

Neinor Homes, S.A. (“Neinor” or the “Company”), pursuant to article 228 of the consolidated text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, hereby informs of the following:

## **MATERIAL FACT**

Neinor Homes has just released the new business plan for 2019-2021. The presentation is attached.

Madrid, 8<sup>th</sup> April, 2019.

Neinor Homes, S.A.



## **Restart from an Excellent Operational Base**

> **8<sup>th</sup> APRIL 2019**

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# KEY HIGHLIGHTS

1

Neinor Homes delivered 1,000+ units in 2018, beating consensus, generating the first meaningful and significant profit of the sector while **proving the capacity to deliver 700 units in a quarter**, becoming one of the most representative public developers within Europe.

2

Housing sector continues to be strong resulting in short-medium term challenges for the industry: **longer license and overall timings with pressure on construction costs** due to capacity constraints. **Until sector stabilizes, lead times got longer and the developer cycle has extended further away from what was expected at IPO time.** The result is a **downward revision of the delivery schedule for '19-'21 fully in line with the real data we count on today.**

3

**Change in top management** - The CEO agreed to step down and the Board enacted the following changes: **Borja Garcia-Egotxeaga, the former COO, replaces Juan Velayos as CEO; the CFO Jordi Argemi steps also into the Deputy CEO role; and former Proprietary Director Jorge Pepa joins as Executive Vice President, remaining on the Board as Executive.** The Board and former CEO have **mutually agreed on this change**, and Mr. Velayos will step into a senior advisory role to ensure an orderly transition.

4

The new management has taken some strategic decisions for the business plan 2019-2023, which was **unanimously approved by the Board.**

- **Prudent delivery plan 2019-2021 protecting profits and Neinor clients**
- **Run rate set at 2,500-3,000 units**
- **Disciplined land acquisition optimizing equity use**
- **Leverage existing capabilities**
- **Shareholder remuneration**

5

Neinor Homes is already a leading homebuilder.

- **Prime land bank (equivalent to c. 5 years)**
- **High visibility and de-risked business 2019-2021**
- **c.€300m of cash to flow back to shareholders in '19-'22**

The value proposition:

1. **Strong asset base (€1.4bn NAV)**
2. **Solid cash flows (€150m-175m run rate EBITDA target)**

# A PROFITABLE COMPANY WITH PROVEN INDUSTRIAL CAPACITY

➤ Company demonstrates a strong track record having delivered 1,000+ in 2018 generating a significant profit.



**Profits**

- €56m EBITDA achieved in 2018
- First significant profit of €50m
- Gross development margin of 29%





**Deliveries**

- c. 1,500 units delivered since inception
- 1,000+ units in 2018





**Ancillary**

- Servicing: generating a stable EBITDA of €18.5m

# NEINOR IS THE INDUSTRIAL LEADER OF SPANISH HOMEBUILDERS

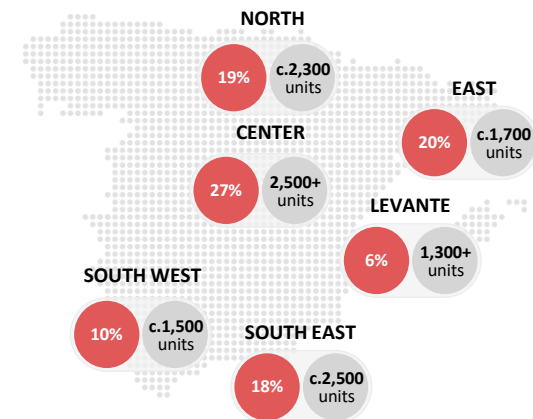
> Robust capabilities reflected in key metrics, demonstrating the industrial power embedded in the company.



## Land Bank

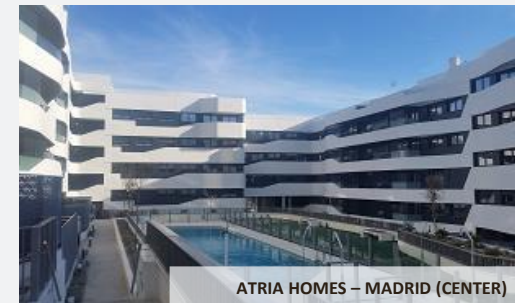
- 13,000+ units of prime land bank
- Top quality land bank on the 6 main regions in Spain currently valued c.40% under NAV (c.700€/psqm)
- Solid embedded margins already proven in 2018

Neinor's Land Bank – National Footprint



## Construction

- 5,000+ WIP units / c.€600m CapEx contracted
- 6,200+ licenses obtained / c.2,700 requested
- Working with 30+ construction companies.
- 6 regional offices with developer DNA, 270+ employees.



