

Company Note

MID CORPORATE

IGD

2Q/1H20 Results

We maintain our positive stance on the stock on a fundamental basis, although we believe that the current mild scenario could still weigh on IGD's share price performance in the next few months. Dividend yield in 2020E-21E at an average 5.2% at current prices, according to our estimates.

2Q/1H20 results summary/Outlook

IGD's 2Q/1H20 results came in line with our estimates and showed resiliency despite the pandemic, with no major surprises on either main P&L KPIs or fair value changes. We welcome the new provided guidance on 2020 FFO of EUR 0.54-0.57 per share, as it offers more visibility in the current uncertain scenario. However, despite the positive signals coming from footfalls and sales evolution, the outlook still remains fluid and we expect more visibility in 3Q, when negotiations with tenants should have been completed and the consumption trends' after the summer season are available.

A soft fine-tuning

We ran a slight fine-tuning to our previous estimates, slightly rebalancing the direct costs, fair value adjustments and the financial management impact on P&L. As a result, our EBITDA and net debt assumptions did not change significantly for 2020E-22E, while our EPS adjusted and FFO expectations both increased by roughly 8% and 4% in 2020 and 2021, respectively. Our 2020E FFO estimates currently point to EUR 0.49/share (from EUR 0.45/share previously expected), which we note are 9%/17% below vs. the company provided guidance range on 2020 FFO (EUR 0.54-0.57 per share).

Valuation

Our three valuation approaches (DCF, DDM and multiples) returned a **new target price of EUR 4.2/share (from EUR 4.1/share)**, which moved upward due to the slight multiple re-rating, as the fine-tuning did not lead to any variation within our DCF and DDM methodologies. Given the approx. 38% upside vs. Friday's closing price, **we upgrade our recommendation to BUY (from Add)**.

1 September 2020: 7:19 CET
Date and time of production

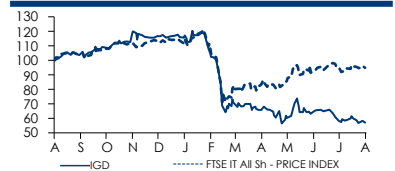
BUY
(from ADD)

Target Price: EUR 4.2
(from EUR 4.1)

Italy/Real Estate
Update

MTA-STAR

Price Performance
(RIC: IGD.MI, BB: IGD IM)



IGD - Key Data

Price date (market close)	28/08/2020
Target price (EUR)	4.2
Target upside (%)	37.70
Market price (EUR)	3.05
Market cap (EUR M)	336.55
52Wk range (EUR)	6.44/3.01

Price performance %	1M	3M	12M
Absolute	-1.3	-6.2	-42.7
Rel. to FTSE IT All Sh	-1.3	-13.1	-39.6

Y/E Dec (EUR M)	FY19A	FY20E	FY21E
Revenues	162.1	140.1	153.2
EBITDA	124.6	99.21	113.2
EBIT	50.30	24.33	95.01
Net income	12.60	-12.42	52.76
EPRA EPS (EUR)	0.69	0.47	0.55
Net debt/-cash	1,162.9	1,141.5	1,109.7
Adj P/E (x)	8.7	6.4	5.5
EV/EBITDA (x)	14.7	14.9	12.8
EV/EBIT (x)	36.4	60.8	15.2
Div ord yield (%)	3.8	4.8	5.6

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

Davide Candela - Research Analyst
+39 02 8794 9823
davide.candela@intesasanpaolo.com

Roberto Ranieri - Research Analyst
+39 02 8794 9822
roberto.ranieri@intesasanpaolo.com

Energy & Utilities Team

Roberto Ranieri, Davide Candela

Contents

2Q/1H20 Results	3
Results' summary	3
Guidance release and conference call feedback	4
Estimates' Fine-tuning	5
Valuation	7
DCF	7
DDM	8
Multiples	8
Company Snapshot	10

2Q/1H20 Results

Results' summary

IGD posted 2Q/1H20 results in line with our projections, showing resilient figures despite the negative effect due to the pandemic. The key points of results were:

- **1H20 rental income decreased by 14.5% yoy to EUR 66.1M** due to marginally negative changes in both Italy and Romania sales, driven by lower temporary rents and a slightly higher vacancy, and to EUR 8.5M provisions accounted for in the semester and referred to potential discounts and higher costs deriving from the pandemic. Net of this effect, rental income would have been EUR 74.6M, down by 3.5% yoy;
- **1H20 EBITDA declined to EUR 51M, down by 18.5%**, affected by the abovementioned provisions and lower sales, partially offset by a 10% reduction in G&A costs (EUR 0.6M), following savings' actions put in place;
- **1H20 net loss of EUR 38.8M (vs. EUR 7M net profit in 1H19A)** severely impacted by negative fair value adjustments for a total of approx. EUR 59M, of which around 28% due to different DCF-assumptions and roughly 72% due to change in cash flows, and a touch higher net financial charges pushed by EUR 2.7M negative carry related to the last bond issue;
- **1H20 FFO at EUR 32.9M (or EUR 0.30/share), down by 21.4% yoy**, driven downward by the lower EBITDA. **The net debt at end-June remained broadly flat compared to FY19A figures reaching EUR 1.166Bn**, while the LTV marginally worsened to 49%, as a result of the reduction in portfolio asset values;

