LIGHTHOUSE
INSTITUTO ESPAÑOL DE ANALISTAS

# Vitruvio

**EQUITY - SPAIN**
Sector: Real Estate

Closing price: EUR 13.70 (21 Feb 2024)
Report date: 22 Feb 2024 (13:00h)

**Initiation of Coverage**
Independent Equity Research

**Vitruvio (YVIT)** is a "classic" real estate company engaged in the purchase and development of urban real estate for lease, with a focus on property management, primarily in Madrid (which accounts for c. 94% of its GAV). It has a diversified portfolio, with exposure to residential (39.2%), commercial (33.3%), office (22.6%) and logistics properties (4.9%). YVIT has traded as a listed Spanish REIT (SOCIMI) on BME Growth since 2016 (free float: 94.5%).

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## The art (and value) of prudence

**Market Data**

| | | |
|---|---|---|
| Market Cap (Mn EUR and USD) | 126.1 | 136.2 |
| EV (Mn EUR and USD) (1) | 172.0 | 185.9 |
| Shares Outstanding (Mn) | 9.2 | |
| -12m (Max/Med/Mín EUR) | 13.80 / 13.06 / 10.49 | |
| Daily Avg volume (-12m Mn EUR) | 0.04 | |
| Rotation(2) | 7.3 | |
| Factset / Bloomberg | YVIT-ES / YVIT SM | |
| Close fiscal year | 31-Dec | |

**Shareholders Structure (%)**

| | |
|---|---|
| Onchena | 5.5 |
| Free Float | 94.5 |

| Financials (Mn EUR) | 2022 | 2023e | 2024e | 2025e |
|---|---|---|---|---|
| Adj. nº shares (Mn) | 8.2 | 8.8 | 9.2 | 9.2 |
| Total Revenues | 8.2 | 8.5 | 8.9 | 9.2 |
| Rec. EBITDA | 4.8 | 4.9 | 5.2 | 5.4 |
| *% growth* | *8.7* | *1.8* | *5.8* | *5.4* |
| *% Rec. EBITDA/Rev.* | *58.1* | *57.2* | *58.2* | *59.0* |
| *% Inc. EBITDA sector(3)* | *11.3* | *7.7* | *4.7* | *5.6* |
| Net Profit | 2.7 | 3.4 | 3.2 | 3.4 |
| EPS (EUR) | 0.32 | 0.38 | 0.35 | 0.37 |
| *% growth* | *55.5* | *18.2* | *-8.7* | *6.4* |
| Ord. EPS (EUR) | 0.09 | 0.28 | 0.32 | 0.34 |
| *% growth* | *-54.6* | *216.9* | *13.0* | *7.1* |
| Rec. Free Cash Flow(4) | 3.4 | 2.3 | 3.0 | 0.0 |
| *Pay-out (%)* | *122.8* | *114.6* | *127.4* | *125.7* |
| DPS (EUR) (6) | 0.40 | 0.44 | 0.45 | 0.47 |
| Net financial debt | 34.8 | 24.2 | 25.3 | 29.7 |
| ND/Rec. EBITDA (x) | 7.3 | 5.0 | 4.9 | 5.5 |
| *ROE (%)* | *2.7* | *3.2* | *2.9* | *3.1* |
| *ROCE (%)(4)* | *2.4* | *3.1* | *2.9* | *3.1* |

| Ratios & Multiples (x)(5) | | | | |
|---|---|---|---|---|
| P/E | 42.2 | 35.7 | 39.1 | 36.7 |
| Ord. P/E | n.a. | 48.7 | 43.1 | 40.2 |
| P/BV | 1.3 | 1.1 | 1.1 | 1.2 |
| *Dividend Yield (%)* | *2.9* | *3.2* | *3.3* | *3.4* |
| EV/Sales | n.a. | n.a. | 19.44 | 18.69 |
| EV/Rec. EBITDA | 36.0 | 35.3 | 33.4 | 31.7 |
| EV/EBIT | 46.6 | 39.8 | 42.7 | 39.8 |
| *FCF Yield (%)(4)* | *2.7* | *1.8* | *2.4* | *n.a.* |

(1) Please refer to Appendix 3.
(2) Rotation is the % of the capitalisation traded - 12m.
(3) Sector: Stoxx Europe 600 Real State.
(4) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.
(5) Multiples and ratios calculated over prices at the date of this report.
(6) DPS calculated with the adjusted number of shares.

**A CLASSIC (AND LIQUID) REIT FOCUSED ON PROPERTY MANAGEMENT…** A listed Spanish REIT (SOCIMI), Vitruvio (YVIT) is a "classic" property management company, with the highest free float of any SOCIMI on BME Growth (94%) and strong liquidity (EUR 8.7Mn vol. in the last 12m); i.e. an "authentic" investment-worthy SOCIMI.

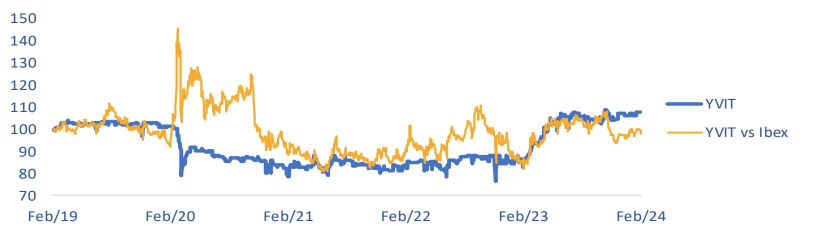
**…WITH THE LOCATION AND TYPE OF ASSETS IN ITS PORTFOLIO MAKING IT EVEN MORE DEFENSIVE.** The value of YVIT's portfolio (GAV) at year-end 2023 amounted to EUR 163Mn (vs EUR 54.8Mn in 2016). The portfolio shows a diversified sector mix among residential (39.2%), commercial (33.3%), offices (22.6%) and industrial & logistics (4.9%) assets. Concentration in prime areas of Madrid ensure high occupancy (>95%; even during Covid-19) and adds an extra "layer" of defensiveness that reduces the risk inherent in the business model.

**THE LOW LEVEL OF RISK LENDS HIGH VISIBILITY TO 2025E…** Factoring in a scenario without any acquisitions (stable GAV), in 2025e we should be looking at a company with revenue (GRI) of EUR 9.2Mn (CAGR 23e-25e of 4%; a GRI Yield 25e of 5.6% vs. 5.2% in 23e) with growth driven by rent reviews, and EBITDA of EUR 5.4Mn (CAGR 23e-25e of 5.6%; recurring EBITDA margin of 59%). All while it maintains low leverage (LTV 23e: 14.9% vs. a sector average of 35.2%).

**… AND (GUARANTEES) A STABLE AND RISING DIVIDEND.** Shareholder remuneration is embedded in YVIT's strategy and efforts go to protect (CAGR 2017-2023 of 7%) and raise it (CAGR 23e-25e for DPS of 5.7%; Dividend Yield 2025e, 3.4%).

**IN CONCLUSION: A LOW RISK REAL ESTATE COMPANY WITH CREDIBLE POSSIBILITY TO DELIVER INORGANIC (AND "PRUDENT") GROWTH. THIS IMPLIES MOMENTUM.** The current market situation -rate cuts highly likely in 2024- bodes well for YVIT's business model and lays the foundations for it to take advantage of its low discount to NAV (-9%) to resume its inorganic growth strategy (non-dilutive and linked to the share price) to raise GAV. That doesn't appear in our numbers yet, but would be a way to drive a fresh "leap" in GRI (which is not possible merely with organic growth), which would surely have an impact on EPS and on YVIT's valuation. All this without eroding the company's (strategically) low risk profile. YVIT is an authentic investment-worthy SOCIMI (for its liquidity and size) faced with tailwinds for a potential (inorganic and "prudent") step-up in size.

**Relative performance (Base 100)**




| Stock performance (%) | -1m | -3m | -12m | YTD | -3Y | -5Y |
|---|---|---|---|---|---|---|
| Absolute | 0.7 | 3.8 | 30.5 | 0.7 | 37.1 | 7.8 |
| vs Ibex 35 | -1.7 | 0.9 | 19.5 | 0.7 | 10.6 | -1.9 |
| vs Ibex Small Cap Index | 2.5 | 3.6 | 45.6 | 3.7 | 50.1 | -4.5 |
| vs Eurostoxx 50 | -6.2 | -5.8 | 16.2 | -4.6 | 6.6 | -26.3 |
| vs Sector benchmark(3) | 2.1 | -0.8 | 35.2 | 9.8 | 81.4 | 50.1 |

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

# Vitruvio (YVIT) is a BME Growth company

BME Growth is the segment of BME MTF Equity aimed at small and medium sized companies, directed and managed by the Spanish stock market and is subject to the CNMV supervision. BME MTF Equity is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID). In July 2020, BME Growth obtained the status of SME Growth Market, a new category of EU regulations, which in Spain is called Mercado de Pymes en Expansión.

BME Growth is the Spanish equity market for companies of reduced capitalization which aim to grow, with a special set of regulations, designed specifically for them, and with costs and process tailored to their particular features. Operations in BME Growth (former MAB) started in July 2009. There are currently c. 140 companies listed on it. Companies listed on the MAB can choose to present their financial statements under IFRS or the General Accounting Plan (PGC) and Royal Decree 1159/2010 (NOFCAC).

# Glossary

### Portfolio Value

| | | |
|---|---|---|
| GAV | Gross Asset Value | Gross asset value of the portfolio. |
| NAV | Net Asset Value | Gross asset value of the portfolio less net debt. |
| NNNAV | Triple Net Asset Value | Value of portfolio in the case of liquidation. |

### Cash Flow

| | | |
|---|---|---|
| FFO | Funds From Operation | Cash Flow generated by company`s operations. |
| AFFO | Adjusted Funds From Operations | Cash Flow generated by company`s operations adjusted by CAPEX. |

### Income

| | | |
|---|---|---|
| GRI | Gross Rental Income | Company's gross income from real estate rental activity |
| NRI | Net Rental Income | Company's Gross Rental Income (GRI) less tenant pass-through expenses. |
| NOI | Net Operating Income | Company's Net Rental Income (NRI) less expenses incurred by the company. |

### Ratios

| | | |
|---|---|---|
| GRI Yield | GRI/GAV | Portfolio gross return. |
| NRI Yield | NRI/GAV | Portfolio net return. |

# "Prime" assets and high occupancy; tantamount to strong visibility. And play on GAV growth "tied" to the share price

YVIT is a Spanish REIT (SOCIMI) listed on BME Growth with a diversified portfolio by asset type

Vitruvio (YVIT) is a Spanish REIT (SOCIMI) (Mkt Cap. EUR 126Mn) engaged in the purchase and development of urban real estate for lease, with a focus on (non-speculative) property management. The portfolio is diversified across residential, commercial, office and logistics assets, with those located in Madrid representing c. 90% of GAV.

Since 2016, YVIT has traded as a listed Spanish REIT (SOCIMI) on BME Growth, with a free float of 94% and high liquidity (EUR 8.7Mn trading volume over the last 12 months). By availing itself of the special SOCIMI regime provided for in Law 16/2012, its income tax rate is 0%.

Madrid concentrates 90% of GAV (c. EUR 147Mn)

The value of YVIT's portfolio (gross asset value or GAV) at 31 December 2023 amounted to EUR 163Mn (vs EUR 54.8Mn in 2016). The company had 62 assets, divided up among residential (39.2% of GAV), commercial (33.3%), office (22.6%) and industrial & logistics (4.9%) properties. Its three largest assets represent >30% of the portfolio's total value. And they are located in prime areas of Madrid, which ensures high occupancy (>95%) and lower risk.

NAV (net asset value) for 2023 was EUR 138.8Mn (+8.8% vs 2022). Disposals of non-core assets since 2020 (EUR 22.1Mn) and the inflow of new capital (EUR 13.8Mn in 2023) enabled the company to lower net debt in 2023e to EUR 24.2Mn (vs EUR 51.2Mn in 2020). At the date of this report, the discount of Mkt. Cap. to NAV stands at 9% (vs the main SOCIMIs of 40%).

### A) Low-risk business model with plenty of room to grow (revenue in 2023e: EUR 8.5Mn; CAGR 2016-2023e: 22.2%)

YVIT is a conventional and relatively young SOCIMI (created in 2014). Its model is geared towards minimising/controlling risk. Looking at the company's history, we identify two different stages between 2016 and 2023e to its current situation:

2016-2020: Leap in size, driven primarily by M&A

**2016-2020: Step-up in size.** The company's "leap" in size was not achieved organically. The company's three main inorganic growth drivers are: (i) granular/selective acquisitions of assets, (ii) family contributions (via equity) and (iii) acquisitions of other SOCIMIs or real estate companies. Throughout the 2016-2020 period, YVIT traded at a very low discount to NAV (0%-6%), which helped drive this increase in size led by M&A (paid with shares but without dilution) and equity contributions (also paid with equity without dilution), raising the company's GAV in 2020 to EUR 172.1Mn (vs EUR 54.8Mn in 2016) and revenue to EUR 7.6Mn (CAGR 2016-2020: 38.1%).

2020-2023e: Focus on profitability and shareholder remuneration

**2020-2023e: return to pre-Covid 19 profitability levels.** The Mkt Cap/NAV discount in the SOCIMI segment on BME Growth "soared" in 2020-2022 (-20.3% sector; -25.4% for YVIT). This precluded YVIT from continuing to pursue any growth (GAV) via M&A. Meanwhile, the pandemic hit margins, causing recurring EBITDA margin in 2020 to narrow to 53.6% (-4.2p.p. vs 2019). With little movement in GAV in the three-year period (-5.3%), YVIT turned its efforts towards yields (GRI yield 2023e: 5.2% vs 4.4% in 2020 and 4.9% in 2019), managing to get operating margins back to pre-Covid levels (recurring EBITDA margin 2023e of 57.2%) and raise shareholder remuneration (CAGR for DPS 2020-2023: 15.90%).

Analysis of YVIT's performance in the 2016-2023 period clearly shows the key lines of its business model. And they should be the same going forward.

A model with recurring revenue (i.e. lease rents)

- **Recurring revenue and high occupancy.** Historically, rents have increased when occupancy is at c. 100%. And this has enabled YVIT to deliver double-digit growth in revenue (with rent reviews in contracts with lessees) during periods of little change in GAV. Revenue grew at a CAGR of 12.7% in 2017-2023e (average occupancy: 98%).
- **Stable margins and outsourced management.** By outsourcing management to Abante, YVIT ensures that it can deliver margins in line with its comps (EBITDA margin of c.58%).

Conservative leverage (LTV 2023: 14.9%)

- **Conservative leverage (LTV 2023: 14.9%).** YVIT's bylaws put a cap on leverage (ND/GAV) of 33%. The company has kept average debt (LTV) at 26.2% (29.8% in 2020). Net debt 2023e (EUR 24.2Mn; LTV 14.9%) leaves YVIT with some room to manoeuvre to capitalise on any inorganic growth opportunities using debt financing (with "extra" ND margin up to the LTV limit (33%) of EUR c.28 Mn.

- **Inorganic growth besides M&A.** In addition to management services, Abante has its own portfolio of clients, which *de facto* are a potential source of GAV growth through equity contributions financed with payment in YVIT shares.

- **The market as its primary target.** In YVIT's (short-, medium- and long-term) strategy, the market is not just "unavoidable", but rather the "crux" of its equity story. This is because access to non-bank financing (allowing for additional and recurring inorganic growth) depends almost exclusively on YVIT's own share price. This explains why YVIT's business model is so dependent on the share price. It is a business model that necessarily has to "watch" the direction of the market.

YVIT has a strong track-record in the different stages of the cycle

YVIT's business model has proven to be efficient in adapting to different stages and situations of the macro/real estate cycle (crisis in demand, rising interest rates, inflation). It's a business model that enjoys recurring revenue, high EBITDA-to-cash conversion (c.50%) and investor appetite (EUR 40Mn of cash capital increases since 2017) that pursues growth in the dividend and share price. Moreover, the company's leverage is low (LTV 2023e: 14.9% vs a sector average of 29.8%). In other words, without undermining its low risk profile the company can maintain a balance sheet that enables it to benefit from a (likely?) change in cycle (in view of potential interest rate cuts in 2024e) and pursue inorganic growth.

### B) High visibility for the next few years and dividend growth (virtually) assured

What can we expect from YVIT over the medium or long term? Our 2024e-2025e projections in a nutshell:

We estimate mid-single-digit growth in revenue to 2025e, (CAGR 23e-2025e of 4.0%)

**Low-single-digit growth in revenue to 2025e (CAGR 2023e-2025e for GRI: 4.0% )…** YVIT's business model rests on three pillars: (i) occupancy, (ii) rent increases and (iii) asset rotation. Given the defensive features of the company's rental assets, essentially due to their prime location, it enjoys "quasi-inelastic" demand. This mean it can possibly raise lease rents in line with inflation, boosting the return on assets; we estimate GRI yield 2025e of 5.6% (vs 5.2% in 2023e). The projections in our model are based on the latest published figures (GAV 2023e: EUR 163Mn). We expect low-single-digit organic growth to continue until revenue (GRI) reaches EUR 9.2Mn in 2025e (vs EUR 8.5Mn in 2023e).

Sustained profitability (recurring EBITDA 2025e: 59.0%)

**…defending its margins (recurring EBITDA margin of 57.2%).** YVIT basically has a fixed operating structure and stable recurring EBITDA margin. In our opinion, YVIT's cost structure shows little room for improvement. We estimate overhead (including Abante's fee and all other operating expenses) of EUR 1.9Mn per year to 2025e. This would leave YVIT poised to deliver an EBITDA margin in 2025e of 59.0% (vs. 57.3% in 2023e). Its "inexorably" stable margins point to recurring EBITDA 2025e of around EUR 5.4Mn (CAGR 23e-25e of 5.6%). With growth in step with revenue.

Cash generation and FFO will enable YVIT to keep paying dividends (payout >100%)

**High capacity to convert EBITDA to recurring FCF…** Based on the cash generated by the property management business and stable CAPEX (EUR 1Mn since 2021), we estimate conversion of c.50% of recurring EBITDA to FCF in 2024e. For 2025e, we estimate CAPEX of EUR 4.4Mn for refurbishment of the Duque de Rivas 4 asset (YVIT's first co-living asset), which should be up and running from 2026e. For operating cash flow (FFO), we estimate growth at a CAGR of 7.3% in 2023e-2025e (EUR 4.1Mn 2023e; +4.1% vs 2022). For 2024e and 2025e, we project EUR 4.6Mn and EUR 4.7Mn, respectively.

**…enable steady (and rising) dividend payments: payout > 100%…** One of YVIT's most compelling arguments is its commitment to shareholder remuneration, "guaranteeing" a growing dividend payment (CAGR 2023e-2025e for DPS of 5.7%; dividend yield 2024e of 3.3%). YVIT boasts a portfolio with exposure to inflation-proof assets in prime locations, which protects the dividend.

**…And low leverage (LTV<20% and EBITDA/interest > 5.4x).** Despite cash outflows from dividend payments and investment in properties, we doubt the company will have any additional cash requirements. This should be enough for the company to maintain a conservative debt ratio to 2025e (LTV<20%).

### C) What's the best-case scenario for YVIT's numbers?

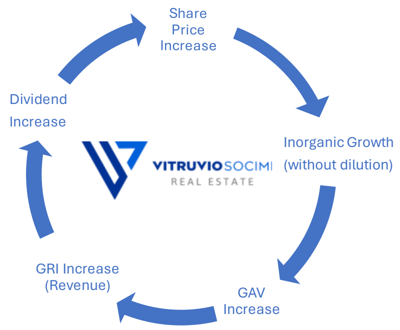
Rising interest rates and an adverse macro environment have penalized real estate asset values in Spain

A deteriorating macroeconomic environment in Spain has clearly hurt real estate stocks. This was mostly caused by the start of interest-rate hikes around mid-2022 (although default and occupancy both rose during Covid-19; -32,9% SOCIMI sector vs IBEX -5y) . Not surprisingly, this had a negative impact on discounts to NAV. Especially in the SOCIMI segment. Thanks to its low-risk model and high liquidity, YVIT held up reasonably well throughout this process. Its discount to NAV (-9%) was much less severe than the sector average (e.g. Merlin and Colonial show discounts to NAV 2023 of 39% and 48%).

YVIT trades at discounts of Mkt cap/NAV of c. 9%

YVIT's smaller relative discount leaves it in better shape to carry out (non-dilutive) capital increases to fund asset acquisitions and benefit from the likely impact of falling interest rates on valuations. M&A growth is inherently risky, although YVIT's management team has already demonstrated skill in undertaking significant growth opportunities over the 2016-2020 period in similar conditions. We have not factored this into our numbers -they do not consider asset rotation- but more deals are likely given the company's track record. And this is our best-case scenario for YVIT. This means leveraging the virtuous circle of a business model designed to deliver inorganic growth with low risk.

***Table 1. YVIT's cycle***




Are we on the verge of entering a new macro cycle?

The current market landscape seems especially propitious for YVIT to seize this virtuous circle in its business model and boost GAV. This would feed through to a "quantum" leap in GRI (which would otherwise be impossible with merely organic growth) and would undoubtedly have an impact on DPS.

### D) In short, YVIT's equity story is (favourably) "linked" to its share price performance and commitment to shareholder remuneration. And in a scenario of low risk.

