

Company Note
IGD
After 2Q Low, a Gradual Ascent Ahead

We believe the stock has absorbed the negative prospects resulting from the health emergency and the poor sentiment on the real estate market. Cost control, investments' remodulation and financial discipline should support the company's cash generation in an adverse scenario.

1Q20 results

IGD's 1Q20 results were positive and broadly in line with our estimates, as the negative Covid-19 impact only partly affected the quarter and most of the rents were paid up-front at the beginning of the year. Management set a new dividend of EUR 0.228152/share (from EUR 0.50/share previously proposed), in order to better face the current adverse scenario from a liquidity standpoint, which as of 31 March should ensure business continuity for the next 12/18 months, according to the company.

Outlook and estimates

Following 1Q20 results and management's conference call feedback, we reduced our 2020-22E gross rents' forecasts, in order to take into account the negative effect on Italian and Romanian malls of the Covid-19 outbreak. We believe the company could experience increasing costs following the slight reduction in occupancy, while at the same time we think the actions taken in order to keep a low vacancy level, coupled with a well-balanced portfolio in terms of essential services provided and geographic positioning, should underpin a recovery in 2H20. Cash generation should be largely safeguarded, according to management, as the negative operating performance dynamic should be partly offset by capex reprogramming, cost savings and lower dividends, which are now expected to decrease vs. our old estimates to EUR 0.14/share and EUR 0.16/share in 2020E and 2021E, at the minimum required by law to maintain the REIT status.

Valuation

We set a new rounded target price of EUR 4.1/share and we assign an ADD rating to the stock, due to the 18% upside. Our three valuation approaches (DCF, DDM and multiples) return a lower average TP, reflecting our estimates' revision, a higher WACC and lower growth rate and a slight multiples de-rating.

20 May 2020: 13:10 CET
Date and time of production

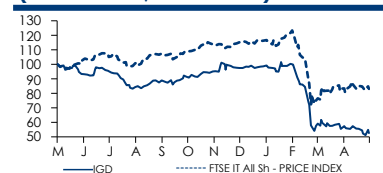
ADD
(from BUY)

Target Price: EUR 4.1
(from EUR 6.9)

Italy/Real Estate
Update

MTA-STAR

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


IGD - Key Data

Price date (market close)	18/05/2020
Target price (EUR)	4.1
Target upside (%)	18.50
Market price (EUR)	3.46
Market cap (EUR M)	381.80
52Wk range (EUR)	6.44/3.22

Price performance %	1M	3M	12M
Absolute	-3.4	-45.5	-44.4
Rel. to FTSE IT All Sh	-5.1	-21.6	-32.7

Y/E Dec (EUR M)	FY19A	FY20E	FY21E
Revenues	162.1	139.6	153.2
EBITDA	124.6	97.71	113.2
EBIT	50.30	28.08	94.51
Net income	12.60	-10.49	50.20
EPRA EPS (EUR)	0.69	0.44	0.53
Net debt/-cash	1,162.9	1,144.8	1,113.9
Adj P/E (x)	8.7	7.9	6.6
EV/EBITDA (x)	14.7	15.6	13.2
EV/EBIT (x)	36.4	54.4	15.8
Div ord yield (%)	3.8	3.9	4.7

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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Recent Events

1Q20 results

The key points of 1Q20 results were:

