

EQUITY RESEARCH

ABITARE IN
 RESULTS REVIEW
 Press release
BUY**TP 8.5€ (vs 8.7€)**

Up/Downside: 59%

Strong Improvement Confirmed

As expected, H1 results improved sharply, with an operating margin in excess of 35%, driven mainly by Cadolini. H2 should also prove buoyant, with deliveries of three major programmes. Management's confidence is reflected in the proposed payment of an initial dividend and the implementation of a share buyback plan.

Following a transitional year in 2022 marked by numerous delays, the acceleration anticipated for 2023 was confirmed in H1. Over the period, the group recorded revenue of €76.7m (+15.5%), with the significant H1 sales (€129.3m vs. €16m last year), mainly for the Cadolini transaction, being offset by the negative construction progress due to deliveries (-€69.6m) and a slowdown in new real estate purchases. The most impressive improvement obviously concerns earnings, with an operating margin exceeding 35% for the period (vs. 6.7% last year) and pre-tax earnings of €23.2m vs. €4.5m in H1 2022, which was impacted by the one-shot effect of higher construction costs. Over H1, the group obviously benefited above all from the profit generated by the Cadolini real estate development project. For the record, this deal was concluded in the form of a share deal and not an asset deal as initially envisaged, which implies accounting differences. As a result, pre-tax profit should normally have amounted to €31.6m, closer to our initial expectations. Regarding the financial structure, net debt fell sharply at the end of H1, to €75m from €144m at the end of December, as a result of the exit from the Cadolini programme. The strong cash flow expected in H2 with the delivery of the Milano City Village, Palazzo Naviglio and Trilogy Towers developments should further reduce debt. In view of this outlook, management plans to pay an exceptional dividend of €0.376/share this year, representing a yield of close to 7%, and to launch a €10m share buyback programme. These two announcements are a strong sign of management's confidence, which does not seem perturbed by the current environment in pursuing its business plan and executing its substantial pipeline.

For our part, following this publication, we are adjusting our 2023 estimates solely because of the recognition of the Cadolini transaction, with no impact on our valuation, as the transaction's metrics fell broadly in line with our initial expectations. Overall, this publication confirms our view that 2023 will be a record year for the group, a prospect that is far from being reflected in the current share price. We are reiterating our Buy rating, with a slightly adjusted TP of €8.5 (vs. €8.7) following the adjustment of market parameters.

Key data

Price (€)	5.4
Industry	Construction
Ticker	ABT-IT
Shares Out (m)	26.141
Market Cap (m €)	140.1
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 (€)	09/23e	09/24e	09/25e
Estimates	1.31	0.98	1.21
Change vs previous estimates (%)	-50.89	-8.84	1.52

Performance (%)	1D	1M	YTD
Price Perf	5.5	3.9	-6.6
Rel FTSE Italy	4.6	3.2	-19.4



TP ICAP Midcap Estimates	09/22	09/23e	09/24e	09/25e	Valuation Ratio	09/23e	09/24e	09/25e
Sales (m €)	122.2	205.0	174.4	209.3	EV/Sales	0.8	1.4	0.9
Current Op Inc (m €)	14.4	53.0	39.8	49.6	EV/EBITDA	3.0	5.9	3.9
Current op. Margin (%)	11.8	25.8	22.8	23.7	EV/EBIT	3.1	6.1	4.0
EPS (€)	0.30	1.31	0.98	1.21	PE	4.1	5.5	4.4
DPS (€)	0.00	0.38	0.00	0.00				
Yield (%)	0.0	7.0	0.0	0.0				
FCF (m €)	-54.3	103.0	-79.8	46.1				

