THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

HOME.MC - Q1 2017 Neinor Homes SA Earnings Call

EVENT DATE/TIME: APRIL 26, 2017 / 4:45PM GMT

CORPORATE PARTICIPANTS

Juan Gomez Vega *Neinor Homes - Head, IR*

Juan Velayos *Neinor Homes - CEO*

Jordi Argemi *Neinor Homes - CFO*

Mario Lapiedra *Neinor Homes - Chief Investment Officer*

Gabriel Sanchez *Neinor Homes - Chief Business Officer*

Silvia Lopez *Neinor Homes - Head, Legal Department*

PRESENTATION

Juan Gomez Vega - *Neinor Homes - Head, IR*

Thank you, Alison. Good afternoon, ladies and gentlemen, welcome to Neinor Homes Results Presentation for the First Quarter of 2017. The presentation today will consist of the following, our CEO, Juan Velayos, will present the quarterly performance and outlook for the business. Then our CFO, Jordi Argemi, will go deep into the financial overview of the quarter. After that, Juan Velayos will state closing remarks. Following that, there will be two additional sections. We will have our Chief Investment Officer, Mario Lapiedra; and our Chief Business Officer, Gabriel Sanchez, explaining five case studies of development at different stages of the value chain. Finally, Silvia Lopez, Head of the Legal Department, will discuss the company achievements in corporate social responsibilities.

The team presentation will be followed by a questions and answer session. I invite you to send your questions at any time during this webcast through the submit a question to the presenter window in the webcast application. The team will then answer the questions after the presentation.

Juan, let us begin.

Juan Velayos - *Neinor Homes - CEO*

Thank you very much, Juan. And thank you all (inaudible) and thank you very much, everyone. A great pleasure being here today, having the opportunity, the first time that Neinor Homes, after the IPO and as a public company, presents results and begins to show the commitments with all of you investors during our IPO, and we begin to show deliveries. And hopefully, you will see after this first presentation that the company has hopefully overperformed any expectations that we might -- that you might have of these first quarter results.

As this is the first time, I think that it makes sense in a few seconds to try to go through Slide 5, that you have a reminder of the investment case of Neinor Homes. Neinor Homes, you remind, is the leading and pure resi home builder company with 30 years track record, a company that is targeting multifamily, a company that is targeting volume, that is targeting mid to mid-high clients, find the local buyers, and that means people with access to mortgages.

We do first homes, 75%; second homes, 25%. We have a company designed through three main pillars, a very institutional company applying best international practices, coming from the Anglo-Saxon markets, very focused on product, designing high quality products, sustainable products and with a tremendous focus on clients.

We are a de-risked company, we just buy fully permitted land, and we buy fully permitted land in places with a strong demand that can be immediately kicked off, and is just located in certain very specific areas of the country. We want to have a really good sized land bank, just crucial for maximizing ROCE.

The business model, it's also driven by the industrialized -- industrialization concept. We have put together a very experienced management team with more than 35,000 units delivered, with today, just with 208 employees, with a business model that want scalability, we want to be the leaders in a market with volume, and that means flexibility and that means externalization.

Our -- also our de-risked approach and our disciplined approach is showed in our development activities. We only start construction with 30% presales, with the license obtained -- with the license granted, with contracts that are really turn-key contracts and with the CapEx financed, only at that stage this company kicks off new development.

You remember that we have two ancillary businesses, two complementary businesses, meaning legacy, the finished product that we bought that from Kutxabank and that we are liquidating and we see that as cash flow for freeing our core business; and our servicing activities with Kutxabank.

And finally remember, this is a ramp-up phase. This is a company that it's growing just to get its run rate targets, meaning 3,500 to 4,000 units per year, average [selling] price of EUR300,000. EBIT margin in the range of 20% and ROCEs above 15%, and with a very disciplined and conservative approach to leverage. LTVs must be below 20% and net debt to equities, below 20% - 40%, sorry. Hopefully, this reminder just allows us to present the first quarter results.

So, if you jump to Slide number 6, here you have got the highlights, the highlights of this first quarter, that all of items say that has been exceptional good first quarter of 2017.

