



# **BUSINESS PLAN EXECUTIVE SUMMARY**

**September 2017**

## **Executive Summary**

Ayco Real Estate Group, S.A. (hereinafter AYCO or the Company) is a listed Real Estate company with a long and reputable history in the Spanish Real Estate market. After being fully restructured in 2015 the company is now participated by a diversified, and strategic international group of investors. The sponsors of the Project are the Alpha Moonlight Group (hereinafter ALPHA MOONLIGHT), an international investment boutique with a proven track record as Real Estate Investor. The objective, and strategy of the new AYCO is to become the preferred investment that will participate efficiently in the historical opportunity that the recent economic and financial crisis in Spain has created in the local Real Estate markets.

AYCO has become a unique opportunity as a real estate investment and developing company for investors to take positions in the Spanish Real Estate market with great advantages over competitors:

- It is a publicly traded company. There are liquidity advantages in terms of monetization of an investment over other non-traded private structures or private funds.
- It does not carry toxic assets into its balance sheet from pre-crisis times as most companies in the sector still do. It has a clean balance sheet ready to absorb new transactions.
- It does not have the operational limitations that most SOCIMIS (REITS) do, and however it does have tax benefits that allow the company to focus its activity towards more profitable alternative investments in the opportunistic/value added investment styles.

AYCO is launching a €10MYN share capital increase in order to start executing an initial phase of an ambitious investment process which will invest several hundred million of euros over the next five years. This initial phase will represent investments of €77 MYN in pre identified opportunistic and value added assets that will produce added value to AYCO's Balance sheet from the moment of the investment. The holding period for individual investments in the first phase of the project will be up to 5 years, with the majority of the asset sales occurring during years 2 – 4 and producing IRRs over 30% per project.

The Company is expecting to achieve attractive investment returns over the forecasted period with project IRRs above 30%. During this initial phase, the Company does not anticipate the distribution of dividend income, with shareholders' returns coming from capital appreciation.

In this sense, AYCO is offering a percentage of a listed company below its current NAV, which includes already interesting assets such as Hotel Byblos, Sa Rapita or La Línea; and a management team that will support the execution of a business plan with a tremendous value generation potential.

The table below provides different valuation scenarios based on the projected results. Even applying an average ROE of 12% (average trading cap for SOCIMI/Spanish REITs) would result in a market cap of €100 MYN in 2019 and 2020 before reaching €196 MYN in 2022. However, if the using the ROE of real estate development companies that are currently trading at an average of 6.0% (AYCO business model is more similar to traditional RE Developing Companies than SOCIMI's), the projected Company valuations would double to €201 MYN in 2019/2020 and €392 MYN in 2022.

**Estimated Equity Valuation**

<b>(Euros)</b>	<b>2018</b>	<b>2019</b>	<b>2020(1)</b>	<b>2021</b>	<b>2022</b>
Projected Net Result <sup>1</sup>	10.506.734	12.054.008	11.982.358	14.733.246	23.522.930
ROE Market Comparables (SOCIMI/REIT)		12,0%	12,0%	12,0%	12,0%
Projected Market Value		100.450.067	99.852.987	122.777.047	196.024.416
<i>Post Money Valuation Multiple</i>		3,0x	3,0x	3,7x	5,8x
ROE Market Comparables (RE Developers)		6,0%	6,0%	6,0%	6,0%
Projected Market Value		200.900.133	199.705.974	245.554.094	392.048.832
<i>Post Money Valuation Multiple</i>		6,0x	5,9x	7,3x	11,7x

<sup>1</sup>Tax credits will be consumed by end 2019. It is expected that AYCO will start paying taxes in 2020.

In spite of the fact that the previous statements require all the qualifications derived from the AYCO's special characteristics, they do show in any case, a highly value generating potential compare to this current €33.5 MYN capital increase post money valuation.

In addition, AYCO's management team believes that this value creation process could be anticipated due to the current M&A strong momentum that has just begun in the traditional RE Developing companies market in Spain.

Parallel to that immediate term investment horizon between 2017 and 2018 AYCO will still go back to the capital markets to implement further capital increases and continue with its strategic investment process. That new capital will continue with the acquisition of opportunities and will also begin to develop a more traditional complementary activity of real estate development that will provide a natural repositioning of part of the assets already in the portfolio, also in line with how the cycle moves and how the market changes, and allowing the company to create its own "core" portfolio.

This project is being managed and led by a Group of experienced professionals based on its investment philosophy, the Group's access to the market, and their execution capabilities. The Management Team is an experienced and knowledgeable team with a solid track record, and fully committed to the project as investors too.



This is the time to enter the Spanish Real Estate market, which is now in a solid recovery mode. AYCO is a clear opportunity to implement that positioning in an efficient and advantageous manner. AYCO is able to approach the segment of the market where the most interesting growth potential exists, the value added assets which are still in the hands of financial institutions, and or owners under financial distress, Chapter 11, or liquidating processes. AYCO's investment strategy is to build a diversified portfolio of residential and commercial real estate properties in selected markets, Tier 1 and Tier 2 cities responding to each particular sub market's needs and demands. To differentiate itself from the large real estate funds currently operating in Spain, the Company is pursuing the following strategy:

1. Average transaction size within the strategic scope of the Company would range between € 5 million and € 25 million in a combination of debt and equity. No individual acquisition should represent more than 20% of the Company's total portfolio.

2. AYCO will complete each individual acquisition through a separate special purpose vehicle (SPV), yielding the following benefits: (i) risk isolation factor, by holding each property as a different legal entity, and thus isolating the property in question from the other assets and liabilities; (ii) flexible investment structuring, allowing each SPV to be structured in different ways for raising the required capital to acquire the underlying asset.

This strategy will allow AYCO to compete for transactions that are typically below the radar screen of larger investment funds operating in Spain, allowing the Company to "cherry pick" the desirable assets and take on the liabilities that AYCO feels comfortable for the specific acquisition aiming the more efficient equity use.



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