

ALMAGRO CAPITAL

 08 Nov. 21 (06:00)⁽¹⁾

REAL ESTATE / Spain

Scaling up

The execution of Capex plans and expansion outside Madrid should support the equity story.

2021-23 strategic plan checkpoint: Almagro completed in July its 5th equity raise (€50mn; 40mn new shares @ €1.25/sh.), invested € 22mn until Sep'21 and reinforced the positioning in the prime areas of Madrid (94% exposure vs. >80% target). The average acquisition discount to appraisal values remains high at c.30%. The NAV as of June stood at €1.41/sh (+9.3% vs. YE20; >9% CAGR 21-23 target). Almagro also rotated its first home with a 18.3% IRR (vs. >10% equity IRR target). In our estimates, the € 250mn total capex target for 2021-23 requires another €45-50mn equity raise in 2022-23.

Time to build the track record: Following the K increase, Almagro's origination and execution will be the key drivers for the equity story, particularly if Almagro keeps similar acquisition discounts and simultaneously expands to other prime areas outside Madrid. The company acquired the first home in Barcelona (prime area) and is now analyzing several late stage opportunities in other cities, out of a total pipeline of >€200mn. Almagro expects to invest €40-50mn this FY21. Almagro sees an increasing interest of senior people to monetize their homes and is now accelerating its commercial effort to build awareness vs alternatives (*Nuda Propiedad*) and reinforce origination channels (notably with specialized RE agencies).

Valuation update: We have assumed a more gradual capex evolution (€40-45-50mn in 2021-22-23 vs. €50mn/yr before) keeping the €250mn total capex until 2025 unchanged (vs. €250mn target until 2023) at 20-27% discounts to market values. We see NAV/sh growing at +11.2% CAGR 21-24 (>9% target). Our **YE22 valuation range is set at €1.20-1.85/sh** (YE21 €1.35-2.10/sh. before; downgrade due to lower capex in 2021-22) applying different DCF-based scenarios and market P/NAV metric. Almagro is a pure play on the aging population driver with a unique business model. Key risks are lower RE prices, narrower acquisition discounts or lower investment opportunities.

Estimates	2018	2019	2020	2021 ^F	2022 ^F	2023 ^F	2024 ^F
Sales (€ mn)	0.1	0.4	0.7	1.1	2.4	3.6	4.9
EBITDA (€ mn)	-0.4	-0.6	-0.8	-1.6	-1.7	-2.2	-0.4
Margin (%)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
NP (€ mn)	-0.4	-0.8	-1.1	10.2	9.8	8.4	9.7
EPS (€)	-0.04	-0.03	-0.03	0.13	0.13	0.11	0.12
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.01	0.01
Capex (€ mn)	4.4	14.5	8.7	36.7	37.9	39.3	41.7
Adj. FCF (€ mn)	-0.4	-0.3	-1.5	-1.6	-0.4	-0.9	-1.1
Net debt (€ mn)	-2.0	-3.2	-8.8	-19.7	20.3	63.7	111.8
Net Debt/EBITDA	5.2	4.9	10.6	12.1	n.s.	n.s.	n.s.

Source: Company, CaixaBank BPI Equity Research (F).

Price Range €1.2-1.85/sh.

Previous range 1.35-2.10

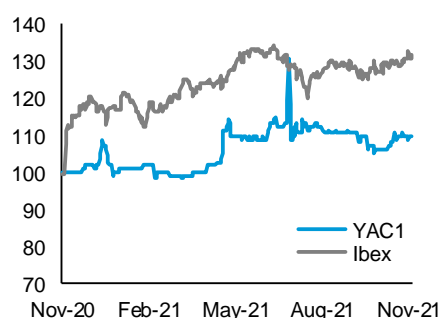
Company Profile

Bloomberg	YAC1 SM
Close Price at 05-Nov	€ 1.25
52-Week range	€ 1.1 - 1.5
Market Cap (€ mn)	48
Shares Out (mn)	38.4
ADV (€ thds)	53.8
Free Float	64%

