# Libertas 7

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**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).

**David López Sánchez** – david.lopez@lighthouse-ieaf.com
+34 915 904 226

## On the verge of a step-up in EBITDA, NP and FCF

**LIB IS RECOVERING A RECURRENT DEVELOPMENT ACTIVITY ...** After the difficulties of the last decade (the Great Recession of 2008 and the very severe impact of Covid-19 in 2020), LIB is on the verge of closing the first housing development cycle that began in 2017-2020 (something that is "invisible" in the 2020 P&L).

**... THAT WILL ALLOW FOR A GENUINE STEP-UP IN SIZE (AS EARLY AS 2021e).** At present, LIB has a portfolio of pre-sales of c. EUR 16Mn and EUR 9Mn of product for sale that should enter the P&L as early as 2021e and 2022e. Consequently, we project the delivery of c. 70 homes in 2021e and c. 60 in 2022e (vs 9 in 2020). And the start of a new development cycle in 2H21 on a proprietary land bank of 11,350 m2.

**AND WILL MARK THE BEGINNING OF A PERIOD OF GROWTH...** The scenario we envisage for 2021e points to: (i) a take-off in revenue to c. EUR 18Mn (vs EUR 3.9Mn in 2020), (ii) EBITDA of c. EUR 2Mn and (iii) net debt of EUR 29.8Mn (ND/Assets < 30%); a financial position that should allow LIB to continue to fund growth in its three areas of activity.

**...WITH THE THEORETICAL CAPACITY TO CONTINUE IN THE LONG TERM.** For several reasons: (i) the mere expansion of the development business (access to land at attractive prices levering on its know-how in the Valencia region), (ii) the cyclical exposure of the tourism business (that should exceed pre Covid-19 levels from 2023e) and (iii) income from the management and rotation of the investment portfolio (an additional source of profitability not included in our numbers).

**AND IF WE FOCUS ON 2024e?** Given the maturity of the development business (that explains the decline in sales in 2023e), 2024e appears as a "normalised" year with the ability to aspire to FCF generation of c. EUR 4.5Mn (FCF yield c. 8%; despite the resumption of recurrent land purchases).

**THE EQUITY STORY IS CLEAR:** LIB is a highly diversified group (due to a combination of three businesses with a significant weighting in terms of equity value), for which the return of its development business (to date "invisible" in the P&L) points to a possible step-up in size (and value) in the long term. But tangible from 2021e.

### Market Data

| | | |
|---|---|---|
| Market Cap (Mn EUR and USD) | 57.0 | 67.4 |
| EV (Mn EUR and USD) (1) | 56.9 | 67.3 |
| Shares Outstanding (Mn) | 21.9 | |
| -12m (Max/Med/Mín EUR) | 6.99 / 2.04 / 0.86 | |
| Daily Avg volume (-12m Mn EUR) | n.m. | |
| Rotation(2) | 0.0 | |
| Facset / Bloomberg | LIB-ES / LIB SM | |
| Close fiscal year | 31-Dec | |

### Shareholders Structure (%)

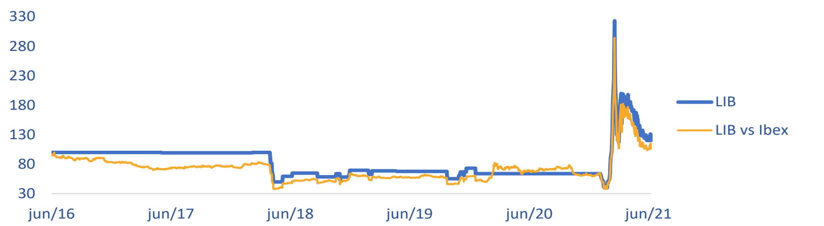
| | |
|---|---|
| Noguera Family and others | 80.0 |
| Treasury stock | 4.5 |
| Free Float | 15.5 |

| Financials (Mn EUR) | 2020 | 2021e | 2022e | 2023e |
|---|---|---|---|---|
| Adj. nº shares (Mn) | 21.1 | 21.9 | 21.9 | 21.9 |
| Total Revenues | 3.9 | 18.4 | 16.5 | 13.1 |
| Rec. EBITDA(3) | -0.7 | 1.8 | 2.0 | 1.9 |
| *% growth* | *-83.0* | *358.3* | *9.8* | *-3.6* |
| *% Rec. EBITDA/Rev.* | *n.a.* | *9.8* | *12.0* | *14.5* |
| *% Inc. EBITDA sector(4)* | *-0.6* | *5.9* | *7.5* | *6.4* |
| Net Profit | -3.6 | 0.8 | 1.0 | 0.9 |
| EPS (EUR) | -0.17 | 0.04 | 0.04 | 0.04 |
| *% growth* | *-440.8* | *121.3* | *21.2* | *-8.9* |
| Ord. EPS (EUR) | -0.17 | 0.04 | 0.04 | 0.04 |
| *% growth* | *-431.7* | *121.9* | *21.2* | *-8.9* |
| Rec. Free Cash Flow(5) | -5.4 | 4.3 | 0.0 | -4.5 |
| *Pay-out (%)* | *0.0* | *0.0* | *0.0* | *0.0* |
| DPS (EUR) | 0.00 | 0.00 | 0.00 | 0.00 |
| Net financial debt | 34.1 | 29.8 | 29.8 | 34.3 |
| ND/Rec. EBITDA (x) | n.a. | 16.6 | 15.1 | 18.0 |
| *ROE (%)* | *n.a.* | *0.9* | *1.1* | *1.0* |
| *ROCE (%)(5)* | *n.a.* | *1.4* | *1.6* | *1.5* |

| Ratios & Multiples (x)(6) | | | | |
|---|---|---|---|---|
| P/E | n.a. | 71.6 | 59.1 | 64.9 |
| Ord. P/E | n.a. | 71.6 | 59.1 | 64.9 |
| P/BV | 0.65 | 0.64 | 0.64 | 0.63 |
| *Dividend Yield (%)* | *0.0* | *0.0* | *0.0* | *0.0* |
| EV/Sales | 14.52 | 3.09 | 3.46 | 4.33 |
| EV/Rec. EBITDA | n.a. | 31.7 | 28.8 | 29.9 |
| EV/EBIT | n.a. | 35.6 | 32.1 | 33.4 |
| *FCF Yield (%)(5)* | *n.a.* | *7.6* | *n.a.* | *n.a.* |

(1) Please refer to Appendix 3.
(2) Rotation is the % of the capitalisation traded - 12m.
(3) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.2Mn higher due to IFRS 16.
(4) Sector: Eurostoxx 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.

### Relative performance (Base 100)




| Stock performance (%) | -1m | -3m | -12m | YTD | -3Y | -5Y |
|---|---|---|---|---|---|---|
| Absolute | -12.6 | -39.8 | 87.4 | 87.4 | 84.7 | 20.3 |
| vs Ibex 35 | -10.3 | -41.4 | 59.8 | 70.7 | 106.5 | 7.6 |
| vs Ibex Small Cap Index | -10.9 | -39.7 | 31.8 | 71.9 | 62.7 | -43.2 |
| vs Eurostoxx 50 | -11.8 | -41.1 | 54.9 | 64.3 | 57.2 | -18.1 |
| vs Sector benchmark(4) | -14.8 | -45.4 | 56.8 | 70.2 | 76.2 | 2.7 |

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

# About to start a period of sustained (and profitable) growth

Libertas 7 (LIB) is a family group managed and controlled by the Noguera family (c. 70% of capital) and structured around three areas of activity:

(i) property development and management, focused on building first homes in the autonomous region of Valencia, (ii) tourism management, with the leasing of 76 owned 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 (with an investment portfolio valued at EUR 47.8Mn at the 1Q21 close).

Now, after a long period "in the wilderness" of over a decade, including the Great Recession of 2008 (with significant repercussions and valuable lessons for the future) and the impact of Covid-19 in 2020, three key questions have arisen: What is LIB today? What should be expected for the most immediate future in terms of operating results and cash generation? And, finally, but perhaps most importantly, what can we expect from LIB in the longer term?

### A) What is LIB today? a unique strategic identity that, despite the difficulties encountered, has remained stable over time

From an enormously simplified point of view, today (2021) LIB should be viewed from three different angles:

A business diversified around 3 areas: i) property, ii) tourism and (iii) financial investment…

- **Activity (despite its small size, it has remained what it was prior to the crisis of 2008).** Today, LIB is still a company in which three different activities co-exist: (i) property (about to begin a new development cycle), (ii) tourism (with potential for growth after the Covid-19 crisis) and (iii) financial investment, an activity that provides enhanced asset diversification, liquidity and profitability. All three activities are core, run independently and co-ordinated by the steering committee.

… with long-term periods of maturity (property and investment) not yet reflected in the P&L

- **Momentum.** Perhaps the most important factor when analysing LIB; why? Because after a decade of difficulties, today LIB is close to recovering a healthy and recurrent development business that will provide it with a P&L that to date has been "invisible" (thanks to the sale of the developments built in 2017-2020).

  Moreover, in recent years, LIB has increased the weighting of private equity investments in its investment portfolio (c. 13% of the market value of the investment portfolio in 1Q21 vs c. 2% in 2015). As private equity investments have a long cycle (5-7 years), their results have yet to be reflected in the company's equity (this should begin to happen from 2021e).

… that appears as a potential reserve of value

- **Equity value (crucial for a company like LIB).** At the 2020 close, the combined net asset value of the investment (EUR 49.2Mn) and tourism (EUR 15.2Mn) areas was EUR 64Mn; an amount that exceeds the Mkt. Cap. (EUR 57.0Mn) at the date of this report. In principle this would appear to be a potential reserve of value, as the market is not assigning a value to the property business (book value of EUR 23.5Mn at the 2020 close and with potential for growth) although net equity does not reflect the possible impact of the two ongoing lawsuits.

### B) And now what? In 2021e the P&L of the property area will emerge (invisible to date)…

The property development business is on the verge of cycle recovery…

In 2017-2020, LIB focused its efforts on rebuilding its housing development business from zero. And, although the impact of Covid-19 has delayed the execution of the title deeds of developments in progress and the start of new developments, we believe the fundamentals of the business remain intact, and that this is now on the point of closing the first housing development cycle restarted after the Great Recession (not visible in the 2020 P&L). Specifically, we highlight:

- **Completed and ongoing developments.** At 1Q21 LIB has a portfolio of pre-sales of c. EUR 16Mn and an additional EUR 9Mn of product for sale that should enter the P&L in 2021e and 2022e. We project the delivery of c. 70 properties in 2021e and c. 60 in 2022e (see table 1 on the following page). This is a considerable step-up in size compared with the number of title deeds executed in 2020 (9 properties).

- **The start of new developments.** LIB has a 11,354 m2 land bank (equivalent to c. 111 second homes) in two assets in Denia and Peñíscola. This will allow the beginning of a new development cycle in the second half of 2021e. Also, we expect regular land purchases to resume that will maintain the business beyond the current developments.

…making it the main driver of revenue growth

The scenario we envisage implies a significant step-up in size for the development business in 2021e, reaching revenue of c. EUR 15.5Mn (vs EUR 1.2Mn in 2020!). However, we estimate a decline in revenue to c. EUR 9Mn in 2023e, at a moment in the cycle marked by the termination of the developments in progress and the start of the new developments (that should enter the P&L from 2024e). This explains why 2024e could reflect in a more normalised way the company's capacity to generate revenue and EBITDA.

### C) ...Enabling the start of a period of sustained (and profitable) growth

**What is the central scenario behind Lighthouse's projections for 2021e-2023e for LIB?** In quantitative terms, we estimate:

2021: a turning point for LIB (EUR 18.4Mn of revenue; +4.7x vs. -1y)…

- **A take-off of revenue...** In our view LIB is at a turning point that should result in revenue of EUR 18.4Mn in 2021e (vs EUR 3.9Mn in 2020), EUR 16.5Mn in 2022e and EUR 13.1Mn in 2023e. And despite the decline in revenues estimated in 2023e (due to a moment in the development cycle of lower revenue), the entry in the P&L of the new developments begun post 2021e should enable LIB to take consolidated revenue above EUR 20Mn in 2024e.

…driving EBITDA (c. EUR 2Mn, vs. losses -3y)

- **... that should generate levels of EBITDA of c. EUR 2Mn.** LIB has a very streamlined cost structure that will allow it to squeeze the most out of the estimated step-up in size in 2021e, driving 2021e Rec. EBITDA to EUR 1.8Mn (EBITDA margin c. 10%; exceeding breakeven for the first time since 2018) while maintaining EBITDA of c. EUR 2Mn in 2022e and 2023e as a result of: (i) an improvement in the gross margin of the development business to 22% in 2023e (vs 18% in 2021e) and (ii) the recovery of pre Covid-19 levels in the tourism business in 2023e.

And maintaining reasonable gearing levels (ND/Assets < 30%)

- **And a comfortable financial position from which to accelerate growth in the three businesses.** We assume LIB's cash generation ability will allow it to maintain ND/Assets below 30% over the estimated period (despite the cash consumption necessary to start a new development cycle the fruits of which will be collected from 2024e).

That should allow LIB to continue to fund growth in its three businesses

LIB's financial position is especially interesting in the current context, as it should allow the company to continue to finance growth in: (i) property, with the start up of new housing development projects (re-initiating regular land purchases), (ii) tourism management, with new establishments under management and (iii) investment, with the ability to carry out new private equity transactions (or increase the volume of investment in equity depending on the opportunities detected).

***Table 1. Main consolidated KPIs (2019-2023e)***

| EUR Mn | 2019 | 2020 | 2021e | 2022e | 2023e |
|---|---|---|---|---|---|
| *Property* | *1.9* | *1.7* | *16.0* | *13.5* | *9.7* |
| *Tourism* | *2.2* | *0.6* | *0.9* | *1.7* | *2.2* |
| *Investment* | *1.5* | *1.6* | *1.5* | *1.3* | *1.3* |
| **Total Revenues** | **5.6** | **3.9** | **18.4** | **16.5** | **13.1** |
| **Gross Margin** | **4.2** | **2.5** | **5.9** | **6.1** | **6.1** |
| *Operating expenses* | *-2.4* | *-1.5* | *-2.1* | *-2.2* | *-2.2* |
| **EBITDA** | **(0.4)** | **(1.1)** | **1.8** | **2.0** | **1.9** |
| Rec. EBITDA/Revenues | *-6.8%* | *-27.2%* | *9.8%* | *12.0%* | *14.5%* |
| **Recurrent Free Cash Flow** | **2.3** | **(3.9)** | **4.4** | **0.0** | **(4.4)** |
| **Net financial debt** | **31.3** | **34.1** | **29.7** | **29.7** | **34.0** |
| | | | | | |
| *Title deeds executed (number of properties)* | *6* | *9* | *72* | *57* | *41* |
| *Inventories (EUR Mn)* | *15.5* | *20.9* | *15.8* | *17.0* | *21.7* |
| *Changes in inventories* | *1.8* | *5.4* | *-5.2* | *1.3* | *4.6* |
| *Dividend yield (investment portfolio)* | *3.3%* | *2.6%* | *3.0%* | *3.5%* | *3.5%* |

### D) In conclusion: A highly diversified group (with three independent areas of activity) about to begin a new cycle

The scenario we envisage for 2021e-2023e clearly shows that LIB has left behind the period spent in the wilderness that began with the Great Recession of 2008. Today, LIB is healthy, profitable and with growth capacity and has nothing to do with what the 2020 P&L reflects. This explains why today the most important factor when analysing LIB is its momentum. Our opinion for 2021e can be summarised in three points:

LIB emerges "today" as a company on the verge of a "step-up" in EBITDA, NP and FCF…

- **Revenue:** EUR 18.4Mn vs EUR 3.9Mn in 2020.
- **EBITDA:** EUR 1.8Mn (EBITDA margin 9.8%) vs EUR -1.1Mn in 2020.
- **Net debt:** EUR 29.8Mn vs EUR 34.1Mn in 2020. With ND/assets (stripping out deferred tax assets) of 27%.

These three points clearly illustrate the change of perspective facing the company.

But given the current moment of the development business (that should begin a new cycle of developments in the second half of 2021e), perhaps it is more interesting to look ahead and ask ourselves what to expect from the company over the longer term.

Beyond 2023e, LIB appears to have a consolidated development business operating at full production capacity, plus a capacity for cash generation and the equity value of the activities of tourism (that we expect to recover pre Covid-19 levels in 2023e) and investment.

