

Company Note

Abitare In

FY19A Results

Abitare In posted another good set of results. During FY19A the group saw a sharp increase in production relating to the construction of real estate complexes, and an acceleration of the group's development plan, which significantly increased its pipeline, currently comprising 15 different projects, for 2,050 apartments.

Results

Revenue amounted to EUR 44.6M vs. EUR 49M in FY18A and EUR 42.2M in our estimates; EBIT and EBT were respectively EUR 10.8M and EUR 9.4M, vs. EUR 4.1M and EUR 3.7M in FY18A; net profit was EUR 6.4M, vs. EUR 2.6M in FY18A and EUR 6.3M in our estimates; net debt was EUR 32M vs. EUR 8.8M in FY18A.

Outlook

Driven by a growing national and international demand, the Milan residential market continued to rise, both in price and number of transactions (NTN). In this context, Abitare In aims to take advantage of: i) an average purchase price in the areas, which is much lower than the current market value (around EUR 640/sqm; ii) its diversification into 15 different operations, distributed in areas with the highest expected growth rate in the city (Navigli, Porta Romana District, Portello-Certosa, Lambrate); and iii) the different "degree of maturity" of the areas (in terms of authorisation and commercialisation), with different development times, allowing an optimal use of resources. All in all, we estimate the completion of seven residential projects over the next four years, whose deliveries are expected to take place between 2020 and 2023: Maggiolina, Tacito, Somalia, Cadolini, Naviglio Grande, Corvetto and Savona.

Valuation

We valued Abitare In using a DCF approach, considering the flows (net of taxes) coming from the projects currently underway. We expect the company to start receiving flows from Maggiolina in FY20, Tacito and Corvetto in FY21, Somalia between FY21 and FY22, Cadolini, Naviglio Grande and Savona between FY22 and FY23. **We derived a target price of EUR 54.9/share.** Our target price is at a premium of around 29.5% on current prices, **implying a BUY rating on the stock.**

Residential units' average sales price in Milan (EUR/sqm, 2018 vs. 2019)


Source: Immobiliare.it

16 January 2020: 12:36 CET
Date and time of production

BUY
(from ADD)

Target Price: EUR 54.9
(from EUR 56.3)

Italy/Real Estate
Update

AIM

Price Performance
(RIC: ABIT.MI, BB: ABT IM)


Abitare In - Key Data

Price date (market close)	13/01/2020
Target price (EUR)	54.9
Target upside (%)	29.48
Market price (EUR)	42.40
Market cap (EUR M)	109.00
52Wk range (EUR)	49.2/28.4

Price performance %	1M	3M	12M
Absolute	-4.1	-12.4	47.7
Rel. to FTSE IT All Sh	-6.2	-18.9	20.3

Y/E Sep (EUR M)	18/19A	19/20E	20/21E
Revenues	44.57	124.8	146.6
EBITDA	11.38	17.50	52.74
EBIT	10.81	17.30	52.54
Net income	6.37	11.83	36.50
EPS (EUR)	2.48	4.60	14.20
Net debt/-cash	31.97	44.86	3.79
Adj P/E (x)	15.2	9.2	3.0
EV/EBITDA (x)	11.3	8.8	2.1
EV/EBIT (x)	11.9	8.9	2.1
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

Sebastiano Grisetti - Research Analyst
+39 02 8794 3187
sebastiano.grisetti@intesasnpaolo.com