Market Multiples	2021 ^F	2022 ^F	2023 ^F
PE	9.6	10.0	11.7
EV/Sales	29.5	13.1	8.8
EV/EBITDA	n.s.	n.s.	n.s.
EV/EBIT	3.0	3.1	3.4
DY	0.0%	0.0%	0.1%
FCFE Yield (%)	35%	-60%	-172%
FCFF Yield (%)	-5.1%	-1.3%	-2.7%
PBV	1.0	0.9	0.8

Source: Bloomberg, CaixaBank BPI ER.

Almagro Capital vs. IBEX



Source: Bloomberg

(1) Time of the conclusion of the analysis, issue of recommendation and publication. UK time.

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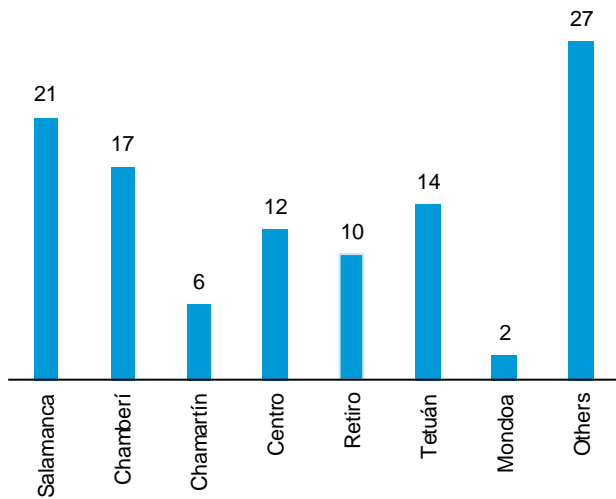
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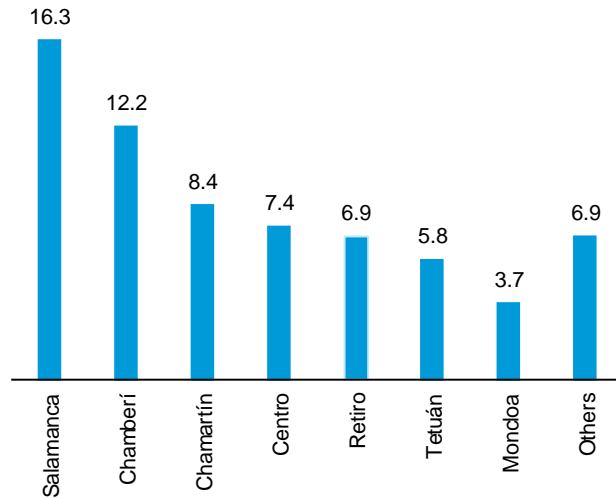
Almagro Capital at a Glance

Almagro Capital is the first SOCIMI focused on the Spanish residential market of the elderly. Almagro is specialised in the home reversion concept which involves the acquisition of homes from senior citizens and the subsequent formalisation of a LT lease, allowing former owners to monetise their savings while still living in their home. As of June'21, the portfolio included 109 assets (120 in Sep'21) acquired at just over €3k/sqm in Madrid's prime areas, with an indicative valuation of €68mn. Returns are obtained through the divestment at the end of the lease agreement, rotating capital to new assets with target unlevered IRRs of >6% (>10% Equity)

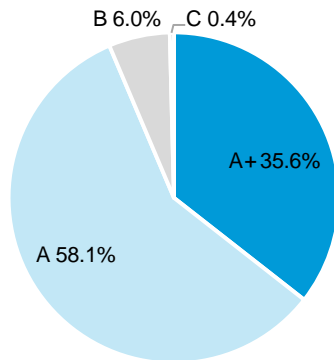
Portfolio breakdown by location (# units)