…with the "theoretical" capacity to continue in the long term (beyond 2023e)

If we focus on a more normalised year for the development business (like 2024e could be), the numbers point to a Group able to generate revenue of > EUR 20Mn in 2024e (c. 80% associated with the property area) and EBITDA of c. EUR 4.5Mn, that would translate to Recurrent FCF generation of c. EUR 4.5Mn and a Rec. FCF yield of c. 8% (despite an increase in purchases of land to c. EUR 5-6Mn/year vs EUR 2Mn in 2021e; Table 2). Levels with a theoretical capacity for growth thanks to the mere expansion of the development business, the ability to buy land at attractive prices (levering on its know-how in the Valencia region), the generation of synergies (costs and revenue) with the tourism business and potential income from the management and rotation of the investment portfolio (our estimates include cash flow generated by the collection of dividends, but not by the rotation of the portfolio).

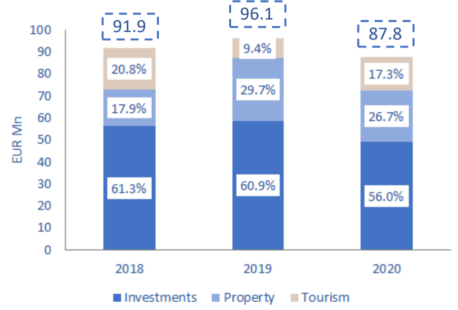
*Table 2. Rec. FCF and Rec. FCF yield (2021e vs "theoretical" 2024e*

| EUR Mn | 2021e | 2024e |
|---|---|---|
| *Property* | *16.0* | *18.0* |
| *Tourism* | *0.9* | *2.5* |
| *Investment* | *1.5* | *1.5* |
| **Total Revenues** | **18.4** | **22.0** |
| **EBITDA** | **1.8** | **4.4** |
| *EBITDA/Revenues* | *9.8%* | *20.0%* |
| **Net Financial Result affecting the Cash Flow** | **(0.7)** | **(0.7)** |
| **Taxes** | **(0.1)** | **(0.6)** |
| *Purchases of new land* | *-2.0* | *-5.5* |
| *Work in progress* | *-5.5* | *-5.5* |
| *Sale of developments* | *12.7* | *14.0* |
| **Property business impact in Cash Flow** | **5.2** | **3.0** |
| **Others affecting the Cash Flow** | **-1.8** | **-1.5** |
| **Recurrent Free Cash Flow** | **4.3** | **4.6** |
| *FCF Rec. yield (%)* | *7.6%* | *8.1%* |

This in itself represents the mainstay of LIB's equity story. A diversified group for which the re-initiation of its property area ("invisible" to date in the P&L) points to a possible step-up in size (and value) in the long term.

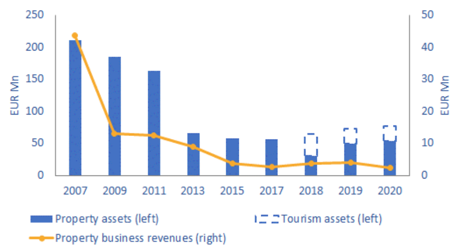
# The group has three businesses: property development, tourism management and financial investment

*Chart 1. Net equity by business segment (2018-2020)*



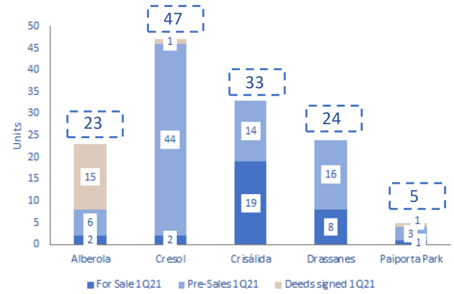

Note: At the 2020 close, LIB held deferred tax assets and liabilities in amounts of EUR 36.8Mn and EUR 13.1Mn, respectively. The net amount (EUR 23.7Mn) amounts to c. 27% of total net equity.

*Chart 2. Assets and revenues of the property business (2007-2020)*




Note: The property area's assets include those destined for tourism rentals until 2018 (when the tourism business began to be reported separately).

*Chart 3. Developments for sale, sold and for which the deeds have been signed (1Q21)*




Libertas 7 (LIB) is a Spanish group based in Valencia that since its origins in 1946 has been closely associated with urban development and property management in the autonomous region of Valencia, an activity complemented by the management of its own assets via shareholdings in listed and unlisted companies (with an investment portfolio at the 1Q21 close valued at EUR 47.8Mn). LIB has been traded on the Spanish Continuous Market under the "fixing" category since February 2021 (having traded since 1980 on the outcry market of the Valencia exchange)

Currently, LIB has three areas of activity run independently (and co-ordinated by the steering committee): (i) property development and management (26.7% of net equity), (ii) tourism management, with 76 rental apartments and the management of a hotel (17.3% of net equity) and (iii) financial investment, via the management of its own assets through investment in stocks and private equity (56.0% of net equity). The Market Cap. at the date of this report is EUR 57.0Mn.

## The property business: rebuilding pre 2008 crisis turnover

The bursting of the Spanish property bubble (2007) and the financial crisis (2008) marked the beginning of a tough and lengthy period of adjustment for LIB's property business (chart 2).

Given the conditions of the property market after the impact of the crisis (and the difficulty the sector had in financing the building of new developments), LIB decided not to launch any new projects during 2013-2017, focusing efforts on: (i) liquidating the stock accumulated during the pre-crisis period (c. 111 homes at the 2013 close) and (ii) reducing debt (2013 ND: EUR 62Mn; c. 45% of assets).

Finally, in 2016 LIB liquidated the last remaining homes of its previous stock, that, together with the recovery of the property market, meant it was able to put three new housing developments up for sale in 2017 and acquire new plots of building land. Today, after a tough restructuring process, LIB's property business is structured around:

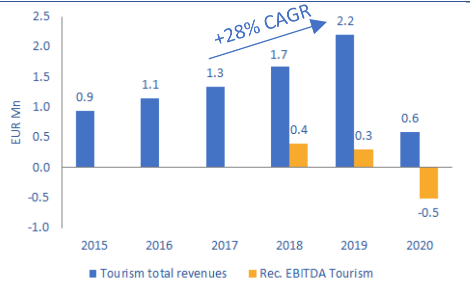
- **Property development:** after the investment stage (2017-2020), LIB is now (2021) about to receive revenue. LIB carries out its development business under the Ficsa brand, focusing on the building of primary residences on shovel-ready land, aimed at clients with mid-level purchasing power within the autonomous region of Valencia.

  As LIB's current portfolio of developments is mainly comprised of projects begun in 2018 (Table 1), the P&L has yet to reflect the results of the associated commercial activity (this will have to wait for 2021e results). At the 1Q21 close, the pre-sales portfolio of LIB's four developments amounted to EUR 16Mn, that should boost the P&L in coming quarters.

  In addition, LIB has product for sale for a further EUR 8.9Mn (chart 3) and 11,354m2 of shovel-ready land in two assets (Denia and Peñíscola, with a book value of EUR 3.1Mn) on which it intends to begin building second homes (c. 120) once market expectations improve (after Covid-19).

- **Property management:** a source of recurrent revenue and EBITDA. LIB manages a portfolio of proprietary rental assets comprising commercial premises and offices in the city of Valencia (2020 book value: EUR 17.3Mn). This activity has generated stable income in the last five years although the impact of Covid-19 reduced these in 2020 to EUR 0.5Mn (vs EUR 0.6Mn in 2019; c. -20%).

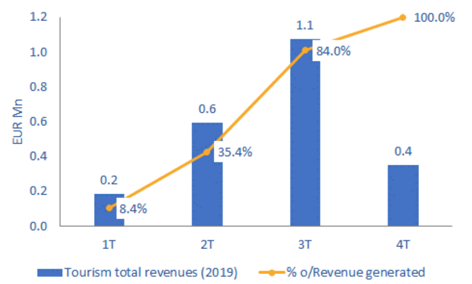
### *Chart 4. Tourism: Revenues and EBITDA (2015-2020)*



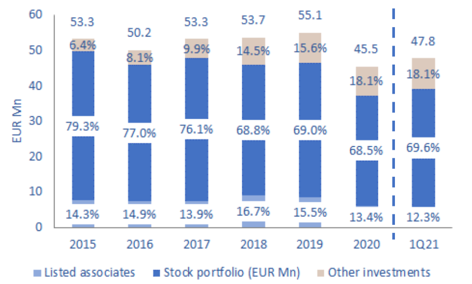

Note 1: In July 2018 LIB incorporated the Sea You Hotel Port Valencia (under the management modality).

Note 2: Recurrent EBITDA does not include the impact of the restatement of the Port Saplaya buildings (EUR 2.3Mn in 2019 and EUR 2.9Mn in 2018).

### *Chart 5. Tourism business revenues seasonality (2019)*

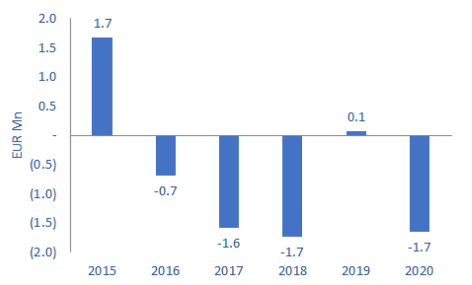



### *Chart 6. Performance of the investment portfolio at market value (2015-1Q21)*




Note: The market value of the investment portfolio does not include the portfolio's liquidity.

### *Chart 7. Impact on the P&L of equity accounted profit and loss (2015-2020)*




Note: The EUR 1.7Mn loss in 2020 was generated mainly by LIB's stake in Adolfo Domínguez. In 2021 Adolfo Domínguez ceased to be consolidated by the equity method.

## Tourism: a profitable business with growth potential (after Covid-19…)

LIB has three apartment blocks (76 apartments, 410 beds) on the beach front (Port Saplaya; 3kms from the Valencia city centre) that it operates under a rental regime. This activity is directly associated with domestic and foreign tourism with revenues being highly concentrated in the third quarter of the year (in 2019, c. 50% of revenue was generated in the third quarter; chart 5).

In addition, since July 2018, LIB has run (under a rental regime) the Sea You Port Valencia hotel in the historical port of the city of Valencia. The hotel has 42 rooms and 100 beds, aimed at business and leisure travellers using the same sales channels as those used for the management of its tourist apartments. This should generate cost synergies (while also helping to reduce the pronounced seasonality of the tourism business by diversifying its positioning beyond sun and sand tourism).

The incorporation of hotel management in 2018 plus the positive trend for the Spanish tourism sector (in 2019, Valencia recorded a new record number of arrivals) meant LIB's tourism business saw a +28.2% CAGR in turnover in 2017-2019, with revenue of EUR 2.2Mn (c. 40% of consolidated revenue in 2019). However, in 2020 the restrictions imposed to control the pandemic hit this business head on, reducing revenues by -73%.

In conclusion, this is a local business (Valencia) of which LIB has significant experience (its origins date back to 2000), with growth potential (the performance in 2017-2019 serving as an example; chart 4) and appropriately sized (with the ability to generate an EBITDA margin of, at least, c. 15%). Finally, only a small part of these properties (valued at EUR 20.4Mn at the 2020 close) are mortgaged as collateral for loans granted to LIB (EUR 1.8Mn). This makes this property investment a potential source of financing via sale or leveraging.

## Investment: this area provides greater asset diversification of assets (reducing group risk), liquidity and profitability

At the 1Q21 close, LIB managed assets valued at EUR 47.8Mn (chart 6 and table 1) mainly through investment in stocks and associates/private equity. LIB has a mid- and long-term investment philosophy, based on fundamental analysis, with its own team of analysts (comprised of four senior analysts and a head of investment).

### *Table 1. Performance of the investment portfolio at market value (1Q21 vs 2020)*

| EUR Mn | 2020 | 1Q21 | Purchases | Sales | Valuation diff. | Dividends | Performance |
|---|---|---|---|---|---|---|---|
| *Adolfo Dominguez* | *4.3* | *4.1* | *0.0* | *0.0* | *-0.2* | *0.0* | *-5.3%* |
| *Finanzas e Inversiones Valencianas* | *1.8* | *1.8* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0%* |
| **1 Listed associates** | **6.1** | **5.9** | **0.0** | **0.0** | **-0.2** | **0.0** | **-3.8%** |
| **2 Stock portfolio** | **31.2** | **33.3** | **1.1** | **-2.8** | **2.1** | **0.1** | **12.1%** |
| **3 Private equity** | **5.8** | **6.2** | **0.4** | **0.0** | **0.0** | **0.0** | **0.0%** |
| *Cleop* | *1.3* | *1.3* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0%* |
| *El Portal de Valldigna* | *1.1* | *1.1* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0%* |
| *Others* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0%* |
| **3 Permanent investments** | **2.5** | **2.5** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0%** |
| **Total investment portfolio** | **45.5** | **47.8** | **1.5** | **-2.8** | **1.9** | **0.1** | **7.8%** |

Within LIB's investment portfolio, we would highlight:

1 **Listed associates (12.3% of the total portfolio).** Companies that are carried by the equity method (and so impact on the P&L; chart 7). In the past (pre-2012), investments in associates represented a very large percentage of LIB's assets under management (c. 80% in 2007), with large stakes in listed companies such as Banco de Valencia, Cleop, Prisa, and Adolfo Domínguez. All these companies were badly hit by the 2008/2011 crisis. This caused a very significant reduction in LIB's assets under management (c. EUR 50Mn in 2016 vs c. EUR 580Mn in 2007).

Today, shareholdings in listed associates only account for 12.3% of the assets under management. Explained essentially by the stakes in: (i) the textile group Adolfo Domínguez (ADZ.MC), with a shareholding of 10.3% held through 954,259 shares valued at EUR 4.1Mn at the 1Q21 close (c. 70% of the market value of the portfolio of associates) and (ii) Finanzas e Inversiones Valencianas, a company whose main asset is a 26.78% stake in LIB's capital.



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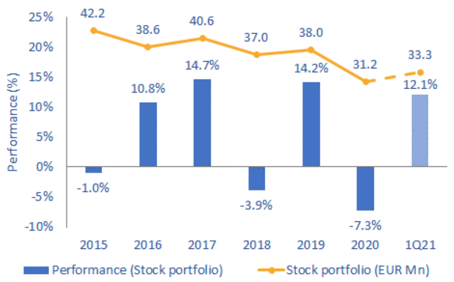
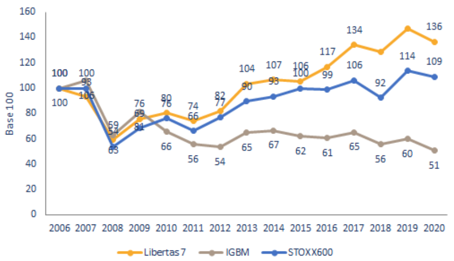
### *Chart 8. Annual Return on the equity portfolio (%) and market value (EUR Mn)*



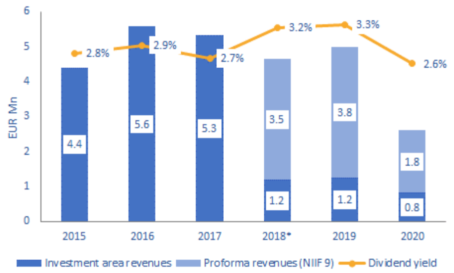

Note: The assets and profitability of the equity portfolio do not include the return on listed associates.

### *Chart 10. Annualised return on the equity portfolio (Base 100 = 2006)*



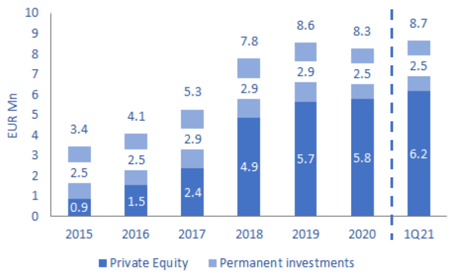

Returns calculated on the value of the portfolio at the start of each period plus capital inflows (regardless of their date of inclusion in the portfolio).

### *Chart 11. Investment area proforma revenues (2015-2020)*




Note: Since 2018, as a result of the application of IFRS 9, LIB has chosen for most of its portfolio the irrevocable option of reporting under "other global profit and loss" the subsequent changes in fair value. This means that profit and loss from the sale of financial assets is reflected directly in net equity (and not in P&L like revenue). Since 2018 investment area revenue corresponds mainly to the collection of dividends.

### *Chart 12. Private Equity and other permanent investments (2015-1Q21)*



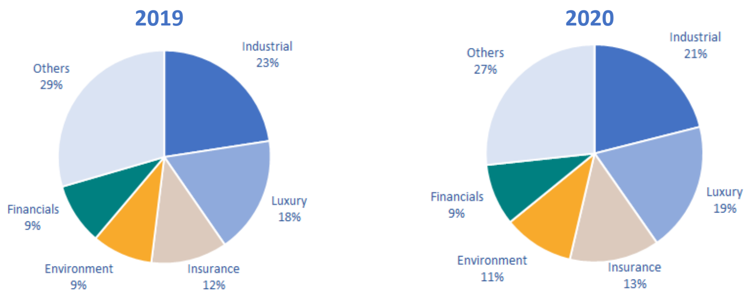

In April 2021, LIB left the board of Adolfo Domínguez which means the investment is no longer consolidated by the equity method (from 2021 fluctuations in the fair value are recorded under net equity; with no impact on the P&L).

