



# Neinor HOMES

July 2017

## Business Update

Paris Non Deal Roadshow



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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

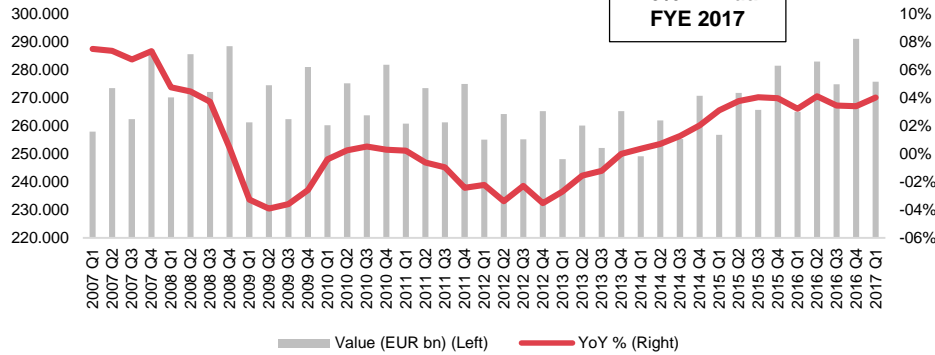
- ✓ **Servicing platform:** Exclusive contract to manage Kutxabank real estate assets until 2022 – stable and visible cash flow
- ✓ **Legacy division:** real estate acquired from Kutxabank, to be sold in the next 18 months – providing liquidity

Clearly Defined Run-Rate targets

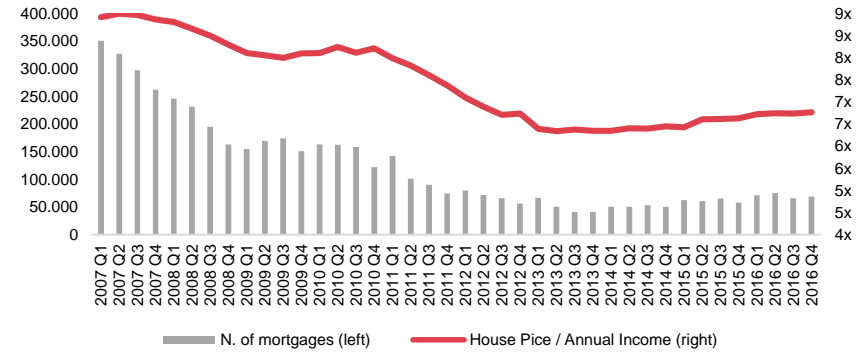
- ✓ Delivery of **3,500-4,000 units per year** – led by market share and industry consolidation
- ✓ **~EUR 300k Average Selling Price** – market segment with growing access to bank mortgages
- ✓ **~20% EBIT margin and >15% ROCE** – discipline throughout the process and with limited number of competitors
- ✓ **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

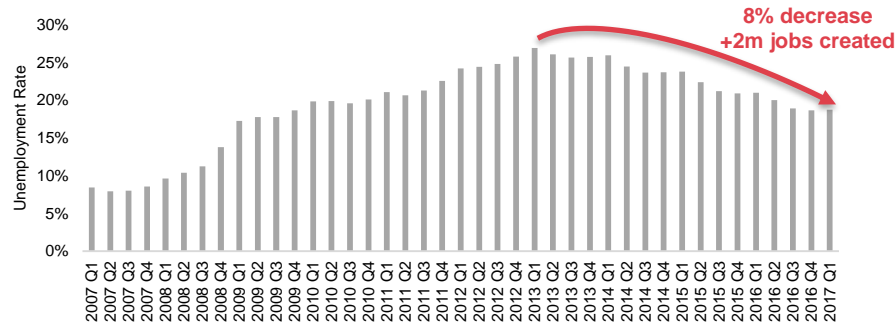
**Spain is the fastest growing big economy in Europe**



