

# ABITARE IN

Sector: Consumers

# OUTPERFORM

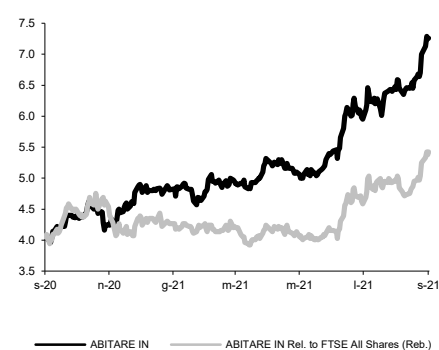
Price: Eu7.26 - Target: Eu8.50

## Pipeline Increasing, 3 Projects at Commercialization Phase

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 7.45 to 8.50		
	2021E	2022E	2023E
Chg in Adj EPS	-18.7%	-1.2%	-2.0%

### ABITARE IN - 12M Performance



Stock Data			
Reuters code:	ABIT.MI		
Bloomberg code:	ABT IM		
Performance	1M	3M	12M
Absolute	12.9%	33.9%	79.3%
Relative	9.9%	31.1%	45.0%
12M (H/L)	7.29/3.96		
3M Average Volume (th):	31.31		

Shareholder Data	
No. of Ord shares (mn):	26
Total no. of shares (mn):	26
Mkt Cap Ord (Eu mn):	188
Total Mkt Cap (Eu mn):	188
Mkt Float - Ord (Eu mn):	83
Mkt Float (in %):	44.0%
Main Shareholder:	
Gozzini Luigi Francesco	23.2%

Balance Sheet Data	
Book Value (Eu mn):	72
BVPS (Eu):	2.78
P/BV:	2.6
Net Financial Position (Eu mn):	-33
Enterprise Value (Eu mn):	222

- Total revenues up 63% in 9M.** The company closed the first 9 months of the year with consolidated revenues of Eu90.8mn (+63% YoY) as a result of Eu40.8mn in sales revenues (Eu0.5mn in 9M20), a Eu39.2mn inventory change due to the purchase of new real estate complexes (vs Eu20.6mn), and a Eu10mn inventory change due to progress of work, net of discharge due to deliveries of apartments. This is lower than initially expected by the company due to the lengthening of some deadlines for obtaining permits, which has entailed postponing the marketing of some property initiatives and consequently has resulted in production being approximately Eu8mn lower. Nevertheless, adj. EBIT came to Eu12.6mn, up from Eu8.5mn one year ago. The NFP amounted to Eu63mn.
- Development pipeline increasing.** More importantly, we note that the development pipeline is still increasing and is composed of 18 areas comprising over 266,000 saleable sqm and corresponding in total to over 2,900 standard apartments located in semi-central areas of Milan. Of these, commercialisation of the Lambrate Twin Palace and The Units projects and the second tranche of Savona 105 has begun in recent weeks. Deliveries continue in the meantime and the notarial deeds to Olimpia Garden now show a total of 90 apartments delivered.
- EBT seen at Eu20mn in 2021.** On a more negative note, the generalised slowdown in receiving authorisations, which in the current year has meant delays to marketing some projects and, in some cases, to construction work, has prompted the company to revise its expectations for the current year: it now expects FY21 revenues of Eu126mn and adj. EBT of Eu20mn (+61.3% vs. 2020, but lower than the Eu24.6mn indicated a few months ago). Although the ongoing Covid-induced slowdown is affecting the company's short-term numbers, we note that the same factor is also pushing up the average price of new houses given scarcity of supply, especially in the Milan market, so the overall impact may actually be positive for the company.
- Estimates aligned to guidance.** We have updated our estimates to align with the indications provided by the company and thus incorporate a slowdown in the authorisation of some projects in the last part of the year. Nonetheless, we substantially confirm our estimates for the subsequent years, subject to a gradual return to normality. We also include in our estimates the purchases of areas concluded in the last period, thus raising our estimates for net debt.
- OUTPERFORM recommendation confirmed; target Eu8.50.** We appreciate AbitareIn, as the company stands out from the crowd thanks to its unique offering and propensity for technological innovation in a sector that typically clings to tradition. We believe the company's solid pipeline puts it in a good position to take advantage of the recovery in demand after the setback caused by the pandemic. We are lifting our TP from Eu7.45 to Eu8.50 as a consequence of an average sales price assumption for the pipeline of projects of Eu4,500 per sqm compared to the previous Eu4,250 in light of the fact that the new projects marketed in recent months have a selling price  $\geq$  to Eu5,000 per square meter, making our previous assumption overly cautious.

