



**Neinor** HOMES

October 2017

**Canada Non-Deal Roadshow**



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- 3 Ahead of the Competition with Distinctive Strengths
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# 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**
- ✓ **No equity in the system** (neither developers nor the buyers)
- ✓ 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 Andalusia, 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

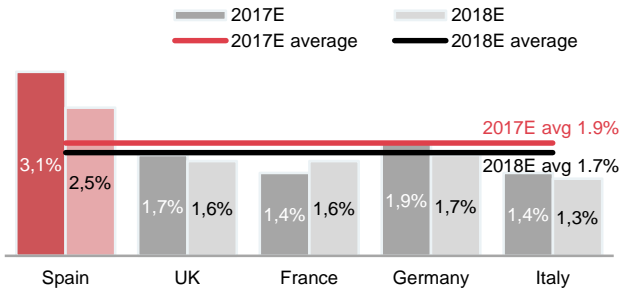
**<40%**

Net Debt/Equity

# Strong Macro with a Clear Supply-Demand Imbalance

## Robust Spanish GDP Growth...

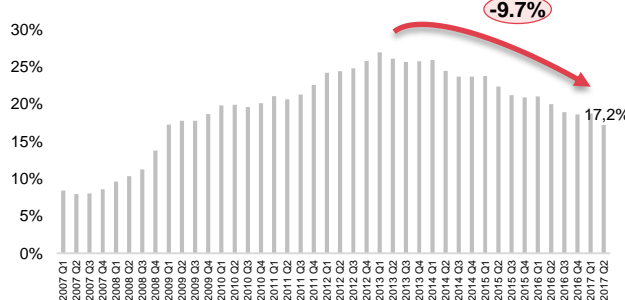
GDP Y-o-Y growth 2017E and 2018E



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

## ...With Strong Job Market Recovery...

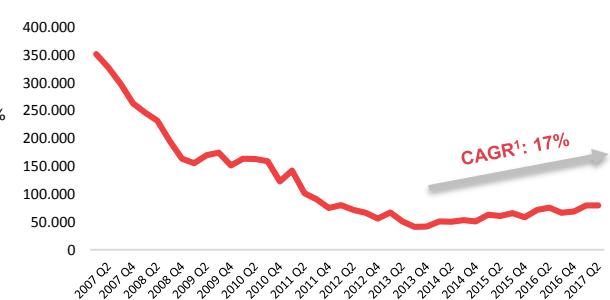
Spain unemployment rate



Source: INE

## ...and Improving Mortgage Availability...

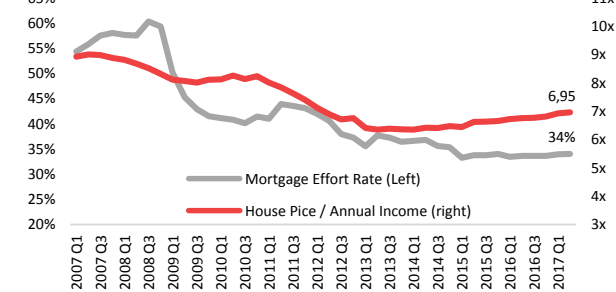
# of new mortgages granted for urban housing in Spain



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

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

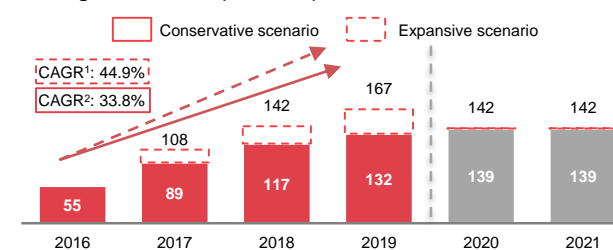
Housing Demand with Increased Purchasing Power



Source: Bank of Spain

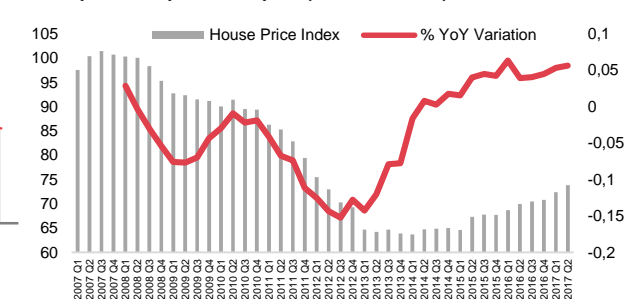
## ...and Leading to Increased House Prices

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)