## Financing

- >1bn CapEx & Corporate debt raised with the lowest spreads in the market
- Balanced relationship with all Spanish lenders



## Sales

- c.1bn revenues in order book as per today
- 4,000+ cumulative presold units since IPO
- Best in class online marketing (50k+ leads FY2018) and go to market strategy (Neinor Stores)



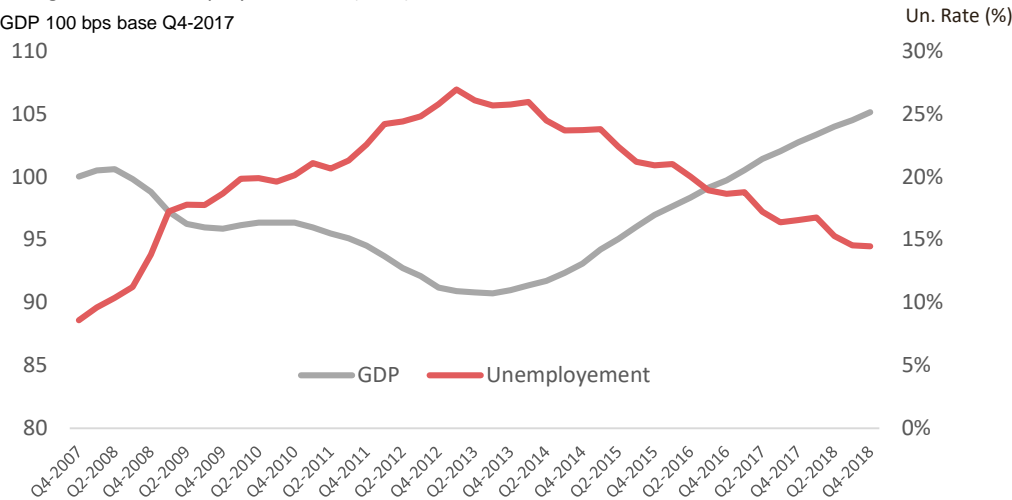
# STRONG MACRO AND HOUSING MARKET

➤ Housing market with strong growth performance, showing a healthy recovery

## Spain is one of the fastest growing economies in Europe

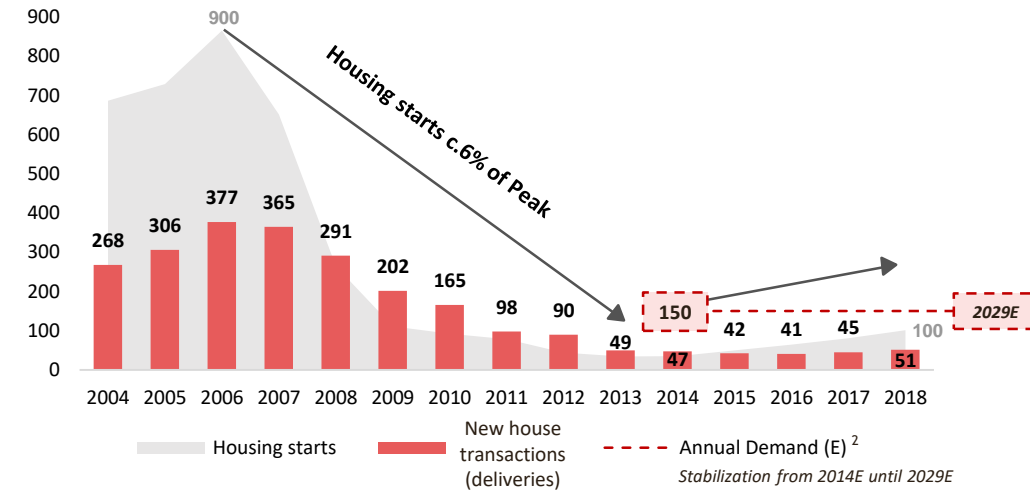
GDP growth vs Unemployment rate (QoQ)

