

9m Results 2023

 Opinion ⁽¹⁾: In line

 Impact ⁽¹⁾: We will maintain our estimates

José Miguel Cabrera van Grieken – jose.cabrera@lighthouse-ieaf.com

+34 915 904 226

Compañía Española de Viviendas en Alquiler, Cevasa (CEV), Cevasa specialises in the development of buildings for long-term renting, mainly in the residential segment in Catalonia, principally in the city of Barcelona and its metropolitan area (where it is the main private property owner).

9M23 earnings: revenue visibility still high (and valuable). Robust margins

RENTAL INCOME: EUR 16.0MN (+5.1% YOY). By segment, residential rental income (c.80% of GAV) increased by 4.7%, while growth was higher (in line with 1H) in both the commercial property (+13.2%) and office (+9.6%) portfolios. The dearth of supply is keeping rents at record levels. We are reiterating our 2023e revenue estimates. Note that 9M growth in rental income (as was the case in 1H) is trending above our estimate for the year (+5.1% vs. +3.0%).

WIDER-THAN-EXPECTED MARGIN (+4.5P.P. VS 9M22). Recurring EBITDA growth accelerated further (+12.4%, vs +7.6% in 1H23) to EUR 11.1Mn. The EBITDA margin widened more (as it did in 1Q and 1H) and is back to pre-pandemic levels (c.70%) and c.4p.p. above our year-end estimate. Margin performance was especially positive considering the widespread downward pressure on costs and regulatory pressure on income.

WE ARE STICKING TO OUR EBITDA ESTIMATES, BUT 'RISKS' OF REVISION ARE (CLEARLY) TILTED TO THE UPSIDE. The defensive profile of the company's rental assets continues to give CEV great visibility into revenue and margins for 2023e-2025e. Our estimates are unchanged. Rental income continues to grow at c.+5% (vs +3% 2023e) which, coupled with steady margins at c.70%, would suggest that our EBITDA 2023e estimate (EUR 13.8Mn) can be considered the "floor". That same looks to be true for the 2024e-2025e period (underpinned by 4% revenue growth and a 66% margin).

MARGIN EXPANSION AND STABLE GROWTH IN RENTS (+5%) MAKE THE STOCK LOOK INCREASINGLY ATTRACTIVE. CEV is cementing its status as a rarity among listed real estate companies in Spain. It offers low risk (as "proven" by its sound numbers and key amid the current weakness of the real estate sector). Despite this, its 12m share price performance has not been good (-22.4% vs Ibex 35 and without outperforming the sector). The company is still trading at a discount of over 60% vs NAV, with an FCF yield 2025e >10%. The stock has evidently been penalized by the lack of short-term catalysts. However, the company has the capacity to deliver c.100 homes/year from 2025e (which will enable CEV to become much bigger) and there's the interest in HMB (which will develop and put into operation c. 4,500 affordable rental homes over the next five years). We see no reason to "wait" so long, since CEV's 2023e fundamentals are objectively compelling: revenue visibility and margin expansion. This should, logically, be reflected in the share price eventually.

Market Data

Market Cap (Mn EUR and USD)	148.8	159.7
EV (Mn EUR and USD) ⁽²⁾	294.1	315.6
Shares Outstanding (Mn)	23.3	
-12m (Max/Med/Min EUR)	7.22 / 6.65 / 5.82	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	0.4	
Factset / Bloomberg	CEV-ES / CEV SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

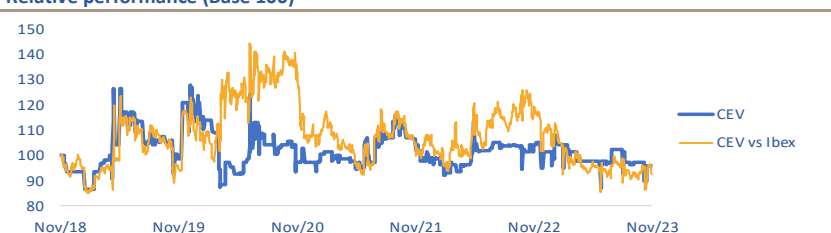
Vaqué-Boix family	61.7
Banco Santander	24.1
Manuel Valiente	6.6
Others	2.3
Free Float	5.3

Financials (Mn EUR)

	2022	2023e	2024e	2025e
Adj. nº shares (Mn)	23.2	23.3	23.3	23.3
Total Revenues	20.4	21.1	21.9	22.8
Rec. EBITDA	13.2	13.8	14.5	15.2
% growth	-0.4	4.6	5.0	5.0
% Rec. EBITDA/Rev.	64.7	65.6	66.2	66.7
% Inc. EBITDA sector ⁽⁴⁾	12.2	7.4	6.9	6.0
Net Profit	28.7	8.7	9.2	12.7
EPS (EUR)	1.24	0.37	0.40	0.55
% growth	17.1	-69.9	6.2	38.0
Ord. EPS (EUR)	0.36	0.37	0.40	0.42
% growth	-11.0	4.1	6.2	5.7
Rec. Free Cash Flow ⁽⁵⁾	8.0	-2.0	-8.6	15.5
Pay-out (%)	16.1	53.5	50.4	36.5
DPS (EUR)	0.20	0.20	0.20	0.20
Net financial debt	49.6	61.5	83.6	77.8
ND/Rec. EBITDA (x)	3.8	4.4	5.8	5.1
ROE (%)	7.7	2.2	2.4	3.2
ROCE (%) ⁽⁵⁾	5.0	2.1	2.1	2.7

Ratios & Multiples (x) ⁽⁶⁾

	2022	2023e	2024e	2025e
P/E	5.2	17.2	16.2	11.7
Ord. P/E	17.9	17.2	16.2	15.3
P/BV	0.4	0.4	0.4	0.4
Dividend Yield (%)	3.1	3.1	3.1	3.1
EV/Sales	14.39	13.96	13.41	12.87
EV/Rec. EBITDA	22.2	21.3	20.3	19.3
EV/EBIT	8.9	21.4	20.4	15.5
FCF Yield (%) ⁽⁵⁾	5.3	n.a.	n.a.	10.4

Relative performance (Base 100)


Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-1.5	-6.6	-8.3	-3.7	-1.5	-4.3
vs Ibex 35	-2.9	-6.4	-22.4	-14.7	-28.4	-7.4
vs Ibex Small Cap Index	-2.4	-1.3	-17.5	-9.0	-17.5	-16.3
vs Eurostoxx 50	-3.4	-3.7	-21.1	-12.5	-26.9	-26.4
vs Sector benchmark ⁽⁴⁾	-9.0	-9.0	-9.4	-1.8	28.7	39.1

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 3.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) Sector: Stoxx Europe 600 Real Estate.

