

# Neinor Homes FY 2019 Highlights



**RIVERSIDE HOMES – MADRID**  
*Delivered Q4 2019*

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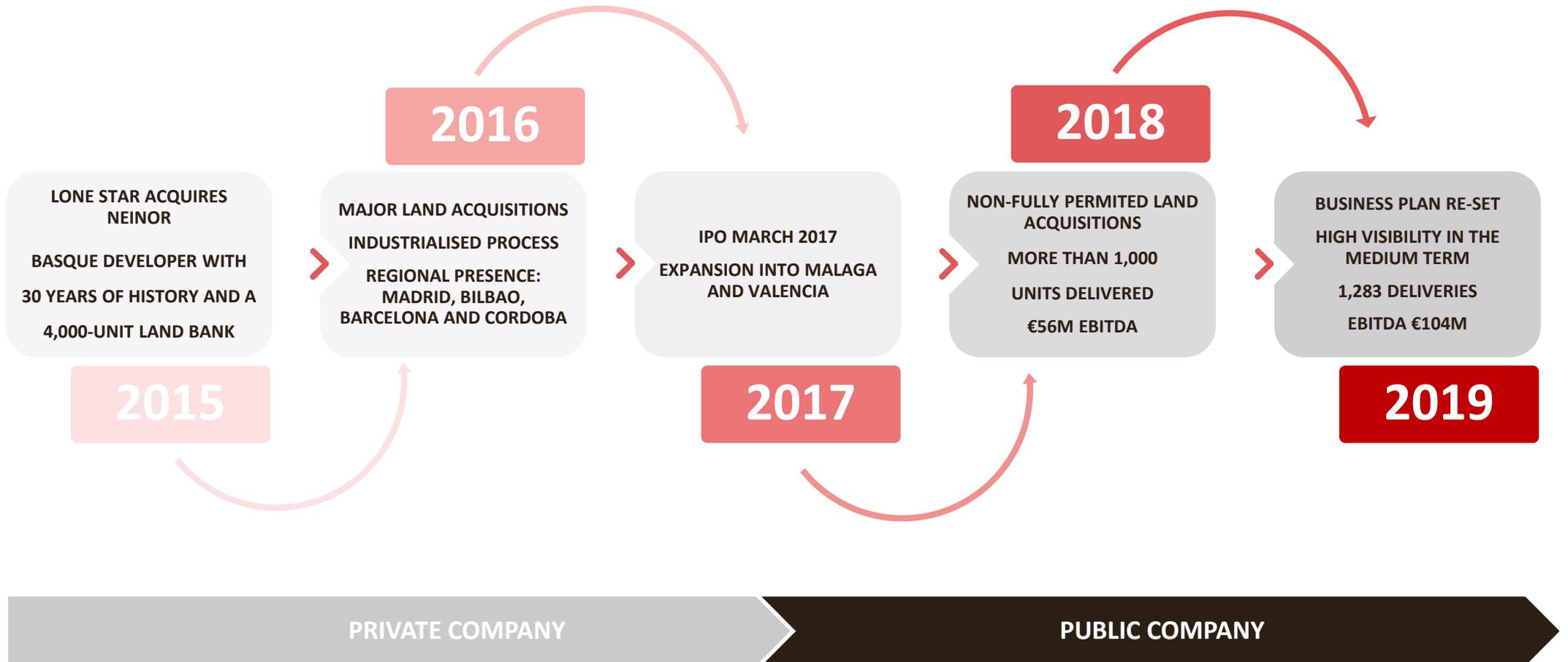
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# FIVE YEAR SINCE THE REINVENTION OF NEINOR

> Since 2015 Neinor has led the path in the recovery of the Spanish market.