An equity story with low risk as a core pillar

YVIT enjoys relatively high liquidity (within the SOCIMI segment of BME Growth) and the highest free float of any BME Growth stock. Meanwhile, it has an objectively low level of business risk thanks to: (i) asset diversification and type, (ii) track record of growth without margin erosion, (iii) focus on increasing and protecting the dividend, (iv) "sensible" inorganic growth (in terms of timing, non-dilution and asset type) and (v) low leverage. YVIT's equity story makes no sense without putting it in a context of low structural risk and truly strategic risk.

Low risk is nothing to ignore in any business. It is closely associated with valuation. It adds value. It also explain (not exclusively but to a great extent) the low relative discounts to NAV.

The end result is a company noted for its prudent management. The company stands out for three key features: 1) visibility of revenue, 2) focus on dividends and 3) positive reliance on the share price, allowing for quality inorganic growth.

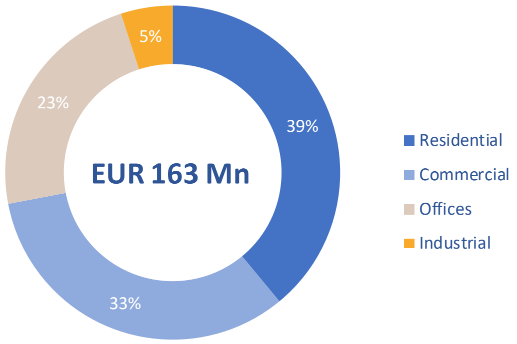
In the face of favorable momentum that allows for a leap in size through inorganic growth

YVIT is enjoying tailwinds right now to take advantage of its conditions (low leverage, low discount) to pursue inorganic growth and make a fresh leap in size. This alternative, for a SOCIMI that has a "network" in its core business, makes this company particularly attractive today. It is a SOCIMI worth investing in (for its liquidity and size). Poised to (possibly) overshadow its organic growth, ordinary profitability and dividend, this could be a real option to "step-up in size" via inorganic growth And without undermining its low risk business profile. It would be fully aligned with shareholders' interests and the share price. What's more, this could ultimately be the "key" to triggering growth via M&A or asset contributions.

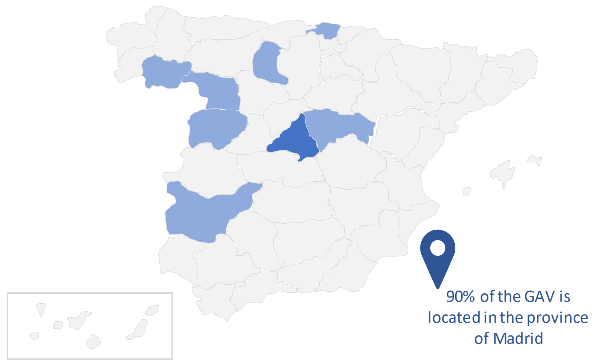
The idea is hardly new. We saw it with Baltasar Gracián in the 17th century: "The Art of Worldly Wisdom" (literally known as "The art of prudence"). Now we could say "the value of prudence". Because the low (structural) risk level of a business is also a source of value creation. And it is capable of explaining lower discount levels.

## The company in 8 charts

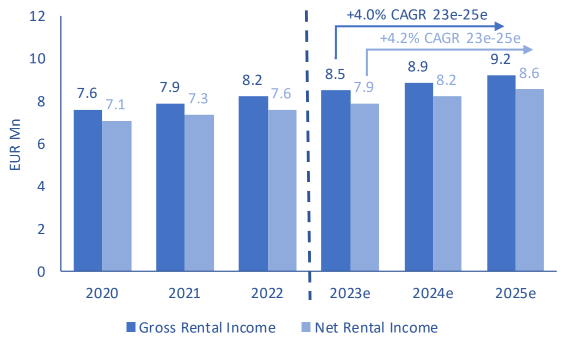
### *YVIT's portfolio (Dec. 2023) is well diversified across residential, commercial, office and logistics assets...*



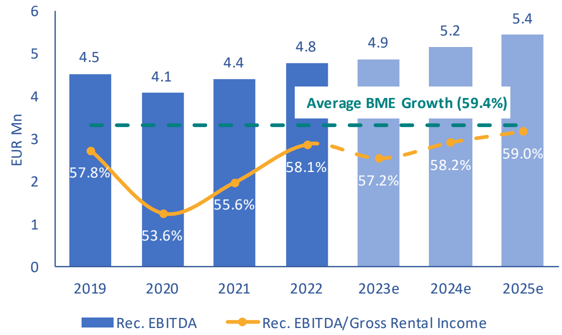

### *...with the bulk of GAV concentrated in high growth areas (90% of GAV in Madrid)*



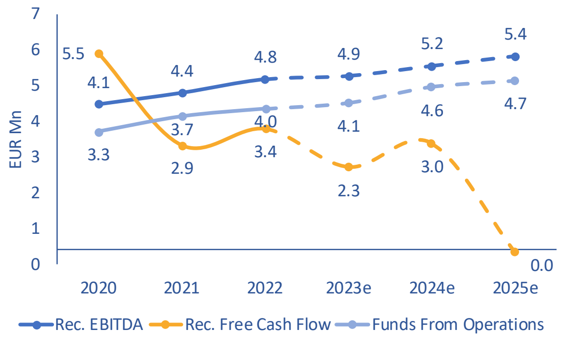

### *Rent increases are the main revenue driver to 2025e (+4.0% CAGR 23e-25e; 5.6% GRI Yield 2025e)...*




### *...keeping margins in line with comps (EBITDA margin >59%)*

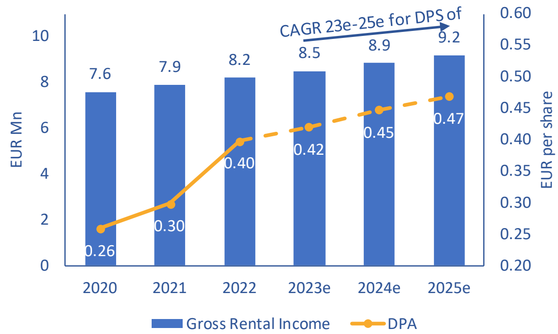



### *The property management business and low CAPEX needs (except 2025e) allow c.50% of recurring EBITDA to be converted to cash*



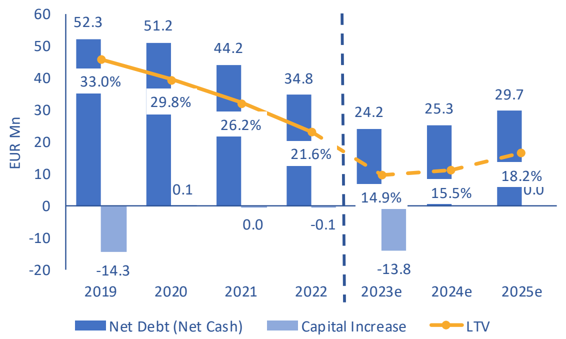

Committed CAPEX for 25e of EUR 4.4Mn for works on the Duque de Rivas (co-living) asset

### *The stable and increasing dividend (CAGR 23e-25e for DPS of 5.7%) is one of YVIT's main attractions (3.2% Dividend Yield 2023e)*

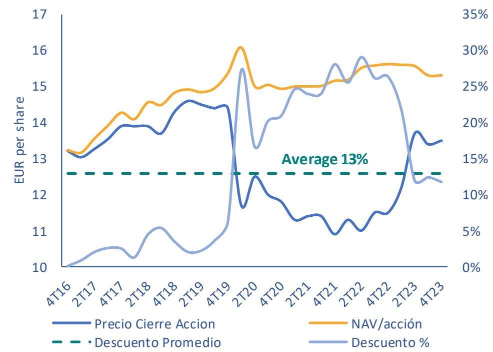



The DPS is based on the number of shares outstanding at the end of the year (unadjusted)

### *A comfortable financial position (LTV 2023e < 20%) thanks to capital increases and asset rotation*




### *YVIT is trading at a discount of nearly 9% to net asset value (NAV)*



## Business description

# A highly diversified (and therefore less risky) Spanish REIT (SOCIMI) with a high free float (94%)

***Chart 1. Geographical mix of YVIT's portfolio based on GAV***

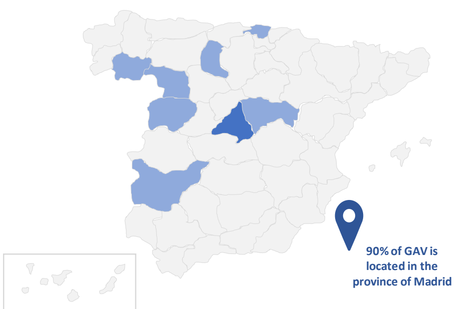



***Chart 2.GAV of the portfolio by asset type (2023)***

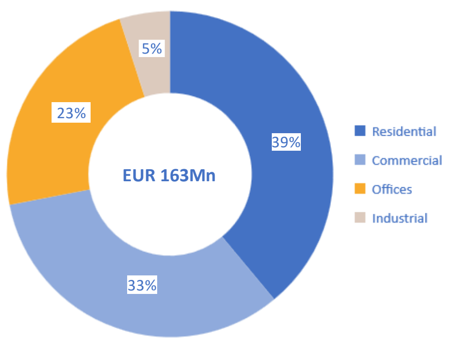



***Chart 3.GAV and NAV (2017-2023)***

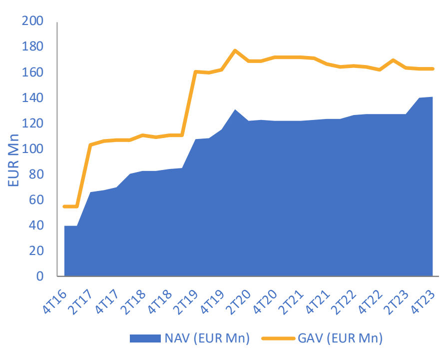
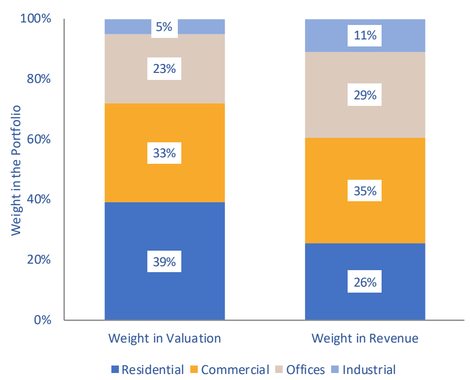



***Chart 4. Weight of portfolio by value and revenue by type***




Vitruvio (YVIT) is the "quintessential" real estate company. Based in Madrid, it is principally engaged in the purchase and development (including refurbishment) of urban real estate for lease. Its (non-speculative) focus on property management ensures sustainable shareholder returns over the long term. YVIT enjoys a well-diversified portfolio, with residential, commercial, office, and industrial & logistics assets. It targets locations with rapid growth and strong demand. The bulk of the portfolio (90%) is concentrated in Madrid (Chart 1).

YVIT files taxes under the special regime for SOCIMIs (0% vs the standard corporate tax rate of 25%). Its shares have been traded on the alternative market (BME Growth) since 2016. It is one of the c.80 SOCIMIs listed in Spain (c.110 if we include those traded on Euronext). Some peers also have diversified portfolios, like Silicius or Grupo Ortiz, but all have free float <50% (vs c.94% for YVIT).

### NAV growth despite an adverse macro environment in recent years… (CAGR 2017-2023: 12.6%)

GAV (gross asset value) at year-end 2023e stood at EUR 163Mn. The portfolio delivered a CAGR of 23% over the 2017-2019 period, driven by inorganic growth. Between 2019 and 2023, the value of its portfolio held largely steady (+0.7%). At year-end 2023, the company had 62 assets, divided up among the residential (39% of GAV), commercial (33%), office (23%) and industrial and logistics (5%) properties.

The company's three main inorganic growth drivers are: (i) granular/selective acquisitions of assets, (ii) family contributions (via equity; with the added advantage of gaining access to Abante's clients as potential contributors) and (iii) acquisitions of other SOCIMIs or real estate companies. The company also carried out cash and non-cash capital increases over the 2017-2023 period for a total of EUR 85.9Mn. M&A and family equity contributions contributed 53.5% (EUR 45.9Mn) of GAV growth between 2017 and 2023 (four transactions: two from family groups and two from REITs). This came after another three transactions with family groups between 2014 and 2016.

NAV (net asset value) in 2023, calculated as GAV less net debt, reached EUR 138,8Mn (CAGR 2017-2023: 12.6%). The main factors driving NAV growth were (i) the reduction in net debt with proceeds from disposals (sales) of non-core assets (EUR 28.8Mn in the 2017-2023 period) and (ii) the inflow of "new" capital via capital increases (EUR 40Mn in three cash capital increases since 2017) and family equity contributions (EUR 13.1Mn since 2017).

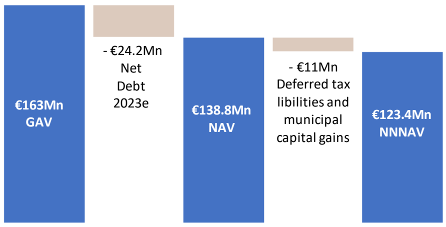
***Table 1. Capital increases (2017-2023)***

| Year | Monetary | Non Monetary | Total | Associated Operation |
|---|---|---|---|---|
| 2017 | 0.0 | 24.6 | 24.6 | Consulnor |
| 2018 | 11.6 | 0.0 | 11.6 | |
| 2019 | 14.6 | 11.2 | 25.8 | Unica Real Estate SOCIMI |
| 2020 | 0.0 | 10.1 | 10.1 | Fidelges |
| 2023 | 13.8 | 0.0 | 13.8 | |
| Total | 40.0 | 45.9 | 85.9 | |

Note: All figures in EUR Mn.

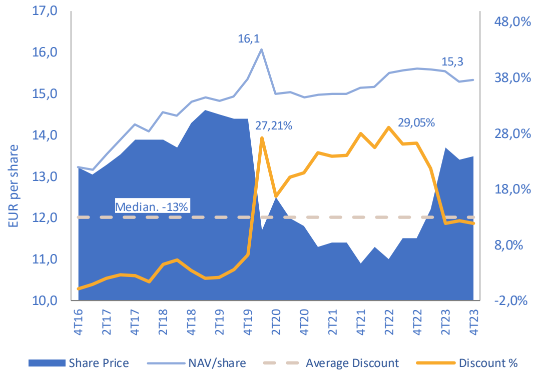
Is there any historical correlation between VYIT's share price and its NAV? From the company's IPO (2016) to 2019, its share price moved in line with NAV. However, in 2022 it traded at a discount of as much as 29% (vs an average of c.-54% for SOCIMIs traded on the continuous market). Behind this discount were: (i) the impact of the Covid-19-induced halt in activity and (ii) hikes in interest rates (July 22-Sept 23: +4p.p.), which squeezed company valuations in the sector. The discount to NAV of the share price gradually narrowed in 2023, to c. -9% (at the date of this report), as macroeconomic uncertainty began clearing. The announcement in the spring of 2023 of the capital increase (specified price of EUR 13.8/share) showed a closer valuation to NAV.

### *Chart 5. GAV, NAV and NNNAV of the portfolio (2023e)*




Note: NNNAV (value of the portfolio in the event of liquidation) is NAV adjusted for deferred tax liabilities and municipal capital gains (EUR 11Mn). Lighthouse estimates.

### *Chart 6. Trend in NAV and share price (2016-2023)*

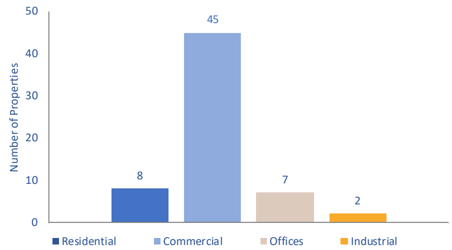



The large post-pandemic discounts and ensuing rate hikes made M&A less appealing (with the share price undervalued), forcing YVIT to opt for more conventional strategies, e.g. capital increases or bank financing. This, in a nutshell, explains why YVIT's business model is so dependent on its share price, to the extent that it share price is a determining factor enabling or "vetoing" equity as a source of funding for inorganic growth.

## Asset diversification adds an "extra" layer of defensiveness, even with the high concentration of prime assets in Madrid.

Spain offers a broad range of real estate options, yet YVIT it still focused on Madrid (the area with the highest GDP and population growth). The company's investment policy is not restricted to just Madrid, rather it aims to extend its footprint into other growing cities, such as Valencia and Malaga. YVIT's strategy is predicated on finding locations that offer opportunities for its main types of assets. This simple explanation for growing demand for places where people can live, work and play is demographic migration to faster-growing cities.

### *Chart 7. No. of units by type, 2023*




Madrid represented 90% of the portfolio's GAV in 2023. The company's assets are located primarily inside the M-30 ring road. The real estate portfolio comprises four types of assets: residential, commercial, offices and industrial & logistics. The properties' prime locations, not to mention the activity carried out by tenants, are factors strategically targeted by YVIT for its commercial portfolio. The majority of its tenants are engaged in the food services (30%), health & beauty (27%) and leisure (13%) business.

Unlike other SOCIMIs, which clearly set their sights on a specific sector (e.g. Colonial in offices or Grupo LAR in shopping centres), YVIT's objective is to seek a balanced portfolio (target of 30% in the main types of assets). This way, it can seize the best opportunities available in the market during the different stages of the cycle: highlighting its defensive traits and mitigating risk for its shareholders. The structure of YVIT's asset portfolio at the date of this report is as follows:

### *Table 2. YVIT's main assets*

| | | | V (€Mn) | % GAV |
|---|---|---|---|---|
| Sagasta 24 | Madrid | Residential | 23.2 | 14.2% |
| Goya 5-7 | Madrid | Office/Commercial | 18.5 | 11.3% |
| Fdz. De la Hoz 52 | Madrid | Office | 12.6 | 7.7% |
| Ayala 101 | Madrid | Residential | 12.5 | 7.7% |
| Ermita del Santo 14 | Madrid | Residential | 9.2 | 5.6% |
| Duque de Rivas 4 | Madrid | Residential | 7.4 | 4.5% |
| Total | | | 83.4 | 51.2% |

i) **Residential:** 39.2% of GAV in 2023, with a yield (GRI/GAV) of 3.4%. During the year, YVIT's eight residential assets produced GRI of EUR 2.2Mn (25.5% of the company's total GRI in 2023). Its most important asset is located at calle Sagasta, 24 (Madrid, 14% of GAV in 2023).

ii) **Commercial:** 33.3% of GAV in 2023 with a yield (GRI/GAV) of 5.5%. The 45 properties produced GRI of EUR 3.0Mn (35.1% of GRI in 2023). The main assets are Artea (in Bilbao, c. 2.9% of GAV in 2023) and Goya 5 (in Madrid, 11.3% of GAV in 2023).

iii) **Offices:** the seven assets accounted for 22.6% of GAV in 2023, with a yield of 6.6% (GRI/GAV) and GRI of EUR 2.4Mn (28.6% of GRI in 2023). Its most important office asset is located at calle Fernández de la Hoz, 52 (in Madrid, c.7.7% of GAV in 2023).

iv) **Industrial & logistics:** the company only has two assets, one in Madrid (Mercamadrid) and one in Guadalajara (Encofradores 4), delivering a yield of 11.5% (GRI/GAV), the highest in the portfolio. These assets produced GRI in 2023 of EUR 0.9Mn (10.8% of the total).

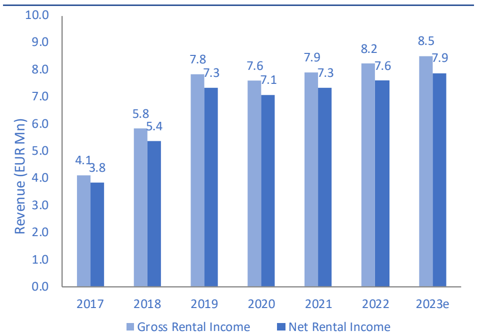
***Table 3. Summary of YVIT's portfolio by asset type (2023)***

| | Residential | Commercial | Offices | Industrial |
|---|---|---|---|---|
| GAV (EUR Mn) | 63.9 | 54.4 | 36.8 | 8.0 |
| Surface (m2) | 17,354 | 14,770 | 8,185 | 18,945 |
| Valuation (EUR /m2) | 3,680 | 3,680 | 4,495 | 423 |
| Occupancy | 98.0% | 91.0% | 98.0% | 100.0% |
| GRI (EUR Mn)* | 2.2 | 3.0 | 2.4 | 0.9 |
| GRI/GAV (%)* | 3.4% | 5.5% | 6.6% | 11.5% |
| Weight in Valuation | 39.2% | 33.3% | 22.6% | 4.9% |
| Weight in Revenue | 25.5% | 35.1% | 28.6% | 10.8% |
| Tenants | 139 | 50 | 28 | 4 |
| Assets (#) | 8 | 45 | 7 | 2 |

## Growth in GAV (2017-2023) drives rental income and allows margins to revisit pre-Covid-19 levels

Revenue consists of gross rental income (GRI) earned by YVIT from leases. YVIT's GRI (revenue in our model) over the 2017-2023e period increased from EUR 4.1Mn to EUR 8.5Mn (CAGR 2017-2023e of 12.9%). The jump in revenue was the result of higher GAV achieved through M&A (2017-2020):

***Chart 8. Revenue (GRI and NRI) 2017-2023e***




- Absorption of Consulnor Patrimonio Inmobiliario (Banca March's investment vehicle) in 2017 through a non-cash capital increase. This added 21 properties (commercial and logistics) worth c. EUR 37Mn to YVIT's portfolio.

- Friendly takeover (2019) of Única Real Estate, acquiring all its shares. This move brought YVIT's portfolio another 36 commercial assets, taking the total to 71 and boosting GAV to c. EUR 150Mn.

