

ATRIA HOMES – MADRID
DELIVERED Q1 2019



Neinor
HOMES

GENERAL SHAREHOLDERS MEETING

Chief Executive Officer Presentation

> 1st APRIL 2020



Borja García Egotxeaga

Chief Executive Officer

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Resolution
Proposals

2

2019
Results

3

Launch of
Neinor Rental

A

Appendix

1

Resolution Proposals



AGENDA

- > Approval of the 2019 Annual Accounts and distribution of the results, Board changes and renovations

Formulation and approval of the Annual Accounts

- **Annual Accounts**
- **Management Reports**
- **Management of the Board of Directors**
- **Auditor Reelection**
- **Application of the Individual Result for the period**
- **Approval of the distribution charged to the share premium reserve⁽¹⁾**

Board of Directors

- **Reelection of Ms. Anna M. Birulés Bertran, Mr. Ricardo Martí Fluxá, and Mr. Alfonso Rodés Vilà, with the category of independent directors, for the statutory period of three years.**
- **Reelection of Mr. Felipe Morenés Botín-Sanz as director, with the category of other external director, for the statutory period of three years.**
- **Appointment of Mr. Borja Garcia-Egotxeaga Vergara as executive director for the statutory period of three years.**
- **Appointment of Mr. Aref H. Lahham and Mr. Van J. Stults as proprietary directors for the statutory period of three years.**

(1) The Board of Directors will not make a decision regarding the payment of the dividend until there is more visibility regarding the impact of the COVID19 crisis. Please see the document "COVID19 Situation Update" published on April 1st, 2020

AGENDA

- Approval of the long term incentive plans, board of directors' remuneration and treasury share policy

Items related to remunerations

- **Approval of the new Management Incentive Program (2020-2022) for the executive directors and management team**
- **Approval of the director's remuneration policy, applicable to financial years 2020, 2021 and 2022**

Board of Directors authorizations

- **Authorization for the acquisition of treasury shares, directly or through group companies, and to redeem such shares**

General matters

- **Delegation of powers to formalize and execute all the resolutions adopted by the General Shareholders Meeting**

Advisory matters

- **Vote on the annual report on the remuneration of directors for the financial year ended 31 December 2019**

2

2019 Results



RIVERSIDE HOMES – MADRID
Delivered Q4 2019

SOLID PERFORMANCE IN 2019



Proven profitability:

- > **€489m revenues and €64m Net Income**



Guidance exceeded:

- > Developer gross margin: **30% vs. 28% target**
- > **€104m EBITDA Adjusted vs. €70m target**



- > 80% of 11,000-unit land bank in production – **High cash-flow visibility**

- > Strong asset base: **NAV⁽¹⁾: €1,288m / NAV per share: €16.30**

⁽¹⁾ Unadjusted NAV + €38.5m net equity swap debt associated with share buy-back program

2019 OPERATING HIGHLIGHTS

DECEMBER 2019 SNAPSHOT

FY 2019 PROGRESS



Development Activity

11,000+ units
LandBank

c. 5,000 units
WIP & FP

Licenses
2,200+ obtained
1,300+ acc. submitted⁽¹⁾

2,700+
WIP Starts

1,269
Deliveries



Pre-Sales Activity

2,660 (c. €900m)

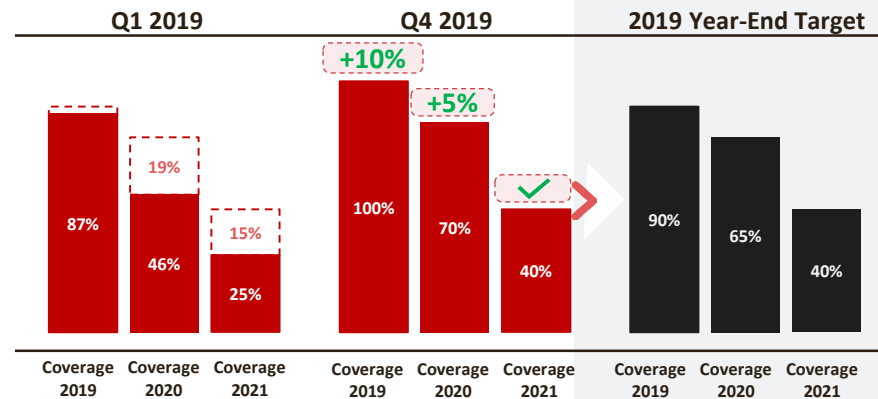
Orderbook units

1,418 units

Pre-sold

c. 70% / 40% / 20%

Pre-sales 2020/2021/2022



- Outperforming 2019 targets
- Strong demand in Neinor's 6 markets and locations
- Best in class go-to-market



