



Neinor HOMES

June 2017

Business Update



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The Investment Thesis

Leading Pure Residential Homebuilder in Spain with ~30 years of track-record

- ✓ Targeting **multi-family residential units**
- ✓ **Medium to medium-high-end** client base with access to bank mortgages
- ✓ 75% / 25% first vs. second residence

Three Pillars to Create a New Sector in Spain

- ✓ **Institutionalized Delivery:** Adoption of the best international practices
- ✓ **High-Quality Product:** Unique product definition with efficient and sustainable new homes
- ✓ **Client Focused:** Customers are the main focus of the company

High-Quality, Fully Permitted Land Portfolio

- ✓ **Fully permitted** land bank covering ~1 year of backlog to optimize ROCE
- ✓ **Best macro and micro locations with strong immediate demand:** rigorous and disciplined analysis for acquisitions

Proven Industrialised Business Model

- ✓ **Experienced management team** leading 200+ employees with top financial expertise and a track-record of 35,000+ units built
- ✓ **Scalable and flexible business model**, based on externalization
- ✓ **De-risked and disciplined:** milestones necessary to start construction: 30% pre-sales, license granted, turn-key construction contract and CapEx financing signed

Complimentary Cash-Flow-Generating Ancillary Business Lines

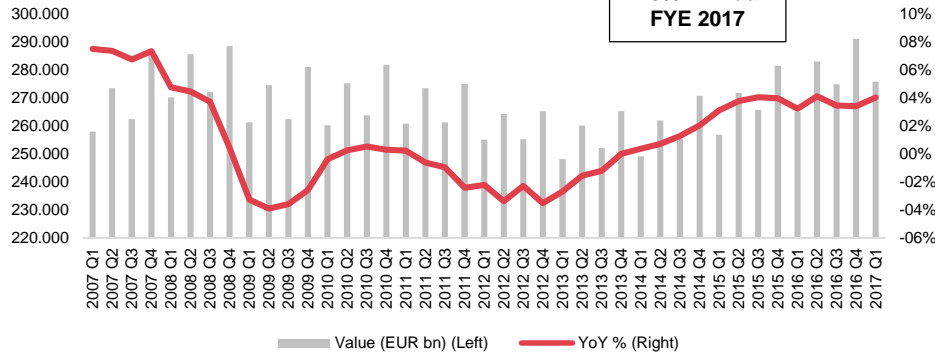
- ✓ **Servicing platform:** Exclusive contract to manage Kutxabank real estate assets until 2022 – stable and visible cash flow
- ✓ **Legacy division:** real estate acquired from Kutxabank, to be sold in the next 18 months – providing liquidity

Clearly Defined Run-Rate targets

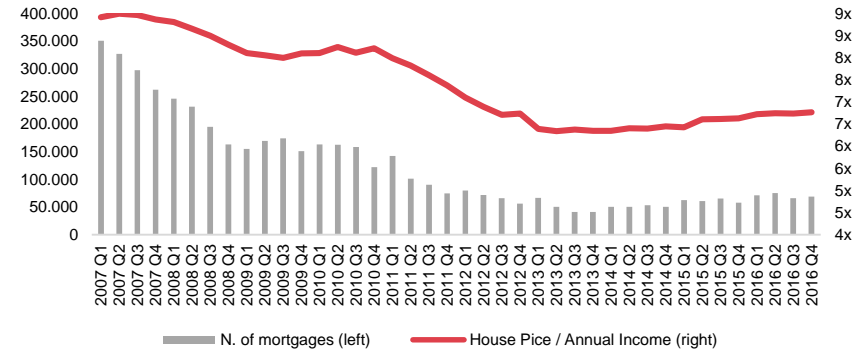
- ✓ Delivery of **3,500-4,000 units per year** – led by market share and industry consolidation
- ✓ **~EUR 300k Average Selling Price** – market segment with growing access to bank mortgages
- ✓ **~20% EBIT margin and >15% ROCE** – discipline throughout the process and with limited number of competitors
- ✓ **Low debt c. 20% LTV & c. 40% Net Debt / Equity** – prudent capital structure designed for a cyclical industry