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	45	73	126	176	195
EBITDA Adj (Eu mn)	11	9	23	46	50
Net Profit Adj (Eu mn)	6	9	14	30	33
EPS New Adj (Eu)	0.250	0.355	0.535	1.154	1.275
EPS Old Adj (Eu)	0.250	0.355	0.658	1.168	1.300
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	12.1	15.3	9.8	5.0	4.5
EV/EBIT Adj	12.7	16.8	10.2	5.1	4.6
P/E Adj	29.1	20.5	13.6	6.3	5.7
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.8	3.0	1.5	0.9	0.8

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ABITARE IN – Key Figures						
Profit & Loss (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	49	45	73	126	176	195
EBITDA	4	11	9	23	46	50
EBIT	4	11	8	22	45	49
Financial Income (charges)	-0	-1	-2	-2	-2	-2
Associates & Others	0	0	5	0	0	0
Pre-tax Profit	4	9	11	20	43	47
Taxes	-1	-3	-2	-6	-13	-14
Tax rate	30.1%	32.6%	18.1%	30.0%	30.0%	30.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	3	6	9	14	30	33
EBITDA Adj	4	11	9	23	46	50
EBIT Adj	4	11	8	22	45	49
Net Profit Adj	3	6	9	14	30	33
Per Share Data (Eu)	2018A	2019A	2020A	2021E	2022E	2023E
Total Shares Outstanding (mn) - Average	26	26	26	26	26	26
Total Shares Outstanding (mn) - Year End	26	26	26	26	26	26
EPS f.d	0.100	0.250	0.355	0.535	1.154	1.275
EPS Adj f.d	0.100	0.250	0.355	0.535	1.154	1.275
BVPS f.d	1.597	1.858	2.250	2.785	3.939	5.214
Dividend per Share ORD	0.000	0.000	0.000	0.000	0.000	0.000
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Flow (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Gross Cash Flow	6	7	10	15	31	34
Change in NWC	-35	-28	-4	-21	-38	-30
Capital Expenditure	-6	-3	-1	-1	-1	-1
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	-35	-23	5	-7	-8	3
Acquisitions, Divestments & Other Items	0	-0	-4	0	0	0
Dividends	0	0	0	0	0	0
Equity Financing/Buy-back	26	0	5	0	0	0
Change in Net Financial Position	-9	-23	6	-7	-8	3
Balance Sheet (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Total Fixed Assets	7	9	11	11	12	12
Net Working Capital	47	74	78	99	137	166
Long term Liabilities	-4	-4	-5	-5	-5	-5
Net Capital Employed	50	79	84	106	143	173
Net Cash (Debt)	-9	-32	-26	-33	-41	-38
Group Equity	41	47	58	72	102	135
Minorities	0	0	0	0	0	0
Net Equity	41	47	58	72	102	135
Enterprise Value (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Average Mkt Cap	79	105	110	188	188	188
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-9	-32	-26	-33	-41	-38
Enterprise Value	88	137	136	222	230	227
Ratios (%)	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA Adj Margin	8.7%	25.5%	12.1%	18.0%	26.1%	25.8%
EBIT Adj Margin	8.3%	24.2%	11.1%	17.3%	25.6%	25.3%
Gearing - Debt/Equity	21.5%	67.4%	44.8%	46.1%	40.4%	28.3%
Interest Cover on EBIT	9.5	7.9	3.9	10.9	20.1	21.4
Net Debt/EBITDA Adj	2.1	2.8	3.0	1.5	0.9	0.8
ROACE*	13.2%	16.8%	9.9%	22.9%	36.1%	31.2%
ROE*	9.7%	14.4%	17.5%	21.4%	34.5%	28.0%
EV/CE	2.8	2.1	1.7	2.3	1.8	1.4
EV/Sales	1.8	3.1	1.9	1.8	1.3	1.2
EV/EBITDA Adj	20.7	12.1	15.3	9.8	5.0	4.5
EV/EBIT Adj	21.6	12.7	16.8	10.2	5.1	4.6
Free Cash Flow Yield	-18.3%	-12.2%	2.9%	-3.8%	-4.3%	1.7%
Growth Rates (%)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	429.4%	-9.1%	64.0%	72.1%	39.6%	11.2%
EBITDA Adj	79.1%	166.5%	-22.2%	155.5%	102.7%	10.0%
EBIT Adj	74.7%	164.6%	-25.1%	169.1%	106.3%	10.1%
Net Profit Adj	125.8%	149.3%	44.3%	51.0%	115.6%	10.4%
EPS Adj	125.8%	149.3%	42.1%	51.0%	115.6%	10.4%
DPS						