- **1Q20A total revenues decreased by 1% yoy to EUR 40M** due to a slight decline in rental income deriving from the reduction in Italian properties' contribution (EUR -0.5M) coupled with a slight increase in Romania (EUR +0.1M), as quarterly turnover has been collected for 85% and 100%, respectively; the slight reduction in Italy was mainly attributable to the lower variable component, as a consequence of the negative trend in both footfalls and tenant sales at Italian malls in March due to the lock-down restrictions, while domestic hypermarkets remained broadly unchanged thanks to the essential services provided. Romanian assets performed well as the Coronavirus' quarantine measures came into force at end-March;
- **1Q20A core EBITDA was EUR 30.3M, down by 2.9% yoy**, reflecting lower sales and higher direct costs related to both condominium fees and a receivables' provision increase. The core EBITDA margin stood at 75.8% vs. 77.2% of last year;
- **1Q20A net income fell by around 17% to EUR 14.9M**, relating to: 1) the lower operating performance; 2) increased FV adjustments; 3) higher financial expenses, impacted by a EUR 1.5M negative carry and a slight increase in non-recurring and IFRS16 charges; and 4) lower taxes;
- **1Q20A FFO was in line yoy at EUR 20.8M, while net debt at end-March improved to EUR 1.153Bn**, positively affected by the operating cash generation. The LTV ratio stood at 47.2%, improving vs. FY19A, and the cost of debt slightly declined to 2.3% (from 2.35%);
- **Proposed dividend at EUR 0.228152/share**, from EUR 0.50/share previously expected, set at the minimum required to maintain REIT or SIIQ status and payable from 22 July 2020, to ensure the company's financial sustainability in the current adverse scenario;
- **Treasury shares' purchase authorization revoked**. The BoD resolved to suspend and not renew the authorisation to purchase and dispose of treasury shares for the time being in light of the Covid-19 health crisis.

1Q20 results only partly impacted by Coronavirus

Dealing with Covid-19

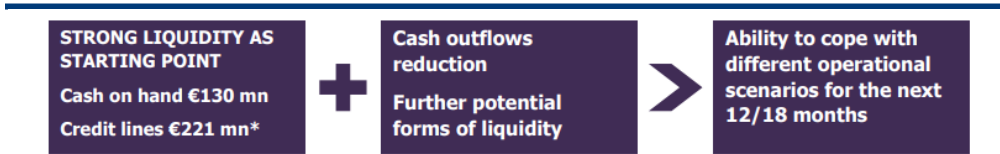
Impact assessment

During the conference call, management stated that, after withdrawing its FFO guidance (+2-3% vs. 2019A figures), it is still premature to provide new indications on FY20 financials as visibility on government support measures are needed to both evaluate the economic impact from Covid-19 and enter into discussions with tenants. However, management commented from a qualitative standpoint stating that some gradual rents' discounts will be made in order to support tenants and retain the occupancy level, while some savings in operating and personnel costs will be pursued. As far as the company's operations are concerned, IGD increased its security and cleaning activities to limit contact among people and to sanitize common areas, to ensure an adequate fruition of its own buildings. Safety of personnel is also key, as smart working and work environment have been promoted and secured, respectively.

FFO guidance withdrawn and too premature for new indications

Moreover, management was reassuring on the group's liquidity position, claiming that business continuity will be ensured for the next 12/18 months, as the cash availability should amount to around EUR 400M, considering: 1) a EUR 130M cash balance at end-March; 2) around EUR 160M available credit lines, plus EUR 60M of committed lines to be renewed shortly; 3) around EUR 34M of savings identified, referring to the reduction, elimination or postponement of some capex and investments previously planned in the year; and 4) a potential EUR 38M low interest-rate 6-year bank loan, partially guaranteed by the Italian government thanks to the Liquidity Decree.

IGD – Liquidity profile

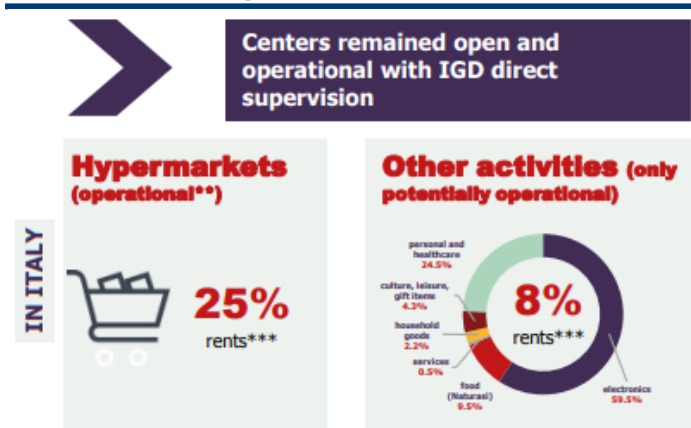


*of which committed for EUR 60M with maturity between the end of 2020 and the beginning of 2021; Source: Company data

