

## AbitareIn

Rating  
**BUY**

### Positive development trend continues

Target price  
**EUR61.6**

**Catalyst: Undeterred by lockdown, AbitareIn has once again delivered on a further leg of its industrial plan.**

- Despite the COVID-19 outbreak in Lombardy, Milan's property market has been spared the worst, emerging relatively unharmed to date. While real estate activity has lost some momentum, prices have remained buoyant and, on average, even managed to rise. We informally polled some high-profile real estate brokers who reported that, so far, they have detected neither price softness nor the beginning of a downturn.
- Evidence indicates that average prices are hovering at around 1% less than historical records. Should the current low interest rate conditions continue, we do not expect any major adverse market reaction for AbitareIn.
- **Conclusions:** we keep our BUY rating with a EUR61.6 target price.
- **Next triggers:** Mid-November board meeting to approve results as at 30 September 2020; end of January shareholders' meeting.

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Closing price  
**EUR42.90**

Market cap  
**EUR110m**

Bloomberg  
**ABT:IM**

Key Financial and ratios	16/17A	17/18A	18/19A	19/20E	20/21E	21/22E
Booking	54,0	146,0	190,0	200,0	310,0	44,3
Revenues	9,3	49,0	44,6	103,0	141,0	182,8
EBT	2,2	3,7	9,5	11,1	36,9	45,5
Net income	1,1	2,6	6,4	8,0	25,9	32,5
Net margin	11,9%	5,3%	14,3%	7,8%	18,4%	25,8%
EPS	0,43	1,01	2,51	3,08	9,99	12,53
P/E	75,5	31,0	12,0	13,7	4,2	3,4
EV/Sales	5,6	1,4	2,3	1,5	0,8	0,6
EV/EBT	24,2	14,1	5,5	4,7	1,4	1,1

Source: Hammer Partners' estimates

**AbitareIn**  
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## Key financials

Profit and Loss Account (Eur m)	16/17A	17/18A	18/19A	19/20E	20/21E	21/22E
<b>Booking*</b>	<b>54,0</b>	<b>146,0</b>	<b>190,0</b>	<b>200,0</b>	<b>310,0</b>	<b>44,3</b>
<b>Sales</b>	<b>9,3</b>	<b>49,1</b>	<b>44,6</b>	<b>103,0</b>	<b>141,0</b>	<b>182,8</b>
% change	19223,1%	429,7%	-9,1%	130,9%	36,9%	29,6%
% change	26,1%	212,1%	26,8%	111,4%	-24,0%	142,5%
<b>Total costs</b>	<b>-6,9</b>	<b>-44,8</b>	<b>-60,2</b>	<b>-89,2</b>	<b>-101,0</b>	<b>-134,0</b>
<b>Ebitda</b>	<b>2,4</b>	<b>4,3</b>	<b>11,4</b>	<b>13,8</b>	<b>40,0</b>	<b>48,8</b>
% change	5521,3%	79,4%	166,4%	21,3%	189,9%	22,0%
% revenue	26,6%	15,3%	32,1%	18,4%	70,2%	35,3%
<b>Depreciation and amortization</b>	<b>-0,04</b>	<b>-0,19</b>	<b>-0,57</b>	<b>-0,57</b>	<b>-0,57</b>	<b>-0,57</b>
<b>Ebit</b>	<b>2,3</b>	<b>4,1</b>	<b>10,8</b>	<b>13,2</b>	<b>39,4</b>	<b>48,2</b>
% revenue	26,1%	14,6%	30,5%	17,7%	69,2%	34,9%
<b>Financial results</b>	<b>-0,2</b>	<b>-0,4</b>	<b>-1,4</b>	<b>-2,1</b>	<b>-2,5</b>	<b>-2,7</b>
<b>Earnings before taxes</b>	<b>2,2</b>	<b>3,7</b>	<b>9,5</b>	<b>11,1</b>	<b>36,9</b>	<b>45,5</b>
<b>Taxes on income</b>	<b>-1,1</b>	<b>-1,1</b>	<b>-3,1</b>	<b>-3,1</b>	<b>-11,1</b>	<b>-13,0</b>
<b>Net income</b>	<b>1,0</b>	<b>2,6</b>	<b>6,4</b>	<b>8,0</b>	<b>25,9</b>	<b>32,5</b>
% change	-1163,4%	151,5%	146,1%	26,0%	222,0%	25,8%
% revenue	11,5%	9,3%	18,0%	10,7%	45,4%	23,5%