Margin Protection

DEV. GROSS MARGIN: 30%
vs. **GUIDANCE: 28%**

5.0% YoY
Observed HPA⁽²⁾

4.7%
Observed construction inflation⁽³⁾



Servicing

€32.2m
Revenues

€22.0m
EBITDA (68% margin)

Note: Pre-sales rate as of December 2019. ⁽¹⁾ Average accumulated time since submission of licenses is 12 months. These 1,300+ units for which license have been requested, are in addition to the c.5,000 units that already had licenses as at December 2019 ⁽²⁾ See Appendix for more detail on observed HPA. ⁽³⁾ Inflation on per sqm construction ratios used by the Operations team

2019 FINANCIAL HIGHLIGHTS

> 2019 performance allows anticipation of initial annual dividend of €40m, to be paid in 2020

Financial KPIs



P&L

€489m
Revenues⁽¹⁾

€104m
EBITDA Adjusted

€64m
Net Income



Balance Sheet

€1.2bn
Development
Stock

80%
Of Development
Stock is Active

€173m⁽²⁾
Cash



Leverage

€180m
Net Debt

€261m
Adjusted Net Debt

16%
LTV



Valuation

€1.65bn
GAV

€1.3bn⁽³⁾
NAV

€1.2bn
NNAV



Dividends &
Buy-Back

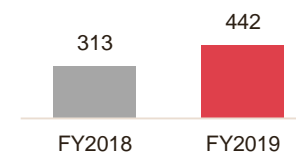
c. €90m
of €250-300m
'19-'22 plan

€49.3m
Share buy-back executed
(out of max. €100m)

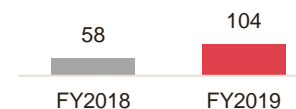
€40m
€0.51 p.s.
Intended Dividend

Year on Year Progress

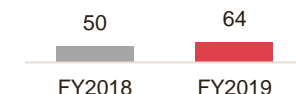
**+41% Development
Revenues**



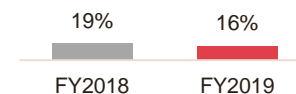
c.2x EBITDA adjusted



Net Income +28%



**Reduction of
Leverage Ratios**



⁽¹⁾Legacy represented sales of €14.3m in 2019. As of 31st of December 2019, €11m remaining book value to be sold-down in 2020, associated with GAV (Savills 2016) of €14m. ⁽²⁾Includes €43m of restricted cash ⁽³⁾Unadjusted NAV + €38.5m net equity swap debt associated with share buy-back program

3

Launching Neinor Rental



ABRA HOMES – VIZCAYA
Delivered Q4 2019

STRATEGIC STEP INTO THE BIGGEST RESIDENTIAL OPPORTUNITY

THE PRIVATE RENTED SECTOR (PRS)

- **23% of Spaniards rent**, up from 16% in 2001 ⁽¹⁾
- **Limited supply**: A rental unit is rented in just 1.5 months ⁽¹⁾
- **Affordability + generational choice**: 75% of renters are under 35 years old⁽¹⁾

STRATEGIC COMPLEMENT TO CORE BUSINESS

- Initiated from a **proven** operational base
- Become a **full-fledged residential platform**
- **Leverage** on existing build-to-sell **operations**
- Partnership with **top rental operator**

MEDIUM TERM GOAL

- Clear **benefits of combined business lines**: realize value sooner for plots with for-sale and for rent components
- Become a **market leader**
- **Target ~5,000 units**, generating **~€40m FFO**

NEINOR RENTAL SEED PORTFOLIO: 1,200-UNITS

ATTRACTIVE ECONOMICS

- Selected locations with **solid rental market economics**
- Initial projects with high profitability
 - Developed at **6-7% gross yield on cost**
 - **ROE of 15%**

A FLEXIBLE ADD-ON

- Launching **fully-financed**
- No equity requirement
- Seed portfolio of c. **€250+m NAV** in platform valuation
- **No impact in business plan guidance** - Intended dividend pay-out ratio not changed