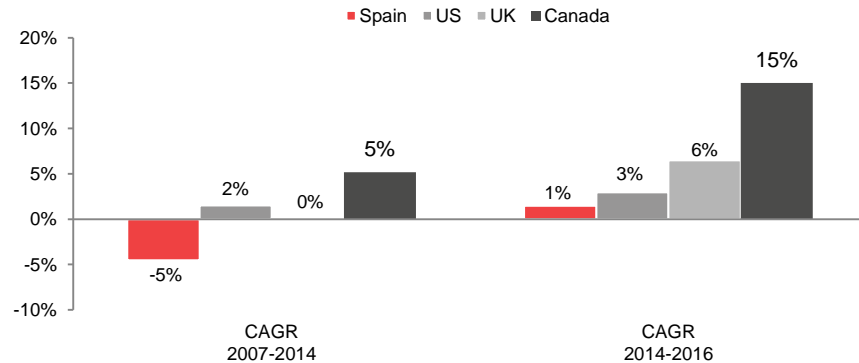
Source: Ministerio de Fomento

- ✓ 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

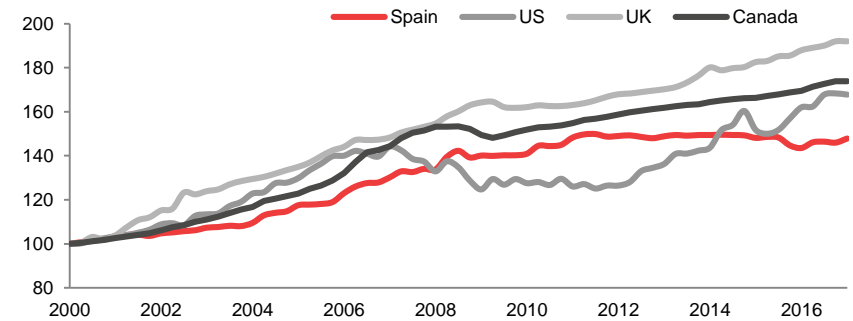
Average sale price of new houses



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

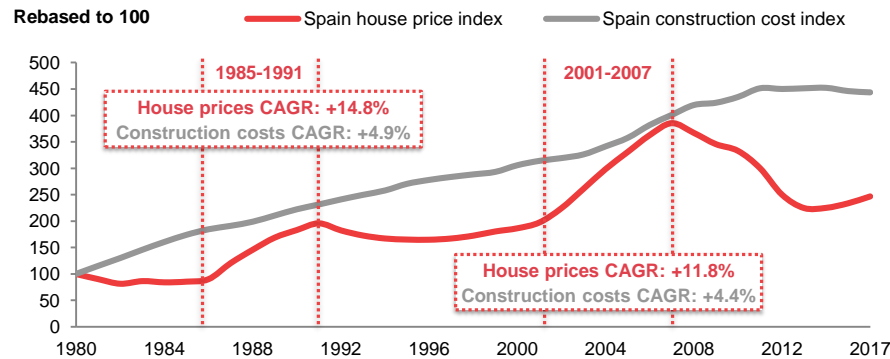
## Spain's construction costs have remained stable recently

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

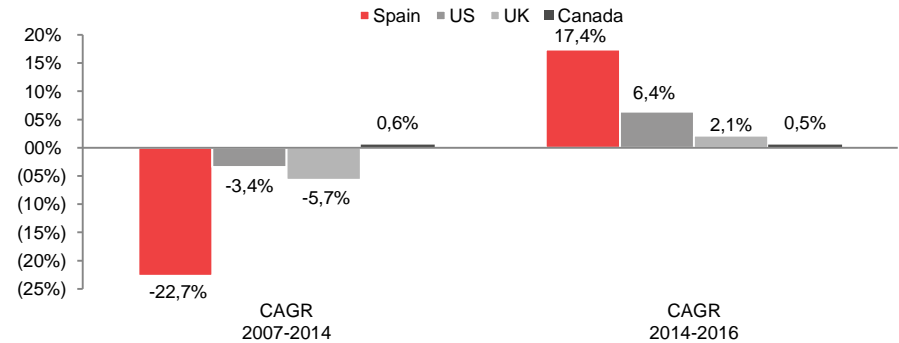
## House price growth has significantly outperformed construction cost inflation through previous cycles



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

## Robust increase in Spanish Banks exposure to mortgage financing

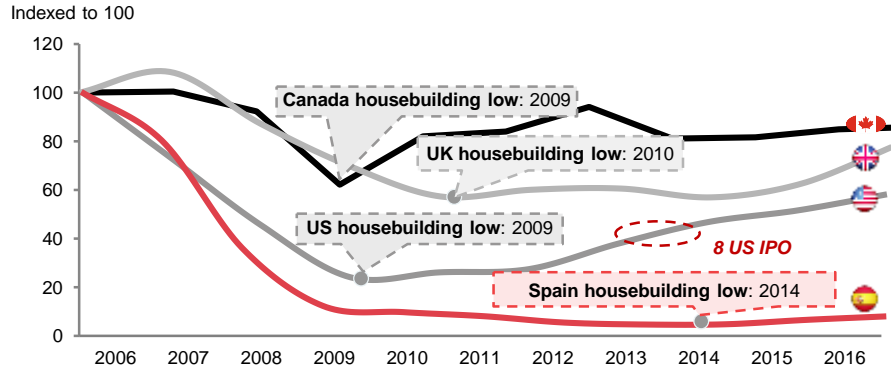
# of new mortgages granted



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...