Balance sheet	16/17A	17/18A	18/19A	19/20E	20/21E	21/22E
<b>Fixed asset</b>	<b>0,40</b>	<b>6,10</b>	<b>8,30</b>	<b>8,60</b>	<b>8,90</b>	<b>9,20</b>
<b>Current asset</b>	<b>21,7</b>	<b>48,6</b>	<b>88,2</b>	<b>130,7</b>	<b>196,2</b>	<b>110,6</b>
<b>Cash and banks</b>	<b>5,0</b>	<b>18,1</b>	<b>21,8</b>	<b>23,3</b>	<b>18,8</b>	<b>33,4</b>
<b>Total asset</b>	<b>27,9</b>	<b>95,8</b>	<b>154,4</b>	<b>202,2</b>	<b>264,2</b>	<b>215,1</b>
<b>Equity</b>	<b>12,2</b>	<b>40,8</b>	<b>47,5</b>	<b>56,7</b>	<b>78,3</b>	<b>108,0</b>
<b>Long-term liabilities</b>	<b>4,6</b>	<b>26,6</b>	<b>52,9</b>	<b>49,4</b>	<b>58,9</b>	<b>13,3</b>
<b>Current liabilities</b>	<b>11,1</b>	<b>28,4</b>	<b>54,0</b>	<b>96,1</b>	<b>127,0</b>	<b>93,8</b>
<b>Total liabilities and equity</b>	<b>27,9</b>	<b>95,8</b>	<b>154,4</b>	<b>202,2</b>	<b>264,2</b>	<b>215,1</b>

\* Booking refers to the sum of preliminary purchase deeds of the year only, excluding clients' proposal

Cash flow statement	16/17A	17/18A	18/19A	19/20E	20/21E	21/22E
<b>Net cash flow from operating activities</b>	<b>-10,0</b>	<b>-29,0</b>	<b>-20,4</b>	<b>6,0</b>	<b>12,0</b>	<b>60,0</b>
<b>Net cash flow from (used in) investing activities</b>	<b>0,0</b>	<b>-5,0</b>	<b>-2,0</b>	<b>-0,5</b>	<b>-0,5</b>	<b>-0,5</b>
<b>Net cash flow used in financing activities</b>	<b>14,2</b>	<b>18,2</b>	<b>0,0</b>	<b>0,0</b>	<b>-14,1</b>	<b>-16,2</b>
<b>Cash flow for the year</b>	<b>6,2</b>	<b>2,2</b>	<b>-22,4</b>	<b>-21,5</b>	<b>40,0</b>	<b>70,4</b>
<b>Closing net cash and equivalents</b>	<b>-2,5</b>	<b>7,5</b>	<b>18,0</b>	<b>44,0</b>	<b>5,0</b>	<b>5,0</b>

Return & margins	16/17A	17/18A	18/19A	19/20E	20/21E	21/22E
<b>Ebitda margin</b>	26,6%	15,3%	32,1%	18,4%	70,2%	35,3%
<b>Net income margin</b>	11,5%	9,3%	18,0%	10,7%	45,4%	23,5%
<b>ROIC</b>	22,4%	20,1%	29,9%	73,7%	-1052,8%	-389,3%
<b>ROE %</b>	8,4%	6,3%	13,4%	14,2%	33,0%	30,1%

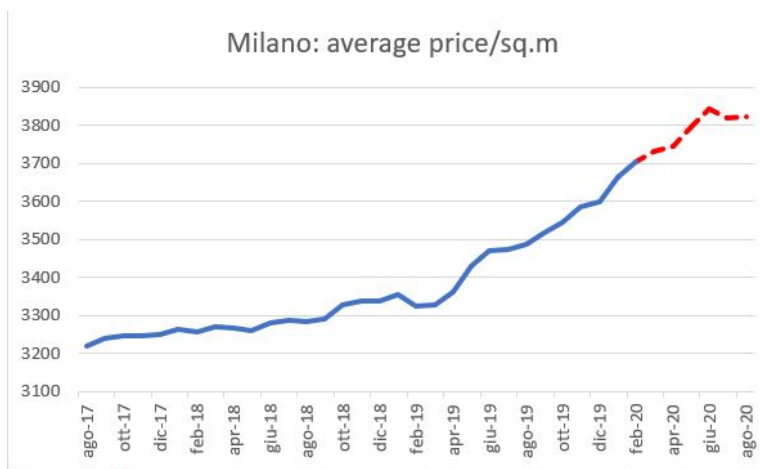
## COVID-19

### Expected impact on AbitareIn, real estate prices

Regarding the real estate market in Milan, we differentiate between a short-term impact and a more long-term structural impact from COVID-19.

