

ALEA HOMES - MADRID
DELIVERED Q3 2020



Neinor
HOMES

Q3 2020

RESULTS PRESENTATION

> **29th OCTOBER 2020**

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**Business &
Financial Review**

2

Q&A

A

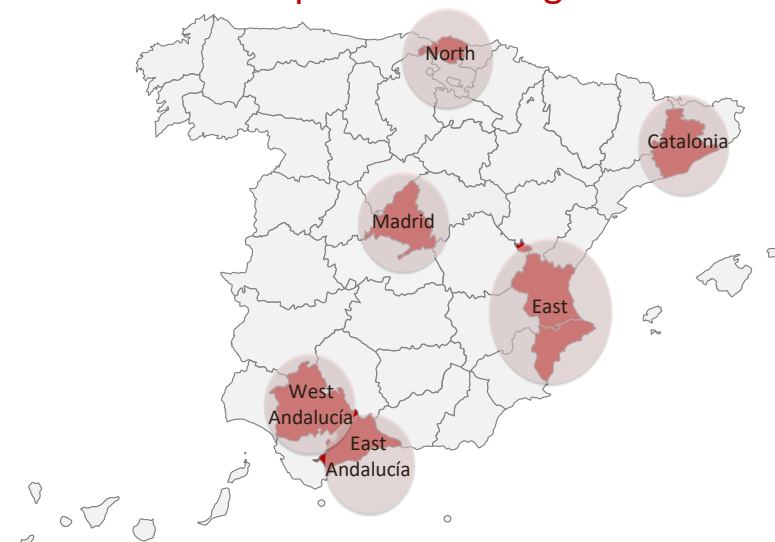
Appendix

STRONG FUNDAMENTALS

PRODUCTION DEFICIT BOTH FOR BTS AND FOR BTR

- ▶ **Large current housing deficit:** Since 2017, the **Six Regions** of Neinor footprint accumulated a **housing production deficit of 134k** units as **housing starts** were not enough to cope with **population growth**.
- ▶ In **2019**, when **housing starts** reached the **peak of this cycle**, there was a **production deficit of 69k houses**.
- ▶ **Production deficit will compound going forward:** 2020 annualized housing starts are falling 28% YoY.

Neinor Footprint Top 6 Growth Regions



Region	Population 2020 ¹	Growth YoY	Housing Stock ⁵	Inhabitants per Stock	Housing Needs ³	New Built Transactions	Housing Starts 2019	Housing Starts 2020 ⁴	(YoY%)	Housing Deficit/Surplus in 2019
Madrid	6.75	105,777	3.01	2.2	47,204	9,211	21,530	17,512	-19%	-25,674
Barcelona	5.64	59,840	2.65	2.1	28,158	4,613	9,052	7,314	-19%	-19,106
Levante ²	4.45	50,382	2.77	1.6	31,353	7,190	10,215	10,114	-1%	-21,138
Sevilla	1.96	7,558	0.91	2.2	3,496	1,893	3,565	796	-78%	69
Malaga	1.68	22,287	0.92	1.8	12,162	3,393	8,770	4,156	-53%	-3,392
Vizcaya	1.14	5,733	0.55	2.1	2,779	1,111	2,772	452	-84%	-7
Total Neinor	21.6	251,577	10.81	2.0	125,152	27,411	55,904	40,344	-28%	-69,248
Rest of Spain	25.7	141,344	14.98	1.7	88,977	23,312	40,449	24,812	-39%	-48,528
Total Spain	47.3	392,921	25.79	1.8	214,129	50,723	96,353	65,156	-32%	-117,776
% Neinor	46%	64%	42%		58%	54%	58%	62%		

RESIDENTIAL

A TOP SECTOR WITHIN REAL ESTATE



> **Home:** From just a shelter to the hub of our lives

- It also became **our office, our gym, our school, our leisure centre**
- Buyers look for **more space, terraces and healthier surroundings**
- **From large, congested cities** as a preferred lifestyle to **suburban areas.**

> **House Prices:** Have been resilient post lockdown. Why?

- A **loose monetary policy** is driving **lower mortgage costs**
- Expansive **fiscal policies** to preserve **jobs and households income**
- **Households savings rate** has surged and **potential buyers** have now **more equity** to put down as **first deposit**

> **Neinor:** Prepared to embrace changes in a post Covid world

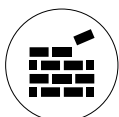
- At Neinor Homes we are **focused on meeting the needs, the changing appetites and aspirations of our clients.**
- We have **never been better positioned financially, operationally and technologically** to meet this challenge.
- **Top 1st Resi. Product + Best Location + Land acquired at correct prices**

Q3 2020 EXECUTIVE SUMMARY



3Q20 Financials Growing with Deliveries

- > 3Q20: €96mn revenues / €19mn EBITDA / NI €15mn (+17% YoY)
- > 9M20: €197mn revenues / €34mn EBITDA / NI €22mn



Sales Activity & Construction Progress

- > 400 units pre-sold during 3Q20 and 1,086 on 9M20 (+4% YoY)
- > Received CFOs¹ for 100% of target deliveries and LPOs² for 80%³



Comfortable Balance Sheet position

- > Neinor enjoys a solid liquidity with €115mn cash and 20% LTV



Acquisition of Renta Garantizada with 2,500 units under management

- > Neinor has become the only residential platform in Spain that fully incorporates the whole PRS value chain

Neinor
ALBORADA HOMES
HOW FLA
←

1

Business & Financial Review



ALBORADA HOMES – MALAGA
Delivered Q2 2020

Q3 2020 OPERATING HIGHLIGHTS

SEPTEMBER 2020 SNAPSHOT

9M 2020 PROGRESS



Development Activity

c. 10,300 units
LandBank

c. 4,800 units
WIP & FP

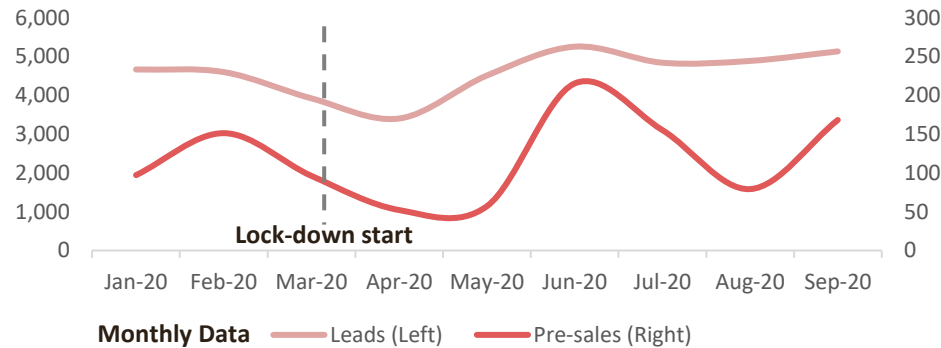
+1,700
CFO's

1,364
LPO's

503
(27% Gross Margin)
Deliveries



Leads



Resilient Sales Performance

Leads +18% YoY

Pre-sales +4% YoY



Pre-Sales Activity

3,069 (€1bn)
Orderbook units

1,086 units
Pre-sold in 9M

No spike in cancellations¹
In line with previous years



Order Book Quality

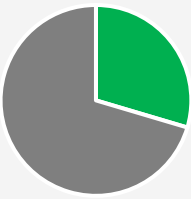


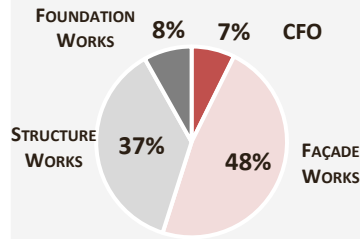
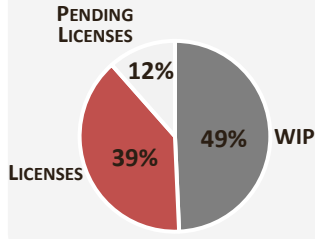
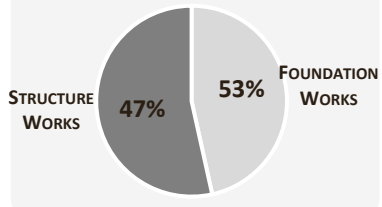
86%
(+5pp QoQ)
Private Contracts

17%
Avg. paid up-front
(of 20% deposit)

2,094 (c.68%)
Units with
Family Home Protection

1. Trailing 12-month cancellation ratio of reservations, excluding the one-off effect of rental launch related cancellations and pre-reservations, is 6% at the end of September. Cancellations for private contracts are <1%.