Corporate Broking Research

Alberto Francese, Gabriele Berti
Sebastiano Grisetti

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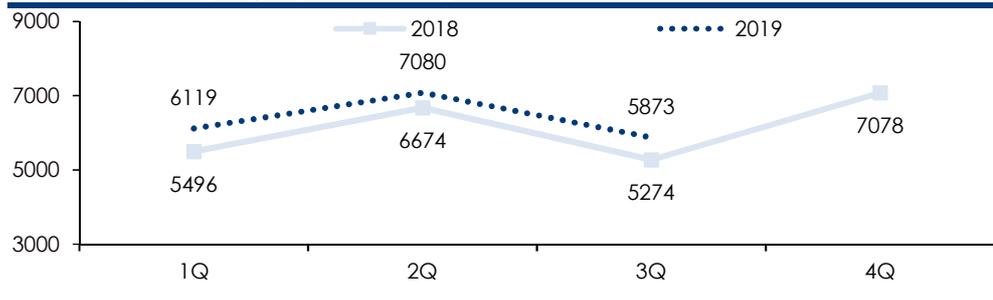
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Market Analysis

House prices in Milan continue increasing, differently to what is happening on a national scale. According to the Chamber of Commerce of Milan Monza Brianza Lodi, residential transactions exceed 25k for an average sales price of EUR 330k in Milan, meaning a market worth over EUR 8Bn. Furthermore, the Milan real estate market has outperformed the pre-crisis level since 2016 (i.e. the 21k annual transactions).

Still flourishing real estate market in Milan

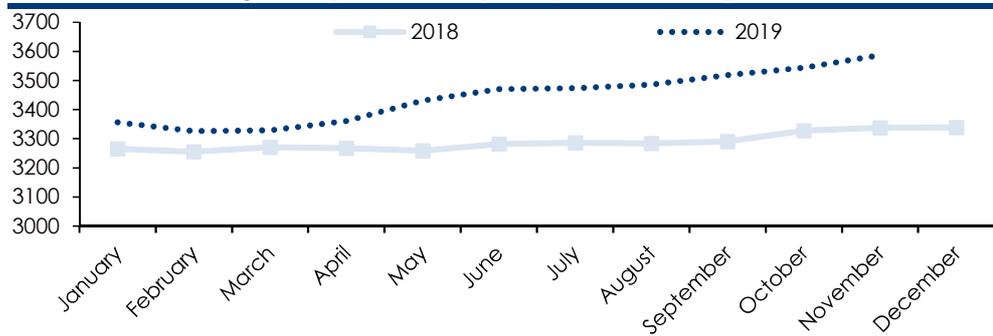
Milan NTN¹ quarterly chg % (2018 vs. 2019)



Source: OMI

Looking at Immobiliare.it data, the average selling price for Milan residential properties in 2019 was higher every month, compared to 2018 data.

Residential units average sales price in Milan (EUR/sqm, 2018 vs. 2019)



Source: Immobiliare.it

Despite the substantial growth in residential prices, Milan still has fair and lower prices compared to other major European capitals, according to UBS's 2019 Global Real Estate Bubble index. Again, according to this study, the index scores grew in all Eurozone cities, thanks to low interest rates. Paris and Frankfurt are now in the bubble risk area, while the real estate market in Madrid and Milan is recovering, but still seems to be at an early stage of the cycle.

The Milan residential market is mainly driven by three kinds of demand: i) local, comprising Milan inhabitants who wish to move house, therefore a replacement market; ii) national, made up of high spending subjects who buy a house in Milan for investment or to send their children to study in Milan; and iii) international investors.

Local, national and international demand for the residential market

¹ NTN: number of residential transactions

FY19A Results

FY19A revenues were EUR 44.6M vs. EUR 49M in FY18A and EUR 42.2M in our estimates, mainly due to the change in inventories related to real estate initiatives currently under development (EUR 35.2M vs. EUR 19.3M in FY18A). There was a particularly significant increase in the change in inventories related to the Maggiolina project and the beginning of the development phases of the Milano City Village and Trilogy Towers projects. Furthermore, the increase in revenues was positively impacted by the acquisition of new areas (EUR 8.6M vs. EUR 28.9M in FY18A).

Revenue driven by real estate initiatives currently under development

EBIT and EBT were respectively EUR 10.8M and EUR 9.4M, vs. EUR 4.1M and EUR 3.7M in FY18A.