All Demand Indicators Pointing to Continued Growth

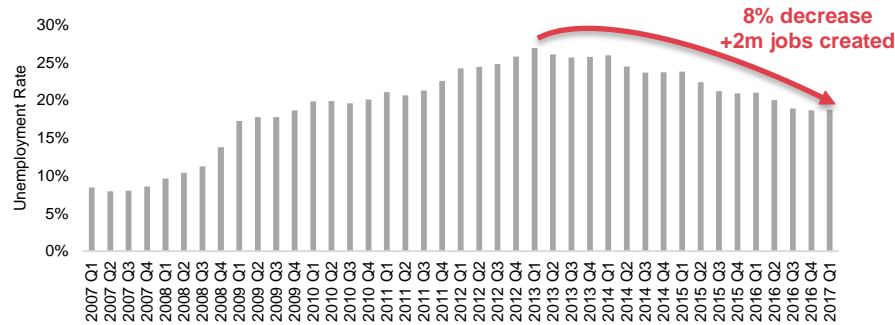
Spain is the fastest growing big economy in Europe



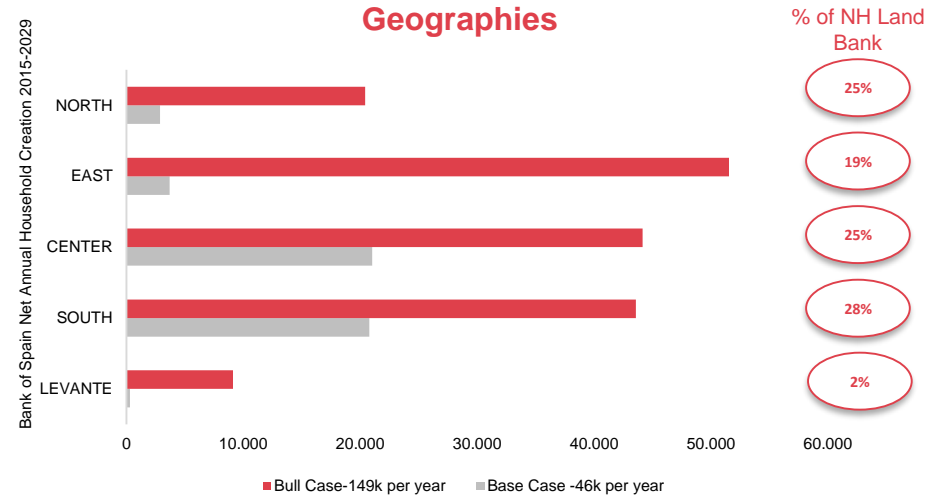
Rising Purchasing Power Supported by Increasing Mortgage Lending



Spain: the biggest job creator in Europe / +500k jobs to be created by end of 2018



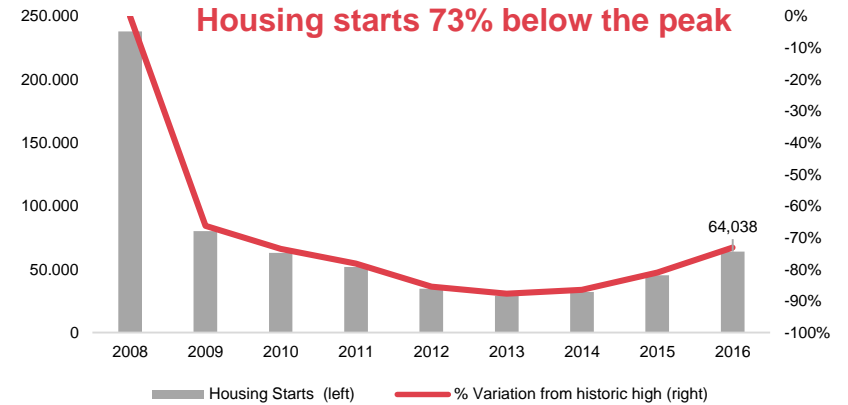
Strong Household Creation in Neinor's Target Geographies