DEVELOPMENT STATUS

	STATUS	WIP STATUS ¹	REVENUE VISIBILITY	
2020	<p>30% DELIVERED</p> 	<p>100% CFO</p> 	<p>CURRENT PRE-SALES +90%</p> <p>EXPECTED PRESALES BY YEAR-END 90%</p>	<ul style="list-style-type: none"> • 968 units with LPO, delivered or in delivery process • 396 units with affidavit • 336 units pending LPO
2021	<p>100% WIP</p> 		<p>CURRENT PRE-SALES 56%</p> <p>EXPECTED PRESALES BY YEAR-END ~65%</p>	<ul style="list-style-type: none"> • 7% of units already with CFO • 48% of units in façade works
2022			<p>CURRENT PRE-SALES 34%</p> <p>EXPECTED PRESALES BY YEAR-END ~40%</p>	<ul style="list-style-type: none"> • 88% units with license • 49% units WIP • Pre-sales on track to end of year target

¹ Status as of 26/10/2020 and including units delivered

LAND ACQUISITIONS UPDATE

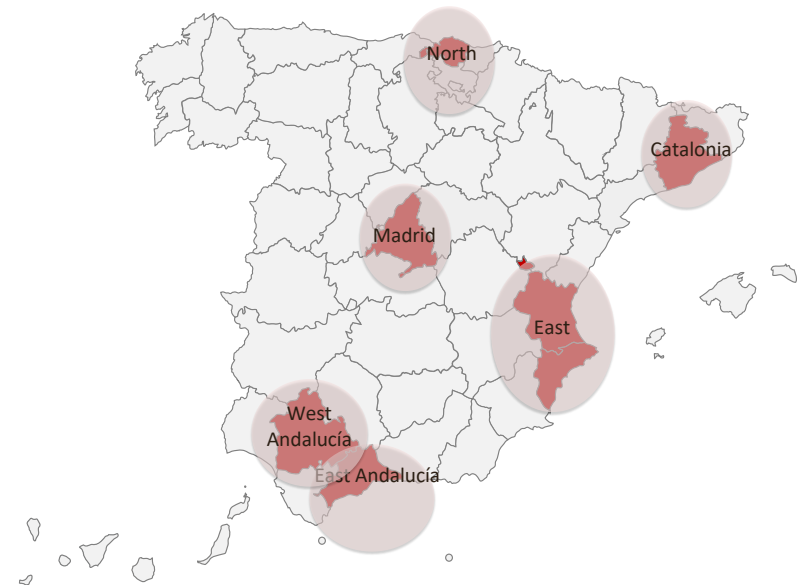
Keeping our **disciplined strategy** in an even more clear buyers' market

> Land Acquisition Strategy

- ▶ We are back under exclusivity to acquire +2k units
- ▶ Units located in **prime locations** of the **Top 6 Regions of Spain** by housing demand
- ▶ **Equity efficient** payment structures to **enhance returns**.
- ▶ Target **margin** of **+20%** and **ROE's +15%**

> First Asset Light Deal

- ▶ **Asset management** over **1,100** units and **call option** on additional c. **4,400**
- ▶ **Madrid Region**
- ▶ **Equity efficient deal** in which Neinor provides its development know-how
- ▶ Target **contribution profit** over 5-7Ys of **€20-70mn¹**



1. These targets do not take into consideration the call option over 4,400 units.

The only residential platform in Spain incorporating the **whole PRS value chain**.
Once stabilized, expected **€15-16mn of rec. EBITDA**.

PropCo

RENTAL ASSETS

- ▶ **1,200 units BTR** portfolio overweight in Madrid (c. 60%)
- ▶ 611 have been launched and first deliveries will take place during 1H21 (**150 units** in Hacienda, Malaga)
- ▶ **Recurrent NOI¹** of **+€14mn/year**
- ▶ **LT goal** is to reach **5k units**



INSTITUTIONAL ASSET & PROPERTY MANAGEMENT

- ▶ **€1mn/year cost synergies** from the asset and property management services to Neinor Rental Portfolio (1.2k units).
- ▶ **Services to third party portfolios** with already **100 units under management**

Renta
Garantizada



GRANULAR / RETAIL ASSET & PROPERTY MANAGEMENT

- ▶ **2.5k units under management** in a market that is highly fragmented with c. 5mn units .
- ▶ **Revenue CAGR (2015-2019) of 28%** and we expect it to continue at **double digit pace**.
- ▶ **EBITDA CAGR (2015-2019) of 48%** which shows that the business is highly scalable
- ▶ **FY19 EBITDA** of **€0.5mn**

Post Covid **c€1bn investments** have been **announced** trying to **replicate Neinor's BtR strategy**, all from **value-add investors targeting 12-15% IRRs** and in JV with Spanish local players.

Q3 2020 FINANCIALS HIGHLIGHTS

> EBITDA of €34M and Net Income of €22M

Financial KPIs



P&L

€197m

Revenues

€34m

EBITDA

€22m

Net Income



Balance Sheet

€1.4bn

Development
Stock

80%

Of Development
Stock is Active

€115m

Cash¹



Leverage

€280m

Net Debt

€349m

Adjusted Net Debt

20%

LTV



Servicing

€1.4bn

AuM

€17.4m

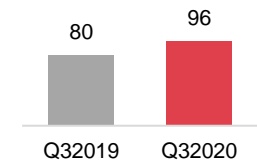
Revenues

58%

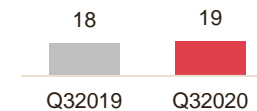
EBITDA MARGIN

Quarterly Progress

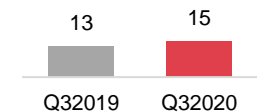
Revenues (+20%)



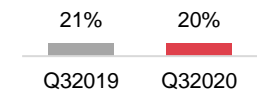
EBITDA (+4%)



Net Income (+17%)



LTV



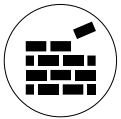
¹ Includes €31m of restricted cash

CLOSING REMARKS



Reiterate FY20 Guidance

- > Despite Covid, we confirm FY20 EBITDA target of +€100mn



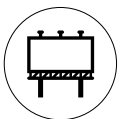
Sales & Construction Activity

- > Expect pre-sales and new house prices to remain resilient during 4Q20
- > Construction productivity back to pre-Covid levels (c. 100%)



Bet on Rental has been corroborated by Private Investors

- > To develop our own rental portfolio has proven to be the right strategy to maximize shareholder returns
- > High scarcity value as we are the only way to play Spanish PRS sector through listed equity



Land buyers' market accelerated its trend

- > Right anticipation of land price cycle, we see increasing opportunities
- > Expect to finish year with +€200mn in cash to pursue growth

2

Q&A



ALEA HOMES – MADRID
Delivered Q3 2020



A

Appendix



ITURRIBARRI II - BILBAO
Delivered Q2 2020

REVENUES OF 96M IN Q3 WITH EBITDA REACHING €19M

> 26% development gross margin

Summary P&L (in €M)

€M	Q3 2020	Q3 2019	Q3'20 vs Q3'19	
Revenues	96.0	80.2	15.8	20%
Gross Margin	29.3	30.0	(0.7)	-2%
<i>Gross Margin (%)</i>	30.5%	37.4%	(0.1)	-19%
OpEx & Other	(10.6)	(12.2)	1.6	-13%
Gains (Losses) on disposals ¹	-	0.1	n.s.	n.s.
Operating EBITDA	18.6	17.9	0.7	4%
Property Tax Provision	0.5	0.6	(0.1)	-13%
EBITDA	19.2	18.5	0.7	4%
Amortization	(1.1)	(1.0)	(0.1)	15%
Operating Profit (Loss)	18.0	17.7	0.3	2%
<i>Operating Margin</i>	18.8%	22.1%	-3.3%	-15%
Finance Costs	(2.0)	(2.2)	0.2	-11%
Profit (Loss) before Tax	16.1	15.5	0.7	4%
Tax charge	(1.2)	(2.7)	1.5	-54%
Profit (Loss) for the period	14.9	12.8	2.1	17%

€96M REVENUES IN Q32020 vs 80M in Q32019

Development²
€88.5m

Legacy
€1.6m

Servicing
€5.9m

DEVELOPMENT GROSS MARGIN **26%** IN Q32020

SERVICING EBITDA MARGIN **59%**

263 DEVELOPMENT UNITS DELIVERED IN
Q32020 (**503**³ IN 2020)

€19M EBITDA IN Q32020

€15M NET INCOME IN Q32020

¹ It relates to sales of Non-Current assets. ² It includes 5 plots from land sales. ³ Alea 78#, Mairena 66#, Iturribarri II 40#, Azahar 39#, Almijara 36#, Natura I 25#, La Llacuna 24#, Alquerias 21#, Riverside 20#; Leioandi II 19#, Abra 19#, Leioandi 19#, Port Forum III 18#, Alborada 17#, Cañada 10# and others 52#.