❷ **Stocks (69.6% of the total portfolio).** Direct investment in stocks and shares, on regulated markets, with daily liquidity and with a mid- and long-term investment horizon. A portfolio valued at EUR 33.3Mn at the 1Q21 close (chart 8) and that provides diversification of assets (chart 9), liquidity and profitability (via dividend collections and portfolio rotation; chart 11).

Also, although there is no geographical restriction (investment decisions are based solely on fundamental value**)**, at present c. 80% of the equity portfolio is invested in euros, c. 14% in USD and the rest in GBP and CHF and only 20% of the revenues generated by the companies in the portfolio depend on the Spanish macro scenario.

At the FY 2020 close, the equity portfolio was diversified among 51 stocks, with the 10 principal positions accounting for c. 45% of the whole portfolio.

### *Chart 9. Distribution of the equity portfolio by sector (2019-2020)*




Regarding the performance of LIB's equity portfolio, we need to separate two basic ideas:

- **The efficacy of management in terms of return.** From 2006-1Q21 the annualised return on the equity portfolio represented a CAGR of 3.4% (vs 1.4% for the Stoxx 600 and -3% for the IGBM). From 2015-1Q21 the annualised return was a CAGR of 7.5% vs 3.4% for the Stoxx 600.

  In 2020, against an especially atypical and volatile market backdrop, the return on the equity portfolio was -7.3% (vs -4% for the Stoxx 600 and -15.3% for the IGBM). The return includes EUR 0.8Mn in dividend income (portfolio dividend yield of c. 2.6% in 2020 vs a -5y average of 3%; chart 11).

- **The volume of assets under management in the equity portfolio.** Despite the positive return accumulated over 2015-1Q21, the assets under management of the equity portfolio declined from EUR 42.2Mn in 2015 to EUR 31.2Mn in 2020 (chart 8). For two reasons: (i) disinvestments for reasons of liquidity (not reflected in the value of the investment portfolio) and (ii) the change of mix towards other investments (mainly private equity, in order to create a long-term group of corporate shareholdings that generate returns and liquidity).

❸ **Private equity and other permanent investments (18.1% of the total portfolio).** At the 1Q21 close, LIB had a private equity portfolio valued at EUR 6.2Mn (13% of the total portfolio vs 1.7% in 2015; chart 12) comprised of: (i) investments in generalist funds (c. EUR 5.3Mn) with a remit to buy shareholdings in mid-size Spanish companies in industrial or service sectors with a long-term investment horizon (> 5 years) and (ii) its own investment vehicle specialised in private equity (Amaltheia Nature; focused on the agri-food sector) through which it holds a large shareholding in Via Nature Juices and Beverages (7.5% of capital; valued at EUR 0.9Mn).

Finally, LIB holds "other permanent investments" worth EUR 2.5Mn (5.2% of the total portfolio; chart 12) mainly comprising investments with low liquidity such as : (i) a 7.3% interest in Cleop (a company that has been suspended from trading but that is running its business normally; book value of EUR 1.3Mn) and (ii) a 12.9% stake in El Portal de Valldigna (valued at EUR 1.1Mn), a company controlled by LIB's founding family (owner of 5.1% of Finanzas e Inversiones Valencianas that in turns owns 26.78% of LIB's capital).

## Strategic sense: Why do these three areas exist together under the same umbrella?

Now there is only one question: What is the strategic sense of LIB's current structure? In our opinion, the main reasons that explain this are:

- **An historical reason...** since its origins as a family firm in 1946 LIB has been associated mainly with two activities: (i) property development, through the Ficsa brand (that, together with other shareholders, has developed the Port Saplaya residential community; where the 76 apartments that currently comprise the tourism business are located) and (ii) financial, with stakes in the share capital and a presence on the board of directors of various companies, especially Banco de Valencia and El País (Grupo Prisa) since the 70s.

  As a result of the market listing of Grupo Prisa in 2000, LIB decided to directly reinvest the capital obtained from the public share offering in large stakes in companies and a diversified equity portfolio, this being the origin of the investment area as it is today.

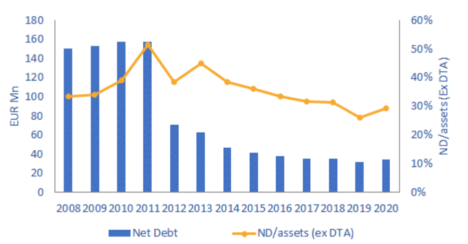
- **... together with the possibility of generating synergies between the property development and tourism management businesses...** The development business provides critical mass but it takes time from the start of projects until these begin to generate revenue and FCF. Accordingly, the property rental and tourism management businesses not only generate profits for the company's property investments (valued at EUR 37.7Mn at the 2020 close) through the income obtained from their rental activity (c. EUR 1.9Mn in 2019), but also enhance the stability and recurrence of the P&L (until the results of the development business materialise).

- **... and the diversification of assets, liquidity and profitability provided by the investment area.** The diversification of the investment portfolio reduces LIB's dependence on both the property cycle and the Spanish market. And also provides high liquidity (c. 80% of the assets under management are invested in listed equity holdings).

  This increases LIB's ability to react to generate portfolio returns and profits (what happened in 2020 is an example, with a portfolio rotation of c. 62%).

## Maintaining a bearable level of debt (that should allow LIB to continue to fund growth in its three businesses)

*Chart 13. Net Debt and ND/Assets (2008-2020)*




Note: Net Debt/assets (ex DTA) excludes the impact of deferred tax assets (EUR 36.8Mn) from total assets.

Net debt/assets peaked in 2011 (c. 50%) forcing the company to resort to the dation in payment of properties for c. EUR 13Mn in 2012 and to dispose of rental assets in order to acquire a "property dimension" more attuned to the market reality at the time (chart 13). Currently, debt levels are much more reasonable, with 2020 ND of EUR 34.1Mn (ND/assets-ex deferred taxes of 29.3%).

By business, the gross debt of the property and tourism areas (EUR 24.5Mn; chart 14) corresponds to: (i) mortgages on property investments (EUR 7.6Mn), (ii) mortgages on developments in progress for a total limit of EUR 9.0Mn (EUR 1.6Mn corresponds to long-cycle work in progress, EUR 5.3Mn to short-cycle work in progress and EUR 2.1Mn to mortgages on stocks of buildings built under a rental regime with maturities until 2051) and (iii) EUR 7.9Mn in loans and credit facilities. Finally, in the investment area, LIB has a total of EUR 21.2Mn in credit lines (EUR 19.7Mn drawn down in 2020; Table 2).

*Chart 14. Gross Debt by business and Net Debt (2015-2020)*

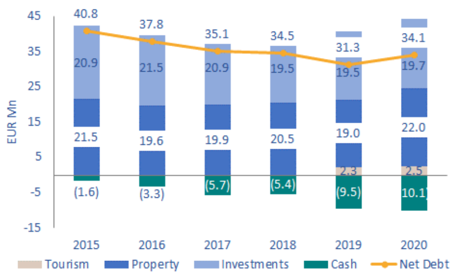
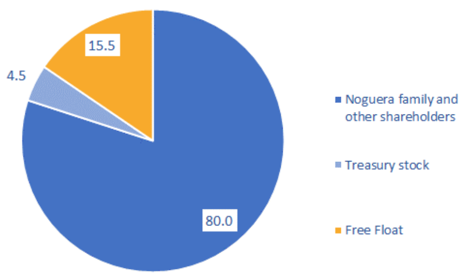



*Chart 15 . Shareholder structure (2020)*




Note: The Noguera family and other controlling shareholders hold interests in Libertas 7 in three ways: 1) the Noguera family's direct shareholding (29.7%), 2) the direct shareholding of Fundación Libertas 7 (23.6%), and 3) the direct shareholding of Finanzas e Inversiones Valencianas (26.8%), a company listed on the Valencia stock market and controlled de facto by the Noguera family.

*Table 2. Debt maturities by business (2020)*

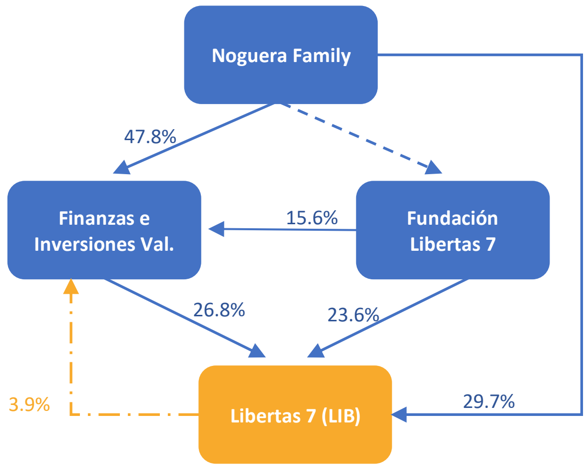
| | | | Maturity | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **EUR Mn** | **Limit** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **Subsequent** | **Total L/T** |
| Tourism | 2.5 | 2.5 | 0.9 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 1.6 |
| Property | 22.0 | 22.0 | 10.2 | 3.6 | 1.6 | 2.8 | 0.9 | 2.8 | 11.8 |
| Investments | 21.2 | 19.7 | 6.7 | 0.0 | 9.9 | 0.0 | 3.1 | 0.0 | 12.9 |
| Accrued interest | (0.0) | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | - | - | 0.0 |
| **Total** | **45.7** | **44.2** | **17.9** | **4.0** | **11.9** | **3.1** | **4.2** | **3.1** | **26.3** |

In our opinion, LIB has a good balance sheet position from which to continue financing growth in: (i) property, with the start up of new second home residential development projects (on a shovel-ready land bank of 11,354m2 in Denia and Peñíscola), (ii) tourism management, with new establishments under management and (iii) investment, providing the ability to react to carry out new private equity transactions or increase the volume of investment in equity.

## A shareholder structure that maintains the family character (and its commitment to group requirements)

The Noguera family (founders of LIB) is the de facto owner of LIB, directly and indirectly controlling c. 70% of capital (Table 3) and management of the company (with 4 of the 8 seats on the board, including the Chair and CEO).

*Table 3. Noguera family interest hold in LIB*




The controlling shareholders have not changed in the last 15 years and seem to be in it for the long run. Changes to the shareholder structure are not, a priori, a factor to take into account although the company has treasury stock of close to 4.5% of capital (that could be used to generate liquidity, if necessary, that would allow LIB to increase the free float to c. 20%).

The control of the Noguera family guarantees, in principle, an alignment of interests with those of minority shareholders.

## In conclusion, a unique strategic identity that, despite the difficulties encountered, has remained stable over time

From an enormously simplified point of view, today (2021) LIB should be viewed from three different angles:

- **Activity (despite its small size, it has remained what it was prior to the crisis of 2008).** Today, LIB is still a company in which three different activities co-exist: (i) property (about to begin a new development cycle), (ii) tourism (with growth potential after the Covid-19 crisis) and (iii) financial investment, an activity that enhances asset diversification (both by sector and geography), liquidity and profitability**.** All three activities are core, run independently and co-ordinated by the steering committee.

- **Momentum.** Perhaps the most important factor when analysing LIB, why? Because after over a decade of difficulties (the big financial crisis of 2008 and Covid-19 in 2020), today (2021) LIB is close to recovering a healthy and recurrent development business that will provide it with a P&L that to date has been "invisible" (thanks to the sale of the developments built in 2017-2020).

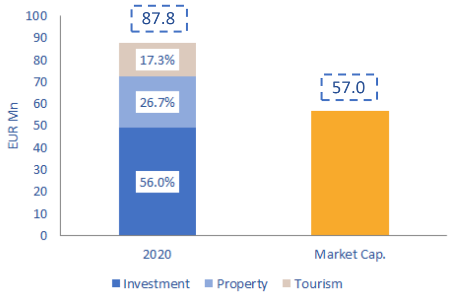
  To give some context, at the 1Q21 close, the pre-sales portfolio amounted to EUR 16Mn (vs revenue of EUR 1.2Mn in 2020). Most of the deeds of this pre-sales portfolio will be executed in 2021 (for further details see the financial analysis section of this report), that should allow a new development business cycle to begin in 2022e (and accelerate growth).

  Moreover, in recent years, LIB has increased the weighting of private equity investments in its investment portfolio (c. 13% of the market value of the investment portfolio in 1Q21 vs c. 2% in 2015). As private equity investments have a long cycle (5-7 years), their results have yet to be reflected in the company's equity (this should begin to happen from 2021e).

- **Equity value (crucial for a company like LIB).** At the 2020 close, the combined net asset value of the investment (EUR 49.2Mn) and tourism (EUR 15.2Mn) areas was EUR 64Mn. An amount that exceeds the current Mkt. Cap (EUR 57.0Mn). In principle this would appear to be a potential reserve of value, as the market is not assigning a value to the property business (book value of EUR 23.5Mn at the 2020 close and with potential for growth).

  Although today the total net equity value (chart 16: c. EUR 88Mn) depends largely on: (i) the valuation of the tax assets and liabilities (EUR 23.7Mn) and of their recoverability, (ii) an investment portfolio whose positions are heavily penalised by the market and that might not reflect the "fruits" of the asset rotation carried out to take advantage of market volatility in 2020, (iii) the positive impact that could come from reversals of impairments (LIB has impaired plots of building land in an amount of c. EUR 6Mn) and (iv) the definitive ruling on the two lawsuits in progress (LIB has offered assets by way of a guarantee that has yet to be executed in an amount of EUR 13.5Mn; for further details see the 23 of this report).

***Chart 16. Net equity by business segment (2020) vs Market Cap***




Note 1: At the 2020 close, LIB held deferred tax assets and liabilities in amounts of EUR 36.8Mn and EUR 13.1Mn, respectively. The net amount (EUR 23.7Mn) is c. 23.5% of total net equity. Net equity stripping out deferred tax assets and liabilities amounts to EUR 64Mn.

Note 2: The market value of LIB's total investment portfolio amounted to EUR 47.8Mn at the 1Q21 close (vs a book value of EUR 43.3Mn at the 2020 close).

Note 3: As part of one of two ongoing lawsuits, LIB has offered a guarantee of assets worth EUR 13.5Mn (15.3% of 2020 net equity). As at the date of this report the guarantee offered has not yet been executed, 2020 net equity does not include the possible impact of this execution.

# Exposure to the property business and tourism, two sectors impacted by the pandemic but already in recovery

LIB's three business lines (property, tourism management and investment) are all highly cyclical and have been impacted to a greater or lesser extent by the Covid-19 crisis that erupted in 2020.

Despite the significant importance of the investment area for LIB in terms of revenue and net equity (c. 38% and 56% of the total in 2020), its results depend largely on: (i) the management team's ability to generate returns (a factor independent of the nature of any sector) and (ii) the volatility of the stock market itself (c. 80% of the total investment portfolio). There is no competitive exposure to the asset management business as this area manages the company's own investment portfolio.

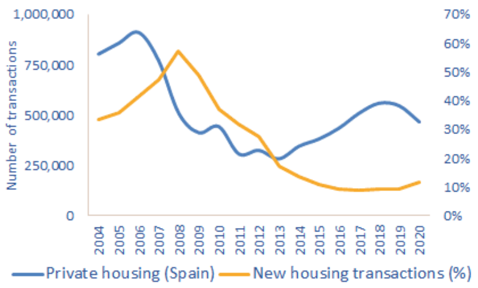
So, from a sector viewpoint, we focus the contents of this section on the property and tourism businesses.

## The Covid-19 crisis has increased economic uncertainty in two key sectors for LIB (property development and tourism)

The property business generated c. 43% of group revenue in 2020 (c. 35% pre-Covid) with c. 70% coming from the development activity, whose turnover has also been affected by Covid (-10.9% y/y; with -19.9% y/y in rental revenues). A business strategy centred in the short term on "primary residences" has moderated the impact.

Conversely, the tourism business has been hit the hardest by the Covid-19 crisis. The incorporation of hotel management in 2018 resulted in a +28.2% CAGR 2017-2019 in turnover, contributing c. 40% of group revenue in 2019. The restrictions to control the pandemic resulted in a sharp drop in revenues (c.- 73% y/y; reducing its weighting to 17% of consolidated revenues).