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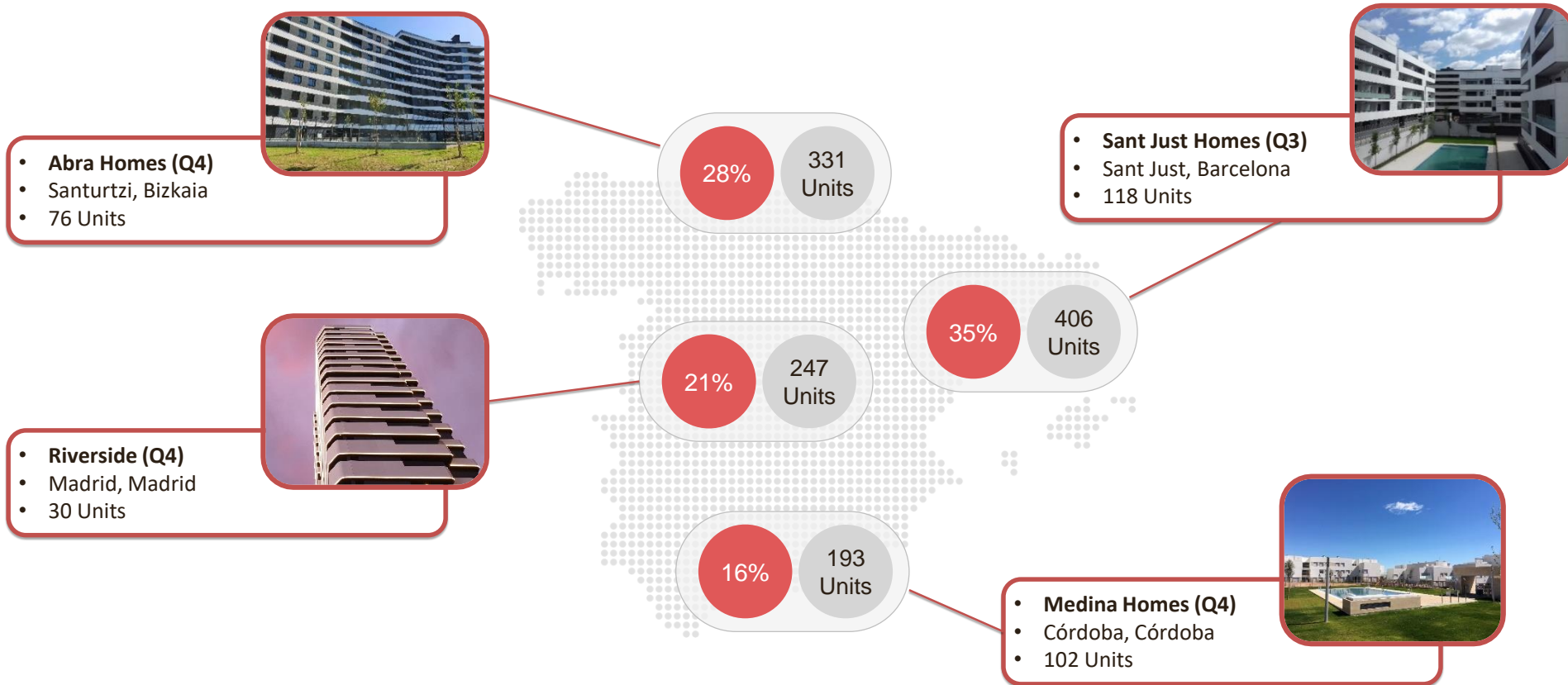
Appendix



RIVERSIDE HOMES – MADRID
Delivered Q4 2019

ALMOST 1,300 UNITS NOTARIZED IN 2019

> High execution power across 5 different offices to surpass guidance



> **HIGH EXECUTION POWER**
700+ units notarized in Q4

> **GEOGRAPHICALLY DIVERSE**
Notarizations across 5 regional offices⁽¹⁾

> **GUIDANCE SURPASSED**
Total deliveries above the minimum 1,200 units

⁽¹⁾ Deliveries for each region exclude land sale-as-is and tails from previous years.

