Q3 2018 Results

November 14, 2018

metrovacesa

Lago de Arrosadía (Pamplona)

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Agenda

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Today's Presenters

Jorge Perez de Leza CEO

Borja Tejada CFO

Pablo Ortiz IR

Rosales Residencial (Villaverde, Madrid)

1. Business Update

Portfolio Summary as of 31 October 2018

Business

4,862 active units
92 active developments

€296k/unit
ASP (1)

3,755 units and
69 developments under commercialization

Sales Backlog (2)
931 Sold units
€250m
€269k/unit ASP(1)

1,237
units under construction

30
developments under construction

234
units delivered

€224k/unit
ASP (1)

Commercial business
Turnkey projects: Josefa Valcárcel delivered
Land Sales: €36m - 2018 target achieved

6.1 million sqm
buildable area

c.38,000
buildable units (3)

77% (4)
Fully permitted

Financial

€2.6Bn
Total Assets

€2.4Bn
Equity

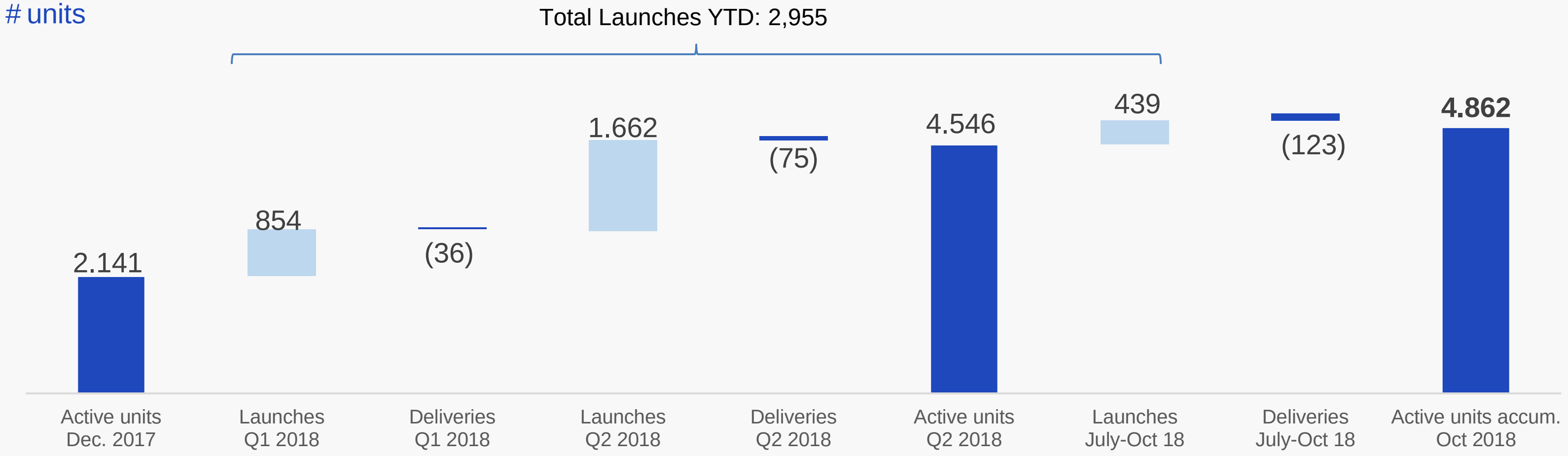
c. 1%
LTV

Notes
(1) Average Selling Price, not including future HPA
(2) Defined as bookings + contracts – deliveries in the period
(3) Estimated number of units may vary in time depending on the type of projects and maximum buildability
(4) In terms of GAV as of June 30, 2018

Residential active units: In line with our 2018 target

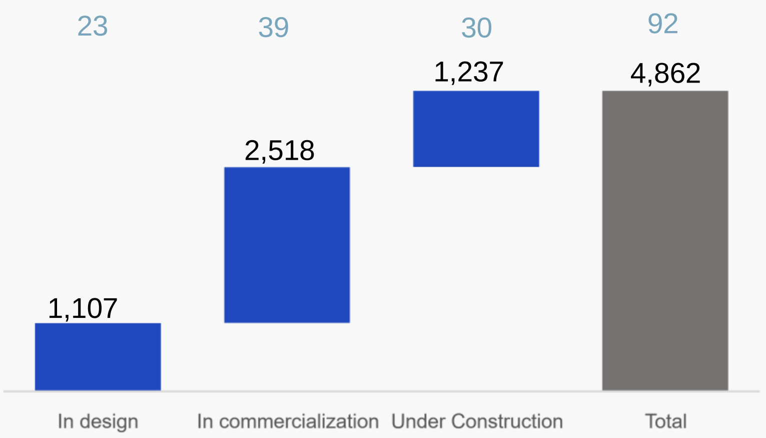
Active Units YTD

\# units

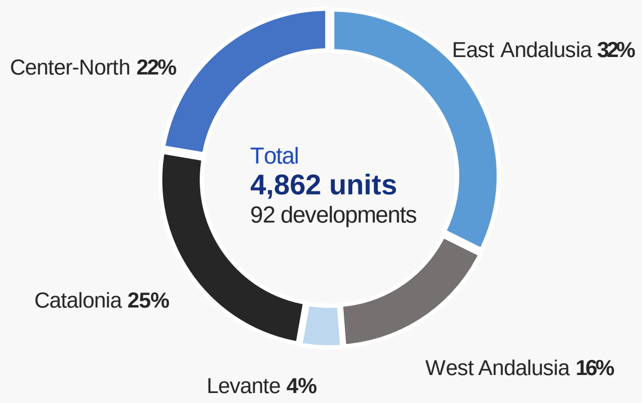


Active Units by Status

\# units ● of developments



Q3 Active Units – Geographical Split (1)