Rental income down due to slightly lower vacancy and particularly due to estimate of covid-19 impact

End-June net debt broadly flat vs. 2019A figures

IGD – 2Q/1H20 results

EUR M	2Q19A	1H19A	FY19A	2Q20A	2Q20E	2Q20C	A/E %	yoy %	1H20A	1H20E	A/E %	yoy %	FY20E	FY20C
Total rental income	38.6	77.3	161.3	35.9	35.2				74.6	73.6			133.3	
Services	1.6	3.2	6.4	1.5	1.4				3.1	3.0			6.3	
Trading	0.0	0.0	0.4	0.5	0.0				0.5	0.0			0.0	
Total revenues	40.2	80.6	168.1	37.8	36.5	38.3	3.5	-6.0	78.2	76.5	2.2	-3.0	139.6	145.5
Operating cost	-5.7	-11.8	-32.0	-15.5	-13.6				-21.6	-20.4			-36.3	
Non-operating cost	-3.0	-6.1	-5.5	-2.4	-2.9				-5.5	-5.8			-5.5	
EBITDA total	31.5	62.7	130.6	19.9	20.1	22.4	-0.8	-36.9	51.0	50.4	1.5	-18.5	97.7	104.4
EBITDA margin %	78.4	77.8	77.7	-11.9	54.9				65.2	65.8			70.0	
D&A, FV changes & other	-34.9	-39.4	-74.3	-69.6	-66.3				-74.1	-72.5			-69.6	
EBIT	-3.3	23.3	56.3	-49.6	-46.3		7.2	NM	-23.0	-22.2	3.7	NM	28.1	-4.3
NCF	-8.3	-16.4	-37.5	-9.9	-9.4				-18.0	-18.4			-39.1	
Extraordinary items	0.0	0.0	0.0	-0.1	0.0				-0.1	0.0			0.0	
EBT	-11.6	6.9	18.8	-59.7	-55.7		7.2	NM	-41.1	-40.6	1.2	NM	-11.0	
Taxes	0.7	0.2	-1.0	2.7	2.2				2.2	2.1			0.6	
Minorities	0.0	0.0	0.0	0	0				0.0	0.0			0.0	
Net income	-10.9	7.1	17.8	-56.8	-53.4	-52.0	6.4	NM	-38.8	-38.5	0.9	NM	-10.5	-42.8
Net income adj.	19.6	41.8	90.6	12.6	8.9		41.8	-35.5	34.8	29.7	17.2	-16.7	57.5	59.4
FFO	21.0	41.8	83.3	12.1	8.9		35.8	-42.4	32.9	29.7	10.7	-21.4	50.1	
Net debt	1185.0	1185.0	1162.9	1165.6	1168.3		-0.2	-1.6	1165.6	1168.3		-1.6	1144.8	1147
LTV %	49.6	49.6	47.6	49.0	49.9		-1.9	-1.3	49.0	49.9		-1.3	48.5	

NM: not meaningful; A: actual; E: estimates; C: Bloomberg consensus; Source: Company data and Intesa Sanpaolo Research

Guidance release and conference call feedback

The company released **new guidance for 2020 FFO, placing it at -25/-28% yoy or at around EUR 0.54-0.57/share**, including the negative effect arising from the pandemic accounted for in 1H20A and expected for the second half (broadly equal to 1H20 impact).

- Moreover, during the conference call, management was reassuring about the company's liquidity position, which as of end-June counted on nearly EUR 360M available, including: 1) roughly EUR 100M cash; 2) EUR 60M committed credit lines; 3) EUR 160M uncommitted credit lines; and, 4) EUR 37M of government guaranteed loans in the process of being finalized;
- On invoices, net of the deferred payments, the collection rate stood at 87% in 1H20, and is expected to still have a positive trend as negotiations with tenants are progressively being closed. On this matter, management affirmed that the most recent data (early-August) shows that the closed negotiations involved 74% of the total tenant base;
- For 2H20E, management was not able to anticipate a clear scenario, however it highlighted the positive evolution of footfalls and sales in Italy after the lockdown (respectively at -15% yoy in the 27 July/2 August week and at -13.6% yoy in June). In the mid-term, the company did not exclude risks related to a potential second wave of the virus, as well as the outcome of the negotiations underway with tenants relative to the management of the lockdown period. Moreover, according to the company, the 2021 target embedded in the 2019-21 BP, should no longer be considered, in light of the current contingent situation.

New guidance for 2020 FFO

Estimates' Fine-tuning

We slightly fine-tuned our 2020E-22E estimates as our previous figures were substantially embedding the negative impacts expected by the company due to the covid-19 both on 1H20 actual results and FY20E. As a consequence, we only rebalanced the opex and fair value adjustments for the current year, and slightly reduced the financial management impact on P&L in 2020-21. Due to these changes, both our 2020-21E EPS adjusted and FFO moved upward by approximately 8% and 4%, while our EBITDA and net debt assumptions remained broadly unchanged in 2020-22. We note that our 2020E FFO expectations (now at EUR 0.49/share vs. EUR 0.45/share previously expected) could be conservative, as they are 9-17% lower than the company provided FFO guidance range (EUR 0.54-0.57/share).

