

3m Results 2022

Opinion ⁽¹⁾: Below expectations

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

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Business description

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

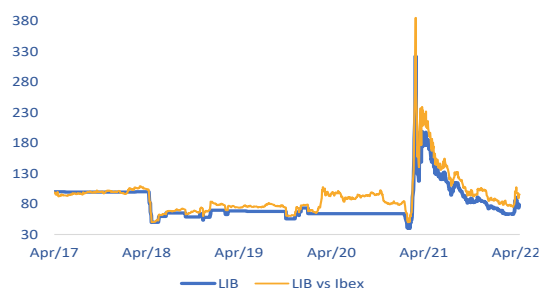
Market Data

Market Cap (Mn EUR and USD)	37.3	39.2
EV (Mn EUR and USD) ⁽²⁾	44.9	47.2
Shares Outstanding (Mn)	21.9	
-12m (Max/Med/Min EUR)	4.02 / 2.07 / 1.36	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	1.2	
Factset / Bloomberg	LIB-ES / LIB SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Noguera Family and others	80.0
Treasury stock	3.8
Free Float	16.2

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	23.2	7.6	-55.6	-21.4
vs Ibex 35	24.2	11.1	-53.6	0.9
vs Ibex Small Cap Index	24.9	4.2	-55.1	-44.5
vs Eurostoxx 50	29.3	21.7	-52.7	-24.6
vs Sector benchmark ⁽⁴⁾	34.6	21.4	-54.3	-17.8

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

(2) Please refer to Appendix 2.

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

(4) vs Stoxx Europe 600 Real Estate.

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

1Q22 results: waiting for the new cycle of the development business to take off

The main figures for 1Q22 are: Revenue of EUR 1.7Mn (-43% vs 1Q21), with positive EBITDA of EUR 0.2Mn (vs negative EBITDA of EUR -0.4Mn in 1Q21) and net profit at breakeven (vs EUR -0.3Mn in 1Q21). As regards the balance sheet, net debt declined to EUR 33.3Mn (-4.1% vs 2021 close). Specifically, we highlight:

THE PROPERTY AREA, AT A TURNING POINT (AS EXPECTED). On the one hand, in 1Q22 LIB executed title deeds on properties in an amount of EUR 1Mn (vs EUR 2.7Mn in 1Q21; that explains the decrease in revenue in 1Q22). And on the other, sales and reservations amounted to EUR 14.5Mn (vs EUR 16.0Mn in 1Q21) and stocks grew to EUR 12.4Mn (vs EUR 8.1Mn in 1Q21). By developments, LIB expects to execute the title deeds to Edificio Drassanes in 2Q22 (24 homes) and the Crisálida development (33 properties; 31 already have contracts/reservations) between 2H22 and 1H23 (vs 2022 estimated previously) that leads us to adjust our 2022e revenue (c. -15% vs previous estimate).

In addition, sales of the new developments begun in 4Q22 (Paseo del Mar and Residencial Zaida; 53 properties in the city of Valencia) have started well (21% of the properties already have contracts/reservations). This, in our view, represents a turning point and confirms the beginning of a new growth phase for the development business. This is the most important aspect of these results from a mid- and long-term perspective.

THE TOURISM AREA, THE PEAK SEASON HAS BEGUN WITH GOOD PROSPECTS. In 1Q22 the tourism business generated revenue of EUR 0.3Mn, significantly exceeding figures for 2020 and 2021 (greatly impacted by Covid-19). Cumulative bookings at the 1Q22 close (EUR 1Mn) point to a strong rebound in the tourism business that should see revenue in 2022e exceed that for 2019 (EUR 2.2Mn; with a more flexible cost structure that should improve profitability).

THE INVESTMENT AREA, CRITICAL FROM AN EQUITY VALUE VIEW POINT. LIB ended 1Q22 with an investment portfolio of EUR 52.5Mn (-3.7% vs 2021 close). On the one hand, LIB's investments in private equity have begun to bear fruit with a return of EUR 1.2Mn (profitability of the private equity portfolio of 12.4% that provides diversification and mitigates the high volatility of the equity market in the first quarter). And on the other, at the 31 March close, the stock market portfolio showed a decline in value of 4.2% (vs -3.1% for the Ibex 35 and -6.6% for the Stoxx 600 Europe).

STABLE NET DEBT (AT THE SAME LEVEL AS THE LAST 3 YEARS). LIB closed 1Q22 with net debt of EUR 33.3Mn (-4.1% vs. the 2021 close; ND/Assets c. 30%). A financial position that will allow the company to continue to grow the development business.

WHAT CAN BE EXPECTED OF THE BUSINESS IN 2022? LIB has exposure to two sectors with good momentum: housing and tourism. This should result in growth for three reasons: (i) the expansion of the development business (access to land at attractive prices leveraging on its position in the Valencia region), (ii) the cyclical exposure of the tourism business (that should exceed 2019 levels in 2022e already) and (iii) income from the management and rotation of the investment portfolio. 2022 marks the beginning of a new development cycle. The capacity and speed at which the company exploits this (in 2022 already) will become LIB's equity story.

Appendix 1. Results table

EUR Mn	3m22 Real		
	3m22 Real	3m21	vs 3m21
Total Revenues	1.7	3.0	-42.9%
EBITDA	0.2	-0.4	149.4%
<i>EBITDA/Revenues</i>	<i>12.9%</i>	<i>n.a.</i>	<i>n.a.</i>
EBIT	0.1	-0.4	137.5%
NP	0.0	-0.3	112.7%
Title deeds	1.0	2.7	-63.5%
Pre-sales (Property)	14.5	16.0	-9.2%
Stock	12.4	8.1	53.2%
	3m22	2021	
Net Debt	33.3	34.7	-4.1%
Book value	89.4	91.5	-2.3%
Investment Portfolio	52.6	54.6	-3.7%

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	37.3	
+ Minority Interests	-	3m Results 2022
+ Provisions & Other L/T Liabilities	-	3m Results 2022
+ Net financial debt	33.3	3m Results 2022
- Financial Investments	1.5	3m Results 2022
+/- Others ⁽¹⁾	(24.2)	3m Results 2022
Enterprise Value (EV)	44.9	

(1) Corresponds to: (i) the book value (not actuarial) of deferred tax assets and liabilities (EUR 36.1Mn and EUR 13.6Mn, respectively) and (ii) the value of treasury stock (EUR 1.2Mn).

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03-May-2022	n.a.	1.70	n.a.	n.a.	3m Results 2022	David López Sánchez
02-Mar-2022	n.a.	1.40	n.a.	n.a.	12m Results 2021	David López Sánchez
25-Oct-2021	n.a.	1.94	n.a.	n.a.	9m Results 2021	David López Sánchez
02-Aug-2021	n.a.	2.26	n.a.	n.a.	6m Results 2021	David López Sánchez
07-Jul-2021	n.a.	2.60	n.a.	n.a.	Initiation of Coverage	David López Sánchez