I would like first to [remark] the macro, the macro is supporting Neinor Homes, is supporting the housing activity, and it's creating demand. It's increasing the demand, basically based on GDP, we closed last year in 3.2% overperforming and beating our peers in Europe.

The affordability is there. Banks are granting mortgages with (inaudible) in a second, and there is a few supply yet. Only 65,000 units were started in 2016, meaning that there is still a lot to grow just to bring the country to run rate numbers. That means the imbalance between demand and supply as a clear consequence, and it's called HPA, house price appreciation. Prices are increasing, and the numbers that we are making, it's [a] 4.5% price increase in 2016.

Just going to Neinor Homes, just going to our main target [EPIs], the commitments that we get with the -- with the market during our IPO were basically 4. If you remember, the first was about buying land, continue buying exceptional good land, fully permitted land, well located. We have had a very good first quarter. We have bought seven developments, 700 units, EUR52 million. That -- all of them with - got with these 20% margins that are exceeding our commitments of being above 18%, as you remember. So today, this company has 166 developments and have 9,700 units.

The second critical indicator of the company were the presales. The presales in this -- in this quarter have been exceptional. We have sold 46% more than the number of units that we were expecting for this quarter. We have sold -- presold above 60% the volumes that we were expecting for this quarter. That means 319 units, that means EUR116 million, that means more than 100 units per month. As of today, this company has presold more than 1,500 units and more -- almost EUR500 million.

The third critical indicator about Neinor Homes, it's about our development activity, and our development activity also has had a very good quarter. We have been able to launch seven new developments. We will see when we dip in, we have three new developments with cranes, with construction that has already started. The reported developer margin of all our work in progress, it's in a range of 22% above our -- accretive to what we reported and to our expectations. And this company today has probably 4,000 units, 60 sites already going on.

But not only that, it's time for deliveries. This company begins to deliver. We have had a first delivery for this year in this first quarter has been 40 units in Madrid with a gross margin of 22%, and that means that together with the -- with the -- with the deliveries of last year, we have already delivered 160 units with a blended gross margin of 28%. And more important than that, we have delivered on time and on budget.

Finally, regarding the critical [KPIs] that you have been following, it's about our legacy business. As we will see after work today, they are important around the ones that are pulling our core business. We have had a very good first quarter on legacy sales. We have been able to sell EUR57 million. You remember that the EUR219 million that we reported at the yearend during the IPO, as of today, it's EUR163 million. You know that we will prioritize always volumes to values, but that we are comfortable just being above of our book values. It has been the case in this first quarter.

And finally, our servicing business, our servicing business has had a very -- it's a very stable business as you know, and this first quarter has been the same. We are -- we have EUR1.5 billion assets under management. We have this EUR4.5 million EBITDA overperforming on above expectations, and we have been also in revenues above expectations. So, I would say as a conclusion of KPIs of this first quarter, that everything is on track and everything is aligned or above what we reported during the IPO process.

Finally, the financial statements, we all know that this company -- it's not reporting and will not reflect their core business until a couple of years from now, but just the revenues 30% above expectations. The loan to value, it's in 15%, and we have very solid cash position. We will [dip] in a -- in a little -- in a -- in a while with Jordi, but this strong (inaudible) financial position, it's really strong.

If we just dip in a little, but just a little, in the market fundamentals, what I just want to provide that everything it's alive to create demand. GDP, as I was mentioning, probably what we are expecting for 2017, it's also a growth of 2.6%. The unemployment is going down. We have been able -- we are expecting the creation of another 500,000 new jobs. And this, this and this sector is the one creating more jobs, and more important than that, mortgages are there, because of the affordability levels that continue improving, as of today, 281,000 mortgages have been granted in 2016. In Spain, we are still 79% below the peak. But if we go to the supply, I will say that we are a few players, there are a few of us that are capturing this opportunity.

As I was mentioning, 65,000 units have been started, still 73% below the peak, although probably that's not the right metric, but the right metric will be that 150,000 units that we see as the stabilized market. But there is still room for growth. There is still room for consolidation. The country is evolving in this consolidation, [move] on this consolidation space and Neinor Homes is capturing that opportunity.

