

Company Note

Abitare In

1H20 Results

Abitare In's 1H20 activities (ending 31 March), were marginally impacted by Covid-19, when construction activities were locked down. However, overall results were in line with management's expectations and, despite some negative Covid-19 effects, the 2020 and 2021 targets were confirmed.

1H20A Results

The key results were: i) revenue of EUR 33.6M vs. EUR 20.6M in 1H19A (+63% yoy; ii) EBIT adjusted (for EUR 0.9M stock grant effect) was EUR 6.3M vs. EUR 5.9M in 1H19A; iii) EBT adjusted was EUR 5.3M vs. EUR 5.4M in 1H19A; iv) net profit adjusted was EUR 3.99M vs. EUR 3.8M in 1H19A; and v) net debt was EUR 43.2M vs. EUR 32M in FY19A.

Outlook

The building site lockdown, due to Covid-19, delayed delivery of the 'Maggiolina' apartments, from April to August 2020. According to management, other Covid-19 related effects (namely the slowdown of construction) will be partly offset by increased activity in other projects in different phases; moreover, the cost increases due to the new safety regulations should also be offset by an expected increase in revenues. The new living habits, born from the Covid-19 emergency, are leading families to reconsider their homes, with a positive impact on more comfortable and tailor-made solutions, larger surface areas and external private or shared spaces (balconies, gardens).

Estimates Revision and Valuation

We conservatively did not include three new projects in the company's pipeline, but not yet commercialised, that will supposedly be completed by 2023-24. We updated our assumptions for the seven residential projects in completion over the next four years, whose deliveries are expected to take place between 2020 and 2023: Maggiolina, Tacito, Somalia, Cadolini, Palazzo Naviglio, Olimpia Garden and Savona, incorporating the impact of the application of safety measures, by assuming an approx. 4% increase in construction costs in 2020 and 2021 to the projects under construction. We also project the postponement of about 30% of construction activity foreseen for 2020 to the following years. We valued Abitare In using our DCF approach, considering the flows (net of taxes) coming from the projects currently underway under the new assumption and with our updated 7.5% equity risk premium. **We derived a target price of EUR 50/share.** Our target price is at a premium of around 25% on current prices, implying a **BUY rating on the stock.**

MID CORPORATE
15 July 2020: 12:37 CET

Date and time of production

BUY
Target Price: EUR 50.0
(from EUR 54.9)

 Italy/Real Estate
Update

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

Abitare In - Key Data

Price date (market close)	14/07/2020
Target price (EUR)	50.0
Target upside (%)	25.00
Market price (EUR)	40.00
Market cap (EUR M)	102.83
52Wk range (EUR)	54.0/31.8

Price performance %	1M	3M	12M
Absolute	0.3	4.7	-16.7
Rel. to FTSE IT All Sh	-4.5	-7.3	-7.1

Y/E Sep (EUR M)	18/19A	19/20E	20/21E
Revenues	44.57	106.4	141.4
EBITDA	11.38	11.13	55.50
EBIT	10.81	10.56	54.93
Net income	6.37	6.70	37.75
EPS (EUR)	2.48	2.60	14.69
Net debt/-cash	31.97	33.04	32.01
Adj P/E (x)	15.2	15.4	2.7
EV/EBITDA (x)	11.3	12.2	2.4
EV/EBIT (x)	11.9	12.9	2.5
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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1H20A Results

Abitare In's 1H20 activities (ending 31 March), were marginally impacted by Covid-19, when construction activities were locked down, while all administrative, design and marketing activities continued.

The company:

- Concluded the acquisition of the complex where the 'Palazzo Naviglio' project will be built;
- Subscribed to a preliminary agreement for the purchase of a EUR 6.5M site in the Naviglio Grande area, whose finalisation, initially foreseen for March 2020 has been delayed to September 2020;
- Signed a preliminary agreement for the acquisition of an area near Scalo di Porta Romana (EUR 16.1M plus a maximum EUR 6M earnout).

In addition, the company announced its entry into the house-leasing market through Homizy. Lastly, the BoD deliberated the trans-listing to the MTA, STAR segment.