\*Excluding extraordinary items

Source: Intermonte SIM estimates

**Total revenues up 63% in 9M.** The company closed the first 9 months of the year with consolidated revenues of Eu90.8mn (+63% YoY) as a result of Eu40.8mn in sales revenues (Eu0.5mn in 9M20), a Eu39.2mn inventory change due to the purchase of new real estate complexes (vs Eu20.6mn), and a Eu10mn inventory change due to progress of work, net of discharge due to deliveries of apartments. This is lower than initially expected by the company due to the lengthening of some deadlines for obtaining permits, which has entailed postponing the marketing of some property initiatives and consequently has resulted in production being approximately Eu8mn lower. Nevertheless, adj. EBIT came to Eu12.6mn, up from Eu8.5mn one year ago. The NFP amounted to Eu63mn.

#### Quarterly Figures

(Eu mn)	3Q20	3Q21	% YoY	9M20	9M21	% YoY
<b>Total revenues</b>	<b>22.2</b>	<b>28.0</b>	<b>26.2%</b>	<b>55.8</b>	<b>90.8</b>	<b>62.9%</b>
Property purchased for redevelopment	(15.6)	(5.3)		(20.6)	(39.2)	
Production costs	(5.4)	(12.5)		(26.0)	(35.4)	
Personnel costs	(1.0)	(1.6)		(2.9)	(2.9)	
Other costs	(0.2)	(0.5)		(0.6)	(1.5)	
<b>EBITDA reported</b>	<b>0.1</b>	<b>8.1</b>	<b>nm</b>	<b>5.7</b>	<b>11.7</b>	<b>nm</b>
<i>EBITDA margin</i>	<i>0.3%</i>	<i>29.1%</i>		<i>10.3%</i>	<i>12.9%</i>	
D&A	(0.2)	(0.2)		(0.5)	(0.7)	
Writedowns/Provision	(0.0)	(0.0)		(0.0)	(0.0)	
<b>EBIT reported</b>	<b>(0.1)</b>	<b>7.9</b>	<b>nm</b>	<b>5.2</b>	<b>11.0</b>	<b>nm</b>
<i>EBIT margin</i>	<i>-0.6%</i>	<i>28.1%</i>		<i>9.4%</i>	<i>12.2%</i>	
Financial Charges	(0.8)	(0.7)		(1.8)	(1.7)	
Financial Income	3.9	(0.5)		3.9	1.8	
Non recurring income (Charges)	0.0	0.0		0.0	0.0	
<b>EBT</b>	<b>2.9</b>	<b>6.8</b>	<b>nm</b>	<b>7.3</b>	<b>11.2</b>	<b>52.2%</b>
<i>EBT margin</i>	<i>13.2%</i>	<i>24.2%</i>		<i>13.2%</i>	<i>12.3%</i>	
Taxes	(0.2)	(2.5)		(1.5)	(3.2)	
tax rate	-7.7%	-36.7%		-21.0%	-28.8%	
Minorities	(0.0)	0.0		(0.0)	0.0	
<b>Net income</b>	<b>2.7</b>	<b>4.3</b>	<b>59.0%</b>	<b>5.8</b>	<b>8.0</b>	<b>37.9%</b>

Source: Company data

**Estimates aligned to guidance.** We have updated our estimates to align with the indications provided by the company and thus incorporate a slowdown in the authorisation of some projects in the last part of the year. Nonetheless, we substantially confirm our estimates for the subsequent years, subject to a gradual return to normality. We also include in our estimates the purchases of areas concluded in the last period, thus raising our estimates for net debt.