Uncertainties ahead albeit with underlying positives

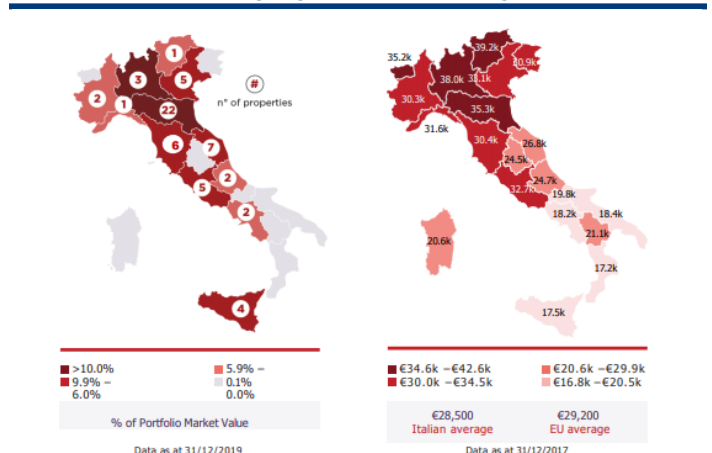
IGD's portfolio is well diversified in terms of the properties' nature and from a geographical standpoint. We believe that a good portion of IGD's sales should be considered 'safe', as 33% of Italian annual rental fees (which represent around 93% of total rental income) are represented by essential services, with supermarkets counting for 25% of rental income and with a long-standing residual contract maturity (14.3 years on average). As far as domestic malls are concerned, the Covid-19 crisis could trigger the transformation of shopping centers in the medium-to-long term period (5-10 years) in line with the progressive evolution of clients' needs (which in Italy are still anchored to on-site type of consumption), leading to faster e-commerce development and virtual shops' creation, as well as flexible work spaces and dark stores installations. From a geographical standpoint, we highlight that IGD's strategic positioning supports the portfolio's resilience as: i) IGD's Italian portfolio is more exposed to better-off regions (Centre-North Italy), which should underpin consumption during the recovery period; and ii) the company's recent investments aimed to meet people's need of social relations (malls as meeting points) and could lead people to gradually return to old habits after the lock-down.

IGD – Operations during Italy's phase 1-2



Operational only for essential goods. *Percentage calculated on 2020 total rents. Source: Company data

IGD – Italian properties geographical positioning by value



Source: Company data

Earnings Outlook

Despite the positive 1Q20 results, which were only partially affected by the Coronavirus, we expect IGD to post weaker figures in 2Q20, strongly impacted by shopping centers' closures in both Italy and Romania and the consequent effect on invoice collection. We also believe that some residual effects deriving from the lock-down could be seen in the third quarter, while in 4Q20 we expect IGD to rebound, benefitting from a more grounded recovery in terms of consumption, supported by the company's actions taken in favour of tenants aimed at retaining the occupancy level. Considering the health emergency, we revised downwards our 2020E-22E assumptions. While awaiting to better assess the actual pace of the recovery, and without considering a second wave of contagion, we believe that our estimates broadly embed the current poor scenario and a slow healing in 2H20.

Estimates revision

In light of the 1Q20 results' release and the take-aways from the conference call, we assumed:

