise Value (EV)	28.4	

(1) Related to: (i) the book value (not actuarial) of deferred tax assets and liabilities (EUR 35.2Mn and EUR 14.3Mn, respectively) and (ii) the market value of treasury stock (EUR 0.8Mn)

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
27-Oct-2023	n.a.	1.00	n.a.	n.a.	9m Results 2023	José Miguel Cabrera van Grieken
28-Jul-2023	n.a.	1.10	n.a.	n.a.	6m Results 2023	Alfredo Echevarría Otegui
12-Jun-2023	n.a.	0.95	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
28-Apr-2023	n.a.	0.86	n.a.	n.a.	3m Results 2023	David López Sánchez
02-Mar-2023	n.a.	0.88	n.a.	n.a.	12m Results 2022	David López Sánchez
28-Oct-2022	n.a.	0.95	n.a.	n.a.	9m Results 2022	David López Sánchez
02-Aug-2022	n.a.	1.09	n.a.	n.a.	6m Results 2022	David López Sánchez
03-May-2022	n.a.	1.64	n.a.	n.a.	3m Results 2022	David López Sánchez
02-Mar-2022	n.a.	1.35	n.a.	n.a.	12m Results 2021	David López Sánchez
25-Oct-2021	n.a.	1.86	n.a.	n.a.	9m Results 2021	David López Sánchez
02-Aug-2021	n.a.	2.16	n.a.	n.a.	6m Results 2021	David López Sánchez
07-Jul-2021	n.a.	2.49	n.a.	n.a.	Initiation of Coverage	David López Sánchez