That imbalance that I was mentioning is reflected in the HPA in the house price that we see [some] that this company is not [the highest in the] markets has been able to capture 4.5% HPA in the first quarter.

If we go to acquisitions, the first parameter, and just doing assuming what I would say is that the first quarter has had the plan and developments located in Madrid, located in Catalonia, located in the South, just in Costa del Sol and adding a new region for Neinor Homes. Probably you have heard about the press release that you -- we've sent some weeks ago showing that we have decided to open a new region, meaning Valencia, with this first acquisition, that after working the case studies, Mario will jump in.

More important than that, we have already completed 26% of our budget of acquisition for 2017, 15% of the bucket for the five year business plan as you remember -- as you remember, and as of today, as we speak, the company has very good visibility for the next quarter, we are I would say in very advanced negotiations for another EUR80 million. That's hopefully -- and if nothing happens and the due diligence are successful, will be completed within the following months.

So, I would say very good visibility about land acquisition and those 20% blended margins. The sellers as we anticipated in the IPO -- in the IPO are not natural owners. We have been able to buy from Spanish banks, from new banks that have just arrived to the market, meaning banks from the south or banks from the center of Spain, also from the bad bank. So, I will say a very solid performance in acquisitions and very solid visibility for what will be coming within the next months.

If we go to the commercialization, I have already mentioned these KPIs, exceptional, exceptional quarter, both in volumes, in values, in HPA, in velocity, 100 units we sold in a month that give us a very good visibility.

You saw in the graph presented in Slide 10, where we are in connection with the deliveries of 2017, 2018 and 2019, and you see how we are growing in number of percents in the graph on the right. Important also that each and every region is overperforming and the number of presales that we have is in connection with whole volume that we have in the market, it's in the range of more than 60% and even in the 70% in the East.

Also important new developments are coming to commercialization. You see here that we have 33 developments under commercialization in April, another three developments are already in the market, and we expect for the next month, another five to six developments in the market. So, new product arriving, coming, so I will say good visibility in connection with sales and presales for the following quarter.

If we go to the development activity, this company has to date, 60 sites in production. We have been able, in the first quarter to have seven new launches, or almost 700 units that are in the phase of being designed and that will be in the market within the following months. We have three new construction starts with 267 units, and we have that delivery [Los Alerces] in Madrid that will be afterwards presented in the case studies by Gabriel.

Construction sites are on time and on budget. We deal with obviously with our ordinary course of business headaches, but we can say that are on time and on budget. And the reported margin for those 30 sites in under construction is the 22% accretive, but to what we reported in our IPO and in our numbers. So, I would say things evolving in good shape, hopefully with new deliveries coming in the next quarter.

Finally, going to the ancillary (inaudible) businesses in Slide 12, as I was anticipating and as I was mentioned, a very strong quarter with EUR57 million. This should not be -- this is the case each and every quarter, it's an exceptional good quarter, because there is an asset of EUR24 million that has been sold, Valle Romano, a singular hotel that we had with a lot of weight in our -- in our -- again, in our portfolio. Having said that, everything is on track. Prioritizing volumes to values and being able to [fuel] in our core business.

And finally, servicing EUR1.5 billion assets under management; asset boarding also above expectations; and revenues and EBITDA above expectations, EUR7 million revenues, EUR5 million EBITDA.

So, now, we will jump into deep financials, and afterwards, we will have some close remarks and before the case studies that Juan has already anticipated. Jordi?

Jordi Argemi - *Neinor Homes - CFO*

Okay, thanks, Juan. In the section three, we will cover the three financial statements, P&L, balance sheet and cash flow. Let me start with the first one. The P&L in Slide number 14.

If we're going to the details, let me show two big messages. As we explained in the prospectus, that P&L for 2017 and the (inaudible) for this Q1 is driven by the ancillary businesses, using its legacy and servicing, representing almost 90% over total revenues. So, this P&L is not representative of our core business, the development.