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FINANCIAL DATA

Income Statement	09/20	09/21	09/22	09/23e	09/24e	09/25e
Sales	73.1	124.8	122.2	205.0	174.4	209.3
Changes (%)	64.0	70.8	-2.1	67.8	-14.9	20.0
Gross profit	52.3	72.8	105.3	165.0	134.4	169.3
% of Sales	71.6	58.3	86.1	80.5	77.1	80.9
EBITDA	8.8	17.8	15.5	54.2	41.0	50.9
% of Sales	12.0	14.3	12.7	26.4	23.5	24.3
Current operating profit	8.1	16.9	14.4	53.0	39.8	49.6
% of Sales	11.1	13.5	11.8	25.8	22.8	23.7
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	8.1	16.9	14.4	53.0	39.8	49.6
Net financial result	3.1	-0.2	-3.1	-3.7	-2.8	-4.0
Income Tax	-2.0	-4.5	-3.3	-14.5	-10.9	-13.5
Tax rate (%)	18.1	27.2	29.5	29.5	29.5	29.5
Net profit, group share	9.2	12.2	7.9	34.7	26.1	32.2
EPS	0.36	0.47	0.30	1.31	0.98	1.21
Financial Statement	09/20	09/21	09/22	09/23e	09/24e	09/25e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Tangible and intangible assets	7.7	10.7	13.9	14.2	14.5	14.6
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	3.2	5.5	7.4	7.4	7.4	7.4
Working capital	125.5	205.1	283.3	214.8	320.4	306.3
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	136.4	221.3	304.6	236.4	342.2	328.3
Shareholders equity group	58.3	72.8	96.0	120.7	146.8	179.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	46.0	66.1	81.5	81.5	81.5	81.5
Net debt	26.1	75.1	116.2	23.2	103.0	56.9
Other liabilities	5.9	7.3	11.0	11.0	11.0	11.0
Liabilities	136.4	221.3	304.6	236.4	342.2	328.3
Net debt excl. IFRS 16	26.1	75.1	116.2	23.2	103.0	56.9
Gearing net	0.4	1.0	1.2	0.2	0.7	0.3
Leverage	3.0	4.2	7.5	0.4	2.5	1.1
Cash flow statement	09/20	09/21	09/22	09/23e	09/24e	09/25e
CF after elimination of net borrowing costs and taxes	8.0	15.7	14.4	35.9	27.3	33.5
Δ WCR	-5.0	-61.2	-64.3	68.5	-105.6	14.1
Operating cash flow	3.0	-45.5	-49.9	104.5	-78.3	47.6
Net capex	-1.1	-2.9	-4.4	-1.5	-1.5	-1.5
FCF	1.9	-48.4	-54.3	103.0	-79.8	46.1
Free Cash Flow excl IFRS 16	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions/Disposals of subsidiaries	0.0	-1.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	7.3	27.4	59.9	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	-10.0	0.0	0.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	4.4	0.0	13.2	0.0	0.0	0.0
Others	0.2	0.3	-0.1	0.0	0.0	0.0
Change in net cash over the year	13.8	-21.7	18.6	93.0	-79.8	46.1
ROA (%)	4.5%	4.7%	2.1%	8.5%	6.1%	6.3%
ROE (%)	15.7%	16.7%	8.2%	28.8%	17.7%	18.0%
ROCE (%)	12.4%	14.8%	8.8%	47.7%	20.6%	27.2%

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Methodology

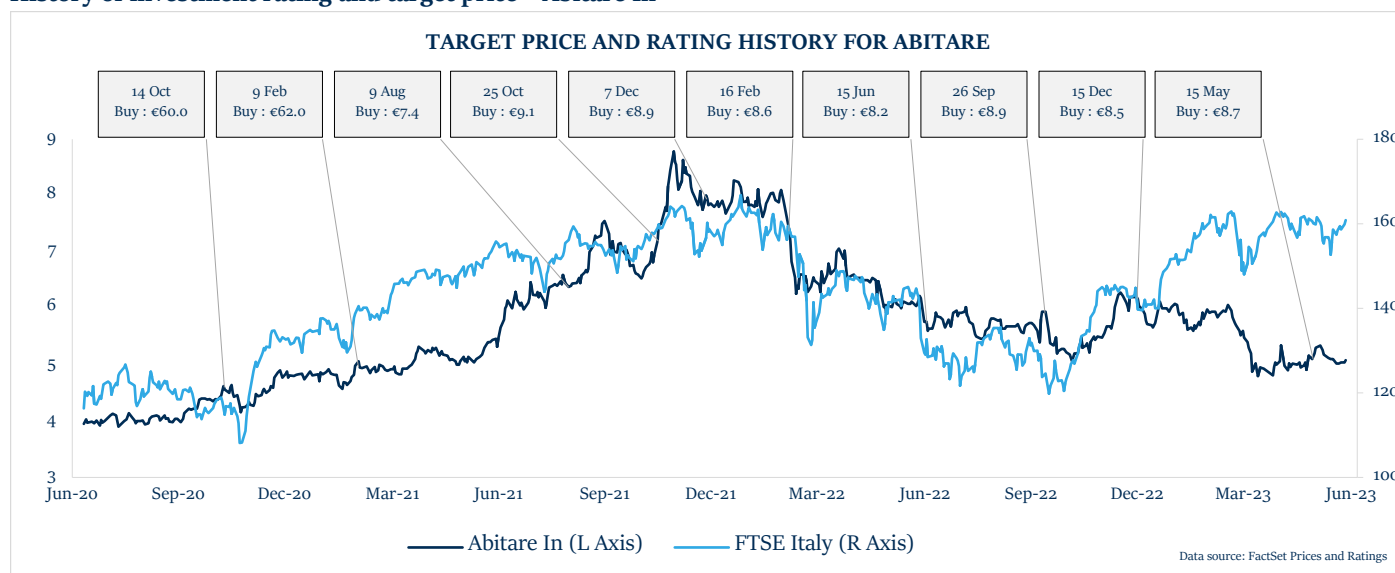
This Report may mention evaluation methods defined as follows:

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.

Conflict of Interests between TP ICAP Midcap and the Issuer

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	83%	64%
Hold	15%	45%
Sell	1%	50%
Under review	1%	0%

Midcap employs a rating system based on the following:

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.

The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

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