CF | ACCELERATING CAPEX

> Positive operating activities Cash Flow: +€31M

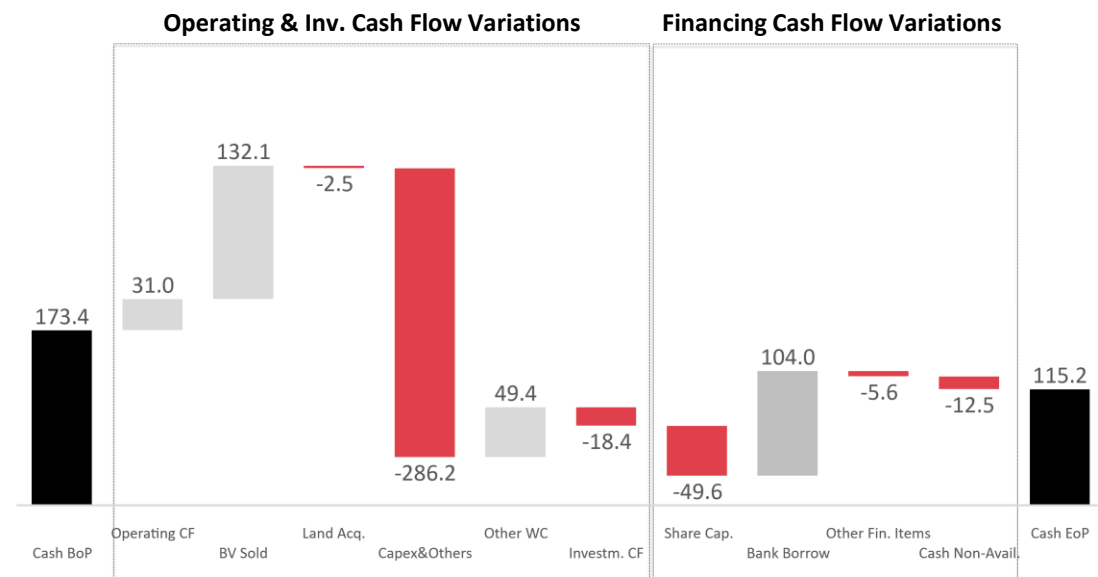
Summary Cash Flow (in €M)

€M	Q3 2020	Q3 2019	Q3'20 vs Q3'19	
Profit (Loss) before Tax	25.7	32.6	(6.9)	-21.1%
Adjustments	5.3	9.0	(3.7)	-41.2%
Amortization	3.0	3.1	(0.1)	-3.6%
Finance Costs/Revenues	5.3	6.9	(1.6)	-23.9%
Change in provisions	(3.1)	(2.1)	(1.0)	46.0%
Incentive plans	0.1	1.1	(1.0)	-89.5%
Gains (Losses) on disposals	0.0	-	0.0	0.0%
CF from Operating Activities	31.0	41.6	(10.6)	-25.5%
Working Capital Variation	(107.1)	(23.2)	(83.9)	n.s.
Change in Inventories	(156.6)	(63.5)	(93.1)	n.s.
Book Value Sold	132.1	161.5	(29.4)	-18.2%
Land Acquisition	(2.5)	(0.6)	(1.9)	n.s.
Capex&Others	(286.2)	(224.5)	(61.7)	27.5%
Other WC Variations	49.4	40.3	9.1	22.7%
Net Operating Cash Flow	(76.1)	18.3	(94.4)	n.s.
CF from Investments Activities	(18.4)	(12.4)	(6.0)	48.4%
Free Cash Flow	(94.5)	5.9	(100.4)	n.s.
CF from Financing Activities	48.8	(38.6)	87.4	n.s.
Change in Share Capital/Premium	(49.6)	1.1	(50.6)	n.s.
Change in Bank Borrowing	104.0	(33.5)	137.5	n.s.
Change in Deferred Land Debt	0.7	0.7	0.0	1.9%
Finance Costs/Revenues	(5.2)	(6.8)	1.6	-24.0%
Proceeds from leasing	(1.1)	-	(1.1)	0.0%
Net Cash Flow	(45.7)	(32.7)	(13.0)	39.9%
Change in Cash Not-Available	(12.5)	(4.6)	(7.9)	n.s.
Cash BoP	173.4	113.8	59.7	52.4%
Cash EoP	115.2	76.6	38.6	50.4%

+€31M FROM OPERATING ACTIVITIES

CAPEX GROWTH: €292M€ VS €226M IN Q32020

Cash Flow Bridge (in €M)



BS | €1.6BN ASSET BASE

> Focus on development (99% of total inventories)

Summary Balance Sheet (in € m)

€M	Q3 2020	FY 2019	Q3'20 vs FY'19	
PPE	6.3	7.2	(0.9)	-12.8%
Right of use assets	3.5	3.3	0.2	100.0%
Investment Property	0.2	0.2	(0.0)	-8.8%
Other Non-Current Assets	5.2	2.3	2.9	124.6%
Deferred Tax assets	25.5	25.5	-	0.0%
Non-Current Assets	40.7	38.5	2.2	5.6%
Inventories	1,367.2	1,210.7	156.6	12.9%
<i>ow Liquidation</i>	8.1	11.1	(3.0)	-27.0%
<i>ow Development</i>	1,359.2	1,199.6	159.6	13.3%
Other Current Assets	2.1	12.8	(10.7)	n.s
Debtors	35.6	33.6	2.0	6.0%
Cash & Equivalents	115.2	173.4	(58.2)	-33.6%
<i>ow Not Available</i>	31.0	43.5	(12.5)	-28.8%
Current Assets	1,520.2	1,430.5	89.7	6.3%
Total Assets	1,560.9	1,469.0	91.9	6.3%
Equity	811.0	789.4	21.5	2.7%
Bank Borrowings	90.0	50.0	40.0	80.0%
Lease Liabilities	3.2	2.2	1.1	100.0%
Provisions	0.1	-	0.1	100.0%
Other Non-Current Liabilities	0.0	0.0	0.0	2.6%
Non-Current Liabilities	93.4	52.2	41.2	79.0%
Bank Borrowings	305.1	315.7	(10.6)	-3.4%
Lease Liabilities	0.5	1.3	(0.8)	100.0%
Creditors	197.7	196.8	0.9	0.4%
<i>ow Def. Land Payment</i>	38.4	37.7	0.7	1.9%
Other Current Liabilities	153.2	113.6	39.7	34.9%
Current Liabilities	656.5	627.4	29.1	4.6%
Total Liabilities	1,560.9	1,469.0	91.9	6.3%

€M	Q32020	FY 2019	Change	
WC Adjusted	1,127.2	1,015.9	111.3	11%

€1.6BN BALANCE SHEET

€1.4BN DEVELOPMENT STOCK

€1.0BN ACTIVE DEV STOCK

€85M Finished Product, €897M WIP, €82M under pre-commercialization and €67M already launched

€1.1BN WORKING CAPITAL

ALEA HOMES – MADRID
Delivered Q3 2020

CONSERVATIVE LEVERAGE: LTV AT 20%

Net debt (in € m)

