



Neinor HOMES

October 2017

Business Update



CONTENTS

- 1 Investment Thesis: Leading Platform to Seize the Spanish Residential Opportunity
- 2 Attractive Sector Dynamics Supported by Strong Macroeconomic Fundamentals
- 3 Ahead of the Competition with Distinctive Strengths
- 4 Business Plan with Upside Potential Under a Rigorous Margin Protection Mind-Set

Neinor Homes: Investment Thesis at a Glance

The Opportunity: Sector Disappeared and Is Ripe for Change

- ✓ **Extremely fragmented market** – No equity in the system
- ✓ **No pure homebuilders** – All-pre crisis developers were Real Estate companies with yielding commercial assets
- ✓ **Value was created in land transformation**
- ✓ The pre-crisis developer **sector disappeared completely**
- ✓ **Structural residential supply-demand imbalance driving growth and price appreciation**, laying the ground for homebuilding recovery
- ✓ **Residential followed the commercial real estate recovery that started with the SOCIMIS (REITs) in 2014**

Spain's Leading Home Builder

- ✓ **Neinor Homes began operating formally in May 2015**, after the acquisition of a Basque developer with 28 years of history from Kutxabank, by an affiliate of Lone Star Funds. **Neinor Homes was listed in March 2017** and currently has c. 87% free float
- ✓ Led by Juan Velayos as CEO, Neinor has **c. 250 qualified professionals with 35,000+ units built**
- ✓ Leading the sector transformation through **Institutionalized Delivery, High-Quality Product** and being **Client Focused**
- ✓ **Pure residential homebuilder** specializing in first homes (75%) and second homes (25%)

Neinor Homes as of Today

- ✓ **Development Activity**
 - ✓ **c. 5,500 units** in production in **71 active sites**.
 - ✓ **29 sites in construction, c. 2,100 units**
 - ✓ **c. € 700 million pre-sales** order book, providing high visibility into 2018 and 2019
- ✓ **Land bank as at 30/09/17**
 - **180 developments** with **c. 12,000 equivalent units**
 - **c. €1,500m GAV**
 - **~3 years of deliveries to optimize ROCE**
- ✓ Activity in **six strategic high-demand and limited stock regions in Spain** (Centre, East, Levante, North, Western Adalusia, Eastern Andalusia)
- ✓ **€113m** of legacy assets **planned for liquidation by 2018**
- ✓ Servicing **generating c. €15-18m EBITDA p.a. until 2022**

Run-Rate Targets by 2020

~3,500 - 4,000

home deliveries p.a.

~€300k

Average Selling Price

~20%

EBIT margin

>15%

ROCE

~20%

LTV

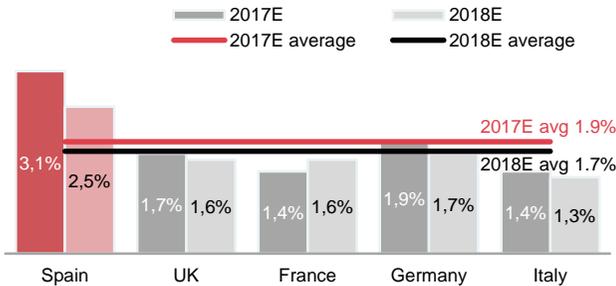
<40%

Net Debt/Equity

Strong Macro with a Clear Supply-Demand Imbalance

Robust Spanish GDP Growth...

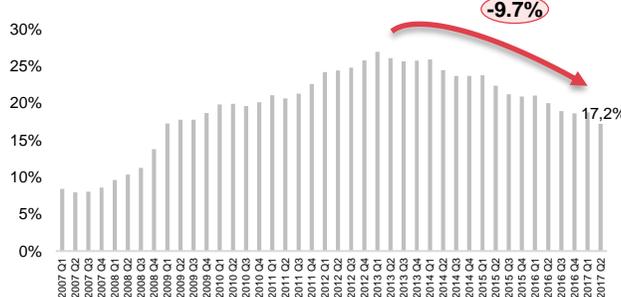
GDP Y-o-Y growth 2017E and 2018E



Source: Banco de España, Bank of England, Banca d'Italia, Banque de France, Bundesbank

...With Strong Job Market Recovery...

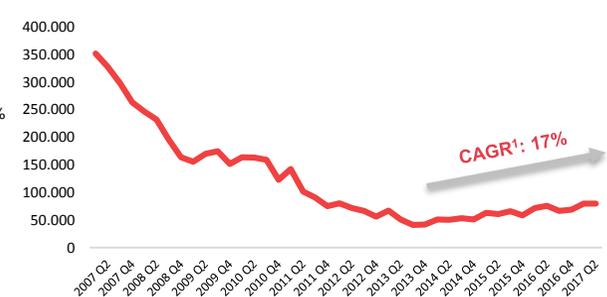
Spain unemployment rate



Source: INE

...and Improving Mortgage Availability...

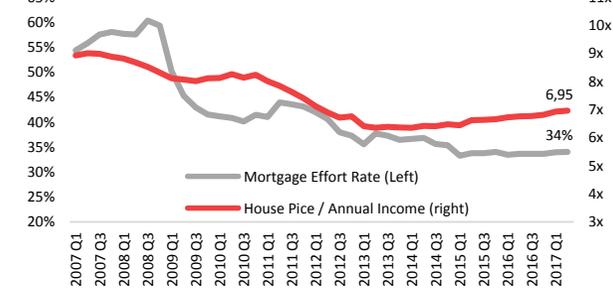
of new mortgages granted for urban housing in Spain



Source: INE
 1 CAGR from LTM 2014 Q2 to LTM 2017

...and Strong Demand for New Units...