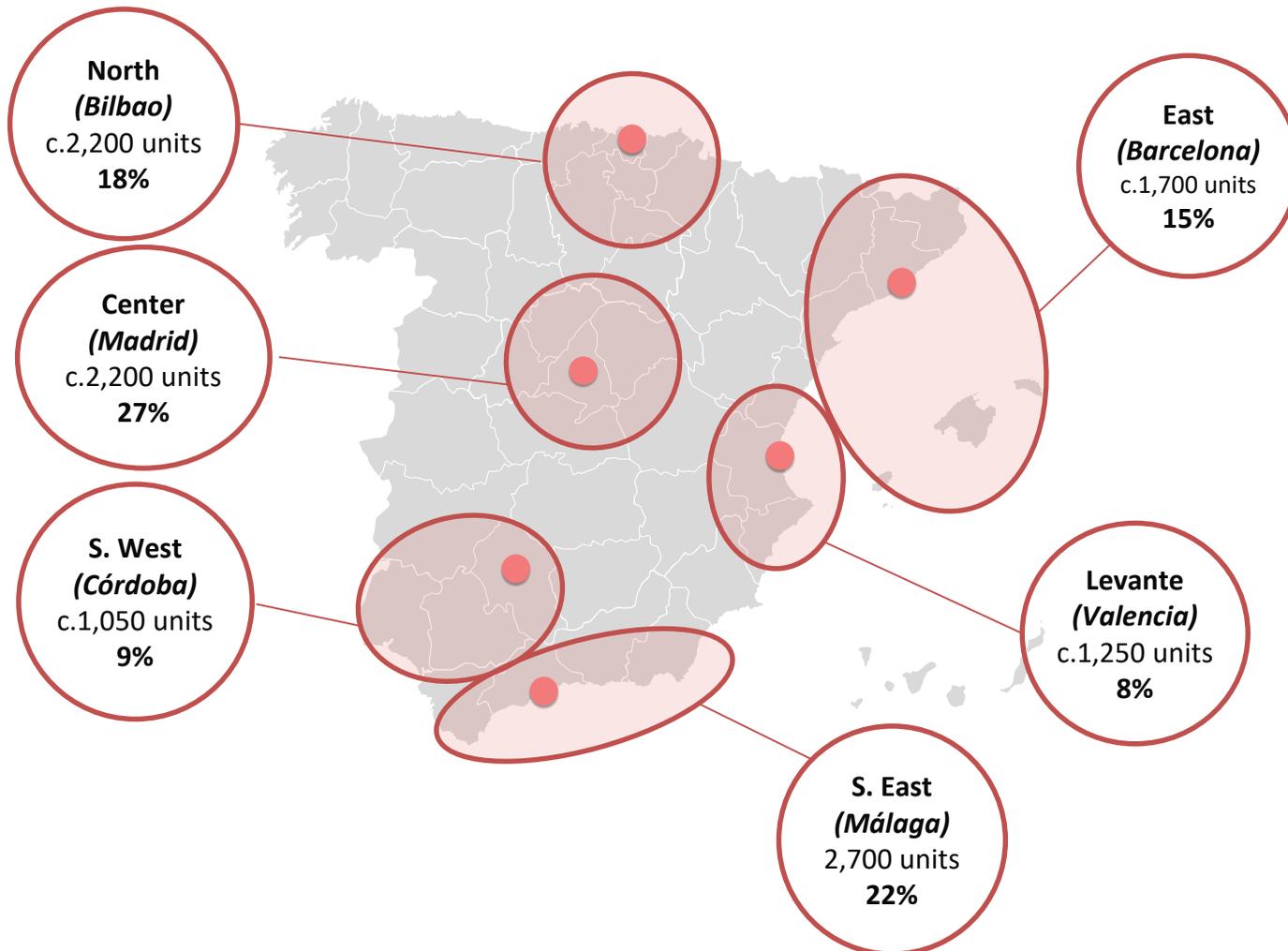


# NEINOR HOMES: OUR NATIONAL FOOTPRINT

## > Neinor's Land Bank

Region (City where regional office is)  
% over GAV value of Land Bank Assets

● Neinor Regional Office



**11,000 units** land bank

**c. 6,500 units**

under commercialization

**4,500+ units**

under construction

**2,500+ units**

Pre-sold (€900m+ order book)

**1,269 units**

Deliveries in 2019

# NEINOR HOMES: THE VALUE CHAIN

> Robust capabilities reflected in key metrics, demonstrating the industrial power embedded in the company.