Net profit was EUR 6.4M, vs. EUR 2.6M in FY18A and EUR 6.3M in our estimates.

Net debt was EUR 32M vs. EUR 8.8M in FY18A, mainly due to the increase in financial debt following the start-up of mortgage loans by the subsidiaries Trilogy Towers S.r.l., and MyCity S.r.l., and the work in progress related to the projects currently underway. In detail, there was an increase in cash and cash equivalents of EUR 3.7M, mainly due to the collection of advances from customers who have signed preliminary contracts for the sale of real estate units of the "Milan City Village" and "Trilogy Towers" projects (advances that totaled EUR 21M), and there was an increase in financial payables following the opening of mortgage loans by the subsidiaries MyCity S.r.l. and Trilogy Towers S.r.l., as well as from the continuation of the works for the Milan City Village and Maggiolina projects.

Abitare In – FY19A Key data

EUR M	2018A	2019A	2019E	A/E %	yoy %
Revenue	49.0	44.6	42.2	5.6	-9.1
Production Costs	-14.8	-22.4	-24.1	-6.9	51.4
Acquisition costs	-28.9	-8.6	-4.1	NM	-70.3
Cost of Labour	-0.8	-1.4	-0.6	NM	77.9
Other costs	-0.3	-0.8	-0.3	NM	NM
EBITDA	4.3	11.4	9.7	17.9	NM
EBIT	4.1	10.8	9.5	14.4	NM
EBT	3.7	9.4	9.1	4.2	NM
Net profit	2.6	6.4	6.3	0.3	NM
Net financial debt	8.8	32.0	22.9	39.8	NM

A: actual; E: estimates; NM: not meaningful; Source: Company data and Intesa Sanpaolo Research

Earnings Outlook

2019 saw a sharp acceleration in the group's development plan, which significantly increased its development pipeline, currently comprising 15 different projects, for a total of 2,050 apartments. In fact, in addition to having completed the purchase of the property located in Piazzale Accursio, on which the residential project "Trilogy Towers" will be built, and the property located in the Porta Romana District, Abitare In has signed preliminary agreements for the purchase of another 9 areas for residential development.

For this reason, at the end of September the group announced an update of its industrial plan. Within the new pipeline, management plans to build around 2,050 apartments, generating cumulative revenues of around EUR 800M and cumulative profits of around EUR 200M. The group has also published its new 2019-21 business plan, in which it expects to generate cumulative revenues of around EUR 282M and a cumulative EBT of EUR 66M.

Furthermore, the group has announced the launch of a new strategic business line, "Homizy", which will develop properties for leasing in the form of co-living in Milan. Homizy's business, defined as "built to share", represents a variation in the residential field of the sharing economy concept.

Looking at FY20, the group will finalise the Maggiolina project, with the consequent deeds of the real estate units, while it will begin the construction works with reference to Milano City Village and Trilogy Towers, the two projects whose commercialisation was successfully concluded in FY19A. Furthermore, Abitare In will start and continue the marketing activities of 3 new projects (already announced at the time the new business plan was released): one in the Naviglio Grande area ("Palazzo Naviglio") and one in via Savona, for a total of about 240 units, and one in the Corvetto area ("Olimpia Garden").

We also appreciate the fact that the group's BoD has started activities to move the group's shares from the AIM market to the STAR segment of the MTA, which we believe should increase the stock liquidity and visibility.