Key considerations

- Total active units reached 4,862 which represent 75% of gross active units expected in 2018, with an ASP of €296k/unit
- 92 active developments, of which 69 under commercialization (including 30 under construction)
- 2,955 units launched up to September, 30
  - 10 new developments equivalent to 439 units launched in Q3
  - Geographically, Center-North accounted for the majority of launches (46%), followed by West Andalusia (34%)
  - YTD launches account for 85% of 2018 target launches

Note

(1) Center-North: Madrid, Navarre, Galicia, Basque Country, Canary Islands and Castilla-Leon; Levante: Valencian Community, Murcia and Ibiza; Catalonia: Catalonia and Mallorca; West Andalusia: Cordoba, Seville, Huelva, Cadiz; East Andalusia: Costa del Sol and Almeria

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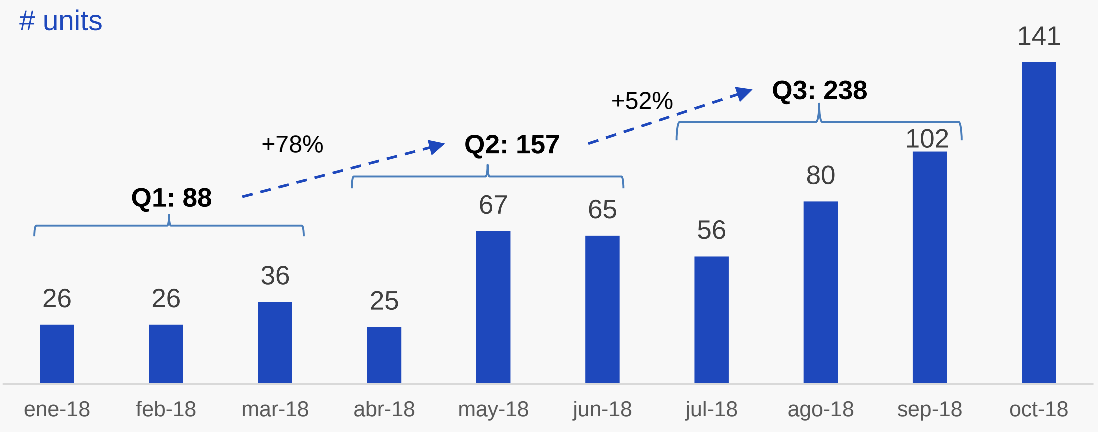
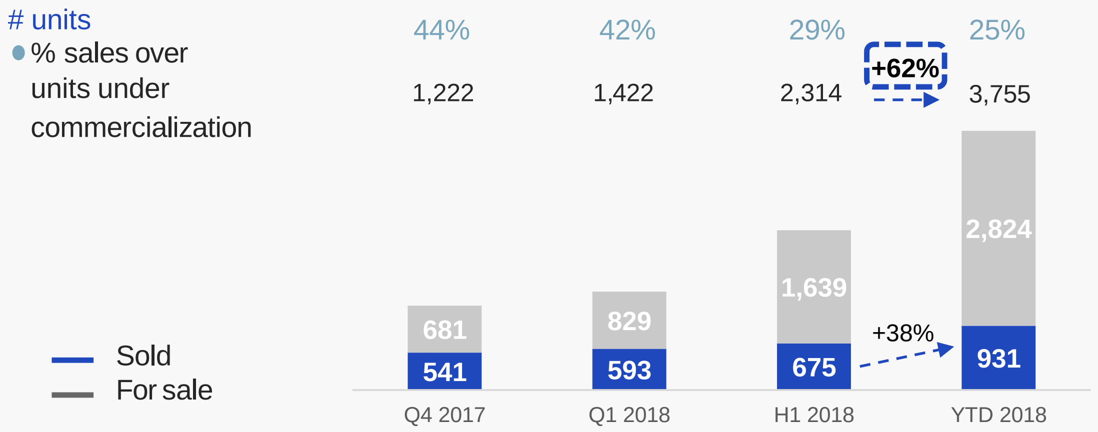
Residential: Upward trend in sales