**Land Bank**

- Top quality land on main regions currently valued c.35% under NAV (c.750€/psqm)
- Solid margins already proven in 2018 and 2019
- Full origination and underwriting capabilities (€15bn underwritten, €1bn+ acquired)



**Design & Procurement**

- “White Paper”, with inputs from the design and product teams, ensures standardized quality, sustainability and design features.



**Product**

- 98% multi-family / 95% first residence
- Typical unit: 3 bed-room, 114 sqm, ASP: EUR 350k
- Three qualities: Alpha (€1,500/sqm cons. cost), Beta (€1,400/sqm) and Gamma (€1,100/sqm)



**Sales**

- Best in class and Innovative “go to market” model – 20 Neinor Stores in Spain
- 80% of leads generated online
- Strong inhouse capabilities, with a very scalable model



**Construction**

- C. 5,000 WIP units / €700m+ CapEx contracted
- 8,000+ licenses obtained / 1,300+ submitted awaiting license
- Working with 35+ construction companies.
- 6 regional offices with developer DNA, 273 employees.



**Post Sale**

- “Neinor Experience” department in charge of relationship with customers, and information channel throughout the process (both by telephone and online channels)



**Servicing**

- Ability to lever on capabilities developed for Kutxabank for the past 5 years (€1.6bn AuM)
- Fully operational land planning team



# 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 - **Very high cash-flow / dividend visibility**

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



- > **First dividend anticipated: €40m (€0.51 per share) to be paid during 2020**

<sup>(1)</sup> 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<sup>(1)</sup>**