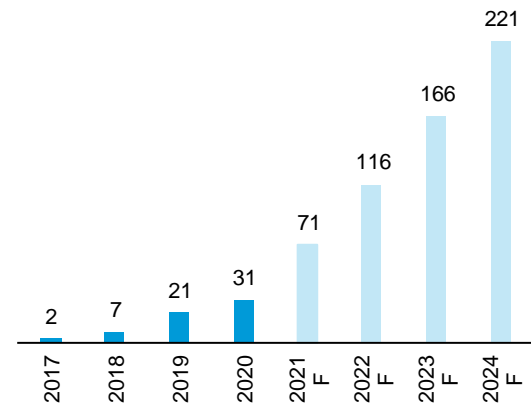
Portfolio breakdown by location (€ mn GAV)



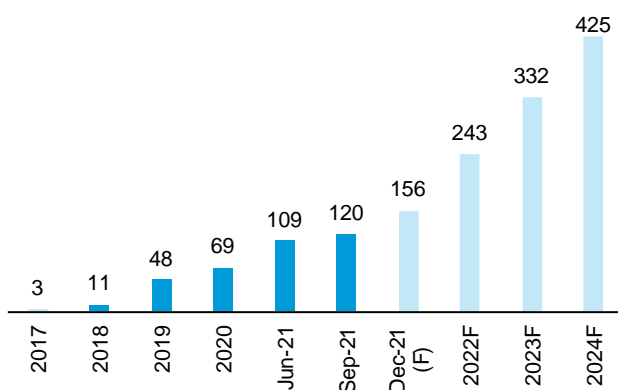
Portfolio breakdown by rating (% GAV)



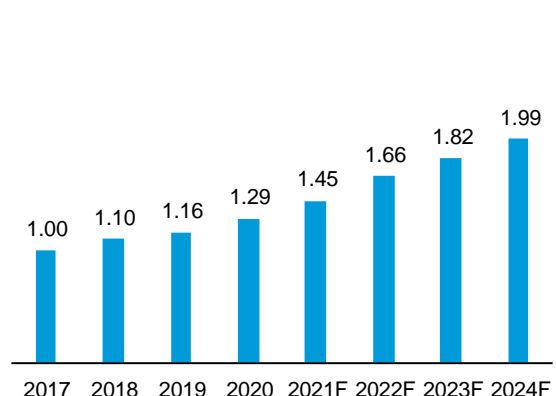
Cumulative Investments (€ mn)



Evolution of the Portfolio (# units)



Evolution of NAV (€/sh.)



Source: Company data, CaixaBank BPI Equity Research.

Estimates & Indicative Valuation

Portfolio projections

Growth Capex assumptions

	2021	2022	2023	2024	2025	Total
Gross Capex (€ mn)	40.0	45.0	50.0	55.0	60.0	250.0
Market price target areas (€/sqm)	4 446	4 580	4 580	4 580	4 580	
Assumed discount to mkt price	27.0%	24.0%	21.0%	20.0%	20.0%	
Acquisition price (€/sqm)	3 246	3 481	3 618	3 664	3 664	
Area acquired (sqm)	12 323	12 929	13 820	15 012	16 376	70 460
Residential units acquired *	88	93	99	107	117	504

Source: CaixaBank BPI Equity Research. *Assumes new units have an average size of 140sqm (similar to YE20).

Almagro net portfolio change (acquisitions vs. disposals)

	2018	2019	2020	2021	2022	2023	2024	2025
Acquisitions (sqm)	1 328	4 813	2 754	12 323	12 929	13 820	15 012	16 376
Disposals (sqm)	0	0	0	293	734	1 467	1 957	1 957
Net change in portfolio (sqm)	1 328	4 813	2 754	12 030	12 195	12 352	13 055	14 420

Source: Almagro (historic figures), CaixaBank BPI Equity Research (forecasts).