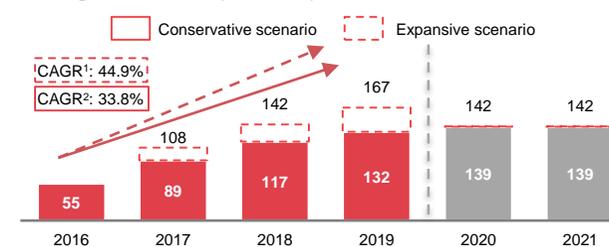
Housing Demand with Increased Purchasing Power



Source: Bank of Spain

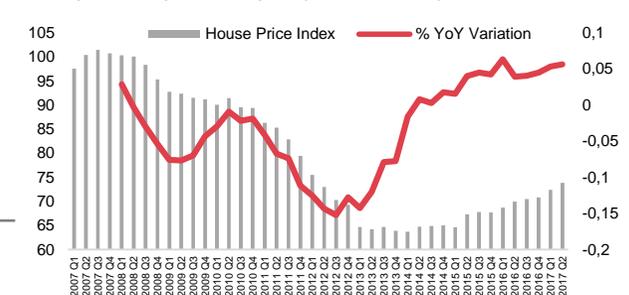
...and Leading to Increased House Prices

Housing units demand ('000 units)



Source: Ministerio de Fomento, CBRE
 1 2016-19 CAGR of the expansive scenario; 2 2016-19 CAGR of the conservative scenario

House purchase prices in Spain (rebased to 100)



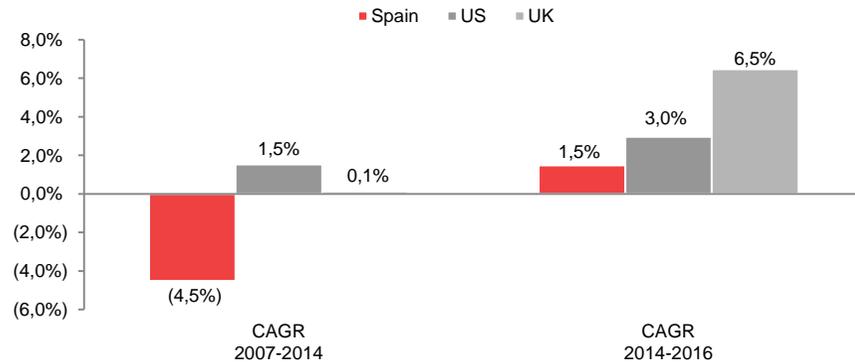
Source: Ministerio de Fomento

- ✓ Spanish economic indicators and consumer optimism on the upswing, driving **continued housing market expansion**
- ✓ Growth in domestic demand, job creation and improving household income will **drive housing demand**
- ✓ Expansionary monetary policy and banking sector appetite for assets should **support mortgage lending and higher affordability**
- ✓ Shortage of new housing supply and high growth is starting to **drive prices**, which in most regions was c.+5-10% last year

Sector at an Advantageous Point in the Cycle

HPA in Spain is at the beginning of appreciation cycle

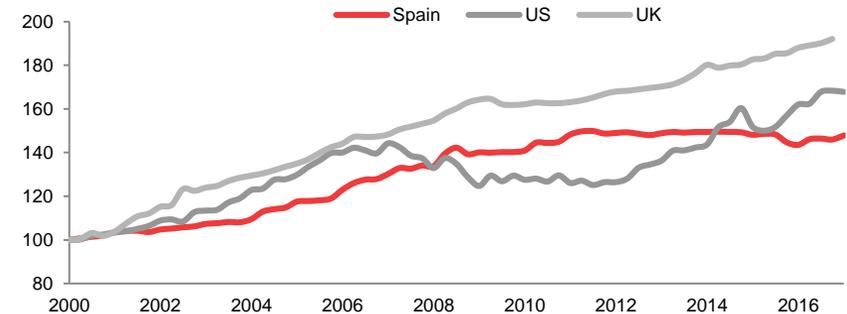
Average sale price of new houses



Source: Ministerio de Fomento, HM Land Registry, US Census Bureau

Spain's construction costs have remained stable recently

Construction cost index, 100 = Q1 2000

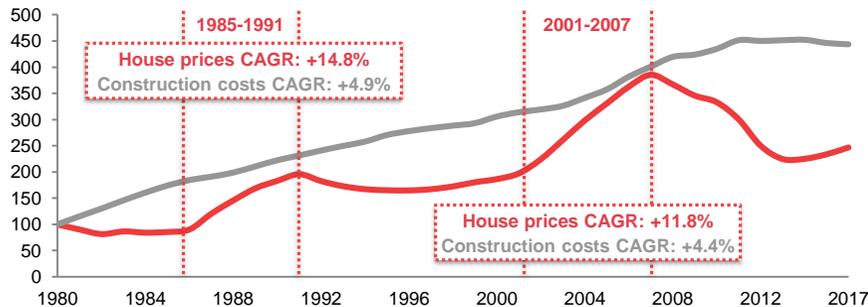


Source: Spain and UK data based on Eurostat construction cost index for residential buildings; US data based on cost index of new single-family houses sold including lot value as disclosed by the US Census Bureau
Note: Q1 2017 data not available for the UK

House price growth has significantly outperformed construction cost inflation through previous cycles

Rebased to 100

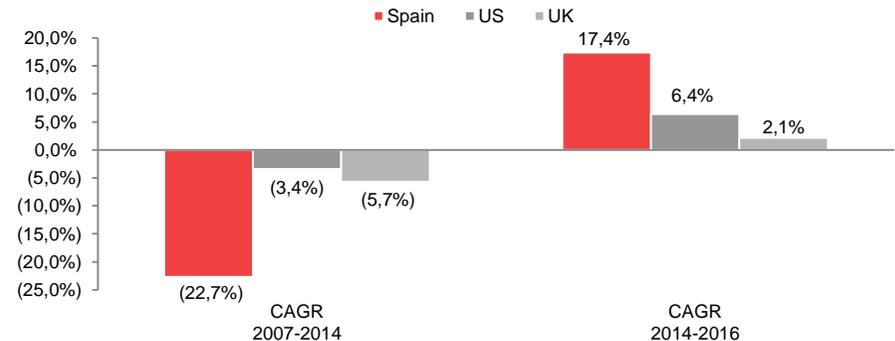
Spain house price index (red line), Spain construction cost index (grey line)