- Merger by absorption of Fidelgés, owned by seven family members, in 2020. This raised YVIT's GAV by EUR 10.1Mn.

These corporate transactions resulted in increases in GRI of 48.1% and 24.1% in 2018 and 2019, respectively. GRI growth began stabilising from 2019, at annual rates of c.4.0% (mostly driven by rent increases), except in 2020 (due to the Covid-19-related increase in default in the portfolio).

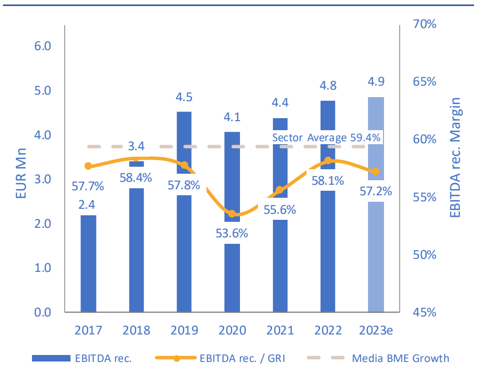
In terms of profitability, the portfolio has achieved an average yield (GRI/GAV) of 4.8% since 2017. The decrease in GAV and increase in NRI resulted in higher portfolio yields in 2021 (+0.3p.p. vs 2020), 2022 (+0.4p.p. vs 2021) and 2023 (+0.1p.p. vs 2022) to 5.2% in 2023e.

***Table 4. GAV, NRI and portfolio (2017-2023e)***

| EUR Mn | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023e |
|---|---|---|---|---|---|---|---|
| GAV | 107.0 | 110.6 | 158.6 | 172.1 | 168.8 | 160.8 | 163.0 |
| GRI | 4.1 | 5.8 | 7.8 | 7.6 | 7.9 | 8.2 | 8.5 |
| Yield | 3.9% | 5.3% | 4.9% | 4.4% | 4.7% | 5.1% | 5.2% |

## A low-risk and profitable business model (recurring EBITDA margin of c.57.2%; in line with comps)

***Chart 9. Recurrent EBITDA (2017-2023e)***




From gross rents (GRI) obtained by YVIT, all "expenses chargeable to tenants" (property tax, regional government fees, mainly from the tertiary sector) are deducted to obtain net rental income (NRI). YVIT achieved an NRI/GAV ratio in 2023e of 4.8% (vs 4.1% in 2020). NRI less "costs that cannot be passed on to tenants" (mainly property tax, rubbish fees, owners' association fees, from the residential sector, as well as repair and maintenance costs, insurance etc.) gives NOI (net operating income). Since 2017, the NOI margin (gross margin) has held steady at c.80%, highlighting the predictability of its behaviour and the strong correlation with revenue.

Below gross margin, Abante's portfolio management fee is YVIT's largest expense item. In 2023 and 2022, this expense amounted to c. EUR 1Mn (Abante's fee is 0.75% of NAV plus a 5% success fee for growth in NAV/share with high-water mark).

Abante's operating expenses include management and administration of the properties, as well as accounting, filing taxes, and the marketing and communication strategy. Its success fee is contingent on the increase in NAV/share; the execution of capital increases has no impact. There are no commissions associated with the raising of capital resources for Abante.

Other overhead (other operating expenses) relates to fixed operating expenses, e.g. legal and regulatory advisors, audits, asset appraisals, banking services, etc. YVIT posted record recurring EBITDA in 2023e of EUR 4.9Mn (+1.8% vs 2022; EBITDA margin 2023e: 57.2%).

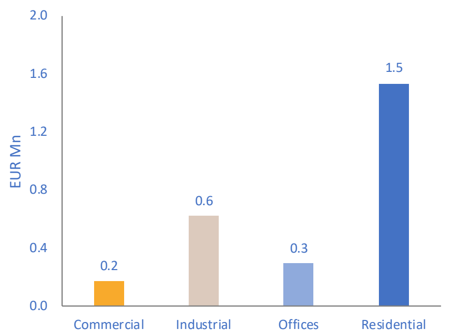
The main factors driving YVIT's recurring EBITDA (i.e. excluding gains or losses on disposals) are: (i) the trend in rents (set by the market), (ii) occupancy (c.96%) and (iii) efficiency in managing the portfolio.

Recurring EBITDA in 2017-2023e grew at a CAGR of 12.7% (in line with GRI, NRI and NOI), lending strong visibility. The recurring EBITDA/GRI margin remained at around 56.9% (in line with YVIT's comps) during the same period. In 2020, it narrowed to 53.6% (-4.2 p.p. vs. 2019) because of the pandemic, before recovering in the following years to 57.2% in 2023e (-0.9p.p. vs 2022).

***Table 5. Main KPIs (2017-2023e)***

| EUR Mn | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023e |
|---|---|---|---|---|---|---|---|
| **Gross Rental Income** | **4.1** | **5.8** | **7.8** | **7.6** | **7.9** | **8.2** | **8.5** |
| GRI Growth | | 41.8% | 34.1% | -3.0% | 4.0% | 4.1% | 3.5% |
| **Net Rental Income** | **3.8** | **5.4** | **7.3** | **7.1** | **7.3** | **7.6** | **7.9** |
| NRI Growth | 93.4% | 92.1% | 93.6% | 93.2% | 92.9% | 92.4% | 92.7% |
| **Net Operating Income** | **3.2** | **4.7** | **6.3** | **6.0** | **6.2** | **6.3** | **6.8** |
| NOI Growth | 77.5% | 80.2% | 80.4% | 78.6% | 78.9% | 77.1% | 79.7% |
| **Recurrent EBITDA** | **2.4** | **3.4** | **4.5** | **4.1** | **4.4** | **4.8** | **4.9** |
| Rec EBITDA / GRI | 57.7% | 58.4% | 57.8% | 53.6% | 55.6% | 58.1% | 57.2% |
| **EBITDA** | **2.4** | **3.9** | **5.2** | **4.2** | **4.4** | **6.9** | **5.7** |
| EBITDA / GRI | 57.9% | 66.5% | 66.7% | 54.8% | 55.8% | 83.6% | 66.6% |
| **KPIs** | | | | | | | |
| GAV | 107.0 | 110.6 | 158.6 | 172.1 | 168.8 | 160.8 | 163.0 |
| NAV | 69.7 | 81.1 | 115.7 | 121.6 | 123.0 | 127.4 | 138.8 |

***Chart 10. Gains/(losses) on disposals by type (2017-2023)***




We calculate EBITDA for the company by adjusting the value by gains or losses on disposals in the period (as we consider them to be part of SOCIMIs' ordinary activities). EBITDA grew at a CAGR of 15.5% in 2017-2023e. The increase was helped by gains on asset disposals. Indeed, over that same period, cumulative gains on disposals amounted to EUR 2.9Mn.

***Chart 12. From revenue to EBITDA (2023e)***

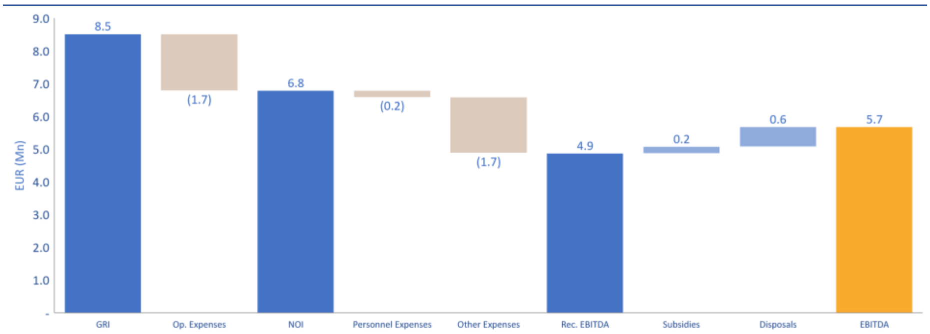
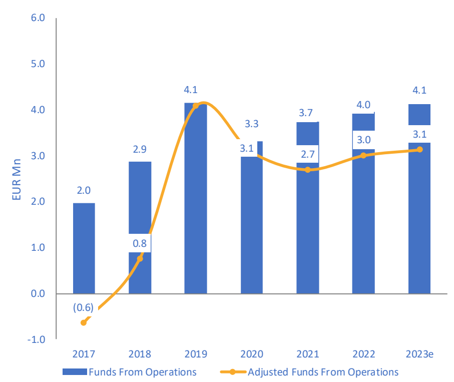



***Chart 11. FFO and AFFO (2017-2023e)***




## ...and increasing cash generation.

The trend in operating cash flow (funds from operations or FFO), i.e. net profit for the year adjusted for all non-cash items, has risen sharply, from EUR 2.0Mn in 2017 to EUR 4.1Mn in 2023e (CAGR 2017-2023e: 13.0%). FFO/share over the same period grew from EUR 0.40 to EUR 0.45. (CAGR 2017-2023e: 1.8%). The FFO performance ensures YVIT's dividend policy (EUR 0.45 FFO/share vs EUR 0.42 dividend/share in 2023e). Adjusted funds from operations (AFFO), or FFO less CAPEX, increased from EUR -0.6Mn in 2017 to EUR 3.1Mn in 2023.

*Chart 13. Recurrent FCF (2017-2022)*

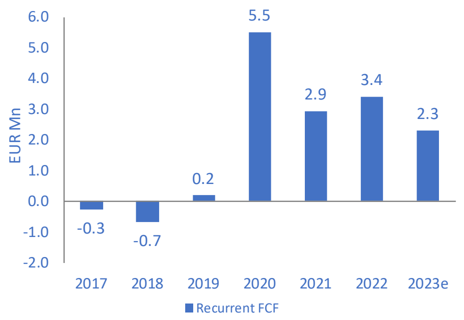



*Chart 14. LTV (%) and ND (2017-2023e)*

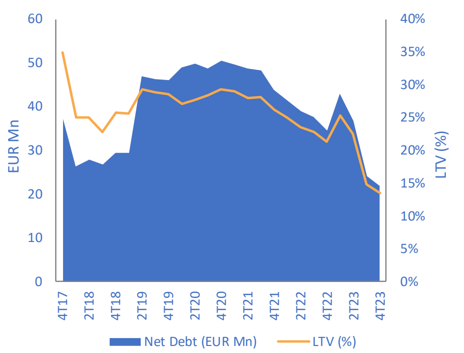



*Chart 15. Maturity of gross debt*

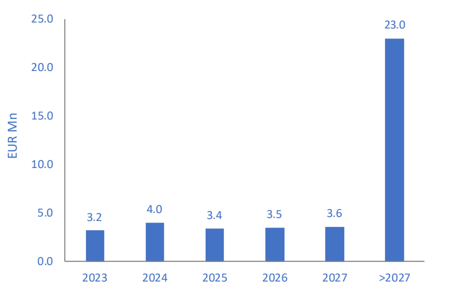



*Chart 16. Approved dividend per share (2017-2023e)*

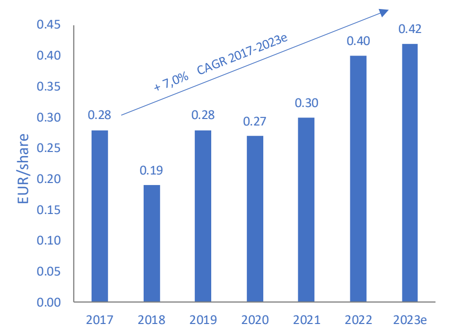
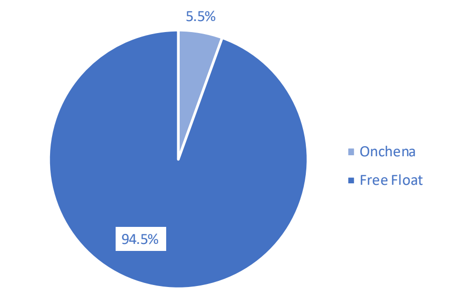



*Chart 17. Shareholder structure (2023)*




The main items undermining recurring cash generation are (i) financial costs (c. EUR 0.9Mn/year) and (ii) CAPEX. Of the total properties in the portfolio, 10% are CAPEX-intensive, mostly residential assets requiring refurbishment. Investment requirements for the rest of the assets are lower. Cumulative CAPEX from 2017 to 2023 was EUR 7.9Mn (70.7% of which related to residential assets).

Recurring FCF in the period increased from EUR -0.3Mn to EUR 2.3Mn. The key items affecting the company's FCF are asset rotation and acquisitions of assets/SOCIMIs. Asset disposals over the 2017-2023 period amounted to EUR 28.8Mn.

### The company's leverage (14.9% of GAV) shows a sound financial position, boding well for more inorganic growth (assets or M&A).

YVIT's bylaws put a cap on leverage (ND/GAV) of 33%, although this limit can be raised to 40% for exceptional reasons, but only for one year.

The company embarked a non-core asset disposal strategy in 2020 as a way to reduce leverage (ahead of interest rate hikes) so as to seize and capitalise on the best opportunities in the market. YVIT pursues an active portfolio rotation strategy. The objective, as it has been in recent years, is to rotate 3%-5% of the portfolio each year. Since 2020, the company has disposed of assets to the tune of EUR 22.1Mn.

Meanwhile, YVIT uses proceeds from capital increases as a funding source for investments. It carried out seven capital increases (EUR 85.9Mn) between 2017 and 2023.

Net debt at year-end 2023 stood at EUR 24.2Mn (-30.3% vs 2022; -45.2% vs 2021), of which 49% is hedged against changes in interest rates. The weighted average cost of debt is 3.5% vs a 5.1% portfolio yield (GRI/GAV).

Since the company made its debut on BME Growth in 2016, it has maintained average leverage (ND/GAV) of c.27%, exceeding the 33% limit only during two quarters in 2017 in the wake of the Consulnor absorption (46% TV). LTV at year-end 2023e was 14.9% (vs 21.6% in 2022; vs 29.8% for SOCIMIs listed on BME Growth), its lowest since 2015 because of the July 2023 capital increase (EUR 13.8Mn). The EBITDA/interest ratio in 2023 was 4.6x (vs a 4.6x average since 2016).

### A rising dividend payout (CAGR 2017-2023 for DPS of 7.0%), resulting in a dividend yield 2023 of 3.2%

As a SOCIMI, YVIT is obliged to distribute (on compliance with its legal obligations): (i) 100% of profits obtained via dividends, (ii) at least 50% of profits obtained from transfers of properties/shares/equity interests and (iii) at least 80% of all remaining profit.

The company has kept payout above 100% since 2020. DPS in the 2017-2023 period increased at a CAGR of 7.0%. As of 2022, YVIT has distributed four quarterly dividends of equal amounts throughout the year. Specifically, YVIT has approved a dividend of EUR 0.42/share (distributed in four payments throughout 2023), which at current prices gives a dividend yield of 3.2%; payout > 100%. Since its IPO (2016), YVIT has distributed EUR c.16.3Mn of dividends to shareholders, giving a cumulative payout of 279%.

### A well-diversified shareholder structure with no controlling shareholders. This is a "rarity" among Spanish SOCIMIs.

Since its incorporation in 2014, the company has completed 14 (cash and non-cash) capital increases for an aggregate amount of EUR 120Mn. This resulted in dilution for its core shareholders. YVIT has no controlling shareholder at present and the only shareholder with a stake of >5% is Onchena (family office).

Unlike other SOCIMIs listed on BME Growth, with average free float of under 10%, YVIT has a 94% free float. At year-end 2023, the company had c.650 shareholders (Onchena: 5.5%). This indicates a high level of liquidity compared to the rest of BME Growth's SOCIMI segment.

### In conclusion, what is YVIT today? The key lies in its diversified asset mix. In other words, it can achieve (real) growth with little risk.

We see YVIT as a SOCIMI with a diversified portfolio by asset type in prime locations that pursues a business model predicated on:

- **Exposure to different asset types.** The company boasts a balanced portfolio of residential, commercial, office and industrial assets, enabling it to take advantage of the different stages in the cycle and adapt to new trends influencing demand. This diversification makes the business more resilient while mitigating the inherent risks.

- **Portfolio of "prime" assets in Madrid.** YVIT's properties are strategically located within the metropolitan area. Locations in Madrid ensure sound demand and high occupancy (average occupancy of 96%). Moreover, the quality of its tenants and their restraint helps to reduce portfolio default risk. Geographical diversification at present is limited (Madrid >90% of GAV in 2023).

- **Recurring income**. Rents from leases are recurring and increasing, contingent on occupancy (close to full occupancy). GRI grew at a CAGR in 2017-2023 of 12.9%.

- **Abante as its management company**. By outsourcing management to Abante Asesores, the company achieves margins in line with its peers (recurring EBITDA margin 2023e: 57.2%). Also, access to Abante's client portfolio could provide a source of potential shareholders for participation in capital increases and equity contributions.

- **Conservative leverage,** below the sector average. YVIT ended 2023 with net debt of EUR 24.2Mn (LTV of 14.9% vs. 29.8% for SOCIMIs on BME Growth). This implies a conservative capital structure. And low risk.

- **A "secure" and increasing dividend.** Shareholder returns have steadily and consistently increased (CAGR 2017-2023 for DPS of 7.0%). The company has approved a dividend of EUR 0.45/share for 2024e (+7.1% vs. DPA 2023).

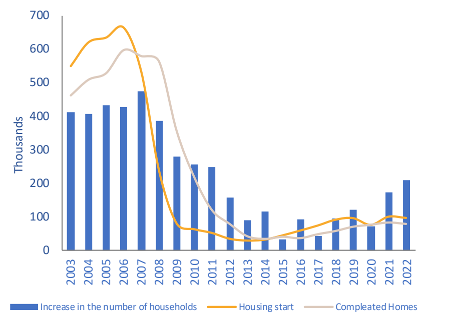
- **High liquidity,** with free float at c.94% and a broad shareholder base (c. 650 shareholders), making YVIT one of the most liquid and easiest to invest in SOCIMIs on the BME Growth market, with cumulative trading volume of EUR 38.9Mn since its IPO (29.4% vs current market cap). A diversified shareholder structure is part of YVIT's strategy. Average annual share turnover of 5.5%.

- **The market as its primary target.** In YVIT's (short-, medium- and long-term) strategy, the market is not just "unavoidable", but rather the "crux" of its equity story. This is because access to non-bank financing (allowing for acquisition-led growth) depends almost exclusively on YVIT's own share price.

YVIT today should be considered a listed SOCIMI and an investment opportunity for its size and liquidity. The business model has "objectively" very little risk (diversification, asset location, leverage) and the focus is 100% on shareholders. The company aims to deliver NAV, dividend and share price growth, without undermining its low risk profile. We see it as a practical and realistic play to take advantage of the highly likely trend reversal for listed Spanish real estate companies in 2024 (+13.5% vs Ibex 35 over the last 12 months).

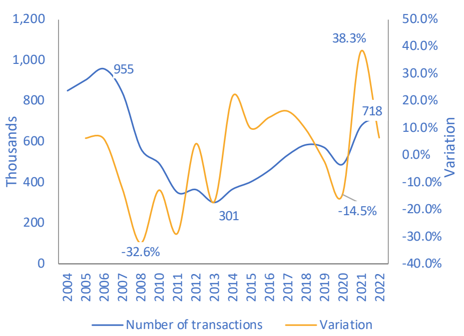
# Supply-demand imbalances are crucial to understanding Spanish REITs (SOCIMIs).

***Chart 18. New homes vs housing starts and completions in Spain***



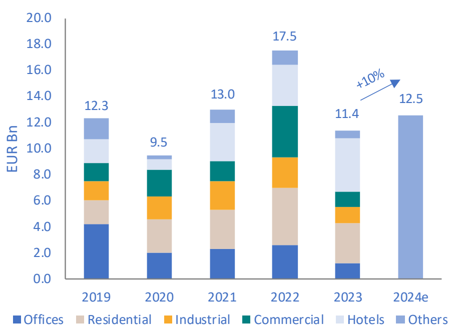

Source: MITMA, Bank of Spain

***Chart 19. No. of real estate transactions in Spain***




Source: MITMA

***Chart 20. Annual investment volumes by sector***




Source: CBRE

The real estate industry shows a strong correlation with the stage in the economic cycle and is a valuable economic indicator. When the real estate sector fares well, so does the economy (and vice versa). The short- and medium-term outlook for the industry will be dictated by tight and inelastic supply, as well as the impact of the macroeconomic situation (more fluctuating and dynamic) on demand.

When assessing the sector, the macroeconomic component is still the main factor. However, exposure to the various industry segments (e.g., residential, retail, offices, logistics) ensures diversification, allowing for resilience in adverse economic environments (high inflation and interest rates) as each type of property behaves differently in the different stages of the economic cycle.

In this section we look at the supply and demand dynamics of the Spanish real estate market over the past few years, performance of sectors where most of YVIT's portfolio lies and the market for listed Spanish REITs (SOCIMIs) in Spain.

### The current macroeconomic landscape, with high interest rates and the slowdown in growth, poses a 'theoretical' challenge for the real estate sector.

High inflation has prompted central banks to raise the cost of debt despite the clear risk of recession. From a strictly theoretical viewpoint, high interest rates mean higher financing cost for property buyers and, in turn, lower demand and prices.

Spain's real estate market has been resilient despite the adverse backdrop (weak economy, inflation and high interest rates). The sharp jump in interest rates (+4.5p.p. between July 22 and Sept 23) has not undermined housing prices (+12.9% over the past two years) or rents (+18.0% in the same period).

### Spain's real estate market has undergone a major "transformation" since the latest property crisis (and in the wake of Covid-19)...