All in all, we estimate the completion of seven residential projects over the next four years, whose deliveries are expected to take place between 2020 and 2023: Maggiolina, Tacito, Somalia, Cadolini, Naviglio Grande, Corvetto and Savona. For these projects, we made the following assumptions:

Strong increase in delivery pipeline in 2019

Launch of "Homizy" shared living concept

Moving to the STAR segment

Abitare In - Maggiolina key assumptions

Price/sqm (k)	4.4
average sqm	108
Housing units	125
Garage	125
Garage price (k)	34
Revenue (EUR M)	63.7
Total costs/sqm (k)	3.1
Gross margin (EUR M)	28.6
EBT (EUR M)	24.6
Net income (EUR M)	17.2

Source: Intesa Sanpaolo Research elaboration on Company data

Abitare In - Somalia key assumptions

Price/sqm (k)	4
average sqm	92
Housing units	130
Garage	130
Garage price (k)	26.5
Revenues	51.5
Total costs/sqm (k)	3.6
Gross margin (EUR M)	18.6
EBT (EUR M)	18.2
Net income (EUR M)	12.8

Source: Intesa Sanpaolo Research elaboration on Company data

Abitare In – Naviglio Grande key assumptions

Price/sqm (k)	4.3
average sqm	92
Housing units	75
Revenues	29
Total costs/sqm (k)	4
Gross margin (EUR M)	10.1
EBT (EUR M)	9.7
Net income (EUR M)	7.1

Source: Intesa Sanpaolo Research elaboration on Company data

Abitare In - Savona key assumptions

Price/sqm (k)	4
average sqm	92
Housing units	245
Revenues	83
Total costs/sqm (k)	4.3
Gross margin (EUR M)	18.3
EBT (EUR M)	17.1
Net income (EUR M)	12.8

Source: Intesa Sanpaolo Research elaboration on Company data

Abitare In - Tacito key assumptions

Price/sqm (k)	3.8
average sqm	92
Housing units*	212
Garage	212
Garage price (k)	26.5
Revenues	79.7
Total costs/sqm (k)	3.5
Gross margin (EUR M)	21.4
EBT (EUR M)	20.1
Net income (EUR M)	14.1

*174 of which are destined to independent senior living;
Source: Intesa Sanpaolo Research elaboration on Company data

Abitare In - Cadolini key assumptions

Price/sqm (k)	3.7
average sqm	92
Housing units	538
Garage	538
Garage price (k)	26.5
Revenues	197.4
Total costs/sqm (k)	3.1
Gross margin (EUR M)	79.2
EBT (EUR M)	77.3
Net income (EUR M)	54.1

Source: Intesa Sanpaolo Research elaboration on Company data

Abitare In – Corvetto key assumptions

Price/sqm (k)	3
average sqm	92
Housing units	141
Revenues	39
Total costs/sqm (k)	3
Gross margin (EUR M)	12.5
EBT (EUR M)	12.0
Net income (EUR M)	8.7

Source: Intesa Sanpaolo Research elaboration on Company data

Our price/sqm estimates are based on our elaboration of the current residential prices (source: immobiliare.it) in the areas where the projects are going to be developed.

Valuation

We valued Abitare In using a DCF approach, considering the flows (net of taxes) coming from the projects currently underway, Maggiolina, Tacito, Somalia, Cadolini, Naviglio Grande, Corvetto and Savona. We expect the company to start receiving flows from Maggiolina in FY20, Tacito and Corvetto in FY21, Somalia between FY21 and FY22, Cadolini, Naviglio Grande and Savona between FY22 and FY23.

We have a BUY rating (from ADD) and TP of EUR 54.9/share

DCF valuation

We used the following key assumptions in our valuation: a 7.4% WACC, incorporating a risk-free rate of 1.5% (1.75% previously), an equity risk premium of 7%, a gearing ratio of around 40% (18% previously), and a 0% long term (LT) growth.

Abitare In – WACC calculation (%)

Gross Debt Rate	3.0
Tax rate	24.0
Net Debt Rate	2.3
Beta Levered	1.0
Gearing	40.2
Beta Re-Levered	1.0
Risk Free Rate	1.5
Equity Risk Premium	7.0
Cost of equity	8.5
WACC	7.4

Source: Intesa Sanpaolo Research estimates

We assume a LT flow from new projects at EUR 7.5M vs. an average of around EUR 25.3M in FY19-23E. We highlight that the FY19-23 projects were subject to favourable market conditions, with low acquisition costs, and therefore, in our approach, we assumed a possible increase in the overall costs of future projects.