And the second message, this Q1 has been a very strong quarter, as Juan commented, beating our business plan. But having said that, let's go through the main concepts of the P&L that you have on your left hand side. In the revenues, [based on month], with EUR72.2 million, there has been a clear sales acceleration for the legacy business, but being prudent, we should not expect these level of sales in every quarter.

In gross margins, as already commented by Juan, for the legacy product, we are prioritizing volume rather than value or margin protection. However, as you can see the overall gross margin has been positive. It means EUR10.8 million, which implies a 14.9% over revenues. EBITDA, negative, minus EUR6.4 million, but is completely in line with our expectations.

Let me explain three main concepts behind this negative EBITDA. The first one is that it reflects the acceleration of the legacy product liquidation. Second, it includes a provision of EUR4.2 million linked to the property tax. As you may know, according to the International Financial Reporting Standards, we have to record the January 1st of each year, a provision equivalent to the full year -- full year property tax cost.

And third and last concept, the ramp up of development business. Remember from the prospectus that revenues are only recognized in the P&L when the unit is delivered. This means that all unit results, the EUR115 million during Q1, and the order book of EUR483 million are not yet recognized, but will be in the near future. On the contrary, we do recognize some operating cost, such as marketing and property tax.

And finally, last item of the P&L, financial costs, EUR1.7 million, which implies a loss for the period of EUR8.2 million. And on top of this, the official P&L includes two other concepts linked to the IPO. One is the IPO cost for a total amount of EUR2.6 million. Remember the loans are [pegged], the vast majority of the IPO cost, out of more than EUR30 million of total cost, Neinor Homes has only paid these EUR2.6 million. That basically relates to (inaudible) and collectors, favorable [weight earnings] of our land bank, marketing and legal and administrative cost.

And the second concept is the management incentive plan for an amount of EUR14.4 million. This incentive plan has been fully paid by Lone Star as we commented in the prospectus, but due to accounting and technical reasons, we had to record this cost in our P&L together with an increase of the equity being (inaudible) for you investors.

If we move on to the following slide, we have the cash flow statement. Some critical messages that I would like to emphasize. First, we have closed the quarter with a negative free cash flow of EUR14.9 million. And despite being negative, this is also ahead of our expectations. Most relevant items of this free cash flow are in (inaudible) in the countries with (inaudible) of EUR51.4 million. Land acquisition of EUR51.6 million and CapEx of EUR21.5 million. So basically, all cash generated from the legacy business lines is fueling the development our core business.

And the last concept in this slide, we have closed a very strong net cash flow. This means EUR82.7 million, thanks to that EUR100 million of the primary from the IPO.

In Slide 16, we have the balance sheet. We will see in the working capital and net debt positions in the following two slides, but here, I would only say that we have a very solid, strong and healthy balance sheet.

It means that we have assets of EUR1.1 billion, equity of EUR720 million and total liabilities is likely above EUR400 million. Inventories are EUR947 million, which represents 84% over the total balance sheet. And out of these EUR947 million, the legacy represents EUR163 million euros. Remember that we come from EUR219 million as of December 2016. And development represents EUR784 million and we come from EUR719 million as of December 2016.

So, that's two concepts, very strong cash position, EUR134 million as Juan commented at the beginning of this presentation, and a capital employed of EUR0.9 billion. As you can see, very stable and fully aligned with our expectations.

As commented, if we dip in our working capital in Slide 17, we have closed the quarter with EUR925.7 million of working capital, fully aligned with our expectation again. And if we go through the details, inventories, as commented in the main caption, but we have all our items. We have EUR37.1 million of debtors, and basically, we have trade receivables, this is the interest from Kutxabank, EUR10 million plus some advanced payments.

Tax receivables, this is the VAT from the land acquired that we have to receive in the following months, and remember that we fully financed these VAT through some bank facilities so it means neutral from a cash perspective.

We have also receivables from the Lone Star. This is basically due to the management incentive plans. This is in connection with our retentions, the [meet] was recorded as of March, and the cash from the Lone Star has been received the first week of April. So, we will have a deduction in the following quarter results.

Then we have EUR28.2 million of cash and equivalents not available. As you may remember from the prospectus, we are extremely prudent. So, we include as working capital, the cash received and not used from the -- from our clients. This is in terms of assets, let's to go the liabilities.