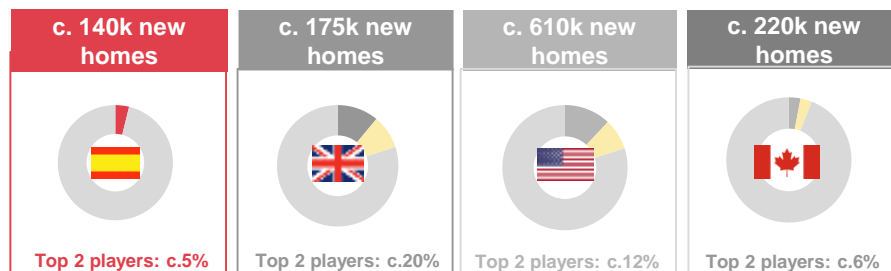


## UK and Spanish Housing Markets Comparison

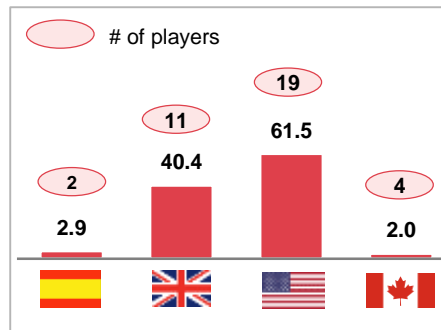
- ✓ The US and UK markets have shown signs of cyclical upswing
- ✓ House prices and housing starts in Spain troughed in 2014, four years after those in UK, **implying that the runway for companies to grow earnings in Spain is longer than in the UK**
- ✓ Number of housing **transactions in Spain are 60%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

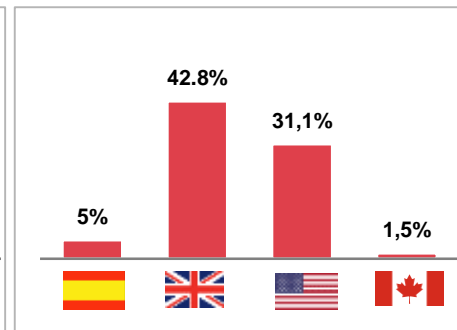
### Residential sector market share<sup>1</sup>



### Market Cap. of Housebuilding Sector<sup>2</sup> (€bn)



### Listed Housebuilding Sector Weight on Sale of New Homes ('000)<sup>3</sup>



**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

<sup>1</sup> Market share by total completions as per latest public information; <sup>2</sup> Spain includes Neinor; UK includes Barratt, Bellway, Bovis Home, Countryside, Crest, Galliford Try, Persimmon, Redrow, Taylor Wimpey; Canada Includes Tricon Capital, Genesis Land Development Corp, Dream Unlimited, Melcor Developments; <sup>3</sup> 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

# Catalonia's Uncertainty: A Clear Evidence of Neinor's 2-Year Advantage

## Catalonia in Spain

### ✓ Catalonia's Independence Challenge

- Months of tension between the regional and central government and a stand-off since October 1<sup>st</sup>
- 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

- ✓ After more than 2 years of successful activity, **just 4% of GAV is un-launched land**
- ✓ **€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 yet launched (4% of GAV)**
- ✓ Acquisitions: **opportunistic buying vs. prudent manager analysis**