Change in estimates									
	2021 New	2022 New	2023 New	2021 Old	2022 Old	2023 Old	Δ'2021	Δ'2022	Δ'2023
<b>Total Revenues</b>	<b>125.8</b>	<b>175.6</b>	<b>195.2</b>	<b>125.0</b>	<b>175.6</b>	<b>195.2</b>	<b>0.6%</b>	<b>0.0%</b>	<b>0.0%</b>
EBITDA	22.6	45.8	50.4	26.9	45.9	51.1	-15.8%	-0.2%	-1.4%
EBIT	21.8	44.9	49.5	26.0	45.0	50.2	-16.3%	-0.2%	-1.4%
EBT	19.8	42.7	47.2	24.4	43.3	48.2	-18.7%	-1.2%	-2.0%
<b>Net Income</b>	<b>13.9</b>	<b>29.9</b>	<b>33.1</b>	<b>17.1</b>	<b>30.3</b>	<b>33.7</b>	<b>-18.7%</b>	<b>-1.2%</b>	<b>-2.0%</b>
NFP	-33.3	-41.3	-38.2	-12.8	-33.6	-29.8	160.7%	22.9%	28.1%

Source: Intermonte SIM

#### Peers Comparison

Company name	Country	Mkt cap (EU mn)	EV/EBITDA			EV/EBIT			PE		
			2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
<b>Development for sale</b>											
Redrow plc	GB	2,887	7.4 x	6.1 x	5.4 x	7.5 x	6.2 x	5.5 x	9.9 x	8.3 x	7.9 x
Taylor Wimpey plc	GB	7,729	7.3 x	6.4 x	5.4 x	7.6 x	6.4 x	5.4 x	10.4 x	9.4 x	8.5 x
Berkeley Group	GB	6,861	9.9 x	10.4 x	9.9 x	9.5 x	9.8 x	9.3 x	13.6 x	13.1 x	13.4 x
Persimmon Plc	GB	10,899	8.1 x	7.6 x	7.2 x	8.2 x	7.7 x	7.3 x	11.5 x	10.9 x	10.9 x
Barratt Developments	GB	8,808	6.4 x	6.1 x	5.6 x	6.5 x	6.2 x	5.7 x	9.8 x	9.2 x	8.9 x
Nexity SA Class A	FR	2,446	6.5 x	5.9 x	5.5 x	9.8 x	8.4 x	7.7 x	12.0 x	11.6 x	10.4 x
<b>Rental business</b>											
Vonovia SE	DE	32,375	32.1 x	29.6 x	28.5 x	29.3 x	28.1 x	26.8 x	21.2 x	23.1 x	24.5 x
ADLER Group SA	LU	2,529	36.0 x	33.6 x	33.5 x	41.7 x	40.1 x	40.0 x	7.7 x	9.3 x	8.7 x
Gecina SA	FR	10,048	34.9 x	34.1 x	32.7 x	37.5 x	35.8 x	34.3 x	24.3 x	22.6 x	21.6 x
Aroundtown SA	LU	10,012	25.4 x	23.5 x	22.8 x	25.8 x	24.0 x	23.1 x	14.1 x	10.4 x	8.9 x
TAG Immobilien AG	DE	4,185	29.9 x	29.1 x	27.8 x	30.1 x	29.6 x	27.6 x	9.9 x	11.7 x	11.1 x
<b>Median</b>			<b>9.9 x</b>	<b>10.4 x</b>	<b>9.9 x</b>	<b>9.8 x</b>	<b>9.8 x</b>	<b>9.3 x</b>	<b>11.5 x</b>	<b>10.9 x</b>	<b>10.4 x</b>

Source: FactSet

## Appendix: The company at a glance

AbitareIn specialises in the development of residential property projects via an innovative operational strategy in terms of the way in which projects are completed and housing units sold. To date, the Group has worked exclusively within the bounds of the City of Milan, although it does not rule out considering projects in other areas in the future.

The company carries out **urban redevelopment projects** that involve the purchase and subsequent demolition of disused or abandoned properties in the City of Milan, so as to build new housing complexes on the cleared land and sell residential units directly to private customers, in particular families seeking to buy their own home.