Overall, the results were in line with management's expectations and, despite some Covid-19 negative effects, the targets for 2020 and 2021 were confirmed. The key results were:

Good top line, with margins affected by Coronavirus

- **Revenue amounted to EUR 33.6M vs. EUR 20.6M in 1H19A (+63% yoy)**, comprising the acquisition of the 'Palazzo Naviglio' complex (EUR 5M) and the change in inventories related to real estate initiatives currently under construction;
- **EBIT adjusted (for EUR 0.9M stock grant effect) was EUR 6.3M vs. EUR 5.9M in 1H19A;**
- **EBT adjusted (for the stock grant effect) was EUR 5.3M vs. EUR 5.4M in 1H19A.** The result was negatively affected by EUR 2M costs due to Covid-19 related to the Maggiolina project, that management decided to entirely record in 1H and led to a sharp increase in the weighting on revenues of production costs;

Abitare In – Costs breakdown

EUR M	1H19A	1H20A	chg. %
Production Costs	9.1	20.6	126.7
Acquisition costs	4.5	5.0	11.7
Cost of Labour	0.5	1.8*	257.4
Other costs	0.5	0.4	-13.9
Weighting on revenues %			
Production Costs	44.2	61.5	
Acquisition costs	21.7	14.9	
Cost of Labour	2.5	5.5	
Other costs	2.3	1.2	

A: actual; Source: Company data; *including EUR 0.9M stock grant figurative costs; Abitare In's FY ends on 30 September

- **Net profit adjusted (for the stock grant effect) was EUR 4M vs. EUR 3.8M in 1H19A;**
- **Net debt was EUR 43.2M vs. EUR 32M in FY19A**, mainly due to operational needs;

Abitare In - 1H20A results

EUR M	1H19A	1H20A	chg. %
Revenue from services	0.2	0.5	136.5
Change in inventories	20.3	33.0	62.3
Other revenues	0.1	0.1	-53.3
Revenues	20.6	33.6	63.0
EBITDA adj.*	6.1	6.6	8.0
EBITDA adj. margin %	26.7	12.2	
EBIT adj.*	5.9	6.3	6.0
EBIT adj. margin %	25.8	11.6	
EBT adj.*	5.4	5.3	-2.6
Net Income adj.*	3.8	4.0	5.0
Net debt	18.4	43.2	134.8

A: actual; Source: Company data; *adjusted for EUR 0.9M stock grant costs; Abitare In's FY ends on 30 September

Outlook

As a negative consequence of the block of building site activities, the delivery of 'Maggiolina' apartments, planned for April, was delayed to August 2020. According to management, other Covid-19-related effects (namely the slowdown of construction) should be partly offset by the increased activity in other projects in different phases; moreover, the increase in costs due to the new safety regulations should supposedly be offset by an expected increase in revenues.

In this regard, the order backlog as of 24 June (when 1H20 results were released) comprises 642 units for a total amount of EUR 249.9M; the company contractualised down payments for EUR 73.5M (+32% vs. 18 December 2019, at the release of FY19A results), due to the increasing demand and prices. The commercial campaign which took place during the Covid-19 lockdown, produced successful results. In particular:

- With reference to Palazzo Naviglio, 90% of apartments were sold (the group has successfully subscribed preliminary contracts for around EUR 28.1M) and EUR 8.6M as advance payments have already been contractualised. Management expects EUR 31M total revenues vs. EUR 27.5M communicated on 19 November 2019 (+12.7%);
- As regards project 'Olimpia Garden' (in the Corvetto area), where 161 apartments should be realised, 79 irrevocable proposals have already been received, of which 65 already converted into preliminary contracts.

Last September, the company presented its new development plan, based on sustainability, urban regeneration and respect for the environment. With reference to the new pipeline, we highlight that we expect the commercialisation and development of 3 new projects (namely Porta Romana District, Lambrate Design District and in the Naviglio Grande area) presented in the latest business plan (September 2019), for which the company has signed preliminary agreements in the last few months.

The new living habits born during the Covid-19 emergency are leading families to reconsider their homes, with a positive impact on more comfortable and tailor-made solutions, larger surface and external private or shared space (balconies, gardens). Thus, an additional demand from people who decide to move from the city center to a less central area, such as the one offered by Abitare In is likely. Moreover, according to management, the real estate market in Milan will be guided by an unchanged favourable demographic trend and the attraction of the city.