€M	Q3 2020	FY 2019	Q3'20 vs FY'19	
Gross Debt	395.1	365.7	29.4	8.0%
Non-Current Bank Borrowing	90.0	50.0	40.0	80.0%
Corporate Financing	90.0	50.0	40.0	80.0%
Current Bank Borrowing	305.1	315.7	(10.6)	-3.4%
Development Loan	264.4	181.4	83.0	45.8%
<i>Land</i>	113.3	110.9	2.4	2.2%
<i>Capex</i>	151.1	70.5	80.6	114.2%
Land Financing	40.0	58.8	(18.8)	-32.0%
Corporate Financing	-	74.3	(74.3)	-100.0%
VAT Financing	0.0	0.0	-	0.0%
Interests	0.7	1.2	(0.5)	-40.2%
Current financial Assets	-	1.3	(1.3)	n.s
Cash & Equivalents	115.2	173.4	(58.2)	-33.6%
Net Debt	279.9	191.0	88.9	46.6%
Net Debt	279.9	191.0	88.9	46.6%
Adjustments	69.4	81.1	(11.8)	-14.5%
Deferred Land Payment	38.4	37.7	0.7	1.9%
Restricted Cash	31.0	43.5	(12.5)	-28.8%
Net Debt Adjusted	349.3	272.1	77.2	28.4%

CONSERVATIVE DEBT RATIOS

LTV AT **20%**

NET DEBT OF **€280M**

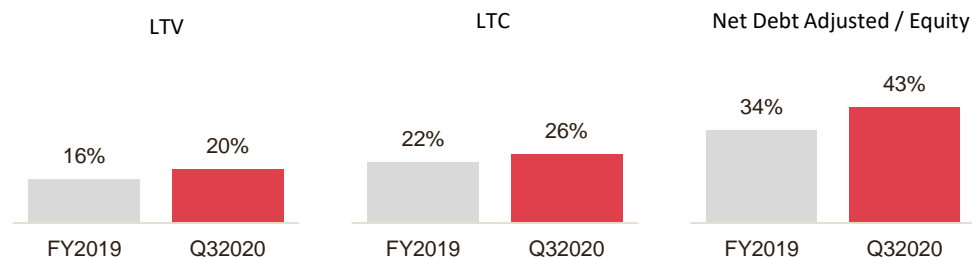
NET DEBT ADJUSTED **€349M**

CAPEX FINANCING OF **€151M**



ALBORADA HOMES

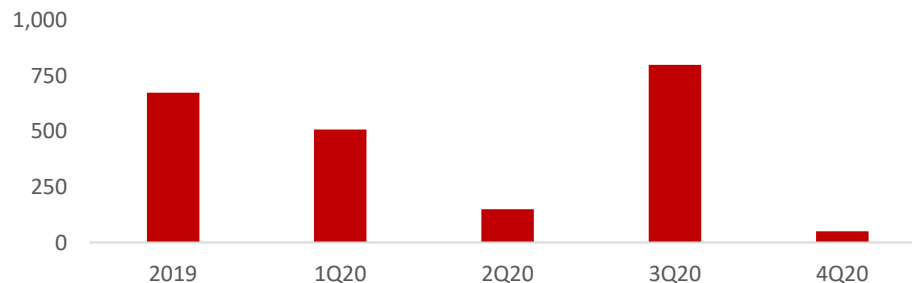
Key Ratios (%)



BTR STRATEGIES

- Post Covid **c€1bn investments** have been **announced** trying to **replicate Neinor's BtR strategy** – all from **value-add investors targeting 12-15% IRRs** and in JV with Spanish local players.
- Spanish Market: Clear **lack of rental operating players**

PRS Sector Investment Volumes - Spain



Source: Colliers and Neinor

Foreign capital is a strong supporter of Spanish PRS/BTR sector



Turnkey Projects

- Investors acquire finished BtR product at 4-6% net yield on cost.
- Developer takes 100% of construction risk and typically makes <10% net margin.
- Total returns for investors of 12-15% Lev. IRR.
- This strategy lowers commercialization risk for developers but bears the lowest returns to its shareholders.

JVs

- Investors acquire finished BtR product at 5-6% net yield on cost.
- Financial structure in a JV where the developer contributes land with no margin embedded. Financial sponsor gets a controlling stake and bears construction risk
- Total return targets for investors 12-15% Lev. IRR
- Higher upside for developer vs turnkey as they retain part of value creation.

100% on Balance Sheet

- Investor/Developer create product at 6-7% net yield on cost
- Investor/Developer controls 100% of value chain, from land acquisition to asset management, and bears construction risk
- Total return targets for investors of +15% Lev. IRR
- Strategy followed by European Peers