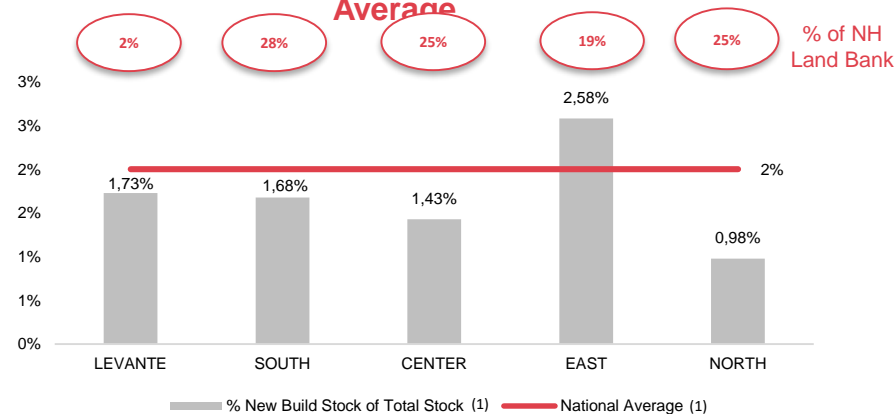
Source: Spanish Statistics Institute (INE), Ministerio de Fomento, Bank of Spain (BoS), IMF, CBRE

Supply at Very Low Levels to Satisfy the Growing Demand

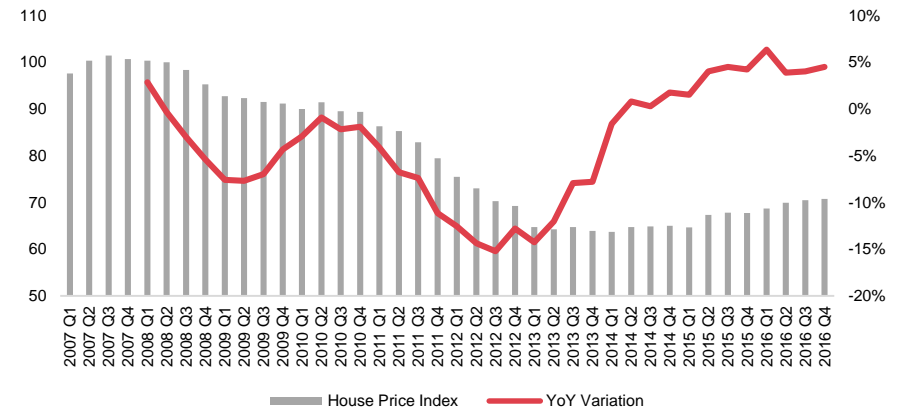
of Transactions Recovering - Very low new build transactions due to lack of supply