Abitare In – DCF calculation

EUR M	2020E	2021E	2022E	2023E	LT
Maggiolina	17.2	0.0	0.0	0.0	0.0
Tacito	0.0	14.1	0.0	0.0	0.0
Somalia	0.0	4.5	8.3	0.0	0.0
Cadolini	0.0	0.0	4.5	49.6	0.0
Naviglio Grande	0.0	0.0	5.3	1.8	0.0
Corvetto	0.0	8.7	0.0	0.0	0.0
Savona	0.0	0.0	9.6	3.2	0.0
DIV from new projects	0.0	0.0	0.0	0.0	0.0
FCF	17.2	27.3	27.7	54.6	7.5
Discounted FCF	16.0	23.6	22.3	40.9	5.2
WACC (%)	7.4				
TV growth (%)	0.0				
Sum	103				
TV	70				
EV	173				
Net debt	32				
Equity	141				
Shares (M)	2.6				
Target price (EUR/share)	54.9				

Source: Intesa Sanpaolo Research estimates

We derived a target price of EUR 54.9/share (EUR 56.3/share previously). Our target price is at a premium of around 29.5% on current prices, **implying a BUY rating on the stock.**

Abitare In – Key Data

Rating	Target price (EUR/sh)		Mkt price (EUR/sh)		Sector
BUY	Ord 54.9		Ord 42.40		Real Estate
Values per share (EUR)	2017/18A	2018/19A	2019/20E	2020/21E	2021/22E
No. ordinary shares (M)	2.57	2.57	2.57	2.57	2.57
Total no. of shares (M)	2.57	2.57	2.57	2.57	2.57
Market cap (EUR M)	82.49	97.10	109.00	109.00	109.00
Adj. EPS	1.01	2.48	4.60	14.20	33.67
CFPS	1.1	2.7	4.7	14.3	33.7
BVPS	15.9	18.5	23.1	37.3	70.9
Dividend ord	0	0	0	0	0
Income statement (EUR M)	2017/18A	2018/19A	2019/20E	2020/21E	2021/22E
Revenues	49.05	44.57	124.8	146.6	197.2
EBITDA	4.27	11.38	17.50	52.74	124.2
EBIT	4.08	10.81	17.30	52.54	124.0
Pre-tax income	3.70	9.45	16.90	52.14	123.6
Net income	2.59	6.37	11.83	36.50	86.55
Adj. net income	2.59	6.37	11.83	36.50	86.55
Cash flow (EUR M)	2017/18A	2018/19A	2019/20E	2020/21E	2021/22E
Net income before minorities	2.6	6.4	11.8	36.5	86.6
Depreciation and provisions	0.2	0.6	0.2	0.2	0.2
Others/Uses of funds	0	0	0	0	0
Change in working capital	-32.7	-28.4	-24.4	4.9	0
Operating cash flow	-30.0	-21.5	-12.4	41.6	86.8
Capital expenditure	0.6	-1.0	-0.5	-0.5	-0.5
Financial investments	0	0	0	0	0
Acquisitions and disposals	5.4	0	0	0	0
Free cash flow	-24.0	-22.5	-12.9	41.1	86.3
Dividends	0	0	0	0	0
Equity changes & Other non-operating items	15.1	-0.7	0	0	0
Net cash flow	-8.9	-23.2	-12.9	41.1	86.3
Balance sheet (EUR M)	2017/18A	2018/19A	2019/20E	2020/21E	2021/22E
Net capital employed	90.6	154.1	198.7	281.7	371.4
of which associates	0	0	0	0	0
Net debt/-cash	8.8	32.0	44.9	3.8	-88.0
Minorities	0	0	0	0	0
Net equity	40.8	47.5	59.3	95.8	182.3
Minorities value	0	0	0	0	0
Enterprise value	91.3	129.1	153.9	112.8	21.0
Stock market ratios (x)	2017/18A	2018/19A	2019/20E	2020/21E	2021/22E
Adj. P/E	31.9	15.2	9.2	3.0	1.3
P/CFPS	30.3	14.0	9.1	3.0	1.3
P/BVPS	2.0	2.0	1.8	1.1	0.60
Payout (%)	0	0	0	0	0
Dividend yield (% ord)	0	0	0	0	0
FCF yield (%)	-29.1	-23.1	-11.8	37.7	79.1
EV/sales	1.9	2.9	1.2	0.77	0.11
EV/EBITDA	21.4	11.3	8.8	2.1	0.17
EV/EBIT	22.4	11.9	8.9	2.1	0.17
EV/CE	1.0	0.84	0.77	0.40	0.06
D/EBITDA	2.1	2.8	2.6	0.07	Neg.
D/EBIT	2.2	3.0	2.6	0.07	Neg.
Profitability & financial ratios (%)	2017/18A	2018/19A	2019/20E	2020/21E	2021/22E
EBITDA margin	8.7	25.5	14.0	36.0	63.0
EBIT margin	8.3	24.2	13.9	35.8	62.9
Tax rate	30.0	32.6	30.0	30.0	30.0
Net income margin	5.3	14.3	9.5	24.9	43.9
ROCE	4.5	7.0	8.7	18.7	33.4
ROE	9.8	14.4	22.2	47.1	62.2
Interest cover	-776.0	-590.4	NM	NM	NM
Debt/equity ratio	21.6	67.4	75.7	4.0	Neg.
Growth (%)		2018/19A	2019/20E	2020/21E	2021/22E
Sales		-9.1	NM	17.4	34.5
EBITDA		NM	53.8	NM	NM
EBIT		NM	60.1	NM	NM
Pre-tax income		NM	78.7	NM	NM
Net income		NM	85.5	NM	NM
Adj. net income		NM	85.5	NM	NM