AbitareIn differs from other firms on the market due to the **very high degree of product customisation** to fulfil customer requirements: on purchasing their home, not only can the customer choose flooring, wall finishes, and heating/air conditioning systems, but also change the disposition of the interior space on the basis of living needs (within the limits imposed by the overall project design, building regulations and town planning). All this is possible thanks to the high degree of innovation the company offers, from the **IT-driven production process** using the Building Information Modelling (BIM) software platform, which includes all the technical information on the building and its various parts, **to advanced customer management** thanks to the Salesforce CRM platform, which enables computerised management of marketing and sale activities.

Furthermore, the Group has launched a **revolutionary e-commerce platform** that offers the client an increasingly secure, informed, and complete buying experience. This tool, which is a totally new departure in the property arena due to the degree of detail provided, the unprecedented user experience and the 360° integration with company processes, envisages the use of extremely advanced technology and solutions: from artificial intelligence in the form of a virtual assistant available 24/7, to an online configuration tool for apartments (similar to those available in the auto sector); from the possibility of remote visits to the initiative's showroom through virtual reality to videoconferencing appointments; from the digitalization of all steps in the documentation and contractual process to the possibility of making all payments online.

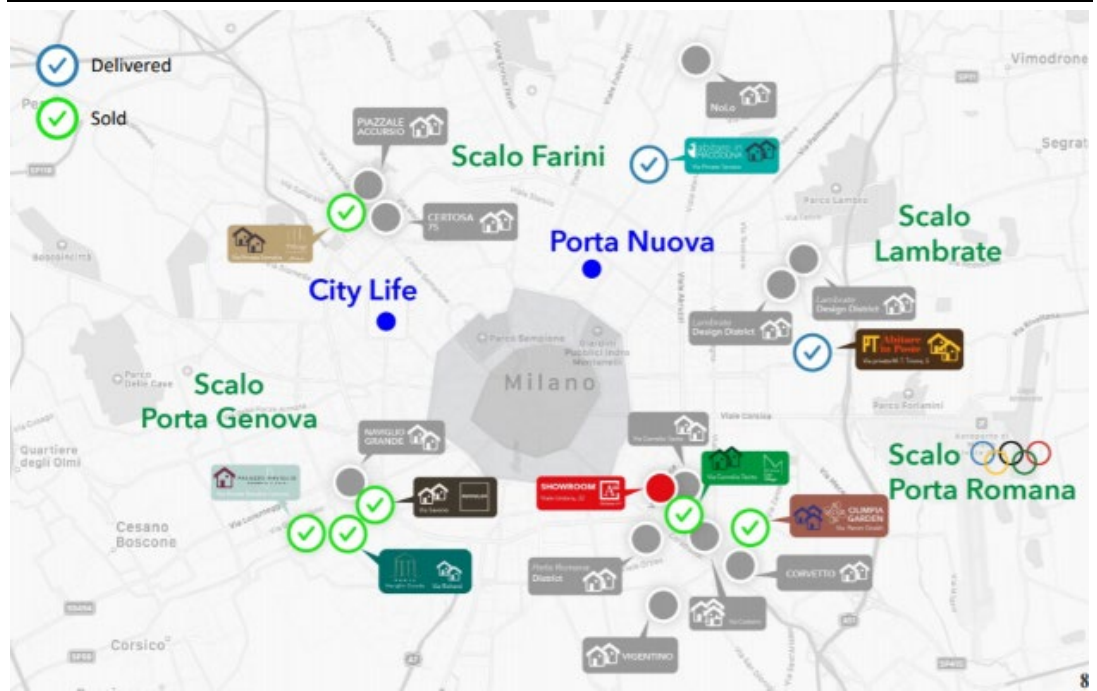
Focusing its activities on a specific type of product and clientele, AbitareIn has built up major experience in its chosen field **since 2015**. It is worth noting that the property market is cyclical and characterised by phases in which prices per square metre(m<sup>2</sup>) and/or the number of property transactions rise, periods of stability for these factors, and periods when prices per m<sup>2</sup> and the number of transactions decline. Looking at the period before and after the 2008 financial crisis, the number of real estate transactions in the City of Milan went from 25,000 between 2005 and 2006 to 14,600 in 2012, a drop of 41% in 6 years.