IGD – Income statement: New vs. old estimates (2020E-22E)

EUR M	2019A	2020E	2021E	2022E	2020E	2021E	2022E
	Actual	New	New	New	old	old	old
Rental from domestic malls	105.0	84.2	93.8	96.9	84.2	93.8	96.9
Rental from hyper/supermarket	39.4	39.6	40.0	40.6	39.6	40.0	40.6
Rental revenues from Romania	9.9	8.5	9.4	9.5	8.5	9.4	9.5
City centre & other	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Total gross rental incomes	155.3	133.3	145.3	148.0	133.3	145.3	148.0
Service revenues	6.4	6.3	6.4	6.5	6.3	6.4	6.5
Non-operating income (trading)	0.4	0.5	1.5	2.0	0.0	1.5	2.0
Total revenues	162.1	140.1	153.2	156.5	139.6	153.2	156.5
Cost of sold	-1.0	-1.0	-1.5	-2.0	0.0	-1.5	-2.0
Direct cost	-31.0	-34.4	-32.9	-30.5	-36.3	-32.9	-30.5
G&A expenses	-5.5	-5.5	-5.6	-5.7	-5.5	-5.6	-5.7
Total costs	-37.5	-40.9	-40.0	-38.1	-41.9	-40.0	-38.1
EBITDA	124.6	99.2	113.2	118.4	97.7	113.2	118.4
EBITDA margin (%)	76.9	70.8	73.9	75.6	70.0	73.9	75.6
Provisions	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
D&A	-1.4	-1.5	-1.6	-1.6	-1.6	-1.6	-1.6
Write downs and FV	-72.8	-73.2	-16.5	-6.1	-68.0	-17.0	-6.6
EBIT	50.3	24.3	95.0	110.6	28.1	94.5	110.1
NFC	-37.5	-38.1	-41.2	-39.3	-39.1	-43.3	-39.4
Other operations/equity stakes)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	12.8	-13.8	53.8	71.3	-11.0	51.2	70.7
Taxes	-1.0	1.4	-1.1	-1.4	0.6	-1.0	-1.4
Net income	12.6	-12.4	52.8	69.8	-10.5	50.2	69.3
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group net income	12.6	-12.4	52.8	69.8	-10.5	50.2	69.3
Group adj. Net income	76.4	52.3	60.8	67.5	48.5	58.2	66.9
EPS adj.	0.692	0.474	0.551	0.611	0.439	0.527	0.606
N. shares	110.3	110.3	110.3	110.3	110.3	110.3	110.3
DPS	0.23	0.15	0.17	0.25	0.136	0.163	0.249
FFO	83.3	54.0	62.5	69.1	50.1	59.9	68.6
FFO/Sh.	0.755	0.489	0.566	0.627	0.454	0.543	0.621
Net debt	1,163	1,141	1,110	1,059	1,145	1,114	1,063
LTV %	47.6	48.5	46.8	44.6	48.5	46.8	44.7

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

IGD – Estimates' fine-tuning: New vs. old % change

	2020E New/Old %	2021E New/Old %	2022E New/Old %
Revenues	0.0	0.0	0.0
EBITDA	1.5	0.0	0.0
Net income	18.5	5.1	0.8
Adj. net income	7.9	4.4	0.9
FFO	7.6	4.3	0.9
Adj. EPS	7.9	4.4	0.9
Net debt/-cash	-0.3	-0.4	-0.3
DPS	7.6	4.3	0.9

E: estimates; Source: Intesa Sanpaolo Research

IGD – Balance sheet (2019A-22E)

EUR M	2019A	2020E	2021E	2022E
Total non-current assets	2,377	2,303	2,323	2,324
Net working capital	18	36	21	21
Risk and provisions	-4	-4	-4	-4
Net employed capital	2,391	2,335	2,340	2,341
Shareholders' equities	1,211	1,173	1,210	1,261
Minorities	0	0	0	0
Total equity	1,211	1,173	1,210	1,261
Net liabilities for derivatives	17	20	20	20
Net debt	1,163	1,141	1,110	1,059
Total coverage	2,391	2,335	2,340	2,341

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

IGD – Cash flow statement (2019A-22E)

EUR M	2019A	2020	2021	2022
Net debt - start of year	1108	1163	1141	1110
EBT	14	-13.8	54	71
Non-cash items	71	66.4	10	-1
Taxes	-2.0	1.4	-1	-1
FFO	83.3	54.0	62.5	69.1
Change in working capital	8	-18	15	0
Cash change in fund	2	0	0	0
Capex	-60	-22	-38	-9
Free cash flow	32	14	39	60
Dividends	-55	-25	-16	-19
Capital increase	0	0	0	0
Other	-32	33	9	9
Cash flow for the year	-55	21	32	50
Net debt - end year	1163	1141	1110	1059

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Valuation

By averaging as usual our three valuation approaches (DCF, DDM and Multiples), **we derived a new target price of EUR 4.2/share (from EUR 4.1/sh.) and we upgraded our rating to BUY (from Add) due to the 38% upside vs. Friday's closing price.**

BUY rating (from Add) and TP at EUR 4.2/share (from EUR 4.1/share)

Our fine-tuning did not produce any change to the exit target prices derived by using both DCF and DDM valuation methodologies, while a slight multiple re-rating increased our peers' multiple valuation (from EUR 4.3/share previously estimated to EUR 4.4/share), as the Factset P/NAV 2020E multiple moved upward to 0.46x from 0.44x (priced at market close on 18/5/2020).

