

12m Results 2023

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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)	25.2	27.3
EV (Mn EUR and USD) ⁽²⁾	31.5	34.1
Shares Outstanding (Mn)	21.9	
-12m (Max/Med/Mín EUR)	1.15 / 0.98 / 0.83	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	3.0	
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	11.7	10.6	33.0	-9.9
vs Ibex 35	11.1	11.4	23.2	-17.0
vs Ibex Small Cap Index	12.5	12.4	46.2	-20.3
vs Eurostoxx 50	5.8	-0.2	14.6	-39.0
vs Sector benchmark ⁽⁴⁾	16.7	11.8	32.8	25.4

(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.

FY23 earnings: better than expected. The market is starting to price in a take-off by the development business in 2025

NO SURPRISES IN THE DEVELOPMENT BUSINESS. Revenue of EUR 7.7Mn (+4.5% vs 2022), almost entirely attributable to delivery of the Crisálida development (34 units) in 1Q, as scheduled (only development due delivery in 2023). Other business metrics performed well, with the company's unsold stock at year-end valued at EUR 15.3Mn (EUR 13.8Mn 2022). We are reiterating our estimates with volumes doubling (c. 65 units) in 2025e (no homes delivery in 2024e). This means both sales and revenue will double. We still expect 2025e to mark the start of a new development cycle for LIB, which is not yet visible in its numbers.

THE TOURIST RENTAL BUSINESS REMAINS "STRONG". This was seen throughout 2023. And is benefiting from sector tailwinds. Revenue in 2023 rose sharply, to EUR 3.2Mn (+25%; with growth accelerating vs 9m), extending the trend of previous quarters, with improvements in both occupancy (+6.2p.p.) and ADR (+11.5%). Occupancy was well above (pre-pandemic) 2019 levels (55.9% vs 46.8%). The tourist area raised its share of the mix (c.25%), contributing 1/3 of consolidated EBITDA (c. EUR 1Mn). Momentum should remain very strong in 2024.

THE SURPRISE CAME FROM THE INVESTMENT BUSINESS, WITH REVENUE TWICE AS HIGH AS EXPECTED. The investment business generated EUR 2.6Mn of revenue (EUR 1.6Mn 2022; EUR 1.2Mn expected), driven by the equity portfolio (70% of the total portfolio; +11.7% performance), and EBITDA of c. EUR 1.5Mn (50% of the total). Looking ahead to 2024 there is also scope for a contribution to growth from the investment area if returns on private equity investments close to maturity materialise. Both consolidated revenues (EUR 13.4 Mn vs EUR 11.6 Mn) and total EBITDA (EUR 3.0Mn vs EUR 2.1Mn estimated) reflect primarily improvement in the property management business (with development and tourism rentals in line).

NET DEBT STILL UNDER CONTROL. The level of EBITDA kept FCF generation positive, funding the dividend policy (yield of 3,5%); and 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 2025e, 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 its sector (+32.8% over the last 12 months).

BETTER EARNINGS THAN EXPECTED. AND A STORE OF VALUE THAT IS EVIDENT AND THE MARKET IS STARTING TO PRICE IN. 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 always the same: net of debt, the investment portfolio alone (EUR 28Mn) exceeds the company's current market cap (EUR 25Mn). This is without factoring in the development business, let alone the portfolio of rental assets, which a buyer can theoretically get "for free". 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. The development business is not expected to take off until 2025, though the market appears to be starting to discount the upside (+23.2% vs Ibex35 over the last 12 months). The set of 2023 earnings beat expectations. The share price performance YTD (+13.2% vs Ibex35) "indicates" that the market is now looking at LIB.

Appendix 1. Results table

EUR Mn	12m23 Real			2023e
	12m23 Real	12m22	vs 12m22	
Total Revenues	13.4	11.5	16.4%	11.6
Property	7.7	7.3	4.5%	7.5
Tourism	3.2	2.5	25.0%	2.9
Investments	2.6	1.6	56.1%	1.2
Rec. EBITDA	3.0	1.8	64.8%	2.1
<i>Rec. EBITDA/Revenues</i>	<i>22.7%</i>	<i>16.1%</i>	<i>6.7 p.p.</i>	<i>17.7%</i>
EBIT	3.1	1.9	63.5%	1.8
NP	2.3	1.5	54.0%	0.9

	12m23 Real	12m22	
Net Debt	29.1	31.5	-7.8%
Book value	95.5	92.3	3.5%
Investment Portfolio	57.4	50.4	13.9%

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	25.2	
+ Minority Interests	-	12m Results 2023
+ Provisions & Other L/T Liabilities	0.1	12m Results 2023
+ Net financial debt	29.1	12m Results 2023
- Financial Investments	1.4	12m Results 2023
+/- Others ⁽¹⁾	(21.4)	12m Results 2023
Enterprise Value (EV)	31.5	

(1) Related to: (i) the book value (not actuarial) of deferred tax assets and liabilities (EUR 35.2Mn and EUR 14.7Mn, respectively) and (ii) the market value of treasury stock (EUR 1.0Mn)

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
04-Mar-2024	n.a.	1.15	n.a.	n.a.	12m Results 2023	Alfredo Echevarría Otegui
27-Oct-2023	n.a.	0.98	n.a.	n.a.	9m Results 2023	José Miguel Cabrera van Grieken
28-Jul-2023	n.a.	1.08	n.a.	n.a.	6m Results 2023	Alfredo Echevarría Otegui
12-Jun-2023	n.a.	0.94	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
28-Apr-2023	n.a.	0.85	n.a.	n.a.	3m Results 2023	David López Sánchez
02-Mar-2023	n.a.	0.86	n.a.	n.a.	12m Results 2022	David López Sánchez
28-Oct-2022	n.a.	0.93	n.a.	n.a.	9m Results 2022	David López Sánchez
02-Aug-2022	n.a.	1.07	n.a.	n.a.	6m Results 2022	David López Sánchez
03-May-2022	n.a.	1.61	n.a.	n.a.	3m Results 2022	David López Sánchez
02-Mar-2022	n.a.	1.33	n.a.	n.a.	12m Results 2021	David López Sánchez
25-Oct-2021	n.a.	1.83	n.a.	n.a.	9m Results 2021	David López Sánchez
02-Aug-2021	n.a.	2.13	n.a.	n.a.	6m Results 2021	David López Sánchez
07-Jul-2021	n.a.	2.45	n.a.	n.a.	Initiation of Coverage	David López Sánchez