(5) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

(6) Multiples and ratios calculated over prices at the date of this report.

(* Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

Report issued by IEAF Servicios de Análisis, S.L.U. Lighthouse is a project of IEAF Servicios de Análisis, S.L.U.

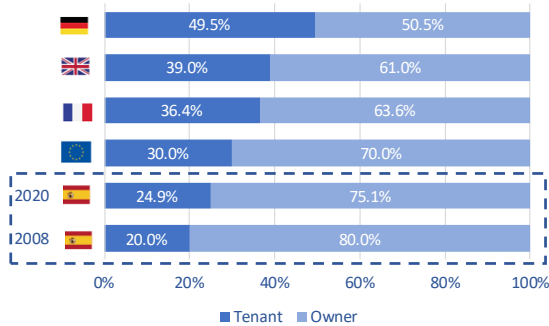
This report has been prepared on the basis of information available to the public. The report includes a financial analysis of the company covered. The report does not propose any personalised investment recommendation. Investors should consider the contents of this report as just another element in their investment decision-making process. The final two pages of this report contain very important legal information regarding its contents.

9m Results 2023
Table 1. Results 9M23

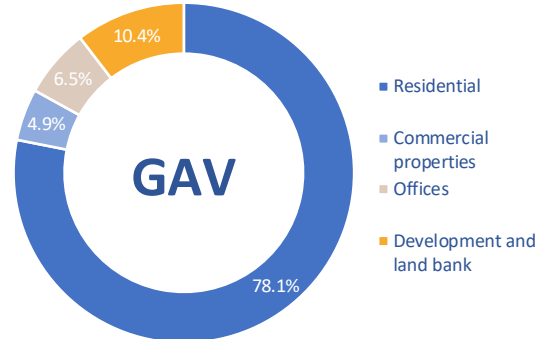
EUR Mn	9m23		9m23 Real		2023e vs	
	Real	9m22	vs 9m22	2023e	2022	
Total Revenues	16.0	15.2	5.1%	21.1	3.0%	
Recurrent EBITDA	11.1	9.9	12.4%	13.8	4.6%	
<i>Rec. EBITDA/Revenues</i>	<i>69.5%</i>	<i>65.0%</i>	<i>4.5 p.p.</i>	<i>65.6%</i>	<i>1.0 p.p.</i>	
EBITDA	10.9	14.2	-23.4%	13.8	-21.4%	
<i>EBITDA/Revenues</i>	<i>68.1%</i>	<i>93.3%</i>	<i>-25.2 p.p.</i>	<i>65.6%</i>	<i>-20.4 p.p.</i>	
EBIT	11.3	30.0	-62.5%	13.7	-58.4%	
Ordinary profit	10.1	29.1	-65.4%			
Extraordinary Results	0.1	5.9	-98.8%			
PBT	10.3	35.0	-70.6%	11.4	-69.9%	
NP	8.2	27.0	-69.5%	8.7	-69.9%	

The company in 8 charts

Demand for rented housing has continued to grow (since 2008) and Spain is still a long way from European average levels



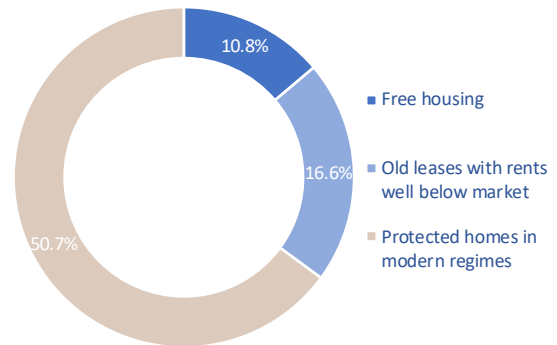
Cevasa (CEV) has a unique exposure to rented housing (c. 78% of GAV 2022)...



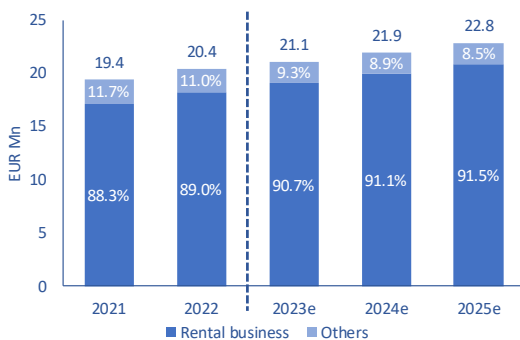
... with a portfolio concentrated in Catalonia (mainly Barcelona and its metropolitan area)



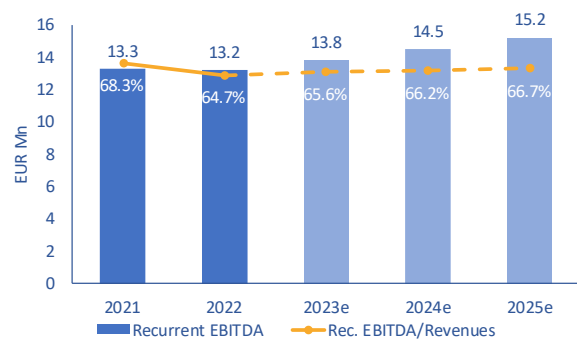
And the particularity of having invested a large percentage in state sponsored housing



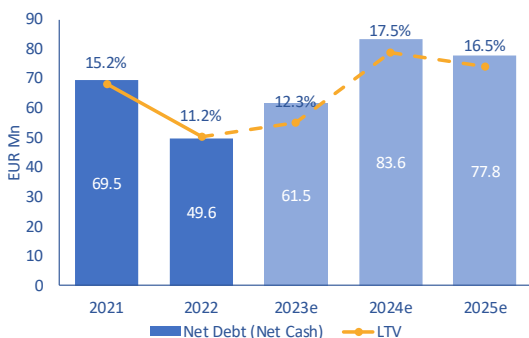
Until 2025e visibility is significant, for revenue (CAGR 22-25e: +3.8%)...