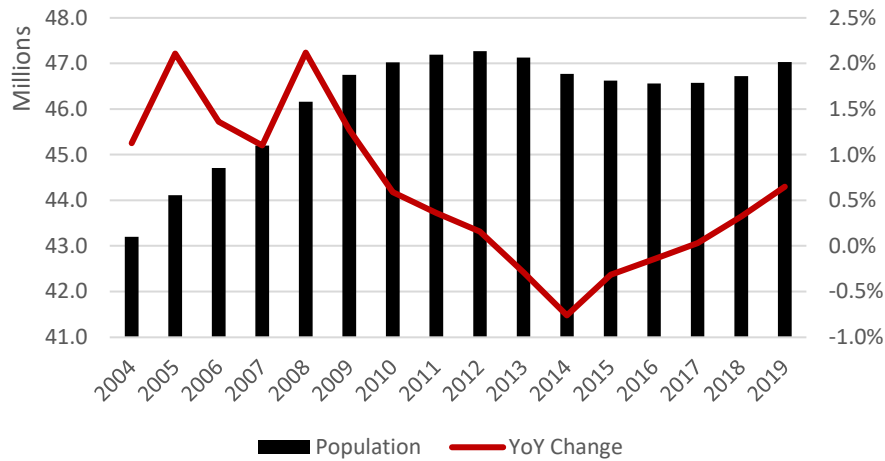
McCarthy & Stone

BUWOG group

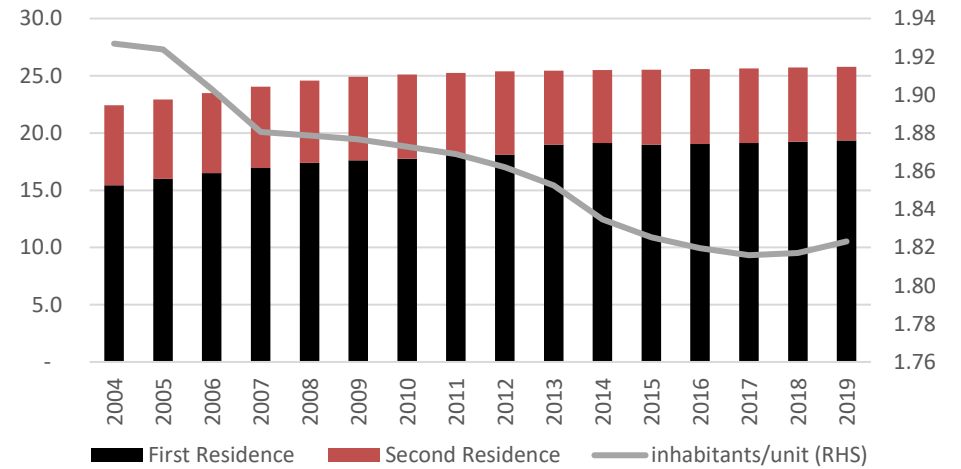
TAG Immobilien AG

SPAIN: RESIDENTIAL MACRO ANALYSIS

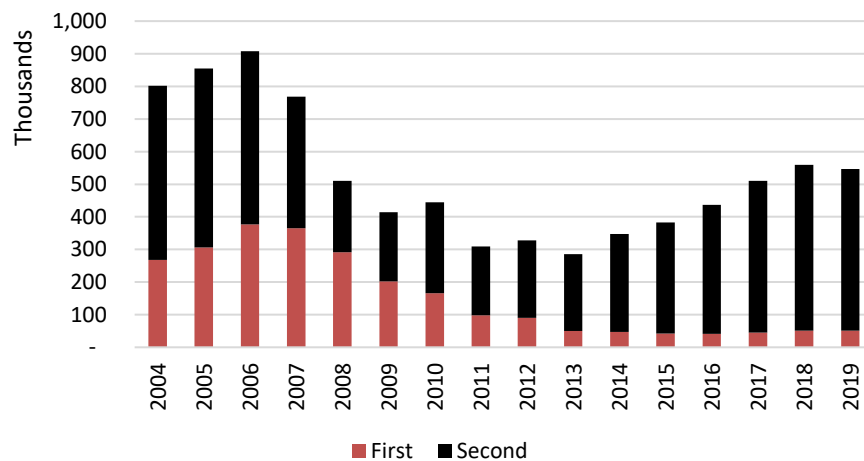
Number of inhabitants



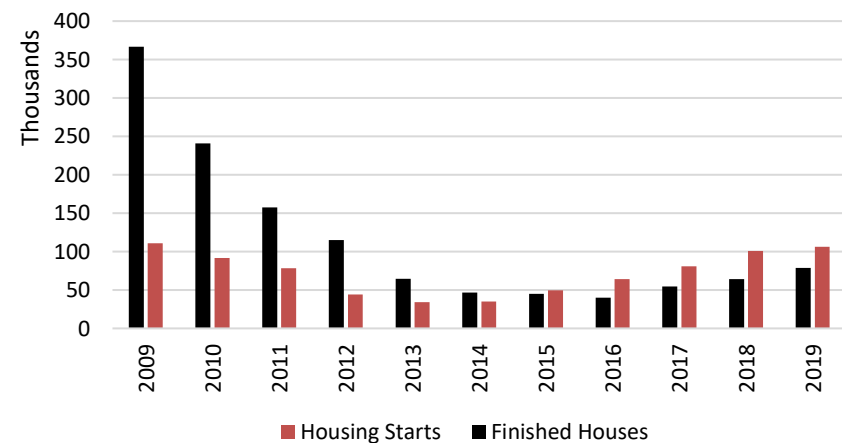
Residential Stock



First & Second Hand Transactions

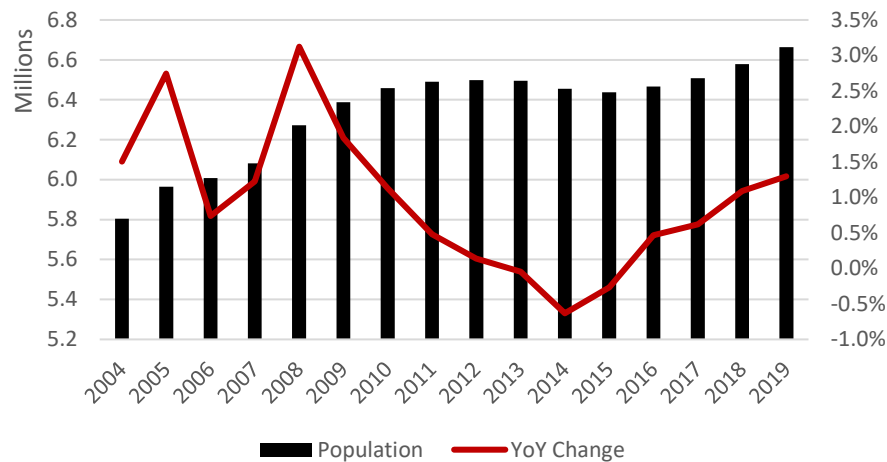


Housing starts & Finished

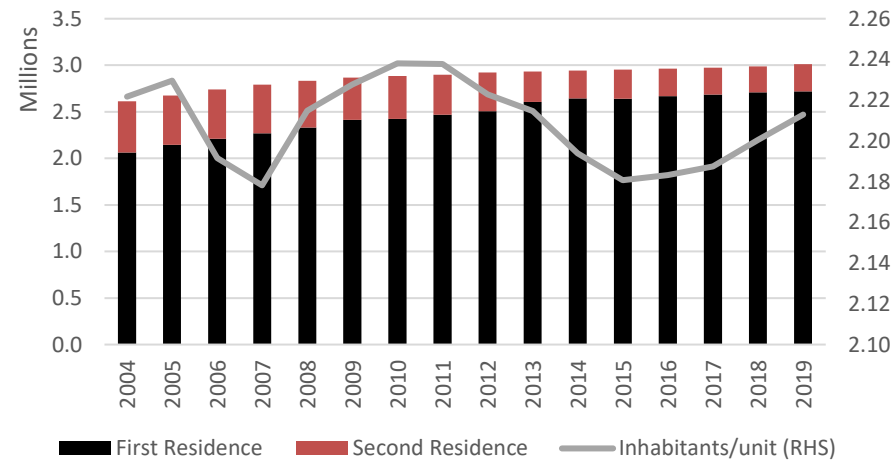


MADRID: RESIDENTIAL MACRO ANALYSIS

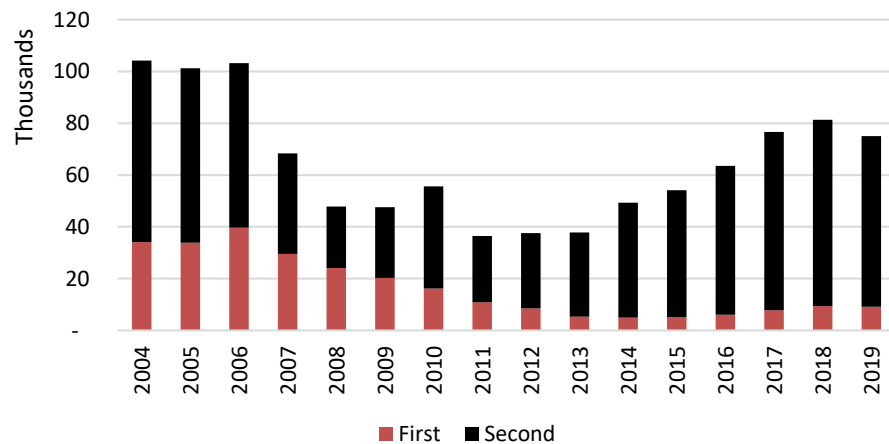
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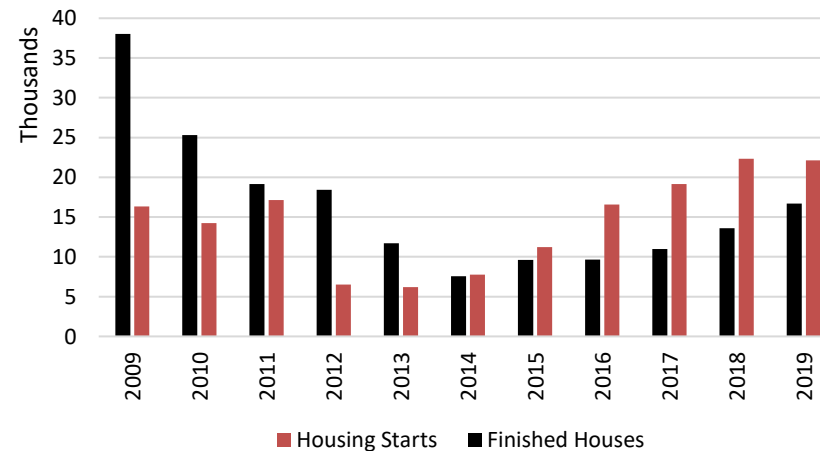
Residential Stock