Source: OECD Real House Price index, Eurostat Construction Cost index for residential buildings

Robust increase in Spanish Banks exposure to mortgage financing

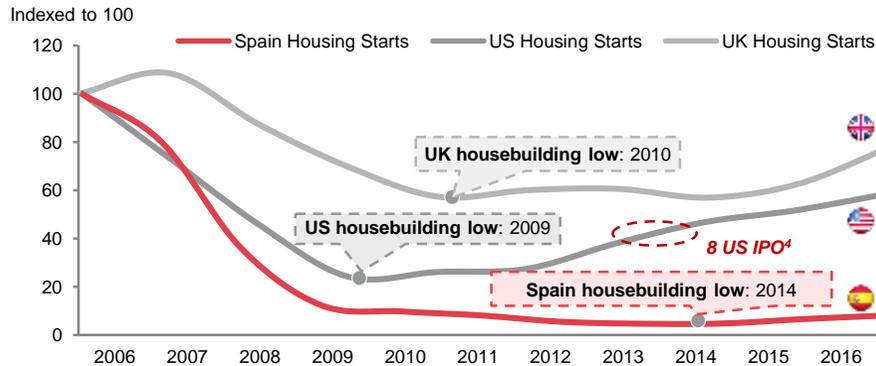
of new mortgages granted



Source: Estadística de Hipotecas. INE, UK finance, Consumer Financial Protection Bureau (HMDA data)
Note: 2016 number of mortgages granted in the US assumed constant compared to 2015 (data not available for 2016)

UK and US Residential Recovery Shows the Path for the Spanish Market

The Spanish Residential Market is Approaching a Turning Point in The Cycle...

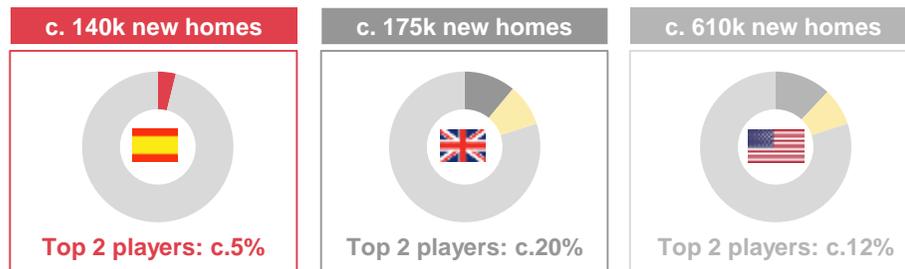


UK and Spanish Housing Markets Comparison

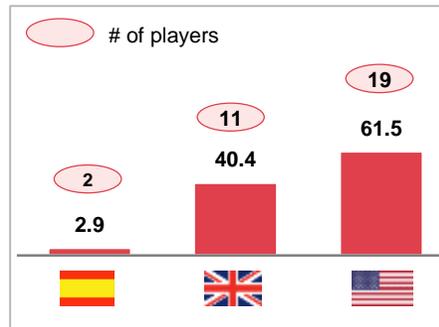
- ✓ The US and UK markets have shown signs of cyclical upswing
- ✓ House prices and housing starts in Spain troughed in 2014, four years after those in UK, **implying that the runway for companies to grow earnings in Spain is longer than in the UK**
- ✓ Number of housing **transactions in Spain are 60% below peak** vs. 20% in the UK
- ✓ **Prices in Spain are c.30% below previous peak**, while those in the UK are through the previous peak

... and is Set to Expand Organically and Via M&A

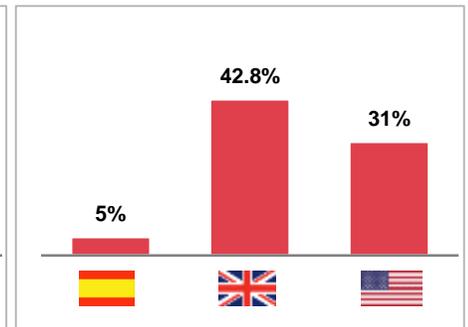
Residential sector market share¹



Market Cap. of Housebuilding Sector² (€bn)



Listed Housebuilding Sector Weight on Sale of New Homes ('000)³



The Spanish market is fragmented compared to other mature housing markets and is expected to experience accelerated growth

Source: Ministerio de Fomento, CBRE, OECD, Equity Research, U.S. Census Bureau

¹ Market share by total completions as per latest public information; ² Spain includes Neinor; UK includes Barratt, Bellway, Bovis Home, Countryside, Crest, Galliford Try, Persimmon, Redrow, Taylor Wimpey; based on market cap. as of August 2017; ³ Spain assumes sale of new homes of 140k at run-rate and completions at run-rate for Neinor of 4k units, UK assumes sale of new homes of 175k at run-rate and completions of listed players of 75k units, US assumes sale of new homes of 610k at run-rate and completions of listed players of 190k units

Potential Impacts of Catalonia's Independence Challenge

Catalonia in Spain

✓ The Situation of Catalonia

- Months of tension between the regional and central government and a stand-off since October 1st
- Uncertainty provoking market noise
- Possible road to normalization through enforcement of Article 155

✓ Catalonia in Numbers

- ✓ **c. 19% of the country's GDP**
- ✓ **Population: 4.5 million**
- ✓ **GDP Per Capita: EUR 28,590 v**
- ✓ **Unemployment: 13.2%**
- ✓ **Outstanding Debt: € 76bn**
- ✓ **Credit Rating below investment grade:** Moody's: Ba3, S&P: B+, Fitch: BB

Neinor Homes' Exposure to Catalonia

- ✓ **€327m GAV**, 22% of Total GAV, **c. 1,900 units in 30 sites**, 16% of total units
- ✓ **c. 1,500 active units / 23 sites: 10 WIP, 10 launched, 3 Immediate launches**