- An around 10% decrease in 2020E rental revenues vs. our previous estimate due to: 1) a malls' vacancy increase in both Italy (6%) and Romania (4%); 2) discounts to tenants worth EUR 16M and EUR 1.5M respectively, vs. 2019A; 3) variables sales' and free spaces' rents reduction in Italy totaling EUR 2M; and 4) an unchanged contribution from Italian hypermarkets. Our 2021-22E rental incomes declined as well, by an average of 6% vs. our previous expectations, driven by partial but still present discounts in 2021E and the shift of the Porta a Mare project from 2H20 to 2H21. We expect occupancy in Romania to recover to 97% in 2021, while in Italy we see a slight improvement (94.5% in 2021 and 95% in 2022) albeit below the 2019 level;
- Higher costs in 2020E deriving from the combined effect of: i) increasing direct costs for around EUR 5M due to the covering of condominium fees' by IGD in the place of tenants, as a result of the higher vacancy, and a receivables' provision increase; ii) EUR 0.5M personnel savings following the social safety nets usage during the health emergency; iii) cost of sales cancellation due to the assumed absence of residential properties sales in the year;
- A worsening in FV adjustments in 2020E to EUR -68M (vs. EUR -29M previously exp.), equal to a 2.5% write-down of our 2020E portfolio value plus leasehold rents;
- Higher financial charges in 2020E-21E due to the activation of the step-up clauses on the outstanding bonds and the underwriting of a EUR 38M low interest-rate 6-year bank loan under the Liquidity Decree, both starting from 3Q20;
- Lower DPS in 2020-22E set at the minimum required to maintain REIT or SIQ status in 2020E-21E and at 40% pay-out on FFO in 2022E vs. an around 65% pay-out previously assumed in the entire period.

Following our estimates revision, our EBITDA decreased by around 15% in 2020E and by an average of 7.6% in 2021E-22E, reflecting lower rental incomes and a slight worsening in total expenses, while net income adjusted dropped by avg. 23% in 2020E-22E as a result of the declining operating performance and higher financial charges. Moreover, we assumed a reduction in FFO by around 24% on average vs. our previous 2020E-22E expectations, entirely due to the operating income dynamic. Net debt, however, should slightly improve (as should LTV ratios) by 4-5% in the period thanks to capex remodulation, dividend reduction and operating expenses' optimisation.

Our new assumptions

IGD – Income statement: New vs. old estimates (2019A-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	95.9	101.2	106.8
Rental from hyper/supermarket	39.4	39.6	40.0	40.6	39.6	40.2	40.8
Rental revenues from Romania	9.9	8.5	9.4	9.5	10.1	10.2	10.3
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	147.7	153.8	158.9
Service revenues	6.4	6.3	6.4	6.5	6.3	6.4	6.5
Non-operating income (trading)	0.4	0.0	1.5	2.0	1.5	1.9	2.0
Total revenues	162.1	139.6	153.2	156.5	155.5	162.1	167.4
Cost of sold	-1.0	0.0	-1.5	-2.0	-2.4	-2.4	-2.0
Direct cost	-31.0	-36.3	-32.9	-30.5	-32.8	-31.6	-31.4
G&A expenses	-5.5	-5.5	-5.6	-5.7	-5.6	-5.7	-5.8
Total costs	-37.5	-41.9	-40.0	-38.1	-40.8	-39.7	-39.1
EBITDA	124.6	97.7	113.2	118.4	114.7	122.4	128.3
EBITDA margin (%)	76.9	70.0	73.9	75.6	73.7	75.5	76.6
Provisions	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
D&A	-1.4	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6
Write downs and FV	-72.8	-68.0	-17.0	-6.6	-29.0	-17.0	-6.6
EBIT	50.3	28.1	94.5	110.1	84.0	103.7	120.0
NFC	-36.8	-39.1	-43.3	-39.4	-37.2	-35.4	-31.2
Other operations/equity stakes)	0.0	0.0	0.0	0.0	0.1	0.1	0.1
EBT	13.6	-11.0	51.2	70.7	46.9	68.4	88.8
Taxes	-1.0	0.6	-1.0	-1.4	-0.9	-1.4	-1.8
Net income	12.6	-10.5	50.2	69.3	45.9	67.0	87.1
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group net income	12.6	-10.5	50.2	69.3	45.9	67.0	87.1
Group adj. Net income	76.4	48.5	58.2	66.9	65.8	74.9	84.5
EPS adj.	0.692	0.439	0.527	0.606	0.596	0.679	0.766
N. shares	110.3	110.3	110.3	110.3	110.3	110.3	110.3
DPS	0.23	0.14	0.16	0.25	0.403	0.459	0.519
FFO	83.3	50.1	59.9	68.6	68.5	78.0	88.0
FFO/Share	0.755	0.454	0.543	0.621	0.620	0.707	0.798
Net debt	1,163	1,145	1,114	1,063	1,189	1,160	1,124
LTV %	47.6	48.5	46.8	44.7	49.4	48.3	46.8