NM: not meaningful; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Company Snapshot

Company Description

Abitare In S.p.A is an Italian real estate player which develops urban building projects in Milan reviving abandoned factories or industrial complexes. The company operates through SPV's, all of which are 100% owned by the holding Abitare In S.p.A. These vehicles are created with the precise objective of following a project from the planning stages to completion. Once the works are finished, the vehicles are closed and the dividends are distributed to the holding company.

Key data

Mkt price (EUR)	42.40	Free float (%)	52.0
No. of shares	2.57	Major shr	GOZZINI
52Wk range (EUR)	49.2/28.4	(%)	23.7
Reuters	ABIT.MI	Bloomberg	ABT IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	-4.1	-1M	-6.2
-3M	-12.4	-3M	-18.9
-12M	47.7	-12M	20.3

Key Risks

Company specific risks:

- Uncertainty of project success
- Medium-long term duration of the projects
- Setbacks during the construction phase

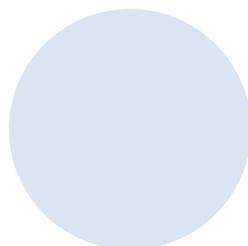
Sector generic risks:

- Increase in interest rates
- Weaker than expected demand
- Cyclicity

Estimates vs. consensus

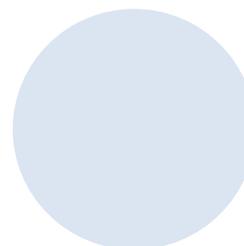
EUR M (Y/E Sep)	2019A	2020E	2020C	2021E	2021C	2022E	2022C
Sales	44.57	124.8	NM	146.6	NM	197.2	NM
EBITDA	11.38	17.50	NM	52.74	NM	124.2	NM
EBIT	10.81	17.30	NM	52.54	NM	124.0	NM
Pre-tax income	9.45	16.90	NA	52.14	NA	123.6	NA
Net income	6.37	11.83	NM	36.50	NM	86.55	NM
EPS	2.48	4.60	NM	14.20	NM	33.67	NM