Unsold Stock in Neinor Target Geographies is Below the National Average

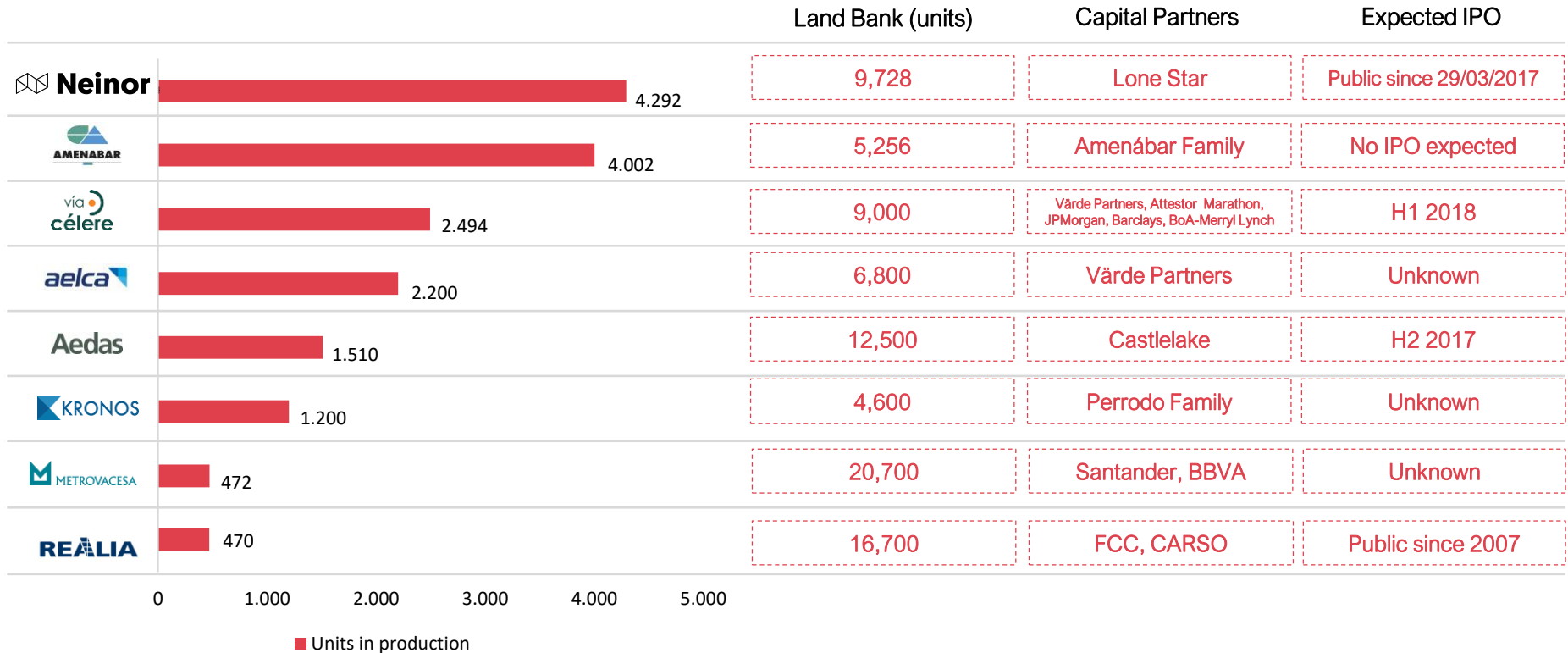


4.5% House Price Appreciation (HPA) in 2016 – Prices Still 30% Below 2007



A Market Led by Neinor with Disciplined Competition

NATIONAL PLAYERS

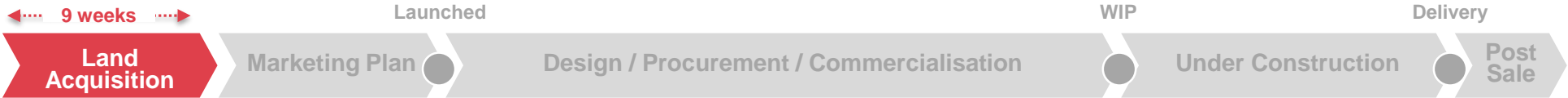


REGIONAL PLAYERS

- C. 8,000 units under construction of which c. 1,600 will be delivered in the next 12 months
- Small non national players with very limited geographic focus



Continued Flow of Accretive Acquisitions of Fully Permitted Land



Land Acquisition as at the end of Q1

- ✓ **Global Picture:** Land bank totals **166 developments** for **c. 9.700 units**
- ✓ **Latest Quarter:** 7 acquisitions were closed during Q1 for **EUR 51.6m**, representing **c. 700 units** with a **blended developer margin of c.20%**

ID.	Region	City	Units
A	Center	San Sebastián de los Reyes	120
B	East	Sitges	51
C	East	Gerona	85
D	East	Sabadell	90
E	East	Valencia	54
F	South	Mairena de Aljarafe	150
G	South	Casares	150
			700