## 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 23<sup>rd</sup>, **+3%** vs. IPO, **-5.9%** since the 1<sup>st</sup> 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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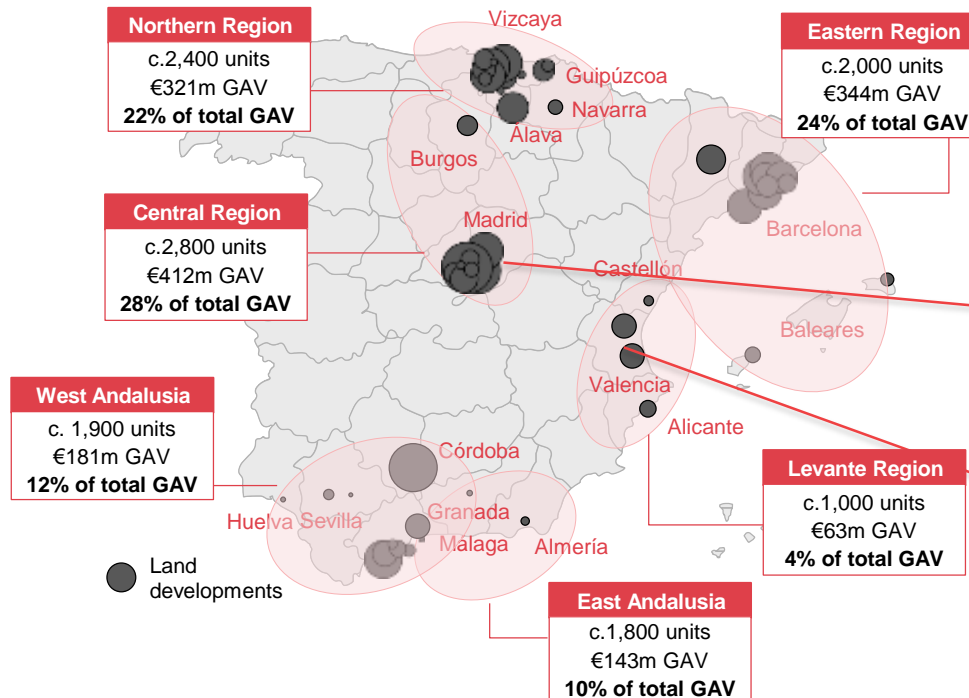
# Fully Permitted, Cherry-Picked Land Bank

De-risked Model with No Exposure to Land Transformation

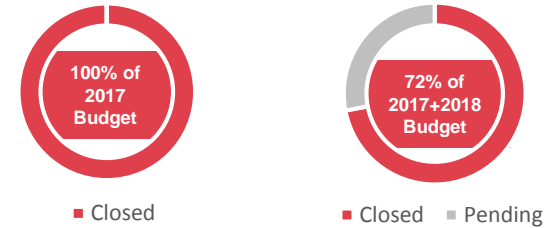
- ✓ c. 12,000 units with the right level of geographical diversification avoiding the extremes: social housing and luxury
- ✓ Since January, EUR 275<sup>(1)</sup>m of fully-permitted land has been acquired above stated targets
  - ✓ Concerns about **continued accretive acquisitions** after the IPO **addressed**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

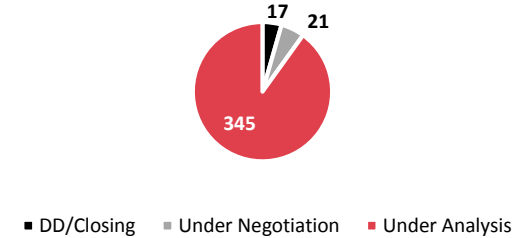
## Exposure to Spain's Richest Regions with Attractive Residential Sector Dynamics\*



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

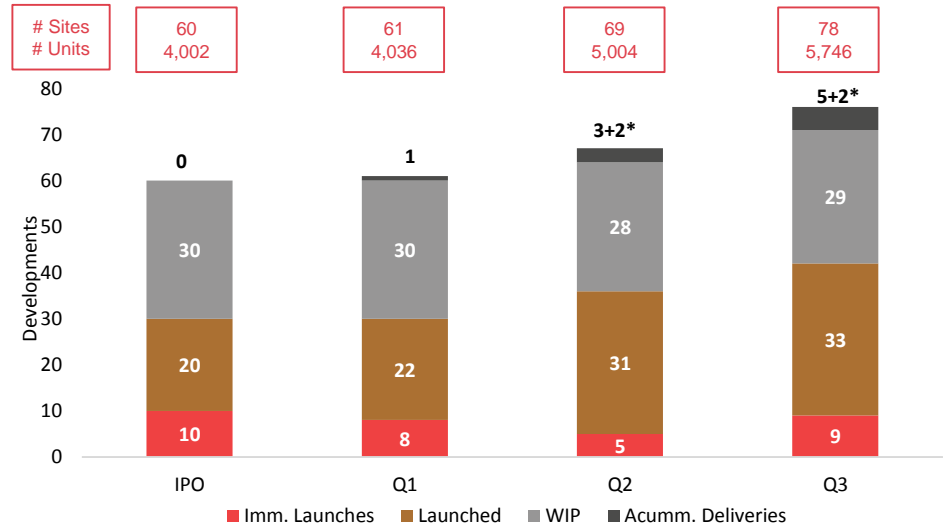
\*Total Development GAV: €1,464 million, Total GAV including Legacy: €1,618 million as at 30/09/17. Split does not add-up due to rounding