The real estate market in Spain has changed dramatically over the past 15 years. And for the better. The snapshot today after a lengthy restructuring and reorganisation process bears little resemblance to that after the 2008 crisis. Total investment in real estate fell by 35% in 2023 to EUR 11.4Bn, slowed by financing conditions. However, this decrease was below the European average of -48% vs 2022.

Key features of the performance by the residential sector include: (i) according to the IMF, the household debt-to-GDP ratio ended 2022 at 53% (vs 89% in 2009), (ii) the mortgage debt-to-GDP ratio was 20% in 2023 vs 40% in 2008), (iii) the requirements for approving a mortgage have become stricter (LTV of 80% vs 100% in 2008), and (iv) the supply of available real estate has decreased dramatically (cumulative change in stock of +532% in 2004-2009 vs -31% in 2009-2022).

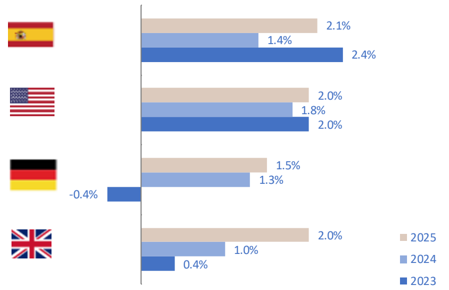
Since the pandemic ended, the rapid recovery in tourism has benefited the hotel sector most. Indeed, over >35% of investment was in hotels in 2023 (vs 20% in 2019). According to CBRE, total transaction volume exceeded EUR 4Bn for the year (TTM; +30% vs 2022).

Meanwhile, retail and office space in Spain have seen their shares of investment decrease gradually in favour of hotels and residential real estate. With remote working now firmly established, investment in office property has suffered. Office transaction volume in 2023 plunged 54% YoY to EUR 267Mn according to CBRE. Investment in this type of asset represented >15% of the total for the year (vs c.40% in 2015). Demand for prime space in Madrid remained high, however, accounting for 72% of total investment in offices.

The boom in e-commerce boom has taken a toll on commercial property, which became less appealing in 2023 and saw investment volume plummet by 70% to EUR 267Mn. Even so, retail firms remain committed to the in-store shopping experience; this will dictate the future trend of the retail sector.

These changes (partly) explain the sector's heterogeneity in Spain, not to mention the impact of trends and habits on the different segments. We expect 2024e to be a year of transition, with growth of 5-10%, primarily in the year's second half, though this outlook is extremely dependent on the macroeconomic scenario.

***Chart 21. GDP growth forecasts for 2023,2024 and 2025***




Source: OECD, BCE.

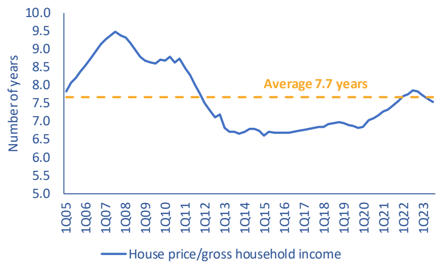
### …and a health uptick in demand (CAGR 2014-2022: +8.8%).

The 2008 economic crisis caused residential demand to fall sharply, with the number of transactions dropping from nearly a million a year (including new and second homes) to c.300,000 homes/year in 2013. The recovery, which kicked off in 2014, was driven by four factors: i) job growth, ii) easier access to credit (interest rates of c.0% in 2013-2022), iii) the recovery in confidence in the economy and iv) strongly pent-up demand after the several years long crisis. Data from the Spanish Ministry of Transport, Mobility and Urban Agenda (MITMA) show that housing transaction volume in 2022 totalled c.717,000 (+6% vs 2021 and +47% vs 2020). This marked its best performance since 2007 (c.837,000 transactions), illustrating sound demand.

### Rising demand versus stagnant and insufficient supply explains both the structural housing shortage and the upward pressure on real estate prices.

One of the principle consequences of Spain's housing crisis that began in 2008 was the sharp contraction in housing starts. Non-subsidised housing starts dropped from c.600,000 in 2006 to a low of c.35,000 in 2014 (a c.94% reduction in supply).

***Chart 22. No. of years to needed to purchase a house***




Source: Bank of Spain

This resulted a structural shortfall that is still propping up prices. According to Idealista, housing prices in Spain rose by 8.1% in 2023 (+7.6% YoY in 1H23). YoY performances elsewhere in Europe at the end of 1H23 revealed a downward trend (Germany c.-9.9%; Netherlands c.-4.3%; Eurozone c.-1.7%) reflecting the (theoretical) impacts of interest-rate hikes.

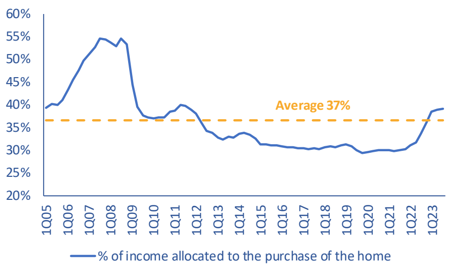
The main reasons for this 'abnormal' behaviour of housing prices in Spain are:

i) The shortage of houses. Housing starts and completions in 2022 totalled c.97,000 and c.80,000, respectively. Meanwhile, the number of new homes reached c.200,000. The cumulative difference the number of new homes and housing starts in the last decade (2013-2022) is c.467,000 homes.

ii) Strong demand from foreign buyers in both the residential and tourism sectors. Foreign investment in Spain has soared (primarily in Madrid and Barcelona) since the pandemic-related restrictions were lifted. According to Spain's Land Registry (Colegio de Registradores de España), 13.75% of home purchases in 2022 were made by foreigners.

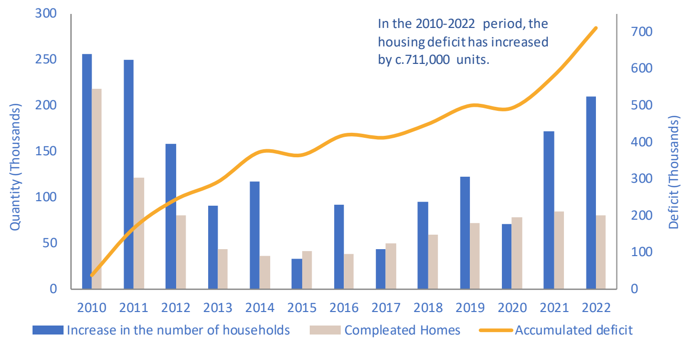
iii) Rising building material costs, which also hindered the rebound in new construction.

***Chart 23. Average affordability of Spanish households to purchase a house***




Source: Bank of Spain

***Chart 24. Increase in the number of households vs housing completions***




Source: Bank of Spain, MITMA.

In a nutshell, Spain's residential market appears to be bucking the trend compared to the rest of Europe. It has moved from a scenario of excess supply at the beginning of the century to one where demand (heavily) outstrips supply at present. The market has largely shrugged off the increase in borrowing costs. Foreign investment and demand should continue to support prices in the real estate market (which we estimate will continue to trend upward in the medium term).

***Table 6. Growth in housing prices vs GDP in Spain***

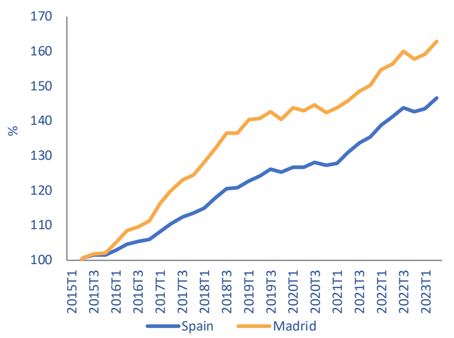
| Spain | 2020 | 2021 | 2022 | Accumulated 19-22 | 2023e | Accumulated 19-23e |
|---|---|---|---|---|---|---|
| **Housing Price** | 0.9% | 3.2% | 4.4% | 8.7% | 8.1% | 17.5% |
| **GDP** | -11.2% | 6.4% | 5.8% | 0.0% | 2.4% | 2.4% |
| Differential | 12.1% | -3.2% | -1.4% | 8.7% | 5.7% | 15.2% |

## Spanish household housing affordability: ownership vs rental

Housing prices have consistently outpaced wages in recent years. This, coupled with higher financing costs, has undermined families' purchasing power, widening the gap between housing prices and household income. Since 2013, average affordability (years to own) of Spanish households to purchase a home has risen steadily. According to Bank of Spain figures, average affordability of Spanish households to purchase a home in 2022 equated to 7.8 years of gross income (vs 9.4 years in 3Q07 and above the long-run average of 7.7 years).

The percentage of gross income earmarked for rents in 2023 was 43% (vs 28% in 2014). According to Idealista and Fotocasa, the residential rental price has increased by 61.5% between 2014-2023 while the gross disposable income per household has increased by 21.3% during the same period.

***Chart 25. Trend in average rents in Madrid and Spain***

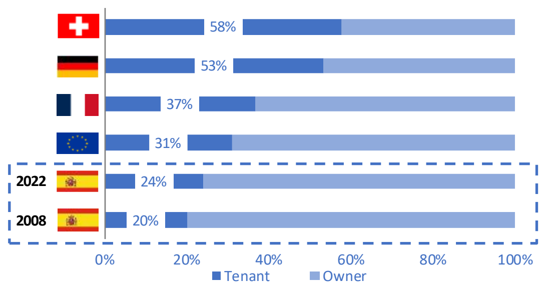



Source: INE

## All signs point to sustained growth in the rental market in the coming years

The Spanish real estate market is characterised by its historically low percentage of rentals compared to home ownership (c.24%). The level has increased since 2008 (+4p.p.) but still lags far behind the European average (31%).

***Chart 26. Home ownership vs rental in Europe***




Source: Eurostat

***Table 7. Change in rental price vs. change in salaries (2014-2023)***

| Portal | Periodo | Variación Precio del alquiler | Variación Renta Bruta | Varaicion Salarios |
|---|---|---|---|---|
| Fotocasa | 2014-2023 | 61.5% | 21.3% | 13% |
| Idealista | 2014-2023 | 61.6% | 21.3% | 13% |

This tendency has caused rents to go up, especially in Madrid and Barcelona. Specifically, prices in Madrid now stand at EUR 17.9/m2 (vs EUR 11.5/m2 in 2012). The shortage of new homes is the main culprit behind price rises.

As we see it, these are structural reasons that are unlikely to be easily reversed, ensuring continued growth of rentals vs ownership, therefore boding well for further growth in the rental market in favour of the large industry players (i.e. the SOCIMIs). One of these players is precisely YVIT, which boasts a diversified portfolio that produces net annual rents of EUR 2.1Mn in residential, EUR 3.0Mn in commercial, EUR 2.3Mn in offices and EUR 0.8Mn in logistics (c.90% of revenue is generated in Madrid and surrounding areas).

## Residential real estate: slowdown in investment, but the shortage of supply is driving prices

Investment volume in Spain's rental real estate market decreased between January and September 2023 to EUR 1.32Bn (-35% vs 2022). In 3Q23, volume was over EUR 270Mn. However, prime yields in Madrid rose to 4.0% (+0.75p.p. vs 2022). The difficulties buying a home have led to higher demand for rental property. Scarcity of supply in Spain's largest cities has resulted in sustained growth in rental prices (+10.1% in 2023; CAGR 2020-2023: +4.33%).

## Offices: rents in 'prime' buildings are still going up

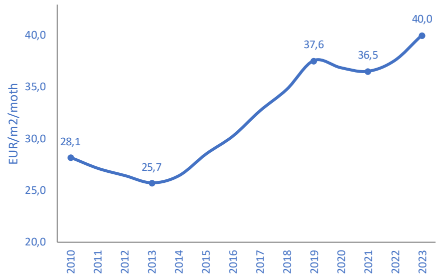
Occupancy in Spain's office market is around 75%, in line with the European average. In Madrid, the vacancy rate is 9.7% (occupancy rate of 90.3%). Levels around the city centre (inside the M-30 motorway) have remained more stable thanks to strong demand for high-quality offices in premium locations.

Prime rents in Madrid through September 2023 inched up by 2% YoY to c.EUR38/m², leaving a yield of 4.5% (+0.35p.p. YoY). Central Madrid is still attractive for renters willing to pay more for office space in high-quality buildings in prime locations. Our estimates for office rents for the 2024e-2026e period point to a CAGR of +1.1%, fuelled by solid demand for quality space and despite the absorption of new supply.

Demand for office space in Madrid in 2023 came mostly from companies in the professional services, real estate and education industries, with retail and consumer sectors showing a lower profile compared to 2022. Higher demand from tenants, especially in prime areas, landlords and investors in offices that meet ESG standards is driving the creation of new sustainable building projects in Spain.

Rents in Class A buildings can be as much as 15% higher on average than in other buildings. Buildings that fail to meet quality standards are seeing higher vacancy rates, price discounts and less room to raise rents, potentially leading to their conversion for other uses. Sustainability (ESG) in the office segment has emerged as a differentiating factor and growth driver.

***Chart 27. Evolution of office rental prices inside M-30 (Madrid) (2010-2023)***




Source: CBRE

## Commercial: the improved economic context bodes well

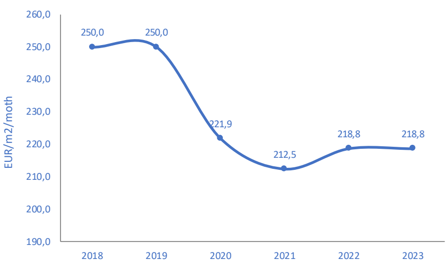
Spain's commercial rental market is facing challenges arising from dwindling household income and the slowdown in non-essential retail sales. Even so, working in its favour are the rebound in tourism and the strategic value of brick-and-mortar stores. Footfall in the main commercial areas in Madrid and Barcelona is now back at pre-pandemic levels. Local demand for high quality in large city areas is still robust and retailers continue to look for new space, albeit taking a selective approach to new store openings.

Investment in the commercial segment was hit hardest in 2023, dropping by 70% compared to 2022. E-commerce poses the biggest challenge to these stores and has led to their reinvention as pick-up or delivery points. Areas that guarantee the highest footfall have held up best.

Prime yields have ticked up since the second half of 2022, encouraging investors to be more selective in their assessments of commercial assets. The prime yield for shopping centres by the end of 9m23 stood at 6% (+0.6 p.p. YoY). The prime yield for free standing stores reached 3.9% (+0.45 p.p. YoY), compared to 5.8% (+0.35 p.p. YoY) for retail parks. For the 2023e-2027e period, we estimate a CAGR of 1.9%.

Shifts in consumer trends caused by economic uncertainty at present have led to a slowdown in investment. However, we expect investors to remain interested in the commercial segment, especially for ESG-compliant assets, ushering in a recovery by investment over the medium and long term.

***Chart 28. Evolution of retail prices High Street Madrid (2018-2023)***




Source: CBRE

## SOCIMIs: an effective (and "unique") investment opportunity among Spanish listed real estate companies

According to the 2023 report by JLL "SOCIMIs, un mercado que se consolida" (SOCIMIs, a growing market), the United States has the largest market for REITs (Real Investment Trusts) in the world, with a total market capitalisation of EUR 1.2 trillion (4.8% of its GDP). SOCIMIs are Spanish REITs. In Europe, the UK is biggest market, with EUR 65Bn (2.1% of its GDP). In Spain, SOCIMIs had a market cap at year-end 2023 of EUR 23.33Bn (1.6% of GDP, with a healthy, and still growing, level of penetration considering that the sector/vehicle has only been around for 12 years.

SOCIMIs were first created in Spain in 2009 (under Law 11/2009). Not surprisingly, they were not well received at first as the tax treatment afforded them was different to that applied to REITs in other parts of the world. It wasn't until the enactment of Law 12/2012 towards the end of 2012 when Spanish SOCIMIs were governed by a similar regime to their international counterparts.

At the time of writing, 81 SOCIMIs were listed in Spain. Of these, only four (Merlin Properties, Inmobiliaria Colonial, Lar España and Árima) traded on the continuous market and represented c.40% of the total market cap for SOCIMIs. Merlín and Colonial alone account for c.35% of the total value of listed SOCIMIs.

The rest are listed on BME Growth. Generally speaking, institutional investors know very little, if anything at all, about SOCIMIs, which show differing levels of exposure to Spanish real estate in terms of both type of property (residential, offices, commercial, logistics and hotels) and geographical market. These companies have almost all their assets in Spain.

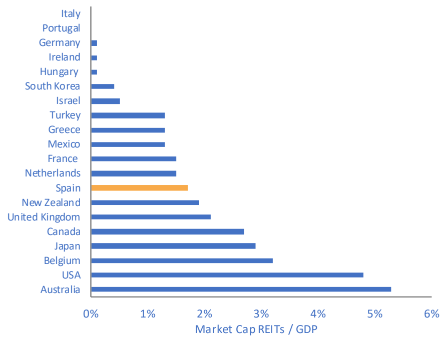
Moreover, the Spanish real estate sector is highly fragmented. These investment vehicles have an average size of c. EUR 200Mn (i.e. much smaller than their counterparts in other markets, such as Japan, Australia, the UK, Canada or France). This could indicate that M&A would be a natural path to growth and that the sector could well trend towards concentration (aided by the current macroeconomic situation).

***Table 8. Corporate deals in the real estate sector (2021-2022)***

| Target Company | Buyer | Year | Deal Value (EUR Mn) | Stake |
|---|---|---|---|---|
| Tree Inversiones Inmobiliarias | BBVA | 2022 | 1,987 | 100% |
| Blecno Investment | Santander | 2022 | 299 | 100% |
| Mile 22@ | GMP SOCIMI | 2022 | 220 | 100% |
| C.C. Torrecardenas | Lighthouse Properties | 2022 | 172 | 100% |
| La finca global asset SOCIMI | Grupo la finca promociones | 2022 | 130 | 38% |
| Lar España SOCIMI | Castellana Properties | 2022 | 96 | 22% |
| Montepino | Bankinter | 2021 | 1,200 | 95% |
| Vivenio | Aware Super | 2021 | 800 | 49% |
| Société Foncière Lyonnaise | Colonial | 2021 | 800 | 13% |
| Meridional Gallega | Montebalito | 2021 | 12 | 100% |

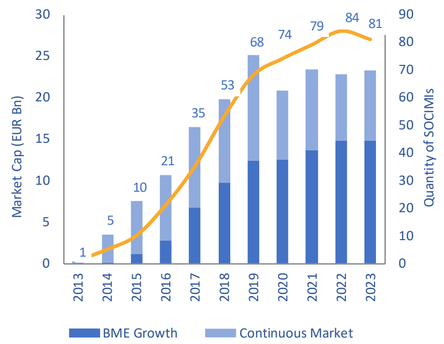
Source: Facset, CAPCorp

***Chart 29. Capitalizations of REITs vs GDP (2022)***



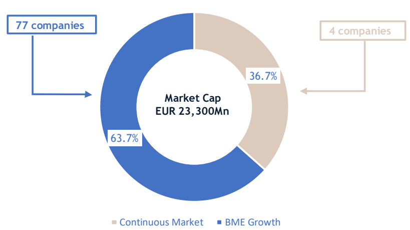

Source: JLL

***Chart 30. Growth of SOCIMIs in the Spanish market***




Source: Facset, BME

***Chart 31. Market of listed SOCIMIs in Spain. (Continuous and BME Growth)***




Source: Facset, BME

The market's view of the SOCIMI segment of BME Growth is that it comprises a bunch of small companies (average mkt cap of EUR 180Mn), with extremely low free floats (over 80% of SOCIMIs have a free float of < 20%) and scant liquidity of <1% (annual volume vs mkt cap).

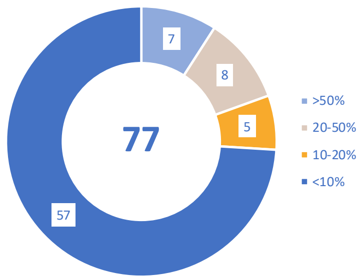
We can distinguish between two groups of SOCIMIs listed on BME Growth. One includes those operating as investment vehicles for other companies and/or family wealth management companies. These companies' primary objective would not be to bring aboard new investors or expand their shareholder base, which explains their low free float ratios (<10%). This is one of the main reasons behind the sector's scant liquidity. Because of these SOCIMIs' small size and illiquidity (most of the SOCIMIs on BME Growth), they're not the best target for an institutional investor.

Secondly, we have SOCIMIs that, in our view, are certainly "investment-worthy"; i.e. open to attracting new shareholders and are of, or have, a decent size/free float/liquidity. Put another way, the SOCIMI segment of BME Growth, until now almost always equated with extremely scant liquidity and not a particularly compelling investment choice, does contain some companies that "pass any test" of standard investment selection criteria.

We have selected those SOCIMIs with a market capitalisation of over EUR 100Mn and a free float above 20% (aggregate market cap of c. EUR 2.4Bn). The average market cap per SOCIMI is EUR 160Mn, with average liquidity (free float) of over 2.2%.