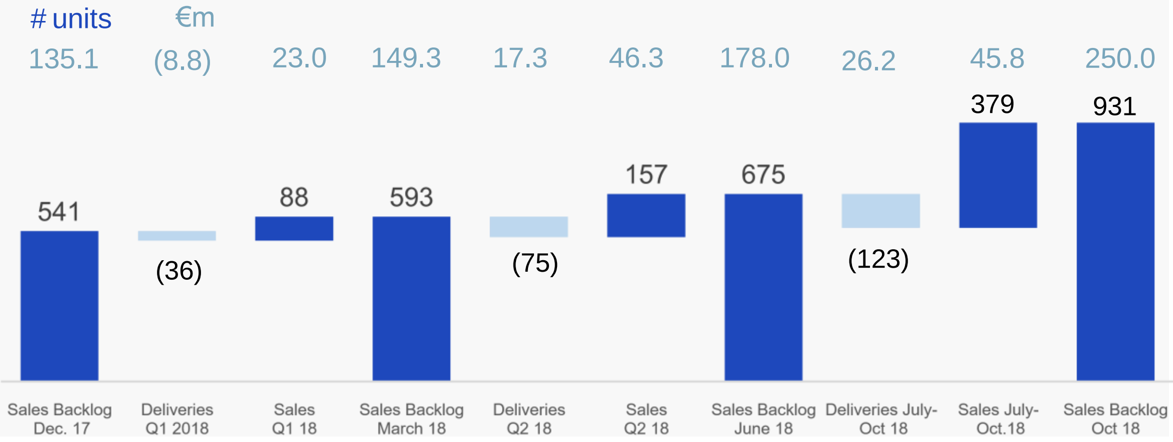
Monthly sales speeding u p



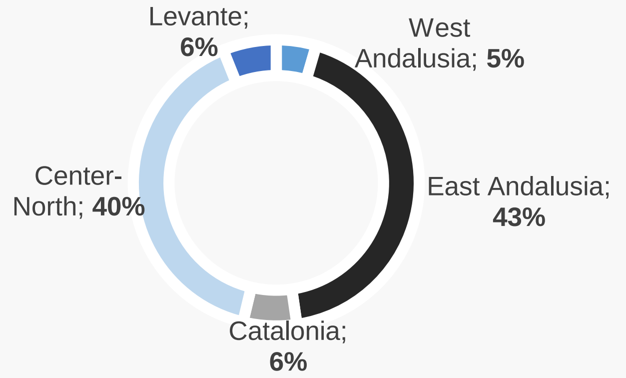
3,755 units under commercialization, 25% already sold



624 Units Sold as of October 31, 931 Units of Sales Backlog



Q3 Sales backlog - Geographical split



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Residential: 45% of deliveries executed and 96% sold (1)

Mundo Aguilón (Pulpí, Almería)

Gaztelondo Berria Phase I (Bilbao)

Gregorio Marañón (Almería)

Lago de Arrosadía (Pamplona)

Development	Region	Delivery targets (units)	ASP (2)	% Sold	Delivery status as of 9 Nov. 2018		
					CFO (3)	LPO (3)	Delivered
Rosales Residencial	Center-North	132	196,478	100%	✓	Immediate	-
Resid. San Cosme	Center-North	43	204,084	100%	✓	Immediate	-
Lago de Arrosadía	Center-North	41	234,943	100%	✓	✓	19
Gaztelondo Berría	Center-North	17	406,170	94%	✓	✓	-
Hacienda V + VI	Center-North	15	75,282	100%	✓	✓	14
Cándida Peña	Center-North	7	142,857	100%	✓	✓	7
Gregorio Marañón	East Andalusia	105	248,733	88%	✓	✓	82
Mundo Aguilón Feel Priviledge	East Andalusia	62	167,878	90%	✓	✓	37
Villas Bahia Rocas	East Andalusia	13	470,793	100%	✓	✓	12
Terrazas III	East Andalusia	10	441,106	100%	✓	✓	10
Mirador San Blas	Levante	23	177,204	100%	✓	✓	22
Vedat Siete	Levante	16	249,500	100%	✓	✓	15
Vedat Ocho	Levante	9	253,667	100%	✓	Immediate	-
Vedat Cuatro + Seis	Levante	9	255,556	100%	✓	✓	9
Puerta del Mediterráneo	Levante	7	97,684	100%	✓	Immediate	-
Reserva Sotorebolo + Loc.	West Andalusia	11	222,136	82%	✓	✓	9
Total		**520**	**218,248**	**96%**	**100%**	**63%**	**236 (45%)**

Notes:
(1) As of November 9, 2018
(2) ASP: Average Selling Price
(3) CFO: End of Works Certificate and LPO: First Occupancy License

Residential: Status of deliveries 2018-2021[1]

Year of delivery	Target deliveries (units)	Launches	ASP Forecast (€ '000) [3]	Gross Margin Forecast [3]	% Units sold	Construction license		WIP	Delivery status		
						Requested	Granted		CFO	LPO	Deliveries
2018	520	100%	218	27%	96%	100%	100%	100%	100%	63%	45%
2019	700	100%	242	23% [4]	47%	100%	100%	100%	26%	15%	0%
2020	c 2.600 [2]	100%	295	+24%	12%	98%	27%	10%	2%	2%	0%
2021	c 4.000 [2]	31%	310	+26%	1%	20%	2%	0%	0%	0%	0%

Notes:
(1) As of November 9, 2018
(2) Units larger in size than the initial estimate. Equivalent to 2,900 and 4,500 units, of 110 sqm each, respectively
(3) Estimates of average selling price (ASP) and Gross Margin assuming a 3.4% annual HPA (as disclosed in IPO Business Plan) for 2020 and 2021 deliveries, as well as a CCI of 4% for 2021 deliveries. Each percentage increase of 1% in HPA translates into an increase in gross margins of approximately 1.5%. Gross Margin includes capitalized financial expenses
(4) Adjusted gross margin, without considering the cumulative effect of the reversal of provisions for project impairment. Lower margins due to projects launched pre-IPO following cash flow criteria, as reported during IPO process

Residential: Growing visibility in 2020-2021 deliveries(1)

Year of delivery	Target deliveries (units)	March 2018			June 2018			November 2018		
		% Units sold	Building Permit		% Units sold	Building Permit		% Units sold	Building Permit	
			Requested	Granted		Requested	Granted		Requested	Granted
2018	520	73%	98%	98%	86%	100%	100%	**96%**	**100%**	**100%**
2019	700	33%	99%	99%	38%	99%	99%	**47%**	**100%**	**100%**
2020	c 2,600 (2)	1%	33%	7%	2%	50%	16%	**12%**	**98%**	**27%**
2021	c 4,000 (2)	0%	1%	1%	0%	7%	2%	**1%**	**20%**	**2%**

Notes:
(1) As of November 9, 2018
(2) Units larger in size than the initial estimate. Equivalent to 2,900 and 4,500 units, of 110 sqm each, respectively

