



**INVESTMENT ANALYSIS AND RATING  
ASSIGNMENT OF THE MADEIRA  
PROJECT III**

SILVA & ASOCIADOS, ASESORES FINANCIEROS, S.A.

October 30, 2019

### DOCUMENT'S OBJECTIVE

Investment analysis and rating assignment of a Project that consists in the construction of 3 villas, published in Housers website under the name of MADEIRA.

### NATURE AND SCOPE OF OUR SERVICES

Project investment analysis based on the information provided on the main business plan's parameters, the market situation and the risk rating assignment through a standardized system (scoring) aimed at taking an investment decision.

Our work has been based on unaudited information provided by HOUSERS who receives the information from the Project developer. We want to underline that we didn't make any verification on our own, neither Audit, nor review, nor evaluation of the accounting, fiscal, legal, labour and environmental situation of the development loan Project object of this analysis. We assumed that the information we received was exhaustive and precise. Therefore, the possible risks that could occur, have not been taking into consideration in the analysis we made.

To carry out our work we have used information obtained by public sources and we assumed that it is fair and true, although we cannot guarantee the non-existence of any errors.

The information contained in the business plan fully belongs to the Project developer, although, for the purpose of our work, we have globally contrasted its coherence. We also want to point out that the Business Plan shouldn't be used in order to make an opinion about the whole Project, therefore, we avoid any responsibilities of any possible errors that could have an impact in the results of our work.

### AUTONOMY

Silva & Asociados notes that the information contained in this document is independent and should not be utilised as a recommendation for those that want to invest.

This investment analysis has been made exclusively to provide Housers and its users with an independent opinion on the project which is the only purpose of our work and, therefore, another use of this document is not permitted without our prior consent.

### CONFIDENTIALITY

Silva & Asociados authorizes the publication of this investment analysis on Housers' website [www.housers.com](http://www.housers.com).

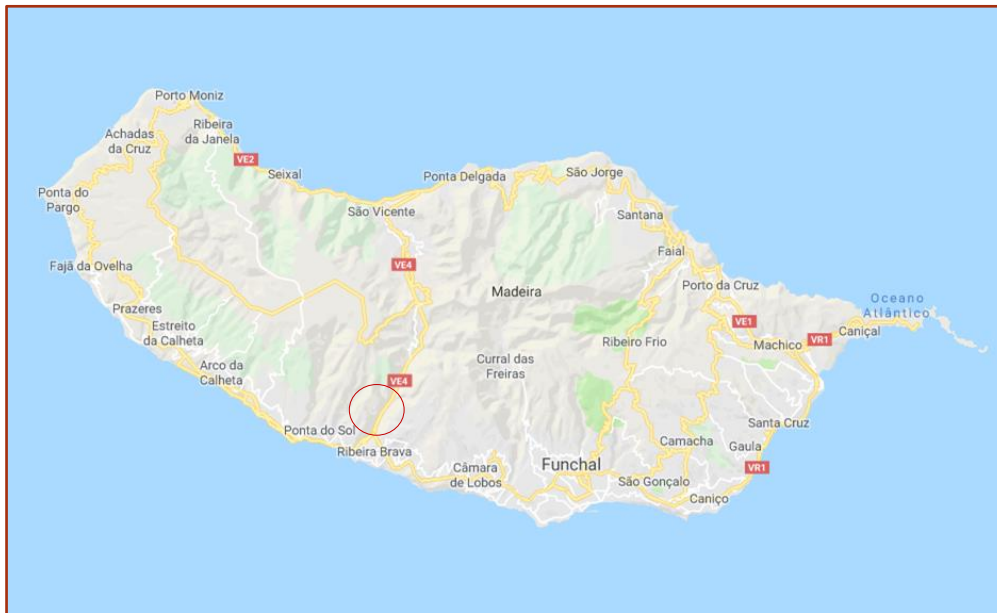
### DESCRIPTION OF THE PROJECT

The investment project has the following main characteristics:

- The land object of investment is located on the island of Madeira, Portugal, between the towns of Ribeira Brava and Ponta do Sol.
- Purchase of land for the subsequent construction of 3 villas with private pool and sea views.
- For the purposes of calculations in this report, the most conservative hypothesis (18 months duration) has been taken, while the Promoter's business plan includes an alternative to 12 months.
- The need for project financing amounts to € 600,000.
- The investment for the third tranche amounts to a total of € 190,000.

## INVESTMENT ANALYSIS AND RATING ASSIGNMENT

### LOCATION



Source: Google Maps

### AREA & SORROUNDINGS

The land under investment is located between the towns of Ribeira Brava and Ponta do Sol, on the island of Madeira, Portugal.