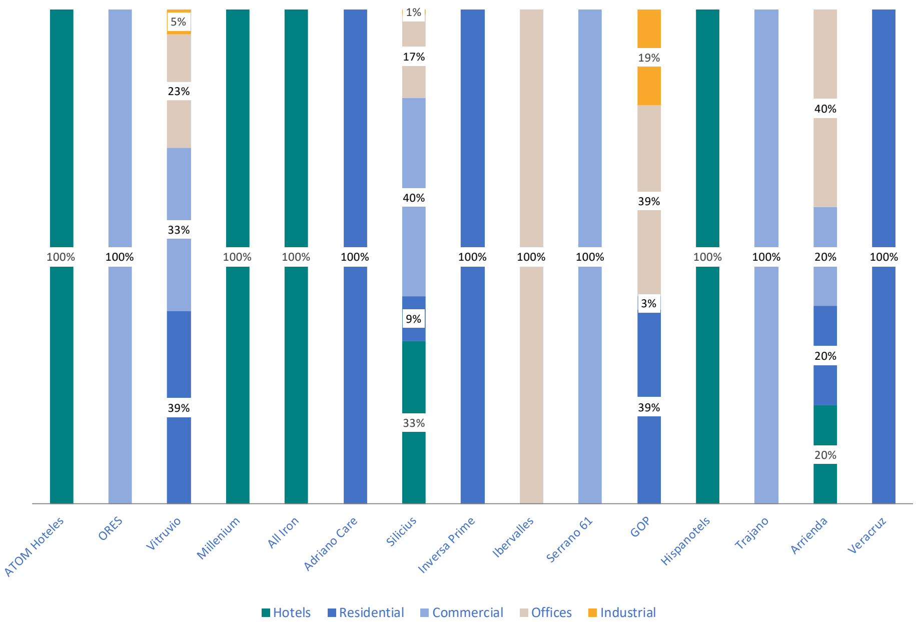
A diversified asset mix is an important way for a SOCIMI to 'weather' the different stages in the cycle, enabling investors who take a conservative approach to reap the most attractive returns in the sector, while at the same time lowering the risk of their investment. The SOCIMIs selected as investment-worthy are especially appealing as they offers a range of asset mixes.

### Chart 32. No. of SOCIMIs on BME Growth by free float




Source: Facset, BME

### Chart 33. Standard portfolio type of an "investment-worthy" SOCIMI on BME Growth




There is, however, a predominance of companies operating a single asset type, in the hotel sector (5). In all, we identify 15 investment-worthy SOCIMIs that meet strict criteria regarding size and liquidity. YVIT is one of them.

### Table 9. Main SOCIMIs on BME Growth by free float

| SOCIMI | Free Cap (EUR Mn) | Average Liquidity |
|---|---|---|
| ATOM Hoteles | 275.8 | 1.3% |
| ORES | 152.2 | 1.0% |
| Vitruvio | 119.2 | 5.5% |
| Millenium | 102.4 | 1.5% |
| All Iron | 101.6 | 1.0% |
| Adriano Care | 87.7 | 0.0% |
| Silicius | 81.0 | 4.7% |
| Inversa Prime | 59.0 | 8.0% |
| Ibervalles | 56.2 | 0.0% |
| Serrano 61 | 47.0 | 1.1% |
| GOP | 38.1 | 7.6% |
| Hispanotels | 33.8 | 0.2% |
| Trajano | 28.0 | 0.9% |
| Arrienda | 27.8 | 0.5% |
| Veracruz | 19.7 | 0.8% |

Source: Facset, BME
Note: Average liquidity is calculated as the total turnover (-1y) divided up market cap.

### Table 10. KPIs of the main SOCIMIs

| | Market Cap. (EUR Mn) | Nº Shares. (Mn) | Price (EUR) | GAV (EUR Mn) | NAV (EUR Mn) | Discount | Revenue (EUR Mn) | BPA (EUR) | DPA (EUR) | Div. Yield | LTV | ND (EUR Mn) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ATOM Hoteles | 364.9 | 32.3 | 11.3 | 774.4 | 468.4 | -22.1% | 13.8 | 0.27 | 0.22 | 2.0% | 39.5% | 306.0 |
| ORES | 210.5 | 196.7 | 1.1 | 361.5 | 203.5 | 3.4% | 22.3 | 0.03 | 0.09 | 8.6% | 43.7% | 158.0 |
| Vitruvio | 126.1 | 9.2 | 13.7 | 163.0 | 138.8 | -9.1% | 8.2 | 0.49 | 0.41 | 3.0% | 14.9% | 24.2 |
| Millenium | 290.1 | 116.0 | 2.5 | 595.4 | 539.4 | -45.8% | 13.0 | 0.03 | 0.00 | 0.0% | 9.4% | 56.0 |
| All Iron | 123.6 | 13.2 | 9.4 | 212.5 | 160.0 | -22.3% | 3.8 | 0.24 | 0.02 | 0.2% | 24.7% | 52.5 |
| Adriano Care | 122.4 | 12.0 | 10.2 | 221.7 | 150.4 | -18.6% | 10.9 | 0.20 | 0.20 | 2.0% | 32.2% | 71.4 |
| Silicius | 342.2 | 31.4 | 10.9 | 649.7 | 430.0 | -20.4% | 29.2 | 0.60 | 0.03 | 0.3% | 33.8% | 219.7 |
| Inversa Prime | 97.2 | 78.4 | 1.2 | 156.7 | 125.0 | -22.9% | 2.2 | 0.01 | 0.00 | 0.2% | 20.2% | 31.6 |
| Ibervalles | 242.4 | 38.5 | 6.3 | 260.0 | - | - | -7.4 | -0.11 | - | n.a. | - | - |
| Serrano 61 | 107.0 | 5.0 | 21.4 | - | - | - | 4.5 | -0.35 | - | n.a. | - | 35.9 |
| GOP | 94.1 | 6.2 | 15.2 | 196.0 | 131.5 | -28.5% | 11.5 | 1.04 | 0.99 | 6.5% | 32.9% | 64.5 |
| Hispanotels | 64.8 | 11.2 | 5.8 | - | - | - | 7.4 | 0.45 | 0.47 | 8.0% | - | - |
| Trajano | 63.2 | 14.2 | 4.4 | 152.2 | 85.0 | -22.4% | 17.6 | 0.38 | 0.16 | 3.5% | 44.2% | 67.2 |
| Arrienda | 60.2 | 20.6 | 2.9 | - | - | - | 2.1 | 0.06 | 0.07 | 2.5% | - | 5.7 |
| Veracruz | 86.0 | 2.8 | 31.0 | - | - | - | 9.9 | 0.95 | 0.89 | 2.9% | - | 35.9 |

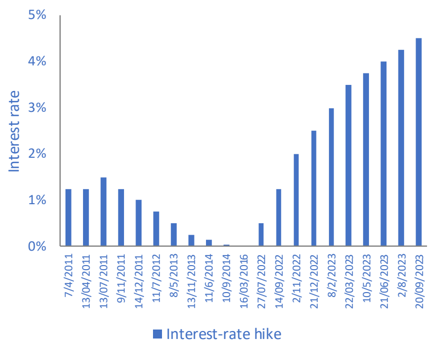
## In sum, are we staring at a paradigm shift?

A deteriorating macroeconomic environment in Spain, coupled with interest-rate trends, is having a "tangible" impact on the performance of real estate stocks. That being said, this scenario hardly comes as a surprise and has been priced in by the markets since interest rates began rising in mid-2022. Spain's leading real estate companies and SOCIMIs have traded at discounts to NAV (the real estate sector's main valuation benchmark) as high as over 50%. At the time of writing, Merlin, Colonial and LAR España are trading at discounts (to NAV 2023) of 39%, 48% and 41%, respectively. That would appear to indicate that the sector has priced in the worst-case scenario.

The latest available inflation figures (+3.1% year-on-year in December) and the end of rate increases (currently 4.5% in the euro zone) could suggest that the worst is over. The European Central Bank (ECB) has said that it intends to being lowering interest rates as of the second half of 2024e (in line with statements by the Fed). We believe this would give asset valuations (penalised by high financing costs) some respite and could trigger a trend reversal in share prices, which have already been severely punished.

The industry would receive a boost in the medium-long term just by the market recognising the fair value of assets held by the listed market. What's more, it could reinvigorate corporate transactions. Overall, the outlook for the real estate sector as a whole is becoming brighter. And the availability of listed investment alternatives appears both useful and necessary. In theory, SOCIMIs are such an alternative. In practice, they are as well, since there are some

### Chart 34. Interest-rate hikes since 2011




Source: Facset, BME

objectively investment-worthy alternatives, not only on the continuous market, but also among SOCIMIs listed on BME Growth.

## A diversified portfolio, with assets in prime locations (maximum occupancy) and room to grow (CAGR 23-25e: 4.0%)

***Chart 35. GAV vs GRI and NRI (2016-2023e)***

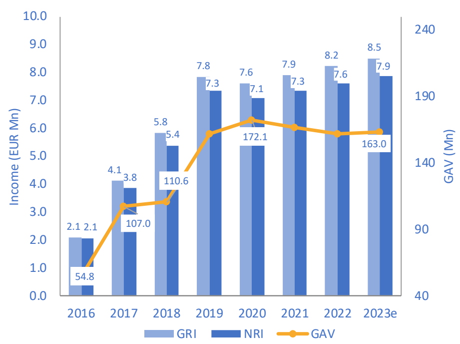



***Chart 36. Revenue and occupancy NRI vs GRI (2022-2025e)***

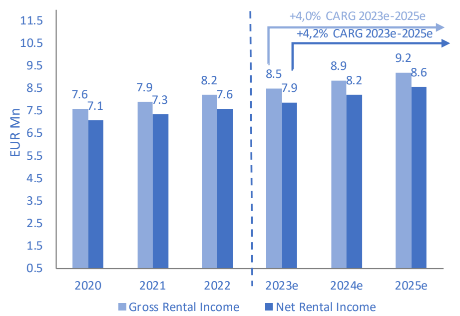
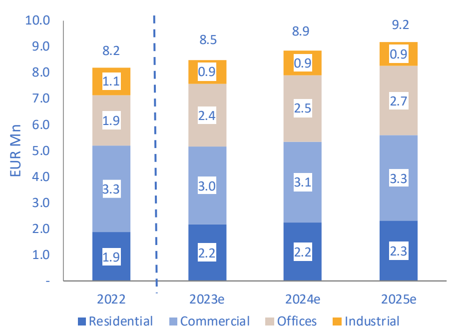



***Chart 37. Revenue by asset type (2022-2025e)***




YVIT is a small SOCIMI (Spanish REIT) engaged primarily in long-term real estate management. The portfolio's main attraction is the assets' concentration in CBDs (central business districts; i.e. prime locations) in Madrid (c.90% of GAV), where high occupancy is virtually guaranteed; even throughout Covid-19, it stood at 96.5%. The company is also one of the most liquid SOCIMIs traded on BME Growth (free float: 94%). Moreover, the balanced mix between residential, commercial and office real estate (residential represents c. 40%) makes for a more defensive business model.

YVIT tripled in size (in terms of GAV) over the 2016-2023 period, to EUR 163Mn (vs 54.8Mn in 2016), accompanied by leap in revenues (GRI 2023: 4.1x 2016) and considerable margin expansion (recurring EBITDA margin 2023: 57.2% vs 45.6% in 2016).

We identify two different stages in YVIT's growth: (i) the 2016-2019 period, where the company's share price traded at an extremely discount to NAV (0%-6%), making this 'leap' in growth possible (GAV, revenue, EBITDA) through M&A (with payments in shares) and equity contributions paid without dilution and (ii) the 2020-2023 period, where the larger Mkt Cap/NAV discount (13%-28%) undermined the company's ability to pursue an M&A-led strategy, shifting the focus towards recouping profitability levels (pre-Covid-19) and improving shareholder remuneration (DPS 2020-2023: +15.9% CAGR).

YVIT ended 2023 with GAV of EUR 163Mn (vs EUR 162Mn in 2022) and a GRI Yield 2023 of 5.2% (5.1% in 2022). In other words, 2023 featured more profitable rentals without an increase in GAV.

Now, the challenging macroeconomic landscape (inflation, interest rate hikes, poor economic outlook) raises the following questions: What is the scope for organic growth (with no change in GAV)? How much higher could margins go? What is the capacity for cash generation? What will the dividend payout look like in the coming years?

**A business model affected by the macroeconomic cycle (like any real estate company), but one with strong visibility (CAGR 2023-2025e for revenue of 4.0%)...**
YVIT's business is predicated mainly on (i) rental income and (ii) asset rotation. The rental business is defensive (and recurring), providing strong visibility into the coming years. Assuming steady GAV, we estimate low single-digit organic revenue growth (CAGR 2023-2025e for GRI of 4.0%). Our estimates are underpinned by three variables, which can be summarised as follows:

- **High occupancy:** YVIT gears investment towards acquiring assets in prime locations. By business area: (i) in residential, assets in more stressed areas, capitalising on (virtually) inelastic demand, (ii) in commercial, targeting food service, leisure and health & beauty activities and (iii) in offices, in CBDs, where YVIT is pursuing high occupancy. This leaves us with estimated average annual occupancy of 97.8% to 2025e.

- **Mid-single-digit growth in rents:** Historically, rents have increased when occupancy is at c.100%. This implies that YVIT's ability to raise prices for tenants is directly correlated to occupancy levels.

  Our projections for organic gross rental income (GRI) are: (i) CAGR 23-25e: +3.3% in residential, (ii) CAGR 23-25e: +4.8% in both retail and offices and (iii) largely flat growth in logistics (after the Getafe warehouse sale). This leaves GRI yields of 5.2% in 2023e and 5.6% in 2025e.

  Structural growth by asset type should be higher for industrial (>10%) than residential (c.3.5%).

***Table 11. Forecast GRI by asset type (2019-2025e)***

| GRI Yield (%) | 2019 | 2022 | 2023e | 2024e | 2025e | CAGR (GRI) 2019-2022 | CAGR (GRI) 2022-2025e |
|---|---|---|---|---|---|---|---|
| Residencial | 3.8% | 3.0% | 3.4% | 3.5% | 3.6% | 5.9% | 7.4% |
| Comercial | 3.9% | 6.0% | 5.5% | 5.8% | 6.1% | 3.8% | -0.7% |
| Oficinas | 6.6% | 6.5% | 6.5% | 6.8% | 7.1% | -0.2% | 11.4% |
| Industrial | 11.0% | 8.9% | 11.3% | 11.4% | 11.5% | -6.7% | -4.5% |
| Total | 4.9% | 5.1% | 5.2% | 5.4% | 5.6% | 1.6% | 3.8% |

We estimate no change in chargeable expenses to tenants (c. 7% of GRI) over the forecast period (50% of chargeable expenses derive from residential assets). This leaves net rental income (NRI, or revenue in our model) of EUR 8.2Mn in 2024e (NRI yield -NRI/GAV- of 5.0% vs 4.7% in 2022). With prices rising, NRI yield should continue to rise, reaching 5.3% in 2025e (+0.7p.p. vs 2019).

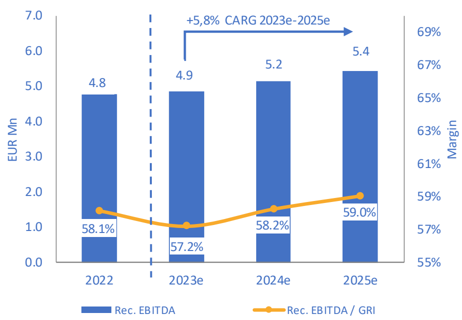
- **Asset rotation:** While rotation of the portfolio (purchase/sale of properties) is YVIT's biggest growth driver, our estimates do not factor in any inorganic purchase or disposal that has not been made public. Therefore, the projections in our model are based on the latest published figure, i.e. GAV 2023 of EUR 163Mn.

This points to total revenue (GRI) of EUR 8.9Mn in 2024e (+4.0% vs 2023) and EUR 9.2Mn in 2025e (CAGR 23-25e of 4.0%). YVIT enjoys revenue that is highly defensive, thanks to the prime location of the company's assets, and "nearly" fully recurring (except for minor fluctuations in occupancy). While our estimates do not call for increases in GAV, this could still well be the case (all the more so with interest rates likely to fall and the potential reductions in the Mkt Cap/NAV discount before 2025e). Therefore, if anything the 'risk' of changes to our estimates is tilted to the upside.

### A stable cost structure, enabling EBITDA to grow in step with revenue (CAGR 2023-2025e of 5.6%). And stable margins.

Cost of sales reflects costs borne by YVIT as owner (e.g. repairs, maintenance, insurance). We estimate a gross margin (net operating income or NOI margin) of 86% for the 2024e-2025e period (in line with 2023 and pre-Covid levels).

***Chart 38. Rec. EBITDA and Rec. EBITDA/GRI***




The business inherently provides limited scope to build large economies of scale. Below NOI, the largest expense is Abante's management fee (0.75% of NAV plus a 5% success fee contingent on growth in NAV/share), leaving YVIT with "virtually fixed" expenses. Recurring EBITDA in 2017-2023 grew at a CAGR of 13% (in line with GRI, NRI and NOI), lending strong visibility. And mitigating business risk.

In our opinion, YVIT's cost structure shows little room for improvement. Therefore, we estimate overhead (including Abante's fee and all other operating expenses) of EUR 1.9Mn per year to 2025e. This would leave YVIT poised to deliver an EBITDA margin in 2025e of 59% (vs. 57% in 2023e; average EBITDA margin of 56.9%). Its margins are "inexorably" stable.

Below recurring EBITDA, we estimate revenue from government grants of EUR 0.2Mn p.a. (to 2028) awarded by the Spanish Ministry for Development (repayment of principal + interest on a loan granted to acquire social housing and the related land in 2018). We estimate gains on asset disposals of EUR 0.6Mn in 2023 (resulting from the sale of a Getafe logistics warehouse). This results in EBITDA of EUR 5.7Mn in 2023. We are not estimating any disposals in either 2024e or 2025e.

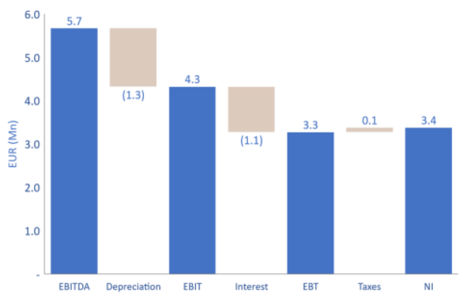
### Ability to generate recurring and increasing bottom line profit.

The main line items between EBITDA and net profit are:

- **Depreciation:** We expect the depreciation charge to remain stable assuming GAV holds steady at EUR 163Mn. So, we estimate depreciation of EUR 1.3Mn for 2024e-2025e.

- **Change in property values:** YVIT's real estate assets are appraised annually by an independent expert. Since 2018, it has recognised accumulated impairment losses of EUR 12.9Mn (with the bulk coming in 2020 and 2022 because of rate hikes). Our estimates are not factoring in any impairment, or revaluation, of YVIT's properties over the forecast period.

*Chart 39. EBITDA down to net profit 2023e*




- **Finance costs.** We estimate c.EUR 1Mn/year of finance costs over the forecast period. The combination of an expected decline in interest rates and increase in debt should leave finance costs stable.
- **Tax rate:** YVIT is taxed under the special tax regime for SOCIMIs (0%). Our 2024e-2025e estimates include EUR 0.1Mn/year due to the reversal of the deferred tax liability arising from real estate purchases/sales.

*Table 12. From recurring EBITDA to net profit (2020-2025e)*

| | 2021 | 2022 | 2023e | 2024e | 2025e |
|---|---|---|---|---|---|
| **EBITDA Recurrente** | **4,4** | **4,8** | **4,9** | **5,2** | **5,4** |
| *Rec. EBITDA/ GRI* | *55,6%* | *58,1%* | *57,2%* | *58,2%* | *59,0%* |
| Subsidies | 0,2 | 0,2 | 0,2 | 0,2 | 0,2 |
| Disposals | (0,2) | 1,9 | 0,6 | - | - |
| **EBITDA** | **4,4** | **6,9** | **5,7** | **5,4** | **5,6** |
| *EBITDA/GRI* | *5,8%* | *56,0%* | *-17,6%* | *-5,6%* | *5,2%* |
| Depreciation | (1,3) | (1,3) | (1,3) | (1,3) | (1,3) |
| Change in value of properties | (0,5) | (1,9) | - | - | - |
| **EBIT** | **2,6** | **3,7** | **4,3** | **4,0** | **4,3** |
| *EBIT / GRI* | *32,9%* | *44,8%* | *50,8%* | *45,6%* | *47,0%* |
| Financial Result | (1,0) | (0,8) | (1,1) | (0,9) | (1,0) |
| **Ordinary Profit** | **1,6** | **2,9** | **3,3** | **3,1** | **3,3** |
| Taxes | 0,1 | (0,2) | 0,1 | 0,1 | 0,1 |
| **Net Income** | **1,7** | **2,7** | **3,4** | **3,2** | **3,4** |
| **Ordinary Net Income** | **2,2** | **2,5** | **2,5** | **3,0** | **3,2** |

Note: Ordinary net profit excludes non-recurring items and changes in real estate values and extraordinary items, along with the corresponding tax (for YVIT, deferred tax assets and liabilities arising on the purchase/sale of real estate).

Estimated EBITDA/year for the 2023e-2025e period of c. EUR 5Mn translates into recurring net profit of c. EUR 3Mn (EBITDA-to-ordinary net profit conversion ratio of c.60%). This estimate is subject to changes in real estate values and the gains or losses on disposals (not covered by our model).