Residential: Expected 2018-2021 revenues in line with IPO plan

Year of delivery	IPO Business Plan			Current Forecast		
	Target deliveries (units)	ASP forecast (€ '000) (2)	Total revenues (€ m)	Target deliveries (units)	ASP forecast (€ '000) (2)	Total revenues (€ m)
2018	520	218	113	520	218	113
2019	700	224	157	700	242	169
2020	3,500	247	865	c 2,600 (1)	295	767
2021	4,500	250	1,125	c 4,000 (1)	310	1,240
2018-2021			**2,260**			**2,290**

+ €30 m (1.3%) (3)

Less units but larger in size

Higher ASP (thanks to growth in HPA and size)

No impact on cummulative revenues in 2018-2021

Notes:

(1) Units larger in size than the initial estimate. Equivalent to 2,900 and 4,500 units, of 110 sqm each, respectively

(2) Estimates of Average Selling Price (ASP) assuming a 3.4% annual HPA (as disclosed in IPO Business Plan) for 2020 and 2021 deliveries

(3) Sensitivity to HPA: 3.4% implies €30m difference (1.3%); 4% implies €49m (2.2%); 5% implies €69m (3.0%)

Commercial: Turnkey Projects and JVs

	Target 2018	Status	
Turnkey deliveries	0 €m	30 €m	Josefa Valcárcel
Turnkey Projects and JVs	Launch of >36,000 sqm	Launch of 56,652 sqm	• JV with Tishman Speyer signed in Q3 2018 (56,652 m²). Phase I under project design • In advanced negotiations in multiple projects for> 20,000 sqm in Madrid and Barcelona

Josefa Valcárcel

Region	Madrid
Use	Office
Sales area (sqm)	9,081
Selling price	30 €m (1)
Delivery date	September 18 (initially planned for Q1 19)
Buyer	Colonial
Gross Margin	17%

Note
(1) Sales Price before rental guarantee

Land Sales: 2018 target accomplished

Target 2018

> €30 MM€

Expected land sales above target driven by strong demand and attractive margins

Status

Sold assets	Use	Buildable area (esqm)	Sales Price (€m)	GAV IPO (€m)	Sales Margin
Almogavers (Barcelona)	Commercial	16,733	22	20	10%
Sector Levante (P. Mallorca)	Commercial	18,500	14	10	27%
PPO-3 Córdoba	Residential	214	0.1	0.1	10%
TOTAL		35,447	**36**	30	**16%**

Sales target for 2018 exceeded, focused on tertiary land plots, with an average sales margin over GAV IPO of 16%

Under sales process	Use	Buildable area (esqm)	Sales Price (€m)	GAV IPO (€m)	Sales Margin
Land 1	Commercial	9,477	14	12	13%
Land 2	Commercial	3,000	5	4	26%
Land 3	Residential	1,559	2	1	38%
Land 4	Residential	3,570	2	1	26%
Land 5	Residential	658	0.4	0.3	25%
TOTAL		18,264	**24**	19	**19%**

Additional land sales in process during Q4, for an amount exceeding €25m and an average sales margin over GAV IPO of 19%

Company remains focused on selling of commercial assets

TOTAL estimated 2018		**53,711**	**c. 60**	**50**	**>15%**

Implied LPA [(1)] in these transactions: 20%

Note
(1) Land Price Appreciation

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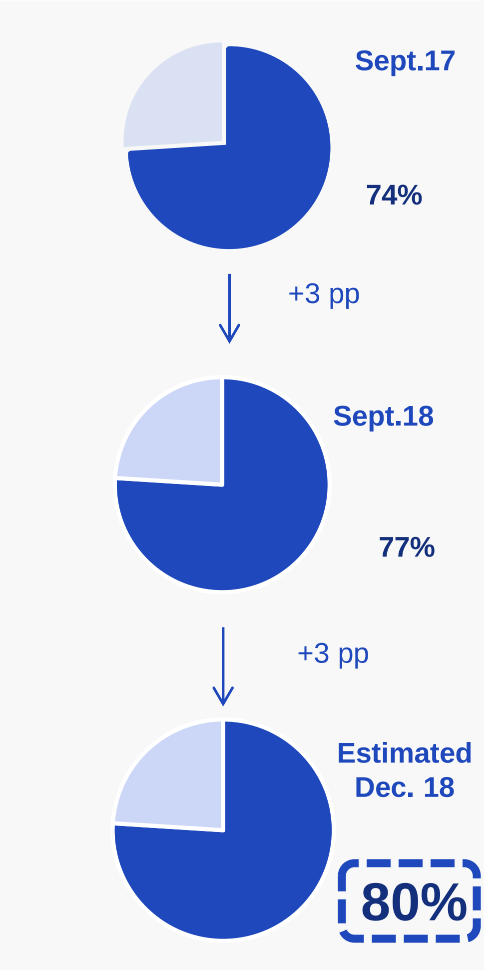
Land management Q3: continuous progress in urban management