Short term: Pre-sales

- ✓ **De-risked: 900+ units pre-sold** (80%+ of units in commercialization); **80%+ have signed contracts** (ie. 10% or more deposit paid)
- ✓ Sales slowed and are in line with BP, allowing to capture more HPA

Medium term: launches and acquisitions

- ✓ **7 sites not launched are 4% of total GAV**
- ✓ Acquisitions seen in two lights: **opportunistic buying vs. prudent manager analyzing the new scenario in a key region**

Market's Reaction to Uncertainty

- ✓ Markets have reacted to **uncertainty** with **selling pressure on Spanish markets and the Real Estate sector**
- ✓ Stock closed at **€16.94 / share** on October 23rd, **+3%** vs. IPO, **-5.9%** since the 1st of October and **-16%** since the 52-week high in July
- ✓ **P/NAV at 1.14 and P/NNAV at 1.21** **providing an attractive entry point** to play the residential recovery in Spain
- ✓ **Research consensus average at €21.4** per share gives Neinor Homes an upward potential of **+26%**

Neinor Is Ahead of the Competition in a Disciplined Market

Post 2008 Residential Market in Spain

- ✓ Neinor Homes **leading the residential development sector**
- ✓ 5-10 players will lead the market consolidation
- ✓ Some national players, **backed by disciplined capital**, following the IPO path set by Neinor. Debut of a second residential player in the Spanish stock exchange in October
- ✓ Equity needed to purchase land **acting as the main entry barrier and a safety net against a new bubble**
- ✓ Continued availability of **substantial and quality land bank held by non-natural holders**

Neinor Homes Foundations

- a. Fully-permitted, cherry-picked land bank**, with the right level of diversification, in strategic high-demand regions, no JV agreements and no exposure to luxury or social housing
- b. Tangible first mover advantage: 71 active sites** (c. 5,500 units) in production, providing visibility into the ramp-up
- c. Fully established platform capable of delivering sizable run-rate targets**
- d. Industrialized processes with internalized knowledge** at every step of the value chain



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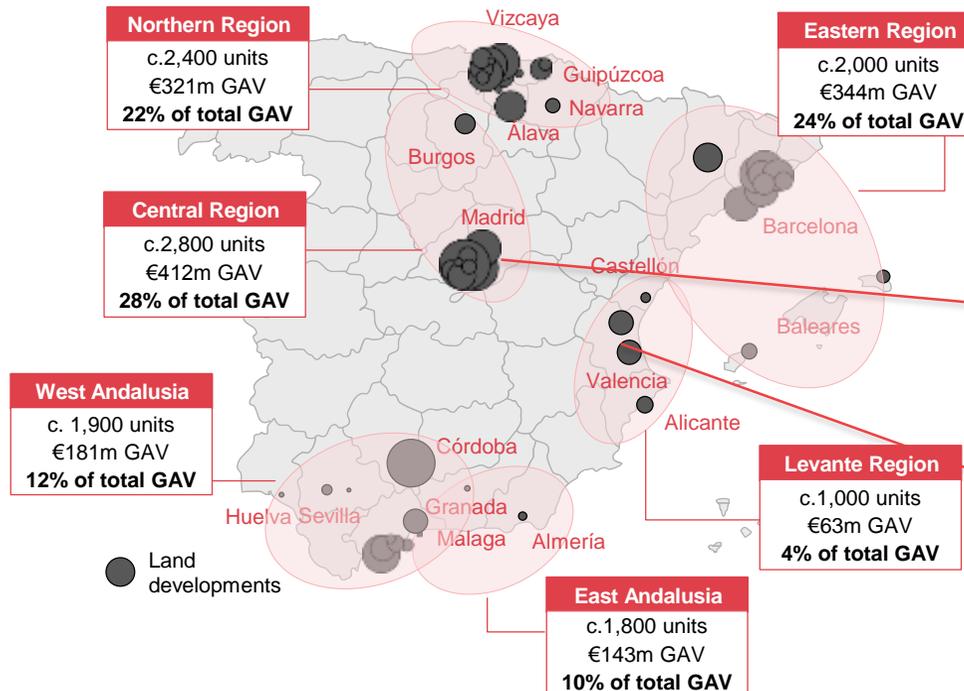
Fully Permitted, Cherry-Picked Land Bank

De-risked Model with No Exposure to Land Transformation

- ✓ c. 12,000 units with the right level of geographical diversification avoiding the extremes: social housing and luxury
- ✓ Since January, EUR 275⁽¹⁾m of fully-permitted land has been acquired above stated targets
 - ✓ Concerns about **continued accretive acquisitions** after the IPO **addressed**
 - ✓ **100% of 2017 target** and **42% of 2018 target** completed

(1) Includes EUR 11m of infrastructure works pending to be done. The Purchase Price of the Acquisitions is EUR 264m

Exposure to Spain's Richest Regions with Attractive Residential Sector Dynamics*



Acquisition Program Evolution



EUR 383m Acquisition Pipeline



Plot acquired on March 2017 from a Private Bank in San Sebastian de los Reyes, Madrid, suitable for ca. 120 units



Plot acquired in Valencia in June 2017 from a developer restructuring its balance sheet, suitable for over 400 units

*Total Development GAV: €1,464 million, Total GAV including Legacy: €1,618 million as at 30/09/17. Split does not add-up due to rounding