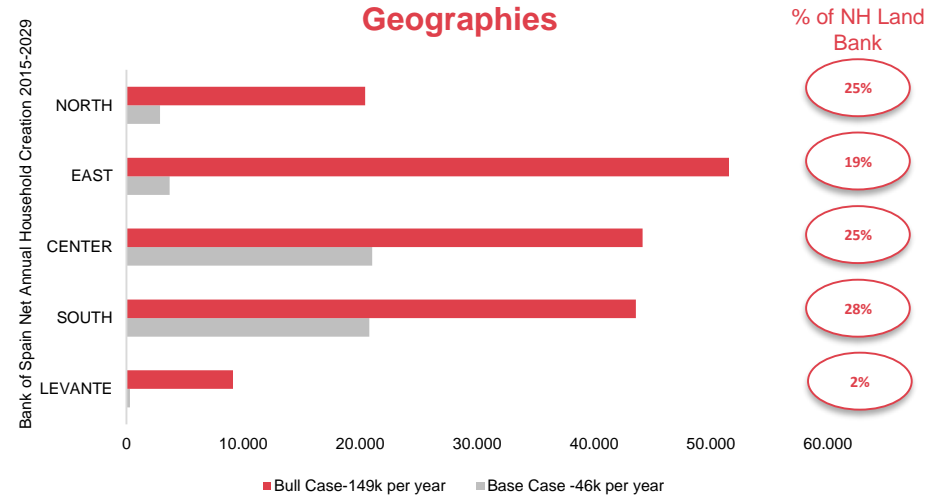
**Rising Purchasing Power Supported by Increasing Mortgage Lending**



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



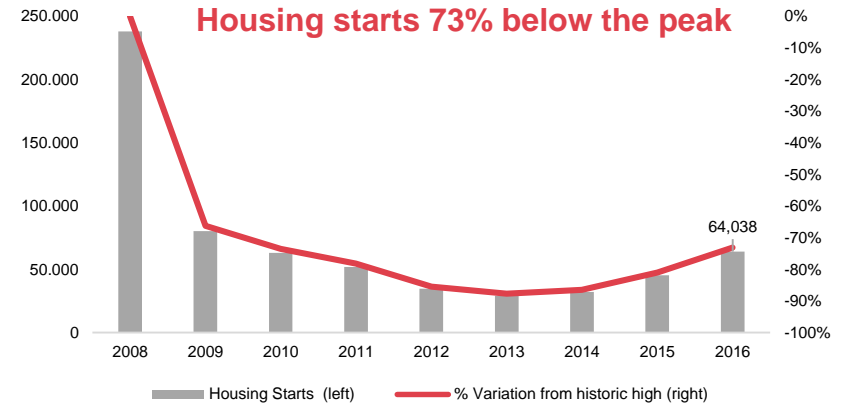
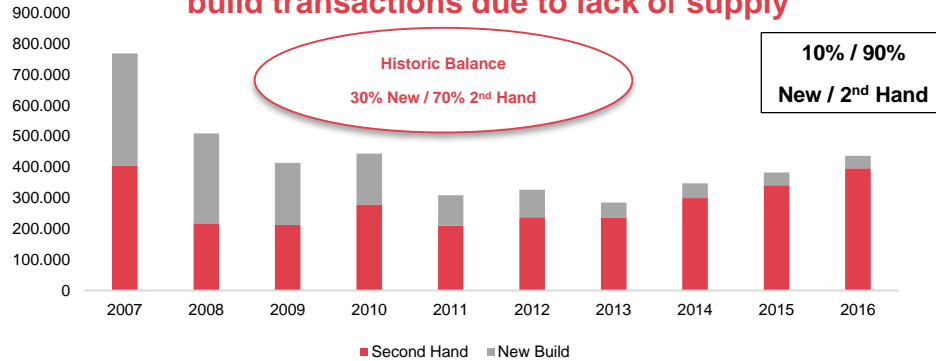
**Strong Household Creation in Neinor's Target Geographies**



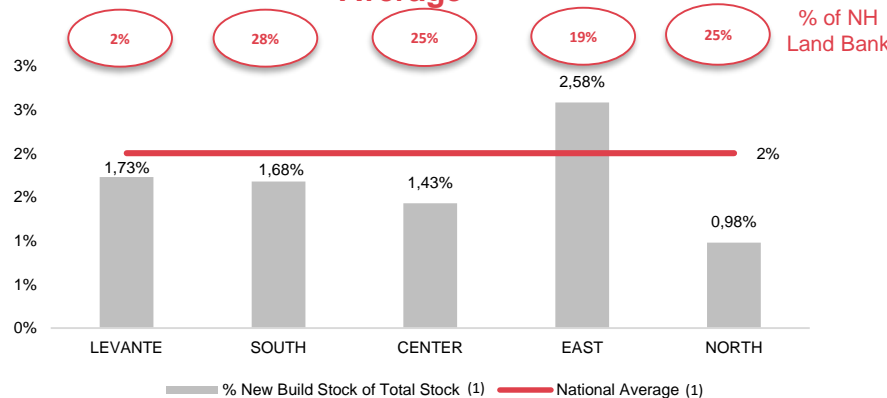
Source: Spanish Statistics Institute (INE), Ministerio de Fomento, Bank of Spain (BoS), IMF, CBRE