Almagro residential portfolio projections

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total units at year-end	3	12	49	70	156	243	332	425	528
Home Reversion	1	4	14	24	41	70	99	130	165
S&LB + others	2	8	35	46	115	173	232	295	364
Total sqm at year-end	888	2 216	7 029	9 783	21 813	34 008	46 360	59 415	73 835
Home Reversion	507	1 329	3 150	4 786	7 107	11 058	14 946	18 993	23 495
S&LB + others	381	887	3 879	4 997	14 706	22 950	31 414	40 422	50 340

Source: Almagro (historic figures), CaixaBank BPI Equity Research (forecasts).

Financial projections

Almagro – P&L projections

€ million	2018	2019	2020	2021	2022	2023	2024	2025
Gross rental income	0.1	0.4	0.7	1.1	2.4	3.6	4.9	6.3
Other income	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Opex	0.5	1.1	1.5	2.7	4.2	5.8	5.3	5.0
Management - Fixed Fees	0.1	0.2	0.3	0.8	1.3	1.5	1.6	1.7
Management - Success Fees	0.1	0.2	0.2	0.9	1.5	2.9	2.2	1.7
Other Opex	0.3	0.7	1.0	1.1	1.3	1.4	1.5	1.6
EBITDA	-0.4	-0.6	-0.8	-1.6	-1.7	-2.2	-0.4	1.3
EBITDA margin	-271%	-166%	-121%	-151%	-72%	-61%	-9%	20%
D&A and provisions	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Gains / losses on disposal of assets	0.0	0.0	0.0	0.2	0.6	0.9	1.1	1.0
Other income and losses*	0.0	0.0	0.0	11.8	11.4	10.6	11.0	12.0
EBIT	-0.4	-0.7	-0.9	10.4	10.2	9.3	11.6	14.3
Net financial results	0.0	-0.1	-0.1	-0.2	-0.4	-1.0	-1.9	-3.0
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-0.4	-0.8	-1.1	10.2	9.8	8.4	9.7	11.3

Source: Almagro (historic figures), CaixaBank BPI Equity Research (forecasts). *Includes changes in fair value of investment properties.

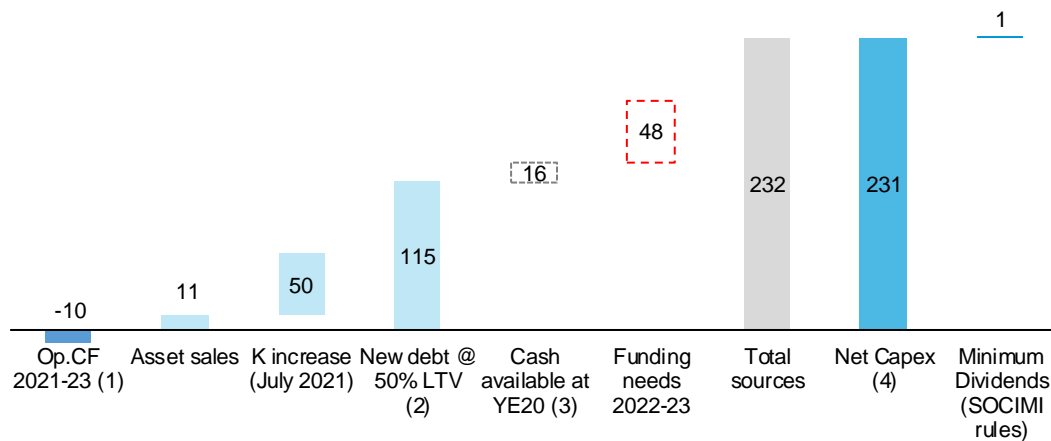
Almagro expected FCF and Net Debt evolution (€ mn)