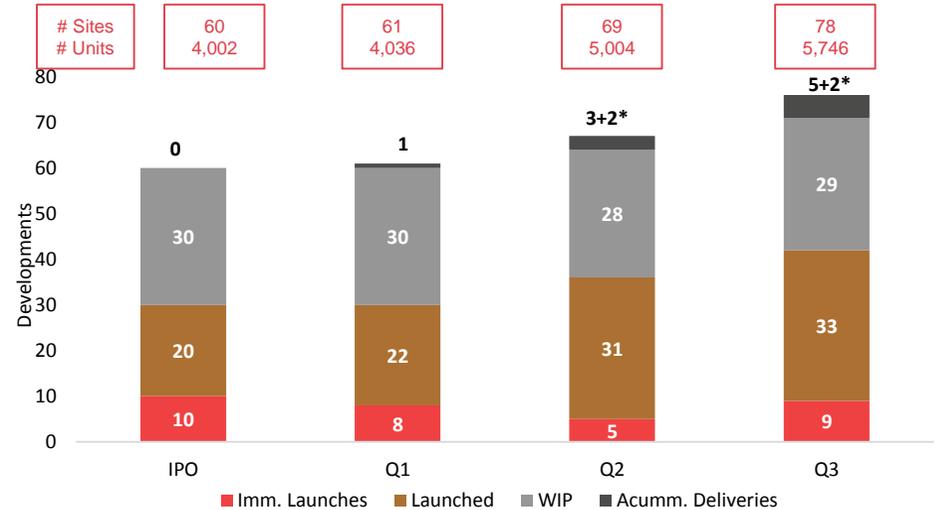
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Tangible First Mover Advantage: 71 Active Sites

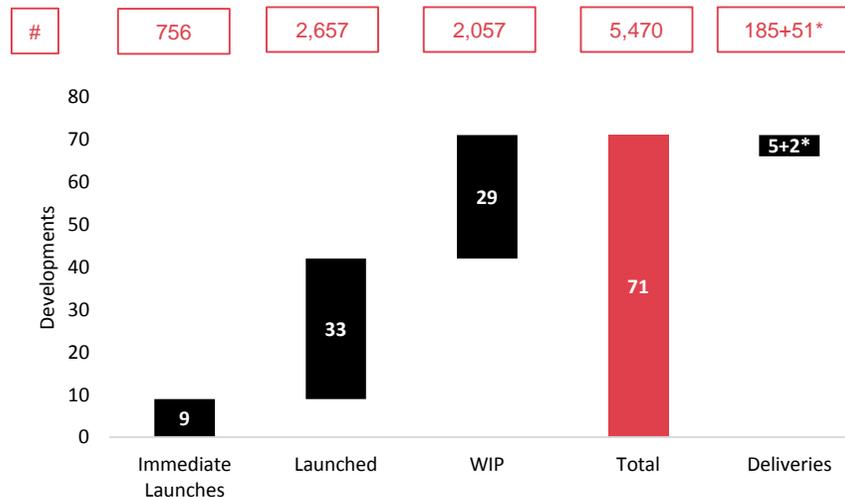
Advantage into the Ramp-Up Years Ahead of Competition

- ✓ **71 sites in production representing 5,470 units:**
 - ✓ 9 Immediate launches (756 units)
 - ✓ 33 Launched (2,657 units)
 - ✓ 29 WIP (2,057 units) **on time and on Budget**
 - ✓ **c. EUR 700m in cumulative pre-sales** providing **high visibility into 2018/2019 revenues**
- ✓ **Delivery track record:**
 - ✓ 5 sites (185 units) delivered so far in 2017
 - ✓ 1 sites (77 units) expected to be delivered in Q4

Accelerated Development Activity

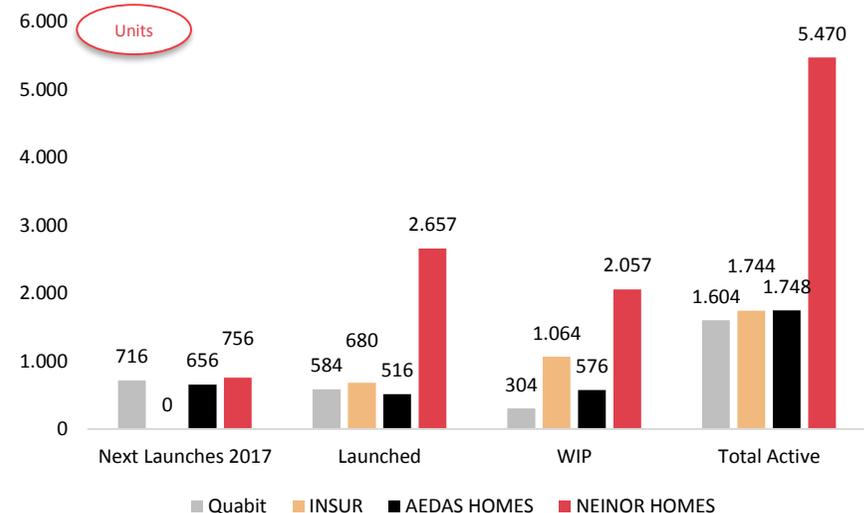


185 Units Delivered, 71 Active Sites and 29 WIP



*The 2 sites (51 units) for which the Company had a fee development agreement were promptly delivered in Q2