# Supply at Very Low Levels to Satisfy the Growing Demand

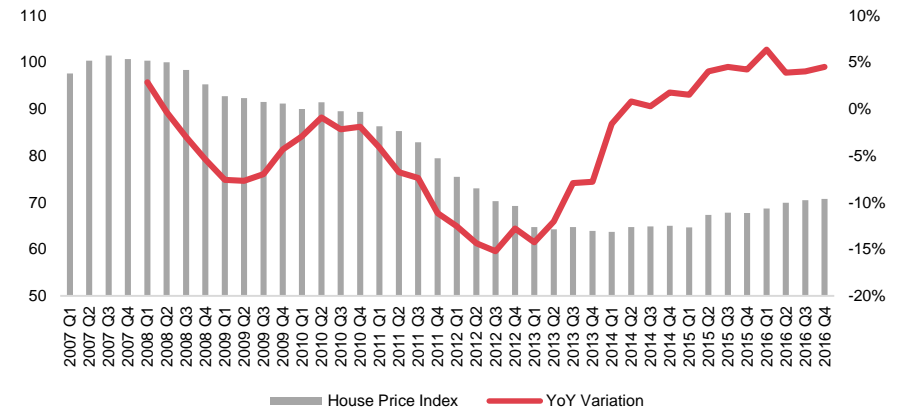
# of Transactions Recovering - Very low new build transactions due to lack of supply