*Chart 40. CAPEX (2022-2025e)*

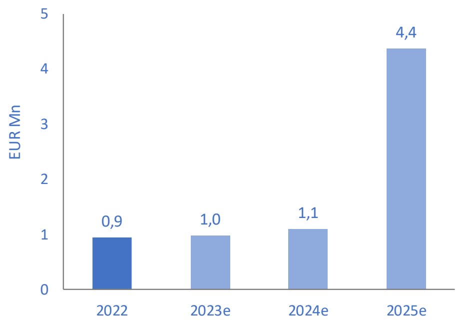



*Chart 41. FFO and AFFO (2022-2025e)*

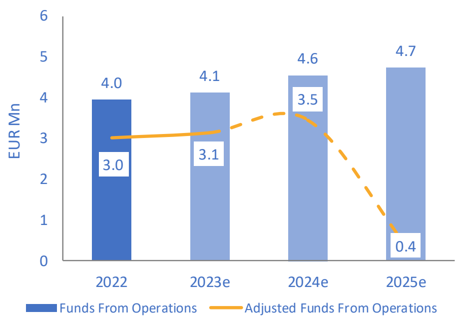
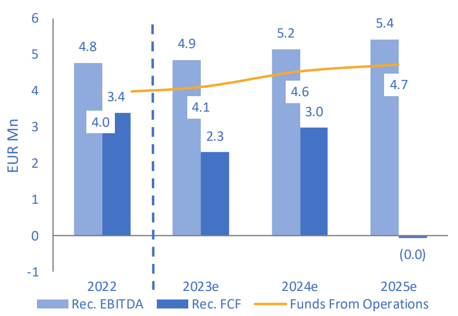



*Chart 42. Recurring EBITDA, recurring FCF and FFO (2022-2025e)*



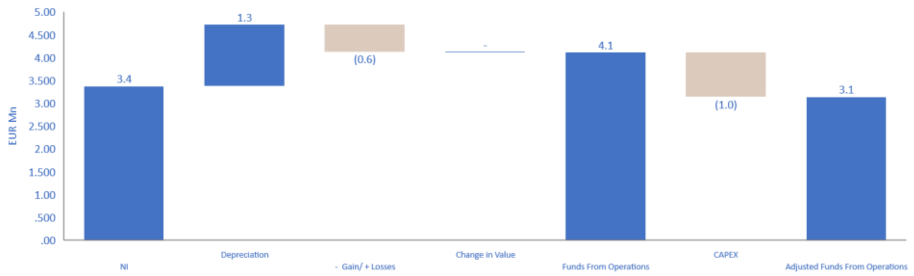

## Strong FCF generative ability, which trickles down to shareholders. The strategy focuses on securing/maximising dividend yield (2024e: 3.4%).

The rental business's high CF generation is one of YVIT's most compelling features. However, recurring FCF generation in the 2024e-2025e period will be shaped by CAPEX. Even considering that YVIT's business model is not capital intensive.

We estimate CAPEX in 2024e of EUR 1Mn (in line with previous years). For 2025e, we expect a big jump in investment, to EUR 4.4Mn, owing to the necessary refurbishment of the Duque de Rivas 4 asset (YVIT's first co-living asset), which should up and running from 2026e.

For 2024e, we project recurring FCF of EUR 3Mn (+29.3% vs. 2023) and we don't expect to see positive recurring FCF in 2025e. Meanwhile, funds from operations (FFO; net profit + depreciation +/- gains/(losses) on disposals +/- changes in asset value) look set to grow at CAGR 2023-2025e of 7.3%. We estimate EUR 4.1Mn for 2023e (+4.1% vs 2022), and EUR 4.6Mn for 2024e and EUR 4,7Mn for 2025e.

*Chart 43. Net Income to AFFO (2023e)*




YVIT intends to stick to the dividend policy stipulated in law for SOCIMIs (i.e. distribution of 80% of net profit). Even more, YVIT's objective is to raise the dividend at least in line with inflation each year. Dividend distribution is a cornerstone of YVIT's strategy.

*Chart 44. DPS (2022- 2025e)*

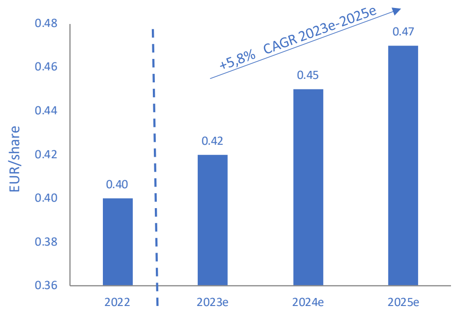
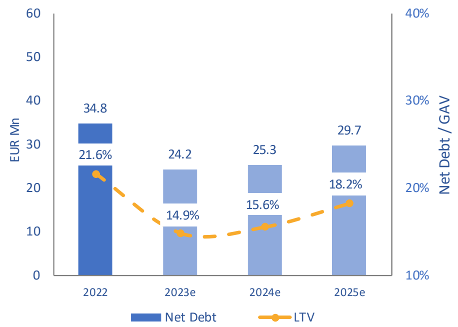



*Table 13. Dividend yield on the continuous market, BME Growth and YVIT*

| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| Continuous | 3.0% | 2.9% | 2.2% | 5.2% |
| Growth | 7.0% | 4.3% | 1.5% | 2.9% |
| YVIT | 1.9% | 2.3% | 2.8% | 3.5% |

*Chart 45. ND and LTV (2022-2025e)*




In 2023, the company approved a total dividend of EUR 0.42/share (3.2% dividend yield 2023e, >100% payout). It pays four dividends a year. We estimate dividend growth of 5% in both 2024e and 2025e, i.e. EUR 0.45/share and EUR 0.47/share, implying a payout over 100% (dividend yield 2025e: 3.4%).

YVIT's dividend yield has increased by 1.6p.p. since 2019. In 2021 and 2022, it was above the average of SOCIMIs traded on BME Growth (Table 13).

## Sound financial position thanks to low leverage (LTV<20%)

Thanks to the cash generated by the business, YVIT does not need additional capital to fund its organic growth. The company's debt level will depend in any event on the purchase/sale of real estate. YVIT has been pursuing a strategy to reduce debt since 2020 (LTV 2020: 29.8%). Proceeds from the rights issue carried out in 2023 (EUR 13.8Mn) reduced ND 2023e to EUR 24.2Mn (LTV: 14.9%).

The only year investment is estimated to increase (2025e) will see net debt rise to EUR 29.7Mn (Chart 45; due to the investment in Duque de Rivas). Even so, leverage will remain low in relative terms, with LTV consistently below 20% and EBITDA generation over 5x debt interest. The coverage ratio (recurring EBITDA/interest) is forecast to increase to 5.7x in 2024e, easing back to 5.5x in 2025e.

We expect YVIT to maintain a healthy balance sheet structure in every stage of the cycle, further showcasing its low risk profile and vindicating its business/management model (keeping leverage always within conservative limits: LTV systematically < 20%; Chart XX).

## In short, YVIT enjoys a diversified, recurring business and a healthy financial position, leaving it well positioned to benefit from a (potential?) recovery by the sector

SOCIMIs were clearly and severely punished in 2022-2023 due to the fastest and largest hikes in interest rates (+4.5p.p.) seen in recent years. This left the sector trading a sharp average discount (2022-2023) in terms of market cap/NAV (-60.3% on the continuous market and -25.9% on BME Growth) due to the adverse impact on asset valuations (YVIT's average discount: -21.4%).

YVIT today enjoys a recurring business and boasts a diversified portfolio, which significantly reduces the risk of its business model. The key factors enabling it to take advantage of the "foreseeable" recovery in the sector are:

- **Increase in rents:** prime locations guarantee high occupancy (c.98%), leaving room to raise rents for tenants. What's more, the risk of default is lower thanks to the quality and diversification of the portfolio. The company is aiming to sustain mid-single-digit growth (GRI: CAGR 2023-2025e of 4.0%).
- **Profitable business model:** By outsourcing management to Abante, the company ensures a health EBITDA margin, of around c.58% (in line with peers). Given the percentage of fixed costs, revenue could grow in line with EBITDA (CAGR 2023-2025e of 5.6%). And with stable margins.
- **Capacity to generate cash:** Recurring FCF generation enables the company to convert c. 50% of EBITDA to cash.
- **Low leverage (LTV <20%):** On our estimates, leverage (LTV) is not higher than 20% in the forecast period, implying an interest coverage ratio that underlines the business model's low risk. It also affords YVIT a healthy financial position to seize new investment opportunities.
- **Dividends: payout > 100%.** One of YVIT's main attractions is its commitment to shareholder remuneration, "guaranteeing" increasing dividends (CAGR 2023-2025e for DPS of 5,7%) and thereby shielding investors from the impact of inflation (3.4% dividend yield 2025e at the time of writing).

In sum, YVIT is one of the most liquid SOCIMIs on the BME Growth market (94% free float), with unique access to Abante Asesores' client portfolio as potential investors in share capital increases or equity contributions. In addition, the company boasts a portfolio with exposure to inflation-proof assets in prime locations, ensuring high occupancy and *de facto* protection of the dividend.

YVIT has one of the sector's lowest leverage levels (LTV<20%), enabling it to tap inorganic growth opportunities. And making asset rotation easier. In another vein, the company is strategically 'beholden' to its share price to the extent that this is the logical path to growth via equity contributions, which 'requires' a strong share price to prevent dilution.

In conclusion: 1) strong visibility in earnings, 2) low-risk business model, 3) positioned to leverage/take advantage of the sector's recovery against a backdrop of falling interest rates and 4) objective conditions of SOCIMI worth investing in (liquidity and management focus on the market and the share price). The spread between market cap and asset value stands at -9% at the date of this report.

## Valuation inputs

### *Inputs for the DCF Valuation Approach*

| | 2023e | 2024e | 2025e | Terminal Value (1) |
|---|---|---|---|---|
| **Free Cash Flow "To the Firm"** | **1.0** | **3.9** | **0.9** | **n.a.** |

| | | | Best Case | Worst Case |
|---|---|---|---|---|
| **Market Cap** | **126.1** | At the date of this report | | |
| **Net financial debt** | **34.8** | Debt net of Cash (12m Results 2022) | | |
| Cost of Debt | 4.0% | Net debt cost | 3.8% | 4.3% |
| Tax rate (T) | 0.0% | T (Normalised tax rate) | = | = |
| **Net debt cost** | **4.0%** | **Kd = Cost of Net Debt * (1-T)** | **3.8%** | **4.3%** |
| Risk free rate (rf) | 3.3% | Rf (10y Spanish bond yield) | = | = |
| Equity risk premium | 6.0% | R (own estimate) | 5.5% | 6.5% |
| Beta (B) | 1.0 | B (own estimate) | 0.9 | 1.1 |
| **Cost of Equity** | **9.3%** | **Ke = Rf + (R * B)** | **8.3%** | **10.5%** |
| Equity / (Equity + Net Debt) | 78.4% | E (Market Cap as equity value) | = | = |
| Net Debt / (Equity + Net Debt) | 21.6% | D | = | = |
| **WACC** | **8.2%** | **WACC = Kd * D + Ke * E** | **7.3%** | **9.1%** |
| **G "Fair"** | **2.0%** | | **2.0%** | **1.5%** |

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

### *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 | 4,312.5 | 16.8 | 6.6% | 23.1 | 7.7% | 17.8 | 7.5% | 77.0% | 2.6% | 26.0% |
| Colonial | COL-ES | 2,762.8 | 21.0 | 6.2% | 29.2 | 6.7% | n.a. | 6.0% | 80.4% | 10.9% | -15.3% |
| Lar España | LRE-ES | 539.0 | 8.8 | 1.4% | 17.2 | 7.0% | 12.2 | 3.0% | 71.0% | 18.4% | -28.3% |
| Arima | ARM-ES | 177.7 | n.a. | 65.8% | n.a. | n.a. | n.a. | 37.4% | 3.9% | n.a. | 41.4% |
| **Continuous Market** | | | 15.5 | 20.0% | 23.2 | 7.1% | 15.0 | 13.5% | 58.1% | 10.6% | 6.0% |
| SEGRO | SGRO-GB | 12,438.5 | n.a. | 51.3% | 29.7 | 9.6% | n.a. | -2.5% | 70.4% | n.a. | -34.0% |
| Land Securities | LAND-GB | 5,615.4 | 12.6 | 0.9% | 18.4 | 1.9% | 14.3 | 1.0% | 77.5% | n.a. | -2.6% |
| Icade | ICAD-FR | 2,203.2 | n.a. | n.a. | 20.6 | 8.3% | 3.5 | -52.4% | 16.9% | n.a. | n.a. |
| **Europe** | | | 12.6 | 26.1% | 22.9 | 6.6% | 8.9 | -18.0% | 54.9% | n.a. | -18.3% |
| YVIT | YVIT-ES | 126.1 | 35.7 | -1.4% | 35.3 | -0.3% | n.a. | 4.0% | 66.6% | 1.8% | -44.3% |

### *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 | 64.0% | 5.7 | 30.3x |
| Central | 58.2% | 5.2 | 33.4x |
| Min | 52.4% | 4.6 | 37.1x |

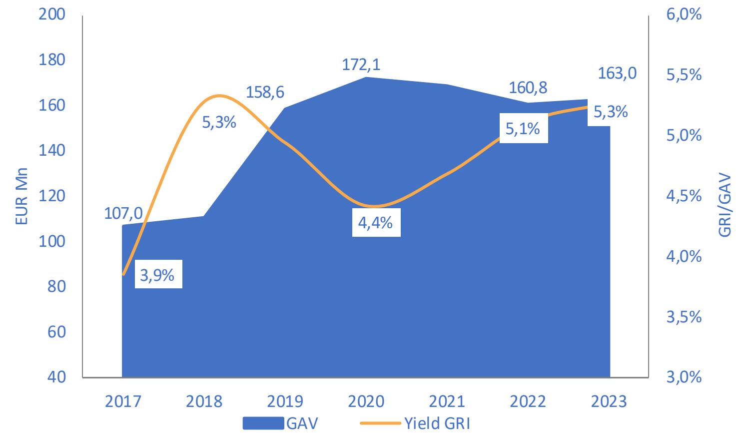
#### B) Rec. FCF sensitivity to changes in EBITDA and CAPEX/sales

| Rec. FCF EUR Mn | CAPEX/Sales 24e | | |
|---|---|---|---|
| EBITDA 24e | 11.2% | 12.4% | 13.6% |
| 5.7 | 3.6 | 3.5 | 3.4 |
| 5.2 | 3.1 | 3.0 | 2.9 |
| 4.6 | 2.6 | 2.5 | 2.4 |

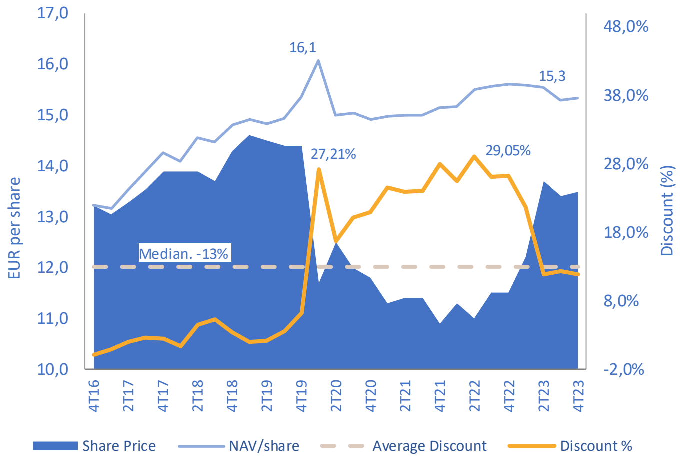
| Scenario | Rec. FCF/Yield 24e | | |
|---|---|---|---|
| Max | 2.9% | 2.8% | 2.7% |
| Central | 2.5% | 2.4% | 2.3% |
| Min | 2.0% | 2.0% | 1.9% |

## Valuation inputs (Sectorial)

### GAV and GRI/GAV yield evolution (2017-2023e)




### Discount Market Cap. vs NAV (2016-2023e)




### KPIs REITs Continuous Market and Europe

| Continuous Market | Ticker | Asset Type | Market Cap. (EUR Mn) | Free Float | GAV (EUR Mn) | NAV (EUR Mn) | Discount/ Primium | Revenue (EUR Mn) | Yield (GRI/GAV) | DPS (EUR) | Div. Yield | LTV |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Merlin Properties | MRL | Mixto | 4,313 | 66.3% | 11,717 | 7,925 | -45.6% | 460.7 | 3.9% | 1.20 | 4.1% | 32.4% |
| Colonial | COL | Offices | 2,763 | 37.1% | 13,000 | 7,645 | -63.9% | 354 | 2.7% | 0.24 | 3.4% | 41.2% |
| Lar España | LRE | Commercial | 539 | 48.3% | 1,473 | 927 | -41.8% | 80.228 | 5.4% | 0.57 | 13.5% | 37.1% |
| Arima | ARM | Offices | 178 | 45.0% | 380 | 331 | -46.4% | 8.071 | 2.1% | 0.00 | 0.0% | 12.8% |
| **Europe** | | | | | | | | | | | | |
| SEGRO | SGRO-GB | Industrial | 12,439 | 98.4% | 39,933 | 12,819 | -3.0% | 728.0 | 1.8% | 0.32 | 3.3% | 32.1% |
| Land Securities | LAND-GB | Commercial | 5,615 | 98.6% | 25,149 | 7,972 | -29.6% | 703.5 | 2.8% | 0.46 | 6.1% | 31.7% |
| ICADE | ICAD-FR | Mixed | 2,203 | 59.9% | 18,743 | 11,377 | -80.6% | 427.1 | 2.3% | 4.77 | 15.6% | 39.3% |
| Vitruvio | YIVT | Mixed | 126 | 94.5% | 163.0 | 138.8 | -13.20% | 8.5 | 5.2% | 0.42 | 3.1% | 14.90% |

### Performance vs index

| | -1m | -3m | -12m | YTD | -3y | -5y |
|---|---|---|---|---|---|---|
| Absolute | 0.7% | 3.8% | 28.0% | 0.7% | 26.9% | -3.5% |
| **vs Market** | | | | | | |
| vs IBEX 35 | -1.7% | 0.9% | 17.2% | 0.7% | 2.3% | -12.3% |
| vs Euro STOXX 50 | -6.2% | -5.8% | 14.0% | -4.6% | -1.4% | -34.1% |
| **vs Small Cap References** | | | | | | |
| vs IBEX SMALL | 2.5% | 3.6% | 42.8% | 3.7% | 38.8% | -14.5% |
| vs Universo Micro Cap España de Lighthouse | 2.1% | 4.4% | 35.9% | 2.0% | 30.5% | -12.6% |
| vs MSCI Europe Micro Cap | 1.2% | -0.4% | 42.4% | 3.3% | 59.7% | -16.1% |
| **vs Sector** | | | | | | |
| vs S&P Spain REIT | 4.7% | 3.5% | 36.0% | 15.0% | 30.6% | 31.7% |
| vs S&P Europe REIT | 1.9% | 1.1% | 40.8% | 9.2% | 50.0% | 39.0% |

### Operating expenses breakdown

| Operating Expenses Breakdown (EUR Mn) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Gross Rental Income** | 2.1 | 4.1 | 5.8 | 7.8 | 7.6 | 7.9 | 8.2 | 8.5 | 8.9 | 9.2 | 9.6 |
| *GRI Growth* | | *97.2%* | *41.8%* | *34.1%* | *-3.0%* | *4.0%* | *4.1%* | *3.5%* | *4.0%* | *4.0%* | *3.9%* |
| Tenant-responsible expenses | 0.0 | -0.3 | -0.5 | -0.5 | -0.5 | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 | -0.7 |
| **Net Rental Income** | 2.1 | 3.8 | 5.4 | 7.3 | 7.1 | 7.3 | 7.6 | 7.9 | 8.2 | 8.6 | 8.9 |
| *NRI Growth* | | *85.9%* | *39.9%* | *36.3%* | *-3.4%* | *3.6%* | *3.5%* | *3.8%* | *4.1%* | *4.2%* | *3.9%* |
| *NRI/GRI* | *99.1%* | *93.4%* | *92.1%* | *93.6%* | *93.2%* | *92.9%* | *92.4%* | *92.7%* | *92.8%* | *93.0%* | *93.0%* |
| Non-chargeable expenses | -0.4 | -0.7 | -0.7 | -1.0 | -1.1 | -1.1 | -1.3 | -1.1 | -1.2 | -1.2 | -1.2 |
| **Net Operating Income** | 1.6 | 3.2 | 4.7 | 6.3 | 6.0 | 6.2 | 6.3 | 6.8 | 7.1 | 7.4 | 7.7 |
| NOI/GRI | *78.8%* | *77.5%* | *80.2%* | *80.4%* | *78.6%* | *78.9%* | *77.1%* | *79.7%* | *79.8%* | *80.0%* | *80.0%* |
| | | | | | | | | | | | |
| **GAV** | 54.8 | 107.0 | 110.6 | 161.9 | 172.1 | 166.9 | 162.0 | 163.0 | 163.0 | 163.0 | 163.0 |
| *GRI Yield* | *3.8%* | *3.9%* | *5.3%* | *4.8%* | *4.4%* | *4.7%* | *5.1%* | *5.2%* | *5.4%* | *5.6%* | *5.87%* |
| *NRI Yield* | *3.8%* | *3.6%* | *4.9%* | *4.5%* | *4.1%* | *4.4%* | *4.7%* | *4.8%* | *5.0%* | *5.3%* | *5.46%* |

## What could go wrong?

We consider risks to be those that could have a significant negative impact on our projections, mainly for operating profit and free cash flow:

1. **A deteriorating macroeconomic environment.** The current situation (e.g. inflation, high interest rates, credit crunch, scant liquidity) is having an adverse impact on the main macroeconomic indicators (GDP forecasts, unemployment rate, purchasing power). This could result in a slower-than-expected rise in rents from rental assets. Assuming zero growth in rents in 2024e (vs our current forecast of +4.0%), we would have to revise down our forecast for recurring EBITDA in 2024e by 3.8%.

2. **Occupancy rates.** Historically, YVIT has enjoyed near full occupancy of its properties (c. 96%). And we estimate that this will continue going forward. A drop in the occupancy rate would have an adverse impact on the company's earnings; this risk applies essentially to the office, commercial and industrial segments, which make up a combined 89.4% of net revenue from the rental portfolio (net rental income).