GDP 100 bps base Q4-2017



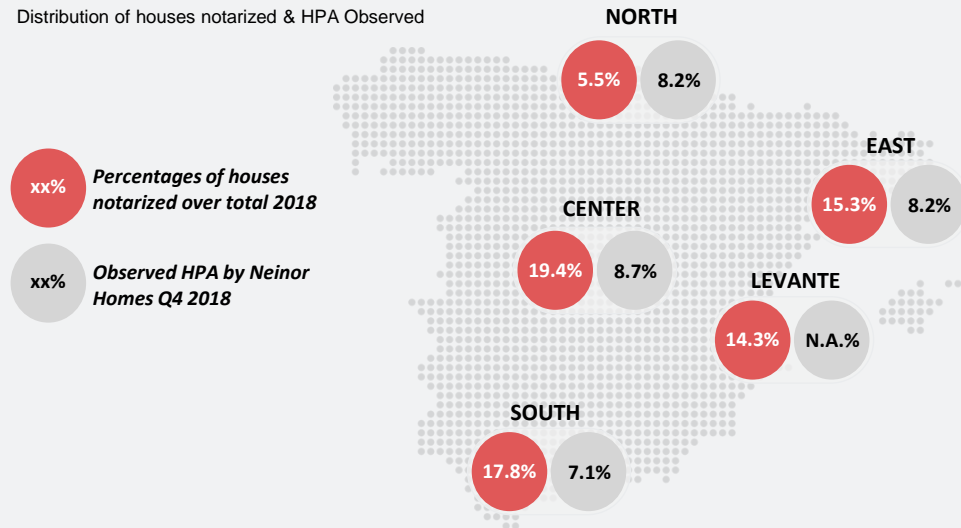
## Supply of new houses still 50% below stabilized demand

Home Sales in Spain ('000)



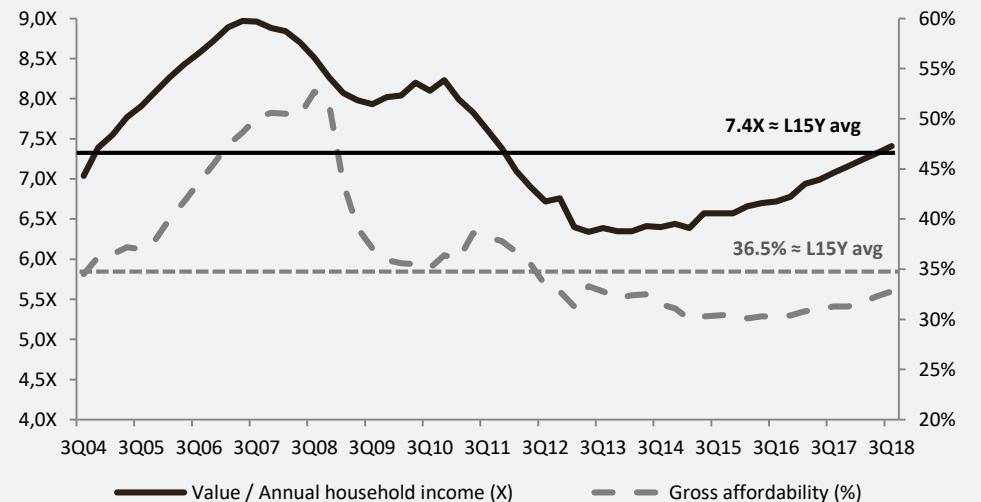
## Strong evolution of the most representative regions of the Spanish Market

Distribution of houses notarized & HPA Observed



## Affordability levels are still below 2004 and L15Y average levels

Mortgage affordability



<sup>1</sup> Source: Ministerio de Fomento, INE, Bank of Spain, Fotocasa. <sup>2</sup> Source: The potential demand of housing report from "Banco de España" in 2015

# MANAGEMENT LEADERSHIP

➤ **New CEO: Borja Garcia-Egotxeaga**



Former COO

➤ **Deputy CEO: Jordi Argemi**



Will continue to be the CFO



## Key highlights

- ✓ New CEO with vast sector experience and outstanding operational background
- ✓ CFO stepping up into the Deputy CEO role in the growth phase
- ✓ Jorge Pepa appointed as new Executive Vice President



# BUSINESS PLAN

## MANAGEMENT DECISION

## RATIONALE

## IMPACT



### Delivery Plan

- Full visibility on timings thanks to proven processes
- Prioritization of Neinor clients and profits
- Targets based on EBITDA at the low range of units

TARGETS:	<u>EBITDA</u>	<u>UNIT RANGE</u>
2019:	€70m+	1,200#-1,700#
2020:	€100m+	1,700#-2,400#
2021:	€150m+	2,400#-3,000#



### Annual Production Run-rate

- Run-rate set on already proven capacity
- Fully-funded plan for 2,500# p.a. – Equity efficient deals to expand to upper range and beyond

**2,500-3,000 # p.a.**  
Current land bank c. **5 years**



### Land Acquisition Program

- **Fully-Permitted Land:** following our usual targets
- **Strategic land** in current locations to supplement future needs and seek extra margin

**€100m**

Equity to be deployed in acquisitions in '19-'20



### Leverage existing capabilities

- **Servicing contracts (Kutxabank)**
- **Equity efficient / fee development agreements**
- **Joint ventures**

Already generating annual **EBITDA of €18m** and full focus on increasing revenues



### Shareholder value and remuneration

- **Excess cash returned to investors in the form of dividend is a top priority**
- **Execute share buy-back program** to take advantage of current market discount

**First time dividend: 2020<sup>1</sup>**

**Buy-back program:**

**up to €100m<sup>2</sup>**

<sup>1</sup>To be paid in Q1 of the following year. <sup>2</sup>€100m facility already signed with Goldman Sachs to execute the buy-back program.

