



## PUBLICATIONS

9 August 2021

### ABITARE IN

#### 9M results (=)

(Company press release)

#### Delays, but Without Consequences

At the end of last week, Abitare IN published its 9M results. At end-June, revenue stood at €90.8m, up 63% on last year and in line with our expectations. This reflects the first deliveries on the Olimpia Garden project, the major campaign to purchase new land (€39.2m) and the progress of work on projects already sold, albeit at a lower level than initially anticipated due to delays caused by the health context. With a pre-tax profit of €12.6m, and €15.1m restated for the IFRS 15 effect on Olimpia Garden, leading to a 13.8% margin (16.6% restated for IFRS 15), the results are a clear improvement on last year (+48%) but slightly below initial expectations. On the one hand, the combined effect of work delays and longer administrative deadlines for launching new operations, and on the other hand, the strong acceleration of the campaign to purchase new land. This short-term effect, which is very recurrent in land developers' activity, is far from alarming insofar as these delays will be reflected in the activity of the coming years. In this context, the group is adjusting its guidance for the year. While the objective of reaching sales of €126m for the year has been confirmed, management now expects EBT of €20m, vs. €25m previously. Despite this adjustment, Abitare IN's outlook remains extremely favourable, as the group has already secured a significant project pipeline for the coming years (2,900 apartment with more than 266,000m<sup>2</sup> and potential sales of more than €1bn). The Milanese market remains very buoyant with a particularly strong demand, as shown by the latest marketing campaign successes launched by the group, but with a clearly insufficient supply, an imbalance that is further reinforced by the lengthening of administrative delays in the health context. This structural imbalance continues to push prices upwards. Over the last few months, prices in Milan have indeed risen by more than 7% compared to last year. This trend should allow the group to further optimise its margins in the years to come as it has already secured land prices at very attractive rates.

As a result of this publication, we are downgrading our 2021 expectations to align with the new guidance, but are raising our expectations for the following two years, taking into account the delays and an increase in average selling prices on the next projects. Despite the stock's strong performance in recent weeks, we remain convinced that the group is undervalued relative to its large pipeline. Therefore, we are reiterating our Buy rating and raising our TP to €7.4 (vs. €6.2) following the adjustment of our expectations and market parameters (notably taking into account the impact of price increases on the pipeline's value).

Buy, TP of €7.4 (vs €6.2) - Florian Cariou : + 33 1 78 95 71 65

#### Market Data

Industry	Real estate
Share Price (€)	6.5
Market Cap (€M)	164.8
Market Segment	STAR
Bloomberg	ABT-IM

#### Ownership structure

Luigi Francesco Gozzini	23.2%
Marco Claudio Grillo	18.0%
Kairos Partners SGR	5.8%
Gaudenzio Roveda	5.0%
Free float	48.0%

€M (30/09)	2020	2021e	2022e	2023e
Sales (€M)	73.1	125.6	171.7	147.5
Growth	64.0%	71.9%	36.7%	-14.1%
EBIT	8.1	22.1	47.6	42.7
Op. Margin(%)	11.1%	17.6%	27.7%	29.0%
Net income	9.2	13.8	28.8	26.0
EPS €	0.36	0.54	1.13	1.02
EPS growth	44.0%	50.4%	108.8%	-9.9%
Dividend	0.00	0.00	0.00	0.00
Yield (%)	ns	ns	ns	ns
FCF	1.9	-17.8	44.1	-2.1
ROCE	6.7%	30.8%	47.4%	33.8%
EV/Sales (x)		1.7	1.0	1.1
EV/EBIT (x)		9.5	3.5	3.9
PE (x)		11.9	5.7	6.3
Net Debt	26.1	44.0	-0.2	1.9
Gearing	45%	61%	0%	1%

Midcap Partners estimates

Upcoming event : n/a

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This document may mention evaluation methods defined as follows:

- DCF method:** discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
- Comparable method:** application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
- Assets and liabilities method:** estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
- Discounted dividend method:** discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
- Sum of the parts:** this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

### Rating structure

- Buy:** expected to outperform the market by more than 10% over a 6 - 12 months horizon
- Hold:** expected performance between -10% and +10% compared to the market in a 6 - 12 months horizon
- Sell:** expected to underperform the market by more than 10% over a 6 - 12 months horizon

The history of ratings and the target price for the Issuers covered in this report are available on request at [marketing@midcapp.com](mailto:marketing@midcapp.com).

Conflict of Interests

Company	Closing price (€)	Rating	Warning
ABITARE IN	6.45	Buy	G
MAUREL ET PROM	1.98	Buy	G
SERVIZI ITALIA	2.125	Buy	G

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Rating	Global coverage universe	of which "Corporate" Issuers *
Buy	81%	91%
Hold	15%	9%
Sell	4%	0%
Under review	0%	0%
Tender	0%	0%

\* "Corporate" Issuers: Issuers to whom Midcap has provided Investment Services over the last 12 months

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