3. **Narrower margins.** Our estimates for 2024e point to a recurring EBITDA margin of 58.2% (in line with the 2017-2022 average), as overhead in the business is highly stable and management is outsourced. If margins narrowed back to 2020 levels (recurring EBITDA margin of 53.6% due to non-recurring provisions for pandemic-related non-performing loans or higher discounts offered to tenants owing to increased vacancy), we would have to cut our recurring EBITDA 2024e estimates by 8%.

4. **Lower dividend distribution.** The company's dividend is one of its most compelling features. A 10% decrease in our estimate for net profit in 2024e (assuming a 122% payout, as the company sets its dividend policy based on net profit for the year and funds from operations) would imply a dividend of EUR 0.40/share (vs. EUR 0.45/share currently estimated for 2024e).

5. **CAPEX.** YVIT earmarks its CAPEX for reforming and refurbishing its properties (mostly residential). This is one of the main items that reduces recurring cash generation. A 15% increase in the CAPEX requirement (due to higher materials or labour costs) would reduce cash generation in 2024e to EUR 2.8Mn (vs. our estimate of EUR 3Mn of recurring FCF). However, this should not affect our dividend estimate considering YVIT's strong liquidity position.

6. **Increase in cost of debt.** YVIT's net debt at year-end 2023e stood at EUR 24.2Mn (LTV of 14.9%), with over half maturing as of 2027e. The company has 49% of its borrowings hedged with derivatives and fixed-rate financing, but the rest is exposed to fluctuations in interest rates. A 0.2p.p. increase in cost of debt would cause net profit in 2024e to decrease by 4.9% (vs our initial estimate). This risk is strictly theoretical given the current market paradigm of falling interest rates.

7. **Increase in the discount rate and the ensuing impact on asset valuations.** A macroeconomic backdrop characterised by high discount rates would have an adverse impact on the appraisal values of the company's properties. The portfolio's GAV would decrease and the company's leverage increase. However, the company already wrote down the value of its portfolio from 2020 to 2022, recognising net impairment losses (i.e., less reversals) of EUR 12.3 Mn.

   Meanwhile, the rise in Spanish 10-year bond yields (to c. 3.2% at present vs 0.5% at the beginning of 2022) detracts from the appeal of real estate as an alternative investment (YVIT dividend yield 2023: 3.2%).

8. **Increase in share price discount to NAV.** Share price performance measured by NAV/share is a key factor underpinning YVIT's growth strategy. A low discount would favour M&A (by share exchanges at par) and equity contributions. If the discount (9% at the time of writing vs 28% in 2021) widens, YVIT would be inclined to opt for alternative funding strategies (e.g. bank borrowings or asset disposals) to execute its expansion plans.

9. **Regulatory risk.** Residential property (22.8% of YVIT's GRI in 2022) is the most regulated sector in the real estate market, so any legislative development (e.g. limits to rent increases, contract terms, requirements of owners) could affect the company's business at its core. YVIT has (even) greater exposure to this risk since its portfolio of rental assets is concentrated in Madrid.

10. **Problems raising finance.** SOCIMIs' ability to grow and deliver inorganic growth is heavily contingent on investment. They need to tap capital markets constantly to fund their expansion. This implies risk as their financing depends on the market situation (cost of capital, scant appetite for rights issues).

11. **Change in consumer/work habits.** Digitalisation has had a major impact on both shopping centres (e-commerce) and offices (remote working), even more so post-Covid-19. Strictly from a theoretical point of view (and very long term), digitalisation could affect behaviour and cause demand in both sectors to fall. This would end up posing a threat to the SOCIMIs' conventional business. Investment in YVIT's commercial assets focuses on the food service, leisure and health & beauty activities, which are more resilient to these changes in consumer habits. In offices, YVIT is committed to investing further in emblematic locations, which too are more resilient to the processes described for this market sub-segment.

## A board with vast experience in the real estate industry and c.20% independent directors

*Table 14. Board of directors*

| Name | Category | Position |
|---|---|---|
| Joaquin López-Chicheri | Executive | President and CEO |
| Pablo Uriarte | Executive | Board Member |
| Marta Campello | Independent | Board Member |
| Jesús Martínez Cabrera | Propietary | Board Member |
| Juan Acero-Riesgo Terol | Propietary | Board Member |
| Javier Estrada | Independent | Board Member |
| Onchena S.L.* | Propietary | Board Member |
| Tomás Hurtado Helguero | Propietary | Board Member |
| Torrealba y Bezares, S.L.** | Propietary | Board Member |

(*) Company shareholder represented by Manuel Cereijo.
(**) Company shareholder represented by Eladio Bezares Munilla.

*Table 15. Shareholders structure*

| Name | % Capital |
|---|---|
| Onchena | 5.5% |
| Torrealba y Bezares | 2.8% |
| Jesús Martínez-Cabrera | 1.1% |
| Autocartera | 0.2% |
| Free Float | 90.4% |
| Total | 100.0% |

*Table 17. Audit committee*

| Name | Position |
|---|---|
| Javier Estrada | President |
| Pablo Uriarte | Member |
| Joaquin López-Chicheri | Member |
| Enrique Nieto | Secretary |

YVIT was founded in Madrid in 2014. It is a Spanish real estate investment trust (SOCIMI) with a portfolio of residential, commercial, office and logistics assets. Management is contracted out to Abante Asesores. YVIT has been listed on BME Growth since July 2016.

1. **A board with a target of raising the number of independent directors.** YVIT's board of directors is made up of nine members: two executive (and proprietary), Joaquín López-Chicheri (executive chairman) and Pablo Uriarte, five proprietary and two independent (c.20% of the total) directors. No director is a family member of any other director and their individual voting rights represent 11.4% of the total.

   YVIT's only senior managers are its executive managers, CEOs Joaquín López-Chicheri and Pablo Uriarte, both of whom boast strong track records in the real estate sector and are YVIT's founders. They are currently managing partners of Abante Asesores.

   In 2023, YVIT reiterated its pledge to uphold good governance standards by appointing another independent director, thereby raising the percentage of independent directors to 22% of board members.

*Table 16. Main KPIs*

| KPI | 2021 | 2022 | 2023 |
|---|---|---|---|
| % of independent directors | 10.0% | 10.0% | 22.2% |
| % of propietary directors | 90.0% | 90.0% | 77.8% |
| % of executive directors | 33.3% | 33.3% | 22.2% |
| % of womens on the board of directors | 11.1% | 11.1% | 11.1% |
| Number of confirmed corruption cases | 0.0% | 0.0% | 0.0% |

*Note: In addition to their status as proprietary directors, Joaquín López-Chicheri and Pablo Uriarte also perform executive duties (22% in the board of 2023).

2. **Director remuneration.** Director remuneration entails only fees for effectively attending board meetings: EUR 500 per meeting, which can increase to EUR 1,000 if NAV per share increases relative to the previous year (with high-water mark). Directors Joaquín López-Chicheri, Pablo Uriarte and Marta Campello have waived their right to these fees. Total director remuneration accrued in 2022 and 2021 amounted to EUR 24,000 each year.

   Executive directors Joaquín López-Chicheri and Pablo Uriarte are compensated indirectly via their employee contracts with Abante Asesores (YVIT's management company).

3. **Audit committee.** YVIT created an audit and control committee in 2016 when it was listed on BME Growth. The audit committee has one independent (Javier Estrada; chairman) and two executive/proprietary (Joaquín López-Chicheri and Pablo Uriarte) members.

4. **Relationship with Abante.** Abante does not have any (direct or indirect) shareholding in YVIT. The relationship between the two is strictly a contract governing the management of YVIT's assets and advisory of the company. Moreover, the majority of YVIT's minority shareholders (c.60%) are Abante clients.

5. **Fees paid to Abante.** As stipulated in the contract, Abante Asesores receive a fixed annual fee for managing YVIT's real estate portfolio of 0.75% of NAV plus a fee of 5% per year of the increase in NAV (with high-water mark). Combined, fees paid to Abante Asesores in 2021 and 2022 totalled EUR 1,02Mn (12.9% and 12.4% of gross rental income, respectively). On our estimates, remuneration in 2023e will be in line with 2021 and 2022.

6. **Shareholder remuneration.** Spanish REITs ('SOCIMIs') are taxed under a special tax regime. They pay 0% income tax but are required to distribute at least 80% of net income and 50% of gains on the transfer of properties. Effectively, this guarantees a high payout.

   In the 2016-2022 period, YVIT distributed c. EUR 12,5Mn (aggregate payout >100%). DPS 2022 (EUR 0.40/share) implied a 2.9% yield taking today's price. The 2021 and 2022 payouts were over 100%, as the distribution of profits came with the distribution of dividends out of the share premium account.

7. **Highly diversified shareholder body, with only one shareholder with a stake over 5%**. Since it was incorporated, YVIT has held 14 capital increases, leaving it with a high free float (c.94%) and a diversified shareholder body. Out of a total of 646 shareholders, only one has a stake over 5% (Onchena, with 5.5%).

8. **Low leverage.** YVIT's bylaws put a cap on leverage (net debt vs. GAV) of 33% (an additional 7% is allowed for a period of up to 12 months). This is both conservative and below the European sector average (c.40%).

9. **Conflicts of interest.** Joaquín López-Chicheri, Pablo Uriarte and Marta Campello, who are all members of YVIT's board, are also partners of Abante Asesores. On paper, this poses a conflict of interest since Abante Asesores is currently YVIT's management company.

   Abante Asesores does not have an exclusivity agreement with YVIT, so in theory it can offer services to other SOCIMIs (which would imply conflicts of interest). However, at the time of writing, there is no such conflict of interest in practice as YVIT is the only client to which Abante Asesores provides end-to-end advisory and real estate management services (it provides only real estate advisory services to other clients). Abante Asesores has been YVIT's management company since it was set up (2014). This substantiates/embodies an absence of conflict of interest with Abante Asesores' other clients. To date, YVIT is the only company to which Abante has provided management services.

   Lastly, Manuel Cereijo, a proprietary director of YVIT, has been a director of Inversa Prime (SOCIMI) since 2023. This company engages primarily in lifetime leases of property for the elderly (home reversion schemes), a line of business that YVIT intends to explore in the future.

# Appendix 1. Financial Projections

| **Balance Sheet (EUR Mn)** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023e** | **2024e** | **2025e** |
|---|---|---|---|---|---|---|---|---|
| Intangible assets | 2.7 | 2.5 | 2.1 | 1.9 | 1.9 | 1.7 | 1.5 | 1.4 |
| Fixed assets | 95.0 | 135.6 | 148.7 | 142.2 | 133.7 | 135.9 | 135.9 | 139.2 |
| Other Non Current Assets | - | - | - | - | - | - | - | - |
| Financial Investments | 4.8 | 10.8 | 4.1 | 3.4 | 3.7 | 3.8 | 3.9 | 4.0 |
| Goodwill & Other Intangilbles | 1.0 | 0.9 | 0.8 | 0.6 | 0.5 | 0.4 | 0.3 | 0.3 |
| Current assets | 1.6 | 5.2 | 2.4 | 2.7 | 1.1 | 1.9 | 2.0 | 2.0 |
| **Total assets** | **105.1** | **154.9** | **158.1** | **151.0** | **140.9** | **143.7** | **143.7** | **146.9** |
| Equity | 72.0 | 97.9 | 97.5 | 96.8 | 97.5 | 110.8 | 110.0 | 109.1 |
| Minority Interests | - | - | - | - | - | - | - | - |
| Provisions & Other L/T Liabilities | 2.9 | 3.6 | 8.5 | 8.3 | 7.5 | 7.3 | 7.1 | 6.9 |
| Other Non Current Liabilities | - | - | - | - | - | - | - | - |
| Net financial debt | 29.4 | 52.3 | 51.2 | 44.2 | 34.8 | 24.2 | 25.3 | 29.7 |
| Current Liabilities | 0.8 | 1.1 | 0.9 | 1.7 | 1.1 | 1.3 | 1.3 | 1.2 |
| **Equity & Total Liabilities** | **105.1** | **154.9** | **158.1** | **151.0** | **140.9** | **143.7** | **143.7** | **146.9** |

| | | | | | | | | | **CAGR** | |
|---|---|---|---|---|---|---|---|---|---|---|
| **P&L (EUR Mn)** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023e** | **2024e** | **2025e** | **18-22** | **22-25e** |
| **Gross rental income (GRI)[1]** | **5.8** | **7.8** | **7.6** | **7.9** | **8.2** | **8.5** | **8.9** | **9.2** | ***8.9%*** | ***3.8%*** |
| *Total Revenues growth* | *41.8%* | *34.1%* | *-3.0%* | *4.0%* | *4.1%* | *3.5%* | *4.0%* | *4.0%* | | |
| COGS | (1.2) | (1.5) | (1.6) | (1.7) | (1.9) | (1.7) | (1.8) | (1.8) | | |
| **Net Operating Income** | **4.7** | **6.3** | **6.0** | **6.2** | **6.3** | **6.8** | **7.1** | **7.4** | ***7.8%*** | ***5.1%*** |
| *Net Operating Income / Income* | *80.2%* | *80.4%* | *78.6%* | *78.9%* | *77.1%* | *79.7%* | *79.8%* | *80.0%* | | |
| Management fee | (0.1) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | | |
| Other Operating Expenses | (1.2) | (1.6) | (1.7) | (1.7) | (1.4) | (1.7) | (1.7) | (1.8) | | |
| **Recurrent EBITDA** | **3.4** | **4.5** | **4.1** | **4.4** | **4.8** | **4.9** | **5.2** | **5.4** | ***8.8%*** | ***4.3%*** |
| *Recurrent EBITDA growth* | *43.7%* | *32.6%* | *-10.0%* | *8.0%* | *8.7%* | *1.8%* | *5.8%* | *5.4%* | | |
| *Rec. EBITDA/Revenues* | *58.4%* | *57.8%* | *53.6%* | *55.6%* | *58.1%* | *57.2%* | *58.2%* | *59.0%* | | |
| *Other Income (subsidies)* | *0.0* | *0.4* | *0.2* | *0.2* | *0.2* | *0.2* | *0.2* | *0.2* | | |
| Gain/loss on Disposals | 0.5 | 0.3 | (0.1) | (0.2) | 1.9 | 0.6 | - | - | | |
| **EBITDA** | **3.9** | **5.2** | **4.2** | **4.4** | **6.9** | **5.7** | **5.4** | **5.6** | ***15.4%*** | ***-6.5%*** |
| Depreciation & Provisions | (1.2) | (1.4) | (1.4) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) | | |
| Capitalized Expense | - | - | - | - | - | - | - | - | | |
| Variation in property values | (0.2) | (0.4) | (0.4) | (0.5) | (1.9) | - | - | - | | |
| **EBIT** | **2.5** | **3.5** | **2.3** | **2.6** | **3.7** | **4.3** | **4.0** | **4.3** | ***10.4%*** | ***5.5%*** |
| *EBIT growth* | *63.0%* | *39.8%* | *-34.3%* | *13.9%* | *42.0%* | *17.3%* | *-6.7%* | *7.3%* | | |
| *EBIT/Revenues* | *42.5%* | *44.3%* | *30.0%* | *32.9%* | *44.8%* | *50.8%* | *45.6%* | *47.0%* | | |
| Impact of Goodwill & Others | - | 0.1 | 0.1 | - | - | - | - | - | | |
| Net Financial Result | (0.8) | (1.0) | (1.1) | (1.0) | (0.8) | (1.1) | (0.9) | (1.0) | | |
| Income by the Equity Method | - | - | - | - | - | - | - | - | | |
| **Ordinary Profit** | **1.7** | **2.6** | **1.2** | **1.6** | **2.9** | **3.3** | **3.1** | **3.3** | ***14.0%*** | ***4.9%*** |
| *Ordinary Profit Growth* | *70.1%* | *52.6%* | *-52.5%* | *30.7%* | *78.6%* | *13.4%* | *-4.4%* | *6.7%* | | |
| Extraordinary Results | - | - | (9.5) | - | - | - | - | - | | |
| **Profit Before Tax** | **1.7** | **2.6** | **(8.3)** | **1.6** | **2.9** | **3.3** | **3.1** | **3.3** | ***14.0%*** | ***4.9%*** |
| Tax Expense | 0.2 | 0.1 | 0.1 | 0.1 | (0.2) | 0.1 | 0.1 | 0.1 | | |
| *Effective Tax Rate* | *n.a.* | *n.a.* | *n.a.* | *n.a.* | *7.8%* | *n.a.* | *n.a.* | *n.a.* | | |
| Minority Interests | - | - | - | - | - | - | - | - | | |
| Discontinued Activities | - | - | - | - | - | - | - | - | | |
| **Net Profit** | **1.9** | **2.7** | **(8.2)** | **1.7** | **2.7** | **3.4** | **3.2** | **3.4** | ***8.4%*** | ***8.9%*** |
| *Net Profit growth* | *71.0%* | *39.7%* | *-404.7%* | *120.9%* | *55.5%* | *26.7%* | *-4.3%* | *6.4%* | | |
| **Ordinary Net Profit** | **1.2** | **1.9** | **1.1** | **1.6** | **0.7** | **2.5** | **2.9** | **3.1** | ***-12.4%*** | ***62.7%*** |
| *Ordinary Net Profit growth* | *24.5%* | *53.6%* | *-40.0%* | *40.6%* | *-54.6%* | *239.6%* | *18.4%* | *7.1%* | | |

| | | | | | | | | | **CAGR** | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash Flow (EUR Mn)** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023e** | **2024e** | **2025e** | **18-22** | **22-25e** |
| **Recurrent EBITDA** | | | | | | **4.9** | **5.2** | **5.4** | ***8.8%*** | ***4.3%*** |
| Rentals (IFRS 16 impact) | | | | | | - | - | - | | |
| Working Capital Increase | | | | | | (0.5) | (0.2) | (0.1) | | |
| **Recurrent Operating Cash Flow** | | | | | | **4.3** | **5.0** | **5.3** | ***27.9%*** | ***-3.0%*** |
| CAPEX | | | | | | (1.0) | (1.1) | (4.4) | | |
| Net Financial Result affecting the Cash Flow | | | | | | (1.1) | (0.9) | (1.0) | | |
| Tax Expense | | | | | | - | - | - | | |
| **Recurrent Free Cash Flow** | | | | | | **2.3** | **3.0** | **(0.0)** | ***62.8%*** | ***-26.3%*** |
| Gain/loss on Disposals | | | | | | 0.6 | - | - | | |
| - Acquisitions / + Divestures of assets | | | | | | (2.3) | - | - | | |
| Extraordinary Inc./Exp. Affecting Cash Flow | | | | | | - | - | - | | |
| **Free Cash Flow** | | | | | | **0.6** | **3.0** | **(0.0)** | ***n.a.*** | ***-26.1%*** |
| Capital Increase | | | | | | 13.8 | - | - | | |
| Dividends | | | | | | (3.9) | (4.1) | (4.3) | | |
| **Net Debt Variation** | | | | | | **(10.5)** | **1.1** | **4.4** | | |

(1) See breakdown by rent type (GRI, NRI, NOI, and GRI/NRI Yield) in Valuation inputs (Sectorial)