... and margins (Rec EBITDA: CAGR 22-25e: +4.8%)



Despite the rebound in investment, leverage will remain at very prudent levels (LTV < 20%)



Trading at a discount of c. 65% to its EPRA NRV

EUR Mn	2021	2022	21-22
GAV	530.2	536.2	1.1%
EPRA NRV	457.9	483.7	5.6%
EPRA NAV/NTA	385.3	423.9	10.0%
EPRA NAV/NDV	378.2	400.9	6.0%
Number of shares	23.2	23.2	0.0%
EPRA NAV/NRV per share	19.78	20.89	5.6%
EPRA NAV/NTA per share	16.64	18.31	10.0%
EPRA NAV/NDV per share	16.33	17.32	6.0%

Valuation inputs

Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(5.4)	(15.6)	8.4	284.5		
Market Cap	148.8	At the date of this report				
Net financial debt	55.3	Debt net of Cash (6m Results 2023)				
					Best Case	Worst Case
Cost of Debt	5.5%	Net debt cost			5.3%	5.8%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	4.4%	Kd = Cost of Net Debt * (1-T)			4.2%	4.6%
Risk free rate (rf)	3.7%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.0	B (own estimate)			1.0	1.1
Cost of Equity	9.7%	Ke = Rf + (R * B)			9.2%	10.8%
Equity / (Equity + Net Debt)	72.9%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	27.1%	D			=	=
WACC	8.3%	WACC = Kd * D + Ke * E			7.8%	9.1%
G "Fair"	2.0%				2.0%	1.5%

(1) The terminal value reflects the NAV of FCF beyond the period estimated with the WACC and G of the central scenario.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
Merlin Properties	MRL-ES	3,988.4	14.3	6.2%	21.8	7.6%	17.2	6.8%	78.6%	3.9%	9.5%
Colonial	COL-ES	3,116.3	18.7	8.1%	30.2	7.6%	n.a.	6.5%	79.7%	11.3%	-20.2%
Lar España	LRE-ES	473.7	7.1	-7.5%	15.4	3.2%	11.5	2.6%	74.8%	25.8%	-50.3%
Árma	ARM-ES	193.3	n.a.	71.7%	n.a.	n.a.	n.a.	34.2%	5.1%	n.a.	41.4%
REITs			13.4	19.6%	22.5	6.1%	14.3	12.5%	59.6%	13.7%	-4.9%
CEV	CEV-ES	148.8	17.2	21.0%	21.3	17.2%	14.0	4.2%	65.6%	n.a.	85.4%

Free Cash Flow sensitivity analysis (2024e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	69.5%	15.2	19.3x
Central	66.2%	14.5	20.3x
Min	62.9%	13.8	21.3x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

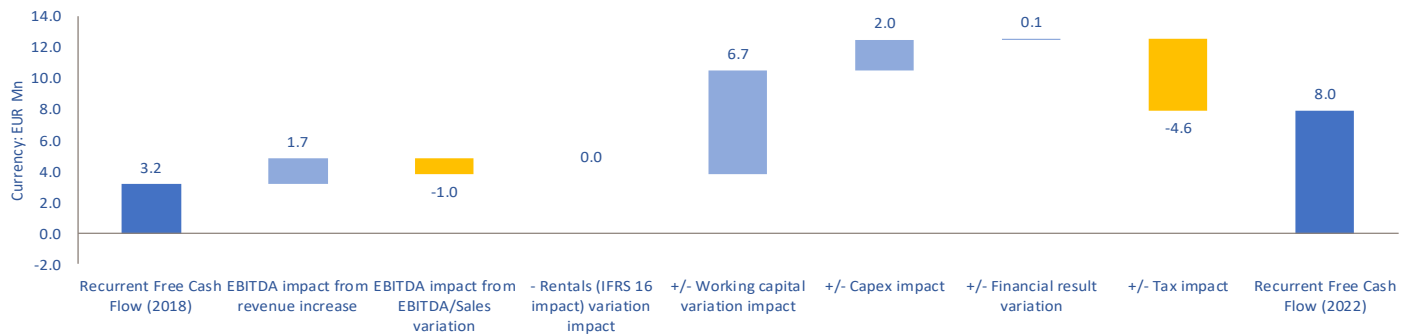
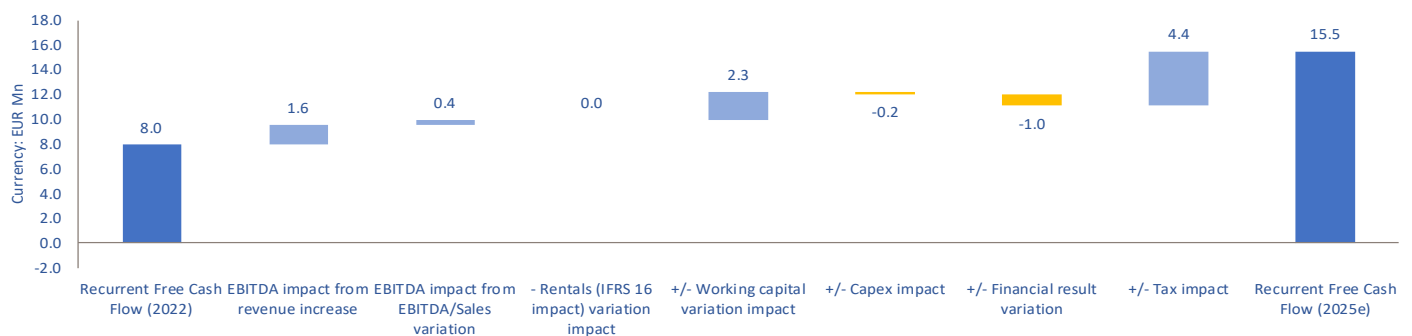
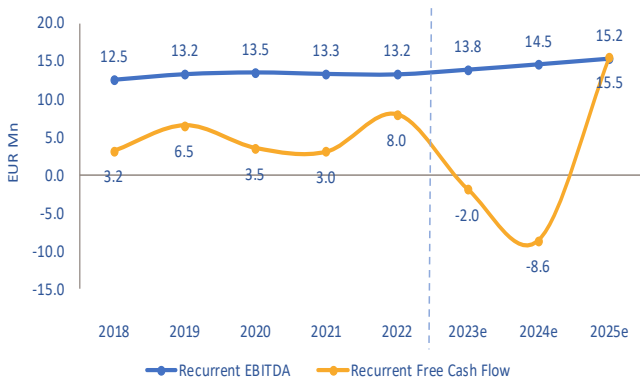
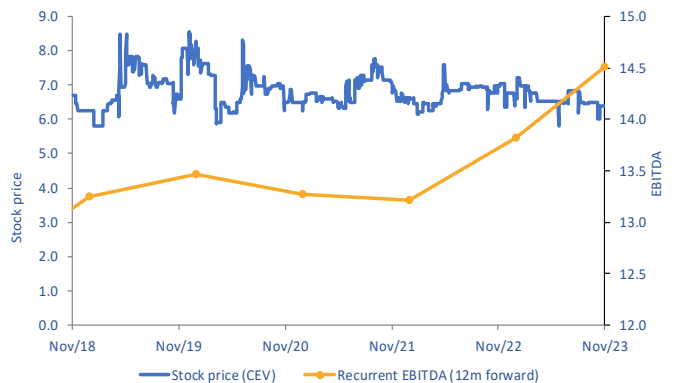
Rec. FCF EUR Mn	CAPEX/Sales 24e		
EBITDA 24e	5.4%	6.0%	6.6%
15.2	(7.8)	(7.9)	(8.0)
14.5	(8.5)	(8.6)	(8.8)
13.8	(9.2)	(9.4)	(9.5)