The town of Ribeira Brava has a population of more than 12 thousand inhabitants. On the island of Madeira, the population is around 250 thousand inhabitants.

### BUSINESS PLAN

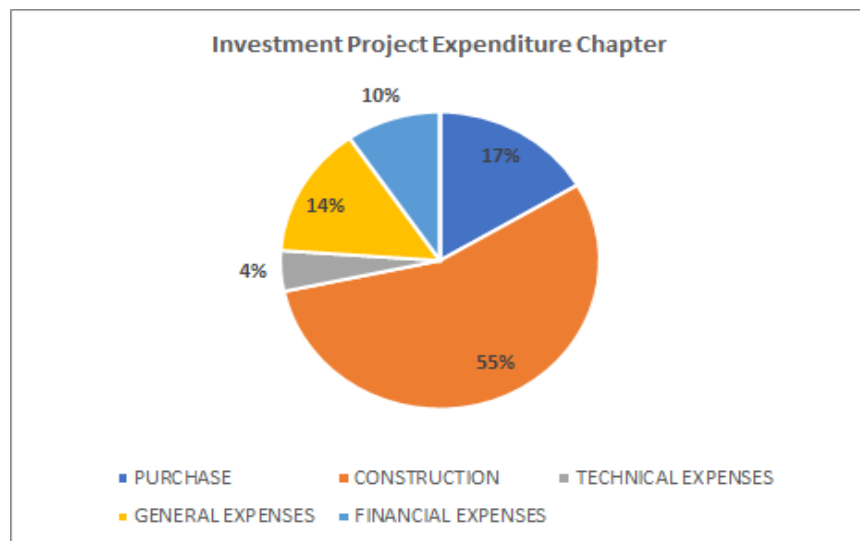
The summary of the business plan of the MADEIRA Project is as following:

€	2019	2020	2021	TOTAL
Income	0	0	2,050,000	2,050,000
Change in inventories	386,982	582,564	-969,546	0
Procurements	-386,982	-582,564	-259,735	-1,229,281
Selling cost	0	0	-1,229,281	-1,229,281
Gross Margin	0	0	820,719	820,719
Other operating expenses	-37,208	-17,243	0	-54,450
EBITDA	-37,208	-17,243	820,719	766,269
EBIT	-37,208	-17,243	820,719	766,269
Financial result	-4,047	-49,729	-21,984	-75,760
EBT	-41,254	-66,972	798,735	690,509

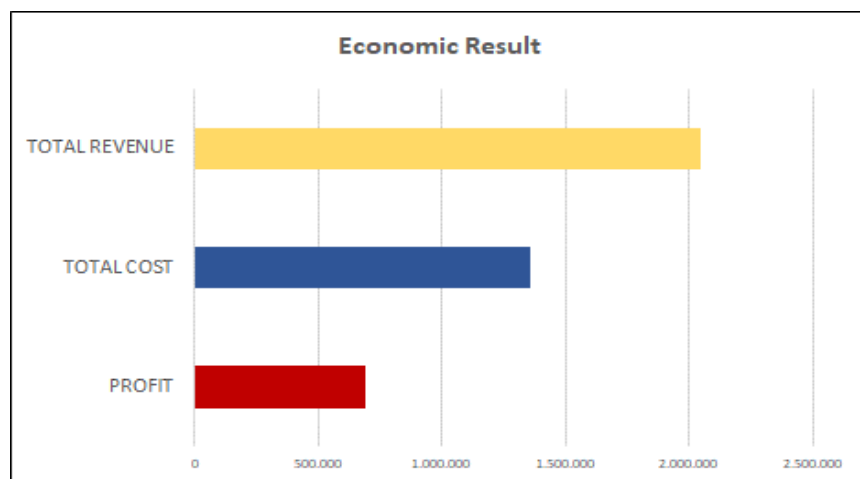
Source: Project Developer

## INVESTMENT ANALYSIS AND RATING ASSIGNMENT

A summary of the main expense chapters of the Project's investment and its economic profitability is as follows:



Source: Project Developer



Source: Project Developer

### BENCHMARKING

Market Witnesses Area			
Real Estate Selling Price			
Address	Municipality	m <sup>2</sup>	€/m <sup>2</sup>
Ribeira Brava	Ribeira Brava	230	1,696
Ribeira Brava	Ribeira Brava	285	1,965
Tabua	Ribeira Brava	234	1,880
Tabua	Ribeira Brava	247	2,328
Tabua	Ribeira Brava	625	1,264
Average			1,826

Source: Idealista.com (Tercero B), Benchmarking of the main Real Estate companies ((Pink, Century 21, KW Area Madeira, Feel Madeira, Prime Properties Madeira, Remax Elite )

The summary of the sale price has been prepared from an analysis of comparable product in the area of location of the project, prepared by reference real estate that place the average at 1,826 €/m<sup>2</sup>.