Unsold Stock in Neinor Target Geographies is Below the National Average

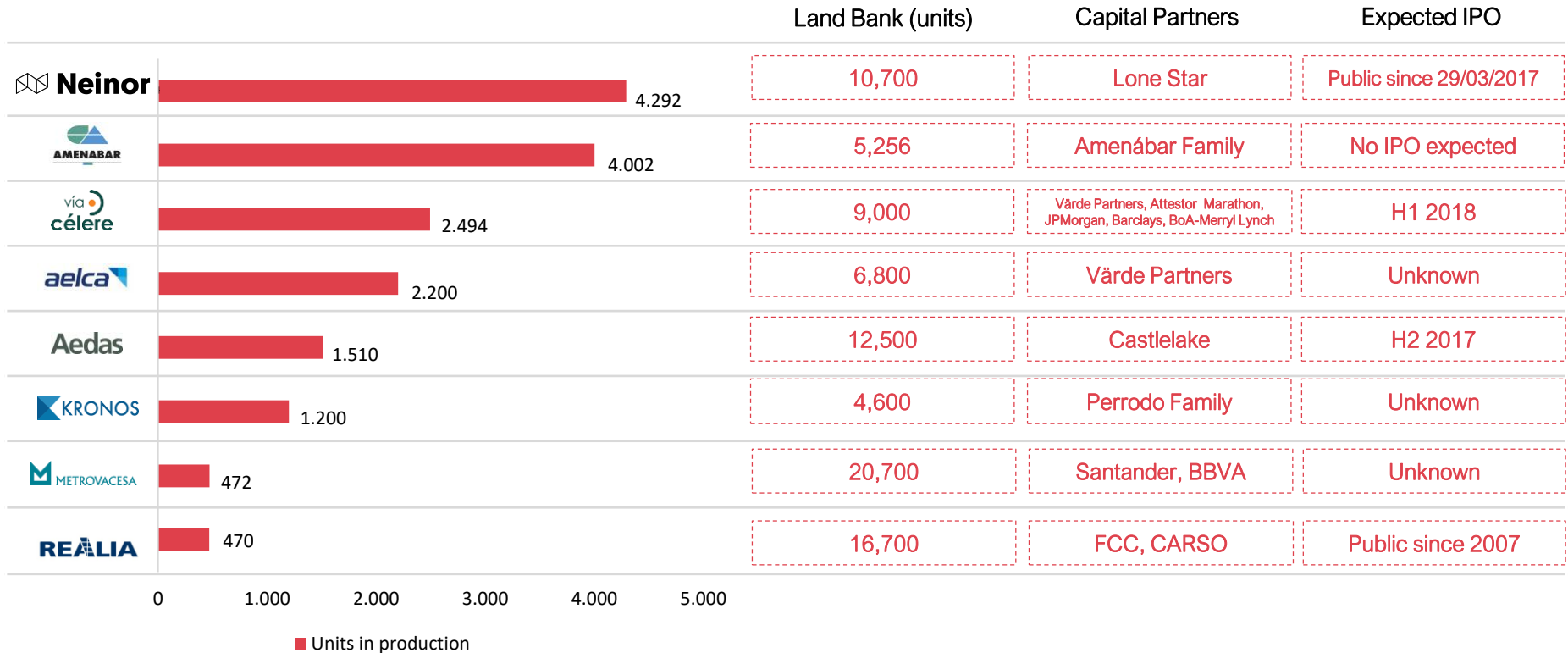


4.5% House Price Appreciation (HPA) in 2016 – Prices Still 30% Below 2007



# 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
			<b>700</b>



A) San Sebastián de los Reyes



D) Sabadell



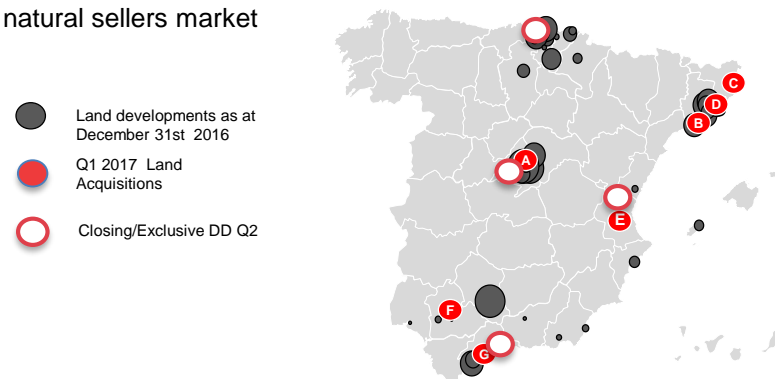
E) Valencia



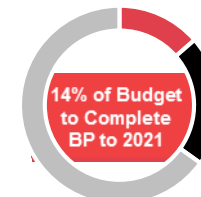
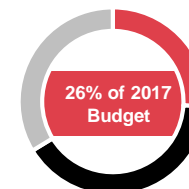
G) Casares

## Q2 Land Acquisitions Update

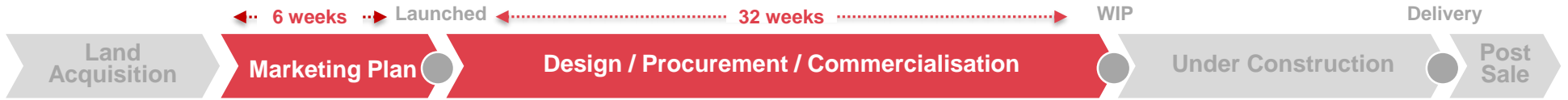
- ✓ **Current:** **EUR 95.5m** of land acquired during Q2, suitable for the development of over 1,000 units.
- ✓ Total acquired in 2017: **EUR 147m**: 74% of the annual target
- ✓ The opportunity to cherry pick high quality land plots at attractive margins continues: **€31bn** of foreclosed assets on banks' balance sheets correspond to land. Banco Popular recently joined the natural sellers market