	Land plot	Municipality	Region	Urban status	Date	Key Milestones
1	Pere IV (Loinsa)	Barcelona	Catalonia	Organized	July	Initital approval of the Rezoning Project
2	Crec.Resid.Norte Albacerrado	Tarifa, Cádiz	East Andalusia	Non urban	July	Ratification of the Provisional Approval of the Modification of the General Plan
3	Coto San José	Chiclana, Cádiz	East Andalusia	Classified	July	Initial approval of the Partial Plan
4	Alcoholera	Manresa, Barcelona	Catalonia	Classified	July	Initial approval of the Urban Improvement Plan
5	Avda. de las Ollerias	Córdoba	East Andalusia	Classified	July	Approval of the Modification of the General Plan and the Historic site protection plan
6	Sector Llevant	Viladecans, Barcelona	Catalonia	Organized → fully permitted	September	Final approval of the Rezoning Project. New classification "FP"
7	Distrito Norte	Alcorcón, Madrid	Center-North	Non urban	September	Agreement of the Local Government Board. Approval of the pre-diagnostic document of the new General Plan
8	Torre del Río	Málaga	West Andalusia	Organized	September	Approval by the Compensation Board Assembly of the Rezoning Project
9	Sotogrande	San Roque, Cádiz	East Andalusia	Organized	September	Initial Approval of the Detailed Plan
10	Avda. de las Ollerías	Córdoba	East Andalusia	Classified	September	Ratification of the Approval by the City Council. Modification of the General Plan
11	Molí d'Animeta	Quart de Poblet, Valencia	Levante	Organized → fully permitted	September	Final Approval of the Rezoning Project. New classification "FP"

Plots transformed into “fully permitted”

Fully permitted GAV



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Best in class platform: Business and geographical split

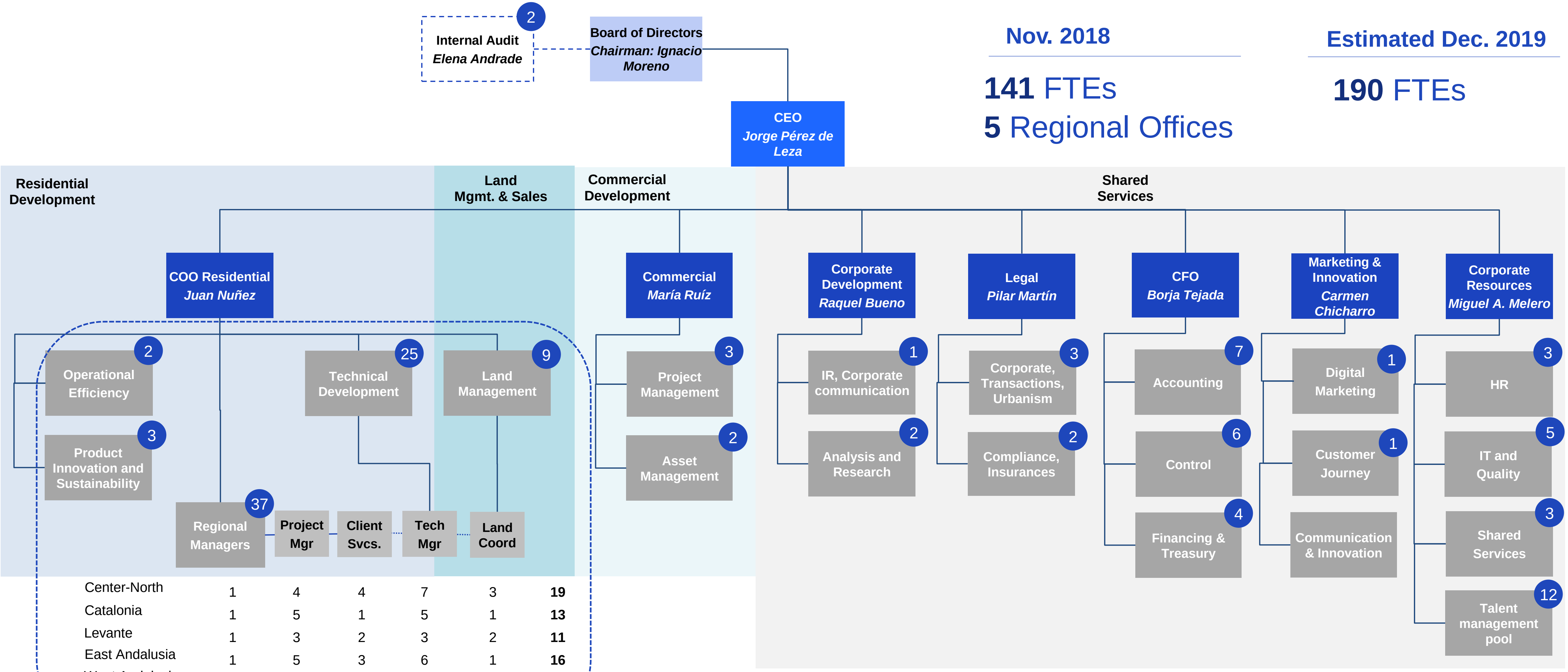
Nov. 2018

141 FTEs

5 Regional Offices

Estimated Dec. 2019

190 FTEs



Center-North	1	4	4	7	3	**19**
Catalonia	1	5	1	5	1	**13**
Levante	1	3	2	3	2	**11**
East Andalusia	1	5	3	6	1	**16**
West Andalusia	1	4	1	3	1	**10**
Total Regions	5	21	11	24	8	**69**

Current team size with capacity to manage more than 100 projects and increasing to 150 projects by H1 2019

Gaztelondo Berria (Bilbao)

2. Financial Overview

Profit and Loss Account

Summary P&L [1]

	(€m)	YTD Mar 18	YTD Jun. 18	YTD Sept 18
A	Revenues	8.8	48.6	93.4
	Cost of sales	(6.8)	(42.3)	(79.7)
B	Gross margin	2.0	6.4	13.7
	% Gross margin	*23%*	*13%*	*15%*
	Wages & salaries	(3.5)	(6.0)	(8.8)
C	External services	(4.5)	(8.2)	(10.9)
	Other income /(expenses)	-	(1.4)	(1.4)
	EBITDA	(6.0)	(9.2)	(7.4)
D	D&A / Change in provisions	3.8	3.7	3.7
	Changes in investment property	-	1.7	1.7
	EBIT	(2.2)	(3.8)	(2.0)
E	Financial result	(0.6)	(3.4)	(4.8)
	EBT	(2.8)	(7.2)	(6.8)
F	Income tax	-	(1.1)	(2.6)
	Net income	(2.8)	(8.3)	(9.3)
	Adjustment One-off Expenses	3.0	4.1	4.5
	Net Income adjusted	0.2	(4.1)	(4.9)

