

ABITARE IN

Sector: Consumers

Off to a Solid Start in 2023

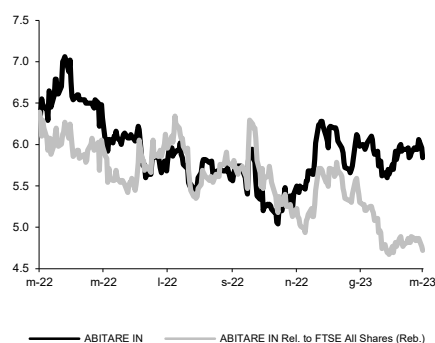
OUTPERFORM

Price: Eu5.84 - Target: Eu8.60

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

ABITARE IN - 12M Performance



Stock Data			
Reuters code:	ABIT.MI		
Bloomberg code:	ABT IM		
Performance	1M	3M	12M
Absolute	2.5%	-2.0%	-8.6%
Relative	0.2%	-16.3%	-32.7%
12M (H/L)	7.06/5.04		
3M Average Volume (th):	7.25		

Shareholder Data	
No. of Ord shares (mn):	27
Total no. of shares (mn):	27
Mkt Cap Ord (Eu mn):	155
Total Mkt Cap (Eu mn):	155
Mkt Float - Ord (Eu mn):	64
Mkt Float (in %):	41.5%
Main Shareholder:	
Gozzini Luigi Francesco	22.3%

Balance Sheet Data	
Book Value (Eu mn):	124
BVPS (Eu):	4.84
P/BV:	1.2
Net Financial Position (Eu mn):	-2
Enterprise Value (Eu mn):	157

■ **1Q results in line with expected annual trajectory:** the company closed 1Q with YoY growth in line with the trajectory we expect for the full year. In detail:

- Consolidated revenues came to Eu44.4mn (Eu35.5mn in 1Q22/23), broken down as follows: Eu16.4mn of revenues from sales deriving from final contracts signed on property units at Milano City Village and Palazzo Naviglio, Eu11.4mn works in progress net of the reduction in inventories due to the delivery of apartments to clients, Eu2.5mn for the purchase of property areas, and Eu14.0mn of other revenues.
- EBITDA of Eu4.8mn vs. Eu1.6mn in 1Q last year
- EBIT of Eu4.5mn vs. Eu1.3mn in 1Q last year
- Net debt of Eu143.7mn, up from Eu116.2mn at the end of September, but the current figure is already lower and expected to fall considerably during the year thanks to i) the disposal of the via Cadolini area and ii) deliveries to clients.
- Pipeline: as at today's date, the group's development pipeline, net of projects already completed and delivered, consists of 20 areas, for c.247,000m² of space for sale, or c.2,680 apartments;
- of the apartments in the pipeline, to date 608 have been sold on a preliminary basis, for a total value of Eu276.3mn, with advance payments as per contracts (covered by insurance guarantees) coming to Eu74.2mn; there are currently 458 apartments under construction.

■ **Estimates confirmed:** 1Q results were in line with the expected trajectory for the year in course, and this is the reason for the confirmation of our estimates. We note that we expect 2023 to show a significant improvement on the previous year, both in terms of P&L numbers and above all cash generation, benefitting significantly from deliveries at the Milano City Village, Trilogy Towers and Palazzo Naviglio projects, as well as the completion of the disposal of the ex-Plasmon area (Eu72mn disposal value), allowing consolidated net debt to go down to practically zero.

■ **OUTPERFORM confirmed; target kept at Eu8.60.** 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 development of the residential market in the city of Milan, a market that is suffering a structural lack of new apartments for a growing population. We confirm our positive recommendation and our Eu8.6 target price.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Sales (Eu mn)	73	125	122	207	226
EBITDA Adj (Eu mn)	10	21	23	52	56
Net Profit Adj (Eu mn)	10	14	13	33	36
EPS New Adj (Eu)	0.392	0.550	0.494	1.233	1.354
EPS Old Adj (Eu)	0.392	0.550	0.494	1.233	1.354
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	13.5	10.9	12.1	3.0	3.4
EV/EBIT Adj	14.6	11.7	13.0	3.1	3.5
P/E Adj	14.9	10.6	11.8	4.7	4.3
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.6	3.5	5.0	0.0	0.6