# Tangible First Mover Advantage: 71 Active Sites

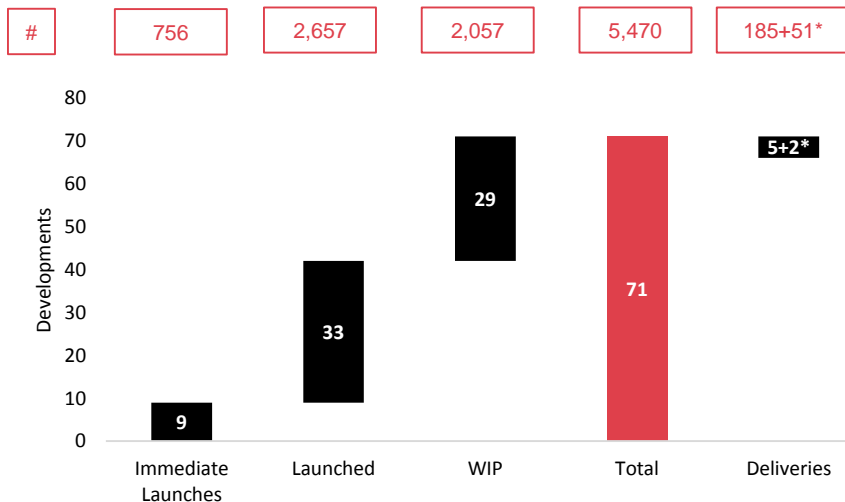
## Advantage into the Ramp-Up Years Ahead of Competition