***Chart 17. Private housing transactions vs. % new housing transactions (Spain)***



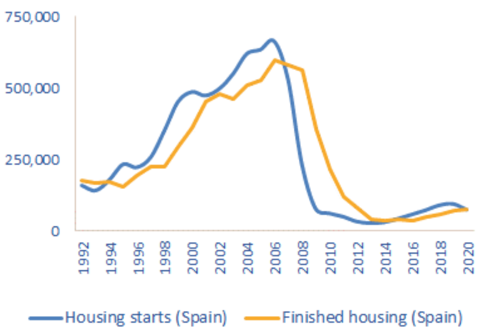

Source: Transport, mobility and urban agenda ministry

## And now what? The property development sector, impacted by the previous financial crisis,…

The financial crisis (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). As a result of this crisis, c. EUR 51Bn of assets (c. 200,000 toxic assets owned by the banks; 20% property) were transferred to the SAREB ("bad bank") which retains c. 60% of these assets.

It wasn't until 2017 that the residential property development sector began to recover, underpinned by stronger economic growth vs. the Eurozone and a gradual increase in demand, initially fuelled by second-hand assets (new homes represented c. 10% of transactions in 2017; chart 17).

***Chart 18. Housing starts vs. finished housing (Spain)***




Source: Transport, mobility and urban agenda ministry

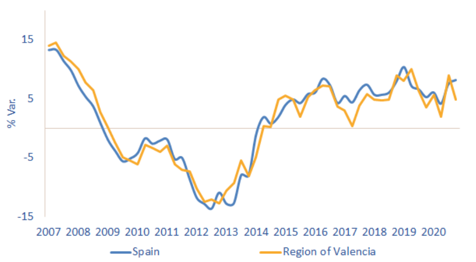
The smaller supply of property (enabling the off-plan selling of the bulk of the developments initiated), together with the economic improvement pre-Covid (average affordability ratio for buying a home of c. 7x gross annual salary; 7.3x in 2020) has driven up house prices (albeit unevenly). Building permits for private housing starts granted in 2017 totalled c. 75.000 units (c. 10% vs. pre-Lehman crisis levels), growing at a CAGR of 14% +2y (c. 96,000 units in 2019). The autonomous region of Valencia has performed in line with the national sector, with housing starts representing an average of c. 11% of the national total -5y (vs. c. 14% in 2007).

## …faces the current crisis with a healthier balance sheet

Unlike the previous crisis (caused by surplus supply and hyper-indebtedness in the sector, leading to the bankruptcy of many players), the current crisis (Covid-19) sees the sector in a healthier position. The credit crunch after the financial crisis has led to a more solvent profile of developer and the reduction of project risk (LIB's projects are mainly for primary residences, with higher visibility and lower credit risk).

In addition, a structural change has occurred in the sector with land passing into the hands of non-natural holders (SAREB, banks,…) whose main target has been to divest, enabling the entry of venture capital into the sector.

*Chart 19. Private housing prices (%) (Spain vs. autonomous region of Valencia)*




Source: INE and Transport, mobility and urban agenda ministry

## Sustainable growth more in line with demand is likely

The number of housing starts declined to c. 76,000 in 2020 (c. -21% y/y; c. 9,000 in the autonomous region of Valencia, -17% y/y) due to the Covid crisis. This level remains well below the highs reached pre-Lehman crisis (c. 600,000), and below expected growth in demand.

The INE (national statistics institute) points to a CAGR of +0.4% +15y in the number of homes at the national level, led by the Balearic and Canary Islands, Murcia and Madrid (CAGRs 0.6% - 0.8%), with growth in the autonomous region of Valencia (LIB's market) in line with the national trend. According to APCE (the Spanish Association of Builders and Developers), prior to Covid between 120,000 and 150,000 new homes would need to be built per year to satisfy demand, a figure that may seem high when compared to the building of c. 70,000 homes/year projected by the national statistics institute. SEOPAN (the Association of Infrastructure Contractors and Concessionaires) envisages an expansive post-Covid cycle (+8.5% and +12% respectively in 2021 and 2022 for house building, offsetting the 16% decline in 2020).

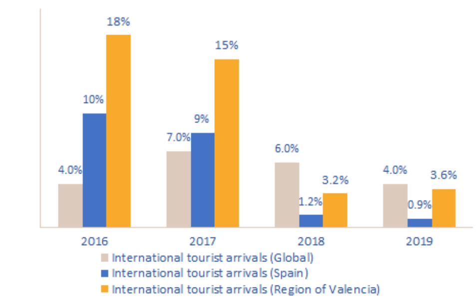
## The current scenario favours sector concentration and the search for alternative financing

The sector's main obstacle is still access to capital (made more difficult by the regulation of credit entities) with access to other sources of funding being critical. This situation is favouring sector concentration (such as the recent merger of the listed company Neinor Homes with Quabit; 2Q21), and new ways of accessing the capital market cannot be ruled out (requirement for sustainable projects, good governance practices and greater management transparency).

In the sector, the ROCE is crucial, this being dependent on project margins, cost efficiency and asset rotation (associated with the ability to renew the land bank). Precisely, the ability to expand the bank of shovel-ready land at a reasonable price, together with project execution periods and regulatory uncertainty (urban development, time to materialisation,…) are the sector's main challenges.

Leading players at the national level include the listed companies Realia, Metrovacesa, Aedas Homes and Acciona, and unlisted companies such as Vía Celere, Habitat, Kronos Homes and Amenábar, among others.

*Chart 20. International tourist arrivals (y/y) (global, Spain and autonomous region of Valencia)*

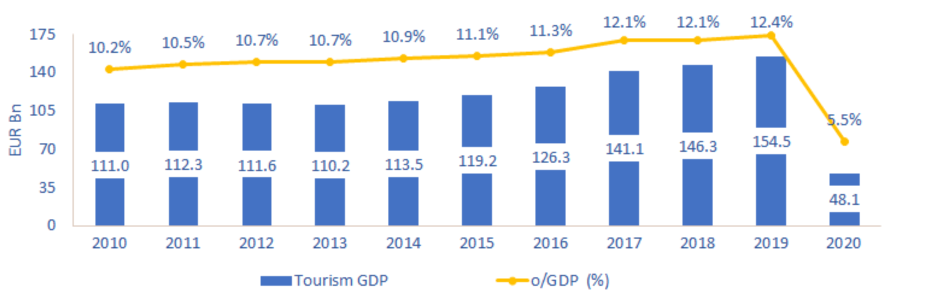



Source: World Turism Organization INE

## The tourism sector is a strategic industry for Spain and one that is growing (before Covid)…

Tourism is a mainstay of the national economy, due to the inter-sector multiplier effect of tourism spending. Its contribution to the GDP has been rising since the middle of the last decade, reaching 12.4% in 2019 (vs. an average of 10.5% 2010-2015; chart 21) and contributing c. 16% of national employment.

*Chart 21. Tourism GDP (EUR Bn) and contribution to the GDP (%))*




According to the WTO, Spain ranks second in number of tourist arrivals (83.5 million in 2019), behind France. 2019 (pre-Covid) saw a slowdown in growth in tourist numbers globally (4%, -2p.p. vs 2018), due to uncertainty arising from Brexit, geopolitical and trade tensions at a global level and economic deceleration. This situation was made worse by the bankruptcies of the UK giant Thomas Cook and of several small airlines (California Pacific Airlines, Flybmi, Wow Air, Jet Airways….).



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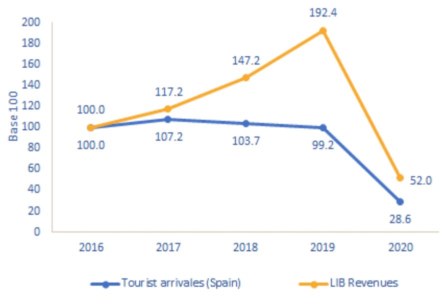
*Chart 22. Tourist arrivals in Spain vs LIB revenues (Tourism area; 2016-2020)*




Source: LIB and INE

*Chart 23. RevPAR of the autonomous region of Valencia (2019, 2020 and 2021)*


Note: RevPAR = Revenue Per Available Room.
Source: INE

At the domestic level, the autonomous region of Valencia, where LIB carries out the bulk of its activity, ranks third among Spanish regions by international tourist arrivals. It receives c. 11% on average of annual Spanish tourist arrivals.

The autonomous region of Valencia was not impacted by the international scenario's turbulence in 2019 (+3.6% y/y in tourist arrivals, +0.4p.p. vs. 2018; vs. +0.9% y/y at the national level, -0.3p.p. y/y). That year, LIB's tourism revenues increased by 30.7% y/y.

### …with 2019 levels unlikely to be recovered before 2023e

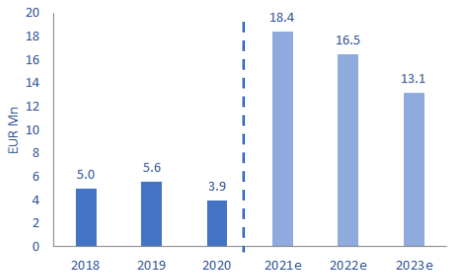
The Covid-19 pandemic has hit the tourism industry head on, this ending 2020 with a slump of -73.3% in tourist arrivals, reducing its contribution to the national GDP to 5.5% (-6.9p.p. y/y; EUR 48.1Bn). The autonomous region of Valencia received c. 13.4% of the foreign tourists (+2p.p. y/y).

The restrictions on mobility imposed as a result of the pandemic reduced the region's hotel occupancy by -63.5% y/y (with a drop of -76.2% in foreign tourists), taking RevPAR (Revenue Per Available Room) well below pre-Covid levels (chart 23). The industry's high seasonality (concentration of activity in the peak season) increases its dependence on mass tourism, hindering business sustainability (exposure to the calendar of the state of alarm declared in 2020, loss of Easter in 2021,…).

After weak tourism activity in 1H21 (c. -75% vs. 2019), a gradual recovery is likely (2H 2021), with the peak season being extended. Even so, EXCELTUR (an association for tourism excellence) estimates that the industry's contribution to the GDP in 2021 will be c. -50% vs. 2019, delaying the sector's recovery until 2023.

## After a long period "in the wilderness" (2008-2020), the property area's P&L has finally emerged in 2021e (up to now "invisible")

*Chart 24. Consolidated revenues (2018-2023e)*



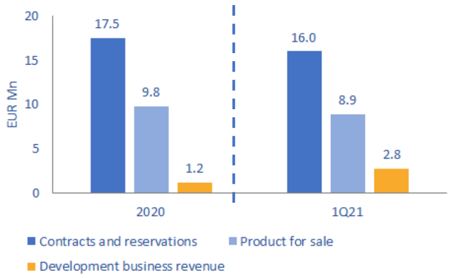

The financial crisis that began in 2008 had two major consequences for LIB: (i) a significant reduction in the market value of its investment portfolio (c. -90% in 2015 vs 2007, mainly due to the loss of value of its shareholding in Banco de Valencia) and (ii) low levels of activity in the property market (hit by surplus supply and the credit crunch), with a new expansive stage of the cycle having to wait until 2017.

Once the impact of the financial crisis had been overcome, LIB's efforts in 2017-2020 focused on: (i) re-initiating the housing development cycle (building new developments from 2018 and acquiring new plots of building land), (ii) growing the tourism activity (incorporation of management of the Sea You Port Valencia hotel in 2018) and (iii) increasing the value of the investment portfolio by managing the equity portfolio and starting to invest in private equity (c. 13% of the portfolio in 1Q21 vs c. 2% in 2015). Three long-term strategic decisions whose results should begin to be visible as early as 2021e (although the tourism activity will have to wait until 2023e to return to 2019 levels).

Now, after this long period "in the wilderness" (and the impact of Covid-19 in 2020), two key questions arise: first, what can be expected in terms of operating results and cash flow generation for LIB in the near term? And, second, but perhaps more importantly, what can we expect from LIB in the longer term?

### 2021e-2023e: the development business will drive revenue (a lot). That should mark the start of a new property cycle for LIB

*Chart 25. KPIs of the housing development business (1Q21 vs 2020)*




In 2017-2020, LIB focused its efforts on rebuilding its housing development business from scratch. And, although the impact of Covid-19 has delayed the execution of the title deeds of ongoing developments and the start of new developments, we believe the fundamentals of the business remain intact, and that this is now on the point of finishing the housing development cycle that had been re-initiated after the great recession (not visible in the 2020 P&L). This will mean a large step-up in the revenue generated by the property business (c. 90% of estimated revenue for 2021e vs c. 40% in 2020; chart 24).

*Table 4. Deliveries target for ongoing developments*

| Ongoing developments | Location | BCC* | Number of homes | Homes sold | Deliveries 2020 | Deliveries 2021e | Deliveries 2022e | Deliveries 2023e |
|---|---|---|---|---|---|---|---|---|
| Paiporta Park** | Paiporta | Obtained | 10 | 60.0% | 5 | 5 | 0 | 0 |
| Alberola | València | Obtained | 23 | 91.3% | 3 | 20 | 0 | 0 |
| Cresol | València | Obtained | 47 | 93.6% | 0 | 47 | 0 | 0 |
| Drassanes | València | 2Q 2022 | 24 | 66.7% | 0 | 0 | 24 | 0 |
| Crisálida | València | 2Q 2022 | 33 | 42.4% | 0 | 0 | 33 | 0 |
| Project I | ¿Denia? | 4Q 2023 | 26 | 0.0% | 0 | 0 | 0 | 26 |
| Project II | ¿Denia? | 2024 | 26 | 0.0% | 0 | 0 | 0 | 0 |
| Project III | ¿Peñíscola? | 4Q 2023 | 30 | 0.0% | 0 | 0 | 0 | 15 |
| Project IV | ¿Peñíscola? | 2024 | 29 | 0.0% | 0 | 0 | 0 | 0 |
| Total homes | | | 248 | | 8 | 72 | 57 | 41 |

* BCC = Building Completion Certificate.
** In 2017 and 2018 the development was offered for rent with a purchase option.

Currently, LIB continues to liquidate old stock (Paiporta Park, offered for rent with a purchase option in 2017 and 2018) and to execute the title deeds on the Edificio Alberola and Residencial Cresol developments, both of which were begun in 2018 and completed in 2020, with pre-sales of over 90% at the 1Q21 close (that should allow LIB to deliver both developments during 2021e). As regards ongoing work, we would highlight that: (i) at the 1Q21 close the Edificio Drassanes was 30% completed with 66% of pre-sales and (ii) the Edificio Crisálida was 20% completed with 42% of pre-sales. This suggests 100% of Drassanes and Crisálida will be delivered in 2022e (Table 4).

*Chart 26. Development business revenue vs number of properties for which the title deeds have been executed (2018-2023e)*

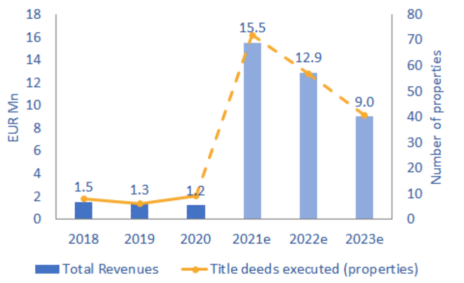
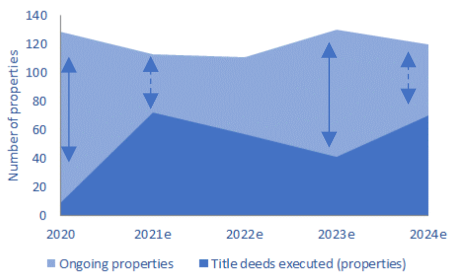



*Chart 27. Number of properties for which the title deeds have been executed vs ongoing properties (2020-2024e)*




The number of ongoing properties includes the beginning of the Denia and Peñíscola developments (111 homes) between 2022e and 2023e. We have also assumed that in 2023e and 2024 LIB will begin to build new developments with a total of 120 homes (60 each year).

*Chart 28. Revenue Mix (2018-2023e)*

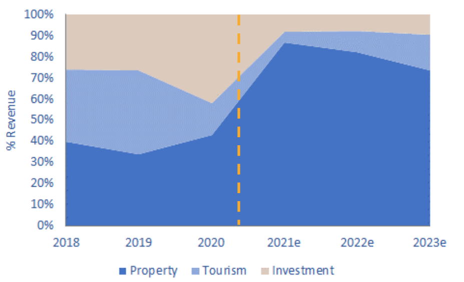



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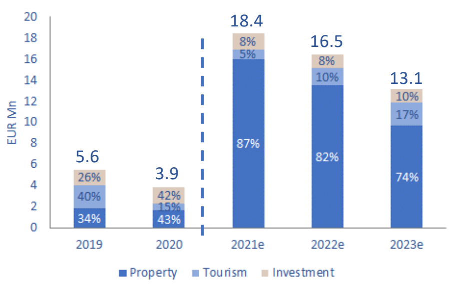
*Chart 29. Consolidated revenues by business line (2019-2023e)*




Note: Investment area revenue exclusively includes our estimate of the dividends generated by LIB's investment portfolio.