# Appendix 2. Free Cash Flow

| A) Cash Flow Analysis (EUR Mn) | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e | CAGR 19-22 | CAGR 22-25e |
|---|---|---|---|---|---|---|---|---|---|
| **Recurrent EBITDA** | **4.5** | **4.1** | **4.4** | **4.8** | **4.9** | **5.2** | **5.4** | *1.9%* | *4.3%* |
| *Recurrent EBITDA growth* | *32.6%* | *-10.0%* | *8.0%* | *8.7%* | *1.8%* | *5.8%* | *5.4%* | | |
| *Rec. EBITDA/Revenues* | *57.8%* | *53.6%* | *55.6%* | *58.1%* | *57.2%* | *58.2%* | *59.0%* | | |
| - Rentals (IFRS 16 impact) | - | - | - | - | - | - | - | | |
| +/- Working Capital increase | (3.3) | 2.7 | 0.4 | 1.0 | (0.5) | (0.2) | (0.1) | | |
| **= Recurrent Operating Cash Flow** | **1.3** | **6.7** | **4.8** | **5.8** | **4.3** | **5.0** | **5.3** | *66.7%* | *-3.0%* |
| *Rec. Operating Cash Flow growth* | *-42.2%* | *436.7%* | *-28.3%* | *20.4%* | *-25.2%* | *14.8%* | *6.5%* | | |
| *Rec. Operating Cash Flow / Sales* | *16.0%* | *88.5%* | *61.1%* | *70.7%* | *51.0%* | *56.3%* | *57.7%* | | |
| - CAPEX | (0.1) | (0.2) | (1.0) | (0.9) | (1.0) | (1.1) | (4.4) | | |
| - Net Financial Result affecting Cash Flow | (0.9) | (1.0) | (0.9) | (0.8) | (1.1) | (0.9) | (1.0) | | |
| - Taxes | (0.1) | - | 0.0 | (0.7) | - | - | - | | |
| **= Recurrent Free Cash Flow** | **0.2** | **5.5** | **2.9** | **3.4** | **2.3** | **3.0** | **(0.0)** | *n.a.* | *-26.3%* |
| *Rec. Free Cash Flow growth* | *127.2%* | *n.a.* | *-46.6%* | *15.8%* | *-32.1%* | *29.3%* | *-101.6%* | | |
| *Rec. Free Cash Flow / Revenues* | *2.4%* | *72.5%* | *37.2%* | *41.4%* | *27.1%* | *33.8%* | *n.a.* | | |
| - Restructuring expenses & others | 0.3 | (0.1) | (0.2) | 1.9 | 0.6 | - | - | | |
| - Acquisitions / + Divestments | (0.5) | 3.5 | 2.6 | 7.6 | (2.3) | - | - | | |
| +/- Extraordinary Inc./Exp. affecting Cash Flow | (24.5) | - | (0.3) | - | - | - | - | | |
| **= Free Cash Flow** | **(24.4)** | **8.9** | **5.0** | **12.9** | **0.6** | **3.0** | **(0.0)** | *36.2%* | *-26.1%* |
| *Free Cash Flow growth* | *n.a.* | *136.5%* | *-43.8%* | *156.4%* | *-95.6%* | *423.5%* | *-101.6%* | | |
| | | | | | | | | | |
| *Recurrent Free Cash Flow - Yield (s/Mkt Cap)* | *0.1%* | *4.4%* | *2.3%* | *2.7%* | *1.8%* | *2.4%* | *n.a.* | | |
| *Free Cash Flow Yield (s/Mkt Cap)* | *n.a.* | *7.1%* | *4.0%* | *10.2%* | *0.5%* | *2.4%* | *n.a.* | | |

| B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn) | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e |
|---|---|---|---|---|---|---|---|
| **Recurrent FCF(FY - 1)** | **(0.7)** | **0.2** | **5.5** | **2.9** | **3.4** | **2.3** | **3.0** |
| EBITDA impact from revenue increase | 1.2 | (0.1) | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| EBITDA impact from EBITDA/Sales variation | (0.1) | (0.3) | 0.2 | 0.2 | (0.1) | 0.1 | 0.1 |
| **= Recurrent EBITDA variation** | **1.1** | **(0.5)** | **0.3** | **0.4** | **0.1** | **0.3** | **0.3** |
| - Rentals (IFRS 16 impact) variation impact | - | - | - | - | - | - | - |
| +/- Working capital variation impact | (2.0) | 5.9 | (2.2) | 0.6 | (1.6) | 0.4 | 0.0 |
| **= Recurrent Operating Cash Flow variation** | **(0.9)** | **5.5** | **(1.9)** | **1.0** | **(1.5)** | **0.6** | **0.3** |
| +/- CAPEX impact | 2.0 | (0.2) | (0.8) | 0.1 | (0.0) | (0.1) | (3.3) |
| +/- Financial result variation | (0.2) | (0.1) | 0.1 | 0.1 | (0.2) | 0.1 | (0.1) |
| +/- Tax impact | (0.0) | 0.1 | 0.0 | (0.7) | 0.7 | - | - |
| **= Recurrent Free Cash Flow variation** | **0.9** | **5.3** | **(2.6)** | **0.5** | **(1.1)** | **0.7** | **(3.0)** |
| | | | | | | | |
| **Recurrent Free Cash Flow** | **0.2** | **5.5** | **2.9** | **3.4** | **2.3** | **3.0** | **(0.0)** |

| C) "FCF to the Firm" (pre debt service) (EUR Mn) | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e | CAGR 19-22 | CAGR 22-25e |
|---|---|---|---|---|---|---|---|---|---|
| **EBIT** | **3.5** | **2.3** | **2.6** | **3.7** | **4.3** | **4.0** | **4.3** | *2.0%* | *5.5%* |
| ** Theoretical Tax rate* | *0.0%* | *0.0%* | *0.0%* | *7.8%* | *0.0%* | *0.0%* | *0.0%* | | |
| = Taxes (pre- Net Financial Result) | - | - | - | (0.3) | - | - | - | | |
| | | | | | | | | | |
| **Recurrent EBITDA** | **4.5** | **4.1** | **4.4** | **4.8** | **4.9** | **5.2** | **5.4** | *1.9%* | *4.3%* |
| - Rentals (IFRS 16 impact) | - | - | - | - | - | - | - | | |
| +/- Working Capital increase | (3.3) | 2.7 | 0.4 | 1.0 | (0.5) | (0.2) | (0.1) | | |
| **= Recurrent Operating Cash Flow** | **1.3** | **6.7** | **4.8** | **5.8** | **4.3** | **5.0** | **5.3** | *66.7%* | *-3.0%* |
| - CAPEX | (0.1) | (0.2) | (1.0) | (0.9) | (1.0) | (1.1) | (4.4) | | |
| - Taxes (pre- Financial Result) | - | - | - | (0.3) | - | - | - | | |
| **= Recurrent Free Cash Flow (To the Firm)** | **1.2** | **6.5** | **3.8** | **4.6** | **3.4** | **3.9** | **0.9** | *56.8%* | *-40.9%* |
| *Rec. Free Cash Flow (To the Firm) growth* | *n.a.* | *446.5%* | *-41.7%* | *20.9%* | *-26.6%* | *15.8%* | *-75.8%* | | |
| Rec. Free Cash Flow (To the Firm) / Revenues | 15.2% | 85.4% | 47.9% | 55.7% | 39.5% | 44.0% | 10.2% | | |
| - Acquisitions / + Divestments | (0.5) | 3.5 | 2.6 | 7.6 | (2.3) | - | - | | |
| +/- Extraordinary Inc./Exp. affecting Cash Flow | (24.5) | - | (0.3) | - | - | - | - | | |
| **= Free Cash Flow "To the Firm"** | **(23.7)** | **10.0** | **6.1** | **12.1** | **1.0** | **3.9** | **0.9** | *35.9%* | *-57.3%* |
| *Free Cash Flow (To the Firm) growth* | *n.a.* | *142.3%* | *-39.5%* | *99.6%* | *-91.6%* | *281.1%* | *-75.8%* | | |
| | | | | | | | | | |
| *Rec. Free Cash Flow To the Firm Yield (o/EV)* | *0.7%* | *3.8%* | *2.2%* | *2.7%* | *2.0%* | *2.3%* | *0.5%* | | |
| *Free Cash Flow "To the Firm" - Yield (o/EV)* | *n.a.* | *5.8%* | *3.5%* | *7.1%* | *0.6%* | *2.3%* | *0.5%* | | |
| | | | | | | | | | |
| **Funds from operations** | **4.2** | **3.3** | **3.7** | **4.0** | **4.1** | **4.6** | **4.7** | | |
| *Mkt Cap/Funds from operations* | *26.1x* | *29.2x* | *23.9x* | *23.8x* | *30.6x* | *27.7x* | *26.6x* | | |
| **Adjusted funds from operations** | **4.1** | **3.1** | **2.7** | **3.0** | **3.1** | **3.5** | **0.4** | | |
| *Mkt Cap/Adjusted funds from operations* | *26.5x* | *31.4x* | *33.1x* | *31.3x* | *40.2x* | *36.5x* | *n.a.* | | |



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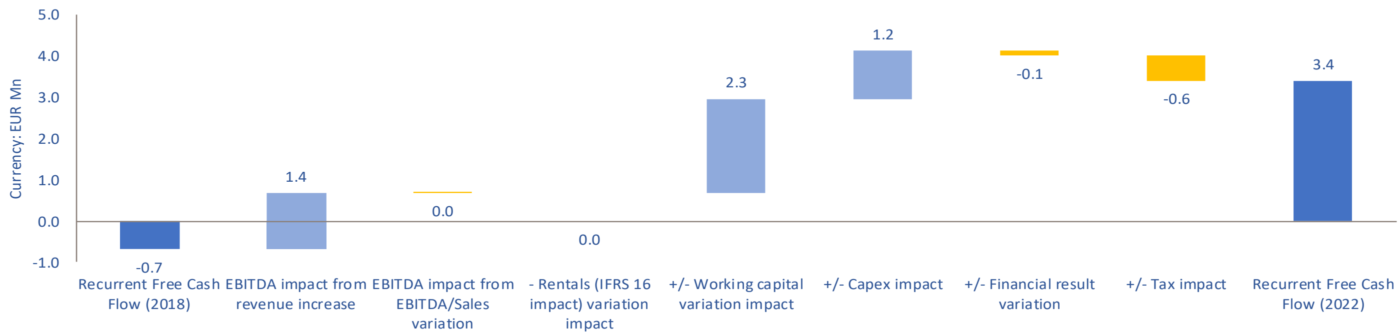
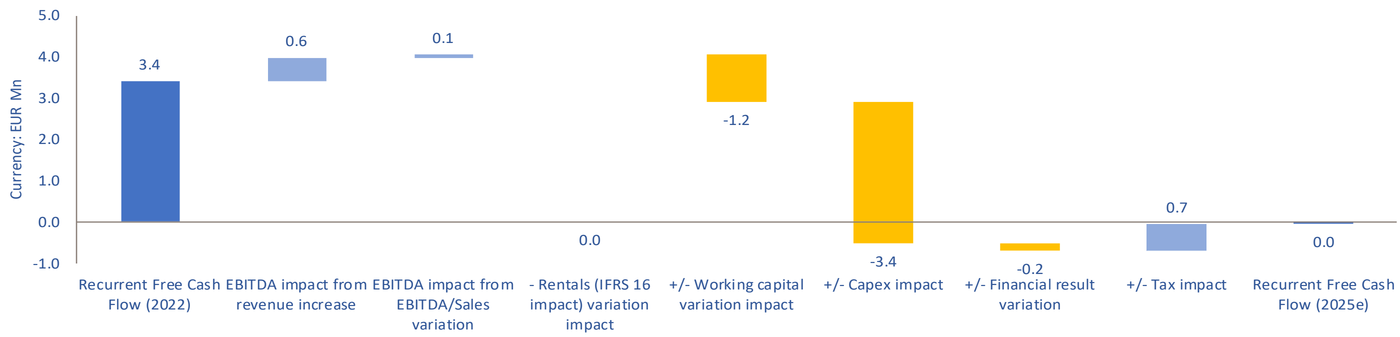
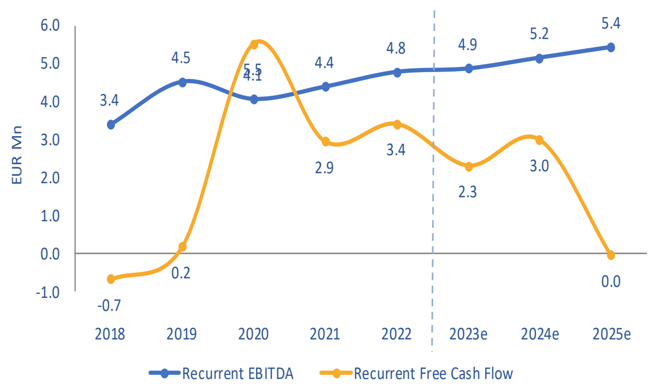
### Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)



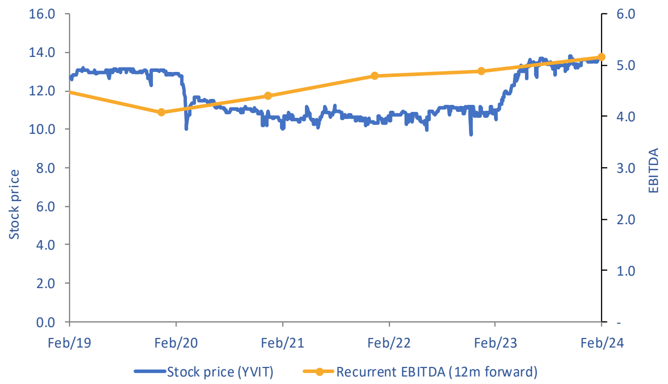

### Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)




### 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 | 126.1 | |
| + Minority Interests | - | 12m Results 2022 |
| + Provisions & Other L/T Liabilities | 7.5 | 12m Results 2022 |
| + Net financial debt | 34.8 | 12m Results 2022 |
| - Financial Investments | (3.7) | 12m Results 2022 |
| +/- Others | | |
| **Enterprise Value (EV)** | **172.0** | |



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# 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 | CAGR 22-25e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Revenues** | | | | | | 4.1 | 5.8 | 7.8 | 7.6 | 7.9 | 8.2 | 8.5 | 8.9 | 9.2 | n.a. | 3.8% |
| *Total Revenues growth* | | | | | | n.a. | 41.8% | 34.1% | -3.0% | 4.0% | 4.1% | 3.5% | 4.0% | 4.0% | | |
| **EBITDA** | | | | | | 2.4 | 3.9 | 5.2 | 4.2 | 4.4 | 6.9 | 5.7 | 5.4 | 5.6 | n.a. | -6.5% |
| *EBITDA growth* | | | | | | n.a. | 62.8% | 34.7% | -20.3% | 5.8% | 56.0% | -17.6% | -5.6% | 5.2% | | |
| *EBITDA/Sales* | | | | | | 57.9% | 66.5% | 66.7% | 54.8% | 55.8% | 83.6% | 66.6% | 60.5% | 61.2% | | |
| **Net Profit** | | | | | | 1.1 | 1.9 | 2.7 | (8.2) | 1.7 | 2.7 | 3.4 | 3.2 | 3.4 | n.a. | 8.9% |
| *Net Profit growth* | | | | | | n.a. | 71.0% | 39.7% | -404.7% | 120.9% | 55.5% | 26.7% | -4.3% | 6.4% | | |
| Adjusted number shares (Mn) | | | | | | 4.9 | 5.7 | 7.5 | 8.2 | 8.2 | 8.2 | 8.8 | 9.2 | 9.2 | | |
| EPS (EUR) | | | | | | 0.23 | 0.34 | 0.36 | -1.00 | 0.21 | 0.32 | 0.38 | 0.35 | 0.37 | n.a. | 4.8% |
| *EPS growth* | | | | | | n.a. | 46.2% | 6.6% | n.a. | n.a. | 55.5% | 18.2% | -8.7% | 6.4% | | |
| Ord. EPS (EUR) | | | | | | 0.23 | 0.22 | 0.25 | 0.14 | 0.20 | 0.09 | 0.28 | 0.32 | 0.34 | n.a. | 56.5% |
| *Ord. EPS growth* | | | | | | n.a. | -5.1% | 17.2% | -45.0% | 40.6% | -54.6% | n.a. | 13.0% | 7.1% | | |
| CAPEX | | | | | | (2.6) | (2.1) | (0.1) | (0.2) | (1.0) | (0.9) | (1.0) | (1.1) | (4.4) | | |
| *CAPEX/Sales %)* | | | | | | 63.5% | 36.2% | 0.8% | 3.1% | 13.2% | 11.5% | 11.6% | 12.4% | 47.4% | | |
| **Free Cash Flow** | | | | | | (5.0) | 0.3 | (24.4) | 8.9 | 5.0 | 12.9 | 0.6 | 3.0 | (0.0) | n.a. | -26.1% |
| *ND/EBITDA (x)[2]* | | | | | | 15.6x | 7.6x | 10.0x | 12.3x | 10.0x | 5.1x | 4.3x | 4.7x | 5.3x | | |
| *P/E (x)* | | | | | | 55.8x | 39.0x | 30.5x | n.a. | 53.6x | 41.9x | 35.7x | 39.1x | 36.7x | | |
| *EV/Sales (x)* | | | | | | n.a. | 18.76x | 19.58x | n.a. | 17.51x | 16.15x | n.a. | 19.44x | 18.69x | | |
| *EV/EBITDA (x)[2]* | | | | | | 45.1x | 28.2x | 29.3x | 36.5x | 31.4x | 19.3x | 30.3x | 32.1x | 30.5x | | |
| *Absolute performance* | | | | | | 7.0% | 4.0% | 2.3% | -16.6% | -5.6% | 8.6% | 21.5% | | | | |
| *Relative performance vs Ibex 35* | | | | | | -0.4% | 22.4% | -8.5% | -1.3% | -12.5% | 15.0% | -1.0% | | | | |

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

| | | Continuous Market | | | | | Europe | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | EUR Mn | Merlin Properties | Colonial | Lar España | Arima | Average | SEGRO | Land Securities | Icade | Average | YVIT |
| Market data | Ticker (Factset) | MRL-ES | COL-ES | LRE-ES | ARM-ES | | SGRO-GB | LAND-GB | ICAD-FR | | YVIT-ES |
| | Country | Spain | Spain | Spain | Spain | | UK | UK | France | | Spain |
| | Market cap | 4,312.5 | 2,762.8 | 539.0 | 177.7 | | 12,438.5 | 5,615.4 | 2,203.2 | | 126.1 |
| | Enterprise value (EV) | 8,454.7 | 8,832.5 | 1,103.6 | 255.6 | | 18,272.6 | 10,009.5 | 5,779.4 | | 172.0 |
| Basic financial information | Total Revenues | 476.2 | 376.2 | 90.2 | 9.0 | | 874.3 | 701.1 | 1,656.9 | | 8.5 |
| | Total Revenues growth | 7.9% | 1.4% | 8.0% | 11.5% | 7.2% | 12.0% | -24.1% | -15.5% | -9.2% | 3.5% |
| | 2y CAGR (2023e - 2025e) | 7.5% | 6.0% | 3.0% | 37.4% | 13.5% | -2.5% | 1.0% | -52.4% | -18.0% | 4.0% |
| | EBITDA | 366.7 | 302.3 | 64.1 | 0.4 | | 615.2 | 543.7 | 280.4 | | 5.7 |
| | EBITDA growth | -0.7% | 9.0% | n.a. | 132.9% | 47.1% | 162.2% | 0.4% | -56.6% | 35.3% | -17.6% |
| | 2y CAGR (2023e - 2025e) | 7.7% | 6.7% | 7.0% | n.a. | 7.1% | 9.6% | 1.9% | 8.3% | 6.6% | -0.3% |
| | EBITDA/Revenues | 77.0% | 80.4% | 71.0% | 3.9% | 58.1% | 70.4% | 77.5% | 16.9% | 54.9% | 66.6% |
| | EBIT | 329.8 | 294.9 | 57.3 | (8.7) | | 608.2 | 532.8 | 257.6 | | 4.3 |
| | EBIT growth | -10.3% | 9.9% | 2.6% | -658.8% | -164.1% | 164.5% | 0.1% | -58.7% | 35.3% | 17.3% |
| | 2y CAGR (2023e - 2025e) | 17.6% | 9.5% | 16.2% | n.a. | 14.4% | 9.9% | 2.1% | 9.1% | 7.1% | 0.0% |
| | EBIT/Revenues | 69.2% | 78.4% | 63.5% | n.a. | 70.4% | 69.6% | 76.0% | 15.5% | 53.7% | 50.8% |
| | Net Profit | 253.1 | 166.9 | 66.0 | (10.4) | | (295.3) | 370.3 | (1,213.6) | | 3.4 |
| | Net Profit growth | 512.0% | n.a. | -9.4% | -198.8% | 101.2% | 86.9% | 151.2% | n.a. | 119.1% | 26.7% |
| | 2y CAGR (2023e - 2025e) | 11.7% | 9.2% | -2.6% | 85.7% | 26.0% | n.a. | 21.4% | 48.4% | 34.9% | 0.9% |
| | CAPEX/Sales % | 59.5% | -14.0% | -24.4% | 466.7% | 121.9% | 3.9% | 38.9% | 18.4% | 20.4% | 11.6% |
| | Free Cash Flow | 110.2 | 300.6 | 99.4 | (44.0) | | 469.3 | 247.3 | 3.6 | | 0.6 |
| | Net financial debt | 4,136.6 | 4,895.9 | 467.5 | 64.0 | | 5,802.8 | 3,921.0 | 3,507.6 | | 24.2 |
| | ND/EBITDA (x) | 11.3 | 16.2 | 7.3 | n.a. | 11.6 | 9.4 | 7.2 | 12.5 | 9.7 | 5.0 |
| | Pay-out | 82.5% | 81.5% | 92.2% | -10.4% | 61.4% | -126.8% | 92.5% | -27.0% | -20.5% | 114.6% |
| Multiples and Ratios | P/E (x) | 16.8 | 21.0 | 8.8 | n.a. | 15.5 | n.a. | 12.6 | n.a. | 12.6 | 35.7 |
| | P/BV (x) | 0.7 | 0.7 | 0.6 | n.a. | 0.7 | 1.0 | 0.7 | 0.4 | 0.7 | 1.1 |
| | EV/Revenues (x) | 17.8 | n.a. | 12.2 | n.a. | 15.0 | n.a. | 14.3 | 3.5 | 8.9 | n.a. |
| | EV/EBITDA (x) | 23.1 | 29.2 | 17.2 | n.a. | 23.2 | 29.7 | 18.4 | 20.6 | 22.9 | 35.3 |
| | EV/EBIT (x) | 25.6 | 29.9 | 19.3 | n.a. | 25.0 | 30.0 | 18.8 | 22.4 | 23.8 | 39.8 |
| | ROE | 4.4 | 3.1 | 6.4 | n.a. | 4.7 | n.a. | 5.9 | n.a. | 5.9 | 3.2 |
| | FCF Yield (%) | 2.6 | 10.9 | 18.4 | n.a. | 10.6 | 3.8 | 4.4 | 0.2 | 2.8 | 1.8 |
| | DPS | 0.45 | 0.26 | 0.73 | 0.04 | 0.37 | 0.31 | 0.46 | 4.33 | 1.70 | 0.44 |
| | Dvd Yield | 4.9% | 5.0% | 11.3% | 0.6% | 5.5% | 3.0% | 6.1% | 15.0% | 8.1% | 3.2% |

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).

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| Date of report | Recommendation | Price (EUR) | Target price (EUR) | Period of validity | Reason for report | Analyst |
|---|---|---|---|---|---|---|
| 22-Feb-2024 | n.a. | 13.70 | n.a. | n.a. | Initiation of Coverage | José Miguel Cabrera van Grieken |

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