In addition, the Covid-19 emergency accelerated some research and development projects the company had been working on, such as the first platform for the online sale of projects in collaboration with Tecma Solutions, from the configuration of the 'tailor made' solution to the payment, through virtual tours of the apartments.

On 8 May, the company announced that the accelerated bookbuilding of its subsidiary Homizy, the new business line of Abitare In that develops properties for leasing in co-living in Milan) was successfully completed. The first tranche of the capital increase raised more than the EUR 4.5M offered and was subscribed to by 20 new shareholders with the issue of 56,250 ordinary shares at EUR 80/sh., equal to 11.56% of the share capital.

Increasing order backlog as of June

Expected new projects

Impact of Covid-19 on demand

Introduction of online platform

Homizy's capital increase

Estimates Revision

We conservatively do not include the aforementioned three new projects as part of the company's pipeline, that will supposedly be completed by 2023 but are not currently commercialised.

We update our assumptions of the seven residential projects already in our model as follows, whose deliveries are expected to take place between 2020-23: Maggiolina, Tacito, Somalia, Cadolini, Palazzo Naviglio, Olimpia Garden and Savona.

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)	3.5
Gross margin (EUR M)	26.6
EBT (EUR M)	22.6
Net income (EUR M)	15.8

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)	19.6
EBT (EUR M)	18.5
Net income (EUR M)	13.0

Source: Intesa Sanpaolo Research elaboration on Company data;

Abitare In - Somalia key assumptions

Price/sqm (k)	3.7
average sqm	92
Housing units	130
Garage	130
Garage price (k)	26.5
Revenues	47.9
Total costs/sqm (k)	2.5
Gross margin (EUR M)	14.2
EBT (EUR M)	13.6
Net income (EUR M)	9.5

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	176.8
Total costs/sqm (k)	3.4
Gross margin (EUR M)	69.4
EBT (EUR M)	67.5
Net income (EUR M)	47.2

*17% of which are destined to independent senior living;
Source: Intesa Sanpaolo Research elaboration on Company data

Abitare In - Pogliaghi key assumptions

Price/sqm (k)	4.4
average sqm	92
Housing units	75
Revenues	30
Total costs/sqm (k)	3.2
Gross margin (EUR M)	10.6
EBT (EUR M)	10.2
Net income (EUR M)	7.2

Source: Intesa Sanpaolo Research elaboration on Company data

Abitare In - Pecori key assumptions

Price/sqm (k)	3.0
average sqm	92
Housing units	141
Revenues	39
Total costs/sqm (k)	2.0
Gross margin (EUR M)	12.5
EBT (EUR M)	11.6
Net income (EUR M)	8.1

Source: Intesa Sanpaolo Research elaboration on Company data

Abitare In - Savona key assumptions

Price/sqm (k)	4.7
average sqm	92
Housing units	245
Revenues	92
Total costs/sqm (k)	4.3
Gross margin (EUR M)	23.1
EBT (EUR M)	21.6
Net income (EUR M)	15.1

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.

Limitedly to the newest projects 'Palazzo Naviglio' and 'Savona', we slightly increase our expectation of total revenues (EUR 4.4k/sqm vs. EUR 4.3k/sqm in our previous estimates and EUR 4.7k/sqm vs. EUR 4.0k/sqm respectively).

On the costs side, however, we include the unexpected cost for the 'Maggiolina' project and tried to incorporate the impact of the application of safety measures, by assuming an approx. 4% cost increase in 2020 and 2021 to the projects under construction. Furthermore, due to lockdown, we project the postponement of about 30% of construction activity foreseen for 2020 to the following years.

For 2021, we also include the income related to the disposal of 17% of the commercial surface of the Cadolini project to Korian (for a consideration of EUR 13M).