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

IGD – Estimates revision: New vs. old % change

	2020E	2021E	2022E
	New/Old %	New/Old %	New/Old %
Revenues	-9.8	-5.5	-6.8
EBITDA	-14.8	-7.5	-7.7
Net income	-122.8	-25.1	-20.5
Adj. net income	-26.4	-22.3	-20.9
FFO	-26.8	-23.2	-22.1
Adj. EPS	-26.4	-22.3	-20.9
Net debt/-cash	-3.7	-4.0	-5.4
DPS	-66.2	-64.6	-52.1

E: estimates; Source: Intesa Sanpaolo Research

IGD – Balance sheet (2019A-22E)

EUR M	2019A	2020E	2021E	2022E
Total non-current assets	2,377	2,308	2,327	2,328
Net working capital	18	36	21	21
Risk and provisions	-4	-4	-4	-4
Net employed capital	2,391	2,340	2,344	2,345
Shareholders' equities	1,211	1,175	1,210	1,262
Minorities	0	0	0	0
Total equity	1,211	1,175	1,210	1,262
Net liabilities for derivatives	17	20	20	20
Net debt	1,163	1,145	1,114	1,063
Total coverage	2,391	2,340	2,344	2,345

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

IGD – Cash flow statement (2019A-22E)

EUR M	2019A	2020E	2021E	2022E
Net debt - start of year	1108	1163	1145	1114
EBT	14	-11.0	51	71
Non-cash items	71	60.6	10	-1
Taxes	-2.0	0.6	-1	-1
FFO	83.3	50.1	59.9	68.6
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	10	37	60
Dividends	-55	-25	-15	-18
Capital increase	0	0	0	0
Other	-32	33	9	9
Cash flow for the year	-55	18	31	51
Net debt - end year	1163	1145	1114	1063

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

Valuation

We set a target price of EUR 4.1/share and we assign an ADD rating on the stock, given the approximate 18% upside, averaging our usual three valuation approaches, two of which are based on the company's future ability to generate a yield by a real estate portfolio of assets (DCF and DDM approaches), and the third one based on a multiples' methodology (P/NAV).

TP at EUR 4.1/sh; ADD rating

Our target price moved downwards due to: 1) our downwards estimates' revision; 2) a new WACC assumption of 5.7% (from 5.3% previously estimated), which moved upwards due to the change in the raw Beta (1x from 0.9x); 3) the reduction in the growth rate from 1% to 0.5%; and 4) the slight multiples de-rating, as P/NAV 2020 moved from 0.47x, priced at 25 March 2020, vs. the current 0.44x.

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	4.3	-60
Average TP	4.1	-61
Mkt price discount to NAV		-65
2020E NAV/sh		10.65

E: estimates; Source: Intesa Sanpaolo Research

DCF methodology

IGD - DCF valuation (2020E-25E)

EUR M,	2019A	2020E	2021E	2022E	2023E	2024E	2025E	Beyond
EBIT	50.3	28.1	94.5	110.1	114.3	116.5	125.4	
Taxes	-1.0	0.6	-1.0	-1.4	-1.5	-1.6	-1.8	
NOPAT	49.3	28.6	93.5	108.7	112.8	114.9	123.6	123.6
D&A and other non-cash items	74.3	69.6	18.7	8.3	8.3	8.3	5.9	-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	76.2	74.1	108.2	112.2	114.4	120.7	99.6
NPV FCF	65	72	66	92	90	87	87	
SUM DCF (2020E-25E)	494							
TV	1,929							
NPV TV	1,386							
SUM TV+DCF	1,880							
Net debt 2019A/Sever. & other funds	-1,196							
Equity	684							
Equity value (EUR/sh.)	6.2							

E: estimates; Source: Intesa Sanpaolo Research

DDM approach

IGD - DDM valuation (2020E-25E)

