

## IRSA #IRS

IRSA is the biggest Argentinian real estate company with participation in the **greatest IDB Israelite holding** that possesses shares in the biggest supermarket chain in Israel, Shufersal. It also has shares in an important company of real estate PBC (properties and buildings corporation); a company of biotechnological developments and software named eIron; and of telecommunications company called Cellcom; and an assurance company named CLAL that is currently for sale. Nowadays it lists its actions in the stock exchange of both Argentina and the United States through their ADR.

Furthermore, IRSA's main business segments are:

1. The construction and exploitation of shopping malls by which its subsidiary IRSA Commercial Properties (former Alto Palermo S.A.), through which it exploits 16 shopping malls in spots of great importance in Argentina.
2. The acquisition, development and management of office buildings. IRSA owns 8 first-rate office buildings in the Capital City of Buenos Aires and directly owns the Lipstick Building in the 3rd Avenue in New York.
3. Hotels exploitation. IRSA manages the Hotel Intercontinental, the Sheraton Buenos Aires and the Llao Llao Hotel in Bariloche.
4. Earth reserves (where Solares de Santa María stands out, having 70 hectares).
5. 30% of participation in the Banco Hipotecario.

IRSA quotes at a lower value in the market than IRSA CP, which is peculiar, since IRSA owns 95% of IRSA CP and since IRSA owns several additional assets. This relationship is shown in the fact that IRSA CP's market value of ARS 21,422 million, whereas IRSA's market value is of ARS 21,295 million. IRSA's proportional part in IRSA CP would only have value according to current prices of ARS 20,395 million, since it has additional assets of ARS 12,000, without considering neither the current value of the potential developments of the land bank nor the potential of the IDB holding. Anyway, IRSA CP is an essential part of the holding and it has by itself a discount of approximately 30% in relation to its regional equals. This can be seen in its lower value in the measuring system that seems to be more relevant for this type of companies: the ev/ebitda. As regards IRSA CP's regional equals, they have a discount of 35%, achieving more than 50%.

Considering the set of assets of IRSA, even in their current state, it can be esteemed that even by the application of a holding discount of 20% the market value of its assets would mean an undervaluation of great importance. It could be estimated an added value to its assets of ARS 33,600 million which by applying the 20% discount and a subtraction of IRSA's liabilities, it demonstrates that even in the worst scenery

or 'bottom case' (count its assets to current value in the stock exchange without the potential new developments which will be detailed later about the great potential of its two assets, the IDB holding and the bank land of Solares de Santa María) there is an undervaluation of the asset close to the 40% and in case of a positive scenario, it would be considerably higher.

What makes IRSA attractive for 2017?

Besides the previous estimation which signals a great undervaluation (especially considering the undervaluation's role even when it is analyzed a case that could be considered 'pessimist' and that many IRSA's assets have generating potential of not considered value), we may wonder why to invest in IRSA the next year. From this point, there are three significant incentives of great importance for the 2017:

1. The possible return of Argentina to the emerging markets index elaborated by Morgan Stanley could mean that [foreign funds](#) should invest again in the country. Given this situation, IRSA would become an eligible asset of great importance because of its price backlog (especially considering the rise of the banks and energy companies with ADR) and its fundamentals (to which it should be added the fact that its real estate business could have the winning value due to the lower value of both the square meter and the Argentinian capital rate compared to its Latin Americans equals).

2. Regarding IRSA's lands reserves, the one called Solares de Santa María stands out due to its 70 hectares right beside Puerto Madero and the Ecological Reserve. Soon it will be discussed at the Legislature of the City of Buenos Aires the possibility of IRSA's edification in this property (the project would hand over 30 hectares to the city government for green space). If the city's permission is given, the project's investment would be of USD 2,000 million that could produce EBITDA for the construction period close to IRSA's market value. This could mean that the shares would get a huge rise.

3. The operative improvement of the holding IDB activity that according to the company, it is working on the unblocking and the effectiveness of its operative management. This could mean a significant value for the company because of its great turnover of approximately 5% of Israeli GDP.

To sum up, we could think that in IRSA's current scenario, it is a good opportunity for the 2017 because of its expected drivers (both IDB's potential and Santa María's potential development); the undervaluation of its current assets and finally, the possibility of Argentina as a new emerging market due to the rise in the weighting of its assets in the foreign funds (diverse companies like IRSA being the priority).