**In the 5 years prior to Covid-19, the property market in the City of Milan followed a positive trend**, mainly due to the **steady rise in the population**, which led to a **30% increase in prices per m<sup>2</sup> in 5 years** and a **steady rise in transactions**, at an average rate of 10% per year between 2014 and 2019. Naturally, between 2020 and the start of 2021, the Milan property market, like the national one, was hit by the difficult state of the world economy due to the ongoing public health emergency and, largely for operational reasons due to the suspension of many business activities and restrictions imposed to curb the spread of pandemic, recorded a sharp drop in the number of transactions (-19% per annum compared to 2019).

Group **clientele is mainly composed of families**, and in particular people already resident in the areas where property development initiatives are carried out, who are seeking to buy their own property. AbitareIn's objective, in identifying a target clientele for each property development initiative, is to match the lifestyle of potential purchasers as closely as possible with the socio-demographic trends of the micro-zone where the development is located. Most promotional and advertising activities (e.g. leafletting, billboards, etc.) are performed within a radius of 1km as the crow flies from the location of the property development initiative because such developments are aimed squarely at existing residents of the area. Regarding communication and marketing, it is worth noting that the latest campaigns have been carried out exclusively through social media (Facebook, Instagram, etc.).

The issuer carries out most of its **property initiatives in areas just outside the centre of Milan**, which are held to be of most interest in terms of growth and development, with the potential for realising residential property developments in line with the target market at **prices of Euro 3,500 to 5,000 per m<sup>2</sup>**. The areas in which zones are selected for residential property development are chosen on the basis of the socio-economic fabric, demographics and the relationship between supply and demand. The choice of an area is the result of a **careful selection process** from a portfolio of opportunities drawn up by the Issuer's property research and analysis department following an extended monitoring process.

## Ongoing projects and pipeline



Source: Company presentation

Regarding the wider planning of future property projects, the Group is the **owner or promissory purchaser**, through binding agreements, of areas totalling **266,000m<sup>2</sup>**, or **c.2,952 standard units of 92m<sup>2</sup> each**. The number of housing units actually built and contracts signed, notwithstanding the overall surface area, may vary depending on personalisation and specific features of the various lots.

Once the area in which the property development initiative will take place has been chosen, legal entitlement arising from the preliminary agreements pertaining to disposal of the area itself are vested in a legal entity, the **Operational Vehicle (OV)**, whose share capital is **entirely held by the Issuer**. Through intragroup service contracts, the issuer provides each OV with the consultancy and services required for development of the initiative (e.g. help with planning, coordination, commercialisation and customer management, as well as administration management). The OV then proceeds, among other things, with purchase of the buildable area, and with signing of all contracts for the development and realisation of the property development initiative and for the commercialisation of the residential units.

Furthermore, the group intends to develop the **Homizy project**, offering functional and on-trend housing solutions through a **co-living formula**. By exploiting **economies of scale** and its own market expertise, the company intends to develop high-quality new-build products with original design features. The company's business plan (and our estimates) does not factor in the launch of this new line of business, which should therefore be viewed as a **supplementary opportunity**.

## SWOT Analysis

### Strengths

- Strong expertise in the Milan market
- Innovative business model that allows clients to customise their apartments
- Scalable model allowing for significant economies of scale
- Robust pipeline ensuring visibility for the next years
- Robust project pipeline that assures a high degree of visibility on developments in the coming years

### Opportunities

- Favourable demographic and economic trends in Milan
- High availability of land
- Increase in selling prices
- Entry into the rent market through Homizy

### Weaknesses

- Project duration
- High volatility of consolidated results depending on the progress of the various projects
- Lack of geographical diversification

### Threats

- Rising land prices
- Increasing construction costs
- Increase in interest rates
- Delay in projects that may be caused by constructor or length of public administration approval processes
- Change in customers' habits

Source: Intermonte SIM

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	ABITARE IN		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	8.50	Previous Target (Eu):	7.45
Current Price (Eu):	7.26	Previous Price (Eu):	5.80
Date of report:	06/09/2021	Date of last report:	15/06/2021

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/earnings (P/E), EV/EBITDA, EV/EBIT, price/sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

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- BUY: stock expected to outperform the market by over 25% over a 12 month period;
- OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
- NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;
- UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
- SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	16,94 %
OUTPERFORM:	52,42 %
NEUTRAL:	26,61 %
UNDERPERFORM	04,03 %
SELL:	00,00 %

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NEUTRAL:	16,67 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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Emittente	%	Long/Short
AEDES NEW	3,7	LONG
COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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