EUR M		2019A	2020E	2021E	2022E	2023E	2024E	2025E	Beyond
FCFE		55.2	25.2	15.0	18.0	27.4	37.0	42.4	42.4
COE	9.00%								
NPV FCFE		55.2	23.1	12.7	13.9	19.4	24.0	25.3	
SUM FCFE 2020E-25E	118								
Terminal Value (net of funds)	154								
NPV Terminal value	92								
Total FCFE	210								
FCFE/Sh. (EUR)	1.9								

E: estimates; Source: Intesa Sanpaolo Research

Multiples analysis

Peers Multiples

(x)	P/NAV 2019	P/NAV 2020	P/NAV 2021
IGD	0.31	0.35	0.36
Coima Res	0.53	0.51	0.50
Eurocommercial Properties NV	0.24	0.27	0.32
Unibail-Rodamco-Westfield SE Stapled	0.24	0.29	0.31
Klepierre SA	0.42	0.48	0.51
Mercialys SA	0.31	-	0.38
Wereldhave N.V.	0.20	0.25	0.34
MERLIN Properties SOCIMI, S.A.	0.46	0.49	0.49
Covivio SA	0.51	0.51	0.50
Gecina SA	0.63	0.63	0.61
Icade SA	0.66	0.66	0.63
AVERAGE	0.41	0.44	0.45

Priced at market close on 18/5/2020; Source: FactSet

IGD – Peers' multiples valuation

EUR/share	P/NAV 2020 (x)	2020E NAV (EUR M)	NAV/sh.
Peers' P/NAV average 2020 (Factset)	0.44	1,175	4.7
Holding cost/sh.	0.44		-0.4
Implied TP			4.3

E: estimates; Source: Intesa Sanpaolo Research

IGD – Key Data

Rating ADD	Target price (EUR/sh) Ord 4.1	Mkt price (EUR/sh) Ord 3.46			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	381.80	381.80	381.80
Adj. EPS	0.696	0.692	0.439	0.527	0.606
CFPS	0.14	-0.56	-0.73	0.29	0.55
BVPS	11.51	11.13	10.83	11.15	11.62
NAVPS	11.35	10.97	10.65	10.97	11.43
Dividend ord	0.500	0.228	0.136	0.163	0.249
Average Price	7.1	6.0	3.5	3.5	3.5
Income statement (EUR M)	2018A	2019A	2020E	2021E	2022E
Revenues	162.5	162.1	139.6	153.2	156.5
EBITDA	112.6	124.6	97.71	113.2	118.4
EBIT	81.20	50.30	28.08	94.51	110.1
Pre-tax income	48.65	13.60	-11.04	51.22	70.66
Net income	46.40	12.60	-10.49	50.20	69.25
EPRA earnings	76.80	76.40	48.47	58.20	66.87
Cash flow (EUR M)	2018A	2019A	2020E	2021E	2022E
Net income before minorities	46.4	12.6	-10.5	50.2	69.3
Depreciation and provisions	31.4	74.3	69.6	18.7	8.3
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	40.4	84.8	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	18.5	46.8	70.2
Dividends	-55.2	-55.2	-25.2	-15.0	-18.0
Equity changes & other nn op item	-0.4	-4.6	-8.4	-10.0	-10.4
Net cash flow	-48.7	-54.5	18.1	30.9	50.9
Balance sheet (EUR M)	2018A	2019A	2020E	2021E	2022E
Total fixed assets	2,383.6	2,405.8	2,358.2	2,377.7	2,378.2
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	2,340.1	2,344.4	2,344.8
Net debt/-cash	1,108.3	1,162.9	1,144.8	1,113.9	1,063.0
Minorities	0	0	0	0	0
Net equity	1,269.8	1,228.4	1,195.3	1,230.5	1,281.8
Stock market ratios (x)	2018A	2019A	2020E	2021E	2022E
Adj. P/E	10.2	8.7	7.9	6.6	5.7
P/CFPS	52.3	-10.8	-4.8	12.1	6.3
P/BVPS	0.62	0.54	0.32	0.31	0.30
P/NAVPS	0.30	0.32	0.32	0.32	0.30
Payout (%)	119	200	-143	36	40
Dividend yield (% ord)	7.1	3.8	3.9	4.7	7.2
FCF yield (%)	-14.0	5.6	4.9	12.3	18.4
LTV (%)	45.8	47.6	48.5	46.8	44.7
D/EBIT	13.6	23.1	40.8	11.8	9.7
Profitability & financial ratios (%)	2018A	2019A	2020E	2021E	2022E
EBITDA margin	69.3	76.9	70.0	73.9	75.6
EBIT margin	50.0	31.0	20.1	61.7	70.3
Tax rate	NM	NM	NM	NM	NM
Net income margin	28.6	7.8	-7.5	32.8	44.2
ROCE	3.4	2.1	1.2	4.0	4.7
ROE	3.9	1.0	-0.9	4.1	5.5
Interest cover	-2.5	-1.3	-0.7	-2.2	-2.8
Debt/equity ratio	87.3	94.7	95.8	90.5	82.9
Growth (%)		2019A	2020E	2021E	2022E
Sales		-0.2	-13.9	9.8	2.2
EBITDA		10.7	-21.6	15.8	4.6
EBIT		-38.1	-44.2	NM	16.5
Pre-tax income		-72.0	NM	NM	38.0
EPRA earnings		76.4	48.5	58.2	66.9
NAV data	2018A	2019A	2020E	2021E	2022E
Properties and other assets MV	2,383.6	2,405.8	2,358.2	2,377.7	2,378.2
NAV	1,252.4	1,211.0	1,175.3	1,210.5	1,261.8

