

EQUITY RESEARCH

ABITARE IN
NEWS

BUY, TP 8.9€ (vs 8.2€)
Up/Downside: 50%

Real Estate Developer & Now Land Developer

Avec With the conclusion of the sale of its Via Cadolini project for €72m to Supernova, the group is demonstrating a pragmatism and opportunism in order to make the most of its enormous land reserve.

At the end of last week, Abitare IN announced that it had reached an agreement to sell its large ongoing development project in Via Cadolini for €72m to the developer Supernova, which will create a mixed-use project on the land. This is a totally different operation from what the group is used to carrying out, as the group is now operating as a land developer and not a real-estate developer. Abitare IN acquired this parcel of approximately 31,000m² in 2018 for about €15m; it then rehabilitated the area before selling it to Supernova rather than developing it on its own.

This is an opportunistic operation on the part of the group, allowing it to turn a quick profit without bearing the risks associated with the project's actual development (marketing, deadline management and the impact of inflation and shortages of building materials). The deal, which is expected to close by end-2023 during the group's FY 2024, will allow it to realise a one-off profit (as almost all costs associated with the project have already been charged to the accounts). According to our new estimates, operating profit will exceed €100m (for a doubling of our 2024 EPS). While the project's margins will logically be lower than if the group had developed its own project, the return is much faster (the project's development time would have been at least four years). The group's decision regarding this project can also be attributed to the fact that it initially called for 40% of the surface area to include social housing, which would have much lower margins.

In the end, this positive operation clearly demonstrates the group's pragmatism in making the best use of the large amount of land it detains, especially at a time when construction times are increasing. In addition to the many projects currently under construction, Abitare IN is now leaving itself the possibility of enhancing the value of its pipeline in another way, by transferring previously rehabilitated land to competitors. This could allow the group to add value to its large pipeline more quickly, as opposed to developing projects on its own. At current levels, the pipeline is far from being reflected in the group's current valuation. Therefore, we are reiterating our Buy rating and adjusting our TP to €8.9 (vs. €8.2) following the evolution of our estimates and market parameters.

Key data

Price (€)	5.9
Industry	Construction
Ticker	ABT-IT
Shares Out (m)	26.141
Market Cap (m €)	155.3
Average trading volumes (k shares / day)	70.680

Ownership (%)

Luigi Francesco Gozzini	22.7
Marco Claudio Grillo	18.0
Gaudenzio Roveda	9.7
Kairos Partners SGR	4.8
Free float	44.9

EPS (€)	09/22e	09/23e	09/24e
Estimates	0.54	1.35	2.63
Change vs previous estimates (%)	0.00	0.00	92.43

Performance (%)	1D	1M	YTD
Price Perf	2.4	4.6	-28.2
Rel FTSE Italy	6.0	11.5	-6.1



TP ICAP Midcap Estimates	09/21	09/22e	09/23e	09/24e	Valuation Ratio	09/22e	09/23e	09/24e
Sales (m €)	124.8	143.2	209.2	264.4	EV/Sales	2.4	1.1	0.9
Current Op Inc (m €)	16.9	21.6	54.3	104.9	EV/EBITDA	14.9	4.3	2.3
Current op. Margin (%)	13.5	15.1	26.0	39.7	EV/EBIT	15.6	4.4	2.4
EPS (€)	0.47	0.54	1.35	2.63	PE	10.9	4.4	2.3
DPS (€)	0.00	0.00	0.00	0.00				
Yield (%)	0.0	0.0	0.0	0.0				
FCF (m €)	-48.4	-112.8	101.6	-11.1				