€ mn	2018	2019	2020	2021	2022	2023	2024	2025
EBITDA	-0.4	-0.6	-0.8	-1.6	-1.7	-2.2	-0.4	1.3
- Δ Working Capital	0.0	0.3	-0.7	0.0	1.3	1.3	-0.6	-0.5
- Taxes paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Operating Cash Flow	-0.4	-0.3	-1.5	-1.6	-0.4	-0.9	-1.1	0.8
- Capex net of disposals	-4.4	-14.5	-8.7	-36.7	-37.9	-39.3	-41.7	-46.3
- Net financial investments	-0.4	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
= C.F. after Investments	-5.1	-15.0	-10.2	-38.3	-38.3	-40.2	-42.8	-45.5
- Net Fin. Expenses	0.0	-0.1	-0.1	-0.2	-0.4	-1.0	-1.9	-3.0
- Dividends Paid	0.0	0.0	0.0	0.0	-0.1	-0.5	-0.9	-1.2
- Other ⁽¹⁾	0.0	0.0	0.0	-0.7	-1.2	-1.8	-2.3	-3.0
+ Equity movements	5.3	16.4	15.9	50.0	0.0	0.0	0.0	0.0
= Changes net debt	-0.2	-1.2	-5.6	-10.9	40.0	43.4	48.0	52.7
Financial Net Debt	-2.0	-3.2	-8.8	-19.7	20.3	63.7	111.8	164.4

Source: Almagro (historic figures), CaixaBank BPI Equity Research (forecasts). (1) Reflects the accounting amortization of deferred leases of Home Reversion model (non-cash rental income included in EBITDA)

Estimated funding needs to meet the €250mn investment target by 2023 (values in €mn)

Business plan (€250mn capex in 2021-23)



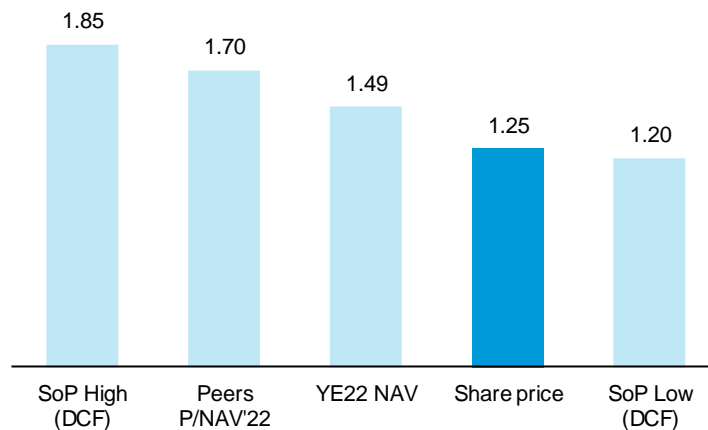
Source: CaixaBank BPI Equity Research. (1) EBITDA - Chg. Working Capital - Net financial expenses. (2) 50% leverage as per financing policy of Almagro. (3) Available cash at the end of Dec'21 deducted by provisions related to deferred leases under the Home Reversion model. (4) Capex including the deferred price retained as future rents under the Home Reversion model.

Valuation Update

We plot below our equity valuation range for Almagro, using different valuation metrics:

- DCF-based SoP scenarios as described below;
- NAV per share at YE22, based on our central projections;
- Forward P/NAV 2022 multiple based on our selected peer sample (50% European Residential REITs and 50% European Healthcare REITs focused on senior housing).

Equity Valuation range (in €/sh.)



Source: CaixaBank BPI Equity Research. Note: we apply a 10% liquidity discount to all valuation scenarios.

DCF-based valuation range

We include in our valuation range a Sum-of-Parts (SoP) DCF-based valuation, based on the following assumptions:

- Separate DCF models for the "initial portfolio" (i.e. portfolio held as of YE20) and the new portfolio (including the acquisitions between 2021-25).
- The initial portfolio is fully offloaded by 2027 while the full exit of the new portfolio is reached by 2031 (we assumed an average 6 year life expectancy for the new acquisitions in 2021-25).
- Direct and indirect costs and fixed management fees were allocated to each portfolio based on the respective size while the NPV of success management fees was calculated separately.