A) San Sebastián de los Reyes



D) Sabadell



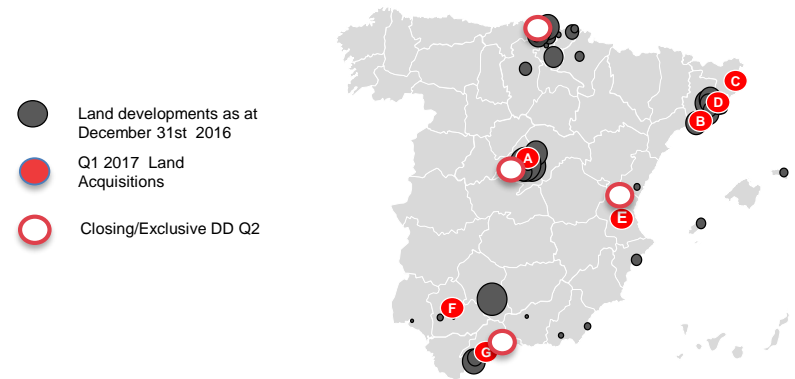
E) Valencia



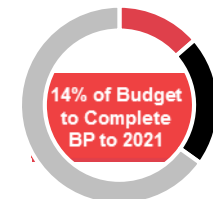
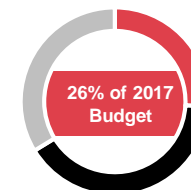
G) Casares

Q2 Land Acquisitions Update

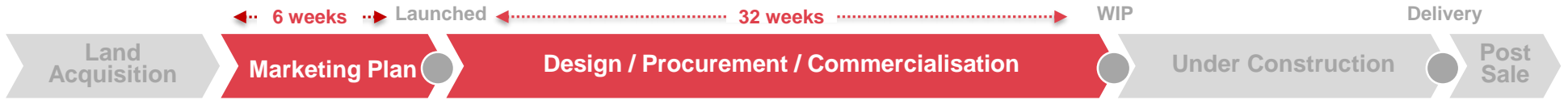
- ✓ **Current:** in closing or exclusive due diligence phase for plots worth ca. **EUR 87m** and **over 1,000 units**
- ✓ The opportunity to cherry pick high quality land plots at attractive margins continues: **€31bn** of foreclosed assets on banks' balance sheets correspond to land. Banco Popular to join the natural sellers market