P&L: EBITDA ADJUSTED OF €104M – c.2X VS 2018

> Solid financial KPIs reflecting operational progress

Summary P&L (in €M)

€M	FY 2019	FY 2018	FY'19 vs FY'18	
Revenues	489.1	381.8	107.3	28%
Gross Margin	160.4	121.7	38.7	32%
Gross Margin (%)	32.8%	31.9%	0.9%	3%
OpEx & Other ⁽¹⁾	(55.2)	(62.9)	7.7	-12%
Gains (Losses) on disposals ⁽²⁾	(0.0)	(0.0)	(0.0)	n.s
Operating EBITDA	105.2	58.9	46.4	79%
TIP& LTIP	(1.3)	(0.7)	(0.6)	89%
EBITDA Adjusted	103.9	58.2	45.7	79%
Change in Trade Provision ⁽³⁾	(9.6)	(1.9)	(7.8)	n.s
Amortization	(4.0)	(1.3)	(2.7)	n.s
Operating Profit (Loss)	90.3	55.1	35.2	64%
Operating Margin	18.5%	14.4%	4.0%	28%
Finance Costs	(9.0)	(10.9)	1.9	-17%
Profit (Loss) before Tax	81.3	44.2	37.1	84%
Tax charge	(17.5)	5.8	(23.3)	n.s
Profit (Loss) for the period	63.7	50.0	13.8	28%

€489M REVENUES

Development
€442.3m

Legacy
€14.6m

Servicing
€32.2m

DEVELOPMENT GROSS MARGIN **30%** VS
28% EXPECTED

SERVICING EBITDA MARGIN **68%** VS 61%
EXPECTED

1.287⁽²⁾ DEVELOPMENT UNITS DELIVERED
IN 2019

€104M
EBITDA ADJUSTED

VS

€58M
IN 2018

€64M NET INCOME

⁽¹⁾ It relates to sales of Non-Current assets. ⁽²⁾ Atria Homes 148#, Sant Just Homes 118#, Medina Homes 102#, Volpalleres 76#, Abra 76#, Via 69#, Almijara 54#, Volaplles II 47# Aiguadolc 47#, Can Mates 46#, Cañada 37#, Goiegi 36#, Goiegi II 36#, Arbaizenea 35#, Urban Homes 35#, Leioandi 32#, Plaza Homes 31#, Port Forum III 31#, Riverside 30#, Urban II 29#, Iturribarri 29#, Deaign 23#, Marina Badalona 21#, Sitges 17# and others 82# (including 18 land plots "sale as is"). ⁽³⁾ Impairment related to assets unsold.

CF | ACCELERATING CAPEX

> **€130M+ OF FREE CASH FLOW AND NET CASH FLOW OF 57M**

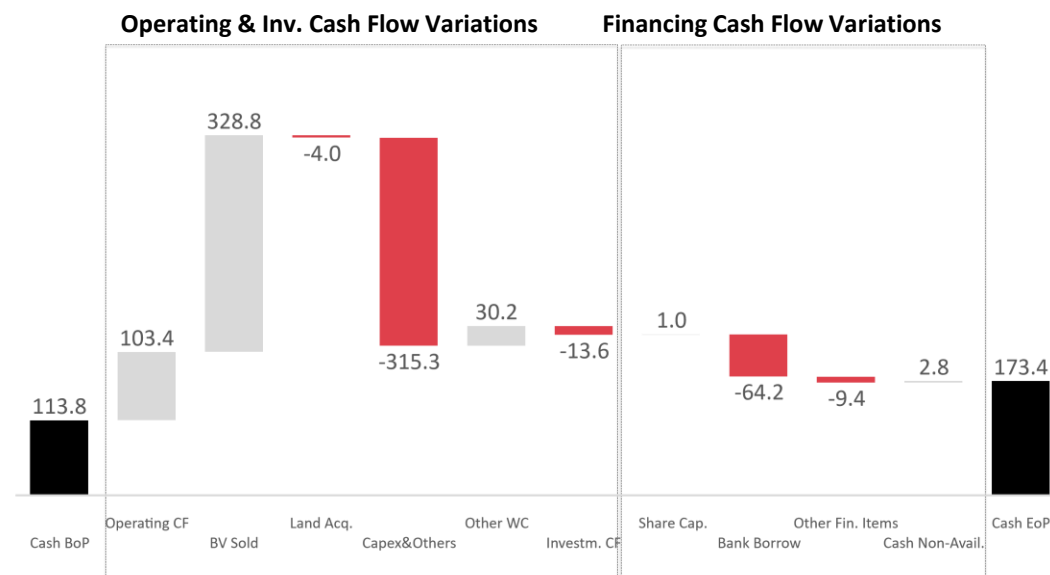
Summary Cash Flow (in €M)