DCF Initial Portfolio (indicative valuation scenario)

€ mn	2021	2022	2023	2024	2025	2026	2027
+ Cash Rental Income (ex- AC Model)	0.3	0.2	0.2	0.2	0.1	0.1	0.0
+ Asset sales	1.2	3.4	6.7	9.0	9.0	9.0	6.5
- Opex ex- Management Fees	-0.5	-0.3	-0.2	-0.1	-0.1	0.0	0.0
- Management Fixed Fees	-0.3	-0.3	-0.2	-0.1	-0.1	0.0	0.0
+/- Δ WCR		0.3	0.0	0.0	0.0	0.0	0.0
FCF	0.6	3.2	6.5	8.9	8.9	9.0	6.5

Source: CaixaBank BPI Equity Research

DCF New Portfolio (indicative valuation scenario)

€ mn	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
+ Cash Rental Income (ex- AC Model)	0.2	1.0	1.6	2.3	3.2	3.9	4.4	4.6	4.9	5.2	5.5
+ Asset sales	0.0	0.0	0.0	0.0	0.0	0.0	56.4	59.2	63.3	68.8	75.0
- Opex ex- Management Fees	-0.6	-1.0	-1.2	-1.4	-1.5	-1.6	-1.8	-2.0	-2.1	-2.3	-2.5
- Management Fixed Fees	-0.4	-1.0	-1.3	-1.5	-1.6	-1.7	-1.9	-2.0	-2.0	-2.1	-2.2
- Capex	-37.9	-41.3	-46.0	-50.7	-55.3	-	-	-	-	-	-
+/- Δ WCR		0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF	-38.7	-41.9	-46.9	-51.2	-55.2	0.6	57.2	60.0	64.1	69.6	75.8
Implicit IRR (unlevered, ex- MGMT fees)	6.9%										

Source: CaixaBank BPI Equity Research

In our DCF-based valuation a, we have considered a low and a high valuation case yielding an indicative valuation range of €1.20-1.85/sh. The main assumptions are:

- **Low case:** WACC of 6.6% and 1% annual decline of housing prices
- **High case:** WACC of 5.6%, full execution of €250mn target capex in 2021-23 and €200mn in 2024-25 (€100mn/year) and stable housing prices.

Low/High DCF-based SoP valuation range

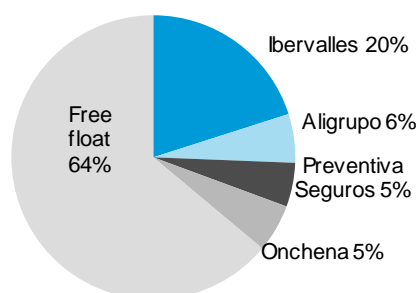
YE22 SoP	Low	Method	High	Method
NPV Initial Portfolio	32.0	DCF @ 6.6% WACC	34.1	DCF @ 5.6% WACC
NPV New Investments (2021-25)	104.7	DCF @ 6.6% WACC	204.0	DCF @ 5.6% WACC
NPV Management Success Fees (2021-25)	-6.1	DCF @ 6.6% WACC	-17.1	DCF @ 5.6% WACC
Total EV	130.5		221.0	
Net Debt / Cash adjusted (1)	-26.6	Estimated Book Value YE22	-61.5	Estimated Book Value YE22
Treasury shares	0.3	MtM of shares	0.3	MtM of shares
Equity Value	104.2		159.8	
Current Number of shares	78.4		78.4	
Equity Value in €/sh.	1.35		2.05	
Illiquidity / Small Cap discount	10%		10%	
Indicative Fair Value in €/sh.	1.20		1.85	

Source: CaixaBank BPI Equity Research. (1) Adjusted by cash assumed to be restricted in the amount of deferred lease liabilities.