First & Second Hand Transactions

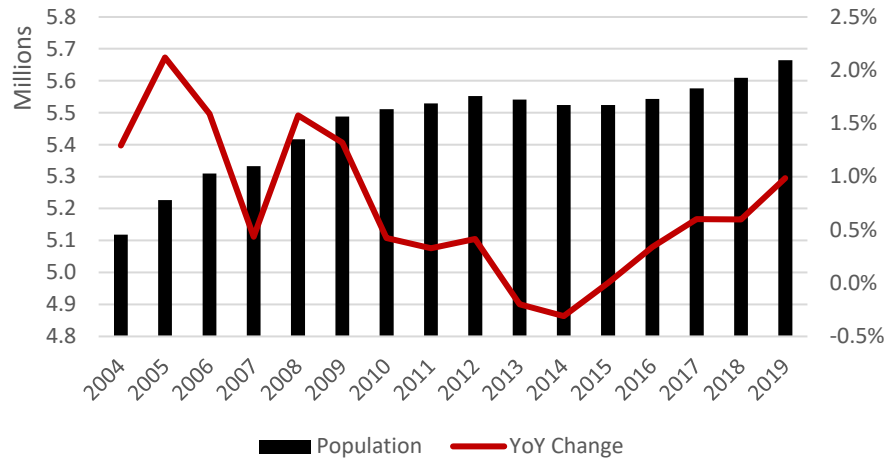


Housing starts & Finished

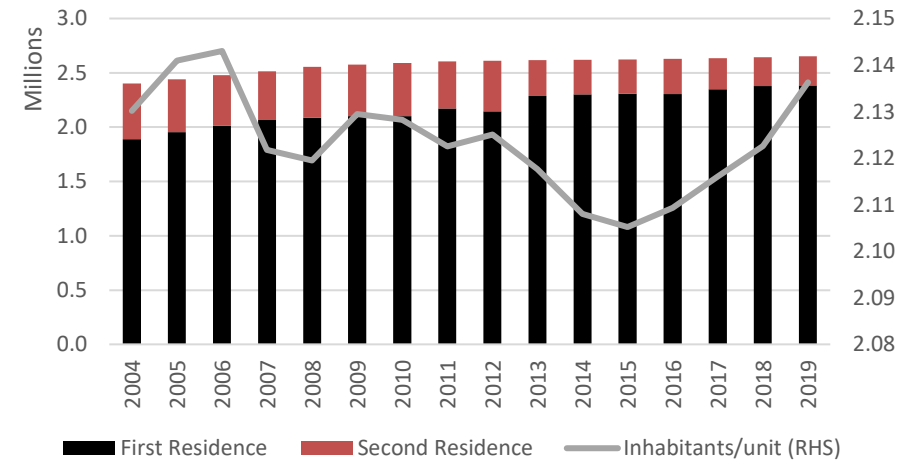


BARCELONA: RESIDENTIAL MACRO ANALYSIS

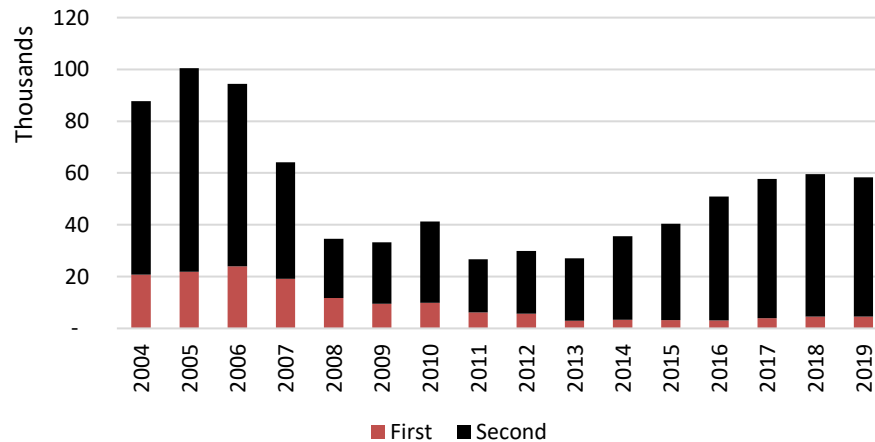
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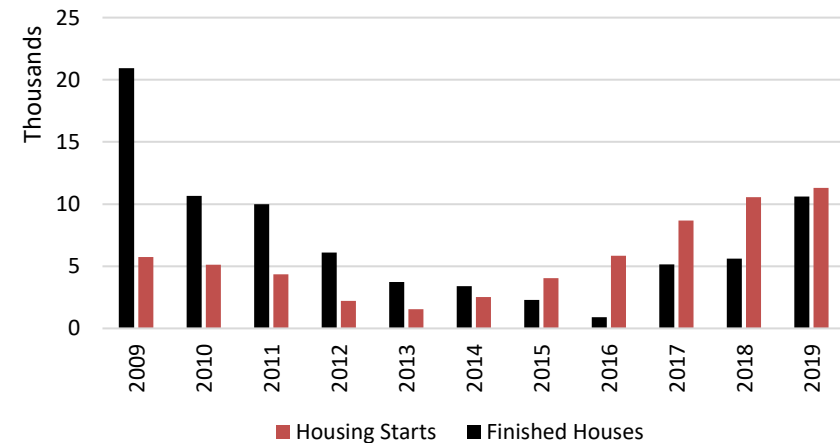
Residential Stock