- Closed
- Closing / In exclusive DD
- Pending

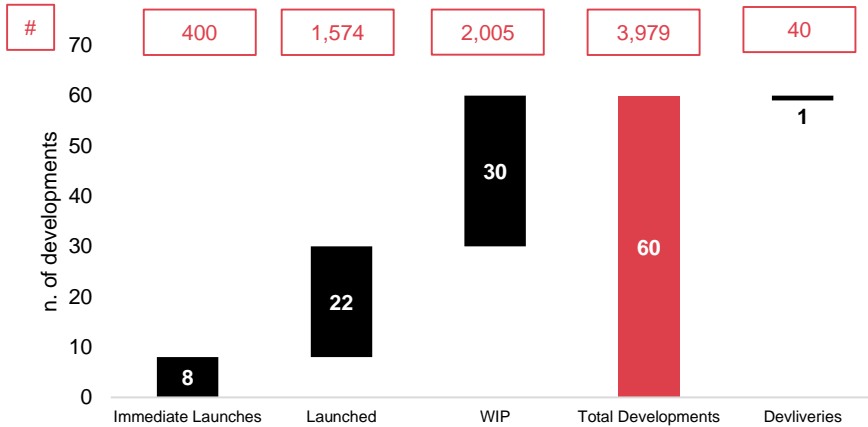


Accelerated Launching of Sites



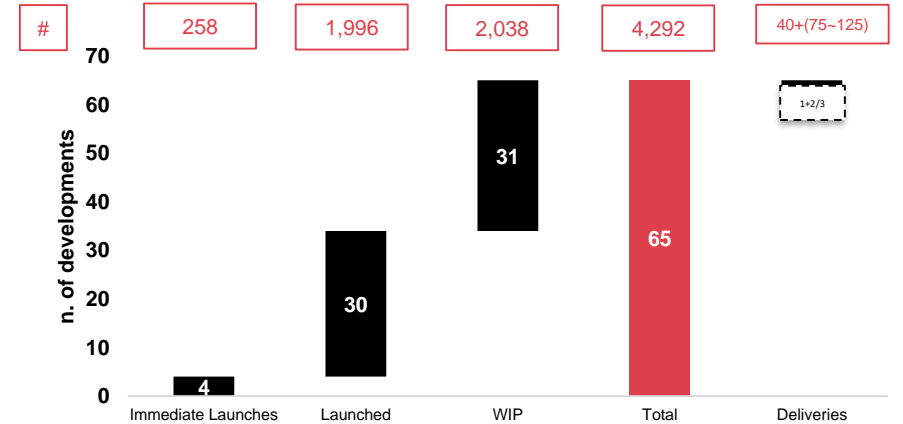
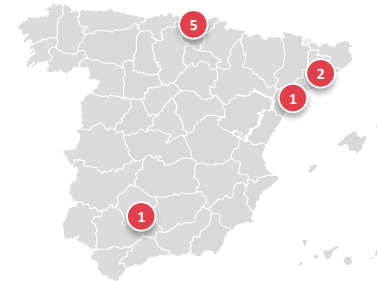
Development Activity as at the end of Q1

- ✓ **Global Picture:** 60 sites in production (3,979 units) as at the end of Q1
- ✓ **Latest Quarter:** 7 sites totalling 696 units were launched, leaving the pipeline of immediate launches at 8 projects / 400 units

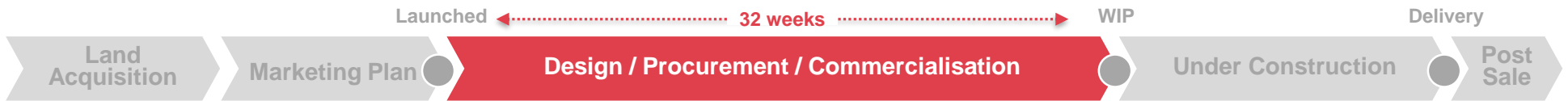


Q2 Development Activity Update

- ✓ **Global Picture:** 65 sites in production (4,292 units)
- ✓ **9 new launches (455 units)** since April

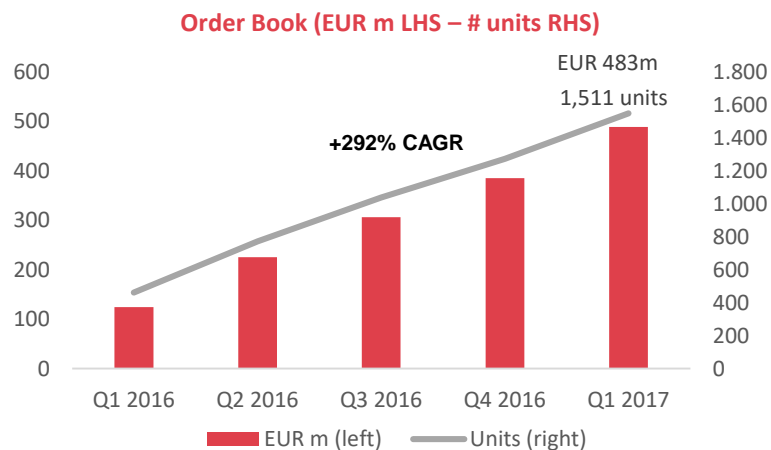


Strong Pre-Sales with an Order Book of ca. EUR 500m



Pre-Sales Activity as at the end of Q1

- ✓ **Global Picture:** pre-sales order book of EUR 483m – 1,511 units on 33⁽¹⁾ active sites
- ✓ **Latest Quarter:**
 - 319 units pre-sold for EUR 116m⁽²⁾
 - HPA captured during the quarter of 4.5%
 - Sales velocity 3+ units/month per active development