In the short term, the Italian Government has mandated the suspension of construction activities for health reasons during the lockdown period. As such the only project to be immediately impacted has been AbitareIn Maggiolina, where the delay in delivery of apartments is limited to three to four months. For the remaining projects we expect that the delay 75-100% of the time lost can be recovered, making it largely immaterial. Regardless, AbitareIn has managed to begin delivery of the tower, dubbed “Sky Tower” in Maggiolina, on 31 July 2020.

Longer term, we start with the evidence that real estate prices have actually increased, and have managed to settle at the high levels of previous months as the following graph shows (*Source: Immobiliare.it. Red dotted line represents transition from lockdown to post-lockdown period*).



Source: [immobiliare.it](https://www.immobiliare.it)

We also polled some high-profile real estate brokers, who confirmed that prices remain firm with deed signature activity slowly returning to pre-COVID levels. However, one note of caution is that prices could have been influenced by the backlog of deals that were closing anyway in spite of lockdown, leaving a question mark regarding the pricing trend in the last quarter, as prices in Milano tend to vary with a six-month lag.

## New initiatives

1. In January, AbitareIn announced the acquisition of a part of the Scalo Porta Romana, which will allow the construction of 30,000 sq.m. The price foresees a payment of EUR16.1m plus an earn-out of max EUR6m, subject to the accomplishment of certain financial results.
2. In April, AbitareIn announced the preliminary agreement to purchase a 6,500 sq.m area in the coveted Naviglio Grande area. The deal will be closed next October and will allow the construction of 75 new apartments.

## Changes to our estimates

In the following table we highlight the main differences between our current estimates and the ones included in our January 2020 report.

Estimate revision	19/20E		20/21E		21/22E	
	Before	Now	Before	Now	Before	Now
Sales	121,6	103,0	143,0	141,0	184,8	182,8
EBITDA	16,1	13,8	51,7	40,0	58,5	48,8
EBITDA Margin	13,2%	13,4%	36,2%	28,4%	31,7%	26,7%
EBIT	15,5	13,2	51,1	39,4	57,9	48,2
EBIT Margin	12,7%	12,8%	35,7%	28,0%	31,3%	26,4%

Source: Hammer Partners

The only change to our estimates for this year stems from EUR2m to comply with heightened safety regulations for COVID-19.

We expect sales lost in March-June to be recovered due to:

1. **A new campaign for Savona 105 development.** We estimate that AbitareIn has sold 40 apartments at approximately EUR4,850 sq m. Given the appeal of the area we expect the sold out threshold to be reached quickly.
2. **An innovative new way to book apartment sales** versus how they are traditionally sold, mirroring the Amazon method of selling. Specifically, the buyer will be able to make the whole proposal online and then wire the downpayment to AbitareIn.

## Korian agreement

On 22 June 2020, AbitareIn communicated that its fully owned subsidiary Milano Progetti closed a deal with Korian Italia to sell it 17% for EUR13m of the total area of the Cadolini development. Korian is a European leader in care and assistance services to senior people, with revenue exceeding EUR3.5bn. Cadolini is well-suited to elderly care as it boasts a green area of 17,000 sq.m. Korian will develop a senior living project consisting of real estate apartments for self-sufficient elderly people and a part of RSA (Residenza Sanitaria Assistenziale) a structure that deals with non self-sufficient elderly people.

## New venture: Homizy Co-Living

**Successful private placement of AbitareIn's cohabitation start-up, Homizy, for EUR4.5m.**

- **Analysis:** Homizy will focus on generating rental returns on real estate developed as co-housing solutions. AbitareIn believes a total investment of EUR175m is needed to reach critical mass and a leadership position.
- **Co-Housing** is expected to be a powerful trend in the coming years, as it offers an affordable alternative for a growing number of young professionals who need to live in big cities and "digital nomads" who typically travel a lot.
- To exploit the expertise developed by AbitareIn, the Homizy business model will be concentrated on repurposing existing properties and developing new buildings with large apartments to combine private rooms with shared areas like living rooms and kitchens. An alternative will be a studio with shared services, such as co-working, bike-labs, fitness and leisure areas.
- The placement serves as an important first step to boost Homizy's visibility. We expect the initiative to generate more news flow in the coming months as it proceeds towards an AIM listing. Furthermore AbitareIn has announced the sale of 17% of the total surface available in Via Cadolini to Korian, a European leader in the care and assistance services to senior people.