# BUSINESS PLAN: TARGETS




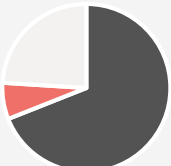
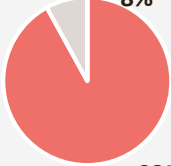
> Company focused on Neinor clients and profits generation through EBITDA growth (c.3x vs 2018).



<sup>1</sup> Target figures by company. <sup>2</sup> Full guidance reconciliation can be found in Appendix 3 <sup>3</sup> Business plan fully funded for 2,500 unit per year on run rate

# BUSINESS PLAN: HIGH VISIBILITY TO REACH RUN RATE

> Significant de-risking in critical external bottlenecks and implemented changes in internal processes

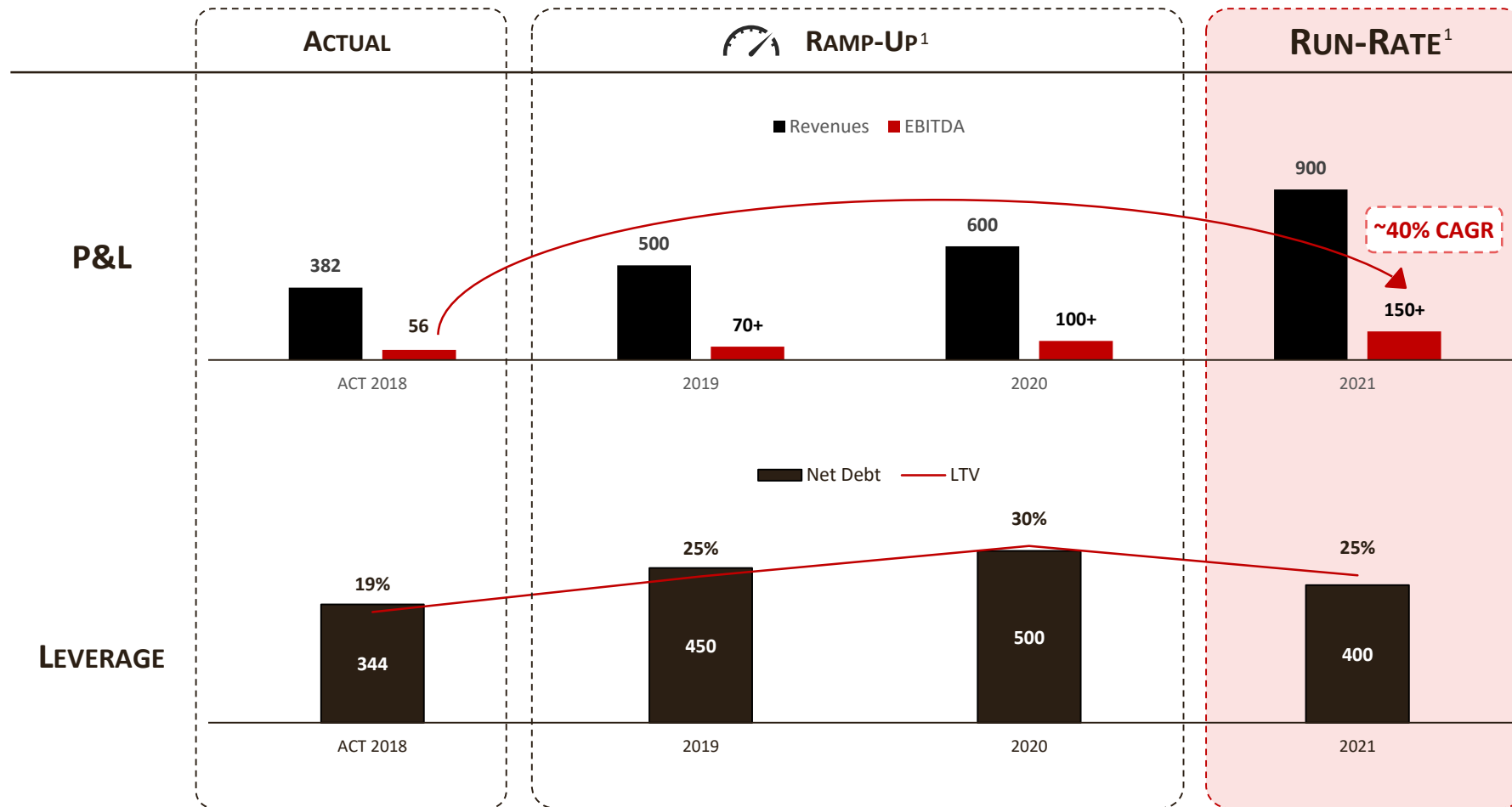
	LICENSE STATUS	WIP STATUS	REVENUE VISIBILITY	
<b>2019</b>	<p>100% WIP 100% LICENSES</p> 	<p>67% CFO<sup>1</sup> 33% FAÇADE WORKS</p> 	<p>CURRENT PRE-SALES <b>c.80%</b></p> <p>EXPECTED PRESALES BY YEAR-END <b>~90%</b></p>	<ul style="list-style-type: none"> <li>• Last units to be sold blocked until first occupancy license is obtained.</li> <li>• Can be sold after delivery to maximize HPA.</li> </ul>
<b>2020</b>	<p>100% WIP 100% LICENSES</p> 	<p>4% CFO 14% FAÇADE WORKS 25% STRUCTURE WORKS 57% FOUNDATION WORKS</p> 	<p>CURRENT PRE-SALES <b>c.40%</b></p> <p>EXPECTED PRESALES BY YEAR-END <b>~65%</b></p>	<ul style="list-style-type: none"> <li>• CAPEX financing approved through 30%+ pre-sales.</li> <li>• Optimize sales curve to capture extra HPA to offset cost inflation.</li> </ul>
<b>2021</b>	<p>67% WIP 7% LICENSES 24% PENDING LICENSE<sup>2</sup></p>  <p>AVG LICENSE 8 MONTHS</p>	<p>8% STRUCTURE WORKS 92% FOUNDATION WORKS</p> 	<p>CURRENT PRE-SALES <b>c.25%</b></p> <p>EXPECTED PRESALES BY YEAR-END <b>~30%</b></p>	<ul style="list-style-type: none"> <li>• Only 24% licenses pending to be granted – All submitted with average 8 months wait</li> <li>• Achieve target of 30% presales to deploy CAPEX financing</li> </ul>