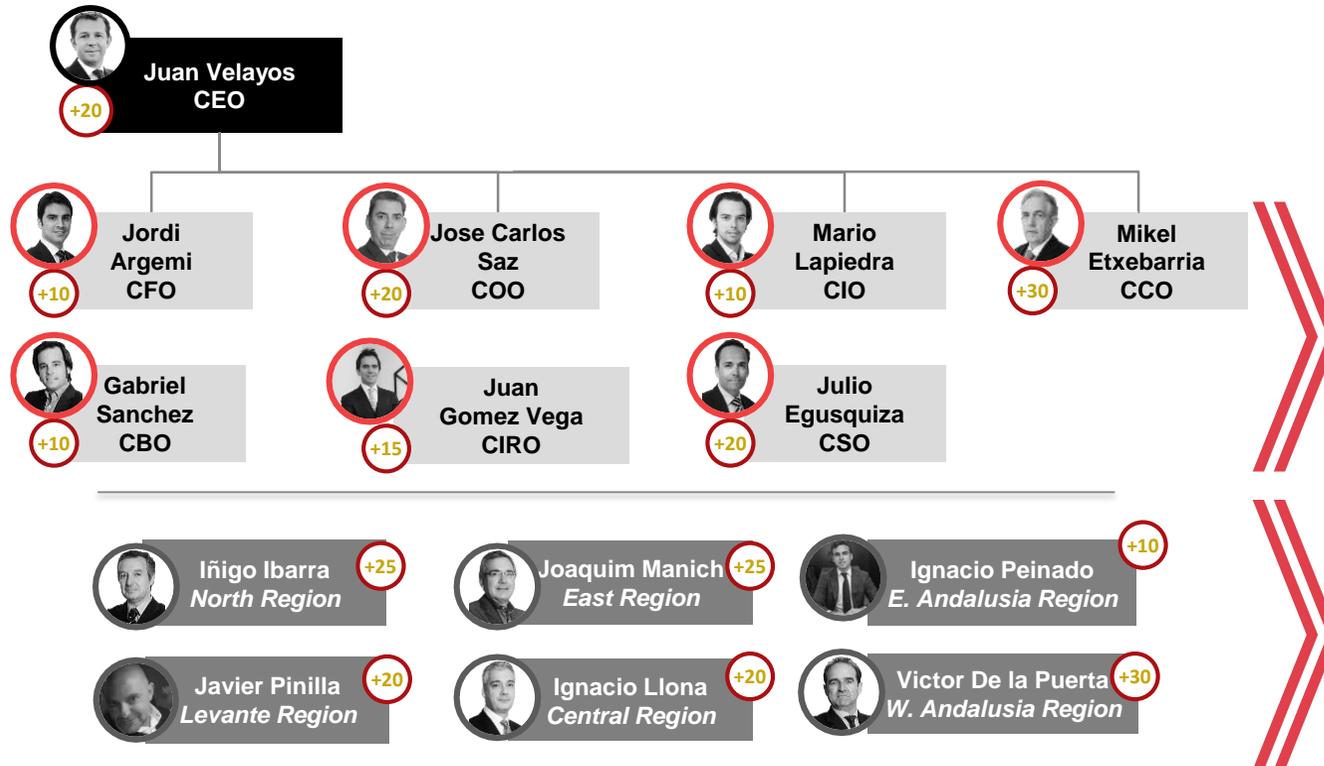
Comparison with Publicly Listed Competitors



C

Fully Established Platform Capable of Delivering Run Rate

Spain's largest and fully established homebuilding platform, 100% Aligned With Shareholder's Interest



Vertical Axis: Management Team

- Industrial, Finance and Private Equity oriented professionals
- Decisions Centralised in Madrid
- Internalised knowledge related to the management and development of sites
- 100% aligned with TSR through MIP and LTIP

Horizontal Axis: Regional Management

- Fully established operationally oriented regional teams
- 6 regional branches spanning across Spain's key performing regions
- More than 35,000 dwellings delivered
- Best in class regional knowledge
- 100% with TSR via LTIP

✓ Excellent Corporate Governance Framework

✓ Disciplined Externalisation Model

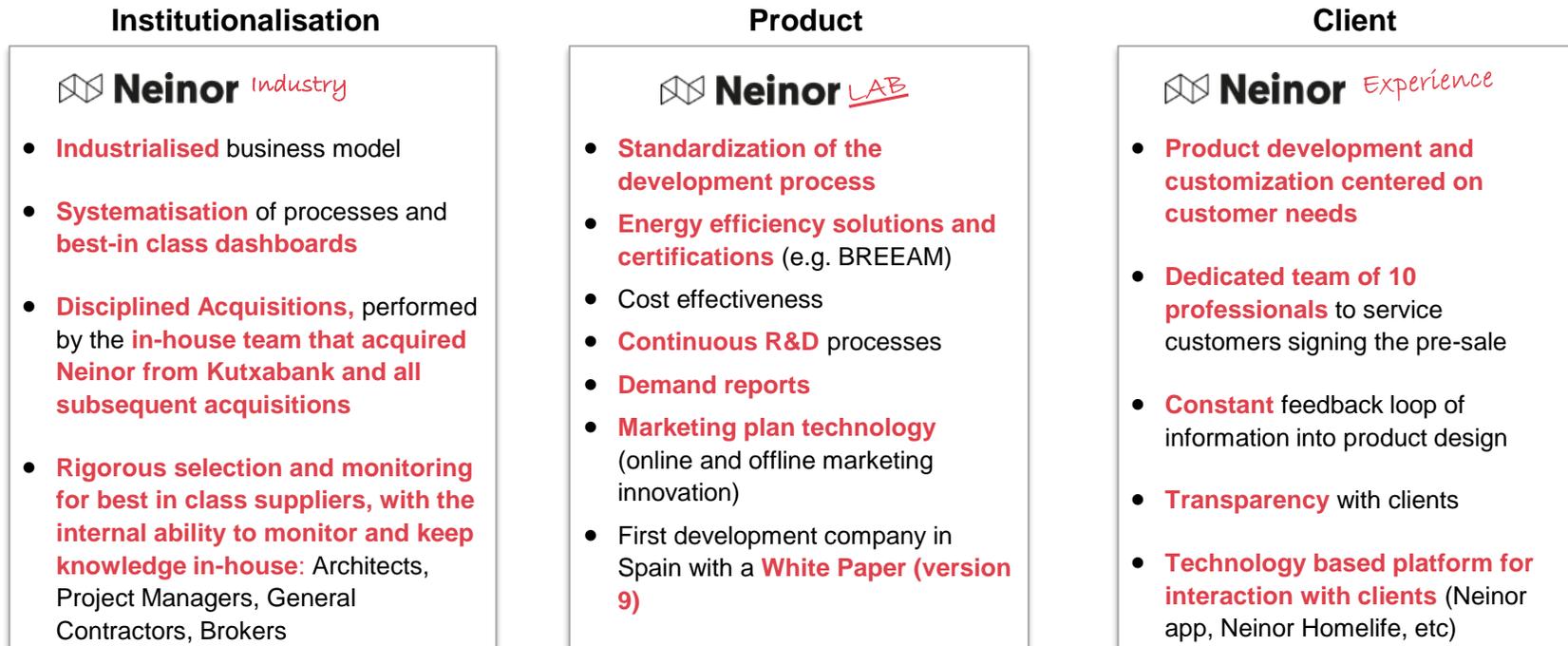
✓ Demand Oriented Model, De-Risking Developments