ABITARE IN – Key Figures

Profit & Loss (Eu mn)	2019A	2020A	2021A	2022A	2023E	2024E
Sales	45	73	125	122	207	226
EBITDA	11	9	18	16	52	56
EBIT	11	8	17	14	50	54
Financial Income (charges)	-1	-2	-2	-3	-4	-3
Associates & Others	0	5	2	0	0	0
Pre-tax Profit	9	11	17	11	46	51
Taxes	-3	-2	-5	-3	-14	-15
Tax rate	32.6%	18.1%	27.2%	29.5%	30.0%	30.0%
Minorities & Discontinued Operations	0	-0	-0	0	0	0
Net Profit	6	9	12	8	32	36
EBITDA Adj	11	10	21	23	52	56
EBIT Adj	11	9	20	22	50	54
Net Profit Adj	6	10	14	13	33	36
Per Share Data (Eu)	2019A	2020A	2021A	2022A	2023E	2024E
Total Shares Outstanding (mn) - Average	26	26	26	27	27	27
Total Shares Outstanding (mn) - Year End	26	26	26	27	27	27
EPS f.d	0.250	0.353	0.468	0.299	1.220	1.341
EPS Adj f.d	0.250	0.392	0.550	0.494	1.233	1.354
BVPS f.d	1.858	2.250	2.808	3.619	4.838	6.179
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)	2019A	2020A	2021A	2022A	2023E	2024E
Gross Cash Flow	7	10	16	14	34	37
Change in NWC	-28	-4	-60	-63	83	-65
Capital Expenditure	-3	-1	-4	-4	-3	-3
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	-23	5	-48	-54	114	-30
Acquisitions, Divestments & Other Items	-0	-4	-0	13	0	0
Dividends	0	0	0	0	0	0
Equity Financing/Buy-back	0	5	0	0	0	0
Change in Net Financial Position	-23	6	-49	-41	114	-30
Balance Sheet (Eu mn)	2019A	2020A	2021A	2022A	2023E	2024E
Total Fixed Assets	9	11	16	21	23	24
Net Working Capital	74	78	139	202	119	183
Long term Liabilities	-4	-5	-7	-11	-11	-11
Net Capital Employed	79	84	148	212	130	196
Net Cash (Debt)	-32	-26	-75	-116	-2	-32
Group Equity	47	58	73	96	128	164
Minorities	0	0	0	4	4	4
Net Equity	47	58	72	92	124	160
Enterprise Value (Eu mn)	2019A	2020A	2021A	2022A	2023E	2024E
Average Mkt Cap	105	110	156	167	155	155
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-32	-26	-75	-116	-2	-32
Enterprise Value	137	136	231	283	157	187
Ratios (%)	2019A	2020A	2021A	2022A	2023E	2024E
EBITDA Adj Margin	25.5%	13.8%	17.0%	19.2%	25.0%	24.7%
EBIT Adj Margin	24.2%	12.7%	15.9%	17.8%	24.1%	23.8%
Gearing - Debt/Equity	67.4%	44.8%	103.1%	121.0%	1.4%	19.5%
Interest Cover on EBIT	7.9	3.9	7.2	4.1	13.0	17.7
Net Debt/EBITDA Adj	2.8	2.6	3.5	5.0	0.0	0.6
ROACE*	16.8%	9.9%	14.5%	8.0%	29.2%	33.0%
ROE*	14.4%	19.3%	21.9%	15.9%	30.2%	25.3%
EV/CE	2.1	1.7	2.0	1.6	0.9	1.1
EV/Sales	3.1	1.9	1.9	2.3	0.8	0.8
EV/EBITDA Adj	12.1	13.5	10.9	12.1	3.0	3.4
EV/EBIT Adj	12.7	14.6	11.7	13.0	3.1	3.5
Free Cash Flow Yield	-14.8%	3.5%	-31.3%	-34.8%	73.8%	-19.5%
Growth Rates (%)	2019A	2020A	2021A	2022A	2023E	2024E
Sales	-9.1%	64.0%	70.8%	-2.1%	69.5%	9.0%
EBITDA Adj	166.5%	-11.4%	110.8%	10.5%	120.6%	7.5%
EBIT Adj	164.6%	-13.8%	112.4%	9.7%	130.3%	7.5%
Net Profit Adj	149.3%	43.8%	32.4%	-34.6%	307.6%	9.9%
EPS Adj	149.3%	57.1%	40.3%	-10.2%	149.6%	9.8%
DPS						

*Excluding extraordinary items

Source: Intermonte SIM estimates

AbitareIn in Brief

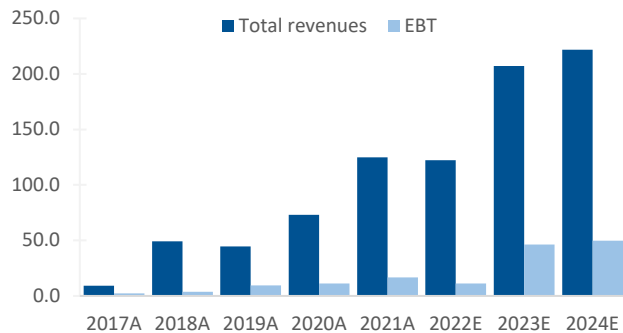
Company description

AbitareIn specialises in the development of residential property projects via an innovative operational strategy and extensive use of technology. ABT 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. Unlike other sector operators, the company focuses exclusively on the activities with the highest added value in the value chain, while outsourcing less profitable activities.