**Existing land-bank fully covers 2022 EBITDA and already 50%+ of 2023**

<sup>1</sup> CFO stands for Certificado Final de Obra. Last step before requesting the First Occupancy License from the Municipality <sup>2</sup> 100% Submitted

# BUSINESS PLAN: FINANCIAL STATEMENTS

> Solid path growing profitability from the positive starting point of 2018. Prudent leverage policy with run-rate targets of 20% LTV



## Leverage:

**Fully funded business plan.** New term loan of 2.5 years agreed with Deutsche Bank to replace JP Morgan Bridge Loan.

<sup>1</sup> Target figures by the company.

# SHAREHOLDERS' VALUE AND REMUNERATION

➤ Value creation and shareholder remuneration via dividends a top priority for the new management

## EXPECTED DIVIDEND FLOWS STARTING IN 2020

**FIRST TIME DIVIDEND IN 2020<sup>1</sup>**



**c.€200M OF DIVIDEND FLOWS  
EXPECTED IN 2020-2022**



**STABILIZATION AT 70% OF NET  
INCOME ON RUN RATE**

## SHARE BUY-BACK 2019

**FACILITY AGREED TO FUND UP TO  
€100M SHARE BUY-BACK<sup>2</sup>**



**TARGET 2019: €50M TO €100M**



**EXPECTING ENHANCED EPS GIVEN THE  
CURRENT GAP BETWEEN APPRAISAL VALUE  
AND MARKET VALUE**

**Up to €300m<sup>2</sup> devoted to shareholder remuneration / value creation in 2019-2022, reflecting the lower capital needs of the new business plan**

<sup>1</sup> To be paid in Q1 of the following year. <sup>2</sup> Agreed with Goldman Sachs a facility bridging the time to receive the proceeds from 2019 deliveries. 18 months maturity and flexibility on draw-down. <sup>4</sup> This assumes the repayment of the whole corporate debt in this period.