€M	FY 2019	FY 2018	FY'19 vs FY'18	
Profit (Loss) before Tax ⁽¹⁾	81.3	44.2	37.1	83.9%
Adjustments	22.1	23.7	(1.6)	-6.7%
Amortization	4.0	1.3	2.6	n.s.
Finance Costs/Revenues	9.0	10.4	(1.4)	-13.9%
Change in provisions	7.8	10.8	(3.0)	-28.1%
Incentive plans	1.4	0.7	0.7	102.6%
Own share depreciation	-	0.4	(0.4)	-100.0%
Gains (Losses) on disposals	(0.0)	0.0	(0.1)	n.s.
CF from Operating Activities	103.4	67.9	35.5	52.3%
Working Capital Variation	39.7	(15.2)	54.9	-360.7%
Change in Inventories	9.5	(89.3)	98.8	-110.6%
Book Value Sold ⁽²⁾	328.8	260.1	68.6	26.4%
Land Acquisition ⁽³⁾	(4.0)	(95.1)	91.1	-95.8%
Capex	(318.2)	(224.5)	(93.7)	41.7%
Other	2.8	(29.9)	32.7	-109.5%
Other WC Variations	30.2	74.1	(43.9)	-59.2%
Net Operating Cash Flow	143.1	52.7	90.4	171.6%
CF from Investments Activities	(13.6)	(6.5)	(7.1)	109.2%
Free Cash Flow	129.5	46.2	83.3	180.4%
CF from Financing Activities	(72.6)	(8.7)	(63.8)	n.s.
Change in Share Capital/Premium	1	(0.9)	1.9	n.s.
Change in Bank Borrowing	(64.2)	(34.2)	(30.0)	87.6%
Change in Deferred Land Debt	0.9	36.8	(35.9)	-97.5%
Finance Costs/Revenues	(8.9)	(10.4)	1.5	-14.6%
Proceeds (payments) from leasing	(1.4)	-	(1.4)	n.s.
Net Cash Flow	56.9	37.4	19.5	52.0%
Change in Cash Not-Available	2.8	(0.4)	3.2	n.s.
Cash BoP	113.8	76.8	36.9	48.1%
Cash EoP	173.4	113.8	59.7	52.4%

+€143M OPERATING CASH FLOW VS €52 M IN 2018

CAPEX GROWTH: €318M€ VS €225M IN 2018

Cash Flow Bridge (in €M)



⁽¹⁾ It excludes MIP accrual paid by LS. ⁽²⁾ Book value sold includes €310m of Development Book Value and €19m of Legacy Book.

BS | €1.47BN ASSET BASE

> Development stock of €1.2bn

Summary Balance Sheet (in € m)

€M	FY 2019	FY 2018	FY'19 vs FY'18	
PPE	7.2	7.7	(0.4)	-5.8%
Right of use assets	3.3	-	3.3	100.0%
Investment Property	0.2	1.0	(0.8)	-78.2%
Other Non-Current Assets	2.3	2.7	(0.4)	-16.2%
Deferred Tax assets	25.5	22.3	3.2	14.5%
Non-Current Assets	38.5	33.7	4.9	14.5%
Inventories	1,210.7	1,229.7	(19.1)	-1.5%
ow Liquidation	11.1	41.8	(30.7)	-73.5%
ow Development	1,199.6	1,187.9	11.7	1.0%
Other Current Assets	12.8	0.0	12.7	n.s
Cash & Equivalents	173.4	113.8	59.7	52.4%
ow Not Available	43.5	40.7	2.8	6.8%
Current Assets	1,430.5	1,384.0	46.5	3.4%
Total Assets	1,469.0	1,417.6	51.4	3.6%
Equity	789.4	772.7	16.8	2.2%
Bank Borrowings	50.0	-	50.0	0.0%
Lease Liabilities	2.2	-	2.2	100.0%
Other Non-Current Liabilities	0.0	0.1	(0.1)	-92.4%
Non-Current Liabilities	52.2	0.1	52.1	n.s
Bank Borrowings	315.7	380.5	(64.8)	-17.0%
Lease Liabilities	1.3	-	1.3	100.0%
Creditors	196.8	160.3	36.5	22.8%
Other Current Liabilities	113.6	104.0	9.5	9.2%
Current Liabilities	627.4	644.9	(17.5)	-2.7%
Total Liabilities	1,469.0	1,417.6	51.4	3.6%