✓ Leading IT Platform

d

Industrialized Processes At Every Step of the Value Chain

1 Externalized and Flexible Model Based on Three Pillars with internal residential development knowledge



2 Industrial and De-Risked Value Chain of 29-32 months



Business Plan With Upside Potential And A Rigorous Mind-Set

P&L Structure

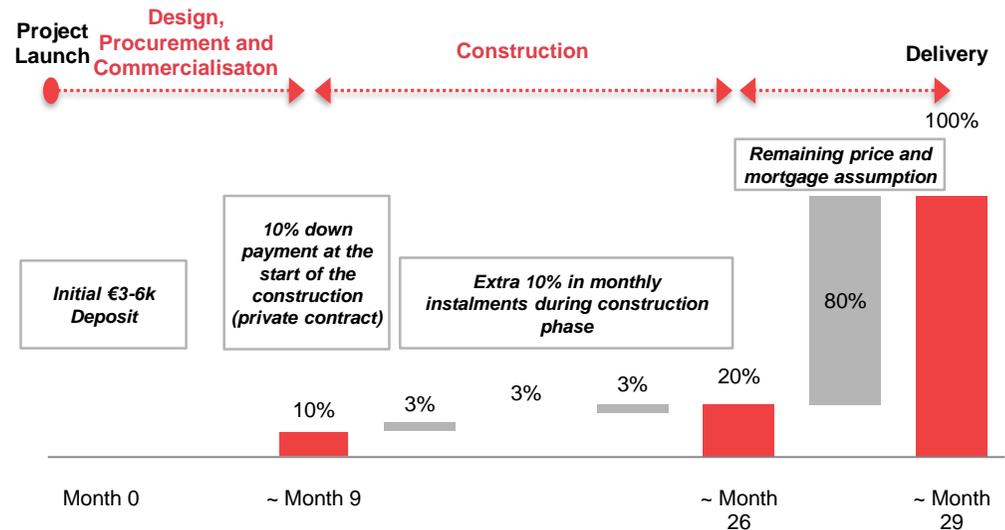
✓ YTD acquisitions outperforming IPO targets

	Land Bank as of 2016	New Acquisitions Target	Run-Rate
Gross Sales	100%	100%	100%
Cost of Land	~25%	~30%	~27%
Capex	~46%	~46%	~46%
Gross Margin (%)	~29%	~24%	~27%
Opex	~5%	~4%	~5%
Contribution Margin (%)	~24%	~20%	~23%
Overheads			~3%
EBITDA Margin (%)			~20%

*Construction costs could increase up to c.48% in the short term, without considering the potential upside from HPA acceleration that is being captured

Source: Company information
 1 Remaining 40% related to broker fees, marketing costs and property tax, 2 Company expectations, 3 Includes €1.4m of other costs, 4 Does not include MIP and IPO costs

Project Length and Cash Collection Diagram



Ancillary Business Financing the Ramp Up

Legacy business (€m)

- ✓ Lone Star selection of most liquid real estate assets owned by KutxaBank
- ✓ €134m Book Value remaining as of H1 2017: significant divestment in only 6 months: on track with IPO targets of full disposal in 2018

Servicing business (€m)

- ✓ Exclusive contract to manage Kutxabank real estate assets with 4.5 years left
- ✓ ~€30m Annual Revenues, 50%-60% EBITDA Margin
- ✓ AUM stable at €1.5bn and EBITDA margin of c.68% in H1 2017

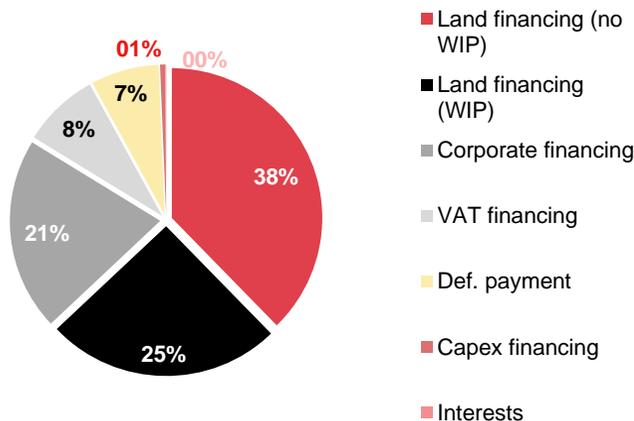


Strong Balance Sheet with Capacity to Support Growth

Gross Debt Breakdown by Type¹

Conservative financing approach

€m	H1 2017
Land Financing ³	224
Capex Financing	2
Corporate Financing	74
Other ²	56
Gross Debt	355
Available Cash	54
Net Debt	301



Key Financial Policies

100% Capex Financing
(de-risk until delivery)

0% Land Financing
(only 30% during ramp-up)

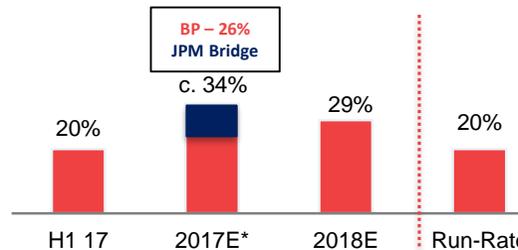
No hedging
(very short term debt)

Recourse (No SPVs, lower cost & confidence)

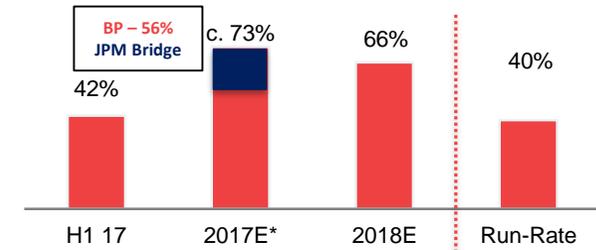
Low leverage ratios at run-rate 2020 (LTV 21%; ND / Equity of 40%)

Leverage Projections

LTV (Net debt / GAV)



Net Debt / Equity



JP Morgan Bridge Loan Rationale

- The Company signed with JP Morgan a bridge loan agreement of €150m to accelerate land acquisitions to take advantage of the Spanish opportunistic market momentum
- JP Morgan bridge loan is **accretive to the business plan, implying an increase shareholder RoE by 2.5%**

Current leverage anticipates peak levels of 2018 to seize land acquisition opportunities while maintaining a conservative financial policy.