Abitare In- Estimates revision (2020E - 21E)

EUR M	FY20E Old	FY20E New	chg %	FY21E Old	FY21E New	chg %
Revenues	124.8	106.4	-14.7	146.6	141.3	-3.6
EBITDA	17.5	11.1	-36.5	52.7	55.5	5.0
EBITDA margin (%)	14	10.5		36.0	39.2	
EBT	16.9	9.5	-43.5	52.1	53.9	3.2
EBT margin (%)	13.5	9.0		35.6	38.1	
Net Income	11.8	6.7	-43.4	36.5	37.7	3.2
Net financial debt/-cash	44.9	33.0	-26.1	3.8	32.0	NM

E: estimates; NM: not meaningful; Source: Intesa Sanpaolo Research; Note that Abitare In's fiscal year ends in September

Valuation

In light of our new assumptions, we update our DCF, considering the flows (net of taxes) coming from the projects currently underway. We also update the equity risk premium rate and now incorporate 7.5% (7% previously).

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	7.5
Cost of equity	9.0
WACC	7.7

Source: Intesa Sanpaolo Research estimates

We assume a LT flow from new projects at EUR 7.5M vs. an average of around EUR 23.5M in FY20-23E.

Abitare In – DCF Calculation

EUR M	2020E	2021E	2022E	2023E	LT
Maggiolina	15.8	0.0	0.0	0.0	0.0
Tacito	0.0	13.0	0.0	0.0	0.0
Somalia	0.0	3.2	6.3	0.0	0.0
Cadolini	0.0	0.0	14.2	33.1	0.0
Pogliaghi	0.0	0.0	3.6	3.6	0.0
Pecori	0.0	8.1	0.0	0.0	0.0
Savona	0.0	0.0	11.4	3.8	0.0
DIV from new projects	0.0	0.0	0.0	0.0	0.0
FCF	15.8	24.7	37.2	40.3	7.5
Discounted FCF	14.7	20.9	28.3	30.0	5.2
WACC (%)	7.7				
TV growth (%)	0.0				
Sum	94				
TV	67				
EV	161				
Net debt (2019A)	32				
Equity	129				
Shares (M)	2.6				
Target price (EUR/share)	50.0				

Source: Intesa Sanpaolo Research estimates

We derived a target price of EUR 50.0/share. Our target price is at a premium of around 25% on current prices, implying a **BUY rating on the stock.**