The most [pronounced] concepts are clearly there's for an amount of EUR46.1 million, basically constructors and suppliers and other current liabilities for EUR40.2 million that actually they are deposits received from our clients. These are presales.

This means that out of that total EUR483 million of presales that Juan commented, we have already received almost EUR40 million of cash. On the right hand side of this slide, you have further details on the most relevant caption, which is our working capital inventories. The only comment will be that out of that EUR784 million euros of development stock, EUR346 million is in work in progress, which means that 44% over the total development stock is in progress.

And finally, let's to go over the net debt in Slide 18. Due to the primary EUR100 million, we have closed the quarter with a net debt of EUR208.2 million. That compares to that EUR291.6 million as of December 2016. As having said that, these net debt will increase in the near future due to the CapEx that our development business will require.

And it's important to say that the initial objective of the primary was to acquire land, and also to reduce debt. However it's clearly it's being hard to reduce debt as banks do not want to be repaid. So, what are we doing to cover our objective commented in prospectus. We are not getting the 30% leverage on land acquisitions that we planned to have during the ramp up phase.

And finally, in connection with our debt ratios, as you can see, they are very healthy. This means loan to value of 15%, loan to cost of 22% and net debt to equity of 29%.

Juan Velayos - *Neinor Homes - CEO*

Thank you very much, Jordi. Now, let's try to just to wrap up some key takeaways of this first quarter, and afterwards what we are -- what we are going to try to do is to go through case studies of each and every [piece] of our value chain and to give you some color, to give you some visibility.

But before that, key takeaways, the macro is healthy. As I was mentioning, the demand is pushing. The supply, it is still scarce -- there's scarcity, the HPA is helping, and more important than that, Neinor Homes is tremendously well positioned. The IPO has even give us a more leadership in the market, more responsibility about leading what's going on today in Spain.

Second critical key takeaway, we continue buying. We continue new buying at the margins that we have committed to deliver. And we have very good visibility about our positioning to continue doing it within the following quarter.

Third critical key takeaway, in a -- in a first quarter of a year, that traditionally in Spain, it's really slow. We have done an exceptional good quarter. So, we were pre-selling in January, February, and March in Spain, more than 100 units, honestly speaking, it's really above our expectations.

Our development activity is on good track. We have accelerated, we have new launches, we have new cranes, we begin to have deliveries. We continue with good visibility about the reported margins, so I would say that everything on budget and on time and being margin protection one of the critical objectives of this company as we anticipated during our IPO.

The ancillary businesses, accelerating. Very good first quarter on [sale], very stable contracts [contributing]. Hopefully, we'll be able to continue, and we are on track with what we mentioned and what we committed in our IPO.

And the financial position, our P&L is still obviously not reflecting the ramp up. Hopefully, this quarter begins to show our commitment to deliver but the financial position of the company, it's really solid and the P&L, just as expected in our expectations.

So now, hopefully, Mario, why we don't begin to cover some case studies.

Mario Lapiedra - *Neinor Homes - Chief Investment Officer*

Perfect, Juan. So, in Slide number 23, we are presenting our first acquisition in the Levante region that as Juan commented before, it is the new [expansion] areas of the company. The transaction is made of two different plots, located in Malilla, Malilla is a neighborhood bang in the city center of Valencia, in front of the La Fe Hospital, that is the most important hospital of the whole city, and just five minutes away from the train station that connects directly with Madrid and the main capitals of Spain.

In terms of units, we are talking about 54 units, both plots are fully permitted, and in terms of the seller, we would have liked that it comes from a private bank that has not been very active in the last year, but it is this 2017. And in terms of angle, we talk about portfolio transaction because we were able to close three deals with this same bank in the first quarter, comprising more than [20 million] (corrected by company after the call) and four different plots.

We have supported that acquisition with those external advisors, with Cuatrecasas on the legal side and Hill International on the technical side. And we are reflecting a target EBIT margin above 20%.

So, let's move into the next step of the value chain, in the Slide number 24.