Key considerations

A

- Residential revenues of €43m (184 units delivered - €235k/unit)
- Net Commercial development revenues of €28m
- Land sales of €36m[2], of which € 14 million recorded as asset sale (gross margin)

B

- 15% gross margin
  - ✓ 26% residential development
  - ✓ 17% commercial development [3]
  - ✓ Commercial land sold at GAV [2]

C

- External services: Mainly commercialization and marketing expenses (€3.5m), legal & tax advisory services (€1.1m) and one-off expenses of €4.5m related to IPO

D

- Market value updated by external independent appraisers

E

- Net financial expenses mostly linked to the corporate financing

F

- Income tax: Corporate income tax accrued due to positive income in individual financial statements

Notes

(1) March and September 2018: Unaudited Financial Statements; June 2018: Limited review by auditor

(2) According to accounting principles, sales of investment properties are recognized by difference between sales price and book value

(3) 12% gross margin including rental guarantee

Balance Sheet

Summary Balance Sheet [1]

	(€m)	Dec. 2017	Sept. 2018
A	Investment property	370,6	332,8
	Other non-current assets	177,3	179,2
	Total non-current assets	547,9	512,0
A	Inventory	1.906,0	1.935,0
B	Cash	50,3	115,2
	Public administration	10,8	2,2
	Other current assets	32,0	12,7
	Total current assets	1.999,1	2.065,0
	Total assets	**2.547,0**	**2.577,0**
	Provisions	16,6	7,7
C	Bank debt	0,1	75,4
	Other non-current liabilities	11,8	13,3
	Total non-current liabilities	28,4	96,4
	Provisions	13,5	11,9
C	Bank debt	47,5	20,8
	Other current liabilities	60,2	55,4
	Total current liabilities	121,3	88,1
	Equity	2.397,4	2.392,5
	Total Equity + Liabilities	**2.547,0**	**2.577,0**

Key considerations

A

- Book value (inventory + investment property): €2.3bn with stability in main asset headings
- Valuation updated by external independent appraisers as of 30 June 2018 (GAV to Book Value = 1.16x)

B

- Solid cash position to meet short term liquidity needs

C

- Corporate financing debt: net withdrawal of €75m
- Developer loans: new loans of €14m, repayment of €41m, mainly due to deliveries

Notes

(1) Dec. 2017: Audited Financial Statements; Sept. 2018: Unaudited Financial Statements

(2) Booked at fair market value (IFRS)

Cash Flow Statement

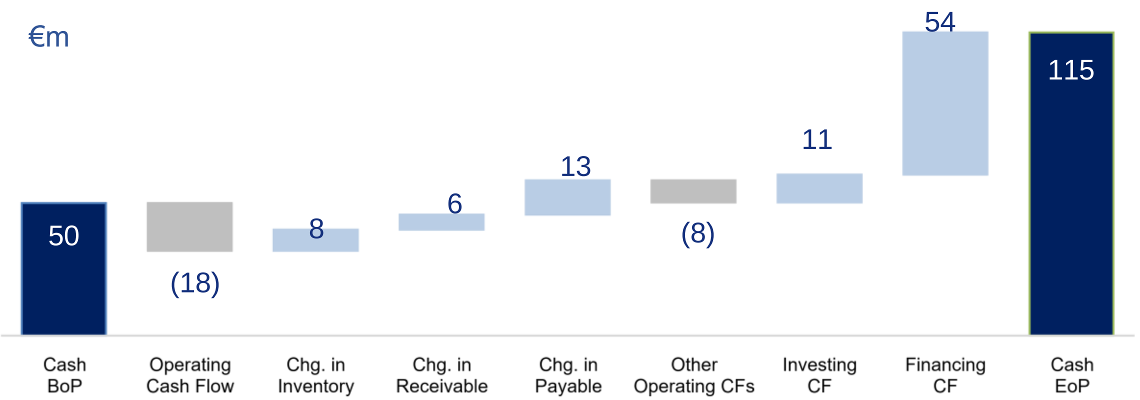
Summary Cash Flow Statement (1)

(€m)	Dec. 2017	Sept. 2018
EBT	(78,1)	(6,8)
Change in trade provisions	65,8	(6,6)
Change in investment properties	(1,4)	(1,7)
Financial cost / (income)	-	4,8
Other income / (expense)	-	(7,8)
Operating cash flow	**(13,7)**	**(18,1)**
Change in working capital	(12,9)	26,8
Inventories	(22,1)	8,0
Trade and other receivable	(7,0)	5,7
Trade and other payable	16,2	13,1
Other operating cash flows	-	(8,5)
Net cash flow from operating activities	**(26,6)**	**0,2**
Net cash flow from investment activities	(2,7)	10,5
Net cash flow from financing activities	47,2	54,1
Net cash increase / (decrease)	**17,9**	**64,8**
Cash BoP	32,4	50,3
Cash EoP	50,3	115,2

Key considerations

- €65 million of cash increase during the period
- Positive operating cash flow thanks to a decrease in working capital amounting to €26.8 million
- €54.1 million of financing cash inflow as a result of an increase in corporate credit withdrawals
- €55 million generation of operating cash, representing 57% over sales (€55m/€107m(2)). Net Cash from sale of land (€26m); residential development deliveries (€23m); commercial development deliveries (€24m), minus operating expenses (€18m)