First & Second Hand Transactions

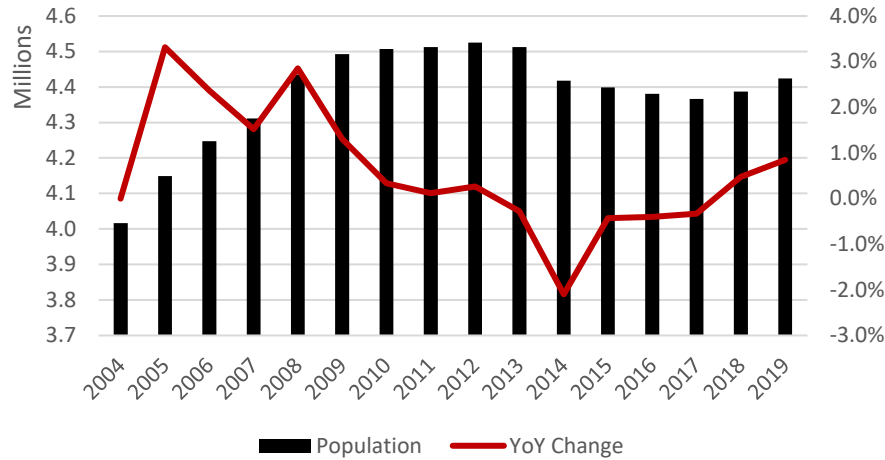


Housing starts & Finished

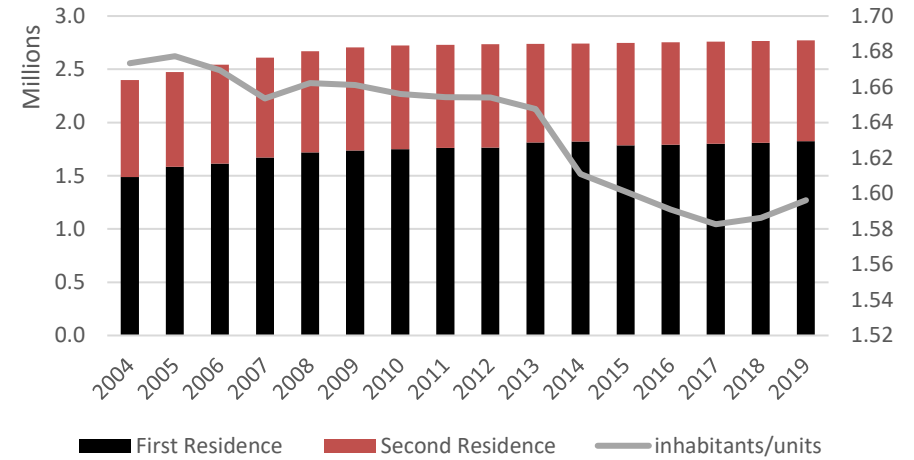


LEVANTE: RESIDENTIAL MACRO ANALYSIS

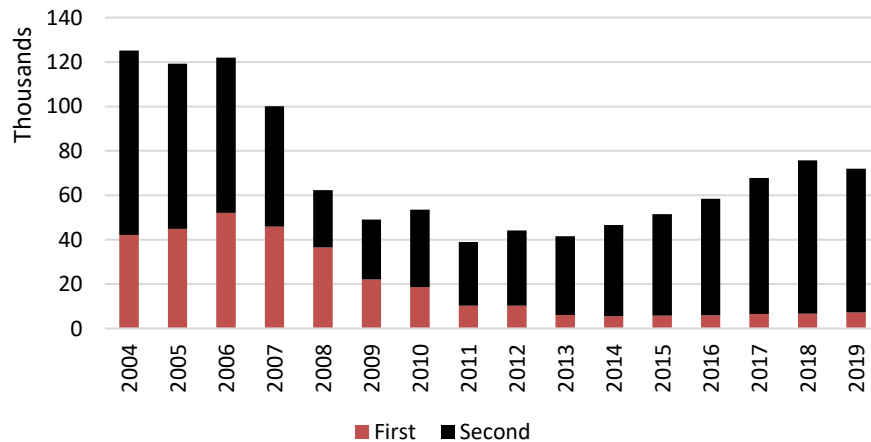
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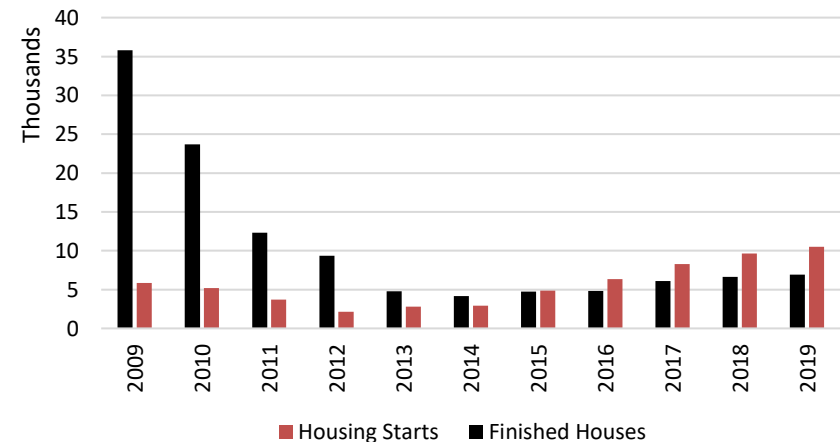
Residential Stock



First & Second Hand Transactions

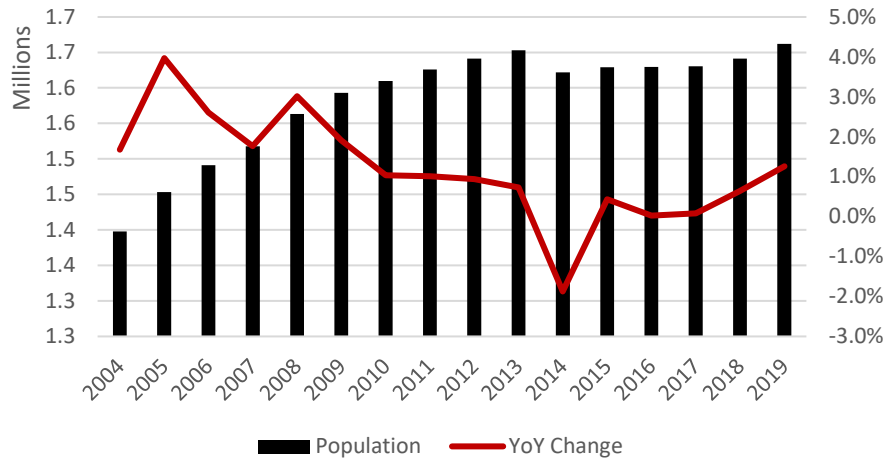


Housing starts & Finished Houses

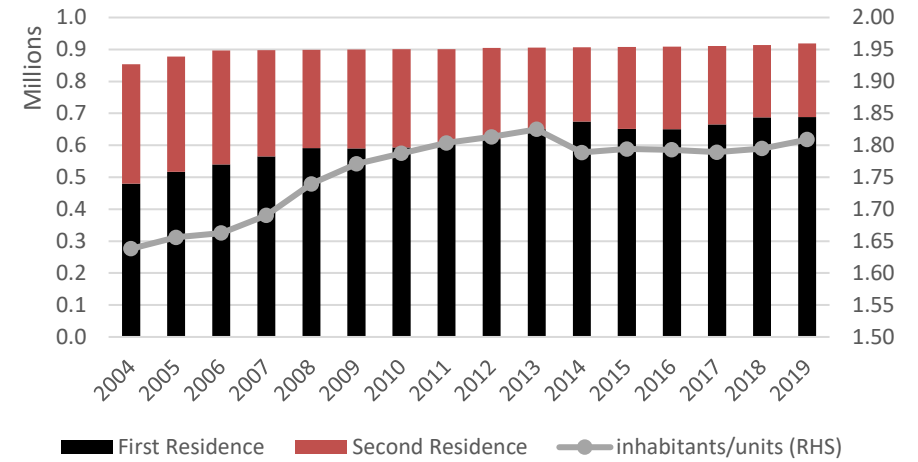


MALAGA: RESIDENTIAL MACRO ANALYSIS

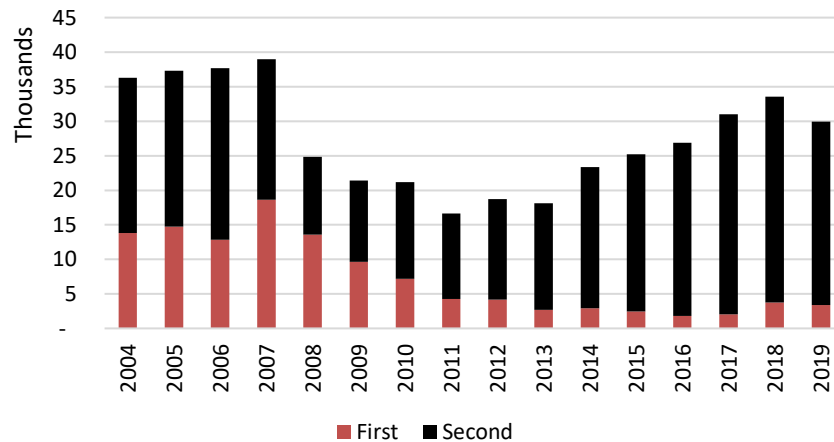
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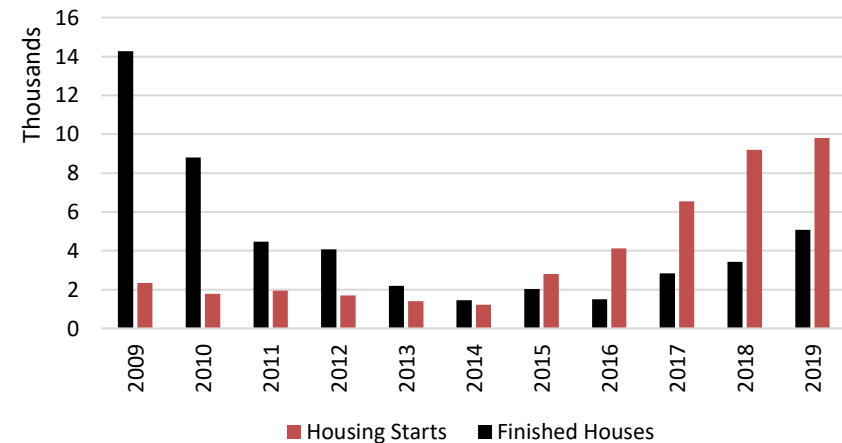
Residential Stock