Q2 Pre-Sales Update

- ✓ **Current: new product in the market**
 - 4 developments (280 units) started commercialization since the start of Q2
 - Madrid: Prado Homes (70#)
 - East: Port Forum III Homes (59#) and Vollpelleres Homes II (48#)
 - North: Abra Homes (103#)
 - 6 more sites (440 Units) to start pre-sales in next 2 months

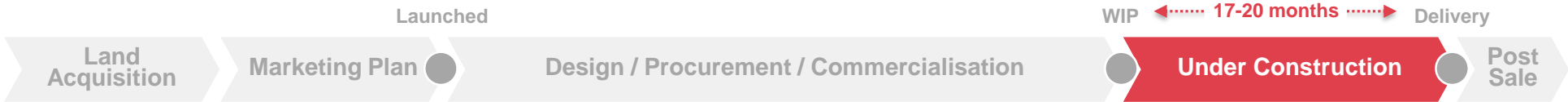


Abra Homes: commercialization started in Q2



Plaza Europa 14 (East) imminent start

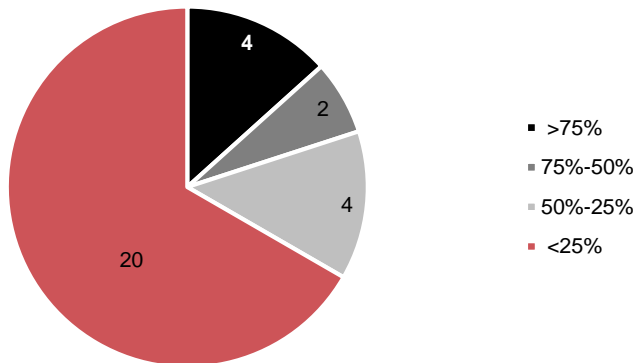
31 Building Sites with Over 2,000 Units Under Construction



Construction Activity as at the end of Q1

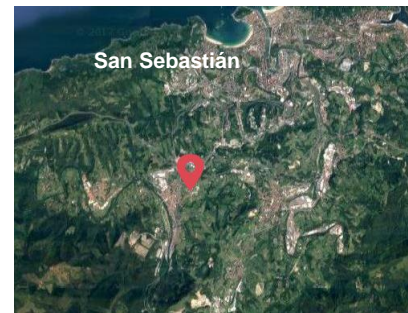
- ✓ **Global Picture:** 30 sites in construction (WIP) - 2,005 units
- ✓ **Latest Quarter:**
 - ✓ 3 construction starts – 267 units
 - ✓ C. 22% WIP reported margin

Degree of Completion of the 30 Development Sites (As at Q1)



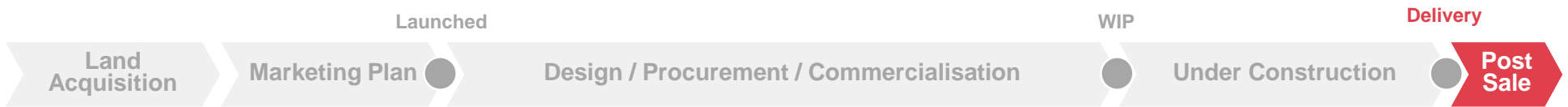
Q2 Construction Activity Update

- ✓ **Current:** 1 construction start Goiegi Homes (33 units) since April
- ✓ 1 / 2 new expected construction starts : ca. 35-70 units



Goiegi Homes, Guipuzcoa – Construction started in Q2

On Track and on Budget with 2017 Deliveries



Deliveries as at the end of Q1

- ✓ **Global Picture:** 3 sites, 159 units fully delivered on time and on budget with Gross Margin⁽¹⁾ of c. 28%
- ✓ **Latest Quarter:**
 - ✓ Los Alerces (40 units) delivered in Mostoles, Madrid on time and on Budget
 - ✓ Notarization of all units in 5 working days
 - ✓ Gross Margin of c. 22%⁽²⁾