Sales breakdown by product (%)



Residential
Units, 100.0

Sales breakdown by geography (%)



Italy, 100.0

NA: not available; NM: not meaningful; Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 13/01/2020)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies have revenues ranging from EUR 50M-EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

Notes

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Equity Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:

<https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

Equity rating key: (long-term horizon: 12M)

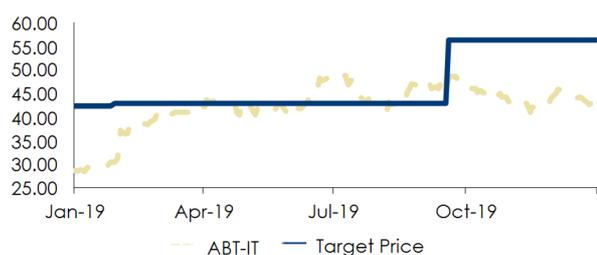
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

Historical recommendations and target price trends (long-term horizon: 12M)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->

Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
02-Oct-19	ADD	56.3	48.0
11-Feb-19	BUY	42.9	30.4

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at November 2019)**

Number of companies considered: 115	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	50	18	30	1	0
of which Intesa Sanpaolo's Clients (%) (*)	79	57	37	0	0

(*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

Valuation methodology (short-term horizon: 3M)

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

Equity rating key (short-term horizon: 3M)

Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

Company-specific disclosures

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (jointly also the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Modello di Organizzazione, Gestione e Controllo" pursuant to Legislative Decree 8 June, 2001 no. 231 (available at the Intesa Sanpaolo website, webpage http://www.group.intesasanpaolo.com/scripts/sir0/si09/governance/eng_wp_governance.jsp, along with a summary sheet, webpage <https://www.bancaimi.com/en/bancaimi/chiamo/documentazione/normative>) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the Financial Conduct Authority Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research " and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest> you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest.

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- One or more of the companies of the Intesa Sanpaolo Banking Group are one of the main financial lenders to Abitare In and its parent and group companies
- Banca IMI acts as Corporate Broker relative to securities issued by Abitare In

Intesa Sanpaolo Research Dept.

Gregorio De Felice - Head of Research	+39 02 8796 2012	gregorio.defelice@intesasanpaolo.com
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Equity&Credit Research

Giampaolo Trasi	+39 02 8794 9803	giampaolo.trasi@intesasanpaolo.com
------------------------	------------------	------------------------------------

Equity Research

Monica Bosio	+39 02 8794 9809	monica.bosio@intesasanpaolo.com
Luca Bacoccoli	+39 02 8794 9810	luca.bacoccoli@intesasanpaolo.com
Eleonora Basso	+39 02 8794 2913	eleonora.basso@intesasanpaolo.com
Davide Candela	+39 02 8794 9813	davide.candela@intesasanpaolo.com
Antonella Frongillo	+39 02 8794 9688	antonella.frongillo@intesasanpaolo.com
Manuela Meroni	+39 02 8794 9817	manuela.meroni@intesasanpaolo.com
Elena Perini	+39 02 8794 9814	elena.perini@intesasanpaolo.com
Bruno Permutti	+39 02 8794 9819	bruno.permutti@intesasanpaolo.com
Roberto Ranieri	+39 02 8794 9822	roberto.ranieri@intesasanpaolo.com

Corporate Broking Research

Alberto Francese	+39 02 8794 9815	alberto.francese@intesasanpaolo.com
Gabriele Berli	+39 02 8794 9821	gabriele.berli@intesasanpaolo.com
Sebastiano Grisetti	+39 02 8794 3187	sebastiano.grisetti@intesasanpaolo.com

Technical Analysis

Corrado Binda	+39 02 8021 5763	corrado.binda@intesasanpaolo.com
Sergio Mingolla	+39 02 8021 5843	antonio.mingolla@intesasanpaolo.com