All told, LIB's portfolio of contracts and reservations amounted to EUR 16Mn at the 1Q21 close, plus EUR 8.9Mn of product for sale (chart 25). As a result, we estimate a significant rebound in the number of homes delivered in coming years as LIB re-activates its property development business (chart 26). We estimate that in 2021e LIB will deliver all the remaining Paiporta stock and the Alberola and Cresol developments (72 homes; vs 9 in 2020), executing the title deeds for Drassanes and Crisálida in 2022e (57 homes). This would use up 100% of the current developments and mark the re-initiation of regular land buying activity.

What about 2023e? As LIB has a 11,354 m$^2$ land bank (equivalent to c. 111 second homes) in two assets in Denia and Peñíscola, our estimates go beyond the current developments and we project the beginning of a new development cycle in the second half of 2021e. A new cycle that should allow LIB to: (i) deliver c. 41 homes in 2023e and (ii) exceed from 2024e the volume of deliveries estimated for 2021e (once the development cycle that we expect to begin at the end of 2021e enters the P&L, boosted by new purchases of land in 2022e; chart 27).

The scenario we envisage implies a significant step-up in scale in 2021e for the development business, with revenue of c. EUR 15.5Mn (vs EUR 1.2Mn in 2020), declining to c. EUR 9Mn in 2023e (chart 26). The cyclical nature of the development business explains the estimated decline in revenue in 2023e, at a moment in the cycle of lower revenues, marked by the termination of ongoing developments and the start of the new developments that should enter the P&L from 2024e (chart 27).

Finally, within the property area we estimate a recovery of revenues from the rental assets activity (impacted in 2020 by Covid-19), recovering levels seen in 2019 in 2022e (EUR 0.6Mn vs EUR 0.5Mn in 2020; c. 3.5% of the property area's revenue and c. 3% of consolidated revenue).

### And at the consolidated level? The take-off of the property area will continue to be underpinned by the recurrent revenue of the tourism and investment businesses

Specifically, the scenario we envisage for LIB's consolidated revenue in 2021e-2023e can be summarised as follows:

- **Take-off of property area revenue…** that will dominate the revenue mix in 2021e-2023e as a result of the developments developed over 2017-2020 entering the P&L (chart 28).

- **… with the tourism business recovering pre Covid-19 levels in 2023e.** The AIReF estimates national demand will have recovered pre-Covid levels by the end of this year, while international tourism to Spain will do so in 2023e. Accordingly, we estimate a gradual recovery of LIB's tourism business to 2019 revenue levels in 2023e (EUR 2.2Mn; vs EUR 0.6Mn in 2020). However, during this period we do not rule out LIB incorporating new hotels under management that would accelerate growth, reaching EUR 2.2Mn of revenue in 2022e.

- **And the recurrent dividends generated by the investment area...** The main investment area item that impacts revenues is the dividends generated by the investment portfolio (with a market value of EUR 48Mn at the 1Q21 close). Despite the reduction in dividends collected in 2020 due to Covid-19 (EUR 0.8Mn vs EUR 1.2Mn In 2019), we estimate a recovery as early as 2021e, and project dividend revenue of c. EUR 1Mn (yield of c. 3% of the value of the portfolio at the 1Q21 close) rising to c. EUR 1.2Mn in 2022e and 2023e (in line with 2019).

  It is important to point out that the impact of the management of the investment portfolio is not visible in the P&L, as with the application of IFRS 9 in 2018, profit and loss from the sale of the securities of the portfolio (with an impact on cash flow) is recorded directly in net equity. For further details about the impact of the investment portfolio's capital gains on the P&L, see chart 11 on page 7 of this report.

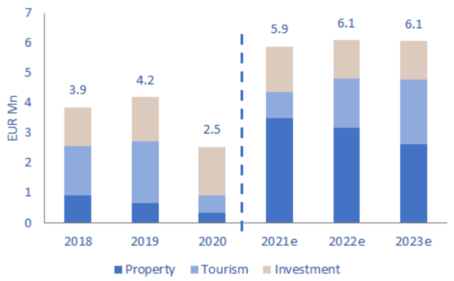
In conclusion, in our view LIB is at a turning point that should result in revenue of c. EUR 18.5Mn in 2021e (vs EUR 3.9Mn in 2020), EUR 17Mn in 2022e and EUR 13Mn in 2023e. And despite the decline in revenues in 2023e, due to the cyclical nature of the housing development business (with the conclusion of ongoing developments), the entry in the P&L of the new developments begun after 2021e should take 2024e consolidated revenue above the estimated level for 2021e.

### That will become visible in the generation of recurrent EBITDA (positive for the first time since 2018)

Although we estimate declining revenues in 2021e-2023e as a result of the nature of the development business, that will not yet reflect the results of the new developments in the P&L, we project a stable gross margin at levels of around EUR 6Mn in 2021e-2023e (chart 30). Why? The main reasons that explain this are:

1) **Improvement in the gross margin of the property area (c. 43% of the gross margin in 2023e),** as a result of the removal of 100% of the old stock and the developments with smaller margins in 2021e, that should enable LIB to increase the business' gross margin to 22% in 2023e (vs an estimated 18% in 2021e). And will partly offset the temporary loss of volume.
2) **Recovery of the tourism area (c. 35% of the gross margin in 2023e),** given the low level of procurements required by the tourism business, c. 100% of the estimated revenues will feed through to LIB's gross margin. That should result in a gross margin of EUR 2.2Mn (vs EUR 0.6Mn in 2020 and EUR 2.1Mn in 2019).
3) **The support of the dividends generated by the investment area (c. 22% of the gross margin in 2023e).** In addition, any capital gains generated by the trading portfolio (not included in our estimates) will translate to the gross margin (EUR 0.7Mn in 2020 and EUR 0.1Mn in 2019).

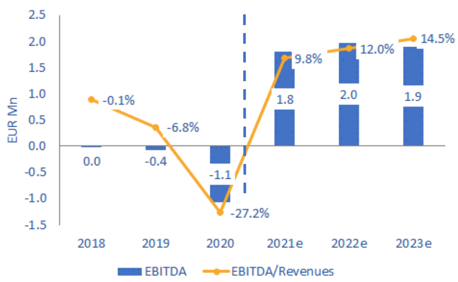
*Chart 30. Gross Margin by business line (2018-2023e)*




And in terms of EBITDA? Below the gross margin line our 2021e estimates foresee an increase in structural costs to EUR 4Mn (vs EUR 3.2Mn in 2020, although still below the EUR 4.6Mn recorded in 2019), the result of c. EUR 1.9Mn in personnel costs and c. EUR 2.1Mn in other operating costs (vs EUR 2.2Mn and EUR 2.4Mn in 2019).

By activity, c. 38% of estimated operating costs will correspond to the property area, c. 35% to tourism and c. 28% to investment (mainly personnel expenses). All told, the estimated step-up in size in 2021e will boost 2021e Rec. EBITDA to EUR 1.8Mn (EBITDA margin c. 10%; chart 31). With EBITDA breakeven being exceeded for the first time since 2018 (the year in which the capital gains generated by the investment portfolio stopped being reflected in the P&L).

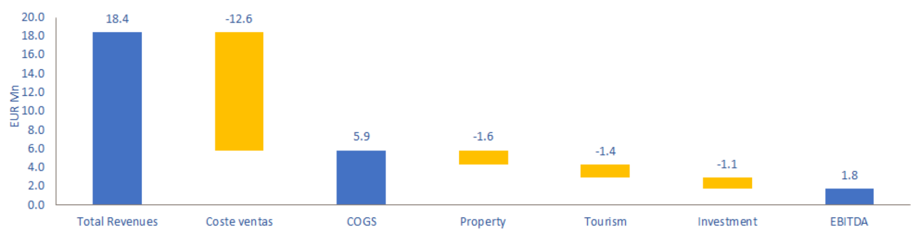
*Chart 31. EBITDA and EBITDA Mg. (2018-2023e)*




In our opinion, LIB has a very streamlined cost structure, that should allow the company to maintain a similar level of EBITDA generation in 2023e to that obtained in 2021e (c. EUR 2Mn), despite a significantly smaller volume of revenue.

Accordingly, we think LIB could generate large economies of scale in coming years, squeezing the most out of any increase in revenue post-2023e as it won't have to significantly increase its structural costs (2024e appears to be a year that could reflect in a more normalised way the capacity for EBITDA generation, as the P&L will not only reflect a new development cycle, but also the capacity for growth above 2019 levels of the tourism business; a growth area).

*Chart 32. From Revenues to EBITDA (2021e)*



### And exceed break-even in ordinary NP in 2021e (until now held back by equity accounted profit and loss)

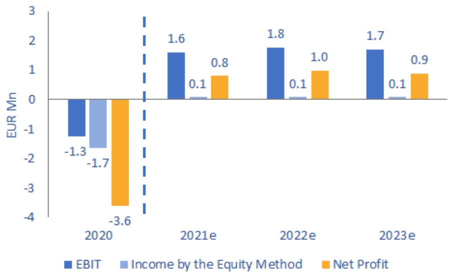
Over 2017-2020 LIB's net profit was hampered by two factors: (i) the impact of IFRS 9, as a result of which profit and loss from sales of financial assets is reflected directly in net equity (and not in the P&L like revenue; with an impact on Cash Flow of c. EUR 3.5Mn in 2018 and EUR 3.6Mn in 2019) and (ii) the impact of equity accounted profit and loss, with a negative impact of c. EUR 1.7Mn in 2020 (mainly from the Adolfo Domínguez shareholding).

In April 2021 LIB left the board of Adolfo Domínguez so the investment is no longer consolidated by the equity method (from 2021 fluctuations in the fair value are recorded in net equity; with no impact on the P&L).

Accordingly, there are no big surprises below the EBITDA line in 2021e-2023e, with (i) very low depreciation expenses (c. EUR 0.3Mn, including the impact of IFRS 16 due to the leasing of the hotel managed), (ii) financial costs that should remain around EUR 0.7Mn/year and (iii) a stable tax rate (c. 20%; although LIB has net tax assets in an amount of c. EUR 24Mn that could help to reduce this in coming years).

In this context, the level of EBITDA estimated for 2021e-2023e of c. EUR 2Mn, should translate to levels of net profit of, at least, c. EUR 1Mn. The main levers of its improvement being: (i) the speed at which the new property developments enter the P&L, (ii) a quicker than estimated recovery of the tourism business and (iii) the generation of capital gains in the trading portfolio (not included in our estimates).

*Chart 33. Net Profit vs Income by the Equity Method (2020-2023e)*




### The resumption of regular land purchases and the building of new developments will increase cash consumption

In our view, LIB's FCF in 2021e-2023e will be shaped by:

- **The moment of the property area's cycle.** The expected delivery of homes in 2021e will significantly increase the company's cash flow generation. But the resumption of a recurrent development activity will increase the requirements for cash in order to buy land and develop new housing projects. This will shape cash flow in 2022e and 2023e.

  We assume an increase in cash requirements in 2022e and 2023e mainly due to the resumption of regular land purchases (table 5) and the building of new developments. This will increase cash generation post-2023e above 2021e levels (EUR 4.5Mn? FCF Yield, c. 8%).

*Chart 34. Free Cash Flow (2018-2023e)*

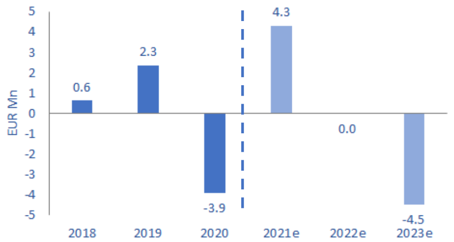



*Table 5. Impact of fluctuations in inventories on Free Cash Flow*

| EUR Mn | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e |
|---|---|---|---|---|---|---|
| **Inventories** | **13.7** | **15.5** | **20.9** | **15.8** | **17.0** | **21.5** |
| *Purchases of new land* | | | | *2.0* | *6.0* | *6.0* |
| *Work in progress* | | | | *5.5* | *5.5* | *5.5* |
| *Sale of developments* | | | | *-12.7* | *-10.2* | *-7.0* |
| **Cash flow impact** | -1.1 | -1.8 | -5.4 | 5.2 | -1.3 | -4.5 |

- **The capital gains generated by the investment area.** Despite not impacting the P&L, capital gains generated by the sale of financial assets have significantly increased the cash flow generated by LIB in recent years (EUR 3.5Mn in 2018, EUR 3.6Mn in 2019 and EUR 1.1Mn in 2020; chart 35).

  This capacity for cash generation is not included in our estimates but should be taken into account in terms of Free Cash Flow and ND.

*Chart 35. Impact of capital gains generated by the investment in Cash Flow*

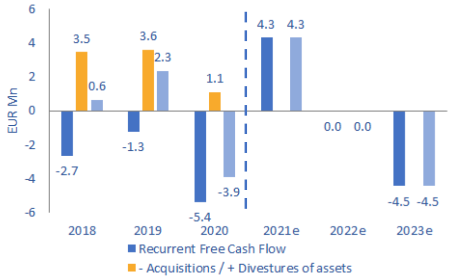
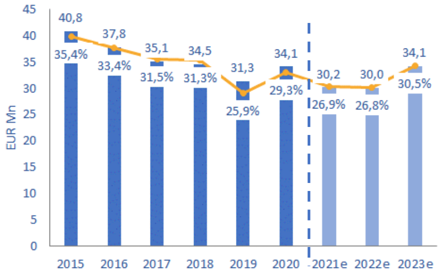


***Chart 36. Net Debt and ND/assets (2015-2023e)***




Net Debt/assets excludes the impact of deferred tax assets (EUR 36.8Mn) from total assets.

### Maintaining a comfortable financial position (ND/Assets c. 30%), that should enable an acceleration of growth

LIB's ability to generate cash in 2015-2020 (driven by the investment area) has enabled the company to recurrently reduce Net Debt, to EUR 34Mn in 2020 (29% of assets vs 35% in 2015). We assume LIB's cash generation ability will allow it to maintain ND/Assets below 30% over the estimated period (despite the cash consumption necessary to start a new development cycle the fruits of which will be collected from 2024e).

LIB’s financial position is especially interesting in the current context, as it should allow the company to continue to finance growth in: (i) property, with the start up of new housing development projects (re-initiating regular land purchases), (ii) tourism management, with new establishments under management and (iii) investment, with the ability to react to carry out new private equity transactions or increase the volume of investment in equity depending on the opportunities detected.

### In conclusion: in condition to begin a stage of sustained growth (on the basis of highly diversified net equity)

The scenario we envisage for 2021e-2023e clearly shows that LIB has left behind the period in the wilderness that began with the financial crisis of 2008. Today, LIB is a company that is healthy, profitable and with growth capacity. And that has nothing to do with what the 2020 P&L reflects. This explains why today the most important factor when analysing LIB is its momentum. The factors explaining this are:

- **A property activity that is about to receive revenue (and cash) from the housing developments developed in 2017-2020.** This will enable the company to recover a healthy and recurrent development business, that will provide it with a P&L that to date has been “invisible”. And capacity for growth.

- **With a tourism activity that, after the severe impact of Covid-19, should recover 2019 levels in 2023e.** In addition, LIB also has the option of accelerating growth in the business with the management of new hotels. Which means growth.

- **With a diversified investment portfolio** (vs the high concentration of the portfolio in 2008), with shareholdings in associates having been almost completely eliminated.

  Moreover, in recent years, LIB has increased the weighting of private equity investments (c. 13% of the market value of the investment portfolio in 1Q21 vs c. 2% in 2015). As private equity investments have a long cycle (5-7 years), their results have yet to be reflected in the company’s equity (this should begin to happen from 2021e).

The three factors mentioned above represent an opportunity for growth. But given the current stage of the development business, perhaps it is more interesting to look ahead and ask ourselves what to expect from the company over the longer term. Beyond 2023e, LIB appears to have a consolidated development business operating at full production capacity, plus a capacity for cash generation and the equity value of the tourism and investment activities. A group able to generate revenue of > EUR 20Mn in 2024e (c. 80% associated with the property area) and EBITDA of c. EUR 4.5Mn, that would translate to Recurrent FCF generation of c. EUR 4.5Mn (Rec. FCF yield of c. 8%).

This in itself represents the mainstay of LIB’s equity story: a diversified group for which the re-initiation of its property area (“invisible” to date in the P&L) points to a possible step-up in size (and value) in the long term.