Analyst
Florian Cariou
fcariou@midcapp.com
+33173030986



FINANCIAL DATA

Income Statement	09/19	09/20	09/21	09/22e	09/23e	09/24e
Sales	44.6	73.1	124.8	143.2	209.2	264.4
Changes (%)	-9.1	64.0	70.8	14.8	46.0	26.4
Gross profit	35.9	52.3	72.8	110.2	169.2	224.4
% of Sales	80.5	71.6	58.3	77.0	80.9	84.9
EBITDA	11.3	8.8	17.8	22.6	55.3	106.0
% of Sales	25.4	12.0	14.3	15.8	26.5	40.1
Current operating profit	10.8	8.1	16.9	21.6	54.3	104.9
% of Sales	24.2	11.1	13.5	15.1	26.0	39.7
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	10.8	8.1	16.9	21.6	54.3	104.9
Net financial result	-1.4	3.1	-0.2	-0.5	-1.7	-2.8
Income Tax	-3.1	-2.0	-4.5	-6.9	-17.1	-33.3
Tax rate (%)	32.6	18.1	27.2	32.6	32.6	32.6
Net profit, group share	6.4	9.2	12.2	14.2	35.4	68.8
EPS	2.50	0.36	0.47	0.54	1.35	2.63
Financial Statement	09/19	09/20	09/21	09/22e	09/23e	09/24e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Tangible and intangible assets	7.4	7.7	10.7	11.2	11.6	12.0
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	1.9	3.2	5.5	5.5	5.5	5.5
Working capital	98.0	125.5	205.1	332.5	265.9	345.4
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	107.2	136.4	221.3	349.2	283.0	362.9
Shareholders equity group	47.5	58.3	72.8	93.0	128.4	197.2
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	23.1	46.0	66.1	66.1	66.1	66.1
Net debt	32.1	26.1	75.1	182.9	81.3	92.4
Other liabilities	4.5	5.9	7.3	7.3	7.3	7.3
Liabilities	107.2	136.4	221.3	349.2	283.0	363.0
Net debt excl. IFRS 16	32.1	26.1	75.1	182.9	81.3	92.4
Gearing net	0.7	0.4	1.0	2.0	0.6	0.5
Leverage	2.8	3.0	4.2	8.1	1.5	0.9
Cash flow statement	09/19	09/20	09/21	09/22e	09/23e	09/24e
CF after elimination of net borrowing costs and taxes	10.5	8.0	15.7	21.2	36.5	70.0
Δ WCR	-30.7	-5.0	-61.2	-127.4	66.7	-79.5
Operating cash flow	-20.3	3.0	-45.5	-106.3	103.1	-9.6
Net capex	-1.5	-1.1	-2.9	-6.5	-1.5	-1.5
FCF	-21.8	1.9	-48.4	-112.8	101.6	-11.1
Acquisitions/Disposals of subsidiaries	-1.1	0.0	-1.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	26.6	7.3	27.4	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.0	4.6	0.3	0.0	0.0	0.0
Changes in exchange rates	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash over the year	3.7	13.8	-21.7	-112.8	101.6	-11.1
ROA (%)	4.1%	4.5%	4.7%	4.8%	10.2%	16.0%
ROE (%)	13.4%	15.7%	16.7%	15.3%	27.6%	34.9%
ROCE (%)	9.2%	6.5%	7.7%	5.3%	17.5%	24.4%

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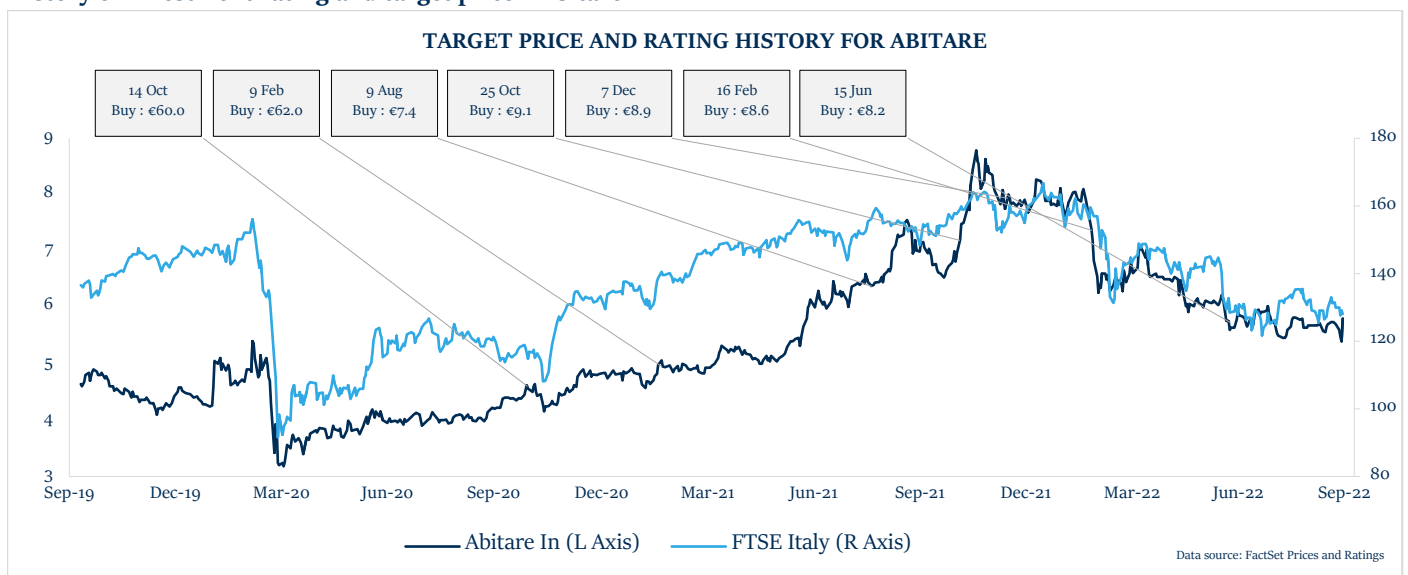
1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. 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.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. 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.

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G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Abitare In

History of investment rating and target price – Abitare In



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	87%	63%
Hold	13%	35%
Sell	1%	0%
Under review	0%	

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Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

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