Financials

P&L (€ mn)	2018	2019	2020	2021 ^F	2022 ^F	2023 ^F	2024 ^F	CAGR 20-24 ^F
Revenues	0.1	0.4	0.7	1.1	2.4	3.6	4.9	63%
EBITDA	-0.4	-0.6	-0.8	-1.6	-1.7	-2.2	-0.4	-14%
EBITDA adj.	-0.4	-0.6	-0.8	10.4	10.2	9.3	11.6	n.s.
EBITDA adj. mg.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Depreciation & others	0.0	0.0	0.1	0.2	0.6	0.9	1.1	77%
EBIT	-0.4	-0.7	-0.9	-1.4	-1.2	-1.3	0.6	n.s.
EBIT adj.	-0.4	-0.7	-0.9	10.4	10.2	9.3	11.6	n.s.
Net financial results	0.0	-0.1	-0.1	-0.2	-0.4	-1.0	-1.9	104%
Income tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.s.
Others	0.0	0.0	0.0	11.8	11.4	10.6	11.0	n.s.
Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.s.
Net Profit reported	-0.4	-0.8	-1.1	10.2	9.8	8.4	9.7	n.s.
Net Profit adj.	-0.4	-0.8	-1.1	10.2	9.8	8.4	9.7	n.s.

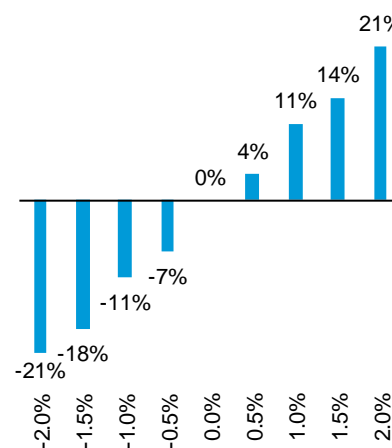
Shareholder structure



Balance Sheet (€ mn)	2018	2019	2020	2021 ^F	2022 ^F	2023 ^F	2024 ^F	CAGR 20-24 ^F
Net Intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.s.
Net Fixed Assets	8.0	22.6	32.5	83.4	137.0	191.8	249.9	66%
Net Financials	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0%
Inventories	0.0	0.0	0.1	0.1	0.3	0.4	0.5	63%
ST Receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	63%
Other Assets	0.4	0.6	0.6	0.6	0.6	0.6	0.6	0%
Cash & Equivalents	4.8	9.8	18.6	29.5	6.3	8.5	10.5	-13%
Total Assets	13.2	33.1	51.8	113.6	144.2	201.3	261.6	50%
Equity & Minorities	8.6	24.2	39.1	99.3	109.0	116.8	125.6	34%
MLT Liabilities	3.9	7.4	10.5	11.9	31.3	79.1	131.1	88%
o.w. Debt	2.6	5.7	8.4	8.4	25.2	70.9	120.9	95%
ST Liabilities	0.7	1.5	2.3	2.4	3.9	5.3	4.8	20%
o.w. Debt	0.3	0.8	1.4	1.4	1.4	1.4	1.4	0%
o.w. Payables	0.2	0.3	0.3	0.4	1.9	3.3	2.8	76%
Equity+Min. + Liabilities	13.2	33.1	51.8	113.6	144.2	201.3	261.6	50%

Source: Company

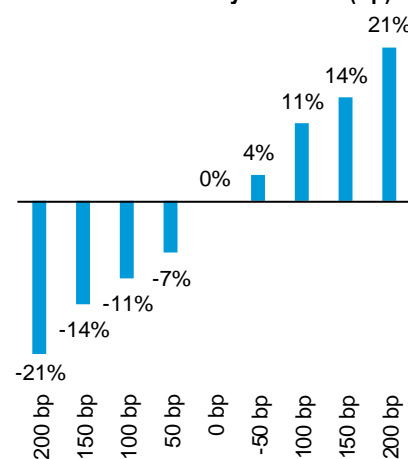
DCF model sensitivity to HPA (Δ%/yr.)