- ✓ **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

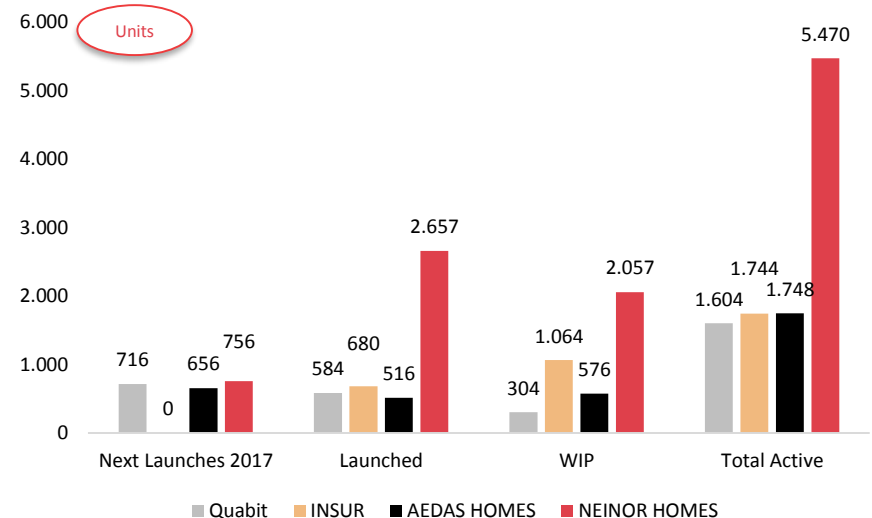


## 185 Units Delivered, 71 Active Sites and 29 WIP



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

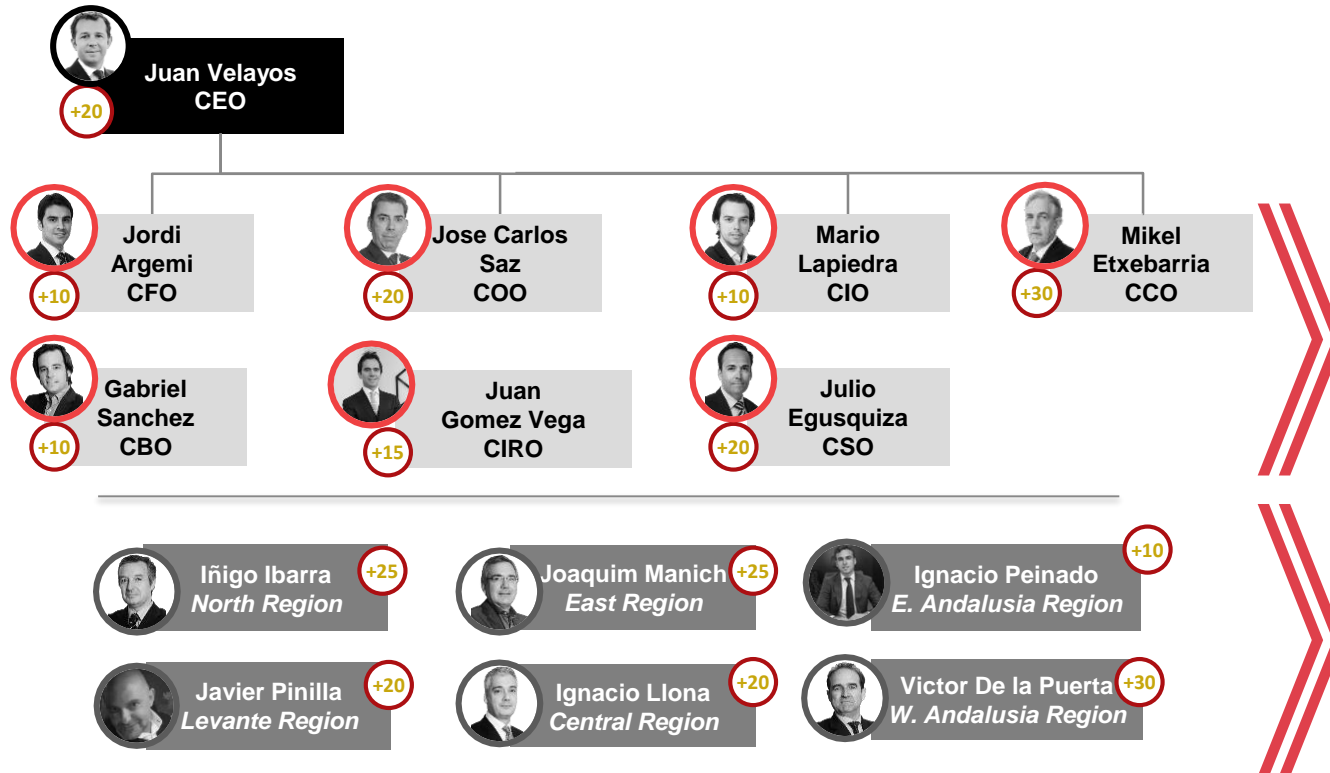
## Comparison with Publicly Listed Competitors



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% aligned with TSR via LTIP

✓ Excellent Corporate Governance Framework

✓ Disciplined Externalisation Model

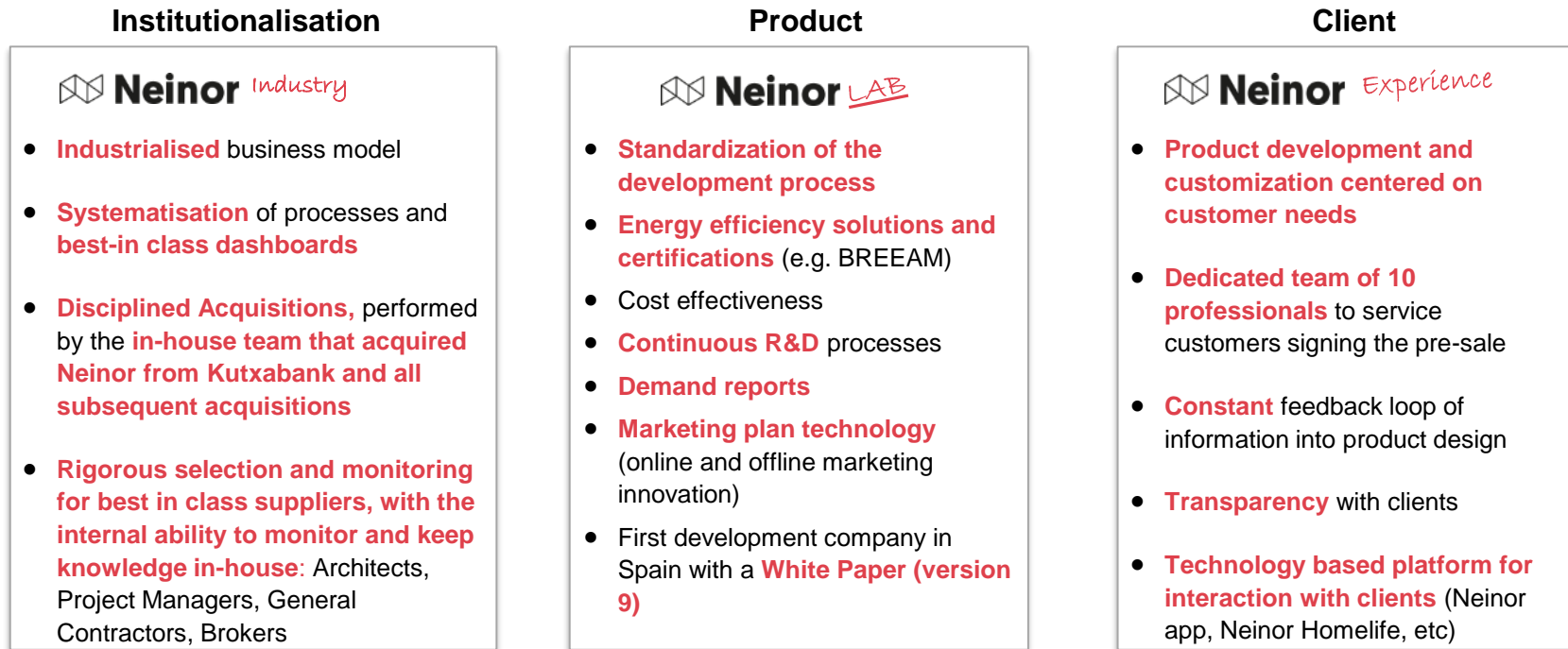
✓ Demand Oriented Model, De-Risking Developments