NM: not meaningful; NA: not available; Neg.: negative; 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/superstores (with a surface area averaging 4,500-10,000 sm and 3,000-4,500 respectively) and shopping malls (60/70 shops each on average). 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.

Key data

Mkt price (EUR)	3.46	Free float (%)	46.7
No. of shares	110.3	Major shr	Coop Alleanza 3.0
52Wk range (EUR)	6.44/3.22	(%)	40.9
Reuters	IGD.MI	Bloomberg	IGD IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	-3.4	-1M	-5.1
-3M	-45.5	-3M	-21.6
-12M	-44.4	-12M	-32.7

Key Risks

Company specific risks:

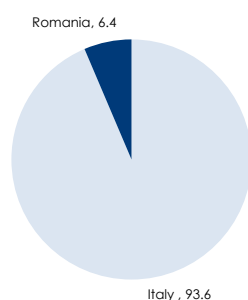
- The company's high domestic exposure, with a strong correlation to Italian country risk;
- The rising interest rates to affect cost of debt on new financing;
- The exposure to the retail business to affect top line in a slow down of GDP
- Covid-19 health emergency perduration

Sector generic risks:

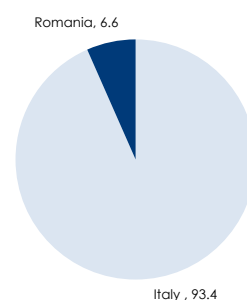
Estimates vs. consensus

EUR M (Y/E Dec)	2019A	2020E	2020C	2021E	2021C	2022E	2022C
Sales	162.1	139.6	151.3	153.2	158.6	156.5	165.0
EBITDA	124.6	97.71	111.4	113.2	116.5	118.4	122.0
EBIT	50.30	28.08	91.00	94.51	108.5	110.1	116.0
Pre-tax income	13.60	-11.04	NA	51.22	NA	70.66	NA
EPRA Earnings	76.40	48.47	NA	58.20	NA	66.87	NA
EPRA EPS (€)	0.69	0.44	0.44	0.53	0.62	0.61	0.71

Sales breakdown by asset (%)



GAV breakdown by asset (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 18/05/2020)

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.

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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
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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

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

Date	Rating	TP (EUR)	Mkt Price (EUR)
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
07-Aug-19	BUY	9.1	5.5

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

Number of companies considered: 103	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	58	21	19	1	0
of which Intesa Sanpaolo's Clients (%) (*)	82	59	50	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

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Short-term rating	Definition
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