Los Alerces, Móstoles, Madrid

Q2 Deliveries Update

- ✓ **Current:** 2/3 expected deliveries in Q2 – on time and on budget with Gross Margin Reported c. 30%
 - ✓ Port Forum Homes, Barcelona - 54 units
 - ✓ Leku Eder Homes, San Sebastián - 16 units
 - ✓ Las Salinas Homes, Málaga - 59 units
 - ✓ 2 more sites expected to be delivered in H2 of 2017



Port Forum Homes, Barcelona



Las Salinas Homes, Málaga

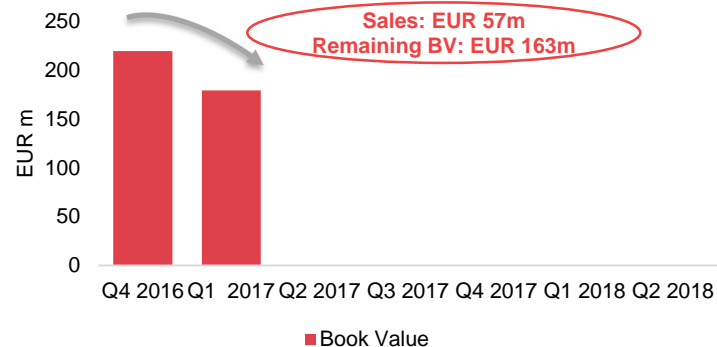


Leku Eder Homes, San Sebastián

Ancillary Businesses Continue To Deliver Cash

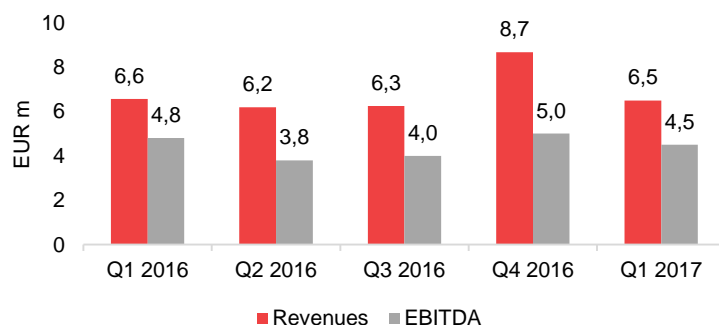
Ancillary Business Q1

Legacy



- ✓ **Global Picture:** EUR 163m of BV Remaining at the end Q1
- ✓ **Latest Quarter:** EUR 57m sales, 41% ahead of YTD expectations

Servicing



- ✓ AuM stable at EUR 1.5bn
- ✓ EUR 7m of revenues (4% ahead of YTD expectations) with EUR 5m EBITDA.

Q2 Ancillary Business Update

LEGACY

- ✓ Quarter in line with expectations, and sales in line with book values
- ✓ National online and offline marketing campaign starting in June

SERVICING

- ✓ New website launched for client assets, fully integrated with Prinex
- ✓ Improved asset boarding and asset availability through faster legal clean up
- ✓ Automation of asset appraisals in accounting records to comply with BoS' 4/2016 Act

MARKET

- ✓ Competition in the second hand market increased due to ECB's pressure on Spanish financial entities to liquidate their stocks

Non-Financial Reporting: Leading the Sector Transformation

✓ Institutionalization

- **Land acquisitions:** Company implemented in June the Code of Best Practices for land brokers
- **Half-year audit:** Company to publish limited review conducted by Deloitte on presenting H1 results on July 26th
- **Tax best practices:** Company is subscribing to voluntary Best Practice Norms with the Spanish Tax Authority
- **White Paper:** version 7 released on 23rd March

✓ High-Quality Product

- **BREEAM:** Arbaizenea Homes (Basque Country) became the 13th Project to receive Design Phase Certification
- **Building Information Modelling:** all architects currently working with Neinor Homes use BIM to ensure the highest quality standards

✓ 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:** launched in April in partnership with Ilunion, offers solutions to senior and disabled citizens looking for solutions when buying a Neinor Home