✓ 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

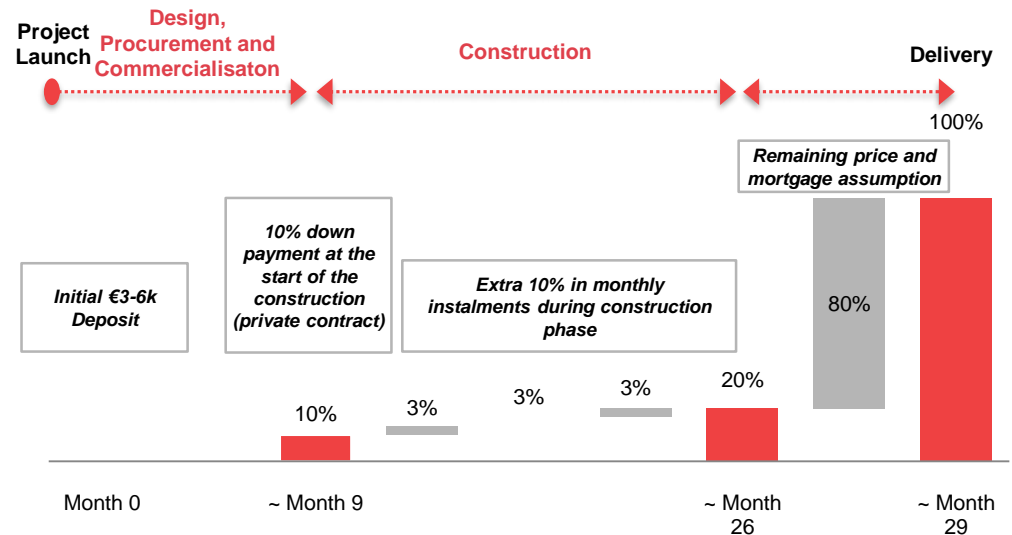
## P&L Structure

✓ 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%

Source: Company information

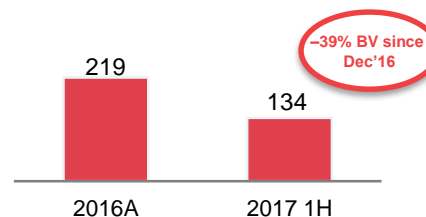
## Project Length and Cash Collection Diagram



## Ancillary Business Financing the Ramp Up

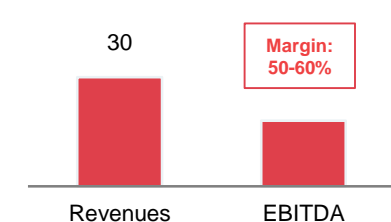
### Legacy business (€m)

- ✓ Lone Star selection of most liquid real estate assets owned by KutxaBank
- ✓ €134m Book Value remaining as of H1 2017: significant divestment through June: 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

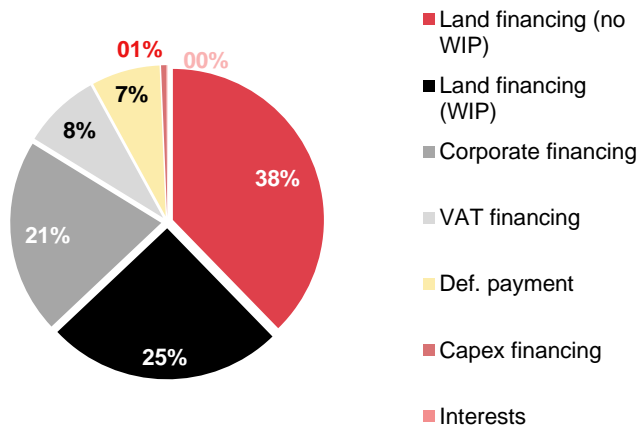


# Strong Balance Sheet with Capacity to Support Growth

## Gross Debt Breakdown by Type<sup>1</sup>

### Conservative financing approach

€m	H1 2017
Land Financing <sup>2</sup>	224
Capex Financing	2
Corporate Financing	74
Other <sup>2</sup>	56
<b>Gross Debt</b>	<b>355</b>
Available Cash	54
<b>Net Debt</b>	<b>301</b>