- Closed
- Closing / In exclusive DD
- Pending

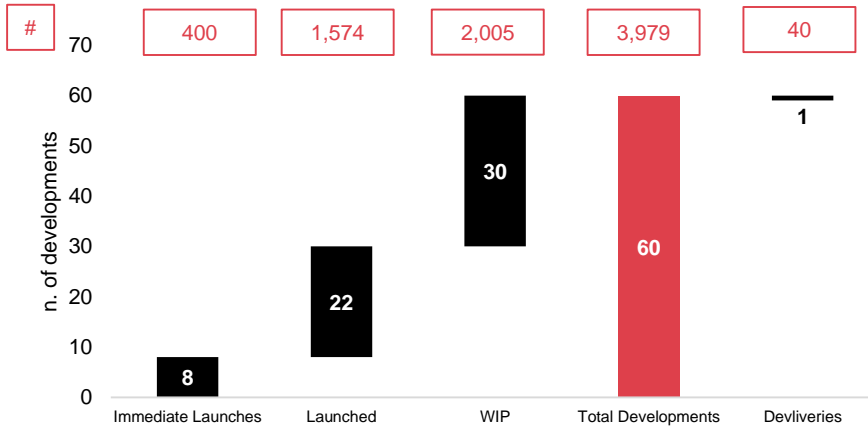


# Accelerated Launching of Sites



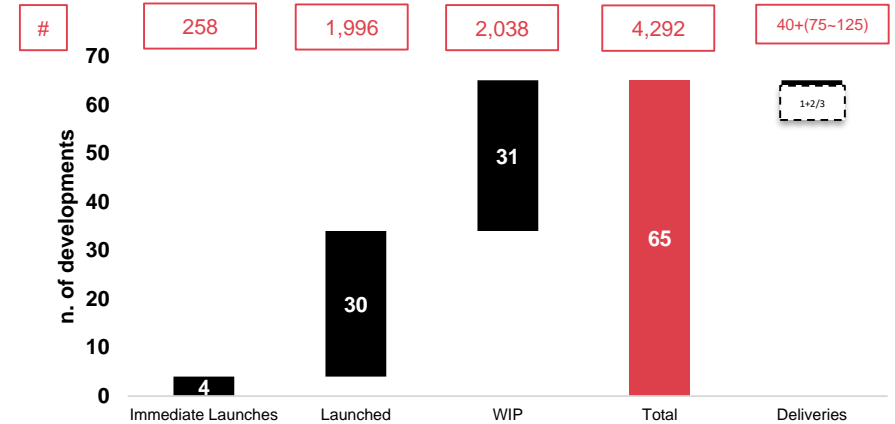
## Development Activity as at the end of Q1

- ✓ **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



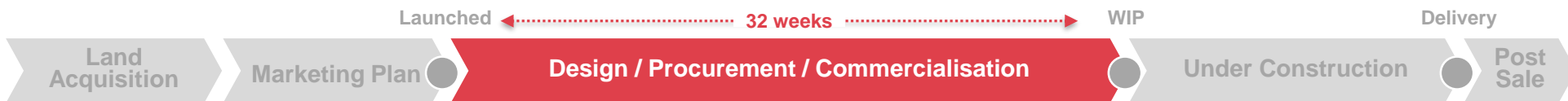
## Q2 Development Activity Update

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





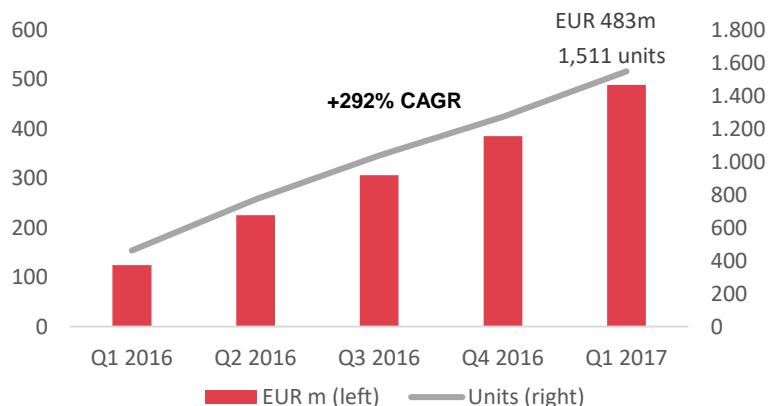
# Strong Pre-Sales with an Order Book of ca. EUR 500m



## Pre-Sales Activity as at the end of Q1

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

Order Book (EUR m LHS – # units RHS)



## 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



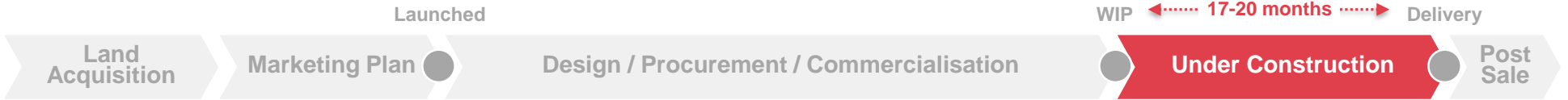
Abra Homes: commercialization started in Q2