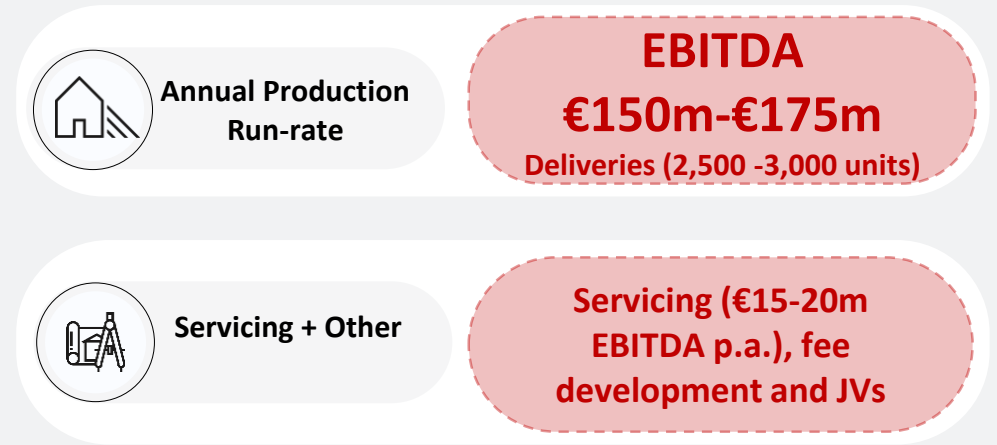
# KEY TAKEAWAYS: NEINOR HOMES VALUE PROPOSITION

> A strong business already producing positive cash flows with significant growth potential

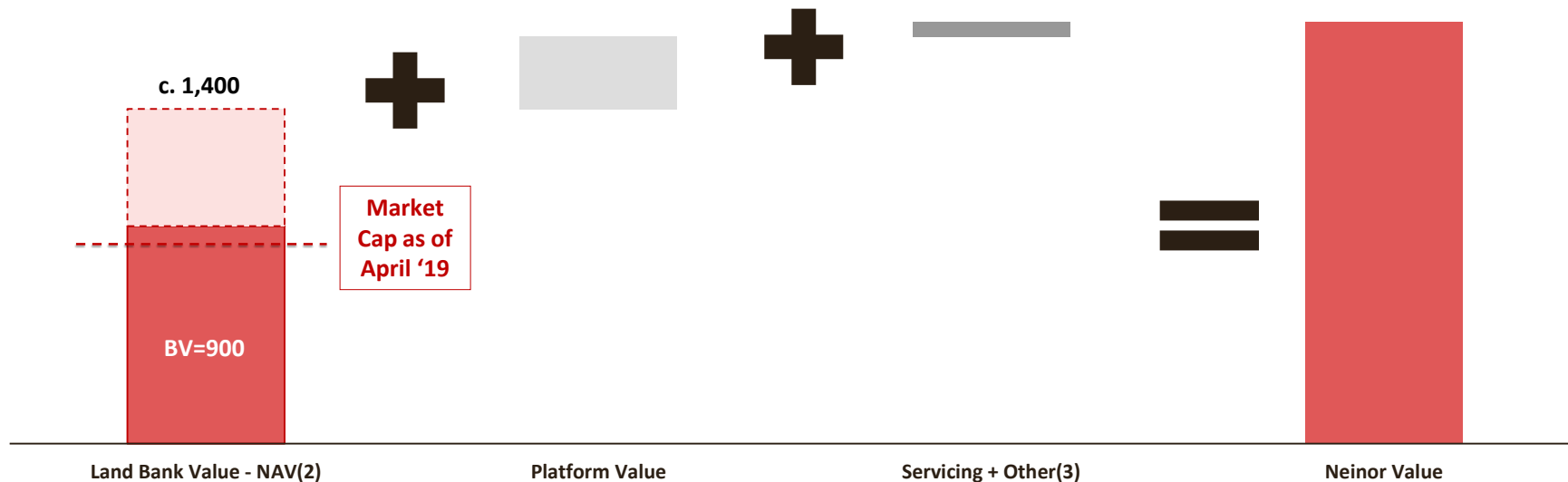
## EXISTING BUSINESS ALREADY PRODUCING A SIZABLE PROFIT

- 13,000+ units<sup>1</sup> prime land bank (equivalent to c. 5 years)
- High visibility and de-risked business 2019-2021
- C.€300m of cash to flow back to shareholders in '19-'22

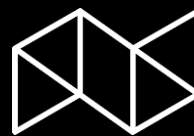
## THE PLATFORM AT RUN RATE 2021 ONWARDS



€ million



<sup>1</sup> Total land bank including off balance sheet strategic land <sup>2</sup> Adjustment to get to NNAV is c.€125m <sup>3</sup> Considering servicing and other businesses from leveraging the existing capabilities.