## Valuation inputs

### *Inputs for the DCF Valuation Approach*

| | 2021e | 2022e | 2023e | Terminal Value [1] |
|---|---|---|---|---|
| **Free Cash Flow "To the Firm"** | **4.9** | **0.5** | **(3.9)** | **n.a.** |

| | | | Best Case | Worst Case |
|---|---|---|---|---|
| **Market Cap** | **57.0** | At the date of this report | | |
| **Net financial debt** | **34.5** | Debt net of Cash (3m Results 2021) | | |
| Cost of Debt | 1.6% | Net debt cost | 1.4% | 1.9% |
| Tax rate (T) | 20.0% | T (Normalised tax rate) | = | = |
| **Net debt cost** | **1.3%** | **Kd = Cost of Net Debt * (1-T)** | **1.1%** | **1.5%** |
| Risk free rate (rf) | 0.4% | Rf (10y Spanish bond yield) | = | = |
| Equity risk premium | 9.0% | R (own estimate) | 8.5% | 9.5% |
| Beta (B) | 1.2 | B (own estimate) | 1.1 | 1.3 |
| **Cost of Equity** | **11.2%** | **Ke = Rf + (R * B)** | **9.7%** | **12.7%** |
| Equity / (Equity + Net Debt) | 62.3% | E (Market Cap as equity value) | = | = |
| Net Debt / (Equity + Net Debt) | 37.7% | D | = | = |
| **WACC** | **7.4%** | **WACC = Kd * D + Ke * E** | **6.5%** | **8.5%** |
| **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 Reuters | Mkt. Cap | P/E 21e | EPS 21e-23e | EV/EBITDA 21e | EBITDA 21e-23e | EV/Sales 21e | Revenues 21e-23e | EBITDA/Sales 21e | FCF Yield 21e | FCF 21e-23e |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Metrovacesa | MVC-ES | 1,031.4 | 64.1 | 66.5% | 28.7 | 39.1% | 2.6 | 20.6% | 9.0% | 7.3% | 68.2% |
| Aedas Homes | AEDAS-ES | 1,129.3 | 9.4 | -0.6% | 8.6 | 3.0% | 1.6 | 1.3% | 18.7% | 10.8% | 33.5% |
| Neinor Homes | HOME-ES | 863.4 | 9.3 | -1.2% | 7.9 | 5.2% | 1.4 | 0.0% | 18.0% | n.a. | 74.1% |
| Insur | ISUR-ES | 144.4 | 14.8 | 16.0% | 14.8 | 6.1% | 2.9 | -2.9% | 19.7% | 4.8% | 0.0% |
| **Property development** | | | **24.4** | **20.2%** | **15.0** | **13.3%** | **2.1** | **4.7%** | **16.4%** | **7.7%** | **43.9%** |
| Playa Hotels & Resorts | PLYA-US | 1,029.5 | n.a. | 48.5% | n.a. | n.a. | 5.3 | 31.2% | 8.4% | 0.5% | n.a. |
| PPHE Hotel Group | PPH-GB | 839.2 | n.a. | 58.0% | n.a. | n.a. | 8.7 | 37.2% | 14.7% | n.a. | 55.1% |
| Pierre et Vacances | VAC-FR | 105.4 | n.a. | 43.5% | n.a. | 59.4% | 3.2 | 22.8% | n.a. | n.a. | 43.1% |
| **Tourism** | | | **n.a.** | **50.0%** | **n.a.** | **59.4%** | **5.7** | **30.4%** | **11.5%** | **0.5%** | **49.1%** |
| **LIB** | **LIB-ES** | **57.0** | **71.6** | **5.0%** | **31.7** | **2.9%** | **3.1** | **-15.5%** | **9.8%** | **7.6%** | **-74.2%** |

### *Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales (2022e)*

| Scenario | EBITDA/Sales 22e | EBITDA 22e | EV/EBITDA 22e |
|---|---|---|---|
| **Max** | **13.2%** | **2.2** | **26.2x** |
| **Central** | **12.0%** | **2.0** | **28.8x** |
| **Min** | **10.8%** | **1.8** | **32.0x** |

## 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:

1. **A delay to sales of developments in progress. At present (1Q21),** LIB has 115 properties in stock, of which 83 (72%) have been reserved and 32 (28%) are for sale. Our estimates envisage the complete sale and signing of deeds in 2021 of the Alberola and Cresol developments (84% of the total stock) of which, at the 1Q21 close, the deeds had been signed for 22.8%, reservations have been made for 71.4% and 5.7% were still for sale. A reduction in the volume of homes for which the deeds have been signed in 2021e to 50 (vs 72 estimated) would imply a reduction of 19% in 2021e revenue (and would reduce estimated EBITDA for 2021e by c. 35%).

2. **The start up of new developments, one of the main variables on which LIB's future revenues depend (post 2022e).** Market conditions arising from the Covid-19 crisis have obliged LIB to delay (+1y?) the marketing of property developments destined for second homes and to focus on selling properties destined for primary residences (lower credit risk). Any additional delay in beginning to market the Peñíscola and Denia developments (for which we estimate development will begin in the second half of 2021e) would have a significant impact on estimated revenue for 2023e.

   In addition, the start up of new developments is also exposed to the risk of choosing and buying new plots of land for building future developments and to regulatory changes.

3. **Seasonality of tourism revenue.** LIB's tourism business accounts for c. 75% of its revenues between 2Q and 3Q (3Q accounting for the bulk of its revenues: c. 50% of the total). Any negative impact during this period (such as the current pandemic) affects the P/L to a greater extent.

4. **Tougher competition in the tourism sector, due to the boom in properties for rent,** for example, those marketed through Airbnb.

5. **Risk of a loss of profitability of the tourism business due to a smaller rate of occupancy of the properties.** The Covid-19 crisis resulted in EUR -0.4Mn in EBITDA for the tourism business (vs. EUR +0.3Mn in 2019). A low level of occupancy would mean a reduction in the profitability of owned properties for rent and, so, in their valuation: at the 2020 close the fair value of the rental properties of the tourism area amounted to EUR 20.4Mn (vs EUR 17.9Mn in 2018).

6. **Dependence on revenue from shareholdings.** The revenues of the investment area (c. 40% on average of revenue -5y, directly impacting Rec. EBITDA) come mainly from financial investments in companies' capital. Any interruption or decrease in the dividends received (c. 25% of the cumulative consolidated gross margin -5y) would impact to the same extent on the group's Rec. EBITDA. The Covid-19 crisis has impacted the dividends received, reducing the revenue from these to EUR 0.8Mn in 2020 (vs. an average of EUR 1.2Mn in 2017-2019).

7. **Management of the investment portfolio.** The investment portfolio represents c. 37% of the company's assets and 56% of its net equity. The investment strategy has a focus on value, based on an analysis of the fundamental data of each business from a long-term perspective. Accordingly, the main long-term risk of the investment area lies in the selection of the companies that comprise the investment portfolio (and in the amounts invested in each company about which we have no information). A fluctuation of 15% in the value of the equity portfolio (69.6% of the total portfolio) would have an impact of c. EUR 5Mn on the total value of LIB's investment portfolio (c. 5.5% of net equity at the 1Q21 close).

8. **Impact of interests in associates on the P&L and Cash Flow:** LIB has significant shareholdings in both listed (Adolfo Domínguez and Finanzas e Inversiones Valencianas) and unlisted (El Portal de Valldigna and Via Nature Juices and Beverages) companies that are consolidated by the equity method (except for Adolfo Domínguez since April 2021) that could result in significant risk both for the P/L and the equity value of LIB (Banco de Valencia and Cleop being cases in point).

   This risk is mitigated by LIB's strategic decision to avoid significant shareholdings in companies in the future and to concentrate the asset management business in a diversified portfolio.

9. **Leverage of the investment area and pledged assets.** LIB has pledged EUR 28Mn in financial assets as collateral for various credit policy contracts (total amount drawn down at the 2020 close: EUR 19.6Mn; c. 40% of the market value of the investment portfolio at the 1Q21 close).

10. **Cross shareholdings with low liquidity.** LIB has a 3.97% stake in the capital of the listed company Finanzas e Inversiones Valencianas (valued at EUR 1.8Mn; 30% of the value of listed associates). This is controlled by LIB's founding family who, in turn, own 26.8% of LIB's capital. The other assets of Finanzas e Inversiones Valencianas consist mainly of shareholdings in private family companies.

    In addition, LIB holds other investments with low liquidity: (i) a 7.3% interest in Cleop (book value of EUR 1.3Mn) and (ii) a 12.9% stake in El Portal de Valldigna (valued at EUR 1.1Mn), a company controlled by LIB's founding family and in turn owner of 5.1% of Finanzas e inversiones Valencianas.

11. **Interest rate risk:** the bulk of group debt is indexed to a variable interest rate, however, in order to reduce exposure, LIB hedges interest rate risk depending on the situation at the time; a fluctuation of 1% in interest rates would have an impact of c. EUR 0.4Mn on the P/L.

12. **Recovery of tax credits used:** At the date of this report LIB has deferred tax assets and liabilities for a net value of EUR 23.6Mn. Given the size of the current net value of deferred tax assets and liabilities, any risk associated with their recovery is material (impacting both the P&L and net equity).

## A stable board, controlled by the founding family

***Table 6. Board of Directors***

| Name | Category | Appointment Date |
|---|---|---|
| A. Borel Lemonnier | Propietary, Chair | 02/05/2019 |
| R. Fraguas Solé | Other external | 17/05/2017 |
| V. Casas Romero | Independent | 17/05/2017 |
| A. Noguera Borel | Propietary, CEO | 25/06/2020 |
| Eumenes S.L. | Propietary | 17/05/2017 |
| 3 i no res S.L. | Propietary | 17/05/2017 |
| Busosorni S.L. | Independent | 17/05/2017 |
| M. de Pablo | Independent | 25/06/2020 |

The founding family has 4 of the 8 seats on the board (including the Chair and CEO), although only the CEO is involved in the management of the group. There are 4 external board members (50% of the total) 3 of which are independent (37.5% of the total).

1. **The founding family controls the board,** with 4 of its 8 members (and control of c. 70% of LIB's capital). The Chair has been held since 2006 by A. Borel Lemonnier, the widow of Álvaro Noguera Giménez (son of the founder of Libertas 7), who has been a board member since 2000.

   Agnes Noguera Borel (the daughter of the above) is the only member of the family involved in the management of the group. A board member since 1988, she holds (since 2004) the position of CEO. Her brothers Alejandro Noguera Borel and Pablo Noguera Borel are nominee directors (EUMENES y 3 I NO RES respectivamente).

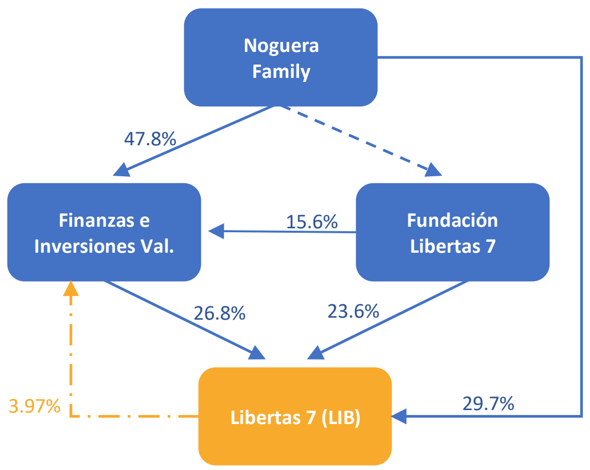
   According to the company's bylaws, the position of director is held for a maximum term of four years, renewable for periods of equal duration (in accordance with prevailing legislation), and with no restrictions regarding participation on other boards. If a member of the board steps down, there is a 2-year restriction as regards providing services to similar entities (unless this was being done previously and simultaneously).

2. **Its committees maintain their independence;** both the Audit and Appointments and Remuneration committees that are chaired by and mainly comprised of independent board members (67% of their members, respectively).

3. **Cross shareholdings that emphasize the dependence on the founding family.** The Chair of LIB's board also chairs the board of the Libertas 7 foundation (directed by Alejandro Noguera), that holds 23.6% of LIB's share capital.

   In addition, the founding family owns a 47.8% stake in Finanzas e Inversiones Valencianas, that in turn has a 26.8% interest in LIB, with the Libertas 7 foundation also owning a shareholding in the former (15.6%).

***Table 7. Noguera family interest hold in LIB***




In conclusion, the founding family has total control of LIB (c. 70%) through the sum of the shareholdings of: (i) the Libertas 7 foundation (23.6%), (ii) Finanzas e inversiones Valencianas (26.8%; 63.4% controlled by the Noguera family) and (iii) direct shareholdings of 29.7%. The control exercised by the Noguera family over the board of LIB guarantees, in principle, an alignment of interests with those of minority shareholders.

4. **Risk management policy approved by the board,** implemented at both the business area and corporate level, with analysis, control and monitoring being the responsibility of the Audit committee. LIB has had an Ethics Code since 2013 that was revised in 2018, having approved (2018) a Code of Conduct for the entire workforce.

5. **With bonuses for board members and senior management,** linked to NP (with a limit of 10% of this for the former) and with remuneration via shares being envisaged (no lock-up; < 0.1% of the shares issued -5y). Since 2015, the board has only accrued bonuses in 2019 (EUR 0.2Mn, having forgone their payment). In addition, the CEO receives variable remuneration (an average of c. 3% of personnel costs -5y), having forgone payment of the amount accrued in 2019.

   Board remuneration has on average represented c. 15% of personnel costs -5y. The variable remuneration has bonus-malus / claw-back clauses.

   In addition, the CEO has a golden parachute clause if she is not renewed in her post for an amount equivalent to 18 months of her fixed and variable remuneration (EUR 0.2Mn 2020).

6. **Shareholder remuneration likely to be resumed.** The dividend was suspended in 2009 and then resumed in 2017 (payout of 41.8%). Remuneration has been gradually increased (28% CAGR 2017-2019), being cancelled in 2020 after the irruption of the Covid-19 crisis. A return to normal activity and the reduction of uncertainty should enable the pre-Covid level of remuneration to be resumed.

7. **Management of the shareholding in the no longer extant Banco de Valencia.** LIB held a significant shareholding in Banco de Valencia (c. 5.04% of the bank's capital in 2008) and a seat on the board until the bank's seizure in 2011.

   LIB has been charged with subsidiary civil liability as a member of the board of the extinct Banco de Valencia in two lawsuits at the Spanish National Court. The first of these (according to the financial statements for 2020) "in relation with Banco de Valencia's financing of the Parent Company (Libertas 7) and of a dependent company," and the second "in relation with the preparation of the annual accounts of Banco de Valencia for 2009 and 2010".

   According to the financial statements for 2020, in the first of these lawsuits LIB has offered assets by way of a bond in an amount of EUR 13.5Mn. The CEO of LIB has been personally charged in this lawsuit.

