

ADVERO

PROPERTIES

31 March 2021

ADVERO PROPERTIES SOCIMI S.A. (Spanish REIT) was established in August 2017 **with the aim of supplying affordable rental housing in mid-income areas of Spain.**

ADVERO conducted its first capital increase in February 2018 and acquired its first assets in April 2018. The company currently has eight buildings in its portfolio, encompassing a total of 126 apartments, located in municipalities of the first belt of Barcelona and middle-income neighbourhoods in Madrid. The company maintains full ownership over its buildings, which optimises asset management and facilitates the creation of cohesive communities of residents and the offering of additional services adapted to their needs and purchasing power.

From its first capital increase to date, ADVERO has made investments amounting to a total of €15.8 million, €11.6 million of which coming from capital increases, and the rest from bank financing. These assets have a gross asset value of €22.8 million (**+44% revaluation**), according to a valuation conducted by Savills Aguirre Newman in October 2020, based on all assets in the portfolio under operation. **This valuation places ADVERO's NAV per share at €8.62**, not considering the potential value generation from the deployment of current resources from the last capital increase.

ADVERO also provides a financial tool to hedge against foreseeable levels of high inflation. Within the real estate sector, only residential rental properties catered to a mid-low-income bracket of the population achieve this goal, due to the direct connection between inflation, salaries and rents. Thus, **ADVERO provides an interesting investment proposition for investors that demand a low-risk product with a natural hedge against inflation.**

ADVERO articulates its management structure by outsourcing all services to external firms based in Spain and led from London by Adequita Capital Ltd. This gives ADVERO a flexible management structure that is adaptable to the company's growth, thus protecting the return on investment for its shareholders.

VALUE INDICATORS



+44%

Revaluation of current portfolio compared to acquisition price



+20%

Annualised Return for investors, between first capital increase in Feb '18 and Dec '20



+9.4%

Increase in share price value between Jan '20 and Dec '20



+35%

Increase in share price value between listing in Nov '19 and end of 2020

Share capital
2,426,373
Stock price
€ 8.85
Market cap
€ 21.5 m
Ticker
YADV
Stock exchange
BME Growth, Spain

	in '000 €
Gross Rental Income (GRI) ¹	1,012
Net Rental Income (NRI) ^{1 2}	772
% GRI	76%
EBITDA ¹	325
% GRI	32%
FFO ³	622
GRI 2020 ⁴	610
Net result 2020 ⁴	-109 ⁵ (GAAP)
	+825 (IFRS)

1. Proforma figures (recurring rents with 8 existing assets under management)
2. Calculated as GRI less direct operating expenses
3. FFO (Funds From Operations) calculated as proforma EBITDA minus interest
4. Differences with proforma come from the gradual incorporation of assets during the year in 2020
5. ADVERO's net result according to GAAP is significantly less than that according to IFRS as a result of the revaluation of assets that is not reflected under Spanish GAAP.

Total investments	€15.8m
Gross Asset Value (GAV)	€22.8m
Net Asset Value (NAV) ¹	€22.5m
NAV/share ²	€8.62
LTV ratio ³	3%
Gross yield ⁴	4.4%
Net Yield OIC ⁵	4.9%
Total ROA ⁶	30%
Potential resources for new investments ⁷	€10.1

1. GAV less net debt
2. Accounts for the effect of vested warrants and treasury stock. It does not account for potential value creation with financial resources available.
3. Loan to value ratio: net debt/GAV
4. Pro forma GRI over GAV
5. Proforma NRI to total invested capital
6. Total annualised IRR of portfolio
7. Cash available + capital increase approved and pending execution + new bank financing on portfolio assets.

EFFECTS OF COVID-19

ADVERO's strategic focus on affordable rent for the middle income households granted the company with a strong position to face the global health crisis. This resulted in limited impact to its operations and a year of notable achievement for its portfolio and shareholders.

ADVERO's running assets at the start of 2020 were not impacted by Covid-19, with occupancy rates remaining at a standard high and limited rental relief requested by tenants. Although the pandemic did impact the marketing of the three assets incorporated in the portfolio in H2 2020, the company still managed to achieve a positive operating cash generation.

Industry sources agree that rental housing for the middle-income sector is likely to gain additional demand generated by Covid-19 from tenants currently in higher rent levels and those who have delayed buying a home and will choose to rent instead.

All this makes ADVERO a suitable alternative investment hedge against future uncertainties that Covid-19 is raising.

PENDING CAPITAL INCREASE

In June 2020, ADVERO completed the first tranche of its fourth capital increase for €6.8m, to finance the acquisition of additional assets and further its geographical diversification. **The General Shareholders' Meeting also approved a second tranche of 385,000 new shares to be executed in the near future.**

SHAREHOLDING BASE

Following 2020's capital increase, ADVERO's shareholding structure currently consists of 50 shareholders, none with a controlling interest in the company, and a free float of 37.5%.

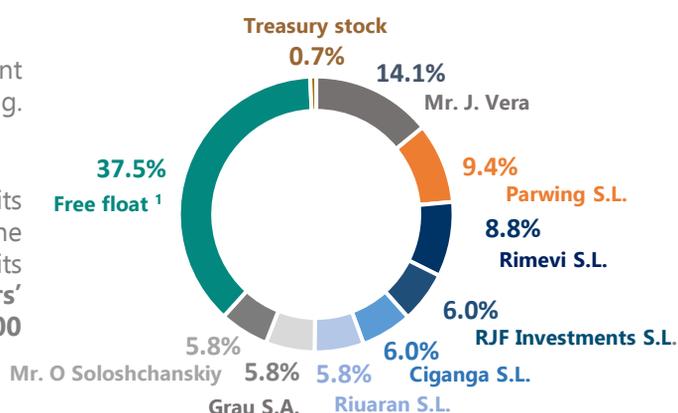
ADVERO designed for its management company a remuneration scheme comparable to that of many private equity funds. Adequita Capital was granted 2 million warrants of ADVERO, which entitle each of them to subscribe shares of the company for a unit value of €5.00, expiring in August 2024. Adequita committed to modulate the exercise of the warrants in a way that it never accounts for more than 20% of the share capital. The calculation of the NAV/share is always adjusted by the dilutive effect of the vested warrants.

Asset Management KPIs

No. of Assets	8
No. of Apartments	126 (v 76 in 2019)
Occupancy Rate ¹	97%
Passing Rent	€10/m ² /mo
Avg. Apartment Size	55 m ²
Avg. Monthly Rent	€645/mo.
Affordability Ratio ²	ADVERO: 35%
	Spain Avg ³ : 40%

1. Occupancy rate from assets under operation in 2020
2. Calculated as % of salary spent on rent
3. Source: Fotocasa

Shareholding Structure



1. Free float defined as shareholders owning less than 5% of share. Adequita Capital and its related parties own 4.4% of the share capital



385,000

New shares already authorised by the GSM to be issued in a forthcoming capital increase

This factsheet has been compiled by Adequita Capital Ltd. based on public information, available on the Investors section of ADVERO Properties' website.

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