IGD - Target price calculation

EUR/share	TP	Prem./Disc.NAV 2020E %
IGD DCF model	6.2	-42
IGD DDM model	1.9	-82
IGD average peers' multiple	4.4	-58
Average TP	4.2	-61
Mkt price discount to NAV		-100
2020E NAV/sh.		10.63

Source: Intesa Sanpaolo Research

DCF

IGD - DCF valuation (2020E-25E)

DCF	2019A	2020E	2021E	2022E	2023E	2024E	2025E	Beyond
EBIT	50.3	24.3	95.0	110.6	114.8	117.0	125.4	
Taxes	-1.0	1.4	-1.1	-1.4	-1.5	-1.6	-1.8	
NOPAT	49.3	25.7	93.9	109.1	113.2	115.4	123.6	123.6
D&A and other non-cash items	74.3	74.9	18.2	7.8	7.8	7.8	5.4	-3.5
Total capex	-59.9	-21.9	-38	-8.7	-8.7	-8.7	-8.7	-20
Working capital	1.5	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5
Operating FCF	65.3	78.6	74.0	108.1	112.2	114.4	120.2	99.6
NPV FCF		74	66	92	90	87	86	
SUM DCF (2020E-25E)	496							
TV	1,928							
NPV TV	1,385							
SUM TV+DCF	1,881							
Net debt 2019A	-1,196							
Sever. & other funds								
Equity	685							
Equity value (EUR/sh.)	6.2							

A: actual; E: estimates; Source: Intesa Sanpaolo Research

DDM**IGD - DDM valuation (2020E-25E)**

EUR M		2019A	2020E	2021E	2022E	2023E	2024E	2025E	Beyond
FCFE		55.2	25.2	16.2	18.7	27.7	37.3	42.8	42.8
COE	9.00								
NPV FCFE		55.2	23.1	13.6	14.5	19.6	24.2	25.5	
SUM FCFE 2020E-25E	120								
Terminal Value (net of funds)	158								
NPV Terminal value	94								
Total FCFE	214								
FCFE/Sh. (EUR)	1.9								

A: actual; E: estimates; Source: Intesa Sanpaolo Research

Multiples**Peers Multiples**

(x)	P/NAV 2019	P/NAV 2020	P/NAV 2021
IGD	0.27	0.31	0.33
Coima Res	0.49	0.51	0.51
Eurocommercial Properties NV	0.23	0.23	0.39
Unibail-Rodamco-Westfield SE Stapled	0.20	0.26	0.31
Klepierre SA	0.36	0.46	0.52
Mercialys SA	0.27	-	0.40
Wereldhave N.V.	0.20	0.28	0.40
MERLIN Properties SOCIMI, S.A.	0.49	0.55	0.57
Covivio SA	0.63	0.68	0.69
Gecina SA	0.68	0.71	0.71
Icade SA	0.57	0.62	0.66
AVERAGE	0.40	0.46	0.50

Priced at market close on 28/8/2020; Source: FactSet

IGD – Peers' multiples valuation

Multiple P/NAV	P/NAV 2020 (x)	2020E NAV (EUR M)	NAV/sh.
Peers' P/NAV average 2020 (Facset)	0.46	1,173	4.9
Holding cost/sh.	0.44		-0.4
Implied TP			4.4