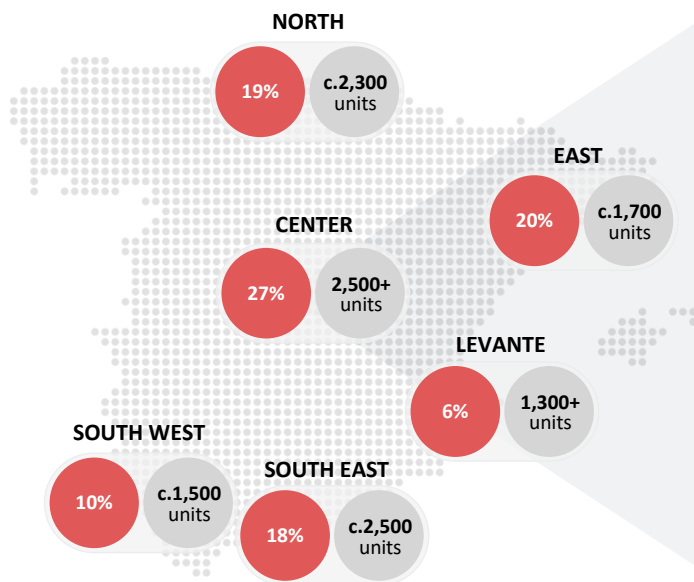
## Appendix: Additional materials

# APPENDIX 1: CURRENT LAND BANK

> Neinor has a diversified Land Bank in some of the strongest markets of Spain, such as Madrid or Barcelona.

## Neinor's Land Bank – National Footprint

% over GAV value of Land Bank Assets



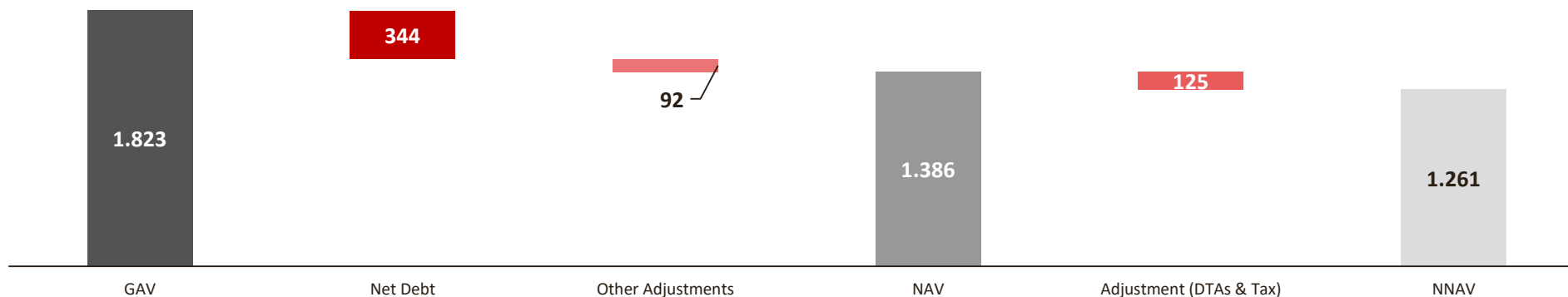
## Savills GAV Split by Regional Delegation – Fully-permitted land bank<sup>1</sup>

	North	Center	East	Levante	South East	South West	Total FY2018
<b>Number of units</b>	2,268	2,510	1,687	1,317	2,500	1,456	11,738
<i>Buildability Area (sqm)</i>	284,173	317,599	239,461	141,224	326,841	204,886	1,514,184
<b>GDV (EURm)</b>	709	965	612	346	878	418	3,928
<i>ASP (EUR)</i>	313	385	363	263	351	287	335
<i>Average Price per sqm (EUR)</i>	2,496	3,039	2,557	2,450	2,686	2,039	2,594
<b>Costs pending to complete (EURm)</b>	299	367	206	175	439	194	1,680
<i>Costs pending per unit (EUR)</i>	132	146	122	133	176	133	143
<i>Costs pending per sqm (EUR)</i>	1,052	1,155	861	1,239	1,344	945	1,109
<b>Valuation (EURm)</b>	324	463	344	110	307	168	1,717
<i>Valuation per sqm (EUR)</i>	1,140	1,459	1,438	780	940	821	1,134
Strategic Land on Balance Sheet GAV (EURm)							51
Remaining Legacy GAV (EURm)							54
<b>GAV reported 31st of December 2018 (EURm)</b>							1,823

<sup>1</sup> Strategic (non fully-permitted) land amounts to 1,400+ units, thus taking the total land bank to 13,000+

## Bridge from GAV to NNAV

EUR millions





# APPENDIX 2: ANCILLARY BUSINESSES

> Ancillary business keep bringing a consistent cash flow to the company results.