APPENDIX



**PLAZA EUROPA 14 HOMES –
L'HOSPITALET DE LLOBREGAT
(BARCELONA)**

Non-Financial Reporting: Leading the Sector Transformation

✔ Institutionalization

- **Land acquisitions:** Company implemented in June the Code of Best Practices for land brokers
- **Tax best practices:** Board approved joining the voluntary Best Practice Norms with the Spanish Tax Authority
- **White Paper:** version 9 approved in September with a new evolution in the product and process industrialization

✔ High-Quality Product

- **BREEAM:** Ituribarri Homes (Basque Country) became the 24th Project to receive Design Phase Certification
- **Building Information Modelling:** all architects currently working with Neinor Homes use BIM to ensure the highest quality standards
- **Health and Safety:** 25 site audits conducted in 9 months to Q3. Incident index 32% below national construction average
- **Suppliers periodic evaluation:** 196 re-evaluations were performed on pre-qualified companies over the twelve months ended Sept 30th

✔ Client Focused

- **Family Protection:** launched in April in partnership with insurance company CNP. Allows customers to insure against job loss, illness or death during the construction period
- **Mobility Pack:** Neinor Homes was awarded with a diploma recognising the Company's commitment with the accessibility of disabled and senior citizens
- **Carbon Footprint:** Process initiated for the measurement and certification of the Company's carbon footprint

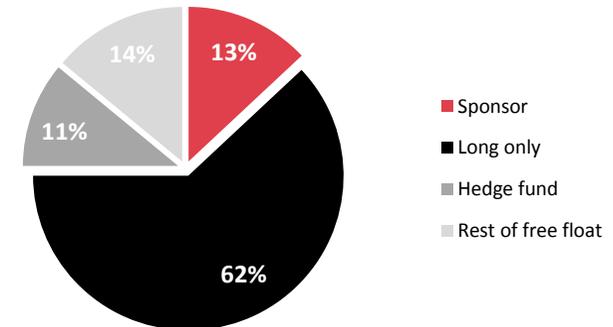
Shareholder Base and Stock Performance

Shareholder Base

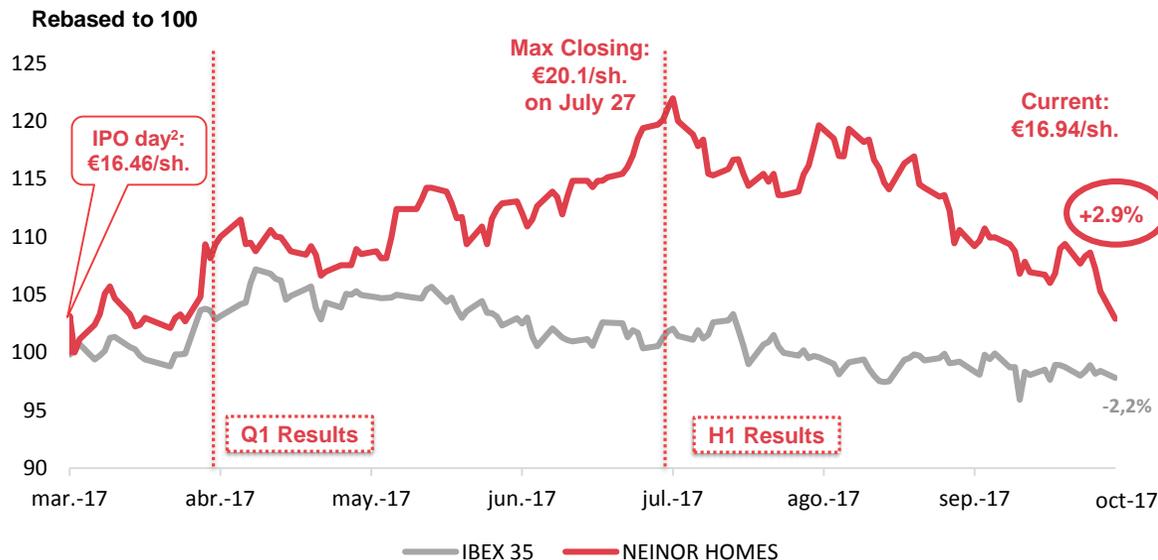
Top Shareholders

Name	Ownership (%)	Type
LONE STAR FUNDS	12.50%	Sponsor
WELLINGTON	8.50%	Long only
Fidelity	6.90%	Long Only
Adar Capital Partners Ltd.	5.20%	Hedge fund
KING STREET	4.20%	Long only
GRUSS	3.50%	Long only
Invesco	3.30%	Long Only
LANSDOWNE PARTNERS	2.80%	Hedge Fund
TOTAL	46.9%	

Shareholder Structure Breakdown by Type of Investor



Share Price Performance since IPO



Key Data ¹	Since IPO	Last 3 Months	Last 1 Month
High Close (EUR)	20.08	20.08	18.23
Low Close (EUR)	16.46	16.94	16.94
Volume (m shares)	85	52	6.09
ADTV (m shares)	0.58	0.78	0.26
Performance	2.92%	-14.01%	-8.31%

¹ Up to October 23, 2017;