E: estimates; Source: Intesa Sanpaolo Research

IGD – Key Data

Rating BUY	Target price (EUR/sh) Ord 4.2	Mkt price (EUR/sh) Ord 3.05			Sector Real Estate
Values per share (EUR)	2018A	2019A	2020E	2021E	2022E
No. ordinary shares (M)	110.3	110.3	110.3	110.3	110.3
Market cap (EUR M)	782.10	665.94	336.55	336.55	336.55
Adj. EPS	0.696	0.692	0.474	0.551	0.611
CFPS	0.14	-0.56	-0.79	0.31	0.56
BVPS	11.51	11.13	10.81	11.15	11.61
NAVPS	11.35	10.97	10.63	10.97	11.43
Dividend ord	0.500	0.228	0.147	0.170	0.251
Average Price	7.1	6.0	3.1	3.1	3.1
Income statement (EUR M)	2018A	2019A	2020E	2021E	2022E
Revenues	162.5	162.1	140.1	153.2	156.5
EBITDA	112.6	124.6	99.21	113.2	118.4
EBIT	81.20	50.30	24.33	95.01	110.6
Pre-tax income	48.65	13.60	-13.80	53.84	71.26
Net income	46.40	12.60	-12.42	52.76	69.83
EPRA earnings	76.80	76.40	52.28	60.76	67.46
Cash flow (EUR M)	2018A	2019A	2020E	2021E	2022E
Net income before minorities	46.4	12.6	-12.4	52.8	69.8
Depreciation and provisions	31.4	74.3	74.9	18.2	7.8
Others/Uses of funds	2.8	1.5	-0.1	-0.1	-0.1
Change in working capital	30.4	7.6	-18.1	15.0	0
Operating cash flow	113.2	97.0	42.9	86.9	78.9
Capital expenditure	-222.4	-59.9	-21.9	-38.0	-8.7
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0
Free cash flow	-109.2	37.1	21.0	48.9	70.2
Dividends	-55.2	-55.2	-25.2	-16.2	-18.7
Equity changes & other nn op item	-0.4	-4.6	-7.1	-9.6	-9.9
Net cash flow	-48.7	-54.5	21.4	31.8	50.2
Balance sheet (EUR M)	2018A	2019A	2020E	2021E	2022E
Total fixed assets	2,383.6	2,405.8	2,353.0	2,372.9	2,373.9
Net working capital	26.0	18.4	36.5	21.5	21.5
Other items	-31.5	-33.0	-54.6	-54.7	-54.8
Net capital employed	2,378.1	2,391.3	2,334.9	2,339.6	2,340.5
Net debt/-cash	1,108.3	1,162.9	1,141.5	1,109.7	1,059.5
Minorities	0	0	0	0	0
Net equity	1,269.8	1,228.4	1,193.4	1,230.0	1,281.1
Stock market ratios (x)	2018A	2019A	2020E	2021E	2022E
Adj. P/E	10.2	8.7	6.4	5.5	5.0
P/CFPS	52.3	-10.8	-3.9	9.7	5.4
P/BVPS	0.62	0.54	0.28	0.27	0.26
P/NAVPS	0.27	0.28	0.29	0.28	0.27
Payout (%)	119	200	-130	36	40
Dividend yield (% ord)	7.1	3.8	4.8	5.6	8.2
FCF yield (%)	-14.0	5.6	6.2	14.5	20.9
LTV (%)	45.8	47.6	48.5	46.8	44.6
D/EBIT	13.6	23.1	46.9	11.7	9.6
Profitability & financial ratios (%)	2018A	2019A	2020E	2021E	2022E
EBITDA margin	69.3	76.9	70.8	73.9	75.6
EBIT margin	50.0	31.0	17.4	62.0	70.6
Tax rate	NM	NM	NM	NM	NM
Net income margin	28.6	7.8	-8.9	34.4	44.6
ROCE	3.4	2.1	1.0	4.1	4.7
ROE	3.9	1.0	-1.0	4.4	5.6
Interest cover	-2.5	-1.3	-0.6	-2.3	-2.8
Debt/equity ratio	87.3	94.7	95.7	90.2	82.7
Growth (%)		2019A	2020E	2021E	2022E
Sales		-0.2	-13.6	9.4	2.2
EBITDA		10.7	-20.4	14.1	4.6
EBIT		-38.1	-51.6	NM	16.4
Pre-tax income		-72.0	NM	NM	32.3
EPRA earnings		76.4	52.3	60.8	67.5
NAV data	2018A	2019A	2020E	2021E	2022E
Properties and other assets MV	2,383.6	2,405.8	2,353.0	2,372.9	2,373.9
NAV	1,252.4	1,211.0	1,173.4	1,210.0	1,261.1

NM: not meaningful; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Company Snapshot

Company Description

IGD SIIQ Spa listed on the star segment of the Italian Stock Exchange, the first SIIQ (Società di investimento immobiliare quotata or Real Estate Investment Trust) in Italy. Igd SIIQ is one of the main players in Italy's retail real estate market focusing on medium/large shopping centres made up of hypermarkets/superstore. The Italian retail real estate sector is probably one of the most attractive in Europe and shows further upside potential compared to the other European countries. Igd's core business is to hold and manage shopping centres (Property Management activity), but it also provides real estate services (Facility Management and Agency activity) to both owned and third parties centres. Igd's portfolio, as at 31 December 2018, includes 27 shopping malls and retail parks, 25 hypermarkets and supermarkets, 1 plot of land for development, 1 property held for trading and 5 additional real estate properties. From April 2008 Igd adds to its portfolio 14 malls and a building with offices in Romania. Igd's freehold properties market value amounts Euro 2.41 billion at 31 December 2018.

Key data

Mkt price (EUR)	3.05	Free float (%)	46.7
No. of shares	110.3	Major shr	Coop Alleanza 3.0
52Wk range (EUR)	6.44/3.01	(%)	40.9
Reuters	IGD.MI	Bloomberg	IGD IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	-1.3	-1M	-1.3
-3M	-6.2	-3M	-13.1
-12M	-42.7	-12M	-39.6

Key Risks

Company specific risks:

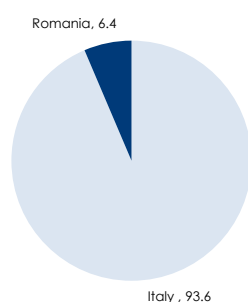
- The company's high domestic exposure, with a strong correlation to Italian country risk;
- The rising interest rates to affect cost of debt on new financing;
- The exposure to the retail business to affect top line in a slowdown of GDP
- Covid-19 health emergency continuation

Sector generic risks:

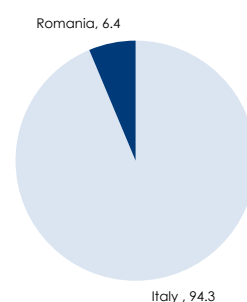
Estimates vs. consensus

EUR M (Y/E Dec)	2019A	2020E	2020C	2021E	2021C	2022E	2022C
Sales	162.1	140.1	147.0	153.2	155.0	156.5	159.0
EBITDA	124.6	99.21	103.0	113.2	114.0	118.4	118.4
EBIT	50.30	24.33	102.0	95.01	113.0	110.6	119.5
Pre-tax income	13.60	-13.80	NA	53.84	NA	71.26	NA
EPRA Earnings	76.40	52.28	NA	60.76	NA	67.46	NA
EPRA EPS (€)	0.69	0.47	0.47	0.55	0.55	0.61	0.61

Sales breakdown by asset (%)



GAV breakdown by asset (%)



NA: not available; Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 28/08/2020)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies have revenues ranging from EUR 50M-EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

Notes

Disclaimer

Analyst certification

The financial analysts who prepared this report, and whose names and roles appear within the document, certify that:

1. The views expressed on the company mentioned herein accurately reflect independent, fair and balanced personal views; 2. No direct or indirect compensation has been or will be received in exchange for any views expressed.

Specific disclosures

- Neither the analysts nor any persons closely associated with the analysts have a financial interest in the securities of the company.
- Neither the analysts nor any persons closely associated with the analysts serve as an officer, director or advisory board member of the company.
- Some of the analysts named in the document are members of AIAF.
- The analysts named in this document are not registered with or qualified by FINRA, the U.S. regulatory body with oversight over Intesa Sanpaolo IMI Securities Corp. Accordingly, the analysts may not be subject to FINRA Rule 2241 and NYSE Rule 472 with respect to communications with a subject company, public appearances and trading securities in a personal account. For additional information, please contact the Compliance Department of Intesa Sanpaolo IMI Securities Corp. at 212-326-1133.
- The analysts of this report do not receive bonuses, salaries, or any other form of compensation that is based upon specific investment banking transactions.
- The research department supervisors do not have a financial interest in the securities of the company.

This research has been prepared by Intesa Sanpaolo SpA, and is distributed by Intesa Sanpaolo SpA, Intesa Sanpaolo-London Branch (a member of the London Stock Exchange) and Intesa Sanpaolo IMI Securities Corp. (a member of the NYSE and FINRA). Intesa Sanpaolo SpA accepts full responsibility for the contents of this report and also reserves the right to issue this document to its own clients. Intesa Sanpaolo SpA, is authorised by the Banca d'Italia and is regulated by the Financial Services Authority in the conduct of designated investment business in the UK and by the SEC for the conduct of US business.

Opinions and estimates in this research are as at the date of this material and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness. Past performance is not a guarantee of future results. The investments and strategies discussed in this research may not be suitable for all investors. If you are in any doubt you should consult your investment advisor.

This report has been prepared solely for information purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgment. No Intesa Sanpaolo SpA entity accepts any liability whatsoever for any direct, consequential or indirect loss arising from any use of material contained in this report. This document may only be reproduced or published with the name of Intesa Sanpaolo SpA.

Intesa Sanpaolo SpA has in place the Conflicts of Interest Management Rules for managing effectively the conflicts of interest which might affect the impartiality of all investment research which is held out, or where it is reasonable for the user to rely on the research, as being an impartial assessment of the value or prospects of its subject matter. A copy of these Rules is available to the recipient of this research upon making a written request to the Compliance Officer, Intesa Sanpaolo SpA, C.so Matteotti n° 1, 20121 Milan (MI) Italy. Intesa Sanpaolo SpA has formalised a set of principles and procedures for dealing with conflicts of interest ("Rules for Research"). The Rules for Research is clearly explained in the relevant section of Intesa Sanpaolo's website (www.intesasanpaolo.com).

Member companies of the Intesa Sanpaolo Group, or their directors and/or representatives and/or employees and/or persons closely associated with them, may have a long or short position in any securities mentioned at any time, and may make a purchase and/or sale, or offer to make a purchase and/or sale, of any of the securities from time to time in the open market or otherwise.

This document has been prepared and issued for, and thereof is intended for use by, MiFID II eligible counterparties/professional clients (other than elective professional clients) or otherwise by market professionals or institutional investors only, who are financially sophisticated and capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies.

Therefore, such materials may not be suitable for all investors and recipients are urged to seek the advice of their independent financial advisor for any necessary explanation of the contents thereof.

Persons and residents in the UK: this document is not for distribution in the United Kingdom to persons who would be defined as private customers under rules of the Financial Conduct Authority.

US persons: This document is intended for distribution in the United States only to Major US Institutional Investors as defined in SEC Rule 15a-6. US Customers wishing to effect a transaction should do so only by contacting a representative at Intesa Sanpaolo IMI Securities Corp. in the US (see contact details below).

Intesa Sanpaolo SpA issues and circulates research to Major Institutional Investors in the USA only through Intesa Sanpaolo IMI Securities Corp., 1 William Street, New York, NY 10004, USA, Tel: (1) 212 326 1150.