## LEGACY

**€37.5m** sales in FY2018, in line with budget  
**at book values**

**€43m Remaining BV**

**FOR THE REMAINING ASSETS, MOSTLY GRANULAR, WE EXPECT A HAIRCUT OF UP TO 50% TO SPEED UP LIQUIDATION.**



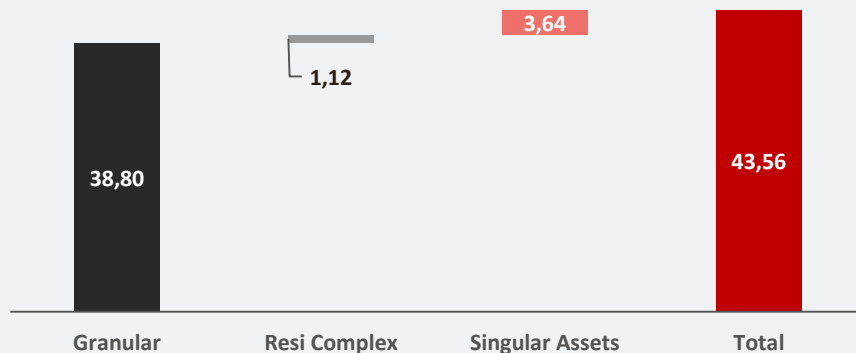
## SERVICING

**€1.61bn AUM** of Kutxabank

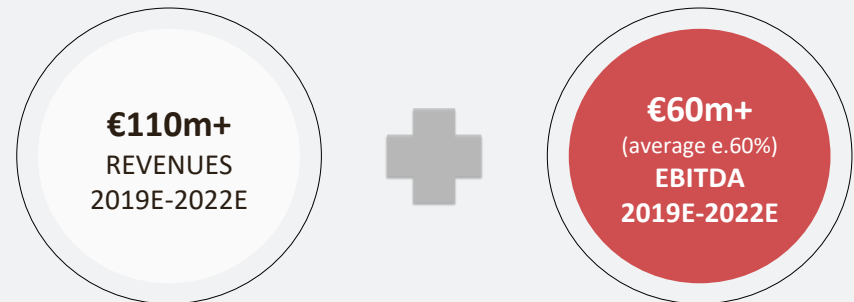
**€32m Revenues, €18.5m EBITDA in FY2018**  
**c.58% margin**

### SPLIT BY ASSET TYPOLOGY (c.90% GRANULAR)

*Book Values- € million*



### SERVICING P&L ESTIMATIONS UNTIL CONTRACT EXPIRY



Team is focused on **DELIVERING TOP OF THE LINE RESULTS** to client, to **CONSIDER A POTENTIAL EXTENSION OF THE CONTRACT.**

# APPENDIX 3: GUIDANCE RECONCILIATION 2019 AND 2020

> Delays with respect to guidance due to: i) licenses & municipalities timings, ii) construction & margin protection and iii) others.

## UNITS DELAYED

## DELAYS REASONS

## UNITS RECONCILIATION

2019E

c.800<sup>1</sup> units  
Out of 2,000



Licenses  
47%



Construction &  
Margin Protection  
45%



Other  
8%<sup>2</sup>



### Delayed Units

Development	Units
Sitges Homes <sup>2</sup>	80
Prado Homes	70
Sitges II	52
Plaça Europa 38 Homes	92
Arbaizenea Homes F2	12
<b>Total</b>	<b>306</b>

### Variable Units

Development	Units
Iturribarri Homes	32
Leioandi Homes	62
Abra Homes	105
Natura Homes I	34
Iturribarri Homes II	40
Alea Homes	86
Teatinos Homes	115
<b>Total</b>	<b>474</b>

2020E

c.2,300<sup>3</sup> units  
Out of 4,000



Licenses  
50%



Construction &  
Margin Protection  
45%



Other  
5%<sup>4</sup>



### Delayed Units

Development	Units
Delays 2019	-306
Anticipation 2021	-607
Aiguadolç II	35
Can Mates III	41
Cortijo Sur, Boadilla Monte	30
Ribera Homes	124
Boreal	87
Las Carcavas	13
Hacienda Cabello	319
Solagua	32
San Juan Homes	192
Solar Gran Capitan	140
La Catalana R-1	89
Sant Just III	102
Zahir	56
Almenara Homes	117
Bahia De Casares	70
Augusta Homes	108
Europa Homes	134
Bulevar Homes	119
Almogavar Homes	143
Mistral	213
Bolueta Fase I	332
<b>Total</b>	<b>1,583</b>

### Variable Units

Development	Units
Cantal Homes	96
Austral Homes	38
Plaça Europa 38 Homes	92
Iturribarri Getxo	32
Sopela Homes	70
Sant Just Homes IV	90
Plaza Europa 14 Homes	79
Urban Homes Iii	48
Limonar Homes	154
<b>Total</b>	<b>699</b>

<sup>1</sup> Do not include tails from 2018 deliveries. <sup>2</sup> Corresponds to Sitges Homes, with anticipated delivery in 2018. <sup>3</sup> Net number, considering the 2019E delays into 2020. <sup>4</sup> Corresponds to units where commercialization/marketing is being revisited.