## Key Financial Policies

100% Capex Financing (de-risk until delivery)

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

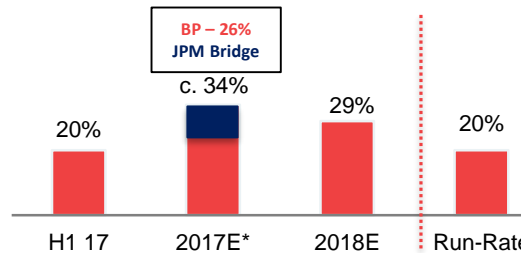
No hedging (very short term debt)

Recourse (No SPVs, lower cost & confidence)

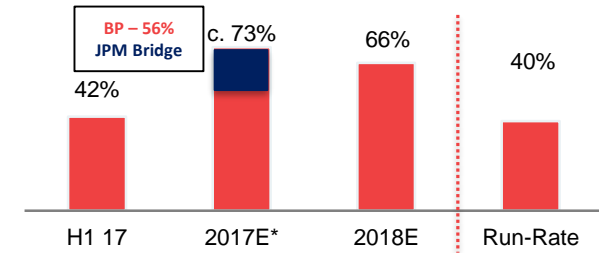
Low leverage ratios at run-rate 2020 (LTV 21%; ND / Equity of 40%)

## 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 past twelve months

## ✓ 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

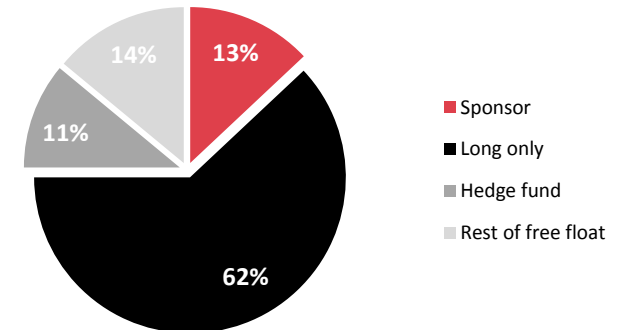
# Shareholder Base and Stock Performance

## Shareholder Base

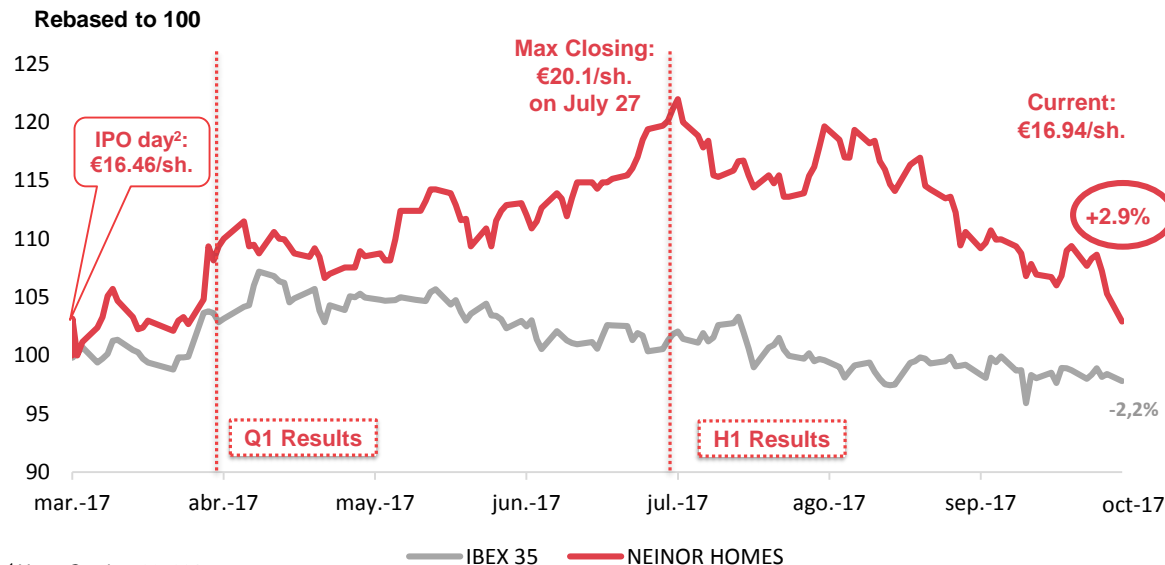
### Top Shareholders

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
<b>TOTAL</b>	<b>46.9%</b>	

### Shareholder Structure Breakdown by Type of Investor



## Share Price Performance since IPO



Key Data <sup>1</sup>	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%

<sup>1</sup> Up to October 23, 2017