First & Second Hand Transactions

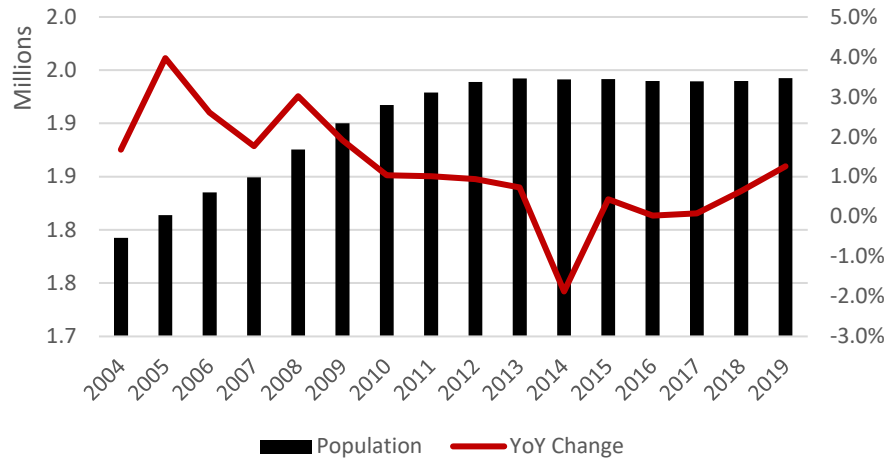


Housing starts & Finished Houses

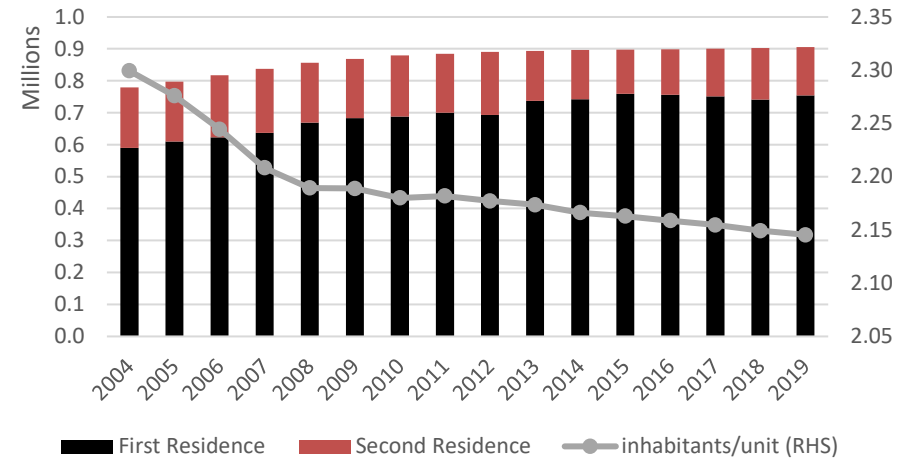


SEVILLA: RESIDENTIAL MACRO ANALYSIS

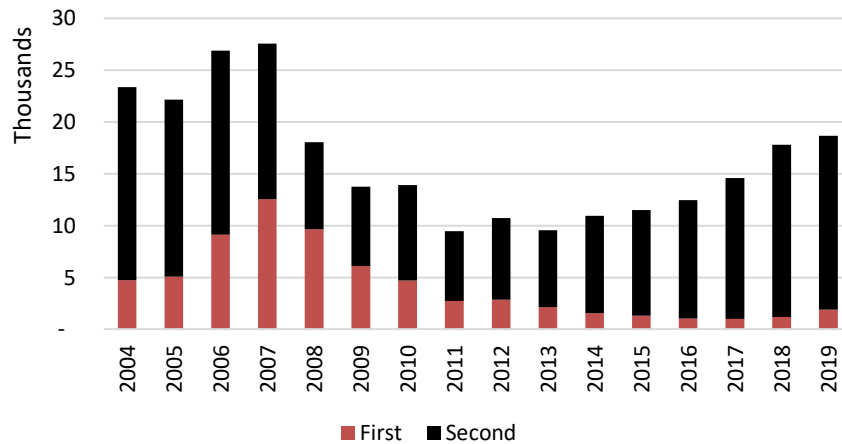
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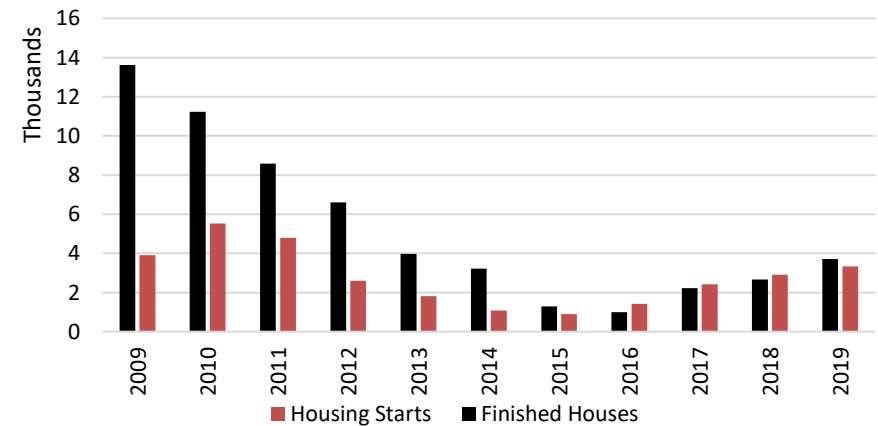
Residential Stock



First & Second Hand Transactions

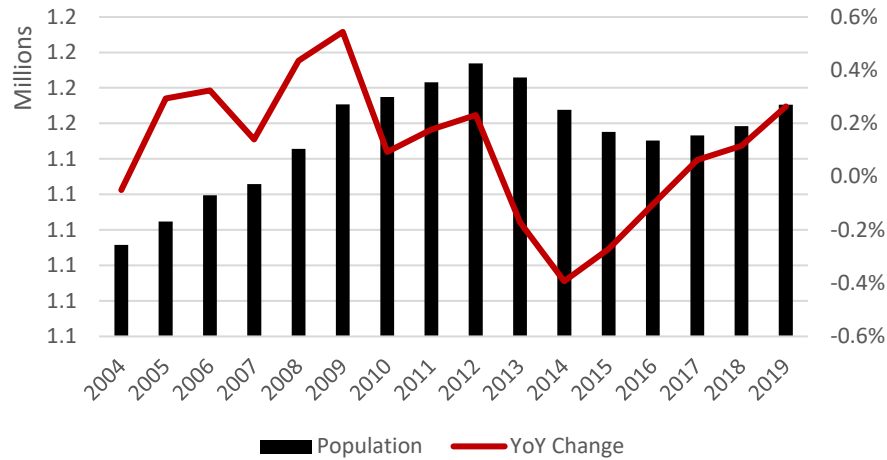


Housing starts & Finished Houses



VIZCAYA: RESIDENTIAL MACRO ANALYSIS

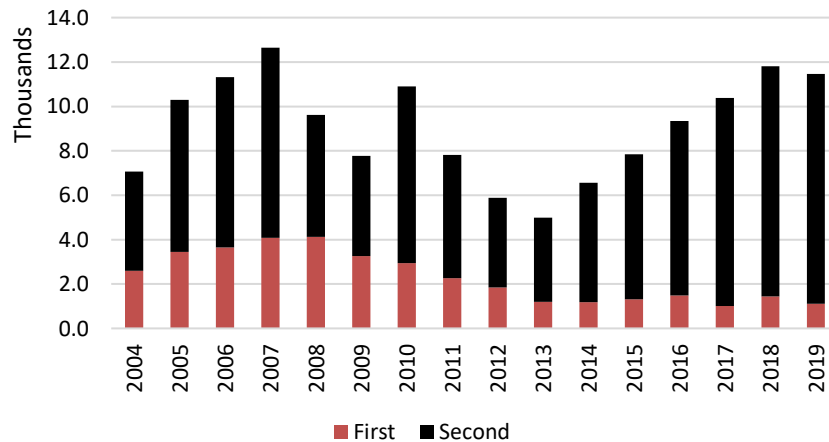
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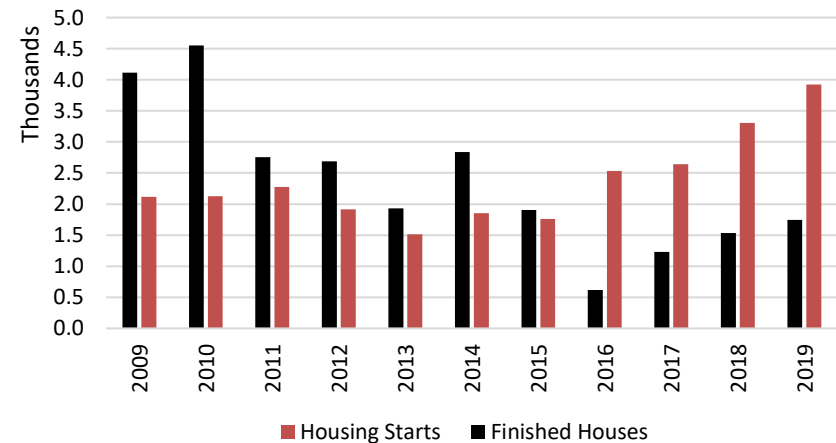
Residential Stock



First & Second Hand Transactions



Housing starts & Finished Houses





Neinor

H O M E S

The Leading Residential Group

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