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e		
Intangible assets	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1		
Fixed assets	437.0	456.2	461.7	479.8	496.5	497.6	498.9	500.2		
Other Non Current Assets	4.3	4.0	4.0	3.4	1.9	1.9	1.9	1.9		
Financial Investments	10.3	10.0	7.1	10.3	12.2	17.5	26.3	35.1		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	22.7	23.0	26.3	34.3	27.7	37.5	54.6	47.3		
Total assets	475.2	494.1	500.0	528.8	539.3	555.6	582.7	585.5		
Equity	316.0	332.8	337.2	357.5	383.6	387.6	392.1	400.2		
Minority Interests	9.3	10.0	10.5	11.4	12.8	13.1	13.5	13.9		
Provisions & Other L/T Liabilities	79.1	83.1	83.7	85.3	89.8	89.8	89.8	89.8		
Other Non Current Liabilities	-	-	-	-	-	-	-	-		
Net financial debt	68.7	65.8	64.9	69.5	49.6	61.5	83.6	77.8		
Current Liabilities	2.2	2.5	3.7	5.0	3.5	3.6	3.7	3.7		
Equity & Total Liabilities	475.2	494.1	500.0	528.8	539.3	555.6	582.7	585.5		
CAGR										
P&L (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Total Revenues	18.0	19.0	19.1	19.4	20.4	21.1	21.9	22.8	3.2%	3.8%
<i>Total Revenues growth</i>	6.9%	5.3%	0.6%	1.9%	5.2%	3.0%	4.1%	4.2%		
COGS	(0.7)	(0.9)	(0.8)	(1.2)	(1.7)	(1.6)	(1.6)	(1.7)		
Gross Margin	17.3	18.1	18.2	18.2	18.8	19.5	20.3	21.1	2.0%	4.0%
<i>Gross Margin/Revenues</i>	96.3%	95.3%	95.7%	93.8%	91.9%	92.6%	92.5%	92.5%		
Personnel Expenses	(3.2)	(3.2)	(3.1)	(3.4)	(3.8)	(3.8)	(3.9)	(4.0)		
Other Operating Expenses	(1.6)	(1.6)	(1.6)	(1.6)	(1.8)	(1.8)	(1.9)	(1.9)		
Recurrent EBITDA	12.5	13.2	13.5	13.3	13.2	13.8	14.5	15.2	1.3%	4.8%
<i>Recurrent EBITDA growth</i>	7.4%	5.7%	1.7%	-1.4%	-0.4%	4.6%	5.0%	5.0%		
<i>Rec. EBITDA/Revenues</i>	69.6%	69.9%	70.7%	68.3%	64.7%	65.6%	66.2%	66.7%		
Restructuring Expense & Other non-rec.	(0.1)	(0.1)	(1.0)	0.4	4.4	-	-	3.8		
EBITDA	12.4	13.1	12.5	13.7	17.6	13.8	14.5	19.0	9.1%	2.6%
Depreciation & Provisions	(0.4)	(0.2)	(0.1)	0.4	(0.1)	(0.1)	(0.1)	(0.1)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Restructuring Expense & Other non-rec.	49.0	16.8	0.2	17.9	15.5	-	-	-		
EBIT	61.0	29.8	12.6	32.0	33.1	13.7	14.4	18.9	-14.2%	-17.0%
<i>EBIT growth</i>	248.4%	-51.2%	-57.7%	154.1%	3.2%	-58.4%	5.0%	31.1%		
<i>EBIT/Revenues</i>	n.a.	n.a.	66.1%	n.a.	n.a.	65.3%	65.8%	82.8%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(1.4)	(1.6)	(1.3)	(1.5)	(1.3)	(2.4)	(2.4)	(2.3)		
Income by the Equity Method	-	-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)		
Ordinary Profit	59.6	28.2	11.3	30.5	31.7	11.4	12.1	16.6	-14.6%	-19.4%
<i>Ordinary Profit Growth</i>	265.5%	-52.7%	-59.8%	169.9%	3.9%	-64.2%	6.2%	38.0%		
Extraordinary Results	-	-	-	-	5.9	-	-	-		
Profit Before Tax	59.6	28.2	11.3	30.5	37.7	11.4	12.1	16.6	-10.8%	-23.8%
Tax Expense	(13.0)	(5.4)	(1.5)	(5.2)	(7.9)	(2.4)	(2.5)	(3.5)		
<i>Effective Tax Rate</i>	21.8%	19.1%	13.2%	16.9%	21.0%	21.0%	21.0%	21.0%		
Minority Interests	(1.6)	(0.8)	(0.6)	(0.9)	(1.1)	(0.3)	(0.3)	(0.5)		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	45.0	22.0	9.3	24.5	28.7	8.7	9.2	12.7	-10.6%	-23.8%
<i>Net Profit growth</i>	209.4%	-51.2%	-57.9%	164.8%	17.1%	-69.9%	6.2%	38.0%		
Ordinary Net Profit	6.8	8.5	10.0	9.3	8.3	8.7	9.2	9.7	5.0%	5.4%
<i>Ordinary Net Profit growth</i>	-23.6%	24.4%	17.2%	-6.4%	-11.0%	4.4%	6.2%	5.7%		
CAGR										
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Recurrent EBITDA						13.8	14.5	15.2	1.3%	4.8%
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(9.8)	(16.9)	7.4		
Recurrent Operating Cash Flow						4.1	-2.4	22.6	13.7%	7.2%
CAPEX						(1.3)	(1.3)	(1.4)		
Net Financial Result affecting the Cash Flow						(2.4)	(2.4)	(2.3)		
Tax Expense						(2.4)	(2.5)	(3.5)		
Recurrent Free Cash Flow						(2.0)	(8.6)	15.5	25.9%	24.8%
Restructuring Expense & Other non-rec.						-	-	3.8		
- Acquisitions / + Divestures of assets						(5.3)	(8.8)	(8.8)		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(7.3)	(17.5)	10.4	58.2%	-22.8%
Capital Increase						-	-	-		
Dividends						(4.6)	(4.6)	(4.6)		
Net Debt Variation						11.9	22.1	(5.8)		

Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
Recurrent EBITDA	13.2	13.5	13.3	13.2	13.8	14.5	15.2	-0.1%	4.8%
<i>Recurrent EBITDA growth</i>	5.7%	1.7%	-1.4%	-0.4%	4.6%	5.0%	5.0%		
<i>Rec. EBITDA/Revenues</i>	69.9%	70.7%	68.3%	64.7%	65.6%	66.2%	66.7%		
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(0.0)	(2.1)	(6.8)	5.1	(9.8)	(16.9)	7.4		
= Recurrent Operating Cash Flow	13.2	11.4	6.5	18.3	4.1	(2.4)	22.6	11.5%	7.2%
<i>Rec. Operating Cash Flow growth</i>	20.8%	-14.1%	-42.8%	181.7%	-77.9%	-160.0%	n.a.		
<i>Rec. Operating Cash Flow / Sales</i>	69.9%	59.7%	33.5%	89.7%	19.3%	n.a.	99.0%		
- CAPEX	(2.2)	(4.6)	(1.5)	(1.2)	(1.3)	(1.3)	(1.4)		
- Net Financial Result affecting Cash Flow	(1.7)	(1.4)	(1.4)	(1.3)	(2.4)	(2.4)	(2.3)		
- Taxes	(2.8)	(1.9)	(0.6)	(7.9)	(2.4)	(2.5)	(3.5)		
= Recurrent Free Cash Flow	6.5	3.5	3.0	8.0	(2.0)	(8.6)	15.5	6.9%	24.8%
<i>Rec. Free Cash Flow growth</i>	105.6%	-46.1%	-13.6%	162.4%	-124.5%	-341.9%	279.3%		
<i>Rec. Free Cash Flow / Revenues</i>	34.4%	18.4%	15.6%	38.9%	n.a.	n.a.	67.8%		
- Restructuring expenses & others	-	-	-	4.4	-	-	3.8		
- Acquisitions / + Divestments	0.4	1.8	(9.4)	4.0	(5.3)	(8.8)	(8.8)		
+/- Extraordinary Inc./Exp. affecting Cash Flow	0.6	0.1	6.3	6.3	-	-	-		
= Free Cash Flow	7.5	5.4	(0.0)	22.6	(7.3)	(17.5)	10.4	44.5%	-22.8%
<i>Free Cash Flow growth</i>	107.8%	-27.5%	-100.4%	n.a.	-132.0%	-140.9%	159.7%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	4.4%	2.4%	2.0%	5.3%	n.a.	n.a.	10.4%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	5.0%	3.7%	n.a.	15.2%	n.a.	n.a.	7.0%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Recurrent FCF(FY - 1)	3.2	6.5	3.5	3.0	8.0	(2.0)	(8.6)		
EBITDA impact from revenue increase	0.7	0.1	0.3	0.7	0.4	0.6	0.6		
EBITDA impact from EBITDA/Sales variation	0.1	0.1	(0.5)	(0.8)	0.2	0.1	0.1		
= Recurrent EBITDA variation	0.7	0.2	(0.2)	(0.1)	0.6	0.7	0.7		
- Rentals (IFRS 16 impact) variation impact	-	-	-	-	-	-	-		
+/- Working capital variation impact	1.6	(2.1)	(4.7)	11.9	(14.9)	(7.2)	24.3		
= Recurrent Operating Cash Flow variation	2.3	(1.9)	(4.9)	11.8	(14.3)	(6.5)	25.0		
+/- CAPEX impact	0.9	(2.4)	3.1	0.3	(0.1)	(0.1)	(0.1)		
+/- Financial result variation	(0.3)	0.3	(0.1)	0.1	(1.1)	0.0	0.1		
+/- Tax impact	0.4	0.9	1.3	(7.3)	5.5	(0.1)	(1.0)		
= Recurrent Free Cash Flow variation	3.3	(3.0)	(0.5)	4.9	(9.9)	(6.7)	24.1		
Recurrent Free Cash Flow	6.5	3.5	3.0	8.0	(2.0)	(8.6)	15.5		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
EBIT	29.8	12.6	32.0	33.1	13.7	14.4	18.9	3.6%	-17.0%
* Theoretical Tax rate	19.1%	13.2%	16.9%	21.0%	21.0%	21.0%	21.0%		
= Taxes (pre- Net Financial Result)	(5.7)	(1.7)	(5.4)	(6.9)	(2.9)	(3.0)	(4.0)		
Recurrent EBITDA	13.2	13.5	13.3	13.2	13.8	14.5	15.2	-0.1%	4.8%
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(0.0)	(2.1)	(6.8)	5.1	(9.8)	(16.9)	7.4		
= Recurrent Operating Cash Flow	13.2	11.4	6.5	18.3	4.1	(2.4)	22.6	11.5%	7.2%
- CAPEX	(2.2)	(4.6)	(1.5)	(1.2)	(1.3)	(1.3)	(1.4)		
- Taxes (pre- Financial Result)	(5.7)	(1.7)	(5.4)	(6.9)	(2.9)	(3.0)	(4.0)		
= Recurrent Free Cash Flow (To the Firm)	5.3	5.2	(0.4)	10.2	(0.1)	(6.8)	17.3	24.2%	19.1%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	197.4%	-3.7%	-107.2%	n.a.	-100.8%	n.a.	354.7%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	28.2%	27.0%	n.a.	50.1%	n.a.	n.a.	75.6%		
- Acquisitions / + Divestments	0.4	1.8	(9.4)	4.0	(5.3)	(8.8)	(8.8)		
+/- Extraordinary Inc./Exp. affecting Cash Flow	0.6	0.1	6.3	6.3	-	-	-		
= Free Cash Flow "To the Firm"	6.3	7.1	(3.4)	20.6	(5.4)	(15.6)	8.4	48.0%	-25.7%
<i>Free Cash Flow (To the Firm) growth</i>	225.6%	11.8%	-148.4%	699.8%	-126.2%	-190.0%	154.1%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	1.8%	1.8%	n.a.	3.5%	n.a.	n.a.	5.9%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	2.2%	2.4%	n.a.	7.0%	n.a.	n.a.	2.9%		

Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)

Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)

Recurrent EBITDA vs Recurrent Free Cash Flow

Stock performance vs EBITDA 12m forward

Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	148.8	
+ Minority Interests	13.1	6m Results 2023
+ Provisions & Other L/T Liabilities	89.0	6m Results 2023
+ Net financial debt	55.3	6m Results 2023
- Financial Investments	12.2	6m Results 2023
+/- Others		
Enterprise Value (EV)	294.1	

Appendix 4. Historical performance ⁽¹⁾

Historical performance (EUR Mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
															12-22	22-25e
Total Revenues	18.2	19.6	17.4	16.4	13.9	14.6	18.0	19.0	19.1	19.4	20.4	21.1	21.9	22.8	1.2%	3.8%
Total Revenues growth	-2.3%	8.1%	-11.5%	-5.5%	-15.5%	5.2%	23.2%	5.3%	0.6%	1.9%	5.2%	3.0%	4.1%	4.2%		
EBITDA	6.8	8.0	7.3	8.5	8.6	7.9	12.4	13.1	12.5	13.7	17.6	13.8	14.5	19.0	9.9%	2.6%
EBITDA growth	-17.0%	17.7%	-9.0%	16.1%	2.0%	-8.1%	56.0%	6.0%	-5.0%	9.3%	28.8%	-21.4%	5.0%	30.9%		
EBITDA/Sales	37.5%	40.8%	42.0%	51.5%	62.2%	54.4%	68.9%	69.3%	65.5%	70.3%	86.0%	65.6%	66.2%	83.1%		
Net Profit	2.5	3.0	22.6	5.6	13.0	14.5	45.0	22.0	9.3	24.5	28.7	8.7	9.2	12.7	27.7%	-23.8%
Net Profit growth	-47.5%	21.3%	647.0%	-75.3%	134.2%	11.6%	209.4%	-51.2%	-57.9%	164.8%	17.1%	-69.9%	6.2%	38.0%		
Adjusted number shares (Mn)	23.3	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2	23.3	23.3	23.3		
EPS (EUR)	0.11	0.13	0.97	0.24	0.56	0.63	1.94	0.95	0.40	1.06	1.24	0.37	0.40	0.55	27.7%	-23.9%
EPS growth	n.a.	21.5%	n.a.	-75.3%	n.a.	11.6%	n.a.	-51.1%	-57.9%	n.a.	17.1%	-69.9%	6.2%	38.0%		
Ord. EPS (EUR)	0.11	0.13	0.97	0.24	0.56	0.63	0.29	0.37	0.43	0.40	0.36	0.37	0.40	0.42	12.8%	5.3%
Ord. EPS growth	n.a.	21.5%	n.a.	-75.3%	n.a.	11.6%	-53.0%	24.4%	17.2%	-6.5%	-11.0%	4.1%	6.2%	5.7%		
CAPEX	(6.1)	(1.8)	(0.6)	(1.4)	(4.4)	(26.6)	(3.1)	(2.2)	(4.6)	(1.5)	(1.2)	(1.3)	(1.3)	(1.4)		
CAPEX/Sales %	33.5%	9.0%	3.2%	8.4%	31.8%	182.4%	17.4%	11.7%	24.0%	7.5%	5.7%	6.0%	6.0%	6.0%		
Free Cash Flow	(2.7)	1.5	3.8	(1.6)	(4.5)	(21.8)	3.6	7.5	5.4	(0.0)	22.6	(7.3)	(17.5)	10.4	26.3%	-22.8%
ND/EBITDA (x) ⁽²⁾	8.0x	5.5x	7.0x	6.5x	4.9x	7.9x	5.5x	5.0x	5.2x	5.1x	2.8x	4.4x	5.8x	4.1x		
P/E (x)	59.5x	47.4x	5.1x	23.1x	14.2x	6.2x	3.2x	8.5x	16.2x	6.3x	5.4x	17.2x	16.2x	11.7x		
EV/Sales (x)	12.93x	11.05x	11.16x	12.78x	19.08x	11.82x	17.19x	18.78x	16.52x	16.41x	14.64x	13.96x	13.41x	12.87x		
EV/EBITDA (x) ⁽²⁾	34.5x	27.1x	26.6x	24.8x	30.7x	21.7x	25.0x	27.1x	25.2x	23.4x	17.0x	21.3x	20.3x	15.5x		
Absolute performance	-2.5%	-3.2%	-18.8%	10.8%	44.5%	-51.7%	61.5%	29.6%	-19.7%	2.1%	0.1%	-3.7%				
Relative performance vs Ibx 35	2.2%	-20.3%	-21.7%	19.4%	47.5%	-55.1%	89.9%	15.9%	-5.1%	-5.4%	6.0%	-14.7%				

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices. The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Factset.