The cost of construction in the area has an average of 750 - 950 €/m<sup>2</sup>.

### PROJECT PROFITABILITY

	2019	2020	2021	TOTAL
Cash Flow	-257,403	-273,072	1,221,614	690,509
IRR	106.98%	50.79%		

Source: Own elaboration

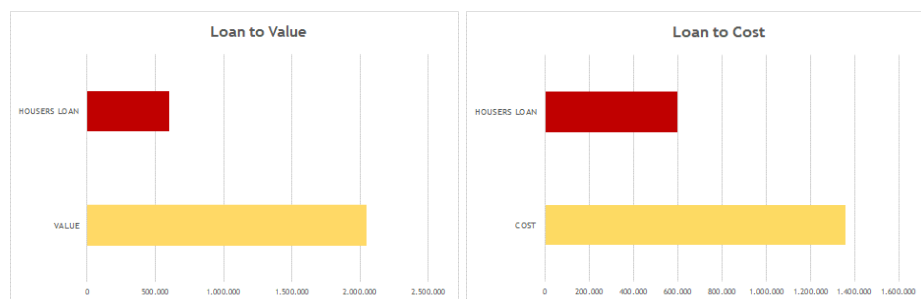
**Loan to value:** represents the indebtedness of an asset in relation to its real value and measures the percentage of debt over the real value of the asset.

**Loan to cost:** total cost of the project that is financed with debt and measures the degree of financial leverage of an investment project.

The Housers' loan represents the **29.27%** of the total value and **44.13%** of the total cost.

The profitability of the project stands at 106.98% of the capital invested and the Return on Investment (ROI) at 50.79%.

## INVESTMENT ANALYSIS AND RATING ASSIGNMENT



Source: Own elaboration

### PROJECT DEVELOPER

PROMUGAL, UNIPESSOAL LDA, with VAT number 514834005, is a Portuguese company established for the execution of the Project and its corporate purpose is the promotion, purchase and sale of real estate, rental and exploitation of real estate, furnished accommodation for tourists, operation and management of local accommodation units, accommodation in the form of housing tourism, rural tourism, the provision of real estate services, the acquisition, sale and any other form of exploitation of intellectual and industrial property rights, including trademarks, patents and copyrights and related rights and portfolio management..

### PROJECT'S RATING (SCORING)

The scoring's purpose is to qualify the project by evaluating the experience of the developer, the guarantees provided, as well as the profitability of the project.

The assignment considers 3 levels of investment quality:

- Investment with optimal and high quality: AAA (optimal) - AA and A (High)
- Investment with Good quality (BBB) and satisfactory (BB and B)
- Investment with low quality (CCC) and questionable (CC and C)

Score	Quality
AAA	Optimal
AA	High +
A	High
BBB	Good
BB	Satisfactory +
B	Satisfactory
CCC	Minimal
CC	Questionable
C	Questionable -

### DEVELOPER'S RATING

According to the result of our analysis about the Promoter we have assigned a **CCC scoring** based on the following evaluated parameters:

PROMOTOR	C	CC	CCC	B	BB	BBB	A	AA	AAA
Developer's Experience			CCC						
# Projects								AA	
Liquidity Ratios									
Debt Ratios									
Asset Management Key Figures									
Deadline Key Figures									
Profitability Ratios									

CCC

Source: Own elaboration

The Company is newly created and therefore, it does not apply a complete static analysis. This fact makes its maximum rating to be BBB.

## INVESTMENT ANALYSIS AND RATING ASSIGNMENT

### PROJECT'S RATING

According to the analysis carried out, we have assigned to the MADEIRA investment project a **A scoring** based on the result of the weighting obtained on the following evaluated parameters:

PROYECTO	C	CC	CCC	B	BB	BBB	A	AA	AAA
IRR									
ROI									
License									
Area of influence construction									
Selling Price €/m2									
Construction €/m2									
City (Population)									
Special Locations									
% formalized sales									
Loan to Value (Housers Loan)									
Loan to Cost (Housers Loan)									

A

Source: Own elaboration

### GLOBAL EVALUATION


The overall rating of the investment project is determined by assigning a weight of **30%** to the Project Developer and the remaining **70%** to the project's scoring, which have been indicated from CCC to A, respectively and, therefore, we have assigned to MADEIRA project an overall **BBB scoring**, which indicates a **SATISFACTORY** rating.

#### FINAL SCORING

## BBB

Silva & Asociados, Asesores Financieros, S.A.

October 30, 2019



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Managing Partner