Inducements in relation to research

This document has been prepared and issued for, and thereof is intended for use by, MiFID 2 eligible counterparties/professional clients (other than elective professional clients) or otherwise by market professionals or institutional investors only, who are financially sophisticated and capable of evaluating investment risks independently, both in general and with regard to specific transactions and investment strategies.

Therefore, such materials may not be suitable for all investors and recipients are urged to seek the advice of their independent financial advisor for any necessary explanation of the contents thereof.

Pursuant to the provisions of Delegated Directive (EU) 2017/593, this document can be qualified as an acceptable minor non-monetary benefit as it is:

- Written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company, or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis (Specialist/Corporate Broker/Sponsor contract), provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any investment firms wishing to receive it or to the general public - Delegated Directive (EU) 2017/593 - art. 12 paragraph 3.

Distribution Method

This document is for the exclusive use of the person to whom it is delivered by Intesa Sanpaolo and may not be reproduced, redistributed, directly or indirectly, to third parties or published, in whole or in part, for any reason, without prior consent expressed by Intesa Sanpaolo. The copyright and all other intellectual property rights on the data, information, opinions and assessments referred to in this information document are the exclusive domain of the Intesa Sanpaolo banking group, unless otherwise indicated. Such data, information, opinions and assessments cannot be the subject of further distribution or reproduction in any form and using any technique, even partially, except with express written consent by Intesa Sanpaolo.

Persons who receive this document are obliged to comply with the above indications.

Coverage policy and frequency of research reports

The list of companies covered by the Research Department is available upon request. Intesa Sanpaolo SpA aims to provide continuous coverage of the companies on the list in conjunction with the timing of periodical accounting reports and any exceptional event that affects the issuer's operations. The companies for which Intesa Sanpaolo SpA acts as sponsor or specialist or other regulated roles are covered in compliance with regulations issued by regulatory bodies with jurisdiction. In the case of a short note, we advise investors to refer to the most recent company report published by Intesa Sanpaolo SpA's Research Department for a full analysis of valuation methodology, earnings assumptions, risks and the historical of recommendation and target price. In the Equity Daily note and Weekly Preview report the Research Department reconfirms the previously published ratings and target prices on the covered companies (or alternatively such ratings and target prices may be placed Under Review). Research qualified as a minor non-monetary benefit pursuant to provisions of Delegated Directive (EU) 2017/593 is freely available on the IMI Corporate & Investment Banking Division web site (www.imi.intesasnpaolo.com); all other research is available by contacting your sales representative.

Equity Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:

<https://group.intesasnpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

Equity rating key: (long-term horizon: 12M)

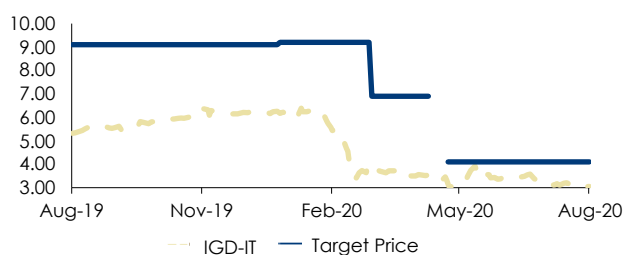
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

Historical recommendations and target price trends (long-term horizon: 12M)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->

Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
20-May-20	ADD	4.1	3.1
08-May-20	Under Review	Under Review	3.5
27-Mar-20	BUY	6.9	3.8
22-Jan-20	BUY	9.2	6.2

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at July 2020)**

Number of companies considered: 106	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	50	24	26	0	0
of which Intesa Sanpaolo's Clients (%) (*)	85	72	54	0	0

(*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

Valuation methodology (short-term horizon: 3M)

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

Equity rating key (short-term horizon: 3M)

Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

Company-specific disclosures

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (hereafter the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Organisational, Management and Control Model" pursuant to Legislative Decree 8 June 2001 no. 231 (available at the Intesa Sanpaolo website, <https://group.intesasanpaolo.com/en/governance/leg-decree-231-2001>) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group, which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the Financial Conduct Authority Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research " and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest> you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest.

- One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from IGD in the next three months
- One or more of the companies of the Intesa Sanpaolo Banking Group have granted significant financing to IGD and its parent and group companies
- Intesa Sanpaolo acts as Specialist relative to securities issued by IGD

Intesa Sanpaolo Research Dept.