Cash flow bridge



Notes

(1) Dec. 2017: Audited Financial Statements; Sept. 2018: Unaudited Financial Statements

(2) €107m cash flow booked as: €93.4m revenue from inventories and €14m as investment properties

Fully-funded business plan: €755m available financing

Net debt position (1)

(€m)	Mar. 2018	Jun. 2018	Sept. 2018
Adjusted gross debt	73.2	72.1	101.8
Corporate financing	65.0	56.7	81.1
Non current	65.0	56.1	81.1
Current	-	0.6	0.0
Developer loans	8.2	15.4	20.8
Non current	-	-	-
Current	8.2	15.4	20.8
Other debt	0.0	0.0	0.0
Current	-	-	-
Available cash (2)	49.2	62.5	95.4
Net Debt	24.0	9.6	6.4

Key considerations

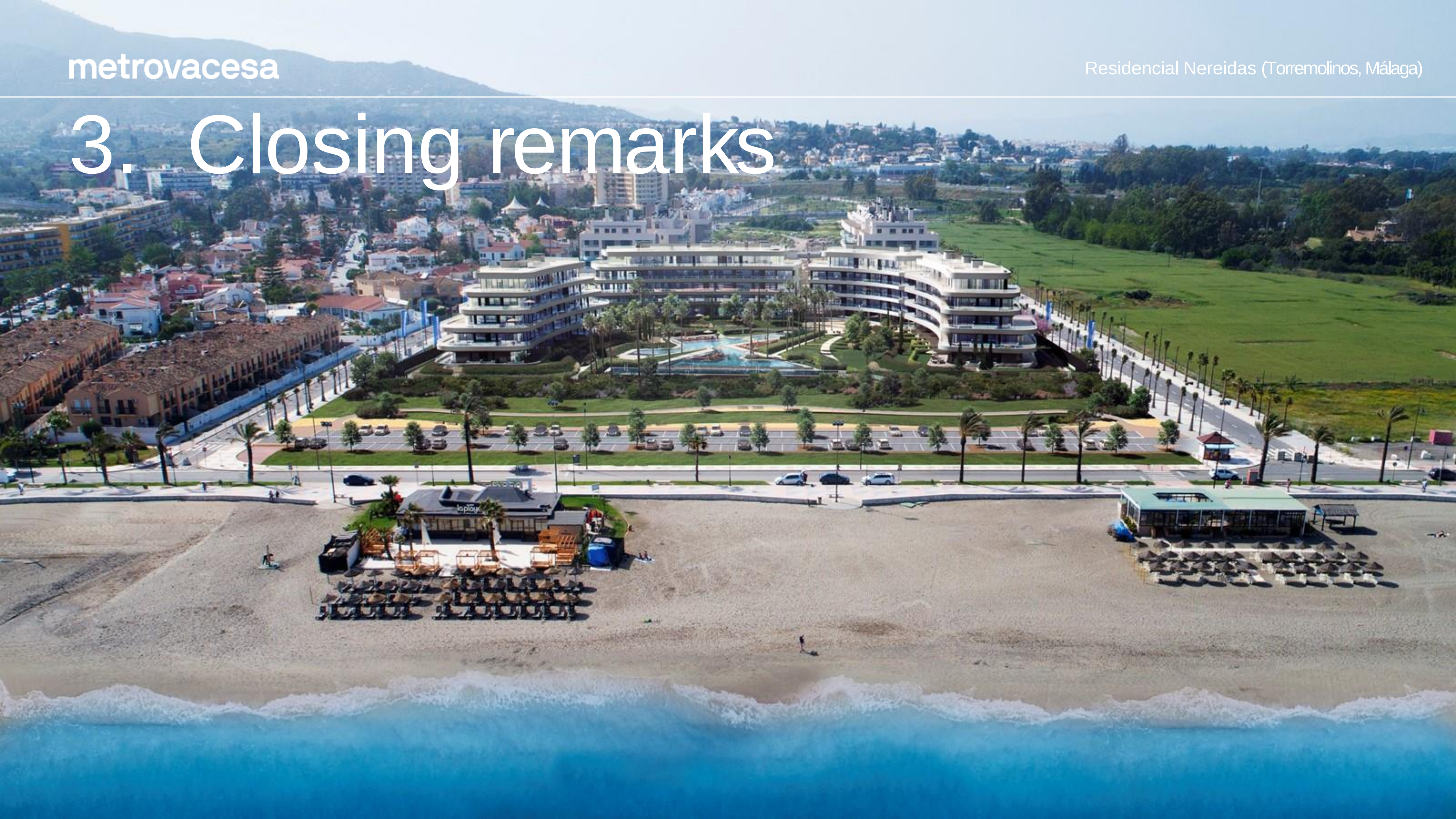
- Ramp-up leverage strategy
- Undrawn corporate debt and solid cash position
  - ✓ Net debt according to IPO guidance
  - ✓ Prioritizing the use of client´s proceeds to minimize financial expenses
  - ✓ Target LTV < 25%. Current LTV < 1%
- Project financing: €570m
  - ✓ More than €468m committed, pending to be signed in the next 6 months
  - ✓ €102m signed o/w €21m drawn
  - ✓ Diversified lender risk (financing with most relevant credit entities)
- Corporate financing: €185m fully available
  - ✓ Signed on December 2017
  - ✓ Amount: Up to €275m from January 2018
  - ✓ Term: 5 years (60% balloon at maturity)
  - ✓ Purpose: urbanization, Opex, Capex, taxes and development costs, repayment of bridge financing