**2,700+**  
WIP Starts

**1,269**  
Deliveries



### Pre-Sales Activity

**2,660 (c. €900m)**

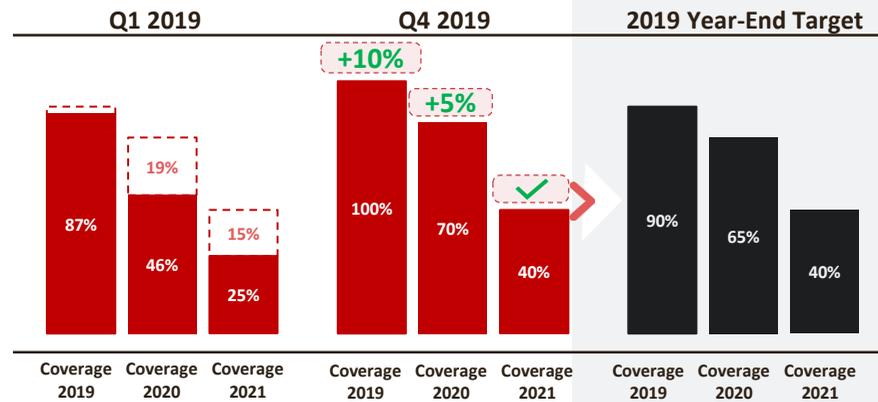
Orderbook units

**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<sup>(2)</sup>

**4.7%**  
Observed construction inflation<sup>(3)</sup>



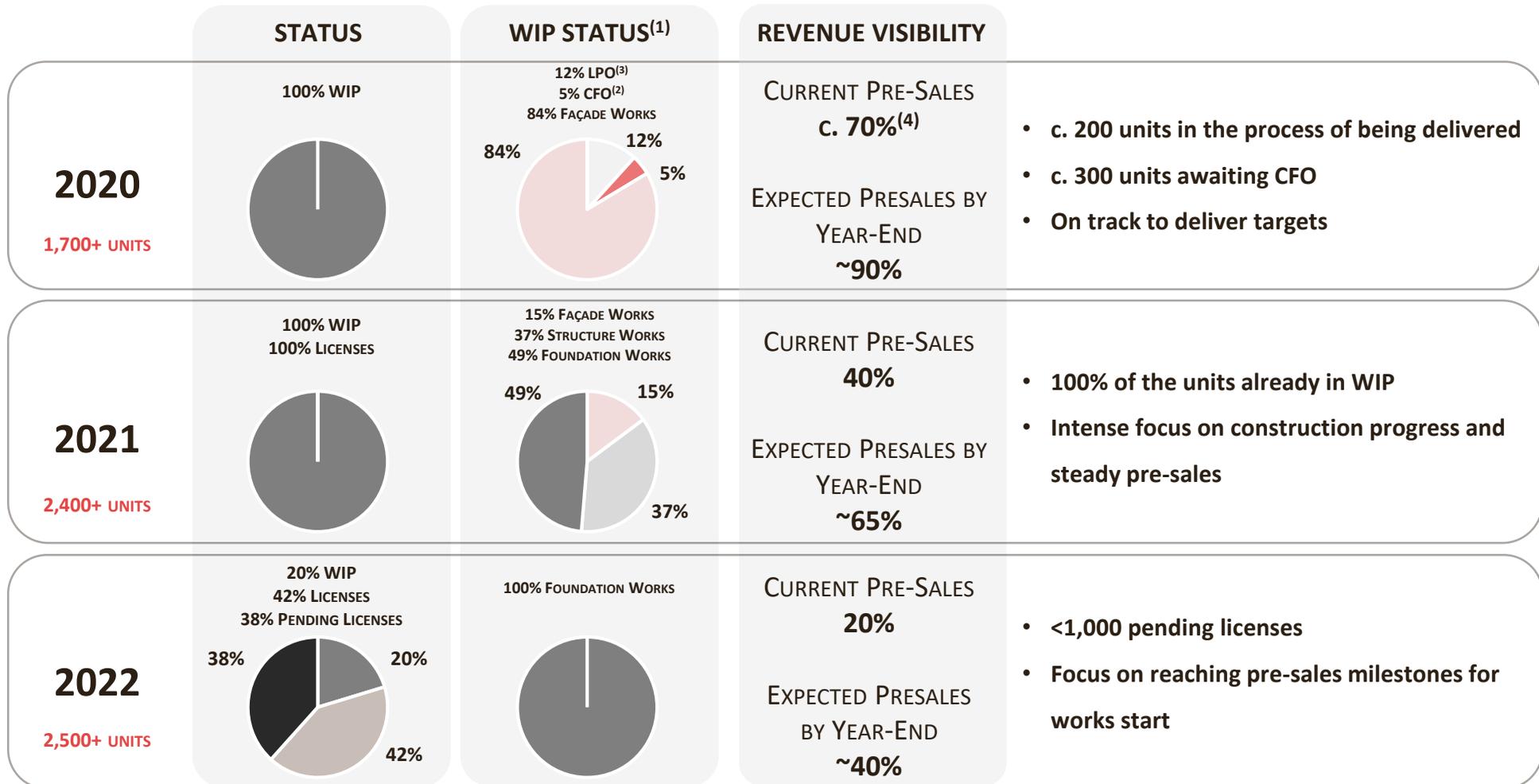
### Servicing

**€32.2m**  
Revenues

**€22.0m**  
EBITDA (68% margin)

**Note:** Pre-sales rate as of December 2019. <sup>(1)</sup> 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 <sup>(2)</sup> See Appendix for more detail on observed HPA. <sup>(3)</sup> Inflation on per sqm construction ratios used by the Operations team

# HIGH VISIBILITY TO ACHIEVE TARGETS



<sup>(1)</sup>Status as of end of December 2019 <sup>(2)</sup>CFO stands for Certificado Final de Obra, last milestone before requesting the first occupancy license (LPO, see next footnote). <sup>(3)</sup>LPO stands for "Licencia de Primera Ocupación", the municipal certificate that allows developers to notarize and deliver the units to the buyers. <sup>(4)</sup>Includes sites that were anticipated from 2020 (Abra Homes and Leioandi Homes)