# Appendix 1. Financial Projections[1]

| Balance Sheet (EUR Mn) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e |
|---|---|---|---|---|---|---|---|---|
| Intangible assets | 0.1 | 0.1 | 0.1 | 2.0 | 2.2 | 2.2 | 2.2 | 2.2 |
| Fixed assets | 26.0 | 34.1 | 36.3 | 38.6 | 38.0 | 38.3 | 38.6 | 38.9 |
| Other Non Current Assets | 34.8 | 34.4 | 35.4 | 35.3 | 36.8 | 36.8 | 36.8 | 36.8 |
| Financial Investments | 65.2 | 60.8 | 52.5 | 53.6 | 43.3 | 43.4 | 43.5 | 43.6 |
| Goodwill & Other Intangilbles | 5.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Current assets | 12.8 | 13.6 | 15.4 | 16.7 | 22.0 | 17.1 | 18.4 | 23.1 |
| **Total assets** | **144.4** | **143.5** | **140.2** | **146.7** | **143.0** | **138.3** | **140.0** | **145.0** |
| | | | | | | | | |
| Equity | 95.7 | 96.4 | 91.9 | 96.1 | 87.9 | 88.7 | 89.6 | 90.5 |
| Minority Interests | - | - | - | - | - | - | - | - |
| Provisions & Other L/T Liabilities | 9.3 | 11.0 | 11.7 | 13.4 | 13.4 | 13.4 | 13.4 | 13.4 |
| Other Non Current Liabilities | - | - | - | 2.1 | 2.2 | 2.2 | 2.2 | 2.2 |
| Net financial debt | 37.8 | 35.1 | 34.5 | 31.3 | 34.1 | 29.8 | 29.8 | 34.3 |
| Current Liabilities | 1.7 | 1.1 | 2.1 | 3.8 | 5.4 | 4.3 | 5.0 | 4.7 |
| **Equity & Total Liabilities** | **144.4** | **143.5** | **140.2** | **146.7** | **143.0** | **138.3** | **140.0** | **145.0** |

| | | | | | | | | | CAGR | |
|---|---|---|---|---|---|---|---|---|---|---|
| **P&L (EUR Mn)** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021e** | **2022e** | **2023e** | **16-20** | **20-23e** |
| **Total Revenues** | **9.1** | **7.9** | **5.0** | **5.6** | **3.9** | **18.4** | **16.5** | **13.1** | ***-19.0%*** | ***49.7%*** |
| *Total Revenues growth* | *11.2%* | *-13.1%* | *-37.1%* | *11.4%* | *-29.4%* | *369.9%* | *-10.6%* | *-20.2%* | | |
| COGS | (1.9) | (0.8) | (1.1) | (1.4) | (1.4) | (12.6) | (10.3) | (7.0) | | |
| **Gross Margin** | **7.3** | **7.2** | **3.9** | **4.2** | **2.5** | **5.9** | **6.1** | **6.1** | ***-23.1%*** | ***34.1%*** |
| *Gross Margin/Revenues* | *79.5%* | *90.3%* | *77.4%* | *75.4%* | *64.7%* | *31.8%* | *37.2%* | *46.5%* | | |
| Personnel Expenses | (1.5) | (1.5) | (1.7) | (2.2) | (1.7) | (1.9) | (2.0) | (2.0) | | |
| Other Operating Expenses | (0.7) | (1.6) | (2.3) | (2.4) | (1.5) | (2.1) | (2.2) | (2.2) | | |
| **Recurrent EBITDA** | **5.1** | **4.0** | **(0.2)** | **(0.4)** | **(0.7)** | **1.8** | **2.0** | **1.9** | ***-20.9%*** | ***67.9%*** |
| *Recurrent EBITDA growth* | *76.3%* | *-20.3%* | *-104.1%* | *-128.5%* | *-83.0%* | *358.3%* | *9.8%* | *-3.6%* | | |
| *Rec. EBITDA/Revenues* | *55.6%* | *51.0%* | *n.a.* | *n.a.* | *n.a.* | *9.8%* | *12.0%* | *14.5%* | | |
| Restructuring Expense & Other non-rec. | (0.5) | (0.7) | 0.2 | 0.0 | (0.4) | - | - | - | | |
| **EBITDA** | **4.6** | **3.3** | **(0.0)** | **(0.4)** | **(1.1)** | **1.8** | **2.0** | **1.9** | ***-22.2%*** | ***55.9%*** |
| Depreciation & Provisions | 2.5 | 0.5 | (0.0) | 0.1 | (0.0) | (0.0) | (0.0) | (0.0) | | |
| Capitalized Expense | - | - | - | - | - | - | - | - | | |
| Rentals (IFRS 16 impact) | - | - | - | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | | |
| **EBIT** | **7.1** | **3.8** | **(0.0)** | **(0.5)** | **(1.3)** | **1.6** | **1.8** | **1.7** | ***-21.5%*** | ***49.5%*** |
| *EBIT growth* | *n.a.* | *-46.3%* | *-100.4%* | *n.a.* | *-163.9%* | *226.1%* | *11.0%* | *-4.0%* | | |
| *EBIT/Revenues* | *77.2%* | *47.7%* | *n.a.* | *n.a.* | *n.a.* | *8.7%* | *10.8%* | *12.9%* | | |
| Impact of Goodwill & Others | - | - | 3.3 | 2.5 | (0.1) | - | - | - | | |
| Net Financial Result | (2.1) | (0.7) | (0.6) | (0.6) | (0.9) | (0.7) | (0.6) | (0.7) | | |
| Income by the Equity Method | (0.7) | (1.6) | (1.7) | 0.1 | (1.7) | 0.1 | 0.1 | 0.1 | | |
| **Ordinary Profit** | **4.3** | **1.5** | **1.0** | **1.5** | **(3.9)** | **1.0** | **1.2** | **1.1** | ***-30.6%*** | ***31.7%*** |
| *Ordinary Profit Growth* | *142.7%* | *-65.8%* | *-31.3%* | *48.7%* | *-360.3%* | *125.7%* | *21.2%* | *-8.9%* | | |
| Extraordinary Results | - | - | - | - | - | - | - | - | | |
| **Profit Before Tax** | **4.3** | **1.5** | **1.0** | **1.5** | **(3.9)** | **1.0** | **1.2** | **1.1** | ***-30.6%*** | ***31.7%*** |
| Tax Expense | (3.3) | (1.0) | (0.9) | (0.4) | 0.3 | (0.2) | (0.2) | (0.2) | | |
| *Effective Tax Rate* | *78.3%* | *65.7%* | *86.2%* | *28.8%* | *n.a.* | *20.0%* | *20.0%* | *20.0%* | | |
| Minority Interests | - | - | - | - | - | - | - | - | | |
| Discontinued Activities | - | - | - | - | - | - | - | - | | |
| **Net Profit** | **0.9** | **0.5** | **0.1** | **1.1** | **(3.6)** | **0.8** | **1.0** | **0.9** | ***-55.9%*** | ***30.9%*** |
| *Net Profit growth* | *-20.7%* | *-46.0%* | *-72.5%* | *669.2%* | *-440.8%* | *122.1%* | *21.2%* | *-8.9%* | | |
| **Ordinary Net Profit** | **3.3** | **1.5** | **0.6** | **1.1** | **(3.5)** | **0.8** | **1.0** | **0.9** | ***-32.2%*** | ***31.1%*** |
| *Ordinary Net Profit growth* | *292.5%* | *-54.2%* | *-61.3%* | *79.4%* | *-431.8%* | *122.7%* | *21.2%* | *-8.9%* | | |

| | | | | | | | | | CAGR | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash Flow (EUR Mn)** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021e** | **2022e** | **2023e** | **16-20** | **20-23e** |
| **Recurrent EBITDA** | | | | | | **1.8** | **2.0** | **1.9** | ***-20.9%*** | ***67.9%*** |
| Rentals (IFRS 16 impact) | | | | | | (0.2) | (0.2) | (0.2) | | |
| Working Capital Increase | | | | | | 3.8 | (0.6) | (5.0) | | |
| **Recurrent Operating Cash Flow** | | | | | | **5.5** | **1.2** | **-3.3** | ***-27.0%*** | ***10.6%*** |
| CAPEX | | | | | | (0.3) | (0.3) | (0.3) | | |
| Net Financial Result affecting the Cash Flow | | | | | | (0.7) | (0.6) | (0.7) | | |
| Tax Expense | | | | | | (0.2) | (0.2) | (0.2) | | |
| **Recurrent Free Cash Flow** | | | | | | **4.3** | **(0.0)** | **(4.5)** | ***-47.5%*** | ***6.1%*** |
| Restructuring Expense & Other non-rec. | | | | | | - | - | - | | |
| - Acquisitions / + Divestures of assets | | | | | | - | - | - | | |
| Extraordinary Inc./Exp. Affecting Cash Flow | | | | | | - | - | - | | |
| **Free Cash Flow** | | | | | | **4.3** | **(0.0)** | **(4.5)** | ***-37.7%*** | ***-4.4%*** |
| Capital Increase | | | | | | - | - | - | | |
| Dividends | | | | | | - | - | - | | |
| **Net Debt Variation** | | | | | | **(4.3)** | **0.0** | **4.5** | | |

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.2Mn higher due to IFRS 16.

# Appendix 2. Free Cash Flow[1]

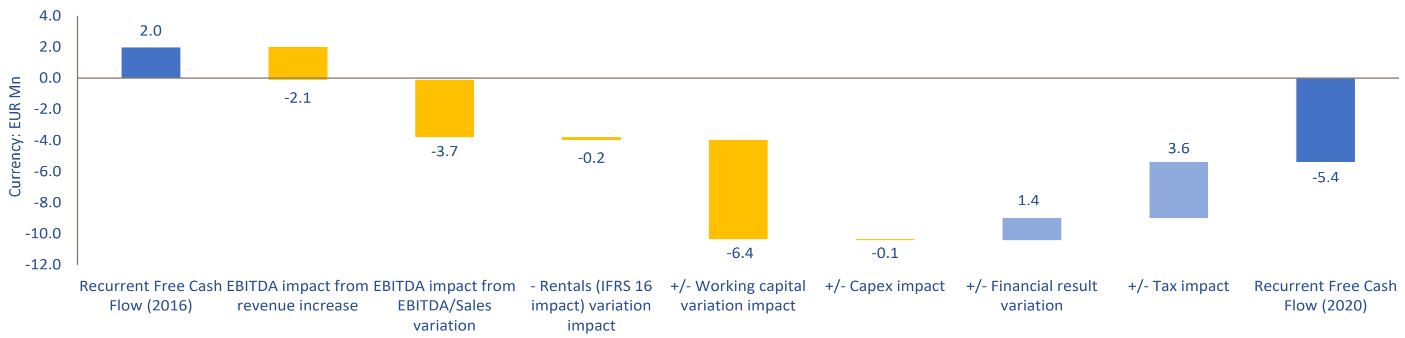
| A) Cash Flow Analysis (EUR Mn) | 2017 | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e | CAGR 17-20 | CAGR 20-23e |
|---|---|---|---|---|---|---|---|---|---|
| **Recurrent EBITDA** | **4.0** | **(0.2)** | **(0.4)** | **(0.7)** | **1.8** | **2.0** | **1.9** | ***-29.5%*** | ***67.9%*** |
| *Recurrent EBITDA growth* | *-20.3%* | *-104.1%* | *-128.5%* | *-83.0%* | *358.3%* | *9.8%* | *-3.6%* | | |
| *Rec. EBITDA/Revenues* | *51.0%* | *n.a.* | *n.a.* | *n.a.* | *9.8%* | *12.0%* | *14.5%* | | |
| - Rentals (IFRS 16 impact) | - | - | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | | |
| +/- Working Capital increase | (1.4) | (0.7) | 0.5 | (3.7) | 3.8 | (0.6) | (5.0) | | |
| **= Recurrent Operating Cash Flow** | **2.6** | **(0.9)** | **(0.1)** | **(4.6)** | **5.5** | **1.2** | **(3.3)** | ***-55.6%*** | ***10.6%*** |
| *Rec. Operating Cash Flow growth* | *-66.0%* | *-134.6%* | *88.5%* | *n.a.* | *218.1%* | *-78.6%* | *-382.0%* | | |
| *Rec. Operating Cash Flow / Sales* | *33.0%* | *n.a.* | *n.a.* | *n.a.* | *29.7%* | *7.1%* | *n.a.* | | |
| - CAPEX | (0.2) | (0.2) | (0.1) | (0.3) | (0.3) | (0.3) | (0.3) | | |
| - Net Financial Result affecting Cash Flow | (0.7) | (0.7) | (0.7) | (0.7) | (0.7) | (0.6) | (0.7) | | |
| - Taxes | (1.0) | (0.9) | (0.4) | 0.3 | (0.2) | (0.2) | (0.2) | | |
| **= Recurrent Free Cash Flow** | **0.8** | **(2.7)** | **(1.3)** | **(5.4)** | **4.3** | **(0.0)** | **(4.5)** | ***n.a.*** | ***6.1%*** |
| *Rec. Free Cash Flow growth* | *-61.6%* | *-452.6%* | *52.5%* | *-324.7%* | *180.0%* | *-101.0%* | *n.a.* | | |
| *Rec. Free Cash Flow / Revenues* | *9.6%* | *n.a.* | *n.a.* | *n.a.* | *23.4%* | *n.a.* | *n.a.* | | |
| - Restructuring expenses & others | 0.7 | (0.2) | (0.0) | 0.4 | - | - | - | | |
| - Acquisitions / + Divestments | - | 3.5 | 3.6 | 1.1 | - | - | - | | |
| +/- Extraordinary Inc./Exp. affecting Cash Flow | - | - | - | - | - | - | - | | |
| **= Free Cash Flow** | **1.5** | **0.6** | **2.3** | **(3.9)** | **4.3** | **(0.0)** | **(4.5)** | ***-67.0%*** | ***-4.4%*** |
| *Free Cash Flow growth* | *-39.9%* | *-57.9%* | *279.0%* | *-267.0%* | *209.9%* | *-101.0%* | *n.a.* | | |
| | | | | | | | | | |
| *Recurrent Free Cash Flow - Yield (s/Mkt Cap)* | *1.3%* | *n.a.* | *n.a.* | *n.a.* | *7.6%* | *n.a.* | *n.a.* | | |
| *Free Cash Flow Yield (s/Mkt Cap)* | *2.6%* | *1.1%* | *4.1%* | *n.a.* | *7.6%* | *n.a.* | *n.a.* | | |

| B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn) | 2017 | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e |
|---|---|---|---|---|---|---|---|
| **Recurrent FCF(FY - 1)** | **2.0** | **0.8** | **(2.7)** | **(1.3)** | **(5.4)** | **4.3** | **(0.0)** |
| EBITDA impact from revenue increase | (0.7) | (1.5) | (0.0) | 0.1 | (2.6) | (0.2) | (0.4) |
| EBITDA impact from EBITDA/Sales variation | (0.4) | (2.7) | (0.2) | (0.4) | 5.1 | 0.4 | 0.3 |
| **= Recurrent EBITDA variation** | **(1.0)** | **(4.2)** | **(0.2)** | **(0.3)** | **2.5** | **0.2** | **(0.1)** |
| - Rentals (IFRS 16 impact) variation impact | - | - | (0.2) | - | - | - | - |
| +/- Working capital variation impact | (4.1) | 0.7 | 1.2 | (4.2) | 7.6 | (4.5) | (4.4) |
| **= Recurrent Operating Cash Flow variation** | **(5.1)** | **(3.5)** | **0.8** | **(4.5)** | **10.1** | **(4.3)** | **(4.5)** |
| +/- CAPEX impact | 0.0 | (0.0) | 0.2 | (0.3) | 0.1 | (0.1) | 0.1 |
| +/- Financial result variation | 1.4 | 0.0 | (0.0) | (0.0) | 0.0 | 0.0 | (0.0) |
| +/- Tax impact | 2.4 | 0.1 | 0.4 | 0.7 | (0.5) | (0.0) | 0.0 |
| **= Recurrent Free Cash Flow variation** | **(1.2)** | **(3.4)** | **1.4** | **(4.1)** | **9.7** | **(4.4)** | **(4.4)** |
| | | | | | | | |
| **Recurrent Free Cash Flow** | **0.8** | **(2.7)** | **(1.3)** | **(5.4)** | **4.3** | **(0.0)** | **(4.5)** |

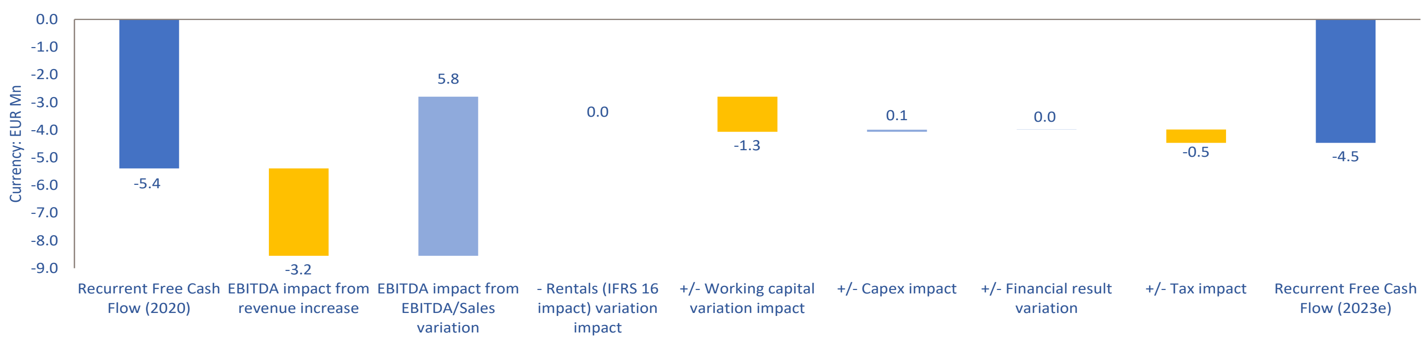
| C) "FCF to the Firm" (pre debt service) (EUR Mn) | 2017 | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e | CAGR 17-20 | CAGR 20-23e |
|---|---|---|---|---|---|---|---|---|---|
| **EBIT** | **3.8** | **(0.0)** | **(0.5)** | **(1.3)** | **1.6** | **1.8** | **1.7** | ***-32.7%*** | ***49.5%*** |
| ** Theoretical Tax rate* | *30.0%* | *0.0%* | *0.0%* | *0.0%* | *20.0%* | *20.0%* | *20.0%* | | |
| = Taxes (pre- Net Financial Result) | (1.1) | - | - | - | (0.3) | (0.4) | (0.3) | | |
| | | | | | | | | | |
| **Recurrent EBITDA** | **4.0** | **(0.2)** | **(0.4)** | **(0.7)** | **1.8** | **2.0** | **1.9** | ***-29.5%*** | ***67.9%*** |
| - Rentals (IFRS 16 impact) | - | - | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | | |
| +/- Working Capital increase | (1.4) | (0.7) | 0.5 | (3.7) | 3.8 | (0.6) | (5.0) | | |
| **= Recurrent Operating Cash Flow** | **2.6** | **(0.9)** | **(0.1)** | **(4.6)** | **5.5** | **1.2** | **(3.3)** | ***-55.6%*** | ***10.6%*** |
| - CAPEX | (0.2) | (0.2) | (0.1) | (0.3) | (0.3) | (0.3) | (0.3) | | |
| - Taxes (pre- Financial Result) | (1.1) | - | - | - | (0.3) | (0.4) | (0.3) | | |
| **= Recurrent Free Cash Flow (To the Firm)** | **1.3** | **(1.1)** | **(0.2)** | **(5.0)** | **4.9** | **0.5** | **(3.9)** | ***-81.1%*** | ***7.7%*** |
| *Rec. Free Cash Flow (To the Firm) growth* | *-76.3%* | *-191.0%* | *84.8%* | *n.a.* | *198.0%* | *-90.0%* | *-902.6%* | | |
| Rec. Free Cash Flow (To the Firm) / Revenues | 15.9% | n.a. | n.a. | n.a. | 26.4% | 3.0% | n.a. | | |
| - Acquisitions / + Divestments | - | 3.5 | 3.6 | 1.1 | - | - | - | | |
| +/- Extraordinary Inc./Exp. affecting Cash Flow | - | - | - | - | - | - | - | | |
| **= Free Cash Flow "To the Firm"** | **1.3** | **2.3** | **3.4** | **(3.9)** | **4.9** | **0.5** | **(3.9)** | ***-71.8%*** | ***-0.3%*** |
| *Free Cash Flow (To the Firm) growth* | *-76.3%* | *83.0%* | *49.5%* | *-212.3%* | *225.7%* | *-90.0%* | *-902.6%* | | |
| | | | | | | | | | |
| *Rec. Free Cash Flow To the Firm Yield (o/EV)* | *2.2%* | *n.a.* | *n.a.* | *n.a.* | *8.6%* | *0.9%* | *n.a.* | | |
| *Free Cash Flow "To the Firm" - Yield (o/EV)* | *2.2%* | *4.1%* | *6.1%* | *n.a.* | *8.6%* | *0.9%* | *n.a.* | | |

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.2Mn higher due to IFRS 16.