Juan Velayos - *Neinor Homes - CEO*

In this concept, Mario, one of the deals that we have now under advanced negotiations is also in Valencia, so just because we have decided to open a region -- obviously, it's because we are anticipating new acquisitions here in Valencia.

Mario Lapiedra - *Neinor Homes - Chief Investment Officer*

Yes, so in this second step of the value chain, that is the marketing plan, let me just refresh what we do in the marketing plan. We are doing the supply analysis, and we are doing the demand analysis with these demand reports, including micro sites, and as output, we will have our product definition, the first target clients and then the initial price strategy.

In the case we are presenting that these Leioandi Homes, it is a plot located in Leioa, that's close to Bilbao, very close to Getxo one of the richest and most expensive areas of the whole country. We have two different plots, comprising 62 units. We have already one development already launched, called Torresolo, where we have strong presales performance, with 80% of the stock already presold. We are shooting for a target market in the middle upper income. And in terms of quality, we are going through the medium high and achieving degree and certifications.

In terms of type of bedrooms, we are talking about 10% for two bedrooms. We are shooting 50% three bedrooms and 40% four bedrooms. In terms of commercialization, we are shooting to have a start in May and with a target EBITDA margin of circa 18%.

Juan Velayos - *Neinor Homes - CEO*

Thank you, Mario. So, now we have covered land acquisition, we have covered marketing plan. Let's go to product, Gabi, that we'll lead the market very soon, right?

Gabriel Sanchez - *Neinor Homes - Chief Business Officer*

Yes. Thank you, Juan. In the Slide 25, we have the next design, procurement and commercialization development that we are going to present right now, which is what the Vollpelleres 2. It's a 48 units located in Sant Cugat, Barcelona, and is the second development that we commercialized in this area. The first one, we have already sold -- presold the 88% of the total units. And today, it's in the work in progress phase.

Talking about these development, the development is composed by two bedrooms, three bedrooms and four bedrooms, with swimming pools with an area (inaudible) with barbeque integrated. We are going to start the commercialization tomorrow with Basico Homes, which is our broker, and we have a contact list of 100 people, and we scheduled 50 visits in the next days.

We hope that these developments can be a new (inaudible) for the commercialization for the next month. Also, we have a [stated] target EBIT margin of beyond the range of 20%.

On the next slide, Slide 26, we have the work in progress phase. In this, we are going go present Avenida Homes, which is a medium site development of 54 units for medium class. These are work in progress development that is being built by CHM, a medium size construction company. And today, we have finalized the structure of the building last month with a beginning of progress around 25%. This development is [on] budget with no deviation on time and cost.

In addition to this, we have already presold the complete development, including raising four times the prices and an HPA of 5.3% from the initial prices of this development.

Finally, in the next slide, in the Slide 27, with the delivery. The delivery that Juan mentioned before that we have already delivered during this Q1, Los Alerces in Mostoles in Madrid. This is our development in Madrid that we have been - delivered during this Q1 and the delivery process was managed by the Neinor Experience team that will notarize all the 40 units in five working days. And also, we have implemented the Neinor Key Day during this day, the Neinor team explains to all of our clients the common areas, the functionality of all elements of this house.

Today, we are working the post-sale phase, working with the (inaudible) company supervising all the issues of the houses with [normality].

Juan Velayos - *Neinor Homes - CEO*

Thank you, Gabi. So, we have been able to go through some case studies. One of the other things that is critical in this company that you know that we do really believe or need is everything that has about CSR, about (inaudible), about compliance. So, Silvia, why you don't give us some highlights about what has been happening this first quarter.

Silvia Lopez - *Neinor Homes - Head, Legal Department*

Of course, Juan. As we have corporate governance, the company has in place the structure, codes and procedures required by the applicable regulations and best practices from listed companies. So, we are fully operating as a public company.

In Q1, we have approved our first CSR report, which I invite you to review. It is available in our website.

One achievement we're especially proud of is our contribution to job creation. We have created 650 direct jobs in Q1, on the two constructions started. So, a total figure of job creation is 5,000 direct jobs since 2015.