Strengths/Opportunities

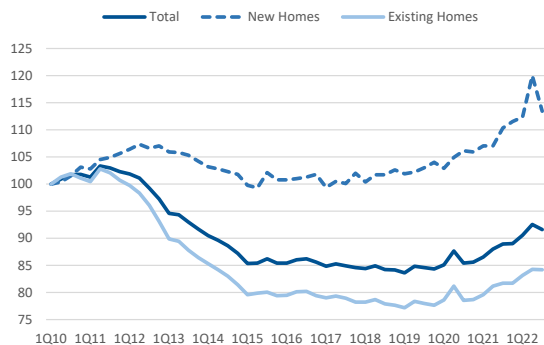
- Innovative business model that allows clients to customise their apartments
- Robust pipeline ensuring visibility for the next years
- Favourable demographic and economic trends in Milan
- Increase in selling prices
- Entry into the rent market through Homizy

Revenues and EBT evolution



Source: Intermonte SIM

Housing Price Index



Source: Istat

Management

CEO: Marco Grillo
Chairman: Luigi Gozzini
General Director: Marco Scalvini

Next BoD renewal: 2023/2024
BoD independent members: 3/6

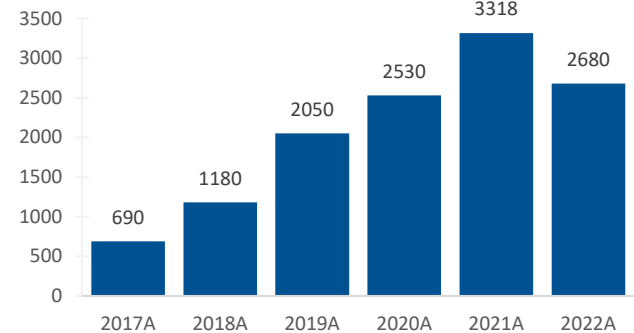
Shareholders

L. Gozzini	22.7%
M. Grillo	17.8%
G. Roveda	10.4%
Kairos Patners	4.0%
Norges Bank	3.6%
Floating	41.5%

Weaknesses/Threats

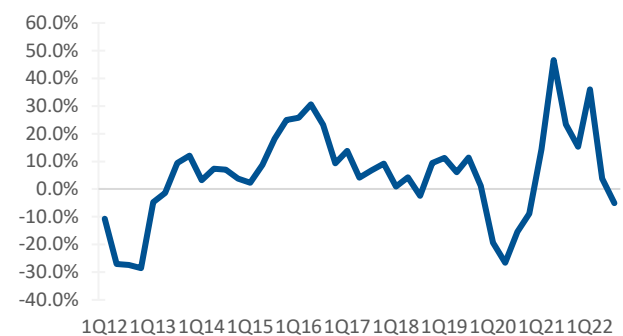
- Projects risk and long duration
- Lack of geographical diversification
- Rising land and construction costs
- Increase in interest rates
- Change in customers' habits
- Length of public administration approval process

Pipeline – Number of apartments



Source: Company data

Milan - Normalized number of transactions (growth rate)



Source: Osservatorio del Mercato Immobiliare, Agenzia delle Entrate

1Q results

1Q results in line with expected annual trajectory: the company closed 1Q with YoY growth in line with the trajectory we expect for the full year. In detail:

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1Q results

(Eu mn)	1Q22	1Q23	% YoY
Revenues from sales and services	9.0	16.4	82.3%
Change in inventory for new sites purchased	16.2	2.6	-84.2%
Change in inventory for progress works	10.1	11.4	12.8%
Others	0.3	14.0	nm
Total revenues	35.5	44.4	25.1%
EBITDA reported	1.6	4.8	209.6%
<i>EBITDA margin</i>	4.4%	0.0%	
D&A	(0.3)	(0.3)	
Write-downs/Provision	(0.0)	(0.0)	
EBIT reported	1.3	4.5	252.5%
<i>EBIT margin</i>	3.6%	0.0%	
Financial Charges	(0.8)	(2.3)	
Financial Income	7.8	0.0	
EBT	8.3	2.2	-73.0%
<i>EBT margin</i>	23.3%	0.0%	
Taxes	(0.5)	(1.1)	
<i>tax rate</i>	-6.3%	-50.6%	
Minorities	0.0	(0.1)	
Net income	7.8	1.0	-86.8%

Source: Company data & Intermonte SIM Estimates

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	ABITARE IN		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	8.60	Previous Target (Eu):	8.60
Current Price (Eu):	5.84	Previous Price (Eu):	5.98
Date of report:	08/03/2023	Date of last report:	13/01/2023

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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 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

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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As at 31 December 2022 Intermonte's Research Department covered 121 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	20.66 %
OUTPERFORM:	48.76 %
NEUTRAL:	28.10 %
UNDERPERFORM	02.48 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (51 in total) is as follows:

BUY:	39.22 %
OUTPERFORM:	49.02 %
NEUTRAL:	11.76 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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