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main peers 2023e

		REITs					
		Merlin				Average	CEV
EUR Mn		Properties	Colonial	Lar España	Árma		
Market data	Ticker (Factset)	MRL-ES	COL-ES	LRE-ES	ARM-ES		CEV-ES
	Country	Spain	Spain	Spain	Spain		Spain
	Market cap	3,988.4	3,116.3	473.7	193.3		148.8
	Enterprise value (EV)	7,924.9	9,180.6	1,038.3	270.1		294.1
Basic financial information	Total Revenues	461.7	381.7	90.3	8.8		21.1
	Total Revenues growth	4.6%	2.9%	8.1%	9.0%	6.1%	3.0%
	2y CAGR (2023e - 2025e)	6.8%	6.5%	2.6%	34.2%	12.5%	4.2%
	EBITDA	362.8	304.3	67.6	0.5		13.8
	EBITDA growth	-1.8%	9.7%	n.a.	142.3%	50.1%	-21.4%
	2y CAGR (2023e - 2025e)	7.6%	7.6%	3.2%	n.a.	6.1%	17.2%
	EBITDA/Revenues	78.6%	79.7%	74.8%	5.1%	59.6%	65.6%
	EBIT	340.7	296.9	67.9	(18.0)		13.7
	EBIT growth	-7.3%	10.6%	21.6%	n.a.	8.3%	-58.4%
	2y CAGR (2023e - 2025e)	13.7%	15.6%	6.5%	73.2%	27.2%	17.3%
	EBIT/Revenues	73.8%	77.8%	75.1%	n.a.	75.6%	65.3%
	Net Profit	272.1	178.0	73.9	(14.4)		8.7
	Net Profit growth	557.9%	n.a.	1.4%	-237.4%	107.3%	-69.9%
	2y CAGR (2023e - 2025e)	10.3%	12.7%	-9.2%	88.7%	25.6%	21.0%
CAPEX/Sales %	57.0%	13.8%	-29.5%	477.3%	129.6%	6.0%	
Free Cash Flow	157.0	351.5	122.0	(44.0)		(7.3)	
Net financial debt	4,081.4	4,968.2	517.6	94.0		61.5	
ND/EBITDA (x)	11.3	16.3	7.7	n.a.	11.7	4.4	
Pay-out	77.0%	76.6%	82.8%	0.0%	59.1%	53.5%	
Multiples and Ratios	P/E (x)	14.3	18.7	7.1	n.a.	13.4	17.2
	P/BV (x)	0.6	0.6	n.a.	n.a.	0.6	0.4
	EV/Revenues (x)	17.2	24.1	11.5	n.a.	17.6	14.0
	EV/EBITDA (x)	21.8	30.2	15.4	n.a.	22.5	21.3
	EV/EBIT (x)	23.3	30.9	15.3	n.a.	23.2	21.4
	ROE	4.4	3.1	n.a.	n.a.	3.7	2.2
	FCF Yield (%)	3.9	11.3	25.8	n.a.	13.7	n.a.
	DPS	0.45	0.26	0.73	0.00	0.36	0.20
Dvd Yield	5.3%	4.4%	12.9%	0.0%	5.7%	3.1%	

Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

LIGHTHOUSE

Calle Núñez de Balboa, 108 1ª Planta
28006 Madrid
T: +34 915 904 226
<https://institutodeanalistas.com/lighthouse>

Alfredo Echevarría Otegui

Head of research

alfredo.echevarria@lighthouse-ieaf.com

Luis Esteban Arribas, CESGA

Equity research

luis.esteban@lighthouse-ieaf.com

Enrique Andrés Abad, CFA

Equity research

enrique.andres@lighthouse-ieaf.com

José Miguel Cabrera van Grieken

Equity research

Jose.cabrera@lighthouse-ieaf.com

Jesús López Gómez, CESGA

ESG Analyst & Data analytics

jesus.lopez@lighthouse-ieaf.com

All Lighthouse research documents are available simultaneously on the Lighthouse website (<https://institutodeanalistas.com/lighthouse>) and via third-party aggregators such as Bloomberg, Factset, Capital IQ and Refinitiv.

IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

LIGHTHOUSE

Lighthouse is a project of IEAF Servicios de Análisis S.L.U. Lighthouse is a research project funded by Bolsas y Mercados Españoles S.A. Lighthouse aims to improve the research coverage of the "orphan stocks" of the Spanish market: those which lack real and continuous research coverage. Lighthouse reports will not include valuation and target price. Lighthouse does not seek to provide investment advice to any natural or legal person. For this reason, Lighthouse will not provide a valuation, target price or investment recommendation for any of the securities analysed.

IEAF Servicios de Análisis S.L.U. is a Spanish company whose corporate purpose is:

1º) To provide information and financial analysis regarding securities issued by any class of legal person traded or not on official secondary markets, and especially (but not exclusively) those securities which are not the object of the recurrent provision of information and analysis by financial analysts who participate in the markets.

2º) To publicise and update the aforementioned financial reports and analysis, in addition to the monitoring and following of the securities on which the information and analysis is provided.

3º) To prepare studies and projects aimed at proposing and implementing measures to improve the information and financial analysis of securities traded on official secondary markets.

IEAF Servicios de Análisis S.L.U. is a company whose sole shareholder is the Instituto Español de Analistas Financieros, a professional, not for profit association.