As regards to sustainability, we have made some progress in the BREEAM certifications for our projects, having obtained three certifications in year one in the design phase, which make a total of 10 certifications up to date. Additionally, we have 26 more projects in different phases of the certification process.

Juan Velayos - *Neinor Homes - CEO*

Thank you, Silvia. I think that we have been able to cover in what we -- I don't know if in the right time, fine.

QUESTIONS AND ANSWERS

Juan Gomez Vega - *Neinor Homes - Head, IR*

Yes, no, we are in like 40 minutes, at this point, I invite you to send some extra questions and in one minute, we will start answering the ones that we have now.

So, we'll start with the first question, and it's do you see much more room to increase the marketing units or should we expect a 100 to be the run rate for the next 12 to 18 months?

Juan Velayos - *Neinor Homes - CEO*

Thank you, Juan, it's a really good question. I would say we have anticipated, we have a very strong -- we have had a very strong quarter, so obviously what we have been able to sell this quarter, we cannot sell again next quarter. This is the first concept.

Another important idea is that that we are really cautious and I would say really obsessed with the capture of the HPA, so we can only anticipate presale if we are able to capture all the HPA that we have decided as a company in each and every project.

So -- and the third important concept to answer this is that we are coming strong with new products to the market within the following months. It's already happening as we speak. As Gabi has just mentioned, with a new commercialization coming tomorrow.

So, the feeling is that yes, and I will say that we should be in the rates of 100, even a little bit above, for the next 12 to 18 months. So, 100 is our right number. With that, we will meet our business plan, but I will say that probably we will be a little bit above those numbers as a general run rate.

So, above 100, it's a good metric to think in the -- in the short term. If we're seeing in the overall business plan for five years, obviously, it will be significant higher -- significantly higher, as we will be beating 100 units every month.

Juan Gomez Vega - *Neinor Homes - Head, IR*

Thank you. Let's go to a -- the second question, and it reads, could you please provide the debt maturity calendar? Will you use the proceeds from the capital increase to amortize part of it instead of buying new land? Are you going to refinance a bit in order to extend the maturity?

Juan Velayos - *Neinor Homes - CEO*

Let me introduce the concept and the strategic approach to this question, and afterwards, Jordi, you can answer to the maturity calendar we have, okay.

Conceptually speaking, we want to be very disciplined in our debt approach. This is a fact. Second important idea, our initial ideas as we -- as we mentioned during the IPO, what [we do] is what to use part of the proceeds of the IPO to basically -- to reduce, amortize the debt, basically the corporate debt.

What we have seen in the banks, is that they do really prefer that we do not amortize that debt. So, we have had from each and every bank, I would say the pray that we do not reduce their exposure to Neinor Homes.

What we have done -- what we are doing, I think the other part of your question, is that as you remember, this company is designed to buy land with equity. But having said that, we have always announced in our IPO, that during the ramp up, we were going to take advantage of a little vendor finance or a little finance from the bank, basically because they are the sellers.

What we have been doing during this first quarter has been to buy the majority of it basically with full equity. So, we are just having this same objective, meaning reduction of debt, but instead of reducing the corporate debt that we have with the bank, we are just not using it to partially finance our land acquisition.

Regarding what we will do, our numbers, our business plan shows that we've paid in the calendar that Jordi is going to mention in a second, okay. Having said that, you will see that it's far away from here when we begin to face significant payments, and we'll see what the position of the bank at that moment to see if it makes sense for [not] extension. But always, with tremendous discipline in our debt ratio.

Jordi, why you don't explain the calendar?

Jordi Argemi - *Neinor Homes - CFO*

Yes, sure. To understand the repayment calendar, we do need to differentiate it by debt typology. In the corporate debt, as you have in the slide, we have almost EUR90 million and (inaudible) debt payments, we have almost a maturity of 2.5, 3 year. This means that we have to repay this year, 2017, almost EUR5 million, 15 million euros in the year 2018 and EUR73 million in 2019.

And regarding the land financing, we usually have three years [bullet], but we finally negotiate with the banks to link the repayment of this debt with the delivery of the development. This means that the cash out, is at the end of the day, linked with the cash in, so no risk behind that.