BUY rating confirmed, new TP of EUR 50.0/share

Abitare In – Key Data

Rating BUY	Target price (EUR/sh) Ord 50.0	Mkt price (EUR/sh) Ord 40.00	Sector Real Estate	
Values per share (EUR)				
	2017/18A	2018/19A	2019/20E	2020/21E
No. ordinary shares (M)	2.57	2.57	2.57	2.57
Total no. of shares (M)	2.57	2.57	2.57	2.57
Market cap (EUR M)	82.49	97.10	102.83	102.83
Adj. EPS	1.01	2.48	2.60	14.69
CFPS	1.1	2.7	2.8	14.9
BVPS	15.9	18.5	21.1	35.8
Dividend ord	0	0	0	0
Income statement (EUR M)				
	2017/18A	2018/19A	2019/20E	2020/21E
Revenues	49.05	44.57	106.4	141.4
EBITDA	4.27	11.38	11.13	55.50
EBIT	4.08	10.81	10.56	54.93
Pre-tax income	3.70	9.45	9.56	53.93
Net income	2.59	6.37	6.70	37.75
Adj. net income	2.59	6.37	6.70	37.75
Cash flow (EUR M)				
	2017/18A	2018/19A	2019/20E	2020/21E
Net income before minorities	2.6	6.4	6.7	37.8
Depreciation and provisions	0.2	0.6	0.6	0.6
Others/Uses of funds	0	0	0	0
Change in working capital	-32.7	-28.4	-7.8	-36.8
Operating cash flow	-30.0	-21.5	-0.6	1.5
Capital expenditure	0.6	-1.0	-0.5	-0.5
Financial investments	0	0	0	0
Acquisitions and disposals	5.4	0	0	0
Free cash flow	-24.0	-22.5	-1.1	1.0
Dividends	0	0	0	0
Equity changes & Other non-operating items	15.1	-0.7	0	0
Net cash flow	-8.9	-23.2	-1.1	1.0
Balance sheet (EUR M)				
	2017/18A	2018/19A	2019/20E	2020/21E
Net capital employed	90.6	154.1	182.3	299.6
of which associates	0	0	0	0
Net debt/-cash	8.8	32.0	33.0	32.0
Minorities	0	0	0	0
Net equity	40.8	47.5	54.2	91.9
Minorities value	0	0	0	0
Enterprise value	91.3	129.1	135.9	134.8
Stock market ratios (x)				
	2017/18A	2018/19A	2019/20E	2020/21E
Adj. P/E	31.9	15.2	15.4	2.7
P/CFPS	30.3	14.0	14.2	2.7
P/BVPS	2.0	2.0	1.9	1.1
Payout (%)	0	0	0	0
Dividend yield (% ord)	0	0	0	0
FCF yield (%)	-29.1	-23.1	-1.0	1.0
EV/sales	1.9	2.9	1.3	0.95
EV/EBITDA	21.4	11.3	12.2	2.4
EV/EBIT	22.4	11.9	12.9	2.5
EV/CE	1.0	0.84	0.75	0.45
D/EBITDA	2.1	2.8	3.0	0.58
D/EBIT	2.2	3.0	3.1	0.58
Profitability & financial ratios (%)				
	2017/18A	2018/19A	2019/20E	2020/21E
EBITDA margin	8.7	25.5	10.5	39.2
EBIT margin	8.3	24.2	9.9	38.8
Tax rate	30.0	32.6	30.0	30.0
Net income margin	5.3	14.3	6.3	26.7
ROCE	4.5	7.0	5.8	18.3
ROE	9.8	14.4	13.2	51.7
Interest cover	-776.0	-590.4	NM	NM
Debt/equity ratio	21.6	67.4	61.0	34.8
Growth (%)				
		2018/19A	2019/20E	2020/21E
Sales		-9.1	NM	32.9
EBITDA		NM	-2.1	NM
EBIT		NM	-2.2	NM
Pre-tax income		NM	1.2	NM
Net income		NM	5.0	NM
Adj. net income		NM	5.0	NM

NM: not meaningful; 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)	40.00	Free float (%)	46.6
No. of shares	2.57	Major shr	GOZZINI L.
52Wk range (EUR)	54.0/31.8	(%)	23.4
Reuters	ABIT.MI	Bloomberg	ABT IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	0.3	-1M	-4.5
-3M	4.7	-3M	-7.3
-12M	-16.7	-12M	-7.1

Key Risks

Company specific risks:

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

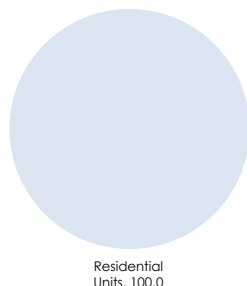
Sector generic risks:

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

Estimates vs. consensus

EUR M (Y/E Sep)	2019A	2020E	2020C	2021E	2021C
Sales	44.57	106.4	NM	141.4	NM
EBITDA	11.38	11.13	NM	55.50	NM
EBIT	10.81	10.56	NM	54.93	NM
Pre-tax income	9.45	9.56	NA	53.93	NA
Net income	6.37	6.70	NM	37.75	NM
EPS	2.48	2.60	NM	14.69	NM

Sales breakdown by product (%)



Sales breakdown by geography (%)



NA: not available; NM: not meaningful; ource: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 14/07/2020)

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.intesasnpaolo.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)

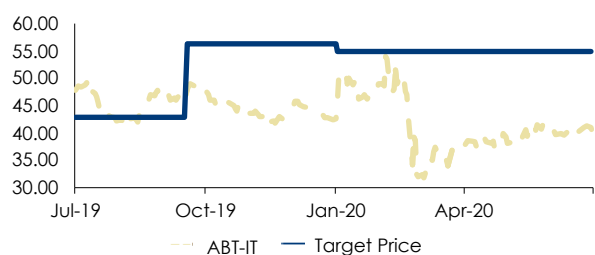
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

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)
16-Jan-20	BUY	54.9	45.8
02-Oct-19	ADD	56.3	48.0

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at July 2020)**

Number of companies considered: 106	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	50	24	26	0	0
of which Intesa Sanpaolo's Clients (%) (*)	85	72	54	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.

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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

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