Plaza Europa 14 (East) imminent start

(1) Figure does not include 3 developments that were 100% pre-sold at the end of 2016 (2) Average selling price may vary depending mix of typology and region of developments in commercialisation

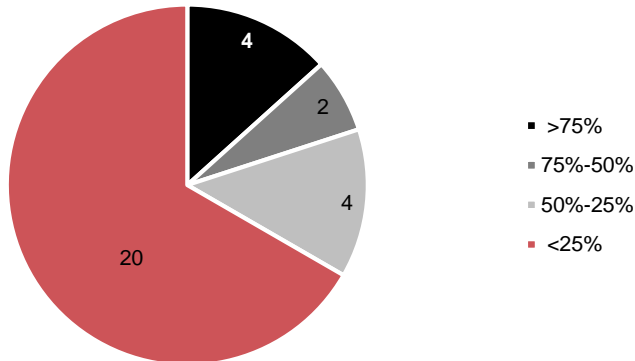
# 32 Building Sites with Over 2,000 Units Under Construction



## Construction Activity as at the end of Q1

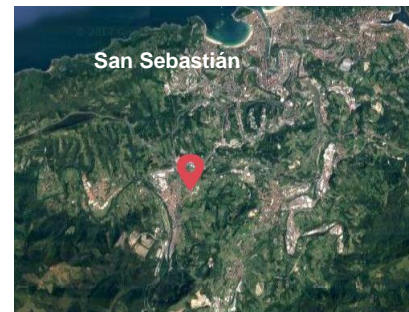
- ✓ **Global Picture:** 30 sites in construction (WIP) - 2,005 units
- ✓ **Latest Quarter:**
  - ✓ 3 construction starts – 267 units
  - ✓ C. 22% WIP reported margin

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



## Q2 Construction Activity Update

- ✓ **Current:** 2 construction starts since April
  - ✓ Goiegi Homes (33 units)
  - ✓ Urduliz Homes (36 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<sup>(1)</sup> 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%<sup>(2)</sup>



Los Alerces, Móstoles, Madrid

## Q2 Deliveries Update

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



Las Salinas Homes, Málaga



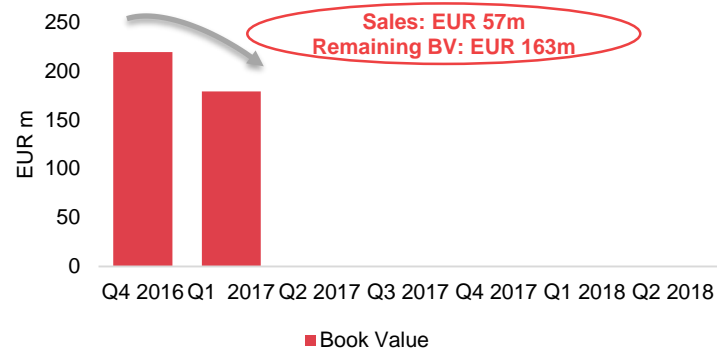
Port Forum Homes, Barcelona

(1) Delivery margins will be reported at Gross Margin level during ramp-up phase. (2) Including accounting provision eliminated in the 2016 audit process, connected to original BV

## Ancillary Businesses Continue To Deliver Cash

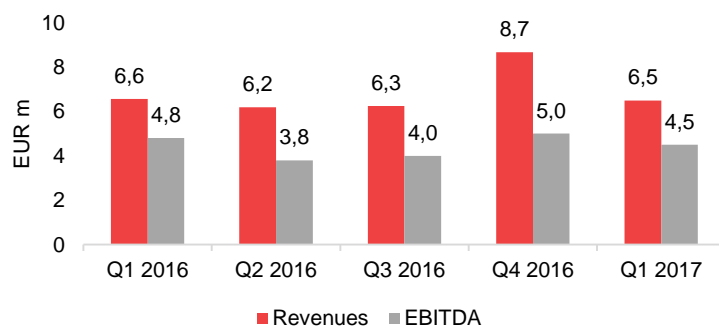
### Ancillary Business Q1

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 26<sup>th</sup>
- **Tax best practices:** Company is subscribing to voluntary Best Practice Norms with the Spanish Tax Authority
- **White Paper:** version 9 released on 23<sup>rd</sup> 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