Juan Velayos - *Neinor Homes - CEO*

Thank you, Jordi.

Juan Gomez Vega - *Neinor Homes - Head, IR*

Let's move to the next one, can we expect you will be able to sell the totality of your legacy portfolio before the 18 months that you guided for the IPO?

Juan Velayos - *Neinor Homes - CEO*

Let's (inaudible). Yesterday, we had good news. Yesterday, we had a significant presales, meaning that hopefully in quarter two, at least for managed things, you will see also very good numbers, but let's be prudent.

The company's going to work to reduce those 18 months. I repeat, we will always prioritize velocity to defend the last euro, but let's be prudent. But as of today, we are in good shape to try to reduce those (inaudible).

Juan Gomez Vega - *Neinor Homes - Head, IR*

Good. The next one, what type of land price increases are you seeing in your purchases, and the stock of land plots you have under study?

Juan Velayos - *Neinor Homes - CEO*

One strategic critical method that we are being very clear to the market and the market is understanding it. This is an equity driven business. We are buying with equity, and we are buying land with equity. And we have been very clear with the margins that we want and that we have committed to our investors. So, sellers today in Spain know that we are only going to buy land if they are above 20% margin. So, tremendous discipline in this sense.

Are land price increasing? Yes, because the HPA helping and because the HPA is helping, obviously we are preferred to pay more for a land just because it gives us our 20% margin.

How much is that increasing? Depends dramatically on the area, depends dramatically on the HPA that every time we are able to benchmark easily because we have significant number of land.

So, the price increases in the range of 5% to 10%, we are seeing them in, I would say, in good land. It's a very different land plot below EUR10 million that [are] ticket that probably regional players can compete against that. When tickets are above EUR10 million, when we are speaking about portfolios, I would say that the number of competitors, it's very limited -- the number of competitors that have the equity to (inaudible) can deploy to have 30 million tickets as it's very, very restricted, and we are able -- being able to be very disciplined on that.

The kind of land plots that we are just analyzing in detail are simply like the ones that we have been buying until now, exceptional land plots, very well located, with very solid demand, located in Madrid, in Barcelona, in Valencia now, in the Costa del Sol. Now, of this EUR80 million portfolio, that hopefully we will be able to have successful due diligence, we are talking about Madrid, we are talking about Costa del Sol, we are talking about Valencia.

Right, Mario, okay? So, this is what -- and we are going to continue being tremendously disciplined in this sense.

Juan Gomez Vega - *Neinor Homes - Head, IR*

Okay. And we will go to the last question, and it says, given the trend of HPA, can we expect that you will beat your 20% EBIT margin in 2017?

Juan Velayos - *Neinor Homes - CEO*

The HPA is really helping. We are obsessed with margin protection as I was mentioning before, but we are also obsessed with the concept of tails, okay. We want to finish our developments with the best units and we are always thinking how we can improve our margins. We'll have good expectation.

Juan Gomez Vega - *Neinor Homes - Head, IR*

And now we have another last one, that say are you seeing any inflation of construction cost, and if so, what level?

Juan Velayos - *Neinor Homes - CEO*

I would say that you know our strategy in the expense, we are working with -- and meet construction companies. We have still very significant labor, this employment link to construction companies, so I would say that it's true that the -- that the activity is increasing. It's true that the number of developments going on probably in the -- with the good construction companies, they can try to defend a little bit better the final costs, but honestly speaking, we are not foreseeing significant tensions in construction costs.

You know that our business plan says 1.5% cost increases per year. I think it's fair to maintain that. I'm not seeing it farther than that or higher than that, but I think it's fair to have this 1.5%, because obviously the market is getting a little bit, I would say more competitive, but it's plenty of capacity, plenty of construction companies that they want to work with us. And I will say that through our very disciplined process, auction process to design the final construction, we are being able to handle it without seeing (inaudible) -- without pressure from that.

Juan Gomez Vega - *Neinor Homes - Head, IR*

Very good. Well, this puts an end to the First Quarter Result Presentation for Neinor Homes. Thank you very much for joining us. Remember, this recording will be available for 12 months from today. Thank you very much.

That's it, operator. You can take on --