Gregorio De Felice - Head of Research +39 02 8796 2012 gregorio.defelice@intesasnpaolo.com

Equity & Credit Research

Giampaolo Trasi +39 02 8794 9803 giampaolo.trasi@intesasnpaolo.com

Equity Research

Monica Bosio +39 02 8794 9809 monica.bosio@intesasnpaolo.com
Luca Bacoccoli +39 02 8794 9810 luca.bacoccoli@intesasnpaolo.com
Eleonora Basso +39 02 8794 2913 eleonora.basso@intesasnpaolo.com
Davide Candela +39 02 8794 9813 davide.candela@intesasnpaolo.com
Antonella Frongillo +39 02 8794 9688 antonella.frongillo@intesasnpaolo.com
Manuela Meroni +39 02 8794 9817 manuela.meroni@intesasnpaolo.com
Elena Perini +39 02 8794 9814 elena.perini@intesasnpaolo.com
Bruno Permutti +39 02 8794 9819 bruno.permutti@intesasnpaolo.com
Roberto Ranieri +39 02 8794 9822 roberto.ranieri@intesasnpaolo.com

Corporate Broking Research

Alberto Francese +39 02 8794 9815 alberto.francese@intesasnpaolo.com
Gabriele Berti +39 02 8794 9821 gabriele.berti@intesasnpaolo.com
Arianna Terazzi +39 02 8794 3187 arianna.terazzi@intesasnpaolo.com

Technical Analysis

Corrado Binda +39 02 8021 5763 corrado.binda@intesasnpaolo.com
Sergio Mingolla +39 02 8021 5843 antonio.mingolla@intesasnpaolo.com

Research Clearing & Production

Anna Whatley +39 02 8794 9824 anna.whatley@intesasnpaolo.com
Bruce Marshall +39 02 8794 9816 robert.marshall@intesasnpaolo.com
Annita Ricci +39 02 8794 9823 annita.ricci@intesasnpaolo.com
Wendy Ruggeri +39 02 8794 9811 wendy.ruggeri@intesasnpaolo.com
Elisabetta Bugliesi (IT support) +39 02 8794 9877 elisabetta.bugliesi@intesasnpaolo.com

Intesa Sanpaolo – IMI Corporate & Investment Banking Division

Bernardo Bailo - Head of Global Markets Sales +39 02 7261 2308 bernardo.bailo@intesasnpaolo.com

Equity Sales

Giorgio Pozzobon +39 02 7261 5616 giorgio.pozzobon@intesasnpaolo.com

Institutional Sales

Catherine d'Aragon +39 02 7261 5929 catherine.daragon@intesasnpaolo.com
Carlo Cavaliere +39 02 7261 2722 carlo.cavaliere@intesasnpaolo.com
Stefan Gess +39 02 7261 5927 stefan.gess@intesasnpaolo.com
Francesca Guadagni +39 02 7261 5817 francesca.guadagni@intesasnpaolo.com
Paolo Maria Lenzi +39 02 7261 5114 paolo.lenzi@intesasnpaolo.com
Federica Repetto +39 02 7261 5517 federica.repetto@intesasnpaolo.com
Daniela Stucchi +39 02 7261 5708 daniela.stucchi@intesasnpaolo.com
Marco Tinessa +39 02 7261 2158 marco.tinessa@intesasnpaolo.com
Mark Wilson +39 02 7261 2758 mark.wilson@intesasnpaolo.com
Carlo Castellari (Corporate Broking) +39 02 7261 2122 carlo.castellari@intesasnpaolo.com
Francesco Riccardi (Corporate Broking) +39 02 7261 5966 francesco.riccardi@intesasnpaolo.com
Laura Spinella (Corporate Broking) +39 02 7261 5782 laura.spinella@intesasnpaolo.com
Lorenzo Pennati (Sales Trading) +39 02 7261 5647 lorenzo.pennati@intesasnpaolo.com

Equity Derivatives Institutional Sales

Emanuele Manini +39 02 7261 5936 emanuele.manini@intesasnpaolo.com
Matteo Buratti +39 02 7261 5335 matteo.buratti@intesasnpaolo.com
Francesca Dizione +39 02 7261 2759 francesca.dizione@intesasnpaolo.com
Enrico Ferrari +39 02 7261 2806 enrico.ferrari@intesasnpaolo.com
Edward Lythe +44 207 894 2456 edward.lythe@intesasnpaolo.com
Alessandro Monti +44 207 894 2412 alessandro.monti@intesasnpaolo.com

Gherardo Lenti Capoduri – Head of Market Hub +39 02 7261 2051 gherardo.lenticapoduri@intesasnpaolo.com

E-commerce Distribution

Massimiliano Raposio +39 02 7261 5388 massimiliano.raposio@intesasnpaolo.com
Filippo Besozzi +39 02 7261 5922 filippo.besozzi@intesasnpaolo.com
Raffaella Bisio +39 02 7261 5481 raffaella.bisio@intesasnpaolo.com
Michele Galeota +39 02 7261 2193 michele.galeota@intesasnpaolo.com
Alessia Galluccio +39 02 7261 2339 alessia.galluccio@intesasnpaolo.com
Serge Alexandre (London office) +44 207 894 2462 serge.alexandre@intesasnpaolo.com
Natalia Villanueva Beltramini (London office) +44 207 894 2432 natalia.villanuevabeltramini@intesasnpaolo.com
Lisa Tellia (Market Hub PIT) +39 02 7261 5756 lisa.tellia@intesasnpaolo.com
Carmine Calamello (Brokerage & Execution) +39 02 7261 2194 carmine.calamello@intesasnpaolo.com

Intesa Sanpaolo IMI Securities Corp.

Barbara Leonardi (Equity Institutional Sales) +1 212 326 1232 barbara.leonardi@intesasnpaolo.com
Greg Principe (Equity Institutional Sales) +1 212 326 1233 greg.principe@intesasnpaolo.com