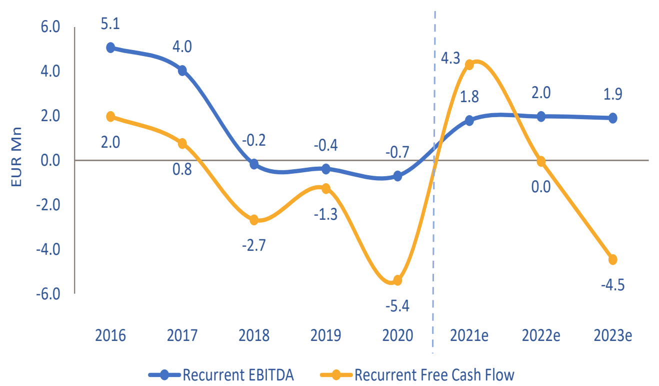
### *Recurrent Free Cash Flow accumulated variation analysis (2016 - 2020)*



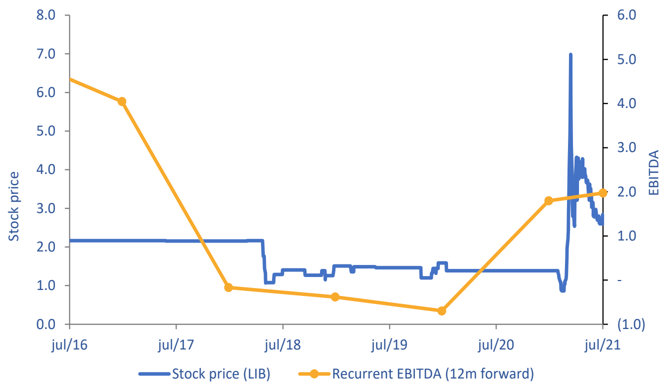

### *Recurrent Free Cash Flow accumulated variation analysis (2020 - 2023e)*




### *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 | 57.0 | |
| + Minority Interests | - | 3m Results 2021 |
| + Provisions & Other L/T Liabilities | - | 3m Results 2021 |
| + Net financial debt | 34.5 | 3m Results 2021 |
| - Financial Investments | 8.3 | 3m Results 2021 |
| +/- Others[1] | (26.2) | 3m Results 2021 |
| **Enterprise Value (EV)** | **56.9** | |

(1) Related to: (i) deferred tax assets and liabilities amounting to EUR 36.8Mn and EUR 13.1Mn, respectively (the net amounts to EUR 23.7Mn) and (ii) the market value of treasury stock (EUR 2,5Mn)

(2) Financial investments exclusively reflect the market value of shareholdings in associates and permanent investments (EUR 5.9Mn and EUR 2.4Mn, respectively).

(3) EV not adjusted for the possible negative impact of ongoing lawsuits (for more details see page 23 of this report).

# Appendix 4. Historical performance(1)(2)

| Historical performance (EUR Mn) | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e | CAGR 10-20 | CAGR 20-23e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Revenues** | **20.8** | **16.2** | **48.5** | **12.5** | **17.0** | **8.2** | **9.1** | **7.9** | **5.0** | **5.6** | **3.9** | **18.4** | **16.5** | **13.1** | *-15.3%* | *49.7%* |
| *Total Revenues growth* | *36.8%* | *-21.8%* | *199.1%* | *-74.2%* | *36.3%* | *-51.9%* | *11.2%* | *-13.1%* | *-37.1%* | *11.4%* | *-29.4%* | *369.9%* | *-10.6%* | *-20.2%* | | |
| **EBITDA** | **2.4** | **0.8** | **(31.6)** | **(5.7)** | **9.6** | **3.4** | **4.6** | **3.3** | **(0.0)** | **(0.4)** | **(1.1)** | **1.8** | **2.0** | **1.9** | *-9.3%* | *55.9%* |
| *EBITDA growth* | *779.9%* | *-68.0%* | *n.a.* | *82.1%* | *268.9%* | *-64.2%* | *34.2%* | *-27.6%* | *-100.2%* | *n.a.* | *-182.9%* | *268.7%* | *9.8%* | *-3.6%* | | |
| *EBITDA/Sales* | *11.8%* | *4.8%* | *n.a.* | *n.a.* | *56.1%* | *41.8%* | *50.4%* | *42.0%* | *n.a.* | *n.a.* | *n.a.* | *9.8%* | *12.0%* | *14.5%* | | |
| **Net Profit** | **0.2** | **(77.8)** | **(29.5)** | **(48.5)** | **0.7** | **1.2** | **0.9** | **0.5** | **0.1** | **1.1** | **(3.6)** | **0.8** | **1.0** | **0.9** | *-35.3%* | *30.9%* |
| *Net Profit growth* | *-97.4%* | *n.a.* | *62.1%* | *-64.1%* | *101.4%* | *68.2%* | *-20.7%* | *-46.0%* | *-72.5%* | *669.2%* | *-440.8%* | *122.1%* | *21.2%* | *-8.9%* | | |
| Adjusted number shares (Mn) | 20.9 | 20.9 | 20.9 | 20.9 | 21.1 | 21.1 | 21.1 | 21.1 | 21.1 | 21.1 | 21.1 | 21.9 | 21.9 | 21.9 | | |
| EPS (EUR) | 0.01 | -3.73 | -1.41 | -2.32 | 0.03 | 0.06 | 0.04 | 0.02 | 0.01 | 0.05 | -0.17 | 0.04 | 0.04 | 0.04 | -35.1% | 30.7% |
| *EPS growth* | *-97.4%* | *n.a.* | *62.0%* | *-64.2%* | *n.a.* | *68.3%* | *-20.7%* | *-46.0%* | *-72.5%* | *n.a.* | *n.a.* | *n.a.* | *21.2%* | *-8.9%* | | |
| Ord. EPS (EUR) | 0.01 | -3.73 | -1.41 | -2.33 | 0.03 | 0.04 | 0.16 | 0.07 | 0.03 | 0.05 | -0.17 | 0.04 | 0.04 | 0.04 | -34.8% | 30.9% |
| *Ord. EPS growth* | *-97.4%* | *n.a.* | *62.0%* | *-64.7%* | *n.a.* | *19.0%* | *n.a.* | *-54.2%* | *-61.4%* | *79.3%* | *n.a.* | *n.a.* | *21.2%* | *-8.9%* | | |
| CAPEX | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | (0.1) | (0.3) | (0.2) | (0.2) | (0.1) | (0.3) | (0.3) | (0.3) | (0.3) | | |
| *CAPEX/Sales %)* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *1.8%* | *2.9%* | *2.8%* | *4.8%* | *1.3%* | *8.7%* | *1.5%* | *2.0%* | *2.0%* | | |
| **Free Cash Flow** | **(5.3)** | **(11.4)** | **47.0** | **10.3** | **17.8** | **3.9** | **2.5** | **1.5** | **0.6** | **2.3** | **(3.9)** | **4.3** | **(0.0)** | **(4.5)** | **2.9%** | **-4.4%** |
| *ND/EBITDA (x)(3)* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *4.8x* | *11.9x* | *8.2x* | *10.5x* | *n.a.* | *n.a.* | *n.a.* | *16.6x* | 15.1x | 18.0x | | |
| *P/E (x)* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *70.3x* | *39.1x* | *49.3x* | *90.9x* | *n.a.* | *31.6x* | *n.a.* | *71.6x* | 59.1x | 64.9x | | |
| *EV/Sales (x)* | *18.39x* | *13.71x* | *1.83x* | *1.79x* | *2.78x* | *7.87x* | *6.63x* | *7.53x* | *8.86x* | *8.02x* | *10.56x* | *3.09x* | 3.46x | 4.33x | | |
| *EV/EBITDA (x)(3)* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *5.0x* | *18.9x* | *13.2x* | *17.9x* | *n.a.* | *n.a.* | *n.a.* | *31.7x* | 28.8x | 29.9x | | |
| *Absolute performance* | *-10.2%* | *-60.0%* | *-46.3%* | *-64.9%* | *135.0%* | *-6.4%* | *0.0%* | *-0.5%* | *-30.0%* | *5.3%* | *-12.5%* | *87.4%* | | | | |
| *Relative performance vs Ibex 35* | *8.8%* | *-54.0%* | *-43.7%* | *-71.1%* | *126.7%* | *0.8%* | *2.1%* | *-7.3%* | *-17.7%* | *-5.9%* | *3.5%* | *70.7%* | | | | |

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: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.2Mn higher due to IFRS 16.
Note 3: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

# Appendix 5. Main peers 2021e

| | | Property development | | | | | Tourism | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | EUR Mn | Metrovacesa | Aedas Homes | Neinor Homes | Insur | Average | Playa Hotels & Resorts | PPHE Hotel Group | Pierre et Vacances | LIB |
| Market data | Ticker (Reuters) | MVC-ES | AEDAS-ES | HOME-ES | ISUR-ES | | PLYA-US | PPH-GB | VAC-FR | LIB-ES |
| | Country | Spain | Spain | Spain | Spain | | Netherlands | Netherlands | France | Spain |
| | Market cap | 1,031.4 | 1,129.3 | 863.4 | 144.4 | | 1,029.5 | 839.2 | 105.4 | 57.0 |
| | Enterprise value (EV) | 1,129.8 | 1,504.0 | 1,074.3 | 355.2 | | 1,826.9 | 1,992.3 | 3,611.6 | 56.9 |
| Basic financial information | Total Revenues | 435.6 | 930.9 | 753.9 | 122.0 | | 342.6 | 229.5 | 1,117.6 | 18.4 |
| | Total Revenues growth | *194.6%* | *22.8%* | *31.4%* | *37.4%* | *71.6%* | *48.3%* | *93.1%* | *-4.6%* | *369.9%* |
| | 2y CAGR (2021e - 2023e) | *20.6%* | *1.3%* | *0.0%* | *-2.9%* | *4.7%* | *31.2%* | *37.2%* | *22.8%* | *-15.5%* |
| | EBITDA | 39.4 | 174.2 | 135.6 | 24.0 | | 28.8 | 33.7 | (208.4) | 1.8 |
| | EBITDA growth | *130.0%* | *20.7%* | *33.0%* | *292.5%* | *119.1%* | *179.2%* | *184.5%* | *-212.3%* | *268.7%* |
| | 2y CAGR (2021e - 2023e) | *39.1%* | *3.0%* | *5.2%* | *6.1%* | *13.3%* | *n.a.* | *n.a.* | *59.4%* | *2.9%* |
| | EBITDA/Revenues | *9.0%* | *18.7%* | *18.0%* | *19.7%* | *16.4%* | *8.4%* | *14.7%* | *n.a.* | *9.8%* |
| | EBIT | 32.8 | 172.2 | 129.9 | 21.0 | | (66.3) | (19.4) | (265.6) | 1.6 |
| | EBIT growth | *124.9%* | *20.8%* | *32.8%* | *684.2%* | *215.7%* | *42.2%* | *78.0%* | *-133.0%* | *226.1%* |
| | 2y CAGR (2021e - 2023e) | *44.3%* | *3.1%* | *5.6%* | *6.9%* | *15.0%* | *83.9%* | *n.a.* | *50.8%* | *3.2%* |
| | EBIT/Revenues | *7.5%* | *18.5%* | *17.2%* | *17.2%* | *15.1%* | *n.a.* | *n.a.* | *n.a.* | *8.7%* |
| | Net Profit | 16.4 | 120.5 | 93.4 | 10.0 | | (130.5) | (58.1) | (257.8) | 0.8 |
| | Net Profit growth | *110.1%* | *24.4%* | *33.2%* | *-52.6%* | *28.8%* | *41.2%* | *39.1%* | *39.4%* | *122.1%* |
| | 2y CAGR (2021e - 2023e) | *64.4%* | *1.4%* | *6.7%* | *14.0%* | *21.7%* | *48.0%* | *57.2%* | *43.4%* | *5.0%* |
| | CAPEX/Sales % | *21.2%* | *13.6%* | *0.4%* | *17.2%* | *13.1%* | *3.9%* | *39.2%* | *6.3%* | *-1.5%* |
| | Free Cash Flow | 75.6 | 122.4 | (15.0) | 7.0 | | 5.1 | (76.5) | (387.5) | 4.3 |
| | Net financial debt | 185.8 | 252.4 | 243.4 | 198.0 | | 861.0 | 866.2 | 669.0 | 29.8 |
| | ND/EBITDA (x) | 4.7 | 1.4 | 1.8 | 8.3 | 4.1 | 29.9 | 25.7 | n.a. | 16.6 |
| | Pay-out | *465.7%* | *66.3%* | *51.5%* | *n.a.* | *194.5%* | *0.0%* | *0.0%* | *-0.1%* | *0.0%* |
| Multiples and Ratios | P/E (x) | 64.1 | 9.4 | 9.3 | 14.8 | 24.4 | n.a. | n.a. | n.a. | 71.6 |
| | P/BV (x) | 0.5 | 1.0 | 0.9 | 1.1 | 0.9 | 2.5 | 2.6 | n.a. | 0.6 |
| | EV/Revenues (x) | 2.6 | 1.6 | 1.4 | 2.9 | 2.1 | 5.3 | 8.7 | 3.2 | 3.1 |
| | EV/EBITDA (x) | 28.7 | 8.6 | 7.9 | 14.8 | 15.0 | n.a. | n.a. | n.a. | 31.7 |
| | EV/EBIT (x) | 34.4 | 8.7 | 8.3 | 16.9 | 17.1 | n.a. | n.a. | n.a. | 35.6 |
| | ROE | *0.7* | *10.7* | *10.2* | *7.6* | *7.3* | *n.a.* | *n.a.* | *n.a.* | *0.9* |
| | FCF Yield (%) | *7.3* | *10.8* | *n.a.* | *4.8* | *7.7* | *0.5* | *n.a.* | *n.a.* | *7.6* |
| | DPS | *0.51* | *1.72* | *0.65* | *0.30* | *0.79* | *0.00* | *0.00* | *0.04* | *0.00* |
| | Dvd Yield | *7.4%* | *7.0%* | *5.7%* | *3.8%* | *6.0%* | *0.0%* | *0.0%* | *0.4%* | *0.0%* |

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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### Notes and Reports History

| Date of report | Recommendation | Price (EUR) | Target price (EUR) | Period of validity | Reason for report | Analyst |
|---|---|---|---|---|---|---|
| 07-Jul-2021 | n.a. | 2.60 | n.a. | n.a. | Initiation of Coverage | David López Sánchez |