€M	FY 2019	FY 2018	Change	
WC Adjusted	1.015.9	1.084.2	-68.3	-6.3%

€1.47BN BALANCE SHEET

€1.2BN DEVELOPMENT STOCK

€950M ACTIVE DEV STOCK

€57M Finished Product, €684M WIP, €127M under pre-commercialization and €82M already launched

€1.0BN WORKING CAPITAL

RIVERSIDE HOMES – MADRID
Delivered Q4 2019

CONTINUING WITH CONSERVATIVE DEBT RATIOS

➤ Debt in check as we delivered, paid and extended **Corporate Debt** and **drew-down buy-back line**

Net debt (in € m)

€M	FY 2019	FY 2018	Change FY '19 vs FY'18	
Gross Debt	365.7	380.5	(14.8)	-3.9%
Non-Current Bank Borrowing	50.0	-	50.0	0.0%
Corporate Financing ⁽²⁾	50.0	-	50.0	0.0%
Current Bank Borrowing	315.7	380.5	(64.8)	-17.0%
Land Financing	181.4	224.6	(43.2)	-19.2%
WIP	110.9	109.4	1.4	1.3%
No WIP	70.5	115.1	(44.6)	-38.7%
Capex Financing	58.8	24.1	34.7	144.3%
Corporate Financing	74.3	124.0	(49.7)	-40.1%
VAT Financing	0.0	7.3	(7.3)	-100.0%
Interests	1.2	0.5	0.6	116.0%
Current financial Assets	12.8	1.1	11.7	n.s
Cash & Equivalents	173.4	113.8	59.7	52.4%
Net Debt	179.5	265.7	(86.2)	-32.4%

Net Debt	179.5	265.7	(86.2)	-32.4%
Adjustments	81.1	77.5	3.7	4.8%
Deferred Land Payment	37.7	36.8	0.9	2.5%
Restricted Cash	43.5	40.7	2.8	6.8%
Net Debt Adjusted	260.7	343.2	(82.5)	-24.0%

CONSERVATIVE DEBT RATIOS

LTV AT **16%**

NET DEBT OF **€180M**

NET DEBT ADJUSTED **€261M**

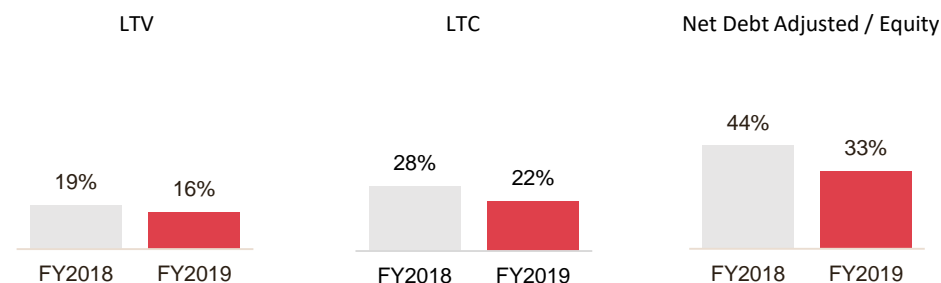
CAPEX FINANCING OF **€59M** VS **€24M** IN 2018



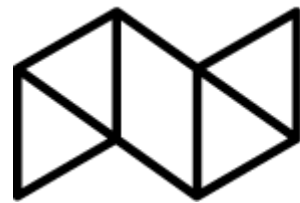
RIVERSIDE HOMES – CENTER REGION

➤ **Buy Back Program:** 4.5M shares, €49.3M deployed and pro-forma NAV per share up to €16.77⁽¹⁾

Key Ratios (%)



⁽¹⁾ Assuming cancellation of the Treasury shares held, up from €15.82 per current outstanding shares (79,005,034). ⁽²⁾ The Corporate line with Deutsche Bank has been extended to a final maturity of December 2022



Neinor

H O M E S

The Leading Residential Group

"When you think of a Home, think of Neinor Homes"

Video [ENG](#) / [ESP](#)