Research Clearing & Production

Anna Whatley	+39 02 8794 9824	anna.whatley@intesasanpaolo.com
Bruce Marshall	+39 02 8794 9816	robert.marshall@intesasanpaolo.com
Annita Ricci	+39 02 8794 9823	annita.ricci@intesasanpaolo.com
Wendy Ruggeri	+39 02 8794 9811	wendy.ruggeri@intesasanpaolo.com
Elisabetta Bugliesi (IT support)	+39 02 8794 9877	elisabetta.bugliesi@intesasanpaolo.com

Banca IMI SpA

Bernardo Bailo - Head of Global Markets Sales	+39 02 7261 2308	bernardo.bailo@bancaimi.com
--	------------------	-----------------------------

Equity Sales

Giorgio Pozzobon	+39 02 72615616	giorgio.pozzobon@intesasanpaolo.com
-------------------------	-----------------	-------------------------------------

Institutional Sales

Catherine d'Aragon	+39 02 7261 5929	catherine.daragon@bancaimi.com
Carlo Cavalieri	+39 02 7261 2722	carlo.cavalieri@bancaimi.com
Stefan Gess	+39 02 7261 5927	stefan.gess@bancaimi.com
Francesca Guadagni	+39 02 7261 5817	francesca.guadagni@bancaimi.com
Paolo Maria Lenzi	+39 02 7261 5114	paolo.lenzi@bancaimi.com
Federica Repetto	+39 02 7261 5517	federica.repetto@bancaimi.com
Daniela Stucchi	+39 02 7261 5708	daniela.stucchi@bancaimi.com
Marco Tinessa	+39 02 7261 2158	marco.tinessa@bancaimi.com
Mark Wilson	+39 02 7261 2758	mark.wilson@bancaimi.com
Carlo Castellari (Corporate Broking)	+39 02 7261 2122	carlo.castellari@bancaimi.com
Francesco Riccardi (Corporate Broking)	+39 02 7261 5966	francesco.riccardi@bancaimi.com
Laura Spinella (Corporate Broking)	+39 02 7261 5782	laura.spinella@bancaimi.com
Lorenzo Pennati (Sales Trading)	+39 02 7261 5647	lorenzo.pennati@bancaimi.com

Equity Derivatives Institutional Sales

Emanuele Manini	+39 02 7261 5936	emanuele.manini@bancaimi.com
Matteo Buratti	+39 02 7261 5335	matteo.buratti@bancaimi.com
Francesca Dizione	+39 02 7261 2759	francesca.dizione@bancaimi.com
Enrico Ferrari	+39 02 7261 2806	enrico.ferrari@bancaimi.com
Alessandro Monti	+44 207 894 2412	alessandro.monti@bancaimi.com
Umberto De Paoli	+44 207 894 2456	umberto.depaoli@bancaimi.com

Gherardo Lenti Capoduri – Head of Market Hub	+39 02 7261 2051	gherardo.lenticapoduri@bancaimi.com
---	------------------	-------------------------------------

E-commerce Distribution

Alessandra Minghetti	+39 02 7261 2973	alessandra.minghetti@bancaimi.com
Alessia Galluccio	+39 02 7261 2339	alessia.galluccio@bancaimi.com
Umberto Menconi	+39 02 7261 5492	umberto.menconi@bancaimi.com
Filippo Besozzi	+39 02 7261 5922	filippo.besozzi@bancaimi.com
Lawrence Peirson (London office)	+44 207 894 2476	lawrence.peirson@bancaimi.com
Carmine Calamello (Brokerage & Execution)	+39 02 7261 2194	carmine.calamello@bancaimi.com

Banca IMI Securities Corp NY

Barbara Leonardi (Equity institutional Sales)	+1 212 326 1232	barbara.leonardi@bancaimi.com
Greg Principe (Equity Institutional Sales)	+1 212 326 1233	greg.principe@bancaimi.com