### What is co-living?

Co-living is the co-habitation of people with access to private or shared rooms for living and access to shared amenities like kitchen, living rooms, etc.

A co-living operator, like Homizy, typically gets into a contract with property owners (or developers) and converts their spaces into a co-living facility. Once the space is ready, the operator manages the lifecycle of the facility, including marketing and tenant identification, rent collection, property maintenance and management, organising community events, addressing any complaints and concerns of both the property owner and the tenants.

Co-living tries to address the significant housing issues experienced by major cities around the world where young professionals are struggling to afford rent and remain in the city.

## Significant investment by PE funds

Co-living investment opportunities have attracted the interest of global PE funds and wealthy individuals, who funded the sector to the tune of USD3.75bn in 2019, up from USD0.13Bn in 2017 (Source: JLL Research) representing a 75% YOY increase. The wide availability of funds attracted to the sector will be important in these next steps of Homizy's growth profile. **Fresh opportunity**

AbitareIn disclosed to the market its new co-living initiative, called Homizy, on 31 October 2019. While few details have been provided, we know from the press release that:

- 1) AbitareIn management believes that Homizy makes economic sense if it can reach critical mass of 3,000 rooms in the mid-term, a level that would allow it to establish and maintain a competitive advantage.
- 2) Homizy financing will be made up of equity and mortgage loans, the mix of which will be decided as activity progresses and the business plan is executed.
- 3) In any case, Homizy will be financially independent and will not tap into AbitareIn resources.

AbitareIn launched a private placement to finance the start-up of Homizy in May of this year. The placement raised EUR4.5m by issuing 56,250 shares at a price of EUR80 per share (**disclosure:** Hammer Partners Research Ltd. had a role in the private placement). The financial intake will be used to purchase land parcels and to proceed with the feasibility studies.

We ran a simulation of the potential revenues that Homizy could generate at different levels of available rooms. To assess the exact revenue potential we consulted the Numbeo database. Numbeo is a collaborative online database which investigates prices and cost of living in different countries and cities around the world.

Numbeo reports the rent per month for an apartment located outside of Milano City Centre in the range of EUR550-1,000 for a weighted average of EUR734.93. We err on the conservative side and input EUR550, but we believe Homizy should be able to market the rooms at a price higher than this.

Revenues/month per room	550		
Rooms	1.000	2.000	3.000
Total revenues (Eur m)	6.600	13.200	19.800
EBITDA	2.970	6.138	9.504

We estimate EBITDA margin to start at 45%, increasing to 48% when Homizy reaches the critical mass of 3,000 rooms. While we have no details about the timeline of the development of Homizy venture, we do expect more details to emerge as Homizy plans to list on the AIM when AbitareIn transfers to the STAR segment of the Italian Stock Exchange.

Marco Scalvini, General Manager of AbitareIn, has been named CEO of Homizy. In the past, Scalvini has held high-profile positions in HP, Italtel, while he brings to Homizy specific experience in real estate, having previously served as GM of Nexity and Bluestone.

## AbitareIn: Valuation

### Marginally lowering our target price

Our target price remains largely unchanged, although it is down slightly from EUR61.8 to EUR61.6.

EURm	set-17	set-18	set-19	set-20	set-21	set-22	set-24
<b>Sales</b>	19,52	0,00	0,00	67,40	95,50	184,80	
<b>Ebit</b>	1,92	4,08	10,81	13,23	39,43	48,23	
<b>Taxes</b>	-0,91	-1,11	-3,08	-3,10	-11,08	-13,00	
<b>Nopat</b>	1,01	2,97	7,73	10,13	28,35	35,23	
<b>Amortization</b>	0,17	-0,19	-0,57	-0,57	-0,57	-0,57	
<b>Change in NWC</b>	10,20	-9,96	-15,84	18,10	21,65	8,59	
<b>Capex</b>	0,01	0,00	0,00	0,00	0,00	0,00	Terminal value
<b>Cash Flow</b>	11,39	-7,18	-8,68	27,66	49,43	43,25	157,6
<b>Present value</b>	16,90	-9,33	-9,71	27,57	43,79	34,05	98,0
<b>NPV of cash flows</b>	191,7						
<b>Minorities</b>	0,0						
<b>Fair equity value</b>	160						
<b>Wacc</b>	14,2%						
<b>Perpetual growth rate</b>	0,0%						
<b>Target price</b>	61,6						



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