# 2019 FINANCIAL HIGHLIGHTS

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

## Financial KPIs



P&L

**€489m**  
Revenues<sup>(1)</sup>

**€104m**  
EBITDA Adjusted

**€64m**  
Net Income



Balance Sheet

**€1.2bn**  
Development  
Stock

**80%**  
Of Development  
Stock is Active

**€173m<sup>(2)</sup>**  
Cash



Leverage

**€180m**  
Net Debt

**€261m**  
Adjusted Net Debt

**16%**  
LTV



Valuation

**€1.65bn**  
GAV

**€1.3bn<sup>(3)</sup>**  
NAV

**€1.2bn**  
NNAV



Dividends &  
Buy-Back

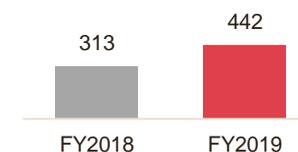
**c. €90m**  
of €250-300m  
'19-'22 plan

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

**€40m**  
**€0.51 p.s.**  
Dividend Payable  
Pay-out >60%

## Year on Year Progress

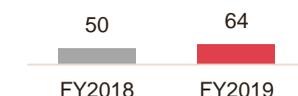
**+41% Development  
Revenues**



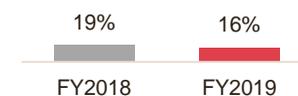
**c.2x EBITDA adjusted**



**Net Income +28%**



**Reduction of  
Leverage Ratios**



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

# STRATEGIC STEP INTO THE BIGGEST RESIDENTIAL OPPORTUNITY

## THE PRIVATE RENTED SECTOR (PRS)

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

## 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

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## 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

# INITIAL PROJECTS IN TOP PERFORMING RENTAL MARKETS

## OPERATING ASSUMPTIONS

- **Delivery:** '21: 113# /'22: 498#
- **Occupancy:** 95% in Year 2
- **Monthly rent 2019 psm:** €9,1
- **Monthly rent 2019 per unit:** €1,045
- **Stabilized rent:** €8.7m
- **FFO:** ~€4.8m

## LOCATION OF INITIAL 611 UNITS



## FINANCIAL CONSIDERATIONS

- **€95m CapEx, 100% financed with banks**
- **Gross Yield on Cost: 6-7%**
- **Tax efficient (@4% CIT and reduced VAT)**
- **PRS decided as the most profitable use – Brings forward the use of plots**
- **ROE: 15%**

## SELECTED LOCATIONS IN TOP-PERFORMING RENTAL MARKETS WITH GROWTH POTENTIAL

### Hacienda Homes – Málaga



- In **Malaga city**, walking distance from **main universities**, the **Malaga Justice complex** and **Virgin Victoria Hospital**
- **Great tube and bus connections**
- **Very low rental stock** in an area with **avg. +10% annual rent increase** over the last 4 years
- **Contrasted sales demand** with avg of **4 units/sold per month** last 2 years (Phase 1)

### Sky Homes – Valencia



- In **Valencia city**. **Main expansion neighborhood** in front of **La Fe Hospital** with **6,000+ employees** and **300,000 patients per year**.
- **Non-existent new product rental supply** in an area with **avg. 8% annual rent increase** the last 4 years
- **Contrasted sales demand** with avg of **7 units/sold per month** last year (Phase 1)

### SS de los Reyes – Madrid



- One of the **wealthiest regions of Madrid A. Com.**, **5 mins car/Tube/bus** from **major office hub of North Madrid** (Telefonica, BBVA, etc) and nearby **Infanta Sofia Hospital**
- **Limited rental supply**, with **avg. 7% annual rent increase** last 4 years
- **Contrasted sales demand** with avg of **6,5 units/sold per month** last 2 years (Dehesa, Alea, Bulevar)

### Parla – Madrid



- **Parla is a dormitory city South of Madrid** with **c. 130,000 inhabitants**, **demographic growth** and almost **50% below 35 years old**. Plots in a **fully consolidated neighborhood**
- **Direct trains to center every 15 min.**
- **Limited rental supply** in the area, with **avg. 8% annual rent increase** last 4 years