Notes

(1) March and September 2018: Unaudited Financial Statements; Jun.2018: Limited review by auditor

(2) Figures do not include the amount from customers' downpayments

3. Closing remarks



Residencial Nereidas (Torremolinos, Málaga)

Construction Costs vs. HPA Margins not contracting

Construction cost inflation anticipated by MVC earlier this year has become a widespread issue for the industry:

- Labour shortages continue to be the main source of inflation, although capacity is gradually ramping up (2)
- On average we have observed a 7%(1) increase up to September 2018, varying by regions
- We anticipate this inflation to continue in 2019, though at a lower rate

HPA(1) +5%

CCI (1) +7%

Offsetting factors:

- Scale to negotiate better pricing
- Experienced technical teams involved in the design, tendering and project monitoring
- Wide proven pool of contractors to deal with MVC's output

HPA solid enough to offset construction cost increase

- 5% HPA(1) observed in our projects during first nine months of 2018 offsets the construction cost increase, therefore not contracting margins

Construction costs *("hard cost")* account for 45-50% of the expected revenues of a project, meaning they should increase more than 2.1x HPA to erode gross margin, which is not happening at this point

HPA	Max. CCI non-diluting gross margin
2%	4.20%
3%	6.20%
4%	8.20%
5%	10.50%
6%	12.60%

Status in 2018

Notes:

(1) House price appreciation (HPA) and Construction cost inflation (CCI) annualized as of November 9, 2018

(2) 100.000 new Jobs in the construction sector in 2018, Metrovacesa Research team upon official statistic

Aligned with 2018 targets

	Residential	Commercial	Land sales	Land management	LTV
Target	**3,500 – 4,000 (1) units launched** **520 units to be delivered**	**36,000 sqm launched** (Turnkey projects + JVs)	**> €30 m**	**83% fully permitted over GAV** (July 2019)	**LTV < 25%**
Estimated end of year	**85% already launched, rest underway** **45% delivered, rest under process**	**JV with Tishman Speyer (57,000 sqm)** **Josefa Valcárcel building delivered** **(9,000 sqm)**	**€ 36m signed, and under negotiations to reach c. €60 m**	**77% fully permitted as of today, expected to be 80% in December**	**LTV < 1%**

+€55m of free cash flow generated as of September, with a view to reach + €100m by year end
(54% of sales)

Note:
(1) Estimated number of units with an area of 110 sqm on average, which may vary over time depending on the type of project and maximum buildable area

Final Remarks

Residential market dynamics

- Solid residential market fundamentals with significant room for growth. Housing activity expanding accross the country reaching regions beyond Tier I
- Growth in construction cost inflation above initially expected. However, healthy HPA performance is so far preventing margins from contracting
- Non fully-permitted land transactions more widespread

2018 targets

- Plan to reach or exceed 2018 targets

Delivery of residential units 2019-2021

- 2019 deliveries according to forecast
- Higher visibility on 2020 targets and speeding up launches of units to be delivered in 2021

MVC´s unique Cash Flow generating profile becoming tangible

Residencial San Cosme (Valdemoro, Madrid)

4. Appendix

Appendix

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Projects

Torres del Cel Phase I (under project design)

Key metrics

Location	Lleida
Region	Catalonia
Units	100
Sqm for sale	15,539
Construction Company	n.a
Construction Completion	n.a
Sales to date	n.a
Target Gross Margin	c.19% (1)

Key highlights

- Two towers with 20 floors each, 98 homes and 2 commercial premises per tower
- First phase has 107 parking spaces and 54 storage rooms
- Total parking spaces in both towers will be 210, with 113 storage rooms

Note:
(1) Gross Margin includes capitalized financial expenses

Tamadaba Phase I (in commercialization)

Key metrics

Location	Las Palmas de Gran Canaria
Region	Canary Islands
Units	103
Sqm for sale	10,252
Construction Company	Under tender process
Construction Completion	0%
Sales to date	26%
Target Gross Margin	c.24% (1)

Key highlights

- Located west of the city, close to the comercial area of Las Ramblas and the University Hospital
- First phase with 103 homes (1,2,3, and 4 bedrooms). 2nd phase with 47 homes
- A total of 147 parking spaces and 145 storage rooms for both phases

Note:
(1) Gross Margin includes capitalized financial expenses

Le Mirage I & II (under construction)

Key metrics	
Location	Estepona (Málaga)
Region	Costa del Sol
Units	72
Sqm for sale	7,481
Construction Company	Dragados
Construction Completion	67%
Sales to date	100%
Target Gross Margin	c.26% (1)

Key highlights

- Le Mirage phases 1 & 2 is located in the town of Cancelada, municipality of Estepona, within walking distance of a wide variety of amenities
- Close to the west side beaches of Marbella and several golf courses
- 72 multi-family homes (2, 3 and 4 bedrooms), with underground parking space each, and communal swimming pool

Note:
(1) Gross Margin includes capitalized financial expenses

Lago de Arrosadía (delivered)

Key metrics

Location	Pamplona
Region	Center-North
Units	41
Sqm for sale	6,199
Construction Company	Ortiz
Construction Completion	100%
Sales to date	100%
Gross Margin	c.33% (1)

Key highlights

- Located in the zone of southern expansion of Pamplona, next to the 3 Navarrese universities and next to the University Hospital
- 38 free multi-family dwellings (2 and 3 bedroom), four of them in the attic
- 61 parking spaces and 38 storage rooms
- 3 commercial premises on the ground floor

Note:
(1) Gross Margin includes capitalized financial expenses

Pórtico Simón Verde (Sevilla)

Q&A