Source: CaixaBank BPI Equity Research

Cash flow (€ mn)	2018	2019	2020	2021 ^F	2022 ^F	2023 ^F	2024 ^F
+ EBITDA	-0.4	-0.6	-0.8	-1.6	-1.7	-2.2	-0.4
- Chg in Net W.C.	0.0	0.3	-0.7	0.0	1.3	1.3	-0.6
- Income Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Operating Cash Flow	-0.4	-0.3	-1.5	-1.6	-0.4	-0.9	-1.1
- Growth Capex	-4.4	-14.5	-8.7	-36.7	-37.9	-39.3	-41.7
- Replacement Capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Net Fin. Inv.	-0.4	-0.2	0.0	0.0	0.0	0.0	0.0
= Cash Flow after Inv.	-5.1	-15.0	-10.2	-38.3	-38.3	-40.2	-42.8
- Net Fin. Exp.	0.0	-0.1	-0.1	-0.2	-0.4	-1.0	-1.9
- Dividends Paid	0.0	0.0	0.0	0.0	-0.1	-0.5	-0.9
+/- Equity	5.3	16.4	15.9	50.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	-0.7	-1.2	-1.8	-2.3
=Change in Net Debt	-0.2	-1.2	-5.6	-10.9	40.0	43.4	48.0
Net Debt (+)/Net Cash (-)	-2.0	-3.2	-8.8	-19.7	20.3	63.7	111.8

DCF model sensitivity to WACC (bp)



Source: CaixaBank BPI Equity Research

Growth, per share data and ratios

	2018	2019	2020	2021 ^F	2022 ^F	2023 ^F	2024 ^F
Sales growth	n.s.	182%	76%	56%	126%	49%	35%
EBITDA Adj. growth	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
EPS Adj. growth	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Avg. # sh (mn)	n.s.	16.9	31.4	58.4	78.4	78.4	78.4
Basic EPS	-0.04	-0.03	-0.03	0.13	0.13	0.11	0.12
EPS Adj. Fully diluted	-0.04	-0.03	-0.03	0.13	0.13	0.11	0.12
DPS	0.00	0.00	0.00	0.00	0.00	0.01	0.01
Payout	0.0%	0.0%	0.0%	0.0%	1.3%	6.1%	9.7%
ROCE (after tax)	n.s.	-4.3%	-3.0%	15.1%	8.2%	5.3%	5.0%
ROE	n.s.	-4.9%	-3.3%	14.8%	9.4%	7.4%	8.0%
Gearing (ND/EV)	-2.0%	-3.2%	-8.8%	-19.7%	20.3%	63.7%	111.7%
Net Debt/EBITDA	5.2x	4.9x	10.6x	12.1x	n.s.	n.s.	n.s.

Source: Company data, CaixaBank BPI Equity Research.

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Disclaimer updated on 05th November 2021

INVESTMENT RATINGS AND RISK CLASSIFICATION (12 MONTH TOTAL RETURN):

	Low Risk	Medium Risk	High Risk
Buy	>15%	>20%	>30%
Neutral	>5% and < 15%	>10% and <20%	>15% and < 30%
Underperform	< 5%	< 10%	< 15%

These investment ratings are not strict and should be taken as a general rule. Risk rating ("Low", "Medium", "High") is defined based on two criteria: Blended cost of equity (relative approach within coverage) and a Qualitative assessment (analyst evaluation of the factors affecting the investment risk, which are not captured by the valuation methodology).

INVESTMENT RATINGS STATISTICS

As of 30th September investment ratings were distributed as follows ⁽¹⁾:

	% Total ⁽¹⁾	% IB Services ⁽²⁾
Buy	51	19
Neutral	31	31
Underperform	7	14
Accept Bid	1	0
Under Revision/Restricted	11	27
Total	100	

(1) The information included in the table is relative to the last recommendation issued as of the mentioned date for each of the companies under coverage.

(2) IB Services refers to the percentage of recommendations within each rating category related with companies to whom CaixaBank Group provided relevant investment banking services within the last 12 months.

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