DISCLAIMER

The Instituto Español de Analistas Financieros hereby certifies that the analyst of IEAF Servicios de Análisis S.L.U. whose name figures as the author of this report, expresses views that reflect their personal and independent opinion of the company analysed without these implying, either directly or indirectly, a personalised recommendation of the company analysed for purposes of providing investment advice. This report is based on the preparation of detailed financial projections from information available to the public and following traditional fundamental research methodology (i.e. it is not a technical or quantitative analysis report). For the analysis methodology used in the preparation of this report, please contact the analyst directly; contact details are included on the front page of this report.

The report includes basic information regarding the main parameters to be used by an investor when making their own valuation (whether by discounted cash flows or multiples). These parameters are the personal opinion or estimate of the analyst. The person receiving this report should use their own judgement when using these parameters and should consider them as another element in their decision-making process in respect of investment. These parameters do not represent a personalised investment recommendation.

Rules governing confidentiality and conflicts of interest

None of the following rules governing confidentiality and conflicts of interest (12) is applicable to this report:

1. This report is non-independent research as it has been commissioned by the company analysed (issuer).
2. In the last 12 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., has had Investment Banking mandates or has managed or co-managed a public offering of the securities of the issuer, or has received compensation from said issuer for Investment Banking services, that exclude brokerage services for prepaid fees.
3. In the next 6 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., expects to receive or intends to obtain compensation for Investment Banking services provided to this company that exclude brokerage services for prepaid fees.
4. The Investment Analyst or a member of the Research Department or a member of their household has a long position in the shares or derivatives of the corresponding issuer.
5. The Investment Analyst or a member of the Research Department or a member of their household has a short position in the shares or derivatives of the corresponding issuer.
6. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a long position of over 0.5% of the issuer's capital.
7. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a short position of over 0.5% of the issuer's capital.
8. At the end of the month immediately prior to the publication of this report, or of the previous month if the report is published in the ten days following the end of the month, the company analysed (the issuer) or any of its subsidiaries held 5% or more of any class of equity security of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U.
9. A senior director or officer of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., or a member of their department is a director, officer, advisor or member of the Board of Directors of the issuer and/or one of its subsidiaries.
10. The Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., acts as broker for the Issuer for the corresponding prepaid fees.
11. The contents of this report related to the financial analysis, financial projections, valuation, investment summary and opinion of the analyst have been reviewed by the issuer prior to its publication.
12. The issuer has made changes to the contents of this report prior to its distribution.

The Investment Analysts who have prepared this Investment Analysis are employees of IEAF Servicios de Análisis S.L.U. These analysts have received (or will receive) compensation according to the general earnings of IEAF Servicios de Análisis S.L.U. To obtain a copy of the Code of Conduct of IEAF Servicios de Análisis S.L.U. (in respect of the Management of Conflicts of Interest in the research department), please use the e-mail address secretaria@institutodeanalistas.com or consult the contents of this Code at <https://institutodeanalistas.com>.

IEAF Servicios de Análisis S.L.U. is compensated by Bolsas y Mercados Españoles, S.A. for the preparation of this report. This report should be considered as just another element in the taking of investment decisions.

A report issued by IEAF servicios de análisis S.L.U.

All rights reserved. The unauthorised use or distribution of this report is prohibited. This document has been prepared and distributed, according to the provisions of the MiFID II by IEAF Servicios de Análisis S.L.U. Its corporate activity is regulated by the CNMV (the Spanish Securities Exchange Commission). The information and opinions expressed in this document do not represent nor are they intended to represent an offer or a solicitation to buy or sell the securities (in other words, the securities mentioned in this report and related warrants, options, rights or interests). The information and opinions contained in this document are based upon information available to the public and have been obtained from sources believed to be reliable by IEAF Servicios de Análisis S.L.U., but no guarantee is given regarding their accuracy or completeness. All comments and estimates reflect solely the opinion of IEAF Servicios de Análisis S.L.U. and do not offer any implicit or explicit guarantee. All the opinions expressed are subject to change without prior warning. This document does not take into account the specific investment objectives, financial position, risk profile or other specific aspects of the person who receives this document, and accordingly they should exercise their own judgement in this respect. Neither the Instituto Español de Analistas Financieros nor its subsidiary, IEAF Servicios de Análisis S.L.U., assumes any responsibility for direct or indirect losses arising from the use of the published research, except in the event of negligent conduct by IEAF Servicios de Análisis S.L.U. The information contained in this report is approved for distribution to professional clients, eligible counterparties and professional advisers, but not for distribution to private individuals or retail clients. Its reproduction, distribution or

publication for any purpose without the written authorisation of IEAF Servicios de Análisis S.L.U. is prohibited. The Instituto Español de Analistas Financieros and/or its subsidiary IEAF Servicios de Análisis S.L.U., their employees and directors, may hold a position (long or short) in an investment knowing that this issuer will be the object of analysis and that this analysis will be distributed to institutional investors. Any further information regarding the contents of this report will be provided upon request. IEAF Servicios de Análisis S.L.U. intends to publish (at least) one quarterly report or note updating the information on the company analysed.

United States. IEAF Servicios de Análisis S.L.U. is not registered in the United States and, consequently, is not subject to the regulations of that country governing the preparation of research and the independence of analysts. This report is distributed solely to major US institutional investors, in reliance on the exemption from registration provided by Rule 15a-6 of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and interpretations of this made by the US Securities Exchange Commission.

Major US Institutional Investors. This report will be distributed to "major US institutional investors", as defined by Rule 15a-6 of the US Securities Exchange Commission and of the US Securities Exchange Act of 1934.

Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
06-Nov-2023	n.a.	6.40	n.a.	n.a.	9m Results 2023	José Miguel Cabrera van Grieken
08-Sep-2023	n.a.	6.45	n.a.	n.a.	6m Results 2023	Alfredo Echevarría Otegui
12-Jun-2023	n.a.	6.55	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
05-May-2023	n.a.	6.55	n.a.	n.a.	3m Results 2023	David López Sánchez
04-Apr-2023	n.a.	6.55	n.a.	n.a.	Company visit	David López Sánchez
24-Feb-2023	n.a.	6.79	n.a.	n.a.	12m Results 2022	David López Sánchez
14-Nov-2022	n.a.	7.03	n.a.	n.a.	Initiation of Coverage	David López Sánchez

